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

## PRESENTATION

**Operator**

Welcome, ladies and gentlemen, to the Bird Construction First Quarter 2019 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 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 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. - President, CEO & Director*

Thank you, good morning everyone. Thank you for participating in our first quarter 2019 conference call. Co-presenting with me today is Wayne Gingrich, our CFO. Financial results from the first quarter 2019 were impacted by several headwinds resulting in a net loss of $6.5 million, which is effectively the same from a year-over-year perspective. Revenue in the quarter was $261.8 million and was $32.6 million lower than in the same period in 2018 which is a contributor to the lower than anticipated results. Volume and gross profit were negatively impacted in the first quarter in part due to harsher than expected winter conditions experienced in Central Canada that impacted productivity and resulted in some of the work program commencing later than initially planned.

The first quarter results in 2019 were also impacted by P3 project that incurred additional cost due to design related scope growth and acceleration expanse to meet the scheduled substantial completion date. There were substantial changes to the scope of the project requested by the client that are currently under commercial negotiation. The project is being executed by an office that was previously disclosed as having performance issues that have now been restructured. Adjusted EBITDA, which excludes $1.9 million of severance cost partially attributable to the restructuring of the underperforming office with a $3.1 million loss in the first quarter of 2019 compared to a $5.2 million loss in 2018. Despite the challenges to start the year in 2019, we are encouraged by the growth of the amount of awarded but not yet contracted projects, many of which are in preconstruction and in the delivery model that supports a balance and risk profile for our overall work program. Toward the end of the first quarter, the company successfully mobilized onto the Cedar Valley Lodge project and construction is proceeding as expected. Through the execution of our strategy, we believe the company will achieve a more balanced contribution from all sectors as we make progress reestablishing our earnings base. In 2019, the company secured $248.9 million of new contract awards and change orders and executed $261.8 million of construction revenues. The new contract awards in the first quarter contributed to a backlog of $1.3 billion for the company at March 31, 2019; essentially flat with backlog recorded at December 31, 2018.

Subsequent to quarter end, the east/west connectors consortium achieved financial close and entered into a project agreement to design, build and finance the Confederation Line extension project in Ottawa, Ontario. The company, as a lead partner of the joint venture, will enter into the contract with the design builder to lead the construction in 16 light rail transit stations and one light maintenance and storage facility as part of the project.

Due to the nature of the preferred subcontract arrangement between Bird and the design builder, the contract is not expected to be finalized and executed until 2020, further advancement of the design, although Bird will begin working on the project immediately. At yesterday's board of directors meeting, the board declared monthly eligible dividends of $3.25 per common share for May, June and July of 2019. Wayne will now take us through the financial performance for the quarter compared with the prior year.

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

Three months ended March 31, 2019 compared with three months ended March 31, 2018. During the first quarter of 2019 the company recorded a net loss of $6.5 million on construction revenue of $261.8 million. Compared with a net loss of $6.4 million on $294.4 million of construction revenue in 2018. The net loss in the first quarter of 2019 was, in part, driven by lower volumes in the work programs due to harsher than expected winter conditions experienced in Central Canada that impacted productivity and resulted in some of the work programs, commencing later than initially planned.

The company's 2019 first quarter gross profit of $6.3 million was $0.8 million or 11.2% lower than the $7.1 million recorded a year ago. The decrease in the amount of first quarter 2019 gross profit is driven by the lower quarterly construction revenues year-over-year. The company's first quarter 2019 gross profit percentage of 2.4% was flat compared with the gross profit percentage recorded a year ago. In the first quarter of 2019, there was one P3 project that is being led by an office that was previously disclosed as having performance issues that incurred additional cost due to design related scope growth and acceleration expense to meet the scheduled substantial completion date.

There were substantial changes to the scope of the project requested by the client that are currently under commercial negotiation. Comparatively, the first quarter of 2018 was impacted by a P3 project that achieved substantial completion late in the third quarter of 2018. And while the company incurred additional escalation costs and financing costs from lenders, the company was more significantly impacted by the adoption of IFRS 15, revenue from contracts with customers and the change in treatment of variable consideration. Commercial negotiations are ongoing related to that project. Income from equity accounted investments in the first quarter of 2019 was $0.7 million compared with $0.2 million in the same period of 2018. The income in the first quarter of 2019 was primarily driven by the margin from non-concession equity accounted entities.

In the first quarter of 2019, general and administration expenses of $15 million were $0.6 million lower than the $15.6 million in the comparable period a year ago. During the first quarter, the company had minimal third-party pursuit costs which were $1.4 million lower than the amount recorded in 2018. Offsetting this positive variance was the lower foreign exchange gain of $0.4 million. Compensation expense was $0.6 million higher than the amount recorded a year ago, primarily due to the $1.9 million of severance cost incurred. The severance cost was partially attributable to the restructuring of the previously identified underperforming office which was in part, offset, by a gain recorded in the total return swap program resulting from the increase in the company's share price.

Finance income of $0.6 million in the first quarter of 2019 was $0.3 million higher than the $0.3 million recorded in the same period of 2018. Finance, and other costs of $1.5 million were $0.5 million higher than the $0.9 million recorded in the first quarter of 2018. The increase was due to 0.4 million higher loss, year-over-year on the market-to-market of interest rate swaps which will reverse back to income through the life of the derivative tied to project completion. In addition, interest costs were higher associated with increased loans and borrowings and higher interest rates and interest cost recognized upon adoption of IFRS 16.

In the first quarter of 2019, income tax recovery was $2.4 million which is comparable to the first quarter of 2018. I will turn the call back over to Ian to comment on the outlook for the company in fiscal 2019.

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

Thanks Wayne. At March 31, 2019 the company had greater than $225 million in projects that have been awarded or in which the company has been named as the primary negotiation proponent that have yet to be contracted. The most significant is the Advanced Nuclear Materials Research Center for Canadian Nuclear Laboratories located in Chalk River, Ontario. The project expected to be contracted in the third quarter of 2019 following the completion of the validation phase.

In addition, the company is in preconstruction phase for over $200 million in institutional projects in British Columbia that are anticipated to proceed to construction by the third quarter of the year although only a small fraction of that number will be included in backlog due to the agency nature of the construction management contract delivery model.

The company has a higher than normal level of preconstruction activities broadly ongoing that have yet to convert into contracts and while it strengthens the longer-term outlook, the opportunity cost impacts shorter-term results primarily due to the allocation of key resources to projects that are not yet generating gross profits.

Subsequent to quarter end, the east/west connectors consortium achieved financial close and entered into a project agreement to design, build and finance the Confederation Line extension project in Ottawa, Ontario.

Due to the nature of the preferred subcontract arrangement between Bird and the design builder, the contract is not expected to be finalized and executed until 2020, following the further advancement of the design. However, the company will immediately allocate resources to the project to support design development and work on preconstruction activities.

This project will increase the company's value of awarded but not contracted opportunities to approximately $600 million as of May 7, 2019. With respect to the P3 market, the pipeline of projects remains healthy with a mix of opportunities primarily comprised of larger scale transportation projects and relatively smaller scale environmental projects. As of March 31, 2019 the company, in a preferred subcontract arrangement to a consortium was an active pursuit of an LRT project that is expected to be submitted in the second quarter of 2019 and was short-listed for two smaller environmental projects that are waiting their request for proposals; although timing remains uncertain.

The company also submitted responses for two requests for qualifications and was active in responding to one other. The award of any of these project opportunities will primarily benefit in 2020 and beyond. In terms of ongoing projects, the company experienced additional costs in the first quarter related to a challenging project in the previously disclosed underperforming office. There is risk that this project could experience additional margin erosion in the year which could weigh on overall results. The project is scheduled to achieve substantial completion in 2019.

Despite the setback, the company expects to have a work program in 2019 that is more balanced and diversified than it has been in the past several years; supporting progress towards higher levels of profitability and growth. Management expects to see work on the Cedar Valley Lodge to continue to ramp up through the second quarter and start to contribute -- although meaningful contribution for this project will not happen until the third quarter and the project is at full production.

The company expects to see an improvement in earnings attributable to its higher margin self-perform industrial work program through the year and anticipates more broadly a double digit year-over-year revenue growth in 2019. Due to the combination of timing of bids, and generally the smaller scale of projects anticipated to be in active pursuit in 2019, the company expects third-party pursuit costs to return to more modest levels; taking into consideration the company's first quarter results, the current backlog and the pending conversions of awarded projects in the backlog. The company expects to ramp up to its historical earnings in the range of $25 million will be delayed into 2020.

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.

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## QUESTIONS AND ANSWERS

**Operator**

We will now begin the question and answer session. (Operator Instructions) And our first question comes from Michael Tupholme with TD Securities.

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

Are you able to provide any additional information in terms of trying to quantify the extent of the impact from the additional cost on the P3 project that -- the issues in the quarter?

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

No I wouldn't want to -- I wouldn't want to sort of quantify it as much to say as you can kind of prioritize what were the impacts in the quarter and we've identified, obviously, the severance costs as being $1.9 million and so that was an impact to the quarter. If you sort of rank the three primary contributors to the performance in the quarter, you could say, you know, the revenue side of things impacted by weather was the primary contributor to the quarter with the project being secondary and then the severance being, I guess, the third factor that -- or significant factor, material factor, that would have impacted our quarter. Just to give you a sense of it.

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

Okay, but -- so in terms of quarter magnitude, so we know the severance number you're saying in dollar terms at the EBITDA line that is the lowest amount in terms of the --

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

Yeah, if you looked at the three factors, that is the lowest amount. Yeah. Yes, that's correct.

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

You've excluded that from the adjusted number?

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

Correct, yeah. Yeah, in terms of [talking], I was thinking more in terms of sort of the net income impact as opposed to the EBITDA impact. As you've noted, the adjusted EBITDA number that we've identified there is excluding the $1.9 million in severance costs.

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

Okay. And so with regards to this P3 project that had issues, it sounds like you indicated that there's still some risk of potentially additional costs as you go through the year. Is there anyway to try to frame that risk and just talk about what stage the project is at, when it's supposed to be completed and, you know, and I guess level of confidence that there won't be further issues versus sort of an expectation that it's likely that there will be?

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

Yes, I guess I can put it -- I mean, the actual project in and of itself is actually in a little bit of flux relative to schedule although we're confident it will be done in 2019 and part of the uncertainty relative to schedule is simply that there is a significant scope change that's been introduced to the project by the client that we're still trying to work through from a commercial negotiation standpoint. So, certainly it will be done based on even incorporating that significant scope change within 2019 as we currently look at it. So from that standpoint, the timing is more certain in the sense that it definitely will be in this year.

In terms of the overall, obviously we have done our cost forecasting associated with the project and believe we've made the proper provisions for what we have experienced to-date. The project, you know, is roughly in that 24-month timeframe so to give you some sense it's going to finish in 2019, so it's been ongoing for the better part of a year or more in terms of our ongoing execution. We'll give you some sense of kind of where we're at with the stage of construction in terms of actual percent complete.

I would say that there's some -- you know, we've said that part of the issues that we're dealing with, in fact the significant part is really design related and P3 is being design build, ultimately what we're dealing with is these design related issues and while we may have some recourse through errors in [admissions] and other ways that we can deal with some of the issues that we've encountered, that process will take a signification period of time based on our own experience to be able to go through something like if you were to pursue errors and [admissions insurance] and then associated with that is, you know, from an accounting standpoint certainly the requirement in terms of certainty of recovery is a higher standard than normal.

So, ultimately it will be a time period. So we haven't made any recovery associated with any design or design (inaudible). We've actually made the provisions to account for it as we've currently constructed our financials on that project and if there was a benefit in the future, with error and admissions or another methodology, it will be a timing difference more so than anything else. And that will be beyond 2019, again, based on our experience.

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

Okay, so in your outlook you've indicated that to get it to the $25 million of earnings amount that you had previously been targeting for 2019 will be delayed into 2020. Is that purely a function of the issues you encountered in Q1 that you've talked about, or has anything else changed with your outlook over the fall -- the subsequent three quarters for 2019, Q2 through Q4?

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

No, I would say it is largely based on what has transpired in our first quarter versus what we anticipated to transpire. And so that is probably the most significant factor. I would say the other factor is just simply timing of our -- not contracted work program and so some of them we have a better sense of so we just -- from Advanced Materials Research Center so the project for CNL, we believe that it will be somewhere in the Q3 range but there is, you know, there's no guarantee that it's Q3, could it slip to Q4, something of that nature, that certainly had an impact. If you look at the preconstruction activities we're doing for institutional projects in British Columbia, again, our anticipation is that by Q3 that we will be into construction for those projects. Timing always comes into play with respect to those awarded but not yet contracted.

Certainly the Confederation Line extension we anticipate just based on the way that we've structured that contract to be preferred subcontractor, not responsible for the design. We'll see that design develop over the course of 2019 and won't contract until 2020. So that hasn't factored into what we're -- for our outlook, I guess, for -- or the way that we've given our guidance. So to answer your question, I think the two factors, you know, with respect to the guidance is Q1 results versus what was anticipated timing and the second factor is the timing of awarded but not contracted coming into backlog and starting construction activities.

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

And just lastly for me, if you sort of build on all of that, and I know you never gave previously provided 2020 guidance, but if we're looking out to 2020 is there anything that's changed as far as the 2020 outlook? Everything that you just talked about sounds like it's more of a 2019 issue and/or timing in 2019. Is that fair to say?

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

Yeah, I think it's fair to say, and with respect to what -- my answer just -- that I just gave you relative to kind of how you look at our guidance that we've provided and the factors that have, I'll call it, shifted our guidance to be -- towards 2020 versus 2019. I would say, if anything, our outlook with respect to 2020 probably strengthened with respect, you get Confederation Line extension, that appears to be, you know, in that zone where we're going to be able to contract that in 2020 and you will get some work done in 2020, although that schedule is certainly still being refined and certainly is a significant project. So, when you look at it, I would say that we're still, you know, we believe that we've worked very hard on project selection and trying to balance risk profile as well as trying to diversify our work program to ensure that we have contributions from all sectors. And when you look at it, even from a Cedar Valley Lodge standpoint in our industrial work program, that's the largest capital project in Canadian history as we ramp up there through 2019, that project will go through all of 2020 and finish into early 2021 based on the schedule like -- I see additional opportunities at LNG, as is natural when you're in early on one of those project sites and that's been our experience. So, again, we don't feel any different. We feel as though we are building our work program to be very strong as we move forward with the right balance of risk/reward in it.

So if anything, we're certainly feeling strong about the outlook. This is an unfortunate first quarter but, in my mind, it tends to be more about timing of the way we've built our backlog to actually come to fruition here that's positive. That's the good news story in my mind.

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

Okay, thank you.

**Operator**

Our next question comes from Maxim Sytchev with National Bank Financial. Please go ahead.

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

I just wanted to follow-up a little bit on the outlook on net income and should I be interpreting that this is kind of a target for 2020 as the exit rate or you're pushing out the profitability target that you were aiming for kind of three to six months out? I'm just trying to get the timing right in terms of what exactly you're [telegraphing]?

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

Yeah, the intention of the guideline was what was your latter explanation. So, just pushing it out the three to six months in terms of what we anticipate. So, you know, if was -- just to give you some timeline, so if indeed you say Q1, and I'll call -- set it aside from the standpoint of our guideline and believe that between Q2 and Q3 you start to see what we anticipated we would see when we gave that initial guidance. It has essentially moved out. So, if it's Q2, Q3, Q4 or Q1 next year or it's Q3, Q4 2019 and Q1, Q2 2020, then ultimately that ramps up to that historical $25 million range in terms of the earnings. And then from our standpoint is we're in a more consistent sort of [zone] and have worked themselves through, I'll call it this underperforming office and restructuring.

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

All right, okay. That's very helpful. Another question I have is, I guess, a bit more of a general kind of takeaway given what transpired over the last, let's call it, 15 months. Obviously there was a product mix where less industrial work, higher margins. I mean, that negatively impacted you but just from a performance perspective. Can you maybe talk about the initiatives that you're implementing on kind of risk mitigation, bidding practices, just to make sure that we have less -- these types of surprises kind of what I'm going for, [see what's] possible?

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

Yeah, that's a good question. What have we done? We have, I think, made sure that we're paying significantly more attention to, I would say, risk profile and balance risk profile and I would also say risk reward on our project selection. So when we look at it, you know, for instance, you know, Confederation Line extension actually is a good example of this. So we've arranged to be a preferred subcontractor arrangement where we don't have responsibility for design but we're part of the team and we're going to bring our construction experience and we're going to use that design development experience in pre-construction activities to be able to make that project successful for the overall consortium in our role but we also have been very conscientious not to take joint in several risks on the size of the project in which we're going to be a minority partner in that, in the sense of just the work that we're going to do is going to be significantly less in terms of overall value than the overall project.

And so we've avoided joining several risks by being preferred subcontractor. We've also, in that instance, not taken on design risk associated with it. So then you start to see a more balanced risk profile with respect to that type of project. So that's a good example of what we're trying to do with our work program. If you look even in BC we're doing some more construction management and part of that's driven by the marketplace in and of itself. Part of that is driven by where are we seeing our opportunities and what's the risk balance that we wanted at any one given time of what we call higher risk work which is obviously P3 being essentially the highest risk work we have and then design build, maybe a notch below that and then you have stipulated sum and then in the medium zone and then you have construction management or cost plus in that lower risk. So we're trying to pay more attention to the risk mix of our work program and trying to make sure that not only do we have contribution, which to your point, our industrial work program has impacted in the last, call it 15 months, it's probably more in the last 24 to 36 months in terms of new opportunities for sure that we [haven't] seen and [saying that we would] have seen in the past, so that's a factor in our overall results. But as we move forward, it's not just contributions from all of those sectors, it's also the risk mix that we have in our work program and I would say on a go-forward basis, we've got a much different risk profile, it's much more balanced, I would argue.

So that's been a big focus for us on a go-forward basis and trying to make sure that we are not only getting contributions and diversified contributions from all our work programs, but also what's the balance of risk in our overall work program and making sure that that actually risk results in, I'll call it the reward profile that we wanted in those projects. So that has been a work in progress really for the extension of the -- our strategic plan that really kicked into place in 2017. And we're seeing benefit of that. You know, we've gone through a rough stretch here and -- but we see how the hard work that we've done in the last 18 to 24 months is now paying off in a work program that is, I would say, achieving what we set out to achieve.

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

Good, and then in terms of -- you believe that there's enough of those types of contracts/arrangements that do meet your appropriate risk profile? I just want to make sure that --

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

Yeah, I think there are. Like if you look at the LRT projects, in both instances where preferred subcontractor arrangements. So, from that standpoint, you look at -- and as we get more transportation resume, I think that's a viable strategy. So from -- I don't believe that, for instance, we need partnering in that transportation strategy but I don't believe partners are expecting necessarily a, you know, the vertical contractor to necessarily have joint and several risks when obviously their work program is much smaller in the overall scheme of those projects. So I think that is a viable strategy and we'll pursue that strategy on a go-forward basis as it becomes available but we'll be selective in what we do. You know, if you look at our P3 programs and the environmental side of things, the environmental projects tend to be a little bit smaller, I'll say, in terms of overall size and so that becomes more attractive in the sense that that is a manageable sized project with a manageable sized risk profile that we pursue in those. So I think that that's certainly viable.

And then we're going to be selective in our social infrastructure, P3's. The reality is social infrastructure P3's have been a little less plentiful in terms of opportunities over the course of the last 12 months and part of that's just driven by changes in government. So you have in BC that they've gone away from a P3 work program and more into a deign build and even with that, they've obviously shifted priorities so if that takes time to realize, okay, what is the new work program and the priorities of that government and how is that going to manifest itself in opportunities; same thing happened in Ontario where the two primary -- when you look at the two primary areas where we would have P3 opportunities, Ontario and British Columbia both have experienced government changes which then change priorities. And Ontario, to this point, and although I think we're now on -- expecting that we'll get priorities here very shortly from the Ontario government, but we'll still be selective in terms of what we do with respect to that.

And if you look at our other parts of our business, on the industrial side of things, we're seeing more and more opportunities on a nuclear, you know, Ontario, and that's a manageable risk profile in the sense that we are starting outside the fence and as we gain more experience and we understand those clients better and as we enhance our team, as we move forward, we'll continue to get additional opportunities that will present themselves with either an OPG or a Canadian Nuclear Laboratories or obviously Bruce Power that we've already done two projects and are still executing on a third project.

So when you look at it, we're continuing to have the approach to our work program and I think there are enough opportunities to have that as a sound strategy that will also result in, I'll call it, what we would normally see as more consistent results of our organization.

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

Okay, that's helpful. And last question for Wayne, if I may, just in terms of -- I mean, typically we see this (inaudible) from a non-cash working capital perspective in Q1, just -- is there anything particular that we should be aware of for the remainder of the year or should we expect a typical seasonal pattern on that front?

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

I expect a typical partner. There's nothing unusual that's going to occur. I mean, maybe the one thing that we will see is with the higher level of industrial work program you may see more investment going into working capital. You know, but that would be a timing issue and at this point we're still expecting late Q3 and Q4 to be strong in terms of cash generation.

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

Okay, that's it for me. Thank you.

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**Operator**

The next question comes from Frederic Bastaine with Raymond James.

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**Frederic Bastien** - *Raymond James Ltd., Research Division - MD & Equity Research Analyst*

Good morning guys. We were well into Q1 when you hosted your last conference call. So I'm a bit surprised by the extent of the earnings disappointment. When did it become obvious that the weather and the scope changes would materially impact results?

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

Yeah, the scope change was actually fairly recently in terms of the overall scheme of the P3 project and that's a factor in it. One of the challenges with respect to design and design related issues on these projects is that at any point in time you can determine that you are either, you know, missing a design element or there needs to be design changes and that's a little bit harder to judge when those happen and so from that standpoint it becomes, you know, at the time that you become aware of it, then obviously you make the provision and you start a deal with the most efficient way to manage that design issue whether that be something that was actually missed from the requirements or whether that would be that the design is actually not going to work as well as you thought it was going [field] when it actually comes to actually execution. So there's the design element, the P3 element is a little bit harder and certainly the scope change became more apparent in the course of the first quarter in the sort of size and sort of impact that scope change may have.

And, again, we still have an ability to be able to obviously go through commercial negotiations on how that impacts the overall schedules so we'll continue to do that. You know, it comes to the weather, it wasn't -- like what we ran into, I would say it's actually sort of at the end of -- I think it's more the end of February into the March timeframe in which we anticipated that we wouldn't see quite the weather that we actually experienced. And what happened was is that you ultimately had particularly in, Central Canada, we had some of our more self-perform work operations ongoing. We had significant periods of time in which we were working, just not as productively and we certainly were spending much more time on winter heat and winter conditions and I would say that was in the March timeframe and I think the impact of it wasn't as appreciated at that point in time certainly than perhaps obviously that we expected.

And it got to the point where you had certain projects there where if we're self-performing scopes of work, we're literally rotating guys in on 15 minute shifts because it's so cold. You can imagine what that does to productivity and/or your ability to get something done. In normal course, you know, we might be in a position where we say okay, we just don't work in those operations and therefore we can actually delay and then come back when the weather is better but in this instance we had scheduled completion dates that needed to be met and we take those seriously with our clients and so we did what we needed to do through that time period and ultimately it ended up being higher expense associated with it and so that was a large impact to us.

And there's other instances where we thought we were going to get started on work programs a little bit earlier in the year, maybe that was optimistic thinking but I don't -- based on past experience, like I said, we would have got it started, more work, in March. And a good example of that is for instance, OPP. So in OPP, which we have nine stations, we actually started one of those stations by design and we get that ahead so we don't have issues on the other eight stations so we kind of use that as the model to make sure that the design and construction and methodology is working the way we want and then repeat for another eight. We didn't start eight of those and we anticipated we would start eight of those in March and would have some productive days in March in revenue and cost generation through the course of March and not just in the -- really starting that in April once we get a time period which made sense to us. So we actually avoided the winter cost of OPP, you know, through the course of the winter by design as we advanced our design but just anticipated we get a chance to start it earlier than we actually did.

**Frederic Bastien** - *Raymond James Ltd., Research Division - MD & Equity Research Analyst*

All right, that's helpful Ian. Wayne, just wondering what the incremental depreciation interest expense do you expect to incur as a result of IFRS 16 on an annual run rate? Do you have those numbers handy?

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

Yeah, on an annual basis I'd expect it to be in the $3 million range, maybe $3 million to $3.5 million on [land].

**Frederic Bastien** - *Raymond James Ltd., Research Division - MD & Equity Research Analyst*

And matching, I guess, interest expense and depreciation?

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

Interest expense would be lower. I think in Q1 we have it disclosed in one of our notes here, it's about $220,000 and the remainder would be depreciation.

**Frederic Bastien** - *Raymond James Ltd., Research Division - MD & Equity Research Analyst*

Okay, all right. Thanks for that.

**Operator**

There are no further questions at this time. I will now hand the call back over to Mr. Boyd for closing remarks.

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

Thank you for participating in Bird Constructions 2019 first quarter conference call. As always we are available if additional information is required so please do not hesitate to get in touch with us. 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.