The Perfect Storm: Navigating through the Turbulence of Risk and Change

The turbulence of the current extraordinary business environment demands leaders with exceptional perceptions. Navigating a perfect storm requires time, actionable insights beyond conventional wisdom. This year’s conference will heighten the amplification of risk and change in useful projects and provide tools and strategies to navigate today’s industry demands.

Keynotes Will Include:

Jeffrey Garten: Professor — Yale School of Management & Former Undersecretary of Commerce — Jeffery C. Garten’s vast credentials, reputation and experiences have made him one of New York business expert among finance, the crossroads of commerce and foreign policy. Among the list of his achievements is over 20 years as managing director of the strategy and economics team in New York, where he provided strategic consulting for the U.S. government.

John Hofmeister is the retired President of Shell Oil Company and the Founder and CEO of Citizens for Affordable Energy. This Washington, D.C. registered, public policy advocacy firm exists to promote sound U.S. energy security solutions for the nation, including a range of affordable energy options. It’s mission is reflective of long term, sustainable, environmentally sound energy policies.

Rick Karlgaard — Publisher, Forbes and Author, Life 2.0 — Karlgaard understands firsthand the difficulties of navigating in today’s business climate and the opportunities available to those who have the experience and perspective to see in new ways.

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Sessions Will Include:

Session 1: Storm, Different Ship: Will Donners Plan a New Course? — We are navigating through today’s market forces; however, the journey forward and course viewers will be different. While project success is defined by timeline, safety and cost, the foundation of a new ship can be found in industry, certainly not in one run or the other. Infrastructure, resources and investments, continued focus on project development will help old(lag) and sustainability. In the sessions, leaders from Shell Oil, BP, and others share their stories of success and future plans.

Session 2: Same Storm: Different Ship: How Will Contractors Respond to the Winds of Change? — Contractors have different considerations when addressing the current market situation. The contractor’s success is based on people and technologies and the reputation for their work. At the conference, contractors are expected to address how they are responding to the turbulent market.

Session 3: Thought Leadership: Risk and Change — The E&C industry is faced with a heavy burden in preparing to navigate the challenges of the perfect storm. What is the latest and best thinking from the business community about the management of risk and change? The change on the basis of the industry’s demonstrated business success will provide an overview of profitable current/next year.

ECC Sponsorship Opportunities

Thanks to all the organizations who have already committed to be corporate & event sponsors for this year’s conference, because of the support, we have gotten off to a great start in clearing what will be an essential and valuable event. Sponsor commitment allows the E&C to continually improve the annual conference as you will see in Austin this year. If you are interested in becoming a corporate or event sponsor for this year’s Annual Conference, contact Lisa Deisher at lisa.deisher@ececconference.org or Ed Edghill at ed.edghill@ececconference.org. For sponsorship information, contact Tara Villar at tvillar@eventsincgroup.com or 713-377-1800.

And a special thank you to our 2008 sponsors who helped to make the 40th Annual Conference a record breaking event!
Executive Summary

We believe the combination of structural commodity underinvestment, aggressive government policy actions to combat global deficits and economic recession, longer-term commodity and energy requirements of emerging economies and constrained high levels of regulatory and environmental constraints should allow global engineering and construction services providers the ability to target contract backlog growth into the next decade. The low fixed-cost, high salary employee intensive business model platform and assured management margins on project risk mitigates overall dependence and allows contractable projects to maintain earnings visibility. Our well positioned, well-capitalized engineering and construction firms can mitigate the potential operating margin and near-term order pressures that this methodology requires.

Summary from our 2008 ECC Conference Speaker, Michael Dudas, Jefferies & Co.

The ECC is pleased to present the following Market Update Industry Update with Mike Dudas, Jefferies & Co.

The underinvestment in productive capacity, infrastructure and resources associated with the loss of the post-1980s leverage a more robust capital investment cycle during the next six years in energy, power, mining, and infrastructure. While clients adjust to the sharp realignment in global aggregate demand we see low commodity and business expectations have shifted dramatically, we would expect actual client capital investment to resume once commodity, power, and energy procurement economics normalize. However, higher risk-adjusted hurdle rates of return on capital investments may keep some marginal projects off the board.

EXHIBIT 1:

Reuters/Jefferies CBI Index VS. E&G Equity Index (2000-2008)

E&C Firm revenues by

Executive Summary

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Our investment thesis would be that the overvalued demand for engineering contractors driven by credit and commodity price expectations have failed to align with a more balanced profit and revenue profile. Current backlogs appear supported by shortening cycle times for funding secured contracts (federal, state, local) and continued emphasis on environmental regulatory policies in developed economies. We expect the global central banks to reflate efforts to reflate should eventually aid in economic recovery and contribute to a more balanced commodity and industrial companies flow maximizing decisions made by global contractors. We note financial profiles are quite strong and has cooled to allow a more balanced sector funded contracts (federal, state, local) and continued emphasis on environmental regulatory policies in developed economies.

Long-Term Commodity/Energy Structural Deficits to Drive Business.

The underinvestment of the 1980s and structural deficits to drive business.

E&C companies with a more diverse end market offering should better weather the current marketplace. We note financial profiles are quite strong from most global contractors.

What are their key points?

- Risks: Our investment thesis would be at risk if a longer than expected period at risk if a longer than expected period and deferred capital investment trend during the past six years. We expect client capital investment to resume as prices and economies to normalize, but with higher return requirements.

- Long-Term Commodity/Energy Structural Deficits to Drive Business.

Given the uncertainty surrounding near-term client capital budgets, we believe E&C companies with a more diverse product and end market offering should better weather the current marketplace. We note financial profiles are quite strong from most global contractors.

- End Market Diversity and Balance Sheet Provide Competitive Advantages.

Given the uncertain, structurally weaker economic condition and the subsequent generally lower level of private sector client capital budgets, we believe E&C companies that offer a more diverse product and end market offering should better weather the current marketplace. We note financial profiles are quite strong from most global contractors.

Winter 2008

Monetary and Fiscal Stimulus Help, in Different Ways.

Given the uncertainty surrounding near-term economic direction and client capital budgets, we believe E&C companies that offer a more diverse product and end market offering should better weather the current marketplace.

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