AMEC Plc
2010 Preliminary Results

Q&A Session

Mick Pickup - Barclays Capital

A couple of questions, if I may: can I just question you on the strengthening of the acquisitions pipeline? Just wondering what's driving that or is it something as simple as GE's in the market paying silly prices and I've got something to sell you at that sort of price?

And secondly, just going through all your divisions, it looks like -- I think Ian called it 'headwinds' in the divisions, obviously Natural Resources got the oil sands coming down; the Sellafield contribution, I didn't quite get whether you said that was similar or Power and Process is similar. So organic like-for-like in 2011, are we actually up?

Ian McHoul - CFO

On the first point, there is a lot more on the table now than we've seen previously. What's driving that? I think at the macro level, it's that we are in a position where the market economies, the market financials, are stronger, commodity prices are higher, earnings outlook and earnings prospects therefore are greater and earnings transparency is similarly better.

So I think there is a much stronger market dynamism - the buoyancy - in general, is greater. And therefore, the fundamentals mean that prices are high. Yes, sure, you get GE coming along and paying what you describe as 'silly prices', that's their business, I guess.

But I think the key thing for us is we'll evaluate the opportunities that are there for us and we do see a strong opportunity in oil and gas, but also elsewhere. Remember we're a much more diversified player than some of the others, so we see opportunities in environmental services, in water, in mining, in nuclear. So there's a range of things we're looking at.

So the general answer to your question is just market buoyancy. If it's downturn, a bearish market and soggy conditions, then there's inertia in the system and people don't want to deal. If things are more upbeat, then there's more liquidity, more fluidity, more dynamism in the marketplace in general.

Neil Bruce - COO, Natural Resources

In terms of your second question around growth, there was a couple of things. One is you said you didn't quite hear the answer on Sellafield. Sellafield was £16m in 2010 and we expect the same in 2011. So flat.

In terms of the three divisions, then, as you saw, we got 16% growth, of which 8% was organic. The really encouraging thing was that we got organic growth in all three. Don't see any reason for change going forward.

I think Ian was flagging that in terms of our sectors, the mix is changing slightly. Kearl is a big project for us and Kearl is winding down as we complete phase one and move into phase two.

And then the second piece is that customers are always looking for better value for money, so if it's a reimbursable contract, they want the margins down a bit; a bit more competitive. And if it's KPIs, they want the KPIs to be a bit harder to achieve.

So from that perspective, we really just see the mix changing. We see the mining sector up. We see activity in the North Sea, for instance, up. We see the oil sands piece coming down just through natural completion of existing work.

Martijn Rats - Morgan Stanley

In your statement you're referring to if over the next 12 months material acquisitions don't emerge, we'll consider one-off distributions. And I was intrigued by that term, ‘one-off’.

And the reason why I asked that is that if you look at one-off distributions, for example, share buybacks have never done anything for share price of integrated oil companies, whilst if you look, say, at Seadrill - the most expensive company -- or they are the most expensive drilling company in the world because they commit to this high dividend.

Why are you emphasizing here the term one-off?

Ian McHoul

I think we're doing two things: I'm drawing the distinction between what I would describe as a normal return to shareholders, which is the dividends we pay. We pay twice a year and you've seen today we've made a significant uplift to 50% to rebase the dividend, reduce cover to 2 to 2.5 times - or target cover to 2 to 2.5 times.

So I think we recognize the strength of the business. We recognize the improving financial profile of the business. And that's taking care of that, if you like.

I think from an overall balance sheet reshaping point of view, we've said acquisitions are very much a priority and I've said, as you've reiterated, if they don't come through then we'll go into some consideration of one-off shareholder buybacks or distribution.

Now, I don't know whether it's a special dividend or it's buybacks and one-off isn't meant to say it's one -- it would be a program, I would imagine. And one-off is merely to differentiate it from the annual dividend payment.

So don't get hung up on one-off. It's to distinguish it from the annual dividend.

Andrew Whittock - Liberum Capital

Can I just follow up on that and have one other question? Ian, you mentioned improving the efficiency of your balance sheets after acquisitions or one-off distributions. What is the long-term target, if you like, for gearing? Do you intend to leverage up? Or do you want to run with net cash as part of your business model?

And secondly, Neil, the contribution to revenues from CapEx spending last year seemed to jump up quite noticeably. What are you expectations for that sort of balance, let's say in Natural Resources, in 2011?

Ian McHoul

On the first question, a number of points there. We don't feel the need to run with net cash at all. I think, from our clients' perspective, we need to be seen as a strong business. But strength is not just a factor of whether you've got cash or debt.

Clearly if you're heavily leveraged it would be an issue, but so long as you're strong, and that's in terms of balance sheet, in terms of business momentum, in terms of strategy, in terms of management, in terms of direction, that all contributes towards strength. So balance sheet is just one of those things so we don't feel at all the need to run with cash.

We don't really have a target gearing structure. But I'd reiterate what I said before. We would feel very comfortable being at debt to EBITDA of 2 times. For something strategically important, we'd feel okay going more than that because if we did something significant, clearly that's where our mind would be. We'd be focusing on integrating the businesses and we'd be throwing off cash. We're a cash generative company. We would de-lever pretty quickly.

So a number of points there, but there's no target as such. We would be comfortable taking our gearing to sensible levels.

Neil Bruce

Just on your second question around -- and it's specifically Natural Resources you were referring to. So we have gone from 65% CapEx to 74% CapEx in 2010. So obviously that helped with keeping -- well, it helped generate increased profits in terms of the EBIT and kept the margin up too, in terms of dealing with some of the pricing pressures.

In terms of -- there's also this piece around the order book numbers as well and the split between the two. And generally in terms of order book, the OpEx numbers that go in there are longer-term numbers and are a bit chunkier. So you actually see that moving up.

But I expect in 2011 for the ratio to be pretty similar to 2010 as we continue to do more CapEx work.

Peter Bassett - Westhouse Securities

Can I link Ian's slide of page 20, which is on the dividend and return of capital, to Samir's slide on page 30, which is enhancing capability? Are we looking here at acquisitions within the existing business stream? Or when you term strategic acquisitions, are we looking at another business stream?

Ian McHoul

We have three divisions, as you know. Are we imagining taking on a fourth or a fifth? No, we're not. When we're talking about additional business streams, to use your language, it's in the sectors which are identified as part of the Vision 2015 strategy. So it's underground mining, it's water, it's nuclear, etc.

So we'd see ourselves pushing back into adjacent activities rather than setting up a complete new leg. And we will do that in existing geographies and in new geographies, being those which Samir has highlighted.

Christyan Malek - Deutsche Bank Securities

Just two questions. One, the oil price is $115 a barrel, CapEx is going up; why would anyone want to sell their business? And basically these valuations, on a transformational deal, which is something you've highlighted previously, do you not feel like you've missed the boat? Because if I was an owner of a service company and I could see things as buoyant as that, the logic would be just to stick with it. So what is it you can persuade whoever it is or whatever business you're trying to buy on this transformational path that makes them want to sell?

And two, in terms of the revenue growth on the back of increased headcount, can you walk us through exactly how you can grow scale on the back of this cycle with capacity as it is? And is there not a point where you're going to reach a ceiling in terms of maximizing utilizations? And what is that in terms of a quantifiable figure? Is that £4b? Is that £3.5b? Where's the bottleneck?

Samir Brikho - Chief Executive

The first question requires maybe one hour answer, Christyan, on this one. But I'm not going to make a one hour speech - but let me say the following.

Once you want to make a transformational deal or a large deal, you need to think about how does the fit work. You take a look on the capabilities. You take a look on the geographic footprint. You take a look on the customer base. You analyze the culture of the employees, the processes and the tools. There's a lot of due diligence needs to be done in order to determine whether there is actually a good fit or not a good fit.

The thing is that when you want to make such a big deal, you cannot force such a deal; unless that you are somebody from outside who can pay so high multiples that just you want to buy the business.

But I don't think that this is the right thing to do because we still believe that creating shareholder value, sticking to our financial criteria, are very important going forward. Because if the payback period is too long or almost impossible, then I don't think it's a good deal for everyone. Have we been able to go out and force businesses? Yes, we could but we don't want to - because that's not the right thing to do.

We believe more, even if it is a takeover, we believe it is creating value by being together on a business rather than taking over a business; even if you are paying for it.

So to the question, did we miss the boat? I don't think we have missed any boat. How much business actually has been, in our domain of business, has been taking place - one acquisition? So it's not like there have been hundreds of them where AMEC has been missing that. No. There has been one deal outside which has been done. And I'm not going to go into that business whether it was good, bad or whatever. I leave it to you and I leave it to the analysts to analyze that.

So I think what has happened is that while maybe the prices were low in 2008 and 2009 you could go maybe to a company and you would say, look, I would like to pay 200% and would you like to sell? And I don't think that it would be so many Boards or so many CEOs who would be so much excited to entertain such a discussion, despite that maybe the premiums are 100%.

Because the level of uncertainty, the volatility of what's happening in the market, was so great, was so big that people would say, you know what, let me wait and see what's happening first and let's discuss this in six months or in nine months or in one year.

And that's what has been happening in the industry and therefore you have seen that there's not been any deals in our domain of business. Because this is a ‘people’ business. It's not about the break-up of a company. It's about joining the teams in the company. Because if the best guys will leave you, what did you buy?

This is a service business. We are not buying any equipment. We are not buying any technology. We are not buying any manufacturing. There are no hard assets in this. And going back into our balance sheet, we are speaking about £60m, £70m of what we call fixed assets at AMEC. If you divide that into 22,000, 23,000 employees, well you get an iPad for it. iPad 2. That's all that you get.

So that's why it has been taking a long time, because we can take the horse to water but we cannot force the horse to drink.

So I think it's much better to leave some time to get these things mature and ripe and we feel that our sort of things are getting better than what it was compared to the past.

Neil Bruce

Obviously the iPad 2 comes in two colours.

Samir Brikho

White and black.

Neil Bruce

I think it does lead on from what Samir was saying in terms of the people business. Our business model is -- I think it is efficient but relatively simple. It is about doing more work with our core customers and it's expanding with selected new customers. It's about a geographical expansion in a measured way. And it's about increasing our skills and capabilities and tools.

And if you look at what we've done in terms of the investment we've made through operational excellence, it's been very much targeted at investment back into world class tools, developing our people. And ultimately it is back to a people business. We've achieved 16% growth, 8% organic, with the people that we've brought into the business, with the people that we've developed.

And this is something that we started five years ago in terms of a huge investment into the AMEC Project Academy, which is now the AMEC Academy. And that's all about bringing people through in terms of graduates, engineers, professionals. It's about developing our existing people. It's about bringing people in from other industries and re-skilling them into our business.

And if we keep the model around geographic expansion, developing our people through bringing it through almost the ‘youth Academy’ and continuing to develop, that will continue to support our organic growth. Would it support something which was a 30% increase? Clearly not. But the sort of levels that we've continually increased over the last few years is very much sustainable. And that, linked with the bolt-on strategic acquisitions and then anything else, it really underpins where we're trying to take the Company.

Christyan Malek

So would it be fair to say that in a period where you've had pricing pressure, you're travelled through this down cycle, you've grown revenue by 16%, from here growing headcount, 16% in revenue growth is a floor to whatever else -- to the scale that you can build? Because that's what it implies.

Neil Bruce

Good effort. I think we've been pretty clear about what we're trying to do and so I'm not quite sure how to answer the question.

Christyan Malek

I'll take that as a ‘yes’. Thank you.

Francesca Raleigh - Numis Securities

Just wanted to touch on margins, your aspiration to maintain your 9% margin, and you're talking at the same time about customer pressure on prices and KPIs. Can you give us a feel on the efficiencies initiatives? Maybe what you've done in 2010 that's going to come through in 2011. And also the things you're doing in 2011 for 2012, etc. Just give us a feel. Thank you.

Neil Bruce

I think what's really important is the fact that the 9.2% and the circa 9% that Ian talked about is a mix. It's not only a mix between three divisions, but it's a mix across 11 sectors. So we see customer pressures more in certain areas, especially with long-term existing customers where we do big projects, where the visibility of the margins and the returns are fairly high. And they're continually looking for cost efficiencies, of which the margin is part of that.

In terms of Operational Excellence - it is embedded right across the Company; across all three divisions, across all 11 sectors. So the areas where we're trying to get consistency in terms of our approach to customers, how we deliver -- in Power & Process, for instance, trying to get the same efficiency and consistency that we previously had in Natural Resources, is naturally pulling our margin up.

So the operational excellence piece in terms of efficiencies and programs and what we're doing for the future is embedded in the Company and we see that as a major offset to some of the customer pressures.

So it's an ongoing thing. It's not just one-offs.

Phil Lindsay - RBS

A couple of questions, staying on the M&A theme, if I could. First of all, I know that you don't give financials for the acquisitions that you make, but are you prepared to give an aggregate revenue and EBITA for the acquisitions that you've made in the last six months, say? Or, if not, at least provide what we can expect in terms of the level of inorganic growth for 2011?

And then the second question is really just on strategy for accessing the subsea engineering market. You've obviously made some small acquisitions and you seem to be piecing it together quite slowly. But given the explosive growth anticipated in this market over the coming years, is there a danger that by the time you get there, you may have missed it?

Ian McHoul

Answer to the first question is no.

Samir Brikho

Yes we can but we will not.

Ian McHoul

And it's not just bloody mindedness. That's just an excuse. All the businesses we've bought recently have been private firms. And typically, as part of the deal with the vendors, they don't want those details out there. So even if we wanted to, very often we can't because the vendors won't allow.

Now what we can say is of the three we've announced this quarter, which aren't all completed yet, by the way - but we expect them to complete, as I said some -- so it's qedi, it's Zektingroup and it's BCI, about £75m consideration; and about 700 people I think from memory. So that gives you a loose scaling.

And even if I aggregated them, it's something I shouldn't do, so I won't.

Phil Lindsay

Are they marginally accretive?

Ian McHoul

They will, on average, be -- they're up and down but on balance they are; yes about in line, just accretive probably.

Neil Bruce

Just on the subsea side, we need to also remember that the portion that we're talking about is the subsea engineering, so we've got no ambitions to get into the subsea installation, marine vessels.

And if you look at the CapEx spend within subsea, it's something like 94% of the CapEx is actually in that arena. There's about 6% of it in the engineering side.

We would like to access that market, not because it's a huge growth; it's actually quite a small part of Vision 2015. The reason we want to get into that is because we want to be able, where customers are looking for a more complete service, a one-stop shop, we'd rather be able to offer that service to the customer rather than subcontracting to our competitors.

Fiona Maclean - BofA Merrill Lynch

Can I ask, on the acquisition front, what progress you're making trying to get further into Brazil and the Middle East? And are you seeing intensive competition to get hold of these assets? Or are you still finding there's not many assets available to you?

And then secondly, on the balance sheet, you seem to very happy to use your balance sheet over time to do M&A. Would you ever be willing to use your balance sheet to return cash to shareholders?

Samir Brikho

Maybe I'll take the first one. Let me give you the name of the companies which we are bidding on now. I've forgot them by the way. So I cannot give you that answer in that sense but we are looking -- in Brazil, we have been having a lot of discussions with the management of

Petrobras. We have been discussing with them what would be the way forward. We have been discussing also on the mining side, in order to understand also what would be the way forward in Brazil.

It's a very difficult market to get into because it has not been so mature a market in order to go there and say, well, there's hundreds of companies and we'll now decide which company we are going to take.

So that's why it has been taking time, not because we have been lazy or we have not been putting a priority on it. But it's just simply has been difficult to put a trace through the jungle of the Amazonians before we will be able to understand about what will be the best thing.

But I think we have now some good understanding of the market. There are some opportunities out there which could present an interesting future for us.

In the Middle East, it's a little bit different, as you know, because there are very few companies which are originated in the Middle East - and are Middle Eastern companies - or are public listed companies in the Middle East itself.

Most of the service companies which you see then in the Middle East are actually part of a bigger company somewhere else in the world, which means that in order to get that position, you need to go maybe either through a small nucleus of people and build up on that or you need to buy another bigger company, which has a position in the Middle East in order to get to go there. And we have not eliminated any of the options. So we are taking a look on that.

To the second part of the question?

Ian McHoul

Yes, on the second part Fiona, the answer's yes. Just to reiterate, we want to use the balance sheet as a priority to expand the business for the long-term creation of value for shareholders and that's very much what we're trying do when we talk about acquisitions. But just to reiterate, we are and have been and will remain - disciplined in the financial analysis of those acquisitions.

And it is correct, we sit here today and we see a significant number of opportunities in the deal pipeline, the M&A pipeline. And that gives us grounds for optimism.

If that is not correct, if those deals don't crystallize in terms which are acceptable to us over the next 12 months and, as a consequence of that, the balance sheet retains its strength, then yes, we will consider returning cash to shareholders by whatever method is sensible at the time.

Fiona Maclean

But you're not willing to do a combination of large-scale M&A collectively as well as additional shareholder returns?

Ian McHoul

We may well do. It's not binding -- it's not one or the other. So depending on the acquisitions that crystallize and those that don't, depending what's on the deal pipeline at that time, it's not one or the other and it could be a mix, of course.

Amy Wong - UBS

Just a couple of questions from me. I think in the past, in various settings, you guys have mentioned that you don't rule out returning cash to shareholders. But today you guys put a timeline on that for the next 12 months.

So can you give us some insight into why you're putting the timing on there? Is there a certain way you see the market evolving in the next -- in the medium term that you feel like you have 12 months to do something?

And my second question would be on to put together that transformational deal for AMEC, would you consider possibly disposing some of the businesses within your 11 sectors?

Samir Brikho

I know that it's a financial question but I love this question; I'd like to take it.

Ian McHoul

Sir, you can take it. You go for it.

Samir Brikho

No, because it's a very good question, Amy, because last time when we made a presentation to the market, we did not put the time limit. So everybody was saying, why are you not putting a time limit? So this time we put a time limit and they say why are you putting a time limit?

So what do you want? So for the people who want to have a time limit, it's about 12 months. For the people who do not want to have a time limit, just ignore it.

Second question please.

Neil Bruce

On the business sectors, I think we pride ourselves on the fact that we are looking through our, updating our strategy through our strategy group, but constantly looking at the growth that is predicted within the 11 sectors.

The 11 sectors have been modified slightly from the period when we launched Vision 2015 at the end of 2009, which is a bit different to where we were in 2007/2008. So we're constantly looking at that.

And one of the disposals that we did was the Foundations business that did a lot of work in oil sands but we really couldn't see the growth within that business; therefore we considered it non-core and disposed with it. And we'll constantly do that.

The latest numbers up there in the market growth is our latest view. If we get a sector where we see very little growth or that sector contracting, then we'll obviously look to possible disposal of the business within that area because we're concentrating on growth.

Samir Brikho

We have not answered the first question, I come back to it.

What Ian has been presenting and what I've been also saying is that I know that we have spending and investing about £350m in the last three years. So it's not that we have not been making any investments. But, of course, we have been generating also much more cash.

But going forward, we really see there is a number of opportunities which we have been looking on, which we feel that it could go a good way. And, therefore, we have some degree of confidence that, as opportunities are increasing or the pipeline is increasing, that we'll be able to use the money in a wise way.

And what we are saying today is that in case we will not find anything of a good value, then we'll be having that discussion. And, therefore, we are open. And so we are not people who are putting their heads in the sand and saying, well I don't care about what's happening outside there, and just continue on the same line whatever happens.

But we feel, really we feel that there are good opportunities out there and they could come our way.

Mick Pickup

Yes, sorry for asking another question but Christyan got me thinking. You say you're a people business and you look at your employee numbers, you've gone up by about 1,000 now.

From memory you bought GRD back end of '09, which was about 1,000 people, Entec 700 in March. So the underlying business, is it growing or actually reducing that number? Because I can't work out the averages but it doesn't look like there's too much organic headcount growth on the base.

Neil Bruce

Yes, we do have slight issues around the employee numbers, in terms of annual numbers, average numbers, the type of work that we do in terms of projects, where we go up and down.

I think if we were to give even more information around the number of people, project people, that we hired last year; we actually hired 6,000 people last year; that gave us a net increase of 1,000.

So the employee statistics can be slightly misleading. You can't just take them year-on-year and then divide it up. We see the numbers, the core numbers, continuing to increase as we grow the business. And we're confident that it will continue to increase into the future. But you do get the numbers skewed by large capital projects where we bring people in and people depart again in specific periods in the year.

Ian McHoul

If you look at the numbers, you'll see revenue for employees up about 10%. So part of it is an efficiency in value thing. Now some of that's currency no doubt but there's an efficiency piece in there too.

James Evans - Collins Stewart

A couple of questions. Firstly, could you just give an outlook on what you're expecting for wage inflation over the next year or two, particularly in Natural Resources?

And secondly on the Middle East, I saw that one of your competitors had broken into Saudi Arabia today. How are your efforts to get into that market evolving, obviously with a few more contracts yet to come out of there?

Neil Bruce

So wage inflation to begin with. We see pressures specifically within Natural Resources right across oil & gas, unconventional oil & gas and minerals & metals. There's a fair degree of pressure there. So I'd expect there to be probably in the region of 5%, 5% plus in that.

Now I think the thing we should say is with our business model, which is a mixture of reimbursable KPIs plus multiplier type contracts, then in the main we are reasonably protected from the inflation piece in terms of our business. Basically our customers are willing to pay for the right people. So from a business model perspective, we have very little lump sum exposure. We don't have any exposure to the wage increases on that.

In terms of our competitor with the Saudi contract, that was a contract that we declined to bid for. So it's not part of our strategic targets. That's probably all we'd want to say on that.

Christyan Malek

And just a follow up on the Middle East and what's going on. If there's one thing that we can see emerging in all this is that local content's going to be key in terms of employing people and making sure that you can deal with socio-economic issues.

If you extrapolate that across the world, do you not see there being a key barrier to entry because in engineering, a lot of it is project management. A lot of it's coming out of your key hubs, London, Canada and so on, but it's not construction, it's not blue collar and there's definitely not a lot of national project managers.

Your competitors are saying that because they've got construction, because they've got low content, they can break these markets easier. In a world that's NOC dominated, you're talking about geographic expansion but it feels that it's being dictated by where you can go rather than where you want to go.

Neil Bruce

I do think there's two parts to that. One is we've been, I think, very successful in terms of following existing customers in places - like our fairly dominant position within the Azerbaijan markets and also out of Baku. And that's been off the back of customers like BP and other existing customers - and growing that.

I think your point about NOCs is absolutely right and that's why you will find that the vast majority of our bolt-on acquisitions have been about gaining geographic expansion, so why did we buy Zektingroup? It was to enter into the east coast of Australia, so it was a geographic piece. It was to enter into the coal-bed methane market, which we did not have a track record in, so it ticked that box. And it was with about half a dozen customers that we didn't have an established relationship with.

So I think we've been very successful historically with expanding geographically with existing customers. We've been less so in terms of NOCs in new customers and geographies but that's why almost every bolt-on acquisition we do is targeted at that area, in order to expand our employee base and our capabilities in new geographic regions. Because it's what you say, it's very difficult just to say I'm going to be working this part of the world from London or Houston or --

Samir Brikho

You're right Christyan. That challenge is going to continue to be even more difficult, especially with the turmoil which is taking place now in the Middle East.

When you have 50% of the postgraduates who do not have a job, that is going to be an issue. Which means that we will be seeing in the near future even more requests and demands from our clients because they will be pushed by their governments in order to increase the level of employment.

And that's where we believe also that we can add value by having the AMEC Academy, for instance, in training the people, in order to bring them up to the level. The reason, for instance, that in some of the places where we had difficulties, because the local university has not been adequate or up-to-date, with the requirements of the industry. We cannot sell a guy for $300 an hour if the guy is not good. Very simple, nobody pays you for that.

So, from my previous [company] experience the problem which the industry has had is that it takes you 10 years to maybe create a generation of very good local people. The problem which we start to have is that the best guys then they leave you, they open their own business and they compete with you. And then it is an endless, relentless process - but that's the market.

I think what we will be seeing more and more is that, especially on the lump sum EPC contracts, we'll be seeing more Asians getting involved into that business rather than European or American. They are willing to get a big market share, optimizing the top line rather than optimizing actually the bottom line.

And that will be even putting another pressure because how are you going to convince a Chinese company or a Korean company to have 30% Saudi employees? It's not in their nature. But they need to reinvent themselves too. So there will be quite big challenges actually coming out from the turmoil which we're having now, putting a lot of pressure in the industry to reinvent itself.

Martijn Rats

Yes, I had a follow up on Christyan’s first question actually - it's making all the people think.

Your answer to that question was, look, well there has only been one deal in your particular patch. Although that's actually absolutely true, it's not like there haven't been a few deals in oilfield services. Actually, frankly, in oilfield services as a whole, there have been many, many deals.

Which then begs the question, why haven't there been more deals in your particular patch? Why is it apparently so hard to do a deal in your particular area? Which then leads to the question, if you want to do a deal, why would you then be insulated from those factors? I was hoping you could comment on that.

Samir Brikho

Before you comment on the financial part maybe, let me ask about, let's say, the philosophy of it. I joined AMEC in 2006. there were rumours already in the industry that AMEC was on an acquisition trail already in April 2007, if you read the newspapers and you believe in them.

But what happened in 2006 and 2007, there was an enormous market outside. I call it there was a party outside, everybody was spending left and right. So if you would be going to a company and saying look, I would like to take you over and I give you a 30% premium, they tell you, excuse me. The average as a FTSE in 2007 was almost 40%. So what's that 30% going to make, it's not going to help me in order to make a business.

In 2008, the party continued big time, up to the second and third quarter. Now when the crisis hit, when everybody was in a new situation, there was so much uncertainty, even if we were negotiating and discussing a deal to make, whatever the premiums are, suddenly when you do not know what is the outlook of that company, whether this company is going to survive, is going to be able to pay their employees at the end of the month, whether they would be able to keep their clients, whether they have clients.

Look on the banking system, what happened to you guys? Where were you? You were the big guys in 2007 and 2008, when we needed to call you for 15 days to get a meeting.

So the world changed. And with that change, because of the level of uncertainties, making a deal was not possible.. That's why it took a time. Now you can force a deal, as I told you, on the service companies; you can, but I think the risk is fatal. You may end actually buying nothing.

Because there is no fixed assets, there are no technologies, it's not something tangible which you are buying. You are buying the dedication, the skills, the talent of the people. And if, for whatever reason, they feel that you have been arrogant, that you have been having the wrong approach, they will leave you and go to another company. And options are there. And that's not what we want.

That's why on the service businesses, that's why I repeated what I said before, on the service business, it's very difficult. You need to convince people, you need to convince the employees, you need to motivate them, you need to inspire them, you need to get them to buy in to your future outlook, to your future vision, to your future strategy –and say 'that's the company I want to be part of'.

So go back to the 15 acquisitions which we have been doing at AMEC. Trust me, every company, there were more cultural issues than financial issues. It's about getting the people to get excited about AMEC, that being with AMEC is going to be a better future for them than being alone. And it requires a lot of talking, it requires a lot of convincing.

Neil Bruce

And I think if we go through, and I'm sure you've looked at all the deals that have been done, they are in the asset side, in terms of the ones that have kicked off, where it is, I think, as Samir said, it's a lot easier to take over a company where you're talking about products and assets and factories and production lines, than a people business.

And we've been also very clear in terms of we want to acquire companies that are going to help us grow in developing regions, developing markets, which again adds a piece of complexity to that.

So I think it's really important that we get all that right, rather than diving in and doing something that turns out to be just difficult to integrate and bring in as part of the business.

Samir Brikho

There is an acquisition which took place in the market, and you speak with a lot of investment bankers, everybody gives you a piece of information, and maybe at the end of the day you get a story; maybe it's wrong, maybe it's right.

But what is interesting, there was a story, which I cannot mention the name of the companies. And according to the information which we have got, these two companies who got together, at the end of the day, so it's a real case which we have later, so you can imagine about which company it is. It has been said that they had made four approaches before the last one worked, but when the last one was decided that they will do it, it took only three or four weeks to do it. It's amazing.

It was not about the technicality of the issue. The question was, are we going to do it? But once they have decided that this is the right thing to do, it took three weeks to do it.

And I feel sometimes it's the same thing which would happen to us. We are discussing a lot of things outside, we believe that something is going to happen. Let's hope that not all of them happen at the same time, then we'll have a problem.

I think we'll take one more question, because we need to work. There are no more questions. Very good.

We thank you very much really for the trust of AMEC. We have done a fantastic job, we have more challenges to take on board. Thank you very much.

[End]