Environment Analyst Business Summit 2017: Q&A with Dr Hisham Mahmoud, CEO, Golder Associates

Ahead of the **EA Business Summit**, Environment Analyst put a few questions to our international markets keynote speaker **Dr Hisham Mahmoud**, Global President & CEO, Golder Associates, to give us a taste of the topics he will be covering in his presentation entitled *Managing the Challenges and Opportunities Facing Multinational Environmental Consultancies.*

EA: How did 2016 shape up for the Golder Associates global business?

HM: Golder is specialised within the geosciences area, which covers environmental and geotechnical related services. We are diversified within this specialty across the resources, manufacturing, infrastructure and power sectors. As a specialist in our field, we see sectors driving revenue performance more so than the specialty. In 2016, we observed continued weakness in the resources sectors which was an area in which we had concentrated presence in the prior years. Significant growth within the infrastructure and manufacturing sectors helped offset some, but not all, of the weakness in the resource sectors. Our differentiated service offerings have positioned us well to participate on the more complex infrastructure projects which are becoming more prevalent.

In 2016, revenues were flat, however on the profit line we had our best year ever. We have recovered from several years of weaker performance attributable to the weak resource sectors.

EA: Emerging markets have recently illustrated their susceptibility to greater socio-economic volatility than the larger, more mature markets (W Europe & N America) but at the same time they arguably offer the greatest growth prospects long-term. How do you reconcile balancing operations in the safer more stable markets vs. more risky emerging markets (such as S America, SE Asia, Africa)?

HM: Risk is relative and it is in every market. Risk needs to be delineated. There is political risk. There is economic risk. There is cultural risk. If a company has a stable, well-developed presence in any emerging market, much of the risk can be mitigated. I don't believe that one can uniformly characterise emerging markets as "riskier" than other markets. For instance, in some respect, the US could be perceived as a risky emerging market in its own right if you are looking at it from the lens of a non-US company interested in entering its developing Public Private Partnership programmes.

Global companies need to view their geographic footprint as an investor views a diversified portfolio. Such a portfolio would include stable, blue-chip investments, and riskier higher-return investments. Balancing risk and reward should be a normal part of long-term strategic planning.

EA: Despite unprecedented consolidation in recent years, the global EC market remains highly fragmented (certainly when compared to the accountancy sector where Big 4 alone hold 40% vs around 20% for EC 4 Global Leaders). For better or worse, will the EC sector ultimately see a similar fate? Are we yet to see new entities entering out of 'leftfield'? (Google/IBM?)

HM: The emergence of the 'mega' firms in our industry is a natural evolution of the business environment and public ownership models. I don't believe that industry consolidation will exclude the need for smaller, specialty firms and mid-size regional players that have tailored their business models to serve a specific client base or market. I believe the industry will remain highly fragmented into the foreseeable future.

The industry has seen different investors in the past (companies from outside our industry buying in), including manufacturing companies, utilities, and construction, to name a few. I don't see these as disruptors and many have divested over time. Examples include the acquisition of EarthTech in the US by Tyco and the acquisition of Parsons Brinckerhoff by Balfour Beatty. Today, there is a noticeable trend of financial institutions/entities buying into our industry, mainly as investors. I see this as a continued trend and is logical given the consistent and stable returns our industry has generated over a long period of time.

The appetite for large M&A is still strong, however scale alone is not the answer. According to recent market benchmarking information from EFCG, "mega" firms have underperformed their smaller peers with respect to organic growth, and have been relying on acquisitions to create value. This has worked well for them over the past decade as interest rates have been at historic lows and they have used arbitrage resulting from a large gap between their valuation and the valuation of small companies. Simply put, it's been easy money. Large firms are generally attracted to buying other large firms because it's more efficient to do so and presents less risk.

EA: Where do you see the key global opportunities for Golder Associates going forward?

HM: Golder is a truly global company. We believe we have many opportunities to expand in each of our geographies without deviating too far from our core business. We believe that there will continue to be strong demand for our expertise as projects are becoming more complex in every sector.

EA: What do you foresee as being the main disruptors in the coming years?

HM: One of the biggest disruptors for our industry is the ongoing war for talent. The developed economies are struggling with the imbalance between the demands for engineers and scientists and the shortage of new graduates in these fields. Resulting wage inflation and market-driven pricing pressures can only be offset by increased productivity, efficiency and improved commerciality, which is something our industry has been able to do and requires constant focus.

Attracting, developing, and retaining key talent while remaining relevant and differentiated is the constant long-term threat to any business. We mitigate this threat by being cognizant of it and having actionable strategies.

In terms of the impact of the Trump administration, it represents both a threat and an opportunity for Golder and the wider EC sector. Clearly, if the stated policies are implemented, the infrastructure, manufacturing and resources sectors in the US will be expected to grow and hence create opportunities for our industry. However, deregulation, particularly in the environment area, may have a negative impact.

Dr. Hisham Mahmoud, Global President & CEO, Golder Associates

Dr. Mahmoud is the global President & CEO of Golder Associates, a leading global engineering and consulting firm operating across the Mining, Oil & Gas, Infrastructure, Manufacturing, and Power sectors, with $1 billion in annual revenues. He joined Golder in 2015 as their first externally appointed CEO in the company's nearly 60-year history. Dr. Mahmoud has had a successful career leading engineering, consulting and construction businesses of regional and global scale. Throughout his career, he developed particular skill and a strong reputation in the industry for building and turning around businesses.

Prior to joining Golder, Dr. Mahmoud led SNC-Lavalin's global Infrastructure business. He joined SNC-Lavalin to turn around its largest division with over $4 billion in annual revenues, at a time when the company was dealing with significant legal challenges. Under his leadership, the business was successfully restructured, pursuing and capturing some of Canada's largest infrastructure projects.

His other positions included serving as President of AMEC's global Environment & Infrastructure and Emerging Markets (Growth Regions) businesses and holding leadership positions in URS Corporation and its legacy companies, Dames & Moore and Woodward Clyde.

Dr. Mahmoud earned a PhD and MSE in Civil Engineering from Arizona State University, and a BS in Civil Engineering from the University of Qatar. He is a registered Professional Engineer in Arizona.