FINAL TRANSCRIPT

ShawCor Ltd.

Third Quarter Results

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PRESENTATION

Operator

Good morning. My name is Kirk (phon), and I'll be your conference Operator today. At this time, I'd like to welcome everyone to the ShawCor Third Quarter Results Conference Call.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you'd like to ask a question during this time simply press *, then the number 1 on your telephone keypad. If you'd like to withdraw your question press the # key. Thank you.

Mr. Gary Love, you may begin your conference.

Gary Love – Vice President, Finance and Chief Financial Officer, ShawCor Ltd.

Yes. Thank you and good morning. Before we begin this morning's conference call, I would like to take a moment to remind all listeners that today's conference call includes forward-looking statements that involve estimates, judgements, risks, and uncertainties that may cause actual results to differ materially from those projected.

The complete text of ShawCor's statement on forward-looking information is included in section four of the third quarter 2012 earnings press release. It is available on SEDAR and on the Company's website at shawcor.com.

I'll now turn the call over to Bill Buckley.

Bill Buckley – President and Chief Executive Officer, ShawCor Ltd.

Well, thank you, Gary, and thank you, ladies and gentlemen for participating in this morning's conference call. Yesterday we released our third quarter 2012 financial results, and the results were excellent as we generated revenue in third quarter of 395 million, a 46 percent improvement over 2011, EBITDA of 84 million, a 570 percent improvement over 2011, and net income of 53.4 million, a vast improvement over the small loss reported in the third quarter of 2011.

Revenue, EBITDA, and net income also showed significant improvement over the second quarter of this year, with revenue up 21 percent, EBITDA up 140 percent, and net income up 150 percent.

The very strong performance in the quarter was driven by gains in revenue and EBITDA in almost all of ShawCor's business units. Revenue in our pipe coating businesses improved year over year by 127 percent in Asia Pacific, by 79 percent in our Americas operation, and by 25 percent in EMAR. These results were supported by solid execution in each of these regions, and included an excellent start-up on the Wheatstone project in Asia Pacific.

In other Pipeline divisions we produced growth and revenue from the prior year of 35 percent in Flexpipe, and 9 percent at both the Shaw Pipeline Services and Guardian divisions.

In our Petrochemical segment revenue growth was led by a 33 percent increase in our ShawFlex control and instrumentation cable division.

Now all of these areas of strength are well positioned to continue in the fourth quarter and beyond, with the result that 2012 is shaping up to be a record year in terms of revenue and net income.

Now in recent works we have also made important progress with ShawCor's growth agenda through an acquisition within our Guardian OCTG pipe inspection and refurbishment business to expand into the Eagle Ford region of Texas. And subsequent to the quarter end through our acquisition of the remaining shares of Fineglade, the company that controls Socotherm.

And I'll comment further on these initiatives and our outlook in a moment, but will first ask Gary Love, our CFO, to provide you with the other key details on the third quarter financial results. Gary?

Gary Love

Yeah. Thanks, Bill. Revenue in the third quarter 2012 of 395 million increased by 124 million or 46 percent over the third quarter of 2011, and was up 21 percent from the second quarter this year.

The increase over Q3 of the prior year was due to revenue growth of 49 million in Latin America pipe coating, from the launch of production of the Technip and Linea 5 projects, and revenue growth of 48.5 million in Asia Pacific, with the execution of several large projects and the launch of full production of Wheatstone.

We also had year-over-year growth of 12 percent in North America pipeline on stronger small diameter pipe coating and composite pipe at our Flexpipe unit.

In the Petrochemical segment, revenue increased by 12 percent over the third quarter of the prior year on higher North American volumes of heat shrink tubing and wire and cable products.

On a consolidated basis, reported gross margins in the third quarter are 41.4 percent, up 7.7 percentage points from the third quarter of the prior year, and also up 6.6 percentage points from the second quarter of this year. The large improvement in consolidated gross margins is fully attributable to the Pipeline segment gross margins, which gross margins in the third quarter this year reached 43.1 percent versus 34.5 percent a year ago, and 35.1 percent in the immediately-preceding quarter.

The shift in the percentage of Pipeline revenue emanating from the high margin large projects in Asia and Latin America was the key factor in the gross margin pickup. Improved facility utilization in North American pipe coating and at Flexpipe were also contributing factors to the Pipeline segment gross margin gains.

The Petrochemical and Industrial segment gross margins also improved year over year to 28.4 percent, up from 27.8 percent a year ago as a result of favourable product mix on a number of wire and cable projects that we executed for oil sands and utilities markets.

The year-over-year increase in consolidated gross profit of 124 million from the revenue growth and gross margin gain was partially offset by higher selling and general admin expenses. SG&A increased by 7.3 million or 10 percent from the third quarter of 2011, as a result of an increase in salaries and incentive compensation accruals totalling $16 million, partially offset by the fact that a year ago we had recorded a one-time charge for a specific bad debt expense of 9.6 million.

Based on the very strong gross profit in the third quarter, the Pipeline segment EBITDA margin reached 25 percent, a level that is within a percentage point of the segment's all time high reached back in 2009.

The Petrochemical and Industrial segment EBITDA margin came in at 15.3 percent, in line with the second quarter this year, and 2.5 percentage points higher than the prior-year level.

During the third quarter, operating income was impacted negatively by a $3.9 million charge for the impairment of equipment at our Kembla Grange facility in Australia. The impairment charge resulted from the scrapping of equipment that had been located at the facility, which has now been completely cleared and is ready for sale of the property. Based on our estimated value of the property, we would expect to realize a gain once the property is sold that will largely offset the equipment impairment that was recorded in the third quarter.

Below operating income we have reported the gain from the investment in Socotherm of $80,000, which is a significant improvement over the loss of 3.1 million in the third quarter a year ago. For the first nine months of this year, the income from the Company's investment in Socotherm is $2.7 million. This compares with a loss of over 8 million a year ago.

During the third quarter 2012, the Company has recorded an effective tax rate of 20.8 percent, which is well below the Canadian statutory rate of 27 percent, as a result of the contribution of operating income from low tax rate jurisdictions in Trinidad, Asia Pacific, and the Middle East. Moving forward, we expect the Company's tax rate to continue to remain below Canadian statutory rates as we expect to continue to generate a significant proportion of the Company's profits in jurisdictions with tax rates below Canadian rates.

Before changes in working capital and deferred revenue, the cash flow provided by continuing operations was 74.4 million, more than double the second quarter of this year, and a very large improvement over the prior year. The net change in working capital and deferred revenue was a net cash outflow of $91.5 million as a result, primarily, of higher accounts receivable of 110 million, partially offset by increased payables and provisions of $28 million.

Deferred revenue shifted from noncurrent to current, but was unchanged in total during the quarter.

Cash flow used in investing activities in the third quarter totalled $75 million, consisting of the investment in highly liquid short-term investments of $57 million, capital expenditures of $18.9 million, and the acquisition of a mobile pipe inspection company in East Texas that was completed in the quarter for $2.2 million. The major capital expenditures in the third quarter were continued capacity additions and upgrades at our pipe coating facilities in Malaysia and Indonesia, capacity expansions at

Flexpipe, the addition of real-time radiography weld inspection units in our Shaw Pipeline Services business, and the commencement of the construction of our new DSG Canusa facility in Germany.

Cash flow use in financing activities was primarily limited to dividends of 6.9 million, and as a result of the blackout on share purchases resulting from our announcement of the strategic review process, no shares were repurchased under the normal course issuer bid in the third quarter.

Now finally, we ended the quarter with total cash and short-term investments of $345 million.

On that note, I will turn it back to Bill Buckley for his comments on our outlook.

Bill Buckley

Thank you, Gary. Over the past year, ShawCor has announced new contract awards with a combined value well in excess of $900 million, and these new contracts first translated into record backlog levels and are now with our third quarter results translating into outstanding financial performance.

Although our backlog dipped slightly to 722 million at the end of the third quarter, the drop from the 749 million level at the start of the quarter was solely due to a stronger Canadian dollar versus the US dollar.

When we include the value of booked orders that will be executed beyond the 12-month time frame of our backlog, the total value of booked orders exceeds $1 billion. Furthermore, our bid activities remain strong, and we have several large projects that we expect to bid in the next six months, that if our bids are successful have the potential to drive our backlog even higher.

In addition to our backlog and robust bidding activity, we're pursuing growth through a number of other initiatives. The first is our successful completion of the acquisition of Fineglade Limited, a company that today owns in excess of 96 percent of Socotherm SPA, a leading pipe coating company with operations in Europe and South America. Socotherm provides ShawCor with strategic locations and markets that we currently do not serve locally, such as Argentina, Venezuela, Italy and the large diameter pipe market in Brazil.

Additionally, Socotherm has a very well established reputation for its deep-water syntactic polypropylene insulation technology, and has a long track record of successfully executing deepwater projects in West Africa, Brazil, and the Gulf of Mexico.

Another growth development in the third quarter was the expansion of our Guardian division OCTG pipe inspection and refurbishment business to the Eagle Ford shale play in Texas. The first step in this expansion was the acquisition of a mobile inspection company that we completed during the quarter. This was followed up by the purchase of 35 acres of property, on which Guardian will now set up a full service branch to provide a full range of OCTG pipe services.

This location will also be the strategic base for other ShawCor divisions, such as Flexpipe, which will open another solutions centre to support their growth in the US. The Permian and Eagle Ford are very active regions, and by way of comparison, the

Permian and Eagle Ford Texas basins have more drill rigs operating than all of Canada, and thus we expect that the market opportunities will be ample.

Finally, I'd add that we're very pleased with the growth being achieved by our Flexpipe division. We're planning to add production capacity in the United States, and we're currently in the process of finalizing our site selection process. And to support this program during the third quarter we placed orders for critical long lead-time items required for this new facility. In addition to accessing the vast US market, this new facility will provide capacity and a location that will support the composite pipe growth that we're achieving in Latin America and beyond.

Now before I turn the call over to the Operator for questions, I'd like to advise you that management will not be making any comments or answering any questions regarding the strategic review process that was announced on September 5th. This process is currently underway, and the Company does not intend to comment further until such time, if any, that the Company enters into a definitive agreement in respect of a particular transaction or otherwise determines that the disclosure is appropriate or required.

Now having said that, I'll turn the call over to the Operator. Kirk?

Q&A

Operator

At this time, I'd like to remind everyone in order to ask a question, please press *, then the number 1 on your telephone keypad.

And your first question comes from the line of Dan MacDonald. Your line is open.

Dan MacDonald – RBC Capital Markets

Hi. Good morning, guys.

Bill Buckley

Good morning. Dan.

Dan MacDonald

Just wondering maybe with the acquisition of the rest of Fineglade if you can provide us a bit more colour kind of on where Socotherm's prospects look right now, maybe generally where their backlog may or may not sit, and how their bid book looks at this time as well?

Gary Love

Sure, Dan. I can give a little bit of colour on that. The situation today is that Socotherm is showing, I think, in their 2012 results tremendous improvement, very dramatic improvement of where they've been in the last few years. I think they are—they're fully through the very painful transition that they've been through, and we see a very stable business, and we see a business that has very good potential as we move forward.

Specifically I would say in terms of backlog we will be reviewing the Socotherm backlog over the next couple months, and certainly making sure that the methodology that they use to determine their backlog matches what ShawCor uses. And then obviously at year-end we'll be incorporating their backlog into the ShawCor reported backlog. So we have a little bit of work to do just to make sure that everything's properly aligned, but if we just more generally say where are they in terms of booked orders today, I would say they're probably sitting with a booked order book across their—all their business units of somewhere north of $120 million.

And in terms of where they are in revenue this year, I think they're probably going to end the year somewhere in the 120 million range, and we see that they have good prospects to show significant growth in 2013 over 2012, both with respect to what they've got in their order book today. But I think more importantly with respect to the level of activity in the regions where Socotherm is today well positioned.

So we view it as a good vehicle for growth for us, and expect to see that playing out over the next few years.

Dan MacDonald

From a profitability side, I guess, how far along the curve is or how much work do you think that that division will now have to do to get it back up to levels that you'd have as a goal?

Gary Love

Yeah. Well, they've done a tremendous amount of work. I mean this is a business that was in a very serious loss situation in 2009, 2010, 2011. And this year they're going to end the year with an EBITDA margin on a consolidated basis probably in the 12 percent range. And they've got, I think, the prospect to improve significantly on that, and we would expect that to play out over the next couple years.

So they're—again, to reiterate. We see them in a—as a stable operation now with very good potential, and both on the revenue side and also on the EBITDA and EBITDA margin side.

Dan MacDonald

Great. That's all I got. Thanks a lot.

Gary Love

Okay.

Operator

And your next question comes from the line of Scott Treadwell. Your line is open.

Scott Treadwell – TD Securities

Thanks. Good morning, guys. One maybe a little supplemental on Socotherm from a high level. Is their business structure that backlog contracted revenue represents typically a certain percentage and they have the same sort of churn rate of smaller projects within the quarter that maybe don't show up on a backlog? Or is it a little bit different than the way ShawCor runs?

Gary Love

Yeah. I would say they have—because of their geographic locations, they have businesses that are more similar to some of our order—repeat order driven businesses, thinking about, say for example, our North American pipe coating operations where a significant percentage of our work is that day-to-day repeat order business. So they certainly experience that in Italy and in Argentina and Venezuela. Those are locations that are characterized more so by that repeat order business.

The business they do in the Gulf of Mexico is more project driven, so would be similar to some of our more project-driven markets, so they've got a very solid base of that repeat order business.

Scott Treadwell

Okay. And I would assume less seasonality, given that they have basically no exposure to winter activities?

Gary Love

No. That's true. They don't have a Western Canadian effect.

Scott Treadwell

Okay. So moving to Asia, obviously very pleasing turn of results there. I'm wondering go forward, you obviously gave some colour that you think things get better. It may be a little bit kind of granular, but I'm just wondering what the sort of spare capacity might be either in sort of percentage terms in terms of how much more work you can do and how much incremental revenue you might think comes from a pricing mix as some of these big projects roll on that have been bid more recently versus some older stuff?

Gary Love

Well, I think we were very happy with the margins we were realizing on the large projects we executed in the third quarter. I think what was particularly relevant for us was the successful launches just the fact that all the work that had been done over the last—the preceding year to prepare paid off so well in terms of realizing our targeted margins so quickly; that that was very gratifying I think for the entire company to see that effort pay off.

In terms of revenue, yes. There is—I think we were very clear in the outlook in our press release that we see another step up in the fourth quarter, and it's very much driven by the fact that in the third quarter we had not really—we didn't generate any revenue to speak of. We had a little bit of revenue on the INPEX Ichthys project, so that's going to be stepping up significantly in the fourth quarter, and that's going to take Asia Pacific revenues to new high levels.

Where are they in terms of capacity utilization? They can certainly accommodate beyond where we were in the third quarter significant increase in revenue, and we expect that to occur.

Scott Treadwell

Okay. So the volumes you're going to see from Ichthys aren't going to displace any work that was done in the third quarter?

Gary Love

Well, there's going to be an uplift in Ichthys. There's going to be an uplift in Wheatstone, and that will offset some of the project work—will more than offset some of the project work that we did execute in the third quarter. The largest project we did in the third quarter was the Pearl Energy project, and there's a little bit of it still to be done in the fourth quarter, but it was largely executed in the third quarter.

However, the growth on Wheatstone and Ichthys will by a significant degree more than offset the fall-off of the project work we did in the third quarter.

Scott Treadwell

Okay. And you expect for the majority of the fourth quarter to be running at kind of your normal run rate for Ichthys, whatever that's projected to be, you're kind of up and running there now?

Gary Love

Yeah. I think the—certainly it was in production in the month of October, and it's going to obviously stay—it's going to stay at that level for many quarters, certainly through 2013.

Scott Treadwell

Okay. The last one, a little bit further down the road you mentioned bigger contracts. Any further clarity on where the operators are with Browse in terms of when you would expect the process to deliver some sort of resolution there in terms of a winning bid?

Gary Love

I don't know that we can really peg that down specifically. I think FID is always the determining event, and I think we'll have to wait for Woodside and their partners to determine exactly when they're going to do that. I mean today I believe they're still on public record as saying they will make an FID decision before the end of the first half of 2013, and so I don't have any better information than that at this stage.

Scott Treadwell

Okay. No, that's great, guys. Appreciate the colour. Congrats on a good quarter.

Bill Buckley

Thanks.

Operator

Our next question comes from the line of Sarah Hughes. Your line is open.

Sarah Hughes – Cormark Securities

Hi, guys.

Gary Love

Hi.

Sarah Hughes

Just wondering, Gary, were there any meaningful ramp-up costs in the quarter in Asia Pacific?

Gary Love

No, I would say we've talked a lot about that in the second quarter and the PQTs, the process trials on equipment that we did. I think that was largely done in the second quarter. I think we were still finalizing INPEX's PQTs. There's probably still some work being done on the flow line projects, but obviously from a bottom line perspective those efforts didn't—certainly didn't deteriorate from the operating margins that were realized.

Sarah Hughes

Yeah. No, I was surprised to see they were so high, and I guess I'm just trying to understand if for example the Chevron Wheatstone contract that was running in the quarter, I would assume margins weren't, this quarter, weren't as high as they could get on Chevron, the Wheatstone contract just because you were at a period of ramping in that project. Is that correct? Or...

Gary Love

No, I think—well, I think I can answer that in two ways. In terms of the gross margins that we realized once we launched production, I think as a tribute to the hard work that was done to prepare, we were realizing our target margins pretty much right from the get go.

Now the total lift in revenue that we expect in Asia Pacific as we move forward will have a benefit in terms of absorption, and so we ought to see that flowing through to some improvements in operating margins and EBITDA margins. But I think gross margins were—I think it would be difficult for us to complain about the gross margins we realized in the third quarter.

Sarah Hughes

Okay. And then, Bill, just a question for you. You indicate in the press release in terms of your bidding activity was very robust. Just wondering if you can give us a bit more clarification in terms of regions you see as biggest strength in terms of where you're bidding on contracts or where you expect to bid on contracts in the coming months?

Bill Buckley

Yeah. Sure, Sarah. What we're seeing is we're seeing new projects coming onto our bid list that weren't there say a year ago, and it's not in any one particular area. We're seeing, as you would well know, more activity that would be related to Western Canada, projects to the West Coast amongst other projects to basically bring crude down to the Gulf Coast as well. So it's kind of two areas there.

We're seeing projects that are coming onto our bid list for the West Coast of Mexico that weren't there a year ago; some projects in the Northern half of South America that weren't there a year ago. We're seeing Gulf of Mexico activity up significantly, and a little bit of a surprise is we're beginning to see deep-water projects emerging in Asia Pacific. And this is the first time that there's been deep-water projects in the Malaysia Indonesia basins, so we're beginning to bid on those.

So just a general sort of rise in bidding activity that I would say a year ago we would have said is surprising, and we are quite active and it's across the board, but those would be the specific regions. I guess the last region, which we did expect there to be an increase in and there is, is North Sea. That wasn't a surprise, but that is on an upturn definitely as well.

Sarah Hughes

And if you were to exclude the Wheatstone and the Ichthys contract and compare your bidding activity now to what it was in kind of early 2011, late 2010 as you had the really strong activity, how would you compare the two times?

Bill Buckley

Yeah. If you take the major projects out, I'd say we've got sort of a broader base right now, and the bidding activity is more active on more projects that we're bidding on.

Sarah Hughes

Okay. That's it for me. Thank you very much.

Bill Buckley

Thank you.

Operator

Our next question comes from the line of Bert Powell. Your line is open.

Bert Powell – BMO Capital Markets

Thanks. Bill, just in terms of you've given this number in the past and just wondering in terms of firm bid or bidding or proposals that you have out today, can you give us a sense of where that is? And the other question I had related to that was, if you think about the bidding that's been or that you've booked recently, it's been heavily skewed to offshore. And when you look at the landscape today do you expect that mix to shift back to onshore, stay the same, or shift to offshore?

Gary Love

Bert, it's Gary. I'll just maybe field that one. I think if you look at what we have at this moment in outstanding firm bids, we're sitting with a number that's in excess of $600 million. What is more interesting, and that's an important number, but what's more interesting for us is we have visibility on projects we expect to bid over, let's call it, the next six to nine months. And that is really this, what Bill was speaking of a moment ago, this much broader base of activity.

When we look at that list, that's a very large list. That's a list that's close to a $1.5 billion and it's very broad...

Bert Powell

A billion and a half in addition to the 6 or including?

Gary Love

In addition.

Bert Powell

Okay.

Gary Love

In terms of what, and again I have to throw a caveat out here, I mean this is what we have visibility on and we expect to bid.

Bert Powell

Yup.

Gary Love

Things may get pushed out. I mean there may be delays and the call for bid may happen beyond six to nine months, but it's what our people are hearing from clients and where we're in discussions with clients. And the interesting element of that activity is the breadth of the activity, and the fact that it's touching on all of our regions in a very meaningful way.

And I think if you compare that to the previous question we had about where were we in 2011, it's the fact that it's touching on our regions in such a broad and significant way. A year ago bidding activity was, obviously, very much centred around Asia Pacific. Asia Pacific is still very critical, but we've got this activity beyond Asia Pacific.

Bert Powell

Gary, could you comment a little bit in terms of broad base, does that still look similar in terms of mix between offshore and onshore? Really the question there is because that speaks to ultimately the margin that you can generate.

Gary Love

It's obviously heavily weighted to offshore.

Bert Powell

Okay.

Gary Love

Our large project activity is, by and large, heavily weighted to offshore. That's always been the case. Now Bill did say and there's some very interesting onshore work that is in our portfolio of opportunities. And whether that's in Western Canada, whether it's in South America, Mexico, that's onshore work, and it's work we're interesting in getting and are pursuing aggressively.

Bert Powell

Okay. And just last question back to operating margins. I think my assumption is the $3.9 million was in the Pipeline Services operating margin as that expense this quarter...

Gary Love

Yes. Absolutely. Yeah.

Bert Powell

So the margins I think are, if memory serves, the best you're ever done this quarter on an operating margin basis and...

Gary Love

That's true. I guess if you were to add that back, which would be appropriate, yes, that would be correct because the all-time peak was in the second quarter of 2009 at 20.7. I guess my attention has been perhaps more focused on the EBITDA margin and the 25 percent, and the EBITDA margin, by the way, doesn't include obviously the...

Bert Powell

Mm-hmm.

Gary Love

The impairment charge. But the 25 percent that we did in Pipeline this quarter we're getting close to that 25.8 that we had back in the second quarter of '09. So we'd like to get over that one. We'd like to...

Bert Powell

So you think there's upside from here in that margin?

Gary Love

Well, I think we've tried to communicate that in terms of the revenue lift we do expect to see in the fourth quarter. In Asia Pacific, that's a rising tide that should lift the boat.

Bert Powell

Okay. So gross margin up and better absorption of costs. So operating margins should be pretty strong in the fourth quarter and going forward?

Gary Love

Yeah. The operating margin should see some absorption benefit. Yeah. I would think so.

Bert Powell

Okay. Thanks a lot.

Operator

Your next question comes from the line of Dana Benner. Your line is open.

Dana Benner – AltaCorp Capital

Good morning, guys.

Gary Love

Good morning.

Bill Buckley

Good morning.

Dana Benner

If you look across the world right now, you're obviously very busy in Asia Pac, lots of good things on the go. And yet for long-term followers of the Company one always asks do we think we're in a time of is this a peak? Is this the high point of cycle? As you sit and you look at what you're working on today, the bid list, how do you answer the question of whether you're moving reasonably closely to say peak earnings potential?

Gary Love

Well, Dana, I'll take a stab at that. It's Gary. I think the peak earnings potential we've always said was going to be driven by our top line and the utilization of our facilities. The third quarter featured good utilization across the board. And anytime historically we've had good utilization across our regions we get—that's when we do really see our margins hitting the high levels. And that's going to continue for a number of quarters. I mean based strictly on our backlog we know it's going to continue through 2013.

Beyond that, obviously there's uncertainty, and ultimately what will determine whether we move to an even higher level will be the fundamental forces that impact our business and impact investment in pipeline infrastructure globally. We have some indicators that are very positive for us in looking beyond our backlog and our order book. And those are the activities that we talked about earlier with bidding, but also with what we expect to be bidding, the breadth of that.

So that's a positive indicator that would say we have the potential to move beyond where we're going to be in 2013. Ultimately, it'll depend on whether those projects move forward. I think we have a definite view on that, and we'll see how that plays out.

Dana Benner

Great. If you look out over the next three years, would you be more optimistic on the growth potential of Brigden or the combination of Flexpipe and FlexFlow?

Gary Love

Do we have to choose? It's like choosing between your children.

Bill Buckley

Dana, maybe I'll just answer that and add to Gary's comment. I think, ultimately, the growth in the business does get driven by global GDP growth. We are taking advantage of the GDP growth that's emanating from the emerging economies, and in spite of everything that's going on in the global economy, that remains relatively robust and their demands for energy are still strong. So in that Asia Pacific theatre we see that continuing on.

We also see certain national oil companies making very specific investment forecasts over the next three years, and they are in part to stimulate their own economies and we think that will continue as well. Supplementing that is our development of new products around certain themes, like the shale plays, oil sands, et cetera. And we have some very interesting new products coming out in that area, and also for the offshore deep-water area where we've made investments in our subsea development laboratory and in products ULTRA, which is expanding our revenue numbers and will over the next several years in spite of sort of the basic economic drivers that may be there.

And then another source of growth for us that you can see very clearly today, and you mentioned it, it's Flexpipe, and that was an acquisition that we made in the middle of 2008, and then our investing to expand that business globally and we expect to do more of those. So acquisitions of expanding our array of products that we can bring to our customer base that's asking for a broader array as they try to have fewer interfaces and want to have those interfaces with quality suppliers gives us another growth avenue over the next several years beyond the two-year outlook.

And then Brigden allows us to access the new and emerging markets without having stranded capital assets left at the end of the project period. And we have a number of future Brigden opportunities beyond the one that we're accessing at the moment in Beaumont, Texas. We have a number that we're working on, and I would expect we'll be deploying two to five additional Brigdens over the next few years.

During that period, back to your specific question, we're also going to be expanding Flexpipe. We're going to be establishing a US manufacturing operation for then. Then following that there will be international manufacturing operations as we develop those markets, and we're expanding the product array in Flexpipe and moving into larger diameter products.

So I think we're going to see growth, good strong growth, both from Flexpipe and from Brigden. Which one will produce the largest incremental revenue over each of the next three to five years, I think it will move around.

Dana Benner

Right. Well, most parents wouldn't pick a favourite child, so good answer.

Bill Buckley

Thank you.

Dana Benner

I guess moving—one of the aspects of the question that—or of the process you're in right now is, at least in my mind, does it prevent you from doing acquisitions practically speaking?

Bill Buckley

No, it doesn't. I would think that as in any time, there's probably going to be more likely that we'd be announcing a tuck-under acquisition, incremental acquisitions like we did with Guardian and we're continuing to pursue another—a number of opportunities in that area.

Dana Benner

Okay. Well, that's great, guys. Thank you.

Bill Buckley

Thanks.

Gary Love

Thanks, Dana.

Operator

Once again, if you would like to ask a question, please press *, then the number 1 on your telephone keypad.

Your next question comes from the line of Lara King. Your line is open.

Lara King – Stifel, Nicolaus

Thanks. Good morning.

Gary Love

Good morning.

Bill Buckley

Good morning.

Lara King

Just following on Bert's question, could you maybe speak to the level of technology required on some of the onshore and some of land pipeline projects that you're seeing out over the next few years?

Gary Love

I think maybe the Western Canadian situation's worthy of comment. Bill?

Bill Buckley

Yeah. As pipelines are proposed to the West Coast that are going to cross mountainous terrain, it opens up the opportunity for us to provide to our clients two proprietary coating products that we have. One is our high performance powder coating, which is a more robust coating, sort of a more robust fusion bond epoxy coating with a polymer powder that we apply at the same time, so in rocky terrain it's well suited.

When you're in sort of full rocky conditions we have a product that we call Rock Jacket that we've provided on projects all around the world. One you may recall is the Papua New Guinea project, and what that product does is it provides reinforced concrete around the pipe over top of the anti-corrosion layer, and it allows the client in remote rocky locations to put the pipe directly into the trench without any sand padding or without having to bring crushers to the right of away to crush the rock and put gravel padding in underneath the pipe as well.

And that's important to the long-term performance of the coating on the pipeline so that it doesn't—if the pipe tends to move in the trench over time that you don't abrade and scratch away the anti-corrosion coating. So we have proposed both of those products, as well as others to our clients and to the engineering firms that are working on the proposals for those West Coast pipelines, and we would expect that these products will be used on those pipelines.

Gary Love

Yeah. And another one just to add to that is the—in 2013, we've got a couple of oil sands pipelines in Alberta that will also employ our high performance powder coating technology, so that's another area where oil sands pipelines tend to be very good applications for that HPPC proprietary coating system we have.

Lara King

Great. Thank you for the colour.

Operator

And we have no further questions at this time. I'll turn the call back over to the presenters.

Bill Buckley

Okay. Well, thank you, and thank you very much to everyone for participating in our call this morning, and we look forward to providing you with an update at the end of the next quarter. Thank you.

Operator

This concludes today's conference call. You may now disconnect.

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