



Can TIC help save the world?

Opportunities and challenges for the TIC sector in Sustainability today and tomorrow

OC&C and TIC Council Webinar

23 November 2022

Proprietary – please do not distribute or re-use without permission



OC&C
Strategy consultants



uncommon sense™

Introductions

**Bennet
Summers**

London



**Henry
Charrington**

New York



We welcome Q&A

**Please submit questions using the Q&A
function on Webex, or via the chat function**

OC&C + TIC

- OC&C is a global strategy consulting firm, bringing clear thinking to the most complex issues facing management
- Founded in 1987, with 16 offices worldwide
- Client roster includes some of the largest corporations and most innovative challengers in the world, and their investors
- Worked extensively over the last decade in the TIC sector
 - Over 50 projects with participants of all sizes and end-markets and regions
 - Over 1000 customer interview programmes in relevant end markets

TIC IP, Publications & Thought-Leadership

April 2020, July 2020 and November 2021 TIC Council Covid Webinars



**'TIC101' Proprietary
Database and Published IP**



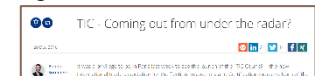
2019 & 2021 Barclays Conference Speech



ACIL Conference Speech & Newsletters



Regular Sector Commentary



Our findings are based on a survey of TIC Council members, building on previous surveys, as well as recent experience & conversations in the space

Sources Overview

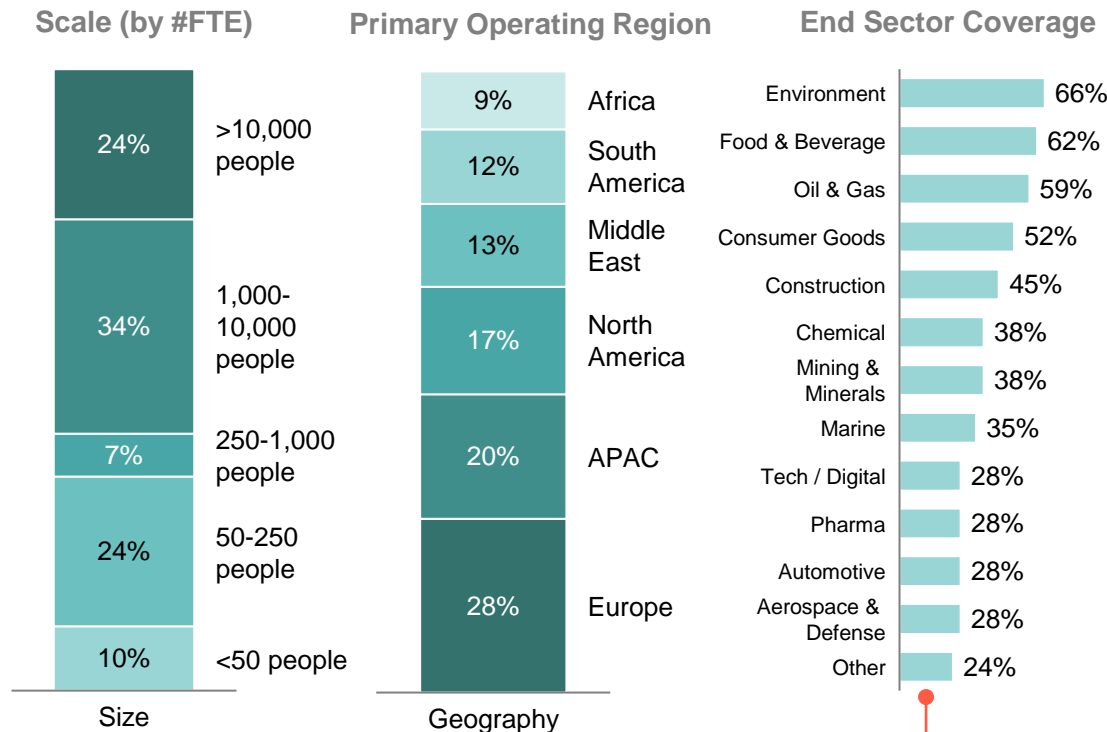
Together with the TIC Council, we surveyed a diverse set of TIC senior executives covering a range of industries, sectors, and sizes ...

... and interviewed key players ...

... addressing a broad set of topics

Survey Responses Split

Share of respondents, N=32



Interview Partners



- How are providers rebounding from COVID-19? What are the new risks post COVID-19?
- What are the new opportunities TIC providers are focusing on?
- A focus on ESG:
 - What is done today, and what is the quantum of opportunity expected tomorrow
 - Where does the opportunity lie for different types of businesses?
 - What are the challenges, risks and competition in getting there?

c. >300,000 FTEs are covered by survey responses

>80% of respondents report exposure to 3 or more industries

Today's Agenda

What's next after COVID-19?

*How much has the industry "rebounded" from COVID-19?
What is next on the agenda for TIC players?*

Activity has bounced back across industries and geographics (including APAC as a whole)

Businesses are moving on, increasingly looking at the latest challenges – ESG and future resilience to supply chain risk and cybersecurity

But... there are growing operational challenges for TIC players to contend with (economic headwinds, labour shortages, geopolitical outlook, digitisation)

What opportunity does ESG hold?

*Where is the growth?
How can TIC providers address it?*

ESG is a hot topic on all customers' minds, and there is little doubt that it will become a huge market for TIC players

The question for TIC providers is how to address this opportunity without being "left behind". Not least as providers face many barriers (eg, a lack of clarity on what is required, slow regulatory evolution, lack of data, talent / skill challenges)...

... as well as increasing competition from fields outside the TIC sector (eg, Data and Software providers, Professional Services)

The good news is that there are lots of ways TIC players can (and should) serve the opportunities that exist

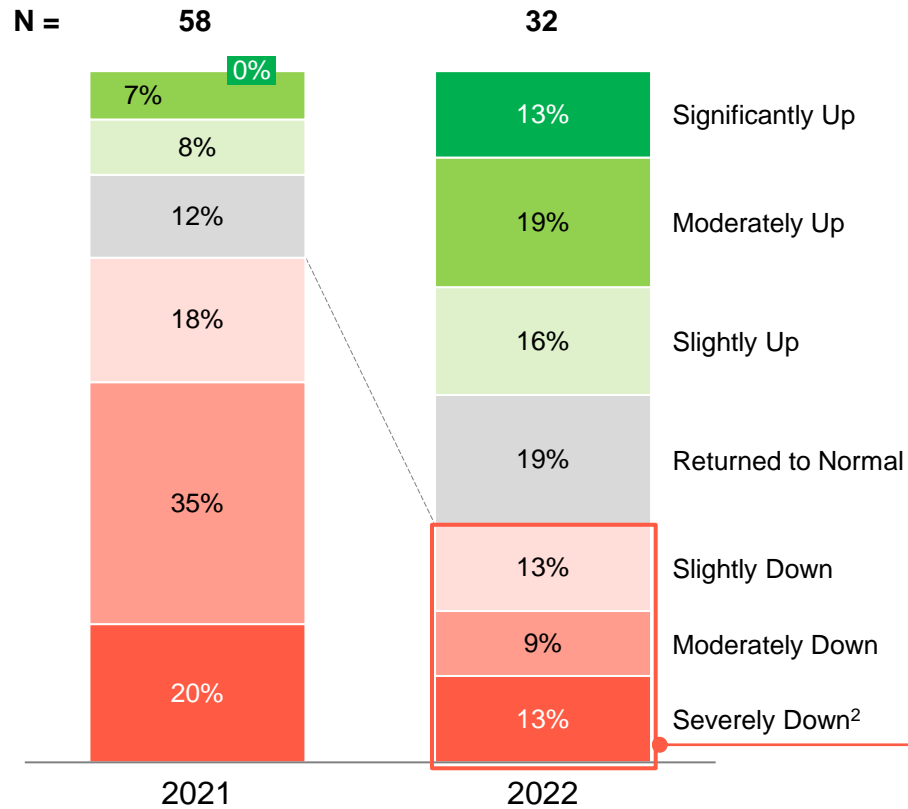


What's next
after COVID-19

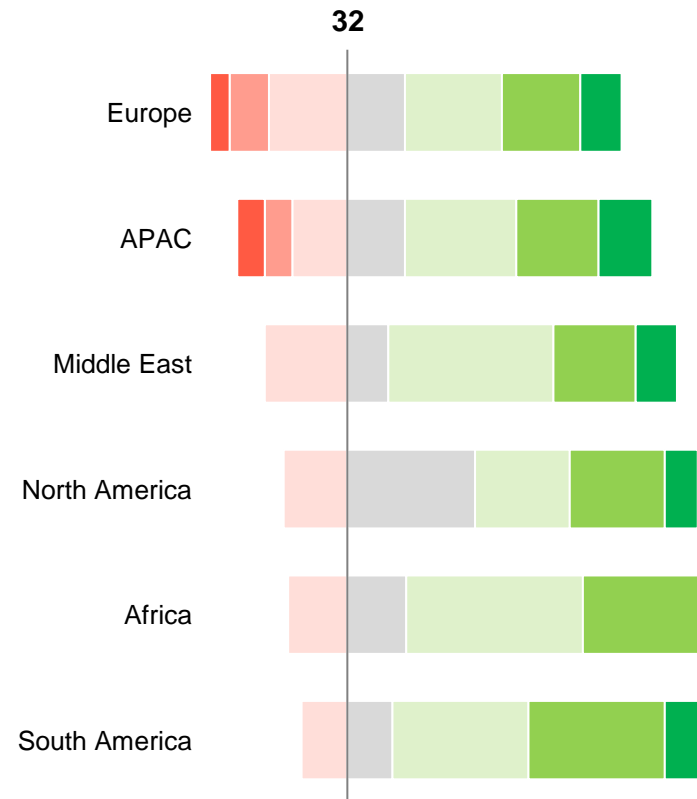
The post-COVID-19 “rebound” appears complete, though during the pandemic the gap between ‘winners’ and ‘losers’ appears to have widened

COVID-19 Rebound¹

Overall Activity Levels vs. 2019



Activity Level By Segment 2022 vs. 2019 ²



Clear improvement: In 2022 only 34% of survey participants see their activity levels below pre-Covid 2019 levels any longer as opposed to 73% in 2021

1. Survey Question: How do your latest activity levels look like compared to pre-Covid (2019) levels?

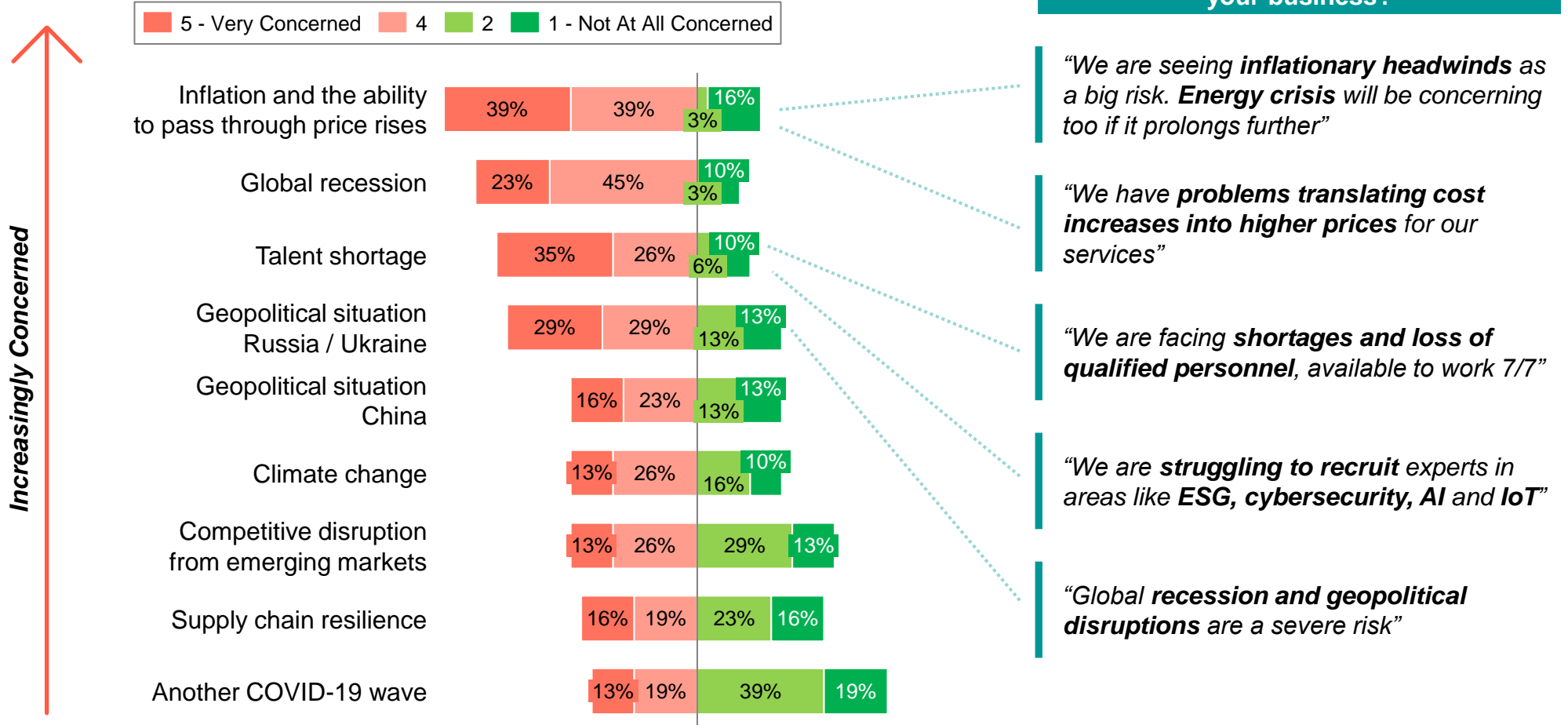
2. Doesn't exactly match the LHS chart due to: (1) some respondents skipping the industry/geography questions and (2) some respondents having indicated multiple geographies and industries

Source: OC&C & TIC Council Joint Survey October 2022, OC&C & TIC Council Joint Interview Programme October 2022, OC&C analysis

However, there is no doubt TIC players are seeing increasing challenges: particularly labour shortages and the economic & inflationary outlook

Risks to TIC Players

Level of Concern¹ (N=32)



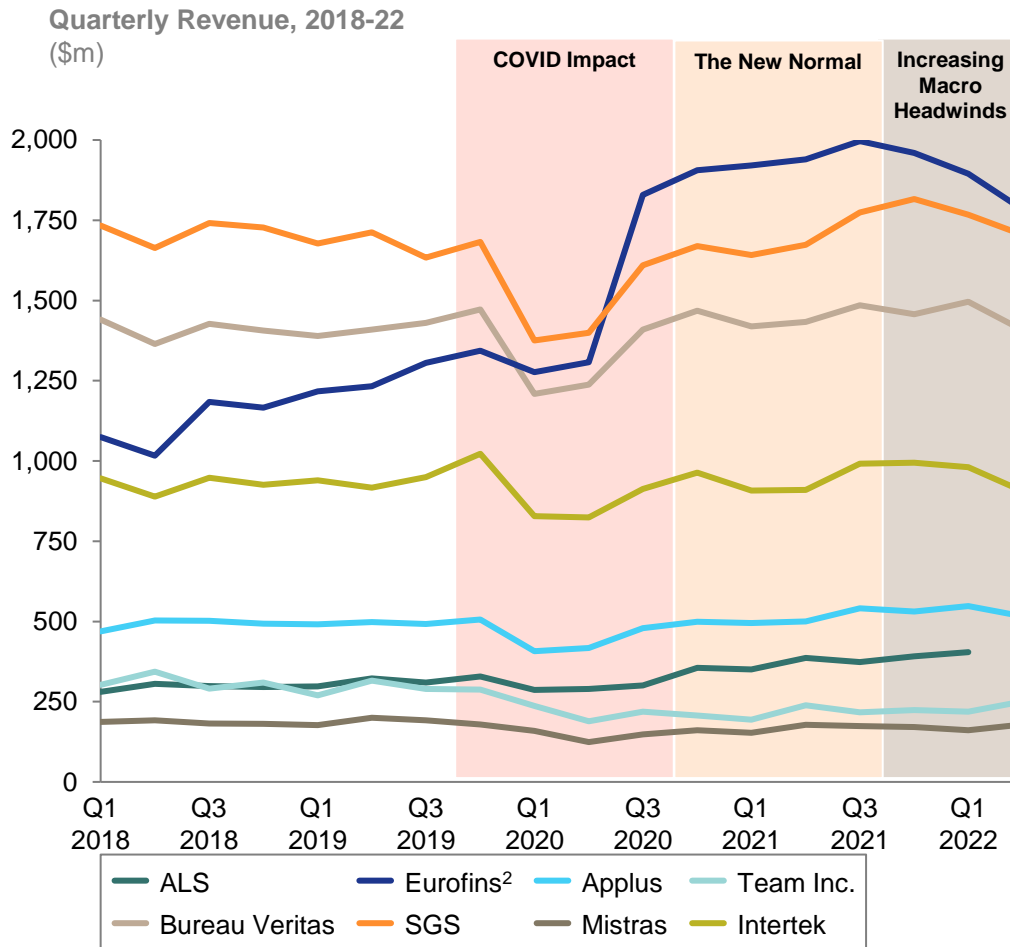
1. Survey question: "How concerned are you about the following risks to your business? (Rank on a scale of 1-5 from 1=not at all concerned to 5=very concerned)"

Source: OC&C & TIC Council Joint Survey October 2022, OC&C & TIC Council Joint Interview Programme October 2022, OC&C analysis

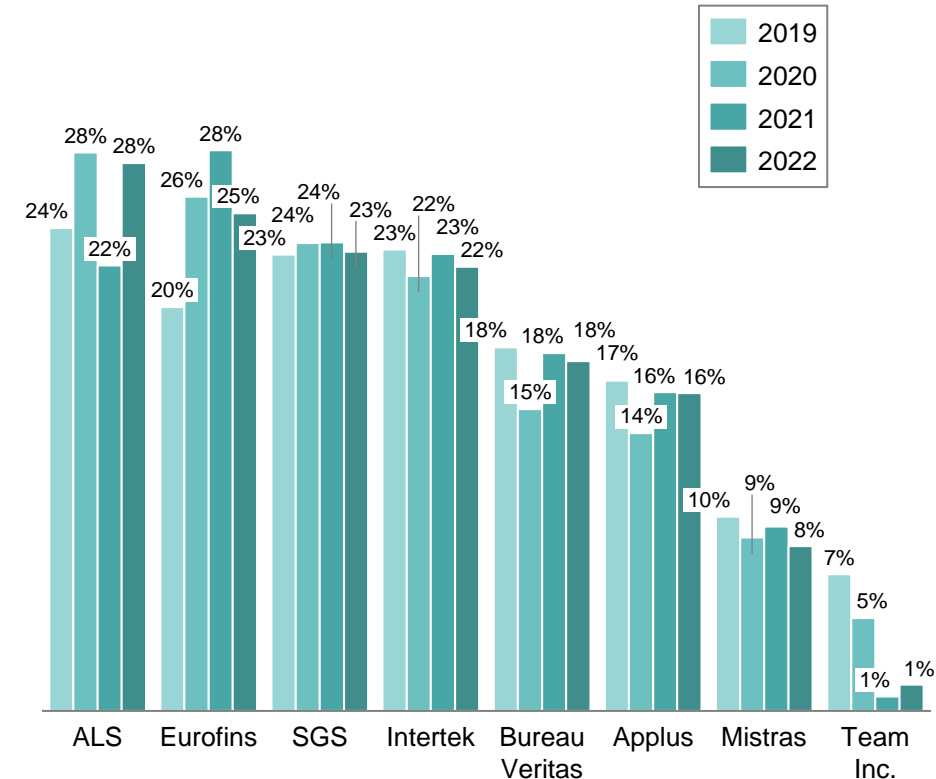
Where are we now?

Listed TIC majors are showing signs of the evolving, challenging macro headwinds in their latest trading (although margins remain steady)

Performance of Listed TIC Majors¹



Yearly EBITDA Margin, 2019-22³
(%)



1. All players except ALS have reported Q2 2022 financials; ALS has reported up to Q1 2021

2. Eurofins revenue growth driven by combination of M&A (28 acquisitions in 2021) and organic growth

3. LTM rolling for 2022

Source: Capital IQ, Company reports, OC&C analysis

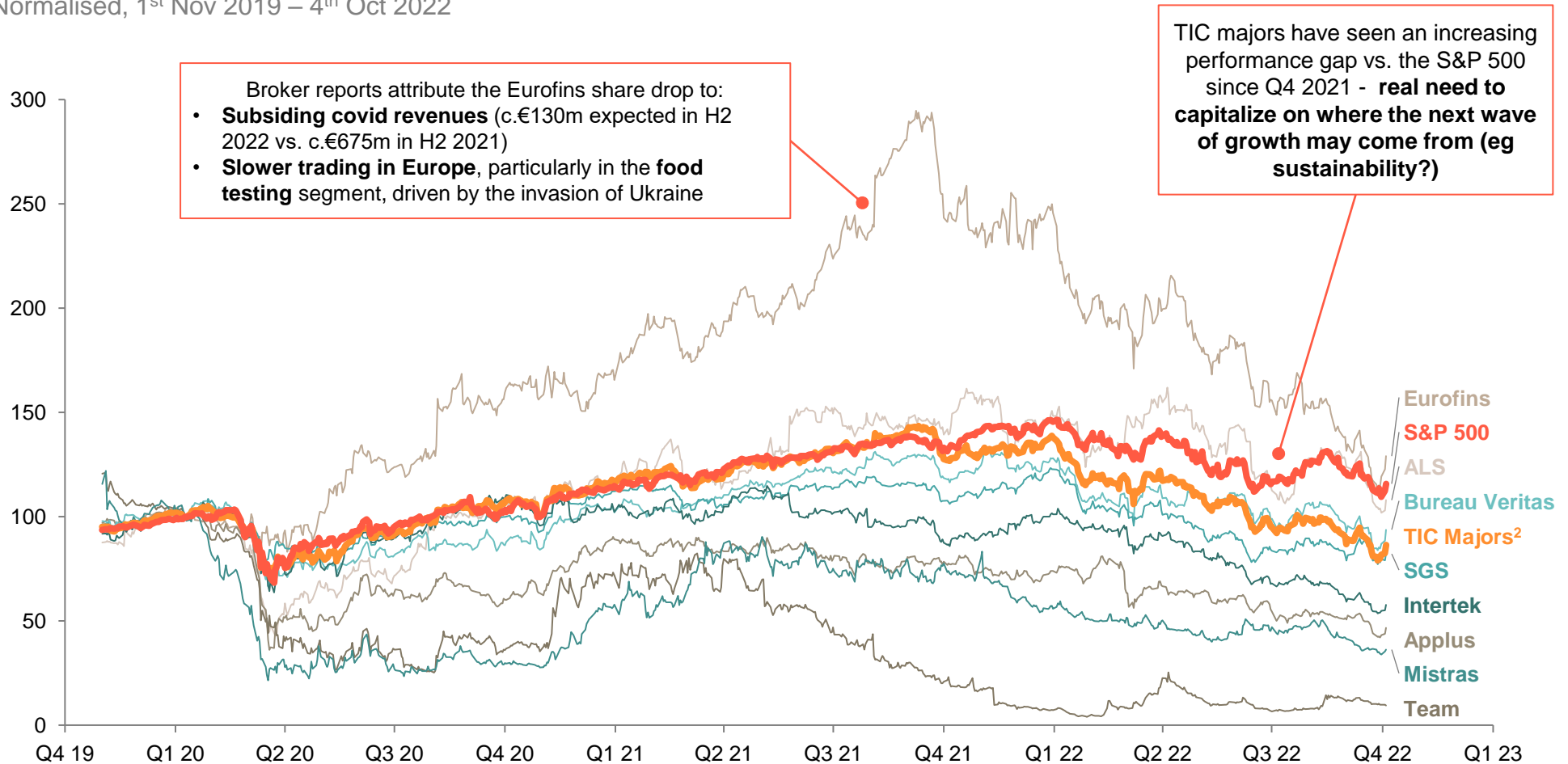
2022 TIC Council_OCC Webinar vNov 23 2022_vSend | © OC&C Strategy Consultants 2022



Recent share price performance shows both a downtick, and a widening gap versus broader benchmarks since the end of 2021

Share Price Performance¹

Normalised, 1st Nov 2019 – 4th Oct 2022



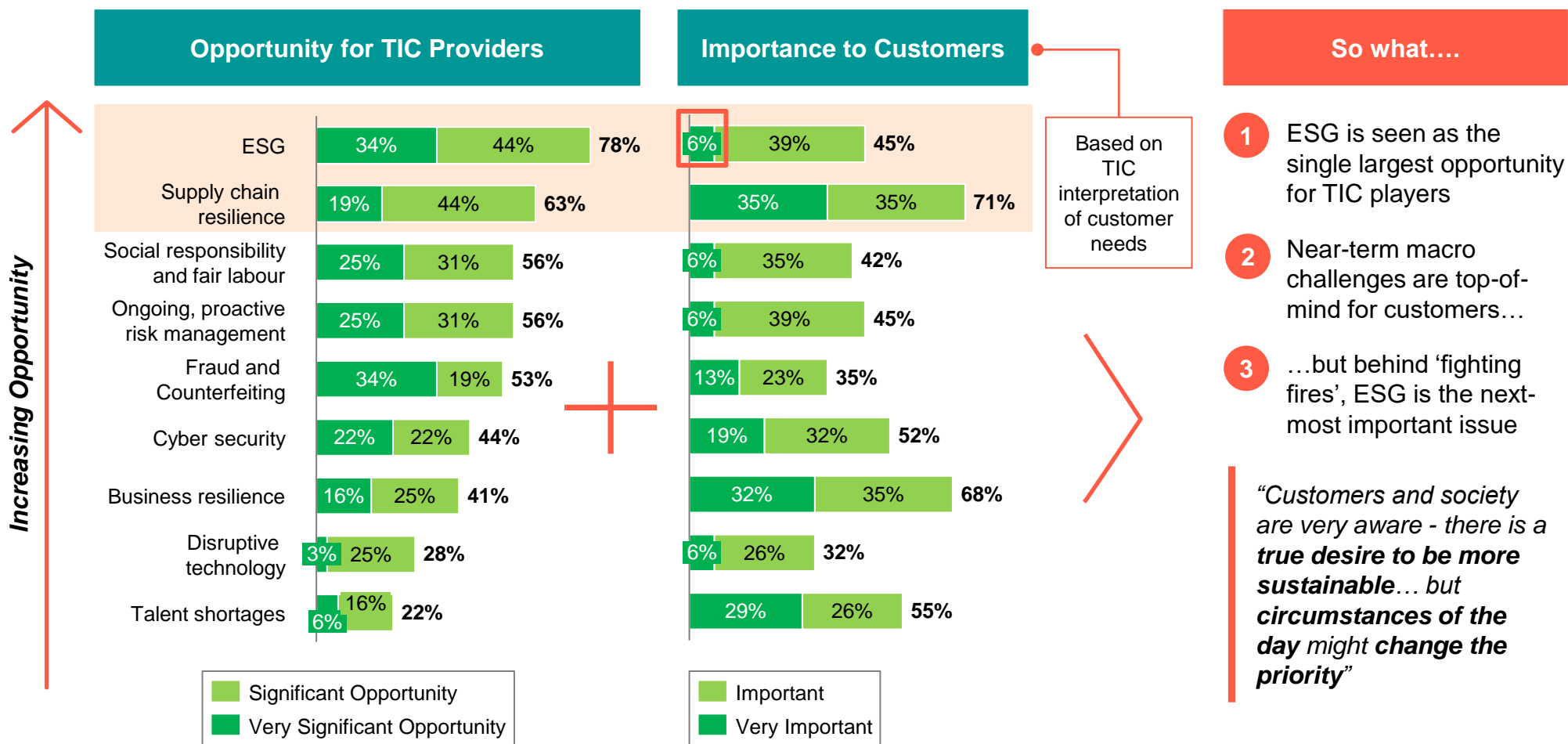
1. Indexed to 100 – Jan 9th 2020

2. Players included: Eurofins, SGS, Intertek, Bureau Veritas, Team Inc, Applus+, Mistras, ALS

Source: Capital IQ, OC&C analysis

However, there is optimism: TIC providers see broad opportunities to help customers with their emerging risks, particularly in ESG

Opportunity Areas for TIC Providers¹ and their Perceived Importance to Customers² (N=32)



1. Survey question: "How important are the following topics for your customers? (Rank on a scale of 1-5 from 1=not important to 5=very important)"

2. Survey question: "Specifically, to what extent do you believe TIC players could become a go-to-supplier to assist customers with the following topics? (Rank of a scale of 1-5 from 1 = Not an opportunity to 5 = Very significant opportunity)"

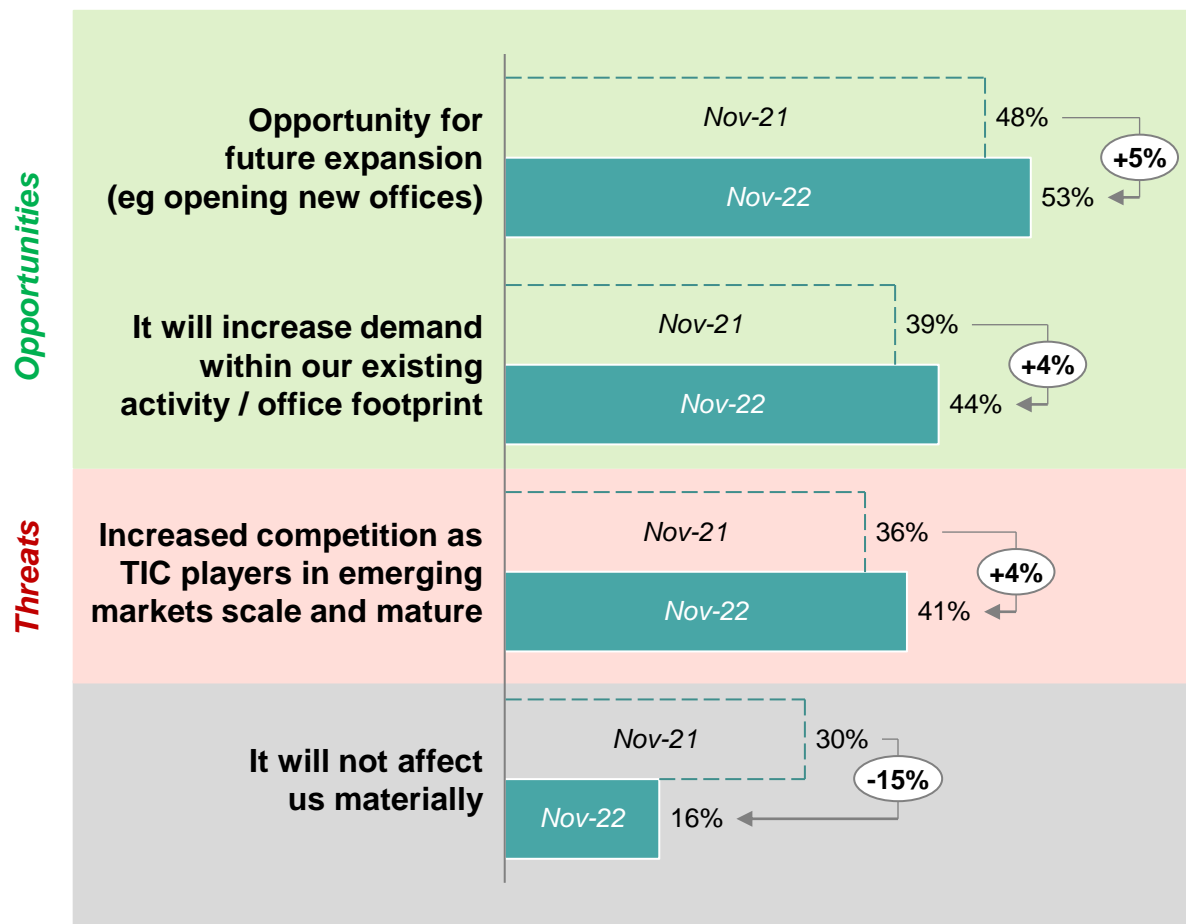
Source: OC&C & TIC Council Joint Survey October 2022, OC&C & TIC Council Joint Interview Programme October 2022, OC&C analysis

2022 TIC Council_OCC Webinar vNov 23 2022_vSend | © OC&C Strategy Consultants 2022

Furthermore, TIC players sense increasing emerging market opportunities – few players think they won't be impacted

Impact of Increasing TIC Activity in Emerging Markets¹

(Nov-21 N=33; Nov-22 N=32)



How do you expect the rise in TIC activity in emerging markets (China in particular) to impact your business?

*"For existing footprint in China there is downside risk vs. 20 years ago. Global customers are looking to **de-risk supply chains away from mainland China** - significant opportunities as a result across **rest of Asia in next 10 to 15 years**"*

*"We are planning to take advantage of a growing opportunity here by **expanding into emerging markets**, particularly Southeast Asia"*

*"We see the rise of TIC in emerging markets as both an **opportunity to grow**, and a **potential competitive threat**"*

*"We invest in emerging markets partly because our biggest **customers need us to be global**"*

1. Survey question: "How do you expect the rise in TIC activity in Emerging Markets (and China in particular) to impact your business? (Please select all that apply)"

Source: OC&C & TIC Council Joint Survey October 2021 & 2022, OC&C & TIC Council Joint Interview Programme October 2022, OC&C analysis

**What
opportunity
does ESG hold?**



There are “TIC-able” components within ESG – but translating that to clear, concrete opportunities can be challenging for TIC providers

“TIC-able” Components within ESG

Not Exhaustive

“TIC-able” components within ESG

ESG focuses on improving, measuring, and reporting outcomes against a range of topics ...



Stakeholders

... across a wide set of stakeholders



The Challenge for TIC Providers

- ESG still a very broad concept **that can be challenging to convert into practical opportunities for the TIC sector**
 - Customers often struggle to form a clear approach with defined objectives
 - Any well-defined objectives usually sit across different buyers / stakeholders
 - Lack of standards to follow & report on

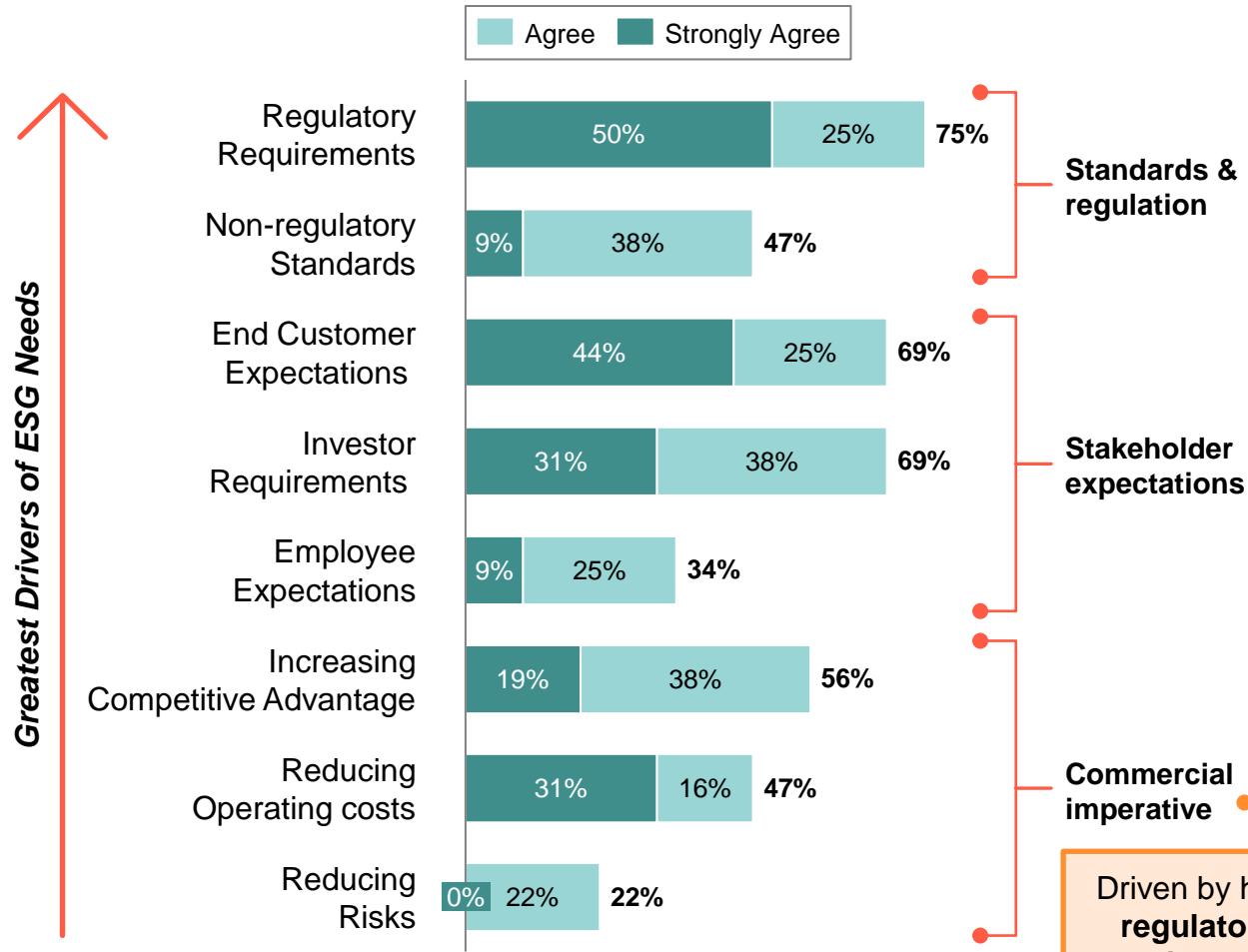
*“ESG is well-intentioned, but at the moment it’s **incredibly foggy** what ‘ESG’ actually means – for **both customers and TIC providers**”*

*“There is a **big opportunity** in sustainability for the TIC sector, but **I don’t know where it is going** or what the specific **“TIC-able” components will be**”*

- A broad set of competitors trying to strengthen presence within ESG – prof. service firms, engineering & pureplay consulting firms and software & data providers
 - Especially, engineering & pure-play environmental consulting firms can also compete on a technical level with TIC providers

Growing customer needs in ESG are driven by a multitude of different factors and stakeholders – from regulators to end consumers

Drivers of Customer ESG Needs (N=32)¹



While there is consensus on the need, clients still struggle to articulate their ESG needs

*“Today there is **huge variety of different schemes** and approaches to ESG and thereby a need for an international approach to the issue. Customers search for guidance”*

*“Client requirements are often still **vague**, as many companies are unsure themselves what ESG means to them. In addition, in an **attempt to address everything in one go**, ESG is combined with everything else related to sustainability, adding to the uncertainty in the needs assessment of companies”*

Driven by high regulatory requirements and increasing stakeholder expectations

1. Which of the following do you think cause your customers to address ESG concerns?

Source: OC&C & TIC Council Joint Survey October 2022, OC&C & TIC Council Joint Interview Programme October 2022, OC&C analysis

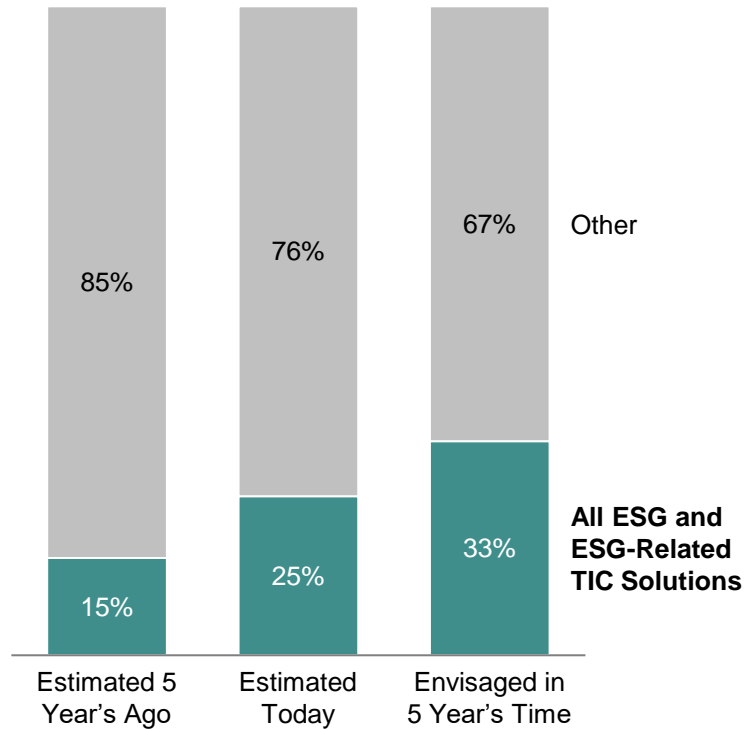
What opportunity does ESG hold?

There is little doubt of the ESG opportunity in TIC: players see ESG's revenue potential growing, but many struggle to define a clear ESG service strategy

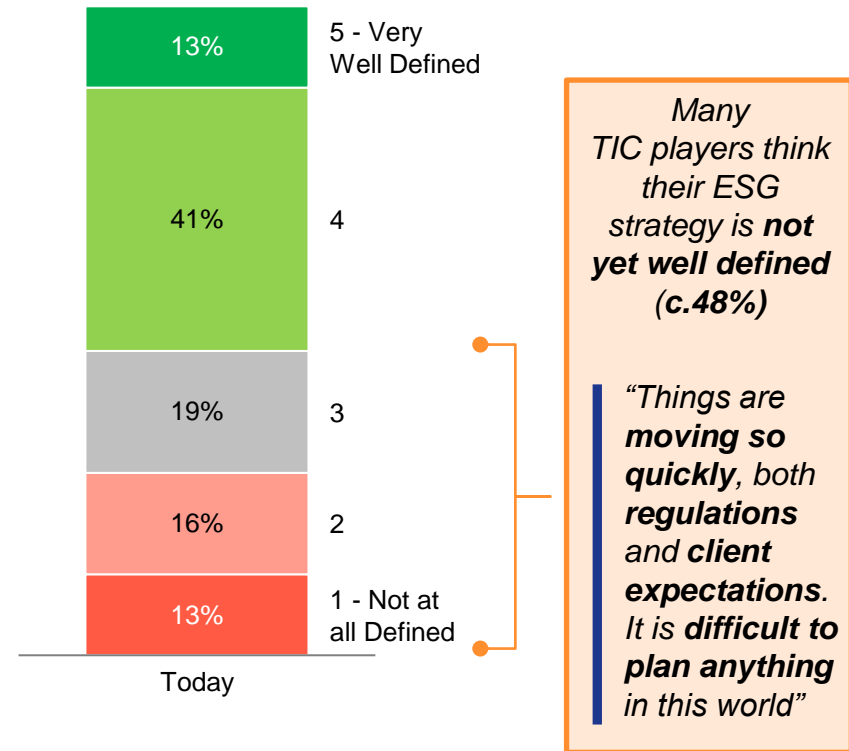
Market Potential for ESG Solutions in TIC

(N= 32)

Share of Revenues Which Are ESG Related¹



Clarity of Current ESG Service Strategy²



1. Thinking of all the services you offer today, roughly what % of revenues would you describe as having some relation to the theme of ESG?

2. How well defined is your company's strategy around ESG services? (eg. Are you clear on what your ESG proposition will look like in 5 years)?

Source: OC&C & TIC Council Joint Survey October 2022, OC&C & TIC Council Joint Interview Programme October 2022, Bureau Veritas Investor Day 2021, SGS Half Year Report 2022, 2022 TIC Council_OCC Webinar vNov 23 2022_vSend | © OC&C Strategy Consultants 2022

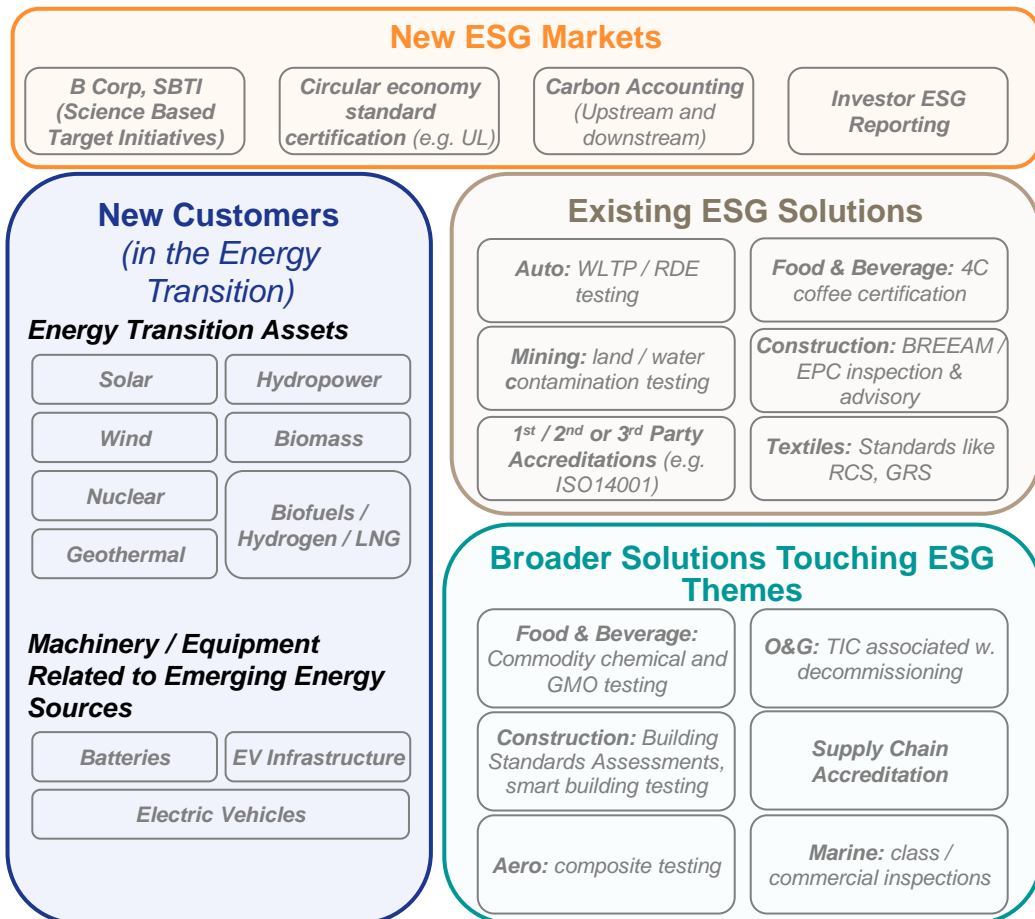
What opportunity does ESG hold?

The types of ESG-related propositions TIC players offer, and the customers served, are broadening – new customers already a significant part of the mix

ESG-related TIC Opportunity Segmentation & Breakdown of ESG TIC Revenues Today

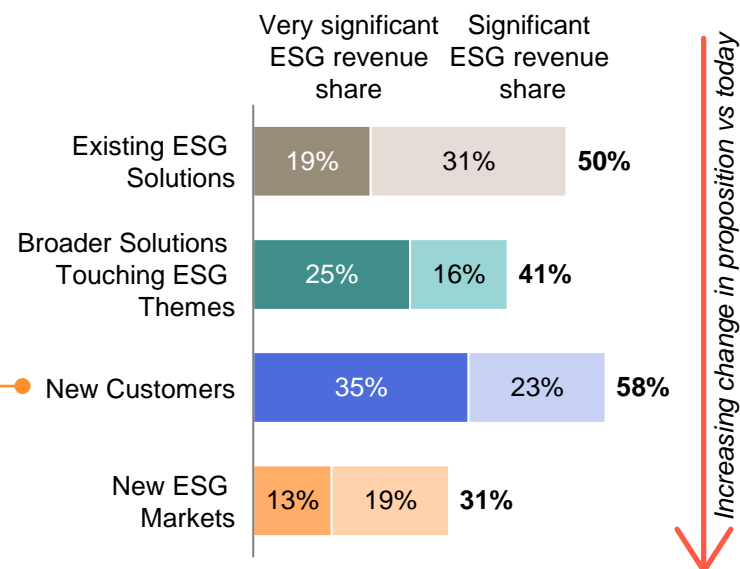
Not Exhaustive

ESG-related TIC Opportunity Segmentation



Breakdown of ESG TIC Revenues Today By Market¹ (N = 32)

How to read: Each bar indicates what share of respondents see a specific revenue stream as “(very) significant” in their current ESG revenue mix



“As power markets shift heavily towards **renewables**, new players enter - **start-ups** and also **investment funds** that have become **developers** (eg, Goldman Sachs)”

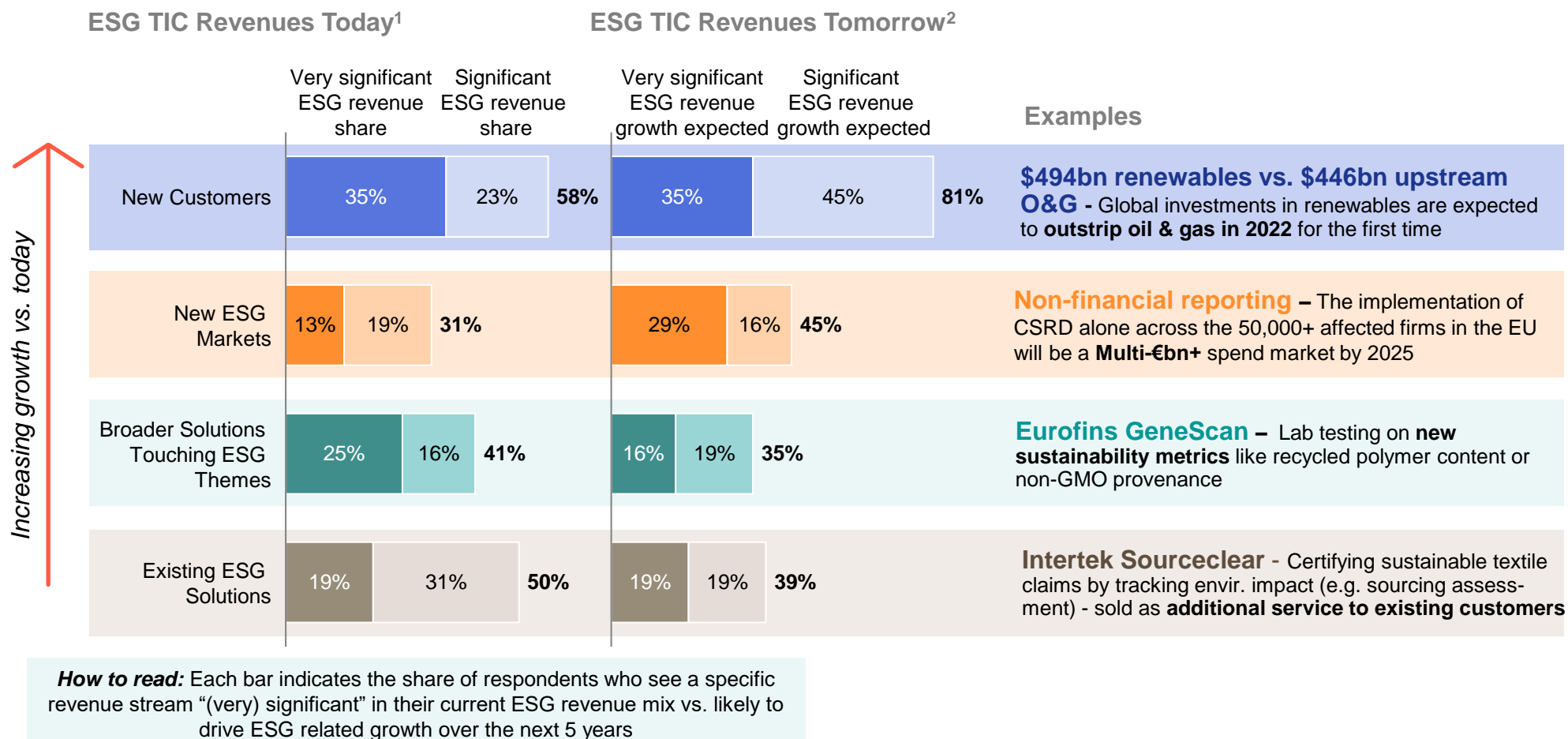
1. Of your ESG revenues today, how significant are each of the following:

Source: OC&C & TIC Council Joint Survey October 2022, OC&C & TIC Council Joint Interview Programme October 2022, OC&C analysis

What opportunity does ESG hold?

Growth is expected to come from beyond existing customers and solutions – broader in scope, with opportunities in both new customers & new markets

Breakdown of ESG TIC Revenues Today vs. Tomorrow (N=32)



1. Of your ESG revenues today, how significant are each of the following:

2. Over the next 5 years, where do you see the greatest growth in “ESG” solutions coming from for your business?

Source: OC&C & TIC Council Joint Survey October 2022, OC&C & TIC Council Joint Interview Programme October 2022, Rystad Energy 2022, OC&C analysis

2022 TIC Council_OCC Webinar vNov 23 2022_vSend | © OC&C Strategy Consultants 2022

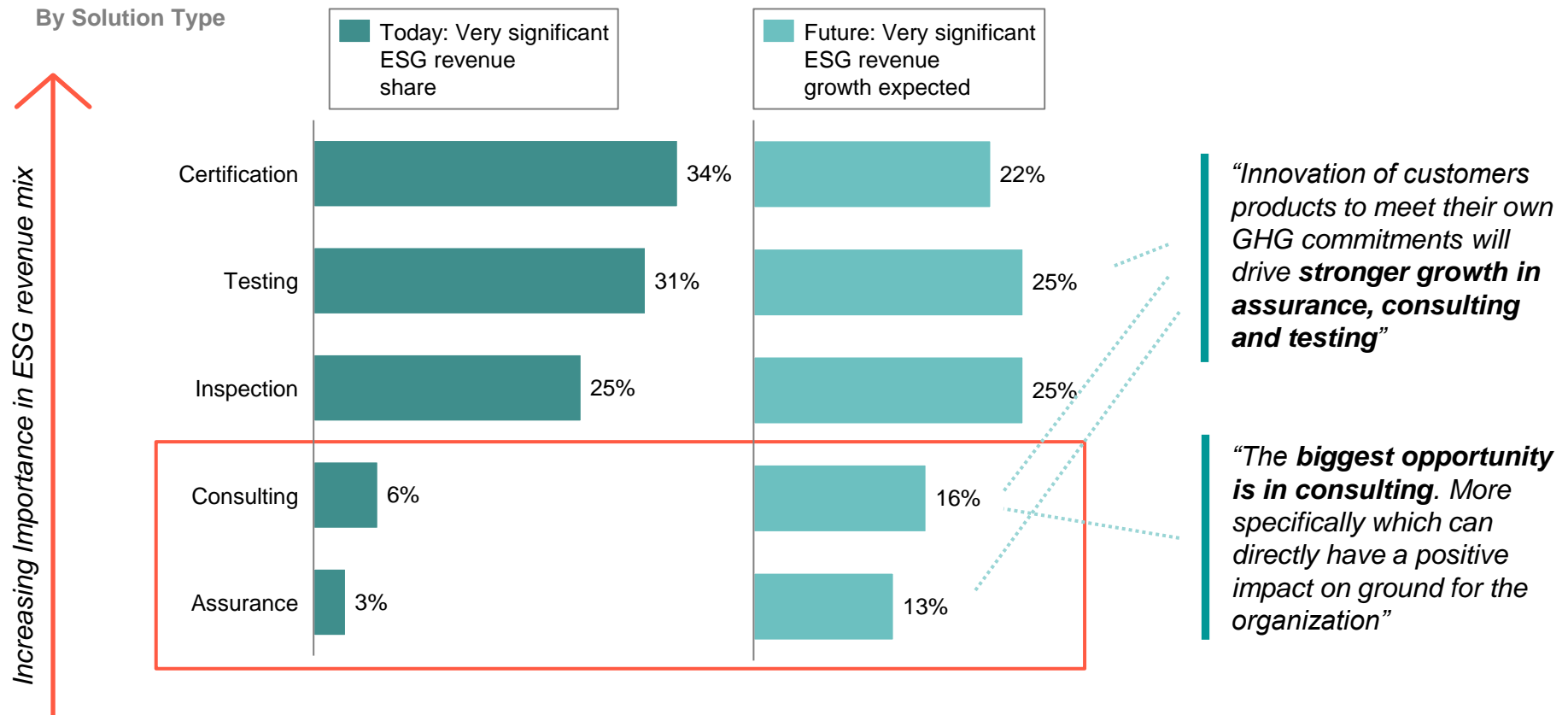


What opportunity does ESG hold?

New propositions will be important to this, with consulting and assurance increasingly important aspects

Growth Expectations of ESG TIC Revenues^{1,2}

(N=32)



1. What is the relative size of the following services in your ESG portfolio today

2. Over the next 5 years, where do you see the greatest growth in “ESG” solutions coming from for your business?

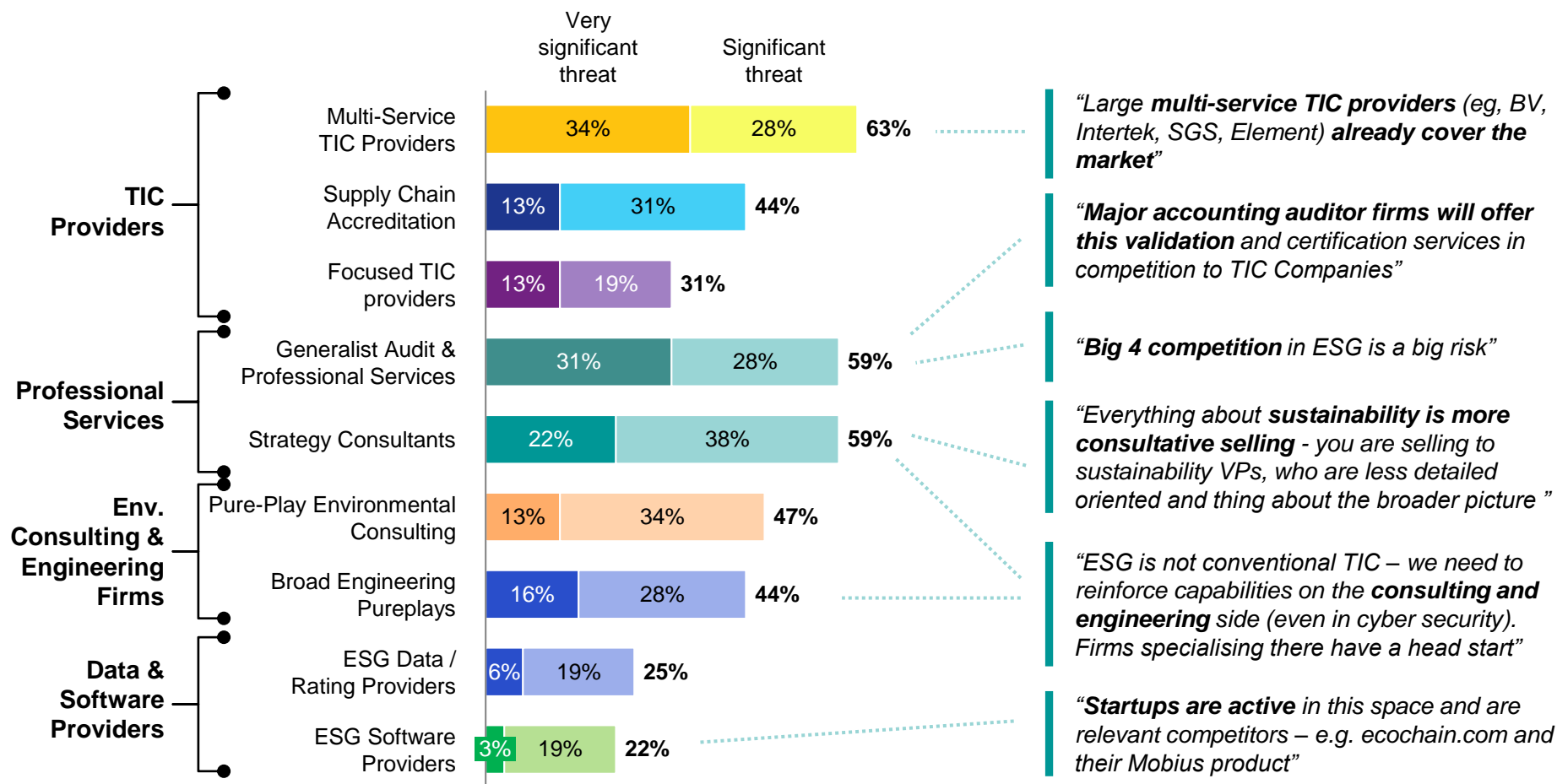
Source: OC&C & TIC Council Joint Survey October 2022, OC&C & TIC Council Joint Interview Programme October 2022, OC&C analysis

2022 TIC Council_OCC Webinar vNov 23 2022_vSend | © OC&C Strategy Consultants 2022



But a range of adjacent competitor sets are also starting to tackle these areas, increasing the urgency for TIC players to act...

ESG Competitors & Competitive Threat¹
(N = 32)



1. Within ESG services, which types of players do you see as the biggest competitive threat?

Source: OC&C & TIC Council Joint Survey October 2022, OC&C & TIC Council Joint Interview Programme October 2022, OC&C analysis

What opportunity does ESG hold?

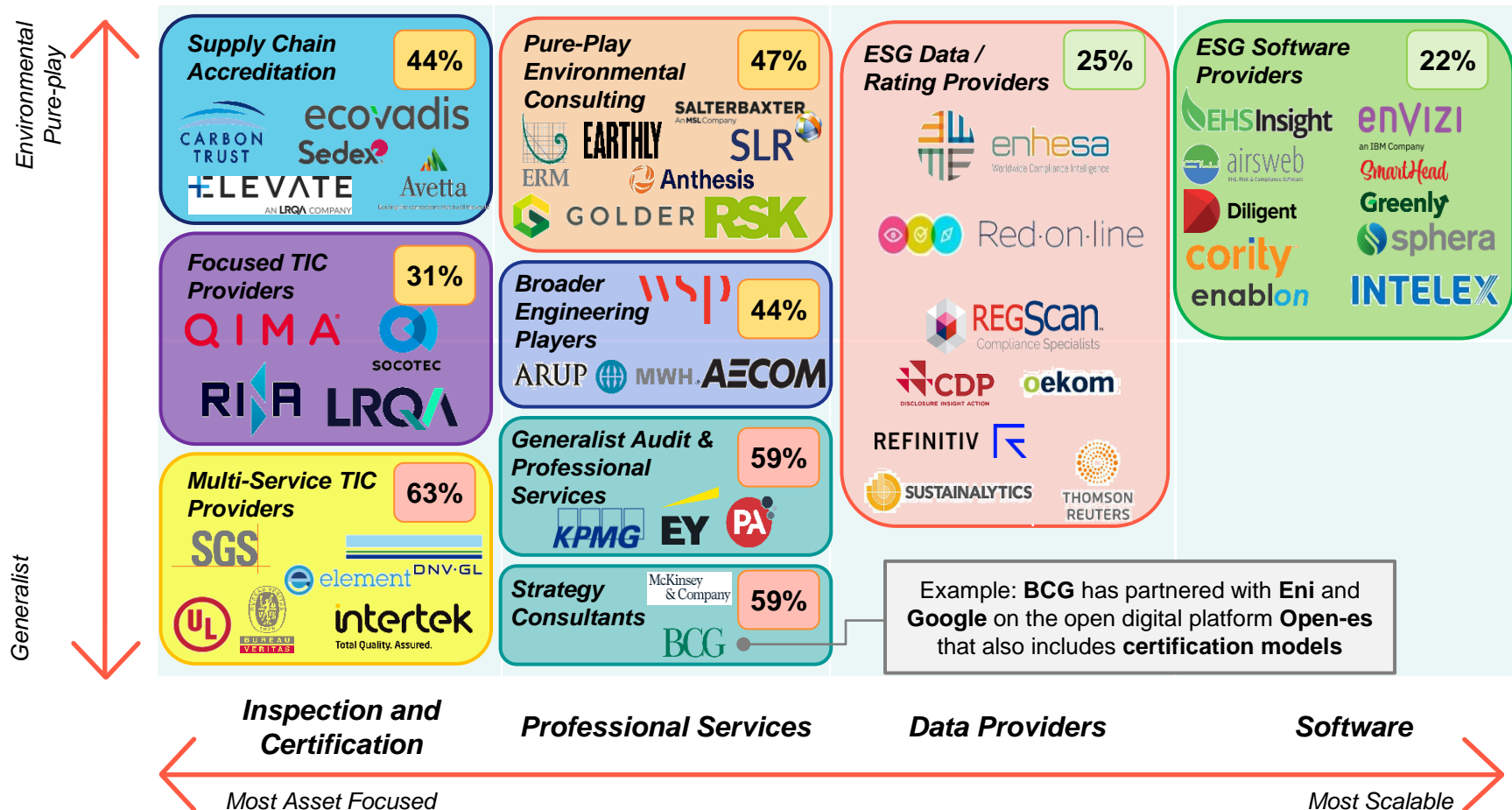
... either in forging clearer positions, or potentially through partnerships with key players

ESG Competitors & Competitive Threat

(N = 32)

Xx%

= Perceived Competitive Threat¹
(% Significant or Large Threat, N=32)

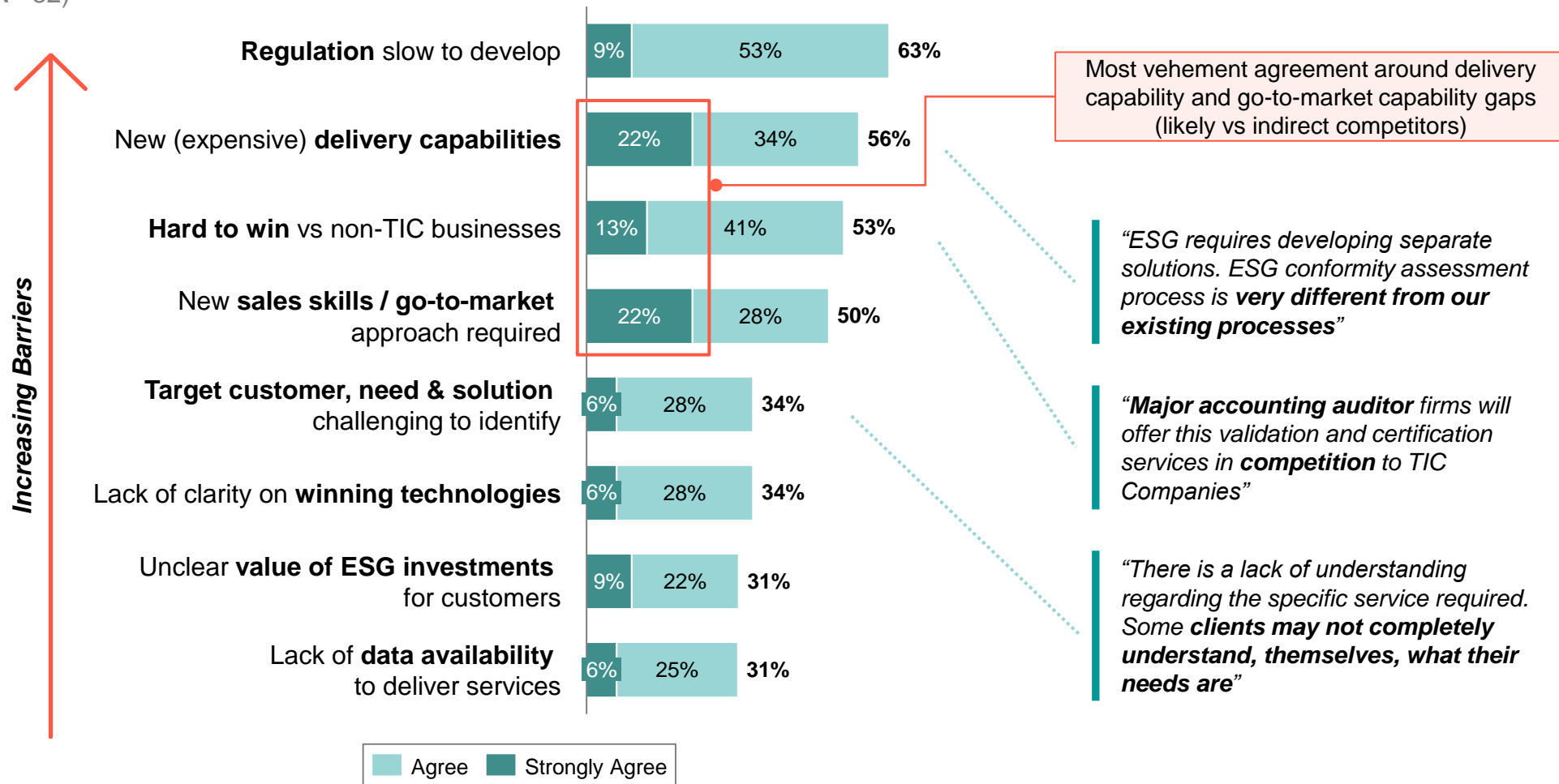


1. Within ESG services, which types of players do you see as the biggest competitive threat?

Source: OC&C & TIC Council Joint Survey October 2022, OC&C & TIC Council Joint Interview Programme October 2022, OC&C analysis

New delivery and go-to-market capabilities are needed to execute a differentiated strategy – these can be challenging to build

Barriers to Expanding ESG Services¹
(N= 32)

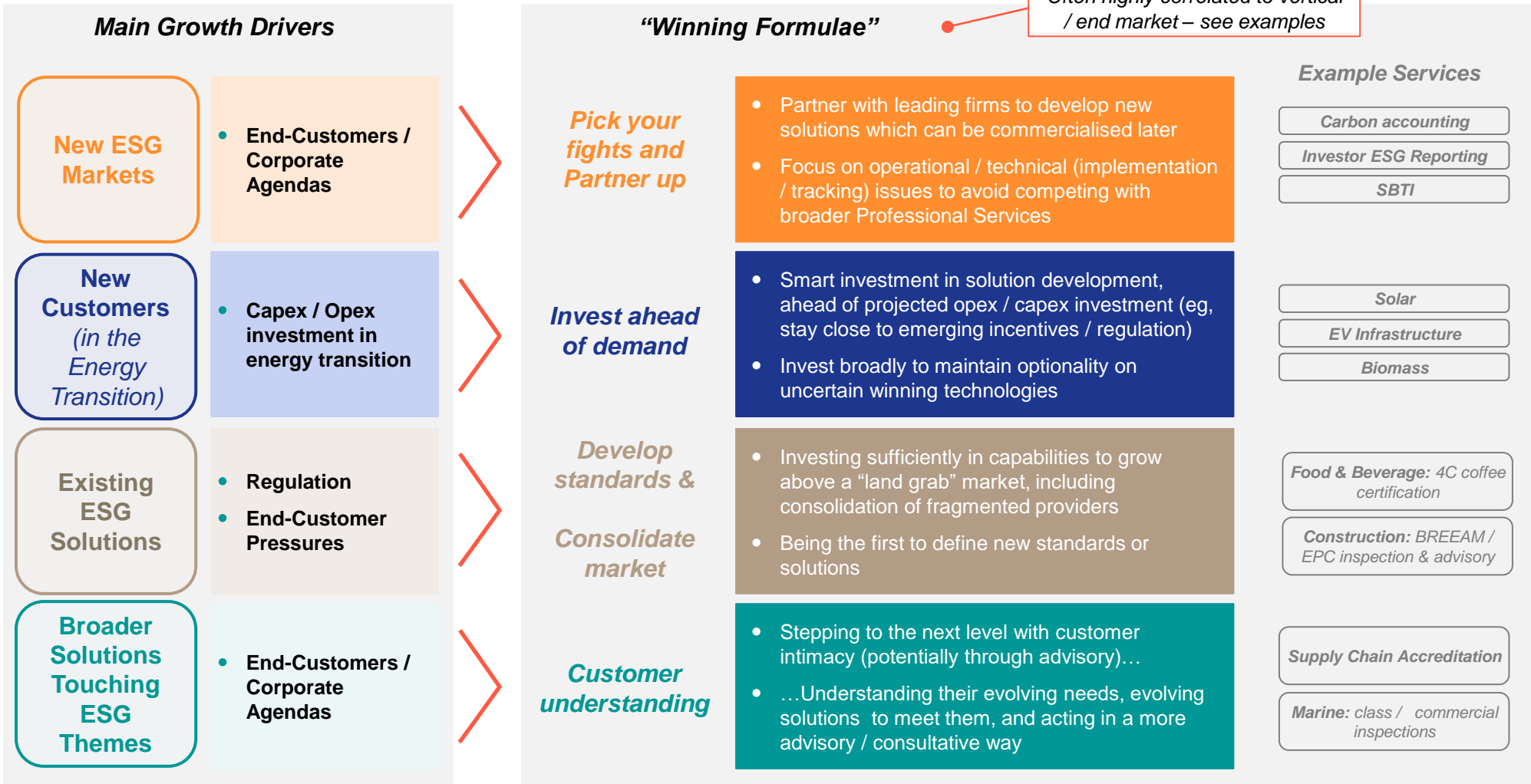


1. Which of the following do you see as barriers to expanding your company's ESG services?

Source: OC&C & TIC Council Joint Survey October 2022, OC&C & TIC Council Joint Interview Programme October 2022, OC&C analysis

Winning and differentiating vs more diverse competition will require more targeted approaches – which will vary by end market

Winning Formulae By Opportunity Segment



Beyond deploying the right winning formulae, there are 4 “no regret” actions to speed up ESG solution growth

“No Regret” Actions to Speed up ESG Growth

1	Take the lead defining emerging solutions or standards	<i>Significant first mover advantages – customers are not sure what they need, and are more likely to turn to the “thought leaders” – whether in defining a standard or solutions to emerging energy technologies</i>
2	Focus on Attractive Segments	<i>Not all customers are equally interested in ESG issues. Focus on (1) industries, (2) customer segments who are the most concerned about ESG issues (typically larger, public or consumer facing businesses)</i>
3	Increase customer intimacy and pre-empt conversations on Needs	<i>Most customers need to be guided through understanding evolving ESG needs (e.g. how does upcoming regulation affect me? What does that mean I need to do?)</i>
4	Partner to drive new solution development	<i>Partnering allows to build access to capabilities and customer understanding much more rapidly, with less financial risk</i>

Example Success Stories

RIGHTSHIP



Focused on largest, listed US homebuilders that care about (and see value from) energy efficiency

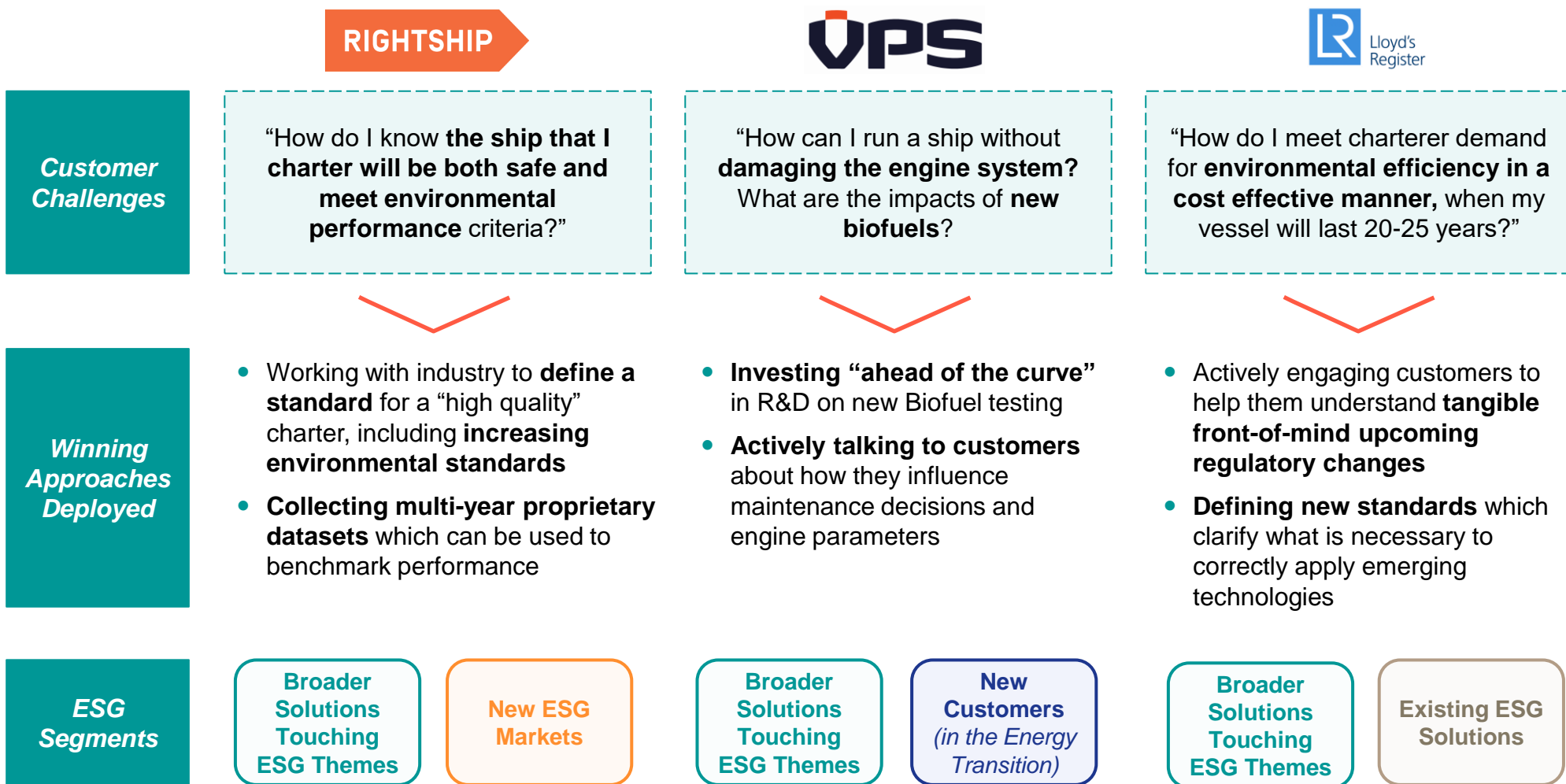


Supported and worked with customers on changing regulation (eg, PFAS)



Case Study: Winning players in the marine TIC industry are already taking an active lead in helping customers meet fast-growing ESG needs

Examples of Winning Approaches from Marine



Are you clear on your strategy in this context?

Strategy Building Blocks Examples / Key Questions

Where to focus?

Customer Segments & Needs

*“**Vertical knowledge** of the **end sector** is important. This will favour the players who can really demonstrate they understand customer needs”*

Propositions to Address Demand

*“There are **real opportunities** for **new solutions & standards**”*

Capabilities & Expertise Required

*“Winning is a matter of **size and depth of knowledge** in one industry - also since **data & algorithms** in tech-supported solutions look **quite different** across different industries”*

Depth of expertise and investment required higher than ever...

... sector and segment focus key to winning

How to deliver?

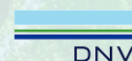
ESG Organisational Setup

*“Since the end of 2021 we have **established an ESG committee** to help define business goals, investments, go-to-market and shaping our organisation”*

Go To Market

*“ESG is transversal, but we have to **develop ESG capabilities specific to our industry lines** - it is a scope extension in that sense in the sales process”*

Capability Build
(Buy, Build, Partner)



To boost advisory expertise on key renewable services, **5% of revenue** (split between sustainability & digital) is **invested in R&D**

Fundamental questions about TIC's role in value chain

(If it's a gold rush, are you selling shovels?)

**Want to discuss how you could take
advantage of these opportunities?**

**Please do get in touch – we'd be
delighted to discuss**



 **CONTACT US**

Or contact us direct:

Bennet Summers

Bennet.Summers@occstrategy.com

Henry Charrington

Henry.Charrington@occstrategy.com



OC&C
Strategy consultants



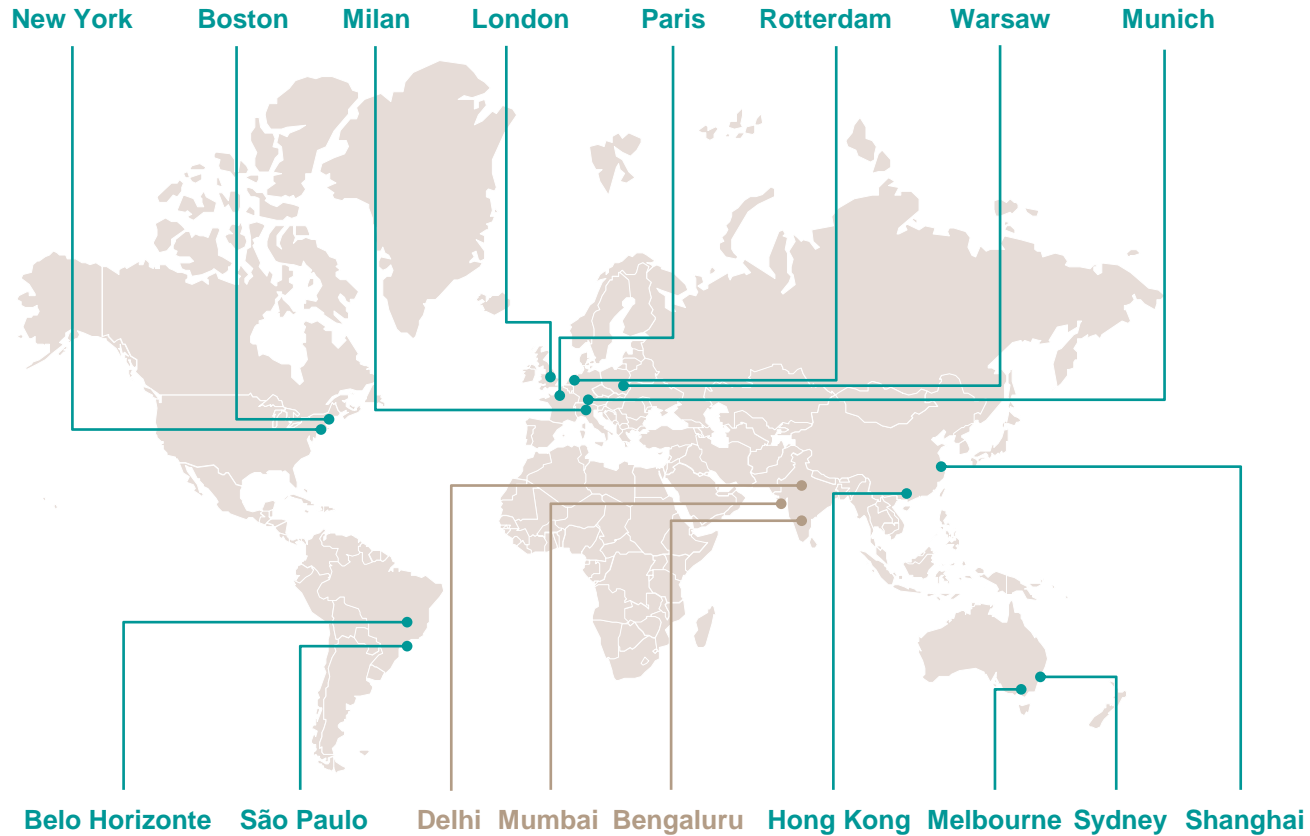
Agenda

Introduction To OC&C



OC&C is a global strategy consulting firm

OC&C's Global Reach



Background



OC&C's success has translated into consistent growth for our business

- Founded in 1987
- 17 offices worldwide¹
- Global coverage through our hubs
- Client roster includes some of the largest corporations and most innovative challengers in the world

1. Affiliate offices in India



We focus on growth strategy, M&A support and value creation

OC&C's Fields of Expertise

Group Strategy and Decision Making

- Portfolio and group strategy
- Business unit strategic planning and War-Gaming
- Value creation planning
- Digital Strategy

Driving the Top Line - Growth Strategy

- Marketing effectiveness
- Proposition, pricing
- Innovation, diversification and new proposition development
- Salesforce optimization and go-to-market

Building a Leaner, Fitter Organisation

- Content economics and RoI
- Digital transformation
- Cost reduction, strategic sourcing & workforce optimisation

Transaction Management

Corporate M&A and Private Equity

- Acquisition search, screen and evaluation
- Strategic and commercial due diligence
- Synergy evaluation
- Post acquisition planning
- Alliances, JVs and partnerships

Data & Analytics

Loyalty, pricing, location, sales force, and marketing effectiveness

- Advanced analytics and AI strategies, process and organisational design
- Loyalty, pricing, location, sales force, and marketing effectiveness
- Analytics capability building

OC&C operates across four sectors, and works with a range of players

OC&C's Sector and Client Coverage

