



CFO one-on-one



Adam Watson is the Chief Financial Officer of Transurban, a Top 15 company on the ASX which manages and develops urban toll road networks in Australia and the USA. Operating since 1996, Transurban work to provide effective transportation solutions that support the growth and well-being of the cities where it operates. They do this through the smart management of existing road networks, active involvement in the transport policy debate and by applying unique skills to infrastructure challenges. Adam joined the organisation in December 2014 from Australia Pacific Airports Corporation where he was CFO.

Does Transurban's expansion into the US market place greater demands on you as a CFO?

We have a clear focus on our expansion strategy and new markets must make sense in terms of our core business. The US operations were established to be a second platform of growth and we continue to see future development opportunities in both markets.

Our US operations add a new dimension in terms of time zones and having to navigate logistically but the demands have been very reasonable. This is largely because the US business fits our strategy and when it is within strategy you can apply the same disciplines we apply in our existing markets to the new markets which makes integration

much easier. In my experience it is when you are off strategy, or when your investments are speculative, that pressure is placed on the management team or the CFO. Transurban's US operating model is slightly different to the Australian model, but strategically the way that we partner with our clients, our focus on customers and the funding models we deploy are reasonably similar.

What things do CFO'S need to be aware of to be successful in the infrastructure sector?

I have worked across a number of sectors and, if I could point to one thing, it is the fact that we have a very diverse group of stakeholders. With toll roads, your key stakeholders include our clients (government partners), our customers (road users) and our investors (debt and equity). For a CFO you need to be very focused on making sure you are delivering value for all of those stakeholders and at Transurban that is something we work really hard at.

Another factor within the infrastructure space is that you are thinking very long term. The investments are 30, 40, or even 50 plus years investments so you need to think long term and



strategically. You are looking at long term solutions to accommodate what could be potential changes in the way we operate the assets owing to, for example, technological advancements or policy reform.

What are the top 3 skills for a CFO?

Overarching, you need to work hard at being a trusted advisor to the CEO, the Board and the Executive Committee.

Firstly, at a technical level you obviously need to be numerate. When you are out there in the marketplace raising capital or meeting investors it is certainly an expectation that you are across the numbers, including the balance sheet and funding plans.

The second one is strategic thinking, where you must be able to communicate your value proposition to all stakeholders. Investor relations, both debt and equity, is a big part of my role and I spend a lot of time communicating the company's strategy and how we create value.





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Phil McCann speaks candidly with Transurban CFO Adam Watson...

Third is leadership. I spend a lot of time on this. It's something I am passionate about, identifying and developing talent and empowering and motivating your team because you know very quickly you can't do it on your own and you are only as good as the team you have around you.

Does Business Analytics play a significant part of your role?

We think very long term and we do a lot of scenario planning. We use data to run simulation models, whether it be traffic models, funding models or operating performance models. We use a lot of data, both historical and forecast, to provide deep analytics to support our developments. It is an area that this company and the industry have evolved into over the past few years.

We talk a lot about how we can use this data to improve the traffic conditions. We can forecast with high levels of accuracy the impact of traffic during peak periods or particular road conditions. We can predict with high levels of accuracy where issues can arise on our roads and use technology such as our variable speed limits or ramp metering, or adjust to the conditions of the day to make our roads safer. If we do this well, it ultimately improves lane availability for the benefit of commuters. Analytics is a massive part of our business now.

What keeps you awake at night?

I am not one who spends time lying awake at night stressing. I have worked in some tough industries in my time. I think you have to be vigilant in controlling what is controllable and that is about making sure you have the right capability around you and strong systems and processes in place. A lot of governance and stewardship processes support that. It is really then down to the uncontrollable factors and we manage this by planning for potential uncontrollable events. Ultimately it is making sure you have a robust operating model in place that can sustain the ebbs and flows of the uncontrollable events.

For us, we work hard to ensure we have a strong and robust balance sheet in place to be able to fund not only the existing business but also our development opportunities and making sure we have those platforms and the funding strategies in place to continue to grow the business despite market fluctuations.

What importance do you place on risk mitigation strategies?

We put a lot of time and effort into funding and hedging strategies and we have been on a real journey over the last few years to make sure we diversify our funding sources. We have around \$12 billion of debt and we need to make sure that we have a range of markets that we can access when we need to refinance our existing debt or when we are looking to fund new developments.

When we look at our investments and future developments we take a through-the-cycle view when it

comes to things like funding plans and investment return hurdles. You need to be careful that you don't believe market conditions today will survive for the next 30-40 years, as we know history tells us they won't. We have strong treasury policies around liquidity and hedging to minimise the impact of changes to interest rates.

How do you think the CFO role may have changed over the last decade?

I spoke before about the leadership aspect of the role; developing talent and having strong relationships with the Board, the CEO and the Executive Committee. The CFO is much more than just the Financial Controller but also a member of the executive team that thinks strategically with a focus on creating value. It is about making sure that you broaden your capabilities beyond just the technical elements by leveraging your global experience or insights from different industries. It is fulfilling from a career perspective as you get involved in so many different aspects of the organisation compared to 10 years ago.

