WSP Global Inc.

Global Strategic Plan for 2019-2021 Conference Call

WEDNESDAY, JANUARY 30, 2019 – 4:00 PM ET

TABLE OF CONTENTS

PRESENTATION

Operator

Bonjour, mesdames et messieurs. Good afternoon, ladies and gentlemen. Bienvenue à la conférence téléphonique WSP présente son plan stratégique mondial 2019-2021. Welcome to WSP releases its global strategic plan for 2019-2021.

I would now like to turn the meeting over to Steeve Robitaille. Please go ahead. À vous la parole.

Steeve Robitaille, Chief Legal Officer, Executive Vice President, Merger & Acquisitions

Thank you. Good afternoon, everyone. Thank you for taking the time to join us today for this analyst call during which we will be discussing our 2019-2021 global strategic plan. We will first make a few remarks and then we will follow these remarks by a Q&A session. Please note that this call is being recorded and available on our website.

Before we start, I want to mention that we may be making some forward-looking statements and that actual results could be different from those expressed or implied and we undertake no obligation to update or revise any of these forward-looking statements.

With that, I will now turn the microphone over to Alexandre L'Heureux, our CEO, who is joined by Bruno Roy, our Chief Financial Officer, and Paul Dollin, our Chief Operating Officer. Alexandre?

Alexandre L'Heureux, President & Chief Executive Officer

Thank you, Steeve, and good afternoon and welcome, everyone.

There are three things I would like you to remember about this plan. First, we aspire to be the premier professional consultancy in our industry by 2021. Second, we intend to remain true to what we are. In the next cycle we will aim to grow through our focused acquisition and organic growth strategy, that being done in accordance with recent years' CAGR organic growth rate and the remaining being M&A growth. Third, by 2021 we aspire to have 65,000 employees around the world, representing a 35% increase in our headcount. This growth, combined with our operational excellence target, should translate into a 50% increase in our adjusted EBITDA.

But before going further let's look back at our 2015-2018 strategic plan. In 2015, WSP mapped out the strategy with key objectives to achieve by the end of 2018. These objectives were to, first, build a workforce of 45,000 employees; generate $6 billion in net revenues, including $1.3 billion from acquisitions and a 5% annual growth rate in net revenues; generate 11% adjusted EBITDA margin; maintain DSO below 85 days to keep our leverage ratio between 1.5 times and 2 times; and finally, generate 10% of our net revenue from global clients, which are clients we work for in more than two countries.

On the acquisition front, since 2015 we have acquired 29 companies and added more than 16,000 people to our workforce. The majority of these transactions were financed using our available cash and credit facilities. All this was achieved while generating EPS accretion and paying out a yearly dividend of $1.50 per share to our shareholders, who, over the years, have been supportive of our growth strategy.

On the organizational front, we have a renewed team corporately but also on a regional front. Today our leadership team is ready to take on the challenges and aspiration we have set for ourselves and the firm and this team is one of the most diverse in the industry with leaders coming from different backgrounds and professional experience.

Operationally, we have more than 100,000 active projects ongoing at any given time around the world. Our large projects, which we categorize as projects generating more than $1 million in fees, increased by 5% and now represent 53% of our net revenues. We have also been able to further diversify our platform by altering our client mix. Our client mix shifted from a split of 66% of our revenues from private clients and 34% from public clients to a split now of 58% public and 42% private.

While expanding our activities, 88% of our net revenues are coming from OECD countries and approximately 90% of our profit from five regions, namely the UK, the US, Canada, the Nordics, and APAC. More importantly, the majority of these are generated in countries with sound procurement processes as well as higher governance and ethics standards.

Our two main sectors, T&I, transportation and infrastructure, and property and building, respectively, represent 51% and 27% of our net revenue. Our strong brand, reputation, and elite expertise provides us with a continued opportunity to grow in these sectors.

Last, our core expertise in engineering and design allowed us to develop a top-tier position in many geographies and sectors in which we operate. About 65% of our $6 billion in net revenue was generated in engineering and design services; however, our expertise goes beyond this. Today our brand and our knowhow are no longer solely associated to technical designs. The WSP that we know today is an emerging and leading multidisciplinary professional services firm providing an area of strategic advisory services representing approximately 35% of our net revenues in areas such as project and program management, permitting, infrastructure advisory, emergency management, and sustainable development.

As we look back on the achievement of our 2015-2018 strategic plan what has clearly emerged is that we have a proven operating model with an agile, high performing culture, a strong brand, and an engaged workforce. Taken together, this translates in providing forward-thinking advice and unparalleled expertise to help our clients succeed in a changing world, putting them in the centre of everything that we do.

Building on what enabled us to position our firm as a leading pure-play professional services firm, we are entering the next phase of our growth on solid footing and are enthusiastic about our future prospects. To attain our objectives, we will continue to evolve our four foundational pillars, namely our clients, people and culture, operational excellence, and expertise, which I will each discuss now.

Let's start with our clients. Our plan includes several initiatives, but even more important, our focus on clients will in turn help drive organic growth, cross selling, and increased client satisfaction. A strong indication of our success will be our ability to grow our net revenues from our portfolio of global clients by 10% and to receive top quartile rating in our net promoter score survey by over 75% of our clients.

Next, people and culture. Our reputation is constituted of the exceptional work of our professionals and their unwavering dedication to our clients and communities. Based on our strong brand, we aim to position our firm as the very best place to work while strengthening our reputation. Our people and culture strategy will therefore focus on recruiting, retaining, and rewarding performing employees while providing a safe, efficient, and attractive work environment. Putting diversity and succession planning as important elements of our people strategy, we'll also aim to have 75% of our global leadership team positioned and those of their direct reports filled by internal candidates and to have 30% of management positions held by women. We will also measure success by targeting a voluntary global turnover rate below 12%, placing us within the top quartile range in our industry.

Next, a key to building a premier professional consultancy is through our operational excellence pillar. A well run, profitable business generating industry-leading margin will enable increased investment in our other foundational pillars, allowing further advancement. We will focus on initiatives such as ethics; health and safety; the standardization, automation, and digitization of our processes; the increase of operating margin or the optimization of corporate costs, capital expenditures, and working capital. With these initiatives, we will strive to operate efficiently and effectively, thus delivering improved productivity and margins.

Lastly, to truly be a strategic partner to our clients we must consistently bring them value through our expertise. This value will be derived from our ability to leverage our global presence and ability, our market leadership, or the diversity of our expertise. Building further on our current sectors and services will be achieved both through organic growth and a disciplined acquisition strategy.

Regarding the firm's geographical presence, we will capitalize on our regions where we have an existing leadership position, such as Canada, the UK, the Nordics, and New Zealand, and will actively drive our presence in geographies where significant opportunities for growth still exist, such as the US, Continental Europe, Australia, and Southeast Asia. We will continue to strengthen our leadership position in the transportation and infrastructure and property and building sectors while accelerating our growth in sectors such as environment, water, power, industry, and resources.

Last, we will continue to do what we do best by building our elite expertise in engineering and design while getting closer to our clients by further investing in strategic advisory services such as planning and advisory services, management services, or technology and sustainability services.

On the digital front, technologies will continue to impact the way we deliver our services and design for the built environment. Those services are already embedded in all the assets we design. Significant advancements through digital technology offer a unique opportunity to improve the way we live and track, plan, commute, while shedding new light on how asset owners need to adapt and embrace changes.

Let me now discuss how all of this will translate into financial performance. Our 2019-2021 strategic plan has been prepared, taking numerous assumptions regarding the competition, political environment, and economic performance of each region where we operate. WSP will aspire to reach the following metrics by the end of 2021:

We aim to reach net revenues of C$8 billion to C$9 billion. This should be achieved through a 10% annual growth, including both organic and acquisition growth assuming a CAGR in line on organic growth, in line with our recent performance. On the margin front, we aim to increase our adjusted EBITDA margin between 11.5% and 12.5% and we will continue to focus on our receivable and aim to decrease our DSOs below 80 days.

In conclusion, we want to keep a fine balance between our growth objectives through organic growth and acquisition; however, and as often said in the past, timing an acquisition, specifically a transformational one, is not easy. But if an opportunity presents itself, we will have the financial, operational, and internal desire to execute on such a transaction. Our leverage of 1.5 times to 2 times EBITDA combined with our existing dividend policy are therefore a good place to be, enabling us to seize opportunities as they arise while rewarding our share-holders by means other than stock appreciation.

Finally, I'm excited about the new opportunities that will arise in the future and before we open the line for questions I would like to thank our clients for putting their trust in us and our shareholders for their unwavering and continued support. We will spare no effort to deliver on each of our objectives.

My final comments are addressed to our employees around the world: Thank you for your continued commitment and dedication. I firmly believe in our industry, in our growth potential, and in the opportunity that lies ahead of us. I truly hope that together we will continue to have fun in pursuing this exciting journey, expanding new horizons, not only for the firm but for you as well.

Let's now open the line for questions.

QUESTION AND ANSWER SESSION

Operator

À ce moment, si vous voulez poser une question, composer l'étoile suivit du numéro un sur votre clavier téléphonique. At this time, if you would like to ask a question, please press star followed by the number one on your telephone keypad.

Your first question comes from the line of Mona Nazir from Laurentian Bank. Please go ahead.

Mona Nazir, Laurentian Bank

Good day. Thank you for taking my questions.

Alexandre L'Heureux, President & Chief Executive Officer

Hi, Mona.

Mona Nazir, Laurentian Bank

Hi. And congratulations on the plan. So, the new plan states that revenue growth is to be a balanced approach between organic growth and acquisitions. Is there an equal kind of 50/50 mix that you are messaging there? And, if so, this varies, I believe, in regard to the past plan where about 85% of the growth stemmed from M&A. So, I understand—yeah?

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, go ahead. Sorry, I didn't mean to interrupt.

Mona Nazir, Laurentian Bank

No, that's okay, you can go.

Alexandre L'Heureux, President & Chief Executive Officer

Okay. Well, we had a huge debate internally about what balanced growth means. Does it mean 50/50 to people or not? The answer to this, Mona, is like, look, you look at our recent CAGR growth, and you can go back all the way back to 2010 and indeed clearly above 50% of our growth came from M&A and below 5% came from organic growth. So, I wouldn't say that it's going to be a 50/50. I personally believe that the basic assumption we should think of and plan for is more in the higher range between 3% and 4% and then the rest will come from acquisition growth. I think that would be a fair assumption at this point in time given our track record in the past.

Mona Nazir, Laurentian Bank

Okay, that's very helpful. And then secondly, I was surprised to see such strong EBITDA margin growth targets, 12.5% on the upper end of your targeted range, especially with increased global competition, so

I'm just wondering if you could speak to the composition of the up to 150 basis point increase. You've spoken about your complementary resource centres in the past, then with the recent Louis Berger acquisition we're seeing significant cost synergies that drove up the margin profile, I'm just wondering if you could speak about how that margin expansion is to likely come about.

Alexandre L'Heureux, President & Chief Executive Officer

This is a really good question. I would answer this question by saying all of the above, Mona. I mean clearly we have a number of different initiatives and, as I often said in the past, every country has its own plan and the plans will vary from one country to the other. It's not one or two or three different initiatives that will drive our margins up on 100,000 live projects from 11% to 12.5%. That will not happen. It's a number of different initiatives country by country that we need to tackle, measure, and really push in order for us to improve margin. But clearly in the last few years we heavily invested in training of our project managers, we are developing, in my mind, better leaders, and we'll continue to invest in our people. That's what we're selling, we're selling brain power.

So I do expect that some of it will come from operating margin. So, driving better project management, more on time, more on budget, I think that we can definitely achieve. But also we need to rethink and reinvent the way we manage our business. We've done that in the last three years but I don't believe the way we manage the business today is the way we should manage it three years from now. So we need to rethink our corporate costs, we need to rethink the way we support our operations, and that too needs to be reviewed and looked at, and obviously our corporate cost is something also that we'll be working on.

And I'll finish by saying that I do like the hubs where we operate. I mentioned before that 90% of our top line is generated in OECD countries. That hasn't moved much over the last three years and I don't intend it to move too much either, one way or the other, in the next three years. We like the hubs where we operate, we like the markets where we operate, there's a good procurement process, there's a lot of activity, the governments are quite active in reinvesting in infrastructure, and provided that the world economy is there to support that spending I feel good about our plan.

Mona Nazir, Laurentian Bank

Okay, perfect. And just lastly for me in regard to an exhibit, I believe on page nine in the slide deck there's an exhibit that talks about your net revenue composition with over 53% of the revenue now generated from large projects. Does that come with a stronger margin profile? Can that be correlated?

Alexandre L'Heureux, President & Chief Executive Officer

I think it's a number of different—I think there are a number of different reasons. I do believe that we can tackle, now that we have the platform that we have, I think we can tackle mission critical projects. I believe we can tackle bigger projects. We can tackle more complex projects, perhaps projects that other firms may not be in a position to tackle. I wouldn't argue that because the project is larger the margin is better. That's not probably the message that I would want the investment community to take away. I do like the project mix that we have. But now with our mobility and our global network we are able to tackle more complex projects and they tend to be larger in size and today was just for your information to see the mix of our projects.

Mona Nazir, Laurentian Bank

Thank you.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

Your next question comes from the line of Yuri Lynk from Canaccord Genuity. Please go ahead.

Yuri Lynk, Canaccord Genuity

Good afternoon.

Alexandre L'Heureux, President & Chief Executive Officer

Hello, Yuri. How are you?

Yuri Lynk, Canaccord Genuity

Good, Alex. Good. Alex, can you give me a snapshot of the current acquisition landscape? I'm just trying to figure out if the acquisitions that are planned are possible without doing a transformational deal that might require some equity.

Alexandre L'Heureux, President & Chief Executive Officer

Look, the simple way to answer that question, Yuri, is, you know, you look at the bible in our industry, which is the ENR magazine, I mean at the very least you know that you do have at least 500 firms on the ENR top 500 list in the US alone. So, the point I'm trying to make here is that the market is still very much fragmented. That doesn't mean that independent players are not fiercely independent at this point in time but I do believe that the pipeline of opportunities will still exist in the next 36 months. The market is very much fragmented in many other places it the world. We are subscale in many places and therefore I do feel that if we are patient and we have a disciplined approach opportunities will come our way in due course.

Yuri Lynk, Canaccord Genuity

So you don't necessarily need to do something like as large as PB in order to achieve your goals? You think you can do more debt-financed tuck-ins to get there?

Alexandre L'Heureux, President & Chief Executive Officer

Look, the best way to look at this is our last plan. In the last plan, we didn't do a PB but we added 16,000 people. And with PB in 2014 we added 15,000. So, you know, I think the last plan is probably the best example to demonstrate that that's possible. But, at the same time, sometimes if something more meaningful was coming our way I do feel that it's our fiduciary duty to look into it, because there are the numbers but also strategically there may be some merits in looking at something bigger. So I'm not suggesting there's anything out there at this point in time or there's something out there at this point in time. What I am saying and the point I wanted to make in my address is we're going to continue what we do, which is a very disciplined approach, what we've done in the past, and in case our investors are wondering whether we would contemplate a transformational acquisition, that would be a possibility, but it would need to meet all of our investment criteria.

Yuri Lynk, Canaccord Genuity

Okay. That's fair. Last one for me, just shifting to some of the growth areas you've targeted, certainly Continental Europe looks like it's going to be a focus going forward. What do you find so attractive about that market in particular?

Alexandre L'Heureux, President & Chief Executive Officer

The engineering community in Europe is very strong. Like we said in 2012, we did like the acquisition of WSP because, you know, those engineers are very well travelled, they know the world very well with very strong expertise, and there are some other countries with equally good engineers and we believe that this is, if you look at the population of central Europe, and I exclude the smaller countries, you know, there's a pool of talent out there and expertise as well but also a good market. A really good market for us to do business. And pretending to be the premier consultancy without having a footprint in central Europe, I think it's hard to envision.

I'd like to remind you that this was also part of our plan to grow central Europe in the last strategic, the 2015-2018 plan, and unfortunately we were not able, over the last two, three years, to find the right platform for us to grow central Europe, but hopefully this time around we'll be able to achieve that.

Yuri Lynk, Canaccord Genuity

That's it for me. Thanks, Alex.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you, Yuri.

Operator

Your next question comes from the line of Jacob Bout from CIBC. Please go ahead.

Jacob Bout, CIBC World Markets

Good afternoon.

Alexandre L'Heureux, President & Chief Executive Officer

Hey. Good afternoon, Jacob.

Jacob Bout, CIBC World Markets

I wanted to talk a bit about the rationale of the move into more water, environment, and resources, and maybe you can just talk a bit about, in particular, the move into resources. Does that add more volatility to the business? As we think about the margin profile of your transportation infrastructure, is this a higher margin area that you would be moving into?

Alexandre L'Heureux, President & Chief Executive Officer

Well, Jacob, first and foremost, we could argue that water is a resource, so we purposely took it out from that bucket. But historically, and I think we've indicated that many times in the past, we have no aspiration, for instance, it's certainly not top of agenda to go after oil and gas businesses. That's not what we're after.

And I know that the first reflex or first thing that comes to mind when we talk about resources is oil and gas, but there's also mining, for instance. We have a good business in mining. We do have a good presence in Canada, we have a good presence in Australia, and we've always been quite clear that in a resource-based country, if you want to be a leader and you want to be a top three in the country in which you operate, in a resource-based country you have to have a presence in those sectors. So, I think we're very consistent with the past.

Environment, we just promoted a new global practice leader in the same way a few years ago we promoted a global practice leader in transportation and infrastructure with Dave McAlister and earlier on with Tom Smith in property and building. You know, there's a real opportunity for us elevate our brand awareness, for instance, in environment, but in many other sectors, and I do feel that it's a great opportunity to be upstream or to position the firm upstream in other services than just technical design. So we've done that over the years and we'll continue to do that.

Jacob Bout, CIBC World Markets

And then on the margin question?

Alexandre L'Heureux, President & Chief Executive Officer

I'm sorry; can you repeat your question? I forgot about it.

Jacob Bout, CIBC World Markets

Yeah, so just the margin of moving into the water, environment and resources and just comparing the margin of that business versus your traditional transportation, infrastructure, buildings.

Alexandre L'Heureux, President & Chief Executive Officer

Look, it's very consistent. I think there are, you know, if you look at our T&I business or look at our property and building business and you look at the environmental sector or look at the water sector, it's been, over the years, quite consistent. So, I don't believe, you know, I think the reality is we're not looking to invest in those sectors because the margins are significantly higher, it's because right now, and I mentioned it in the address and in the investor presentation, I mean we would like to have an improved balance by the end of 2021 on our portfolio mix between geography, sectors, and services. And I think that's the right thing to do for the firm, to build a more resilient platform.

Jacob Bout, CIBC World Markets

Okay. And then—

Alexandre L'Heureux, President & Chief Executive Officer

And I would also add, Jacob, that that's a really good, I mean we've talked about this in the past, to generate cross selling between the various sectors. I think environment, for instance, is a perfect candidate to really create cross selling with our two other main sectors or core sectors at this point in time.

Jacob Bout, CIBC World Markets

Okay. Last question just on the move into more strategic advisory versus a typical design engineering. Is that just kind of the natural progression as you get larger or, you know, what is the strategic advantage behind that?

Alexandre L'Heureux, President & Chief Executive Officer

Well, we mentioned in our strategy that really the next three years clients will be at the centre of everything that we do. I think we are, in this cycle, in the evolution of the firm where in the next three years we'll make a significant push on our client base, we'll make a push in really communicating the scope of services we can offer. We have outstanding expertise within the firm and our professionals are delivering great service, but I think we're now in this cycle where we really need to communicate and engage with our client base, and we believe that our clients are looking for all sorts of services that we believe we're best positioned to offer. We can help them from permitting to impact assessment to preliminary design to planning to urban planning, master planning, all the way up to detail design. We will not venture in construction. That's not what we'll do. But we believe we can be perceived as a trusted advisor and viewed as a trusted advisor rather than a service provider. And we believe that by expanding the scope of services we can offer to existing clients and win new ones, that's how we will be able to generate the cross selling.

Jacob Bout, CIBC World Markets

Thank you.

Alexandre L'Heureux, President & Chief Executive Officer

Thanks.

Operator

Your next question comes from the line of Derek Spronck from RBC. Please go ahead.

Derek Spronck, RBC Capital Markets

Good afternoon. Thank you for taking my question. Just to start off, any colour or detail around the assumptions around acquisitions in terms of what the kind of average multiple or average margin, EBITDA margin you're assuming within your acquisition profile here?

Alexandre L'Heureux, President & Chief Executive Officer

The answer is no. I'll give you a few examples. In the past we acquired businesses with a higher margin profile than ours at the time. MMM, Marshall Mack, in the GTA area is a primary example of that. There are other times where we acquired businesses that were generating half of our margin profile. An example of that would be Mouchel. And we were able, over time, to really bring up the margin profile to our level. So, margin is a really important criteria but what's mostly important is does it fit our plans? Does the target fit our culture? Do they have a likeminded vision of our industry? Do they believe in our operating model? And then is there expertise that resides in this business? And if there is, then it will be our job to bring this company to our level. And so far it's worked out well. But, you know, we're not making a determination on a business just on the basis of the margin level that they do generate.

Derek Spronck, RBC Capital Markets

Fair enough. Just with that, you're targeting less than 12% voluntary turnover. Are you above that right now? And then just reflecting on the acquisitions you've made over the past three years, how successful have you been in retaining kind of the senior leadership of the acquired companies that you made over the past three years?

Alexandre L'Heureux, President & Chief Executive Officer

Well, I tell you, I think that is what has made our success. We were very inclusive in the way we acquired target companies and today I can tell you that the turnover rate at the leadership level is very low, because all the work is done upstream prior to completing the transaction. And if we feel and see that this would be a good financial deal but would not be good news for the leaders that are joining our company, I mean there's no point in doing a deal. You're destroying value in the longer term. So, the turnover has been good on the companies we acquired.

And then your first question, because I wish to address it, yes, it is slightly higher than 12%. And that makes sense also. I mean you look at the country where we operate but there are some other places where the turnover is much higher in some countries and we have to deal with that and we've been dealing well with this in the past. And, again, we will be pushing harder, even more reducing the rate below or at 12% in the next three years.

Derek Spronck, RBC Capital Markets

What are some of the levers that you have to do that? Is it just building a strong culture and opportunities within the global platform or are there other levers?

Alexandre L'Heureux, President & Chief Executive Officer

I think there are many levers. Our empowered model is a very strong lever. The culture is extremely important. Also, and you would know that as well, you know, who you are working for makes a big difference. We are making extraordinary effort in training our leaders to become better leaders, to become better mentors to our professionals, and we'll continue to do that in the next three years. I mean these are probably the three main drivers. And also working in an exciting firm with a great vision and great aspiration is also an important factor.

Derek Spronck, RBC Capital Markets

Okay, no, that's great colour. Appreciate it. I'll turn it over. Thank you.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

Your next question comes from the line of Benoit Poirier from Desjardins Capital Markets. Please go ahead.

Benoit Poirier, Desjardins Capital Markets

Yes, good afternoon and congratulations for the plan. Given your strategy, a good portion of it will be based on M&A, I was wondering if you could talk a little bit about your expectation in terms of free cash flow conversion going forward. You've been quite good in the past so I was wondering if we should assume kind of a 100% free cash flow conversion rate going forward as a percentage of the net income.

Alexandre L'Heureux, President & Chief Executive Officer

Bonjour, Benoit. Look, as you all know, over a long, long, long, long period of time, essentially earnings should equal free cash flow at some point in time. But yes, the idea and the goal is to generate free cash flow above EPS in the next three years. We do hope and aim and aspire to deliver a better result than the last three years. The last strategic plan we had 85 days DSO as a target. This time around we have 80 days, which means that we do aspire to do better on managing our balance sheet. And I've always been quite vocal about this; we want to grow but we're not desperate for growth. We are desperate for quality growth. So, if it's growth that will translate in quality earnings, we'll take the challenge, but we're not growing just for the sake of growing. So that's why we put a lot of effort, the team, to make sure that this growth is translating in cash and hopefully in the next three years we will be able to improve our DSO on that front.

Benoit Poirier, Desjardins Capital Markets

Okay, perfect. And are you referring to adjusted net income or net income, Alex, in terms of the free cash flow conversion?

Alexandre L'Heureux, President & Chief Executive Officer

Look, I would need Bruno to answer that question. He's more well versed on that.

Bruno Roy, Chief Financial Officer

Adjusted net income.

Benoit Poirier, Desjardins Capital Markets

Okay. Okay, perfect. In terms of M&A, in the past you mentioned that the quality of the asset is important but not allergic to pay kind of double-digit multiple, but I was just wondering if a turnaround company with EBITDA well below your current level, it seems like this is something you would take a look at also, right?

Alexandre L'Heureux, President & Chief Executive Officer

Look, as the previous question, I think from Yuri, I mean what—first and foremost what we're looking at is whether a company on the face of it or a firm meets our investment criteria. What I mean by that is culture but also expertise. At the end of the day, that's what we sell, that's what we offer. Our professionals are selling brain power. So, we've never been about growing just for the sake of growing.

If we can find firms that, with our assistance, can do better financially, but with us we can leverage and cross sell the expertise that we have, we will look into it. And we've done that in the past. But also equally, you know, we will be able to pay a good price for the gold standard in the niche expertise. I mean that also has to be looked at and we don't discount that. So, for a company that is doing extremely well, has good margin, and own a market, again, a good example close to home is MMM, I mean at the time we paid a fairly good price for it but today do I think this was a must-do deal? Yes, it was.

Benoit Poirier, Desjardins Capital Markets

Okay. And when you look in terms of EBITDA margin target, the 11.5%, 12.5%, assuming, let's say, a bullish case 12.5%, how much would be driven by M&A in terms of assumption? It seems that everything can be done organically and not assuming any M&A to get to the 12.5%. Am I right, gentlemen?

Alexandre L'Heureux, President & Chief Executive Officer

A couple of points on this. I mean the next strategy is not just M&A related. I mean we clearly have the aspiration to grow year over year with a healthy organic growth rate given that we are now in 41 countries. So we will continue to grow organically, that's our aspiration, and that's clearly, like the life and blood of an organization is organic growth. I wouldn't want you to leave the call today thinking that this is going to be an M&A strategy. Organic growth is at the heart of what we do and we'll continue to do that. On M&A, I mean we'll, as I said before, we'll look at what's available out there and if we believe it makes sense and it can certainly add to our platform and create the revenue synergies that we're looking for, I mean we will look into it.

Benoit Poirier, Desjardins Capital Markets

Okay, perfect. And last one for me, I assume that the numbers today do not reflect or do not take into account the IFRS 16. Am I right? And could you talk a little bit about the key elements of the impact?

Alexandre L'Heureux, President & Chief Executive Officer

Can we park this until—Benoit, we do release our Q4 results and at such point in time we will be also releasing our outlook for 2019 and I think we can have a more in-depth discussion around IFRS 16.

Benoit Poirier, Desjardins Capital Markets

Okay, perfect, but it's excluded, right, today? It's not taken into account, right?

Alexandre L'Heureux, President & Chief Executive Officer

No, it's not.

Benoit Poirier, Desjardins Capital Markets

Perfect. Okay. Thank you.

Alexandre L'Heureux, President & Chief Executive Officer

Okay, thank you.

Operator

Your next question comes from the line of Frederic Bastien from Raymond James. Please go ahead.

Frederic Bastien, Raymond James

Thanks. Bonjour, Monsieur.

Alexandre L'Heureux, President & Chief Executive Officer

Bonjour, Frederic.

Frederic Bastien, Raymond James

Just one question for me, guys, and it sort of builds on the one Derek just asked relating to your margin outlook. What factors did you consider when setting the percentage point range? Does it mostly have to do with the fact that you have limited to no visibility on the profitability of the businesses that you may end up acquiring?

Alexandre L'Heureux, President & Chief Executive Officer

No, it's not just that. I mentioned it before, Fred, and I'll mention it again. We do have, today, 100,000 live active projects. So it's not like we are manufacturing one product and we essentially have our cost to build that project and we just determine how much we sold during every given quarter. I mean every quarter the projects are evolving and the cost to complete is oftentimes changing on projects that may last 10 years. And the lifecycle of our projects, some of them and many, many of them are going beyond the next strategic cycle. So, things can change and that's why providing a range, in our view, it's a much better approach because, as I said before, we have 100,000 active projects and if you add to this potentially the acquisitions that may come our way, I mean that will definitely have an impact on our margin profile. But we're trying to provide you with an indication of what we believe this firm can achieve given what we know today.

Frederic Bastien, Raymond James

Okay. And if we just use common sense and pick the midpoint of that range, 12%, and you were targeting 11% for 2018, if we build by 0.3 percentage points each year is that something that makes sense from a modelling perspective?

Alexandre L'Heureux, President & Chief Executive Officer

Anything that falls within the range we would argue makes sense. It's a fair assumption. At the end of the day, that's why we provided the range, Fred.

Frederic Bastien, Raymond James

Fair enough. Thanks. Good luck on delivering the plan.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you. I really appreciate it.

Operator

Your next question comes from the line of Michael Tupholme from TD Securities. Please go ahead.

Michael Tupholme, TD Securities

Good afternoon, Alex and Bruno.

Alexandre L'Heureux, President & Chief Executive Officer

Good afternoon, Michael.

Michael Tupholme, TD Securities

First question relates to the regional growth aspirations in terms of the [inaudible] regions where you've talked about driving your presence. I know you touched on Continental Europe earlier but just out of the various regions that you list—US, Continental Europe, Australia, and Southeast Asia—are any of those sort of more focus for you than others or are there certain ones that you're really emphasizing?

Alexandre L'Heureux, President & Chief Executive Officer

Look, as I said before, it's very difficult, Michael, to time an acquisition. This is something that may take years sometimes to consummate. I mean it takes time to engage with the team and you never quite know when and if this will translate into a transaction. So I think what we're trying to indicate today is that we have a leadership position in many places but in others we are subscale. We know we could grow some sectors, we could grow some services. We know, for instance in the US, that even in transportation and infrastructure there are states where we would like to grow our presence. So we'll continue to be on the watch for that. So, I think today was just more to give you an indication of where our mind is and where we believe that, if the opportunities are presenting themselves, we would keen to action.

So, clearly, to answer your question, we do like the US. We do like our operation. They should be commended for their hard work and the great work that they do. WSP now in the US is a strong brand and if we can grow the US we would love to grow the US. Equally, we talked earlier on about Continental Europe, but there are many other places where we feel we are subscale. So, again, we cannot time it, but we try to give you an indication of where we would like to grow if possible.

Michael Tupholme, TD Securities

Okay. That makes sense. Thank you. Next question, just want to ask you about any elements of the plan that relate specifically to digital or technology strategy, both in terms of how you service your clients as well as anything you're thinking about doing internally to possibly better manage the organization or things like that. I don't see it as sort of like one of the main kind of buckets the way you've broken out some of these other areas but are there things within that digital and technology space that you would want to comment on?

Alexandre L'Heureux, President & Chief Executive Officer

Look, I may have mentioned this in the past. If not, I'll mention it now. Actually, we believe that a lot of what we do in digital and what we will do around our digital strategy will come from within. We do already a lot of work around mobility in the digital space. We do work in a number of different cities with the governments and the public sectors. But we also work on the building side, we work on a number—in most of our sectors right now at some point in time we do provide and touch or involve in new technology.

The best way to look at us, Michael, is really to think of WSP as one of the best integrators of new technology in the assets that we will be designing today for the future. So, in some ways we do already, we do a lot of work around digital and we do provide a lot of services, for instance around automated vehicle, already as we speak. So that will continue to evolve and we believe we can be a good integrator of those solutions in the assets of the future.

Michael Tupholme, TD Securities

Okay, thank you. And then just finally, I know when you come out with a plan like this you have to make various assumptions, especially given the fact you're looking out three years, and I'm sure many different assumptions went into the plan, but I'm wondering specifically about any factors or assumptions you would have factored in considering the outlook for the UK given the ongoing Brexit uncertainty.

Alexandre L'Heureux, President & Chief Executive Officer

Look, we've done this to the best of our knowledge. We're not economists. I'm not sure the UK government knows exactly what the outcome will be, I don't know the EU Russell will know what the outcome will be, so imagine us. It's quite difficult to predict what exactly will pan out for WSP.

I think what I would say on this is, look, we have an incredible team in the UK. We have a really good business, strong professionals led by great people, and yes, who knows, we may hit some bumps along the way in the future, but when you stop and pause for a second and think about the long-term viability of the country and the business that we do and we carry out in the UK and outside, you know, we still like what we see and we still like the business. So I think we're trying not to try to over predict what may or may not happen at this point in time.

Michael Tupholme, TD Securities

Okay. Fair enough. Thank you.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

Your next question comes from the line of Devin Dodge from BMO Capital. Please go ahead.

Devin Dodge, BMO Capital Markets

Good afternoon. When you look at the engineering and design versus the advisory businesses, how should we think about the growth rates for this kind of services? Just trying to get a sense of whether there's much of a difference between the two.

Alexandre L'Heureux, President & Chief Executive Officer

We're trying to grow services and sectors where we are subscale. So in the best circumstances clearly I think, de facto, we would like if we could to grow at a faster rate sectors and services where we are subscale. But that doesn't mean we're not going to grow our core sectors. We still want to grow our core sectors. I talked about the fact that in the US, the US is not one country, it's many different countries with many different states, and what I mean by countries is states, and we are subscale in many states right now. So, if we could grow our T&I business in a number of states where we are subscale, we would.

So, I think you look at other professional services industries, so management consulting or the accounting industry or even law firms, over time it's to be expected that they will be driving their core while diversifying through smart diversification in services that they believe they can leverage with existing clients, and that's what we're aiming to do.

Devin Dodge, BMO Capital Markets

Okay. I guess just further to that, based on some of the targets you put out we back into some pretty healthy revenue growth rates for advisory services. I guess how should we think about your approach to push out the proportion of revenues from advisory? Can you leverage your existing relationships and drive organic growth up significantly or is this, maybe a good portion of this growth likely to come from acquisitions?

Alexandre L’Heureux, President & Chief Executive Officer

I think both. I think if we can find some targets that would complement our platform, we’ll look at that. But also organically we already have a number of different initiatives to elevate brand awareness in our brand and what we do in a number of different sectors. I can name two just to name a few. Environment is one. We have 5,000 people in environment today.

So we believe that we can elevate our brand awareness. We can have a very focused strategy on this. We can also have a very strong strategy and focused strategy on power. We have a good brand in power but we believe we can do more. So in the years to come it’s not just going to be an M&A play, it will also be internal. I mean we have a number of initiatives underway to really tackle those service lines and sector lines to do better and diversify the business.

Devin Dodge, BMO Capital Markets

Okay. That makes sense. And I guess within the WSP existing business, what’s sort of the margin differential between engineering and design versus advisory?

Alexandre L’Heureux, President & Chief Executive Officer

It’s not materially different. It’s very similar. I mean there is this false conception that design, in our own opinion, that design is a commodity. I can tell you that design in mission critical projects and complex projects is not a commodity, to the contrary. And I would go one step further: design is not a saturated market. There’s more spending. And given the age of the infrastructure, you know, you look at the infrastructure around the world and the state of the infrastructure that you could find in a number of different countries, it’s not a saturated market and we can do, we do very well in design. We’re not venturing into strategic advisory just because it’s higher margin, we are venturing because we believe we can better serve our clients and leverage the expertise that we have.

Devin Dodge, BMO Capital Markets

Okay, that makes sense. Thank you.

Operator

Your next question comes from the line of Maxim Sytchev from National Bank Financial. Please go ahead.

Maxim Sytchev, National Bank Financial

Hi. Good afternoon.

Alexandre L'Heureux, President & Chief Executive Officer

Hey, Max.

Maxim Sytchev, National Bank Financial

Just a question around the margin profile. I think, Alex, in the past you said that you need the macro to cooperate to get the margin expansion. I'm just wondering what exactly are you assuming over the next kind of three years in terms of the global GDP growth, if it's possible.

Alexandre L'Heureux, President & Chief Executive Officer

Look, Max, when we rolled out our plan in late 2014, if I'm not mistaken, for the next three years, I mean nobody had predicted a massive downturn in the resource sector, in the oil and gas sector. At the time the barrel was at $100 I think and we experienced a really big downturn. Yet, we were able to deliver on the margin profile. So, looking ahead, I'm certainly not—I wouldn't pretend today on this call to be an economist and really foresee what will happen in 2021. I think we're entering the strategic cycle on a strong footing. We're pleased with the way we ended the year and clearly we will enter the cycle with the will to deliver on what we just mentioned and that's our aspiration.

If you look at the US market in 2018, it's been a very strong market for us. Canada has been a good market, Australia has been a very good market, New Zealand has been a good market. The UK, despite Brexit, has been growing last year. The team, as I mentioned before, did a fantastic job. Our backlog is good as well. So, looking ahead, I can only go with what I know today and plan for the future with what we can control. Obviously, we're not protected from a worldwide recession and if that happens we'll have to address it, but right now we're going in with the aspiration to deliver this plan.

Maxim Sytchev, National Bank Financial

Okay, no, that makes sense. Is there any leverage to be extracted from some of the offshore servicing capabilities that is imputed in the margin expansion?

Alexandre L'Heureux, President & Chief Executive Officer

Look, as I said before, Max, it's a number of different initiatives. You cannot allocate to one single initiative a certain number of, let's say, 30 basis points to our results. I think it's a combination of a number of different factors to achieve good results. However, I think it is fair to say that we do have strong complementary resource centres in a number of different places and they have great expertise and this in some fashion is quite helpful to fulfil the gap that we may have sometimes in other places to get the work done. So, overall, we're pleased with this, but at the same time, I mean we do like the work that we do locally and we don't intend to change that.

Maxim Sytchev, National Bank Financial

That's helpful. And then last thing is on the DSOs. I mean already at the 85 days it's pretty impressive. Can you identify maybe a couple of buckets how you're going to be able to drive down an extra five days? Is it a change in compensation? Change in approach? Tools? Just trying to get a better sense there.

Alexandre L'Heureux, President & Chief Executive Officer

I'll give you a straight answer that's my personal opinion. My team may disagree with me. But if we continue to invest in our people, if we continue to drive performance by training better project managers, if we continue to hire the best talent out there, and if we reduce turnover, even if it's one single percentage point... As you can imagine, when you have a project manager that leaves in the middle of a project and a new project manager takes over you don't have, essentially, the history on the project and it makes it a lot harder to negotiate addendum, to negotiate amendment to the scope of services. So, by having a more stable workforce—and, by the way, I should say we do perform extremely well and we benchmark very well within the industry, but I think the idea here is for us to push harder, to invest more in our people such that we can drive better performance, lower turnover, and hopefully have more history within the firm that remains within the firm, develop good relationships with clients, and therefore collect the cash, because our clients are happy with our service.

Maxim Sytchev, National Bank Financial

Okay, makes sense. Thanks a lot.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

There are no further questions at this time. Monsieur L'Heureux, I turn the call back over to you for closing remarks.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you for attending this call today. It was quite exciting for the team to talk about and communicate our plan. Tomorrow the work is starting and we look forward to updating you on our progress in the years to come and the quarters to come. Thank you very much and have a good rest of day. Bye-bye.

Operator

Ceci met fin l'appel conférence d'aujourd'hui. Vous pouvez maintenant raccrocher.

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