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PRESENTATION

Operator

Bonjour, mesdames et messieurs. Good morning, ladies and gentlemen. Bienvenue à la conférence téléphonique et la webdiffusion sur les résultats financiers du quatrième trimestre et l'exercice financier de l'année 2019 de WSP. Welcome to WSP's fourth quarter and year end 2019 earnings results conference call and webcast.

I would now like to turn the meeting over to Isabelle Adjahi, Senior Vice President, Investor Relations and Communications. À vous la parole, Mme Adjahi.

Isabelle Adjahi, Vice President, Investor Relations & Corporate Communications

Thank you and good morning, everyone. Thanks for taking the time to join this call, during which we will be discussing our Q4 and fiscal 2019 performance followed by a Q&A session. With us are Alexandre L'Heureux, our President and CEO, and Alain Michaud, our CFO. Please note that the call is accessible on our website via webcast.

During the call we may be making some forward-looking statements and actual results could be different from those expressed or implied. We undertake no obligation to update or revise any of these statements. Relevant factors that could cause actual results to be different materially from those forward-looking statements are listed in our most recent MD&A.

With that, I will now turn the call over to Alexandre L'Heureux. Alex?

Alexandre L'Heureux, President & Chief Executive Officer

Thank you, Isabelle, and good afternoon, everyone.

As we complete the first year of our 2019-2021 global strategic plan, we are pleased with our 2019 performance, which provides us with a solid basis for continued growth. We are particularly pleased with the fact that, with the exception of acquisition, integration and restructuring costs, we met or surpassed all of our 2019 outlook targets. There are three points I would like to specifically highlight on this call and they are as follows:

Firstly, as we will be getting to shortly, we delivered solid performance with organic growth in net revenues across all reportable segments, in addition to posting solid backlog, adjusted EBITDA, and cash flow generation in Q4 of 2019 and for the year as a whole. This puts us on solid footing as we enter 2020.

Secondly, we continue to strengthen our sector expertise and expanded our geographical footprint by completing eight acquisitions during 2019, totalling approximately $200 million in acquired revenues and 1,800 professionals.

Thirdly, we continue to take our accountability for sustainable leadership very seriously, not only in the advice we provide to our clients, but also in our operations. We are proud to have received an A- score for our latest response to the CDP's annual climate change questionnaire and even prouder to be the first professional services firm in the Americas to secure sustainability-linked terms for our syndicated credit facility.

If we look at the progress made on each of our 2019-2021 global strategic plan metrics, I'm happy to report that we are tracking favourably towards achieving or exceeding each of them. Let's discuss these achievements.

First, clients. Bringing the best of WSP to our clients is at the centre of everything we do. As an example, we have expanded our key account programs for both our global private sector clients and public sector clients. Currently, all of our global sectors have diamond client program in place with an emphasis on client management, engagement in opportunity identification, further solidifying the role we have to play as our client's strategic partner.

On the employee front, we have continued to develop our people by delivering training and development programs. For example, we continued to push forward our Global Project Management Academy, a six-month program of tailored program management training. Project management is the one common element across all of our functions and it binds the many operational disciplines together, which is why it is important to invest in our project managers and drive our talents to the next level. This also supports our operational excellence pillar, as investing in our project management capability will not only allow us to manage our resources in an efficient manner, but to operate effectively to achieve the highest standards of client service and project delivery.

We also continued to focus our efforts on reducing and removing the health and safety risk associated with our activities. Various initiatives were carried out regionally and globally to ensure that health and safety remain front of mind for employees by means of visible safety leadership, regular communications and training, resulting in fewer employees being exposed to harm in our business on our journey to zero harm. Our ethics and compliance team also helped sustain our continuous spotlight on ethics by working to embed principled decision making into key processes and initiatives.

Last on the expertise front, our teams have continued to challenge the status quo to transform the built environment through innovative forward thinking advice and unparalleled expertise. Whether we are designing the next iconic building in Dubai or providing strategic insight on a complex, large-scale rail project providing access to Britain's busiest airport, our experts are committed to finding solutions that help our clients and communities to thrive in an ever-changing world.

In conclusion, all of this favourably positions us to meet our 2019-2021 global strategic plan targets and I would like thank all of our leaders and employees for our performance and for their continued dedication to WSP. We are especially proud to have delivered such a performance while delivering good returns to our shareholders.

Let me now take a moment to discuss our operational and financial performance in greater detail. Organically, 2019 has seen growth in net revenues across all of our reportable operating segments. This past year we have completed projects of varying sizes and complexities, allowing us to provide lasting solutions for the development and the betterment of the communities within which we operate. This growth has also been nurtured by our ability to seize various opportunities for our clients as a result of our capacity to cross-sell expertise translating into improved project delivery. This proves not only that we are a trusted adviser to our clients, but also a strategic partner.

Fiscal 2019 net revenues were $6.9 billion, up 14.4% year over year, while organic growth in net revenue stood at 3.5%. Adjusted EBITDA was $1 billion with adjusted EBITDA margin of 15.1%, 410 basis points higher than last year, mainly resulting from the adoption of IFRS 16. Excluding IFRS 16, adjusted EBITDA margins would have stood at 11.4%, higher than the 11% reported last year. Lastly, our backlog continues to increase and reach $8.1 billion, representing 10.6 months of revenues. The backlog included organic growth of 3.6%, which is a positive indicator of expected future revenues.

Let me now turn to our operational performance. During the course of 2019 we acquired eight companies, three of which were completed in the fourth quarter. Through these acquisitions we added approximately 2,000 employees to our workforce, mainly attributable to our environmental sector, an area we had targeted for growth in our 2019-21 global strategic plan. We also entered new geographies, Denmark and the Netherlands, and in addition to building bench strength in the environment sector, we reinforced our expertise in buildings and strategic advisory services. Early this year we closed the acquisition of LT Environmental in the United States, further expanding our presence in the US and expertise in the environmental sector. All these acquisitions were financed using our cash on hand and credit facilities. Let me take this opportunity to once again welcome all of our new colleagues to the WSP family.

Regarding the performance of our regions, Canada posted organic net revenue growth of 1.2% and delivered segmented adjusted EBITDA and adjusted EBITDA margin of $207 million and 19.4%, respectively, the highest margins among all of our reportable operating segments. We are pleased with this performance, as it was achieved despite project delays in transportation projects in Ontario. When compared to the same period last year, our backlog in Canada grew 7.5% organically. Significant project wins, such as the twinning of highway 104 project in Nova Scotia, is the result of combining a local presence with our global expertise in transportation. With an expanded pipeline of opportunities, especially in the infrastructure sector, we expect this momentum to continue and are optimistic about the long-term prospects in the Canadian market.

The Americas operating segment posted 3.1% organic growth in net revenues and overall strong net revenue growth of 31.2% for the year, stemming mainly from the acquisition of Louis Berger. The region delivered segmented adjusted EBITDA and adjusted EBITDA margin of $416 million and 18%, respectively. The pipeline of opportunities for the Americas remains high. In Q4, and as previously mentioned during our last conference call, we have started to work on the preconstruction phase of the multibillion-dollar Texas high-speed rail project providing civil and structural works engineering.

Now turning to EMEIA operating segment, WSP delivered organic net revenue growth of 2.1%, in line with our expectation. We had a strong year in Sweden, which delivered organic growth in net revenue of 3.3%. While Brexit continued to create some uncertainty in the UK, the team delivered a solid performance of 3% organic growth in net revenues for the entire year. Following the end of the quarter, Network Rail appointed WSP on the multi-discipline national framework and on three single-discipline regional frameworks for the next five years, highlighting our expertise in the rail sector and adding to our backlog. As part of this mandate, we will deliver multi-discipline national design services as well as electrification and plant services in the South East, North West, and Scotland regions, and civil and structural services in the South West. In EMEIA as a whole, adjusted EBITDA and related margin reached $326.8 million and 13.6% for the year, respectively, mainly as a result of the election which took place in the UK and because of a strike in Finland.

Last, our APAC operating segment posted organic net revenues of 9.3% for the year, exceeding our mid-single-digit growth expectation. This was driven by mid-teens growth in Australia and mid-single-digit growth in both New Zealand and Asia. Adjusted EBITDA and related margin for the APAC region totalled $172.9 million and 15.5% for the year, respectively.

Let me pause here to provide a brief update on the situation in China. We are closely following the situation and our health and safety team is focused on the well-being of our people in the region. During the last few weeks, we have proactively asked some of our employees across the greater China region to work from home. The slowdown in the region could have an impact on Chinese operations; however, we do not expect this to have a material impact, as Asia represented less than 5% of our 2019 net revenues.

In sum, 2019 was a rewarding year as we strengthened our business around the globe by focusing on both our organic growth and our acquisition strategy. Alain will now review our financial results in more details and discuss our 2020 outlook. Alain, over to you.

Alain Michaud, Chief Financial Officer

Thanks, Alex, and hello, everyone.

For the fourth quarter, revenues and net revenues were $2.2 billion and $1.8 billion, respectively, representing a solid growth of 8.1% and 14.3% compared to the same period in 2018. Organic growth in net revenues was 4% on a constant currency basis. For the full year, revenues and net revenues were $8.9 billion and $6.9 billion, growing at 12.7% and 14.4%, respectively. Organic growth amounted to 3.5%, which marks our 10th consecutive year of organic growth.

Let's move on to adjusted EBITDA. For the fourth quarter, adjusted EBITDA was $266.3 million, up $96.8 million or 57.1%, mainly as a result of the adoption of IFRS 16. Excluding the impact of IFRS 16, adjusted EBITDA would have amounted to $207.9 million and our adjusted EBITDA margin was 15.1% or 11.8% pre-IFRS as compared to 11% last year. For the full year, adjusted EBITDA was $1.04 billion, up 57.1%, with adjusted EBITDA margin at 15.1%, up from 11% in 2018. On a pre-IFRS 16 comparative basis, these numbers would have been $786.7 million and 11.4%, respectively, compared to 11% last year.

Backlog stood at $8.1 billion at the end of the quarter, representing approximately 10.6 months of revenues. Our backlog grew organically by 3.6% when compared to Q4 of 2018.

Adjusted net earnings for the quarter were $56.6 million or $0.53 per share, down $2.5 million or $0.04 per share, respectively, compared to Q4 2018. For the full year, adjusted net earnings for 2019 of $326.7 million or $3.10 per share, up $31.5 million compared to 2018. In addition to the impact of IFRS 16, it is important to point that non-cash and non-recurring items affected our adjusted net earnings in Q4 of 2019. Removing the effect of these items, adjusted EPS would have been $3.63 and $0.90 for the full year and Q4, representing increases of 28% and 58%, respectively, over 2018. This performance is consistent with our adjusted EBITDA growth.

Let me explain briefly the difference. First, IFRS 16 had an impact of $5.9 million on the quarter or $0.06 per share or $23.2 million for the full year or $0.22 per share. Second, in 2019 we renovated our largest office in the United States to optimize our workspace and improve efficiency. It has resulted in a write-off of accumulated leasehold improvement of $18.5 million or $0.18 per share after tax. It's important to note that we were fully reimbursed by the landlord, which is evidenced in the cash flow statement. This payment has been accounted for on our balance sheet and has not affected earnings. Thirdly, we have 12 months to finalize purchase price allocation for our acquisitions, which we did for Louis Berger in Q4, resulting in higher intangible assets, as evidenced in Note 5 to our financial statement, and an amortization catch-up of $10 million or $0.10 per share after tax. Lastly, we took a non-cash write-down of goodwill in South Africa for $3.7 million or $0.03 per share.

I will now review a few cash flow metrics. For the year, cash inflows from operating activities stood at $814.3 million compared to $669.7 million in 2018. Our free cash flow for the year came at $441.6 million or 154% of net earnings, beyond our cash flow conversion target of 100% of net earnings. At 1.1x, our net debt to adjusted EBITDA ratio remained within our target range of 1x to 2x and this despite us making eight acquisitions without raising any equity in 2019. This provides us with sufficient leverage to continue investing in organic and other growth initiatives. Lastly, our days sales outstanding continued to decrease and reached 74 days at the end of 2019, a two day improvement as compared to 2018. This improvement, which was better than our expectation, was the result of our team's continued focus on cash collection.

During the quarter, we also declared a dividend of $0.375 per share for shareholders on record as of December 31, 2019, which was paid on January 15, 2020. With a 42.3% DRIP participation, the net cash outlay was $22.9 million. In conclusion, we have delivered and in many cases over delivered on all our 2019 financial outlook metrics.

I will now comment on the 2020 financial and operational outlook for each of the regions, but before I do so I'd like to remind you that the outlook for our anticipated 2020 performance is aimed at assisting analysts and shareholders in refining their perspective on our performance. It has been prepared based on foreign exchange rates effective February 26, 2020. Also, please do bear in mind that we have not considered any acquisitions, disposals, or any other transaction that may occur after today's date.

We anticipate net revenues to be in the $7.1 billion to $7.4 billion range and to post organic growth in net revenues in the 2% to 5% range. Adjusted EBITDA is expected to range between $1.07 billion and $1.12 billion. We also anticipate our quarterly adjusted EBITDA to range between 18.5% and 30.5% of the total annual adjusted EBITDA, Q1 being the lowest and Q3 being the highest.

Turning to tax, we expect that our effective tax rate for fiscal 2020 will be in the 26% to 30% range and we anticipate net capital expenditure to range between $140 million and $150 million. CapEx mainly pertains to property and equipment and intangible assets net of proceeds from disposals and lease incentives received.

Turning to debt, we will continue to manage our capital structure to achieve a net-debt-to-EBITDA ratio between 1x and 2x. Lastly, we anticipate between $40 million and $50 million in acquisition, integration, and restructuring costs, driven by the integration based operational optimization, real estate consolidation, and restructuring related to our recent acquisition. Head office corporate costs in 2020 will range between $90 million and $95 million compared to $85.6 million in 2019.

Let's now turn to the operational outlook for each of the regions. In Canada, with the positive trend and the 2019 end-of-year performance and strengthening of our backlog, we anticipate mid-single-digit organic growth in net revenue. We also anticipate organic growth in net revenue for the Americas, as the integration with Louis Berger is now complete and starting to translate into revenue synergy opportunities.

As far as Latin America is concerned, we have completed the integration of multiple acquisitions, which are expected to drive net revenue growth for 2020. Organic growth in net revenue for the region is anticipated to be in the low to mid-single-digit range, with some improvement in operating margin. On a consolidated basis, we anticipate mid-single-digit organic growth in net revenues for the Americas reportable segment.

For the EMEIA regions, we anticipate delivering organic growth in net revenue in the low single digits as, after several years of strong net revenue organic growth in the Nordics, economic indicators now point towards to somewhat a cooling off period for Scandinavia. On a positive note, in the UK prospect, the public sector remains solid and diminishing concern over Brexit leads us to be more optimistic than at the beginning of 2019. We therefore anticipate organic growth in net revenues in the low to mid single digits for UK and the Nordics combined. Other EMEIA countries regions, namely Central Europe, Middle East, and South Africa, are anticipated to deliver low-single-digit organic growth in net revenue.

Turning to APAC, we anticipate another solid year for our Australia and New Zealand operations with organic growth in net revenues to range in the mid to high single digit, stemming from several large project wins and a strong pipeline. In Asia, we anticipate low-single-digit organic growth in net revenues for 2020, as various concerns remain in the region, particularly the economic slowdown resulting from the coronavirus infection. On a consolidated basis, we anticipate the APAC region to deliver organic growth in net revenue from mid to high single digits.

This concludes our regional outlook. Alex, back to you.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you, Alain.

Before we open the lines for questions, I would like to give you a brief update on our M&A strategy. I would like to make it clear, however, that we are not going to comment on market speculation about potential acquisitions. As often mentioned in the past, M&A is a key element of our growth strategy and we intend to be active but disciplined player in our industry. We will continue to focus on identifying possible targets across various sectors and geographies, ensuring that their strategy and culture are complementary to ours.

In conclusion, 2019 was a good year and a good start of our strategic plan. We therefore remain confident in our ability to meet our strategic ambitions by the end of the three-year cycle. I realize that this was a long script, so thank you for your patience, but this was the end of the year. And now I would like to open the line for questions. Thank you very much.

QUESTION AND ANSWER SESSION

Operator

Merci. Si vous voulez poser une question, appuyez sur l'étoile suivi du un sur votre clavier téléphonique. Pour retirer votre question, appuyez sur la dièse.

If you would like to ask a question, press star one on your telephone keypad. To withdraw your question, press the pound key. Please hold while we compile the Q&A roster.

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

Jacob Bout, CIBC World Markets

Good morning.

Alexandre L'Heureux, President & Chief Executive Officer

Hello, Jacob.

Jacob Bout, CIBC World Markets

I wanted to go back to your commentary on the coronavirus and how were you thinking about this on a go-forward basis and what have you baked in here for APAC, for instance?

Alexandre L'Heureux, President & Chief Executive Officer

Well, I talked about this already. I said, Jacob, that this is less than 5% of our net fees. But that doesn't mean that because it's less than 5% of net fees that we're not taking, from a health and safety point of view, where we're not taking this very seriously. We want to make sure our people are safe. We want to disrupt, to a minimum, our operation.

Clearly, the fact of the matter that we have employees working from home, I think it would be, ah, I don't think it would be reasonable to assume that things are exactly the same as if everybody was working full steam in the office, so the utilization is a bit down, but at the same time, as I said before, this is clearly mitigated by the fact that this is a very, very small piece of our business, so we're not changing our outlook as a result of it.

Jacob Bout, CIBC World Markets

Okay. And then the IFRS 16 impact to EBITDA, I think a little higher than what you initially forecasted. I think the range was $230 million to $240 million. I think you were $244 million for the year. How should we be thinking about that for 2020?

Alexandre L'Heureux, President & Chief Executive Officer

The first year, obviously, it takes time just to adjust and to make sure that all of our IFRS adjustments were made properly, so we came a bit higher than from what we had earlier estimated.

I think where I would like to draw your attention is the fact that, you know, year over year, we've increased almost our margin profile pre-IFRS by almost about like 0.5% or $0.4%. So, we're quite pleased with the progress that we've made in this year. We are clearly tracking in line with our plan and that's why I'm quite pleased about the results in the year.

Jacob Bout, CIBC World Markets

Last question here, just on the organic growth in the Americas: I know a little less than I think the commentary you made about being a little disappointing, pointing to lower growth in Northeast US and Latin America. Is this lower growth in Northeast US, this that kind of a new normal? Is that how we should be thinking about it?

Alexandre L'Heureux, President & Chief Executive Officer

No, actually. We are entering 2020, I believe, in a stronger position than we were at the beginning of 2019. Northeast last year, they were, and for those of our peer group that are working in the Northeast, there's a very, very large client that reduced pricing and fee by a significant amount and I think all of us were impacted by that. So, this certainly had an impact in 2019. But I don't believe that this is the new reality. I think 2020 is better and we're still expecting mid single digit for the year in the US.

Jacob Bout, CIBC World Markets

I'll leave it there. Thank you.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you, Jacob.

Operator

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

Mona Nazir, Laurentian Bank Securities

Good morning and thank you for taking my questions.

Alexandre L'Heureux, President & Chief Executive Officer

Good morning

Mona Nazir, Laurentian Bank Securities

Good morning. So, my first question was just surrounding $29 million in write-offs. I'm just wondering if you could further detail such. I believe Alain touched on some renovations to the US office which had drove the early termination of the lease. Is that one-time in nature or do you expect further early lease terminations or any write-offs?

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, we, as you may or may not know, and I know I've discussed this in prior calls, probably not in 2019 but in previous years, we have completely transformed our workplace environment and, as a result of it, I've lost my office and now it's open space. And this is true for everybody. We're trying to be more disciplined, we're trying to create a collaborative environment for all of our employees and, as a result of it, we did transform our largest office in the world, which is New York City. And we had, as a result of it, to write off our old leasehold improvement. This is not a cash item.

But the good news is we were reimbursed by the landlord and we had an equal cash inflow for new leasehold improvements. So, we negotiated a very good transaction with the landlord and therefore we had a cash inflow, but actually no impact on our earnings as a result of it this year. So, to answer your question, this is a one-off, but it's really specific to our New York office, nothing more, nothing less.

Mona Nazir, Laurentian Bank Securities

Okay. That's very helpful. And then I appreciated your comments on the coronavirus and your Asian operations. I was just wondering, as we see the virus impact spread across the globe, have you experienced any contract delays, bidding activity pushed out, or work stoppages in Asia or outside?

Alexandre L'Heureux, President & Chief Executive Officer

No. The answer is no. So, it's business as usual. And we need to remember, as I said before and I wish to reiterate, that this is a very small piece of our business and it's not touching China as a whole. I mean from where we're sitting in the west, we think that the entire China is shut down, but there are many places that our workforce is still at work, they're working, it's just, it's (inaudible) location. Clearly, from a health and safety point of view, we're taking this very seriously, but I think it would be unfair also to think that our entire Asian business has stopped. That's really not the case.

Mona Nazir, Laurentian Bank Securities

Okay. And lastly from me, as we speak about the M&A pipeline and as per your strategic plan we're expecting an increase in headcount by about 30% and I understand we don't want to comment on recent rumors, but looking at the acquisition landscape, is there increased comfort around potential targets and any thoughts on whether we could see one larger transformational transaction or whether they'll be a number of small or medium-sized transactions?

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, well, this is a good question. You know as well as I do that timing or to try to time a large transformational acquisition in a strategic plan is impossible. Those will come, you know, they will come, and oftentimes you don't time them. I mean had you asked me back in 2014 if we had time in our plan to complete the Parsons Brinkerhoff acquisition, I would have said no to you. Similarly, Louis Berger came our way and this was certainly part of the plan that year to acquire Louis Berger, but we had identified this asset as a one-day potential acquisition and this was clearly in our list of potential targets, but it's very, very hard to time larger-sized acquisitions. But the smaller size, I do believe that we have the flow right now to deliver on, and that's why we're feeling confident that, with the right attention and the right discipline and focus, that we are well on our way to achieve our 2021 plan.

Mona Nazir, Laurentian Bank Securities

Thank you. I'll step back in queue.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

Your next question comes from the line of Mark Neville with Scotiabank. Please go ahead.

Mark Neville, Scotiabank

Hey. Good morning, guys.

Alexandre L'Heureux, President & Chief Executive Officer

Good morning.

Mark Neville, Scotiabank

Maybe just questions on the guidance, the margin, it looks about flat year over year for 2020 and the guided 15.1%. In the range for 2021 the target is 15% to 16%. So, you're at the bottom end and, again, flat year over year. I'm just curious, is it sort of just being conservative? Is there anything sort of in the numbers this year or anything to think about when we think about that margin?

Alexandre L'Heureux, President & Chief Executive Officer

The answer is, well, you need to look at this in a range. That's the way you need to look into it. But certainly, I mean our goal will be to try to improve our margin profile as we progress the year. We did take a bit more of a conservative stand at this point in time and as we progress over the year, I mean we'll see if this needs readjustment. But for the time being, we believe that that's the right approach.

Mark Neville, Scotiabank

Okay, that's fair. Maybe, like in the M&A expense and integration, the $40 million to $50 million, I think it was similar this year. I guess just sitting here today and sort of what we've done or the M&A you've done in the last year, it sort of feels like a big number for this year. I'm just curious if it's just sort of building in a buffer for other smaller deals you might do through the year, just any comments on that.

Alexandre L'Heureux, President & Chief Executive Officer

This was mainly the result of Louis Berger. You need to remember, without being a transformational acquisition, this was a large acquisition. So, I'd say that year over year this is probably a reasonable number to expect and that's why we've put that in the outlook this year.

Mark Neville, Scotiabank

Sorry, the Louis Berger, that was the 2019 number and not the guide, right?

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, but there's still some, for instance, real estate consolidation, there are a number of different costs that will, you know, you're not generating all of your cost synergies in one year. Oftentimes, for instance, real estate will fall into the next year. So, that's what we're expecting for this year.

Mark Neville, Scotiabank

Okay. Maybe just one last one then on the quarter. The corporate costs, again, it was sort of lower than we thought, I think lower than your expectations, but the guide for this year, I guess, was sort of—

Alexandre L'Heureux, President & Chief Executive Officer

Sorry, Neville. Alain is writing something next to me here. But it's true also, if you recall, when we completed a transaction in October of 2018 we had mentioned also that we would incur some restructuring costs of Louis Berger International. And if you go back to the press release, we had detailed the cost and everything related to that. And also there will be some of it in 2019 as we continue to restructure our Louis Berger International business. I just wanted to provide more colour, just in case.

Mark Neville, Scotiabank

No, it's helpful. That's helpful. Thank you. Again, sorry, the last question, just the corporate cost in Q4, sort of what was behind the decline. And, again, it sort of feels like it's one time just given the guidance, but just curious what happened in the quarter. Thanks.

Alexandre L'Heureux, President & Chief Executive Officer

I will let Alain talk to that.

Alain Michaud, Chief Financial Officer

Yeah, it was impacted by a one-time FX and some expenses that were lower than expected, so nothing too much to read about this. I think guidance is $90 million to $95 million and that's a number to keep in mind.

Mark Neville, Scotiabank

All right. Thank you.

Operator

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

Benoit Poirier, Desjardins Securities

Good morning, gentlemen. With respect to the leverage ratio, net EBITDA, obviously you ended the year with 1.1x, well within the range of 1x to 2x, but I would be curious to know what would be your willingness to leverage your balance sheet outside the range, assuming the proper transaction, a very attractive transaction, or would you consider a more recent prudent approach given the economic uncertainty? So, I'm just trying to gauge whether you would be willing to go outside of the range for the right transaction.

Alexandre L'Heureux, President & Chief Executive Officer

Look, historically, Benoit, we've always been a conservative management team. We guided pre-IFRS between 1.5x and 2.5x. But if I take a second look back at history, you look back before, and for those of you who've been following us for a decade now or more, if you recall before WSP, every time we were hitting 1x leverage we were very quick to deleverage, given that we were operating in one country and essentially in one or two end markets and we didn't have the resiliency of having a diversified platform. Then we completed WSP. We came out, post transaction, at 1.4x, 1.5x, if you all recall. And the reason was quite simple. We were feeling more comfortable about the resiliency and the diversification of the platform. Then we did Parsons Brinkerhoff and we came out of this transaction at 2.25x.

So, the message I'm trying to provide to all of you today is as we build a more resilient platform and a more diversified platform, the management team has been more willing to take a bit more leverage, and you can see this throughout our history. So, to answer your question, for the right acquisition, would be willing to go a bit above what we've guided over the years, the answer is yes. But would you expect us one day to be at the closing of a transaction above 3.5x or 3.6x? No. That's not what we would envision doing. We would want to be below that.

Benoit Poirier, Desjardins Securities

Okay, perfect. And I assume, Alex, that it's post-IFRS 16, which is in line with your new disclosure, right?

Alexandre L'Heureux, President & Chief Executive Officer

Yes. So, right now when you look at the leverage, I think this is including IRFS 16. So, pre-IFRS 16, if I am not mistaken, and I'm looking at Alain, we'd be more closer to 1.5x or something like that in terms of leverage.

Alain Michaud, Chief Financial Officer

Yeah, closer to that.

Alexandre L'Heureux, President & Chief Executive Officer

Closer to that, yeah.

Benoit Poirier, Desjardins Securities

Okay. Okay. So, the 3.5x was referring to the 1.5x, apples to apples?

Alexandre L'Heureux, President & Chief Executive Officer

Yes.

Benoit Poirier, Desjardins Securities

Okay, perfect. Got it. Okay. Perfect. And with respect to Canada, what makes you confident that delays in transportation project starts in Ontario will end in 2020? What incremental colour did you get with respect to the outlook in Canada, Alex?

Alexandre L'Heureux, President & Chief Executive Officer

It's a very difficult question to answer. Definitely in 2019, I have to tell you the team in Canada has to be commended for the great work that they've done. I mean they finished the year above about flat for organic growth despite having the largest market going through a really rough patch. I'd say that we would like to think, and we're heading into 2020 thinking, that Ontario transportation will be better. We're hopeful of that, definitely. But there's a lot of moving parts in the Canadian market. Now we're hearing about and you've seen in the news the rail blockage. This is definitely not helpful. Now we have oil and gas, which last year was going very well, and now all of a sudden in Q4 things started to slow down again. So, there are many moving parts. Am I hopeful for the country in the longer term? Absolutely. Our backlog is going up and has gone up 7.5% year over year. So this is not de minimis. This is good news. But it's one thing to be awarded some projects but we need to get started on them. So, what I would say to you is I feel good about the Canadian market, I feel good about the long-term outlook of the Canadian market, but in the short term it's very hard to predict how all of this will transpire. As I said, feeling better in 2020 than how we performed in 2019, but I'm not prepared to tell you just yet that this is a slam dunk.

Benoit Poirier, Desjardins Securities

Okay. Perfect. And for the northeast region in the US, could you maybe provide more colour on the key elements that impacted organic growth in Q4 and also whether this translates into the performance for lower EBITDA margin as well?

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, this was a result of a number of things. One, I mentioned one very large client of WSP in 2019 reduced fees as a result of some of the governor's decision for the state of New York last year. So, definitely this impacted the top line, and the bottom line for that matter. Also we saw in 2019 fewer design builds in the region for a bit of time.

And also what I would call probably self-inflicted actions that really reduced our organic growth in 2019 is the fact that we're not as fast as we should have been off the gate in early 2019 to hire and fill the open position that we had in the business in early 2019. So, I hope that this is not going to be a repeat in 2020 and already I feel, going into 2020, that we're feeling a lot better about this.

Benoit Poirier, Desjardins Securities

Okay. Okay, perfect. And last one for me, Alex, could you talk maybe about the allegation with respect to Louis Berger, whether there's any update or where you are in the current process?

Alexandre L'Heureux, President & Chief Executive Officer

Look, we are reviewing this. I'm not going to comment anything more than what Isabelle commented in the comments that she provided to you. We have reviewed this. I'd say that, for the time being, for us this is not something that is raising a high level of concern within the company. I'm going to leave it at that. I'm obviously not going to talk about our strategy over the phone, this is obviously confidential, but all that to tell you that we're not right now concerned by this.

Benoit Poirier, Desjardins Securities

Perfect. Thank you very much for the time.

Operator

Your next question comes from line of Chris Murray with AltaCorp. Please go ahead.

Chris Murray, AltaCorp Capital

Thanks, guys. Good morning. Just very briefly, just looking at leverage levels, and Alex, I appreciate that you've talked a little bit about the fact that you're trying to maybe looking at some acquisitions and stuff like that, but in the absence of more acquisitions you are sort of at the bottom end of your range. Just wondering, you know, have you thought about maybe a balance between share buybacks or something like that, just to maintain yourself around that 1x level? Or do you feel like you actually have the ability with the pipeline to be able to hit some pretty big acquisition numbers to use that balance sheet?

Alexandre L'Heureux, President & Chief Executive Officer

Look, on acquisitions we don't have, and hopefully, I mean I'm sorry if I'm using an expression that probably is not politically correct, but we don't have a gun on our head on acquisitions. We're only going to do acquisitions if they make sense for the company, if they are timely, if they sit well within the strategy we have put together for the next three years. Do I feel that there is a good pipeline of potential acquisitions around the world for us to meet or exceed our ambitions? Yes, the answer is yes, and we're going to work extremely hard to achieve that. And that's why I don't feel compelled right now to talk to you about the share buyback. We have a good dividend. And this quarter we've worked closely with our two cornerstone investors and given that we have now lower leverage, more cash, for instance, one of our cornerstone investors reduced its DRIP participation by 50%. So, I want you to know that we are monitoring our capital structure very carefully, we are working collaboratively with our cornerstones, and all of our investors for that matter, and right now I don't believe we are in a position to, ah, and I feel the pipeline is so empty that we would contemplate a share buyback at this point in time.

Chris Murray, AltaCorp Capital

Okay, fair enough. And then you, Alain, just, I guess, welcome to the CFO seat. Just looking, you know, Q4 had lots of kind of, call it, one-time adjustments in EPS and stuff like that, so we'll leave it at that, but as you sort of take the role now as financial leader of the company, any thoughts around anything that you're looking to accomplish specifically?

Alain Michaud, Chief Financial Officer

I think, generally speaking, it's to continue the good work that has been done over the years. I mean it's continue to focus on EBITDA and strong cash flow conversion. And Bruno is leaving a good cash flow conversion, as you've seen, so my intention is to keep that focus on DSO and on EBITDA margin.

Chris Murray, AltaCorp Capital

Okay, thanks. I'll leave it there.

Operator

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

Michael Tupholme, TD Securities

Thank you. Good morning. There was mention of starting to see some revenue synergies from Louis Berger. Just wondering if you can provide any further detail around that and if you've had some success now that you've completed that integration by the sounds of it, in terms of improving the cost structure, bringing that closer to your own US cost structure.

Alexandre L'Heureux, President & Chief Executive Officer

Yes, Michael. We have seen a lot of good revenue synergies examples over the course of 2019. I did mention some of them in the federal space over the course of 2019. If you recall, the reason why I thought this acquisition was very strategic to us, WSP has a very strong design franchise in the US. Louis Berger was bringing a lot of bridge expertise, which we were lacking. But on top of it, they have also a strong master planning expertise that they are bringing to the table and also port and marine.

So, I would tell you that we're very pleased with the way the acquisition evolved over the course of 2019. We have worked very hard to streamline the operation, to bring them within the umbrella of WSP in the US, but also the Middle East. And the work that this is carrying into 2020 is, as we said before in a prior question, the restructuring of our Louis Berger International business, which we're going to be undertaking in 2020. But certainly in 2019 the plan was definitely to streamline the business in the US, but also the Middle East and Spain and in Panama, places that that we thought were quite strategic to our business.

Michael Tupholme, TD Securities

Okay, perfect. And then, Alex, you've talked in the past and your plan is to increase the amount of strategic advisory services as a percentage of the company's revenue and I just wonder if you could provide a bit of an update on success on that front.

Alexandre L'Heureux, President & Chief Executive Officer

Well, exactly. I'm glad you're asking this question, Michael. In 2019 we've increased our headcount globally by 18% in the environmental sector. Yes, they were smaller in size, the acquisitions that we completed, but you know what? Slowly but surely we increased our headcount by over 1,000 people in the environmental sector in 2019 and this is obviously increasing the scope of advisory services that we can offer to our clients. So, all in all, I think we've made great progress. We're very focused on this. And I said that in our strategy that we would want to capitalize on our design expertise and continue to capitalize on design expertise but also to accelerate at a faster rate our advisory piece. And I think in 2019 we did just that. I think we did increase our design in the building sector, especially in the healthcare sector. With the acquisition of Leach Wallace, we did increase our design capabilities. But I would say in 2019 we increased at a faster rate our advisory services and that's something that I wanted to achieve for the first year of the plan.

Michael Tupholme, TD Securities

Okay, thank you. And then just lastly, you've talked about, and this is not new, but you've talked for a little while this economic indicator suggesting a bit of a cooling off in the Nordics. Wondering if you can provide a little bit of an update on that region, and I guess in spite of the fact that you're still pointing to that cooling off, you are calling for low to mid-single-digit organic growth across the UK and the Nordics combined. So, is the Nordics still looking positive in spite of that cooling off?

Alexandre L'Heureux, President & Chief Executive Officer

Well, perhaps it's worth me providing a bit, you know, just a visibility on the regions so that you can have a better view about how we're thinking about the regions.

Let me start by saying South Africa, right now we are operating in poor economic climate. This is a tough region. Thankfully, this is a very small region. I think the team is working very hard and, again, they should be commended for the good work that they're doing in the tough environment. So, this is obviously not helping when you consolidate the aggregate organic growth of the region.

In the UK, I think we've talked extensively about the nervousness of the market as it relates to Brexit, the election in December, and also we consumed a lot of good backlog in 2019. If you look back at 2018 and the work that was awarded to the UK, I think we've done a great job at consuming and translating this backlog into revenue in 2019. But now you look at the pipeline of opportunities in the UK and it's now up and we're quite pleased about this. So, this hopefully bodes well for the future.

Then you look at EMEIA as a whole. Obviously the Middle East is a big piece of this. And clearly in Dubai there was a tightening of the real estate supply market and clearly also a slowdown in Dubai as a result of some projects for the Expo 2020 that were coming to completion in 2019. But you know what? We pivoted in 2019 from Abu Dhabi, not Abu Dhabi but UAE to the KSA by increasing in 2019 our total revenue in KSA from 7% of our total revenue in the Middle East to 20%. So, I think that's the reason why we performed better in the Middle East than we had anticipated in the first place in 2019.

And now finishing off with the Nordics, the Nordics, it is true that the real estate market, the private sector, has been cooling off, but it's not a cliff and I wouldn't go as far as telling you that this is a cliff. There are a lot of projects being awarded in the public sector and that's why we're feeling good about organic growth for the Nordics also in 2020.

So, that's just a review of the regions and the way we consolidate the numbers, but, all in all, I think the Middle East should be fine, the UK should also be fine, the Nordics also, and that's why we're signalling low to mid-single-digit growth for the region.

Michael Tupholme, TD Securities

Great. Thanks for that colour. Thank you.

Operator

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

Devin Dodge, BMO Capital Markets

Thanks. Good morning, guys. Just want to come back to your APAC division. Organic growth there was really strong in Q4. I think this was driven by Australia and New Zealand. These have been strong markets for a while. Just wondering can you talk about the availability of labour in the local market to absorb this type of growth or are you leveraging other pools of capacity across your network?

Alexandre L'Heureux, President & Chief Executive Officer

Well, that's the beauty of our network and our international firm. We are in a position to leverage the expertise wherever it's located. Clearly, most of the work that we are conducting is very local, so clearly it's a very, very busy region for us and we've done very well now for a few years and we expect to continue to do very well also in Australia and New Zealand in 2020. So yes, the war on talent, frankly, is not just in Asia Pacific. We have a similar issue in our very good markets such as the US and in EMEIA and Canada. I mean finding a good pool of talent is obviously a challenge and that's why we continue to transform the organization and appeal to the younger generation and create a different workplace environment and invest in training, because that's what young engineers want. And that's why we've been investing a lot of our money internally in developing our people.

Devin Dodge, BMO Capital Markets

Okay, that makes sense. And just maybe to continue on that, how is utilization holding up given the sustained high growth in the region?

Alexandre L'Heureux, President & Chief Executive Officer

Very high utilization, but manageable, I would say.

Devin Dodge, BMO Capital Markets

Okay. Excellent. And maybe a question for Alain, but your stock was up about 15% in Q4. I'm just wondering how much of an impact that had on your stock-based comp in the quarter.

Alexandre L'Heureux, President & Chief Executive Officer

Well, look, obviously the provisions were increased as a result of it, clearly, but this is only for third quarter. And also you need to remember, I'm not sure if we've disclosed that before, but we are hedging also some of that so that we are hopefully avoiding some volatility in the corporate cost and the LTIP costs as a result of movement in the stock price of the company.

Devin Dodge, BMO Capital Markets

Okay. Makes sense. Thank you. I'll turn it over.

Operator

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

Frederic Bastien, Raymond James

Merci et bon matin. Guys, it's pretty obvious that you're hungry for scale in the environmental sector based on the transactions you completed in the past six months. How many of those specialized companies would be on your target list right now? Are we talking about three, ten, or potentially 50 companies?

Alexandre L'Heureux, President & Chief Executive Officer

Look, there are many, Fred. I'm not going to give a number on the call this morning, I don't think it's really a necessity, but I think there are many on our radar screen. We are clearly looking to diversify our platform. We're really looking to grow and, frankly, not just in the environment sector. We're looking to grow in all sorts of advisory services, from project program management to also water science, to all sorts of advisory services that we are providing right now already but are looking to grow in scale. So, clearly environment is clearly an area of focus for us, but it's not just that. But you look back at what we completed in terms of acquisitions last year, E&E was one, Ecology & Environment, and just recently we acquired LT Environmental out of Denver. This is probably the largest and the best firm, in our opinion, in the state of Colorado. So, slowly but surely we are right now positioning WSP as a true environmental player and we will continue to do that in every country where we operate.

Frederic Bastien, Raymond James

Okay. Thanks for that. And if I go even further back, if I look at your two largest acquisitions, so they turned out to be homeruns, because they really created no overlap whatsoever. I mean the WSP deal was complementary from a geographical standpoint. You were only in Canada and I think WSP was in 30 countries. And then you look at PB, very complementary from a discipline standpoint. Now it gets harder and harder to find those gems as you continue to get bigger and more diversified, so my question to you is how does that dynamic factor into your thinking when you evaluate a potentially bigger deal that would potentially introduce that kind of overlap.

Alexandre L'Heureux, President & Chief Executive Officer

Cautious, or at least—the way I would answer this question, Fred, is if we would find a large acquisition that would create a lot of overlap from a discipline point of view, it's not something that we would want to do. I think, as we grow as a company, we're clearly going to still be looking at complementing our platform with acquisitions that will make us stronger as a result of it and on a pro forma basis would make us more resilient, more diversified, and be the best in the markets in which we operate, both from geographical point of view, but also from an end markets point of view.

It's true, however, that as you grow and as we develop our platform in the markets where we already have a big presence, that you will see more cost synergies perhaps on the back office, and that's to be expected. But am I worried by it? Probably not. I actually see it as a real opportunity to strengthen the organization, to professionalize the firm, to import best practices and to get better as a result of it, and that's actually part of our plan.

So no, we're not going to do acquisitions that will create a lot of cost cutting on the front office and the client-facing side, but it is true that as we grow as a company, if we acquire a large firm in the US, if we acquire a large firm in Canada, we acquire a large firm in the UK, that we will undeniably be having more cost synergies on the back office. Is that a problem? I actually don't see it as a problem. I see it as an advantage to get better in our regions.

Frederic Bastien, Raymond James

Okay. That's a great answer. Thanks, Alex.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

There are no further questions at this time. I will turn the call back over to the presenters for closing remarks.

Alexandre L'Heureux, President & Chief Executive Officer

Well, thank you for attending the Q4 2019 conference call. I realize this was a long call, but this was the year end. So, I look forward to updating you in the quarters to come and I wish you a great 2020 year. Thank you very much.

Alain Michaud, Chief Financial Officer

Bye, everyone.

Alexandre L'Heureux, President & Chief Executive Officer

Bye-bye.

Operator

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