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PRESENTATION

Operator

Spoken in French) Good morning, ladies and gentlemen. (Spoken in French) Welcome to WSP's 2021 Second Quarter Results Conference Call. I would now like to turn the meeting over to Quentin Weber, Investor Relations. Please go ahead, Mr. Weber.

Quentin Weber, Investor Relations

Good morning, and thank you for your time today. We hope that you're all safe and doing well. On today's call, we will be discussing our 2021 Q3 performance, followed by a Q&A session. With us today are Alexandre L'Heureux, our President and CEO, and Alain Michaud, our CFO. Please note that this call is also accessible on our website via webcast.

During the call, we will 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 differ materially from those forward-looking statements are listed in our most recent management discussion and analysis.

Also during the call, we may refer to certain non-IFRS measures. These measures are defined in our management discussion and analysis of the third quarter of 2021 as well as our management discussion and analysis for the year ended December 31st, 2010, both of which can be found on SEDAR and on our website. Our MD&A also includes reconciliations of non-IFRS measures to the most directly comparable IFRS measures.

Management believes that these non-IFRS measures provide useful information to investors regarding the corporation's financial condition and result of operations, as they provide additional key metrics of its performance. These non-IFRS measures are not recognized under IFRS, do not have any standardized meaning prescribed under IFRS, and may differ from similarly named measures as reported by other issuers and, accordingly, may not be comparable. These measures should not be viewed as a substitute for the related financial information prepared in accordance with IFRS.

With that, I will now turn the call over to Alexandre.

Alexandre L'Heureux, President and CEO

Thank you, Quentin, and good morning, everyone. I trust you are well and keeping safe today. Let me begin by saying I am very pleased with our performance in the third quarter. Our focus and discipline continues to deliver strong results.

Before we go any further, let me highlight three key points. The first, the third quarter has delivered results in line with our improved guidance. Year-over-year, our adjusted EBITDA margin increased by 100 basis points, our adjusted net earnings per share grew by more than 30%, and our balance sheet and cash collection remain strong.

Second, across our markets, overall proposal activity continues to be robust and our win rate has yield a healthy backlog with an overall organic growth of 5.5% year-to-date. What is just as promising is the recent U.S. Congressional passage of the infrastructure bill.

Third, our Golder acquisition continues to deliver results above expectations, fueling continued advancement in the earth environment service sector. The integration activities are progressing according to plan, and so far over 50 Golder leaders have undertaken key leadership roles around the globe.

We are finding the addition of the Golder brand to be a talent attraction advantage in a highly competitive market. The strength of our earth and environment practice positions us well for the global transition to a green economy. As you are all aware, the United Nations COP26 Summit is concluding this week, with the stated goal of accelerating action towards the goals of the Paris agreement and the U.N. Framework Convention on Climate Change.

As the world continues to pledge action, WSP expects to be at the forefront of defining solutions for clients that are future ready, advising and guiding them on the best way to navigate their business within the low-carbon economy and delivering on the pledges offered in such forums. In fact, we are actively observing net zero drivers creating many growth opportunities for our teams across the globe as the patterns of spending in a post-pandemic economy shift.

We remain committed to not only supporting but leading the world's green transition through proven scientific approaches and smart engineering. This quarter saw us achieve some key recognitions. In addition to numerous Project Excellence awards in the U.S., Australia, Europe, and Canada, we are proud that WSP achieved the number one ranking among Building's top 150 consultant list in the UK, moving up from the eighth position in the previous survey. This demonstrates our growing leadership in the property and building market in the region.

Even as we see many markets flourish, conditions related to the global pandemic remain fluid. We continue to monitor the situation across all of our operating locations and adapt project delivery in regions with increased restrictions.

In this quarter, we continued to support flexible work arrangements for our people. Some staff are choosing to return to the office environment, while others, like our colleagues in Australia and New Zealand, have experienced lockdowns. We continue to follow our business contingency plans and focus on helping our people to be safe and productive wherever they are located.

Separately, we were pleased to announce the strategic acquisition of Englekirk in October, adding capabilities in our property and building sectors and growing WSP's structural engineering practice on the U.S. West Coast. Not only did this recent acquisition help to achieve our strategic goals for the U.S., but it is also just the latest stride in growing WSP in the U.S. In 2021 alone through our acquisitions, we added more than 1,900 professionals to our team and, during the last three year cycles, our headcount has more than doubled.

Our scale in the U.S. and our recognizability to deliver on projects of significant complexity and scope bode well in light of the upcoming opportunities and momentum in the market, resulting from a significant infrastructure investment around the globe. With the congressional passage of the bipartisan Infrastructure Investment and Jobs Act in the United States, this will make the historic investment in rehabilitating, modernizing, and transforming its infrastructure, which is obviously really good news.

Today our U.S. clients are continuing to move forward with their capital plans. And now with this positive outcome, we believe we will see more substantive projects in late 2022 or 2023 as funding becomes clear and accessible.

In Canada, WSP is seeing increased project demands resulting from both private and public investments. The federal government alone has committed to more than $100 billion of infrastructure funding over three years, including approximately $18 billion in green spending towards the Paris Climate Accord goals. This shift towards ESG and climate change will be felt in all sectors as part of the post-pandemic spending, and we are well positioned to capitalize on this.

We also see opportunities coming from the UK, where WSP is exploring project potential as the government recently released its plan to spend on health, education, transport, and other public services next year, increasing its investment 3.8% a year on average.

And similarly, in Australia the infrastructure market has received an allocation of 225 billion Australian dollars for general government sector infrastructure spending.

So, let me just take a moment to highlight a few notable wins during Q3. We were recently selected for a $500 million indefinite delivery and definite quantity contract, where WSP will serve as the managing partner of the winning joint venture. The contract will directly support the U.S. Navy Shipyard Infrastructure Optimization Program and will focus on modifying and replacing infrastructure to increase efficiencies of workflow and operation within the shipyards.

Bolstered by our fruitful collaboration with our new Golder colleagues, our leadership in advancing the green transition with our future-ready approach helped to win several pioneer projects. In the Nordics, we are proud to have been chosen to conduct the environmental baseline investigation and support of establishing the world's first energy islands, marking the beginning of a new era for large-scale offshore wind power. When complete, the two energy islands will supply enough power for six million households in Denmark.

Continuing the theme of projects arising from the green transitions, we were also selected to serve as owners' engineers in Building Canada for Canada's first net zero power infrastructure using alarm cycle technology, representing a major step toward decarbonizations of power generation in Canada.

In Australia/New Zealand, we continued to bring our transportation infrastructure expertise to bear on major roadway programs. In a new assignment in New Zealand, WSP will investigate, design, and supervise construction for road safety improvements across a series of corridors across New Zealand, with the objectives of reducing death and serious injuries from roadway incidents by 40%. In Australia, we will be providing environmental site investigations, geological and geotechnical modeling, and design services for the North East Link project, which has a total capital value of 14 billion Canadian dollars.

Supporting the delivery of these projects are our teams of experts around the world. We continue to focus on talent retention through a strong culture of teamwork, inclusion, technical excellence, and professional development.

In Q3, we grew our headcount through focused recruiting efforts, and we are proud that talent is seeking WSP as an employer of choice. We continue our dedication to seeking and retaining the best in the business to continue to meet our client and project commitments.

Alain will now review our financial results in more detail. Alain, up to you.

Alain Michaud, Chief Financial Officer

Thanks, Alex, and good morning, everyone. I'm pleased this morning to report on our new--on our results for the third quarter of 2021, driven by organic revenue growth in all segments and favorable results from recent acquisition.

Let's start with our top line. For the third quarter, revenue and net revenues for the quarter reached 2.7 billion and 2 billion, up 24% and 20% respectively compared to Q3 2020. The increase was driven by an overall organic growth of 4.3%.

Moving to profitability, adjusted EBITDA in the quarter reached 378 million, up 27% compared to 297 million in Q3 2020, largely due to the contribution of recent acquisition. Adjusted EBITDA margin for the quarter reached 18.6% compared to 17.6% in Q3 2020. The improvement in adjusted EBITDA margin is mainly attributable to the higher margin profile of recent acquisition and improved market conditions in multiple regions.

Our adjusted net earnings for Q3 2021 were 180 million or $1.53 per share, up 36% and 32% respectively compared to Q3 2020. The increase in these metrics is mainly attributable to higher adjusted EBITDA.

Our backlog at the end of September 2021 reached $10 billion, representing 11.6 months of revenue, up 19% in the nine month period, mainly due to acquisition growth and steady organic growth. On a constant currency basis, backlog grew organically by 5.5% compared to backlog at the end of December 2020. Overall proposal activity continues to be very robust across the business.

Moving on to cash position, cash inflows from operating activities in the nine month period amounted to 547 million compared to 743 million in 2020. On a free cash flow basis, we generated 276 million in the nine month period compared to 501 million in 2020. Higher free cash flow in 2020 was mainly driven by deferral of income tax and other remittances in some jurisdictions and increased investment in working capital in 2021 to support our growth. For the trailing 12 months ended June 2021, free cash flow amounted to 540 million, representing 1.3x our net earnings.

DSO at the end of September stood at a very good level of 73 days compared to 72 days at the end of September 2020.

As of the end of Q3, our balance sheet remained strong, with a debt--a net debt position of 1.1 billion and a net debt to adjusted EBITDA ratio of 0.9.

During the quarter, we also declared a dividend of 37.05 per share for shareholders on record as of September 30th, 2021, which was paid on October 15, 2021. With a 54.2% DRIP participation, the net cash outlay was $20.2 million.

This concludes my remarks. Alex, back to you.

Alexandre L'Heureux, President and CEO

Thank you, Alain. So, given our continued performance in line with expectations, built on the strong performance from our platform and our 2021 acquisition, we also will--with our continued discipline in managing our business and serving our clients, and also our resilience in adapting to changing market demands in sustainability and a healthy backlog, we are therefore in the position to reaffirm the financial outlook for 2021 issued in our Q2 2021 press release with the--an adjusted EBITDA range narrowed and now expected to be between 1.3 billion to 1.32 billion.

In conclusion, I am pleased with the continued momentum we have experienced in the third quarter and very proud of our dedication to achieving our 2019-2021 strategic ambitions. In early 2022, we look forward to sharing our next three year strategic plan with you as we continue to chart an exciting future for WSP. I would now like to open the line for questions.

Operator

Thank you. At this time, I would like to remind everyone, in order to ask a question, press star then the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from Jacob Bout from CIBC. Please go ahead.

Jacob Bout, CIBC

Good morning.

Alexandre L'Heureux, President and CEO

Good morning, Jacob.

Alexandre L'Heureux, President and CEO

Good morning.

Jacob Bout, CIBC

How should we think about the impact of the U.S. Infra Bill being passed for WSP? I guess the obvious one is the conversion of soft backlog into hard backlog. I guess how quickly can that conversion happen? And then as we think about organic growth in Americas going forward, does that move you from kind of mid single digits to mid to high single digit organic growth rates exiting 2022?

Alexandre L'Heureux, President and CEO

Yeah. Look, I mean, it's fresh off the press, Jacob. So, like you, we are--we were pleased to see they announced on Friday last week President Biden is expecting to sign the bill on November 15, after which this will trigger for the government agencies to launch their administrative grant. And this will take time, obviously, so it is expected that this process will last at least anything between three to six months before we see the funds entering the pipeline.

Clearly, our clients at the moment are excited. There's obviously also a nervousness about the ability to deliver which I haven't seen, you know, in a very long time, so I think this is clearly a positive outcome. As it relates to organic growth, I think, clearly as I just stated, this is a real positive for U.S. business.

Over the year, we grew our soft backlog by, you know, seven folds, if I'm not mistaken, just year-to-date. And obviously, the inability of our clients to have certainty around the funding is probably what drove, you know, the--our--the issue of converting the soft backlog in hard backlog. So, this is clearly a positive for us.

How this will translate into the marketplace and how quickly clients will be eager to, you know, transform or transpose the soft backlog into hard backlog is to be seen. But it's clear that this is positive as it relates to organic growth.

Jacob Bout, CIBC

Okay, appreciate those insights. And maybe--my second question here is just on the sustainability of margins. They're very solid in the third quarter, but as you move into 2022, you know, how are you thinking about margins given, you know, wage pressure inflation and the phase back of some of the discretionary costs since reopening?

Alexandre L'Heureux, President and CEO

Obviously, wages and inflation and--is something we're very much focused on at the moment. We are--you know, we are approaching it. And we are cautiously optimistic that, in the next plan, we'll do everything we can, and that should not come as a surprise, to continue to improve our performance.

But this is obviously something that we are monitoring right now very, very carefully. As you know, Q3 is always the quarter where we generate the highest margin profile. Having said all that, given the outlook--the improved outlook that we provided, clearly we are expecting for this year an improved margin profile compared to 2020, which is good news.

And clearly, Jacob, as I've always said in the past, I'm a believer that there is room for us to continue to improve. And we'll do everything in our power to continue to improve next year and the years after.

Jacob Bout, CIBC

Okay, I'll leave it there. Thank you very much.

Alexandre L'Heureux, President and CEO

Thank you, Jacob.

Operator

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

Frederic Bastien, Raymond James

(Spoken in French)

Alexandre L'Heureux, President and CEO
(Spoken in French)

Frederic Bastien, Raymond James

Guys, let's build on Jacob's question. Obviously, this week's passage of the U.S. infrastructure bill is positive but, perhaps more importantly, you've got massive opportunities related to the net zero transition on a global basis. So, to me it feels like the sector is poised to enjoy above average organic growth over the next four to five years. Do you share that view? And how should we think about that from WSP's perspective?

Alexandre L'Heureux, President and CEO

I think it's a fair assumption, Frederic, no doubt about it. I think our environmental--earth and environmental sector right now is performing way above, you know, our CAGR, our organic growth rate in the last I'd say decades, frankly. So, I look at our performance year-to-date and I look at our performance for the quarter, this is by far our--you know, our fastest growing sector at the moment.

But I'm also very excited about our transportation sector and market in the U.S., for instance. But I mentioned all of the plans and infrastructure bills that are--not bills, but the infrastructure plan that the various governments came up with in Canada, in Australia, in the UK, and in the Nordics. So, I think--let's not just forget that all of our end markets are interconnected, and the work that we do in environment is obviously--and often time in preparation for more work in the transportation, infrastructure, and building sectors.

So, I think this is good news because the work that you typically do in environment is upstream work. So, let's wait and see. But all in all, I think this is a real positive.

Frederic Bastien, Raymond James

Thanks for that, Alex. My other question is related to perhaps opportunities where WSP or Golder would previously not have been able to bid on. I mean, have you--are you seeing more opportunities of that nature, where that shows sort of the revenue synergies that you're--the combined firms have been able to generate? Are there good opportunities that opened up--?

Alexandre L'Heureux, President and CEO

--Yes--.

Frederic Bastien, Raymond James

--To the company?

Alexandre L'Heureux, President and CEO

Absolutely, Frederic. I mean, it's--and I am not seeing just a few opportunities. I'm seeing many, many opportunities in the funnel.

I'll give you an example. You just take the mining sector, for instance. We know that at the moment--we can agree to disagree on the terms, but let's assume that we collectively agree that we are in a good--if not a super cycle, in a good cycle. Golder is the leading firm in belowground engineering and the mining sector. WSP is one of the leading firm in aboveground engineering. And most of the CapEx, typically in a mining project, will take place aboveground, and everything that has to do around the mining project.

Golder, on a stand-alone basis, was not in a position to carry out that kind of work. WSP, we are expert in that type of work. So, we--the combination of Golder and WSP in that regard is just incredible, and that was the whole thesis behind this investment. So, this is just one example, but we are bidding jointly on a number of projects right now, and I--we've been quite successful.

Let's not forget that WSP and Golder have a history of working together as well. So, it's not like two firms came together and we didn't know one another. We had the utmost respect for the expertise that they will bring to the table and so as them. So, I think it's--we're very pleased so far with the outcome, but the joint bidding activity that--as a result of it.

Frederic Bastien, Raymond James

Great. Thank you very much.

Alexandre L'Heureux, President and CEO

Thanks.

Operator

Your next question comes from Chris Murray from ATB Capital Markets. Please go ahead.

Chris Murray, ATB Capital Markets

Thanks, folks. Just turning back to the margin question a little bit, I guess the question I've got is, just looking at the outlook, and certainly pretty good growth, but just I guess a question around utilization and your ability to be able to bring in additional work. And how do you feel about, you know, your current staffing levels, and can you run more volume through the same cost base?

Alexandre L'Heureux, President and CEO

Good morning, Chris. Look, a number of good questions in this question. Look, at the end of the day, if you just look the last decade and you look at the fee per revenue that we have been able to generate per employee, consistently it has increased over time.

So, starting with your last question, obviously we are in a position today to do more with less for a variety of different reasons. First, we are perhaps more efficient over time. And over the last many years, we were able to leverage technology to our own advantage, which is good news.

And clearly, there is improved productivity right now. And we've experienced that for--you know, during the pandemic, but also pre-pandemic. So, over time and during this last strategic cycle, we have been able to become more productive and more efficient in the way we deliver projects, so that's good news.

And as it relates to margin, look, and I mentioned it before, the trending around margins cannot just be looked into one quarter. It has to be looked at over time. And yet again, if I look back the last five, six years, consistently we have been able to improve our margin profile. And that's clearly the goal that we would be setting for our business in the next cycle, there's no doubt about it.

But the organic growth also is equally important, and we have a--you know, I look at the underlying trends in our industry, and I think that bodes well as well for organic growth. So, we have to take advantage of the market that is in front of us, and I'm confident that we will be able to take advantage of it.

Chris Murray, ATB Capital Markets

Okay. Thank you. And then, you know, the other comment that you made in talking about margin profile was about the acquisitions. And I'm assuming you're referring to Golder, but is there anything else that we should be thinking about in terms of the impact of recent acquisitions on that margin profile?

Alexandre L'Heureux, President and CEO

It's certainly not just Golder. I look at the recent acquisitions that we completed in mechanical, electrical in the U.S., certainly building our U.S. platform out West. Clearly, the Olympics will be a big thing in the next few years, and having a strong MEP platform out West in the U.S. was very important for us. Acquiring a structural firm in LA was extremely important to us.

And then you look at the recent acquisition that we completed, kW and the data center, that--mission critical and data center sector, which right now is performing at a very, very high level, probably our highest margin profile in the group at the moment. And we are acquiring market share and continue to expand our presence in that sector. So, that too I felt was a smart move by the team, and I'm very pleased by that.

So, I'd say this year, all of our acquisitions have performed extremely well. And I expect them to continue to perform like that hopefully, obviously, next year.

Chris Murray, ATB Capital Markets

Great. That's helpful. Thank you. I'll pass it over.

Alexandre L'Heureux, President and CEO

Thank you.

Operator

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

Benoit Poirier, Desjardins Capital Markets

Yeah, good morning, everyone, and congratulations for the good quarter. Alex, when we look at organic growth per geographic segment, obviously very strong in Canada, the U.S., Latin America, UK, but you mentioned continued softness in the Nordics. So, could you provide some color on what is driving the softness, the ability to recover? And if you would exclude the Nordics, how would look like the organic growth if you would assume a more normalized level for the Nordics?

Alexandre L'Heureux, President and CEO

Yeah. I have not run the math, Benoit, if I was to exclude the Nordics. I was--but it's clearly going to be much--it would be much higher.

But I'll give you a different answer. If we were considering our acquisition in--to the organic growth this year, if I look at the organic growth that Golder has experienced, the organic growth that our mission critical business has experienced, our property and building business have experienced, you know, it would be in the high mid single--you know, single digits. So, it would be a very strong quarter from an organic growth point of view.

That's very positive. I have not run the math without the Nordics. I think Alain could come back to you offline and give you that answer. But at the end of the day, what happened in the Nordics, look, the way the pandemic was managed perhaps has certainly--and their clients to be in the position to procure work, it's been clearly a bit more challenging in the region.

Just maybe clear on this, I think we have an incredible business in the Nordics. We have a leadership position. And we are one, if not the only, international firm who has an--who has the opportunity to perform in the region. So, we entered that market in early 2000, and we're extremely pleased about our presence in the region.

There was a change in leadership which was announced in the last quarter, if you recall. And it's a lady who is taking over and has been part of the Golder team for many, many years. And I'm going to be there next week. And I believe that the future is bright for that business, it's just that the current market environment is a bit more challenging. But I think in the longer term, it's going to be a good market for WSP, no doubt.

Benoit Poirier, Desjardins Capital Markets

Okay, that's great. And maybe for Alain, DSO increased sequentially by five days and while seasonality typically brings down the number in Q4. So, any color on what drove the increase quarter-over-quarter and whether we should see a five or six day improvement in Q4 like we normally do?

Alain Michaud, Chief Financial Officer

Yeah, last--thanks, Ben. Well, last year, we have to remember Q4 was a really good quarter. So, we're still guiding between 73 and 78 days for 2021. You know, we're obviously supporting the growth right now so that impacts, you know, our--you know, we're investing in working capital, but, you know, we should get to the lower end of the range by the end of the year then. That's the way I would look at it.

Benoit Poirier, Desjardins Capital Markets

Okay. Okay. And you're--Alex, you're now obviously very well on track to deliver on your three year plan and getting closer to introduce the new one. So, without giving us specific numbers, any color about the direction or trends we should be aware of?

Alexandre L'Heureux, President and CEO

Look, Benoit, I don't think this should come as a surprise, but we have planned to go up. You know, we will do--you know, I mentioned it earlier on. The underlying trends in our industry are--I think it'd be fair and I think we would all collectively agree that they are strong. And I believe WSP is uniquely positioned to take advantage of those trends, not only in the earth environment sector.

And I mentioned before we have only one ambition in that regard as it relates to earth environment and our future-ready program. We want to be the leading firm in the green transition, full stop. That's our ambitions. So, I'm not--I'm sure I'm not telling you anything that you don't know already or are surprised by. But it's certainly going to be a cornerstone of our strategy to continue on our journey and having the aspiration to be the leading firm in the space, and that we are not going to rest until we get there. And that will be obviously a key ambition of our next three year plan.

I think we're going to hopefully--you know, we have, hopefully, everything in our toolbox to exceed the organic growth rate that we were able to generate over the last decade on a CAGR basis. I think we have the right platform. We have the right leadership team. We have the right people, with a Board that is believing in the management team and is believing in the vision that we are setting for the business.

And on top of it, we have a very strong balance sheet. With the balance sheet now that there's below 1 time leverage this year given the strong performance of the business, we were able to de-lever very quickly our Golder acquisition.

So, we are entering this strategic cycle with a very strong balance sheet, a renewed leadership team, a strong Board, I believe a strong track record, and with a good margin profile. So, I'm looking at all of this, and, you know, I don't remember entering a new strategic cycle in a better position. So, I'm excited by it, and I look forward to updating you in the new year, obviously.

Benoit Poirier, Desjardins Capital Markets

Perfect. That's great color. Thanks for the time.

Alexandre L'Heureux, President and CEO

Thank you.

Alain Michaud, Chief Financial Officer

Thanks, Benoit.

Operator

Your next question comes from Sabahat Khan from RBC Capital Markets. Please go ahead.

Sabahat Khan, RBC Capital Markets

Great. Thanks and good morning. Maybe just kind of going at the outlook question a different way, maybe not focusing on the numbers, but, you know, if you look out over the next few years, given some of the growth you've had in certain regions and end markets, you know, where do you see the greatest opportunity still? You know, which regions do you think have a lot more potential over the next few years? Are there end markets that you see yourself playing a bigger role than you see today? Just trying to get a perspective on, you know, after a strong year and Golder partly integrated, which areas are you really focused on over the next few years, just--you know, beyond just the strategic plan, but just for organic or any--?

Alexandre L'Heureux, President and CEO

--Yes--.

Sabahat Khan, RBC Capital Markets

--Opportunities?

Alexandre L'Heureux, President and CEO

I understand your question. Look, I think that the power of the WSP platform is--resides in its diversity. And of course, in recent quarters and recent years, we talked a lot about the ESG trends, and we talked a lot about our earth environmental sector. But in the background, there's tremendous opportunities in our other end markets.

Transportation infrastructure is one. And I remember not so long ago, people being a bit--I'm not sure negative is the right word, but a bit negative around the property and buildings sector. But I have to tell you, I mean, the way we are--we have been able to diversify our property and buildings sector in recent years and tapping in new markets, like mission critical I just talked about, the health care sector, which is going to continue to grow with great strides over the next few years.

I think we are, WSP, as I said before to Benoit, uniquely positioned to take advantage of that. And I think what's so appealing about the end markets where we operate is that they are all interconnected. We are now in a position to bring experts on the earth environmental sector with our transportation sector, with our digital expert, providing increased digital services to our clients. We can bring experts in our property and buildings sector.

Of course, in the next few years, if you ask me where I would like to grow our additional sectors, I think the power sector will be something in demand. And for the next 10 years, there'll be an incredible amount of work in that regard. Connecting new source of energy to existing grid will be a source of incredible work.

So, to continue to increase our footprint in that sector is something that I would like to be able to achieve. And that we can do organically, and hopefully we will be able to grow it through acquisition as well. So, there are a number of sectors that we're going to continue to grow.
And I haven't--you know, I haven't discussed the regions, but most of our regions are still to this day subscale. Despite the fact that the UK--we have a large business, for instance, we can grow our presence in the UK. We can continue to grow our presence in Canada.

Unidentified Speaker

We're not.

Alexandre L'Heureux, President and CEO

In fact, without the--okay. So, anyway, look, I think--I see a great many opportunities both regionally in the end markets. And we'll update you in due course as we think about the next plan.

Sabahat Khan, RBC Capital Markets

Okay, thanks for that. I'm not sure what that was in between.

But I guess as you think about--maybe if we just delve a little bit into the properties and buildings side, you know, one of the themes that WSP has historically played on is urbanizations, and, you know, you're focused a bit more on the OECD countries. You know, as you talk to your clients and as you look at the regions globally, you know, there was some concern early in the pandemic that that theme might moderate. But what are you hearing today?

Alexandre L'Heureux, President and CEO

No. Yeah, I just talked about this. I think--I look at our property and buildings sector and right now it's very strong. It's growing. Margin profiles are high. And obviously, on the commercial side, maybe it's still--the market has cooled off during the pandemic.

But certainly in other subsectors, like I said before, the--on the health care sector or the mission critical work that we do, I mean, we've grown and we've grown at a very fast pace. So, I think this sector is not going anywhere. To the contrary, I see many opportunities. And time will tell, but I think, you know, we should be optimistic about this sector going forward.

Sabahat Khan, RBC Capital Markets

Great. Thanks very much for that.

Operator

Your next question comes from Dimitry Khmelnitsky from Veritas. Please go ahead.

Dimitry Khmelnitsky, Veritas

Thanks a lot for taking my questions. So, I'd like to talk to you about digitization. And obviously, a lot of engineering services companies talk about it. And I wonder what it really means for you and the ability to manage employee costs as well as offer new value-added services.

Alexandre L'Heureux, President and CEO

Yeah. It's a very good question. We'll be talking more about this when we unveil our plan in the next cycle.

But said shortly, digital means a lot of different things for different people, so I'm going to try to explain it very simply. You need to divide this bucket in two. The first bucket, to me, is more of an inward focus on our own business where, you know, we are providing the tools to our employees to automate and digitalize the services that we are providing to our clients.

And doing something like that will allow us to be more productive, to provide a better design and, along the way, having the ability to hopefully increase our margin profile not because we're passing on all of our efficiencies to our clients, but because we're providing a better service. And as a result of it, we are in a position to charge out more for our service because we're providing a more efficient design and we're allowing our creative design to, you know, design assets for our clients or on behalf of our clients that are more efficient, are less costly in a world where assets are becoming more complex and complex to design.

So, that--to me, that's the first bucket. It's more of an inward focus. And the second one is more of an outward focus on the type of digital services that we are in a position to offer to our clients in today's world. And the reality is we are a consulting firm. We're trusted advisers--a trusted adviser to our clients.

So, we're not a software designer and we don't have the aspiration to be a software designer. What we want to be is, you know, the best technology enabler in the marketplace, and we want to be in a position to design an asset today with the future needs in mind. And in order to achieve that is by incorporating the new technologies into the assets that we are designing today and thinking about the future. And that's when, you know, we start talking about our future-ready program.

So, in a nutshell, to me that's how you need to think of WSP. And in the next few years, we're going to continue internally to become more efficient and optimize our design processes by using new technology in the marketplace on one end and, on the other, we want to enable technology into the design that we're completing today to render the--you know, our assets more efficient and provide or meet all the needs of our local communities.

So, in a nutshell, that's how we're thinking about the digital technology and the impact that this is having on our industry.

Dimitry Khmelnitsky, Veritas

Got it, understood. And then you already mentioned that WSP is subscale in Canada, in Australia. So, I just want to touch base on acquisitions--.

Alexandre L'Heureux, President and CEO

--Sure. Sure--.

Dimitry Khmelnitsky, Veritas

--Potential acquisitions status. And I was wondering if you can talk more about which regions do you see as most fragmented, and which regions do you see provide greatest opportunities for consolidation and for (unintelligible)--.

Alexandre L'Heureux, President and CEO

--I--yeah, think many regions are providing many opportunities. The industry is still consolidate--fragmented. I'm sorry about that. Some places are more consolidated than others. The UK, for instance, over the years has consolidated very quickly. And we have, you know, a very good position in the space, but yet there is still some room for us to continue our growth in the UK.

Today the U.S. market is still very fragmented with a number of smaller size firms being part of our industry and also medium size firms and larger size firms. So, this is just an example of the spectrum of what we're seeing in the marketplace.

So, personally, I do see some room for us to continue to grow, as I stated before, in most of our large hubs. So, you can't time acquisitions, and we are going to remain disciplined. That's what made us successful. But in due course, I am confident that those acquisitions will come our way and will allow us to grow presence in those major hubs.

Dimitry Khmelnitsky, Veritas

Are there any particular end markets or industry sub-segments that you'd like to avoid?

Alexandre L'Heureux, President and CEO

No, not really. I think we that like the sectors where we operate at the moment, and I have no desire to exit some of the markets where we operate right now.

Dimitry Khmelnitsky, Veritas

Okay, got it. And then another question is, how do you think--obviously lease expense is a substantial expense for the company. How are you thinking about real estate, you know, given the shift to, you know, working remotely and coming to the office part time, let's say two times a week, three times a week as opposed to five days a week? I know I remember from the prior calls, you didn't want to make rash decisions and you wanted to see how everything pans out. So, I wonder what are your thoughts on that right now.

Alexandre L'Heureux, President and CEO

That hasn't changed, to be totally transparent with you. Unlike some of our peer group, we were quite vocal about the idea, you know, of remaining patient around our real estate floor plans.

Having said all that, in prior calls I said that 50% of our leases will expire in the next three years. So, as you can imagine, we're very focused on that and we are quite dynamic in the way we're thinking about it. But at the same time, you need to strike the right balance between creating an exciting working environment for your professionals, making sure that you preserve your brand, making sure that you build an incredible culture. And at the same time, recognizing that the world has changed and providing more flexibility to our employees is, in some fashion, a great competitive advantage.

So, I'm aware of that and the team is aware of that, and we are keeping this in mind as we are progressing. But at the moment, I would tell you that we have taken a very patient approach to all of this. And that has actually benefited us as opposed to penalizing us. And so, I believe that we'll continue to follow that track in the near term. And when we do have a firm position on the subject, we'll--clearly going to be communicating.

Dimitry Khmelnitsky, Veritas

Thank you. That's it for me.

Alexandre L'Heureux, President and CEO

Thank you.

Operator

Again, if you'd like to ask a question, press star then the number one on your telephone keypad.

Your next question comes from Ian Gillies from Stifel GMP. Please go ahead.

Ian Gillies, Stifel GMP

Morning, everyone.

Alain Michaud, Chief Financial Officer

Morning, Ian.

Alexandre L'Heureux, President and CEO

Hello.

Ian Gillies, Stifel GMP

While I acknowledge the outlook is, by and large, positive, I'm just curious as to whether you're seeing any hesitancy from your private clients due to inflation trends and whether that could potentially end up being a headwind either next year or the year after.

Alexandre L'Heureux, President and CEO

Well, at the end of the day, your guess is good as mine. But I--our private clients have plans and they also have business to run, and real estate developers have returns to generate. And at the end of the day, I'm--it's not what we're hearing right now, if that makes sense.

What we're--what you're hearing is there's a lot of positive momentum, and I think the large private clients have money to put to work. There's a lot of cash in the banks. And in a low interest rate environment, it's providing our private clients to undertake very exciting projects and development opportunities. So, it's not what I'm hearing at the moment, to the contrary. And--but time will tell. Time will tell.

Ian Gillies, Stifel GMP

No, that's helpful. I--and the other question I was going to ask was with respect to the mining business and the work you're seeing come about there, is there a particular focus, whether it be on new mine expansions or focusing on helping on the maintenance and environmental side of existing mines, or is it really the whole package?

Alexandre L'Heureux, President and CEO

It's the whole package.

Ian Gillies, Stifel GMP

Okay, that's helpful. Thank you very much. I'll turn it back over.

Alexandre L'Heureux, President and CEO

Thank you.

Operator

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

Michael Tupholme, TD Securities

Thank you. Good morning.

Alain Michaud, Chief Financial Officer

Good morning.

Alexandre L'Heureux, President and CEO

Good morning, Michael.

Michael Tupholme, TD Securities

First question, can you talk about how things are progressing with respect to the Golder-related cost synergies that you outlined when you announced that acquisition?

Alexandre L'Heureux, President and CEO

Yes, Michael. Look, it's progressing well. On an annualized basis, I feel we are on track. So, what we've signaled to the investment community is we're, you know, highly confident that we're going to be there.

Michael Tupholme, TD Securities

Okay. Thank you. And as a follow-on to that, Alex, can you comment on what level of organic growth the Golder business delivered in the third quarter?

Alexandre L'Heureux, President and CEO

It was at, you know, good double digit growth for the quarter. And that was the same thing in the prior quarter.

Michael Tupholme, TD Securities

Right, so continued--.

Alexandre L'Heureux, President and CEO

--Continued--.

Michael Tupholme, TD Securities

--The same--.

Alain Michaud, Chief Financial Officer

--Continued momentum, yeah.

Alexandre L'Heureux, President and CEO

Continued momentum, and the track is very similar to, you know, the previous quarters at the moment. So, it's been a very good story.

Michael Tupholme, TD Securities

Perfect. And then just lastly for me, clearly lots of growth potential in the earth and environmental sector, partly related to obviously an ever-increasing focus on climate change and shift to the green economy. WSP is obviously very well positioned in these areas, but you did talk about it as clearly being a focus area. Wondering if there are any specific functional areas within that broader earth and environmental, green economy opportunity set that you think you could benefit from adding some expertise in.

Alexandre L'Heureux, President and CEO

We're not--at the moment, Michael, obviously given the sheer size sometimes of the acquisition that we're completing, sometimes we're not necessarily going to announce it. But for instance, we have been growing aggressively our climate change team in the U.S. and abroad. So, that's an area that we have been quite focused.

So, when you talk about rehabilitating sites, I think we have a very strong position. And on the studies, the planning, the strategy, I'd like us to continue to increase our position as well. So, we have grown our position this year year-to-date in that regard, and we're going to continue to do that.

And--but I'd say that, given the sheer size of our business right now, we have like 14,000 strong individuals in our earth environment sector, I think we have now a very, very strong platform to work with, but we are going to continue to grow it in the next plan, without a doubt. But this is--these are just examples of what we've grown through acquisitions and also by hiring top talent over the course of this year.

Michael Tupholme, TD Securities

Okay, that's helpful. Thanks, Alex.

Alexandre L'Heureux, President and CEO

Thank you.

Operator

There are no questions at this--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 and CEO

So, this was an absolute pleasure, to update you on our Q3 results today. I would like you to--I would like to thank you for attending the call, and I look forward to updating you alongside Alain for our Q4 results and strategy next year. Thank you very much and have a great day.

Operator

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