WSP Global Inc.

Third Quarter 2018 Results

Conference Call

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PRESENTATION

Operator

Bonjour, mesdames et messieurs. Good afternoon, ladies and gentlemen. Bienvenue à la conférence téléphonique sur les résultats financiers du troisième trimestre de l'année 2018 de WSP. Welcome to WSP's third quarter of 2018 results conference call.

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

Isabelle Adjahi, Vice President, Investor Relations & Corporate Communications

Thank you and good afternoon, everyone. I first want to thank you for taking the time to join us today for the call, during which we will be discussing our performance for the third quarter. We will first make a few remarks and then we will open the line for questions.

With us today are Alexandre L'Heureux, our President and CEO, and Bruno Roy, our CFO.

Please note that we will be recording the call and that it will be available tomorrow on our website.

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

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

Alexandre L'Heureux, President & Chief Executive Officer

Thank you, Isabelle, and good afternoon, everyone.

I am pleased with our Q3 results. As has been the case since the beginning of the year, our solid performance has spanned across financial, operational, and strategic fronts. First, we posted another quarter of robust organic growth in net revenues. Second, we launched our first edition of the WSP Global Cities Index, which explores how cities are identifying and responding the challenges they will be facing in the coming two decades and beyond. And lastly, we are making significant strides in our 2019-2021 strategic plan and are pleased to announce that it will be released at the end of January.
Let me start with a few comments on our third quarter financial performance, on which Bruno will further elaborate later in the call.

For the third quarter, net revenues were $1.5 billion, up 14.2% compared to Q3 2017. On a constant currency basis, organic growth in net revenues spanning across all reportable segments amounted to 4.1%. Adjusted EBITDA was $187.5 million with adjusted EBITDA margin reaching 12.2% compared to 12.5% last year. Backlog stood at $6.5 billion at the end of the quarter, representing approximately 9.8 months of revenues. Timing has obviously an impact on this metric when viewed at the specific date, which was the case for us at the end of Q3. A few days after the end of Q3, significant project wins in different regions have already pushed this metric back over the 10 months of revenue mark. Organically, backlog grew 2.7% when compared to Q3 of 2017 and 1.9% over the first nine months of the year.

On August 27th we launched A Tale of Our Cities 2018 WSP Global Cities Index, which provides insights about how cities are preparing for a future shaped by the major urban transitions of our day: urbanization, density and growth, digital disruption, emerging mobility, revolving utilities models, and a changing climate. These assessments have been completed by our very own WSP professionals that live and work in the 24 cities that are featured in the index. While most attention is focused on the comparison of cities today, how livable, competitive, or resilient they are, with this index we have turned our lens to the future to ensure that cities are adequately equipped for the long term. The index has been extremely well received across the featured cities among clients and the public at large. The index can be accessed at wsp-futurecities.com. Please take the time to read this document. It's one that I'm extremely proud and our staff should be commended for the hard work that they've put in.

Lastly, our 2019-2021 strategic plan. We are, right now, consolidating all the strategies and feedback received from our bottom-up strategic planning process to ensure that the global strategy will be aligned with the regions, respective markets, sectors, growth potential, and local and global trends shaping and in certain cases transforming our industry. We are also ensuring that our ambitions for the next cycle are focused yet challenging with an emphasis on quality over quantity. In the same vein, we are also clarifying what we will be doing during the next cycle and, equally important, what we will not be undertaking. As mentioned earlier, our objective is to announce and discuss our 2019-2021 strategic plan at the end of January.

Bruno will now review our Q3 financial results in more detail. Bruno?

Bruno Roy, Chief Financial Officer

Thanks, Alex. Good afternoon, everyone.

Overall, we are pleased with our Q3 financial results. Organic growth in net revenues spanning across all reportable segments stood at 4.1%. Adjusted EBITDA margin was at 12.7%, in line with our expectations. DSO improved by 10 days as compared to Q3 2017, coming in at 76 days, which contributed to a trailing 12-month free cash flow of $555.6 million or 236% of net earnings attributable to shareholders. The strong influx of cash provided with the flexibility to pay down debt, in turn decreasing our net debt to adjusted EBITDA ratio to 1.4 times.

Now let me dig into the details of our results. For the third quarter, revenues and net revenues were $1.9 billion and $1.5 billion, respectively, an increase of 17.8% and 14.2% compared to 2017. Adjusted EBITDA for the period stood at $187.5 million, up $27 million or 16.9% compared to Q3 2017. Adjusted EBITDA margin reached 12.7% compared to 12.5% posted for the same period last year. Our effective tax rate was 23.4%, in line with our expectations. Adjusted net earnings stood at $99.3 million, or $0.95 per share, up 24.9% and 23.4%, respectively, compared to 2017. This was mainly due to growth in net revenues, improvement in adjusted EBITDA margins, and a lower effective tax rate.

Our backlog stood at $6.5 billion, representing approximately 9.8 months of revenue, down when compared to Q2. As Alex mentioned, this decrease was mainly due to the timing of contract awards, as we recorded significant wins after the end of the quarter, which easily pushed the months of revenue metric above the 10-month mark. When compared to the same quarter last year, our backlog was up $545.2 million or 9.1%. Organically it grew 2.7% when compared to Q3 last year and about 2% over the first nine months of this year.

Now let's move to our regional operating performance. Organic growth in net revenues from our Canadian operations stood at 1.2% for Q3 and 3.8% year to date. Adjusted EBITDA margin before global corporate costs increased to 15.9%, an anticipated improvement compared to 13% in Q3 2017. This increase was mainly due to improved project (inaudible). During the quarter we won a contract with the Toronto Transit Commission for the Yonge subway extension project in Markham, where we will provide design services for two of the extension's five new stations.

Our Americas operating segment experienced organic growth in net revenue of 3.7% in Q3 and 6.9% year to date, stemming mainly from our US operations. The US transportation and infrastructure market segment had a very strong quarter, posting organic growth in the high single digits. Adjusted EBITDA and adjusted EBITDA margin before global corporate costs continued to be the highest among a recordable segment, coming in at $77.9 million and 80.1%, respectively, compared to $69.5 million and 17.8% for the same period in 2017. Improvements in both metrics were anticipated and are mainly due to sound project management.

Our EMEIA reporting segment delivered organic growth in net revenues of 4.5% and 5.3% year to date, led by our UK and Nordic operations. Adjusted EBITDA margin before global corporate costs stood at 10.5% compared to 11% in Q3 2017 as a result of a billing day differential in Sweden, which had the opposite effect in Q2. On a year-to-date basis, adjusted EBITDA margin before global corporate costs improved to 10.2% compared to 10% for the same period in 2017.

In the UK we were awarded a substantial multi-disciplinary scope of work contract with the new commercial landmark at 100 Leadenhall Street, which is slated to become the third-tallest building in London. Our services will span MEP, energy and sustainability, project management, and vertical transportation expertise, which is a good example of our revenue synergy strategy.

Our APAC operating segment posted organic growth in net revenues of 7.8% and 7.6% year to date, slightly ahead of expectations, while adjusted EBITDA margin before global corporate costs stood at 14%. This performance was mainly driven by Australian operations, which posted double-digit organic growth in net revenues. Similar to last quarter, our Asian operations posted flat organic in net revenues.

In Australia, we will be playing a key role in bringing the biggest investment in public school infrastructure in New South Wales to life. This project will require the demolition of existing buildings and the construction of a new high school, primary school, preschool, and external area. Our services will cover MEP, fire protection, fire engineering, specialist lighting, sustainability, and acoustic services.

Our trailing 12-month free cash flow at the end of Q3 was $555.6 million, representing 236.3 attributable to shareholders. This was mainly due to the significant improvement in DSO during the period. Incorporating the full 12 months of EBITDA for all acquisitions, our net-debt-to-EBITDA ratio came in at 1.4 times. We also declared a dividend of $0.375 per share to shareholders on record as of September 30, 2018, which was paid on October 15, 2018. With a 52% dividend reinvestment plan participation, the net cash outflow was $18.8 million.

This concludes my remarks. Alex, over to you.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you, Bruno.

Being mindful that our Q4 2018 organic growth in net revenues will be negatively impacted by the non-recurring nature of the significant amount of FEMA net revenues recognized in Q4 of 2017, we nevertheless anticipate full-year consolidated net revenues and adjusted EBITDA to be in the higher end of ranges previously provided. As such, we are reiterating our full-year 2018 key financial metrics results outlook.

I would like now to open up the line for questions.

QUESTION AND ANSWER SESSION

Operator

Merci. Thank you. À ce moment, si vous voulez poser une question, composer l'étoile suivit du numéro un sur votre clavier téléphonique. In order to ask a question, please press star followed by the number one on your telephone keypad. Your first question comes from the line of Jacob Bout from CIBC. Please go ahead.

Jacob Bout, CIBC World Markets

Good afternoon.

Alexandre L'Heureux, President & Chief Executive Officer

Hi, Jacob.

Jacob Bout, CIBC World Markets

So, it sounds like we shouldn't read that much into your backlog being down quarter on quarter, but maybe you can just give us a few comments on your macro view and if your macro view has changed at all in the past, ah, from where you were 6 to 12 months ago, and are you seeing any softness in any areas?

Alexandre L'Heureux, President & Chief Executive Officer

That's a good question. Look, we are in the middle of our budgetary process and, as you know, at the end of next quarter we will be providing you with more visibility on our views, but the reality is we are experiencing a very good year. We're extremely pleased with the way we are performing. We like the hubs where we operate as well.

Canada has been performing well this year. The US has been also performing very well for us, our US operation. Brexit, despite uncertainties around Brexit, I mean our UK operation has been performing above our expectation, in all fairness and transparency, in 2018.

We do see a bit of softness in the Nordics right now. You saw some of our peer group releasing quarterly results today. There are some pockets of softness or places where it's cooling off a little bit, but for the most part the results are good and we are doing well.

And then moving on to Asia Pacific, Australia has been buoyant. I mean we've been performing extremely well. New Zealand, we are extremely pleased with our Opus acquisition in New Zealand this year. And, as we stated in the past and in the MD&A, Asia as a whole has been a challenging region for the last few years. But, nevertheless, I mean we are feeling good about the way we are performing at this point.

Jacob Bout, CIBC World Markets

And maybe just another question here just turning to EBITDA margins. What does it take to move the needle there? Do we think about things like IT outsourcing or is 11% kind of as good as it gets?

Alexandre L'Heureux, President & Chief Executive Officer

Well, Jacob, first and foremost you need good markets. So that's the first point. I mean you can cut costs for so long. If you're not operating in good markets, that will catch up with you. I've said it in the past and on a number of different occasions, running a global company like WSP and running a professional services firm like WSP requires management to tackle a number of different initiatives in order for the margins to go up. It's not just one single thing, it's not just about managing utilization, you need to be frugal, you need to run a lean business, a very agile business, you need to react very quickly when the market is shifting, and also you need to be smart in the way you select clients, project selection as well, and at the end, making sure that you have a balanced portfolio of smaller sized, medium sized, larger sized projects and a good private sector/public sector exposure.

So it's all of the above. It's not just one single thing. I mean every day you need to look at your business and making sure that you make the appropriate changes to it in order to improve margins.

Jacob Bout, CIBC World Markets

Great. I'll leave it there. Thank you.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

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

Yuri Lynk, Canaccord Genuity

Hey, good afternoon.

Alexandre L'Heureux, President & Chief Executive Officer

Hi, Yuri.

Yuri Lynk, Canaccord Genuity

Hi. Can you update us on when the Louis Berger acquisition is going to close?

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, it's a good question, Yuri. We are planning on closing the transaction by the end of the year. I mean it could spill over the beginning of 2019 given that at the moment—I mean we've done everything that we needed to do on your end and we're just looking for regulatory approval in the US.

So, our legal team and Louis Berger's legal team are in communication with the government and we hope that, you know, I think the soonest would be the end of November, but it could be at the beginning of 2019 if it's not going fast enough. But I'm hopeful that we're going to be able to announce this before the end of the year.

Yuri Lynk, Canaccord Genuity

Okay. And this is a bit of a longer closing process than we're accustomed to. What stage is it in now and what's the consuming the time?

Alexandre L'Heureux, President & Chief Executive Officer

It's in the very late stages and it's nothing to do with the closing documents or about further negotiation between the two parties. As a foreign company, we filed with the American government in order to do security clearance work and we just need to secure proper approval from the government in order to complete the transaction. So it's not about issues that are arising between WSP and Louis Berger, it's purely a process that we need to follow with the government.

Yuri Lynk, Canaccord Genuity

I see. That makes sense.

Sticking with the M&A theme, what are you seeing out there in terms of, I guess, asking prices? Not so much in terms of valuation multiples but, you know, we're several years into a growth phase in several regions, like the Nordics and North America, so I mean the EBITDA numbers that these would be based off would have come up quite a bit over the last couple of years. So, how does that play into the way you value targets and are you looking at it more over a cycle and where would you say asking prices are now relative to where you would be comfortable?

Alexandre L'Heureux, President & Chief Executive Officer

Well, there are a number of sub-questions in your question. I mean clearly the month of October, I'm very pleased it's behind us. It's been probably the worst month since 2008. So I think valuations, if you look since the beginning of the year, they have come down if you look at the publicly-listed companies. But overall it is true that we have been in a very long cycle and companies have been doing well and price expectations, depending where you look, have been going up over time, but I think it's just normal in a good market, in a strong market. I mean you look at our industry, and it's not true for everybody, but many companies have been performing well and for many years now.

So, I'd say that we are always on the watch, Yuri, and that hasn't changed. We have a strategy and we are executing on it and, frankly, I think I'm pleased with the way we're going to end this strategic cycle with the closure of Louis Berger. But I can tell you, and I'm sure I'm not announcing anything that nobody is already aware of, I mean there will be an element of growth through acquisition in the next cycle.

So, I still believe that there is a lot of very nice opportunities for us out there. I believe that we will, if we remain disciplined and try to find the assets that will complement and create long-term value for our firm, for our clients, and for our shareholders, I think that will paying off. But, as I've always said in the past, I don't feel we have a gun on our head to do anything. I think, as I said, we're very pleased with the Louis Berger acquisition and I will remain very disciplined and if I feel and we find as a team that there is a good opportunity out there, we will action on it. But it needs to make sense on all fronts.

Yuri Lynk, Canaccord Genuity

Okay. Thanks for that. I'll turn it over.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

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

Derek Spronck, RBC Capital Markets

Good afternoon. Thanks for taking my questions.

Alexandre L'Heureux, President & Chief Executive Officer

Hello.

Derek Spronck, RBC Capital Markets

Just sticking on with the Louis Berger acquisition, does that effectively plug in the footprint that you want to have in the US or is there still a little bit more to be done there?

Alexandre L'Heureux, President & Chief Executive Officer

No, it's not plugging what we want to do in the US. I mean we have, as you can imagine, Derek, I mean just by way of analogy, we have around or about 7,000 people in Canada. With the closure of Louis Berger in the US we will now be close to 10,000 people. And the market is 10 times the size of Canada. So I do feel that we can increase our market share essentially in all of our business lines and end markets. There are a few geographies where we are very much subscale. So, again, if the opportunity is right, we would still want to grow the US. There's no doubt about that.

Derek Spronck, RBC Capital Markets

Okay. And just sticking to that theme around M&A, what would you say is your balance sheet capacity right now once the Louis Berger acquisition closes?

Alexandre L'Heureux, President & Chief Executive Officer

Look, I think we will be below two if all goes well and we have a very good quarter from a cash flow perspective. So, we will be below two at closing. So we'll be within the sweet spot of what we had previously disclosed in our outlook. And if you recall, this was excluding acquisitions. So, the fact of the matter that we are still going to be within the range of our previously-disclosed outlook but within while including acquisition, that means it's a pretty good place to be. So I'd say that the equity market is still very good. I don't want to talk for them but we have very good support from our anchor investors. They believe in our strategy, they believe in what we're planning on achieving, and we clearly share the same vision of the industry. And lastly as well, I think our credit facility and the support of our banks is there. So, I do feel that we have everything we need in our toolbox to action should we need to do so.

Derek Spronck, RBC Capital Markets

Okay, great. And maybe just one more quickly for myself. The 76 days DSO, is that sustainable? And how should we think of working capital in the fourth quarter?

Bruno Roy, Chief Financial Officer

Derek, Bruno here. As you'll notice, we haven't changed our outlook for DSOs. Our outlook was 80 to 85 days and we're currently, as you know, at 76. And we wake up every morning to do better. So I'll leave it at that on the DSO.

And the DSO improvement we're very pleased with came from across our businesses. So, it came from particularly the US, the UK, and Australia. And is essentially very, very strong collections in the quarter. So, we're very pleased and we're pushing ahead.

Derek Spronck, RBC Capital Markets

Okay, great. Thanks, Alex. Thanks, Bruno.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

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

Devin Dodge, BMO Capital Markets

Hey. Good afternoon.

Alexandre L'Heureux, President & Chief Executive Officer

Hi.

Devin Dodge, BMO Capital Markets

So, organic growth continues to be really strong across a lot of your markets. I believe that when demand is at these kind of levels it can have a bit of a negative impact on labour utilization just given the extra efforts for training and recruitment and whatnot. Do you just feel that—are any of your stronger markets currently underperforming or suboptimal from a utilization standpoint? And, if so, how much of a drag has this been on your results?

Alexandre L'Heureux, President & Chief Executive Officer

The way I would answer this is it's actually probably the other way around. When you grow very aggressively in certain markets, and that has been the case in the Nordics for many, many years, that has been the case recently with Australia, what you find is that you need, oftentimes you need to give up a bit of efficiencies on your margin profile. Because you recruit so much, have so many newcomers within the organization that you lose efficiencies on training, you lose efficiencies in making sure that the new professionals joining the firm get our culture, understand our way of doing business, understand our practices, understand our processes. So, when you grow at a very fast pace, oftentimes you lose a bit on the margin profile because you're not as efficient as you should be, you're busy growing, and that's why sometimes and oftentimes you'll have a phase of consolidation post aggressive growth.

So, for instance, right now in the Nordics you see that the growth profile is a bit lower than what we have seen in the past here and, you know, our strategy right now in the Nordics, for instance, is really to consolidate our practices and really making sure that we run a sound a proper business. That's not different with Australia, that's not different with what we've seen in Canada, in the late 2000s, the beginning of 2011 and 2012, if you remember those days. But we came out of that decade with a tremendous amount of growth and we needed a bit of time to consolidate it.

So, it's a good thing to have a diversified portfolio with a number of different geographies that are operating well, because it creates this balance between those that are busy growing and those that are busy running a sound business, essentially.

Devin Dodge, BMO Capital Markets

Okay. Okay, that's helpful. And then maybe second question here, just with earnings and free cash flow pushing higher at WSP, has the Board started to consider shutting off the DRIP program? And if not, at what point do you think this could be a consideration?

Alexandre L'Heureux, President & Chief Executive Officer

Look, it is a good question. At the end of the day, we are offering the DRIP because we believe it's a very good tool for investors that would want to reinvest in the company to reinvest in the company, are not in need of the dividend. But it's, as I said, given that it's not mandatory, I like the flexibility that this tool is providing or this instrument is providing to our shareholders. Those that are looking for the dividend, they do get it, and those that are not, they are reinvesting in the business. At the end of the day, it's a very, very cheap way for WSP to raise equity. I mean, at the end of the day, it's a very low discount. And I like the fact that we are offering our shareholders the flexibility to do one or the other. So, at this point in time we are not contemplating to get rid of it.

Devin Dodge, BMO Capital Markets

Okay, thanks. I'll turn it over.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

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

Frederic Bastien, Raymond James

Good afternoon, guys.

Alexandre L'Heureux, President & Chief Executive Officer

Hi, Frederic.

Frederic Bastien, Raymond James

I'm probably as surprised as you are with the strength of your UK business. What do you think underpins the strength?

Bruno Roy, Chief Financial Officer

We have a very robust team there, first and foremost. Second, our split of revenue between public and private sector was rebalanced once we had done the Mouchel acquisition, and also once we added Opus UK to the team. So, our portfolio veers more on the public sector than it does the private sector and that certainly helps, because public sector spending is still buoyant in the UK, in particular around rail. Think of High Speed 2, which is powering ahead and keeping our teams there quite busy. So, that's what I'd say, a good team that can react in a very agile fashion and a good, well balanced portfolio between the public and private sector.

Frederic Bastien, Raymond James

Cool. You cited a project that showed a tremendous amount of synergies. Are you seeing that across the board, not only in the UK but in other regions that you're participating in?

Bruno Roy, Chief Financial Officer

Yeah, we're seeing more and more of that and we're pursuing more and more of that. As you can imagine, whenever horizontal infrastructure meets vertical infrastructure, so train stations and so on and so forth, is where we can bring a lot of our different practices to bear. So we're seeing that happen in many markets, yes.

Frederic Bastien, Raymond James

All right, thanks. That's all I've got. Good job on yet another good quarter of steady growth.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you, Fred.

Operator

Si vous souhaitez poser une question, s'il vous plaît appuyez sur l'étoile suivit du numéro un sur votre clavier téléphonique. If there are any questions at this time, please press star followed by the number one on your telephone keypad. Your next question comes from the line of Mona Nazir from Laurentian Bank. Please go ahead.

Mona Nazir, Laurentian Bank

Good afternoon and thank you for taking my questions.

Alexandre L'Heureux, President & Chief Executive Officer

Hi, Mona.

Mona Nazir, Laurentian Bank

Hi. So my first question just has to touch on M&A, and we've seen many years of heavy consolidation across the industry wherein the targets are narrowing, and this is even more so true for pure-play firms. I was a bit surprised to see the Louis Berger acquisition when it was first announced. I'm just wondering if your M&A criteria has shifted at all or opened up wherein you are now considering targets that you previously may not have and perhaps this is now due to your size or it's a function of the shifting landscape.

Alexandre L'Heureux, President & Chief Executive Officer

No, I think, Mona, actually this is not the case. I think you are right that the larger firms are becoming larger, but there are a number of acquisitions, well, a number firms out there that are still very much independent. The market is still very much fragmented. Obviously it's different from one country to the other but I would argue that we will have our share of opportunities in the years to come to continue to complement our existing platform with additional skill sets and expertise.

So, I think your question is are we changing our investment criteria. The answer is no, we have not. We've always been and we will remain disciplined in the way we look at acquisition. The culture has to work, the vision, we have to have a share, you know, we need to share the same vision as well, run a very similar operating model. I actually find the opposite, that we see more and more companies going back to the pure-play model. Because, perhaps, and I don't want to speak for others, but the integrated model may have not worked as well as they had contemplated. So I do think and I do believe that in up markets or in down markets WSP should have its share of opportunities to continue to do some acquisitions.

But we will be disciplined. I mean if I don't feel we have a good deal and if don't feel in the longer term I'm not going to create shareholder value, we are not going to action a transaction just for the sake of bulking up. That's never been WSP's vision and strategy.

Mona Nazir, Laurentian Bank

Okay, thank you. And then just secondly on the EBITDA margin, we saw margins expand over 20 basis points year over year and I know if we include the Louis Berger acquisition it takes the profile to your 11% target. I'm just wondering, from this level do you think, I know you talked about the number of variables that play into the margin expansion but do you think it's possible to get another 100 basis points or it's challenging just given competitive pressures or customer requirements?

Alexandre L'Heureux, President & Chief Executive Officer

Can we park that question until we unveil our strategy at the end of January, Mona?

Mona Nazir, Laurentian Bank

100%.

Alexandre L'Heureux, President & Chief Executive Officer

That would be appreciated. No, the idea is, look, one of our guiding principles as a company is we challenge the status quo, so we're always going to try and always going to aim to becoming a better performing company or better performing firm. So that's in our DNA. We'll try to improve. But, as for the details of it and everything, I mean I'd like to park this question until we speak next when we unveil our strategy.

Mona Nazir, Laurentian Bank

Okay, perfect. And just lastly for me, I'm just wondering, if we look at the guidance reiteration and performance year to date, just, you know, it's seemingly possible that Q4 organic growth comes in flat, it's not necessarily negative. Would be that be correct?

Bruno Roy, Chief Financial Officer

Yeah, that would be correct, Mona.

Mona Nazir, Laurentian Bank

Okay, perfect. That's it for me. Thank you.

Bruno Roy, Chief Financial Officer

Thank you.

Operator

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

Michael Tupholme, TD Securities

Thanks. Good afternoon, Alex and Bruno.

Alexandre L'Heureux, President & Chief Executive Officer

Hello, Michael.

Michael Tupholme, TD Securities

We saw very strong margin performance in the APAC region, I think, give or take, 400 basis points higher than both 2017 full year and then compared to the first half of this year. I'm just wondering what exactly is driving that and how sustainable you see that APAC margin performance.

Alexandre L'Heureux, President & Chief Executive Officer

There are a number of reasons. As I mentioned earlier in the call, Michael, in order to generate good performance in a country you need to operate in good markets, and I'd love to give the credit to all of us and take all the credit internally, but we are right now operating in good markets and that certainly is helping improving performance.

Having said all that, I mean it's not just that. There are a number of different factors. One is clearly the fact that we are running a more efficient and, in my mind, a better business in Australia. But also you need to remember that we acquired Opus last year and they were running at 16%, 17% EBITDA margin, they were running a very good business, and when you take the two together, obviously it's increasing the margin profile of the combined businesses.

So there are three reasons for it. I think internally we are doing a very good job at running a sound business. I think Opus is the second reason. The third one is we are operating in good markets.

Michael Tupholme, TD Securities

Okay, that's helpful. Thank you. And then just turning to Canada, we saw the organic growth there slow a little bit from where it was in the first part of the year. I guess can you just comment on your views around the outlook for Canada and is that level of growth we saw this quarter a little less than you would expect sort of as we look out? Or is this more indicative of what we can expect going forward?

Alexandre L'Heureux, President & Chief Executive Officer

If you recall last year, you go back to 2017, the first half was essentially flat to almost a bit negative, if my memory is not failing me, and I don't have the data in front of me, but the first half was, we were in recovery mode. But the second half for Canada in 2017 was much stronger. So I think that's why, I believe that's the explanation as to why you see a bit of a difference between the first half in the second half.

As for my expectation, I think Canada is performing as planned. It's performing as expected. We had told you two years ago, three years ago that we wanted to take our margin up and I think the team has done a very fine job at executing on that strategy.

Bruno Roy, Chief Financial Officer

Just maybe building on that, in Canada now we're 3.8% organic growth year to date, and if you go back to our outlook, we'd say that we'd be within low to mid single digits in terms of organic growth. So, we're well within our guidance.

Michael Tupholme, TD Securities

Okay. That's helpful. Thank you. And then just a point of clarification I guess. The organic growth guidance for the year that you mentioned in the MD&A, I think it says 2.5% to 4%. I recall that being 1% to 4% previously but it wasn't sort of explicitly mentioned that you had actually changed that. Was that in fact, the bottom end of that range was in fact raised?

Bruno Roy, Chief Financial Officer

So, overall, the original guidance was 1% to 4% and, yes, we believe we'll finish in the upper part of that guidance this year.

Michael Tupholme, TD Securities

That was captured, I guess, in the overall comment about being toward the upper end of the range, but in that case you brought the bottom end up.

Bruno Roy, Chief Financial Officer

Yeah.

Michael Tupholme, TD Securities

Okay. That's all for me. Thank you.

Bruno Roy, Chief Financial Officer

Thank you.

Operator

Il n'y en a plus de questions en ce moment. There are no further questions at this time. I turn the call back over to the presenters.

Alexandre L'Heureux, President & Chief Executive Officer

Okay. Well, thank you very much for attending our Q3 2018 call and we look forward to speaking to you in 2019, next year, with our Q4 release, and I think that will be an exciting time where we unveil our strategy for the upcoming three years. So, until then, I wish you a great fall and talk next year. Thank you.

Operator

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

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