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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 quatrième trimestre de l'année 2015 de WSP. Welcome to WSP's Fourth Quarter of 2015 results conference call. I would now like to turn the meeting over to Isabelle Adjahi, Vice President, Investor Relations and Corporate 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 to this call.

During this call we will be discussing the news release today as well as our Q4 and fiscal 2015 performance. We will follow this by a Q&A session.

Joining me today are Pierre Shoiry, our President and CEO; and Alexandre L'Heureux, our CFO.

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

Before I turn things over to Pierre 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 disclaim any intent to update or revise any of these forward-looking statements.

Pierre?

Pierre Shoiry, President & Chief Executive Officer

Well, thank you, Isabelle, and good afternoon, everyone, and welcome to this conference call.

Before we discuss our financial and operational performance I would like to take a few minutes to discuss the announcement we made this morning about the implementation of our senior management succession plan. As part of this plan I will transition to the role of Vice Chairman while Alexandre L'Heureux, our CFO, will be promoted to the position of President and CEO. We will immediately begin the search for a new CFO and the transition will be effective once he or she is recruited. And Paul Dollin, who has been our COO for over two years, will continue in the same role. As Vice Chairman I will provide support to the board and I intend to focus my efforts with the CEO and the management team in respect to acquisition activities and other strategic opportunities and initiatives.

I have been CEO for over 20 years and WSP has been listed on the TSX for 10 years. With a strong team of managers around the world we have built a global market-leading consultancy headquartered in Canada which has grown from 1,800 employees with $176 million in revenues at the time of the IPO in 2006 to 34,000 employees and $6 billion of revenues today. for me, it is as important to prepare a proper succession as building a company and therefore I believe it is the right time to proceed with our succession plan, as not only do we have a strong company, a clear strategy, and a good outlook for our industry, but also a solid next generation of leaders in place. They have the credentials to continue on the delivery of our strategic plan and lead our markets worldwide. I think that the current dynamics in our industry and continued consolidation will lead to more M&A opportunities, which I intend to devote time and energy to. As WSP's CFO since 2010, Alex has worked closely with me. His experience, his market and industry knowledge and leadership style make him the right CEO for WSP. He has actively contributed to developing and executing on WSP's strategic plan and delivering our operational and financial strategy. I am pleased with his nomination and I would like to thank our anchor investors, CPPIB and CDPQ for their continued support towards WSP and particularly this succession plan.

Let's now come back to our operations and financial performance. I am pleased to report that we reached all of our 2015 key objectives with the exception of tax. We had to face a significant drop in the oil and gas sector and continued weakness in the mining sector, which impacted several of our regional markets, such as Canada, Australia, and the Middle East. But despite these headwinds we delivered strong organic growth globally and results overall. We also executed on our strategy by improving our underlying operating margins since the acquisition of Parsons Brinckerhoff as well as enhancing our technical expertise and geographic reach with the addition of Faveo, FLK, and Vicicom in the Nordics; Halvorson in the USA; and Levelton, SPL, and MMM in Canada. These seven acquisitions, which generated combined annual net revenues of more than $400 million, further strengthen our presence across the world as we strive to become a top-tier player in every market and every sector where we operate.

Year over year we almost doubled the size of the firm with revenues and net revenues of $6 billion and $4.5 billion respectively. I am pleased with the continued progress of our integration activities and the increased collaboration and knowledge sharing of our people across the world. We are driving best practices and putting important efforts around our communication tools and benchmarking activities, which provide our operations worldwide with comparative data and the creation of a winning culture within the firm.

We measure our success on the technical recognition of our people and our ability to generate recurring revenue from our existing clients and work on some of the most challenging and innovative projects in the world. 2015 was a remarkable year in this respect. As a few examples, we were named Engineer of the Year by the International Tunnelling Association for our work on their Eurasia Tunnel project in Turkey; Best Services Engineer for the second year in a row by the top 100 global architects in their annual World Architecture 100 Survey; we also received Sustainability Initiative of the Year award at the Middle East Construction Awards.

I could go on with a multitude of other corporate recognitions and individual awards that reflect the technical excellence of our team. This is the main reason for our success and I think our 34,000 employees for engagement and effort. At any point in time they work on more than 50,000 live projects of various sizes and technical complexity and their client care, trusted relationships, and management skills have enabled us to deliver on our growth and operating margin objectives.

Moving now to our regional sector review, all our regions within the exception of Canada and APAC grew organically during the fourth quarter. In 2015 Canada represented 18 percent of our total net revenues. Net revenues in this region increased 23.4 percent for the quarter and 16.9 percent for the year, mainly as a result of acquisitions. Organic growth was negative this quarter at 14.1 percent and at 9 percent for the full year. But excluding the contraction experienced by our Western Canadian operations, notably related to the oil and gas sectors, organic growth stood at 3.5 percent for the quarter and 4.6 percent for the year. Quebec and Ontario continued their recovery trend and posted combined organic growth of approximately 11 percent for the quarter. The fourth quarter acquisition of MMM solidified our position across Canada and we are now 8,300 employees with a strong leadership in all of our market segments and in every province. This transaction has provided the opportunity to structure our operations nationally by business line, thus providing an organization that enables better collaboration, knowledge sharing, and efficiency.

Moving to the U.S. and South America, approximately 30 percent of our net revenues came from the Americas in 2015 and this was helped by foreign exchange tailwinds. Net revenues in this region increased 85.4 percent this quarter and 258.9 percent for the year, mainly due to the Parsons Brinckerhoff acquisition. Organic growth on a constant currency basis was a solid 6.2 percent for the quarter and amounted to 5.9 percent for the year, mainly driven by our transportation and infrastructure as well as our property and building sectors, which accounted for over 90 percent of our net revenues both quarterly and for the full year. In December 2015 the U.S. government passed the FAST Act, which authorized $305 billion in funding for federal surface transportation program for fiscal 2016 to 2020. The passing of this bill ended a long period of flat federal funding and provides for growth at a rate of 3.2 percent from 2015 to 2020, which should positively impact our U.S. transportation operations for the foreseeable future.

Turning to EMEIA, this region generated 37.5 percent of our net revenues in 2015. Net revenues increased 35.6 percent in Q4 and 55 percent for the year and here again organic growth was strong. On a constant currency basis it amounted to 9 percent for the quarter and was 10.7 percent for the full year. Sweden and the UK had a particularly strong performance and respectively posted a 13 percent and 6.7 percent organic growth in net revenues. We are pleased to have successfully divested our minority stakes in Multiconsult and LINK architects in 2015 for net proceeds of $93 million and partially redeployed that capital in the acquisition of Faveo, Vicicom, and FLK, contributing to the addition of over 300 people in the Nordics. With over 3,200 employees in this region we are now a leading player. In the Middle East, economic headwinds impacted our growth in the latter half of 2015. The significant decline in crude oil prices and the political instability in the region have created a wait-and-see approach, resulting in many projects being delayed or cancelled. We also took one-time provisions related to a few underperforming projects. our South Africa operations delivered on plan, as did our Central Europe countries, namely France, Germany, and Poland.

Finally, the last region, the Asia Pacific region, which represented 14.3 percent of 2015 net revenues, the net revenues increased 43 percent and 223 percent for the quarter and the year respectively. Obviously acquisitions accounted for the bulk of the total growth and this region experienced a 5.4 percent organic contraction for the quarter. This is a direct result of economic slowdown experienced in China, Hong Kong, and Singapore, as well as the winding down of a major resource project based in Australia. However, for the year APAC's organic growth in net revenues on a constant currency basis was positive at 3.6 percent.

Let me now take a minute to provide an update on the Parsons Brinckerhoff integration. I am pleased to report that we have met or exceeded all of the objectives that we'd established when proceeding with this combination at the end of 2014. First of all, we significantly enhanced our technical skills in transportation buildings and tower and generated numerous revenue synergies. Second, we strengthened our position in all of our operating regions. We also delivered cost synergies of US$32 million in 2015 and anticipate additional cost synergies of about US$18 million in 2016, which will translate into annual recurring savings of the same amount. Fourthly, we improved operating margin in most of the legacy Parsons Brinckerhoff regions, specifically in the U.S., U.K., and Australia, and we intend to pursue these efforts in 2016. We delivered EPS accretion and were able to maintain our debt to EBITDA ratio within our 1.5 to 2 times target range. But, most of all, we are pleased with the collaborative culture of the Parsons Brinckerhoff people and the alignment of our value that enabled us to take the best of both firms and build a stronger and better organization. As with the 2012 WSP transaction, the acquisition of Parsons Brinckerhoff enabled us to move ahead on our objective to become the world's best global pure-play engineering services firm.

Alex will now review our fiscal 2015 financial results and our 2016 outlook and guidance. Alex?

Alexandre L'Heureux, Chief Financial Officer

Good afternoon, everyone, and thank you, Pierre.

I am humbled and honoured to have the opportunity to lead WSP in the next phase of its evolution. On behalf of our shareholders and employees worldwide, I would like to thank Pierre for his stewardship and for guiding us successfully through a period of significant growth for the organization. On a personal note, I am pleased that Pierre will continue as Vice Chairman to help facilitate the upcoming transition and support me and the team in our acquisition strategy. I look forward to transitioning to the CEO role and I am confident about the future prospect of WSP in the coming years. I look forward to working with the entire team and pursuing our journey, as I strongly believe in the strength of our organization and the future of our industry. We have a great mission, we have a great vision, and above all we have great values. We have a clear strategy and a successful business model and I intend to remain true to our entrepreneurial culture.

Last year, we rolled out our 2018 ambitions for the company around four distinct pillars, being our people, our clients, our operational excellence, and our expertise. In 2015 we progressed this strategy with good financial results, the integration of Parsons Brinckerhoff, the acquisition of MMM and Faveo, as well as five other smaller strategic acquisitions which resulted in the addition of 3,000 new employees from acquisition. Furthermore, we invested in a number of organic growth initiatives that will allow us to leverage the combined strengths of the various companies we have acquired. It is my intention to keep a similar momentum going into 2016 and 2017 and it will be my immediate focus. As we execute on our strategy, I will have the opportunity to update you on our results and ambitions.

Let's come back to our Q4 and 2015 performance before discussing our 2016 outlook.

For the quarter our revenues and net revenues stood at $1.7 billion and $1.2 billion, up 43.3 percent and 45.3 percent respectively mainly as a result of acquisitions. Global organic growth and net revenues came in at 0.8 percent on a constant currency basis. Excluding the anticipated contraction experienced by the Western Canadian oil and gas sector, global organic growth would have stood at 5.3 percent. For the full year, revenues and net revenues were $6.1 billion and $4.5 billion, up 108.9 percent and 90.9 percent respectively. Global organic growth and net revenues stood at a solid 3.2 percent of constant currency basis. Excluding the anticipated contraction experienced by the Western Canadian oil and gas sector, global organic growth stood at 7.8 percent.

Adjusted EBITDA was $124 million for the quarter and $441.5 million for the year, up $33.9 million or 37.6 percent and $188 million or 72.7 percent respectively. Adjusted EBTIDA margin stood at 9.9 percent for the quarter and 9.8 percent for the year. Adjusted EBITDA margin was lower compared to prior year, both for the quarter and full year, due to an unfavourable project mix stemming from our Canadian operating segment. As indicated in the past, the geomatics and oil and gas, which have been declining, have historically generated higher margin profile. It is also due to the higher group cost resulting in part from the acquisition of Parsons Brinckerhoff in Q4 2014.

Adjusted EBITDA margin before group cost remained steady year over year coming in at 11.8 percent. Anticipated improvements in legacy Parsons Brinckerhoff margins in the U.S., U.K., and Australia as a result of their integration was offset by the aforementioned lower margin generated from our Canadian operating segments. For the quarter, margins in the Americas were particularly strong at 17.6 percent, mainly because of the solid underlying performance of the operation, which accounted for approximately two-thirds of the margin improvement, the remainder mainly being related to legacy WSP R&D tax credit related to prior years.

Our effective income tax rate for the year was 27.6 percent, above our 25 percent target. As you recall at the end of Q3 our year-to-date tax rate was abnormally low at approximately 17 percent because of a significant non taxable gain related to the sale of Multiconsult. To get to a full year effective tax rate of 25 percent we were anticipating an increase in tax expenses in Q4. The increase in the effective tax rate from 25 percent to 27.6 percent was mainly due to a non-recoverable client services incurred for a specific project in the Middle East for which no taxable benefit was recognized. We cannot disclose specific amounts for this project as we are in ongoing negotiations

Adjusted for a normalized tax rate of approximately 25 percent to 27.6 percent our Q4 adjusted EPS would have amounted to $0.55 to $0.57 compared to reported adjusted EPS of $0.33 per share for the quarter.

For the year, our adjusted net earnings were $172.8 million or $1.87 per share, up 46.4 percent and 1.6 percent respectively. Net earnings attributable to shareholders came in at $14.7 million or $0.15 per share for the quarter compared to a loss of $7.9 million or $0.10 per share for Q4 2014. For the year, net earnings attributable to shareholders were $188.8 million or $2.05 per share, up 200.6 percent or 109.2 percent respectively.

Our backlog reached a record high. It stood up $5.2 billion representing approximately 9.6 months of revenues, up $308.1 million or 6.3 percent compared to Q3 2015 and up $1.3 billion or 32.1 percent compared to Q4 2014. On a constant currency basis, backlog organic growth was 9.4 percent year over year.

For fiscal 2015, funds from operations and free cash flow were $321.1 million and $197 million, up 139.3 percent and 9.1 percent respectively. For the year, free cash flow stood at 104.5 percent of net earnings.

Our DSO stood at 76 days, an 11 day improvement compared to the prior quarter and a 1 day improvement compared to Q4 2014.

Our net debt to adjusted EBITDA ratio at 1.8 times for the full year, incorporating full 12 month adjusted EBITDA for all acquisitions the ratio stood at 1.7 times.

Anticipated integration costs and matching synergies savings related to the Parsons Brinckerhoff are now estimated at approximately US$50 million compared to a previous estimate of US$40 million at the end of Q3 2015.

Finally, we declared a dividend of $0.375 per share to shareholders on record as of December 31, 2015 which was paid on January 16, 2016. With a 50.7 percent dividend reinvestment plan participation the cash outlay was $11.3 million. I'd like to emphasize again that our commitment to continue to pay quarterly dividend should not in any way impact our planned growth strategy for either an organic or an acquisition standpoint of view. Our focus would continue to be on investing in growth sectors and regions that will promote organic growth and sustain our market-leading position. We remain highly focused on potential M&A opportunities.

Before we open the lines for question I'd like to take a few moments to provide our outlook for the 2016 fiscal year, which is aimed at assisting analysts and shareholders in formulating their own assumption on our performance. For the year we anticipate net revenue on a constant currency organic growth in the flat to 3 percent range. We expect contraction in the first quarter of 2016 and modest growth mainly in the latter half of 2016. In the U.S., the U.K., and Sweden are expected to mitigate the anticipated negative to flat organic growth in net revenues from our Western Canadian operation, Middle East and Australian regions, which represent less than 20 percent of our net revenues in 2015. Talking specifically about Canada, although the government has recently launched an infrastructure based stimulus plan, we do not expect any significant financial impact from these measures before early in 2017.

The following numbers summarize our key targets for the coming year as of today, March 15, 2016. We anticipate net revenues to be in $4.6 billion to $5.1 billion and an adjusted EBITDA to be in between $465 million to $515 million range. As in the past, our adjusted EBITDA is subject seasonality, quarterly adjusted EBITDA will therefore range from 18 percent to 33 percent of the total annual adjusted EBITDA. As you can see, the contribution of the first quarter will be lower this year compared to 2015 due to the timing of 2016 statutory holidays, which will translate in Q1 having two less billable days than the same quarter last year. On the other hand, Q3, which usually represents the largest proportion of our total adjusted EBITDA, should have a higher contribution this year. Based on these net revenues and adjusted EBITDA outlook our adjusted EBITDA margin should be above 10 percent in 2016.

Turning to tax, our effective tax rate should be between 26 percent and 28 percent. The slight increase as compared to 2016 is mostly due to the anticipated different geographical breakdown of our income. DSO should range in the 80 to 85 days range. The increase compared to 2015 is mainly due to the expected economic slowdown in the Asia Pacific and Middle East regions. We also expect amortization of intangible assets related to acquisition to be between $75 million and $80 million while capital expenditures should range from $115 million to $125 million, representing approximately 2.4 percent of net revenue. The CapEx increase compared to 2015 is mainly due to additional integration opportunities and initiatives anticipated in real estate and information technologies. As we continue to pay down our debt we expect net debt to adjusted EBITDA to decrease and be within our 1.5 times to 2 times target range. Last, we anticipate spending between $15 million to $25 million acquisition and reorganization costs to support the integration of MMM and continued real estate optimization pertaining to past acquisitions.

Please note that the outlook just provided has been prepared assuming foreign exchange rate as of today, March 15. Also, we have not considered any dispositions, mergers, business combinations, and other transactions that may occur after today's date.

In conclusion, we continue to believe in the strength of our business model based on technical excellence as well as geographical and sector diversification. We are confident that this will help us sustain growth in spite of volatility in the economy and low commodity prices, which are putting pressure on the outlook in some of our regions. Going forward, we will remain focused on driving global organic growth and improving margins, leveraging our global know-how, and winning work while pursuing a long-term growth strategy.

At this point we will go to Q&A. Operator?

QUESTION AND ANSWER SESSION

Operator

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 the line of Mona Nazir of Laurentian Bank. Go ahead, your line is open.

Mona Nazir, Laurentian Bank

Good afternoon. So I know you just touched on the guidance but just for my sake I just wanted to make sure that the uptick you're expecting in the back half of the year for organic growth does not assume any significant change in the current landscape, so whether it would be an improvement in the oil price or, as you said, increased infrastructure spend in Canada. Is that correct?

Alexandre L'Heureux, Chief Financial Officer

Mona, that's correct.

Mona Nazir, Laurentian Bank

Okay. Perfect. And just turning to the integration of Parsons, you've tweaked up your expected synergies once again, stands at US$50 million, was US$40 million last quarter and before then $25 million. Just wondering if you could touch on where the savings are coming from and then, on that, if you could speak a little bit about the revenue synergies and cross-selling opportunities that you're seeing, especially on the back of some longer-term spending budgets in the U.S.?

Pierre Shoiry, President & Chief Executive Officer

Mona, clearly we have a focus with PB integration as well as with all of our other integrations. When we do a transaction like that the main focus is really on revenue synergies and I must say that we've seen some remarkable results to this years. It's hard to put a figure on it but we're seeing good revenue synergies in most of the countries where we had a combination, as would we do with all the acquisitions that we complete.

On the cost synergy side, it's a continued, you know, when we did the transaction we had our best estimate at the time was 25, but as we integrate and continue we're always looking for improvements and, as I said, sharing best practices and opportunities, and I'd say a lot of them are going to be coming in 2016 on the real estate side (inaudible) continued combinations. And, as we said in the past, just giving an example, just on the real estate this year we're talking about a couple of hundred thousand square feet of space in 28 locations, so this is, ah, obviously these come as leases expire, as we get the business together. So it's a continued process and we're very pleased that we're able to, because this transaction was not a cost synergy rationale, so these are just added benefits to what was already a great transaction.

Mona Nazir, Laurentian Bank

And then just lastly from me, you made about $400 million in acquisition this year, MMM, Faveo and some tuck-ins, still less, a little bit less than $1 billion to make according to your strategic plan. Industry consolidation remained very strong this year. I'm just wondering your thoughts on the types of acquisitions you are looking to. Could it be another large transformational purchase? Any verticals? And just given the current environment do you see more willingness for parties to have more open discussions and come to the table and maybe, you know, purchase price multiples, if you could comment on that? Thank you.

Pierre Shoiry, President & Chief Executive Officer

I believe, well certainly I'm going to have more time to concentrate on the M&A piece and clearly, which should translate into obviously some continued growth on the acquisition side. So our strategy is based on, you know, we have very different verticals, so we have the tuck-in add-on acquisitions in existing geographies, which are really affirms their complement or local strategies in various markets. And, as an example, last year in Canada with the additions of SPL and Levelton, we were focused on developing our environmental platform across Canada. So we have continued—we have a pretty effective platform with our global network so, yes, we are a good home for several of these smaller midsize companies, but we'll also remain very opportunistic if the right transformational or larger acquisition comes around. And you have to remember that M&A, we're very disciplined, we have a very solid approach. We look at numerous opportunities but we do the once that are right for the company. And I think we're in a position right now where we can be very selective on the transactions that we want to do. But once we find the right fit we try to get it done. So I do see continued consolidation, Mona, in the next few years and I believe we may also see some more important transactions in 2016 and beyond. So we're going to be, we're going to remain an active participant. It's one of the pillars of our strategy. And I'd say the end markets which we're focused on, continue to be focused on our core leading markets, which are transportation and buildings, where we have a market leadership worldwide and we must maintain this position in all our geographies, but certainly at the water environmental sectors are, as described in our strategy document, those are areas of growth for us.

Mona Nazir, Laurentian Bank

Thank you.

Operator

Your next question comes from the line of Benoit Poirier from Desjardins Capital Markets. Your line is open.

Benoit Poirier, Desjardins Capital Markets

Yeah, good afternoon. Just back on the previous question about the synergies on PB, now that you're talking about $50 million I was just wondering how much could be realized in 2016 and whether it's part of the $15 million, $25 million of acquisition and reorganization cost?

Alexandre L'Heureux, Chief Financial Officer

On an annualized basis, Benoit, US$18 million, but on an annual basis assuming that this would be done on January first, which is obviously not going to be the case.

Benoit Poirier, Desjardins Capital Markets

Okay, perfect. And just for the revenue growth in Asia in 2016, can you give us additional colour on why you see a recovery in the second half and whether it's based on hope of better market condition or based on the current backlog?

Pierre Shoiry, President & Chief Executive Officer

It's not based on hope. I think you can't forecast on hope. We're not in the market. This is based on data that we have, our project mix and also our signed backlog. We have seen, ah, we do lot of private sector work in Southeast Asia and we saw a small contraction in the fourth quarter, but right now we feel confident that this was, ah, certainly what we're seeing now is temporary slowdown and we're seeing, I wouldn't say a very sharp increase in activity but we're seeing some stability now, and we're also, based on the project mix, forecasting to have a relatively strong positive year in that market.

Benoit Poirier, Desjardins Capital Markets

Okay. Perfect. And just in terms of the EBITDA margin per region for 2016, could you maybe discuss about the regions that are the most promising in terms of margin improvement and the ones that will be pressured in most for 2016 as opposed to 2015?

Pierre Shoiry, President & Chief Executive Officer

I'll just make a comment and Alex can complete, but when we did the PB transaction, if you remember, certain geographies, particularly Australia, Australia actually the PB activities were flat to negative in terms of profitability, and in the U.K. the margin profile was quite low. So we saw those two regions as the best areas for growth.

And we're quite pleased because in 2015 we were able to turnaround by 2 percent, 3 percent margins in both of those countries. So I'd say that's where we see more continued improvement. So overall I'd say those are probably two regions where we could benefit from some increased margin, operating margin performance.

Benoit Poirier, Desjardins Capital Markets

Okay. And last question, just in terms of cash deployment opportunities, I know you remain committed to dividend and acquisition but just wondering whether there is an opportunity for share buyback given the performance of the stock so far this year?

Alexandre L'Heureux, Chief Financial Officer

For us, Benoit, we would envision share buyback and in the event that there would be no other opportunities out there, and at this point in time it's certainly not the case. Pierre just talked about the number of opportunities and clearly the industry is consolidating and, frankly, right now we're busy building a platform and not buying back from our own platform. So for the time being this would not be in the mix.

Benoit Poirier, Desjardins Capital Markets

Okay. Perfect. Thank you very much for the time.

Operator

Your next question comes from the line of Jacob Bout from CIBC. Your line is open.

Jacob Bout, CIBC World Markets

Good afternoon. Pierre, could you talk a bit about your talk a bit about your decision to step down as CEO and the timing of that and maybe you can talk a bit about the process for finding your replacement. Did you run a process here both externally and internally?

Pierre Shoiry, President & Chief Executive Officer

For me, Jacob, succession is, you know, a successful company needs a proper succession and I had the opportunity of becoming a CEO at quite a young age and I've been doing this for 21 years now and 10 years as a listed company and we have a pretty, ah, over these years we've done some good acquisitions and we've come across some pretty good talent and we have some good talent internally. And when I started planning this, what's important is that when you have a continuity in your strategy I think the success of a company relies on building succession internally and right now we have a clear strategy, which is supported by all of our regions and all of our leadership team, so clearly the process was not to go externally because we felt we had the proper people internally to continue the strategy. And you want people that have develop that strategy to continue and this is why Alex was the unanimous choice. And he participated in the development of this company since the last six years. He knows the industry very well. He understands the people business. He shares the values and the culture of the company. So he was the logical choice and unanimously approved by our Board of Directors.

So the timing of this is, as you know, you have to, ah, the company is in a very good place right now. We have a clear strategy. We have a very engaged workforce. We're a leading global consultancy. Our plan is clear. The opportunities are there. I believe I'm going to be quite useful in continuing, I hope I'm going to be useful in continuing the growth strategy through strategic M&A activities. I want to devote all my time to that and leave the operations to Alex and the team, Paul Dollin, who is going to continue as COO. And we have to understand that our business today is a global business with dedicated leaders in every country, market segment leaders, so we have a very empowered and strong leadership team and just I felt it was the right time to do this and right now we're going to be looking for a CFO to fill in Alex's shoes and then continue on our journey.

Jacob Bout, CIBC World Markets

Okay. Thank you for that. And maybe my second question here, just on your organic growth guidance, I think in your long-term guidance you've talked about 2015 to 2018 kind of 5 percent. You're not expecting that for 2016 but maybe you can talk a little bit about what you're thinking in some of those out years in 2017, 2018. Do you think you're going to get back to that 5 percent and what really would be the drivers there?

Alexandre L'Heureux, Chief Financial Officer

At the end of the day, I mean when we rolled out our 2018 strategy, every time I have a chance to talk about it I like to, I mean these are 2018 ambitions, clearly these are targets and objectives that we have set for the organization, so really I mean that's what we're targeting every year, when we are going through our budgetary process, we aim at reaching those targets. And this year it will difficult to achieve this. Frankly, we do not think that achieving 5 percent will be in the mix. That's why we forecasted anything between flat and 3 percent.

But 2017, again, we'll have reassess at that time. I mean things can change. Market dynamics can change quite rapidly. We've seen it over the last 18 months. When we put this strategic ambitions together at the end of 2014, at the beginning of 2015, I mean clearly the market dynamics were not what they are today. And, again, in 2017 it can be completely different. So we are setting targets internally for the organization and we'll reassess in 2017 and we'll see then, but it's way too premature to start thinking 2017 and 2018 will look like at this point in time.

Jacob Bout, CIBC World Markets

Okay. Thank you very much.

Operator

Your next question comes from the line of Sara O'Brien from RBC Capita Markets. Please go ahead.

Sara O'Brien, RBC Capital Markets

Hi. Good afternoon. Pierre, so just looking at the executive change again, you know, obviously some pretty big moves here, just wondering is there a time line in place for seeking out a new CFO? Is there a process ongoing right now and is that external as well as internal?

Pierre Shoiry, President & Chief Executive Officer

There is a process that's started today. You know, people are funny. Sometimes people ask me, why didn't you look for a CFO before? I mean that's—

Alexandre L'Heureux, Chief Financial Officer

It's difficult to look for a strong candidate, both internally or externally, when this is not public, when we're not on the search for a CFO.

Pierre Shoiry, President & Chief Executive Officer

So anyway, Sara, the search has started today. And we want to make—what's important in a successful succession plan is doing it properly and so I think what we announced today is a proper transition. You want to do it correctly and fast but you don't want to rush it, so you want to do it well, and right now we have, we believe we have a great company that will attract very interesting CFO candidates, so we expect to hopefully conclude in a shorter timeframe than longer timeframe.

Sara O'Brien, RBC Capital Markets

Okay. And maybe, Pierre, what do your plans, I mean you talked about focusing on M&A, will you be based in Montreal or is there something that's going to be full time for you? How do you view your role going forward?

Pierre Shoiry, President & Chief Executive Officer

We have a global company and so last week I was in, ah, two weeks ago I was in Europe visiting opportunities, this week I'm in the Midwest U.S., next week I'm in Atlanta. No, I'm sorry, I'm on vacation, but the week after I'm in Atlanta. So I mean this is a—we have a global company, we have a strategy around the world, we have opportunities around the world. I'm going to be able to dedicate all my time to support various people and leadership in our regions, in the Nordics and Europe, in Asia and in the U.S., so I'm going to dedicate all of my time to this now.

Sara O'Brien, RBC Capital Markets

Okay. And there is talk I think about Paul Dollin having a stepped up role in operations. What does that mean?

Pierre Shoiry, President & Chief Executive Officer

I think he's stepped up role is that I won't be in charge of operations anymore. So he clearly has fill in with Alex and, you know, Paul's a great operator and I think he's going to indeed have increased responsibilities with Alex in running the business. And so we're in good hands. We just reduced our average age by 30 years, 15 years in the leadership team, so that's good news for investors I think.

Sara O'Brien, RBC Capital Markets

Okay. And maybe just transitioning to that 2018 plan, the margin expectation of 11 percent EBITDA, can you see yourselves with that path to get there with what you have now in your businesses or do you look to acquisitions to kind of fill that upside opportunity in?

Pierre Shoiry, President & Chief Executive Officer

No, I think acquisitions is one part of the strategy and the fundamental goal that the Board has asked Alex and Paul to focus on is the two first pillars, three first pillars of our strategy, which is our people, our clients, and our operation performance, and our operational performance is organic growth and gross margin and operating margin improvement. And that's the best value creation for our company. The best return on capital is growing organically, is in improving margins. So we have high ambitions. We gave an outlook of zero to 3 percent for the year, but that doesn't mean we're not targeting better than that, you know, and it doesn't mean that our plans are not for additional organic growth.

So clearly the focus of the management team will be to drive organic growth through revenue synergies and through gaining market share in the market, and also improving our operating margins. And improving our operating margins, there are several ways to improve operating margins and we're going to be attacking all fronts. I mean you can be lucky and have just better markets, which will help improve, but this is not what we foresee this in the short term. We don't see improve markets. Quite to the contrary, we see increased competition in our markets. So that means that our operating focus will be on everything that's above operating margin and utilization and sharing information, collaboration, complementary resource centres. So there is a lot of actions on our plan to improve margins and to grow organically.

Sara O'Brien, RBC Capital Markets

Okay, that's helpful. And just lastly for me, how would you rate the integration of Parsons Brinckerhoff in terms of time line? Like is it pretty much done now or are there still a number of co-locations to go on and IT systems implementation, that kind of thing?

Pierre Shoiry, President & Chief Executive Officer

There is two pieces to integration. The first piece is the all the tactical stuff, and that's processing very, very well in terms of systems, in terms of real estate. As we said, there's still real estate improvements. So I'd say the tactical integration is progressing very, very well. But the real integration is ongoing and that's about the people. It's about sharing, building relationship in the organization, it's about cross-selling opportunities, it's about collaboration and knowledge sharing, and that is an ongoing process, but a process that is going very well within our organization. And that's where we see the long-term value of this transaction is really continuing to build on our people and the sharing and collaborative culture that we're building in the organization. And that's going to be Alex's main focus is to continue to drive that collaboration and that culture within the organization.

Sara O'Brien, RBC Capital Markets

Okay, great. Good luck in your new roles to both of you.

Pierre Shoiry, President & Chief Executive Officer

Thank you.

Alexandre L'Heureux, Chief Financial Officer

Thank you.

Operator

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

Frederic Bastien, Raymond James

Thank you and, yes, good luck indeed to your new respective roles.

Pierre Shoiry, President & Chief Executive Officer

Thanks.

Frederic Bastien, Raymond James

Guys, just wondering how does a low Canadian dollar impact your appetite for acquisition. Obviously it's been bouncing around, we've seen a bit of a recovery, but how does that impact either your ability or your appetite for acquisitions?

Alexandre L'Heureux, Chief Financial Officer

Fred, clearly you're not completing a strategic acquisition or you don't complement the platform just as a result of a good currency rate. I think it has to be part of the analysis. But if we were to find the right fit, the right culture, and it was meeting all the criteria with the exception of a favourable exchange rate, we would very much complete the transaction. So I think that having a weaker currency is not optimal, but it's certainly not a road block to us completing our acquisition strategy.

Frederic Bastien, Raymond James

Okay. And I'm just going to maybe call you maybe on the guidance here. Your guidance for last year, you came in comfortably ahead of it, yes granted there were some additional acquisitions after you provided the guidance, but this seems, ah, your guidance that you provided, the range of it is wide, I understand why it is wide, but I'm surprised is it that low. Would you care to comment on that please?

Alexandre L'Heureux, Chief Financial Officer

Yeah, sure. Well, I find the outlook realistic with what we know today. I mean, as I said perhaps in previous calls, there are many moving parts and the macro environment right now is unstable at best. Every day we hear something new in the news. And clearly talking to our leaders around the world, I mean we get a pulse of what's really happening in the regions and clearly to us the guidance that we provided is a balanced view of our operations around the world. There are certain regions that are more at risk. We mentioned just a few but we mentioned like the Middle East, we mentioned Asia, Asia Pacific region. Canada certainly has to be included in that mix. Certainly Canada is at risk this year. It's still very volatile. Western Canada is very much challenging at this time. Having said all that, the flip side of all this, I mean we have great hopes for the U.S. operation, U.K., Nordics, and few other places. So on balance we think that we'll do fine. We'll have modest organic growth. And, frankly, as we have more visibility in the coming quarters it would be probably easier for us at that point in time to provide more clarity around our guidance. But it's very early in the year. And, as I said before, a lot of volatility and even in the currency as well, I mean between the last, in the two months and half, Fred, I mean that the Canadian currency appreciated by approximately 7 percent against the pound and the U.S. currency. I mean if you do the math on those two operations, which are significant to us, I mean this is really material. So it's moving so much that it's quite difficult to provide very specific guidance. So what I'm proposing is to give you more, if I have more visibility in the coming quarters, to update you on this.

Frederic Bastien, Raymond James

Okay. Much appreciated. Thank you.

Operator

Your next question comes from the line of Bert Powell of BMO Capital Markets. Please go ahead.

Bert Powell, BMO Capital Markets

Thanks. I guess congratulations, Alex, on your appointment and, Pierre, I'm sure people will continue to find you useful.

Pierre Shoiry, President & Chief Executive Officer

Thank you, Bert.

Bert Powell, BMO Capital Markets

Alex, will you update the strategy plan that the AGM this year, you know, the 45,000 employees by 2018, or does that kind of thing fall to the wayside and you just kind of, you know, it's year by year? You've had authorship in this plan as well so do you kind of just move it year by year from now on or do you give us a new kind of here's what we think we could look like in 2020 or 2021 at some point this year?

Alexandre L'Heureux, Chief Financial Officer

Well, at the end of the day, Bert, I mean this plan was rolled out at the AGM less than a year ago, 10 months ago, so I think it would be a little bit premature to be thinking about amending the plan. I think it's a solid plan with I would call very ambitious targets, and I remember talking to some of you and traveling Canada over the last year and being told that this plan was not really ambitious and, frankly, we look at the market today and we look at the volatility within the market and I find this plan to be a very solid plan. So, to answer your question, clearly we won't be, if we have to revisit eventually, perhaps we will, but at this point in time my attention is not to revisit the plan. We're happy with where we are right now and it's the right strategy.

Bert Powell, BMO Capital Markets

Okay. Thanks for that. And just in terms of the non-recoverable client service costs that related to the Middle East, I know you've said at the outset that you don't really want to talk about dollar value, can you just give a sense as to what the margin should be looking like in that business notwithstanding what happened this quarter? Is it right to think about that business running at 10 percent EBITDA margin or does the competition and the market realities in that market mean maybe is not 8.8 this quarter but it's not 10.

Alexandre L'Heureux, Chief Financial Officer

You mean with or without?

Bert Powell, BMO Capital Markets

Without. Yeah, let's assume that's not recurring.

Alexandre L'Heureux, Chief Financial Officer

On a normalized basis I mean clearly the Middle East is very competitive market and there's been a significant slowdown in the last six months of 2015. So I'd say, without giving too granularity around specific countries, I think the answer to your question, Bert, would be that it would be lower than 10 percent at this point in time.

Bert Powell, BMO Capital Markets

Okay. And just last question with respect to the oil and gas in Canada, are we—it looks like there was another kind of 500 employees out of Canada this quarter, factoring in MMM; are we at the bottom there at this point or is it more risk to the downside in that segment?

Pierre Shoiry, President & Chief Executive Officer

I think, Bert, as we said in our last call, we expect to hopefully bottom out by Q3, so the first two quarters—if you remember last year, the first and second quarters of the year we have started to see a downturn but we were still working on some projects, ongoing projects that now don't exist anymore.

So Q1, Q2 oil and gas will be down in Canada and hopefully by Q3 we would have bottomed out and maybe from a very low base hopefully recover in the following quarters slightly should the environment around the oil and gas sector be better.

Bert Powell, BMO Capital Markets

Can you just give us today on a run rate basis what does oil and gas represent of the Canadian revenue?

Pierre Shoiry, President & Chief Executive Officer

Globally it is less than 5 percent and in Canada I'd say it's about less than... Isabelle will provide that. I'd rather not throw any numbers here. I don't have them.

Bert Powell, BMO Capital Markets

Sure, no, that's fair enough. I'll get it from Isabelle after.

Pierre Shoiry, President & Chief Executive Officer

Maybe if we get them by the end of the call, Bert, we'll give you them precisely.

Bert Powell, BMO Capital Markets

Okay, great. Thanks very much.

Operator

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

Michael Tupholme, TD Securities

Thanks. Just wanted to clarify a couple of the organic growth outlooks for the various regions. For the APAC, are you looking for flat or negative to flat organic growth for that whole region for the full year?

Pierre Shoiry, President & Chief Executive Officer

No, we're seeing some—for the full year we're seeing flat to positive growth.

Alexandre L'Heureux, Chief Financial Officer

Modest growth.

Michael Tupholme, TD Securities

Perfect. And then, similarly, there is a lot of good detail around the EMEIA region in terms of the various sub-regions that go into making up that overall segment, but overall what are you looking for in that particular segment?

Pierre Shoiry, President & Chief Executive Officer

In EMEIA?

Michael Tupholme, TD Securities

Yes.

Alexandre L'Heureux, Chief Financial Officer

Positive organic growth.

Pierre Shoiry, President & Chief Executive Officer

Positive organic growth.

Michael Tupholme, TD Securities

Okay, great. And then just in terms of the Canadian margins, there seem to be a lot of moving pieces there with the dynamics you talked about in your oil and gas business and then you did bring in the MMM Group acquisition late in the year, which that company had fairly strong margins, so just wondering if you can help me think about the margin profile of Canada once you sort of factor all these different moving pieces in?

Alexandre L'Heureux, Chief Financial Officer

I'd say, I mean, as you said, Michael, there is a lot of moving pieces. We may see margin erosion in the oil and gas sector. When you look at the trend and you look at what we've seen over the last few months, I think it would be fair to expect margin erosion in a down market as time goes by, but this conversely would be offset by the higher margin profile of MMM. Mind you, it just joined us and we're working together, we're integrating the business, but at the end of the day I mean clearly MMM has a higher margin profiles, so that combined together I'd like to think that this will offset each other. I don't have a detailed answer on this other than clearly I wouldn't see a significant improvement but also I'd like think as well that it won't be a significant margin erosion within Canada.

Michael Tupholme, TD Securities

Okay, perfect. And then just to clarify one element of that, within the oil and gas business in Canada, I understand you're talking about hopefully seeing a bottom in Q3, but from a margin perspective have the margins come down in that business and they're sort of, at this point, bumping along the bottom, or do you think there is more downside to the oil and gas margin specifically over the next few quarters?

Alexandre L'Heureux, Chief Financial Officer

Although I think David Ackert and his teams have done a stellar job at managing the downturn and I think, by the way, I would like to take the opportunity to commend him and his team for the hard work in 2015, clearly and naturally the margins, they have come down. I mean they have come down. Whether this is bottom, I'd like to tell you I have a crystal ball and I could answer this with certainty. I think we're closer to the bottom undeniably, I mean clearly, Michael, but it is tough for me to tell you yes, it is bottom. We're still seeing some movement but I'd like to think we're much closer to the bottom.

Pierre Shoiry, President & Chief Executive Officer

Michael, just to respond to Bert's question on the oil and gas revenue, so oil and gas revenue and for related revenue in Canada for 2015 amounted to 12 percent of our total revenues, net revenues, and globally 3 percent. So in Canada in 2016, obviously with the addition of MMM and the downturn of the oil and gas, so oil and gas revenue, related revenue, with be below 10 percent in 2016, and globally certainly below 3 percent.

Michael Tupholme, TD Securities

Okay, great. Thanks. And then just a couple of more quick ones here. A lot of focus right now on the infrastructure sector, which you're obviously very well positioned to be active in and you're already active there, just wondering have you seen an increase in competition within the infrastructure sector and is that having an impact on fees in that area, both in Canada and the U.S.?

Pierre Shoiry, President & Chief Executive Officer

You mean in the Canada and U.S.?

Michael Tupholme, TD Securities

Yes.

Pierre Shoiry, President & Chief Executive Officer

Well, there's always, you know, we're in a competitive market, you know, we've seen this year a lot of infrastructure work, but there is some work that, you know, it is qualification based. I mean you have to be obviously competitive in terms of your value proposal but the size of the complexity of projects now, you need to have the curriculum to be able to even work on these projects. So right now we have a very strong leadership in highway and bridge, in airport, in rail, in transit, and a lot of the work that is being awarded, particularly talking about the U.S., is under the Procurement Act in the U.S., which is mostly qualification-based selection. And also on the large, you know, with the P3 projects with the major contractors and developers, they're looking for performance and technical skills and experience that not everybody has. So there are certain barriers to entry on the large infrastructure projects. So it is a competitive environment but it's, ah, I think we're very focused on value and that's where we believe that there's, you know, we want to provide value for our services and value can be measured in various different ways than just price.

Michael Tupholme, TD Securities

Okay, great. And then just very quickly a clarification here, Alex, the CapEx guidance of 115 to 125, is that just for additions to PP&E or is that including additions to intangibles as well?

Alexandre L'Heureux, Chief Financial Officer

I would need to come back to you. This is a very granular question, Michael. I will have to come back to on this one. I just want to make sure I give you the proper answer on this one.

Michael Tupholme, TD Securities

Fair enough. Thank you.

Operator

Your next question comes from the line of Maxim Sytchev of Dundee Capital Markets. Please go ahead.

Maxim Sytchev, Dundee Capital Markets

Hi. Good afternoon. Just a very quick question in relation to Australia and the U.K. market for legacy PB. I guess can you maybe comment if there are any structural issues of potentially closing of the gap between what those margins are in those geographies and what the rest of the business is doing? And maybe, you know, how quick we can normalize from that perspective.

Pierre Shoiry, President & Chief Executive Officer

No, there's no structural issues. I mean in both of these countries the integration of our teams is done. We have very well-organized and focused businesses. I think one of the, you know, in the U.K. market the PB has very strong piece of the part of the work was related to power and obviously everything related to power generation in the U.K. was softer. Hopefully we're going to see a bit more activity in the power side, in the production and distribution and transmission. So that will improve the utilization and business. I think we're going to see, we're seeing increased activity with revenue synergies, so that will create new opportunities for our teams. And there's nothing structural about this. In Australia, PB had a very active and very busy in the resource sector in terms of program management and project management of large mining facilities and this year we were expecting a slowdown in our organic growth in the first quarter, first few quarters, mainly related to the completion of a major project that we had over there, but all in all in Australia we're entering the year pretty confidently because our transportation backlog has never been better and we're seeing good opportunities in the buildings and property side. So hopefully we will see improved margins. I'd say that the biggest opportunity for us is clearly in Australia to improve margins and generate additional business.

Maxim Sytchev, Dundee Capital Markets

Right. Okay. No, that's very helpful. And then maybe just a quick question on the organic growth outlook. When I look at the organic growth in backlog, which is, I believe it's around 9 percent, I mean obviously it's hard to sort of superimpose this on your organic revenue guidance but, correct me if I'm wrong but directionally speaking, you know, those two metrics should be moving roughly in the same direction. Is that the same way that you look at this internally as well?

Pierre Shoiry, President & Chief Executive Officer

Listen, it's certainly a good trend. When you backlog grows, that's certainly an encouraging trend, but some projects, you know, it's a project mix and also a lot of different factors in the execution of these projects. But, encouragingly, our backlog year over year is, on a constant currency basis, is up significantly and we've seen a lot of good growth of that backlog in the U.S., particularly in the transportation side. So normally, as you say, a growing backlog would support organic growth, but this backlog is not distributed equally in every country and so we'll see how things pan out in the year.

Maxim Sytchev, Dundee Capital Markets

And is it fair to say that maybe some of the backlog is a bit longer duration in terms of execution or you book on a given timeframe in terms of when it comes into that metrics specifically?

Pierre Shoiry, President & Chief Executive Officer

Let's say that some parts of the backlog are over a year, you know, execution, but with the a multiyear projects we tend normally to book what's been approved and typically it's, you know, let's say that a large part of the backlog is normally where that's going to be executed in the following 12 months.

Maxim Sytchev, Dundee Capital Markets

All right. Okay, that's helpful. And last question on, um, actually you started to speak about the U.S. I mean are we just at the beginning of seeing the trickle down from a surface transportation bill or do you think the momentum will actually continue to improve as the year progresses in terms of having incremental opportunities on the transportation side?

Pierre Shoiry, President & Chief Executive Officer

I think we're going to see continued improvement. I think the good news about a long-term funding is that when you have short-term funding I think the state and local and other funding participants will tend to focus on small projects when you have short-term funding, where now you have long-term funding, so there is certainly the opportunity for the state and local authorities to raise capital for longer-term commitments and more important projects, which should benefit our organization in the U.S.

Maxim Sytchev, Dundee Capital Markets

Okay, excellent. That's it from me. Thank you very much.

Operator

Again, if you would like to ask a question, press star then the number one on your telephone keypad. Your next question comes from the line of Chris Murray from AltaCorp. Please go ahead.

Chris Murray, AltaCorp Capital

Thank you. Good afternoon, gentlemen. Pierre, maybe a quick question. Just with you joining the Board, does that also imply that there's probably a bit of a change in either the composition or the role that the Board will take on moving forward?

Pierre Shoiry, President & Chief Executive Officer

No, not at all. I'm moving in as Vice Chair. Our Chairman, Chris Cole, is well in place and will continue his excellent as Chairman of the Company. And, no, it doesn't change really the organization of the Board. And I'm already on the Board as the CEO of the Company, so it doesn't really change, and Alex now is going to join our board as the next CEO.

Chris Murray, AltaCorp Capital

Okay, great. Thank you. And then, Alex, just very quickly, just looking at your 2016 guidance, the DSO days will be, I guess two piece of this question, fair to think similar pattern to what we saw in 2015 in terms of just quarter over quarter? And then just thinking about you know fairly flat organic revenue growth, is it fair to think that working capital needs should be flat as well?

Alexandre L'Heureux, Chief Financial Officer

To answer your first question, the answer is yes, similar pattern. To answer your second question, I'd say the answer is directionally yes as well.

Chris Murray, AltaCorp Capital

Okay, great. Thank you very much.

Operator

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

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Pierre Shoiry, President & Chief Executive Officer

Thank you, everybody, for this call and thank you for supporting our organization. Thank you. Bye-bye.

Operator

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