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PRESENTATION

Operator

Bonjour, mesdames et messieurs. Good morning, ladies and gentlemen. Bienvenue à la conférence téléphonique sur les résultats du deuxième trimestre de 2021 de WSP. Welcome to WSP's 2021 second quarter results conference call.

I would like to now turn the meeting over to Quentin Weber, Investor Relations. À vous la parole. Please go ahead, Mr. Weber.

Quentin Weber, Advisor, Investor Relations

Good morning. We hope that you're all safe and doing well. Thank you for taking the time to join the call today, during which we will be discussing our 2021 Q2 performance followed by a Q&A session. With us today are Alexandre L'Heureux, our President and CEO, and Alain Michaud, our CFO. Please note that the call is accessible on our website via webcast.

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

Also during the call we may refer to certain non-IFRS measures. These measures are defined in our Management's Discussion and Analysis of the second quarter of 2021, as well as our Management's Discussion and Analysis for the year ended December 31, 2020, both of which can be found on SEDAR and our website.

Our MD&A also includes reconciliations of non-IFRS measures to the most directly comparable IFRS measures. Management believes that these non-IFRS measures provide useful information to investors regarding the Corporation's financial condition and results of our operations as they provide additional key metrics of its performance.

These non-IFRS measures are not recognized under IFRS, do not have any standardized meaning prescribed under IFRS, and may differ from similarly-named measures as reported by other issuers and, accordingly, may not be comparable. These measures should not be viewed as a substitute for the related information prepared in accordance with IFRS.

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

Alexandre L'Heureux, President & Chief Executive Officer

Thank you, Quentin, and good morning, everyone. I hope you are all keeping safe and well.

Let me begin by saying I'm very proud of our performance in the second quarter and first half of 2021. Thanks to the passion and dedication of our teams around the globe, we continued to deliver strong results, provide high-quality service to our clients, and win exciting new projects.

Before we go any further, let me highlight three key points. First, as expected, we returned to growth in Q2 with net revenues better than expectations, a healthy backlog, and a strong project pipeline. Overall proposal activity continues to be very robust across the business and the volume of contract awards not yet included in backlog is at a record high level. Notably, in the US we increased soft backlog by approximately 75% over June 2020.

Second, our recently-completed acquisitions are integrating well and are exceeding performance expectations. In particular, the strategic and transformative addition of Golder performed above expectations in Q2 2021 with double-digit organic growth and strong margins, as well as a 25% organic growth in its backlogs since December 31, 2020.

Third, we continue to welcome new talent to our leadership teams, reflecting our continued commitment to inclusion and diversity and to creating development opportunities for people. I am proud of our accomplishments on that front, which lead to superior collaboration, increased performance, and even more value for clients.

The strong start to 2021 and the growing level of investments in infrastructure and environmental programs around the world make me very optimistic for continued positive momentum for the rest of 2021 and beyond. As a result, we feel confident in increasing our 2021 outlook, which we will cover in greater detail later in the call.

Our industry leadership is confirmed by a number-one ranking in ENR's top 225 international design firm list. Ranking at the top of our peer group is a point of pride for WSP and reflects the dedication of our 55,000 professionals. Our leading positions to buildings, transportation, power, and environmental sectors we're recognized as we advanced our ranking, achieving five positions across the board with number-one spots in buildings and transportation. The expansion of our global footprint and depth of capabilities also garnered us several top-ten regional rankings, including a number-one spot in the United States and Australia.

Now turning to our management of the global pandemic, conditions remain fluid. We continue to monitor the situation across all of our operating locations and adapt project delivery in regions experiencing increased restrictions. We continue to follow our business continuity plans and focus on helping our people be safe and productive, whatever their location.

As for other global matters, just this week the United Nations' Intergovernmental Panel on Climate Change issued a report that has increased the urgency of real action in addressing climate change. The shift towards a low-carbon economy remains a market driver for our clients and an imperative for WSP. Shortly after we announced our commitment to achieve net zero emissions across our value chain by 2040, WSP was named, for the third year in a row, as the Most Sustainable Company in the Engineering Industry by World Finance Magazine. We were also recognized as one of Corporate Knights Best 50 Corporate Citizens in Canada.

June also saw the publication of WSP annual ESG report entitled Accelerating Meaningful Action. Our ESG report highlighted that nearly half of our 2020 global revenues can be classified as clean revenue. This is defined as revenues earned from services that have a positive impact on the environment and support the United Nations' sustainable development goals. We viewed this as a significant accomplishment in line with our strategy and commitment to support the world's green transition and a metric that we intend to improve on over time.

This all connects to our success in achieving our 2019-2021 strategic ambition of becoming the leading global environmental consulting firm. As recent acquisitions like Golder and EarthCon integrate into WSP, we can clearly see WSP's increased position in this growing market. Our complementary client base service offerings and geographical footprint are serving a strong catalyst to winning work and expanding our client portfolio. I am pleased to report that we currently have over 500 opportunities which we are pursuing together in addition to more than, 100 projects, sorry, awards across our key markets.

We are following with interest of development in the US Congress as early signs of bipartisan support of the American Rescue Plan Act create a focus on infrastructure investment at levels we have not seen the days of the building of the Interstate system. While work is still needed to progress to approve funding, WSP is well positioned to deliver on a wide range of project work resulting from this investment program in water, highways, bridges, buildings, and power infrastructure, among others. Currently, overall proposal activity continues to be very robust in the US and the volume of contract awards not yet included in backlog is at a record high level.

The UK is also experiencing that positive surge as the economy continues to recover faster than predicted, accelerating public sector procurement and private sector investment. Here in Canada, our excellent win rate on competitive proposals is creating an all-time high backlog and strong project pipeline.

I would now like to highlight a few of the major wins during Q2.

Australia has been focused on the improvement of their transportation infrastructure for more than a decade now and has pledged to invest A$100 billion in transport infrastructure over the next 10 years. This quarter, WSP was awarded the detailed design services contract for the S6 tunnel extension that covers the roadway from the Sydney airport to Kogarah. The project is part of a staged delivery of the M6 Motorway's aim at reducing travel time from the southern areas to Sydney.

Meanwhile, the UK is putting fresh investment into public health care facility expansion and improvements. Our leading position in healthcare buildings has garnered us a significant win in the Hospitals of the Future program, part of the government's commitment to build 40 hospitals by 2030, backed by initial budget of $3.7 billion. WSP is part of the expert team appointed by the Leeds Teaching Hospitals National Health Service Trust to deliver to new state-of-the-art adult hospital and a new home for the Leeds Children's hospital.

In the US, WSP marked a new milestone in our strategy to expand our work in transit customer centres with the selection by the Metropolitan Transportation Corporation to transition its transit rider fare system, also known as the Clipper program, to a new cutting-edge customer service system. This highly trafficked system processes fares for 22 transit agencies and 23 million fare payments equating to US$50 million in transit revenue each month.

Of course, winning work and delivering project leads us to the most important asset of our business, our people. WSP continues its commitment to inclusion and diversity and to recruiting, recognizing, and appointing talent through internal succession and advancement, acquisitions, and organic hiring.

In Q2 several key leadership appointments were made. Marie-Claude Dumas was named President and CEO of WSP in Canada. Marie-Claude originally joined WSB as Global Director, Major Projects and Programs and Executive Market Leader, Quebec.

Dean McGrail was appointed Chief Executive Officer of WSP in the Middle East. Dean previously held the role of Managing Director of Property and Buildings for the Middle East business.

Following his tenure as a Chief Executive Officer for WSP's Middle East Operation, Greg Kane has accepted the Chief Operating Officer position Australia business, another mobility example in our network.

Magnus Meyer, WSP's CEO for Nordics and Central Europe, has decided to leave WSP by the end of the year to pursue other opportunities. To fill this role we have appointed two successors: Anna-Lena Öberg-Högsta, as CEO of the Nordics and Eric van den Broek as CEO of Central Europe. Anna-Lena formally served as Golder's Regional President for Europe and the Nordics and Eric was also and will continue in this current role as Managing Director for the Netherlands.

Megan Van Pelt has been promoted from her previous position as Director of HR in the US to WSP's Global Chief Human Resources Officer. Megan joined WSP in 2017 and has over 20 years of proven experience.

Wendy Stoveland was appointed to the role of Senior Vice President and Global Communications Director. Wendy served in a similar role for Golder prior to joining WSB.

Finally, we are pleased to share that our brand continues to attract talented and passionate new resources. We are experiencing a high application and acceptance rate, which positions us well to continue to meet our project commitments.

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

Alain Michaud, Chief Financial Officer

Thanks, Alex, and good morning, everyone.

I'm very pleased to report on our robust results for the second quarter of 2021, driven by strong performance from recent acquisition and our overall business and better than anticipated organic growth resulting and improve adjusted EBITDA margin.

Let's start with our top line. For the second quarter, revenues and net revenue reached $2.6 billion and $2 billion, up 19.3% and 16.1%, respectively, compared to Q2 2020. The increase was driven by organic growth of

3.6%, which is higher than our initial expectations of low single digit organic growth for Q2. The increase in revenue and net revenue was also driven by acquisition growth of 18.7% across all segments.

Moving to profitability, adjusted EBITDA in the quarter reached $342.6 million, up 24.1% compared to $276 million in Q2 2020, largely due to the contribution of recent acquisitions and the continued good performance of our overall business.

Adjusted EBITDA margin for the quarter reached 16.9%, compared to 15.8% in Q2 2020. The improvement in adjusted EBITDA margin is mainly attributable to the higher margin profile of recent acquisitions and better productivity across the regions.

Our adjusted net earnings for Q2 2021 were $147 million or $1.26 per share, up 35.4% and 24.1%, respectively, compared to Q2 2020. The increase in these metrics is mainly attributable to higher adjusted EBITDA margin.

Our backlog at the end of June 2021 stood at $9.6 billion, representing an 11.2 months of revenue, up 11.9% in the six-month period, mainly due to acquisition growth. On a constant currency basis, backlog grew organically by 1.1% compared to backlog at December 2020. Overall proposal activity continues to be very robust across the business, which is very positive for the rest of the year and beyond.

Moving to our cash position, cash (inaudible) from operating activities for Q2 2021 amounted to $311 million compared to $510 million in 2020. On a free cash flow basis, we generated $53 million in Q2 2021 compared to $411 million in 2020. Lower free cash flow in 2021 was mainly driven by the expected normalization of cash collection in Q2 2021. Also, Q2 2020 benefitted from a deferral of income tax and other remittances in some jurisdictions amounting to approximately $100 million. For the trailing 12 months ended June 2021, free cash flow amounted to $553 million representing 1.5x our net earnings.

DSO at the end of June 2021 stood at a very good level of 70 days and, as of the end of Q2, our balance sheet remains very strong with a net debt position of $1.3 billion and a net debt to adjusted EBITDA ratio of 1.1. During the quarter we also declared a dividend of $0.3705 per share for shareholders on record as of June 30, 2021, which was paid on July 15, 2021. With a 56.2% DRIP participation, the net cash outlay was $19.3 million.

This concludes my remarks. Back to you, Alex.

Alexandre L'Heureux, President & Chief Executive Officer

Thanks you, Alain.

So, given our great performance in the first half of the year, our strong balance sheet, and the positive momentum in our key markets with high levels of contract award and proposal activity and finally the great performance of our most recent acquisitions, we are in a position to increase the adjusted EBITDA range for fiscal 2021 to $1.275 billion to $1.325 billion. I also believe we are positioned favourably to achieve our 2019-2021 strategic ambitions as expected.

In conclusion, I'm of our teams and their continued dedication to delivering outstanding service to our clients. Over the next few months, as we build on our 2022-2024 strategy and turn the page to the next chapter in WSP's story, we remain committed to our future-ready model and to creating a compelling vision supported by focused initiatives that will solidify our position as the premier professional consultancy in our industry.

I would now like to open the line for questions.

QUESTION AND ANSWER SESSION

Operator

Certainly. If you would like to ask a question, please press star followed by the number one on your telephone keypad.

Your first question will come from Jacob Bout from CIBC. Please go ahead, your line is open.

Jacob Bout, CIBC World Markets

Good morning. I want to start off with the raise in guidance for the year. What are the drivers here? I mean is it just expected revenue growth? And how should we think about margins, especially given the expectation of higher discretionary spend as we travel more, et cetera?

Alexandre L'Heureux, President & Chief Executive Officer

Well, of course, over the last 18 months cost containment efforts took place within WSP, but a lot of that has reverted back. And of course I expect an increase in costs when we all start to travel again and meet in person, but I'd say, Jacob, that the main driver is that WSP legacy. And what I mean by WSP legacy is X acquisitions for this year and our existing acquisitions for the year are performing extremely well right now and that's why we felt compelled to increase our outlook at this point in time.

Jacob Bout, CIBC World Markets

And are you still thinking of organic growth this year in that kind of 2% to 5% range?

Alexandre L'Heureux, President & Chief Executive Officer

I think that's the goal at this point in time. We haven't changed our guidance around organic growth. Where we made an adjustment is really on the bottom line at this point in time and we will revisit, if we feel we need to, later on in the year.

Jacob Bout, CIBC World Markets

Okay. Second question is just I think the organic, there is organic growth retraction in the US. When do you expect that to turn? I know you made some comments about contract awards, but when do you expect that to turn?

Alexandre L'Heureux, President & Chief Executive Officer

Look, Jacob, it's really hard for me to predict how politics will behave and all of this in the second half. Obviously, yesterday the senate approved the bill, and this was not just democrats voting for the bill and the republicans voting against. I don't think I've seen such a bilateral vote in more than a decade in the US of the senate. So I think there is clearly an agreement in the US that infrastructure spending is a need and the reinvestment infrastructure in the US is definitely a need and both parties believe in that. So we'll see how this is progressing in the house. So it's hard for me to tell you when this will be unlocked.

Having said all that, what I can tell you is that our win rate on competitive bids and awards is as high as I ever remembered in the US. So we are doing extremely well and we are, I think this time around I think it's fair if I say that we are winning more than our share at the moment. So it's work that has been procured that we won, but we are just waiting for the funding to follow. So I think this is very positive and I think that the future should be bright for the US, but time will tell.

Jacob Bout, CIBC World Markets

I'll leave it there. Thank you.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

Your next question comes from Benoit Poirier from Desjardins Capital Markets. Please go ahead, your line is open.

Benoit Poirier, Desjardins Capital Markets

Yes. Good morning, everyone, and congratulations for the good quarter. If you look at Golder, congrats for the good results, could you talk about how much of the double-digit organic growth driven by Golder was driven by cross-selling opportunities?

Alexandre L'Heureux, President & Chief Executive Officer

Look, it's early days still, Benoit, on cross-selling and collaboration. I think I mentioned we are pursuing about 100 potential opportunities together, so I think it's very promising. But I'd say that right now most of this growth is coming from legacy Golder. They're doing well. They're performing well in all of the countries from Latin America all the way down to Australia. So I think across the patch it's been very robust.

And the mining sector, let's not forget this, the mining sector is performing extremely well right now and we expect it to perform like that for the foreseeable future. So I think we find that we're quite fortunate about the timing of this transaction and we're quite pleased about it.

Benoit Poirier, Desjardins Capital Markets

Okay. And could you maybe talk about the contribution from Golder in the backlog specifically in Q2 and also about the cost synergies, whether you're finding more opportunities or still too early to tell?

Alexandre L'Heureux, President & Chief Executive Officer

Well, it's early on cost synergy, but I will turn to Alain to answer the question. Alain, go ahead.

Alain Michaud, Chief Financial Officer

On backlog, Benoit, Golder has experienced about 25% growth since the beginning of the year in their backlog. Their backlog is at a record high level currently. To Alex's point, the momentum in the mining business is actually quite good and we see that converting in good levels backlog. And on the synergy side, we're just one quarter in, so it's a bit early to tell, but we're still committed to (inaudible) we have at the announcement in December.

Benoit Poirier, Desjardins Capital Markets

Okay. That's great. And last one for me, with respect to M&A, we earned lots of discussion recently about the increase in valuation multiple expected from sellers, especially with the higher participation from PE firms. So, given your discipline approach, should we expect WSP to still remain active in 2021?

Alexandre L'Heureux, President & Chief Executive Officer

Look, it's always our goal to be active. It's always our goal to be opportunistic. We have a very strong balance sheet position. So if we feel at this point in time, and in the future, that we can create shareholder value by going after targets, we will. We've had, over the course of this year, a number of informal and formal discussions and, as I've said in the past, I think what made us successful is through good times and bad times we remain disciplined and focused on our strategies. So if, Benoit, I feel that we can strike a transaction that will create shareholder value, we will do it, but clearly we will remain disciplined. And let's not forget as well that we completed the closing of Golder only a quarter ago. So I think focusing the team on delivering this transaction to our shoulders is the top priority. It's still early days, I think, after 60 days, to suggest that integration is completed. We have a lot of work to do. But yes indeed, I mean we continue to have dialogue with firms and if we feel we can add value, we will.

Benoit Poirier, Desjardins Capital Markets

Okay. Thank you very much for the time.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

Your next question comes from Yuri Lynk from Canaccord Genuity. Please go ahead, your line is open

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Yuri Lynk, Canaccord Genuity

Good morning, guys.

Alexandre L'Heureux, President & Chief Executive Officer

Good morning, Yuri.

Yuri Lynk, Canaccord Genuity

Hi, guys. Just want to follow up on the new outlook. Is it fair to characterize it as better than expected profitability in the first half of the year and not so much a change in your revenue expectations? And if that's the case, where has profitability surprised you and do you view that as sustainable?

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, for the remainder of 2021 we view this as sustainable, without a doubt, Yuri. Otherwise, I don't think I would have been comfortable to increase our outlook from a bottom line point of view. Admittedly, I was a bit surprised, the recovery, the fast recovery of UK business, the fast recovery of our Canadian business. I was expecting a slower pace of recovery. But proposal activity level is strong. The UK business is doing very well right now, so is Canada. If it wasn't for the restriction, the strict restriction in Australia with the shutting down of construction sites, I think we would have done better in Q2 than what we've shown to all of you this quarter. And then in the US we continued to thrive. We are generating very strong profit, very strong margin profile.

So you combine this with the performance of our recent acquisitions, namely Golder, but all of the other ones as well, and you look at this and say, look, we are actually performing better than what I had anticipated at the beginning of the year. We all need to remember that we put our operating plan and budget together over the course of the September all the way up to or about end of November before we presented to our board, so this budget and this outlook was seven, eight, nine months old. And where we were seven, eight months ago, to compare to where we are today, you know, life is different and we feel better about it. So that's why we felt compelled to increase our bottom line outlook.

Yuri Lynk, Canaccord Genuity

Okay. That's fair. Second question from me, just on the US, I mean what's kind of changed there or what's the new dynamic, temporary or not, where you would have such a surge and soft backlog but just slow in converting into hard backlog. Is it related to the election? The pending bill? All of the above? Just any additional colour there would be helpful.

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, it's all of the above, I think. The early funding that been fuelling the state of the market early on has been water. So that's where we've seen most of the funding going through at this point in time in the year. But we haven't seen as much in transportation and others. So I think our clients are quite keen to get to work and I think there is a general and a collective recognition that an enormous amount of work is needed in the US. Most of the infrastructure assets are obsolete. I think I gave that stat in past analyst calls, but I think 75% of bridges in the US are either obsolete or in need of significant work.

So there is a collective recognition votes from the democrats, republicans, and states that work is needed, so they are eager to get to work, but clearly this massive funding and bill is, I believe, creating a bit of hesitation at this point in time. I think states are waiting to see when and if this will be approved. I think yesterday was very good news. And I guess that's clearly that the psychology that is taking place in the country. Having said all that, I think when we put our budget together last year, we didn't know the outcome of the election and we didn't know that there would be a bill like this that would be put forward.

So, don't get me wrong. I don't believe our business is waiting on things that are out of our control. To the contrary, I think we're hustling very hard to generate the revenues and to generate the profit. But the environment in the US is very strong at the moment, with or without a bill, and that's why we feel, I would say, cautiously to optimistic about the future of our US business.

Yuri Lynk, Canaccord Genuity

Okay, thanks.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

Your next question comes from Frederic Bastien from Raymond James. Please go ahead, your line is open.

Frederic Bastien, Raymond James

Good morning. Bon matin.

Alexandre L'Heureux, President & Chief Executive Officer

Bon matin, Fred.

Frederic Bastien, Raymond James

Guys, just want to build on Yuri's last question. Your results for the past four or five years do show that you're performing extremely well in the US, which makes me think anything coming from the proposed infrastructure bill would be gravy for WSP. Have you estimated what potential impact this bill could have on your organic growth in the US?

Alexandre L'Heureux, President & Chief Executive Officer

No, we have not. We have not, Fred, because how this will be approved is, your guess is as good as mine. How this would be funnelled, your guess is good as mine. The timing of it is as good as mine. So I think this is, to me, and I wish I could answer it, but to me I believe this would be an impossible question to answer. Having said all that, I think, you know, what I'm telling the team day in day out every week when I speak with our US team leaders, our job is to deliver services to our clients. We have the backlog to deliver. We need to attract the best talents in this industry and we should just worry about things that we control. Of course, Fred, I'm not going to stand here telling you that this bill is not going to be very helpful. Of course it will be very helpful. To what extent, time will tell, but certainly if this goes through I think this is going to be very good news for WSP but very good news for the industry as a whole.

Frederic Bastien, Raymond James

Okay. Thanks, Alex. The next question I think I've asked you from a regional perspective, but we've seen the Company move up the (inaudible) table in the environmental sector, transportation, and buildings with your transformational acquisitions in the past. Are there still subsectors within these three segments where you would like to bulk up further, either organically or inorganically?

Alexandre L'Heureux, President & Chief Executive Officer

Absolutely. I think we could probably double our transportation business in the US and feel still very comfortable about it. I think there is a lot of room for us to grow, for instance, in Texas, in California, in the Southeast and the Midwest. So we're quite subscale in the US still in many places.

And the building sector, I think in previous calls I mentioned that over the last few years we continued our transformation of our building sector from being known just as a high-rise commercial real estate engineering firm to now being a leading firm in mission critical work, i.e. datacentres, and also in healthcare. In healthcare over the last three years we made a number of acquisitions in the US and elsewhere and we're now leading in that sector. So we continued our transformation and I wish, in a perfect world, to continue to increase our exposure to those subsectors in due course.

And then in environment, I think Golder and WSP would be creating a 14,000 strong environmental practice, earth and environmental practice, but there are too there are many countries. And take the US again, for example, where we have 2,000 people. I believe we could grow our presence even more. But that's true in the UK, that's true in most of our regions, if not all of them.

And finally, of course water, I think you know that we have, perhaps on a relative scale basis given our sheer size, a smaller sized presence, so we could grow that. And then that could move on in services, project management, program management, something we would like to grow. And digital is one that I don't talk much during those calls, but when we unveil our strategy 2022-2024 I'll be able to talk more about that.

So there are a number of services, sectors and regions that I feel we could continue to grow, Fred, and that's what we're busy doing right now.

Frederic Bastien, Raymond James

Thanks, Alex. Great answer and great quarter. Thanks.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

Your next question comes from Michael Tupholme from TD Securities. Please go ahead, your line is open.

Michael Tupholme, TD Securities

Thanks. Good morning, Alex and Alain.

Alexandre L'Heureux, President & Chief Executive Officer

Hello, Michael.

Michael Tupholme, TD Securities

My first question relates to the organic growth outlook. So I realize you haven't formally changed the 2021 organic growth guidance of 2% to 5%, but I'm wondering if, given the better than expected organic growth you saw in the second quarter and what sounds like a positive outlook for the second half of the year, should we be focusing on the upper half of that guidance range?

Alexandre L'Heureux, President & Chief Executive Officer

I will let you decide how you should be thinking about organic growth rate, but I think the big question mark at this point in time, Michael, is the US. I mean there is no doubt about it. I mean we are essentially flat for the year so far. So it all depends how H2 will be performing. And I'm not trying to hide anything. When I look at our organic growth forecast 2% to 5%, given the track record of our US business and, frankly, of our peer group in the US, I think it's very, very consistent. And we're all waiting, not waiting, but we're all hoping to see this changing direction.

So I think, again, the proposal activity level is extremely strong, very active, and we win more than our share of work at this point in time, but it's more of a question of timing in my personal opinion than it is about the fundamental trends of our US business at the moment. It's a wait-and-see. And that's why I think unless I was absolutely certain that H2 will provide increased results, I thought we should err on the conservative side at this point in time and see how we will be performing.

Michael Tupholme, TD Securities

Okay. That's a fair answer. I know you don't break your business down like this as far as reporting goes, but you've been increasing your presence in terms of your strategic advisory services offering. I'm wondering if you can speak to how the growth you have been seeing in that area and that you expect to see in that area, how that compares to the organic growth and the top-line growth in other parts of the business. And also, as sort of a follow on to that, wondering if you can talk about the extent to which that increased presence in that service advisory area or strategic advisory area, is that part of what is seeing you deliver these better margins?

Alexandre L'Heureux, President & Chief Executive Officer

Look, it depends. Strategic advisory means different things to different people, but I will try to explain to you how I see it personally. Over the course of the last cycle, when we unveiled our plan in 2018, I had mentioned that we wanted to increase our non-design services to get to perhaps like, by the end of the cycle, approximately half and half between, seal and detailed design work from work where we are providing more of an advisory type of services. And environment would fall into this program, project management would fall into this, and the more what I would call C-suite strategic advisory work would also fall into this, like studies, analysis, and data analysis. And we do a lot of this and over the course of the last cycle, Michael, we've increased our non-design work by, you know, now we're about 50/50, but in reality it's probably more 55/45.

And don't get me wrong, our margin profile in design is improving and there is increasing, so we want to continue to capitalize on our engineering capabilities, but what I said back then is we will continue to capitalize on what we're good, but we're going to expand our horizon on things that perhaps where we are subscale. And over the last three years that's what we've done. And if we chose to grow it, because I believe in the growth prospects of those services, so we invested heavily in (inaudible) environment. We invested heavily in many other services that are not design. But then when you look at design, when you look at our healthcare sector, it's growing double-digit right now.

So I wouldn't want you to leave this call thinking that we are transforming the Company because we don't believe in our core services. To the contrary, I believe with what's happening in the world and the reinvestment in infrastructure that will be taking place in every country I can think of, actually our design services will be even more important. But complementing that service with upstream services where we are there with the client to advise them at the beginning, upstream all the way down to our detailed design work, I think that was the strategy and it's paying off at the moment.

Michael Tupholme, TD Securities

Okay. No, that's a good answer. Thank you, Alex. And just my last one, it was mentioned that Golder's business grew organically double digits, so I guess maybe a two-part question related to that. First, just to help put that double-digit growth into perspective, can you provide any insight into what sort of prior year comp Golder was up against? So, just wondering specifically if they were impacted by the pandemic and is that part of why the growth was so strong? And then I think you maybe already addressed this, but any particular areas that are really driving that growth? I think you mentioned mining, but I'm not sure if there are others as well.

Alexandre L'Heureux, President & Chief Executive Officer

Just before the pandemic hit in 2020, so Q1 of 2020, Golder, during our due diligence, obviously we looked into this, but was up double digits. And this was anecdotal evidence that the business was doing extremely well, led by a very strong management team, a strong CEO. And of course the pandemic hit and of course the business was slowed down the way all of us were slowed down. So they were not any different. But there was some evidence that the business was thriving. And 2019 was also a very strong year for Golder, let's not forget that. Of course, we have not disclosed those numbers.

So when we based our investment thesis, we looked at, of course, the performance of 2019, the first quarter of 2020, and of course took into consideration it was taking place in the pandemic, but nevertheless, I think for the last few years this is a business that was growing year over year over year and has done extremely well. And so that gave us comfort that we were buying a great business with great people. And frankly, we're only a quarter in, but our early evidence is that's what we bought, an amazing business.

And to your point about the sectors, I think what I find quite interesting right now is all of the regions within Golder are striving. Canada is performing extremely well, the US is performing well, Latin America is performing well, Australia as well. The mining sector, without a doubt, is very strong, very robust. So I think right now I feel that the timing of this acquisition could not be any better. But there are other sectors that are doing well as well. Manufacturing in the US for instance is an example. So I'd say all in all I think it's just a business that is performing very well at the moment.

Michael Tupholme, TD Securities

All right. Thank you very much.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

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

Dimitry Khmelnitsky, Veritas Investment Research

Hi and thanks for taking my questions. I was wondering if you can talk more about the backlog in the US. It's a big business that you have in the US and it was not dependent on infrastructure stimulus in the past and I'm just wondering why clients are hesitant, if you will, to commit hard dollars to projects and essentially what causes the delay in firming up the backlog in the US.

Alexandre L'Heureux, President & Chief Executive Officer

Look, at the end of the day, I mean we could sit here and think that the pandemic was not a financial burden to states and municipalities, but we all know that this is a false statement. An enormous amount of money was pumped in the system to deal with this pandemic. And of course I'm sure that there are some conflicting priorities right now in those state offices and those people leading those states and municipalities and governments. So I think the fact of the matter that the funding is coming, I'm not surprised that this is perhaps creating some hesitation by state and local to get the green light or give the green light and get going on all of those projects.

So I think, as I stated before, I'm not a politician, and so my job, my job is to deliver our hard backlog, to convert it, and to make sure that we deliver the best services to our clients and to attract the best people to our firm. But certainly I think that you combine a pandemic with $1 trillion bill, I'm not surprised that it maybe creates some hesitation in the system.

Dimitry Khmelnitsky, Veritas Investment Research

Okay. And can you talk about free cash flow conversion longer term? Where would you expect that to be? I know your goal January is to target 100% conversion of free cash flow to IFRS net earnings. How do you view that given the normalization of the collection cycle and the sense of the longer-term perspective on cash generation versus earnings?

Alain Michaud, Chief Financial Officer

Yeah, good question, Dimitry. As you said, obviously we've seen 2020 as a year a particular year from the cash flow collection. We've seen strong cash flow. Our objectives for 2021 remains to be around 100%. That's the goal and that's the longer-term goal as well. But, as you know, given the normalization of cash flow, this put a bit of a headwind on that conversion objective of 100%, at least in the short term, but that's just normalization. It remains our objective. But that's the best guidepost for you to look at, that 100% conversion.

Dimitry Khmelnitsky, Veritas Investment Research

Understood. Thank you. And the other question that I have is on integration. I wonder if you can talk more about what do you generally consider as most risky portion of the integration process and the most time consuming?

Alexandre L'Heureux, President & Chief Executive Officer

Well, the first few months, Dimitry, of integration are quite critical, because that's when you engage with the workforce. And you know as well as I do that it's human nature to be concerned by changes. It's just the way it is. And therefore, converting the workforce and also taking the time to communicate your ambitions and your vision of what the combined organization would look like, but also taking the time to explain what it is to be a consultant at WSP. What does it mean for them? And it's like anything; there will be some good, some element of good, and then some element of not so good. That's just the nature of a marriage.

But, at the end of the day, making sure that we embrace that a like-minded vision and guiding principles is key and making sure that you explain your culture and you explain what you believe in, I think it's very important. I find that sometimes integration are not going to go well because leaders will tend to focus on systems and we'll tend to focus on tactical stuff where we personally believe that connecting with your organization, making sure that you explain what you stand for and, more importantly, you create an environment where we could have early wins together as probably the best testament of what a successful combination should be like.

So that's why making sure that we connect people early on and communicate with one another the good news and the bad news, I think it's extremely important. So that's why I said that we're only a quarter into the integration. Of course, a lot of work had gone into it pre-closing, so clearly had a head start, but that period of time is critical and that's why I think we're taking the time to do things right and to make sure that we live up to the promises that we presented to the Golder people.

Dimitry Khmelnitsky, Veritas Investment Research

Okay. Understood. Thank you.

Operator

Your next question comes from Maxim Sytchev from National Bank Financial. Please go ahead, your line is open.

Maxim Sytchev, National Bank Financial

Hi. Good morning, gentlemen.

Alexandre L'Heureux, President & Chief Executive Officer

Hello, Max.

Maxim Sytchev, National Bank Financial

Just a couple of very quick ones from me. Alex, we had Nordics and obviously Australia being a very strong drivers of growth for a number of years. It looks like we've plateaued a little bit. What are you guys seeing for these two markets in the next, let's call it, 12 to 18 months if it's possible?

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, well, the Nordic countries are, at the end of the day, Max, are smaller in size. It's just the nature of the beast. I mean we have now acquired over the last five, six years a leadership status in the Nordics. And by the way, we are probably the only international firm that has been able to do that. The other leading firms in the Nordics are local firms headquartered in the Nordics. So I'm quite proud of that, that we have status in the Nordics. So the goal in the next two, three years, and certainly in the next year with our newly promoted leader in Nordics, would be to continue to strive as a firm to raise the bar from a margin point of view, to get back on an organic growth agenda, which was a bit more subtle in recent years.

And then in Australia, I think that potential is there. We need to grow. There's no doubt about it. The government have committed a massive investment in infrastructure. So, if we do things right, I'm confident that we're going to continue to grow in that region without a doubt.

Maxim Sytchev, National Bank Financial

Okay. No, that's super helpful. Thank you so much. And then last question pertains to, you know, lots of discussions right now around inflation, wage pressures, and so forth. Just curious to see if you're seeing this in the business at all and, if yes, are there any mitigating steps that can be undertaken by you? Thank you.

Alexandre L'Heureux, President & Chief Executive Officer

We are. We are addressing it. Some pockets in our business are requiring more attention at the moment than others. So, to be totally transparent with you, yes, we feel it. In some parts of the world there are some signals our talent is there and it's there to stay, so we are reacting to it. But at the same time, I look back at our last quarter and we're net positive with 650 new people coming in on board just in the last quarter alone. So our acceptance rate is quite strong actually, very strong, and probably everywhere around the world. And we have been able to reduce the time between we open a position to get people in the door by few days just this year alone.

So we are improving our process and processes by leveraging best practices. Our best performing country right now in that regard is that UK. They are extremely fast in the way that they are from the time they open a position and when they get a people in the door, I think it's 24 days or something like that, so that's quite impressive. And we've done a lot of work to improve best practices around the world in that regard. So I'm quite pleased with the trajectory at this point in time.

Maxim Sytchev, National Bank Financial

Yeah, for sure. And just maybe to build on this, I mean obviously margin profile is coming in stronger than expected, so what other things are you guys doing internally to enable that margin accretion despite the fact that obviously there is some pressures on some parts of the cost equation?

Alexandre L'Heureux, President & Chief Executive Officer

Well, I remember saying that in 2014/2015, you know, for your margins to go up you need a lot of things to go well. So there are a number of levers that you need to use and to pull in the right direction to do well, so of course productivity is one. But at the same time also, Max, you need the help of the market. If the market is not good, it's quite hard to improve the margin profile. And indeed I find that right now we are operating in a good market globally and the supply/demand dynamic is there essentially. I think governments, they are all looking to reinvest in infrastructure and the lack of talent or the war on talent that I described earlier on, it's not just happening in our industry. It's happening in the financial industry.

But it's also happening at our clients as well. So our clients don't have the talent to do the work, so they have to turn to a consultant like WSP to assist them. So I've always said that consultants tend to do well when there's a catalyst in the marketplace, so 2008 was an example of that. I mean you saw the business in our space striving. And on the back of the pandemic and, unfortunately this took place, but I think our clients will turn to consultants to assist them again and that's when consultants tend to do well is when there's a catalyst in the marketplace and there was one in this instance. So I think it should hopefully serve us well in the future and that's why I think overall we're optimistic.

Maxim Sytchev, National Bank Financial

That makes a lot of sense and thanks a lot for the detailed perspective.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

Your next question comes from Sabahat Khan from RBC Capital Markets. Please go ahead, your line is open.

Sabahat Khan, RBC Capital Markets

Great. Thanks and good morning. There was a bit of commentary earlier on the integration of Golder. I guess this being the largest acquisition that you've done during this virtual work environment, where there any learnings or any issues that were unexpected trying to integrate a large acquisition while folks were working from home and kind of how does that affect your thought process on future large acquisitions until the world opens up.

Alexandre L'Heureux, President & Chief Executive Officer

I think what I've learned is that it's feasible and it's possible. That's what we've learned. Of course, when we announced it, we were hoping and we had the belief that we can do it. And after so many few months I think I can tell you that I think now I have the conviction that this is feasible and that that's possible. So I think, to me, that's the biggest learning experience is that we can do it. We're going to remain very disciplined and very focused, laser-focused on what we want to do and how are we going to do it, but I think if this was a test or a case study, I think this is proving to me and the team that we can do this.

Sabahat Khan, RBC Capital Markets

Okay. And then hopefully I'm not stealing your thunder from your kind of the three-year strategic plan, but I know we talked a little bit on the last call about reassessing kind of the workspace productivity and things like that. I guess where are you in that review and is that something you might announce before the strategic plan in terms of what kind of real estate and employee count kind of makes sense going forward?

Alexandre L'Heureux, President & Chief Executive Officer

Well, it's certainly something that we are evaluating very carefully. Of course, this is a very fluid situation, as you can imagine. How many companies have you heard that we're expecting people to just come back after Labour Day weekend and are now looking to push back by at least a month, maybe two? I think this is now becoming the new reality. So it's very fluid and I didn't put too much weight or certainly I didn't want to put too much weight on and making statements six months ago or nine months ago about our real estate floor plan, because I just didn't feel I was intelligent enough to make such a statement. It was so fluid that I figured that the well-being of our employees and the well-being of the firm and our culture was the primary objective here. And I said we'll deal with real estate floor plans afterwards, once we have the certainty with a firm belief or we determine exactly what we want to do.

Just statistically, I believe, if I'm not mistaken, Alain, 45% of our leases and floor plans will come up for renewal in the next cycle, in the next three years. So this is a great opportunity for us. And timing is everything and, again, you need a bit of luck oftentimes, but more than half of our real estate floor plans will come up for renewal in the next three years. So, as you can imagine, I'm sure that we are laser-focused on this and we'll look at this very carefully to see what's best for our employees, best for our clients, and best for our shareholders.

Sabahat Khan, RBC Capital Markets

Okay, great. Thanks. And just one last quick question. You commented a bit earlier on kind of the hiring environment. One of your peers noted yesterday that they've seen some impact on growth from not being able to bring in enough people. How are you kind of generally finding just the availability and are there any regions where it is a little bit more competitive? Setting cost aside, just the sheer number of people.

Alexandre L'Heureux, President & Chief Executive Officer

I think it's competitive everywhere right now. There's no doubt in my mind that it's a competitive environment everywhere you travel. So I think, as I said or described earlier on, I think we are revisiting our strategy and the way we wish to attract individual. And I personally believe that engineers and professionals in our space that want to be part of a successful firm, they want to work in the most iconic projects in the space, so I think that the best thing that we can do is to continue to thrive as a business and take the time to explain to newcomers what we stand for as a business and where we want to go as a firm. But as I stated before, I think the last quarter, statistically I was quite pleased with the outcome. We have been able to attract a lot of new talent and we'll continue to do so in Q3 and Q4.

Sabahat Khan, RBC Capital Markets

Great. Thanks very much.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

Your next question comes from Ian Gillies from Stifel GMP. Please go ahead, your line is open.

Ian Gillies, Stifel GMP

Good morning, everyone.

Alexandre L'Heureux, President & Chief Executive Officer

Good morning.

Ian Gillies, Stifel GMP

I wanted to follow on Max's question and specifically around Central Europe. I thought it was interesting that you put in a specific group for that region given some prior comments on growth there and I guess the question is should we consider some of these changes as precursors for growth in regions that you're becoming increasingly more focused on?

Alexandre L'Heureux, President & Chief Executive Officer

It's of course at the right time and with the right opportunity. I mean I think it's no secret that we are subscale in Central Europe. And what I mean by Central Europe is if you exclude the Nordics for a second and of course you exclude the UK, Continental Europe WSP, we are subscale. We have now probably close to 2,000 people. But you look at that the potential there and in the right circumstances we would want to grow and create a strong operating hub. But the stars have to be aligned for that to happen.

And historically we always had a Central European leader and a Nordic leader and a UK leader. We slowly but surely moved away from that, Magnus leading both the Nordics and Central Europe, and predominantly because we had a strong leader in place. Magnus is a very strong leader and he had all of the tools in his toolbox to be in the position to lead all of that cluster. But now we are reverting back to our original model and there's nothing wrong with that. In my personal belief, structures are meant to be changing. An operating structure has to change on a regular basis to keep the organization on its toes and making sure that we perform. So I think a strong leader for Central Europe is a good news, because we'll have somebody focused 100% of his time on the region. And we'll see where it leads us.

Ian Gillies, Stifel GMP

That's really helpful and that's all for me, guys. Thank you very much.

Operator

Your last question will come from Troy Sun from Laurentian Bank Securities. Please go ahead, your line is open.

Troy Sun, Laurentian Bank Securities

Good morning, gentlemen.

Alexandre L'Heureux, President & Chief Executive Officer

Good morning.

Troy Sun, Laurentian Bank Securities

Just wanted to start with Alex. I think you made an interesting comment earlier on the call regarding making market share gains in the US. I'm just trying to get a sense how that's being achieved. Is that through more, is that (inaudible), or anything like from a bidding perspective that you're doing differently? I guess more importantly, like do you see that trend being sustainable into a potential up-cycle in that region?

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, without getting into too much details, we have made some changes in the US. We have a new leader that took over almost two years ago now to this day. And alongside Lew we've made a number of leadership changes over the course of the last two years. But more importantly, our approach to client delivery has changed as well. I think you've heard us in the past talking about one of our guiding principles. We have a local presence with an international network supporting our local presence. And I felt in recent years that we had moved away from that than the US and that we needed to get closer to our local communities and closer to our markets. So we've made some changes in that regard, having a more laser-focus on our local communities and local regions. Transportation, for instance, is a very, very local sector, and unless you are focused on your local communities, it's going to be hard for you to succeed. So it's more about culture. It's more about also refocusing the business on our guiding principles and making sure that people were focusing on delivering locally the best service possible.

Troy Sun, Laurentian Bank Securities

Okay, great. That's super helpful. I guess my second question just sort of goes back to the M&A discussion. We've heard from some of your peers in the quarter that the competition for assets in the US is intensifying and we're seeing some entry from financial players bidding up the assets there. I'm just wondering, first, are you seeing a similar phenomenon in the US? And secondly, in other geographies that you operate in, are the same things happening or do you still believe that they are high-quality assets that you can acquire a more traditional/reasonable multiple?

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, well, not so long ago I think we completed an acquisition at, in my personal opinion, a very attractive multiple. So I think we have been able to achieve that in the past and we'll continue to do to remain disciplined to achieve that. The notion of financial sponsors being in our industry, I mean the reality is they've been in our industry for as long as I remember. There's a lot of money in the system right now and financial sponsors are present in our industry, but they are equally present in other industries, and that's just the reality of life and we've got to live with that.

And what WSP to offer to those firms is very different than what PE can offer to those firms. So the vision is completely different. We're here for the long term, but we want to build something, a legacy, and those that believe in that, and Golder was exactly that, I mean they believe in the vision that we had for this industry and for WSP, will join us. And those that have different views may choose to go with a financial sponsor. And I think there's room for everybody. But I can't get and be bothered by what's happening outside of our firm. My job and our role is to focus on us and what we have to offer and that's what we're busy doing right now, explaining our story to those firms.

Troy Sun, Laurentian Bank Securities

Right. Right. That's super helpful. That's it for me. Thank you.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

We have no further questions. I'd like to turn the call back over to the presenters for any closing remarks.

Alexandre L'Heureux, President & Chief Executive Officer

Okay. Well, thank you very much. Thank you for attending the call. Thank you for your continued support. And we look forward to updating you at our next earnings release. Thank you very much and have a great day.

Operator

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