Groupe WSP Global, Inc. (Q1 2023 Results)
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Corporate Speakers:

- Alexandre L'Heureux; Groupe WSP Global, Inc.; CEO
- Alain Michaud; Groupe WSP Global, Inc., CFO
- Quentin Weber; Groupe WSP Global, Inc, IR

Participants:

- Yuri Lynk; Canaccord Genuity Corp.; Analyst
- Jacob Bout; CIBC Capital Markets; Managing Director
- Chris Murray; ATB Capital Markets; Analyst
- Ian Gillies; Stifel; Analyst
- Sabahat Khan; RBC Capital Markets; Analyst
- Maxim Sytchev; National Bank Financial, Inc.; Analyst
- Frederic Bastien; Raymond James; Analyst
- Jonathan Lamers; Laurentian Bank Securities, Inc.; Analyst

PRESENTATION

Operator^ Good morning, everyone. Welcome to WSP's First Quarter 2023 Results Conference Call. I would now like to turn the meeting over to Quentin Weber, Investor Relations. Please go ahead, Mr. Weber.

Quentin Weber^ Good morning. We hope you're all doing well, and thank you for joining our call today. We will be discussing our Q1 2023 performance, followed by a Q&A session. Joining us this morning are Alexandre L'Heureux, our President and CEO; and Alain Michaud, our CFO. Please note that this call is also accessible on our website via webcast. During the call, we will be making forward-looking statements. Actual results could differ 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 MD&A for the quarter that ended April 1, 2023, which can be found on SEDAR and on our website.

In addition, during the call, we may refer to certain non-IFRS measures. These measures are also defined in our MD&A for the quarter that ended April 1, 2023. Our MD&A 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 the results of our reputation as they provide additional key metrics of its performance. These IFRS measures are not recognized under IFRS, do not have any standardized meaning prescribed under IFRS and may differ from similarly named measures as reported by other issuers and accordingly, may not be comparable. These measures should not be viewed as a substitute for the related financial information prepared in accordance with IFRS. I will now turn the call over to Alexandre.

Alexandre L'Heureux^ Thank you Quentin, and good morning, everyone. I'm pleased with our strong start to 2023, which reflects the positive momentum we continue to experience in our business. I'm also glad to report that globally, our backlog and pipeline of opportunities remain robust across all sectors. For the quarter, we are reporting higher-than-expected organic growth. And overall, our net revenues and adjusted EBITDA have increased by more than 25% when compared to the first quarter of 2022.

In addition, we have continued to expand our presence in key geographies while demonstrating our capacity to enhance our platform through strategic and disciplined acquisitions. During the first quarter, we completed 2 transactions, the first BG Consulting Engineers, is a Swiss engineering consulting firm with 700 skilled professionals, mostly based in Switzerland and France. The second is Enstruct, a 75 employee structural engineer firm headquartered in Australia.

Furthermore, since the beginning of the second quarter, we have announced the pending acquisition of Calibre and completed the acquisition of LGT. Let me elaborate further on both transactions. Calibre is an Australian-based engineering services provider or service providers, sorry, with a proven track record in assisting clients to sustain and decarbonize their operations and infrastructure. It belts on the 2021 acquisition of Golder and aims to further position WSP as a leader in the mining industry's green transition in Australia and across the globe. Calibre will add 800 professionals to our Australian workforce and enabled us to see significant opportunities related to mine closures and rehabilitation as well as water management.

As the world transitions to renewable energy over the next 2 decades with a growing reliance on wind, solar and hydro power, critical minerals will be essential. We expect that the mining industry will play a vital role in our climate change efforts and as such, our ability to deliver services to help accelerate the energy transition and the decarbonization of the mining industry will be greatly enhanced.

The second transaction, LGT, was concluded last week. LGT is a Quebec-based building engineering firm, providing advisory services in the areas of mechanical, electrical, structural and civil engineering. It is also known for its cutting-edge expertise specific to data centers and critical infrastructure. We are welcoming 150 professionals and will certainly draw from their complementary skills. This will further position WSP as a key player in the building engineering consulting field in Quebec.

As environmental, social and governance matters lie at the core of our strategy, I would now like to share the progress we made in 2022 captured in our global ESG report launch yesterday. Starting with our environmental achievements. Approximately 59% of our 2022 annualized revenues were derived from services aligned with the United Nations Sustainable Development Goals, or UNSDG. This surpasses our stated target of generating more than 50% clean revenues in keeping with industry trends, we have renamed this metric, SDG-linked revenues and expanded its definition to include services from revenue that contribute to the UNSDGs.

And in addition, we continue to make progress towards achieving our previously announced science-based greenhouse gas emission reduction targets for 2030. We have continued to expand our renewable electricity procurement and develop a supplier engagement plan. Touching on our social commitments, thanks to our efforts to foster workplace of inclusion and belonging, we reach our diversity target consisting of a 5% year-on-year increase in the representation of women and underrepresented groups. In regard to governance, we are prioritizing long-term sustainability goals and responsible business practices.

For the first time, part of our global and regional leaders variable compensations was tied to ESG factors, including SDG-linked revenue, employee engagement, inclusion and diversity, health and safety and ethics. I'm proud that WSP is an industry leader standing at the forefront of climate change awareness. At this critical time, environmental and infrastructure needs have become a global priority. Thanks to collective capabilities of our talent, we can deliver a wide array of projects regardless of their complexity, enabling us to lead the transition to cleaner, low-carbon biodiverse world.

As we continue our ESG journey, we are committed to achieving our ambitious targets while reporting on our actions and performance with rigor and transparency. We are honored that our net zero journey and ESG leadership have been recognized once again in a recent report by environment analysts who assess the world's major environmental and sustainability consultant and their response to the rapidly evolving climate and ESG disclosure landscape. Of the 50 leading environmental sustainability firm assessed, WSP stands among the only four to receive a 5-star rating.

Furthermore, WSP is one of the very few firms to have net 0 targets approved by the SBTi Corporate Net-Zero Standard. Transitioning over to our recent wins, now I would like to highlight 3 notable projects. WSP continues to help cities across the world to develop resilient transit systems to benefit generations of users. Just recently, WSP was part of the Bow Transit Connector Consortium and has been selected to design Phase 1 of Calgary's Green Line light rail transit system.

At $4.9 billion, these projects represent the largest infrastructure investment in Calgary's history. Phase 1 of the Green Line LRT features, the development of the first 18 kilometers of the overall 46 kilometers vision and includes 13 station. The Green Line LRT will ultimately connect the two existing LRT lines and 4 bus rapid transit groves, transforming the way people move around Calgary

Across the ocean in the United Kingdom, WSP is working with the Coventry University to run the U.K.'s first evidence center for inclusive transport to close the transport accessibility gap. Grant funding of GBP 20 million over 7 years has been provided by mutability a national charity striving to enhance the lives of disabled people with transportation solutions. The evidence center will work with disabled people,disabled people's organizations, transport providers and policymakers to undertake research and develop solutions to make transport accessible for everyone. With WSP's expertise and future mobility, we will advise on emerging transport services, models and trends to understand how new and innovative technologies can support greater inclusivity and transportation design.

Finally, WSP continues to demonstrate the strength of the Future Ready program and was recently commissioned to support one of the largest airport operators in Europe to develop a business case and secure funding to transition to lower emission operation and on-site energy production, our providing multiple approaches that consider long-term impacts the clients is equipped to meet their ambitious carbon neutrality goals. The proposed solution decline to capitalize on the energy produced, not only avoiding energy costs but also benefiting from revenue generation by selling excess power production back into the grid. It has been a very active quarter as we continue to win and execute important projects, integrate our new talent and make progress towards the goal within our strategy. I now invite Alain to review our financial results.

Alain Michaud^ Thanks, Alex. I'm very pleased this morning to report on our strong results for the first quarter of 2023. Starting with our top line for the first quarter, revenues and net revenues reached $3.5 billion and $2.7 billion, up 29% and 27%, respectively, compared to the first quarter of last year. The increase in net revenue was mainly due to acquisition growth of 15.8% and a strong organic growth of 8.6%. We achieved organic growth across all our reportable segments. Backlog as of the end of the quarter stood at $14 billion, representing 12.1 months of revenues. As mentioned by Alexandre, our pipeline of opportunities remained strong with a growth of approximately 15% over the prior year and recent significant awards will positively impact our backlog in the second quarter, particularly in Canada with the inclusion of the Calgary Green Line LRT project, among others.

Moving on to profitability. Adjusted EBITDA in the quarter reached $413 million, up approximately 27% compared to $325 million in the first quarter of 2022. Adjusted EBITDA margin for the quarter reached 15.5%, the same level as last year. of interest when excluding the impact of foreign exchange gains and losses and of a significant change order in Canada recognized in Q1 2022, adjusted EBITDA margin increased by approximately 70 basis points. For the quarter, adjusted net earnings stood at $171 million or $1.37 per share, up $35 million or $0.21 per share compared to the first quarter of 2022. Looking at a few cash flow metrics.

Free cash outflow reached $141 million for the 3-month period ended April 1, 2023, in line with our expectations. Improvement in free cash flow compared to the first quarter of 2022 was mainly attributable to the increase in adjusted EBITDA. Cash outflows from operating activities for the first quarter of $25 million compared to $83 million in 2022. The improvement is also mainly attributable to the increase in adjusted EBITDA. Our DSO stood at 74 days at the end of the quarter, in line with management's outlook target range for 2023.

Incorporating a full 12 month of adjusted EBITDA for all acquired businesses, the net debt to adjusted EBITDA stood at 1.7x compared to 1.5x as of the end of 2022. The increase is in part due to higher net debt balance used to finance recent acquisitions. During the quarter, WSP declared a dividend of $0.375 per share for shareholders of record as of March 31, 2023. This dividend was paid on April 17, 2023, and and with a 22% DRIP participation, the net cash outlay was $37 million. We also announced that we terminated our dividend reinvestment plan, the termination of the DRIP results from a strong financial position and ongoing performance and will remove future dilution associated with the DRIP. In conclusion, we're off to a really good start with solid results in Q1. Now back to you, Alex.

Alexandre L'Heureux^ Thank you, Alain. We are very satisfied with our performance. We are continuing to execute on our 2022, 2024 global strategic action plan ambitions, driven by positive momentum and high demand for services. We're, therefore, reiterating I'm sorry, our 2023 outlook with confidence. On a final note, I would encourage you to explore our 2022 global ESG report to learn more about the progress we have made towards our goals. We are also invited to take part of -- in our hybrid Annual General Meeting, which will be held in person as well as online at 11 a.m. Eastern Standard Time today. More details can be found on our website. I will now open the line for questions.

QUESTIONS AND ANSWERS

Operator^ Thank you. (Operator Instructions) We'll now go ahead with our first question. Please standby. First question is from Yuri Lynk from Canaccord Genuity. Please go ahead.

Yuri Lynk^ Good morning.

Alexandre L'Heureux^ Good morning Yuri.

Yuri Lynk^ Hi guys. Alex, the quarter was definitely stronger than expected. But organic growth in the backlog was quite low. And you did maintain guidance, which does imply a slowdown in organic growth for the remainder of the year. So just wondering if you're seeing some more hesitation on behalf of your clients as you move through the quarter or you're just being conservative at this point?

Alexandre L'Heureux^ Yes, none at all, Yuri. And if you include also the signing of the Calgary Green Line and the Canadian backlog and also the signing of the first phase of the (inaudible) project, the backlog in Canada would have been a double-digit growth as opposed to being down 3%. So actually, I'm not worried at this point at all. And I see continuous demand for services. So I'm feeling very good about the backlog. It's more timing than anything at this point.

Yuri Lynk^ Okay. That's good. That's all I had for this morning. Thanks.

Alexandre L'Heureux^ Thanks Yuri.

Operator^ We'll now take our next question. Please stand by. This is from the line of Jacob Bout from CIBC. Please go ahead.

Jacob Bout^ Good morning.

Alexandre L'Heureux^ Good morning.

Jacob Bout^ Just curious, just maybe if you can comment on the effectiveness of using backlog as a predictor of future revenue growth. I mean the mix in backlog is evolving, I guess, as you move more into digital advisory services versus engineering design, just maybe kind of talk us through that.

Alexandre L'Heureux^ I'd say a more relevant metric, something that we don't disclose, and I'm not aware that any of our competitors are disclosing is the 12-month backlog, Jacob. So obviously, we are reporting the full amount of our hard backlog and sub backlog. But what we really monitor is the backlog that we'll be converting into revenues into the next 12 months on a rolling basis. And that's something that we monitor very closely. It's one thing to work, to win multiple years awards and projects. But what's most important to us is to make sure that we have enough work over the next 12 months. And that's something we monitor closely. And I can tell you right now, we're feeling good about that metric.

Jacob Bout^ And the work you're doing on the advisory side, on the digital side, that would be in that number.

Alexandre L'Heureux^ Of course. Yes.

Jacob Bout^ And then the other question I have is just on margins, flat year-on-year, but I think guidance implies some margin expansion for the remainder of the year. How do you see margins evolving? And maybe just talk through labor expense and ERP implementation costs and some of these other drivers?

Alexandre L'Heureux^ As in the past, I think I've always cautious our investors and prospective investors to not look at the quarterly margin movements. We have 200 live projects. So 200,000, I'm sorry. I should have said 1,000 live projects at the moment. So you got to look at the margin evolution over a longer period than 90 days because oftentimes, is timing involved in the way revenue is recognized. So you have to be cautious and careful about drawing any conclusion on any given quarter. You need to look at this at least over a period of 12 months.

As it relates to this year, I'm feeling we have reiterated this morning our outlook with confidence, and I'm not changing my mind on that. So as you just said, it's fair to assume margin expansion over the course of this year, and we're confident about that. And on the longer term, I think I mentioned it when we rolled out our 2022, 2024 strategy. I mean I now see a path to achieving in the not-so-distant future, a 20% EBITDA margin. So we are working towards that goal. We don't have a firm date for that, but we are certainly working towards that goal.

Jacob Bout^ Thank you. I'll leave it there.

Alexandre L'Heureux^ Thanks Jacob.

Operator^ Thank you. I'll now take our next question. Please stand by. And this is from Chris Murray from ATB Capital Markets. Please go ahead.

Chris Murray^ Yeah, thanks. Good morning. So just very quickly, can you talk a little bit about growth in the U.S? I know we've been talking about all the different funds coming in. But just thinking about directionally the rest of the year, we've seen a big step up in the backlog now? And should we be thinking that this is going to be driving the U.S. business probably at unprecedented rates. And how -- and I guess the other piece of that is, how are you feeling about being able to keep up what might be pretty high growth for a couple of years?

Alexandre L'Heureux^ Look, the U.S. business had a very good organic growth close to double digits. So feeling very, very good about the start of the year. Obviously, the infrastructure bill and Inflation Act and all of those initiatives are helpful to our company and to this industry. So I feel good about the future and actually not just for the foreseen future. But I think for the next few years, the U.S. should experience very good performance. So all in all, I think -- and it's our largest business and country in our group. So we're feeling very good about the prospect for the U.S. business.

Chris Murray^ All right. Sounds good. And then I'm not sure who wants to take this, but I guess folks on the cessation of the DRIP, I guess a couple of questions around this. One, why now? I mean historically, you used it because I believe some of your major shareholders preferred this versus a cash dividend. But as you said, I mean, you're now at a point where you can generate sufficient cash, obviously, to pay the current dividend. But then second question is, what does this do in terms of thinking about dividend and dividend policy? Should we think about dividend growth in the future being part of the WSP story, maybe in line with earnings growth.

Alexandre L'Heureux^ So look, on the DRIP, this is an instrument that serve us well. I would say, in the first part of the last decade was very useful tool for us to grow out of our dividend and dividend payout. You need to remember that if I go back more than a decade ago, we were an income fund and we converted into our corporation in 2010. And at that time, we chose not to amend our dividend policy. So at the time, I think we were essentially distributing 100% of our free cash flow. So as I said before, the DRIP served us very well during that period of time.

But you look at the size of the company, the cash flow that we generate and where we stand as a company, we just didn't believe that diluting our investors was the way to go going forward. We don't need the DRIP anymore. We feel you never quite have an optimal capital structure. But I would feel that I would say that right now, we have a pretty efficient capital structure, so diluting our investors. I just didn't think it was the right thing to do going forward. So we thought that seizing the DRIP now was the right thing to do.

Chris Murray^ Okay. And thinking about dividend growth now that you feel reasonably comfortable that you can cover the cash employment?

Alexandre L'Heureux^ Look, when we split our strategy together 2022, 2024, we had pretty ambitious goals for M&A growth. And when we rolled this out, we believe that, that was the case. And today, we're a stent, believe that, that investment thesis hasn't changed. So at the moment, we believe that we should allocate capital through M&A and acquisition growth. But that doesn't mean that one day, we're not going to revisit our dividend and our dividend policy. But as we stand today, we feel that the money is better utilized towards M&A growth.

Chris Murray^ All right. Thanks folks.

Alexandre L'Heureux^ Thank you.

Operator^ Thank you. We'll now take our next question. This is from the line of Ian Gillies from Stifel. Please go ahead.

Ian Gillies^ Morning everyone.

Alexandre L'Heureux^ Morning.

Ian Gillies^ With rising interest rates, I'm just curious if you're seeing any increased urgency from financial sponsors to exit investments in engineering businesses or whether that's unchanged at the moment?

Alexandre L'Heureux^ Yes. I think I know exactly where you're going with that question. I think, Ian, it's something we should expect to see, but it's not something that we have seen just yet. If it keeps, it's going and the interest rate keeps remaining high for a long period of time. I clearly believe that not only the sponsor will not be as active or certain they'll be in a position to compete like they used to. But we haven't seen sponsors exiting investment just because the interest rates have gone up. We haven't seen that at this point, but that doesn't mean it's not going to happen in the future.

Ian Gillies^ No, that's helpful and makes a lot of sense. The other thing, the Buildings segment as a percentage of total has obviously fallen over the course of time. But just given some of the concerns around commercial real estate broadly, I was wondering if you could address your kind of exposure to that area and how you're thinking about it in the context of the broader market and some of the risk related to that area.

Alexandre L'Heureux^ Yes. We're very fond of our building sector. I think we're -- we believe in that sector, and we are going to continue to invest in this sector. Last week, we just closed on an acquisition here in Canada. More recently, in the first quarter, we closed on a structural firm in Australia. Last year and the year before, we acquired firms in the U.S. and the mechanical, electrical, the health care sector in San Diego and L.A., we acquired a firm and now the Mission Critical. So we are going to continue to invest in that sector, and we see tremendous opportunities in that sector.

The rehabilitation of existing commercial real estate property into, for instance, Mission Critical buildings. It's something that we are doing and have been doing, and we see tremendous opportunities. The change in the workplace environment also will allow us many opportunities a few years ago we didn't have. And the commercial real estate is still also quite good, depending where you look. But I'd say that what we've done over the last 5 years is really to diversify our practice.

So for instance, in the U.S., 5, 6, 7 years ago, I would say 60% to 70% of our work was in the commercial high-rise market, probably in the Northeast. And today, this has gone down to maybe 30%, where we have significantly increased our health care exposure and data center and mission-critical work exposure. So I think as we evolve in our journey as a company, we've continued to diversify our sectors so that they are a lot more resilient than they were maybe 5, 6, 7 years ago.

Ian Gillies^ Thank you. That's very helpful. I'll turn it back over.

Alexandre L'Heureux^ Thank you.

Operator^ Thank you. We'll now take our next question. This is from the line of Sabahat Khan from RBC. Please go ahead.

Sabahat Khan^ Hi, great. Thanks and good morning. Just a question. One of the end markets that was quite in focus last year was energy transition, energy security, particularly following the war in Europe. I'm just curious, like a lot of those initial discussions have those continued? Are there particular areas within renewable energy that are getting a lot more demand? And just generally, how is that broader theme or end market doing for you globally.

Alexandre L'Heureux^ It's doing very well. Two weeks ago, I was visiting our Latin American business, and we have a very strong high expertise team in the transmission and distribution sector working out of our Colombian operation. And at the moment, they are supporting our U.S. business, for instance, because there's a lot of work, and we see a lot of growth. So I do feel about that this is going to be a growing market for us, and it's going to be also a strong market for us. We see some work in the solar and wind, and hydro coming up and growing. So I think it should be a very strong market for us in the years to come.

Sabahat Khan^ Great. And then there's a bit of discussion about the U.S. market earlier. But I'm just curious, from some of the larger funds that are out there, can you maybe talk about the end markets where you're seeing some of the initial funding? It feels like there is some project work, but maybe some permitting type of work up front. But I'm just curious where some of the initial dollars that you're benefiting from, kind of which end market those might be concentrated in?

Alexandre L'Heureux^ Well, environmental for sure. You just mentioned permitting, planning. Obviously, before you design, you need to plan and you need the impact studies to be completed. You need social exhibility studies to be completed. You need -- so environmental is very good for us at this point. And then transportation, clearly will be an area of focus for us and has been an area of focus, and we are seeing a lot of growth in transportation.

Sabahat Khan^ Great. Thanks very much.

Alexandre L'Heureux^ Thank you.

Operator^ Thank you. We'll now take our next question. Please stand by. This is from Maxim Sytchev from NBF. Please go ahead.

Maxim Sytchev^ Hi, good morning gentlemen.

Alexandre L'Heureux^ Hey Max.

Alain Michaud^ Hey Max.

Maxim Sytchev^ I just wanted to -- I know it's obviously early days, lots of chat around AI and because, obviously, engineering companies have been building on par metal design capability. I'm wondering what are your kind of original thoughts when it comes to sort of efficiency versus the rest of the industry sort of using the same tools and how that could impact sort of prospective margin profile. Yes, just maybe any initial colors on this, please. Thanks.

Alexandre L'Heureux^ Well, if you look at the last decade, Max, and you look at our fee revenue generation per employee. If you go back, let's say, to 2012 and you fast forward 10 years and you look at the fee that we are generating today compared to where we were a decade ago, you will see that we are doing a lot more with less. And so the point I'm trying to make here is that over the last decade, we have been able to leverage technologies. So I see technology for us as an enabler as opposed to a disruptor.

We believe that we can do more with technology. We are in a position to provide more better design to our clients. We are in a position to provide better services. And this is also an opportunity not only to leverage the use of technology internally, but also to provide additional services to our clients in the digital space. So to me, I see this as very positive. Obviously, AI will transform not only our industry but other industries. But to me, I see this as an opportunity, and I see the role of engineers to change as well, and we'll need to adapt to that. I think we are going to become advisers to our clients, analysts to our clients.

In the future, engineers will be in a position to do some stress testing on digital twins and better advise their clients and the way we should, for instance, operate but the maintenance of those assets in the years to come, we will be able to do stress analysis and scenario analysis on those digital twins and the engineers will be called upon to analyze the data and better advise their clients with the information that they have as opposed to perhaps going to detailed design that perhaps AI will be in a position to do. So I don't see the role to disappearing to the contrary. I think the role will become even more critical to the clients. But I believe we're going to be in a position to use the technology to better serve our clients. And yes, I would like to think that it should help the profitability of our firm going forward.

Operator^ Yes. Agreed. Thanks so much for that. And just maybe I don't want to pick or get too much into minutia, but do you mind maybe commenting a little bit on the Nordics market. I mean, it seems to me that one has flatlined. Any thoughts on how that's going to evolve. Yes, thank you.

Alexandre L'Heureux^ Yes. Our main market, Sweden is doing very well, okay? So we have seen a lot of progress in the Swedish market. But it's been more challenging, for instance, in Finland, the border of Russia. So in Finland, it's been a bit more difficult, especially in the private sector. And in Norway, we had a change of leadership. So it takes always a bit of time.

So Norway has been a bit more challenging. But longer term, I'm not concerned about the Nordic market. It's always been a very resilient market, always a bit -- a very good market for WSP. We have a leadership position where we're a top-tier player over there. Very few international firms have such presence in that market. So I think it bodes well. But there's obviously a bit of uncertainty in some of the smaller sized countries where we operate. But Sweden, we're pleased with the first quarter performance.

Operator^ Thanks. That's it from me.

Alexandre L'Heureux^ Thank you.

Operator^ Thank you. We'll now take our next question. This is from Frederic Bastien from Raymond James. Please go ahead.

Frederic Bastien^ (Foreign language) Hi guys. It was interesting to see the acquisition of LGT bringing the company back to Geneva's roots of Quebec city. Also where I'm from, by the way. You mentioned -- but you mentioned that these expertise in the data center is the primary factor behind your decision to perhaps acquire them, and it really does build on a similar acquisition completed in the U.S. Northeast a couple years ago. So my question is where do you stack in that high-growth segment in other parts of the world? And is there anything that you need to do either organically or inorganically to build a larger presence?

Alexandre L'Heureux^ Actually, we're stacking very well, Frederic. And that's the reason why we felt we needed to do an acquisition in Canada in the mission-critical space. We have signed -- and I'm not in a position to disclose who we've signed an MSA with with those large tech firms. We have in the NDAs that we signed. All I can tell you is think of the large, many large tech firms that we can think of that are in the space, we're working with them. We're a large service provider to them. And we have been in the U.S. in a big way. And those large firms are establishing a large presence in Canada at the moment. And we just didn't feel we had enough expertise and people to deliver those services in the Canadian territory.

So we feel that LGT is very strategic to us, and we're going to continue to grow our presence in that space. And equally, in Europe, when you think of the MSAs that we've signed with those tech firms, I mean, we follow them now in Denmark and Germany and more recently, we are working with them in Taiwan. So we are, when you talk about global clients that we can follow around the world, given the network that WSP has now established, and that's a perfect example of that. So clearly, we're going to continue in our mind to grow organically that sector, but we are going to need, and we're probably going to see additional acquisition in that phase going forward.

Frederic Bastien^ You're kind of leading -- I was sort of going in that direction, you're almost answering my next question, but given that you're getting close to those large tech firms and you're already close to those large tech firms. I mean a lot of them are moving. They're establishing facilities, a lot of them in the U.S., but the reassuring trend is very real and very strong. Can you comment on how well you're doing also in that space?

Alexandre L'Heureux^ Yes. We're unfortunately, I'm not able to when I talk about today, I gave 3 different examples of projects that we are in a position to disclose. I mean I'm not in a position to disclose those, but I can tell you that we're very active in that space. And clearly, yes, the onshoring for our OECD countries as good news and for a large operation and our large operating hubs, it's good news. And I think we yes, we continue to strive in that sector.

Frederic Bastien^ Okay, thank you.

Alexandre L'Heureux^ Thank you.

Operator^ Thank you. We'll now take our next question. This is from the line of Jonathan Lamers from Laurentian Bank Securities. Please go ahead.

Jonathan Lamers^ Hi, and thank you for taking my question.

Alexandre L'Heureux^ Hi Jonathan.

Jonathan Lamers^ Just on the ERP system. Could you update us on the implementation status and perhaps more broadly, any opportunities you see in the digital transition that might be new?

Alain Michaud^ Yes. So on ERP, well, we've closed our first quarter with the system in Canada. So it went well. And the team now is working on deploying the new system in the U.S. and in the U.K., and this is progressing according to plan. So that's the update on our ERP, Jonathan.

Alexandre L'Heureux^ Well, it's going well. And we estimate that 12 months from now, most of our EBITDA will have been transferred on the new ERP. So we don't foresee any issues to the contrary, I think we're quite excited about the prospect of being on one platform globally on the cloud. So this is good news so far.

Jonathan Lamers^ Okay. I'll leave it there. Thank you.

Alexandre L'Heureux^ Thank you.

Operator^ Thank you. And there are no further questions. So I will hand it back to the speakers. Thank you.

Alexandre L'Heureux^ Okay. Thank you very much. Thank you for attending our Q1 analyst call. As a friendly reminder, today, we will be holding our AGM at 11.00 Eastern Time, and you can find the details on our website. So we look forward to hearing from you soon. Thank you very much, and have a good day.

Operator^ Thank you. This does conclude the conference for today. Thank you for participating, and you may now disconnect. Speakers, please stand by.