**WSP Global Inc. (Q2 2023 Results)**
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**Corporate Speakers:**

- Alexandre L'Heureux; WSP Global Inc.; President, Chief Executive Officer & Director
- Alain Michaud; WSP Global Inc.; Chief Financial Officer
- Quentin Weber; WSP Global Inc.; Investor Relations

**Participants:**

- Yuri Lynk; Canaccord Genuity Corp.; Director and Senior Engineering & Construction Equity Analyst
- Jacob Bout; CIBC Capital Markets; Managing Director of Institutional Equity Research
- Sabahat Khan; RBC Capital Markets; Analyst
- Christopher Murray; ATB Capital Markets Inc.; Managing Director of Institutional Equity Research for Diversified Industries & Senior Analyst
- Ian Gillies; Stifel Nicolaus Canada Inc.; Director of Institutional Research and Research Analyst of Energy Services & Infrastructure
- Benoit Poirier; Desjardins Securities Inc.; Vice President and Industrials, Transportation, Aerospace, Industrial Products & Special Situation Analyst
- Devin Dodge; BMO Capital Markets Equity Research; Industrials Analyst
- Jonathan Lamers; Laurentian Bank Securities, Inc.; Director & Diversified Analyst

**PRESENTATION**

Operator^ Good morning, everyone. Welcome to WSP's Second 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 that you're doing well, and thank you for joining our call. Today, we will be discussing our Q2 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 July 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 July 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 operation as they provide additional key metrics of its performance.

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

Alexandre L’Heureux^ Thank you, Quentin, and good morning, everyone. To start, I want to highlight the following three points. First, I am very pleased with our strong performance in the first half of 2023. Second, based on our results to-date, backlog, expanding platform, and the volume of opportunities we are witnessing in the market, we are significantly increasing our financial outlook for the remainder of the year in comparison to the previously disclosed midpoint.

Lastly, we are at the midpoint of our 2022-2024 strategic cycle, and I am very proud of our accomplishments so far. I will expand on this later, but for now, let's get back to our results.

Since the beginning of the year, our organic growth has continued to surpass expectations and was driven by strong tailwinds across our markets. All our key regions and sectors are contributing to and benefiting from this dynamic. With our global reach, multidisciplinary expertise, discipline, and focus, WSP is uniquely positioned to deliver the work required that will lead to a more sustainable and resilient world.

Given our strong organic growth and the contribution of recent acquisitions, revenue increased by approximately 30% in the first half of the year as compared to the same period last year, and represent $1.6 billion of additional revenues. We expect that our prospects for the rest of 2023 and beyond will remain equally strong.

Our order intake in Q2 was the highest recorded in a single quarter with more than $4 billion, and our pipeline of opportunities remains strong. Our backlog stands at more than $14 billion despite consuming a significant portion of our order book through high revenues. This is a record high level for WSP.

Since the beginning of 2023, in the U.S. specifically, we recorded an increase of over 20% in contract awards, not yet included in our backlog, which we commonly refer to as our soft backlog.

Year-over-year, the increase represents 40% and reflect a rising need for improved infrastructure and for our expertise, which is a similar trend we see globally. Before covering the key highlights of the last quarter, I will turn it to -- over to Alain, who will provide further details on our increased outlook.

Alain Michaud^ Thank you, Alex. The increase in our financial outlook is driven by the following three factors, first, the higher-than-expected organic growth in the first half of the year, second, the contribution from our recent acquisition, and lastly, the positive impact of our ongoing margin enhancement initiatives.

Net revenues are now expected to fall in the range of $10.7 billion to $11 billion. We anticipate net revenue organic growth calculated on a constant currency basis to range between 6% and 9%. There is continued strong momentum across our key regions. Canada reinforced its backlog with recent major win. The U.S. continued to deliver solid growth and the pipeline of opportunities is healthy.

EMEA, led by the U.K., which has delivered double-digit organic growth in the last two years continued to deliver solid results, combined with Sweden and Nantes performance versus prior years. Finally, our APAC region, led by Australia and New Zealand, sustained a strong level of organic growth and a robust backlog.

Adjusted EBITDA is now expected to range between $1.9 billion and $1.93 billion. The midpoint of our targeted range represent an anticipated 17.6% EBITDA margin, 55 basis points higher compared to 2022. This represents the higher end of our yearly strategic EBITDA margin growth ambition of 30 to 50 basis points. Furthermore, at the midpoint, this assumes a lift of expected adjusted EBITDA of $115 million versus our previous financial outlook.

It reflects the acquisition of Calibre and LGT as well as the recently announced divestment of Louis Berger Services, or LBS, which Alex will expand upon shortly. So thanks to the passion and dedication of our people. We're moving into the second half of the year with confidence and a strong focus on diligently executing on our plan. Back to you, Alex.

Alexandre L'Heureux^ Thank you, Alain. Our increased outlook is a reflection of WSP's unique position in a thriving market and our ability to achieve our financial ambitions. On the M&A front, we have continued to push forward in core sectors and expand a growth area.

During the quarter, we announced the acquisition of LGT adding 150 employees to our workforce and further positioning WSP as a key player in the Quebec's building sector. LGT is recognized with its cutting-edge expertise specific to data centers and critical infrastructure, which contributes directly to our global capabilities.

In addition, we completed the Calibre transaction and expanded on our Australian workforce by 800 professionals. We are now established as a Tier 1 player in Australia according to the mining majors, which confirms access to the most complex and strategic projects and underpins the organic growth potential.

Since the beginning of the year, we have welcomed 1,700 professionals from four acquisitions that are expected to generate approximately $400 million in annual net revenues and complement our global and diversified platform.

We continue to move ahead with the integration of prior acquisitions, including the Environment & Infrastructure business of John Wood Group, which was our largest acquisition in 2022, and is progressing as expected. We are leveraging the strategic addition, engaging with new clients and offering our combined ones a wider range of services.

BG Consulting Engineers continues to deliver as anticipated, with the resulting benefits and has had its scale to our business in Switzerland and France. We are capitalizing on WSP's strengths in Europe with growth opportunities, notably in renewable energy, water, earth and environment as well as buildings.

Earlier this week, we completed the sale of LBS to Versar, a global project management company backed by Kingswood Capital Management. LBS joined WSP through the 2018 acquisition of Louis Berger and at the time, represented less than 10% of Louis Berger profit. The LBS team delivers operation and maintenance services to the U.S. Military, state and local transportation clients. We are confident this divestment is the best way to ensure the long-term success of this specialized services business, and it aligns with our strategy.

Today, I also want to take a moment to share two of the industry distinctions we received this quarter. WSP was recognized as one of Canada's Best 50 Corporate Citizens by Corporate Knights for the third consecutive year. This highlights our leading scores in environmental metrics, sustainable investment and diversity. And we were rated as a leader in climate change in the study conducted by Verdantix, an independent research firm.

Additionally, I have a few updates concerning recent project wins. In the U.S., WSP has been selected as the professional engineer for the design of the Sunrise Wind Farm, the first U.S. offshore wind project converter platform slated to utilize high-voltage direct current technology or HVDC. Once completed, this offshore wind farm is set to power 600,000 New York homes.

In Canada, WSP is delivering the cement industry very first full-scale carbon capture utilization and storage facility in Edmonton, Alberta. This project will capture emissions from the cement production facility as well as the associated combined heat and power plant to build in the cities northwest. The project aims to capture at full-scale 1 million tonnes of carbon dioxide annually.

In Australia, we continue to support the energy transition and are working on a clean, reliable and resilient electrical supply for communities in New South Wales. WSP is working to provide services for the Waratah Super Battery, which will represent the world's largest grid scale battery.

We are assisting Microsoft in reaching its sustainability commitment, and we are jointly developing an evaluation framework to allow vulnerable communities to capture the benefits of renewable energy projects. This work was recently recognized by environment analysts and further highlights WSP's capabilities in the green energy transition.

Lastly, I am also impressed by our team's climate resiliency capabilities. WSP was recently selected by the New York City Housing Authority to design an innovative multifunctional storm water infrastructure intended to reduce flood vulnerability caused by intense rainstorms. This is known as Cloudburst Infrastructure, and New York City is the first in the U.S. to adopt that. The concept comes from Copenhagen, where WSP designed the first such project and created the very first climate resiliency neighborhood.

We are confident this contributes to influencing the next generation of sustainable urban infrastructure in addressing water-related challenges. Water touches all of WSP core services and represent over $1 billion in annual gross revenue in 2022. Our water capabilities consist of nearly 5,000 experts spanning over 40 countries who focus on delivering future-ready solutions to preserve and manage water for generations to come. Now over to you, Alain, for more details on our financial performance in Q2.

Alain Michaud^ Thanks, Alex. For the first quarter, revenues and net revenues reached $3.6 billion and $2.7 billion, up 31% and 30%, respectively, compared to the second quarter of 2022. We delivered net revenue organic growth of 9.3% in the quarter attributable to all reportable segments with growth seen mostly in the U.S.A., Australia, the U.K. and New Zealand.

Our backlog as of July 1, 2023, remained robust and stood at $14.3 billion, representing 12 months of revenue with a 3.9% organic growth compared to December 2022. The pipeline of opportunities remains strong across all our regions.

Moving on to profitability. Adjusted EBITDA in the quarter stood at $462 million compared to $352 million in the second quarter of 2022, a 31% increase. Adjusted EBITDA margin increased to 16.9% compared to 16.7% in the second quarter of 2022, an increase of 20 basis points attributable to our ongoing margin enhancement initiatives. For the quarter, adjusted net earnings stood at $195 million or $1.56 per share. This is an increase of $41 million and $0.26, respectively, compared to the second quarter of 2022.

Cash inflows from operating activities reached $60 million in the 6-month period ended July 1, 2023, and compared to $42 million in the first half of 2022. The improvement is mainly attributable to the increase in adjusted EBITDA.

Free cash outflow reached $198 million for the six-month period ended July 1, 2023, and we continue to aim for 100% conversion of free cash flow to net earnings. As communicated in previous quarters, our cash tax is higher than in previous years, mainly due to changes in tax regulation in the U.S. relating to research and development.

For Q2 2023, we disbursed a $134 million of taxes and more than $200 million in the first six months of 2023, almost $90 million more than in the prior year. In conclusion, I'm very pleased with our financial performance as we delivered another strong quarter, which surpassed expectations. Now back to you, Alex.

Alexandre L'Heureux^ Thank you, Alain. I firmly believe that WSP is favorably positioned to continue to successfully capture market opportunities and deliver on our three-year strategic ambitions. As I mentioned in my opening remarks, we have reached the midpoint of our strategic cycle, and I'm proud of our achievements to-date. Allow me to cover three of them in further detail:

First, on growth. Our stated 2024 objective is to increase our net revenues by 30% and our adjusted EBITDA by 40%. Based on our revised outlook for 2023, we expect we can achieve these targets one year -- one full year earlier.

Indeed, at the midpoint of our financial outlook, net revenues and adjusted EBITDA are expected to increase by approximately 40% and 45%, respectively. This would represent approximately $3 billion of additional net revenues and almost $600 million of additional EBITDA compared to the level of 2021.

Second, on profitability. Based on our revised financial outlook, we are expecting to deliver an adjusted EBITDA margin of 17.6% in 2023, up 80 basis points compared to 2021. This performance is in line with our strategic ambitions to increase our adjusted EBITDA margin by 30 to 50 basis points per year between 2022 and 2024.

This improvement is consistent with our culture of continuous improvement and our solid track record. Indeed, when compared to the beginning of our previous strategic cycle, our expected adjusted EBITDA margin for 2023 would be 300 basis points higher than in 2018, an average improvement of 60 basis points per year.

Lastly, on M&A, we deployed nearly $3 billion since January 2022 to complete an integrated -- and integrate 11 strategic acquisition, bolstering our expertise and directly contributing to the quality and the diversification of our platform. As stated before, M&A continues to be our preferred option to deliver shareholder value.

Thanks to the dedication and expertise of our people, we continue to build a stronger business, delivering on our ambitions with focus and discipline. Today, I see an even clearer path to reach our vision unveiled in 2022 to double in size and deliver an adjusted EBITDA margin above 20%. On that note, we will now begin the Q&A session. Thank you.

## QUESTIONS AND ANSWERS

Operator^ Thank you, sir. (Operator Instructions) We are now going to proceed with our first question. And the question come from the line of Yuri Lynk from Canaccord Genuity.

Yuri Lynk^ Congratulations on the next quarter. Just on the margin expansion topic. In the first half of this year, it's been a bit muted about 10 bps, but your new guidance implies over 100 basis points of EBITDA margin expansion in H2 of this year versus H2 of last year. So what's driving that and can you, at a real basic level, kind of split between gross margin and/or SG&A leverage?

Alain Michaud^ Sure. So first off as we publish our initial outlook, we were already driving to increase our margin by 50 bps to 17.5% and the plan was to improve our margin and as we've mentioned before you read there's a whole list of things we could do to drive margin upward. And as Alex mentioned before, we've been doing it for a long time. So the plan is progressing as we anticipated it.

For the remainder of the year, we will continue to push forward on different initiative and a big one is obviously productivity, working on providing the best tool to our people, which has obviously a big impact on gross margin and continue to drive also SG&A costs by leveraging better tools and improving overall our efficiency. So we feel confident about the increased margin that's projected for H2.

Alexandre L'Heureux^ And if you look, Yuri, in the past, I think this year is fairly and actually very consistent with our past performance. Typically, H1 tend to be a bit more muted, given that they are smaller quarters -- and then we see during summertime activities picking up where we can definitely leverage our fixed cost base. So I think that perhaps the scale of improvement is a bit bigger than what you've seen in prior years. But directionally, it's very consistent.

Yuri Lynk^ Yes. The acquisitions that you've done since the beginning of the strategic cycle, are they similar margins? Or are they margin accretive to your mix?

Alexandre L'Heureux^  Similar margin profile. But the cost synergies and something I perhaps should have mentioned in our -- in my remark, but the cost synergies that we are able to generate is going very, very well as well. So I think we are seeing, in all fairness, a bit more cost synergies than we were anticipating during due diligence, number one.

And then the performance of the companies that we've acquired [a,] is also up to par, if not a bit better than what we were anticipating in the first place, actually very consistent with our legacy business, which in the first quarter performed -- in the first half of the year performed better than what we were anticipating. I think, I've said in Q1 that we were cautiously optimistic for this year. Now we are optimistic for this year.

Operator^  Thank you. We're now going to proceed with our next question. And the question is coming from Jacob Bout from CIBC.

Jacob Bout^  I had a question on the revenue guidance. Maybe just talk a bit about which regions are driving this? Is this more Americas-specific or is it across geographies? And then, how much of this improvement in organic growth is [JA] related?

Alexandre L'Heureux^  I can take this one up. It's across the patch, Jacob. I think, we are seeing better performance than what we were anticipating at the beginning of this year, essentially everywhere with the exception of Mainland China, where, I mean, I think it's widely recognized that the prolonged lockdown had its effect and impact on the business.

But we need to remember that our entire Asian business is less than 2.8% of our profitability. So at the same time, I think we need to be mindful of this. We're not concerned by it.

Jacob Bout^  Any comments about the benefit of the [IJA]? When does that roll out? Is that kind of an end of '23 story? Or is that really starting to kick in now?

Alain Michaud^  Yes. It certainly has -- bring positive tailwind, Jacob to our business. The flow of fund is continuing to progress. When is it going to peak? That's a big question, but it tends to be more towards 2024, 2025.

But clearly, direct impact on our growth and also in direct impact on our growth also in the fact that, I think it provides confidence for our public sector clients to fund more project, given what's been announced. So overall, very positive tailwind for the U.S. business, and you've seen the growth since the beginning of the year in the Americas. So we're very happy with the performance so far.

Jacob Bout^  Just one quick one. Just going back to the previous question about you're talking about cost synergy. What are you doing differently to drive those higher cost synergies?

Alexandre L'Heureux^  I think, Jacob, its experience. I think we're continually improving as we integrate businesses. I think you've heard me saying that before, I've always said that I believe we are better integrated than we are acquirer of companies. And I think as years come by, I mean, we are continually improving our processes, and I just feel that given the platform that we have and the hubs and the strong hubs that we have in most of our regions, I think we are in a position with our local team to do a very fine job on the integration front.

Jacob Bout^  We'll leave it there.

Operator^  We're now going to proceed with our next question. And the questions come from the line of Sabahat Khan from RBC Capital Markets.

Sabahat Khan^  Great. One of the trends we've noticed across the space is that the organic trends or the organic growth numbers are getting sequentially higher. I guess, when you balance that against labor, which we haven't heard about for a while, how are you and the industry, I guess, managing to the labor situation? And as it relates to WSP, are there any regions like the U.S. where it might be a little bit tighter, more competition for talent. Just trying to understand how you're balancing the labor needs, [I mean, in this] demand environment?

Alexandre L'Heureux^  I think our score is improving on that front, Saba. I mean, we look at our acceptance rate that's going up. Our turnover has gone down significantly over the last 12 months. I would go to, I would suggest as far as 500 basis points.

So we have seen a significant reduction in turnover, an increase in acceptance rate. And of course, inflation is there and is persistent. But at the same time, I think, we have been doing a very good job at overcoming this and the increase in margin profile is a testament of that.

Sabahat Khan^ Okay. Great. And then maybe another one for you, Alex. On the M&A front, you've been pretty active with small- to medium-sized deals recently. Just curious what you're seeing on the M&A front, how are your targets -- how are those conversations going with potential targets? What are sort of the multiple expectations? Because it feels like sort of a bit of a lull in larger-scale deals kind of over the last 12 months just across the broader industry. So just curious what you're seeing out there in your conversations.

Alexandre L'Heureux^ Look, we continue to have informal and more formal discussion with a number of peer players. Having said all that, I think we haven't seen a real reduction in valuation expectations for potential sellers. And I think it's a reflection of what's happening also in the public market. But we have been extremely disciplined. And in a time of high inflation and high interest rate, we have found that we were able to complete acquisition with midsized and smaller size transactions that we're actually very accretive.

We were able to pay a very reasonable price for those businesses, and that translated in very accretive deals for our company. So, as long as I see that, that's -- this formula is working well for us, we're going to continue to do that. But we're obviously still very much open for business for larger-sized deals.

But as I stated before, it needs to be accretive Day 1. It needs to make sense for our shareholders. And if I feel it does make sense for our shareholders, we'll pull the trigger. But if I feel that we need to be a bit more patient, we will also. But in the meantime, we have been very active in the first half of this year, and I expect us to continue to be active between now and the end of our strategic cycle.

Sabahat Khan^ Okay. And maybe a quick one for Alain, if we can maybe get an update on the ERP rollout and where you are? And what the implementation plan is for the rest of this year in terms of geographies?

Alain Michaud^ Sure. So the rollout in Canada is completed. So that is behind us and it's going well. The schedule for the next region is to be done with the U.S. and the U.K. So two very significant rollouts in the beginning of 2024. So that's the plan. So we have teams that are currently devoting a lot of effort and passion to move this project forward, which if you look at it from a coverage perspective, once we have Canada, U.K., U.S. done, we'll have a very sizable portion of our EBITDA finally under this new system early in 2024. It's progressing well.

Operator^ We're now going to take our next question. And the questions come from the line of Chris Murray from ATB Capital Markets.

Christopher Murray^ Maybe turning back to the revenue and maybe margin piece of the story. I know, you've talked a little bit about productivity and some other cost things around integration. But just sort of wondering about pricing and what you guys are seeing in the marketplace with pricing?

And with yourself and a lot of your peers seeing such high levels of demand right now, are you able to capture either abnormal pricing? Or is there something going on and maybe some of the acquisitions you've done previously that allow you to generate better quality revenue?

Alain Michaud^ Yes, it's probably the latter rather than the former. There's nothing abnormal other than the natural evolution of our brand awareness and the brand that we're building within the industry. I think, we're -- WSP is known to tackle complex projects. We are known for our deep expertise. We're known for the expertise we bring to our clients. And as a result of this, I think we are able to be rewarded for the work that we provide. And I think it's just a natural evolution of where we stand as a business.

And also the fact that our -- all of our sectors are coming together. I think, I talked about a number of projects today during my remarks, I mean, this is just not one sector working on 1 given project. You are seeing a number of sectors working together. And I think that has been a very successful ingredient of our recipe, and we're going to continue to do that.

Christopher Murray^ Okay. That's helpful. And then, Alex, the other kind of question for me. You started to make some comments about soft backlog growing. I think, you mentioned the number, 40%. Can you talk a little bit about what exactly is going into soft backlog? And is that a function of the type of work you're doing right now?

And I know you talked about like hard backlog right now, it's about 12 months of work, but -- which is itself historically high. But with soft backlog out there, what are your thoughts around converting that to hard backlog? And does that end up at some point, at that rate of growth, extending your backlog duration even further?

Alexandre L'Heureux^ Yes. The $14 billion of hard backlog is -- the way we account for it is very conservative. And today, I just wanted to give you a flavor as to what goes into the soft backlog, but I'll turn to Alain and perhaps can provide a bit more granular details as to what we mean by soft backlog, again the master service agreement that we have and things like that.

Alain Michaud^ Yes. So the soft backlog, Chris, is essentially job that we won. So we were allocated the job by our client, but we're missing funding, essentially our client is missing funding confirmation. That's the most typical reason why things are in soft backlog. And once we have the funding confirmation, then it makes its way to a hard backlog.

And Alex is right, we're -- the way we deal with our hard backlog is conservative. So we wait until we have absolutely every single things confirm and on paper before we include it in our backlog. And obviously, with scrubber MSA, every time there's a project that comes under an MSA, then it gets into hard backlog. Before that, we don't estimate the complete work that could come under an MSA, so we are being conservative in our backlog story.

Christopher Murray^ Okay. But I guess is the MSA or the soft backlog, is it coming from any sort of new areas? Or is it just kind of typical as just kind of scaling with the rest of the work that you've been doing?

Alain Michaud^ It's representative of the kind of work we do in the U.S., right? So there's nothing particular in there. And to your point on the length, the number of months that our backlog represent, obviously, it's a mix of many things, many type of contract, many duration. So the 20% or 40% that we alluded to, doesn't mean 20% or 40% organic growth in next year. So there's some program in there that are multiyears. So, that's the way you need to look at it.

Alexandre L'Heureux^ And I'll say it differently and in simple terms. Sometimes we're going to have a multiyear project with the multiphases. And oftentimes, the clients will only approve one or two Phase in the project. We have been awarded the entire project, but funding is secure for Phase 1, let's say, our Phase 2 of the project. Well, we are only going to include the Phase 1 of the project, even though we have been awarded the entire project, because that's the way the client is funding it and the way it's being procured to us.

So, I think that's another way of looking at the soft versus the hard backlog. What I thought today, it would be important to provide you with some color that, even though we're very conservative on hard, obviously, the soft is growing rapidly.

Operator^ We are now going to proceed with our next question. And the questions come from the line of Ian Gillies from Stifel.

Ian Gillies^ The first topic I'll want to hit on was employee utilization and some of the tools you're intending to use in the future to improve that because I know that's a pretty important area for margin expansion.

And the second part of that is whether that also contemplates the increased use of, call it, work centers in international jurisdictions to help elevate that margin?

Alexandre L'Heureux^ Yes. On the first topic, I think, there's really nothing new, and we're not necessarily using any new tools at this point in time. Obviously, when we have our new platform, I think this will be an incredible powerful tool, and we'll have just in time in any given countries, the utilization of our people and how we can mobilize/immobilize people.

But I just think, I mean, we are operating in a very dynamic environment. And I talked about a few moving parts today during my remarks, I mean answering questions, the fact that the acceptance rate is increasing, the turnover is decreasing. The fact that our backlog is increasing. I think, managing productivity is more an art than a science.

And I think we have been -- if last year, we have been applying ourselves to get people in the door to cope with the increased demand for our services; this year, we are optimizing our workforce and making sure that we utilize the people more optimally if that makes sense. So the marching order for 2023 have been to really making sure that we optimize the workforce that we have and make sure that we're very efficient and run a tight ship as we progress into the year. And it's been -- it's obviously paying off for us at this point in time.

Ian Gillies^ No, that's helpful. And then, the second item I was hoping to hit on what --

Alexandre L'Heureux^ I forgot your...

Ian Gillies^ Oh, yes. The second piece.

Alexandre L'Heureux^ Yes. The second piece, yes. Can you repeat it for me, please?

Ian Gillies^ Yes. I was just curious as to whether you're contemplating the use of work centers in international jurisdictions that may help with margins?

Alexandre L'Heureux^ Well, I think for us, it's -- always go back to this. It's not so much the use of a complementary resource center than the collaboration that we foster within the company. We are, for instance, completing and will be completing very soon the Bogota Metro project and the design of the Bogota Metro project.

And we have an incredible transportation team in Colombia right now. And this project will be coming to an end. But already, we are using an utilization -- utilizing, I'm sorry, this team on other projects around and across a number of sectors around the world. And I think that's the beauty of the -model and the beauty of the network that we have.

We are in a position to tap in resources wherever they are located to support the projects. I just referred to the Bogota Metro. In the Bogota Metro, we had teams from the U.K., from Canada and from Latin America, working on that job. And as I said, I think that's the beauty of our network and the beauty of the WSP model. So indeed, we are tapping in the resources available around the world, and geography is not really an issue. So if we have people available in Manila, in India, in Poland, in Colombia, or in the developed world that we are going to utilize those resources.

Ian Gillies^ Okay. No, that's useful. And the other thing I wanted to hit on was the commercial real estate business. Well, I know, it isn't a big portion. But can you maybe give a bit of an update of what you're seeing there? And perhaps how you contemplated that as you built out the new updated organic revenue growth forecast?

Alexandre L'Heureux^ Look, it's been a very strong market for us, the building sector. Today, it represents 1/5 of our total business, and growing in absolute terms and in percentages. So, we're not shying away from that sector, and we'll continue to drive and capitalize on this sector. We're pleased with the way things are evolving at this point in time.

And then in other sectors of buildings, I think, we were seeing incredible growth right now. Healthcare being one and mission-critical work and data center being another. Without naming names, one of the larger tech companies that we were talking to not so long ago, just -- was just telling us that they intend to build 120 additional data centers worldwide over the next 12 months.

That's one data center every three days. And we are under MSA with this player in Taiwan, in Europe, in the U.S., and in Canada. So for us, I mean, this is very, very, very promising. So, we're extremely pleased with that.

Operator^ We are now going to proceed with our next question. And the questions come from the line of Benoit Poirier from Desjardins Capital Markets.

Benoit Poirier^ Yes. Congratulations again for the good quarter. Just to come back on the previous question about the 40% increase in soft backlog. I was wondering if you could provide more granularity about whether it's driven by a particular region? And how does the absolute value compare to historical level, wondering if it provides you greater visibility than usual?

Alexandre L'Heureux^ It's -- Benoit to be more specific, it's more around North America and actually more precisely the U.S. we have seen a sharp increase. And it's just a resulting effect of having multiyear projects. I think, I gave an example about the multiple phases of any given project. We have been awarded a number of projects that are multiyear projects in the U.S. and the resulting effect of that is -- and given that we're very conservative in the way we account for hard backlog, we have seen an increase in the soft backlog.

But this is a good indication. I'm not discounting it. This is a good indication that we are winning work and we are -- and it looks promising with what we know today. But until it's in the hard backlog, we're leaving it at that. It's soft until it's secured and funded.

Benoit Poirier^ Okay. That's great color. And just curious about the headcount, whether it could be -- do you have enough resources headcount to deliver on this higher growth objectives, Alex?

Alexandre L'Heureux^ Well, it's a constant challenge. I'm not going to lie. I think, I just talked about the sharp increase in soft backlog in the U.S. So for the remainder of the year in the U.S., and more specifically, I think, again, the marching order is really to reduce the time before between the time we open a position and sign up professionals to join our firm. I think, the goal is really to reduce the timeline. Because, yes, indeed, I mean, it's a very dynamic -- very dynamic market. and we want to be ahead of the curve. So I think, we're going to remain quite focused on this for the remainder of this year.

Benoit Poirier^ Okay. That's great. And when we look at your EBITDA margin target this year, the midpoint implies almost 50 bps improvement versus last year. Just wondering, going forward is 50 bps a year is kind of a sustainable level? And if are the key levers going to be about the same going forward to drive that margin improvement?

Alexandre L'Heureux^ Look, 55 basis points to be more specific, Benoit, for this year against last year. Look, if you look back over the last 5, 6 years, the track record has been to be from one quarter to the other, from one year to the other, anything between 30 to 50 basis points. So, I think that's probably a fair estimate going forward and for the remainder of our strategic cycle.

Post-strategic cycle, we'll need to update you with a new one. But certainly between now and the end of 2024, our goal is to remain within that ballpark.

Operator^ We're now going to proceed with our next question. And the questions come from the line of Devin Dodge from BMO Capital Markets.

Devin Dodge^ So, I wanted to come back to some earlier questions on labor, specifically the turnover. So, when we think back prior to the pandemic, I think WSP has been targeting, I think, around 12% voluntary turnover. Now obviously, the broader increase in turnover across the industry in 2022, kind of, defer those plans. So when you look out over the next few years, do you think that 12% voluntary turnover target is still an achievable goal? And if so, what are the levers to get there?

Alexandre L'Heureux^ Yes. We're not exactly back to historical level at WSP. And I just want to remind the audience that during the last plan, the goal was to get to 12%, and we were just slightly above that, so shy of the 12%. So clearly, we're not back to historical level right now, as it relates to turnover, but we've seen a sharp decrease in turnover. So to answer your question, yes, in the next few years, I think, 12% is achievable. And yes, that's something that we should aim for.

Devin Dodge^ Okay. And then maybe just a quick one. On the back of the divestiture of LB Services, are there other opportunities to prune the portfolio from services that aren't part of that Core Engineering Design and Advisory Services offering?

Alexandre L'Heureux^ Look, we typically buy more than we sell. That's a fact of life. But at the same time, we're not afraid to optimize our platform if we think that there are some assets that are not core to our strategy. And LBS, we just felt that another buyer would be a better home for this asset.

And frankly, from the time of the acquisition, the day we signed a transaction I've always had in the back of my mind that LBS is something that we would want to sell and afloat. But just -- we just wanted to refine the business and increase performance and profitability before selling it.

Operator^ We are now going to proceed with our next question. And the question comes from the line of Jonathan Lamers from LB Securities.

Jonathan Lamers^ Just following up on the questions around the 2024 strategic plan targets and how those tie to 2023 guidance. I know you've laid out that those targets had embedded 30 to 50 basis points of annual margin improvement. My question is just, given that the recently acquired businesses are performing in excess of your expectations, does that reduce the amount of additional margin that you can capture from those to your strategic plan initiatives?

Alexandre L'Heureux^ No, not necessarily. I think, the outlook we've provided for the plan is, I think, if my memory is not failing me, it's EBITDA margin between 17.5% and 18.5% EBITDA margin. So already this year, if all goes well and we don't see anything in the horizon that would prevent us from achieving that. We will be within that ballpark. So, already by the end of this year, we feel we will be already within the ballpark. And in 2024, the goal is really to continue to thrive and to improve on what we will have realized in 2023.

So, I'd say that with what we know today and the plans that we have in place, we clearly anticipate margin improvement next year despite the fact that we've -- certainly when we put this plan together, we had not planned for 5%, 6% inflation rate and 5%, 6% interest rate. But despite all of this, we are taking the means to generate a margin improvement in line with what we have projected.

Jonathan Lamers^ Would it be fair to say that the outperformance of the recently acquired businesses has been more on the sales side?

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Alexandre L'Heureux^ I'm sorry, the line wasn't good. I don't know if you could get closer to the microphone. I don't hear you well. Can you repeat the question?

Jonathan Lamers^ Sorry about that. My question is -- much better. Is it fair to say that the outperformance of recently acquired businesses has been more on the revenue generation side?

Alexandre L'Heureux^ No. I'd say that, generally speaking, and what I mean that when I said in the remarks that they're performing better than what we were anticipating in due diligence, we tend to be very conservative when we look at the price we're willing to pay for an asset. I think, just generally speaking right now, all of our acquisitions have been doing well on the top line and as well on the bottom line.

Operator^ We have no further questions at this time. I will now hand back to you for closing remarks.

Alexandre L'Heureux^ Well, thank you very much for attending this call. Again, we are extremely pleased with the performance of WSP in Q2 and in the first half of this year and we intend to work very hard to generate equally strong results in the remainder of this year. So, on that note, I would like to thank you and look forward to engaging with you during our Q3 call. Have a great day. Bye-bye.

Operator^ Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect your lines. Thank you and have a good day.