WSP Global Inc.

Second Quarter 2019 Results

Conference Call

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TABLE OF CONTENTS

PRESENTATION

Operator

Bonjour, mesdames et messieurs. Good afternoon, ladies and gentlemen. Bienvenue à la conférence téléphonique sur les résultats financiers du deuxième trimestre de l’année 2019 de WSP. Welcome to WSP’s second quarter 2019 results conference call.

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

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Isabelle Adjahi, Vice President, Investor Relations & Corporate Communications

Merci beaucoup and good afternoon. Thank you, everyone, for taking the time to join this call, during which we will be discussing our Q2 performance followed by a Q&A session.

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

Please note that the call is available on our website by webcast.

During the call we may be making some forward-looking statements and the actual results could be different from those expressed or implied and we undertake no obligation to update or revise any of these statements.

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

Alexandre L’Heureux, President & Chief Executive Officer

Thank you, Isabelle, and good afternoon, everyone.

I am pleased with our Q2 performance as we’ve delivered yet another very consistent quarter. Before we discuss our results in detail, I would like to underline the following points: First, we reported a solid Q2 with global organic growth in net revenues in line with our outlook and strong 12 months free cash flow; second, we continued to strengthen our backlog with high-quality and complex projects, providing strong foundations for future organic growth; and third, on the M&A front, while focusing on the integration of our most recent acquisitions, we are actively seeking new opportunities.

Before I comment on our second quarter, let me congratulate all of our employees around the world for our number-two ranking in the ENR top 225 international design firms survey which was announced a few days ago. We also received a number-one ranking in transportation, number-four ranking in buildings, our two core sectors, and in parallel WSP was recognized as the number-one engineering firm in North America by

Building Design+Construction Giants 300 ranking of engineering firms. These are significant accomplishments which demonstrate the depth of our expertise.

Now turning to our financial performance, as in Q1, please member that effective January 1, 2019 we have adopted IFRS 16 - Leases using the modified retrospective method for which no restatement of prior year financial statements was required. In order to facilitate comparison, we have provided a reconciliation for Q2 and year to date so that you can compare what our results are under IFRS 16 versus what they would have been excluding this new accounting standard. You can find this reconciliation in the slide deck accompanying this presentation, which is posted on our website in the investor relations section.

For the second quarter, net revenues were $1.8 billion, up 4.8% compared to Q2 2018. On a constant currency basis, organic growth in net revenues amounted to 2.5% for the quarter and 2.9% for the first half of the year. Adjusted EBITDA was $265.4 million with adjusted EBITDA margin reaching 15%. Backlog stood at $7.9 billion at the end of the quarter, representing approximately 10.7 months of revenues, and backlog organic growth amounted to 2.1% when compared to Q2 of 2018. Last 12 months free cash flow remained strong at $484.8 million, 171.1% of net earnings attributable to shareholders.

Now I would like to turn the conversation to our regional operational performance. Canada generated essentially flat organic growth, which is reflective of delayed project starts in Ontario; however, project wins continue to be strong with Canadian backlog growing organically at 3% for the quarter, which bodes well for future growth. Adjusted EBITDA margin before global corporate costs amounted to 19%, mainly due to the positive impact of IFRS 16. On a pre-IFRS 16 basis, adjusted EBITDA margin before global corporate costs stood at 14% in line with our expectations. During the quarter we were awarded a mandate as owner engineer for the $3 billion structuring transit network project of the city of Québec, which includes a 23-kilometre tramway line, 36 stations, and three exchange centres. As such, we will provide engineering consulting and architectural services to support the project office and the primary design and the preparation of technical requirements for the bidding process. We will also accompany the client during the tendering process and the implementation phase of the detailed design and construction activities. This contract represents fees of approximately $30 million.

Our Americas reporting segment posted organic growth in net revenue of 2.6%, stemming mainly from our US operation. Adjusted EBITDA and adjusted EBITDA margin before global corporate costs were the highest amongst all of our reportable segments, coming in at $122.6 million and 20.1%, respectively. On a pre-IFRS 16 basis, adjusted EBITDA margin before global corporate costs was at 16.6%. Organic backlog growth was particularly strong at 8.9% when compared to Q2 of 2018. In the US, WSP was selected by the Miami-Dade County Seaport Department to provide design services for a wide range of marine engineering inspection, repair and rehabilitation, as well as new construction of Port Miami's infrastructure. This project represents another successful collaboration with Louis Berger in the USA.

Our EMEIA operating segment delivered organic growth in net revenues of 1.5%, led by a strong UK transportation and infrastructure sector, which offset the continued cooling down in the private sector. Our Nordic operation delivered results in line with expectation with organic growth in margins negatively affected by a differential of 2.4% in billable hours in Q2 of 2019 compared to the same period in 2018. Adjusted EBITDA and adjusted EBITDA margin before global corporate costs in EMEIA stood at $77.3 million and

$12.8 million of net revenues for the quarter. Again, on a pre-IFRS 16 basis, adjusted EBITDA margin before global corporate costs stood at 9.8%. In the UK we have been reappointed by Leeds City Council as they're a professional services consultant. As such, we will be delivering a wide range of professional services, particularly around the council's bridges, highways, and flooding assets, which reinforces our commitment to supporting local government in the delivery of present day and future transportation solutions for their customers.

Our APAC operating segment posted organic growth in net revenues of 7.6%. Adjusted EBITDA and adjusted EBITDA margin before global corporate costs were $38.9 million and $13.9 million of net revenue. This performance was mainly driven by our Australian and New Zealand operations, which delivered organic growth in net revenues across most market sectors. Our Asian operation posted low-single digit organic growth, maintaining the focus on its disciplined growth strategy. On a pre-IFRS 16 basis, adjusted EBITDA margin before global corporate costs stood at 10%. In China, we were awarded the MEP project for the Alibaba's new office campus in Beijing, while in New Zealand, in partnership with Holmes, we were awarded structural work for the new (inaudible) Hospital, the largest ever hospital building in the country. Once again, we have successfully combined our local presence to our global expertise.

With this in mind, I would like now to comment on the strength of our backlog, which organically has been increasing 2.1% globally and was also robust in our main region, namely 3% in Canada and 8.9% in the Americas. We are confident that this will support global net revenue organic growth through the balance of 2019 and beyond. In the US alone, the integration of Louis Burger is translating in winning multi-year US federal contracts totalling more than US$500 million since the closing. These wins include projects such as the general, engineering, and architectural planning and design services for the US NATO bases and facilities in various European countries, the design support services for the rebuilding of the Tyndall Air Force Base after Hurricane Michael, and also the National Institute of Health Vaccine Research Center expansion design in Maryland.

Third, on the M&A front, integration of our recent acquisition is going as planned. I just mentioned some of the recent revenue synergies that we have been able to generate with Louis Berger, whose Middle East, Spain, US and Panama operation are integrated into ours. American-based Leach Wallace, which closed in April, is also starting to translate into revenue synergies. To date, we have already won $12 million worth of projects including the Penn State Medical Center in Lancaster, Pennsylvania, and the Lakenheath Air Force Base in the UK. In parallel, we intend to continue to leverage our strong free cash flow capabilities to realize acquisition in specific regions and sectors. However, while the pipeline of opportunities remains strong, we will remain patient and disciplined with our M&A strategy and will only pursue opportunities that make sense for our clients, our employees, and shareholders.

Bruno will now review our Q2 financial results in more detail. Bruno?

Bruno Roy, Chief Financial Officer

Thanks, Alex. Good afternoon, everyone. I'm glad to share the results for the second quarter of 2019.

Overall, we are pleased with our Q2 financial performance. Net revenues increased 14.8%, including 2.5% in organic growth. Adjusted EBITDA margin stood at 15%, in line with our expectations. End-of-period DSO stood at 80 days, essentially in line with last year. Trailing 12 months free cash flow remained strong at $484.8 million or 171% of net earnings attributable to shareholders. And finally, our balance sheet remained solid with a net debt-to-adjusted-EBITDA ratio of 1.6x including the impact of IFRS 16 and 1.9x excluding it.
Let's go into the details.

For the second quarter, revenue and net revenue rose to $2.3 billion and $1.8 billion, respectively, an increase of 14.8% compared to 2018. Organic growth in net revenues amounted to 2.5% for the quarter and 2.9% for the first half of the year, in line with our outlook. Adjusted EBITDA for the period stood at $265.4 million, up $95.9 million or 56.6% compared to Q2 2018. Adjusted EBITDA margins reached 15% compared to 11% last year. Excluding IFRS 16, adjusted EBITDA would have been $201.7 million or 11.4% of net revenues. As we now have more visibility on the accounting effect of IFRS 16 on our lease portfolio, we are increasing our full year adjusted EBITDA outlook range to $970 million to $1.03 billion. We expect the impact of IFRS 16 to range between $230 million and $240 million. Our backlog stood at $7.9 billion, representing approximately 10.7 months of revenue and increased 18.6% when compared to Q2 2018, including 2.1% in organic growth.

Turning to our balance sheet, we ended the quarter with a DSO of 80 days. Excluding the impact of the integration of Louis Berger, DSO would have amounted 77 days, two days lower than the same period last year.

Turning 12-month free cash flow amounted to $484.8 million or 171% of net earnings attributable to shareholders. Incorporating a full 12 month's adjusted EBITDA for acquisitions, our net debt-to-EBITDA ratio came in at 1.6x including the impact of IFRS 16 and 1.9x excluding it.

Finally, we also declared a dividend of $0.375 per share to shareholders on record as of June 30, 2019, which was paid on July 15, 2019. With a 52% dividend reinvestment plan participation, the net cash outflow was $19 million.

This concludes my remarks. Alex, over to you.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you, Bruno.

Before we open the line for questions, I would like to reiterate that we are pleased with our Q2 performance as we delivered solid results, which translated into positive trends on all key financial metrics, strong free cash flow, a strong balance sheet, a healthy leverage ratio that will support long-term growth. Based on this continued momentum in the regions, we are reiterating our full year 2019 outlook and updating our full year adjusted EBITDA outlook.

So, this is closing our remarks and I would like to open it for questions.

QUESTION AND ANSWER SESSION

Operator

Merci. À ce moment, si vous voulez poser une question, composer l'étoile suivit du numéro un sur votre clavier téléphonique. At this time, if you would like to ask a question, please press star followed by the number one on your telephone keypad.

Vous avez une question de Jacob Bout de CIBC. Mr. Bout, please go ahead.

Jacob Bout, CIBC Capital Markets

Good afternoon.

Alexandre L'Heureux, President & Chief Executive Officer

Hi, Jacob.

Jacob Bout, CIBC Capital Markets

So I guess in your opening comments you were pretty bullish on your backlog. Just curious, are you seeing any pockets of weakness given the trade wars? Are you seeing any clients delaying projects at all?

Alexandre L'Heureux, President & Chief Executive Officer

Look, right now we don't see this. I think that the backlog has been growing consistently across the patch. So even though, I mean if you take Canada as an example, projects have been slow getting out the gate. The backlog is growing. And these are good projects and they are good assignments, which leads me to believe that when, obviously, in Ontario things are picking up again, I think our Canadian business will be in a good position. And that's true for many of our regions right now, our major hubs around the world. Australia is doing extremely well. Our UK business, despite the uncertainty, has a good backlog, even though, as I said during my earlier comments, that the private sector is cooling down and cooling off, we are doing very well on the public side. So, all in all, I'm quite pleased with where we are today.

Jacob Bout, CIBC Capital Markets

So, if you can compare where you are today versus three months ago, are you feeling better or worse or the same as far as end markets are concerned?

Alexandre L'Heureux, President & Chief Executive Officer

I'd say I'm feeling and I am saying that I'm cautiously more optimistic. Let's put it this way. When we started January and February, starting the year, I think the entire executive team, the entire leadership team was going in the new year thinking, okay, what this will look like, and we were, admittedly, given what's happening on a macro level, we're all thinking, okay, what—it was hard to figure out what the year would look like. I'm telling you now I'm more optimistic after Q2 than I was after Q1.

Jacob Bout, CIBC Capital Markets

Okay. And then just going back to the Canadian and Ontario market, this improvement, is this kind of a back half 2019 or 2020 event?

Alexandre L'Heureux, President & Chief Executive Officer

Well, you're not talking to the right person. You should call the Prime Minister in Ontario to ask him. It's very hard for me to tell you what and if and how this will all... Eventually, I mean you look at, again, the trends in Ontario immigration, increasing population, the need for infrastructure, so of course I wish that the activity level was higher at this point in time, but this is probably, hopefully, just a blip and things will turn. But I'm unable to tell you whether this will turn in the next quarter or the quarter after or when, but hopefully, hopefully, it will turn sooner rather than later.

Jacob Bout, CIBC Capital Markets

And is this just quibbling between the Ontario and federal government or...?

Alexandre L'Heureux, President & Chief Executive Officer

I think it's mostly at all levels within the province. So I'm not going to get into all the details here on the call, but I would tell you that mostly right now is where we're seeing the biggest slowdown, because in Quebec and the rest of the country we are doing fairly well. But given that Ontario is such a big portion of our total book of business in the Canadian operation, it's clearly having its impact. But what I like is that we're winning work. And we're winning very good work. If you take the tramway, you look at the tramway in Québec City, this is fantastic news for us, you know, to be the owner's rep on this assignment. So I conclude by saying in Canada this is certainly not self-inflicted. The business is doing well, the leaders should be commended for their work, but it's just now outside of our control.

Bruno Roy, Chief Financial Officer

And look, Bruno here, clients have to go through their due process and we respect that. So we'll be ready when they are.

Jacob Bout, CIBC Capital Markets

Thank you very much.

Operator

Vous avez une question de Derek Spronck de RBC. Mr. Spronck, please go ahead.

Derek Spronck, RBC Capital Markets

Good afternoon. Thank you for taking my questions. When you look at your acquisition pipeline and focus, you made an acquisition of Leach Wallace, which is kind of I'd classify it more of a specialty type of engineering firm. Is the focus going forward looking towards these more specialized type of engineering firms or bulking up and driving economies of scale in your existing verticals or maybe some combination of both?

Alexandre L'Heureux, President & Chief Executive Officer

It's all of the above. If you take Leach Wallace, why I wanted to talk about Leach Wallace on this call and why we completed an acquisition in town planning in the UK recently, these, I agree with you they are niche, they're a niche acquisition, but they are very complementary to what we do and this is allowing us to be more upstream with our clients, but also it is allowing us to diversify our service offering and making sure that we solidify our position in the marketplace.
You take Leach Wallace with our ccrd acquisition, which I think was done in 2015 or 2014, my memory is failing me, but now I think arguably we are probably the biggest health care engineering firm in North America, not in North America, well, yes, North America, but in the US, put it this way. And health care for us is very strategic and therefore when we had the opportunity to buy this niche firm we clearly engaged with them.

Having said all that, we are subscale in a number of end markets, we are sub-scaled in a number of regions and countries, and therefore it will take more than those niche acquisitions to get to where we want to get and the aspiration that we have for the firm between now and 2021. So we'll need to find bigger-sized acquisitions.

Derek Spronck, RBC Capital Markets

Are there other niche verticals that you find attractive right now?

Alexandre L'Heureux, President & Chief Executive Officer

Well, there are a number of niche verticals that we like and the building sector clearly. I mean we would want to grow again. I talked about health care, I would like to do it globally, would like to grow aviation, would like to grow fire and specialty services. So there are a number of different verticals in those sectors I would like to grow. In transportation, the same thing. I mean I can name, there are so many that we could grow right now. And then we have the subscale end markets that we want to grow essentially in all the subsectors. So environment, power, energy. I mean these are just to name a few that we believe we'd like to grow. And also, in terms of services, we have so much more room to grow on project and program management. So when I talked about our 2019-2021 strategy, I did talk about our strategic advisory services. And that's real. We want to grow in that area as well. So, over the next few years we will remain extremely disciplined and focused, as we have always been, but our eyes are wide open and if we can be opportunistic, we will be.

Derek Spronck, RBC Capital Markets

Okay. Maybe just one more for myself before I turn it over: How do you balance between near-term demand when you're looking at potentially new verticals and new regions versus your expectations of these longer-term trends playing out?

Alexandre L'Heureux, President & Chief Executive Officer

I'd tell you we don't manage the company on a short-term basis. We've never done that. I don't manage and I don't drive the business on the basis of the next quarter or the quarter after. We look ahead. We look at the trends. We look at the markets. We look at where we want to play in the marketplace. And we develop a strategy and we stay true to it. And that's what we've done in early this year we rolled out our strategy and now the team is quite busy executing on it on a number of fronts on all of our pillars.

Of course, we have to report on a quarterly basis and the demands are there and we have to perform. And our clients are demanding services now and we are addressing it. We have many organic growth initiatives to address some of it. Like a year or two ago in the UK, for instance, I mean we did a built a port and marine business essentially from scratch organically by hiring talent, because the demand is just there. So we are busy every day trying to address our clients' needs and I think that's paying off.

Derek Spronck, RBC Capital Markets

Okay. Thanks for the additional colour.

Operator

Vous avez une question Frederic Bastien de Raymond James. Mr. Bastien, please go ahead.

Frederic Bastien, Raymond James

Bonjour.

Alexandre L'Heureux, President & Chief Executive Officer

Hello, Frederic.

Frederic Bastien, Raymond James

Guys, just wanted to talk about the Nordics. You mentioned there was a differential in billable hours that worked against you in Q2. How do you expect that to shape out in the second half?

Bruno Roy, Chief Financial Officer

Yeah, thanks, Fred. It's essentially 11 less billable hours across the business in the Nordics for the second quarter. We'll recoup the bulk of that in the third quarter.

Frederic Bastien, Raymond James

Sorry, I missed the beginning of your answer, Bruno.

Bruno Roy, Chief Financial Officer

So 11 hours for the second quarter across the Nordics less than we had last year. We'll recoup the very bulk of that in the third quarter of this year. So you should expect the inverse effect in Q3.

Alexandre L'Heureux, President & Chief Executive Officer

And I realize, Frederic, when we talk about 11 hours, you'd be like why is it so material on a quarter, but at the end of the day, a day and a half is really material in the time and material business when you do bill on a—it's not a fixed price. As you may or may not know, in the Nordics, most of our work is on a T&M basis, so when you are unable to bill an additional 11 hours, I mean it's clearly having an impact.

But I would say to you that, again, going back to Jacob's question earlier on finishing the year, ending out the year in Sweden last year and going through the budgetary process, I was wondering how is Nordic going to do in 2019. And it was too early, in my mind, to formalize it during the first quarter of this year. But then I look now at Q2 and I look at how Sweden performed in this quarter and I'm feeling cautiously optimistic for the remainder of the year. Feeling good about it.

Frederic Bastien, Raymond James

Okay, great. And you laid out a number of projects that you'd recently secured, which is great. Are there any sort of large-scale opportunities that you're particularly excited about?

Alexandre L'Heureux, President & Chief Executive Officer

There are. There are. Right now I would tell you that, and this is something that I've been discussing, I've been vocal about in the last year and a half ago, the lack of, at times the lack of signing big, big job in our biggest markets. And I find that if I think of the UK, or think about Australia for that matter, or even Canada with this new assignment that just won, and there's a few as well in the US that I'm unable to talk about, I feel that this is good. This is good. But this is not good enough to be excited about the prospect. We need to win them. And they haven't been won yet. So we have to work hard on executing and winning those jobs.

Frederic Bastien, Raymond James

Understood. Last one for me. Can you remind me what the share of income of associate relates to? I know it's been bumping up since the acquisition of Louis Berger.

Alexandre L'Heureux, President & Chief Executive Officer

You talk about the Canadian business?

Frederic Bastien, Raymond James

I don't know. If you could provide some clarity on that. There's an increase in the share of income of associates and that's since the beginning of the year.

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, we could get back to you on this one. I don't have the number in front of me but I will get back to you after this call.

Frederic Bastien, Raymond James

But it does pertain to the Louis Berger acquisition, correct?

Alexandre L'Heureux, President & Chief Executive Officer

The Louis Berger acquisition, yes.

Frederic Bastien, Raymond James

And how do you say it? Louis Berger?

Alexandre L'Heureux, President & Chief Executive Officer

Looks, it's a very interesting debate. I was in Paris talking to our Louis Berger or Louis Berger (inaudible) and I was sitting in the Paris office and they said, "Alex, we say Louis Berger." I said, "Okay. Louis Berger." So I said all right. I wasn't sure if it was Louis Berger, Louis Berger, Louis Berger. So you pick one and you go with it. You run with it.

Frederic Bastien, Raymond James

Okay. Fair enough. Thank you.

Operator

Vous avez une question de Michael Tupholme de TD Securities. Please go ahead, Mr. Tupholme.

Michael Tupholme, TD Securities

Thank you. Alex, you've reiterated your guidance metrics, at least as it relates to organic revenue growth. You talked a little bit about Canada earlier in the call. I'm just wondering if we think about some of the other geographic regions, think back to the segmented outlook commentary you'd made at the time of the Q4 release looking forward to 2019, are there any other regions, setting Canada aside, whereby you've seen any sort of different trajectory relative to what you would have expected when you provided that outlook commentary at the Q4 release?

Alexandre L'Heureux, President & Chief Executive Officer

The answer is Canada. I mean, bluntly, Canada was, to me, has been the biggest surprise in 2019. I mean we were going in with a very good backlog and we were under the impression that our organic growth level would be much stronger, in all fairness, if I'm totally transparent. So to me, this is by far, in 2019 after six months, the biggest disappointment, if I can say. I mean this has clearly been, for me, the biggest disappointment.

You look at the other regions. The UK, frankly, is surprising me, but it's positive. I mean we've been pleasantly surprised by how our UK operation has been performing. And, again, some of them are, I'm sure, listening. They should be commended for the work that they've done in the first six months. Sweden also is doing very well this year. And again, the last recession in Nordics was around 2000. So you always wonder when should we be expecting some cooling off or some slowdown and, again, this year after six months, the team is doing very well.

In Australia, we've experienced high, high double-digit growth for two, three years in a row. This year is slightly below, it's slightly lower, but we like that. That's done on purpose. When you've experienced 30%, 40% growth over three years, at some point you need to digest that growth. You need to make sure that the operation in the background is able to cope with that growth. So, to have high single-digit growth in Australia, we're quite pleased to have that level of growth at this point in time. So to us, this is good news.

So, all in all, I'd say that after six months we are where we want to be. We have to execute on the next six months. But the good news is we're going in and Q3 oftentimes has been a good quarter for us and Q4 as well, so looking forward to the next six months.

Michael Tupholme, TD Securities

Okay. Thank you for that. Looking at Louis Berger, in the MD&A there's commentary around the integration progressing to plan and some restructuring you're undertaking there. Is there an opportunity to adjust the cost base of that business to down closer to the level of, I guess, legacy WSP's cost base in the US? Is that what that restructuring is aimed at achieving?

Alexandre L'Heureux, President & Chief Executive Officer

Absolutely. I mean I'm not sure I have anything else to add to your question other than saying absolutely. I think that's what we're aiming to do, is really to bring the margin to where the legacy WSP is in the US. So that's the aspiration, the aim at this point. But it takes a bit of time. Obviously, real estate may take a year or two sometimes to offload some of those offices, redundant space. But certainly, from a people point of view you, from a back-office point of view, we will aim to do that by the end of this year.

Michael Tupholme, TD Securities

Okay. And Bruno, can you just explain what is it that led to the upward revision in the expected impact of IFRS 16 relative to the original guidance?

Bruno Roy, Chief Financial Officer

So, the original guidance was essentially a new standard. We have, keep in mind, 500 offices around the world, so we have a portfolio of leases that moves around. And we also had the integration of LB to manage at the same time. So, when we had to come up with our initial guidance and initial assessments, we erred on the prudent side. We've now had more visibility on the numbers. We're comfortable with raising our range to $230 million to $240 million. It's simple as that.

Michael Tupholme, TD Securities

Okay. And does that impact any particular region more than any others?

Bruno Roy, Chief Financial Officer

No.

Michael Tupholme, TD Securities

So, when we think about the margins for the various regions, this is sort of evenly distributed across all regions?

Bruno Roy, Chief Financial Officer

Yeah, across the four reporting segments, yes. Fair assumption.

Michael Tupholme, TD Securities

Okay. That's all I had. Thank you.

Alexandre L'Heureux, President & Chief Executive Officer

Thanks, Michael.

Operator

Vous avez une question de Benoit Poirier de Desjardins. Mr. Poirier, please go ahead.

Benoit Poirier, Desjardins Securities

Good afternoon, Alex and Bruno, and congrats for the good quarter. Just to come back on Canada, I was wondering if you get a sense that the kind of the pause in Ontario might be due to the election. And would it be also fair to say that you were facing kind of a tough compare in Canada as you grew organically by 6.6% a year ago?

Alexandre L'Heureux, President & Chief Executive Officer

I'd say it's two very fair assumptions, clearly, Benoit. I think last year in Canada we had a very good second quarter. Why? Because in 2017 Canada had a very bad quarter, if you recall. So obviously it's the rules of comparison. And then clearly, I don't want to get into politics, because this is certainly not our area of expertise and certainly not something I'd like to mention, but there definitely has been a slowdown since the election. That's all I can say. It's noticeable. And it's not only noticeable by WSP, but noticeable by essentially all of our players in our industry but actually in all industries. So I think that that's what's been taking place and I guess we cannot be, we just cannot use this as an excuse and we are busy running the business and executing on our backlog until such time that those projects are approved and we can then execute on them.

Benoit Poirier, Desjardins Securities

Okay. And can you remind us the relationship with SNC, if you've been impacted by any projects related to the SNC or maybe create some opportunities for WSP here?

Alexandre L'Heureux, President & Chief Executive Officer

The answer to your first question, Benoit, is no. We haven't been impacted whatsoever. And to your second question, we never wish bad luck and bad outcome to our competitors. So the answer is we are dealing with our business, we're busy enough executing our own strategy, so we're trying not to spend too much time looking what's done elsewhere and trying to execute on what we have to do day in, day out.

Benoit Poirier, Desjardins Securities

Okay. Perfect. And maybe when we look at EMEIA, you mentioned, Bruno, 11 billable hours. So, you grew organically EMEIA by 5.7% in Q1, so how should it translate in terms of organic growth rate? What the impact in Q2 and what we could see, let's say, in Q3?

Bruno Roy, Chief Financial Officer

So ballpark, I'll give you the number on Q2. So if you had normalized for these hours in Q2, the number for EMEIA would have been between 2 and 2.5, depending on the assumptions you make on utilization. And keep in mind, I mean 11 hours is about, what? 3% of our hours a quarter, right? So add an extra 3% to the next quarter in terms of numbers of hours for that region. (Inaudible).

Benoit Poirier, Desjardins Securities

Okay. And global corporate costs, a little bit outside of your range of $20 million, $25 million. Is $20 million, $25 million still a good proxy or now would it be fair to say that it will be moving a little bit higher here?

Bruno Roy, Chief Financial Officer

Yes, $20 million to $25 million is still a good proxy.

Benoit Poirier, Desjardins Securities

Okay. Okay, perfect. Okay. Thank you very much.

Operator

Vous avez une question de Dimitry Khmelnitsky de Veritas. Please go ahead, sir.

Dimitry Khmelnitsky, Veritas Investment Research Corporation

Bonjour. Can you please talk a little bit more about the organic revenue growth expectations into 2019 and then going forward 2020 and 2021 if possible?

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, we provided an outlook at the beginning of the year on our net revenue range, so I would ask you or refer you to the outlook provided at the end of Q4. And just by way of reminder, today we've reiterated our outlook on top line, so nothing has changed. And then to your second question in the years to come, we are living in a world where things change rapidly, so it's quite hard for me at this point in time, without the benefit of having a good budgetary session in the fall starting in September with our executive team, to have really a good view on what 2021, for instance, may look like. So, at this point in time, I'd like just focus on 2019 and I think we're confident that our numbers will fall within the range that we provided on top line.

Dimitry Khmelnitsky, Veritas Investment Research Corporation

So I guess around 3% organic growth rate in 2019.

Alexandre L'Heureux, President & Chief Executive Officer

We provided, again, I don't have the outlook in front of me, but 2% to 5% is what we provided.

Dimitry Khmelnitsky, Veritas Investment Research Corporation

2% to 5%, sorry. And can you discuss the difference in adjusted EBITDA margins between the Americas and Canada segments compared to EMEIA and APAC?

Alexandre L'Heureux, President & Chief Executive Officer

Yeah. Look, every country has different structural tweak to it. So, for instance, if you take pensions and benefits in the Nordics, typically fringes to employ the unions are much higher in the Nordics than they would be otherwise in Canada or in the US for that matter. I think competition landscape will also be playing a very vital role on pricing on projects depending on the supply and demand in any of those countries. And thirdly, also, I would also say that the procurement process will also have an impact on the profit margin of any given project or any given country. So, given that the procurement process may be different in Australia than it is in Canada or in the US, this will have an impact on the pricing. And also then the private sector versus the public sector and then the end market mix. I mean I wouldn't be in a position to give you one single reason why there are some variation in profitability from one country to the other. All I can tell you, though, is that WSP has a strategy. Our strategy is to be a top tier margin player in every country and region where we operate.

Dimitry Khmelnitsky, Veritas Investment Research Corporation

Thank you. Merci.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

Vous avez une question de Maxim Sytchev, National Bank Financial. Please go ahead, Mr. Sytchev.

Maxim Sytchev, National Bank Financial

Hi. Good afternoon.

Bruno Roy, Chief Financial Officer

Hi, Max.

Maxim Sytchev, National Bank Financial

Just as you were talking actually, Alex, about supply/demand dynamic, and it feels like the entire integrated E&C industry right now is moving towards consulting, I'm just wondering if you have any kind of initial thoughts on potential pressure on fees or you just see that kind of a status quo dynamic to persist.

Alexandre L'Heureux, President & Chief Executive Officer

Actually, Max, see this as very good news personally. I think this is, well, first of all, this is, in some in way, justifying the model, our model, the WSP model that we've been advocating now since our IPO in 2006. And we've always remained true to this model. Even though some of our peer group were telling us that we were not headed in the right direction and the integrated model was the way to go, we've always had strong belief that this is not our DNA of our company and what we stood for. We are, first and foremost, a professional services firm. We want to build the best brand as a trusted adviser to our clients, so we're not interested in construction risk.

And I also see that, if you look at our peer group, most, our top three or four larger competitors around the world, one or two in the US, some in Europe, in Australia and here, you find that, in some ways, multiples have gone out significantly in other parts of the world with the exception of Canada. So it's almost like pure plays in the Nordics and in the US have been rewarded for following this, you know, essentially to adhere to this or to embrace this model. So that's why I believe that this is good news that at some point people will realize that this is a strong model, this is a sustainable model, and I believe that this bodes well for us in the future.

Maxim Sytchev, National Bank Financial

Okay. Makes total sense. I was wondering if you have any update on the journey in terms of the margin profile that you guys telegraphed in terms of improvements. Anything, maybe, you can point to as initiatives or any success on that front if it's possible?

Alexandre L'Heureux, President & Chief Executive Officer

As I mentioned before during Q2 investors, if you recall, Max, and some of you on the line, increasing margin profile of a company with more than 150,000 live projects requires a number of different levers. It's not just one lever like utilization, for instance, that will drive the margin up. It's a number of different levers and action and initiatives that will allow us to increase margin profile.

And the way we look at our margin improvements yesterday and to you when we unveiled our strategy in early this year, we telegraphed a global aggregate margin improvement of X, Y and Z. But the reality is that we define and put together a plan for every region, because the actions required in Australia are clearly different than the ones in the US, are very different than the ones in Canada, and the actions required in Sweden.

So today I can go and talk about all of this, but all I can tell you is that every single country has a plan to increase the margin profile at this point in time with a number of different actions to achieve that. Some it's reducing corporate costs, others is to increase the utilization, some others is really to do a better job at increasing prices on certain assignments. So it's a number of different dynamics that is taking place in every single country.

Bruno Roy, Chief Financial Officer

Yes. As Alex just mentioned, there's a number of things that go into this. Obviously, supportive markets are another one. We were adding good markets, broadly speaking, across most of our geographies. And in terms of tracking, look, if you take the current quarter as a point in time, if you look at our margin last year, we were at 11% EBITDA. And if you look now and if you strip out IFRS 16, we're at 11.4%. So we're tracking well towards where we want to track by the end of 2021. It's a point in time.

Alexandre L'Heureux, President & Chief Executive Officer

But again, I wouldn't draw any conclusion on one quarter. You heard me before saying that I wouldn't want anybody to draw a conclusion on one quarter. You need to look at the trends over a much longer period of time given that the life cycle of our projects are much longer oftentimes than 90 days. So things can change. But I agree with Bruno that this is a good quarter.

Maxim Sytchev, National Bank Financial

Yeah, for sure. And maybe just last one for clarification. Do you mind reminding us your public/private split in the UK if you don't mind?

Alexandre L'Heureux, President & Chief Executive Officer

If my memory is not failing me, it's 60/40 public and 40 private. And just as a reminder, in 2012 it was 80 private, 20 public. So, over the last six years, this has been one of the best transformations we've done in our group is really to diversify the business such that we're no longer dependent on one single sector.

Bruno Roy, Chief Financial Officer

And that's on the back of the Mouchel acquisition and on the back of the Opus acquisition as well.

Alexandre L'Heureux, President & Chief Executive Officer

And the PB acquisition in 2014.

Maxim Sytchev, National Bank Financial

Okay. Excellent. That's it for me. Thank you very much.

Alexandre L'Heureux, President & Chief Executive Officer

Thanks, Max.

Operator

Vous avez une question de Nauman Satti de Laurentian Bank. Mr. Satti, please go ahead.

Nauman Satti, Laurentian Bank Securities

Hi. Good afternoon, everyone.

Alexandre L'Heureux, President & Chief Executive Officer

Good afternoon.

Nauman Satti, Laurentian Bank Securities

So my first question is you mentioned about the performance in Australia. If you could also comment on the performance in New Zealand and if you could provide some colour on how the two markets are different.

Alexandre L'Heureux, President & Chief Executive Officer

Both markets are very good at the moment. They're very strong. We won a major assignment in New Zealand recently and I talked about it during the call early on. This is for us a major one. As an international firm to enter a new market not even 24 months ago and be in a position to win the biggest assignment, the biggest hospital ever built in the country, so we're quite pleased by this achievement.

I'd say that, just to provide a bit of information on both countries, I would say Australia all of, if not all of the international firms are there, and they are competing hard. This is not necessarily true for New Zealand. Although many of our international firms, competitors on the international front, are present, you find more local firms in New Zealand than you would find in the Aussie market.

So, for instance, our biggest competitor in New Zealand right now is a local firm. But they're both very, very good and very strong, benefitting from a large movement in immigration from Asia down to Asia Pacific. I think you may have heard or seen that Australia has plans over the next two years to double in size Sydney and double in size Melbourne given what I just talked about from an immigration point of view. But this is also happening in New Zealand. Not to the same scale, it's a much smaller country, but Auckland is also growing, and so that's why we thought that this would be wise to invest and deploy capital in the country.

Nauman Satti, Laurentian Bank Securities

Thanks for the colour. It's really helpful. Just one more from my end. I see that in the resource segment there was quite a big jump on the revenue front. What's driving that and what's the outlook that you see in that segment?

Alexandre L'Heureux, President & Chief Executive Officer

You mean in the Canadian market? The Canadian business?

Nauman Satti, Laurentian Bank Securities

Yes. Yes.

Alexandre L'Heureux, President & Chief Executive Officer

Well, I mean when you're performing and you're comparing off low levels, it always looks good. Clearly, the oil and gas sector, from where I'm sitting and talking to our people, we're clearly not out of the woods.

So this is still a tough market. But this year, admittedly, our energy business in Canada is doing much better than it was a year or two ago. So it's been performing well. And I'll leave it to that at this point.

Nauman Satti, Laurentian Bank Securities

Thank you. That's it for me and congrats again on your results.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

Vous avez une question de Chris Murray de AltaCorp. Mr. Murray, please go ahead.

Chris Murray, AltaCorp Capital

Thanks, folks. Just really quick, I don't know who wants to take this, just on your guidance on adjusted EBITDA. Last quarter, you know, $950 million to $1 billion, now we're up about 2% to 3%. Bruno, I guess what I just want to make sure and just listening to some of the questions, what's going into that upwards revision? Is it things like FX? And I mean you alluded to the fact that you're feeling better about the Nordics, so it's maybe your outlook. Or is there anything, call it, financial or accounting-wise related to the IFRS 16 change that's moving that number around?

Bruno Roy, Chief Financial Officer

It's simply to update the impact of, ah, (inaudible) impact of our update on the IFRS 16 range. We were at $210 million. We've now raised that from $230 million to $240 million. That's it.

Chris Murray, AltaCorp Capital

Okay. So that's the way to think about it. Okay. Thanks. That was my only question.

Operator

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

Isabelle Adjahi, Vice President, Investor Relations & Corporate Communications

Thank you and thanks, everyone, for participating in this conference call.

Before we hang up I just want to let you know that (inaudible) the schedule of our reporting for our Q3 results will be slightly different. We will be showing the press release after market on November 5th and hold the conference call the next morning on November 6th at 8:00 a.m. So I will be issuing a press release ahead of time, as usual, to provide details for the call, but please make some notes of this change.
On that note, have a nice end of the day and, as usual, I am available for any follow-up questions you may have. Thank you.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you, everyone.

Operator

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

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