WSP Global Inc.

WSP Global Inc. First Quarter 2019 Results Conference Call

Tuesday, May 14, 2019 – 4:00 PM ET

TABLE OF CONTENTS

CORPORATE PARTICIPANTS

Isabelle Adjahi
Vice President, Investor Relations & Corporate Communications

Alexandre L'Heureux
President & Chief Executive Officer

Bruno Roy
Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Rahul Malhotra
CIBC World Markets

Yuri Lynk
Canaccord Genuity

Mark Neville
Scotiabank

Benoit Poirier
Desjardins Capital Markets

Chris Murray
AltaCorp Capital

Derek Spronck
RBC Capital Markets

Maxim Sytchev
National Bank Financial

Michael Tupholme
TD Securities

PRESENTATION

Operator
Bonjour, Mesdames et Messieurs. Good afternoon, ladies and gentlemen.
Bienvenue à la conférence téléphonique sur les résultats financiers du premier trimestre de l'année 2019 de WSP.

Welcome to WSP's first 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

---

Isabelle Adjahi, Vice President, Investor Relations & Corporate Communications

Good afternoon and thank you for taking the time to join us today to discuss our Q1 2019 performance. We will first make a few remarks and then we will open the line for a Q&A session.

With me today are Alexandre L'Heureux, our President and CEO, and Bruno Roy, our CFO.

Please note that the call is being webcasted and we will make it available on the website.

During the call we will 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 Q1 performance, which we will be discussing in detail in a few moments. There are three points I would like to highlight today.

1. First, we are pleased with our Q1 financial performance as it met our target set out in our 2019 outlook and provide a good start to our 2019 and 2021 strategic cycle. We posted solid overall organic growth and net revenues, which demonstrates how our diversification across markets and geographies provide solid foundation for sustainable growth.
2. Second, our backlog continues to grow organically and we have added a few major projects to our portfolio, which bodes well for the remainder of 2019.
3. Third, on the M&A front, after a full quarter of combined activities with Louis Berger we are now executing on our integration efforts according to plan. We have already begun noticing the impact stemming from the collaboration of our teams and the synergistic benefits of the transaction. In parallel, we've continued with our acquisition program with a series of tuck-in acquisitions helping to strengthen our expertise in Australia, the US, and Western Europe.

Let me start with a few comments on our Q1 financial performance. As a reminder, effective January 1, 2019 we have adopted IFRS 16 Leases using the modified retrospective method for which no restatement of prior-year financial statement was required. We will discuss the full impact of this adoption in a few minutes.

For the first quarter, net revenues were $1.7 billion, up 13.2% year over year. On a constant currency basis, organic growth and net revenue stood at 3.2%, in line with our expectations. Adjusted EBITDA was $216.9 million with adjusted EBITDA margin reaching 13%, most of the increase being attributable to IFRS 16. Without the IFRS 16 adjustment, adjusted EBITDA would have stood at $153.1 million with a 9.2% adjusted EBITDA margin. Finally, our backlog, which stood at $7.9 billion at the end the quarter, represents approximately 10.7 months of revenues, grew 1.4% organically compared to Q4 of 2018.

Let's now move to our regional operational performance. Organic growth in net revenues from our Canadian operation, although slightly positive at 0.7%, was impacted by provincial elections in Ontario and Alberta, which resulted in the start of some projects being delayed. On a pre-IFRS 16 basis, adjusted EBITDA margin before global corporate costs stood at 10.1%, an improvement compared to the same period in 2018 and in line with our expectation. Including IFRS 16 it amounted to a 15.5%.

Our Americas reportable segment posted negative organic growth in net revenue of 0.5% and a 10.6% pre-IFRS adjusted EBITDA margin before global corporate costs. And including IFRS 16 and amounted to 14.6%. Excluding the impact of FEMA on 2018 results, we would've posted positive organic growth of 5.3% for the quarter.

Our EMEIA reportable segment delivered organic growth in net revenues of 5.7% and pre-IFRS adjusted EBITDA margin before global corporate costs of 10.6% of net revenues, slightly above our expectations. Including IFRS 16 it amounted to 13.6%. Our UK operation posted higher than anticipated organic growth and net revenues with rail continuing its strong showing from 2018. The Nordics operation performed as anticipated and continued to focus on improving operating margins.
Our APAC reportable segment posted organic growth in net revenues of 6.9% and pre-IFRS 16 adjusted EBITDA margin before global corporate costs at 10.2% of net revenues. Including IFRS, the IFRS adjustment, it amounted to 14.3%. This performance, which was slightly above our expectation, was mainly driven by our Australian operation, which posted strong organic growth in net revenues for the quarter.

Now that we have discussed our regional performance, the second element I want to highlight is how the depth and the breadth of our expertise combined with our collaborative approach is translating into major project wins across the globe. Let me highlight a few of these wins.

In Canada, as part of the East West Connectors joint venture partnership, we were selected to provide design engineering services related to the $2.6 billion Ottawa Confederation Line LRT extension project.

In the US, WSP was selected for the design of the $2.2 billion North Carolina 540 Highway Project in Raleigh. As a lead designer for the construction joint venture, WSP will also provide management, permitting, and construction drawings for the entire project.

Finally, in New Zealand, following outstanding collaboration between our New Zealand and our Australian colleagues, our consortium has been selected as the preferred tenderer for the Auckland City Rail Loop stations and tunnels. This is New Zealand's largest transportation infrastructure project ever with an overall value of NZ$4.4 billion and this achievement is the direct result of combining legacy local depth of expertise with our rail capability in Australia.

These are just a sample of some of the projects we won and we are optimistic about the continued growth of our backlog.

Third, we have carried on with our M&A activities. Since the beginning of the year, in line with our strategy, we completed four acquisitions being Sepia, TGP, and Indigo in Europe, as well as Leach Wallace Associates in the US. Although not large, they each bring specific expertise or access to specific geographies. These acquisitions, totalling approximately 300 employees, were financed using our available cash and credit facilities. I would like to officially welcome our new colleagues to the WSP family.

Finally, I would like to briefly mention the impact of IFRS 16, which we adopted as of January 1, 2019. Although this does not change our way of doing business or alter our cash flows, the main impacts of IFRS 16 are twofold. One, on our balance sheet, it results in a significant increase to both assets and liabilities. And also in our P&L, our operating lease expenses are replaced by depreciation expense on the right to use assets and an interest expense on our lease liability. As a result, we have updated some metrics of our 2019 outlook and of our 2019 and 2021 global strategic plan, which Bruno will go through in a few minutes.

Bruno will share these updates with you in a few minutes but first he will review our Q1 financial results in more details. Bruno?

Bruno Roy, Chief Financial Officer

Thanks, Alex, and good afternoon, everyone. I am pleased to comment on our results for the first quarter of 2019.

Overall, we are pleased with our Q1 financial results. Organic growth in net revenues was 3.2%, in line with our expectations. Adjusted EBITDA margin was at 13%. Trailing 12 month free cash flow amounted to $453.8 million, representing 173% of net earnings attributable to shareholders. DSOs have remained stable at 78 days, in line with Q1 2018. Finally, our balance sheet has remained solid with a net-debt-to-adjusted-EBITDA ratio incorporating a full 12 months adjusted EBITDA for acquisitions of 1.7 times. Now let me dig into the details.

For the first quarter, revenues and net revenues were $2.2 billion and $1.7 billion, respectively, an increase of 13.8% and 13.2% compared to 2018. Adjusted EBITDA for the period stood at $216.9 million, up $83.4 million or 62.5% compared to Q1 2018. This increase mainly is the result of the adoption of IFRS 16. Excluding the impact of the adoption of IFRS 16 Leases, adjusted EBITDA would have stood at $153.1 million. IFRS 16 also had an impact on adjusted EBITDA margin, which came in at 13%. Excluding IFRS 16, adjusted EBITDA margin would have been 9.2%, slightly higher than Q1 2018.

Adjusted net earnings were $70.2 million or $0.67 per share, up 27% and 26%, respectively, compared to 2018. Including the impact of the adoption of IFRS 16 Leases, adjusted net earnings would have stood at $75.5 million or $0.72 per share. Net earnings attributable to shareholders amounted to $63.6 million or $0.61 per share on a diluted basis, up 28% and 27%, respectively, compared to Q1 2018. Excluding the impact of the adoption of IFRS 16 Leases, net earnings attributable to shareholders would have stood at $68.9 million or $0.66 per share.
Our backlog stood at $7.9 billion, representing approximately 10.7 months of revenue, up $194 million or 2.5% compared to the previous quarter. Organically, our backlog grew at 1.4% when compared to Q4 2018.

Turning to the balance sheet, we ended the quarter with a DSO of 78 days, in line with seasonality and comparable to Q1 2018. Incorporating a full 12 months adjusted EBITDA for all acquisitions, our net-debt-to-EBITDA ratio came in at 1.7 times, slightly lower than Q1 and Q4 2018. Excluding the impact of the adoption of IFRS 16 Leases, incorporating a full 12 month adjusted EBITDA for acquisitions, net-debt-to-adjusted-EBITDA ratio would have stood at 1.9 times. We also declared a dividend of $0.375 per share to shareholders on record as at March 31, 2019, which was paid April 15, 2018. With a 50% dividend reinvestment plan participation the net cash outflow was $19.7 million.

Before turning it back to Alex, I wanted to highlight the impact of IFRS 16 on both our 2019 outlook and our 2019-2021 global strategic plan. For our 2019 outlook, IFRS 16 had an impact on adjusted EBITDA, which we now forecast to be ranging between $950 million and a $1 billion; adjusted EBITDA seasonality fluctuations, which we now forecast to range between 20% and 30% with Q1 being the lowest and Q3 being the highest; and net-debt-to-adjusted-EBITDA ratio, which we now forecast to be ranging between one to two times. In order to facilitate comparison, we have provided a reconciliation for Q1 2019 so that you can compare what our results are under IFRS 16 versus what they would have been excluding IFRS 16. 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 2019-2021 strategic plan, updates to reflect the impact of IFRS 16 are as follows: adjusted EBITDA margin is now forecasted to be between 14% and 15% and net-debt-to-adjusted-EBITDA ratio is forecasted to be between one and two times.

Alex, back to you.

Alexandre L'Heureux, President & Chief Executive Officer

Okay. Thank you, Bruno. I would like now to open the line for questions. Thank you.

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. Thank you. At this time, if you would like to ask a question, please press star followed by the number one on your telephone keypad.

Your first question comes from the line of Jacob Bout from CIBC. Please go ahead.

Rahul Malhotra, CIBC World Markets

Hi. Good afternoon, Alex and Bruno. This is Rahul on for Jacob.

Alexandre L'Heureux, President & Chief Executive Officer

Okay. Hi, Rahul.

Rahul Malhotra, CIBC World Markets

So, maybe just starting with the revised 2019 outlook targets, if we annualize the positive IFRS 16 EBITDA impact in Q1 2019 that comes out to about like $255 million while the revised 2019 EBITDA outlook bumps up by about $210 million. So, what explains that delta?

Bruno Roy, Chief Financial Officer

So, good question, Rahul. We are working with a portfolio of 500 offices, as you know, and over the course of the year we will add some leases. We'll also renegotiate some and we'll terminate others. Think about the fact, for instance, that we're integrating Louis Berger and will consolidate the Louis Berger teams in many of our offices.

So, the number of leases is going to move around quite a bit over the course of the year. Add to that FX in the mix, as such is very, it's not a static number, it's a very dynamic number, and as such you can't annualize simply by multiplying by four. At this stage $210 million is our best estimate for the impact on the full year.

Rahul Malhotra, CIBC World Markets

Right. Okay. That's helpful. And maybe just on the Louis Berger integration, so how's that coming along and when could we anticipate seeing the benefit of synergies to margin? Would that be more towards the back end of the year or...?

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, we closed the transaction late in the year, like the last month of the year in 2018 and now we're in May, so obviously in the first quarter it was quite hard to reflect some of those, either revenue synergies or cost synergies to the transaction. I think we provided in the outlook, and in the past in our press release when we released Louis Berger, the type of cost synergies and the amount of cost synergy we were hoping to realize in the first year, and so far, what I can tell you is that the integration is going very well.

The US team is already working closely with the Louis Berger team. And equally in the Middle East and all the other major hubs, we do expect, certainly in the Middle East, to have the integration completed anytime soon whereas the Louis Berger is going to take a bit more time to bring them on our systems and harmonize the benefits and so on and so forth. But what I can tell you is that we're tracking on plan and on budget on what we've disclosed at the time of the acquisition.

Rahul Malhotra, CIBC World Markets

Okay. Perfect. Thank you.

Operator

Your next question comes from the line of Yuri Lynk from Canaccord. Please go ahead.

Yuri Lynk, Canaccord Genuity

Hi. Good morning. Good afternoon, I should say. Alex, on the Louis Berger acquisition, what should we make up of the higher cost structure of the business? Is that something that can't be altered too much or is the goal, part of the synergy goal to realign that cost structure so that it's more consistent with the rest of your operations?

Alexandre L'Heureux, President & Chief Executive Officer

It's to realign it. Essentially, it's to replicate what we've done in the old days with, for instance, Parsons Brinckerhoff or with Mouchel when Mouchel, at the time of the acquisition they were delivering 6%, 7% margin and now they're in line with our UK business. So, I think obviously we're going to need a bit of time but we saw a lot of potential in the Louis Berger acquisition, lots of expertise, but we believe that their cost base was skewed compared to ours and we believe that we could bring them up to our standard, essentially. But this will take a bit of time.

Yuri Lynk, Canaccord Genuity

And is that primarily real estate?

Alexandre L'Heureux, President & Chief Executive Officer

No, it's people, it's real estate, it's IT, it's consulting fees, it's bidding activity as well, project selection, project management. So, I think I may have said that in a few occasions in past conference calls. It's not one lever that will really get the bar up to where we're at. It's a number of initiatives in a number of different jurisdictions to get to get the margin level closer to ours. But nothing dissimilar to Parsons Brinckerhoff when we acquired the business at 7%, 8% and essentially brought them up to where we're at today.

Yuri Lynk, Canaccord Genuity

Okay. Last quick one for me, a bit of nitpicking, but the new 2021 target, if I take the midpoint of the EBITDA margin it doesn't really imply much of an increase from the midpoint of the 2019 EBITDA margin, whereas pre-IFRS there was a bit more of an improvement implied. Any reason why?

Alexandre L'Heureux, President & Chief Executive Officer

Well, because of the previous question we had from Rahul at CIBC, I mean clearly, I think, when we look at the spread between the two, in the first quarter we are reporting IFRS 16 and, as such, I mean this is a moving target for all companies and I'm hopeful that we're going to get more visibility as we progress in the next few quarters and be able to adjust accordingly if we need to. I think the essence of the message that I think you should all get today's that we haven't changed our targets. Fundamentally, they're the same and this is obviously an accounting, its accounting gymnastics, but it's not changing our cash flow profile, it's not changing our debt level, nor is it changing our aspiration for 2021.

Yuri Lynk, Canaccord Genuity

Okay. That's clear and I appreciate the colour. Thank you.

Alexandre L'Heureux, President & Chief Executive Officer

Okay. Thank you.

Operator
Your next question comes from the line of Mark Neville from Scotiabank. Please go ahead.

Mark Neville, Scotiabank

Hi. Good afternoon. Maybe, sorry, just to follow up on that, and I apologize sort of to beating it to death, but the difference between the Q1 impact and the annualized number, it would really just be a function of what you negotiate, what you get rid off with Louis Berger, and at least you add during the year. There's really nothing more than that?

Bruno Roy, Chief Financial Officer

And then FX in there obviously.

Mark Neville, Scotiabank

Okay, but that's essentially it?

Bruno Roy, Chief Financial Officer

Yes.

Mark Neville, Scotiabank

Okay. Maybe just then on the cash flow, the lease payments in the, again, the $65 million in the quarter and the financing activities, is there a number you can provide us with for the year or does that sort of move in line with the impact on the EBITDA as well?

Alexandre L'Heureux, President & Chief Executive Officer

Something that I think we, you know, I will take this offline with Bruno and I think the best thing to do is to get back to you on this question. Maybe on this call while they're looking into it or, ah, while he's looking into or afterwards.

Mark Neville, Scotiabank

Yeah, okay. Okay. And maybe just one last one, I guess, just on the working capital again, just based on where you ended last year and sort of the target for this year, I guess, again, that would imply a couple of days of investment. Again, is that sort of the right interpretation?

Bruno Roy, Chief Financial Officer

Yeah, on working capital. So, we added a couple of days versus Q4 of last year and it's an annual seasonality.

Mark Neville, Scotiabank

Again, but for the end of the year it's sort of 78 to 83, call it 80 days, I guess, so there would be, again, the expectation that there would be some investment this year, right, versus 80?

Alexandre L'Heureux, President & Chief Executive Officer

If you look back to our outlook that we provided, I think the goal is to finish the year below 80 days, and that hasn't changed.

Mark Neville, Scotiabank

Okay. Thanks. I will turn it over.

Operator

Your next question comes from the line of Benoit Poirier from Desjardins Capital Markets. Please go ahead.

Benoit Poirier, Desjardins Capital Markets

Thank you very much. Just related to EMEIA, you previously, you were previously expecting a low single digit for the year, but you reported 5.7% in the quarter, so very good performance. So, is the region more resilient than your initial expectation? What does explain the strong performance versus initial expectations for EMEIA?

Alexandre L'Heureux, President & Chief Executive Officer

Well, frankly speaking, and to be totally transparent, Benoit, and I mentioned it to my commentary, I mean the UK performed better than we had expected. You need to remember, I mean you start to budget, you put the budget together in the fall, you get it approved by your Board in December and then you get into the new year not really knowing what external factor could impact your business. We all know, and that's a fact, that the private sector has been cooling off little bit in the UK and we are aware of this, so we've taken a prudent approach in regards to the UK. And I think at this point in time it would be premature and probably reckless to change our estimates at this point of time given that there's a lot of uncertainty out there still. But if we see that things are changing over the course of the year and we have more confidence, I mean clearly, we will update you on it.

Benoit Poirier, Desjardins Capital Markets

Okay. And for Canada you mentioned some delays in terms of project starts with respect to the election, so are you confident that those delays will be basically recovered in the Q2 and the back half of the year? So, would you expect a low to mid single digits for Canada for the year still, Alex?

Alexandre L'Heureux, President & Chief Executive Officer

Look, it's always, Benoit, always hard to recover what you've lost in any given quarter in the past but, as I mentioned, we were awarded the LRT in Ottawa, so that's good news for us. And I feel now that the plan has been communicated by the conservative government in Ontario and I feel that things have been, I mean the plan and the vision for the province has been communicated that hopefully now activities will pick up again and we'll finish the year on a good note.

Benoit Poirier, Desjardins Capital Markets

Okay. And Australia, if we look at the APAC, you mentioned that the region is pretty solid these days. What about New Zealand? Is it performing in line with Australia? Is there any change in terms of outlook for New Zealand, Alex?

Alexandre L'Heureux, President & Chief Executive Officer

No, there's not a change on the outlook. The utilization in the first quarter was a bit low in New Zealand but we've just been awarded one of the, I think the largest transportation project ever procured in the country and we are like the sole designer on it, so we're obviously feeling good about New Zealand and it's just reinforcing our belief that Opus was a good acquisition.

Benoit Poirier, Desjardins Capital Markets

Okay. Perfect. And last one for me: Any colour on the M&A pipeline right now, Alex?

Alexandre L'Heureux, President & Chief Executive Officer

Look, we have the great aspiration, when I look at the next three years for the company, clearly, we have an ambitious plan, and I mentioned it when we unveiled it in January that a good portion of that will have to go through, will have to come through acquisition. So, I still believe that that's the case. The pipeline is as good as it's ever been. I've have had a lot of active and informal discussion with third parties and I'm confident at this point in time that we will deliver on the acquisition (inaudible).

Benoit Poirier, Desjardins Capital Markets

Okay. Thank you very much for the time.

Operator

Your next question comes from the line of Chris Murray from AltaCorp. Please go ahead.

Chris Murray, AltaCorp Capital

Thanks. Bruno, I was wondering if we could turn back to your thoughts around your leverage metrics. I noticed that as you reported debt to EBITDA for this quarter, of course, with the trailing number, you don't include the new leases liabilities. Just wondering how you're thinking about how those go on to the balance sheet. I they really just move on balance sheet, they're not really that different, but how does that impact your metrics? So, for here a year from now when you've got like for like, how should we see those metrics evolving? And I guess the second part of that is do these changes, how do they flow through any of your credit agreements?

Bruno Roy, Chief Financial Officer

First part, look, and what we'll do throughout the year is simply show the numbers including IFRS 16, so the 1.7 times figure, which includes the uptick in EBITDA and keeps the net debt level the same. And we'll show at without IFRS 16, which is 1.9 times, which removes $63.8 million in this case for this quarter. So we'll keep it as it is for the year. We'll show you both numbers throughout the remaining quarter so you'll be able to reconcile by yourselves.

Second part of the question?

Chris Murray, AltaCorp Capital

Was with the changes, you've got the additional liabilities around the lease liabilities that come on balance sheet now, did those changes fall into your debt covenants or anything like that or is that something that might have to be renegotiated at a later date?

Bruno Roy, Chief Financial Officer

No, it's something that we'll be looking at with the banks over the course of the year.

Chris Murray, AltaCorp Capital

Okay. Sounds good. And just a couple of questions, just interest expenses, is it fair to assume the reduction, I guess it was, is that the same sort of thing around the pension liability with the stock-based liability, the reason that the interest expense was so low in the quarter?

Bruno Roy, Chief Financial Officer

Yes.

Chris Murray, AltaCorp Capital

Okay, good. And then just the last thing, just now that you've removed the occupancy cost from your operating expenses, is to fair to think that you're stabilizing now at a level that that's good or is there additional costs you think you can take out of the system?

Alexandre L'Heureux, President & Chief Executive Officer

You mean WSP legacy or Louis Berger or the combination of both?

Chris Murray, AltaCorp Capital

Well, with the combination of it. I'm just trying to think about if the run rate in Q1 is more indicative of what we should be expecting as we go through the year.

Alexandre L'Heureux, President & Chief Executive Officer

Look, we have the aspiration to grow, and I'm going to use the old outlook between our margin profile between 11.5 to 12.5, and I'm not suggesting they're going to grow, we're going to grow the margin profile an equal incremental, so depending the type of job that we're working on, the backlog that we're burning, obviously this is having an impact on our margin profile. So I think, I've always said in the past that looking at one given quarter and extrapolate it over a year is dangerous. You need to look at trends. You need to look at, on an annual basis, what we've been delivering. So what I am saying is we have the aspiration this year to grow our margin profile a bit higher than what we completed the year at, which was 11%. But is it going to be 11.2 %, is it going to be 11.3%, is it going to be 11.5%? I mean at this, we're more talking about decimals at this point in time, but we're working at improving the margin profile, Chris.

Chris Murray, AltaCorp Capital

All right. Fair enough. Thanks, guys.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

Your next question comes from the line of Derek Spronck from RBC. Please go ahead.

Derek Spronck, RBC Capital Markets

Good afternoon. As you increase the scope and depth of your expertise, are you finding more and more opportunities to export your design bank across your regional segments?

Alexandre L'Heureux, President & Chief Executive Officer

What do you mean by design bank? I'm sorry.

Derek Spronck, RBC Capital Markets

Well, if you're doing a transit project in Australia, you acquire a certain level of knowledge, and then can you export that into other regions? Are you finding opportunity—?

Alexandre L'Heureux, President & Chief Executive Officer

Absolutely. I mean right now I cannot disclose it, but there's one or two bids that we're working on where we have three regions assisting one big one at this point in time and are part of the bidding process and that's a real project. So, the answer is absolutely.

Derek Spronck, RBC Capital Markets

Does that make you more efficient then and more competitive at the bid table in terms of what you're able to offer for—?

Alexandre L'Heureux, President & Chief Executive Officer

Yes. I would argue, yes. Definitely. I mean you take the rail project that we've just been awarded in New Zealand. This was not just a product of Australia/New Zealand. We had specialists from outside the region to assist from the bid. So, obviously, from a CV point of view, it's really increasing our range, the pointing system around quality of our work, but also around price. Definitely.

Derek Spronck, RBC Capital Markets

And do you see more and more opportunity to leverage that in the future?

Alexandre L'Heureux, President & Chief Executive Officer

Always. I mean that's the thesis of our platform. I mean to foster collaboration and to leverage the platform, I mean that's the goal of any single professional services firm, not just in our industry, but you take the accounting firms, you take the law firms, you take the management consulting firms, every year they aim at improving this and fostering global collaboration.

Derek Spronck, RBC Capital Markets

Okay, great. And then just on the backlog. The $200 million pickup, was that largely organic growth or was that pickup from—?

Alexandre L'Heureux, President & Chief Executive Officer

Year over year the backlog grew 0.8% organically and 1.8%, if my memory is not failing me, quarter over quarter, so that's the organic growth and the remaining was acquisition growth and FX.

Derek Spronck, RBC Capital Markets

Okay. And how do you see the backlog trending? I know it's probably difficult but any insight for the rest of the year around the backlog?

Alexandre L'Heureux, President & Chief Executive Officer

Look, the wins that I just talked about, at least two of them have not been included in the backlog, so this will obviously increase the backlog in the next quarter. Obviously, this is a moving target, but with the recent wins clearly, we are feeling okay about the backlog growth at this point of time.

Derek Spronck, RBC Capital Markets
Okay. Thank you.

Alexandre L'Heureux, President & Chief Executive Officer
Thank you.

Operator
If there are any additional questions at this time, please press star followed by the number one on your telephone keypad. The next question comes from the line of Maxim Sytchev from National Bank Financial. Please go ahead.

Maxim Sytchev, National Bank Financial
Hi. Good afternoon.

Alexandre L'Heureux, President & Chief Executive Officer
Hi, Max.

Maxim Sytchev, National Bank Financial
Just a quick question, Alex. I think there was a mention of Sweden and the drive to improve the margins. Do you mind maybe expanding a little bit on the geography in terms of what are you doing and the progress you're seeing right now?

Alexandre L'Heureux, President & Chief Executive Officer

If you look back, Max, in recent years, and you could go all the way back to 2015 and look at our annual MD&A, you've seen that the margin profile in Sweden has gone down. And that's a result of a number of different factors. One being external. More fierce competition. Also, procurement process, which has changed over the last five, six, seven years. There are more design build work, more fixed price work. But mostly it's been self inflicted, if you ask me, my personal opinion.

In Sweden, we've been extremely busy doubling the business. We, in the last three, four years, added a 1,000 people through acquisition and 2,000 organically. And if you look back and remember the history, I mean there are many times where we were posting double-digit organic growth in any given year and that for many years in a row. And that takes a toll on your margin profile. You have to train those 2,000 people that are joining your firm, you need to train that 1,000 people that is joining you through acquisition, and that has an impact on utilization. And the vast majority of our work in Sweden is time and material. So utilization is by far the biggest key, the key influencer on our margin. So I'm not trying to find some excuses, but now that we've build this platform in Sweden, now it's the time to have an inward focus on our profitability and really get this utilization back up. And that's the goal for this year and the years to come in Sweden and in the Nordics.

Maxim Sytchev, National Bank Financial
Okay. That's very helpful, Alex. And then in terms of, ah, do you mind reminding us the exposure to public versus private sector in that geography?

Alexandre L'Heureux, President & Chief Executive Officer
Look, I will get back to you with more detail, but right now it's about two-third, one-third, approximately. But I can get back to you with more the exact number. I'll ask Isabelle to get back to you. But from a high level it's around two-third, one-third public versus private.

Maxim Sytchev, National Bank Financial

Okay. That's great. And then just going back to Canada, I know, I mean obviously you just mentioned that you expect the back half to pick up, but is that what you're seeing right now in Q2 or is this still something that you have to backfill a little bit for the back half to see a better growth? Just trying to get the timing right for Canada.

Alexandre L'Heureux, President & Chief Executive Officer
To be transparent with you, in April, we haven't seen May yet. Obviously, we are right in the middle of it. April looked like March and February. But you know that that's not necessarily a signal that things are not changing. In Canada, seasonality and the winter is having a big impact on our utilization rate and our level of activity, so I think it's a bit premature, Max, to conclude that the year, the back end is not going to be good because April was slow.

Maxim Sytchev, National Bank Financial
Okay. I guess structurally you still feel pretty confident.

Alexandre L'Heureux, President & Chief Executive Officer
Yeah, structurally we have a good backlog. We have a good backlog and, you know, we didn't win the RAM in Montreal but, if you recall, I said you lose some and you win some and we were quite ecstatic to have won a project very similar to the RAM in Montreal but this time in Ottawa. So that's looking good for us.

Maxim Sytchev, National Bank Financial
Yeah, no, absolutely. And then just one quick question for Bruno, if I may. Just wanted to clarify your commentary around the non-cash working capital. When you were talking about positive contribution, you're talking about the overall, not just on the DSOs, right? When we look at the cash flow statement, so that you still expect a positive contribution from non-cash working capital for the combined 2019. Is that how we should be thinking about this or not?

Bruno Roy, Chief Financial Officer
Yes.

Maxim Sytchev, National Bank Financial
Okay. Okay.

Alexandre L'Heureux, President & Chief Executive Officer
I wanted to get back Max on the split. Its 40 private, 60 public. So I was not too far, but a bit off.

Maxim Sytchev, National Bank Financial

Okay. Thank you so much.

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

Michael Tupholme, TD Securities
Thank you. Good afternoon.

Alexandre L'Heureux, President & Chief Executive Officer
Hello, Michael.

Michael Tupholme, TD Securities
Just a question about the Americas region. I know you had the higher than usual FEMA-related work in the prior year. Just wondering as we think about the balance of 2019, is there anything over the Q2 through Q4 period in 2018 of that nature that we need to be mindful of?

Bruno Roy, Chief Financial Officer
So, in Q1, as you remember, the big chunk of our work with FEMA was over the fall of 2017. It bled into the first quarter of 2018, hence the explanation on organic growth for US. We had a little bit of work in Q2 as well, but less material.

Michael Tupholme, TD Securities
And then when you reported your fourth quarter and gave us the outlooks for the various regions, as far as the Americas region, you were talking about mid to high single digits growth for the full year, so did that factor in, I guess, the reported, sort of slower reported growth you saw in the first quarter when you gave us that guidance?

Bruno Roy, Chief Financial Officer
Yes, it did.

Michael Tupholme, TD Securities
Okay. So, we should see the Americas region pick up as we go forward here. And I know the backlog, I guess, for Americas, that will support that idea as well.

Bruno Roy, Chief Financial Officer
Our mid to higher single digit growth range hasn't changed. So, same as we said.

Michael Tupholme, TD Securities
Perfect. Okay. That's all I had. Thanks.

Operator
There are no further questions at this time. I turn the call back over to management for closing remarks.

Bruno Roy, Chief Financial Officer
Thank you. Circling back on the question on the impact of free cash flow, whether the $65.4 million could be annualized, the answer there is the same with the adjustment for the EBITDA as well. That number was the number for the first quarter. It will be very dynamic number as we add, as we retire, as we renegotiate new leases, and also as this number is impacted by FX. So, hard to say (inaudible) divide by four. That's all.

Alexandre L'Heureux, President & Chief Executive Officer
Thank you, Bruno. I would like to thank you. Please do not hesitate to contact us directly should you have any additional questions and I look forward to updating you at our next conference call. Thank you everyone and have a good evening.

Operator
Merci. Ceci met fin à l’appel conférence d’aujourd’hui. Vous pouvez maintenant raccrocher.
This concludes today’s conference call. You may now disconnect.