WSP GLOBAL INC.

THIRD QUARTER 2016 RESULTS CONFERENCE CALL TRANSCRIPT

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November 8, 2016

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Vice President, Investor Relations & Corporate Communications

Alexandre L'Heureux

President & Chief Executive Officer

Bruno Roy

Chief Financial Officer

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Bonjour mesdames et messieurs. Good afternoon, ladies and gentlemen. Bienvenue à la conférence téléphonique sur les résultats financiers du troisième trimestre de l'année 2016 de WSP. Welcome to WSP's third quarter of 2016 results conference call. I would now like to turn the meeting over to Isabelle Adjahi, Vice President, Investor Relations and Corporate Communications. À vous la parole. Please go ahead, Ms. Adjahi.

ISABELLE ADJAHI, VICE PRESIDENT, INVESTOR RELATIONS & CORPORATE COMMUNICATIONS

Thank you. Good afternoon, everyone. I first want to thank you for being with us today to discuss our Q3 performance and to provide an update on our strategic initiatives. We will follow the discussion by a Q&A.

On the phone today from our Stockholm office are Alexandre L'Heureux, President and CEO, and Bruno Roy, our newly appointed CFO. So today's call will be recorded and we will make it available on our website tomorrow.

Before we start I just want to mention that we will be making some forward-looking statements and that the results we will report subsequently could be different from those expressed or implied. And we disclaim any intent to update or revise any of these forward-looking statements.

Alex?

ALEXANDRE L'HEUREUX, PRESIDENT & CHIEF EXECUTIVE OFFICER

Thank you, Isabelle, and good afternoon, everyone.

We are pleased with the progress made in the third quarter, as we achieved overall positive organic growth and revenues and increased our adjusted EBITDA margin, which stood at 12.4 percent and 10.2 percent for the first nine months of the year despite a challenging environment in Canada. We also completed strategic hires for the group and subsequent to the quarter we announced the acquisition of Mouchel Consulting, a 2,000 people infrastructure firm in the UK, which is in line with our 2015-2018 strategic plan.

Before I take the time to give you a brief overview of our performance, I'd like to start by welcoming Bruno, who recently joined us as Chief Financial Officer. As we said in our announcement, Bruno has significant financial, operational, and strategic expertise in the professional services industry. He has spent the past 17 years with McKinsey & Company where he was senior partner and leader of the firm's service to the private equity clients in Asia Pacific. I am confident in his ability to drive value for WSP's clients, employees, and shareholders. We look forward to his leadership and contribution in the future and I hope many of you will have an opportunity to meet Bruno in the coming weeks.

Perhaps, Bruno, you would like to say a few words?

BRUNO ROY, CHIEF FINANCIAL OFFICER

Thank you very much, Alex, and good afternoon, everyone. It is a real pleasure to be with you today.

I joined WSP a week ago and I'm obviously not in a position to comment on financial results on this call. What I can say though is that I'm energized by the growth potential for the years to come. The opportunity ahead of us is very large, our plan to capture it is sound, and our teams at all levels are committed to deliver as per our strategic plan. I'm delighted by the competence and collegiality of the leadership team we have in place. I'm very excited to join the team and I look forward to meeting and interacting with many of you over the weeks to come.

Let me turn it back to Alex, who will continue with the call.

ALEXANDRE L'HEUREUX, PRESIDENT & CHIEF EXECUTIVE OFFICER

Thank you, Bruno.

Bruno is not the only newcomer to WSP. Earlier this month, we also appointed Robert Ouellette, as Chief Corporate Services Officer and promoted David Langlois to the position of Chief Accounting and Treasury Officer. Robert Ouellette has also significant experience in the professional services field having worked for Accenture for 19 years. In his newly created role, Robert will help in creating a better employee experience within our firm by implementing strategies tying together the virtual employee experience and IT, with the physical employee experience in real estate and workplace environments, and the personal and aspirational experience of our employees and HR. David, whom many of you have met before, will focus on continuing to raise the bar in terms of financial reporting and treasury management. Bruno, Robert, and David have significant experience in their respective fields and I believe all these appointments, together with the ones I discussed on the last conference call, position us for the next phase of our growth strategy. Let me congratulate them and wish them all the best in their new roles.

Let’s now turn to our financial performance. As I mentioned at the beginning of the call, we are pleased with our Q3 performance. We posted consolidated organic growth and net revenue of 1.7 percent in spite of negative organic growth of 11.3 percent in Canada. To put our results in perspective, excluding Canadian operations the organic growth rate would have been 4.6 percent. We also posted adjusted EBITDA of $147.2 million, up $21 million or 16.6 percent over Q3 2015. Adjusted EBITDA margin was at 12.4 percent for the quarter, up from 11.2 percent from last year. Global corporate costs were $11.4 million for the quarter. Proactive cost containment initiatives and a favourable foreign exchange rate positively impacted this metric. We anticipate Q4 global corporate costs to amount in the range of $10 million to $13 million for the same exact reasons.

Net earnings attributable to shareholders were $63.3 million or $0.63 per share on an IFRS basis; however, if we exclude acquisition and integration costs as well as amortization of intangible assets relating to acquisitions, adjusted net earnings amounted to $77.2 million or $0.77 per share. As we are an acquisitive company in a consolidating industry, we believe this measure to be more representative in assessing our performance against our peer group. Our backlog amounted to $5.4 billion, representing 10.3 months of revenues. It was down $296.2 million or 5.2 percent compared to Q2 2016, mainly due to the timing of contract awards and up $479.6 million or 9.8 percent compared to Q3 2015. Given the size of certain contracts and the time periods required to complete them, fluctuations do arise on a quarter-to-quarter basis.

Turning to cash, DSO stood at 87 days, stable compared to Q3 2015 and also in line with our expectations. If we include adjusted EBITDA for all acquisitions completed before the end of September, our net debt to adjusted EBITDA ratio stood at 1.8 times. Following the acquisition of Mouchel completed in October it slightly increased to 1.9 times, leaving us room to pursue our M&A strategy using our balance sheet. Finally, we declared a dividend of $0.375 per share to shareholders on record as of September 30, 2016, which was paid on October 15, 2016. With a 56.8 percent DRIP participation, the cash outlay was $16.3 million.

Let me now review the operational performance of our regions. As mentioned earlier, results for the third quarter were in line with our expectation with aggregate organic growth and net revenue and adjusted EBITDA margin increase in spite of continued weakness in Canada. The Americas posted strong organic growth of 8.5 percent and generated an adjusted EBITDA margin before global corporate costs of 17.6 percent, the highest amongst our reportable operating segments. The US, which is the largest country in this region, posted 9 percent organic growth, reflecting the strength of the economy and benefitting from the positive impact of the FAST Act program. We expect the strong performance to continue into Q4. During the quarter we were awarded the design work of the Pensacola Bay Bridge in Florida, a $28 million fee project which started in September. Shortly after the end of the quarter we were also awarded the New York City Second Avenue Subway project, a multi-year $50 million contract.

Our EMEIA region as a whole posted 2.3 percent net revenue organic growth and 11.4 percent adjusted EBITDA margin before global corporate costs. With EMEIA, our Nordics operation posted a strong quarter, delivering 11 percent organic growth and revenues. Sweden continued to be resilient and posted net revenue organic growth of 10.2 percent. Our Finnish operations also had a strong performance as they have had since the beginning of the year, posting organic growth and revenue of 21.7 percent for the period.

Our UK operation delivered 4.1 percent organic growth and revenues. The economic conditions post-Brexit, which are mainly impacting the property and building private sector this time and also particularly in the London area, have been somewhat mitigated for the time being. With the recent acquisition of Mouchel on a pro-forma basis, the UK property and building private sector now represents less than 20 percent of our UK revenues and less than 3 percent of our 2015 total net revenues.

The Middle East, which represents approximately 4 percent of WSP Q3 net revenues, experienced negative organic growth and revenues of 16.5 percent and impacted the EMEIA region consolidated organic growth and net revenues. Difficult market conditions continued to have a negative impact on government spending, a key driver for the region. We do not anticipate any significant improvement for the remainder of the year in the Middle East.

In South Africa, the winding down of a major utility project impacted the quarter negatively and will reduce the region’s growth prospects for the remainder of the year. Other countries, including France and Germany, delivered as per expectations. We expect the EMEIA region as a whole to continue delivering positive results for the last quarter of 2016.

Let’s now turn to APAC, which posted organic growth and revenues of 2.1 percent and an adjusted EBITDA margin before global corporate costs of 11.3 percent. Our Australian operation performed very well, delivering 5.1 percent organic growth and 11.5 percent adjusted EBITDA margin before global corporate costs. As noted in prior quarters, the Australian market and, more importantly, the transportation infrastructure sector has been a positive contributor for WSP in 2016. During the quarter we were awarded the lower South Creek delivery program, a three-year $23 million infrastructure project. In addition to the positive market momentum, the efforts made to optimize the business over the last 18 to 24 months have paid off. Our Asian operation delivered flat organic growth and revenues, in line with expectations. We expect the APAC region as a whole to continue delivering positive results for the last quarter of 2016.

Finally, our Canadian operation posted 11.3 percent native organic growth and net revenues for the quarter. Although somewhat disappointing, we had forecasted a difficult year for Canada, mainly as a result of the downturn in the oil and gas sector with few catalysts in 2016 that could have had a positive impact; however, a persistently stagnant Canadian economy and the slower than anticipated rollout of the federal infrastructure stimulus plan also negatively impacted the region. Adjusted EBITDA margin before global corporate costs was 11.1 percent. As noted by our newly appointed Canadian CEO, Hugo Blasutta, during our Investor Day in September, challenging economic times in the country gave us the opportunity to revisit and optimize our Canadian operation to be ready for when the Canadian economy recovers. This approach is similar to the successful strategy we adopted during the economic downturn in both the UK and Australia.

To date, we have incurred approximately $6.1 million in workforce rightsizing and real estate footprint consolidation costs related to the optimization of our Canadian operation. We expect the full year impact for 2016 to be in the $10 million range. These costs are considered operational in nature and have and will therefore negatively impact Canada's adjusted EBITDA. We believe business optimization is an approach that will be beneficial over the long term. This should position us for future growth when the market recovers. Supporting that expected recovery, the federal government recently confirmed in its economic update that it would invest significant amounts in infrastructure and transportation in the years to come, two sectors in which we have a recognized expertise. The addition of MMM last year positioned us a market leading firm in these sectors, which leads us to be optimistic for the future and ideally position us to leverage our P3 expertise. On a standalone basis, MMM generated positive organic growth of 4.3 percent so far in 2016 and adjusted EBITDA margin of 16.9 percent since the beginning of the year.

To conclude our financial and operational review, we are confident we have a clear strategy, supported by our geographically diverse revenue stream business model. Our variable cost structure also gives us the flexibility to quickly adjust to an ever changing global economic landscape. We are therefore reaffirming our 2016 outlook and narrowing net revenues and adjusted EBITDA outlook ranges as follows: The net revenue range is reaffirmed and narrowed between $4.7 billion and $4.9 billion. The adjusted EBITDA ranges reaffirm and narrow $485 million and $505 million. The negative impact of the depreciation of the British pound on adjusted EBITDA has been and will be offset by cost containment initiatives and synergies. In addition, the Canadian business optimization and footprint consolidation initiatives will lead to slight increases in Cap Ex and acquisition and integration costs. Lastly, we are reaffirming that we will generate full year organic growth and net revenues in the flat to 3 percent range.

This takes me to the last point I would like to cover before opening the line for question, the M&A update. If you recall last quarter, we discussed our approach to acquisition and I indicated that we would continue to have a disciplined approach when making acquisitions, carefully looking at cultural fit and relative valuation with the objective of acquiring firms that will generate optimal benefits for clients, employees, and shareholders. The acquisition of Mouchel, which we closed on October 12th, met all these criteria. This transaction is also in line with our UK growth strategy to increase our presence in the UK public sector and strengthens our platform by optimally balancing our revenue stream between public and private sector clients in the UK, thus significantly minimizing the risk associated with the potential post-Brexit downturn. It also enables us to expand our expertise in the public transportation and infrastructure sector, particularly in intelligent transportation systems and highways, a sector which should benefit from the continued government investment in infrastructure. The timing was also ideal as we were able to benefit from a weaker British pound, which made the Mouchel transaction even more attractive. Our UK team will now focus on integrating our new colleagues and I would like to welcome each new employee to WSP. I am confident we will see the tangible benefit of this transaction in the near future.

In conclusion, this year we have completed six acquisitions and added approximately 2,500 new professionals to our team. This fits with our two 2015-2018 growth strategy aimed at becoming a top tier player in each of the regions and sectors where we operate, while strengthening our presence in industrialized countries and our activities in non-cyclical sectors. We will continue to work hard on executing on our strategy in the years to come.

With that in mind, I would now like to open the session for questions.

QUESTION AND ANSWER SESSION

Operator

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

Your first question comes from the line of Mona Nazir with Laurentian Bank. Your line is open.

Mona Nazir, Laurentian Bank

Good afternoon and thank you for taking my questions.

Alexandre L'Heureux, President & Chief Executive Officer

Hello, Mona.

Mona Nazir, Laurentian Bank

Hi. Sorry. Firstly, just wanted to turn to bidding costs. A competitor of yours, albeit one that takes on some construction risk, stated that their results were negatively impacted by increased bidding costs on the transportation side. While your margin was very strong this quarter I'm just wondering looking out are you seeing anything similar in any geographic regions or verticals.

Alexandre L'Heureux, President & Chief Executive Officer

Well, certainly from time to time and as part of the ordinary course of business, bidding cost is part of the game and it's certainly, Mona, something that is clearly, from time to time, impacting our results in certain periods more than others. And I can give you an example. Canada, next year they'll be a lot of transportation projects out there that will be RFP and certainly this year, for instance, indeed we could expect that our margin in transportation could be somewhat impacted a little bit by this. But the volume will very likely still be the same so therefore, you know, bidding cost is certainly a variable in your margin because some pursuit can be very expensive, especially a major P3 pursuit or a major design build pursuit, so it could a factor, but in our case, you know, we consider it ordinary course of business.

Mona Nazir, Laurentian Bank

Okay. And just while we're on the subject of higher bidding costs, I'm wondering if you could comment a little bit more on your P3 side and opportunities following the MMM acquisition. It's a growing area of business. Are you allocating more resources towards alternative project delivery?

Alexandre L'Heureux, President & Chief Executive Officer

Well, it's a supply/demand dynamic, Mona. I mean obviously if more projects will be RFP in any given time you obviously need to allocate the appropriate resources to pursue those bids and those projects. So clearly I think with MMM we acquired a company that has a very state of the art expertise in P3, so we're very pleased with this and we're very pleased with the acquisition and certainly what we're trying to do now is to leverage MMM's knowhow across our platform.

Mona Nazir, Laurentian Bank

Okay. And lastly for me before stepping back in queue, we're starting to see the impact of increased infrastructure spending on results. You said yourself that Americas' organic growth of 8 percent was impacted by the FAST Act. You've been very candid in the fact that you did not think that increased infrastructure spend in Canada would positively impact 2016 results. We saw the federal government announce some transit infrastructure spending plans in August. I'm just wondering have you started to see any flow of funds or preliminary plans as of yet or do you still think it's a 2017 and beyond event? And could that turn your Canada business into positive organic growth territory?

Alexandre L'Heureux, President & Chief Executive Officer

The answer to—there's a few questions, Mona, in your last question. To answer your question about 2016, what we said in Q4 2015 remains true in my mind. We won't see any benefit of what was announced in 2016. And frankly, I doubt we'll see any of this in the first half of 2017. To me, if we see anything, it will be towards the end of 2017, the benefits of this towards the end of 2017 and years to come. Certainly let me just say that I believe it was a great decision from our government, I think, to stimulate the economy through an infrastructure program, and there's no doubt in my mind that this is well received by our industry and it's certainly, I believe, a great thing for the industry. But, at the same time, it takes time to make sure you choose the right program and you choose the right strategy to deploy the capital, so that's why when this was announced I felt that it would take 12 to 18 months before we could start to feel positive momentum around this initiative.

Mona Nazir, Laurentian Bank

Okay, that's great. Thank you so much.

Operator

Your next question comes from the line of Benoit Poirier with Desjardins Capital. Your line is open.

Benoit Poirier, Desjardins Capital

Yes. Thank you very much and good afternoon, Alex.

Alexandre L'Heureux, President & Chief Executive Officer

Bonjour, Benoit.

Benoit Poirier, Desjardins Capital

If I look at the strong organic growth in Americas, 8.5 percent, I was just wondering how sustainable is that growth given that you were previously looking for kind of a low to mid single digit growth in the second half this year.

Alexandre L'Heureux, President & Chief Executive Officer

Well, what I just explained, Benoit, is that we expect a similar pattern in Q4. So we're right in the middle of our budgetary process right now. So I'm not prepared yet to talk about 2017. So it's a wait-and-see approach for me and we have to complete our bottom-up budgetary process before I can provide more guidance and outlook for 2017. But certainly we are seeing positive momentum in the US. On the back of last year, late last year we were awarded good, good projects and so I do feel that this quarter was a great quarter, but what we indicated is that for the full year we were expecting mid-single to mid-single digit growth or a bit lower than that for the full year and I think it remains to, it's the same hypothesis that we have in mind at this point in time.

Benoit Poirier, Desjardins Capital

Okay, perfect. And just looking at your backlog, it was down sequentially. Could you provide more colour about the timing of contract awards and what we should expect in Q4, also once we take into account the acquisition of Mouchel Consulting?

Alexandre L'Heureux, President & Chief Executive Officer

It's difficult, Benoit, from one quarter to the other to draw any conclusion on the trend of your backlog. I just gave an example in our US operation on October 12th, I believe, we were awarded the Second Avenue Subway job, which is a $15 million contract 12 days later or 12 days after the quarter end. So there's a lot to do with timing from one quarter to the other, so that's why I tend to look at the trends over again a number of given quarters. You know, after one quarter to see a small dip in your backlog is not something at this point in time that I would draw any conclusion on.

Benoit Poirier, Desjardins Capital

Okay. Perfect. And just with respect to working capital change in the quarter, I mean I'm just wondering if you have more colour with respect to the free cash flow conversion for the full year and what we could expect in terms of a working cap reversal in Q4.

Alexandre L'Heureux, President & Chief Executive Officer

Again, it's timing. Q3 typically, due to vacation, people tend, professionals tend to leave their invoices and the collection for after the holidays and vacation, you know, so there's always a bit of a dip or a slippage into our DSO during Q3, which is historically, if you look back at the last five, six years, it's always been the case. But our free cash flow, frankly, if you look at our free cash flow and DSO this year compared to the same quarter last year and if you exclude the sale of Multiconsult, which was the sale of our Norwegian minority interest last year, we did better than Q3 2015. So overall, from a free cash flow point of view in Q3, I'm quite pleased with the results.

Benoit Poirier, Desjardins Capital

Okay. Perfect. And last one for me just in terms of global corporate costs, obviously a little bit lower because of proactive cost containment effort and also some FX, but should we expect the number to be back in the $15 million, $17 million range going forward, Alex?

Alexandre L'Heureux, President & Chief Executive Officer

Well, as I said, I'd rather not comment on our 2017 figures. We're right in the middle of our budgetary process. So clearly the one thing I can tell you, Benoit, is that we're working hard always. We have our objective, our strategic objective by the end of 2018 is to get to 11 percent on an annual basis and therefore we always look to optimize our business and making sure that we drive operational excellence. So I'll be providing more guidance for 2017 in Q4.

Benoit Poirier, Desjardins Capital

Okay. Thank you very much for the time.

Operator

Your next question comes from the line of Yuri Lynk with Canaccord Genuity. Your line is open.

Yuri Lynk, Canaccord Genuity

Hey, Alex.

Alexandre L'Heureux, President & Chief Executive Officer

Hello, Yuri.

Yuri Lynk, Canaccord Genuity

What's changed in Canada, Alex, to cause you to take further action on the cost side? Is it western Canada getting much worse or the infrastructure delays? Just any additional colour on what's driving the outlook there.

Alexandre L'Heureux, President & Chief Executive Officer

I guess, Yuri, I mean we're reacting to the market environment. So clearly in late 2014, beginning of 2015 we saw the oil and gas sector really plummet and everybody was wondering whether there will be a comeback on the oil and gas in the resource sector. We were quite bearish about it in the beginning of 2016 and we didn't see any catalyst that would lead us to believe that 2016 would be a good year for Canada and, as a result of that, I mean our job is really to optimize and making sure that we set the business for future success and future growth when the country recovers and that we're busy doing right now. I think our plan, and we've talked about this at our last Investor Day, really is this year to start the optimization program with a view to, you know, while there is no growth in the country at least on an aggregate basis, clearly and in some places we're doing very well, and I mentioned MMM, which generated, and you know that the MMM business is primarily in Ontario, generated a positive organic growth this year. We're busy making sure that we optimize the business. Certainly in 2016, and I've mentioned it before in 2015, we suffered the impact of the resource sector, but in 2016 really our other end markets suffered the collateral impact of the oil and gas sector, especially in western Canada. So what we're doing is what we've done in the UK and what we've done in Australia is really to, while right now the country is going through a challenging period, to set the business and get the business ready for the next phase of growth. The government has already announced a number of stimulus programs. I believe that, and I mentioned it earlier on, that clearly it's a matter of time, but I'm cautiously optimistic about the future for Canada. Clearly there will be, and I mentioned it earlier on with Mona, that there would be some major transportation jobs that will be RFP in 2017. So obviously we're working hard to, again, to make sure that the business will be ready for future growth. And that comes with adjusting our variable cost but also our fixed costs. So consolidation of real estate is one of them, but also making sure we manage our utilization properly and we increase our margin in 2017 and be back on organic growth hopefully by 2018.

Yuri Lynk, Canaccord Genuity

Are you still—at the Investor Day I think it was given that you expected flattish growth in organic growth in Canada. Is that still the expectation?

Alexandre L'Heureux, President & Chief Executive Officer

For 2017

Yuri Lynk, Canaccord Genuity

Yeah.

Alexandre L'Heureux, President & Chief Executive Officer

Yes. I'll be providing more guidance and outlook in Q4 when the budgetary process is completed but it is true that that's what we mentioned at the Investor Day, that in 2017 the ambition is to have flat organic growth with improved margin profile.

Yuri Lynk, Canaccord Genuity

Got it. Last one from me, Alex, just a clarification: Did you mention that the Q4 EBITDA margin for Canada will include some of these restructuring charges? And if that's the case, can you just give me the number again, as I missed it?

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, I did talk we'd be close to $10 million for the year. We already incurred something in the area of $7 million or something like that, so anything between $2 million, $3 million as part of our results would be, ah, because we don't consider them as integration costs, we consider them costs that are occurring in the ordinary course of business, will be included in our results, approximately another $3 million.

Yuri Lynk, Canaccord Genuity

Okay. I'll turn it over. Thanks.

Operator

Your next question comes from the line of Jacob Bout with CIBC. Your line is open.

Jacob Bout, CIBC World Markets

Good afternoon. Just wanted to go back to the optimization plan in Canada. So I'm assuming that the majority of the cuts are happening in western Canada right now. Maybe talk a bit about what you're doing there and then also talk a bit about MMM. Have you made any cuts there? How is that integration working?

Alexandre L'Heureux, President & Chief Executive Officer

Well, I gave few numbers. As a friendly reminder, Hugo Blasutta, the ex-MMM CEO, has been appointed CEO for our Canadian operation mid June and certainly I would say that the integration of MMM has been going extremely well. We're pleased with the progress made and I'm pleased with the leadership team that we also have in place, which is a mixture of a WSP-led team but also MMM team. So they have a good national leadership team in place and they're working extremely hard to, as I said before, to optimize in making sure that the business is ready for future success. So that's what we're busy doing right now, Jacob, is making sure that we, you know, cost containment is certainly important, but also it's not just about cost, it's about revisiting the way we do business. The oil and gas sector right now is not, you know, I don't see any sign of recovery in the short term and therefore you need to take the appropriate action to run a good business, make good profit, generate good margin, and making sure that you have the proper cost structure to support the market in which we operate right now, and that's what we've been doing. And I must say that Hugo so far is taking all the right actions and we're getting ready for 2017 now.

Jacob Bout, CIBC World Markets

And the 250 employees that were laid off fairly recently, was that primarily in western Canada or…?

Alexandre L'Heureux, President & Chief Executive Officer

Yes, primarily western Canada.

Jacob Bout, CIBC World Markets

Maybe just turning the US election, just your thoughts there, I mean it looks like or I think the consensus view is that Clinton is going to come out ahead here, you know, your thoughts about changes here coming on the infrastructure or transportation side.

Alexandre L'Heureux, President & Chief Executive Officer

Look, I'm certainly not an expert in US politics but what I can tell you is that they have both been publicly announcing major additional infrastructure spending. And there seems to be a bilateral support for increased investment in infrastructure. So right now, whether it's the Democrats or the Republicans that get the house, the senate and also the presidency, I do feel that either the Democrats or Republicans are committed to invest and invest in the country and therefore, you know, like you, it's a wait-and-see approach and see what will happen. Nobody has a crystal ball. But I'm not overly concerned at this point in time with the US election.

Jacob Bout, CIBC World Markets

Last question for me, some recent acquisitions in the UK, maybe talk a bit about what you're seeing or what you're thinking as far as Brexit impact going into 2017.

Alexandre L'Heureux, President & Chief Executive Officer

Well, right now it's been somewhat of, ah, I mean clearly I mentioned it at the Investor Day, you know, the London property market has been cooling off a little bit. Having said all that, it represents a small portion of our total net revenue. So we've been able to, it's been somewhat mitigated by that. And I thought that the Mouchel acquisition was timely, certainly. I believe that part of our strategy or I'd say a significant part of our UK strategy really over the next three years was to diversify our service offering and increase our exposure to public clients and transportation infrastructure and since we acquired WSP in 2012, when you look over the last five years, the UK business has grown from 2,000 people to north of 7,000 now. So slowly but surely over the last five years we've been, we tripled the size, a bit more than the size of the UK business, because we believe in this market. But we've been doing that by really diversifying our service offering in the public sector with the acquisition of PB in 2014, but now with Mouchel Consulting, and now we have a leading position in highways and roads. So certainly I feel good about it.

Jacob Bout, CIBC World Markets

Thank you very much.

Operator

Your next question comes from the line of Frederic Bastien with Raymond James. Your line is open.

Frederic Bastien, Raymond James

Thanks and Bonjour, Alex.

Alexandre L'Heureux, President & Chief Executive Officer

Hello, Frederic.

Frederic Bastien, Raymond James

Hi. Alex, just to get back on the, um, talk about the UK a bit, the government approved the Hinkley nuclear projects since our last conference call as well as a third runway for the Heathrow Airport. How well positioned is WSP to secure work related to those types of projects? I would assume that it's kind of in your sweet spot?

Alexandre L'Heureux, President & Chief Executive Officer

Well, I think we're very well positioned, to answer your question. I mean we're working right now on the LaGuardia airport, so we were awarded that less than 18 months ago and I think the project is going extremely well. But it's not just about our UK presence that will allow us to bid on jobs like the ones that you've mentioned, Frederic. I think we have a global network of experts, we have centres of excellence in the United States and Canada and also in the UK when it comes to aviation and airports, so I do feel that clearly right now WSP is well positioned to bid on those jobs.

Frederic Bastien, Raymond James

And what about the nuclear power project specifically? I appreciate and understand that Parsons Brinckerhoff had very strong expertise in that particular field but it's been fairly quiet in the past few years, so would you care to comment on that?

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, we have a great brand and great expertise in the power sector. As I said, we're working on one of the biggest plants right now, an energy plant in South Africa, so indeed we do have the expertise to work on those types of jobs. But I think it's also fair to say that it's not our, you know, if I had to look up our service offering I would say that we have leading positions in many, many sectors. The nuclear sector we have a good position and a great brand and I think we can aspire to win on those jobs. So I think, yes, we'll try to do everything we can to take advantage of it if we could.

Frederic Bastien, Raymond James

All right, thanks. And just wanted to get back now on your expectations for flat organic growth in Canada. How should we think about, how should we think about it on a quarterly basis? Obviously you're probably forecasting some negative growth in the next couple of quarters but when do you, when would you think you'd reach the inflection point?

Alexandre L'Heureux, President & Chief Executive Officer

Well, as I said, we're right in the middle of our budgetary process and I wouldn't feel good about committing my team in Canada to a phasing of the quarters already. I think we need to have many more discussions and really to have a good exchange with the team before I can provide more guidance around 2017 outlook.

But I think it's fair to say that at the Investor Day what we said is on the aggregate in 2017 our ambition was really to have a flattish year but improved margin profile. That's the objective for 2017. So obviously we are right now thinking that we will be able to, ah, hopefully we'll be able to achieve this objective. And also MMM will also be included as part of our organic growth starting this quarter, in the next quarter I mean, in Q4, so obviously also this is a positive, this is positive for us. So I'll be providing, Frederic, a better outlook in Q4.

Frederic Bastien, Raymond James

Sounds good. Thanks and congrats on a good quarter.

Operator

Your next question comes from the line of Sara O'Brien with RBC. Your line is open.

Sara O'Brien, RBC Capital Markets

Hi, guys.

Alexandre L'Heureux, President & Chief Executive Officer

Hello, Sara.

Sara O'Brien, RBC Capital Markets

Hi. Can you just a little bit more about that last comment on organic growth? Do you include organic growth only one year following the acquisition closing date?

Alexandre L'Heureux, President & Chief Executive Officer

Yes, typically that's the case. Not typically, it is the case. So, for instance, we closed the transaction, the MMM transaction on October 31st, so we will be including two months of organic growth. And actually I mistakenly said October 31st but it's October 15th. PB was 31, 2014 and MMM was October 15, 2015. So we'll be including two and a half months of MMM contribution in organic growth and 15 days as acquisition growth.

Sara O'Brien, RBC Capital Markets

Okay. And then just as you look at EBITDA margin expansion opportunity towards that 11 percent plus range, where do you see the most internal leverage geographically and maybe including corporate costs? Not looking for numbers but just is it really Canada where you can hone in based on the savings that you're putting through now or are there other regions where you can see just much better efficiencies through planning and better execution?

Alexandre L'Heureux, President & Chief Executive Officer

Well, Canada, clearly I mentioned we want to have an increased margin profile next year, so obviously that's part of the answer. But more importantly, Sara, I mean our operational excellence initiatives are not only directed to one or two countries. They are directed to all countries. Australia, you've seen the improvement over the last 18 to 24 months and I wish to continue the effort in 2017. Same thing with our UK business. We just acquired the Mouchel Consulting business. Their margin profile is a lot lower than ours, so we'll be working extremely hard in the months and in the year to come to improve the margin profile of our newly acquired company. Also our existing business in the UK, I think we can do better in certain parts. The power business is an example. The industry sector we could do a bit better. So we will be working hard in certain pockets but in every country it's to improve our margin profile. I've said it in the past, Sara, I mean it's not one significant or a big initiatives that will drive margin improvement, it's a number of different initiatives in each of the countries with a detailed and granular plan and an action plan that will drive margin improvement for the combined or the aggregate, the business as a whole actually.

Sara O'Brien, RBC Capital Markets

Okay. And when you think about, you know, in Canada you're now consolidating offices. Is there much of that still to be done at international as well? Like could you take a whole new look at consolidating footprint across WSP?

Alexandre L'Heureux, President & Chief Executive Officer

It's not just about consolidating the footprint; it's about creating a better workplace environment for professionals. I mean the new generation that is actually representing almost half of the workforce now in North America, they're looking for something different, and it is our job to attract the best professional possible at WSP. So clearly you are right, it's about optimizing our footprint, making sure that we do things better with an optimized workplace and space, but also to improve the working environment of our professionals. So that's why Robert joined us and will be working with us. So, to answer your question, we have around or approximately, I'm not mistaken, 350 to 400 lease around the world, so it's a lot of leases to manage and lots of real estate to manage, so on a monthly basis we are refining our strategy and every quarter looking at making improvements. So, to answer your question, yes, it would be around the world. This is a constant effort.

Sara O'Brien, RBC Capital Markets

Okay. And then maybe just lastly on M&A, there was comment about how you're going to aim to continue to expand the global presence like you've done with adding 2,500 employees in the past year. Should we read into it that there's more of this kind of measured approach to M&A going forward or is that you're still looking at larger acquisition candidates as well?

Alexandre L'Heureux, President & Chief Executive Officer

No, there's no measured effort. We will do a deal if a real opportunity that we believe will be good for employees, our clients, and her shoulders. So there's no measured effort. As we said in the past, it's difficult to time acquisitions and that hasn't changed. If you ask me if we were planning for Mouchel at the beginning of the year, we were not planning for Mouchel at the beginning of the year. We were not planning for MMM the year before but it just happened that, you know, clearly we have active discussions with a number of players and when a real opportunity presents itself we try to be opportunistic and jump on it if we feel that it fits our strategy. So it's pretty much tuck-ins, mid-size, and larger size are acquisitions that we would contemplate if there is a real opportunity.

Sara O'Brien, RBC Capital Markets

Okay. Thanks.

Operator

Your next question comes from the line of Bert Powell with BMO Capital Markets. Your line is open.

Bert Powell, BMO Capital Markets

Thank you. Good afternoon, Alex.

Alexandre L'Heureux, President & Chief Executive Officer

Hello, Bert.

Bert Powell, BMO Capital Markets

Question for you on EMEIA, just trying to understand the comments, you know, Middle East weak, South Africa winding down a major utilities project, should we infer from that that Q4 organic growth would be negative in EMEIA? You had a pretty strong comp in the year ago with 9 percent organic growth but, that being said, (inaudible) positive notwithstanding some pretty good Q1 and Q2 last year, so trying to interpret your comment there, Alex.

Alexandre L'Heureux, President & Chief Executive Officer

No, the answer is, you know, with what we know today I think I'm not, we're not projecting negative organic growth for EMEIA in Q4. But it's clear that the Middle East, although presenting a very small portion of our total net revenue, did have an impact on the EMEIA organic growth this quarter, but it is not something that we had not foreseen. We knew in 2016 that Middle East would be going through as tougher time. And in the same fashion we were aware of the unwinding of a major project in South Africa. Having said all that, we did have some, it did have an impact in Q3. It will continue to have an impact in Q4 but we won't, the expectation is not that we will generating negative organic growth in Q4.

Bert Powell, BMO Capital Markets

Okay. Thank you for that. And the just with Canada, your target to get the margins up for next year, where we are year to date, I mean there was restructuring costs in Q2 that were in... When you're giving that comment are you talking about excluding that restructuring cost in terms of what you think you can do to improve the margins year over year for 2017?

Alexandre L'Heureux, President & Chief Executive Officer

Well, what I said is at the end of the day we acquired MMM and the thesis around MMM is, ah, and the strategy around the acquisition of MMM is we wanted to enter the fastest growing market in Canada, being the GTA area. So we achieved that. But also MMM did have a track record of generating good margin, good EBITDA margin. And clearly effort is ongoing to import the knowhow and import what they have in place to generate that kind of margin. So clearly we're working on getting this done. We're getting, we're working, you know, better selecting clients, making sure that we work on the mission critical work when we increase and improve our margin profile on those types of jobs. We are very focused on our utilization, making sure that we manage our corporate costs in Canada properly and, again, revisit our business model like we've done this year and going from a regional model to a national line model now to take advantage of the centres of excellence that we have across Canada. So we have a very strong transportation business in Quebec, very strong, very strong now transportation business in Ontario, we also have a strong transportation business out west, and now the goal is really to connect all of those professionals together to take advantage of our knowhow across the country and be very competitive on the jobs that we're pursuing. So a number of initiatives have taking place this year to allow for us to improve our margin profile and that's, you know, the goal for 2017 is to improve the bottom line and earn the right to grow again in 2018.

Bert Powell, BMO Capital Markets

Okay. Got it. And then just lastly, quickly, on the tax rate, 32 percent in the quarter.

Alexandre L'Heureux, President & Chief Executive Officer

It's a result of, ah, at the end of the day it's, you know, clearly the US business is representing now, certainly in Q3, a big portion of our total net revenue for Q3 and, as you know, corporate tax rate in the US is higher, pretty much the highest rate around and across the world. So clearly this has been the reason why there has been an increase in tax rate in Q3. It's the result of very good performance of our US business in Q3.

Bert Powell, BMO Capital Markets

And that's likely to continue, is it not, Alex?

Alexandre L'Heureux, President & Chief Executive Officer

I'll give you a more, a better outlook at the end of Q4, but certainly right now the momentum that we have I think it's fair to say that we hope that the US will have a good year in 2017.

Bert Powell, BMO Capital Markets

Okay. So a prudent move would be to assume a higher tax rate than what we've experienced in 2016 so far this year?

Alexandre L'Heureux, President & Chief Executive Officer

Let me get back to you at the end of Q4, Bert. I think it would be better when I have the full picture and I'm able to provide you with a better guidance around the tax rate. But tonight, I'm not really in a position to tell you it's going to be 28 and 26 or 31. I think I'd like to get back to you with a better answer when I have the answer.

Bert Powell, BMO Capital Markets

Okay, no, appreciate that, Alex. Thanks a lot.

Operator

Again, if you would like to ask a question, press star one on your telephone keypad.

Your next question comes from the line of Chris Murray with AltaCorp. Your line is open.

Chris Murray, AltaCorp Capital

Thank you. Good afternoon, gentlemen.

Alexandre L'Heureux, President & Chief Executive Officer

Hello, Chris.

Chris Murray, AltaCorp Capital

Hi. You just mentioned, um, just so I'm clear on this, global corporate costs in Q3 had some reversals, I guess, of some accruals and stuff like that. Did you suggest that some of those similar impacts will also carry through into Q4?

Alexandre L'Heureux, President & Chief Executive Officer

What I said is that the cost containment and proactive cost containment initiatives took place over the course of Q3. They are a role that we've eliminated. We added others. But we have revisited our corporate costs around the world in 2016. Clearly since I was newly appointed I've made a number of decisions, so we were able to reduce our corporate costs in 2016 and I do expect a similar pattern for Q4. But I'll get back to you for 2017 when I have a more visibility around the plan we have for head office and corporate costs.

Chris Murray, AltaCorp Capital

All right. Thank you. I appreciate the clarification. Just to one of the questions that, you know, when you think about use of capital, certainly one of the discussions we've had over the last few years has been the dividend, the level of the dividend, the DRIP program, and there's always been a discussion around, you know, the company will grow into the dividend, which is a bit of a legacy issue from the trust days. I'm just wondering if you have any thoughts around the level of the dividend, the use of the DRIP, and I appreciate you've got some agreements with some important shareholders that may complicate some of these discussions but I'm wonderingly about maybe picking a dividend level that maybe supports the growth initiatives more being able to use internally generated capital. Any thoughts about that as we move into 2017?

Alexandre L'Heureux, President & Chief Executive Officer

Well, our philosophy has always been to reward our investors with other means than just share appreciation. So clearly we feel that we have the balance sheet to deploy capital. I believe we have the industry and the catalyst and the momentum in the industry to continue to consolidate the market and we will continue to do that. Having said all that also, I always believe in a good dividend, a dividend, for a number of reasons, the first is the one I just explained, to reward our investors with something else than share appreciation, other means than share appreciation. The second one, it brings a lot of discipline in the business. I do believe that by having to pay a dividend to our shareholders on a quarterly basis it brings an element of discipline and focus in making sure we collect, we run a tight balance sheet and we run a tight ship so that we can play our shareholders, on the quarterly basis, a dividend.

So our position and our board's position and our position has been not to change the dividend in the past few years. It's true that we've always said that the goal was to grow out of it and I do feel that that we've made some progress over the last few years. If you recall when we converted to a company, the income trusted to a corporation, our payout ratio was approximately 100 percent, and this year it will be around 65 percent. If you consider the DRIP, it's down obviously it's 29 percent to 30 percent.

So I think a great deal of effort has been made to grow out of it and I think we've done a good job but I do not feel at this point in time with where we are today that we would need to revise this policy for the time being. I think we're comfortable. We have a good yield. So obvious I certainly don't expect to cut it. But, at the same time, we review our dividend policy on an annual basis and we will do so at the end of this year with our board, but I won't expect, with what I know today, any changes to the policy at this time.

Chris Murray, AltaCorp Capital

All right. Any thoughts around whether or not you would change the DRIP at all?

Alexandre L'Heureux, President & Chief Executive Officer

The DRIP is, ah, it's a great mean to give optionality to our shareholders. Some shareholders like to have a discount to the stock, which is right now a 2 percent discount. I believe if it's a good deal both for the company but also for investors who wishes not to receive the cash. So I'm quite comfortable with this. I think it's a good thing.

So I do not expect to make any changes to the DRIP but, frankly, it's not my decision. It's the investor's decision to decide whether they wish to DRIP or not. The program is in place for them to participate, but they also can make the decision and elect not to participate in the DRIP at any given time. So I'm pleased with where we are today and I think I'm pleased with the percentage of participation that we have in it. I think it's really certainly helpful. So I don't have much more to say on this.

Chris Murray, AltaCorp Capital

Okay. Thank you.

Operator

There are no further questions at this time. I turn the call back over to the presenters.

Alexandre L'Heureux, President & Chief Executive Officer

Well, thank you, everyone. Again, thanks for attending the call and thanks for your questions and I look forward to updating you at the end of our fourth quarter with an update on 2017 and our results for Q4. So thank you and have a nice day.

Operator

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