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PRESENTATION

Operator

Bonjour mesdames et messieurs. Good afternoon ladies and gentlemen. Bienvenue à la conférence téléphonique sur les Résultats financiers du deuxieme trimestre de l'année 2016 de WSP. Welcome to WSP's second 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 and good afternoon, everyone. Let me first thank you for taking the time to be with us today. We will be discussing our Q2 2016 performance and we will be providing an update on our strategic initiatives. We will follow this discussion by a Q&A.

With me today is Alexandre L'Heureux, our incoming President and CEO. Pierre Shoiry, Vice Chairman, is also with us today and he will be answering any M&A-related questions. I also want to mention that the call will be recorded and we will make it available on our website tomorrow.

Before I turn it over to Alexandre I just want to mention that we will be making some forward-looking statements and that the results we 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 our second quarter results as all regions, with the exception of Canada, delivered organic growth and year-over-year improvements in most of our indicators. We also posted adjusted EBITDA margin of 10.3 percent as compared to 9.7 percent last year. I would like to take the next few minutes to give you a brief overview of my first initiatives as incoming President and CEO. I will then focus on reviewing our operational and financial performance, including Brexit and its potential impact on our UK operation. I will then conclude a brief update on our M&A activities before opening the line for questions.

The first few months in my new role have been fruitful. After taking time to meet with analysts and investors to reiterate WSP's growth strategy, I travelled to meet with our regional leaders and teams in Canada, the US, UK, France, Sweden, Australia, Mainland China, and Hong Kong. As we move forward I want to continue to engage our leadership and the running of our business, work closely with our people, accelerate the development of our global business, and improve the support we give to our smaller operations. At the same time, I want to maintain and encourage the empowerment and agility of our countries and regions. We consider it to be a key differentiator and competitive advantage.

As a result, one of my first decisions has been to replace the former executive committee with the new a expanded global leadership team that will drive global initiatives and growth in our various sectors and geographies. Along with myself, our CFO, once appointed; Paul Dollin, our COO; and our Chief Legal Officer; the other permanent members of this team are heads of the main regions, namely Canada, the US, the UK, the Nordics, Australia, New Zealand, and Asia as well as our global heads of transport and infrastructure, property and buildings, and energy and resources. Notwithstanding these changes, we do not anticipate making any change to our reportable operating segments, which will still consist of Canada, the Americas, EMEIA, and APAC.

We have also appointed Hugo Blasutta as President and CEO of Canada. Hugo is the former CEO of MMM, which we acquired last October. He has extensive knowledge not only of the Canadian markets, but of the infrastructure and building sector. You will have the opportunity to meet with him during our Investor Day to be held in Montreal on September 20th. David Ackert, who has headed and transformed the Canadian operation for the past two years, will lead our global energy and resources practice. Given the long-term growth opportunities for the energy sector, David is the perfect candidate to take on this new challenge and leverage the depth of our expertise in our network.

Latin America, being one of our target regions for growth following our recent acquisitions in Mexico, Chile and Peru, we recently strengthened our leadership in that region with the appointment of our new CEO and new CFO, who will oversee Central and South America, including Colombia and Trinidad. Jorge Chaves, our new President and CEO for Latin America, will report to Greg Kelly, CEO of the US, Central and South America. Finally, in the Middle East we have appointed Greg Kane as our new Managing Director. Greg, who joined the firm in 2013, has a clear vision for the business in the Middle East and an in-depth knowledge of the opportunities and challenges the regions offers. I would like to welcome and congratulate all these new leaders and wish them all the best and their new roles.

We held our first global leadership team meeting at the beginning of July, during which the team had discussions on growth and the future of our global firm. Among other things, we focused on the experts we have beyond our impressive projects and will look at some of our priorities, including employee diversity and how to energize and engage our people. I left the meeting feeling very positive about the level of engagement and commitment of our senior leaders to take our business forward. I will of course continue to update you on progress as we deliver on our 2015-2018 strategic plan.

I mentioned the future of CFO earlier. The search, which was slowed down by the summer period, is progressing very well. We have already identified a short list of candidates and now are entering the final stages of the process. I am therefore confident that we will be in a position to make an announcement in the coming weeks. This position is of the most importance to us and we want to make sure we select the right candidate with the required professional experience and leadership skills. In the meantime, I can count on an extremely talented and dedicated corporate finance team, headed by David Langlois, our Vice President of Finance and Treasury.

Finally, before we turn to our financial performance, let me address our professionals around the world and tell them how proud I am of the rankings we've achieved in the Annual ENR Survey, which was released recently. For the first time in our history we ranked at number one in the top 225 international design firms ranking. We also received the number one ranking in transportation, number two in power, number three in buildings, and on a geographical basis we are number one in the US and in Europe and number three in Asia and Australia. This is quite an accomplishment and talks to the depth of our technical expertise. Equally important, it talks about our global mindset and it is a true reflection that our business has now an international profile.

Let's now turn to our operational and financial performance. As I mentioned at the beginning of the call, I am pleased with our Q2 performance. We posted revenues of $1.5 billion and net revenues of $1.2 billion, up 3.2 percent and 11.6 percent as compared to Q2 last year. We generated flat organic growth in net revenues in spite of negative organic growth of 9 percent in Canada, which made up approximately 20 percent of our total Q2 net revenues. We also posted adjusted EBITDA of $125 million, up $19 million or 17.9 percent.

Adjusted EBITDA was at 10.3 percent for the quarter. It was at 9.7 percent last year. Excluding a $6.3 million provision recorded by our Canadian operating segment related to workforce rightsizing and real estate consolidation pertaining to our Western Canadian operation, the adjusted EBITDA would have been $131.3 million and adjusted EBITDA margin would have been at 10.8 percent. Global corporate costs were $14.8 million for the quarter and we anticipate the normalized run rate for such cost to be in the $15 million to $17 million range for the remaining quarters of 2016. Adjusted net earnings were $56 million, or $0.56 per share. Our backlog, which continues to increase steadily, amounted to $5.7 billion, representing approximately 10.6 months of revenues. More importantly, backlog organic growth, which can be viewed as an indicator of future revenues and net revenues, increased by 4.9 percent organically and on a constant currency basis compared to Q1 2016, and this across all reported, reportable operating segments. It increased 10.1 percent year-over-year.

Turning to cash, DSO stood at 82 days, a three-day improvement compared to Q2 2015 and within our forecasted end of year 80 to 85 day target range. Our net debt to adjusted EBITDA ratio was stable at 1.7 times, incorporating full 12 months adjusted EBITDA for all acquisitions. To date, with our revolving credit facility fully accessible and over $200 million in cash, we have access to more than $800 million to pursue our growth strategy. Finally, we declared a dividend of $0.375 per share to shareholders on record as of June 30, 2016, which was paid on July 15, 2016. With a 55.4 percent DRIP participation the cash outlay was $16.8 million. Given our geographical diversified revenue stream model, we entered the second half of the year with good momentum.

Our performance on a regional basis is as follows: The Americas posted 0.4 percent organic growth and generated an adjusted EBITDA margin before global corporate costs of 15.7 percent, the highest amongst all reportable operating segments. The US, which is the largest country in this region, posted 1 percent organic growth for the quarter, in line with our expectations. Backlog in the Americas continued to be solid, particularly in the transportation segment. It grew organically by 6 percent as compared to the first quarter, a positive sign for the second half of 2016. We therefore reiterate our low to mid single digit net revenue organic growth outlook by year-end. EMEIA as a whole posted 1.5 percent net revenue organic growth and 10.1 percent adjusted EBITDA margin before global corporate cost. Our Nordics operation posted a very strong quarter, delivering 14 percent organic growth in net revenues. Sweden led the way, posting approximately 13 percent net revenue organic growth. After several difficult years due to depressed market conditions, our Finnish operations delivered strong results, posting organic growth and net revenues of approximately 27 percent for the period. Our UK operation delivered solid 2.6 percent organic growth in net revenues for the quarter and has actually been reporting year-over-year organic growth since the 2012 transaction.

Let me now take a few minutes to comment the UK and the impact of the recent decision of the UK to leave the European Union. First let me just say that it is early days and it is difficult to assess the economic implication Brexit will have on the country, keeping in mind that the UK only represents approximately 15 percent of our total 2015 net revenues and adjusted EBITDA. Our sector and client diversity across public and private sector markets, which respectively represent 41 percent and 59 percent of our UK 2015 revenues means that we are not overexposed to any one particular area and our relative resilience so far has been demonstrated both pre and post referendum. In the UK, bidding activity has remained relatively consistent with a good number of opportunities. This has provided for a healthy backlog. As an example, public center transportation infrastructure markets, more particularly highways and rail, which represent approximately 30 percent of the UK's revenue, remain strong, which is in line with the government's commitment to the national infrastructure delivery plan spend.

We anticipate that strong public funding will continue and do under the new Prime Minister, particularly in our core transportation, infrastructure, and property markets. On the other hand, we are feeling some uncertainty in the private sector property markets, which represent approximately 25 percent of our 2015 revenues in the UK and approximately 3.75 percent of our total 2015 revenues. Slowdown in activity is most noticeable in the London and Birmingham regions. Client reaction in these sectors have been mixed, with high-end property developers feeling the biggest drop in confidence and property projects being put on hold. We also noted a slowdown in land sales and planning application. Outside of London where a larger percentage of our property work is public sector related, our operation feels less of an impact. With a well balanced sector spread and a strong focus on both national and regional clients, together with a flexible workforce, 80 percent based, you know, as an information, 80 percent based outside of London, we believe we are well positioned to manage the current uncertainty and volatility related to the Brexit vote and do not anticipate at this time any material impact on our 2016 performance. As such, we will continue to see the UK as a key strategic market for investment and acquisitions in the future.

The Middle East experienced negative organic growth and net revenues of approximately 20 percent, which reduced the EMEIA segment's consolidated organic growth and net revenues. Difficult market conditions continue to have negative impact on government spending, a key driver for the region. We do not anticipate any significant improvements for the remainder of the year. Other countries, namely France, Germany, and South Africa, have delivered as per expectations. We expect the EMEIA region as a whole to continue delivering positive results for the remainder of 2016 and now anticipate low to mid single digit net revenue organic growth for the second half of the year.

Let's now turn to APAC, which posted 4.6 percent net revenue organic growth and adjusted EBITDA margin before global corporate costs of 11 percent. Our Australian operation performed very well delivering 6 percent organic growth. Aggressive pursuit of opportunities bore fruit ahead of expectation as we had not anticipated a significant recovery in the region until the second half of this year. Major project wins in transportation and infrastructure fuelled the results for the quarter and increased backlog, which should translate positively in the future. It is an encouraging outcome given that our thesis related to the acquisition of Parsons Brinckerhoff was indeed to improve margins and generate organic growth in this region. We are therefore pleased with the trajectory the country is now taking. Our Asian operation delivered organic growth and net revenues of approximately 3 percent for the period, in line with expectations. We anticipate growth to remain steady for the remainder of 2016. For the second half of the year we therefore expect flat to mid single digit organic growth for APAC.

Finally, Canada. As anticipated, our Canadian operation posted negative organic growth for the period; however, on a standalone basis MMM experienced organic growth of 4.7 percent for the quarter and 6.4 percent for the first six months of 2016. Adjusted EBITDA margin before global corporate cost amounted to 8.5 percent for the quarter. On a positive note, the level of contraction decelerated from 13.4 percent in Q1 to 9 percent in Q2. We anticipate this deceleration trend continues in the second half of 2016. As explained before, also impacting our Canadian results this quarter was a provision of $6.3 million related to workforce rightsizing and real estate footprint consolidation pertaining to Western Canadian operations. Excluding this provision, adjusted EBITDA margin before global corporate costs would have stood at 11 percent. Overall, we are pleased with the results for the quarter, which were in line with our expectation, and therefore we are reiterating our full year 2016 outlook.

This takes me to the last point of this conference call and I would like to cover before opening the line for questions the M&A update. Since the beginning of the year, we have closed five acquisitions totalling approximately 500 employees. All these acquisitions were financed using our balance sheet. During the quarter we've closed the acquisition of DITEC in Mexico, a 100 employee firm with an expertise and structural engineering. Our most recent acquisition, which actually closed on Monday, was the industrial water division of Schlumberger, which employees approximately 250 employees. Although not large in size, these acquisitions enable us to achieve some of our 2015 2000 strategic plan objectives, being establishing a footprint in Central and South America, while strengthening our presence in Scandinavia. We also expanded our expertise related to buildings, nuclear power, and water, something of increasing importance as climate and demographic changes place increased stress on finite water resources.

Unfortunately, acquisition attempts are not always successful, as was the case with the bid we made for the acquisition of Sweett. We provide ourselves on having a disciplined approach when making acquisitions. We carefully look at cultural fit and relative valuation. In this case, we revaluated our position after being notified of a counter offer and concluded that pursuing the transaction at a higher price would not generate optimal benefits required for clients, employees, and shareholders. We therefore remain confident that other opportunities in line with our strategic outlook will present themselves and benefit our long-term growth perspectives while further strengthening our global presence and technical expertise. On the positive side, giving the current price of the pound, the UK market could be more attractive to us, keeping in mind that our acquisition strategy is based on three criteria: like-minded firms, similar culture and vision, and valuation. Pierre and I have worked closely in the past and we intend to continue to do so in the future. We will keep you posted on any development in our continued pursuit of acquisition opportunities aligned with our 2015-2018 strategic plan.

In conclusion, I want to reiterate that I believe in the strength of our business model and the effectiveness of our growth strategy as well as enriching our global network with professional services firms with complementary expertise and culture. We will remain focused on driving organic growth, leveraging our global knowhow and winning work. We will also continue to develop our people, which represent our biggest asset, and provide them with professional development opportunities.

I would now like to open the session for questions.

QUESTION AND ANSWER SESSION

Operator

Je voudrais maintenant vous rappeler poser une question appuyer sur l'étoile suivit zéro sur votre clavier téléphonique. At this time I'd like to remind everyone in order to ask a question press star then the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster. Your first question comes from the line of Mona Nazir of Laurentian Bank. Please go ahead.

Mona Nazir, Laurentian Bank

Good afternoon and thank you for taking my questions.

Alexandre L'Heureux, President & Chief Executive Officer

Hello, hi.

Mona Nazir, Laurentian Bank

Hi. So I just wanted to get on the guidance a little bit. You're keeping your organic growth range intact, you're expecting some strength in the UK, Sweden, and the US, and I know you just spoke about UK but I'm just really trying to see how organic growth will not be impacted if private spending is 59 percent and your building disclosure is over 30 percent. Looking at your peer company, Arcadis, they spoke of economic uncertainty in Europe just due to Brexit. Do you think that you'll be changing your strategy in the UK at all and maybe moving resources more towards the public spending side and not investing so heavily perhaps in the property market or keeping status quo at this point?

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, well, to answer just the first part of your question related to the guidance, as you know, if you look at the first half of this year, we generated, on a combined basis, the first six month negative organic growth. However, looking at our outlook and looking at the second half ahead with what we know today and the outlook that we have in front of us I think we're feeling comfortable that we are entering the second quarter with good momentum and I feel that I think we're well positioned at this point as we enter the second half of this year, and that's why I'm reiterating our outlook despite the referendum, despite what happened in Brexit, and market volatility. So that's the first part of your question.

The second part in relation in the UK business, I mentioned that the UK represents approximately 15 percent of our total net revenue and that the private sector in relation to property and building represents about 3.75 percent of our total net revenue. So although there is a bit of uncertainty in certain parts of our private sector business, I would not be prepared at this point in time, since it's early days, to say that some uncertainty across the patch. So we have a good order book, we have a good backlog, and right now our job internally and our job in the UK is to stay the course and deliver good services to our clients.

Mona Nazir, Laurentian Bank

Okay, thank you. And just secondly from me, if you look at the evolution of the company, over the last five or six years has been significant, 2010 you had 3 percent international exposure and last year you had over 80 percent. Do you think that global rankings or your current business model with the geographic spread and also vertical diversification protects your downside? And if you could speak a little bit about the continuing evolution as we move into 2017 and beyond. You have over $800 million in M&A left, as per your strategic plan, so can we expect continued larger acquisitions or a higher number of kind of smaller tuck-ins like you've done this year?

Alexandre L'Heureux, President & Chief Executive Officer

Okay. So, again, there's a few questions, and your questions, I'll start with the first part. I think, to answer your question, yes, we have, I think, a very resilient business now. I'm pleased with our current graphical and end-market mix. And although, I mean it cannot protect you for all downside, it certainly mitigated. I do feel that now. And you look at the evolution from the IPO and where we were in 2012 and following the Genivar WSP merger and the PB WSP merger and MMM transaction, I do feel that that not only we have added a lot of technical expertise to the platform but we also added a lot of resiliency to the platform, and this is something that we should remember. So that's the first part of your question. And the second part was in relation to acquisition and perhaps I could turn to Pierre, who is with us today, to discuss our strategy around acquisition and the question around bolt-ons and the larger-sized acquisitions.

Pierre Shoiry, Vice Chairman

As in the past, Mona, we're going to remain (inaudible) to larger opportunities, but right now we have a very interesting platform and I think the Schlumberger acquisition is a good example of how you can take a very expert technical strong company in water and now leverage that expertise across the global network. This company had, if I'm not mistaken, over 60 employees with Masters or Ph.D. degrees in water, so this is a very good example of how you can leverage niche firms within the global network. So I think you can expect the mix of both small and hopefully larger acquisitions, medium-sized and larger acquisitions. And, as Alex said, we've always had a disciplined approach. It has to meet our strategic criteria, cultural fit. and aligned vision, and we don't intend to change that strategy going forward.

Mona Nazir, Laurentian Bank

Okay, thank you.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

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

Yuri Lynk, Canaccord Genuity

Hey, guys.

Alexandre L'Heureux, President & Chief Executive Officer

Hello, Yuri.

Yuri Lynk, Canaccord Genuity

Alex, so good quarter, good start, maybe—was there anything special in the quarter in terms of margin? You know, if you back out the restructuring you're up almost 100 beeps versus last year. Was that something that we think is sustainable or was there anything kind of pulled forward in the quarter?

Alexandre L'Heureux, President & Chief Executive Officer

Well, as we indicated in the past on many different occasions, Yuri, I mean it's very difficult to formalize a view on 90 days. I think you need to look at, on an annual basis, the margin profile of our business. Certainly, I mean I'm very pleased with the results. There were nothing special in the quarter, it was pretty uneventful, other than I'm pleased with the performance of the underlying business clearly. But, if you remember, in Q2 of 2015 we were at the beginning of our integration process, integrating the two head offices, the New York office and our office, our back office as well, so I think we were in the middle of this process of working on our strategic plan to improve the margin profile to where we wanted it to be. So it's ongoing work. Pleased with Q2 and I mean clearly, I'm clearly pleased with the trajectory, but I wouldn't conclude on one quarter. So we'll see.

Yuri Lynk, Canaccord Genuity

But when I'm squaring away the guidance versus your year-to-date results your—I should be using the 125, right, for the quarter? It doesn't make a big difference but just….

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, I don't think it makes a big difference. The 125 is the real number, because we did have some rightsizing and a consolidation of our real estate, so I think it's a good assumption to use the 125 as opposed to 131.

Yuri Lynk, Canaccord Genuity

Okay. And the benefits going forward of this $6 million plus in cost savings; do you care to quantify what that might be?

Alexandre L'Heureux, President & Chief Executive Officer

No, we did not quantify it in the MD&A. I mean clearly more than half of this is rightsizing of our personnel and it's really to right-size our organization to the marketplace within Western Canada as we speak.

Yuri Lynk, Canaccord Genuity

Okay. Last one, just on the US, can you just talk about what you're seeing in terms of the transportation markets there and what you expect going forward? Obviously the spending numbers have been pretty good and there's lots of talk about more activity but are you guys seeing any of it or expect to?

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, right now, I mean it's a good market. We see a pick up in the momentum. Our backlog is increasing and it's increasing at a good pace, so it certainly bodes well for the future, so I'm clearly, right now, optimistic for the US business.

Yuri Lynk, Canaccord Genuity

Okay. I'll get back in the queue, guys. Thanks.

Alexandre L'Heureux, President & Chief Executive Officer

Okay. Thank you.

Operator

Your next question comes from the line of Frederic Bastien of Raymond James. Please go ahead.

Frederic Bastien, Raymond James

Hi, guys.

Pierre Shoiry, Vice Chairman

Hello, Frederic.

Frederic Bastien, Raymond James

Bonjour. I was presently surprised with the results of the APAC region and specifically your Australian operations. You do, however, note that your successes in the region resulted from an aggressive pursuit of opportunities. Can you expand on that and maybe indicate how that might impact margins and profitability, if at all?

Alexandre L'Heureux, President & Chief Executive Officer

I think, Frederick, that's, we've been, since the merger with PB, I think we've working with the team in Australia which, by the way, we have a great team. We've made some changes in the leadership team. I think we've got to know each other. And, as we've always done with past acquisitions, we import the best from any business we acquire but we also export our knowhow when we think that we can add value and I feel the combination of these two is, I think is the results of these two. I think we clearly have a stronger market in Australia, so I wouldn't want to take the full credit internally for what's happening in the transportation market in Australia, there's a good load of opportunities, but also I think we've worked hard in Australia to change the business over the last 12 to 18 months and I think now we're starting to see the results of this hard work.

Frederic Bastien, Raymond James

Okay, great. Thanks for that. If I adjust your Canadian results, and it's basically building on Yuri's question, if you adjust the results for the provision you realized, EBITDA margin for the region would have come in at around 11 percent. Do you believe you can improve on that 11 percent in the second half or is that a good run rate to be looking at it?

Alexandre L'Heureux, President & Chief Executive Officer

I think first, I mean the reason why we included that $6 million in our results is that those costs were taking the ordinary course of business. I mean constantly in a people business, in the professional services business, you have to adjust your workforce to the supply and demand dynamic that takes place in any given market and that's what we're doing.

So right now I think it's a challenging market, Canada, albeit it's improving, I mean quarter over quarter I think we've seen a bit of an improvement, but it's still remaining very much a challenge and we clearly are going to be working hard in the future months and quarters to improve, but it's still, for the remainder of the year I wouldn't expect major changes in the margin profile.

Frederic Bastien, Raymond James

All right. Maybe last one for me on acquisitions. Where are you seeing the best opportunities right now? I mean to me it seems like Europe would represent a great, um, would have a lot of potential given the uncertainty there, but I'm wondering if you could just take it over from here?

Alexandre L'Heureux, President & Chief Executive Officer

I'll turn to Pierre.

Pierre Shoiry, Vice Chairman

We have, you know, every region in the world, Frederic, had its game plan. We're seeing opportunity in Nordics. We have an aggressive strategy in the Nordics to grow in business. As you said, Europe, there are several countries where we believe we're subscale and we believe that certain countries we could also enter in Europe. There are a lot of the, you know, when you rank as we do in buildings and infrastructure as a leaders in the world, there are some countries where we have opportunities but we need some local presence.

So Europe, and clearly the US market is, as Alex said a bit earlier, is a very strong market, is a good market, and while we have very strong positions in transportation and in buildings and our environmental practice could grow over there, the power business could grow significantly, so we do have opportunities, I'd say, in every region of the world right now. And we talked about Australia. We have a good business, solid business, good prospects. We have to tier-one status in lot of sectors but other sectors we can grow and a bit more scale in that country could also help. So there's a good spread of opportunities across the world right now.

Frederic Bastien, Raymond James

Great, thank you. Much appreciated.

Operator

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

Benoit Poirier, Desjardins Capital Markets

Congratulations for the good quarter. Just to come back on the Americas, I mean organic growth was kind of flat in the quarter. Just wondering about the outlook for the second half because looking back at the second half of last year you were above the 5 percent level, so just wondering if you were going to be facing a softer compare or any colour would be appreciated.

Alexandre L'Heureux, President & Chief Executive Officer

Hello, Benoit. We're still expecting single to mid digit range for the second half of this year.

Benoit Poirier, Desjardins Capital Markets

Okay. And if you look at the recent data for new the US non-residential design, the outlook for 2016 and 2017 was kind of a 5 percent plus for those two years in the US, so just wondering is it kind of the numbers you are seeing in the market right now when you talk to customers and clients?

Alexandre L'Heureux, President & Chief Executive Officer

Well, clearly 5 percent, it's a view and an average. I think our building and property business has been doing well for a few years now in the US, so I think 2016 is not any different. I think we are performing well and I think the numbers that you highlighted are not that unreasonable, so I think that at this point I will leave it to this.

Benoit Poirier, Desjardins Capital Markets

Okay. Perfect. And just on the free cash flow side, Alex, could you mention more colour about the your expectation for the year in terms of free cash flow and maybe changes in working capital?

Alexandre L'Heureux, President & Chief Executive Officer

Well, I mentioned, we provided the early on in the year guidance on our DSO of around 80 to 85 days, so right now I think we're performing a bit better or ahead to where we were a year ago, so approximately three days. But having said all that, I mean in certain parts of the world right now there's been some increases and therefore I think I would stand by this range and therefore, I mean I think this year we see, where I have seen a bit of a difference from where we were last year at the same time is probably on the CapEx spending, which was totally expected. When you combine two 15,000 people firms clearly on CapEx you will be incurring some costs, especially in relation to real estate consolidation. So I think that's where I think free cash has been slightly impacted but I expect 2017 to be back on track on a normalized basis.

Benoit Poirier, Desjardins Capital Markets

Okay. So does it mean that your free cash flow conversion, because last year in 2015 you were close to 100 percent, so it does it mean that 2016 you'll be definitely below the 100 percent threshold, Alex?

Alexandre L'Heureux, President & Chief Executive Officer

Well, it's early. It's still early. We're only halfway through the year in early August. So I'll try to, I'd like see how we will be performing in Q3 before making a statement whether we're going to be above or below, but in Q3 I'll make a point to get back to you on this one. Right now I think that clearly our DSO will, I think we're projecting the DSO to be higher this year by a few days then where we finished the year last year, so clearly this will have an impact, and that will have clearly an impact on free cash flow, and I talked about CapEx as well. So I think I need a bit more time to assess where we're going to finish the year. In Q3 I think I'll be in a good position to give this answer to you. But it will be around above ballpark. I mean we're not going to be significantly below or significantly higher. I don't see many outliers for 2016.

Benoit Poirier, Desjardins Capital Markets

Okay. That's great colour. And last one for me just in terms of backlog. It seems that you achieved a new record level in terms of months, 10.6 months. So, any trend going on in the industry or specific to WSP? Is it the complexity now of the work that makes the duration longer or is it conversion of stuff into hard backlog? So, any colour on the 10.6 months that it's trending upward?

Alexandre L'Heureux, President & Chief Executive Officer

I think, Benoit, it's the combination of all of the above. I think we are now, I mean I mentioned early on that I like the markets we're in, including the UK. So we're, I think, in good markets. I think our strategy has always been to be in developed countries and a vast majority of our revenue are generated in the industrialized countries. So I really like that geographical mix. And I also like the end market mix. So I think that's one of the reasons. But also, as I said, I mean some markets are performing very well, and Australia is an example of this this quarter. Hopefully it will less. But certainly Sweden has been performing extremely well for many years, the UK has been performing well for many years, the US is picking up, and we hope that that Canada will revert to the green eventually. So I think, overall, I think that's the reason why you're seeing the backlog increasing.

Benoit Poirier, Desjardins Capital Markets

Okay. Perfect. So thank you very much for the time.

Operator

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

Jacob Bout, CIBC World Markets

Good afternoon.

Alexandre L'Heureux, President & Chief Executive Officer

Hello, Jacob.

Jacob Bout, CIBC World Markets

I had a question on the, ah, I want to dig in a little bit more on the US infrastructure market and when you take a look at the deal flow there we've seen some very strong growth. How are you feeling about your positioning there as far as your product offering, specifically for the US infrastructure market?

Alexandre L'Heureux, President & Chief Executive Officer

I feel very good. I mean that's all I can say. I cannot be clearer than this. I think we have a great team with very strong technical expertise, with a good geographical mix, and I think, I mean that's all I can say. I feel very good about our team. And not that I'd like to, I mean to make a point about this, but you look at the ENR ranking, I mean we're ranking number one. So, I mean, I don't like to talk about that stuff but I think we should be proud of this. It's a great achievement. So I feel good.

Jacob Bout, CIBC World Markets

Is there anything that you'd like to add to your product offering?

Alexandre L'Heureux, President & Chief Executive Officer

Well, Pierre talked about this, and maybe I can turn to him again to talk about how we could expand our service offering.

Pierre Shoiry, Vice Chairman

Well, Jacob, our strategy is to be top-tier in all of our end markets. Transportation, we have a very strong position in highways, bridges, transit in the US, certainly maybe some pockets that we could improve, some regional pockets we can improve with a few specialty expertise. In buildings, we're a leading firm in the US. We have very strong structural and electromechanical capabilities and we work on various private and public sector projects. We did some strategic acquisitions last year with Halvorson in Chicago and CCRD in Dallas, which positioned us in the healthcare sector. So there's still, I think, some strategic acquisitions, a lot of large urban areas, where we could increase our presence in buildings.

And then environment and the power, power we have some very strong expertise in various sectors, gas storage amongst others, and in other areas, but there's, clearly we'd like to grow that sector. And environment and water, those are areas where we can significantly grow our presence. We have about 6,000, 7,000 people in the US, which is a good presence, but certainly, you know, there is the market to significantly grow. When you thinking about it, we're 8,000 people in Canada. So it's a good market. As Alex said, there's good movement following the fast act, which, you know, and long-term funding around, so you're seeing a lot more third-party funding, state and local funding. I think that the candidates with the presidential election, you know, there's a lot of talk about infrastructure spending, so there's a good momentum and clearly there's good opportunities for growth for us.

Jacob Bout, CIBC World Markets

Okay. And maybe just a following question on Canada and your organic growth outlook. Maybe you talk a bit about mix. How are you looking at infrastructure versus some of the other markets you're looking at?

Alexandre L'Heureux, President & Chief Executive Officer

Well, I think... Every time I meet our investors I make this analogy or talk about the fact that in 2015 we felt the impact of the oil and gas market in our business and in 2016 we sustained a collateral impact on the other markets, you know, because of the oil and gas sector. So looking ahead, I mean clearly the first half Western Canada, across the patch it was quite difficult; however, I do expect in H2 a continued improvement in our business.

And I do think all is not dark in Canada. I think the prospect, the long-term prospect, and you look at the opportunities, especially in transportation infrastructure in the coming years, exists and is there and is real and therefore I think we should not just have a negative view around Canada. I think the long-term outlook, I'm optimistic, but clearly there's more work to be done in our business and within the country in order to get back to where we need to be.

Jacob Bout, CIBC World Markets

Thank you very much.

Operator

Your next question comes from the line of Sara O'Brien of RBC. Please go ahead.

Sara O'Brien, RBC Capital Markets

Hi, guys. Can you comment on, ah, the margins by segment were down and all segments except APAC and at the corporate level and I'm just wondering if your sort of trading margin for the organic growth opportunity or is it sort of national or global clients that are squeezing margin down. Just wondering if there's any general comment you can make and where the opportunity is to improve margin and if that's a focus.

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, I mean clearly the allocation of global corporate cost, we put it on one line basically on the total line, but clearly internally when we work out the numbers and work out on the allocation and I'm looking at our global corporate cost in Q2 one year ago was $25 million and now it's $14 million, so it's melted by pretty much half of where it was a year ago, I mean that's pretty much one of the biggest, one big driver that could explain the overall organic, not organic growth but EBITDA margin. Sorry, Sara. And if you recall last year was the catch up on LTIP, if I'm not mistaken, my memory is not failing me, that caused the number to be so high, because our run rate, as I indicated earlier today, is more around $15 million to $17 million. So I want to say that, I mean Canada, I think we've talked about it, I think this quarter we have a $6 million cost on this. EMEA, clearly the Middle East has been a deterrent clearly to the margin profile of EMEA as a whole, but if you look at all of the other countries I would argue that we have improved. But clearly the Middle East has had a big impact. It's been such a very difficult 12 months for the region that this had an impact. And clearly Americas, as I said, the difference between Q2 2015 and Q2 2016 is de minimis and it's very difficult to comment what happened in one quarter versus the other, but Colombia suffered as well a bit over the last 12 months and I'm sure this had an impact on the Americas segment.

Sara O'Brien, RBC Capital Markets

So when you look forward, I mean towards your 11 percent EBITDA margin target for 2018, do you feel confident that with the business environment in all of your segments now there's opportunity, whether it's through integration or cross selling initiatives, to get to those incremental improvements? Or do you feel like this is kind of a run rate for the level of business we're at now and the environments we're dealing with now?

Alexandre L'Heureux, President & Chief Executive Officer

We're mid-year 2016 and in our end of year 2018 plan we call for 11 percent. We still have 30 months left. Very difficult to predict where we're going to be 30 months from now. It's still a quite volatile environment right now and we've seen that in the last quarter. But overall I think I'm confident that we are headed in the right direction. I'm personally confident that we're headed in the right direction and that, you know, I would not be prepared today to stand up here and say we won't achieve that 11 percent. I think we're headed in the right direction to achieve it.

Sara O'Brien, RBC Capital Markets

Okay. So you see more improvement, I mean not just in the back half on seasonality but into 2017 based on internal initiatives right now?

Alexandre L'Heureux, President & Chief Executive Officer

Yes.

Sara O'Brien, RBC Capital Markets

Okay. Thank you.

Operator

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

Chris Murray, AltaCorp Capital

Thank you. Good afternoon. Just, Alex, referring to something you said about maybe reassigning or having David work more on the energy and resources business. It's a vertical that's historically you've always participated in but it's become less and less of the business now. Is that a way to think that maybe you're going to be thinking about what you do with that business a little differently? And any thoughts around—if you start to grow back in that doesn't mean that it needs to be more international in line with how you've moved up before or that there may be other M&A opportunities there?

Alexandre L'Heureux, President & Chief Executive Officer

It's a great question. I'm glad you're asking it. I mean a number of reasons why I believe that David would be the perfect candidate to lead that practice. First and foremost, I mean when you look at the combination of WSP and Parsons Brinckerhoff, I mean we need to remember when we acquired PB that PB had a great power franchise in the UK, a bit different in the US but also some pockets of great technical expertise in Australia and around the world, and therefore I think, not only, I mean we wanted David to do what he does best, he has a great knowledge of the oil and gas sector, but also to really oversee all of our expertise in oil and gas, not only in Canada but around the world, but also in power. So that's why I don't see this just as an oil and gas practice but an energy practice where we can really develop a strong strategy around power, because we have actually outstanding expertise on the platform and we wanted somebody to leverage that expertise across the group.

Chris Murray, AltaCorp Capital

Okay, but does that mean that we should be thinking that you'll be targeting more in terms of acquisitions in order to grow that or that you'll try to build it organically?

Alexandre L'Heureux, President & Chief Executive Officer

Well, I think our approach is always been, and as part of our strategy, I mean we've never mentioned in the past that oil and gas and power was not part of our strategy, we always said we would be opportunistic around those market segments, and I think our views have not changed. But I think to you have the caliber, David and our team and have the caliber of these professionals in our team, I thought that we could use him to really like gather and leverage all of the expertise we have around those two segments, oil and gas and power and, frankly, mining, so that we can really leverage and get ready for a recovery when there is one day.

Chris Murray, AltaCorp Capital

Okay. And along those lines, are you seeing any sort of recovery in the mining business at this particular point?

Alexandre L'Heureux, President & Chief Executive Officer

No. I mean we're—I think we're working hard to, um, I just came back from Australia and I must say that despite the very difficult environment I think our team over there, if they ever listen to this call, should be commended for the hard work they're putting in. I mean the team is strong and is quite resilient and it's trying to win its share of work until it recovers. But I think for the time being I would argue that around the world it's been a pretty, pretty depressed market.

Chris Murray, AltaCorp Capital

All right. Thank you.

Operator

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

Michael Tupholme, TD Securities

Thanks. Just two quick questions here. Alex, do you expect any additional rightsizing in Western Canada, or any other region for that matter, in the second half?

Alexandre L'Heureux, President & Chief Executive Officer

In the second half no, I wouldn't think so. So that's the clear answer, Michael. I think at this point in time we feel that we're comfortable with the business that we have.

Michael Tupholme, TD Securities

Okay, thanks. And then with respect to the Middle East, I think you mentioned you don't expect any kind of improvement in the back half of the year but at what point do you start to face easier comps in that area?

Alexandre L'Heureux, President & Chief Executive Officer

I'm sorry, I missed that the last part of your question, Michael.

Michael Tupholme, TD Securities

Just wondering at what point you begin to face easier prior year comps in the Middle East. So even if there's no pick-up in activity there you're at least sort of back to a flattish rate of growth.

Alexandre L'Heureux, President & Chief Executive Officer

The first half of 2015 was actually a good year for the Middle East. We were working off a good backlog in 2014 and we had grown by 33.0 percent in 2014. So we had a good backlog going into 2015 so I'd say that the between, ah, until 2017 I don't see, I don't see a good comp just showing up at this point in time. I think the second half was quite difficult. But still we were still doing okay. I mean really this year has been where we felt that heat a little bit.

Michael Tupholme, TD Securities

Okay. And then just lastly, listening to some of the comments about Canada, I think the comments with respect to Canadian growth were sort of overall comments, but as it relates to Western Canada are you, from an activity level perspective are you sort of at a bottom now or are things still declining?

Alexandre L'Heureux, President & Chief Executive Officer

It's very difficult to answer this question. I mean it's almost impossible to answer this question. I think, I mean I'm stating the obvious but we're much closer to the bottom today than we were a year ago.

But what I can say is I do see our Canadian business as a whole to improve consistently but I think the oil and gas, it's still a big question mark. I mean it's still quite difficult out there. It's a very difficult environment. So clearly it's challenging and in those challenging times, it's very difficult to say exactly when you bottom the market.

Michael Tupholme, TD Securities

Okay. Thanks very much.

Operator

Your next question comes from the line of Bert Powell of BMO Capital Markets. Please go ahead.

Bert Powell, BMO Capital Markets

Yeah, thanks, Alex. I just wonder to follow along with that question a little bit. The rate of change has obviously gotten a little better but it's still negative, and I know you don't want to say when the bottom is but it's fair to say that, and I think in the past calls you've talked about Q3 maybe being the bottom, but it seems like that's, given your commentary, likely not the case. Is that a fair way to interpret what you're saying?

Alexandre L'Heureux, President & Chief Executive Officer

Well, if you recall too when we provided the outlook two quarters ago, I mean some of our competitors thought that there would be a good pick up in the second half of the year for Canada and we actually argued that we wouldn't see the federal stimulus package to make a big difference for Canada in 2016 and we thought at the time that the Canada as a whole for the full year would be challenging. And actually our views have not changed and actually I'm pleased at the time that we had those views. Having said all that, I do still feel that H2 will be a better year, a better half, I'm sorry, than what we experienced in H1 for Canada. So if I can bring a bit of optimism to the discussion, because I think there is some, I think I expect H2 to be better than H1.

Bert Powell, BMO Capital Markets

Alex, do you have a better sense of the stimulus dollars? Do you have any updated views on that? What's kind of your current thinking on the extent that that benefits you or see that and timing? Any additional insights would be appreciated.

Alexandre L'Heureux, President & Chief Executive Officer

Yes, unfortunately, Bert, we don't have a view on it. It's very difficult to know when and how and when the federal government will inject some dollars into the country. So it's very difficult for us to make a statement on this, but I'd go back to what I said in my script, you know, there is a good pipeline of projects and transportation around the world and Canada is not an exception. Canada, I mean the long-term prospect of Canada in terms of transport is good. There's a lot of projects out there and I think that if we win our share the long-term outlook for our transportation segment should be good.

Bert Powell, BMO Capital Markets

Okay. That's great. Thank you.

Operator

Encore une fois, si vous souhaitez poser une question, s'il vous plaît appuyez sur zéro sur votre clavier téléphonique. Again, if you would like to ask a question, press star then the number one on your telephone keypad.

Your next question comes from the line of Maxim Sytchev of National Bank Financial. Please go ahead.

Maxim Sytchev, National Bank Financial

Hi, Good afternoon, gentlemen.

Alexandre L'Heureux, President & Chief Executive Officer

Hello, Max.

Maxim Sytchev, National Bank Financial

Just a couple of brief questions. In terms of, Alex, I was wondering if you can shed some incremental light. The organic growth in backlog has accelerated in Q2 versus Q1. Anything you can point to in terms of some bigger contracts you have won? Just trying to get a better understanding of the dynamic.

Alexandre L'Heureux, President & Chief Executive Officer

Typically, Max, I mean I think what I can do is pinpoint to our transportation segments around the world. We do feel that transportation infrastructure, if I can give you two examples, for example US and Australia has been a good contributor to this increase. So I do feel that as a whole globally and both in, and also in Europe I think our transportation infrastructure segment has been doing well.

Maxim Sytchev, National Bank Financial

Okay. That's makes sense. And then I was wondering if you don't sharing the geographic split right now in Canada between east and west, just kind of ballpark. Is it 60/40 or whatever maybe you're comfortable sharing, if it's possible.

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, we don't typically... I mean I don't want to start, Max, getting into, ah, I don't want to get into this. I mean then the next question will be can we split London from the rest of the UK. And I think we, I do feel we have a good graphical mix. Clearly the weight of Western Canada over the last two years has decreased significantly, and that's not an understatement. And actually I would add to that the acquisition of MMM has just exacerbated the increase in weighting to Eastern Canada. But I wouldn't want to get into splitting the country at this point in time.

Maxim Sytchev, National Bank Financial

That's fair enough, thanks. And the last question, just in terms of Australia, because I mean at some point the geography for legacy PB was quite profitable and it became less profitable. Do you feel that there is still more upside in terms of normalizing the margin in that geography or is it more right now off a revenue dynamic that should drive the profitability in Australia specifically?

Alexandre L'Heureux, President & Chief Executive Officer

No, I do feel that the market can still pick up even more. But I also feel that internally we can do more as well. I mean that's the goal. I think in certain end markets I do feel that we are, I think we are starting to perform as where we would like it to be, but in other markets, and our team is aware of this, I think we are not performing where we need to and incremental work is needed to get those end markets to where they need it to be.

Maxim Sytchev, National Bank Financial

Okay, that's helpful. And, Alex, just one last question in relation to Middle East. I mean there are a couple of large programs right, the World Cup and the Expo. Have we seen some delays in terms of those contracts being awarded or are they being awarded and then kind of the rest of the business is still very, very slow? Just trying to get the dynamic right.

Alexandre L'Heureux, President & Chief Executive Officer

On those big, big projects, to my knowledge we haven't seen any delay or postponement. I mean they have to happen. I mean the Expo, the 2020 and 2022 World Cup, to my knowledge, are still planned and will happen and therefore, I mean I haven't seen any delays on this. We have seen some postponement on smaller size jobs and real estate development in region but those big jobs are, I mean they still have to happen.

Maxim Sytchev, National Bank Financial

Okay, perfect. That's it for me. Thanks very much.

Operator

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

Alexandre L'Heureux, President & Chief Executive Officer

Okay. Thank you, everyone, for attending the call and we'll speak in Q3. Thank you.

Operator

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