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PRESENTATION

Operator

Bonjour, mesdames et messieurs. Good morning, ladies and gentlemen. Bienvenue à la conférence téléphonique sur les résultats financiers du premier trimestre l'exercice 2020 de WSP. Welcome to WSP's first quarter 2020 results conference call and webcast.

I would now like to turn the meeting over to Quentin Weber, Advisor, Investor Relations. À vous la parole. Please go ahead, Mr. Weber.

Quentin Weber, Advisor, Investor Relations

Good morning, all. We hope that you're all safe and doing well. Thanks for taking the time to join the call today, during which we will be discussing our Q1 2020 performance followed by a Q&A session. With us are Alexandre L'Heureux, our President and CEO, and Alain Michaud, our CFO. Please note that the call is accessible on our website via webcast.

During the call we may be making some forward-looking statements and actual results could be different from those expressed or implied. We undertake no obligation to update or revise any of these statements. Relevant factors that could cause actual results to differ materially from those forward-looking statements are listed in our most recent Management's Discussion and Analysis.

Also, during the call we may refer to certain non-IFRS measures. These measures are defined in our MD&A for the first quarter of 2020 as well as our MD&A for the year ended December 31, 2019, both of which can be found on SEDAR and on our website. Our MD&A also includes reconciliations of non-IFRS measures to the most directly comparable IFRS measures. Management believes that these non-IFRS measures provide useful information to investors regarding the corporation's financial condition and results of operation as they provide additional key metrics of its performance.

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

With that, I will now turn the call over to Alexandre.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you, Quentin, and good morning, everyone.

As we find ourselves in these unprecedented times, it is only fitting to begin by providing an overview of our response to the impacts of COVID-19 before getting into the details of our Q1 performance. I would first like to thank our employees for exemplifying resilience in the face of the COVID-19 pandemic and its unparalleled global challenges. Since the onset, our top priority remains to ensure the safety of our people, our clients, and the communities within which we operate.

As the global response to preventing the spread of COVID-19 quickly extended to stay-at-home government orders and business continuity plans were put into effect immediately, ensuring that our workforce would be able to continue to serve our clients and communities remotely. Leveraging our technology investments, our teams have quickly shifted and embraced the digital approach to deliver projects and pursue new assignments.

For our employees who are currently conducting their work on project sites, they have been given guidance to ensure our rigorous safety protocols are top of mind with additional consideration for social distancing incorporated. In most of WSP's major hubs, many of the services or projects are considered essential services. As such, we have maintained good productivity levels to date and our clients have generally remained committed to their projects, particularly in the public sector.

During this crisis, we are extremely proud to be able to help our healthcare clients globally who are under extreme pressure to provide rapid responses to this pandemic. We have had the privilege to apply our expertise to build capacity in field hospitals, modular expansions, temporary quarantine facilities, adapting existing healthcare facilities and converting industrial facilities. We have also been called upon to expedite hospital construction projects to be able to support the COVID-19 response. Our experts have continued to exemplify their agility and commitment to delivering solutions in an ever-changing environment.

Before we dive into the granularity of our quarter, let me start off by saying that we are pleased with the underlying operational performance of our regions, as we posted organic growth, we generated EBITDA margin in line with our expectations, we experienced strong backlog growth, good cash flow collection, and finished the quarter with a solid balance sheet.

Even though the first quarter of 2020 had one less billable day, it was complete with volatility and uncertainty. Our Asian operations were impacted by COVID-19 early in the quarter, first in Mainland China, followed by Hong Kong, and then Southeast Asia, accounting for approximately 6% of our employees. In parallel, our UK operations were dealing with the uncertain political and business environment brought forward by Brexit.

Our Western Canadian operations were adversely impacted directly and indirectly by the significant drop in the price of the barrel due to the lack of demand at the start of the year, which was followed by a pricing war between Saudi Arabia and Russia further causing the price to plummet. We certainly cannot ignore the extreme market and currency volatility that took place in the first quarter that led to two distinct non-cash items impacting our EPS for the quarter, which Alain will discuss in greater detail shortly.

WSP has entered to 2020 and this crisis in a strong position and now, during these challenging times, with close to 45,000 of our employees working remotely, I believe that we will come out of this pandemic on the other side an equally strong organization thanks to our people and management team.

I would now like to turn our discussion to the performance of our segments, starting with the Canadian operations. Aside from our Western Canadian transportation, geomatics, and oil and gas business that were impacted for the reasons mentioned earlier, the remainder of our Canadian operation performed very well and our organic growth would have stood at 4.3% for the quarter excluding the end markets that I just mentioned.

Our Canadian reportable segment posted a slight decrease in net revenues of 0.6% and delivered adjusted EBITDA by segment and adjusted EBITDA margin by segment of $37.3 million and 15.3%, respectively. These metrics were negatively affected by lower performance in Western Canada as well as severance cost amounting to $4.4 million related to the continuous operational optimization of our Canadian business. Our backlog in Canada remained flat compared to Q4 2019; however, it grew organically by 8% compared to Q1 of 2019.

Our Americas reportable segment posted organic growth in net revenues of 1.5%. The region delivered adjusted EBITDA by segment and adjusted EBITDA margin by segment of $78 million and 13.4%, respectively. Adjusted EBITDA margin by segment decreased in the US compared to last year due to lower utilization in the energy sector and the integration of Ecology Environments operation, which has a higher structural cost base than WSP legacy US operations. Americas backlog grew organically by 0.8% compared to Q4 2020 and 2.6% compared to Q1 2019, mainly attributable to the US.

Our EMEIA reportable segment posted organic growth in net revenues of 0.6% for the first quarter of 2020. Given the realities faced by our operations during the quarter, the UK achieved good organic growth of 3.4%. Net revenues in our Nordics operation remained flat due to a slower start to the year in Sweden. The region delivered adjusted EBITDA by segment and adjusted EBITDA margin by segment of $84.8 million and 13.2%, respectively. Lower adjusted EBITDA margin by segment is mainly due to severance in the UK of $2.4 million as well as lower margins in the Nordics due to the slower start of the year in Sweden. Backlog grew organically by 13.5% compared to Q4 2019, led by the Middle East, Nordics, and South Africa.

Lastly, our APAC reportable segment delivered organic growth in net revenues of 3.3%. Organic growth was led by solid results in Australia, partially offset by a contraction in Asia as a result of the COVID-19 pandemic. We typically do not provide more granularity on organic growth across our APAC reportable segment; however, as these are unprecedented times, Asia posted negative organic growth in net revenues of 3.6% whereas Australia and New Zealand delivered organic growth of 8.5% and 2% in net revenues, respectively. The region delivered adjusted EBITDA by segment and adjusted EBITDA margin by segment of $40.3 million and 15%, respectively. Adjusted EBITDA margin by segment increased due to a strong performance in Australia and New Zealand, partially offset by the COVID-19 impact in Asia. Backlog grew organically by 0.5% for the quarter and by 13.2% compared to last year.

I would now like to highlight a few of the major wins during Q1, showcasing a sample of our expertise from across the globe. The first is an example of the revenue synergies resulting from the integration of Louis Berger into our US operation. During Q1, WSP was awarded a five-year contract amounting to US$100 million for waterfront projects in the Naval Facilities Engineering Command Northwest area of operation. Secondly, in Canada, WSP was awarded a three-year assignment to manage the city of Toronto's water main rehabilitation program for a total of approximately $19 million in fees. This program is one of the largest water main structural lining programs in North America. We have been managing the program with Toronto since 2015 and this new three-year assignment will see WSP continues its collaboration with the city through the 2020 construction year.

And soon after the end of Q1 we were pleased to have been awarded a role on the Smart Motorways Alliance, specifically Lot 2, a digitally-enabled designer, which confirms our position as a trusted delivery partner to Highways England. The value of the alliance is £4.5 billion over ten years for the six partners. We look forward to working with Highways England and partners over the coming decade to collaboratively drive the modernization of the UK's motorway network through innovative technology and design contributing to a mobile and connected UK

We started the first quarter of 2020 with the acquisition of LT Environmental Inc., which not only strengthened our expertise in the environmental sector but also expanded our geographic presence in the US, both identified as key areas of growth in our 2019-2021 global strategic plan. I would also like to point out that since we announced our global strategy in January 2019 we've added 1,470 employees to our environmental platform, representing approximately 16% growth in headcount since 2018. Once again, I would like to welcome our new colleagues from LT Environmental to the WSP family.

Lastly, in February we also demonstrated our commitment to deliver on the sustainability ambitions in our 2019-2021 global strategic plan. WSP became the first professional services firm in the Americas to secure sustainability-linked terms to our syndicate credit facility. I would like to thank our financial partners who made this possible.

On that note, Alain will now review our financial results in more detail. Alain?

Alain Michaud, Chief Financial Officer

Thank you, Alex, and good morning, everyone.

Let me first cover our revenues and backlog. For the first quarter of 2020, revenues and net revenues reached $2.2 billion and $1.7 billion, respectively, up 1.7% and 4.7% compared to the same periods in 2019. We posted organic growth in net revenue of 1.1%. Excluding the impact of having one less billable day in Q1 2020 compared to Q1 2019, our performance in Western Canada affected by the depressed oil and gas industry, and our performance in Asia affected by COVID-19, organic growth in net revenue would have been in line with our expectations. Backlog remained strong at $8.5 billion, representing a record high of 11.1 months of revenues. Our backlog grew organically by 3.7% when compared to Q4 of 2019 and 5.3% compared to Q1 of 2019.

Let's move to our profitability. For the first quarter, adjusted EBITDA was $218 million, representing a 12.6% margin. Adjusted EBITDA is in line with our expectation despite having one less billable day in Q1 2020 compared to Q1 2019 and severances recorded in the quarter amounting to $6.8 million resulting from the continuous optimization of our operations in Canada and in the UK.

In the first quarter of 2020, the corporation's net earnings attributable to shareholders were $14.2 million or $0.13 per share compared to $63.6 million or $0.61 per share for the comparable period in 2019. The decrease of $49.4 million, or $0.48 per share, is explained by three main items, the two most significant of which being attributable to non-cash items caused by the extreme volatility observed in the main market indexes and in foreign exchange rates resulting from the COVID-19 pandemic and not related to the underlying performance of our operation.

The first such item explaining $20.5 million of the decrease in net earnings, or $0.19 per share, results from the non-cash reduction in value of investments in securities related to our deferred compensation plan in the US. As a reminder, these assets are accounted for at their fair value each quarter and the fluctuation of values between quarters affects our results. Although these assets are for the benefit of participating employees, they remain available to our creditors in case of insolvency and, accordingly, we need to account for those non-cash increases or decreases in values as is required since the adoption of a new IFRS standard at the beginning of 2018. Of interest, under US accounting standards, or US GAAP, these fluctuations of values would not affect earnings, creating different reality for US-based companies. These assets had a value of $100 million at the end of the quarter.

The second item explaining $20.2 million of the decrease in net earnings, or $0.20 per share, relates to the reduction in value of foreign exchange forward contracts that are open at the end of the quarter to be used to hedge future transaction. A very significant portion of the decline is explained by very sharp changes in currency values observed in the last few weeks of March, mostly the US dollar against the Canadian dollar.

The last item explaining $6.8 million of the decrease in net earnings, or $0.06 per share, relates to higher amortization and depreciation related to recent acquisition.

Adjusted net earnings for the quarter were $47.5 million or $0.45 per share, down $8.9 million or $0.09 per share, respectively, compared to Q1 2019. The decrease is mostly explained by higher amortization and depreciation related to recent acquisition. Please note that we have amended our definition of adjusted net earnings effective January 1, 2020 to exclude the non-cash items just discussed previously affected by market and currency volatility and not reflective of the corporation's underlying operations.

Let's now review a few cash flow metrics. For Q1 2020, cash inflows from operating activities stood at $3.2 million compared to $27.7 million in 2019. Our trailing 12-month free cash flow for the quarter came at $409.5 million or 173% of net earnings, beyond our cash flow conversion target of 100% of net earnings. At 1.3x, our net debt to adjusted EBITDA ratio remained within our target range of 1x to 2x, and at the end of the quarter we had $1.2 billion of capital resources available.

Our days sales outstanding reached 77 days at the end of Q1 2020, a one-day improvement as compared to Q1 2019. This improvement is the result of our team's continuous focus on cash collection during the quarter. Finally, we also declared a dividend of $0.375 per share for shareholders on record as of March 31, 2020, which was paid on April 15, 2020. With a 34.1% DRIP participation, the net cash outlay for the quarter was $26.2 million.

This concludes my remarks. Alex, back to you.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you, Alain.

Before opening the line to questions, I would like to reaffirm our commitment to being operationally resilient to continue meeting the needs of our clients and communities during this pandemic. These are difficult times, which have brought extraordinary global economic and financial challenges. We recognize the unprecedented uncertainty we face collectively. It is due to this reality that we withdrew our 2020 financial outlook on April 15.

Though we continue to stringently follow the developments across our region, the ultimate impact of this current environment cannot be predicted with certainty at this time and neither can the following quarters; however, we recognize that our long-term investors and financial community may be looking for some direction on our strategy. As we all can agree the future cannot be predicted; however, this has not prevented us from developing multiple scenarios. On this basis, our team has set two objectives for the business as we progress into the year.

The first objective is to preserve and safeguard our balance sheet and cash flow generation. Significant efforts are dedicated to optimizing our working capital to generate free cash flow in excess of net earnings for the trailing 12-month period ending Q2. While our ambitions are currently the same for Q3 and Q4, we will reassess the situation as we gain further clarity on market conditions.

Our second objective, equally important, relates to our profitability. It is understood that we continue to rely on market dynamics but, as indicated in the past, we have an agile and flexible operating model with a large portion of our costs being variable. As such, we have set the ambitions to adjust our cost structure to maintain in Q2 2020 a similar adjusted EBITDA margin profile as Q2 2019, excluding any non-recurring expenses related to the adjustment to our cost structures. As with our first objective, we are currently aiming for the same ambition for Q3 and for Q4 and will reassess the situation in light of future developments.

Moreover, we are pleased to report that, as of this morning, our results for April, although not without challenges, are better than we had expected going into the month. As previously announced, we have proactively implemented measures to adjust our cost structures and have postponed all non-essential capital expenditures and will continue to consider additional measures as the situation evolves.

As Alain mentioned, as at March 28, 2020 WSP had $1.2 billion of available short-term capital resources and a low leverage position with net debt to adjusted EBITDA ratio of 1.3x. Furthermore, since early March, we remain cautiously optimistic on the back of the improvement in our operation in Hong Kong and mainland China. As governments around the world begin gradually reopening businesses, we will monitor market dynamics and leverage best practices from our Asian operation as we work through regional plans to reoccupy our offices. As the full impact of this pandemic remains unknown, we do not believe that our diversified business model, from both a geographic and sector standpoint, our solid balance sheet and regionally empowered leadership model should place us in a solid position to face these continuous challenges head on. I should have said we do believe that our diversified business model.

As a final note, even though some of our ambitions under our 2019-2021 global strategic plan may be impacted, it remains premature to reassess these ambitions at this time. However, regardless of global market dynamics, the underlying principles of the strategy remain very relevant. First, our clients remain at the centre of everything that we do; second, we will strive to provide an environment where our people can deliver on their full potential; third, our aim remains to be a top-tier player in every sector in which we operate as the partner of choice for clients; and finally, we will continue to build upon our diversified and resilient platforms regardless of the current environment, all in view of becoming the premier consultants in this industry.

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

QUESTION AND ANSWER SESSION

Operator

Thank you. At this time, if you would like to ask a question, please press star one on your telephone keypad. To withdraw your question, press the pound key. Please hold while we compile the questions.

Your first question comes from the line of Mona Nazir with Laurentian Bank. Please go ahead.

Mona Nazir, Laurentian Bank Securities

Good morning and thank you for taking my questions.

Alexandre L'Heureux, President & Chief Executive Officer

Hello, Mona.

Mona Nazir, Laurentian Bank Securities

Hi. So firstly, you had mentioned in your prepared remarks that Q1 was impacted by Western Canada and energy-related weakness. And if we're layering COVID onto this for Canada, I'm just wondering if it's at greater risk than other geographies, specifically given it has the lowest percentage of public market exposure at 34%. Would there be any correlation there?

Alexandre L'Heureux, President & Chief Executive Officer

Look, Mona, yes. I think right now, when we are running multiple scenarios, clearly some countries will be impacted more than others in our views. And clearly, as far as I'm concerned, to be totally transparent, I believe, given our private sector/public sector mix and also the slowdown that we had seen out west, whether we like it or not there is a slowdown in half of the country, I believe that Canada, among all of our major hubs, could be the one perhaps the most impacted by all of this at this point in time.

Mona Nazir, Laurentian Bank Securities

Okay. Perfect. Thank you. You guys are not giving outlook on each individual geographic area yet, correct?

Alexandre L'Heureux, President & Chief Executive Officer

No. No.

Mona Nazir, Laurentian Bank Securities

Okay. I just thought I would try. I'm just wondering if also you could speak about EMEIA, because just looking at the quarter, organic growth was 0.6%, but then if I'm looking at the backlog composition I'm seeing that EMEIA had the strongest sequential increase at 13.5% and really drove the sequential increase in overall backlog.

Alexandre L'Heureux, President & Chief Executive Officer

Yes, that's true. I think right now our EMEIA segment, reportable segment, has grown strongly over the last quarter and year over year. But just let me remind you, just going back to Canada, Canada also experienced, year over year, very strong growth at 8%. And just going back to Canada for a second, Mona, yes, we mentioned that clearly transportation out west with a couple of delayed bids, which impacted our performance out west in transportation, and then if you include oil and gas, some of the upstream work and also geomatics. But if you exclude all of this, Canada on the east, but also generally speaking, experienced very, very solid growth. So, our environmental sector has grown double digits. If you exclude, again, oil and gas and you look at our power sector, this was also double-digit growth. Our infrastructure business sector grew 5% in the quarter. So, not all is negative. And although I said that perhaps of all of our major hubs right now, given what's happening, I mean there's an impact on the resource sector, which will have indirect impact on other end markets and the economy globally for the Canadian economy, but also then you add to this COVID-19, I said that perhaps this will be one of the most impacted at this point in time. That's what we believe. Nevertheless, the growth, excluding all of this, would have been north of 4% for the quarter. So it was strong. And the backlog this year is in a much better place than we were a year ago. So I just wanted to make sure that I was making a few of those specifications.

Mona Nazir, Laurentian Bank Securities

No, that's very helpful and appreciated. And just lastly for me, because I know the queue is long, on earnings calls globally, management teams are speaking about how COVID may change their operations and industry going forward, if at all, even as economies open up. I'm just wondering if you could share your perspective or take on how COVID may impact WSP and the related end markets.

Alexandre L'Heureux, President & Chief Executive Officer

Look, I mentioned it during my address on two different occasions. WSP came into this global crisis in a very strong position. We entered 2020 feeling very good about the year, feeling very good about our backlog, very good about our expertise and how we win in the marketplace, and I believe that when this is all over we will be coming out of this in an equally, if not stronger position. We need to take this opportunity to continue to transform WSP, to professionalize the firm, to take this as an opportunity, as I said, to strengthen the organization to make it more resilient, to make it more diversified, and I see always a lot of opportunities in crisis to improve as an organization and that's what we're doing right now. We're challenging our people to do better. And certainly this new environment is providing us a lot of comfort on the digitalization strategy that we have on our services, our technology investment that we've made in recent years, and how our people are able to collaborate even though they're all not sitting one in front of each other.

So I think this has been a great opportunity to test the resiliency of our platform, to test our collaborative tools and how powerful they are, and also it's testing the limit of what we can achieve as an organization and actually I believe we have a lot of headway. So I'm feeling extremely good about the way our people and our operation have been reacting so far during this crisis.

Mona Nazir, Laurentian Bank Securities

Thank you. That's very helpful.

Operator

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

Alexandre L'Heureux, President & Chief Executive Officer

Hello, Yuri.

Yuri Lynk, Canaccord Genuity

Hi, Alex. Was the decision to take the severance charges, was that before the onset of COVID-19 or after? And can you just give a nature of these positions that have been eliminated?

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, they were taken just right before, so they're not really related to COVID-19. They are perhaps related to lower performance, as I said before, in Western Canada and some parts of our industrial and resource sector in the UK over the course of the quarter. So look, I wish, and saying that with all due respect to the severances that we completed, but I wish we had done them earlier. They were done later in the quarter. So that's why we have the impact that we have now. But we've completed them in March, but the decision had been made before the COVID crisis.

Yuri Lynk, Canaccord Genuity

And are these revenue-generating positions and will we see a commensurate improvement in utilization rates?

Alexandre L'Heureux, President & Chief Executive Officer

Yeah. Well, yeah, a lot of it was client-facing individuals and given the low utilization in those sectors, we made the decision to reduce the workforce.

Yuri Lynk, Canaccord Genuity

Okay. Appreciate the margin guidepost for Q2 and the rest of the year. I'm wondering if you can just give us some flavour for organic growth rates in April.

Alexandre L'Heureux, President & Chief Executive Officer

That's predominantly the reason, Yuri, why, as a prudent approach, we removed our outlook. I've always said, and you've heard me saying that in the past, I mean we have a very, very resilient, I believe, business model, diversified. We have major hubs in which we operate. But we also have a very flexible cost structure and we are clearly dependent on market dynamics on the top line. Having said all that, close to 60% of our top line is generated in the public sector worldwide. But having said that, we are dependent on market dynamics.

On EBITDA margins, I believe we have a bit more control, at least significantly more control on our margins, and that's why, even though nobody has a crystal ball and nobody is in a position to provide you with the full-blown outlook for the remainder of the year, I totally realize how difficult it is for you and the investment community to look at the WSP book of business now that we've removed our outlook and say, okay, what's going to happen next? And that's why I felt compelled, where possible, to provide you with as much guidance as to what our plans are. These are ambitions, these are our objectives, and that's what we have set for the business. We said, look, whether it's a good market or a bad market, we have the control on our cost structure, we have an agile workforce, and we need to control our margin as much as possible. And these are the two objectives that we've set, the margin and the cash flow generation.

Yuri Lynk, Canaccord Genuity

Okay. Well, I thought I'd try. I'll turn it over there. Thank you.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you, Yuri.

Operator

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

Rahul Malhotra, CIBC World Markets

Hi. Good morning. This is Rahul on for Jacob.

Alexandre L'Heureux, President & Chief Executive Officer

Hello, Rahul. Nice meeting you.

Rahul Malhotra, CIBC World Markets

Likewise. So, maybe just on backlog, strong organic backlog growth in Q1, but post Q1 are you seeing any major cancellations of previous project awards?

Alexandre L'Heureux, President & Chief Executive Officer

Look, again, this is extremely difficult to read what our clients are, you know, read their mind. Having said all that, what I can tell you is, as of this morning, globally, right now, we have seen very few project cancellations. I can only give you an answer based on facts and I don't want to get into the business of trying to extrapolate what may or may not happen in the future. But there's one thing I can give you comfort on is so far on a daily basis, globally, we are monitoring project delays and cancellations and so far, given that most of our services around the world are considered essential services, we have not seen many project cancellations at this time. That doesn't mean it's not going to happen, but right now this has not been the case.

Rahul Malhotra, CIBC World Markets

Okay. And DSO at 77 days for Q1, but post Q1 have you seen any issues when it comes to the collection of receivables?

Alexandre L'Heureux, President & Chief Executive Officer

No. The month of April, so far, has been as good as it could have been. But you need to recall that typically Q1 and Q2 are slower cash collection quarters than they typically are in the second half of the year. So, all else being equal, April has not been any different this quarter than it was last year, but clearly it's slower typically than what you would expect or come to expect in the second half of any given year.

Rahul Malhotra, CIBC World Markets

Gotcha. Okay. And with close to 60% government sector exposure, as we look past the pandemic, can you maybe just comment on the potential global infrastructure stimulus opportunity for WSP and how long could this take to benefit WSP in your view?

Alexandre L'Heureux, President & Chief Executive Officer

Well, look, globally we are well positioned as a trusted adviser to work with governments to work on the best way to reopen the economies from an infrastructure point of view. We've been working with the Canadian, ah, especially in Canada and the US, but also in Europe and the UK and elsewhere, with governments trying to understand what would be the best way to reinvest in infrastructure, stimulate the economy, and clearly I believe that in the longer term WSP will be uniquely positioned to benefit from potential stimulus in various countries. Given our exposure upstream and on the advisory side, but also in the detailed design side, I believe WSP is uniquely present in all of the areas of the value chain from permitting all the way down to detailed design in transportation and the building sector and in the environmental sector, the water sector, power. So I do feel that if governments or should governments decide to massively invest in infrastructure, I think WSP will be well positioned.

Rahul Malhotra, CIBC World Markets

Okay. Thank you, Alex.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

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

Frederic Bastien, Raymond James

Thank you and good morning.

Alexandre L'Heureux, President & Chief Executive Officer

Hello, Fred.

Frederic Bastien, Raymond James

I hope you're well and safe. Alex, you mentioned being happy with the way business held up in April. Are there any particular regions or markets that surprised you, either on the upside or the downside?

Alexandre L'Heureux, President & Chief Executive Officer

Right now, I mean clearly, if you look globally, businesses that have been somewhat isolated and protected from the pandemic, if I can use such an expression, I think Asia Pacific so far has been doing extremely well and continues to drive the business very well. Australia is doing extremely well. I am also very pleased with the way I think our business in the US has been, ah, how resilient the business has been in the first four months of this year.

And I should also add, and I think I should commend our team in Asia, who have gone in the whole cycle from being in lockdown to reopen to bring back all of our people and offices, with the exception of Singapore that is somewhat back into a lockdown now. They've done tremendously well to hold margins and work extremely hard to hold the margin despite a reduction of 3.6% organic growth in the first quarter. So I must admit that. And then I could add, you know, the UK business, despite an election on December 12th, lingering uncertainty in all of 2019, Brexit announcement at the end of January, they did generate 3.4% of organic growth. So I'd say that, for the most part, I think all of our regions should be commended.

On the downside, I mean for two years in a row now Sweden has had a slow start in the year. Not because the economy is not resilient and the economy is not doing well. It's just the way it has been over the last two years. But you look at the trend last year of Sweden and they've had a very good second half. So, clearly I wish we had had a better start in Sweden. I wish that we were full steam ahead on the transportation front and large assignment across Canada, and it seems to be taking a bit of time for this to start, but for the most part I would say, on balance, that this was a good quarter for WSP.

Frederic Bastien, Raymond James

Okay. Thanks for that colour. I appreciate things are quite fluid still, but how is Alex L'Heureux feeling about the M&A environment today?

Alexandre L'Heureux, President & Chief Executive Officer

Look, I mentioned it in my address, I think it would be way too premature to think about changing our 2019-2021 strategic plan. At this point in time, Fred, and I think that's what our investors would want us to do, we want to dedicate and I am dedicating 150% of my time to making sure that we come out of this pandemic in a stronger position than we entered in. So we are challenging our operation to rethink the way we are doing business. We are making sure that we're close to our clients and we're there to assist our clients to the best of our capacity and capabilities. And frankly, our clients are calling us to talk more about business continuity over the last quarter than they called us about delaying projects. And that's a great statement of the resiliency of our company.

And to answer your question, a long answer to a short question, look, right now I'm not sure that it would be a good use of my time and the board's time to talk about deploying capital outside of WSP. I mentioned earlier on that in Q1, but also in Q2, I had set two objectives for the organization. One is to safeguard the balance sheet of the company and also to protect our cash flow and secondly is to hold our margin to the best of our capacity. And I think these are the right priorities for us right now at this point in time, but that doesn't mean that when we come out of this, if we are in a very strong position, that we will not be in a position to be very opportunistic. I think valuation is taking a beating in some of our peer group and clearly also in the private sector, not in the private sector, I'm sorry, but privately held companies clearly may not come out of this in a stronger position than when they entered it and perhaps this would bring its load of opportunities for us in the future. But I think we need to be patient.

Frederic Bastien, Raymond James

Awesome. Thanks for your thoughts.

Operator

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

Maxim Sytchev, National Bank Financial

Hi. Good morning, gentlemen.

Alexandre L'Heureux, President & Chief Executive Officer

Hello. Good morning, Max.

Maxim Sytchev, National Bank Financial

Alex, maybe just a question that we're getting quite a bit right now around US local and state tax receipts, and obviously there is automatic stabilizers, CARES Act and things like that. Just wondering how are you guys thinking about governments' abilities right now, especially in the US, to pay for infrastructure in the short to medium term, if you don't mind.

Alexandre L'Heureux, President & Chief Executive Officer

Look, Max, I believe, and this is a personal opinion, I believe the US is probably one of the best positioned countries to face this pandemic, both from a fiscal point of view, from a financial point of view, but generally speaking. They have so much fiscal flexibility in the system, unlike many other countries around the world, that I actually believe that, if you ask my personal opinion, that the US will be in a very good position to take on this challenge and come out on the other side of this in a good place.

So longer term, I am not suggesting there won't be any hiccups in the peaks and valleys, but actually I believe in the longer term I think, ah, and especially that there is consensus between the Democratic and Republican party, Democrat party, I'm sorry, that there's consensus about infrastructure investment that I actually believe in the long-term prospect of our US business in the US.

Maxim Sytchev, National Bank Financial

Great. And then maybe just one quick one: In terms of how are you guys thinking about Asia Pacific, given the fact that, obviously, that part of the world was impacted by the pandemic earlier and you still seem to be generating positive momentum, I mean is it conceivable that we're going to see that trajectory continuing or should we still be moderating kind of the expectations in the short term?

Alexandre L'Heureux, President & Chief Executive Officer

And when you say, I just want to be crystal clear on your question, when you said Asia Pacific, you meant Australia and New Zealand? You meant mainland China, Asia that's gone through already, you know...?

Maxim Sytchev, National Bank Financial

I mean I guess maybe, do you mind maybe starting with China and Hong Kong and then maybe we'll shift to Australia and New Zealand, so just we'll get the timing right for that part of the world.

Alexandre L'Heureux, President & Chief Executive Officer

Yes. Well, clearly in mainland China and Hong Kong, I've been very impressed with the way the business has been behaving. As I said before, we are very dependent on market dynamics, so if there's no work clearly our top line will go down. But in the quarter and in the month of April we've seen our team working extremely hard to hold the margin. And that's clearly the marching orders for everyone around the world. And then when you go down, and to be seen, I mean clearly we've seen the biggest drop in GDP growth in mainland China in recent years, so we'll see what happens. But the level of proposal activity in mainland China actually is very good I should say.

And then moving down to Australia and New Zealand, I mean the state of New South Wales and Victoria have been quite vocal, and these are the two wealthiest states in Australia, have been quite vocal about massive investment in infrastructure to stimulate the economy and I actually believe that their plan is very sound. And as I said before, I think WSP is very well positioned with those two states to take advantage of that. So that's why you've seen the kind of growth that you've seen in the first quarter.

Maxim Sytchev, National Bank Financial

Right. And maybe last one. Anything in relation to FEMA, Alex, that you have the ability to share with us or it's still early days on that side?

Alexandre L'Heureux, President & Chief Executive Officer

It is early days, Max. We've generated less than $10 million in fees in the quarter, in Q1, so I think it's early days. But WSP and our brand in the US are known as probably one if not the disaster recovery expert. So we've done a lot of work during hurricane seasons and we've done a lot of work with Puerto Rico, if you recall, on the power side with our Louis Berger acquisition. So if there is some work and we can act as an expert, and again this is the government, I think WSP is there to help and will be ready to help.

Maxim Sytchev, National Bank Financial

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

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

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

Your next question comes from the line of Dimitry with Veritas. Please go ahead.

Dimitry Khmelnitsky, Veritas Investment Research

Hi. Thanks for taking my call and I hope you are all staying safe and healthy at WSP.

Alexandre L'Heureux, President & Chief Executive Officer

Good morning, Dimitry.

Dimitry Khmelnitsky, Veritas Investment Research

Good morning. It seems that 2019 acquisitions were not accretive to adjusted net earnings after amortization and depreciation. I wonder why is that the case and which acquisitions are causing that.

Alexandre L'Heureux, President & Chief Executive Officer

First, that's not true. I think we were impacted by one less billable day in the quarter. If you add one billable day in the quarter, we would have added approximately 1.5% of organic growth globally. So instead of being at 1.1, we'd be north of 2.5. And this is straight bottom line profitability that we're losing. We have the same variable costs, same fixed costs for the quarter, but then we have one less billable day to bill our clients. So clearly this had an impact on our EBITDA definitely and our top line.

Also, I think the great contribution and the early contribution of those acquisitions has been offsetted by Asia contraction, has been offsetted, as I said before, by our Western Canadian performance in the oil and gas geomatic and resource sector and, unfortunately, that's why you are not in a position to see the benefit of those acquisitions in the quarter but you're seeing the impact of the depreciation, the acquisition below the EBITDA line.

Dimitry Khmelnitsky, Veritas Investment Research

So adjusted net earnings declined, I think, in the explanation, primarily because of higher depreciation and amortization related to acquisitions and that's why it causes an impression that perhaps recent, I guess, 2019 tuck-in acquisitions are not accretive after amortization and depreciation.

Alexandre L'Heureux, President & Chief Executive Officer

Yeah. I mean yes, the answer is absolutely yes, because, as I said before, you're not seeing the benefit of the contribution of our acquisition given that we have had some setbacks. And I omitted to mention the severances of $6 million in the quarter. That had also an impact on the EBITDA. But yet we had to record the depreciation and amortization below our EBITDA and above EPS, obviously, so this is obviously having an impact. But I would say that the main impact on our EPS has been the two distinct items that Alain mentioned. Two, I should recall, I should, as a friendly reminder, are non-cash items, unrealized losses on a deferred compensation plan in the US and, secondly, an open hedge contract that we have on the balance sheet.

Dimitry Khmelnitsky, Veritas Investment Research

So, in a normal case scenario you'd expect the tuck-in acquisitions that were made in 2019 to be accretive after depreciation and amortization.

Alexandre L'Heureux, President & Chief Executive Officer

Absolutely. Yes, absolutely. It's very fair. And so far, I mean you need to remember that many of those acquisitions closed very late in the year. We closed LT on January first. We closed (inaudible) late in the second half of the quarter, which was our largest acquisition. So we need a bit of time to integrate them. We need a bit of time to make sure that we are getting them into the system and adjust the cost base of those acquisitions. This is not going to happen in 60 days, as you can imagine. But so far I would tell you that I'm extremely pleased with the way our regions and the businesses have been reacting. And yes, I am very confident that those acquisitions will be accretive to WSP, both from an expertise point of view, but also from a financial point of view.

Dimitry Khmelnitsky, Veritas Investment Research

Thank you. That helps.

And can you talk a little bit more about backlog development for the month of April? Do you see significant challenges in terms of growing backlog as a result of shutdowns and remote work from home types of restrictions?

Alexandre L'Heureux, President & Chief Executive Officer

Well, what I'm going to tell you I believe is true for everybody working in this space as a professional services firm. Clearly, on the advisory side, the planning side, if you cannot, you know, if people are in lockdown, and on the environmental side people are not allowed to access sites and have to work remotely, clearly some of our end markets were burning a bit more of our backlog than we would otherwise, clearly, because this is a very high season typically the spring in North America for this sector. But I am confident as we are reopening for businesses that we will be able to catch up on this

And I mentioned, for instance, that in Canada, our environmental sector grew north of 10% in the quarter, so I'm quite pleased about that. Having said all that, on everything else, I think that I haven't seen so far a reduction necessarily on proposal activity. To the contrary, I think this year has been good so far. And I can only base it based on facts and what we're seeing in the marketplace, but I wouldn't use this as a predictor of future events, obviously. We don't know what we don't know yet, just yet.

Dimitry Khmelnitsky, Veritas Investment Research

I see. Thank you. And on the April results, would you be able to comment on what you are seeing on adjusted earnings over year? You did mention that results are better than expected, but it's a little unclear what does that mean for organic growth and what does that mean for adjusted earnings. So just a little bit more specific, if possible.

Alexandre L'Heureux, President & Chief Executive Officer

The reality is that on currency, now the market has settled a little bit, so I think definitely this is, you know, for month of April we are in a much better place than we were in the month of March, for instance. But clearly the comment I made earlier on was in relation to the underlying performance of our business and not so much about items that is beyond our control. I'd say that right now, based on the expectation that we had for the month of April, we are pleased with what we have seen so far and we're feeling better about the month of April now than we were when we entered it. Is it a sign that May, June, July, August, and September will be good? That I cannot predict.

Dimitry Khmelnitsky, Veritas Investment Research

Okay, thank you.

Operator

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

Frederic Bastien, Raymond James

Hello again. Alain, maybe the last one for you. You incurred an unrealized loss on FX instruments that flowed through the interest expense line and that was clearly labelled and quantified, but you also pointed to a hedge that negatively impacted the Americas EBITDA. Can you provide a bit more colour on that second expense and whether it had a material impact on the results?

Alain Michaud, Chief Financial Officer

Yeah, and the reality that we've experienced with the currency, US to Can, obviously you've seen the large fluctuation towards the end of the month of March, so the range is about $2.5 million. And I would say that 90%-plus of that amount was in the latest part of the month. And as you said, it's all realized on closed hedging position whereas what's in the financing expenses is open hedging position that we have for future transaction on 2020 and 2021.

Frederic Bastien, Raymond James

Okay. All right. Thanks for that. That's all I have.

Alain Michaud, Chief Financial Officer

Thanks, Fred.

Operator

And your next question comes from the line of Jean-François Lavoie with Desjardins. Please go ahead.

Jean-François Lavoie, Desjardins Capital Markets

Thank you very much and good morning, gentlemen.

Alexandre L'Heureux, President & Chief Executive Officer

Bon matin, Jean-François.

Jean-François Lavoie, Desjardins Capital Markets

Bon matin. I just wanted to get your thoughts on the, ah, now that the vast majority of your employees are working remotely, I was wondering if you had the, ah, or if in the future there would be an opportunity to maybe increase the number of employees that work remotely and maybe reduce the residential cost that you have for the business.

Alexandre L'Heureux, President & Chief Executive Officer

Jean-François, of course, I mean we are working with architects right now, we are working with landlords from around the world to develop some thought leadership, and thought leadership views on what life may look like in the workplace, the workplace of the future. We are actively working with this with our clients in the private sector in the building sector.

The answer is it will change. How this will change and how it will change? I mean we need to remember we've only been into this for six, seven weeks now. So it's early days. And there's a level of excitement about this right now. And I can only totally understand it. But to be precise and to be to try to be as transparent as I can in answering your question, yes, indeed, I believe that with the continued digitalization of our services and the collaboration tools that we are developing, I am confident in the years to come that our work will be, we will be able to do our work from pretty much everywhere around the world.

Do I believe that in-person interaction will still be key? I actually believe that we are human beings and human interaction is essential. We're not meant to be working by ourselves at home and not be able to socialize with coworkers and socialize with clients and develop businesses. So I actually believe that it will be a mixture of all of the above and I actually believe that we need to see the positive in all this and we need to see the opportunity of becoming a better firm as a result of this crisis. And I am confident that we have the people to orchestrate that and to transform the organization. But yes, indeed, I absolutely believe that this will change the way we are working globally. The extent of it, allow me a bit more time. But one day I'll be able to answer that question.

Jean-François Lavoie, Desjardins Capital Markets

That's great colour. Thank you very much and stay safe.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

And there are no further questions at this time. I will turn the call back over to the presenters for closing remarks.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you so much for attending this call. I realize that these are unsettling times. We tried to provide you with as much colour as we could with what we know today and I look forward to updating you in the months and quarters to come. So, thank you very much and I look forward to talking to you in the near future. Thank you.

Alain Michaud, Chief Financial Officer

Thanks, everyone.

Operator

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