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PRESENTATION

Operator

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

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

Quentin Weber, Advisor, Investor Relations

Good morning. We hope that you're all safe and doing well. Thank you for taking the time to join the call today, during which we will be discussing our Q2 2020 performance followed by a Q&A session. With us today are Alexandre L'Heureux, our President and Chief Executive Officer, and Alain Michaud, our Chief Financial Officer. Please note that the call is accessible on our website via the 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 Management's Discussion and Analysis for the second quarter of 2020 as well as our Management's Discussion and Analysis 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 COVID-19 reached pandemic status, I reaffirmed our commitment during our call last quarter to being operationally resilient, to continue meeting the needs of our clients and communities during those unprecedented times. As this pandemic has sent shock waves across every industry in the global economy, we have approached it with the plan for the worst, strive for the best mentality, proactively taking actions to ensure the safety of all our people in addition to safeguarding our business in the long term.

Aligned to government stay-at-home measures, our robust business continuity plans have continued to allow our people to access the technology tools and infrastructure necessary to work without disruption. With approximately 90% of our workforce that continues to work remotely, our people ensure that our commitments to our clients and our communities are fulfilled, revealing in parallel the extent of our agility.

I wish to take this opportunity to once again thank our employees across the world for their engagement and perseverance in the face of professional and personal adversity as a result of this pandemic. Additionally, I would like to specifically thank those who are reporting to our sites each day to maintain critical project delivery despite these challenges.

Drawing on the strength of our empowered operating model, our leaders have adapted their operating approaches to overseeing construction activities. We've also enhanced our efforts to identify, process, and communicate important information to clients through various digital channels. The result, our client relationships have only been strengthened by this pandemic because our clients have seen our commitment to keep their projects and portfolios moving.

As we shift from response to recovery, our leaders and experts across the globe have been called upon to participate in industry roundtables, special interest groups, and workshops to provide their insight on which changes will snap back to how they were before and which trends will linger and shape a different future for our built environment.

Additionally, some of our experts have been working with leaders responsible for drafting stimulus legislation. Through our future-ready lens, our experts have also created top leadership on a wide range of topics from rethinking urban planning to looking at the future of public transport, the impact of COVID-19 on the global supply chain, and the post-pandemic workplace.

In sum, I am extremely proud of what our teams have been able to accomplish whether in providing our expertise as part of the COVID-19 response or setting up our communities for long-term success.

Before turning this discussion to our Q2 performance, I would also like to congratulate our teams across the organization following the release of Engineering News-Record's annual rankings. WSP has once again ranked number two on the list of top 225 international design firms, while maintaining the number-one spot for our work in the transportation sector. In addition, we are pleased to have improved in the rankings from the following sectors: number three in building and number four last year, number three in power from number five last year, and number seven in a hazardous waste from number eight last year. We are also in the top ten regional rankings, jumping one spot to number two and number three, respectively, for our work in Europe and Asia, Australia, while maintaining the number-two spot for work in the United States.

Additionally, WSP has been revealed as one of the world's largest and fastest-growing consultancy in the ENR's top 200 environmental firms ranking. WSP now has the sixth largest environmental consulting business in the world, up from 16th place in 2019 and 38th place in 2018 and building on 10 years of consistent growth. This improved 2020 ranking is based mainly on strong 2019 organic growth of 8% and revenue contribution made from the acquisition of Elton Consulting in Australia, Orbicon in Denmark, and Lievense in the Netherlands. The full annualized benefits of these acquisitions, along with recent acquisitions of LT and E&E, will be even more apparent in our financial year-end 2020.

Prior to getting into the details of our performance per region, I would first like to make a few remarks on Q2. After we withdrew our outlook a few months ago, we stated during our Q1 results call that, given the lack of visibility, the firm would be focusing on two very important ambitions for Q2. The first ambition was to preserve cash and the position of strength that WSP entered 2020 in. This was accomplished as follows:

First, we delivered in excess of $400 million of free cash flow by focusing our regional team's effort on converting our earnings into cash. Historically we have seen this kind of performance in Q4. This is another example of the agility and the strength of our empowered model. Second, we raised approximately $570 million to further strengthen our position and protect the long-term future of the firm. As a result of these actions, we are now at a leverage position of 0.4 times and have further strengthened our already solid balance sheet.

Our second ambition was to maintain our EBITDA margins for the quarter at a level similar to the same period in 2019 before taking any COVID-19 measures. As previously mentioned, since a large portion of our costs are variable, we were able to react quickly and swiftly to these changing environments. In the quarter we were able to generate 15.8% of adjusted EBITDA margin compared to 15% in 2019.

On organic growth for the quarter, the mid-single-digit contraction in net revenue resulted mainly from challenges in Canada and the UK. For Canada, performance was adversely affected by the combination of the depress oil and gas industry impacting our market sectors out west and the shutdown of construction sites due to the pandemic. In the UK, the pandemic just proved to be much for an economy that had already entered 2020 in a weakened position due to the uncertain political and business environment brought forward by Brexit, leading to particularly hard-hit private sector. The downturn in these two countries explains most of the top-line contraction in this quarter.

I would now like to turn to our regional performance, starting with our Canadian operations. In Q2, our Canada reportable segment posted a decrease in net revenues of 10.9% and delivered adjusted EBITDA by segment and adjusted EBITDA margin by segment of $43.4 million and 17.8%, respectively. Our results were negatively affected by the combination of two factors, as mentioned before. First, the lower performance in Western Canada and, second, lower volumes in property and building in the shutdown or reduced access to construction sites due to the COVID-19 pandemic also impacted our performance. The impact of the depressed oil and gas industry represented approximately half of the contraction in net revenues in the quarter.

Our Americas reportable segment posted organic contraction in net revenue of 3.5%. Our US operation posted organic contraction in net revenues of 2% and a more pronounced contraction was felt in our Latin American operation. The region delivered adjusted EBITDA by segment and adjusted EBITDA margin by segment of $123.8 million and 19.9%, both stable when compared to the same period in 2019. Net revenues in the US were impacted by lower volumes in the property and building market sector and lower demand for emergency response services, partly offset by higher volume in the transportation infrastructure market sector. For the adjusted EBITDA margin by segment, the impact of lower revenues was offset by cost containment measures and cost savings stemming from office lockdowns and travel restriction during the pandemic.

For the second quarter of 2020 our EMEIA reportable segment posted organic contraction in net revenues of 8.9%. The UK and the Middle East felt the largest negative impacts on net revenues in the quarter. The UK experienced lower volume in the T&I market sector, largely due to suffering delays on some public sector projects. Also, softness in the private sector affected our planning and advisory services in the property and building market sector. In the Middle East, the transportation infrastructure and property and building market sectors were impacted by both the COVID-19 pandemic and the depressed oil and gas industry. Net revenues in the Nordic operations saw low single-digit organic growth in the second quarter and this is very positive. The EMEIA operation posted adjusted EBITDA by segment and adjusted EBITDA margin by segment of $83 million and 14.2%, respectively, an increase when compared to the same period in 2019. This increase was due to a good performance in the Nordics and Continental Europe, government subsidies, cost containment measures, and cost savings stemming from office lockdowns and travel restrictions due to the pandemic.

Lastly, our APAC reportable segment delivered organic growth in net revenues of 5%. Organic growth was led by solid results in most market sectors in Australia and New Zealand, partially offset by a slight contraction in Asia due to timing of certain contracts and the impact of the COVID pandemic affecting mostly Southeast Asia. The region delivered adjusted EBITDA by segment and adjusted EBITDA margin by segment of $49.2 million and 16.6%, up 26.5% and 270 basis points, respectively, compared to the same period last year. Adjusted EBITDA margin by segment increased mainly due to strong performance in Australia and New Zealand, cost savings stemming from office lockdowns and travel restrictions during the COVID-19 pandemic, in addition to the receipt of government subsidies in Asia related to the same pandemic.

I would now like to highlight a few of the major wins during Q2, showcasing a sample of our expertise from across the globe. First, close to our headquarters, following a year-long pursuit, WSP is proud to be a key member of the design, build, and finance team for one of Montréal's highest profile projects, revamping the Louis-Hippolyte-La Fontaine Tunnel, a 1.4 kilometre tunnel requires significant upgrading to meet modern standards. The project also includes the widening of 11 kilometres of Highway A20 and upgrades of Highway A25.

In the US, WSP has been selected to provide design and construction of eight miles of the US Route 50 in

Sacramento, including construction of sound walls, pavement, rehabilitation, and increasing vertical clearance at seven overcrossings. Together with Flatiron Construction and AZTEC Engineering, our team demonstrated extensive design-build experience and commitment to collaborative project delivery.

Across the ocean, WSP has been appointed to Pagabo Professional Services Framework, a national framework that provides 160 public sector clients in the UK with a simple procurement process, speeding up the delivery of projects. Our appointment covers 15 of 19 lots, different packages of work, in a geographical area across England, Scotland, Wales, and Northern Ireland. The appointment runs from April 2020 to April 2024 with the potential of bringing in millions each year as a pre-selected supplier.

We have recently been awarded a contract from a Highways England, which I highlight, as it is very much aligned to our future-ready and net-zero carbon agenda. The UK has set out a legal framework to be a fossil-free economy by 2050. For the transport sector, it is a huge challenge and an opportunity since surface transport is the largest emission sector of the UK economy. Responding to this challenge, Highways England proposed to deliver over and beyond the 2050 government zero-carbon target. Their ambition is to be seen as a leader in the UK carbon agenda in the eyes of their customers. To deliver a truly world-class plan, the Highways England executives have selected WSP to produce a leading zero-carbon plan that will review operational corporate carbon, asset-based carbon, supply chain, and road-user carbon.

Alain will now review our financial results in more detail following the updated outlook. Alain?

Alain Michaud, Chief Financial Officer

Thanks, Alex.

Let's first discuss revenues and backlog. Revenues and net revenues for the quarter reached $2.2 billion and $1.7 billion, down 4.5% and 1.2%, respectively, compared to Q2 2019. Organically, net revenue contracted 5.3% for the quarter. Good organic growth in the APAC reportable segment was offset by organic contraction in the other segments. The second quarter of 2020 had the same number of billable days as the second quarter of 2019.

Backlog remained strong at $8.6 billion, another record high of 11.5 months of revenues, up $479 million or 5.9% from $8.1 billion as of December 31, 2019, and up $658 million or 8.3% when compared to June 2019. Backlog organic growth reached 4.3% compared to December 31, 2019 and 5.2% compared to June 29, 2019.

Let's move on to profitability. For the second quarter, adjusted EBITDA amounted to $276 million, up $10.7 million or 4% compared to $265 million in Q2 2019. Adjusted EBITDA margin for the quarter reached 15.8% compared to 15% in Q2 2019. Improved margins in the APAC and EMEIA reportable segments were partially offset by lower margin in Canada.

Earnings before net financing expense and income taxes in the quarter reached $121.9 million, down $18.6 million or 13.2% compared to Q2 2019 due to higher amortization and COVID-19 severance costs of $13.7 million, which are included in the acquisition integration restructuring costs.

Net financing expense for the second quarter ended June 27, 2020 was $20.2 million lower than the second quarter of 2019, mainly attributable to non-cash increases in value of investment related to a US employees deferred compensation plan and foreign exchange forward contracts used to hedge future cash transaction as well as lower interest expense on long-term debt.

Net earnings attributable to shareholders for the quarter was $88.6 million or $0.83 a share, stable when compared to Q2 2019. Higher amortization and depreciation and acquisition, integration, and restructuring costs was offset by lower at financing expense. Adjusted net earnings for the quarter amounted to $92.1 million or $0.86 per share, down $1.9 million or $0.04 per share, respectively, compared to Q2 2019. The decrease is mainly due to higher amortization and depreciation.

I will now review a few cash flow metrics. Our DSO as of June 27, 2020 stood at 72 days, an all-time record low compared to 80 days as at June 29, 2019. Also, our trailing 12-month free cash flow for the quarter came in at $805 million or 340% of net earnings beyond our cash flow conversion target of 100% of net earnings.

Free cash flow for the second quarter stood at $410 million compared to $14.4 million for the corresponding period in 2019. Higher free cash flow was mainly attributable to accelerated collection of trade receivables during the quarter and the deferral of income tax and other remittance in some jurisdictions of approximately $100 million.

The net debt to adjusted EBITDA ratio stood at 0.4 times. The ratio is significantly lower than the 1.1 times as at December 31, 2019, due mainly to the repayment of a portion of our debt under credit facilities following strong free cash flow and the issuance of share capital in the second quarter of 2020.

Finally, we also declared a dividend of $0.375 per share for shareholders on record as of June 30, 2020, which was paid on July 15, 2020. With a 53.7% DRIP participation, the net cash outlay for the quarter was $19.6 million.

I will now comment on the updated 2020 outlook that we have issued as part of our Q2 2020 results press release. We've decided to update our outlook for 2020 now that the initial shock of the pandemic is behind us and our regions and markets are redefining their strategy in view of the lingering uncertainty. We remain cautiously optimistic as we continue to monitor the development across our region. That said, as we see Q3 evolve, if we feel we could provide you with further insight, we will.

I would also like to remind you that the updated outlook for our 2020 performance is aimed at assisting analysts and shareholders in refining their perspective on our performance. It has been prepared based on foreign exchange rates effective August 5, 2020. Also, please do bear in mind that we've not considered any acquisition, disposal, or any other transaction that may occur after today's date.

We anticipate net revenue to be in the $6.7 billion to $7 billion range and to post contraction in net revenue in the range of 1% to 5%. Adjusted EBITDA is expected to range between $1 billion and $1.050 billion.

Turning to tax, we expect our effective tax rate for fiscal 2020 to be in the 26% to 30% range and we anticipate net capital expenditures to range between $100 million and $110 million.

Turning to debt, the corporation continues to manage its capital structure to achieve a net debt to adjusted EBITDA ratio between 1 and 2 times; however, it's anticipated that the corporation will achieve a net debt to adjusted EBITDA ratio between 0.25 and 0.75 by the end of December.

Lastly, we anticipate between $90 million and $100 million in acquisition, integration, and restructuring costs. The increase from the previous outlook is driven by the COVID pandemic-related costs, which are anticipated to be between $45 million and $55 million. Head office corporate costs in 2020 will range between $85 million and $90 million.

This concludes my remarks. Alex, back to you.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you, Alain.

As the pandemic starts to abate and the lockdown arrangements lift, we are starting to see more clearly the extent of the impact to the global economy and the adverse consequences and opportunities. In this challenging environment, we must resist the impulse to adopt a defensive stance.

In addition to the measures taken across most of the organization in the second quarter to safeguard our business, we continued and are continuing to explore opportunities to set ourselves up for success; however, it goes without saying that, as a result of this pandemic, the momentum we have entered in 2020 has come to a halt in certain areas, causing us to fall behind on our 2019-2021 global strategy. However, that doesn't mean that we will relent or give up. We will continue to forge ahead to ensure that we come out of this pandemic in an equally, if not stronger, position. And as previously mentioned, even though the landscape has changed, the underlying principles of our global strategy remain very relevant.

With our clients at the center of everything we do, we will continue to maintain our focus on project delivery, meeting client needs, and developing these relationships that not only protect our position but also help identify additional opportunities to leverage our expertise. Though most of our work is remote, we continue to promote a culture that is founded on integrity and inclusivity.

With the gradual reopening of business in most of our respective countries, we have shifted part of our collective focus to plan for re-occupancy. This is a complex issue that requires great diligence to ensure we can carefully meet the needs of our people, partners, and clients in accordance with government and health regulations as well as taking into account our people's safety, needs, and concerns.

Our complete return will take more time. There is not a one-size-fits-all approach but rather an office-by-office assessment to determine how we will return. Our HR, real estate, and operational teams have been working together to define a future model that will provide us with the flexibility our people are looking for while meeting the needs of the business for long-term success and competitiveness.

Looking back at the quarter, I am proud of what our people have been able to accomplish. I am very pleased with our results that exceeded the ambitions we set last quarter. And although uncertainty remains, we aim to strike the right balance with our financial outlook.

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

QUESTION AND ANSWER SESSION

Operator

Thank you. If you'd like to ask a question, press star one on your telephone. To withdraw your question, press the pound key. Please wait while we compile the questions.

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

Jacob Bout, CIBC World Markets

Good morning.

Alexandre L'Heureux, President & Chief Executive Officer

Good morning.

Jacob Bout, CIBC World Markets

First question is on margin. So we saw some pretty solid cost containment in the quarter. How should we be thinking about the sustainability of these margins? Really just trying to understand if the savings from the office lockdowns are permanent or more temporary in nature.

Alexandre L'Heureux, President & Chief Executive Officer

Look, it was part of our strategy when we unveiled it at the beginning of 2019 to increase our margin profile so, yes, the pandemic clearly allowed us to rethink the way we operate our business. Some of the cost savings are temporary, obviously. We had some furloughs in some parts of the world and at some point in time when things pick up clearly we should see those costs repairing in the P&L. Having said all that, we had a plan to make some significant headway on the operational excellence front. So yes, the pandemic had an impact, but at the same time we had an operating plan to improve margin. And a lot of the initiatives that we're underway before pandemic were still very relevant during the pandemic. So I'd say that some of it, of course, there are some that are temporary, but I'd say that a good portion of them are permanent.

And at the same time I'd like to draw your attention to our margin profile. If you look back over the last four, five years and you look at our margin profile year over year, for five years in a row, we have increased our margin profile and percentages. If you take 2015, we were at 9.8%, and you look at now the midpoint of our forecast for 2020, we're north of 11.5%. So we've seen an increase of almost 19% over the last few years, 11.5% over the last two or three years. So I wouldn't want you to think that the pandemic is the result of our good performance from the margin profile. I'd say that over the last few years we've been extremely aggressive in raising the bar, increasing our margin profile, and we have no intention to stop, frankly.

Jacob Bout, CIBC World Markets

Would you be willing to estimate what the improvement temporary versus permanent? Would that be a 50-50 split in your mind?

Alexandre L'Heureux, President & Chief Executive Officer

No, I wouldn't want to make a call like this. I mean we have, clearly, a lot more visibility today than we had back in March, but there is an element that we can predict right now, so I wouldn't want to venture and going and saying like half and half. Certainly, if you look at the profile of our business from 2015 to 2020 or even 2016, 2017, 2018, you've seen a constant improvement in our margin profile. So all I can tell you is that there's a lot of our initiatives that are permanent and we'll continue to forge ahead on that front.

Jacob Bout, CIBC World Markets

My last question here is just on M&A and how you're thinking about that right now and your ability to conduct due diligence right now.

Alexandre L'Heureux, President & Chief Executive Officer

Look, in my closing address I said that working from a position or playing defense has never been in our DNA and I continue to believe that today it's not in our DNA. We have a plan. We unveiled that plan and I touched based on a number of those points this morning. Margin profile is a primary example of that plan. We wanted to improve our margin profile and, despite or in spite of the pandemic, we're working towards that goal to finish where we want to finish and end up by 2021. I talked about capitalizing on our strength and expanding our horizon and a number of other end services and we've made amazing strides in growing our environmental presence across and around the world. I mean we jumped 18 places or about. So the goal is to become a dominant player in that field and, again, our strategy in those circumstances and my belief are extremely very relevant with the underlying principles of the strategy.

So when you talk about M&A, clearly 2020 has been, you know, we had to take a step back, and I told you in Q1 that our goal was to focus on the business, delivering shareholder value while focusing on our existing platform, but I also said back in Q1 that when there is more visibility and we are in a better position to assess the landscape, I am confident that opportunities will come our way. And of course I don't have a crystal ball, I don't know what the fall will look like, I have yet to formalize a view of what 2021 and more granular details will be looking like. Having said all that, I think we have a plan and at this point in time I have every intention to deliver it.

Jacob Bout, CIBC World Markets

Okay. I'll leave it there. Thank you.

Alexandre L'Heureux, President & Chief Executive Officer

Thanks.

Operator

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

Yuri Lynk, Canaccord Genuity

Good morning, guys.

Alexandre L'Heureux, President & Chief Executive Officer

Hey, Yuri.

Yuri Lynk, Canaccord Genuity

Just back to the margin question, I mean clearly some of your regions did benefit from office lockdowns and travel restrictions and whatnot due to COVID. Are you beginning to view any of those COVID-induced cost savings as potentially permanent due to a structural change in the way you're going to do business going forward?

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, the way I would answer this, Yuri, is you never want to waste a good crisis, and I mentioned it again in my closing address. I mean I want us to come out of this in an equally if not stronger position and that means we need to challenge the status quo. And that's one of our guiding principles. I mean you never want to start a new year comparing yourself to the previous year, you want to challenge everything. And as part of this crisis and pandemic, if you recall, I mentioned that we're starting to see the consequences and the impact of this pandemic on the company, but I also see some opportunities. And I tend to see the glass half empty, half full, I'm sorry, not half empty, and I think there is a number of opportunities that we can pursue to be a better business.

So yes, to answer your question more directly, I see absolutely some, there are some costs that I believe that were incurred in the past that we need to rethink and if they are not better ways to run and operate our business. But certainly, if we are going to make some savings, for instance, in travel cost, the flip side of this is I think this pandemic only reaffirmed my belief that we need to accelerate something we're doing already, but accelerate our investment in our digital strategy.

So technology is really important. I am pleased and proud to see that our investments have paid off during this pandemic, but it's only also reaffirming my desire to spend more money and more capital towards technology. So, to answer your question, yes, absolutely. There are some costs that will disappear and will not come back.

Yuri Lynk, Canaccord Genuity

Okay. Good to hear. Just following up on the M&A discussion, I mean it sounded last quarter like you very much had your head down and dealing with getting through the pandemic, which was understandable. Where would you characterize your thought process now? I mean how much of your attention is kind of going back to what you would normally be looking at as CEO rather than focusing on just getting through the next couple of months of the pandemic?

Alexandre L'Heureux, President & Chief Executive Officer

At the end of the day, I have four very simple and distinct criteria to assess M&A. The first one is would the target fit their culture? And that, during a pandemic, you can assess, I believe. Is there a strategic imperative to an acquisition? And that I believe you can assess during a pandemic. Is the cost and the price of the target fitting our investment thesis? And that, I believe, although sometimes due diligence can be a bit more challenging, I believe you can assess. And the remaining point is can you integrate it? And that, back in Q1, I just didn't feel that, given the uncertainty, given where we were, that we could meet that fourth criteria on M&A strategy.

Of course, today we're providing you with an outlook that is telling you, and we said in Q1 that, assuming that we could gain a bit more visibility and understanding of the consequences of this pandemic, that we would update our investors and analysts on what we think we can achieve. I think that is telling you that we have more visibility.

Having said all that, there's still some uncertainty at this point in time. But do I feel better, or let's put it this way, more in control today than we were back in March? Yes, the answer is I think we have more visibility. I'm extremely pleased with the way our leaders have behaved and (inaudible) hard the two ambitions that we had set for Q2 and we'll see what the fall will look like. But certainly I think now we have more visibility on the remainder of the year and we're going to be launching our budgetary process and the setting up of our operating plan for 2021 right after Labour Day weekend, and this will be an interesting time. But certainly I do feel that we have now more visibility and that's positive.

Yuri Lynk, Canaccord Genuity

Yeah, more visibility, I agree, but there's still a lot of travel restrictions and whatnot at present. So if you were to buy something, pick a region, with (inaudible) around, do you feel in this environment it's still feasible to integrate or would we need to see a further opening of the economy before you'd be comfortable moving ahead?

Alexandre L'Heureux, President & Chief Executive Officer

Look, of course, not being able to travel is certainly, in some ways, a roadblock. Having said all that, had you told me back in January that 45,000 of our people would be working from home and we would be in a position to operate the way we've been operating in the last quarter, I would have told you that I don't believe it. And the organization proved me wrong. So the point here is that we need to challenge the status quo and we need to rethink the way we conduct business and we need to be creative. So we'll see. But yes, clearly this is having an impact and has had an impact, but the good news is that we were headed in the right direction in Q2 and we need to forge ahead in Q3, and it's one quarter at a time, and see and assess when and if the opportunities will come our way.

Yuri Lynk, Canaccord Genuity

Okay. Thanks for the colour.

Operator

And your next question comes from the line of Benoit Poirier with Desjardins. Please go ahead.

Benoit Poirier, Desjardins Securities

Thank you very much and congratulations for the good quarter. Alex, looking at your booking and backlog, it was very strong during the quarter despite the pandemic. Could you talk a bit about the mix between the public and the private sectors and whether the strong infrastructure programs announced by different levels of government will increase the mix toward the public sector going forward?

Alexandre L'Heureux, President & Chief Executive Officer

Well, today, 60% of our top line is generated in the public sector. I believe it's a good thing, Benoit. If we were in the position we were in back in 2012, 2013 in the UK, for instance, we would be in a much more difficult spot. We completely changed the mix in the UK over the last four or five years through acquisitions and also organically with more than 60% of our work now in the UK being public. And we've done a lot of that work as well in the Middle East and elsewhere around the world. So clearly, it's good news.

That can only be good news that Canada, you look at the province of Québec, yesterday federal government announced a $3.3 billion additional investment, bring forward some investment that were meant to be done in future years. UK government earlier this year announced a massive investment, bringing forward some projects that were meant to be procured in the future. Of course, in the US, we hope, but probably depending on the election, but frankly, whether the republican or democrats are being elected, I think there's a dire need for reinvestment in the country. So I think all of this is positioning WSP in a unique position and I think we'll be able to benefit from that in the future. And that's why I keep talking about not just the adverse impact of this pandemic but also perhaps the potential opportunities for WSP to position the firm in a position of strength and be a unique player in the field to take advantage of what may happen.

So of course, we like our project mix, we like our backlog. We feel good about the remainder of this year from a backlog perspective. Obviously, it's a bit too soon to comment on 2021. We'll go through our process in the fall and fingers crossed essentially.

Benoit Poirier, Desjardins Securities

Okay. That's great colour. And looking at headcount reduction, Alex, you're down about 1,200 employees versus the end of 2019. So where should we expect the headcount to go in light of the coming restructuring? And could you maybe talk a little bit about the ability to rehire employees and the initiatives in place to remain agile once the market recovers?

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, you heard me saying that in the past, Benoit. The beauty of our model is it's a variable cost model and, assuming that you have a leadership team that is quick to react, you are able to adjust your cost structure as the market environment is fluctuating. And that's something that we were able to achieve in Q2. It's a very strong focus and, as you said, with our head down to make sure that we're delivering the results. So clearly, we were able to adjust very quickly.

The headcount, to me, is important, but what's mostly important is are we in a position to do more with less? And that's the goal of this firm. If we want to increase our margin profile, perhaps we need to continue to invest in technology. We need to challenge the way we're conducting business. How can we be more productive? How can we leverage the platform and collaborate better with one business line and the other, but also from one country to the other. And I think that's our focus right now. So yes, of course, the headcount I monitor, but more importantly, where I'm putting all of my attention is on delivering on performance. And if we are in a position to do more with less, I think this is good news for our shareholders.

Benoit Poirier, Desjardins Securities

Okay. And maybe last one for me. Looking at 2021, Alex, could you provide maybe some colour on whether we could see a resumption in organic growth at the higher than usual rate? And do you have some visibility at this time on 2021 or maybe too early to assess yet?

Alexandre L'Heureux, President & Chief Executive Officer

Look, we ranked number two on the top 225 international firms and that's a statement of our diversification, Benoit. So this is clearly because we have a very diversified model. Unlike other firms in our space that we're competing with that may be more one country-centric, we truly have a diversified model. And our US business a big part of our business, our Canadian business is a big contributor to the overall business, so is the UK, Sweden, and Australia, and I think this is a good thing.

And now, of course, the UK economy entered 2020 in a tough place. But do I believe in the UK and our operational hubs there? Absolutely. I think the long-term prospects of this country are good from an infrastructure point of view. Now they're going through, you know, it was a bit more difficult, but this is not self-inflicted. Our leadership and our people are doing extremely well in the UK. It just happened that there's been a lot of turbulence in the country for the last few years and I think the pandemic was the last straw. But do I believe in the future prospect of our UK business? Absolutely.

Similarly in Canada, the province of Québec, I mean we've been growing in double digit, so we've been doing extremely well. And in Eastern Canada we've been doing extremely well, but construction sites were shut. And this combined, again, with the turbulence in the oil and gas industry, has impacted Western Canada, other end markets. But do I believe in the Canadian market? Absolutely. I think the long-term prospects are good.

And you look at our US business, it's a very solid business, an amazing transportation franchise, very good property and building business environment. I talked about this this morning. I mean we're now number six in the world. We're no longer just a design firm. We're truly an advisory firm. And that we are now expanding our horizon in advisory services and we'll continue to do that in the years to come.

So I think the prospects, longer term, are good, we just need to weather the storm and continue to forge ahead.

Benoit Poirier, Desjardins Securities

Okay. Thank you very much for the time.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

And your next question comes from the line of Sabahat Khan with RBC Capital Markets.

Sabahat Khan, RBC Capital Markets

Thanks and good morning. Just maybe a follow-up there on the commentary around the restructuring and outlook. I think you called in your outlook about $90 million to $100 million of acquisition and integration costs and I think you took some restructuring costs this quarter. Can you maybe break out the remaining amount for H2 in terms of how much of that could be integration versus restructuring? And around your comments earlier, is there any specific area that you've already identified where there could be some opportunity for cost reduction or is that a TBD?

Alexandre L'Heureux, President & Chief Executive Officer

So, I'll let Alain answer the granularity of the question, but certainly, I mean we haven't changed previously-disclosed outlook at the beginning of the year on re-org costs and integration costs from past acquisitions. All that we've done is added some COVID-related restructuring costs, which Alain can talk about.

Alain Michaud, Chief Financial Officer

So, to your question, there's probably around $30 million, $35 million remaining for Q3 and Q4 in COVID-related costs.

Sabahat Khan, RBC Capital Markets

Okay. And then in your commentary around EMEIA, you called out some delays in the transportation and infrastructure side from the public sector. Was that maybe project related or was that just because of COVID-related maybe procedural delays? Can you maybe provide some colour on that market and the comment?

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, some construction sites, just from a safety point of view, were shut down. Even though most of our services are considered essentially around the world, even in some countries where our services were considered essentials, just from a safety point of view some sites were shut down. There were some delays. There was like, for instance, I'll give another example, the HS2, the phase 2B project in the UK, was postponed by a quarter. It was actually delayed by a quarter, so we needed to demobilize a few hundred people from the site for an entire quarter and then reassign it when the thing started again. So we're used to that. We've been doing that in the past and it's something that we need to live with. But we haven't seen major project cancellations thus far and that's probably where the good news is.

Sabahat Khan, RBC Capital Markets

Okay. And then just maybe a quick last one on the broader outlook, just some of the commentary around kind of the (inaudible) industry from your peers indicate that there's been some push out, particularly in the building segment, some private sector projects being delayed. I guess apart from any temporary delays due to COVID, have you seen any major or directional changes in the type of infrastructure projects that companies or clients are looking at or is it too early to determine that?

Alexandre L'Heureux, President & Chief Executive Officer

I think it's too early. Typically, I think, you know, when you think about the planning phase of those large assignments, even in the private sector, public sector, from the time where a real estate developer has a great idea to the detailed design, the construction of it, it takes time. So we all need to remember, and I mentioned that last quarter, we all feel we've been into this for a few years now, but the reality it's only been two quarters, so we need to give it a bit of time to assess what essentially the forest will look like. We're too close to the tree right now and we really need to take a step back and reassess what the landscape will look like in the future, but now it's too early and premature, I believe.

Sabahat Khan, RBC Capital Markets

Thank you.

Operator

And your next 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, from your comments at the Global Infrastructure Summit, I understand that you're relying more on technology to make headway with ongoing projects, using video capture, site inspection, and remote sensing techniques. I'm just wondering have these come organically. And just related to that, I appreciate your comments on focusing more toward technology. Were your comments related to a more organic approach or M&A?

Alexandre L'Heureux, President & Chief Executive Officer

It could be both. Our organic strategy has always been closely linked to our M&A strategy. Just look at in our recent acquisition in the environmental sector and the work that we were able to win in countries where the past acquisitions are not operating in. I mean we're able to leverage the expertise of those to win more work elsewhere. So certainly I think a lot of the solutions around our digital strategy will come from within. The expertise that we have within this firm is just mind blowing. And, of course, haven't travelled in a while, but every time I travel and visit our operations, no matter where I travel to, I'm always amazed by the creativity that our people are able to demonstrate and the way they resolve complex problems with creative solutions.

So, a lot of our digital services and a lot of the work that we do and the solutions will come from within, from the brain power that we have within this firm. But I wouldn't want to rule out the possibility one day to improve our digital strategy and to continue to forge ahead on that front with some acquisitions. A lot of firms are also doing a lot of in-house things that we could import within WSP. So I wouldn't want to rule it out, but I'd say that, so far, the solution, I believe, will come from within. We have a lot of amazing talented individuals and I count on them to propel us in a different spot, essentially.

Mona Nazir, Laurentian Bank Securities

Perfect. That's helpful. And then just secondly, going back to M&A, I'm just wondering if the areas where you're currently seeing the greatest opportunity, has it changed from pre-COVID or is there no real deviation from six months ago?

Alexandre L'Heureux, President & Chief Executive Officer

No real deviation at the moment. I'd like to repeat that the underlying principles of our strategy are still very much relevant. We have an amazing transportation infrastructure franchise in our network, a great property and building also franchise in our network, and I said when we unveil a strategy that we would want it to continue to expand our horizon. And I sound like a broken record, but we've made amazing (inaudible) steps since the beginning of the strategic cycle to continue to expand our horizon in advisory services and to really, at a very fast pace, through organic strategy, but also through M&A, to continue to diversify the business and to become, you know, and increase the brand awareness in other end markets, and we're working extremely hard to achieve that. And no, I don't believe that this pandemic has changed any of that. Frankly, it's only reaffirming, in my belief, that our strategy is sound and it's good and we'll continue to forge ahead.

Mona Nazir, Laurentian Bank Securities

Okay. Perfect. And just would you contemplate any potential divestitures?

Alexandre L'Heureux, President & Chief Executive Officer

We are all the time refining our platform. That's something that we've always done and will continue to do. So of course part of our job and part of our mission is to continue to build the best platform possible and that means that oftentimes, you know, we need to close down some operations that we don't believe are core or to increase our investment in some other end markets that we believe are very much at the centre of what we want to do. But do I have plans to sell out major hubs or big businesses? The answer is no. We like our mix. We like where we operate. We need to remember that in excess of 90% of our work is completed in OECD countries and it's not because now we're facing a bit of headwind that we should change our strategy. We believe in it and we'll continue to do that.

Mona Nazir, Laurentian Bank Securities

Thank you so much. I appreciate your comments.

Operator

And your next question comes from the line of Michael Tupholme with TD Securities. Please go ahead.

Michael Tupholme, TD Securities

Thanks. Good morning.

Alexandre L'Heureux, President & Chief Executive Officer

Hello, Michael.

Michael Tupholme, TD Securities

Hi. Good morning. Alex, you had strong margin improvement year over year in the second quarter. The target you had set out to achieve was to at least sort of maintain margins, so you did much better than that with about an 80 basis point year-over-year improvement in EBITDA margin. Just wondering if there were any key factors you'd call out that allowed you to deliver that outperformance versus your targeted level.

Alexandre L'Heureux, President & Chief Executive Officer

Well, look, in Q1 we said, look, we're removing our outlook because we don't have enough visibility, but I promised you that in the event we would gain more visibility I'd provide you and we would provide you with essentially what we know, because I know that this will assist you and this will assist our shareholders in formalizing a view on our performance. So that's what we achieved and tried to do in this quarter. Do we err on the conservative side? Of course I would, given that we don't have full visibility that we took a prudent approach to our outlook. And if we do better, or worse for that matter, in Q3, we'll update you. We're all in this together. But it was my intention, it was our intention to try to assist you the best we could in the circumstances and that's why we provided the outlook that you see now. But if things change and we feel that there is a need to update this outlook, we will probably in Q3.

Michael Tupholme, TD Securities

Okay. That's helpful. And I think you addressed this to an extent in one of the earlier questions, but just as far as the 2019-2021 plan and your ambitions around some of the strategic shifts in mix in areas that you would like to grow in over the course of that plan, it sounded like there has not really been much change in terms of priorities. But I'm just wondering if there are any end markets or geographies that, because of the pandemic perhaps you were keen on, but now you're rethinking and are any less keen on expanding in or growing in.

Alexandre L'Heureux, President & Chief Executive Officer

Not really at this point. And again, it's still early days. We've only been into this for six months now, two quarters, so it's 180 days. So, at the end of the day, I think where we were subscale six months ago, given that we haven't done much, we're still subscale in those places, so I don't think things have changed here. I mean I still believe that we could grow a presence in the US. I still believe that we're subscale in Central Europe and that hasn't changed. I still believe we could continue to grow our Australian business. So I don't think—none of this has changed. We were well on our way on the execution of our strategy in 2019 with our acquisitions, mostly on the advisory front, and we've seen now the results of that in the recent year in our ranking, and we're quite pleased about that.

I don't remember, hopefully my memory is not failing me, but I think the last time we had almost a net debt-free balance sheet was probably pre-WSP acquisition, the Genivar times. So, in Q1 our ambition was really to continue to strengthen our balance sheet and I think we've exceeded that. I'm very pleased with the way things have worked out. And as part of our strategy we said we need to continue to improve our margin profile and that hasn't changed. So until such time that the opportunities are coming our way or we are actually finding them or are in a position to execute on them, you know, I still believe that the strategy is good and that's why I think it would be premature to start thinking about changing it. What was relevant back in six months ago is still very much relevant, I believe.

Michael Tupholme, TD Securities

Okay. Thank you for that.

Operator

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

Dimitry Khmelnitsky, Veritas Investment Research

Yes, hi, and thanks a lot for taking my questions. So my first question is about net income to free cash flow conversion. Where do you see that trending in the future?

Alexandre L'Heureux, President & Chief Executive Officer

Look, I'll turn to Alain on this one, but if you look in recent years, and I'm happy to go all the way back to five, six, seven years, I think one of our goals has always been to generate a very strong cash flow profile. For those of you who know us, our management team, our board, converting earnings and cash is our top priority. It's one thing to generate growth, organic growth or acquisition growth, but if that growth is not quality growth and it's not converting in cash, what's the point? So we are extremely proud of our cash flow profile and the way we were able to achieve that in recent years and I don't remember a year where we did worse than our net earnings. And that's something that we're very proud of and the reason is quite simple: that's where I focus my attention. If we're going to win a job, I want to be absolutely certain that we will be able to convert that win into cash, otherwise what's the point?

Dimitry Khmelnitsky, Veritas Investment Research

Yes. And do you think that the, ah, you had amazing working capital management in Q2. Do you think this is sustainable going forward? In other words, the cash conversion was 300%, or more actually, 350%, which is a historical record and it's absolutely amazing. I'm just looking forward in terms of what's the sustainable level of conversion.

Alexandre L'Heureux, President & Chief Executive Officer

Look, I think 300% is extraordinary, so I wouldn't want you to expect that every quarter. First of all, this is not sustainable. At the end of the day, on a long, long, long period of time, your earnings should equal your cash flow, all else being equal. So don't expect this from one quarter to the other. It's always dangerous to draw a conclusion on one given quarter. Having said all that, the flip side of this is we had two ambitions in last quarter and that only is providing you with the extent and the seriousness of this business when it comes down to focus. We wanted to focus on building a solid balance sheet and that's what we've done. Are we going to generate 300% of free cash flow next quarter? I wouldn't hold my breath on this. But we'll continue to work very hard to convert our top line into cash flow. That's the purpose of—that's why we're here. That's what we do. So we'll continue to work hard to achieve good results.

Dimitry Khmelnitsky, Veritas Investment Research

Understood. Thank you. And can you perhaps indicate the impact of government subsidies, impact on EBITDA for the quarter, and is it related to payroll assistance programs or anything else?

Alexandre L'Heureux, President & Chief Executive Officer

Yeah, no, payroll assistance and subsidies were a very, very, very small part of our results in the quarter. So it's around $10 million. And if you look on annual EBITDA business and what we're aiming at in the outlook that we provided you, it's minimal. So it's more the result of the focus of our business and to be in a position to act swiftly and quickly and making sure that we were taking the appropriate measures to run a good business and maintain our margin profile, which was our second ambition in the quarter.

Dimitry Khmelnitsky, Veritas Investment Research

So, subsidies were roughly about $10 million for the quarter?

Alexandre L'Heureux, President & Chief Executive Officer

Yes.

Dimitry Khmelnitsky, Veritas Investment Research

Got it. Okay. Excellent. And then do you foresee lower organic revenues for longer? And I know it might be premature looking into 2021, but based on where the situation is right now in terms of COVID and bidding activity, et cetera, how do you think about organic revenue growth going forward?

Alexandre L'Heureux, President & Chief Executive Officer

Look, I will reserve the answer of this question later in the year. I think it's a bit premature. We just reported June of 2020. And we will be going through our operating plan process and budget process in the fall, so I think it would be premature to start making representation on what 2021 may look like. Certainly, I think the solution to our problems, I mean globally and collectively in the world, I believe, will come from, you know, we'll be able to resolve it through growth. Cost containment is something that is great and it's good and you can certainly adjust your cost structure to the current environment, but you can do that for so long. And so I'm a big believer in growth and in the event that we can grow, we will grow. And certainly our people are very busy in our local markets to win as much as we can and I have every confidence that, if there's some work to be to be awarded in our local market, WSP will be there to work our share of it.

Dimitry Khmelnitsky, Veritas Investment Research

Do you see increased bidding activities, increased requests for proposals based on what you saw in Q2 and early Q3?

Alexandre L'Heureux, President & Chief Executive Officer

Well, I'll give you an example. In the UK, I think in the last month, we have seen good bidding or a good level of activity. But one month is not going to tell us what the next year will look like or two years. So I think we need to take a prudent approach to all of this and see what, you know, when we do have more visibility in the second half of this year, what 2021 will look like.

Dimitry Khmelnitsky, Veritas Investment Research

Understood. Thank you very much again.

Alexandre L'Heureux, President & Chief Executive Officer

Thank you.

Operator

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

Frederic Bastien, Raymond James

Bon matin, monsieur.

Alexandre L'Heureux, President & Chief Executive Officer

Hello, Frederic.

Frederic Bastien, Raymond James

Guys, a lot of good questions have been asked already, so I only have just want to ask, and maybe one for you and the same for Alain. Alex, can you share with us the single largest lesson you're taking away from this pandemic?

Alexandre L'Heureux, President & Chief Executive Officer

Of course this was, when all of this took place and I saw our Asian business and Hong Kong business moving very, very quickly, I think, Frederic, the biggest key takeaway for me has been the focus of our business and the focus of our people. The biggest key takeaway for me has been how unified we have been, not only behind the brand but behind our guiding principles and what we believe in and stand for us as an organization.

I have heard over the years, and I've been with the company for more than a decade now, that we were not integrated, that we were serial acquirers, that we were a federation of companies, and the biggest key takeaway, and to me it's extremely positive, is that we are one unified business, one unified team, believing in the culture, believing in what we wish to achieve, believing in the mission that is in front of us, and the last quarter has been just a great statement of that. And I don't mention it a lot on investor calls, but I do mention it internally quite a lot to our people. It's not something I can do alone. I need good people. And the biggest key takeaway I can take from this is we have amazing leaders in our firm. And they've done extremely well in the local markets.

I could not travel, Alain could not travel, but they all, in their own ways, delivered and that's the statement of the quality of our leadership in the firm. And a people business will be as good as its clears and that's, to me, be the biggest leadership, the biggest key takeaway is we have a lot of bench strength within the business.

Frederic Bastien, Raymond James

Thanks, Alex. And what about you, Alain? Same conclusion or do you have a different perspective having been newer to the team?

Alain Michaud, Chief Financial Officer

No, very similar to Alex. I would add to that the pandemic, obviously, opened our mind even further to the transformation journey and the fact that we could do, when we set our mind to something, we could do things differently. So the whole digital technology journey that Alex spoke about, I think it just reemphasized the importance of that and certainly confirmed our focus to continue investing there. And also, when we put our mind to something, looking at the ambitions that we set for ourselves for the quarter, I'm extremely pleased with the margin that we've delivered and the cash flow. So I think the resiliency of our model and the strength of our team is certainly shining through in those results.

Frederic Bastien, Raymond James

That's great. Thank you very much.

Operator

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

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

Mona Nazir, Laurentian Bank Securities

Hi, guys. Sorry, just a quick follow up. I knew Canada had just under 11% contraction and you cited energy softness representing half of that alongside softness in properties and buildings. I'm just wondering, do you think that Canada having a lower public mix had a direct correlation to the region having the strongest contraction?

Alexandre L'Heureux, President & Chief Executive Officer

In some ways, Mona, this is a fair statement. This is a fair statement. Having said all that, we're bidding on a lot of projects right now on the public side and we do hope that, if we win our share of that, this will take care of itself. But it is a fair observation and not much to add to this.

Mona Nazir, Laurentian Bank Securities

That's perfect. Thank you so much.

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

Well, thank you for attending our call today. Hopefully we provided you with a bit more insight on what we're seeing, where we're headed and, as previously mentioned, I mean it was important for us to provide you with an outlook and hopefully to assist you and formalizing a view and the direction that we are taking as a company. We look forward to updating you in Q3 and, in the meantime, I wish you a great day and talk soon. Thank you very much.

Operator

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