



**WSP Global, Inc. (Q1 2022 Results)  
May 12, 2022**

Corporate Speakers

- Quentin Weber; Groupe WSP Global, Inc.; Investor Relations
- Alain Michaud; Groupe WSP Global, Inc.; CFO
- Alexandre L'Heureux; Groupe WSP Global, Inc.; President & CEO

Participants

- Jacob Bout; CIBC Capital Markets; Analyst
- Benoit Poirier; Desjardins Securities Inc.; Analyst
- Michael Tupholme; TD Securities Equity Research; Analyst
- Frederic Bastien; Raymond James Ltd.; Analyst
- Dimitry Khmelnitsky; Veritas Investment Research Corporation; Analyst

**PRESENTATION**

Operator: Good morning, ladies and gentlemen. Welcome to WSP's First Quarter 2022 Results Conference Call. I would now turn the meeting over to Quentin Weber, Senior Adviser, Investor Relations. Please go ahead, Mr. Weber.

Quentin Weber: 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 Q1 2022 performance followed by a Q&A session. With us today are Alexandre L'Heureux, our President and CEO; and Alain Michaud, our CFO. Please note that this call is also accessible on our website via webcast.

During the call, we will 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 management discussion and analysis for the year ended December 31, 2021.

Also, during the call, we may refer to certain non-IFRS measures. These measures are defined in our management discussion and analysis for the quarter ended April 2, 2022, 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 operations 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: Thank you, Quentin, and good morning, everyone.

Let me start by saying that I'm very pleased with our performance in the first quarter of 2022. These strong results are a testament to the expertise and passion of our teams. Day in and day out, our 56,000 employees win new projects, provide strategic advice, design forward thinking projects and contribute to a more sustainable world, ultimately delivering high-quality services to our clients across the globe.

Before going any further, I would like to highlight the following three points. First, our results were robust across our geographies and sectors and ahead of our expectations. Organically, net revenues grew by an impressive 12.7%, while our continued focus on profitability resulted in an adjusted EBITDA margin increase of 110 basis points compared to 2021.

Second, we continue to witness strong market conditions. Our backlog reached a record high of \$11 billion, growing organically 6.2% year-to-date and 15.8% year-over-year. Opportunities advanced across all our markets. For instance, there was a significant expansion in public infrastructure investing in the United States.

Lastly, we continue to attract the brightest minds who share our purpose of creating positive impact in our communities. Thanks to our strong brand and career opportunities across regions and markets, just shy of 4,000 professionals joined WSP since the beginning of the year.

In summary, thanks to our strong organic growth, healthy increase in backlog and strong talent attraction, WSP delivered a robust performance in its first quarter. On that note, let me now take a moment to highlight a few notable project wins.

In Ontario, WSP and its partners the ONxpress team have been awarded the mandate to expand the GO Rail network in the Greater Toronto and Hamilton regions. The OnCorr project will transform GO Rail from a peak period commuter service to a two-way all-day rail service with a subway-like frequency. With the acquisition of an electric train fleet, the electrification of 600 kilometers of tracks and the addition of 200 kilometers of new tracks. This is one of the largest regional transit projects in Canadian history. By 2055, GO Rail will welcome an estimated 200 million riders per year, making it one of the busiest railways in North America.

This contract, to be added to our second quarter backlog, is our fifth major consecutive win in connection with the transformation of the GO Rail network since 2014. For WSP, this represents our largest multiyear project ever won in Canada.

In Italy, WSP and Golder were awarded all the environmental surveys impact studies and permitting work for an offshore energy hub in the Adriatic Sea. This innovative hub,



called the AGNES project, will combine green hydrogen production systems, floating solar cells and a new type of wind turbines. The AGNES project aims to generate 700 megawatts of power once it becomes fully operational or enough electricity to power over 0.5 million Italian homes.

In Australia, WSP recently won a contract to redevelop a hospital in Melbourne. With a 12-story clinical services tower, new mental health and oncology services, this project will transform the delivery of its medical services. Once completed, the hospital will treat 35,000 more patients each year, in doing so cutting waiting times and reducing pressure on liberating hospitals. By working on hospitals and other specialized buildings such as data centers and scientific campuses, WSP continues to expand its specialized high-end services in the property and buildings market.

In Ontario, WSP will be providing key services for Canada's largest wastewater infrastructure project to date. This project uses a novel collaborative approach to deliver a complex project whereby the client, the consultant and the contractor work together to develop the best overall solution. In our view, this integrated project delivery approach represents the future of procurement.

Our first quarter not only saw exciting project wins that marks the one-year anniversary of Golder and WSP joining forces. This merger has been a great success on all fronts. WSP provided leadership position to over 70 of Golder's leaders. Our combined expertise has helped us grow our clean revenues through climate-related work such as energy transition, decarbonization, adaptation, resilience and ESG reporting. For instance, our integrated high-end quality services have allowed us to capitalize on the strong demand for environmental services mainly in the mining industry.

Regarding ESG, we continue to lead by example. In March, we published our first standalone report on WSP Climate Risk and Opportunities according to the task force on climate related financial disclosures, or TCFD, the leading ESG framework and transparent disclosure to investors. Recently, our diversity initiatives in the United States were also acknowledged by influential chapters of the American Society of Civil Engineers. To further these initiatives, WSP created the new position of global inclusion diversity leader awarded to our U.K. colleague, Jane Grant. In this role Jane will leverage our U.K. inclusion diversity strategy and bring new momentum to our worldwide efforts to foster an inclusive workplace at all levels of the organization.

On that, I will pass it on to Alain, who will review our financial results in greater detail. Alain?

Alain Michaud: Thanks, Alex. I'm very pleased to report on our strong results for the first quarter of 2022. Starting with our top line, for the quarter, revenues and net revenues reached \$2.7 billion and \$2.1 billion, up 29% and 26%, respectively, compared to Q1 2021. The increase was driven by acquisition growth of 22% as well as overall record high Q1 organic growth of 12.7%, of which approximately 4.5% is due to more billable days in Q1 2022 when compared to Q1 2021. On an annual basis, we would like



to remind you that these additional billable days will be offset by less billable days in Q4 2022 versus the prior year. Of interest, in the last 12 months, our net revenues grew organically by 7.6%.

Backlog as of the end of Q1 stood at \$11 billion, representing 12.1 months of revenues with strong order intake in each of our reportable segments. Our backlog grew organically by 15.8% over Q1 2021 and by 6.2% in the quarter alone. We are witnessing continued high level of activity and favorable win rates across our end market with a second quarter in a row with over \$3 billion of order intake.

Moving to profitability. For the quarter, adjusted EBITDA reached \$325 million, representing an adjusted EBITDA margin of 15.5% compared to 14.4% in Q1 2021. The improvement in adjusted EBITDA margin is the result of strong performance across geographies and end markets.

For Q1 2022, adjusted net earnings stood at \$136 million or \$1.16 per share, up 45% and 40%, respectively, from Q1 2021. The increase in these metrics is mainly attributable to higher adjusted EBITDA.

Let's now review some cash flow metrics. Our free cash outflow in Q1 2022 amounted to \$185 million. Trailing 12 months of free cash flow amounted to \$376 million, representing 0.8x net earnings attributable to shareholders. The main contributor of outflow in Q1 2022 compared to last year is an additional period of payroll representing approximately \$125 million, which will reverse in the second quarter of 2022. Overall, except for the additional period of payroll, cash flow is in line with our expectation and reflects the usual seasonality.

Cash outflow from operating activities of \$83 million in the 3-month period ended April 2, 2022, compared to cash inflow of \$163 million in Q1 2021. Our days sales outstanding stood at 70 days at the end of Q1 2022 compared to 60 days in 2021 and skew at the lower end of our target range of 70 to 75 days.

Lastly, our balance sheet continues to be strong with a net debt to adjusted EBITDA ratio of 0.8x. During the quarter, we also declared a dividend of \$0.375 per share for shareholders on record as of March 31, 2021, which was paid on April 18, 2022. With a 49.6% DRIP participation, the net cash outlay was \$21.4 million.

In conclusion, our first quarter was a strong start to the year, and we are reaffirming the financial outlook for 2022 issued in our Q4 2021 press release.

On that, Alex, back to you.

Alexandre L'Heureux: Thank you, Alain. To recap, our team has come together to produce a robust quarter, which is a great start to 2022 but also to our new 2022-2024 Global Strategic Action Plan. With the Golder integration essentially behind us and with our strong balance sheet, we can now turn our sights to the future. Today, everything is



in place for us to realize the ambitions for action plan, all in view to become the undisputed leader in our industry.

As a final note, I would like to invite you to our virtual Annual Meeting of Shareholders to be held today at 11:00 Eastern Time.

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

## **QUESTIONS AND ANSWERS**

Operator: (Operator Instructions) Our first question comes from the line Jacob Bout from CIBC.

Jacob Bout: Alex, very positive opening comments, but stock market seems to be pricing in either stagflation or recession for the coming year. Given this backdrop, when you look at your backlog, what do you think is at risk as far as what could be pushed out or canceled? And what are your clients indicating how concerned are they about economic conditions currently?

Alexandre L'Heureux: Well, thank you, Jacob. This is a very good question. First of all, I think we are not paying too much attention to what's happening to the stock market at the moment. I think we are staying very close to the ground and staying very close to our clients and client sentiments. And right now, I must admit that things are going very well. I'm not suggesting things are not going to change in the distant future. But at the moment, we are being awarded a lot of great work both in the public and also in the private sector. And this is across the patch as well. This is not just a North American thing. I think you look at our U.K. operation right now, that is doing extremely well. The backlog is growing. So is Australia, New Zealand, even in Sweden and the Nordics countries, and then moving to Canada and the U.S. So I'd say that we have seen organic growth in our backlog year-to-date across all of the regions and also in all of the sectors, both public and private.

So for us, this is obviously a great start of the year. The inflation was -- is just -- it's not a concern that has been there only for the last 90 days. I think we were all aware last year that the inflation was there and mostly was there to stay. So we certainly try to prepare with that in mind when we started the year. And obviously, we can only control what we control. But I have to say that what we can control we feel we're doing well at the moment.

Jacob Bout: Okay. And then maybe just on the organic growth, strong, I think it was close to 13% in the first quarter. But you maintained your full year guidance. I think it's 3% to 6%. So I understand there's less billable days, but is the expectation here that you're still going to see a boost from U.S. infra in the second half of the year? I'm just trying to gauge how conservative you're being here.

Alexandre L'Heureux: Yes. I think we've been -- we've always said in past quarters when we had the opportunity to exchange with all of you that, in our mind, this Biden



plan will only take effect or at least we feel the impact of it only in 2023. So we're not actually thinking that we are going to benefit from the plan in 2022. So having said all that, we've never ever raised our outlook after the first quarter in the past, Jacob. We believe that in good year, bad years, we -- I think it's very early days to rethink your outlook. So -- and you mentioned the billable days. And obviously, we know that there will be an impact in Q4. So, we believe at this point in time, it's a prudent thing to do to keep our outlook the way it is.

Operator: Our next question comes from the line of Benoit Poirier from Desjardins.

Benoit Poirier: Congrats for the good start.

Alexandre L'Heureux: Thank you, Benoit.

Benoit Poirier: And obviously, given the recent pullback in share price and compression of valuation multiple, I was curious to know how does it change your M&A strategy. We know that you've been a disciplined acquirer. Accretion is a key focus. So does it take some M&A opportunity less attractive? Or would you expect asking prices to go downward?

Alexandre L'Heureux: Well, right now, this is not just an industry thing or it's what we're seeing in the stock market is something that we're seeing in all industries and in all sectors. So I think, Benoit, you've heard me saying this before and I think I've said it in the last quarter, WSP were quite agnostic to the market that we are operating in. I think we've always been opportunistic, and we've always been in a position to find attractive opportunities in expensive markets and less expensive market.

So I'm confident now that we have the integration of Golder behind us, we have a very, very strong balance sheet, I feel good about the operation and the way we are delivering right now that the opportunities will come our way and we are going to be able to execute on our plan. So for me, as I just stated, I feel that there will be some opportunities, and we will be able to take advantage of them.

Benoit Poirier: Okay. Okay. That's great color. And maybe for Alain, positive impact from billable days. It was around 4.5% in Q1. Should we expect a similar impact in Q4 but on the negative side, Alain? Is it kind of the magnitude we should expect in the Q4?

Alain Michaud: Yes. You should, Benoit. That's exactly it.

Operator: Our next question comes from the line of Michael Tupholme from TD Securities.

Michael Tupholme: Two-part question regarding the organic growth. I guess, first off, can you talk about what Golder would have seen in terms of organic growth within its business in the quarter? And then more looking forward, can you talk about how we should expect organic growth to trend as we move through the rest of the year?



Alexandre L'Heureux: Michael, we're no longer tracking Golder separately. That's been fully integrated into our system and business, so it would be very difficult for me to give you an indication. What I can tell you is that our Earth & Environment sector is growing strong. So I think if I can provide a bit of color, we're seeing the type of growth environment and Earth & Environment that we have seen in last year. So it's a very, very good first quarter for Earth & Environment.

Michael Tupholme: Perfect. And then I appreciate the billable days impact in the fourth quarter, that was just discussed. But for the next few quarters, any thoughts or color on how we should think about sort of the progression of organic growth?

Alexandre L'Heureux: Well, despite or in spite of the billable days, we -- the top line came ahead of what we had expected for the first quarter. Having said all that and what I just told Jacob, we believe that it's early days after the first quarter to rethink our outlook. I think we're quite comfortable with the outlook that we have right now. So for the time being, we feel that, that's an appropriate level of performance for the company at this point in time.

Michael Tupholme: Okay. That's perfect. And then next, just on the headcount, I'm not sure if I heard this correctly in your opening remarks, Alex, but I thought I heard you say you added 4,000 people since the beginning of the year. So I guess, first off, if we can just clarify that because it seemed larger than I had thought was the case. But secondly, can you just also talk more generally about how you're managing with respect to talent retention and attraction and with obviously a very tight labor market.

Alexandre L'Heureux: Well, that too I feel we've done a very, very good -- a lot of good groundwork over the course of the first quarter. Obviously, going into the year, we knew that attracting talent would be the key for us to be able to deliver the year from a top line point of view. So we've done, I feel, extremely well.

And again, this is not just one country pulling the company for the organization. I feel all of our large operations have done extremely well in attracting talent. So that bodes well for the remainder of the year. But again, this is early days, so that's why I don't get overly excited by it. Having said all that, I think we -- the team should be commended for the outstanding work that they have done to attract talent to the organization.

So obviously, Michael, like any other companies in the professional services world or people business, we are putting means to the ground to be able to get people back to the office. We have worked extremely hard in the last quarter. Some countries are doing -- and regions are doing better than others. I think Europe, for instance, are doing better than North America and bring people back to the office. But we are seeing a change right now in North America. And hopefully, in Q2, we'll see North America catching up with Europe.



Obviously, in Asia, I think you all -- I'm sure you've seen the news that it's a bit more challenging right now in the regions with a lot of cities in quarantine. But hopefully, this will be behind us by the end of Q2. But so far, I think we're managing it well. And we intend to do equally well in Q2.

Operator: Our next question comes from the line of Frederic Bastien from Raymond James.

Frederic Bastien: Alain, just a quick question on the billable days. They seem to have had a different impact on growth in Canada, APAC versus EMEA. Would you mind just walking through the -- explaining the differences here?

Alain Michaud: Sure. So the -- our quarter end varies by region, and this is reflective of the systems and setup we have in each region depending on how we build the platform in each region through M&A mostly. So that's why you see differences from one region to another in terms of how the impact was in terms of billable days. So for example, Canada and the U.S. was a bit higher, whereas the U.K., they have a March 31 quarter end, so they had no impact. So that's what explains the differences you've seen from one reportable segment to the other.

Frederic Bastien: Okay. Super. That's helpful. Backlog growth, pretty strong on a sequential basis. Were there any big projects that would have moved the needle? Or was it just representative of just good overall growth across all sizes of projects?

Alexandre L'Heureux: Frederic, representative of a general growth in all of our markets, obviously, I mentioned during my -- the address this morning that in Q2, we will be recording the first phase of the OnCorr projects. So that will have a very positive impact on the Canadian backlog. This was not part of our Q1 backlog. So this is one of the largest multi-projects that we ever won in Canadian history in our business. So that will be booked in Q2. But other than that, it's really a general sentiment right now, the backlog is growing pretty much everywhere at the moment.

Frederic Bastien: Okay. And just a quick one to finish it off, Alex. Is this the strongest operating environment that you've seen since joining the firm?

Alexandre L'Heureux: Well, I've seen -- seems like yesterday I joined the firm, but I've been going through some peaks and valleys, obviously. And -- but I have to say, Frederic, that I look at the growth that we are experiencing right now. I'm looking at the margin improvement that we have been able to orchestrate over the last three to five years. I look at also how all of the regions are all pulling in the same direction at the moment and very aligned on the strategic plan and the execution thereof. So if it's not the strongest, it's certainly a very good period for the company and the firm.

Operator: (Operator Instructions) Our next question comes from the line of Dimitry Khmelnsky from Veritas.



Dimitry Khmelnitsky: I was wondering if you can walk us through potential impact of recession particularly on the commercial client side for each of your key market verticals, so Transportation & Infrastructure, Earth & Environment, Property & Buildings, Power & Energy and Industry.

Alexandre L'Heureux: That would require a lot of time. But look, at the end of the day, at the moment, if I look at our transportation sector, this is a sector that is mostly public, and it's fueled by, obviously, government spending. And right now, we are seeing clearly positive momentum. And we're not only seeing positive momentum in the U.S. or Canada or North America, for that matter, we are seeing governments generally speaking reinvesting in their respective countries. So it's something we're seeing in the Nordics, we're seeing in the U.K., we're seeing in Australia and New Zealand.

So right now, I think we haven't seen this slowing down. The team, the inflation team, as I mentioned earlier on today on the call, is something that is not -- certainly not new to us. Obviously, it's something that we see more and more as something recurrent, but it's something that we've been talking for the last 3 to 4 quarters. There's a lot of background noise. I don't know if we could mute the speaker phone, if that would be possible. Thank you very much.

On the Property & Building sector, it's -- I mean we are doing more and more public sector work especially in the Canadian market. But in the rest of world, this is mostly a private sector business. And yet again, in the private sector business, we have seen a lot of activities especially in the health care sector or the mission-critical data center sector. So we are seeing a lot of activities on that front, and we are rehabilitating a lot of existing buildings and sites. And that, combined with the climate change and the trends, I mean, we are doing more and more work on the building side from an ESG point of view. So yet again, there, we are seeing a lot of work.

And then finally, on our Earth & Environment sector, I just mentioned, this is one of our strongest sector at the moment, and I expect this continue in the future quarters. So all in all, I feel that there's a lot of positive momentum. I am not trying to deflect the inflation theme. I think that's a theme that we all have to deal with. But so far, I think we have been able to work in collaboration with our clients and expect us to -- hopefully, to continue to do well in the current environment.

Operator: Thank you. This does conclude the question-and-answer session of today's program. I'd like to hand the program back to management for any further remarks.

Alexandre L'Heureux: Well, thank you very much for attending this call. We really appreciate. Just as a friendly reminder, we will be hosting and holding our Shareholder AGM call later today at 11:00 Eastern Time, so you're all invited to join in. I would like to wish you a great day and looking forward to engaging with all of you on an individual basis or, if not, during the Q2 call in 90 days.

Thank you very much and have a great day.



Operator: Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.