**Groupe WSP Global Inc.(Q1 2024 Results)**

**May 9, 2024**

**Corporate Speakers:**

- Quentin Weber; Groupe WSP Global Inc.; Investor Relations
- Alexandre L'Heureux; Groupe WSP Global Inc.; President, Chief Executive Officer
- Alain Michaud; Groupe WSP Global Inc.; Chief Financial Officer

**Participants:**

- Benoit Poirier; Desjardins; Analyst
- Chris Murray; ATB Capital Markets; Analyst
- Jacob Bout; CIBC; Analyst
- Devin Dodge; BMO Capital Markets; Analyst
- Frederic Bastien; Raymond James; Analyst
- Maxim Sytchev; NBF; Analyst
- Michael Tupholme; TD Securities; Analyst
- Michael Doumet; Scotiabank; Analyst
- Ian Gillies; Stifel; Analyst
- Sabahat Khan; RBC; Analyst

**PRESENTATION**

Operator^ Good morning, everyone. Welcome to WSP's First Quarter 2024 Results Conference Call.

I would now like to turn the meeting over to Quentin Weber, Investor Relations.

Please go ahead, Mr. Weber.

Quentin Weber^ Good morning.

We hope you're all doing well and thank you for joining our call today.

We will be discussing our Q1 2024 performance for data Q&A session.

Joining us today this morning are Alex L'Heureux, our President and CEO; and Alain Michaud, our CFO.

Please note that this call is also accessible on our website on the webcast.

During the call we will be making some forward-looking statements and actual results could differ 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 MD&A for the quarter that ended March 30, 2024, which can be found on SEDAR and on our website.

In addition, during the call we may refer to certain non-IFRS measures. These measures are also defined in our MD&A for the quarter that ended March 30, 2024.

Our MD&A 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 described 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.

I will now turn the call over to Alexandre.

Alexandre L'Heureux^  Thank you, Quentin. And good morning, everyone.

I am pleased with our first quarter performance as it sets a solid foundation for the remainder of 2024 and reflects the positive momentum we continue to experience in our business. Globally, our backlog and pipeline of opportunities remains robust across all sectors, especially in the Americas, which recorded a double-digit organic backlog growth.

In Q1, we delivered strong results in line with our expectations and our top line and profitability continued to trend positively.

During the quarter, we continued to future-proof WSP over indexing three core elements.

First, we focus on optimizing our global platform to unlock even more possibilities and drive sustained organic growth and margin improvement.

Second, we added expertise in new clients through a number of acquisitions completed in the first quarter. And third, we remain dedicated to being the premier partner to our clients and our communities, and let me review each in further detail.

On the optimization front, I'm sorry, we elevated further our outstanding platform, seizing productivity opportunities and bolstering project performance. These efforts are allowing us to already report an impressive increase of 50 basis points in adjusted EBITDA margin when compared to the first quarter of 2023.

Moreover, it provides us with the confidence to deliver on our 3-year strategic plan ambitions to increase our margin profile by at least 150 basis points.

We also concluded the go-live of our global ERP in the U.K. This region is the (inaudible) geography to onboard to the platform after Canada and the U.S., and we now have over 70% of our EBITDA converted and more than 50% of our employees on the new platform. This is one of the largest transformation we have undergone as a business and it covers the modernization of our sales, procurement, project management, HR and finance functions.

We are already beginning to reap the benefits of this initiative through enhanced business intelligence capabilities, the exchange of best practices, the leveraging of insights and data and increased collaboration.

Also we are pleased to report that our deployment schedule is on plan and on budget.

Since the beginning of the year, we have continued to bolster our platform by deploying capital towards strategic acquisitions, and we have announced four transactions recently. The First (inaudible) is one of Canada's leading indigenous and stakeholder engagement and information management consulting firms.

It is recognized for its collaborative approach and its ability to deliver authentic, open and transparent stakeholder and wider community engagement including with indigenous, sorry communities. This acquisition reinforces WSP's commitment to delivering impactful community projects and enhances its ability to respond to the increasing demand for stakeholder engagement and information management services.

The second is (inaudible), one of Finland's largest rail consultancies that offers a range of railway and railway system design services including traffic and energy services as well as safety and security expertise. (inaudible) adds key rail expertise in Finland to WSP's transport and infrastructure capabilities in the Nordics, and strengthens our market position and ability to lead large-scale projects in the Finnish market.

By combining our respective expertise and teams, we aim to elevate our capabilities, broaden our portfolio and strengthen our market position in the country.

The third is (inaudible), a Spanish consulting firm in transmission and distribution, operating mainly in the power and energy sector, which will enhance WSP's capabilities in Spain, creating a strong multidisciplinary business in the region with a balanced portfolio in our core end markets.

It will also increase our local workforce by approximately 70%, and expand our geographical presence in the country by adding four new regions. Through this acquisition, WSP will be positioned as one of the leading international engineering firms in Spain.

The fourth is AKF Group, specialized mechanical electrical firm that design complex health care, science and technology and mission-critical facilities. AKF enables us to strengthen our scale in the U.S. and expand our expertise within property and building by 20% in the U.S. alone. Through this acquisition, we aim to enhance our technical practice and boost our capabilities and presence in several essential high-end demand markets, and in a variety of sectors such as corporate, cultural, health care education, irrigation, hospitality, retail, science and technology.

The sustained expansion of our platform is attributable to strategic capital deployment and organic growth, but also to nurturing our internal talent and resources. This is why I'm proud that we continue to focus on internal promotions and have set high ambitions in our strategic action plan.

In 2023, we filled over 75% of our global leadership roles with internal candidates. And since the beginning of the fiscal year, an example was Joe Serco being promoted to the role of President of our business in the United States. Joe brings decades of invaluable leadership experience and a deep understanding of the industry and evolving client needs.

I'm thrilled to see him and many others take on new challenges.

The third core element of focus in the quarter was and will continue to be elevating the standard in client experience and being a premier partner to communities.

We are making great strides on this front as witnessed by some recent project wins.

Today I have selected three that best illustrate this.

In the U.K., we have confirm our work on one of the largest programs ever won by WSP in the U.K. in terms of scale, revenue, length and complexity, which is aligned with our ambition to stay at the forefront of the energy transitions and bring exciting new career opportunities for our talent. The (inaudible) grid upgrade is a major program to deliver electricity transmission infrastructure across the United Kingdom and enable 50 gigawatts of network capacity by 2030.

It is a critical (inaudible) reduce reliance on fossil fuels and enable a shift towards renewable energy. WSP has been appointed as one of seven industry partners tasked with providing over GBP 9 billion worth of design and construction for national grids over 12 years.

Our scope consists of providing professional services across the all delivery life cycle from early-stage scheme development to environmental services, planning, consent and detailed design. This win is well aligned with our ambitions to stay at the forefront of the energy transition and bring exciting new career opportunities for our talent.

In Los Angeles, we have also signed a new $100 million U.S. program management contract to support Eli County Metro on the 15-mile light rail extension to Southeast Los Angeles County, which connect underserved communities from 10 cities downtown -- to downtown Los Angeles. The project is important as it broadens the scope of WSP traditional design services for this important customer.

During the selection process, WSP scored highest amongst competing firms, achieving the best score in each of the major categories.

Firm experience and capabilities, key personnel, and project approach, WSP has been the leader in the rail and transit sector in the U.S. since the design of the New York City subway system in the 1880s, and we fully intend to remain in the top position.

In Australia, we are supporting the Queensland train manufacturing program, which aims to deliver 65 new 6-car passenger trains in time for the Brisbane 2032 Olympic and Paralympic games. This initiative is a pivotal support system for the region's growing population and economy. The program will not only boost Queensland's jobs market, but also offer substantial training and development opportunities. WSP provides civil, structural, rail, geotechnical, building and power design services for the greenfield facility. These three examples are a testament to the types of projects that allow us to partner with like-minded clients and deliver projects that profoundly enhance and impact the lives of communities.

On that note, I will now invite Alain to review our financial results.

Alain Michaud^ Thanks, Alex.

I'm very pleased this morning to report on our strong results for the first quarter of 2024, where we've seen net revenue grow organically by 4.6%, EBITDA by 8% and earnings per share by 13%. Let me elaborate further on each of these points, starting with our top line.

For the first quarter, revenues and net revenue reached $3.6 billion and $2.8 billion, up 2.7% and 4.7%, respectively, compared to the first quarter of 2023.

We achieved net revenue organic growth of approximately 6.5% when normalized for the same number of billable days compared to Q1 2023.

As stated in our outlook issued in March, these additional billable days will reverse in Q4.

Backlog as of March 30, 2024, stood at $14.2 billion, representing 11.8 months of revenues, and of interest, as Alex stated, the Americas reportable segment achieved organic backlog growth of 10.3% over the last 12 months.

Adjusted EBITDA in the quarter reached $446 million, up 7.9% compared to the first quarter of '23. Adjusted EBITDA margin for the quarter reached 16%, an increase of 50 basis points when compared to the first quarter of 2023. And for the last 12 months, our EBITDA margin now stands at 17.7%. This increase is mainly attributable to our continued focus on productivity, as evidenced by a reduction in our personnel costs as a percentage of net revenues.

For the quarter, adjusted net earnings reached $194 million or $1.55 per share, up approximately 13% compared to the first quarter '23.

(Inaudible) 2024, better than the same period last year and slightly of expectation.

Our DSO stood at 76 days as of the end of March, stable and unchanged when compared to December 31, 2023.

Our net debt to adjusted EBITDA ratio stood at 1.6x within management's target range of one to 2x.

As we progress through our business transformation journey, we continue to aim for 100% conversion (inaudible) net earnings to free cash flow for 2024.

In conclusion, we're off to a great start with a solid set of results, a strong operating plan and healthy market conditions.

We are, therefore, reiterating our outlook with confidence.

Now back to you, Alex.

Alexandre L'Heureux^  Well thank you, Alain. Given our prudent start of 2023, compared to our solid start in 2024, and given our progress made in the current strategic cycle, we are confident in the future.

We welcome approximately 10,000 employees through 15 acquisitions since the beginning of our plan and notably four since the beginning of the current year.

We continue to have a promising pipeline of growth opportunities, a solid balance sheet and looking at the rest of 2024, we are moving forward with confidence.

Our focus remains on delivering on our ambitions bolstered by healthy market conditions.

Our shared vision and collective efforts are the cornerstone of our success, and I am confident they will continue to guide us on our journey to be recognized as the undisputed leader in our industry.

On a final note, I would encourage you to explore our 2024 global ESG report, which will be published shortly. You are also invited to take part in our Annual General Meeting, which will be held in person and virtually at 11 a.m. Eastern Standard Time today. More details can be found on our website, and I will now open the line for questions.

## QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) First question is from the line of Benoit Poirier from Desjardins.

Benoit Poirier^ Just in terms of headcount, you added about 700 people so far this year.

Obviously you've been through a poor M&A transaction.

So I was just curious to know how many people came from acquisition? And what's your expectation for the remainder of the year in light of your growth trajectory? And also, if you could comment about the opportunities you still see from the productivity improvement standpoint?

Alexandre L'Heureux^ Well look, I think if I start with M&A, we have a very good start.

I'm very pleased with where we stand at this point in time and the pipeline is healthy.

So I'm confident that the remainder of the year should be -- should bear fruit.

So I think, on that front, I'm feeling good that we should have a good year in 2024. Perhaps, Alain, you want to comment on headcount?

Alain Michaud^ Yes.

So on headcount, Benoit, with the (inaudible) acquisition in Q1, we've added about 200 people.

Our focus is, as we've discussed many times, in 2023 and at the start of 2024, we've been heavily engaged on maximizing the productivity of our business.

So headcount growth is important, but it's a balancing act, delivering also on increased productivity and efficiency.

So we are in line with our budget in terms of growth of headcount and, for the remainder of the year, we intend to continue on a similar path of maximizing our productivity.

Alexandre L'Heureux^ You need to remember that the last two acquisitions have been completed in Q2.

Alain Michaud^ That's right, beginning of Q2.

Benoit Poirier^ Yes. Yes.

Okay. That's great color. And some of your peers mentioned weakness in the Chinese housing market as well as in the U.K.

where one player proceeded to some cut headcount in their transportation division.

I know China is not material for you, but I was wondering if there was any update and whether you were seeing anything similar?

Alexandre L'Heureux^ No. Benoit -- I mean actually, yes.

I think we've consistently been saying over the last three or four quarters that Asia is challenging. There's no doubt about that. Having said all that, as you just mentioned, Mainland China for us, it's 200 people out of 67.

So for us, it's de minimis.

As it relates to the U.K. market, we are not seeing what has been perhaps described by others. The market is -- we're feeling good about our performance.

We're feeling extremely good around our recent win of a national grid, which would provide good organic growth for the business for years to come.

So overall, I'm extremely pleased with our performance in the U.K. market.

Operator^ We will now take our next question, this is from the line of Chris Murray from ATB Capital Markets.

Chris Murray^ Just really quick. Just looking at the backlog in Canada. The organic number was actually slightly negative this quarter. Just wondering if there's anything going on or it's just sort of a temporary thing? If you can just give us more color on maybe the reason for the -- for it being kind of flat to down?

Alain Michaud^ Yes, Chris, it's -- if anything, we feel extremely confident with the backlog in Canada and the market condition, it's mostly timing related, the ins and outs of a larger job. Underlying business is performing quite well and the backlog is solid.

So no issue in Canada.

Same common for the Americas for that matter. And across the --

Alexandre L'Heureux^ Feeling very, very good about Canada at this point.

Chris Murray^ All right. No. That's helpful. And then just following on maybe your comments about the ERP system.

So congratulations on getting to 70% complete.

But thinking maybe over the next year or 2, what's left to be done on this program?

And is it fair to think that it should be substantially complete by the end of this fiscal year?

Alain Michaud^ Well currently are, as Alex said, 70% of our EBITDA, so Canada, U.S. and U.K. is done. And when we reflect that what we've achieved since the beginning of the year, it's 25,000 and more that have been onboarded on the platform.

So we're extremely proud of that and proud of our team that have devoted significant effort on that front.

We are now moving to the East, and there's other region to be done, the Nordics, Australia, New Zealand.

So I think it's more 2025 calendar year that we will see the majority of our business into one platform. That's the intention, Chris.

Alexandre L'Heureux^ The way, Chris, I'm thinking about it and the way I think you should view this is, we have -- I'd like to think, and I'm saying that in a very -- I'm obviously cautious in the way I'm saying it.

But I feel we have substantially derisked the -- this program at this point in time with our three largest countries on the platform with 70% of our profit on the platform.

However, we are operating in 60 countries.

So the remainder 30% will take a bit more time, but we're highly confident that things are going to go well and they are going to be smooth.

What I'm especially proud of is, and you may have noticed it in our numbers, yes, the DSOs have increased slightly.

But given the sheer task that we had to go through, I'm very proud that we kept our DSO stable, and I feel it's only going to improve from now.

Operator^ We'll now take our next question, this is from the line of Jacob Bout from CIBC.

Jacob Bout^ I had a question just on M&A.

I know you're saying that the pipeline looks pretty strong.

But maybe you could talk a bit about how the pipeline is looking for the mid- to larger-sized acquisitions? And then my second question, just on the M&A, what the margin profile of recent acquisitions look like?

Alexandre L'Heureux^ Yes. Margin acquisition of the acquisition, we just -- the margin, sorry, of the acquisition we just completed are fairly similar to our margin profile at this point in time.

However, we continue to believe that we can improve the margin profile of those firms as soon as they -- we are in a position to integrate them into our platform.

So feeling very good about this, Jacob.

Look, around mid- to larger size acquisition, I think I've said that in numerous occasions in the past, it's extremely difficult to time acquisition.

Oftentimes, it takes many years to convince a firm to join your ranks.

It takes a lot of nurturing.

What I can tell you is that we are -- I continue to have formal and informal discussions with smaller size, medium size and larger size acquisitions, I cannot guarantee you when we are going to complete these.

But what I can tell you is that I'm encouraged by the discussions that I'm having right now.

Jacob Bout^ That's fair. Maybe just going back to backlog and just looking specifically at APAC, it's down organically year-on-year. Talked a bit about China, but how about Australia and New Zealand? I know you called out the timing of some projects there, but are you expecting a slowdown or is this just all timing --

Alexandre L'Heureux^ I think in New Zealand with the recent election, I think there has been a pause like any governments now I think it's more center right government and took a pause on infrastructure spending.

We expect that to change and resume in due course. Are we overly concerned by that? No.

I think we're calm when things are hot and we are calm when things are cooling off a little bit because we believe this is timing and infrastructure needs are needed.

Same with Australia.

We've experienced double-digit organic growth for, I think, two years now.

So obviously we're starting from a higher base, but the activity level is good.

We have a very strong business.

We have a very strong team.

So I'm positive in the longer term for that region.

And yes, Asia, as I said earlier on today, it's been challenging, and I believe will continue to be challenging for some time. Thankfully, for us, this is a small part of our business.

Operator^ We'll now take our next question, this is from Devin Dodge from BMO Capital Markets.

Devin Dodge^ Maybe a couple of questions, maybe not so much related to Q1, but maybe longer term.

But look, the demand environment is really quite strong across many of your regions. How do you think about the balance between pursuing the growth opportunities that are available and being more selective in your bidding activity to drive margin expansion?

Alexandre L'Heureux^ Well this is a balancing act, as you just mentioned, right? If I look where we are today as a company, WSP, I look at the brand awareness of the company, I look at the type of projects that we are now in the position to tackle as a prime designer or prime consultants, and I compare that to where we were 5, 7, 8, 9, 10 years ago.

We are in a different space. Again, I mentioned and I highlighted three projects this morning that is a testament of what I just mentioned.

I look at the great strides that we're making in sectors where 3, four years ago, we were not big.

I mentioned a few quarters ago the award of Propel project and other energy transition project in the state of New York, massive project for us, and now National Grid. 3, four years ago, we were not there.

So it's -- I was telling our board this week, the absolute number in organic growth is obviously important. And we're pleased, if you compare orange with oranges or apples with apples that we grew 6.5% this quarter.

But it's the type of growth that we are able to generate in sectors where we were fairly small a few years ago.

I'm extremely pleased with the type of award that we are able to secure right now.

So that's telling me that we are continuing to diversify the platform.

We continue to grow in sectors where we were not a leading firm. And then we continue to capitalize on the sectors where we have a strong presence. And the (inaudible) acquisition in Finland is a testament or an example of that.

Now in the rail sector where we have the leadership franchise around the world, we're going to be able to tackle large projects in Finland.

So overall, I'm feeling very good about that. And even though we're going through a conversion, an ERP conversion, we have been able to increase our utilization, and we have been able to increase our margin over the recent past.

So I feel, as Alain mentioned, our team should be commended for the extraordinary work that has been accomplished recently.

Devin Dodge^   That's good color.

Okay.

Second question on PFOS. Lots of interest on the back of the EPA releasing some final rules last month.

Alexandre L'Heureux^   Yes.

Devin Dodge^   Do you view this as an opportunity for WSP? Can you walk -- and if so, can you walk us through the services that you provide and where you expect to see the most benefit going forward?

Alexandre L'Heureux^   Tremendous opportunities. Perhaps, Alain, you can cover that.

But clearly, for us, like any other firms in the space, it's a real opportunity. The rules and the regulation are strict and the requirements will increase demand for our services.

So I feel that over the coming years, we'll have our share, and we'll be winning our share of work in that space.

Alain --

Alain Michaud^   Yes, definitely positive, Devin, in terms of development. The rules in the U.S. are probably the most strict that we've seen. And -- but I think it bodes well for our expert.

We probably have around 500 PFAS expert in the U.S. alone.

Our backlog in Q1 has already seen some good level of work.

So we're extremely positive about the impact of the new regulation and the flow of work that should come our way given our expertise and profile in the space.

Operator^   We'll now take our next question, this is from Frederic Bastien from Raymond James.

Frederic Bastien^   I'd like to circle back on M&A for a bit. And really wondering what has changed from an internal or external standpoint to make you say, hey, okay, now it's time to open up the M&A valve again?

Alexandre L'Heureux^   Yes.

If you remember, Frederic, , I think it was the last quarter, at the last investor call I mentioned that we view 2023 as a year of consolidation. Last year alone, we grew our top line by over 20%. Yes. Not all of this was organic growth, there was a lot of acquisition growth, but we grew our top line by 1/5 in one year.

So I consider that to be very meaningful and very transformative.

So last year was a year of consolidation.

We wanted to extract the value from the platform.

We wanted to complete the integration of (inaudible).

We wanted to activate our work on the integration of Wood E&I.

So that's why I considered last year a year of consolidation.

This year, we've had a strong start of the year. Mind you, these are not large acquisitions, but are very strategic to us. And yes, we're clearly open for business.

We have a strong balance sheet.

As I said before, I feel we have substantially derisked the ERP project and transformation.

So I feel that all of the ingredients are now in place for us to continue to grow inorganically and organically.

Frederic Bastien^   Super helpful. Next one is perhaps for Alain.

We saw saw better-than-expected margin expansion in the quarter, at least from our standpoint, and that sets you up quite nicely for the rest of the year. Do you anticipate similar gains in future quarters? Or will we see a bit of variability as we build into Q2, Q3 and Q4?

Alain Michaud^   Yes.

So as Alex said, we're very proud of the lift in Q1.

We usually have lower margin expansion in the first quarter of the year.

So we're extremely proud about that.

We've devoted significant effort on working on all those levers, as you know Fred, on productivity.

We are certainly aiming to push and continue to increase margin in the following quarter. And we're feeling confident about the 65-basis-point increase that we have guided for the full year.

So we'll keep on working hard and pushing hard on improving productivity of the firm.

Frederic Bastien^   Okay.

But do you expect that to be linear or I mean 65% is a massive improvement. would that be backend loaded?

Alexandre L'Heureux^   You are very persistent. That's the intention to continue to push in that direction.

Operator^ We'll now take the next question, this is from Maxim Sytchev from NBF.

Maxim Sytchev^ The first question for you, if I may, in terms of -- certainly it feels like there's a theme emerging when it comes to power, big win in U.K., Spanish acquisition. -- we're reading that a cable to a by 57 when it comes to core energy transition. Do you mind maybe expanding a little bit on this important theme and maybe the opportunity potentially in the U.S. and Canada, how to sort of take advantage of this.

Alexandre L'Heureux^ Yes.

Look, you've been following us for a very long time, Max.

So you know us inside out.

We've always have taken a very disciplined approach in the way we're building our firm. And as I said, the first pillar we started with more than 10 years ago was with property and building, then we moved to transportation infrastructure, and we continue to raise the bar in those two sectors.

More recently, we said that we wanted to become the leading firm in the green transition.

So we build our pillar around or an environment. And now I feel that we are ready to make a big push in the energy transition.

So more recently, we've invested a lot in talent, and we invested a lot of effort in growing our presence in that sector.

And as I said before, I could not be prouder of the work that has been accomplished in this STRAT plan to broad presence there.

I think now we're tackling some of the largest energy transition program in the United States and in the U.K.

So I'm extremely pleased about that. And you're right in pointing out that our push in Central Europe with a 250-people acquisition in transmission and distribution is another example of our core strategy at this point in time.

So yes, we're going to continue to push in that sector.

Maxim Sytchev^ I appreciate that. And then one other follow-up that I have. Do you have any update in terms of IAG and how that funding is flowing through? And how should we think about this of the impact?

Alain Michaud^ I could take that one, Max.

So the latest number that have been published, there's about 40% of funding that have been deployed. This is April data, and it's up from February data by more than 30%.

So we were a 30% deployment in February, 40% in April.

So it's moving certainly in the right direction.

40,000 projects have been awarded, funding through the Biden infrastructure bill.

So that continues to support our thesis around -- and our confidence around the U.S. And if you combine that with the regulation and PFAS we've covered before, we continue to feel very strong about the U.S. and especially given our leadership position in the transportation business. And I have to say transportation represents currently about two-thirds of all the funding that have been deployed through the bill.

So that's good news for us and supports our thesis.

Operator^   We'll now take the next question, this is from Michael Tupholme from TD Securities.

Michael Tupholme^   This may tie into the last answer you just provided there regarding IIJA, but the 10.3% organic growth in backlog in the Americas that you've highlighted a few times, can you talk a little bit about the areas that drove that increase in the quarter?

Alexandre L'Heureux^   All the sector, Michael, I mean transportation, property and building, earth environment, we are seeing growth in those sectors.

We've seen growth in power, as I talked about.

So at the moment, I feel we are going to continue to grow in those sectors. And one that I would perhaps add as well is advanced manufacturing.

We are doing more work in that space, and I expect to continue more and more.

So that also is a real opportunity for us to grow and to develop new sectors.

Michael Tupholme^   And it doesn't sound like it from your response just now or any of your other comments, but more broadly, when we look across the business from an end market perspective, are there any areas that are looking weaker right now or causing you to be concerned at all?

Alexandre L'Heureux^   Are you talking in the Americas or you're talking globally?

Michael Tupholme^   Globally, and I don't mean regionally.

I mean I know you've touched on Asia as a -- in China regionally, but just from an end market perspective globally, is there anything that you see as slower?

Alexandre L'Heureux^   I don't think we can look at our sectors and conclude that things are slowing down to the contrary.

I feel we're in a good spot right now.

But yes, there are some pockets of geographies that are more challenging than others.

But for the most part, I feel our top countries are performing well at this point.

Michael Tupholme^   Perfect. And then just lastly, looking at the margins in the APAC segment, you did see a decline in EBITDA margins year-over-year in Q1.

I see from the commentary that the performance in Asia was the source of that.

I guess I'm just wondering how we should think about APAC margins going forward as you move through the year? Is there an opportunity to grow margins?

Or how should we be thinking about margins?

Alexandre L'Heureux^ Actually, Australia margin profile, we're not reporting the different countries.

But just to give you a sense in Australia, we have seen our margin profile going up, not going down. Equally, New Zealand has been stable.

So we're -- overall, I think we're feeling good.

Alain Michaud^ And if you look at Asia specifically, Q1 last year was a quasi normal quarter.

So the comparison Q1 over Q1 is a little tougher.

But if you look sequentially versus Q4, Asia is not significantly moving down.

So overall, if you think about Australia and New Zealand, feeling confident about their margin profile improvement for the rest of the year and stabilization in Asia.

Operator^ Now take the next question, this is from Michael Doumet from Scotiabank.

Michael Doumet^ You guys discussed productivity again as being focus in '24. And when I look at the project margins, any improvement there, obviously great in the first quarter.

I can think about that as coming from an increase from a combination of higher price and higher utilization.

Is there a way maybe that you can discuss the trend of of each? And I'm just curious going forward where you think there's more room?

Alexandre L'Heureux^ Well definitely -- we definitely believe there's more room in the years to come. You can always improve.

So we believe there are some geographies and some sectors where the productivity is not where it needs to be as far as we are concerned, number one. And number two, going back perhaps to a question that was asked earlier on this morning, being more selective in the projects that we undertake. WSP, we excel in complex projects.

That's where we feel we can do better, and we can increase our margin profile.

So the type of projects that we undertake is also going to have an impact on our margin profile.

So obviously by selecting projects where we believe we can really raise the bar, provide a better service or a differentiated service will allow us to increase our margin profile.

So I would argue that this is all of the above at this point.

Michael Doumet^ Okay. No. That makes sense. And then Alex, maybe just turning to me.

Look, you've been here for a long, long time and you've done a lot of deals.

We're living in a world where valuations are high and interest rates are high.

You would think that maybe one of the two would have given a little bit, but when you look at deals today, do you feel more strongly about the need to drive synergies to get to the appropriate IRR? Or do you still think that there is sufficient value out there, particularly when we're talking about the medium to larger deals?

Alexandre L'Heureux^   Look, it's not the first time we're going through an environment that is challenging.

I think you heard me saying that before, you just mentioned, I've been there for a very long time.

So we've gone through times where, I remember 2014, the turn -- that 10 years ago, but the turnaround in oil and gas and the markets were challenging. And -- but you know what, in those difficult times, there are also some opportunities.

So if you recall at the time, the exchange rate between the U.S. and Canada was one for one.

So we were able to acquire Parsons (inaudible) in a difficult period where, however, from an exchange point of view, we had favorable tailwinds.

So my belief is that in good times and in bad times, have to be creative and you have to find value in the transaction that you look into. Mind you, you're right, we have to be disciplined.

If the interest rate is impacting financial sponsor, I don't see why it would not impact us.

So we have to be disciplined in the way we're thinking about the transactions.

But for the right acquisition, I am not going to shy away because of the current environment.

We need to have a long-term view on transaction and what we're trying to build as a company.

So that would be my take at this point in time is we should not be using the market conditions as an excuse.

We should instead push ourselves to be creative and find value.

Michael Doumet^   Yes. No. I appreciate those comments.

Look, maybe I'll ask a third.

I'm assuming I'm lost here.

But just as a clarification, should we interpret your reiterating of your guidance is it being unchanged Including the recent acquisition and the favorable FX or just not updated yet?

Alain Michaud^   It's early in the year, Michael, so we didn't feel -- given this the impact of the recent acquisition, we didn't feel the need to increase or change our guidance.

We'll continue to track that and see in Q2 and Q3, what we do.

But we're feeling equally strong as we felt in March when we issued our guidance with the platform we had at the time.

So I think that --

Alexandre L'Heureux^   Let's revisit this in Q2 or Q3.

Alain Michaud^   That's right.

Operator^   We'll now take our next question, this is from Ian Gillies from Stifel.

Ian Gillies^   I just wanted to follow on some of the questions in and around power and your intention to grow there.

I'm just curious on how that business or perhaps the ones you've looked at are in broad strokes, how it stacks up, I guess, maybe against the corporate averages? Because One of the great things about growing that [indiscernible business, it was higher margin.

It appears to be higher margin than the corporate average.

I'm wondering if power tends to have some of the same trades?

Alexandre L'Heureux^   Yes. It's a fair assumption.

It's a fair assumption. Right now the world is in die need of new sources of energy.

So I feel -- I mentioned a few projects this morning. This has not gone unnoticed for us, and we believe that WSP is uniquely positioned to provide services in that space.

Because the power space, it's not just about and around connecting new sources of energy to existing grid, there is also a collateral impact on other sectors such as building, earth environment and transportation.

So we wanted, in a very disciplined way, to build our presence in earth environment, which we've done since late 2018.

But clearly, as you can see in notice, I've been talking about this over the last few quarters, I'm quite keen to continue to diversify our platform. and I'm quite keen to continue to grow in sectors where we're not leading, and we have the aspire to become a leading firm.

Ian Gillies^   That's incredibly helpful. The other separate question I had, one of the things that's been talked about on prior calls is, trying to increase your presence in the U.S. with respect to federal government spending weather through GSAs or other avenues.

Is that still a focus? Or is there enough work going on elsewhere that you've shifted priorities?

Alexandre L'Heureux^   No.

We -- they're not mutually exclusive. That's the way I would answer the question.

I think we can continue to push.

I talked about power, but I mentioned advanced manufacturing.

I think there's real opportunities for us to grow in that space organically and potentially through acquisitions over time.

So I think these are new sources or new opportunities for WSP and we intend to take advantage of them.

Operator^ And we have one more question, and last question today is from Sabahat Khan from RBC.

Sabahat Khan^ Great.

I guess just hearing a little about where you see the demand, whether it's by region end market, how are you balancing these demand indicators against hiring and then trying to just maintain the right level of utilization and drive margins. Just trying to understand what the demand environment still seems like it's in a reasonable place. Labor situation is somewhat better than a few years ago.

But just curious how you're deciding on the right number of employees to onboard while also considering M&A there?

Any color would be helpful.

Alexandre L'Heureux^ Yes.

Well I'm glad you bring this topic, Saba.

I mean if I look at our trailing 12 months numbers are now -- our turnover is historical low level, meaning that we have a lower turnover in our last 12 months than we've had in pre-pandemic levels.

So that, combined with our increased productivity and extracting the value from our platform, we are obviously -- this is a balancing that.

But recently, we have chosen to work on the engagement of our people, reducing our turnover, increasing productivity rather than being out there and obviously higher for just for the sake of hiring.

You look at the fee per employees that we are generating and the curve that you are going to witness if you do the math, over the last 10 years, I mean that's something I'm really focused on.

I want to make sure that -- and I'm saying that with all due respect to our employees that're listening the call but I want us to do more with less.

I want us to be in a position to deliver more with less.

So I want us to run a very, very tight ship and a very, very efficient platform.

So that's the mindset right now.

Sabahat Khan^ Okay. Great. And then, I guess, with some of these moving parts about end market growth and the IIJA, if we look particularly at the U.S. market, do you expect any meaningful shift -- putting M&A aside, any meaningful shift in your end market mix? I think your large in transportation, that's a big part of the IIJA.

Should we expect more of the same? Do you expect any evolution in where your business comes from over the next two to three years in the U.S. market?

Alexandre L'Heureux^ Well as I said, I think there are untapped territories for us.

So I mentioned power, advanced manufacturing.

I feel we could do more there.

We can always do more in water, which we're going to continue to grow.

But there's so much work in the property and building sector.

There's so much more that we can do here and transportation.

We're subscale in many states and many parts of the U.S.

So I do feel that we have tremendous opportunities pretty much in all sectors.

But as I mentioned today, there are some factors that I would like to grow because I feel we're too subscale at this point in time.

Sabahat Khan^ Okay. Then one last quick one maybe for Alain.

I guess a lot of discussion on this call around M&A.

What would the scale of the company growing and the cash flow base growing.

Should we expect any other areas of focus within capital allocation besides M&A over the next one to two years?

Alexandre L'Heureux^ I think you should -- I will take this one up, and Alain can complement.

But yes, as part of our next strategic cycle, clearly, we are going to continue to invest in R&D and digital, definitely.

Alain Michaud^ It's a mix of organic and inorganic priority.

Operator^ And there are no further questions at this time.

So I'll hand back to the speakers for any closing comments. Thank you.

Alexandre L'Heureux^ Well thank you for attending the call today. Thank you for your support.

As a friendly reminder, we will be holding our Annual Shareholder Meeting at 11:00 Eastern time today.

So we are encouraging you to attend in person or virtually, and we look forward to updating you in Q2.

On that note, I would like to wish you continued success and a great starting of the summer. Thank you very much.

Operator^ Thank you. This does conclude the conference for today. Thank you for participating, and you may now disconnect.