WSP Reports Q3 2020 Results With Improved Margins and a Strong Financial Position

MONTREAL, Nov. 04, 2020 -- WSP Global Inc. (TSX: WSP) ("WSP" or the "Corporation") today announced financial and operating results for the third quarter of fiscal 2020 ended on September 26, 2020.

THIRD QUARTER 2020 FINANCIAL HIGHLIGHTS

Solid performance in the third quarter of 2020 with an improved adjusted EBITDA margin and a strong financial position. Backlog remains healthy.

- Revenues and net revenues* for the quarter reached $2.1 billion and $1.7 billion, down 3.8% and 0.4%, respectively, compared to Q3 2019. Organically, net revenues contracted 3.4% for the quarter.
- Backlog* as at September 26, 2020 stood at $8.5 billion, reaching the record high of 11.6 months of revenues, up $374.0 million or 4.6% from $8.1 billion as at December 31, 2019 and up $600.1 million or 7.6% when compared to September 28, 2019. Backlog organic growth reached 3.6% compared to December 31, 2019, and 5.2% compared to September 28, 2019.
- Adjusted EBITDA* for the quarter of $297.1 million, up $8.9 million or 3.1%, compared to $288.2 million in Q3 2019. Adjusted EBITDA margin for the quarter reached 17.6%, compared to 17.0% in Q3 2019.
- Earnings before net financing expense and income taxes in the quarter of $144.2 million, down $24.5 million, or 14.5%, compared to Q3 2019, mainly due to severance costs of $23.5 million included in the acquisition, integration and restructuring costs.
- Net earnings attributable to shareholders for the quarter of $104.3 million, or $0.92 per share, up 11.3% and 3.4% respectively when compared to Q3 2019.
- Net financing expense for the third quarter ended September 26, 2020 was $39.4 million lower than the third quarter of 2019, mainly attributable to lower interest expense due to lower long-term debt, unrealized foreign exchange gains from derivative financial instruments, and higher non-cash increases in value of investments related to a US-employees' deferred compensation plan included in other financial assets.
- Adjusted net earnings* for the quarter of $118.2 million, or $1.04 per share, up $17.5 million and $0.08, respectively, compared to Q3 2019.
- DSO* as at September 26, 2020 stood at 72 days, the same as last quarter and still a historical best, compared to 80 days as at September 28, 2019.
- Cash inflows from operating activities of $743.3 million in the nine-month period ended September 26, 2020, compared to $388.8 million in the comparable period in 2019.
- Free cash flow* of $150.3 million for the quarter. Trailing twelve-months of free cash flow amounted to $778.9 million, representing 315% of net earnings attributable to shareholders.
- The net debt to adjusted EBITDA ratio stood at 0.3x. The ratio is significantly lower than 1.1x as at December 31, 2019, due mainly to the repayment of a portion of indebtedness under credit facilities following strong free cash flow in 2020 and the equity financing completed in the second quarter of 2020.
- Quarterly dividend declared of $0.375 per share, with a 54.0% Dividend Reinvestment Plan ("DRIP") participation.
- Financial outlook for 2020 issued in the Q2 2020 results press release is reiterated, with: adjusted EBITDA anticipated to skew towards the higher end of the range.(1)

"Our results continue to reflect the objectives we had set at the beginning of the pandemic, which were to maintain a good level of margins and a strong financial position," said Alexandre L'Heureux, WSP's President and CEO. "We have demonstrated our ability to be operationally resilient and to serve our clients with high-quality services in this unprecedented time, thanks to the adaptability and dedication of our employees. We remain agile and focused on operational efficiency to meet client expectations and plan for 2021," he added.

LEADERSHIP ANNOUNCEMENT

WSP announces that Paul Dollin, our Chief Operating Officer, will be leaving the organization at the end of the year to pursue new professional and personal opportunities. Until then, Paul will ensure a smooth transition of his responsibilities to current members of the Global Leadership Team.

Paul has been a key member of our leadership team since the acquisition of WSP Group Plc in 2012. As COO since 2014, he has been responsible for the day-to-day operations of WSP worldwide.

“On behalf of our entire management team and the Board of Directors, I thank Paul for his significant contribution to making WSP the leader it has become today. Among his many accomplishments, he has overseen the successful integration of the numerous companies acquired by WSP during his tenure, ensuring a common purpose, shared values and a unified corporate culture," said Alexandre L’Heureux, WSP’s President and Chief Executive Officer. “We wish him the very best in his future endeavours.”

Paul Dollin commented: “I am extremely proud to have participated in the tremendous growth of WSP over the past ten years and of having been part of an extremely talented leadership team. Clients around the globe trust WSP with their most complex projects, as WSP’s unparalleled expertise is recognized worldwide. I am truly honoured to have been part of this group of talented professionals who challenge themselves every day to surpass their clients’ expectations.”

DIVIDEND

The Board of WSP declared a dividend of $0.375 per share. This dividend will be payable on or about January 15, 2021, to shareholders of record at the close of business on December 31, 2020.

FINANCIAL REPORT

This release includes, by reference, the 2020 third quarter financial reports, including the unaudited interim condensed consolidated financial statements and the Management’s Discussion & Analysis (“MD&A”) of the Corporation.

For a copy of our 2020 third quarter financial results, including the MD&A and the unaudited interim condensed consolidated financial statements, please visit our website at www.wsp.com.

CONFERENCE CALL

WSP will hold a conference call and webcast at 8 a.m. (Eastern Time) on November 5, 2020 to discuss these results.
To participate in the conference call, dial 1-647-427-2309 or 1-866-521-4907 (toll free).
A live webcast of the conference call will also be available at www.wsp.com/investors.

A presentation of the 2020 third quarter highlights and results will be accessible on November 4, 2020 after market close under the “Investors” section of the WSP website. For those unable to attend, a replay will be available within 24 hours following the call.

* Non-IFRS measures. These measures are defined in section 19, “Glossary of non-IFRS measures and segment reporting measures” of the Corporation's Management's Discussion & Analysis for the third quarter ended September 26, 2020. Please refer to "Non-IFRS measures" disclaimer below.

(1) This information constitutes forward-looking information, based on multiple estimates and assumptions about future events. The reader is cautioned that using this information for other purposes may be inappropriate. Actual results could differ and such differences may be material. Please refer to "Forward-looking statements" disclaimer below.

RESULTS OF OPERATIONS

	Third quarters ended		**Nine month periods ended**	
(in millions of dollars, except number of shares and per share data)	**September 26, 2020**	**September 28, 2019**	**September 26, 2020**	**September 28, 2019**
Revenues	**$2,137.8**	**$2,221.5**	**$6,555.6**	**$6,706.8**
Less: Subconsultants and direct costs	$450.2	$527.9	$1,384.8	$1,581.2
Net revenues*	**$1,687.6**	**$1,693.6**	**$5,170.8**	**$5,125.6**
Earnings before net financing expense and income taxes	**$144.2**	**$168.7**	**$354.1**	**$405.1**
Net financing expense	$2.1	$41.5	$71.6	$73.6
Earnings before income taxes	**$142.1**	**$127.2**	**$282.5**	**$331.5**
Income tax expense	$37.3	$33.5	$75.1	$86.6
Net earnings	**$104.8**	**$93.7**	**$207.4**	**$244.9**
Net earnings attributable to:				
Shareholders of WSP Global Inc.	$104.3	$93.7	$207.1	$246.0
Non-controlling interests	$0.5	$0.0	$0.3	$(1.1)
Basic net earnings per share	**$0.92**	**$0.89**	**$1.90**	**$2.34**
Diluted net earnings per share	**$0.92**	**$0.89**	**$1.90**	**$2.33**
Basic weighted average number of shares	113,197,718	105,317,110	108,793,496	105,012,335
Diluted weighted average number of shares	113,402,269	105,735,978	109,007,522	105,439,494

*Non-IFRS measure. This measure is defined in section *19*, “Glossary of non-IFRS measures and segment reporting measures" of the Corporation's Management's Discussion & Analysis for the third quarter ended September 26, 2020.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
References to notes refer to notes in the financial statements

As at	September 26, 2020	December 31, 2019
	$	$
Assets		
Current assets		
Cash and cash equivalents (note 14)	595.4	255.6
Trade receivables and other receivables	1,666.9	1,767.8
Cost and anticipated profits in excess of billings	1,086.9	995.7
Other financial assets	111.6	114.5
Prepaid expenses	88.0	104.2
Income taxes receivable	29.2	18.8
	3,578.0	3,256.6
Non-current assets		
Right-of-use assets	941.5	913.4
Property and equipment	323.8	347.7
Intangible assets	291.4	355.4
Goodwill (note 10)	3,671.3	3,568.8
Deferred income tax assets	182.1	145.8
Other assets	121.2	88.4
	5,531.3	5,419.5
Total assets	**9,109.3**	**8,676.1**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,735.9	1,650.7
Billings in excess of costs and anticipated profits	699.9	629.0
Income taxes payable	156.6	125.3
Provisions	40.8	71.8
Dividends payable to shareholders (note 13)	42.5	39.7
Current portion of lease liabilities	248.1	211.7
Current portion of long-term debt (note 11)	282.0	307.8
	3,205.8	3,036.0
Non-current liabilities		
Long-term debt (note 11)	610.4	1,091.9
Lease liabilities	839.5	838.9
Provisions	80.5	72.8
Retirement benefit obligations	214.5	213.4
Deferred income tax liabilities	92.3	91.2
	1,837.2	2,308.2
Total liabilities	**5,043.0**	**5,344.2**
Equity		
Equity attributable to shareholders of WSP Global Inc.	4,066.2	3,330.8
Non-controlling interests	0.1	1.1
Total equity	**4,066.3**	**3,331.9**
Total liabilities and equity	**9,109.3**	**8,676.1**

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
References to notes refer to notes in the financial statements

	Third quarters ended		Nine month periods ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
	$	$	$	$
Operating activities				
Net earnings	104.8	93.7	207.4	244.9
Adjustments (note 14)	103.7	110.4	325.5	290.8
Net financing expense (note 7)	2.1	41.5	71.6	73.6

Income tax expense	37.3	29.9	75.1	86.6
Income taxes paid	(31.7)	(21.4)	(64.9)	(68.4)
Change in non-cash working capital items (note 14)	17.2	6.8	128.6	(238.7)
Cash inflows from operating activities	**233.4**	**264.5**	**743.3**	**388.8**
Financing activities				
Net repayments of long-term debt	(239.0)	(135.7)	(518.6)	(1.1)
Lease payments	(71.2)	(63.7)	(213.7)	(193.7)
Net financing expenses paid, excluding interest on lease liabilities	(2.7)	(28.3)	(40.8)	(47.1)
Dividends paid to shareholders of WSP Global Inc.	(19.5)	(19.1)	(68.6)	(58.3)
Dividends paid to a non-controlling interest	(0.3)	(5.7)	(0.4)	(5.7)
Issuance of common shares, net of issuance costs (note 12)	—	12.3	549.6	12.8
Cash outflows from financing activities	**(332.7)**	**(240.2)**	**(292.5)**	**(293.1)**
Investing activities				
Net disbursements related to business acquisitions and disposals	(6.3)	(39.5)	(52.0)	(95.0)
Additions to property and equipment, excluding business acquisitions	(11.7)	(20.1)	(50.5)	(56.5)
Additions to identifiable intangible assets, excluding business acquisitions	(2.7)	(5.6)	(11.9)	(15.7)
Dividends received from associates	6.5	—	10.3	—
Proceeds from disposal of property and equipment	2.5	2.2	3.6	10.6
Proceeds from sale of investments in associates and joint ventures	—	3.8	0.4	3.8
Cash outflows from investing activities	**(11.7)**	**(59.2)**	**(100.1)**	**(152.8)**
Effect of exchange rate change on cash and cash equivalents	(7.2)	(1.4)	4.2	(8.8)
Change in net cash and cash equivalents	**(118.2)**	**(36.3)**	**354.9**	**(65.9)**
Cash and cash equivalents, net of bank overdraft – beginning of period	710.4	224.3	237.3	253.9
Cash and cash equivalents, net of bank overdraft - end of period (note 14)	**592.2**	**188.0**	**592.2**	**188.0**

NON-IFRS MEASURES

The Corporation reports its financial results in accordance with IFRS. However, in this press release, the following non-IFRS measures are used by the Corporation: net revenues; adjusted EBITDA; adjusted EBITDA margin; adjusted net earnings; adjusted net earnings per share; backlog; free cash flow; days sales outstanding (“DSO”) and net debt to adjusted EBITDA ratio. Additional details for these non-IFRS measures, including a reconciliation of such measures to the most directly comparable IFRS measures, can be found in WSP’s MD&A for the third quarter ended September 26, 2020, which is posted on WSP’s website at www.wsp.com, and filed on SEDAR at www.sedar.com.

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 key metrics of its performance. These non-IFRS measures are not recognized under IFRS, do not have any standardized meanings prescribed under IFRS and may differ from similar computations 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.

ABOUT WSP

As one of the world’s leading professional services firms, WSP provides engineering and design services to clients in the Transportation & Infrastructure, Property & Buildings, Environment, Power & Energy, Resources and Industry sectors, as well as offering strategic advisory services. WSP's global experts include engineers, advisors, technicians, scientists, architects, planners, environmental specialists and surveyors, in addition to other design, program and construction management professionals. Our talented people are well positioned to deliver successful and sustainable projects, wherever clients need us. wsp.com.

FORWARD-LOOKING STATEMENTS

Certain information regarding WSP contained herein may constitute forward-looking statements. Forward-looking statements may include estimates, plans, objectives, expectations, opinions, forecasts, projections, guidance, outlook or other statements that are not statements of fact, including statements regarding the sufficiency of WSP’s liquidity and working capital requirements for the foreseeable future. Forward-looking statements made by the Corporation in this press release are based on a number of assumptions believed by the Corporation to be reasonable as at November 4, 2020, including assumptions about general economic and political conditions; the state of the global economy and the economies of the regions in which the Corporation operates; the state of and access to global and local capital and credit markets; the anticipated impacts of the COVID-19 pandemic on the Corporation’s businesses, operating results, cash flows and/or financial condition, including the effect of measures implemented as a result of the COVID-19 pandemic.

Although WSP believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. These statements are subject to certain risks and uncertainties and may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements, including risks relating to the COVID-19 pandemic. WSP's forward-looking statements are expressly qualified in their entirety by this cautionary statement. The complete version of the cautionary note regarding forward-looking statements risk factors, which, if realized, could cause the Corporation's actual results to differ materially from those expressed or implied in forward-looking statements, are included in the amended Management's Discussion and Analysis for the year ended December 31, 2019 and the Management's Discussion and Analysis for the quarter ended September 26, 2020, which are available on SEDAR at www.sedar.com. The forward-looking statements contained in this press release are made as of the date hereof and WSP does not assume any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise unless expressly required by applicable securities laws.

FOR ADDITIONAL INFORMATION, PLEASE CONTACT:

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