Arcadis N.V. Q1 2021 Trading Update

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Jurgen Pullens: Good morning, everyone, and welcome to this virtual analyst meeting. My name is Jurgen Pullens, Director of Investor Relations, Arcadis. We are here to discuss the company's trading update for the first quarter released this morning. And with us are Peter Oosterveer, CEO, and Virginie Duperat, CFO.

We will start with the presentation by Peter and Virginie, which will be followed by a Q&A. For the analysts attending this call, in case you would like to raise a question, please notify us by using the chat box typing I have a question or simply question. Please do so only after we have opened for the Q&A. I will call out your name, after which you can verbally raise your question to Peter and Virginie. Kindly, keep to a maximum of two questions at a time.

Lastly, we call your attention to the fact that in today's session management may reiterate forward-looking statements, which were made in the press release. We would like to call your attention to the risk related to these statements which are more fully described in the press release and on the company's website.

With these formalities out of the way, Peter, please begin.

Peter Oosterveer: Okay. Thanks, Jurgen. Good morning, everyone. Thanks again for joining us today to discuss our trading update for the first quarter of 2021. I will start by providing you with a summary of our operation results for the first quarter followed by some more insights in the current market developments and also talk about our order intake. And I will then turn it over to Virginie to get into further detail on our results.

When looking at our performance for the first quarter, it is almost hard to imagine that we are already dealing with the pandemic for over a year and still largely working from home, finding new ways of collaborating with colleagues and with clients, while growing our business at the same time. And in that context, and with that as a backdrop, therefore really proud and pleased to report that we started 2021 strong, driven by the dedication of the more than 27,000 fellow Arcadians, who have continued to support our clients during the current pandemic.

Our now institutionalised performance enhancements, such as Make Every Project Count and focus on our key clients, combined with the actions we identified in the early part of last year, have created further margin improvement as well as continued strong order intake in the first quarter. The order intake was driven by large infrastructure investments and a further increased focus by our clients on carbon reduction and climate change mitigation. And I will talk about some of that in more detail a little later.

As you will have seen, the revenue was organically 0.5% higher than Q1 of last year, 0.8% when excluding the Middle East, and back to growth compared to the previous three quarters, which of course were impacted by COVID-19.

Our operating margin improved like-for-like with 2 full percentage points to 9.2%, driven by particularly strong performance in North America and the UK, as well as at the beginning of a recovery in China now that it returns to a degree of normalcy.

Our performance in the first quarter, combined with our strong balance sheet and our 3% growth in backlog, gives me confidence in our ability to create further growth throughout the year, despite the still challenging circumstances. As we discussed during our Capital Markets Day, we see four global megatrends – urbanisation, climate change, digitalisation and societal expectations, across the globe, which impacts societies and also obviously impact our clients, and which, as a result of that, provide many opportunities for Arcadis.

In addition, we see public stimulus and regulation in especially the US and Europe that also favour the variety of solutions we can offer in resilience, in mobility and in places. The EU taxonomy, which is an important enabler to scale up sustainable investments sees energy, transport and construction, but also water supply and remediation activities as sectors that have the biggest opportunity to contribute to greenhouse gas emissions reduction.

And these are obviously the exact areas that many of our clients are in, and where we can advise them on how to best mitigate their impact on the climate and allow them to meet their sustainability goals.

The US stimulus programme focuses, amongst others, on new mobility, clean energy, electric grid modernisation and EV network support. And we already see many EV-related infra opportunities globally and are increasingly advising large automotive clients on the new built or the transformation of their factories to accommodate them in meeting their sustainability ambitions.

In Environment, we see a strong pipeline of opportunities for key clients such as, for example, the US Federal government, which actually also includes opportunities for PFAS remediation.

In Water sector, clients increasingly choose us as their innovation specialist. We use artificial intelligence practices to optimise the enormous water consumption that clients face across many industries. It goes without saying that sustainability has become mainstream, and for us that includes clients, who for instance need[?] new data centres, which in itself is already a market growing at a 10% growth per annum. Pharmaceutical, chemical clients just to name a few.

And finally, in places, we see an almost obvious increase in clients requests obviously accelerated by COVID to optimise and repurpose their office space, as well as optimise their operational and maintenance spend through deeper data analytics.

Looking ahead, we are really well-positioned to maximise our impact, as well as the impact of all of our stakeholders by seizing the opportunities which really play to our strengths, allowing us to apply our global capabilities, our global knowledge and our global expenses, continue to invest in our strategic priorities and delivering the resilience and future-proof solutions that our clients need. And you will actually see a few examples of these future-proof solutions on this slide.

The order intake in the first quarter was €693 million, resulting in a favourable book-to-bill of 1.1, and an improvement on a like-for-like basis compared to Q1 last year. Our further sharpened focus on our key clients continues to generate more work for these key clients. For example, we won projects for a total of $24 million for the US Army Corps of Engineers related to the remediation of several defence sites.

In the UK, we had a really nice 3 million win from Roche to set up laboratories across UK hospitals. And another example, a little closer by, in Germany, we won a project where we offer our digital solutions for groundwater management by making use of modelling and flood simulations. And back in the US, we continue to win work from significant public clients like the

Department of Transportation in Alabama, Louisiana and Georgia, to help reduce congestion and improve mobility for people around major cities in these states.

As we have started to implement our new strategy, maximising impact, we will obviously continue to focus on creating a lower carbon future, mitigating the impacts of climate change and consistently provide digitalised and sustainable solutions to our clients. This is clearly exemplified in the work we have won from both our public and our private sector clients.

Additionally, our recent wins in Infrastructure demonstrate our excellent position in capitalising on the significant investments made in sustainable infrastructure, in particular, in Europe, including UK, but also obviously in North America.

And I will now turn it over to Virginie for further detail on our financial performance.

Virginie Duperat: Thank you, Peter, and good morning, everyone. Let me share with you some further comments on our performance in the first quarter.

First, operating margin and free cash flow improved. In our first quarter, we delivered a net revenue of €632 million, which resulted in a 0.5% organic growth, and excluding Middle East, this organic growth was 0.8%. Foreign exchange resulted in a negative translation impact of 4.5%, notably due to the weakness of the US dollar, taking €30 million of our top line in the first quarter.

Our operating EBITA in the quarter further improved by 21% to €58 million, leading to an operating margin of 9.2% in the quarter. As usual, we annually have cash outflow in the first quarter, but Q1 2021 free cash flow with the negative €39 million showing a significant improvement compared to a negative €84 million end of Q1 2020. This resulted in a net debt position of €107 million to be compared to €424 million a year ago.

To put our quarterly results in perspective, you see that we reversed the negative organic growth trend this quarter. After three quarters of revenue decline, we are back to organic growth despite still challenging circumstances. As mentioned, our operating EBITA in Q1 increased significantly to €58 million or 9.2% creating one of the best first quarters in many years.

Net working capital as a percentage of gross revenues was 15.3% compared to 19.2% in Q1 last year. And days sales outstanding decreased to 78 days compared to 95 days one year ago. And this is clearly the result of the cash programme undertaken launched at the end of Q1 2020. The working capital levels are impacted by a seasonal pattern and generally are at a higher-level end of first quarter.

As you are used from us in trading update, please find a few comments on the revenue developments in the segments. In the Americas, we have seen an organic growth of 3% and an FX impact of minus 10%. In this region, and especially in North America, growth in Infrastructure and Water for public clients compensated for decline in Environment for private sector clients. And in Latin America, organic revenue growth was really strong, driven by infrastructure work in Brazil.

In Europe and in the Middle East, revenue growth was 3%, despite the declining footprint in Middle East. Net revenues in continental Europe were in line with last year. Slight revenue decline in the Netherlands was compensated by growth in infrastructure work, especially in Belgium, Poland and in France.

Net revenues in the UK increased organically due to strong growth in Infrastructure, Water and Environment, compensating for decline in buildings. And finally, revenue in the Middle East, slightly declined, driven by our decision to reduce our footprint in this region.

Moving to Asia-Pacific, revenue decline was minus 4% as China recovery did not fully compensate the decline in other Asian countries continuing to face challenges due to COVID-19. Moreover, Australia shows a decline in revenue as Q1 '20 was exceptionally strong due to the contribution of one significant project. And COVID-19 crisis resulted in a temporary delay in award of projects in 2020.

Net revenues in CallisonRTKL are in line with Q4. However, like-for-like impact of COVID-19 is still highly visible. Organic net revenues declined by 18% affecting mainly retail and commercial sectors, which were severely impacted by COVID-19 and which show small signs of recovery in healthcare sector.

To conclude, return to revenue growth in combination with good order intake and solid backlog position demonstrates that we are on track to deliver solid organic growth for the year.

And with that, let me hand it back to Peter.

Peter Oosterveer: Yeah. Thank you very much, Virginie. And let me now wrap up our presentation reminding you about the strategic targets we set for 2023, which we did present back in November of last year during the launch of our strategy maximising impact. I'll also then provide a brief summary of our Q1 update, before we obviously will go over to questions and answers.

We are maximising our impact in our projects driven by our passion to improve quality of life, making the world we live in a better place for our clients, for the communities in which we work and for all of our people obviously as well. And we will continue to make the right choices to remain a resilient business, focusing on regions, on clients, on projects, which clearly provide us an opportunity to win, while addressing the global societal challenges through sustainable people-centric solutions.

In terms of our financial targets, we simply aim for further improved predictable and profitable growth, satisfying the interests of all our stakeholders, and we feel confident about our ability to deliver on the commitments we made during the recent Capital Markets Day.

In terms of non-financial targets, we want to further advance our course to be the employer of choice through a lower voluntary turnover and higher engagement by creating a diverse inclusive culture in which everyone can be their self. We commit to further lowering our carbon footprint to align with the 1.5 degrees science-based targets and to achieve this as soon as possible, but in any event before 2030.

We furthermore plan to develop a structure which will allow us to, in a more tangible way, define how the work we deliver on projects for our clients contributes to a better and a more sustainable world.

To summarise our performance in the first quarter, I really believe we had a good start of the year, considering the circumstances. Our current performance, in combination with a strong order intake, gives me confidence that we are on track to realise further growth in 2021. The strong underlying industry fundamentals and economic expectations do support this strongly.

A much-improved balance sheet gives us the financial room to further invest in strategic priorities, to grow our business and to maximise value for all our stakeholders.

And with that, I'd like to hand it over to Jurgen, who will, after some short instructions, open it up for Q&A. And obviously, we're happy to take any questions you might have. Over to you, Jurgen.

Questions and Answers

Jurgen Pullens: Thank you, Peter. And hereby, we would like to open our Q&A. In case you have a question, please let us know using the chat box, and I see already some questions, by typing "I have a question". Subsequently, I will call out your name and you can verbally address your questions to Peter and Virginie. Keep your questions to a maximum to two at a time. I see a first question for Luuk. Luuk, go ahead.

Luuk van Beek (Degroof Petercam): Yes. Good morning. Thank you for taking my question. First, a question on the profitability. You had the best margin I think a very – quite a long time in Q1. Is this all sustainable, or are there any cost fluctuations or temporary factors that also drove the margin in this quarter that we should take into account when forecasting the rest of the year?

And my second question is on CallisonRTKL, at the Q4 results you said that you have some spare capacity left because you expected a pickup. Now you report some hopeful signs in Healthcare. But can you indicate if you still have the same expectation for the pickup going forward, and are still comfortable with the spare capacity that you are keeping?

Peter Oosterveer: I'll probably start, Luuk, with taking your first question or at least part of it, and then I'll hand it over to Virginie to add any colour on the first one and also to speak about CallisonRTKL in detail.

The improved profitability is obviously already on a trend, which has started some time ago, and is being created by the institutionalised performance enhancements I spoke about. And we have spoken about those almost for as long as I've been here now, which is four years. And that includes, of course, our focus on much better project executions through Make Every Project Count, a deeper use of the Global Excellence Centres, as well as focusing on smaller set of key clients.

And all these things have helped to improve our performance. They probably have the biggest contribution, biggest share of the improvement. And obviously in 2020, as we became aware of the pandemic, we added a set of actions. But I would say that the underlying institutionalised performance enhancements have contributed, laid a foundation and will continue to contribute to work to further margin improvement.

Virginie, please go ahead on that and maybe also take Luuk's question on CallisonRTKL.

Virginie Duperat: Thank you, Peter. Yes, I think quite true for sure, we are not back to a pattern where we travel a lot. So we have some savings on that front. But I won't say that it becomes anecdotical but this is not what creates the performance. The performance really comes for our capability of executing our projects well.

Then moving to CallisonRTKL. CallisonRTKL is finally delivering, in this quarter, a revenue which is again in decline, but the level of margin which is in line with full year 2020 and Q1 2020 if you restate from the impact of the provision that we've been taking at year-end.

So yes, we see some signs in Healthcare, but this is not strong enough to impact our P&L and to change really the pattern of what it is. As we said before, we think that there is a future for this business. We expect that this business to start by picking up again. And we've not been entering in massive restructuring movements. So that's also maintain, let's say, quite low or relatively low margin for the quarters to come before we see this pick up really happening on the market.

But at the moment that's delivered something that, as I said, end of 2020, which is in line with rough 7%, which is not fantastic but it's not a drama either based on what they faced in terms of a pick-up of volume of execution.

Luuk van Beek: Okay. Thank you.

Jurgen Pullens: And I see Henk. Henk, go ahead.

Henk Veerman (Kempen): Hi. Good morning, Peter, Virginie. Also two questions from my side. Firstly on the Buildings end markets, where you indicate that there is still a decline. I think you mentioned it for the UK. When you look at your backlog today, which obviously has also grown year-to-date, do you see a tangible signs for your recovery in the buildings, the more shift for buildings and markets? So that's my first question.

And my second question is the focus on the key accounts. Can you may be split your Group organic growth and your Group order book growth? What was that number for the key accounts? Thank you.

Peter Oosterveer: Okay. I'll do the same as we did with Luuk's question, Henk. Just provide a bit of a colour on your first question. And probably use the improvements we are seeing in China as – I think the beginning of a trend, so the moment that we do see societies, communities going back to a degree of normalcy, then work is picking up. And we noted in our prepared remarks that the improvement in China is visible.

Last year, Q1, China, of course, was the first region in Arcadis to be hit by Corona. It is clearly also the first region to come out of the pandemic because of the fact that it's largely under control. And that results in business picking back up. And as you will know, most of our business in China, the Arcadis business that is, is related to Buildings.

In addition, what we do see, and we are no exception ourselves, is that clients are, of course, thinking about what is the buildings use of the future; how are we going to use buildings, how frequently will we use buildings, what purpose do we use them for. And this is an area in which we are advising our clients quite extensively, particularly those clients who happen to have a lot of real estate across the globe.

So the buildings business in the future, or at least in the immediate future, I would say, is going to show a different profile. We will continue to see new built places where you would expect new built. That of course includes particularly for us, China, at least for now. And then also quite a bit of focus on repurposing buildings for a different usage going forward.

So Virginie, feel free to add to this one as well as to any colour you can provide on the key accounts.

Virginie Duperat: Okay. Thank you, Peter. I think that it's probably worth mentioning that in terms of backlog growth – you see the backlog growing everywhere and probably more growing in infrastructure and mobility than anywhere else, but there is still a growth in building, even if it is let's say moderate compared to the growth in infra or the growth in modern environments. That's likely, but hence, we can see opportunities, nice projects to bid on and backlog to execute in the quarters. The base is not at all the same and we have a focus on execution at the moment, which is coming from the elements we have in backlog in environment and [inaudible].

In terms of key accounts, I think that there is no specific pattern because we've been getting some big contracts with those over the quarter. And okay, we didn't see anything quite specific in terms of difference to highlight compared to the previous quarters I would say.

Jurgen Pullens: Okay. Good. I see that Hans Pluijgers has a next question. Hans, please go ahead.

Hans Pluijgers (Kepler Cheuvreux): Yes. Morning all. First of all on the revenue trends and the order book. Again, they would more, let's say, detailed like private and public. Of course in the past you obviously indicate that there's also weakness in private, but it is still doing quite well. Could you give maybe some flavour? Do you just see a stabilisation in the private market or do you still – is it weakening? Could you give us maybe some flavour on see why those two segments compared to previous quarters? Is there some changes visible?

And secondly on the working capital and the cash flow. If you could maybe some feeling on the trends in inbuilt receivables and in payments. Is there, let's say, any material impact to change compared to what we've seen in previous quarters?

Peter Oosterveer: Virginie, please go ahead.

Virginie Duperat: Okay. Thank you, Peter. Maybe starting with cash flow. Net working capital at the moment is showing an increase, but I would say there is a bit of this which is due to mechanical impact on the fact that we are closing a little bit earlier.

We usually release our financial statements one week later and for sure there has been some anticipation of closing in some entities and the exact amount of invoicing they can in the last one or two week has probably not been quite reflected in the figures we show.

So the pattern of Q1, in my view, is not worrying at all.

As you've been seeing, we've been able to get to a negative cash flow, which is our pattern in Q1, this corresponds to the fact that people have been diligent in collecting cash.

Again, getting back to before 2020 end of Q4, we've had received a bunch of cash that was quite significant and was supposed to be received in Jan and Feb. And this cash is quite definitely missing in Q1 as we don't have the same pattern end of Q1 to affect Q2.

Hans Pluijgers: And impact from payables, changes?

Virginie Duperat: The payables probably don't include the payments that relate to the one to two last weeks of the month.

Hans Pluijgers: Okay. Thanks.

Jurgen Pullens: Next question for Martijn den Drijver. Martijn, please go ahead.

Virginie Duperat: Sorry, I think I didn't answer the second question, Jurgen, if I may.

Jurgen Pullens: Sorry, go ahead.

Virginie Duperat: I don't want to leave that open. Yes, we were discussing private and public clients. And that's clearly something, yes, we probably have a pattern in terms of order intake, which is going to public clients as you can expect at the moment. Does it really mean that private clients are inactive? I'm not sure I would say so. I think that probably also the volume of stimulus and of projects that are on the market and that we can tender on which is quite important on the public side.

Jurgen Pullens: Martijn, I see you have a question as well. Martijn?

Martijn den Drijver (ABN AMRO): Yes. Good morning, Peter. Good morning, Virginie. Can you hear me?

Jurgen Pullens: Yes, we can hear you, Martijn.

Martijn den Drijver: Great. I'll repeat my good morning to all of you. My first question relates to European operations. If you can provide a bit of colour on the Dutch operations, the negative development there. How do you see developments throughout the quarter going into the second quarter? And the same for France, where you did see some positive developments? A bit more colour on both countries would be appreciated.

And the second question is on attrition levels and recruitments. How did attrition develop from Q4 into Q1 and then moving into Q2? And how – what are you seeing in terms of your efforts in recruitment? Is it getting more difficult? Is it actually becoming easier? Just a bit more colour on those two fronts. And if possible, I have a third question, but I'll leave that up to Jurgen to decide if I can.

Peter Oosterveer: Yeah. We'll take these first, Martijn. I'll start with the second one and then Virginie can provide colour on the first one. So attrition throughout the whole of 2020, of course, develops extremely favourable to a level we have seen in a long time. And actually where we write or at least close enough to the ambition level we had, you will recall from the past and particularly after I joined [inaudible] attrition needed to be much lower. It was in the 15% range at that time and we wanted it to be single-digit.

And we are seeing still single-digit attrition. And in fact I looked at it early this morning in preparation for the call, in most regions, in Q1, we've actually seen it further come down, so further decline. So for Arcadis as a whole, it's still roughly at the same level also around the 9%, which is where it's set in Q4.

With business picking up, it is going to likely be somewhat more challenging going forward to continue to hire people, and particularly in businesses which are already quite sizable and have quite a bit of promise for future growth and that includes particularly the UK and North America. There is an expectation that it will become a bit more challenging going forward. But I will remind you that one of the biggest levers we have available internally to potentially stem any attrition you'd have is to push more work into our global excellence centres. That is probably the most meaningful availability or lever we have available. And particularly in North America, we still have that opportunity plentiful available to us. So not pressure on costs per se or not any meaningful pleasure, but as business continues to develop favourably, which is our expectation, you will see – because we're not on the only one seeing available outlook, you will see a bit more pressure on attrition. But it's still at a level pretty closer ambition around the 9%.

Martijn den Drijver: Okay.

Virginie Duperat: And maybe coming back to your question, Martijn, around, let's say, the pattern in Europe and the difference between the various countries, I think that we can first probably drive a general pattern across Europe, that would be to say that there is less leave taken in Q1 2021 than usual. For example; people couldn't go skiing this year. And so February breaks that you have all across Europe have been disappearing.

On top of that, in some of the countries, and that's for example in the UK, there is a huge backlog to execute on project really impacting the growth of the activity. And you see mobilisation increasing on those projects and then the execution ramping up, which gives certain volume to execute.

Turning to the Netherlands, good performance I would say in Environment and in Buildings. And probably a weaker performance in the Infra side, where we have difficulty to start executing some projects we have in backlog as our client are pushing out some of the work.

For the moment, we were more or less waiting for it to happen. We know that we have the capabilities of reorienting our team as we are now completely able to work remotely and to support teams of other countries to execute strong infra backlogs that we have, for example, in the UK, in France or in other countries and use these experts on our other project we have. And that's probably also is a kind of answer to also your question of potential pressure on the market of hiring and such, because as we – our capability of our [inaudible], our capability of working more transversally and helping support each other on an international mark.

Martijn den Drijver: Okay. Thank you.

Jurgen Pullens: I see Maarten Verbeek. You have a question as well. Maarten? Also here we see – Maarten, we can't hear you. Otherwise, please if you have a question, Quirijn and Maarten, please write it in the chat and then we can – I can take your question as well.

Peter Oosterveer: Let's try. Hans has a follow-up question as well.

Hans Pluijgers: Two from me more detailed question. First of all on Australia. You pointed out that there you see some delay in order rewarding. How do you see it going forward? Do you – based on that expect, let's say, return to growth in the coming quarter already or could you give maybe some flavour on that?

And secondly, it's already bit discussed on the GICs, but could you give maybe some feeling what the growth was in that part of the business, so the GICs, what sales growth was coming from that part?

Peter Oosterveer: Yeah. I'll provide some perspective on both, and then again Virginie can add. Australia, as we noted, was an issue and affected already – I think we already noted that in Q3 and with our Q4 report that – and it seems now that it's way behind us, but Australia also dealt with COVID of course and that made the government redirect their attention to other things than awarding large programmes, which is the business we're in to a large extent in

Australia. So we already set out last year that we are starting to see or started to see that awards would slip into the new year into 2021. And that trend has continued.

So it is not like the business all of a sudden shows a very different profile with much less opportunities. It's simply timing. And timing on large programmes, and unlike small projects, which don't necessarily are impacted that much by significant delays, large programmes which we are, to a large extent, involved in in Australia tend to slip quite easily because they're big programmes requiring big decisions. So it is simply the move of awards from 2020 into 2021 is actually continued in '20 – in the first quarter. So it's nothing we are overly worried about. It is not because a lot of opportunities fell by the way side or have been eliminated. This is just a timing issue and no more than that.

And then on GECs, we noted at the end of last year that we had, in spite of the pandemic, met our goal of increasing the GEC hours over 2020 in all regions. And that was also in the wake of the pandemic and that was not a small achievement. We are quite proud that we were able to do it. And for 2021, of course, we have further increased the goals and it is actually positive to see that one of the regions we've noted before is the region with probably a significant opportunity to further use the GEC switches[?] North America that they have actually, for the first quarter, slightly exceeded the plan for the usage of GEC. So we are definitely still there on the same trajectory of using GECs more. It is now I think just over 11% of total. So we're heading in the direction we wanted to go into.

Hans Pluijgers: I understand last year it was about 10-15% growth GEC. Ours is –

Peter Oosterveer: That was what we set for 2020 indeed. Yeah, 2020 we wanted to do 15% more hours into GEC billable hours and we achieved that in 2020.

Hans Pluijgers: So that's the same trend you're currently seeing or –

Peter Oosterveer: Yeah. We – that is the trend we will continue to follow.

Hans Pluijgers: Okay. Thanks.

Jurgen Pullens: I see a question in the chat from Quirijn Mulder. I think the first question around the situation in Australia is already answered by Peter. But the second one is about, can you update us on the situation with regards to the non-financial targets, excluding attrition? Peter?

Peter Oosterveer: Yeah. I think the other non-financial targets are the targets, I did mention, or at least to an extent mentioned in my prepared remarks, Quirijn, that of course includes reducing our carbon footprint and committing to the no more than 1.5 degrees centigrade science-based targets by 2030 or earlier. That is something we will definitely achieve. The other one is on diversity and inclusion to get 40% females in our workforce by 2023. I am convinced we will achieve that as well. And then we have signalled already with the Capital Markets Day that particularly on sustainability and on diversity and inclusion that throughout the three-year cycle, we will introduce additional targets to further focus in those two areas. So we are on track with the targets we established, what we said six months ago, but we will continue to add new targets, particularly on sustainability and on diversity and inclusion as we progress through the current strategy cycle.

Jurgen Pullens: Thanks, Peter. First, I want to give the floor to Maarten, and then after Maarten, I go to Henk. Maarten, please go ahead.

Maarten Verbeek (the IDEA!): Yes. I think there was already a question on incidentals in the quarter, which obviously the answer was no. I understand. However, in Q4, there was an element in the cash flow, which was positive, bringing on balance the insurance captive. Did that have a role in the first quarter as well relative to Q1 2020? I can already see Jurgen nodding no, but would be interesting to hear little bit more about that.

And with regards to the repayments of the deferred taxes and VAT, was any of that repaid in the first quarter? That – those who were my questions?

Virginie Duperat: Okay. So thank you, Maarten. I think that captive will have had an impact on either quarter where we consolidated for the first time. Then you have the movement that appears in the cash flow statement. And this is more or less where you have to say where it is. Then if we had a strong movement would mean that one way or the other we would have send very big use of claim facility or not, which generally does not happen because you always need to balance the cash that you spend. And now it will be purely in the company movement.

So the captive should not create anything in the future. Until the moment, we might could decide to close it, for example, and then get it out again and then you would see elements coming from that. But I would analyse that as a pure, let's say, technical effect of the first consolidation impact.

And then I think your second question was about deferrals of payment and I think that this quarter over 37 million euros we had to reimburse. It's probably something around eight million euros that has been reimbursed in the first quarter. And so our cash flow for sure is affected by this small movement.

Jurgen Pullens: Thank you, Virginie.

Maarten Verbeek: Did you say EUR 8 million?

Virginie Duperat: Yeah.

Maarten Verbeek: Great. Thank you.

Jurgen Pullens: Okay. Then I go over to – we go to Henk and then after that we have an answer – question from Quirijn. Henk, go ahead, please.

Henk Veerman: Yes, thank you, Jurgen. One follow-up from my side. On the larger infrastructure wins, which you mentioned in your press release or embedded in the order book, how will this phase throughout the remainder of 2021? Thanks.

Peter Oosterveer: Virginie, you want to take that one?

Virginie Duperat: I'm sorry, I didn't hear it well. Can you repeat it for me, please?

Henk Veerman: Yeah, sure. So you indicated in your press release larger infrastructure wins. I think they also relate to – maybe some of them are also related to obviously the recent stimulus and the plans in the US and in Europe. Can you indicate how will phase these projects in order – but how will they phase throughout the remainder of 2021?

Virginie Duperat: Yes. Thank you, Henk. In the US for the moment, I think we perceive the movement. There are projects that come on the table. But I would say it's far too early to say and predict more or less any strong pickup or strong change. So that always takes quite some time. And I think this is probably what will happen to this stimulus in the US.

Question is really about materialisation of all those contracts. We think that it is a good opportunity and at least that we hear about it and we are on the track to position ourselves and take our fair share. But I have no crystal ball and it would be quite exaggerated to give the anticipation as of now of what it could do in terms of impacting our ’21 order intake.

In Europe, there are already a few programmes because there is also a kind of potential qualification of existing programmes that were either launched or on the verge of being launched to get in the Green Deal or in launching programmes. So that’s quite different and some of the projects that either had been awarded or just to be awarded and under discussion seems that they can be qualified. From time to time and that can result in changing the proposal a little bit to cope with different requirements or arguments. So that can be also a positive in terms of future volume of work even if it delays a little bit. From time to time is just the existing programme which is stemmed as is and it’s probably part of what we see as momentum in the infra in Europe which answers to that question.

Peter Oosterveer: Yeah. I think if I could maybe add a little bit of additional colour. The reference you made is the reference to the press release where we did indeed speak about those infrastructure projects which we had been able to win. And that includes, as Virginie just mentioned, HS2, which is a project we mentioned in the past and of course a significant project for Arcadis but a significant project for the UK as a whole as well. And that project has a lifespan which is well beyond what we typically see on our projects because this is a multi-year programme for which we expect to be involved for many more years going forward.

And the other one which qualifies and that referenced in the press release was the work we – or actually I mentioned for the Department of Transformation in Georgia, in Alabama, and in Louisiana, which is to help our clients reduce the congestion around the larger cities. That is probably a bit more of the typical project worker with a duration which is more difficult for Arcadis, but we do like the programmes like HS2 because it is almost like an annuity, whereby for many years you will get and stay engaged in a very large programme, which will run for at least another, I don’t know, seven or eight years.

Jurgen Pullens: Thanks, Peter. I see also a question from Quirijn. In terms of cost savings, the 30% lower costs, are they on plan? That’s the question. Peter or Virginie?

Peter Oosterveer: Yeah, I probably have to ask – I don't know whether Quirijn is able to speak other than typing. But I’m not sure where that 30% came from, Quirijn? Can you clarify where that 30% came from?

Jurgen Pullens: It’s the office footprint that you mentioned in the Capital Markets Day.

Peter Oosterveer: Office footprint, okay.

Virginie Duperat: Yes.

Peter Oosterveer: Okay. If it's only about office footprint, so that is – thanks for clarifying, Jurgen – then, of course, that is an issue whereby you deal with most cases the leases which span over multiple years. So we have committed to, over the next three years, reduce our footprint with 30%. And that is on track. But I can’t give you a specific number at this point in time, but we are still committed to reduce our footprint with 30% over the time span of our current strategy, so three years.

Virginie Duperat: Maybe it's worth mentioning that to deliver that, we have a plan. We know exactly what will be the bunch of savings that will come year-after-year. As Jurgen embedded in sort of those plans, and as Peter rightly said, a lot of that has been around leases. And there is a huge part which is backend loaded, but yet we exactly know what and how it will come. And small trench will start impacting 2021 for sure.

Peter Oosterveer: Thank you.

Jurgen Pullens: Thanks, Quirijn. We see that you typed in your questions and hopefully we did answer your questions. So thanks for the clarification.

Peter Oosterveer: Maarten. I think there's probably one for Maarten, yeah.

Jurgen Pullens: Yeah, Maarten. I see that you are on mute. Not on mute any more but we can't hear you. Can you maybe type in the question, Maarten? Probably maybe someone else. Martijn, you have another question? No? Okay. Are there any more questions? No? Then I'd like to hand it over to Peter for some closing remarks. Peter?

Peter Oosterveer: Yeah. Thank you, Jurgen. And Maarten, we will get to you separately because there seem to be a technical glitch not allowing you to actually speak or even type in. So I'll get back to you separately. So first of all, I want to thank you for joining us today for our Q1 trading update. We've talked about the pandemic a lot over the last, what is it, 13, 14 months now or so. And we also concluded before that we were – and no one was really very well prepared to handle the pandemic.

That being said, and as I mentioned in response to some of your questions, the improvements we identified over the four years since I joined have really paid dividends for us and particularly throughout the pandemic. Without these improvements, I would have probably been sitting here in a different mindset with a different mood. So clearly, the performance improvements that includes Make Every Project Count, focus on our key clients, the extensive use of global excellence centres have helped us a lot in weathering the storm and the additional things we did at the beginning of last year as we became aware of the pandemic have also provided further tailwinds.

So I sit here being really proud of what we have done, again, in the first quarter. Pleased with the performance. And I also sit here with confidence when I look forward and see what the developments in the world are and the fact that as I mentioned in my prepared comments, sustainability is now absolutely main stream and we see client after client now asking for capabilities needed to help them address their sustainability challenges.

So I sit here as someone who is pleased and happy with the performance we have delivered in Q1 with the foundation we created over the last four years, but even more with confidence about the future looking at what the world needs and how well Arcadis is positioned to address the needs of our clients and of the world at large.

So with that, I want to thank you again for joining. I also wish you to stay safe and healthy. Thanks, everyone, and we'll see you again in the next quarter. [END OF TRANSCRIPT]