

# Arcadis acquires IBI Group

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**Operator:** Hello, and welcome to the Arcadis Conference Call on the occasion of the announced acquisition of the IBI Group. My name is Courtney, and I'll be your coordinator for today's event. Please note that this call is being recorded, and for the duration, your lines will be on listen-only. However, you will have the opportunity to ask questions at the end. And this can be done by pressing star one on your telephone keypad to register your question. If you require assistance at any time, please press star zero and you will be connected to an operator. And I will now hand you over to your host, Christine Disch, to begin today's conference. Thank you.

**Christine Disch:** Thank you, Courtney. Good afternoon and good morning, everyone, and welcome to this conference call. My name is Christine Disch, and I am the Investor Relations Director of Arcadis.

We are here to discuss Arcadis acquisition of the IBI Group as announced this morning. With us on the call are Peter Oosterveer, our CEO; and Virginie Duperat, our CFO. We will start with the presentation by Peter and Virginie, which will be followed by Q&A. You all received the presentation this morning, but this is also available on the Investor section of the Arcadis website. A transcript of this conference call will be made available on our website within the next 24 hours.

I would like to call your attention to the fact that in today's session, management may reiterate forward-looking statements which were made in the press release. Please note any of the risks related to these statements, which are more fully described in the release and on the company's website.

And with these formalities out of the way, Peter, over to you.

**Peter Oosterveer:** Thank you, Christine. And also on my behalf, good morning, good afternoon, and thanks for joining us on a pretty short notice for this call. We are obviously very pleased to announce that today we have entered into an agreement with IBI Group, a Canadian headquartered technology-driven design company to acquire all their outstanding and issued shares.

I know that you'll be following the presentation through your own slides. So I'll make reference to the slide number to allow you to keep track of where I am.

Turning to slide number four now. The acquisition of IBI marks a significant milestone in the implementation of Arcadis maximising impact strategy. And that is for three reasons.

First, this is truly a transformational step in the development of new digital solutions, which will result in the creation of a fourth Arcadis global business area that we have decided to call Intelligence. Combining IBI's group existing Intelligence platform with Arcadis Gen and with our other digital initiatives.

Secondly, there is both a strong geographic as well as a business complementarity between our two companies, creating opportunities to enhance our service offerings, do more cross-sell and leverage Arcadis' global footprint and client base, while at the same time adding significant scale in North America and a strong position into the attractive Canadian market.

And finally, this combination creates the global leader for planning, designing, and building the resilient cities of tomorrow, building on some of the key megatrends offering a strong springboard for continued growth.

Please proceed to slide number five. And allow me to first go through some of the main highlights of the contemplated transaction.

Let me, first of all, highlight that the acquisition of IBI Group is both unanimously approved by their Board of Directors as well as Arcadis Supervisory Board. The transaction is also fully supported by IBI's largest shareholder, the IBI Group General Management Partnership, who have entered into an undertaking to vote in favour of the transaction. And this partnership is able to vote approximately 33% of the IBI Group shares in the – to be scheduled general meeting.

This is an attractive offer for IBI's Group shareholders as the offer price of C\$19.5 in cash per IBI Group share represents a 30% premium to the last trading day on July 15 and a 30% premium as well to IBI's 52-week high. This does then, in turn, represent an aggregate cash consideration of approximately C\$873 million or €664 million, equivalent to a transaction multiple of 9.6 times IBI Group's consensus 2022 EBITA post run rate cost synergies of about C\$15 million per annum.

Furthermore, we expect substantial revenue synergies given highly complementary business models with material cross-selling opportunity across the combined client base.

For our shareholders, this acquisition creates significant value as IBI Group has a strong financial record, with a track record of best-in-class revenue growth of 8.6% CAGR, over the period 2019-2021, significant cost and revenue synergy potential. And as such, we expect the transition – the transaction to be margin-accretive from day one.

If you could now please turn to slide six. After this introduction of the transaction, let me now dive a bit further into the strategic rationale of this acquisition. IBI Group is a superb business with a rich history, a highly talented team of more than 3,500 employees and a strong cultural fit for Arcadis. It is a technology-driven design firm founded in 1974. It annually executes more than 7,000 projects across three core areas of expertise, mostly in Canada and in the US.

However, what IBI is most recognised for by its clients is its leadership in creating advanced urban environments and smart cities, by combining its three areas of expertise: intelligent systems, sustainable buildings, and efficient infrastructure.

If you now turn to slide seven, please. IBI's leadership and success in creating advanced urban environments is reflected in its strong financial track record. Revenue has grown almost 9% CAGR between 2019-2021, generating C\$444 million of revenue in the last financial year. This outstanding growth is continuing and has created a backlog of C\$661 million at the end of Q1 of this year.

As you can see, IBI's Group's revenues are split between Intelligence, Infrastructure and Buildings, and over 63% of the revenues are from the attractive Canadian markets, another 26% from the US, and the last 11% from the UK and other international markets.

If you turn to slide eight, please. IBI does have a strong track record and a rich portfolio of more than 7,000 projects with a large number of landmark projects supporting and building

advanced urban environments and smart cities across their three business lines. And on this slide, you see a couple of examples.

In Intelligence on the left, IBI Group has worked with Transport for London since 2012, delivering solutions, support and analysis of road and public transport data to optimise the way people travel. They provide, for example, data to travellers generated by automated tools on crowding and congestion, improving the network's users experience.

In Buildings in the middle, The Curv is a landmark project in that it will be the first of its kind and one of the most energy-efficient towers built to-date. IBI was commissioned to provide architecture, landscape design and passive house services for The Curv, a 60-story residential tower in Vancouver. The 501-unit tower is intended to forge a positive environmental and social impact on the surrounding community and will dedicate a quarter of its new units to social housing.

And finally, in Infrastructure on the right, IBI's Groups work on Calgary's green line corridor, is a real good example of its design and delivery expertise in transit. Upon completion, the green line will introduce 42 kilometres of transit service, 28 transit stations and six transit villages, significantly altering the way Calgarians live, work and play.

Please turn to slide nine. There's a strong cultural fit between us at Arcadis and between IBI. And this paves the way for a smooth integration. We are both people businesses and have common values in how we operate in the services we offer to our clients and in embedding sustainability in all we do. And finally, in making a positive contribution to the communities in which we operate.

IBI has an impressive collaborative and entrepreneurial culture. And at Arcadis, our people-first commitment means our 29,000 intelligent and passionate people are always a key differentiator for our clients. And it is this combined expertise that makes this such a strong and exciting combination. Our people will work together to bring technology and innovative solutions to the heart of our client experiences.

I will be traveling to Canada this week to warmly welcome IBI's Group's global team of 3,500 architects, engineers, planners, and technology experts to Arcadis. And I'm really excited to expand our Arcadis family and by the opportunity for our people to learn and grow. We want to get the best out of both companies and to foster a collaborative and entrepreneurial spirit.

Turning to slide 10, please. The acquisition of IBI is fully aligned with Arcadis maximising impact business strategy, which we launched in late 2021. This is most definitely a transformational step in the development of new digitally enabled client solutions through the creation of a fourth Arcadis global business area, Intelligence, combining IBI Group's Intelligence platform with Arcadis Gen and all our digital client solutions.

IBI is highly complementary to Arcadis' own GBAs in North America, where Arcadis has a large presence in resilience and smaller footprints in Mobility and Places. Arcadis will also, as a result, get a strengthened position in the highly attractive Canadian market. And this combination creates the global leader for urban planning, designing, and building the resilient cities of tomorrow, accelerating the repositioning of CallisonRTKL's architecture business as a synergetic business to the entire global places business in Arcadis. The combination of Arcadis and IBI will deliver material revenue and cost synergies.

Turning to slide 11, please. The combination of Arcadis Gen and IBI's Intelligence portfolio will provide our clients with an holistic suite of digitally enabled client solutions, drive efficiency and productivity and be a platform for innovation and creating positive disruption with technology. To recognize the full potential of a larger and more comprehensive digital platform, a fourth GBA called Intelligence will be established.

And the Intelligence GBA will support Arcadis' existing GBAs with technology-driven client solutions for Resilience, Places and Mobility. And it will deliver a wide range of services from tech-driven consulting such as software and systems design and integration, Software-as-a-Service or Software-as-a-Product.

As an example, IBI's Travel-IQ is an advanced traveller information system designed by them in-house that provides real-time multimodal trip planning to the public, which is highly complementary to our own Mobility solutions.

Turning to slide 12, please. This new structure of our four GBAs will allow our combined client base to benefit from both Arcadis and IBI's ground-breaking expertise. In Resilience, the combination of our climate change expertise, energy transition, water optimisation, will be complemented by IBI's expertise in wastewater engineering, land engineering and environmental services.

In Places, Arcadis' design and engineering capabilities and project management expertise will be enhanced by IBI's expertise in urban planning, smart cities, placemaking and structural and electrical engineering and will integrate our architectural capabilities.

And in Mobility, our experience in building intelligent rail and transit, connected highways and resilient ports will now benefit from IBI's experience in transport planning, engineering, and management.

And finally, in our newly created GBA Intelligence, we will combine our respective portfolios to deliver a wide range of solutions from Software-as-a-Service, Software-as-a-product to software and systems design and systems integration.

By acquiring IBI, we will add material scale in North America and the contribution of revenues from this region will therefore increase to 43% of our revenue rebalancing North America continent – contribution versus Europe.

Turning to slide 13. Next, IBI Group brings a compelling position on the highly attractive Canadian market. A number of significant trends, some of which are global, are supporting the strong future top line growth and are well suited to the services that Arcadis and IBI deliver.

First, in urbanisation. Nearly three out of four Canadians live in one of the large urban centres. Secondly, immigration. The population has been growing by almost two million over the last five years and around 80% of the population growth in Canada comes from abroad. Thirdly, sustained infrastructure investments. The Canadian government has invested over C\$122 billion in infrastructure since 2016.

And finally, as you will know, natural resources, as Canada has a wealth of natural resources, which, however, need to be developed more sustainably. And as a result of these trends, Canada is one of the fastest growing G7 countries with 3% projected real GDP growth between 2022 and 2024.

Turning to slide 14, please. The acquisition of IBI enables us to expand our Places business and offer a broader set of capabilities and services to a larger customer base. IBI brings significant experience in long-term development master planning and land engineering, urban planning and building smart cities, complemented by using technology to drive smart and sustainable buildings.

The buildings they design are across a number of sectors, including mixed-use and residential developments, education, healthcare, and transportation, meaning they bring to Arcadis a significant wealth of different and complementary skill sets. This, combined with our strong city executives focus, will enable us to leverage those capabilities across our global client base.

And with that, I'd like to now hand over to Virginia.

**Virginia Duperat-Vergne:** Thank you, Peter, and good morning, and good afternoon, everyone.

Turning to slide 15. The complementary nature of Arcadis and IBI service offering and the sharing of best practice, as our talents come together, means, for sure, substantial revenue synergies can be realised.

And first, if we think about increased global scale and service offering. Leveraging our global footprint and client base with an enhanced service offering and broader technology portfolio will drive growth and unlock new revenue opportunities. Also, this will improve our win rate with existing clients and enable us to gain more share of wallet as we can support our clients in North America.

In terms of cross-selling opportunities across client base, as an example, with our existing Places clients such as universities, councils, or automotive clients, who will be able to better serve on the entire life cycle of the Arcadis[?]. IBI Group brings leading master planning and urban design skills, allowing us to enter into a relationship with the clients at an early stage of design and engineering process, often ensuring long-term relationships. But IBI Group also allows us to access new markets. Geographically, this acquisition allows us to become leading in the highly attractive and growing Canadian market.

From a services and solutions perspective, the acquisition of IBI opens up mainly new complementary markets within our existing GBA such as wastewater engineering in our Resilience GBA, planning and smart cities in Places, integrated transport planning and management in Mobility. The combined portfolio of services also means that activities that were previously marked as subcontracting revenues under IBI Group can now be internalised as we cover a broader set of skills and experience.

Our fourth GBA Intelligence, will combine IBI Group's Intelligence business segment with all our digital initiatives and with Arcadis Gen, creating a greater selection of digital solutions for clients across all our GBA and enabling them to achieve their digital ambitions. The high standards at IBI Group in terms of operational digital efficiency with high levels of automation and standardisation will allow us to increasingly focus on adding value to the client and therefore, drive revenues. At the same time, we expect to realise approximately C\$15 million of annualised cost synergies resulting from various buckets.

First of all, one source of cost application will be in workplaces. We were already in the process of reviewing our office footprint as per our strategy, and this exercise will be expanded. We

will be reviewing and optimising Arcadis and IBI Group office footprint, where we can, considering lease contracts in place, which will result in reduced workplace costs.

Secondly, cost synergies will come from avoiding duplicative overhead, managerial and indirect cost functions, as we combine together IBI's building business with CallisonRTKL and IBI Intelligence with Arcadis Gen, for example. Indirect cost savings will be driven by higher level of standardisation and automation within the organisation, while increased scale will allow us to reduce the costs of overhead support to the business. But we can have also some other synergies, such as the elimination of listing costs and other [inaudible].

And lastly, we also foresee operational cost savings from buckets such as IT. Subscription for engineering software licenses can be probably taken out on that. We are working on a detailed plan to achieve the targeted synergies and realistically believe that this can be fully achievable within two years after the closing date.

Turning now to slide 16. The all-cash acquisition of IBI Group for C\$19.5 per share is at a 30% premium to IBI's share price on the last trading day. And this equates to an aggregate consideration of C\$873 million, which means €664 million, and represents 11.5 times IBI Group's estimated 2022 EBITDA or 9.6 times cost plus synergies. We are acquiring a business with a strong and attractive financial profile, thereby creating significant value creation for our shareholders.

IBI has a track record of best-in-class revenue growth with a '19-'21 CAGR of 8.6% and is expected to be immediately accretive to Arcadis' 2022 adjusted earnings per share and operating profit margin. Annual cost synergies of C\$15 million per annum, representing approximately 3.5% of IBI 2021 revenues are expected to be fully realised within two years after the closing date and more substantial revenue synergies expected given highly complementary business models with material cross-selling opportunity across the combined client base.

The transaction will be financed with debt and is expected to result in a pro forma net debt to adjusted EBITDA ratio upon closing within Arcadis stated[?] leverage range of 1.5 to 2.5 times.

Turning now to slide 17. The acquisition, which is expected to be completed through a plan of arrangement is subject to certain customary closing conditions, including IBI Group shareholder approval by no less than 60.67% of the votes cast in an extraordinary general meeting. And secondly, applicable regulatory conditions, including customary court approvals.

IBI Group's largest shareholders, IBI Group Management Partnership and its affiliated partnerships, together representing 33% of the votes in the extraordinary general meeting has entered into an undertaking to support and vote in favour of the transaction. And the acquisition is expected to be completed in the second half of 2022.

And with this, let me hand you back to Peter.

**Peter Oosterveer:** Thanks very much, Virginie. Turning to the very last slide, slide 18. In summary, I hope you're not surprised to hear that we're very excited about the combination of Arcadis and IBI and the future opportunity this creates for our clients, for our people and for our communities.

Arcadis and IBI Group are two highly complementary businesses with significant opportunity to accelerate our combined growth together. We have an opportunity to expand our scale in North

America and enhance our capabilities in areas we determined as key focus areas being Digital and Places. The deal is at attractive financial terms, supported by strong synergy potential. We obviously welcome the world-class talent at IBI Group and are convinced that our shared values, our employee focus, and commitments to ESG will improve the quality of life in the communities we touch.

And with that, I'd like to hand it back to Courtney who will, after some short instructions, open it up for Q&A.

## Questions and Answers

**Operator:** Thank you. As a reminder, if you would like to ask a question on today's call, please press star one on your telephone keypad. Please ensure your line is unmuted locally and you will be advised when to ask your question. That was star one on your telephone keypad. And please standby, whilst we prepare for the first question. And our first question comes in from the line of Quirijn Mulder calling from ING Amsterdam. Please go ahead.

**Quirijn Mulder (ING):** Yeah. And good morning, good afternoon, everyone. Quirijn Mulder from. My first question is more on from my side on IBI. Wasn't it possible to have also invited Scott Stewart on this conference call. Maybe that's a question, let me say then we can ask questions about IBI's plans, etc., or is that not relevant in your view?

**Peter Oosterveer:** Yes, Quirijn, I'll take that question. Of course, it would have been possible. It would have created a bit of a technical challenge, but it would have been possible. I'm sure that there will be opportunity in the not-too-distant future to ask questions of IBI. But at this particular point in time and given the relatively short fuse, we decided for it to be in Arcadis call only.

**Quirijn Mulder:** Okay. Perfect. No, I understand. I understand that you were, let me say, with regards to the transaction, 33%. I see on Bloomberg is 17%. But maybe the difference is 16%, that's also employees. Have you any idea about other shareholders what their view is on the transaction? Or is that too new for them? That's my second question. And maybe then I have two other questions in first instance.

**Peter Oosterveer:** Yeah. It's a good question, Quirijn. What we do know and what we do have confirmed is that through a meeting, the partnership had yesterday, Sunday, that 33% of the votes are in favour. They represent 33% of the votes. And obviously, we have not checked in with any shareholders since then because of the confidential nature of the whole undertaking.

**Quirijn Mulder:** Okay. Perfect.

**Virginie Duperat-Vergne:** But maybe I can complement here, Quirijn, as you've seen, there is quite an attractive premium, 30% compared to the share price of Friday afternoon. And that also in a, let's say, a recent story which has been quite successful for IBI Group. So we expect that to be compelling for their shareholders.

**Quirijn Mulder:** Okay. Perfect. So let me say, when we look at the teams of, let me say, Arcadis, which is a regard with GECs and attrition on the positive side and attrition on the negative side. Is there anything you can say about the situation with regard to IBI?



**Peter Oosterveer:** Yeah. So two things I think you're touching on, GECs and attrition. On GECs, that is a capability IBI does not have and therefore does not use. And you might recall from prior conversations, Quirijn, that we have several times stated that, well, A, you have the sizable ideally global company to use GECs or have GECs. And secondly, we've also commented that that we feel that we are quite advanced in the use of GECs, with still significant additional headroom possible. But in our space, in our business, we're probably most advanced.

So that would be something which would be another opportunity for IBI to use the GECs. And clearly, in our conversations, we have explained to them how we use them, why we use them, and they see that opportunity. The only exception is they have about 250 – but not really GEC, the 250 of their software developers based in Delhi, in India. But again, that's just to support their software development.

And then in terms of attrition, you might also recall from prior conversations, notwithstanding the fact that we don't necessarily have data from all our competitors on attrition, but we do know now that the attrition in IBI is very close to ours.

**Quirijn Mulder:** Okay. And then, let me say, to refer to the GECs. I assume then but given your answer that it is not – that's not part of the 50 million of Virginie's cost savings plans of CDC aspect[?] but most part of it.

**Virginie Duperat-Vergne:** It is part of it.

**Quirijn Mulder:** It's part of it. Okay. Thank you.

**Virginie Duperat-Vergne:** It is part of it.

**Quirijn Mulder:** Thanks.

**Operator:** The next question comes in from the line of Martijn Den Drijver calling from ABN AMRO-ODDO. Please go ahead, Martijn.

**Martijn Den Drijver (ABN AMRO-ODDO):** Yes. Good afternoon. On the revenue synergies, there's quite a bit of explanation how you intend to realise that. Could you maybe give us some sense as to the size of those revenue synergies within a certain time, perhaps a target you could share? That would be my first question.

**Virginie Duperat-Vergne:** Yeah. Thank you. No, we are not disclosing that number of revenue synergies. We ask for IDs, but for sure, we'll use the coming months to refine the plant and understand really how they develop and how they come into our P&L. We find them quite substantial, but we've decided not to disclose that at this stage, which is not unusual.

**Martijn Den Drijver:** Okay. Moving on, coming back to the cost savings question of Quirijn, I also wondered whether the GEC was included. But you've also mentioned the savings from combinations of Arcadis Gen and then CTRL – actually CRTKL. Does that mean that the 100 architects that are employed by IBI will be integrated in CallisonRTKL, or is it differently?

And the second question is you – Arcadis has already implemented Oracle globally. What software is IBI running on? And do you intend to move IBI to the Oracle platform? And if so, what would that mean in terms of CapEx and savings?

**Peter Oosterveer:** Yeah. Maybe on the – I'll take the first one first and then I'll start on the second one and Virginie can either agree or disagree. Yes, it is indeed our intention to consolidate the architectural capability, also because what we see in the architectural capability

within IBI is a capability, which is different from ours, different as in, I would say, more in the early – very, very early cycle, urban planning, land planning, which, of course, gives you a phenomenal position to continue with additional activities further down the line. So that is clearly what we contemplate doing. And of course, further conversations will need to take place, but it's certainly a great opportunity we see.

Yes, you're – Martijn you're right in the progress we've made on Oracle. IBI is not using Oracle, but IBI does have a very solid finance system. So we have no immediate needs, neither do we have an immediate desire to move them to Oracle.

**Martijn Den Drijver:** Okay. Understood. And then two final questions. On the buildings activities of IBI, it seems to be more geared towards residential. Is that the case? And if so, would you be able to share what type of – what percentage of revenue in buildings is coming from residential? That would be the first.

And then my final question is, you mentioned in the press release that there's commitments from certain banks. That's probably a bridge financing arrangement. How do you intend to refinance those bridge loans if they are, in fact, bridge loans? That would be the final question. Thank you.

**Peter Oosterveer:** Okay. I'll take the first one and then Virginie will take the second one, Martijn. Yes, I would have to agree that based on the examples you might have seen that it does suggest it's mostly residential. The example which was in relation to The Curv as residential. In reality, though, it's much more of a mix. In fact, it also includes mixed use. And that's the term you might have heard from conversations we've had about CallisonRTKL in the past. It also includes quite a bit of healthcare. And in fact, it also includes, at times, even though the split might be somewhat confusing. It actually also includes at times buildings which are associated with what we would describe as Mobility type of project.

So the example which I used the project in Calgary, that has actual buildings in it as well. So it is – I would agree with you that the impression could easily be created is largely residential. The reality though is that it is much more of a mix, including as much as buildings associated with Mobility or transportation type projects.

**Martijn Den Drijver:** And any percentages that you would like to share? Or is that a bit too much granularity for this time?

**Peter Oosterveer:** Yeah. That's probably too much granularity for this one.

**Martijn Den Drijver:** Okay. And the question on –

**Virginie Duperat-Vergne:** Yeah, on bridge financing. Yes, we have secured a bridge financing and the bridge gives us ample time to consider what's going to happen on the market and to choose the right moment and the right way of refinancing it. So nothing to comment further on that at this stage.

**Martijn Den Drijver:** Okay. Then one final remark, if I may. Would you be so kind as to share given that you're creating a new unit, Intelligence, what the sales and EBITA was in 2021 of next-gen? And also out of which of the GBA is coming, so we can build our models.

**Virginie Duperat-Vergne:** So I guess that you can go to slide – slide 12 of the pack. And here, you have more or less in the combination, what represents Intelligence in the combined

figures when it's done, so it's 3%. Both of them combined together. So that's quite, let's say, a small number for sure in terms of revenue.

I think what needs to be understood is that on both sides, there is quite a number of recent products and such. So it's probably a ramp-up phase also to take into consideration, an acceleration in terms of development, we hope by the combination. And I would say that we need also to be cautious. We have not really identified any overlap as we speak in terms of solutions for projects or Software-as-a-Service, as we said. But as we get more detail into the portfolio, there might be some. So that's also something that we might have to consider.

But as you can see, starting with 3% of the revenue of the total combined entity, that is something which remains important in terms of contribution and pace of growth, but it's still quite remote on the –

**Martijn Den Drijver:** Let me rephrase. Is the EBITDA contribution of next-gen roughly in line with that of the Intelligence part of IBI because that has been reported? So we know that element.

**Virginie Duperat-Vergne:** No, we didn't – we never discussed on Gen, I'm not going to start on that today.

**Martijn Den Drijver:** Okay.

**Virginie Duperat-Vergne:** So yeah.

**Martijn Den Drijver:** Thank you.

**Operator:** Thank you. We currently have no further questions coming through. So as another reminder, if you would like to ask a question on today's call, please press star one on your telephone keypad now. That was star one on your telephone keypad if you would like to ask a question. And we have another question coming from the line of Quirijn Mulder, calling from ING Amsterdam. Please go ahead.

**Quirijn Mulder:** Yeah. Okay. Quirijn Mulder from ING again. Okay. First of all, if I look at the ambitions of this, let me say, of IBI, then I see that they have the aim for 2026 to do – to add the 300 million revenues in the A&A, let me say, any techno – let me say, revenues. In my view, that means, of course, that's not exactly, let me say, the intelligence you are looking for. That means, of course, external growth from architectural engineering. Can you maybe explain these plans and maybe to come back on that, the target is for 2026, as I understand.

**Peter Oosterveer:** Virginie, you still here?

**Virginie Duperat-Vergne:** Yes, but it broke just a little bit, sorry, during the question. So I missed all the figures at the beginning that has been given by Quirijn.

**Quirijn Mulder:** Okay. Now let me phrase it again. So let me say, the guys have presented the presentation in May 2022, that is two months ago, where you have a target for 2026, let me say, including an acquisition strategy to add, let me say, 300 million revenues, which is architectural engineering and technology. Is that something you can subscribe or let me say that's something you also see there are other possibilities, or is that something you would like? Or is that more – are you more looking at the Intelligence to expand that autonomously or in another way than they have in mind?

Virginie Duperat-Vergne: I guess that they have had quite a track record on developing some solutions in-house, but also quite good knows in identifying, let's say, independent small ones to buy outside in the market. I think it's an asset on their side. So then that might be a strategy that, together, we would want to pursue inside the Intelligence GBA.

I also think that there would be probably a little bit of a moment to understand based on the combination, what gets out from the two existing portfolio, and see what it brings first. But definitely, I think that, as we know in digital, you can do a wide range of things. And what you can do is developing by yourself, partnering, or getting out and buy something which exists.

So then that's definitely something that we have also done ourselves. But we need to admit that they have quite a nice track record and a nice way of identifying those targets.

**Quirijn Mulder:** Okay. Perfect. And then my question about clients. Can you, let me say, give me an idea about the breakdown between public and private as it's Arcadis is something like 50%? Is that – are they more depending on public than on private clients? Is that – and do they also have something like a large account management, etc.?

**Virginie Duperat-Vergne:** So in terms of clients, I think that because also they are quite Canadian and a lot of development that would be done by some public organisation in some other countries can rather be done by some private relating element. So then the split, I would say, is probably the same to however if you just realign the way the different markets are working. That would be our thinking.

Then you can almost tell you that it's a little bit the same thing. They have quite a large base of portfolio of projects. 7,000 and we have 35,000 on our site. And they have a number of key clients they also work quite regularly. And something also which is similar to what we have in Arcadis. We can have with some of these key clients a very long-standing relationship of years, even decades. And this is something similar that we see in their portfolio. Something quite attractive is that they start with urban planning somewhere with the key client. And then there might be some projects resulting from this initial starting during 20, 30 years.

And that's something that has been quite, let's say, very good in terms of developing and maintaining and where this capability of changing one project after the other is also quite key. So that doesn't really materialise the way we do it with really our specific focus of our key clients. But we do think that bringing our two approach together and integrating them into this key client management should not be very complex because that's already in the thinking.

**Quirijn Mulder:** Okay. And then my final question is about, let me say, they make EBITA margin in the range of 15% or 16%. So it looks like that given also their emphasis on public clients that they are high – their profitability is materially higher. If I look at Arcadis has only 30%. So is there something which Arcadis can learn in terms of reaching higher profitability outside, let me say, the addition of the Intelligence systems, etc.?

**Virginie Duperat-Vergne:** I think that the digital component is higher, and that's also the reason why, but I would also, let's say that between EBITDA and EBITA, you probably also have a higher component of – sorry, workplace costs that we have on our side due to leases and things like these.

**Quirijn Mulder:** Okay. So it has nothing to do with, let me say, the business profile, outside, let me say, I understand that they make over 20% in EBITDA margin in this Intelligence part. But that does not –

**Virginie Duperat-Vergne:** I think that the content of the project there is a sector even consulting part. There is – and part of it is Intelligence, but because there is a lot of cost collaboration, you will find part of the thing that what they do in larger projects in infrastructure and buildings. And this cost collaboration, very, very intense. It's something that we do have between our GBAs, but that we think we can foster and we can also foster across the geographies.

**Quirijn Mulder:** Okay. Yeah, that's perfect. That's great, Virginie. Thank you.

**Virginie Duperat-Vergne:** Thank you, Quirijn.

**Operator:** The next question comes in from the line of Sabahat Khan calling from RBC Capital Markets. Please go ahead.

**Sabahat Khan (RBC Capital Markets):** Yeah. Great. Thanks very much. Just I guess a question on some of the revenue synergies that you talked about. Can you maybe get into, without obviously too specific, just your views on which maybe end markets? How you're thinking about going about them? Are there specific clients or end markets that you identified where you felt that this transaction would really boost your position? Just some colour on that, please.

**Peter Oosterveer:** Yeah. I'll take that one, Sabahat. Thanks, by the way, for joining us so early in the morning. The revenue synergies are obviously focused on where we have a significant footprint. So in North America, I think we have an opportunity for more revenue synergies simply because in North America for Arcadis, the biggest business is in resilience. And for IBI, the biggest business is obviously in Places. And in infrastructure or what we call Mobility.

Virginie already made a comment, which is indeed something which IBI does really well that they do a lot of cross-selling between the businesses. And probably do it better than we do it. That is one of the reasons why we created the GBAs in the first place because we wanted to create more global cross-selling. And I think we can take an example of how they do it in Canada, quite strong.

So with a footprint, which will be roughly twice the size, at least in Mobility and in Places in North America, we have opportunity for revenue synergies. And then, of course, the revenue synergies will certainly also come from the more efficient deployment of our combined tools. The tools they have happen to not overlap with the tools we have. So that creates another opportunity for additional revenue synergy.

And lastly, whereas the GECs, of course, give us an opportunity for cost synergies as well. If you create the right lever on the pricing of the GEC, then, in fact, it will also give you an opportunity to create a larger business at the end of the day. So also increased revenue. So those are some of the areas where we see the opportunities for revenue synergies.

**Sabahat Khan:** Okay, great. Thanks very much. And then maybe a higher-level question. I guess in terms of this transaction and expanding your footprint in Canada and North America.

I guess, was this from a perspective an opportunistic event? Or is kind of expanding in this region more of a longer-term focus looking ahead?

**Peter Oosterveer:** Yeah. If you look at what we have undertaken over the last couple of years and maybe not necessarily understood in the same way, we have had for some time the label of focus and scale. And in fact, focus and scale means as much as focusing on the right opportunities, the right regions and then try to scale your presence, your capabilities in these regions, which was also – as a result of that, we also decided to, over time, wind down our presence in the Middle East because we couldn't see the performance and instead focus on the regions, where we already have a sizable footprint and an opportunity or a right to play and an opportunity to win.

And then you really boil it down to Continental Europe, including the UK, to Australia and to North America and then selected other countries, and that includes Brazil for us because it is a sizable one, and then it does include China. But that is our area of focus. So that was already in the making for some time was part of our strategy which we launched in 2020 – in '21. And as a result of this, this is an opportunity which really fits our strategy very well.

It is a company we already knew because we actually partner with them on a number of projects in Canada. So it's not like all of a sudden this hit our radar screen, and we thought this is actually attractive. No. It checks a lot of our boxes and actually we have experience in working with them.

**Sabahat Khan:** Okay, great. Thanks very much. And then just kind of the last one in terms of kind of the integration and kind of the go-forward kind of combined business, I guess. Is there opportunity kind of back-end integrated into some of the capabilities that they have, I guess, in Canada into some of your European business or some of your international markets beyond what they're doing today? Or is this more about kind of trying to maybe leverage the North American footprint to bring in more kind of the Arcadis capability into North America? I was just trying to think if there's opportunity to kind of reverse integrate some of the capabilities in North America here.

**Peter Oosterveer:** A great question. It actually needs to be both, and we see great opportunities for it to be both. Yes, indeed, their presence is most prominently in North America, Sabahat, but at the same time, though, we see capabilities they have which we can no doubt deploy elsewhere in the world.

Yes, the market might be different, but the solutions the clients want are not materially different from what clients expect in, for instance, in Europe or in Australia compared to North America. So yes, the presence is predominantly in North America, but there's definitely an opportunity to scale some of the capabilities we've seen in IBI for global use.

**Sabahat Khan:** Great. Thanks very much.

**Operator:** The next question comes in from the line of Maarten Verbeek calling from The IDEA. Please go ahead.

**Maarten Verbeek (The IDEA):** Good afternoon. It's Maarten Verbeek from The IDEA. A couple of questions from my side. First of all, when I look at IBI, I think the most appealing division is its Intelligence. But too much surprise last year, it hardly grew. Could you give some explanation why?

**Peter Oosterveer:** Sorry, Maarten, was the question that Intelligence hardly grew?

**Maarten Verbeek:** Yeah, from IBI last year's development. Your last year's net revenue.

**Peter Oosterveer:** Yeah. So what do they do slightly different from what you might expect is – if they use digital solutions and the digital solutions come – or the digital solutions are mature products, which, for instance, are being used on a Mobility project, then these digital solutions would actually sit elsewhere from a reporting perspective. So they use the digital capability, what sits in Intelligence, much more as a catalyst for growing the business than a business area, which needs to report significant growth over year-over-year.

It's not like they don't like growth. It's not like they don't create growth, but it's not necessarily as clear as you might expect, where that growth is being created, even though it might have been created through a digital solution, it could actually, in reporting terms, sit somewhere else in either the infrastructure or the buildings business.

**Maarten Verbeek:** Okay. Thank you. And then secondly, you have set financial targets for 2023. Do you feel you need to tweak these on the back of this acquisition?

**Peter Oosterveer:** Yeah. That's a logical question. Well, let's get this acquisition over the finish line first. We have been working quite intensely over the last couple of weeks, but we still need to clear a couple of hurdles, including the shareholders meeting planned for somewhere in September. And once we clear that hurdle, then we'll probably start looking at to what extent we need to tweak our numbers.

**Maarten Verbeek:** Okay. And lastly, in respect to the net leverage ratio range you provided between 1.5% and 2.5%. If I make a number of assumptions and estimates, then is it fair to assume that after closing, you will be at the lower end of that range?

**Peter Oosterveer:** Virginie, did you hear eth question from Maarten?

**Virginie Duperat-Vergne:** We didn't, sorry. You hear me?

**Maarten Verbeek:** I can hear you. should I repeat the question?

**Virginie Duperat-Vergne:** Yes, please.

**Maarten Verbeek:** In the presentation, also in the press release kind of states that the net leverage ratio will range between 1.5 and 2.5 after closing.

**Virginie Duperat-Vergne:** Yeah.

**Maarten Verbeek:** When making a number of assumptions and estimates for cash flow, etc., EBITDA, is it fair to assume that the outcome of this leverage ratio will be more to the lower end of that range?

**Virginie Duperat-Vergne:** In the very beginning, I would say that quite high and then progressively gets strong.

**Maarten Verbeek:** Yeah, okay, but –

**Virginie Duperat-Vergne:** I know that will be at least in the middle of the range, if not more.

**Maarten Verbeek:** Yeah, okay. But on a 12 – on a pro forma basis, I'm calculating.

**Virginie Duperat-Vergne:** And that also continues the way you know we refinance at the end of the day. But yes, I wouldn't assume that that's fallen, but at least that gives you back in the leverage ratio in that range probably for the next two to three years.

**Maarten Verbeek:** Okay. And lastly, if I may, because just what you just mentioned, depending on how you refinance it. Currently, you have a bridge financing. Do you consider refinancing this bridge loan also by means of an equity issue? Or will you be refinancing it by simply another loan?

**Virginie Duperat-Vergne:** For the moment, I don't forbid anything to myself. But again, I think that's a bit premature. I guess that also the conditions at the moment are quite changing on the market. So that's also something that we need to understand and consider before deciding how we go forward. For the moment we have this bridge financing, which is quite secure and give us ample time to decide what we need to do.

**Maarten Verbeek:** Okay, thank you.

**Virginie Duperat-Vergne:** Thanks, Maarten.

**Operator:** Thank you. That was the final question in the queue. So I shall hand the call back across to yourself, Peter, for any concluding remarks.

**Peter Oosterveer:** Yeah. Thank you very much, Courtney, and thanks, everyone, for joining again on short notice. This, of course, marks a really exciting moment in Arcadis' more recent history. I think it is reflective of the very hard work, the 29,000 fellow Arcadians put in every single day, including with all the challenges we had over the last couple of years and has allowed us to earn the right to look at these sort of opportunities again. So it makes me both sit here with excitement as well as with pride for the hard work, which we've put in over the last couple of years to give us this opportunity.

I'm really excited about the potential that IBI provides to our joint customer base, particularly as I look at what world needs and look at the capabilities which both companies' combined can bring to the party.

So in closing, thank you very much for your interest in Arcadis. Thanks for joining us today and for your questions, and I'm sure we'll talk again next week. Thanks, everyone.

**Operator:** Thank you for joining today's call. You may now disconnect your handsets. Hosts, please remain connected and await further instruction.

[END OF TRANSCRIPT]