

# Arcadis Q1 2022 Results

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**Christine Disch:** Good morning, everyone, and welcome to this Virtual Analyst Meeting. My name is Christine Disch. I'm the Investor Relations Officer at Arcadis. We are here to discuss Arcadis first quarter results released this morning. Here with me are Peter Oosterveer, CEO, and Virginie Duperat, CFO. We will start with the presentation by Peter and Virginie, which will be followed by Q&A.

And for the analysts attending this call, in case you would like to raise a question, please note by us using typing question simply saying question. Please do so only after we've opened up for Q&A. And I would provide your name after we can verbally raise your questions [inaudible]. Kindly keep it to a maximum of two questions at a time.

Lastly, we 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 are more fully described in the press release and on the company's website.

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

**Peter Oosterveer:** Thanks, Christine. Good morning, everyone. Welcome, and thanks for joining. Welcome to our first quarter results release. I am delighted to report that we made a strong start to 2022 with continued healthy organic revenue growth and a record backlog of projects, putting the business firmly on track to deliver on our strategic targets for 2023.

Before going any further, I would like to reflect on the war in the Ukraine, the unfolding humanitarian crisis and the impact this has on long-term global political and [inaudible] stability. The impact of the crisis is undoubtedly being felt across the world. And while Arcadis does not have any employees, offices or live projects in either the Ukraine, Russia or Belarus, we have been steadfast in our support to our people and the humanitarian effort in Eastern Europe, in particular.

We have focused our efforts on charitable giving, donating €1 million to UNICEF and the Romanian Red Cross, accelerating our employee volunteering programmes and renewing our commitment to initiatives, including The Tent Partnership for Refugees. And in addition, of course, we've provided a lot of hands on support, particularly in our offices in Poland and Romania.

Inevitably, the crisis in Ukraine has caused many clients, particularly in Europe, looking at ways to further accelerate the transition from fossil fuels to more renewable sources as part of wider green stimulus packages to mitigate and eliminate the impact of climate change. Wins this quarter in the UK and the Netherlands are evidence of this growing trend and highlight our strong right to play in the energy transition and environmental restoration and in sustainability advisory markets.

Simultaneously, we're also seeing increased investments from clients in growth sectors such as smart mobility, including electric vehicle adoption in, for instance, Australia and autonomous vehicle trials in North America as well as intelligent buildings and asset management. That latter market is growing from strength to strength with clients in Europe and North America, realising needs to integrate technology and processes to create a facility that is safer, that is

more comfortable and productive for its occupants, and more operationally, efficient for its owners.

Although our organic growth and backlog is strong this quarter, geopolitical instability does obviously bring market uncertainty, adding to concerns around rising inflation, increasing construction costs and further COVID-19 lockdowns as we still experience in China. I firmly believe that we are really well placed to weather any market impacts, but of course, we will be keeping a watchful eye on the situation over the next quarter and beyond.

Moving on, I'm pleased to see that this growing client demand for our services and solutions has helped us to get off to a strong start this year with organic net revenue growth at 5.6% and order backlog at a record €2.3 billion. Our operating EBITDA margin also improved to 9.4% from 9.2% last year this quarter, driven by strong results across all of our three global business areas.

As I announced at our full year results publication in February, we had now fully transitioned from a regional operating model to collaborate across borders more efficiently in three new global business areas: Resilience, Places and Mobility. And I'm really excited to see the increased momentum in the company.

The three business areas are starting to reap the benefits of greater focus and standardisation, scaling solutions to client needs and significantly improved collaboration in bidding and sharing global best practice. And these latter points are highlighted by a recent win to support the Belgium government develop new airfield structure associated with the arrival of new military F-35 aircrafts. This is a great example of seeing our three GBAs working closely together in the bidding process, leading to a successful outcome in Q1.

And also, in Belgium, coincidentally, we've seen cross-border collaboration around our PFAS expertise. Our knowledge and advisory in the US being used to develop and support projects in the country. Both Virginie and I will share further information on our GBA focus areas and our Q1 financial progress, obviously shortly.

Our people are clearly rising to the challenge taken on new global opportunities and sharing best practices across regions and business areas. And to ensure that we remain an employer of choice, we will continue to invest in our workplace experience. And as we reported before, have set-up a Tiger Team late last year, focused on investing in attracting and retaining our employees.

Turning now to look at our global business areas in a bit more detail on the next slide. With climate change, biodiversity loss and water scarcity presenting some of today's greatest challenges, our Resilience business is focused on providing holistic and sustainable solutions for our clients. It builds on our heritage and expertise in energy transition, climate adaptation, environmental remediation and clean water management.

And during the first quarter, we've seen many of our clients accelerating their investments in energy transition and demand for consultancy services continues to grow. We've also seen increased demand for remediation and restoration services. Most recently, I worked locally with Rijkswaterstaat, the Department for Public Works and Water Management in the Netherlands, is for instance focused on restoring the original structure of the river Meuse,

lowering flood plains, destoning the banks and driving increased biodiversity along the course of the river.

And in February, we were also appointed by Magnox and the UK government to support the decommissioning and management of 12 nuclear sites across the UK, working to improve overall efficiency and predictability across this country-wide programme.

Next, our Places business area is focused on creating smart and sustainable places and communities with an emphasis on helping our clients to reduce their carbon impact and also optimise cost across the full life cycle of their assets. Our solutions are all future-facing, centred on helping our clients reach their net zero goals and inform sustainable investment planning and decision-making across all parts of the real estate sector.

Our work in this space, for instance, includes supporting our clients on the development of large scale manufacturing and distribution facilities in Europe and the US, which has helped to drive growth during the first quarter. Project examples include our work supporting the design and delivery of one of Europe's largest giga-factories to produce electric vehicle batteries in the Nordics.

And last month, Arcadis was recognised for our role in the sustainable design, engineering and programme management of a new distribution centre and headquarter office for the retailer Hoogvliet in the Netherlands. I was actually in the position to visit this facility, and I can tell you that it is actually a first class development, has been rated BREEAM Outstanding, thanks to the significant investments in energy-efficient technology and the use of sustainable construction methods and materials, a great example of our Resilience and Places team joining forces to deliver greater value for our clients.

Then on to the next slide, our Mobility business has a strong focus on creating greener and cleaner mobility solutions, drawing on Arcadis' expertise in highways, rail, electric vehicle adoption and active travel projects. Revenue growth has been driven by iconic projects in intelligent rail and transit and new mobility solutions, particularly in the US, UK and in Australia.

As an example, in the US, we are advising the Louisiana Department of Transportation on a strategy to integrate intelligent transport systems, and Connected and Autonomous Vehicle, or CAV, technology into the existing road infrastructure. The strategic plan will maximise CAV's potential for enhancing traveller safety across the entire state. And we know that better transport links are crucial to create thriving and connected cities and communities.

This is certainly the case in Australia, where last month we were appointed as one of the lead designers for the North East Link project in Melbourne. This is the largest road project in the State of Victoria, featuring new twin channels that will alleviate traffic congestion and provide a significant upgrade to the city's highway programme.

Looking ahead, I expect to see continuing growth opportunities closely aligned with our new global business structure and focus on key geographies. We have strong leadership teams in place with deep industry knowledge embedded through our businesses. This, combined with our experience working on some of the most iconic projects in the world, does provide a solid foundation as we maintain our focus on global scale, on employee retention and upskilling and creating additional new opportunities for our people.

Our global capabilities of delivering key sustainable solutions, including net zero advisory, intelligent infrastructure and new mobility solutions and smart building technology give us a really unique position to support our clients in addressing their long-term and future challenges.

With that, I'll turn it over to Virginie.

**Virginie Duperat:** Thank you, Peter, and good morning, everyone. I'm really pleased to be with you today to provide some further comments on our performance in Q1.

So first, we delivered in the last quarter a net revenue of €688 million, corresponding to a very good net revenue organic growth of 5.6%. And just to clarify for organic growth, the impact of currency movements, acquisitions, divestments, but also wound down of footprint reductions such as the Middle East are excluded.

Our operating EBITA was €64 million for the quarter compared to 88 – sorry, €58 million in Q1 2021. And the operating EBITA margin was up at 9.4%, driven by all GBAs. We generated a good free cash flow for the first quarter at minus €51 million, driven by normalised accounts payable movement in the quarter. As a reminder, Q1 2021 free cash flow was exceptionally high at minus €31 million due to lower bonuses, but mainly to the implementation of the ERP in Germany and the Netherlands. And this has had a huge effort on reducing payables in both countries at year-end 2020.

The balance sheet strengthened further, resulting in a significantly lower net debt of €205 million versus €376 million at the end of Q1 2021.

Then net revenues, as I said, totalled €688 million, and growth was driven by all three GBAs, with Mobility being particularly strong in the US and in the UK and the positive currency impact was 5% in the quarter. At the end of March 2022, backlog was at a record high of €2.3 billion versus €2.1 billion by the end of Q1 2021. And organic backlog increased by 7.6% year-over-year with a positive contribution of all three GBAs.

The operating EBITA margin improved to 9.4% versus 9.2% in Q1 2021, driven by all GBAs. Our disciplined working capital management allowed to further improve our net working capital as a percentage of annualised gross revenues to 12.9% versus 15.3% in Q1 2021. And we further decreased our DSO to 70 days versus 78 days end of Q1 2021.

As Peter mentioned earlier, we have now moved to our new reporting model, and I will comment on the performance today of our three global business areas.

Turning first to our Resilience business. During the first quarter, Arcadis' clients have accelerated their investment in energy transition, notably in the UK and in the Netherlands, and we experienced increased demand for consultancy services as well as remediation and environmental restoration services for oil and gas clients. Arcadis' US leadership position in PFAS remediation was scaled to Belgium, where the government has tightened the PFAS submission standards. And as a consequence, Resilience GBA delivered a net revenue of €281 million versus €251 million in Q1 2021, increasing organically 6.9% year-on-year.

Moving now to our Places business. Net revenues were €228 million for the quarter versus €219 million in Q1 2021. Organic growth in the first quarter was 1.1%, with contracting performance of various geographies. While growth was strong in the UK and Australia, China was a little bit impacted by COVID lockdowns and CallisonRTKL declined year-on-year.

Our Places business recorded strong order intake from clients developing intelligent buildings, including the development of data centres and giga-factories for electric vehicle battery production. And finally, we delivered €179 million of net revenue in our Mobility business versus €162 million in Q1 2021. And this shows a net organic growth of 9.4%, mainly driven by the US, the UK and Australia due to the start of the contribution of some key wins of H2 2021, added to the large portfolio of Arcadis projects in rail, electrical vehicle mobility and infrastructure.

And with this, I would like to thank you and hand you back to Peter.

**Peter Oosterveer:** Thanks, Virginie. Let me wrap it up for you before we open it up for questions and answers. I'll start with highlighting that notwithstanding the geopolitical tension and high inflation, we have delivered a strong start to the year, sustained by a very robust market conditions. And with the uncertainty in the market, of course, we will keep a close eye on the developments over the next quarters.

I'm also very pleased with the solid progress we've made on launching the global business areas and also about the very positive momentum I see in the organisation with the introduction of the global business areas, the opportunities it creates, the ability to deliver the best of Arcadis to our clients and wherever they are.

Strong organic revenue growth, as mentioned by both Virginie and myself before, margin improvement, and of course, a further strengthened balance sheet in Q1. We will obviously continue to focus and invest on workplace to ensure that we do retain, and where necessary, hire new talent to ensure that we deliver a great place for people to work.

So in summary, we are definitely on track to deliver on our 2023 strategic targets, as said during the Capital Markets Day in the latter part of 2020.

And with that, I'd like to now hand it over to Christine, who will, after some short introductions, open it up for Q&A. Christine?

## Questions and Answers

**Christine Disch:** Thank you, Peter. Here by, we would like to open it up for Q&A. In case you have a question, please let us know by using the chat box simply typing question or I have a question. I see that Martijn den Drijver has two questions. Martijn, go ahead.

**Martijn den Drijver (ABN AMRO-ODDO):** Yes, good morning, everybody. Martijn den Drijver, ABN AMRO-ODDO. Two questions. Clearly, the war for talent is on. You mentioned it in the press release. You mentioned it again today in the presentation here, Peter. Can you talk a little bit about your voluntary turnover in the quarter? Your net gains in staff in the quarter? And perhaps, what you're seeing in terms of wage inflation? That would be my first question. And then my second question relates to the GECs. Obviously, a key element in achieving the organic growth targets. So can you talk a little bit about GEC usage in the quarter, the developments and the trends that you see? And whether in terms of capacity, are you more looking to add capacity in staff within the opcos or more looking at adding capacity in the GECs? That would be my second question. Thank you.

**Peter Oosterveer:** Sure. Yeah, the war for talent, Martijn, is on and has been on for quite some time, and not just in Arcadis or simply in our industry, but virtually in all industries. I think we've probably all seen what the impact has been, for instance, on one of our clients, Schiphol, lately.

The voluntary turnover, as we reported, is a roll – 12 months rolling average. When you break it down, then I think we're starting to see that it is tapering off in terms of the incline which we did see, particularly in 2021. And I think we're starting to see the beginning of the impact of the many actions we took to turn that trend around. It is still around 15%, where it was a quarter ago when we reported. But it is, clearly, when you break it down by region and you look at the monthly trend, which is not necessarily what of course we are reporting, then we are more comfortable that the actions we take will bear fruit.

Then in terms of inflation, just maybe for everyone's benefit, the month of April is typically the month regardless of inflation, where salary increases are being handed out within our organisation. And as a result of that, obviously also impact on charging to clients will be felt. So in Q1, we actually didn't see any of that translated in the numbers. But going forward, we do expect that to be translated into the numbers.

As we've commented before, on most contracts, we have clauses whereby we have an opportunity to pass on the selling increases to our clients in an integral fashion. The only exception to that rule would be obviously on lump sum contracts. Now we don't necessarily have many long-term lump sum contracts, whereby, as an example, you assumed something three years ago and now you're seeing that the inflation is much higher than what you assumed three years ago. We really don't have those type of contracts because our contracts typically have a much shorter life span.

We are also in a market, I would say, where our clients realise that the war for talent is on, where our clients do have specific needs, which the likes of Arcadis are able to solve. So whereas, obviously, inflation is playing a role in virtually everyone's life, we are quite confident that we will be able to pass on most, if not all of the impact to our clients, also given the market conditions, which are, needless to say, quite favourable for us.

Then on your second question, Martijn, on GECs. Obviously, with the introduction of the global business areas, we, particularly in the global business areas, get much more of a global view now. And it's interesting to hear the anecdotal feedback from the leaders in the global business areas who now see that we're not necessarily as consistent across the globe as one would have liked. And that is, in fact, one of the reasons why we created the GBAs in the first place.

So whereas, for instance, in Mobility, in Australia, we're seeing a significant use of GECs and has been seeing a significant use of the GECs for a number of years, in other places that is much smaller. So directionally, where we expect to go? And that is your second component of your question. Where would you see most of the growth in people in the opcos or in the GECs? We will see most of the growth or disproportional percentage of the growth in the GECs and not in the opcos.

And in a way, as unfortunate as it is, the war for talent will actually support that drive regardless because if people can't get their hands on additional resources in, for instance, the Netherlands or in the UK or in the US and you have a significant pool available in places such as the Philippines and India, that in my experience has always been one of those welcome helps to

actually push more work into the GECs. So for us, in the future, the growth will be larger in the GECs than it will be in, as you described it, Martijn, the opcos.

**Christine Disch:** Thanks Peter, next question –

**Peter Oosterveer:** Martijn, I think you're talking, but I'm afraid you are on mute.

**Christine Disch:** Yeah. Martijn, go ahead.

**Martijn den Drijver:** I can ask a follow-up? Yeah. If we talk about the GECs, are you considering making it mandatory? I know that in Asia it is more of a natural thing to use the GECs for which they are there. In Europe, it's less so. Are you still going for the voluntary push towards the GEC use? Or are you now moving more to mandatory a specific percentage per contract won or something?

**Peter Oosterveer:** Yeah, we already have goals per country for the use of GEC. So you could argue that that is mandatory, because as a minimum, we expect regions to meet that goal, and that was already something we've put in place actually last year, Martijn. And I suspect that particularly with a more global focus we now have on similar work within the GBA that we will meet those goals. And I'm also fully expecting that going forward these goals will be increased year-by-year.

**Martijn den Drijver:** All right. Thank you.

**Christine Disch:** Thank you, Martijn. Next question up is from Henk Veerman from Kempen. Go ahead, Henk.

**Henk Veerman (Kempen):** Hi. Good morning, all. So my first question is on your margin developments. So basically since the start of the pandemic, your margin growth has been driven not so much by the dynamics between sales and wage and employee costs, but more, let's say, the development in the other OpEx line. So in Q1, you report 9.4% margin. I assume that's also been helped a little bit still by positive COVID contributions and perhaps also by, let's say, favourable low holiday leave of employees. But now where we stand today is that I think other OpEx now with the economy reopening, this or sort of other OpEx line will inflate quite significantly throughout the year. So given that your margin development so far has been driven by this other OpEx line and that will sort of increase again, so what kind of initiative do you have in place to ensure that margins will equal 10% in 2023, which is your current target? That will be my first question. Second question on your working capital, remains quite low. I think seasonally, Q1 is always one of the highest points, but I think you surprised us possibly with that this morning. So is there a reason to assume that working capital development will be a little bit different this year? Or do you expect, let's say, a further sustainable improvement of working capital throughout the year?

**Peter Oosterveer:** Yeah, thanks, Henk. Well, let me take the first question, then I'll ask Virginie to add to the first question and also take the second question.

The levers we have available for further margin improvement have really not changed. In fact, there's almost a nice bridge with the question Martijn asked a minute ago. The GECs, needless to say, will be one of the levers we will increasingly pull to create higher margins.

The focus on key clients, which we've had for quite some time and has also contributed to better performance will be sustained for sure because we actually do like what we see in many different

ways, not just by the growth we have been able to create for our key clients, but also the financial performance on other criteria, which we do like.

And then lastly, the Make Every Project Count programme, which has already contributed to margin improvement, still has additional opportunity for further margin contribution as well. So we're not out of options, clearly not, but they haven't really changed compared to the ones we've put in place some time ago now. Virginie, you want to add anything or then also take the working capital question?

**Virginie Duperat:** Yes, thank you, Peter. I think that you've been quite clear on margin, maybe also to ask that Q1 is always the start of the year, some of impacts come from initially leaving in the beginning of the year. And we also need to mention that we've been hit like potentially a lot of companies by Omicron wave in the beginning of the quarter and having had to suffer with the true impact of our people being sick. So that's also somewhere in the P&L of the quarter.

And in terms of capital – working capital development, I think that we've been quite clear that over the last two years, the company has really instated a very disciplined working capital policy management, and that's how you see the results of the quarter. So I would say that the minus €51 million free cash flow of the quarter, for sure, it's a Q1 and the seasonality of the Q1 for us makes that generally a negative free cash flow that we generate.

But on the other side, for sure, we've been managing quite well over the last two years, the implementation of ERP, our capability of producing the volume of unbilled and convert work in progress in receivables quite quicker. And that's really now, I would say, embedded in the day-to-day life of the company. So that is something that we think is sustainable. And we do not see again why we shouldn't be able to sustainably on the long-term convert our EBITA into cash conversion rate of 70%, something like this, 60% to 80% depending on the year and depending on our capabilities.

So that's exactly the results of such discipline that you are seeing in the working capital element of the quarter. And then as a result, you have a 70 days deal for the process. Do we still have some room for improvement? Yeah, you always can do a little bit better. But I would say that we are now in rather in a running mode than in the catch-up mode.

**Henk Veerman:** All right. Thanks. And perhaps one quick follow-up on the first question is, yeah, do you expect basically that – do you expect to hit your 10% margin target, which is in 2023? Do you expect, let's say, a gradual increase towards that level, or like where we stand today and your view on the rest of the year? Do you expect perhaps that given the high inflation also in traveling costs, etc., that will come back. That's – yeah, is it back-end loaded, this margin increase?

**Peter Oosterveer:** No, I think the – if there was any discomfort, Henk, on that, then it's probably much more on the geopolitical situation than on the ability to pass on the inflation or the selling costs, so to speak. You saw what we did in Q4 of last year. As already commented, Q1 is normally not the quarter with the highest margin. But we – as I said, when I wrapped up the prepared notes, we are on track to deliver on the targets for 2023. And that, of course, also includes margins which are above 10%.

**Henk Veerman:** Okay. Thank you.

**Christine Disch:** Thanks, Henk. Next question is coming up from Maarten Verbeek, the IDEA!

**Maarten Verbeek (The IDEA!):** Good morning. It's Maarten Verbeek, the IDEA! A couple of questions regarding your organic growth. You have now tweaked your organic growth deviation by adjusting it for the footprint reduction. Is this solely the Middle East? Or are there other activities which have been excluded from this definition as well?

**Virginie Duperat:** So Maarten, many thanks for this question. As we speak, we only have Middle East. It's just that we wanted to have a generic definition that includes [inaudible] foreign accounting background person looking at what we were saying quarter after quarter, things that we exclude Middle East for organic growth. It was more or less saying that we didn't know what organic meant, because by design, Middle East is something that we've been quite been clearly stating one year ago and such that we were progressively winding down. So for sure, there is no expectation for us to do anything organically there.

So that is just about it and making that quite clear moving forward that this is what we have as a definition, and that is valid for our backlog or for our growth to have a set of figures that stick one to the other.

**Maarten Verbeek:** But does that also implied that ultimately you will retreat from this region?

**Virginie Duperat:** Yeah, this is what we still do two years ago. So no change there.

**Maarten Verbeek:** And you have stated you would go back to a much lower level with certain customers you trust, core businesses you had, which you could believe you could make good returns. You never officially said in a quarter to me that you would completely retreat from Middle East?

**Virginie Duperat:** We have CallisonRTKL working there, and that is reporting in CallisonRTKL.

**Maarten Verbeek:** And when you set your financial targets a couple of years ago, the mid-5% organic growth of mid-single-digit organic growth rate that was still including the Middle East. So should you not be revising that upwards to a higher level?

**Virginie Duperat:** No, because then we announced that we were getting down from the Middle East in Q3 2020 before we issued our plan, so then that has always been excluding Middle East. And that's the reason why we're starting to say that we were expending Middle East.

**Peter Oosterveer:** It may feel like we – it was a couple of years ago, but it was actually in November of 2020 when we had the Capital Markets Day, and that was also exactly when we announced that we would withdraw from the Middle East.

**Maarten Verbeek:** Okay. Thank you very much.

**Christine Disch:** So with no further questions, I would like to conclude this Q&A session.

**Peter Oosterveer:** Martijn has a follow-up question.

**Christine Disch:** I'm sorry. Martijn, go ahead.

**Martijn den Drijver:** Yeah. I just wanted to come back to RTKL. You mentioned turnaround measures that have had an impact in the quarter. Can you talk a little bit about the turnaround measures? What does that entail? What do you expect from them? And when do you expect an effect from that? Could you elaborate a little bit on what's happening at RTKL basically?

**Virginie Duperat:** So turnaround measures is the one that we've been describing in across Q2, Q3, Q4 last year, and that's what we are referring to. And they had no impact in Q1 2021. So for sure, what we've been doing is that as we've been explaining in Q4, we've been restructuring in some areas of activities. Main restructuring has happened in China in Q3, where we had quite footprints over there. And due to the Chinese situation and especially the development of Chinese situation, we've been quite reducing our footprint.

Based on current situation and what could happen, we might, let's say, want to further strength that because if we are honest, current situation in China is something that we are observing and watching out and we want to know how it's going to evolve. And that's quite an impact on the real estate market. And we've been very cautious in the volume of projects that we've been taking in this area.

And that has been part of the shrinking of the backlog that you have seen over last year in CRTKL and that we see having an impact again today in the volume of revenues that we now expect from this RTKL business. So the refocus is really on the US, where it's the biggest area that we have in CRTKL. And inside the US, we've also been working a lot last year on refocusing on the business lines that we are working in.

We may think that there is a big future in – potentially in life sciences, but also healthcare. We have a fantastic reputation in retail over there in the market that has been severely hit by COVID in 2020. 2021 has really been a difficult year. And this reputation is still intact, but the market restarts progressively. And we are refocusing quite a lot of, let's say, capabilities on that front also because we expect that to pick up again in the year.

But has any big turnaround implemented, and to accompany that, as you can imagine, we've been accompanying that on the structured cost cuts to help the P&L restart. That always takes time and a little bit of timing of rebuilding the accurate backlog in – mainly in the US.

**Martijn den Drijver:** And would you be willing to share with us what that timeframe is? Do you expect to go back to 9%, 10% EBITA margins still in the strategic period that we're looking at, so up until and including 2023? Or will that take a longer path to get to that level?

**Virginie Duperat:** I think that that depends a lot on, I would say, economic situation and such. If [inaudible] is not changing, we are fine. If for any reason, geopolitical environment and – yes, I would say, conditions are worsening and we see less development starting because they are on the front end of what we do and then the very initial steps, then that might be a question. What would keep me optimistic on that front is that, again, our main area being the US, potentially, that would be helpful because the US situation is probably far better than European and Asian one.

**Martijn den Drijver:** All right. Thank you very much.

**Christine Disch:** And we have some questions from Quirijn Mulder from ING.

**Quirijn Mulder (ING):** Yeah. Good morning, everyone. You can hear me?

**Christine Disch:** We can.

**Quirijn Mulder:** Okay. Thank you. First question is about – let me say, maybe I missed it. So what is the organic growth in the first quarter, excluding the Middle East? Last year it was 70 basis points. So maybe you can give me there somewhat information. Then on the order

book, can you give me an idea about what of the order book is related to, let me say – yeah, so the wages go up in April. So that should be in the order book. So if you look at the order book, 7.6%, what do you think is the percentage of inflation, which plays a role there? And what is the volume component? That would be very interesting to know. And then also on the order book, can you give me an indication about the order books on a division level, because that's something which I'm missing quite dearly I think?

**Virginie Duperat:** Okay. Thank you, Quirijn, and a nice hearing you this morning. Organic growth, excluding Middle East, I think is 4.1%, something like this. So, as we stated, Middle East is really particularly getting down this year and we are progressively having less activity on the ground. So that is something that we feel.

No, we don't correct order book for inflation impact and such mechanically. That is not the way that we got things. We keep historical value.

**Peter Oosterveer:** So maybe to provide a bit of additional detail on that question, Quirijn. So anything we took in Q1, so anything which is part of that 7.6%. When it is a lump sum, you can safely assume that people would have taken into account an up-to-date view on inflation. And when it is not lump sum, but time and material, then most often, it is part of existing contracts, which will allow us to actually increase the rates regardless in April. So you can safely assume that anything we took in, in this quarter, should have taken into account the appropriate impact of inflation.

**Quirijn Mulder:** Okay. No, I was asking about the order book. So what is – yeah, okay. I think there is an inflation element in it anyway?

**Peter Oosterveer:** Yeah, of course.

**Quirijn Mulder:** Yeah, okay. No, that's fine. Thank you.

**Christine Disch:** Thank you, Quirijn, for your questions. So with no further questions, I would like to conclude this Q&A session. And I would like to hand it over to Peter for some closing remarks.

**Peter Oosterveer:** Yes. Thanks, again, Christine. I think I need to start where I started my wrap up as well, and that is to recognise that we are in a situation and market conditions which create uncertainty. I would be oblivious if I wouldn't recognise that because what we have seen not only as a result of corona, but what we've seen thereafter with the very sad developments in the Ukraine, the war in the Ukraine is something which many of us, if not all of us have never seen in a lifetime.

That being said, and notwithstanding the human suffering which all of this brings, we are fortunate as a company to be in an environment with very strong sustained market conditions with a pull from our clients for the type of services we can provide. And in a way, as said, this again is – the war has exacerbated and actually amplified some of the needs our clients have, and particularly, the move away from fossil fuels to more renewable resources and a much lower degree of energy dependency on any actor in the world, I think is clearly something which plays right into our hands.

I'm very pleased with what we have been able to do at the beginning of this year with the creation of the global business areas. I think that will definitely be another significant contributor to Arcadis' future growth, both top line as well as bottom line. And whereas at this

point in time, of course, we only have a handful of opportunities, which can directly be attributable to the global business areas, I'm convinced that, as we go forward, we will see many more of those.

So all of this, including our sustained focus on creating the best workplace for our people so that we can retain the talent we need and continue to hire the talent, we also need to fuel our growth, gives me comfort and also confidence that we are firmly on track to deliver on the strategic targets we set back in 2020, which would be applicable as of next year.

So with that, thank you again for your interest in Arcadis, for your support. Stay safe. And we will talk to you again in a quarter. Thank you.

[END OF TRANSCRIPT]