

# Full Year Results 2023

Thursday, 22<sup>nd</sup> February 2024

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**Operator:** Good day and welcome to Arcadis Q4 and Full Year 2023 Results Conference Call. Please note 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. This can be done by pressing star, one on your telephone keypad. Only two questions allowed per time. If you require assistance at any time, please press star zero and you will be connected to an operator. I will now hand you over to your host, Christine Disch to begin today's conference. Thank you.

**Christine Disch:** Thank you, and good morning and good afternoon everyone, and welcome to this analyst meeting. We are here to discuss Arcadis' fourth quarter and full year 2023 results, which were released this morning and are also made available on our website. With us on the call are Alan Brookes, our CEO, and Virginie Duperat, our CFO.

We will start with the presentation by Alan and Virginie, which will be followed by Q&A. 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 that any of these risks relate to the statements which are more fully described in the press release and on the company's website. And now let's go over to you, Alan.

**Alan Brookes:** Thank you Christine, and yes, good morning, good afternoon everybody, and welcome to our full year and fourth quarter results call. Arcadis has delivered a record quarter and full year performance, delivering gross revenues of over €5 billion. Our net revenue for the full year reached a record high of €3.8 billion, a 25% increase year-on-year, driven by strong performance of the acquired businesses IBI and DPS, but also strong performance of the remaining business which is reflected in an organic growth of 9% for the year. Net revenue was exceeded by order intake of €3.9 billion, setting us up well for the future, and we still see continued strong client demand across our key markets, with an outstanding result in North America. Our operating EBITDA margin improved to 10.4%, up from 9.8% in 2022, and in line with our strategic target of being over 10%.

We now have successfully completed the integration of Arcadis IBI and Arcadis DPS; these were both finalised by the end of last year. This is driving revenue and cost synergies for the group, and again resulted in significant project wins over the quarter. I am pleased to report that we have successfully delivered on all the key targets we set out in our 2021-2023 strategy cycle, maximising impact. And last November we launched our new strategy for 2024-2026, accelerating a planet positive future. I will share more on this shortly.

But first, I would like to take a look at some of our most important growth end markets and the areas where we are seeing Arcadis truly stand and differentiate from our competitors. The first of these is climate adaptation, where there is an urgent need to make communities more resilient to rising sea levels and flooding. We have a long history of designing and delivering flood alleviation schemes globally, and in both Europe and North America we are working with government agencies and local municipalities, using data to help model risk and demonstrate the economic and environmental benefits of flood protection. In the UK for example, we are helping the Environment Agency demonstrate value for money from England's €5 billion flood and coastal risk management programme.

Combining our sector knowledge with detailed analysis of past Arcadis projects, we have modelled a benefits register, aligned with the UN sustainable development goals. This serves

a dual purpose and reporting mechanism for sustainability and flood alleviation. The results are impressive, for example we identified a 500% increase in the benefits that would result from one project alone. This use of data not only improves project delivery but also provides a compelling evidence base to target future funding and build stakeholder support.

The second project I'd like to talk to you about, you can see here is water optimisation. In North America for example, we have a longstanding relationship with the US Army Corps of Engineers, providing environmental remediation services spanning safe water and land use. In 2023, this work included our appointment as part of a \$200 million shared capacity framework to provide architecture and engineering works on several projects across the Great Lakes and Ohio River division. Our scope of works covers nature-based solutions, such as ecological restoration and the design of both water management and transportation infrastructure. It also includes digitally enhanced water management services which will be implemented alongside flood reduction and dam safety engineering. This will bolster long-term resiliency for communities across the region.

Finally, as well as cementing our position in the two growth markets I've just discussed, the integration of our acquired businesses have helped to reposition Arcadis in new future-proof markets, including semi-conductors and life-size manufacturing facilities. Let's have a closer look.

Over the last 12 months we have focused on integrating Arcadis IBI and Arcadis DPS, both operationally and commercially, into Arcadis. In May, we combined Arcadis IBI's buildings business with our architecture firm, to create a 2,000 strong architecture and urbanism division, a global leader in urban planning, design and building of resilient communities and spaces of tomorrow. By connecting talented professionals across multiple disciplines with our place as GBA experts, we are diversifying our services to our clients and securing new opportunities. This growing talent and expertise is why last month, Arcadis debuted at number two in the 2024 World Architecture 100 list. A remarkable achievement for the business and a direct outcome of our successful M&A strategy.

Our intelligence GBA is now fully established with a team of over 1,000 colleagues, many of them highly experienced technologists and digital advisers. We are starting to see new synergy wins already, most notably through the cross selling of intelligence digital products, like Travel-IQ, with our mobility clients in North America. One example, which you can see here on the slide, is our ongoing transport management work for the Nevada Department of Transportation. We are working on several multiyear advisory contracts, combining mobility and digital solutions that will improve accessibility, safety and sustainability on highways across the state.

We have also fully integrated IBI's infrastructure team into our GBAs and in Q4 completed the integration of DPS into our places GBA for advanced industry sector. We now have 3,000 strong team with design, process engineering and construction management expertise across multiple markets, including pharmaceutical, novel therapies and medical technology facilities. This team brings a wealth of new capabilities to Arcadis and limitless synergy opportunities.

One example of our work here is with large blue chip clients across both the US and Europe to drive sustainable outcomes in advanced industrial facilities. This brings together our mobility, architecture, resilience and places expertise, and our teams are currently working with eight of the top 25 semi-conductor companies in the world, including projects in Albany, Texas, Ireland

and Malaysia. Taken together, the scale of these wins and new offerings demonstrates just how transformational the last few years have been for Arcadis.

The transformation is also evident in our strong set of results for 2021 to 2023. As you can see here we have achieved what we set out to do, and this has been reflected in our net revenue CAGR of 7.6% and operating margin of 10.4%. We have delivered all our key financial targets and made significant progress against our non-financial targets, including our commitment to achieve net zero greenhouse gas emissions, within our global operations by 2035. As I mentioned on Capital Markets Day in November, Arcadis is now a stronger business than it was back in 2020 when we announced our previous strategy. We now have in place an attractive range of market-leading positions, an efficient global business model, growing our existing global excellence centres in the Philippines, India and Romania, and a service offering that spans the full asset lifecycle from concept and design to decommissioning or retrofit and reuse. This is all underpinned by 36,000 highly talented people; they are our greatest strength. And this platform positions us well for the future and is the foundation to take our business forward over the next three-year strategy from 2024 to 2026.

Our new strategy is focused on one mission, to accelerate a planet positive future, by addressing our clients' needs and making a profound impact on the world. You'll remember that I spoke about this during our Capital Markets Day, but in summary, our strategy is centred on three strategic focus areas. Firstly partnering with our clients on sustainable project choices. Second, creating value through digital and human innovation. And finally investing in future focused skills and an inclusive workplace powered by our people.

Let me just take a moment to describe what these mean. Starting with sustainable project choices, we will deliberately focus on projects that align with our strategy to accelerate a planet positive future. At the same time, we will enhance our profitability by prioritising higher margin projects. Our key clients will be an important driver of growth here, often representing larger and more profitable projects where clients expect the same service and quality in different parts of the world, something we are very well positioned for. Throughout 2024, we will build on the success of our Key Client Programme and develop it further. This will allow us to target a broader group of clients, including those from the new growth markets, and introduce a more tailored and target driven approach. We will broaden and deepen these client relationships across our GBAs. We are also developing new commercial models that will enable us to participate in shared value creation with our clients, for instance through incentive-based pricing, our upside sharing models.

When it comes to digital and human innovation, Arcadis is a smart, digitally enabled organisation. We combine deep asset knowledge with cutting edge innovation, data and technology to anticipate and advise clients on the best solutions. Our intelligence GBA is critical here, primed to leverage these capabilities to support clients across the entire project lifecycle. Over this new strategy cycle, we will invest in digital products to support smart cities and advance the energy transition, foster greater GBA collaboration and expand our offering to provide greater value and cost savings to our clients. And within our own operations, we will double down on digitalisation, standardisation and automation of our operating procedures, driving efficiencies both internally and for our clients.

And finally, if we are serious about our commitment to accelerating a planet positive future, we can't do it without the ingenuity of our people. My commitment is to empower our people to

shape their future and advance their careers. In 2024, we are investing in becoming a skills-powered organisation. This will prioritise our peoples' expertise, continuous learning and adaptability over traditional structures. It will ensure the long-term resilience of our people while enabling us as a business to future proof and attract and retain the best talent. We will know where our skills are and align them to our projects wherever our clients need us. Our GECs will also be crucial to our success; we will expand their reach, improve the quality and speed of service delivery and, whilst at the same time, create efficiencies. Over the next three years, we will be doubling the GECs relative contribution to our projects, integrate them further into our business and increase recruitments and explore new locations for growth.

I've shared our strategic objectives, and now I'm just going to take a moment to discuss how these translate into targets for 2026. We expect to deliver an organic net revenue growth of mid to high single digit over the cycle, an operating EBITA margin of at least 12.5% in 2026. For our leverage ratio, we maintain the same range of between 1.5 and 2.5 times net debt over operating EBITA, and our shareholder returns profile will remain stable as well.

On the right of the chart, you can see a summary of our non-financial targets. We will reduce our Scope 1 and 2 emissions by 70% by the end of 2026 and reduce our Scope 3 emissions by 45% by the end of 2029. Other top priorities include our net promoter score with our employees, to remain in the top quartile, and increasing our gender diversity to more than 40% of women in the workforce. Our goal is to build on the strong foundations of the last strategy cycle and focus on new growth accelerator markets, with a collective mission of accelerating a planet positive future. Together with our own ESG commitments, we are already well underway towards achieving our targets, partnering with our clients on sustainable project choices, combining digital and human innovation, and harnessing the power of our people to deliver our client aims and ambitions.

And with that, I will hand over to Virginie, who will take you through our financial results for Q4 and the full year 2023 in a little more detail. Thank you.

**Virginie Duperrat:** Thank you Alan, and good morning, good afternoon everyone. Let's start maybe with the results for the fourth quarter of 2023. Net revenues increased 9% year-on-year to €941 million, driven by all GBAs with currency effects of -3.2% from weakening [?] new investment [?] [inaudible] Canadian dollar against the euro. Organic growth was 6.5%, driven by all GBAs. Growth was particularly strong in key markets, US and Europe, however it also reflects increased activity in product choices in Arcadis DPS and China. Order intake showed a significant step-up from the third quarter, and reached a record level of over €1 billion for Q4, with an 18% increase, outperforming the total revenue growth of 9%, resulting in a book to bill of 1.09 versus the 1.01 in Q4 2022.

Organic backlog growth of 4% reflects good order intake across all key markets, well balanced between our three biggest businesses and including a growing share of intelligence. Operating EBITDA increased 25% year-on-year to €107 million, from a [inaudible] Q4 margin of 11.4%, 140 basis points higher than Q4 last year, driven by operational leverage and an optimised portfolio.

For the full year 2023, Arcadis delivered a strong set of results with improved performance across key metrics. Our net revenue increased 25% year-on-year, to €3.8 billion with 9% organic growth driven by the strong performance across all other GBAs. We recorded an

operating EBITDA margin of 10.4% driven by the performance of the acquired businesses, operating leverage and materialised cost synergy, while we continue to invest in operational efficiency, people development and digital products and skills.

In 2023 we successfully integrated IBI and BPS, and please note that one month of BPS and three months of IBI were consolidated in 2022 financials. We continue to show financial strength and discipline, significantly reducing our DSO to only 56 days, versus 60 days in Q4 on 2022. This marks a significant improvement and a strong performance in our industry. Our improved performance, combined with our disciplined net working capital management, resulted in free cash flow generation of €190 million for the year. This is after having covered the financing cost for growing our business by 25%, following the two acquisitions, and an organic growth of 9%. We have also reduced our leverage ratio to 1.7 times, versus 2.2 times at the end of 2022, well within our target range.

Now, let's take a closer look at the drivers of the margin improvement. It was very important to notice that all our GBAs contributed positively to the full year margin improvement in 2023. Resilience margin was driven by the excellent performance in North America, and in this region, already above group level margins showed further improvement, and the region continued to represent the largest contribution to the total Resilience business.

Places showed good margin expansion, with margins improving at the acquired business BPS, as well as in architecture and urbanism divisions.

In Mobility, margin improvement was driven by strong operating leverage, coming from high performance from large projects, which even in some cases benefited from the contribution of variation orders.

In Intelligence, the year-on-year margin improvements at the GBA was strong. However given its current share of 3% of the total business, its contribution shown here is small but promising given the pro forma 25% revenue growth of Intelligence this year, with more [inaudible].

In the Middle East, [inaudible] margins with an incremental impact of 40 bps from 2022 to 2023, and mainly resulting from a receivable provision taken on the project [inaudible]. We plan to finalise winding-down activities in the Middle East by the end of 2024, and have now only a few design activities to go through, and site supervision activities to execute on a small number of projects.

And finally, in 2023, Cost Synergies of €5 million had a positive impact of [inaudible] margin. And I will come back on cost synergies with a bit more detail later.

If we move to our GBAs now, first let's go to Resilience. In Resilience, we delivered an excellent year, especially very strong in North America and Europe. Market demands[?] continued to be robust, with strong market momentums or solutions in water optimisation, climate adaptation and energy transition, with interesting tailwinds on the PFAS regulatory front both in the US and in Europe.

Water optimisation offerings have been particularly strong with additional framework constructs in the UK and significant weather programme projects in North America. In climate adaptation, we continue to design share with our digitally driven, multi-asset based climate risk assessments. In 2023, Resilience operating margin expanded to 11.8% while we grew our backlog organically by 11.5%. We continue to invest in our people to be able to meet the

challenges faced by our clients in our high growth[?] market. With our recently launched Arcadis Energy Transition Academy, we aim to reskill and upskill our employees as well as those in industry.

Moving onto Places, we delivered good revenue growth and improved underlying margin. US and most of Europe experienced positive momentum in the quarter from clients across government, advanced industry facilities and technology. We also started to see positive trends in the UK. Our backlog improved in Q4 2023, with significant recovery in order intake and continued momentum in January, albeit organic backlog growth for the full year was impacted by our increased diligence of our project choices.

Pipeline continues to be strong in advanced industrial facilities in North America and Europe on the back of government stimulus, and Arcadis focuses on differentiating with its collaborative capacity across regions and its ability to address fast-evolving needs of those clients.

Margin improvements were driven by strong performance of the acquired businesses, with DPS margin catching up faster than expected, to align with the average Places margin and strong performance from architecture and urbanism business. The underlying margin improvement was very strong at Places. When, excluding Middle East, operating margin stood at 10.6% for the full year, compared to 9.9% in 2022.

Turning now to Mobility, we experienced continued strong client [inaudible] and delivered underlying margin improvement. We recorded strong organic growth across all of our key markets and grew our backlog by 9.5% organically. This included multiple larger wins such as upgrading [inaudible] in Australia in the fourth quarter. Collaboration between Intelligence and Mobility helped to drive revenue synergy. [Inaudible] sustainability[?] and climate impact continues to grow as a relevant part of Mobility solutions. Electrification trends, alternative fuels, new mobility modes and the ongoing [inaudible] of transportation challenges across the large cities we operate, continue to provide ample opportunities for our global capabilities.

Our operating margin improved in the US, the Netherlands and Australia, helped by some sizeable variation orders on large Mobility projects. When excluding Middle East, operating margin stood at 11.8% for the full year, versus 10.4% in 2022.

And finally, our first GBA Intelligence. Intelligence delivered €94 million in net revenues in 2023 for the third year, with a pro forma organic growth of 25% and another intake of €104 million. Our strong suite of software and digital products, enhanced by our [inaudible] engineering knowledge, was the driving force behind this. We achieved good synergy wins [inaudible] and continued to invest in product development, integration and setup. Our operating margin improved significantly to 11.6% in 2023, versus 9.1% in 2022, with [inaudible] cost synergies being extracted. With 9% organic backlog growth, we saw a strong pipeline of opportunities for cost collaboration across our GBAs.

Let's have a look now to our progress in cost synergy with identifying and delivering these cost synergies resulting from both our acquisitions. As we communicated during the first half[?] 2022 results, we identified a total €20 million of cost synergy. These are to be generated through rationalisation of overheads, insurance and support-driving operational IT integration and platform improvement within technology, as well as through integration and rationalisation in the workplace. Synergy implementation is ongoing and expected to be fully delivered by the end of 2024.

In 2023, we already realised the positive impact of €5 million in our full year P&L, and we will grow[?] in extracting additional efficiencies as we progress in the process. Now we can provide our clients with a full asset lifecycle of services and solutions. With our combined capabilities and expertise, we booked significant synergy wins in the first year of the acquisition, with a total net order[?] intake[?] exceeding €100 million and we see an additional €300 million in the order pipeline. As an example, in the UK we are seeing greater collaboration between our Places and architecture urbanism[?] team and the UK government's new hospital programme to build 40 new hospitals by 2030, leading to new commissions and opportunities.

In line with our balanced capital allocation framework, we will propose to our shareholders to increase our cash dividend up to €0.85, 15% higher than last year and representing 34% of our net income from operations, well within our target range. Our leverage significantly improved at 1.7 times at the end of 2023, at the lower end of our target range of 1.5 to 2.5 times, having successfully deleveraged from 2.2 end of 2022. Our capital expenditure for the year came in at €40 million, again at the lower end of our target range of €40-60 million and mainly composed of technology investments.

Now, the reminder of what we set out at our Capital Markets Day back in November. For 2024-2026, we confirm our commitment to a dividend pay-out ratio of 30-40% of net income from operations of the strategic cycle, complemented by additional shareholder return when appropriate. Secondly, this will be achieved by further strengthening our balance sheet, keeping our leverage within our target range of 1.5 to 2.5 times and retaining our investment grade rating.

Then, with regards to CAPEX, we will invest €40-60 million a year, mainly in technology infrastructure and development costs, as well as in further development of new style collaborating working environment. And finally, we will continue to pursue value-accretive M&A opportunity in line with our strategic priority, focusing on the [inaudible] that complement our businesses and accelerate the delivery of our strategic plans for revenue synergy.

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

**Alan Brookes:** Thank you Virginie. And so just to summarise, I think it's fair to say that the last strategic cycle has been truly transformational for Arcadis, and 2023 has been a record year. We've achieved all our key strategic targets, including finalising the integration of Arcadis IBI and DPS, with some important operational synergies now materialising. Looking ahead, we have a positive outlook and clear priorities for the business. Strong market conditions have resulted in high quality pipeline. And with the launch of our new three-year strategy resonating strongly with our clients and our people, I am confident that we are well positioned to capitalise on significant opportunities in our key growth markets as we move forward.

So I'd like to thank our people for a remarkable year and our clients for their continued partnership with us on many fantastic projects in 2023 and over the last strategy cycle. Over the next three years, we have a great opportunity to lead our industry, driving innovation and sustainability while delivering value-added solutions that address the evolving needs of clients and communities worldwide.

And with that, I'd like to open the call for any questions, please, that come from those who have joined us.

## Questions and Answers

**David Kerstens (Jefferies):** Hi everybody, thank you for taking my questions, so two questions. First question is on China, so you single out China as a factor in the slowdown in organic revenue growth in Q4 market conditions. Can you elaborate exactly what is happening there, and what is your remaining exposure to China? I think a year ago you said it was 10% of Places, including the Philippines.

And related to that, the second question then is regarding the US market and the exposure of Places, I think the US is 30% or so of Places. What are you seeing there in the commercial real estate market? And in the office market, particularly, is there any potential downside risk, similar to what you're currently seeing in China for 2024? Thank you.

**Alan Brookes:** Thank you David. Maybe to start with China, first of all, our exposure is less than 3% of our revenues now, and I think therefore not as material as it was previously. We have been repositioning ourselves, and that's been really quite important for us. We've been looking firstly to our global clients from China, our tier one clients, as we call them, so that we are well positioned there with clients who understand the global markets. Secondly, we've been moving our service delivery from the, sort of, quantity surveying into the much more respected and higher margin project and programme management. And so these are choices we've been making. With those choices come a drop in our revenues in China, which we think is sensible at this stage, and reducing our exposure there, really to those global operating clients.

In terms of the US market, most of our business in the US market in Places is not really connected so much with the commercial real estate. We are doing architectural work with our A&U. And I said on the call, we are number two in the world now, and the market for us is good in terms of those key clients, both in Canada and the US where we're doing the architectural urban planning work.

In terms of the Places business otherwise, we've really been focusing on the semi-conductor work, the actual high technology industrial work there, and so we don't feel exposed in the sense of our client base, which is more blue chip, large scale, industrial, technology-driven clients. So not feeling worried, at this stage, about a US market exposure to offices.

**David Kirstens:** Great, thank you very much.

**Sangita Jain (KeyBanc Capital Markets):** Yes, thank you so much for taking my question. So I have a question on margins, and then a follow-up. So you obviously ended 2023 on a very strong note, and ahead of your earlier three-year targets, so to get to that 12.5% in 2026, should we think of it more of a rateable cadence or is it more back-end loaded?

**Virginie Duperat:** Thank you Sangita, maybe I will take this one. Basically we ended 2023 on a strong foot, 10.4% is already quite a head start[?], so that's a good achievement. It will be a progressive step up, year after year. I wouldn't want to see us having to do something very much back-end loaded. If you think about [inaudible] the indications we have been given, it's super clear that we are going to extract a large part of our growth in margin next year from the realisation of the cost synergy. We have already €5 million that got up in our 2023 P&L, but the rest of the €20 million is to be extracted to profit to our 2024 P&L.

If you think about Middle East, for the moment we are fully resourced Middle East, and that I agree with you, will not only happen before the end of the cycle. In the bridge that I showed earlier, there is an incremental 0.4% compared to the traditional 0.3% that we had on the Middle East margin. So if you remove that from our performance of the year, that 0.7%, that mechanically[?] will disappear the day we are completely released with Middle East. We still have ten offices over there, around 50 projects that are going on, and that goes with engineering licenses[?] and some costs[?] and such. We want to be, as soon as we can, out of it, by the end of 2024, and we may make the decision of keeping some licenses in 2025 if there is still some cash to collect, because once we have closed offices and licenses, we can't get the cash back.

So that's, I would say, the biggest indication. The rest of the levers[?] will progressively contribute. The project portfolio is already there, but I advise us think about gradual and steady progression of the margin around the [inaudible].

**Sangita Jain:** Great, thank you. That's very helpful, and if I can ask you a follow-up on the chip [inaudible] in the US. We are starting to see some chip side[?] funding getting loosened up, so just wanted to see what your parts are and what you're seeing in terms of your Places backlog, going into 2024?

**Alan Brookes:** Yes, thank you for that. I think probably like you, we're seeing the early signs of the, sort of, chip side coming through. Most notably I think we've had our, sort of, really first proper project coming through with the University of Albany, and that was a really good project there, which is the nanotech complex near the university. What we've also seen now is more projects starting to look like they will develop, but these are blue-chip clients, and we expect really for us, H1 will start to secure some of the funding – we're already working with the clients – and H2 will see the real drive into our performance there.

So some wins already. We're positioned well with clients, we're talking in detail to quite a few clients now, and we expect the funding to land in the US and, as I say, the projects to move in H2. So, we're very well focused on that and think it will be a good uplift in the second half of this year.

**Sangita Jain:** Good, thank you so much for answering my questions, appreciate it.

**Quirijn Mulder (ING):** Yes, good afternoon everyone, and good morning for the events people. My questions are a couple with regard to the extraordinary charts[?] you took, as you made it or you reminded us of €48 million at the end of full year 2023. So can you maybe elaborate for what the non-current result was there, and how are you seeing the split? And then with regard to the cash flow, what was the impact of the effect of the taxes with regard to the intangibles in the US?

**Virginie Duperat:** Thank you, Quirijn, so I'll start with the non-operating cost that we have taken which amounts to €48 million this year. A large part of that, a bit more than half of it is about restructuring costs, but coming obviously from the integration of the acquisitions, but also from restructuring cost in China, as you could expect. So that's part of that. Part of it is not cost that have been already executed, it's provisions for some departure that will happen rather – or plan that will be executed in 2024 in that respect. We have also some technical, I would say, integration cost, such as IT harmonisation, things like this, which we have over there. And that's probably the vast majority of the costs that we have.

And the second question was about the free cash flow, so then I'll go back to the free cash flow and the impact of tax across the year. Section 174 probably represented something like \$50-60 million equivalent in dollar that we pushed out, and we recently follow the news about the fact that it might be potentially cancelled or suspended up to 2026, so we'll see what's going to happen in the coming year.

**Chase Coughlan (Van Lanschot Kempen):** Hi, good afternoon Alan, thank you for taking my question. Yes, firstly on your capital allocation plan, so obviously your leverage is quite comfortable right now, given your targeted range, and I know you mentioned that you plan to continue your value-accretive M&A strategy. And I'm just wondering, should we expect any more, sort of, larger M&A deals like we saw with IBI and DPS? Or is your strategy more to do with smaller built-on acquisitions, mainly at the Intelligence unit? Just some more colour on your M&A strategy there.

**Alan Brookes:** Thank you. I think on this one, we're very focused now on looking at how to connect digital into our clients, and, obviously as you say, that'll be part of the Intelligence unit. We're really focused now on looking at how this would align with our three-year strategy, particularly around, sort of, the asset lifecycle management, and really helping our clients on decarbonisation and things in this area. So I think what you could expect is that we will be looking at these areas to supplement and accelerate our offering there, and I think this is probably where we will focus.

So these, by definition, are usually, sort of, small to mid-sized businesses and we'd want to do something that is really getting us into our clients with strong margin and connecting us to good cash generation. So I think this is where we are focused right now, and this is what we'll be looking at in the year ahead.

**Chase Coughlan:** Okay, no, that's very clear. And maybe a follow-up on that then, because obviously this whole digital push is a real theme, not only for Arcadis, but also for a lot of the other players in the space, both in Europe and in the US, but I'm just curious if you're seeing quite a lot of competition for M&A now, in the digital space. I'm wondering how you're seeing the multiples respond to that and if that might become increasingly expensive in 2024 and 2025, or if you have any more views on that.

**Alan Brookes:** Yes, I think I'll start off by saying, I think we're seen as an attractive business, quite honestly, because of the way that we operate, and obviously in creating the Intelligence unit we've got good visibility and people like that, in terms of attractive for us. And maybe I'll ask Virginie just to maybe comment on the – what she's seeing in terms of the multiples, and so on.

**Virginie Duperat:** Yes, I think that it's very diverse, it really, really depends on who you are talking to. I think we've seen exactly the example in the recent acquisition that we did, when you are in a direct discussion with someone for a very long time, I would say that you can be also quite outside the market, it's a very different model for our discussion. And when you are doing a listed bill[?], for – for example, it can be super, super different.

The market is still very, very fragmented, be it directly in our space, in the engineering and consulting space, and then, that also reflects in the potential target even in the digital world that we could get into. And some of the targets we are discussing can also look[?] very much about [inaudible] and such and do complement some people, but not everyone. So that I think

is the thing we could try to play on. Then definitely there is a lot of focus of private equity in our space, with reconsolidation happening in the market, and that definitely has an impact on the average multiple of some of the operations [inaudible].

**Chase Coughlan:** Okay, thank you. That's very helpful. I'll jump back in queue.

**Maarten Verbeek (the IDEA):** Good afternoon. I would like to get back to the exceptional restructuring charge, not specifically for the full year but for the fourth quarter, because full year was €48 million, but a very high number for Q4, €24 million. You also stated that you completed more or less the last remains of your integration of DPS and IBI, and I can't imagine that that was a very costly exercise to do the last bits and pieces. So could you give a bit more colour on what happened over there, what kind of charges you took?

**Virginie Duperat:** So the charges that we took is because when you make the decision, you need to book the charges, [inaudible], so as I stated in my earlier answer, large part of it is provision for restructuring operation to be happening on the cost of the next year. And as we re-finalise the integration, obviously we have a very key idea of how we will restructure and notably in the [inaudible] function beyond the field[?], once we have integrated everyone. And we know, once we have a single system and things like this, what we need to keep in terms of support in all the regions, so that's why, and that's how you happen to have all that being booked the moment it is fully finalised and announced.

**Maarten Verbeek:** Could you give some guidance what kind of regular restructuring charge you expect for this full year?

**Virginie Duperat:** For 2024 you mean?

**Maarten Verbeek:** Yes.

**Virginie Duperat:** So we don't give any guidance on that, but I would say we stated that we need to be out of the Middle East by the end of next year, that's our intent. And if we get into, let's say, the realisation of [inaudible] there might be additional elements of restructuring to be booked in the P&L as we make the decision and engage the operations in Q4 on that one. Vast majority of that being potentially [inaudible] contract in terms of offices and work place when you ask to get out of this contract.

**Maarten Verbeek:** Okay.

**Virginie Duperat:** [Inaudible] a very low allowance[?] compared to what we have this year, except if we happen getting again new types of operation that would change the decision making.

**Maarten Verbeek:** Okay, thanks. Then Middle East is still waiting on your results. By the information you provided, it seems that depressed[?] your EBITDA by some €25-30 million. Firstly, do you expect that to come down considerably this year, and then more or less, would you say we have wind down everything by the end of this year, so in 2025, virtually there will be no losses from the Middle East anymore?

**Virginie Duperat:** Ideally, yes, as I stated, so long as I need to keep some licences operating, I might decide to keep a little bit of cost. If you think about Middle East over the last three years, the achievement in terms of a reduction of working capital by getting the cash in, has been very, very significant. Meaning that the decision we have taken to progressively run down

rather than allowing something super large, has proven to be really successful in terms of cash management and sound management of our P&L, on top of the relationship with all of our clients. So that's the reason why we are not going to try to accelerate anything now, we are reaching the end, but make sure that we are doing the right thing.

One of the nice things that we've been able to do is that when we acquired IBI, there was some footprint in the Middle East, and within one year we have almost managed to get that down back to zero. So then the additional Middle East elements, we've added to ourselves is something that we have managed to address as a priority.

**Maarten Verbeek:** Okay.

**Sabahat Khan (RBC):** Okay great. Thanks and good morning and good afternoon. I guess, there's a little bit of discussion on the margin, kind of, progression recently. Can you maybe just talk about this – just remind us of the targets around the 12.5% target by 2026? Maybe just how we should think about the cadence over the next three years, including 2024, to kind of get to that target.

**Virginie Duperat:** Hi Sabahat, I think it's going to be a key progressive[?] margin incremental progression, as I stated earlier. Think about 2024 is about execution of cost synergies, that's the first element that should[?] additionally to the P&L. Middle East is weighing up[?] on 7% this year; I would expect it to be a bit lower next year, and then progressively disappear. And in parallel, of the three levers that we are working on, the sustainable project lever or the digital and the human one [inaudible] by people should progressively bring [inaudible]. So that, I think the way I would see it, I would have a tendency of thinking that the GEC part might be quite back-end loaded because of the need of designing and opening of an additional centre, and obviously I would expect us to have to open that during 2025 – or work on it 2024, open it beginning of 2025, and then progressively ramp up and help us accelerate in our capability of moving faster with global excellence centres. But the way we have built it and the fact that we really tried to shift very early on the sustainable project choice, and as we stated during Capital Markets Day, we now already have more than 50% of our portfolio, which is already at or above this 12.5% margin, really makes us confident that we can take productive steps to increase our margin, [inaudible] a little bit from the years now. And I hate having to have [inaudible] problems by the end of the year or the cycle. So I will try to make sure that we capitalise progressively on the steps we take.

**Sabahat Khan:** That's helpful colour and then [inaudible] –

**David Kerstens:** Hi, thank you for taking my follow-up. I just wanted to go back to the significance of project events and pipeline opportunities. Did I hear correct that you said that the project events have now increased to €100 million and the pipeline to more than €300 million? So my question would be how – when will the pipeline be converted into orders and revenue? And what does that do to your returns on invested capital on the acquisitions of IBI and DPS?

And then I have a question on data driven that you added to your company description.

**Virginie Duperat:** Okay, maybe I'll do the technical part of the question, and I'll let Alan have a comment on the business, it's probably better. We have €107 million in order intake, meaning that we have sometimes [inaudible] a firm that we can take and execute. And when we say

we have €300 million in the pipeline, it's for the project that are in framework agreements, for example, that are going to be – to become [inaudible]. It doesn't mean that everything is going to become [inaudible] single year, or in two years in such that can be very, very different, and that's the way we see the pipeline.

But for example, if we come back on our Q1 announcement, in Q1 we had in mind €100 million of pipeline for [inaudible] synergies and we managed to convert just above €100 million in a single year, in terms of order intake. Having €300 million at the moment in the pipeline give us quite a strong confidence that we can go on [inaudible], sustain a sharp progression, a sharp increase in our revenue – net revenue growth.

**Alan Brookes:** Maybe just to give a bit of colour to that sometimes what you'll see is individual projects coming through. So you'll get a single project such as the semi-conductor manufacturing which will convert quite quickly, as soon as the client has agreed the funding, and established it, and we've seen several of those coming through. We expect, for example, five awards in the US administration announcements to come through, so they would be pipelined, I'll converse as soon as that announcement is made and confirmed. Others might be multi, sort of, framework contracts where Nevada Department of Transportation, I think I mentioned, we were awarded multiple contracts there, and therefore you'll see those coming through in stages, over some period of time. Or Infrastructure Ontario in Canada where we've just won a five year, sort of, deal which will come through over time again.

So it does – they will convert, and some of the revenue will land almost through the year, immediately. Others will be progressively over several years, potentially, so it depends on the size and the type of contract we're winning, but we're seeing good healthy pipeline, as we said, really pleased with our year-end position, and our order book at the year-end which bodes well as well for 2024.

**David Kerstens:** Yes, that sounds good. Great, thank you very much. And there was one point in the press release that I noticed there where you added data-driven to your company description. Is that just a clarification or is it a change in the way you sell solutions to customers?

**Alan Brookes:** I'd say it's trying to make it clear that increasingly we are using data with our clients, to inform how we operate and the recommendations that we make. And secondly, as we develop more software products, and we are starting to see now clients really liking the idea of looking at data-driven solutions around managing their assets through the asset lifecycle, and we want to make it clear that we have products and we're using data to advise clients. And increasingly that will become important to us. So that's why we've added that, just to be clear that's what we are doing as we move forward. It's an integral part of our offering.

**David Kerstens:** Understood. Sounds good. Thank you.

**Alan Brookes:** Thank you. And briefly, as I said, I think it's been a privilege to be able to announce a record year for Arcadis, on behalf of all my Arcadis colleagues who've worked really hard in the last year, and particularly in Q4, and to our new colleagues joining us from IBI and DPS in the year, who've made a difference. And I would just like to say, we look forward to the next three years, the great opportunities ahead of us, in driving that innovation and sustainability in the way that we operate, and meeting our next three-year strategy goals, as

well as we've made the last three years. So thank you all for listening, and your questions. Thank you all very much.

[END OF TRANSCRIPT]