



Arcadis Global B.V.

"Arcadis Q2 & Half Year 2024 Results Conference Call"

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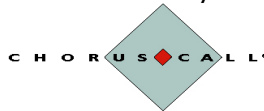
Conductors:

Mr. Alan Brookes, Chief Executive Officer

Ms. Virginie Duperat-Vergne, Chief Financial Officer

Ms. Christine Disch, Investor Relations Director

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OPERATOR: Ladies and Gentlemen, thank you for standing by. I am Vasileios, your Chorus Call operator. Welcome and thank you for joining the ARCADIS Conference call and Live Webcast to present and discuss the Second Quarter & Half Year 2024 Results.

At this time, I would like to turn the conference over to Ms. Christine Disch, Investor Relations Director.

Ms. Disch, you may now proceed.

DISCH C: Thank you. Good morning and good afternoon, everyone, and welcome to our conference call. My name is Christine Disch, I'm Investor Relations Director at Arcadis and we are here to discuss Arcadis' Second Quarter and Half Year 2024 results released this morning.

With us on the call are Alan Brookes, our CEO; and Virginie Duperat, our CFO. We will start with the presentation, which will be followed by Q&A, and 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 the risks related to these statements, which are more fully described in the press release and on the company's website. Now please, over to you, Alan.

BROOKES A: Thank you, Christine, and good day, everybody. Welcome to our Q2 and Half Year results call. Arcadis has delivered another strong set of results this quarter with a record order intake of EUR1.1 billion. This reflects growth of 8.6% with ongoing client demand for our

sustainable and digitally enabled services continuing to drive success. This has resulted in Net Revenues of EUR991 million, with solid organic growth of 6% for the quarter, highlighting our strong market position across all 4 global business areas.

Backlog now stands at EUR3.4 billion, reflecting an organic growth of 5.6% year-on-year. We have seen a significant improvement in our operating margin. This has increased from 9.7% in the same period last year to 11.5% for the quarter. Our market-leading positions, talented team, long-standing client relationships and complementary set of services have enabled us to continue driving profitable growth. Notably, we are seeing significant public and private sector investments in our core markets. This is expected to drive further pipeline opportunities over the coming years.

We have also secured several large multiyear framework wins this quarter. I will share more detail about these shortly. But together, it provides significant visibility into our backlog developments and revenue in years to come. With that, let me spotlight four key areas where we have seen significant wins and growing interest in our solutions and expertise.

One Arcadis solution area where we are seeing strong growth is in water optimization. Arcadis has a rich heritage in water, rooted in Dutch Water Management. This strong foundation has enabled us to become pioneers in integrating cutting-edge digital technology with water management, to address critical issues such

as water scarcity, aging assets, and demand for clean drinking water.

In the UK market, this expertise has been applied to support successful bids as part of the AMP8 framework. This GBP96 billion five-year investment framework is focused on the long-term sustainability of water resources and infrastructure to meet the future demand.

The level of investment represents a massive 90% increase on the previous AMP7 cycle, the largest capital investment in water and wastewater assets ever in the UK. Last quarter, we announced wins with Thames Water and South West Water and in Q2, we have secured a five-year contract with United Utilities to replace aging assets and support their capital investment program across the Northwest of England. We now have relationships with 10 out of the 11 UK water utility companies, underscoring our commitment to delivering high-value projects across the water market.

And finally, when it comes to cutting-edge technology, our solutions like water finder leverage advanced analytics and digital twins. Digital twins are virtual models of physical objects and in the case of Water finder, help us to rapidly locate leaks and minimize costly time-consuming efforts from manual surveys.

Our solutions have been proven to enhance operational efficiency and sustainability by up to 30%. This year, we ranked number one in water treatments and desalination by engineering news record in the US,

underlining our leadership and expertise in water optimization and preservation solutions.

Now turning to our advanced industrial manufacturing solution area, we are seeing increased demand for our data centre advisory services, particularly among big tech and semiconductor clients. This is being fuelled by significant public and private sector investments. For example, in 2024 alone, USD22 billion have been invested in data centres globally.

In the private sector, we are seeing considerable investment from major technology companies into AI and related technology and more than half of the \$52 billion subsidy for the semiconductor industry has now being dispersed under the US Chips Act. This includes \$8.5 billion in federal funding to Intel and a further \$6.1 billion to Micron.

When it comes to data centres, their substantial energy requirements mean that our clean energy solutions are increasingly in demand. With the AI chips consuming 3x more energy than traditional chips, the demand for more efficient solutions is only projected to grow. This market's emphasis on sustainability, energy efficiency and decarbonization combined with massive influx of capital indicates a robust and growing market for our services.

Our integrated approach spanning facility design to sustainability advisory ensures that we can address all aspects of our clients' needs. We are uniquely positioned to bring together multiple disciplines from the outset of any project or program from landscape

architects to ecologists through to engineers and design specialists. As such, we are well positioned to help our clients achieve both operational efficiency and sustainability goals.

Key wins this quarter include the design of a major multimillion dollar semiconductor facility and a new data centre campus, both in the US, as well as supporting the delivery of a new multipurpose clinical research building in North America. Whilst geopolitical factors, including election cycles, trade policies and incentivization programs undoubtedly play a role in market dynamics across our places business, we are well positioned to adapt.

Our global structure and reach mean that we can readily deploy teams where demand is highest, remaining agile to respond to existing client needs while simultaneously positioning for future demand in line with recovery.

So, in Mobility, the strength of our global rail and transit expertise continues to drive success, especially in the US, UK, and Australia. We expect this to grow with significant levels in investments in public transport, including allocations through network rails control period 7 investment plans in the UK and the infrastructure investments in job sites in the US.

Arcadis is already a beneficiary through the \$16 billion US Hudson tunnel projects where we are working as delivery partners to help improve reliability and resiliency of commuter and intercity rail transit.

Forward-thinking infrastructure investment like this is critical, and we are well positioned to capitalize building on the best practice drawn from our work on other game-changing projects around the world, including California High-Speed Rail, High-Speed in the UK, and TGV in France. It is this combination of global knowledge alongside local delivery expertise that is critical when it comes to facilitating cross-border collaboration and exemplifies the benefits of our GBA approach.

A recent project win in Australia demonstrates the scale of transformation that can be achieved through our work. The Australian government is investing \$500 million in planning a high-speed rail network and this will be pivotal for sustainable long-term growth. We are developing this business case and providing technical advisory services for a new high-speed rail link that will be key to connecting regions and communities.

It will unlock growth, improve access to critical services and provide sustainable travel alternatives that will reduce emissions and cut road congestion across Australia's entire East Coast.

And finally, turning to our intelligence business area. We are seeing growing demand for our digital asset management solutions, driving increased alignment across all of our global business areas. For our resilience clients, including water and utility companies, digital transformation is key. It is estimated that in the US, a water main breaks every two minutes and 1.7 trillion gallons of drinking water are lost each year due to

leaking pipes. Competing pressures from rising costs and aging assets call for urgent solutions.

The market potential is clear. From the total \$55 billion allocated to water-related projects through the infrastructure investments and job sites, USD43 billion has been channelled through the US Environmental Protection Agency via state revolving funds designated for water utilities. We are in a unique position to capitalize on this opportunity through the seamless integration of smart digital solutions to help optimize asset life cycle planning.

Enterprise Decision Analytics or EDA is one such example. It offers predictive and prescriptive analytics modelling and optimization alongside AI, machine learning and adaptive pathways. This, in essence, helps clients balance risk and cost considerations to improve overall asset performance and ultimately, business returns. EDA significantly speeds of reporting and decision-making.

It means that clients can do the right work on the right assets at the right time, crucially enabling them to better manage budgets and make better use of expenditure. A significant EDA win this quarter was the city of Henderson in Nevada.

We have secured a three-year contract with a two-year renewal option to implement EDA to support life cycle planning and optimization of their 0.5 million water and wastewater assets. These include reservoirs, HVAC, sewer mains and water meters. This state-of-the-art technology is key when it comes to helping clients

improve financial stability, affordability and resiliency of their assets.

As well as in the water sector, EDA is being successfully used by multiple clients in the rail and transit and energy transition sectors, notably in the US and Canada. Other clients include the Nevada Department of Transport, Infrastructure Ontario, and the Ministry of Transportation in Ontario. EDA's ability to help clients deliver the best value from that investment means it remains a key focus and core products in our suite of intelligent solutions.

And with that, I will now hand over to Virginie, who will take you through our financial results for the second Quarter and the Half Year 2024 in more detail. Thank you.

DUPERAT-VERGNE V: Thank you, Alan, and good morning, good afternoon, everyone. In the First Half of 2024, Arcadis delivered a strong set of results with continued margin expansion. Our Net Revenue increased 5.2% organically to EUR2 billion driven by all GBAs, a key driver of our revenue growth in the First Half was pricing due to our increased focus on higher-margin key clients and greater selectivity in our pursuit processes.

Our Operating EBITDA margin improved to 11.1% compared to 9.7% in the prior year period. Indeed, our cost synergies plan is delivering EUR10 million in the First Half. The Middle East is unwinding as planned. We see operating leverage coming from an improved

project portfolio, key client from expansion and disciplined cost management.

Excluding Middle East, Operating EBITA Margin was 11.1% in the First Half with the usual winding down cost, offset by some releases on overdues being finally paid. Following the successful integration of Arcadis IBI and DPS, cost synergy realization is well on-track and expected savings of EUR20 million will be fully delivered by the end of the year. We are also pleased to see a shift in our workforce composition with a sharp increase in Global Excellence Centres year-on-year.

Our Net Working Capital percentage was slightly up at 12.7% due to a strong month of June performance, driving up the unbilled position. Our working capital management remains disciplined with days sales outstanding at 66 days. Our Free Cash Outflow of EUR88 million is in line with seasonality pattern, outperforming last year and included the first interest payment of EUR24 million in the First Quarter on our Eurobond issued in February 2023. Our Net Debt decreased to EUR1 billion, which led to a Net Debt to Operating EBITDA ratio of 1.9x, down from 2.4x one year ago.

Now let's move to the next slide to look at our order intake and backlog. In the First Half, we delivered strong organic backlog growth of 5.6% year-on-year which resulted in Net Revenue backlog of EUR3.4 billion. Our order intake reached a record level of EUR2.2 billion and resulted in a book-to-bill ratio of 1.12x. These sizable multiyear contracts won in the

past 6 months provide us with increased visibility of future order intake and revenues in the remainder of the year but also the years to come.

Let's now look at the Financial Performance per GBA in more detail. First, Resilience. In Resilience, we showed continued solid demand across our solutions with 8.6% organic revenue growth. This was especially strong in key markets, including North America, UK, Netherlands, and Germany. Our globally leading position in Water drove high project win rates underscoring our skills and ability to deliver high-value projects across the Water market. In the First Half, we achieved a robust margin of 12.8%, which improved significantly, thanks to our strategic project selectivity, which has significantly enhanced the overall profitability of our portfolio.

If we now turn to Places, we delivered good revenue growth in our largest markets, Germany, UK and Ireland, Netherlands, and Canada, resulting in margin improvement. Order intake saw continued positive momentum with 21% growth in the Second Quarter. Demand for data centre design remained strong, while our semiconductor clients demand picked up on the back of Chips Act funding. We see good opportunities in our product pipeline as stimulus fund allocations across our solutions portfolio are beginning to come through.

Let's now move to Mobility. 7.7% organic growth was driven by continued strength in our key markets, North America, Australia, and Europe. Thanks to the powerful combination of our global knowledge and local expertise, we made significant wins, including high-

speed rail in Australia, the upfront River tunnel in New York and the design of Calcasieu bridge in Louisiana, United States; all as a result of the ramp-up of government infrastructure investment programs. Margin improvement was mainly driven by the double-digit growth in the US, generating operating leverage and improved performance with large governance clients in the UK.

And finally, our fourth GBA Intelligence. We saw good organic growth of 4.7% and driven by North America and the UK, particularly from improved Enterprise Decision Analytics sales. In addition, Intelligence was instrumental in generating synergy wins for large key clients which were mostly recorded as order intake with mobility and places. Examples illustrating this collaboration include the win for EV battery facility clients in the United States for which intelligence provides digital master planning, but also working with a major automotive client on a new innovation centre in the US, providing a digital audit and strategy. Meanwhile, we accelerated our digital strategy by making key hires and driving our digital product road map.

Overall, turning to the P&L. We delivered a strong Operational performance with EUR204 million of EBITA compared to EUR167 million last year, an increase of 22% year-on-year. Our Net Finance Expenses were EUR23 million, and our effective income tax rate was 33%. Lastly, our Net income from operations increased 23% to EUR126 million or EUR1.40 per share.

Let's finally turn to the Free Cash Flow. In the First Half, we saw an outflow of EUR88 million which reflects good Cash Management and is in line with seasonality. The slight increase in Net working capital came as a result of strong performance in June, which drove receivables position higher. Tax paid was lower year-on-year, driven by a one-off Cash Outflow related to Section 174 last year in the US And as mentioned previously, Net Interest included the EUR23 million of Eurobond interest payment in the First Quarter of 2024.

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

BROOKES A:

Thanks, Virginie. And so, let's wrap up this part of the presentation. I'd just like to say, in the 6 months to the end of June 2024, we have delivered a strong First Half year of Arcadis' 2024 to 2026 strategy cycle. Sustained client demand across all our global business areas and specifically in solutions across energy transition, water, technology, and mobility resulted in continued strong revenue growth and order intake in the Second Quarter.

Operating leverage with improved Project portfolio and cost control allowed us to further improve our margin and deleverage our balance sheets, while we invested in key hires and our digital road map in intelligence. Importantly, as public, and private investment programs ramp up, our future order intake and revenue visibility is increasing. Meanwhile, we are reaching the first milestones in our strategy implementation, including the rollout of our skills powered organization

and the expansion of both our key client program and our Global Excellence Centres.

Looking forward, our deep asset knowledge, global expertise and complementary set of services are key success factors, allowing us to further drive continued profitable growth and for the Arcadis team to better serve our clients. And with these concluding remarks,

I'll hand back to the operator for the questions-and-answer session. Thank you.

OPERATOR: The first question comes from the line of Kerstens, David with Jefferies.

KERSTENS D: I've got two questions, please. Can you elaborate on the different growth rates you're seeing in order intake by GBA, particularly the very strong acceleration in places to 21%. But at the same time, you're also saying there's more discipline in Resilience where order intake was only 1%. Would you expect that based on your current order backlog and these differences in order intake, you would see an acceleration in organic revenue growth in the Second Half of the year.

And then my second question is around the significant pipeline of opportunities driven by allocation of stimulus funding. Can you quantify the pipeline? And are there any signs among your clients in resilience that are becoming more cautious ahead of the US elections? Thank you very much.

BROOKES A: Okay. Thank you, I'll start off if that's okay. In terms of the growth on the order intake, we've seen 21% in places because what we've looked at is, first of all, the data centres that I mentioned, there's been significant investment in data centres. And that has been really showing through in the pipeline there and the order book as well as we're seeing, and I'll comment a bit further in a moment on the stimulus packages with the semiconductor market. So that's what's been driving it.

Also, we've seen in Canada significant architectural projects coming through, which has all helped in terms of the uptake in Places giving the stronger outlook. In terms of Resilience, we have looked to be more selective, and this is shown in the order intake. And we do have confidence in H2 that we are seeing continued, if you like, demand for our services in Resilience and with a good outlook there. So, we don't see that we would see any fall off in that sort of sense. But we will remain selective because this is what drives our performance improvements.

And maybe just to talk about the pipeline and stimulus packages. What we've seen really is the start of the allocations, as I said in the presentation. I referenced two clients of ours, actually, Micron and Intel and they have received significant allocations. We're expecting to see in H2 these starting to convert as we see the move into our order book from the pipeline. So, the stimulus packages we are seeing the money flow through and really starting to get traction into projects. So, we would see an uptick there as well.

Finally, the comment I'd make is our focus on our key clients. I think we are well positioned around our key clients in these areas. We've seen an uptick from 51% to 59% in key clients. And this obviously provides much more focus for us in terms of responding to their needs. So, I hope that addresses your question.

KERSTENS D: Thank you very much Alan. Can I ask one follow-up please on the Profitability in Resilience based on the selective order intake you had very strong progress in your margins, operating margins and are already in line which are 2026 targets. Is there still room for further upside or should we think about margin improvement more in places and in mobility from here?

DUPERAT-VERGNE V: Thanks David and maybe I'll take this one. I think that number one we need to really refer to energy transition when we think about the increase in our operating margin in Resilience. We see the development of these solutions and especially we've seen our German market quite booming and that has been quite helpful, but there are still quite large capability and large room for further development in this energy transition market, also in climate adaptation and this type of solutions are also fuelling the margin in Q1. And we're probably only in the beginning in terms of what advisory solutions in Resilience can be bringing.

KERSTENS D: Understood. Thank you very much Virginie.

DUPERAT-VERGNE V: Thanks David.

OPERATOR: The next question comes from the line of Den Drijver Martijn with ODDO ABN AMRO. Please go ahead.

DRIJVER M: Yes, good afternoon gentlemen and Virginie, M Drijver actually, but I've never heard it like that. Anyway, my first question is for Alan. I understand that organic growth was mainly driven by price increases. Now, your peers have actually made some positive statements about the pricing environment. So, the question 1A is do you see further room for improvement and 1B is if it's mainly about pricing, why was there no better billability for the FTE increases within Arcadis, but also at the GECs? That will be question one.

BROOKES A: Thanks, Martijn. I think what we're looking at we said that we've seen significant improvements in price there, but for us what we will continue to do is the other levers on our strategy. So, looking forward we will see more take-up, for example, as we grow the GECs that we mentioned in the strategy standardization of automation in our business, and we'll start to really see these improvements coming through.

So pricing, selectivity, our pursuit process is all starting to bed in. We will further automate our pursuit process then standardize and automate our work and add more to the GEC. The GECs are significantly used by mobility. We've obviously been winding down on the Middle East as we said, but what we will see I believe in the Second Half of the year as these large projects in the GEC, sorry

in mobility come through, they will use more of the GEC. And as such we will see a significant uptick there particularly in the billability.

So, I feel the growth in the GEC that we're seeing now, we will see more progression as we move forward. And I think then you'll see that billability stepping up. So, we're confident as we become more rigorous in the future there and we will actually see the benefits.

DRIJVER M: Clear. And my second question is for Virginie. I understand that the uptick in Net Working Capital was mainly due to the strong growth in June. Do you think it's still feasible to go back to the 9.3% Net working Capex sales that you achieved for the whole of 2023 or is that a little bit out of reach given what you've achieved now in the First Half?

DUPERAT-VERGNE V: Thanks, Martijn. Obviously, I'll tell the team on a constant basis that this is the ultimate goal to start to reach, but I'm quite convinced that due to the seasonality pattern that we see, that is something which is achievable on the Full Year. But B where we are in the middle of the year, I'm happy. I shouldn't say that too loud because some of them might be listening in this call. But definitely we have quite achieved a strong performance and a strong discipline and remaining around that DRO is probably something to expect. As we see also bigger projects coming in, there might be an effect on our working capital obviously due to the ramp-up of the volume of working capital on the face of our balance sheet. If I think to the big elephants like Hudson Tunnel last quarter or others obviously this

can be having an impact. So very important to remain disciplined, but definitely last 3 weeks being super strong then they are billing, or they have been billing in the first weeks of July.

DRIJVER M: Okay. And then I'll sneak in a third one, but it's a brief one. You mentioned EUR20 million of savings on track. How much did you realize in the First Half of that EUR20 million, so that we know roughly what to expect in the Second Half?

DUPERAT-VERGNE V: EUR10 million. I said it in the voice over, but maybe you know me I don't articulate very well, sorry.

DRIJVER M: Thank you very much.

DUPERAT-VERGNE V: Thanks, Martijn.

OPERATOR: The next question comes from the line of Quirijn Mulder with ING. Please go ahead.

MULDER Q: Good afternoon. Good morning for the US listeners Quirijn Mulder from ING. Congratulations with your results. It looks like that you are nicely on track for your 12.5% by 2026 margins. I have a couple of questions. First about the Global Excellence Centres. You were looking for a so-called new location maybe in India or somewhere. How is the progression there? And is that anything, and the growth is of the Global Excellence Centres in the First Half year? Is that related to the other hubs? Is there anything to tell you? And the second question about the Middle East. If I look at the text and the tables, then it looks like that the Middle East had no impact on your results. So, what do we

expect on the second, in the second Half of 2024 in the, for the results for Middle East?

BROOKES A: Thank you. I'll take the first question on the GECs. We've now developed the criteria for a fourth GEC, and we've started to do the search for this. We're hoping that we will identify by the end of the year, so we can mobilize this into next year. Interestingly, we've seen the growth in the GECs this year by 21%. And actually, if you look at our headcount, you will see the vast majority of our headcount increase, therefore, is actually in the GECs. And this is what we want is actually to get more capability, more capacity in our GECs for the future. And as we ramp up into our projects particularly the larger big-scale projects, then we will see continued growth we believe in the GECs, and this is our aim for the future. Maybe, Virginie, you'd like to talk about the Middle East?

DUPERAT-VERGNE V: Thank you, Alan. On the Middle East, obviously, the cost of winding down has not changed. So, you can go on thinking about of course 3% off of margin cost into H2. And in H1 we saw some cash in from all the values that have been paid. We are lucky enough to have a highly motivated team in the Middle East who is still going on trying to catch the old working cap that we have there. So that's the event which is offsetting the cost of winding down.

MULDER Q: Okay. But then on, thank you, but on the Global Excellence Centres what's the reason for the sharp increase in the First Half year given the fact that you,

let me say, 2022, 2023 you struggled somewhat in terms of growth of your Global Excellence Centres employees?

DUPERAT-VERGNE V: We have as part of the strategic plan a new team which is absolutely working on this and who has increased the number of people getting it. And also we need to remind that injecting as a whole IBI and DPS after the acquisition has diluted the progression that we had before in the Global Excellence Centre as much as our portfolio is now renewed and that the Arcadis DPS and Arcadis IBI teams start working on new projects that they bring in, then there is a component of GEC and that helps also accelerating the increase on that side.

OPERATOR: The next question comes from the line of Jain Sangita with KeyBanc Capital Markets. Please go ahead.

JAIN S: Yes, thank you so much for taking my questions. If I can ask one on AMP8, you talked about the framework agreements that you're signing. Can you walk us through how that translates into bookings? Is that over multiple years? Or is it a lump sum?

BROOKES A: Thanks, Sangita. Really what happens is when we win a framework, so I mentioned the voice over, for example, we've won 3 framework agreements now with the water companies in the UK with a very significant spend. But actually, there won't be bookings on these framework agreements simply because they won't come into effect until next year.

So, what we get is a unique position where all the work will come to us on these framework agreements for the services that we put forward, but we won't book anything until we've actually got an instruction or a purchase order, if you like, for want of a better expression.

What we're pleased about with some of these frameworks now is the clients have got committed expenditures so we can see full visibility. And that's why we referenced in my voice over that we got far more visibility now of what's coming, so to speak, down into the pipeline and the order book, but it's not necessarily shown in the backlog right now.

So that's what we were trying to get across. So, a framework just means that we've got the work. We know what the expenditure is. But actually, we haven't got the purchase orders. So, it's not booked in our system yet.

JAIN S: And if I can ask one on you mentioning the strength in energy transition investments. Can you elaborate on that theme and where you're seeing the most strength? Is it building efficiency projects? Or is it renewable projects generation linked to the data centre chip fabs? Or is it something else?

BROOKES A: There's quite a broad range on the energy transition. So, for example, in Germany, we're seeing huge demand as they look to securitize their energy which have been previously relying, for example, on Russian gas. Then we're seeing not only schemes for renewable energy, but also upgrading the grid. In the UK, we're

seeing a lot of work in energy transition to actually decarbonize the grid and I think we're just seeing expansion of grid network. So, it's a various sort of different projects. That's why we've been building and training our resources to undertake this work. But it's across Europe in many, many countries, but Germany has perhaps been the most significant to date.

OPERATOR: The Next question comes from the line of Ehlers, Tim with Kepler Cheuvreux. Please go ahead.

EHLERS T: I actually have a follow-up question on the pricing question asked by Martijn. Can you maybe elaborate a little bit on the potential you see going forward, if there's more room for price increases? And also, maybe going a bit further than just making up for inflation, but also to increase the value add? What's your take on that?

BROOKES A: Thank you, Tim. I think what we're seeing now is we've done two things. One is we started to look at where we can improve our pricing position and stop taking on one-off low-value projects, which has obviously improved our position overall for margin. But actually, when we're looking at this, we're looking at what the scope is of what we're being asked to do and pricing more carefully and actually increasing our pricing points.

But as we move forward now, and we're seeing a portfolio of different services being asked for. We're also seeing that we can develop different solutions. And some of those solutions are quite unique. And so, when the clients come to us, they're coming to us for specific

things, and I gave a few examples in the presentation. Really, I think now where we can be more advisory and we can bring in complementary offerings, we're seeing our position able to improve the pricing point.

I think also you mentioned inflation. I think we're seeing now inflation becoming lower in parts of the world than it was a couple of years ago. And we are not anticipating any particular wage pressure in the future. So, we will be focused more on really looking at how we can build out our solutions within our portfolio. And therefore, I do see opportunities if we manage carefully to continue the pricing position. That's our aim.

EHLERS T: Okay. So basically, the pricing is part of your selectivity strategy, if I understand it correctly?

BROOKES A: It is. So, we've seen that with, when we acquired DPS as well. There's, by being more selective, we can go for the larger clients where they value our services more and actually our price points improves. And that's why we've seen the margin improving.

EHLERS T: Okay, great. But there's no opportunity to, let's say, renegotiate existing contracts and say, look, at its some, there's so much demand for our services and such a scarcity. So maybe we should talk about prices again?

BROOKES A: I think in terms of what we've been bidding, even with clients we've worked for before, and particularly if you take a DPS is a good example, by being more selective and going to the clients there, you're looking at what their pressure points are and often with bigger clients

and those sort of clients in those industries you're also seeing that speed to market is of the essence.

So, if you are a semiconductor type client, you need to get to market quicker. So, they will come to us and say, really, how can you speed up? What's your knowledge, your deep asset knowledge? How can you speed up? And I think what we've been able to do there is move the price points even with our existing clients.

And that's what we're looking at internally as well with our key clients. Why we reference our key clients more is they value us for our deep asset knowledge, our skills, and our advice and therefore, the price point is able to be improved with those clients. And that's what we continue to work on. If you combine that with greater use of the GECs, then you get that double benefit.

EHLERS T: Okay. Clear, thanks. Then another question on your employee growth. Well, you already mentioned that it's coming primarily from increasing usage of GEC. Could you maybe elaborate a little bit on the general path there? So, do you also plan to increase the workforce in the rest of the group? Or is it now really focused on growing the GECs?

BROOKES A: Yes. I think what we're doing here, we've continued to see a fall in our turnover rates in most of our core regions now, Europe, US, UK, we are at or below 10% turnover. So, we're pleased with where we are in terms of our people position. We've seen a flat year-on-year FTE, and the gain has been in the GEC. What we are looking at now as we standardize and automate into the

future, we still want significant growth in those GEC skills that we've got there, and we're hiring into the GEC and that's a direction of travel for us.

So, what we need to do now is really keep that focus because that's where we'll gain most benefits. We are being very clear as we move forward in each GBA, what skills and what capabilities we want in country and what we can have in the GEC. And this is a continuation through the rest of this year and into next year. And we would like to see that continuation of most hiring in the GEC.

OPERATOR: Thank you. MR. Ehlers for your questions. The next and last question is from the line of Verbeek Maarten, with The Idea. Please, go ahead.

VERBEEK M: Good afternoon, Verbeek Maarten, The Idea. On one hand, have you ended your program of closing certain countries or certain offices on one hand, what you have seen lately? And on the other hand, when looking at your focus area on sustainable solutions, do you feel that you are underrepresented with certain skills and capabilities and looking to add that by means of acquisitions? And is that also in certain geographical areas? Thank you.

BROOKES A: Thanks Maarten. I think we did the sort of focus and scale exercise in the last 3-year strategy for most of what we're looking at. But having acquired businesses, you may have seen that we've exited Switzerland recently because that doesn't fit our portfolio. We'll always keep our business under review, but we feel

we've got to our core businesses now where we can expand, and we can develop our business further.

If we look at M&A, the capabilities are probably more aligned to digital capabilities, growing our expertise, we're finding real connectivity with our clients, particularly our key clients. If we can use products like I mentioned, EDA and others, to actually connect with those clients, help them with their asset management and it really helps us with 5-year, 10-year relationships.

So, we're happy at the moment with where we are with our key markets. We will grow, I think, in some more digital capabilities, the use of data. As I said before, clients are asking for that predictive and prescriptive analytics to advise them into the future of their operations. And this is where we see a good growth area. And obviously, we'll double down in places like North America, where we still see a very strong target as well as the other ones that we mentioned.

OPERATOR: Ladies and gentlemen, with this question, we conclude our Q&A session. I will now turn the conference over to Mr. Brookes for any closing comments.

BROOKES A: Thank you very much. As I said, I am delighted to announce our strong First Half year of our new strategy cycle, and I just want to take the opportunity to thank all my Arcadis colleagues who worked so hard to deliver these results. I feel now we are on track to deliver further profitable growth throughout this strategy cycle, and I really want to look to the future in a most positive way. So, thank you all for listening, and thank you for your questions, and I wish you a good rest of the day.