



Arcadis Global B.V.

“Arcadis Q3 2024 Trading Update Conference Call”

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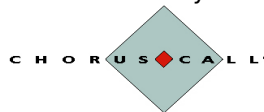
Conductors:

Mr. Alan Brookes, CEO

Ms. Virginie Duperat-Vergne, CFO

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OPERATOR: Ladies and Gentlemen, thank you for standing by. I am Gelly your Chorus Call operator. Welcome and thank you for joining the ARCADIS conference call and Live Webcast to present and discuss the Third Quarter 2024 Trading Update.

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

Ms. Disch, you may now proceed.

CHRISTINE DISCH: Good afternoon and good morning, everyone and welcome to this conference call. My name is Christine Disch, I'm Investor Relations Director at Arcadis. We are here today to discuss Arcadis' Third Quarter 2024 trading update which has been released this morning.

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 the risks related to these statements which are also described in the press release and on our website. Now please over to you Alan.

ALAN BROOKES: Thank you, Christine and good day, everybody and welcome to our Third Quarter 2024 results call. Arcadis has delivered another strong Quarter with significant order intake of EUR1.3 billion, mainly driven by large multi-year project wins, most notably in mobility but also for industrial manufacturing projects across

sectors. This is providing us with further revenue visibility for the years to come.

Net Revenue for the quarter was EUR962 million with good Organic growth of 5% driven by all business areas. While we continue to be selective in projects which we pursue. Our Backlog stood at EUR3.6 billion at the end of the quarter and continued progress on our three-year strategic initiatives as resulted in further operating EBITDA margin expansion to 11.4%. This is up from 10.7% in the same quarter of last year.

Our long-term client relationships combined with our global expertise in managing large-scale programs and integrated service offerings across our GBAs have been key drivers of our sustained profitable growth. By focusing on cross-selling to our key clients and leveraging our global excellence centres, we are driving improved backlog quality and sustained Margin expansion.

Increasingly we are seeing clients turning to a single delivery partner to manage complex projects including large infrastructure programs or industrial manufacturing projects across different sectors. We are uniquely positioned to meet this demand by leveraging our diverse global skill set, combining our industry-leading design and engineering experience with most notably our sustainability advisory and industrial decarbonization expertise. We can deliver greater efficiencies and secure long-term transformation for our clients.

With that let me give you a few examples of what we are doing. The first project I would like to showcase which is a focus from this quarter is Fraser River Tunnel in Vancouver. This is an important

example of how our integrated cross-GBA offering is acting as a key differentiator.

Being led jointly by mobility teams in Canada and the Netherlands and with contributions from resilience places and intelligence, this is truly a cross-GBA win. We have been appointed as design and engineering consultants to the Cross Fraser Partnership Consortium which is working with the province of British Columbia in Canada to deliver this \$4 billion dollar Fraser River Tunnel project. This is a new state-of-the-art eight-lane tube tunnel which will alleviate traffic congestion, reduce travel times and enhance safety across one of Vancouver's busiest transport corridors.

In delivering this project we will leverage advanced engineering solutions and sustainable construction practices. A key highlight here is our specialized expertise in immersed tube tunneling, a technique we've refined over multiple Dutch projects. Only a few global firms have mastered this approach which enables us to design shallow cost-effective tunnels.

In addition to tunneling design we will lead environmental assessments, implement intelligent transport systems and deploy our assured data-led cost control system. This was originally developed for the HS2 project in the UK and this system facilitates collaboration and delivers real-time data analytics to optimize the project management. The program will run for three years and at its peak around 300 Arcadians from across the globe will be involved.

Teams in Canada and Netherlands will be supported by colleagues in Australia, the US, UK and Belgium with significant contribution from our global excellence centres. As such this project exemplifies how our integrated cross-GBA offering is integral to

successful delivery. By engaging in cross-GBA work sharing, fostering cross-border collaboration and tapping into our global talent pool we will ensure we are bringing the very best skills and knowledge to the project.

It is also a demonstration of our strategic ambition to grow capacity and capability in our GECs to help deliver these major transformation projects, strengthening our position in key markets globally. Next, I'd like to highlight another win this quarter where we secured a renewed framework contract to provide engineering services for the Dutch Zuidasdok program which will run until 2036. Focused on the remodeling of Amsterdam Zuid station this is one of the largest infrastructure projects in the Netherlands.

Not only will it signify improved accessibility, but the project will also be critical when it comes to elevating the Zuidas business district into a top international destination for living, working and leisure. This project brings together expertise from across our places, mobility and resilience business areas and draws from our experience working on other large infrastructure projects particularly in countries such as Australia and the UK. Our integrated approach combines a range of Arcadis solutions from sustainability advisory, climate adaptation and smart sustainable buildings through to intelligent rail and connected highways.

It is this cross-sector multi-faceted approach that sets us apart from the competitors where we bring together the best minds from around the world to deliver tailored solutions to our clients. I am delighted that through our involvement in this project we have been able to continue our long-standing relationships with Rijkswaterstaat, ProRail and the city of Amsterdam who together

make up the executive organization overseeing the Zuidasdok program. Much of the strength of our pipeline is driven by these multi-year projects such as this one that I'm showcasing now where the longevity of our client relationships combined with our service offerings are key differentiators for us and integral to driving continued success.

Finally, I'd like to showcase another significant win this quarter which combines our expertise in places and resilience. We have been appointed to support Heineken in driving carbon reduction efforts across multiple brewery sites worldwide and achieving Net Zero in scopes one and two emissions by 2030. As you can expect with multi-phased framework agreements like these the majority of the order intake will be recorded as the project progresses into the implementation stage.

We are in a pilot phase of the project right now and hence the larger part of the order intake will appear in our backlog in the years to come. This project involves developing and implementing a Net Zero roadmap focusing on reducing energy demand and carbon footprint at production facilities and supporting HEINEKEN's transition to renewable energy. Our expertise in decarbonization alongside our capabilities in advanced industrial manufacturing will play a crucial role here.

Our approach on this project focuses on leveraging the expertise of a core global team to lead overall roadmap development and engineering, while our local teams will work closely with HEINEKEN to implement the solutions on the ground. An example here for example here would be the installation of solar panels and the

transition from gas boilers to heat pumps, all of which will reduce a significant carbon emission and operational expenditure.

In this project we are realizing the benefits of our strategic partnership with Honeywell. Announced in May '23, we will collaborate together to provide an end-to-end approach to decarbonization combining Honeywell's building automation systems and software with our expertise in sustainability consulting and project execution. This will be integral to helping HEINEKEN realize and accelerate its energy and carbon reduction efforts globally.

So, you will have seen from these three examples I've just shared the extent to which large multi-year project wins are driving order intake and providing us with excellent long-term visibility for the future. This has been heavily driven by mobility and the delivery of large-scale global infrastructure projects. Our significant order intake this quarter was driven by four such projects booked this quarter with durations extending to 2036, not including any variation orders.

This includes the Gateway Program which was won in the First Quarter of this year and is now fully commencing on site. Together these four projects achieve €350 million of order intake, that's approximately 25% of the total order intake this quarter. These large contracts will take some time to mobilize and the chart you can see on the right-hand side provides an indication of the phasing of these secured revenues. The visibility this provides enables us to optimize our resource planning which includes our global workforce and the GECs.

Our proven expertise in delivering compatible large-scale projects globally combined with our longstanding client relationships and cross-GBA integrated expertise have been key to our ability to win these projects. With a focus on core and high growth markets in the US, UK, Canada and the Netherlands, we are continuing to realize significant opportunities, leverage our global excellence centers and implement the first year of our strategy.

And with that, I would now like to hand over to Virginie who will take you through our financial results for the Third Quarter in more detail. Thank you.

VIRGINIE DUPERAT: Thank you, Alan, and good morning, good afternoon, everyone. In the Third Quarter of 2024, Arcadis delivered another strong set of results with continued margin expansion from an improved project portfolio. Our net revenues increased to €962 million in Q3. Organic growth was 5% driven by all global business areas and with a good performance in the US, UK and Germany.

Our operating EBITDA margin improved to 11.4% compared to 10.7% in the prior year period. This was driven by sustained operating leverage, an improved project portfolio supported by continued selectivity and the materialization of cost synergies while we continue to invest in our strategic initiatives.

Our Net Working Capital percentage was stable at 12.7% while our Net Working Capital management remains disciplined with day sales outstanding of 67 days relative to 68 days the year before. We generated strong free cash inflow of €134 million above last year and in line with seasonal trends resulting from continued disciplined cash management.

At the end of the Third Quarter, Arcadis launched a share buyback program to repurchase up to 810,000 shares to cover for employee long-term incentive plan awards and this is 25% completed as we speak. As a reminder, in the Second Quarter, we had a Cash Outflow due to the dividend payment and as a result, our net debt has been relatively stable.

Now let's look at the growth trends in our global business areas. In Q3, we delivered good organic growth of 5% driven by all global business areas. Resilience saw strong Organic Revenue Growth of 6.9% driven by climate adaptation, energy transition and sustainable operations while we continued to be disciplined in our pursuit process which was reflected in improved order intake quality.

We see a strong pipeline of projects increasingly related to consultancy services such as environmental permitting and sustainable operations advisory. Resilience contributed to large product wins in places and mobility as our integrated offering combined with a strong sustainability profile was a clear differentiator.

Places now. Places revenue continued to be driven by industrial and mobility clients, mostly in Europe, while the backlog benefited from semiconductor client demand notably in the US and new mobility-related projects. The increasing client demand for industrial decarbonization led to large project wins and stimulus fund allocations continue to drive good opportunities in our pipeline.

Mobility saw significant order intake as we said in the Quarter driven by North America, the Netherlands and Australia. These

large multi-year projects will support our future growth and enable us to improve operational performance from scale benefit and GEC engagement.

Finally, in intelligence, we saw good growth in North America where legislative changes are supporting demand for our EDA solution. Integrated intelligence solutions continue to act as a strong differentiator exemplified by the Fraser River tunnel Project win and we continue to see opportunity to extend intelligence products into existing projects in other DBAs, for example, providing EDA for data centers or industrial manufacturing facilities.

Let's now move to the next slide and look at our order intake and book-to-bill. In the Third Quarter, we delivered significant order intake of € 1.3 billion, up 50% year-on-year and resulting in a book-to-bill of 1.18 year-to-date. This represents the fourth consecutive quarter with order intake above EUR1 billion and our backlog has increased to € 3.6 billion. The strong order intake was driven by large contract awards booked into the quarter including large multi-year mobility wins providing us with excellent visibility on 25 and the years after. And with that I will hand back to Alan for wrap-up and concluding remarks.

ALAN BROOKES: Thank you Virginie. As you've heard over the course of this presentation Arcadis has delivered yet another strong quarter. We've achieved increased visibility from the significant multi-year project wins most notable success in our mobility sector. This is a testament to our expertise and our clients growing trust in our ability to deliver complex high value projects. Additionally, we're seeing sustained margin expansion which speaks to the efficiency

and effectiveness of our operations. We remain focused on high quality opportunities.

We are selective about the projects which we pursue prioritizing the cross-selling with key clients and leveraging our global excellence centres to further improve our backlog quality. This progress on our strategic initiatives enhances our ability to drive sustained margin growth and reinforces our leadership in high growth markets. Looking to the future Arcadis is well positioned to deliver continued strong results.

Our industry leading expertise, trusted client relationships and advisory capabilities in sustainable operations, buildings and manufacturing gives us a clear edge in the market. Coupled with a robust pipeline aligned to our strategic goals, we are confident in this trajectory for long-term success. Thank you for your attention and with that I'll now turn back to the operator for any questions that you may have.

OPERATOR: The first question is from the line of David Kerstens with Jefferies. Please go ahead.

DAVID KERSTENS: Hi, good afternoon, everybody. Thank you for taking my question. I've got two please. First of all, with the strong order intake in the Third Quarter and the accelerating Organic backlog growth of 16% would you expect Organic revenue growth to pick up from the 5% level that you have realized so far this year and when would you see the tailwinds from the additional trading days in the Second Half of the year?

And then secondly the large multi-year projects look very promising from a revenue point of view as you highlighted. Can you tell us also

about the improved backlog quality? Are those large projects contracted at a fixed revenue base or at a cost-plus basis and what do you generally prefer to bid for and what are the margin differences between the two? Thank you very much.

ALAN BROOKES: Thank you. Just looking at the growth, what I was explaining in the presentation is we've been really fortunate I think that our clients now are really trusting us with the large complex projects and that's what's been picking up over the course of this year and we see bigger projects coming through from our clients.

The thing we have to recognize with these projects and we are adjusting to this ourselves is when we win them, I mentioned for example the Hudson Tunnel Gateway project, it then takes time both for the client to actually mobilize his or her team and it takes us time to mobilize our people because we're moving the people around the world far more efficiently with the right expertise and I think we have to recognize that ramp up will take a little time and we expect to see these projects and the growth more into next year as we really start to drive forward as an organization.

So that's probably what we would look at and I think that for me really feels like we've got huge opportunities to start looking and planning ahead as we move into these bigger projects to workforce plan for our future and I think that's a really significant thing for us.

VIRGINIE DUPERAT: Yes, maybe David to complement the way we model it internally and that's really a shift in our portfolio and it makes us look maybe a little bit more than with other types of service industries, you could imagine some sort of ghost curve and then as Alan said, Q1 you get the award, contract is signed but the service orders are not there, the service orders came later, we got them namely for

gateway in Q3 in a large amount, so that is feeding our order intake because we can now book it. And then when it's booked obviously it means that you start preparing on your side, the client is also preparing on their side and to go from 0 to 300 people and all subcontractors, all people on site at the same time, that takes quite a bunch of time.

So then this project being quite long in timing, the longer they are I would say then you need to draw this ghost curve with the peak point which is rather in the middle of the project and then this ramp up takes time and that's why we have this sort of strange situation in some respect where we've seen nice announcement over the last quarters, order intake which is coming even a bit later and the concrete impact in the P&L which is going to be delayed and I would say you know to be sensitive for me in the second part of '25 and not really before.

ALAN BROOKES: In terms of the projects that were coming through there, what we're seeing is good margin on these projects because what we expect to see now is not only that we have the pricing done there but we've actually looked at the way that we profile this and often get mobilization payments linked to these larger projects as well. So, we will see that the quality of our backlog is improving as we refine our bidding, that we're more selective and that we're getting into these larger scale projects which are really good for us.

VIRGINIE DUPERAT: Yes, and you can imagine that when we talk about selectivity it's an all respect meaning contractual conditions, risk which is taken, cash curve and anything that goes with it.

OPERATOR: Thank you. Moving on to the next question from Sangita Jain with KeyBanc Capital Markets. Please go ahead.

ALEX DWYER: Hi this is actually Alex on for Sangita but thanks for taking our questions. I guess first I just wanted to ask about the recent UK budget and the proposals in there that could be beneficial to Arcadis. It seems like the HS2 project is back on the table. Is there anything else in there that you would like to highlight that could potentially be a positive going forward?

ALAN BROOKES: Yes, thank you. The UK budget actually, the first thing I'm going to say is it's removed the uncertainty, and I think that was the general feeling that we were getting from clients and investors alike, so I think it's really good to see that. I think secondly the 100 billion that's mentioned for more investment I think for us in terms of housing, health, education for our places business, in terms of resilience, continuation around the power, energy, security but also, we've been picking up the water business there in AMP8.

That's outside the budget but that's double what it was in the previous cycle and as that work starts to land next year in the AMP8 cycle that will really pick up with our resilience business. I think mobility, obviously transportation is key. Dave as you rightly say, extended HS2 now into Euston and up to Crewe is a commitment that's been made and now exploring the additional routes for the future. So, we're feeling actually positive over this budget.

It feels good across all our global business areas for our future, and we look forward to the five-year capital spending plan actually in the spring so that we can just see what further investments can be made now the UK government is releasing more money here. So positive all around for us in terms of the labour budget, I think.

ALEX DWYER: Thank you, super helpful and then I guess my next question, I just wanted to ask about the data centre related initiatives kind of as we

think about the next 12 months what could happen. Can you just talk about the opportunities set there, which geographies you're focused on bidding on and how large contract wins could be relative to the rest of your business?

ALAN BROOKES: Yeah, I think I'll start off by saying I think data centres were seeing as a significant sort of portfolio for us. If you look some of the countries where there is strong energy provision such as let's say France in Europe but also the US we're seeing significant investments in data centres.

What we have been doing actually is looking at how we can help these clients still achieve net zero ambitions with data centres by utilising the energy and heat sources to look at other provisions such as we have one client looking at this as a greenhouse to provide food provision, but actually it neutralises the data centre back to a Net Zero and that's one in San Jose.

But also, I think this area for us we are seen as one of the leaders in the data centre provision and this links also to our sustainability advisory services. So, we definitely see this as a big growth area for us into the future.

OPERATOR: Thank you. The next question is from the line of Himanshu Agarwal with Bank of America Securities. Please go ahead.

HIMANSHU AGARWAL: Hi, good afternoon, Alan and Virginie. Thank you for taking my questions. First one I wanted to come back to the organic growth of 5% which looks a bit weak when I think about the extra working days in Q3 and also that you're more or less done with project selectivity in places which was sequentially flat versus Q2 while mobility was down sequentially. Resilience I understand because you are being

a bit more selective there so if you can help us understand a bit more on that?

Continuing on that, you've achieved around 5% organic growth in the first Nine Months, and I think a lot of the acceleration that you've just talked about looks to be from 2025 so how should we think about the '24? Can you still achieve the low end of your mid to high single digit guidance in terms of the organic growth?

And then on the order intake, I believe order intake can be lumpy. We have seen quite strong order intake impressive in Q3. How should we think about going forward? Can we extrapolate that run rate or yeah, if you can just help us understand that a little better?

And also, in order intake I see places and resilience order intake was actually sequentially down and offset by a very strong order intake in mobility so if you can help us understand that? Thank you.

VIRGINIE DUPERAT: Thanks, Himanshu and I will start maybe with coming back on our organic growth over the first nine months of the year. So, as we said we implement selectivity so places you know has been seeing two phenomenon. The selectivity that we apply everywhere in our portfolio, be it resilience, be it mobility, be it anything you know there's nothing different on that.

In places the specific element which has been weighing on us is that on DPS they used to be working in different areas and industrial manufacturing was not their only focus. So we put pressure on cutting, you know, this part of the of the business that we didn't really want to see going on in terms of second men of people and things like this to really refocus them on what they are very good at and where they make a difference which is into this industrial

manufacturing capability around pharmaceutical and semiconductor and that has an impact in some sort of decline you know of revenue due to that.

Selectivity is a core part of our strategy and that will not disappear it's something that we will go on you know maintaining into the teams. What we expect you know that on the long term is that people understanding what type of project you know makes sense, how we turn ourselves into more high value capabilities and high value offer that we want to bring to our client then potentially we'll end up not seeing you know getting in the pipe some of the thing that we need to push out.

Over the last months of the strategy I think that Alan and I need to recognize that be it us or be it at a lower level we have to say no from time to time to our teams in terms of what they want to bring on the table and what they wanted to bid in and there in the future hopefully we'll get a bit more efficiency.

I would phrase it this way and not to have to be so prominent in that process, and part of the automation and the improvement of the bidding process we are working with should help us on that. But we want to be growing profitably so then meaning that as we want to shift the portfolio and the shift the portfolio in terms of the high value.

It's our strategic business decision to keep you know the growth and the pressure in some respect to really see those projects that we want to see in our portfolio and that's the reason why we are able to come back today you know. And show in the order intake and this portfolio some large projects you know combining all the

values and the offers you know of our different GBAs into large projects where we think you know we can make the difference.

And also bring to our clients high value and hopefully you know that should feel fuel the P&L also with an expected better margin in the future but again you know how you would say that the sequence the sequence of this project being different then you more or less move from a model where we were winning some order intake and burning immediately from time to time even you know into the quarter into a different type of portfolio, which is not exactly the case I also agree when it goes to resilience.

Because on resilience we have also a lot of consultancy and advisory and that's typically you know project that gets in as some sort of you know a small element potentially of a fixed fee for a few hours of consulting you burn it immediately that comes with a nice margin and you move on to something else. So that's the type of shift in the pattern of portfolios that we have seen in the past that you would want to try to include in your model.

OPERATOR: Thank you the next question is from the line...

VIRGINIE DUPERAT: Sorry, I think that we still have the order intake part that I've not covered in terms of commenting a little bit on the order intake quality.

ALAN BROOKES: I think I'll just say they the order intake quality obviously by being selective the order intake quality is improving, and I think we feel good. In terms of places, you know I mentioned in the presentation Zuidasdok they've led on that and I think we're seeing a lot of demand now in the decarbonisation. What I hope will happen though if you look at the election in the US and we've just touched

on the budget in the UK as these uncertainties are removed. I'm hoping it will also give the confidence there. And we'll start to see further investments taking place. And we should therefore see really the -- if you like the order intake remain strong and really moving forward.

And I think that will apply to resilience as well there has been a little bit of delay in resilience through the elections. But now we can see actually as clients are starting to look to the future in climate in energy particularly strong in US water I have to say as well. And obviously AMP8 program in the UK we're seeing strength coming through so outlook I think is positive.

OPERATOR: Thank you. The next question is from the line of Quirijn Mulder with ING Bank please go ahead.

QUIRIJN MULDER: Yeah good afternoon this is Quirijn, maybe you missed a couple of things but I have a couple of questions. One is the technical question about the reduction of the non-core DPS activities. How far are you in the line, when are we going to see that effects to diminish in the coming quarters, that's my first question. The second question is small with regard to the Middle East, is there anything you can tell us about, let me say still making, making money from debtors who didn't pay for a long time.

And with a positive impact on the EBITDA for the Third Quarter maybe something you can say and about the attrition rate still in the pressure is that correct?

VIRGINIE DUPERAT: Thank you Quirijn I'll take the first one and leave attrition to Alan that's his favorite topic. So, if we go first to your question on non-core DPS a non-core DPS I would say eventually is right. It's over

now but the selectivity element you know, in our mind-set is quite crucial. And that's why I wanted to insist on it and maybe I've not been clear. So, then that's what it is but DPS is right. And your understanding was right.

End of Q2 more or less we've been bringing that where we wanted it to be and you've seen in Q2 and Q3 that we are back to a slightest slight organic growth on places as all. Obviously, China is still weighing on them. On Middle East we are back on ordinary track, I would say of a small cost in the in the P&L. Middle East when we get cash in it's a positive surprise.

Because everything is covered on the balance sheet as for now because everything will be ended by the end of the year. So, then there is no risk it's only plus if additional things are coming but no positive surprise to signal on this quarter I would have loved to.

ALAN BROOKES: Yeah, and perhaps just on attrition we continue to be really pleased actually with the continued improvement. So, our turnover at Q3 was 11.2 in terms of coming down from 11.7 previously so again further improvement. Perhaps more significantly here, though that we should call out. If you look at the US and the UK it's 10% or below.

So actually, we've got really good performance actually and retention of our key people at the same time our GECs are growing so they've grown by 19% and I think that shows that we're now getting the right skills the right capabilities in our GECs across all our GBAs and strengthening the quality of the people in those GEC locations.

And that's really building up for our future and our GBAs are working really closely now to get the right people and the right capabilities in the right place. For this visibility of our workload, we can now see across all our GBAs so really pleasing on the attrition rate.

OPERATOR: Thank you the next question is from the line of Natasha Brilliant with UBS. Please go ahead.

NATASHA BRILLANT: Hi, thank you for taking my questions. A couple on the US please. So, you've talked about the stimulus budgets coming through and being deployed but as we get very close to the US election. Could you just talk about some of the areas that could potentially be impacted? And particularly might have different outcomes depending on who wins, and which candidate becomes president.

And then the second question you mentioned there being some near-term impact given the political uncertainty. Can you give us an idea of the impact that's had on growth in terms of sizing that impact. And is that projects that have just been delayed and so there might be a benefit in Q4. And it's just a timing issue or are things being cancelled just a bit more color on near-term impact, please.

ALAN BROOKES: Okay thanks I think on the US in terms of what's happening. In terms of the stimulus packages, they're coming through now, we've um picked up for example on the semis Micron in the US now, as a new semiconductor facility. And I think you know, we're seeing these words coming through and because the money has come down from the federal into the states.

The states are now committed and that's not going to change. I think if you look at the fundamentals though of politics, if I can call

it that around investments. Extreme weather events flooding and insurance is seeing demand. So, I don't see any real changes coming through from those areas. Reputationally on PFAS that it's still a growth area for clients and full commitment there.

Other commitments that I've seen across the world now in terms of net zero we just talked about clients like Heineken looking at scope one and two. I haven't seen any change in the US. And legislation is helping further push on the renewal of the lead water mains there. And obviously health and safety wise the lead pipeline.

I think when you look at any impact of your second part there in terms of elections and so on. I think there is nothing structural at all, it's just, I'm referring to more a natural pause or slow there. We've had no cancellations at all. So, I think this is more a pickup that will happen as normal sort of service resumes so to speak.

So, we're anticipating that all of these projects that we're foreseeing and booking will still come through. And we will still see commitments across the world but particularly in the US which may be increased by on-shoring activities and things like that. So, there's always opportunity whichever way it goes.

OPERATOR: Thank you. The next question is from the line of Luuk van Beek with Degroof Petercam. Can please go ahead.

LUUK VAN BEEK: Yes two questions. First of all on places where there was about a seven percentage points difference between the reported growth and the organic growth. I assume that's not all effects but also scope changes. So can you comment on what was exactly behind it and for how long you expect that effect to continue?

And my second question is on the strong cash flow. I cannot fully explain it by changes in the working capital were there, any other important cash effects in Q3?

VIRGINIE DUPERAT: Yes, thank you Luuk and I'll take your questions. The change and the between the organic growth, and the growth just only I think a reclassification between resilience and places of one business unit of the acquired business of IBI. There is a business unit which is called the land engineering. And there has been a little bit of hesitation between the fact that it would sit better in places or sit better in resilience and then finally it's been brought into resilience and then that's been done last year in Q3.

So, then you have not 9-month reclassification from one business unit to the other, but it's not changing the volume of revenue of of the quarter you just have the impact of this reclass between the two and then there's nothing more to expect on that front and relatively minor I would say. And then sorry your second question was on the cash flow and on cash flow this quarter yes definitely you have some working capital impact in I guess some cases and a little bit of tax differences also year-on-year which probably explain.

We go on pushing a lot on putting the discipline so frankly we are doing 17 million better than last year for the Third Quarter um that's also the fact that it's now almost a two years that the IBI and DPS portfolio are part of the company so they start getting used to our let's say own pattern in terms of rhythm of billing and rhythm of putting pressure on cash collection

OPERATOR: Thank you. The next question is from the line of Chase Coffin with Van Lanschot Kempen. Please go ahead.

CHASE COUGHLAN: Yes. Good afternoon and thank you for taking my questions. Firstly, just a question on the - talk about a new GEC location. I'm curious on sort of any developments that have been going on there and sort of as a follow-up to that I suppose. When do you expect that we should really see a material impacts on the margin is that more of a sort of a 25 or 26 scheme and obviously there's some ramp-up costs associated there, but any more color on that would be appreciated?

ALAN BROOKES: Okay. Thank you. We have been doing a lot of work on the GEC location for our future and actually we came up with a short list in terms of the locations obviously we look at this in terms of a number of areas whether it's the capabilities capacity, what sort of skills that we need as well as you know the financial aspects such as taxation and so on.

That's come to a short list as we speak, and we expect to be making a choice around the end of this year. So, we'll then ramp up in the early parts of next year and see the benefits from the new GEC probably in the Second Half of next year. However, I would say what I would look at is we will continue with the push on our existing locations in the meantime and we're pleased to see the developments and that will be sort of how we will develop the strategy in terms of maximizing the use of our existing locations and the new location will add new capacity and capabilities in the Second Half of next year. The investments you refer too rightly will probably take place mainly in the First Half of next year as we double down on the location there

OPERATOR: Thank you. The next question is from the line of Tim Ehlers with Kepler Cheuvreux. Please go ahead.

TIM EHLERS: Yes, good afternoon thanks for taking my question, Virginie. So, the first one is about the margin expansion, could you maybe elaborate a little bit more on the dynamics behind the margin expansion coming from a focus on key customers and secondly you mentioned that this year you've seen a shift to bigger more difficult projects does that also inherit increasing project execution risk or do you have matters to limit that?

VIRGINIE DUPERAT: Thank you, Tim. So, starting with margin expansion, really the way the margin is built this quarter is absolutely comparable to the way the margin has been expanded in each one and I would really relate to this trend over this year. So, it's definitely an improvement of the portfolio the margin that gets in backlog is better. So then as a consequence you deliver in a better margin in your P&L

We have also operating leverage coming from the fact that we have already a lesser impact from a Middle East as we know, but we have also the cost synergies. Remember we've been saying that we would deliver 20 million of cost synergies across the year and as we speak, we've been - it's very boring, but delivery - we've been delivering 15 million out of this this 20 that's what it is.

So, then we have this build-up which is coming on. We've been able because we had this additional plus a little bit in H1 around released from the Middle East as we got extra cash that we didn't really expect to see coming in to accelerate a little bit in our investment and notably in standardization and automation of our pursuit process which is one of the key element and that's the way we monitor our margin delivery at the moment.

And then in terms of bigger projects, taking bigger projects doesn't really mean taking a major execution risk. Our pattern has not

changed. We are not talking about taking EPC that's not what the company is doing. We rather capitalize on our big skills of project management. We are known for our big project management skills and there's no point in us not associating these capabilities around usual design capabilities that we had.

And it's rather a combination of us being present on several packages around the same project, working on this ability to coordinate them more and to bring a combined offering to our clients. Also, a question of a capability of the client of being receptive to that in other types of markets maybe at the moment where interest costs were lower and a different size and when clients have been different.

There's been a moment where clients really wanted to slice and dice things and it's a little bit over. There is really a premium of delivering in due course in the market, having the assets ready, capitalizing on decarbonization and making sure your energy cost also is being reduced and that's the core argument also to have not a sole provider, but a real great coordinator of what's being done which Arcadis can be great at doing.

OPERATOR: Thank you. The next question is from the line of Sabahat Khan with RBC Capital Management. Please go ahead.

SABAHAT KHAN: Great. Thanks, and good morning. Maybe just starting off with a bigger picture question, if you look at the progress you've made to date on the organic front with the backlog relative to your expectations back on your capital markets day when you provided three-year guidance. How do you think the market is evolving relative to your expectations at the time in terms of demand and if we're to sort of revisit those three-year guidance metrics, what is

your view at this point based on the outlook around where in that range you think you can shake out over the next few years? Thanks.

ALAN BROOKES: Thank you. I think from where we are I mean probably you would say overall nothing really much has changed in terms of the outlook on the market from I guess November 23 on capital markets day. However things like stimulus packages were brought in and they've probably been slower in terms of landing the money, than we expected but they're now landing and we're seeing those projects coming through, I think we've all seen what's happening in different areas around whether it's the rise of data centers more maybe a slower progression around sort of semiconductors due to stimulus packages maybe slower slowing on the EV.

But if you put all of these things together, I think we still feel very confident I said in the presentation I feel on the trajectory that we're on and the way that we're moving forward, we are confident in achieving the capital market state goals, and I think in the years ahead, hopefully what we're seeing now as things settle in terms of we'll get behind the US election, we've seen the Labour government coming in the UK there.

I think we'll start to see a really better environment for a more stable commitment to projects, we feel at the moment the backlog that we have combined with the pipeline that we see ahead of us, gives us a good outlook to achieving those capital markets day commitments so, we are firm on our financial and non-financial commitments that we made in November 23 and I think we feel given the circumstances we are in a good strong position, as a platform for our future, in achieving those goals. So positive from our side right now.

SABAHAT KHAN: Great. And then there's some commentary in the release around moving a bit more upstream towards more consulting work. If you can maybe just talk about how material of a change in mix shift that could be and maybe some implications for margins and growth outlook etc., as you move a bit more upstream and maybe just around your strategy of just increasing that mix how you're going about that? Thank you.

ALAN BROOKES: Yes. I think in terms of where we are we're trying to look at particularly when you look at things, I've said like climate adaptation flood alleviation PFAS and things like this, decarbonization is another strong example where clients are coming to us, not just with a project now but saying what are my options what can I do to achieve these aims. And that's taking us more into the advisory space, and the way I look at that is it's advice based on our deep asset knowledge and then if we combine those things together the if you like to be blunt the price point is higher for advice, so that sort of consulting advisory work.

If you combine that and why we're pushing intelligence now into our key client program is really saying, if we combine that with data analytics and the use of software making us sticky with clients that combination into the future can be quite powerful. Now we're only just starting that journey right now, we're nine months into that strategy, we've made some steps on that journey and then I think what we're now seeing is clients are keen to actually combine advice.

The use of tools that we have and we will continue that journey and double down in 2025 actually, in terms of that combination and I'm hoping we'll see more and more clients in these particular areas

reach out to us, and say advise us please tell us our options and what software tools do you have that can model that for us. And in the case of asset management make us more efficient in our operations. So I really do see this growing for our future.

OPERATOR: Thank you we have a follow-up question from the line of Quirijn Mulder with ING please go ahead.

QUIRIJN MULDER: Thank you to pick up my follow-up questions. Let me say one of the things I'm considering is let me say, if you look at the EV for example batteries I understood that.

OPERATOR: Mr. Quirijn Mulder I apologize sir, to for interrupting you but your line is not very good and I don't think management can hear you very well. Can you please speak a little closer to your microphone?

QUIRIJN MULDER: Yes, I will, I think it helps it's better now?

OPERATOR: Yes, much better, thank you may continue.

QUIRIJN MULDER: Okay. Can you hear me now?

OPERATOR: Yes, sir we can hear you. Thank you please proceed.

QUIRIJN MULDER: Okay, perfect. So, I have two things, one is the EV battery stories, I understood that let me say there's a cancellation or let me say delay of the Gigafactory in the Kaiserslautern is there anything you can tell us about it, because I think you were involved in that the project in first instance anyway.

And my second question is about, maybe if Trump is going to be elected then we understand that Mr. Musk is looking for starting from scratch as he calls it, by sending home a lot of civil servants etc. In to what extent is that in some sort of threat for you, because

if you're missing your counterpart on the other side of the years, on the other side of the let me say of the table then you have a in my view a problem or is that not correct that's an assumption. And it's completely different for some different markets etc. So, it's more that you're missing your counterpart.

ALAN BROOKES: Yeah, I understand what you're saying thank you. In terms of the EV let me take that one first, I think we were involved for example I think what you're referring to in terms of Norfolk there was the Sweden factory, and the declaration of that on them on bankruptcy, I think the on the automotive areas there I think for us. Actually, that didn't impact us because although there was a bankruptcy there we were involved with the parent company and actually we've been paid the money there so not an issue, if you look at the other project which is the battery factory in Germany, then the final client is keen to go ahead with the trucks, being battery driven.

So, if you look at that the bankruptcy that was referred to in the cancellation of the project has had no implications for our work, we already finished our work well ahead of the announcement. And the EV battery market I think is probably a longer-term sort of set of projects for us depending on government commitments and how they play out, but I think our receivables overdue are minimal and actually this is quite a small area for us right now less than 50 million. So no particular issues there for us.

Your Trump question is quite interesting but, I said before if Elon Musk comes in and he starts to strip back, from everything I've read it's largely to do with the federal government and looking at that not the state particularly, and I think we tend to operate very much at state level and municipality level. I think if he does come in there

may be some hiatus there but our projects and when we're talking to our clients the departments of transport and people like this they're fully committed to the projects.

And they do not see that this will be interference, you're right to say our counterparts, but our counterparts are very much largely, connected to the actual states and municipalities. So, I don't see that that is going to impact us in that way, but I think it's one of those to watch we should not be complacent I think we need to stay agile, but our clients at the moment are being very firm about the commitment to carry on with the work that we have with them. And as I say there is very little work at federal level.

OPERATOR: Thank you 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 thank you.

ALAN BROOKES: Thank you very much. And thank you everybody, as I say I'm delighted to announce another strong set of results, and I'd like to thank and take this opportunity to thank my Arcadis colleagues. Who've worked really hard to deliver such market leading projects and contribute to our continued market expansion. Thank you all for listening and thank you for your questions. With that I'll bid you a good day and thank you very much.