



Arcadis Global B.V.

“Arcadis Q4 and Full Year 2024 Results Conference Call Conference Call”

Thursday, 13th February 2024, at 14:00 CET

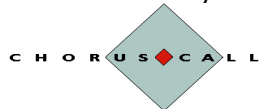
Conductors:

Mr. Alan Brookes, Chief Executive Officer

Ms. Virginie Duperat-Vergne, Chief Financial Officer

Ms. Christine Disch, Investor Relations Director

Conference Call Conducted by Chorus Call Hellas



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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 Fourth Quarter and Full Year 2024 Results. All participants will be in a listen only mode and the conference is being recorded. The presentation will be followed by a question-and-answer session.

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: Good afternoon and good morning everyone on the call. Welcome to this meeting. My name is Christine Disch. I'm Investor Relations Director at Arcadis. We are here to discuss Arcadis' Fourth Quarter and Full Year 2024 Results, which were released this morning, together with our Annual Report. With us on the call are Alan Brookes, our CEO; and Virginie Duperat, our CFO. We will start as usual with a presentation by Alan and Virginie, which will be followed by Q&A session.

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 hello, everybody, and welcome to our Full Year and Fourth Quarter results call. 2024 marked

the first Full Year of our current strategic cycle, Accelerating a Planet Positive Future, and we have achieved some significant milestones. I'll touch on these shortly.

Last year, we delivered a strong Fourth Quarter and Full Year performance, achieving a record net revenue of EUR3.9 billion, reflecting 5% organic growth year-on-year. Our operating EBITA rose to 11.5%. This was up from 10.4% in 2023. This was driven by our continued focus on sustainable project choices, growing our contributions from our Global Excellence Centers and internal efficiencies from standardization and automation efforts.

Net income rose 52% year-on-year to EUR243 million, resulting in a record earnings per share of EUR2.70. And finally, we delivered an order intake of EUR4.4 billion, providing long-term visibility and anchoring our position with our key clients.

Key performance drivers include climate adaptation and mitigation, energy security and transition, and long-term water and highways projects. With a growing backlog of large contracts now preparing to ramp up through 2025, we have clear visibility for future performance. So let me take you through some of these areas in a little more detail.

Firstly, let me spotlight climate adaptation and mitigation. It has been a year of devastating extreme weather events. From destructive hurricanes along the U.S. East Coast to the wildfires in Los Angeles and severe flooding we may all remember in Valencia, the escalating climate crisis is driving

a critical shift in how we future-proof assets, infrastructure and operations.

More than ever, companies and organizations are recognizing climate events and disruptions as strategic risks. Factors such as rising insurance costs and asset resiliency are central to decision-making. Our North American teams alone responded to over 100 emergencies and disasters in the year, supported by key framework agreements we have in place with organizations such as the Federal Emergency Management Agency, the U.S. Army Corps of Engineers and the California Governor's Office of Emergency Services.

Over 2024, our climate adaptation and mitigation solutions have been one of the key revenue and backlog drivers for resilience. We differentiated through our comprehensive approach, going beyond risk assessments to strategic planning, solution implementation and long-term operational resilience and mitigation.

An example of the innovation we use is our Climate Risk Nexus platform, developed with our Intelligence business area. This integrates climate and asset data to quantify the impact of climate hazards on the critical infrastructure of our clients, translating risks into financial terms to help prioritize investment decisions.

We know that climate disasters carry a huge economic toll. The record costs in '24 and '25 to date show that. Looking ahead, climate change will continue to drive investment decisions. We are well placed to help our clients navigate this

uncertainty, and this is reflected in the growing pipeline that we now see coming through.

Next, I'd like to talk about energy transition. This is another key focus area for us, and we are at the forefront of helping clients achieve their decarbonization and grid expansion goals. This is a key Places and Resilience combined offering. In Europe, we have a strong track record in grid expansion, partnering with Amprion, TenneT, National Grid and EDF to strengthen energy infrastructure and meet rising power demands. Our net revenues from energy transition in Germany alone grew at around 25% through 2024.

Our expertise goes beyond advisory services. We are a decarbonization partner, providing clients like HEINEKEN with roadmaps, optimized operations and cost-effective solutions. In our work with HEINEKEN, we are partnering with Honeywell to combine their building automation technology with our sustainability expertise to deliver an end-to-end integrated solution.

As our work continues to ramp up over the coming years, we will be playing a critical role in driving HEINEKEN's transition to net zero by 2030, helping them develop and implement a net zero roadmap and reduce energy demand and carbon footprint of their production facilities.

Furthermore, we are focused on training and upskilling our people. A key example of this is our Energy Transition Academy, designed to provide Arcadians with the expertise needed to support clients in decarbonization, grid modernization, alternative energy infrastructure and energy

security. Our ambition is to train or recruit more than 2,500 energy experts by 2027. We are on track to meet this goal with around 500 colleagues already participating in 2024.

With energy demand soaring, particularly in the U.S., where there is a massive backlog to interconnect to the grid, we are well positioned for growth. By leveraging our expertise, we can drive the next generation of energy solutions, helping clients adapt, innovate and position for a net zero future.

Let me now turn to water optimization, an area where Arcadis is leading the way in securing efficient, sustainable and resilient water systems. We have built strong client relationships, most notably in the U.K. and the U.S. During 2024, we were awarded eight AMP8 framework agreements in the U.K., which will support our order intake and net revenues in the coming years with the investments to accelerate over the current 2025 to '30 cycle and beyond.

In the U.S., we serve 40 of some of the largest water clients, including major utilities and watershed management programs. Arcadis stands out for its expertise in large-scale water asset programs where deep technical knowledge and digital innovation drives impact. As we have an extensive suite of digital water products, we continue to lead in innovative solutions that enhance water efficiency and sustainability.

Water and health security will remain important priorities for the new U.S. administration. We are already seeing that investments in pipe replacements and leakage reduction are driving our key clients' budgets and our pipeline

opportunities. With our technical excellence, digital innovation and long-term client relationships, we are helping clients secure sustainable, efficient and resilient water systems for the generations to come.

Now, moving to connected highways. Here we are successfully bringing together cross-GBA collaboration from Mobility, Intelligence, Places and Resilience business areas. These extensive integrated capabilities have contributed to our strong track record in delivering large-scale infrastructure projects globally.

Mobility had an impressive 52% growth in backlog in 2024, driven by large multi-year projects such as the Hudson Tunnel project in New York, Fraser River Tunnel in Vancouver and Zuidasdok program in Amsterdam, setting us up firmly for success in 2025 and beyond.

Our large international flexible workforce is critical to the delivery of these projects. This differentiator ensures we can scale and deploy talent where needed, whether that's during the ramp-up or the ramp-down phases of projects. Meanwhile, our GECs now contribute 25% of project execution, further enhancing efficiencies and innovation.

Looking to the future, the U.S. market is increasingly a driver for growth with major infrastructure investments focused on safety, security, modernization, and driving efficiency and innovation. With 66% of grants announced in the Infrastructure Investment and Jobs Act now committed, we are confident in the strong pipeline of opportunities for our business.

And finally, let me turn to our data center capabilities. With over 20 years of experience now in this market, we have built a strong reputation among leading hyperscale and colocation data center clients. To date, we have delivered 2.9 million square meters of facilities with a total capacity of 7,500 megawatts. And in 2024, we successfully completed 600 projects. A key example is our work designing the first near net zero data center campus in the world for Terra Ventures in California.

Our team was tasked with finding an alternative way to power the campus, leveraging our expertise in sustainable design and renewable energy solutions. We developed a prototype design for a facility powered by natural gas fuel cells on a self-sufficient microgrid. This innovative design eliminates the need for backup generators, while reuses the waste heat to meet up to 50% of its cooling needs.

What truly sets us apart in this market is our expertise in sustainable design and cost and project management. With a strong focus on our Resilience GBA, our work includes everything from recommending low-carbon construction materials and smart energy management solutions to developing innovative strategies for biodiversity net gain and water efficiency, all supported and enabled by leveraging dedicated expertise from across our Global Excellence Centers.

Looking ahead, technological advances in generative AI are driving remarkable growth across this sector, and we see this reflected in our pipeline of opportunities. In particular, I see this as a strong growth area, given our track record and our

design innovation, which brings me nicely to an exciting new announcement we have made today.

Yesterday, we entered into an agreement to purchase the Frankfurt-based KUA Group, a leader in complex data center design in Germany. At a purchase price of EUR70 million on a cash and debt-free basis, the deal represents approximately 8x KUA's 2024 EBITDA and is expected to close within the next 2 months.

KUA is a privately owned company, excelling in architecture, design and engineering, and planning and permitting services. Since 2018, it has delivered over 35 complex data center projects across Germany with 100% revenue growth between 2022 and 2024. This is testament to the accelerated growth of AI investments across Germany. The country is now the second largest data center market in Europe behind the U.K.

The acquisition will bring significant benefits to both organizations, uniting our complementary services and expertise and enhancing our ability to deliver end-to-end solutions. Arcadis will leverage its strength in site selection due diligence, program and cost management, and sustainability advisory, while collaborating closely with KUA to provide comprehensive architecture, design, engineering and construction management services for our data center clients.

With a combined team of more than 400 data center experts and building on KUA's strong client base, we will strengthen our presence in this market, unlocking substantial synergies

and growth opportunities. We will reinforce our position as a leading provider of design and engineering services for data centers across Europe.

And with that, I will now hand over to Virginie, who will take you through our Financial Results for the Fourth Quarter and Full Year in more detail. Thank you.

DUPERAT V:

Thank you, Alan, and good morning, good afternoon, everyone. Let's start with the highlights of our Full Year and our Q4 2024. So our net revenues increased to EUR3.9 billion with 5% organic growth, driven by energy transition, climate adaptation and intelligent highway solutions, while being offset by increased selectivity in our pursuit process.

Full Year operating EBITA margin increased up to 11.5%, growing 110 basis points year-on-year, as a result of our continued focus on sustainable project choices, a higher contribution of our Global Excellence Centers and the materialization of the full run rate of cost synergies extracted from our 2022 acquisitions. Excluding Middle East, our operating EBITA margin for the Full Year would have been 11.7%.

Moving forward, we expect Tyndall's impact to be negligible. We remain disciplined in the management of our net working capital. With a net working capital ratio of 10.8% as of year-end and 61 days of DSO, combined with improved performance and effective cash management, this resulted in free cash flow of EUR228 million. This has further reduced our leverage ratio to 1.3x for 2024, down from 1.7x at the

end of 2023, and below our strategic target range of 1.5x to 2.5x. Our net debt decreased to EUR739 million.

Turning to Q4, net revenues amounted to EUR959 million to a 3% softer organic growth, as we saw some of the geopolitical uncertainty weighing on the short-term spending patterns of our clients, combined to project phasing in Mobility, offsetting good growth in the United States and the Netherlands. At the same time, commercial momentum continued with strong order intake of EUR1 billion in the quarter, driven by Resilience and Places in particular.

Furthermore, Q4 operating margin significantly stepped up at 12.6%, reflecting an optimized project portfolio combined to higher Global Excellence Center contribution. In 2024, we continued to enhance our operational efficiency by standardizing and automating our pursuit processes and optimizing our office footprint. We invested in people development through our Skills Powered Organization program and the Energy Transition Academy.

Additionally, we boosted our digital capabilities, leading to new projects in our highways and water offering. And we plan to keep investing and accelerating the investment in key areas into 2025.

Now, let's look at our backlog and order intake for the year. We started 2024 with a strong backlog of EUR3.2 billion. Through the year, we delivered a record order intake of EUR4.4 billion, showing significant organic growth of 14% year-on-year. This includes orders relating to large multi-year project wins such as the Hudson Gateway project in New

York, Fraser River Tunnel in Canada, which provide us with long-term stability and visibility.

In addition, we also saw a significant growth in two other types of future revenue streams, which are signed but not recorded as order intake, and that gives us long-term visibility. These two types of future revenue streams, which are signed and yet not included in the order intake bucket, are as follows. We have multi-year framework agreements, and these are so-called book and burn. They are only recorded as order intake when the service order is called off on the framework contract, after which, this is immediately burned as revenue.

The multiple AMP8 contracts won in the past year, for example, will fall in this category. Similarly, in the same bucket, almost nothing is booked in order intake coming from the significant decarbonization project for Heineken, a multi-year, multi-million framework contract that was signed in the Third Quarter of 2024. And the service order will come and ramp up over time.

Second type refers to large complex contracts that have been fully awarded but are split into different packages that can, from time to time, progressively be called off by the clients. With EUR3.9 billion of net revenues and very low cancellations, we ended the year with a high-quality record year-end backlog of EUR3.7 billion, reflecting a 16% organic growth year-on-year.

Looking ahead, we also see longer-term opportunities in our strong and growing pipeline, which has significantly increased

by over 20% year-on-year. This underpins our future growth potential.

Let's now turn to the next slide, where we take a closer look at the strong positioning of our business. Our business is well diversified, providing integrated solutions to a wide range of clients across the entire life cycle of their assets. Geographically, we are well positioned to capitalize on upcoming opportunities across key growth markets.

In the United States, majority of our work comes from private or state clients, with U.S. federal clients representing only 2% of our total net revenues. We are well positioned with important teams such as critical infrastructure, public safety with a focus on water, floodings and PFAS, national security and grid expansion, which continue to provide ample opportunities.

In the U.K., we are well positioned across all markets we operate. With the conclusion of the budget reviews in the First Half, we expect to see more investments in infrastructure, housing and water. And in Continental Europe, focus remains on energy transition, infrastructure and sustainable buildings.

We have a diverse client base with almost equal net revenue share of private and public clients. No single client dominates our revenues. This helps stabilize our revenue and reduce volatility by spreading our exposure across multiple markets. In 2024, 95% of our revenues came from clients we served in 2023, highlighting our strong relationship with them.

Turning to the performance of global areas, let's start first with Resilience. We delivered there a strong Fourth Quarter, driven by our ongoing strategic selectivity towards our key clients and high-growth markets. Both the United States and European markets remained healthy, and we recorded major wins in critical areas such as energy transition and PFAS with significant pipeline opportunities emerging in climate adaptation.

We also secured 8 significant wins relating to the GBP100-plus billion AMP8 water funding program in the U.K. over the year. This framework agreement will bolster our order intake and net revenues in the coming years with investments expected to accelerate over the 2025, 2030 strategic cycle.

Our financial performance reflects this strong demand with 7.7% organic growth in net revenues for the Full Year and 8.3% organic growth in backlog net revenues to EUR1 billion. We also achieved a significant expansion in Full Year operating EBITA margin to 13.4%, driven by our ongoing focus on selectivity, which has resulted in an improved project portfolio and also with the support of automation and standardization.

Turning now to Places, strong revenues in Canada and Continental Europe were offset by our strategic repositioning of the portfolio, where we focused on selectivity and high-end solutions, which supported our operating EBITA margin expansion of 110 basis points up to 10.2% for the Full Year.

Geographically, 11% order intake growth in the year was driven by wins in data centers, semiconductors and public

facilities. Our backlog net revenues increased 9% year-on-year, showing our ability to secure future work. The pipeline remains strong, driven by client demand relating to increased investments in artificial intelligence.

Moving to Mobility, Full Year revenue growth was strong across key markets and driven by major project deliveries in the United States, as well as through the expertise of our European workforce and the involvement of our Global Excellence Centers. Q4 2024 had a different pattern than Q4 2023.

While last year, we had some big projects in their maturity phases, bringing significant growth in the U.K. and Australia, this year, these same projects are ramping down in Q4, and the major projects awarded earlier in the year are progressively ramping up.

Full Year order intake saw 35% growth, a significant increase, and our backlog grew 53% on an organic basis, providing improved visibility. Our margin improved to 11.6%, thanks to greater contributions from our Global Excellence Centers and enhanced internal efficiencies through standardization and automation efforts. In parallel, Mobility has been supporting significant investments in digital technologies and capabilities.

Intelligence now. We have started ramping up our investments in product strategy and development, technology platform harmonization and advanced data digital initiative. This includes significant investments into data and artificial intelligence. Building on our existing client

relationship and incorporating intelligent solutions into our offering from other GBAs have set Arcadis apart in securing large-scale projects, including the AMP8 wins of Resilience and Fraser River Tunnel in Canada for Mobility.

Let's now turn back to Group performance, including a snapshot on net income and cash flow. So we recorded very strong net income from operations, and we reached EUR270 million, increasing it 20% year-on-year. This reflects our strong operational performance with a 22% increase in our EBITA.

Net income from operations per share increased by 19% to EUR3.00. And we delivered record earnings per share of EUR2.70. This strong performance highlights our ability to generate value for our shareholders. For the Full Year, non-operating costs were at EUR29 million, mainly relating to portfolio optimization and office mergers.

Moving now to the next slide, our free cash flow grew 20% year-on-year, fully in line with operating margin performance improvement, as a result of our disciplined working capital management. Lower tax payment offset increase in financing cost, as we paid our first bond interest installment. Slight year-end increase in working capital need reflects ramp-up of large projects. Overall, our focus on margin enhancement and discipline in working capital management has led to consistent improvements over the past three years.

And finally, let's discuss our balanced capital allocation framework. Our approach focuses on three key areas: returning value to shareholders, maintaining a strong balance

sheet, and pursuing value-accretive M&A and investments. For 2024, we are proposing to the shareholders to distribute a record dividend of EUR1 per share, an increase of 18% year-on-year and well in our 30% to 40% range of net income from operations as dividends.

We continue to strengthen our balance sheet with a year-end net debt to operating EBITDA ratio of 1.3x, below our target range of 1.5x to 2.5x. This is after having completed our share buyback of EUR51 million to cover future long-term incentive program obligation. We also repaid outstanding Canadian debentures of EUR21 million. All in all, this strong financial position allows us to invest in growth opportunities, while maintaining financial flexibility.

Our capital expenditures for the year were EUR44 million, and we will continue to invest strategically with an annual capex target of EUR40 million to EUR60 million. We also remain committed to pursuing value-accretive M&A opportunities that align with our strategic goals and enhance our capabilities. Alan has already touched on KUA. We will continue to pursue other opportunities.

And with that, I will now hand you back to Alan for his closing remarks.

BROOKES A: Thank you, Virginie. As you've heard, we have dedicated the past year to building a solid foundation for a stronger, more efficient and profitable business. Led by our 2024 to '26 strategy, accelerating a Planet Positive Future, we are making deliberate sustainable choices to focus on high-value, high-impact work.

Our increased selectivity continues to support and drive margin performance. Our key client program now represents 62% of net revenues, reinforcing our deep long-term relationships. Combined with our selectivity, this keeps driving our strong order intake.

When it comes to investing in digital and human innovation, we continue to standardize and automate our pursuit processes to drive internal efficiencies. And by leveraging intelligence and data, we are enhancing cross-GBA synergies to unlock new opportunities for growth and innovation.

And finally, our success would not be possible without our talent and creativity of our people, and they remain at the heart of everything that we do. We have built a skills-powered organization that now exceeds over 17,500 employees to ensure that we have the right talent in place.

Our Global Excellence Centers continue to grow with a 17% year-on-year increase, further driving scalability and efficiencies. And voluntary turnover has improved to 11%. This is down from 11.7% in 2023. This demonstrates the impact of our efforts to attract, retain and develop our talent.

And it has been a year of positive momentum for our business with strong growth, a record order book and an agile approach, enabling us to pursue the most impactful opportunities in the market. We are executing successfully on our strategic plan, driving margin expansion and strengthening our leading market positions globally.

By remaining selective in the projects we pursue, we are improving the quality of our backlog. We continue to differentiate through our positioning, our expertise and work with clients in strategically attractive markets such as mobility, energy transition and data centers.

With a record backlog of large contracts now preparing to ramp up through 2025, we have clear multi-year visibility of our pipeline, as Virginie said, and are well positioned for 2025 and beyond. We will continue to invest in our strategic plan and are on track to deliver our 2026 strategic ambitions.

And with that, I'll now hand back to the operator for any questions.

OPERATOR: The first question is from the line of Martijn den Drijver from ODDO ABN AMRO. Please go ahead.

DEN DRIJVER M: Yes, thank you operator. My first question is for Virginie. Looking at working capital as a percentage of sales and DSO, it's slightly below the very strong performance of last year. What was the reason for that? Because you were quite reassuring during the year. And how should we think about 2025 in terms of working capital, DSO and perhaps other components of free cash flow? That would be question one.

DUPERAT V: Thank you, Martijn, and nice to have you on the call. Yes, working capital is a little bit behind last year. But you remember, last year, I also said that being at nine was quite an achievement, and that was not also what I was asking the teams on the long term. I think being where we are today is

nice. We need to remember that the portfolio is also changing and transforming.

So part of the variance in working cap is also due to the fact that we have this large project ramping up. So then, I have some weeks coming and some additional elements. We started invoicing some of the elements, but they are not being paid immediately. And that is creating a little bit of an elephant effect on the side of the balance sheet. But it's quite temporary. Hence, be reassured, I go on telling them that it's not a performance.

DEN DRIJVER M: Okay. Just one follow-up before I move to question two. Should we expect over time an improvement once IBI and DPS go on to Oracle, the cloud? Or would that be too positive thinking?

DUPERAT V: So that's also very true. All the perimeter from IBI and all the Canada and U.S. are switching to the same platform of Arcadis Way as of Jan 1. And in reality, there's probably a little bit even if we've been drastic in closing nothing, some of the stuff has been invoiced early in December. But after that, we've frozen a little bit.

So there might be a little bit of effect also in the photo of the Arcadis Way implementation. As we speak, they are testing the new system and testing the building into the system. Strangely, it's the first people we see in line being happy with an ERP implementation. So hopefully, that will help the teams in the future.

But that's definitely some of the things that happen. And it will be a big, big plus for the teams when you think about cross-collaboration because we have a lot of cross-collaboration projects, meaning that you want all the teams to be able to work on the same platform to be faster and efficient.

DEN DRIJVER M: Got it. Thank you. And moving on to my second question for Alan. In the press release, it says accelerate the investments in our strategy implementation. Could you provide a bit more color as to what you mean by that? Is that just normal opex investment in digitization and automation? Does it relate to the fourth GEC? Where is, by the way, the announcement on the fourth GEC? So maybe you can shed some light on that particular statement.

BROOKES A: Yes. Thank you. You've touched on that slightly. I think there are a number of things, but the primary thing we're looking at is digital in two ways, actually. One, I spoke about the standardization, automation, and that will continue, of our services. We're starting with the pursuit process, but it also refers to the products.

What we're seeing now is greater demand for the management of data with clients, the efficiencies that come through understanding our clients' operations better. When we talk about decarbonization, that can really come through energy efficiency and looking to reduce the opex costs. So what we're doing now is seeing that we need to invest in really bringing ourselves and keeping ourselves now at a

point where our clients expect us to be handling data, investing in digital products and developing for the future.

I think we'll also be looking -- I mentioned previously, our GEC location. We're at the end point now, so to speak, of selection, and we expect to be moving ahead with that, which will need some investments up front this year to actually mobilize that into the future. So these are the sort of things we're looking at. And these are building blocks, not just for this year or even this strategy cycle. We will be investing in our future for '26 and beyond.

DUPERAT V: And that opex definitely, Martijn.

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

JAIN S: Great. Thank you so much for taking my questions. So maybe for Virginie. So obviously, you've made a ton of progress on margins and less so on revenue towards your three-year targets. So can you help us understand where you think you will end up in your mid-to-high single-digit revenue target over the years? And if you think that your medium-term 12.5% EBITA margin target is actually -- you're running ahead of that?

DUPERAT V: Thank you, Sangita. In terms of net revenue, definitely, the selectivity we've been pushing on has helped us drastically improve the margin. And what we see in the increase of operating margin when we analyze with the team is, really it's coming from the nature of the portfolio, the type of solution we are selling that comes with a better pricing point

and then naturally fuel our P&L, and we are very pleased to see that and to see that our backlog is composed the same way.

That's strong and reassuring. Maybe to complement on that, yes, that's putting a little bit of pressure in terms of net revenue growth. But as we said also, part of it is coming with the nature of the project that we get. They are ramping up a little bit maybe less faster than they used to in the past.

And then, with the recognition of revenue that comes progressively based on the total expected length of the project, probably at the moment, we have some sort of ramping-up effect of the change of the portfolios. That is also weighing artificially, I would say, on our growth. And as much as we will get the full change of the portfolio, we might feel that a little bit less.

In addition, we are currently seeing a little bit less volume in what we used to book and burn. We have had several countries in Europe, notably, where budgets have taken time from the government side either to be approved or re-discussed. And that creates uncertainties both for public and private clients. And interestingly, that has no impact in terms of the long-term discussion of the project that they want to put on the table.

But the immediate additional stuff that they would do very naturally on framework existing or things like this, there is some hesitation to understanding what's going to happen in terms of tax laws and things like this. So that's definitely a

phenomenon that we are currently seeing, and no idea how long it will last.

But at some point, that should get out. So we still believe that we have the capabilities over the cycle to really get back on a bigger growth if this sort of strange momentum stops. Obviously, no crystal ball. And on margin side, , yes, 12.5% is the objective we are on track to deliver for 2026. And as Alan stated, we probably made quite a big step-up this year because our intent, obviously, in '25 is to accelerate the investment.

So we'll go on progressing our margin, but probably not in the same scale in '25 as what we've done in '24 to allow ourselves to push these major investments that we want to push, especially on the data and artificial intelligence side and be ready not only for '26, but for the future.

JAIN S: Great. That's very comprehensive. And just one question on Alan's comments on climate mitigation and adaptation focus. Can you address the policy uncertainty in Washington, and if any work that you're doing for FEMA or the Army Corps of Engineers is seeing any impact from the contract freezes?

BROOKES A: Yes. Thanks very much. I think maybe just to start the answer there, the majority of our U.S. work is with private, state, municipal type clients. Our exposure to federal is 2% of the total. What you see there is the U.S. Army Corps of Engineers. We do restoration and work like that.

We've actually just won another phase of that work, and that doesn't get impacted in what we typically do. So I think it's

very limited impact for us. We're taking care in the U.S. in terms of the administration just to watch what decisions are being made.

And as you might expect, we see maybe some clients just sort of waiting a little just to see what happens. But for us, I think when you look at the work that we do in the U.S. in particular, critical infrastructure, public safety, things like extreme weather, I touched on remediation, water, power, the grid extensions and things like that.

Our clients are looking at efficiency of operation as well as the repair and renewal of major infrastructure. So I think for us, we see our client sentiment actually remains positive. We have very, very little in terms of -- nothing material in cancellation. We may see a little pausing. But our order book we look at, we believe, will develop through 2025 and beyond now.

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

QUIRIJN M: Yes, good afternoon everyone. I have two questions. One is about the Global Excellence Centers. You were looking for #4 somewhere. So maybe you haven't taken a decision. And what sort of contribution do you -- what sort of number of employees in the Global Excellence Centers do you have in mind for the end of 2025? That's my first question?

BROOKES A: Okay. I'll take that one. Thank you very much. I think in terms of where we are with the Global Excellence Centers, we're now down to what I would call the short list, which

we're testing. We're coming to a conclusion on the Global Excellence Center, just checking that across the types of skills and where we see the workforce of the future requirements.

Today, we have 5,000 people in our Global Excellence Centers. I said before, it grew by 17%. And so, we're seeing a big pickup now in the use and expertise within our Global Excellence Centers. We're now not forecasting in terms of headcount. We're talking now more in terms of what work we will do from our Global Excellence Centers and how we will develop that because what we believe is, we'll bring in more standardization, automation through the investments in digital.

We will see this grow as part of their workload. So we're at the point now where we expect to move forward through this year and really develop the GECs as a fundamental part of how we operate.

QUIRIJN M: Okay. Thank you. And my second question, Alan, is about, let me say, the IRA and the, what is it, CHIPS Act and other acts and also combined with water. If I look at your peers, let me say, in U.S., they are quite optimistic about the water. Can you indicate how fast your order portfolio in water has grown in 2024?

BROOKES A: I think when you look, first of all, at the IRA and the acts there, what we see now is that 66% of the commitments have already been made into the states and municipalities. That work is already underway. So we're pleased with that, and that's firm orders in our order book. So that's good.

And in terms of the water, we're up at around 16% there in terms of our workload. And I think what we're seeing is a lot -- as I said in my sort of introduction, water for us is not at federal level. Water for us is now at the sort of watersheds there in the U.S. and we're working with many of them. We're looking at the improvements there.

And we expect to see more work coming through. We've been developing the policies and implementation for the Lead and Copper Rule, which was in the previous administration prior to Biden. And we're now looking at that in terms of the schools and in terms of the childcare facilities. So there is quite a positive momentum now building in water, and we are positive in the outlook of water in the U.S., I have to say.

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

BRILLIANT N: Hi, thank you. So my first question is just back to top line. And if you can help us understand the shape of the year, how soon we could see an acceleration in terms of organic growth? Should we think about the First Quarter of this year being similar to Q4 or a bit higher or a bit lower? Just any help you could give us on that?

And also, if you could help us with what percentage of this year's revenues you already have visibility in, and perhaps in the context of the latest consensus numbers that were recently shared. So that's my first question, please?

DUPERAT V: Yes. Thank you. I'm not going to guide because this is not what we generally do, obviously. I'm just going to repeat that

this is currently what we are facing. We see this sort of traditional book and at the moment, which is not there. So what we've seen in Q4 remains valid as we speak. I have no clue how long it will last.

The thing is that in parallel, we know also that a large part of the projects that we've been booking last year will continue progressively their ramp-up and then will come back also contributing this year. One thing to take into consideration is definitely our backlog is super strong. But you're also right to assume that this backlog is also longer than what it was in the past and that, more or less, we start the year at the level that we've always been starting in terms of visibility, but we also see longer than we used to.

BRILLIANT N: Okay. Thank you. And then, my second question is just on leverage. You're now below your target. So just in terms of capital allocation, remind us what the priorities are. And on M&A, should we expect smaller deals like the one that you announced today or is there still appetite for larger transactions from you?

DUPERAT V: So we announced a deal today. And as we've said, we remain focused on putting the right M&A deals around the table. So, that could be smaller or bigger size. That's not really what it is about, but we rather focus on the strategic elements that we want to add. So, vast majority is probably a small to midsize element that we would be bringing definitely. So with 1.3x, yes, we are below. But as we said, we are coming back around the M&A table this year.

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

EHLERS T: Yes. Hi, good afternoon. Thanks for taking my question. So the first one would be about grid expansion, obviously, one of the hottest topics at the moment. And you also, for example, said that you see growth rate of above 20% in the German energy transition. Could you maybe comment a little bit on the margins there?

So are they very supportive because if I look at the divisions and the strong margin improvement, could that also be partly explained by that and what would you expect that field to develop into going forward?

BROOKES A: Yes. Thank you. We don't really comment on specific margins, but I would say that we see grid work, not only in Germany, but across Europe as being a really big area for expansion for us. In the U.S., there is a queue of people on the interconnectors to the grid and developing the grid for the future. So I think we're seeing this as a major area.

And that's why I referred to in my opening comments that we want to develop 2,500 experts by 2027 because we see a pipeline of demand coming through for people who understand not only how to work with the grid, but actually look at the interconnectors and look at how to develop the grid expansions there. So this area is one of focus and one that we really are doubling down on. And all I will say is, it's contributing. Let's put it that way.

EHLERS T: Okay. Great. Thanks. And then, one follow-up question to my colleague, just to make sure that I fully understand it. Virginie, you mentioned that what you currently see with the hesitancy of customers, especially in the U.S. and U.K. that want to wait, what the budget decisions will look like, that the in-between work is a bit sluggish at the moment.

Could you maybe just explain how that works so that we have an understanding? And also, in addition to that, how you would counter critics of the risk coming from the U.S. political situation, but also in the U.K.? Because I do understand your arguments that the exposure is very limited to federal. But then, these comments do not help that much. So what would you counter to those critics in that sense?

DUPERAT V: So I will answer rather on the technical standpoint of what's happening to us in terms of volume and growth. What we see is that, as I said, our clients, when we have with them large frameworks and such, the regular work we're still doing. But in the past, this work generally comes with additional service orders, acceleration, decision to do this or this or that now.

These sort of elements, we see some sort of pause because people wait, but that doesn't change the fundamental direction that they have in mind, either in their strategic investments, in their strategic move and in their big plans. Just that when there is an opportunity to accelerate or do something faster, that's not the decision which is currently made.

Then, no clue how long it will last because, again, the fundamental trend is there, and we see that in those areas

where there has been uncertainties around what the governments are going to say in terms of budget and tax laws going with it, and then the impact and the difficulties for the clients, like for everyone else, of building a solid budget that you can believe in. So then, that's what it is about, and that's what we've been trying to say.

OPERATOR: The next question is from the line of Luuk Van Beek with Degroof Petercam. Please go ahead.

VAN BEEK L: Thank you for taking my question. First, a question on the GECs. In combination with the push in the US to source more locally, does that make it more difficult to increase the use of GECs in the U.S.?

BROOKES A: Yes. It depends actually on the type of work that we're doing. And actually, what we're finding with many of the private clients and even in some of the states now, once the big commitments are going ahead, particularly on infrastructure and so on, it's about capability and capacity and speed to market.

And therefore, we're seeing that, in that case, the usual process may be where you might see challenge is actually overcome because we're seeing expansion of our GECs in this area, and it's the capability, the expertise that they have and the capacity to develop the work quicker. So we are seeing growth in our GECs from the US as well.

VAN BEEK L: And my second question is on the sentiment towards ESG. That really worked in your favor. You explained that many projects are also done for, say, efficiency reasons and still

continue. But do you see any impact of companies less eager to invest in things that are just better for sustainability or other ESG components?

BROOKES A: Yes. We have -- there's a variety of answers to that question. The way -- on one side, I would say, we're seeing people looking, as the political situation unfolds across the world, to say energy security is becoming an issue. Now, you might say, well, that's not sustainable. But it's the same work in terms of getting security of energy and things like that.

In terms of things like decarbonization, people talk about that, and it might in the past have been referenced against ESG. But now, the clients are really looking at this is high cost of energy. We need to get energy efficient. We need to look at how we address the leakage of energy in our assets and how our assets become more efficient.

And in other areas, if assets are impacted by extreme weather events -- I touched on the Climate Risk Nexus in my introduction, where we can forecast what is that risk and turn it into a financial quantum. And that means that we can then address with the clients that sort of risk.

So the fundamentals, let me put it that way, are still there. And some clients are, yes, still indeed saying to us they have committed. I mentioned Heineken, but there are other clients who are still committed to net zero. So that work is still there. So in a way, we're seeing an uptake in demand rather than a reduction.

OPERATOR: Thank you. The next question is from the line of Kristof Samoy with KBC Securities. Please go ahead.

SAMOY K: Thanks for taking my questions. A lot has been touched upon already by my colleagues. But regarding 2025, could you give like an indication of the amount of non-operating costs, which we can expect in that year? I presume most of the integration costs of IBI, DPS, office optimization has been done. So the amount there will be very low, maybe low-single digit.

And then, the Middle East, can we still expect an impact of this in 2025? Or are you completely out of the Middle East? And then, in terms of the acquisition of KUA, could you review the revenue figure that company is generating? And will it be integrated in Places or not?

DUPERAT V: That's almost four or five questions in one. I'm not sure I'll remember everything, but I'll try. So starting with non-op, so I don't guide on non-op, and I'm not going to start again. We just need to remember that we want to remain agile. And then, when we need to and when we have to, we will go on adapting our structure to what we have to do.

So then, you need to expect a volume of structure that will every year go in the P&L of a company like us. I think it's just sound practice to be adapting the structure to the reality of the market when it is needed and also to look for efficiency every time it is possible.

So we have started with the integration of IBI and DPS to, for example, look for efficiency of organization of our offices and constantly improve that. And we will keep this nice habit

to ask ourselves whether we have the right footprint, the right structure and do what we have to do when we have to do it. So that's maybe number one element.

Number two element, I think you need to help me because - - no, KUA was the last one, I think. No, that was also the last one. But okay. Let's go with KUA, and you'll tell me what was the second point I'm missing. But KUA is, as we say, a bolt-on acquisition that we are bringing.

Yes, we are going to attach it to Places, to attach it somewhere because it's largely architects that are really specialized in the design and the planning of data centers that are joining us. And we have a kind of integrated vertical around data centers working together that takes the capabilities also of Resilience, and they work together when it is about site due diligence also, which is also something KUA is doing.

So then, there will be contribution over there, and when we think about how to optimize the efficiency of energy sourcing and water sourcing in data centers where we can be instrumental. So that is it.

In terms of KUA net revenue, I can't answer that because KUA is a very small company, largely operating under German GAAP, as we speak. So we'll have to translate the figures. But to give an idea, I expect the revenue of KUA to be around EUR20 million.

I think just to be precise, what we pay for KUA is obviously EUR70 million cash and debt-free basis, as we said, but you

have to assume it's EUR58 million that will go out now. And the rest is an earn-out, which is based on future profit, while what we pay now is EUR58 million attached to the 8x multiple that we disclosed. And with that, I think you should be able to model it.

SAMOY K: Thank you. And then, just one question on the Middle East.

DUPERAT V: Yes, thank you. And then Middle East -- Middle East, as I said, if you restate this year, we do 11.7% versus 11.5% when we take everything. And yes, moving forward, I'll stop restating it because it will become negligible and more or less give you the same number. We'll keep maybe -- just to be very clear, we'll keep a few offices open, 25% -- 20% to 25% on the ground by the end of Q1.

And these guys will rather be key leaders or administrative people, working generally for the other GBAs already, but keeping feet on the ground to maintain the relationship with the local authorities, making sure that the way we are finishing the winding down is going okay.

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. Thank you.

BROOKES A: Thank you very much. I think, let me state, we are acutely aware of the shifting political and economic landscape that many of you have commented on that's emerged in the first quarter of this year, as well as the evolving needs of our clients, which are changing as well.

But nevertheless, I want to state that I am confident that with the strategic decisions we're making, coupled with the initiatives we've implemented and that we plan to implement this year, we are well positioned to accelerate our future ambitions.

By remaining selective in the projects we pursue, we are improving the quality of our backlog and further aligning our portfolio with solutions for the future of the planet.

As we move forward, our commitments remain clear: delivering those sustainable solutions to our clients, leveraging our digital and professional innovation, and empowering our people to accelerate that planet positive future.

And with that, I'd like to close the session. Thank you all very much for your attention.