



Arcadis Global B.V.

“Arcadis First Quarter 2025 Trading Update Conference Call”

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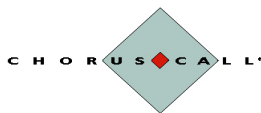
Conductors:

Mr. Alan Brookes, Chief Executive Officer

Ms. Virginie Duperat-Vergne, Chief Financial Officer

Ms. Christine Disch, IR Director

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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 First Quarter 2025 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.

DISCH C: Thank you and good day everyone. Welcome to our First Quarter's trading updates. My name is Christine Disch and I'm the Investor Relations Director at Arcadis.

With me on the call are Alan Brookes, our CEO, Virginie Duperat, our CFO, Willem Baars, Global Strategy, Financing and M&A Officer and our incoming interim CFO starting the 1st of June. We will start with the presentation which will be followed by Q&A and we would like to call your attention to the fact that in today's 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 our website. And now please over to you Alan.

BROOKES A: Thank you Christine and good morning, good afternoon, everyone and welcome to our trading update of the First Quarter for 2025. Arcadis has delivered a robust quarter with continued backlog growth and margin expansion. This performance highlights the strength and resilience of our business model even in the current environment of

changing market dynamics and uncertainty across the world.

Net revenues in the quarter were stable organically year on year as we continue to be selective in the projects we pursue. At the same time, we increased our backlog to a record high of EUR3.7 billion growing organically by 3% in the quarter. We have seen no significant cancellations, which I believe is a clear testament of the resiliency of our business model.

With this growth we further enhance the medium to long-term visibility of future performance. We successfully delivered another quarter of margin expansion while at the same time we made strategic investments in standardization and automation which will further drive the effectiveness of our project pursuit processes. Numerous investments were also made in our people.

For instance, we continue to invest in our Arcadis energy transition academy. We also invested in our employee share purchase program an accessible and economic way for our employees to invest in the Arcadis stock something that has been received very positively by our people. In addition, we again managed to increase the contributions from our global excellence centers which is a proof point that we are well on track to build a lean efficient and data-driven organization.

And lastly, we have selected a new location for our fourth center namely Bucharest in Romania and we'll share further details in due course. Looking ahead we remain fully committed to our 2026 strategic targets with a

robust operational foundation and a record high backlog on our strategic initiatives and actions well on track we are therefore well positioned to continue delivering value to all our stakeholders. So now let me run through our performance across our global business areas.

Firstly, our demand for our resilient solutions continues to remain strong with 10% backlog growth in the quarter, especially across key markets Americas and Europe. In North America we're experiencing sustained momentum for our water and climate solutions. This growth is fueled by evolving regulatory landscapes increased funding for climate adaptation and the growing urgency around water scarcity and infrastructure modernization.

States like California are leading the change opening up a wave of new pipeline opportunities. In the Netherlands we continue to see strong order intake for climate adaptation solutions highlighted by our recent win to support one of the Dutch water boards in gaining insights into water quality challenges and vulnerabilities in urban water systems due to climate change. In the US state government agencies continue to invest in energy transition and distribution.

We are advising a large energy client to decarbonize the grid through engineering procurement and construction solutions that ensure increased energy storage capacity. Across northern Europe the energy transition shows no signs of slowing. In Germany the recently approved 500 billion infrastructure fund represents a landmark investment that will modernize infrastructure and accelerate the transition to climate neutrality by 2045.

We already have significant commissions underway with Tenet and Amprion supporting the latter on the Rhein-Main-Link a 500-kilometer underground cable that's a connection that will transport electricity from offshore wind farms in the North Sea to the Rhein-Main region.

This quarter our commission was extended to include advisory and design of underground cable segments that will deliver up to eight gigawatts of renewable wind energy in Germany with completion targeted for 2033. In our places business whilst we find some sectors remain challenging, we are well positioned to capitalize on recently announced global investments in technology pharmaceuticals and decarbonization efforts.

This is particularly the case in Europe and North America, accounting for over 90% our places business. The scale of opportunity is reflected in our pipeline and our backlog development was positive over the quarter. The current economic environment has caused some of our clients to take longer to make large CapEx decisions impacting our revenue generation in the First Quarter this being partly offset by continued good results for data centers and public facilities.

To highlight a recent success in industrial facilities and illustrating the ongoing activity in this sector we recently secured a major contract to deliver design and management services for a large new automotive manufacturing facility in North America. This brings together expertise from our teams in North America, the UK and Germany. This project represents a major milestone for our clients in terms of delivering sustainable

and innovative design to support its global expansion plans.

Our mobility business delivered a strong performance in 2024 securing several significant multi-year projects that have strengthened our backlog. Following a slower start of the year as clients took a bit longer to mobilize, we're now gaining momentum and entering the ramp up phase on major projects like the Fraser River Tunnel in Canada. Our mobility pipeline is also expanding particularly in the airport sector with a major opportunity in North America but also across Europe.

In the UK and Australia, we continue to face headwinds primarily due to wind down of major infrastructure projects most notably HS2 in the UK. This has prompted us to reassess and reposition our capabilities, shifting focus toward the growing demand and increased investment in the US market where we see greater long-term opportunities for future growth. A key example of these investments is for one of our large key clients Amtrak.

They plan to increase investments by 50% in 2025 to \$7 billion as they seek to leverage industry expertise to deliver quality assets and meet passenger demand. Arcadis is well positioned to capitalize on the opportunity as Amtrak has been one of our key clients for many years now. In continental Europe the rail sector also remains buoyant underpinned by government investments in both new infrastructure and also asset management.

This is our largest market for mobility accounting for over half of our mobility revenues. Germany in particular continues to be a standout performer. Rail investments in the region is projected to increase by another EUR150 billion on top of the existing EUR85 billion of funding over 10 years.

Our recent acquisition of WSP's rail business has doubled our presence and significantly strengthens our position in this critical market. Willem will share more on this shortly. Finally in the north of England our rail expertise was further recognized with a win on Network Rail's 300-million-pound development and design partnership framework.

Running for five years the framework supports major programs including Northern Powerhouse Rail and Network North. Arcadis will deliver multidisciplinary advisory and engineering services from early feasibility to detailed design, leveraging digital innovation expertise and from major US and Australian projects to drive efficiency and value.

Across our intelligence business enterprise asset management or EAM and enterprise decision analytics, EDA, our intelligent asset management digital tools continue to be strong performers as there is an increasing need for project prioritization and budget optimization.

This was highlighted by an EDA win this quarter with the city of Calgary. This enhances the management of the city's infrastructure portfolio and critical assets. While the backlog development for intelligence for this quarter is

moderated, we do see EDA driving revenue and order intake in the other GBAs as it is more and more seen as a powerful differentiator in securing these large-scale projects.

A strong example is our work with a major multinational bank. Initially we were engaged in developing a net zero strategy through our sustainability advisory team. We demonstrated the added value of EDA to expand the scope of the project.

Our analysis identified over 1,000 actions to improve the efficiency across 360 properties in the bank's real estate portfolio and this ultimately led to a larger assignment under the resilience GBA showcasing how EDA can drive across GBA growth.

And with that I'll now hand over to Willem Baars, our incoming interim CFO, to take us through our acquisition successes in Q1.

BAARS W:

Thank you, Alan. Good morning and good afternoon to everyone on the call. I am delighted to join you on today's update call and share how our recent acquisition supports the delivery on our strategic priorities.

Our M&A strategy is focused on finding value creative and synergistic acquisition opportunities to strengthen and broaden our service offering in priority growth sectors. The two acquisitions we announced in this quarter are fully in line with this approach. Germany is a key growth market for Arcadis across all our business lines.

Both acquisitions, one in rail and the other in data centers, are in priority growth sectors. Each offers a truly complementary set of expertise to ours and each enables us to benefit from revenue synergies as we leverage our global footprint and are able to do more for our existing key clients.

First, the acquisition of WSP Infrastructure Engineering, a 160-person engineering firm specializing in rail infrastructure, signaling, structural engineering and software development.

This EUR30 million transaction completed last week. It doubles our presence in the German rail market and strengthens our growth prospects. The expertise that WSP Infrastructure Engineering brings to us is highly complementary to Arcadis' existing capabilities.

In addition, the acquisition offers valuable pre-qualifications for Deutsche Bahn framework contracts, particularly in signaling that are difficult to build up organically. This opens up significant new bidding opportunities for us.

With the large investments announced in the German rail sector, as Alan mentioned earlier, we are well positioned to unlock significant new revenue opportunities and to benefit from more efficient project delivery supported by global collaboration and our global excellence centers.

On March 19th, we completed the acquisition of KUA Group, reinforcing our strategic focus on expanding global data center expertise. This EUR70 million transaction leverages Arcadis' strength in site selection, program and

cost management and sustainability and integrates them with KUA's specialized architecture, design, engineering and general planning capabilities for data centers. We are now able to offer a complete end-to-end service to our data center clients.

KUA's impressive growth, having delivered 35 assets since 2018 and doubled their revenue over the last three years, positions us to capitalize on Germany's status as Europe's second largest data center market. This acquisition doubles our data center presence in the region. It enables us to provide end-to-end solutions and unlock synergies with a team of over 400 data center specialists globally.

With these two acquisitions, we have further solidified our total position in Germany, a key growth market for Arcadis, which delivered double-digit organic revenue growth in 2024. We continue to evaluate further acquisition opportunities in line with our strategic priorities and have an attractive pipeline whilst we also continue to remain selective and targeted in our M&A approach. And with that, I would like to hand over to Virginie to take us through the financial results for the quarter.

DUPERAT V:

Thank you, Willem, and good morning, good afternoon, everyone. In the First Quarter of 2025, Arcadis delivered a robust set of results with continued operating margin expansion.

Our net revenues were stable year-on-year at EUR972 million, driven by strong performance in the United States

and Germany and impacted by a slowdown in infrastructure spending in the UK and Australia.

Increased geopolitical uncertainty weighed on the short-term spending patterns of our clients. At the same time, our backlog position reached a record high with 3% organic growth over the quarter.

Despite a flat revenue development and strategic investments in the quarter, we improved our operating margin to 10.9%, a clear testament that our strategy of being more selective in our project selection and increased contribution from the GECs is working.

The investments made this quarter were mostly around digitization and our people and we will continue them in the upcoming quarter as we also ramp up investments for the additional GEC locations. Finally, we recorded EUR22 million of non-operating costs in the quarter.

This was mainly driven by our rightsizing and restructuring efforts, especially in the UK and Australia. Globally, after years of substantial investments, major infrastructure projects in the UK and Australia are currently winding down.

In the UK, while we closely follow the progress of the comprehensive spending review currently being processed, we are in the meantime investing in growth opportunities in sectors such as water, energy, data centres and defence.

While part of our mobility staff has been relocated from UK and Australia to US and Canada, we have taken

decisive steps to right-size our workforce in those countries, ramping up our GEC workforce projects.

As a consequence, we increased the people in our GECs by 700 year-on-year and plan to continue hiring in the GECs as needed, including in our new Bucharest centre, to further enhance global operational efficiency.

Turning now to free cash flow. We have remained disciplined in the management of our net working capital. In the quarter, we recorded a net working capital ratio of 12.9% and 67 days of DSO. The working capital position was impacted by the planned ERP migration of the remaining part of the North American business.

The free cash outflow for the quarter was EUR138 million in line with seasonal trends and impacted by the timing of some annual software payments that we have made in Q1 this year. As a result, our net debt stands at EUR920 million at the end of Q1.

If we now look at the growth trends of our global business area, resilience saw strong organic growth driven by Germany, North America and the Netherlands. The demand for our solutions remains strong and our backlog grew by 10% in the quarter as a result of success of our higher value, water optimization, climate adaptation and energy transition offering, combined with our selectivity towards key clients.

While some large remediation projects are fading down, additional pipeline opportunities are being created, including through changes in regulation and funding schemes.

Turning now to places, revenues were impacted by cautious decision making in the industrial manufacturing sector, alongside overall softness in the UK market. Everywhere else, demand from government clients and public facilities continue to be strong and momentum in data centers remains robust.

As Willem mentioned, the completion of the core acquisition further strengthens our capabilities in European data center market. Large pharma clients in the US announced significant expansions in their investment programs, creating promising pipeline opportunities.

In mobility, organic growth was impacted by a slowdown in the UK and Australia, where we have taken actions to right-size our workforce. In addition, existing large projects that are winding down are causing a temporary gap in revenue generation, as significant new contracts are still in the early stage of ramp-up. Demand remains strong, driven by the US, Germany and the Netherlands.

Additional opportunities are entering our pipeline, particularly in the US and Germany, from government investment and our recent WSP Infrastructure Engineering acquisition, together with our investments in GECs, will allow us to be well-positioned for growth in the medium term. Finally, intelligence revenues were driven by our enterprise asset management solutions in North America.

In terms of order intake and backlog, we also secured substantial wins in the quarter for our parking software product, HotSpot, that are not recorded as order intake,

in line with our accounting methodology, and will be recognized progressively as revenues are generated. Including this project, order intake would have been in line with previous quarters, and as a result of these awards, we have increased visibility for the rest of the year.

As Alan said, integrating intelligent solutions into our offerings from other GBAs is a strong differentiator in securing large-scale projects, and we continue to see further opportunities here. And with that, I will hand back to Alan for wrap-up and concluding remarks.

BROOKES A:

Thank you, Virginie. As we wrap up, I'd like to highlight a few key takeaways from our First Quarter performance. Despite the market uncertainty, which is causing clients to take longer in large CapEx decisions, we continue to see growing demand in our key markets, which is reflected in our robust order intake and record high backlog. This provides for improved long-term visibility into our pipeline, and positions us well for sustained growth.

Our disciplined execution and investment in standardizing and automating our processes have driven sustained margin expansion, reinforcing the resilience of our business model. Additionally, we are actively repositioning our resources to support the successful ramp-up of the large multi-year contracts in our backlog.

Looking ahead, we remain on track to deliver our 2024 to 2026 strategic targets, supported by our focus on high-quality project selection, operational excellence, and

investments in strategically attractive markets. With these strong foundations in place, we are confident in our ability to continue to deliver value for our clients and our stakeholders. And with that, I'll now hand over to the operator for the Q&A session.

OPERATOR: The first question is from the line of Sangita Jain with KeyBanc. Please go ahead.

JAIN S: Thank you so much for all the detailed comments. Good morning, everyone. I'm going to limit myself to one question. So, Alan, clearly your backlog strength has been remarkable. Can you share some insights into your conversations with your clients as to how they're evaluating bids in this market, and maybe share your confidence in continuing this strong bookings momentum?

BROOKES A: Yes, thank you. I think, first of all, what I would say is it's testament to the work that we've done over the last couple of years on our key client program. We've really focused and doubled down on our client relationships and looked to get really close to our clients. And I think what we're realizing is some of our clients are looking to improve not only their CapEx spend, but more importantly, with energy costs, looking at their OpEx spend.

And I think this is where, when I talk about the combination of our GBAs, so not only, say, one GBA leading, but actually looking at bringing in our software, bringing in the priorities that the clients can look at in their spend, but also then adding in, say, resilience skills

in water and energy to our portfolio. And I think this has been why we've seen our backlog grow and clients come to us to have the conversations. And we see our pipeline also looking robust in terms of future opportunities.

So, at the moment, we feel that we're in a good position visibility-wise with longer term, larger projects, which we've particularly seen in mobility and looking over several years now, so we can look ahead better and plan better. We're going to double down as we look to the future with our key client program and really look to grow our client relationships further across our GBAs. And this will enhance our position for the future, we believe.

JAIN S: Great. Thank you so much for answering my question.

BROOKES A: You're welcome.

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

BRILLIANT N: Thank you very much for taking my questions. I've got two. So, the first is just coming back to your comments on mobility. You talked about visibility for the pipeline and your comments are about the years ahead. So, does that suggest really a pickup from 2026, or do you think we could see an improvement even later this year? And linked to that, is there any of the pipeline that's in the UK or Australia?

And so, do you think you might have to expand the workforce there in the future, or is really the focus outside of those markets? And then the second question is around the margin and profitability. You talked about some

investments in Q1 and the ERP rollout and said that that might continue. So, could you just give us a bit of a sense of how much more investment we should think about through the balance of this year?

And whether any of the GEC investment will fall into 2025 as well, please? Thank you.

BROOKES A:

Sure, I'll start to look at that. I think in terms of mobility, what we've seen is the larger projects looking to mobilize a little slower. Some of this is due to the clients just getting their own house in order, but also for us to move the people. And we invested earlier this year in an enhanced mobility capability in our business. So, I think that's something that we'll look to improve. We're now seeing the start of the ramp up of these schemes. And therefore, we're expecting a stronger Second Half of the year looking ahead.

So, I think that's where we will look to. And then in terms of where that work is, as we've said, there are good opportunities in North America. As we've looked at the UK, the UK has obviously got the strategic spending review which will be announced in June. Within that we've already heard some of the work that will get approval, such as the Lower Thames Crossing which we've been working on. But we are waiting now to see what else. But this is about future investments, things that will take place.

We've already announced them being very close to things like Gatwick getting approval for the second runway, which we're already commissioned on. So, we'll wait and

see, but this will then give us further visibility as we look to the future, particularly from the UK which has been challenged. I think while this spending review has been underway for mobility. And that's why we've moved people elsewhere and also reduced our workforce in the UK as we've ramped down on HS2.

If we then turn to the margin, maybe I'll ask Willem to look at the margin first, and then I may add any comments afterwards.

BAARS W: Yes, thank you. Thank you, Alan. And hi, Natasha. On the margin, you would have seen we've grown a margin 20 basis points in this quarter. We've indicated earlier that we're making investments in this quarter. And we're making investments throughout the year as we're ramping up the GEC in Romania. We continue to invest in the digitization on certain of our tools and processes.

We would expect that to carry on in the next quarter and thereafter as well. And the margin expansion to be following afterwards. So, if we look at the margin expansion that took place last year, we indicated that we wouldn't expect a similar pace of margin expansion this year as a result of the investments. I think you can see a decent clip of margin improvement already in this quarter. And there's more in the back end of this year that we would anticipate.

BROOKES A: Maybe just to finish on that, I think, as Willem said, we'll continue this year as year two of our strategy. We wanted to move forward on our GECs. We just announced, obviously, Bucharest. We will continue with our

standardization automation and our investments in AI as Willem said, but also in our skills-powered organization as a strong platform to develop our people's skills for the future. And to have more visibility of where those skills are so we can be even quicker when we look to mobilize our people onto the projects.

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

BEEK L: Yes, good afternoon. First of all, a question on your cost savings. Did you implement all the savings that you wanted to realize in Q1, or should we expect further steps in Q2? And also, how quickly should we expect them to kick in? Then my second question is on the impact of the US ERP system rollout. How big was that impact on the working capital?

DUPERAT V: Okay, maybe, Luuk, I'll go on that because it's about Q1. In terms of cost savings, obviously, we implemented all linked to the synergies of the private sector position fully last year, so then there's nothing, you know, that was expected in addition really this year. That's not where we are. We are still, you know, getting some efficiency because when you start a plan at some point to get some savings, there's no point in stopping it. So yes, we have some of the things.

In terms of the restructuring that we have undertaken, we expect the savings you know, to come in the coming quarter rather than now. That's maybe what it is about. ERP yes, is impacting our working cap because as always, you know, you try to stop paying a little bit suppliers just

before you roll it out, which happens just before your end. And you restart billing and paying suppliers a little bit later in the quarter. So North America has been hit a little bit on both sides over the quarter but that's not a big stuff.

The free cash flow element, which is really to take into consideration is that we consciously made the decision to pay in advance some software annual payment resulting to some good discussion and negotiation with some providers in Q1 this year.

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

DRIJVER DEN: Yes, thank you, operator. Lots of questions already asked, but I'm coming back to the savings on the restructuring, the 22 million of one-offs in Q1. Virginie, you said that those savings will come in the coming quarters. But can you quantify are we talking about low single-digit, mid-single-digit a little bit of color that would be helpful? And I was also wondering if we're talking about strengthening in H2. Is that only related to large projects mobilizing, or is there also something baked into that expectation with regards to the book and burn? Those were the two questions. Thank you.

DUPERAT V: Let me take the restructuring, Martijn. I think that what we have undertaken, obviously, is to, number one, right-size our workforce. So, then it's to go on delivering the pace of margin we expected to deliver. So that's really the way I would analyze it and take it into consideration.

We will start getting part of those savings almost immediately in the rest of the year, Q2 and onwards, because we have been quite decisive and took the issue as early as we could, let's call it this way. And in terms of payback, we should get the payback of what we are pushing out quite roughly in one year, one year and a half, something like this in terms of cash.

So then that I think is what we tried to do to ourselves. So that is the biggest element to keep in mind.

BROOKES A: Okay. Maybe on the second question about the H2 strength. Yes, you see that in mobility as the large projects now start to ramp up and also the winds that we've seen in sectors like airports. But also, if you look at our other GBAs, resilience I touched on before, you've got energy with the grid expansions, the sort of work that we're doing on the grid work there, also in water because we've just started to see the first commissions coming through on the AMP cycle, for example, here in the UK work as well as the work in the US.

And then in places, commissions on the life sciences, the pharmaceutical production, data centers and we see investments coming through now from some of the big operators in the data centers and also in defense. So, we're starting to see that sort of work starting to come through. And that's why I referred to a stronger Second Half of the year.

OPERATOR: The next question is from the line of Dirk Verbiesen with ING. Please go ahead.

VERBIESEN D: Yes, good afternoon to you all. Maybe a follow up on the, let's say, the non operating cost of 22 million, which was quite a sizable number compared to what was expected. Yes and it may be sensitive, but can you shed some light on what you see in this field for the coming quarters in the non operating segment?

And then the other question on the stimulus programs in Germany, it's all quite new. But yes, you are mentioning some hard numbers from Deutsche Bahn and also the energy transition. When do you expect to see the actual workload coming towards you and maybe the market in general? Is this already something maybe for Second Half 25 or more into 26? Thanks.

BAARS W: Shall I start on the first question with regard to the non operating cost, Dirk? We've incurred 22 million of non-operating costs as you said, we don't give guidance for the rest of the year. We continuously adjust our business, particularly in times like these, not just because of shifting workload, but also as we are shifting the profile of our business and the skills that we need knowing that we are investing in our global excellence centres.

And as we are shifting more and more work into our global excellence centres in line with our strategy. So that is a continuous investment that we are continuing to do in the rest of this year. So that is what we would anticipate. We're not giving any specific guidance in terms of quantum that would then fall into non-operating.

BROOKES A: Yes and I think just in terms of the stimulus in Germany, obviously, we've already been in discussions with

Deutsche Bahn as you would expect and with the acquisition that we've made, we now have more certification to do more work there. So it allows us to broaden that work. So we are hoping that we will now see some of that interest that they've already shown in what we're doing already coming through during this year into our order book, which we expect to see.

Obviously, in Germany as well, it's the second biggest market in Europe for data centres. And we expect with our KUA acquisition to see further developments there this year. So this is probably as I think I said in my opening comments, this is really a primary market for us in Europe and really is a standout for us in Europe and we expect that to continue.

OPERATOR: The next question is from the line of Maarten, Verbeek, with the IDEA! Please go ahead.

VERBEEK M: Good afternoon, Maarten Verbeek here. I've been out for a few minutes because my line was disconnected. So hopefully I'm not repeating somebody else's question. But I'd like to get to the non recurring offer 22 million of which a large part is related to the ram down of the large scale multiyear projects.

Why have you taken those costs as an exceptional since it should be or it is, according to me, an integral part of your the way you do business, take on large projects and execute them wherever in the world. So shouldn't that be part of your integral business and thus not being allocated as a non-recurring?

And it makes you then also wonder if these costs occur, should you be active in these large scale projects?

DUPERAT V: Thanks, Martin. I'll take the question. Yes, we discussed briefly around the non-op cost in the two previous questions, but on a different angle. The non-op cost relates to restructuring and rightsizing. So it's really the cost of redundancies and redundancies in RKDs are integral part of our non-operating as described in the notes to the financial statement. And in the description of what non-op means to us in the financial statements.

So as a consequence, a restructuring plan that we launched both in the UK and in Australia, these costs have been booked this quarter in non-op.

OPERATOR: The 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 will be a follow up on the margin you reported in Q1 and the impact the investments had on it. Could you maybe explain a little bit more what the margin would have looked like if you would not have taken these investments? So that we understand a bit better what the underlying margin development is coming from the selectivity and the synergies?

DUPERAT V: Thanks, Tim. That's a Q1 margin. So I'll go on it. We've done what we've done every quarter. We give you indication of what are the steps that we want to achieve to go on delivering margin and that goes with investments. We highlight a bit more investment this year

because the volume of investment is a bit bigger than on the previous year.

But we have always done things the same way. We try to produce a bit more from our leavers to be able to invest in Q1. And obviously, no, I'm not going to give you any further element on the components that you can get, but that's a nice try on your side. And I can understand. But definitely, there is also a little bit of an opportunistic moment as we said, we are a bit slow on the business side.

And we took a little bit of opportunity also to accelerate on some of our programs like standardization and automation, where we see the ability to use in our business workforce, you know, to be part of this of this program, and they contribute. So that is also maybe a little bit, of availability eaten on that front, which immediately gets back in our investment program.

So that is probably something that you'll see a bit more, for the rest of the year, and which helps prepare for the next cycle.

EHLERS T: Okay, thanks. That's already helpful. And then one follow up the working capital. Can we expect a normalization for the rest of the year? And that you already mentioned the software payments you took in Q1 might eventually lead to overall improvement of the working capital?

BAARS W: Yes, hi, Tim. We would for the working capital, I would anticipate that, you know, we are very focused on bringing that back into our normalized levels that you would have seen in the past. And I would anticipate that

coming back in, we've seen some impact of the ERP implementation that we did in North America in the First Quarter, which we are now catching up on in the Second Quarter.

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

KERSTENS D: Hi, good afternoon. Thank you for taking my question. I had one question left that was regarding the performance in the US, which you called out as strong in the First Quarter. I was wondering how has that momentum changed going into the Second Quarter after the announcement of tariffs at the start of the quarter?

BROOKES A: Yes, thank you. Tariffs aren't something that particularly impacted us right now, because most of our work is done at state and municipality level. And I think when you look at the tariffs and the way that they've been brought in, we are seeing some opportunity with some of our clients because of the onshoring aspects of it.

Also, clients asking us about how they work with the tariffs going forward, and obviously the supply chain issues. It's also generated some, obviously, probably unintended consequences in a positive way in other parts of the world, as our clients seek to address their concerns and issues. But in the main, in terms of how tariffs, as they've come in, have landed, then no, they've not actually impacted us very much at all as a business so far.

KERSTENS D: And what do you see among customers? Do you see increased uncertainty, impacting top line momentum? Or is that not, do you see the opposite happening?

BROOKES A: It hasn't so far. We've seen some where clients are just a bit hesitant. Let me put it that way, where in terms of the decision making, they've sort of stepped back momentarily, thought about what is the issues.

In other areas, though, I mentioned before, where clients have started to look at, do we need to have capability or more capability in the US? We're seeing pharmaceutical clients, for example, saying, can we increase our capabilities onshore, so to speak? So you're going to get a mix, I think, where some opportunities come forward as a result of tariffs.

And I think certainly we have a number, let's say, of automotive manufacturers who are looking at both wait and see, but also at the same time, carry on. And some who are saying, well, we need to now invest in the US. So I think you're going to see a mixture as we look to the future.

But on balance, I think we're hoping to see things will broadly level out pretty much the same. But as I said earlier on, we're keeping very close to these clients and trying to help them in their decision making process. But so far, I would say so good.

BAARS W: Yes, and maybe to add, Alan, David is also worth looking at the shape of our business in North America. While we serve clients that are more exposed to the trade, there are a large number of our clients in the infrastructure or the water space, or the energy space for that matter, that are not directly impacted by tariffs, but more by the domestic demand that is there.

And there's also a number of clients that Alan mentioned that were already looking to make significant investments in North America, whether that's on data centers, or on the pharmaceutical side, where we're well positioned.

KERSTENS D: Sounds good. Thank you very much.

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

COUGHLAN C: Yes, good afternoon, all. And thank you for taking my question. I'd just like to bring it back to capital allocation. Willem, thank you for the elaborate explanation of the previous deals. But looking forward, I'm curious if you can give any more color around what kind of regions or end markets you're particularly looking at for M&A and potentially any indication on what kind of size deals you're planning on doing, given how healthy the balance sheet is? That's my first question.

BAARS W: Yes, so on capital allocation, it's always difficult to project M&A because these situations come to fruition when they come to fruition. We are actively continuing to look at M&A, but we continue to also be quite targeted in what we are looking for.

We're focused on the growth areas and really strengthening our portfolio in where we see growth longer term. And the examples that we pointed out, data centers and transportation are two of the important growth areas. There are a number of other growth areas that Alan mentioned earlier that we're quite focused on, and we look at opportunities that strengthen our portfolio.

But they do need to make sense for our Arcadis. We're not growing our business just for the sake of growing it. So I can't give you any guidance on sort of timing, other than that we continue to actively look at those opportunities in the current climate.

COUGHLAN C: No, that's very helpful. And then just with regard to the CapEx for the new GEC, can you give any more color on the phasing of that? Will that be mainly in the Second Half of this year or some in 2026 as well, or any kind of quantitative indication on the size there?

BAARS W: So, the cost or the investment that we're making into the GEC will start to ramp up as we are ramping up the GEC. Most of that cost will be borne as operating expenditure rather than actual CapEx, because it is really people that we're bringing into the GEC. It is people that we need to train up and that will be non-billable as a result of that as we bring them online. So that is something that we'll carry on as we are growing and scaling up the GEC.

OPERATOR: We have a follow-up question from the line of Dirk Verbiesen with ING. Please go ahead.

VERBIESEN: Yes, thank you for that. I have some follow-up questions, maybe also on the North America situation, Canada versus U.S. Do you see any maybe also impact on the Canadian activities in that field? That's my first question.

Second question is on, let's say, the current momentum in Q2 in terms of revenues development is, yes, hearing all your comments and short-term market conditions versus long-term promising pipeline and so on. Is it fair to say that, let's say, the momentum in Q2 could be a bit

similar to Q1, meaning a flattish top line? That's my second question.

The third last question is the remark you make in resilience on phasing down of large remediation projects. Should we foresee some impact like we see in mobility of maybe phasing, scaling down versus new project ramp-ups that could temporarily hamper growth? Or do you foresee a good balance in that field? Thanks.

BROOKES A:

Okay, maybe just to start with Canada. Canada remains a very strong market for us, actually, with good opportunity there. I think we've seen a lot of interest in Canada in terms of infrastructure, for sure, but also now, we're seeing a lot of interest in the software programs I mentioned.

I touched on the City of Calgary. That's just one of the many examples we're getting there in the use of optimizing tools for prioritization of work. There is other opportunities in our pipeline.

So, we're not seeing Canada reduce at all and no impact so far from the U.S. If anything, it's putting more determination in Canada being more resilient as a country in its own right. So, I think Canada, for us, remains a very strong, positive market with good momentum in our order book and in our pipeline. Maybe on the Q2 momentum, do you want to comment on that, Willem, first?

BAARS W:

Yes, on the Q2 momentum, when we look at the rest of the year, as Alan indicated, we are looking at a stronger Second Half of the year versus what we're seeing today, and we're looking to kind of build up to that stronger

Second Half of the year. We're not giving any specific guidance as it relates to Q2, as we never give guidance, but we do see that momentum towards the later part of the year building up, and that is what we would anticipate as well in Q2.

BROOKES A: And then in terms of resilience and what we said there, I think, yes, we see the large remedial projects sort of coming down, but I think at the same time, we have to remember what I've said around energy and the energy transition, and we're seeing great momentum there, water and the big water projects, and actually, we're seeing other private clients in the remediation area also coming through, and we've won some significant projects there.

So you're not going to see the same profile that we've seen in mobility in that sense, because we're already seeing some growth markets already picking up sooner than we've seen in mobility. There will be a transition, but we're managing that transition well, we believe, through the resilience business.

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

BROOKES A: Thank you very much, and thank you all for your questions, some really good questions there, and thank you for taking the time to join us. I want to close today by reiterating the confidence we have in our business through there being no material cancellations, a very strong order book, and continued margin development.

This means that we do stay committed to our 2024 to '26 strategic outcomes.

Just before I conclude today's call, I do want to take a moment, though, to say a few words about Virginie. This is where she may get worried, but in all seriousness, I wanted to say the energy she has given us as CFO, the insights and the exceptional financial leadership have been a great asset to Arcadis and also to me personally.

She has been instrumental in strengthening our financial position and redefining our market presence, and we will miss her presence here in the business. Virginie will leave us at the end of this month, and I just wanted to take this moment to sincerely thank her for everything that she has done for Arcadis and wish her every success in the future.

Thank you all for joining this call, and for your interest in Arcadis, and I wish you a very good day. Thank you.