



Arcadis Global B.V.

"Arcadis Q2 & Half Year 2025 Results Conference Call"

Thursday, 31st of July 2025, at 14:00 CEST

Conductors:

Mr. Alan Brookes, Chief Executive Officer

Mr. Willem Baars, Interim Chief Financial Officer

Ms. Christine Disch, IR Director

Conference Call Conducted by Chorus Call Hellas



CHORUS CALL HELLAS
PROVIDER OF TELECONFERENCING SERVICES
TEL: +30 210 94 27 300
FAX: + 30 210 94 27 330
Web: www.choruscall.com

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 Second Quarter & Half Year 2025 Results.

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

CHRISTINE DISCH: Good day, everyone, and welcome to our 2025 Half Year results conference call. My name is Christine Disch, Investor Relations Director. With me on this call are Alan Brookes, Arcadis CEO; and Willem Baars, Interim CFO. We will start with the presentation to be followed by Q&A.

We would like to call your attention to the fact that in today's session, management may reiterate forward-looking statements which were made in the press release. Please note the risks related to these statements are more fully described in the press release and on the company's website.

Now please, over to you, Alan.

ALAN BROOKES: Thank you, Christine. Hello, everyone, and welcome to our trading update for the Second Quarter of 2025. Arcadis has delivered a solid set of results this quarter and in the First Half of 2025. Our net revenues were organically stable year-on-year, and we saw continued strong demand in North America and Europe.

Revenues accelerated for energy transition solutions, mainly in Europe. Water in the U.S. was very strong and

large global technology clients are generating positive results for the business. This growth helped balance out a softer U.K. market in the period, which has been in a holding pattern ahead of the government spending review, which is now concluded in June this year, as well as continued softness in the Australian infrastructure sector following a decade of sustained investment.

Our backlog stood at EUR3.6 billion, resulting in year-on-year organic growth of 12%. This backlog reflects increasingly large multiyear projects, enhancing project visibility into 2026 and beyond.

Our increased discipline and project selectivity at the pursuit stage has strengthened the quality of our backlog with a greater contribution from key clients, stronger alignment to our strategic growth areas and a higher margin profile. This strategic focus is reflected in the projects we are targeting, our order intake and quality of our backlog. As a result, we've positioned the business more towards high-performance markets and clients.

Margin was strong again in the Second Quarter, supported by expansion of our key clients program and increased contribution from the global excellence centers. We have remained disciplined through enhanced project selectivity and the execution of our strategy with substantial investments made in digital, such as data platforms, AI and digital asset management products like Enterprise Decision Analytics or EDA, and the launch of our new product, EDA Lite, which I will talk about a little more later.

We have also continued to invest in our people and new ways of working, including optimizing our resources workflow through our skill powered organization program, upskilling our people. Also, the announcement of a new GEC in Romania and the launch of the Arcadis Share program, which has seen 4,000 Arcadians already sign up in the first two months.

Now let's have a look at the global business areas. Building on a strong demand in the First Quarter, Resilience has delivered a positive First Half with most significant contracts renewed in the First Quarter. The 7% backlog growth was underpinned by key wins in energy transition, particularly in Germany, also in water and nuclear.

In Europe, we are seeing strong growth in German energy transition market, which is driving near-term revenue acceleration. Our ongoing planning and technical advisory for Amprion on the Rhine-Main Link energy route is critical in helping Germany meet its 2045 climate-neutral energy target.

In Q2, we secured additional scope on the project, resulting in a multimillion contracted value to our business. This strategic win will deliver 8 gigawatts of wind energy from Lower Saxony through North Rhine Westphalia to Hess by 2033.

In North America, we have seen a continuing demand for water optimization and climate adaptation services. Our expanding energy transition backlog is expected to support near-term revenue growth and our margin

benefited from disciplined project selection and effective cost management.

Our work with the Ohio Environmental Protection Agency overseeing the lead service line inventory and replacement plan is a strong example of our water optimization expertise across asset management, advisory and design and engineering. This project includes inventory review and development, tap car digitalization, predictive modeling, GIS software integration and dashboarding.

Heading into the Second Half of 2025, we anticipate positive revenue momentum driven by energy transition projects with increase in AMP8 water orders in the U.K. and growing nuclear activity through partnerships on small and medium reactor delivery.

In parallel, we are continuing to reposition our U.S. environmental restoration portfolio, shifting focus towards large, more strategic project opportunities, driving further margin improvements.

Places, the Places business demonstrated positive backlog development, which included a significant win with Lily in the U.S. pharma sector. This is testament to the fact that after committing to investment earlier in the year large life-sciences projects are now coming to the market.

The data center market also continues to perform strongly with good order intake recorded in the quarter. Our acquisition of KUA Group further strengthens our

position in this high growth market unlocking further opportunities across Germany

Delays in large capital expenditure decision in some areas such as property and investment and industrial manufacturing impacted growth. However, increased government spending commitments now are creating pipeline opportunities in housing, defense, transport hubs, public facilities, and health care, offering good visibility into the future.

An example of work around investing in public facilities in the U.K., where we have been appointed by the U.K. government to deliver is the prisons estate expansion, this added to significant wins in Tech and Water and opportunities stemming from the increased capital investments in the U.K. over the coming years, points to a more favorable market business environment.

The Lilly project I mentioned, demonstrates our expertise in the pharma sector. This project brings together our industrial manufacturing and our architecture and urbanism teams and will enhance the global manufacturing network for injectable products to meet the rising demand for medicine in diabetes, obesity, and future therapeutic needs.

Further successes include the renovation of Amsterdam's iconic Central Station for ProRail, project management services for TenneT and winning a design services framework for the expansion of London Gatwick Airport. The scale and breadth of these opportunities stemming from the U.S. pharma sector, clarity on the European

government spending and a more stable market environment give us confidence that the places GBA is now positioned for improved performance in the Second Half of this year.

And turning to mobility. This quarter saw a ramp-up of major mobility projects in Canada and the U.S., helping to offset the slower activity in U.K. and Australia mentioned earlier. We are pleased to see the recent U.K. spending review confirm new opportunities for rail asset management with significant increases in government commitment to local transport funding for areas outside London, as well as the confirmation of the East-West Rail link between Cambridge and Oxford and Midlands Rail Hub, both existing projects for Arcadis.

A major success in the U.K. was a place on the framework for Northern Powerhouse Rail, which was also confirmed as part of the spending review. This is a critical pillar in connecting the north of England. The framework involves the delivery of multidisciplinary design and engineering services for major U.K. rail programs from outlined scheme feasibility through to detailed design for construction, as well as incorporating modeling and benchmarking tools to optimize decision-making and efficiency.

In Canada, we were selected by Infrastructure Ontario to lead the development phase of the QEW Garden City Skyway Bridge Twinning project, an essential step in supporting the future growth and improving the movement of people and goods in the Niagara region.

The 2.2-kilometer twin bridge will add capacity, improve travel reliability, and enable refurbishment of the existing structure, helping reduce grid lock. We're also seeing momentum on major projects such as Fraser River Tunnel in Canada, alongside key initiatives in the U.S. and Australia that are now ramping up and delivering value.

In Germany, integration of WSP Rail into our business is progressing well. WSP Rail's valuable prequalification's for Deutsche Bahn framework contracts are unlocking additional opportunities.

While activity was slower in some regions during the First Half of the year due to policy uncertainty, momentum is now building, supported by our strong positioning in the U.S. market, growing clarity around major programs in the UK and Netherlands and the mobilization of several large-scale projects in the U.S., Canada, and Australia. Collectively, these factors position us well for a stronger Second Half of this year.

Looking at our Intelligence business, the products there are increasingly embedded within our GBA delivery. They are becoming part of an integral offering to the long-term client relationships, driving opportunities into our business.

These are not standalone capabilities, but a core component of our wider offering and continue to evolve as part of how we deliver smarter integrated solutions to our clients.

These products, particularly enterprise asset management and enterprise decision analytics are now

being deployed across our GBA client base, driving wins with organizations such as Amtrak in the U.S. and City of Calgary in Canada.

Meanwhile, products, including HotSpot, Travel-IQ and our tolling solutions continue to generate recurring revenue and strengthen long-term client relationships. Clients are typically purchasing these tools for 5 to 10 years, creating strong relationships with our teams.

Looking ahead, I'm particularly excited about our new EDA Lite solution. This streamlined version of our EDA tool helps our consultants optimize portfolio data for clients, meaning we can quickly help clients solve problems like where to allocate capital spending or how to best achieve net zero targets.

It produces fast results based on simple data that's setting up to gain traction with key clients across the water sector, such as Sabesp and in financial services, such as Citi and Barclays.

I mentioned the UK several times in my GBA update. So, it's good to examine the UK and Ireland market as an instructive look to understand the headwinds in the First Half of the year and how the UK strategy and focus have positioned us strongly going forward.

UK net revenue was 8% down organically in the First Half, a 2% drag on growth for the group, but we are now confident performance will improve in the Second Half of the year. The long-awaited spending review released this June set out public budgets for the coming years and our

relationship with key public sector clients positions us well for future investments.

These investments are driving improvements in UK rail infrastructure, energy, affordable housing, and health care services with clients including Network Rail, HS2, Homes England, Ministry of Defense and NHS, all set to benefit from increased public spending.

Moreover, we anticipate defense being a sector that can drive additional growth. The contracts related to AMP8 in the water sector started to materialize at the end of the Second Quarter and are set to ramp-up as planned in the Second Half of this year.

Projects with Wessex Water and Southern Water have demonstrated the potential of this sector, while our work in the nuclear sector, notably the recently approved Sizewell C and existing Sellafield sites offer significant opportunities.

And just last week, Arcadis has been appointed the lead delivery partner on Places for London. This is a subsidiary of Transport for London and is a major development program, which will need up to 250 Arcadians to deliver the project and we'll see thousands of new homes, vibrant commercial spaces and enhanced public environments across London.

This projected increase in public sector spending in the UK, coupled with strong activity from our large mobility clients in the U.S. and Canada as well as expected benefits from European investments that are beginning to

materialize, all position Arcadis well for sustained growth in the coming periods.

Looking at the major projects, over the course of the last 12 months, we secured a number of these major projects. While many of these began in the First Half of the year, they will further mobilize and increase in scope in the Second Half of the year, driving revenue up in this period.

In mobility, a number of medium to long-term schemes are now ramping up, shifting focus to North American projects following the gradual winding down of some major UK projects such as HS2.

The Gateway Hudson Tunnel project, a critical component of the larger Gateway program, the Fraser River Tunnel project, a key component of the broader Highway 99 Tunnel program and the Torrens to Darlington Road project in Australia have all started in the First Half this year and are mobilizing fully in H2, all offer multiyear visibility up to 10-year contracts.

The U.S. pharma market in our places business is equally starting to ramp up. Most significantly with the Lilly project I referred to earlier, the U.S. pharma business investments are expanding. In resilience, the Amprion project was the biggest energy transition project we have won to date.

While initial orders have been called off on the AMP8 framework contracts and will further ramp up in H2. These projects represent approximately 10% to 15% of the total backlog and the phasing will lead to accelerated revenue generation in the Second Half of this year,

delivering over 20% uplift compared to the First Half of this year, further evidence of positive momentum supporting a return to growth.

A range of global factors, including instability in some of our key markets, delays in policy commitments plus elections in the U.S., UK, Canada, Australia, and Europe in the past 12 months, as we have said previously, have had an impact on our business.

However, as we look ahead to the Second Half of this year, the more stable environment, particularly in Europe and mobilization of some of the major projects I've just mentioned, give us confidence in our ability to return to modest growth in the second part of 2025.

And with that, I will now hand over to Willem Baars, our Interim CFO, to take us through the financial results from Q2.

WILLEM BAARS: Thank you, Alan, and good morning, good afternoon, everyone. In the First Half of 2025, Arcadis delivered another resilient performance, demonstrating the strength of our robust operating model and continued strategic focus.

Net revenue for the Half Year was stable on an organic basis at EUR1.9 billion, reflecting continued strong demand in North America and Continental Europe, largely offset by softer market conditions in the UK and Australia.

Our operating EBITDA margin was strong at 11.1%, whilst we were able to continue substantial investments in our business. Free cash flow for the Half Year was

negative EUR136 million, which is broadly in line with our typical seasonal patterns and was impacted by timing of cash payments or tax payments.

Our net debt to operating EBITDA ratio at 1.8x remains comfortably in our target range, underscoring our strong financial position. Turning to our margin performance. I am pleased to report that our operating EBITDA margin continued to improve in the quarter.

At 11.3%, it is a clear step-up to last year when we delivered 10.8% adjusted for a EUR6.6 million provision release in relation to the Middle East. Our continued margin expansion demonstrates the effectiveness of our strategic priorities and operational discipline, even in the absence of operating leverage.

This includes an increased share of revenue from our key clients, a continued disciplined approach to project selectivity and a higher contribution from our GECs. We achieved this margin increase whilst we also are making material investments in our business, and we are well on track to deliver our target of 12.5% margin by 2026.

Now let us look at some of those investments. As Alan mentioned, we are investing substantially across the business to drive further growth and margin over the medium to long-term.

First, we have substantially stepped up our investment in AI and digital platforms. We have over 600 data engineers working on specific AI agents. Secondly, we are investing in automation and standardization of our pursuit process,

benchmarking historic project data, and deploying AI to influence commercial decisions early on in the process.

This will significantly free up people's time to spend with clients while improving the robustness of our pursuit process and pricing strategies. And lastly, we are continuing to invest in our people. We are growing the capacity of our global excellence centers to deliver more efficiently at scale. The GECs now account for 15% of total Arcadis employees, up from 13% last year with headcount reaching 5,100.

To facilitate the further expansion of our GECs, we are preparing the opening of a fourth center in Bucharest, Romania, which will open in the First Quarter of next year. While expanding our delivery capabilities, we're also transforming how we manage and empower our talent.

We continue to invest in a skill-powered organization as a strong platform to develop our people skills for the future. This platform will also provide us more visibility of where the skills in our organization are so that we can be even quicker when we look to mobilize our people on to projects.

We're prioritizing these investments this year to position Arcadis for sustainable growth, greater efficiency, and a continued margin improvement over the coming years. Now turning to cash generation. Our free cash outflow for the first Half Year was EUR136 million, in line with our typical seasonal pattern. This was primarily impacted by two factors.

Firstly, there was a year-on-year increase in cash tax payments caused on the one hand by 2024 having benefited from an overpayment of 26 million in U.S. taxes due to Section 174. And we made prepayments in the Netherlands in this quarter ahead of the fourth quarter of this year. Secondly, we saw substantial non-operating costs in the First Quarter as we adjusted our business in response to the temporary muted U.K. market and Australia slowdown.

Now let's move to Resilience. Net revenue in Resilience delivered an organic growth of 2.7% for the first Half Year. Whilst reported growth for the quarter was lower on average, we already saw higher growth rates towards the end of the quarter, in line with the Half Year average. We delivered strong results in our key markets, particularly in water optimization in the U.S., energy transition in Germany and climate adaptation in the Netherlands.

These successes were offset by slower performance in the U.K. relating to delays in the AMP8 cycle start-up. On this, however, towards the end of the quarter, we have now started to see initial orders being called off from the AMP8 contracts, supporting an expected ramp-up in the Second Half of this year.

Our continued discipline in project selection and cost management is driving margin expansion with operating EBITDA margin up to 14.2% for the Half Year compared to 12.8% last year. We are also investing in attracting and training talent in energy transition and in AI-driven water solutions to position ourselves for continued growth in these strategic areas.

Now let's turn to places. The dynamics we saw in places in the First Quarter continued into the Second Quarter as clients in industrial manufacturing and property and investment continue to delay large CapEx decision-making. This impacted our growth despite good performance in North America, U.S. pharma and data centers.

And in data center specifically, we have now started the integration of KUA Group into Arcadis with some of the Arcadis architects being embedded into KUA and collaboration between Arcadis and KUA having started with the commission of a co-location project where Arcadis is doing the program and cost management and KUA the design.

We are also seeing substantial pipeline opportunities emerge from a joint go-to-market approach. Our places margin was impacted by lower activity levels, particularly in the U.K. Also, 2024 benefited from the provision release relating to the Middle East, which we discussed earlier.

We are now also seeing increased government spending in Europe, including the U.K., as Alan discussed, which is generating new pipeline opportunities for public facility solutions and we are well-positioned to capitalize on those. We remain focused on optimizing our resources and to making balanced investments in our workforce to ensure that we can adapt to activity levels promptly.

Moving now to Mobility. In Mobility, we saw significant rail project wins in the quarter, improving our long-term

visibility and strengthening our position in this market. North America remains strong, reflecting solid demand from public spending and ramp-up of large projects secured last year, while the market environment was softer in the U.K. and Australia, driven by the delayed outcome of the spending review and the pause in Australia's infrastructure market.

In Germany, we are further strengthening our position in the rail market. And with the WSP Rail acquisition, we are now unlocking further growth opportunities. The ramp-up of large projects is progressing well, positioning us for increased activity in the Second Half of the year. We have also undertaken rightsizing and repositioning in Australia and the U.K. to respond to softer market conditions with the benefits to margins expected to become more visible in the coming quarters.

Intelligence is increasingly embedded in our GBA delivery and continues to drive value through cross GBA collaboration, leveraging our digital tools and key client relationships. Revenue in the quarter were driven by enterprise asset management and tolling and travel sales -- Travel-IQ sales in North America.

Our integration of EDA across projects has led to advisory wins in other business areas, supporting our pipeline growth. We continue to focus on leveraging our digital tools and strengthening relationships with our key clients, enhancing collaboration.

These efforts are central to delivering greater value to our clients and driving innovation across the business. At the

same time, we made further investments in our sales capabilities and product platform during the quarter. While these investments are essential for supporting the future growth of this business, they did have a short-term impact on our margins.

Now let me hand back to Alan to wrap up our trading update presentation.

ALAN BROOKES: Thank you, Willem. In the First Half of 2025, Arcadis delivered an encouraging set of results, stable year-on-year net revenue and strong margin performance. Continued strong demand in North America and Europe helped offset softer conditions in U.K. and Australia.

We remained disciplined and selective in pursuing large-scale opportunities with key clients, which has strengthened the quality and resilience of our backlog. Integration of the recent acquisitions, WSP Rail and Co, as Willem said are progressing well and unlocking future growth potential.

Looking ahead, the ramp-up of large contracts, emerging U.K. opportunities following the positive conclusion of the spending review and the start of the AMP8 water cycle provide clear growth visibility for the remainder of the year. While some uncertainty in the market remains, our healthy backlog and pipeline give us confidence.

With our clear strategy, disciplined execution, and the expertise of our people, we are well-positioned to return to modest growth in the Second Half of 2025 and therefore, remain firmly on track to deliver on our 2024

to 2026 strategic targets. And with that, I'll now hand over to the operator for any questions you may have.

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

DEN DRIJVER M: Thank you operator and good afternoon Gentlemen. My first question is about the book and burn revenue. You seem optimistic confidence about the mobilization of large projects. But can you talk to us a little bit more about what you've seen in the quarter and your expectations for H2 with regards to the shorter-term project revenue, so the so-called book and burn? That would be question one?

ALAN BROOKES: Okay. Thanks for the question. On the book and burn, what we're seeing is we've still got the frameworks that we've always had in terms of those projects that come in. So, what we're seeing is those frameworks, we are still, if you like, maximizing the opportunity there and we will continue to do that. And it's a particular focus as well in the Second Half of the year.

So, we need a blend of the big projects and the small projects. On the AMP8 cycle, for instance, you will see a blend of these short-term projects that really move us forward quickly and also the longer-term, like the big reservoir projects that we're talking about already as part of the AMP project. So, you'll still see this, yes.

MARTIJN DEN DRIJVER: And then my second question is for Willem. In regards to the OPEX investments, can you shed some light as to the level we should expect in H2? Would that be similar to H1? Just to get a bit of a sense of either tailwinds or headwinds from that element? Thank you.

WILLEM BAARS: On the OPEX investments, I think you can expect that we will continue these investments through the remainder of 2025. We are really prioritizing these investments in this year to get the benefit of that in 2026 and beyond. So, I would expect a similar level of investment in the next 6 months of the year.

ALAN BROOKES: Yeah, we did say, if you remember, that this middle year of our strategy, we would be the one to invest. So, we had a longer-term sustainable future.

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

NATASHA BRILLIANT: Thank you. Two questions from me. First of all, on your comments on the growth for the full year. So, you've talked a lot about the tailwinds that we should see into the Second Half, but then Alan described growth as being modest, which sounds a bit more conservative. So, I guess the question is, firstly, should Q3 and Q4 be a similar level? Or do you expect Q4 to be better? And do you think you could get to a mid-single-digit growth number for the Second Half?

And then my second question is of the big projects that you won last year, and that are now starting to come through into revenues. Have there been any changes, any revisions or delays or cancellations on those projects? Or are they coming through exactly as you had anticipated when the agreements were signed last year? Thank you.

ALAN BROOKES: Okay. We'll let Willem answer your first one, and I'll answer your second one then in that case. Yeah.

WILLEM BAARS: Hi, Natasha, and thank you for your question. So, what we are saying is that we are confident about returning to growth in the Second Half of the year. We are obviously starting from where we are starting. We're seeing some of those green shoots coming through, but we're also recognizing that we're building back into growth and we're growing into growth.

So, there would be a gradual path back to that growth. So that's why we're talking about a modest growth for the Second Half of the year. And in that context, I would expect a stronger growth towards the end of the year than in the beginning of the Second Half of the year to answer your question.

ALAN BROOKES: And to your other point, what we've seen is now as we mobilize on the big projects I mentioned like Hudson Tunnel, Fraser River and in AMP8 as well. It's not a change. We haven't seen cancellations with no changes to the projects. It's just the mobilization time of the projects.

These are huge projects for clients to mobilize on as well as ourselves. And as we said, some of these projects will step up more than 20% between the First Half and the Second Half of the year, as I said in my notes. So, you'll see this step up, but no changes.

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

KERSTENS D: Good afternoon, gentlemen. I have two questions, please. First, to get a better understanding of the recovery potential of the U.K. You said it was down 8% organically

in the First Half, having a drag of 2%. The 20% growth in the Second Half that would add probably around EUR42 million to total revenue, but we don't have the comparative figures for 2024. What would be the tailwind in the Second Half just from the U.K. recovery? Do you expect it will fully reverse in the Second Half and be 2% accretive to top line growth? That's question one.

WILLEM BAARS: So maybe I'll take that question, David. Good afternoon. So, on the U.K., we're not looking at a -- the 20% step-up is in relation to the large projects that we've highlighted here as an example in the presentation. Those large projects represent around sort of 10% to 15% of our backlog, and there we see a very clear step-up as we're mobilizing those projects.

Those are predominantly in North America and in Australia. AMP8 is a component of that, but that's actually not taken into that 20% step up because a large part of that is coming through some of the call-off orders and the book and burn and the framework contracts.

For the U.K., what we are expecting is that we will see a recovery in the U.K. There will initially be a gradual recovery as AMP8 is coming through and as we are positioning the business towards benefiting from the mobilization of some of the wins that we've recently won on the contracts coming out of the spending review. That is a gradual recovery. So, it is not necessarily that all of a sudden, we would see a sharp turn in that corner. But we clearly are seeing that we've bottomed out there and that we're coming back up to where we should be going.

ALAN BROOKES: And maybe just to add to that in one sense, just to remind people, the AMP8 contract we're referring to, that five-year framework is double the previous one. So that's why we see now the size of those projects and the opportunities coming through, as well as the spending review, which clearly has a number of key clients in there, not only the defense that we mentioned, but also from that spending review. We see housing, energy, nuclear energy being a big one for us, et cetera. So that's why we give confidence in the U.K. coming back better in the Second Half.

DAVID KERSTENS: Sounds good. And then my second question is on the operating EBITA margin. I heard your earlier answer regarding investments in the Second Half of the year. The EBITA margin was flat at 11.1% in the First Half, but up 30 basis points underlying and 50 basis points in the Second Quarter. How do you see the margin development in the Second Half of the year and in 2026 towards the 12.5% target, please?

WILLEM BAARS: Yes. We will continue to look to improve our margin. As Alan mentioned, we see this year very much as an investment year. But even with that investment, we look to consistently build on to our margin trajectory. So, what we have in mind is a similar margin improvement that we are making when you compare to the underlying margin into the Second Half of this year so that we come out stronger at the end.

But then in 2026, also have the benefit of the investments that are, on the one hand, coming off and at the second hand, having their effect also in efficiency coming through

into our operating structure. So, it's -- we are anticipating a similar trajectory in terms of margin improvement as to what you've seen in the First Half.

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

QUIRIJN MULDER: Yeah. Good morning. Good afternoon, everyone. A couple of questions. With regard to the -- let me say, the ranking of the recovery in the Second Half, can you give me an indication between the three most important GBAs, which is the best in your view, and which is the worst in your view in terms of recovery in the Second Half of 2025? That's my first question. And the other question is, of course, you did about 300, 350 layoffs in the U.K. Are these people not needed in the Second Half when the large projects come in?

WILLEM BAARS: I'll take the first question, and then Alan will talk about the resourcing to capture the opportunity in the U.K. When we look at the three GBAs, we see good potential for all three GBAs, as we've discussed. We see within resilience that the -- particularly AMP8 in the U.K., which had a big impact on their growth, we would expect there to be recovery.

We're seeing in mobility, the benefit of these large contracts and the step up there coming through. And we would think that, in particular, mobility is a good driver of growth. And then within places, we see areas where there's equally opportunity. If I had to rank them, I would say that the strongest recovery will initially come from

our Mobility and Resilience business and then in the second place from our Places side.

ALAN BROOKES: To your second question, the -- if you like, the -- regarding the people area, the layoffs really were related to the large-scale HS2 project, which started to wind down. We're still working on this, but that's where we largely saw the need with such a large project to come down. Some of our people were moved to the larger projects in North America.

But as we look particularly to the U.K., you'll see not only the water business needing different skills, but also where we've won the works with the Ministry of Justice in prisons, the sort of places, London I referred to, whilst that needs 250 people, it will be in some cases, skills that are different in that sense. Plus, at the same time, as Willem mentioned in the voice over to the presentation, the GEC is seeing growth, and we want to continue that growth through this year and into next year. So, it's a good opportunity for us to step up the GEC position.

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

CHASE COUGHLAN: Hi. Good afternoon, all. Thank you for taking my questions. Maybe starting on Resilience. Obviously, you printed a very strong margin in the First Half, about 14% on operating EBITA level, obviously, above your 2026 target. And I'm curious on sort of where you see the ceiling for that margin. Are you still planning on improving it further from here? How much higher can this really go? That's my first question.

WILLEM BAARS: Yes. So, on Resilience, we continue to see upside on that margin. It is high. But when we look at the portfolio, when we look at the opportunity that is there, we think that even within that portfolio, we can probably do better. At the same time, we will continue to grow Resilience as well and look to see how we can secure more growth in the area.

But there's more potential from a GEC point of view. And as we drive and as we get more scale, we see that there's more opportunity from a margin expansion point of view. But we will see the exact same step-up as what you're seeing now year-on-year next year is a different question, but we are not capped out yet.

CHASE COUGHLAN: Okay. Very clear. And then my second question regarding M&A. So of course, there were some successes in the First Half regarding the deals in Germany. I'm just curious on what your plans are for the Second Half. Are you eyeing certain sectors or certain regions? And what can we expect from an acquisition standpoint?

WILLEM BAARS: Yes. We continue to be actively looking around at M&A opportunity. As we've also said before, we've got very clear strategic priorities as we look at transportation, as we look at energy, data center technology. Those are core growth areas and where, in particular, we find opportunities that are synergistic at the revenue level and really provide complementary opportunities. Those are ones that we are focused on.

At the same time, we're prudent as well and that we only want to execute M&A that we truly believe adds value. So

that is what we continue to look at also in the Second Half of the year. We have the balance sheet strength to continue to look at those, and we will continue to look at M&A.

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

LUUK VAN BEEK: Yes. Good afternoon. I have two questions remaining. So, first of all, the leverage is moving quite quickly to the low end of your target range. So, you just talked about acquisition opportunities. Would they also include larger opportunities now that you've fully integrated the larger ones that you've done recently?

And my second question is on the GECs. Can you comment on the progress in raising the share of revenues from the GECs and the contribution from the new center in Romania, how quickly can that grow in 2026?

WILLEM BAARS: So maybe just quickly from my side on the acquisition question and to complement what I just said on the previous one. We always -- we look at a range of potential acquisition opportunities. Some of them may be smaller. That doesn't mean that they are less valuable because sometimes a smaller acquisition, if it really fits in and provides complementary opportunities can be quite valuable.

We also look at potentially slightly more sizable. But in all cases, what we are looking for is acquisitions that we can digest, that we can integrate and that are digestible, not just from a financial point of view, but also from an operational perspective.

ALAN BROOKES: And regarding the GEC strategy, this was obviously one of the key levers we called out for our 3-year strategy. It now stands around 15% of our resources, just over 5,000 people. We see still significant opportunity here as we look at the Resilience programs in terms of the work that we're doing there across the world. We see opportunity there to continue the development of Resilience in the GECs. But also, and significantly, as these larger projects in mobility step up, there is certainly significant opportunity there for us to step up the GEC contribution.

And then with regard to Bucharest, this is because of the skills that we see in Bucharest, the quality of the universities there and also the digital skills there. And as Willem said, we will expect to see this come online early in 2026, and we will be developing the skills there to complement and do more in our GECs through 2026 as another margin lever.

LUUK VAN BEEK: Thank you.

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

KRISTOF SAMOY: Hi, good afternoon. Thank you for taking my questions. First of all, regarding the strategic OPEX investments you've been talking about...

OPERATOR: Mr. Samoy, I apologize. This is the operator. I apologize for interrupting you. But can you please speak a little closer to your microphone? I don't think that management can hear you very well. Thank you.

KRISTOF SAMOY: Okay. I hope it's better now.

OPERATOR: Yes, it is. Please proceed. Thank you.

KRISTOF SAMOY: Okay. On the strategic OPEX investments, can you elaborate on this a little bit in more detail? Is it like should we think of it purely group-wide? Or are there certain GBAs that are overexposed in the sense that some GBA margins are impacted more than others? That would be the first.

Then on the favorable dynamics with key clients order intake, is this evenly spread between GBAs? Or is it tilted towards certain GBAs? And then on Resilience, you mentioned some headwinds linked to the new AMP8 cycle coming up. Can you quantify that a little bit compared to last year?

And then more a generic question. We've discussed the margin potential for Resilience. But when can we see, or can we logically expect again a return to high single-digit growth rates there? Thank you.

WILLEM BAARS: Yes. Let me start with the OPEX question. So, these are largely -- these are OPEX investments that we are doing, and these are largely done at group-wide. These benefit all of the GBAs, when we think about, for instance, tightening and sort of making our pursuit process more robust and more digitized. That is something that we look to implement across all of our GBAs.

Similarly, the investments that we are making in SPO, in our people, in our GECs, that is benefiting all of our GBAs. And the same thing as we are looking at implementing AI and those agents. That capability that we're developing is for the benefit of all of the solutions that we have. There

may be a tailoring to some particular solution here and there, but what we are talking about here is, by and large, at an overall group level.

The specific investments in products are done at intelligence in particular, and I've highlighted that one. That is separate from what we've discussed in terms of the strategic OPEX investments.

ALAN BROOKES: In terms of your question on key clients, we've moved key clients from 59% of revenues to 67% of revenues. And this is a good indication of us broadening and deepening those client relationships. For us, that's a lower cost of sale, but it also means that we can bring in more of our services across the GBAs.

So, if I give you one example, what we're doing is in this case of data centers, you may see a data center as a building, which is an architectural design and engineering design, but equally and increasingly important to data centers, if not significantly more important, is the energy use and the water use.

So, what we're doing is combining across GBAs. And this is why key client component is moving forward. And it's really important is they are typically higher margin, typically better cash flow. And this is why we focus very much on the development of key clients.

And when you mentioned Resilience, just to clear what maybe I was saying earlier. The headwinds in AMP8 have been the slower start because most of the water companies in the U.K. look to get clarity around their

CapEx and their OPEX allocations. And so, it slowed the start this year.

There is no issue with the AMP8 cycle. It continues to be double the expenditure of the previous cycle, and we expect to see more like tailwinds in the Second Half of the year as now that clarity has been given to the water companies, and they are now moving ahead. We as I think I said, we've secured the first projects in Wessex Water, Southern Water and expect the rest to shortly follow now. And what was the final question?

KRISTOF SAMOY: It was a final question on the growth potential in Resilience, to what extent we would be getting to high single-digit growth in Resilience?

WILLEM BAARS: I think when you look at Resilience, it is a portfolio of different activities. We have very high growth in our energy transition activities in our North American water. When we look at our North American environmental business, we've seen a slower level of growth as we prioritized margin and upgrading our portfolio. And in the U.K., we've seen a deterioration of growth as we discussed in relation to AMP8.

As we're moving forward, we're seeing more activity in the U.K. And in the course of towards the end of the year, we're starting to see the benefits of the repositioning of our environmental portfolio in North America. We should be getting better to higher growth rates in our Resilience business.

OPERATOR: Thank you. We have a follow-up question from Martijn Den Drijver with ODDO ABN AMRO.

MARTIJN DEN DRIJVER: I have two questions. The first one is for Willem. Can you talk a little bit about net working capital in the Second Half of the year? Can that go back to what it was in H2 2024? And in relation to that, with regards to free cash flow, due to the prepayments in H1, should they be improving on H2 2024? Just to get a bit of a sense on net working capital and free cash flow.

WILLEM BAARS: Yes. We are very focused on our net working capital. We have identified a number of areas where we can come back to the levels on a relative basis that we saw last year. So yes, I think you should anticipate sort of a similar dynamic in the Second Half of this year as we saw last year.

To the prepayments, I talked about 2 elements on the tax side. One is relation to the U.S. taxes from 174 million. That one is a normalization. So last year, 2024 was really a one-off benefit because we overpaid in '23. But the prepayment, the other part, the prepayment for Q4, that is an actual prepayment. So, we won't make that in the Second Half. So, you can take that into consideration as you look at year-end.

MARTIJN DEN DRIJVER: And then my second question is, again, going back to these strategic OPEX investments. And I realize that some of these programs may continue in 2026, but probably at a lower level, and then you still have the investments related to GECs.

How should we think about 2026 OPEX investments relative to 2025? Is there going to be a major difference? Is that going to be a high-single-digit, low-double-digit in

terms of millions euros? Could you maybe shed some light on that?

WILLEM BAARS: Yes. It's always difficult to really articulate exactly sort of the impact because there's one element is the actual cost that we're making, but there is also a number of people internally that are tied up in these projects that are otherwise client-facing and that would otherwise be used to be executing projects.

What we are looking for, as Alan said, is that this year is a year of investment, and we're looking to do that throughout the end of the year. And we would expect that the number of these strategic investments are stepping down in the beginning of next year.

So, you will get some alleviation on the cost structure. Now that doesn't mean that we don't continue to invest in the business. As you rightly point out, we will continue to invest, but at a lower rate indeed than what we're doing this year.

OPERATOR: Thank you. The next question is from the line of Maarten Verbeek with the IDEA!.

MAARTEN VERBEEK: Good afternoon, it's Maarten Verbeek from The IDEA. Firstly, you mentioned you have much more large projects in your order book than ever before. How will you make sure that what happened this year that certain large projects fade out and you have a ramp-up of new large projects that you end up in a gap whereby you have to pay millions, double-digit amounts of euros for redundancies? How will you avoid that in future?

ALAN BROOKES: Yes. It's something that obviously has been on our mind as well in that sort of sense. But what we've done is a number of things. We've improved the mobility of our people, and we've also been securing and seeking more larger projects across the GBAs.

So, this will start to smooth out the way that we operate. Plus, as I said before, we want to see more of the work done in the GECs, which makes it more fungible across the business. And therefore, we can balance out the actual people being used and on the projects.

So, bringing in the skills powered organization at the same time, this allows us to identify our people's skills, as Willem said before. And therefore, we can deploy the skills better and faster onto the project.

So, we -- part of the investments we've been making this year is improving our systems, improving the workflows, and improving the mobility. So, this means that we should see a much greater smoothing between these larger projects as we win them and they move forward into the future.

MAARTEN VERBEEK: Okay. Thank you. And then secondly, we are half way the strategic '24-'26 period. According to my calculator, you are now at 3%, 3.0% organic net revenue growth. You mentioned that the remainder of the year will be modest as well.

So, I think it's fair to assume that the mid- to high-single-digit organic growth rate will not be achieved in this strategic period. Of the assumptions you have made for this statement, what assumptions went -- I'm not going

to say wrong, but where did you make this misjudgment in your assumptions?

ALAN BROOKES: For us, it's more looking at -- we stay, as I said before, committed to the targets because we want to look at the ramp-up and how quickly we ramp up in the Second Half of this year. And obviously, as we're winning more work and the quality of that work, we've continued to be selective, both in terms of size, scale, and margin and on cash.

So, we are really focused going into next year to see where we are looking and still see that we can meet or aim for the mid-single-digit growth as part of our cycle as we look forward into next year.

I think probably the only thing I would comment on is looking -- we did not expect to see so many elections, so many government changes, so many spending reviews, etcetera, at the start of this year because our aim still remains the same, to grow the business, develop the quality of the projects and the margin in them. So, we're still very much focused on that at the end of this year and through next year.

WILLEM BAARS: Yes. And maybe just to add to that, when we look at the market environment today and we look at the underlying tailwinds in the industry, they continue to be incredibly robust and similarly to when we launched the strategy 18 months ago.

Climate change is still there. Decarbonization is still a massive theme. Infrastructure investments and upgrading continues to take place, and supply chains are

continuing to be reshaped, particularly in light of all of the changing geopolitical sensitivity. So, the underlying drivers of our industry are probably stronger than ever.

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

ALAN BROOKES: Thank you. And thank you, everybody, for your questions and taking the time to join us today. I would simply close today by reiterating the confidence we have in consistently executing our strategy through the signs of improving growth, a very strong backlog and pipeline and continued margin improvement.

And as I said, this means we stay fully committed to our 2024, '26 strategy outcomes. Thank you for joining us.