



Arcadis Q4 & Full Year 2025 Financial Results Conference Call

Thursday, 19th February 2026, 14:00 CET

Presenters:

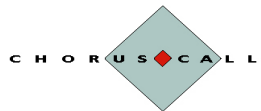
Alan Brookes, Chief Executive Officer

Simon Crowe, Chief Financial Officer

Heather Polinsky, Chief Executive Officer Nominee

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 Fourth Quarter & Full Year 2025 Financial 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 Full Year and Fourth Quarter Results Conference Call. My name is Christine Disch, and I'm the Investor Relations Director at Arcadis. With me on this call are Alan Brookes, our CEO; Simon Crowe, CFO; and our CEO nominee, Heather Polinsky. As usual, we will start with the presentation followed by Q&A. We would like to draw 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 on the company's website. Now please, over to you, Alan.

ALAN BROOKES: Thank you, Christine. Good morning and good afternoon, everyone, and welcome to our Full Year and Fourth Quarter results call. As Christine said, I'm joined by our CFO, Simon Crowe, who will outline the steps taken to address Arcadis' performance; and by Heather Polinsky, our CEO nominee, who will talk about her priorities for the future. Heather, who has been with Arcadis for 26 years and most recently run Resilience, the most profitable part of the business, assumes the role on March 1. Heather is an exceptional leader, and I am confident she will position Arcadis for success.

Our end-of-year results are mixed and disappointing, reflecting what has been a challenging year. In light of those challenges, we have taken

right-sizing and cost reduction actions to improve performance. We will continue these actions in 2026 with Simon -- sorry, with Simon commenting further shortly. Our net revenues totaled EUR3.8 billion, supported by a strong Resilience portfolio and pockets of success in Mobility, offset by weaker Places performance.

In turn, we delivered record cash performance, generating EUR288 million for the year, predominantly supported by a series of measures introduced in the Fourth Quarter to strengthen billing and collection discipline. The backlog was up 3% to EUR3.6 billion, driven by Resilience and Places. When taking a closer look at our 2025 revenue performance, you can see that our total revenue declined by 0.5 percentage point, reflecting growth in Resilience and Mobility offset by weak Places performance.

We will lay out the actions we have taken this year to address the underperformers and for the high-growth areas, the investments we have made to leverage our leading positions. Starting with the underperforming areas. First, environmental restoration, which makes up 13% of our total net revenues and is part of Resilience. This declined by 5% over the year. Excluding environmental restoration, our Resilience business grew 7%, and there are a few drivers for this underperformance.

First, as a result of client restructuring impacting a substantial project, plus the successful completion of a large incident response project in North America, we saw revenues come down. In addition, shifts in the U.S. federal government policies, changing funding priorities and the longest government shutdown in history in Q4 caused delays to a portion of our pipeline for clients such as the Department of Defense.

To address the underperformance, we have made senior management changes and replaced 25% of our account leads. We reduced headcount with 150 people leaving the business, while maintaining our margin performance levels year-on-year. Moreover, we are repositioning towards growth markets, including energy clients asset retirement obligations and critical minerals.

Next, Property and Investment. This accounts for 8% of our total net revenues and is part of Places. Here, organic net revenue growth was down 17%. Our P&I solutions are mostly offered in Canada, China and the UK. And in these areas, the residential real estate sector has been under considerable cyclical market pressure.

During the Fourth Quarter, we did an extensive P&I portfolio review in Canada, which resulted in changes to revenue assumptions taken earlier in the year. Simon will provide you with the details in his section shortly. As a response to this, we have significantly right-sized the business with 400 people leaving corresponding to 4% of the Places headcount, while we made leadership changes in Places.

We are taking further steps in the First Quarter of 2026 with an additional reduction of 150 people. While we are moving away from residential real estate and increasingly now focusing on rental, student and senior housing markets where we see opportunities.

The third underperforming area was Mobility in the UK and Australia. This reflects 11% of total net revenues and declined 8% over the year. In the UK and Australia, the winding down of large projects such as HS2, Melbourne Metro and West Gate Tunnel, combined with large project award delays resulted in revenue pressure. To address this, we have right-sized our Mobility workforce with a reduction of 350 people, corresponding to 5% of the Mobility headcount.

We have redeployed our excess UK resources to take advantage of emerging opportunities in other countries. And we have seen our order intake increase in the Second Half of the year, driving backlog growth as projects were awarded following the UK spending review last June. In Australia, with the market still constrained and lower infrastructure momentum, we are focused on pivoting towards new markets, particularly to energy and environment.

Turning now to the high-growth areas. Starting with the solutions within our Resilience business, water optimization, energy transition and climate adaptation, which are part of Resilience and together delivered 12% organic net revenue growth. The performance of water optimization was driven by the strong US market.

Germany has seen successes in energy transition with the award of large multiyear contracts for grid expansion and maintenance. Central to this is the continued work for Amprion, performing route planning for a 500-kilometer long transmission line. Our growing project portfolio in power was underpinned by nuclear wins in the UK and the Netherlands.

Our second growth area is technology, which accounted for 6% of net revenues and is part of Places. Our acquisition last year of KUA Group in Germany has expanded our capabilities in this area. Our data center performance was strong, whilst our semiconductor business faced pressure from the wind down of one large contract.

Overall, the resulting technology growth was 3%. Arcadis reported over EUR150 million of revenues in 2025 for its data center services, with an operating EBITDA margin of almost 20%. And we currently are involved in 280 data center projects.

Finally, the third high-performing area is in Mobility, specifically in North America, the Netherlands and Germany, which taken together

delivered organic net revenue growth of 16%. Major awards in 2025 have underpinned that high performance. In British Columbia, our work on the design of the Fraser River Tunnel project has ramped up in 2025.

Other large projects that supported our results were ProRail in the Netherlands and Deutsche Bahn in Germany, where we have further strengthened our position through the WSP Rail acquisition. We continue to see a strong pipeline of large multiyear project opportunities in North America.

To summarize, we acknowledge our challenges and are actively addressing our underperforming areas through restructuring and cost measures. We are also focusing on those areas where we see opportunities to accelerate our growth. Heather will provide further details on this approach, looking ahead for this year and beyond.

But first, I will now hand over to Simon, who will take you through our results and the steps taken to address performance.

SIMON CROWE:

Thank you, Alan, and good day to you all. Let me start with our Full Year performance. As Alan outlined, Arcadis delivered mixed results, ending the year with EUR3.8 billion of revenue. Excluding our Property and Investment performance, we delivered 1.3% organic growth. I'll provide more details around our P&I performance and actions taken shortly.

Our operating margin was 11.1% with a significant negative impact from Places, largely driven by P&I. This was offset by good margin expansion in both Resilient and Mobility. Excluding P&I, the margin would have been 11.6% for the year. Overall, we've taken significant right-sizing actions, which were accelerated towards the end of the year. We reduced our headcount by 1,100 people, which equates to roughly 3% of our total workforce, driving most of the EUR77 million of

non-operating costs. Furthermore, we continue to invest in our strategic initiatives.

Turning now to our Fourth Quarter results. These showed an organic net revenue decline, which was driven by Property and Investment. The operating margin was 13.5%, excluding P&I. Resilience performed well as we focused on high-margin areas such as our energy transition and mobility -- and Mobility also performed well as we optimized our global workforce allocation, including increased utilization of the GECs. We recorded record free cash flow in the Fourth Quarter, and I'll come back to this later.

Turning now to P&I. Part of our Places business, a number of issues went against us during last year. First, we experienced a weak market, particularly in Canadian residential real estate market with significant project delays, and we were unable to adjust quickly enough.

In addition to that, the Oracle ERP system implementation in Canada caused some operational distraction. As a result, we took -- we undertook a comprehensive analysis of our project revenue positions in the Fourth Quarter for our P&I portfolio in Canada, which resulted in changes to revenue assumptions taken earlier in the year.

This analysis resulted in a total revenue reduction of EUR22 million taken in the Fourth Quarter, and that also impacted EBITDA by EUR22 million. As well as working on the usual year-end audit with KPMG, we also conducted an independent review with another big 4 accounting firm. This portfolio assessment is now behind us.

We right-sized the business in 2025 with a reduction of 400 people and have made changes to the senior Management team. We're continuing to right-size in Canada with an additional 150 people reduction in Q1 2026. We are rebalancing away from the depressed residential real

estate market and focusing on the rental, student and senior housing markets as well as the hospitality and transit markets where we see faster growth.

Let me spend a minute on the strategic progress we've made in the last quarter. Firstly, we stepped up our focus and discipline on cash and implemented various working capital measures, which resulted in a record cash in of EUR344 million for the quarter. We've also reinvigorated our sales force, hiring new people to upgrade our teams.

While we've introduced sales and performance-driven incentives, which are now being rolled out. We will continue to prioritize investment in our sales teams. And as part of our go-to-market strategy, we are reviewing our value-based pricing approach.

We continue to invest in automation and AI for our core processes, particularly to strengthen the effectiveness of our pursuits, our workforce planning and our forecasting process. We aim to increase our win rates and free up billable time as well as foster a performance culture and more accountability within Arcadis.

Finally, we continue to take right-sizing and cost reduction actions to strengthen performance, including a workforce reduction program addressing more than 600 people in the Fourth Quarter. Turning now to our right-sizing measures.

In 2025, we acted to take cost out of the business, and this resulted in total non-operating costs of EUR77 million, including EUR39 million in Q4. Total people-related costs represented EUR53 million for over 1,100 people, comprising operating personnel of around 1,000 people and corporate overhead reduction of around 100 people with an expected 30 basis point impact on the 2026 margin from savings.

Other non-operating costs included integration and M&A costs as well as minor goodwill write-offs. For 2026, we will continue to right-size the business and overhead staff. This will be in line with measures taken in 2025. So we could expect a similar number of people to leave the business in 2026. We are simplifying how we work and are refocusing on clients.

Our cost reduction plan continues to focus on automation and removing unnecessary expenditures. Turning now to backlog performance. Good order intake in the Fourth Quarter ensured that we closed the year with organic backlog growth of 2.7% for the year. Throughout the year, we saw strong data center order intake.

Our Fourth Quarter order intake was particularly strong for environmental restoration and pharmaceutical clients in the U.S. These multiyear large contract wins will be supportive to our revenue generation in the Second Half of 2026 as they take time to ramp up. This was offset by a weaker Mobility market in the U.K. and Australia and challenges in our semiconductor business.

Turning now to the GBAs and Resilience. This delivered 3% organic growth following strong performance in the U.S., Germany and the Netherlands, driven by strong demand for our water, energy grid and climate solutions. Revenues were impacted by slower progression of secured AMP8 projects with start dates being pushed out.

Margin was strong as we focused on our high-growth, high-value propositions, fully in line with our strategy of project selectivity. And order intake in the quarter was also strong, resulting in an 8% organic backlog growth, driven by U.S. water and environmental restoration in Brazil.

Turning now to Places. Places is a tough market now, as we've outlined, including property and investment in particular, seeing low demand, which has been -- had a big impact on margin. Excluding this impact, organic growth was 1.3% for the year.

As I mentioned, in response to this softness, we're continuing to reduce headcount in P&I and actively focusing on higher-growth markets, which drove strong order intake this quarter. This order intake included data centers as well as pharma in the U.S. and we're confident about our pharma awards, but it will take time before this converts into revenue.

Looking now at Mobility. We continue to see stable results where strength in North America, the Netherlands and Germany are fully offsetting weaknesses in the U.K. and Australia. We showed solid margin progression driven by optimization of global workforce allocation, including the use of GECs, ultimately driving improved billability.

The softer order intake in the Second Half was partly a result of changing dynamics in the U.S. industry, where we experienced slower procurement processes and regulatory reviews on the back of policy uncertainty. These effects resulted in project award delays and some challenge for near-term revenue delivery.

Finally, Intelligence. This delivered strong growth in Q4 and despite a slower start to the year, achieved 6% organic growth overall. The business is increasingly supporting our largest projects across other global business areas, reinforcing its strategic value. As a result, we have decided to formally integrate Intelligence mostly into Mobility, and it will no longer be reported as a separate segment going forward.

Turning to cash. As I mentioned earlier, cash flow is at record levels. We have driven cash collection through relentless management focus, putting in place clear systems and personal billability dashboards and this has paid off with net working capital at 8% this year.

We expect to maintain healthy levels of net working capital in 2026 and we are likely to see net working capital close to 11% as a sustainable percentage over time. Growth and free cash flow remain key priorities for us going forward. Finally, turning to our balanced capital allocation framework.

Last year, we continued to invest in the business and returned significant capital to shareholders. In September, we launched a EUR175 million share buyback program with EUR136 million spent through to the end of December, and we concluded the program in January.

We returned EUR89 million through our dividend, returning a total of around EUR225 million to shareholders. Furthermore, we made two acquisitions in Germany, namely KUA and WSP Infrastructure Engineering and we will continue to look at M&A opportunities where they make sense and fit into our strategic goals.

For 2025, we're proposing a dividend of EUR1.05 per share to our shareholders, an increase of 5% year-on-year and well within our 30% to 40% payout ratio range. Going forward, we will continue to evaluate strategic investment opportunities to grow the business and return capital to shareholders.

In summary, 2025 was a tough year, and we expect the First Half of this year to be challenging, especially in Places. We are right-sizing the business, focusing on top line growth, especially in pharma, tech, energy, water and major infrastructure projects. We have the people,

the knowledge, the drive, the determination and the client demand to make this business much more successful.

I will now hand over to Heather to provide her thoughts for the future.

HEATHER POLINSKY: Thank you, Simon. Good afternoon and good morning to those joining from around the world. Before I share my perspective, I want to thank Alan for his leadership. He has guided Arcadis through both the good and challenging times with integrity and clarity, and we are grateful for his dedication to our people, our clients and the company.

As Alan and Simon have said, 2025 has been a challenging year for Arcadis. We are under no illusion about the amount of work ahead of us. But as you have heard, we are taking action to return to growth.

Having spent more than 26 years at Arcadis, I personally know the strength of this business, defined by deep expertise, global reach, local delivery and trusted client relationships. What gives me confidence is the platform we are building from and the scale of the opportunity ahead.

Across Arcadis, we hold leadership positions in markets that matter from firsthand experience in leading both our Resilience and Mobility GBAs. These are sectors shaped by demand, long-term investment and increasing complexity for clients. These are not future bets. They are markets where we already lead, and we'll extend that leadership through disciplined execution.

Let me spend a few minutes on some key areas. In Water, as a top four designer delivering double-digit organic growth and over a century of experience in water services, we lead in engineering, coastal resilience and emerging contaminants such as PFAS with flagship programs, including Sao Paulo's largest wastewater treatment plant and the 1.7

billion Lower Manhattan Coastal Resiliency program. In Energy & Resources, the U.S. requires up to 1.4 trillion in power investment by 2030, while Europe is accelerating its energy sovereignty and critical minerals development.

Our strong market positions, number three in transmission and distribution and a leading position in mining is reflected in recent wins, including 2 new nuclear plants in the Netherlands and Australia's first renewable energy zone. In Technology and Life Sciences, nearly 100 gigawatts of new data center capacity will be added by 2030, alongside major semiconductor and advanced manufacturing investment.

Arcadis as number one in life sciences and semiconductors and top three in data centers, we are well positioned to capitalize on these trends and grow our business in these areas. On major infrastructure projects, our clients increasingly demand certainty on cost, schedule and outcomes. Through integrity and integrated delivery, intelligent infrastructure and asset advisory, Arcadis is the partner that clients rely on.

This is reflected in projects such as the redevelopment of Amsterdam's Central Station. Taken together, these positions give me real confidence. We are aligned to powerful market tailwinds. We are focused on where we have a clear right to win to drive growth.

Looking ahead, leadership today is not just about where you compete. It's about how. We build on our market positions by partnering with clients and embedding human expertise with AI and digital solutions to help our clients plan smarter, move faster and deliver with confidence.

Across water, energy, data centers and rail, we combine engineering with advanced analytics to optimize performance and drive faster evidence-based decisions for our clients. Our partnership with

VODA.ai is supporting water clients to predict lead service lines before they become a problem, so they can prioritize capital expenditures and accelerate compliance.

Climate Risk Nexus takes predictive climate analytics and combines them with asset-level insight guiding resilience planning. In just 1 year, it's grown from 2 pilots to 20 projects, including a statewide assessment across 64 campuses of SUNY, the State University of New York.

In technology, our NVIDIA Omniverse partnership lets clients model and optimize data center assets before construction even begins, cutting risk, cost and delivery time. And in rail, our integrated EAM solution brings digital products, analytics and advisory together into one seamless offering, earning recognition from Verdantix as best-in-class.

These digital capabilities aren't just tools, they're central to our strategy. They create higher value outcomes for our clients, strengthen our market leadership and define exactly how we compete in a changing world. The priority now is clear, converting these strengths into consistent, profitable growth.

My focus is anchored in three priorities. First, refocus the business on high-growth markets. We are directing capital and talent to sectors where we have the right to win, water, energy and power, technology and large infrastructure projects where demand provides long-term visibility.

One of our greatest growth engines sits within our existing client base. In recent months, our executive leadership team has met more than 50 key clients and the message was consistent. They value and want to do more with Arcadis.

Deepening these relationships and expanding our wallet share provides a clear path to stronger organic growth. Second, simplify to accelerate performance. We are removing complexity, reducing layers in the business and enabling faster decisions closer to our clients.

Alongside this, we are advancing automation and taking disciplined cost action to improve our competitiveness. The outcomes are straightforward: higher productivity, stronger margins and better backlog conversion.

Third, we need to drive cultural change through a truly client-led model. We are sharpening sector focus, aligning ownership with accountability and ensuring incentives, reward, personal and team performance. We are expanding client coverage, including over 60 new account leaders appointed this week, and the scaling of GECs will enhance delivery while maintaining cost discipline. Execution is underway, but let me be candid. As you have heard, there is a lot more work to unlock the full potential of Arcadis.

Turning to our outlook. We expect net revenue organic growth to be flat with a weak start to the year. This reflects the reality of repositioning the business for stronger performance. As I said, demand in water, climate and energy is robust. Environmental restoration is also showing recovery for us in the US. Key geographies continue to perform well, and our pipeline is healthy.

However, uncertainty in Places and the timing variability in large Mobility programs means that demand will not fully translate into near-term revenue in these areas. We will also be very focused on the areas where we have control, namely productivity, efficiency, cost control, GEC contribution and disciplined project selection.

As a result, we expect our operating EBITDA margin to reach 11.7% to 12%. Arcadis is stronger than our current trajectory suggests, but strength alone does not create value. Consistent delivery does.

Let me close with this. We are resetting the foundations of our next phase of profitable growth. And we have already begun. We have reinstated cash discipline, strengthened our sales force in markets that matter most, aligned incentivisation with performance and accelerated restructuring where change was required.

Now in 2026, it is about execution. It is about performance and growth, a simpler and more agile business and greater accountability. We are sharpening client centricity and aligning rewards with outcomes. We will continue right-sizing underperforming areas, and we are simplifying how we will operate and deliver so we move faster, make better decisions and compete more effectively.

There is work to do, and I want to be explicit about that. But the priorities are clear, the actions are defined and execution is underway. You should hold me and Simon accountable for delivering this change. That accountability is understood, and it is embraced. I am confident in the steps we are taking, confident in the markets we serve and fully committed to restoring Arcadis to sustainable and profitable growth.

Looking ahead, we will host a Capital Markets Day in November 2026. There, we will set out our next 3-year strategy, including our strategic ambitions, go-to-market model, portfolio optimisation, human and digital ambitions and strategy and medium-term financial and non-financial targets.

2026 is a reset year, but it is also a launch pad for us. We are strengthening the core, embedding agility in how we operate, raising

expectations across the entire business and positioning Arcadis to deliver stronger and more profitable growth.

With that, I'll hand over to the operator for the Q&A session.

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

DAVID KERSTENS: Good afternoon, everybody. I've got two questions, please. First of all, you talked about the underperformance and the high-growth areas in the business. I think combined around two-thirds of the total. Can you also explain what happened in the remaining 34% of the business, which I think saw an organic decline of around 5% to get to the organic revenue decline for the group of 0.5%?

Then the second question -- can you explain the cut to your Full Year '26 guidance compared to what you indicated on October the 30th? I think you said then that you expected organic net revenues to gradually build up towards 5% in 2026. Now you're guiding for flat revenues. Does that also mean you expect it to build up gradually towards flat for the year?

And also, I think last quarter, you still indicated you were on track to reach the 12.5% EBITDA margin target as your strategic objective. What drives that reduction to 11.7% to 12% now despite all the measures you have taken in terms of rights-izing, adding 30 basis points to margins and all the earlier investments in productivity and standardisation improvements? Thanks very much.

SIMON CROWE: Yes. Hi, David. It's Simon here. I'll take the first question, and then we'll take the other questions after that. So the other part of the business that we didn't talk about, I think has declined about 1.6% based on our

internal calculations. And obviously, there's a mix of things going on there. So we've had some strength and some weakness.

So I think it's -- we could dive into each of the pieces, but it's just part of the business that we didn't highlight in this conference call. So we've had some government clients in there, which have been affected by the U.S. slowdown. Obviously, the policies that flip flop with Trump. So we just haven't got the momentum in that part of the business that we'd like.

Then, you want to talk about your -- the growth for 2026? Obviously, Heather and I have had a really good chance to do a lot of reviews and a lot of dives into where we are. And we feel that 2026 is a reset year. You know, we think the First Half based on some of the things we're seeing in Mobility based on Places will be slower than we expected, and we expect that to hopefully increase in the latter half of the year.

So we're, you know, we are looking forward to a slow ramp-up during the year, but Heather and I felt it was right to take a really good look and reset expectations. And I hope we've been really clear with you. We've been really clear with what we're expecting for the year. We're expecting flat. That's our judgment at the moment. And we're expecting that margin at 11.7% to 12%.

Obviously, we're taking more right-sizing measures. Obviously, we're looking for more growth. obviously looking to increase that margin over and above where we're guiding to you today. But we thought it was just sensible to give you some clear expectations.

DAVID KERSTENS: Thank you very much.

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

SANGITA JAIN: Good morning. Thanks for taking my questions. Could you possibly elaborate on the go-to-market strategy that you're discussing on some of these end market pivots? I'm trying to understand how you think you're competitively placed versus your peers, especially since you're bringing in new businesses and sales teams at the same time? And then I have a follow-up. I will wait.

HEATHER POLINSKY: So we talked specifically about our ability to grow in several key markets, water, energy and power, technology and semiconductors and life sciences as well as data centers and large infrastructure projects. And we've had success in doing this in the past. In fact, many of those businesses are already on a growth trajectory. So we know that we have the right to win.

We have looked at and conducted a pricing review to look at strategic pricing so we can make sure that we are competitive, and we're bringing the innovation that I spoke about, whether it's the AI tools or it is our digital intelligence projects, combined with our human and technical expertise and asset knowledge to win in those sectors.

SANGITA JAIN: Got it. And then I understand that the Capital Markets Day doesn't come until much later in the year. But in the meantime, can you help us understand if the strategy review could possibly include further reducing the number of geographies you're in or possibly cutting end markets to get back on a path of growth? Thank you.

SIMON CROWE: Yes. Look, we will continue to review our strategy. We're not going to sit still. We're in a hurry. We continue to review our geographies, our sectors, our services and where we think it is appropriate, we'll make changes and where it is appropriate, we'll grow and where we have a right to win, we'll invest in heavily.

So everything is up for review for us. Heather and I are looking very carefully at where we're strong, where we're not so strong, and we will obviously communicate with the market in due course. But we're very confident we have a right to win in the sectors that we outlined, and we're going to go and win there.

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

MARTIJN DEN DRIJVER: Yes, thank you operator. Good day everybody. I'll start off with a question for Simon, if I may. The 1,100 people charges of 50 million, am I right in assuming roughly that you would pay 6 months salary severance, meaning that you could expect 50 million saving in 2026 from that element. If you do another 1,100 million in 2026, assuming that you're going to do that relatively early in the year from the same analogy, you would get another 50 million in savings?

All in all, back of an envelope that would add EUR100 million in savings, which represents 2.3% on flat revenue. So I have a bit of a trouble getting to that 11.7% to 12.0% EBITDA margin given these restructuring measures. Can you help me understand that?

SIMON CROWE: Yes. Obviously, I think your math is pretty reasonable. Obviously, it depends on the jurisdictions and the timing, as you say. But look, we've got wage inflation. We've got to give people a pay rise in certain jurisdictions throughout the year. We've got 35,000, 34,000 people. So we'll be doing that. We're obviously going to invest in the business in the top line growth in go-to-market.

In pricing and all of those things that we talked about, we're going to invest in those markets. So yes, there's going to be some savings, and we're looking to protect our margin. We're looking to grow our margin,

but also we've got to continue to back our people, attract talent and grow the top line. So there's going to be some investment there.

MARTIJN DEN DRIJVER: Got it. My second question is on net working capital. The 8.3%, very strong. Even if you adjust for the factoring, it would end up at roughly 8.8%. So still well below the target that you set yourself of 11%. But did I understand you correctly that you were saying that around 11% would be a healthy level of net working capital going forward?

SIMON CROWE: Yes, that's right. That's sort of our typical trend over the last couple of years. Obviously, I've started to drive very hard there, as you've seen. I made the promise back in Q3. We've delivered on that promise. It was a record level of cash intake, but we'll drive hard to get that below 11%. But look, the business has some cyclical around it, has seasonality. We will drive hard. We've started some new initiatives internally on the back of our success in the last quarter. So we'll continue to drive that down. And -- but I think 11% is a good thing for your model, yes.

MARTIJN DEN DRIJVER: Thank you.

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

CHASE COUGHLAN: Hi, all. Thank you for taking my questions. I just have 2 and maybe starting with the portfolio review. You mentioned you had the reductions in the P&I business in the Fourth Quarter. Are there any other areas of the portfolio in 2026 that, let's say, could be a risk of a further revenue reduction that you're looking at? Or how is that process being conducted?

SIMON CROWE: No. We - as I said, we did a review of our Canadian business. We did the normal audit review with KPMG. We brought in a third party. I myself conducted daily calls over the last quarter to review that business, and

we've drawn a line under that, and that's behind us. And there's no -- there's nothing to indicate anything else like that is happening in Arcadis. So no is the answer to your question.

CHASE COUGHLAN: Okay. Perfect. And then my second question, just going back again to the organic sales growth guidance. I'm struggling to understand sort of why we imply a worsening in the First Half. I mean a lot of the commentary you provided about you're starting your sales incentivization changes in January, more salespeople in the business. The book-to-bill even in Places looks decent. So could you please maybe just help me understand exactly why you expect even a worsening environment at the beginning of the year at least?

HEATHER POLINSKY: Yes. And as you mentioned, we expect net revenue organic growth to be flat across the year with a weak start. This reflects the reality of us repositioning the business for stronger performance. And it also -- while you point out, we have strong backlog in Mobility and Places. Mobility has experienced some delays, and those are driven by some of the market dynamics as well as the lumpiness of the awards that we see.

Places also remain strong, but those large projects take a little bit of time to ramp up from the permitting phase into the heavier design phases for us. So really looking at that phasing and the quality of our backlog, we expect to see the positive improvement through the year, but to have a weak start.

CHASE COUGHLAN: Okay. So it's really timing and then repositioning. All right. And if I may just squeeze in a third one on capital allocation. So of course, your balance sheet remains very healthy from a leverage standpoint. Could you give any indication on what your sort of capital allocation options are? I mean you're obviously repositioning the business yourself, as

you said, I'm not sure if M&A is appropriate at this time, but even for sort of another buyback potential, what -- how are your thoughts about that from a Management standpoint?

SIMON CROWE: Look, we'll look at all of that. Of course, we will continue to discuss M&A opportunities. We did a couple of small ones last year. It'd be great to think we could do some similar things this year. They were excellent additions to our business. Of course, we'll look at buybacks.

Of course, we'll look at capital allocation across the piece. So it's just the normal course of what we discuss all the time in the business. So that's what we'll be doing. And I'm confident we, as you say, got a very strong balance sheet and good cash collection. So we have a lot of optionality.

CHASE COUGHLAN: Okay, perfect. Thank you very much.

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

NATASHA BRILLIANT: Thank you and good afternoon to everybody. I've got a couple of questions. My first one is just thinking about more the midterm growth profile of Arcadis. I realize you'll do your Capital Markets Day in November. But once we get through this transition year, do you feel confident that Arcadis can get back to being a mid- to high single-digit growth business again?

And then my second question is a broader question around AI, where we're seeing a lot of investor interest, but also market volatility. And you've talked about how you're using AI to drive efficiencies internally. Are you having any discussions with customers who might be pushing back on the use of AI or asking to share on some of those efficiencies with you? Just trying to understand how we should think about pricing

and profitability for your business going forward given the sort of AI overlay? Thank you.

HEATHER POLINSKY: Yes. First of all, let me take the first question on Capital Markets Day and our projections going forward. It is our intent to return to the same market level performance as our competitors. And we see no reason why with the strong technical capability and strong client relationships that we have when we take the other actions that we put in place that we won't get there. So we are confident we'll get to that same market performance.

On the AI question, yes, AI is something that is continuing to be in the conversations with our clients. And in fact, we are already delivering projects with AI integrated in them. There's three parts to the AI discussion. One is our internal efficiencies, as you've talked about and Simon mentioned. The other is the efficiencies that we are delivering to our clients. And that is when we bring both the human capability as well as the AI together.

And we do it in a way that is really reflective of the local markets and client needs as well as the transparency of where it's able to add value. And then we are engaging on discussions with our clients about new revenue lines and how we can help them in different ways and new ways. And in fact, I don't know if you have seen, but we launched an AI for water challenge, and we'll be also launching one on energy specifically going forward, where we're co-creating with our clients AI solutions to support them.

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

KRISTOF SAMOY: Thank you for taking my question. I have one left. It's on value-based pricing. In the press release, you mentioned that you're working on that.

And obviously, there's a lot to do on AI and the impact it has on the billable hours model. Can you give like a tangible example on how you want to go at implementing more value-based pricing?

And secondly, can you give some insight into your breakdown of your revenues in terms of cost plus pricing time and material and lump sum and how you see this composition change over time? Thank you.

HEATHER POLINSKY: Let me start with the last part of that discussion first. It's about 60% fixed price and the remaining time materials or cost plus. And as it relates to value-based pricing -- we're already using value-based pricing with some of our clients and testing it out.

And we've had some great success in co-creating solutions with our clients and then working through the value-based pricing approaches with them. And as Simon mentioned in the presentation, we have initiated a strategic pricing review and also working to support our teams and more effectively bidding so that we can win more with our clients.

SIMON CROWE: And just to say, we brought in an external pricing specialist to help us with that review. So we're not just relying on our own knowledge, but we're really excited about the initial findings, but we've got a lot more work to do there.

KRISTOF SAMOY: Okay, thank you.

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

DIRK VERBIESEN: Yes, good afternoon to you all. I have a question on the headcount reduction. The 1,100 roles that you took out, 100 of those are in overhead and your plans for 2026, you already announced 150 further reductions in the property and investments. And I am aware of the

sensitivity, but can you share a bit more on what your further plans are? And is this, let's say, overhead versus billable people 1 in 10 like we've seen in '25. Is that the same magnitude as you foresee for 2026?

SIMON CROWE:

Look, we're going to take a really good look at this and Heather and I have started to look at this. In fact, I shared a list with her the other day. It's non-billable, non-client-focused people that we're just trying to work out where can we find some efficiencies and where can we find automation. We are -- I think the ratio will be different this year than it was last year.

As you said, it was 1 in 10. I'd expect to find more efficiencies from our non-billable and non-client focused areas. That's not to say that these functions are not important. They are important. We've got some great people doing some great work, but I think it's just -- it's incumbent upon us to take a really hard look at what we're doing.

And obviously, we're going to leverage AI. We're really excited about the opportunities there with the efficiencies that AI can bring to us. And hopefully, we can divert a lot of these folks on to billable work. That's really the key here.

We think the markets are really, really exciting and really strong for us in the areas that Heather mentioned. And if we can move people from non-billable and non-client-focused work into billable and client-facing work, then that's the real opportunity we have because these people understand and know how Arcadis works. So a lot to do, and we're going to do it quickly.

DIRK VERBIESEN:

Following up on the previous questions also from Martijn on the impact of these headcount reductions. If you say, let's say, the 1,000 billable people, yes, you've lost around 110 million potential revenues taking them out and maybe also a significant number in '26.

I think we understand that, that flat revenues guidance comes largely from that and maybe some delays in projects. But let's say, a return also the remark from Heather to peer average organic growth, yes, I think most peers say 6%, maybe even 6% to 8%. Let's say, how long do you think you need to really recoup the momentum there towards that ambition?

SIMON CROWE: Look, I mean, Heather, your math may be right. It's -- and if you're modeling it out, obviously, we're taking some heads out. Some of those are billable, but we are looking at increasing the billability and looking to return to that growth. So I think, look, we're looking for Second Half.

We're very excited. First Half is slow as we've indicated. We've been very clear on our guidance. The markets are there for us. We're going to be very selective on how we take out cost, but it's all about focusing on billable and client-facing people who will drive that recovery into the Second Half.

HEATHER POLINSKY: And Simon, if I can add, we are going to be taking some restructuring costs associated with those reductions, but we are making investments. We are going to shift our portfolio towards those high-growth markets and make hires in those areas. So it's really about the shift and the rebalancing towards the growth markets in the areas we have the right to win.

DIRK VERBIESEN: Okay. Thanks.

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

SABAHAT KHAN: Great. Thanks and good morning and afternoon. I guess just maybe just taking a lot of the questions from earlier around the cuts and the sort of commentary on outlook together. With these sort of restructuring

initiatives, do you feel like you've gone deep enough to sort of position the company on the right path?

And then secondly, just in terms of '26 being a transition year, is the confidence there really that it will be a matter of time to cycle through maybe some of the not so favorable projects or just -- what gives you the confidence that this will be sort of a transition year and that you sort of cut deep enough? Just more of a high-level perspective, not looking for sort of guidance or anything? Thanks.

SIMON CROWE: No, I mean I'll start and Heather, I'm sure will add to that. We're not holding back. So look, we're going to do -- we're going to continue to do the reviews. We're going to continue to see what makes sense. We're going to continue to invest in the business where we see the growth and the value, but we won't hold back on those slow growth or no growth areas that potentially need looking at.

HEATHER POLINSKY: Yes. Some of the additional elements is the market is there for us. And so specifically, the market in these areas that we've identified the right to win, we believe that by making those strategic investments by changing our incentivization and improving and adding to our sales force that we'll be able to use that strategic pricing we talked about and even the automation of our pursuit process will start to come into play. So quite a few factors coming forward to help drive us towards that growth.

SABAHAT KHAN: Great. And then just quickly a follow-up. I guess, as you put new leaders in place, put some new folks in place, restructured other things, how are you ensuring that the sales folks and the project managers during that transition are still sort of filling the backlog to ensure '27 and onwards gets to the right range that you want to get to?

- SIMON CROWE: Look, we've -- Heather will comment as well, but we've incentivized a lot of people to really focus on driving sales now. It's about performance culture. We're really excited. We're shifting to that performance culture. Q1 and Q2 also a massive, massive focus for us and we've been repeating that message and incentivizing people to drive the growth into Q1 and Q2. So the message is out there, and people are excited about it, and they're grabbing the opportunity.
- HEATHER POLINSKY: Yes. And Arcadis' mission of improving quality of life is done through the delivery of our projects. and through the passion of our people. So our job as leadership is to mobilise and energise that passion. We also have a really high employee engagement score. So even though we've taken these cuts over the last year, our Net Promoter Score remains in the top 10% of professional services. So in addition to the expectations we've set for our people, we've got a great foundation to grow from.
- OPERATOR: The next question comes from the line of Luuk Van Beek with Banque Degroof Petercam. Please go ahead.
- LUUK VAN BEEK: Yes, good afternoon. First of all, a question about the -- your ability to predict the timing of when your backlog converts into revenues. It was an issue last year. Have you taken any measures to improve the process? And if so, what kind of measures?
- SIMON CROWE: Yes. We've -- I've been looking at that amongst other things. And that's one of the key issues for us to ensure that we give the training, we show people how they can phase their backlog more easily, make sure the systems are easy to access. And that's certainly something in terms of the transformation. And I call it the sort of 10 commitments that we've got. One of those is to phase your backlog. And we're obviously monitoring it.

I've got a dashboard that I can look at every day, and we are getting that message out there that phasing the backlog is really helpful for knowing who to put on this job and who we can put on another job and also forecasting as we go forward. But it's going to take time. We've got over 30,000 projects. We've got a lot of project managers out there. So the time -- it will take us some time. But yes, it's on the list.

LUUK VAN BEEK: And you mentioned in the presentation that you target cost reduction to drive competitiveness. Does that mean that you have the impression that you sometimes lose projects against competitors because of your pricing?

SIMON CROWE: I'll let Heather add to this. But we think we -- obviously, we lose some bids because of pricing. But I don't think that's it. Obviously, we work with competitors. So we can see -- often can see what the pricing and we're in partnerships. We're in joint ventures, so we can see that.

I think we're just so -- actually, we're so good at what we do. We bring that complete project sometimes. And often, the customer just maybe just want something slightly less. And that's part of our pricing review, part of the value pricing that we're working on. We're so good at delivering and so enthusiastic that sometimes I think we may get carried away. But Heather, maybe you want to talk to that.

HEATHER POLINSKY: Yes. Just on our cost base, I think that what's important for us to recognise is that efficiency isn't always just in the cost. It's in how quickly we're able to make decisions in the organisation. So reducing layers within our, say, overhead structure or enabling function will allow us to be more responsive to our clients and allow us to win at a faster rate and allow our people more entrepreneurship and flexibility so that we can both protect Arcadis, but also deliver to our clients more effectively.

- LUUK VAN BEEK: Okay. Thank you.
- OPERATOR: The next question is from the line of Simon Van Oppen with Kepler Cheuvreux. Please go ahead.
- SIMON VAN OPPEN: Hi, good afternoon. Thank you for taking my question. I have one remaining question left, and you mentioned the independent auditor review. I was just wondering to what extent has impairment testing be done in Q4 on each of your individual divisions? And should we expect any further impairments in 2026?
- SIMON CROWE: No. I mean we've done all the necessary reviews. No more -- no, you shouldn't expect anything like that. Yeah.
- SIMON VAN OPPEN: Thank you.
- OPERATOR: Ladies and gentlemen, with this question, we conclude our Q&A session. I will now turn the conference over to Mr. Brookes for any closing comments. Thank you.
- ALAN BROOKES: Thank you, and thank you, everybody, for your questions. As we said at the start, it has been a challenging year for Arcadis. But as I hand over to Heather as CEO, I do so with full confidence in her leadership. She has a clear mandate, as you've heard today, to strengthen performance, simplify the business and accelerate delivery. These actions are already underway, and the priorities are well defined. So thank you again for your time and engagement over the last 3 years and for indeed your continued support for Arcadis under Heather's leadership. Thank you all very much.