

Arcadis to acquire DPS Group

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Operator: – have the opportunity to ask questions. This can be done by pressing star one on your telephone keypad to register your question. If you require assistance at any point, please press star zero and you will be connected to an operator.

I will now hand over to your host, Christine Disch to begin today's conference. Thank you.

Christine Disch: Good morning, everyone, and welcome to this conference call. My name is Christine Disch, and I am the Investor Relations Director at Arcadis. We are here to discuss Arcadis acquisition of the DPS Group as announced this morning.

With us on the call today are Peter Oosterveer, our CEO; and Virginie Duperat, our CFO. We will start with the presentation by Peter and Virginie, which will be followed by Q&A. This presentation was attached to the press release sent out at 7.00 CET this morning, but was also made available on the IR section of the Arcadis website. A transcript of this conference call will be made available on our website within the next 24 hours.

I 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 any of the risks related to these statements, which are more fully described in the release and on the company's website.

Now over to you, Peter.

Peter Oosterveer: Thank you, Christine, and good morning, everyone. Thanks for joining us. I am indeed pleased to announce that we have entered into an agreement to acquire DPS Group, a leading global consultancy, engineering and construction management company, specialising in manufacturing facilities supporting the life sciences, advanced technologies and semiconductor industries with a particular strong footprint in North America and Europe.

The intended acquisition is fully aligned with our Arcadis 2021-2023 Maximizing Impact Strategy, and based on four core benefits for our business, namely: first of all, it strongly positions Arcadis in the high growth and resilient Life Sciences and Semiconductor manufacturing sectors.

Secondly, it creates a full service adviser for high-tech industrial manufacturing clients combining DPS and Arcadis complementary service offerings. Thirdly, it provides an opportunity to leverage DPS's strong capabilities, experience and longstanding client relationships with the world's largest pharmaceutical and semiconductor manufacturing companies. And fourthly, it provides for an increased size, driving scaling opportunities and cost synergies from improved operational efficiencies and rationalisation of organisational design.

The enterprise value is €295 million, representing an attractive EBITDA multiple of 6.7 times, including cost synergies or 8.1 times without cost synergies. DPS Group's shareholders have unanimously agreed to the deal and we expect the deal to complete before the end of the year.

Now moving to the next slide, please. So who is DPS Group? Let me share a little more information with you. DPS Group was founded in 1974 and headquartered in Ireland. It is a successful business with just short of €300 million of revenues in 2021 and net revenue CAGR of 21% between 2019 and 2021.

We know DPS because we already collaborate on projects. In fact, we have worked together for the past five years. But the acquisition obviously brings new capabilities and scale across our existing services. The acquisition also supports our shared ambition to become a global leader across the Life Sciences and Semiconductor markets by creating a comprehensive full-service offering for our clients.

DPS has a very strong reputation in these markets and very deep client relationships working with 19 of the top 20 global pharma companies. It has significant projects in biotechnology and medicine production facilities, as well as the highly attractive industrial engineering and semiconductor sectors.

Crucially, this acquisition includes around 2,850 talented consultants, engineers and project managers, with operations spanning Europe and North America, helping to increase our talent pool and our geographical footprint, which with IBI, included now tops 36,000 people.

With a strong focus on life-improving sciences and a commitment to sustainability, DPS echoes Arcadis' values and passion for improving quality of life.

Moving on to the next slide, please. As I described before, one of the key advantages of DPS is its leading position in burgeoning Life Sciences and Semiconductor markets. Two, high-growth and recession-proof markets. The business is, in fact, split across three core service groups.

First one being Engineering, Procurement, Construction Management & Validation, which includes the design, the master planning project management and commissioning of Life Sciences and Semiconductor manufacturing facilities. This service area is the largest and accounts for about 51% of revenues.

Secondly, Advanced Technology Group, which is focused on providing services to semiconductor and advanced technology clients, which accounts for about 14% of revenues. And thirdly, the Technical & Contract services, which is predominantly client on-site support and accounts for about 35% of revenue.

While Arcadis already has a presence in these markets, we don't offer a full service to clients which DPS can provide. For example, where we, Arcadis, are strong in master planning and environmental permitting for a manufacturing facility, and DPS has expertise in process engineering and detail design within the facility, which includes linking the plant – linking the plant, machinery and process in the actual manufacture of the product.

Moving to the next slide, please. Let me give you two project examples, which demonstrate and hopefully bring to life DPS' sector expertise and deep asset knowledge.

First one is for CRISPR Therapeutics, a Swiss American biotechnical company, which is currently harnessing gene editing to develop and deliver potentially curative therapies to patients with serious diseases. The technology has game-changing implications for patients and partners.

As engineers and designers of the CRISPR manufacturing facility, DPS Group created a compact design with multiple independent production suites, each capable of producing a different product at a different stage of development, while maintaining strict product segregation ensuring uninterrupted production and testing operations.

Second example is with Johnson & Johnson. To address unmet medical needs during the COVID-19 pandemic, J&J committed to making its COVID-19 vaccine available on a not-for-profit basis for emergency pandemic use. To provide the world with single-shot COVID vaccines, the J&J production capacity needed to be increased. And to make this production possible, the existing production capacity needed to be expanded in an extremely short timeframe.

This led to the fast track expansion of the downstream processing facility of the vaccine launch facility at an existing Janssen site, for which DPS executed all the design activities and provided construction management support. So two examples of projects where by DPS sector expertise and asset knowledge is being used.

So turning to the next slide, please. DPS has a very strong market position in the markets it operates, delivering services to the world's largest and most prominent pharma and semiconductor manufacturing companies. These industries typically have high barriers to entry and are dominated by a few large players of which DPS is one.

DPS also has a track record of profitable growth on the back of strong market conditions in the US as well as in Europe. The net revenue growth has been the most important KPI for the company historically. There has been a high demand for the market – from the market for DPS services and clients were looking for speed to market, which resulted in remarkable growth pattern of over 20% average over the past few years.

DPS have also shown an upward trend to 9.5% EBITDA margins for 2021 full year. And this improvement was driven by increased efficiencies and economies of scale. The secured backlog for DPS in June of 2022 is 1.5 times its annual net revenue with a strong pipeline from its key clients. The vast majority of DPS contracts are based on time and material, leaving us limitedly exposed to the current inflationary environment.

Now on to the next slide, please. Arcadis has always had a longstanding ambition to grow its presence within the Life Science and Semiconductor markets. Both markets are clearly future-proof and expected to see exponential double-digit growth rates over the next few years, with Life Sciences on target to see sales worth over \$4.6 trillion in 2023, and Semiconductor manufacturing benefiting from significant public and private investments.

For example, the recently agreed \$280 billion CHIPS and Science Act in the US and the EU Chips Act will boost high tech manufacturing in the US and the European markets. As an example of a privately related investment, Samsung recently announced a \$100 billion investment in the US alone. These investments complement existing R&D programmes in place, including Horizon Europe and the Digital Europe Programme.

This exponential growth, combined with the need for smart, green and advanced manufacturing facilities creates opportunities to leverage the strength of Arcadis and DPS to deliver an enhanced and integrated full service offering to our clients.

And integrated – on the next slide, please – an integrated full service offering with an advisor, they can trust, is exactly what clients are demanding. This need is particularly pertinent in the competitive Life Sciences market, where clients, including Merck, GSK and Pfizer value speed to markets in-depth expertise and resilience and global supply chain from their advisors.

The growth in novel therapies and advanced medicine, plus the advance of the COVID-19 pandemic, has seen the demand for industrial life sciences research and production facilities increased significantly.

Arcadis already has a critical role in early stages of these projects, particularly around site identification, environmental planning and permitting, and at the end of the project, including facilities management. But DPS nicely fills in the gaps, providing expertise at the core of the project, in the case of semiconductor manufacturing, the design and build of the manufacturing facilities to produce the semiconductor chips.

Together, Arcadis and DPS are strongly placed to be that full size service provider for clients in the Life Science, Industrial Manufacturing and Technology market, combining our complementary service offerings, expertise and our global reach.

Now turn to the next slide, please. A recent example that highlights this complementary nature of Arcadis and DPS offering is with a project to create a cell therapy facility in the Netherlands for Bristol Myers Squibb, one of the world's largest pharmaceutical companies.

During the height of the COVID pandemic, Arcadis worked for Bristol Myers Squibb, providing urban development permitting and sustainability needs, which is typically at the start of a process, and the commissioning and qualification for the facility, which is typically obviously at the end of a process.

DPS delivered the manufacturing process, detailed design and manufacturing engineering and procurement. You can also say at the core of the process. And by combining our strengths, Arcadis and DPS can offer now a full suite of services and increased scale, which will in turn drive higher win rates in larger projects.

Now moving on to Virginie and actually moving on to the next slide. Virginie, over to you, please.

Virginie Duperat-Vergne: Thank you, Peter, and good morning, everyone. Thank you for joining us today.

So the combination of both our businesses will drive strong revenue synergies, led by the complementary nature of our services, increased size and access to the new high growth Life Science and Semiconductor markets. There is also a great opportunity to leverage DPS Group's manufacturing engineering skills to our industrial manufacturing clients, such as the high growth electrical vehicle battery gigafactories, technology for automotive clients.

Within Arcadis, we see opportunities to leverage the services and solutions of our resilient GBA and particularly our sustainability advisory to DPS clients.

In terms of cost synergies, we estimate this to be around €8 million on an annual basis or 2.8% of 2021 revenues, which is just below industry average; and these are expected to be fully realised within three years after the closing date. A fair amount of the cost synergies will come from connecting DPS to our Global Excellence Centres. DPS have currently no GEC capabilities and bringing in the GECs will really allow us to allocate skills and expertise in an optimal way, optimising efficiencies, data gatherings and knowledge sharing, increasing competitiveness and profitability of the combined entity.

Secondly, the scale benefits will drive some cost savings on the office footprint, insurance, license and IT costs. And lastly, for sure, we will look at aligning organisational design with our optimised globalised model.

Turning now to next slide, please. The acquisition of IBI and DPS has resulted in a balanced portfolio, which is tailored for high growth end markets. With the largest geographical focus in terms of revenues now becoming Americas, including the high growth market of Canada from IBI and newly gained access to semiconductor industry, we are really confident that we are very well positioned not only to mega trends, but also to specific end markets.

Our Places business area, as we speak, is now the largest one, and particularly future proof and resilient, given the sectors in which we operate, the asset classes that it targets and the client that it services.

Pro forma for 2021, we are now a €3.2 billion company, with a 9.5% operating EBITA margin.

Turning now to the next slide, please. The DPS transaction will be fully debt financed, for which for sure we have a few options. We have seen that we had an existing bridge loan facility and we have extended this existing bridge loan facility this morning for the acquisition of DPS on top of IBI Group.

And next to that, we have our unused committed credit facilities, and we can use available cash. As part of our financing strategy, Arcadis has engaged with Standard & Poor's to obtain a credit rating, and we received this morning an investment-grade credit rating. Arcadis expects to be around the upper end of the targeted financial leverage range of 1.5 times, 2.5 times net debt to EBITDA by the end of 2022. And we will continue to focus on solid cash conversion, as we have demonstrated in the past and expect to deliver in 2023 and beyond.

And with that, I would like to hand back to Peter for the next slide.

Peter Oosterveer: Yeah, thank you, Virginie. And now turning to the IBI and DPS integration process that obviously comes next.

On 27th September, we completed its previously announced acquisition of Toronto-based IBI Group. The decision follows a meeting, which took place on 16th September, whereby 99.9% of IBI's shareholders voted overwhelmingly in favour of Arcadis acquiring all IBI shares for CAD\$19.5 per share.

IBI has now transferred to the full ownership of Arcadis and has been delisted from the Toronto Stock Exchange. We had already established an integration management team to ensure a step-by-step and seamless integration process, allowing a continued focus on our clients and on our operations. The team will also lead the creation of a fourth GBA intelligence in Q4, combining IBI's existing intelligence sector with Arcadis Gen and other Arcadis digital capabilities to create innovative technology-enabled solutions.

Further updates to Arcadis' operating structure, including the merging of CallisonRTKL and IBI buildings, and the integration of IBI's Infrastructure segment into our GBA structure, will follow in Q4 of this year. And it is expected that IBI's transition to Arcadis will be complete in late 2023.

For DPS Group, it is our intention to follow a very similar structured approach to the integration with the intention that both DPS European and US operations will be fully integrated into our places GBA in 2023. Now on to the next slide, please.

Finally, I'd like to provide a short update on our strategic progress for the year. Following the implementation of our global operating model and the creation of the three existing GBAs in January of this year, I'm confident we are now well-positioned to complement our strong organic growth with inorganic growth opportunities.

The acquisitions of IBI, Giftge Consulting and the planned acquisition of DPS are not only fully in line with our strategy but they will also accelerate the delivery of the 2021-2023 targets. On digital leadership, together with IBI, Arcadis will significantly enhance its digital capabilities more than doubling its software developers and creating a four GBA intelligence to support client needs across our three other GBAs.

On sustainability, we have surpassed our 2021 achievements, earning an EcoVadis Platinum Award and ranking number one in the construction and engineering industry by Sustainalytics.

Furthermore, we have seen growing demand for sustainable solutions from clients demonstrated by strong order intake. The recent smaller acquisitions of HydroNET and Giftge Consulting will only further strengthen our position in the water and energy transition market; while Arcadis is joining forces with DPS will allow cross-selling of sustainable solutions, including sustainability advisory and viral social planting – and planning and permitting.

On focus and scale, we have driven operational efficiencies through the new GBA model and a greater use of our GECs, focused on high growth markets and moved away from countries that are considered non-core from a geographical or from a service point of view.

I'm really excited with our progress to-date. And today's news on the proposed acquisition of DPS Group is further evidence of our commitment to be a leading global engineering and people-first company committed to delivering an unrivalled service to our clients and the communities we all serve.

With that, I'd like to hand it back to Suzanne, who will, after some short introductions, open it up for Q&A.

Questions and Answers

Operator: Thank you very much. As a reminder, if you'd like to ask a question on today's call, please press star one on your telephone keypad. To withdraw your question, please press star two. The first question comes from the line of Hans Pluijgers from Kepler Cheuvreux. Please go ahead.

Hans Pluijgers (Kepler Cheuvreux): Yes. Good morning, all. A few questions from my side. First of all, on the margin of DPS. Actually, it's somewhat lower than your average. Could you give maybe some feeling what – why is that so? Is there a specific reason, especially if you look at, say, at the complexity of the service they provide you would expect some of the higher margin? And also, is there any, let's say, target going forward?

And then on – just maybe some feeling on, yeah, how precisely this file came on your desk? Is it, let's say, initiative of Arcadis, or let's say, DPS was really, let's say, selling and came from, let's say, through a bank? Or if you could make some feeling on that? And precisely who are the sellers?

And for now, my last question. On revenue synergies, you all pointed out, as I said is indeed complementarity. But you can give maybe some feeling what you see or maybe less also some number on revenue synergies.

Peter Oosterveer: Yes. Thanks, Hans. Let me kick it off and then maybe Virginie can chime in where I am not complete enough.

So, on the margins, let me start there. You're right in that you would expect that this type of service in this type of industry would potentially demand higher margins and we agree with you. I think there's probably two reasons why they have not been able to deliver them yet, although there has been significant improvement over the last couple of years. There has been traditionally focused – a stronger focus on revenue than on margin. And as you will remember from us over the last couple of years, we have obviously combined that focus. So both focus on growth as well as a focus on bottom line. And we intend to enhance the focus on the bottom line, and we see a couple of opportunities.

There is an opportunity for high availability in our view but the biggest opportunity – and Virginie already made reference to it, Hans, comes from the use of the Global Excellence Centres, which DPS, just like IBI, has no experience with. So that is where we expect to deliver higher margins.

We are not planning to lower our targets as a result of this. We still hold to the targets which we announced back in 2020. And as I just said, we see plenty of opportunity to actually improve the margins.

So who are the sellers? Well, a number of shareholders. As you know, it's a privately held company. That means that the Chair of the Board is one of the sellers, the CEO is one of the sellers, and then there's another roughly 20 shareholders who are still largely in the company who are selling as well.

And then Virginie, would you like to take the question on the revenue synergies?

Virginie Duperat-Vergne: Yes, sure. On revenue synergies, definitely what is probably important to mention is that we know each order for quite a long time. We are already working in adjacent projects or seeing each other. So then there is immediate complementarity also there in the fact that we can rather than working side-to-side working as a team, and that's always quite an important element of that.

And that also explains more or less how we approach it rather. If you spend quite a bit of time, you know those are discussions at one point of time come naturally on the table, and there has been quite a very long moment turning around each other up to the moment we decided that we would better work together and advance as a combined company.

So the portfolio of clients is a really exciting one. Definitely, it's for us – we tend to be suddenly quite stronger in the Life Sciences sector. And that is really a strong element.

And we have had a few contracts already with some of the key clients because some of them we also know them, but we've also done that a little bit with DPS. And there is a positive perception of coming together.

Hans Pluijgers: Okay.

Peter Oosterveer: Yeah. Hans, maybe if I can add to it. Sorry, I missed a part of your question, which is how did this file end up with us. As Virginie touched on it, it's largely the result of working together for five years, seeing complementary capabilities, which combined would be attractive to clients. And as a result of that, we did engage in conversations ourselves with the leadership of DPS with the ultimate result being the announcement which we made today.

Hans Pluijgers: So you took initiatives and approached DPS?

Peter Oosterveer: Yeah.

Hans Pluijgers: And going back on the sellers, yeah, most of them are still at the company. How do you let your plan to walk them in? One thing. And secondly, why are they selling now because the company is growing so far. So why didn't you go, let's say, for a stand-alone situation?

Peter Oosterveer: Yeah. We obviously will have a retention plan in place for the people who coincidentally owe the smaller portions of the shares. The larger portions of the shares are owned by the Chairman of the Board and the CEO who arrived at an age, where people start considering to do other things in life. And that was also the case for the current CEO.

And at the management level and below, we do intend to sustain and maintain the people. And that will happen through retention plans.

Hans Pluijgers: Okay. Thanks.

Operator: The next question comes from the line of Quirijn Mulder from ING. Please go ahead.

Quirijn Mulder (ING): Yeah. Good morning, everyone. A couple of questions. First of all, the revenue growth was quite impressive. To what extent do you think it was related to, let me say, the COVID pandemic as it enhanced, in my view, the construction of such buildings? So maybe that's – you can elaborate on that?

My second question is what is about the tax situation of this company, given that they are, let me say, located in Ireland, for example? So maybe you can also elaborate on that somewhat.

And with regard to the whole M&A process, you have approached them, but there was no – it was a one-on-one, or was it – or there were other bidders as well? Is that – what is the discussion here?

And I also see some remarks about the integration of CallisonRTKL. Maybe that's somewhat sideways. But can you maybe elaborate on what's going to happen there. So the integration of CallisonRTKL within the IBI family. And maybe that's something you can also tell us something about.

And finally, my fifth question is about the bridge loan. Maybe you can give some details on the bridge loan for IBI, and the, let me say, the maturity date and what is this looking like?

Peter Oosterveer Okay. Thanks, Quirijn. Let me start with taking at least three of the ones you mentioned and then Virginie you can chime in on the tax situation and the bridge loan. So the revenue growth has indeed been significant. And your point being is that related to COVID. I am sure that COVID has something to do with it. In fact, one of the project examples I used there, Quirijn, was directly related to producing COVID-19 vaccines.

But I think there's, of course, something else in play, which is much – with a much longer window and that is aging population and population growth in general. And that, I think, will continue to spur this industry beyond just COVID-19. COVID-19 was definitely for the producers' tailwind.

But if you look at large demographic trends, including population growth and aging population, then I don't think it is too spectacular to suggest that that is also contributing to what seem to be a really, really healthy growth for the next couple of decades.

The M&A process is the next one, I'll take. One-on-one is your question. As far as we know, that is indeed the case. There is no one else have been in play. We've really nurtured the relationship and advanced the relationship. And five years of collaboration, of course, has helped a lot. So it was a process which took a considerable amount of time to be sure that both sides felt comfortable in ultimately getting to the point of today's announcement.

Then CallisonRTKL is the next one I'll take. That was mentioned, Quirijn, more to a reference where we see that we will announce things which are more related to the IBI-Arcadis combination, if you like. And when we did make our announcement on 18th July, we also inferred that with the strength IBI brings in their buildings and particularly the architectural strength that we do see an opportunity for a really, really strong combination, which it will be and will arguably one of the bigger architectural combinations in the world.

And that process has started to see how we can most effectively combine it. And as we said, Virginie said in particular, we will make a further announcement towards the end of this year. And then I'll defer the tax and the bridge loan question to Virginie.

Virginie Duperat-Vergne: Thank you, Peter. On the tax situation, as you can imagine, Quirijn, we've been doing quite an extensive due diligence process, so then there were some points flagged as you could get in any due diligence report, but nothing major and no red flag that has been brought to us on that aspect. But it's a company headquartered in Ireland. So then paying some taxes in Ireland and paying taxes in the rest of the jurisdiction, where they operate, no specific, I would say, optimisation scheme or something like this.

In terms of bridge loan, we have a bridge loan that we have initiated with the IBI acquisition and the duration of that bridge loan is one year after initial signing and we have options for extension of two options of six months each that we can action ourselves whether we want to do it and would bring the total duration to two years, if we want. The bridge loan is now extended to €750 million, and that will be potentially fully drawn once the acquisition of DPS is completed.

Quirijn Mulder: Okay. Thank you.

Operator: The next question comes from the line of Henk Veerman from Kempen. Please go ahead.

Henk Veerman (Kempen): Yes. Good morning, all. Thank you for taking my questions. I do have two follow-ups. First, on the margin side. You correctly pointed out that indeed like the revenue growth has been leading for this company, which sort of leads us to assume that margins are below what Arcadis can achieve over time. But if I look at activities of the company and the higher barriers to entry of DP – like the DPS has in its end markets, shouldn't margins be actually above Arcadis Group level over time? And that's the first question on the margin.

Second question is, can you give us an idea of with the activities within Arcadis that are complementary to DPS, what kind of margins are being reported in that business unit today? That's the first question on the margins.

And then the second question on the bridge loan of €750 million. What are your current expectations and preliminary plans to refinancing this bridge loan next year, especially given the current state of the debt markets? Thank you.

Peter Oosterveer: Thanks, Henk, for two questions. I'll take the first one, and then Virginie will take the second one.

You're right in describing this industry with high barriers to entry. And as a result of that, and also because of the growth in that market, you would expect higher margins, and that is clearly our expectations as well.

So fundamentally, when you look at business, you would expect margins which are definitely in line with what we have committed ourselves for 2023, which is above the 10%. And clearly, looking at the market, the potential, the number of competitors, that is not a pipe dream. That is absolutely possible.

If we then factor in the things which we have available in our toolbox to add to it, including the use of the GECs, then it should definitely be in line. You already said, well, should it not be above Arcadis? Well, it is part of our growth and not just part of our growth in terms of the top line, but also part of our growth in terms of the bottom line.

So clearly, with this acquisition and the exciting outlook on the markets per se and the opportunity we see to improve the margins, plus the opportunity we see in the market to position this service as a higher growth margin, that feeds our excitement.

Then you asked a question where you do – a sub-question that was where you do combine your capabilities with this. What are the margins? Well, I think they are just the typical Arcadis margins, so not necessarily something we would break out because as I mentioned in my prepared comments, Henk, it's largely the planning and permitting process, which is the typical Arcadis margins. So you're right; in summary, this should yield higher margins. We have opportunities available to create that. And we believe that the outlook in that business and the number of competitors also justifies higher margins than we currently see.

Virginie, you take the one on the bridge loan, please?

Virginie Duperat-Vergne: Yes. Thank you, Peter. On the bridge loan, the bridge loan, number one, is giving us the security and the capability to take the time we need to react and to, let's say, seize the opportunity that we see on the market.

I would like to emphasise the fact that we got the credit rating from Standard & Poor's this morning. So that gives us access to bond market, if we want to. And that's quite an extended

capability for Arcadis today, but we still have our capabilities of accessing private debt markets such as Schuldschein as we have been doing in the past or bank term loans and things like that.

So what we've been trying to do is just making sure that all options are open to us and that we are ready to see the right moment and to refinance ourselves with the biggest comfort possible.

Henk Veerman: Thank you. Two small follow-ups, if I may. The first one being on the guidance. You reiterate guidance of more than 10% margins next year, if I correctly assume that. We also provide us the margin, excluding the acquisitions, the two large deals as you did here today for us to have a, let's say, a like-for-like comparison base of the underlying profitability of the Group.

And then secondly, given the high leverage in combination with – yeah, current, let's say, fears around inflation, like higher interest rates, will you sort of become more stringent when it could pick up – when you have to deal, let's say, with dividend payments next year?

Peter Oosterveer: Yeah, I think – yeah, go ahead, Virginie.

Virginie Duperat-Vergne: I wanted to go on the margin first and on the guidance. We have not pushed out at the moment, anything else, but the existing guidance on Arcadis pro forma as the former perimeter. And that for us, we don't see any reason to change that. This is what it is for that perimeter, then for sure we will give a view in due course of what it brings to the combined entity, because as you see, it's quite a difference in terms of volume of revenue, while pro forma in 2021, the operating EBITA margin is just probably 0.1% below what it was on Arcadis side. DPS being a little bit dilutive, but IBI being immediately evolutive. So that, I think is what it – the combination is showing at the moment. And then I pause here because, Peter, you wanted to jump, I guess, something very different.

Peter Oosterveer: No, that's actually – it's built nicely on what I was planning to say, Henk. So you made the reference on recession, inflation, energy prices, not necessarily all the same words, but with the outlook, which is, for many people, obviously, not that favourable anymore given what's all happening in the world. Whether we made any changes or have been thinking about any changes to guidance as well as dividend payment?

No, the answer is briefly no, quickly, no. Why is that? Well, when we look at the businesses in which we operate ourselves even before today's announcement, but when we then add what DPS brings to us, and as we mentioned a few times, it is really extremely resilient businesses. I can't see any slowdown in pharmaceuticals, neither can I see any slowdown in semiconductor business anytime soon. A, the demand is high; B, the risk of being dependent on a few countries which produce most of the semiconductors being recognised across the world, including Europe and the US. So the fact that we announced today an acquisition, which is a very exciting addition to Arcadis, and then looking at the business outlook geographically has not caused us to reconsider any of our commitments.

Virginie Duperat-Vergne: And maybe to complement, if you go to the – when you have a bit of time to the press release of S&P, you will see that they include, for sure, our leverage policy, but they will also include our current dividend pay-out policy of 30-40% of net income from operation when they elaborate our rating.

Henk Veerman: Okay, clear. Thank you very much.

Operator: The next question comes from the line of Olivier Vandewoude from KBC Securities. Please go ahead.

Olivier Vandewoude (KBC Securities): Yes, thank you. Most of my question has been asked, and I have one follow-up. Given the initiatives of DPS, how possible or how more difficult is it to transfer these activities to GEC compared to, let's say, more standard activities? Or is it comparable? That will be my follow-up.

Peter Oosterveer: Well, Olivier, that's a great question. And in fact, I dare to say it's probably easier. Why is it? One, and my own experience is probably, in this particular case, leading, these projects are typically bigger than an average Arcadis project. An average Arcadis project is €100,000. These projects are typically bigger. And in this industry, which I happen to know quite well, it has been quite customary to actually use GECs than in some other industries.

There is, of course, also a flip side of the coin. Clients are typically quite nervous about intellectual property but that has been addressed by other companies in the past. And I think that can be addressed by modern means of technology. So I don't think it's going to be difficult, and it's definitely not going to be more difficult than it is in Arcadis's typical core business, if you like.

Olivier Vandewoude: Okay. That's clear. Thank you.

Operator: The next question comes from the line of Luuk Van Beek from Degroof Petercam. Please go ahead.

Luuk Van Beek (Degroof Petercam): Yes, I have two questions left. One is on your remark that they were focused on revenue growth rather on margin and that you want to shift that focus back. Should we expect any slowdown of revenue growth or any segments that you want to exit or deemphasise within DPS?

And the second question is about the integration, which will be more or less at the same time as the integration of IBI. Is there any interface between those two regarding the office locations, back office systems or anything else?

Peter Oosterveer: Yes. Thanks, Luuk. Do we want to slow down the revenue growth because of maybe increased focus on the bottom line? I think the answer is no. I think we are finding ourselves and DPS is finding themselves in a market, which is extremely attractive with high demands. I think it's just a matter of balancing the focus on revenue growth with an equal focus on EBITDA growth, just like we've done in Arcadis over the last couple of years. And I think it can be done hand-in-hand with maintaining then same focus on revenue growth.

And again, the tools which are available to us are tools which we have used before and know how to use. So I think the two should work in concert to create that healthy balance. So we're not looking to improve the focus on the bottom line at the expense of the focus on the top line, that needs to go hand-in-hand.

And then integration. There is not an awful lot of overlap in the integration, neither geographically as well as business-wise. Yes, eventually, most of what we have acquired with IBI and hope to acquire with DPS will reside in the Places business, but not exclusively because there will also be parts in Resilience and parts in Mobility.

In terms of Offices, not a lot of overlap either in Places, where both coincidentally IBI and DPS have offices. It is a process we will look, and that was already a process we had started in Arcadis before even acquiring IBI, an opportunity to rationalise businesses and offices in particular, I should say, and more so because of the new way of working, then because of an anticipated acquisition. And it is something we will continue to put a lot of focus on because the bigger gains are likely to be created not from the acquisition and the rationalisation of offices DPS has with offices, IBI has, but because of the new way of working, which just doesn't need us to have as much real estate as we used to have in the past.

Luuk Van Beek: Okay. Thank you.

Operator: The next question comes from the line of Hans Pluijgers. Please go ahead.

Hans Pluijgers: Yes, thank you. A few follow-up questions. First of all, the remuneration of the profile of the project. Do I understand well that is everything is cost plus. Could you give maybe some feeling on that?

And secondly, looking at the due diligence. How deep already did you go? Did you already look at individual project level? Give maybe some detail on that? And second, and on that also, if you look at the order book, one-and-a-half years already of revenues in the order book that could in principle already have high visibility on your growth for next year. If you look at the current order book, do you expect solid growth next year? Could you give maybe some feeling on that?

Peter Oosterveer: Yeah, Hans, the first question on time and material cost plus, that's the vast majority. So let's say, 80-90% is cost plus. So that's comforting, low risk. And as I mentioned in my comments, that should also give us maximum opportunity to pass on inflationary pressure.

Due diligence at the project level, yes, we did actually. And believe it or not, I actually got myself engaging some of it because of the familiarity I have with some of the principles being used when you speak about these projects. So yes, we did a fair amount of due diligence. We had a fair amount of time, obviously, in the engagement with DPS at the moment that we decided that we wanted to engage, so it included a project level.

And then last question on the order book. Yes, it's a healthy order book to have one-and-a-half year of revenue in the order but we'd rather not provide any guidance at this particular point in time on 2023 for the whole of Arcadis.

Hans Pluijgers: Okay. Logical. One follow up – or two follow-ups. First of all, looking at the size of the project, 300k on average. But could you give maybe some feeling on which percentage of total sales are, let's say, for larger projects, let's say, €10 million plus. Could you give maybe some feeling on that?

And secondly, indeed, you did already at project level, are there any, let's say, processes that on which DPS are more stringent than you are? Or are they somewhat more relaxed? Maybe some feeling on that and maybe you have to adjust or learnings you can have for Arcadis. Maybe some feeling on that?

Peter Oosterveer: Yeah, so if you go back to the breakdown, Hans, on the three segments they have, I think we said about 51% is for the pharmaceutical clients, 14% was for the semiconductor, so that gets you to 65%. And the remaining 35% is typically whereby we

support clients on location. And that is typically on smaller projects. So the majority, the 65%, which makes up the work for pharmaceutical clients and the work for the clients in the semiconductor industry is typically projects which are larger.

There is still projects which are more an Arcadis-like size, but there's also projects which are much bigger, whereby the organisation is responsible for the full EPCM plus the life cycle. And so it's a mix of large projects and small projects. And then the remaining 35%, which is, again, people who sit on the client's location, that's typically engagement in smaller projects.

Then in terms of processes, it's very much like ours in terms of where do you fundamentally put your emphasis on when you decide on a project. DPS, just like Arcadis, has a risk committee. They get themselves involved in pursuits. They get themselves involved in the decision to bid and at what level to bid. So the processes generally are quite comparable to Arcadis. So no need for significant changes on their side.

Hans Pluijgers: And maybe a last follow-up on that. And because, of course, you have a lot of do with clean rooms I've never seen. So it's quite high knowledge based. Now do you have, let's say, any risk there and if in the end the design everything is not working? How does that work or is it transferred to the construction company or to the client?

Peter Oosterveer: No, in fact, most of the – no risk, because when we speak about engineering and design, you probably know that the fundamental conceptual design is always by the client. And so they typically take full responsibility for the conceptual design. Of course, you have to obey by certain requirements when you do your detailed design and engineering, which is what we do. And then, of course, the construction companies would also live up to expectations which are normal for a construction company, but a consequential damage, which is typically when a clean room doesn't do what a clean room is supposed to do are not the risk in a company like DPS would take on.

Hans Pluijgers: Okay. Thanks.

Operator: The last question comes from the line of Andy Murphy from Edison. Please go ahead.

Andy Murphy (Edison): Thank you. Good morning, Peter, Virginie. I had just one question really. I was just thinking about your creation of the fourth business area in intelligence as a result of the acquisitions that you've done. I'm trying to balance this off with the leverage, which is running at towards the top end of your range and even maybe Standard & Poor's has suggested that maybe lead 2.2 times towards the end of next year. So I was wondering whether you could give us a little bit of colour around sort of the future for the intelligence GBA? Because it seems to suggest from what you're – as you're creating one, there's a fourth area of growth for you. I assume you're going to expand a bit more aggressively by acquisition, but the headroom seems to be limited in the short term. So perhaps if you could talk a little bit about your ambitions and the headroom and maybe some kind of idea of timing of other deals that might fill out that fourth leg? Thank you.

Peter Oosterveer: Andy, great question. And maybe real quick, the intelligence business as it existed in IBI. So IBI had three businesses: Infrastructure, Buildings and Intelligence. In their business, it was responsible for 17% of the revenue. So already quite sizable and much smaller than – or much bigger, sorry, than it was in Arcadis. So we will first obviously look at

the opportunities to further utilise capabilities IBI already has within the large Arcadis and vice-versa. So we're not looking at pulling the trigger on something quickly, which would supplement the existing intelligence business.

So I think it's now first a matter of consolidation on both sides and then scaling up globally. And there, we see tremendous opportunity. IBI is largely, as you know, based in North America. The capabilities they have and particularly the products they have are fundamentally capable of being skilled globally. So that is our focus to first consolidate what we have before we would be looking at something else.

Andy Murphy: Okay. Thank you very much.

Operator: There are no further questions. I will hand back to your host to conclude today's conference.

Peter Oosterveer: Let me close out the meeting. First of all, I want to thank you all for your interest and jumping on the call on relatively short notice. I hope that we've been able to convince you that this is a very, very exciting additional opportunity for Arcadis. It does expose us to two businesses, which are considered to be of extreme growth in the future. And with the complementary capabilities, we believe that we will be able to offer our clients what they are looking for, which is an integrated solution at eventually lower cost. So that is why the excitement is running quite high. Thank you for your interest again, and I'm sure we'll talk to you soon.

Operator: Thank you for joining today's call. You may now disconnect.

[END OF TRANSCRIPT]