



AtkinsRéalis (Q4 2024)

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Corporate Speakers:

- Ian Edwards; AtkinsRéalis; President & Chief Executive Officer
- Jeff Bell; AtkinsRéalis; Chief Financial Officer
- Denis Jasmin; AtkinsRéalis; Vice President of Investor Relations

Participants:

- Sabahat Khan; RBC Capital Markets; Analyst
- Yuri Lynk; Canaccord; Analyst
- Chris Murray; ATB Capital Markets; Analyst
- Benoit Poirier; Desjardins; Analyst
- Maxim Sytchev; NBF; Analyst
- Michael Tupholme; TD Cowen; Analyst
- Frederic Bastien; Raymond James; Analyst
- Jonathan Goldman; Scotiabank; Analyst

PRESENTATION

Operator^ Good day. Thank you for standing by. Welcome to AtkinsRéalis Fourth Quarter 2024 Results Conference Call. (Operator Instructions)

As a reminder this call is being recorded.

I would now like to introduce your host for today's conference, Denis Jasmin, Vice President of Investor Relations.

Please go ahead.

Denis Jasmin^ Thank you. Good morning. Thank you for joining us today.

For those dialing in, we invite you to view the slide presentation that we have posted in the Investors section of the website, which we will refer to during this call today.

Today's call is also webcast.

(Technical difficulty) (Operator Instructions)

I would like to draw your attention to Slide 2. Comments made on today's call may contain forward-looking information.

This information by its nature is subject to assumptions, risks and uncertainties and as such, actual results may differ materially from the views expressed today.

For information on these assumptions, risks and uncertainties, please consult the company's relevant filings on SEDAR+. These documents are also available on our website.

Also during the call we may refer to certain non-IFRS financial measures.

Reconciliation of these amounts, the corresponding IFRS financial measures are reflected in our earnings release and MD&A, which can be found on SEDAR+ and our website.

And now I'll pass the call over to Ian Edwards.

Ian?

Ian Edwards^ Thank you, Denis. Good morning, everyone. And thanks for joining us today.

So before we deep dive into what was a great 2024, I want to take a moment to recap on a few announcements.

First, I am really pleased with the agreement signed earlier this morning for the sale of our interest in Highway 407.

As outlined at our Investor Day, this is an important step in our strategic journey to simplify the business, create value for shareholders and become a focused, world-class engineering services and nuclear company. Jeff will provide more details on the transaction in a few minutes.

Second, we have announced a number of organizational changes.

To begin with, Phil Hoare is stepping down as Chief Operating Officer to join Balfour Beatty as their new Chief Executive Officer. He will stay on until the summer to allow for a smooth transition with his replacement. During that time Phil will continue instituting measures across the business that will yield sustainable margin improvement. I want to thank Phil for his contributions to the organization, but also to me personally, and we wish him all the best in his new role.

We also announced personnel changes to strengthen our Engineering Services businesses in the U.K. and Ireland and the AMEA region. And in our Nuclear business, we have also reinforced our operational capabilities to allow for successful delivery of our increasing

backlog. These changes will ensure that we continue to Deliver excellence and Drive growth for years to come.

Now let's move to Slide 3 to discuss our successful 2024. 2024 was a year to remember as we capped off our pivoting to growth strategy.

Success this past year further highlights the growing demand for our services to address the energy transition and an aging global infrastructure.

Our diversified portfolio enables consistent performance across our primary business segments and regions through the economic cycle.

This year for AtkinsRéalis services, we generated a record high revenue of \$9.3 billion, representing more than a 15% organic growth, and more than a 9% Segment Adjusted EBIT to segment revenue ratio.

We achieved a record backlog for AtkinsRéalis services, which totaled more than \$17 billion at the end of the year. This represents growth of more than 25% versus the end of 2023.

Results in 2024 reflect our purpose-built strategy of expanding into geographies and end markets with high total returns. These results also reinforce our confidence in the margin expansion plan we presented at our June Investor Day.

In 2024, we had robust results across all metrics, meeting or exceeding our outlook targets we introduced at the beginning of the year.

We generated more than \$500 million in net cash from operating activities highlighting the cash-generating nature of AtkinsRéalis.

We won several major nuclear contracts, significantly improved our Linxon joint venture operations and achieved substantial completion of our Trillium Line LSTK project.

And lastly, we organically added 1,350 new employees to our head count while maintaining an industry-leading and employee engagement score.

As I just mentioned, we have now officially concluded our 2022 to 2024 strategy of Pivoting to Growth. As you can see on Slide 5, we met or exceeded all targets laid out during the 2021 Investor Day.

Our results over the 3-year span highlight our leadership team's focus to deliver on our commitments, and we feel confident in our ability to deliver further revenue growth and margin expansion across our engineering services and nuclear portfolios, outlined under our new Delivering Excellence and Driving Growth strategy.

We are optimizing the business, accelerating value creation and exploring the untapped potential across our chosen end markets and geographies.

So now moving to Slide 6 and our quarterly results. AtkinsRéalis Services revenue organically increased 11% with Segment Adjusted EBIT increasing 21% to \$243 million. Engineering Services Regions revenue organically declined 3% to \$1.7 billion while Nuclear revenue organically grew 64% to \$464 million, a record high. Linxon revenue organically grew 70%. All of this resulted in over \$300 million in operating cash flow generation this quarter and a balance sheet with a strong leverage ratio of 1.1 at the bottom end of our target range.

On Slide 7, you can see the continued progression of our backlog growth across AtkinsRéalis Services. The 25% growth in 2024 was driven by key wins across our core Engineering Services, Nuclear and Linxon businesses.

In Nuclear, we successfully secured a contract for the building of the C3 and C4 reactors at the Cernavoda Nuclear Generating Station in Romania.

We are extremely excited to support the next phase of work utilizing our CANDU expertise at Cernavoda, as these units will allow Romania to almost double the production of low-carbon reliable and affordable electricity.

In Ireland, we won key engineering and design contracts for water and rail projects. And in the U.S., we built on our already strong relationship with the Florida Department of Transport by securing a contract for a phased design build on a major interstate.

Turning to Slide 8.

Our Engineering Services business had robust organic top line growth in 2024, achieving an 8% increase year-over-year to a record high of \$7 billion. Our revenue generation was driven by the continuation of our ability to secure new wins across our geographic scope.

As we mentioned at our third quarter earnings call year-over-year net organic revenue growth for the fourth quarter was forecasted to be lower than prior quarters. This was due to very strong fourth quarter growth in 2023 as well as closeouts of a couple of major projects.

As a result, fourth quarter revenue fell 3% on an organic basis.

Segment Adjusted EBITDA over net revenue margin was nearly 16% in 2024 and 16.3% in the fourth quarter, representing an increase of 90 basis points and 20 basis points, respectively, versus the prior year period.

We continued to increase our backlog, which now stands at approximately \$12 billion, representing a 14% growth versus our backlog as of December 31, 2023.

Beginning on Slide 9, we provide an overview of each of our four regions and their performance in the fourth quarter and full year 2024.

In Canada, organic revenue growth was flat for the year, but contracted 11% for the fourth quarter, mainly due to the completion of a project earlier in 2024 that had a high percentage of flow-through costs.

Segment Adjusted EBITDA was \$31 million and \$111 million, respectively, for the fourth quarter and full year. We ended 2024 with a nearly 13% margin.

Backlog increased 23% year-over-year. We continue to capture key awards in Transportation, Buildings & Places and Power & Renewables end markets. And we're very pleased to have recently been selected for the Alto high-speed rail project, which has the potential to transform Canadian mobility between Ontario and Quebec.

Entering the first year of our Delivering Excellence and Driving Growth strategy, we are committed to generating margin improvement increasing our presence in Ontario and Western Canada and enhance in our position across several high-growth end markets.

In the U.K. and Ireland, performance this year highlights our established position in high-growth markets of Water, Aviation, Defence and Power & Renewables.

Organic revenue growth this quarter was flat versus the fourth quarter of 2023, mainly due to temporary U.K. government project pipeline uncertainty, which has led to some award deferrals in transportation, education and health markets. The U.K. government announced in January its comprehensive 10-year infrastructure strategy. More details will be provided later this year, but the strategy is designed to facilitate long-term planning vital for housing, low-cost carbon energy, net zero targets and the enhancement of public services. They are also committed to investing in the nuclear and the defence sectors. AtkinsRéalis excels in all these areas and our long-standing position in the marketplace sets us up to capture a fair share of work in this endeavor.

On a full year basis, revenue organically grew 4% to nearly \$2.5 billion.

Segment Adjusted EBITDA grew to \$95 million in the quarter, while Segment Adjusted EBITDA was \$343 million for the full year. EBITDA margin was 19.6% in the past quarter, a record high mainly supported by our ability to improve the efficiency of project delivery. Backlog growth continued during the fourth quarter to \$1.7 billion, in part due to new work orders in the Water business.

Turning to Slide 11.

We continue to make good progress with our U.S. Land and Expand strategy, acquiring David Evans, winning new projects with the New Jersey Department of Transport and strengthening our presence in California and the Mid-Atlantic.

For the fourth quarter, revenue organically grew 4% year-over-year of the increase in the underlying Transportation engineering sector was partially offset by a decrease in our global minerals and mining sector. For the full year, revenue organically grew 10% to \$1.7 billion.

Segment Adjusted EBITDA was impacted by additional remediation costs to close out a couple of projects that are now complete. Segment Adjusted EBITDA ended the year at \$192 million, slightly below the '23 results. Backlog increased 2% year-over-year to approximately \$1.6 billion, as we continue to prioritize key clients, and leverage our unique capabilities.

Across the U.S., we captured key wins in Water, Rail, Transportation infrastructure, the markets where we have known expertise across the globe.

As we look ahead, our pipeline of new work and revenue opportunities in the U.S. remains as strong as ever.

We recently entered into a definitive agreement to acquire a 70% stake in David Evans Enterprises, an engineering and augmentation services firm headquartered in Portland, Oregon.

David Evans is a great strategic fit for our Land and Expand strategy in the U.S., providing a West Coast regional platform with a high-quality employee base and great potential to leverage our combined capabilities.

This acquisition is a great example of delivering on the M&A criteria we presented at our 2024 Investor Day. First, it aligns with the strategy of acquiring firms with long-standing, deep local customer relationships in a market where we have a smaller footprint. It enables us to bring our unique technical capabilities into more regionally focused high-growth end markets such as Transportation, Water and Power and Renewables. And by leveraging our combined strengths, we have the size and scale to deliver large-scale complex projects, increasing our position along the value chain and the project pipeline we can join with it. Lastly, and certainly not least, David Evans has a strong reputation in the industry and its focus on people, its commitment to clients and its corporate values aligned completely with ours at AtkinsRéalis.

We're really excited to welcome David Evans into the company.

In AMEA, revenue declined 8% on an organic basis versus the fourth quarter of 2023, while Segment Adjusted EBITDA grew \$34 million, representing a 17% margin over net revenue. For the full year, revenue totaled \$1.3 billion, representing a 28% organic growth versus 2023. Segment Adjusted EBITDA was \$150 million, or an approximately 18% margin.

The Middle East part of our business has grown materially over the last two years and is a level we are comfortable with. Therefore, we expect growth to be more moderate in

future years as we continue to be selective and work with high-quality clients that are looking for a best-in-class engineering capability to help deliver projects.

In Asia, we're seeing increased investments by government related to infrastructure and transportation. And our proved ability to support defence work across the globe and our deep expertise in power is positioning us to capture potential investment by the Australian government in Defence and Power & Renewables.

I'd like to now move to Slide 14 and the results of our Nuclear business.

We continue to demonstrate significant growth with an organic revenue increase of 64% in the quarter compared to the fourth quarter of 2023. For the full year, revenue was approximately \$1.5 billion, which represents a record high and a 41% increase organic growth versus 2023.

Our Nuclear backlog is \$3.2 billion, more than 70% higher than our backlog as of December 31, 2023, driven primarily by life extension bookings in the CANDU fleet across Canada, Europe and Asia.

Segment Adjusted EBIT grew 36% to \$56 million in the fourth quarter while full year growth was 27% to \$184 million. As a percentage of segment revenue, fourth quarter segment Adjusted EBIT was 12% in the quarter and 12.4% for the full year.

On Slide 15, we highlight the achievements across our Nuclear CANDU and Services portfolios.

In our CANDU business, we are making excellent progress on life extension projects and new builds. And we are particularly pleased with the agreement we entered into with the government of Canada who will be providing long-term financing of up to \$304 million to continue developing the proven CANDU technology including the Monark. This demonstrates a full commitment to support the indigenous CANDU technology in Canada and overseas.

In Romania, as I noted earlier, our work on the Cernavoda Nuclear Generating Station over the last several years resulted in the contract to build two new CANDU reactors. This is a major milestone, and it's the first new build CANDU reactor contract win across the globe since 2007.

Additionally, we were awarded the contract to complete the retube and the life extension of Cernavoda C1. With this award, the cumulative contract value to AtkinsRéalis for its work on the Cernavoda Unit one stands at almost \$1.9 billion.

Separately, we completed the refurbishment of the Darlington Reactor 1. This was five months ahead of schedule, showcasing our ability to deliver major nuclear projects on time and ahead of schedule. And lastly, in January this year, we entered into a

multibillion dollar contract for CANDU life extensions at the Pickering Nuclear Generating stations.

In our Services business, AtkinsRéalis was selected to support new fissile design with Rolls-Royce submarines as part of their plans to double the size of their site in England. Along with this work, we're seeing additional opportunities for SMR development in the U.S. and services in the U.K.

In Washington State, we're supporting a project with Energy Northwest, while in the U.K., we're utilizing our new build expertise at Hinkley Point C and Sizewell C along with decommissioning services at Sellafield.

Separately in the U.S., we secured a major award from the Department of Energy to operate and maintain the depleted uranium hexafluoride conversion facilities in Kentucky and Ohio.

Turning to Slide 16.

I want to further highlight the near term and the long-term CANDU revenue opportunities within our Nuclear business.

As you can see, through our continued backlog growth, contract wins over the past couple of years, our customers are continuing to recognize our nuclear expertise. This is translating into revenues that we are booking today while also building a robust backlog of strong future revenues for AtkinsRéalis.

The potential contracts you see on this slide represent a massive opportunity for AtkinsRéalis and could deliver significant growth for the foreseeable future. These represent profitable contracts and highlight that we have real backlog with real teams in place, delivering work every single day on these projects.

Now moving to Slide 17 and our Linxon, LSTK and Capital businesses.

In Linxon segment revenue grew organically 70% quarter-over-quarter, 42% for the year, showing strong volume momentum through 2024. Linxon realized 760 basis points and 350 basis points of EBIT margin expansion in the fourth quarter and the full year, respectively, as operational improvements put in place earlier this year have taken hold. Backlog increased 48% to a record high of \$2.1 billion at the end of the year.

We captured several awards across the Americas, Europe and the Middle East, leading to strong results versus the prior years, achieving \$1.5 billion in bookings for the calendar year.

On the LSTK Projects, we recognized negative Segment Adjustment EBIT this quarter due to challenges on two projects.

First, we had elevated commissioning costs associated with achieving substantial completion on the Trillium Line project, which was put into operation in January this year.

Second, on the Eglinton project, we added provisions related to future delays and putting the project into operation. We expect our responsibilities to be largely complete by the summer on this project.

On Capital, we received \$47 million in dividends from Highway 407 in Q4 as traffic patterns continued to improve year-over-year.

With all of that, I'll now turn it over to Jeff to discuss our financial results and 2025 outlook.

Jeff Bell[^] Thank you, Ian. And good morning, everyone. Turning to Slide 19. Total revenues for the quarter increased 14% year-over-year, totaling \$2.6 billion. Revenues from our Professional Services and Project Management business increased by 14%, which included a revenue increase of 15% for our services business and a decrease of 24% in LSTK Projects as we are completing the remaining projects.

Total Segment Adjusted EBIT for the quarter was \$217 million and was composed of \$243 million for AtkinsRéalis Services, \$58 million for Capital and negative EBIT of \$84 million for LSTK Projects.

Corporate SG&A expenses from PS&PM totaled \$49 million in the quarter - as expected higher than last year, mainly due to the strong appreciation of our share price in 2024 and its impact on our long-term employee incentive expense. We anticipate that the corporate SG&A from PS&PM should be between \$120 million and \$130 million for full year 2025.

The IFRS net income this quarter was \$52 million, compared to \$90 million in Q4 2023. And Adjusted EPS from PS&PM for the quarter was \$0.26 per diluted share, compared to \$0.45 in the fourth quarter last year.

On Slide 20, you can see the selected financial metrics for the full year. Total revenues for the year increased by 12% to \$9.7 billion compared to 2023. Revenues from PS&PM increased by 12%, which included a revenue increase of 16% for our Services business and a decrease of 51% in LSTK Projects.

Total Segment Adjusted EBIT for the year increased by 10% to \$845 million, which was comprised of \$872 million for AtkinsRéalis Services, \$107 million for Capital and negative \$134 million for LSTK Projects.

We would expect the LSTK Projects quarterly EBIT loss for 2025 to be in the range of \$10 million to \$20 million, representing overhead costs, cost to pursue claims outstanding and reflecting our experience of higher commissioning costs in 2024.

Net financial expenses for the year were \$163 million compared to \$186 million in 2023, mainly due to a lower level of recourse debt and lower interest rates.

IFRS net income from continuing operations totaled \$284 million, in line with 2023, which included a \$46 million net gain on the disposal of our Scandinavian Engineering Services business.

Adjusted net income from PS&PM increased by 15% to \$315 million or \$1.79 per diluted share.

We expect for 2025 a tax rate on our Adjusted PS&PM net income to be in the high 20%.

Our backlog ended the year at a record high of \$17.5 billion, 24% higher than at the end of 2023, with strong book-to-bill ratios in the Engineering Services, Nuclear and Linxon segments.

If we now move on to Slide 21 and free cash flow. Net cash generated from operating activities in 2024 was \$526 million, compared to \$66 million in 2023 as cash generation improved in AtkinsRéalis Services and cash outflows in LSTK Projects significantly decreased. The improvement in AtkinsRéalis Services compared to the prior year was driven by higher EBITDA and improved working capital positions, which included sizable advances on nuclear refurbishment contracts of around \$100 million.

As these advances are expected to be mainly consumed in 2025, we anticipate that the net cash generated from operating activities for the company will be lower in 2025 than in 2024, as forecast cash flow growth from increased EBITDA won't offset this working capital impact. We expect operating cash flow to be in excess of \$300 million for the full year of 2025. Note that we expect the cash generation to be more weighted towards the second half of the year with a similar profile to 2024.

After CapEx of \$160 million, which included \$48 million for the development of Monark in 2024 and the payment of lease liabilities of \$81 million, our free cash flow stood at \$327 million for the year. I would note that the \$43 million of provincial and federal charges represent the final payments under these arrangements.

We expect a higher level of CapEx for 2025 in the range of \$150 million to \$200 million as we continue to invest in the CANDU Monark nuclear reactor development. We believe this investment will lay the foundation for future nuclear revenue growth as the demand for low-carbon reliable power generation remains a priority around the world.

Our leverage ratio continued to improve in Q4 and at the end of the year, the net recourse and nonrecourse debt to adjusted EBITDA was 1.1x at the lower end of our one to 2x target range.

If you move to Slide 22, as you have seen, we have entered into three agreements to sell our entire 6.76% interest in our Highway 407 investment.

We will be selling just over 5% to Ferrovial with 3.3% sold under a Share Purchase Agreement payable at closing and the remaining 1.76% under a Put and Call Option Agreement exercisable during the 18 months post closing.

We will also sell 1.7% to CPP investments under a Share Purchase Agreement for which we would expect a payment shortly after the closing of the sales of Ferrovial. Both the put and call option with Ferrovial and the Share Purchase Agreement with CPP Investments are subject to an adjustment based on an agreed formula, taking into account when they are exercised or paid.

The total price is approximately \$2.8 billion. We will use part of the proceeds to repay the related limited recourse debt of \$400 million.

We also expect to pay a mid- to high single-digit percentage cash tax on the net gain from the transaction through the use of available noncapital losses.

The net proceeds will then be deployed in line with the company's capital allocation priorities outlined at our 2024 Investor Day. And based on what management and the Board of Directors believe would be in the best interest of the company and most accretive to shareholder value over time.

This would include paying down indebtedness, potentially funding additional growth through small and midsize acquisitions and returning capital to shareholders with share buybacks, our preferred method to do so.

We expect the transaction to close during the second quarter of 2025.

Finally, on Slide 23, I'd like to turn to the outlook for which I will summarize. Given our high-level backlog and strong pipeline of opportunities, we are expecting an organic revenue growth rate compared to 2024, between 7% and 9% for the Engineering Services Regions, with an anticipated Segment Adjusted EBITDA to net revenue margin of between 16% and 17%. Note that we expect the organic growth to be more weighted to the second half of 2025 as the drivers of the lower growth in Q4 extend into the first part of 2025 before rolling off.

As for the Nuclear segment, we expect revenues for the full year 2025 to continue to grow and be between \$1.6 billion and \$1.7 billion, with an Adjusted EBIT gross revenue margin in the range of 12% to 14%.

With that, I'll now hand the presentation back to Ian.

Ian Edwards[^] Yes. Thanks, Jeff. 2024 was an exceptional year, and I appreciate the work of our more than 38,000 employees whose dedication and hard work led to record performance for our Engineering Services and Nuclear segments.

As we close the chapter on our Pivoting to Growth strategy, I'm proud of what we've accomplished over the past three years. Clearly, our strategic, geographic and market positioning is having a positive impact on our company.

Our revenues are growing. Our backlog is building. Our margins are improving, and we're generating positive operating cash flows.

We have proven that we can deliver on our goals and our commitments.

As we begin our Delivering Excellence and Driving Growth strategy, it will be apparent over the next few years, our ability to perform more effectively and deliver bottom line improvement.

This strategy is built on optimizing the business to drive profitable growth, accelerating our footprint in growing end markets and regions and exploring untapped opportunities across the organization.

We are helping public and private entities achieve their Net Zero goals and address the energy trilemma, providing low carbon affordable and secure energy solutions.

Our historical execution track record makes us a partner of choice in these endeavors, and we're proud to play a role in providing a better future for our planet and its people.

We're excited by the opportunities in front of us, and we will -- that we will capture in '25 and beyond.

So with that, let's open it up for questions.

QUESTIONS AND ANSWERS

Operator[^] (Operator Instructions) And our first question coming from the line of Sabahat Khan with RBC Capital Markets.

Sabahat Khan[^] I guess just on the transaction this morning on the 407, just in terms of the use of proceeds, you indicated share buyback and it looks like you announced an NCIB.

Is there going to be any potential for maybe outsized kind of share buybacks? Or is this just the buybacks will be dependent on kind of the share price and your view of that?

And the second part of that is just given your M&A activity, could there be a potential to accelerate that given the balance sheet capacity? Or do you just expect to sort of continue on that would just get more cleaner balance sheet?

Ian Edwards^ Yes. Thanks for the question. And look, clearly, we're really pleased to have got into this agreement to sell 407.

I mean we did communicate it at the Investor Day.

It's directly on strategy to pursue the value creation of the company under an Engineering Services and Nuclear business.

You will remember that we articulated a really clear capital allocation plan in reducing debt in small- to medium-sized M&A and then returns to shareholders. And I'll let Jeff come back on the returns to shareholders in a moment.

But I do want to say one thing here and be clear about it.

We've done our first acquisition, and we're proud of that.

But we have a methodical plan.

And we need to stick with the plan that we have for M&A, which is basically filling geographical wide space and filling capability wide space in small- to medium-sized acquisitions. And until we have been through that methodical process and developed the capabilities and the confidence that we can integrate successfully and that we can fill those white spaces successfully, that's where we're going to stay. And that's the M&A program that we're going to stay with.

As for the returns to shareholders, Jeff, I don't know if you want to kind of comment on that point about the potential share buyback.

Jeff Bell^ Yes.

So Saba, you would have seen the NCIB, as you say, that we filed this morning at a higher level than we did last year, which is very much recognizing that as part of that balanced capital allocation framework that Ian was talking about and that I mentioned in my script that we would expect some over time to be deployed through a share buyback.

We'll continually keep that balance under review with the Board, looking at what creates the most value and evolve that as we go.

Sabahat Khan^ Okay. Great. And then just maybe one on the engineering side.

I guess, I know your guidance for 7% to 9% organic growth here in 2025. You provided a little bit of color on that, but maybe if you can just dig a little bit into maybe the larger

contributors there, particularly maybe just dig into your outlook for your U.S. business just given some of the headlines that we're seeing out there.

Ian Edwards^ Yes.

I mean we obviously were pleased with the growth of 8.4% across the engineering services business in 2024, little bit of drop off towards the end of the year, which is probably going to drag into Q1 this year.

But as we work through the year, all our metrics are telling us the markets are strong.

If you look at our backlog, which is a real forward-looking metric, clearly, that's up 25%.

So we're pretty confident and 14% in Engineering Services.

So we're pretty confident in the market.

I mean the market is still regardless of kind of geopolitical kind of turmoil, the market is still underpinned by this need to replace aging infrastructure and increase the electrical generation and energy (technical difficulty) in the U.S., Canada and the U.K.

So we're obviously comfortable with that range we've put out.

Our long range is above 8%.

We're comfortable with that still.

And if there's questions on specifics around the region, happy to kind of answer those.

Operator^ Our next question coming from the line of Yuri Lynk with Canaccord.

Yuri Lynk^ Just on the margin outlook, specifically for Canada and the U.S., I mean good growth in 2024, especially in the U.S., but margins down in both regions.

So I'm just wondering if we should expect those to do -- Canada and the U.S. to do most of the heavy lifting on the margin front in getting to your margin improvement target for 2025?

Ian Edwards^ Yes. So good question.

So as you know we have a clear plan for margin growth and the plan needs to reach and will reach the long-range outlook of the 200 to 300 basis points improvement to the 17% and 18% EBITDA to net revenue that we articulated for 2027.

So '25 is the first year of this program, and with improved 90 basis points in the year.

So I think that's a positive.

That the program is working, and we're kind of on track.

We've put out a range of 16 to 17 in 2025, which we are confident that we will achieve, but I did say it's not going to be a straight line across all the regions.

I mean we've gone into regional reporting so that you can see the regions that are performing well in the regions that need further improvement, to be transparent about that.

And they're all at different stages, frankly.

I mean our most mature business is the U.K.

It's our highest margin business, and you would expect that.

We have been very deliberate in the Middle East and having high-quality work, and we're going to stay with that. And that's why it's a high-margin business.

Canada is on improvement trend, and it came from a low base, and it's continuing to improve, and we'll see further improvement in 2025.

And the U.S. is our kind of growth area. So it's a Land and Expand and we're balancing margin expansion against growth there.

But all in all, pleased with progress so far.

There are very specific kind of initiatives across the whole business to get us there.

But we are confident in getting to that 16%, 17% in '25.

Jeff Bell^ I think the other thing I'd add to that, Ian, is -- and you're asking particularly about, for instance, the U.S.

As Ian mentioned earlier, we did have a couple of projects with additional remediation costs in 2024 that we wouldn't expect to repeat in 2025, and therefore, that will also underpin that improvement year-over-year that we would expect to see going into 2025 in the U.S., for instance.

Yuri Lynk^ Okay. Last question, just on a clarification on Monark.

On Slide 16, where you're covering off the new build opportunities in Canada, the slide shows Monark and then CANDU.

Is that implying that existing CANDU technology could be chosen for a new build in Canada? I'm just trying to interpret what you're --

Ian Edwards^ No. Absolutely, yes.

I mean it's the existing technology, which is being deployed in Cernavoda on 3 and 4.

So that new build there is the existing EC6, we call it. And obviously that 600-megawatt reactor is upgraded to be the latest gen from a safety, from a regulatory perspective, and it's still very relevant as a today current reactor.

Our customers that we are dealing with, and we're in competition, so there's no guarantee. The customers that we are targeting in Canada really want this Monark gigawatt scale reactor.

So that's why we really went into the development, and we believe it's the optimum size reactor for cost and efficiency for lowest cost of electricity. And that's why we're developing it for the global market and the domestic market.

But it could well be that some provinces choose the existing technology.

I mean all of these things are work in progress. we're pretty excited with two customers in Ontario, and we're pretty excited about a customer in Alberta.

But obviously no confirmed orders to announce today, but the future is looking pretty good and even international interest in Europe and Asia as well as Asia Pacific.

So it could be either.

So that's a fair question.

Yuri Lynk^ Okay. And does the Monark take enriched uranium or it can take natural uranium as well? And that was my last question.

Ian Edwards^ No. All the traits to the Monark, the same as the existing CANDU technology. And there are three really clear advantages of the CANDU technology over any of the technology that's available on the planet.

One, it's natural uranium, and natural uranium is in abundance. Enriched uranium is in really short supply right now because 47% of it comes out of Russia.

Second is the medical isotope, the byproducts of a CANDU reactor can produce medical isotopes and that's unique also. And the third, and what's becoming really important is that all the components of a CANDU reactor can be made in Canada.

It's one of the few kind of technologies that doesn't need to go overseas for a huge forged metal kind of components.

Operator^ And our next question coming from the line of Chris Murray with ATB Capital Markets.

Chris Murray^ Maybe turning to the Nuclear business and just sort of thinking about how to frame 2025 in context of the broader 3-year plan, 2024 was a pretty exceptional period with growth.

But it feels like we're going to maybe, I don't know not necessarily slow materially, but just maybe stabilize a bit as we go into '25.

Can you talk a little bit about how we should be thinking about what you're going to be working on through 2025?

And I know that at one point, we talked about margins kind of moving to the lower end of the range last year. How do we think about the margin progression through this year based on where the revenue stacks are headed?

Ian Edwards^ Yes. Yes, good questions. And obviously we put a range out for the revenues this year, \$1.6 or \$1.7 billion.

So you can see from that, that sort of almost exponential growth that we've experienced in 2024, doesn't carry through to '25.

But one of the things important is that there's a significant increase in backlog.

So the revenues that we're going to see '25, '26, '27 are almost in the backlog because these projects, they're released in phases, as you can see on the Slide 16, and not all of those phases are in the backlog yet. And these projects have a ramp-up.

So even the life extension project, we'll start with engineering and then it will get into physical work and the revenues build through that.

So it's almost like what you see on the page here in terms of getting to the '27, \$1.8 billion to \$2 billion we're like almost there.

We're very, very confident of doing that.

Now what is the potential for revenues and projects and backlog on top of that. And that's what we try to articulate on this slide as well.

It's obviously a long process for customers to make a commitment to what will be tens of billions of dollars of nuclear commitment.

Now the government appears to be making that commitment, particularly in some of the provinces in Canada and some of the countries around the world.

We are working very hard to market the CANDU and to sell the Monark and the existing reactor and to compete on the world stage with what's only really four of the players, the French, the Koreans, the American technology and ours.

So if we do see orders coming through, which I believe would probably not be this year for new nuclear, maybe next year, those revenues will enable us to continue well beyond '27 with secure revenues and secure orders and business.

So that's how it kind of is put all together. Chris, I don't know if that answers the question, but that's how we see it.

Chris Murray^ Yes. And just because of where the mix is going to be in '25, any thoughts around the margin profile being kind of either towards the bottom or the top of the range?

Ian Edwards^ Sure. Jeff, do you want to?

Jeff Bell^ Yes.

So I think our view would be in the range probably similar to what we saw in 2024. Although Chris, as we've talked about, the thing that we potentially move it around a little bit is the amount of procurement that we're doing for customers for materials as these life extensions get going. And that can shift around a bit quarter-by-quarter.

Now I would say currently, it's looking in the first half of the year, like there's a strong desire from our -- a few of our customers to get ahead of some of that procurement.

So I think what you'll see is that flowing through into additional whole dollar EBIT and revenue, but that may pull down operating margins a bit in the first half of the year, in particular.

Chris Murray^ Okay. Fair enough. And then my other question is just sort of the mechanics around the 407 sales.

So maybe if you can walk through those a little bit, just so I understand this.

So there's a couple of pieces that are closing -- so the two Share Purchase Agreements.

So if you could just maybe give us a little more color on the expectations there. And I guess the sale to CPP is conditional.

So if you can maybe walk us through what that looks like. And what was the rationale for the put/call agreement as part of the transaction?

Jeff Bell^ Yes.

So you're absolutely right.

So if you kind of break the transaction down, about half of the transaction, the 3.3% with Ferrovia is payable and will close at the end of the period here between signing and closing, we would expect that to be in Q2.

For both Ferrovia and CPPIB, there was a desire in terms of their kind of overall deployment of capital to really have a deferral option of up to 18 months. And so effectively, the second part of the transaction is really in two tranches, one for about \$725 million and the other for \$700 million with CPPIB, and that would be -- that additional \$1.4 billion would be -- if they waited the full 18 months.

Now within it, within what we've agreed with them is that we both have options.

But if they chose to exercise the call option at the front end of that 18-month period, then there would be an adjustment in a discount for the time value of money for that.

Chris Murray^ Okay. All right. And so break now there's no real clarity on exactly other than inside the 18 months on when some of those transactions will occur?

Jeff Bell^ Yes.

We think that at the moment, our view is that we would certainly expect the CPPIB investment to potentially be called not long after the closing period.

But they do have -- they and Ferrovia do have an option around that.

Operator^ Next question coming from Benoit Poirier with Desjardins.

Benoit Poirier^ Congrats on the 407 announcement this morning.

In terms of cash flow from operating, this is where I would love to get more details on that. You expect to pull in excess of \$300 million this year after advanced payment on nuclear.

So it seems to be far from street expectation right now.

So could you talk a little bit more about what's driving the numbers, the moving parts and related to the \$526 million achieved in 2024?

What was the amount of advanced payment received on nuclear projects?

So just trying to reconcile the moving parts to get and whether you're conservative in the \$300 million number?

Jeff Bell^ Yes. Sure.

So you're absolutely right.

In terms of the nuclear advances, which is, as I said in my presentation, was just around \$100 million a little over that, that we effectively received and hadn't worked off in 2024, but we would expect to work that off in 2025.

So in essence, you have kind of year-over-year, around a \$200 million swing Benoit.

I think the other thing, obviously we're seeing in the -- for the longer term, moving towards our 80% to 90% conversion of free cash flow to net income, that was very much without the cash flow drag from the LSTK Projects, and we are going to see that through 2025, as I indicated.

Without those two elements, the rest of the business or the underlying business is converting net income to cash flow or generating operating cash flow in line with that 80% to 90% target that we laid out at our Investor Day.

Benoit Poirier^ Okay.

Okay. That's great color. And with respect to margin -- EBITDA margin per region? Obviously you gave some details about the U.S., how it was impacted by remediation costs that basically explains the margin decline this year.

So I would be curious if you would be able to quantify what was the remediation cost. And when we look at 2025, are there any regions that are more exposed to some potential remediation costs?

Jeff Bell^ Yes. Sure.

So I think in terms of the U.S., we certainly would see that a little over 100 basis points.

So that would clearly give us an improvement heading into 2025.

I think in terms of the rest of the regions, generally, we -- with all projects, some of them outperformed their forecast and their original selling margin, some underperformed that slightly.

It's just we had a couple that were larger in scale in nature in the U.S. than we would normally see. And so we made sure that we took the charges we needed against that, but that gives us a clear run through into 2025.

Ian Edwards[^] I think that -- with the long range, 200 to 300 basis points improvement to the 17% to 18% in '27, we're confident of getting there. And clearly, the 90 basis points improvement in '25, we're pleased with.

We've committed to a further improvement beyond that to 16% to 17% in 2025. And we've got these very specific elements of the margin improvement plan, which are around the use of technology, AI and digital tools, that the reduction generally in overhead, but ensuring that the backlog margin is strong, where we're bidding, increased usage of the GTC and then global collaboration across the company to reduce -- to increase utilization rates.

So those things are kind of global initiatives, which various parts of the business are at various stages, but the plan is we'll get them all to the same place over a period of time. And of course, there's always something like one-off occasionally that you'll see now that we're regionally reporting such as the U.S., where we have a quarter issue.

But I think what I'm pleased about, what I'm confident about is the destination because the plans are working, and we're going to get where we need to be across the business.

Benoit Poirier[^] That's great color. And maybe last one for me.

Obviously the acquisition of David Evans was announced, very pleased with the announcement.

Could you maybe speak a little bit about the historical, organic growth profile of David Evans and maybe if you could talk about what do you have in the bidding funnel for M&A for tuck-ins at this point?

Ian Edwards[^] Yes.

I mean I said this earlier, regardless of the sale of the 407, we have a plan, and that plan is about geographic expansion. And it's about building capabilities in the end markets that we already exist.

Now we don't have, as you know a full coast-to-coast business in the U.S. This is a great acquisition to develop our West.

We will still pursue other areas of the U.S. from a geographic perspective as well as potentially other geographies where currently, we have low presence, where we believe the markets are strong and they play to our capabilities.

We will also try and add capabilities.

I mean for example, we all know that the Power & Renewables market across (technical difficulty) is really active, and we will be actively looking for capability enhancement through that as an example.

Now key to all of this is we really are rigorous in finding quality targets, quality customers that share our culture that have got a track record of performance. And business track record and relationships. And David Evans fits right into that culturally, performance-wise. And what we see in this particular acquisition, which we intend to repeat is really significant revenue synergies. When we put our global capability with their local presence, we can up the level of bidding and projects immediately.

And that marriage of the two together is really one plus one equals 3. That's what we want to replicate, and that's what we want to be doing methodically regardless of how much funds have come out of 407, specifically on the track record of David Evans, Jeff, maybe you can talk to that.

Jeff Bell^ Yes.

So the growth that David Evans has been generating themselves is very similar to the growth that we've been achieving in the last couple of years.

So as Ian said, it kind of fits into the U.S. business really well very similar from an organic revenue growth rate with those additional opportunities in the pipeline, the combination of our global capability and their local customer relationships.

Operator^ Our next question coming from the line of Maxim Sytchev with NBF.

Maxim Sytchev^ Most questions have been asked already, but just a couple of quick ones for me.

So just to confirm on sort of the M&A thought process, it's really around sort of medium-sized tuck-in something like nothing transformation, which is being contemplated at the moment.

Is that accurate?

Ian Edwards^ It is.

It is.

We're clearly been working very hard over the last year or so, developing a pipeline development in the market. David Evans is the first of that sort of approach. And that -- it's the typical deal that you would see or even smaller within the next 18 months or so.

What happens beyond that? Obviously we'll be building capability, building capacity, generating cash flows.

We may move later beyond that into something more significant, but that's not the plan right now.

Maxim Sytchev^ Okay. No. That's very helpful. And then I'm wondering if it's possible to get a bit more color on Linxon -- I mean obviously we see kind of the numbers that there was like a step-up in terms of revenue generation.

But what exactly drove that? And any update on what you are looking to do with this particular asset?

Ian Edwards^ Yes. Yes.

I mean I'm pleased with the improvement plan. Revenues are up 70%.

We've got a margin out of \$31 million in 2024.

So we're really pleased.

It's really about governance.

So beyond 51% of this asset or this company, we have a governance structure over it. And we have worked hard with the teams within the business to focus on high-growth markets, high-margin clients, good paying clients, the overall market for energy companies like this is good.

So we're pleased with where we've got to, and we will be looking for a further improvement even as we move into 2025.

We still -- we're still in the process of divesting. There is nothing to announce or nothing to kind of announce imminently.

But ultimately, the goal is to divest this business.

It has an element of lump-sum work in it. And as you know we don't do that anymore.

So ultimately, it doesn't really fit with the family of a portfolio of businesses that we want to take forward.

Operator^ Our next question coming from the line of Michael Tupholme with TD Cowen.

Michael Tupholme^ Earlier, you talked a little bit about Nuclear and Monark versus the EC6. Just wondering if you can provide an update on where things stand as far as progress on the development of Monark, what's been accomplished and what's left to do as far as that development work?

Ian Edwards^ Yes. No, for sure.

So we actually passed what we call the initial development phase, which is -- I mean this thing is all about real engineering and building the details of engineering such that the product is deployable and billable and that it can pass the regulatory environment.

So we're past the first phase, and that was a milestone.

We passed it on two expectations, both from a cost and a time perspective.

So I'm pleased with the progress the team is making on this.

I'm very pleased with the support that we have from the Federal Government for the loan against both CANDU and the Monark development.

I think that shows for me, a significant support for deployment domestically and internationally of the indigenous Canadian technology.

I mean that's almost more important than the loan, frankly.

It's just to get that signal that the government believes in this technology.

So we will continue with the development of the Monark.

It will be '27. But frankly speaking, that will be available for when our domestic customers need it.

Because in any of the -- even if we got an order today, there's specific project permitting requirements that would take longer than the completion of our development of this asset. And that's what we've timeline the whole thing.

So we need to be ready for customers when they need it.

Michael Tupholme^ Okay. Got it. That makes sense. And then maybe just a couple of questions for Jeff around LSTK and cash flow.

So I might have missed this, but I think you described the LSTK loss in the quarter as relating in part to Eglinton or entirely, I'm not sure if you could just clarify what exactly drove it as far as which project?

And then also from a cash perspective, what was the actual impact in terms of LSTK on cash flow in the quarter and the full year 2024, if you can talk about that?

Ian Edwards^ I'll let Jeff talk to the cash flow.

But I just want to -- I mean obviously we're disappointed.

I mean we hit two challenges beyond the normal overhead run rate that we've been incurring over the past two years. And those two challenges.

One was putting Trillium into operation.

There were costs associated to closing out the commissioning, closing our defects, closing out the paperwork so that the permits and the regulatory environment could put the asset into operation. The good news, if you can say that of that challenge is that railway is now in operation and is working really well.

So that's one down, another one down almost, two to go, so to speak.

And the other is that from that experience, we've put some extra provisions against Eglinton because we believe that our obligations there and our work is going to be finished in summer, we just wanted to be provided for what comes to get it to there in summer and the REM as you know has always gone well for us.

So it's -- we're almost at the end of this permanently. And on the cash flow side, Jeff?

Jeff Bell^ Yes.

So I think what I'd say is that as ever, the charge we took in the quarter, the \$84 million is a combination of actual costs incurred in the quarter, but also forward estimates of cost to complete the project. And so what I would say is in the quarter, it was probably about half and half between actual cash in the quarter and cash outflow that will come through the first part of -- the first half of this year.

Michael Tupholme^ Okay. Perfect. And then just focusing on 2025, did you say that the expected quarterly EBIT loss in LSTK should be \$10 million to \$20 million per quarter throughout 2025?

Jeff Bell^ Yes. That's correct.

Michael Tupholme^ Okay. And then putting kind of that together with what you just said a moment ago about half of the \$84 million fourth quarter is actually cash for 2025.

Is that sort of representative of the entire cash impact in 2025 from LSTK? Or is there more that we should be thinking about over and above half of that \$84 million?

Jeff Bell^ Yes.

I think -- I mean what I said in my remarks was that we would expect 2025 from an LSTK cash outflow perspective to be broadly similar to what it was in 2024. And you can see on one of the slides in my presentation that for the full year, that was about \$130 million.

So kind of in that -- could be a little less, could be a little more, but roughly of that type of nature.

Operator^ Next question is coming from the line of Frederic Bastien with Raymond James.

Frederic Bastien^ Just a quick one for me.

I wanted to go back to the David Evans acquisitions and wondering if you could explain the rationale behind acquiring only 70% of the business. And when would you expect to bring that ownership up to 100%?

Ian Edwards^ Yes.

I mean -- so it's our first acquisition.

I think that's for some time.

I think that's the first thing I'd say.

It's a very, very well-established brands and a very well-assessed company on the West Coast, on the West of the U.S.

Our presence on the West is not that strong currently.

So we felt an approach where we have a period of time where we kind of almost support joint venture, expand on the revenue synergy would be good from an integration perspective. And then obviously over a period of time we will acquire the remaining portion and fully integrate.

So that's the rationale. There is obviously an end stop to the time period, which allows us to acquire.

But I would expect that this will happen sooner rather than later because everybody will see the benefit of working together. And that's already starting to happen, frankly.

Operator^ Our next question coming from the line of Jonathan Goldman with Scotiabank.

Jonathan Goldman^ Most of them have already been asked, but maybe just two quick ones for me. The guidance for the cadence of organic growth in engineering services to be back half weighted this year, is that just mainly a comping issue?

Jeff Bell^ Yes. It's Jeff. That's exactly right, is that those comp issues that we talked about in Q4 and said those would kind of carry on into Q1.

As we get into Q2 and beyond, those comp issues fall away and then the natural underlying organic revenue growth that we're generating will kind of emerge.

Ian Edwards^ A couple of big moving parts like the Middle East contract. The second phase has been delayed and a big battery factory that was in Q4 '23, Q1 '24 coming out, but no concerns on the underlying growth.

Jonathan Goldman^ Okay. Got it. And the second one on LSTK, you gave some guidance around quarterly loss run rates for 2025.

But do you think anything could spill into 2026 above and beyond that?

Ian Edwards^ So the -- certainly, the issue on Eglinton is that putting the asset into operation is not our call.

It's obviously the government's call.

But we're pretty clear on what we need to do to complete and close out our work.

So we are pretty confident that we will close out our work this year.

And then this whole kind of LSTK episode behind this.

Jonathan Goldman^ Would it be fair to say that the quantum of losses or cash flows would probably be in the range you're expecting, but timing could shift depending on the things you just mentioned?

Ian Edwards^ Yes, Quantum should be where it is. Cash flow timing, Jeff?

Jeff Bell^ Yes. It could move around a little bit. You'd expect kind of more particularly leading up to the completion of our work, as we said in the middle of the year, some are - so probably would start to reduce in the second half of the year.

But we still have supply chain to kind of pay out and settling a final account.

Ian Edwards^ But it comes on cash flow for sure.

Jeff Bell^ But probably a bit more in the first half than the second half.

Operator^ I'm showing no further questions.

I will now turn the call back over to Denis Jasmin for closing remarks.

Denis Jasmin^ Thank you very much for having joining us today.

If you have further questions, please do not hesitate to contact me anytime today or tomorrow. Thank you very much.

And have a beautiful day. Thank you.

Operator^ This concludes today's conference call. Thank you for your participation.

You may now disconnect.