



AtkinsRéalis (Q2 2025)

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Corporate Speakers

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

Participants

- Sabahat Khan; RBC Capital Markets; Managing Director
- Chris Murray; ATB Capital Markets; Managing Director
- Yuri Lynk; Canaccord Genuity; Managing Director
- Krista Friesen; CIBC; Director
- Devin Dodge; BMO Capital Market; Director
- Benoit Poirier; Desjardins; VP & Industrial Products Analyst

PRESENTATION

Operator^ Thank you for standing by. And welcome to the AtkinsRéalis Second Quarter 2025 Conference Call. (Operator Instructions) As a reminder, today's program is being recorded.

And now I'd like to introduce your host for today's program, Denis Jasmin, Vice President, Investor Relations.

Please go ahead, sir.

Denis Jasmin^ Good morning, everyone. And 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 our website which we will refer to during this call. Today's call is also webcast.

With me today are Ian Edwards, Chief Executive Officer; and Jeff Bell, Chief Financial Officer.

Before we begin, I would like to ask everyone to limit themselves to one or two questions to ensure that all attendees have an opportunity to participate. You are welcome to return to the queue for any follow-up questions.

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

Also during the call we may refer to certain non-IFRS financial measures. Reconciliations of these amounts to 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.

I'm going to begin today's call by providing an overview of our performance in the second quarter, our record backlog and the current success and opportunities we are seeing across our Engineering Services Regions and our Nuclear businesses.

I'll then pass it to Jeff to provide more detail on our financial results, our 2025 outlook and our capital allocation activities we executed in Q2. And then we will open it up for Q&A.

So let's get started on Slide 3.

We had another strong quarter with solid revenue growth. AtkinsRéalis Services revenue grew 15% and to \$2.6 billion, with strong increases in the Engineering Services Regions, Nuclear and Linxon. Engineering Services Regions revenue organically declined 1% to \$1.9 billion, while Nuclear revenue organically grew 56% to a quarterly record high of \$567 million. Linxon revenue organically grew 11%.

We also had a strong increase in adjusted EPS from PS&PM and Adjusted EBITDA from PS&PM with AtkinsRéalis Services Segment Adjusted EBIT increasing 21% to \$246 million.

Our total backlog reached a record high of \$21 billion this quarter as our expertise across Engineering Services and Nuclear continues to be in demand.

Continued growth and record high backlog in our Nuclear business is leading us to increase our revenue outlook for 2025.

On the other hand, due to lower year-to-date revenue growth in the USLA and AMEA segments, we are decreasing our 2025 Engineering Services Regions revenue organic growth outlook. We expect the full year impact on profitability of all these changes to be neutral. Jeff will provide more details on this later in the call.

During the quarter, we closed on the acquisition of a majority stake in David Evans and completed the sale of our interest in Highway 407. This resulted in total proceeds of

approximately \$2.6 billion. We also paid down our debt by \$900 million and repurchased 9 million shares.

These moves have further strengthened our balance sheet and put us temporarily in the rare position of being net cash positive. We are now distinctly positioned to act on opportunities that arise, included further growth through organic and inorganic investments.

At our Investor Day in June of last year, we outlined a disciplined capital allocation framework, which consisted of maintaining a strong balance sheet, investing in the business and returning capital to shareholders.

Since that time we have taken considered actions across each of these priorities in line with what we said. We now have an industry-leading balance sheet following the repayment of a significant part of our debt. That priority is completed.

We also bought back a significant number of shares year-to-date returning approximately \$800 million to shareholders. While our NCIB program remains active, going forward, we would expect our share repurchases to be much smaller.

The remaining capital allocation priority under our Delivering Excellence, Driving Growth strategy is investing in the business, will be our focus going forward. As we have said previously, we will look to invest to build out the white space of the company in our chosen geographies and end markets organically and inorganically.

Organically, we will continue to invest in our Engineering Services Regions and our Nuclear development as we see a very strong future for our Nuclear services across the globe.

Inorganically, our David Evans transaction is a great example of our disciplined approach to executing our Land and Expand strategy in the U.S. And we have a strong pipeline of opportunities to continue to do so.

In addition, we see opportunities to purchase businesses in our other engineering regions to address gaps in strategic, high-growth end markets like Transport, Water, Defence, Buildings and Power and improve our geographic density. M&A is an area that consumes a meaningful amount of my personal leadership effort.

On Slide 5, you can see the continued progression of our backlog growth across AtkinsRéalis services. The 33% increase over the prior year was driven primarily by the demand in our Nuclear expertise.

In Canada, we were awarded a \$450 million contract extension for the first of four planned small modular reactor units in Darlington.

We also have been selected as the technical and project management delivery partner for Phase one of the Calgary Green Line.

In U.K. our prior successes at London Heathrow Airport has led to additional awards this quarter in support of preventative systems maintenance at their main tunnel.

And in the U.S., we are building a leading position supporting transportation development in Florida. This quarter, we were awarded a design and development contract for Florida's 500 mile toll network.

And in Asia, we secured a contract to design the Hong Kong section of the Hong Kong-Shenzhen Western Rail Link further expanding our foothold in the growing Asia market.

Turning to Slide 6. Revenue in our Engineering Services Regions business increased by 6% year-over-year. Excluding revenues from David Evans and the impact of FX, revenue organically declined slightly. This decrease was expected as we faced difficult year-over-year comparisons following a strong performance in Q2 2024.

And as we have discussed, we have also experienced delays or termination of a handful of major projects, which impacted the first half of the year. These projects should roll off in the second half of the year. And excluding these projects, the underlying organic revenue growth in the first half was actually in line with our target of 7% to 9%.

Due to the impact of these projects and lower expected revenue growth in the USLA and AMEA segments, we now expect that revenues for Engineering Services Regions should organically grow in 2025 over 2024 by a mid-single-digit percentage.

Segment Adjusted EBITDA over net revenue margin was nearly 16% for the second quarter, up 50 basis points versus the prior year period. And notably, we continue to increase our backlog, which now stands at \$13 billion, representing a 6% increase versus our backlog as of June 30, 2024.

Beginning on Slide 7, we provide an overview of each of our four regions and their performance this quarter.

In Canada, revenue organically declined 1%, but Segment Adjusted EBITDA grew to \$33 million with a 15% margin, as our operating margin improvement efforts delivered a 430-basis point year-on-year increase. Backlog increased 5% year-over-year and now stands at just below \$8 billion.

A major project in Q2 2024 leading to difficult year-over-year revenue comparison. That said, our relative flat revenue performance, coupled with our increased backlog highlights the continued growing demand for our unique end-to-end capabilities across the Power & Renewables and Transportation markets. We remain very bullish on our Engineering Service prospects in Canada after Building Canada Act is leading to increased opportunities across many markets where we work.

We're also committed to enhancing margins, and the results this quarter highlighted the success of the work in this business. We have successfully implemented initiatives to improve pricing,

productivity and overhead as well as serving our clients more effectively through our Global Technology Center.

In U.K. and Ireland, revenue grew 11% and organically grew 5% year-over-year, primarily by strong demand in Water and Infrastructure markets and new investment programs in Aviation and Rail signaling as well as in the Defence market.

Segment Adjusted EBITDA grew \$92 million in the quarter, representing a 17% EBITDA margin, 40 basis points better than last year, as the business continues to focus on efficient project delivery.

Backlog grew 13% year-on-year to approximately \$1.9 billion, driven by wins in Water, Aviation and Infrastructure.

In the U.K. government, recently announced plans to increase Defence spending to 2.5% of GDP by 2027. Additionally, the government's 10-year infrastructure strategy committed to over \$1.3 trillion in infrastructure investment over the next decade, spanning our key sectors of Water, Energy, Aviation and Rail.

Turning to Slide 9.

Our U.S. Land and Expand strategy continues to make strides.

We closed on the acquisition of a majority stake of David Evans, achieved a record backlog in Q2 and our prospects pipeline remains strong.

During the second quarter, revenue increased by 18%. But excluding the David Evans acquisition and FX, revenues organically declined 3% year-over-year, as strong growth in our U.S. Engineering Services in Transportation, Infrastructure and Industrial markets was offset by a decrease in our global Minerals and Mining sectors.

Segment Adjusted EBITDA was \$54 million and a 13.7% operating margin, an improvement of 60 basis points over the previous year. The backlog increased 17% year-over-year to nearly \$1.8 billion as we continue to prioritize client engagement and leverage our unique end-to-end capabilities.

We continue to build our backlog in the U.S., winning work with the Department of Transportation and Infrastructure solutions. Early collaboration with David Evans team is progressing as planned and has already resulted in winning or together in the U.S. Northwestern. As we continue our Land and Expand strategy, we look to strengthen our foothold in growing end markets and regions across the country.

And while uncertainties around tariff negotiations continue, it's important to emphasize that we've not been directly affected by these measures. That said, we are closely monitoring potential effects on the broader U.S. economy, and we've seen some delays in infrastructure project wins converting to revenue.

Regardless, of the near-term market uncertainty, our conviction in the long-term growth of our end markets remain strong. We are strategically positioned to capitalize on many opportunities leveraging our robust balance sheet and increasing cash flow to expand our footprint and drive sustained value creation.

In AMEA, revenue declined 8% and 9% on an organic basis.

Segment Adjusted EBITDA declined to \$31 million, representing a 16% margin over net revenue, down just over 3% from a year ago due to the business mix of projects. Total backlog in AMEA was approximately \$1.3 billion, down 4% versus the second quarter of 2024.

And declines in revenue and backlog is mainly due to a lower volume on Buildings and Places projects and the completion of a large project in the Middle East at the end of last year. Specifically in Saudi Arabia, budget reprioritizations on large-scale programs are taking place, leading to some award delays and completion of major projects.

However, the long-term outlook remains strong. And while we are pleased with the current size of our Middle East business, we expect to continue to grow the AMEA region through a disciplined revenue growth strategy in Asia and Australia.

In Asia, backlog has continued to grow as we are seeing sustained investments in Infrastructure and Transportation. In Australia, we are focused on expanding our presence through opportunities that leverages our global expertise, such as Defence, Power and Infrastructure. We are confident in the sizable opportunity that Asia and Australia markets represent over the long term.

I'd now like to move to Slide 11 and the results of our Nuclear business.

We continue to demonstrate significant growth, achieving an organic revenue increase of 56% compared to the second quarter of 2024. Our Nuclear backlog is now \$5.6 billion, 223% higher than our backlog as of June 30, 2024, which continues to primarily grow through life extension bookings in the CANDU fleet in Canada, Europe and Asia.

Segment adjusted EBIT grew 47% to \$64 million in the second quarter, and Segment Adjusted EBIT margin was approximately 11%. Segment Adjusted EBITDA grew 42% year-over-year and the margin now stands at 25%.

On Slide 12, we highlight the achievements across our Nuclear CANDU and Services portfolios.

In our CANDU business, Canadians for CANDU continues to gain support, and we're actively engaging in bidding discussions for several large new nuclear projects in Canada and abroad.

In Europe, we entered into an agreement with EDF, one of the world's leading electricity production and distribution companies. This is an important agreement for our Nuclear business,

bringing opportunities to share capability and expertise in support of both our organizations taking advantage of the renewed global interest in nuclear power.

In our Services business, as I noted earlier, we were awarded the contract to the first of four SMRs in Ontario. We also are continuing new build support at Hinkley Point C and Sizewell C as well as decommissioning services at Sellafield in the U.K.

Additionally, we continue to expand our nuclear capabilities in the U.S. as the Department of Energy provided our joint venture the notice to proceed for the operational maintenance of the Portsmouth and Paducah Gaseous Diffusion Plants.

And lastly, AtkinsRéalis is part of a new pioneering partnership with the Nuclear Decommissioning Authority in the U.K., which will see innovative technology deployed for the first time on a nuclear site to remotely and autonomously sort and segregate radioactive waste. This is an important step to operate more safely and more efficiently on site.

Our year-to-date nuclear performance and backlog record-high levels provide a strong foundation for 2025.

As such, we are raising once again this quarter, our full year revenue outlook to a range of \$2 billion to \$2.1 billion.

Turning to Slide 13. A reminder that we are capturing near-term and long-term CANDU revenue opportunities within our Nuclear business. The potential contracts you see on this slide showcase a massive opportunity for AtkinsRéalis and could deliver significant growth for the foreseeable future. These represent profitable contracts and highlight our real backlog and our growing teams who deliver real projects every day.

Our greater than \$5 billion nuclear backlog achievement is just the start as our customers are continuing to recognize our nuclear expertise. We've been working hard to bolster our backlog with high-quality wins.

Total backlog does not include follow-on stages for our recent wins and a very small amount of CANDU new builds. We cannot overstate the significant opportunity in front of AtkinsRéalis in the nuclear sector.

Now moving to Slide 14 and our Linxon LSTK Projects and Capital businesses.

In our Linxon segment, revenue organically grew 11% and year-over-year. Linxon realized a 360 basis points of EBIT margin expansion in the second quarter as operational improvements continue to positively flow through the business. Backlog increased 28% to \$2.1 billion at the end of the quarter. We are seeing backlog improvement across the Americas, Europe and the Middle East.

On LSTK Project, Segment Adjusted EBIT was in line with expectations. Commissioning and testing on the Ontario Eglinton project is progressing well and the backlog decreased 40% year-over-year at the end of the second quarter as work continues to progress on the REM project.

On Capital, we completed the sale of our interest in Highway 407 and received our last dividend of \$13.5 million in April.

Other assets continue to perform well.

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 16. Total IFRS revenues increased 15% year-over-year, totaling \$2.7 billion, which included revenue increases of 6% in Engineering Services, 59% in Nuclear and 16% in Linxon.

Total Segment Adjusted EBIT for the quarter increased 18% to \$246 million, mainly due to AtkinsRéalis Services, as Capital's \$19 million Adjusted EBIT was offset by LSTK Projects negative EBIT of a similar amount.

Corporate SG&A expenses from PS&PM totaled \$30 million in the quarter, below Q2 2024, as expected. We continue to anticipate that these expenses should be between \$120 million and \$130 million for the full year.

Restructuring and transformation costs were \$34 million in the quarter, mainly due to a one-time adjustment related to the disposal of a business in a prior year. We expect these costs to be lower in Q3 and Q4 and now expect them to be approximately \$90 million for the full year.

The IFRS net income this quarter was significantly higher than in Q2 2024, mainly due to a \$2.6 billion gain, or \$2.2 billion after tax, on the disposal of the company's remaining 6.76% interest in the Highway 407 ETR.

The income tax expense was higher in the quarter due to the gain on the Highway 407 sale. The tax rate for Adjusted PS&PM net income was approximately 13% in the quarter and 19% after six months. And therefore, we now expect the tax rate for the full year on our Adjusted PS&PM net income to be in the mid-20%.

Adjusted EPS from PS&PM for the quarter increased by 59% to \$0.78 per diluted share compared to \$0.49 in the second quarter last year.

And as Ian mentioned, our backlog ended the quarter at a record high of \$20.9 billion, 32% higher than at the end of June last year with new record high levels in Engineering Services Regions and Nuclear.

Now let's move on to Slide 17 on free cash flow.

Net cash used for operating activities totaled \$102 million for the quarter. This was mainly driven by a stronger AtkinsRéalis Services EBITDA delivery and lower LSTK Projects cash usage, offset by the timing of higher working capital usage.

We continue to expect operating cash flow to be in excess of \$300 million for the full year 2025. Similar to 2024, cash generation is expected to be heavily weighted to the second half of the year.

After CapEx of \$37 million, which included \$19 million for the development of Monark and the payment of lease liabilities of \$24 million, our free cash flow stood at negative \$163 million for the quarter.

I'd like now to move to Slide 18 and build further on our capital allocation status.

Earlier, Ian highlighted our progress in delivering on our capital allocation priorities in the quarter.

As you can see on the slide, during the second quarter, we strengthened our balance sheet, invested in the business and returned capital to shareholders, driven by the proceeds from the sale of our remaining interest in the Highway 407.

Our cash on hand increased to \$953 million. Our recourse debt decreased from \$1.1 billion to \$695 million compared to December 31, 2024. And as a result, our leverage ratio is negative 0.3x.

We have also repurchased approximately \$9 million of our shares year-to-date, returning nearly \$800 million to our shareholders.

As discussed earlier, our focus going forward will be primarily through investing in the business, particularly with acquisition opportunities that fit our strategic, financial and cultural criteria.

We would expect to continue to execute on our bolt-on acquisition strategy that over the next 18 months would result in a return to a net recourse debt to Adjusted EBITDA ratio in our targeted rate of 1 to 2x.

I'd like to now turn to my final slide, Slide 19.

As you have also heard Ian say on Nuclear, this end market continues to be very strong. The demand for our services continues to grow and our backlog is at a new record high. Therefore, we are again increasing our nuclear revenue outlook to be between \$2 billion and \$2.1 billion for the full year '25 from the previous range of \$1.9 billion to \$2 billion that we outlined last quarter.

On the other hand, we are decreasing the Engineering Services Regions 2025 organic revenue growth outlook over 2024 to mid-single-digit percentage from the previous range of 7% to 9%, reflecting lower-than-expected revenue growth in the USLA and AMEA segments.

Note that we expect David Evans revenues, which is excluded from this organic revenue growth to be around \$300 million for 2025.

We remain confident in our medium-term target of 8% plus revenue growth for Engineering Services, as outlined in our Delivering Excellence, Driving Growth strategy and see the lower growth rate in 2025 as temporary in nature.

All other financial outlook metrics for the full year 2025 are maintained.

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

Ian Edwards^ Thank you, Jeff.

We had a strong quarter in the first half of the year marked by increased demand for our Engineering Services and Nuclear capabilities alongside strategic internal actions to strengthen our capital structure.

As I stated earlier, our strong balance sheet and our appetite for growth puts us in a distinctive position to capitalize on opportunities that may arise in the current macroeconomic landscape.

Energy transition and infrastructure development needs are fueling growth in our markets where we have either built a strong foundation or are continuing to Land and Expand.

We are doing this under the guide of our Delivering Excellence and Driving Growth strategy, which focuses on optimizing the business, accelerating our footprint in growing end markets and regions and exploring untapped opportunities.

We have accomplished a lot in our first six months under the strategy, but we are just getting started.

I want to thank our 40,000 employees for their hard work and dedication. Quarter-over-quarter, we continue to incrementally build great things at AtkinsRéalis, and we would not be able to do so without the dedication and expertise of my colleagues around the world.

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

QUESTIONS AND ANSWERS

Operator^ And our first question for today comes from the line of Sabahat Khan from RBC Capital Markets.

Sabahat Khan^ Great. Maybe you could just dig a little bit deeper into sort of the Engineering side. And maybe - you provided a bit of color in your preamble, but hoping to get a bit more understanding of how the Q2 evolved relative to expectations, if you can get into some of the specifics around the regions that were supported, what you're seeing in the U.S. and kind of what you have baked in for H2 now in the Engineering business relative to when we last spoke.

Ian Edwards^ Yes, for sure. So I think the first thing I'd say is what we've seen is broadly in line with what we signaled earlier in the year and Q1. A couple of things perhaps have moved further away from us than we expected and the underlying growth of the business in all regions is good. And so we have confidence in the ability to deliver on the rest of the year and going forward beyond that.

Now, there are really three specific things that gave us some headwinds. And the first that we have signaled this before is we had this large battery factory in Canada, which was not moved forward to Phase II. It was canceled. And there were very strong revenues in H1, all the way through actually Q4 '23, all the way through to H1 '24. So that's behind us, and we'll see better year-over-year Canada growth.

Canada is actually performing really well. Happy to kind of go into a bit more detail later.

AMEA, I think AMEA is interesting. There's some reprioritization there. We are not able to secure yet the Phase 2 of a very large contract that's been delayed. And from where we see it right now, it's going to be delayed significantly. We were expecting that in Q1. It's probably -- I don't even know if it's Q3 or Q4 now. But underlying, again, the business is at a level that we're pretty happy with in AMEA, and pretty strong. We're not about to go around chasing low-margin work to try and build those revenues.

AMEA growth is really going to come from Asia and Australia, where we've got very, very small businesses.

And the U.S. Our U.S. business also has our Minerals and Metals in there. There was a year-over-year issue. But also in the U.S., we've seen some of the projects get delayed state by state. I mean we're not federally exposed., so we're not really exposed to any federal adjustments that have been seen in the industry, but we have seen state by state.

Now actually, we've seen those coming back. And as we develop our pipeline going forward, it looks pretty good, and the growth looks pretty good. And the natural fact, in H1, when you take out the mine contract, the underlying growth is still reasonably strong.

So for all those reasons, we've obviously developed our pipeline and done some analysis on the second half and felt that we should lower our outlook. But if you look at the backlog, which is a real forward-looking indicator, it's actually very strong and remains strong at 6% for the Engineering Services Regions.

I think we're in good shape for the future, but I've seen some specific headwinds.

Sabahat Khan^ Got it. And then just for my follow-up, maybe if you could just dig a little bit into your balance sheet position. Talk a little bit about the pipeline of M&A opportunities. Obviously the first larger transaction is now closed. You did a large buyback. Maybe if you can walk us through plans for the rest of the balance sheet capacity, pipeline on M&A, and a little bit more color there.

Ian Edwards^ So clearly, we are very pleased that we have been able to deliver against all of our Investor Day capital allocation priorities, as I said in the presentation and in the narrative. Those three things – to strengthen the balance sheet, return for shareholders and invest in the business – are all kind of well progressed or in play.

I'm going to let Jeff talk to the kind of strength of the balance sheet and the position going forward on returns to shareholders.

But our key priority now is inorganic growth. It's investing in the business for growth. And our strategy for M&A remains the same. As I've said before, we're not about to do a major transformational acquisition; we're going to stay in our lane for the short-term, businesses the size of David Evans, looking at white space geographically or end markets, looking at primarily platforms to grow organically, revenue synergies. And we're very excited about that because clearly, we've got the appetite. The market is there and we've got the balance sheet to do it.

So Jeff, maybe just a bit on the buyback and the balance sheet.

Jeff Bell^ Yes. I mean I think to build on that point, we see a great pipeline of opportunity, both in our priority market for M&A in the U.S. but also elsewhere. Combine that, as Ian has said, that being our primary focus. We have bought back a significant number of shares year-to-date and we would expect that therefore to be fairly small in the remainder of the year. We'll be a bit opportunistic about that.

But as Ian said, the real focus will be continuing to deploy capital in bolt-on and tuck-in acquisitions in those white spaces.

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

Chris Murray^ Maybe turning to the Nuclear business. Certainly, some good growth and things that we're seeing there. I was going to ask you, can you talk a little bit about maybe outside of the CANDU opportunities, which seem like fairly well understood and pretty massive? Can you talk a little bit about other pieces of the Nuclear business where you're seeing growth and how that's evolving? There's been a lot of discussion about the various forms of SMRs that are happening down in the U.S. So anything you can add to what you're seeing there and how you think that, that could drive into the Nuclear business on a go-forward basis would be helpful.

Ian Edwards^ Yes. Yes, for sure. And as you know we kind of think of our business now in our Nuclear sector in two hubs. We think about it as CANDU, where we have the technology and we deploy that technology. But we've also got a very, very comprehensive Services business, full service Nuclear business that operates globally.

And there's quite a few interesting things in the Services businesses, as you kind of rightly point out in the question that are happening.

I mean let's start with the SMRs. I mean we do not have an SMR. We chose not to in our CANDU fleet. We decided to be agnostic to technology and we decided to support the first, I would say, definitely in North America, probably the first SMR in the global north., the developed world, at the Darlington site with GE Hitachi. We are playing a role called architects engineering, you'll have seen the award for a \$450 million contract to play that role in the development of that first SMR.

So for AtkinsRéalis, I think been involved in the very first SMR is a game changer for our brand as a Nuclear business.

Other SMRs around the planet are trailing. I would say the closest to it in terms of being deployed would be – this is an opinion, it's not a fact – that would be Rolls-Royce because they've been selected by the U.K. government to deploy their SMR across the U.K. We are a partner of Rolls-Royce also, and we've been working with them through the development of that.

We are not currently partnered with any of the U.S. SMRs. But having said that, we're not aware of any kind of commencement of construction. There's a lot of MOUs in place, but I'm not aware of anything that's actually being physically being deployed right now.

But we keep an eye on that space because clearly, the U.S. is an exciting place for Nuclear, not least of which would be through the hyperscalers as they look to find solutions for their electricity for their data centers. So we've got a very keen eye on that. Obviously nothing to really talk to of any substance right now but we're following the story closely.

And then dealing with waste and remediation of nuclear waste. We've just won some contracts at Sellafield in the U.K., which is great. And as you know we have a strong business in the U.S., which works for the DOE on their contracts. And we own technologies as well, with IP connected, for decommissioning and waste management.

And then, of course, this partnership we have with EDF is pretty significant in that we are supporting them on non-nuclear engineering at Hinkley and doing the same now at Sizewell as Sizewell has got the go ahead by the U.K. government. At peak in Hinkley, we would have had 800 engineers and we would expect the same at Sizewell. So very significant contracts.

But we're also helping EDF in France. So our French speaking contingent of engineers in the Nuclear sector are working in France supporting EDF.

So there's a lot going on outside of CANDU, and I appreciate the question because most of what we've talked about in the past is all CANDU.

Chris Murray^ No. That was a good one.

And then I'm not sure if you want to take this one, but I guess more conceptually now and I know we talked a little bit about this at the Investor Day, but on a go-forward basis, now that you sold the 407, it looks like Linxon's kind of continuing to be growing, or maybe stable or we'll leave it at that, LSTK is running off, but you've still got the Capital business. How do we think

about – now that you've got the financial flexibility, don't really need the additional funding – how do we think about what the business looks like in a year with all these other little bits and pieces kind of kicking around?

Jeff Bell^ Yes. Chris, this is Jeff. Maybe I'll take a shot at that.

I mean I think where we're rapidly guessing to – and I think you're right – as we get into 2026, what we really have, primarily is the world-class Engineering Services and Nuclear business that we've always said. That's what we're building, and that's the long-term future of the organization in terms of the sort of big elements.

Therefore, I think what you'll see is LSTK will become very little by next year. There'll be maybe a bit of overhead related to just kind of finishing off any punch list items and collecting claims.

Linxon – really pleased with sort of where it is. But ultimately, it's a fairly small part of the business. And Capital will now be the same. There's really just a handful of smaller investments left.

So you could almost think of it as the Engineering Services Regions and Nuclear and other, kind of small, other element picking up the other pieces. But it will really be a pretty simple business in terms of how you would think about it strategically and performance-wise driving it forward.

Chris Murray^ Okay. I mean the plan, I'm assuming, is still to divest Linxon at some particular point? There's no thought to keep it around.

Jeff Bell^ Yes. I mean as I said, as we've always said, we think it's a good business and a good market. We've invested a lot in terms of improving its operational capability and its performance. We're seeing that coming through.

At this point, we haven't seen anyone, despite our efforts, giving us what we think is kind of a reasonable value for the business. And so we'll continue to explore our options including ultimately, if we end up holding it for a longer period of time.

Operator^ Our next question comes from the line of Yuri Lynk from Canaccord Genuity.

Yuri Lynk^ Follow-up on David Evans. I think Jeff mentioned \$300 million of revenue for 2025. Can you just confirm that that's U.S. dollars? And is that for the entire year or just for the period that will be consolidated in your financials?

Jeff Bell^ Yes, happy to do it. It's actually CAD 300 million we see for this year. And obviously the quarter we had in Q2 was short a couple of weeks, we didn't kind of close it until mid-April. So slightly higher on a quarterly run rate in Q3 and Q4.

Yuri Lynk^ Okay. So that's not their full year?

Jeff Bell^ No. No. That's what we will pick up in our financial statements having owned it from April 11 until the end of 2025, we expect.

Yuri Lynk^ That makes sense. Okay.

Can you kind of give us more detail or break out the impact of the mining business on the USLA organic growth contraction? And maybe talk about how some of the other end markets in the U.S. did on the Engineering side?

Ian Edwards^ Yes. Yes. Sure. So if we think about the U.S., as I said in the kind of brief overview of the U.S., there's a couple of things.

So the mining business is in there, and we've got some year-over-year kind of issues in there with one big contract, that again, we would expect to see diminish in the second half. The underlying growth in the U.S. business, certainly going forward from here, in the pipeline development, is actually closer to our original range, frankly.

We have seen in the first half of the year in the pure U.S. Engineering business a bit of slowdown state by state, in a couple of states, in Texas, in Department of Transport work. Now we're seeing those coming through.

So it wasn't really cancellation or lack of funds. It was, with all the volatility that we're seeing across the U.S., it was kind of holding back a bit. But we're seeing those coming out.

So in simple terms, positive growth in first half in U.S., purely, and almost back to where we would expect it to be second half. But obviously we've had an impact. So that's one of the contributors to changing the outlook for the full year.

And I think the other one that contributed to changing the outlook for the full year was the AMEA region. And as I said, there's been some reprioritization of projects.

We haven't suffered too much actually in that because our strategy in the Middle East, particularly Saudi Arabia, was always to follow big programs that we believe are profitable programs that are at the backing of the government.

Now Neom did pull back a bit, not too much effect, but one of these other big projects in Riyadh has got pretty seriously delayed. I mean, we were expecting the Q1 kind of move forward, and as I said, I'm not even sure it's going to be Q3 now. So that's obviously had an effect.

But we are really comfortable with our business in the Middle East. We've grown there a lot. We've got good profitable work and we're not going to chase unprofitable work to fill the gap, so to speak. And that's why we've kind of pulled down the outlook for the rest of the year.

Now as I see AMEA going forward, I see enough opportunity in the Middle East to keep it growing at a reasonable rate status quo sort of thing. But our real growth for AMEA will come out of Asia and Australia. We've got a new president looking after the AMEA region. We're

doing a lot of work right now and we have virtually no business in Australia and Asia. So we're going to be seeing the AMEA region grow in line with our other good regions.

And then when you look at what's happening in Canada and the U.K.. The U.K. is doing really well for us. We have a fully diverse business across the U.K. Our backlog is up 13%, and we've got organic growth of 5% in the U.K. And now with the \$1.3 trillion infrastructure strategy being announced across the country, in the things that we are good at, it's a pretty positive outlook for Infrastructure.

And you'll see in the quarter, we won work in Water, on the AMP8 program, National Highways work and we're winning work back at Heathrow now that they've announced the third runway. So we're really pleased on the U.K.

And Canada is doing well. And when you think that the EBITDA is up 430 basis points, the backlog is up 5%. We've got some good wins from East Harbour and Metrolinx, GTA- the airport authority in Toronto, the Alto program and now with Bill C-5. I really feel confident about Canada having a very strong commitment to infrastructure. I've personally been involved in some round tables, and I am feeling really positive about it.

So all in all, I think our Engineering Services business if you think about the long-term guidance, our long-term outlook, it's going to be there. But we've just had to pull it back a little bit this year.

Operator^ And our next question comes from the line of Krista Friesen from CIBC.

Krista Friesen^ Maybe just on the David Evans acquisition. First one in a while. Can you just provide some color on how the integration is going there? And maybe any surprises that you've encountered positively or negatively?

Ian Edwards^ Yes, for sure. And obviously we're -- you're right. It's our first acquisition for a while, and we spend time to find something which was of quality. We will always follow that strategy going forward. It is a great company with a great culture and a great track record and representation.

Obviously, it's early days. But we work with them a lot through the due diligence period, and we've hit the ground running. And they are 11 weeks in. We are focused on revenue synergies. We're focused on doing what we said we would do with this business, which is use their platform, use their connectivity and track record in the West, specifically Oregon and California, Washington and add AtkinsRéalis to it.

And we've identified a very significant pipeline of bids that they would not have had the scale to bid, and we have won our first work together, and we're winning some work together. So far so good. We see the teams there as -- in the main, very happy with the relationship and I've got some good leaders that are working with them day to day that are very, should I say, keen to make sure this works.

Krista Friesen^ Okay. Great. And then maybe if I can just follow up on the Nuclear conversation. So you announced the partnership with EDF about a month or two ago. And then just a few weeks ago, EDF kind of came out and said that they're looking at pulling back a bit from some of the overseas work. Does this impact you? Or does it create maybe some opportunities for Atkins?

Ian Edwards^ Yes. No. I see that as opportunities. So we've had a relationship with EDF for many years at Hinkley. We started very, very small at Hinkley. Hinkley C in the U.K. is an EDF technology.

And we started on a very small contract there, and we ended up with this very significant kind of engineering contract to integrate everything that was non-nuclear in the design. And I think we ended up working really well with them. And I, along with my president, personally met their CEO a number of times, we work well with their senior leaders.

And we're trying to make sure that as this nuclear renaissance really takes hold globally, the capacity, human capacity particularly, and expertise doesn't hold us back on the CANDU deployment. And we are like-minded with EDF in that they've got a big deployment of their technology in France now. And we believe that there can be a one plus one equals three in terms of building capacity and relationships and deploying expertise. So that's kind of the genesis of this in the long term.

And I would go on to say that we have a very differentiated privileged position in CANDU in that we already have 6,500 professionals working in the business on life extension work. But that is not a situation of other nuclear technologies across the planet, apart from EDF and the Chinese would have because there just hasn't been a big build out recently.

So I think having partnerships like that to help us build capacity, to help us get ready for the really big wave that we expect is a very good advantageous thing. That's the genesis of it.

Operator^ And our next question comes from the line of Devin Dodge from BMO Capital Markets.

Devin Dodge^ I wanted to come back to one of Saba's questions, more specifically, Slide 18 and the chart showing your financial leverage, which has it coming down over the next 18 -- or coming up over the next 18 months.

Look, we're assuming free cash flow will be positive. So it seems like it's driven by capital deployment. I just wanted to clarify if this is intended to be more illustrative of what is possible? Or is it more of an indicator for what you see as the probable pace of capital deployment? And then just based on your comments, it just seems that most of that spending will be towards M&A. I just wanted to confirm that.

Jeff Bell^ Yes. It's Jeff. Why don't I take that.

So I think our view is that, that is directionally correct. And as I said in my script, over the next 18 months, we would expect to deploy capital, primarily from a bolt-on M&A acquisition perspective that would see us moving our way back to at least being at the low end of that one to 2x range, by the end of 2026.

Devin Dodge^ Okay. Okay. And then maybe, Jeff, can you remind us the timing for Atkins to acquire the remaining interest of David Evans?

Jeff Bell^ Yes. We have a route to get there. It's dependent on a couple of different elements. So we would expect over the next kind of few years that we'd ultimately end up with 100%, but it could vary around.

Devin Dodge^ Okay. Okay. So second question, look, I think we all recognize it's difficult to get specific on the timing of potential newbuild projects in Nuclear, but based on the ongoing discussions that you have with clients in Canada, China and elsewhere, just is there a framework for when you expect to see these contracts come forward? And where we stand right now? Is there more near-term optimism for these emerging in Canada? Or could some international opportunities come forward first?

Ian Edwards^ So yes, thanks for the question.

I mean our priority is Canada. I mean that's -- we're a Canadian company and the origin of the technology is Canada. So our priority is Canada.

We're doing an extensive amount of work trying to position AtkinsRéalis as the chosen technology, that's not a given here, right, for the two announced large nuclear plants at Wesleyville and Bruce. So they are announced at sites that are allocated for that. We are working hard to ensure that we're selected. And it's not my decision, but I think that's not years, that's months, would be my read. But again, that's my view, right, it's not a fact.

Going across there are other active provinces other than Ontario that are, I would say, thinking about CANDU: New Brunswick and Alberta. And again, those are public. And obviously we're working hard to make sure we are the right solution, to win those contracts, too. So that's a very, very significant amount of work.

Beyond that, we have two geographical areas that we believe new builds of CANDU is possible. And we are actively in discussion, me personally as well.

Eastern Europe. I think because Romania already has a nuclear capability and a CANDU set of reactors, and we're building there, I believe adjacent countries to Romania and Eastern Europe would see and do see CANDU as a solution. I wouldn't expect to see anything there this year in terms of MOU announcements, but we could see something next year.

In Asia, there are a number of countries that we are engaged in discussions. Because they are countries that don't have a nuclear technology of any can now and the nuclear capability, this is going to take a bit longer. And the way this would probably play out is by ourselves getting some

paid mandates to help them establish a regulatory framework, helping them establish a capability in country. And those are the kind of conversations that we've got now and we're even doing some work in one country.

This is a bit of a longer play, but very real. And we're talking of three to four Asian countries.

So you can see there's a lot going on, and I'm being very cautious not to kind of overpromise here. But I think over the next year or so, some of this will come to the initial phases of MOUs and the initial engineering phases.

Devin Dodge^ Okay. That was great commentary. Just one quick follow-up.

I think there's been some media attention on applying for license in the U.S. Just wondering if you have a framework for how long you think that could take?

Ian Edwards^ Yes. So we're very much exploring in the U.S. Clearly, what I said about the SMRs, which is true also for CANDU technology. There's a very significant market for nuclear.

I mean the executive order signed by President Trump to deploy 300 gigawatts of nuclear electricity is 3x what was built in the 60s, 70s, 80s and 90s. Now there's only one U.S. technology right now in large nuclear, last time they build out there – four. So there's clearly an opportunity.

We are looking at what it would take to get through the licensing process, which we don't think is too difficult because they think about things very similar than Canada. That would probably be a process that would take us to a place towards the end of this decade that we could execute. But that's not different from many other technologies.

I mean even if their indigenous technology was to get an order today, it would have to go through a licensing process for project specific. So it will obviously take us longer. And that's a fact. But we're looking at it very, very seriously to position.

Operator^ And our final question for today comes from the line of Benoit Poirier from Desjardins.

Benoit Poirier^ Just want to come back on the nuclear discussion, what is the main pushback or the key point that is holding back the Canadian government? Are they waiting to see further advanced on the Monark development? Is it more a matter of financing? What is kind of holding back the discussion?

And maybe also, obviously Nuclear is growing a lot this year, but what would you like to achieve on a sustainable rate in terms of revenue growth beyond 2025?

Ian Edwards^ Yes. So there's no -- I don't think there's pushback. I think that Canada is a leader in the world. I mean the fact that there's commitment to nuclear going forward that's been

announced by the government, the fact that two of the Ontario generating companies have allocated a site, I think that's really positive.

Making a selection is a big process. It's a long process. And we're just working through that. I mean the clients are working through it. They've got to be sure that whoever selected can deliver, and it's the right cost base for the taxpayer and the electricity payer -- so I don't -- I think this is moving fast, actually.

My view, when I look at the rest of the world, I think this is growing fast. I don't think this is going slow. So I'm really optimistic really. And hopefully, you'll see something. And hopefully, that's us as well. But as I said, there's no guarantees in this world and let's monitor the space.

What can we be in the nuclear sector. As I said, very significant. We are uniquely positioned with a full-service global Nuclear business, and there is a very significant renaissance in the Nuclear business.

Our revenues have grown, as you can see, exponentially, our backlog is up 228%. It's not going to do that every quarter and every year, of course.

But if you look at the graph, the bar chart, those revenues on that bar chart and those orders that we have are on -- they're almost secure for our outlook for this year. And you can see that many of those projects are only first phase of projects to come, without new build. And if we add new build and layer that in, then you can see growth through the rest of this decade. I can't get drawn on what that would be in terms -- because it's binary. We win a job, it's significant. You don't win. So I can just say that we're confident this is going to continue to grow. It will be a really significant part of AtkinsRéalis.

Benoit Poirier^ Okay. That's very good color, Ian.

And maybe for Jeff, in terms of capital allocation, you mentioned that the intent to come back in the optimize leverage over the next 12 to 18 months, largely driven by bolt-on acquisitions. So could you maybe provide more color about the number of bolt-ons that could be added? Or are you more talking about one or maybe a few, Jeff?

Jeff Bell^ Yes. I mean I think we'll end up with multiple acquisitions ranging, as Ian said, up to something like David Evans, could be -- we do a couple that are smaller than that. But just in order to get back to that leverage ratio, by definition, we'll have to deploy \$1 billion to \$1.5 billion. So that's another three David Evans acquisitions or it's another five if they're slightly smaller or six or -- so I think with the pipeline we see of those kind of tuck-in and bolt-on type acquisitions, we'd expect to be doing a handful of those over the next 12 to 18 months.

And therefore, that will get us back to that level and at the same time we see a lot of value creation opportunity from deploying capital that way. So we think that's going to be a really good use of shareholders' money at the same time.

Benoit Poirier^ Okay. And maybe just the last one, very quick for Ian. Given the valuation for Nuclear, the growth profile, do you see a case for monetizing nuclear or spinning that up in the long-term, Ian?

Ian Edwards^ Well we're certainly not there in our thinking now. We do see quite a lot of adjacencies between the two businesses in terms of complementary engineering and scale. So we're not in that place right now.

Obviously, we keep reviewing every strategy, right? But in the medium term, no, no.

Operator^ This does conclude the question and answer session of today's program.

I'd like to hand the program back to Denis Jasmin for any further remarks.

Denis Jasmin^ Thank you, everyone.

If you ever have any further questions, please don't hesitate to contact me directly. Thank you very much, and have a good end of the week.

Ian Edwards^ Thank you.

Operator^ Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program.

You may now disconnect. Good day.