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Corporate Speakers

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

Participants

- Tomohiko Sano; JPMorgan Chase & Co; Analyst
- Chris Murray; ATB Cormark Capital Markets Inc.; Analyst
- Unidentified Participant; RBC Capital Markets; Analyst
- Devin Dodge; BMO Capital Markets Equity Research; Analyst
- Krista Friesen; CIBC Capital Markets; Analyst
- Michael Tupholme; TD Cowen; Analyst
- Maxim Sytchev; National Bank Financial, Inc.; Analyst
- Ian Gillies; Stifel Nicolaus Canada Inc.; Analyst
- Benoit Poirier; Desjardins Securities Inc.; Analyst

PRESENTATION

Operator^ Good day, and thank you for standing by. Welcome to the AtkinsRéalis Second Quarter 2026 Conference Call. (Operator Instructions). Please be advised today's conference is being recorded. I would now like to hand the conference over to your first speaker today, Denis Jasmin. Please go ahead.

Denis Jasmin^ Thank you, Sarah. Bonjour tout le monde. 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 analysts 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 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 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 thank you for joining us today.

I'm going to begin today's call by providing an overview of our performance for the second quarter before I pass it to Jeff to provide more detail on our financial results. We'll then open it up for questions.

We executed another strong quarter, driven by significant nuclear growth and consistent demand for our end-to-end Engineering Services capabilities.

Total revenue grew 10% year-over-year or 8% on an organic basis. We also grew Adjusted EBITDA by 14% to a quarterly record high of $293 million, which translated into a 20% increase in Adjusted EPS year-over-year. We ended the quarter with a total backlog of $20.2 billion, including a new record high in our Engineering Services of $13.4 billion.

It's particularly pleasing to see the momentum continuing to build for our nuclear capabilities as evidenced by the Canadian government's recently launched Nuclear Energy Strategy, which reinforces CANDU as a world-class Canadian energy technology, applicable both at home and around the world.

In the second quarter, we began the formal licensing process to bring CANDU to the U.S. market, another important step in expanding its role internationally following our success in Romania. We'll share more on our growing confidence in our nuclear outlook shortly.

Strong demand and efficient operations across the group led to a second consecutive quarter of positive operating cash flow, which we utilized to support our value-focused capital allocation priorities. In the quarter, we repurchased a significant number of shares and continued to advance our Land and Expand strategy through three announced acquisitions.

In Australia, we entered into agreement to acquire WGA and Coras Solutions. These additions strengthen our local presence and technical capabilities in high-growth opportunities across defence, transportation, water and power & renewables.

Additionally, in Ireland, we recently closed our acquisition of TOBIN, which will expand our presence in the region and solidify our market-leading position in engineering and project management across the infrastructure and transportation markets.

We are also continuing to invest internally to accelerate the deployment of artificial intelligence across our business. AI is enhancing how we design, deliver and manage projects, improving safety, quality and productivity and predictability while enabling our teams to develop more innovative solutions for our clients.

Across our global operations, we're embedding AI into engineering workflows and corporate functions while making AI training a core component of learning and development for our 41,000 employees. This is strengthening our competitive position, increasing the value we deliver to clients and supporting our continued focus on operational excellence and margin improvement.

As part of our focus on maximizing the value of our AI investment, we recently welcomed Amy Bunszel and William Ruh to our Board of Directors. Both bring extensive experience scaling technology-driven businesses and deploying AI-enabled solution in industries closely aligned with our core markets. Their expertise will help guide AtkinsRéalis as we continue to integrate advanced technologies across our operations and service offerings.

Year two of our Delivering Excellence and Driving Growth strategy is performing as planned, and we continue to showcase our value creation opportunities for all stakeholders.

Turning to Slide 4. Second quarter revenue in our Engineering Services Regions business increased 5% year-over-year. On an organic revenue basis, Engineering Services Regions grew 2% year-over-year. Excluding AMEA, which continues to be affected by project reprioritizations and the conflict in the Middle East, we would have delivered 5% organic revenue growth.

Segment Adjusted EBITDA over net revenues margin was 16%, a 70 basis points improvement. Margins grew year-over-year as we continue to see the benefits of our operational improvement initiatives.

We achieved a record high backlog of $13.4 billion as of June 30, 2026, mainly driven by growth in UKI, USLA and AMEA business.

Beginning on Slide 5, we provide an overview of each of our four regions and their performance this quarter.

In Canada, revenue in the second quarter increased 13% organically year-over-year, while Segment Adjusted EBITDA grew to $43 million with an 18% margin, a roughly 300 basis points improvement year-over-year. Performance comes on the heels of strong margin growth during the first quarter, highlighting our initiatives in cost optimization, enhanced bid discipline and more efficient project delivery.

Backlog fell 5% year-over-year and now stands at $7.6 billion, mainly due to revenue delivery in the quarter.

Across Canada, we're seeing persistent demand for our unique end-to-end capabilities across our end markets, but specifically in power & renewables and transportation. We are currently providing professional services on two major transportation projects, TramCité, a major public transit infrastructure project in Quebec City; and Alto, the high-speed rail project between Quebec City and Toronto. These are examples of how our global capabilities in systems integration, engineering and major project delivery support government initiatives in building complex transit infrastructure.

Clients continue to view us as critical partners in supporting new infrastructure projects, and we are strategically positioned to capture this demand.

From a macro perspective, our expertise in defence is setting up opportunities for us to take on work under the Canadian government's $35 billion spending forecast aimed at bolstering the country's defence positioning in the Arctic and Northern regions. Our long-standing presence in the market, strong relationships with government entities continue to be a competitive advantage for AtkinsRéalis.

In the U.K. and Ireland, second quarter revenue grew 8% and organically grew 6% year-over-year, driven primarily by sustained growth in water and transportation markets.

Segment Adjusted EBITDA grew to $102 million in the quarter, representing an 18% EBITDA margin. Our concentrated presence in this growing region continues to bear fruit and drives strong operating performance.

Backlog grew 8% year-on-year to a new record high of $2.1 billion, driven mainly by wins in the transportation, power & renewables, defence and buildings & places markets.

We recently announced that AtkinsRéalis has been named as a supplier on a major U.K. government framework to support the design, delivery and optimization of major infrastructure and building programs. We anticipate this work will occur over the next four years, focused on the defence and nuclear sectors. This selection reflects our ability to deliver complex programs and our depth of experience across multiple sectors underlying our position as a true end-to-end engineering services provider.

Lastly, in Ireland, our acquisition of TOBIN, which has approximately 200 professionals is a major milestone expanding our regional business to more than 700 employees and reinforcing our position in one of Europe's fastest-growing infrastructure markets.

In the USLA region, second quarter revenue was $529 million, up 3% year-over-year, but down 2% organically. Underlying performance in the quarter reflected sustained strength in transportation, offset by client delays in awarding and executing longer-term framework agreements and reduced levels of emergency response work.

Backlog increased 12% year-over-year to a new record high of $2 billion, showing continued momentum and healthy client demand across our end markets. The timelines from procurement award to actual work order releases are improving, although timelines remain longer than in prior periods. However, continued backlog growth gives us confidence in achieving our revenue growth outlook despite these challenges.

Transportation continues to be a particular source of strength in the region, especially in highways, power & renewables, rail and transit. Beyond these growth vectors, we're seeing opportunities to continue to develop across buildings & places, industrial, water, minerals & metals. Our focus on growing in these markets is working as our pipeline continues to build.

Segment Adjusted EBITDA was $60 million, representing an operating margin of 14.5% compared with 13.7% in prior year. On a year-over-year basis, margins continue to be impacted by reduced emergency response work, which was strong in the second quarter of 2025.

I'd also like to welcome Byron Bright, our new President in the U.S., who brings significant experience in engineering and construction management industry in the U.S. I'd like to also thank Steve Morriss, who will be retiring at the end of the year. The USLA business has grown and strengthened significantly over the last five years under his leadership.

In AMEA, revenue was $287 million in the quarter, down 7% year-over-year, 12% on an organic basis, primarily reflecting lower revenue on major buildings & places projects in the Middle East with the conflict in the region being a contributing factor. This was partially offset by higher revenue in Asia and Australia.

Segment Adjusted EBITDA was $26 million, representing a 14% margin on net revenue compared with 16% in the prior period. The decline was primarily driven by a less favorable business mix in the Middle East, including the reprioritization of certain higher-margin building & places projects.

Despite the recent revenue decline in the Middle East, the market is showing some signs of resilience as demonstrated by AMEA's backlog growth of 27% in the quarter to a new record high. This included key wins for projects in mainly the transportation end market.

In Asia, we continue to see higher volume in the transportation market, particularly in Hong Kong, where the Northern Metropolis development and related projects such as the Northern Link are expected to support demand into 2027.

In Australia, market activity is picking up in power as evidenced by a hydro project in Queensland that recently received government funding and approval. Our global expertise in transportation and infrastructure work is leading to opportunities in other markets such as highway redevelopment work.

Additionally, the recently announced WGA and Coras acquisitions, which we expect to close this quarter, will further strengthen our platform and enhance our ability to capture opportunities across multiple sectors.

I'd like to now move to Slide 9 and discuss our second quarter results for our Nuclear business.

The business continues to demonstrate exceptional growth, achieving an organic revenue increase of 18% compared to the second quarter of 2025. Growth this quarter was mainly driven by higher volumes from life extension projects in our CANDU business.

Operating margins continue to be strong and within our 2026 outlook target range.

Backlog totaled $4.2 billion, down 25% from June 30, '25, primarily reflecting continued progress on the ongoing projects, particularly the OPG Pickering life extension project. We see this reduction in backlog as only being one of timing before additional phases of projects under contract are expected to be realized over the next few quarters.

On Slide 10, we highlight some achievements across Nuclear CANDU and Services portfolios.

In our CANDU business, we're making strong progress on the Ontario and Cernavoda life extension projects.

In the U.S., we are focused on expanding our operational footprint to position CANDU as a proven large-scale nuclear solution that enhances U.S. energy security using natural uranium. In June, we formally launched the licensing process for CANDU technology, supporting our ambition to provide the U.S. with reliable, affordable, safe, large-scale nuclear power.

In Services, in the U.K., we signed a new five-year framework agreement to remain the civil design works partner for Sizewell C, building on our long-standing involvement in the project and leveraging the experience gained from our work at Hinkley Point C.

In the U.S., we signed a 20-year agreement for engineering services with First American Nuclear, where we will serve as the exclusive engineering, procurement and construction management provider for their small modular reactor projects across North America.

Through it all, we continue to invest in the development of our new CANDU Monark gigawatt reactor alongside key clients.

Turning to Slide 11. You can see our pictorial reminder of these near-term CANDU revenue opportunities within our Nuclear business. We have now been working hard to bolster our backlog with high-quality wins, which reinforces the bright future we have ahead.

Additionally, Canada's recently published National Energy Strategy highlights the focus on expanding nuclear power as a core pillar of the energy security and decarbonization. Importantly, this strategy reinforces Canada's homegrown nuclear technology and supply chain directly supporting our core CANDU business.

We anticipate this increased investment will drive a larger, more visible pipeline of domestic nuclear projects, and we are well positioned to capture that opportunity.

Outside of Canada, I continue to meet with global ministers and leaders to discuss the importance of energy security for the future. The common thread is strong momentum behind nuclear as a clean and secure energy solution. These conversations, coupled with the recent announcement by our home government makes us even more excited about the long-term growth trajectory of our Nuclear business.

With that, I'll now turn it over to Jeff to discuss our financial results.

Jeff Bell^ Thank you, Ian, and good morning, everyone.

As Ian said, Q2 was a strong quarter, delivering year-over-year increases in revenue, Adjusted EBITDA and Adjusted diluted EPS. We also have a strong balance sheet with significant financial flexibility and a solid backlog.

Turning to Slide 13. Total revenues in the quarter increased 10% year-over-year to $3 billion, driven by both Engineering Services and Nuclear. Total Segment Adjusted EBIT also increased by 10%, driven by an increase of 12% in Engineering Services and 21% in Nuclear.

Total corporate SG&A expenses totaled $28 million in the quarter, a 24% improvement compared to the second quarter of last year, mainly due to certain revised estimates on long-term employee incentives.

Net financial expenses for the quarter totaled $31 million. This amount included a loss on extinguishment of debt of approximately $17 million for redeeming earlier than the maturity date two higher interest-bearing debenture series that were coming due in June this year and in March 2029. Excluding this one-off charge, which we adjusted out for our Adjusted EPS calculation, the net financial expenses were significantly lower, mainly due to a lower level of debt and higher cash balances.

As expected, the Company's effective tax rate of 28.5% this quarter was similar to Q1 and closer to the Company's Canadian statutory income tax rate.

The IFRS diluted EPS this quarter was $0.59 compared to $13.32 in Q2 2025, which included a $12.86 earnings per share gain on the disposal of the Company's remaining interest in Highway 407.

The Adjusted EPS, which we believe is a better reflection of the Company's underlying performance, increased 20% to $0.97 per diluted share, compared to $0.81 in the second quarter last year.

Let's now move to Slide 14 and cash flow, capital resources and liquidity.

Net cash generated from operating activities significantly improved this quarter compared to Q2 last year, totaling $84 million. This was mainly driven by a strong Adjusted EBITDA delivery and a lower working capital position usage. We continue to expect to generate approximately $500 million of net cash from operating activities for the full year of 2026.

As you can see on the slide, we also took advantage during the quarter of a pullback in our share price and continue to deploy capital to the benefit of our shareholders, repurchasing approximately 2.8 million of our shares for more than $240 million at an average price of approximately $87. We see significant opportunities for future value creation and believe that buying back shares will ultimately be significantly value accretive to our shareholders.

With our net debt ratio well below our 1x to 2x target ratio, we would expect to continue to deploy capital going forward to both share buybacks and select bolt-on acquisitions to fill in capability and regional white space.

And finally, turning to my final slide, Slide 15, and our 2026 outlook.

With the strong Nuclear revenue delivered year-to-date and our increased visibility into the remaining of the year, we are raising our Nuclear revenue outlook to approximately $2.7 billion for the full year 2026 from the previous amount of approximately $2.5 billion.

We are maintaining our 2026 Engineering Services Regions' organic growth outlook, although as the ongoing conflict in the Middle East is having some impact on our AMEA region, we believe the growth for the Engineering Services Regions overall will be more towards the 5% end of our range.

All our other financial outlook metrics for the full year for 2026 remain as originally stated.

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

Ian Edwards^ Yes. Thanks, Jeff.

Following a quarter of record Adjusted EBITDA and Engineering Services backlog, we're clearly excited for the future. This is especially true for our Nuclear program. Canada recently reaffirmed Nuclear as a cornerstone of its long-term energy strategy, recognizing the importance of the homegrown CANDU technology in supporting the country's future energy security and economic growth.

At the same time, we're taking important steps to expand CANDU internationally. In the U.S., we've formally begun the licensing process to position this proven technology as a reliable large-scale solution to meet the country's growing demand for safe, secure and affordable electricity.

Together with our ongoing life extension projects and our expanding service businesses, these developments further strengthen our confidence in the long-term growth opportunities for our Nuclear business across the globe.

Beyond Nuclear, we see attractive opportunities developing across our Engineering Services business. Demand remains strong across many of the infrastructure, transportation, power, defence and water markets we serve. This demand, combined with our integrated capabilities, value-focused capital allocation strategy and continued investment in technology, operational excellence, positions us well to capture that growth.

Our recent acquisitions are another example of that strategy in action. They strengthen our local presence and client relationships, deepen our technical capabilities and expand our ability to serve clients in attractive high-growth markets while creating additional opportunities to leverage the breadth of AtkinsRéalis across our global platform.

As we look ahead, we remain focused on executing our Delivering Excellence and Driving Growth strategy. Our record engineering backlog diversified portfolio and strong balance sheet provide confidence in our ability to continue delivering sustainable, profitable growth over the long term.

And finally, I'd like to thank our more than 41,000 colleagues around the world. Their commitment to our clients and dedication to delivering complex projects safely and successfully is what makes our performance possible.

With that, let's open it up for questions.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Will now begin with our first question from Tomo Sano from JPMorgan.

Tomohiko Sano^ Congrats on the quarter. On U.S. CANDU, now that you've formally commenced the NRC license process, could you share two to three key milestones over the next 12 to 18 months that we can track and the single biggest critical path items for the extent you can disclose?

Ian Edwards^ Yes. I mean the licensing process itself is under the NRC's new licensing program called Part 53, which is a new initiative for new technologies in the U.S. to try and get them through an accelerated approval process. That accelerated process aims to give licensing within 18 months. So it's a defined period, which is really good news.

The pre-approval process, which is mainly consultation was actually quite an important milestone before we formally made the application because clearly, we didn't want to do this if it's not -- if there's any sort of red flags on the approval of the technology itself.

But because the regulator, NRC, and our own regulator in Canada are pretty close in how they approach this, we've got a high degree of confidence, there's no major red flags and the approval process should go relatively smoothly through the 18 months.

So specific milestones along that journey are pretty incremental and progressive. So I won't call out anything there. I think because we're kind of past the major one in terms of getting that formal licensing in.

But what I would say, in addition to that, is that we are now engaged pretty strongly with hyperscalers across the United States, and we're starting to engage with utilities and states that have put nuclear power into their energy policies. And the opportunity and the scale of demand is incredible.

The desperate need that hyperscalers have for electrical energy is the constraint to deploying AI. The data centers that are being built right now are struggling for electrical energy to the point that they're producing electrical energy with diesel generators in some cases, and you will see deals being done behind the meter with gas-fired power plants.

Our ambition is to do this through nuclear-powered data centers. And there is a strong interest in doing that. And with the work that we're doing with NVIDIA to create an engineering solution to actually put that on the table as a solution using our EC6 reactor, which is a tried and tested reactor, which we've built in a good time scale and proven out that technology, and its efficiency is becoming a very attractive proposition across hyperscalers in the U.S.

Now from a utility and a commercial power perspective, it's also a tried and tested product that is beginning to attract attention. Clearly, the issue in deploying the amount of electrical energy the U.S. needs is demand and capacity to meet that demand. So I don't see any barriers as a CANDU Canadian business because the demand will outstrip the capacity of the industry by a long way. So it's a pretty exciting time for us.

Operator^ Next question today is from Chris Murray from ATB Cormark Capital Markets.

Chris Murray^ I guess a couple of things about the Canadian market. You did allude to the fact that there's a fairly large group of potential defence projects that are out there. Can you maybe walk through where it is you think that you see some opportunities and perhaps if there's any magnitude or scale that you could attach to them, that would be helpful.

Ian Edwards^ In defence, particularly, Chris, yes?

Chris Murray^ Yes. You're talking about that $35 billion of perhaps available market.

Ian Edwards^ Yes. I'm actually fresh from the Farnborough Air Show in the U.K., which is an aviation and defence air show, which was heavily attended by Canadian customers and the government.

So in the U.K., we have almost all of our defence capability. And currently, of our revenues as a whole, defence makes up 6%. So -- but all that capability right now is primarily in the U.K.

What we do is all the physical infrastructure that supports assets, whether they're planes, ships, submarines, we model the design and project manage the delivery of those assets. And every time there's a new asset, the maintenance facilities, the dockyard and the facilities where they're stored have to change to suit that asset because the assets are obviously often nuclear powered or they're complex assets that have different requirements.

In addition to that, in the U.K., we're heavily involved in intelligence work and cybersecurity, which is obviously highly classified.

What we see in Canada is exactly that and positioning ourselves to do exactly that. I mean, we're talking about bases in the north, new barracks, new build-out for radar systems, new shipyards across the country for submarines and the deployment of new ships. And we're also obviously for the new fighter fleet of aircraft.

So the routes to procurement are twofold. They sometimes come through the OEM, which in the case of submarines would be TKMS, or they're often procured directly from the federal government.

So as that evolves and those things become clear, we'll position ourselves with relevant construction companies to obviously win that work. And we see that as obviously a growth engine for the company because we see exactly those opportunities in Australia as well, exactly the same. And the strategy is exactly the same in Australia. And that's why we bought those three companies, one of which is a defence company.

Chris Murray^ Okay. That's helpful. And then just my follow-up, just one quick question. I mean, can you talk a little bit about the margin improvement opportunities or what you're thinking about in the U.S. market? We've certainly seen it maybe a little bit of improvement, but still trailing in both the U.K. and Canada. Just, what's left to do to maybe get that margin back up to the corporate average and more towards the longer-term targets?

Ian Edwards^ Jeff, why don't you take that?

Jeff Bell^ Yes. No, happy to. And there's two or three levers there, Chris, that we've been working on and continue to work on.

One is around continued productivity and utilization improvements, and we see opportunities to continue to drive that forward. And that has -- that can have a material impact.

I think the second thing, and it ties into our Land and Expand strategy and desire to continue to deploy capital in the U.S., there is a fixed element of overhead within Engineering Services businesses. And the U.S. is the one business of our main markets where proportionately compared to a lot of our peers, we're significantly smaller. So continuing to grow that business will also help create leverage through the income statement and help our margins.

And I think the sort of the third area is we're continuing to see good opportunities to leverage our Global Technology Center as a way of continuing to also drive improved margins, and that continues to improve year-by-year. So we do see a real path to ultimately getting that business into our overall margin target level.

Operator^ We'll now take the next question. This is from Sabahat Khan from RBC Capital Markets.

Unidentified Participant^ This is Bhaven on for Sabahat. My question was more towards the engineering business and how it's evolving in Europe and the Middle East. If you can just give us a little bit more color on those markets?

Ian Edwards^ Yes. In particular, the Middle East. I mean, obviously, there's a couple of things that are happening there. I mean, last year, there was a fairly significant reprioritization in the KSA, in Saudi Arabia, by government projects. And obviously, a couple of projects that we were on, such as NEOM, were kind of significantly reduced in volume. So that's kind of affecting our business this year.

We, also whilst we're prioritizing in the Middle East the safety of our people, we're actually being able to execute. So from a combination of working at home and kind of working on the jobs, we are able to execute.

So that's not having a real significant impact now. Clearly, there's been some impact.

I think the story going forward is, we are definitely seeing in the United Arab Emirates a diversifying market ahead where there are a lot more transport jobs.

So traditionally, our business in the Middle East recently has been the buildings & places business. But actually, historically, going back a few years, we had a lot of transport work. So seeing more opportunities in transport, which is making us optimistic.

However, we really -- we can't really say what the impact of this crisis is going to be in the short term. So whether we see a reduction in pipeline from private sector work, we'll have to monitor that and see.

I mean, right now, our backlog is up. So that gives us reason for sort of cautious optimism. It's really -- we've got to observe it. We got to look after our people.

But long term, KSA is a great place to do business. The Emirates is a great place to do business. So really long term, we're pretty committed to the market still.

Operator^ Next question today is from Devin Dodge from BMO Capital Markets.

Devin Dodge^ Again, just wondering if you're still expecting an update from the Canadian regulator related to Monark in Q3? And can you talk about what that update will cover and if it will be communicated publicly?

Ian Edwards^ So we're working very hard with the regulator. It's an iterative process. I mean, obviously, we've done the formal application some time ago. We're working through the kind of components of the new regulations.

If you remember, the Monark is really based on a tried and tested reactor from Darlington. We're uprating that, but it's not a first of a kind. I think that's really important both to customers and to the regulator, that there's four reactors that have been in place for 40 years that have performed very well and have just been relicensed. So those are kind of key things that give us confidence.

We have to work through several submissions of calculations, submissions of proof of safety cases. We're doing that. We've got about 350 people or so working on this, engineers and suppliers and partners in this process.

The key milestone, which is towards the end of Q3 is to get the first formal read of the acceptance of the safety case, the base safety case of the product. We are working hard to achieve that.

I see that as a very key milestone for technology selection from Ontario for the two power utilities in Ontario. And without that, it would be unreasonable for us to force this to a decision. But we are confident we're going to get there.

And given we get there, then we're pushing very hard to say what else do you need? Let's select this technology. And then we can make sure that the investment that is needed for the long-term deployment of the CANDU Monark in Canada can be made by us, but also by our supply chain and the universities and workers' unions and so that the whole industry can build its capacity from what is about 100,000 people today to what we believe is going to be 300,000 in Ontario to actually fuel that economic development, fuel the jobs needs.

So there's a lot of compelling reasons why this needs to get done. But it really starts with us, and we're working hard to deliver that.

Devin Dodge^ Okay. Good color. Just my follow-up, are you -- I think you mentioned last quarter, a couple of quarters, you've been pushing for technology selection potentially by the end of 2026. We've seen some data put forth by the client that will suggest technology selection maybe not until 2027 or even early 2028. Just wondering how we should be thinking how do we reconcile that gap?

Ian Edwards^ Yes, yes. Yes. No, fully aware of that. And it's one of the customers that you're referring to, which did an investor presentation around it. I'm fully aware of that. And we have had very detailed discussions around that.

Frankly, it's on us as AtkinsRéalis to make sure that, that utility has got the information they need as a company - which is not a public utility, it's a privately owned utility - it's on us to make sure they've got the information so they can make the decision.

The decision is really important for Canada, Ontario in terms of economic growth. And I think that's highly understood by all the stakeholders. But we have to satisfy their needs in order that they can make that decision. And the regulatory environment is one of them and obviously, costs is the other one. So we're working very closely with them to get into a position where I believe that's possible earlier than what they discussed.

But I understand why they said it. And I understand why the perspective could be there. But I believe it's going to be sooner than that.

Well, let me put it this way. I am pushing to get it sooner than that.

Operator^ Next question is from Krista Friesen from CIBC.

Krista Friesen^ Maybe just on the M&A front, you've obviously been active there. But previously, you've messaged that by the end of this year, you might consider looking at maybe a little bit larger acquisitions. Is that something you're still contemplating? And given the current environment, would you -- do you still feel comfortable with pursuing something a bit bigger?

Ian Edwards^ Yes. I mean, so our strategy for, say, medium and long-term benefit of the business is to continue to do the Land and Expand tuck-in type acquisitions. They're helping to expand our footprint in high-growth regions and markets, kind of adding to what we already do or building a platform as we have done in Australia.

This is really important for the U.S. as well because whilst there's been a couple of headwinds in the U.S., I mean, particularly no disaster work this year. I mean that's a good thing because there was no disasters. But from a revenue perspective, that's hit us. And there's been some states that have had issues, should I say, in releasing work, but we're seeing, obviously, with the backlog increase that coming up. The U.S. is still a primary target for us to build out our transportation, water municipality businesses into more states. So that's a Land and Expand strategy.

Moving forward into the future, we still believe that a larger acquisition, particularly in the United States, would give us a larger footprint, a business with more scale, which obviously will give us more synergies from a -- not just from a revenue growth perspective, but synergies from a cost perspective across the country. And it gives us a bit more brand presence across the country as we build out from our current position of number 16 into the single digits, which is our ambition and desire.

I mean, obviously, we have to be mindful of the valuation of the industry and where that's gone to. And clearly, we would expect to see that in values of acquisitions as well as values of the industry. So we're not going to sort of, if you like, invest in something that's not really accretive to the medium and long term of the business. But that's where we're at right now.

So you may see something. You won't see this year of any scale. You may see it towards the end of next year, but we're on Land and Expand until then.

Krista Friesen^ I appreciate the color there. And then just a follow-up on the previous question on Nuclear. How are you feeling about the supply chain that you're establishing for the Monark and any changes or issues as you think about the cost relative to what you've messaged previously?

Ian Edwards^ Yes. I mean, to my view, in the Nuclear industry, -- and I have a good vantage point of the nuclear industry as a Board member of the World Nuclear Association. So I can see what's happening across the globe.

My own view is that the capacity of businesses like AtkinsRéalis to deploy nuclear will be the constraint to growth. The demand is going to be there. There's no doubt that the world is moving to nuclear power. There's no doubt the hyperscalers need nuclear power to generate their AI data factories and centers. So capacity is everything.

We are lucky as AtkinsRéalis because we've been on a 10-year build program to rebuild reactors. So we've built a supply chain of 100,000 people, and we've built a nuclear-specific capability of 7,000 professionals. That's going to have to double, triple significantly.

And we have got plans in place for how the investments need to be made in Canada in order to do that, not necessarily always from Canadian companies, but we are working with large organizations internationally so that when those supply chains need to increase, they will invest in Canada to increase those manufacturing capabilities.

We're also working with universities across Canada and now internationally to increase nuclear professional output from the universities. And we're into retraining. I mean we've had to retrain 3,000 to 4,000 of our engineers from our general business of 41,000 professionals into the Nuclear business.

And that's another point of advantage for AtkinsRéalis. We're not just a nuclear company. We're a global engineering company with 41,000 professionals. So we've got scale is what I'm trying to say.

And obviously, we've got to bring supply chain along with us. And obviously, supply chain, they’re not going to invest until they've got certainty. And that's why it's so important to get these decisions in place so the industry can invest.

But I see Canada having an advantage here, and I see AtkinsRéalis as having an advantage.

Operator^ Next question today is from Michael Tupholme from TD Cowen.

Michael Tupholme^ Ian, you talked about earlier a little bit about the U.S. Latin America organic growth performance, and you did call out in your release lower emergency response work and also talked about timelines between award and work execution sort of being a bit of a factor. I guess I'm just trying to understand how you think about this USLA business from an organic growth perspective in the second half. You did mention that backlog is looking better as well. So how do you see that progressing?

Ian Edwards^ Yes. I mean thanks for the question.

I mean backlog is up 12%. So that's a good sign. Pipeline development through the end of this year and into next year is actually looking strong.

And it's not a very clear picture across the U.S. I don't think there's a common threat. I think, obviously, funding is important and some states have good funding and are deploying as usual. Some states are -- it's almost like a lack of confidence, not a lack of funds and whether they start larger programs, they're going to get funding all the way through to the end of those programs. Clearly, the IIJA and how that is reconstituted into another funding model is important. But that looks like it's going to be replaced by another funding model.

And particularly for our business, where year-on-year, we've taken a lot of disaster relief work. And as I said, there's been no disasters. So there's no disaster relief work, which is a good thing.

But I think when we think about all those things together and we think about our size currently in the U.S., we have a long way to go. I mean we've got 6,500 people. Our peers are 20,000 to 30,000. And I think for AtkinsRéalis, it's a good growth market, and it's a market that we're going to see a lot of potential from an Engineering Services perspective.

So very committed to the market. I think we're seeing an end to some of this lack of confidence, I would call it. And I think we're seeing some projects now flowing even from the states that have kind of held back a bit. And the 12% backlog, I think, is a good sign.

And Jeff, I don't know if you'd add anything.

Jeff Bell^ No, I think Ian absolutely covered it all.

Michael Tupholme^ Okay. Maybe just one quick follow-on here. Sort of two parts to it. I guess, one, I don't know if you're prepared to add on to what you just said, ut just to set expectations, should we be looking for organic growth to turn back positive in Q3 or Q4 for USLA?

And then just further to that, I think you mentioned earlier that for the full year, looking to be closer to the 5% lower end of your organic growth range for the full ESR segment for the year. Is that more a function of how USLA is performing? Or is that more on the AMEA side, just to understand there.

Jeff Bell^ Yes. Why don't -- it's Jeff, Michael. Why don't I take those two.

So I think on the first question, yes, we would expect, in referencing Ian's point about, for instance, the 12% backlog growth, we would expect to see the U.S. in positive growth territory in the second half of the year, maybe a bit more weighted as it sometimes is historically to Q4 than Q3, but we definitely see or would expect at this point, positive growth in the second half of the year.

I think when we look at the sort of full year, yes, the USLA plays into that. But I think we would absolutely highlight the AMEA region and the Middle East.

The business, as Ian has said, is doing a fantastic job of keeping people safe and delivering work despite the conflict that's going on. But there's no question that is having some impact. And I think realistically, that probably continues to have some impact into the second half year. We'll have to see how things play out.

But that's the driver of being towards that 5% end of our range, I think.

Operator^ And the next question today is from Maxim Sytchev from NBCCM.

Maxim Sytchev^ Most questions have been asked, but maybe one for Jeff, if I may, around working capital trends. I mean, obviously, you're telegraphing $500 million in OCF in 2027. But given the fact that right now, you cycle through sort of all the LSTK noise, how should we think on a prospective basis around the intensity of that line item on a prospective basis? And like I realize like you don't want to give guidance on 2027, but anything maybe you can help us frame that would be helpful.

Jeff Bell^ Yes. No, I think so. I mean I think what I would say, Max, is that we're obviously trending well here in 2026, certainly gives us a lot of confidence in year-on-year improvement in our cash flow here this year and the guidance that we've put out there.

I think as we move out into 2027, I think we will, as we've signaled and commented on before, see clearly less of a drag or very little drag from the LSTK Projects with Eglinton now being in operation, settling out the final accounts there. It's great.

That leaves us very little into 2027. And I think we continue to work hard on our working capital initiatives such that as we get out into 2027, very much focused on our Investor Day guidance of 80% to 90% cash flow conversion to net income. So we see ourselves very much on a trajectory for that, Max.

Maxim Sytchev^ Okay. And there's nothing in the Nuclear division that will kind of require you prefunding things, right?

Jeff Bell^ No. We work very hard in that part of the business to make sure that, for instance, there's advances or other cash flow elements that, by and large, ensure that we're not working off our balance sheet for customers, that we're working off theirs.

Now that does move around a bit for sure. Some quarters, we get higher advances in or years where we get more advances in and then we're working that off over subsequent periods, which can, in the short to medium term, move around our working capital and our cash flow delivery. But I don't see anything systemic on that, Max.

And to the extent that any of that was going to impact us in 2027, we'd comment on that in the first quarter next year when we set our guidance for '27.

Operator^ And the next question today is from Ian Gillies from Stifel.

Ian Gillies^ Ian, you had mentioned earlier related to nuclear, customers trying to get clarity on costs and working towards that. Can you maybe just talk a little bit more about where they may be at on getting clarity on costs and how that evolves over time just because it will have a pretty material impact on how we think about potential backlog additions and the like.

Ian Edwards^ Yes. I mean, obviously, I don't want to get into specific numbers. But the way that kind of works in terms of the progressive accuracy of those costs is that we clearly have an estimate of, say, a Monark or an estimate of an EC6. And then we build that estimate based on specific site conditions and site requirements because every site is different in terms of bringing water in, taking water out for cooling, seismic requirements because of the particular geology and things like that. So we're in the process, obviously, of building those estimates for the Ontario projects, but they're to a certain level of accuracy.

And then, over the FEED or the design development phase lead into an executable project, which in the case of those Ontario projects will be in the range of about three years, then you work through various classes of estimates. And it's -- this is a well-defined kind of definition process in the industry. We work through different classes of estimates until you get to a financial close where you have an absolute accurate fix on the estimate.

So for context, I guess, without accuracy, we believe that both the CANDU EC6 and the Monark is a very competitive product against other nuclear technologies. And we believe it's a competitive product against renewables.

Operator^ And we have one more question coming through. This is from Benoit Poirier from Desjardins.

Benoit Poirier^ Just to come back on Nuclear. Obviously, you increased the guidance for 2026 on the back of the results so far. What does it involve in terms of 2027? How should we be thinking in terms of potential additional revenue growth that we might see for Nuclear for 2027?

Jeff Bell^ Yes. Maybe I'll take that, Benoit, it's Jeff.

You're absolutely right. Great to see the business continuing to kind of forge ahead and grow. As we've said previously, we raised our 2027 guidance to $2.6 billion to $3 billion. I think we continue to see the business growing into 2027. Obviously, by definition, therefore, we're aiming more at the top end of that -- the top half of that $2.6 billion to $3 billion range. But there's still a lot of projects and there's a lot of work going on across refurbishments, new builds, even the servicing business across all of Nuclear.

So it's a bit early to be able to give more further guidance on that in 2027. We'll do that at the beginning of next year. But what I would say is we would continue to see growth. And therefore, I think we're going to be in the -- certainly in the top part or the top half of that range we've already set out.

Benoit Poirier^ Okay. That's great. And just in terms of M&A, could you maybe provide an update on your pipeline and share some thoughts about whether we've seen a change in sellers' expectation?

Ian Edwards^ So pipeline is strong. The U.S., as I've said before, is kind of a fragmented market with a lot of state scale players. So it's a good market for us to work in.

Our kind of methodical approach and guidelines that we're putting in place is obviously prioritizing quality over speed. We would hope to continue this Land and Expand strategy with tuck-ins. There's numerous targets that I'm engaged with personally that we are very interested in.

I mean there's always the kind of competition with private equity, but I think we have a unique kind of value proposition to the businesses because we're not a business at scale coast-to-coast in the U.S. So if we acquire a business with, say, 1,000 people in it and it's in a state, it becomes our business in that state or if it's attached to a specific end market, then it becomes kind of that business.

So I think our value proposition is good. I think the pipeline is good. I do think the aspiration around multiples is coming down, yet to see that through transactions, frankly. But I think there's a recognition that the industry has been rerated somewhat.

So yes, I would expect to see in the next couple of quarters, three quarters, more things happening. We're very kind of fixed on this still.

Benoit Poirier^ Okay. That's great. And maybe just a quick one to finish up. In terms of Global Technology Center, how many employees would you be having right now?

Ian Edwards^ Yes, it's doing well. Really pleased to say that we broke the 5,000 barrier very recently. So we're getting good traction across our businesses, always been really well utilized in the U.K. and the Middle East. But now we're getting better utilization in Nuclear. We're getting better utilization in Canada and U.S. So we do see this as a competitive advantage.

I mean, obviously, our technology center is at real scale, which helps from an attraction of talent and a retention of talent. We don't think of it as like a back-office service. We think of it as an important capability that has a lot of differentiated technology capabilities that we leverage in our business across the world.

But that's grown. I think a year ago, it was about 4,000, maybe a little over 4,000. So we've got good growth from it. And the way that we're doing this, which is kind of successful is getting them involved at the very inception and bidding and then working through the whole project life cycle. So we're very pleased with it.

Operator^ And there are no further questions. I will now hand the call back to Denis for any closing comments.

Denis Jasmin^ Thank you very much, everyone, for joining us today. As usual, if you have any further questions, please don't hesitate to contact me directly. Thank you very much, everyone, and have a good day.

Operator^ Thank you. This concludes today's conference call. Thank you for participating, and you may now disconnect.