Good day, and welcome to the ARCADIS Q1 2014 Trading Update Conference Call. Today's conference is being recorded.

At this time, I would like to turn the conference over to Mr. Joost Slooten. Please go ahead, sir.

Thank you. My name is Joost Slooten. And I'm the Director of Investor Relations for ARCADIS. I'd like to welcome you to this ARCADIS conference call and webcast. We are here to discuss the company's first quarter 2014 trading update, which was released this morning.

With us on the call today are Neil McArthur, Chief Executive Officer; and Renier Vree, Chief Financial Officer.

The PowerPoint presentation that is used today is available through the Investors section of the ARCADIS website, which the address is www.arcadis.com/investors. Again, the address is www.arcadis.com/investors.

Just a few words about procedures before we start. We will begin with formal remarks and we'd like to call your attention to the fact that in today's session, management may reiterate forward-looking statements which were made in the press release. We'd like to call your attention to the risks related to these statements, which are more fully described in the press release and on the company's website.

With these formalities out of the way, Neil, please begin.

Thank you, Joost, and turning now to Page 4. And we're pleased to report a good start to 2014. Organic gross revenue growth of 1% and net revenue organic growth of 2%. And despite about a minus 5% currency effect, operating EBITA was up 3% to EUR44.2 million. Our operating margin expanded again to 9.6% from 9.2% in the first quarter 2013. In Europe, our ONEurope program, the operating margin again improved quarter-on-quarter to 8.1%, and we're well on schedule to meet our 10% margin target for the fourth quarter in 2014.

Versus last year, free cash flow is up quite significantly driven by lower working capital. Our backlog has improved 6% organically during the quarter, and we're outlookting for the rest of the year, an expectation to increase both revenues and net income from operations during 2014.
Turning now to Page 5, a number of strategic highlights during our first quarter. An acquisition in early March of inProjects to strengthen our presence in buildings and project management in Asia. Continental Europe, as I said, our margin has continued to improve to 8.1% with stable revenues. And then we talked about investing in 2014 for organic growth as part of our sustainable growth performance collaboration strategy over the three-year period, and we’ve invested significantly with senior positions aligned with our strategy.

We’ve now put in place nine of our city executives as part of our big urban clients programs so we now have city executives appointed in Los Angeles, Chicago and New York, across the U.S.; at London and Amsterdam/Rotterdam in Europe; Doha in the Middle East; and then Kuala Lumpur, Singapore and Shanghai in Asia.

We’ve also appointed 18 core value proposition leaders who are charged with driving organic growth in our core value propositions within our four global business lines, and we’ve appointed 6 global market sector leaders who are charged with driving our multinational client program in those four global market sectors.

If we then move to Slide number 6, our leadership priorities are clearly aligned with our strategy for the next three years. First and foremost, completing the ONEurope transformation, and as I said, we’re confident we’re on track to deliver the 10% operating margin in the fourth quarter of this year. We’re investing, as you just saw, for increased organic growth, both in expanding the core and in running the focused growth on the seven priorities.

We’re driving performance excellence in a culture of continuous improvement to raise margins and cash flow and you have seen with the highlights financially that we’ve made an improvement on both in this first quarter. And then we’re continuing to focus on mergers and acquisitions around expanding our core and the seven priority growth initiatives.

And with that, I’d like to hand it over to Renier Vree, our CFO, to take you through the results of the first quarter in some more detail. Renier?

Renier Vree - Arcadis NV - CFO

Yes. Thank you, Neil. Let me turn to Page number 8, where you see the track record of 13 quarters of organic net revenue development. And here, the 2% of Q1 2014 compares favorably to how we ended last year as well as a favorable development compared to the same quarter in 2013.

Moving onto the next page with the summary of the abbreviated P&L. Gross revenue and net revenue are both lower than last year in the first quarter, but here the currency impact was significant, which was minus 4% for both, and there was a positive 1% acquisition impact, which relates to the acquisition in Canada of SENES, as well as inProjects in March of this year.

EBITA improved by EUR2 million. Of that, EUR900,000 came from lower restructuring charges, EUR2.2 million this year compared to EUR3.1 million last year, and we spent EUR300,000 around acquisitions that took place, which leaves EUR1.4 million of improvement in operating EBITA.

And on the next page, you see how the operating EBITA developed in comparing this quarter with last year. There’s the currency impact, which was in terms of EBITA, 5% and the most significant impact was the fact that the euro strengthened significantly against the Brazilian reals, as well as against the U.S. dollar.

The acquisition impact was negative, which was a loss in SENES in Canada, which had to do with the environmental activities were due to the severe winter weather, not enough people could be made available during the quarter.

And then the organic development was a plus of EUR4 million, most significantly driven by Continental Europe, but also the emerging markets did well, and then reduced somewhat by developments in North America.

[Turning] now to Page 11 where you see the last nine quarters of operating EBITA and the 9.6% that we have delivered in 2014 is the strongest first quarter we have had in four years.
Moving on then to cash flow on the next page. You may remember that last year, the Easter weekend coincided with the end of the quarter, which had a significant negative impact on net working capital, on cash flow and on net debt. But this year, the quarter end was normal but we also benefited from the focus we have on our receivables and therefore, net working capital reduced, so 2% lower than last year and in line with 2012.

The cash flow was up. Actually, the free cash flow this quarter was the highest in five years and our net debt was also much lower than where it was last year.

Let me talk a bit more in detail about the developments of the business lines, starting with infrastructure. Then now on Slide number 15. In infrastructure, which makes it 25% of our revenues, the revenue development was essentially flat. We saw growth in North America and that was related to intelligent traffic management systems, as well as good developments in freight rail.

In Brazil, there’s a decline in the mining sector but that’s more than compensated by the developments of the public infrastructure works, like the airport project in Sao Paulo.

In Chile, we witnessed a decline of the market, because of the much reduced investment that took place there around the copper industry. While in Continental Europe, revenues were flat and that’s after quite some years of decline of revenues.

And in the U.K., our market conditions are improving, and not just in London, but also, outside London, we saw positive development.

I’d like to call out two recent wins we had in infrastructure, which we issued a press release on the first one, which is in Sao Luis in northeastern Brazil. They have two very significant projects that are worth EUR37 million for us for -- in a period of two years on the project management and program management that takes place there. But also, in the Netherlands, we saw an increase in our bookings and infrastructure and here, we won work around highway design, but also additional work around the North-South metro line in Amsterdam.

Then moving on to the Water division. On Page 17, you see here that Water returned to low growth and Water makes it 15% of our revenues. We did see a significant growth in Latin America, which was supported by the recent acquisitions, ETEP in Brazil, as well as Geohidrologia in Chile. While in Continental Europe and North America, revenues were slightly down, which reflects the still slow public spending in the Water sector.

Recent wins are the Sao Francisco River Integration Project, a very significant project where we will have $35 million of revenue over the next 2.5 years in terms of activities. And as part of the AMP 6 program in the U.K., EC Harris won an extension of the Welsh Water framework contract. And also in the Netherlands, we won the work for a wastewater treatment plant in Utrecht. We developed the first wastewater treatment facility project in the Netherlands, because before, we were not active in that segment.

And on to Environment on Slide 19. We -- Environment making up 30% of our revenues. Here we posted a decline in our revenues. We did see a competitive market situation in North America and it still has to do with the shutdown of the Federal Government in the third -- in the fourth quarter of last year, which impacted the overall market, and also so many of our competitors taking a much more active look into the private sector business where we are typically most active. And also, the worst winter weather in many, many years had an impact on our revenue development.

In Brazil, we have a good increase in environmental activities helped by the investments, by companies and the government [mix] in capital investments as well as growth with the multinational clients.

In U.K., we saw an increase in revenues based on project wins that we had last year. Our revenues in Continental Europe were stable.

We had two wins here to call out. One is around the U.S. Army where you see that the Federal Government this year start spending again, because we did win a framework project, which will be worth around $50 million for remediation services. And also, a number of European agrochemical clients has an agreement for framework with us, lead to product stewardship and you’ll see that the global footprint that we have helped us to differentiate from others.
And then finally, in Buildings on Slide 21. Here, we have strong growth around the globe, and Buildings in the meantime, makes up 30% of revenues equal to Environment with a very positive development in the Middle East and Asia in commercial real estate and that includes architectural design helped by the favorable market conditions that we see in those regions, which definitely also includes China.

The U.K. market was strong, also by investments we see taking place from investors from Asia and the Middle East. In Continental Europe, growth took place in the Buildings segment. Examples here are also the work in Brussels for the headquarters of BNP Paribas and the automotive sector, which generates activities in Germany. And then in North America, we saw a stable market development.

And the recent wins in this sector are in the Philippines, where we do cost management for a very large skyscraper, the Ayala Triangle. RTKL, the number of wins for retail projects, including the MixC in Shenyang. You see also a picture on the right where the recent acquisition in projects do the work for the largest Disney store in Shanghai.

And finally, we won work around Build Asset Consultancy for two leading global oil and gas companies that came to us to see how we could help them to reduce their spend on real estate of their locations.

And with that, Neil, over to you.

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**QUESTIONS AND ANSWERS**

**Teun Teeuwisse - Kempen - Analyst**

Yes, good afternoon. A few questions from my side. First of all, the margin improvement that you report for the group, can we assume that, that is all due to the margin contribution in Continental Europe? Can you indicate what the margin trends in the other regions have been?

And then also for your order backlog, can you indicate how the margin development in your order backlog is right now? And especially, also given that you see a recovery in North America in the second half of the year, how the margin development and order backlog for North America is?

And then a final question, you report a minus EUR34 million free cash flow, but your debt increases by EUR80 million compared to year-end 2013. So where is the remaining EUR46 million coming from? Are there any significant items in your cash flow that caused that number?
Neil McArthur - Arcadis NV - CEO

On the margin trends, we’re not giving — with our trading update, margin trends by region and what we try to guide with the statement on the outlook is that we expect emerging markets in the U.K. to do well and we expect to — as we’ve stated, move towards — or we will achieve the 10% margin in Continental Europe in the fourth quarter this year.

Teun Teeuwisse - Kempen - Analyst

But the statement emerging markets in the U.K. to continue to do well refers to the profitability, not to the growth?

Neil McArthur - Arcadis NV - CEO

In both.

Renier Vree - Arcadis NV - CFO

If you could also turn on the Slide 10 that we showed on the development of operating EBITA, also there, we already indicated that a significant part of the growth was indeed Continental Europe. But overall EBITA went up also because emerging markets were growing and I think I mentioned also that the U.S. North America took that down somewhat.

Teun Teeuwisse - Kempen - Analyst

Yes.

Renier Vree - Arcadis NV - CFO

The other question on the margin in the backlog that is still a strong development. Also, I think as a company, we are known for being focused on doing work that we can make money with and that remains our focus. And in places where it’s difficult, like we have seen right now in Chile, then we also take out the cost to make sure we only win the work that we can make money with. And that includes the U.S., therefore.

And finally, on net debt, indeed, our debt went up by some EUR80 million and the difference is that we had a share buyback of approximately EUR40 million in the first quarter. And if you combine that with the free cash flow, then you get to the number that you just mentioned.

Teun Teeuwisse - Kempen - Analyst

Okay, I have one final follow-up. And there is — the return on invested capital, can you indicate what that was in the first quarter, is that on target?

Renier Vree - Arcadis NV - CFO

No, we don’t even measure — we don’t [measure] investment capital on a quarterly basis, we do that on an annual basis, so we have nothing to report about that at this point in time.

Teun Teeuwisse - Kempen - Analyst

Okay, okay. So you cannot indicate whether that is still on target to be ahead of the 13%?
Renier Vree - Arcadis NV - CFO

There is no measurement for that, but I'm not worried about it.

Teun Teeuwisse - Kempen - Analyst

Okay. Great. Thank you very much.

Neil McArthur - Arcadis NV - CEO

Okay.

Operator

We will now take the next question from Dieter Furniere of KBC Securities. Please go ahead.

Dieter Furniere - KBC Securities - Analyst

Hi, thanks for taking my questions. Also a couple and maybe purely from a practical point of view. When you talk about, both in the press release and in the presentation about growth in revenues, does that always mean organic or do you mean total growth by that?

And then, more on the operational side, the questions are -- could you, for one, quantify the impact of the U.S. weather conditions on the revenues? And also on the U.S., you talked about a recovery in the second half of the year, could you maybe indicate in which divisions that will be allocated?

And then a final question is on Brazil, where you said there was a compensation that the public sector compensated the decline in the mining sector. Does compensation mean that there was no growth in Brazil or how should we read this? Thanks.

Neil McArthur - Arcadis NV - CEO

Let me do the last one first. In terms of no growth in Brazil, no, we still enjoy growth in Brazil in the first quarter. And as Renier said that, that was tempered by a decline of our businesses in Chile due to less spending, because of the copper price on mining, which is a big impact on the Chilean economy.

The recovery question for the U.S. later this year that's -- we see the recovery -- or we expect the recovery both in Environmental and in Water later this year as we've been guiding for the year-end figures and also just now. And then, in terms of -- do you want to take the first two, Renier?

Renier Vree - Arcadis NV - CFO

Yes, in terms of growth of revenues, I'm not sure what actually you referred to because we aim to be very precise when we talk about overall revenue growth or organic revenue growth. So I don't know where in the press release we created doubts in what we mean. Maybe it's on the outlook, where we talk about increase of revenues, where the organic part, of course, is the one that is strongly under our control.

On currency, clearly, we are going on the waves that the markets create. And then there's the impact of acquisitions, which, of course, is much harder to predict, Dieter.
And finally, on the quantification of the U.S. weather impact, it’s not easy to do a very hard measurement of that, but our estimate is at approximately 1% of impact on the U.S. business, it has to do with the more severe weather than last year, which was already a pretty bad winter in 2013.

Dieter Furniere - KBC Securities - Analyst

Maybe on the growth question, it was mainly related to the comments by division and by geography. Like you said, decline in North America was compensated by growth in all regions, does that mean the organic decline was compensated? Because I guess, there was a big currency effect or do you mean by that the total declines?

Renier Vree - Arcadis NV - CFO

Okay.

Dieter Furniere - KBC Securities - Analyst

And I think the same [for] a business line, saying infrastructure revenues were essentially flat. Is this essentially flat in terms of total revenue, because you had Brazil, of course, [with] the currency effect are also organically flat?

Neil McArthur - Arcadis NV - CEO

Okay. Now I see what you mean, Dieter. Now, definitely, we aim to talk here about the organic developments in the markets.

Dieter Furniere - KBC Securities - Analyst

Okay. Perfect.

Neil McArthur - Arcadis NV - CEO

Yes, thank you.

Operator

We will now take our next question from Quirijn Mulder of ING. Please go ahead.

Quirijn Mulder - ING Group - Analyst

Good afternoon, gentlemen. Can you maybe give some breakdown with regard to the order development in the different activities? That’s my first question.

And then with regard -- of course, you don’t give quarterly figures. If my estimate will be about EUR0.38 net from operations. Is that in the ballpark or is that something which you are not going to say anything about it?

And my final question is about the margin development in the U.S. According to my estimates, you lost maybe in the range of 150 basis points. Is that -- is that something you would think to be realistic or is that complete nonsense? And if you speak about recovery, you expect recovery in the margins in the second half in the U.S. besides the growth, is that true or not?
Renier Vree - Arcadis NV - CFO

Yes, so Quirijn, on order book development, what we have seen this year that is very pleasing is that the growth was across the business lines and across the regions. So it was a very balanced development of the growth in backlogs that we now got a good order intake everywhere. And given the focus we now -- I want also in our disclosure to show of implementing our strategy, we indeed give less details in the number of aspects, which includes net income from operations, which also means that we're not going to say much about that today.

And that actually also applies to the margin development of the regions. North America had a reduction. I mentioned that when we spoke about the operating EBITDA development and a significant part of that has to do with the fact that their revenues were slower. And therefore, when revenues start to pick up towards the second half -- within the second half of the year, that will also stimulate the development of the margin.

Neil McArthur - Arcadis NV - CEO

Just building on that, Renier, I just would like to point out that even though that is the bigger part of our business, we were still able, firm-wide, to increase our operating margin in the quarter from 9.2% to 9.6% despite the decline in our biggest business.

Quirijn Mulder - ING Group - Analyst

Thank you.

Neil McArthur - Arcadis NV - CEO

Okay. Alright.

Operator

Thank you. (Operator Instructions) We will now take the next question from Philip Scholte of Rabobank.

Philip Scholte - Rabobank - Analyst

Also a question on North America. Can you maybe quantify a little bit more how much revenues were actually down in the U.S. or in North America, I should say? And how much of that is pricing and how much of that is volume? Because I understand that the market may be difficult, but, of course, last year, you have actually raised your -- your prices to clients because of also, well, increasing wages. Is that still -- is that trend still going on or do you still see competitive pressure from the shale gas development? And can you maybe talk a little bit more about what the competitive situation exactly is and how you are reacting to that?

And I'd like to actually follow-up on a previous question as to the recovery you're expecting in H2. I mean, you say you expect it, but why? What's the reason behind your forecast for a recovery in the U.S.?

Secondly, I'd like to ask you about the growth rate of emerging markets. Is it fair to assume that it is no longer double-digit growth in the quarter?

And thirdly, but that's a bit of an admin remark, your graph on organic net revenue growth shows a 1% growth in Q4, whereas you actually reported 0%. So either there's a mistake in the presentation or something like that, but -- or am I wrong?
Renier Vree - Arcadis NV - CFO

Alright. Thank you, Philip. In the meantime, let’s check on your last point. When it comes to North America, indeed, we raised our prices last year. And when we talk about increased competition, that’s typically not so much a competition on price, it’s much more competition to win the work with the client, based on the relationships, based on how you will proceed with the project for technical solution that you have. So the volume impact is the most important part of it. So by -- the weather had to do with about 1% that I mentioned, and the remaining 5% in the normal volume impact, call it more people aiming for the same type of market size that’s available. And then the overall impact that you should think about, a low single-digit decline that we saw in North America.

And why we are confident about the second half of the year is that, first of all, backlog already increased in the first quarter. But also, when we look at the pipeline, so projects that we are in discussions of with clients that typically, when it comes to Environment when you win work, you can also start the work relatively quickly. And therefore, we are confident that in the second half of the year, we will see a pickup in the revenues in North America.

On the emerging markets, the overall growth have remained strong there. If it hadn’t been for Chile. I think double-digit will be pretty close to what would have been achieved there. But Chile being down means that the double-digit was not achieved in this quarter.

Philip Scholte - Rabobank - Analyst

Right.

Joost, in the meantime, is going to check on your question on the graph that we have in the presentation after that, so we’ll get back to that.

Philip Scholte - Rabobank - Analyst

Right. Thank you.

Operator

Thank you. We have no further questions.

Neil McArthur - Arcadis NV - CEO

I would leave the lines open just for a little while, operator, while people think of any other questions and it does take a few seconds for that to register, so.

Operator

(Operator Instructions) We now have a follow-up question from Dieter Furniere of KBC Securities. Please go ahead.

Dieter Furniere - KBC Securities - Analyst

Yes, thanks. I think two more smaller questions relating to the share buyback in the first quarter. Is it fair to assume that maybe because it's related to the people that an option exercise should mirror that amount in the coming months, because it’s purely maybe a timing effect to cover those? And secondly, it’s more on the way of reporting and did the format we should expect also for the third quarter so -- also in the split from revenues until operational [EBITDA]?

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Neil McArthur - Arcadis NV - CEO

On the second question, yes, this is what you should expect then also for the third quarter as a trading update, not a full disclosure of our numbers. And on the share buyback, Renier?

Renier Vree - Arcadis NV - CFO

Yes, so the share buyback is not related to the actual exercising of options. What we do is that, over time, we make sure that incentive systems do not dilute our shareholders, and we have a relatively fixed program that at certain times in the year, we do buy back the shares and the actual exercising of options may be lower or higher than that average in order to be consistent in how we buy back our shares from the market.

Dieter Furniere - KBC Securities - Analyst

Yes, but usually, we should expect as in the previous years, that this is mirrored in the quarters, so --

Neil McArthur - Arcadis NV - CEO

Yes, yes.

Dieter Furniere - KBC Securities - Analyst

And dependent, of course, on the share price performance and such, okay.

Renier Vree - Arcadis NV - CFO

No, so what we do is every year, in quarter one, we have a share buyback program.

Neil McArthur - Arcadis NV - CEO

Yes.

Renier Vree - Arcadis NV - CFO

And also in -- later in the year. We typically have two moments in the year where we do that. Also, I think, to when we have done acquisitions and issued a lock-up shares so options for that, also to make sure that we don’t dilute the shareholders.

Dieter Furniere - KBC Securities - Analyst

Okay. Clear.

Renier Vree - Arcadis NV - CFO

Now let me get back to the organic growth question and credit to Philip for indeed finding an error in our graph, because the 1% you saw for Q4 2013 is actually the gross revenue that was reported in the quarter so it should have been a 0%. So apologies for that mistake in our graph on Slide number 8.
Operator
Thank you. We will now take the next follow-up question from Quirijn Mulder of ING.

Quirijn Mulder - ING Group - Analyst
Yes. This is Quirijn, again, two additional questions. One is about Chile, maybe you can explain the situation, because last year it was the Spanish Armada coming into that country, and today it’s the copper miners. Can you maybe explain your competitive position there and maybe say something about pricing or volume environment in that country?

And then my other question is about the flip side of this winter condition in the U.S., is that the winter condition in Europe were [mild] and there was no Easter in the first quarter. So it means, in my view, that you were somewhat benefiting from the situation in Europe, let me say, in this [former] situation, in Europe on your revenues. Has this setback -- can we expect the setback in the second quarter of 2014 in that area?

Neil McArthur - Arcadis NV - CEO
Let me take the Chilean question first. Remember, this is a comparable versus the first quarter last year, which in fact, was a pretty reasonable quarter. In Chile, in the first quarter. We saw a significant decline in both order book and in revenues exiting the first quarters and then through the rest of the year in Chile. So I actually -- myself went to Chile in the second quarter and spoke to the Central Bank and also to the CFO of Codelco, which is the government-owned mining company, to try and assess how the market was likely to develop in mining. And very clearly, we came out of that discussion and moved very quickly to restructure our business to the level of business that we expected moving forward. But on a comparable basis, that means we've significantly dropped in revenue around mining Q1-on-Q1. And as Renier said, we moved quickly in order to maintain a reasonable level of profitability for the Chilean business.

Now the knock-on effect is that the government then spends less money on infrastructure and we saw on that market, increased price competition from Spanish companies last year. In infrastructure, we lost some work, but we've also now won some work in infrastructure. So we've right-sized the business moving forward in Chile, but it is at a different level than we've been at in the past.

Renier Vree - Arcadis NV - CFO
When it comes to that winter in Europe or Easter, well, first of all, Easter didn't have much impact, because last year, that was just falling at the weekend of the quarter end, but the winter did help, so the comparison there in Europe is more positive. So I would say that it has been a -- some impact there of that in the first quarter, but it doesn't take away that our statement that revenues were stable, takes into account this effect.

Operator
Thank you. (Operator Instructions)

We will now take the next follow-up question from Philip Scholte of Rabobank. Please go ahead.

Philip Scholte - Rabobank - Analyst
Yes, hello. Do you believe you are now already well-positioned along your new strategic framework? Or, in other words, when do you expect actually to see your organic growth really accelerate maybe a bit more towards the targets you have? Do you believe you are already -- have everything in place for that or when do you expect that to get there?
Neil McArthur - Arcadis NV - CEO

As we indicated, it’s a three-year strategy where we said the organic growth target is greater than 5% compound annual growth rate over the three-year period is what we’re saying and that we’ve also indicated that 2014 would be a year of investment, investment from our P&L into new capabilities.

On Page 5 of the presentation, we’ve added 33 full-time leaders into our senior leadership group who are focusing on driving organic growth as part of our sustainable growth performance and collaboration strategy.

Philip Scholte - Rabobank - Analyst

Right, right. But these people are -- they are -- have been appointed over the last quarter so -- and obviously, they need some time to get up to speed, but is that largely done with this or is there more to come in the coming quarters in terms of appointments and --

Neil McArthur - Arcadis NV - CEO

We identified 12 Tier 1 cities for the big urban clients strategic initiative. So we’ve appointed nine so far, so there are three to come. But in terms of the core value propositions, we’re down in terms of the global market sectors. There’s one that we’re still looking to add, I’m finding the person externally for that at the moment.

Philip Scholte - Rabobank - Analyst

Right.

Neil McArthur - Arcadis NV - CEO

As we said, the 2014 is -- should be seen as a year of investment out of our P&L, to drive higher levels of organic growth.

Philip Scholte - Rabobank - Analyst

Sure. Okay. Thanks.

Operator

We will now take the next question from Bjorn Krook of ABN AMRO. Please go ahead.

Bjorn Krook - ABN AMRO - Analyst

Good afternoon, gentlemen. I have two questions remaining. I think one is a bit related to Philip’s question. But first, on the backlog in North America, had the adverse weather conditions an impact there, so has work been pushed out to the next quarter or is some of the businesses now lost it? Are we going to see an acceleration in Q2? And is that also one of the reasons that you’re more confident later on in the year?

And then on the timing of the investments, again, how much -- how far along are you with these investments? Are you feeling that you’re 75% done or how should I have a feel on that?
On the investments, as I said, for the leadership positions, we're not fully there yet. We've put in place 33 new leaders around the world to help drive our organic growth and I think I just identified there are at least four more that we're actively looking to place in the next three to six months as part of the investments. And also, investing in development of new value propositions, renewing and refreshing those value proposition for clients is something that we're continuously looking how to do that. We're also investing for higher levels of growth in places like the Middle East and in Asia, in terms of further developing our client development capabilities in both the Middle East and in -- across Asia.

So we're -- I would say we're sort of at the three-quarters of the way through the level of investment. And don't forget that by doing that, also in this first quarter, despite the situation in the U.S. market, we've delivered an increase in our operating margin.
Operator

That would conclude today's conference call. Thank you for your participation. Ladies and gentlemen, you may now disconnect.