

Section IV:

6.3.5 – Financial Information

Veolia Offers the Financial and Other Resources Needed to Deliver on Our Commitments to the Township

Veolia, working as the direct partner to the Township of North Brunswick for the delivery of operations, maintenance and management (O&M) services for your water system, will deliver a comprehensive approach backed by our firm's global-leading experience.

We understand that your community is looking to partner with an experienced operations service provider with the resources, capabilities and proven experience needed to deliver cost effective and efficient operations of your water treatment, storage and distribution facilities, enhancing the Township's ability to provide a level of service that protects the health, safety and welfare of your residents.



Veolia is the safe choice to assume responsibility for your water system assets and operations. Our experience and capabilities are unmatched, as are our firm's resources and technical competence in transitioning and managing facilities of a similar size and complexity as your water utility operations.

We are the leader in water systems operations and management in the State of New Jersey, with ongoing O&M agreements with communities like yours, including Rahway and Kearney among others, as well as water operations that serve major urban areas, such as Jersey City and Haworth.

In total, Veolia now provides water service to more than 1.4 million people in New Jersey, operating water treatment, storage and supply systems that provide more than 300-MGD of supply. These water and other operations are supported by our New Jersey based municipal operations staff of 818, including New Jersey licensed Water Operators. We have also established the headquarters for our Municipal Operations group in Paramus.

Veolia's overall footprint in North America involves serving greater than 550 communities in North America, supported by a staff base of more than 10,800 employees

Veolia companies in North America are also part of a global parent company, Veolia Environnement, S.A., which ranks as the world's leader in serving municipal clients

This global parent was established in 1853, and today supplies over 95 million people with drinking water and more than 62 million people with wastewater service, and recognized revenues of over \$32.3 billion in 2021.

What this means for your water system operations is access to greater resources and technical support to ensure the smoothest and most-effective transition, followed by the safest and most-reliable operations.

In this section we document the Financial Resources that our firm will bring to support this new operations partnership.

VEOLIA IS THE O&M SERVICES LEADER IN NORTH AMERICA

Industry Leading Resources to Support Our Commitments

1 – Performance Bond

Veolia can provide the required Performance Bond to guarantee this new O&M project with the Township of North Brunswick.

We have provided a letter from our Surety Company (Consent of Surety) in [Appendix E](#) to affirm this commitment. [XL Specialty Insurance Company](#), is authorized to do business in the State of New Jersey.

At the start of the contract the Surety will be responsible for issuing an annually renewable performance bond in the amount of the value of a full year of the services under the negotiated Agreement.

This Performance Bond will meet the requirements under [RFP Form A-4](#) (Form of Performance Bond), [RFP Addendum #1](#).

2 – Financial Statements

[Veolia Water North America Operating Services, LLC](#) is the Proposer and will be the direct partner to the Township under this O&M agreement.

Under our corporate organization, [Figure 1.4-1](#) (opposite), the financial data for Veolia is consolidated under [Veolia North America, Inc.](#), the parent holding company for Veolia operations companies in the U.S.

Veolia is not publicly traded in the U.S. and is not required to file an annual Form 10-K nor quarterly Form 10-Q documents with the U.S. Securities and Exchange Commission (SEC).

To document the financial standing of our company we have provided the following information in [Appendix F](#):

- [Appendix F – Part 1](#) - Unaudited consolidated Financial Statements for Veolia Water North America Operating Services, LLC covering three years, 2021, 2020 and 2019.
- [Appendix F – Part 2](#) - Audited Financial Statements for Veolia North America Inc. for 2020 and 2019. In presenting this financial data, we would note that these audited financial statements are on a stand-alone basis, and that as such they

Veolia's Management Structure
Figure 1.4-1. Veolia in North America



do not have revenue from operations, as this is a holding entity that principally generates its pre-tax income from the interest income from loans to its subsidiaries as well as dividends paid from its subsidiaries.

These Financial Statements demonstrate the financial resources of Veolia Water North America Operating Services, LLC, which recognized revenues in excess of \$738 million in 2021, with over \$478 million of assets on the balance sheet.

Meeting the Financial Standards

Veolia, as documented in our Financial Statements, [Appendix F](#), maintains the financial strength, resources and capacity to meet all of the financial obligations under the proposed O&M agreement with the Township.

We specifically meet the financial standards identified in [Section 4 of the RFP \(Minimum Qualifications Criteria, 4.3 – Minimum Financial Criteria\)](#), as follows:

1. Veolia has maintained a [Net Worth](#) for each of the three most recent fiscal years exceeding the \$5 million requirement, as follows:
 - [2021](#) – Net Worth of \$469.4 million
 - [2020](#) – Net Worth of \$396.2 million
 - [2019](#) – Net Worth of \$330.8 million
2. Veolia has maintained [annual pre-tax earnings](#) for the three most recent fiscal years exceeding \$1 per year, as follows:
 - [2021](#) – Pre-tax earnings of \$82.5 million

- 2020 – Pre-tax earnings of \$74 million
- 2019 – Pre-tax earnings of \$63.4 million

3. Veolia has maintained an “interest coverage ratio” for the past three most recent fiscal years in excess of 2.5, as follows:

In millions of \$	2019	2020	2021
Cost of Net Financial Debt	0.5	1.2	1.1
Net Income before income taxes and before interest expense	63.9	75.2	83.7
Interest Coverage Rate	127.1 x	62.7 x	74.8 x

4. Veolia has maintained a “current ratio” for the three most recent fiscal years in excess of 1.5, as follows:

In millions of \$	2019	2020	2021
Current Assets	304.7	397.9	476.8
Current Liabilities	174	201.1	203.9
Current Ratio	1.8 x	2 x	2.3 x

5. Veolia has maintained cash and/or cash equivalents of over \$2.5 million for the past three years. This is documented in the attached Financial Statements (Appendix F), as follows:

- 2021 – Cash Holdings of \$287.2 million
- 2020 – Cash Holdings of \$228.8 million
- 2019 – Current Holdings of \$117.7 million

3 – Quarterly & Annual Reports

Veolia, as we noted, is not publicly traded in the U.S. and is not required to issue quarterly and annual reports to the SEC.

The financial data for our company is provided in the Financial Statements presented in Appendix F, and in the responses provided under item “2 – Financial Statements” of this section.

This represents the most current financial data for our company.

4 – Material Changes

Veolia has no current or anticipated material changes in the mode of conducting business and no bankruptcy proceedings.

In March of this year we completed the merger of the North American water and wastewater assets and operations of Veolia and Suez.

This positions Veolia as the leading water and wastewater operations company serving cities and municipalities in the U.S., with now more than \$3.3 billion in revenues and more than 10,000 in staff.

In 2018 Veolia completed an acquisition of 23 contracts from American Water. These contracts represented O&M services agreements with municipal, industrial and private companies in the U.S. and Canada. The total acquisition price was \$23 million and the transition of the operations and staff under these contracts has been completed.

In terms of other information related to Material Changes requested in the RFP, Veolia notes the following:

- As noted in Section III of this Proposal, with regard to actual, threatened and pending litigation Veolia can state that our firm is or has been a party to civil disputes or lawsuits brought by, or against, it seeking to recover damages under a variety of legal circumstances.

These lawsuits are of the types that arise during the normal course of business, and Veolia has vigorously defended and denied any liability in the lawsuits initiated against our company.

We can also affirm that there currently exist no claims that, if adversely decided against Veolia, would materially affect the ability of our company to successfully perform the services contemplated under this Proposal.

Specific details regarding pending litigation are considered confidential and proprietary information of Veolia that are covered by the attorney-client privilege.

- Additionally, as we noted earlier in this section, Veolia is not a publicly traded company in the U.S. and is not subject to SEC reporting requirements related to 8-K and 10-K documents.

5 – Credit Ratings

Veolia in North America is part of the largest water and wastewater operations company in the world, Veolia Environnement, S.A.

This global parent today supplies more than 95 million people with drinking water and more than 62 million people with wastewater service, and recognized revenues of over \$32.3 billion in 2021.

This global parent company is evaluated by global Credit Rating agencies and current ratings from those agencies are as follows:

Credit Rating Agency	Short Term	Long Term	Outlook
Moody's (Update: August 16, 2021)	P-2	Baa1	Stable
Standard & Poor's (Update: July 19, 2021)	A-2	BBB	83.7

6 – Financial Offering Statement

Veolia companies have no publicly issued Prospectus document, and so this request is not applicable with regard to our firm.

7 – Financial Commitments

Veolia's major financial commitments are detailed in the Financial Statement provided in Appendix F.

8 – No JV or Partnership

Veolia is not proposing to partner with any local contractors or vendors to deliver the core O&M services under this contract; and is not proposing any joint venture relationships.

We will use local contractors, suppliers and vendors, as may be needed, to support the work of our O&M team for routine and emergency response types of needs.

In securing any subcontractor services, Veolia will seek to use local firms and provide a preference for small and disadvantaged businesses. Additionally, where any subcontractors are used by Veolia, those firms will remain accountable to the Township for the delivery of these services and ensure that any subcontractors follow our safety, compliance and quality standards for the operations.