

PRESS RELEASE

Arcadis Fourth Quarter and Full Year Results 2023

Record quarter performance and delivery on 2021-2023 targets

FOURTH QUARTER

- Record Operating EBITA margin¹⁾ of 11.4% (Q4'22: 10.0%)
- Record Q4 Order Intake of €1,028 million resulting in Book to Bill of 1.09x
- Record Free Cash Flow generation of €208 million (Q4'22: €146 million)

FULL YEAR

- Delivered on all key strategic targets set for 2021-2023 strategy cycle “Maximizing Impact”
- Operating EBITA margin of 10.4% (FY '22: 9.8%)
- Record net revenues of €3.8B (+25% YoY), organic growth of 9.0%²⁾, order intake of €3.9B (+26% YoY)
- Net debt / Operating EBITDA of 1.7x
- Proposed dividend increased by 15% to €0.85 per share (2022: €0.74)

Amsterdam, 22 February 2024 – Arcadis, the world’s leading company delivering data-driven sustainable design, engineering, and consultancy solutions for natural and built assets, reports record fourth quarter and full year results; delivering on its key strategic targets set for 2023. Net revenue of €3.8B for the year driven by 9% organic growth, operating EBITA improved to 10.4% for the year. Arcadis proposes to increase its dividend by 15% to €0.85 per share.

Alan Brookes, CEO Arcadis, said: “Arcadis has delivered a record breaking fourth quarter and full year 2023 performance, achieving all its key 2021-2023 strategic targets. During 2023 we successfully finalized the Arcadis IBI and Arcadis DPS integrations, resulting in significant project wins, pipeline opportunities and cost synergies. Furthermore, we expanded our Global Excellence Center capabilities, further standardized and automated our operating processes and have been more deliberate in our project choices; focusing closely on growth markets and Key Clients. Looking forward, our 2024-2026 Strategy “Accelerating a Planet Positive Future” launched in November 2023 delivers a clear purpose that is strongly resonating with our clients and people. We will drive profitable growth by focusing on the sustainable projects and clients that contribute to our strategic ambition, expanding our Key Client program and investing in our digital products and solutions, while enhancing the skills of our people. I would like to thank all our people for a truly remarkable year with a record high backlog and continued strong demand outlook. Arcadis is in a strong position for the future.”

KEY FIGURES* (in € millions)

Period ended 31 December 2023	Full Year			Fourth Quarter		
	2023	2022	change	2023	2022	change
Net revenues	3,759	3,019	25%	941	861	9%
Organic growth (%) ²⁾	9.0%	8.9%		6.5%	11.2%	
Operating EBITA ¹⁾ *	391	294	33%	107	86	25%
Operating EBITA margin (%) ¹⁾	10.4%	9.8%		11.4%	10.0%	
Net Income	160	132	22%			
NlFO per share (in €) ³⁾	2.51	2.26	11%			
Net Working Capital (%) ⁴⁾	9.3%	10.0%				
Dividend (proposal) per share (in €)	0.85	0.74	15%			
Free Cash Flow ⁵⁾	190	173	10%	208	146	42%
Net Debt / Operating EBITDA ¹⁾	1.7x	2.2x				
Order intake	3,899	3,089	26%	1,028	871	18%
Backlog net revenues	3,155	3,119	1%			
Backlog organic growth (% , yoy) ²⁾	4.0%	4.2%				
Voluntary employee turnover ⁶⁾	11.7%	14.2%				

* The 2023 results as presented in this press release are unaudited. Most of these metrics are alternative performance measures; refer to reconciliation to the most directly comparable IFRS measures provided in “Alternative Performance Measures” section of “Arcadis 2023 Financial Report” on page 87, available at Arcadis website: <https://media.arcadis.com/-/media/project/arcadiscom/com/investors/2024/arcadis-2023-financial-report/arcadis-2023-financial-report.pdf>
Acquisitions of IBI Group closed on 27th Sept-22, DPS Group on 1st Dec-22.

¹⁾ EBIT(D)A excluding restructuring, integration, acquisition and divestment costs

²⁾ Underlying growth excl. impact of FX, acquisitions, footprint reductions (e.g. the Middle East), winddowns or divestments

³⁾ Net income before non-recurring items (e.g. valuation changes of acquisition-related provisions, acquisition and divestment costs, expected credit loss on shareholder loans and corporate guarantees, and one-off pension costs)

⁴⁾ Revised to reflect the adjustments to the provisional opening balances of acquired entities recognized 31 Dec. 2022 (in accordance with IFRS 3.49)

⁵⁾ Free Cash flow: Cash Flow from Operations corrected for Capex and Lease liabilities

⁶⁾ Voluntary turnover excludes the Middle East as these operations are being wound down

REVIEW OF THE FOURTH QUARTER 2023

Net revenues totaled €941 million, increasing 9% YoY, with currency effects of -3.2% from a weakening US and Canadian Dollar against the Euro. Organic growth was 6.5%, driven by all Global Business Areas (GBAs). Growth was particularly strong in key markets US and Europe, slightly offset by deliberate project choices at Arcadis DPS and market conditions in China. Positive momentum in order intake with a step up from the third quarter, driven by the US, the Netherlands and Australia, resulted in a Book to Bill of 1.09x for the quarter. Operating EBITA margin improved to a record high 11.4% (Q4'22: 10.0%) driven by operational leverage and an optimized portfolio.

REVIEW OF THE FULL YEAR 2023: PROFIT & LOSS ITEMS AND BACKLOG

Net revenues totaled €3,759 million, increasing 25% YoY, with currency effects of -2.6%. Organic growth was 9.0%, driven by all GBAs. The operating EBITA margin increased to 10.4% (FY'22: 9.8%) driven by margin, operating leverage, improvement at the acquired businesses and materialized cost synergies. Non-operating costs were €48 million, as a result of integration costs relating to the 2022 acquisitions, and from portfolio optimizations: ongoing wind-down of the Middle East operations, merging of the offices and other restructuring activities.

Net financing expenses were €65 million (FY'22: €24 million) and increased due to higher interest rates and higher average debt levels throughout the year. Amortization increased to €59 million (FY'22: 20 million), mainly driven by acquired intangible assets amortization such as backlog and customer relationships. Net Income from Operations increased by 12% to €226 million (FY'22: €202 million), or €2.51 per share (FY'22: €2.26), as a result of higher revenues, partially offset by higher integration, restructuring, and net financing expenses.

The net revenue organic backlog growth was 4.0% year on year, reflecting strong order intake across all key markets, resulting in a Book to Bill of 1.04x (FY'22: 1.02x).

OPERATIONAL HIGHLIGHTS

RESILIENCE

(36% of net revenues)

in € millions

Period ended 31 December 2023	Full Year			Fourth Quarter		
	2023	2022	change	2023	2022	change
Net revenues	1,343	1,239	8%	336	330	2%
Organic growth ²⁾	10.6%	10.3%		6.6%	11.9%	
Operating EBITA ¹⁾	159	134	19%			
Operating EBITA margin (%) ¹⁾	11.8%	10.8%				
Order intake	1,457	1,304	12%	350	351	0%
Backlog net revenues	953	895	7%			
Backlog organic growth (% , yoy) ²⁾	11.5%	7.6%				
Backlog organic growth (% , qtd) ²⁾	0.8%	2.0%				

Resilience continued to perform very strongly across the board, with outstanding results in North America. Solid order intake was driven by Water Optimization wins in the UK, as well as increased Environmental Restoration demand, supported by further tightening of PFAS regulations in the US and Europe. Margin improvement was driven by North America, while we continued to invest in our digital product offering and standardization of processes.

¹⁾ EBITA excluding restructuring, integration, acquisition and divestment costs

²⁾ Underlying growth excl. impact of FX, acquisitions, footprint reductions (e.g. the Middle East), winddowns or divestments

PLACES

(40% of net revenues)

in € millions Period ended 31 December 2023	Full Year			Fourth Quarter		
	2023	2022	change	2023	2022	change
Net revenues	1,509	1,017	48%	372	320	16%
Organic growth (%) ²⁾	2.7%	4.2%		1.4%	6.5%	
Operating EBITA ¹⁾	137	93	47%			
Operating EBITA margin (%) ¹⁾	9.1%	9.1%				
Order intake	1,479	1,003	47%	401	285	41%
Backlog net revenues	1,504	1,573	-4%			
Backlog organic growth (% , yoy) ²⁾	-2.7%	0.0%				
Backlog organic growth (% , qtd) ²⁾	1.3%	-0.6%				

Good revenue growth in North America and Europe were somewhat offset by the effects of deliberate project choices at Arcadis DPS. Backlog improved in the last quarter with sharp recovery in order intake, albeit the full year backlog results were impacted by strategic selectivity of order intake, and market conditions in China. Pipeline opportunities continued to be strong for our Advanced Industrial Facilities clients in North America and Europe on the back of government stimulus, and Arcadis differentiates with its agility to address fast-evolving needs of those clients. Margin was supported by strong performance at the acquired businesses, as well as Advanced Industrial Facilities' performance, and offset by the Middle East and China. Excluding the Middle East operating margin was 10.6% for the full year (FY'22: 9.9%).

MOBILITY

(22% of net revenues)

in € millions Period ended 31 December 2023	Full Year			Fourth Quarter		
	2023	2022	change	2023	2022	change
Net revenues	814	743	10%	207	191	8%
Organic growth ²⁾	13.3%	12.9%		11.5%	16.5%	
Operating EBITA ¹⁾	91	72	25%			
Operating EBITA margin (%) ¹⁾	11.1%	9.7%				
Order intake	860	751	15%	246	205	20%
Backlog net revenues	575	538	7%			
Backlog organic growth (% , yoy) ²⁾	9.5%	5.4%				
Backlog organic growth (% , qtd) ²⁾	7.7%	3.2%				

Revenue growth continued to be strong especially in the US, Australia and Europe. Collaboration between Intelligence and Mobility resulted in revenue and backlog growth, with multiple large wins in the quarter. Electrification trends, alternative fuels, and the growing transportation challenges across large cities continued to drive the need for our sustainable, data-driven mobility offerings. The margin improvement was driven by operating leverage and standardization efforts, and slightly offset by the Middle East. When excluding the Middle East, operating margin was 11.8% for the full year (FY'22: 10.4%).

¹⁾ EBITA excluding restructuring, integration, acquisition and divestment costs

²⁾ Underlying growth excl. impact of FX, acquisitions, footprint reductions (e.g. the Middle East), winddowns or divestments

INTELLIGENCE

(3% of net revenues)

in € millions

Period ended 31 December 2023	Full Year			Fourth Quarter		
	2023	2022	change	2023	2022	change
Net revenues	94	21	356%	27	21	29%
(Proforma) Organic growth ²⁾	24.5%			35.8%		
Operating EBITA ¹⁾	11	2	480%			
Operating EBITA margin (%) ¹⁾	11.6%	9.1%				
Order intake	104	31	239%	31	31	0%
Backlog net revenues	123	113	9%			
Backlog organic growth (% , yoy) ²⁾	8.9%					
Backlog organic growth (% , qtd) ²⁾	3.5%					

Strong organic revenue growth was paralleled by order intake from large Key Clients, mostly in North America and the UK. Software products in traffic, travel and transit management, such as TravellQ, resulted in good revenues from major US cities. Continued focus on the leveraging of existing client relationships resulted in margin improvement, while we continued to invest in product strategy, development and integration.

BALANCE SHEET & CASH FLOW

We achieved a record low level of Net Working Capital as percentage of annualized quarterly gross revenues of 9.3% (Q4'22: 10.0%⁴⁾), an outstanding outcome which was the result of bringing the acquired businesses to the level of the group while optimizing levels in other areas. As a result, Days Sales Outstanding (DSO) was reduced to 56 days (Q4'22: 60 days). Free cash flow was a record high at €208 million for the quarter resulting in €190 million for the full year (2022: €173 million), driven by improved performance and disciplined net working capital management. The strong cash performance resulted in a sharp deleveraging from 2.2x Net debt / operating EBITDA (2022) to 1.7x for 2023, well inside the strategic target range of 1.5 – 2.5x. Net debt decreased to €873 million (Q4'22: €1,012 million).

INTEGRATION FINALIZED WITH REVENUE AND COST SYNERGIES MATERIALIZING

The integration of Arcadis IBI and Arcadis DPS was finalized with cost- and revenue synergies materializing. Cost synergy realisation is well on track with €5 million cost synergies already been delivered out of the €20 million identified, and the remaining to be delivered by the end 2024 through rationalisation in workplace, IT integration and technology platform improvements, as well as the rationalisation of overheads, insurance and support driving operational synergies.

2024-2026 STRATEGY “ACCELERATING A PLANET POSITIVE FUTURE”

On 16th November 2023 Arcadis presented its 2024-2026 Strategy “Accelerating a planet positive future” and its 2026 financial targets, these include: organic net revenue growth of mid to high single digits over the cycle, operating EBITA margin of 12.5% in 2026, Net Debt / Operating EBITDA of 1.5 – 2.5x with an Investment Grade credit rating and a dividend payout ratio of 30 – 40% of Net Income from Operations.

¹⁾ EBITA excluding restructuring, integration, acquisition and divestment costs

²⁾ Underlying growth excl. impact of FX, acquisitions, footprint reductions (e.g. the Middle East), winddowns and divestments

³⁾ Intelligence 2022 results represent one quarter of results, as the Intelligence GBA was set-up end of Q3 2022. Net Revenue organic growth is proforma for the full year.

⁴⁾ Revised to reflect the adjustments to the provisional opening balances of acquired entities recognized 31 Dec. 2022 (in accordance with IFRS 3.49)

ARCADIS KEY FINANCIAL METRICS*

in € millions

Period ended 31 December 2023	Full Year			Fourth Quarter		
	2023	2022	change	2023	2022	change
Gross revenues	5,003	4,029	24%	1,289	1,178	9%
Net revenues	3,759	3,019	25%	941	861	9%
Organic growth (%) ²⁾	9.0%	8.9%		6.5%	11.2%	
Operating EBITDA ¹⁾	506	400	26%	137	116	17%
Operating EBITDA margin (%) ¹⁾	13.4%	13.3%		14.5%	13.5%	
EBITA	343	233	48%	83	75	11%
EBITA margin (%)	9.1%	7.7%		8.9%	8.7%	
Operating EBITA ¹⁾	391	294	33%	107	86	25%
Operating EBITA margin (%) ¹⁾	10.4%	9.8%		11.4%	10.0%	
Effective income tax rate	29%	31%				
Net Income	160	132	22%			
Net Income from Operations (NifO)	226	202	12%			
NifO per share (in €) ³⁾	2.51	2.26	11%			
Dividend (proposal) per share (in €)	0.85	0.74	15%			
Avg. number of shares (millions)	89.8	89.4	1%			
Net Working Capital (%) ⁴⁾	9.3%	10.0%				
Days Sales Outstanding (days) ⁴⁾	56	60				
Free Cash Flow ⁵⁾	190	173	10%	208	146	42%
Net Debt	873	1,012	-14%			
Net Debt / Operating EBITDA ¹⁾	1.7x	2.2x				
Order intake	3,899	3,089	26%	1,028	871	18%
Backlog net revenues	3,155	3,119	1%			
Backlog organic growth (% , yoy) ²⁾	4.0%	4.2%				
Backlog organic growth (% , qtd) ²⁾	2.3%	1.4%				
Voluntary employee turnover ⁶⁾	11.7%	14.2%				

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FINANCIAL CALENDAR

- 7 March 2024 – Annual Integrated Report 2023 publication
- 30 April 2024 – First quarter 2024 Trading Update
- 8 May 2024 – Annual General Meeting of Shareholders
- 25 July 2024 – Second quarter and half year 2024 Results
- 31 October 2024 – Third quarter 2024 Trading Update

ARCADIS INVESTOR RELATIONS

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ANALYST WEBCAST

Today at 15.00 hours CET:

<https://www.arcadis.com/en/investors/investor-calendar/2024/fourth-quarter-and-full-year-2023-results>

ABOUT ARCADIS

Arcadis is the world's leading company delivering data-driven sustainable design, engineering, and consultancy solutions for natural and built assets. We are more than 36,000 architects, data analysts, designers, engineers, project planners, water management and sustainability experts, all driven by our passion for improving quality of life. As part of our commitment to accelerating a planet positive future, we work with our clients to make sustainable project choices, combining digital and human innovation, and embracing future-focused skills across the environment, energy and water, buildings, transport, and infrastructure sectors. We operate in over 30 countries, and in 2023 reported €5.0 billion in gross revenues. www.arcadis.com

REGULATED INFORMATION

This press release contains information that qualifies or may qualify as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

DISCLAIMER

Statements included in this press release that are not historical facts (including any statements concerning investment objectives, other plans and objectives of management for future operations or economic performance, or assumptions or forecasts related thereto) are forward-looking statements. These statements are only predictions and are not guarantees. Actual events or the results of our operations could differ materially from those expressed or implied in the forward-looking statements. Forward-looking statements are typically identified by the use of terms such as “may”, “will”, “should”, “expect”, “could”, “intend”, “plan”, “anticipate”, “estimate”, “believe”, “continue”, “predict”, “potential” or the negative of such terms and other comparable terminology. The forward-looking statements are based upon our current expectations, plans, estimates, assumptions and beliefs that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements.