

Arcadis Third Quarter 2023 Trading Update

Continued strong growth, strategic margin target delivered

- Net revenue of €932 million, with strong organic growth of 9.0%¹
- Operating EBITA margin improved to 10.6% (Q3'22: 10.3%) and 10.1% year to date, meeting the 2023 strategic target of >10%
- Organic backlog growth at 5.4% (year-on-year), order intake in the quarter in line with seasonal pattern with strong pipeline opportunities
- Strong cash generation of €117 million in the quarter, well above last year's €38 million
- On track to achieve the financial targets set for 2023

Amsterdam, 26 October 2023 – Arcadis (EURONEXT: ARCAD), the leading global Design & Consultancy organization for natural and built assets reports another quarter of continued strong growth and an increased operating EBITA margin of 10.6% (last year: 10.3%), meeting the strategic target of >10% with a year-to-date performance of 10.1%. Solid client demand results in organic net revenue growth of 9.0% year-over-year to €932 million for the quarter.

Alan Brookes, CEO Arcadis, comments: “Arcadis delivered another strong quarter driven by continued client demand particularly in environmental remediation, energy transition and innovative mobility solutions. Our strong growth and profitability have positioned us to deliver on our 2023 targets. The need for sustainable and digitally enabled solutions remains high on our clients’ agenda. We continue to see significant market opportunities and I am convinced that with the talent and expertise within the organization, we remain well positioned to seize the right opportunities and deliver high value to our clients.”

KEY FIGURES

in € millions

Period ended 30 September 2023	Third Quarter			Year-to-date		
	2023	2022	change	2023	2022	change
Gross revenues	1,237	1,003	23%	3,714	2,851	30%
Net revenues	932	740	26%	2,818	2,158	31%
Organic growth (%)¹	9.0%	10.9%		10.0%	8.2%	
Operating EBITDA ²	128	101	27%	369	284	30%
Operating EBITDA margin (%)	13.8%	13.6%		13.1%	13.2%	
EBITA	91	27	234%	260	158	65%
EBITA margin (%)	9.8%	3.7%		9.2%	7.3%	
Operating EBITA²	99	76	30%	284	208	36%
Operating EBITA margin (%)	10.6%	10.3%		10.1%	9.7%	
Net Working Capital (%)	12.9%	13.8%				
Days Sales Outstanding (days)	68	72				
Free Cash Flow ³	117	38		-18	27	-168%
Net Debt	1,083	880	23%			
Order intake	832	718	16%	2,871	2,218	29%
Backlog net revenues	3,144	2,813	12%			
Backlog organic growth (% , yoy) ¹	5.4%	5.0%				
Backlog organic growth (% , ytd) ¹	1.6%	2.9%				

Acquisitions of IBI Group closed on 27th Sept-22, DPS Group on 1st Dec-22.

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

2) Excluding acquisition, restructuring, and non-operating integration related costs

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

INCOME STATEMENT

Net revenues totaled €932 million and increased organically by 9.0%. Growth was driven by increased use of digital solutions, serving our recurring client base and leveraging our global expertise. We saw continued strong momentum in Resilience, Mobility and Intelligence. The currency impact was -5%, mostly driven by weaker US and Australian dollar. The operating EBITA margin improved to 10.6% (Q3'22: 10.3%), driven by operational leverage and resulting in a year-to-date margin of 10.1% already meeting the strategic target of >10% for end of 2023.

ORDER INTAKE & BACKLOG

Order intake of €832 million for the quarter was in line with seasonality, resulting in a backlog of €3,144 million (Q3'22: €2,813 million). Organic backlog growth was 5.4% year-on-year, as of this quarter inclusive of Arcadis IBI, reflecting market demand remaining high for Resilience offsetting softer market conditions in some of our geographies in Places. Demand for Intelligence products and services remains strong resulting with good order intake and backlog. The pipeline is resilient, driven by the solid positions in our high growth end markets, with ample opportunities from stimulus-driven investments coming our way.

BALANCE SHEET & CASH FLOW

Net working capital as a percentage of annualized gross revenues improved to 12.9% (Q3'22: 13.8%) and Days Sales Outstanding (DSO) was 68 days (Q3'22: 72 days). As a result of disciplined working capital management, both metrics are within the strategic targets set for 2023. Free cash flow in the quarter was well above last year at €117 million (Q3'22: €38 million), reflecting strong billing performance and the increased size of the business combined with our usual seasonality pattern.

PERFORMANCE BY GLOBAL BUSINESS AREAS

RESILIENCE

(35% of net revenues)

in € millions

Period ended 30 September 2023	Third Quarter			Year-to-date		
	2023	2022	change	2023	2022	change
Net revenues	328	320	3%	1,006	909	11%
Organic growth ¹	11.2%	13.7%		12.1%	9.7%	
Order intake	328	325	1%	1,107	953	16%
Backlog net revenues	972	943	3%			
Backlog organic growth (% , yoy) ¹	12.0%	5.4%				
Backlog organic growth (% , ytd) ¹	10.6%	5.2%				

The Resilience market remains very strong driven by US, UK and Germany. Demand remains high for our solutions on Climate Adaptation, PFAS and Energy Transition where we see very positive trends across markets. A robust pipeline across all solutions reflects the healthy market we are operating in, allowing us to continue to be disciplined in the projects we take on.

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

PLACES

(41% of net revenues)

in € millions

Period ended 30 September 2023	Third Quarter			Year-to-date		
	2023	2022	change	2023	2022	change
Net revenues	378	234	61%	1,137	697	63%
Organic growth (%) ¹	-0.1%	3.6%		3.3%	2.8%	
Order intake	286	216	32%	1,078	718	50%
Backlog net revenues	1,508	1,216	24%			
Backlog organic growth (% , yoy) ¹	-0.7%	2.1%				
Backlog organic growth (% , ytd) ¹	-3.9%	1.4%				

Net revenue growth was 61% year-on-year reflecting the acquisitions of Arcadis IBI and Arcadis DPS. Organic growth was flat for the quarter driven by solid revenue growth in North America and Continental Europe offset by softness mostly in China and the UK. Organic backlog growth reflects these market conditions and the timing of some project awards. The pipeline remains resilient with attractive opportunities for 2024 and beyond.

MOBILITY

(22% of net revenues)

in € millions

Period ended 30 September 2023	Third Quarter			Year-to-date		
	2023	2022	change	2023	2022	change
Net revenues	204	186	10%	607	552	10%
Organic growth ¹	14.6%	15.4%		13.9%	12.5%	
Order intake	191	177	8%	614	547	12%
Backlog net revenues	544	542	0%			
Backlog organic growth (% , yoy) ¹	4.8%	9.0%				
Backlog organic growth (% , ytd) ¹	1.7%	1.8%				

Organic revenue growth was very strong in the quarter driven by the North America and Europe, especially in Germany. The demand for electrification and decarbonization solutions combined with our digital products focused on solving mobility challenges continues to grow. Collaboration with Architecture and Urbanism and Intelligence drives enhanced positioning in the market. Organic backlog growth in the quarter was impacted by lumpiness in order intake as well as timing of project wins in the UK and Australia. The pipeline is strong with increased opportunities in the US and Germany.

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

INTELLIGENCE

(2% of net revenues)

in € millions	Q3	YTD
Period ended 30 September 2023	2023	
Net revenues	23	67
Proforma organic growth ¹	22.8%	
Order intake	28	73
Backlog net revenues	121	
Backlog organic growth (% , yoy) ¹	14.2%	
Backlog organic growth (% , ytd) ¹	5.1%	

Intelligence showed strong performance across regions, especially in North America and the UK, with numerous wins for Key Clients in collaboration with other GBAs. Market proposition remains strong for Intelligence with an expected acceleration in enterprise software spend in the market and solid pipeline opportunities stemming from collaboration with Mobility and Intelligence. In a recent study by Verdantix, Arcadis' Enterprise Decision Analytics (EDA) was recognized as one of the Market Leaders in the asset investment space and received top scores for its technical and functional capabilities.

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

FINANCIAL CALENDAR

- 16 November 2023 – Capital Markets Day
- 22 February 2024 – Q4 & FY 2023 Results
- 30 April 2024 – Q1 2024 Trading Update
- 25 July 2024 – Q2 & HY 2024 Results
- 31 October 2024 – Q3 2024 Trading Update

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ANALYST WEBCAST

Arcadis will host an analyst webcast today at 14.00 hours CET:

<https://www.arcadis.com/en/investors/investor-calendar/2023/trading-update-q3-2023>

ABOUT ARCADIS

Arcadis is a leading global Design & Consultancy organization for natural and built assets. Applying our deep market sector insights and collective design, consultancy, engineering, project and management services we work in partnership with our clients to deliver exceptional and sustainable outcomes throughout the lifecycle of their natural and built assets. We are 36,000 people, active in over 70 countries that generate €4.0 billion in revenues. We support UN-Habitat with knowledge and expertise to improve the quality of life in rapidly growing cities around the world. 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.

FORWARD LOOKING STATEMENTS

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.