Arcadis N.V.
Gustav Mahlerplein 97-103
P.O. Box 7895
1008 AB Amsterdam
The Netherlands
Tel +31 20 2011 011
www.arcadis.com

PRESS RELEASE

ARCADIS TRADING UPDATE Q3 2020

Strong operational performance and excellent free cash flow

- Increase of Operating EBITA with 22% to €66 million (Q3 2019: €54 million), resulting in operating margin of 10.9% (Q3 2019: 8.4%)
- Excellent free cash flow of €119 million (Q3 2019: €4 million)
- Strengthened balance sheet and successfully completed €150 million re-financing
- Grown backlog with 4% compared to Q2 2020 and year-to-date 6%
- Arcadis organization and business continues to proof resilience
- Decision to significantly reduce footprint in the Middle East
- Non-cash goodwill/intangibles impairment for Middle East and CallisonRTKL of €126 million

Amsterdam, 29 October 2020 – Arcadis (EURONEXT: ARCAD), the leading global Design & Consultancy organization for natural and built assets, reports a significantly improved operating margin of 10.9% and free cash flow of €119 million for the third quarter. The company further reduced its net debt and increased its backlog by 4%. As part of the strategic effort to further focus the organization, Arcadis decided to significantly reduce its presence in the Middle East.

Peter Oosterveer, CEO Arcadis, comments: "Against the backdrop of the ongoing COVID-19 pandemic, we have continued with a very strong focus on the safety of everyone we work with, while at the same time further strengthening our financial position. Our business has thus far proven to be resilient and we continue to be impressed with the adaptability and flexibility of all Arcadians, which have contributed to the strong operational performance during these still unprecedented times. The series of actions we initiated at the end of the 1st quarter to reduce our costs and preserve our cash continue to pay off and resulted in our solid financial position. This also facilitated the successful refinancing of €150 million debt in a transaction that was oversubscribed multiple times.

As part of our continuous reorientation to focus on regions which support our strategic framework, we have decided to reduce our footprint in the Middle East. We will continue to satisfy the contractual obligations we have committed to, as well as balancing our employees' interests, which means that we expect this process to take several years to complete.

Notwithstanding the strong performance, we do see the impact of COVID-19 in some parts of our business, in particular in our work for private sector clients as well in the retail sector of CallisonRTKL, which led to a non-cash goodwill impairment for this business. At the same time, our strong focus on our public clients has allowed us to win a large number of projects and enabled the growth of our backlog especially in infrastructure and environment.

The quality of our people, our well diversified project portfolio, improved predictable performance and strong financial position gives us confidence for the coming years and we look forward to presenting our strategy update on 19 November 2020."

REVIEW OF PERFORMANCE

KEY FIGURES

in € millions Period ended 30 September	THIRD QUARTER 2020	 2019	 change	YEAR-TO-DATE 2020	 2019	 change
Gross revenues	781	836	-7%	2,484	2,544	-2%
Net revenues	604	642	-6%	1,890	1,917	-1%
Organic growth	*-3%*	*3%*		*-1%*	*2%*	
EBITDA	92	81	14%	246	230	
EBITDA margin	*15.2%*	*12.6%*		*13.0%*	*12.0%*	
Adjusted EBITDA[1)]	74	63	17%	187	174	8%
EBITA	63	51	24%	155	143	8%
EBITA margin	*10.5%*	*8.0%*		*8.2%*	*7.4%*	
Operating EBITA[2)]	66	54	22%	163	152	7%
Operating EBITA margin	*10.9%*	*8.4%*		*8.6%*	*7.9%*	
Free cash flow	119	4		200	12	
Net working capital %	16.6%	19.1%				
Days sales outstanding	82	95				
Net debt	195	386				
Backlog net revenues (billions)	2.0	2.0				
Backlog organic growth	4%			6%		

[1)] Excluding IFRS 16 impact, used for net debt/EBITDA and FCF calculation
[2)] Excluding restructuring, acquisition & divestment costs

REVIEW OF PERFORMANCE

REVENUES BY SEGMENT

AMERICAS
(36% of net revenues)

in € millions Period ended 30 September	THIRD QUARTER 2020	 2019	 change	YEAR-TO-DATE 2020	 2019	 change
Gross revenues	323	326	*-1%*	1,036	1,005	*3%*
Net revenues	218	215	*2%*	671	640	*5%*
Organic growth	*8%*			*6%*		

The organic revenue growth in North America was driven by continued strong growth in Water and Infrastructure, now supported by Environment as well.

Solid revenue growth in Latin America, driven by growth in Infrastructure and Environmental Consultancy in Brazil.

EUROPE & MIDDLE EAST

(44% of net revenues)

in € millions Period ended 30 September	THIRD QUARTER 2020	 2019	 change	YEAR-TO-DATE 2020	 2019	 change
Gross revenues	318	329	*-4%*	993	1,021	*-3%*
Net revenues	265	278	*-5%*	838	851	*-2%*
Organic growth	*-6%*			*-2%*		

Modest revenue decline in most countries due to COVID-19, except for Germany which delivered solid organic growth in Water and Infrastructure.

Revenue in the UK declined mainly in Buildings, while there is growth in Infrastructure and Water. New contract for the High Speed Railway 2 project has been signed, providing significant continuity of work in Infrastructure.

Revenue in the Middle East slightly declined. As part of its ongoing global strategy review, Arcadis has concluded that it will further reduce its footprint in the Middle East. The implementation will be executed in a controlled manner that will not impact clients and delivery of current projects. As a consequence of this decision, Arcadis impairs all remaining goodwill and identifiable intangible assets on its balance sheet for its Middle East business (€66 million).

ASIA PACIFIC

(13% of net revenues)

in € millions Period ended 30 September	THIRD QUARTER 2020	 2019	 change	YEAR-TO-DATE 2020	 2019	 change
Gross revenues	88	102	*-14%*	270	290	*-7%*
Net revenues	80	94	*-14%*	244	259	*-6%*
Organic growth	*-10%*			*-2%*		

Organic net revenue declined in Asia due to COVID-19 and its impact on commercial development. Revenue in China, Hong Kong and Macau recovering with Vietnam and Thailand normalizing, whilst remaining Asian countries continue to face challenges.

Organic net revenue growth in Australia was modest, driven by large projects in Infrastructure in the major urban areas.

CALLISONRTKL

(7% of net revenues)

in € millions Period ended 30 September	THIRD QUARTER 2020	 2019	 change	YEAR-TO-DATE 2020	 2019	 change
Gross revenues	52	80	*-34%*	185	228	*-19%*
Net revenues	41	56	*-27%*	138	167	*-17%*
Organic growth	*-23%*			*-16%*		

Organic net revenues declined by 23% as a result of severe impact from COVID-19 in retail, and to a lesser extent the other practice groups, while China is starting to recover. Cost control measures are taken to mitigate the impact from COVID-19. Due to weaker than expected results and forecast for CallisonRTKL, a non-cash goodwill impairment of €60 million has been booked.

OPERATING EBITA

Operating EBITA in the quarter increased by 22% to €66 million (Q3 2019: €54 million), due to a very solid performance overall and the results of COVID-19 measures taken at the end of the first quarter. The operating EBITA margin improved to 10.9% (Q3 2019: 8.4%) driven by margin improvement in all countries except for Europe South. Non-operating costs were €2 million, compared to €3 million in Q3 2019.

CASH FLOW, WORKING CAPITAL AND BALANCE SHEET

Free cash flow in the third quarter further improved to €119 million (Q3 2019: €4 million), leading to a significantly higher year-to-date free cash flow of €200 million (2019: €12 million). This is mainly the result of additional actions to reduce working capital in all regions and invoicing efficiency improvements in the US. In addition, the deferral of social and tax charges payments, as allowed under government programs to reduce the impact of COVID-19 had a positive impact of approximately €43 million year-to date.

As a result of the cash collection, the days sales outstanding decreased to 82 days (Q3 2019: 95 days) and net working capital as a percentage of gross revenues improved to 16.6% (Q3 2019: 19.1%).

Strengthened balance sheet and successfully completed €150 million re-financing

Net debt was significantly lower year-on-year at €195 million (Q3 2019: €386 million) due to the strong cash collection. The leverage ratio at the end of the quarter was 0.8 (Q3 2019 1.7) and the covenant leverage ratio further improved to 1.2 (Q3 2019: 1.8), well within the 2020 strategic target range of between 1.0 and 2.0.

On 14 October, Arcadis closed the refinancing of the matured Schuldschein loans with new €150 million Schuldschein loans in 3, 5- and 7-year tranches. The Schuldschein loans were placed with an international group of institutional investors, Asian and European commercial banks and local German banks and was oversubscribed multiple times. With this successful transaction, the maturity profile of Arcadis has become more well-spread and has been extended up until 2027. Also, the Lender base has been further diversified. The weighted average fixed interest rate on these loans has been set to 1.56%. These Schuldschein loans have been ESG-linked, which means that an interest discount and premium can be achieved, depending on Arcadis meeting certain ESG-requirements.

BACKLOG

Backlog at the end of September 2020 was €2.0 billion (Q3 2019: €2.0 billion), representing 10 months of revenues. Organic backlog growth quarter-to-date was 4% and year-to-date 6% with good order intake in the Americas, the UK, and Germany.

STRATEGY UPDATE 19 NOVEMBER

Well positioned for the future
The current health and economic crises in combination with the impact of climate change underscores the importance for the public and private sector to continue to invest in enhancing the resilience of our society and our environment. Arcadis sees that its clients increasingly need resiliency in all solutions. They need to be able to manage natural resources, develop infrastructure and build sustainable and accessible places for people to live and work in a changing world. Therefore, Arcadis plans to maximize its impact through more focus and scale, through the expertise of its people, and through sustainable and digital solutions which make economic sense and support societal needs.

Arcadis is advancing its vision for the future against a backdrop of market opportunities driven by global trends like urbanization, climate change resiliency and digitalization and will present the strategy update for the period 2021-2023 on 19 November 2020.

-End of press release-

FINANCIAL CALENDAR 2020

19 November 2020 Capital Markets Day

FOR FURTHER INFORMATION PLEASE CONTACT:

ARCADIS INVESTOR RELATIONS

Jurgen Pullens
Mobile: +31 6 5159 9483
E-mail: jurgen.pullens@arcadis.com

ARCADIS CORPORATE COMMUNICATIONS

Joost Slooten
Mobile: +31 6 2706 1880
E-mail: joost.slooten@arcadis.com

ANALYST MEETING

Arcadis will hold an analyst meeting and webcast to discuss the Q3 results for 2020. The analyst meeting will be held at 10.00 hours CET today. The webcast can be accessed via the investor relations section on the company’s website at https://www.arcadis.com/en/global/investors/.

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 28,000 people, active in over 70 countries that generate €3.5 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.