

PRESS RELEASE

Arcadis Second Quarter and Half Year Results 2024

Continued growth and improved operating margin as 2024-2026 strategy implementation commenced

SECOND QUARTER RESULTS

- Net revenue of €991 million, solid organic growth of 6.0%¹⁾
- Strong order intake of €1.1B resulting in organic backlog growth of 5.6% year-on-year
- Improved operating EBITA margin²⁾ to 11.5% (Q2'23: 9.7%³⁾) driven by operating leverage and improved project portfolio
- Free cash flow of €8 million (Q2'23: €-26M), net working capital % of 12.7% (Q2'23: 12.2%³⁾)

Amsterdam, 25 July 2024 – Arcadis, the world's leading company delivering data-driven sustainable design, engineering, and consultancy solutions for natural and built assets, sees continued growing client demand across all its business, resulting in net revenue of €991 million, organic growth of 6% and an improved operating EBITA margin of 11.5% (Q2'23: 9.7%³⁾).

Alan Brookes, CEO Arcadis, said: “Arcadis has delivered a strong first half year of its strategy cycle 2024-2026. Sustained client demand across all our Global Business Areas and specifically in solutions across Energy Transition, Water, Technology and Mobility resulted in strong revenue growth and order intake in the quarter. Operating leverage, an improved project portfolio and cost control allowed us to further improve our margin and deleverage our balance sheet. Meanwhile, we achieved the first milestones in our strategy implementation through the roll out of our Skills Powered Organization, the advancing of the Arcadis Energy Transition Academy and expansion of the Global Excellence Centers. Our deep asset knowledge, global expertise and complementary set of services are key success factors allowing us to further drive continued profitable growth and to better serve our clients.”

KEY FIGURES*

in € millions

Period ended 30 June 2024	Half Year			Second Quarter		
	2024	2023	change	2024	2023	change
Gross revenues	2,512	2,477	1%	1,282	1,260	2%
Net revenues	1,959	1,886	4%	991	945	5%
Organic growth (%) ¹⁾	5.2%	10.6%		6.0%	9.0%	
Operating EBITDA ²⁾	271	241	13%	141	120	17%
Operating EBITA ²⁾³⁾	217	184	18%	114	92	24%
Operating EBITA margin (%) ^{2,3)}	11.1%	9.7%		11.5%	9.7%	
Net income ³⁾	112	69	62%			
Net income for operations per share (in €) ^{3,4)}	1.40	1.14	23%			
Net working capital (%) ³⁾	12.7%	12.2%				
Free cash flow ⁵⁾	-88	-134		8	-26	
Net debt ³⁾	1,016	1,193				
Order intake	2,194	2,039	8%	1,066	976	9%
Backlog net revenues	3,386	3,249	4%			
Backlog organic growth (% , yoy) ¹⁾	5.6%	5.4%				
Backlog organic growth (% , ytd) ¹⁾	6.7%	5.0%				
Voluntary employee turnover ⁶⁾	11.3%	12.6%				

* 2023 and 2024 half year results as presented in this press release are unaudited

¹⁾ Underlying growth excl. impact of FX, acquisitions, footprint reductions, winddowns or divestments

²⁾ EBIT(D)A excluding restructuring, integration, acquisition, and divestment costs

³⁾ 2023 revised to reflect the adjustments to the provisional opening balances of acquired entities recognized 30 June 2023 (in accordance with IFRS 3.49)

⁴⁾ 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)

⁵⁾ Free cash flow: cash flow from operations adjusted for capex and lease liabilities

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

REVIEW OF THE SECOND QUARTER 2024: PROFIT & LOSS ITEMS AND BACKLOG

Net revenues totaled €991 million, increasing by 6.0% organically, driven by all Global Business Areas (GBAs). Revenue and backlog growth was particularly strong in US and Europe with demand for our solutions across Energy Transition, Water, Technology and Mobility accelerating. The improved operating EBITA margin of 11.5% was driven by operating leverage, an improved portfolio and the materialization of cost synergies following a successful integration of IBI and DPS. Furthermore, we expanded our Global Excellence Centers workforce by 21% year-on-year to over 4,700 people, continued to invest in our key talent with the launch of our Skills Powered Organization, advancing of the Arcadis Energy Transition Academy.

REVIEW OF THE HALF YEAR 2024: PROFIT & LOSS ITEMS AND BACKLOG

Net revenues totaled €1,959 million, increasing organically by 5.2% driven by all GBAs. The operating EBITA margin increased to 11.1% (H1'23: 9.7%³). Non-operating costs were €14 million, driven by portfolio optimizations such as the ongoing wind-down of the Middle East operations, merging of offices and other restructuring activities. Net finance expenses were €23 million (H1'23: €28 million). Net income from operations increased by 23% to €126 million (H1'23: €102 million³), or €1.40 per share (H1'23: €1.14³). Order intake increased by 8% year-on-year to a record level of €2,194 million, outperforming total revenue growth of 4% and resulting in a book-to-bill of 1.12x. We see a significant pipeline of opportunities driven by allocation of stimulus funding across Arcadis' key markets. Excluding the Middle East, the operating EBITA margin performance was 11.1% in the first half of 2024.

OPERATIONAL HIGHLIGHTS

RESILIENCE

(37% of net revenues)

in € millions Period ended 30 June 2024	Half Year			Second Quarter		
	2024	2023	change	2024	2023	change
Net revenues	727	678	7%	373	346	8%
Organic growth ¹⁾	8.6%	12.6%		9.0%	11.4%	
Operating EBITA ²⁾	93	76	23%			
Operating EBITA margin (%)	12.8%	11.2%				
Order intake	809	779	4%	361	356	1%
Backlog net revenues	1,048	999	5%			
Backlog organic growth (% , yoy) ¹⁾	8.5%	14.1%				
Backlog organic growth (% , ytd) ¹⁾	8.3%	10.9%				

Solid demand across our Resilience solutions led to strong results in our key markets, including the US, the UK, the Netherlands and Germany. We continued to see significant growth in our Energy Transition solutions and relating advisory services. Our leading position in the Water sector resulted in significant project wins, underscoring our skills and ability to deliver high-value projects. Furthermore, we became more selective in our bidding processes, which resulted in increased discipline around order intake and was yet reflected in our margin performance. We continued to make investments in industry leading talent, including through our Arcadis Energy Transition Academy.

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PLACES

(38% of net revenues)

in € millions

Period ended 30 June 2024	Half Year			Second Quarter		
	2024	2023	change	2024	2023	change
Net revenues	751	760	-1%	377	372	1%
Organic growth (%) ¹⁾	0.8%	5.0%		2.7%	2.7%	
Operating EBITA ^{2) 3)}	77	69	12%			
Operating EBITA margin (%) ^{2,3)}	10.3%	9.0%				
Order intake	850	792	7%	467	385	21%
Backlog net revenues	1,575	1,574	0%			
Backlog organic growth (% , yoy) ¹⁾	0.1%	-2.6%				
Backlog organic growth (% , ytd) ¹⁾	5.1%	2.2%				

Places showed good revenue growth driven by Germany, the UK, Ireland, the Netherlands and Canada. Demand for datacenters design remained strong, while our semiconductor clients' demand picked up on the back of CHIPS Act funding. We see good opportunities in our project pipeline as stimulus fund allocations across our solutions portfolio are beginning to come through.

MOBILITY

(22% of net revenues)

in € millions

Period ended 30 June 2024	Half Year			Second Quarter		
	2024	2023	change	2024	2023	change
Net Revenues	434	403	8%	218	204	7%
Organic growth ¹⁾	7.7%	13.5%		7.1%	11.3%	
Operating EBITA ²⁾	45	38	20%			
Operating EBITA margin (%)	10.5%	9.4%				
Order Intake	491	423	16%	218	212	3%
Backlog Net Revenues	642	560	15%			
Backlog organic growth (% , yoy) ¹⁾	16.0%	3.7%				
Backlog organic growth (% , ytd) ¹⁾	10.3%	3.9%				

Mobility showed continued strong revenue growth in our key markets Australia, North America and Europe. Our global expertise resulted in significant multi-year project wins in H1'24, which are to contribute to order intake in the second half of 2024 and to our business performance in 2025 and beyond. Margin improvement resulted from double-digit US growth generating operating leverage, and improved performance with large government clients in the UK.

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INTELLIGENCE

(2% of net revenues)

in € millions

Period ended 30 June 2024	Half Year			Second Quarter		
	2024	2023	change	2024	2023	change
Net revenues	47	45	4%	24	23	1%
Organic growth ¹⁾	4.3%			1.7%		
Operating EBITA ²⁾	5	4	8%			
Operating EBITA margin (%)	10.0%	9.6%				
Order intake	44	45	-2%	20	23	-13%
Backlog net revenues	121	115	5%			
Backlog organic growth (% , yoy) ¹⁾	6.1%					
Backlog organic growth (% , ytd) ¹⁾	-2.3%	0.2%				

Intelligence saw good growth in North America and UK, particularly driven by improved Enterprise Decision Analytics (EDA) sales. In addition, Intelligence was instrumental in generating significant synergy wins for large Key Clients, which were mostly recorded with Mobility and Places, as we continue to focus on leveraging our digital tools and our existing Key Client relationships. Meanwhile, we accelerated our digital strategy by making key hires and driving our digital product roadmap.

BALANCE SHEET & CASH FLOW

Days Sales Outstanding (DSO) was 66 days at the end of H1'24 (H1'23: 65 days³⁾). Net Working Capital as a percentage of annualized quarterly gross revenues was 12.7% (H1'23: 12.2%³⁾), with a strong June performance driving up the receivables position. Free cash flow in the quarter was a positive €8 million resulting in €-88 million for the half year (H1'23: €-134 million), in line with seasonal trends and including the first interest payment of €24 million on our Eurobond issued February 2023. Net debt decreased to €1,016 million (H1'23: €1,193 million³⁾) leading to a Net Debt / Operating EBITDA ratio of 1.9x (H1'23: 2.4x).

COST SYNERGIES REALIZATION ON TRACK

Following the finalization of the successful integration of Arcadis IBI and Arcadis DPS which was finalized by the end of 2023, the cost synergy realization is well on track with €20 million to be implemented by the end of 2024, mostly through further rationalization of workplaces and optimization of overheads, insurance & support.

2024-2026 STRATEGY "ACCELERATING A PLANET POSITIVE FUTURE"

On 16 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.

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ARCADIS KEY FINANCIAL METRICS*

in € millions

Period ended 30 June 2024	Half Year			Second Quarter		
	2024	2023	change	2024	2023	change
Gross revenues	2,512	2,477	1%	1,282	1,260	2%
Net revenues	1,959	1,886	4%	991	945	5%
Organic growth (%) ¹⁾	5.2%	10.6%		6.0%	9.0%	
Operating EBITDA ²⁾	271	241	13%	141	120	17%
Operating EBITDA margin (%) ²⁾	13.9%	12.8%		14.2%	12.7%	
EBITA	204	167	22%	108	81	33%
EBITA margin (%)	10.4%	8.9%		10.9%	8.5%	
Operating EBITA ²⁾³⁾	217	184	18%	114	92	24%
Operating EBITA margin (%) ²⁾³⁾	11.1%	9.7%		11.5%	9.7%	
Net income ³⁾	112	69	61%	54	28	94%
Net income from operations (NI _{FO}) ³⁾⁴⁾	126	102	23%	61	52	19%
NI _{FO} per share (in €)	1.40	1.14	23%			
Avg. number of shares (millions)	90.0	89.7		90.1	89.8	
Net working capital (%) ³⁾	12.7%	12.2%				
Days sales outstanding (days) ³⁾	66	65				
Free cash flow ⁵⁾	-88	-134		8	-26	
Net debt ³⁾	1,016	1,193	-15%			
Order intake	2,194	2,039	8%	1,066	976	9%
Order intake organic growth (%) ¹⁾	7.2%	10.7%		8.6%	11.2%	
Book-to-bill ⁶⁾	1.12	1.08		1.08	1.03	
Backlog net revenues	3,386	3,249	4%			
Backlog organic growth (% , yoy) ¹⁾	5.6%	5.4%				
Backlog organic growth (% , ytd) ¹⁾	6.7%	5.0%				
Voluntary employee turnover ⁷⁾	11.3%	12.6%				

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⁵⁾ Free cash flow: cash flow from operations adjusted for capex and lease liabilities

⁶⁾ Book-to-bill: order intake / net revenues

⁷⁾ Voluntary employee turnover excludes the Middle East as these operations are being wound down

FINANCIAL CALENDAR

- 31 October 2024 – Q3 2024 Trading Update
- 13 February 2025 – Q4 & Full Year 2024 Results
- 7 May 2025 – Q1 2025 Trading Update

All IR investor events: <https://www.arcadis.com/en/investors/investor-calendar>

ARCADIS INVESTOR RELATIONS

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ANALYST WEBCAST

Today at 14:00 CEST

<https://www.arcadis.com/en/investors/investor-calendar/2024/2024-q2-and-half-year-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.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

In € millions	H1 2024	H1 2023 ²
Gross revenues	2,512	2,477
Materials, services of third parties and subcontractors	(553)	(591)
Net revenues¹	1,959	1,886
Personnel costs	(1,519)	(1,488)
Other operational costs	(183)	(174)
Depreciation and amortization	(55)	(57)
Amortization other intangible assets	(15)	(31)
Other income	3	1
Total Operational costs	(1,769)	(1,749)
Operating income	190	137
Finance income	16	7
Finance expense	(45)	(30)
Fair value change of derivatives	6	(5)
Net finance expense	(23)	(28)
Result from investments accounted for using the equity method	0	0
Profit before income tax	167	110
Income taxes	(55)	(40)
Result for the period	112	69
Result attributable to:		
Equity holders of the Company (net income)	112	69
Non-controlling interests	(0)	(0)
Result for the period	112	69
Earnings per share (in €)		
Basic earnings per share	1.24	0.77
Diluted earnings per share	1.24	0.77

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1) Non-GAAP performance measure, to provide transparency on the underlying performance of our business. Reference is made to the Annual Integrated Report 2023 for the definition as used by Arcadis.

2) Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 30 June 2023.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

In € millions	H1 2024	2023
Assets		
Non-current assets		
Intangible assets and goodwill	1,508	1,505
Property, plant & equipment	100	102
Right-of-use assets	232	249
Investments accounted for using the equity method	10	11
Other investments	5	4
Deferred tax assets	82	80
Pension assets for funded schemes in surplus	18	15
Other non-current assets	22	20
Total Non-current assets	1,977	1,986
Current assets		
Inventories	0	0
Derivatives	8	8
Trade receivables	731	731
Contract assets (unbilled receivables)	708	580
Corporate tax receivables	74	83
Other current assets	120	101
Cash and cash equivalents	269	290
Total Current assets	1,910	1,793
Total Assets	3,887	3,779
Equity and liabilities		
Shareholders' equity		
Total equity attributable to equity holders of the Company	1,137	1,063
Non-controlling interests	(2)	(2)
Total Equity	1,135	1,061
Non-current liabilities		
Provisions for employee benefits	38	40
Provisions for other liabilities and charges	39	51
Deferred tax liabilities	61	53
Loans and borrowings	952	871
Lease liabilities	200	211
Derivatives	1	2
Total Non-current liabilities	1,291	1,228
Current liabilities		
Contract liabilities (billing in excess of revenue)	498	503
Provision for onerous contracts (loss provisions)	11	13
Current portion of provisions	13	17
Corporate tax liabilities	68	67
Current portion of loans and short-term borrowings	15	-
Current portion of lease liabilities	67	70
Derivatives	6	9
Bank overdrafts	51	10
Accounts payable, accrued expenses and other current liabilities	732	801
Total Current liabilities	1,461	1,490
Total Liabilities	2,752	2,718
Total Equity and liabilities	3,887	3,779

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INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

In € millions	2024	2023 ²
Cash flows from operating activities		
Result for the period	112	69
Adjustments for:		
Depreciation and amortization	55	57
Amortization other identifiable intangible assets	15	31
Income taxes	55	40
Net finance expense	23	28
Result from Investments accounted for using the equity method	(0)	(0)
Adjusted profit for the period (EBITDA)¹	260	224
Change in Inventories	0	(0)
Change in Contract assets and liabilities, provision for onerous contracts	(133)	(89)
Change in Trade receivables	11	26
Change in Accounts payable	(42)	(65)
Change in Net working capital	(164)	(128)
Change in Other receivables	(23)	(35)
Change in Current liabilities	(17)	(20)
Change in Other working capital	(40)	(55)
Change in Provisions	(21)	(8)
Share-based compensation	4	3
Gains/ losses on divestments	0	2
Gains/ losses on derecognition of leases	0	0
Change in operational derivatives	(1)	0
Settlement of operational derivatives	0	1
Dividend received	1	2
Interest received	16	7
Interest paid	(48)	(21)
Corporate tax paid	(36)	(105)
Net cash (used in)/ from operating activities	(29)	(78)
	2024	2023²
Cash flows from investing activities		
Investments in (in)tangible assets	(20)	(19)
Proceeds from sale of (in)tangible assets/ reversal of non-cash items	0	0
Investments in consolidated companies	(2)	(1)
Proceeds from sale of consolidated companies	1	7
Investments in/ loans to associates and joint ventures	0	0
Proceeds from (sale of) associates and joint ventures	0	0
Investments in other non-current assets and other investments	(4)	(2)
Proceeds from (sale of) other non-current assets and other investments	2	1
Net cash (used in)/ from investing activities	(23)	(13)
Cash flows from financing activities		
Proceeds from exercise of options	-	1
Settlement of financing derivatives	2	(7)
New long-term loans and borrowings	95	496
Repayment of long-term loans and borrowings	(15)	(500)
New short-term borrowings	15	190
Repayment of short-term borrowings	-	-
Payment of lease liabilities	(39)	(38)
Dividends paid	(76)	(66)
Net cash (used in)/ from financing activities	(18)	75
Net change in Cash and cash equivalents less Bank overdrafts	(70)	(17)
Exchange rate differences	8	6
Cash and cash equivalents less Bank overdrafts at 1 January	280	258
Cash and cash equivalents less Bank overdrafts at 30 June	218	247

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