

PRESS RELEASE

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ARCADIS TRADING UPDATE Q1 2020

Arcadis delivers revenue growth whilst seeing first EBITA impact from COVID-19

Operational

- Initial focus on ensuring the health and safety of our people, clients, and communities
- 90% of our people work from home, supporting clients using digital platforms
- Significant pro-active measures implemented to address market effects and contain costs
- Work for public clients largely unaffected, and in some cases brought forward
- Arcadis business globally will be impacted by COVID-19, during Q1 mainly Asian countries affected

Financial

- Organic net revenue growth of 3% to €658 million (gross revenues: €872 million)
- Operating EBITA €48 million (Q1 2019: €48 million); operating margin 7.2% (Q1 2019: 7.6%) impacted by COVID-19 in Asia
- Net working capital at 19.2% (Q1 2019: 17.4%); DSO at 95 days (Q1 2019: 86 days); higher due to invoicing inefficiencies from Oracle implementation in the US and COVID-19 in Asia
- Free cash flow of - €84 million (Q1 2019: - €52 million), impacted by a large engineering software license renewal (three years) of €24 million
- Net debt €424 million (Q1 2019: €409 million); solid financial position and good liquidity
- Organic backlog growth at 2% quarter-to-date; no material cancellation of projects
- Outlook: unable to accurately assess 2020 impact of COVID-19; given all uncertainties, it is unlikely all strategic targets for 2020 will be met

Amsterdam, 24 April 2020 – Arcadis (EURONEXT: ARCAD), the leading global Design & Consultancy organization for natural and built assets, reports 3% organic increase in net revenues for the first quarter of 2020. Operating EBITA margin decreased to 7.2% (Q1 2019: 7.6%) due to COVID-19 impact mainly from Arcadis business in Asia. Arcadis has taken significant measures to protect the wellbeing of its people, clients and communities. Also, a series of actions is implemented to ensure business resiliency.

CEO STATEMENT

Peter Oosterveer, CEO Arcadis comments: “For all our people and clients, everyday life and work has been severely disrupted by the impact of COVID-19. The prosperity and safety of our societies are being challenged and everyone realizes that it will take time and a significant effort to bring a degree of normality back to our life and our business. No one can accurately predict when we reach that point and what the ultimate impact and possible lasting changes will be. Meanwhile, those who care for our health and our safety deserve our unconditional support and respect.

During the first quarter, we took immediate and significant action to protect the wellbeing of our people, clients and communities. In a very short time frame, we enabled 90% of our people to work from home, using digital collaboration platforms and cloud-based engineering applications. We are performing many projects which are vital for society, for example important infrastructure projects like the High Speed 2 railway in the UK, flood protection for water authorities in the Netherlands and the US and environmental remediation work for public

and private clients in the US. We are seeing that these projects are continuing, and in some cases even brought forward.

The effect of COVID-19 on the overall results in the first quarter was largely limited to a lower revenue and EBITA from our operations in Asia. As the virus spread across the globe and with business continuity as our full focus, we took further precautionary measures to reduce our cost and protect our cash position. The current backlog and order intake in the first quarter are fairly solid, and we have not seen any material impact from the cancellation of projects. However, given the current uncertainties we will refrain from providing guidance for the year, and it is reasonable to assume that not all of our 2020 strategic targets will be met. In these unprecedented circumstances I am however very proud and impressed by the agility and resilience of all our people across the globe. It is these capabilities and the fundamental unchanged needs of the world at large and our clients in particular, which gives me confidence for the future.”

KEY FIGURES

in € millions

Period ended March 31	2020	2019 ¹	change
Gross revenues	872	829	5%
Net revenues	658	628	5%
<i>Organic growth</i>	3%	2%	
EBITDA	76	75	1%
<i>EBITDA²⁾</i>	56	56	0%
EBITA	45	46	-2%
<i>EBITA margin</i>	6.8%	7.3%	
Operating EBITA ³⁾	48	48	-1%
<i>Operating EBITA margin</i>	7.2%	7.6%	
Net working capital %	19.2%	17.4%	
Free cash flow	-84	-52	
Net debt	424	409	
Backlog net revenues (billions)	2.1	2.1	
Backlog organic growth (year-to-date)	2%	4%	

¹⁾ 2019 figures based on IFRS 16

²⁾ Excluding IFRS 16 impact, used for net debt/EBITDA calculation

³⁾ Excluding restructuring, acquisition & divestment costs

REVIEW OF PERFORMANCE

COVID-19 ACTIONS

Taking care of our people

The first priority in dealing with the COVID-19 outbreak was to protect the health & safety of our people and their families, clients and society. Significant measures, in health & safety, hygiene and travel, were taken to secure a thorough health approach, in line with WHO recommendations and the guidance from government experts in the various countries in which Arcadis operates.

Considering the unprecedented and rapidly changing operating environment, Arcadis has also taken measures to ensure business resiliency, guided by a global task force established in early March, as well as regional and local teams of subject matter experts. In a very short time frame, 90% of our people were enabled to work from home, using digital collaboration platforms and cloud-based engineering applications. As a result, Arcadis is well prepared and organized to continue delivering on its commitments to clients.

Operational performance

The impact of the COVID-19 outbreak was initially limited to the Arcadis businesses in China and Hong Kong. Now that the virus has spread around the world, it adversely impacts our markets and required additional measures. In identifying and implementing these actions, Arcadis made a distinction between immediate priorities, preparing for the crisis impact, and recovery thereafter. The results of our actions will be impacted by the time societies and governments need to contain this crisis, and on support businesses will receive from governments.

We focus on continuing to serve our clients, win projects where possible and apply deep client intimacy to keep our pipeline of orders filled. To further ensure business continuity, a large number of measures have been taken to reduce cost, reducing external advisory services and suspending all uncommitted capital expenditure. The Executive Board and the Executive Leadership Team will not receive a cash bonus over 2020 and for a period of six months their salaries will be decreased by 10%. In addition, a full hiring stop has been implemented for any new employees. Applying for relevant government support in countries which provide for this opportunity is currently reviewed.

Solid financial position and good liquidity

The focus of Arcadis in the last two years has been on reducing debt and strengthening the balance sheet. This strategy has resulted in a solid financial position and good liquidity. As announced before, in order to contain its cost and protect its cash position, Arcadis has decided as a precautionary measure to stop the share buy-back program and to withdraw the dividend proposal from the agenda for the Annual General Meeting as scheduled for May 6th, 2020. Arcadis does understand the importance of dividends for its shareholders but considers this decision to be in the best interest of Arcadis, its people, clients and shareholders.

REVENUES BY SEGMENT

AMERICAS

(34% of net revenues)

in € millions Period ended March 31	FIRST QUARTER		
	2020	2019	change
Gross revenues	362	319	13%
Net revenues	226	204	11%
<i>Organic growth</i>	7%	8%	

Organic net revenue growth in North America of 7%, driven by all businesses, but especially Infrastructure and Water where Arcadis mainly works for public clients. The order intake remains solid in the quarter and most of this work is seen as essential services and can be executed remotely.

In Latin America organic net revenue growth was 12%, driven by environmental work in Brazil.

EUROPE & MIDDLE EAST

(46% of net revenues)

in € millions Period ended March 31	FIRST QUARTER		
	2020	2019	change
Gross revenues	352	347	2%
Net revenues	302	290	4%
<i>Organic growth</i>	2%	-1%	

Net revenues in the UK increased organically by 4%, mainly due to growth in Infrastructure, Water and Environment. In Continental Europe organic growth was 3% with strong growth in Germany. In the Netherlands work for public clients (60% of revenues) was doing well and some selective Infrastructure work was even brought forward. Private clients in the Netherlands were more reluctant to start new projects. Other countries in Europe did relatively well but started to see some slowdown at the end of March. In the UK and Continental Europe, most of the projects continued in April. In the Middle East net revenues declined organically by 5% and the uncertainty in the market increased towards the end of the quarter due to both COVID-19 and extremely low oil prices.

ASIA PACIFIC

(12% of net revenues)

in € millions Period ended March 31	FIRST QUARTER		Change
	2020	2019	
Gross revenues	88	91	-3%
Net revenues	79	79	0%
<i>Organic growth</i>	3%	-1%	

Organic net revenue decline in Asia was 15%, due to the COVID-19 impact that started early January in China. In late March, all offices in China were re-opened and the business is returning to a more normalized situation. There were no project cancellations in Asia, merely delays in some projects. Organic net revenue growth for Australia was exceptionally strong with 32%, as all major projects continued and there was a successful transition to remote working.

CALLISONRTKL

(8% of net revenues)

in € millions Period ended March 31	FIRST QUARTER		change
	2020	2019	
Gross revenues	70	73	-4%
Net revenues	51	54	-5%
<i>Organic growth</i>	-8%	1%	

Organic net revenue decrease of 8% mostly due to the COVID-19 impact in China and the Retail practice in general. The healthcare practice started actively supporting clients in building COVID-19 treatment centers.

OPERATING EBITA

Operating EBITA of €48 million was in line with last year (Q1 2019: €48 million), despite the COVID-19 impact of approximately €5 million from our business in Asia. The operating EBITA margin decreased to 7.2% (Q1 2019: 7.6%); in most regions the margin improved except for Asia, the Middle East and CallisonRTKL. Non-operating costs amounted to €3 million (Q1 2019: €2 million), mainly relating to restructuring. EBITA at €45 million (Q1 2019: €46 million).

CASH FLOW AND WORKING CAPITAL

EBITDA excluding IFRS 16 impact was €56 million (Q1 2019: €56 million). Net working capital as a percentage of gross revenues was 19.2% (Q1 2019: 17.4%) and days sales outstanding increased to 95 days (Q1 2019: 86 days) due to invoicing inefficiencies in North America by the implementation the Oracle cloud solution and the impact of COVID-19 in Asia. The invoicing inefficiencies will be resolved in the next quarters. Free cash flow was - €84 million (Q1 2019: - €52 million), due to seasonal outflow and a three years engineering software license renewal of €24 million. Net debt of € 424 million showed the seasonal increase during the quarter and was slightly higher than Q1 2019 (€409 million).

BACKLOG

Backlog at the end of Q1 2020 at €2.1 billion was at the same level as last year, representing 9 months of net revenues. Backlog increased organically year-to-date by 2% supported by a book-to-bill ratio of 1.06 with good order intake in most regions. There was a slow order intake in Asia, Australia and CallisonRTKL (China) with improvements from China in March as they returned to business as normal. There are no cancellations of projects with a material impact.

STRATEGIC PRIORITIES 2020

Arcadis' "Creating a sustainable future" strategy launched in 2017 is based on three pillars: People & Culture, Innovation & Growth, and Focus & Performance with strategic targets for 2020. Given the current uncertainties regarding the COVID-19 crisis it is reasonable to assume that not all of our strategic targets set for 2020 will be met.

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 stays committed to present its scheduled strategy update for the period 2021-2023 on 19 November 2020.

FINANCIAL CALENDAR 2020

6 May 2020	Annual General Meeting of Shareholders
28 July 2020	First half year results
29 October 2020	Trading update Q3
19 November 2020	Capital Markets Day

FOR FURTHER INFORMATION PLEASE CONTACT: ARCADIS INVESTOR RELATIONS

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ANALYST MEETING

Arcadis will hold an analyst meeting and webcast to discuss the Q1'20 results. 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/investor-calendar/2020/trading-update-q1-2020/>.

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.