

PRESS RELEASE

ARCADIS TRADING UPDATE Q3 2022

Continued strong client demand and improved performance

- Strong client demand for energy transition solutions, new mobility and industrial manufacturing
- Net revenue at €740 million; organic growth of 10.9%¹⁾
- Organic backlog growth year-on-year of 5.0%¹⁾
- Operating EBITA margin improved to 10.3% (Q3'21: 9.5%)
- Net Working Capital improved to 13.8% (Q3'21: 14.0%) and DSO to 72 days (Q3'21: 74 days)
- Accelerating strategy through the acquisitions of IBI Group, DPS Group and Giftge Consult, and the divestments of a number of non-core operations

Amsterdam, 27 October 2022 – Arcadis (EURONEXT: ARCAD), the leading global Design & Consultancy organization for natural and built assets, sees a continued growing client demand across its Global Business Areas (GBAs), resulting in an organic net revenue growth of 10.9%, and an organic backlog growth of 5.0%. Operating EBITA margin increased to 10.3% (last year: 9.5%), driven by improved performance across the GBAs.

Peter Oosterveer, CEO Arcadis, comments:

“During the last quarter, we have continued to see growing client demand across our three Global Business Areas. Our Resilience business continues to benefit from increased client demand for sustainability advisory, energy transition and climate adaptation solutions. In our Places business we have enjoyed large wins in North America and Germany, and increased demand from manufacturing and governmental clients. For our Mobility business, significant rail wins in the Netherlands and a growing demand for smart mobility solutions from highways and public transport clients created strong results.

We have also made significant progress in optimizing our portfolio and focusing our efforts on geographies where we see the most attractive opportunities. This has resulted in the divestments of operations in Singapore, Malaysia, our Design and Engineering business in Hong Kong, Switzerland and our environmental restoration business in France. These follow the divestments made earlier on in the year; of our operations in Thailand, Czech Republic and Slovakia.

As we look ahead to 2023, our focus is on fully embedding both IBI and DPS into our four Global Business Areas, and the shaping of our fourth GBA “Intelligence”. Through these acquisitions, we not only significantly grow our presence in North America and Europe, but we will also be in the position to provide complementary client services and solutions in high growth markets, including life sciences, semiconductors, and industrial manufacturing.

Although the evolving geo-political situation and inflationary headwinds remain firmly on our radar, our record backlog and continued focus on the optimization of our portfolio, combined with the exciting new growth opportunities IBI, DPS and Giftge Consulting offer, position us well to meet our strategic targets. I can only be very proud of all the teams across Arcadis that have kept the right focus on our clients in these busy and exciting times for our company.”

¹⁾underlying growth excluding the impact of currency movements, acquisitions or footprint reductions, such as the Middle East, winddowns or divestments

KEY FIGURES

As the acquisition of the IBI Group has been formally closed on 27th of September 2022, the Arcadis consolidated financial statements include IBI consolidated data for balance sheet items (those items having an impact on NWC% and DSO calculated for Arcadis as a whole). Arcadis backlog includes IBI backlog as well. As the three days of P&L of IBI Group between September 27th and September 30th have been considered as non-significant, P&L data and corresponding KPI's (e.g. EBITDA, order intake, FCF) for the third quarter represent Arcadis standalone data.

in € millions Period ended 30 September 2022	Third quarter			Year-to-date		
	2022	2021	change	2022	2021	change
Gross revenues	1,003	828	21%	2,851	2,489	15%
Net revenues	740	636	16%	2,158	1,912	13%
Organic growth ¹⁾	10.9%	4.8%		8.2%	3.9%	
Operating EBITDA ²⁾	101	83	21%	284	252	12%
Operating EBITDA margin	13.6%	13.1%		13.2%	13.2%	
EBITA	27	57	-52%	158	171	-8%
EBITA margin	3.7%	9.0%		7.3%	9.0%	
Operating EBITA ²⁾	76	60	26%	208	177	18%
Operating EBITA margin	10.3%	9.5%		9.7%	9.2%	
Free Cash Flow ³⁾	38	75	-50%	27	105	-74%
Net Working Capital % ⁴⁾	13.8%	14.0%				
Days Sales Outstanding ⁴⁾	72	74				
Net Debt ⁴⁾	880	298	195%			
Backlog net revenues ⁴⁾	2,813	2,126	32%			
Backlog organic growth (y-o-y) ¹⁾	5.0%					

¹⁾ Underlying growth excluding the impact of currency movements, acquisitions or footprint reductions, such as the Middle East, winddowns or divestments

²⁾ This excludes the net result on divestment of consolidated companies, and acquisitions, restructuring, and integration-related costs. The Operating EBITDA is used when calculating the strategic target: average net debt / (Operating) EBITDA, guided for 1.5-2.5x

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

⁴⁾ Including IBI Group, transaction closing per 27th of September 2022

INCOME STATEMENT

Net revenues totaled €740 million and increased organically by 10.9%. Growth was driven by all three GBAs, with Resilience and Mobility being exceptionally strong in North America and the UK. The currency impact was 9%. The operating EBITA margin improved to 10.3% (Q3'21: 9.5%), driven by all three GBAs, and a significant year-on-year improvement driven by Places from improved operational efficiencies, despite lower working days in the UK and Australia due to Queen Elizabeth's funeral.

Non-operating costs were €49 million and include transaction costs related to the three recently announced acquisitions, and a net loss on divestments of operations in Singapore, Malaysia, Hong Kong (Design & Engineering business), Switzerland and France (Environmental Restoration business). These net losses had no impact on Free Cash Flow.

ORDER INTAKE & BACKLOG

At the end of September 2022 backlog reached a record high level of €2,813 million (Q3'21: €2,126 million), of which €530 million was added through the acquisition of the IBI Group. Strong order intake, with almost no cancellations in the quarter resulted in a solid organic backlog growth of 5.0% year-over-year, with a positive contribution of all three GBAs.

BALANCE SHEET & CASH FLOW

Net working capital as a percentage of annualized gross revenues was 13.8% (Q3'21: 14.0%), globally in line with last year performance. Days Sales Outstanding (DSO) decreased to 72 days (Q3'21: 74 days). Net debt increased to €880 million (Q3'21: €298 million), including the €600 million bridge loan for IBI acquisition and IBI net debt of €54 million.

Free cash flow generation during the quarter was €38 million and below last year's (Q3'21: €75 million), driven by sharp revenue growth elevating working capital levels, and some transaction costs relating to the recent acquisitions. Free cash flow generation year-to-date was €27 million (Q3'21: €105 million), which was impacted by a normalization of working capital levels compared to 2021.

STRATEGIC PROGRESS

Focus & Scale is one of the three key pillars of our "Maximizing Impact" business strategy for 2021-2023. Arcadis has focused on driving operational efficiencies through the implementation of the GBA model, focus on key clients, and greater use of the Global Excellence Centers (GECs), as well as investing in high growth markets, for instance through the acquisitions of IBI, DPS and Giftge Consult.

At the same time, "Focus & Scale" triggered a portfolio assessment, reviewing operations on their scalability, growth potential, financial performance, and scope of services. This has resulted in the following divestment of non-core operations, from a geographic or business point of view: Singapore, Malaysia, Hong Kong (Design & Engineering business), Switzerland and France (Environmental Restoration business), representing ~900 people and €47 million of annual net revenues. This was in addition to the divestments of Czech Republic, Slovakia and Thailand that occurred in the first half of 2022, representing ~190 people and €11 million of annual net revenues.

The recent acquisitions of IBI, DPS and Giftge, together with the divestments, have rebalanced the geographic and business portfolio, and repositioned Arcadis towards high growth and resilient markets such as placemaking and urban planning in North America, and industrial manufacturing engineering in the US and Europe. The creation of the fourth GBA "Intelligence", will enhance Arcadis' position as a digital leader, and ability to serve its clients in a more efficient way across all phases of the asset lifecycle. The backlog for Intelligence at the end of the third quarter was €112 million, representing 4% of the total Arcadis backlog.

PERFORMANCE BY GLOBAL BUSINESS AREA RESILIENCE

(43% of net revenues)

in € millions	Third quarter			Year-to-date		
Period ended 30 September 2022	2022	2021	change	2022	2021	change
Net revenues	320	259	24%	909	771	18%
Organic growth ¹⁾	13.7%			9.7%		
Backlog net revenues	943					
Backlog organic growth (y-o-y) ¹⁾	5.4%					

Resilience showed continued solid revenue and backlog growth for the third quarter, driven by continued strong client demand in energy transition, climate adaptation and mitigation, including a new commission as lead designer of a flood defense for Battery Park, New York City, complementing resiliency work for southeast and lower Manhattan. Revenue growth was supported by the successful onboarding of new hires, especially in the US.

The Resilience business closed the quarter at a backlog of €943 million, representing 34% of total Arcadis backlog.

PLACES

(32% of net revenues)

in € millions Period ended 30 September 2022	Third quarter			Year-to-date		
	2022	2021	change	2022	2021	change
Net revenues	234	209	12%	697	656	6%
Organic growth ¹⁾	3.6%			2.8%		
Backlog net revenues	1,216					
Backlog organic growth (y-o-y) ¹⁾	2.1%					

Revenue and backlog growth in the third quarter were driven by a strong Continental Europe and US, with good demand for sustainable and intelligent buildings, including the development of datacenters and automotive giga-factories for electric vehicle battery production. Revenue and backlog growth was somewhat hampered by weakening market circumstances in China.

The absolute backlog of Places increased by 29% year-on-year to €1,216 million. The position includes the backlog of IBI Group, which was marked by strong order intake in the third quarter and excludes the divested countries in Southeast Asia. These strategic decisions led to a significant repositioning of the Places backlog, now representing 43% of total Arcadis backlog, with an increased focus on North America and Europe.

MOBILITY

(25% of net revenues)

in € millions Period ended 30 September 2022	Third quarter			Year-to-date		
	2022	2021	change	2022	2021	change
Net revenues	186	168	11%	552	485	14%
Organic growth ¹⁾	15.4%			12.5%		
Backlog net revenues	542					
Backlog organic growth (y-o-y) ¹⁾	9.0%					

Stellar revenue growth for Mobility in the third quarter was driven by the UK, Australia and the US. A strong backlog development came from large highway and rail wins; such as for ProRail in the Netherlands, and a growing demand for smart mobility solutions from highways and public transport clients. At the end of Q3, mobility backlog amounted to €542 million, representing 19% of total Arcadis backlog.

IBI's experience in developing digital tools including Travel-IQ will further help to pursue new opportunities and strengthen our Mobility business both in North America and across the world.

FINANCIAL CALENDAR

- 16 February 2023 – Q4 & FY 2022 Results
- 4 May 2023 – Q1 2023 Trading Update
- 27 July 2023 – Q2 & HY 2023 Results
- 26 October 2023 – Q3 2023 Trading Update

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ANALYST MEETING

Arcadis will hold an analyst webcast to discuss the Q3 results for 2022. 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://channel.royalcast.com/landingpage/arcadisinvestors/20221027_1/

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 33,000 people, active in over 70 countries that generate €3.8 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.