

## Arcadis Second Quarter and Half Year Results 2023

### Continued strong client demand and improved operational performance

#### SECOND QUARTER RESULTS

- Record net revenue of €945 million, with strong organic growth of 9.0%<sup>1)</sup>
- Improved operating EBITA margin<sup>2)</sup> of 9.8% (Q2'22: 9.3%)
- Integration of Arcadis IBI and Arcadis DPS on track, revenue and cost synergies materializing
- Order intake of €976 million resulted in record net backlog of €3.2 billion. Organic backlog growth at 1.1% quarter-to-date (Q2'22: -0.9%)
- Successfully placed €225 million sustainability linked Schuldschein, concluding refinancing
- Free Cash Flow of €-26 million (Q2'22: €41m), Net Working Capital % of 12.4%, (Q2'22: 13.3%)
- On track to achieve strategic targets set for 2021-2023

**Amsterdam, 27 July 2023 – Arcadis, the leading global Design & Consultancy organization for natural and built assets, sees continued growing client demand across all of its Global Business Areas, resulting in record Q2 Net Revenue of €945 million with an organic growth of 9.0% and improved operating EBITA margin of 9.8% (Q2'22: 9.3%).**

**Alan Brookes, CEO Arcadis, said:** “Arcadis delivered another strong quarter driven by high client demand particularly in industrial manufacturing, environmental remediation, and innovative mobility solutions. The integration of Arcadis IBI and Arcadis DPS is progressing well and will be finalized before year end, with significant project wins from our combined complementary expertise. Cost synergies are also expected to exceed our initial expectations. The company’s focus on digital innovation and operational discipline has led to significant order intake and opportunities to further scale and standardize ensuring we remain on track to meet our 2021 – 2023 strategic targets by the end of this year. In my first two months as CEO, I have remained close to the business and strengthened my executive leadership team by bringing in the GBA leads. The need for sustainable and digitally enabled solutions remains high on our clients’ agenda, and I am convinced that with the talent and expertise within the organization, we are well positioned to capitalize on these future growth opportunities.”

#### KEY FIGURES

in € millions	Half Year			Second quarter		
	2023	2022	change	2023	2022	change
Period ended 30 June 2023						
Net revenues	1,886	1,418	33%	945	729	30%
Organic growth (%) <sup>1)</sup>	10.6%			9.0%		
Operating EBITDA <sup>2)</sup>	241	183	31%	120	94	27%
Operating EBITA <sup>2)</sup>	185	133	40%	93	68	36%
Operating EBITA margin (%)	9.8%	9.3%		9.8%	9.3%	
Net Income	80	86	-8%	38	44	-13%
NiFO per share <sup>3)</sup>	1.15	1.04	10%			
Net Working Capital (%)	12.4%	13.3%				
Free Cash Flow	-134	-10		-26	41	
Net Debt	1,186	283	319%			
Order intake	2,039	1,500	36%	976	716	36%
Backlog net revenues	3,249	2,331	39%			
Backlog organic growth (% , ytd) <sup>1)</sup>	5.0%	3.6%				
Backlog organic growth (% , qtd) <sup>1)</sup>	1.1%	-0.9%				
Voluntary employee turnover <sup>4)</sup>	12.6%	15.9%				

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

<sup>2)</sup> Excluding restructuring, integration, acquisition & divestment costs

<sup>3)</sup> Net income before non-recurring items (e.g. valuation changes of acquisition-related provisions, acquisition & divestment costs, expected credit loss on shareholder loans and corporate guarantees and one-off pension costs)

<sup>4)</sup> Voluntary turnover excludes Middle East as these operations are being wound down

### REVIEW OF THE SECOND QUARTER 2023

Net revenues totaled €945 million, increasing organically by 9.0%, driven by all Global Business Areas (GBAs). Growth was particularly strong in America and UK & Ireland, with Continental Europe and Australia also contributing, slightly offset by a decline in the Greater China region, as a result of a continued challenging business environment. A -2.6% currency impact was driven by a weakening US and Canadian Dollar against the Euro. Operating EBITA improved to 9.8% (Q2'22: 9.3%).

Order intake increased by 36% year on year to €976 million, outperforming total revenue growth of 30% and resulting in a Book to Bill of 1.03. The net revenue organic backlog growth was 1.1% quarter to date, in line with the seasonal pattern and well above last year's -0.9%.

### REVIEW OF THE HALF YEAR 2023

Net revenues totaled €1,886 million, increasing organically by 10.6% (currency impact -1.1%), driven by all GBAs. Non-operating costs were €16 million, driven by restructuring costs from the wind-down of Middle East operations, integration costs and the impact of a non-cash liquidation of assets sold last year. The operating EBITA margin increased to 9.8% (HY'22: 9.3%) driven by a step up in Resilience and Places. The effective income tax rate of 35% (HY'22: 28%) was impacted by non-deductible items and de-recognition of deferred tax assets. The weighted average annual income tax rate for the full financial year is expected to be between 28% and 30%. Net finance expenses were €27 million (HY'22: €6 million), driven by a higher debt position. Net Income from Operations increased by 11% to €103 million (HY'22: €93 million), or €1.15 per share (HY'22: €1.04), driven by higher revenues.

Order intake increased by 36% year on year to a record level of €2,039 million, outperforming total revenue growth of 33% and resulting in a Book to Bill of 1.08. The net revenue organic backlog growth of 5.0% year to date, is in line with the seasonal pattern and well above last year's 3.6%.

## OPERATIONAL HIGHLIGHTS

### RESILIENCE

(36% of net revenues)

in € millions Period ended 30 June 2023	Half Year			Second quarter		
	2023	2022	change	2023	2022	change
Net revenues	678	589	15%	346	308	13%
Organic growth <sup>1)</sup>	12.6%			11.4%		
Operating EBITA	76	60	27%			
Operating EBITA margin (%) <sup>2)</sup>	11.2%	10.1%				
Order intake	779	628	24%	356	290	23%
Net revenues in backlog	999	842	19%			
Backlog organic growth (% , ytd) <sup>1)</sup>	10.9%	4.5%				
Backlog organic growth (% , qtd) <sup>1)</sup>	0.8%	-2.4%				

Resilience showed solid revenue and backlog growth driven by public and private clients in all large markets. Strong client demand, especially in environmental restoration, water optimization and energy transition, continued to drive a very solid pipeline of opportunities. Our digital innovation and product offering coupled with our focus on sustainability continued to differentiate Arcadis in the market. A solid operating margin for the half year was driven by good performance in North America. We continued to invest in digital products and partnerships to tap the wide range of opportunities in the growing markets, such as water optimization.

## PLACES

(40% of net revenues)

in € millions

Period ended 30 June 2023	Half Year			Second quarter		
	2023	2022	change	2023	2022	change
Net revenues	760	463	64%	372	235	58%
Organic growth (%) <sup>1)</sup>	5.0%			2.7%		
Operating EBITA	70	41	69%			
Operating EBITA margin (%) <sup>2)</sup>	9.2%	8.9%				
Order intake	792	502	58%	385	243	59%
Net revenues in backlog	1,574	968	63%			
Backlog organic growth (% , ytd) <sup>1)</sup>	2.2%	3.6%				
Backlog organic growth (% , qtd) <sup>1)</sup>	0.9%	-0.1%				

Good revenue and backlog growth in Places was driven by North America, UK and Continental Europe, while we increased selectivity in project intake at Arcadis DPS, and continued to refocus towards project, rather than cost, management in China. Industrial manufacturing onshoring clients were supported from construction through to the production phase, providing support in navigating the complexities when planning, processes, people and plants come together. In order to address the increased client demand for creating Net Zero Facilities and Sustainable Communities, we engaged in ecosystem partnership opportunities, especially on energy optimization. Margin improvement was driven by strong performance of Arcadis IBI in North America and Industrial Manufacturing performance in Continental Europe, while slightly hampered by the Middle East performance. When excluding Middle East, Operating margin would have been 9.9% for the first half year.

## MOBILITY

(22% of net revenues)

in € millions

Period ended 30 June 2023	Half Year			Second quarter		
	2023	2022	change	2023	2022	change
Net revenues	403	366	10%	204	187	9%
Organic growth <sup>1)</sup>	13.5%			11.3%		
Operating EBITA	38	35	9%			
Operating EBITA margin (%) <sup>2)</sup>	9.4%	9.5%				
Order intake	423	370	14%	212	183	16%
Net revenues in backlog	560	521	7%			
Backlog organic growth (% , ytd) <sup>1)</sup>	3.9%	2.0%				
Backlog organic growth (% , qtd) <sup>1)</sup>	2.1%	0.3%				

Revenue growth continued to be very strong driven by North America, UK and Continental Europe. Highways and Rail clients increasingly looked for data-driven solutions as the infrastructure market was marked by growing innovation and complexity. The demand for New Mobility services accelerated as clients benefitted from federal funding, especially in North America and Australia. GBA cross-selling and revenue synergies materialized. The margin was strong in North America, Continental Europe and Australia, while the year-on-year margin decline was driven by losses related to the winding down of activities in the Middle East. When excluding Middle East, Operating margin would have been 10.3% for the first half year.

## INTELLIGENCE

(2% of net revenues)

in € millions	Half Year	Q2
Period ended 30 June 2023	<b>2023</b>	
Net revenues	45	23
Operating EBITA	4	
Operating EBITA margin (%) <sup>2)</sup>	9.6%	
Order intake (millions)	45	23
Net revenues in backlog (millions)	115	
Backlog organic growth (% , ytd) <sup>1)</sup>	0.2%	
Backlog organic growth (% , qtd) <sup>1)</sup>	0.2%	

Good revenue growth was complemented by new order intake from large, key clients, mostly in North America and the UK. Mature software products in traffic and travel management, such as TravellQ combined with emerging transit software products CurbIQ and HotSpot resulted in good revenues from key clients in major US cities. Enterprise Decision Analytics products drove synergy wins in combination with existing GBA's for port authorities, urban utilities and other infrastructure sectors. Our priority remained investing in product development, integration and organizational set-up. This resulted in an improved margin of 9.6% versus 2022 year-end of 9.1%.

## BALANCE SHEET & CASH FLOW

Net working capital as a percentage of annualized gross revenues improved to 12.4% (Q2 2022: 13.3%) and Days Sales Outstanding (DSO) was 66 days (Q2 2022: 69 days), as a result of disciplined working capital management - both well within the strategic targets set for 2021-2023. A €225 million sustainability linked Schuldschein loan was successfully placed in July, completing the refinancing process of the bridge loan. Net debt increased to €1,186 million, leading to a Net Debt / Pro Forma Operating EBITDA ratio of 2.4x and for full year within the strategic target range of 1.5-2.5x. Free cash flow was €-134 million for the first half year (Q2'22: €-10 million), in line with seasonality, and impacted by a €-74 million cash out related to a change in US tax law. The Free Cash Flow in the second quarter of €-26 million, was fully in line with last year's €41 million, excluding this tax cash out.

## INTEGRATION ON TRACK WITH COST SYNERGIES IDENTIFIED AND ACTIONED

The Integration of Arcadis IBI and Arcadis DPS is on track with both cost and revenue synergies wins materializing. €20 million in cost synergies have already been identified, exceeding our initial target of €18 million, to be delivered by end 2024. We expect to deliver €4 million by the end of 2023 to be generated through the integration and rationalisation in workplace; IT integration and platform improvements within technology; as well as the rationalisation of overheads, insurance and support driving operational synergies.

## MATERIAL EVENTS

### Schuldschein loan

Arcadis successfully placed a €225 million sustainability linked Schuldschein loan to be used towards repaying the outstanding bridge loan of 2022. The facility has a maturity of three years with two tranches: €40 million at a fixed interest rate of 5.1% and €185 million at a floating interest rate at six-month Euribor with a margin of 135bps. p.a. Refinancing process of the bridge loan, initially placed at €750 million for the acquisitions of Arcadis IBI and Arcadis DPS, is therefore completed, following the successful issuance of an inaugural Eurobond of €500 million in February 2023.

### Change in US Tax and Jobs Act Section 174

In 2022, the US Tax Cuts and Jobs Act of 2017 eliminated the option to deduct expense research and development expenditures immediately in the year incurred and requires taxpayers to amortize such expenditures over five years for tax purposes. Total cash out in full year 2023 will approximately be €97 million.

## DETAILED FINANCIAL TABLES

in € millions

Period ended 30 June 2023	Half Year			Second quarter		
	2023	2022	change	2023	2022	change
Gross revenues	2,477	1,847	34%	1,260	968	30%
Net revenues	1,886	1,418	33%	945	729	30%
Organic growth (%) <sup>1)</sup>	10.6%			9.0%		
Operating EBITDA <sup>2)</sup>	241	183	31%	120	94	27%
Operating EBITDA margin (%)	12.8%	12.9%		12.7%	12.9%	
EBITA	169	130	29%	82	65	26%
EBITA margin (%)	8.9%	9.2%		8.7%	8.9%	
Operating EBITA <sup>2)</sup>	185	133	40%	93	68	36%
Operating EBITA margin (%)	9.8%	9.3%		9.8%	9.3%	
Net Income	80	86	-8%	38	44	-13%
Net Income from Operations (NifO) <sup>3)</sup>	103	93	11%	53	47	12%
NifO per share	1.15	1.04	10%			
Avg. number of shares (millions)	89.7	89.2	1%	89.8	89.2	1%
Net Working Capital (%)	12.4%	13.3%				
Days Sales Outstanding (days)	66	69				
Free Cash Flow	-134	-10		-26	41	-164%
Net Debt	1,186	283	319%			
Order intake	2,039	1,500	36%	976	716	36%
Backlog net revenues	3,249	2,331	39%			
Backlog organic growth (% , ytd) <sup>1)</sup>	5.0%	3.6%				
Backlog organic growth (% , qtd) <sup>1)</sup>	1.1%	-0.9%				
Voluntary employee turnover <sup>4)</sup>	12.6%	15.9%				

### FINANCIAL CALENDAR

- 26 October 2023, 2023 Q3 Trading Update
- 16 November 2023, Capital Markets Day
- 22 February 2024, 2023 Q4 & Full Year Results

### ARCADIS INVESTOR RELATIONS

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### ANALYST WEBCAST

Today at 14.00 hours CET:

[www.arcadis.com/en/investors/investor-calendar/2023/2023-q2-and-half-year-results](http://www.arcadis.com/en/investors/investor-calendar/2023/2023-q2-and-half-year-results)

### 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](http://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.

# UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR H1 2023

In € thousands	H1 2023	H1 2022
<b>Gross revenues</b>	<b>2,477,468</b>	<b>1,847,036</b>
Materials, services of third parties and subcontractors	(591,765)	(429,386)
Net revenues	1,885,703	1,417,650
Personnel costs	(1,487,668)	(1,121,661)
Other operations costs	(174,610)	(123,283)
Depreciation and amortization	(55,646)	(50,566)
Amortization other intangible assets	(18,940)	(4,733)
Other income	931	8,039
<b>Total Operational costs</b>	<b>(1,735,933)</b>	<b>(1,292,204)</b>
<b>Operating income</b>	<b>149,770</b>	<b>125,446</b>
Finance income	7,174	2,242
Finance expenses	(29,260)	(6,527)
Fair value change of derivatives	(5,298)	(1,369)
<b>Net finance expense</b>	<b>(27,384)</b>	<b>(5,654)</b>
Result from investments accounted for using the equity method	349	204
<b>Profit before income tax</b>	<b>122,735</b>	<b>119,996</b>
Income taxes	(43,145)	(33,736)
<b>Result for the period</b>	<b>79,590</b>	<b>86,260</b>
<b>Result attributable to:</b>		
Equity holders of the Company (net income)	79,742	86,328
Non-controlling interests	(152)	(68)
<b>Result for the period</b>	<b>79,590</b>	<b>86,260</b>
<b>Earnings per share (in €)</b>		
Basic earnings per share	0.89	0.97
Diluted earnings per share	0.89	0.97

# UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET – H1 2023

Arcadis is in the process of conducting the Purchase Price Allocation exercise for Arcadis IBI and Arcadis DPS as per prescribed accounting rules and we expect this to be completed by the deadline of Q3 2023 for Arcadis IBI and end of the 2023 calendar year for Arcadis DPS. The overall financial impact is not significant as of H1 2023.

In € thousands	H1 2023	2022FY Revised <sup>1</sup>
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets and goodwill	1,570,246	1,596,962
Property, plant and equipment	105,615	109,490
Right-of-use assets	256,667	275,613
Investments accounted for using the equity method	10,005	11,633
Other investments	3,240	3,609
Deferred tax assets	105,926	71,910
Pension assets for funded schemes in surplus	12,381	10,417
Other non-current assets	22,199	20,889
<b>Total Non-current assets</b>	<b>2,086,279</b>	<b>2,100,523</b>
<b>Current assets</b>		
Inventories	325	265
Derivatives	6,252	15,943
Trade receivables	700,549	728,799
Contract assets (unbilled receivables)	704,347	635,556
Corporate tax receivables	45,271	17,840
Other current assets	103,351	73,956
Cash and cash equivalents	289,614	272,754
<b>Total Current assets</b>	<b>1,849,709</b>	<b>1,745,113</b>
<b>Total Assets</b>	<b>3,935,988</b>	<b>3,845,636</b>

<sup>1</sup> 2022 FY figures are revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of IBI Group recognized as at 31 December 2022.

In € thousands	H1 2023	2022FY Revised <sup>1</sup>
<b>Equity &amp; liabilities</b>		
Shareholders' equity		
<b>Total Equity attributable to equity holders of the Company</b>	<b>1,057,922</b>	<b>1,039,431</b>
Non-controlling interests	(2,132)	(2,009)
<b>Total Equity</b>	<b>1,055,790</b>	<b>1,037,422</b>
<b>Non-current liabilities</b>		
Provisions for employee benefits	40,843	41,652
Provisions for other liabilities and charges	38,991	36,794
Deferred tax liabilities	33,360	44,323
Loans and borrowings	898,440	901,935
Lease liabilities	219,484	235,947
<b>Total Non-current liabilities</b>	<b>1,231,118</b>	<b>1,260,651</b>
<b>Current liabilities</b>		
Contract liabilities (billing in excess of revenue)	469,242	481,872
Provision for onerous contracts (loss provisions)	17,626	24,228
Current portion of provisions	14,880	20,989
Corporate tax liabilities	67,727	63,478
Current portion of loans and short-term borrowings	246,640	56,230
Current portion of lease liabilities	70,109	71,816
Derivatives	10,286	21,904
Bank overdrafts	42,357	15,156
Accounts payable, accrued expenses and other current liabilities	710,213	791,890
<b>Total Current liabilities</b>	<b>1,649,080</b>	<b>1,547,563</b>
<b>Total Liabilities</b>	<b>2,880,198</b>	<b>2,808,214</b>
<b>Total Equity and liabilities</b>	<b>3,935,988</b>	<b>3,845,636</b>

*1 2022 FY figures are revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of IBI Group recognized as at 31 December 2022.*

# UNAUDITED INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT – H1 2023

<i>In € thousands</i>	<b>H1 2023</b>	<b>H1 2022</b>
<b>Cash flows from operating activities</b>		
<b>Result for the period</b>	79,590	86,204
Adjustments for:		
Depreciation and amortization	55,646	50,566
Amortization other identifiable intangible assets	18,940	4,733
Income taxes	43,145	33,736
Net finance expense	27,384	5,654
Result from Investments accounted for using the equity method	(349)	(204)
<b>Adjusted profit for the period (EBITDA)</b>	<b>224,356</b>	<b>180,689</b>
Change in Inventories	(56)	(457)
Change in Contract assets and liabilities, provision for onerous contracts	(89,001)	(89,910)
Change in Trade receivables	25,535	4,176
Change in Accounts payable	(64,860)	(26,327)
<b>Change in Net working capital</b>	<b>(128,382)</b>	<b>(112,518)</b>
Change in Other receivables	(35,453)	(25,126)
Change in Current liabilities	(19,986)	8,310
<b>Change in Other working capital</b>	<b>(55,439)</b>	<b>(16,816)</b>
Change in Provisions	(7,903)	14
Share-based compensation	3,430	4,432
Gains/ losses on divestments	2,431	(2,345)
Gains on derecognition of leases	(20)	(303)
Change in operational derivatives	(305)	886
Settlement of operational derivatives	697	(521)
Dividend received	2,000	10,427
Interest received	7,462	2,238
Interest paid	(20,988)	(7,277)
Corporate tax paid	(105,390)	(20,616)
<b>Net cash (used in) / from operating activities</b>	<b>(78,051)</b>	<b>38,290</b>

<i>In € thousands</i>	<b>H1 2023</b>	<b>H1 2022</b>
<b>Cash flows from investing activities</b>		
Investments in (in)tangible assets	(19,145)	(15,523)
Proceeds from sale of (in)tangible assets/ reversal of non-cash items	423	1,809
Investments in consolidated companies	(1,073)	(7,294)
Proceeds from sale of consolidated companies	7,225	5,098
Investments in/ loans to associates and joint ventures	(47)	(24)
Investments in other non-current assets and other investments	(2,069)	(4,419)
Proceeds from (sale of) other non-current assets and other investments	1,227	3,648
<b>Net cash (used in) / from investing activities</b>	<b>(13,459)</b>	<b>(16,705)</b>
<b>Cash flows from financing activities</b>		
Proceeds from exercise of options	528	1,145
Proceeds from issuance of shares	-	(11)
Settlement of financing derivatives	(6,887)	(2,009)
New long-term loans and borrowings	495,565	-
Repayment of long-term loans and borrowings	(500,000)	(63,375)
New short-term borrowings	190,000	70,558
Repayment of short-term borrowings	-	(50,567)
Payment of lease liabilities	(38,028)	(35,173)
Dividends paid/ received	(66,266)	(116,463)
<b>Net cash (used in) / from financing activities</b>	<b>74,912</b>	<b>(195,895)</b>
<b>Net change in Cash and cash equivalents less Bank overdrafts</b>	<b>(16,598)</b>	<b>(174,310)</b>
Exchange rate differences	6,257	14,146
Cash and cash equivalents less Bank overdrafts at 1 January	257,598	350,912
<b>Cash and cash equivalents less Bank overdrafts at 30 June</b>	<b>247,257</b>	<b>190,748</b>