ARCADIS Design & Consultancy for natural and built assets

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PRESS RELEASE

FOURTH QUARTER AND FULL YEAR RESULTS 2020

Arcadis reports strong operational performance and excellent free cash flow

- Achieved all key strategic targets for 2020
- Demonstrated resilience during challenging social-economic times
- Strengthened foundation for further growth
- Positioned well to capitalize on global megatrends: urbanization, climate change, digitalization and societal expectations

Fourth quarter results:
- Operating EBITA margin 11.0% (Q4 2019: 9.2%)
- Excellent free cash flow of €124 million (Q4 2019: €85 million)

Full year results:
- Operating EBITA margin improved to 9.2% (2019: 8.2%)
- Organic net revenue decline of 2% to €2.5 billion (gross revenues of €3.3 billion)
- Excellent free cash flow of €324 million (2019: €97 million)
- Net working capital at 12.6% (2019: 16.6%); DSO at 66 days (2019: 88 days)
- Reduction of net debt to €48 million, resulting in an average net debt/EBITDA ratio of 0.7x
- Organic backlog growth at 5%
- Dividend proposal of €0.60 per share, with pay-out ratio at 40%
- Share buy-back program up to 1.85 million shares

Amsterdam, 18 February 2021 – Arcadis (EURONEXT: ARCAD), the leading global Design & Consultancy organization for natural and built assets, reports an improved operating EBITA margin of 9.2% and excellent free cash flow of €324 million for 2020. The company further reduced its debt resulting in a solid net debt/EBITDA ratio of 0.7x. Arcadis proposes a dividend of €0.60 per share.

CEO STATEMENT

Peter Oosterveer, CEO comments: “I am extremely proud and grateful for the way our people responded to the challenges, by putting the safety and health of everyone first, while continuing to serve our clients in the best possible way. In the unprecedented environment we all experienced in 2020, Arcadis has demonstrated to be very resilient and delivered strong performance as we pursued our quest to improve quality of life for our clients and for the communities in which we operate. The flexibility, agility and dedication of our employees enabled us to continue to deliver our projects, whereby the foundational and institutionalized performance enhancements combined with the measures we initiated at the beginning of the pandemic allowed us to perform so well. This resulted in a strong improvement of our operating EBITA margin, excellent free cash flow, and healthy backlog growth which combined created our strong financial position. We are very proud that we have been able to deliver on all our strategic targets for the year, despite the challenging environment. This allows us to reinstate our dividend and we will propose to the shareholders meeting to distribute a dividend of €0.60 per share.

In November, we shared our 2021-2023 strategy, 'Maximizing Impact'. We strongly believe global mega trends will drive market opportunities for us and Arcadis has the experience, capabilities, and solutions to address these. Continued urbanization creates for example growing demand for sustainable transportation and affordable housing while climate change will drive amongst others growth in water solutions and accelerate the energy transition. Digitalization opens avenues for better-informed investment decision making and new business models. Rapidly increasing societal expectations demand companies and governments to act with integrity and create a resilient, sustainable, and inclusive future for all. For us at Arcadis, it is imperative to fully integrate resilience thinking in all the work we do for our clients and to use this as an opportunity for change. Our long-term passion of Improving Quality of Life, strong balance sheet and solid backlog combined with our future investments in strategic priorities positions us very well to maximize value for all our stakeholders."

REVIEW OF PERFORMANCE

in € millions	**FULL YEAR**			**FOURTH QUARTER**		
Period ended December 31	**2020**	**2019**	change	**2020**	**2019**	change
Gross revenues	3,303	*3,473*	-5%	820	*930*	*-12%*
Organic growth	*-3%*			*-7%*		
Net revenues	2,494	2,577	-3%	603	660	*-9%*
Organic growth	*-2%*			*-3%*		
EBITDA	349	309	*13%*	103	79	*30%*
EBITDA margin	*14.0%*	*12.0%*		*17.1%*	*12.0%*	
Adjusted EBITDA[1)]	*269*	*235*	*14%*	*81*	61	*33%*
EBITA	224	192	*17%*	69	50	*38%*
EBITA margin	*9.0%*	*7.5%*		*11.4%*	*7.5%*	
Operating EBITA[2)]	229	213	*8%*	66	61	*8%*
Operating EBITA margin	*9.2%*	*8.2%*		*11.0%*	*9.2%*	
Net income	22	12	*78%*			
Net income from operations (NIFO)	133	120	*11%*			
NIFO per share (in €)	1.49	1.36	*10%*			
Dividend (proposal)per share	0.60	n/a				
Avg. number of shares (millions)	89.6	88.4				
Net working capital %	12.6%	16.6%				
Days sales outstanding	66	88				
Free cash flow	324	97	*232%*	124	85	
Net debt[1)]	48	310				
Backlog net revenues (billions)	2.0	2.0				
Backlog organic growth	5%	0%				
Voluntary employee turnover	8.7%	13.5%				

[1)] *For bank covenant purposes the EBITDA and net debt are lease-adjusted*
[2)] *Excluding restructuring, acquisition & divestment costs*

REVIEW OF FULL YEAR PERFORMANCE 2020

Net revenues totaled €2,494 million and decreased organically by 2%, while the currency impact was -2%. Revenues increased in the Americas, Australia and Germany, offset by COVID-19 related decline in CallisonRTKL, Asia and other countries in Europe. Furthermore, revenue declined in the Middle East driven by our decision to further reduce our footprint in that region.

Operating EBITA increased by 8% to €229 million (2019: €213 million) and the operating EBITA margin increased to 9.2% (2019: 8.2%). This increase was the result of improved project management, the increased use of Global Excellence Centers and the focus on Key

Clients in combination with the actions initiated in the first quarter to mitigate the impact of COVID-19.

Non-operating costs were €5 million (2019: €21 million); of which €12 million was mainly related to restructuring spread over a few regions, €1 million for other acquisition and divestment related costs offset by an €8 million provision release for orderly wind-down costs of ALEN (divested clean energy assets in Brazil).

The underlying income tax rate was 33.2% (2019: 27.3%), excluding impact of investments, ALEN and goodwill impairments. The tax rate was impacted by, amongst other things, non-deductible expenses, updates to tax positions from previous years, and unrecognized losses.

Net finance expenses decreased to €27 million (2019: €40 million). The interest expense on loans and borrowings of €18 million (2019: €25 million) reduced due to lower average gross debt and lower interest rates.

Net income from operations was €133 million, up 11% year-over-year (2019: €120 million) or €1.49 per share (2019: €1.36).

REVIEW OF PERFORMANCE FOR THE FOURTH QUARTER

Net revenues totaled up to €603 million for the fourth quarter; organic decline was 3% due to COVID-19 impact in various markets.
Operating EBITA increased to €66 million (Q4 2019: €61 million). The operating EBITA margin improved to 11.0% (Q4 2019: 9.2%), driven by better performance in all segments except for CallisonRTKL, where margin declined due to lower revenue and additional provisions.

REVIEW BY SEGMENT

AMERICAS

(35% of net revenues)

in € millions	**FULL YEAR**			**FOURTH QUARTER**		
Period ended 31 December	**2020**	**2019**	*change*	**2020**	**2019**	*change*
Gross revenues	1,370	1,394	*-2%*	335	390	*-14%*
Net revenues	876	860	*2%*	205	219	*-6%*
Organic growth	*5%*			*4%*		
EBITA	105.1	57.3	*83%*			
Operating EBITA[1]	101.7	71.4	*42%*			
Operating EBITA margin	*11.6%*	*8.3%*				

[1] Excluding acquisition, restructuring and integration-related costs

North America delivered strong financial results overcoming major headwinds from the pandemic and the economic fallout. Climate resilience and sustainability is rapidly becoming a priority across all our client sectors. Net revenue increased organically with all core businesses contributing, creating significantly improved operating margin. Key to the success were the actions to mitigate the COVID-19 impact as well as the implementation of strategic programs and initiatives around people, client experience, digital solutions, and innovation.

Latin America continued its improvement trend which started in 2019. Net organic growth was driven primarily by Brazil with excellent performance in both the Environment and Infrastructure business. The operating EBITA margin improved compared to 2019.

EUROPE & MIDDLE EAST

(45% of net revenues)

in € millions	FULL YEAR			FOURTH QUARTER		
Period ended 31 December	**2020**	**2019**	*change*	**2020**	**2019**	*change*
Gross revenues	1,339	1,390	*-4%*	346	369	*-6%*
Net revenues	1,119	1,145	*-2%*	282	294	*-4%*
Organic growth	*-2%*			*-2%*		
EBITA	86.2	85.0	*1%*			
Operating EBITA[1)]	91.8	87.5	*5%*			
Operating EBITA margin	*8.2%*	*7.6%*				

[1)] Excluding acquisition, restructuring and integration-related costs

Overall net revenue declined organically by 2% due to the impact of COVID-19 and the reduction of our footprint in the Middle East. Due to structural strategic improvements and actions taken to mitigate costs, the operating margin improved.

Revenue in Continental Europe declined slightly in work from private clients, however the operating margin improved in the Netherlands, Germany and Belgium, offsetting project write offs in Europe South. Public investment continued at strength throughout Continental Europe as governments invest in infrastructure development, the energy transition, early COVID-19 recovery programs and European Green Deal incentive programs.

Revenue in the UK was in line with last year due to growth in Infrastructure, Environment and Water compensating for a decline in Buildings, the operating margin improved. A major new contract win for the High Speed Railway 2 project provides significant continuity of work in Infrastructure.

The Middle East region faced challenging market conditions due to low oil prices and COVID-19. As part of our continuous reorientation to focus on regions which support the strategic framework, a decision to reduce our footprint in the Middle East was announced in October 2020, which combined with the market conditions, caused a slight decline in our revenue.

ASIA PACIFIC

(13% of net revenues)

in € millions	FULL YEAR			FOURTH QUARTER		
Period ended 31 December	**2020**	**2019**	*change*	**2020**	**2019**	*change*
Gross revenues	358	388	*-8%*	88	98	*-10%*
Net revenues	323	350	*-8%*	79	91	*-14%*
Organic growth	*-4%*			*-8%*		
EBITA	33.0	31.5	*5%*			
Operating EBITA[1)]	34.1	35.1	*-3%*			
Operating EBITA margin	*10.6%*	*10.0%*				

[1)] Excluding acquisition, restructuring and integration-related costs

Australia's result was strong due to revenue growth and efficiency improvements. The performance benefited from a solid Infrastructure backlog driven by investments and growth in major cities, and Federal and State Governments project wins since the beginning of the pandemic.

The net revenues in Asia declined due to the pandemic, which in particular impacted the Buildings business in China in the early part of the year. The operating margin improved in the second half of the year, led by a recovery in China. The diversification strategy initiated two years ago, to increasingly focus on the Greater Bay Area and on Environment and moving beyond the core of cost management services, has resulted in improved performance.

CALLISONRTKL

(7% of net revenues)

in € millions	FULL YEAR			FOURTH QUARTER		
Period ended 31 December	**2020**	**2019**	*change*	**2020**	**2019**	*change*
Gross revenues	236	301	*-22%*	51	73	*-31%*
Net revenues	176	222	*-21%*	38	56	*-32%*
Organic growth	*-19%*			*-27%*		
EBITA	-0.2	18.3	*-101%*			
Operating EBITA[1)]	1.4	18.6	*-92%*			
Operating EBITA margin	*0.8%*	*8.4%*				

[1)] *Excluding acquisition, restructuring and integration-related costs*

Organic net revenues declined by 19%, affecting mainly retail and entertainment sectors, which were most severely impacted by industry wide slow-down driven by COVID-19 crisis. Impact on Workplace business was mixed. China continued to be a stronghold with a steady stream of new business from existing clients. Cost control measures have been taken to mitigate the impact from COVID-19, whilst only partially compensating for the significant revenue decline as CallisonRTKL prepares for market recovery. As part of a working capital improvement program, a provision of €7 million was booked on overdue trade receivables in the fourth quarter.

CASH FLOW, WORKING CAPITAL AND BALANCE SHEET

Free cash flow significantly improved to €324 million (2019: €97 million). This is mainly the result of the cash program undertaken to reduce working capital in all regions and a significant improvement in the invoicing process in the US, following the Oracle implementation. In addition, the deferral of social- and tax charges payments in mainly North America and UK, as allowed under government programs to reduce the impact of COVID-19, had a positive impact of €47 million.

As a result of the strong cash collection, the days sales outstanding decreased to 66 days (2019: 88 days) and net working capital as a percentage of gross revenues improved to 12.6% (2019: 16.6%).

As part of its global strategy review, Arcadis decided to further reduce its footprint in the Middle East. As a consequence, Arcadis impaired all remaining goodwill and identifiable intangible assets on its balance sheet for the Middle East business (€66 million). Furthermore, the weaker than expected results and forecast for CallisonRTKL due to the impact of COVID-19, led to a goodwill impairment of €60 million. Both non-cash impairments were announced in the third quarter trading update.

Net debt was significantly lower year-on-year at €48 million (2019: €310 million) due to the strong cash collection, resulting in an improved leverage ratio at year-end of 0.2 (2019: 1.3). The covenant leverage ratio improved to 0.7 (2019: 1.4).

Arcadis refinanced the matured Schuldschein loans with new €150 million Schuldschein loans with a weighted average interest rate of 1.56% in October. With this transaction, the maturity profile of Arcadis has become more well-spread and has been extended up until 2027.

The Board will propose to the Shareholders a dividend of €0.60 per share, which is 40% of the net income from operations in 2020 and the upper pay-out limit of the Arcadis dividend policy.

A scrip alternative will also be offered. The group has committed itself to a stable diluted share count, therefore an extension of our existing share buy-back program is announced today.

BACKLOG

Backlog at the end of December 2020 was €2.0 billion (2019: €2.0 billion), in line with last year, representing 9 months of net revenues. Organic backlog growth year-to-date was 5% with good order intake in the Americas and the UK, Europe and the Middle East, partly offset by a decline in Australia Pacific, and CallisonRTKL.

STRATEGIC PRIORITIES 2021-2023

The update of our strategy in November 2020 sets the course for us to maximize our impact by developing resilient and future-proof solutions and creating value for all of our stakeholders, clients, employees, shareholders and societies. This has also led to a new framework of improved targets for 2023 with both financial as well as non-financial objectives.

Financial objectives:

- Organic net revenue growth: mid-single digit
- Operating EBITA margin to exceed 10% of net revenues in 2023
- Net working capital as percentage of gross revenues: <15.0% and DSO (Days Sales Outstanding): <75 days
- Return on net working capital between 40%-50%
- Leverage: Net debt/EBITDA excluding leases between 1.0x and 2.0x

Non-financial objectives:

- Voluntary employee turnover: <10%
- Women in workforce: >40%
- Reduced emissions aligned with 1.5C science-based target initiative before 2030
- Carbon neutral operations: investing in high quality, certified abatement, and compensation programs from 2020
- Top-3 brand strength index in markets Arcadis serves
- Staff engagement: improving annually

FINANCIAL CALENDAR 2021

20 April 2021	Trading update Q1
29 April 2021	Annual General Meeting of Shareholders
29 July 2021	First half year results
28 October 2021	Trading update Q3

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ANALYST MEETING

Arcadis will hold an analyst meeting and webcast to discuss the full year 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
Press release Q4 and full year results 2020 | Arcadis

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.