



Applus<sup>+</sup>

**Applus+ Group Results Presentation YTD Q3 2016**

3 November 2016



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Nothing in this presentation should be construed as a profit forecast.



## Agenda

### **HIGHLIGHTS**

FINANCIAL REVIEW  
BUSINESS REVIEW  
OUTLOOK 2016

**Fernando Basabe**  
Chief Executive Officer

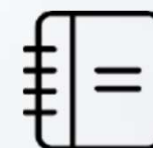


## Highlights

- Organic<sup>1</sup> revenue continues decreasing, but trend slightly improving.
  - Q1 -7.6%, Q2 -5.6%, Q3 -4.9%
- Oil & Gas continues to be challenging. Reorganisation on track
- Other end markets performing well
- September YTD financial performance:
  - Revenue of €1,188.9 million down organic<sup>1</sup> 6.0% (reported -7.7%)
  - Operating profit<sup>2</sup> of €106.3 million down organic<sup>1</sup> 12.4% (reported -13.8%)
  - Operating profit<sup>2</sup> margin of 8.9%, down 63 bps
  - Operating cash flow<sup>2</sup> of €89.3 million, up 14.6%
  - Net debt/EBITDA ratio 3.4x, stable thanks to strong cash flow

(1) Organic is at constant exchange rates

(2) Operating profit, margin, and Operating Cash flow are all adjusted for other results and amortisation of the acquisition intangibles



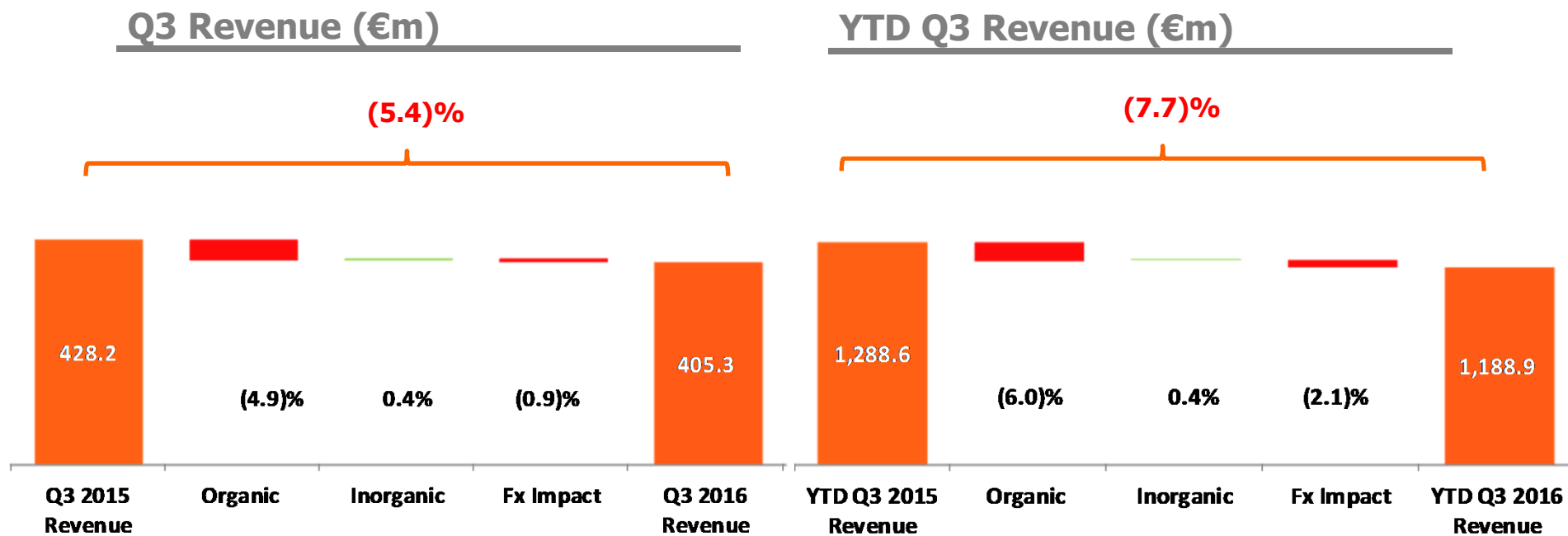
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**Joan Amigó**  
Chief Financial Officer



## YTD Q3. Revenue Growth Bridge

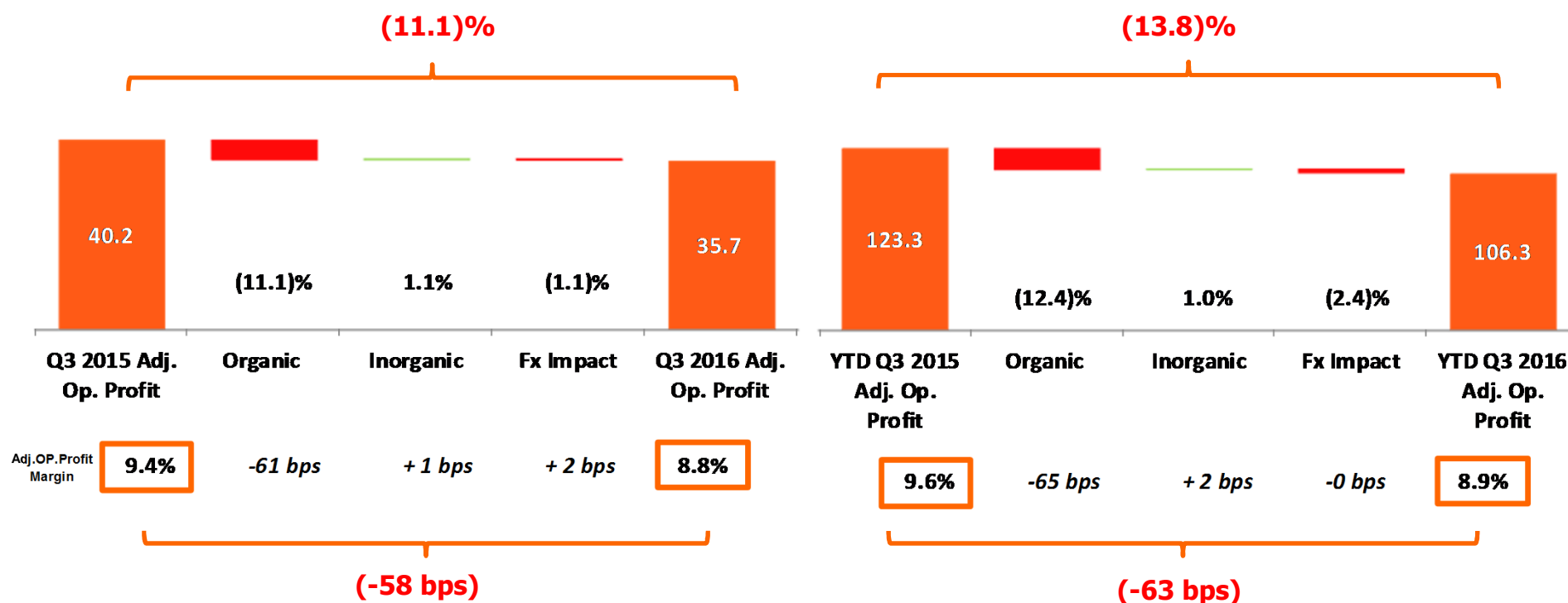


- Revenue continues decreasing, but trend slightly improving

# YTD Q3. Adjusted Operating Profit Growth Bridge

Q3 Adjusted Operating Profit (€m)

YTD Q3 Adjusted Operating Profit (€m)



- Continued strong efforts to protect the margin. Reorganisation and cost savings on schedule

# YTD Q3. Summary Income Statement

EUR Million

	Q3			YTD Q3		
	2016	2015 <sup>(2)</sup>	Change	2016	2015 <sup>(2)</sup>	Change
<b>Revenue</b>	<b>405.3</b>	<b>428.2</b>	<b>(5.4)%</b>	<b>1,188.9</b>	<b>1,288.6</b>	<b>(7.7)%</b>
<b>Adj. Operating Profit<sup>(1)</sup></b>	<b>35.7</b>	<b>40.2</b>	<b>(11.1)%</b>	<b>106.3</b>	<b>123.3</b>	<b>(13.8)%</b>
<i>Adj.Op.Profit margin</i>	<i>8.8%</i>	<i>9.4%</i>	<i>-58 bps</i>	<i>8.9%</i>	<i>9.6%</i>	<i>-63 bps</i>
PPA Amortisation	(11.9)	(11.8)		(35.7)	(35.3)	
Other results	(2.9)	(3.6)		(8.4)	(12.3)	
<b>Operating profit</b>	<b>20.9</b>	<b>24.8</b>	<b>(15.5)%</b>	<b>62.2</b>	<b>75.7</b>	<b>(17.9)%</b>
Finance result	(5.2)	(7.8)		(16.6)	(18.7)	
Associates	0.3	0.4		1.2	1.4	
<b>Profit before tax</b>	<b>16.1</b>	<b>17.4</b>	<b>(7.6)%</b>	<b>46.8</b>	<b>58.3</b>	<b>(19.8)%</b>

(1) Adj. Op. Profit stated as Operating Profit before amortisation of acquisition intangibles, Historical Management Incentive Plan, restructuring, impairment and transaction & integration costs

(2) The comparative figures for Q3 2015 shown in the table above have been restated from those previously reported due to an increase in amortisation in acquisition intangibles by €1.4 million as permitted by International Financial Reporting Standards (IFRS) within a 12 month period of an acquisition. This is further explained in note 2.c of the Financial Statements presented as at 30 June 2016



## YTD Q3 2016. Cash Flow

EUR Million

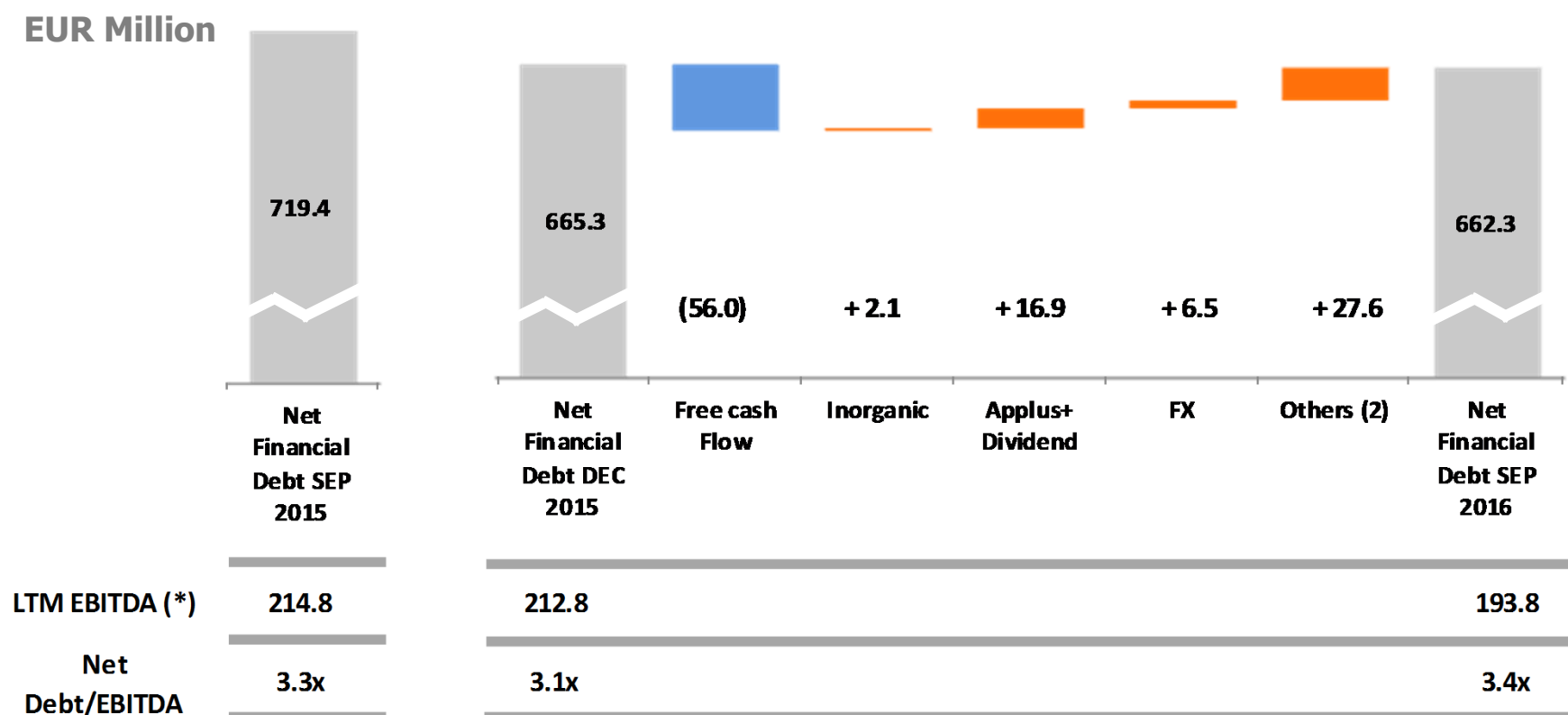
	YTD Q3		
	2016	2015	Change
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>141.9</b>	<b>160.5</b>	<b>(11.6)%</b>
(Increase) / decrease in working capital	(14.4)	(49.9)	
Capex	(38.2)	(32.6)	
<b>Adjusted Operating Cash Flow</b>	<b>89.3</b>	<b>78.0</b>	<b>14.6%</b>
<i>Cash Conversion rate</i>	<i>63.0%</i>	<i>48.6%</i>	
Taxes Paid	(22.0)	(19.8)	
Interest Paid	(11.3)	(13.5)	
<b>Adjusted Free Cash Flow</b>	<b>56.0</b>	<b>44.8</b>	<b>25.2%</b>
Extraordinaries <sup>(2)</sup>	(12.2)	(5.2)	
Historical Management Incentive Plan	(9.5)	(11.0)	
Applus+ Dividend	(16.9)	(16.9)	
Minorities	(5.8)	(4.4)	
Others	(0.8)	(1.4)	
<b>Operating Cash Generated</b>	<b>10.8</b>	<b>5.9</b>	
Acquisitions / Disposals	(2.1)	(45.0)	
<b>Cash Generated<sup>(3)</sup></b>	<b>8.7</b>	<b>(39.1)</b>	

(1) Adjusted EBITDA is stated as Operating Profit before depreciation, amortisation and Other results

(2) Includes €8.8 million for restructuring and €3.4 million for an adverse tax ruling

(3) Cash generated pre-currency impact and change in financing. See Statutory Cash Flow reconciliation in the Appendix

## YTD Q3. Net Debt – as defined by bank covenant <sup>(1)</sup>



- Net debt 57.1 Eur million lower than same period last year
- Bank covenant for Net Debt to EBITDA at <4.5x until June 2017. Thereafter <4.0x

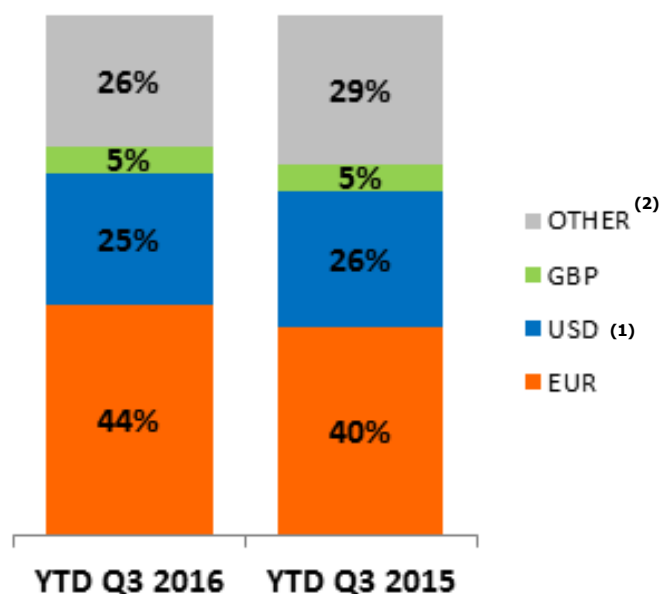
(\*) LTM EBITDA includes proforma annual results from acquisitions

(1) Stated at annual average rate

(2) Others includes dividends to minorities, purchase of restricted Stock Units and restructuring costs

## YTD Q3 2016. Currency Exposure

% Revenue by Actual Currency

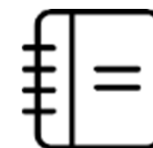


- Change in currency mix due mainly to the growth in Spain and Ireland and currency depreciation in emerging markets

	Average FX Exchange rates vs Euro		
	Jan - Sep 2016	Jan - Sep 2015	Change
USD	1.12	1.11	(0.1)%
GBP	0.80	0.73	(9.2)%
CAD	1.47	1.40	(4.9)%
ARS	16.19	9.99	(38.3)%
COP	3419.97	2936.00	(14.2)%

(1) Includes currencies pegged to USD

(2) None above 5%

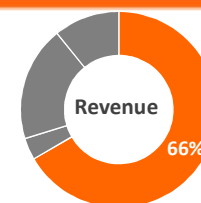


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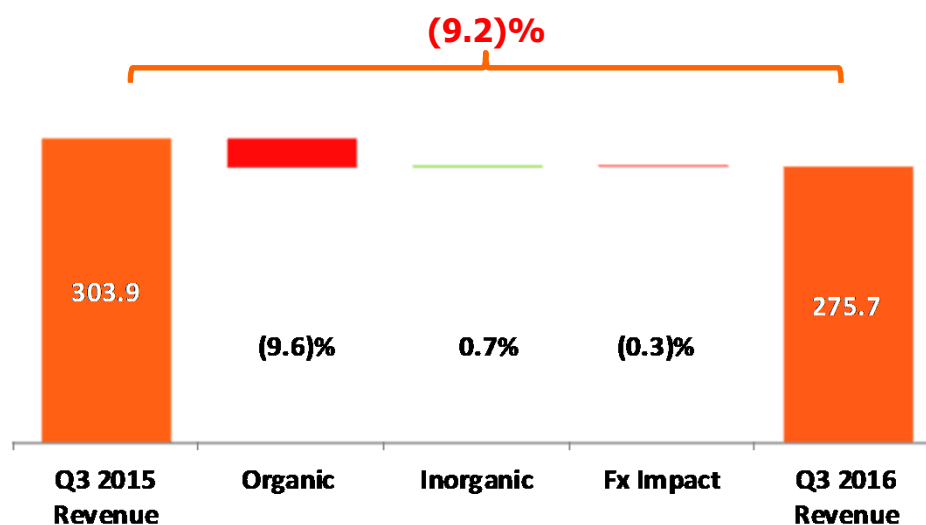
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**Fernando Basabe**  
Chief Executive Officer

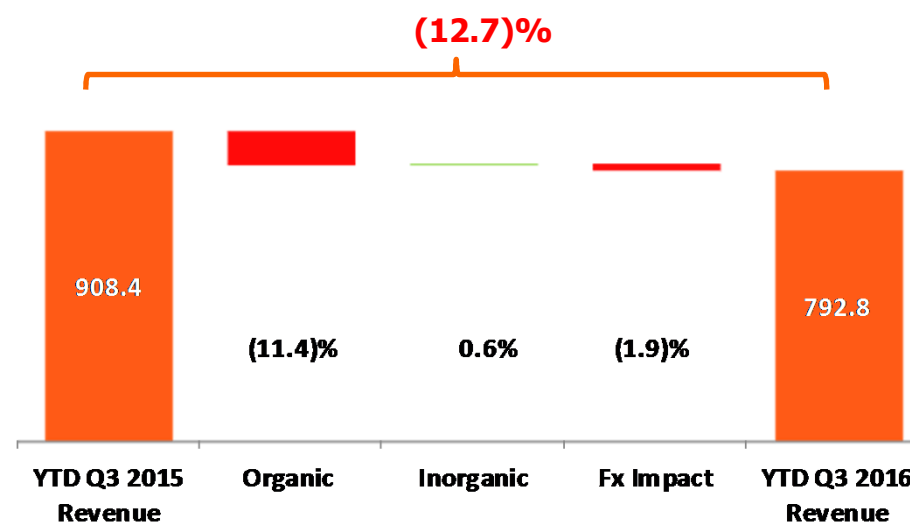
# Applus+ Energy & Industry (I)



**Q3 Revenue (€m)**



**YTD Q3 Revenue (€m)**

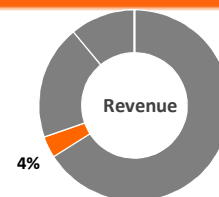


- The market environment for Oil & Gas remains challenging with price pressure and reduced volumes
- Construction, Power, Telecom, Aerospace and other end markets accounting for third of division, continue performing well growing at mid single digits

## Applus+ Energy & Industry (II)

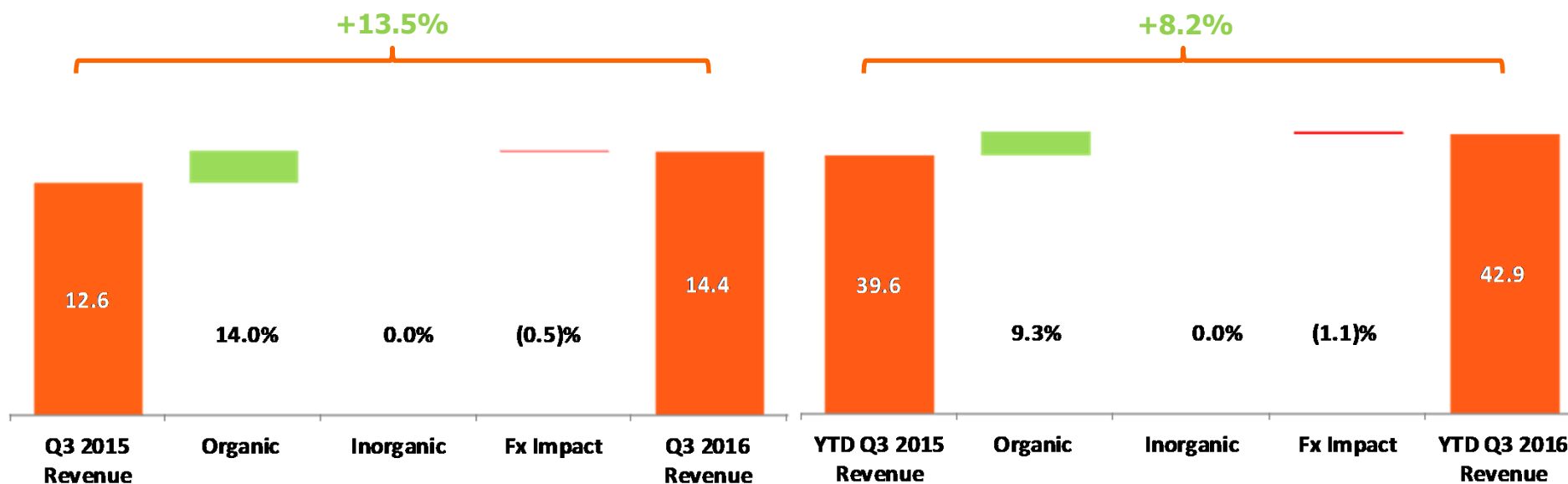
- North America (26% of division revenue), remains the toughest market environment with limited sign of an upturn although revenue decline in Q3 lower than H1
- LatAm (9%), continued growth although at a lower pace in the short term due to some large Oil & Gas projects ending. Other end markets continue to perform well
- Northern Europe (18%), mostly stable except for the capex exposed North Sea environment. Good performance of the aerospace acquisition made in 2015
- Southern Europe, Africa, Middle East, Asia & Pacific (47%):
  - Africa and Asia & Pacific decreasing. The reduction in scope on a major African opex oil contract continues to impact. This contract is in a tender process which is up for renewal mid 2017
  - Middle East is stable
  - In Southern Europe, Spain and Italy continue performing well. Power and Construction services in Spain and vendor surveillance from Italy are leading the growth

# Applus+ Laboratories



**Q3 Revenue (€m)**

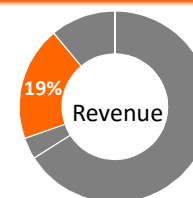
**YTD Q3 Revenue (€m)**



- Strong revenue growth. Q3 sales helped by a one-off Aerospace project
- Good performance year-to-date in Industrial labs, (40% of division revenue). Aerospace and Auto (electrical and emc<sup>1</sup>) testing performing well
- Construction (15%) and IT security services (12%) continue with good growth

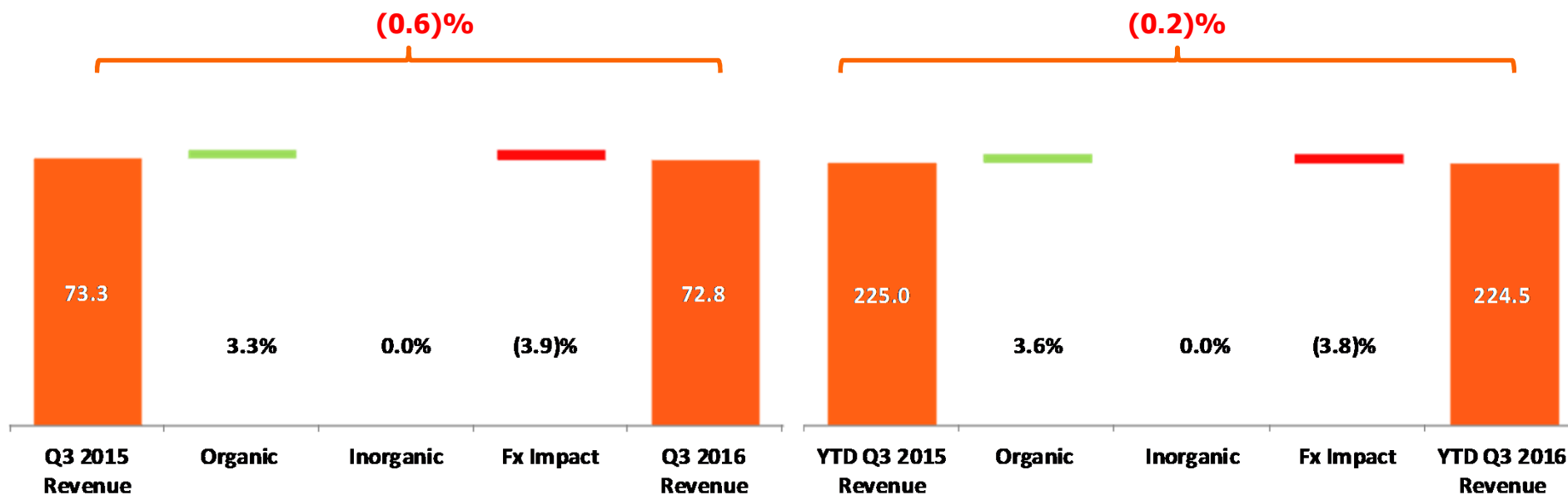
(1) emc: electromagnetic compatibility

# Applus+ Automotive (I)



**Q3 Revenue (€m)**

**YTD Q3 Revenue (€m)**



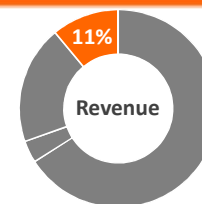
- Good organic revenue growth offset by material negative Fx impact in Argentina



## Applus+ Automotive (II)

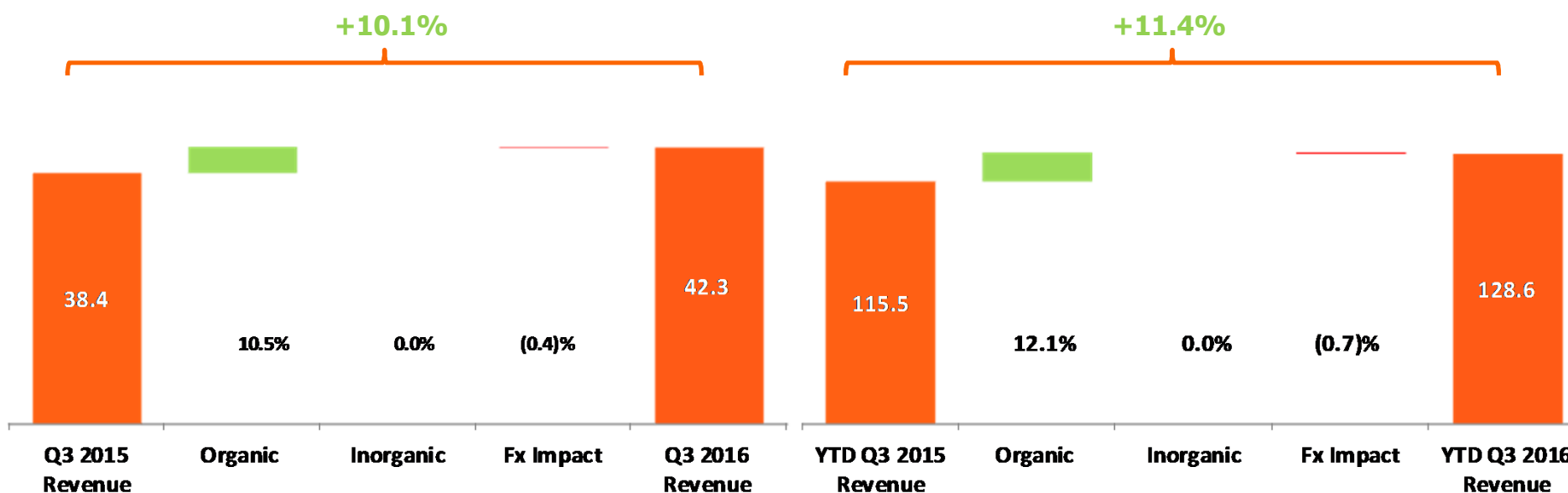
- Ireland with solid growth in line with market expansion
- Spain flat, with growth across all regions except for Canary Islands lower revenue
- Rest of Europe flat. Growth in Denmark thanks to market share increase offset by Finland revenue decline
- US stable revenue thanks to catch up on Illinois programme in Q3. New contract in Illinois to start November 2016
- LatAm good revenue growth at constant rates. New programme in Buenos Aires city started in October and Chile renewals estimated to complete Q1 2017

# Applus+ IDIADA



**Q3 Revenue (€m)**

**YTD Q3 Revenue (€m)**



- Double digit revenue growth continues with German and Chinese markets being key drivers especially with body & passive safety, chassis powertrain and type approval
- New proving ground in China started in October
- New facilities opened in Germany



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**Fernando Basabe**  
Chief Executive Officer



## Outlook

- No change on guidance for 2016:
  - Organic revenue down mid single digit at constant rates
  - Margin to continue under pressure
  - Continued strong cash flow generation



# Applus<sup>+</sup>

## YTD Q3 2016. Adjustments to Statutory results

EUR Million

EUR Million	YTD Q3 2016			YTD Q3 2015			+/- % Adj. Results
	Adj. Results	Other results	Statutory results	Adj. Results	Other results	Statutory results	
<b>Revenue</b>	<b>1,188.9</b>	<b>-</b>	<b>1,188.9</b>	<b>1,288.6</b>	<b>-</b>	<b>1,288.6</b>	<b>(7.7)%</b>
<b>Ebitda</b>	<b>141.9</b>	<b>(8.3)</b>	<b>133.6</b>	<b>160.5</b>	<b>(9.3)</b>	<b>151.2</b>	<b>(11.6)%</b>
<b>Operating Profit</b>	<b>106.3</b>	<b>(44.1)</b>	<b>62.2</b>	<b>123.3</b>	<b>(47.6)</b>	<b>75.7</b>	<b>(13.8)%</b>
Net financial expenses	(16.6)	0.0	(16.6)	(18.7)	0.0	(18.7)	
Share of profit of associates	1.2	0.0	1.2	1.4	0.0	1.4	
<b>Profit Before Taxes</b>	<b>90.9</b>	<b>(44.1)</b>	<b>46.8</b>	<b>106.0</b>	<b>(47.6)</b>	<b>58.4</b>	<b>(14.2)%</b>

The comparative figures for Q3 2015 shown in the table above have been restated from those previously reported due to an increase in amortisation in acquisition intangibles by €1.4 million as permitted by International Financial Reporting Standards (IFRS) within a 12 month period of an acquisition. This is further explained in note 2.c of the Financial Statements presented as at 30 June 2016

# YTD Q3 2016 and Q3 2016. Revenue by division and Adj. Op. Profit

EUR Million

YTD Q3

REVENUE	Actual 2016	Growth				Actual 2015
		Organic	Inorganic	FX	Total	
Energy&Industry Division	792,8	(11,4)%	0,6%	(1,9)%	(12,7)%	908,4
Laboratories	42,9	9,3%		(1,1)%	8,2%	39,6
Auto	224,5	3,6%		(3,8)%	(0,2)%	225,0
Idiada	128,6	12,1%		(0,7)%	11,4%	115,5
Holding&others	0,1	78,1%		(9,7)%	68,5%	0,1
<b>Total Revenue</b>	<b>1.188,9</b>	<b>(6,0)%</b>	<b>0,4%</b>	<b>(2,1)%</b>	<b>(7,7)%</b>	<b>1.288,6</b>
<b>Adj. Op. Profit</b>	<b>106,3</b>	<b>(12,4)%</b>	<b>1,0%</b>	<b>(2,4)%</b>	<b>(13,8)%</b>	<b>123,3</b>

Q3

REVENUE	Actual 2016	Growth				Actual 2015
		Organic	Inorganic	FX	Total	
Energy&Industry Division	275,7	(9,6)%	0,7%	(0,3)%	(9,2)%	303,9
Laboratories	14,4	14,0%		(0,5)%	13,5%	12,6
Auto	72,8	3,3%		(3,9)%	(0,6)%	73,3
Idiada	42,3	10,5%		(0,4)%	10,1%	38,4
Holding&others	0,0	(246,5)%		4,6%	(241,9)%	(0,0)
<b>Total Revenue</b>	<b>405,3</b>	<b>(4,9)%</b>	<b>0,4%</b>	<b>(0,9)%</b>	<b>(5,4)%</b>	<b>428,2</b>
<b>Adj. Op. Profit</b>	<b>35,7</b>	<b>(11,1)%</b>	<b>1,1%</b>	<b>(1,1)%</b>	<b>(11,1)%</b>	<b>40,2</b>

## YTD Q3 2016. Other results

EUR Million

	YTD Q3		
	2016	2015	Change
<b>Other results</b>	<b>(8.4)</b>	<b>(12.3)</b>	<b>(31.4)%</b>
Severances	0.0	(0.5)	
Transaction costs	0.0	(1.2)	
Other gains & losses	(0.1)	(1.2)	
Historical Management Incentive Plan	(8.3)	(9.3)	