

# Applus+ Group Sustainability and ESG Presentation

Applus+ Together  
beyond  
standards

Aston Swift | Investor Relations  
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# REPOSITIONING APPLUS AS A MORE PROFITABLE AND SUSTAINABLE BUSINESS



## FY 2023: Highlights

**1** Strong 2023 results: 10% organic revenue growth, margin improvement, higher cash flow and lower leverage

**2** 70 bps margin<sup>1</sup> improvement mainly due to active portfolio strategy and operational enhancements

**3** Increase in revenues derived from Sustainability Services and progress on Social and Environmental objectives

**4** Second 5% share buyback completed

**5** Good progress towards meeting the 2024 Strategic Plan targets

**6** Bidding process ongoing

**Well positioned for future profitable growth**

<sup>1</sup> Adjusted for Other Results, IDIADA Accelerated Depreciation and amortisation of acquisition intangibles

## FY 2023: Financial Highlights



### Revenue

€2,058 million up 8.4% (+9.7% organic<sup>1</sup>)



### Operating profit<sup>2</sup>

€222 million up 5.6% (+4.7% organic<sup>1</sup>)



### Operating profit<sup>2</sup> margin

10.8% margin  
(FY 22 10.1% reported; 11.1% Prof.)



### Free cash flow<sup>3</sup>

€212 million, up 17.1%



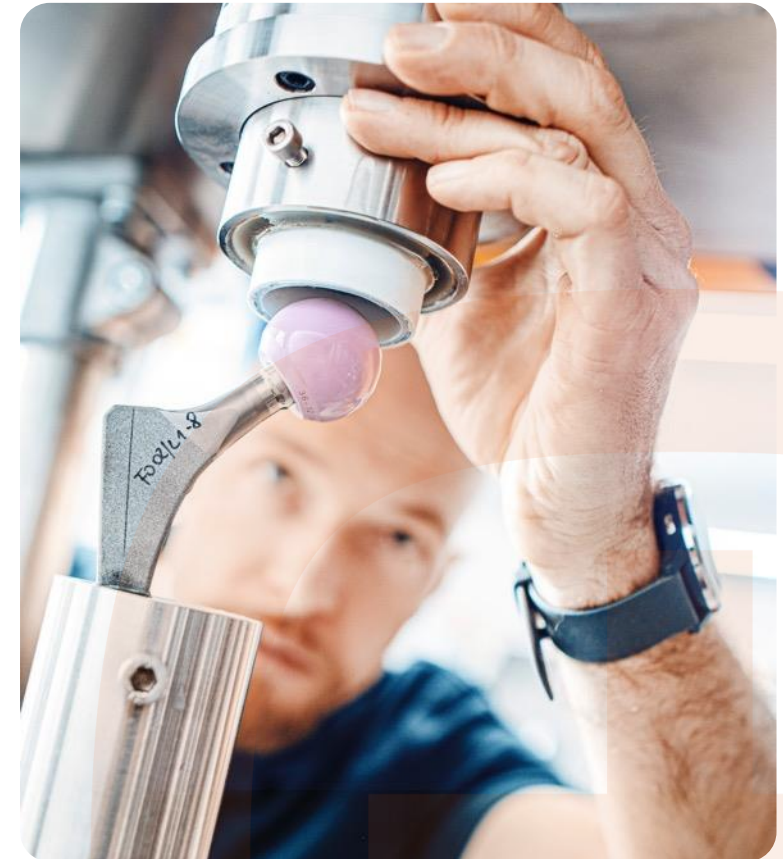
### Earnings per share<sup>3</sup>

€0.88 up 8.4%



### Net debt/EBITDA ratio<sup>4</sup>

2.4x and liquidity of €477 million



<sup>1</sup> Organic is at constant exchange rates and on a 2022 Proforma excluding Auto US & Finland and US O&G

<sup>2</sup> Adjusted for Other Results, IDIADA Accelerated Depreciation and amortisation of acquisition intangibles

<sup>3</sup> Adjusted for other results

<sup>4</sup> Excluding IFRS 16

## Active Portfolio Evolution: a proven track record



Accelerate portfolio evolution to improve growth and margins

### M&A Recurrent growth accelerator (companies acquired in 2022 & 2023)

> €80M annual revenues

51%  
Labs

42%  
E&I

7%  
Auto

11

Companies  
acquired

145 M€

Total upfront  
Investment

>20%

Average AOP  
Margin

### Divestments Continuous portfolio assessment

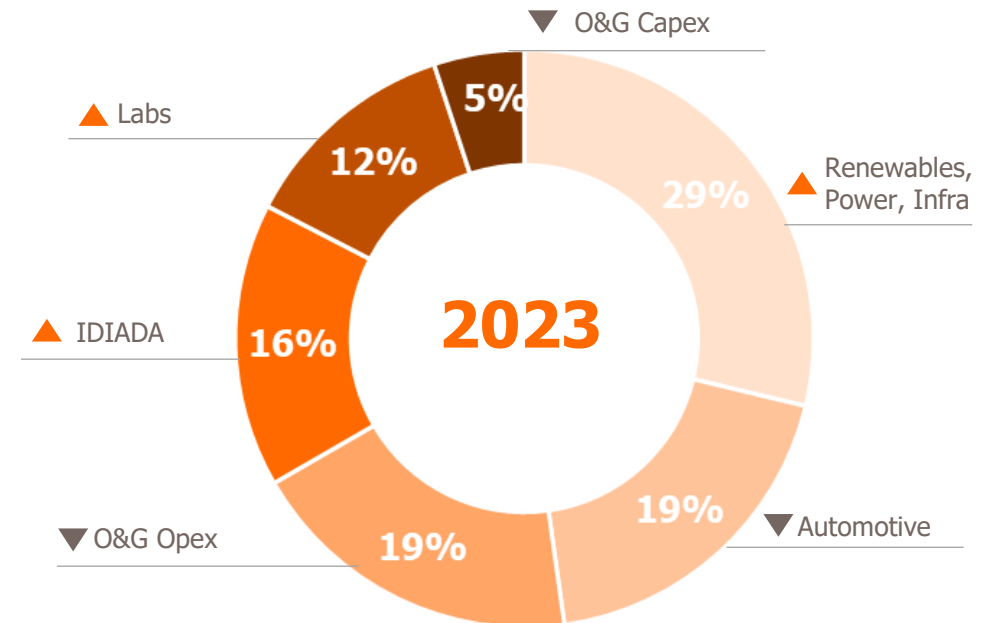
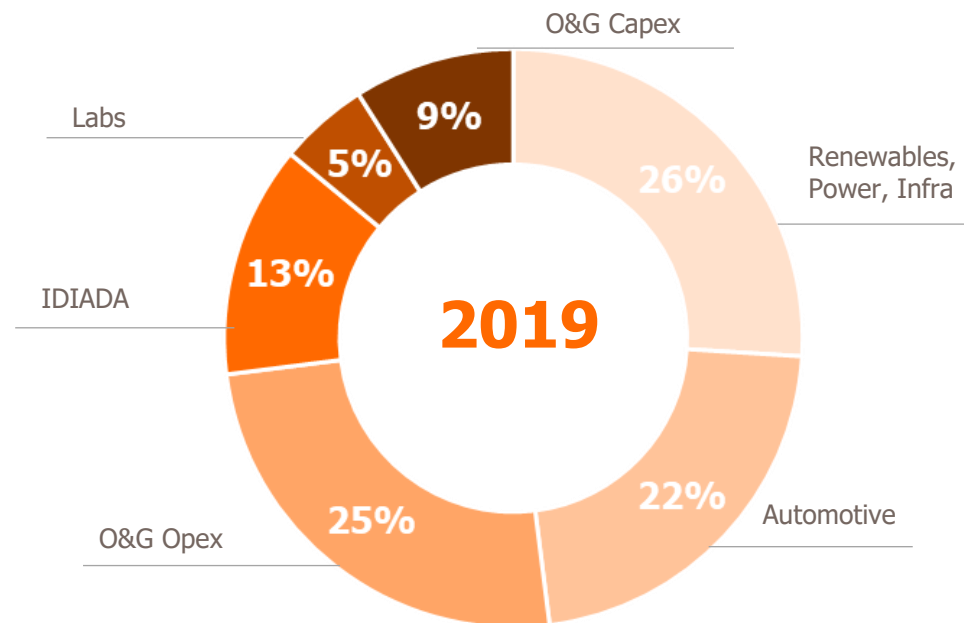
€34M proceeds

Business Unit	Auto Finland	Auto US	US Oil & Gas
2022 Revenues	€13M	€37M	€102M
2022 AOP margin	Breakeven	Mid single digit	Negative
Closed	DEC 2022	FEB 2023	JUN 2023

2023 Financials are based on Continuing Operations. The divestments are shown as Discontinued Operations  
2022 Proforma is shown excluding the Divestments

## Portfolio Evolution | Towards higher growth and more resilient markets

% Total Revenues



### Active Portfolio Management Objectives:



**Increase Laboratories Contribution**



**Promote Renewables, Power and Infrastructure growth**



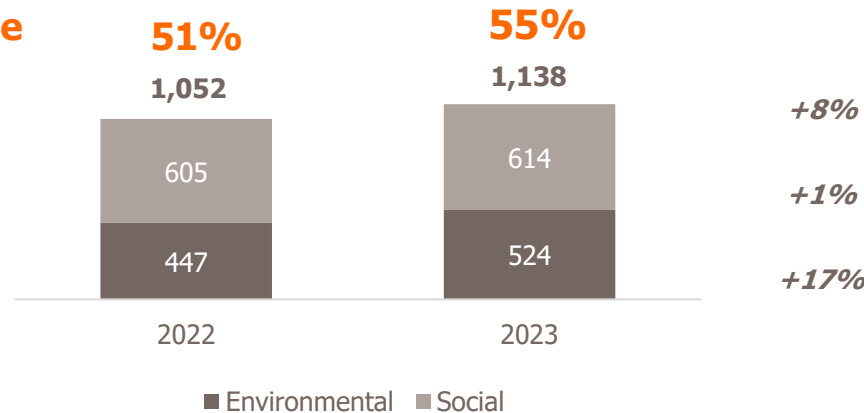
**Focus on higher value added and resilient O&G activities**



## ESG | Sustainability Services fueling our growth

### Arplus+ Group Sustainability Services in 2023 €m

#### % Group Revenue



- Growth in sustainability services 8%
- Global megatrends of Energy Transition, Electrification and Connectivity are aligned with our Sustainability Services ambitions



#### Energy & Industry

- Renewables, Soil testing
- Energy efficiency
- Environmental monitoring
- Water infrastructure
- Safety audits, H&S training, Road management, Telecom networks

FY2023: **32%**



#### Auto

- Emissions inspection
- Vehicle safety inspection

FY2023: **98%**



#### IDIADA

- Transition to EV and Hybrid vehicles
- Passive and Active Safety tests
- Homologation (regulatory tests)
- Road safety

FY2023: **84%**












#### Labs

- EVs and battery testing
- Fire, building product certifications
- Electrical safety, Rolling stock
- Medical devices
- Cybersecurity and IoT
- Systems certification, metrology

FY2023: **52%**

## 2024 ESG Objectives | Good Progress to meet ESG Objectives

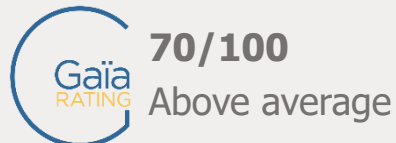
	Metric	Target 2024	Progress to date
 <b>Environment</b>	Reduction of Scope 1 & 2 emissions vs 2019	30% →	38% by 2023 
	Be Scope 1 & 2 carbon neutral by 2023	→	Done 
	Plan for net zero by 2050 under SBTi	Validated by SBTi →	Done 
 <b>Social</b>	Management and Corporate Services vacancies covered by women	>40% →	79% in 2023 
	Reduction in Lost Time Injury Frequency (LTIF)	10% →	31% by 2023 
 <b>Governance</b>	Compliance with applicable CNMV (Spanish regulator) recommendations	>90% →	98% in 2023 
	Professionals complete the training and sign up to the Code of Ethics	>98% →	99% in 2023 

Senior Management incentivised on ESG targets at 15% annual bonus and 10% of the long-term incentive plans



## ESG Milestones | Best in class credentials and ratings

- Clear and measurable progress in internal efforts at **reducing the environmental impact** from operations and **improving people's health and well-being** and upheld reputation for **strong governance**
- **CDP award an "A"** Leadership rating highlighting performance and transparency of disclosure
- Reduction in Scope 1 & 2 emissions of **38%** since 2019 and Scope 1 & 2 carbon **neutral** in 2023
- **SBTi** validated the **2030 and 2050 science-based emissions reduction targets** – commitment to be net zero by 2050
- The Financial Times and Statista once again included Arplus+ within its list of **Europe Climate Leaders 2023**
- Reduction in **Lost Time Injury Frequency (LTIF) by 31%** since 2021
- Included within the inaugural list of **IBEX ESG** index for investors to add to **IBEX Gender Equality** and **FTSE4GoodIbex**

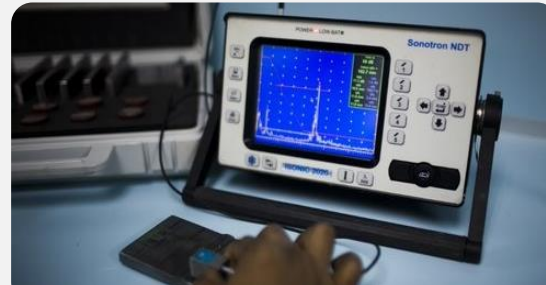


Included in **IBEX ESG** and **IBEX Gender Equality**

## Operational Excellence: Driving efficiency through digitalisation



Opening new sales channels through remote testing, faster delivery of results and differentiation using proprietary solutions



Accelerating integration of acquired companies



Digitalising and automating processes



Optimising IT costs, Procurement, Travel, Leases and General expenses

**50 – 70 bps margin improvement by 2024 on track, of which 25 bps achieved in 2023**





**STRONG REVENUE  
AND PROFIT GROWTH**

## FY 2023: Income Statement

EUR Million

	FY				
	2023	2022 Proforma <sup>5</sup>	Change vs Proforma <sup>5</sup>	2022 Reported	Change vs Reported
Revenue	2,057.9	1,898.5	8.4%	2,049.9	0.4%
Adj. Op. Profit <sup>1</sup>	221.9	210.1	5.6%	207.8	6.8%
<b>Adj. Op. Profit margin</b>	<b>10.8%</b>	<b>11.1%</b>		<b>10.1%</b>	
Accelerated depreciation	(10.4)	(5.8)		(5.8)	
<b>Adj. Operating Profit incl. AD<sup>2</sup></b>	<b>211.5</b>	<b>204.4</b>	<b>3.5%</b>	<b>202.0</b>	<b>4.7%</b>
<b>Adj. Op. Profit margin incl. AD<sup>2</sup></b>	<b>10.3%</b>	<b>10.8%</b>		<b>9.9%</b>	
PPA Amortisation	(67.0)	(63.3)		(67.2)	
Impairment	(25.0)	-		-	
Other results	(9.4)	(5.8)		(9.6)	
<b>Operating Profit</b>	<b>110.1</b>	<b>135.3</b>	<b>(18.6)%</b>	<b>125.2</b>	<b>(12.1)%</b>
Finance Results <sup>3</sup>	(41.9)	(33.2)		(33.7)	
<b>Profit before tax</b>	<b>68.2</b>	<b>102.0</b>	<b>(33.2)%</b>	<b>91.5</b>	<b>(25.5)%</b>
Income taxes	(28.7)	(29.1)		(29.5)	
<b>Net Profit</b>	<b>39.5</b>	<b>72.9</b>	<b>(45.9)%</b>	<b>61.9</b>	<b>(36.3)%</b>
Minorities	(13.3)	(13.3)		(13.3)	
<b>Net Profit Group</b>	<b>26.1</b>	<b>59.6</b>	<b>(56.2)%</b>	<b>48.6</b>	<b>(46.3)%</b>
Discontinued Operations	(5.9)	(11.0)		-	
<b>Net Profit after Disc. Op.</b>	<b>20.2</b>	<b>48.6</b>	<b>(58.5)%</b>	<b>48.6</b>	<b>(58.5)%</b>
<b>Adjusted Net Profit Group incl. AD<sup>2</sup></b>	<b>114.1</b>	<b>115.2</b>	<b>(1.0)%</b>	<b>111.0</b>	<b>2.8%</b>
<b>EPS in €<sup>4</sup></b>	<b>0.20</b>	<b>0.44</b>	<b>(53.8)%</b>	<b>0.36</b>	<b>(43.4)%</b>
<b>Adjusted EPS in €</b>	<b>0.88</b>	<b>0.84</b>	<b>4.4%</b>	<b>0.81</b>	<b>8.4%</b>

- Non-cash impairment of Canadian E&I business reduced the reported profit
- Increase in finance charges due to higher interest rates
- Strong adjusted earnings per share growth supported by share buybacks

# Shares (M)

129.8

136.9

136.9

<sup>1</sup> All AOP is excluding Idiada accelerated depreciation except if indicated

<sup>2</sup> AD is IDIADA accelerated depreciation to adapt assets useful life to contract/concession duration

<sup>3</sup> Finance Results in 2022 includes Put option impact related to the final Price of the acquisition of Galicia minority stake

<sup>4</sup> EPS calculation based on Net Profit from Continuing Operations

<sup>5</sup> Proforma figures for divestments



## FY 2023: Cash Flow

EUR Million

- Strong cash flow generation driven by strong last quarter working capital improvement
- Interest paid increase due to higher interest rates
- Extraordinaries includes restructuring and transaction costs
- Dividends to Minorities includes final payment to Inversiones Finisterre
- Six acquisitions made including Barlovento, Riportico and Rescoll plus the acquisition of the 20% minority of Inversiones Finisterre (Auto Galicia)
- Divestments includes Auto USA and Finland and USA Oil & Gas

	FY		
	2023	2022	Change vs LY
<b>Adjusted Ebitda</b>	<b>335.0</b>	<b>326.5</b>	<b>2.6%</b>
Change in Working Capital <sup>1</sup>	26.2	(22.3)	
Capex	(79.3)	(66.1)	
<b>Adjusted Operating Cash Flow</b>	<b>281.9</b>	<b>238.1</b>	<b>18.4%</b>
Cash Conversion rate	84%	73%	
Taxes paid	(38.7)	(40.1)	
Interest paid	(31.2)	(17.0)	
<b>Adjusted Free Cash Flow</b>	<b>212.0</b>	<b>181.0</b>	<b>17.1%</b>
Extraordinaries & Others	(8.2)	(11.3)	
Arplus+ Dividend	(20.6)	(20.3)	
Dividends to Minorities	(17.4)	(9.2)	
<b>Operating Cash Generated</b>	<b>165.8</b>	<b>140.2</b>	<b>18.2%</b>
Acquisitions	(96.6)	(68.1)	
Divestments	32.4	2.0	
<b>Cash b/Changes in Financing &amp; FX</b>	<b>101.6</b>	<b>74.0</b>	
Payments of lease liabilities (IFRS 16)	(65.5)	(66.9)	
Other changes in financing	25.9	61.6	
Share buybacks	(36.1)	(64.8)	
Treasury Shares for LTIP	-	(1.4)	
Currency translations	(5.9)	4.5	
<b>Cash Increase/ (Decrease)</b>	<b>20.0</b>	<b>7.0</b>	

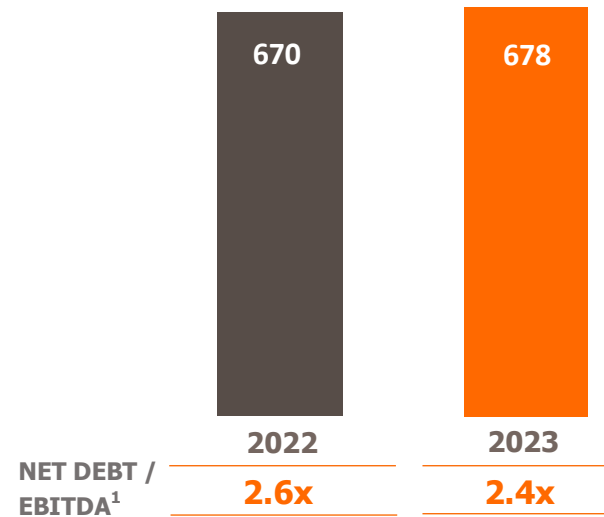
<sup>1</sup> Working Capital adjusted for divestments impact

## Leverage and Liquidity at 31<sup>st</sup> December

EUR Million

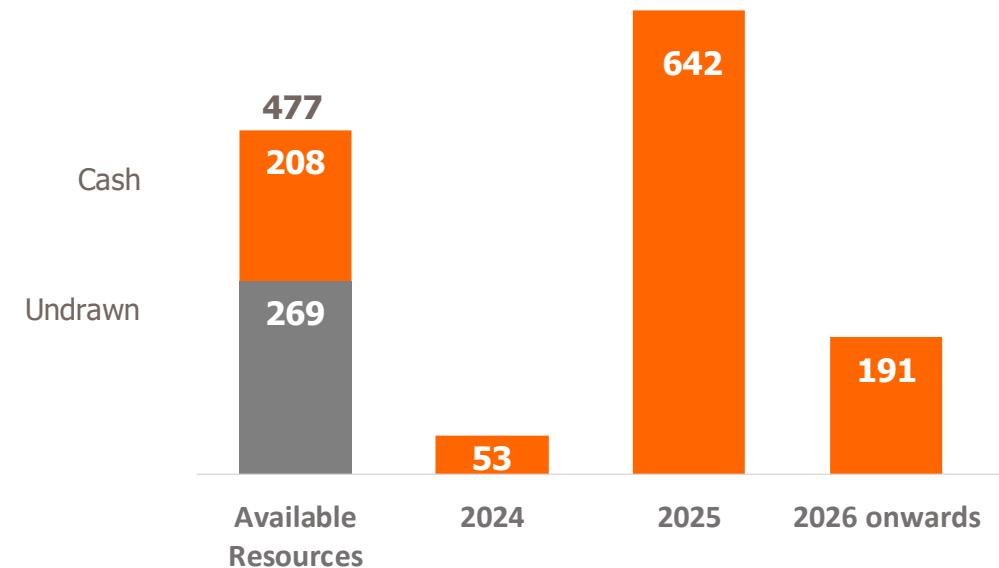
- Leverage ratio reduced to 2.4x
- Total available liquidity of €477M

### Net Financial Debt & Leverage



	FY 2022	FY 2023
Gross Debt	856	886
Cash	(186)	(208)
Net Debt	670	678

### Liquidity<sup>2</sup>



<sup>1</sup> Stated at annual average rates and excluding IFRS 16 as defined by bank covenant. Net debt including IFRS 16 is €871M

<sup>2</sup> Figures stated at annual average rates as defined by bank covenant

## Summary of 2023

- Strong results
- Higher margin driven by the active portfolio management with good underlying margin performance
- Strong cash flow generation and comfortable leverage and liquidity
- Strengthened portfolio, new Auto contracts and well positioned for future growth

## Outlook for 2024

- Mid to high single digit organic revenue growth
- AOP Margin<sup>1</sup> to increase to around 11.5%
- Continued focus on portfolio mix quality improvement

**Strong 2023 results and well positioned for future profitable growth**



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