Applus⊕

Third Quarter 2021 Trading Update

26 October 2021

Applus Services, S.A. ("Applus+" or "the Group"), one of the world's leading and most innovative companies in Testing, Inspection and Certification, today releases a trading update for its third quarter ("quarter" or "Q3") and nine-month period ("period" or "YTD Q3") ended 30 September 2021.

Highlights

- Good performance from underlying business with strong M&A contribution. On track for full recovery by next year
- Highest ever quarterly revenue, exceeding Q3 2019 by 2%
- Strong sequential momentum with double-digit margin for second quarter in a row
- Cash generation and liquidity remain strong, supporting the investment and growth strategy
- Further acquisition for Labs Division in Spain
- Outlook for full year maintained
- Strategy Update to be presented before year end
- YTD Q3 Operating Results:
    - Revenue of €1,306 million up 14% (organic[1] up 6.1%)
    - Operating profit[2] of €127 million up 68% (organic[1] up 47%)
    - Operating profit[2] margin of 9.7% (6.6% Q3 2020 and 9.5% H1 2021)
    - Adjusted free cash flow[2] of €75 million (€169m YTD Q3 2020)
    - Net debt/EBITDA[3] ratio of 2.8x and liquidity of €556 million

1. Organic is at constant exchange rates
2. Adjusted for Other results, amortisation of acquisition intangibles and impairment
3. Excluding IFRS 16

Fernando Basabe, Chief Executive Officer of Applus+, said:

"The third quarter has been a continuation of the strong recovery trend we saw in the first half and underlines our confidence of a full recovery in the organic revenue to pre-pandemic levels by next year. Thanks to our acquisition strategy, our third quarter revenue is above the same quarter in 2019 and this on a more sustainable and diversified portfolio that has higher growth and margins. The margin has also performed well this quarter and has been maintained at 10%.

The energy transition and electrification revolution are having a material beneficial impact on large parts of our business due to the accelerating demand for services we are providing to the renewables sector and due to the increase in safety and *quality testing we are performing on industrial and commercial products and vehicles that have an increasing amount of electrical and electronic components.*

Our acquisition strategy continues to develop well with the acquisition of Enertis adding new services and geographies to our renewables energy offering, closing during the quarter, and a small metrology laboratory was purchased just after the quarter end. That makes five acquisitions closed so far this year adding a further €82 million of annual revenue and there remains a good pipeline of further attractive opportunities which we will continue to pursue whilst remaining strictly disciplined on pricing and strategic fit. Further detail on our strategy for growth and shareholder value creation will be presented to the market at a date to be fixed before year end."

Overview of Performance

The financial performance of the Group is presented in an "adjusted" format alongside the statutory ("reported") results. The adjustments are made in order that the underlying financial performance of the business can be viewed and compared to prior periods by removing the financial effects of other results.

Where stated, organic revenue and profit is adjusted for acquisitions or disposals in the prior twelve-month period and is stated at constant exchange rates, taking the current year average rates used for the income statements and applying them to the results in the prior period.

In the table below the adjusted results are summarised alongside the statutory results.

	YTD Q3 2021			YTD Q3 2020			
EUR Million	Adj. Results	Other results	Statutory results	Adj. Results	Other results	Statutory results	+/- % Adj. Results
Revenue	**1,306.2**	**0.0**	**1,306.2**	**1,147.4**	**0.0**	**1,147.4**	**13.8%**
Ebitda	**208.4**	**0.0**	**208.4**	**151.4**	**0.0**	**151.4**	**37.7%**
Operating Profit	**126.7**	**(50.8)**	**75.9**	**75.4**	**(213.2)**	**(137.8)**	**68.0%**
Net financial expenses	(18.0)	0.0	(18.0)	(18.5)	0.0	(18.5)	
Profit Before Taxes	**108.7**	**(50.8)**	**57.9**	**57.0**	**(213.2)**	**(156.2)**	**90.8%**

The figures shown in the table above are rounded to the nearest €0.1 million.

Other results of €50.8 million (2020: €213.2m) in the Operating Profit represent amortisation of acquisition intangibles of €46.7 million (2020: €43.1m) and; restructuring, transaction costs relating to acquisitions plus other net items of €4.1 million (2020: €5.3m). Furthermore in 2020, there was impairment of goodwill and non-current assets of €164.8 million.

Revenue

The business continues its strong recovery trajectory following the impact and disruption caused by the pandemic with the third quarter revenue now above the third quarter revenue in 2019 by 2% and the revenue generated in the first nine months of the year close to the equivalent period in 2019, being 2% lower.

Total revenue increased by 13.8% to €1,306.2 million in the nine-month period ended 30 September 2021 compared to the same period last year. This was made up of revenue growth at constant exchange rates of 16.2% over the prior year of which 6.1% was organic revenue growth and 10.1% came from additional revenue from the acquisitions made in the last twelve months. There was an unfavourable currency translation impact of 2.1% in the nine months, which was less than for the first half.

For the third quarter, the total revenue increased by 13.9% to €463.2 million. This was made up of an increase in organic revenue of 1.9%, revenue from acquisitions added 12.0% and there was a negligible impact from currency translation.

The revenue change in € million and percentage changes for the period and quarter are shown below.

Revenue	Actual 2021	Growths			Actual 2020 CCY	FX Impact	Actual 2020
		Organic	Inorganic	Total @ CCY			
YTD Q3	1,306.2	6.1%	10.1%	16.2%	1,123.0	(2.1)%	1,147.4
Q3	463.2	1.9%	12.0%	13.9%	406.2	0.0%	406.2

Adjusted Operating Profit

The adjusted operating profit increased by 68% to €126.7 million in the nine-month period ended 30 September 2021 compared to the same period in the prior year. This growth in profit was made up of an increase in adjusted operating profit at constant exchange rates of 77.2%, of which 47.2% was organic and 30.0% came from acquisitions made in the last twelve months. There was an unfavourable currency translation impact of 5.0%.

In the third quarter, the total adjusted operating profit was up 13.5% with this increase being due to the benefit of the acquisitions offsetting the lower organic adjusted operating profit and currency having a negligible impact.

The resulting adjusted operating profit margin for the nine-month period was 9.7%, being 310 basis points higher than the margin of 6.6% in the prior year and 20 basis points higher than the margin at the first half of 2021.

In the third quarter, the adjusted operating profit margin was 10.0% which was stable with the margin in Q3 2020 despite the higher mix of the higher margin Automotive division in the third quarter of 2020 following the material volume increase from the pent up demand after the stations were closed in the second quarter of 2020.

The adjusted operating profit for the period and quarter in € million and percentage changes and the respective margins, are shown below.

Adj. Op. Profit	Actual 2021	Growths			Actual 2020 CCY	FX Impact	Actual 2020
		Organic	Inorganic	Total @ CCY			
YTD Q3	126.7	47.2%	30.0%	77.2%	71.7	(5.0)%	75.4
% AOP Margin	9.7%				6.4%		6.6%
Q3	46.5	(7.6)%	22.1%	14.5%	40.7	(0.6)%	40.9
% AOP Margin	10.0%				10.0%		10.1%

Segmental Analysis

Three of the four divisions reported good organic revenue growth for the third quarter with only the Automotive division achieving lower organic revenue due to the exceptionally strong third quarter period last year following the catch up of the pent-up demand from the second quarter when the stations were all closed. Nevertheless, the division performed strongly in the third quarter with the revenue only slightly below the second quarter.

In Energy & Industry the strong growth has continued to come from Power and Construction end markets with Renewables growing very well and strong growth in Construction in Latin America. Oil & Gas in the third quarter was stable compared to the same quarter last year as the majority Opex exposed part continued to grow well while the smaller Capex exposed part continued to reduce. IDIADA and Labs both achieved solid growth with an increasing number of new models of cars and products driving these businesses despite some negative impact from supply chain disruption in the Labs division due to the shortage of semi-conductors.

Below is the breakdown of revenue in € million and the percentage growth for the period and the third quarter of the year compared to the prior year period and quarter.

YTD Q3

Revenue	Actual 2021	Growths: Organic	Growths: Inorganic	Growths: Total @ CCY	Actual 2020 CCY	FX Impact	Actual 2020
Energy & Industry	689.4	(0.1)%	2.9%	2.8%	670.6	(2.4)%	686.9
Laboratories	105.9	6.9%	63.9%	70.8%	62.0	(0.6)%	62.4
Auto	349.2	22.1%	22.8%	44.9%	240.4	(3.0)%	248.0
Idiada	161.7	7.9%	0.0%	7.9%	149.9	(0.1)%	150.1
Total Revenue	**1,306.2**	**6.1%**	**10.1%**	**16.2%**	**1,123.0**	**(2.1)%**	**1,147.4**
Adj. Op. Profit	**126.7**	**47.2%**	**30.0%**	**77.2%**	**71.7**	**(5.0)%**	**75.4**

Q3

Revenue	Actual 2021	Growths: Organic	Growths: Inorganic	Growths: Total @ CCY	Actual 2020 CCY	FX Impact	Actual 2020
Energy & Industry	254.5	3.4%	6.5%	9.8%	231.7	0.4%	230.7
Laboratories	40.3	1.9%	83.0%	84.9%	21.8	0.4%	21.7
Auto	114.1	(4.5)%	15.3%	10.8%	102.5	(1.4)%	103.9
Idiada	54.4	8.3%	0.0%	8.3%	50.2	0.9%	49.8
Total Revenue	**463.2**	**1.9%**	**12.0%**	**13.9%**	**406.2**	**0.0%**	**406.2**
Adj. Op. Profit	**46.5**	**(7.6)%**	**22.1%**	**14.5%**	**40.7**	**(0.6)%**	**40.9**

Cash Flow and Net Debt

Cash flow generation was strong in the period despite the increase in the level of working capital by €65 million from the year end position compared to a decrease in working capital of €54 million in the corresponding period. Capex and taxes outflows were higher than last year due to the recovery in the business resulting in adjusted net cash flow generation (after capital expenditure) of €75 million being 56% lower than for the same period last year due to the exceptionally strong cash flow generation last year as a result of the working capital reduction. It is expected that the working capital will reduce in the final quarter resulting in a strong final quarter cash flow.

The financial leverage of the Group at the period end, measured as Net Debt to last twelve months Adjusted EBITDA, was 2.8x (as defined by the debt covenants), at a slightly higher level to the position at 30 June 2021 when it was 2.7x, but lower than the position at the end of 2020 when it was 3.0x. The leverage covenant is set at 4.0x which is considerably higher than the current leverage.

Outlook

For the full year, the guidance that was upgraded at the half year is maintained, of growth to be in the mid-teens at constant exchange rates from both organic and acquisitions made to date and the margin improving to close to 10%.

For the longer term, the structural growth drivers in the testing, inspection and certification markets continue to be robust while Applus+` continuing portfolio diversification into higher quality businesses will ensure a strong level of long-term growth in revenue and profit.

For further information

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About Applus+ Group

Applus+ is a worldwide leader in the testing, inspection and certification sector. It is a trusted partner, enhancing the quality and safety of its client's assets and infrastructures while safeguarding their operations. Its innovative approach, technical capabilities and highly skilled and motivated workforce of over 23,000 employees assure operational excellence across multiple sectors in more than 70 countries.

The Group offers a complete portfolio of solutions placing a strong emphasis on technological development, digitalisation and innovation, as well as having the latest knowledge of regulatory requirements.

The Group is committed to improving Environmental, Social and Governance (ESG) indicators. Applus+ helps clients reduce their environmental impact, improving the safety and sustainability of their products and assets, and it has been implementing measures to reduce its own environmental footprint and improve its social and governance measures since 2014, setting specific targets to be reached in 2021. These actions have attracted external recognition: an above-average score of "AA" from MSCI ESG Ratings, an above-average "B" rating from the CDP, a strong rating of 72/100 from Gaïa and the inclusion of Applus+ within the FTSE4Good Index Series of Ibex.

For the full year of 2020, Applus+ recorded revenue of €1,558 million, and an adjusted operating profit of €118 million. Headquartered in Spain, the company operates through four global divisions under the Applus+ brand. It is listed on the Spanish stock markets. The total number of shares is 143,018,430.

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Symbol: APPS-MC

For more information go to www.applus.com/en