

Third Quarter 2022 Trading Update

31 October 2022

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 2022.

Highlights

- Strong revenue and adjusted operating profit growth
- Margin progression impacted by rise of energy costs in Labs and IDIADA
- Cash generation and liquidity remain strong
- Five acquisitions made year to date for a spend of €62 million
- Second share buyback programme of a further 5% to commence
- Appointment of new Chief Financial Officer
- YTD Q3 Operating Results:
 - Revenue of €1,519 million up 16% (organic¹ up 8.2%)
 - Operating profit² of €148 million up 17% (organic¹ up 5.7%)
 - Operating profit² margin of 9.7% (9.7% YTD Q3 2021)
 - Adjusted free cash flow² of €106 million (€75m YTD Q3 2021)
 - Net debt/EBITDA³ ratio stable at 2.7x and liquidity of €490 million
- Outlook for the full year modified:
 - Organic revenue growth outlook revised up to high single digits (from mid to high single digits previously)
 - Margin adjusted for the impact of the higher energy costs and now expected to be flat (from 30 to 40 basis points improvement previously)

1. Organic is at constant exchange rates

2. Adjusted for Other results, amortisation of acquisition intangibles and impairment

3. Excluding IFRS 16

Joan Amigó, Chief Executive Officer of Applus+, said:

"We continue to see strong revenue and profit growth across our businesses.

The growth in demand for our services is coming primarily from the key global megatrends offering the highest opportunities for us of Energy Transition, Electrification and Connectivity as highlighted in our Strategic Plan last year. It has also been supported by the good demand in our Oil & Gas business in the Energy & Industry division. We are confident we can maintain a strong revenue growth in the fourth quarter so are raising our organic revenue growth outlook to increase at high single digits for the full year.

We continue to focus on improving the efficiency of our operations, directly reducing the cost to perform our work and using technology to be more efficient. This strategy has been driving good margin progression since 2021 and has mitigated the margin impact following the ending of the Costa Rica contract in the Auto division. In this quarter external macroeconomic factors challenged further progress and needed to be actively addressed. We managed to offset inflation by raising prices, however, the significant increase in energy costs at IDIADA and in our Laboratories divisions, is impacting our operating profit in the second half. We have therefore adjusted the margin outlook for the year and now expect the adjusted operating profit margin to be flat⁴ with last year. We don't expect any further increase in energy costs next year.

Our cash generation has been strong this year and our leverage has remained stable while supporting the portfolio evolution towards higher margin and more sustainable long term growth businesses through the targeted deployment of internal capital to these areas and the five acquisitions made year to date. We are also making progress on delivering on our divestment strategy.

Given this strong cash flow and comfortable leverage position, the Board has decided to commence a second share buyback programme of a further 5%, which will increase the total share buyback made since the Strategic Plan was announced to 10%. This is in-line with our value-additive capital allocation strategy to optimise returns to shareholders.

Finally, I am pleased to say we have separately announced the appointment of our new Chief Financial Officer, Julian José de Unamuno Moreno, who will join the Group at the beginning of next year. Alongside our strong operational and functional leaders including the recent appointment of a new Operational Excellence Senior Vice President and our Board of Directors, I am confident we have a great Management team focused on unlocking the value we see in the Group.”

4. Flat margin includes the impact of the IDIADA Accelerated Depreciation and is before taking account of the benefit of any disposals

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.

For a complete list of the alternative performance metrics used in this statement, please refer to the previous half year results announcements.

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

EUR Million	YTD Q3 2022			YTD Q3 2021			+/- % Adj. Results
	Adj. Results	Other results	Statutory results	Adj. Results	Other results	Statutory results	
Revenue	1,518.9	0.0	1,518.9	1,306.2	0.0	1,306.2	16.3%
Ebitda	239.7	0.0	239.7	208.4	0.0	208.4	15.0%
Operating Profit	147.8	(58.2)	89.6	126.7	(50.8)	75.9	16.6%
Net financial expenses	(21.5)	0.0	(21.5)	(18.0)	0.0	(18.0)	
Profit Before Taxes	126.3	(58.2)	68.1	108.7	(50.8)	57.9	16.2%

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

The reported revenue was 16.3% higher than in the same period last year due to strong organic revenue growth plus the benefit of acquisitions and currency translation. The adjusted earnings before interest, tax and depreciation (Adjusted EBITDA) was €239.7 million and up 15.0% while the adjusted operating profit before tax was €147.8 million, up 16.6% resulting in a margin of 9.7%, flat with the same period last year. The adjusted profit before tax of €126.3 million was 16.2% higher than last year due to the increase in adjusted operating profit.

The reported profit before tax of €68.1 million was 18% higher than last year.

Other results of €58.2 million (2021: €50.8m) in the Operating Profit represent amortisation of acquisition intangibles of €52.1 million (2021: €46.7m) and; restructuring, transaction costs relating to acquisitions plus other net items of €6.0 million (2021: €4.1m).

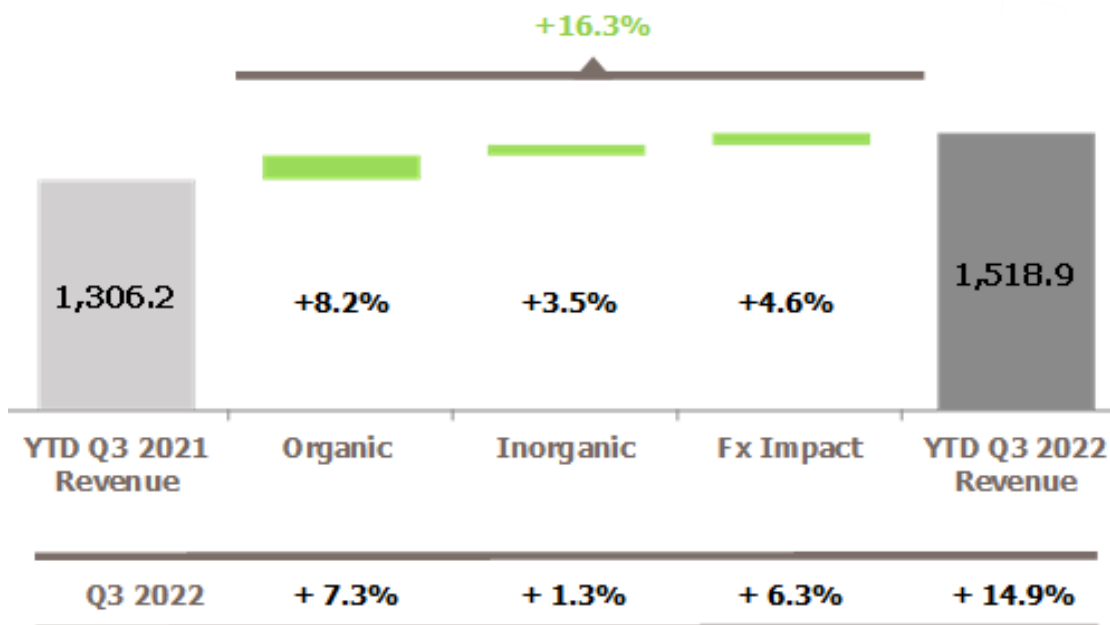
Revenue

The business had very strong revenue growth in the period coming from organic revenue, acquisitions and a favourable currency tailwind. The organic revenue growth was due to the increasing demand for testing, inspection and other services provided by Applus+ with some price increases.

Total revenue in the nine-month period ended 30 September 2022, increased by €212.7 million from €1,306.2 million to €1,518.9 million, an increase of 16.3% compared to the same period last year. This was made up of revenue growth at constant exchange rates of 11.7% over the prior year of which 8.2% was organic revenue growth and 3.5% came from additional revenue from the acquisitions made in the last twelve months. There was a favourable currency translation impact of 4.6% in the nine months, an increase on the first half benefit.

For the third quarter, the total revenue increased by 14.9% to €532.2 million. This was made up of an increase in organic revenue of 7.3%, revenue from acquisitions added 1.3% and positive currency translation impact of 6.3%.

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



Adjusted Operating Profit

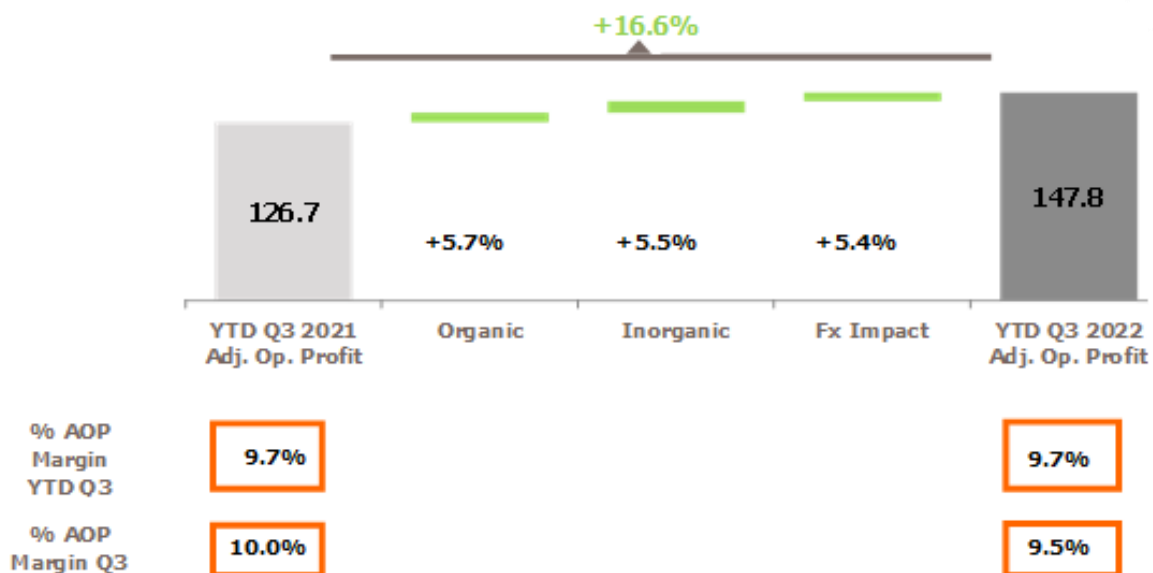
The adjusted operating profit increased strongly by 16.6% to €147.8 million in the nine-month period ended 30 September 2022 compared to the same period in the prior year. This growth in profit was made up of an increase in adjusted operating profit at constant exchange rates of 11.2%, of which 5.7% was organic and 5.5% came from acquisitions made in the last twelve months. There was in addition a favourable currency translation impact of 5.4%.

The Group continues to focus on improving the efficiency of the operations, directly reducing the cost to perform the work and using technology to be more efficient. This strategy has been driving good margin progression since 2021. In this quarter external macroeconomic factors challenged further margin progress and needed to be actively addressed. The Group managed to offset inflation by raising prices, however the significant increase in energy costs as well as the impact from the ending of the Costa Rica contract in the Auto division, impacted the operating profit in the quarter. There is not expected to be a further increase in energy costs next year.

The resulting adjusted operating profit margin for the third quarter was 9.5% which was 50 basis points lower than the margin in Q3 2021.

The adjusted operating profit margin for the year-to-date period was 9.7%, flat with the prior period.

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



Segmental Analysis

All four divisions grew revenue very strongly in the third quarter and for the year-to-date period. Three divisions also had the benefit of acquisitions made in the previous twelve months to add to this and all four divisions had favourable currency translation benefits as a result of the weakness of the euro against the majority of the currencies of the countries in which the divisions have operations.

The Automotive division was the only one to post a small organic revenue decrease of 1.6% in the third quarter due to the ending of the Costa Rica contract in July of this year which accounted for approximately 7% of the revenue in the prior year's quarter. Excluding the Costa Rica contract, the division grew by 3% in the quarter. This demonstrates the strong underlying growth in the rest of the division with a good overall increase in volume of inspections and price increases.

The Energy & Industry division had very strong growth, with an increase in revenue of 16.4% in the quarter and 19.8% in the year to date. This growth is from a strong organic and total revenue contribution from all end markets including Power & Renewables, Infrastructure & Buildings and Oil & Gas, which had strong double digit growth.

Both Laboratories and IDIADA divisions also had very strong growth, including in organic revenue, bringing their year-to-date total revenue increases to well over 20%. Laboratories had 6.5% organic revenue growth in the quarter and 8.1% year to date, with good demand across the majority of its business lines as well as the significant contribution from acquisitions made in the previous twelve months. IDIADA delivered an exceptional 28.1% growth in the quarter, lifting the year-to-date organic revenue growth for the division to 21.2%. These two divisions continue to benefit from the increased number of samples submitted for testing the behaviour of new materials as well as new products and models, including a significant size project for IDIADA from a new Asian auto manufacturer developing new models and are ultimately benefiting from the key global megatrend of electrification and connectivity.

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.

September 2022 Year to date:

Revenue	Actual 2022	Growths				Actual 2021
		Organic	Inorganic	FX	Total	
Energy & Industry	825.8	9.0%	4.0%	6.8%	19.8%	689.4
Laboratories	135.6	8.1%	14.7%	5.2%	28.0%	105.9
Auto	356.3	0.4%	0.6%	1.0%	2.0%	349.2
Idiada	201.3	21.2%	0.0%	3.3%	24.5%	161.7
Total Revenue	1,518.9	8.2%	3.5%	4.6%	16.3%	1,306.2
Adj. Op. Profit	147.8	5.7%	5.5%	5.4%	16.6%	126.7

Q3 only:

Revenue	Actual 2022	Growths				Actual 2021
		Organic	Inorganic	FX	Total	
Energy & Industry	296.3	7.0%	0.9%	8.5%	16.4%	254.5
Laboratories	48.0	6.5%	6.9%	5.6%	19.0%	40.3
Auto	116.0	(1.6)%	1.1%	2.2%	1.7%	114.1
Idiada	72.0	28.1%	0.0%	4.3%	32.4%	54.4
Total Revenue	532.2	7.3%	1.3%	6.3%	14.9%	463.2
Adj. Op. Profit	50.7	(1.9)%	4.1%	6.9%	9.1%	46.5

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

Cash Flow and Net Debt

Cash flow generation was strong in the period mainly because of the strong growth in EBITDA which added €31 million in the period of which €9 million was in the third quarter. The working capital increased by €55 million year to date due to the strong revenue growth of the Group, although compared to the increase of €65 million in the previous year to date, this was a €10 million lower outflow. Capex, tax and interest outflows were slightly higher than last year due to the growth of the business. The resulting adjusted free cash flow generation of €106 million was €31 million more than the prior period, or an increase of 42%.

Net debt at the third quarter end was €909 million (€803 million at 31 December 2021). Net debt calculated using the debt covenant definitions (excluding the impact of IFRS16) was €700 million (€608 million at 31 December 2021). The available liquidity remains high, continuing to be close to €500 million.

The financial leverage of the Group at the period end, measured as Net Debt to last twelve months Adjusted EBITDA, was 2.7x (as defined by the debt covenants), at the same position as at 30 June 2022 and 31 December 2021 and slightly lower than at this time last year when it was 2.8x. The leverage covenant is set at 4.0x which is considerably higher than the current leverage.

Outlook

For the full year, the outlook has been modified to be an increase in the growth in organic revenue and to adjust the margin. The new organic revenue growth outlook is for it to increase at a rate of high single digits for the full year. Previously it was expected to increase at mid-to high-single digits. The margin is adjusted and is now expected to be flat¹ for the full year compared to the full year of 2021. Previously it was expected to improve year on year, with this margin improvement expected to be between 30 and 40 basis points¹.

1. Margin change includes the impact of the IDIADA Accelerated Depreciation and is before taking account of the benefit of any disposals

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 25,000 employees assure operational excellence across multiple sectors in more than 70 countries.

The company 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 for the short, medium and long term.

These actions have attracted external recognition: high and above-average scores from S&P Global (54, 81% percentile), Sustainalytics (15.6, "Low risk"), from MSCI ESG Ratings ("AA"), from the CDP ("B"), from Gaia (71/100) and the inclusion of Applus+ within the FTSE4Good Index Series of Ibex.

For the full year of 2021, Applus+ recorded revenue of €1,777 million, and an adjusted operating profit of €175 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 135,867,508.



FTSE4Good



S&P Global

ISIN: ES0105022000

Symbol: APPS-MC

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

End of 2022 Third Quarter Results Announcement. This announcement is a translation of the Spanish version of the same date and as filed with the Spanish regulator, Comisión Nacional del Mercado de Valores (CNMV). In cases of discrepancy, the Spanish version filed with the CNMV will prevail.