

# Applus+ Group ESG Presentation



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**Aston Swift**

| Investor Relations

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# REPOSITIONING APPLUS AS A MORE PROFITABLE AND SUSTAINABLE BUSINESS



## H1 2023: Highlights of the first half 2023 results

**1** Strong financial performance continues with solid cash flow generation that supports M&A

**2** Active portfolio strategy drives 90 bps margin<sup>1</sup> improvement

**3** New statutory vehicle inspection contract awarded in Saudi Arabia

**4** Progress on ESG including an improved score from Sustainalytics

**5** Second 5% share buyback programme completed

**6** Outlook raised following strong performance and visibility to end of year

**Totally focused on continued strong execution and delivering on the strategic plan**

*1 Adjusted for Other Results, IDIADA Accelerated Depreciation and amortisation of acquisition intangibles*

## H1 2023: Financial Highlights

### Revenue

€1,001 million up 9% (+8.8% organic<sup>1</sup>)

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

€71 million, down 1%

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

€0.46 up 19%

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

€111 million up 10.2% (+6.5% organic<sup>1</sup>)  
11.0% margin (H1 2022 10.1% reported; 10.9% Proforma)

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

2.6x and liquidity of €425 million

### Return to Shareholders

2nd SBB completed

Dividend Paid at €0.16



<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)

**>60 M€ annual revenues**

**60%**  
Labs

**31%**  
E&I

**9%**  
Auto

**9**

Companies acquired

**126 M€**

Total upfront Investment

**>20%**

Average AOP Margin

### Divestments Continuous portfolio assessment to identify non-strategic businesses

**38 M€ proceeds**

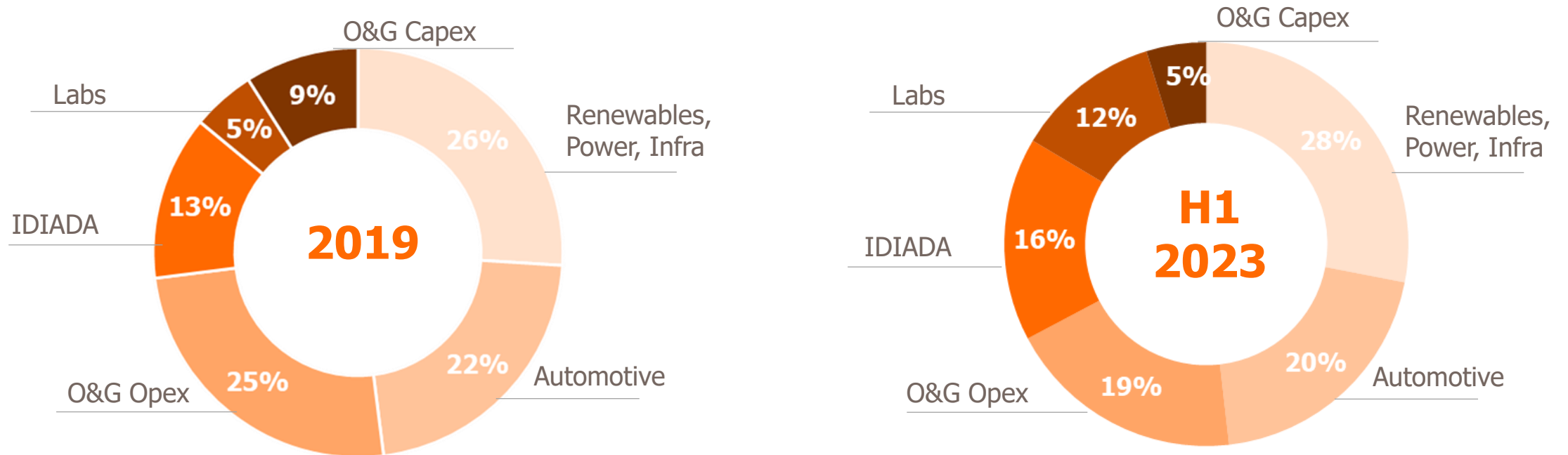
Business Unit	Auto Finland	Auto US	US Oil & Gas
<b>2022 Revenues</b>	€13M	€37M	€102M
<b>2022 AOP margin</b>	Breakeven	Mid single digit	Negative
<b>Closed</b>	DEC 2022	FEB 2023	JUN 2023

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



## Portfolio Evolution | Towards higher growth markets and to mitigate risks

### % Total Revenues by End Market



Increase Laboratories Contribution



Promote Renewables, Power and Infrastructure growth

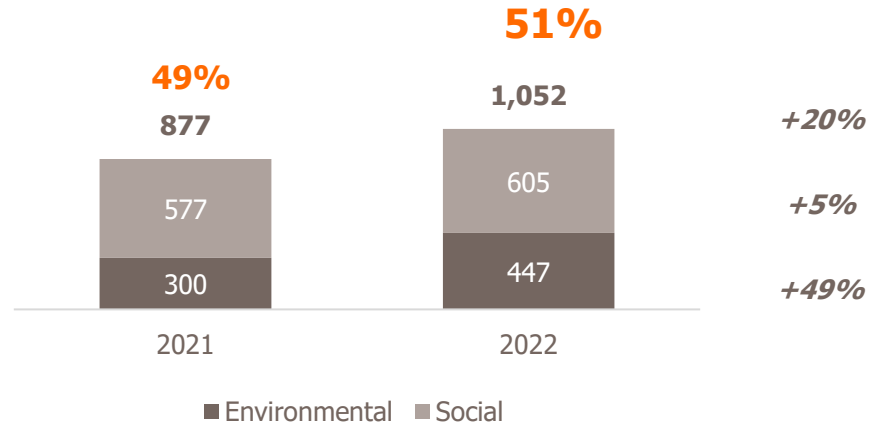


Focus on higher value added and resilient O&G activities

## ESG | Sustainability Services fueling our growth

### Arplus+ Group Sustainability Services in 2022 €m

% Total Revenues



- 2022 first year measuring the full sustainability linked services by adding in revenue from services that provide a positive social impact to those previously measured having a positive environmental impact
- Strong growth in sustainability services of 20%
- 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

FY2022: **25%**

#### Auto

- Emissions inspection
- Vehicle safety inspection

FY2022: **98%**

#### IDIADA

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

FY2022: **81%**

#### Labs

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

FY2022: **47%**

## ESG | Strong ESG credentials

- Continued focus on **improving environmental and social impacts and governance** of the Group
- Revenue generated from **Sustainable Services**, that is more than half of the Group, continues to increase
- **Sustainalytics revised their “low risk” score on Applus+, improving it from 15.6 to 13.3** recognising improvements made in managing product and governance risks
- **Included within Europe’s Climate Leaders** as determined by the Financial Times and Statista for second year in a row
- **The SBTi verified Applus+ 2030 and 2050 science-based emissions reduction targets** – commitment to be net zero by 2050



**Fully on track to meet our 2024 targets**

### At the forefront of ESG best practices and supported by ratings agencies



**54/100**  
Top 19%



**13.3**  
Low Risk



**70/100**  
Above average



**B Rating**  
Above average



**EE+**  
Very Strong



**AA**  
Leader



**FTSE4Good**  
Included



## ESG | Three-year Targets 2022 -2024

	Vision	2024 Targets
Environment	Help the environment by improving both ours and our client's industries and mitigate the negative impact of climate change on our business	<ul style="list-style-type: none"> <li>▪ <b>30% reduction</b> of Scope 1 &amp; 2 emissions vs 2019</li> <li>▪ Be scope 1 and 2 <b>carbon neutral by 2023</b></li> <li>▪ Plan for <b>net zero by 2050</b> under SBTi</li> </ul>
Social	To attract diverse, talented and committed people enabling them to reach full potential in a safe and contented workplace	<ul style="list-style-type: none"> <li>▪ <b>≥ 40% appointments</b> to top management and Group corporate services to be filled by <b>women</b></li> <li>▪ <b>10% reduction</b> in Lost Time Injury Frequency</li> </ul>
Governance	To uphold our principles of good governance and to operate ethically, responsibly and with highest integrity which our stakeholders expect and deserve	<ul style="list-style-type: none"> <li>▪ <b>≥ 90% Compliance</b> with applicable CNMV (Spanish regulator) recommendations</li> <li>▪ <b>≥ 98% professionals</b> complete the training and sign up to the Code of Ethics</li> </ul>

ESG Targets included from 2022 to 2024 within the Management Long Term Incentive Plan (LTIP) at 10%

Plus

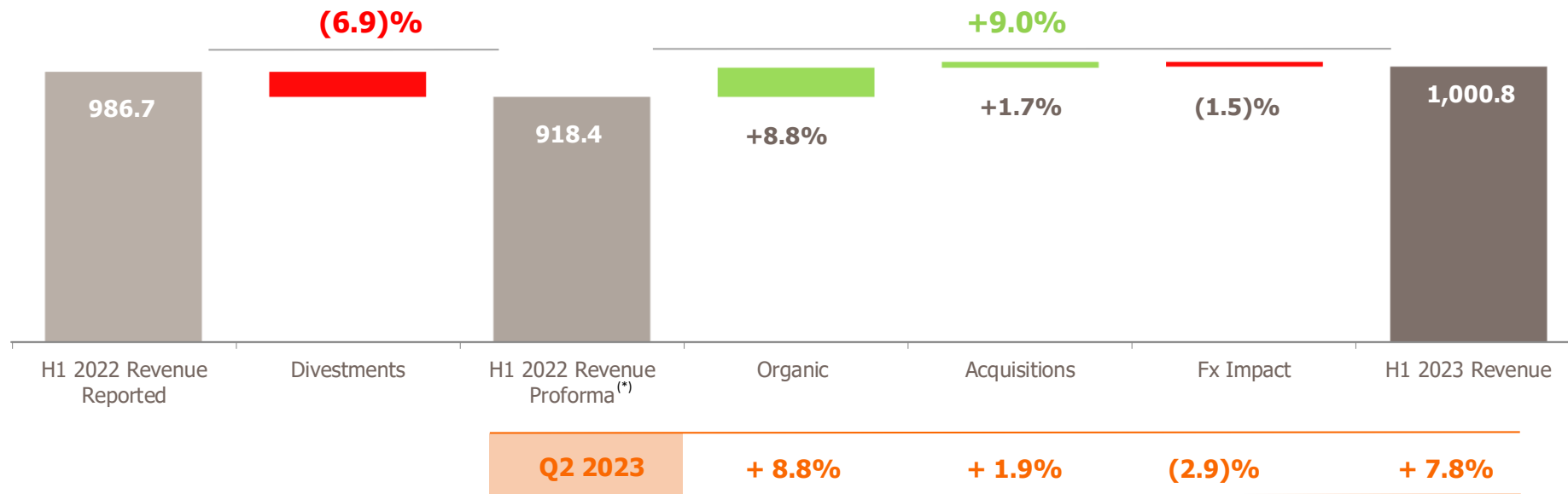
Annual progress Bonus Targets from 2022 at 15%



**STRONG FINANCIAL PERFORMANCE IN H1 2023**

## H1 2023: Revenue Bridge

EUR Million

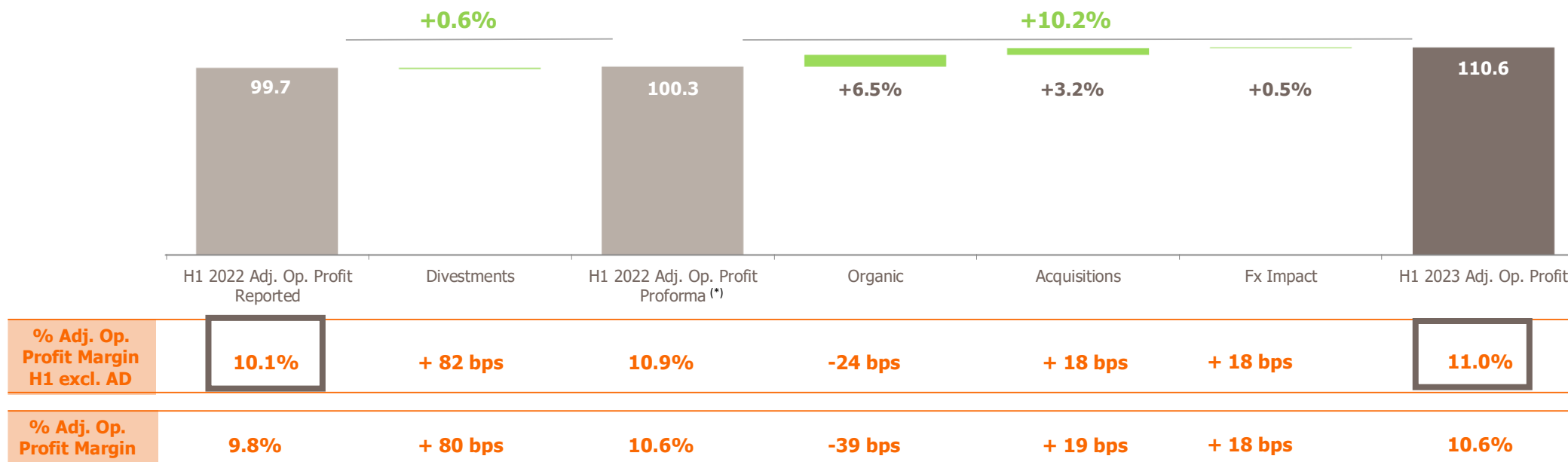


- **Strong organic revenue growth continues**
- **Good performance of companies acquired**

(\*) Proforma figures for divestments. H1 2022 revenues excluded for Auto USA (€16.3m), Auto Finland (€6.7m) and US Oil & Gas (€45.3m)

## H1 2023: Adjusted Operating Profit Bridge

EUR Million



- 90 bps margin improvement driven by the active portfolio management
- Good underlying margin performance offset by Auto contract ends in Costa Rica and Alicante

(\*) Proforma figures for divestments and excluding IDIADA accelerated depreciation



## H1 2023: Income Statement

EUR Million

- Strong growth at all profit levels
- Strong adjusted earnings per share growth supported by share buybacks

	H1				
	2023	2022 Proforma	Change vs Proforma	2022 Reported	Change vs Reported
Revenue	1,000.8	918.4	9.0%	986.7	1.4%
Adj. Op. Profit b/AD <sup>1</sup>	110.6	100.3	10.2%	99.7	10.9%
<b>Adj. Op. Profit margin b/AD <sup>1</sup></b>	<b>11.0%</b>	<b>10.9%</b>	<b>+ 12 bps</b>	<b>10.1%</b>	<b>+ 94 bps</b>
Accelerated depreciation	(4.3)	(2.6)		(2.6)	
<b>Adj. Operating Profit</b>	<b>106.3</b>	<b>97.8</b>	<b>8.7%</b>	<b>97.1</b>	<b>9.4%</b>
<b>Adj. Op. Profit margin</b>	<b>10.6%</b>	<b>10.6%</b>	<b>-2 bps</b>	<b>9.8%</b>	<b>+ 78 bps</b>
PPA Amortisation	(31.4)	(34.0)		(34.3)	
Other results	(4.6)	(1.7)		(3.8)	
<b>Operating profit</b>	<b>70.4</b>	<b>62.1</b>	<b>13.3%</b>	<b>59.1</b>	<b>19.1%</b>
Finance Results	(18.3)	(12.6)		(12.8)	
<b>Profit before tax</b>	<b>52.1</b>	<b>49.6</b>	<b>5.0%</b>	<b>46.3</b>	<b>12.5%</b>
Income taxes	(16.0)	(15.5)		(15.8)	
<b>Net Profit</b>	<b>36.1</b>	<b>34.1</b>	<b>6.0%</b>	<b>30.5</b>	<b>18.4%</b>
Minorities	(5.7)	(8.7)		(8.7)	
<b>Net Profit Group</b>	<b>30.4</b>	<b>25.4</b>	<b>19.8%</b>	<b>21.8</b>	<b>39.5%</b>
Discontinued operations	(4.0)	(3.6)		-	
<b>Net Profit after Disc. Op.</b>	<b>26.4</b>	<b>21.8</b>	<b>21.4%</b>	<b>21.8</b>	<b>21.4%</b>
<b>Adjusted Net Profit Group</b>	<b>60.0</b>	<b>54.5</b>	<b>10.0%</b>	<b>53.3</b>	<b>12.6%</b>
<b>EPS in € <sup>2</sup></b>	<b>0.23</b>	<b>0.18</b>	<b>27.0%</b>	<b>0.16</b>	<b>48.0%</b>
<b>Adjusted EPS in €</b>	<b>0.46</b>	<b>0.39</b>	<b>16.7%</b>	<b>0.38</b>	<b>19.4%</b>
# Shares (M)	130.8	138.7		138.7	

<sup>1</sup> AD is IDIADA accelerated depreciation to adapt assets useful life to contract/concession duration

<sup>2</sup> EPS calculation based on Net Profit from Continuing Operations

## H1 2023: Cash Flow

EUR Million

- **Solid cash flow generation**
- **Working capital to sales at around 4%**
- **Interest paid increase due to higher interest rates**
- **Dividends to Minorities affected by timing of payments**
- **Acquisitions relates to Riportico, CLM and Rescoll and includes the acquisition of the 20% minority of Inversiones Finisterre (Auto Galicia)**

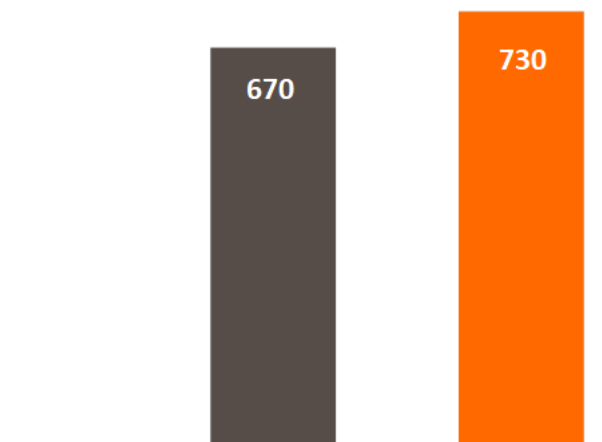
	H1		
	2023	2022 Reported	Change vs LY
<b>Adjusted Ebitda</b>	<b>164.9</b>	<b>156.4</b>	<b>5.4%</b>
Change in Working Capital	(38.6)	(35.3)	
Capex	(25.2)	(24.0)	
<b>Adjusted Operating Cash Flow</b>	<b>101.1</b>	<b>97.2</b>	<b>4.0%</b>
Taxes paid	(16.4)	(18.4)	
Interest paid	(14.0)	(7.2)	
<b>Adjusted Free Cash Flow</b>	<b>70.7</b>	<b>71.5</b>	<b>(1.2)%</b>
Extraordinaries & Others	(12.6)	(4.5)	
Dividends to Minorities	(13.1)	(1.9)	
<b>Operating Cash Generated</b>	<b>45.0</b>	<b>65.1</b>	<b>(30.9)%</b>
Acquisitions	(60.7)	(42.8)	
Divestments	30.0	-	
<b>Cash b/Changes in Financing &amp; FX</b>	<b>14.3</b>	<b>22.3</b>	
Payments of lease liabilities (IFRS 16)	(32.4)	(31.8)	
Other changes in financing	48.2	46.9	
Share buybacks	(36.1)	(53.6)	
Treasury Shares for LTIP	-	(1.4)	
Currency translations	(3.0)	6.1	
<b>Cash Increase/(Decrease)</b>	<b>(9.0)</b>	<b>(11.5)</b>	

## Leverage and Liquidity at 30<sup>th</sup> June

EUR Million

- Stable leverage ratio at 2.6x
- Total available liquidity of €425M

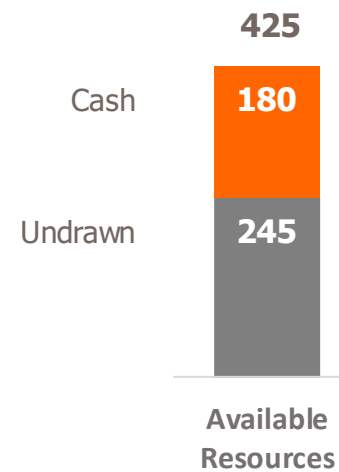
### Net Financial Debt & Leverage



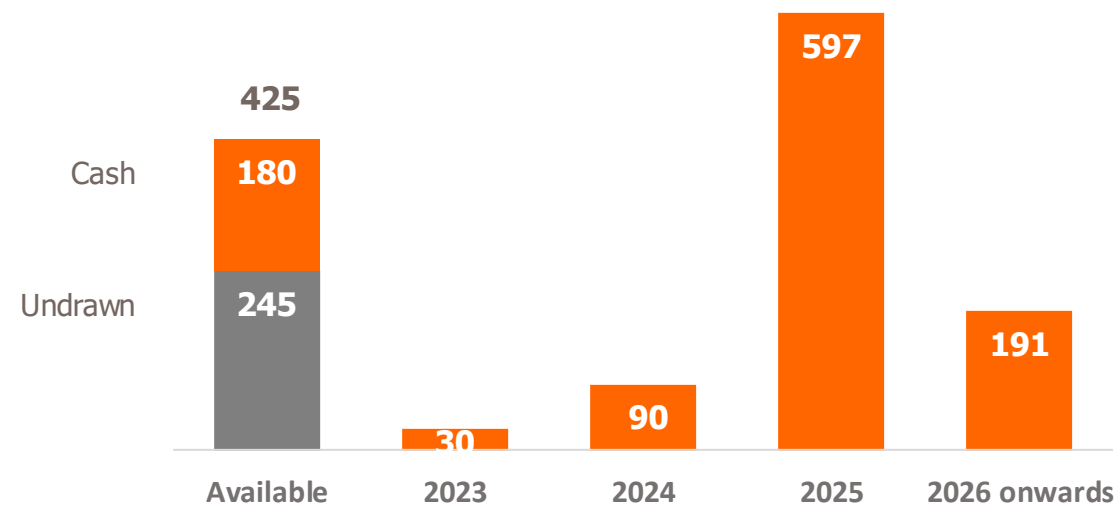
NET DEBT / EBITDA<sup>1</sup> **2.6x** **2.6x**

	FY 2022	H1 2023
Gross Debt	856	909
Cash	(186)	(180)
Net Debt	670	730

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



### Debt by Due date



<sup>1</sup> Stated at annual average rates and excluding IFRS 16 as defined by bank covenant. Net debt including IFRS 16 is €910

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

Applus<sup>+</sup> Together beyond standards

[www.applus.com](http://www.applus.com)