2024 Third Quarter Trading Update

13 November 2024

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 short trading update for its third quarter ("quarter" or "Q3") and nine-month period ("period" or "YTD Q3") ended 30 September 2024.

Highlights

- Good performance on all metrics and with positive outlook
- 66 bps margin[1] improvement
- Successful win of the IDIADA contract
- Good cash flow generation
- Outlook for full year maintained and focus remains on meeting the 2024 Strategic Plan targets
- De-listing in the final stages

YTD Q3 financial results

- Revenue of €1.632 million, 7.5% higher (organic[2] +7.6%)
- Operating profit[1] of €189 million at a margin of 11.6%, +66 basis points
- Adjusted free cash flow[1] €39 million up

2024 Outlook

- Mid to high single digit organic revenue growth
- Margin[1] to increase to around 11.5%
- Continued focus on portfolio mix quality improvement

1. Adjusted for Other Results, amortisation of acquisition intangibles and IDIADA Accelerated Depreciation
2. Organic is at constant exchange rates

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

"Performance in the third quarter maintains the good trend seen in the first half of the year and includes both total and organic[2] revenue growing at high single digits and an increase in the adjusted operating profit margin[1].

On 9 September 2024, the acquisition of the 80% of the IDIADA was completed, as planned, which means the consolidation of one of the most relevant Group businesses' for 25 years more.

With our strong start to the year and positive trading momentum, we have the confidence to confirm our full year outlook to grow organic revenue at between mid to high single digits, margin to increase to around 11.5% and to continue our focus on portfolio quality mix improvements."

For further information

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About Applus+ Group

One of the world's leading and most innovative companies in the Testing, Inspection and Certification (TIC) sector. It has a broad portfolio of services for customers in all types of industries to ensure that their assets and products meet quality, health & safety and environmental standards and regulations.

The company drives increasingly profitable revenue generation through its sustainability services supported by innovation and digitalisation at all levels and invests in the development of proprietary solutions. The Group strategy aligns with the global megatrends of Energy Transition, Electrification and Connectivity.

Headquartered in Spain and listed on the Spanish stock markets, Applus+ operates in more than 70 countries and employs over 26,000 people. For the full year of 2023, Applus+ reported revenue of €2,058 million, and an adjusted operating profit of €222 million. The total number of shares is 129,074,133.

At the forefront of ESG best practice, recognised by external ratings agencies.

S&P Global 54/100 Top 19%
CDP A LIST 2023 CLIMATE
MSCI ESG RATINGS AA
BME a SIX company Included in IBEX ESG and IBEX Gender Equality
SUSTAINALYTICS 13.3 Low Risk
Gaïa Rating 70/100 Above average
standard ethics EE+ Very Strong
FTSE4Good

ISIN: ES0105022000
Symbol: APPS-MC

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

Overview of Performance of the Group

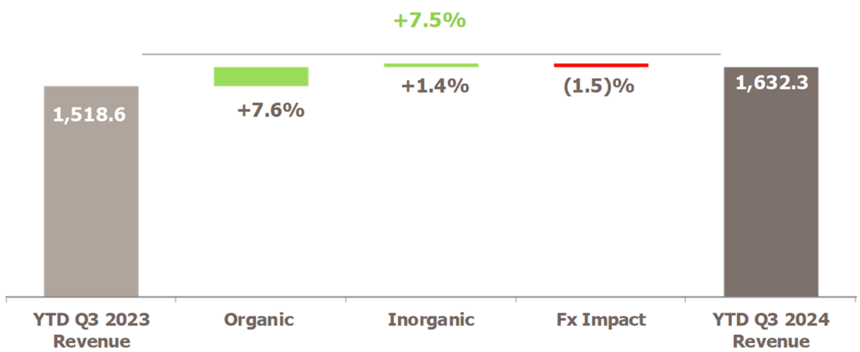
The financial performance of the Group is presented in an "adjusted" format. The adjustments are made in order that the underlying financial performance of the business can be viewed and compared to prior periods by removing the financial effects of other results.

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.

Revenue

Revenue for the period ending 30 September 2024 was €1,632.3 million which was 7.5% higher than the revenue of €1,518.6 million reported in the same period of last year.

The revenue growth bridge for period in € million is shown below.



The total revenue increase of 7.5% for the period was made up of an increase in organic revenue at constant exchange rates of 7.6%, a contribution of inorganic revenue of 1.4% made up from acquisitions made in the previous 12 months and a negative currency translation impact of 1.5%.

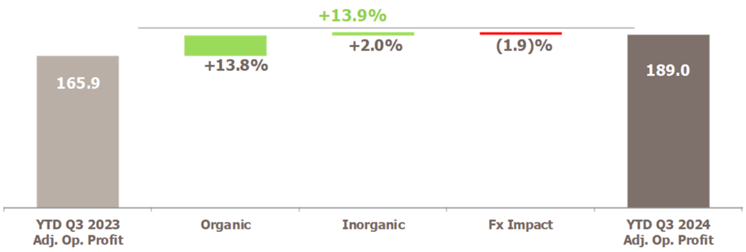
In the third quarter, the total revenue was up 3.9% with the organic component of 5.4% plus the contribution from acquisitions of 0.4% and a negative currency translation impact of 1.9%.

The 1.4% inorganic revenue growth relates mainly to the acquisitions that closed during 2023 with the most relevant coming from Rescoll that closed in June of last year and Barlovento, purchased in December last year.

Adjusted Operating Profit

Adjusted operating profit for the nine-month period ending 30 September 2024 was €189.0 million which was 13.9% higher than the adjusted operating profit of €165.9 million reported in the third quarter of last year.

The adjusted operating profit bridge for the period in € million is shown below. Adjusted operating profit is stated excluding IDIADA Accelerated Depreciation except if otherwise indicated.



% Adj. Op. Profit Margin	10.9%	+ 60 bps	+ 7 bps	-1 bps	11.6%

Organic adjusted operating profit was up 13.8%, incremental profit from inorganic was 2.0% and there was an unfavorable currency translation impact of 1.9%.

The adjusted operating profit margin was 11.6%, 66 bps up from 10.9%.

After accounting for IDIADA Accelerated Depreciation which was €30.4 million in the period compared to €7.2 million in the same period of last year, the adjusted operating profit margin was lower resulting in a margin of 9.7% compared to the 10.4% of last year.

Segmental Analysis

Breakdown of revenue in € million and the percentage growth for the period ending 30 September 2024 compared to the same period prior year.

Revenue	Actual 2024	Growths				Actual 2023
		Organic	Inorganic	FX	Total	
Energy & Industry	838.6	5.1%	1.0%	(0.9)%	5.2%	797.1
Laboratories	209.5	9.2%	7.3%	(0.7)%	15.8%	181.0
Auto	318.3	9.0%	0.0%	(4.3)%	4.7%	304.1
Idiada	265.7	13.2%	0.0%	(0.8)%	12.4%	236.4
Total Revenue	**1,632.3**	**7.6%**	**1.4%**	**(1.5)%**	**7.5%**	**1,518.6**

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

Energy & Industry reported revenue of €838.6 million for the period, being just over half of the revenue of the Group and delivered good growth of 5.2% of which 5.1% was organic.

Laboratories had €209.5 million revenue in the period, which is now at 13% of the Group, and had strong revenue growth of 15.8% of which 9.2% was organic.

The Auto division, with €318.3 million of revenue in the period or 20% of the Group revenue, was up 4.7% to last year, with positive organic revenue growth of 9.0% partially offset by negative translation currency impact coming mainly from Argentina.

The IDIADA division, with €265.7 million of revenue or 16% of the Group in the period, delivered strong revenue growth of 12.4% of which 13.2% was organic.

On 9 September 2024, the acquisition of the 80% of the IDIADA was completed, as planned, which means the consolidation of one of the most relevant Group businesses' for 25 years more.

Other Financial Indicators

	YTD Q3		
	2024	**2023**	**Change vs LY**
Revenue	**1,632.3**	**1,518.6**	**7.5%**
Adj. Op. Profit	**189.0**	**165.9**	**13.9%**
Adj. Op. Profit margin	***11.6%***	***10.9%***	**+ 66 bps**
Accelerated depreciation	(30.4)	(7.2)	
Adj. Operating Profit incl. AD	**158.6**	**158.7**	**(0.0)%**
Adj. Op. Profit margin incl. AD	***9.7%***	***10.4%***	**-73 bps**
PPA Amortisation	(42.0)	(47.0)	
Other results	(49.7)	(6.9)	
Operating profit	**66.9**	**104.8**	**(36.1)%**
Finance Results	(67.5)	(30.9)	
Profit before tax	**(0.5)**	**73.8**	**(100.7)%**

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

The reported operating profit was €66.9 million in the nine-month period compared to a reported operating profit of €104.8 million in the previous period. The reported operating profit is after deducting IDIADA Accelerated Depreciation of €30.4 million (YTD Q3 2023: €7.2m), PPA Amortisation of €42.0 million (YTD Q3 2023: €47.0m) and Other results of €49.7 million that in 2024 include the takeover bid related costs (YTD Q3 2023: €6.9m).

The net financial expense in the profit and loss for the period was €67.5 million (YTD Q3 2023: €30.9m), higher than the prior half year due to the higher cost of debt in 2024 compared to 2023 from rising interest rates and costs related to the refinancing process.

The statutory profit before tax result in a loss of €0.5 million (YTD Q3 2023: €73.8m profit). The statutory profit before tax was lower than for the corresponding period last year due to the lower statutory operating profit and higher financial expense in 2024.

Cash Flow

Cash flow generation is solid at Applus+ with the nine-month period of 2024 having good operating and free cash flow generation and above the previous year´s performance.

The increase in working capital of €35.9 million is similar to last year, at 3.7% to sales which, alongside the higher adjusted earnings before interest, tax, depreciation and amortisation (Adjusted Ebitda) and after capex spending of €54.6 million, generated €192.5 million of adjusted operating cash flow this nine-month period.

The table below shows the key line items of the cash flow for the period ended on September 30 2024 compared to the equivalent period of last year in € million.

	YTD Q3			
	2024	2023	Change vs LY	
Adjusted Ebitda	**283.0**	**250.5**	**32.5**	**13.0%**
Change in Working Capital	(35.9)	(47.5)		
Capex	(54.6)	(40.4)		
Adjusted Operating Cash Flow	**192.5**	**162.6**	**29.9**	**18.4%**
Cash Conversion rate	*68.0%*	*64.9%*		
Taxes paid	(16.1)	(20.8)		
Interest paid	(18.6)	(23.1)		
Adjusted Free Cash Flow	**157.8**	**118.8**	**39.0**	**32.9%**
Extraordinaries & Others	(85.9)	(4.6)		
Applus+ Dividend	-	(20.6)		
Dividends to Minorities	(17.7)	(17.0)		
Operating Cash Generated	**54.2**	**76.5**	**(22.3)**	**(29.1)%**
Acquisitions	(460.7)	(63.5)		
Divestments	9.3	30.0		
Cash b/Changes in Financing & FX	**(397.1)**	**43.0**		
Payments of lease liabilities (IFRS 16)	(56.0)	(47.5)		
Other changes in financing	400.6	22.7		
Share buybacks	-	(36.1)		
Currency translations	(2.2)	(2.2)		
Discontinued operations	-	(3.4)		
Cash Increase/(Decrease)	**(54.7)**	**(23.5)**		

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

The net capital expenditure on expansion of existing and into new facilities was €54.6 million (YTD Q3 2023: €40.4m) which represented 3.3% (YTD Q3 2023: 2.6%) of Group revenue. The increase in capex spend in 2024 was due to the increased number of opportunities to invest in growing the business.

Extraordinaries and Others includes the cash outflow relating to the takeover bid costs.

The cash outflow of €460.7 million for Acquisitions relates to deferred consideration and earn-outs on previously made acquisitions that have successfully met their target financial criteria and the payment of the €428m for the new contract of IDIADA.

The final net cash decrease in the period was €54.7 million, being the cash at the end of the period of €153 million euros. This is after the payment or lease liabilities of €56.0 million (from the accounting standard of IFRS16) plus the changes to the current finance structure that includes a drawn of the Revolving Credit Facility by an amount of €53.7 million euros as per the needs of the Group. In 2023, there was also a net cash outflow of €36.1 million for the share buyback.

Outlook

The outlook for the full year remains as announced in February 2024. It is for organic revenue growth of mid to high single digits and an adjusted operating profit margin of around 11.5% (including adjusted to be before IDIADA accelerated depreciation). The focus on portfolio mix quality improvement through further acquisitions continues.

As of today, the Group is finalizing the final steps for the delisting process from the stock exchange market, according to the Comisión Nacional del Mercado de Valores (CNMV) communication dated October 30, 2024 (https://www.cnmv.es/webservices/verdocumento/ver?t=%7b78869107-cd9b-4da5-9636-c85ffab45d65%7d). It is expected that the process will be completed before year end.

End of announcement

This announcement is a translation of the third quarter 2024 trading update 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.

Appendix: Alternative Performance Metrics

Applus' financial disclosures contain magnitudes and metrics drafted in accordance with International Financial Reporting Standards (IFRS) and others based on the Group's disclosure model referred to as Alternative Performance Metrics.

▪ **AD - IDIADA accelerated depreciation**, to adapt assets useful life to contract/concession duration
▪ **Adjusted measures** are stated before other results
▪ **AOP**, Adjusted Operating Profit
▪ **CAGR**, Compounded Annual Growth Rate
▪ **Capex**, realised investments in property, plant & equipment, or intangible assets
▪ **Cash conversion**, calculated as the ratio of EBITDA minus capex & change in working capital over EBITDA
▪ **EBITDA**, measure of earnings before interest, taxes, other results and depreciation and amortisation
▪ **EPS**, Earnings per share
▪ **EV**, Electrical Vehicle
▪ **FX**, Foreign exchange
▪ **FX impact**, The impact on the prior period revenue and adjusted operating profit from the restatement to current foreign exchange rates
▪ **Free Cash Flow**, operating cash generated after capex investment, working capital variation and tax & interest payments and before leases
▪ **Inorganic**, The revenue or adjusted operating profit relating to acquisitions and disposals (unless classified as discontinued operations) made in the previous twelve months
▪ **Leverage**, calculated as Net Debt/LTM EBITDA as per bank covenant definition
▪ **LTM**, Last twelve months
▪ **Net Debt**, current and non-current financial debt, other institutional debt less cash. As per bank covenant definition, calculated at annual average exchange rates and pre-IFRS16
▪ **Net Profit**, measure of earnings operating profit after interest, taxes and minorities
▪ **Operating Profit**, measure of earnings before interest and taxes
▪ **Other results** are those impacts corrected from the relevant measures to provide a better understanding of the underlying results of the Group, for example: amortisation of acquisition intangibles, restructuring, impairment and transaction & integration costs
▪ **P.A.**, per annum
▪ **PPA Amortisation** corresponds to the amortisation of the Purchase Price Allocation related to acquisitions, allocated to intangible assets and Goodwill reduction for finite life concessions

▪ **ROCE**, Net Adjusted Operating Profit After Tax/Capital Employed excluding IFRS 16 lease adjustment. Net adjusted operating profit is proforma acquisitions and disposals, excluding IDIADA Accelerated Depreciation and at 25% tax rate
▪ **Statutory results,** consolidated results of the Group under IFRS regulation, as shown in the Consolidated Financial Statements
▪ **WC**, Working Capital