

Applus⁺

Applus+ Group H1 2018 Results Presentation

24 July 2018

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standards



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Results Presentation H1 2018

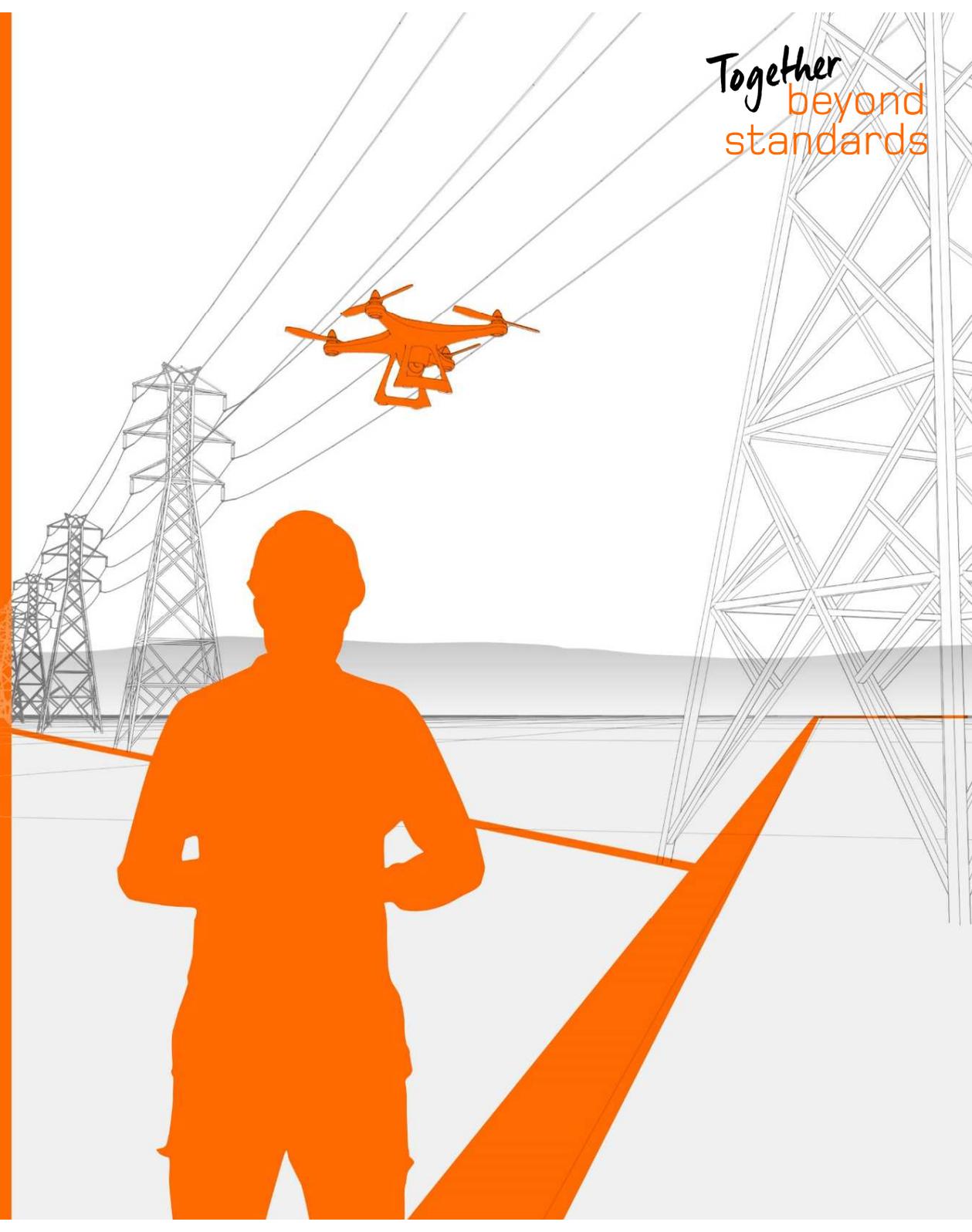
→ **HIGHLIGHTS**

FINANCIAL REVIEW

BUSINESS REVIEW

SUMMARY & OUTLOOK

Fernando Basabe
Chief Executive Officer



- Accelerating growth and margin improvement despite FX headwinds
- Energy & Industry back to growth at constant rates
- Excellent performance in IDIADA, Auto and Labs
- Three acquisitions with annual revenue of €13 million
- Senior debt refinanced to extend maturities and diversify sources of financing
- H1 Results:
 - **Revenue** of €812.8 million up 3.0% (organic¹ +3.5%)
 - Operating **profit**² of €82.3 million up 15.9% (organic¹ +5.1%)
 - Operating profit² **margin** of 10.1%, up 113 bps
 - Operating **cash flow** of €47.3 million up 10%
 - **Net Profit** up 36.2% (Adjusted² +14.2%). **Earnings per Share**² of €0.32, up 3.8%
 - **Net debt/EBITDA** ratio stable at 2.4x

(1) Organic is at constant exchange rates

(2) All adjusted for other results and amortisation of acquisition intangibles

Results Presentation H1 2018

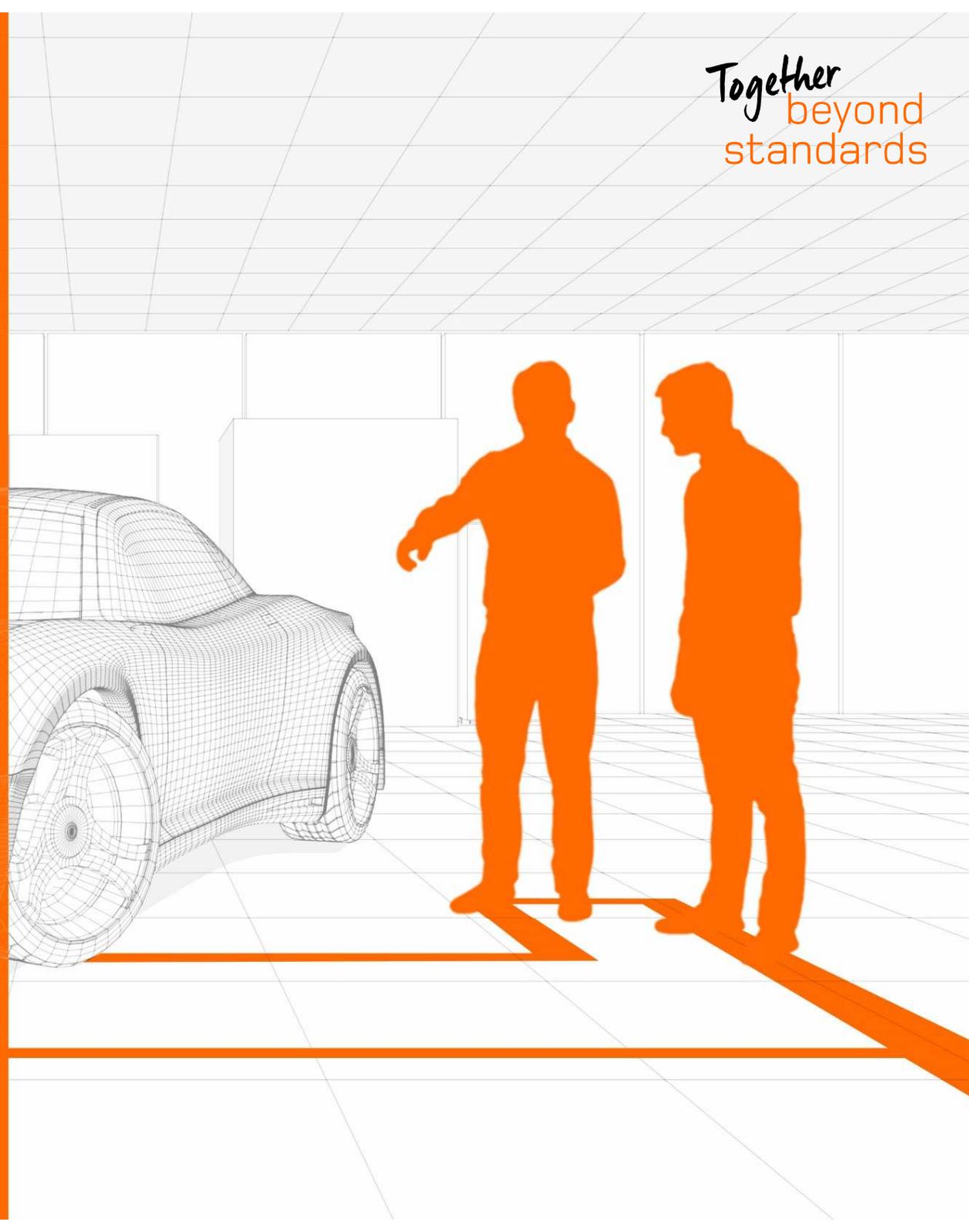
HIGHLIGHTS

→ **FINANCIAL REVIEW**

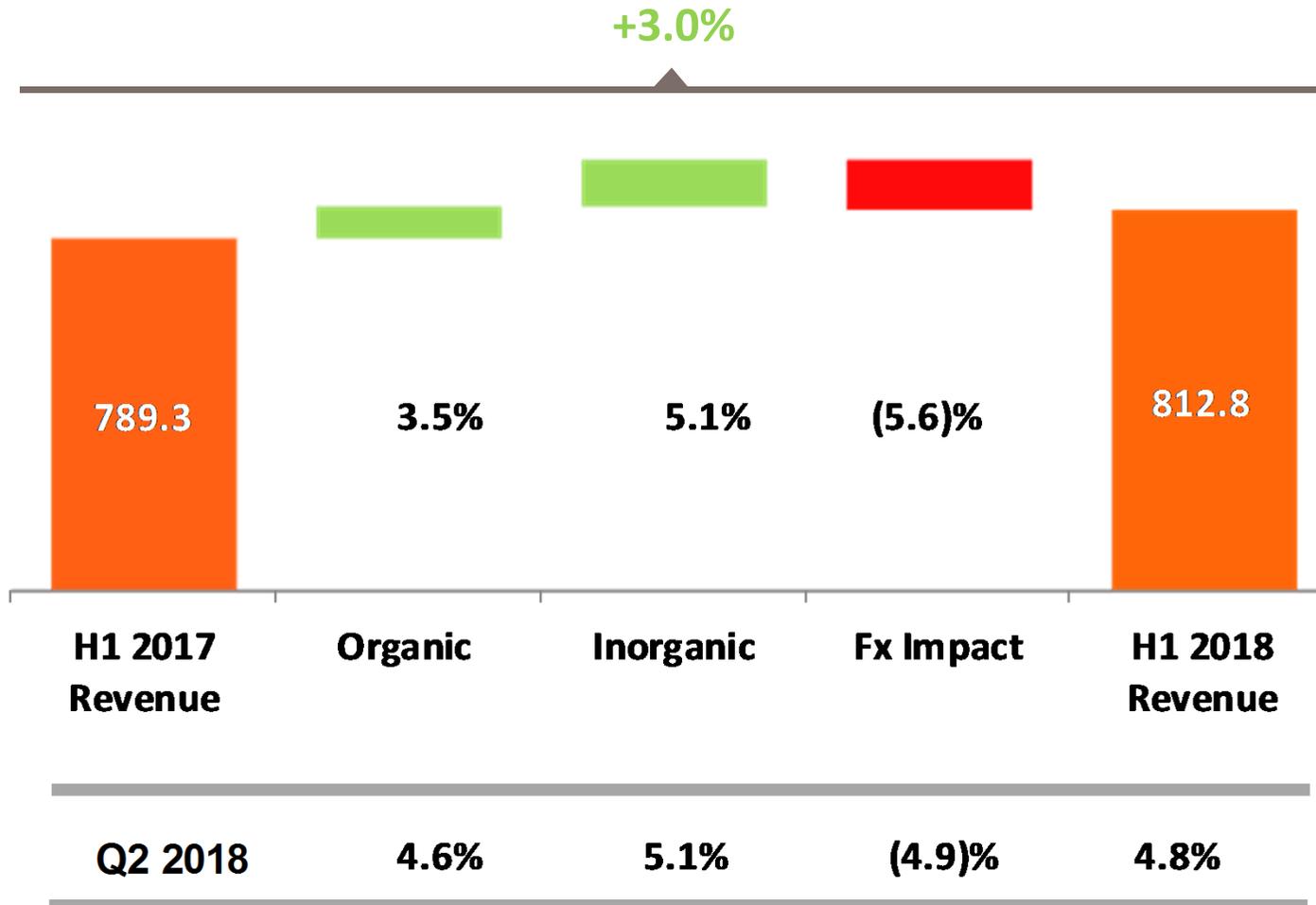
BUSINESS REVIEW

SUMMARY & OUTLOOK

Joan Amigó
Chief Financial Officer



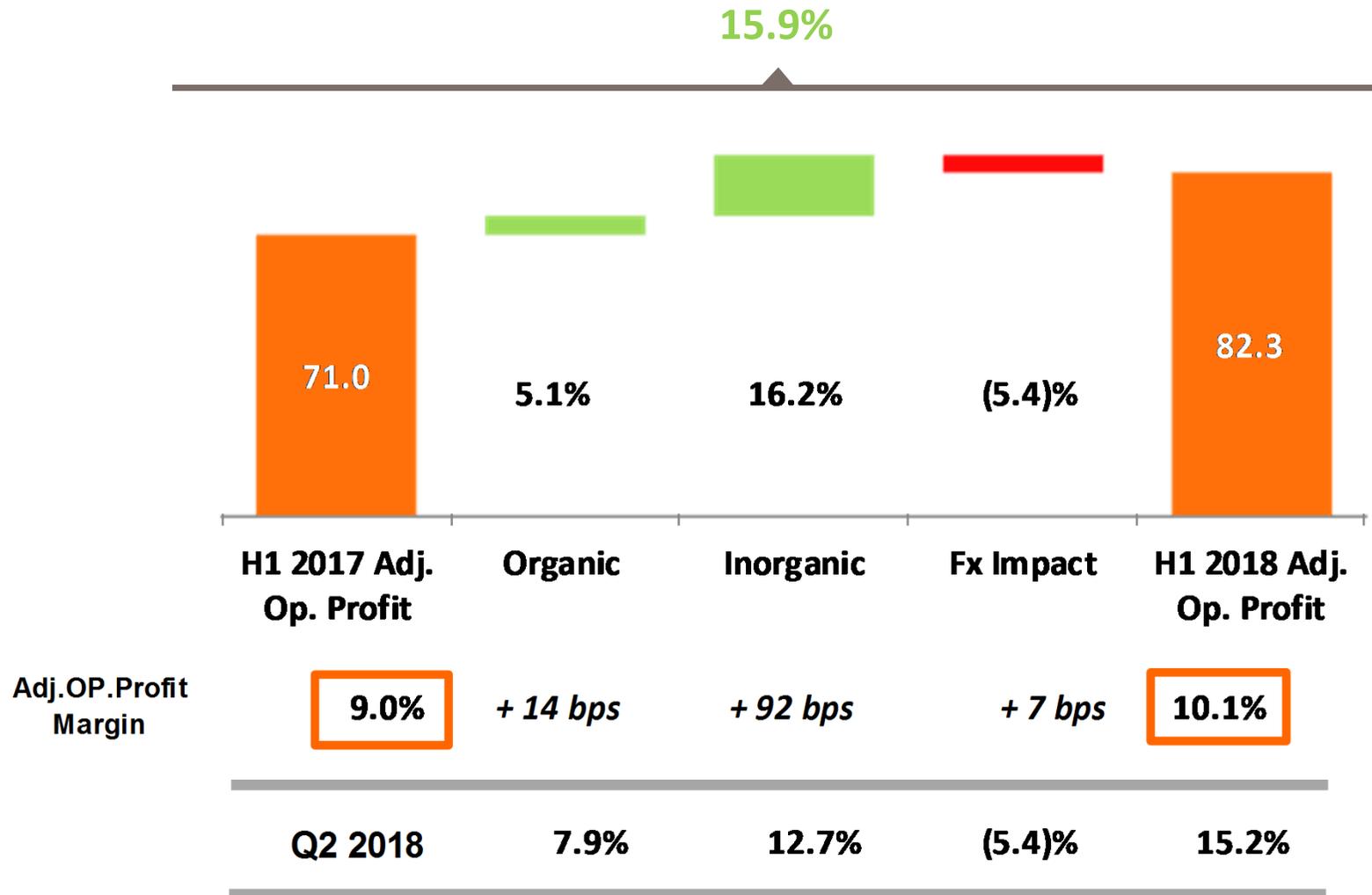
EUR Million



Accelerating revenue growth

H1 2018. Adjusted Operating Profit Bridge

EUR Million



Significant margin improvement

EUR Million

	H1		
	2018	2017	Change
Revenue	812.8	789.3	3.0%
Adj. Operating Profit⁽¹⁾	82.3	71.0	15.9%
<i>Adj.Op.Profit margin</i>	<i>10.1%</i>	<i>9.0%</i>	<i>+ 113 bps</i>
PPA Amortisation	(29.6)	(23.8)	
Other results	(1.1)	(5.6)	
Operating profit	51.6	41.6	24.1%
Finance result	(9.3)	(12.3)	
Associates	0.0	0.5	
Profit before tax	42.3	29.8	42.0%
Income taxes	(11.5)	(8.7)	
Net Profit	30.8	21.1	46.2%
Minorities	(8.6)	(4.8)	
Net Profit Group	22.2	16.3	36.2%
Adjusted Net Profit Group	45.9	40.2	14.2%
EPS in €	0.155	0.125	23.8%
Adjusted EPS in €⁽²⁾	0.321	0.309	3.8%

(1) Adjusted Op. Profit is stated before amortisation of acquisition intangibles, Historical Management Incentive Plan, restructuring, impairment and transaction & integration costs

(2) EPS is adjusted for other results and its related tax impact

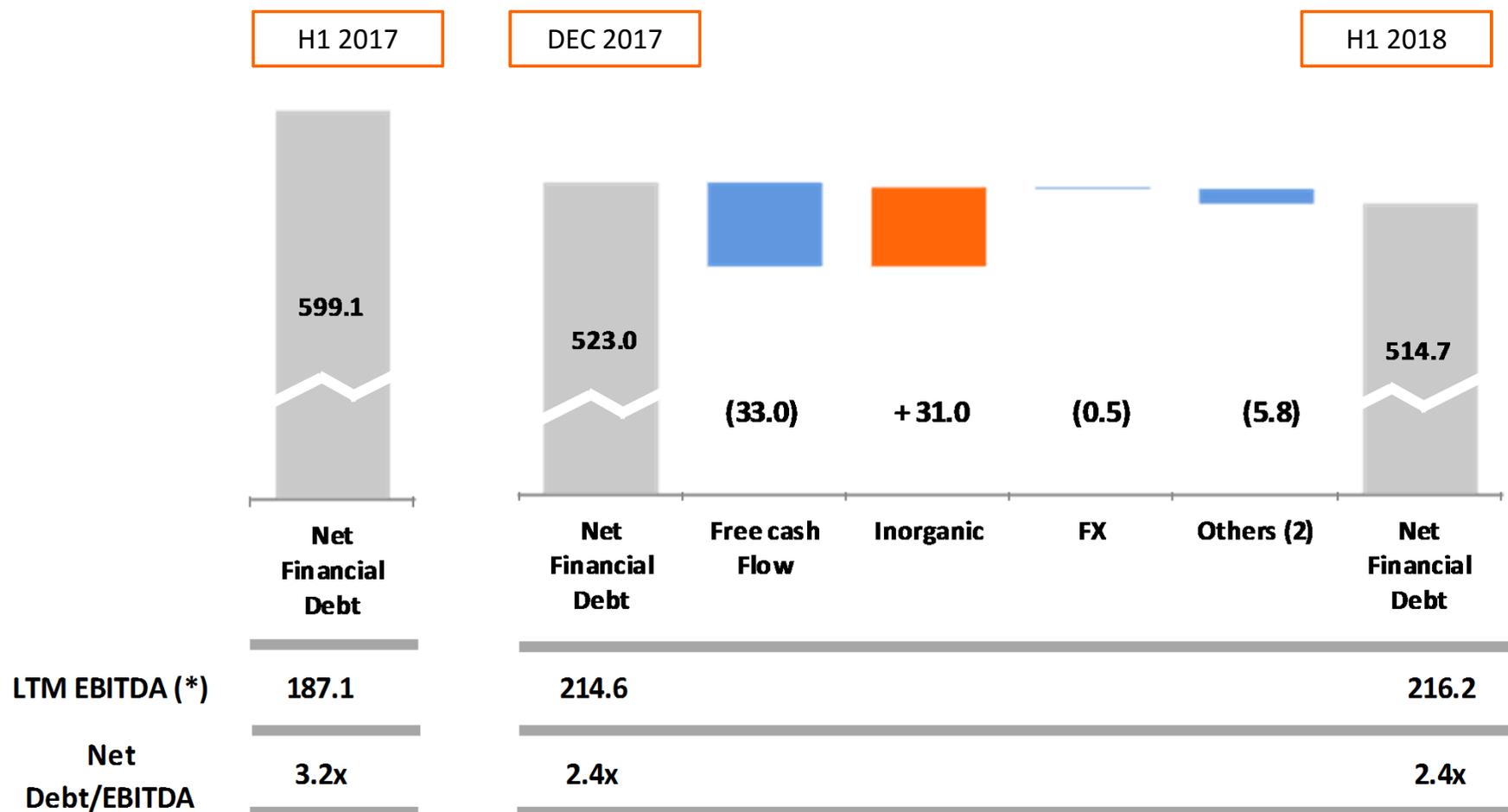
EUR Million

	H1		
	2018	2017	Change
Adjusted EBITDA⁽¹⁾	106.9	93.9	13.9%
(Increase) / decrease in working capital	(41.1)	(38.1)	
Capex - operational	(16.9)	(18.9)	
Capex - Net new vehicle stations	(1.6)	6.1	
Adjusted Operating Cash Flow	47.3	43.0	10.0%
<i>Cash Conversion rate</i>	44.3%	45.8%	
Taxes Paid	(8.8)	(11.1)	
Interest Paid	(5.5)	(7.7)	
Adjusted Free Cash Flow	33.0	24.2	36.1%
Extraordinaries & Others	1.6	(0.3)	
Tax litigations	0.0	(2.0)	
Historical Management Incentive Plan	0.0	(8.5)	
Minorities	(4.0)	(3.3)	
Operating Cash Generated	30.6	10.2	
Acquisitions	(31.0)	(4.6)	
Cash b/Changes in Financing & FX	(0.4)	5.5	

- Adjusted free cash flow increase of 8.8M€
- Significant reduction of cash out below free cash flow
- Acquisitions corresponds to 3C, Karco, DatapointLabs and final payment on Inversiones Finisterre

(1) Adjusted EBITDA is stated as Operating Profit before depreciation, amortisation and Other results

EUR Million



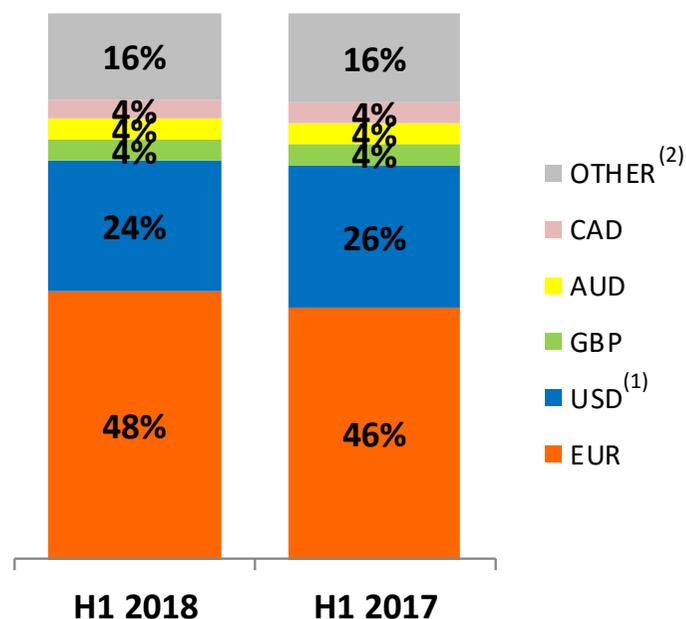
Stable leverage

(*) LTM EBITDA includes proforma annual results from acquisitions

(1) Stated at annual average rates

(2) Others includes return of short term investments partially offset by dividends to minorities and purchase of Restricted Stock Units

% Revenue by Actual Currency



- Euro is stronger against most currencies
- Slightly less impact in Q2 than Q1

	Average FX Exchange rates vs Euro			
	JAN - JUN 2018	JAN - JUN 2017	Change	FY 2017
USD	1.212	1.081	(10.8)%	1.128
GBP	0.879	0.859	(2.3)%	0.876
AUD	1.569	1.434	(8.6)%	1.471
CAD	1.546	1.444	(6.6)%	1.464
ARS	25.832	16.934	(34.4)%	18.640

(1) Includes currencies pegged to USD

(2) None above 4%

New Financing Facilities

Bank Facility - €600 million

- Term Loan €200m / RCF €400m
- Maturity 2023 extendable to 2025
- Margin at current leverage of 1.1%
- Leverage covenant of 4x (Net debt/EBITDA)

Private Placement - €230 million

- 7 years €150m
- 10 years €80m
- Fixed rate (blended) of 2.0%
- Leverage covenant of 4x (Net debt/EBITDA)
- Subscribed by major US institutional investors

Benefits

- Diversifies the sources of financing
 - Extended the maturity dates
 - Unsecured facilities giving flexibility for future financing
 - Long term facility at fixed rates
 - Higher RCF amount providing flexibility and cost optimization
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Results Presentation H1 2018

HIGHLIGHTS

FINANCIAL REVIEW

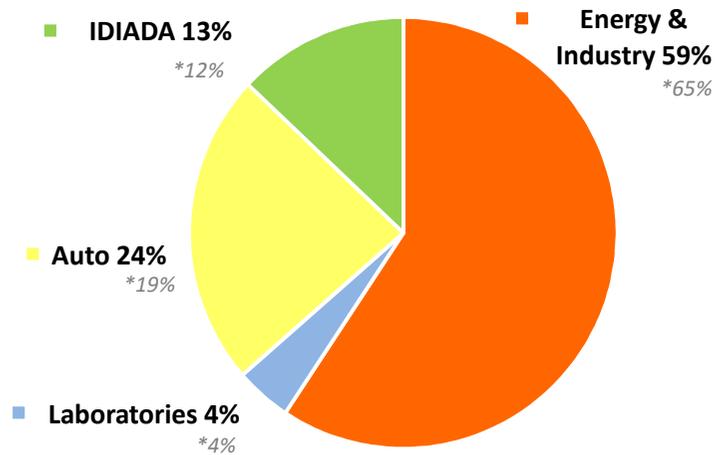
→ **BUSINESS REVIEW**

SUMMARY & OUTLOOK

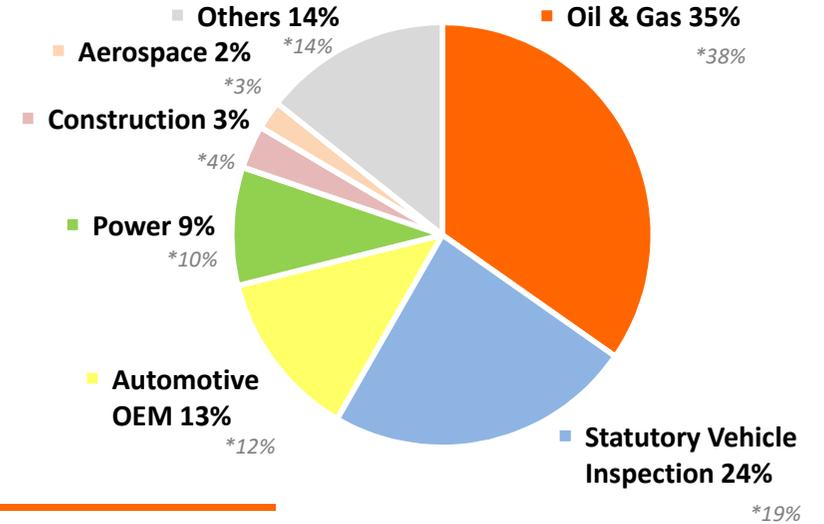
Joan Amigó
Chief Financial Officer



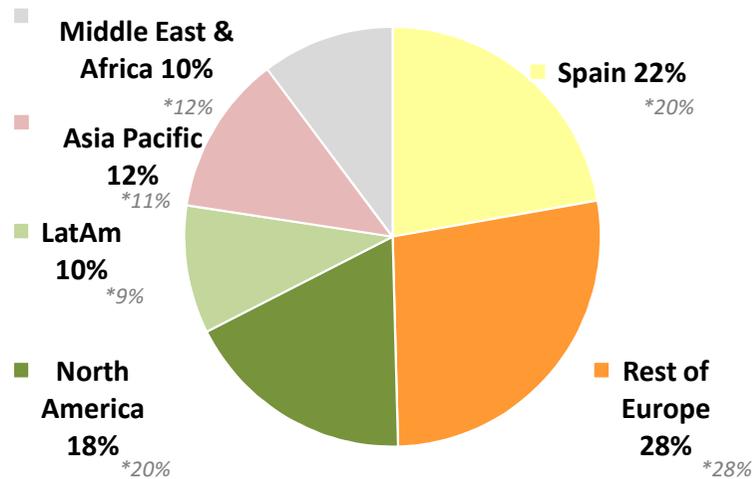
By Division



By End Market



By Geography



* H1 2017



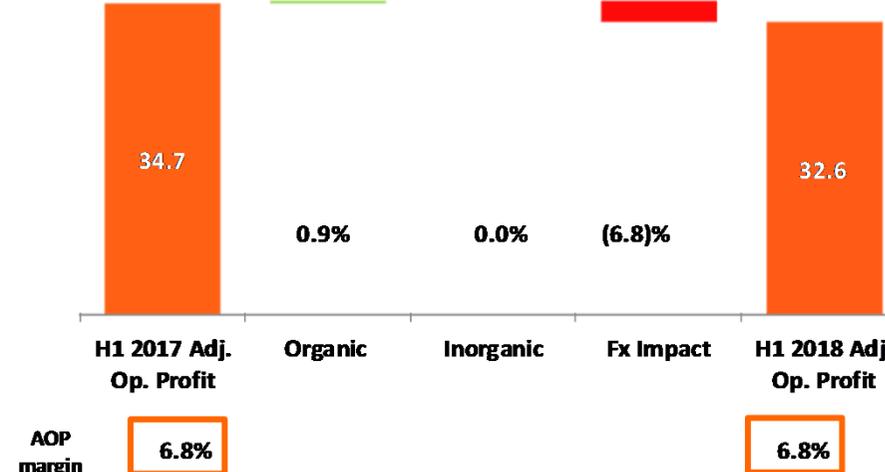
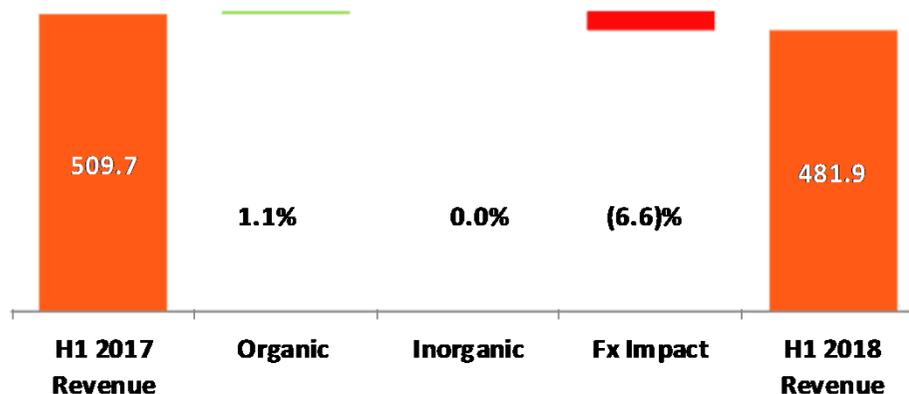
EUR Million

Revenue

Adj. Op. profit

(5.5)%

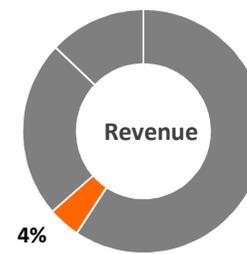
(5.9)%



- Q2^(*) Revenue growth 2.1% at constant FX after 14 quarters of decline
- Oil & Gas end market overall flat
- Other end markets including Power, Construction, Telecom, Aerospace continued to grow well, benefiting from regional cross-selling
- Negative FX impact mainly due to US, Canadian and Australian dollar
- Flat margin reflecting tough pricing environment

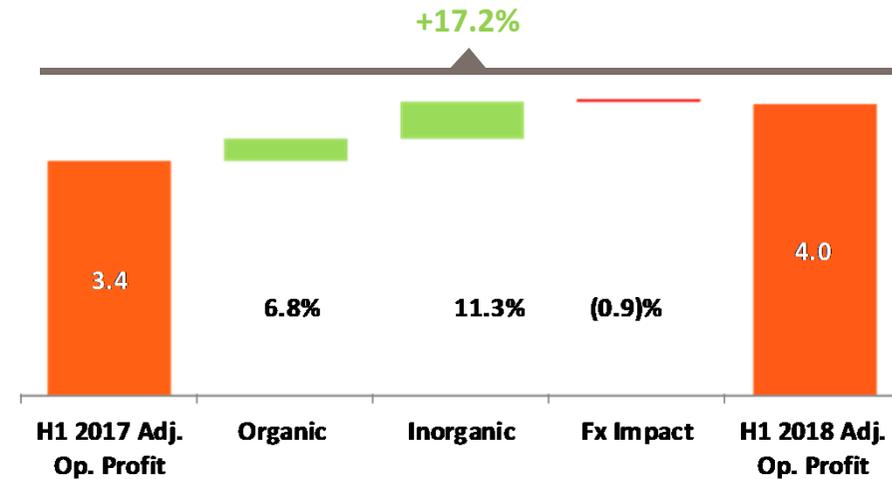
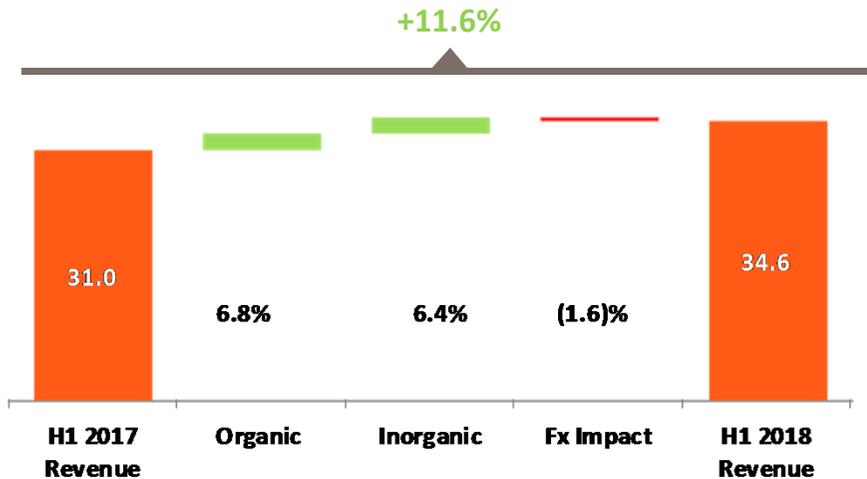
* See in Back-up pages

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- North America (25% of division revenue), strong recovery in Oil & Gas continues especially for small new construction pipelines in shale regions, pipeline integrity services and facility turnarounds
 - LatAm (10%), good growth with a significant performance improvement in countries such as Colombia, Mexico, Brazil and Panama
 - Northern Europe (19%), down mid single digit due to fewer large international projects managed out of the region and a competitive opex market in Europe. North Sea capex market returned to growth
 - Spain, Middle East and Oceania growing well in all end markets and continued decline in Africa and South East Asia from lower investment in existing and new projects in the Oil & Gas sector
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Revenue

Adj. Op. profit

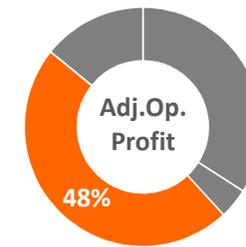
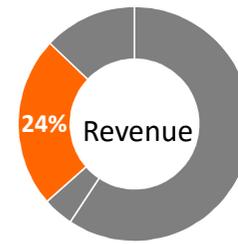


AOP margin

11.1%

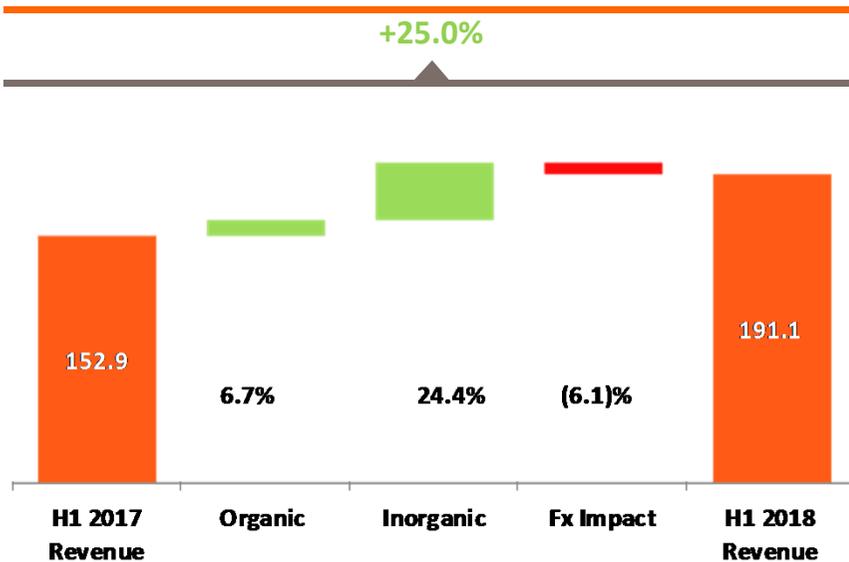
11.7%

- Good growth and margin improvement
- All business units (Industry, Construction, IT, Metrology) performing well
- Acquisition of DatapointLabs in Q2 with annual revenue of US\$4 million
- Five small acquisitions made in 2017 and 2018 at good multiples with high growth and margins with total annual revenue of €12 million
- Strong pipeline of further acquisition opportunities



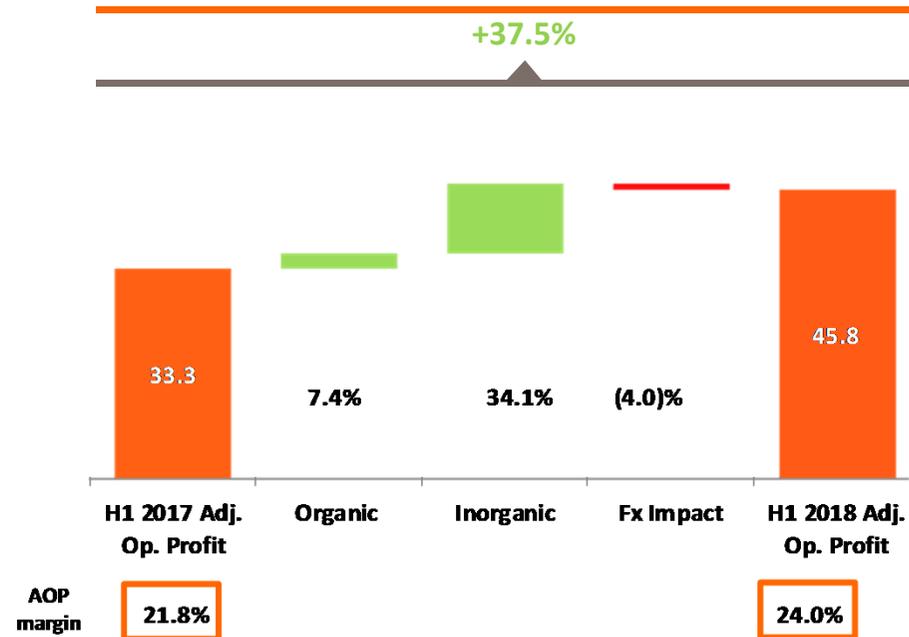
Revenue

+25.0%



Adj. Op. profit

+37.5%



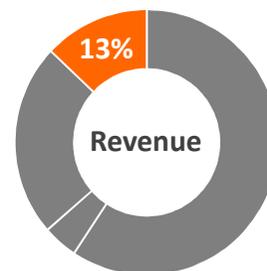
AOP margin

21.8%

24.0%

- Strong revenue and profit growth organic and reported despite negative FX impact mainly from Argentinian currency
- Excellent performance from Inversiones Finisterre with high organic revenue and profit growth
- Margin increase mainly due to Inversiones Finisterre but also organic margin improvement

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- Mid single digit revenue growth in Spain driven by all regions
 - Ireland back to growth in Q2. Tender for 2020 renewal expected to start in H2
 - Low growth in Denmark, further declines in Finland
 - Good revenue growth in US led by the new Massachusetts programme and the stabilisation of the renewed Illinois contract
 - LatAm (Argentina, Chile, Costa Rica) growing well with Uruguay and Duran (Ecuador) about to start
 - Two new small contracts awarded in Ecuador and Georgia with total annual revenue of €2 million.
 - Good pipeline of opportunities
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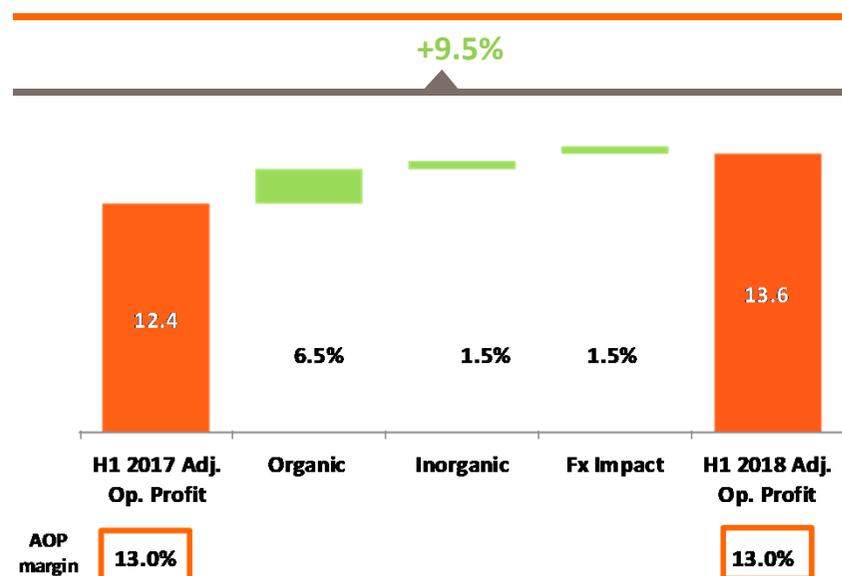
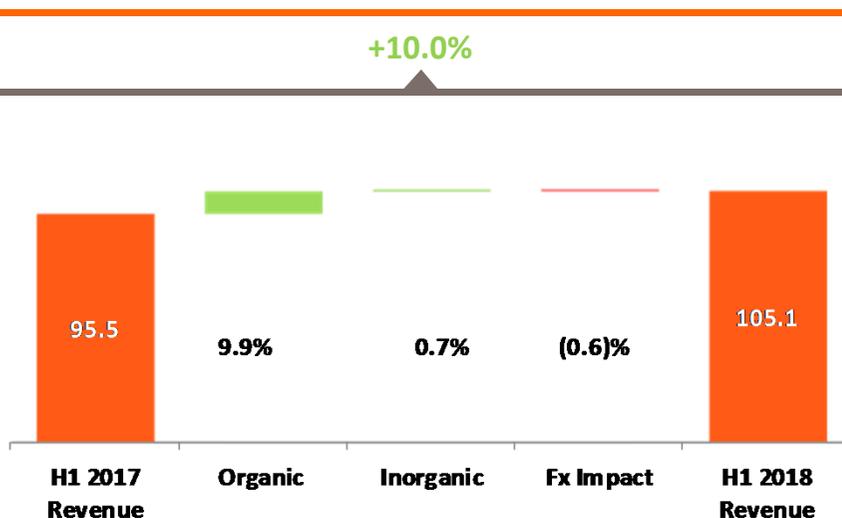


Revenue

Adj. Op. profit

+10.0%

+9.5%



AOP margin 13.0%

13.0%

- Excellent revenue and profit growth continues
- All business units performing well from the increasing industry spend on auto development and improvement and increasing levels of outsourcing
- Homologation for the new European emissions standard (WLTP) is growing strongly with extra capacity being added
- Acquisition of crash testing business in the US (Karco) with €4.2m annual revenue performing well

Results Presentation H1 2018

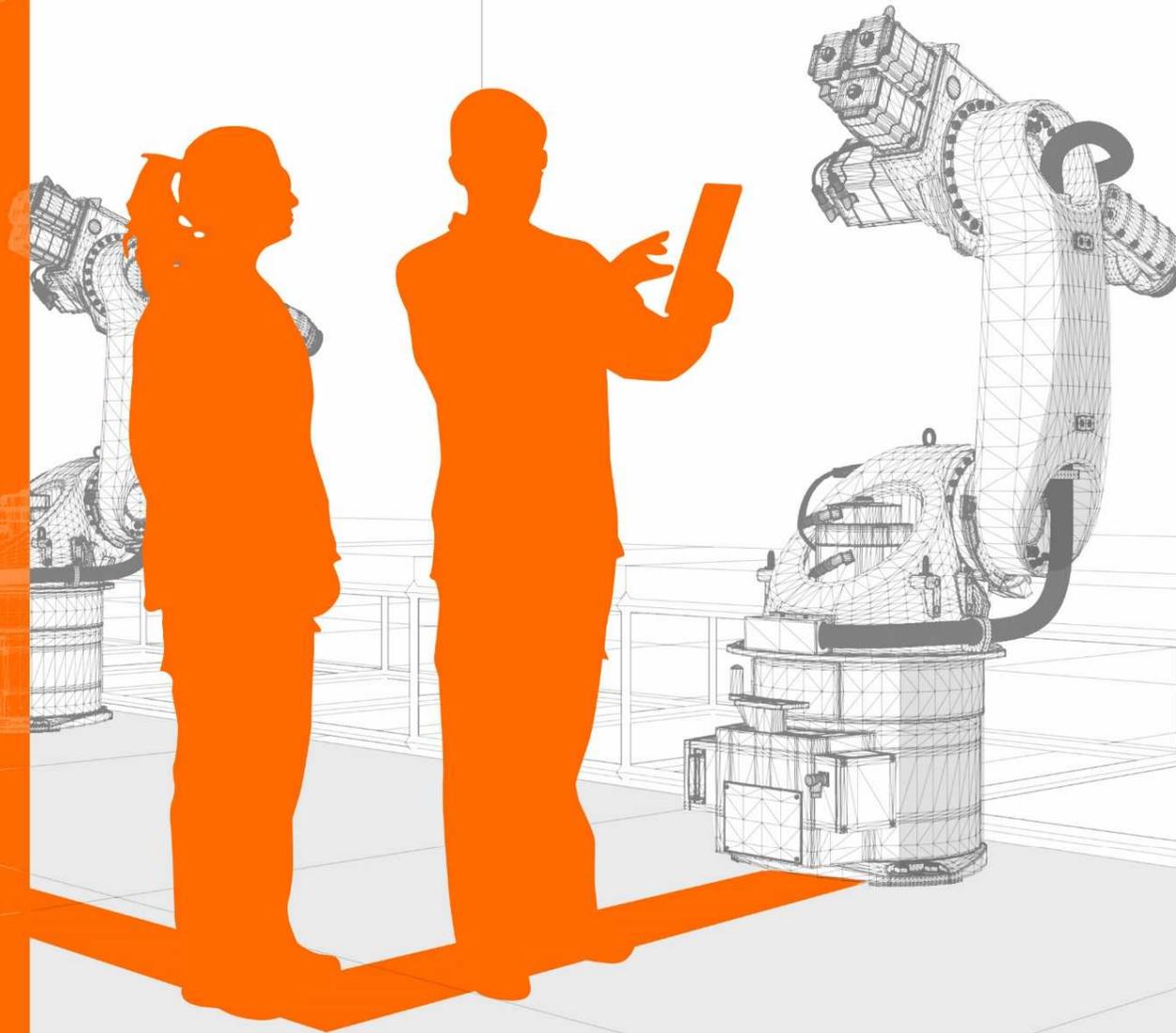
HIGHLIGHTS

FINANCIAL REVIEW

BUSINESS REVIEW

→ **SUMMARY & OUTLOOK**

Fernando Basabe
Chief Executive Officer



Summary of H1 2018

- Energy & Industry back to growth. Auto, IDIADA, Labs high single digit organic revenue and profit growth
- Negative FX impact on both revenue and profit
- Adjusted operating profit margin increased 113 bps mainly due to acquisitions
- Debt refinanced and leverage stable at 2.4x due to good cash flow generation
- Acquisitions made and good pipeline of opportunities

Outlook for 2018

- Oil & Gas to continue improving and no change in the positive trend of all other business lines
 - High single digit revenue growth at constant FX including acquisitions. Mid-single digit organic
 - Margin to improve 100 -120 bps versus previous guidance of 70-100 bps
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H1 2018. Adjustments to Statutory results

EUR Million	H1 2018			H1 2017			+/- % Adj. Results
	Adj. Results	Other results	Statutory results	Adj. Results	Other results	Statutory results	
Revenue	812.8		812.8	789.3	-	789.3	3.0%
Ebitda	106.9	-	106.9	93.9	(3.7)	90.2	13.9%
Operating Profit	82.3	(30.7)	51.6	71.0	(29.4)	41.6	15.9%
Net financial expenses	(9.3)		(9.3)	(12.3)	0.0	(12.3)	
Share of profit of associates	0.0		0.0	0.5	0.0	0.5	
Profit Before Taxes	73.0	(30.7)	42.3	59.2	(29.4)	29.8	23.3%
Income tax	(18.4)	7.0	(11.5)	(14.2)	5.5	(8.7)	
Non controlling interests	(8.6)		(8.6)	(4.8)	0.0	(4.8)	
Net Profit	45.9	(23.7)	22.2	40.2	(23.9)	16.3	14.2%
Number of Shares	143,018,430		143,018,430	130,016,755		130,016,755	
EPS, in Euros	0.321		0.155	0.309		0.125	3.8%
<i>Income Tax/PBT</i>	<i>(25.3)%</i>		<i>(27.1)%</i>	<i>(24.0)%</i>		<i>(29.2)%</i>	

EUR Million

Revenue	Actual 2018	Growth				Actual 2017
		Organic	Inorganic	FX	Total	
Energy & Industry	481.9	1.1%	0.0%	(6.6)%	(5.5)%	509.7
Laboratories	34.6	6.8%	6.4%	(1.6)%	11.6%	31.0
Auto	191.1	6.7%	24.4%	(6.1)%	25.0%	152.9
Idiada	105.1	9.9%	0.7%	(0.6)%	10.0%	95.5
Total Revenue	812.8	3.5%	5.1%	(5.6)%	3.0%	789.3

Adj. Op. Profit	Actual 2018	Growth				Actual 2017
		Organic	Inorganic	FX	Total	
Energy & Industry	32.6	0.9%	0.0%	(6.8)%	(5.9)%	34.7
Laboratories	4.0	6.8%	11.3%	(0.9)%	17.2%	3.4
Auto	45.8	7.4%	34.1%	(4.0)%	37.5%	33.3
Idiada	13.6	6.5%	1.5%	1.5%	9.5%	12.4
Holding	(13.8)					(12.9)
Others	0.0					0.0
Total Adj. OP. Profit	82.3	5.1%	16.2%	(5.4)%	15.9%	71.0

Q1 & Q2 2018. Revenue by Division and Adj. Op. Profit

EUR Million

Q1

Revenue	Actual 2018	Growth				Actual 2017
		Organic	Inorganic	FX	Total	
Energy & Industry	220.6	(0.2)%	0.0%	(7.7)%	(7.9)%	239.5
Laboratories	15.9	5.3%	5.5%	(2.0)%	8.8%	14.6
Auto	93.1	3.2%	24.0%	(6.2)%	21.0%	76.9
Idiada	51.6	11.8%	0.0%	(0.7)%	11.1%	46.5
Total Revenue	381.2	2.3%	5.2%	(6.5)%	1.0%	377.5
Adj. Op. Profit	30.3	(1.1)%	23.7%	(5.3)%	17.2%	25.9

Q2

Revenue	Actual 2018	Growth				Actual 2017
		Organic	Inorganic	FX	Total	
Energy & Industry	261.3	2.1%	0.0%	(5.4)%	(3.3)%	270.3
Laboratories	18.7	8.1%	7.2%	(1.2)%	14.2%	16.4
Auto	98.1	10.1%	24.8%	(6.0)%	29.0%	76.0
Idiada	53.5	8.1%	1.4%	(0.6)%	9.0%	49.1
Total Revenue	431.6	4.6%	5.1%	(4.9)%	4.8%	411.8
Adj. Op. Profit	52.0	7.9%	12.7%	(5.4)%	15.2%	45.1

EUR Million

	Q1			Q2		
	2018	2017	Change	2018	2017	Change
Revenue	381.2	377.5	1.0%	431.6	411.8	4.8%
Adj. Operating Profit	30.3	25.9	17.2%	52.0	45.1	15.3%
<i>Adj.Op.Profit margin</i>	<i>8.0%</i>	<i>6.9%</i>	<i>+ 110 bps</i>	<i>12.0%</i>	<i>11.0%</i>	<i>+ 108 bps</i>
PPA Amortisation	(14.8)	(11.9)		(14.8)	(11.9)	
Other results	(0.3)	(2.5)		(0.8)	(3.1)	
Operating profit	15.3	11.5	33.2%	36.4	30.1	20.6%
Finance result	(5.5)	(6.3)		(3.8)	(6.0)	
Associates	0.0	0.3		0.0	0.2	
Profit before tax	9.7	5.4	79.0%	32.6	24.3	33.8%

EUR Million

	H1	
	2018	2017
Other results	(1.1)	(5.6)
Severances	0.0	(1.5)
Transaction costs	(0.6)	(0.1)
Other gains & losses	(0.5)	(0.2)
Historical Management Incentive Plan	0.0	(3.7)

EUR Million

Financial Expenses	H1 2018	H1 2017
Interest on Term Loan	(5.4)	(7.5)
Amortisation	(1.0)	(1.0)
Foreign exchange	(1.2)	(2.3)
Other	(1.7)	(1.5)
Total	(9.3)	(12.3)

EUR Million

	CF Statement	Extraord	Shares	Idiada Grants & Others	Allocation	Non cash items	Statutory Cash Flow	
Adjusted EBITDA	106.9	(0.7)	-	(0.9)	-	(63.0)	42.3	Profit Before taxes
(Increase) / decrease in working capital	(41.1)	0.3	-	(0.0)	40.8	63.0	63.0	Non cash items
Capex	(18.5)				(22.3)		(40.8)	(Increase)/Decrease in working capital
					(8.8)		(8.8)	Taxes Paid
Adjusted Operating Cash Flow	47.3	(0.4)	-	(0.9)	9.7	-	55.7	Operating Cash Flow
Taxes Paid	(8.8)				(9.7)		(18.5)	Capex
				3.2	-		3.2	Business Combination
Interest Paid	(5.5)				(25.5)		(31.0)	Acquisitions/Disposals of subsidiaries
Adjusted Free Cash Flow	33.0	(0.4)	-	2.3	(35.2)	-	(46.3)	Cash Flow from Investing activities
Extraordinaries & Others	1.6	0.4	0.3	(2.3)	(4.0)		(4.0)	Minorities
Applus+ Dividend	-				(5.5)		(5.5)	Interest paid
Minorities	(4.0)				16.4		12.4	Changes in financing
Operating Cash Generated	30.6	-	0.3	-	6.8	-	2.8	Cash Flow from Financing activities
Acquisitions / Disposals	(31.0)			-	31.0		-	
Cash b/Changes in Financing & FX	(0.4)	-	0.3	-				
Changes in financing	12.7		(0.3)		(12.4)		-	
Equity (new shares)	-				-		-	
Currency translations	(1.5)				-		(1.5)	Currency translations
Cash increase (decrease)	10.8	-	-	-	-	-	10.8	Cash Increase / (Decrease)

EUR Million

	H1 2018	H1 2017	
Profit Before taxes	42.3	29.8	
Non cash items	63.0	59.3	
(Increase)/Decrease in working capital	(40.8)	(37.7)	
Taxes Paid	(8.8)	(13.1)	
Operating Cash Flow	55.7	38.3	45.5%
Capex	(18.5)	(12.8)	
<i>% of revenue</i>	<i>(2.3)%</i>	<i>(1.6)%</i>	
Business combination	3.2	0.0	
Acquisitions/Disposals of subsidiaries	(31.0)	(4.6)	
Cash Flow from Investing activities	(46.3)	(17.5)	
Minorities	(4.0)	(3.3)	
Interest paid	(5.5)	(7.7)	
Changes in financing	12.4	(54.7)	
Capital increase	0.0	0.0	
Cash Flow from Financing activities	2.8	(65.6)	
Currency translations	(1.5)	(7.0)	
Cash Increase / (Decrease)	10.8	(51.7)	
Cash generated w/o changes in Financing	(1.9)	(1.5)	

EUR Million

	H1 2018	FY 2017		H1 2018	FY 2017
			Equity	802.9	795.0
Goodwill	580.8	554.9	Long Term Provisions	22.0	17.3
Other intangible assets	549.3	581.9	Bank borrowings	599.1	597.5
<i>PPA</i>	494.6	524.3	Other financial liabilities	26.4	27.3
<i>Other intangible assets</i>	54.7	57.6	<i>Deferred Tax Liabilities PPA</i>	120.2	127.2
Tangible assets	210.9	210.4	<i>Deferred Tax Liabilities Others</i>	35.7	34.8
Non current Financial Assets	11.9	11.8	Deferred Tax Liabilities	155.9	162.0
Deferred Tax Assets	70.0	71.9	Other non current liabilities	29.2	33.0
Total Non-Current Assets	1,422.9	1,430.9	Total Non-Current Liabilities	832.6	837.1
Non-current assets classified as held for sale	0.0	11.8			
Inventories	8.4	8.1	Short term provisions	2.0	1.1
Trade & Other receivables	419.4	379.3	Bank borrowings	38.4	29.4
Corporate Income Tax assets	15.7	20.0	Trade & Other payables	315.5	308.2
Current financial assets	17.2	24.8	Income Tax Liabilities	13.4	12.1
Cash & Cash equivalents	140.0	129.2	Other current liabilities	18.8	21.2
Total Current Assets	600.7	573.2	Total Current Liabilities	388.1	372.0
Total Assets	2,023.6	2,004.1	Total Equity & Liabilities	2,023.6	2,004.1