

Q3 2019 trading update: Fugro sees continued recovery

- Continued strong performance in marine site characterisation and recovery of marine asset integrity resulted in a high-single digit EBIT margin from continuing operations, up from mid-single digit in the third quarter last year.
- Despite strong growth in offshore wind, revenue growth was limited to 1.8% mainly due to decline in land.
- Seabed Geosolutions (classified as held for sale and therefore not included in results from continuing operations) showed increased activities and improved performance.
- Net debt/EBITDA ratio¹ improved to 2.2 and is expected to further improve towards year-end.
- Positive free cash flow in the quarter.
- Strong backlog growth in both marine and land.
- Outlook 2019: continued revenue growth, close to mid-single digit EBIT margin and positive free cash flow from continuing operations.

Key figures (x EUR million) <i>from continuing operations (excluding assets held for sale)</i> <i>unaudited</i>	Q3 2019	Q3 2018	Comparable growth¹
Revenue	444.2	427.9	1.8%
Backlog next 12 months	934.1	819.4	9.8%

¹ Corrected for currency effect

Mark Heine, CEO: *'The continued recovery of our results is supported by most regions and business lines. It is encouraging to see the strong performance in the Europe-Africa region and the turnaround in Asia-Pacific. In the Americas, after a difficult start of the year, results picked up due to a higher utilisation of our vessel fleet.'*

In line with the past quarters, the results of our marine site characterisation activities continued to improve. As anticipated, our marine asset integrity business is now also showing higher margins and backlog, as the result of selective tendering, asset rationalisation, and a gradually improving market in specific geographies.

Despite a better performance of our land asset integrity business, the overall land business is underperforming. The previously announced restructuring measures should lead to structurally higher margins, resulting in improvements during the following quarters.

A year ago we announced our Path to Profitable Growth strategy and since then, we have been rapidly expanding in new growth markets such as renewables, hydrography and water management. Together with infrastructure, these markets now represent half of our business. Capitalising on our position as the leading Geo-data specialist offers great opportunities for Fugro in a rapidly changing world.'

¹ Net debt/ EBITDA according to covenant definition; including Seabed Geosolutions

Review by business

Marine

Key figures (x EUR million)	Q3 2019	Q3 2018	comparable growth ¹
Revenue	333.7	306.2	7.1%
Backlog next 12 months	639.3	556.4	11.1%

¹ Corrected for currency effect

- Marine revenue growth was largely driven by considerably more site characterisation work for offshore wind farms. Asset integrity revenue was flat. Overall vessel utilisation was 79% compared to 76% in the third quarter of 2018.
- The double-digit EBIT margin was significantly above the mid-single digit margin in the comparable period last year, driven by an improvement in both site characterisation and asset integrity. Increased utilisation and better pricing contributed to the results improvement.
- In line with previous quarters, the site characterisation backlog increased with double-digit numbers. In addition, for the first time in four quarters, the asset integrity backlog was up as well.

Land

Key figures (x EUR million)	Q3 2019	Q3 2018	comparable growth ¹
Revenue	110.5	121.7	(11.6%)
Backlog next 12 months	294.8	263.0	7.3%

¹ Corrected for currency effect

- Site characterisation revenue declined mainly caused by some project delays, partly due to local market circumstances, and the impact of restructuring aimed at closing down underperforming activities. Asset integrity revenue was in line with last year.
- EBIT margin was around break-even compared to a mid-single digit margin in the third quarter of 2018 as a consequence of lower activity levels in site characterisation. The restructuring measures initiated in the first half year will continue and are expected to pay off during the following quarters. Asset integrity margin improved and turned positive.
- The backlog increase was most notable in site characterisation.

Review by region

Europe-Africa

Key figures (x EUR million)	Q3 2019	Q3 2018	comparable growth ¹
Revenue	182.8	179.1	2.7%
Backlog next 12 months	377.8	286.8	31.8%

¹ Corrected for currency effect

- Revenue growth was mainly driven by offshore wind developments in site characterisation coupled with good activity levels in land and marine asset integrity. Land site characterisation was down due to lower activity levels, in particular in the United Kingdom.
- The backlog increase reflects high growth in the marine business supported by solid growth in land. Significant awards include a 3-year geotechnical site investigation contract in the German North Sea and Baltic Sea for Germany's Federal Maritime and Hydrographic Agency (BSH) and a geophysical site investigation at Seagreen windfarm for SSE Renewables.

Americas

Key figures (x EUR million)	Q3 2019	Q3 2018	comparable growth ¹
Revenue	118.8	91.7	25.0%
Backlog next 12 months	251.5	252.7	(7.2%)

¹ Corrected for currency effect

- Revenue growth was again strong, supported by all marine and land business lines. As a result of the high offshore wind activity levels on the east coast of the USA, now over half of the region's revenue is non-oil and gas related. The financial impact of hurricane Dorian was limited due to weather standby agreements.
- Backlog was down, but is expected to grow towards year-end considering the promising tender pipeline. Recent significant awards include the deployment of Fugro's unique LIDAR weather buoys for the Mayflower Wind and Atlantic Shore offshore wind farms, multiple awards by several states for highway asset management systems and a large inspection repair and maintenance contract for Ocean Data Solutions, all in the United States.

Asia Pacific

Key figures (x EUR million)	Q3 2019	Q3 2018	comparable growth ¹
Revenue	95.9	108.5	(13.6%)
Backlog next 12 months	199.0	162.9	16.5%

¹ Corrected for currency effect

- The revenue decline was mainly the result of the rationalisation of the marine asset integrity business line, with more selective tendering and reallocation of assets to other regions. Land site characterisation also declined, predominantly caused by local circumstances in Hong Kong.
- Land site characterisation and marine asset integrity contributed to the increase in backlog. Notable project awards include the extended IRM contract for Woodside on the North West shelf of Australia, using Fugro's remote operations center in Perth, and additional site investigation works on the Hong Kong Airport third runway project.

Middle East & India

Key figures (x EUR million)	Q3 2019	Q3 2018	comparable growth ¹
Revenue	46.7	48.6	(10.6%)
Backlog next 12 months	105.8	117.0	(15.7%)

¹ Corrected for currency effect

- Marine site characterisation revenue was down primarily due to the delay of the King Salman Bridge project. Land site characterisation revenue declined due to a slowdown in Saudi Arabia, and cancellation of the Rosatom project in Egypt. Revenue in both asset integrity business lines was up.
- Backlog declined from a relatively high position last year in marine asset integrity and land site characterisation, partially due to discontinuation of underperforming service lines in particular geographies. Significant contract awards in the quarter include a 3-year framework agreement for the Red Sea Development Company on the west coast of Saudi Arabia.

Held for sale: Seabed Geosolutions

Fugro's stake in Seabed Geosolutions is classified as 'held for sale' as per half year 2019 and therefore no longer part of group revenue and EBIT(DA) from continuing operations. The divestment process is ongoing, but not expected to be concluded this year.

Key figures (x EUR million)	Q3 2019	Q3 2018	comparable growth ¹
Revenue	38.2	6.8	447.5%
Backlog next 12 months	90.8	97.4	(13.8%)

¹ Corrected for currency effect

- Up to four crews were active during the quarter. The shallow water crew completed its Middle East project in July. The first Manta® crew was occupied on the Buzios survey in Brazil; the project is near completion. The Case Abyss crew mobilised to West-Africa and started a 3-month survey in August. The second Manta® crew, operating in partnership with Argas, started on the S-79 project in Saudi Arabia mid-July.
- The sharp activity increase and improved operational performance resulted in significantly better results than in the third quarter last year and the first quarters of this year.
- The pipeline of potential projects remains solid with significant tendering and leads in a growing market. In October, Seabed has been awarded a Manta® node project in Brazil; this project is not yet included in the Q3 2019 backlog. The S-79 project will continue until at least the first quarter of 2021.

Financial position – from continuing operations

Cash flow from operating activities after investing turned positive during the quarter mainly thanks to margin improvement. Working capital as a percentage of 12 months rolling revenue was 16.1% at the end of September, compared to 14.8% a year ago. Days of revenue outstanding was 96 days, compared to 89 days September last year.

Net debt/EBITDA ratio was 2.2, strongly improved compared to 2.8 at the end of the second quarter mainly as a result of higher profitability, and is expected to improve further towards year-end. In the first half year, the maturity date of Fugro's 5-year multicurrency revolving credit facility was extended to May 2021. This extension provides Fugro a wider window and increased flexibility for refinancing, benefiting from continued improvement of results and expected proceeds from divestments.

Outlook

The outlook across Fugro's market segments is positive as offshore wind, oil and gas and infrastructure markets continue to grow. The offshore oil and gas market continues to grow despite geopolitical developments and concerns over reduced global economic growth. In the infrastructure market, Fugro expects continued growth, driven by an increase in population, urbanisation and ageing assets, although growth in certain geographies is expected to slow down due to reduced GDP growth.

For the full year 2019, Fugro expects continued revenue growth, a close to mid-single digit EBIT margin and positive free cash flow from continuing operations. Capex for continuing operations will be around EUR 70 million.



Analyst call

Today at 9:00 CET, Fugro will host an analyst conference call. The dial-in number for this call is +31 (0)20 7038211 or +44 (0)330 3369125 and the confirmation code 9027777. A live audio webcast of the conference call can be accessed via the investor relations section on the company's website at <http://www.fugro.com/investors/results-and-publications/quarterly-results>.

Financial calendar

19 February 2020	Publication 2019 annual results (7.00 CET)
26 February 2020	Publication 2019 annual report
30 April 2020	Publication of Q1 2020 trading update (7.00 CET) and AGM (14.00)

For more information

Media

Martine Langerak
m.langerak@fugro.com
+31 70 31 11147
+31 6 53131604

Investors

Catrien van Buttingha Wichers
c.vanbuttingha@fugro.com
+31 70 31 15335
+31 6 1095 4159

About Fugro

Fugro is the world's leading Geo-data specialist, collecting and analysing comprehensive information about the Earth and the structures built upon it. Adopting an integrated approach that incorporates acquisition and analysis of Geo-data and related advice, Fugro provides solutions. With expertise in site characterisation and asset integrity, clients are supported in the safe, sustainable and efficient design, construction and operation of their assets throughout the full lifecycle.

Employing approximately 10,000 talented people in 65 countries, Fugro serves clients around the globe, predominantly in the energy and infrastructure industries, both offshore and onshore. In 2018, revenue amounted to EUR 1.7 billion. The company is listed on Euronext Amsterdam.

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