

Leidschendam, the Netherlands, 14 November 2018

## Fugro presents 'Path to Profitable Growth' Differentiating by integrated digital Geo-data solutions

Today, Fugro presents the outcome of its strategy update 'Path to Profitable Growth' at its Capital Markets Day in Amsterdam.

### Highlights

- Recovery of the oil and gas market and ongoing growth in offshore wind and infrastructure markets create ample opportunities for Fugro.
- Fugro has transformed during the recent oil and gas downturn and is well positioned, as the world's leading Geo-data specialist, to capitalise on these market trends.
- 'Path to Profitable Growth' strategy is based on three objectives:
  - Capture the upturn in energy and infrastructure
  - Differentiate by integrated digital solutions
  - Leverage core expertise in new growth markets
- Disciplined execution will lead to significant improvements in Return On Capital Employed (ROCE), EBIT and cash flow in the mid-term with an expected revenue level of EUR 2 – 2.5 billion.  
Mid-term targets<sup>1</sup> (2021-2023):
  - ROCE 10 - 15%
  - EBIT margin 8 - 12%
  - Free cash flow 4 - 7% of revenue
- Capital allocation: priority to organic growth and deleveraging.

Mark Heine, CEO: *"Today we present our updated strategy, which builds on our unique position as the world's leading Geo-data specialist. Through integrated data acquisition, analysis and advice, we unlock insights from Geo-data to help our clients design, build and operate their assets in a safe and sustainable manner. Our clients value the deep expertise and commitment of our employees, our advanced technologies and assets, our integrated offering, high safety standards and global footprint. Through our integrated digital solutions we can support clients better, faster and more efficiently in dealing with the challenges of today's world, like climate change and urbanisation."*

*We are ready to capture the upturn in the oil and gas market and the continued growth in offshore wind and infrastructure markets. The year 2018 marks the turning point in our results, driven by sharp growth and improving prices in our early cyclical marine site characterisation activities. Still, it is obvious that our results need further improvement. Our 'Path to Profitable Growth' strategy targets volume growth, while operating leverage, increased prices and improved productivity will push our margins. Applying robotics, digitalisation and advanced analytics will increase efficiency and allow for more remote, lightly manned and autonomous operations, reducing field exposure and increasing safety.*

*We as team Fugro look forward to working with our clients and other stakeholders to implement our strategic road map, leading to profitable growth in the years ahead."*

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<sup>1</sup> Unless otherwise indicated, all figures are before the impact of IFRS 16.

## PRESS RELEASE

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### Strategy

As the world's leading Geo-data specialist, we provide essential information and advice to help clients design, build and operate their assets in a safe and sustainable manner.

During the recent oil and gas downturn Fugro has transformed from a highly decentralised organisation into a cohesive company with a clear focus and the ability to deliver integrated service packages. At the same time, costs were substantially reduced, the vessel fleet was streamlined, and the portfolio was adjusted while the company continued to invest in innovative solutions and the development of new technologies. This means that the company is now well positioned to capture the upturn in energy and infrastructure markets. Growth in these markets is driven by global trends like population growth, urbanisation, climate change and technological change, resulting in increased demand for energy, water, buildings and infrastructure.

Based on this, Fugro has updated its strategy that will be presented at today's Capital Markets Day. Its 'Path to Profitable Growth' strategy is built on three objectives:

1. Capture the upturn in energy & infrastructure
2. Differentiate by integrated digital solutions
3. Leverage core expertise in new growth markets

Fugro is well positioned to capture the upturn based on its market leading positions, people with deep expertise, state-of-the-art technologies and assets, strong client relations, and global reach with local presence. The company is further differentiating itself by offering integrated digital solutions, as technology allows Fugro to connect and integrate its Geo-data, offering enriched insights faster to its clients. Fugro has proven digital successes and building blocks in place. In addition, Fugro is leveraging its core expertise and assets to expand in growth markets such as flood control, fresh water sourcing, ocean mapping and secure offshore positioning.

### Updated mid-term targets (2021 – 2023)

Based on the market trends, the company expects revenue of EUR 2 – 2.5 billion for the mid-term. The plan will drive substantial improvements in profitability and cash flow generation, resulting in the following targets<sup>1</sup> for the mid-term:

- ROCE of 10 - 15%
- EBIT margin of 8 - 12%
- Free cash flow of 4 - 7% of revenue

Drivers for the projected improvement in profitability are:

- Volume growth in combination with continued disciplined cost management, benefiting from operating leverage.
- Price recovery, driven to a large extent by the oil and gas and renewables markets.
- Improved productivity and operational excellence through:
  - Fully leveraging technology developments to change the way of working
  - Increasing efficiencies of transactional and businesses processes through digitalisation
  - Strengthening procurement
  - Driving uptime of assets and equipment
  - Further leveraging of the shared service centres



In light of Fugro's current asset base and less capital intensive business model going forward, Fugro expects average annual capital expenditure of around EUR 100 to 130 million to support profitable organic growth.

As a result of the gradual improvement in profitability and disciplined asset management, Fugro targets an annual positive free cash flow resulting in deleveraging of the balance sheet, and consequently a net debt/EBITDA ratio below 1.5. Dividend payments will be resumed once leverage allows.

The implementation of the new IFRS 16 standard on leasing on 1 January 2019 is expected to result in an on-balance sheet increase in net debt from long term lease liabilities of around EUR 200 - 225 million. The reclassification of related lease expenses is expected to have a positive impact on EBITDA of EUR 35 - 45 million and on EBIT of EUR 5 - 10 million. In addition, due to front loading of interest expenses, Earnings Before Tax (EBT) will decrease in the early years by around EUR 5 million per annum. This change is an accounting change only and has no impact on the economics of the company. Furthermore, there is also no impact on covenants as these are based on "frozen GAAP".

### Capital Markets Day and media call

Presentations in Amsterdam will start today at 11:30 Central European Time. The presentations can be followed through a live webcast, which can be accessed via <https://www.fugro.com/investors/results-and-publications/capital-markets-day>. At 7:30 Central European Time, Fugro will host a media call.

### Regulated information

This press release contains information that qualifies, or may qualify as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

### For further information

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*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 2017, revenue amounted to EUR 1.5 billion. The company is listed on Euronext Amsterdam.*