



TRADING STATEMENT

27 November 2018

Intertek Group plc ("Intertek" or "the Group"), a leading Total Quality Assurance provider to industries worldwide, today releases its November Trading Update for the period from 1 January to 31 October 2018 ("period"). All comparative comments in this statement reflect comparisons with the corresponding period during 2017. The Group's full year results to 31 December 2018 will be announced on 5 March 2019.

Broad-Based Organic Revenue Growth Acceleration

- Group revenue: £2,315.7m, up 4.8% at constant rates and 0.5% at actual rates
- Broad-based organic revenue growth acceleration across the Group at constant rates:

	YTD	H1	July-Oct
- Group	+3.8%	+3.4%	+4.5%
- Products	+5.9%	+5.7%	+6.1%
- Trade	+1.5%	+0.7%	+2.8%
- Resources	+0.1%	(0.7%)	+1.2%
- Continuing operational discipline on margin and cash management
- Alchemy acquisition integrating well, expanding our fast growing Assurance business.
- On track to deliver 2018 targets

André Lacroix: Chief Executive Officer statement

"Intertek is going from strength to strength, making consistent progress on strategy and performance. We are on track to deliver our 2018 targets of good organic revenue growth at constant rates with moderate group margin progression and strong cash conversion.

We are benefiting from higher demand from our customers for Intertek global Total Quality Assurance solutions in our Products, Trade and Resources sectors. In the last 4 months we have seen broad-based revenue growth acceleration with 4.5% organic revenue growth at constant rates with continuing robust performance in our Products sector and performance improvement in Trade and Resources. The recent acquisitions in high margin and high growth areas performed well.

The \$250 billion global quality assurance industry has attractive structural growth prospects driven by an increased focus of corporations on risk management, global trade flows, global demand for energy, expanding regulations, more complex sourcing and distribution operations, technological innovations, government investments in large infrastructure projects, and increased consumer demand for higher quality and more sustainable products.

We are uniquely positioned to seize these exciting growth opportunities thanks to our Total Quality Assurance differentiated value proposition. We provide our clients with a superior customer service based on the depth and breadth of our technical expertise, our global network of over 1,000 state-of-the-art facilities in over 100 countries, our industry leading Assurance, Testing, Inspection and Certification solutions, and our customer centric culture fuelled by our passionate colleagues around the world.

We operate a high quality business model with scale positions in attractive end-markets and a strongly cash generative earnings model. Our '5x5' differentiated strategy for growth will continue to move the centre of gravity of our portfolio towards the attractive growth and margin opportunities in the industry based on a disciplined approach to revenue, margin, portfolio and cash performance management, and an accretive disciplined capital allocation to deliver sustainable returns for our shareholders."

Revenue Performance

	10 months – January to October				4 months – July to October			
	2018 £m	2017 £m	Change at actual	Change at constant	2018 £m	2017 £m	Change at actual	Change at constant
Group								
Revenue	2,315.7	2,304.2	0.5%	4.8%	968.0	932.4	3.8%	6.1%
Organic revenue	2,290.3	2,300.9	(0.5%)	3.8%	950.9	930.3	2.2%	4.5%
Products								
Revenue	1,392.5	1,349.6	3.2%	7.2%	586.9	550.9	6.5%	8.3%
Organic revenue	1,371.3	1,346.3	1.9%	5.9%	572.5	548.8	4.3%	6.1%
Trade								
Revenue	529.0	542.2	(2.4%)	2.3%	218.5	216.4	1.0%	4.0%
Organic revenue	524.8	542.2	(3.2%)	1.5%	215.8	216.4	(0.3%)	2.8%
Resources								
Revenue	394.2	412.4	(4.4%)	0.1%	162.6	165.1	(1.5%)	1.2%
Organic revenue	394.2	412.4	(4.4%)	0.1%	162.6	165.1	(1.5%)	1.2%

Products Divisional Review

Our Products business delivered an excellent performance with an organic revenue growth at constant rates of 5.9% on a YTD basis, driven by broad-based growth across business lines and geographies:

- Our **Softlines** business reported solid organic growth performance. We are leveraging the investments we have made to support the expansion of our customers in new markets and seize the exciting growth opportunities in the footwear sector. We continue to benefit from strong demand from our customers for chemical testing as well as from a greater number of brands and SKUs.
- Our **Hardlines** and Toy business continues to take advantage of our strong global account relationships, the expansion of our customers' supply chains into new markets and our innovative technology for factory inspections. We delivered good organic revenue growth performance across our main markets of China, Hong Kong, India and Vietnam.
- We delivered robust organic revenue growth in our **Electrical & Network Assurance** business driven by higher regulatory standards in energy efficiency and by the increased demand for wireless devices and cybersecurity.
- Our **Business Assurance** business delivered strong organic revenue growth as we continue to benefit from the increased focus of corporations on risk management, resulting in strong growth in Supply Chain Audits and increased consumer and government focus on ethical and sustainable supply.
- Driven by the growing demand for more environmentally friendly and higher quality buildings and infrastructure in the US market, our **Building & Construction** business reported robust organic revenue growth.
- We continue to benefit from the increased focus of corporations on food safety and delivered robust organic revenue growth in our **Food** business.
- We delivered robust organic revenue growth in our **Chemicals & Pharma** business as we continue to leverage the structural growth opportunities in the healthcare markets in both developed and emerging economies and we benefited from the increased focus on product safety and traceability.
- Our **Transportation Technologies** business delivered double-digit organic revenue growth as we capitalize on our clients' investments in new powertrains to lower emissions and increase fuel efficiency.

Full Year growth outlook

The full year outlook for our Products division remains unchanged and we continue to expect to deliver robust organic revenue growth at constant currency.

Mid- to long- term growth outlook

Our Products division will benefit from mid to long-term structural growth drivers including product variety, brand and supply chain expansion, product innovation and regulation, the growing demand for quality and sustainability from developed and emerging economies, the acceleration of e-commerce as a sales channel, and the increased corporate focus on risk.

Trade Divisional Review

Our Trade related businesses delivered on a YTD basis an organic revenue growth of 1.5% at constant rates, with an acceleration of organic growth momentum in the last 4 months in our Caleb Brett and GTS businesses:

- Our **Cargo/AA** business, newly rebranded **Caleb Brett**, reported solid organic revenue growth on a YTD basis, reflecting the structural growth drivers in the Crude Oil and Refined Product global trading market.
- Benefiting from new contracts, our **Government & Trade Services** business delivered robust organic revenue growth.
- Our **AgriWorld** business delivered an organic revenue below last year on a YTD basis due to lower export activities in a few markets that benefited from strong trading activity in 2017.

Full Year growth outlook

The full year outlook for our Trade division remains unchanged and we continue to expect to deliver solid organic revenue growth at constant currency.

Mid to long- term growth outlook

Our Trade division will continue to benefit from both regional and global trade-flow growth, as well as the increased customer focus on quality, quantity controls and supply chain risk management.

Resources Divisional Review

Our Resource-related business delivered a stable revenue on a YTD basis with improved performance in the last 4 months in our Capex Inspection services and Minerals:

- On a YTD basis, the revenue from **Capex Inspection Services** was lower than last year and our **Opex Maintenance Services** continued to benefit from stable volume in a price competitive environment.
- Accelerating the trend seen in 2017, we saw robust growth in demand for testing activities in the **Minerals** business on a YTD basis.

Full Year growth outlook

Overall, we expect our Resources related businesses to deliver a stable revenue performance at constant currency.

Mid to long- term growth outlook

Our Resources division will grow in the mid to long-term as we benefit from investments in Exploration and Production of Oil and Minerals, to meet the demands of the growing population around the world.

Intertek is well positioned to seize the attractive external growth opportunities in a very fragmented industry and we continue to make progress with our M&A strategy. In addition, the Group entered into an exclusive agreement with the Certified Automotive Parts Association (CAPA) in March 2018, to operate their automotive certification programme.

The acquisitions made recently in attractive growth and margin sectors are performing well:

- In March 2018, the Group acquired Aldo Abela Surveys, a leading provider of quality and quantity cargo inspection services, based in Malta.
- In April 2018, the Group acquired Proasem, a leading provider of laboratory testing, inspection, metrology and training services, based in Colombia.
- In June 2018, the Group acquired NTA Monitor, a leading network security and assurance services provider based in the UK and Malaysia.
- The group announced on 21 August that it had completed its acquisition of Alchemy Investment Holdings, an industry leader in People Assurance solutions for the food industry.

Intertek's growth in Assurance services has predominantly been focussed on assuring the quality of clients' systems and operating procedures. Alchemy provides us with the opportunity to expand and broaden our Assurance offering towards the assurance of employee skills across our clients' organisations.

Alchemy is a high-quality business with scalable solutions that can be rolled out across many different industries and geographies. This will further accelerate the growth momentum of our high margin and capital light Assurance Business.

Alchemy has a strong growth track record and operates a highly attractive business model: high growth, high margin, strong cash-conversion, capital-light and scalable.

Intertek expects the acquisition to deliver attractive returns to shareholders and to be EPS accretive on a Billings basis in the first full year after acquisition.

At the time of the acquisition we provided a 5 Year Guidance as follows:

- 20% growth p.a. in Billings/revenues going forward
- >30% IFRS EBITDA margin by year 5
- >25% IFRS EBIT margin by year 5
- Strong cash conversion; negative working capital
- ROIC > Group WACC by year 5

Due to its subscription-based revenue model, which provides good revenue visibility, Alchemy manages its business on a Billings basis. As outlined at the time of the announcement and in accordance with IFRS3 we will revalue the Alchemy deferred revenue balance at the point of acquisition. This will result in an acquisition accounting revenue adjustment when we report 2018/2019 IFRS revenue and we expect Alchemy's contribution to the 2018 group revenue to be c.£11m.

Investment & Financial Position

Our year end net debt guidance is unchanged £800-850m, assuming no further acquisitions and no significant forex changes. The strength of Intertek's balance sheet will enable the Group to seize attractive growth opportunities ahead and continue to deliver strong shareholder returns.

Outlook

The Group remains on track to deliver its 2018 target of good organic revenue growth with moderate margin progression at constant currency and strong cash conversion.

We expect our Products related businesses to deliver robust organic revenue growth, our Trade related businesses to report solid organic revenue growth performance, and our Resources related businesses to deliver a stable organic revenue performance. We will continue to benefit from the acquisitions made since January 2017.

Looking further ahead, the global Quality Assurance market will benefit from attractive growth prospects driven by an increased focus of corporations on risk management, global trade flows, global demand for energy, expanding regulations, more complex sourcing and distribution operations, technological innovations, government investments in large infrastructure projects, and increased consumer demand for higher quality and more sustainable products.

We provide our customers with a Total Quality Assurance differentiated value proposition based on the depth and breadth of our technical expertise, our global network of over 1,000 state-of-the-art facilities in over 100 countries, our industry leading Assurance, Testing, Inspection and Certification solutions, and our customer centric culture fueled by our passionate colleagues around the world.

We continue to be uniquely positioned to benefit from the GDP+ organic revenue growth prospects in the Quality Assurance Industry in the medium to long term, leveraging our high quality and highly cash generative earnings model.

-ENDS-

Contacts

For further information, please contact:

Denis Moreau, Investor Relations

Telephone: +44 (0) 20 7396 3415 investor@intertek.com

Jonathon Brill, FTI Consulting

Telephone: +44 (0) 20 3727 1000 intertek@fticonsulting.com

Analysts' Call

A live audiocast for analysts and investors will be held today at 7.45am. Details can be found at <http://www.intertek.com/investors/> together with a pdf copy of this report. A recording of the audiocast will be available later in the day.

intertek

Total Quality. Assured.

Intertek is a leading Total Quality Assurance provider to industries worldwide.

Our network of more than 1,000 laboratories and offices and over 43,000 people in more than 100 countries, delivers innovative and bespoke Assurance, Testing, Inspection and Certification solutions for our customers' operations and supply chains.

Intertek Total Quality Assurance expertise, delivered consistently, with precision, pace and passion, enabling our customers to power ahead safely.

intertek.com