

2013 Full Year Results Presentation

3 March 2014

Wolfhart Hauser
Chief Executive Officer

Lloyd Pitchford
Chief Financial Officer



Lloyd Pitchford Chief Financial Officer

Financial Performance

2013 Full Year Results Presentation



Cautionary statement regarding forward-looking statements

This presentation contains certain forward-looking statements with respect to the financial condition, results, operations and business of Intertek Group plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this presentation should be construed as a profit forecast.

3 March 2014

Results Overview



Valued Quality. Delivered.

- Solid growth in mixed market conditions
- Organic growth H1: 6.3%; H2: 2.4%
- Strong cash conversion
- Investing for the future; organically and acquisitions
- EPS up by 6% and dividend up by 12%

Financial Highlights

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Valued Quality. Delivered.

For the twelve months to 31 December 2013

Revenue	£2,184m	+ 6.3% at actual + 4.3% at constant organic ⁽²⁾
Operating profit ⁽¹⁾	£343m	+ 2.2% at actual - 1.2% at constant organic ⁽²⁾
Operating profit margin ⁽¹⁾	15.7%	- 60bps at actual - 80bps at constant organic ⁽²⁾
Profit before tax ⁽¹⁾	£315m	+ 2.1%
Diluted EPS ⁽¹⁾	138.6p	+ 5.6%
Cash generated from operations ⁽¹⁾	£394m	+ 14%

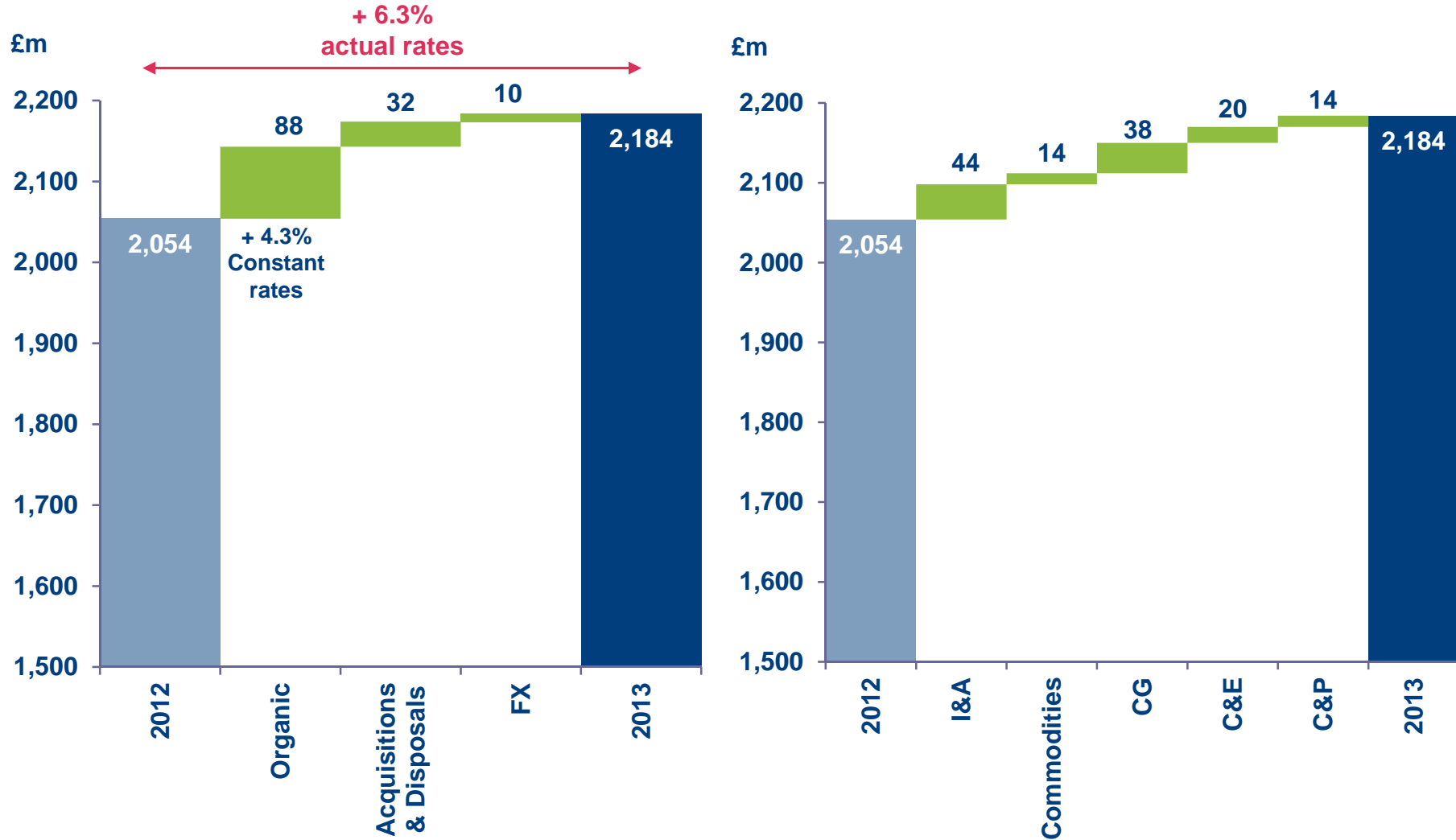
(1) Before separately disclosed items

(2) Growth excluding acquisitions and disposals at constant exchange rates

Revenue Growth



Valued Quality. Delivered.

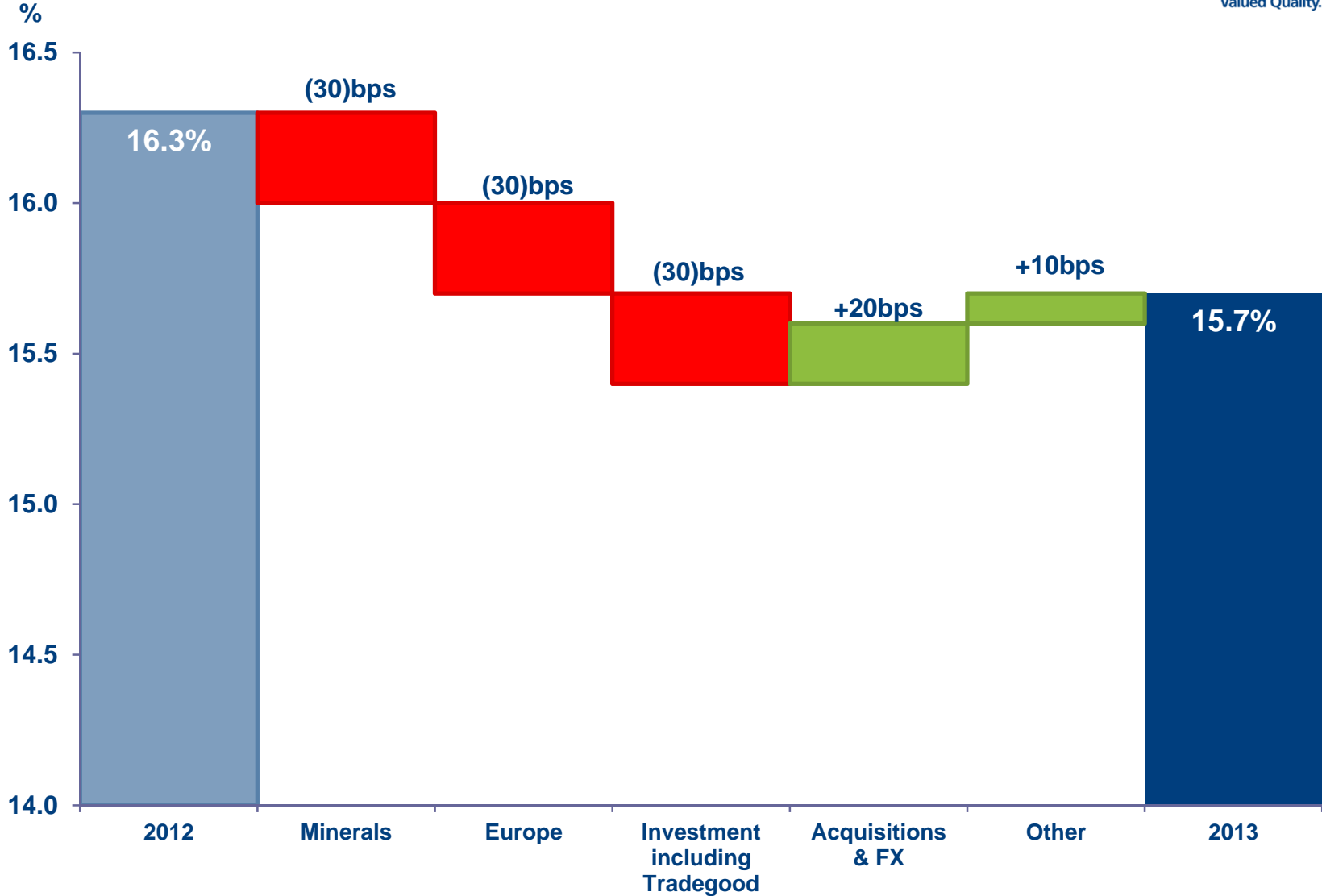


2012 revenue of £2,054.3m is made up of £2,042.1m organic revenue, £9.0m from acquisitions made in 2012, and disposals of £3.2m made in 2012. Organic revenue growth of £88m is 4.3% at constant exchange rates

Operating Margin (60)bps



Valued Quality. Delivered.

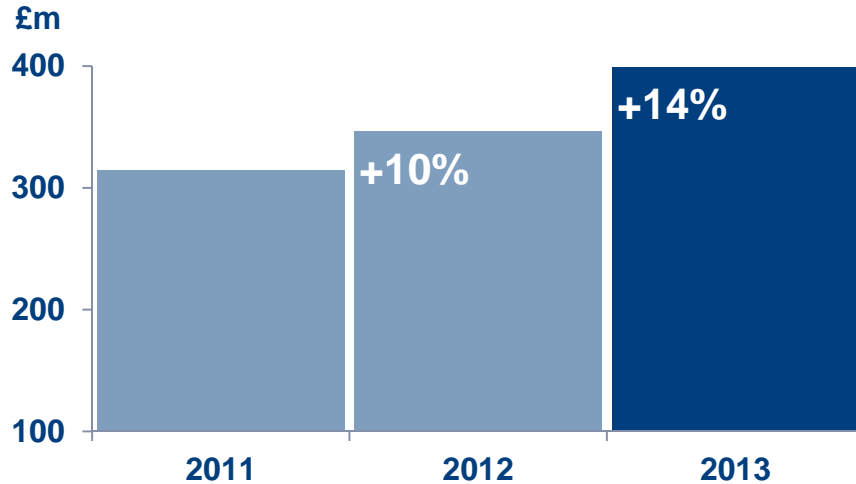


Cash Flow, Financing and Investment

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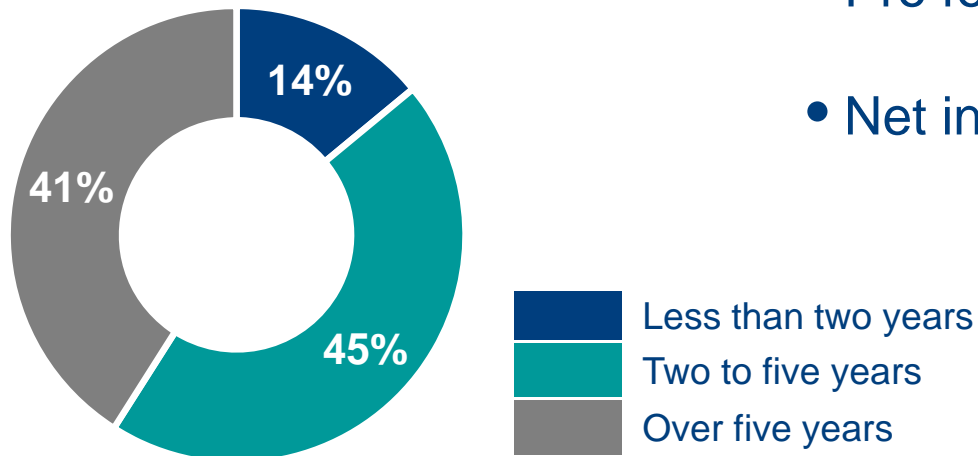
Valued Quality. Delivered.

Adjusted Cash flow from Operations



- Adjusted cash flow from operations up 14% to £394m
- Organic capex £145m; 6.6% of revenue
- 7 acquisitions for £122m
- Pro forma net debt: EBITDA of 1.4x
- Net interest charge of £28m

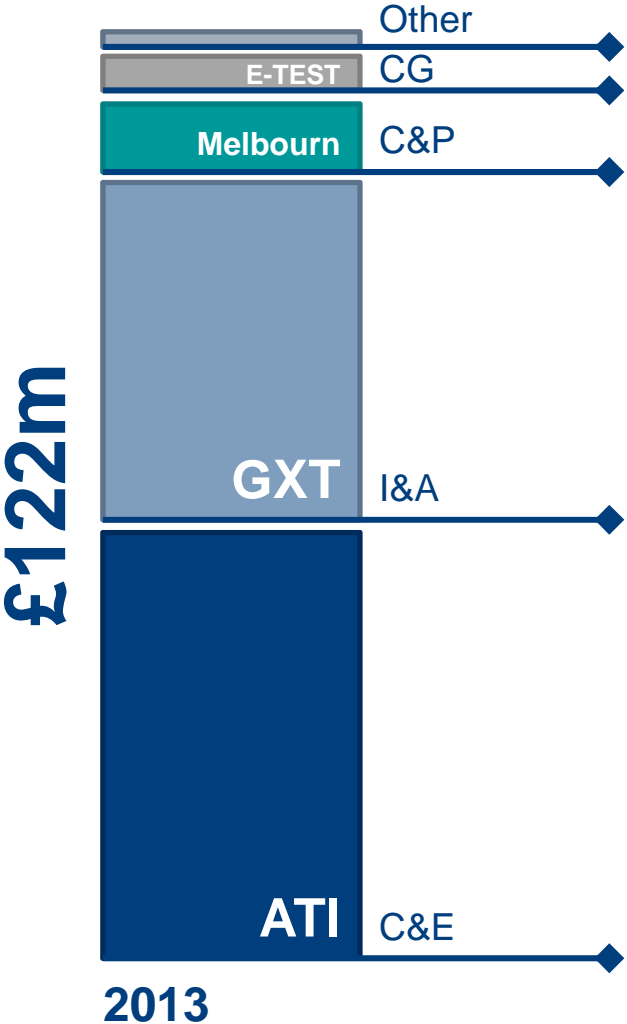
Group's Facilities and Borrowings



Acquisitions Supporting Growth



Valued Quality. Delivered.



2013

£122m spent on 7 acquisitions

2014

Strong pipeline

Separately Disclosed Items

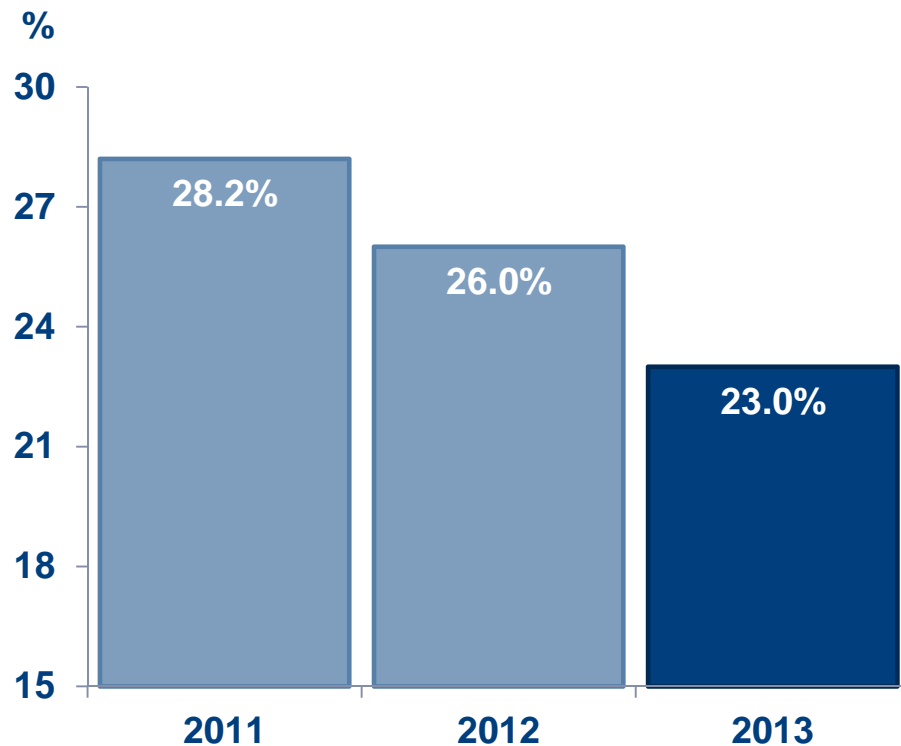
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Valued Quality. Delivered.

£m @ actual exchange rates	2013	2012	
Adjusted operating profit ⁽¹⁾	342.6	335.1	+2.2%
Separately disclosed items:			
Amortisation of acquisition intangibles	(22.5)	(29.3)	
Acquisition and integration costs	(1.5)	(5.5)	
Business Process Outsourcing costs	-	(2.8)	
Restructuring costs	(8.8)	(14.2)	
Gain on disposal of investment in associate	0.2	-	
Statutory operating profit	310.0	283.3	+9.4%

(1) Before separately disclosed items

Adjusted Group Effective Tax Rate



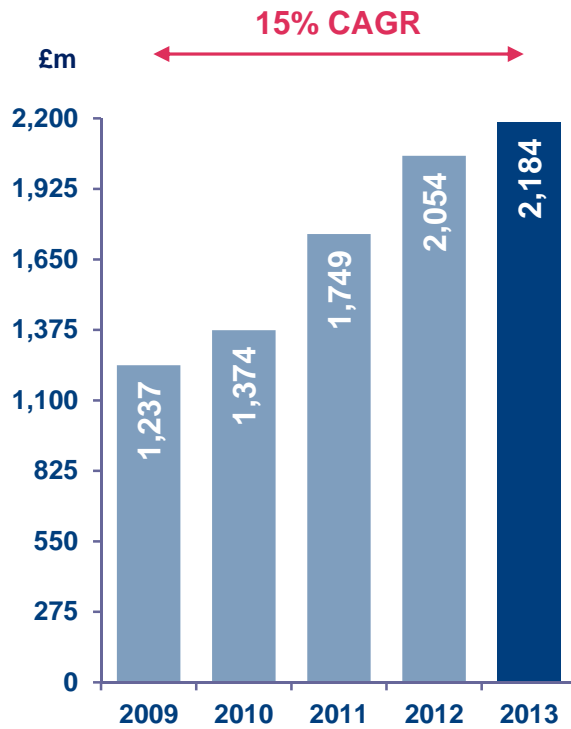
- 2013 rate of 23%
- 2013 rate includes 1.7% deferred tax benefit
- Emerging market growth providing mix benefit

Five Year Performance 2009 to 2013

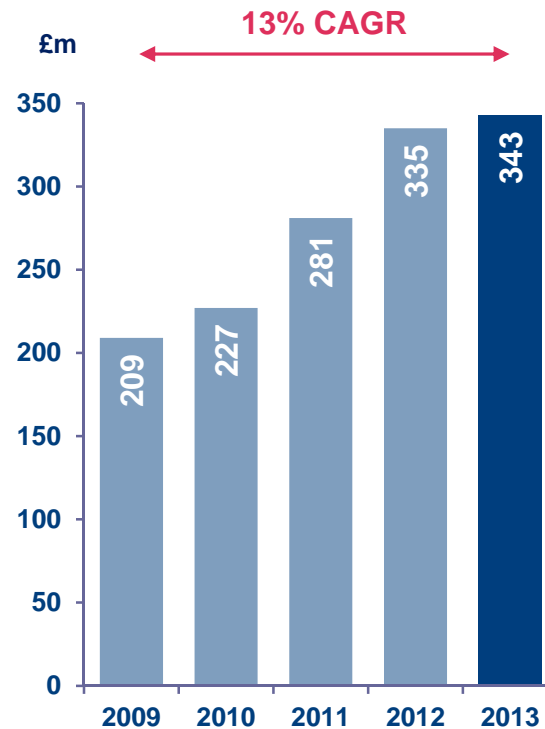
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Valued Quality. Delivered.

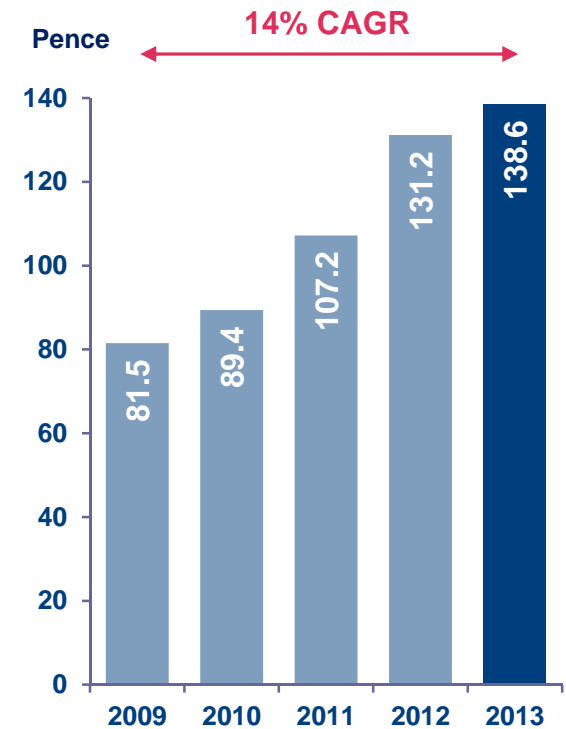
Revenue



Adjusted Operating Profit⁽¹⁾



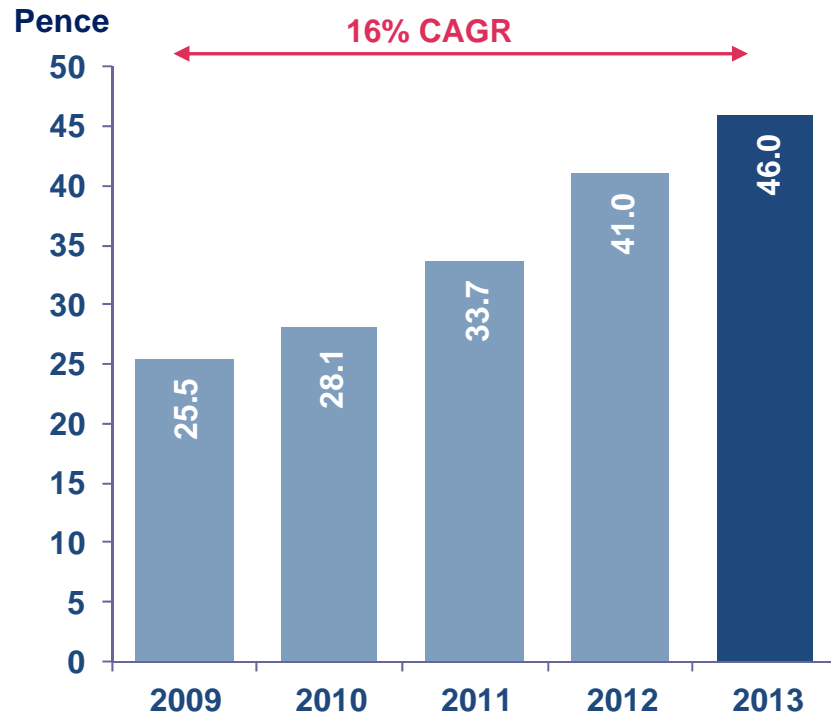
Adjusted Diluted EPS⁽¹⁾



(1) Before separately disclosed items

Dividend Increased by 12%

Full Year Dividend Per Share



- Full year dividend 46.0p, up 12.2%
- 2013 full year pay-out of £74m
- Reflects confidence in strong long term structural growth
- Dividend cover of 3.0x on adjusted EPS

Summary



Valued Quality. Delivered.

- Solid growth delivery
- Strength of portfolio mitigating certain cyclical headwinds
- End 2013 / early 2014 weak; improving through the year
- Reviewing options to further focus portfolio
- Acquisition progress
- Structural growth drivers through the cycle



Valued Quality. Delivered.

Wolfhart Hauser Chief Executive Officer

Operating Performance

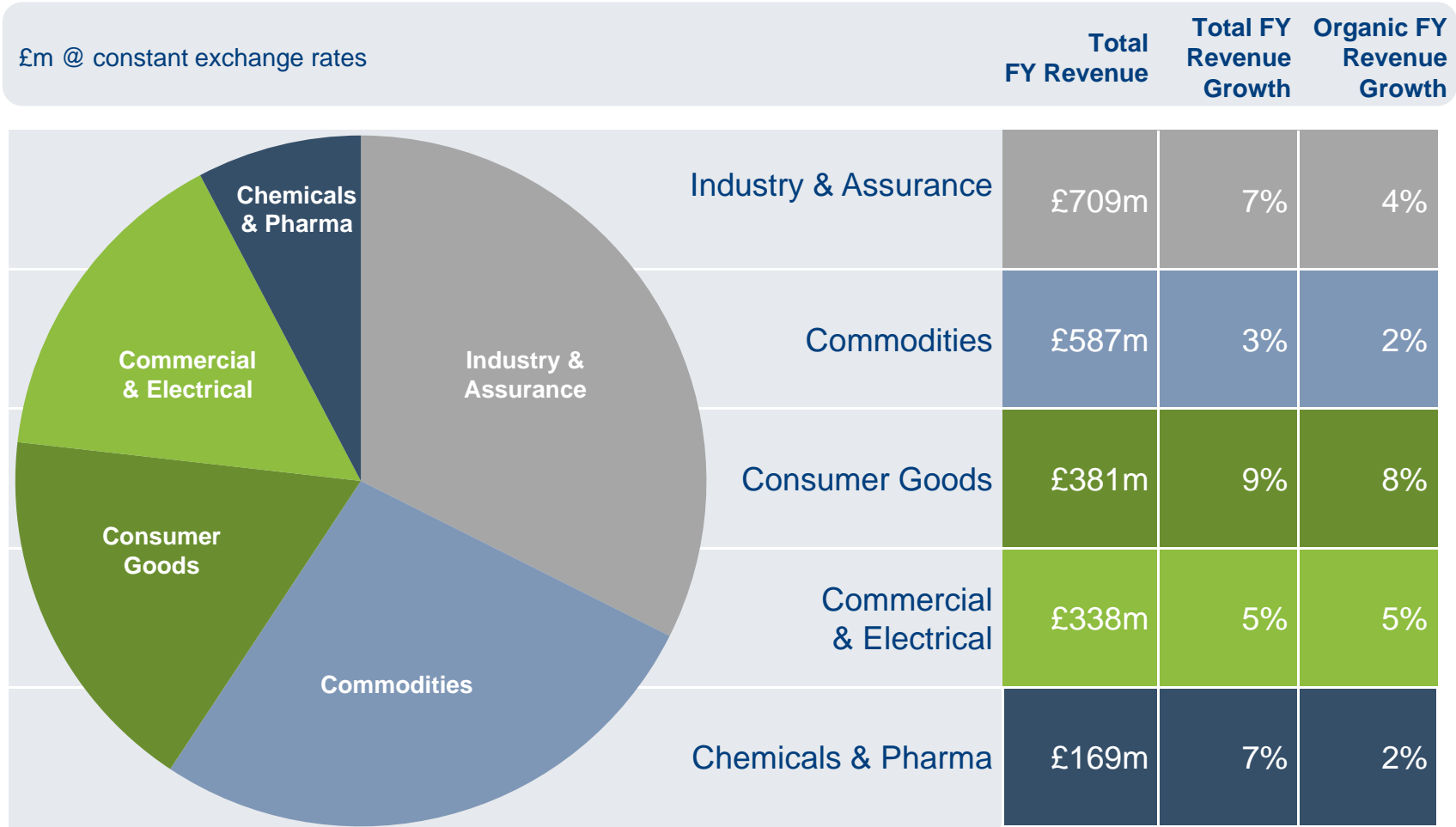
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Divisional Revenue Mix



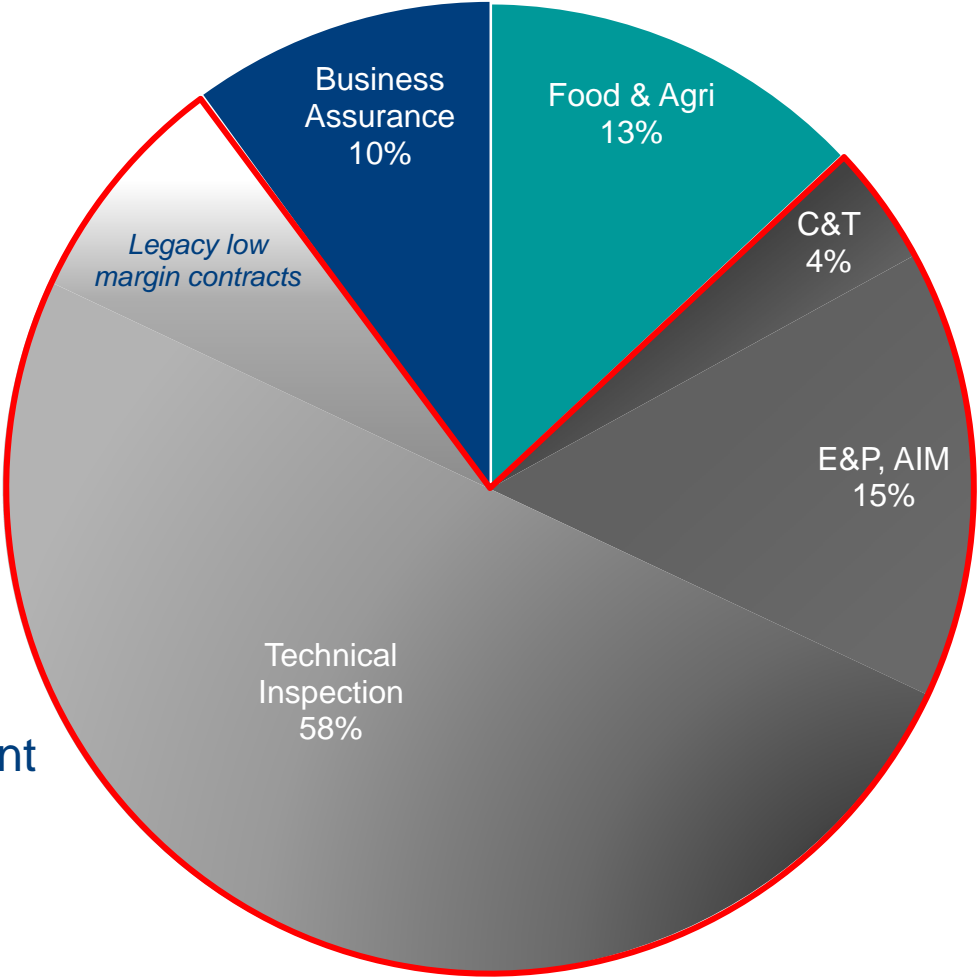
Valued Quality. Delivered.



Industry & Assurance Revenue Split



Valued Quality. Delivered.



KEY - Definitions

C&T Consulting & Training

AIM Asset Integrity Management

E&P Exploration & Production



Industry Services

Capex in Energy Sector



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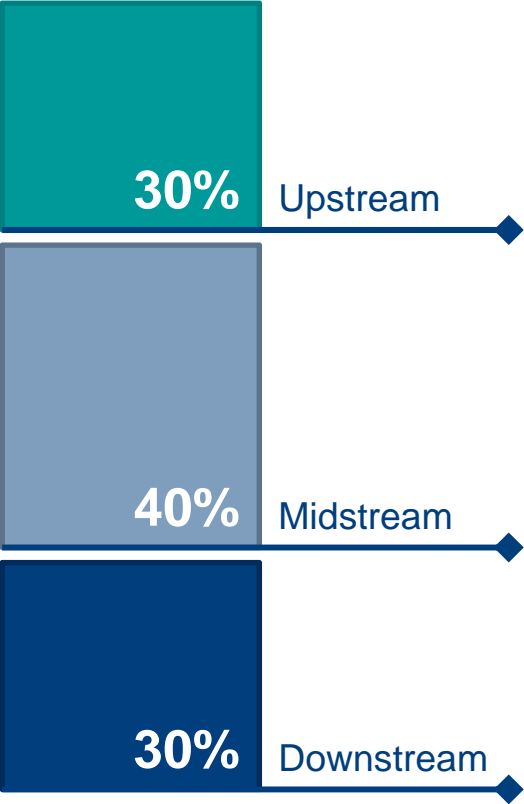
Oil majors

National Oil Companies

Pipelines and distribution networks

Ongoing investment into the energy sector

Intertek Revenue Split



FY 13 Performance

£m @ constant exchange rates	FY 13	Change	Organic change
Revenue	709.3	6.8%	4.2%
Operating profit	82.2	6.9%	2.9%
Margin	11.6%	0bps	(20)bps

- **Business Assurance (BA)** solid growth
- **Food** double digits. Agri accelerated H2
- **Industry Services** H2 deferred discretionary spending and **Consulting & Training (C&T)**
- Exiting legacy low margin contracts
- **Technical Inspection** growth

Outlook

- **BA** further growth opportunities in major emerging countries
- **Food** expansion to continue vigorously with strong drivers
- **C&T** expect recovery
- Legacy low margin contracts exiting will continue ~£30m
- **Technical Inspection**, good backlog leading to good growth

FY 13 Performance

£m @ constant exchange rates	FY 13	Change	Organic change
Revenue	586.6	3.1%	2.1%
Operating profit	70.0	(9.0)%	(11.4)%
Margin	11.9%	(160)bps	(180)bps

- **Oil** testing and **Cargo** inspection up >7%, mainly NA, Asia and LatAm
- Europe weak
- **Minerals** (18% of division) extensive cost reductions
- **Government Services** (13%), H2 decline due to changes in large contract

Outlook

- **Shale** growth – extraction and rail car transportation
- Asia continued strong growth
- **Minerals** will stay weak in 2014
- **Government** contract change to reduce revenue by ~ 1% division

FY 13 Performance

£m @ constant exchange rates	FY 13	Change	Organic change
Revenue	381.3	8.9%	8.5%
Operating profit	124.5	8.0%	6.7%
Margin	32.7%	(20)bps	(50)bps

- New labs in Cambodia, Poland, India, Sri Lanka adding to growth
- **Textiles** strong in China, Turkey, India and Vietnam
- **Toys** gained from EU Toy Safety Directive
- Underlying margin change flat excluding Tradegood

Outlook

- Continued expansion of laboratory network into new countries
- Cross-selling of services amongst large global retail clients; further good growth in **Textiles, Toys** and **Hardlines**
- Investment in client facing software and internal efficiency tools to continue
- **Domestic market** in major emerging countries opening up

Tradegood

Connecting
Responsible Buyers
with Trusted Suppliers

- Investing in information based value added services
- Positive reception; slower ramp up
- 100,000 live customer profiles
- Investment to reduce; break even in 2015

FY 13 Performance

£m @ constant exchange rates	FY 13	Change	Organic change
Revenue	338.4	4.8%	4.8%
Operating profit	49.3	(4.6)%	(4.6)%
Margin	14.6%	(140)bps	(140)bps

- Improvement in H2
- Good growth in **Building Products** with cyclical upturn
- Declines from Northern Europe **Electrical/IT**
- Decline in **Renewables**
- Margin reduced due to higher investments

Outlook

- Synergies from ATI acquisition
- Good growth expected in Asia
- New technology drivers expect to be stronger in 2014 – eg transport, home, communications, entertainment
- **Domestic market** in major emerging countries opening up

FY 13 Performance

£m @ constant exchange rates	FY 13	Change	Organic change
Revenue	168.8	6.9%	2.0%
Operating profit	16.6	(4.6)%	(15.7)%
Margin	9.8%	(120)bps	(200)bps

- **Fuel and Lubricants** in USA and **cosmetics** testing in France grew well
- European **Chemicals** and **Plastics** market dried up; business restructured
- Some areas of **Pharma** are strong; exiting very weak ones

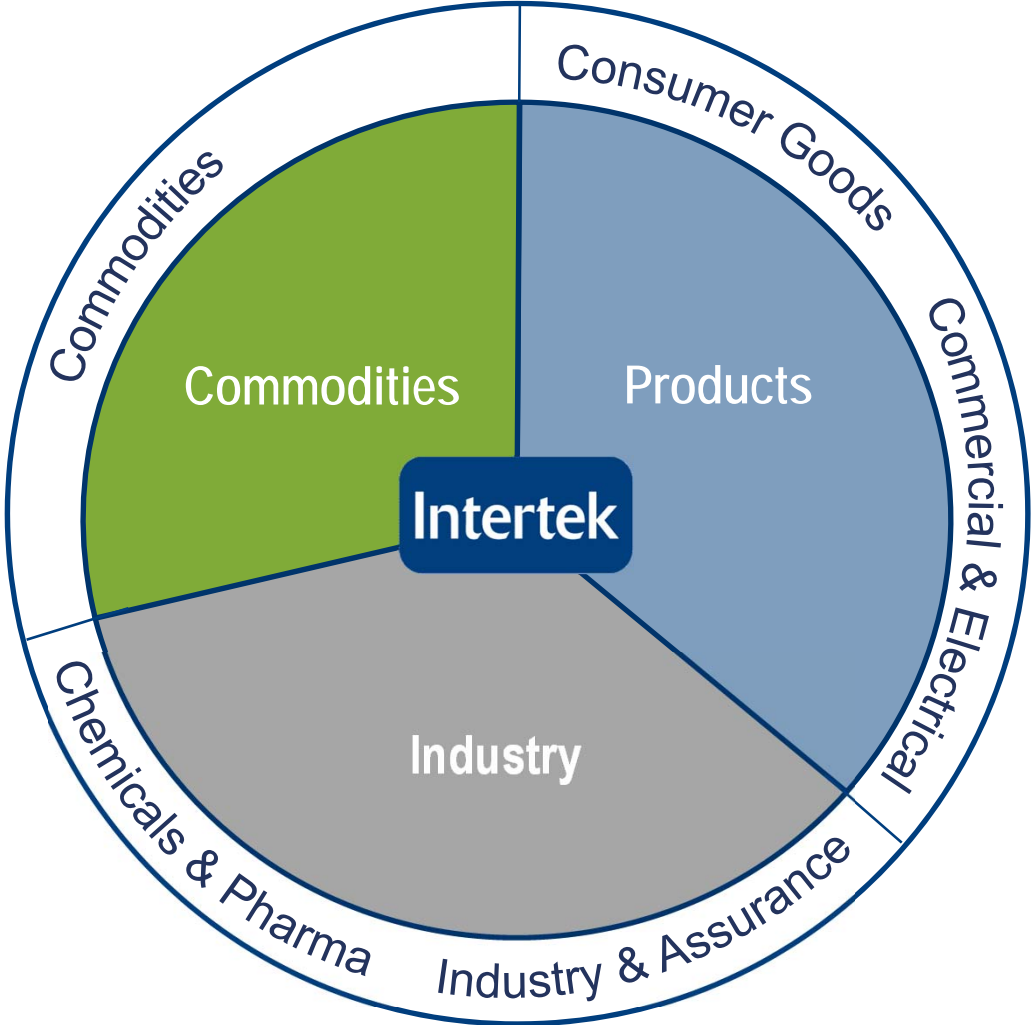
Outlook

- Expect continued good growth in **Fuel and Lubricants**
- Business will be more focused and streamlined
- Disposals and closures will increase margin e.g. Pharma (Ireland), Chemicals (Europe)
- Quality and Conformity Council (QCC) contract in Abu Dhabi ramping up

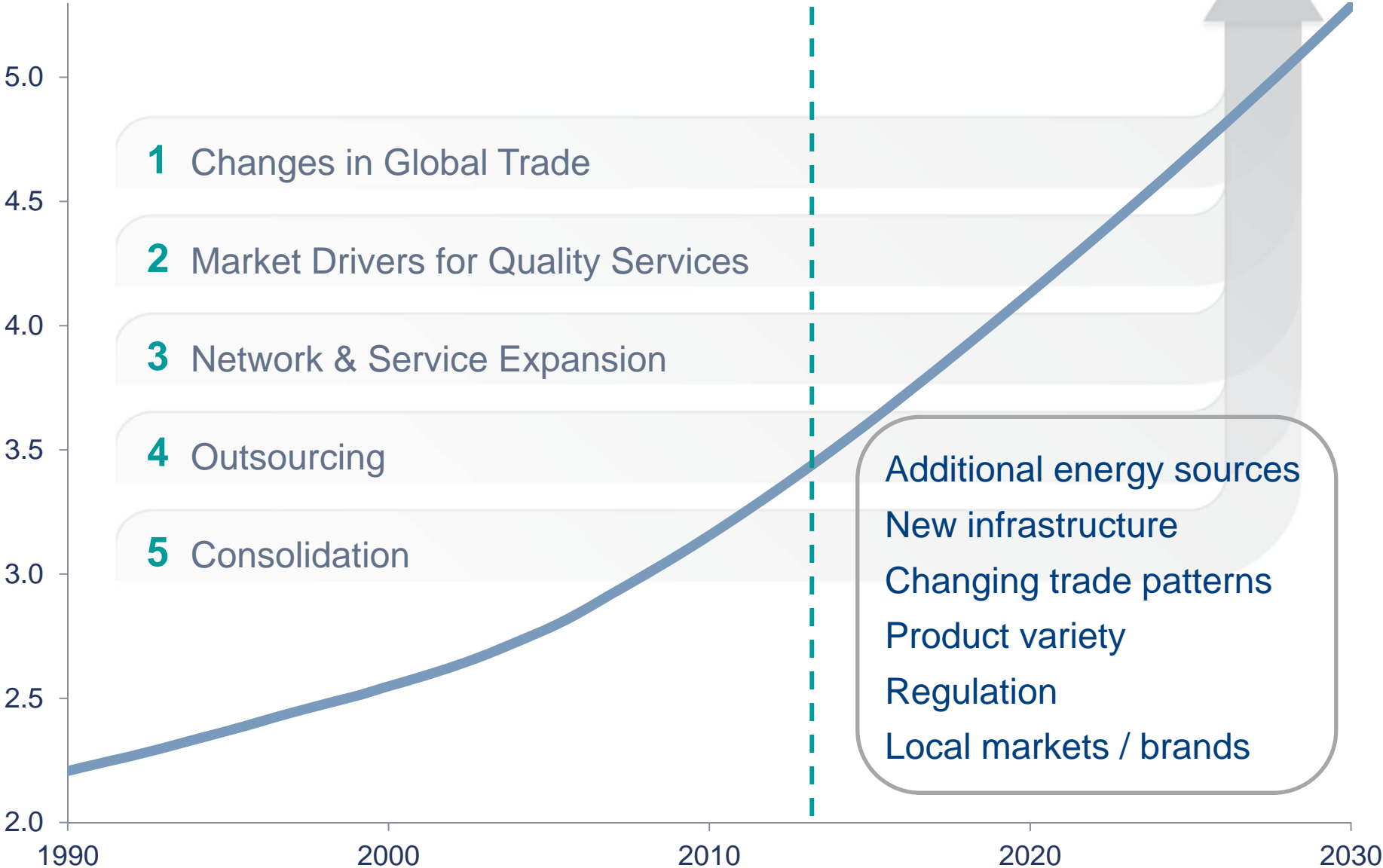
Our Growth Platform



Valued Quality. Delivered.



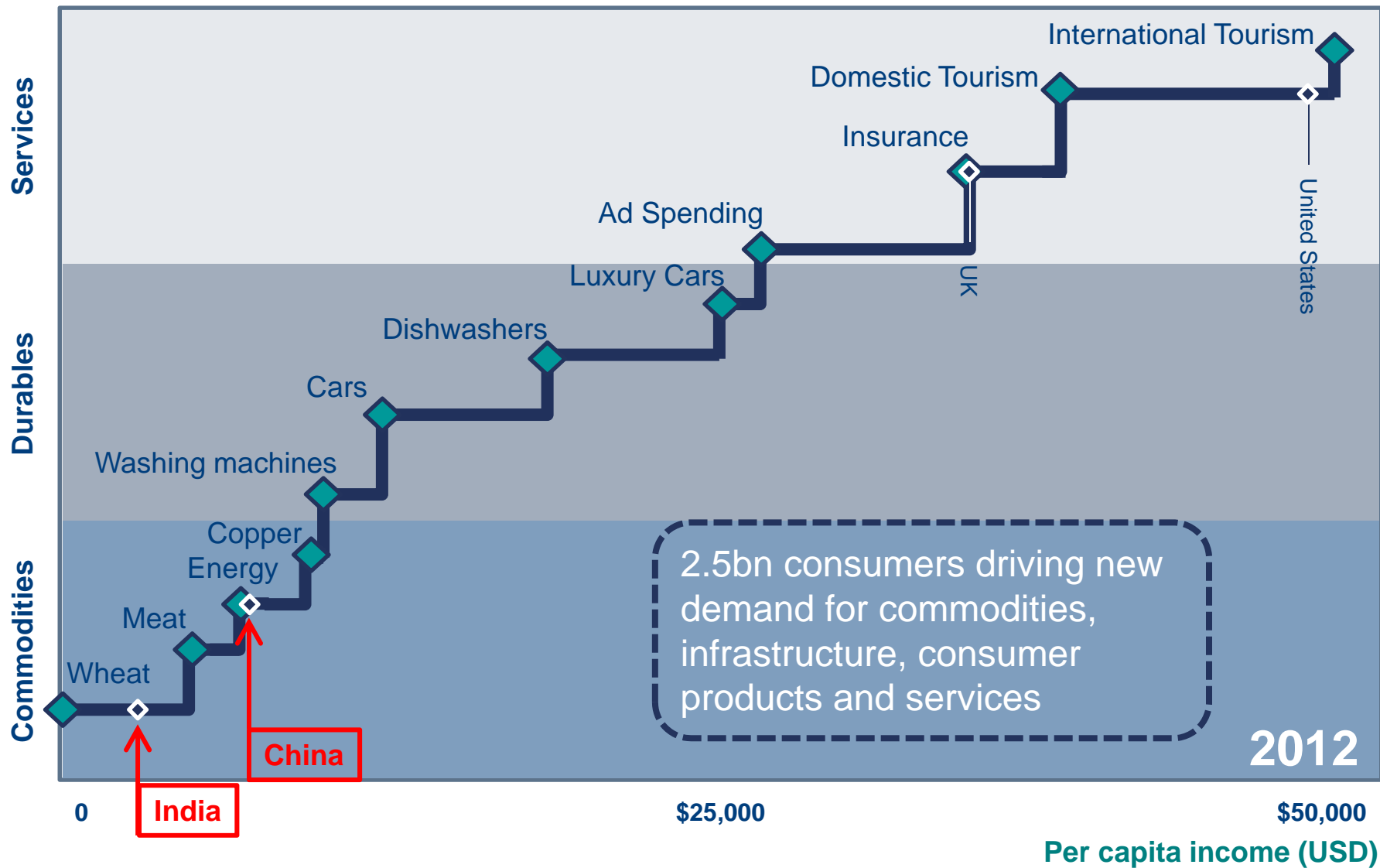
Total number of households (billions) with annual income of at least USD 9,000



Spending Patterns of Markets



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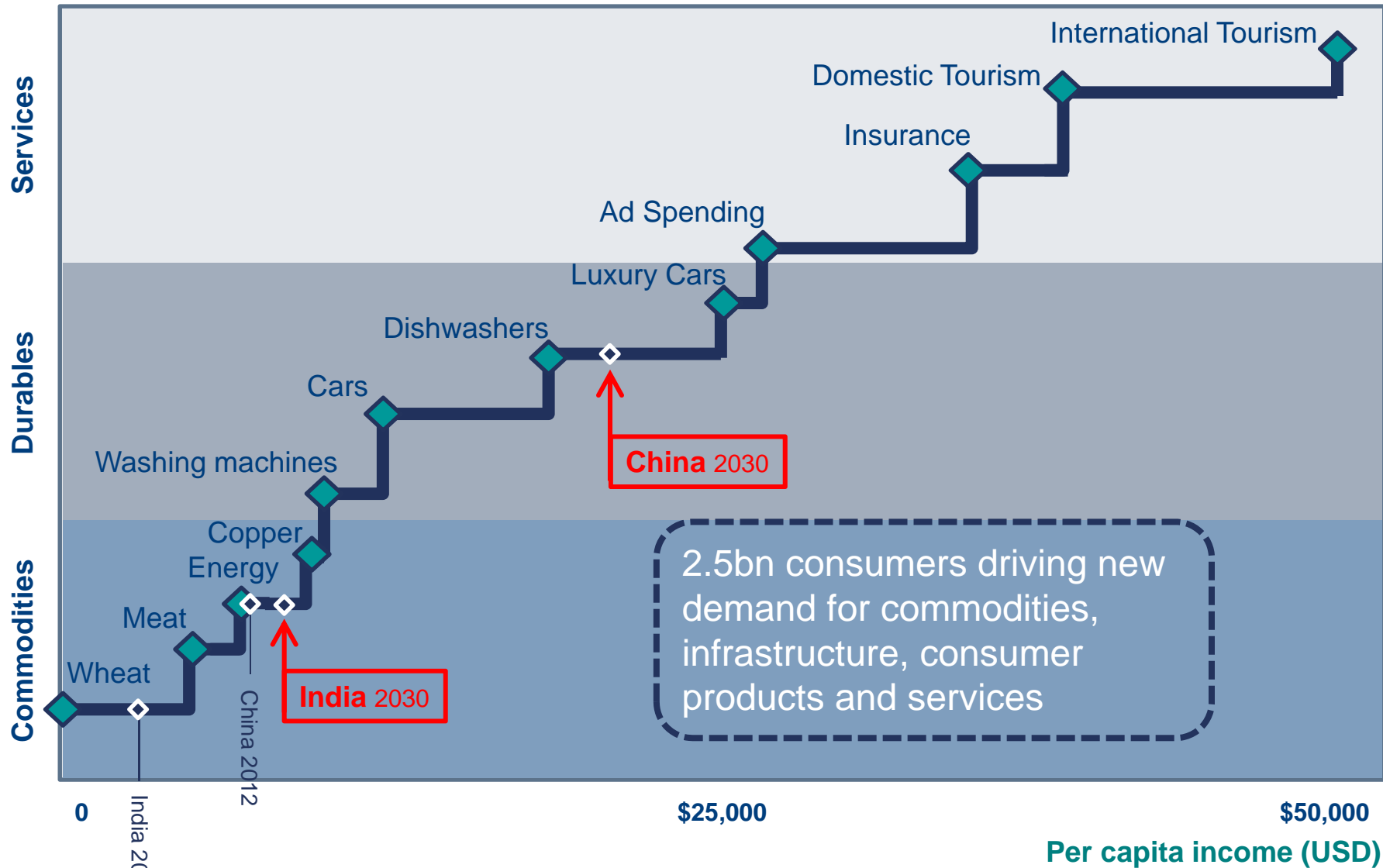
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Spending Patterns of Markets – The Future



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Major Emerging Countries

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China

- Population 1.3bn
- GDP per capita \$6,200

- ~9,000 employees
- Local managers
- 120 labs and offices
- 43 cities
- Since 1989
- All business lines
- Domestic market

India

- Population 1.2bn
- GDP per capita \$1,500

- ~1,800 employees
- Local managers
- 38 labs and offices
- 28 cities
- Since 1993
- 13 business lines

Intertek trusted and strongly placed to capture this growth

- Strong drivers
 - Energy infrastructure
 - Changing trade patterns
 - Technology and product development
 - Domestic consumers and new brands
 - Acquisitions
- Delivering structural growth

Appendix

2013 Full Year Results Presentation



Market Drivers in our Industries



Valued Quality. Delivered.



Adjusted EPS

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Valued Quality. Delivered.

£m @ actual exchange rates	2013	2012	
Adjusted operating profit	342.6	335.1	+2%
Net interest expense	(27.7)	(26.7)	
Profit before tax	314.9	308.4	
Tax 23.0% (26.0%)	(72.4)	(80.3)	
Profit after tax	242.5	228.1	
Non-controlling interest	(16.5)	(14.4)	
Net Profit	226.0	213.7	
FD Shares	163.1	162.9	
Earnings Per Share	138.6	131.2	+6%

Taxation



Valued Quality. Delivered.

£m @ actual exchange rates	2013	2012
Reported profit before tax	281.8	256.6
Reported tax	(64.8)	(68.4)
Reported profit after tax	217.0	188.2
Reported tax rate	23.0%	26.7%
Effective tax rate on adjusted operating profit	23.0%	26.0%

Operating Cash Flow

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Valued Quality. Delivered.

£m @ actual exchange rates	2013	2012	
Operating Profit before changes in working capital and provisions	414.9	389.9	
Changes in working capital	(36.3)	(57.3)	
Cash generated from operations	378.6	332.6	
Separately disclosed items – cash flow	15.5	12.8	
Adjusted cash generated from operations	394.1	345.4	+14%
<i>Working capital to sales</i>	<i>9.0%</i>	<i>8.0%</i>	

Free Cash Flow

Intertek

Valued Quality. Delivered.

£m @ actual exchange rates	2013	2012	
Adjusted cash generated from operations	394.1	345.4	+14%
Net interest	(26.9)	(24.2)	
Taxation	(80.9)	(72.6)	
Net capital expenditure	(140.2)	(113.3)	
Adjusted Free Cash Flow	146.1	135.3	+8%

Net Debt



Valued Quality. Delivered.

£m @ actual exchange rates	2013	2012
Borrowings	734.6	717.2
Cash	(116.4)	(166.5)
Net debt	618.2	550.7
<i>Pro forma net debt to EBITDA</i>	<i>1.4x</i>	<i>1.3x</i>

Liquidity Position



Valued Quality. Delivered.

£m @ actual exchange rates	2013	2012
Debt facilities	909.6	881.4
Borrowings	(734.6)	(717.2)
Undrawn committed borrowing facilities	175.0	164.2
Cash	116.4	166.5
Liquid funds	291.4	330.7

Average debt facility maturity of five years

Divisional Performance Summary

Intertek

Valued Quality. Delivered.

FY 2013

£m @ constant exchange rates	Revenue			Margin		
	FY 13	Change	Organic change	FY 13	Change	Organic change
Industry & Assurance	709.3	6.8%	4.2%	11.6%	0bps	(20)bps
Commodities	586.6	3.1%	2.1%	11.9%	(160)bps	(180)bps
Consumer Goods	381.3	8.9%	8.5%	32.7%	(20)bps	(50)bps
Commercial & Electrical	338.4	4.8%	4.8%	14.6%	(140)bps	(140)bps
Chemicals & Pharma	168.8	6.9%	2.0%	9.8%	(120)bps	(200)bps
Group Total	2,184.4	5.8%	4.3%	15.7%	(70)bps	(80)bps

Divisional Performance Summary

Intertek

Valued Quality. Delivered.

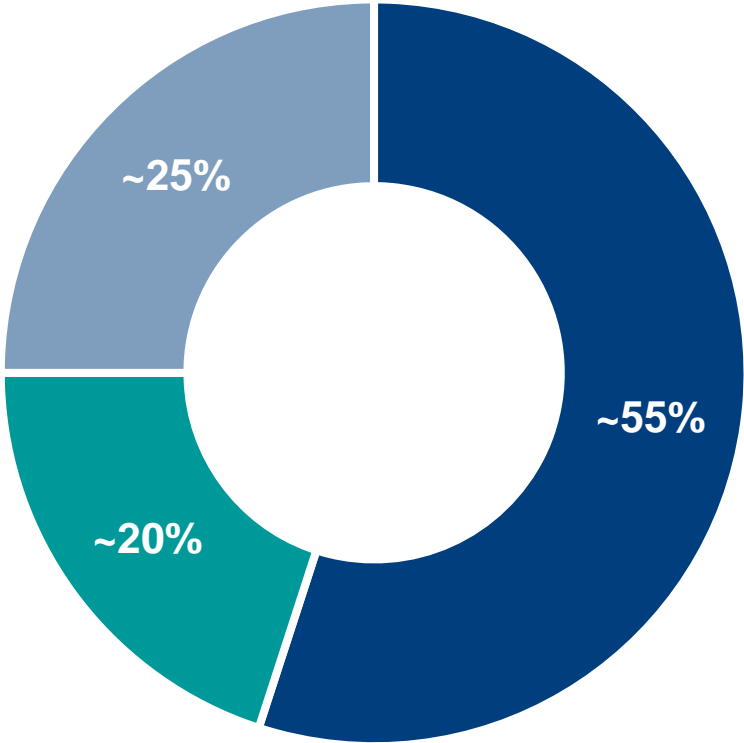
FY 2013

£m @ constant exchange rates	Organic Revenue Growth		
	H1	H2	FY
Industry & Assurance	8.5%	0.2%	4.2%
Commodities	3.8%	0.5%	2.1%
Consumer Goods	8.6%	8.3%	8.5%
Commercial & Electrical	3.9%	5.7%	4.8%
Chemicals & Pharma	5.6%	(1.2)%	2.0%
Group Total	6.3%	2.4%	4.3%

Currency Analysis - Revenue



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- USD, CNY & HKD
- GBP & EUR
- Other

Local currency to GBP	2013	2012
USD ↑ 2%	1.56	1.59
CNY ↑ 3%	9.68	10.01
EUR ↑ 4%	1.18	1.23
HKD ↑ 2%	12.12	12.31
AUD ↓ 6%	1.62	1.53