

2014 Full Year Results Presentation

2 March 2015

Wolfhart Hauser
Chief Executive Officer

Edward Leigh
Chief Financial Officer



Edward Leigh

Chief Financial Officer

Financial Performance

2014 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.

2 March 2015

- Good growth across most businesses and geographies
- Specific revenue headwinds
- Focus on cash management and profitability
- Dividend up 6.7%

Financial highlights

Intertek

Valued Quality. Delivered.

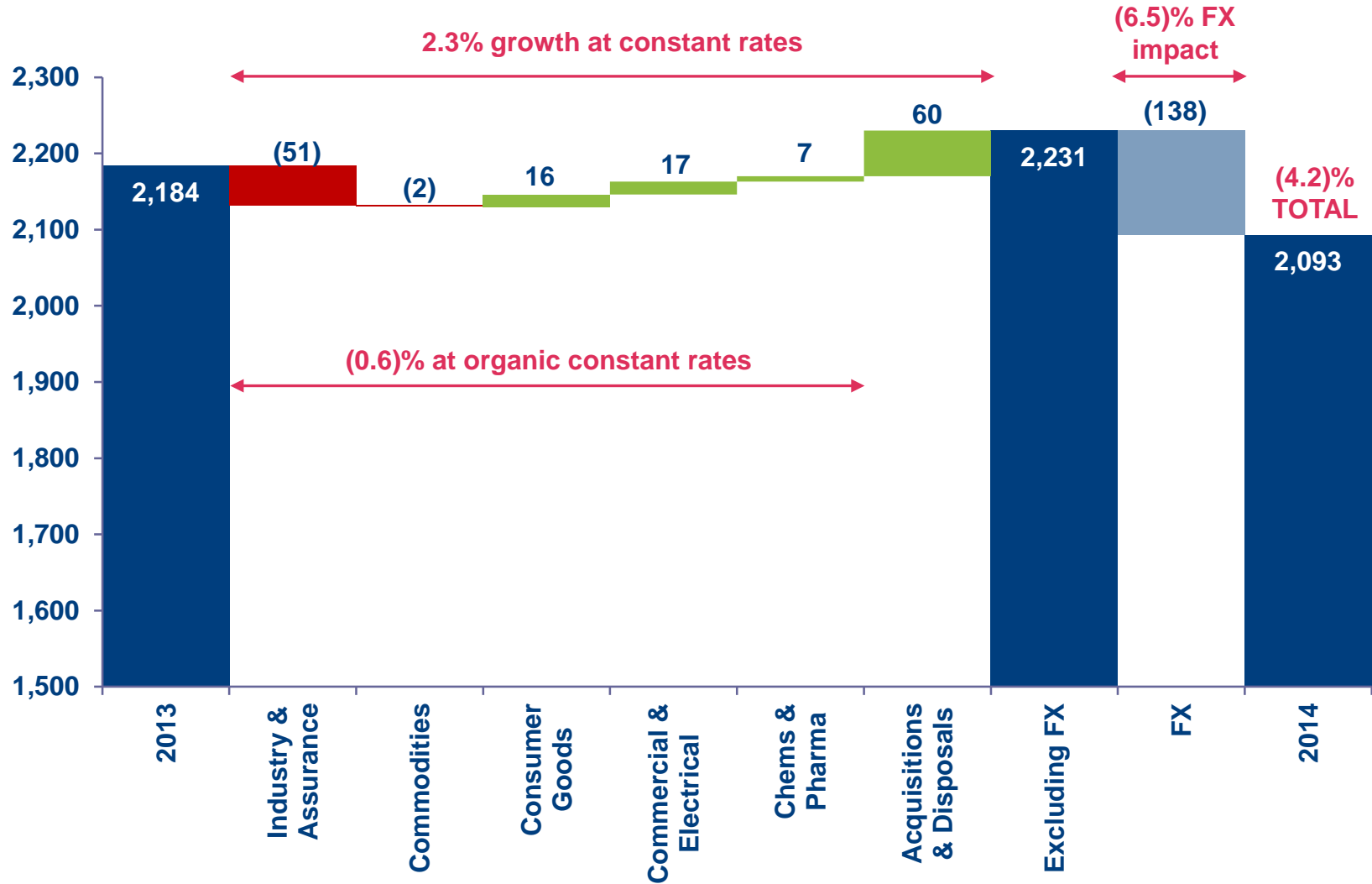
Revenue	£2,093m	+ 2.3% at constant (4.2)% at actual
Organic revenue at constant ⁽²⁾		(0.6)% + 1.4% excluding low-value contract exits
Operating profit ⁽¹⁾	£324m	+ 1.2% at constant (5.3)% at actual (1.4)% at constant organic ⁽²⁾
Operating profit margin ⁽¹⁾	15.5%	(20)bps at constant (20)bps at actual (10)bps at constant organic ⁽²⁾
Adjusted Diluted EPS ⁽¹⁾	132.1p	+ 2.6% at constant (4.7)% at actual
Adjusted cash generated from operations ⁽¹⁾	£404m	+ 2.4%
Free cash flow	£185m	+ 41.5%

Revenue year on year bridge



Valued Quality. Delivered.

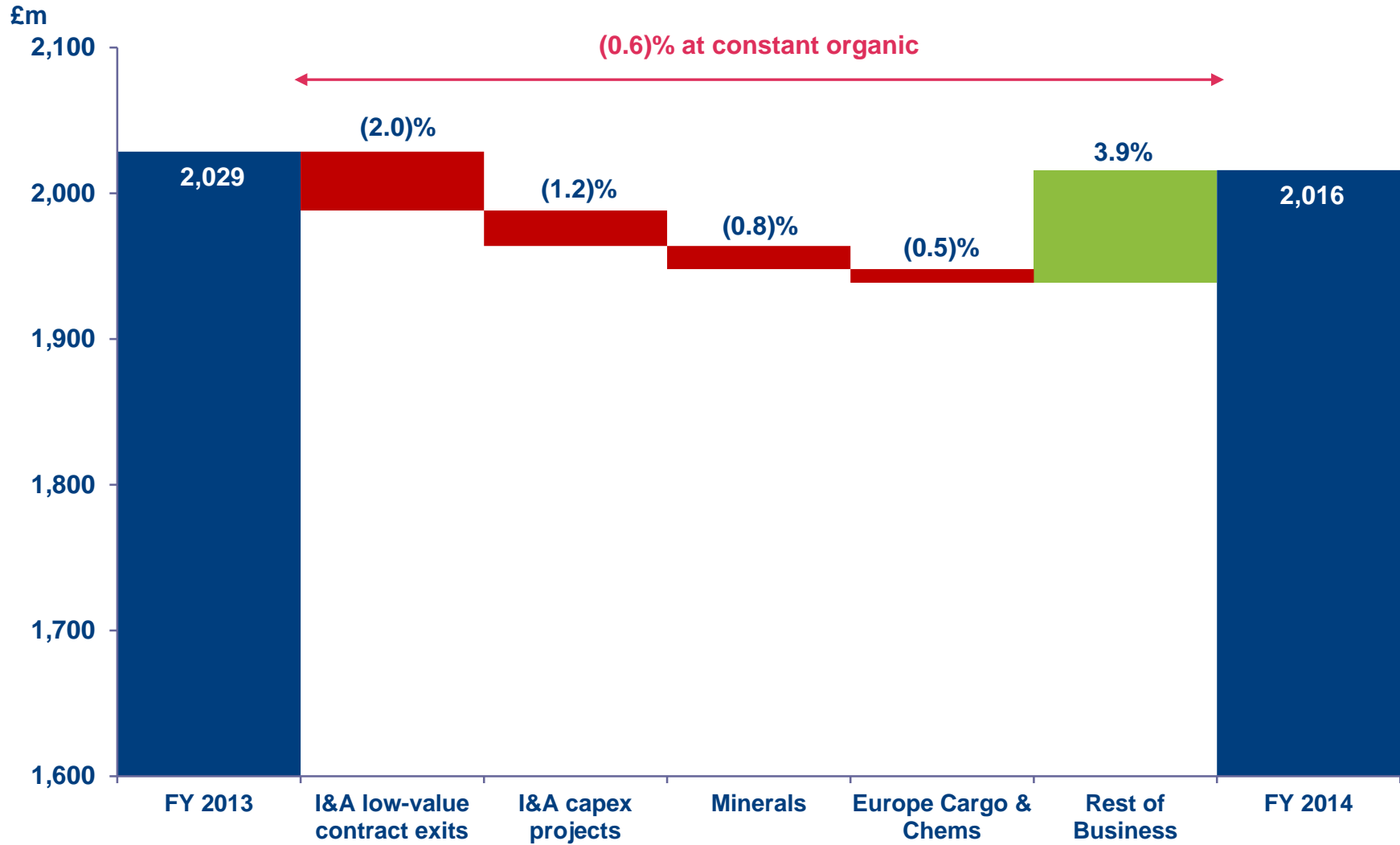
£m



Organic Revenue year on year bridge



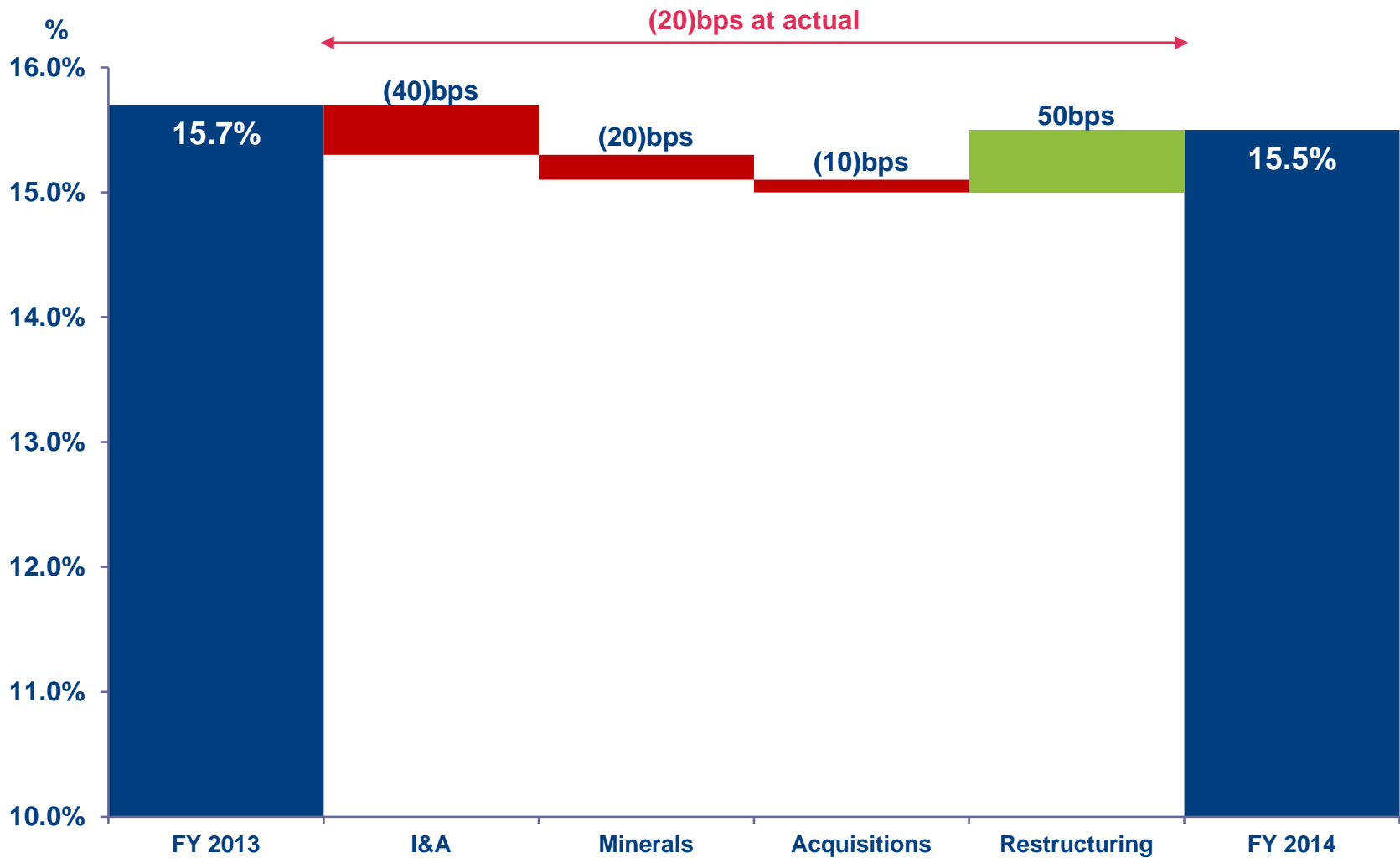
Valued Quality. Delivered.



Operating Margin bridge



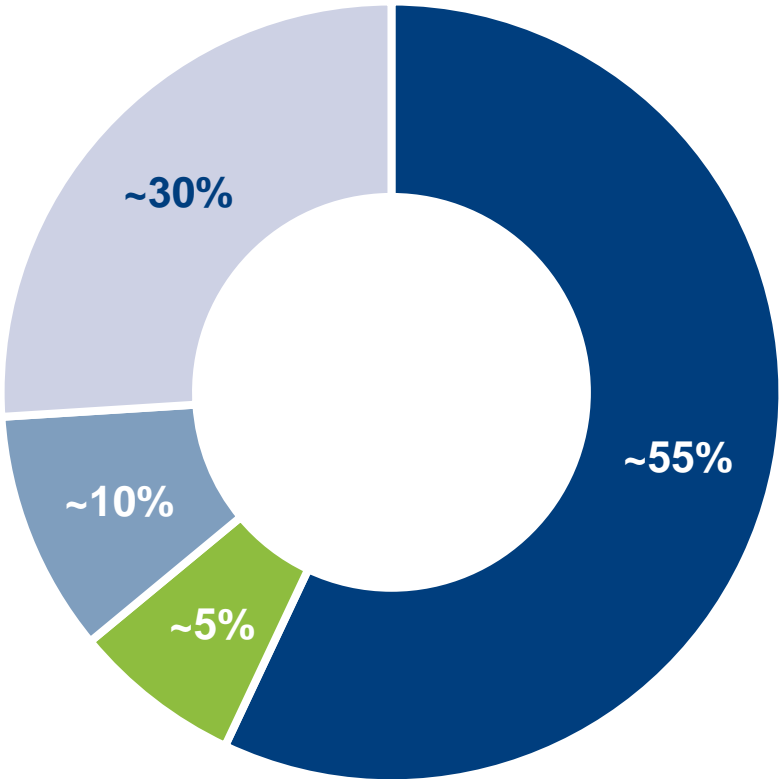
Valued Quality. Delivered.



Currency analysis: Revenue



Valued Quality. Delivered.



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

Local currency	to GBP	FY 2014	FY 2013
USD	↓ 5.8%	1.65	1.56
CNY	↓ 4.9%	10.15	9.68
EUR	↓ 5.1%	1.24	1.18
HKD	↓ 5.6%	12.80	12.12
AUD	↓ 13.0%	1.83	1.62
CAD	↓ 13.0%	1.82	1.61
BRE	↓ 14.9%	3.86	3.36
INR	↓ 9.5%	100.76	91.99
Group	↓ 6.5%		

Separately disclosed items



Valued Quality. Delivered.

£m @ actual exchange rates	2014	2013
Adjusted operating profit⁽¹⁾	324.4	342.6
Separately disclosed items:		
Amortisation of acquisition intangibles	(20.8)	(22.5)
Acquisition and disposal costs	(3.5)	(1.3)
Restructuring costs	(23.5)	(8.8)
Separately disclosed items sub-total	(47.8)	(32.6)
Statutory operating profit	276.6	310.0

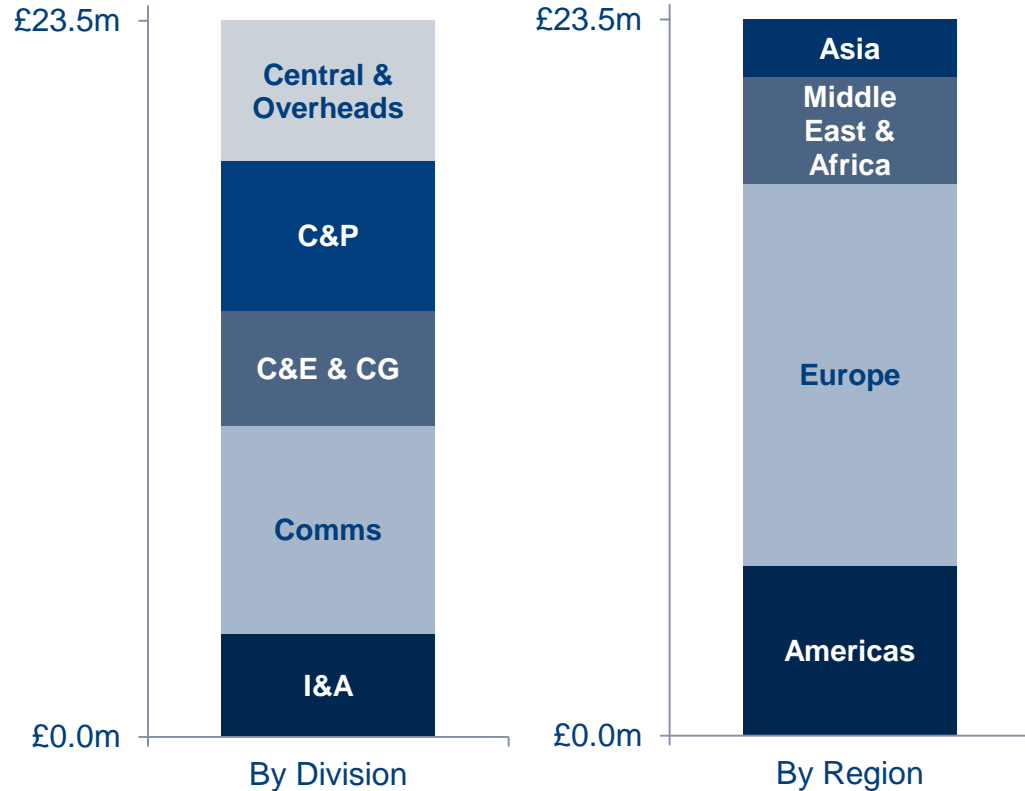
(1) Before separately disclosed items

Restructuring



Valued Quality. Delivered.

- Restructuring cost of £23.5m
 - 70% people related
 - Headcount reduction of 1,100
- Re-shaping the portfolio
 - Europe/USA: C&P and Cargo
 - Global: Industry Services
 - Minerals
 - Targeted businesses
- Streamlining structures
- Total charged £46.5m across 2012-2014
 - Margin protection of 100bps



2013	2014	2015	2016
10bps	50bps	20bps	20bps

£m @ actual exchange rates	2014	2013
Adjusted operating profit⁽¹⁾	324	343
Depreciation/amortisation	76	71
Working capital	(5)	(31)
Net capex	(109)	(140)
Other**	(101)	(112)
Free cash flow	185	131
Acquisitions*	(40)	(108)
Equity dividend	(76)	(69)
Movement in borrowings	(26)	35
Other***	(40)	(34)
Net increase/(decrease) in cash	3	(45)
Opening net cash	116	167
Effect of FX on cash held	1	(6)
Closing net cash	120	116

Cash Flow

- Free cash flow up 41%
- Capex £109m; 5.2% of revenue
- 3 acquisitions for £43m
- Dividend up 6.7%

Tax

- Adjusted tax rate of 24.0%, up 1.0% point

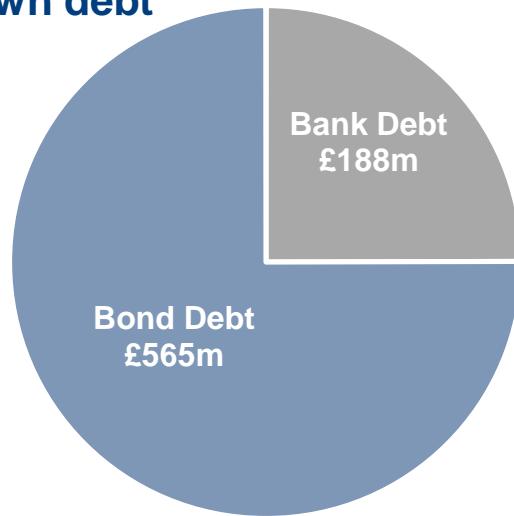
(1) Before separately disclosed items

* Total purchase price in 2014 £43m. Net of cash acquired £40m. Excludes £0.3m from prior year acquisitions

**Comprises: Exceptionals, Interest Paid/Received, Tax and Non-Cash Items

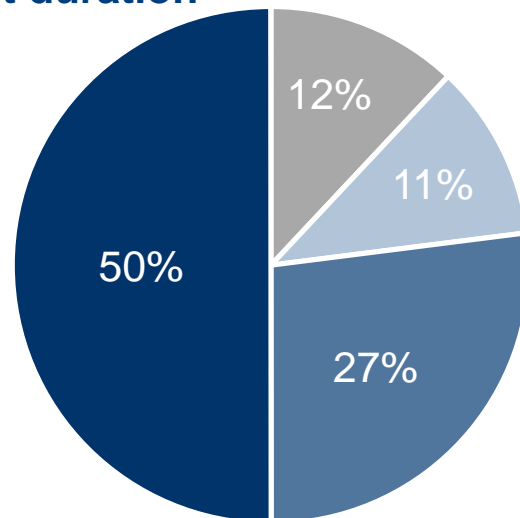
***Comprises: Purchase of own shares, tax paid on share awards, dividends paid to NCI, and purchase of minority/associate

Drawn debt



- \$110m bond debt
- Bank facility refinanced and expanded in July 2014
- Gross debt £753m; Cash £120m; Net debt £633m
- Strong maturity profile
- Pro forma net debt: EBITDA of 1.5x
- Net interest charge of £24m, down £3.5m

Debt duration



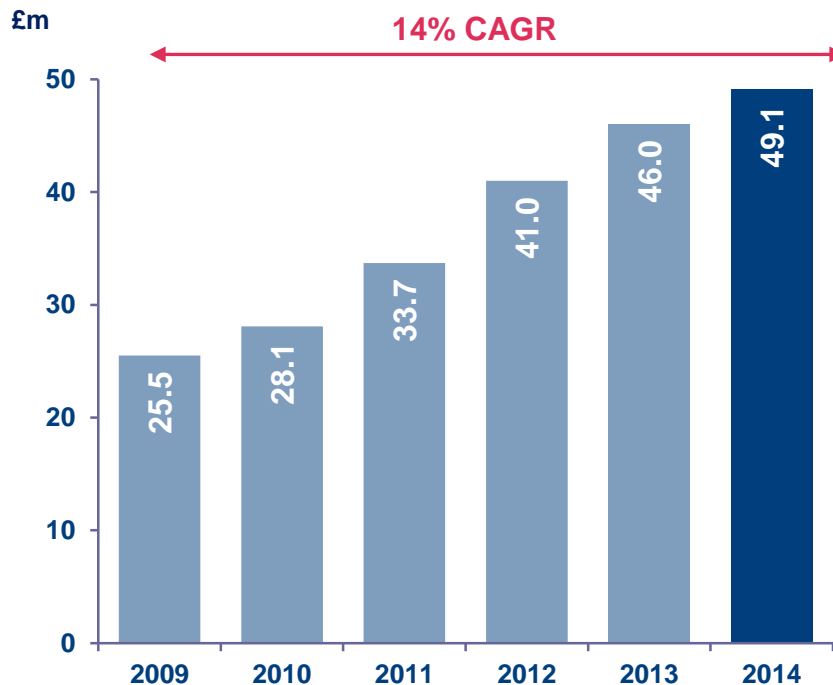
- Less than one year
- Between one and two years
- Between two and five years
- Greater than five years

Dividend Increased by 6.7%



Valued Quality. Delivered.

Full year dividend per share



- Full year dividend 49.1p, up 6.7%
- 2014 full year pay-out of £79m
- Reflects confidence in strong long-term structural growth
- Dividend cover of 2.7x on adjusted EPS

Key financial assumptions



Valued Quality. Delivered.

	2015 Assumptions
Interest charge	c£24-26m
Effective tax rate	24.5-25.5%
Minority interest	c£14-15m
Diluted shares (as at 31 December 2014)	162.1m
Capex as a percentage of revenue	~5-6%

Based on adjusted results, management estimates and FX rates as at 2 March 2015.

- Invest for growth
- Cost management and efficiency
- Margin development

Wolfhart Hauser

Chief Executive Officer

Operating Performance

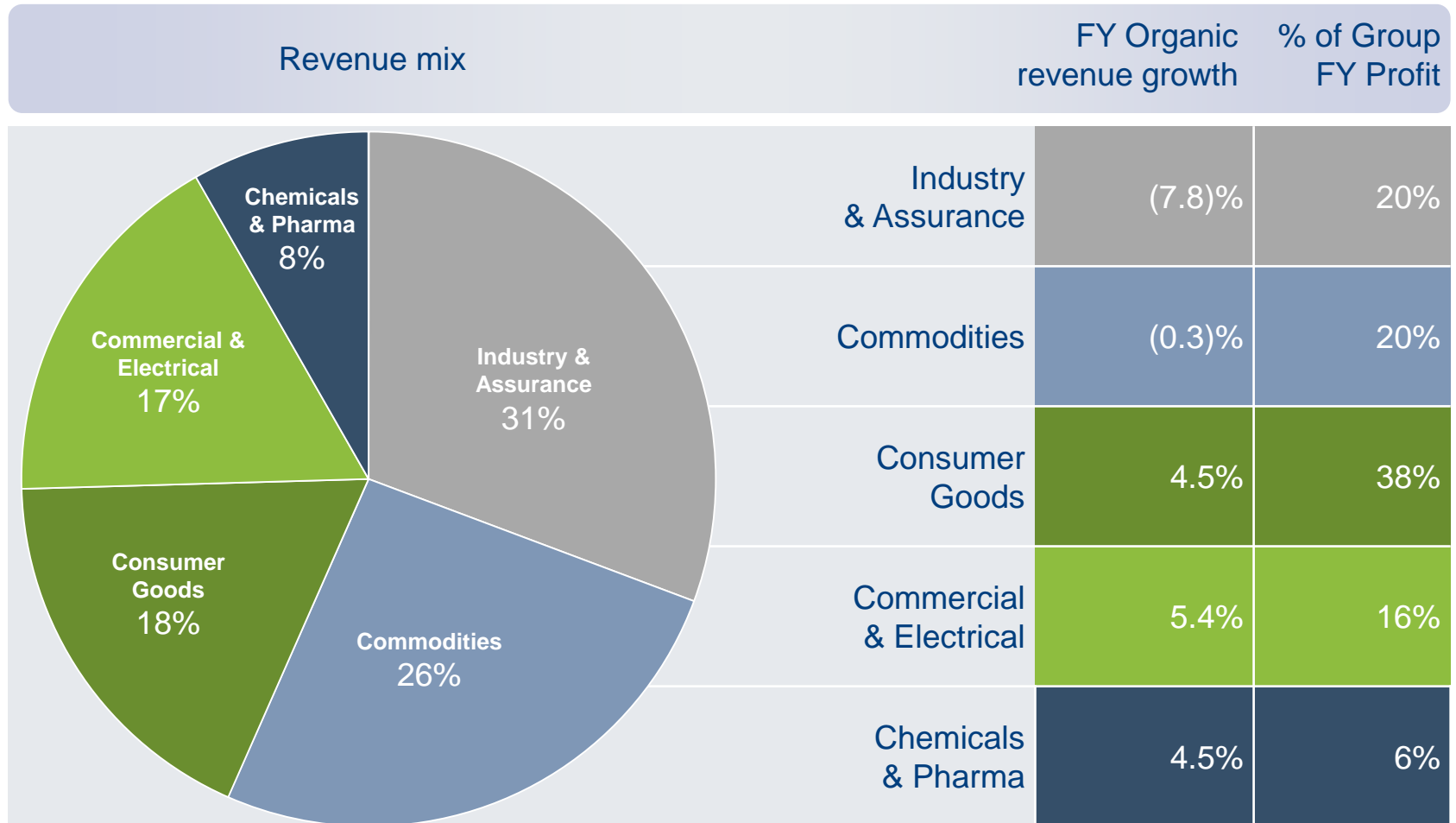
2014 Full Year Results Presentation



Divisional Overview – FY 2014

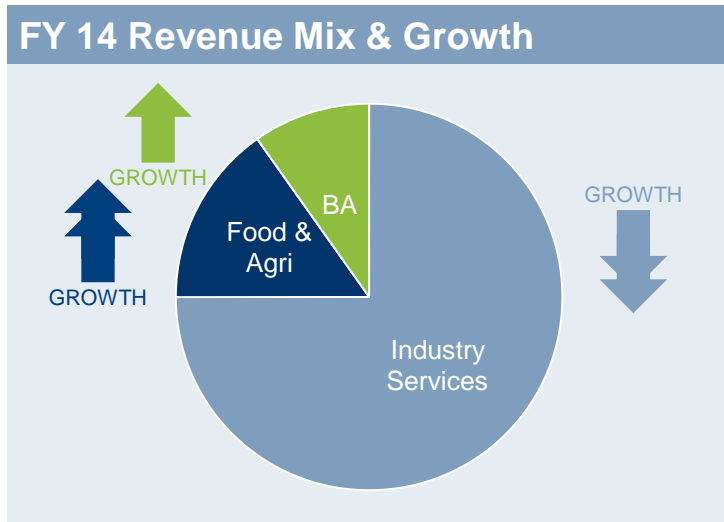


Valued Quality. Delivered.



FY 14 Performance			
£m @ constant exchange	FY 14	Change	Organic change
Revenue	642.9	(2.8)%	(7.8)%
Operating profit	64.5	(14.5)%	(17.7)%
Margin	10.0%	(140)bps	(130)bps

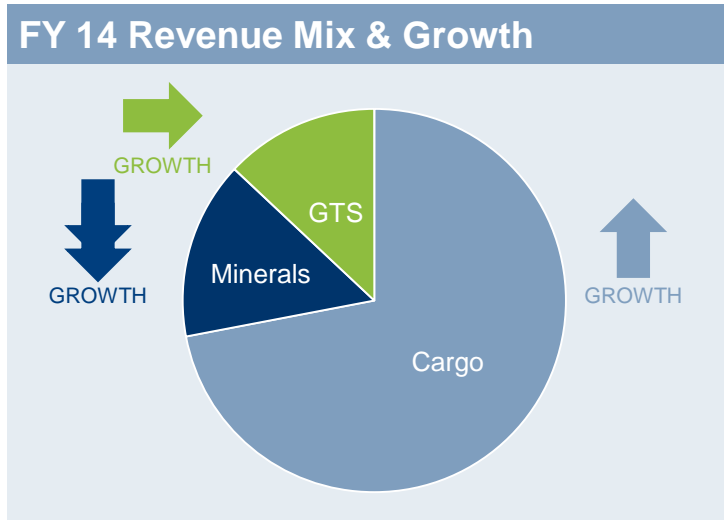
FY 14 Trading	
<ul style="list-style-type: none"> Industry Services: Technical Inspection (TI) down -9% on oil and gas capex. Growth in opex £40m low-value contracts exited Food & Agri: Strong growth in EU & Asia (Food) & Americas (Agri) Business Assurance (BA): Very good growth with large accounts Margin: Impacted by revenue declines in Technical Inspection 	



Outlook		Revenue
<ul style="list-style-type: none"> Industry Services: Ongoing lower oil and gas capex spend. Low-value contract exits complete HY15 Food & Agri; BA: Continuing very good growth 		2015
<ul style="list-style-type: none"> Rising demand for energy, diversification into other industries Continuing strong growth trends in BA, Food & Agri 		MID TERM

FY 14 Performance			
£m @ constant exchange	FY 14	Change	Organic change
Revenue	542.4	(0.5)%	(0.3)%
Operating profit	65.5	(0.2)%	(0.2)%
Margin	12.1%	10bps	0bps

FY 14 Trading
<ul style="list-style-type: none"> • Minerals: 15% decline, Indonesian trade bans • Cargo: Continuing growth, led by Asia and Middle East. Europe weak • Government Services (GTS): Good growth resumed in Q4 • Margin: Minerals down, offset by improvements from Cargo & GTS restructuring

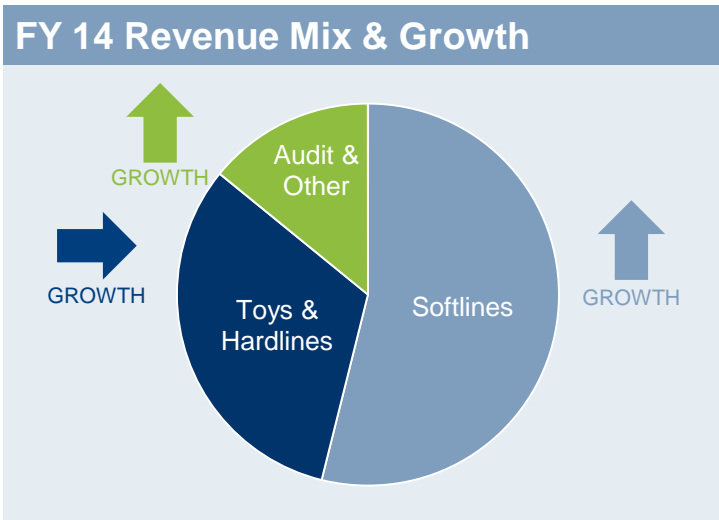


Outlook	Revenue
<ul style="list-style-type: none"> • Cargo: Solid growth, process optimisation • GTS: Better growth, new African opportunities • Minerals: Assume no recovery 	 2015
<ul style="list-style-type: none"> • Solid growth, driven by global and regional trade volumes • Improving margins • Minerals flat 	 MID TERM

Activity	Approx. % of Group Revenue ¹	Demand Drivers	Key Services
Oil & Gas Capex Industry & Assurance	13%	Capital Expenditure (Capex)	<ul style="list-style-type: none"> • Technical inspection • Technical staffing
Oil & Gas Opex Industry & Assurance	7%	Operational Expenditure (Opex)	<ul style="list-style-type: none"> • Asset integrity management • Non-destructive testing • Analytical testing related to E&P • Consulting & training
Oil & Gas Cargo Commodities	19%	Downstream trade flows (Volume)	<ul style="list-style-type: none"> • Cargo inspection • Cargo-related testing • Analytical testing related to downstream industries and trade

FY 14 Performance			
£m @ constant exchange	FY 14	Change	Organic change
Revenue	375.3	4.4%	4.5%
Operating profit	124.8	6.1%	6.7%
Margin	33.3%	60bps	60bps

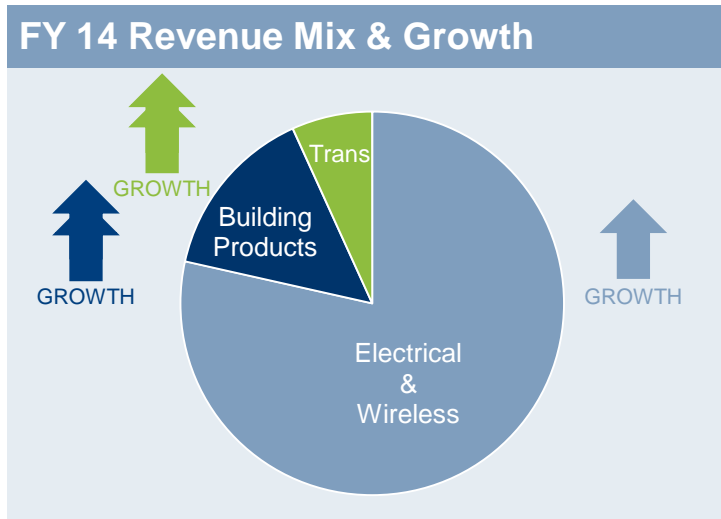
FY 14 Trading
<ul style="list-style-type: none"> • Softlines: Strong growth driven by retailer sourcing in emerging markets, fashion diversity, chemical testing • Toys & Hardlines: Flat after strong growth in prior year (EU regulation) • Margin: Benefit from Softlines performance and prior year investment completion



Outlook	Revenue
<ul style="list-style-type: none"> • Good growth continuing with a leading position in global market 	 2015
<ul style="list-style-type: none"> • Continued investment in new countries, capabilities • Emerging markets higher quality standards • Margin stable above 30% 	 MID TERM

FY 14 Performance			
£m @ constant exchange	FY 14	Change	Organic change
Revenue	359.6	13.9%	5.4%
Operating profit	51.0	10.4%	(1.3)%
Margin	14.2%	(40)bps	(100)bps

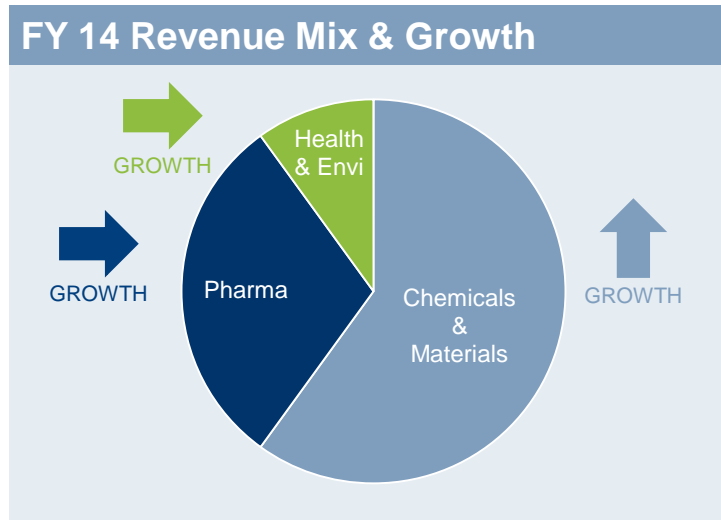
FY 14 Trading	
• Transport:	Very high growth, investments coming online
• Electrical:	Good growth, new designs & technologies
• Wireless:	Completion of 2-year high-margin app contract in March. Mobile device testing strong
• Building Products:	ATI 2013 acquisition well-integrated
• Margin:	Impact from Wireless contract and further investment in new technologies



Outlook	Revenue
<ul style="list-style-type: none"> • Good growth, Transport & Wireless strong • Margin improvement 	<p>2015</p>
<ul style="list-style-type: none"> • Strong growth in new technologies: Internet-enabled products, Mobile and Wireless • New Asian growth markets 	<p>MID TERM</p>

FY 14 Performance			
£m @ constant exchange	FY 14	Change	Organic change
Revenue	173.1	5.7%	4.5%
Operating profit	18.6	18.1%	11.6%
Margin	10.7%	110bps	70bps

FY 14 Trading
<ul style="list-style-type: none"> • Chemicals & Materials: EU weak, continued restructuring • Fuel and lubricants strong from new standards, engines and environmental concerns • Health & Beauty: China domestic lab accreditation • Pharma: US improved Q4 • Margin: Restructuring benefits

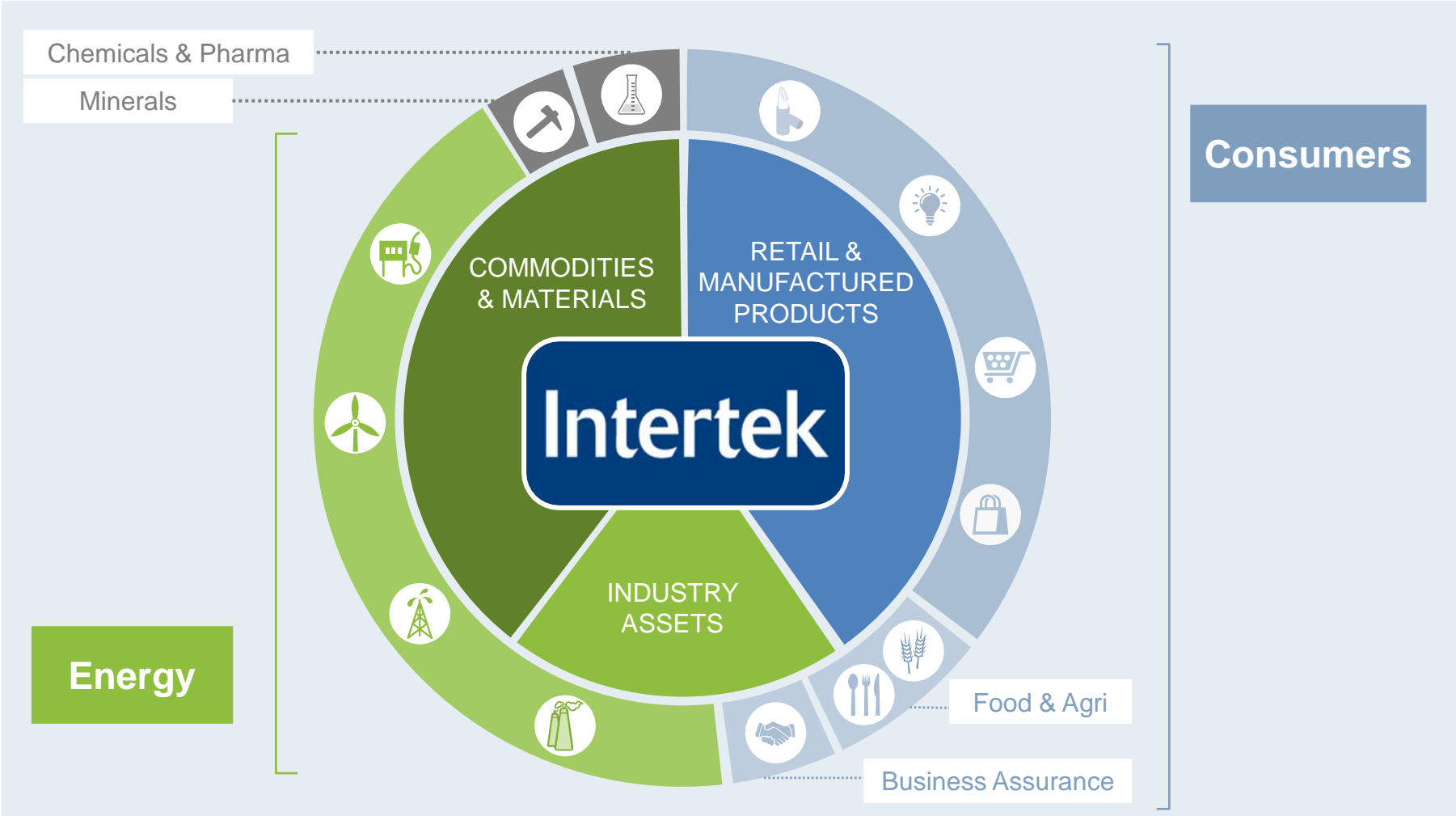


Outlook	Revenue
<ul style="list-style-type: none"> • Continued good growth • Restructuring benefit 	 2015
<ul style="list-style-type: none"> • Pharma growth from biologics, counterfeits • Health & Beauty brands increasing product variety and verifications for emerging and developed markets • Regulatory expansion 	 MID TERM

Our strategic portfolio



Valued Quality. Delivered.

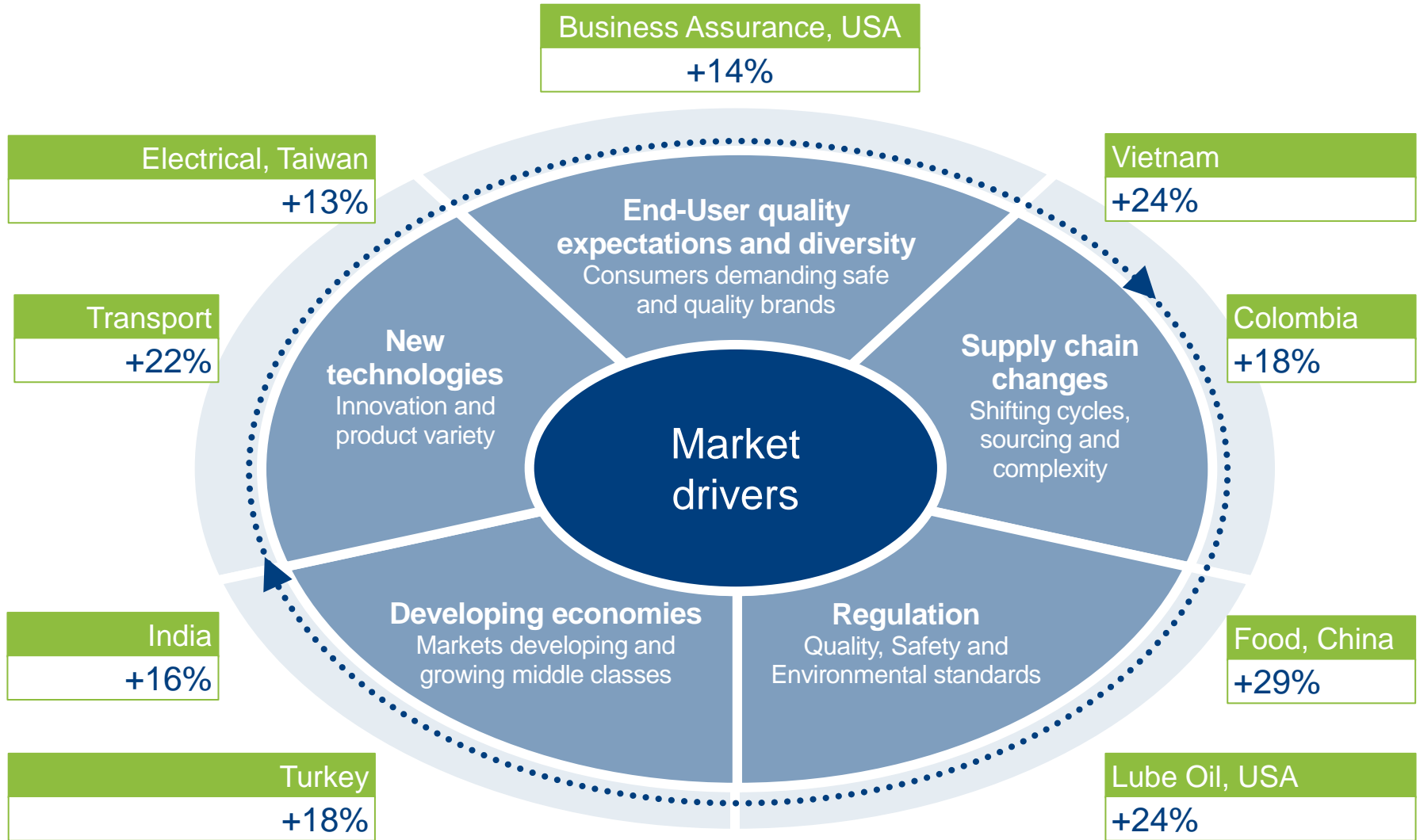


Market drivers in product industries

2014 Highlights



Valued Quality. Delivered.



2015

- Continuing good growth in product-related industries
- Capex spending in oil and gas sector uncertain
- Organic revenue growth rate to improve gradually during the year
- Broadly similar margin

Mid-term

- Quality demand will drive growth in product-related industries
- Re-balance of energy supply and demand
- Mid-single digits organic revenue growth, plus acquisitions
- Profitability leverage from stronger revenue growth

Our Growth Platform



Valued Quality. Delivered.



Appendix

2014 Full Year Results Presentation



Acquisitions 2013-14

Contributing 3% to 2014 revenue growth



Valued Quality. Delivered.

Toys & Hardlines

E-Test



Pharma

Melbourn Scientific



Building Products

ATI



10 acquisitions for £165m
Contributing 3% to revenue growth in 2014

QPS

ScanBi

SunWest Labs

Food Safety Assessment

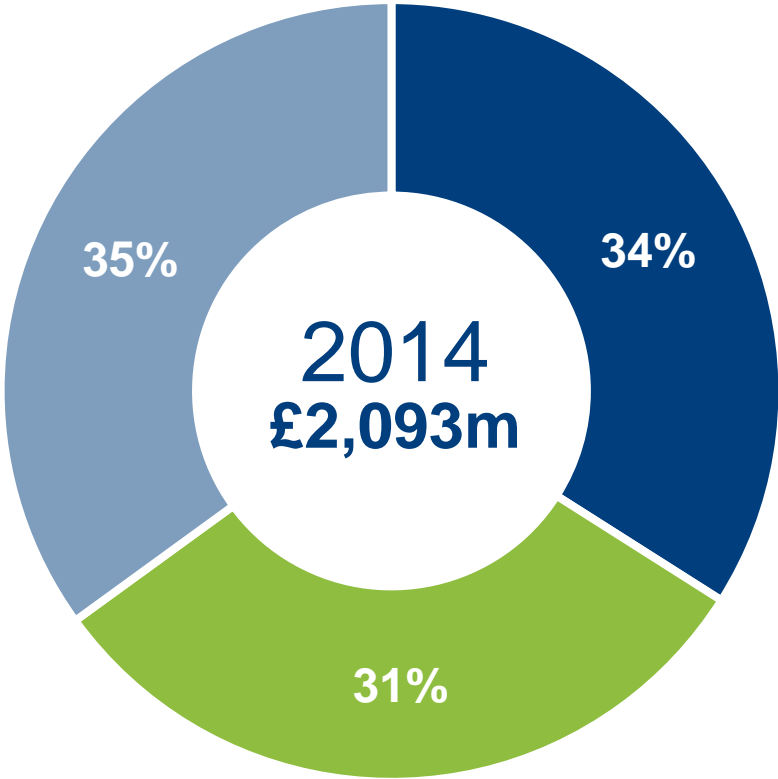


Food & Agri

GXT
INSPEC
AV Cape



Industry Services



Emerging markets make up **38%** of Group revenue

Americas
Asia

EMEA

£m @ actual exchange rates	2014	2013	
Adjusted operating profit	324.4	342.6	(5.3)%
Net interest expense	(24.2)	(27.7)	
Profit before tax	300.2	314.9	
Tax 24.0% (23.0%)	(72.0)	(72.4)	
Profit after tax	228.2	242.5	
Non-controlling interest	(14.1)	(16.5)	
Net Profit	214.1	226.0	
FD Shares	162.1	163.1	
Earnings Per Share	132.1	138.6	(4.7)%

£m @ actual exchange rates	2014	2013
Reported profit before tax	252.2	281.8
Reported tax	(61.8)	(64.8)
Reported profit after tax	190.4	217.0
Reported tax rate	24.5%	23.0%
Effective tax rate on adjusted operating profit	24.0%	23.0%

Operating Cash Flow



Valued Quality. Delivered.

£m @ actual exchange rates	2014	2013	
Cash generated from operations	386.8	378.6	
Separately disclosed items – cash flow	16.9	15.5	
Adjusted cash generated from operations	403.7	394.1	+ 2.4%

£m @ actual exchange rates	2014	2013	
Adjusted operating profit ⁽¹⁾	324.4	342.6	(5.3%)
Depreciation/amortisation	76.3	70.9	
Working capital	(5.0)	(30.9)	
Net capex	(108.5)	(140.2)	
Other*	(102.4)	(111.8)	
Free Cash Flow	184.8	130.6	+ 41.5%

(1) Before separately disclosed items

*Comprises: SDIs, Interest Paid/Received, Tax and Non-Cash Items

£m @ actual exchange rates	2014	2013
Borrowings	753.0	734.6
Cash	(119.5)	(116.4)
Net debt	633.5	618.2
<i>Pro forma net debt: EBITDA</i>	<i>1.5x</i>	<i>1.4x</i>

£m @ actual exchange rates	2014	2013
Debt facilities	1,144.5	909.6
Borrowings	(753.0)	(734.6)
Undrawn committed borrowing facilities	391.5	175.0
Cash	119.5	116.4
Liquid funds	511.0	291.4

50% of the debt facility has a maturity profile of greater than five years

Divisional Performance Summary



Valued Quality. Delivered.

FY 2014

£m @ constant exchange rates	Revenue			Margin		
	FY 14	Change	Organic change	FY 14	Change	Organic change
Industry & Assurance	642.9	(2.8)%	(7.8)%	10.0%	(140)bps	(130)bps
Commodities	542.4	(0.5)%	(0.3)%	12.1%	10bps	0bps
Consumer Goods	375.3	4.4%	4.5%	33.3%	60bps	60bps
Commercial & Electrical	359.6	13.9%	5.4%	14.2%	(40)bps	(100)bps
Chemicals & Pharma	173.1	5.7%	4.5%	10.7%	110bps	70bps
Group Total	2,093.3	2.3%	(0.6)%	15.5%	(20)bps	(10)bps

Divisional Performance Summary



Valued Quality. Delivered.

FY 2014

£m @ constant exchange rates	Organic Revenue Growth		
	H1	H2	FY
Industry & Assurance	(6.7)%	(9.0)%	(7.8)%
Commodities	(1.6)%	0.9%	(0.3)%
Consumer Goods	5.0%	4.0%	4.5%
Commercial & Electrical	6.3%	4.6%	5.4%
Chemicals & Pharma	4.5%	4.4%	4.5%
Group Total	(0.5)%	(0.8)%	(0.6)%