

# 2014 Half Year Results Presentation

4 August 2014

**Wolfhart Hauser**  
Chief Executive Officer

**Lloyd Pitchford**  
Chief Financial Officer



# Lloyd Pitchford

# Chief Financial Officer

## Financial Performance

2014 Half 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.

4 August 2014

- Revenue headwinds in some businesses
- Good growth in remaining portfolio
- Focus on profit and cash
- Currency impact
- Improving second half and into 2015
- Strong acquisition contribution and pipeline

# Financial Highlights



Valued Quality. Delivered.

## For the six months to 30 June 2014

Revenue	£1,024m	<b>+ 2.9% at constant</b> - 5.6% at actual - 0.5% at constant organic <sup>(2)</sup>
Operating profit <sup>(1)</sup>	£152m	<b>+ 5.1% at constant</b> - 3.8% at actual + 0.8% at constant organic <sup>(2)</sup>
Operating profit margin <sup>(1)</sup>	14.9%	<b>+ 30bps at constant</b> + 30bps at actual + 20bps at constant organic <sup>(2)</sup>
Adjusted Diluted EPS <sup>(1)</sup>	61.2p	<b>+ 8.6% at constant</b> - 1.1% at actual
Adjusted cash generated from operations <sup>(1)</sup>	£148m	+ 20%

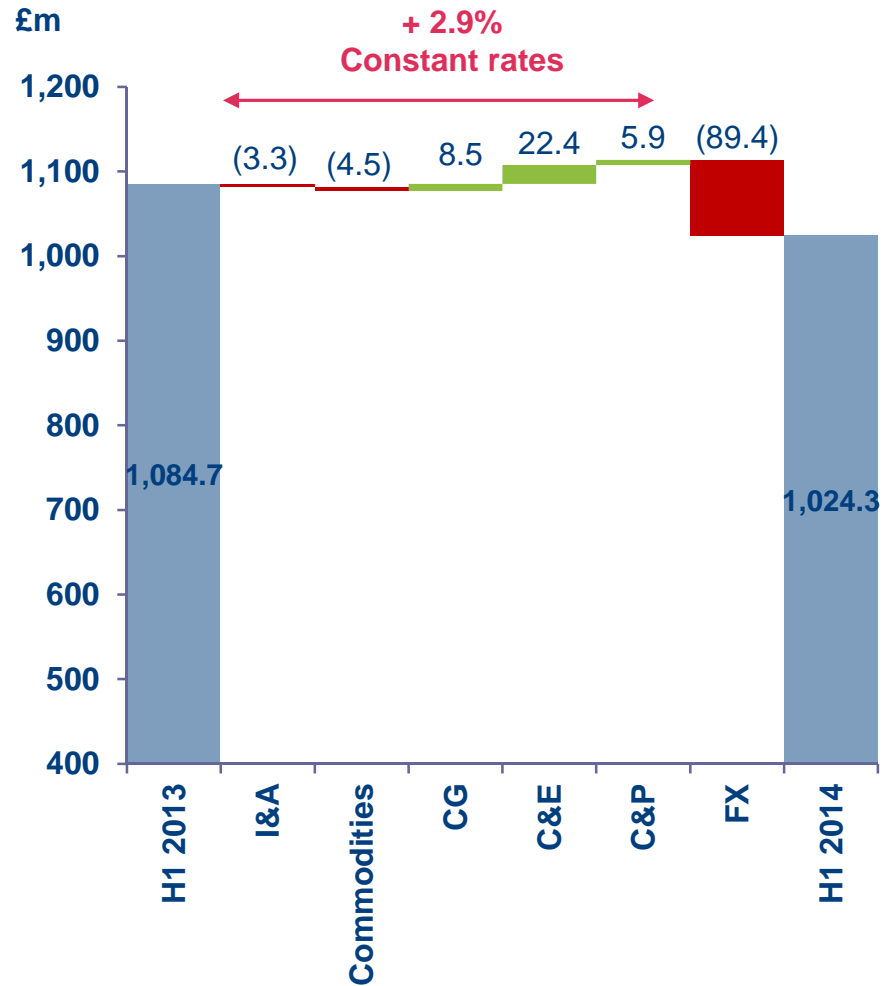
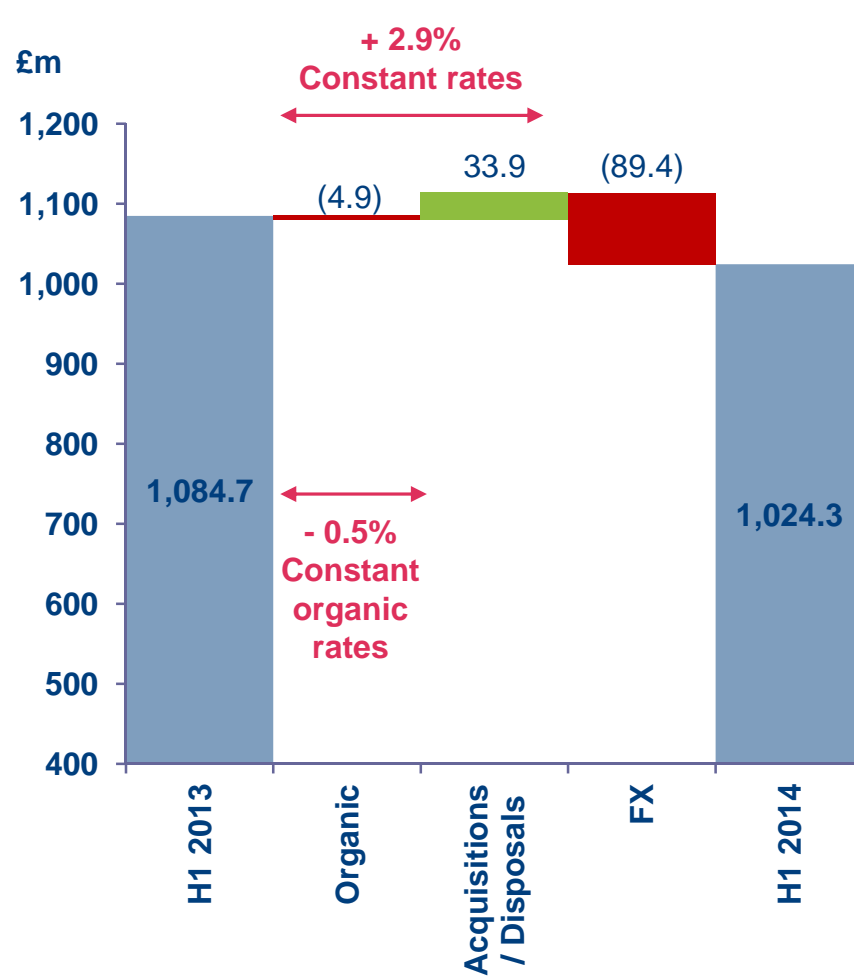
(1) Before separately disclosed items

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

# H1 Revenue Growth



Valued Quality. Delivered.

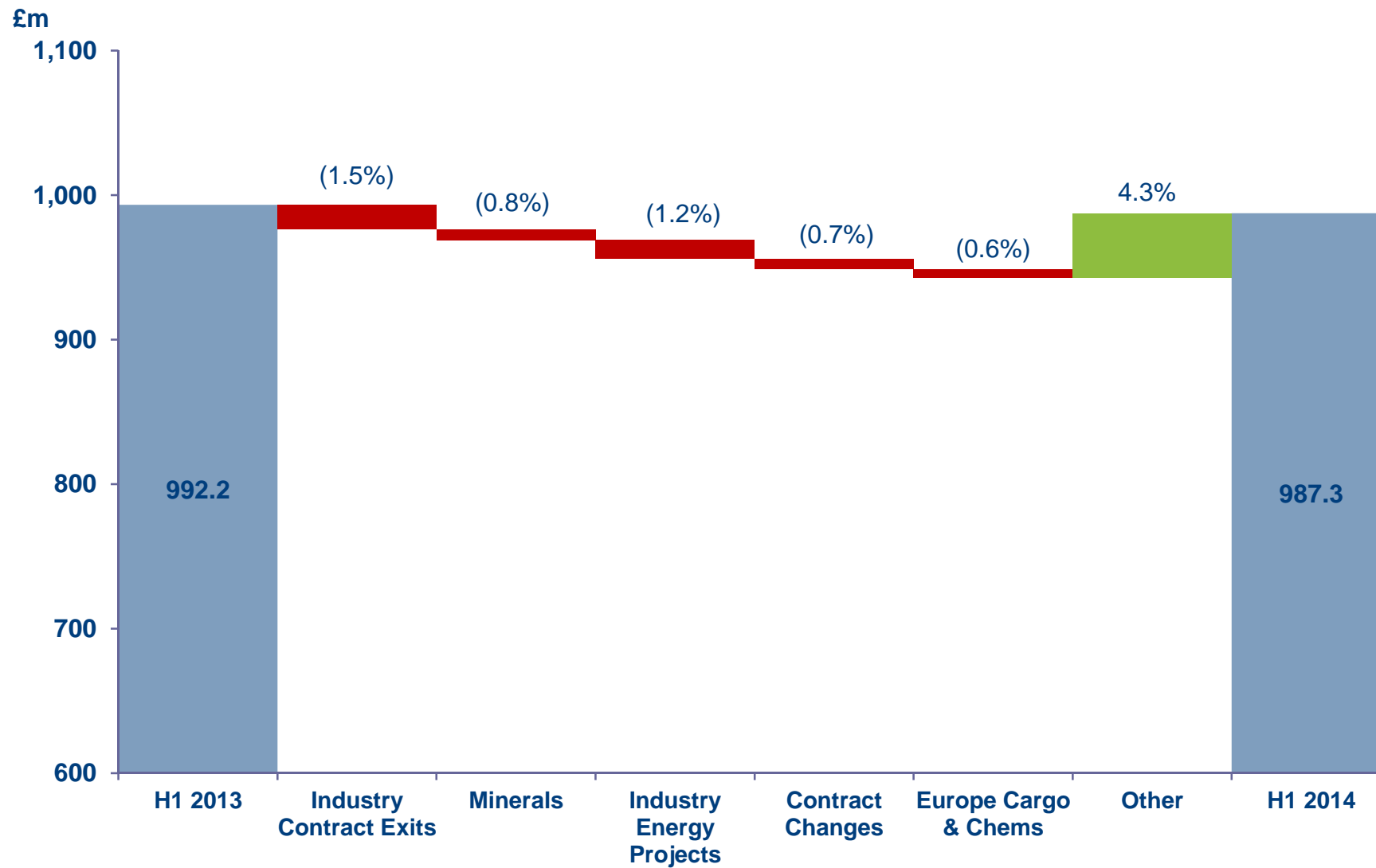


H1 2014 revenue of £1,024.3m is made up of £987.3 organic revenue and £37m from acquisitions and disposals. H1 2013 revenue of £1,084.7m is made up of £1,081.3 organic revenue and £3.4m from acquisitions and disposals.

# Organic Revenue Growth -0.5%

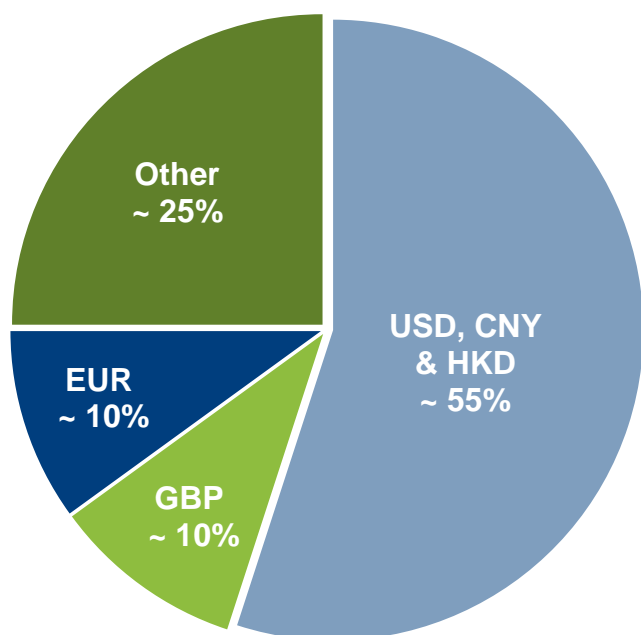


Valued Quality. Delivered.



# Currency Analysis

## Revenue By Currency



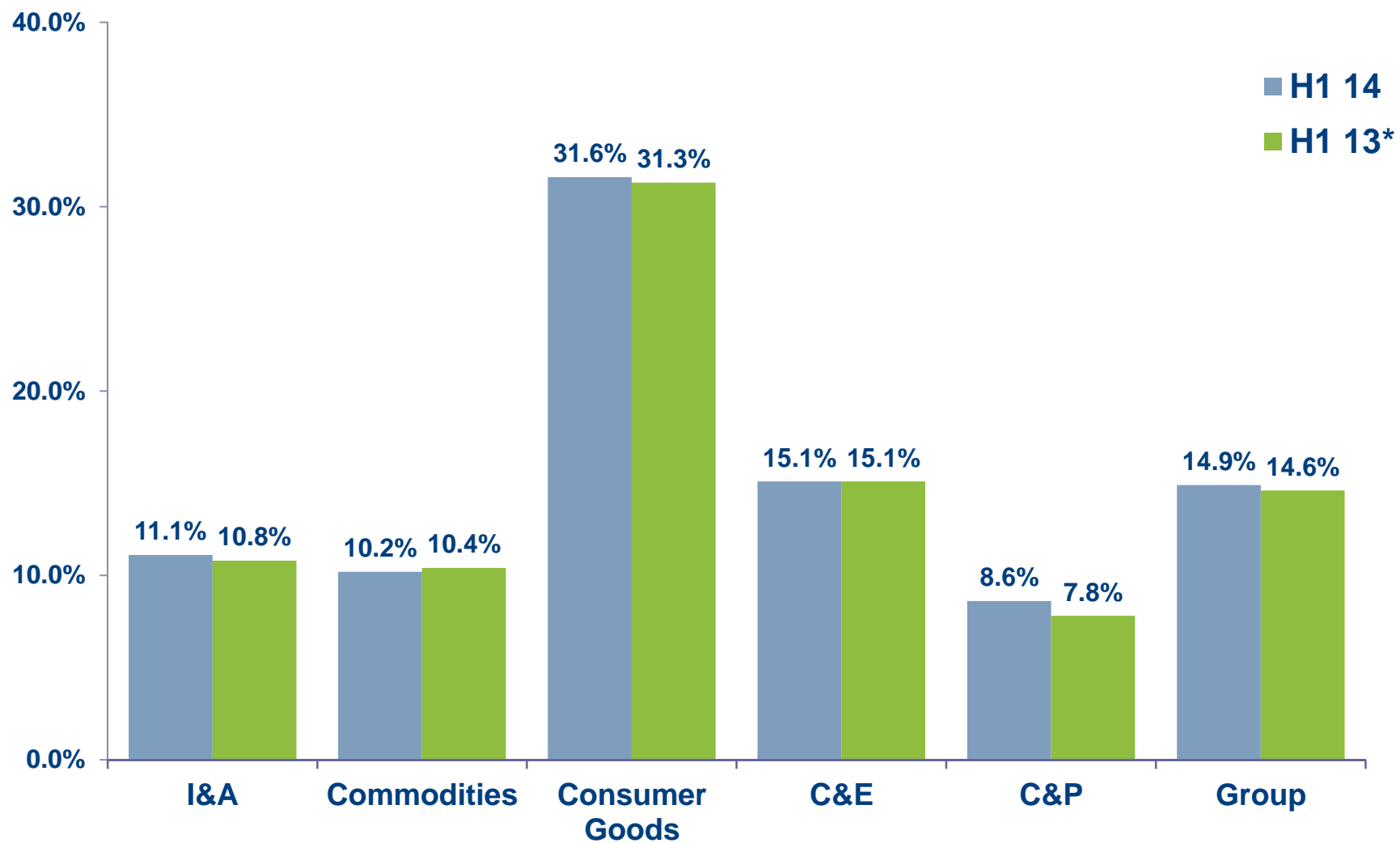
Local currency to GBP		H1 2014	H1 2013	H2 2013	FY 2013
USD	↓ -7.8%	1.67	1.54	1.59	1.56
CNY	↓ -6.1%	10.25	9.62	9.79	9.68
EUR	↓ -3.3%	1.22	1.18	1.18	1.18
HKD	↓ -7.7%	12.94	11.94	12.36	12.12
AUD	↓ -16.9%	1.83	1.52	1.74	1.62
CAD	↓ -14.2%	1.83	1.57	1.67	1.61
BRE	↓ -18.5%	3.84	3.13	3.63	3.36
INR	↓ -16.6%	101.70	84.83	99.90	91.99
<b>Group</b>	<b>↓ -8%</b>				



# Divisional Operating Margin



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\*H1 13 at constant exchange rates

# Operating Profit & Separately Disclosed Items



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£m @ actual exchange rates	H1 2014	H1 2013	
<b>Adjusted operating profit <sup>(1)</sup></b>	<b>152.3</b>	<b>158.3</b>	<b>(3.8)%</b>
<b>Separately disclosed items:</b>			
Amortisation of acquisition intangibles	(10.3)	(12.7)	
Acquisition and Project Costs	(1.1)	(0.8)	
Restructuring costs	(9.7)	(4.1)	
Profit on disposal	-	0.2	
<b>Statutory operating profit</b>	<b>131.2</b>	<b>140.9</b>	<b>(6.9)%</b>

# Cash Flow, Tax & Investment



Valued Quality. Delivered.

## Adjusted Cash Generated from Operations

H1	2011	2012	2013	2014
Cash from Operations £m	91.1	118.1	123.7	148.2
% Change	-	29.6%	4.7%	19.8%

## Cash Conversion\*

H1	2011	2012	2013	2014
Cash Conversion	56%	61%	61%	77%

## Cash Holding

H1	2011	2012	2013	2014
Cash Holding £m	171.8	160.2	123.8	100.5

- Strong focus on cash management
- Adjusted cash from ops up 20%
- Adjusted effective tax rate 24.5%
- Capex £52.1m; 5.1% of revenue
- £40m acquisition spend
- Strong pipeline

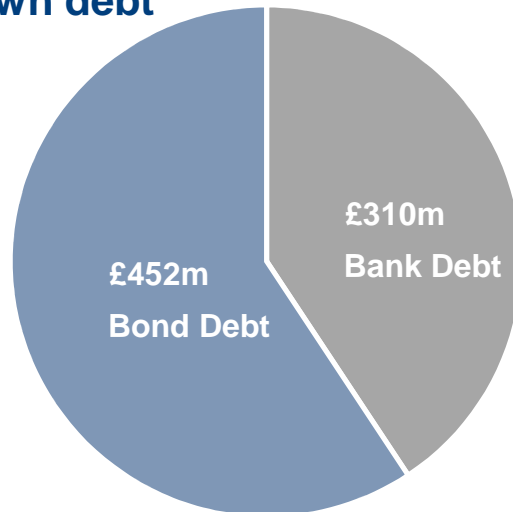
\* Cash from operations / EBITDA post SDIs

# Financing



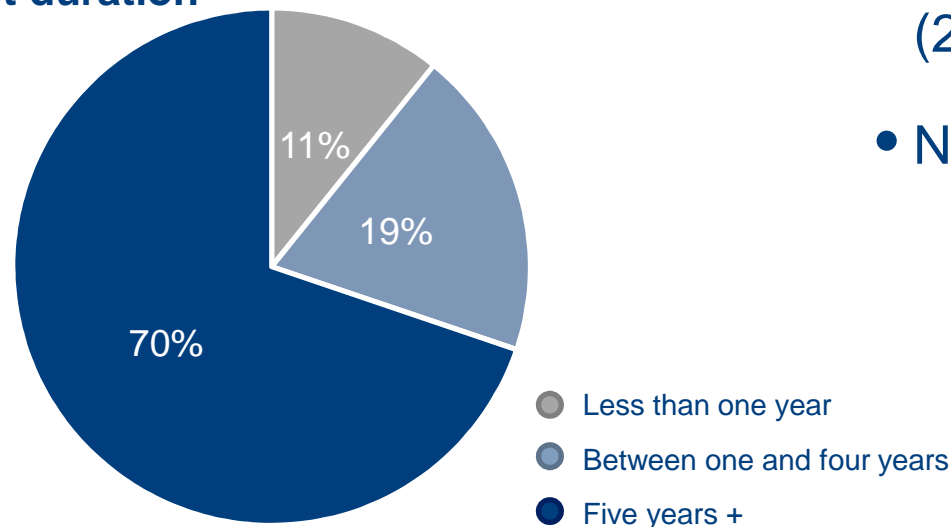
Valued Quality. Delivered.

## Drawn debt



- \$110m new bond debt
- Bank facility refinanced and expanded
- Strong maturity profile
- Interest charge H1 2014 £11.4m (2013: £13.0m)
- Net debt EBITDA of 1.6

## Debt duration<sup>(1)</sup>



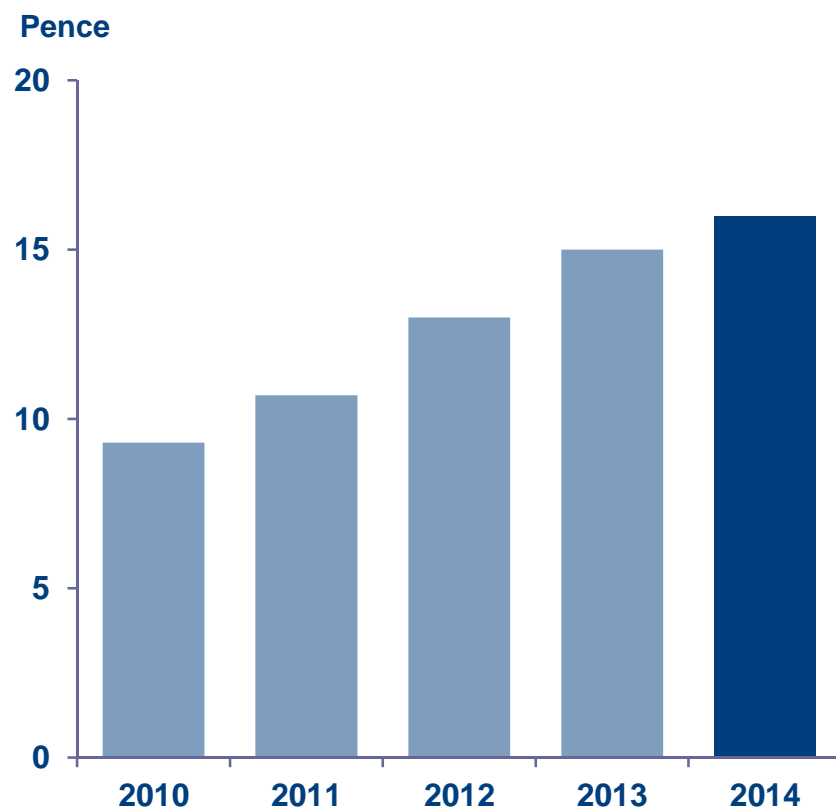
(1) Post refinancing of bank facility in July 2014

## Interim dividend increased by 6.7%



Valued Quality. Delivered.

### Interim Dividend Per Share



- Interim dividend of 16.0p, up 6.7%
- Interim pay-out of £26.0m
- Reflects good underlying earnings progression



Valued Quality. Delivered.

# Wolfhart Hauser Chief Executive Officer

## Operating Performance

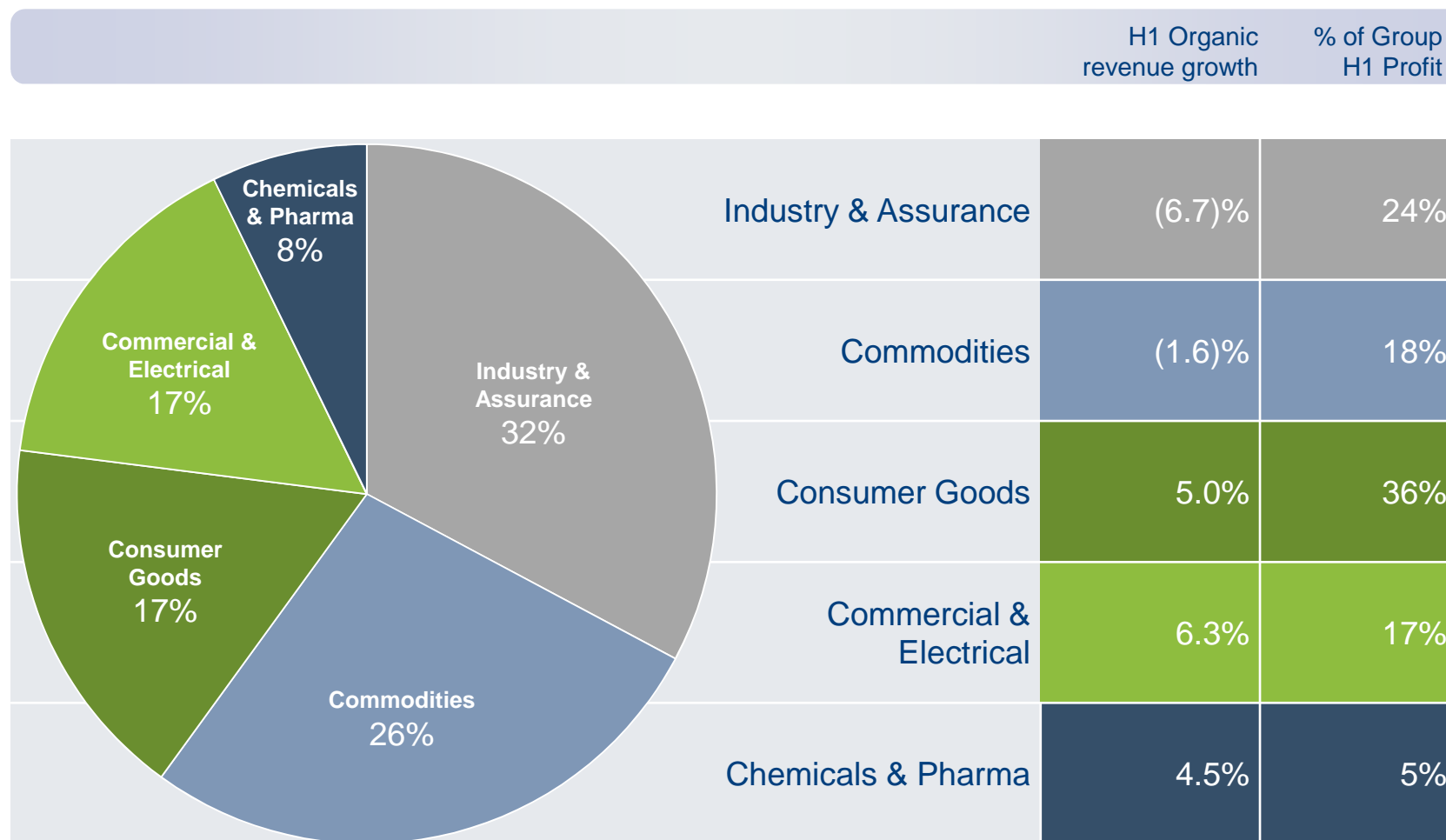
2014 Half Year Results Presentation



# Divisional Overview – H1 2014

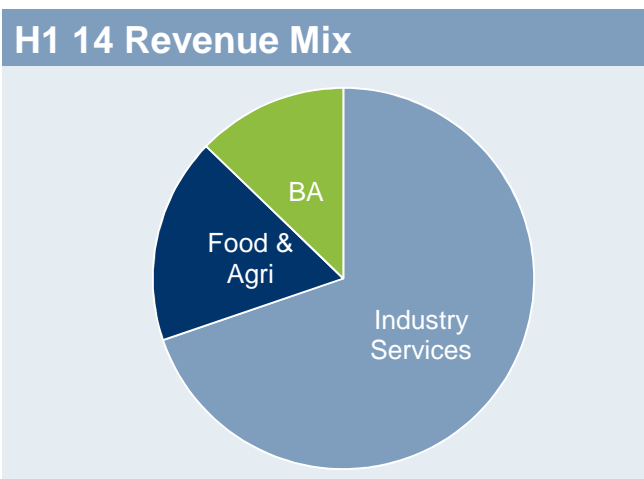


Valued Quality. Delivered.



H1 14 Performance			
£m @ constant exchange	H1 14	Change	Organic change
Revenue	325.3	(1.0)%	(6.7)%
Operating profit	36.1	2.0%	(5.4)%
Margin	11.1%	30bps	10bps

- ### H1 14 Trading
- **Industry Services:** Revenue down on low-margin contract exits, capital project phasing delays
  - £15m low-margin contracts exited YTD
  - **Food & Agri:** Strong Agri trade flows and customer demand in Asia & Latin America
  - **Business Assurance (BA):** Strong growth with Western brands on global quality systems; Market expansion Mexico, India

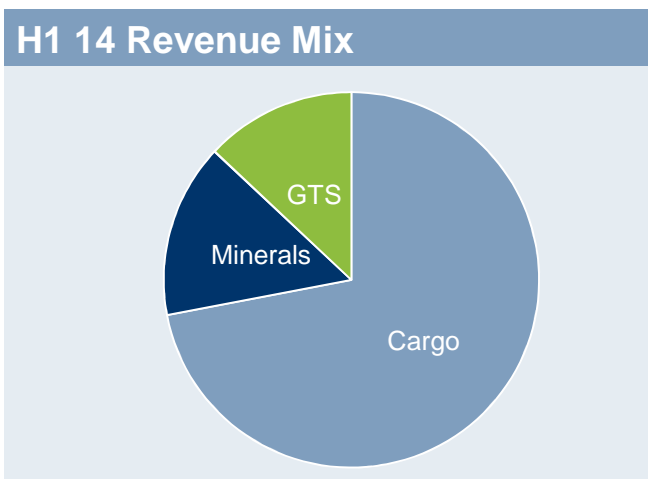


- ### Outlook
- **Industry Services:** H2 improvement in Tech Inspection
  - **Food & Agri:** High demand for complex analytical food services
  - **Business Assurance:** Customer base growing in developing markets



H1 14 Performance			
£m @ constant exchange	H1 14	Change	Organic change
Revenue	262.8	(1.7)%	(1.6)%
Operating profit	26.8	(3.2)%	(3.9)%
Margin	10.2%	(20)bps	(20)bps

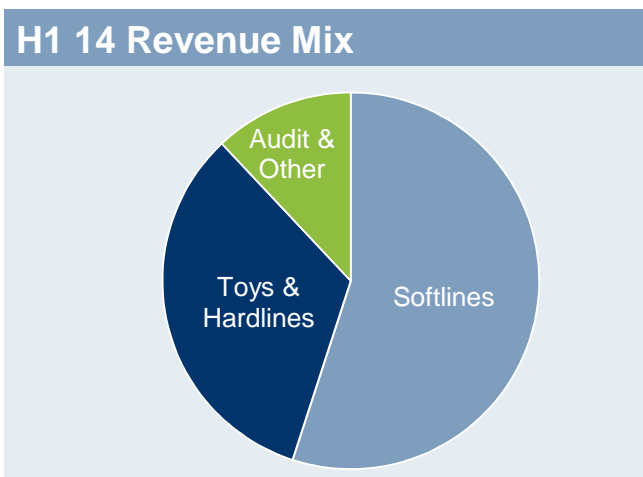
- ### H1 14 Trading
- **Minerals:** Strong decline continued (-16%). Indonesian trade bans affecting entire region
  - **Cargo:** Improving growth. Good demand from US shale oil transit testing, Asia and Middle East. Europe weak
  - **Government Services (GTS):** Product Conformity Programme reduction since Q413



- ### Outlook
- Minerals decline will continue
  - US shale oil & gas services further growth
  - Process optimisation

H1 14 Performance			
£m @ constant exchange	H1 14	Change	Organic change
Revenue	176.1	5.1%	5.0%
Operating profit	55.6	5.9%	6.0%
Margin	31.6%	30bps	30bps

- ### H1 14 Trading
- **Textiles:** Good growth; market expansion in Turkey, India, Vietnam  
>20% growth in new sourcing markets
  - **Toys:** Growth moderated by prior year regulatory increase
  - **Margin stable**



- ### Outlook
- Continued investment in new countries and capabilities - leading industry position
  - Strong growth in India, Turkey, South Korea, Mexico and Colombia

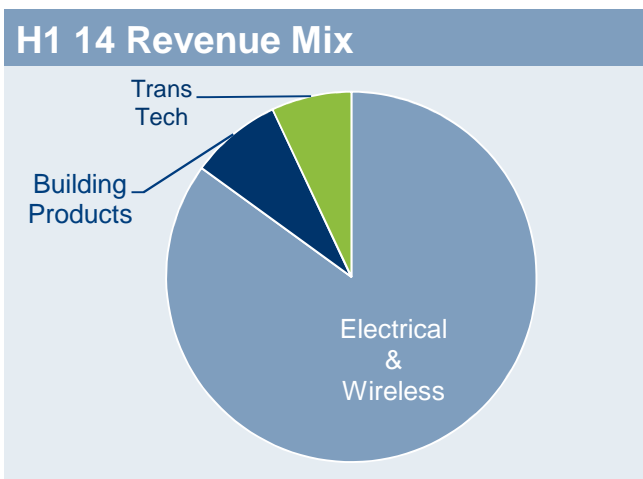
# Commercial & Electrical



Valued Quality. Delivered.

H1 14 Performance			
£m @ constant exchange	H1 14	Change	Organic change
Revenue	176.0	14.6%	6.3%
Operating profit	26.6	14.7%	3.4%
Margin	15.1%	0bps	(40)bps

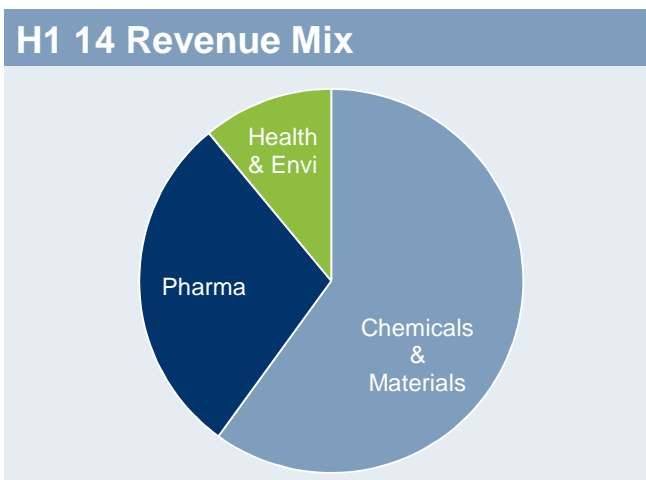
- ### H1 14 Trading
- **Transport Technologies:** Very high growth
  - **Electrical:** Strong growth, particularly in UAE, Taiwan, Korea, Thailand, Vietnam
  - **Wireless:** Completion of 2-year app programme in China and USA
  - Laboratory network investments



- ### Outlook
- Strong growth in new technology and innovation areas
  - New Asian growth markets
  - Continued investment in best-in-class network

H1 14 Performance			
£m @ constant exchange	H1 14	Change	Organic change
Revenue	84.1	7.5%	4.5%
Operating profit	7.2	18.0%	3.3%
Margin	8.6%	80bps	(10)bps

- ### H1 14 Trading
- **Chemicals & Materials:** Good growth in Middle East
  - EU weak, continued restructuring and site closure
  - **Margin** focus

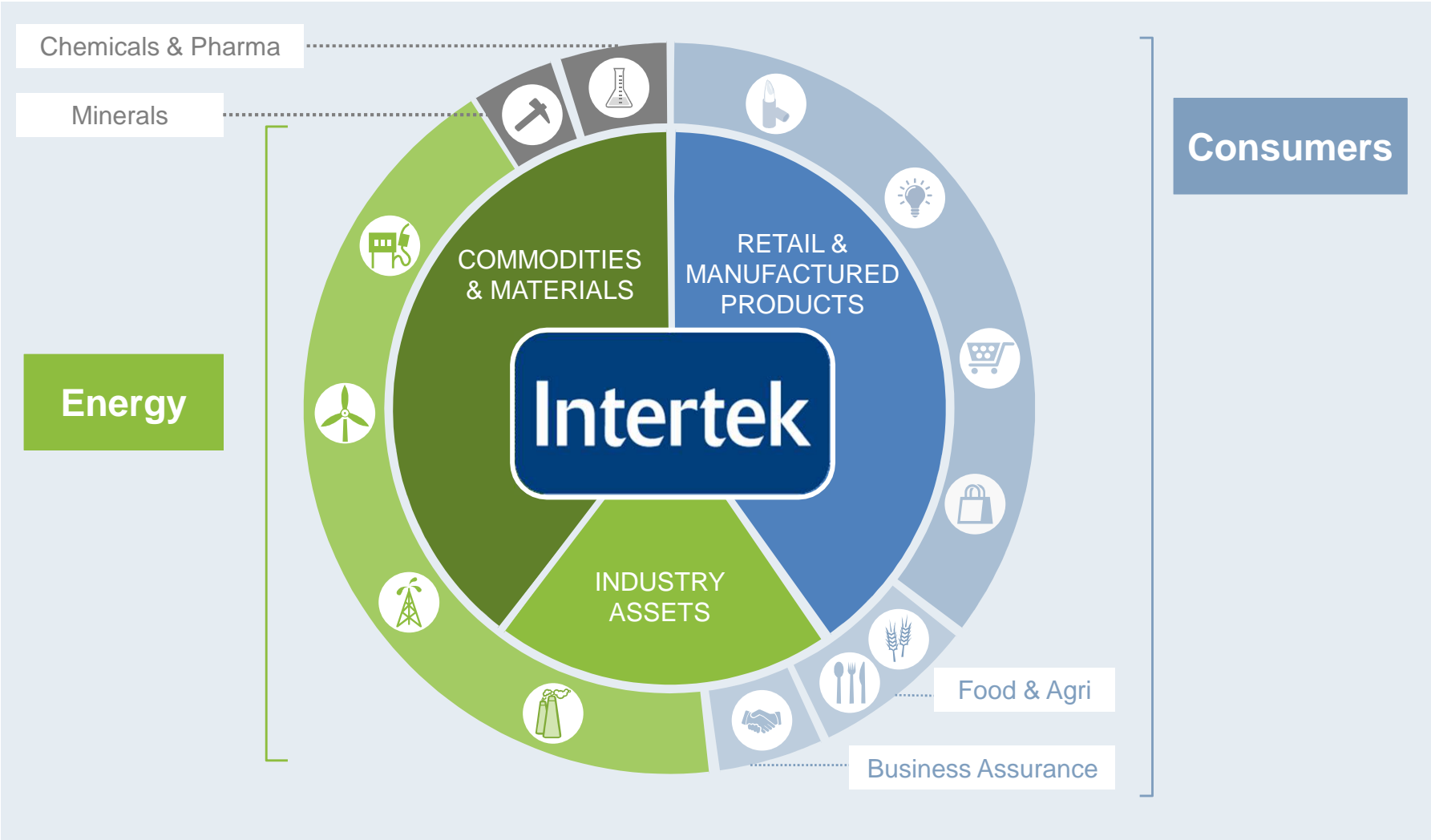


- ### Outlook
- Fuel and lubricant development and testing driven by new engines and environmental concerns
  - Pharma growth from biologics
  - Development in China

# Our strategic portfolio



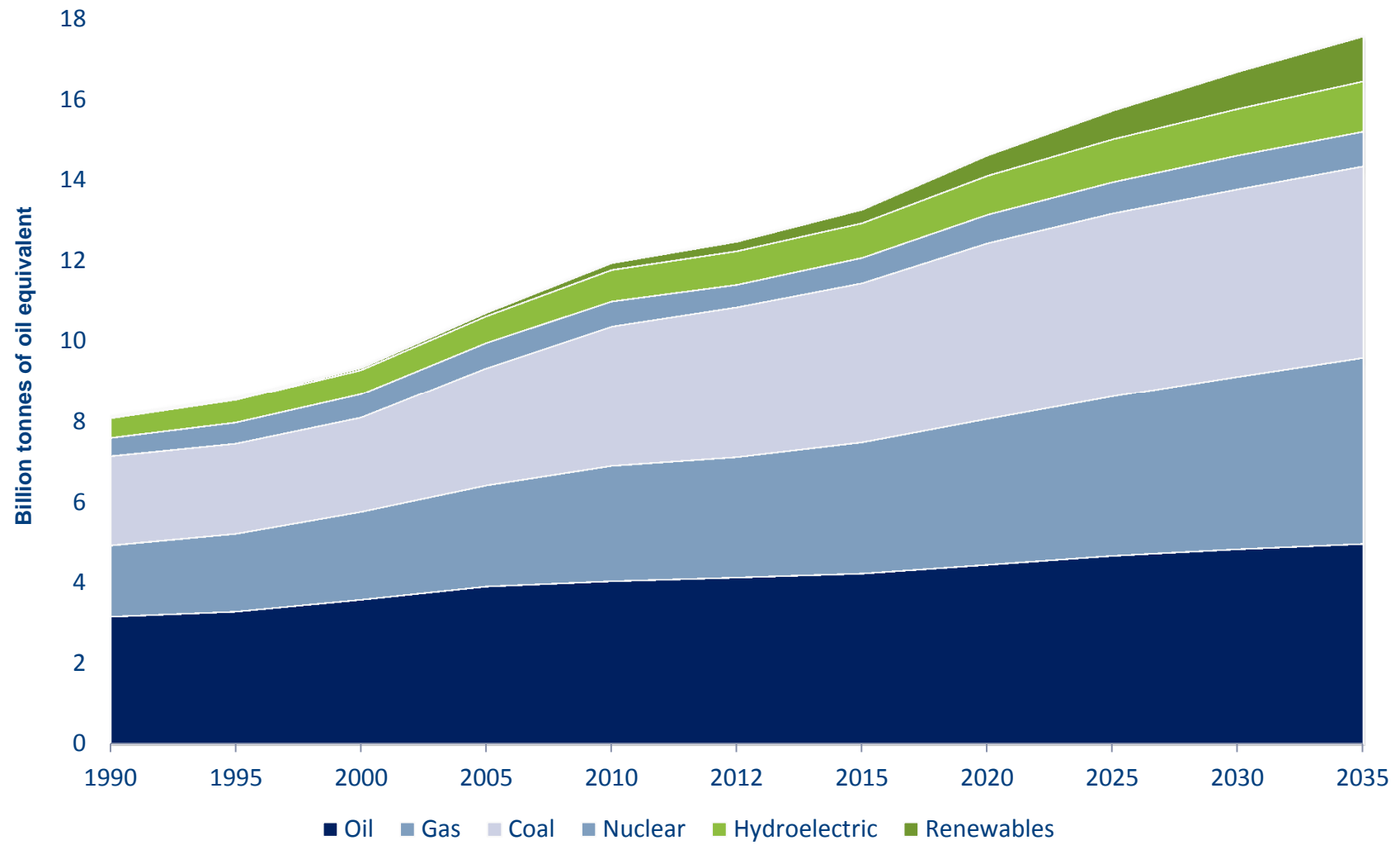
Valued Quality. Delivered.



# Long term energy demand



Valued Quality. Delivered.



# Market drivers in product industries



Valued Quality. Delivered.



- Growth strengthening in H2
- Profitability leverage from improving revenue growth
- Good development in and strong growth from emerging markets

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**Portfolio positioned to benefit from strong structural drivers in coming years**

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# Our Growth Platform



Valued Quality. Delivered.



# Appendix

## 2014 Half Year Results Presentation



# Taxation



Valued Quality. Delivered.

£m @ actual exchange rates	H1 2014	H1 2013
Profit before tax	119.8	127.9
Tax	(29.5)	(32.5)
<b>Profit after tax</b>	<b>90.3</b>	<b>95.4</b>
Reported tax rate	24.6%	25.4%
Effective tax rate on adjusted profit before tax	24.5%	25.0%

# Operating Cash Flow



Valued Quality. Delivered.

£m @ actual exchange rates	H1 2014	H1 2013	
Operating Profit before changes in working capital and provisions	184.0	195.4	
Changes in working capital:			
Inventory	(1.5)	(2.1)	
Debtors and prepayments	(14.2)	(61.4)	
Creditors and accruals	(24.9)	(12.7)	
Special contributions into pension schemes	(0.9)	-	
<b>Cash generated from operations</b>	<b>142.5</b>	<b>119.2</b>	
Separately disclosed items – cash flow	5.7	4.5	
<b>Adjusted cash generated from operations</b>	<b>148.2</b>	<b>123.7</b>	<b>19.8%</b>

# Free Cash Flow



Valued Quality. Delivered.

£m @ actual exchange rates	H1 2014	H1 2013	
Cash generated from operations	142.5	119.2	
Net interest	(12.6)	(12.1)	
Taxation	(30.8)	(37.7)	
Net capital expenditure	(52.0)	(60.0)	
<b>Free cash flow</b>	<b>47.1</b>	<b>9.4</b>	<b>401%</b>

## Net Debt



Valued Quality. Delivered.

£m @ actual exchange rates	H1 2014	H1 2013	FY 2013
Borrowings	761.3	757.3	734.6
Cash	(100.5)	(123.8)	(116.4)
<b>Net debt</b>	<b>660.8</b>	<b>633.5</b>	<b>618.2</b>
<i>Net debt to EBITDA</i>	<i>1.55x</i>	<i>1.51x</i>	<i>1.44x</i>

## Liquidity Position at 30 June 2014



Valued Quality. Delivered.

£m @ actual exchange rates	H1 2014	H1 2013
Debt facilities	902.3	976.0
Borrowings	(761.3)	(757.3)
<b>Undrawn committed borrowing facilities</b>	<b>141.0</b>	<b>218.7</b>
Cash	100.5	123.8
<b>Liquid funds</b>	<b>241.5</b>	<b>342.5</b>

# Divisional Performance Summary



Valued Quality. Delivered.

## H1 2014

£m @ constant exchange	Revenue			Margin		
	H1 14	Change	Organic change	H1 14	Change	Organic change
Industry & Assurance	325.3	(1.0)%	(6.7)%	11.1%	30bps	10bps
Commodities	262.8	(1.7)%	(1.6)%	10.2%	(20)bps	(20)bps
Consumer Goods	176.1	5.1%	5.0%	31.6%	30bps	30bps
Commercial & Electrical	176.0	14.6%	6.3%	15.1%	0bps	(40)bps
Chemicals & Pharma	84.1	7.5%	4.5%	8.6%	80bps	(10)bps
<b>Group Total</b>	<b>1,024.3</b>	<b>2.9%</b>	<b>(0.5)%</b>	<b>14.9%</b>	<b>30bps</b>	<b>20bps</b>