

2015 Half Year Results Presentation

3 AUGUST 2015

André Lacroix
Chief Executive Officer

Edward Leigh
Chief Financial Officer



Cautionary statement regarding forward-looking statements



Valued Quality. Delivered.

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.

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- 01 Performance Highlights
- 02 Financial results
- 03 Business update

André Lacroix | Chief Executive

Edward Leigh | Finance Director

André Lacroix | Chief Executive



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André Lacroix
Chief Executive

Performance Highlights
2015 Half Year Results Presentation



- Total revenue up 3.5% at actual rates, up 1.4% at constant currency
- Organic revenue up 0.9% at constant currency, up 170bps sequentially
- Operating Profit¹ up 7.9% at actual rates, up 3.4% at constant currency
- Operating Margin¹ 15.5%, up 30bps at constant currency
- Diluted EPS¹ +6.7% at actual rates
- Operating cash flow¹ up 14%, Cash conversion 79%
- Dividend raised 6.3% to 17 pence per share

On track to deliver full year targets

Good growth in Products & Trade divisions



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Organic revenue growth¹

Group reported

+0.9%

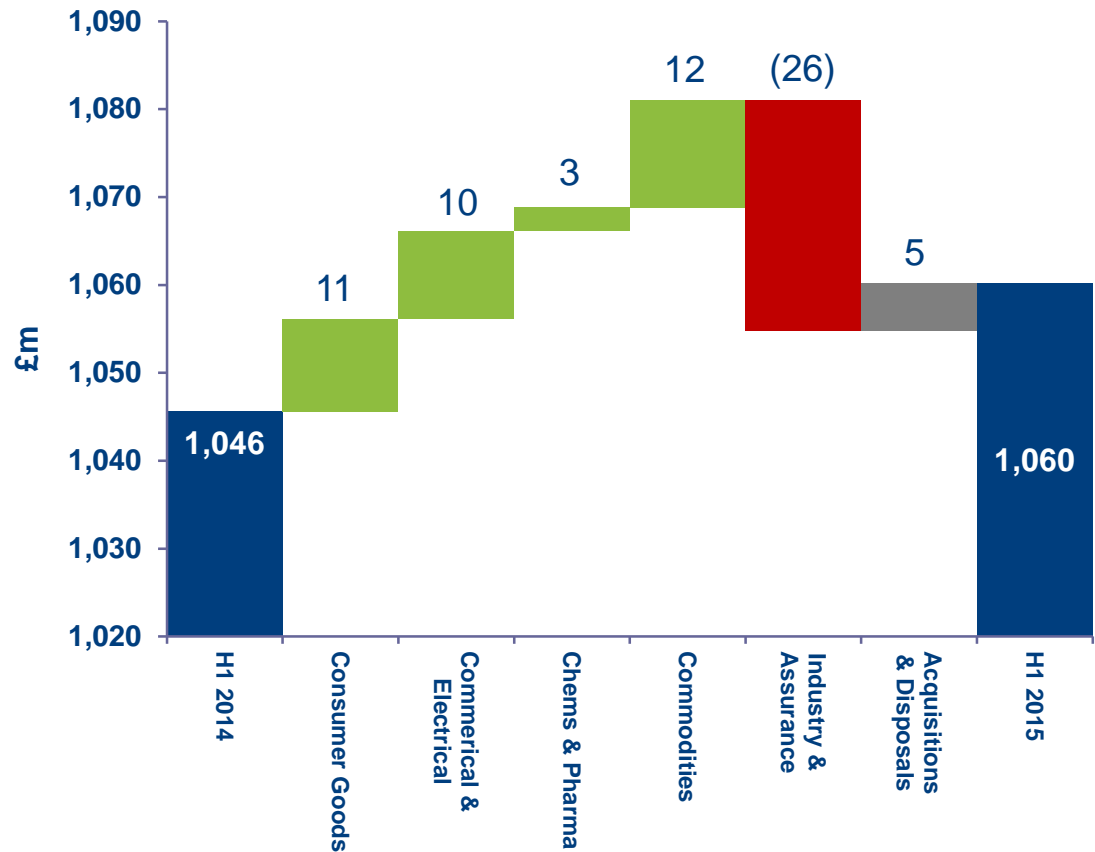
Group ex Industry contract exits

+2.5%

Group ex Industry Services

+4.1%

Revenue growth¹

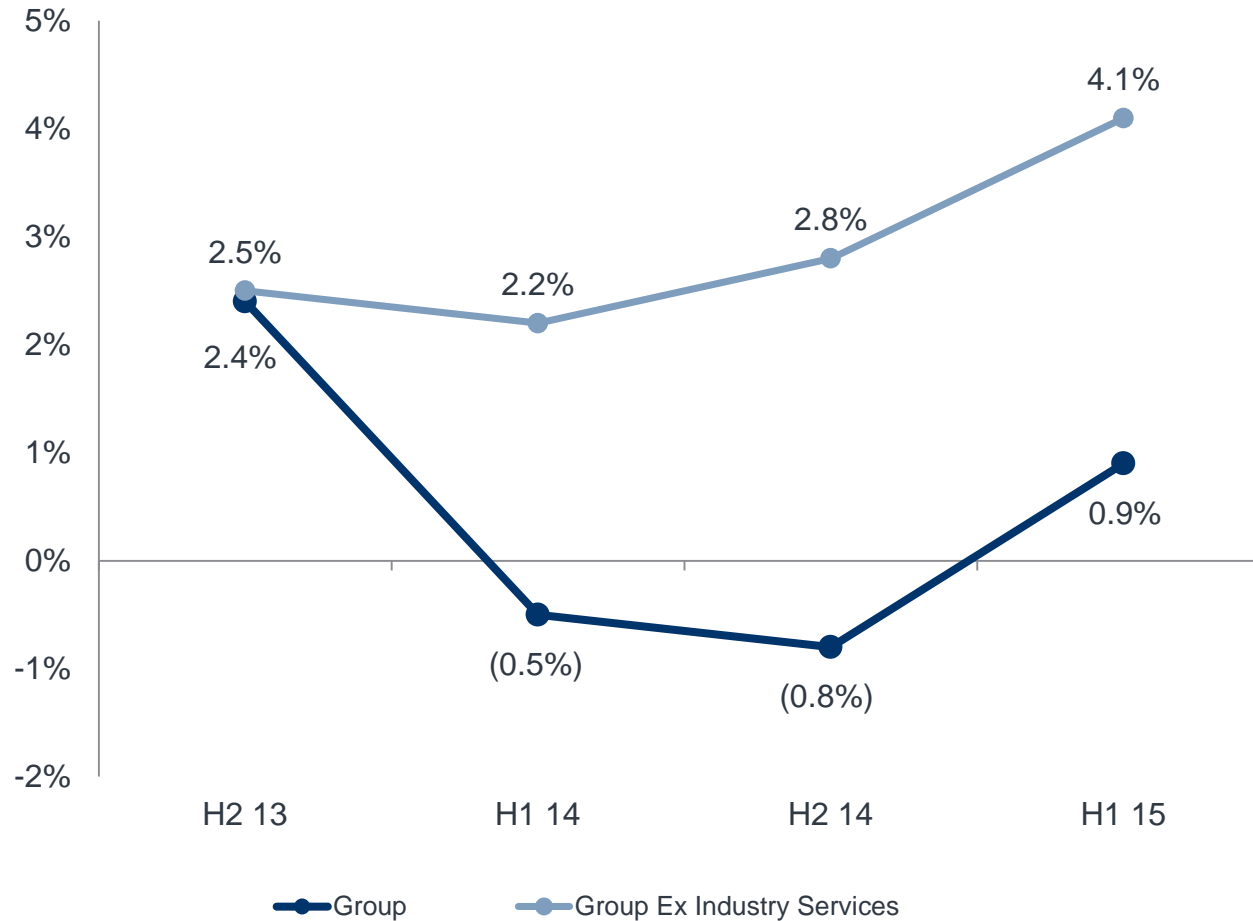


Improved momentum in Products and Trade divisions



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Organic revenue growth¹

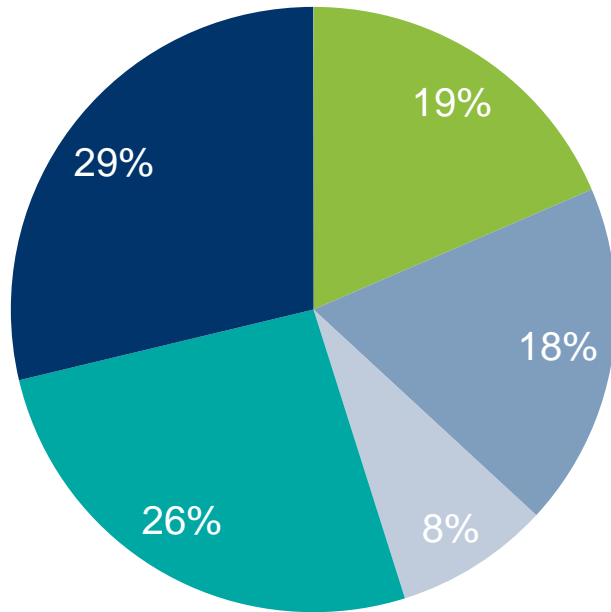


Well diversified portfolio

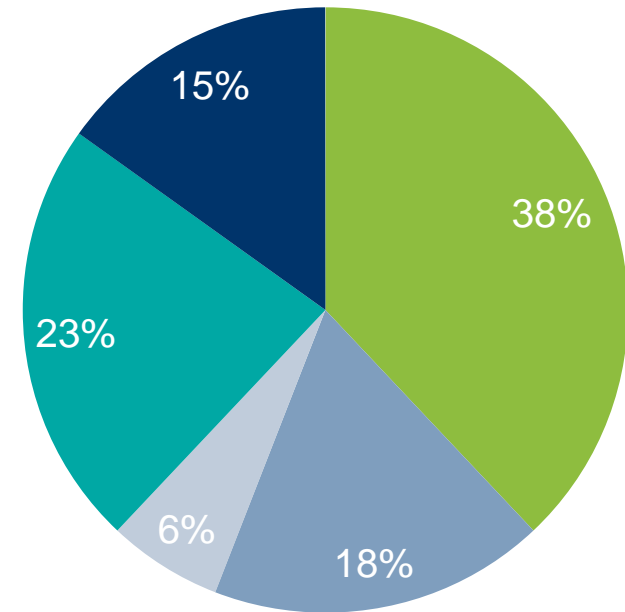


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H1 Revenue 2015¹



H1 Operating Profit 2015¹



- Consumer Goods
- Commercial & Electrical
- Chems & Pharma
- Commodities
- Industry & Assurance

Group margin

- +30bps¹ increase in operating margin

Cost discipline

- H1 organic cost flat
- Restructuring on track for FY +20bps contribution to Group operating margin

Divisional margin

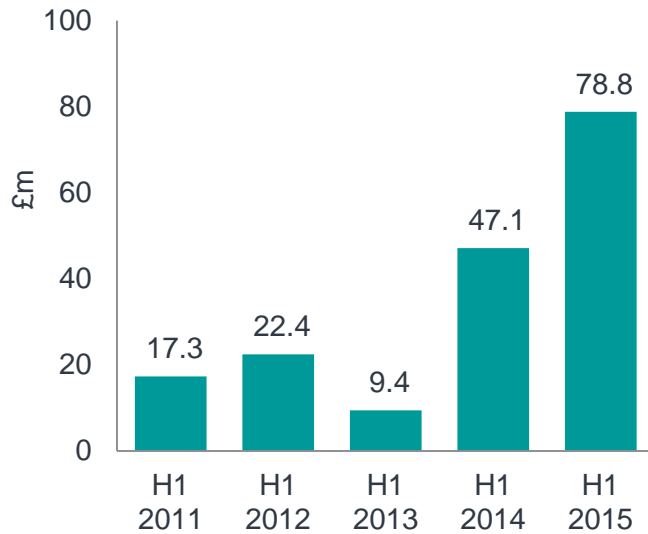
	H1'15	Variance to H1'14
Consumer Goods	32.0%	0bps
Commerical & Electrical	15.3%	0bps
Chems & Pharma	11.5%	280bps
Commodities	13.3%	290bps
Industry & Assurance	8.2%	(300)bps
Group total	15.5%	30bps

Sustained growth in cash and dividend

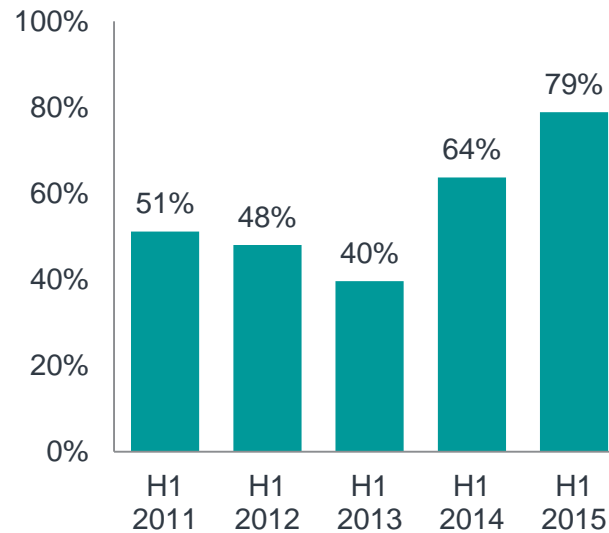


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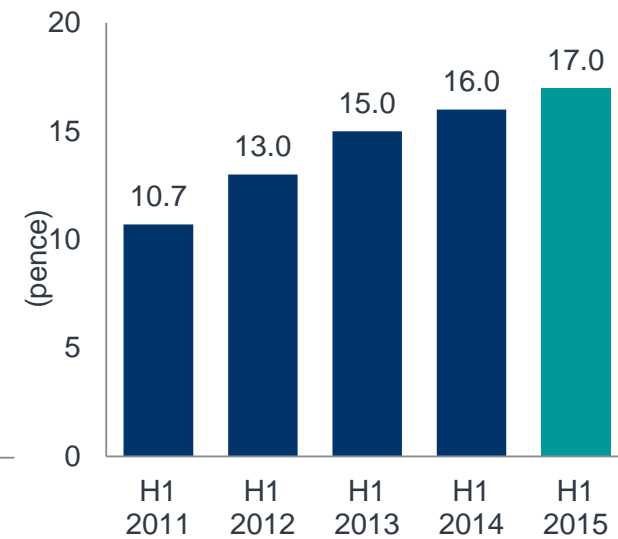
Free cash flow



Cash conversion



Dividend





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Edward Leigh

Chief Financial Officer

Financial results

2015 Half Year Results Presentation



Key Financials



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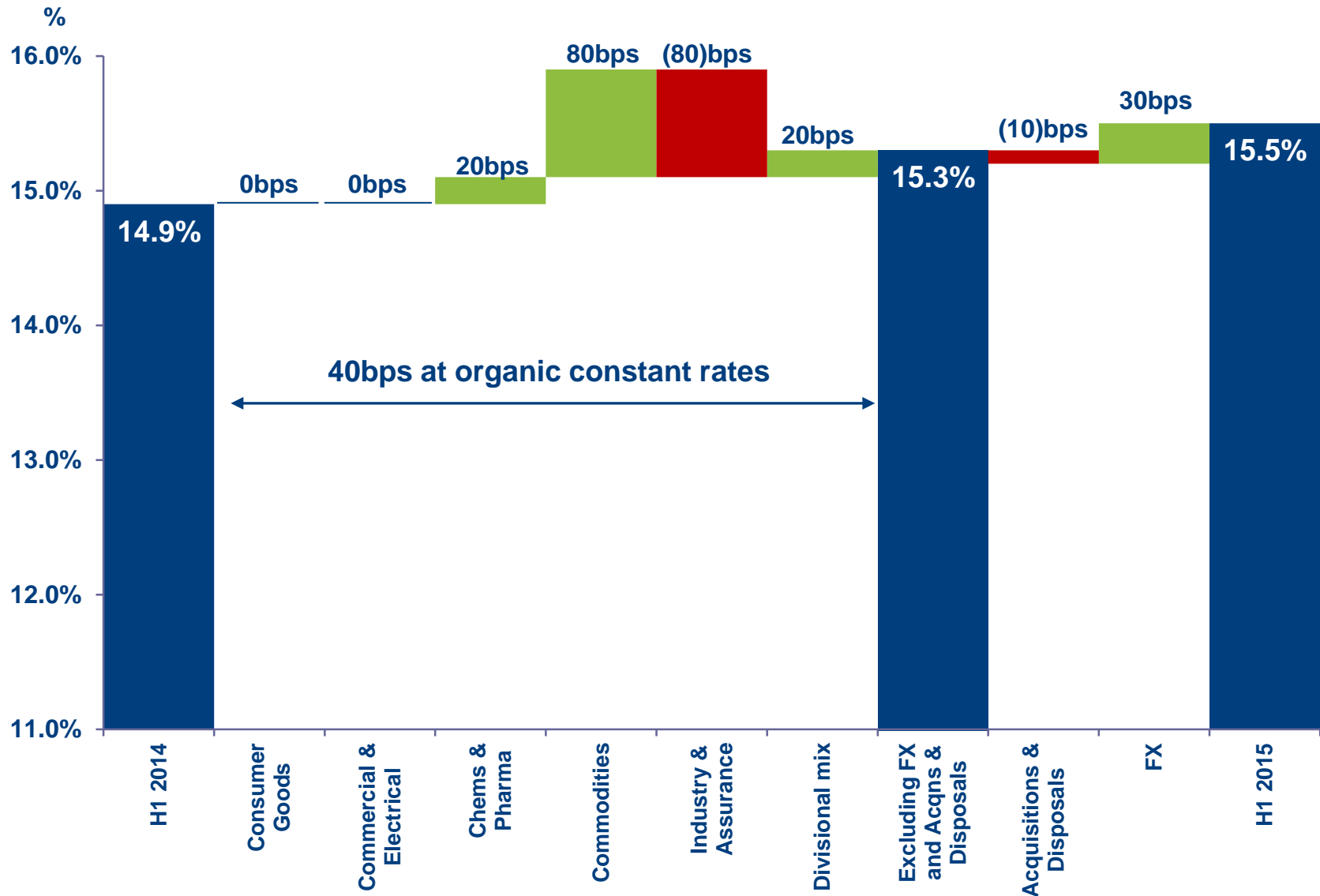
	2015	YoY %		
		Actual Rates	Constant Rates	Constant Organic ²
Revenue <i>- excluding low-value contract exits</i>	£1,060m	3.5%	1.4%	0.9% 2.5%
Operating profit ¹	£164m	7.9%	3.4%	3.0%
Operating profit margin ¹	15.5%	60bps	30bps	40bps
Adjusted Diluted EPS ¹	65.3p	6.7%		
Adjusted cash generated from operations ¹	£170m	14.4%		
Free cash flow	£79m	67.3%		
Net Debt	£619.1m	6.3% <i>Reduction</i>		

12 (1) Before separately disclosed items
(2) Growth excluding acquisitions and disposals in 2014 and 2015 at constant exchange rates

Operating Margin bridge



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H1 2015 performance

Products

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Consumer Goods	£m	H1 15	Change at actual	Change at constant	Organic change at constant
	Revenue	196.2	11.4%	5.7%	5.7%
Operating Profit	62.8	12.9%	5.5%	5.5%	
Margin	32.0%	40bps	0bps	0bps	

Commercial & Electrical	£m	H1 15	Change at actual	Change at constant	Organic change at constant
	Revenue	194.6	10.6%	5.4%	5.4%
Operating Profit	29.7	11.7%	5.3%	5.3%	
Margin	15.3%	20bps	0bps	0bps	

Chemicals & Pharma	£m	H1 15	Change at Actual	Change at constant	Organic change at constant
	Revenue	87.5	4.0%	3.2%	3.2%
Operating Profit	10.1	40.3%	36.5%	36.5%	
Margin	11.5%	290bps	280bps	280bps	

H1 2015 performance

Commodities and Industry & Assurance

Intertek

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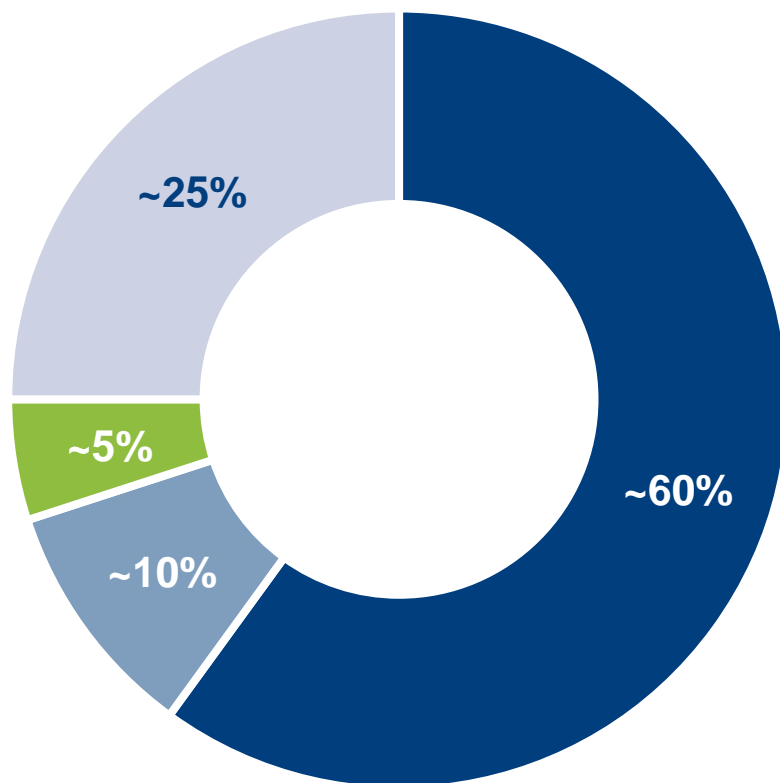
Commodities	£m	H1 15	Change at actual	Change at constant	Organic change at constant
	Revenue	277.2	5.5%	4.4%	4.6%
Operating Profit	36.8	37.3%	33.3%	32.3%	
Margin	13.3%	310bps	290bps	280bps	

Industry & Assurance	£m	H1 15	Change at actual	Change at constant	Organic change at constant
	Revenue	304.7	(6.3)%	(6.3)%	(8.2)%
Operating Profit	25.0	(30.7)%	(31.1)%	(33.1)%	
Margin	8.2%	(290)bps	(300)bps	(300)bps	

Currency analysis: Revenue



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■ USD, CNY & HKD ■ GBP
■ EUR ■ Other

Local currency to GBP		H1 15	H1 14
USD	↑ 8.4%	1.53	1.67
CNY	↑ 7.0%	9.53	10.25
EUR	↓ 12.3%	1.37	1.22
HKD	↑ 8.3%	11.87	12.94
AUD	↓ 6.6%	1.95	1.83
CAD	↓ 3.3%	1.89	1.83
BRE	↓ 17.4%	4.51	3.84
INR	↑ 5.4%	96.19	101.70
Group	↑ 2.1%		

↑ GBP Depreciated ↓ GBP Appreciated

£m @ actual exchange rates	H1 2015	H1 2014
Adjusted operating profit⁽¹⁾	164.4	152.3
Depreciation/amortisation	41.6	37.3
Working capital	(43.3)	(46.6)
Net capex	(42.0)	(52.0)
Other**	(41.9)	(43.9)
Free cash flow	78.8	47.1
Acquisitions*	(6.1)	(37.4)
Equity dividend	(53.2)	(49.9)
Movement in borrowings	7.7	51.0
Other***	(10.1)	(23.0)
Net increase/(decrease) in cash	17.1	(12.2)
Opening net cash	119.5	116.4
Effect of FX on cash held	(6.5)	(3.7)
Closing net cash	130.1	100.5

Cash Flow

- Free cash flow up 67.3%
- Net capex £42.0m; 4.0% of revenue
- 1 acquisition for £6.1m
- Net Debt £619.1m

Tax

- Stable adjusted tax rate of 24.7%

(1) Before separately disclosed items

* Total purchase price in 2015 £6.5m. Net of cash acquired £6.1m.

**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

	FY2015 guidance
Interest charge	£27-29m
Effective tax rate	24.5-25.5%
Minority interest	£14-15m
Diluted shares (as at 30 June 2015)	161.8m
Capex	£90-100m
Net Debt	£580-£600m



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André Lacroix
Chief Executive

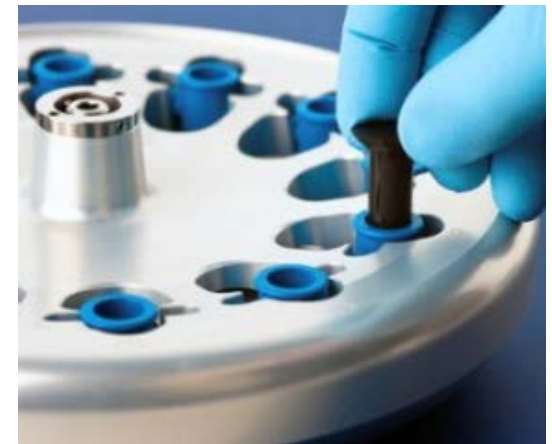
Business update
2015 Half Year Results Presentation





- A growth company in a growth market, organically and by acquisition
- Essential quality assurance for customers
- Strong market positions and attractive portfolio
- A high-margin, strongly cash generative financial model

- Highly skilled and entrepreneurial people, depth and breadth of technical expertise
- Decentralised organisation structure, with deep local-market understanding
- Strong long term customer relationships with global and local accounts



Structural organic growth drivers



Valued Quality. Delivered.

Group
Operating Profit¹



Structural organic growth drivers

Group Operating Profit¹

Structural Growth Drivers

Mid-Long term TIC organic revenue growth

67%

Products



- Quality solutions for end-products, their components, processes and R&D
- Product variety, brand and supply chain expansion, innovation and regulations
- Increasing quality and sustainability demands by developed and emerging economies



Continuing growth from expanding investment in quality & innovation

23%

Trade



- Global and regional trade-driven, through GDP growth
- Increased customer focus on quality and quantity controls

Trade-flow growth: global & regional

10%

Resources



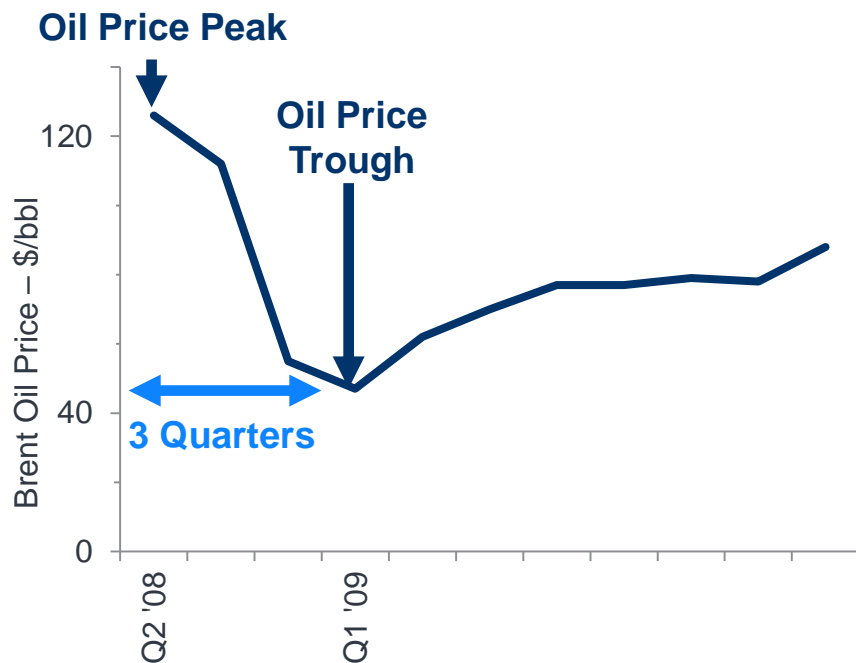
- Capex & opex investment supporting world economic growth
- Servicing oil & gas and other sectors of the economy

Long-term growth

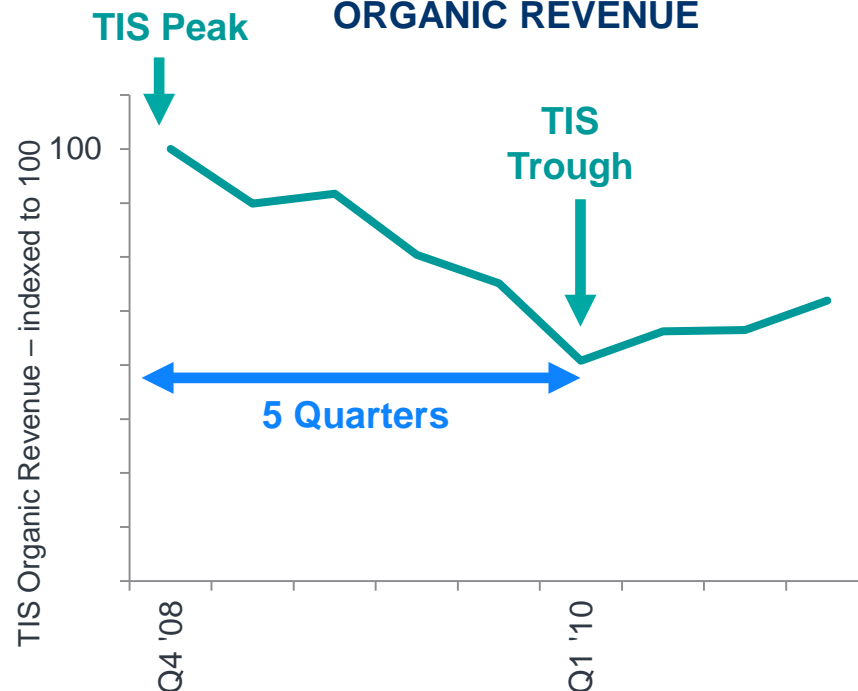


'Global GDP Plus'

OIL PRICE



TIS (OIL & GAS INFRASTRUCTURE) ORGANIC REVENUE



Trough in TIS revenue lagged oil price trough

2015



- FY organic revenue growth rate improved on prior year
 - Continuing good growth in products-related and trade-related divisions
 - Oil and gas sector infrastructure will remain challenging
- Stable margin
- Capex £90-100m
- Strong cash generation
- Net Debt £580-£600m



On track to deliver full-year guidance

Mid-long term



- Continuing growth from expanding quality demands, regulation and innovation in Products
- Trade flow growth from global and regional GDP growth
- Oil & gas infrastructure gradual recovery to support world economic growth
- Value-enhancing acquisitions
- Margin accretion from growth and productivity
- Strong cash generation



'Global GDP-Plus' Organic Growth

Consumer Goods

Good growth with stable margin



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H1 Trading

5.7% Organic Revenue Growth

32.0% Margin

- Softlines: strong growth in chemical testing and new sourcing countries
- Toys & Hardlines: stable
- Social auditing: steady good growth
- Stable margin

H2 Outlook & Strategic Highlights

- Continued good growth expected in H2
- Continuous network investment, aligning to customers global supply chain trends
- New labs in South East Asia, Myanmar and Central America
- 'E-Fit' design service using CAD in India
- Service expansions to capture customer innovations in 'active' footwear and footwear electronics



M&S
EST. 1884

Sainsbury's



DEBENHAMS

Commercial & Electrical

Good growth with stable margin

Intertek

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H1 Trading

5.4% Organic Revenue Growth

15.3% Margin

- Electrical & Wireless: Strong growth from mobile-wireless innovation
- Transport Technology: Strong growth from client R&D
- Building Products: strong momentum from product innovation & market position (ATI acquisition)
- Stable margin

H2 Outlook & Strategic Highlights

- Continuation of H1 growth trend
- Continued brand investment in quality, performance testing for high growth areas eg IoT
- Electrical & Wireless lab network investments in South East Asia and India
- High-tech transportation sector capabilities providing strong customer support: energy efficiency and battery technologies
- New 'green' building services



Panasonic

Chemicals & Pharma

Margin accretive growth

Intertek

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H1 Trading

3.2% Organic Revenue Growth

11.5% Margin, up 280bps

- Health & Beauty expanding in emerging economies
- Investment in lube oil testing delivered strong growth
- Margin improvement from restructuring

H2 Outlook & Strategic Highlights

- Good growth expected in line with H1 performance
- Leading positions in helping clients to develop innovative new formulations and ingredients for the products and materials of the future
- Leading capabilities in lubricants testing for environmental and regulatory compliance & in pharma biologics innovation support
- Investing in health & beauty in Emerging Markets supporting domestic demand



Commodities

Margin accretive growth



Valued Quality. Delivered.

H1 Trading

4.6% Organic Revenue Growth

13.3% Margin, up 290bps

- Solid growth driven by global and regional trade volumes
- Cargo good trade-flow volumes across majority of countries
- GTS strong growth on new and existing contracts
- Significant margin progress

H2 Outlook & Strategic Highlights

- Continuous good growth in H2
- Measuring the quality of commodities being explored, produced and traded. Help clients protect the value of products during transit
- Ramp-up on outsourcing contract activity
- New fuel-specific service innovations: aero, additives & lubricants
- Ensuring the quality of imported products meets government-client standards



Industry & Assurance

Mixed performance

Intertek

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H1 Trading

Organic Revenue (8.2)%

8.2% Margin, (300)bps

- Continuing strong growth in BA, Food & Agri
- Challenging trading conditions in oil & gas infrastructure
- Margin self-help with cost discipline and exit of low value contracts

H2 Outlook & Strategic Highlights

- Continuing good growth in BA, Food and Agri; Oil & gas capex to remain challenging
- Margin self-help with cost discipline
- Diversifying infrastructure services into chemical, power, renewable and civil sectors
- Business assurance: Systems certification and auditing for quality management systems eg ISO. Leverage Intertek client network
- Food & Agri: Network and service expansions



MAERSK



saipem



DANONE



Nestlé

Performance management priorities



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01

Engaged and empowered organisation driven by a common purpose

02

Outstanding client relationships, based on operational excellence and superior customer service

03

Financial discipline to deliver margin accretive growth with good cost and cash controls

04

M&A to strengthen portfolio in growth areas with good returns

05

Sustainable growth and capital allocation to drive shareholder value

Capital allocation priorities



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01 Investing for organic growth: capex and working capital

02 Sustainable returns to shareholders: Progressive dividend policy with circa 40% pay-out ratio

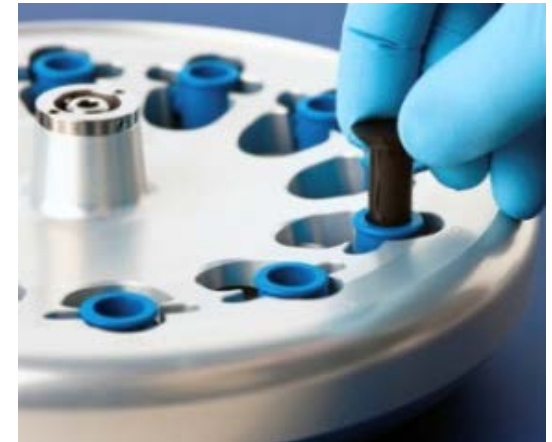
03 M&A in growing sectors with good margin prospects

04 Efficient balance sheet



- A growth company in a growth market, organically and by acquisition
- High margin, strongly cash generative financial model

- Highly skilled and passionate organisation, strong customer relationships, deep local understanding
- Well-positioned to deliver sustainable returns to shareholders



2015 Half Year Results Presentation

3 AUGUST 2015

André Lacroix
Chief Executive Officer

Edward Leigh
Chief Financial Officer



Appendix

2015 Half Year Results Presentation



Separately disclosed items



Valued Quality. Delivered.

£m @ actual exchange rates	H1 2015	H1 2014
Adjusted operating profit⁽¹⁾	164.4	152.3
Separately disclosed items:		
Amortisation of acquisition intangibles	(10.5)	(10.3)
Acquisition and disposal costs	(0.2)	(1.1)
Restructuring costs	-	(9.7)
Separately disclosed items sub-total	(10.7)	(21.1)
Statutory operating profit	153.7	131.2

(1) Before separately disclosed items

Adjusted EPS

Intertek

Valued Quality. Delivered.

£m @ actual exchange rates	H1 2015	H1 2014	
Adjusted operating profit	164.4	152.3	7.9%
Net interest expense	(14.6)	(11.4)	
Profit before tax	149.8	140.9	
Tax 24.7% (24.5%)	(37.0)	(34.5)	
Profit after tax	112.8	106.4	
Non-controlling interest	(7.2)	(6.8)	
Net Profit	105.6	99.6	
Fully diluted shares	161.8	162.7	
Earnings Per Share	65.3p	61.2p	6.7%

Divisional Performance Summary

Intertek

Valued Quality. Delivered.

H1 2015

£m @ constant exchange rates	Revenue			Margin		
	H1 15	Change	Organic change	H1 15	Change	Organic change
Consumer Goods	196.2	5.7%	5.7%	32.0%	0bps	0bps
Commercial & Electrical	194.6	5.4%	5.4%	15.3%	0bps	0bps
Chemicals & Pharma	87.5	3.2%	3.2%	11.5%	280bps	280bps
Commodities	277.2	4.4%	4.6%	13.3%	290bps	280bps
Industry & Assurance	304.7	(6.3)%	(8.2)%	8.2%	(300)bps	(300)bps
Group Total	1,060.2	1.4%	0.9%	15.5%	30bps	40bps