

# **INTERTEK GROUP PLC**

## **2017 Investor 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.



# AGENDA

- 01 Intertek: A Pioneer in Quality Assurance
- 02 Attractive Structural Growth Opportunities
- 03 High Quality Earnings Model
- 04 Strategy for Sustainable Growth
- 05 2016 Results





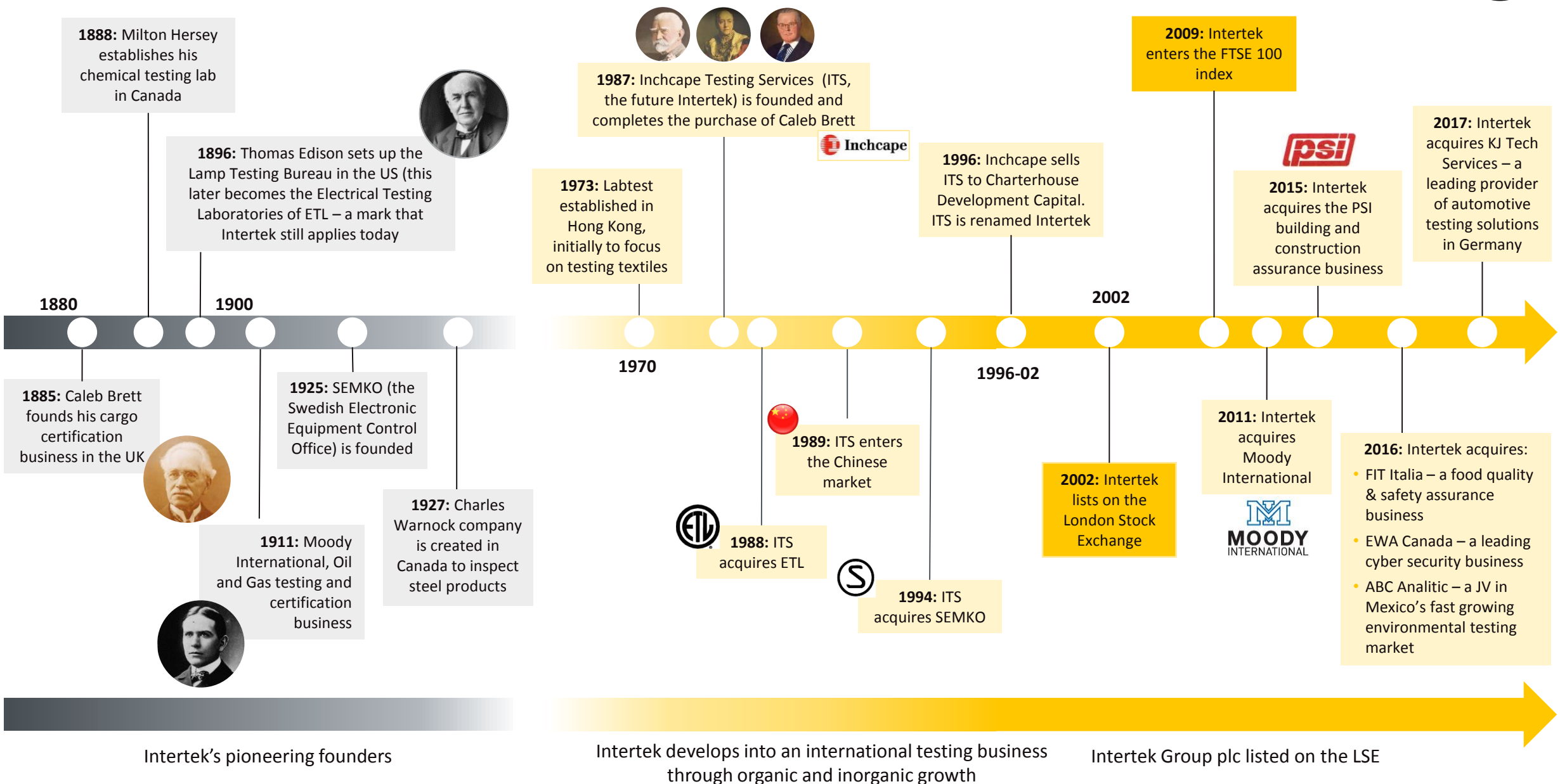
# 01

## INTERTEK: A PIONEER IN QUALITY ASSURANCE



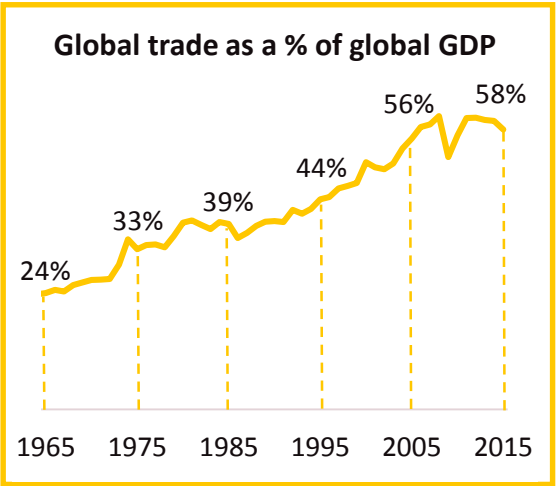
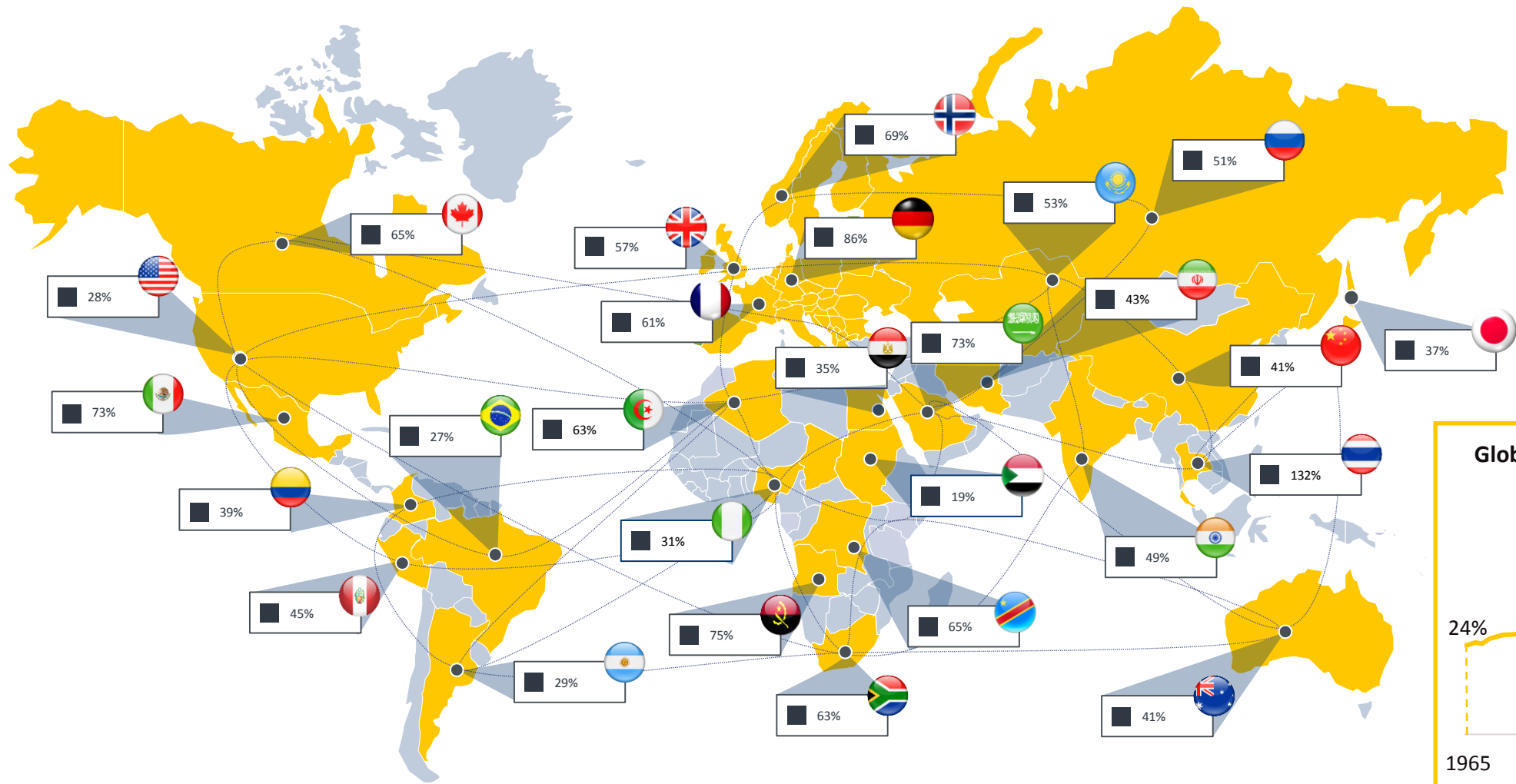


# INTERTEK PIONEERED THE QUALITY ASSURANCE INDUSTRY





# THE 21ST CENTURY HAS CREATED A TRULY GLOBAL MARKET WITH GLOBAL TRADE REPRESENTING 58% OF GDP



Trade as % of GDP

Source: World Bank. Trade is the sum of exports and imports of goods and services measured as a share of gross domestic product.



# THE QUALITY ASSURANCE INDUSTRY IS EVOLVING FURTHER

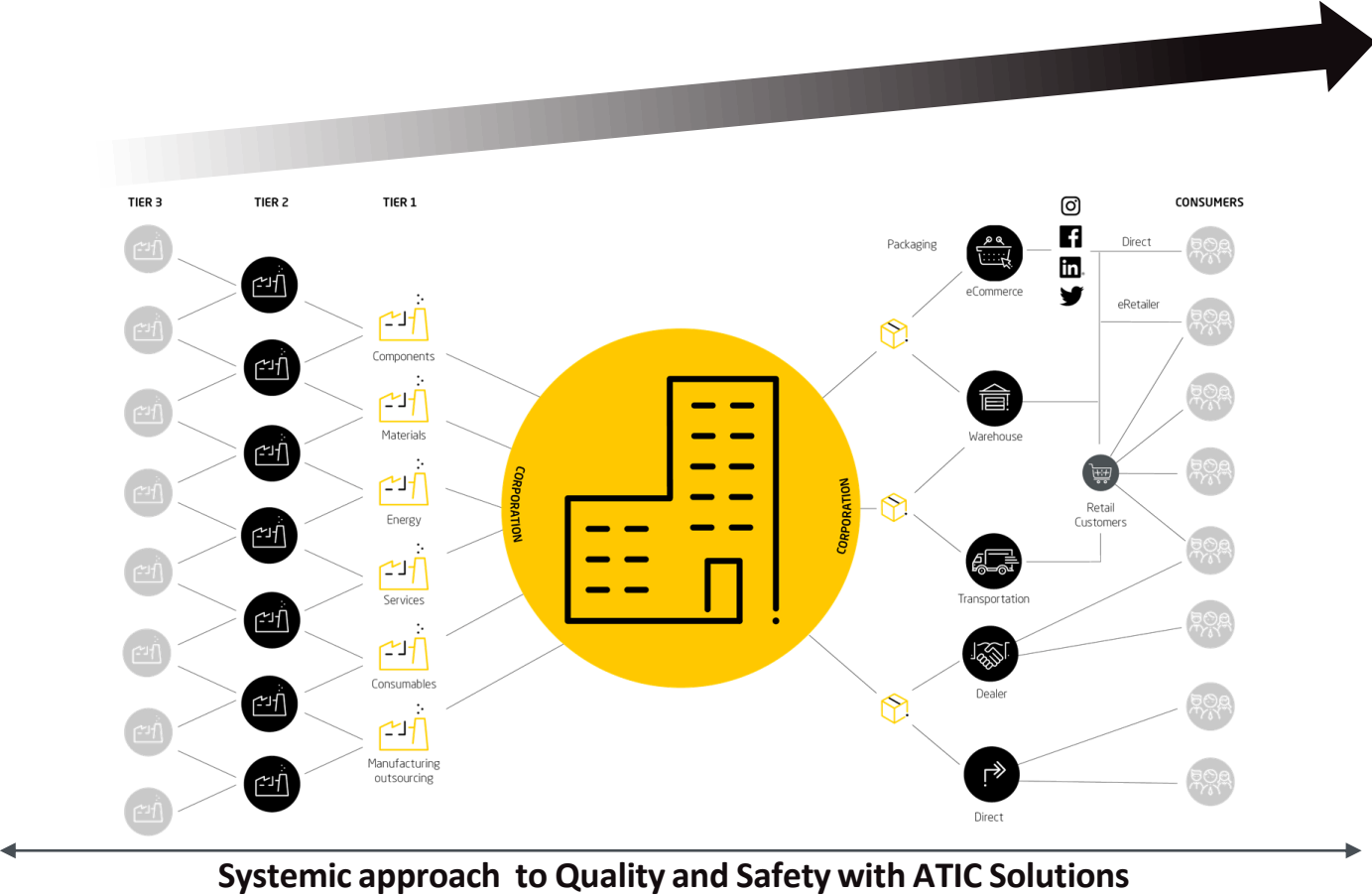


Customers expect more than TIC\* to manage the risk in their complex sourcing and distribution operations

T

I

C



A

Assurance ensures our customers identify and mitigate the intrinsic risk in their operations, supply chain and quality management systems

T

Testing is evaluating how products and services meet and exceed quality, safety, sustainability and performance standards

I

Inspection is validating the specifications, value and safety of raw materials, products and assets

C

Certification is certifying that products and services meet trusted standards

Customers expect Total Quality Assurance: ATIC

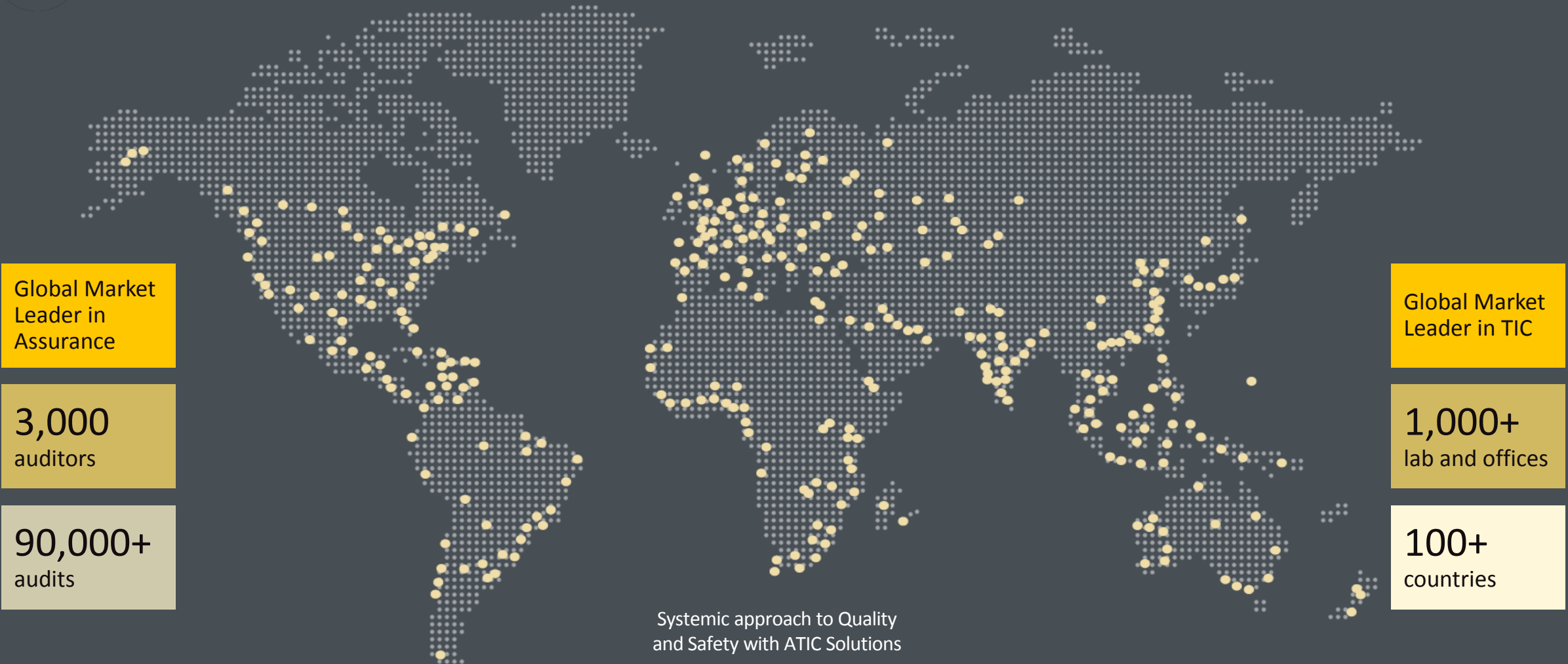
\* TIC = Testing, Inspection & Certification



# WE ARE EVOLVING TO MEET THE NEEDS OF OUR CLIENTS



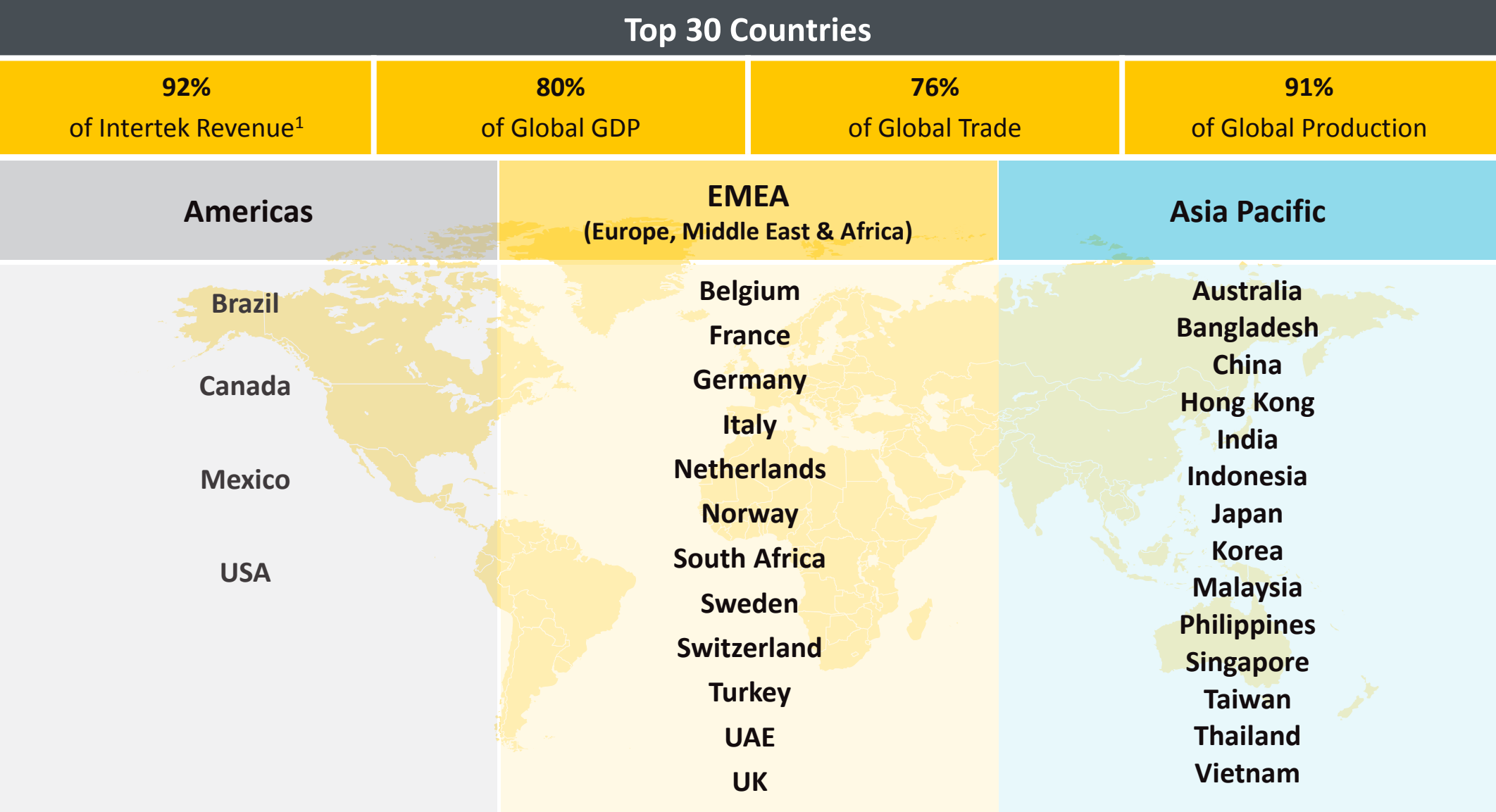
We have evolved rapidly to support our clients Global Quality Assurance needs and we offer a systemic approach to Quality Assurance with ATIC



Uniquely positioned to take advantage of the ATIC growth opportunities



# WE HAVE SCALE POSITIONS IN THE TOP 30 COUNTRIES







Note. (1) 2015 Revenue.



# INTERTEK'S DEPTH AND BREADTH OF ATIC SOLUTIONS



<b>Assurance</b> 	<b>Testing</b> 	<b>Inspection</b> 	<b>Certification</b> 
<ul style="list-style-type: none"> <li>Pharmaceutical</li> <li>Management Systems</li> <li>Benchmarking in Quality &amp; Performance</li> <li>Sustainability &amp; Environment</li> <li>Facility / Plant &amp; Equipment</li> <li>Legal &amp; Regulatory</li> <li>Product Development</li> <li>Vendor Compliance</li> <li>Corporate Social Responsibility</li> <li>Failure Investigation</li> <li>Laboratory Outsourcing</li> <li>Risk Management</li> <li>Supply Chain Assessment</li> </ul>	<ul style="list-style-type: none"> <li>Pharmaceutical</li> <li>Softlines</li> <li>Hardlines</li> <li>Automotive</li> <li>Biofuels</li> <li>Building Product</li> <li>Chemical</li> <li>Electrical</li> <li>Food</li> <li>Health &amp; Beauty</li> <li>Mineral</li> <li>Packaging</li> <li>Oil &amp; Gas</li> </ul>	<ul style="list-style-type: none"> <li>Pharmaceutical</li> <li>Agriculture</li> <li>Asset Integrity</li> <li>Building Product</li> <li>Chemical &amp; Petrochemical</li> <li>Electrical</li> <li>Exporter &amp; Importer</li> <li>Field Labelling</li> <li>Industrial</li> <li>Mineral</li> <li>Oil &amp; Gas</li> <li>Site Construction</li> <li>Textile &amp; Apparel</li> </ul>	<ul style="list-style-type: none"> <li>Appliance &amp; Electronic</li> <li>Aerospace &amp; Automotive</li> <li>Building Products</li> <li>Conformity by Country</li> <li>Eco-Textile</li> <li>Food &amp; Food Service</li> <li>Hazardous Location</li> <li>HVACR<sup>(1)</sup></li> <li>Industrial Equipment</li> <li>IT &amp; Telecom</li> <li>Life Safety &amp; Security</li> <li>Lighting</li> <li>Medical Device</li> </ul>

(1) Heating Ventilation Air Conditioning and Refrigeration



# INTERTEK TOTAL QUALITY ASSURANCE VALUE PROPOSITION

Systemic Approach to Quality and Safety with ATIC Solutions





02

## ATTRACTIVE STRUCTURAL GROWTH OPPORTUNITIES





# ATTRACTIVE GROWTH IN THE \$250BN GLOBAL QUALITY ASSURANCE MARKET



## Existing customers:

- Increase account penetration
- ATIC cross selling

## New customers:

- New contracts

## Existing & New customers:

- Outsourcing



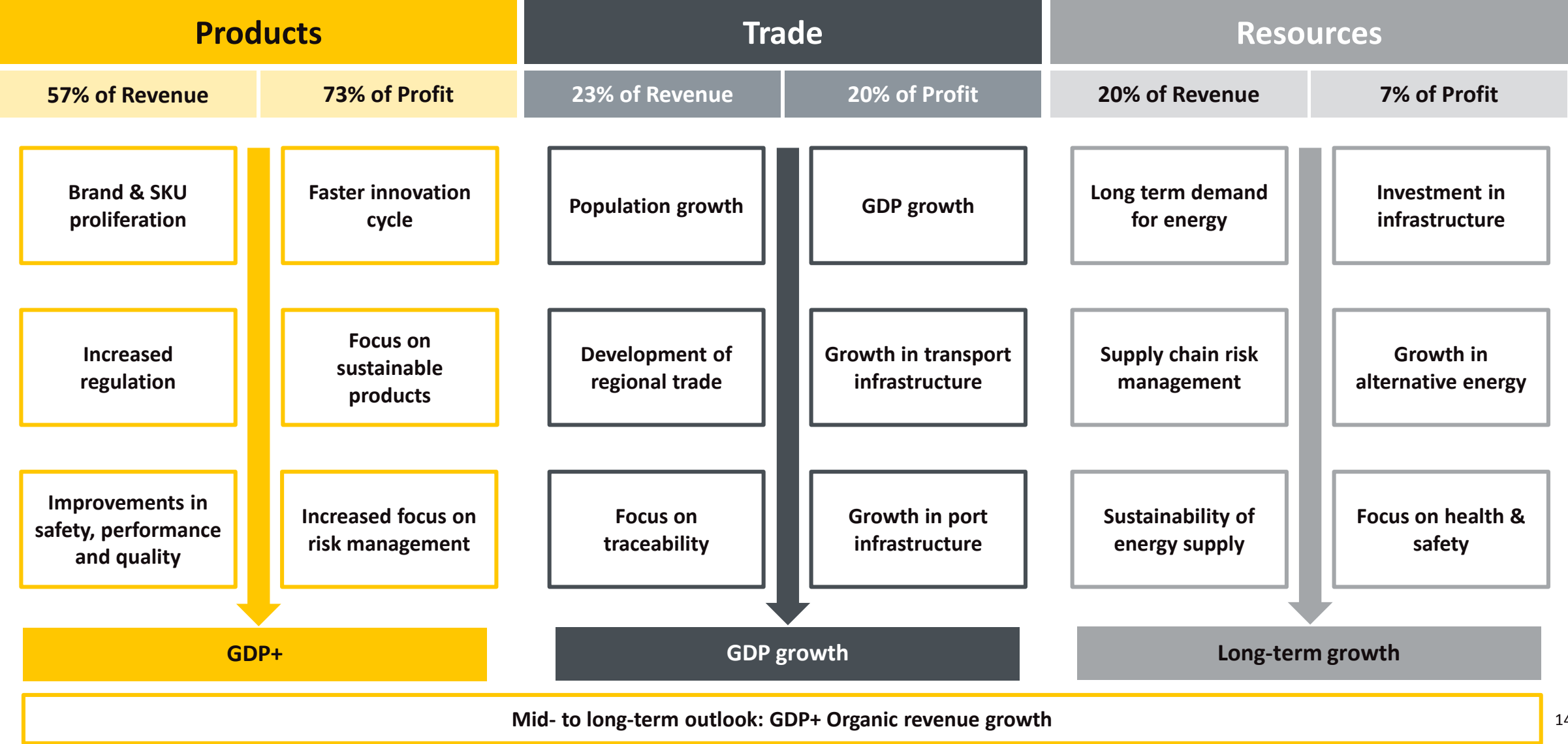
The image features a large iceberg floating in a blue ocean under a blue sky with light clouds. The iceberg is split horizontally by the water line. The top portion, which is above water, represents the visible part of the market. The bottom portion, which is submerged and much larger, represents the hidden part of the market.

↑  
**\$50BN**  
Currently  
outsourced  
↓

↑  
**\$200BN**  
Currently  
in-house  
↓



# STRUCTURAL GROWTH DRIVERS





03

## HIGH QUALITY EARNINGS MODEL

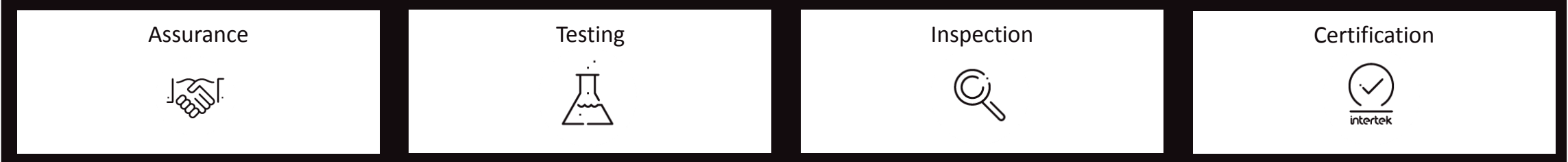




# INTERTEK HIGH QUALITY EARNINGS MODEL



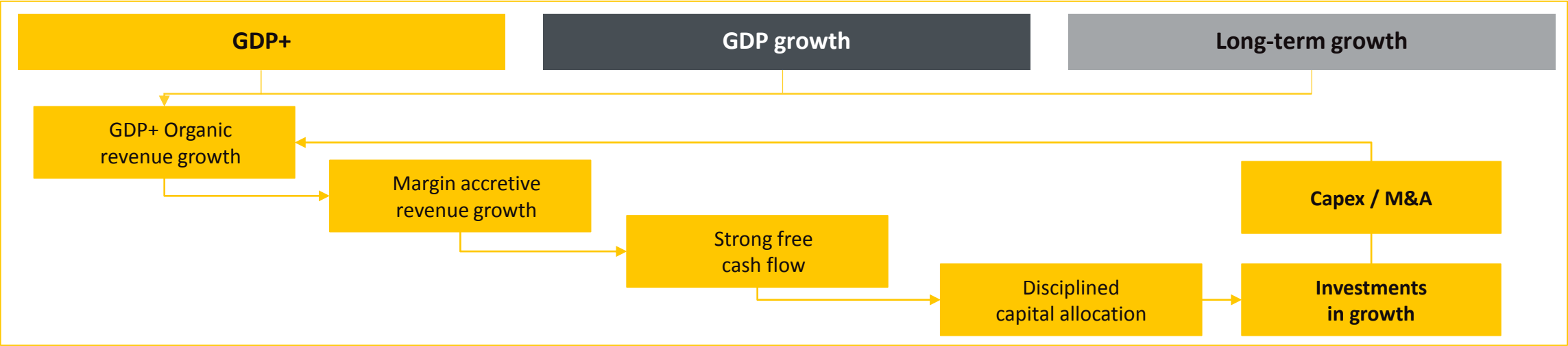
Our Services



Our Sectors



Our Mid- to Long-Term Value Creation





# ACCRETIVE DISCIPLINED ALLOCATION OF CAPITAL



01 Capex and working capital investment to support organic growth (target c.5% of revenue in capex)

Sustainable shareholder returns through payment of progressive dividends

02

03 M&A focused on strong growth and margin prospects in businesses with leading market positions or in new attractive growth areas, geographies or services

Efficient balance sheet with flexibility to invest in growth with Net Debt / EBITDA target of 1.5x - 2.0x

04



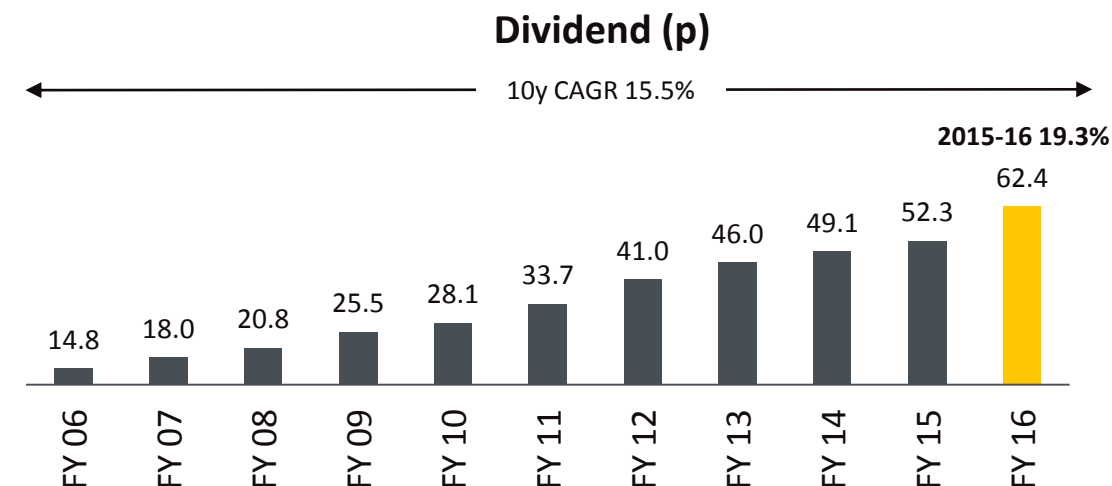
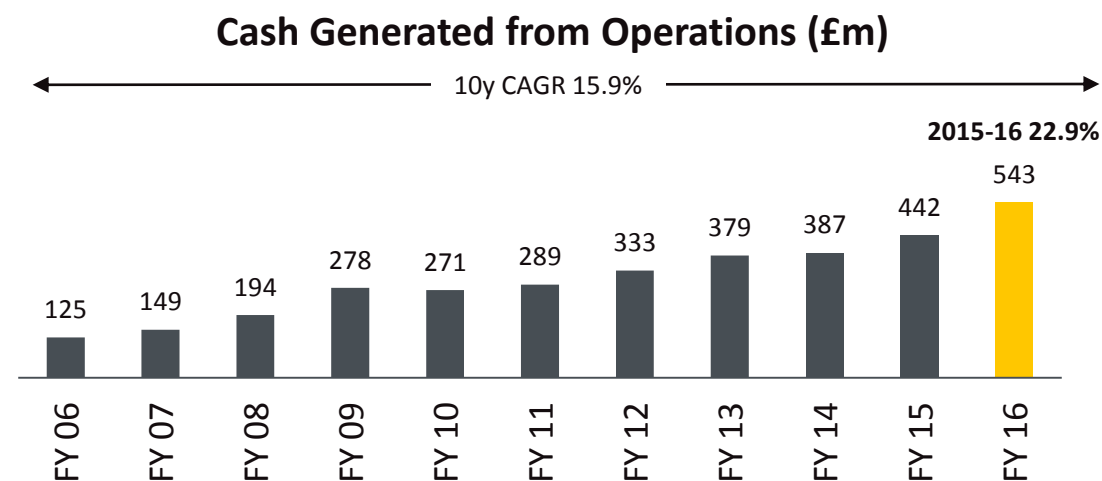
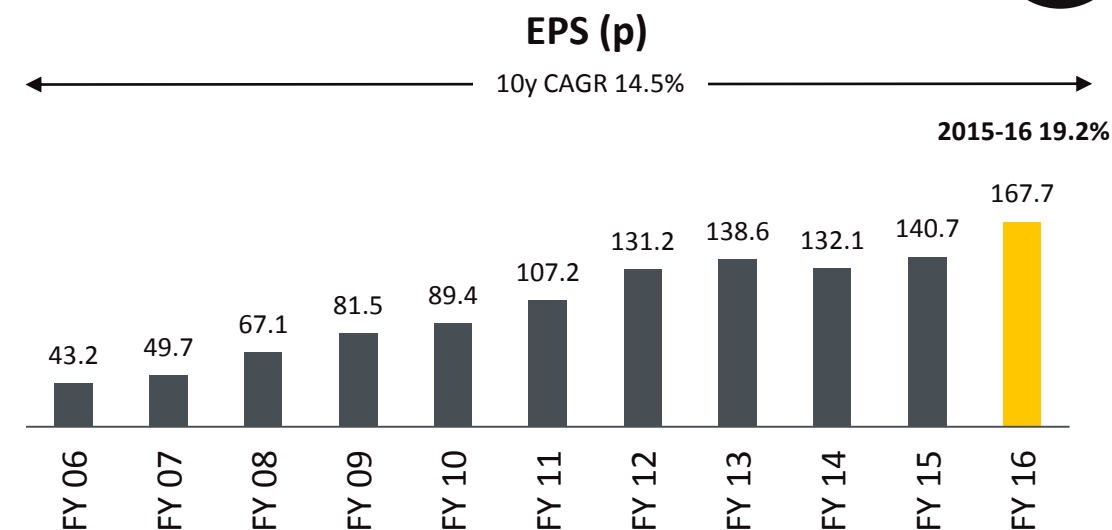
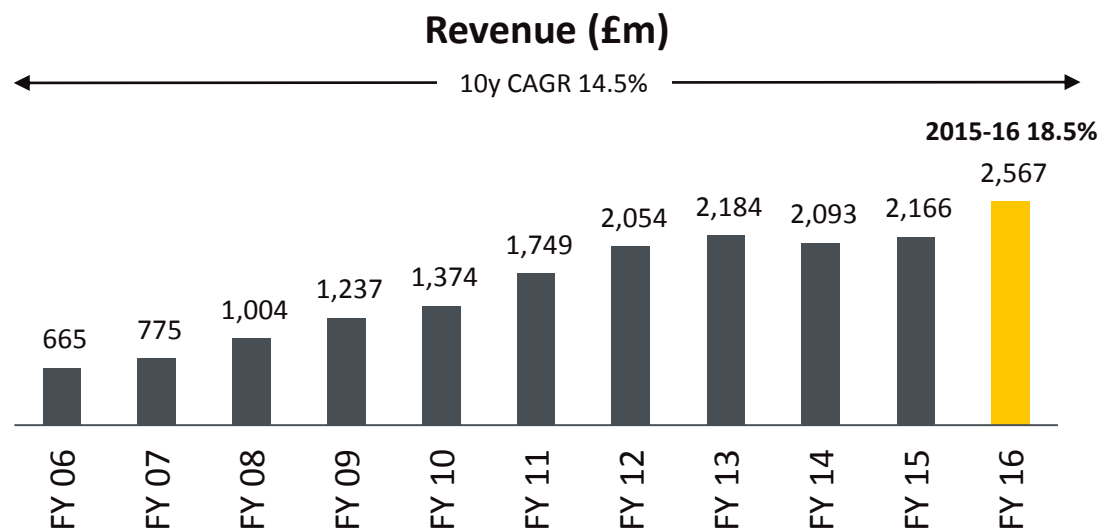
# M&A IN ATTRACTIVE MARKETS STRENGTHENING INTERTEK'S PORTFOLIO



	£242m additional revenue from M&A				
	PSI	MT Group	FIT-Italia	EWA Canada	ABC Analitic
Business model	Building & Construction	Building & Construction	Food	Electrical and Wireless	Environmental
Location	US	US	Italy	Canada	Mexico
Completion Date	November 2015	October 2015	January 2016	October 2016	November 2016
Market position	Leading US provider of testing and assurance services to commercial and civil construction markets	Leading provider of materials testing and speciality construction inspection in New York	Market leader in food assurance and inspection in Italy	Leading provider of cyber security and assurance services for products, equipment and networks across multiple industries	Market leader in the provision of environmental water testing and analytical services in Mexico
Integration status	Completed <i>Synergy plans on track</i>	Completed	Completed	In progress	In progress
Growth drivers	US infrastructure and non-residential building development	US infrastructure and non-residential building development	Increased focus on food supply chain risk management	Growth in IoT and wirelessly connected devices	Increased corporate and government focus on environmental safety



# TRACK RECORD OF SHAREHOLDER VALUE CREATION





04

## STRATEGY FOR SUSTAINABLE GROWTH







# 5X5 DIFFERENTIATED STRATEGY








## Our Customer Promise

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

### 5 Strategic Priorities

-  Strong Brand Proposition
-  Superior Customer Service
-  Effective Sales Strategy
-  Growth and Margin Accretive Portfolio
-  Operational Excellence

### 5 Enablers

-  Living Our Customer Centric Culture
-  Disciplined Performance Management
-  Superior Technology
-  Energising Our People
-  Delivering Sustainable Results

### 5x5 Strategic Goals

- |                                                       |                                                                               |                                                              |                                        |                                                  |
|-------------------------------------------------------|-------------------------------------------------------------------------------|--------------------------------------------------------------|----------------------------------------|--------------------------------------------------|
| <b>1</b>                                              | <b>2</b>                                                                      | <b>3</b>                                                     | <b>4</b>                               | <b>5</b>                                         |
| Fully engaged employees working in a safe environment | Superior customer service in Assurance, Testing, Inspection and Certification | Margin accretive revenue growth based on GDP+ organic growth | Strong cash conversion from operations | Accretive, disciplined capital allocation policy |



# 5 STRATEGIC PRIORITIES



Strategic Priorities	Action Plans	KPIs
<b>01 Strong Brand Proposition</b>	<ul style="list-style-type: none"> <li>Position Intertek as leading Quality Assurance provider</li> <li>Improve brand awareness across sectors and geographies</li> <li>Compelling Total Quality Assurance Brand positioning</li> </ul>	<ul style="list-style-type: none"> <li>Revenue growth</li> <li>New leads</li> <li>Customer acquisitions</li> <li>Pricing power</li> <li>A&amp;P effectiveness</li> </ul>
<b>02 Superior Customer Service</b>	<ul style="list-style-type: none"> <li>Build customer loyalty and win new customers</li> <li>Measure quality of customer service delivery</li> <li>Develop innovative ATIC solutions</li> </ul>	<ul style="list-style-type: none"> <li>NPS</li> <li>Customer retention</li> <li>Customer acquisition</li> <li>Pricing power</li> <li>Growth from innovation</li> </ul>
<b>03 Effective Sales Strategy</b>	<ul style="list-style-type: none"> <li>Increase existing account penetration</li> <li>Drive ATIC cross selling</li> <li>Business development with new accounts</li> </ul>	<ul style="list-style-type: none"> <li>Growth from existing customers</li> <li>Growth from new customers</li> <li>Customer cross selling</li> <li>Customer profitability</li> </ul>
<b>04 Growth and Margin Accretive Portfolio</b>	<ul style="list-style-type: none"> <li>Prioritised business lines, geographies and service areas</li> <li>Invest in areas with good growth and good margin prospects</li> <li>Disciplined resource, capital and people allocation</li> </ul>	<ul style="list-style-type: none"> <li>Revenue growth</li> <li>Margin accretion</li> <li>Portfolio mix</li> <li>ROCE</li> <li>Capital allocation</li> </ul>
<b>05 Operational Excellence</b>	<ul style="list-style-type: none"> <li>Continuous improvement to drive productivity</li> <li>Best in class management to reduce span of performance</li> <li>Eliminate non-essential costs - facilities/offices/processes/ purchasing</li> </ul>	<ul style="list-style-type: none"> <li>Direct costs</li> <li>Overheads</li> <li>Productivity per employee</li> <li>Site capacity utilisation</li> <li>ROCE</li> </ul>



# 5 ENABLERS



Enablers	Action Plans	KPIs
<b>01 Living Our Customer Centric Culture</b>	<ul style="list-style-type: none"> <li>Strong entrepreneurial culture</li> <li>Decentralised organisation</li> <li>Customer centric culture</li> </ul>	<ul style="list-style-type: none"> <li>Revenue and profit growth</li> <li>NPS</li> <li>Organisation engagement</li> <li>Employee turnover</li> </ul>
<b>02 Disciplined Performance Management</b>	<ul style="list-style-type: none"> <li>Performance management with financial and non-financial metrics</li> <li>Forecast and review processes focused on margin accretive revenue growth with strong cash conversion</li> </ul>	<ul style="list-style-type: none"> <li>EBIT margin</li> <li>Working capital</li> <li>Cash conversion</li> <li>ROCE and ROIC</li> </ul>
<b>03 Superior Technology</b>	<ul style="list-style-type: none"> <li>Upgrade business intelligence system</li> <li>Leverage back-office synergies</li> <li>Improve customer experience</li> </ul>	<ul style="list-style-type: none"> <li>Productivity/cost savings</li> <li>Customer feedback/NPS</li> <li>IT operating costs</li> </ul>
<b>04 Energising Our People</b>	<ul style="list-style-type: none"> <li>Invest in capability</li> <li>Aligned reward system</li> <li>Promote internal growth</li> </ul>	<ul style="list-style-type: none"> <li>Internal promotions</li> <li>Employee turnover</li> <li>Organisation engagement</li> </ul>
<b>05 Delivering Sustainable Results</b>	<ul style="list-style-type: none"> <li>Sustainable growth for customers and shareholders</li> <li>Importance of sustainability for the community</li> <li>Right balance between performance and sustainability</li> </ul>	<ul style="list-style-type: none"> <li>5 year revenue growth</li> <li>5 year profit growth</li> <li>CO2 footprint</li> <li>Health and safety</li> <li>Employee turnover</li> </ul>



# 5X5 DIFFERENTIATED STRATEGY FOR GROWTH IN ACTION



## Revenue growth priorities

**1. Customer Retention**



**2. Customer Penetration**



**3. ATIC Cross-Selling**



**4. New Customer Wins**

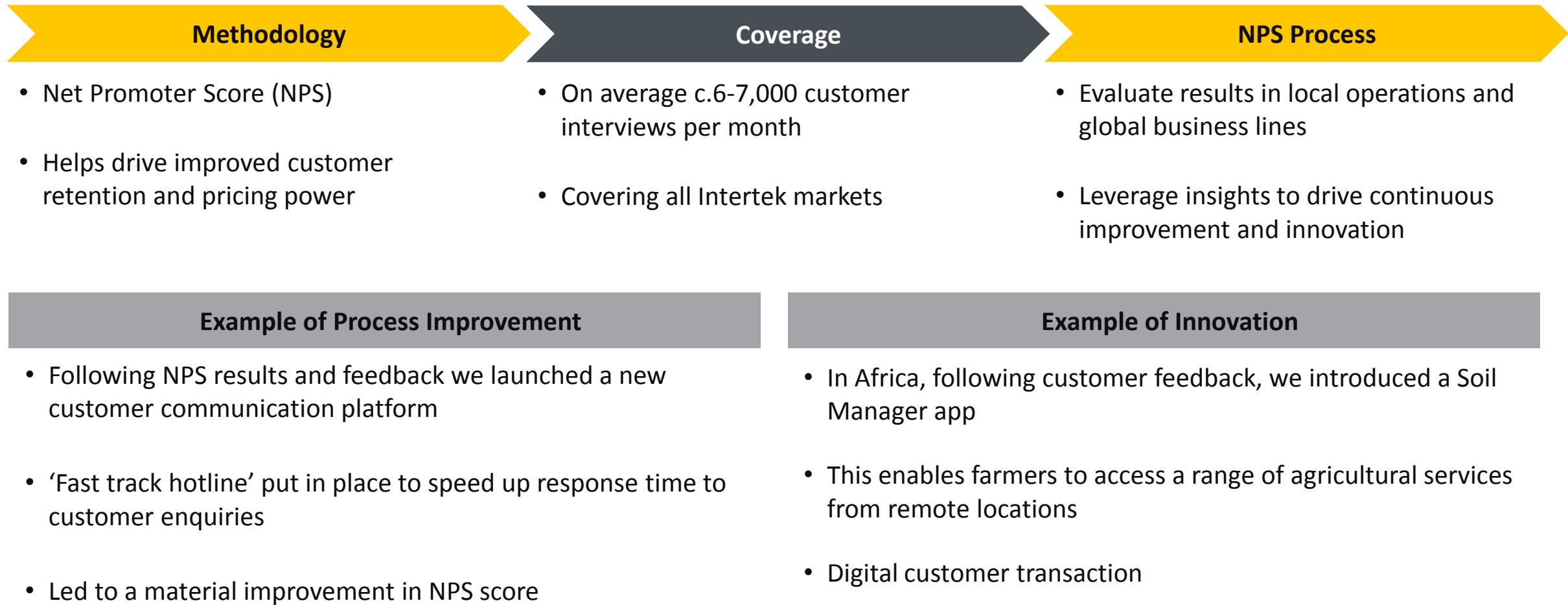


**5. Customer Outsourcing**



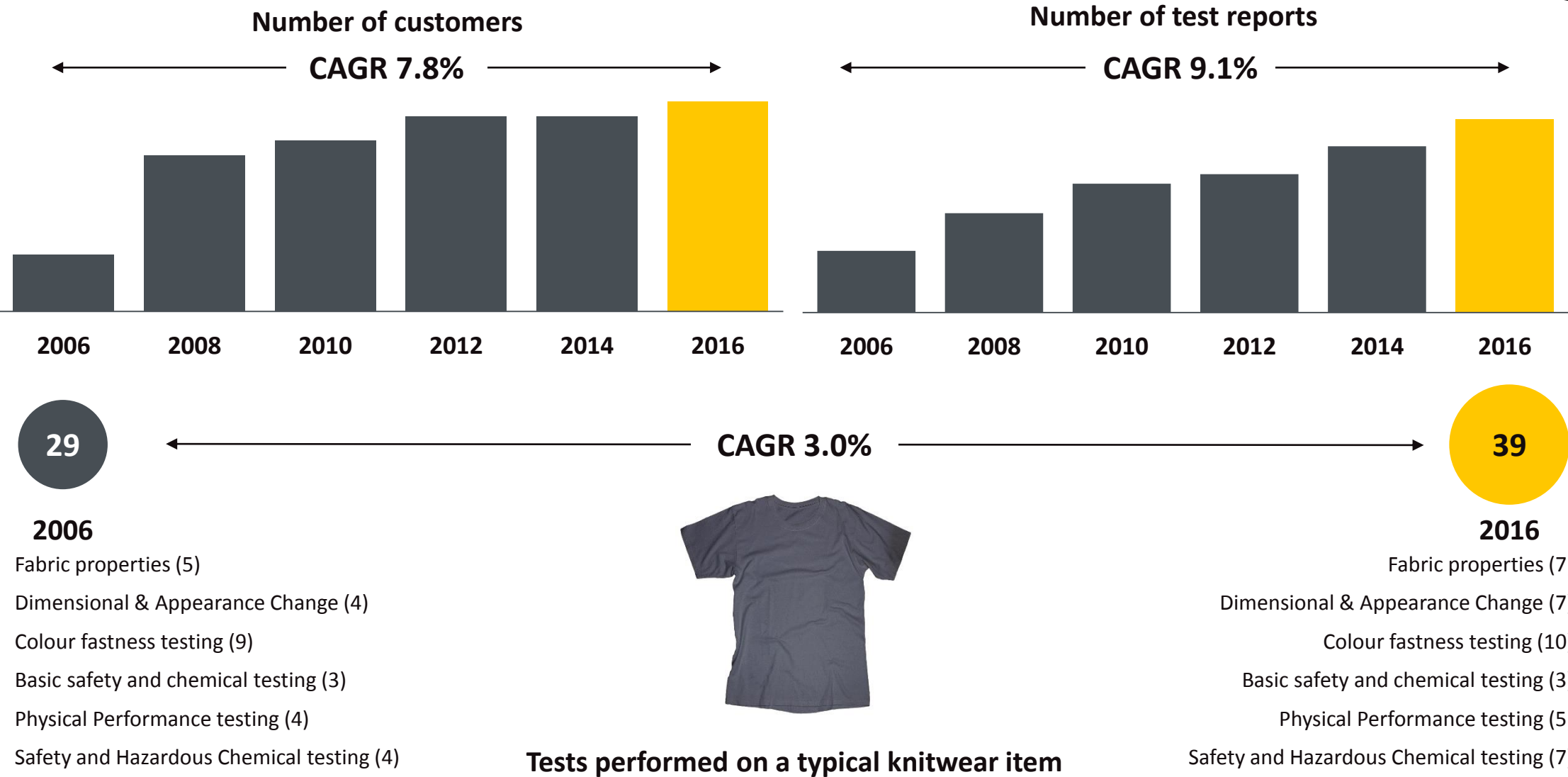


# 1. CUSTOMER RETENTION: SUPERIOR CUSTOMER SERVICE





# 2. MARKET PENETRATION: EXISTING SOFTLINE LAB EXAMPLE





### 3. ATIC CROSS SELLING: 2016 CUSTOMER EXAMPLES



#### Global Automotive Manufacturer

- ATIC meeting provided opportunities in:
  - Pre-production supplier qualification
  - Supply chain risk management
  - Portable vehicle emissions



#### Global Toy Retailer

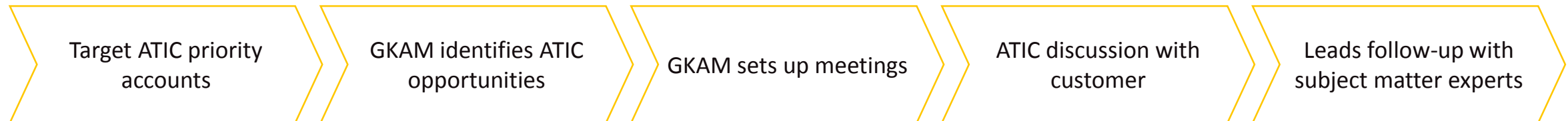
- ATIC meeting provided opportunities in:
  - Auditing and risk assessment
  - Product evaluation and classification



#### Global FMCG Manufacturer

- ATIC meeting providing opportunities in:
  - Certification for ISO and other standards
  - Regulatory market access services
  - Further risk assurance management

#### ATIC Selling Process





## 4. NEW CUSTOMER WINS: 2016 EXAMPLES



**US Hardlines Retailer**

- Asked Intertek to manage a more complex quality assurance requirement, due to a larger geographic footprint
- Intertek offered a multi-national inspection program across 10 countries



**Global Truck & Bus Company**

- Won an assurance contract for a global automotive company – competitive tender process
- Replaced incumbent by offering an innovative and bespoke solution to a regulatory issue
- Intertek leveraged its technical relationships to engage with the relevant regulator



**Global Garment e-Retailer**

- Won a tender for the provision of testing services to a leading global e-retailer
- Later in the year offered further business in the footwear and non-clothing lines



## 5. CUSTOMER OUTSOURCING WINS: 2016 EXAMPLES



**National Mine & Port Operator**

- Client required expertise and maintenance of specialized robotic equipment
- Intertek offered market leading capability in robotic laboratory systems
- Intertek leveraged global relationships with robotics OEMs to provide cost effective solutions to the client



**Americas Haulage & Logistics Provider**

- US logistics client was expanding its footprint in Latin America
- Appointed Intertek to provide food logistics supply auditing services across its new operations
- Subsequent appointment to cover all food supply auditing needs in their main market in North America, replacing in-house operations



**Global Petroleum Formulator & Manufacturer**

- Multi-year agreement with Intertek's Cargo/AA business as the client looked to outsource all non-core services
- Involved Intertek taking over in-house Quality Assurance lab
- Contract won based on speed of service delivery and adaptability to the clients' evolving business needs



# THREE TIER PORTFOLIO STRATEGY



01

## Grow Scale Businesses

02

## Invest in Fast Growing Businesses

03

## Improve Performance

GBL

- Softlines
- Hardlines
- Electrical & Wireless
- Cargo & Analytical Assessment
- Government & Trade Services

- Business Assurance
- Agriculture
- Building Products
- Transportation Technologies
- Food

- Industry Services
- Minerals

Geographic

- North America
- Greater China

- South Asia
- South East Asia
- South America
- Middle East and Africa

- Australia
- Europe



05

## 2016 RESULTS

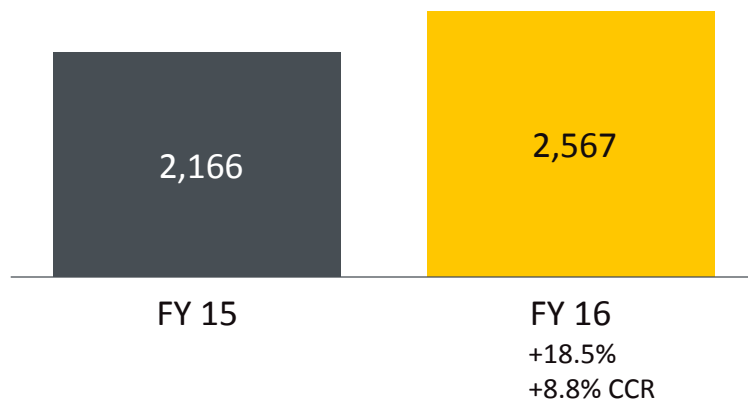




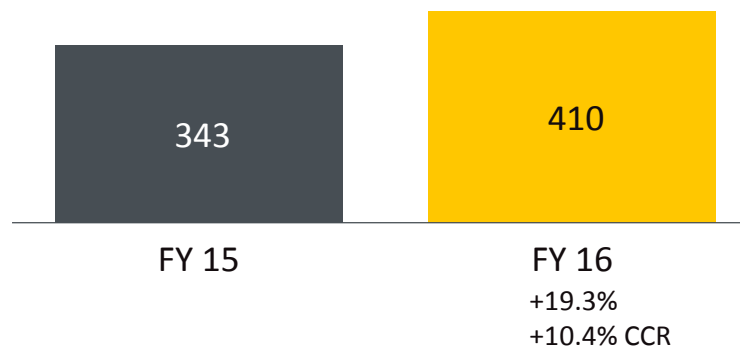
# STRONG REVENUE AND EARNINGS GROWTH



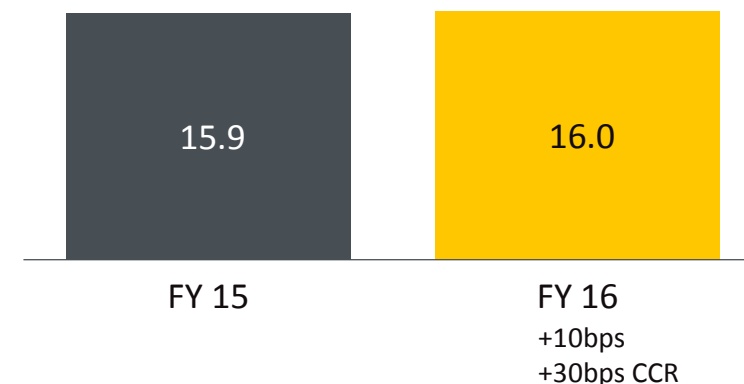
Revenue (£m)



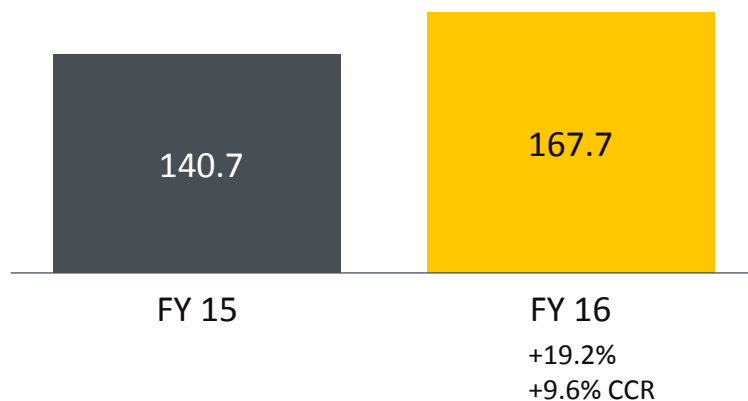
Operating Profit (£m)



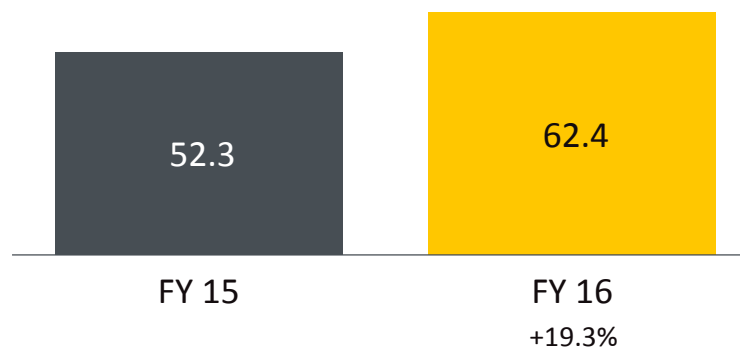
Operating margin (%)



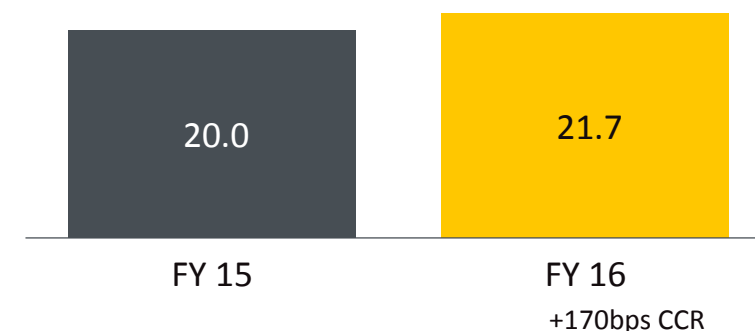
Adjusted EPS (p)



Dividend (p)

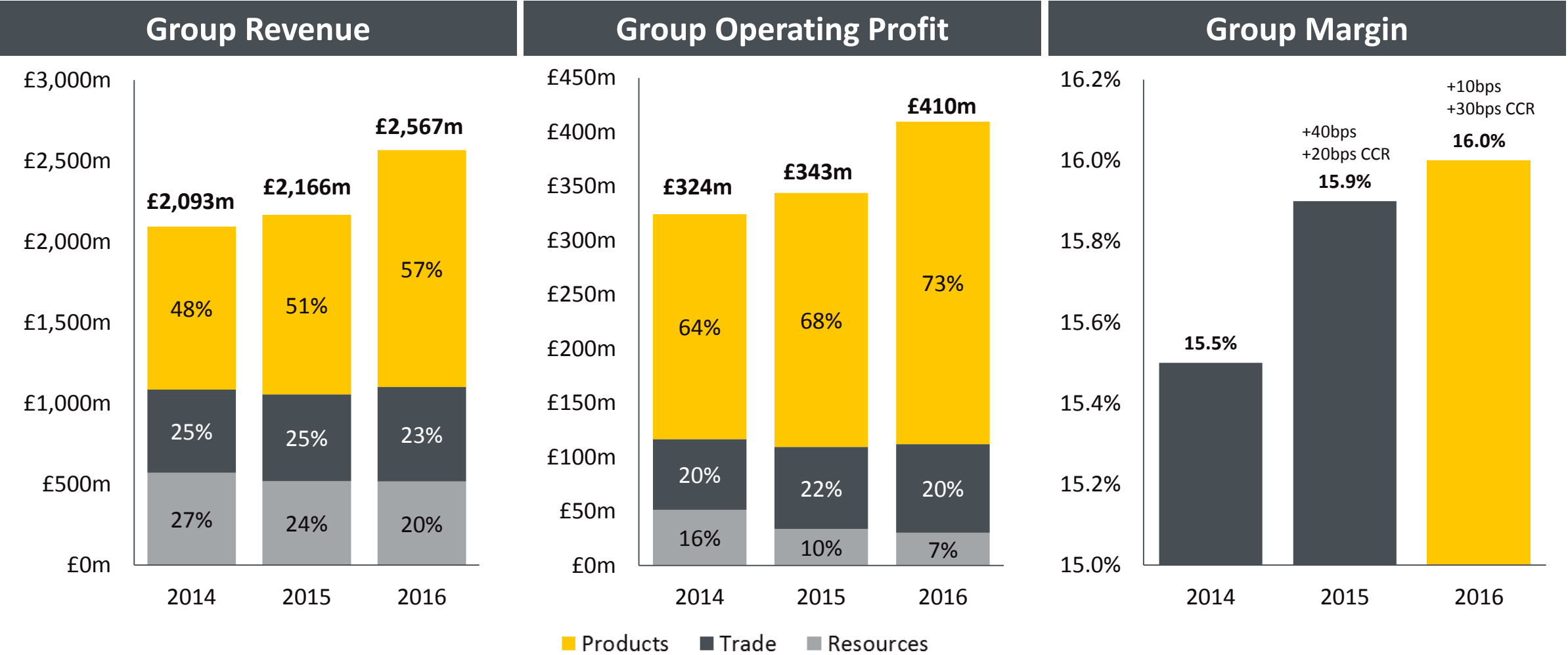


ROIC (%)





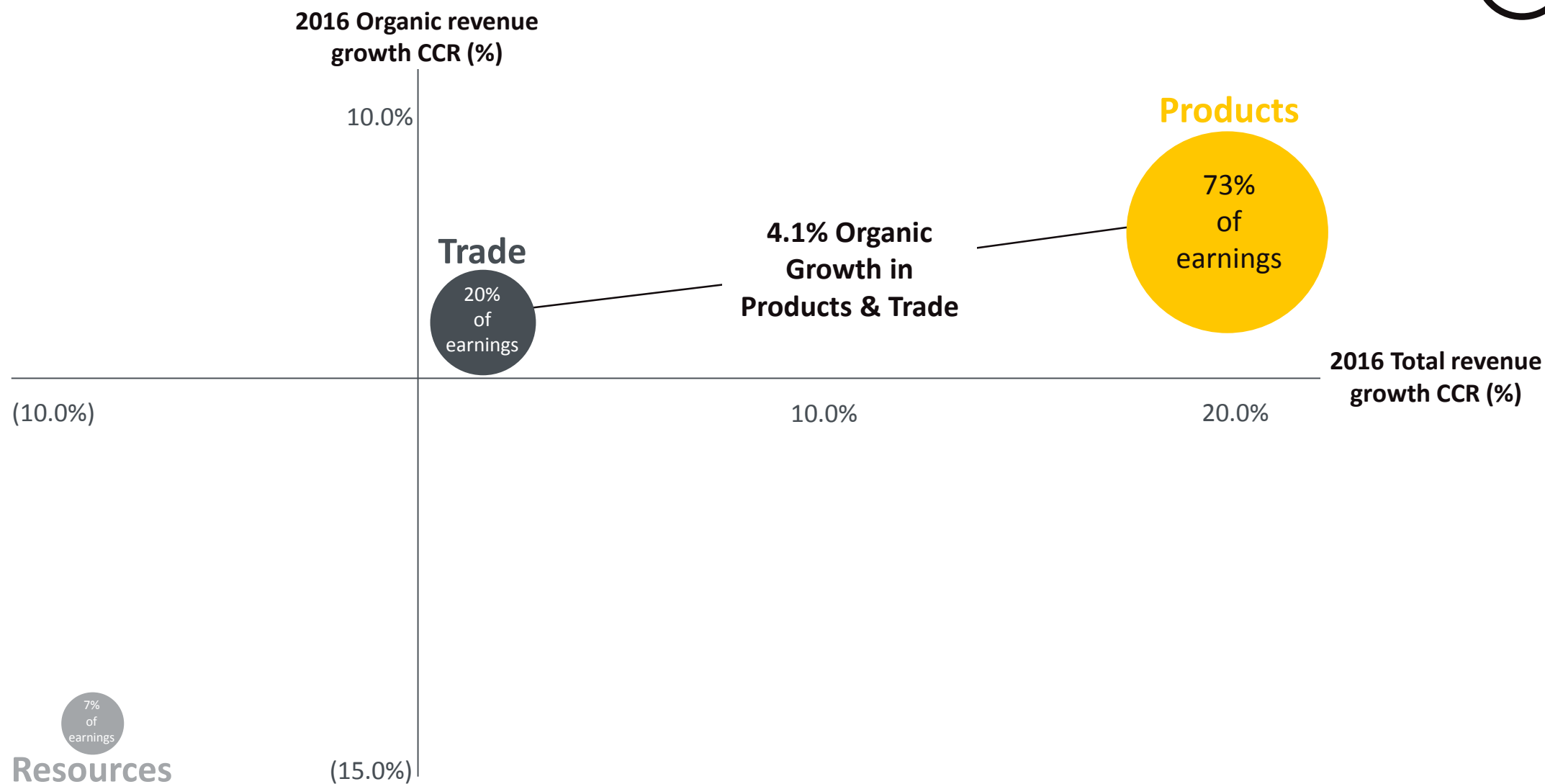
# GROUP'S CENTRE OF GRAVITY MOVING TOWARDS HIGH GROWTH HIGH MARGIN SECTORS



■ Products   ■ Trade   ■ Resources



# GDP+ ORGANIC GROWTH IN 93% OF EARNINGS





# 2016 DIVISIONAL PERFORMANCE



## Products

£m	FY 16	Change at Actual	Change at constant
Revenue	1,465.5	32.0%	19.9%
Organic revenue growth <sup>1</sup>	1,260.7	16.0%	5.5%
Operating profit <sup>2</sup>	297.7	27.3%	16.5%
Margin	20.3%	(80bps)	(60bps)



## Trade

£m	FY 16	Change at Actual	Change at constant
Revenue	584.5	8.9%	1.6%
Organic revenue growth <sup>1</sup>	582.7	8.6%	1.3%
Operating profit <sup>2</sup>	81.8	8.1%	2.2%
Margin	14.0%	(10bps)	10bps



## Resources

£m	FY 16	Change at Actual	Change at constant
Revenue	517.0	(0.4%)	(8.0%)
Organic revenue growth <sup>1</sup>	478.5	(5.9%)	(13.0%)
Operating profit <sup>2</sup>	30.2	(10.9%)	(15.2%)
Margin	5.8%	(70bps)	(50bps)

<sup>1</sup> Organic revenue growth excludes the impact of acquisitions and disposals in 2015 and 2016

<sup>2</sup> Before separately disclosed items



# CONTINUOUS COST AND MARGIN DISCIPLINE



## Organic operating margin improvement<sup>1</sup>

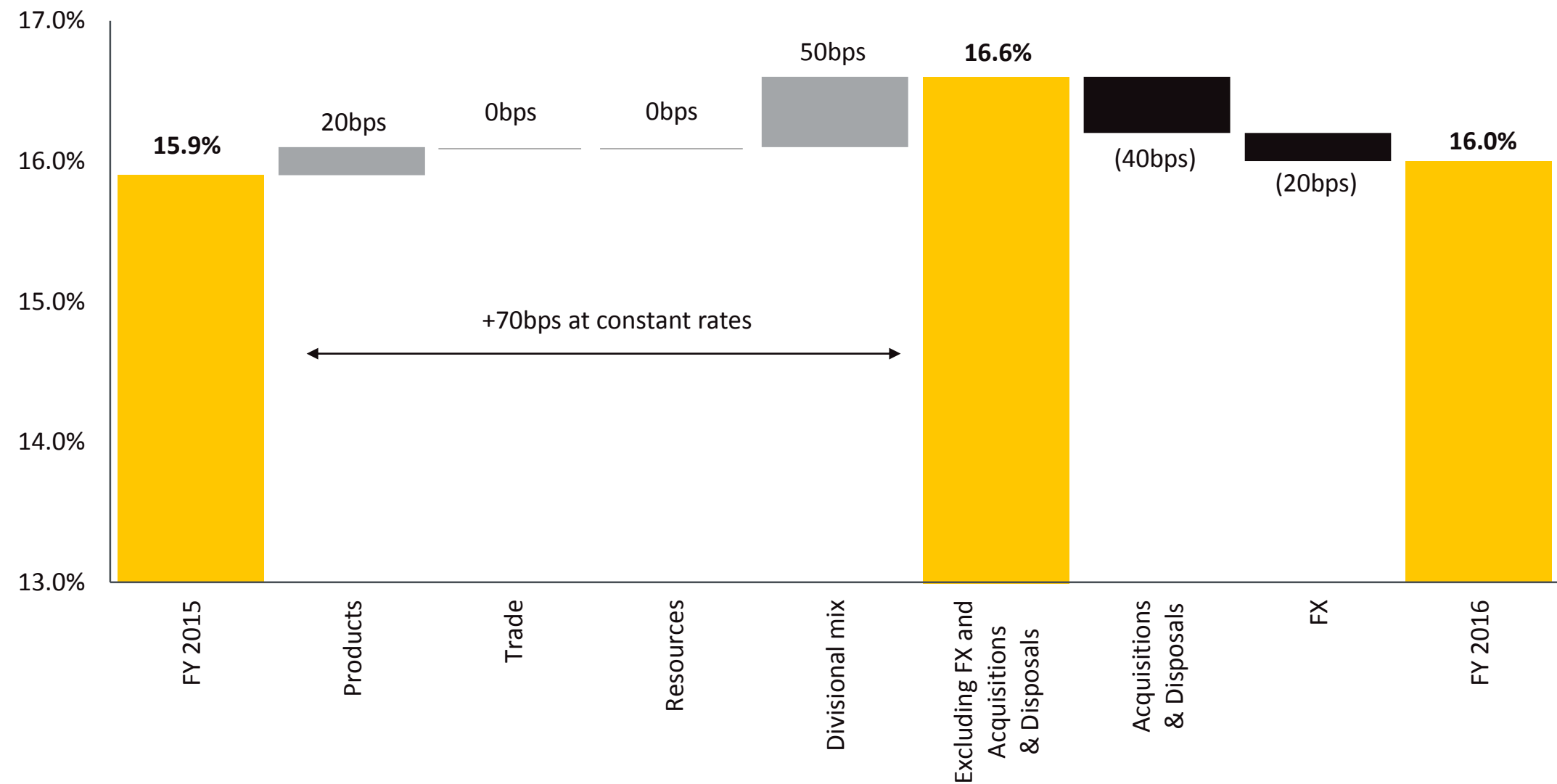


Cost reduction activities			Productivity management	Portfolio strategy
	Headcount	Savings <sup>2</sup>		
2014	1,100	£10m	<ul style="list-style-type: none"> <li>Monthly performance reviews for Top 30 countries/16 Business Lines</li> </ul>	<ul style="list-style-type: none"> <li>Organic &amp; inorganic growth in Products and Trade</li> </ul>
2015	200	£4m	<ul style="list-style-type: none"> <li>Business line and country benchmarking</li> </ul>	<ul style="list-style-type: none"> <li>Strategic review of underperforming business units</li> </ul>
2016	550	£10m	<ul style="list-style-type: none"> <li>Site span of performance management</li> </ul>	<ul style="list-style-type: none"> <li>Consolidation of facilities</li> <li>Targeted performance management</li> </ul>

Notes: (1) Organic growth at constant currency rates (CCR); (2) Annualised

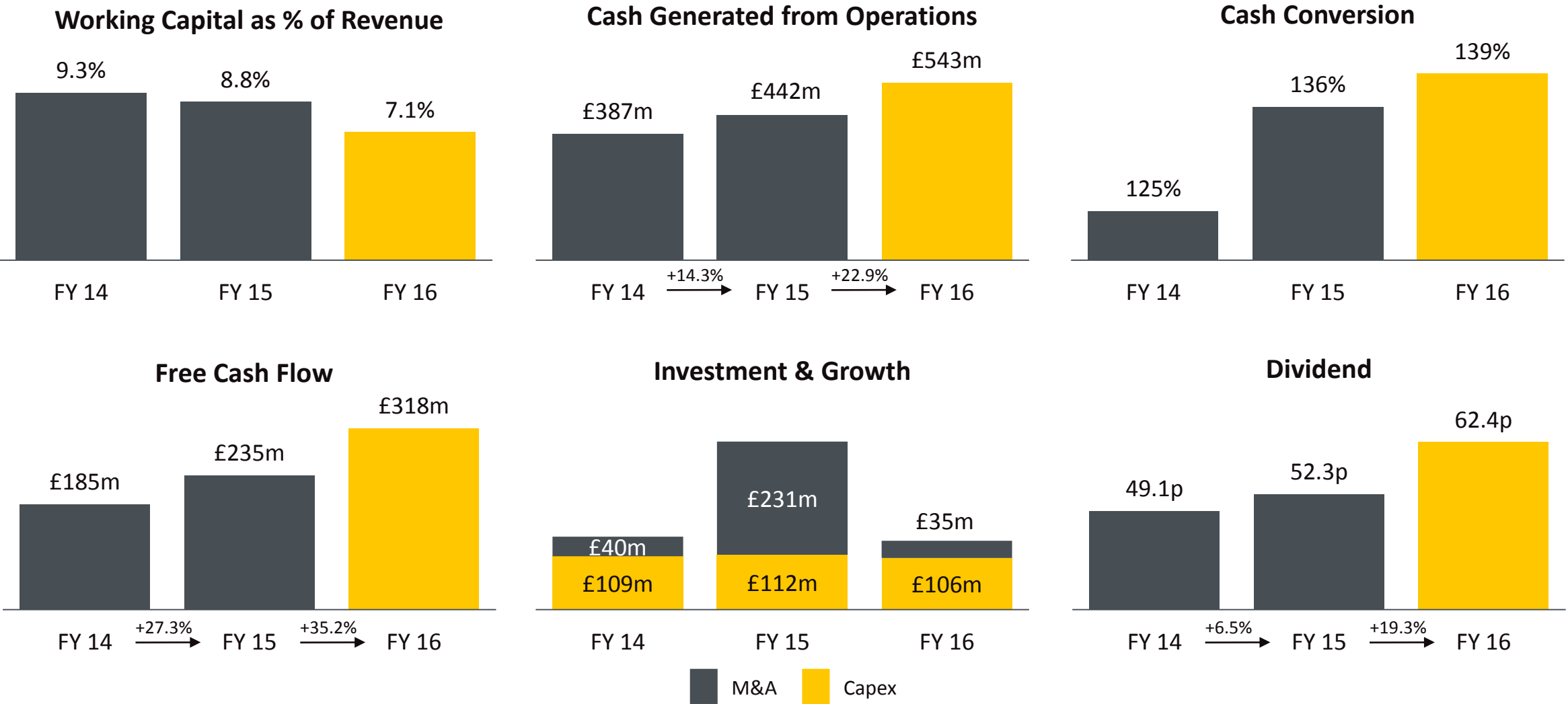


# OPERATING MARGIN BRIDGE





# STRONG CASH CONVERSION AND ACCRETIVE DISCIPLINED CAPITAL ALLOCATION





# FY 2017 FINANCIAL GUIDANCE



	FY 2017 Guidance
Net finance cost	c.£25m
Effective tax rate	25.5 – 26.0%
Minority interest	c.£17m
Diluted shares (as at 31 December 2016)	162.6m
Capex	£120 – 130m <sup>1</sup>
Net Debt	£650 – 700m <sup>2</sup>

Note: (1) Before any material change in FX rates; (2) Before any material change in FX rates and any additional M&A

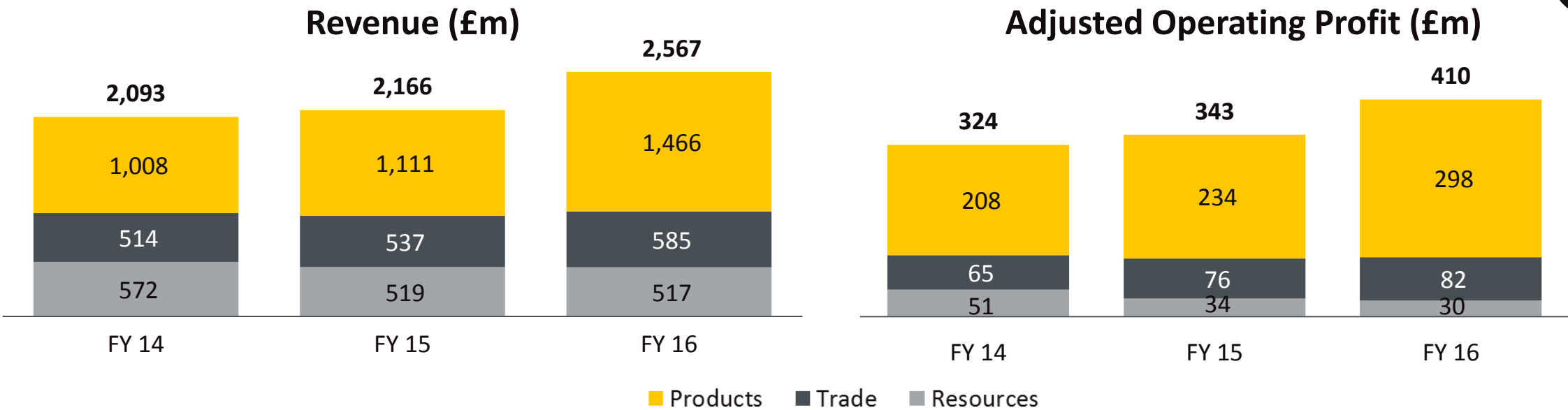


**intertek**

**Total Quality. Assured.**



# GROUP PERFORMANCE (2014 – 2016)



	Margin		
	FY 14	FY 15	FY 16
Products	20.6%	21.1%	20.3%
Trade	12.7%	14.1%	14.0%
Resources	9.0%	6.5%	5.8%
Group	15.5%	15.9%	16.0%

Key Metrics 2016		
% Group Revenue	% Group Profit	Organic Revenue Growth
57%	73%	5.5%
23%	20%	1.3%
20%	7%	(13.0%)
100%	100%	0.1%



# KEY INVESTOR INFORMATION



## Key dates:

2017 AGM & 4 Month Trading Statement	26 May 2017
2017 Half Year Results	1 August 2017
2017 November Trading Update	21 November 2017

## Conference attendance:

Exane BNP Paribas, European CEO Conference, Paris	14 June 2017	CEO, IR
Goldman Sachs, Business Services Conference, London	27 June 2017	CFO, IR
HSBC, Business Services Conference, Frankfurt	7 September 2017	IR
UBS, Support and Business Services Conference, London	13 September 2017	CFO, IR
Sanford C. Bernstein, Strategic Decisions Conference, London	28 September 2017	CEO, IR
Deutsche Bank, dbAccess Pan European Small & Mid Cap Series, London	4 October 2017	CFO, IR
Berenberg, Testing, Inspection & Certification Conference, London	5 October 2017	IR
Credit Suisse, Business Services and Consumer Conference, San Francisco	28 November 2017	IR
Societe Generale, The Premium Review Conference, Paris	30 November 2017	CEO, IR

## Key contacts:

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[www.intertek.com/investors](http://www.intertek.com/investors)