



TRADING STATEMENT

24 May 2018

Intertek Group plc ("Intertek" or "the Group"), a leading Total Quality Assurance provider to industries worldwide, today releases its May Trading Update for the period from 1 January to 30 April 2018 ("period"). All comparative comments in this statement reflect comparisons with the corresponding period during 2017. The Group's half year results to 30 June 2018 will be announced on 7 August 2018.

ON TRACK TO DELIVER 2018 TARGETS

- Group revenue of £861.2m, up 4.4% at constant rates and down 2.5% at actual rates
- Good organic revenue growth of 4.0% at constant rates: Products +6.6%, Trade +0.6%, Resources +0.3%
- Acquisitions in sectors with attractive growth and margin prospects
- Operational discipline on cost and margin management
- Strong cash conversion and disciplined capital allocation

André Lacroix: Chief Executive Officer statement

"In the first four months of the year, the Group has delivered revenue of £861.2m, up 4.4% year on year at constant rates, driven by a good organic growth of 4.0% at constant rates and by the contribution of the acquisitions we made recently in attractive growth and margin sectors.

We are on track to deliver our 2018 targets of good organic revenue growth at constant rates, with moderate margin expansion and strong cash conversion.

The \$250 billion global quality assurance industry has attractive structural growth prospects driven by an increased focus of corporations on risk management, global trade flows, global demand for energy, expanding regulations, more complex sourcing and distribution operations, technological innovations, government investments in large infrastructure projects, and increased consumer demand for higher quality and more sustainable products.

We are uniquely positioned to seize these exciting growth opportunities with our Total Quality Assurance Value Proposition that provides a superior service, offering global Assurance, Testing, Inspection and Certification solutions to our customers across multiple industries through our global network of subject-matter experts and over 1,000 state-of-the-art facilities in over 100 countries.

We operate a high quality and highly cash generative earnings model delivering strong returns. Our '5x5' differentiated strategy for growth will continue to move the centre of gravity of our portfolio towards the attractive growth and margin opportunities in the industry based on a disciplined approach to revenue, margin, portfolio and cash performance management, and an accretive disciplined capital allocation policy that delivers sustainable shareholder value creation."

Revenue Performance

	4 months – January to April			
	2018 £m	2017 £m	Change at actual	Change at constant
Group				
Revenue	861.2	883.5	(2.5%)	4.4%
Organic revenue	856.8	883.1	(3.0%)	4.0%
Products				
Revenue	508.1	507.0	0.2%	7.4%
Organic revenue	503.8	506.6	(0.5%)	6.6%
Trade				
Revenue	200.7	213.7	(6.1%)	0.6%
Organic revenue	200.6	213.7	(6.1%)	0.6%
Resources				
Revenue	152.4	162.8	(6.4%)	0.3%
Organic revenue	152.4	162.8	(6.4%)	0.3%

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Analysts' Call

A live audiocast for analysts and investors will be held today at 7.45am UK time; +44 (0) 20 3003 2666 ([Link to audiocast](#)). Details can also be found at <http://www.intertek.com/investors/> together with a pdf copy of this report. A recording of the audiocast will be available later in the day.

intertek

Total Quality. Assured.

Intertek is a leading Total Quality Assurance provider to industries worldwide.

Our network of more than 1,000 laboratories and offices and over 43,000 people in more than 100 countries, delivers innovative and bespoke Assurance, Testing, Inspection and Certification solutions for our customers' operations and supply chains.

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

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Products Divisional Review

Our Products related businesses delivered a robust trading performance with 6.6% organic revenue growth at constant rates.

- Our **Softlines** business reported solid organic growth performance. We are leveraging the investments we have made to support the expansion of our customers in new markets. We continue to benefit from strong demand from our customers for chemical testing and to seize the exciting growth opportunities in the footwear sector.
- Our **Hardlines** and Toy business continues to take advantage of our strong global account relationships, the expansion of our customers' supply chains into new markets and our innovative technology for factory inspections. We delivered good organic revenue growth performance across our main markets of China, Hong Kong, India and Vietnam.
- We delivered robust organic revenue growth in our **Electrical & Network Assurance** business driven by higher regulatory standards in energy efficiency and by the increased demand for wireless devices.
- Our **Business Assurance** business delivered strong organic revenue growth as we continue to benefit from the increased focus of corporations on risk management, resulting in strong growth in supply chain audits.
- Driven by the growing demand for more environmentally friendly and higher quality buildings and infrastructure in the US market, our **Building & Construction** business reported robust organic revenue growth.
- Our **Transportation Technology** business delivered double-digit organic revenue growth as we capitalise on our clients' investments in new powertrains to lower emissions and increase fuel efficiency.
- We continue to benefit from the increased focus of corporations on food safety and delivered robust organic revenue growth in our **Food** business.
- We delivered robust organic revenue growth in our **Chemicals & Pharma** business as we continue to leverage the structural growth opportunities in the healthcare markets in both developed and emerging economies.

2018 outlook

We expect our Products division to benefit from robust organic revenue growth at constant currency.

Mid to long-term growth outlook

Our Products division will benefit from mid to long-term structural growth drivers including product variety, brand and supply chain expansion, product innovation and regulation, the growing demand for quality and sustainability from developed and emerging economies, the acceleration of e-commerce as a sales channel, and the increased corporate focus on risk.

Trade Divisional Review

Our Trade related businesses delivered a solid trading performance with 0.6% organic revenue growth at constant rates.

- Our **Cargo/AA** business reported stable organic revenue growth benefiting from the structural growth drivers in the Crude Oil and Refined Product global trading market.
- Our **Government and Trade Services** business delivered robust organic revenue growth driven by the strong performance of existing contracts and the acquisition of new clients.
- Our **AgriWorld** business delivered an organic revenue below last year due to lower export activities in a few markets that benefited from strong trading activity in 2017.

2018 outlook

We expect our Trade related businesses to deliver solid organic revenue growth performance at constant currency.

Mid to long- term growth outlook

Our Trade division will continue to benefit from both regional and global trade-flow growth, as well as the increased customer focus on quality, quantity controls and supply chain risk management.

Resources Divisional Review

Our Resources related businesses delivered a stable trading performance with organic revenue growth of 0.3% at constant rates.

- The revenue from **Capex Inspection Services** was lower than last year and the demand for **Opex Maintenance Services** remained stable in a competitive pricing environment.
- Accelerating the trend seen in 2017, we saw robust growth in demand for testing activities in the **Minerals** business.

2018 outlook

Overall, we expect our Resources related businesses to deliver a stable revenue performance at constant currency.

Mid to long- term growth outlook

Our Resources division will grow in the medium to long term as we benefit from investments in Exploration and Production of oil and minerals, to meet the demand of the growing population around the world.

M&A

Intertek is well positioned to seize the attractive external growth opportunities in a very fragmented industry and we continue to make progress with our M&A strategy.

The acquisitions made recently in attractive growth and margin sectors are performing well:

- In April 2017, the Group completed the acquisition of KJ Tech Services GmbH, a leading provider of vehicle, component and fuel testing services based in Germany.
- In December 2017, the Group acquired Acumen Security LLC, a leading provider of security certification solutions for products, headquartered in Maryland USA.
- In March 2018, the Group acquired Aldo Abela Surveys, a leading provider of quality and quantity cargo inspection services, based in Malta.
- In April 2018, the Group acquired Proasem SAS, a leading provider of laboratory testing, inspection, metrology and training services, based in Colombia.

In addition, the Group entered into an exclusive agreement with the Certified Automotive Parts Association (CAPA) in March 2018, to operate their automotive certification programme.

Investment & Financial Position

Our year end net debt guidance of £400-450m, assuming no further acquisitions and no significant forex changes, remains unchanged. The strength of Intertek's balance sheet will enable the Group to seize attractive growth opportunities ahead and continue to deliver strong shareholder returns.

Outlook

We expect to deliver good organic revenue growth performance at constant currency in 2018 with moderate margin expansion and strong cash generation. We expect our Products related businesses to deliver robust organic revenue growth, while our Trade and Resources related businesses are expected to deliver respectively, solid and stable revenue performance.

Looking further ahead, the global Assurance, Testing, Inspection and Certification industry will continue to benefit from exciting growth prospects driven by an increased focus of corporations on risk management, global trade flows, global demand for energy, expanding regulations, more complex supply chains, technological innovations and increased demand for higher quality and more sustainable products.

Intertek is well positioned to take advantage of these growth opportunities in the Quality Assurance market. We offer a high-quality Assurance, Testing, Inspection and Certification service to our clients based on the depth and breadth of our technical expertise, our global network of state of the art facilities and our customer centric culture.

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