



TRADING STATEMENT

24 November 2022

Intertek Group plc (“Intertek” or “the Group”), a leading Total Quality Assurance provider to industries worldwide, today releases its November Trading Update for the period from 1 January to 31 October 2022 (“period”). All comparative comments in this statement reflect comparisons with the corresponding period during 2021. The Group’s full year results to 31 December 2022 will be announced on 28 February 2023.

Robust Demand for Intertek ATIC Solutions – Growth Acceleration in Trade and Resources

- 5.6% LFL revenue growth at CCY¹ in July-Oct driven by 4% LFL in Products, 7.1% LFL in Trade and 9.7% LFL in Resources
- YTD revenue growth of 9% at CCY¹ with broad-based LFL revenue growth of 5.2% and a £120m contribution from acquisitions
- 15.5% YTD revenue growth at AR² driven by strong revenue growth at CCY¹ and 650bps of positive Forex translation
- Continuous progress on pricing, productivity and cash initiatives to deliver strong returns
- 2022 outlook: robust LFL revenue growth and good earnings growth at CCY¹, strong earnings growth and free cash flow at AR²
- Robust balance sheet with low net debt to EBITDA ratio and 2022 expected financial net debt of £750-800m³
- Proven high-quality growth earnings model with excellent fundamentals and intrinsic defensive characteristics
- Well-positioned to seize the attractive organic and inorganic ATIC growth opportunities ahead

	LFL Revenue Growth		Revenue Growth	
	Jul-Oct 22	YTD 22	YTD 22	YTD 22
	Change at CCY ¹	Change at CCY ¹	Change at CCY ¹	Change at AR ²
Group	5.6%	5.2%	9.0%	15.5%
Products	4.0%	4.2%	9.8%	16.9%
Trade	7.1%	6.3%	6.3%	10.9%
Resources	9.7%	7.8%	9.3%	15.8%

André Lacroix: Chief Executive Officer statement

“The Group has delivered a robust trading performance in the period at CCY¹, driven by broad-based good LFL revenue growth in Products and LFL revenue growth acceleration in Trade and Resources. Reported revenue at CCY¹ grew 9.0% YTD driven by a LFL revenue growth of 5.2% and the performance of our three recent acquisitions contributing £120m of revenue. Our superior ATIC customer service and industry leading innovations enabled us to leverage our strong pricing power and make good progress on pricing. Our disciplined cost management remains in place to drive productivity gains and our day-to-day focus on cash is delivering a strong cash performance in H2.

We have an excellent business in China with leading and scale positions. The lockdown restrictions had a significant impact in our China business between March and June with Shanghai the most impacted. It has been operating as normal from July onwards and as expected, our business has rebounded quickly delivering a good LFL revenue growth at constant currency in the July-Oct period.

For the full year, we are confident that the Group will deliver robust LFL revenue growth at CCY¹ with a margin below 2021 reflecting the lockdown restrictions in China in H1, the expected divisional mix and the impact of inflation on the Opex capability investments we are making in our businesses in North America, UK, Europe and Australia. We expect the Group to deliver a good earnings growth at CCY¹ and a strong earnings growth and free cash flow at AR² with an excellent ROIC.

The Quality Assurance market will grow faster post Covid-19 as the demand for Quality Assurance solutions is expanding across all our business lines given the growing stakeholder expectations in quality, safety and sustainability. Moving forward, we expect the attractive structural growth drivers in our industry to be augmented by an increase in ATIC customers, a stronger focus by corporations on safer supply chains, greater corporate investments in innovation, a step change in sustainability management and reporting with independently verified disclosures, and significant growth opportunities in the World of Energy.

We operate a differentiated, high-quality growth business with excellent fundamentals and intrinsic defensive characteristics, giving our customers the Intertek Science-based Total Quality Assurance advantage to strengthen their businesses. Our leading ATIC solutions are mission critical for the world to operate safely and the growth in our end-markets is accelerating. We operate a high-performance earnings and cash compounder model which has delivered 13% annual Total Shareholder Returns in the last decade and we will continue to deliver sustainable growth and value for all stakeholders in the short, medium and long term.”

¹Constant currency ²Actual rates ³Excluding further changes in FX rates and M&A

Revenue Performance								
10 months – January to October					4 months – July to October			
	2022 £m	2021 £m	Change at actual rates	Change at constant currency	2022 £m	2021 £m	Change at actual rates	Change at constant currency
Group								
Revenue	2,632.4	2,279.1	15.5%	9.0%	1,140.7	961.5	18.6%	8.5%
Like-for-like revenue	2,512.9	2,254.7	11.5%	5.2%	1,085.6	939.3	15.6%	5.6%
Products								
Revenue	1,674.6	1,432.0	16.9%	9.8%	723.6	612.5	18.1%	7.7%
Like-for-like revenue	1,561.3	1,407.6	10.9%	4.2%	674.4	590.3	14.2%	4.0%
Trade								
Revenue	523.9	472.4	10.9%	6.3%	224.3	194.2	15.5%	7.1%
Like-for-like revenue	523.6	472.4	10.8%	6.3%	224.3	194.2	15.5%	7.1%
Resources								
Revenue	433.9	374.7	15.8%	9.3%	192.8	154.8	24.5%	13.1%
Like-for-like revenue	428.0	374.7	14.2%	7.8%	186.9	154.8	20.7%	9.7%

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Analysts' Call

A live audiocast for analysts and investors will be held today at 7.45am UK time; +44 (0) 33 0551 0200 ([Link to audiocast](#)).

Details can 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.



Total Quality. Assured.

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

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

Intertek is a purpose-led company to Bring Quality, Safety and Sustainability to Life. We provide 24/7 mission-critical quality assurance solutions to our clients to ensure that they can operate with well-functioning supply chains in each of their operations.

Our Customer Promise is: 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

Revenue in our Products business benefitted from a continuing increase in ATIC customer demand and from our acquisitions enabling us to deliver a revenue growth of 7.7% in the July-Oct period at constant currency and 9.8% YTD at constant currency. During the period, our Products business delivered a LFL revenue growth of 4.0% at constant currency, slightly below our expectations, as we recently saw a slowdown in new product development by some of our Softlines and Hardlines clients focusing on short-term reduction of higher-than-expected inventory before year-end, and we have not seen our automotive clients increase their R&D investments in H2 given the challenges they face in their supply chains. LFL revenue growth on a YTD basis in Products was 4.2% at constant currency.

- Our **Softlines** business delivered mid-single digit LFL revenue growth in the July-Oct period resulting in mid-single digit LFL revenue growth YTD, benefitting from growth in e-commerce, investments of our clients in new collections, growth in risk-based Quality Assurance and increased investment in end-to-end sustainability.
- **Hardlines** reported low-single digit LFL revenue growth in the July-Oct period and low-single digit LFL revenue growth on a YTD basis, benefitting from the growth in e-commerce, the increased consumer demand for home furniture and toys as well as the investments of our clients in sustainability.
- With increased ATIC activities driven by greater regulatory standards in energy efficiency, higher demand for testing and certification of medical devices and the increased testing requirements for 5G, our **Electrical & Connected World** business delivered low-single digit LFL revenue growth in the July-Oct period and on a YTD basis.
- **Business Assurance** delivered double-digit LFL revenue growth globally in the July-Oct period and on YTD basis as the business benefitted from the increased investments by our clients to improve the resilience of their supply chains, the continuous focus on ethical supply, the increased need for sustainability assurance and the strong growth in our People Assurance segment.
- Our **Building & Construction** business generated high-single digit LFL revenue growth in the July-Oct period resulting in a high-single digit LFL revenue growth YTD. We benefitted from the growing demand for more environmentally friendly and higher quality buildings and the increased number of infrastructure projects in North America.
- **Transportation Technologies** reported double-digit negative LFL revenue growth in the July-Oct period and high-single digit negative LFL revenue growth on a YTD basis as we saw lower levels of investments in new powertrains to lower CO₂/NO_x emissions and in traditional combustion engines to improve fuel efficiency.
- Our **Food** business registered high-single digit LFL revenue growth in the period and mid-single digit LFL revenue growth on YTD basis resulting from increased demand for food safety testing activities and hygiene and safety audits in factories.
- We saw low-single digit LFL revenue growth in the July-Oct period and low-single digit LFL revenue growth on a YTD basis in our **Chemicals & Pharma** business. We benefitted from an improvement of demand for regulatory assurance and chemical testing and from the increased R&D investments of the pharma industry.

Full Year growth outlook

In 2022, we expect our Products division to deliver good LFL 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

Following a good 2021 organic performance when we benefitted from the rebound in global trade, the higher demand for Energy and Agri products in 2022 enabled our Trade business to deliver a robust trading performance as it accelerated its growth momentum with a LFL revenue growth of 7.1% at constant currency in the July-Oct period, resulting in YTD LFL revenue growth of 6.3%.

- **Caleb Brett**, the global leader in the Crude Oil and Refined products global trading markets, benefitted from improved momentum driven by increased global mobility and higher testing activities for biofuels with double-digit LFL revenue growth in the July-Oct period and high-single digit LFL revenue growth YTD.
- Our **Government & Trade Services** business provides certification services to governments in the Middle East and Africa to facilitate the import of goods in their markets, based on acceptable quality and safety standards. We saw double-digit negative LFL revenue growth in the July-Oct period and double-digit negative LFL revenue growth on YTD basis as the benefit from a recovery of supply chain activities in the Middle East and Africa was more than offset by the termination of two contracts which we did not renew for profitability reasons.
- **AgriWorld** provides inspection activities to ensure that the global food supply chain operates fully and safely. The business reported mid-single digit LFL revenue growth in the July-Oct period and high-single digit LFL revenue growth on YTD basis. We continue to see an increase in demand for inspection activities driven by the strong growth in the global food industry.

Full Year growth outlook

In 2022 we expect our Trade division to deliver robust LFL revenue growth 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 clients are benefitting from the global recovery in the oil and gas industry and from higher demand for minerals which enabled our Resources business to deliver a strong trading performance with a LFL revenue growth of 9.7% at constant currency in the July-Oct period, resulting in a LFL revenue growth of 7.8% YTD.

- In our **Exploration & Production** operations, our **Capex Inspection** services business delivered double-digit LFL revenue growth in the July-Oct period and high-single digit LFL revenue growth on YTD basis. The revenue growth acceleration seen in H2 was driven by increased Capex investments from our clients in traditional oil and gas and renewables, as well as new contract wins.
- We delivered low-single digit LFL revenue growth in the July-Oct period and low-single digit negative on YTD basis in **Opex Maintenance** as we exited a large contract in North America for profitability reasons.
- The increased demand for testing and inspection activities saw our **Minerals** business deliver double-digit LFL revenue growth in the July-Oct period and on YTD basis.

Full Year growth outlook

We expect our Resources related businesses to deliver a robust LFL revenue performance at constant currency.

Mid to long- term growth outlook

Our Resources division will grow in the mid to long-term as we benefit from investments in Energy to meet the demands of the growing population around the world.

Innovation

True to our pioneering spirit, and building on our existing strengths, we continue to innovate and provide customers with the mission critical solutions they need.

We are investing organically to seize the sustained long-term growth opportunities in our industry through a disciplined approach to capital allocation, targeting high-margin and high-growth areas that in turn accelerate margin accretive revenue growth.

Intertek has been a pioneer in the industry, providing new and innovative solutions to our clients, capitalising on the Science-based Customer Excellence and creativity of our organisation.

We have a focused approach to innovation, adopting our proven three-tiered method: 'Core', building on strengths of existing products and services; 'Adjacent', expanding into fast-growing and high-margin markets; and 'Breakthrough', developing innovative products and services.

We have brought many exciting innovations to market under all these headings.

Recent examples of innovations include Intertek EcoCheck, a sustainable tourism solution that audits management systems and offers a Carbon Footprint Calculation, enabling our clients to meet their customers' requests to demonstrate tangible actions and results to achieve their sustainability goals.

In our Softlines business, we launched Intertek TOXCLEAR, an innovative digital chemical management platform for the fashion industry, to deliver production free of hazardous chemicals. The platform enables brands and their suppliers to deliver transparency and traceability on chemicals used and build safer and more sustainable supply chains.

We also added new and enhanced features to our market-leading supply chain compliance solution, Inlight 2.0, enabling organisations to manage increasingly complex supply chain risks, empowering them to bring visibility to the workings of their vendor partners and turn potential disruptions and compliance irregularities to their competitive advantage.

Our Minerals Global Centre of Excellence in Perth, Western Australia is a key hub for the minerals and mining industry. This state-of-the-art laboratory gives our customers access to trusted expertise in mineral testing, inspection and analysis. We recently installed a third PhotonAssay unit at the Centre, supporting our customers with faster, more accurate and environmentally friendly analysis of gold. Every sample analysed with PhotonAssay means reduced CO² emissions and less hazardous waste compared to the fire assay method traditionally used for the determination of gold content in ores.

All these innovations and many more have performed exceptionally well in 2022, underlining how we have created and maintained our industry leadership position.

Sustainability

Sustainability is central to everything we do at Intertek and as a purpose-led company it is anchored in our Purpose, Vision and Values.

We are proud to have been recognised for our leading sustainability credentials with the highest possible 'AAA' ESG rating from the world's largest provider of Environmental, Social and Governance ('ESG') Indexes, MSCI.

Offering innovative sustainability services to our clients is core to our value proposition and we are committed to pioneering new solutions that will help our clients.

What our clients are looking for today is systematic, independent end-to-end assurance on all aspects of their sustainability journey. Intertek Total Sustainability Assurance ('TSA') is a holistic programme empowering our customers to achieve sustainability excellence across all aspects of their business and communicate results with confidence.

TSA is a global programme that leverages our footprint in over 100 countries and covers all industries. We have built a team of sustainability experts in every major region, who can help with both a global and local perspective.

Intertek Total Sustainability Assurance is comprised of three parts:

- Intertek Operational Sustainability Solutions
- Intertek ESG Assurance; and
- Intertek Sustainability Certification

Internally, we are focussed on driving sustainability excellence and below are our 2021 sustainability results which were published at the end of March in our Annual report:

- Driving a culture of proactive Health & Safety awareness with continuous improvement in our Total Recordable Incident Rate of 0.51 for 2021.
- Since 2015, we have used the Net Promoter Score ('NPS') process to listen to our customers; during 2021 we continued to conduct on average 6,000 interviews each month.
- Improving the environmental performance across our operations is key to our ambition of aligning our business to reduction targets set by the Paris Agreement. Operational emissions intensity per employee was 4.35 tCO₂e for 2021. Total CO₂e emissions (market-based) reduced by 13.3% vs 2020.
- We recognise the importance of employee engagement in driving sustainable performance for all stakeholders, and we measure employee engagement against our Intertek ATIC Engagement Index. Our 2021 score was 79.9%.
- Our voluntary permanent turnover rate returned to similar levels seen prior to Covid-19 at 13%.
- We have increased the representation of women in senior management roles by 6% to 23% since 2017, aiming to achieving better gender balance by 2025.
- Supporting our commitment to the highest standards of integrity and professional ethics, 94% of eligible employees completed our annual compliance training.

M&A

We are investing inorganically to seize the attractive growth opportunities in the global Quality Assurance market and to strengthen our ATIC portfolio in high-margin, high-growth areas.

Our most recent acquisitions, SAI Global Assurance, JLA Brasil Laboratório de Análises de Alimentos S.A. and Clean Energy Associates LLC, are excellent examples of investments in complementary businesses.

They have been successfully integrated and are performing well delivering £120m of revenue at CCY in the first 10 months of the year.

Our teams have made excellent progress leveraging the investments made in the last few years as evidenced by our strong return on capital.

We will continue to look at M&A opportunities in attractive high-margin and high-growth areas to broaden our ATIC portfolio of solutions with new services we can offer to our clients and to expand our regional coverage with our current ATIC portfolio.

With our strong balance sheet, we are well positioned to seize the attractive external growth opportunities in a highly fragmented industry.

Outlook 2022

In 2022, we expect the Group to deliver a good earnings growth at constant currency and a strong earnings growth and free cash flow at actual rates.

We expect to deliver robust LFL revenue growth at the Group level at constant currency, with good LFL revenue growth in Products and robust LFL revenue growth in Trade and Resources.

Given the impact of China in H1, the expected divisional mix, and the impact of inflation on the Opex capabilities investments we are making, our margin at constant currency will be below 2021 and slightly below our 2021 underlying margin, adjusted for the £10.5m additional government subsidies we benefitted from last year.

We expect net finance costs to now be in the range of £34-36m, our effective tax rate to be between 26.5-27.0%, our minority interest to be between £19-20m and our capex investments to be in the range of £120-125m.

The average sterling rate since the beginning of the year applied to the full year results of 2021 would provide an uplift of 600/650bps at the revenue and earnings level.

Our financial net debt guidance, taking into account the latest FX developments and the CEA acquisition, but excluding future change in FX rates or M&A, is £750m-800m.

Looking Beyond 2022

Looking beyond 2022, we are well positioned to seize the attractive organic and inorganic ATIC growth opportunities ahead and we are very confident in our ability to continue to deliver sustainable growth and value for all our stakeholders.

Intertek's approach to value creation is based on the compounding effect, year after year, of margin accretive revenue growth, strong cash generation and disciplined investment in growth.

This approach has delivered 13% annual TSR in the last decade.

We are a high-quality growth business delivering value for all stakeholders, with excellent fundamentals in customer service, ATIC demand, margin management, capital allocation discipline, and operating culture.

We provide a superior customer service with our ATIC solutions and Science-based Customer Excellence is our competitive advantage. We measure our customer service with circa 7,000 interviews a month and work continuously at becoming ever better with both process improvements and industry leading innovations. That's why we operate with a very high customer retention.

From an ATIC demand standpoint, stakeholders' expectations in a post Covid-19 world in terms of quality, safety and sustainability are higher, making the case for our Risk Based Quality Assurance solutions stronger. We operate with a strong pricing power underpinned by our excellent customer retention which is enabling us to adjust our pricing in this inflationary environment. That's why we expect the higher demand for our ATIC solutions to drive a higher organic growth post Covid-19.

Margin accretive revenue growth is central to the way we deliver value. It starts with our growth and margin accretive portfolio approach that targets organic and inorganic investments in attractive growth and margin sectors. We have established over the years a continuous improvement performance approach at every layer in the organisation to control costs and drive productivity improvement, leveraging our unique performance management platform supported by digitally enabled leading and lagging indicators. That's why we expect margin progress moving forward.

Our strong focus on cash management has stepped up our free cash flow performance over the years enabling us to invest 4-5% of our revenue in organic capability development, reward our shareholders with a progressive dividend policy targeting 50% payout and operate with a strong balance sheet giving us the firepower to invest selectively in M&A. This is what we mean by disciplined capital allocation.

At Intertek, we are purpose-led and we are all passionate about making the world a better place, bringing quality, safety and sustainability to life. We are a growth-oriented company attracting, developing and retaining the best talents in the industry to exceed our clients' expectations. We operate a high energy and people-centric culture focussed on delivering sustainable value for all stakeholders, doing business the right way.

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The 2022 November Trading Statement Audiocast CEO Script will be available after the call at www.intertek.com/investors/