



## TRADING STATEMENT

26 November 2019

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 2019 (“period”). All comparative comments in this statement reflect comparisons with the corresponding period during 2018. The Group's full year results to 31 December 2019 will be announced on 3 March 2020.

### Improved Organic Revenue Growth Momentum: + 3.6% in July-October<sup>1</sup>

- Group revenue YTD: £2,487m, up 4.7% at constant rates and 7.4% at actual rates
- Organic revenue<sup>1</sup> growth momentum improvement driven by Products and Resources:

	YTD	H1	July-Oct
- Group	+3.3%	+3.0%	+3.6%
- Products	+2.3%	+2.1%	+2.6%
- Trade	+4.4%	+5.1%	+3.5%
- Resources	+5.2%	+3.5%	+7.6%

- 1.4% revenue<sup>1</sup> growth from Acquisitions in attractive growth and margin sectors
- Continuing operational discipline on margin and cash management
- 2019 will mark another year of consistent progress on Revenue, Margin and Cash

### André Lacroix: Chief Executive Officer statement

"Our purpose to bring quality, safety and sustainability to life is truly meaningful to our clients given the increased complexity in their operations. We are benefiting from higher demand from our customers for our industry leading Total Quality Assurance (TQA) solutions in our Products, Trade and Resources divisions.

Intertek is going from strength to strength. In the first 10 months of the year, the Group has delivered revenue of £2,487m, up 7.4% year on year at actual rates and 4.7% at constant rates, driven by broad-based organic growth of 3.3% at constant rates, by the contribution of the acquisitions we made recently in attractive growth and margin sectors and by a 270bps benefit due to foreign exchange translation.

2019 will mark another year of continuous progress in revenue, margin and cash as we expect to deliver good organic revenue growth with solid margin progression at constant rates and strong cash conversion. Our good organic revenue growth at constant currency at the Group level in 2019 will be driven by good organic growth in our Products division, good organic growth in our Trade division and by robust organic growth in our Resources division.

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 innovative TQA approach. We provide leading Assurance, Testing, Inspection and Certification (ATIC) solutions that are mission-critical to our customers across multiple industries through our global network of subject-matter experts. Two examples of recent innovative ATIC solutions, helping our clients to thrive in a complex world and providing growth opportunities, are *Intertek Total Sustainability Assurance* and *Intertek Cyber Assured*. [www.intertek.com](http://www.intertek.com)

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.”

<sup>1</sup>at CCY

## Revenue Performance

	10 months – January to October				4 months – July to October			
	2019 £m	2018 £m	Change at actual	Change at constant	2019 £m	2018 £m	Change at actual	Change at constant
<b>Group</b>								
Revenue	2,487.5	2,315.7	7.4%	4.7%	1,044.9	968.0	7.9%	4.5%
Organic revenue	2,438.0	2,301.5	5.9%	3.3%	1,023.0	955.5	7.1%	3.6%
<b>Products</b>								
Revenue	1,499.7	1,392.5	7.7%	4.5%	632.9	586.9	7.8%	3.9%
Organic revenue	1,457.0	1,382.5	5.4%	2.3%	613.9	577.1	6.4%	2.6%
<b>Trade</b>								
Revenue	565.9	529.0	7.0%	4.9%	233.2	218.5	6.7%	3.6%
Organic revenue	559.1	524.8	6.5%	4.4%	230.3	215.8	6.7%	3.5%
<b>Resources</b>								
Revenue	421.9	394.2	7.0%	5.2%	178.8	162.6	10.0%	7.6%
Organic revenue	421.9	394.2	7.0%	5.2%	178.8	162.6	10.0%	7.6%

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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 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 44,000 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.

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

## Products Divisional Review

In the first 10 months of 2019, our Products business benefited from improved revenue momentum in the July-Oct period and delivered revenue growth of 4.5% at constant currency rates, driven by organic growth of 2.3% at constant rates and the benefits of acquisitions recently made in high growth and high margin sectors.

- Our **Softlines** business reported an organic growth performance slightly below last year. We are benefiting from the investments we have made to support the expansion of our customers into new markets, seizing the exciting growth opportunities in the footwear sector and continuing to leverage the strong demand from our customers for chemical testing. However, the lack of visibility around the outcome of negotiations on tariffs has resulted in a delay in the launch of new products in the second half.
- 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 solid organic revenue growth performance across our main markets of Greater China, India and Vietnam.
- We delivered good organic revenue growth in our **Electrical & Connected World** business driven by higher regulatory standards in energy efficiency and by the increased demand for wireless devices and cybersecurity.
- Our **Business Assurance** business delivered good 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 and increased consumer and government focus on ethical and sustainable supply.
- Driven by the growing demand for more environmentally friendly and higher quality buildings and infrastructure in the US market, our **Building & Construction** business reported good organic revenue growth.
- Our **Transportation Technologies** business delivered robust 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 good organic revenue growth in our **Food** business.
- We delivered an organic revenue performance slightly below last year in our **Chemicals & Pharma** business due to a base line effect in 2018 driven by the 1 June 2018 REACH registration deadline.

### Full Year growth outlook

In 2019, we continue to expect to deliver good organic revenue growth at constant currency in our Products division.

### 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 4.4% organic revenue growth at constant currency rates on a YTD basis, driven by broad-based revenue growth across business lines and geographies.

- Our **Caleb Brett** business reported good organic revenue growth, reflecting the structural growth drivers in the Crude Oil and Refined Product global trading market.
- Our **Government & Trade Services** business delivered double digit organic revenue growth driven by growth from existing contracts and the benefits of new contracts.
- Our **AgriWorld** business delivered good organic revenue growth driven by a broad based growth performance across our global inspection businesses.

### Full Year growth outlook

In 2019, we continue to expect our Trade division to deliver good organic revenue growth at constant currency.

### Mid- to long- term growth outlook

Our Trade division will continue to benefit from 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 benefited from improved revenue momentum in the July-Oct period and delivered a robust organic revenue growth of 5.2% at constant rates on a YTD basis.

- We delivered robust organic revenue growth in our **Capex Inspection Services** business which benefited from the increased investment of our customers in exploration and production activity as well as the wins of new clients in several geographies. The demand for **Opex Maintenance Services** remained stable.
- We benefited from robust organic revenue growth in our **Minerals** business driven by stronger demand for testing and inspection across most geographies.

### Full Year growth outlook

In 2019, we expect our Resources related businesses to deliver a robust 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 Exploration and Production of Oil and Minerals as well as in renewable energy, to meet the demand of the growing population around the world.

## Innovation

Intertek operates in an exciting market with attractive structural growth drivers. With corporations facing increasing complexity, our approach to innovation is supporting our clients to thrive, while creating growth opportunities for the Group.

Through the insights generated from our Total Quality Assurance (TQA) Experts and from our 7,000+ monthly NPS interviews with customers, Intertek services are mission-critical for our clients in helping them to address their needs for increased support across quality, safety and sustainability.

We pursue a 3-tiered approach to innovation: innovation from the Core; developing new products and services in Adjacent fast-growing and high-margin markets; and developing new Breakthrough products and services. Two recent examples of Breakthrough innovation are:

- **Intertek Total Sustainability Assurance**, a pioneering initiative that provides an end-to-end, independent, systemic sustainability programme from both an Operational and Corporate perspective.

Intertek has been supporting the needs of its clients over the years with a real depth and breadth of *Operational Sustainability Solutions* that address the important operational areas of every company covering environment, products, processes, facilities, assets and systems. Now we have extended our sustainability offering with the launch of Intertek *Corporate Sustainability Certification*, which is a holistic assurance programme that audits and certifies the quality of processes in place based on 10 Intertek proprietary standards, benchmarking the end-to-end approach of any company on all aspects of its corporate activities. <https://www.intertek.com/sustainability/>

- Yesterday, we launched **Intertek Cyber Assured Certification**, the first comprehensive, robust product cybersecurity testing and certification programme that provides continuous vulnerability monitoring for IoT connected consumer products. For more than 30 years, Intertek has been a pioneer in cybersecurity and cellular connectivity testing. This breakthrough innovation is the very first end-to-end Assurance solution that covers the entirety of IoT networks, enabling customers to launch secure, connected products, monitoring their security over the full lifecycle. <https://www.intertek.com/news/2019/11-25-intertek-launches-cyber-assured/>

## 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, having contributed 1.4% revenue growth at constant rates in the first 10 months of 2019:

- 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, a leading provider of laboratory testing, inspection, metrology and training services, based in Colombia.
- In June 2018, the Group acquired NTA Monitor, a leading network security and assurance services provider, based in the UK and Malaysia.
- In August 2018, the Group acquired Alchemy, a leading provider of SaaS-based People Assurance solutions, based in North America.

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 £670-700m pre the impact of IFRS 16, 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

2019 will be another year of consistent progress in revenue, margin and cash as we expect to deliver good organic revenue growth with solid margin expansion at constant currency and strong cash conversion.

We expect good organic revenue growth at constant currency rates in our Products and Trade divisions while our Resources division is expected to deliver robust organic revenue growth at constant currency.

We will continue to benefit from the acquisitions made since January 2018.

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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**The 2019 November Trading Statement Audiocast CEO Script will be available after the call at**

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