



TRADING STATEMENT

21 November 2017

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 2017 ("period"). All comparative comments in this statement reflect comparisons with the corresponding period during 2016. The Group's full year results to 31 December 2017 will be announced on 6 March 2018.

Solid organic growth, robust margin accretion & strong cash expected in 2017

- Group revenue of £2,304.2m, up 9.8% at actual rates and 3.0% at constant rates
- Solid organic revenue growth +1.9% at constant rates: Products +5.5%, Trade +4.0%, Resources -10.3%
- Good performance of 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 10 months of the year, the Group has delivered revenue of £2,304.2m, up 9.8% year on year at actual rates and up 3.0% year on year at constant rates, driven by solid organic growth of 1.9% and the good performance of the acquisitions we have made in attractive growth and higher margin sectors. We are on track to deliver our 2017 targets of solid organic revenue growth at constant rates, with robust margin expansion at constant currency and strong cash conversion.

The Products and Trade related divisions, which represent 94% of the Group's earnings, delivered an excellent performance with organic growth of 5.1% at constant rates while, as expected, trading conditions remained challenging in the Resources related 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 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 over 1,000 state of the art facilities in over 100 countries.

We operate a high quality and highly cash generative earnings model. 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 to deliver sustainable returns for our shareholders."

Revenue Performance

	10 months – January to October				4 months – July to October			
	2017 £m	2016 £m	Change at actual	Change at constant	2017 £m	2016 £m	Change at actual	Change at constant
Group								
Revenue	2,304.2	2,097.7	9.8%	3.0%	932.4	893.8	4.3%	3.5%
Organic revenue	2,274.9	2,092.5	8.7%	1.9%	919.5	891.4	3.2%	2.3%
Products								
Revenue	1,349.6	1,193.8	13.1%	6.2%	550.9	515.9	6.8%	5.9%
Organic revenue	1,335.4	1,188.6	12.3%	5.5%	544.2	513.5	6.0%	5.2%
Trade								
Revenue	542.2	474.3	14.3%	7.0%	216.4	201.8	7.2%	6.2%
Organic revenue	527.1	474.3	11.1%	4.0%	210.2	201.8	4.2%	3.1%
Resources								
Revenue	412.4	429.6	(4.0%)	(10.3%)	165.1	176.1	(6.2%)	(6.9%)
Organic revenue	412.4	429.6	(4.0%)	(10.3%)	165.1	176.1	(6.2%)	(6.9%)

Update on the impact of recent storms in the USA

The recent storms in the southern regions of the USA disrupted the operations of our clients in the last 10 days of August, in September and October, impacting our Cargo/AA, Building & Construction and Industry Services businesses.

The Intertek facilities in these regions were not materially affected by these storms and we took all precautionary measures to protect the safety of all of our employees.

We provided support to the affected communities with the voluntary work of our colleagues and with donations from the Company and our employees.

These operational disruptions reduced our revenue performance by £5m at constant currency over the period August to October, negatively impacting our Products, Trade and Resources divisions respectively by £1.5m, £2.8m and £0.7m.

The operations of our clients are not yet back to the level seen prior to the storms. As the region continues to rebuild from the widespread impact caused, we expect the ramp up in activities of our clients' operations to continue in the months ahead.

Products Divisional Review

In the first 10 months of 2017 our Products business delivered an excellent performance with an organic revenue growth at constant rates of 5.5%, driven by broad-based growth across business lines and geographies:

- Our **Softlines** business reported robust organic growth performance. We are leveraging the investments we have made to support the expansion of our customers in new markets and to seize the exciting growth opportunities in the footwear sector. We continue to benefit from strong demand from our customers for chemical testing as well as from a greater number of brands and SKUs.
- 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 robust organic revenue growth performance across our main markets of China, Hong Kong, India and Vietnam.
- Our **Transportation Technologies** business delivered stable organic revenue growth as we capitalize on our clients' investments in new powertrains to lower emissions and increase fuel efficiency.
- Our **Business Assurance** business delivered double digit 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.
- 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.
- 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 solid 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.
- 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.

Full Year growth outlook

The full year outlook for our Products division remains unchanged and we continue to expect to deliver 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 an organic revenue growth of 4.0% at constant rates, driven by broad-based revenue growth across business lines and geographies:

- Our **Cargo/AA** business reported solid organic revenue growth, reflecting the structural growth drivers in the Crude Oil and Refined Product global trading market.
- Benefiting from new contracts, our **Government & Trade Services** business delivered robust organic revenue growth.
- The continued expansion of the supply chain of our clients in fast growing markets led our **AgriWorld** business to deliver robust organic revenue growth.

Full Year growth outlook

The full year outlook for our Trade division remains unchanged and we continue to expect to deliver good organic 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 Resources related businesses faced, as expected, challenging trading conditions and reported an organic revenue reduction of 10.3%:

- Driven by a lower volume of investments in exploration activities from our clients and price pressure in the industry, revenue from **Capex Inspection Services** was lower than last year.
- The demand for **Opex Maintenance Services** remained stable in a competitive pricing environment.
- We saw an improved level of demand for testing activities in the **Minerals** business.

Full Year growth outlook

While we have seen a reduction in the negative growth rate in the July to October period, we do not believe that we have reached the trough in the Resources division, and we expect trading conditions to remain challenging. We will stay focused on cost and capacity management leveraging our flexible cost base.

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, to meet the demands 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 January 2016, the Group acquired the Food Institute Trust – Italia SRL ('FIT-Italia'), an Italian-based business providing food quality and safety services to the retail and food service sectors.
- In October 2016, the Group acquired EWA-Canada Ltd ('EWA'), a leading provider of cyber security and assurance services to a broad range of industries.
- In November 2016, the Group entered into an agreement with the shareholders of Laboratorios ABC Química Investigación y Análisis S.A. de C.V ('ABC Analitic') to form an environmental and food services Joint Venture in Mexico, which now operates as 'Intertek+ ABC Analitic'.
- In April 2017, we completed the acquisition of KJ Tech Services GmbH ('KJ Tech'), a leading provider of vehicle, component and fuel testing services based in Germany.

Investment & Financial Position

Our year end net debt guidance is £580-630m, assuming no further acquisitions and no significant forex changes. 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

The Group remains on track to deliver its 2017 target of solid organic revenue growth at constant currency with robust group margin progression and strong cash conversion. We will continue to benefit from the acquisitions made since January 2016.

We expect our Products related businesses to deliver robust organic revenue growth, our Trade related businesses to report good organic revenue growth performance, while market conditions will remain challenging in our Resources division.

We believe that the improved organic revenue growth momentum in 2017 demonstrates the attractive nature of our industry, Intertek's high-quality earnings model and the effectiveness of our '5x5' differentiated strategy for growth.

We are confident about the growth prospects in the global Quality Assurance market. Intertek is uniquely positioned to seize these attractive growth opportunities, underpinned by the increased complexities of corporate supply chains and the associated challenges of maintaining a high level of Quality Assurance end-to-end.

Leveraging our industry-leading expertise and innovative and entrepreneurial culture, we service a wide range of industries, geographies and customers with our Total Quality Assurance solutions across our global network, enabling us to follow the supply chains of our customers wherever they are in the world.

We have a strong track record of creating sustainable growth and shareholder value, leveraging our high-margin and highly cash generative earnings model.

We are moving the Company's centre of gravity towards our industry's most attractive growth and margin areas with a disciplined approach to performance management and capital allocation.

We are on track on our 'good to great' journey, making progress on both performance and strategy.

-ENDS-

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Analysts' Call

A live audiocast for analysts and investors will be held today at 7.30am. 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.

The Intertek logo consists of the word "intertek" in a bold, lowercase, sans-serif font. A small orange dot is positioned above the letter 'i'.

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 42,000 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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