

TRADING STATEMENT

24 May 2023

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 2023 (“period”). All comparative comments in this statement reflect comparisons with the corresponding period during 2022. The Group's half year results to 30 June 2023 will be announced on 28 July 2023.

Demand acceleration for Intertek ATIC solutions delivers 6.5% LFL revenue growth¹

- January-April revenue of £1,059.6m: up 7.6% at CCY and 11.4% at actual rates
- LFL revenue growth of 6.5% at CCY with Products 5.5%, Trade 5.2% and Resources 12.5%
- Good business recovery in China with 7.5% LFL revenue growth at CCY
- Continuous progress on pricing, productivity and cost initiatives to deliver margin progression
- Disciplined day to day cash management in place to drive strong cash performance
- Strong balance sheet and accretive capital allocation policy to invest in growth
- Confirming 2023 outlook: Mid-single digit LFL revenue growth at CCY, margin accretion and strong cash
- Intertek 30 AAA growth strategy in place to unlock the significant value growth opportunity ahead

André Lacroix: Chief Executive Officer statement

“We have had a good start to 2023 as we benefitted from the increased demand for our ATIC solutions delivering 6.5% LFL revenue growth at constant currency. This was broad based with Products up by 5.5%, Trade ahead 5.2% and Resources grew 12.5%. We have also seen a broad based geographic performance including a strong rebound of our China business post Chinese New Year as both the export and domestic market benefitted from the lift of the Covid-19 restrictions at the beginning of the year.

For 2023, we continue to expect to deliver mid-single digit LFL revenue growth at constant currency driven by mid-single digit LFL revenue growth in Products and Trade and high-single digit revenue growth in Resources. We continue to make progress on our margin and cash priorities and are on track to deliver our 2023 guidance.

Our clients are increasing their focus on Risk-based Quality Assurance to operate with higher standards on quality, safety and sustainability in each part of their value chain, triggering a higher demand for our ATIC solutions which are powered by our Science-based Customer Excellence Total Quality Assurance advantage. We have made significant progress on our portfolio which is poised for faster growth at the global level given that all business lines are expected to benefit from attractive structural growth and at the local level given our strong business line portfolio.

At our [Capital Markets event in London](#) on 3rd and 4th May, we unveiled our Intertek 30 AAA growth strategy to capitalise on the best-in-class operating platform we have built and target the areas where we have opportunities to get better. Our passionate, innovative, and customer-centric organisation is energised to take Intertek to greater heights delivering AAA performance for all stakeholders. We are focussed on delivering value consistently, targeting mid-single digit LFL revenue growth, margin accretion to go back to our 17.5% peak margin and beyond, and strong cash generation, while pursuing disciplined investments in attractive growth and margin sectors.

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. The implementation of our Intertek 30 AAA growth strategy will capitalise on our high-quality earnings and cash compounder model to unlock the significant value growth opportunity ahead”

1. At CCY

Revenue Performance				
	4 months – January to April			
	2023 £m	2022 £m	Change at actual	Change at constant
Group				
Revenue	1,059.6	951.3	11.4%	7.6%
LFL revenue	1,049.4	951.3	10.3%	6.5%
Products				
Revenue	658.1	602.9	9.2%	5.5%
LFL revenue	658.1	602.9	9.2%	5.5%
Trade				
Revenue	212.5	195.1	8.9%	5.2%
LFL Revenue	212.5	195.1	8.9%	5.2%
Resources				
Revenue	189.0	153.3	23.3%	18.9%
LFL revenue	178.8	153.3	16.6%	12.5%

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Analysts' Call

A call for analysts and investors will be held today at 7.45am UK time; +44 (0) 33 0551 0200 (webcast). Details can be found at <http://www.intertek.com/investors/>.



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 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 business benefitted from a continuing increase in customer demand globally for our ATIC solutions reporting revenue of £658.1m, up year on year by 9.2% at actual rates and by 5.5% at constant currency.

We delivered a LFL revenue growth at constant currency of 5.5%:

- Our Softlines business delivered low-single digit LFL revenue growth benefitting from growth in e-commerce, growth in risk-based Quality Assurance and increased investments in end-to-end sustainability.
- Hardlines reported low-single digit LFL revenue growth 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 medical devices and 5G investments, our Electrical & Connected World business delivered low-single digit LFL revenue growth.
- Business Assurance delivered double digit LFL revenue growth as the business saw increased investments by our clients to improve the resilience of their supply chains, the continuous focus on ethical supply and the increased need for sustainability assurance.
- Growing demand for more environmentally friendly buildings and the increased number of infrastructure projects in North America produced mid-single digit LFL revenue growth for our Building & Construction business.
- Transportation Technologies delivered low-single digit LFL revenue growth globally driven by increased investment in new powertrains to lower CO₂/NO_x emissions and in traditional combustion engines to improve fuel efficiency.
- Our Food business registered mid-single digit LFL revenue growth globally resulting from increased demand for food safety testing activities and hygiene and safety audits in factories.
- We saw low-single digit LFL revenue growth globally reflecting improved demand for regulatory assurance and chemical testing and from the increased R&D investments of the pharma industry.

Full Year growth outlook

We expect our Products division to deliver mid-single digit 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

Our Trade division benefitted from increased global trade activities and reported revenue of £212.5m up year on year by 8.9% at actual rates and by 5.2% at constant currency.

The strong growth in the demand for Energy and Agri products has enabled us to deliver a LFL revenue growth of 5.2% at constant currency:

- 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 high single-digit growth LFL revenue growth.

- 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 globally as the growth in supply chain activities of our clients in the Middle East and Africa was offset by the non-renewal of two contracts last year.
- AgriWorld provides inspection activities to ensure that the global food supply chain operates fully and safely. The business reported low single-digit LFL revenue growth. We continue to see an increase in demand for inspection activities driven by sustained growth in the global food industry.

Full Year growth outlook

We expect our Trade division to deliver mid-single digit 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 Resources division is benefitting from the investments that we have undertaken in recent years, as well as from more investments by our clients to increase energy production capacity globally enabling us to report revenue of £189m, up 23.3% year on year at actual rates and 18.9% at constant currency.

We delivered a LFL revenue growth of 12.5% at constant currency benefitting from the exciting growth opportunities in the World of Energy and strong growth in Minerals:

- Our Capex Inspection services business delivered double digit LFL revenue growth as we benefitted from increased capex investment in traditional Oil and Gas exploration and production as well as in renewables.
- With our clients increasing their maintenance efforts to increase the productivity of existing production assets, we delivered double digit LFL revenue growth in Opex Maintenance.
- The continuing high demand for testing and inspection activities drove double-digit LFL revenue growth in our Minerals business.

Full Year growth outlook

We expect our Resources related businesses to deliver a high-single digit LFL revenue growth 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.

China update

The re-opening of China in January was welcomed by all of our clients, both in the export and domestic markets and post Chinese New Year we saw a rebound in manufacturing and trading activities that provided a real benefit to our local operations.

This is reflected in the performance in our China business: in January/February, revenue growth was flat, accelerating in the March/April period to double-digit LFL revenue growth, which was broad-based with all business lines benefitting from the re-opening of the economy.

Overall, in the first four months our China business delivered LFL revenue growth of 7.5% at constant currency. This is a good start for our China business which will be a significant contributor to the Group's performance in 2023 given the base-line effect caused by the Covid disruptions in Q2 and Q4 last year.

Innovation

True to our pioneering spirit, we continue to innovate to meet the emerging needs of our customers.

We are constantly learning from our customers, using their extensive feedback to help us deliver ever better solutions to their evolving requirements.

We believe that successful innovation starts with investing in the insight advantage, which means having a deep understanding of what our customers need and want. Through our NPS programme, we carry out 5,400 customer interviews every month. With the ability to access world-class customer intelligence site-by-site from anywhere across our global network, we have a continuous stream of data that enables us to build on our insights and use this to develop new ATIC solutions.

Recently, for example, we launched a new certification mark that aims to give consumers transparency regarding the claims made by the manufacturers and marketers of vegan foods. This is a timely introduction given the exponential global growth in the number of consumers who are exploring a plant-based diet as part of a healthier lifestyle with a reduced environmental impact.

Sustainability-related innovations include Intertek EcoCheck, a tourism solution that audits management systems and provides a carbon footprint calculation and ToxClear that supports the development of more sustainable supply chains in the fashion industry by providing transparency and traceability on the chemicals used in manufacturing.

Another innovative new launch is designed to help retailers and brands of soft goods, hard goods and personal protective equipment to understand and comply with the different regulations in force in different markets across the world. This is Global Market Access, a one-stop digital knowledge portal, developed with the aim of increasing compliance for improved consumer safety and protecting corporate reputations in today's interconnected world.

Sustainability

Sustainability is the movement of our time and is central to everything we do at Intertek, anchored in our Purpose, our Vision, our Values and our strategy.

Sustainability is important to all stakeholders in society who are consistently demanding faster progress and greater transparency in sustainability reporting. Companies everywhere therefore continuously need to upgrade and reinvent how they manage their sustainability agenda, particularly with regard to how they disclose their performance.

This is why, under our global Total Sustainability Assurance (TSA) programme, we provide our clients with proven independent, systemic and end-to-end assurance on all aspects of their sustainability strategies, activities and operations.

The TSA programme comprises three elements:

- Intertek Operational Sustainability Solutions
- Intertek ESG Assurance
- Intertek Corporate Sustainability Certification

For ourselves at Intertek, we focus on 10 highly demanding TSA sustainability standards which are truly end-to-end and systemic.

You can read in detail about our sustainability results in our [2022 Sustainability Report](#), which included:

- Continuous progress on Health and Safety with a reduction of 7bps in our Total Recordable Incident Rate vs 2021.
- Since 2015, we have used the Net Promoter Score ('NPS') process to listen to our customers that has enabled us to improve our customer service over the years consistently.
- We are driving environmental performance across our operations through new science-based reduction targets to 2030 as well as site-by-site action plans. Our rigorous monthly performance management of our net zero plans against emission reduction targets has delivered total CO₂e emissions (market-based) reductions of 7.8% vs 2021.
- 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 2022 score was 80.
- Our voluntary permanent employee turnover was at a low rate of 14%.

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.

In April, we [announced the acquisition](#) of Controle Analítico Análises Técnicas Ltda ("Controle Analítico"), a leading provider of environmental analysis, with a focus on water testing. Based in São Paulo, Brazil, the highly accredited business provides an attractive and complementary opportunity to expand our leading Food and Agri TQA solutions in Brazil by expanding our presence and service offering in the environmental testing market, specialising in water, effluents, waste and soil & sediments analysis.

Other recent acquisitions, SAI Global Assurance, JLA Brasil Laboratório de Análises de Alimentos S.A. and Clean Energy Associates LLC have been successfully integrated and are performing well and in line with our expectations

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.

Outlook 2023

We continue to expect the Group will deliver mid-single digit LFL revenue growth at constant currency, with margin progression year-on-year in H1 and H2, and a strong free cash flow performance.

Our mid-single digit LFL revenue growth at constant currency will be driven by mid-single digit LFL revenue growth in Products and Trade while we expect high-single digit revenue growth in Resources.

Our financial guidance for 2023 is that we expect:

- Capital expenditure in the range of £115-125m
- Net Finance costs in the £40-44 m range
- Effective Tax Rate in the 25.5%-26.5% range
- Minority interests of between £21.5-22.5m
- FY23 financial net debt to be in the range of £630-680m

Sterling has strengthened in the last few months and we are updating our FY forex guidance. The last four months' average Sterling at the end of April would reduce our FY revenue by 50bps and FY Earnings by 150bps.

Significant value growth opportunity ahead

We have made strong progress in the last eight years, delivering sustainable growth and value for our stakeholders and we are very excited about the significant growth value opportunity ahead, capitalising on our Science-based Customer Excellence Total Quality Assurance advantage. Our clients understand the mission-critical nature of risk-based quality assurance to make their businesses stronger and we expect the demand for our ATIC solutions will grow faster post-Covid.

On 3 May 2023, at our [Capital Markets event in London](#), we announced our Intertek 30 AAA growth strategy to unlock the significant value growth opportunity ahead.

True to our high performance 10X Culture, our Intertek AAA growth strategy is about being the best and creating significant value for every stakeholder, all the time.

We want to be the most trusted TQA partner for our customers, the employer of choice with our employees, to demonstrate sustainability excellence everywhere in our community and deliver significant growth and value for our shareholders.

To seize the significant growth value opportunity ahead we will be laser-focussed on three strategic priorities and three strategic enablers. Our Strategic Priorities are defined as Science-based Customer Excellence TQA, Brand Push & Pull and Winning Innovations, and our three Strategic Enablers are based on 10X Purpose-based Engagement, Sustainability Excellence and Margin Accretive Investments. We will both further improve where we are already strong and address the areas where we can get better.

Our high-quality portfolio is poised for faster growth:

- The depth and breadth of our ATIC solutions positions us well to seize the increased opportunities arising from corporate needs for risk-based quality assurance
- All of our global business lines have plans in place to seize the exciting growth drivers in each of our divisions
- At the local level, our country-business mix is strong, with the majority of our revenues exposed to fast growth segments
- Geographically we have the right exposure to the structural growth opportunities across our global markets

We are improving our segmental disclosures to better reflect the growth drivers in our businesses and starting from the Group's 2023 half year results we will report revenue, operating profit and margin in five divisions:

- Consumer Products
- Corporate Assurance
- Health and Safety
- Industry and Infrastructure
- World of Energy

In terms of LFL revenue growth we are targeting Group mid-single digit LFL revenue growth at constant currency with the following expectations by division:

- Low- to mid-single digit in Consumer Products
- High-single digit to double digit in Corporate Assurance
- Mid- to high-single digit in Health and Safety
- Mid- to high-single digit in Industry and Infrastructure
- Low- to mid-single digit in the World of Energy

Margin accretive revenue growth is central to the way we deliver value, and we are confident that over time we will return to our 17.5% peak margin performance and go beyond from there. Our confidence is based on three simple reasons: we have the proven tools and processes in place, we operate with a span of performance, and we pursue a disciplined accretive portfolio strategy.

To deliver sustainable growth and value we will stay focussed on our AAA Intertek Virtuous Economics based on the compounding effect year after year of mid-single digit LFL revenue growth, margin accretive revenue growth, strong free cash-flow and disciplined investments in high growth and high margin sectors.

We believe in the value of accretive disciplined capital allocation and pursue the following priorities:

- Our first priority is to support organic growth through capital expenditure and investments in working capital (target circa 5% of turnover in capex).
- The second priority is to deliver sustainable returns for our shareholders through the payment of progressive dividends and we target a pay-out ratio of circa 50%.
- The third priority is to pursue M&A activities that strengthen our portfolio in attractive growth and margin areas, provided we can deliver good returns.
- And our fourth priority is to maintain an efficient balance sheet with flexibility to invest in growth. Our leverage target is 1.3 – 1.8 net debt to EBITDA with the potential to return excess capital to shareholders subject to our future requirements and prevailing macro environment.

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