



## **TRADING STATEMENT 22 NOVEMBER 2016**

Intertek Group plc ("Intertek" or "the Group"), a leading Total Quality Assurance provider to industries worldwide, today releases its Trading Statement for the period from 1 January to 31 October 2016 ("period"). All comparative comments in this statement reflect comparisons with the corresponding period during 2015. The Group's full year results to 31 December 2016 will be announced on 7 March 2017.

### **On track to deliver robust earnings growth in 2016**

**Strong revenue growth: +10% at constant rates, +18% at actual rates**

**High revenue growth in the high margin Products division: +22% at constant rates, +33% at actual rates**

**Recent acquisitions contributed £200m of additional revenues**

**Stable organic revenue growth at constant rates: Products +5.5%, Trade +1%, Resources -13%**

**On track to deliver 2016 target of robust revenue growth at constant rates with stable margin**

### **André Lacroix: Chief Executive Officer Statement**

"In the first ten months, the Group has delivered 10% revenue growth at constant rates and is on track to deliver robust revenue growth, with strong operational discipline, stable margin and good cash generation in 2016.

The Products and Trade related divisions, which represent over 90% of the Group's earnings, delivered an excellent performance with good organic growth of 4% at constant rates. However, trading conditions remain, as expected, challenging in the Resource related division. The acquisitions made since January 2015 are performing well and contributed £200m of additional revenues.

The \$250bn 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 operate a high quality and highly cash generative earnings model and we are uniquely positioned to seize these exciting growth opportunities with our Total Quality value proposition that provides a superior service, offering global Assurance, Testing, Inspection and Certification solutions to our customers across multiple industries delivered in our global network of over 1,000 state of the art facilities in over 100 countries.

Our differentiated Total Quality Assurance growth strategy will 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, with a disciplined capital allocation to deliver attractive returns for our shareholders."

## Revenue Performance

	10 months – January to October				4 months – July to October			
	2016	2015	Change at actual	Change at constant	2016	2015	Change at actual	Change at constant
<b>Group</b>								
Revenue	<b>£2,097.7m</b>	£1,779.5m	17.9%	9.9%	<b>£893.8m</b>	£719.3m	24.3%	9.0%
Organic revenue	<b>£1,896.7m</b>	£1,769.0m	7.2%	0.0%	<b>£805.9m</b>	£711.6m	13.3%	(0.7%)
Revenue from acquisitions	<b>£201.0m</b>	£10.5m			<b>£87.9m</b>	£7.7m		
<b>Products</b>								
Revenue	<b>£1,193.8m</b>	£901.1m	32.5%	22.1%	<b>£515.8m</b>	£369.4m	39.7%	21.8%
Organic revenue	<b>£1,026.8m</b>	£896.6m	14.5%	5.5%	<b>£441.6m</b>	£364.9m	21.0%	5.5%
<b>Trade</b>								
Revenue	<b>£474.3m</b>	£445.1m	6.5%	0.9%	<b>£201.8m</b>	£177.8m	13.5%	0.7%
Organic revenue	<b>£474.3m</b>	£445.1m	6.5%	0.9%	<b>£201.8m</b>	£177.8m	13.5%	0.7%
<b>Resources</b>								
Revenue	<b>£429.6m</b>	£433.3m	(0.8%)	(6.8%)	<b>£176.2m</b>	£172.1m	2.4%	(10.2%)
Organic revenue	<b>£395.6m</b>	£427.3m	(7.4%)	(12.9%)	<b>£162.5m</b>	£168.9m	(3.8%)	(15.5%)

## Products Divisional Review

Our **Product** related businesses delivered an excellent revenue performance with a growth of 22%, driven by robust organic growth of 5.5% at constant rates and the contribution from acquisitions.

- Our **Softlines** business delivered robust organic growth, benefiting from our clients' supply chain expansion in Vietnam, Cambodia and India as well as a strong performance in the footwear sector;
- Our **Hardline and Toy** business continues to take advantage of our strong global account relationships and delivered robust organic growth performance;
- In our **Transportation Technologies** business, we capitalised on our clients' investments in new powertrains and delivered double-digit organic growth;
- Our **Business Assurance** business delivered double-digit organic growth, benefiting from the increased focus of corporations on risk management;
- We delivered solid organic growth in our **Electrical & Wireless** business, driven by higher regulatory standards in energy efficiency;
- We continue to benefit from the increased focus of corporations on food safety that saw our **Food** business deliver good organic growth;
- Our **Chemicals & Pharma** business contributed solid organic growth performance as we continue to leverage the structural growth opportunities in healthcare; and
- Our **Building & Construction** business benefited from the acquisitions of PSI and MT Group in the USA and delivered robust organic growth, driven by the growing demand for greener and higher quality buildings in the USA as well as significant wins in large infrastructure projects.

The full year outlook for our Products division remains unchanged and we continue to expect to deliver robust organic growth as well as seeing the benefit of acquisitions.

## Trade Divisional Review

Our **Trade** related businesses delivered solid organic growth of 1% at constant rates.

- Benefiting from structural growth drivers, our **Cargo/AA** business reported solid organic growth performance;
- Lower trade volume activities in the Middle East and Africa resulted in reduced demand for our **Government and Trade Services** compared to the same period last year; and
- Our **Agriculture** business continued to benefit from the expansion of the supply chain of our clients in fast growing markets to deliver robust organic growth performance.

The full year outlook for our Trade division remains unchanged and we continue to expect to deliver solid organic growth.

## Resources Divisional Review

Our **Resource** related businesses faced, as expected, challenging trading conditions and saw an organic revenue decline of 13% at constant rates.

- Demand for **Capex inspection services** was impacted by lower investments and reduced exploration activities by our clients;
- The demand for **Opex maintenance services** remained stable; and
- Testing activities in the **Minerals** business are stable.

The full year outlook for our Resources Division remains unchanged: we do not believe we have reached the trough in the Capex inspection services end market and we expect the trading conditions to remain challenging.

## Strategy and M&A

We have started the roll out of our differentiated growth strategy outlined earlier this year and we are pleased with the progress we have made.

Our 5x5 growth strategy will move the centre of gravity of the Group towards the attractive growth and margin areas in the \$250bn Quality Assurance market.

At the heart of our 5x5 growth strategy is our Total Quality Assurance value proposition that provides a superior customer service to our clients based on our industry leading Assurance, Testing, Inspection and Certification solutions.

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.

- In January 2016, we completed the acquisition of FIT Italia, an Italian company providing food testing and assurance services to the retail and agricultural sectors;
- In October 2016, we completed the acquisition of EWA Canada, a leading cyber security assurance business providing solutions to a broad range of industries; and
- In November 2016, we announced the formation of a joint venture with ABC Analytic to create a market leading environmental quality assurance business and take the #1 position in Mexico's fast growing environmental market.

## Investment & Financial Position

Our year end net debt guidance of £770-820m, assuming no further acquisitions and no significant forex changes, remains unchanged.

## Outlook

The Group remains on track to deliver its 2016 target of robust revenue growth at constant currency with stable margin and strong cash generation. We will continue to benefit from the acquisitions made since January 2015 and we expect organic growth to be stable at constant currency.

We expect our Product related businesses to deliver robust organic growth, our Trade related businesses to report solid organic growth performance, while the market conditions will remain challenging in our Resource related businesses.

Looking further ahead, the global Quality Assurance market will 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 sourcing and distribution operations, technological innovations, government investments in large infrastructure projects, and increased consumer demand for higher quality and more sustainable products.

We provide our customers with a Total Quality Assurance differentiated value proposition based on the depth and breadth of our technical expertise, our global network of over 1,000 state of the art facilities in over 100 countries, our industry leading Assurance, Testing, Inspection and Certification solutions, and our customer centric culture.

We continue to be uniquely positioned to benefit from the GDP+ organic growth prospects in the Quality Assurance Industry in the medium to long term, leveraging our high quality and highly cash generative earnings model.

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### Contacts

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### Analysts' Call

A live audiocast for analysts and investors will be held today at 8.00am. 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.

### About Intertek

Intertek is a leading Total Quality Assurance provider to industries worldwide. Our network of more than 1,000 laboratories and offices and over 40,000 people in more than 100 countries, delivers innovative and bespoke Assurance, Testing, Inspection and Certification solutions for our customers' operations and supply chains.

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