

Client: Intertek
Source: Financial Times (Companies and Markets)
Date: 08 March 2011
Page: 22
Reach: 400699
Size: 213cm2
Value: 14222.01

FD

Intertek in £450m deal to buy Moody International

SUPPORT SERVICES

By Alistair Gray

One of Britain's biggest private companies is to change owners for the third time in seven years after Intertek, the testing group, agreed to buy Moody International for £450m.

Intertek's deal with Investcorp, the Anglo-Bahraini investment group that backed a \$311m (£192m) secondary buy-out of Moody from Close Brothers Private Equity four years ago, substantially increases its exposure to the energy industry.

Shares in Intertek closed up 95p at £19.94 after the FTSE 100 company unveiled its biggest takeover deal to date, along with forecast-beating annual results.

Moody, in which management holds a stake of nearly a fifth, helps industrial companies meet technical and safety standards by carrying out activities such as inspecting pumps and pipes.

Under Brendan Connolly, chief executive, who is to remain in place under the new ownership, Moody's earnings before interest, tax and amortisation (ebita) reached \$54m in 2010 on revenues of \$476m.

Clients of the 100-year-old company, which employs 2,500 people in more than 60 countries, include some of the world's biggest energy groups such as BP, Exxon-Mobil and Shell.

Intertek said the two companies were a good strategic and geographic fit, particularly given Moody's exposure to northern Europe and China. "It adds an additional pillar," said Wolfhart Hauser, chief exec-

utive. "We have a very nice portfolio now."

The company said it expected the takeover to generate pre-tax synergies of £6m by the third year.

Intertek has been looking for acquisitions since talks with Det Norske Veritas, the Norwegian not-for-profit foundation, failed last April.

Improving market conditions in the second half of the year helped Intertek lift pre-tax profits from £169.2m to £189.9m on sales of £1.37bn (£1.24bn) for 2010.

A final dividend of 18.8p gives a total of 28.1p (25.5p), payable from diluted earnings per share of 79.3p (71.2p). The group had net debt of £169.7m at the turn of the year.

• FT Comment

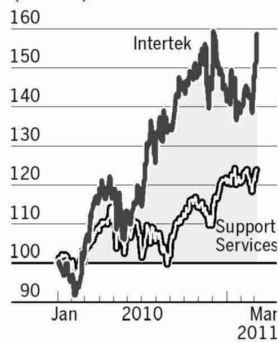
And so consolidation in the fragmented £10bn market

for product testing continues. Even before the Moody purchase, the big three companies had completed 10 deals since the turn of the year, according to Numis Securities. At 13.4 times last year's ebita, Intertek has paid a full price for Moody. Still, the purchase helps reduce the company's exposure to consumer goods, which accounted for a quarter of sales in 2010. After a broadly flat performance since the turn of the year, the shares have jumped 17 per cent in less than two weeks, leaving them trading on a punchy 20 times prospective earnings per share of 102p. At the same level as Swiss rival SGS, that looks about far enough for

now.

Intertek

Share price and FTSE index (rebased)



Source: Thomson Reuters Datastream