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TRADING UPDATE CEO CONFERENCE CALL

Introduction

Good morning to you all and thanks for joining us on the call following the release of our trading statement.

I have with me Ross McCluskey, our CFO, and Denis Moreau from our investor relations team.

Today I would like to give you an update on the Group Trading performance in the first 4 months of the year and discuss the outlook for the rest of 2019.

There are 3 main messages I would like to share with you on the call today:

1. We had a good start to the year in line with expectations and we are on track to deliver our full year Revenue, Margin and Cash targets.
2. We delivered a broad-based organic revenue growth across our three divisions, Products, Trade and Resources.
3. Our acquisitions in attractive growth and margin sectors are performing well, adding 200 BPS to our revenue growth.

Let me start with the highlights of the first 4 months trading in 2019…

First 4 months Trading Highlights

Group revenue in the first 4 months of 2019 was £924.3m, an increase of 5.3% at constant currency and 7.3% at actual rates.

Group organic revenue growth was 3.3% at constant currency.

The acquisitions made since January 2018 delivered 2% revenue growth.

Our disciplined approach to cost and margin management remains firmly in place.

We continue to be very focused on cash conversion and disciplined capital allocation.

Full Year Guidance

All the comments I make will be at constant currency.

Before sharing the trends we see in our Products, Trade and Resources divisions, I would like to cover guidance and currencies.

The Group is on track to deliver its 2019 target of good organic revenue growth at constant currency with moderate margin expansion and strong cash conversion.

We expect good organic revenue growth at constant rates in each of our 3 divisions: Products, Trade and Resources.

From a profitability standpoint, we expect to deliver moderate margin expansion leveraging our portfolio strengths, our pricing power and our systemic approach to performance management.

We continue to expect to deliver strong cash conversion.

We are investing in growth and expect our full year Capex investments to be circa £130-140 million.

We continue to expect to close the year with a net debt of circa £670–700 million, pre the impact of IFRS 16, before any additional M&A activities and based on no further material movement in FX.

We maintain the FY guidance on currencies we communicated in March.

Based on the YTD performance, and the average FX rate in the last 3 months applied for the remainder of the year, FX would be broadly neutral for the FY both at the revenue and at the earnings level.

Divisional Review

I would like now to give you an update on the performance of each division in the first 4 months of the year, starting with Products which performed well, in line with expectations.

Products

Our Product related businesses delivered a robust trading performance with a revenue growth of 5.5% driven by a good organic revenue growth of 2.6% and by the benefit of the acquisitions made recently.

As you know, we are comping against a high base last year when we delivered a 6.6% organic growth in the January – April period. Indeed in 2018, we benefited from 2 positive regulatory changes in Business Assurance and Chemical & Pharma as well as from the delay of large Building & Construction infrastructure projects from 17 into 18. Moreover, our business with Toys R Us was still in the base.

Our Softlines business delivered solid organic revenue growth benefiting from supply chain expansion of our clients in new markets, the rapid expansion in the footwear sector and the increased demand for chemical testing.

I am pleased with the commercial progress we are making in our Softlines division based on the ATIC discussions we are having with existing and new customers.

Our FY guidance of Solid organic growth for Softlines remains unchanged.

Our Hardlines business reported solid organic revenue growth, driven by:

- Innovation from our customers leveraging wireless technology;
- Increased demand for chemical testing; and
- Innovative inspection technology.

We are making good progress on business development activities with our clients and our Full Year guidance for Hardlines of Good organic growth remains unchanged.

We delivered robust organic revenue growth in Electrical & Connected World as we have benefited from:

- Electrical appliance innovations to provide better efficiency and connectivity; and
- Increased demand for IoT Assurance services, including cyber security.

Our FY guidance of Robust organic growth for Electrical remains unchanged.

Our Business Assurance business delivered good organic revenue growth. We are comping versus a high base last year when we benefited from increased demand from our clients for ISO audits to meet the Q318 deadline for standards upgrade.

Our FY guidance of Robust organic growth for Business Assurance remains unchanged. We are seeing a strong demand for our non-ISO Assurance solutions as we benefit from:

- Increased focus of corporations on supply chain and risk management; and
- Increased consumer and government focus on ethical and sustainable supply.

In our Building & Construction business, we are comping against a high base in ’18 and have delivered a solid organic revenue growth as expected.

You might recall that the inspection activities of large new projects in 2017 were soft following the presidential election and that in 18 we benefited from the fast ramp up of several new projects that were delayed.

We are seeing good traction with our business development activities and our FY guidance of Good organic growth for B&C remains unchanged.

In our Transportation Technology business, we delivered robust organic revenue growth, driven by:

- Continued investment of our clients in new models and new fuel-efficient engines; and
- Increased scrutiny on emissions.

Our FY guidance of Robust organic growth for our Transportation business in 19 remains unchanged.

We generated robust organic revenue growth in our Food business, driven by:

- Continuous Food innovation;
- Increased focus on the safety of supply chains; and
- Growth in the Food service assurance business.

Our FY guidance of Robust organic growth in our Food business in 19 remains unchanged.

We saw organic revenue growth below last year in our Chemicals and Pharma business as in the first half of 18 we benefited from a Robust growth ahead of our expectations, as our clients increased their ATIC activities to meet the July 1st Reach deadline.

We are maintaining our FY guidance of solid organic growth for our C&P business. Our pipeline of activities with our clients is strong reflecting our:

- Growth of SKUs;
- Expansion of the supply base in emerging markets; and
- Increased concerns on product safety and traceability.

For the full year, we expect our Product related businesses which represents circa 77% of our earnings to deliver good organic revenue growth.

Trade

We are pleased to see an acceleration of our growth rate in our Trade business as we delivered a revenue growth of 6.5% driven by robust organic growth of 5.3% and the benefits of acquisitions.

Our Caleb Brett business reported a good revenue performance. We continued to benefit from the global and regional trade structural growth drivers in all regions.

Our FY guidance of Good organic revenue growth for CB remains unchanged.

Our Government and Trade Services business delivered double digit organic revenue growth driven by volume growth with existing contracts as well as the win of new contracts.

We expect our GTS business to deliver strong organic growth for the FY.

Our AgriWorld business reported good organic revenue growth and we expect this trend to continue for the full year.

For the full year, we expect our Trade related businesses which represents circa 17% of our earnings to deliver good organic revenue growth.

Resources

Turning to our Resources Division.

Our Resources related businesses delivered a good trading performance ahead of our expectation with an organic revenue growth of 2.9%.

We are pleased to see, as expected, an acceleration of the growth momentum in our Resource business following the stabilisation of revenue we saw in 18.

Our Capex Inspection business reported good Organic Revenue Growth as we start to benefit from the increased investments of our clients in E&P around the world.

We expect our Capex Inspection business to deliver good organic growth in 19.

The demand for Opex Maintenance Services remained stable in a competitive environment and we expect this trend to continue for the remainder of the year.

We continued to see an improved level of demand for Testing activities in the Minerals business as we delivered a good organic growth performance.

Our FY guidance of Good organic growth for Minerals in 19 remains unchanged.

For the full year and based on the improved momentum we are seeing, we expect our Resources businesses to deliver a good organic revenue performance.

M&A

I would like to briefly touch on M&A…

The acquisitions made since January 2018 in attractive growth and margin sectors are performing well:

- In March 2018 we acquired AAS, a leading provider of quality and quantity cargo inspection services, based in the Med;
- In April 2018, we acquired Proasem, a leading provider of laboratory testing and inspection services, based in Colombia;
- In June 2018, we acquired NTA Monitor, a leading network security and assurance services provider, based in the UK and Malaysia.

- In August 2018, we acquired Alchemy, a leading provider of SaaS-based People Assurance solutions in the Food and Retail sectors, based in North America.

In addition, in March 2018 we entered an exclusive agreement with CAPA to run their automotive parts certification programme.

As always, we will continue to actively pursue expansion opportunities in attractive growth and margin areas with value enhancing acquisitions.

Conclusion

I had wanted to share 3 main messages with you today.

Firstly, that we had a good start to the year in line with expectations and we are on track to deliver our full year Revenue, Margin and Cash targets.

Second, that we delivered a broad-based organic growth across our three divisions, Products, Trade and Resources.

And third, that our acquisitions in attractive growth and margin sectors are performing well and added 200 BPS to our revenue growth.

Intertek is going from strength to strength, making progress step-by-step on our Good to Great journey with our 5X5 differentiated strategy for growth.

We provide a superior customer service with our unique TQA value proposition, to help our clients mitigate quality and safety risks in their increasingly complex operating environments.

We are well positioned to deliver GDP+ organic revenue growth in real terms based on the attractive structural growth drivers ahead:

- Our Products division which represents circa 77% of Group profit will continue to benefit from GDP agnostic growth drivers;
- Our Trade division which represents circa 17% of Group profit will continue to benefit from global trade growth; and
- Our Resources sector which represents circa 6% of Group profit will benefit from global growth drivers in the energy sector.

Moving forward, we will seize these attractive organic and inorganic growth opportunities to deliver sustainable growth for all our stakeholders.

Thank you very much for your time and we will be happy to answer any questions you might have.

-ENDS-

The 2019 May Trading Statement is available at
www.intertek.com/investors/