



AUDIOCAST 07.45 – 26 NOVEMBER 2019 TRADING UPDATE CEO CONFERENCE CALL

Introduction

Good morning to you all and thanks for joining us on the call.

I have with me Ross McCluskey, our CFO and Denis Moreau from our Investor Relations team.

This morning, I will give you an update on the Group Trading performance in the first 10 months of the year as well as discuss the outlook for the rest of the year.

There are three main messages I would like to share with you today:

1. We delivered an improved organic revenue growth momentum in the July-Oct period, with a 3.6% growth at constant currency driven by a better performance in our Product and Resource divisions;
2. Our acquisitions in attractive growth and margin sectors are performing well, contributing 1.4% of revenue growth YTD at constant currency;
3. 2019 will mark another year of consistent progress in Revenue, Margin and Cash.

We are pleased to exit 2019 with an improved organic revenue growth momentum.

This positions us well to seize the exciting growth opportunities ahead.

First 10 months Trading Highlights

In the last 4 months, Group revenues were £1,045million, an increase of 4.5% at constant currencies and of 7.9% at actual currencies.

Organic revenue at constant currency was up 3.6% year on year.

Our Products division grew by 2.6%, our Trade division grew by 3.5% and our Resources division delivered revenue growth of 7.6%.





Year to date, in the January to October period, Group revenues were £2.5bn, +4.7% at constant currencies and +7.4% YoY at actual currencies.

Our revenue performance at constant currency was driven by a broad-based organic growth of 3.3% and by the contribution of recent acquisitions.

We delivered a good organic revenue growth performance in our Product and Trade divisions which grew respectively by 2.3% and 4.4%, while our Resources division grew by 5.2%

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

Now turning to our full year guidance for 2019.

Our guidance remains on an IAS 17 basis.

In 2019, we expect to deliver good organic revenue growth at constant currency in our Products and Trade divisions while we expect our Resources division to deliver a robust organic revenue growth at constant currency.

From a profitability standpoint, we expect to deliver a solid margin progression at constant currency, based on the divisional mix in H2. We will continue to benefit from our portfolio strength, our pricing power and our systemic approach to performance management.

We continue to expect to deliver strong cash conversion.

We are investing in growth with disciplined investments in the attractive growth and margin sectors in our industry.

We continue to 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 £670–700 million before any further M&A and any material movement in FX.



I would like to give you an update on Forex...

Based on the actual figures of the first 10 months of the year and the current spot rate for the remainder of the year, the average sterling rate applied to the full year results of 2018, would provide a 175 BPS uplift at the revenue level and a 125 BPS uplift at Operating profit level.

Divisional Review

Let's now discuss our divisions starting with Products.

All the comments I will make will be at constant currencies.

Products

Following an organic growth of 2.1% in H1, our Products business improved its growth momentum with 2.6% organic growth in the period July - October.

On a YTD basis our Product related businesses delivered a good organic revenue growth of +2.3% driven by broad based growth across business lines and geographies.

Our Softlines business reported an organic growth performance slightly below last year.

We are benefiting from the investments we have made to support the expansion of our customers into new markets.

We are seizing the exciting growth opportunities in the footwear sector and continuing to benefit from strong demand for chemical testing.

However, the lack of visibility around the outcome of negotiations on tariffs has resulted in a delay in the launch of new products in the second half of 2019.

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 delivered good organic revenue growth in Electrical & Connected World as we benefited from:

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

Our Business Assurance business delivered good organic revenue growth with an improved momentum, as expected, in the last few months. We continue to benefit from the increased focus of corporations on risk management, resulting in strong growth in Supply Chain Audits and increased consumer and government focus on ethical and sustainable supply.

Our Building & Construction business delivered good organic revenue growth with an improved performance as expected in the last 4 months driven by:

- The continuing increased demand for more sustainable and higher quality commercial buildings; and
- Increased investment in large infrastructure projects.

In our Transportation Technology business, we delivered robust revenue growth with sequential improvement in the last few months driven by:

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

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

- Continuous Food innovation; and
- Increased focus on Food safety.

We delivered an organic revenue performance slightly below last year in our Chemicals & Pharma business due to the 2018 REACH baseline effect.

For the full year, we expect our Product related businesses to deliver good organic revenue growth.



Trade

Let's now move to Trade...

Following an organic growth of 5.1% in H1, our Trade business delivered an organic growth of 3.5% in the July-Oct period in line with our expectations given the base line effect in 18 when we saw an H2 performance stronger than H1.

On a YTD basis, our Trade related businesses delivered a good organic revenue growth performance of +4.4% driven by broad-based growth across business lines and geographies.

Our Caleb Brett business reported on a YTD basis a good revenue performance and we continued to benefit from the global and regional trade structural growth drivers.

Our Government and Trade Services business benefitted from a stronger performance in the last few months and delivered double-digit organic revenue growth on a YTD basis driven by revenue growth with existing contracts as well as the wins of new contracts.

Our AgriWorld business benefitted from improved momentum in the last few months and reported good organic revenue growth driven by a broad-based growth across our global inspection businesses.

For the full year, we expect our Trade related businesses to deliver good organic revenue growth.

Resources

Let's now discuss Resources...

Following an organic growth of 3.5% in H1, our Resources business benefited from an acceleration of its growth momentum, delivering 7.6% organic growth in the period July – October.

On a YTD basis, our Resource related businesses delivered a robust organic revenue growth performance of +5.2%.



Year-to-date, our Capex Inspection business reported robust organic revenue growth. We are benefitting from the increased investments of our clients in E&P around the world, as well as the wins of new clients in several geographies.

The demand for Opex Maintenance Services remained stable in a competitive environment.

We continued to see an improved level of demand for Testing activities in the Minerals business driving a robust organic growth performance.

For the full year, we expect our Resources businesses to deliver a robust organic revenue performance.

Innovation

Intertek operates in an exciting market with attractive structural growth drivers, benefiting from the increased complexity and risk our clients face in their operations.

Based on the insights we get from our TQA Experts around the world - and from our 7000+ monthly NPS interviews we develop ATIC services that are mission-critical for our clients.

Let me give you examples of two significant recent innovations:

- Firstly, Intertek Total Sustainability Assurance, our pioneering initiative that provides an end-to-end, independent, systemic sustainability programme from both an Operational and Corporate perspective.
Intertek has been supporting the needs of our clients over the years with a real depth and breadth of Operational Sustainability Solutions that address the important operational areas of every company covering environment, products, processes, facilities, assets and systems.
Now we have extended our sustainability offering with the launch of Intertek Corporate Sustainability Certification, which is a holistic assurance programme that audits and certifies the quality of processes in place based on 10 Intertek proprietary standards.
- Last night we launched Intertek Cyber-Assured Certification, the first comprehensive product cybersecurity Certification and Assurance programme.



Intertek has been a pioneer in cybersecurity and cellular connectivity testing for more than 30 years.

This breakthrough innovation is the very first end-to-end Certification and Assurance solution enabling customers to launch secure and connected products as well as monitoring and improving their security over their full lifecycle.

If you are interested in hearing more about the innovations that our TQA Experts around the world are creating for our clients, you can follow us on LinkedIn, Twitter and read our Blogs on Intertek.com

M&A

I would now like to give you an update on M&A...

The acquisitions made since January 2018 in attractive growth and margin sectors are performing well, having contributed 1.4% to our revenue growth in the first 10 months of 2019:

- 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; and
- 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.

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



Conclusion

In conclusion, Intertek is going from strength-to-strength making continuous improvements every day on strategy and performance.

2019 will be another year of consistent progress in Revenue, Margin, EPS and Cash with disciplined investments - in both innovations and acquisitions - in the attractive growth and margin sectors in our industry.

I would like to finish our Trading Update with recent customer feedback that I received from one of our top clients, who operates in the global luxury fashion market.

We were having our annual top-to-top ATIC session and we updated our client on the latest industry-leading innovations.

At the end of the meeting, our client's Head of Global Supply said:

"Intertek is launching so many insightful innovations, that I want to organize a session between your team and my global functions. I am sure that there are more innovations inside Intertek that will help us resolve the quality, safety and sustainability challenges we face."

That is the kind of trust that we have created with our clients. I am tremendously proud of the relationships our TQA Experts have built with our customers around the world.

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

-ENDS-

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