

# 2015 Full Year Results Presentation

Solid Full Year Performance

2 March 2016

## Cautionary statement regarding forward-looking statements

Intertek

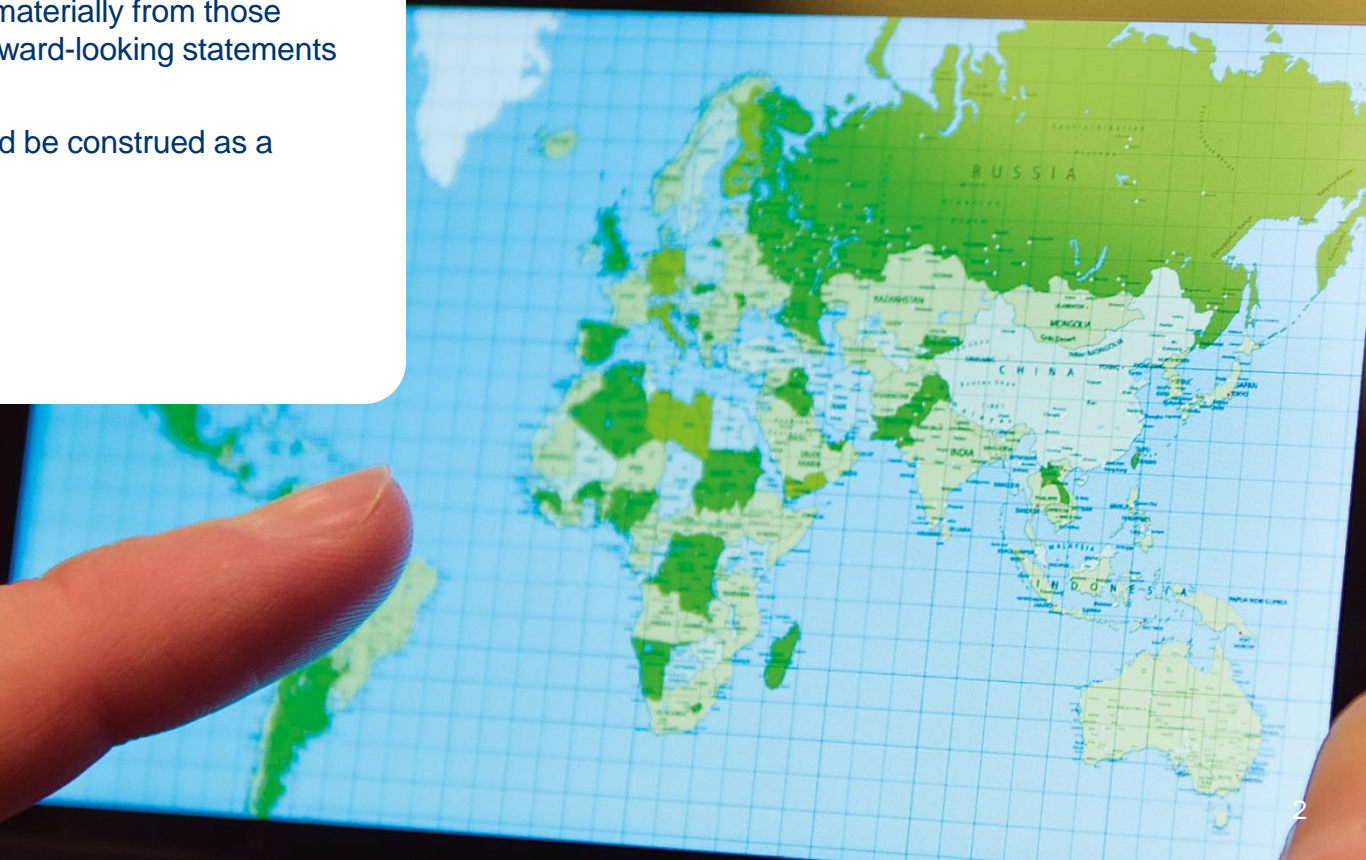
This presentation contains certain forward-looking statements with respect to the financial condition, results, operations and business of Intertek Group plc.

These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future.

There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts.

Nothing in this presentation should be construed as a profit forecast.

2 March 2016





# Agenda

Intertek

01 Performance Highlights

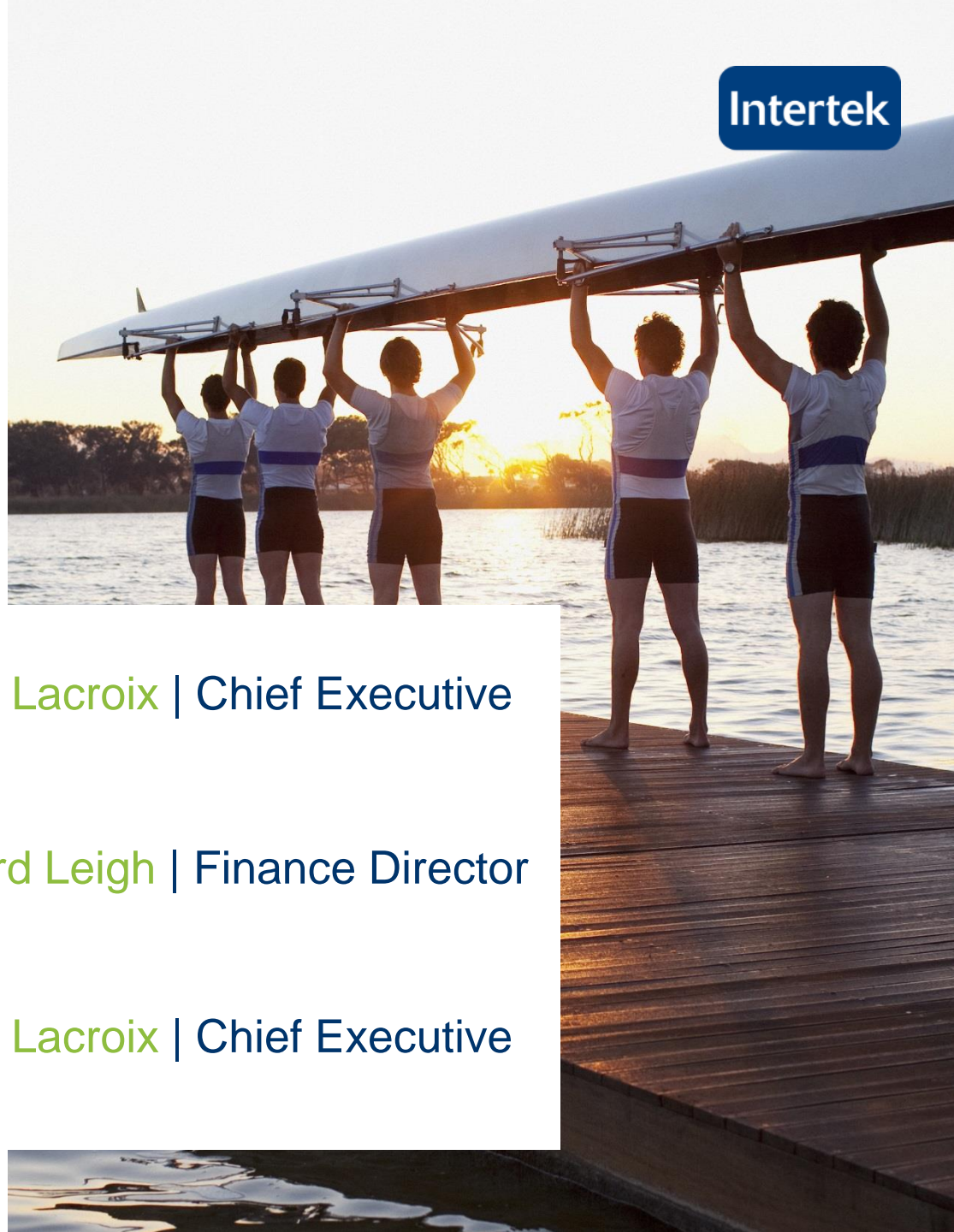
02 Financial results

03 Business update

André Lacroix | Chief Executive

Edward Leigh | Finance Director

André Lacroix | Chief Executive



# Performance Highlights

2015 Full Year  
Results Presentation

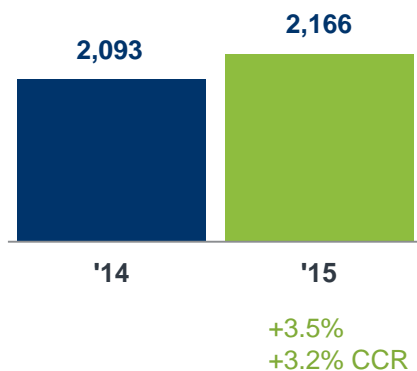
**André Lacroix**

Chief Executive

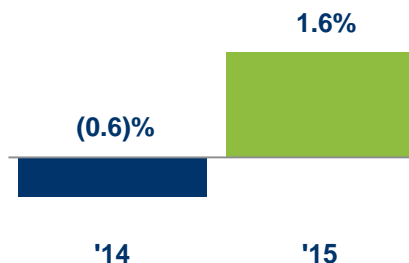


# Improved revenue and profit performance

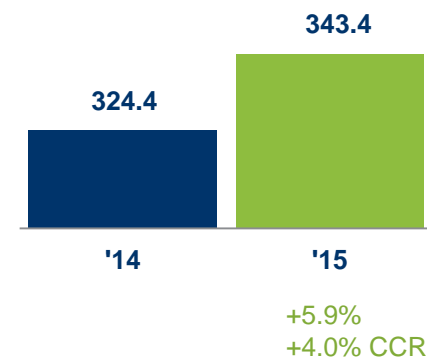
Revenue<sup>1</sup>



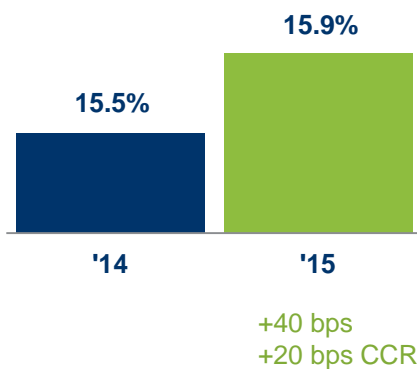
Organic Revenue<sup>2</sup>



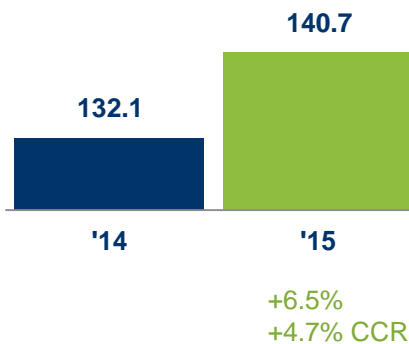
Operating Profit<sup>1</sup>



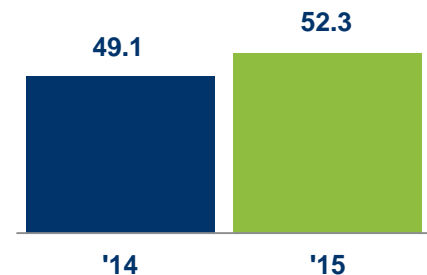
Operating margin



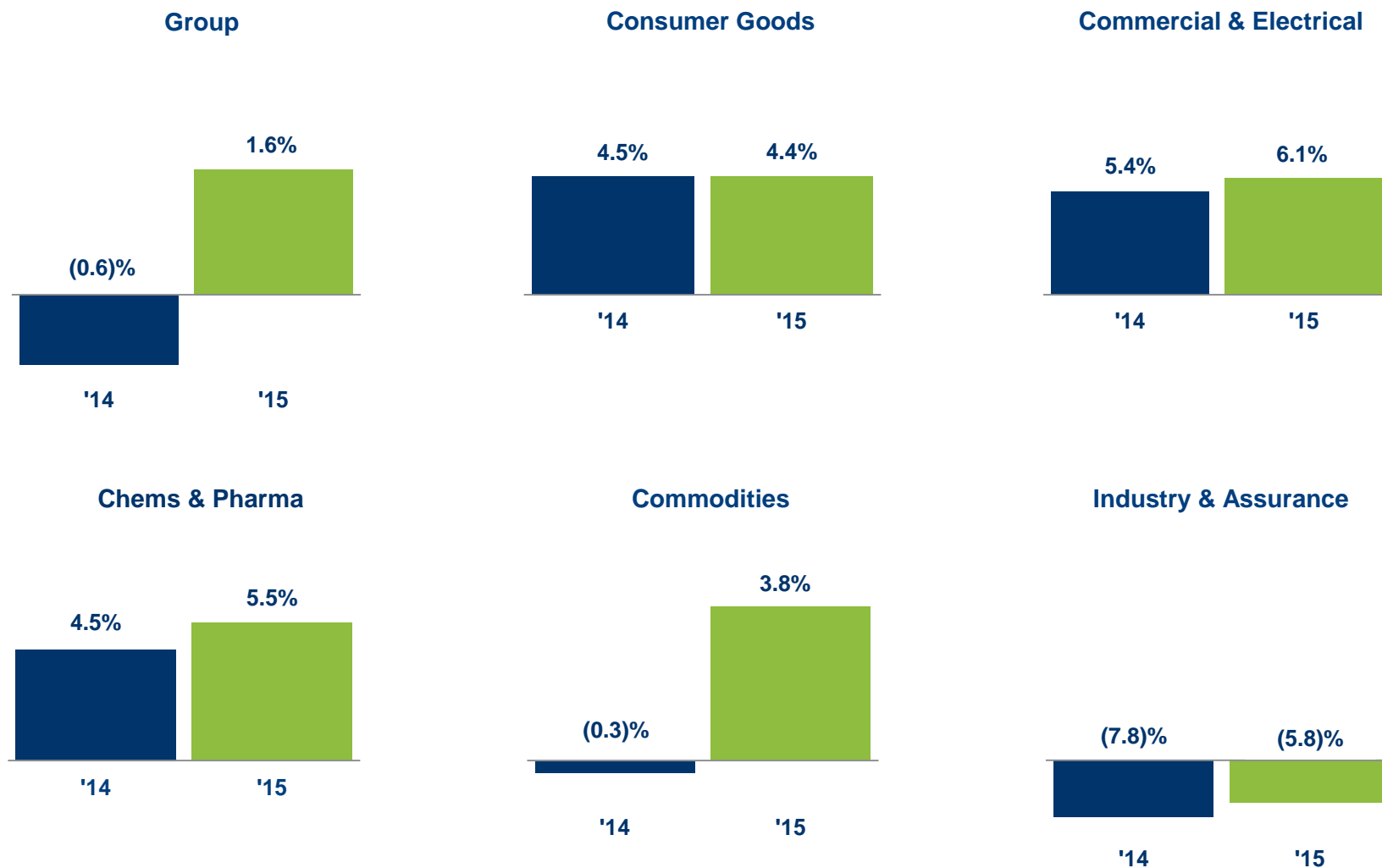
Adjusted EPS<sup>3</sup>



Dividend<sup>3</sup>

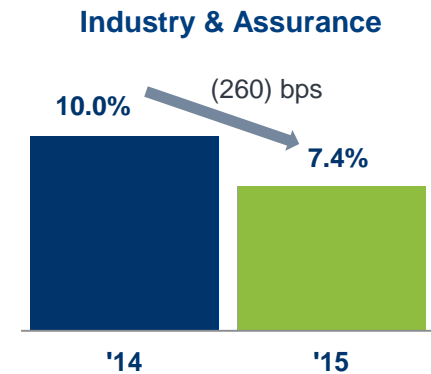
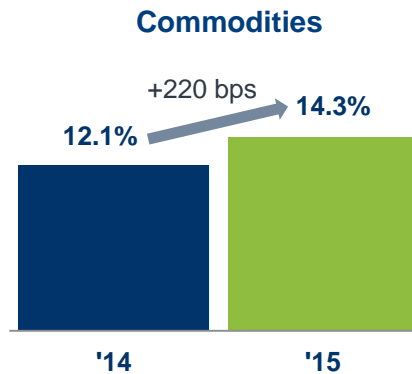
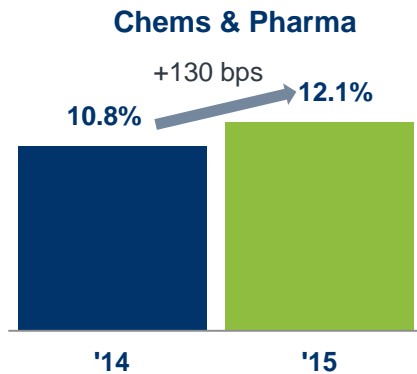
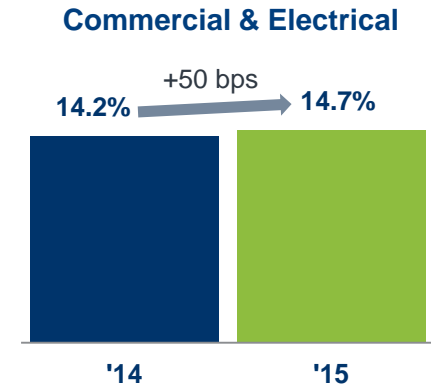
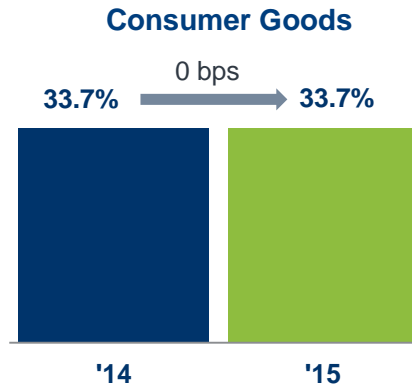
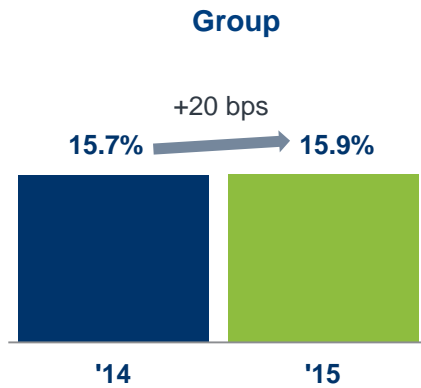


# Broad based organic revenue growth improvement



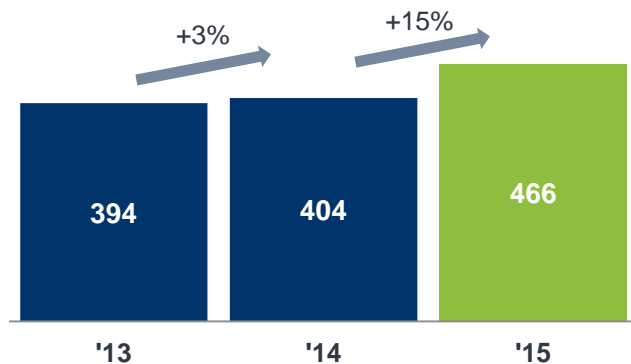
# Robust margin performance in Product and Trade related businesses

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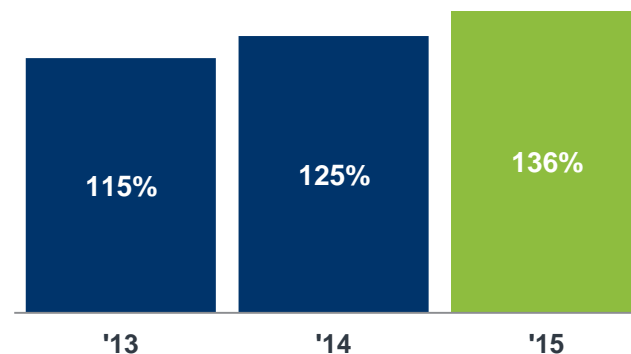


# Strong cash conversion and disciplined capital allocation

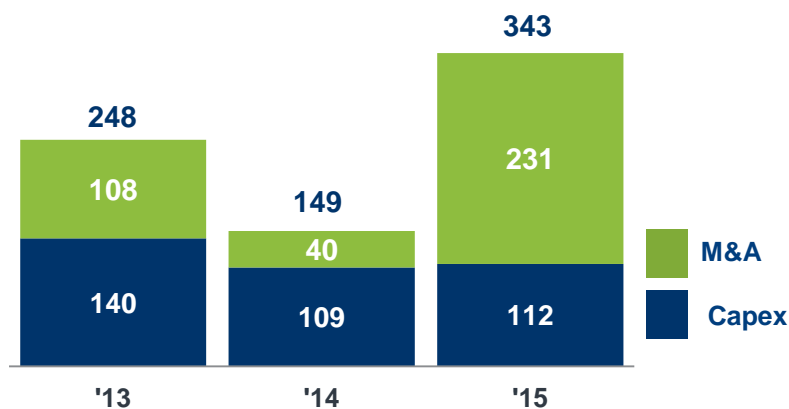
Cash Generated from Operations<sup>1</sup> (£m)



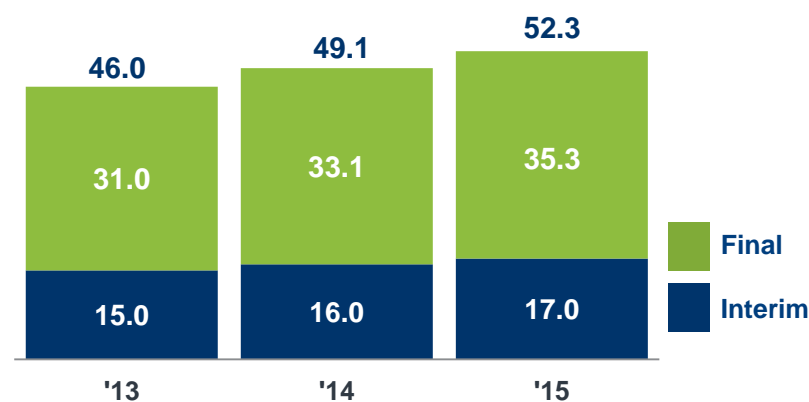
Cash Conversion<sup>1</sup> (%)



Investment & Growth (£m)



Dividend (p)





# Strategic expansion in US growth markets with PSI

Intertek

## PSI as industry leader

2,400 people in 87 locations across 32 states

Revenue of \$254m in 2014 and operating profit of \$29m

Industry leader in testing and assurance for the US commercial and civil construction markets (77% of revenue)

NDT pipeline infrastructure testing focused on attractive mid-stream market (23% of revenue)

High-quality operator with strong capabilities, including award winning technology

## Building scale in growing markets

Build scale and leadership position in adjacent US growth markets

Combine Intertek's Building business with PSI's construction portfolio to create an industry leading testing and assurance service offering

Strengthen and diversify Industry Services opex business

## Exciting macro and sector growth opportunities

US #1 economy in the world with attractive growth prospects

Construction activity continues to grow driven by steady population growth and economic growth

Demand for greener, better quality, more modern buildings

Growth in civil infrastructure driven by investment in transportation systems

Transmission pipelines with strong medium term growth in response to shale developments

## Value accretive transaction

\$330m purchase price, 7.6x EBITDA multiple

Attractive revenue growth prospects

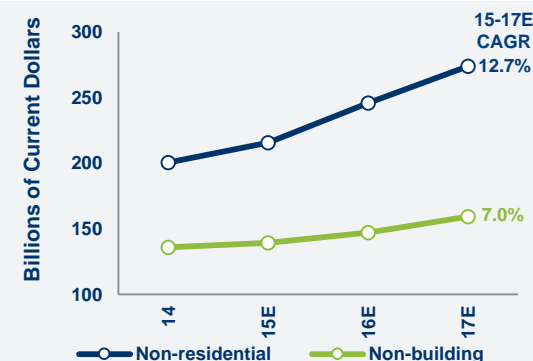
Target PSI margin to improve by +300bps over three years

EPS accretive in 2016 with strong cash generation and attractive returns

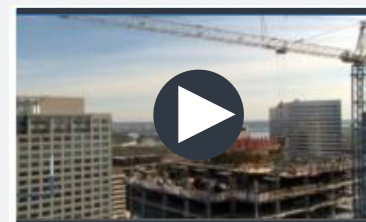
Completed November 2015

Funded from existing facilities

## US total construction starts non-residential / non-building<sup>1</sup>



## US Building and Construction Market



## US Midstream Pipeline Market



# Financial results

2015 Full Year  
Results Presentation

**Edward Leigh**

Chief Financial Officer



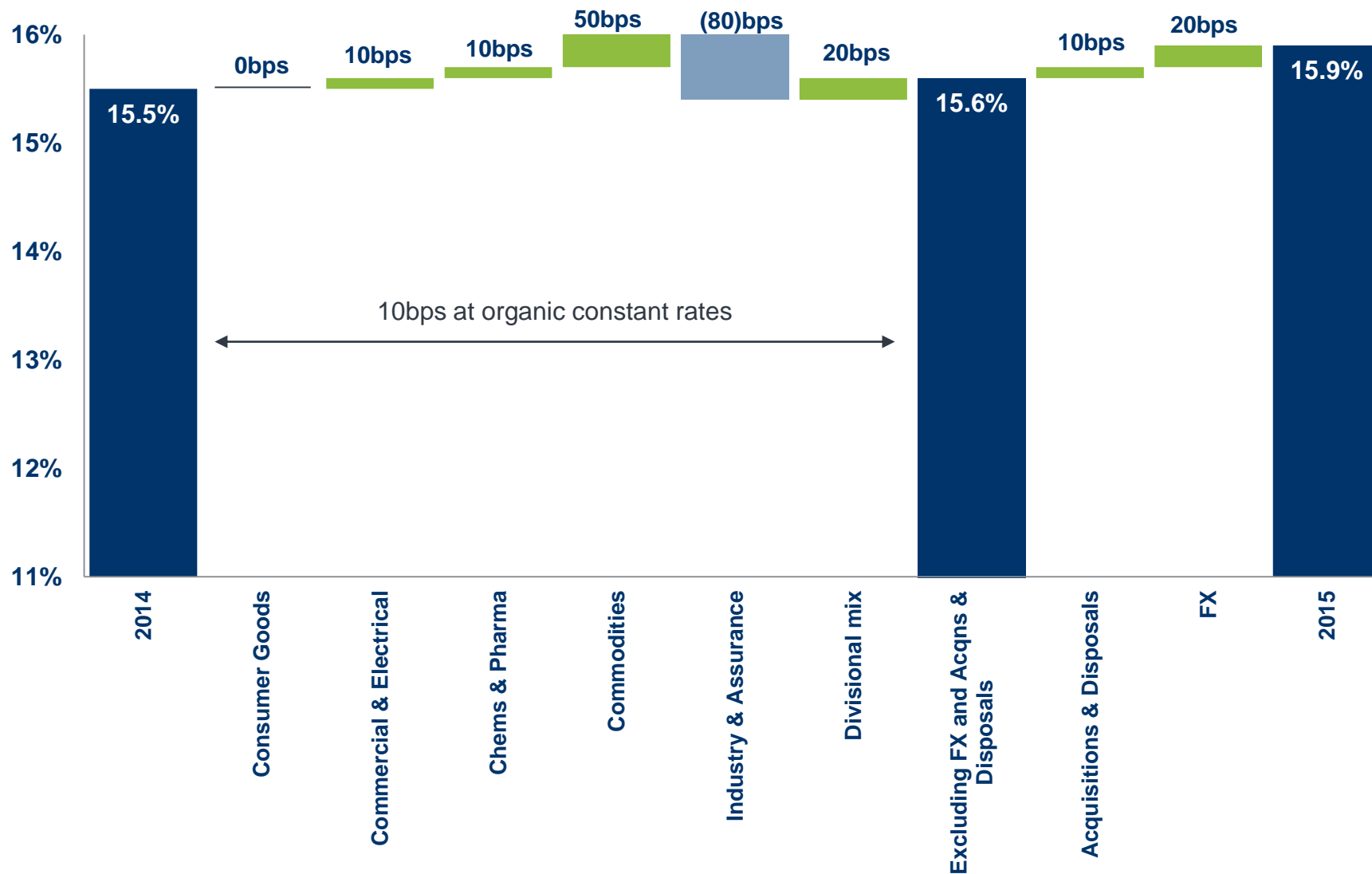
	2015	YoY %		
		Actual Rates	Constant Rates	Constant Organic <sup>2</sup>
Revenue	<b>£2,166m</b>	3.5%	3.2%	1.6%
Operating profit <sup>1</sup>	<b>£343m</b>	5.9%	4.0%	
Operating profit margin <sup>1</sup>	<b>15.9%</b>	40bps	20bps	
Adjusted Diluted EPS <sup>1</sup>	<b>140.7p</b>	6.5%	4.7%	
Adjusted cash generated from operations <sup>1</sup>	<b>£466m</b>	15%		
Free cash flow	<b>£235m</b>	27%		
Net Debt	<b>£775m</b>	22%	Increase (13% reduction excluding PSI)	
Pro forma net debt/EBITDA ratio	<b>1.7x</b>			

(1) Before separately disclosed items

(2) Growth excluding acquisitions and disposals in 2014 and 2015 at constant exchange rates

# Operating Margin bridge

Intertek





Consumer Goods	£m	FY 15	Change at actual	Change at constant	Organic change at constant
	Revenue	404.3	7.7%	4.4%	4.4%
	Operating Profit	136.1	9.1%	4.4%	
	Margin	33.7%	40bps	0bps	
Commercial & Electrical	£m	FY 15	Change at actual	Change at constant	Organic change at constant
	Revenue	411.7	14.5%	10.5%	6.1%
	Operating Profit	60.5	18.6%	13.9%	
	Margin	14.7%	50bps	50bps	
Chemicals & Pharma	£m	FY 15	Change at Actual	Change at constant	Organic change at constant
	Revenue	183.8	6.2%	5.5%	5.5%
	Operating Profit	22.3	19.9%	18.0%	
	Margin	12.1%	140bps	130bps	

Commodities	£m	FY 15	Change at actual	Change at constant	Organic change at constant
	Revenue	554.8	2.3%	3.7%	3.8%
	Operating Profit	79.1	20.8%	21.7%	
	Margin	14.3%	220bps	220bps	

Industry & Assurance	£m	FY 15	Change at actual	Change at constant	Organic change at constant
	Revenue	611.7	(4.9)%	(3.0)%	(5.8)%
	Operating Profit	45.4	(29.6)%	(27.8)%	
	Margin	7.4%	(260)bps	(260)bps	

- Industry Services down 25% across past 2 years (organic revenue at constant rates)
- Year-end impairment review: £577m non-cash charge (Separately Disclosed Item)
- Relates to past acquisitions:

– 4 acquisitions (2007-2009)	£46m
– Moody (April 2011)	£450m
– Automation Tech (April 2012)	£10m
– GXT (October 2013)	£37m
– Inspec (February 2014)	£37m
- Continuing challenging conditions and uncertainties in oil & gas industry

£m @ actual exchange rates	FY 2015	FY 2014
<b>Adjusted operating profit<sup>(1)</sup></b>	<b>343.4</b>	<b>324.4</b>
Depreciation/amortisation	85.2	76.3
Working capital	26.8	(4.1)
Other <sup>(2)</sup>	10.3	7.1
<b>Adjusted cash flow from operations</b>	<b>465.7</b>	<b>403.7</b>
Net capex	(110.9)	(108.5)
Other <sup>(3)</sup>	(119.6)	(110.4)
<b>Free cash flow</b>	<b>235.2</b>	<b>184.8</b>
Acquisitions <sup>(4)</sup>	(231.3)	(40.2)
Equity dividend	(80.7)	(75.5)
Movement in borrowings	105.5	(25.7)
Other <sup>(5)</sup>	(20.7)	(40.5)
<b>Net increase in cash</b>	<b>8.0</b>	<b>2.9</b>
Opening net cash	119.5	116.4
Effect of FX on cash held	(11.5)	0.2
<b>Closing net cash</b>	<b>116.0</b>	<b>119.5</b>

- Adjusted cash flow up 15%
- Free cash flow up 27%
- Four acquisitions for £231m
- Adjusted tax rate of 24.3%
- Net debt £775m (1.7x ratio)

(1) Before Separately Disclosed Items

(2) Comprises Special Pension payments, add back Equity Settled transactions and other Non-Cash Items

(3) Comprises: Exceptionals, Interest Paid/Received and Tax

(4) Total purchase price in 2015 £237.2m. Net of cash acquired £231.3m

(5) Comprises: Purchase of own shares, tax paid on share awards, dividends paid to NCI, and purchase of minority/associate



	2016 Guidance
Interest charge	c.£30m
Effective tax rate	25-26%
Minority interest	£14-15m
Diluted shares (as at 31 December 2015)	162.2m
Capex	£100-110m
Net Debt	£650-700m

# Business update

2015 Full Year  
Results Presentation

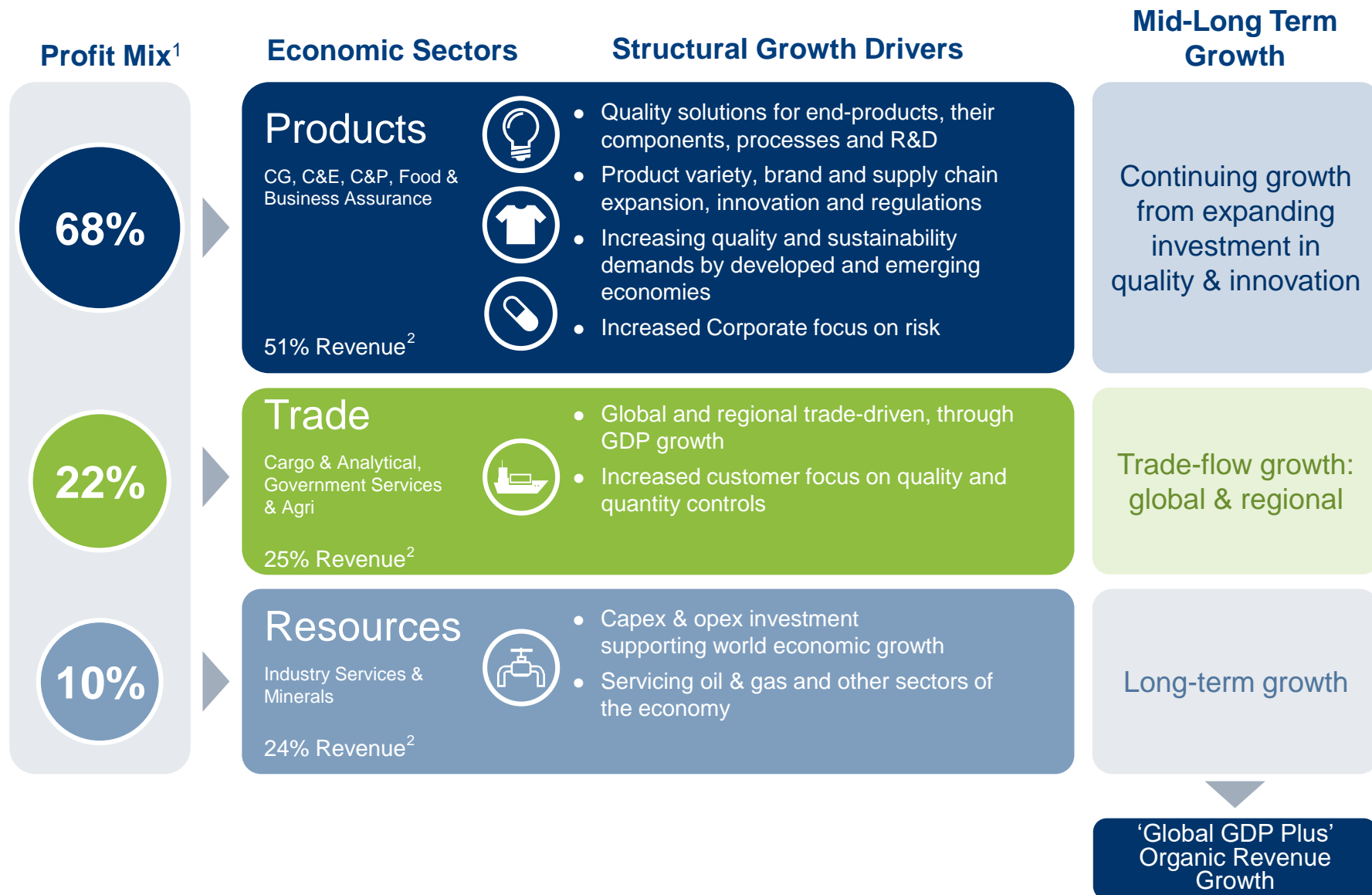
**André Lacroix**

Chief Executive



# Structural organic growth drivers

Intertek



(1) 2015 adjusted operating profit. (2) 2015 revenues

## Group Outlook in 2016

- Solid organic growth momentum
  - Continued good growth in product and trade related businesses
  - Resource businesses will remain challenging
- Integration of PSI in the USA
  - 11 months revenue impact
  - Execution of Year 1 synergies
- Broadly stable margin
- Capex £100-110m
- Net Debt £650-700m

**Robust constant currency performance  
expected in 2016**

Intertek





## Trading in 2015

**4.4%** organic revenue growth

**33.7%** operating margin

### Strong growth in Softlines

- Increased business with existing accounts
- Increased demand for chemical tests
- Expansion in Vietnam, Bangladesh, Turkey

### Solid performance in Hardlines

- New sourcing markets
- Increased penetration of existing accounts

Numbers at CCR

## Outlook in 2016

**Continued good growth expected in 2016**

### Softlines focus

- Business development with existing and new accounts
- Growth in footwear and footwear electronics
- Launch of Chemical Smart Screening

### Hardlines focus

- Growth with existing and new accounts
- Supply chain expansion in India and Mexico
- Launch of innovative technology for factory inspections

## Innovative solutions

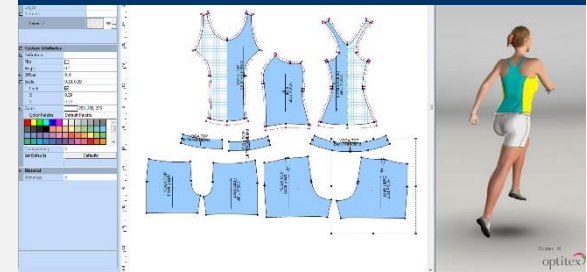
### Chemical Smart Screening



### Activewear



### Computer Aided Testing



# Commercial & Electrical

## Strong growth with improved margin

Intertek

### Trading in 2015

**6.1%** organic revenue growth

**14.7%** operating margin

#### Good growth in Electrical & Wireless

- Increased standards in energy efficiency
- Wireless devices growth

#### Strong growth in Building Products

- Higher quality buildings in the USA
- Increased demand for green buildings

#### Transportation technologies

- Strong growth in Transportation Technologies
- New models development

### Outlook in 2016

**Good growth expected in 2016**

#### Electrical & Wireless focus

- EMC expansion in S.Korea and Mexico
- Regulatory changes on Energy Efficiency
- Internet of Things growth across sectors

#### Building Products focus

- Growth of Commercial and Civil construction markets in the USA
- Integration of PSI

#### Transportation Technologies focus

- Growth of testing for electrical and hybrid vehicles
- Diversification of engine and lubricant testing

Numbers at CCR

### Innovative solutions

#### Wireless charging



#### Portable emissions



#### Mobile testing of solar panels



# Chemicals & Pharma

## Strong growth with improved margin

Intertek

### Trading in 2015

**5.5%** organic revenue growth

**12.1%** operating margin

- Strong R&D increase in Health & Beauty
- New brand entries facilitated by e-commerce
- Preparation for next EU REACH
- Increased demand in emerging economies

Numbers at CCR

### Outlook in 2016

**Good growth expected in 2016**

#### Chemicals and Pharma focus

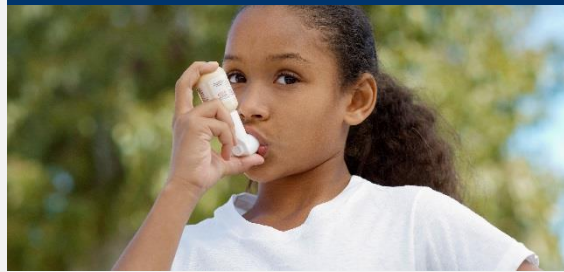
- Good pipeline of new pharma products in the USA and UK
- Customer acquisitions in the Health & Beauty sectors
- Increased corporate focus on regulatory risk

### Innovative solutions

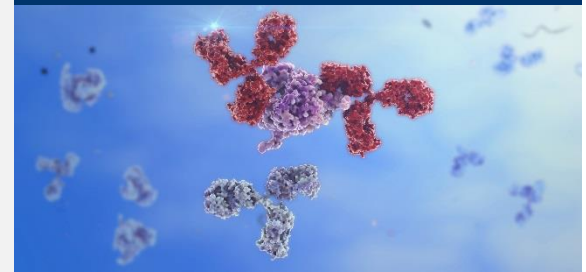
#### Antimicrobial technology



#### Inhaled medicines



#### Anti-body therapeutics



# Commodities

## Good growth with improved margin

Intertek

### Trading in 2015

**3.8%** organic revenue growth

**14.3%** operating margin

#### Cargo/AA

- Solid global and regional trade growth
- Expansion with LNG and shale oil activities

#### GTS

- strong H1 performance with existing and new contracts
- Slower regional growth in the Middle East and Africa in H2

#### Minerals

- Revenue decline stabilising

Numbers at CCR

### Outlook in 2016

**Good growth expected in 2016**

#### Cargo/AA focus

- New lab openings in Australia, PNG, Texas
- Increased shipment of refined products

#### GTS focus

- Increased scope of activities in Saudi Arabia
- New programmes in new markets

#### Minerals focus

- Cost and capacity control in a flat market

### Innovative solutions

LNG



Fuel compliance



X-ray analysis





### Trading in 2015

**(5.8)%** organic revenue growth

**7.4%** operating margin

#### Double digit growth in Food, Agri and Business Assurance

- Increased food safety requirements
- Supply chain expansion in newer markets – Turkey, Brazil
- Increased focus on corporate risk

#### Challenging trading conditions in Industry Services

- Reduced capex investment
- Delays in refineries' maintenance
- Exit of low value contracts

Numbers at CCR

### Outlook in 2016

#### Continuing strong growth in Food, Agri and Business Assurance

- Agri will focus on business development with existing and new accounts in fast growing markets
- Food will focus on the integration of FIT and the development of food services
- BA will leverage its leadership position in supply chain management

#### Trading conditions will remain challenging in Industry Services

- Focus on cost and capacity control in the capex related activities
- Continuous diversification in opex related activities with NDT services

### Innovation solutions

Corrosion monitoring



Technical inspection and pipeline testing



Reducing road traffic accidents



## Summary

- Solid full year results
- Improved revenue and profit performance
- Strong cash generation
- Investment in growth
- Attractive growth prospects





# Appendix

## 2015 Full Year Results Presentation

## Adjusted EPS

£m @ actual exchange rates	FY 2015	FY 2014	
<b>Adjusted operating profit</b>	<b>343.4</b>	<b>324.4</b>	<b>5.9%</b>
Net interest expense	(24.2)	(24.2)	
<b>Profit before tax</b>	<b>319.2</b>	<b>300.2</b>	
Tax 24.3% (24.0%)	(77.5)	(72.0)	
<b>Profit after tax</b>	<b>241.7</b>	<b>228.2</b>	
Non-controlling interest	(13.5)	(14.1)	
<b>Net Profit</b>	<b>228.2</b>	<b>214.1</b>	
Fully diluted shares	162.2	162.1	
<b>Earnings Per Share</b>	<b>140.7</b>	<b>132.1</b>	<b>6.5%</b>

# Divisional Performance Summary

**Intertek**

**2015**

	Revenue				Margin		
	FY 15 (£m)	Change at actual rates	Change at constant rates	Organic change at constant rates	FY 15	Change at actual rates	Change at constant rates
Consumer Goods	404.3	7.7%	4.4%	4.4%	33.7%	40bps	-
Commercial & Electrical	411.7	14.5%	10.5%	6.1%	14.7%	50bps	50bps
Chemicals & Pharma	183.8	6.2%	5.5%	5.5%	12.1%	140bps	130bps
Commodities	554.8	2.3%	3.7%	3.8%	14.3%	220bps	220bps
Industry & Assurance	611.7	(4.9)%	(3.0)%	(5.8)%	7.4%	(260)bps	(260)bps
<b>Group Total</b>	<b>2,166.3</b>	<b>3.5%</b>	<b>3.2%</b>	<b>1.6%</b>	<b>15.9%</b>	<b>40bps</b>	<b>20bps</b>