AUDIOCAST 07.45AM UK – 24 NOVEMBER 2021
TRADING UPDATE CEO CONFERENCE CALL

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

I have with me Jonathan Timmis, our CFO and Denis Moreau our VP Investor Relations.

There are essentially 3 take-aways in our call today

1. **STRONG PROGRESS IN H2**

We have made strong progress in H2.

In the July-Oct period, we have delivered a Revenue growth of 6.7% at CCY driven by a robust LfL revenue growth and our 2 recent acquisitions. We also benefited from positive momentum in margin and cash.

2. **ON TRACK TO DELIVER FULL YEAR TARGETS**

We are on track to deliver our FY targets of Robust LfL revenue growth, year on year margin progression and a strong free cash flow.

3. **INDUSTRY GROWTH DRIVERS STRONGER POST-COVID**

Covid 19 has been much more than a tragic pandemic for the entire world.

Covid 19 has made the case for Total Quality Assurance stronger.

Our clients have realised that they will need to increase their investments in quality assurance to operate with higher quality, safety and sustainability standards.

Post-Covid, we therefore expect the global quality assurance industry to grow faster.

THE WORLD OF OUR CLIENTS

I would like to start our call today with a few comments on what is happening in the supply chains of our clients.

Covid 19 will be remembered as the greatest dislocation of the global supply chain since the 1970s, creating significant challenges across the world. These include:

- The lack of PPE and Medical devices during phase 1 of the pandemic
- Shortage of Components and raw materials in multiple industries in multiple markets

- Containers not being available for the global trade rebound…

- …resulting in empty shelves in supermarkets and 'Out of stock' notices in e-commerce across many product categories

- Shortage of labour in many sectors of the economy putting inflationary pressure on wages

- lack of synchronisation between demand and supply in the world's Energy markets, creating a shortage of electricity in several countries and putting inflationary pressure on energy costs

Essentially, the disruption we are seeing in the global supply chain is the compounding effect of 3 factors:

- a rapid fall of global demand in Q2 20, triggering cost reductions in major sectors, resulting in lower stock levels and a smaller workforce

- a rapid rebound of the global demand in Q4 20 and H1 21 for many product categories running well ahead of lowered expectations

- a lack of business intelligence inside corporations to read the global trade rebound early and start ordering and hiring on time

At Intertek, we are supporting our 400k customers as they try to synchronise their sourcing, production and logistics activities to get their supply chains back to normal and service their clients.

The supply chain disruptions within the eco-systems of our clients is highly complex and although everybody is working hard, it will take time before the global supply chain is back to normal.

There is a major learning for our clients from this significant global supply chain disruption:

They have been operating with substantial intrinsic risks in their supply chains without the right data.

That is why we expect our clients to increase their investments in their supply chains in three areas.

SAFER SUPPLY CHAINS

Covid 19 is indeed proving a catalyst for many corporations to improve the resilience of their supply chains. We expect major corrective actions and these will include:

- better data on what is happening in all parts of the supply chain

- tighter risk management with razor-sharp business continuity planning

- a more diversified portfolio of tier 1/2/3 suppliers

- a more diversified portfolio of factories, including on-shoring to both enhance supply chain resilience and reduce the carbon footprint of their operations

- investments in processes, technology and training to step up their supply chain capabilities

PRODUCT AND SERVICE INNOVATION

We are also seeing our clients realise that in addition to their supply chain challenges, they need to invest more in product and service innovation to meet the changing needs of their consumers.

As you would expect during a major global crisis like Covid 19, consumers' expectations are changing given their desire to live in a much better world …building back better is on everybody's mind.

Indeed, corporations need to step up their game in quality, safety, sustainability, convenience and value for money to enhance their products and services.

The third major area of investments inside corporations is of course **Sustainability**.

The sprint to net zero emissions is real and corporations are having to reinvent the way they reduce their carbon footprint across the entirety of their operations…and the way they communicate the progress they make on net zero with carbon emission claims independently verified.

In summary, our clients are seeing a strong yet uneven global recovery with 2 major challenges.

First, they need to resolve the disruptions in their global supply chains to meet the immediate needs of their clients.

Second, they need to invest in:

- safer and more resilient supply chains

- innovation to make their product/services better

- sustainability

These additional investments of our clients in their quality assurance activities will provide us with additional growth opportunities

THE LAST 4 MONTHS IN OUR BUSINESS LINES

I would like now to discuss our performance in each of our business lines over the last 4 months, starting with **Products…**

Notwithstanding some supply issues, our Softlines clients continue to benefit from the reopening of the global economy, with the demand for online shopping and sustainable products being the strongest. This has enabled us to deliver mid-single digit LFL revenue growth.

In addition to these trends, our Hardlines clients are also benefiting from increased consumers' spending on home products and furniture. LFL revenue growth was high-single digit.

In Electrical and Connected World, our clients are seeing increased demand for higher efficiency in electrical products as well as for 5G connected devices. We delivered a mid-single digit LFL revenue growth.

Companies continue to invest in Risk assurance as well as Sustainability, enabling us to report high-single digit LFL revenue growth in the period for Business Assurance.

Within North America, the demand for greener Building remains solid while large Construction projects are still below last year. We delivered a stable LFL Revenue.

As expected, our TT clients started to resume R&D investments in greener powertrains and we delivered a high-single digit LFL revenue growth.

Consumer demand for safer and healthier food remains strong, enabling us to produce high-single digit LFL Revenue growth.

Our Chemical and Pharma business reported double-digit LFL Revenue growth. Our clients continue to invest in regulatory assurance and our Pharma clients increased their R&D testing.

Moving now to **Trade**, where the expected improvement of global mobility has been beneficial to CB, which delivered a mid-single digit LFL Revenue growth.

The shortage of containers continues to impact the trade flows in the Middle East and in Africa. Our GTS business delivered stable LFL revenue.

The demand for Agri products remains strong, driven by strong growth in the global food industry and we delivered a double-digit LFL Rev growth within this business line.

Our clients are starting to benefit from the global economic recovery within the **Resources** sector. We saw an acceleration of demand for Minerals, enabling us to report double-digit LFL revenue growth.

Within the energy sector, companies increased maintenance activities in their operations, leading to mid-single digit LFL Revenue growth within Opex Inspection.

As expected, our clients are starting to increase their investments in Exploration & Production enabling us to deliver a stable LFL Revenue in Capex inspection.

INTERTEK PERFORMANCE HIGHLIGHTS

Having discussed what is happening in the world of our clients and how we have performed within each of our business lines, let me summarise the highlights of our performance at a Group level in the period.

- Revenue growth of 6.7% at constant currency with revenue accelerating during the period: July/August 4.8%. September/October 8.5%

- We delivered LFL revenue growth of 5.0% notwithstanding the loss of one working day

- Our trading days adjusted LFL revenue growth was 6.2%.

- All Divisions delivered LFL Revenue growth. Products 5.5%, Trade 3.7%, Resources 4.7%

- Our SAI and JLA acquisitions are performing well in revenue, margin and cash

- Our disciplined cost and productivity management has enabled us to deliver an improved margin versus H1

- Our disciplined cash performance management continues to drive a strong cash performance

ON TRACK TO DELIVER FY TARGETS

Based on the strong performance we delivered in H1 in Rev, Margin, Cash and ROIC and given the July-Oct trading performance we have just discussed, we are on track to deliver our FY 2021 targets.

- We continue to expect that the Group will deliver Robust LFL revenue growth at constant currency, notwithstanding the lockdown restrictions in a few markets and the supply chain challenges that our clients are facing.

- We continue to expect that the Products division will deliver Robust LFL revenue growth with Trade and Resources both expected to report Good LFL revenue growth.

- We continue to expect Margin progression Year on Year and a strong Free Cash Flow Performance.

- Our guidance regarding Net Finance cost, Tax rate and Minority Interest remains unchanged.

- Regarding currencies, we continue to expect that the average Forex rate applied for the full year results would reduce our revenue and earnings by circa 500 BPS.

- Before any material change in FX rates or M&A, we continue to expect our Financial net debt to be between £835-885m at year end.

BEYOND 2021

Looking beyond 2021, we expect the industry growth drivers to be stronger post-Covid 19.

The global crisis that we are emerging from has demonstrated that there were major risks in the world that were not properly identified and mitigated pre-Covid 19.

Moving forward, all stakeholders in society expect governments and corporations to build back a better world with a sharper focus on end-to-end Quality Assurance.

The supply chain disruption being experienced by corporations across multiple industries has made the need for comprehensive risk-based quality, safety and sustainability assurance more critical than ever.

We are well positioned to benefit from the increased investments of our clients in quality assurance.

We are the global leader in risk-based quality assurance with the depth and breadth of our unique ATIC solutions.

Given our high-margin, capital-light, carbon-light and strongly cash-generative earnings model, we will continue to deliver sustained value for all stakeholders moving forward.

IN SUMMARY…

We have made strong progress in H2.

We're on track to deliver our FY targets.

Post Covid, we expect stronger investments of our clients in quality assurance.

Thanks for your attention and we will now answer any questions you might have.