AUDIOCAST 07.45AM UK – 25 MAY 2022
TRADING UPDATE CEO CONFERENCE CALL

Introduction

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 today:

1. **One, we have had a good start to 2022.** In the first four months of the year, revenue increased by 9.1% at CCY as we benefitted from mid-single digit LFL revenue growth in each of our divisions, and from the strong contribution of our SAI and JLA acquisitions.

2. **Two, we have delivered 6.8% LFL revenue growth at CCY outside of China** which demonstrates the strengths of our Science-Based Customer Excellence USP, giving our clients the ATIC Advantage.

3. **And three, we are reiterating our full year target**. In 2022, we expect robust LFL revenue growth with margin progression at CCY and a strong FCF.

Our take on the geo-political and macroeconomic developments

I would like to give you our take on the geo-political and macroeconomic developments seen in 2022.

Let's start with a few remarks on the conflict in Ukraine.

Intertek's exposure to Russia and Ukraine is small, less than 1% of the Group's revenue.

The war however will impact the global energy supply chain and global food supply.

Russia is a major producer of oil and gas, and their export activities represent around 7% of the world's consumption.

Following the sanctions implemented, we expect the following changes in the global energy market:

- The amount of oil and gas exported from Russia into Europe will reduce, the amount of oil and gas exported from Russia into Asia will increase, and the overall amount of oil and gas exported by Russia will reduce
- Production of oil and gas in the US and Europe will increase
- The amount of LNG imported into Europe will increase; and Investments in renewables in Europe will accelerate Production of oil and gas in the US and Europe will increase

For Intertek, the change in energy trade flows as well as the increased investments in renewables will be a net positive for our Caleb Brett and Industry Services operations.

The war is also impacting the global food market as the conflict has disrupted the trade flows in the Black Sea in several categories: grains, oilseeds, vegoils and fertilizers.

In the short-term, these disruptions will increase pressure on prices and will be offset over time by an increase in production from major exporters like the EU, Argentina, Canada, USA and Morocco.

These trade flow changes will also be a net positive for our AgriWorld operations.

I would like to now turn to inflation.

You will remember that to provide our clients with a superior customer service as they resumed their operations post the lockdowns, we maintained our ATIC capabilities in 2020 and 2021.

In 2021, our Trade and Resources businesses were operating at a level below 2019 while Products had recovered to 2019 levels.

Inflation pressure in the labor market was not an issue for Intertek through 2021.

In 2022, Inflation varies by region and so far we have seen high inflation in the UK, Europe, North America and Australia.

The cost of doing business has increased in these regions, for our business lines, which are now operating ahead of 2019 and in which we are building additional capability to seize the ATIC growth opportunities we see in the market.

As you would expect, we are adjusting our pricing in these markets to compensate for these higher costs.

Overall, in the first 4 months of 2022, we have seen a well-balanced revenue performance, benefiting both from volume and pricing.

I would now like to update you on the Covid 19 situation in China.

China represents 20% of our Group revenues.

The lockdown restrictions introduced by the Chinese government since March caused a temporary disruption to our business on a regional basis.

The Covid-19 situation in China

In Shenzhen as well as in some other cities, our operations, representing in aggregate about 20% of our China revenues, were closed for 1 week in the second half of March.

Our Shanghai operations, accounting for 25% of our revenue in China, have been closed since the beginning of April and are not expected to reopen before June.

We expect a gradual ramp-up of our operations and based on our experience, our Shanghai operations will lose about half of their revenue in June.

We are planning for the China business to be back to normal on July 1st and for trading to be in line with the good LfL revenue growth we saw in China in the Jan-Feb period.

The last 4 months in our business lines

I would now like to discuss our performance in each of our divisions, starting with Products.

Revenue in our **Products** business benefitted from a continuing increase in customer demand for our ATIC solutions and from our acquisitions which enabled us to deliver at CCY a revenue growth of 11.5%. For the period, our LFL revenue growth globally was of 4.5% at CCY.

Outside of China, we delivered a 7% LFL revenue growth at CCY driven by:

- Double digit LFL revenue growth in Softlines and Business Assurance
- High-single digit LFL revenue growth in Food
- Mid-single digit LFL revenue growth in Hardlines, Building & Construction, Transportation Technologies, Chemicals & Pharma
- Low-single digit revenue growth in Electrical & Connected World

Within **Trade,** the higher demand for Energy and Agri products has enabled us to deliver LFL revenue growth of 5.2% at CCY globally and 6.4% outside of China.

In **Resources** our clients are benefiting from the global recovery in the Oil & Gas sectors and increased investment in exploration and production activities which enabled us to deliver 5.2% LFL revenue growth globally and 6.6% outside of China.

Intertek performance highlights

Let's recap the highlights of our performance at the Group level in the period.

We had a good start to the year with a revenue growth of 9.1% at CCY and 11.2% at Actual rates.

We delivered a broad-based LFL revenue growth of 4.8% at CCY: Products 4.5% Trade 5.2% Resources 5.2%

We delivered a 6.8% LFL revenue growth at CCY outside of China: Products 7.0% Trade 6.4% Resources 6.6%

Our SAI and JLA acquisitions have been successfully integrated and are performing well, delivering circa £39m of revenue at CCY in the first 4 months of the year.

Our pricing and productivity initiatives as well as cost control activities are in place to drive margin accretive revenue growth.

Our day-to-day cash performance management discipline continues to deliver strong FCF.

On track to deliver FY targets

We are on track to deliver our FY targets, notwithstanding the fact that the Covid 19 lockdowns in China will impact our Group H1 LFL revenue growth rate and margin performance.

Given the increase in demand we are seeing for our ATIC solutions, the strengths of our Earnings Model and our strong performance management discipline, the Group is well positioned to deliver in 2022 robust LFL revenue growth with margin progression at CCY and a strong FCF.

We expect our Products, Trade and Resources divisions to deliver robust LFL revenue growth at CCY.

Our guidance regarding Net Finance cost is £34-£38m, while our guidance for Tax rates and Minority Interest remains unchanged.

Regarding currencies, we expect that the average Forex rate applied for the full year results would increase our revenue and earnings by circa 200 BPS.

Before any material change in Forex or M&A, we expect our Financial Net debt to be between £680m -730m at year end.

Exciting ATIC growth opportunites

In the short, medium and long-term, we are truly excited about the attractive ATIC growth opportunities.

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

Companies are investing in Quality Assurance to build greater resilience and safety, whilst innovating to deliver higher-quality products and services.

The sprint to net zero emissions also means that corporations are reinventing the way they reduce their carbon footprints across their operations, adopting a comprehensive approach to sustainability with independently verified disclosures.

We are investing organically and inorganically to seize the sustained long-term growth opportunities in our industry through a disciplined approach to capital allocation.

I am very pleased with how well our recent acquisitions are performing. SAI Global and JLA are complementary businesses and excellent examples of how we continue to invest through M&A targeting high growth and high margin consolidation opportunities.

Science-based Customer Excellence is our USP and in our statement today we have shared some of our latest leading-edge innovations:

- Intertek EcoCheck to enable sustainable tourism
- Intertek TOXCLEAR offering an end to end traceability of chemicals in the supply chain of our clients
- Intertek Green R&D to make sure that sustainability planning starts at the R&D stage
- Partnership with the Rice Exchange blockchain platform
- Intertek Hydrogen to help our clients manage the transition into Hydrogen safely.

Conclusion

In summary, we have had a good start to 2022 with 9.1% revenue growth at CCY driven by mid-single digit LFL revenue growth in Products, Trade and Resources, and by the strong contribution from the SAI and JLA acquisitions.

We have delivered 6.8% LFL revenue growth at CCY outside of China.

Our performance demonstrates the strengths of our Science-Based Customer Excellence USP giving our clients the ATIC Advantage as they increase their investments in quality, safety and sustainability to make their business' and their brands stronger.

We are on track to deliver our 2022 guidance of robust LFL revenue growth with margin progression at CCY and a strong FCF.

Our track record of value creation is based on the compounding effect, year after year, of margin accretive revenue growth with strong cash generation and disciplined investments delivering sustainable growth in dividends and excellent ROIC.

The growth in our end-markets is accelerating and we are well positioned to seize these exciting growth opportunities and deliver sustainable growth for all stakeholders.

Thank you for your attention and we will now take any questions you might have.

-ENDS-

The 2022 May Trading Statement is available at

www.intertek.com/investors/