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AUDIOCAST 07.45AM UK – 28 JULY 2023
H1 2023 RESULTS CEO CONFERENCE CALL

Introduction

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

I have with me Colm Deasy, our CFO and Denis Moreau our VP of Investor Relations.

I would like to start our call today recognising all my colleagues at Intertek for having delivered a robust financial performance in the first half of the year with revenue growth acceleration, margin progression and a higher ROIC.

Some of you got to meet my senior team at the Capital Markets Event in May when we presented our AAA growth strategy, and I would like to give a special thanks to them.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

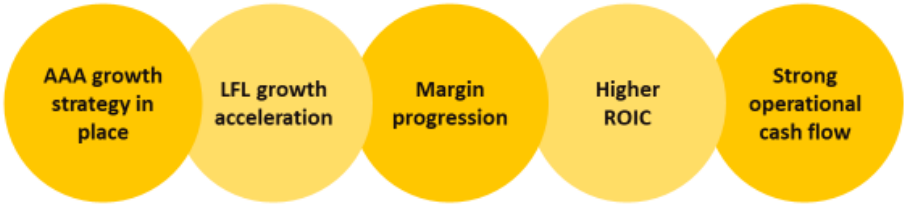
These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future.

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.

28 July 2023

KEY TAKEAWAYS



There are five take-aways in our presentation today.

Our AAA growth strategy is in place to capitalise on the faster ATIC growth opportunity ahead.

Our revenue growth momentum is accelerating, and we have delivered our highest LFL revenue growth in the last 10 years.

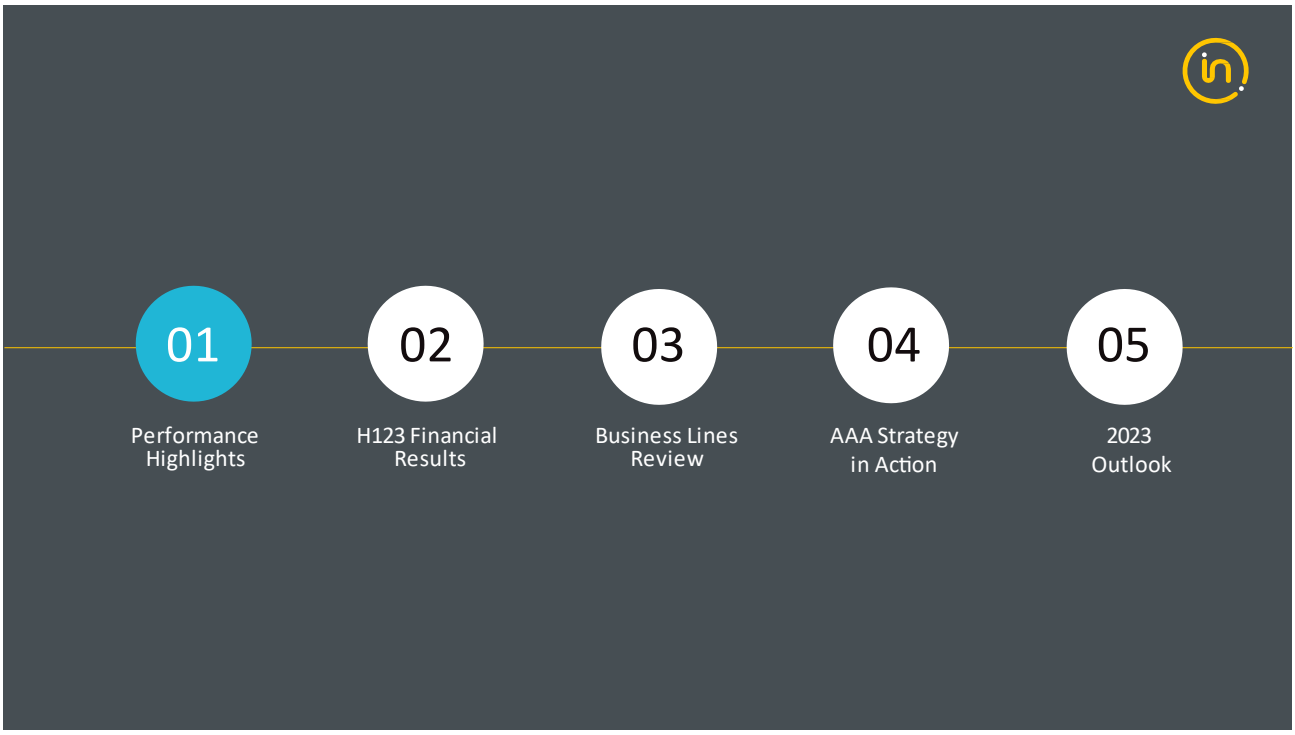
We have made good progress on margin as we benefitted from our pricing and productivity initiatives.

Our ROIC was much higher than last year.

We have delivered a strong operating cash flow.

We are pleased to have announced this morning a double-digit increase in the interim dividend.

Performance Highlights



Let's start with our performance highlights.

ROBUST FINANCIAL PERFORMANCE IN H1 23

	H1 23	H1 22	YoY (Actual rates)	YoY (Constant rates)
Revenue	£1,640.0m	£1,491.7m	9.9%	8.3%
Like-for-like revenue	£1,621.7m	£1,491.7m	8.7%	7.1%
Operating Profit[1]	£245.4m	£217.3m	12.9%	13.3%
Operating Margin[1]	15.0%	14.6%	40bps	70bps
EPS[1]	95.2p	86.5p	10.1%	10.6%
ROIC	19.3%	16.8%	260bps	120bps
Adjusted Cash Flow from Operations	£270.5m	£238.1m	13.6%	
Free Cash Flow[1]	£79.6m	£95.8m	(16.9%)	
Capex and M&A	£68.9m	£41.1m	67.6%	
Interim Dividend	37.7p	34.2p	10.1%	
Financial Net debt / EBITDA[1]	1.1x	1.3x		

Note: (1) Before separately disclosed items.

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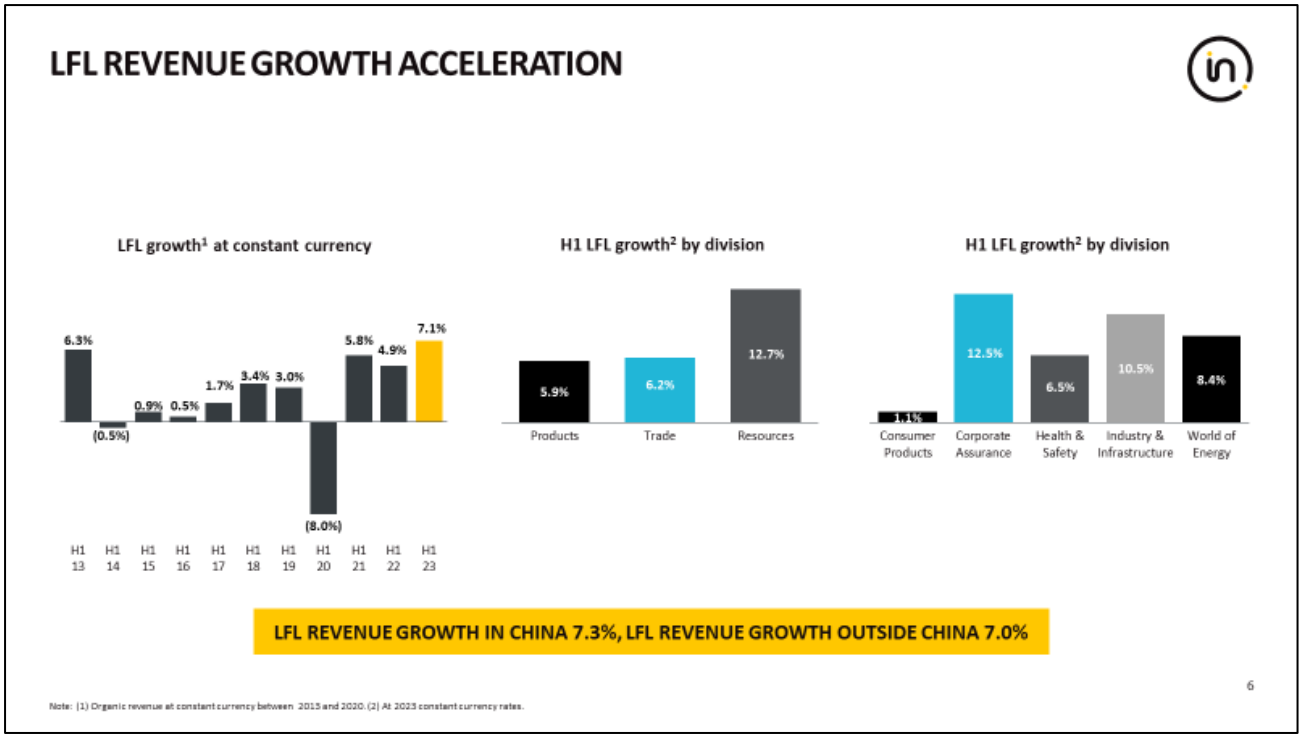
We have indeed delivered a robust financial performance in the first half of 2023 with:

- Group revenue up 8.3% at constant rates and 9.9% at actual rates
- LFL revenue growth of 7.1% at constant rates
- Operating profit up 13.3% at constant rates and 12.9% at actual rates
- Robust operating margin of 15%, up 70bps at constant rates
- EPS growth of 10.6% at constant rates and 10.1% at actual rates
- ROIC of 19.3% up 120bps at constant rates and up 260bps at actual rates
- Cash generated from operations of £270.5m up 13.6%
- Robust free cash flow of c. £80m
- Our Capex and M&A investments are up year on year
- We have announced an Interim dividend of 37.7p up year on year by 10.1%
- Our balance sheet remains very strong with a net debt to EBITDA ratio of 1.1x



Let's now discuss our LFL revenue growth which at 7.1% at constant rates was the best LFL performance in the last 10 years.

We are seeing an increased demand for our ATIC solutions and LFL revenue growth was driven by progress on both volume and price.

Given the changes we have made in terms of disclosures, we are showing our LFL performance using the previous and new disclosures.

Our Product and Trade divisions delivered mid-single digit LFL while our Resources business delivered double digit LFL.

Looking at the LFL revenue growth performance based on the new divisional segmentation,

- we delivered double digit LFL in Corporate Assurance as well as in Industry and Infrastructure

- we saw high-single digit LFL in the World of Energy

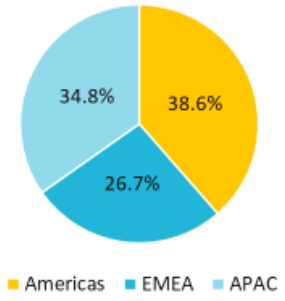
- Health and Safety recorded mid-single digit LFL

- Consumer Product delivered a low-single digit LFL

- Our China business rebounded strongly after Chinese New Year following the relaxation of Covid restrictions in January and delivered a
  LFL revenue growth of 7.3% at constant rates. Outside China our LFL revenue growth was 7.0%

BROAD-BASED GROWTH GEOGRAPHICALLY

H1 23 revenue by region



Region	H1 23 revenue YoY (actual rates)	H1 23 revenue YoY (constant rates)
Americas	12.7%	7.8%
EMEA	8.0%	7.6%
APAC	8.5%	9.4%
Total	**9.9%**	**8.3%**

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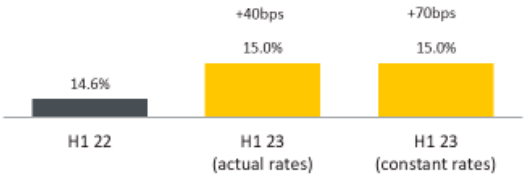
Our geographical portfolio is strong, and we have the right exposure to the right growth opportunities in the global economy.

Our revenue growth was broad based, from a geographic standpoint, with Americas, EMEA and APAC up at constant currency respectively by 7.8%, 7.6%, and 9.4%.

MARGIN PROGRESSION

Adjusted Operating Margin[1]



Adjusted Operating Margin[1]

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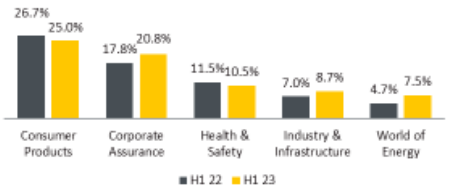

2022 & 2023 COST REDUCTION PLAN: Restructurings c£37m, Annual Savings £19m, 2023 Impact £7-8m

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(1) Before separately disclosed items.

We delivered a margin of 15% which was up year on year by 70bps at constant rates and by 40bps at actual rates.

Margin accretive revenue growth is central to the way we deliver value.

Indeed:

- Our superior ATIC customer service gives us strong pricing power
- We allocate capital targeting the attractive growth and margin segments
- Our performance management discipline is well-embedded in the organisation

We announced a Cost Reduction programme in March that targets productivity opportunities based on operational streamlining and technology upgrade initiatives.

The execution of the cost reduction programme is on track, and we saw 10bps margin improvement in H1.

In H1 23, we have identified additional restructuring opportunities which should deliver an annualised savings of £4m and c. £1m in 2023.

In total, our cost reduction programme should deliver annual savings of £19m and we expect savings of £7-8m in 2023 of which £1.7m has been delivered in H1.

Looking at our margin performance through the PTR disclosures, our margin increase of 70bps was driven by margin progress in Products and Resources while Trade was down year on year.

The margin performance based on the new divisional disclosures shows that we made good progress year on year in three of our five divisions, and I will give you more details on this later in the call.

RECENT ACQUISITIONS PERFORMING WELL

intertek SAI GLOBAL
Australia | May 2021

Corporate Assurance

- ✓ Leading provider of assurance services
- ✓ Increases presence in complementary geographic markets – Australia, US, Canada, UK, China
- ✓ Expands service capabilities in attractive end markets including food, agriculture and QSR
- ✓ Increases exposure to growing global ATIC addressable market

jla / Controle Analítico
Brazil | July 2021 and April 2023

Health & Safety

- ✓ Providers of food and environmental testing in Brazil
- ✓ Entry to high-growth testing markets in an attractive region
- ✓ JLA's scale and service offering is complementary to Intertek's existing Assurance-led proposition
- ✓ Controle complements our leading food and agri total quality assurance solutions in Brazil by expanding our presence and service offering in the environmental testing mark

CEA
USA | July 2022

World of Energy

- ✓ Provider of assurance services to solar energy markets
- ✓ Expands services offering within the World of Energy to provide total quality assurance solutions for solar photovoltaic and energy storage products and installations
- ✓ Highly complementary to our existing solar energy offerings in product testing and certification and in-field inspections

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The recent SAI, JLA and CEA acquisitions that we made to scale up our portfolio in attractive growth and margin sectors are performing well, in line with our expectations.

Later in the presentation, you will see how these three acquisitions have contributed to our growth performance in H1.

Importantly, the integration of the recent acquisition we made Controle Analítico is on-track.

Financial Results

I will now handover to Colm to discuss our H1 results in details.

KEY P&L FINANCIALS

	H1 2023	YoY (Actual rates)	YoY (Constant rates)
Revenue	£1,640.0m	9.9%	8.3%
Like-for-like revenue	£1,621.7m	8.7%	7.1%
Operating Profit[1]	£245.4m	12.9%	13.3%
Operating Margin[1]	15.0%	40bps	70bps
EPS[1]	95.2p	10.1%	10.6%

Note: (1) Before separately disclosed items

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Thank you, André.

In summary, in H1 2023, the Group delivered a robust financial performance.

Total revenue growth was 8.3% at constant currency and 9.9% at actual rates as beneficial movements in FX rates impacted our revenues by 160bps.

Operating profit at constant rates was up 13.3% to £245.5 million, delivering a margin of 15%, up year-on-year by 70bps.

Diluted earnings per share were 95.2p, growth of 10.6% at constant rates and 10.1% at actual rates.

CASH FLOW & NET DEBT

£m @ actual exchange rates	H1 2023	H1 2022
Adjusted operating profit[1]	**245.4**	**217.3**
Depreciation/amortisation	89.7	87.2
Change in working capital	(75.3)	(74.4)
Other[2]	10.7	8.0
Adjusted cash flow from operations	**270.5**	**238.1**
Capex	(51.4)	(41.1)
Income taxes paid	(56.0)	(50.8)
Other[3]	(83.5)	(50.4)
Adjusted free cash flow	**79.6**	**95.8**
Financial net debt	**791.3**	**859.1**
Financial net debt/Adjusted EBITDA (rolling 12 months)	1.1x	1.3x

Notes:
(1) Before separately disclosed items; (2) Comprises: special pension payments, add back equity settled transactions and other non-cash items; (3) Comprises: tax paid, proceeds from sale of PPE and lease liability repayment

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The Group delivered adjusted cash from operations of £270.5m, up year on year by 13.6%.

Adjusted free cash flow of £79.6m was down year on year by £16.2m as the growth in operating cash flow was offset by higher capex investments and higher net financing costs.

We finished H1 23 with financial net debt of £791.3m, which is down year on year and represents a financial net debt to adjusted EBITDA ratio of 1.1x.

FINANCIAL GUIDANCE

	FY 2023 Guidance
Net finance cost (pre-fx)	£40-42m
Effective tax rate	25.5%-26.5%
Minority interest	£22-23m
Diluted shares (as at 30 June 2023)	162.1
Capex	£115-125m
Financial Net Debt[1]	£630-680m

Note: (1) Net debt guidance before any material change in FX rates and any M&A

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Now turning to our financial guidance for 2023.

We expect net finance costs to be in the range of £40-42m.

We expect our effective tax rate to be between 25.5-26.5%, our minority interest to be between £22-23m, and capex investment to be in the range of £115-125m.

Our financial net debt guidance, excluding future change in FX rates or M&A is £630m-680m.

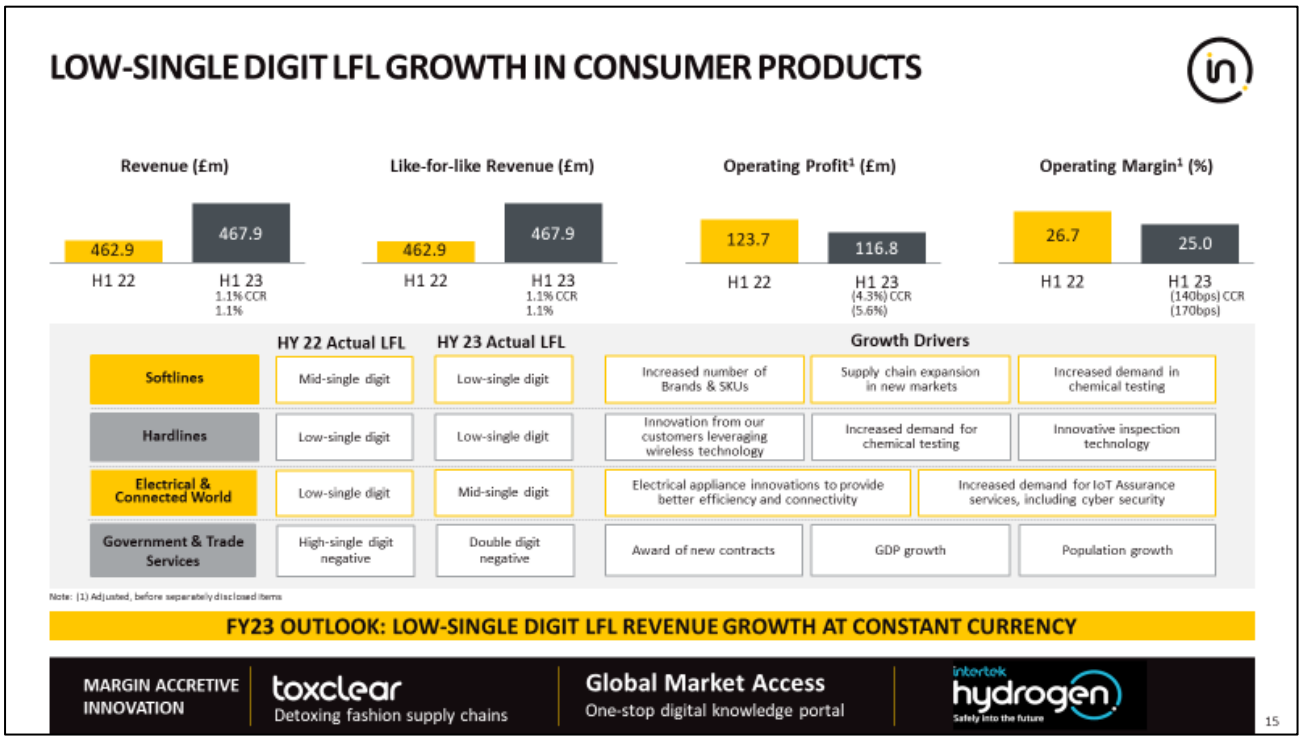
I will now hand back to André.

Business Lines Review

Thank you, Colm.

I will now summarise our performance by division, but clearly there is more detail in the RNS.

All comments I will make in this section will be at constant rates.



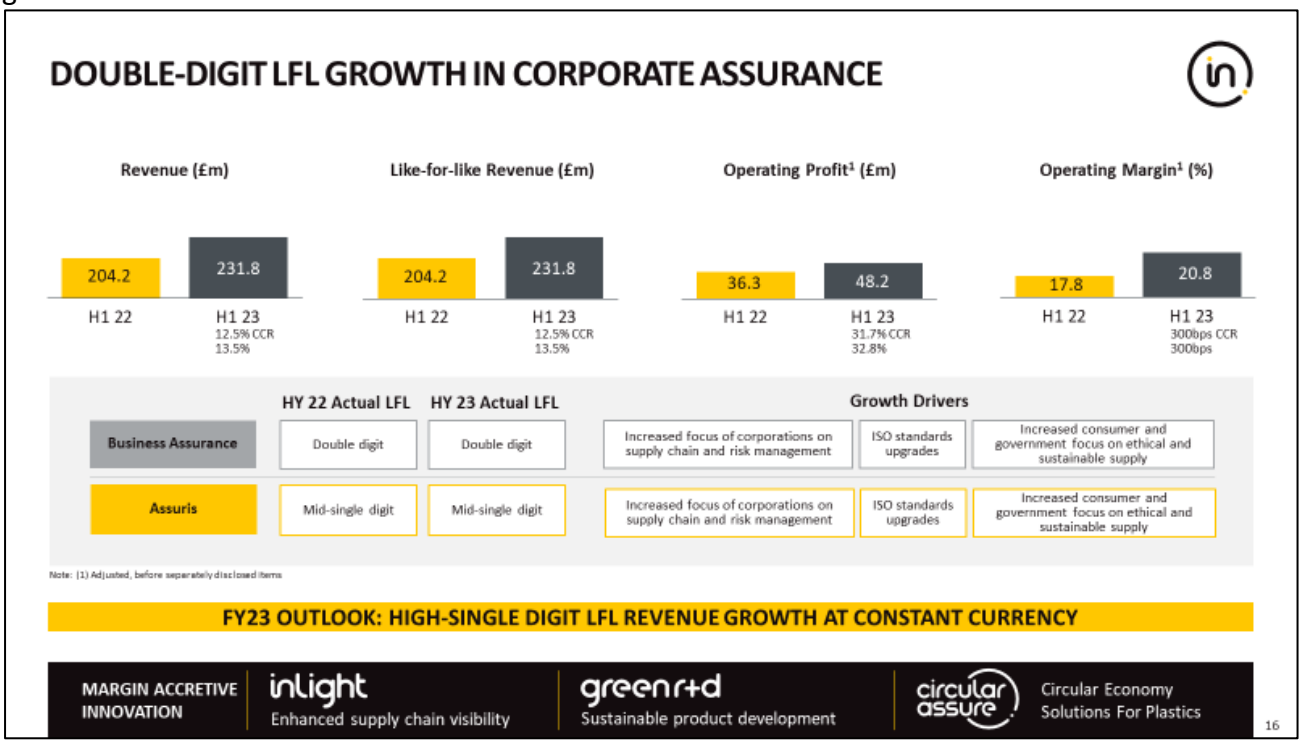
Our Consumer Products business delivered a revenue of £467.9m, up year on year by 1.1%.

Our low-single digit LFL performance was driven by:

- low-single digit LFL in Softlines and Hardlines
- mid-single digit LFL in Electrical & Connected World business
- double-digit negative LFL in GTS which was due to the non-renewal of two contracts last year

We delivered an operating profit of £116.8m with a margin of 25% which was down year on year by 140bps due to the revenue decline within GTS, and the low-single digit LFL performance in Softlines and Hardlines.

In 2023, we expect our Consumer Products division to deliver low-single digit LFL revenue growth.



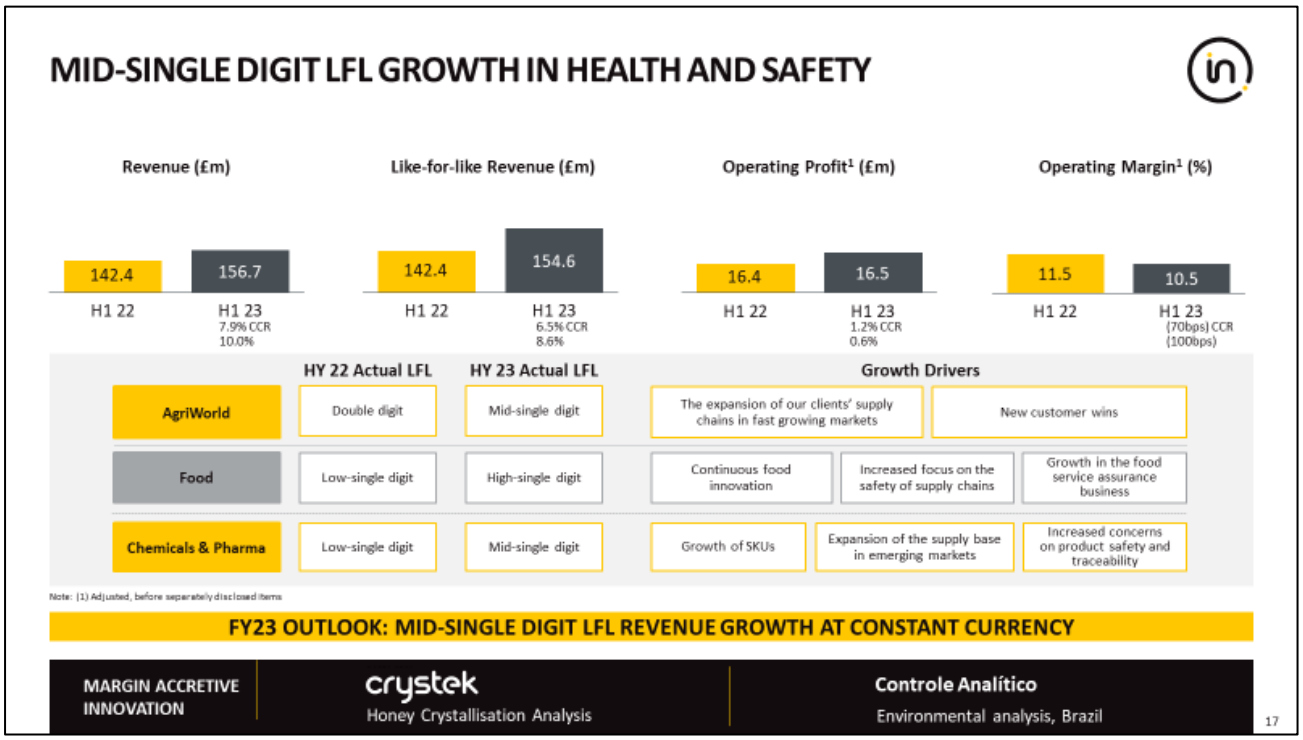
Our Corporate Assurance business delivered a revenue of £231.8m, up year on year by 12.5%.

Our double digit LFL revenue growth performance was driven by:

- double-digit LFL Business Assurance
- mid-single digit LFL in Assuris

We delivered an operating profit of £48.2m, up year on year by 31.7%, resulting in a margin of 20.8%, 300bps up year on year as we benefitted from strong operating leverage and productivity gains.

In 2023, we expect our Corporate Assurance division to deliver high single digit LFL revenue growth.



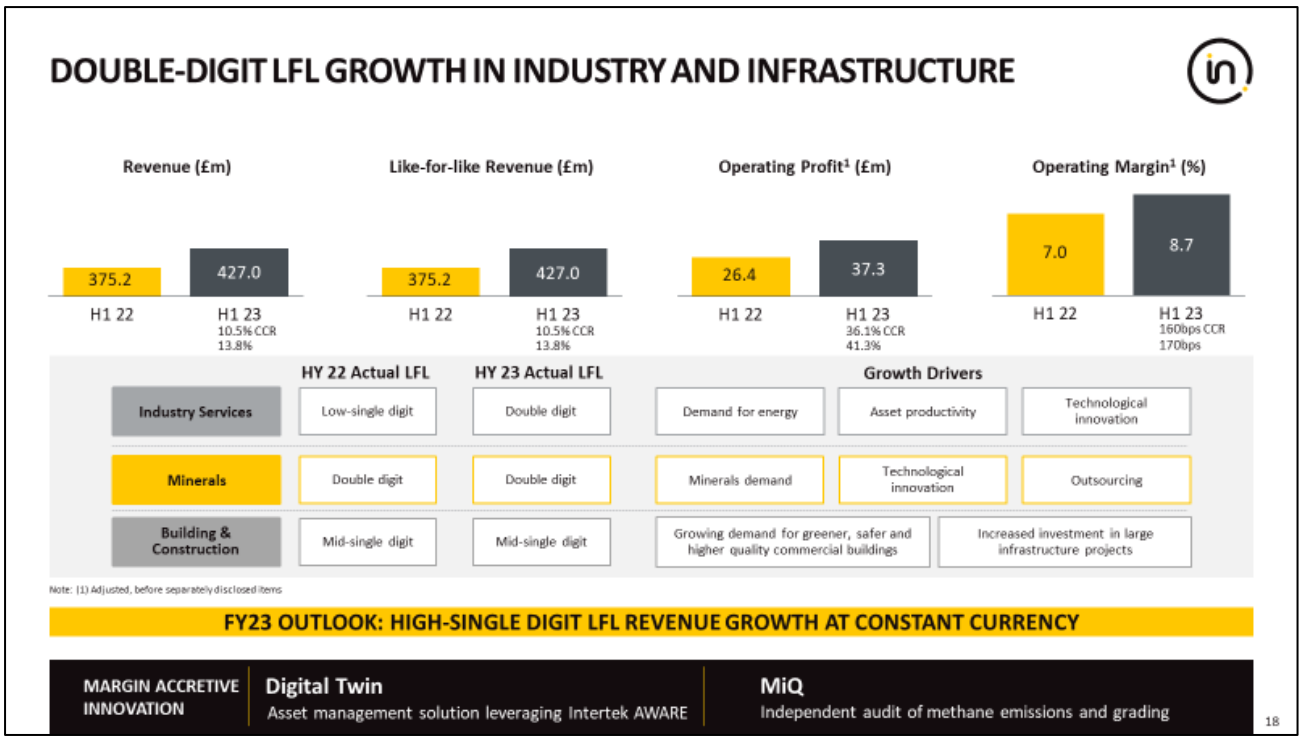
Our Health and Safety business delivered a revenue of £156.7m, up year on year by 7.9%.

Our mid-single digit LFL revenue growth performance was driven by:

- mid-single digit LFL in Agriword
- high-single digit LFL in Food
- mid-single digit LFL in Chemicals & Pharma

We delivered an operating profit of £16.5m, resulting in a margin of 10.5%, which was 70bps lower than last year due to a country-mix effect in Agri world and investments in capability in Chemicals & Pharma.

In 2023, we expect our Health and Safety division to deliver mid-single digit LFL revenue growth.



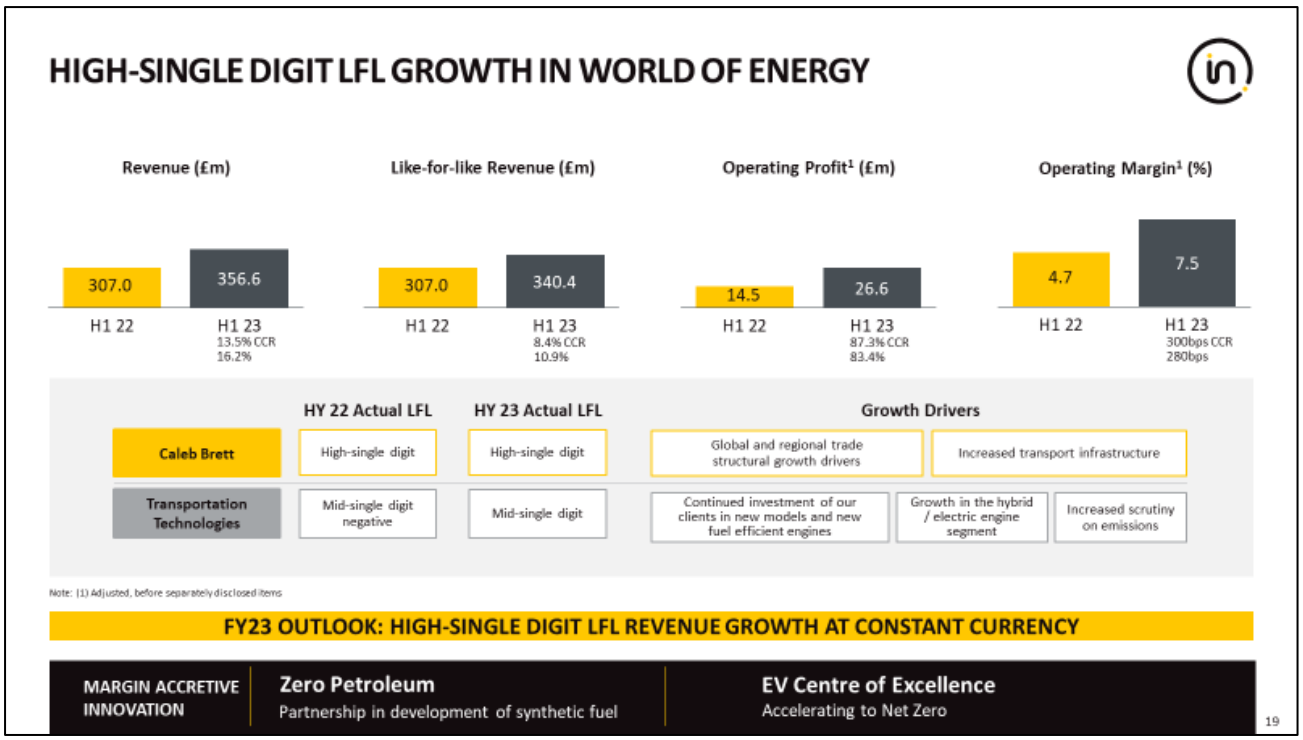
Our Industry and Infrastructure business delivered a revenue of £427m, up year on year by 10.5%.

Our double-digit LFL revenue growth performance was driven by;

- double-digit LFL in Industry Services
- double-digit LFL in Minerals
- mid-single digit LFL in Building and Construction

We delivered an operating profit of £37.3m, up year on year by 36.1% resulting in a margin of 8.7%, up 160bps year on year as we benefitted from both operating leverage and productivity gains.

In 2023, we expect our Industry and Infrastructure division to deliver high-single digit LFL revenue growth.



Our World of Energy business delivered a revenue of £356.6m, up year on year by 13.5%.

Our high-single digit LFL revenue growth performance was driven by:

- high-single digit LFL with Caleb Brett
- mid-single digit LFL in our TT business

Our CEA business delivered an excellent H1, benefitting from increased investments in solar panels.

We delivered an operating profit of £26.6m, up year on year by 87.3%, resulting in a margin of 7.5%, up 300bps year on year as we benefitted from operating leverage, productivity gains and portfolio mix.

In 2023, we expect our World of Energy division to deliver high single-digit LFL revenue growth.

AAA Strategy in Action

At our Capital Markets event in May, we presented our Intertek AAA growth strategy to unlock the significant value growth opportunity ahead.

All of us at Intertek are laser focussed on taking our company to greater heights putting our AAA growth strategy in action.

OUR GOOD TO GREAT JOURNEY CONTINUES

Metric[1]	2014[2]	2022	Change
Revenue	£2,093m	£3,193m	53%
EBITDA	£400.9m	£700.6m	75%
Operating Profit	£324.6m	£520.1m	60%
Operating Margin	15.5%	16.3%	80bps
Diluted earnings per share	132.1p	211.1p	60%
Dividend	49.1p	105.8p	115%
WC as % Revenue	9.3%	(1.5%)	(10.8ppts)
Free cash flow	£202m	£386m	91%
ROIC	16.3%	18.0%	170bps
Net Debt/EBITDA	1.6x	1.1x	(0.5x)

Note (1): On an adjusted basis, (2) 2014 metrics are on an IAS17 basis

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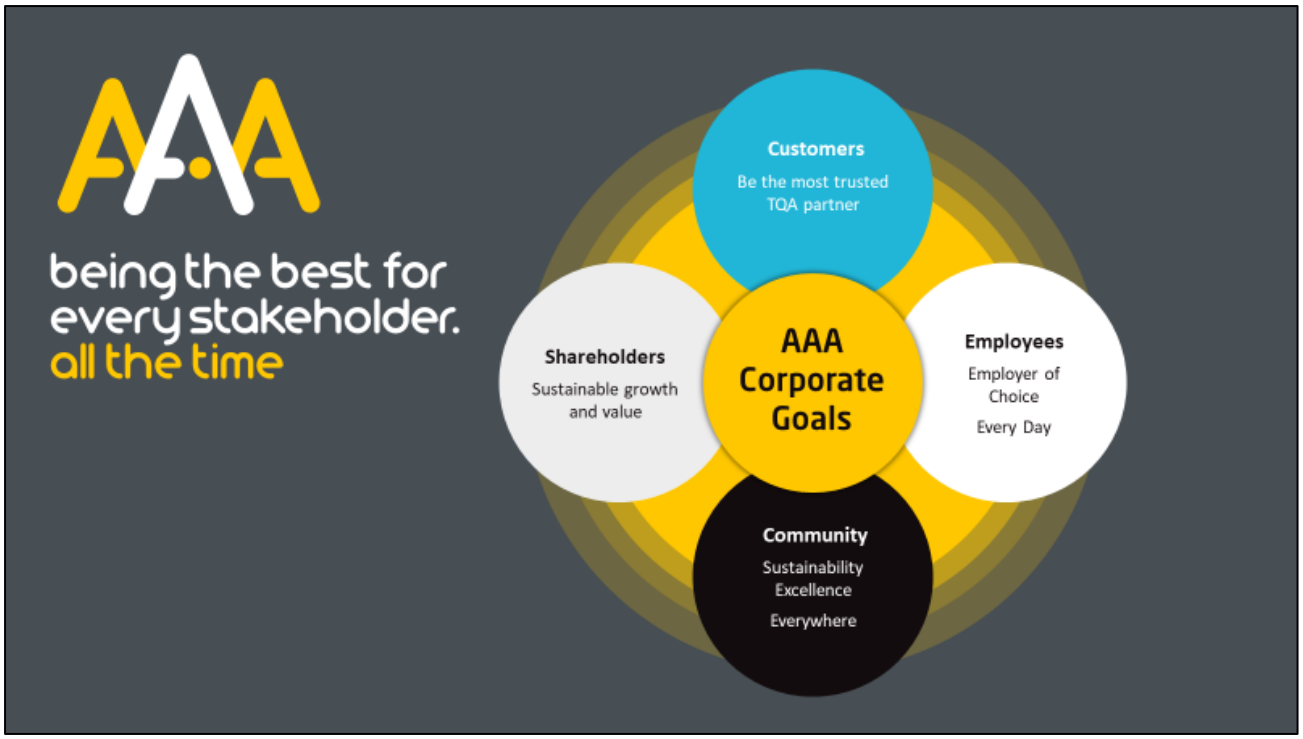
We have made strong progress between 2014 and 2022, delivering value for all our stakeholders, and our good to great journey continues, capitalising on our Science-based Customer Excellence ATIC advantage.

Our clients understand the mission-critical nature of risk-based quality assurance to operate with higher quality, safety and sustainability standards and make their businesses stronger. We are experiencing faster growth for our ATIC solutions and we expect this to continue.

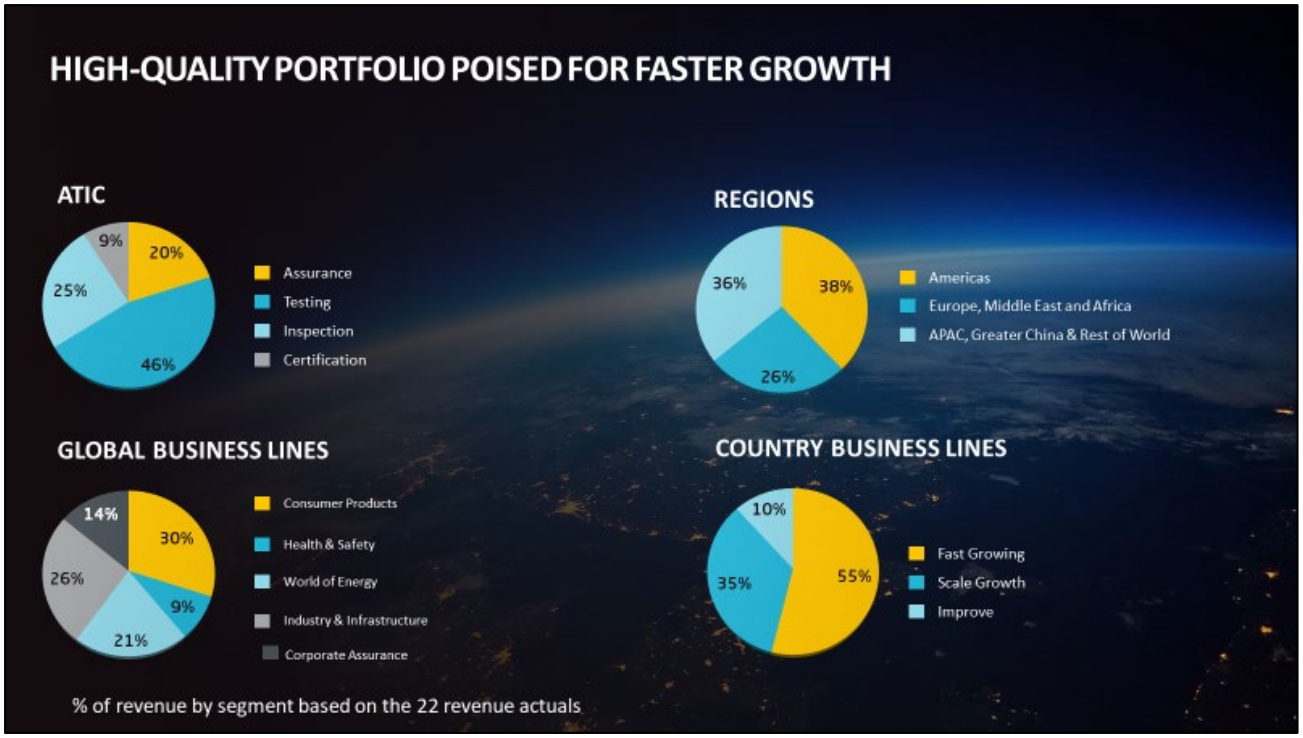


Our AAA growth strategy is about being the best for every stakeholder, every day.

To do this, we are focussed on the following goals:

- We want to be the most trusted TQA partner with our customers.
- We want to be the employer of choice with our employees.
- We want to deliver sustainability excellence everywhere in our community.
- We want to deliver sustainable growth and value for our shareholders.

To deliver our AAA goals, we have developed with our teams three strategic priorities and three strategic enablers to get better where we are already strong, and of course address the areas where we can improve.



A critical driver of faster growth moving forward is our high-quality portfolio.

The depth and breadth of our ATIC solutions positions us well to seize the increased corporate needs for risk-based quality assurance.

All of our global business lines will benefit from exciting growth opportunities.

At the local level, our country-business mix is strong, with 55% of our revenues exposed to the fast- growing segment.

Geographically we have the right exposure to the right growth opportunities in the global economy.

In summary, our high-quality portfolio is poised for faster growth.

MSD LFL ATIC REVENUE GROWTH OPPORTUNITY

	Consumer Products	Corporate Assurance	Health & Safety	Industry & Infrastructure	World of Energy
	Better, safer and more sustainable products	*Sustainable businesses + more resilient supply chains*	*Healthier, safer and sustainable lives*	*Better, safer and greener infrastructure*	*Better and greener fuels and renewable energy*
GBLs	Softlines, Hardlines, Electrical & CW, GTS	Business Assurance, Assuris	Agri, Food, Chemicals & Pharma	Industry Services, Minerals, Building & Construction	Caleb Brett, Transportation Technologies, CEA
2022 revenue/ % of Group	£964m 30%	£450m 14%	£302m 9%	£815m 26%	£662m 21%
LfL growth	Low to mid single digit	High single to double digit	Mid to high single digit	Mid to high single digit	Low to mid single digit
Growth drivers	• Growth in Brands, SKUs & ecommerce • Regulation • Sustainability • Technology • Growing middle classes	• Sustainability • Supply chain resilience • Enterprise Cyber-security • People Assurance • Regulatory Assurance	• Healthier Foods • Growing populations • Sustainable food sourcing • Regulations • New molecules	• Energy consumption • Energy transition • Population growth • Infrastructure investment • Greener buildings	• Renewable energy • Energy consumption • Population Growth & social mobility • EV/Hybrid • Greener fuels

MID TO LONG TERM GROWTH OUTLOOK: MID SINGLE DIGIT LIKE FOR LIKE REVENUE GROWTH AT CCY

Medium to long term, we are targeting mid-single digit LFL revenue growth at constant currency with the following expectations by division.

Low to mid-single digit in Consumer Products.

High single-digit to double-digit in Corporate Assurance.

Mid to high-single digit in Health and Safety.

Mid to high-single digit in Industry and Infrastructure.

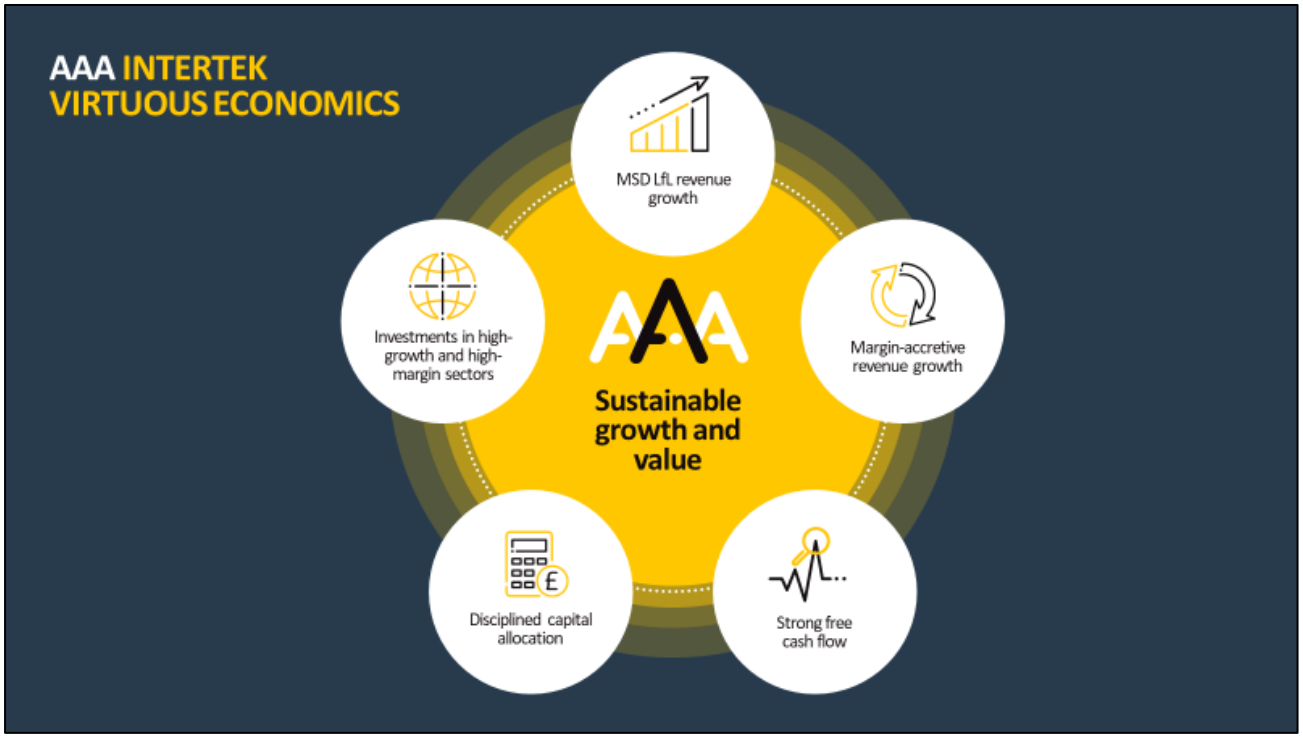
Low to mid-single digit in the World of Energy.

TARGETING RETURN TO 17.5% PEAK MARGIN AND BEYOND

		INTERTEK ENABLERS	
1	We have the tools and processes in place to drive margin accretive revenue growth	• Superior operating platform • Group initiatives combined with site level ownership • 5x5 data advantage	• Performance management discipline • Cost discipline: fixed & variable • Incentive structures
2	Significant span of performance productivity opportunities remain	• Strong progress over last 8 years • Operating over 500 country / business line operating units • Span opportunity within business line and by region across all metrics	• Team-led planning for 10Xcellence to close span • Driving performance in 3D: vs. PY, Budget and Best in Class
3	We pursue an accretive portfolio investment strategy	• Premium operator with strong pricing position • Discipline maintenance capex processes to operate with state-of-the-art facilities • Growth capex to support innovation pipeline	• M&A focus on high growth, high margin sectors • Selective restructuring to drive productivity initiatives

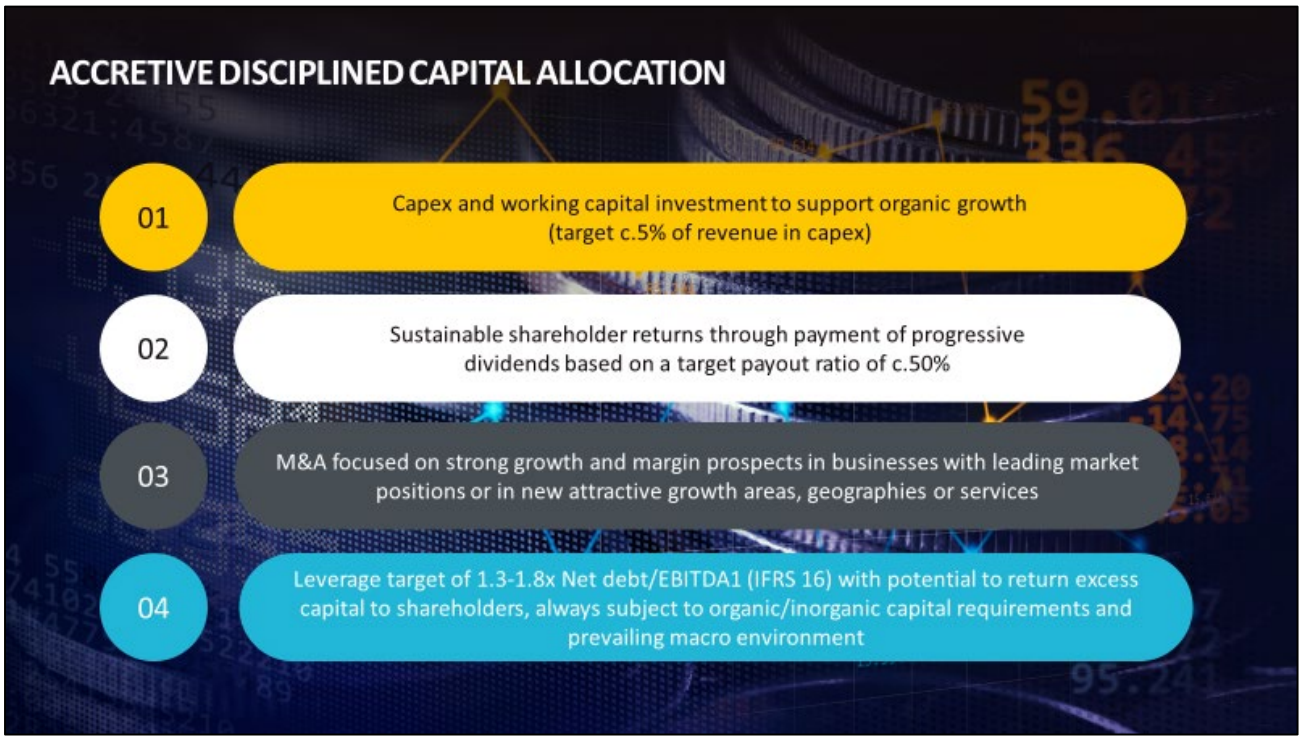
Margin accretive revenue growth is central to the way we deliver value, and our target is that over time we will return to our 17.5% peak margin performance and go beyond from there.

Our confidence is based on three simple reasons: we have the proven tools and processes in place, we operate with a span of performance, and we pursue a disciplined accretive portfolio strategy.



To continue to deliver sustainable growth and value for our shareholders, we will stay focused on our AAA Intertek Virtuous economics.

Our AAA Intertek Virtuous Economics are based on the compounding effect year after year of mid-single digit LFL revenue growth, margin accretion, strong free cash-flow, and disciplined investments in high growth and high margin sectors.



Importantly, we believe in the value of accretive disciplined capital allocation.

We pursue the following priorities:

- Our first priority is to support organic growth through capital expenditure and investments in working capital.

- The second priority is to deliver sustainable returns for our shareholders through the payment of progressive dividends and we target a pay-out ratio of circa 50%.

- The third priority is to pursue M&A activities that strengthen our portfolio in attractive growth and margin areas, provided we can deliver good returns.

- And our fourth priority is to maintain an efficient balance sheet with the flexibility to invest in growth. Our leverage target is 1.3 – 1.8 net debt to EBITDA with the potential to return excess capital to shareholders subject to our future requirements and prevailing macros.

2023 Outlook

We expect to deliver a robust financial performance for 2023 and let's now discuss our guidance for 2023.

We expect the group will deliver mid-single digit LFL revenue growth at constant currency driven by

- Low-single digit LFL in Consumer Products
- Mid-single digit LFL in Health and Safety
- High-single digit LFL in Corporate Assurance, Industry and Infrastructure, and in World of Energy

We are targeting margin progression year on year.

Our cash discipline will remain in place to deliver a strong free cash flow.

We will invest in growth with capex of circa £115-125m.

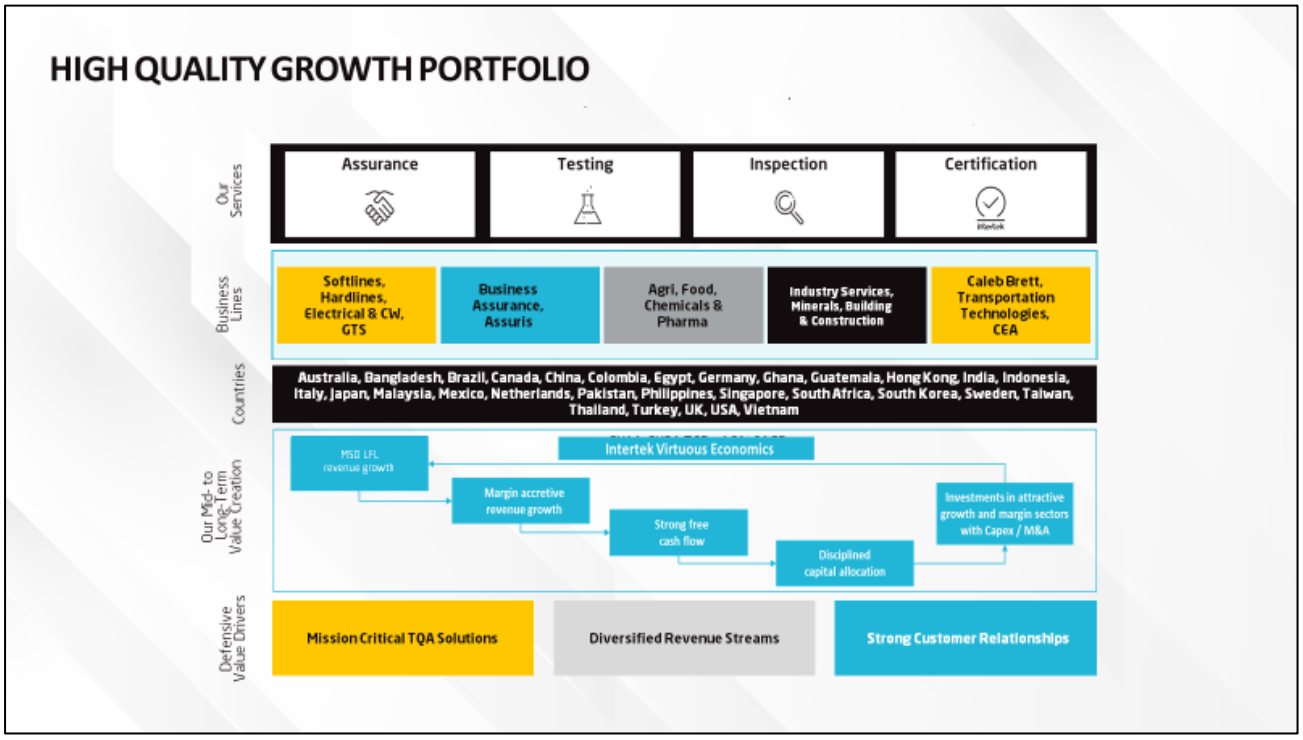
We expect our financial net debt to be in the range of £630-680m.

A quick update on currencies for your models.

Sterling has continued to strengthen in Q2 and we are therefore updating our Full Year Forex guidance.

The average sterling rate in the last three months applied to the full year results of 2022 would reduce our revenue by 250bps and our earnings by 400bps.

In conclusion, the value growth opportunity ahead is significant.



We are entering the next phase of our good to great journey with a high-quality growth portfolio.

Our portfolio provides our customers with leading ATIC solutions in each of our global business lines globally.

Intertek has the track record of consistent growth and value delivery, based on the compounding effect of margin accretive LFL revenue growth, strong cash generation, and disciplined investments in growth.

In addition to the exciting growth opportunities ahead, our portfolio has strong intrinsic defensive characteristics.

The ATIC solutions we offer are mission critical for our clients.

We operate a highly diversified set of revenue streams.

We enjoy strong and lasting relationships with our clients.

We will now take any questions you might have.