Intertek expands its global Assurance business with the acquisition of Alchemy, a leading provider of SaaS-based People Assurance solutions

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Transaction highlights
- Industry-leading People Assurance content and technology platforms
- Attractive business model: high growth, high margin, strongly cash-generative, capital light and scalable
- Strong management team joining Intertek
- Transaction consideration: US$480m financed using available debt facilities and cash
- 2018e Billings of US$66m and 2018e adjusted billings basis EBITDA of US$22m
- Expected to be EPS accretive on a billings basis from the first full year
- 5 Year guidance:
  - 20% growth p.a. in billings/revenues going forward
  - >30% IFRS EBITDA margin by year 5
  - Strong cash conversion / negative working capital
  - ROIC > Group WACC by year 5

Intertek Group plc ("Intertek" and the "Group"), a Total Quality Assurance provider to a range of industries worldwide, is pleased to announce that it has entered into an agreement to acquire Alchemy Investment Holdings, Inc. ("Alchemy"), an industry leader in People Assurance solutions for the food industry.

In a world of increasingly complex supply chains and distribution channels, employees are key in driving operational excellence in multi-site organisations and there is a growing demand for bespoke People Assurance solutions to identify/monitor and efficiently close critical skills gaps amongst frontline employees.

Intertek is a global market leader in Assurance solutions, enabling clients to identify and mitigate the intrinsic risk in their operations, supply and distribution chains and quality management systems. The acquisition of Alchemy, a high-growth, high-margin, highly cash-generative, capital-light technology-enabled People Assurance solutions provider, will further strengthen Intertek’s global Assurance offering.

Alchemy has developed industry-leading content delivered through technology-enabled platforms that provide interactive People Assurance solutions to operations in the food industry. Alchemy’s cloud-based software services help clients drive safety, productivity, operational excellence and customer service by monitoring skills gaps within their frontline operations and offering targeted interactive learning solutions.
Alchemy’s industry-leading content and unique technology platforms are fully scalable within the food industry where Alchemy has 1,100+ clients. Alchemy’s solutions are highly relevant across all industries with a large deskless frontline workforce and Intertek will leverage its scale to offer Alchemy’s People Assurance solutions to its global client base across multiple business lines and industries outside food.

Founded in 2003 and headquartered in Austin, Texas, Alchemy employs approximately 270 people at four locations across the U.S. and Canada. Alchemy is majority owned by the private equity firm The Riverside Company. Alchemy will be acquired for a cash consideration of US$480m on a cash-free and debt-free basis.

Transaction highlights:

- Acquisition of an industry-leader, offering technology-enabled People Assurance SaaS (Software-as-a-Solution) that expands Intertek’s global Assurance offering with bespoke People Assurance services
- Exposure to the highly attractive food industry where demand for quality assurance solutions is constantly growing, driven by increasing regulation and end-customer expectations
- Attractive subscription-based revenue model and the majority of Alchemy’s customer contracts are 3-year contracts and Alchemy has a track record of high client retention rates
- Industry-leading People Assurance platform with broad-based learning content and strong technology platforms that are fully scalable
- Strong commercial synergies with Intertek’s existing presence in the food supply chain globally as well as across Intertek’s business lines in over 100 countries
- Alchemy’s management team will remain with the business

Financial highlights:

- Alchemy has a strong growth track record and operates a highly attractive business model: high growth, high margin, strong cash-conversion, capital-light and scalable
- Alchemy expects to record Billings of US$66m, adjusted Billings EBITDA of US$22m (33.0% margin) for the 12 months ending on 31 December 2018
- Annualised organic Billings growth of c.17% between 2016-2018e
- Intertek will finance the acquisition using available debt facilities and cash
- Intertek expects the acquisition to deliver attractive returns to shareholders and to be EPS accretive on a Billings basis in the first full year after acquisition
• 5 Year Guidance:
  - 20% growth p.a. in billings/revenues going forward
  - >30% IFRS EBITDA margin by year 5
  - >25% IFRS EBIT margin by year 5
  - Strong cash conversion; negative working capital
  - ROIC > Group WACC by year 5

• The transaction is subject to customary closing conditions and is expected to be completed in Q3 2018

• Due to its subscription-based revenue model, which provides good revenue visibility, Alchemy manages its business on a billings basis. In its 2018 annual report, Intertek will report Alchemy’s results in accordance with IFRS and noting that IFRS fair value purchase accounting requires us to revalue Alchemy’s acquired deferred revenue balance

Andre Lacroix, Chief Executive Officer of Intertek, commented:

“Intertek Total Quality Assurance (TQA) provides a superior service to our clients through our end-to-end systemic Assurance, Testing, Inspection and Certification (ATIC) solutions. With the acquisition of Alchemy, we are continuing to strengthen our TQA value proposition with the expansion of our Assurance business into People Assurance, helping to provide our clients with a higher level of quality assurance and with greater peace of mind.

Intertek’s growth in Assurance services has predominantly been focussed on assuring the quality of clients’ systems and operating procedures. Alchemy provides us with the opportunity to expand and broaden our Assurance offering towards the assurance of employee skills across our clients’ organisations.

As corporations around the world increase their focus on quality, safety, productivity and compliance, closing skills-gaps to deliver only the highest customer service standards has become mission critical for clients. Alchemy’s unique tailored learning software helps to close the loop, identifying and plugging these gaps quickly and efficiently.

Alchemy is a high-quality business with scalable solutions that can be rolled out across many different industries and geographies. This will further accelerate the growth momentum of our high margin and capital light Assurance Business.

We are delighted to welcome Alchemy and its strong management team to Intertek.”
VIDEO
A video describing how we are continuing to strengthen and differentiate our TQA value proposition with the expansion of our global Assurance business into People Assurance can be viewed at [http://www.intertek.com/investors/](http://www.intertek.com/investors/)

WEBCAST
A live webcast for analysts and investors will be held today at **7.45am UK time; +44 (0) 20 3003 2666 (Link to webcast)**. Details can also be found at [http://www.intertek.com/investors/](http://www.intertek.com/investors/) together with a pdf copy of this report. A recording of the audiocast will be available later in the day.

CONTACTS
For further information please contact:

Denis Moreau, Investor Relations
Telephone: +44 (0) 20 7396 3415  investor@intertek.com

Jonathon Brill, FTI Consulting
Telephone: +44 (0) 20 3727 1000  intertek@fticonsulting.com

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**Total Quality. Assured.**

Intertek is a leading Total Quality Assurance provider to industries worldwide.

Our network of more than 1,000 laboratories and offices and over 43,000 people in more than 100 countries, delivers innovative and bespoke Assurance, Testing, Inspection and Certification solutions for our customers’ operations and supply chains.

Intertek Total Quality Assurance expertise, delivered consistently, with precision, pace and passion, enabling our customers to power ahead safely.

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