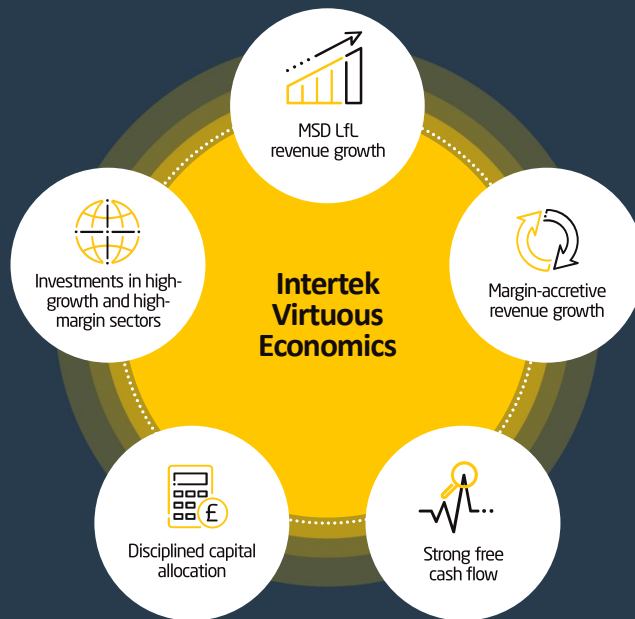


# margin management

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## **INTERTEK** VIRTUOUS ECONOMICS



As Andre mentioned, Intertek operates a high margin, capital light and highly cash generative earnings mode. And our approach to value creation is based on the compounding effect of margin accretive revenue growth, combined with strong cash generation and disciplined investment in growth.

## CONFIDENCE TO RETURN TO 17.5% PEAK MARGIN AND BEYOND...



Intertek enablers	
<b>1</b> <b>We have the tools and processes in place to drive margin accretive revenue growth</b>	<ul style="list-style-type: none"> <li>• Performance management discipline</li> <li>• Superior operating platform</li> <li>• 5x5 data advantage</li> <li>• Group initiatives combined with site level ownership</li> <li>• Cost discipline: fixed &amp; variable</li> <li>• Incentive structures</li> </ul>
<b>2</b> <b>Significant span of performance productivity opportunities remain</b>	<ul style="list-style-type: none"> <li>• Strong progress over past 8 years</li> <li>• Operating c.450 country / business line operating units</li> <li>• Span of performance opportunity</li> <li>• Team-led planning for 10Xcellence to close span</li> <li>• Driving performance in 3D: vs. PY, Budget and Best in Class</li> </ul>
<b>3</b> <b>We pursue an accretive portfolio investment strategy</b>	<ul style="list-style-type: none"> <li>• Premium operator with strong pricing position</li> <li>• Disciplined maintenance capex processes to operate with state-of-the-art facilities</li> <li>• Growth capex to support innovation pipeline</li> <li>• M&amp;A focus on high growth, high margin sectors</li> <li>• Selective restructuring to drive productivity initiatives</li> </ul>

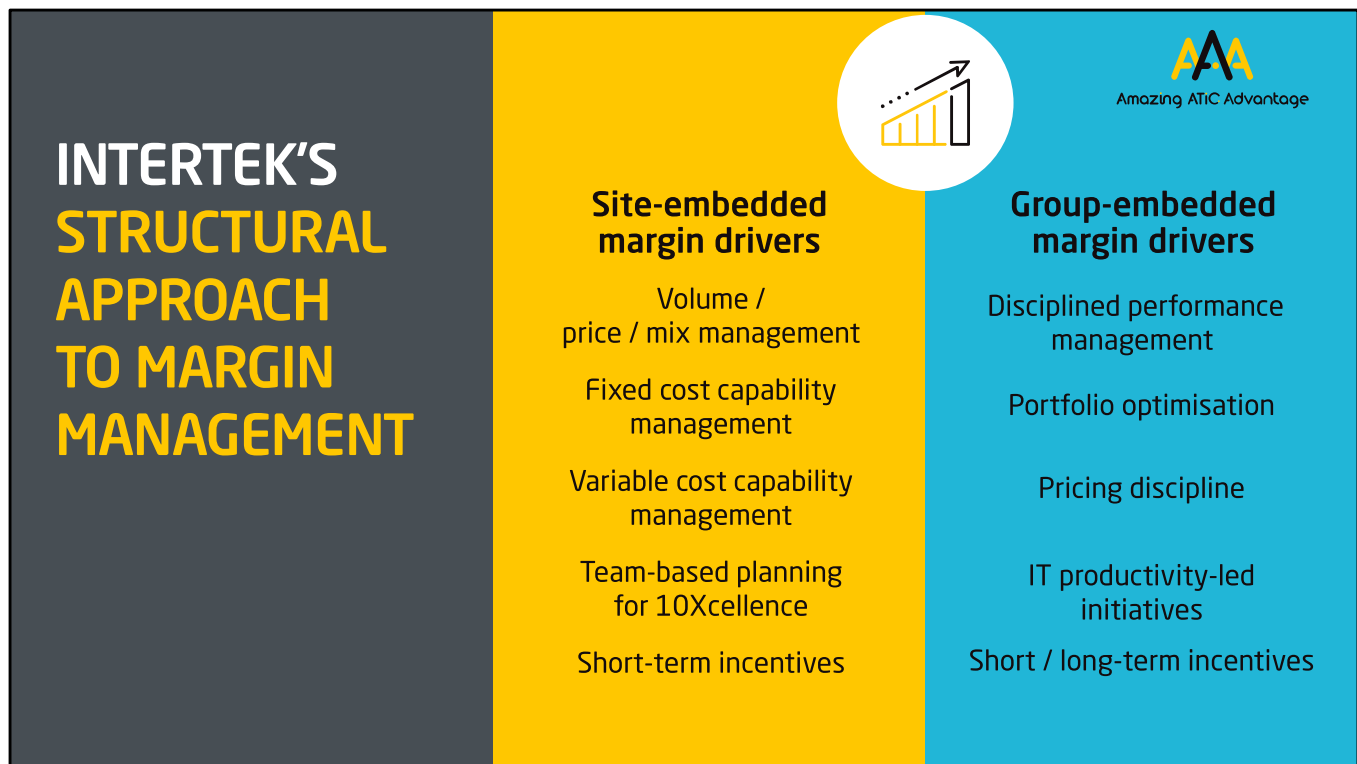
And during the session today, I will take you through the building blocks of our differentiated margin management strategy, which gives us the confidence that we will return to our peak margin of 17.5%.... and indeed go beyond.

Our approach is built upon three core fundamentals:

- One, We have the tools and processes in place
- Two, while we have made strong progress over the last 8 years a significant span of performance opportunity remains. Our Ever Better approach gives us the insight to be able to drive our best performers

harder and to close the gap in our weaker performing sites

- Three, we pursue a margin and growth accretive portfolio investment strategy. Our premium pricing position combined with our organic and inorganic investment agenda will continue to positively evolve the strategic margin and growth positioning of the group



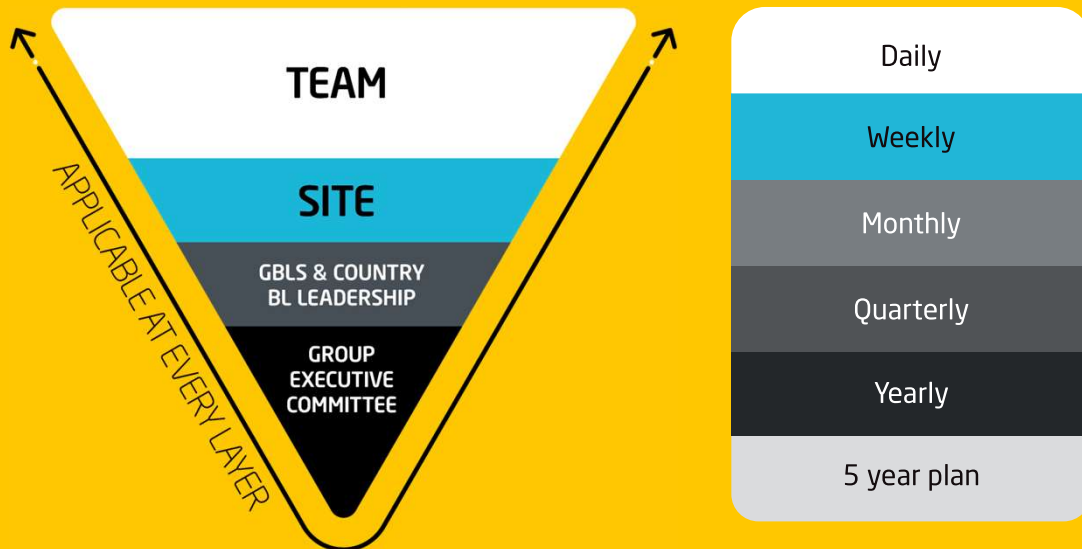
Our methodology for driving margin accretive revenue growth is deeply embedded within our operating model and is based on our 5 plus 5 bedrocks –

Firstly.... our 5 site-level embedded margin drivers.... which harness the entrepreneurial spirit of each individual operation

and secondly.... Our 5 group embedded margin drivers which provide the structural framework for us to deliver sustainable margin improvements over time. I will walk us through each of these areas and bring them to life with some examples of deployment across the group. In this session I won't touch on the positive

margin impact of our incentive scheme as Tony George will address this during his session later today.

## DISCIPLINED PERFORMANCE MANAGEMENT IS A KEY BEDROCK TO OUR MARGIN APPROACH



Before going through our site level drivers, I want to begin with our approach to performance management approach as this sits as the core foundation and bedrock to the way we operate and drive performance across the business.

Our approach is highly disciplined and fully embedded into the SOPs of the organisation. We have a clear daily / weekly / monthly cadence, applicable at every layer of the organisation.

## UNPARALLELED 5X5 DATA ADVANTAGE

### 5x5 metrics discipline

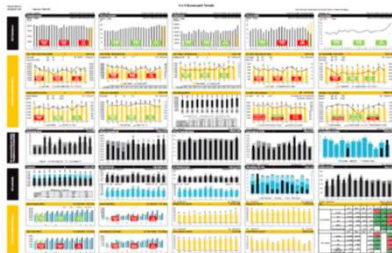
Single page dashboard - business line agnostic

Rapid insight and action planning

Every team in every site globally, every month

Range of metrics

Unique and highly valuable data set



### Financial Metrics

Revenue Growth

Pricing Power and Mix

Margin

Working Capital

ROCE

Capital Allocation

Cash Conversion

Cost

Customer Profitability

Investments in Growth

### Operational / Sustainability Metrics

Marketing Leads

Health and Safety

Customer Retention

Sales Funnel

Customer Acquisition

Backing Management

Employee Turnover

Net Promoter Score

Operational Excellence

Site Capacity Utilisation

Co2 intensity

Turnaround time

Over the last 8 years we have developed a clear data advantage, underpinned by our 5x5 dashboarding tool. This provides a clear business line agnostic... trend based analysis.... for every team..... in every site..... globally.

We have a unique and unparalleled historical data set back to 2016 across a range of metrics covering finance, sales, quality and sustainability. The dashboard forms the basis of the monthly site reviews that every team leader does with his or her site to review the business and develop action plans to implement short and medium term improvements



## POWER OF DAILY DATA INSIGHT

- Daily insight cadence across all sites
- Embedded since March 2020
- Utilising automated system tools across the Group
- Provides immediate insight into key leading indicator metrics
- Enables opportunity for rapid acceleration / course correction

EMEA Performance Manager Cadence			
Daily	<ul style="list-style-type: none"> <li>• Daily leading indicator communication</li> </ul>	Quarterly	<ul style="list-style-type: none"> <li>• Quarterly performance deep-dive with Group</li> <li>• 3+9 / 6+6 / 9+3 refresh</li> </ul>
Weekly	<ul style="list-style-type: none"> <li>• Current month outlook</li> <li>• Risks / opportunities identified</li> </ul>	Annually	<ul style="list-style-type: none"> <li>• Annual operating plan / Budget</li> <li>• 5 year plan refresh</li> </ul>
Monthly	<ul style="list-style-type: none"> <li>• Financial / 5x5 metric review</li> <li>• 10X Cockpit team action planning</li> </ul>		

Daily metric discipline
Sales metrics: Activities, Quotes, Orders
New samples / jobs delivered to lab
Jobs completed
Revenue generated
Cash collections

We fundamentally believe that real time... instant access to data and insight provide a clear pace advantage to move faster than the competition.

To give you a sense on how this works in practice, when I look at the performance management cadence I have in EMEA... I have a daily communication with my team on our leading indicators ... this then feeds into our flash monthly outlook forecast which we review and drive weekly.

After each month end, I review the automated reports on both financial and operational metrics with my teams... which feeds into our 10X Cockpit action

planning process. Each quarter we do a deep dive review with Andre, as well as periodically refresh our full year outlook. Finally, we have our annual Budget and mid-term plan process.

This gives us an unrivalled grip on the key drivers of our business, which all of our other margin drivers hinge upon.

## SCIENCE-LED VOLUME / PRICE / MIX MANAGEMENT

Globally each site is targeted with annual revenue and margin objectives

Volume, price, mix management embedded down to a site and team level

VPM approach based on maximising the value of the science-based resource available in a given site

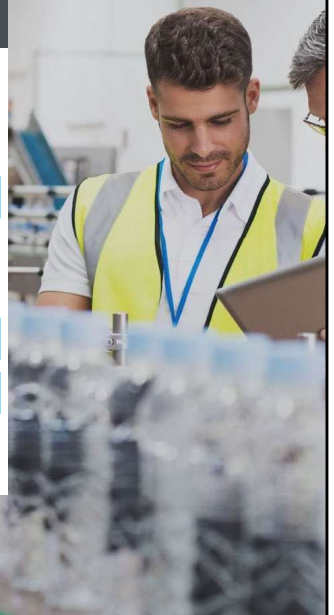
Focus on highest value-add per day opportunities to maximise margin and leverage Intertek's IP

Margin accretive investments in capex and capability targeting the attractive growth and margin spaces

### Illustrative example

	Margin dilutive mix	Margin accretive mix
Billed hours	20,000	20,000
Rev per hour £	50	60
Cost per hour £	40	40
Revenue £k	1,000	1,200
Gross profit £k	200	400
Gross margin	20%	33%

20% increase in billable rate delivers 2x GP and 1,300 GM bps improvement

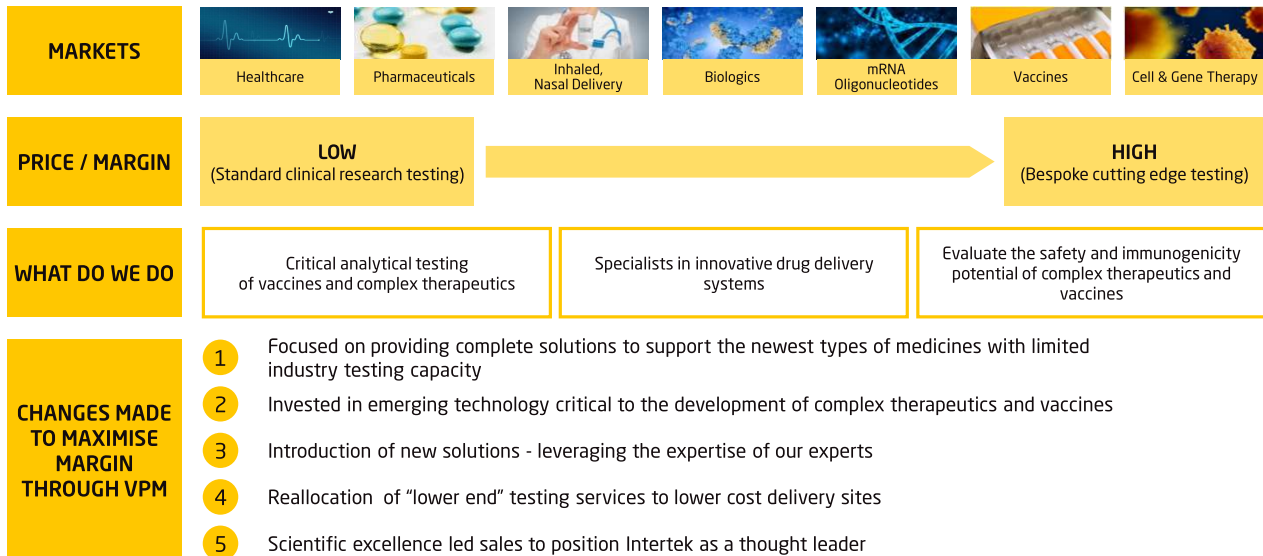


Now turning to our site level margin drivers and firstly our approach to volume, price, mix management. Each site has a clear.... margin accretive... annual revenue and GP target and is accountable for maximising the intrinsic value of the science based resource at each site... focussing in on the highest value add per day opportunities to best leverage our IP and people.

[CUE 'THROB']. As you can see from the simple illustrative example on the right.... the leveraged impact of a higher revenue per hour is highly significant.... and to empower our teams to understand how to drive this, each month they are

provided with volume, price, mix insight reports so they can monitor progress

## UK PHARMA REVENUE MIX ENHANCEMENT



So how does this work in practice? Take our Manchester Pharma centre of excellence – here we offer highly bespoke, cutting edge testing of advanced medical developments for pharma companies globally, including MRNA and cell and gene therapy. Focusing on these new, emerging and differentiated areas, relative to say traditional pharmaceutical clinical research work, has allowed the site to extract premium daily chargeable rates and superior margins. This has been backed with early investment in emerging technologies and the relevant scientific expertise.

## FIXED COST CAPABILITY MANAGEMENT

Operational structure reviewed against key billable / non-billable headcount ratios

Facilities optimised to leverage freehold property and co-locate business units

Utility procurement centralised in-country to maximise agility and minimise cost

Net-zero initiatives to reduce energy usage

Market and T&E spend controlled locally

Smart IT investments to reduce manual work

Disciplined maintenance capex processes to operate with state-of-the-art facilities

### Key fixed / semi-fixed costs elements

Staff (non-billable)

Space capacity utilisation:  
Billable and non-billable

Site / facility consolidation

Depreciation and amortisation

IT

T&E / Marketing

Energy and net-zero opportunities

Our second site led pillar is our rigorous discipline on fixed costs. We benefit from leading #1 and #2 market positions in many of our locations, enabling the strong leveraging of our fixed costs. This is combined with continued investment in replacement capex to ensure our sites remain highly efficient. We are also focussed on our site level net zero initiatives to reduce utility consumption and costs.



## MINERALS PERTH CENTRE OF EXCELLENCE

**New Minerals Centre of Excellence located in Perth, Australia opened in 2021**

Significant optimisation of our fixed cost base:

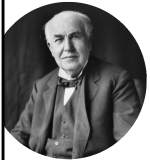
- Consolidation of 11 sites into 1
- Reduced administrative / back office resource requirement
- Investment in green power with solar power covering 30% of site power needs
- Enhanced automation facilitated by greater volume throughput
- Innovation in new technology development (e.g. Photon Assay) with lower cost of delivery

The recent investment in our global Minerals Centre of Excellence in Perth Australia is an excellent example. Here we consolidated 11 legacy sites into 1 new efficient operation. This enabled optimisation of our back office costs.... as well providing the volume consolidation opportunity to invest in enhanced automation and innovation in new technologies. We have also been able to install a significant solar panel array on the roof of the new building, which is powering up to 30% of the site's energy.



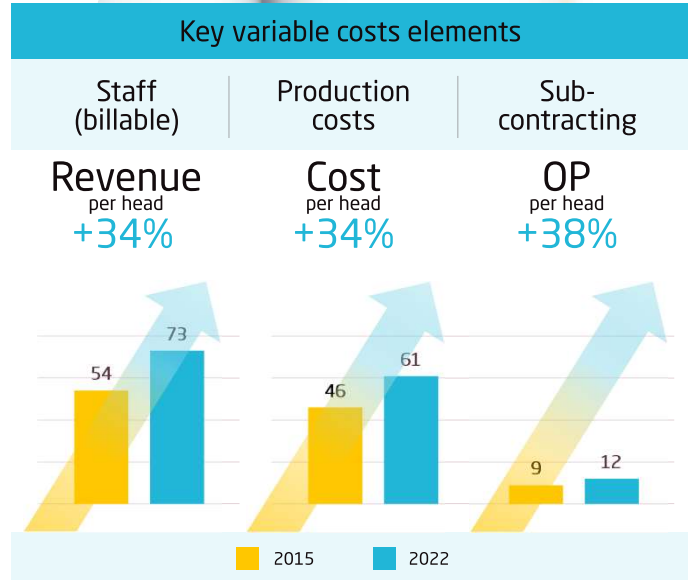
## VARIABLE COST CAPABILITY MANAGEMENT

Variable cost management embedded within our Ever Better approach to marginal gains



**“there is a way to do it better – find it”**

- Driving sequential productivity improvements
- Site-by-site metric management
- Scheduling and shift tools to max productivity
- Local purchasing and procurement optimisation embedded in our control framework
- Complemented with Group-led purchasing
- Investment to expand capability and reduce sub-contracting



Our “Ever Better” approach sits at the core of managing our variable costs. Thomas Edison is one of the founding fathers of Intertek and his constant challenge to find better ways to do things is a core cultural pillar within the organisation. Practically, we benchmark all sites against their Best in class and peak productivity levels and combine these insights with industry leading tools to support sequential productivity and process improvements. While we have made undoubted progress – which you can see from the charts on the right – we still have meaningful span opportunities to drive further improvements.





## MAXIMISING SUPPLIER MANAGEMENT AUDITOR UTILISATION

- 1 Smart approach to scheduling
- 2 Optimising billable time through KPI management
- 3 Locating auditors in the right locations
- 4 Maximising impact of support teams
- 5 Being the employer of choice

To illustrate our productivity methods, take our Business Assurance business where we are focused on 5 practical variable cost pillars to maximise margin.

Firstly, applying a smart approach to scheduling to forward match auditor capacity and customer demand.

Secondly, we optimise billable time through close KPI management to ensure we deliver accurate reports in rapid time to our clients.

Thirdly, we hire auditors in the right geographies to

minimise auditor travel time and seek opportunities for tighter audit scheduling.

We also maximise the impact of our support teams to provide auditor support to free them up for more billable work.

And finally our employer of choice strategy results in reduced auditor onboarding and training time.

All these factors combine to drive a sustained margin advantage for our BA business.

# PLANNING FOR 10XCELLENCE

Proprietary integrated end-to-end approach to optimise demand and supply management

Full visibility / alignment for all teams through the value-chain

Forward planning for current month, quarter and full year

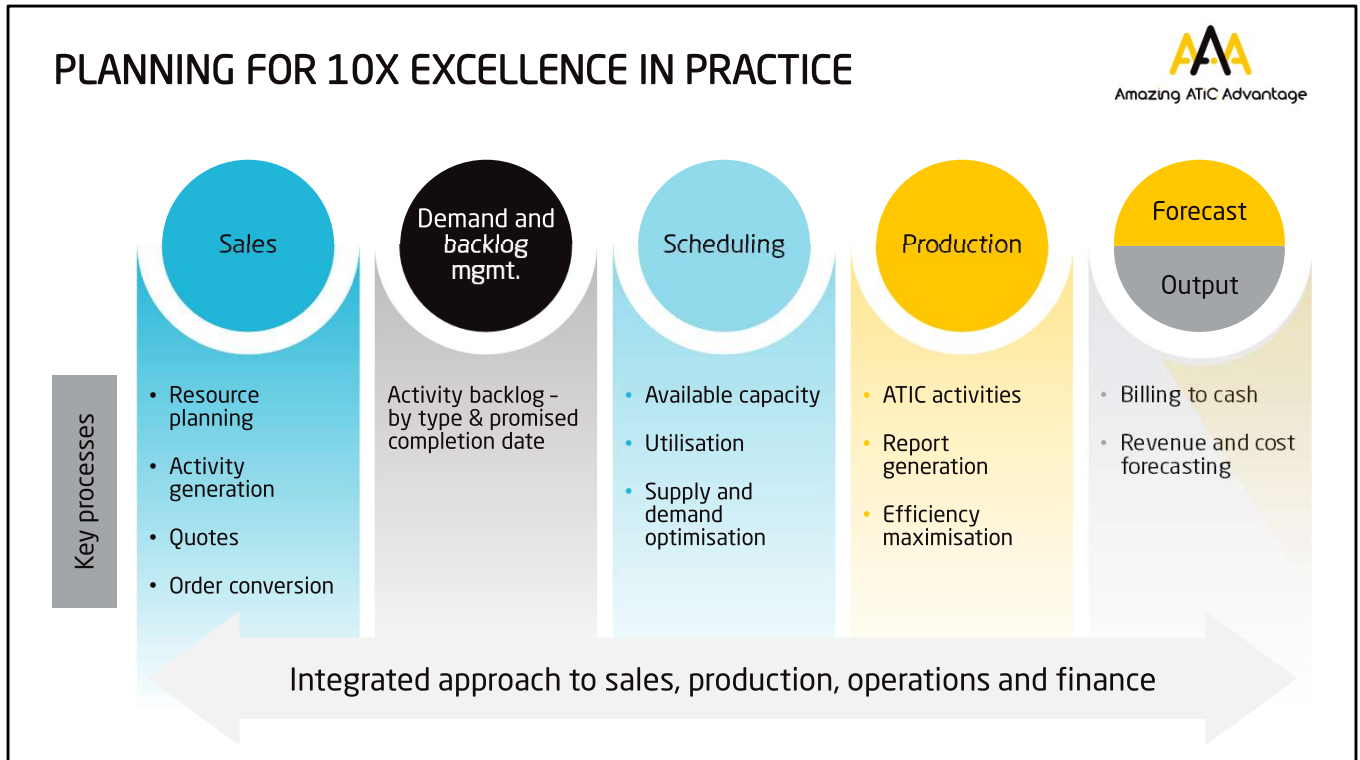
Bespoke models developed for each business line

Facilitates fast insight to support performance cadence

Evolution to full digitised process to improve efficiency



Moving to planning for 10Xcellence – this is our proprietary integrated end to end model for optimising supply and demand management. This team based approach enables full visibility and alignment across the value chain from sales to scheduling to production to billing. This in turn facilitates rapid insight to optimise our supply and demand balance.



P410X has 5 modules which combine to create our end-to-end approach and is available for each site team to utilise and let's take a more backlog intensive business such as Electrical as an example...

Firstly, sales activities are aligned to revenue targets so we are clear about the necessary customer interaction and quote volumes required now to deliver on our future period revenue targets.

Secondly, our backlog management module identifies our demand cycle and the timing of available work we expect from our customers.

We then move to Scheduling which focuses on capacity availability and utilisation across the lab. This also enables our sales teams to see where we have available capacity for them to sell into...

The Production module monitors the timely delivery of our output at its various stages..., before we

move into our financial forecasting tool. This unique solution provides unparalleled insight into our process flows... step by step... so we can deliver real time responses to maximise our available margin opportunity.

## PARTNERSHIP BASED PRICING AT A LOCAL, REGIONAL AND GLOBAL LEVEL



Strategic customer partnership built on a foundation of superior customer service facilitating strong pricing power



Local

Individual customer contracts

Typically bespoke price per job

Local price lists updated as a minimum annually, with additional revisions as required



Regional

Benchmarking of price across countries / sites to ensure alignment and consistency

Multi-country framework agreements with localised pricing variations

Annual and multi-year contract periods with appropriate inflation escalation

c.1/2 of wage increase typically passed through as price

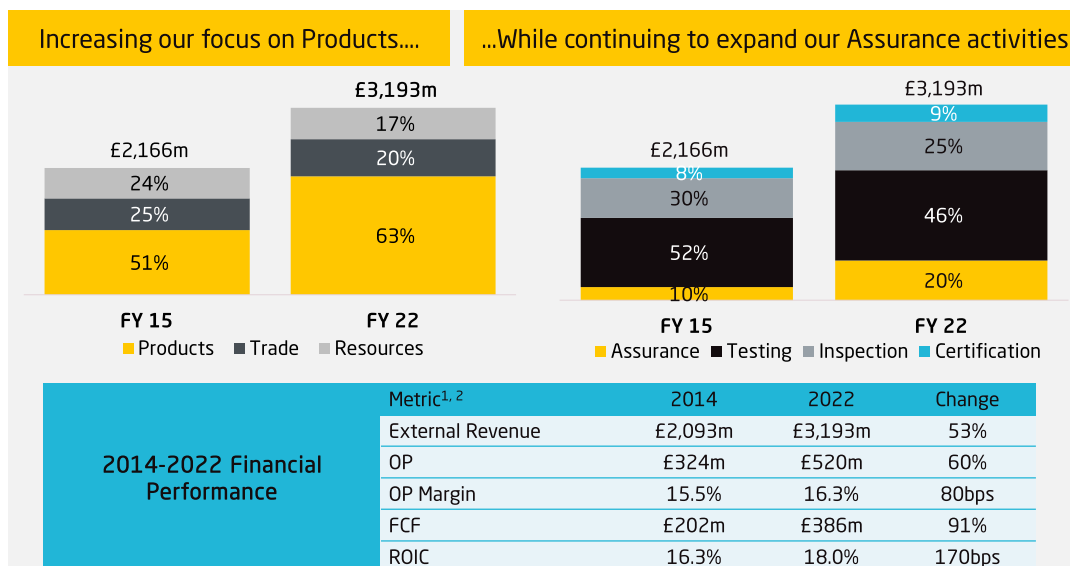
Remainder covered through productivity improvements

are recognised for our superior customer service and being a premium operator within the ATIC sector. Our customer relationships are typically deep and long lasting, which enables strong pricing power.... gained over many years.

Our approach to pricing reflects the differing nature of our 400k+ customer base – which range from small, single job activities in one site, to MNCs working with us via multi year MSAs. Typically, around half of any increase in our salary base is passed on through price while the remainder is offset through productivity improvements.

Country level pricing books are updated at least annually, with bespoke jobs priced on an individual basis, reflecting the unique customer requirements... enabling an active approach to price and margin management. Larger customer contracts are priced through our global business line teams and reviewed at a macro level via our Group Investment Committees to ensure margin delivery.

## IMPROVING THE PORTFOLIO MIX IN HIGH GROWTH HIGH MARGIN SEGMENTS



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

Our Pricing Power is supported by the strength of our portfolio.... and we continue to increase the Group's exposure to high growth and high margin segments. Through organic and inorganic investment, the weight in the high margin Products segment has increased to 63%, while the attractive Assurance sector is now 20% of the group. Since 2014, our OP margin has increased by 80bps as we have benefitted from this improved mix.



## BROAD BASED IT INITIATIVES TO SUPPORT MARGIN OPPORTUNITIES



### Lab-level productivity

Next generation integrated lab systems

Opportunity to further accelerate upgrade of job / billing tools

ERP system upgrade and harmonisation

### Customer experience digitisation

ATIC data advantage to our customers

TQA in a few clicks

Digitising our customer experience

TEK advantage

### Back office efficiency

Leverage global systems for CRM, HR and financial consolidation

Global help-desk

Contract negotiations with key global vendors

We have a clear IT investment strategy which supports our margin accretive approach. Lab-level productivity is supported by the rollout of our next generation lab systems, while innovations in digitising the customer experience offer the opportunity both for service delivery efficiencies, as well as a premium pricing. Furthermore, our back office efficiency improvement programmes leverage our global tools and group purchasing power.

## SELECTIVE RESTRUCTURING TO ADDRESS PRODUCTIVITY LED COST REDUCTION OPPORTUNITIES

Announced productivity-led cost restructuring programme focused on:

1. Consolidating sites and offices
2. Streamlining headcount: Productivity and support organisation layers
3. Technology upgrades to digitise and streamline corporate processes

Target annualised savings of £15m (£6-7m realised in 2023)

Programme to last up to 5 years

### Cost Reduction Plan

Restructurings (SDI)	£27m
Annual savings	£15m
FY23	c.£6-7m

Over time, we have also pursued selective restructurings to deliver strategic step improvements to our cost base and productivity. At the 2022 results announcement we announced a new productivity led cost restructuring programme focussed on 3 core areas.

- Firstly, reducing sites and exiting offices... reflecting the post covid ways of working and also aiming to reduce our carbon footprint
- Secondly, streamlining headcount by increasing productivity.

- And finally, upgrading and harmonising technology across the group to drive productivity.
- The annualised impact of the restructuring announced in February is c.£15m, with c.£6-7m realised in 2023.

## KEY TAKEAWAYS

We are confident in our ability to go back to our peak of 17.5% and beyond

- 1 Intertek has built a superior operating platform to sustain a premium margin advantage
- 2 Our portfolio strength has improved consistently since 2014
- 3 We have the tools and processes in place to continue to drive margin accretion
- 4 Significant span of performance opportunities remain to expand margins further

**AAA**  
Amazing ATIC Advantage



So bringing this all together:

We are confident in our ability to go back to our peak margin, and beyond... and why?

Firstly, over time, we have built a superior operating platform which can sustain Intertek's margin advantage – with 5 group led and 5 site led drivers

Secondly, Our portfolio continues to go from strength to strength

And thirdly, this is combined with the right tools and processes

to unlock the span of performance opportunities that remain to expand margins further

