



## TRADING STATEMENT

25 May 2022

Intertek Group plc ("Intertek" or "the Group"), a leading Total Quality Assurance provider to industries worldwide, today releases its May Trading Update for the period from 1 January to 30 April 2022 ("period"). All comparative comments in this statement reflect comparisons with the corresponding period during 2021. The Group's half year results to 30 June 2022 will be announced on 29 July 2022.

### Good start to the year: 4.8%<sup>1</sup> LfL revenue growth and 4.3%<sup>1</sup> growth from acquisitions

- January-April revenue of £951.3m: +9.1% at constant rates and +11.2% at actual rates
- Broad-based LfL revenue growth of 4.8% at constant rates: Products: 4.5%, Trade: 5.2%, Resources: 5.2%
- Robust 6.8% LfL revenue growth outside of China at constant rates: Products: 7.0%, Trade: 6.4%, Resources 6.6%
- SAI and JLA are performing well, delivering £39.4m of additional revenue at constant rates
- Pricing, productivity initiatives and cost control activities to drive margin accretive revenue growth
- Day to day cash performance management discipline remains in place to deliver strong FCF
- On track to deliver in 2022 robust LfL revenue growth at constant rates with margin progression and strong FCF

### André Lacroix: Chief Executive Officer statement

"We had a good start to 2022 with 9.1% revenue growth at constant currency driven by a mid-single digit LfL revenue growth performance in Products, Trade and Resources and the strong contribution from the SAI and JLA acquisitions. We have delivered 6.8% LfL revenue growth at constant currency outside of China which demonstrates the strengths of our unique Science-Based Customer Excellence value proposition, providing our clients with the Intertek ATIC Advantage (Assurance plus Testing, Inspection and Certification) to enable them to build stronger businesses.

China accounts for 20% of Intertek revenues and since March, the Covid-19 lockdown restrictions have caused a temporary disruption to our business on a regional basis. We are planning for our Chinese business to be back to normal by July 1<sup>st</sup>, and that trading will be in line with the good LfL revenue growth we saw in China in the January-February period.

The Group remains well-positioned to deliver on our guidance for 2022 with robust LfL constant currency revenue growth for both the Group as a whole and for each of our divisions, further margin progression at constant currency and strong free cash flow. This reflects the increase in demand we are seeing for our industry-leading Total Quality Assurance solutions, the strengths of our earnings model and our performance management discipline, as well as the impact of Covid-19 lockdowns in China.

The supply chain disruption being experienced by corporations across multiple industries in the last two years 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 new high-quality products and services as consumer expectations rapidly evolve. 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.

Thanks to our leading ATIC capability, our market-leading innovation and expertise, Intertek is uniquely positioned to benefit from the GDP+ LfL revenue growth prospects in the Quality Assurance industry. We are investing organically and inorganically to seize the sustained long-term growth opportunities in our industry through a disciplined approach to capital allocation.

Our track record of value creation has been 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 opportunities, capitalising on our strong market leadership positions, our Science-based Customer Excellence USP and our unique ATIC earnings model to deliver sustainable growth for all stakeholders."

<sup>1</sup>Constant currency

Revenue Performance				
	4 months – January to April			
	2022 £m	2021 £m	Change at actual	Change at constant
<b>Group</b>				
Revenue	951.3	855.4	11.2%	9.1%
LfL revenue	911.5	853.8	6.8%	4.8%
<b>Products</b>				
Revenue	602.9	526.8	14.4%	11.5%
LfL revenue	563.3	525.2	7.3%	4.5%
<b>Trade</b>				
Revenue	195.1	184.8	5.6%	5.3%
LfL Revenue	194.9	184.8	5.5%	5.2%
<b>Resources</b>				
Revenue	153.3	143.8	6.6%	5.2%
LfL revenue	153.3	143.8	6.6%	5.2%

## Contacts

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## Analysts' Call

A live audiocast for analysts and investors will be held today at 7.45am UK time; +44 (0) 33 0551 0200. Details can be found at <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.



Total Quality. Assured.

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

Our network of more than 1,000 laboratories and offices in more than 100 countries, delivers innovative and bespoke Assurance, Testing, Inspection and Certification solutions for our customers' operations and supply chains. Intertek is a purpose-led company that brings Quality, Safety and Sustainability to Life. Our Science-based Customer Excellence USP and the 24/7 mission-critical Quality Assurance solutions we provide, ensures that our clients can operate with well-functioning supply chains in each of their operations.

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

[Intertek.com](http://Intertek.com)

## Covid-19 Situation in China

China accounts for 20% of Intertek group revenues. Since March, the lockdown restrictions introduced by the Chinese government have caused a temporary disruption to our business on a regional basis.

In Shenzhen as well as in some other cities, our operations representing in aggregate about 20% of our China revenues were closed for one 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 until 1 June.

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

We are planning for the Chinese business to be back to normal by 1 July and that trading will be in line with the good LfL revenue growth we saw in China in the January-February period.

## Products Divisional Review

Our Products business benefited from a continuing increase in customer demand globally for our ATIC solutions and from our acquisitions reporting revenue of £602.9m. We delivered a LfL revenue growth at constant currency of 4.5% and of 7.0% outside of China.

- Our Softlines business delivered mid-single digit LfL revenue growth globally and double digit LfL revenue growth outside of China benefitting from growth in e-commerce, investments of our clients in new collections, growth in risk-based Quality Assurance and increased investment in end-to-end sustainability.
- Hardlines reported low-single digit LfL revenue growth globally and mid-single digit revenue growth outside of China benefitting from the growth in e-commerce, the increased consumer demand for home furniture and toys as well as the investments of our clients in sustainability.
- With increased ATIC activities driven by greater regulatory standards in energy efficiency, higher demand for testing and certification of medical devices and the increased testing requirements for 5G, our Electrical & Connected World business delivered low-single digit LfL revenue growth globally and outside of China.
- Business Assurance delivered double digit LfL revenue growth globally and outside of China as the business benefited from the increased investments by our clients to improve the resilience of their supply chains, the continuous focus on ethical supply, the increased need for sustainability assurance and the strong growth in our People Assurance segment.
- Our Building & Construction business reported mid-single digit LfL revenue growth both globally and outside of China. We benefited from the growing demand for more environmentally friendly and higher quality buildings and the increased number of infrastructure projects in North America.
- Transportation Technology delivered flat LfL revenue globally and mid-single digit LfL revenue growth outside of China as we saw increased investment in new powertrains to lower CO<sub>2</sub>/NO<sub>x</sub> emissions and in traditional combustion engines to improve fuel efficiency.
- Our Food business registered mid-single digit LfL revenue growth globally and high-single digit revenue growth outside of China resulting from increased demand for food safety testing activities and hygiene and safety audits in factories.

- We saw mid-single digit LfL revenue growth globally and outside of China in our Chemicals & Pharma business. We benefited from an improvement of demand for regulatory assurance and chemical testing and from the increased R&D investments of the pharma industry.

### **Full Year growth outlook**

In 2022 we expect our Products division to deliver robust LfL revenue growth at constant currency.

### **Mid to long-term growth outlook**

Our Products division will benefit from mid to long-term structural growth drivers including product variety, brand and supply chain expansion, product innovation and regulation, the growing demand for quality and sustainability from developed and emerging economies, the acceleration of e-commerce as a sales channel, and the increased corporate focus on risk.

## **Trade Divisional Review**

Our Trade division reported revenue of £195.1m. The strong growth in the demand for Energy and Agri products has enabled us to deliver a LfL revenue growth of 5.2% at constant currency globally and of 6.4% outside of China.

- Caleb Brett, the global leader in the Crude Oil and Refined products global trading markets, benefited from improved momentum driven by increased global mobility and higher testing activities for bio-fuels with mid-single digit LfL revenue growth globally and outside of China.
- Our Government & Trade Services business provides certification services to governments in the Middle East and Africa to facilitate the import of goods in their markets, based on acceptable quality and safety standards. We saw mid-single digit negative LfL revenue globally and stable LfL revenue outside of China as we benefitted from a recovery of supply chain activities in the Middle-East and Africa which was offset by the termination of two contracts which we did not renew for profitability reasons.
- AgriWorld provides inspection activities to ensure that the global food supply chain operates fully and safely. The business reported double-digit LfL revenue growth globally and outside of China. We continue to benefit from an increase in demand for inspection activities driven by the strong growth in the global food industry.

### **Full Year growth outlook**

In 2022 we expect our Trade division to deliver robust LfL revenue growth at constant currency.

### **Mid to long-term growth outlook**

Our Trade division will continue to benefit from both regional and global trade-flow growth, as well as the increased customer focus on quality, quantity controls and supply chain risk management.

## **Resources Divisional Review**

Our clients are benefiting from the global recovery in the oil and gas sector with increased investments in exploration and production activities. We delivered revenue of £153.3m with a LfL revenue growth of 5.2% globally and 6.6% outside of China.

- In our Exploration and Production operations, our Capex Inspection services business delivered low-single digit LfL revenue growth globally and outside of China.

- We delivered mid-single digit negative LfL revenue in Opex Maintenance services globally and outside of China as we exited a contract in North America for profitability reasons.
- The increased demand for testing and inspection activities saw our Minerals business deliver double-digit LfL revenue growth globally and outside China.

### **Full Year growth outlook**

We expect our Resources related businesses to deliver a robust LfL revenue performance at constant currency.

### **Mid to long-term growth outlook**

Our Resources division will grow in the mid to long-term as we benefit from investments in Energy, to meet the demands of the growing population around the world.

## **Innovation**

The supply chain disruption 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 new high-quality products and services as consumer expectations rapidly evolve.

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 continue to invest in innovation to deliver a superior customer service across our Products, Trade and Resources related businesses capitalising on our Science-based Customer Excellence USP.

Intertek is a science-based company at its core, based on a global network of laboratories operated by customer-facing technical experts who are dedicated to helping customers to overcome their risks and challenges in quality, safety and sustainability by developing unique innovative Total Quality Assurance solutions to make their businesses stronger.

Some examples of recent innovations demonstrating the foresight and agility of our teams to provide new solutions to our customers as they are re-inventing their approach to quality, safety and sustainability to build much stronger brands and businesses post Covid-19 are:

- With the travel and tourism sector re-opening around the world, we launched Intertek EcoCheck, a sustainable tourism solution that audits the management systems and offers a Carbon Footprint Calculation that allows our clients to meet the requests of their customers by demonstrating tangible actions and results to meet their sustainability goals.
- In our Softlines business, we launched Intertek TOXCLEAR, an innovative digital chemical management platform for the fashion industry, to deliver production free of hazardous chemicals. The platform enables brands and their suppliers to deliver transparency and traceability on chemicals used and build safer and more sustainable supply chains.
- In our Trade Business, Intertek Agriworld partnered with Rice Exchange, the blockchain enabled digital platform that connects buyers and sellers of rice across continents, adding trust and lowering risk for all parties involved. The partnership demonstrates our commitment to the rice industry and means that Intertek is now available to all Rice Exchange customers to provide inspection services in relation to their rice trades undertaken on the platform.

- Yesterday, we announced our ground-breaking solution in the Energy transition space, Intertek Hydrogen. With our long-standing history and expertise in the energy industry, the solution provides our customers with total end-to-end quality, safety and sustainability solutions for the entire hydrogen industry lifecycle to make a safe energy transition.

As we continue to invest in our industry-leading ATIC Sustainability solutions, by leveraging the depth of our experience and global network of experts, we recently launched two new innovative solutions, Green R&D and Circular Assure, to support our clients as they transition to a more sustainable world. These solutions allow our customers to enhance the quality, safety, sustainability and performance of their products whilst meeting their stakeholders' increasingly demanding environmental expectations.

- Intertek Green R&D is an end-to-end Assurance solution that helps companies identify and reduce the environmental impacts of their products throughout the value chain at the R&D stage.
- Intertek Circular Assure is an innovative programme that enables companies within the plastics and polymers industry to optimise the value of recycled materials whilst ensuring their quality and safety, allowing our clients to demonstrate their commitment to sustainability.

## Sustainability

Sustainability is central to everything we do at Intertek and as a purpose-led company it is anchored in our Purpose, Vision and Values.

We are proud to have been recognised for our leading sustainability credentials with the highest possible 'AAA' ESG rating from the world's largest provider of Environmental, Social and Governance (ESG) Indexes, MSCI.

Offering innovative sustainability services to our clients is core to our value proposition and we are committed to pioneering new solutions that will help our clients, and indeed the world, *Build Back Ever Better*.

What our clients are looking for today is systematic, independent end-to-end assurance on all aspects of their sustainability journey. Intertek Total Sustainability Assurance is a holistic programme empowering our customers to achieve sustainability excellence across all aspects of their business and communicate results with confidence.

Intertek Total Sustainability Assurance is a global programme, leveraging our footprint in over 100 countries and covering all industries. We have built a team of sustainability experts in every major region, who can help with both a global and local perspective. Intertek Total Sustainability Assurance is comprised of three parts:

- Intertek Operational Sustainability Solutions
- Intertek ESG Assurance; and
- Intertek Sustainability Certification

Internally, we are focussed on driving Sustainability Excellence and below are our 2021 sustainability results which were published at the end of March in our Annual report:

- Driving a culture of proactive Health & Safety awareness with continuous improvement in our Total Recordable Incident Rate of 0.51 for 2021.
- Since 2015, we have used the Net Promoter Score ('NPS') process to listen to our customers; during 2021 we continued to conduct on average 6,000 interviews each month.
- Improving the environmental performance across our operations is key in our ambition to align our business to reduction targets set by the Paris Agreement. Operational emissions intensity per employee was 4.35 tCO<sub>2</sub>e for 2021. Total CO<sub>2</sub>e emissions (market-based) reduced by 13.3% vs 2020.

- We recognise the importance of employee engagement in driving sustainable performance for all stakeholders, and we measure employee engagement against our Intertek ATIC Engagement Index. Our 2021 score was 79.9%.
- Our voluntary permanent turnover rate returned to similar levels seen prior to Covid-19 at 13%.
- We have increased the representation of women in senior management roles by 6% to 23% since 2017 aiming to achieving better gender balance by 2025.
- Supporting our commitment to the highest standards of integrity and professional ethics, 94% of eligible employees completed our annual compliance training.

## M&A

We are investing organically and inorganically to seize the attractive growth opportunities in the global quality assurance market and to strengthen our ATIC portfolio in high-margin, high-growth areas.

Our most recent acquisitions, SAI Global Assurance and JLA Brasil Laboratório de Análises de Alimentos S.A., are both excellent examples of investments in complementary businesses. They have been successfully integrated and are performing well delivering £39.4m of Revenue at CCY in the first four months of the year.

Our teams have made excellent progress leveraging the investments made in the last few years as evidenced by our strong return on capital.

We will continue to look at M&A opportunities in attractive high-margin and high-growth areas to broaden our ATIC portfolio of solutions with new services we can offer to our clients and to expand our regional coverage with our current ATIC portfolio.

With our strong balance sheet, we are well positioned to seize the attractive external growth opportunities in a highly fragmented industry.

## Outlook 2022

Notwithstanding the fact that the Covid-19 lockdowns in China since March will impact the Group H1 LfL revenue growth rate and margin performance, we are reiterating our full year targets and the Group is well positioned to deliver robust LfL revenue growth with margin progression at constant currency and strong cash generation in 2022.

We expect our Products, Trade and Resources divisions to deliver robust LfL revenue growth at constant currency.

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

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

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

-ENDS-

**The 2022 May Trading Statement Audiocast CEO Script will be available after the call at**

[www.intertek.com/investors/](http://www.intertek.com/investors/)