

2013 Half Year Results Presentation

29 July 2013

Wolfhart Hauser
Chief Executive Officer

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Chief Financial Officer





Valued Quality. Delivered.

Lloyd Pitchford Chief Financial Officer

Financial Performance

2013 Half Year Results Presentation



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.

29 July 2013

Results Overview



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- Good growth against challenging comparatives
- Weak conditions in Minerals and Europe
- Total revenue up 9.5%; Organic* growth of 6.3%
- Operating margin 14.6%
- EPS up 6.4%; Interim dividend up 15.4%

* at constant exchange rates

Financial Highlights

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For the six months to 30 June 2013

Revenue	£1,085m	+ 9.5% at actual + 6.3% at constant organic ⁽²⁾
Operating profit ⁽¹⁾	£158.3m	+ 4.0% at actual - 0.4% at constant organic ⁽²⁾
Operating profit margin ⁽¹⁾	14.6%	- 80bps at actual - 100bps at constant organic ⁽²⁾
Profit before tax ⁽¹⁾	£145.3m	+ 3.8%
Diluted EPS ⁽¹⁾	61.9p	+ 6.4%
Adjusted cash generated from operations ⁽¹⁾	£123.7m	+ 4.7%

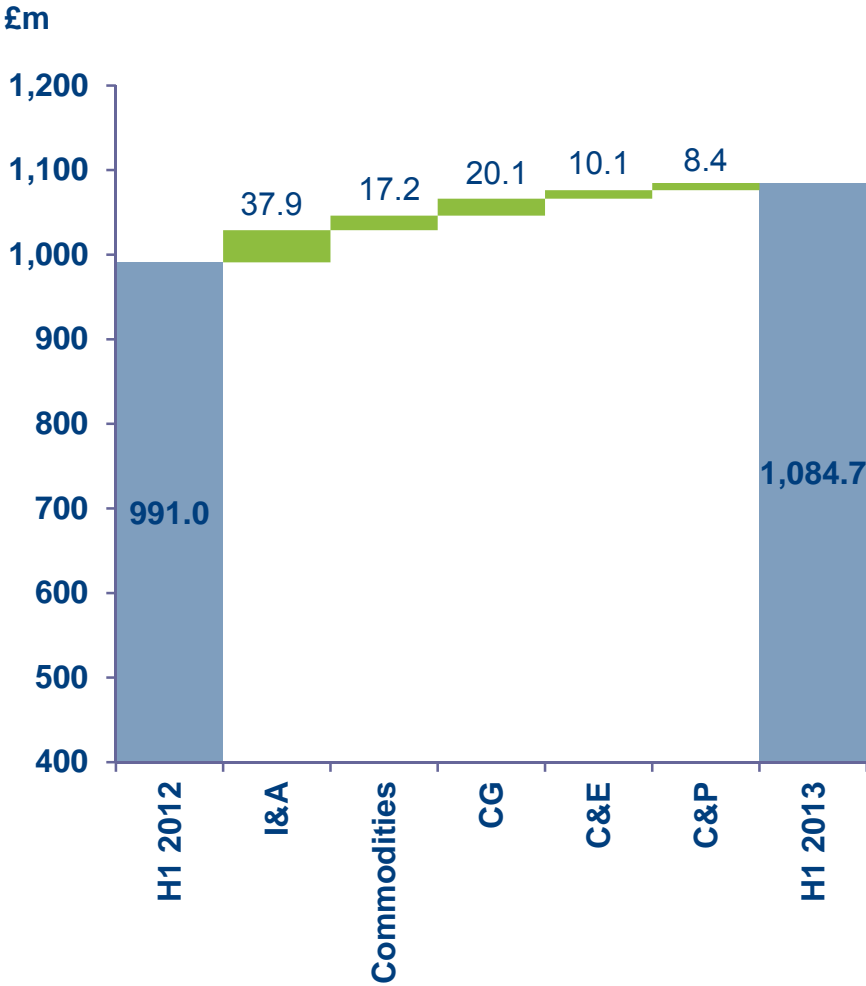
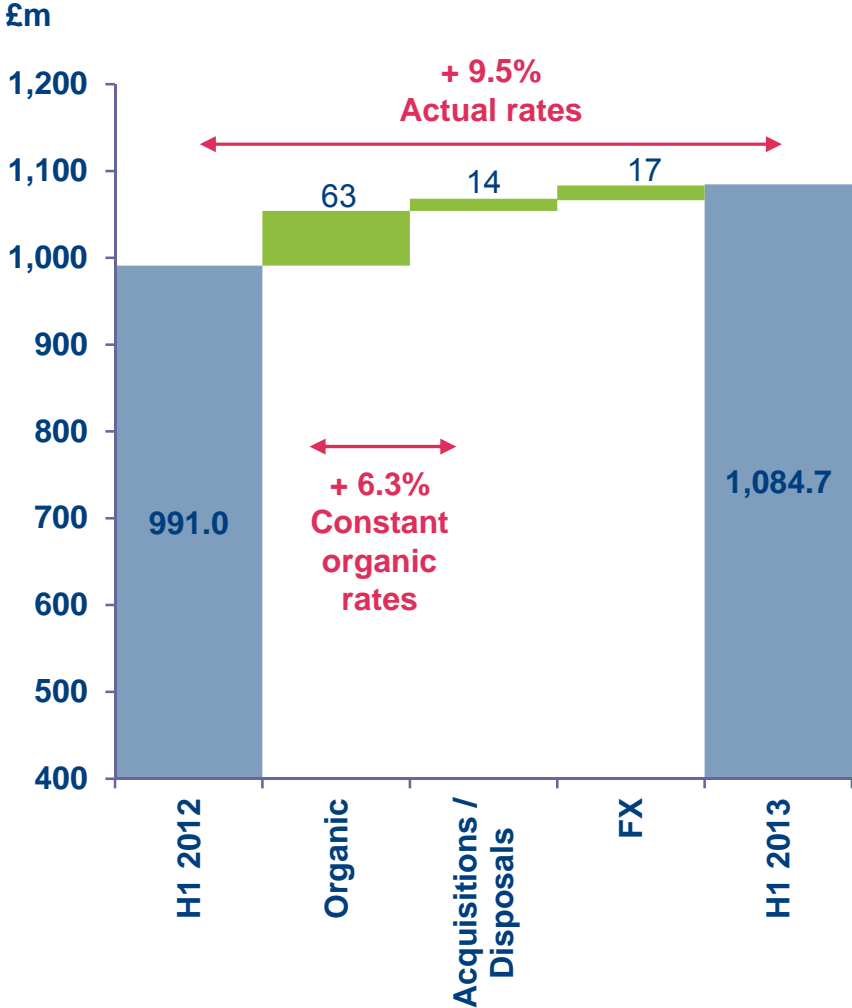
(1) Before separately disclosed items

(2) Growth excluding acquisitions and disposals at constant exchange rates

H1 Revenue Growth



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Operating Profit & Separately Disclosed Items

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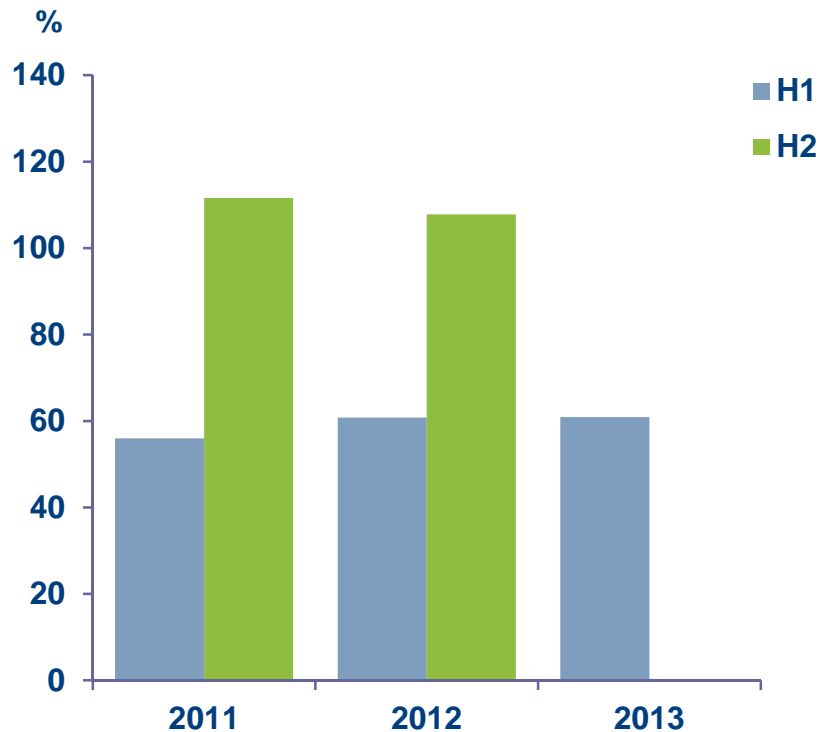
£m @ actual exchange rates	H1 2013	H1 2012	
Adjusted operating profit ⁽¹⁾	158.3	152.2	+4.0%
Separately disclosed items:			
Amortisation of acquisition intangibles	(12.7)	(15.0)	
Acquisition and Project Costs	(0.8)	(2.9)	
Restructuring costs	(4.1)	-	
Profit on disposal	0.2	-	
Statutory operating profit	140.9	134.3	+4.9%

Cash Flow, Tax & Investment



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EBITDA Cash Conversion*



* Adjusted cash from operations / adjusted EBITDA

	H1	2011	2012	2013
Cash Conversion		56%	61%	61%
Cash Holding £m		172	160	124

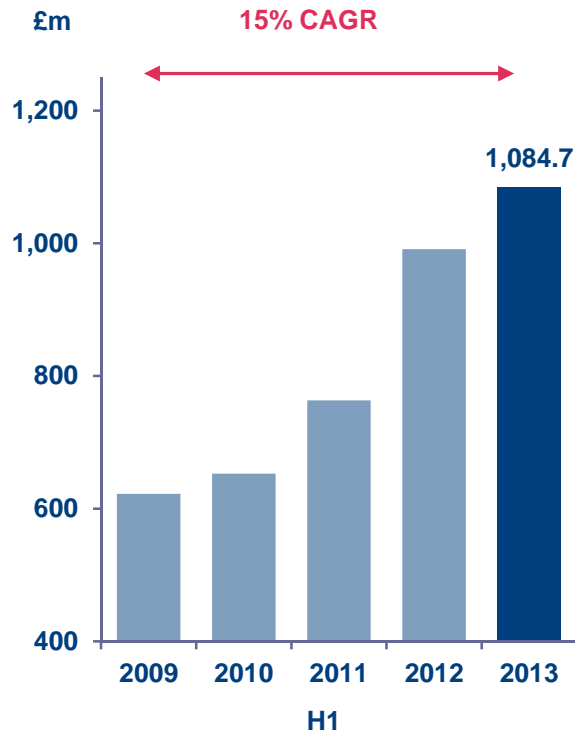
- Adjusted cash generated from operations £123.7m; up 4.7%
- Cash holding reduced to £123.8m (2012: £160.2m)
- Net interest charge £13.0m
- Adjusted effective tax rate at 25.0%
- Capex £61.0m; 5.6% of revenue
- 4 acquisitions for £8.6m

Five Year Performance 2009 to 2013

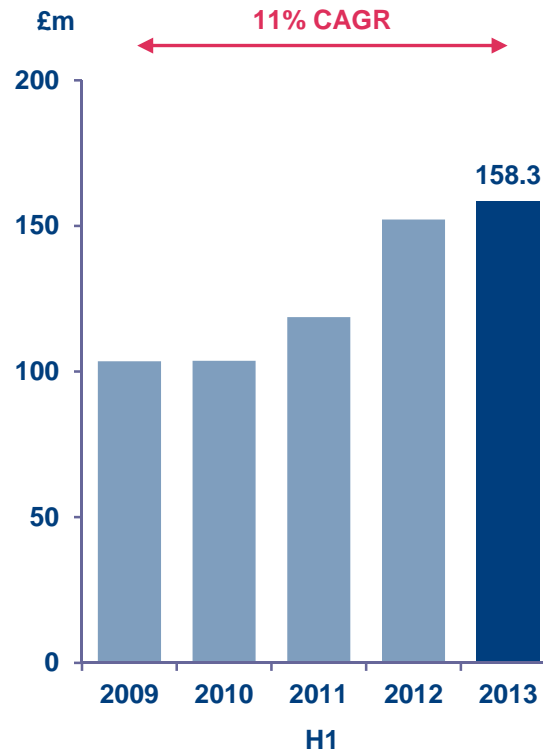
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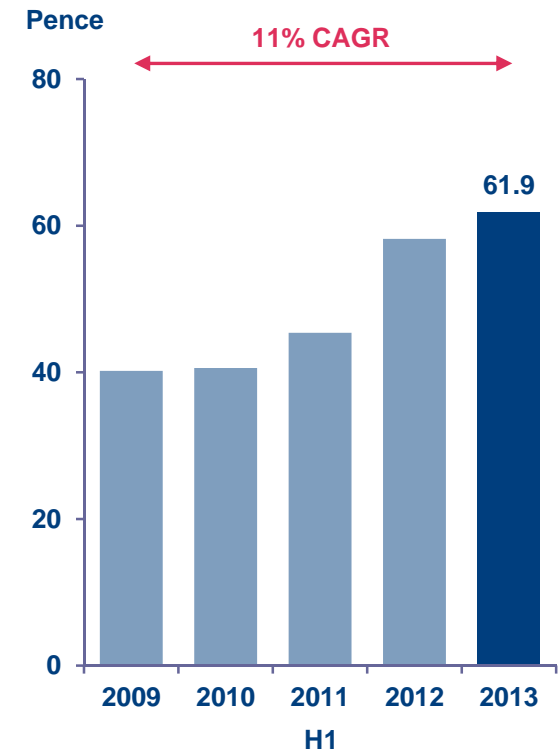
Revenue



Adjusted Operating Profit*



Adjusted Diluted EPS*



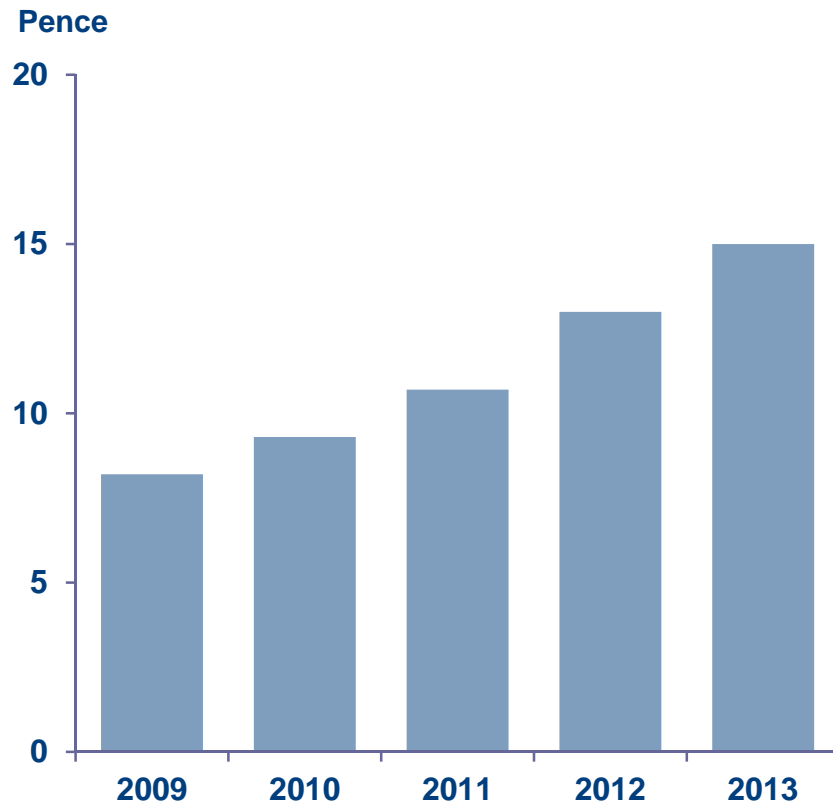
* Before separately disclosed items

Interim dividend increased by 15.4%



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Interim Dividend Per Share



- Interim dividend of 15.0p, up 15.4%
- Interim pay-out of £24.2m
- Strong and consistent record of dividend growth

Summary



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- Good growth against very strong comparatives
- Minerals and Europe markets impacting performance and outlook
- Strong performance across Asia
- Strong acquisition pipeline



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Wolfhart Hauser Chief Executive Officer

Operating Performance

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Market Weakness

- Minerals
- Europe, particularly Chemicals and Electrical

One off issues

- Health & Safety Training (US)

Restructuring

Market Strength

- China
- Technical Inspection Services
- Cargo and Analytical (US)
- Softlines (Asia)
- Electric Vehicles

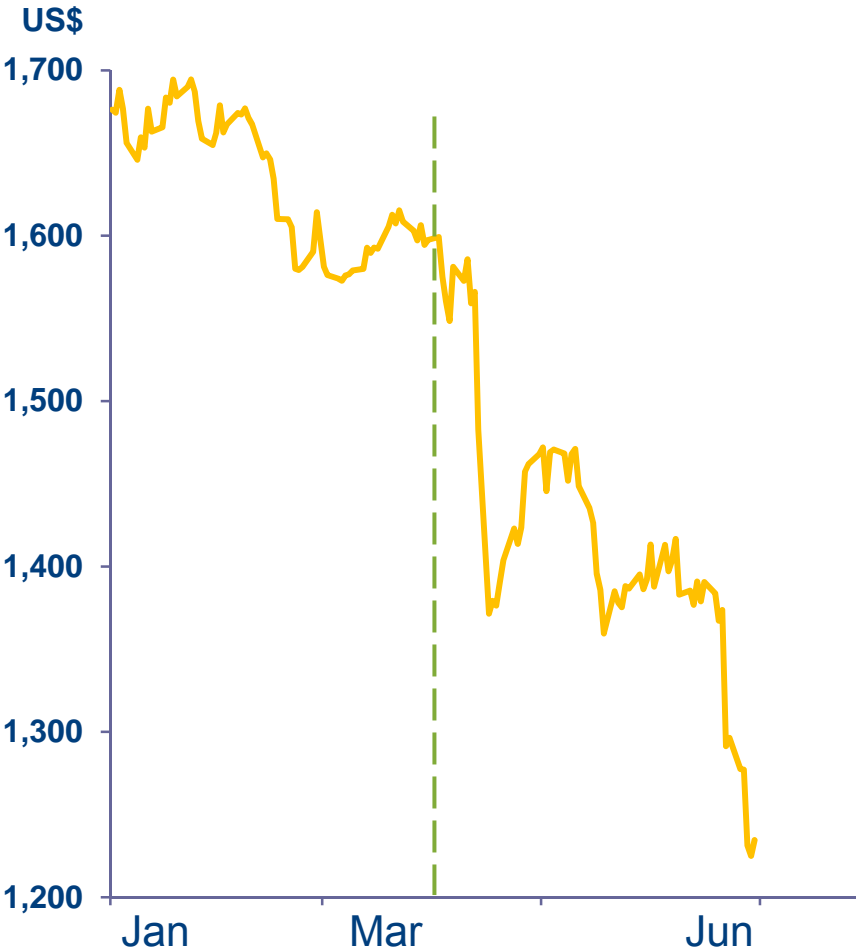
Investment

Minerals H1 Decline

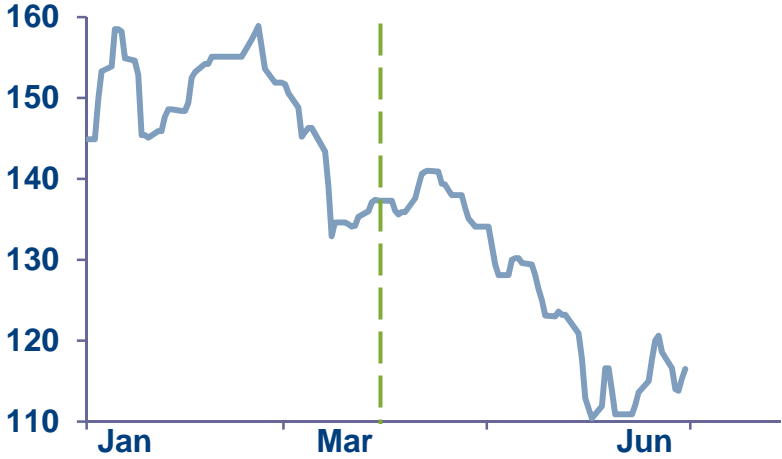


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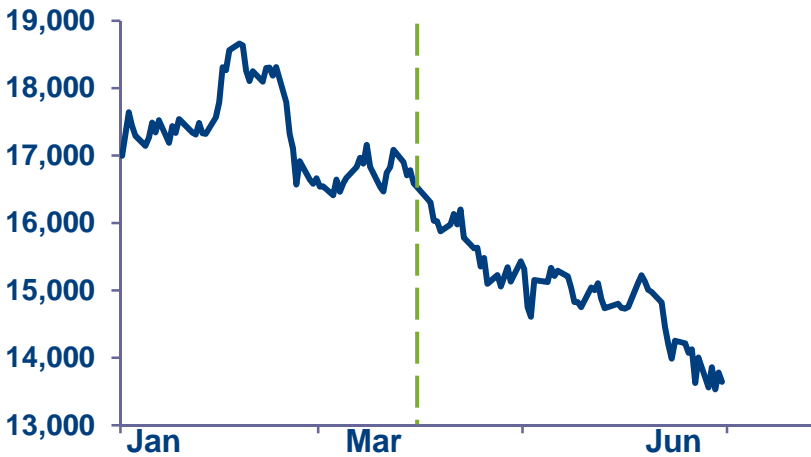
Gold



US\$ Iron



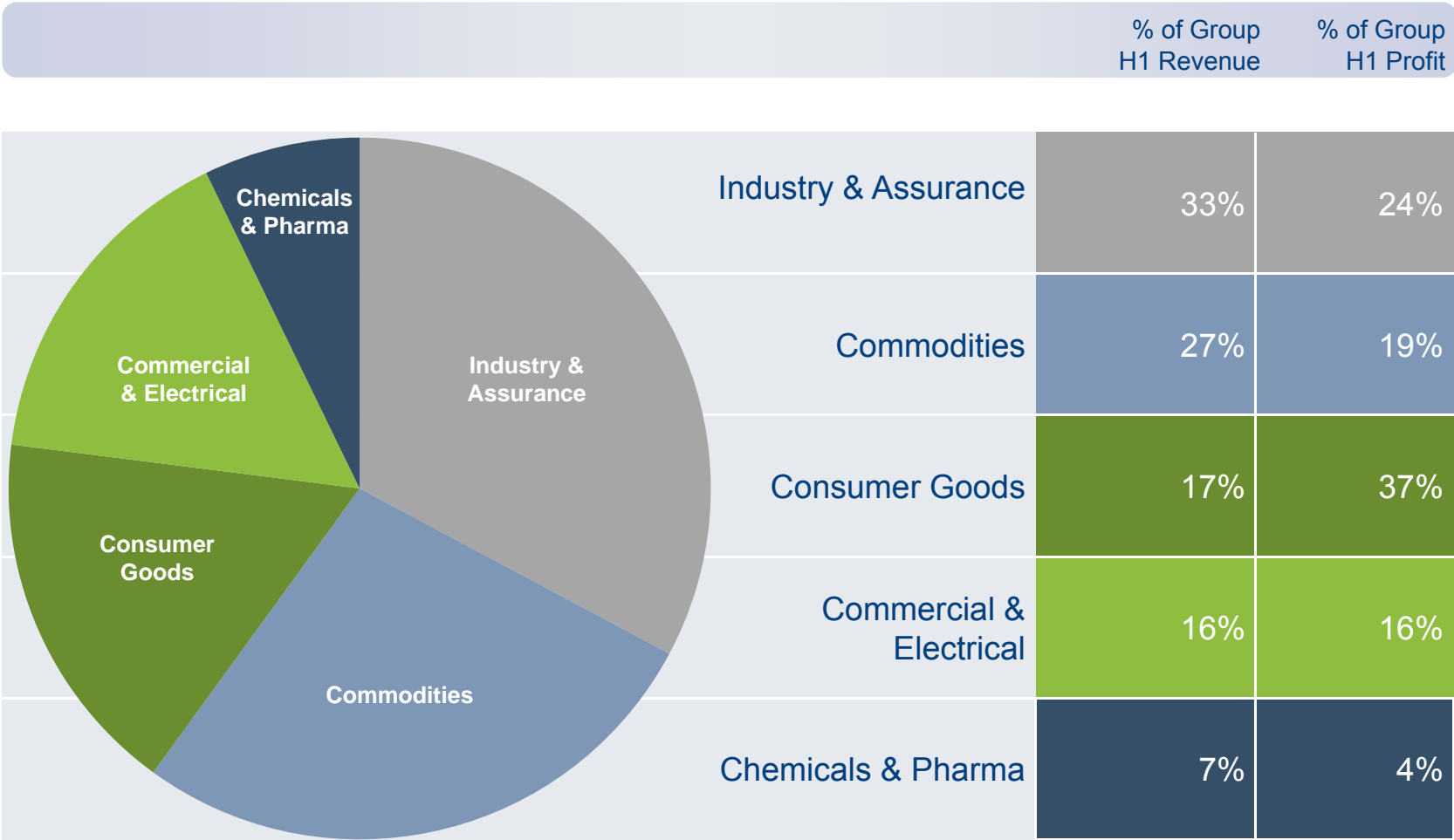
US\$ Nickel



Divisional Mix – H1



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H1 13 Performance

£m @ constant exchange	H1 13	Change	Organic change
Revenue	356.4	10.4%	8.5%
Operating profit	38.1	11.7%	7.7%
Margin	10.7%	10bps	(10)bps

- Continued high demand globally for technical inspection
- Systems Certification medium growth
- Food services growing strongly
- Agri slow due to veg oil (biofuels)

Outlook

Technical Inspection:

- Conventional energy sector strong, alternative slowing
- Increasing the opex part, NDT

Food:

- High demand for complex analytical services

Agri:

- Trade patterns more positive in second half

H1 13 Performance

£m @ constant exchange	H1 13	Change	Organic change
Revenue	295.4	5.0%	3.8%
Operating profit	30.7	(11.5)%	(13.9)%
Margin	10.4%	(190)bps	(210)bps

- Minerals (18% of business), decline sharper than expected, especially gold
- Oil services strong in North America, Middle East and Asia – weak in Europe

Outlook

- Expand services, labs and locations in key US areas for shale oil and gas
- Additives, blending and other value-add services increasing in Asia, Middle East and Latin America
- On going restructuring in Minerals and Oil laboratories in Europe
- Minerals continues to be weak

H1 13 Performance

£m @ constant exchange	H1 13	Change	Organic change
Revenue	184.0	9.1%	8.6%
Operating profit	58.0	9.0%	8.1%
Margin	31.5%	(10)bps	(20)bps

- Strong growth in Softlines testing across China, India and Turkey
- Good growth in Toy testing benefitting from EU Toy Safety Directive
- Continued growth in Social Compliance auditing
- Tradegood progressing to plan

Outlook

- Acquisition of E-TEST in Brazil provides global network for Toy testing
- Continued benefit of EU Toy Safety Directive and other chemical regulations
- Network expansion to meet market demands for comprehensive Asian supply chain support

H1 13 Performance

£m @ constant exchange	H1 13	Change	Organic change
Revenue	168.0	3.9%	3.9%
Operating profit	25.3	(6.3)%	(6.3)%
Margin	15.1%	(160)bps	(160)bps

- Good growth in China
- Strong growth in LED and electric vehicles
- Weak growth in Europe and Renewables

Outlook

- Good growth in Telecoms (LTE) via network carriers in new markets
- Steady growth from North America
- New Chemical Testing Centre in US for consumer and electrical products
- Additional long term growth from growing middle classes in emerging economies

H1 13 Performance

£m @ constant exchange	H1 13	Change	Organic change
Revenue	80.9	9.3%	5.6%
Operating profit	6.2	(7.5)%	(15.9)%
Margin	7.7%	(140)bps	(190)bps

- Oil performance lab in US growing well
- High demand for analytics in biologics
- Challenging market conditions in European chemicals industry

Outlook

- Chemical and some Pharma Consultancy Services in Europe continue to be weak
- Benefits of new cosmetics directive
- Acquisition of vehicle engine and oil performance testing lab in UK
- Synergies in drug formulation analysis from Melbourn Scientific acquisition

Market Drivers in our Industries



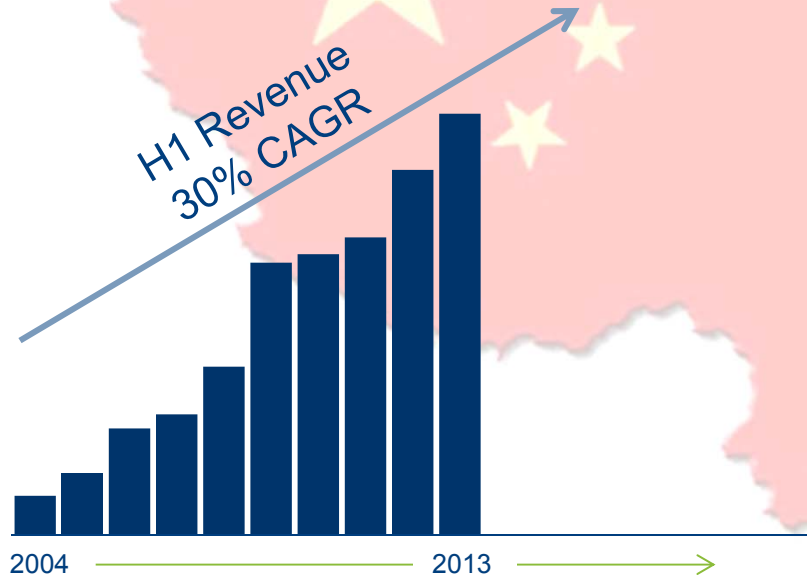
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China Strength

- Over 8,000 people
- 100 labs and offices
- 35 cities
- All industries present
- Export → Import → Domestic

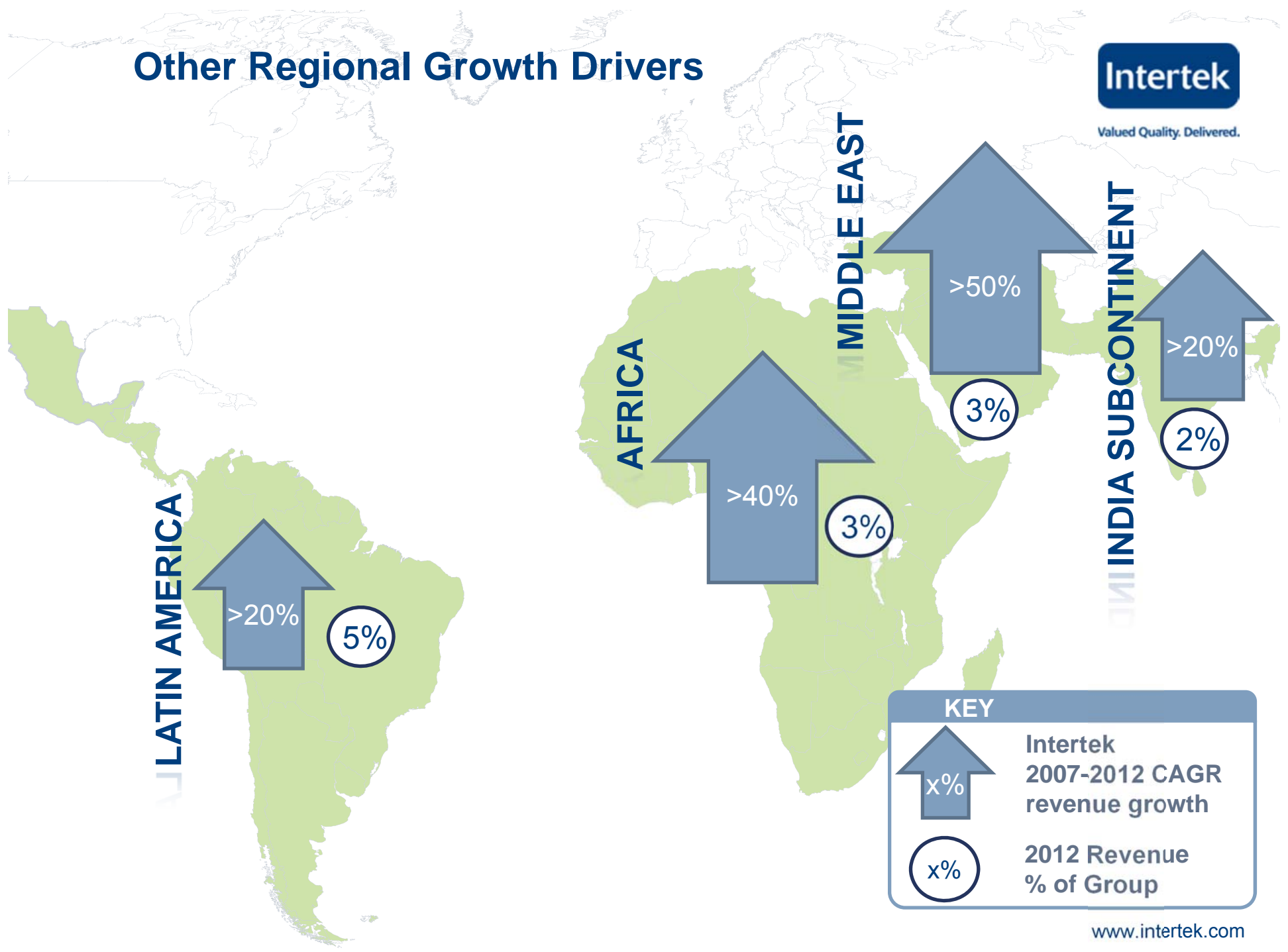
- Early mover advantage – from 1989
- Local leadership teams
- Investment led growth shifting to consumption based growth
- Middle class demanding Quality and Safety



Other Regional Growth Drivers



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KEY

x% Intertek 2007-2012 CAGR revenue growth

x% 2012 Revenue % of Group

- Long term Quality and Safety drivers unchanged and fuelling growth
- China and North America will have greatest positive impact on growth
- Additional strong growth coming from several emerging markets
- Acquisitions expected to ramp up
- Margin progression will resume in 2014

Resilient Growth Platform



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Appendix

2013 Half Year Results Presentation



Restructuring Programme



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- £22m restructuring programme announced with 2012 results, European focus
- £14m charged in 2012, a further £4m charged in H1 2013
- Progress
 - Two business disposals
 - Nine business closures completed, six planned
- Lost revenue of £2m in first half, £5m second half
- Savings building through second half and 2014
- Programme excludes on going Minerals business resizing

Taxation

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£m @ actual exchange rates	H1 2013	H1 2012
Profit before tax	127.9	122.1
Tax	(32.5)	(33.1)
Profit after tax	95.4	89.0
Reported tax rate	25.4%	27.1%
Effective tax rate on adjusted operating profit	25.0%	27.7%

Operating Cash Flow

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£m @ actual exchange rates	H1 2013	H1 2012	
Operating Profit before changes in working capital and provisions	195.4	186.1	
Changes in working capital:			
Inventory	(2.1)	(1.3)	
Debtors and prepayments	(61.4)	(65.8)	
Creditors and accruals	(12.7)	(5.9)	
Cash generated from operations	119.2	113.1	
Separately disclosed items – cash flow	4.5	5.0	
Adjusted cash generated from operations	123.7	118.1	4.7%

Free Cash Flow



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£m @ actual exchange rates	H1 2013	H1 2012
Cash generated from operations	119.2	113.1
Net interest	(12.1)	(10.6)
Taxation	(37.7)	(35.2)
Net capital expenditure	(60.0)	(44.9)
Free cash flow	9.4	22.4

Net Debt



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£m @ actual exchange rates	H1 2013	H1 2012
Borrowings	757.3	778.7
Cash	(123.8)	(160.2)
Net debt	633.5	618.5
<i>Net debt to EBITDA</i>	1.5x	1.6x

Liquidity Position at 30 June 2013

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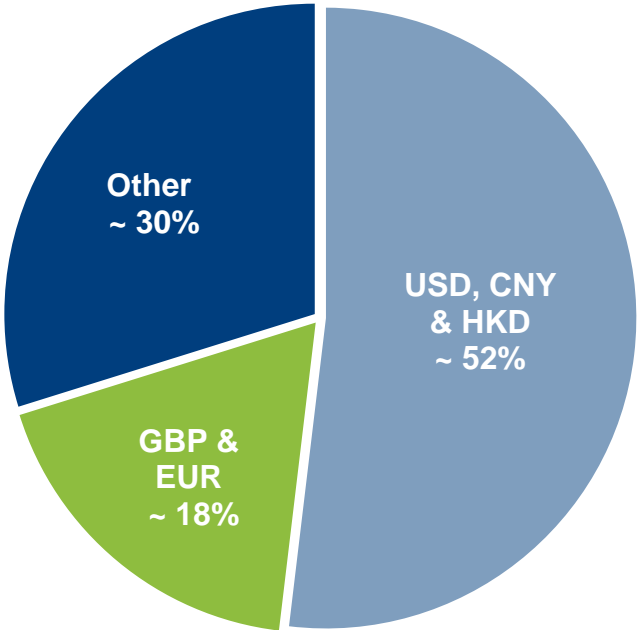
£m @ actual exchange rates	H1 2013	H1 2012
Debt facilities	976.0	925.0
Borrowings	(757.3)	(778.7)
Undrawn committed borrowing facilities	218.7	146.3
Cash	123.8	160.2
Liquid funds	342.5	306.5

Currency Analysis



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Revenue By Currency



Local currency to GBP		H1 2013	H1 2012	FY 2012
USD	↑ 2.6%	1.54	1.58	1.59
CNY	↑ 3.5%	9.62	9.96	10.01
EUR	↑ 2.5%	1.18	1.21	1.23
HKD	↑ 2.7%	11.94	12.26	12.31
AUD	↑ 0.7%	1.52	1.53	1.53
CAD	↑ 1.3%	1.57	1.59	1.59

Divisional Performance Summary

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H1 2013

£m @ constant exchange	Revenue			Margin		
	H1 13	Change	Organic change	H1 13	Change	Organic change
Industry & Assurance	356.4	10.4%	8.5%	10.7%	10bps	(10)bps
Commodities	295.4	5.0%	3.8%	10.4%	(190)bps	(210)bps
Consumer Goods	184.0	9.1%	8.6%	31.5%	(10)bps	(20)bps
Commercial & Electrical	168.0	3.9%	3.9%	15.1%	(160)bps	(160)bps
Chemicals & Pharma	80.9	9.3%	5.6%	7.7%	(140)bps	(190)bps
Group Total	1,084.7	7.6%	6.3%	14.6%	(80)bps	(100)bps