INTERTEK UNVEILS ITS INTERTEK 30 AAA GROWTH STRATEGY TO UNLOCK THE SIGNIFICANT VALUE GROWTH OPPORTUNITY AHEAD

3 May 2023, Intertek Group plc ("Intertek" and "Group"), a Total Quality Assurance provider to a range of industries worldwide, is holding a Capital Markets Event on 3 and 4 May for institutional investors and sell-side analysts. André Lacroix, Chief Executive Officer and other members of the Group's senior management team will present the Intertek 30 AAA growth strategy.

Intertek Capital Markets Event Highlights

- Intertek announces its Intertek 30 AAA growth strategy
- Stronger Portfolio poised for faster growth: targeting mid-single digit LFL revenue growth at CCY
- Plans in place to take our margin back to 17.5% peak and beyond
- Higher cash generation to fuel growth investments and deliver strong returns
- More agile organisation and high-performance capability to unlock significant value growth opportunity
- Current trading for 2023 is in line with our guidance
- Enhanced segmental disclosures

André Lacroix: Chief Executive Officer comment

"I am proud of what our colleagues have accomplished in implementing our 5x5 differentiated strategy launched in March 2016. We have made strong progress, demonstrating the power of our compelling Total Quality Assurance ('TQA') value proposition giving our clients the ATIC advantage, the effectiveness of our unique end-to-end performance management approach and the benefits of our high-quality growth earnings model. We are today setting out the Intertek 30 Amazing ATIC Advantage ('AAA') growth strategy to continue our good to great journey and unlock the significant value growth opportunity ahead.

Our clients are increasing their focus on Risk-based Quality Assurance to operate with higher standards on quality, safety and sustainability in each part of their value chain, creating higher demand for our ATIC solutions which are powered by our Science-based Customer Excellence advantage.

We have made significant progress on our portfolio which is poised for faster growth at the global level given that all business lines are expected to benefit from exciting structural growth and at the local level given our strong business line/country portfolio mix. To better reflect their respective growth drivers, we are expanding our segmentation to disclose our results in five divisions.

We are a premium operator delivering a superior ATIC customer service consistently, and we are laser focussed on margin accretive revenue growth which has always been a value differentiator in the industry. We have both proven processes and clear plans in place to take our margin back to our 17.5% peak and beyond.

We have made great progress on cash generation with conversion consistently in excess of 120% and when it comes to cash management, there is much more fuel in the tank. We expect higher cash generation to fuel growth investments and deliver strong returns as we continue to pursue accretive disciplined capital allocation.

We have made our organisation stronger over the years and our people are truly amazing. We will continue to invest in people and we now have a more agile operating structure which, combined with our high-performance capability, will enable us to execute our Intertek 30 AAA growth strategy seamlessly.

Our Intertek 30 AAA growth strategy will capitalise on the best-in-class operating platform we have built and target the areas where we have opportunities to get better. Our passionate, innovative, and customer-centric organisation is energised to take Intertek to greater heights delivering AAA performance for all stakeholders. We are focussed on delivering value consistently, targeting mid-single digit LFL revenue growth, margin accretion, and strong cash generation, while pursuing disciplined investments in attractive growth and margin ATIC spaces.

We operate a differentiated, high-quality growth business with excellent fundamentals and intrinsic defensive characteristics, giving our customers the Intertek Science-based Total Quality Assurance advantage to strengthen their businesses. Our leading ATIC solutions are mission-critical for the world to operate safely and the growth in our end-markets is accelerating. The implementation of our Intertek 30 AAA growth strategy will leverage our high-performance earnings and cash compounder model which has generated 8% annual Total Shareholder Returns over the last 10 years, to unlock the significant value growth opportunity ahead."

Intertek 30 AAA Growth Strategy at a glance

We have made strong progress between 2014 and 2022 delivering sustainable growth and value for our stakeholders and we are very excited about the significant growth value opportunity ahead, capitalising on our Science-based Customer Excellence TQA advantage.

Our clients understand the mission-critical nature of risk-based quality assurance to make their businesses stronger and we expect the demand for our ATIC solutions will grow faster post-Covid.

Our Intertek 30 AAA growth strategy is about being the best and creating significant value for every stakeholder, all the time.

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

To seize the significant growth value opportunity ahead we will be laser-focussed on three strategic priorities and three strategic enablers. Our Strategic Priorities are defined as Science-based Customer Excellence TQA, Brand Push & Pull and Winning Innovations, and our three Strategic Enablers are based on 10X Purpose-based Engagement, Sustainability Excellence and Margin Accretive Investments. We will both further improve where we are already strong and address the areas where we can get better.

Our high-quality portfolio is poised for faster growth:

- 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 have plans in place to seize the exciting growth drivers in each of our divisions

- At the local level, our country-business mix is strong, with the majority of our revenues exposed to fast growth segments

- Geographically we have the right exposure to the structural growth opportunities across our global markets

We are improving our segmental disclosures to better reflect the growth drivers in our businesses and starting from the Group’s FY2023 half year results we will report revenue, operating profit and margin in five divisions:

- Consumer Products
- Corporate Assurance
- Health and Safety
- Industry and Infrastructure
- World of Energy

Mid-single digit LFL revenue growth target

In terms of LFL revenue growth we are targeting Group mid-single digit LFL revenue growth at CCY 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

Margin back to 17.5% peak and beyond

Margin accretive revenue growth is central to the way we deliver value, and we are confident 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.

Our methodology for driving margin accretive revenue growth is deeply embedded within our operating model and is based on our '5 plus 5' margin drivers: firstly, our 5 site-level margin drivers that harness the entrepreneurial spirit of each individual team across the business; and secondly our 5 Group-level margin drivers which provide the structural framework for us to deliver sustainable margin improvements over time.

AAA Intertek Virtuous Economics

To deliver sustainable growth and value we will stay focussed on our AAA Intertek Virtuous Economics based on the compounding effect year after year of mid-single digit LFL revenue growth, margin accretive revenue growth, strong free cash-flow and disciplined investments in high growth and high margin sectors.

We believe in the value of accretive disciplined capital allocation and pursue the following priorities:

- Our first priority is to support organic growth through capital expenditure and investments in working capital (target c 5% of turnover in capex).

- 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 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 macro environment.

We have made strong progress in the last eight years and equally, the value growth opportunity ahead is significant.

The demand for our strong and differentiated ATIC value proposition is accelerating.

Our Science-based Customer Excellence TQA advantage and our stronger portfolio at the global and local level positions us well for faster growth.

Our Intertek 30 AAA growth strategy will capitalise on the best-in-class operating platform we have built and target the areas where we have opportunities to get better.

Our passionate, agile, and high-performance organisation is energised to take Intertek to greater heights delivering AAA performance for all stakeholders.

We will deliver value consistently, targeting mid-single digit LFL revenue growth at CCY, margin accretion, and strong cash generation, while pursuing disciplined investments in attractive growth and margin ATIC spaces.

Strong value delivered

A few years ago, we took the decision to reinvent ourselves, making Assurance, Testing, Inspection and Certification, or ATIC, our Customer Promise. We rebranded the Company in 2017 and positioned Intertek as Total Quality. Assured.

Our strategic goal with ATIC was to provide a better-quality Assurance customer service, given how much global trade had changed in the last 50 years. Today, companies operate in a truly global market, running complex global multi-sourcing and manufacturing operations, pursuing an omni-channel approach, when distributing their products and services globally and locally.

In 2016 we were ahead of our time and today our clients agree that our industry has changed and is now all about Risk-Based Quality Assurance powered by ATIC. Indeed, all the quality, safety and supply issues companies have faced pre and during Covid have convinced Boards and leadership teams to increase their focus on systemic risk management across their value chains.

Assurance provides the independent end-to-end data on where the quality, safety and sustainability risks are in the entire value chain of any company, while Testing, Inspection and Certification provide the critical independent quality controls in the high-risk areas of the entire value chain.

We have made strong progress between 2014 and 2022 and have delivered sustainable growth in revenue, profit, margin and dividend while operating with a robust balance sheet and delivering strong returns.

Intertek 2014-2022 Value Delivery:

Metric[1]	2014	2022	Change
External Revenue	£2,093m	£3,193m	53%
EBITDA	£400.9m	£700.6m	75%
Operating Profit (OP)	£324.6m	£520.1m	60%
OP Margin	15.5%	16.3%	80bps
EPS	132.1p	211.1p	60%
Dividend	49.1p	105.8p	115%
WC as % Revenue	9.3%	(150bps)	(10.8ppts)
FCF	£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

Faster Global Growth for ATIC Solutions

Our industry has always benefitted from attractive growth drivers and in a post-Covid world everyone wants to build an ever-better world. Corporations will invest more in quality, safety, and sustainability, accelerating the demand for our ATIC industry-leading solutions.

Indeed, based on our customer research, these attractive structural growth drivers will be augmented by:

- An increase in new clients
- Higher investments in safer supply
- Higher investments in innovation
- A step change in sustainability
- Higher growth in the World of Energy

We are seeing significant growth in the number of companies globally given the lower barriers to entry for any brand with e-commerce capabilities. The lack of Quality Assurance expertise of these young companies is excellent news for our Global Market Access solutions. Our decentralised Customer 1st organisation has a strong track record of winning new clients.

Covid is proving a catalyst for many corporations to improve the resilience of their supply chains. We are seeing a significant change of focus within our clients and how they manage their value chains with:

- Better data on what is happening in all parts of the supply chain
- Tighter risk management with razor-sharp business continuity planning
- A more diversified portfolio strategy with tier 1/2/3 suppliers
- A more diversified portfolio strategy regarding factories
- Investments in processes, technology, training, and independent assurance

Our superior Assurance offering means we are well positioned to help our clients reduce the intrinsic risks in their operations.

Our clients have also realised that they need to invest more in product and service innovation to meet the changing needs of their customers. A recent survey by Gartner shows that 60% of R&D leaders expect to increase their R&D investments in 2023. These investments in innovation mean a higher number of SKUs and a higher number of tests per SKUs – which will be beneficial for our Products division.

The other major area of investment inside corporations is of course sustainability and we are seeing positive momentum with new and emerging regulation. This means companies will have to re-invent the way they manage their sustainability agenda with a greater emphasis on independently verified non-financial disclosures. This is excellent news for our industry leading Total Sustainability Assurance solutions. Sustainability is the movement of our time.

The growth opportunities in the World of Energy are truly exciting as the energy companies are planning higher investments. In 2022, we all have witnessed the concerns reflecting energy security, and everyone agrees that global energy production capacity is an issue that needs to be addressed quickly to meet the growing demand for energy. Given the under-investments in traditional O&G exploration and production in the last decade and the lack of scale for Renewables, investment for production in traditional O&G and in Renewables will increase. This is excellent news for our Caleb Brett and Industry Services businesses.

Capitalising on our strengths to accelerate growth

On our good to great journey and to seize these exciting growth opportunities, we plan to capitalise on our strengths.

There are several areas where we believe we are best in class:

- We are purpose-led and operate with a 10X Culture.
- We are positioned as the Risk-based Quality Assurance leader.
- We deliver a superior customer service 24/7.
- We do business the right way, operating in every part of the Group with strong financials and corporate controls.
- Our proven performance management discipline is systemic.
- We are a pioneer, always leading the industry with innovations.
- We have a highly differentiated and winning TQA value proposition.
- Our people are amazing and Science-based Customer Excellence TQA Advantage is our unique competitive advantage

We have built a best-in-class operating platform which is a major asset to capitalise on and seize the demand acceleration for our ATIC solutions unlocking the significant value growth opportunity ahead.

Intertek 30 AAA growth strategy to unlock the significant value growth opportunity

We are a passionate, high-performance organisation and being the best in everything we do is what will guide us to unlock the significant value growth opportunity ahead.

We believe that winning in every business is about being much better at what you are already the best at, while addressing your opportunity areas.

Getting better at what we are the best at starts of course with ATIC, our competitive advantage. We were ahead of our time when we introduced ATIC a few years ago and we have made a lot of progress with our clients. Equally, the opportunities to provide an ever better customer service cross-selling our ATIC solutions and increasing our share of ATIC wallet with every client are truly exciting.

At the heart of our Intertek 30 AAA growth strategy is to always give our clients an Amazing ATIC Advantage to strengthen their business. We have branded our Intertek 30 good to great strategy 'AAA', which stands for Amazing ATIC Advantage.

AAA is much more than being the best in terms of customer service. AAA is about delivering significant value for every stakeholder by simply being the best with each of them all the time.

- 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 demonstrate sustainability excellence everywhere in our community.
- We want to deliver significant growth and value for our shareholders.

AAA will be evolutionary in its approach, capitalising on our strengths and doing things differently to take the Company forward.

We are a purpose-led company and the meaning of what we do is important for all of us. Our Purpose of **Bringing Quality, Safety and Sustainability to Life** means that we are mission-critical to society.

Our Vision is very demanding: **to be the world's most trusted partner for Quality Assurance.**

Our Goals are focussed on delivering sustainable growth and value for our shareholders.

- We expect the demand for our ATIC solutions to be stronger in a post-Covid world. We are targeting mid-single digit LFL revenue growth at CCY.

- Margin accretive revenue growth is central to the way we create value. We have both the processes and plans in place to go back to our 2019 peak margin of 17.5% and beyond.

- Every day, in every part of our organisation we apply with discipline our Intertek Virtuous Economics model which is based on the compounding effect year after year of LFL revenue growth, margin accretive revenue growth, strong free cash-flow and disciplined investments in high growth and high margin sectors.

To achieve these goals, we will pursue three strategic priorities and three strategic enablers.

- Our three strategic priorities are defined as Science-based Customer Excellence TQA, Brand Push & Pull and Winning Innovations.

- Our three strategic enablers are based on 10X Purpose-based Engagement, Sustainability Excellence and Margin Accretive Investments.

Stronger portfolio poised for faster growth

When we announced our 5x5 strategy in 2016, we articulated our growth and margin accretive portfolio strategy based on 3 types of opportunities, within our business lines and countries.

- Our first priority was to **strengthen our core** by growing our scale growth businesses.
- Our second priority was to **invest in growth** targeting the fast-growing businesses.
- Our third priority was to **improve** the performance of underperforming businesses.

We are pleased with the progress we have made in our business lines' portfolio between 2014 and 2022, with the 12% CAGR in our fast-growing businesses and the 2.5% CAGR in our scale growth businesses. There is no question that the reduction in oil & gas exploration and production capex impacted the revenue performance of our underperforming businesses, primarily Industry Services negatively which will not be the case moving forward.

Our country portfolio got stronger. Our scale growth segment made up of North America and Greater China grew by 3.8% CAGR, our fast-growing segment of South Asia, South East Asia, Middle East and Africa, grew by 9.3% CAGR and our improve segment, comprising Europe and Australia, grew by 4% CAGR.

Looking at our portfolio through our Product, Trade, Resources divisions and our ATIC portfolio, the centre of gravity of the Group has moved toward high margin sectors. This is in line with our accretive portfolio strategy, which delivered strong growth with Products and which significantly increased exposure to our Assurance solutions.

The financial impact of our accretive portfolio strategy at the Group level has been strong, as we have added £1.1bn of revenue and £200m of operating profit during the eight-year 2014-2022 period while growing our dividend double-digit.

Our differentiated TQA value proposition has made a huge contribution to the strengthening of our portfolio. Our TQA value proposition is unique as we offer a systemic approach to our clients in quality, safety and sustainability with industry leading ATIC solutions.

Our Science based Customer Excellence TQA advantage is a powerful portfolio advantage to accelerate growth, given that our clients are increasing their investments in risk-based quality assurance.

We have many opportunities to increase our ATIC share of wallet with existing customers which demonstrates the power of our ATIC portfolio opportunity and our ability to continue to create value growth.

We are entering our next phase of growth with a high-quality growth portfolio which enables us to provide our 400,000+ customers with leading ATIC solutions in each of our global business lines in 100+ markets.

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

Moreover, 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. Given our superior ATIC customer service, we enjoy strong and lasting relationships with our clients.

Margin accretive investments to take our portfolio to new heights is one of the 3 strategic enablers of our Intertek 30 AAA growth strategy.

We just concluded an in-depth strategic review of our portfolio, and we are really pleased with the progress we have made.

Global portfolio

Our global portfolio is stronger than ever and over the two days, we will set out in detail the growth opportunities in our global business lines:

Business Assurance
FY22 Revenue: £450m

Business Assurance is central to our ATIC offering and remains one of the most exciting sectors within Intertek, given the increased focus on operational risk management within the value chain of every company. Making the value chains more resilient and more sustainable is the number one priority of any risk committee, and we have the Assurance solutions that our clients need now.

Softlines
FY22 Revenue: £248m

Our Softlines business is the industry leader in terms of scale, technical expertise, customer service and TQA offering. We will increase our ATIC share of wallet with existing customers, leveraging our Risk-based Quality Assurance solutions, our Corporate Sustainability offering and our SaaS platforms. We will also benefit from the go-to-market assurance needs of new brands entering the market.

Electrical and Connected World
FY22 Revenue: £468m

Our Electrical business was created by Thomas Edison and leads the industry around the world. The electrification of society means that our Electrical business is central to all changes in the world's energy. Also, we will benefit from the exciting growth of smart products, medical devices, AI and robotics.

Food
FY22 Revenue: £95m

Our Food business is strong locally and mid-size globally. The food industry is an attractive industry for us as it is highly regulated, but local authorities do not have the funds to secure regulatory enforcements. That's why there are so many public high profile quality scandals which create tremendous reputational issues for brands and governments. Food will continue to be a fast-growing business for Intertek.

Industry Services
FY22 Revenue: £383m

Our Industry Services business will also be a fast-growing business for Intertek. The lack of Capex investments in Oil and Gas, Exploration and Production and the slow investments in renewables have created energy supply issues. Renewables represent less than 10% of the world's energy supply and given the expected growth in demand, energy companies have to increase both the investments in traditional Oil and Gas production assets as well as in renewables.

Building & Construction (B&C)
FY22 Revenue: £345m

We scaled-up our B&C business in North America with the acquisition of PSI in 2015. We have seen good growth in the last few years and moving forward, what we call 'Greener US' will be a major opportunity for us. The various bills passed recently in Washington are triggering a level of manufacturing and infrastructure investments which will be a game changer for the US.

Hardlines
FY22 Revenue: £180m

Our Global Hardlines business is a global leader with a scale expertise and ATIC offering advantage. We will benefit from significant growth opportunities in the toy segment and the furniture segment. Smart toys are growing fast and importantly, the number of tests per toy is higher, impacting our margin favourably. We have excellent customer relationships within the furniture segment and we will continue to benefit from the investments households are making to improve quality of life at home.

Transportation Technologies (TT)
FY22 Revenue: £129m

Global mobility will continue to increase, with greener mobility gaining share. We will benefit from the R&D investments that all OEMs are planning to make in Full Electric or Hybrid cars. We will also benefit from the improvement in traditional combustion engines to deliver high performance with greener fuels and greener lubricants. These are excellent prospects for our TT business.

Caleb Brett
FY22 Revenue: £492m

Greener fuels is one of the main growth opportunities for Caleb Brett and we have the ATIC capability to support our clients with biofuels, sustainable aviation fuels, synthetic fuels, and hydrogen. Greener fuels require a more complex testing technical protocol and is higher margin for us. We will also benefit from the overall growth in demand for crude and refined products as we expect developing countries to expand their oil and gas production/refining infrastructure.

Minerals
FY22 Revenue: £150m

Our Minerals business is leading the industry in several regions where we have established a strong position in terms of scale, technical expertise and offering which, combined with our advanced levels of automation and operational excellence, provide us with strong returns. Our Minerals business will benefit from the growth in global infrastructure and from the growing demand for greener minerals supporting the global energy transition.

Government and Trade Services (GTS)
FY22 Revenue: £67m

Global Market Access for businesses remains a major concern, as most companies have centralised their quality assurance expertise in their global Headquarters and have sub-contracted the manufacturing of their products. In a world where consumers can be very vocal on social media about any quality, safety, sustainability issues of the products they buy, our clients need more than ever the independent inspection services of our GTS business to operate safely. We have the global network, the technical expertise, and solutions companies need to go to market.

AgriWorld
FY22 Revenue: £76m

The growth of our AgriWorld business has been impressive and there are many more growth opportunities given our mid-size scale globally. We have a strong end-to-end ATIC offering which, combined with our superior customer service, has enabled us to win major contracts over the years. Eating safe food starts with getting the right ingredients in the factory or in the kitchen preparing meals. The lack of enforcement of food safety standards by local authorities, is a significant structural growth driver for our Agri and Food businesses. Our AgriWorld business will continue to grow rapidly.

Local portfolio

Building on the strength of our global business line portfolio, we are extremely well positioned for faster growth when looking at our portfolio at the local level, given our stronger business line/country mix.

During our strategic review we have spent quality time as a team discussing the performance of our top c.450 country business lines in the last few years and importantly, the growth opportunities moving forward. The conclusion of this review is that, at the local level, we have a high-quality portfolio which is poised for faster growth. The outcome of our strategic review has resulted in the following powerful insights:

- 55% of our revenue is in the **fast-growing segment** which has the potential to grow LFL revenue at high-single digit/double-digit

- 35% of our revenue is in the **scale growth segment** which has the potential to grow LFL revenue at low-single digit/mid-single digit

- 10% of our revenue is in the **improving performance segment** where we expect the LFL revenue growth to be between flat and low single-digit

We have streamlined our organisation at the country level to make the management of our local portfolio more agile by leveraging our scale and capitalising on our business line expertise at the regional level.

Our portfolio will play a major role to deliver the significant growth value delivery. All global business lines are targeting margin accretive revenue growth and our new organisation will enable us to be more impactful when implementing our margin accretive growth plans at the local level.

Achieving over time and strengthening the number 1 or number 2 position in the local market and/or global basis remains our strategic goal as well as a significant opportunity. We have achieved this position in many parts of our business and when this is the case, our main focus area is about strengthening our leadership positions. We have many parts in our portfolio where we have not achieved this goal at the local and/or global area, which is a very exciting opportunity. In both cases, we have developed, as part of our AAA portfolio strategy, compelling margin accretive growth plans to achieve these goals over time.

We will be looking at both organic and inorganic opportunities to achieve these goals. Our M&A strategy is central to our AAA portfolio strategy to complement our organic margin accretive growth plan, with the view of expanding or accessing new IP that we can scale up or expand our geographic footprint.

We are very proud of the high-performance capability which we have built with our 5x5 strategy. We believe that the capability investments we have made have enabled us to build our industry leading operating platform. Our strong operating platform is underpinned by our global network, highly skilled colleagues, well-documented operational and corporate processes, state of the art equipment in our operations and leading IT infrastructure.

The growth we expect will require continuous investment in our network, people, processes, equipment, and IT. We will therefore continue to invest in capability to make sure that we continue to operate with the best operating platform in the industry.

We will stay very focussed on our disciplined capital allocation approach to make sure we invest in growth delivering strong returns.

Margin back to 17.5% peak and beyond

Over many years, Intertek has operated with a differentiated margin management approach which gives us the foundation and confidence in our plans to return to our peak margin of 17.5% and beyond. Our approach to margin accretion is built on three core fundamentals:

- We have the tools and processes in place to drive margin accretive revenue growth.
- While we have made strong progress on productivity over the last 8 years, a significant span of performance opportunity remains – within business lines and across countries.
- We pursue a margin and growth accretive portfolio investment strategy.

Our methodology for driving margin accretive revenue growth is deeply embedded within our operating model and is based on our “5 plus 5” margin drivers: firstly, our 5 site-level margin drivers that harness the entrepreneurial spirit of each individual team across the business; and secondly our 5 Group-level margin drivers which provide the structural framework for us to deliver sustainable margin improvements over time.

Our five site-level margin enhancement drivers are:

1. Volume, price, mix management: Every site across the Group is empowered to maximise the intrinsic value of our science-based expertise at its disposal. Our analytical tools provide the framework for our sites to get the right insight to improve sequentially.
2. Fixed cost capability management: The strong and scale market positions we have in many markets are combined with the rigorous site-level optimisation of our fixed cost base to drive economics of scale advantages. Continued disciplined investment in our fixed asset base also ensures we reduce the like-for-like cost of operational delivery.
3. Variable cost capability management: Each of our sites consistently adopts a kaizen approach to process re-engineering to improve productivity. Local efficiency initiatives are complemented with a global approach to larger-scale procurement to optimise costs.
4. Team-based Planning for 10Xcellence: Planning for 10Xcellence is our proprietary team-based integrated end-to-end model for optimising supply and demand management. Our approach enables full visibility and alignment of all our site-based teams in the value chain - from sales to scheduling to production to billing.
5. Short-term incentives: Each of our sites have annual revenue and profit targets which form the basis of annual incentives to drive year-on-year revenue and margin growth.

Our five Group-led margin enhancement drivers are:

1. Pricing discipline: Our customer relationships are deep, long lasting and with high retention rates, which over time has positioned Intertek as a premium operator.
2. Portfolio optimisation: We pursue a growth and margin accretive portfolio investment strategy. Over the last 8 years we have increased the Group’s exposure to high growth and high margin segments – in 2022, 63% of revenue was generated in the Products sector and 20% within the attractive Assurance service segment.
3. Disciplined performance management: Our approach to performance management is highly disciplined and fully embedded into the standard operating procedures of the Group. We have a clear daily, weekly, monthly cadence which is applicable at every layer of the organisation, driving superior insight and action planning.
4. IT productivity-led initiatives: Our IT investment strategy and initiatives are broad based and support our margin accretion strategy across multiple pillars. These pillars include laboratory-level productivity; digitising the customer experience; and back-office efficiency improvements.

5. Short and long-term incentives: Our annual short-term incentives apply at every layer of the organisation and reward year-on-year improvements in revenue, profit, ROIC and Co2 intensity. These are complemented by our long-term incentive plans which are designed to drive sustainable growth in EPS, ROIC and free cash flow.

Accretive disciplined capital allocation

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 (target c 5% of revenue in capex)

- 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 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.

Improved segmental disclosures

To reflect the value creation drivers identified in the Intertek 30 AAA growth strategy, we are improving our segmental disclosures and will report our revenue, operating profit and margin in five divisions.

Our Consumer Products division will focus on the ATIC solutions we offer to our clients to develop and sell better, safer, and more sustainable products to their own clients. This division was 31% of our revenue in 2022 and will include the following business lines: Softlines, Hardlines, Electrical/Connected World and GTS. We expect it to grow LFL revenue low to mid-single digit.

Our Corporate Assurance division will focus on the industry agnostic Assurance solutions we offer to our clients to make their value chains more sustainable and more resilient end to end. This division was 13% of our revenue in 2022 and will include Business Assurance and Assuris. We expect it to grow LFL revenue high-single to double digit.

Our Industry and Infrastructure division will be focussed on the ATIC solutions our clients need to develop and build better, safer and greener infrastructure. This division was 26% of our revenue in 2022 and includes Industry Services, Minerals and B&C. We expect it to grow LFL revenue mid- to high-single digit.

Our Health and Safety division will focus on the ATIC solutions we offer to our clients to make sure we all enjoy a healthier and safer life. This division was 9% of our revenue in 2022 and includes our AgriWorld, Food, and Chemical and Pharma business lines. We expect it to grow LFL revenue mid- to high-single digit.

Our World of Energy division will focus on the ATIC solutions we offer to our clients to develop better and greener fuels as well as renewables. This division was 21% of our revenue in 2022 and includes Caleb Brett, TT and CEA. We expect it to grow LFL revenue low to mid-single digit.

We will also evolve our regional segmentation disclosing revenue twice a year for the Americas, EMEA as well as APAC which represented respectively 38%, 26% and 36% of our revenue in 2022.

We will continue our ATIC segmentation and provide the revenue split every year moving forward.

Our Trading statement in a few weeks will use the current Product, Trade and Resources (PTR) disclosure and we will start reporting based on our new divisions when we announce our 2023 half year results. We will publish on our website in June 2023 comparative data for 2019 and 2022 under the new divisional segmentation. To make the analysis of our current year easier, we will also continue to report our 2023 results using PTR.

2023 outlook

Current trading for 2023 is in line with our guidance.

- We continue to expect the Group to deliver mid-single digit LFL revenue growth at constant currency driven by good LFL revenue growth in Products and Trade and robust LFL revenue growth in Resources and are targeting margin progression, in both H1 an H2.

- 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 FY23 financial net debt to be in the range of £630-680m

We will report trading for January to April 2023 on 24 May 2023.

~ENDS~

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