



## TRADING STATEMENT

21 May 2020

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 2020 ("period"). All comparative comments in this statement reflect comparisons with the corresponding period during 2019. The Group's half year results to 30 June 2020 will be announced on 31 July 2020.

### WELL POSITIONED TO NAVIGATE AN UNPRECEDENTED PANDEMIC

- Responsive to a fast changing environment with organisational focus on employee safety, customer service, cost control, cash generation and employee engagement.
- Uninterrupted customer service to keep the supply chains of our clients operating safely and launch of industry-leading innovations to meet the emerging needs of our customers.
- Resilient trading performance with Revenue of £882m, down 4.6% year-on-year ("YoY") both at constant and actual rates, with Like-for-Like ("Lfl") revenue down 4.9% YoY at constant currency: Product -6.6%, Trade -5.9%, Resources +2.4%.
- Well diversified revenue streams, high-margin, strong cash generative earnings model with a track record of sustainable value creation and a strong balance sheet with year-end net financial debt currently expected to be in the range of £650-700m.
- Well positioned to benefit from the increased needs of employees, consumers and governments for Health, Safety and Wellbeing Assurance solutions, creating additional growth opportunity in the attractive Global Quality Assurance market.

### André Lacroix: Chief Executive Officer statement

"Intertek's high quality business model operates across multiple sectors of the economy and we have provided uninterrupted customer service to our 300,000+ clients, ensuring the safe operation of their supply chains around the world, which is mission-critical for them. Our high quality earnings model, with its diversified revenue streams and focus on high margins, results in strong cash generation and a robust balance sheet, all underpinned by a disciplined approach to performance management. The Group operates a progressive dividend policy with a targeted payout ratio of circa 50%. The 2019 final dividend of 71.6p or £115m will be paid on 11 June 2020.

Our resilient trading performance over the first four months of 2020 reflects the defensive strengths of our business model. Revenue of £882m was down 4.6% year-on-year at actual rates and constant rates with a Lfl revenue performance down 4.9% YoY at constant currency.

Notwithstanding the impact of the pandemic, I am confident in our ability to navigate what will be a challenging 2020. We have responded quickly to the global changes seen since January 2020 and have put in place the right measures on health and safety, customer service, cost controls, cash management and employee engagement. Nevertheless, it is too early to quantify the impact of Covid-19 and we will provide an update on our full year guidance once we have more visibility on how and when current lockdown restrictions around the world will be lifted.

The exciting structural growth drivers in the \$250bn Global Quality Assurance Market pre-Covid-19 have now been joined by a wide array of new opportunities in many areas. These range from health, safety and wellbeing-oriented Quality Assurance in the workplace, public spaces and the home, to the growing demand in the healthcare sector for PPE, new medical devices and stronger infrastructure. Further, we are seeing the increasing need for risk management across supply chains and more robust protection against online piracy and other cyber threats in a connected world.

A recent example of this is the launch of our truly pioneering new innovation called Protek, the world's first systemic, end-to-end Health, Safety and Wellness audit, inspection and certification assurance program for people, at work in public spaces and at home. [www.intertek.com/protek](http://www.intertek.com/protek)

We are a strong company with more than 130 years of experience, driven by a clear purpose with a committed management team to seize the attractive structural growth opportunities ahead as Quality, Safety and Sustainability become ever more important to society. Intertek's purpose is to make the world a better and safer place. Never has our purpose been more relevant than now."

**intertek**  
Total Quality. Assured.

## Revenue Performance

	4 months – January to April				
	2020 £m	2019 £m	Change at actual	Change at constant	Like-for-Like at constant <sup>1</sup>
Products	519.9	549.7	(5.4%)	(6.1%)	(6.6%)
Trade	200.8	216.0	(7.0%)	(5.9%)	(5.9%)
Resources	160.9	158.6	1.5%	2.4%	2.4%
<b>Group</b>	<b>881.6</b>	<b>924.3</b>	<b>(4.6%)</b>	<b>(4.6%)</b>	<b>(4.9%)</b>

Note 1: Like-for-Like revenue includes acquisitions following their 12 month anniversary of ownership and excludes the historical contribution of any business disposals and closures.

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### Analysts' Call

A live webcast for analysts and investors will be held today at 7.45am UK time; +44 (0) 20 3003 2666 ([Link to webcast](#)). Details can be found at <http://www.intertek.com/investors/> together with presentation slides and a pdf copy of this report. A recording 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 and 46,000 people in more than 100 countries, delivers innovative and bespoke Assurance, Testing, Inspection and Certification solutions for our customers' operations and supply chains.

Intertek is a purpose-led company to *Bring Quality, Safety and Sustainability to Life*. We provide 24/7 mission-critical quality assurance solutions to our clients to ensure that they 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)

In a few short weeks, Covid-19 has had a big impact on our lives and in our communities - nationally and globally. On behalf of everyone at Intertek, I salute healthcare and frontline workers around the world for their magnificent response to the global pandemic we are witnessing. Our own people too, have shown deep compassion supporting local people around the world to keep their communities safe.

I lead a business that, at its core, is about bringing Quality, Safety and Sustainability to life.

It has become clear to all of us that our role at Intertek has never been more relevant in making the world a better, safer and more sustainable place. In short, the pandemic has brought to life as never before the great importance of Intertek's role in society.

We are, of course, not immune to the impact of the Global Pandemic. However, I am confident in our ability to navigate what will be a challenging 2020 for the world and to benefit post Covid-19 from more attractive growth opportunities as the world will need more of Intertek's services.

### **STRENGTHS**

We are a strong company operating in an attractive growth industry, with a track record of consistent value creation.

We are a global leader in the Quality Assurance market operating with a high-quality business model:

- We operate a Global Network of well invested State-of-the-Art operations in 100 + countries run by innovative subject matter experts - a significant pool of intellectual capital
- We benefit from diversified revenue streams, both geographically and across several end-markets verticals in the Products, Trade and Resources sectors where we operate at scale with market-leadership positions
- We provide our clients with a real depth and breadth of our ATIC Quality Assurance Solutions that will be ever more mission-critical to society
- We run a high-performance and passionate organisation, with strong and engaged talent operating with an Ever-Better mindset
- We operate a high-margin and strongly cash generative earnings model following a disciplined capital allocation policy

We entered 2020 with a strong momentum and track record of consistent performance over the last 5 years. Indeed, between 2014 and 2019 (on an IAS 17 basis):

- Our revenue has grown by 43%
- Our operating margin has increased from 15.5% to 17.2%
- Our adjusted EPS has grown by 60%
- Our cash generation has more than doubled
- Our ROIC has progressed from 16.3% to 22.8%
- Our employee productivity has increased by 21%

The Group operates a progressive dividend policy with a targeted payout ratio of circa 50%. Intertek ranks 2nd highest in the FTSE100 in-terms of dividend progression since the IPO in 2002. The 2019 dividend is 105.8p, up YoY by 6.8% and we will pay our final dividend of 71.6p or £115m on 11 June 2020.

The consistent delivery of value for all stakeholders, inspired by our purpose of Bringing Quality, Safety and Sustainability to Life, clearly demonstrates the core strengths of Intertek:

- Our Total Quality Assurance superior customer service
- Our powerful portfolio
- Our high-quality compounder earnings model
- Our passionate customer-centric organisation
- Our disciplined performance management

## RESPONSIVE

We have been very responsive to a fast changing environment and have established five critical priorities.

Our first priority is health and safety.

The specific Covid-19 HSE policy we have covers the following areas globally:

1. The use of personal protection equipment, including face masks
2. Hygiene, control and prevention measures
3. Social distancing and restrictions on gatherings
4. The sanitisation of facilities
5. Guidance for visitors to our facilities
6. Guidance for those of our employees who work at client premises
7. Restrictions on international travel
8. Guidance on what to do if you feel unwell
9. Working from home for non-billable employees
10. Health monitoring for employees who are unwell

Our second priority is customer service.

We are a passionate and customer-centric organisation. We always do everything we can to provide our customers with the best possible service. What we do every day to make sure the supply chains of our clients operate safely in all countries is mission-critical.

The Covid-19 lock down measures have created huge operational challenges for all of our clients. We have kept all of our operations open - with the exception of China, Hong Kong and India for a few weeks - to provide maximum support to our clients during these very difficult times.

Since day one of the pandemic, we have increased the frequency of communication with our clients to make sure we understand their needs quickly. We have rapidly brought to market a range of innovations to support the new emerging needs of our clients, innovative customer services across many industries to help our clients address their operational and supply chain challenges:

- Remote Video Inspection and Audit enabling our inspectors and auditors to do their job remotely
- Priority testing service for life-saving medical equipment like ventilators leveraging our global leadership
- End-to-End testing and certifications capacity for protective clothing and other PPE equipment
- Increased testing capacity and express service for hand sanitisers and surface disinfectants
- Support to the Pharma industry for Vaccine development
- Support to the Oil & Gas industry addressing the Covid-19 related challenges
- Cyber security audit related to home working conditions
- Support to various governments in their Covid-19 safety efforts

On 1 May, we launched a truly pioneering new innovation. Our view, supported by our most recent research, is that Health, Safety and Wellbeing in the workplace, in public places, on public transport, and at home is the number one concern for the entire world.

Indeed, our research found that over 70% of employees do not want to return to work once restrictions are lifted unless independently verified health and safety practices are in place.

91% of respondents agreed that their employer should take extra measures to protect employees. Yet over half of senior managers believe that they will struggle to provide an acceptable health and safety standard for employees when they do return to the workplace.

Across the consumer industries landscape, only 24% of respondents feel confident about visiting a bar or restaurant once restrictions are lifted and only 27% feel confident about visiting hotels.

56% do not trust cinema and theatre operators to have sufficient health and safety practices in place to prevent the spread of Covid-19, with this figure rising to 57% for airlines and 59% for public transport.

That is why we launched Protek, the world's first industry-agnostic, end-to-end Health, Safety and Wellbeing Audit, Inspection, Testing and Certification Assurance program. For people, at work, in public spaces and at home.

Protek is based on our systemic approach to quality assurance. It is a comprehensive service offering, providing audits, training and service solutions across People, Systems & Processes, Facilities, Materials & Surfaces and Products.

Protek People Assurance provides an on-demand, e-Learning and certification programme to help our clients deliver essential employee training on key health and safety topics. Specific learning and certification solutions include modules on how to use face masks, gloves and PPE, and courses on food safety, hygiene, cleaning and prevention.

Our Protek Business Assurance solutions provide an end to end audit of operating procedures and systems enabling our clients to demonstrate their commitment to the wellbeing of their employees and their consumers.

Protek Facilities Assurance offers HSE Audit and Inspection solutions for all types of facilities, from hotels, restaurants and retail outlets to schools, transportation hubs and manufacturing sites where consumers and employees will look for visible safety verification.

Protek Materials & Surfaces provides complete testing solutions to ensure spaces, materials and surfaces are safe for employees and customers in the workplace and public spaces.

The reactions of our clients around the world to Protek has been very strong, as Protek is very much in line with what the world needs, right now.

I am tremendously proud of our teams and in addition to the development and launch of attractive Covid-19 related innovations, our people have taken the time to support their communities in Wuhan and around the world.

At Intertek we believe that we are *Born to Make the World Ever Better* and our sustainability initiatives are part of our DNA.

Our third overriding priority is margin management.

Over the years, we have built a very disciplined approach to margin management. We continue to observe our strict controls on pricing and cost discipline. We have also taken a number of additional steps to protect our margin during the pandemic. These include a pause on all recruitment, a delay of six months of the 2020 annual salary increase and furlough activities in the UK, France and Italy based on the existing government schemes.

We believe that our clients have been facing temporary disruptions in their operations and all of our margin initiatives ensure that we have the ability to service our clients fully when their operations are back to normal.

Fourth is cash management.

All our stringent controls on cash collection remain in place. We have also conducted a Capex review to delay those investments that are not time critical, reducing our planned expenditure this year by around one-third.

In addition, we are running a voluntary salary-deferral scheme for management, running from March to October. This involves a 50% deferral for our Board Members and Executive Vice Presidents, 30% for our Senior Vice Presidents and 20% for management.

I have been extremely impressed by circa 1,200 individuals' willingness to support the business at this difficult time.

We have also benefitted from local authorities' tax deferrals, where available.

Our fifth priority is employee engagement.

With a high proportion of our people working remotely, it has never been more important to stay connected every day. Our world-class digital communication platform has been instrumental in this, enabling us to reach out frequently to everybody in the organisation. We have our own internal social media channel called WhatsIn and every day, we feature an Intertek Hero video to recognise Intertek colleagues who have gone beyond normal expectations to help their customers and colleagues.

I post a personal audio message on WhatsIn to the whole organisation on a weekly basis and have daily calls with our regional teams around the world.

## **TRADING PERFORMANCE**

We have delivered a resilient trading performance in the first four months of 2020. This demonstrates the strengths of our business model, our geographic and business line diversity and our disciplined approach to performance management.

Group revenue in the first four months was £882m, down 4.6% at both constant currency and at actual rates with a resilient LfL revenue performance of 4.9% below prior year at constant rates.

Our disciplined approach to cost and margin management remains firmly in place.

We continue to be very focused on cash conversion and disciplined capital allocation.

Our Product related businesses delivered a resilient revenue performance of £520m, down 6.1% at constant currency with a LfL revenue performance of 6.6% below prior year. Clearly some businesses performed better than others, for example Electrical, Transportation Technologies, Building & Construction and Business Assurance while understandably some were impacted more significantly, for instance Softlines and Hardlines.

In our Trade business, we delivered a revenue of £201m, with a resilient LfL revenue performance of 5.9% below prior year at constant currency. I would like to highlight the strong resilience of our Agri business in the first four months of the year.

Our resources-related businesses delivered a good trading performance with a LfL revenue growth of 2.4% at constant currency. We were extremely pleased with the good LfL growth in Capex Inspections and robust LfL revenue growth we saw in Minerals.

## **OUTLOOK**

The speed at which the global pandemic has unfolded and the broad-based nature of the lockdown initiatives in every country makes it difficult to attempt any precise guidance and it is too early to quantify the impact of the Coronavirus for 2020.

We will provide an update on our full year guidance once we have more visibility on when and how the lockdown restrictions will be lifted around the world.

## **SUMMARY**

Quite simply, our role of bringing quality, safety and sustainability to life has never been more important. We are mission-critical to making the world ever-better and ever-safer.

The global pandemic is demonstrating that the world needs Intertek more than ever – our insight, our innovation, our expertise and our passion.

By staying open for business during the pandemic, we have enabled companies to operate safely, wherever they are.

Of course, we do not yet know how long it will take for all lockdown measures to be lifted and how long we will have to wait for a vaccine or a cure. But just consider for a minute how the pandemic will continue to affect the way people lead their everyday lives.

How will we know if a home delivery is clean, if we will be safe in a restaurant, if our children are risk-free at school – if it is even safe to have a family reunion?

In short, Health, Safety and Wellbeing issues are now the number one concern for the entire world.

This is not going to go away anytime soon.

So, what does this mean for Intertek?

Before any of us had heard of Covid-19, the global structural growth drivers in the Quality Assurance space were already very attractive for Intertek:

- The Total Quality Assurance market is worth \$250bn, yet only 20% of this market is currently outsourced
- The global operations of corporations are complex, and this is driving more demand for end-to-end quality assurance services as companies increase their focus on systemic operational risk
- This untapped market potential is really exciting, as this is all about what companies do not do today and will start doing to improve the quality, safety and sustainability of their operations.

Now, following the first pandemic to take place in a highly connected global world, the case for Quality Assurance is even stronger. It is clear that the need for solutions that make the world a better and safer place is much greater than anybody had previously imagined.

The exciting structural growth drivers pre-Covid- 19 have now been joined by a wide array of new Quality Assurance opportunities in many areas:

- Health, Safety and Wellbeing-oriented quality assurance in the workplace, in public spaces and in the home
- Growing demand in the healthcare sector for PPE, for new medical devices and stronger infrastructure
- An increasing need for risk management in the supply chain to diversify the approach to sourcing
- A changing corporate environment where working remotely will create new operational risks
- A changing retail landscape where the growth of e-commerce will create supply chain management challenges
- A changing approach to investments and research in the healthcare sector

That world will need us more than ever. Intertek stands to benefit from all of these opportunities and more. We are truly mission-critical for success in the entire society post-Covid-19 world.

## Products Divisional Review

Our Product related businesses delivered a resilient revenue performance of £520m, down 6.1% at constant currency with a LfL revenue performance of 6.6% below prior year. We operate a diversified global portfolio of several end market verticals with leadership market positions and we benefited from the strong resilience of several business lines: Electrical & Connected World, Business Assurance, Building & Construction, Food and Transportation Technologies.

- We saw a double-digit decline in LfL revenue in our **Softlines** business due to the supply chain disruption in China and India and the temporary closures of non-food retailers in Western Europe and North America, which was partially offset by continuous growth in e-commerce and increased demand for testing protective equipment.
- Our **Hardlines** business saw a double-digit negative LfL revenue performance due to the supply chain disruption in China and the temporary closures of non-food retailers in Western Europe and North America which was partially offset by strong growth in e-commerce, good demand for toys testing and increased demand for the testing of protective material.
- We delivered a stable LfL revenue performance in our **Electrical & Connected World** business as the negative impact of the supply chain disruption due to the lockdown measures around the world has been offset by higher demand for regulatory standards in energy efficiency, the increased demand for testing and certification of medical devices, the increased testing requirements for 5G and greater corporate focus on Cyber security.
- Our **Business Assurance** business delivered a resilient LfL revenue performance with mid-single digit negative revenue performance. The temporary factory and office closures in several of our markets has triggered a delay of several audits to later in the year which was partially offset by the attractive growth in Supply Chain Assurance, the continuous focus on ethical supply, the increased needs of corporations for sustainability assurance, the strong growth in our People Assurance segment and the launch of remote audit solutions.
- Our **Building & Construction** business delivered stable LfL revenue. In the first quarter we delivered good LfL revenue growth in North America as we continue to benefit from the growing demand for more environmentally friendly and higher quality building as well as the strong investments in large infrastructure project, while we saw a temporary reduction of building and construction activities in April due to lockdown activities.
- Our **Transportation Technology** business delivered stable LfL revenue. We recorded good LfL revenue growth around the world in the first quarter based on the continuous investments of our clients in new powertrains to lower CO<sub>2</sub>/NO<sub>x</sub> emissions and increase fuel efficiency which was partially offset for lower demand for testing in April due to the lockdown activities in Western Europe and North America.
- Our **Food** business delivered a resilient LfL revenue performance with a mid-single digit decline in revenue. The supply chain disruptions across several markets impacted the demand for the testing of new products which was partially offset by the sustained demand for food safety testing activities to keep food supply chains functioning during the pandemic and by the increased demand for Hygiene and Safety audits in factories.
- We saw double-digit negative revenue in our **Chemical & Pharma** business. The lockdown measures have reduced the demand for regulatory assurance and chemical testing in our operations in North America and Western Europe. Given the importance of Covid-19, the Pharma industry is reprioritising their investments, delaying projects for our laboratories. We are in contact with our clients to support the development of Covid-19 vaccine.



### 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

In our Trade business, we delivered a resilient revenue of £201m with a LfL revenue performance of 5.9% below prior year at constant currency. Our business lines remained open for business during the pandemic given the mission critical role we play in society to make sure that the essential global trade activities are functioning safely and fully.

- Our **Caleb Brett** business delivered a resilient LfL revenue performance with mid-single digit negative revenue. Caleb Brett is the global leader in the Crude Oil and refined Products global trading markets with 7,600 employees and 275 operations. Our Caleb Brett operations remained fully operational 24/7 to support the energy testing and inspection needs of our clients which were lower than last year due to a lower level of consumer demand.
- 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 a double-digit negative revenue decline due to the disruption of manufacturing in China in February and March and the lockdown activities in all countries impacting cross-borders trade flow.
- Our **Agri World** business delivered a stable LfL revenue performance in the first four months of 2020. We provide inspection activities globally and we remained open 24/7 during the pandemic to make sure that the global food supply chain operates fully and safely. Our stable trading performance was the result of excellent customer service from our teams notwithstanding the trade flow challenges linked to the lockdown initiatives.

### Mid- to long-term growth outlook

Our Trade division will continue to benefit from 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 resources-related businesses delivered revenue of £161m with good LfL revenue growth of 2.4% at constant currency.

- We delivered good LfL growth in our **Capex Inspection** services business as we benefited from the increased investments of our clients in exploration and production as well as the win of several new contracts.
- We saw mid-single digit negative revenue in **Opex Maintenance** services as the lockdown initiatives impacted the demand for our inspection services in the month of March and April.
- We delivered robust revenue growth in our **Minerals** business as we saw increased demand for our gold and iron ore activities in Australia.

### Mid- to long-term growth outlook

Our Resources division will grow in the medium- to long-term as we benefit from investments in Exploration and Production of Oil, Renewable Energies and Minerals, to meet the demand of the growing population around the world.

Intertek operates in an exciting market with attractive structural growth drivers. With corporations facing increasing complexity and the need for solutions that make the world a better and safer place, much greater than anybody had previously imagined, our approach to innovation is supporting our clients to thrive, while creating growth opportunities for the Group.

Through the insights generated from our Total Quality Assurance (TQA) Experts and from our 7,000+ monthly NPS interviews with customers, Intertek services are mission-critical for our clients in helping them to address their needs for increased support across quality, safety and sustainability.

We pursue a 3-tiered approach to innovation: innovation from the Core; developing new products and services in Adjacent fast-growing and high-margin markets; and developing new Breakthrough products and services. Recent examples of our innovations include:

- **Protek**, the world's first end-to-end health, safety and wellness audit, inspection and certification assurance program for people, at work in public spaces and at home.

Following research undertaken by Intertek, it is clear that health, safety and wellbeing in the workplace, in public transportation, public spaces and at home is now the number one concern for business leaders, employees and consumers. As the world adjusts to a 'new normal', many in-quarantine traits will become generally accepted standards as consumers and employees fundamentally re-think their approach to everyday health, safety and wellbeing. Based on Intertek's unique, systemic approach to Quality Assurance, Protek is a comprehensive service offering, providing audits, training and service solutions across People, Systems & Processes, Facilities, Materials & Surfaces and Products.

Protek includes People Assurance, and Intertek Alchemy has just released a new training course for frontline workers in the food industry, helping them to recognise Covid-19 symptoms and learn how to prevent transmission. It also provides a new audit solution called Posi-Check to help in the Prevention of the Spread of Infection (POSI). [www.intertek.com/protek](http://www.intertek.com/protek)

- **Remote Video Inspection (RVI)** service, a technological solution driven by our Total Quality Assurance experts, to ensure business continuity of critical vendor inspection services across the oil and gas supply chain during the current health and safety site restrictions.

Through remote live video streaming and smart phone technology, RVI has enabled our technical experts to be virtually present at suppliers who had access restrictions in place, thereby enabling the supply chains of our customers to continue to function and avoid costly delays to major infrastructure projects, as well as avoiding lost revenue to Intertek's vendor inspection business.

[www.intertek.com/technical-inspection/remote-inspection](http://www.intertek.com/technical-inspection/remote-inspection)

- **Priority Testing Service** and increased services for critical care and life sustaining products like ventilators, leveraging our TQA expertise to support our non-medical clients in developing such equipment. We partnered with US FDA and UK MHRA to deploy programs for emergency use.
- End to End testing and certifications capacity for **Protective Clothing and other PPE equipment**, supporting PPE manufacturers to meet heightened demand from governments, medical organisations and consumers. We have also applied our TQA expertise to support our non-PPE manufacturing customers transitioning to producing PPE to do so safely and meeting the relevant regulations.
- Increased testing capacity and Express Service for hand sanitisers and **Surface Disinfectants** to WHO guidelines, including a complete set of tests to evaluate best-in-class Ethanol Suppliers and Label claim testing.

- Support to the Pharma industry for **Vaccine Development**, including repurposing and reformulation of drug products to combat Covid-19 and contract pharmaceutical and biopharmaceutical GLP/GCP/GMP laboratory services, supporting drug development and production. Total Quality Assurance for some of the world's largest and most innovative pharmaceutical companies.
- Support to the **Oil & Gas** ("O&G") industry addressing the Covid-19 related challenges. Our 130+ years of O&G industry experience and our remote inspections, data analytics, and e-reporting solutions across the world are ensuring continuity of O&G supply chains.
- **Cyber Security Audit** related to Home working conditions. With our comprehensive cyber security portfolio, Intertek is supporting our customers to manage the cyber risks arising as their employees' transition to home working. This includes mass remote working network security penetration testing, critical network and infrastructure testing, and network resilience testing, increased requirement for higher bandwidth fixed and wireless infrastructure, audit and on-site inspections of remote working practices in-home and security support for acceleration of 5G demand.
- Support to various **Governments** in their anti-Covid-19 safety efforts, including the Singapore Clean Program to ensure consumer-facing establishments maintain highest hygiene and safety standards, helping governments in setting-up emergency medical facilities and collaborating with trade associations to ensure seamless manufacturing and supply of PPEs and Medical devices.

## M&A

Intertek is well positioned to seize the attractive external growth opportunities in a very fragmented industry and we continue to make progress with our M&A strategy.

In December 2019, the Group acquired Check Safety First (CSF), a market leading global health, safety, quality and security risk management business focused on the travel, tourism and hospitality sectors.

We will continue to look at M&A opportunities in attractive high-margin and high-growth areas.

## Financial Position & 2020 Guidance

At the end of 2019, the Group had a net debt of £629m, equivalent to just 1.0x net debt:EBITDA on an IAS 17 basis, down from 1.4x in the prior year, and reflecting our continued strong cash generation.

This debt also has a long duration maturity profile, with the Company having recently refinanced and extended its Revolving Credit Facility to US\$850m with a syndicate of 8 banks in January 2020 for a 5-year term ending in January 2025.

On 31 December 2019, the Company had undrawn committed borrowing facilities of c.£325m. In addition, the Company has confirmed that it is in a position to draw down on the Bank of England's Covid Corporate Financing Facility, should it need to do so.

As the current global health pandemic continues to evolve, it is too early to quantify the precise impact of Covid-19 and, as a result, the Company is not in a position to provide precise full year guidance for revenues or margins at this point.

However, the Company has modelled a range of potential scenarios and, as outlined above, the Company remains focused on responding to the opportunities and challenges of Covid-19 and has undertaken a range of measures to protect its financial performance, invest in future growth opportunities and ensure the Company preserves its strong balance sheet.

The Company's current view for 2020, assuming constant currency, is that we expect:

- Capital expenditure in the range of £90-100m
- Net Finance Costs of around £37-40m (on an IFRS16 basis)
- Tax rate in the 25.5-26.0% range
- Minority interests of between £19-21m
- Net financial debt at December 2020 of between £650-700m (prior to any material movements in FX or M&A)

Based on the year-to-date performance and the average FX rate in the last three months applied for the remainder of the year, currencies would be neutral both at the revenue and at the earnings level.

## Outlook

As the current global health pandemic continues to rapidly evolve, it is too early to quantify the impact of Covid-19 and we will provide an update on our full year guidance once we have more visibility on how and when current lockdown restrictions around the world will be lifted.

Looking ahead, it is clear that the exciting structural growth drivers in the \$250bn Global Quality Assurance Market pre-Covid-19 have now been joined by a wide array of new opportunities in many areas, from safety-oriented Quality Assurance in the workplace, public space and the home, to the growing demand in the healthcare sector for PPE, new medical devices and stronger infrastructure, the increasing need for risk management across supply chains and more robust protection against online piracy and other cyber threats in a connected world.

We are uniquely positioned to seize these compelling growth opportunities and to benefit from the GDP+ LfL revenue growth prospects in the Quality Assurance Industry in the medium- to long-term, leveraging our high quality, highly cash-generative earnings model and innovative ATIC solutions.

-ENDS-

**The May 2020 Trading Statement Audiocast CEO Script and Presentation will be available after the call at [www.intertek.com/investors/](http://www.intertek.com/investors/)**