INTERTEK GROUP PLC

4267576 CORPORATE

A- ISSUER RATING
Long term

OUTLOOK
Positive

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RATING ACTION AND RATIONALE

- EthiFinance Ratings affirms Intertek plc's long-term corporate rating at A-, and changes the outlook from Stable to Positive.
- Intertek plc ("Intertek") is a global company specializing in testing, inspection, and certification (TIC) services.
- Our rating affirmation is mainly founded on Intertek's continued improvement in credit metrics, as anticipated in our previous rating review conducted in May 2024. Additionally, the improvement in the company's ESG score in 2024 contributed positively to our rating affirmation, albeit to a lesser extent. Despite FX headwinds negatively impacting revenue growth by c. 5%, Intertek reported a 1.9% growth in FY24. Organic growth stood at 6.3%, aligning with historical trends, comprising one-third pricing and two-thirds volume. Looking ahead, we expect Intertek to achieve sales growth of 4.8% on average over our forecast period (2025-27), in line with management guidance. The adjusted EBITDA margin improved yoy by 100bps, rising from 20.8% in FY23 to 21.8% in FY24. This margin expansion was largely driven by a recovery in the consumer products segment, which accounted for 46% of the group's total profitability. The segment's standalone EBIT margin improved significantly from 25% in FY23 to 28% in FY24, supported by a favorable product mix across Softlines, Hardlines and Electrical Appliances. The Corporate Assurance segment (20% of the group's profitability) also posted a substantial improvement in profitability, with its standalone EBIT margin rising to 23.6% (vs 17.4% in FY23) thanks to productivity gains. Intertek's EthiFinance ratings-adjusted net leverage ratio improved from 1.6x in at end-2023 to 1.3x at end- 2024, in line with our expectations. This was driven by the strong increase in adj EBITDA, and a robust FCF (post-dividends and equity change) generation of £134m. We anticipate a further reduction in this ratio, reaching 1.0x by year-end 2027, incorporating the planned £350m share buyback in 2025, and our assumption of an annual bolt-on acquisition spending of £20m.
- Intertek continues to leverage its growth by capitalizing on revenues and cost synergies stemming from bolt-on acquisitions, which is common practice within the TIC industry. One of its acquisitions is Base Met Labs (March 2024) for a purchase price of £23.9m, which is a niche TIC pure player exclusively focused on metallurgical testing services for the minerals sector in North America. Intertek's business model is mostly driven by Stock Keeping Units (SKUs), where each product variation corresponds to a distinct unit that requires testing and certification. Consequently, the company's organic growth is closely linked to the pace of new product launches, which in turn depends on the evolution of CapEx and R&D investment levels across the industries that it serves. We believe that Intertek's agile, capital-light business model makes it easier for Intertek to navigate the headwinds of the current global trade environment, while protecting its margins, and strengthening its FCF generation over time. We therefore assign a Positive outlook.
- However, our rating remains slightly constrained by our industry risk assessment (BBB+), which reflects Intertek's exposure to global supply chain dynamics across a wide range of sectors. These sectors are significantly impacted by macroeconomic headwinds, such as US tariffs on goods, which could lead, for instance, to a reduction in the number of SKUs and, consequently, a potential loss of revenue. Key drivers behind such SKU reductions include budget constraints and product rationalisation, such as scaled-back production or delayed product launches. While Intertek maintains one of the highest operating profit margins among its peers, it is somewhat dragged down by the industry & infrastructure standalone EBIT margin of 9.6%. This lags behind competitors (Bureau Veritas's 14% and SGS's 13%), thereby weighing on the overall margin profile, and constraining our rating.
- The TIC industry, which belongs to commercial & professional services, has medium ESG risks under our methodology (heatmap score of between 3 and 3.5). This results in a sector assessment that is not impacted by industry-related ESG considerations. Sustainability assurance and certification business lines constitute a pivotal and rapidly growing sub-sector within the TIC industry. Like its main competitor, Bureau Veritas, Intertek has strategically positioned itself in this area, making substantial investments, particularly in its World of Energy division. The most recent investment in renewables area was the acquisition of Clean Energy Associates (CEA) in the US.
- Our assessment of the company's ESG policy has improved, from slightly positive in our previous review to advanced (company ESG score of between 0 and 1). This has resulted in a positive impact on our financial risk profile. The favorable ESG score was driven by a continuous reduction in energy consumption and GHG emissions intensities, both of which reduced by 5.4% between 2022 and 2024. In addition, Intertek benefits from a strong governance framework, characterized by a high level of board independence. However, the social pillar remains limited, due to the lack of reporting of some social KPIs and partial certification coverage across its activities.

ISSUER DESCRIPTION

Intertek plc is a UK-based company and a world leading provider of quality assurance and TIC solutions to a wide range of B2B players (more than 200,000), within diverse industries internationally (industry services, minerals, agrifoods, and chemicals). Intertek has a total workforce of more than 45,000 employees spread over 100 countries, and operates with a network of more than 1,000 laboratories and offices. Its main business segments are:

- **Consumer Products:** Softlines & hardlines, electrical, government trade services (GTS).
- **Corporate Assurance:** Business assurance
- **Health & Safety:** Agrifood, chemicals and pharma
- **Industry & Infrastructure:** Industry and minerals services, building products
- **World of Energy:** Caleb Brett (Oil & Gas), transportation technologies

For FY24, the group reported £3.4bn in sales and £739m in adjusted EBITDA. The EthiFinance Ratings-adjusted net leverage ratio stood at 1.3x at end-2024 (vs 1.6x at end-2023). It is listed on the London Stock Exchange with a market capitalization of £7.3bn as of 17 April 2025.

LIQUIDITY

- **A "Good" liquidity profile with strong refinancing capacities**

According to our methodology, Intertek's liquidity profile is 'Good' (the highest on our long-term scale). This is based on its capacity to redeem all its upcoming debt maturities, without refinancing for more than two years. The company maintains a decent amount of cash in hand (£343m), further supported by an undrawn RCF of c. £656m ($793m).

MAIN FINANCIAL FIGURES AND FORECASTS

Main financial figures. Millions of £.

	FY23	FY24	FY25e	FY26e	FY27e	24vs23
Revenues	3 329	3 393	3 551	3 722	3 902	*1.9%*
Adj EBITDA (1)	692	739	794	847	896	*6.9%*
Adj EBITDA Margin (1)	20.8%	21.8%	22.4%	22.8%	23.0%	*1.0pp*
EBIT	486	536	582	625	663	*10.2%*
EBIT Margin	14.6%	15.8%	16.4%	16.8%	17.0%	*1.2pp*
EBT	438.5	490.9	533.8	579.2	621.1	*11.9%*
Total Assets	3 538	3 599	3 556	3 645	3 786	*1.7%*
Equity	1 360	1 445	1 258	1 433	1 617	*6.2%*
Adj Total Financial Debt (2)	1 380	1 311	1 423	1 301	1 219	*-4.9%*
Adj Net Financial Debt (2)	1 080	968	1 191	1 060	915	*-10.4%*
Equity/ Adj TFD (2)	98.6%	110.2%	88.4%	110.2%	132.7%	*11.6pp*
Adj NFD/ Adj EBITDA (1) (2)	1.6x	1.3x	1.5x	1.3x	1.0x	*-0.3x*
Funds From Operations	510	562	608	652	694	*10.2%*
FFO/Adj NFD (2)	47.2%	58.1%	51.0%	61.5%	75.8%	*10.8pp*
Adj EBITDA/Interest (1)	14.5x	16.5x	16.6x	18.7x	21.6x	*2.0x*

(1) Adj EBITDA includes restructuring costs and excludes expenses related to equity-settled transactions

(2) Adj debt includes pension benefits and contingent consideration (earn-outs)

CREDIT RATING

Credit Rating	
Business Risk Profile	**BBB+**
Industry risk assessment	*BBB+*
Industry's ESG	*Neutral*
Competitive Positioning	*BBB+*
Governance	*A-*
Financial Risk Profile	**A**
Cash flow and leverage	*A*
Capitalisation	*BBB+*
Company's ESG	*Positive*
Anchor Rating	**A-**
Modifiers	-
Rating	**A-**

RATING SENSITIVITY

Detailed below are the factors that individually or collectively could impact the company's rating:

- **Long-term rating positive factors (↑)**

Given the positive outlook, we could upgrade our long-term rating should Intertek's credit metrics improve in line/above our projections. A trigger for such an upgrade could be a net adjusted leverage ratio below 1.3x, and an adj EBITDA/interest ratio equal to or above 18.0x on a sustained basis.

- **Long-term rating negative factors (↓)**

Given the positive outlook, a downgrade of our long-term rating is less likely to occur in the short-term period. Nevertheless, we could downgrade our long-term rating should Intertek's credit metrics deteriorate. Notably, an EthiFinance-adjusted net leverage ratio above 2.5x, or an interest coverage ratio equal to or below 10.0x, on a sustained basis could trigger a rating downgrade.

Sources of information

The credit rating issued in this report is unsolicited. The credit rating is based exclusively on public information, being the main sources the following:

1. Annual Audit Report.
2. Corporate Governance Report.
3. Corporate Website.
4. Information published in the Official Bulletins.

The information was thoroughly reviewed to ensure that it is valid and consistent, and is considered satisfactory. Nevertheless, EthiFinance Ratings assumes no responsibility for the accuracy of the information and the conclusions drawn from it.

Level of the rated entity participation in the rating process

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	NO
With Access to Internal Documents	NO
With Access to Management	NO

Additional information

- The rating was carried out in accordance with Regulation (EC) N°1060/2009 of the European Parliament and the Council of 16 September 2009, on credit rating agencies. Principal methodology used in this research are :
  - Corporate Rating Methodology - General : https://www.ethifinance.com/download/corporate-rating-methodology-general/?wpdmdl=35203
- The rating scale used in this report is available at https://www.ethifinance.com/en/ratings/ratingScale.
- EthiFinance Ratings publishes data on the historical default rates of the rating categories, which are located in the central statistics repository CEREP, of the European Securities and Markets Authority (ESMA).
- In accordance with Article 6 (2), in conjunction with Annex I, section B (4) of the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009, it is reported that during the last 12 months EthiFinance Ratings has not provided ancillary services to the rated entity or its related third parties.
- The issued credit rating has been notified to the rated entity, and has not been modified since.