

INVESTMENT MEMORANDUM

Intertek Group plc

LSE: ITRK | FTSE 100 | Industrials – Testing, Inspection & Certification

Bull / Bear Deep-Dive Investment Memo

Prepared for senior investment decision-makers

Memo Date: 28 April 2026

Sector: Testing, Inspection & Certification (TIC)

Time-Sensitive: EQT Takeover Bid – PUSU Deadline 14 May 2026

1. Executive Summary

In one paragraph:

Intertek Group plc is a high-quality, asset-light global Testing, Inspection & Certification (TIC) compounder generating £3.43bn of revenue, an 18.1% adjusted operating margin, c.110% cash conversion and 21%+ ROIC. The company has just delivered its third consecutive year of double-digit constant-currency EPS growth, raised its medium-term margin target to 18.5%+, and reaffirmed mid-single-digit organic revenue growth guidance for 2026, supported by a 5.4% like-for-like print in Q1. Two extraordinary catalysts now sit on top of this fundamentally strong story: (1) an unsolicited £54-per-share (£8.3bn) cash bid from Swedish private equity firm EQT, rejected by the Board on 24 April 2026, with a Put-Up-or-Shut-Up deadline of 14 May 2026; and (2) a Board-initiated strategic review to potentially separate the Group into two specialist ATIC businesses (Testing & Assurance £1.9bn revenue, Energy & Infrastructure £1.6bn revenue), to conclude by mid-2027. The investment debate is therefore not whether Intertek is a good business — it is — but whether today's c.4,810p price adequately reflects (i) the takeover floor, (ii) sum-of-the-parts upside, and (iii) downside risk if EQT walks away on 14 May.

Recommendation

BUY (high conviction, event-driven). Target price 5,500p (12-month, fundamentals); upside to 5,800–6,200p in a successful bid scenario; downside floor c.4,200p (re-rated bear case if EQT withdraws).

Risk/reward asymmetry: On a probability-weighted basis the next 12 months offer attractive convexity. A successful EQT bid (or competing offer) at £58–62 delivers 20–28% near-term upside; a value-accretive demerger executed by mid-2027 supports a 5,500–6,000p sum-of-the-parts case; even in the bear scenario where EQT withdraws and the demerger drifts, the underlying business compounds at high single digits with a 4.4% dividend yield supporting a 4,200p floor. The asymmetry is favourable to the long, but position sizing should account for binary risk around the 14 May 2026 PUSU deadline.

Key Investment Highlights

- **Premium-quality compounder:** Adjusted operating margin of 18.1% (best in TIC peer group), ROIC of 21.3%, cash conversion of c.110%, and a three-year track record of 6.0% average constant-currency revenue growth, 240bps margin progression and 12.1% average EPS growth (2023–2025).
- **Structural growth tailwinds:** TIC industry growing at 4–5% CAGR, underpinned by tightening regulation, supply-chain re-engineering, sustainability/ESG verification, EV/battery testing,

AI assurance and cyber-certification. Intertek's portfolio is heavily weighted to high-growth Consumer Products (29% of revenue, 48% of profit, 30.4% margin) and Corporate Assurance (22.6% margin).

- **Active bid process:** EQT has tabled two cash proposals (£51.50, then £54.00) — both rejected. The Board describes £54 as fundamentally undervaluing the Group. UK Takeover Code Rule 2.6(a) forces EQT to firm up or walk by 5pm on 14 May 2026. A topping bid from another private equity firm or a strategic peer (Bureau Veritas, SGS, or US/Asian acquirer) is plausible given the franchise quality.
- **Strategic separation optionality:** The Board's standalone review into separating Testing & Assurance from Energy & Infrastructure provides a credible value-unlock catalyst irrespective of EQT. Pure-play Testing & Assurance would likely re-rate towards SGS/Bureau Veritas multiples (15–18x EBITDA) while Energy & Infrastructure attracts strategic interest in its own right.
- **Disciplined capital returns:** £602m returned to shareholders in 2025 (165.0p dividend at c.65% payout, plus £350m buyback completed). Balance sheet remains conservative at 1.3x net debt/EBITDA, preserving £930–980m of M&A firepower for FY26.

Key Risks

- **EQT walks:** If no firm offer materialises by 14 May 2026 and no white knight emerges, the takeover premium evaporates, exposing 10–15% of near-term downside to the standalone fundamental level (c.4,200p).
- **Sterling strength / FX:** GBP appreciation created a 320bps headwind to reported revenue growth in 2025, masking underlying performance. ~75% of revenue is generated outside the UK.
- **Cyclical pockets:** World of Energy (-1.3% LFL in 2025) is exposed to the oil & gas cycle and Middle East geopolitical disruption (Iran). Transportation Technologies posted double-digit negative LFL in Q1 2026 as automotive R&D budgets are cut.
- **Demerger execution risk:** Strategic review timeline runs to mid-2027. Stranded costs, dis-synergies and management distraction could weigh on near-term performance. Outcome of review is not guaranteed.
- **Leadership transition:** CFO Colm Deasy stepped down on 10 April 2026, replaced by Laura Crespi. CEO André Lacroix has been at the helm for over a decade — eventual succession is a watch-point.

Snapshot — Key Facts

Metric	Value
Ticker / Listing	LSE: ITRK (FTSE 100)

Metric	Value
Share Price (24 Apr 2026)	4,810p
52-Week Range	3,520p – 5,575p
Market Capitalisation	~£5.7bn
Enterprise Value	~£6.7bn (incl. £997m financial net debt)
FY25 Revenue	£3,431.6m (+4.3% CCY, +1.1% reported)
FY25 Adj Operating Profit	£619.6m (+9.3% CCY)
FY25 Adj Operating Margin	18.1% (+90bps YoY)
FY25 Adj Diluted EPS	253.5p (+10.1% CCY)
FY25 Free Cash Flow (adj)	£352.2m
FY25 Cash Conversion	c.110%
FY25 ROIC	21.3%
FY25 Dividend Per Share	165.0p (+5.4% YoY, c.65% payout)
Trailing Dividend Yield	~3.4% (at 4,810p) / ~4.4% (pre-bid)
FY26 Forward P/E	~14.2x (consensus, pre-bid context)
Net Debt / EBITDA	1.3x
EQT Cash Bid (latest, rejected)	£54.00 per share
EQT PUSU Deadline	5pm UK, 14 May 2026
CEO / CFO	André Lacroix / Laura Crespi (from April 2026)

Source: Intertek 2025 Full Year Results (3 March 2026); Q1 2026 Trading Update (14 April 2026); Reuters; Bloomberg; Stockopedia; Investing.com.

2. Company Overview

2.1 Business Model

Founded in 1885 and headquartered in London, Intertek is one of the world's leading Total Quality Assurance (TQA) providers. Through a network of more than 1,000 laboratories and offices in over 100 countries, the Group delivers Assurance, Testing, Inspection and Certification (ATIC) solutions to a base of more than 400,000 clients. Services include laboratory safety and performance testing, accredited management-system certification, technical inspection, supplier auditing, supply-chain traceability, sustainability data verification and emerging assurance categories such as cybersecurity and AI.

Intertek's revenue model is fundamentally asset-light and recurring in nature. Most engagements are mission-critical — clients cannot manufacture, ship or sell regulated products without third-party certification — and switching costs are high once Intertek is embedded into a client's quality protocols. This combination of regulatory non-discretionary spend, multi-year client relationships and low capital intensity (capex c.4–5% of revenue) underpins industry-leading returns on invested capital.

2.2 Divisional Structure (Reorganised in 2025)

Following a 2025 reorganisation aligned to its AAA growth strategy, the Group reports five divisions:

Division	FY25 Revenue	% Group	FY25 Op Margin	FY25 LFL Growth
Consumer Products	£983m	29%	30.4%	+6.3%
Corporate Assurance	~£430m	13%	22.6%	+6.8%
Health & Safety	~£480m	14%	~17%	+3-4%
Industry & Infrastructure	~£860m	25%	11.1%	+4.7%
World of Energy	~£680m	20%	8.7%	-1.3%
Group Total	£3,431.6m	100%	18.1%	+3.9%

Note: Divisional revenue figures for Corporate Assurance, Health & Safety and Industry & Infrastructure are author estimates based on Group disclosures. Source: Intertek FY25 Results Announcement.

Consumer Products (29% revenue, 48% profit)

The Group's flagship and most profitable division. Comprises Softlines (textile/apparel testing), Hardlines (toys, furniture, household goods), Electrical & Connected World (consumer electronics, appliances, IoT) and Government & Trade Services (GTS — pre-shipment inspection contracts with developing-market governments). FY25 LFL revenue growth of 6.3% with 250bps of margin expansion to 30.4% demonstrates pricing power, fixed-cost leverage and favourable mix shift towards Electrical

and connected-product testing. This division is structurally levered to e-commerce growth, sustainability disclosure and regulatory tightening (e.g., the US CPSC's mandatory eFiling from July 2026).

Corporate Assurance (13% revenue, ~16% profit)

The fastest-growing high-margin division. Comprises Business Assurance (industry-agnostic ISO certification, audit and consulting) and Assuris (people-assurance and risk-based platforms including Alchemy/Wisetail and PlayerLync). At a 22.6% margin and double-digit Q1 2026 LFL growth (10.8%), Corporate Assurance benefits directly from the corporate world's intensifying focus on supply-chain resilience, ESG disclosure and risk-based assurance. Since 2015, Assurance revenues have grown at a 14% CAGR — a clear strategic priority and a key SOTP value driver.

Health & Safety (14% revenue)

Encompasses AgriWorld (food and agricultural commodities testing), Food and Chemical and Pharma. A defensive, regulatory-driven segment with mid-single-digit growth profile. The recently acquired Suplilab (Costa Rica, food and medical device testing, November 2025) and Envirolab (environmental testing, September 2025) bolster Latin American positioning.

Industry & Infrastructure (25% revenue)

Comprises Industry Services, Minerals, and Building & Construction. FY25 LFL of 4.7% with margin expansion to 11.1% (+170bps), supported by recent acquisitions of Base Met Labs (minerals, March 2024) and TESIS (building products, Brazil, April 2025). This division benefits from infrastructure spending, the energy transition (battery materials, critical minerals) and post-Grenfell building-safety regulation.

World of Energy (20% revenue, lowest margin)

Comprises Caleb Brett (cargo inspection for crude/refined products — global market leader), Transportation Technologies (automotive R&D testing) and Clean Energy Associates (CEA — solar PV quality assurance). The most cyclical and lowest-margin division (8.7%, -140bps in 2025), exposed to oil & gas trade flows, Middle East disruption and automotive cycle. The 2026 strategic review proposes spinning Industry & Infrastructure plus World of Energy into a separate listed entity (Intertek Energy & Infrastructure).

2.3 Geographic Footprint

Intertek operates in more than 100 countries with a deliberately decentralised, customer-centric organisation. The Group has eliminated country-management layers, running operations through global business lines supported by regional industry experts. Approximately 75% of revenue is generated outside the UK, providing emerging-market growth exposure (notably Asia-Pacific, the largest TIC region globally) but also material foreign-exchange translation risk.

2.4 The AAA Differentiated Growth Strategy

Launched at the May 2023 Capital Markets Day, the AAA strategy targets:

- **Mid-single-digit** like-for-like revenue growth at constant currency
- **18.5%+** medium-term operating margin (raised from 17.5% at the FY24 results)
- **Strong** cash conversion (>100%)
- **Disciplined** capital allocation prioritising organic capex (~5% of revenue), progressive dividends (~65% payout), bolt-on M&A in high-growth/high-margin sectors, and excess-capital returns via buyback

Three-year delivery (2023–2025) has comfortably exceeded these targets: 6.0% average revenue growth, 240bps cumulative margin expansion, 12.1% average EPS growth, £2.3bn cumulative operating cash flow, £985m of capital returned, and 17% average dividend growth.

3. Industry & Competitive Landscape

3.1 Market Sizing & Growth

Estimates of the global TIC services market vary materially by methodology, ranging from c.US\$36bn (narrow third-party services definition) to over US\$240bn (inclusive of in-house and adjacent verification spend). Bureau Veritas' methodology pegs the total addressable market at €200bn+, of which only c.40% is currently outsourced — implying €80bn of accessible market and significant white-space for share-takers.

Forecasted CAGR ranges from 3.4% (MarketsandMarkets) to 5.2% (Global Market Insights), with consensus settling around 4–5% over the next decade. Asia-Pacific is the largest and fastest-growing region (c.38% market share, 5%+ CAGR). The market is highly fragmented at the bottom (regional specialists) but increasingly concentrated at the top: the five largest providers (SGS, Bureau Veritas, Intertek, TÜV SÜD, Eurofins) hold 9–11% combined market share.

3.2 Competitive Positioning

Intertek is the fourth-largest pure TIC operator globally by revenue, behind SGS, Eurofins and Bureau Veritas, but consistently ranks first or second on operating margin and ROIC. Management's productivity benchmarking (revenue per headcount, profit per headcount, free cash flow per headcount, total shareholder return) shows Intertek leading the peer group across most metrics.

Company	Country	FY24/25 Revenue	Adj Op Margin	Strategy Focus
SGS	Switzerland	\$7.7bn	~15.3%	Broad-line; aggressive M&A (97 deals since 2014); failed merger with Bureau Veritas (Jan 2025)
Eurofins	Luxembourg	\$7.5bn	~17%	Lab testing (life sciences/food/environmental); 378 acquisitions since 2015
Bureau Veritas	France	\$7.0bn	~15.5%	Marine, construction, certification; aborted SGS merger; LEAP 28 strategy
Intertek	UK	£3.43bn (~\$4.3bn)	18.1%	Premium quality assurance; consumer products leader; AAA strategy
DEKRA	Germany	~€4.0bn	n/a (private)	Automotive, industrial inspection, vehicle inspection
TÜV SÜD	Germany	~€3.6bn	n/a (private)	Industrial, mobility, certification
UL Solutions	USA	~\$2.9bn	~14%	Safety science; recently IPO'd (April 2024)

Company	Country	FY24/25 Revenue	Adj Op Margin	Strategy Focus
Applus+	Spain	~€2.0bn	~10%	Vehicle inspection, industrial; PE-owned (TDR/I Squared, 2023)

Source: Company filings, Aventis Advisors TIC report (May 2025).

Two key competitive observations:

- **Intertek is the margin leader.** Its 18.1% adjusted operating margin is c.250–300bps above SGS and Bureau Veritas, reflecting the higher concentration of high-margin Consumer Products and Corporate Assurance work in the portfolio.
- **Sector consolidation is accelerating.** The aborted SGS–Bureau Veritas \$33bn merger in January 2025 confirmed antitrust constraints on mega-deals among the listed players, but private equity has stepped into the void. EQT's bid for Intertek follows TDR/I Squared's 2023 take-private of Applus+ and Temasek's Element Materials investment, suggesting financial sponsors view the asset class as defensive, cash-generative and ripe for buy-and-build platforming.

3.3 Structural Drivers

Six secular tailwinds support the multi-year demand outlook for ATIC services:

- **Tightening global standards** — ESG disclosure (CSRD, SEC Climate Rule, EU CBAM), product safety (CPSC eFiling, EU GPSR), cybersecurity (US Cyber Trust Mark, EU CRA, ETSI EN 303 645), digital product passports.
- **Supply-chain re-engineering** — nearshoring/friend-shoring, third-party verification of new suppliers, traceability requirements (EU EUDR for deforestation-free products).
- **Energy transition & electrification** — battery testing, EV homologation, solar PV quality assurance, hydrogen and grid-scale storage certification.
- **Sustainability assurance** — Scope 1/2/3 verification, ISO 14067 carbon footprint, social audits (now demanded by retailers and asset managers).
- **Innovation cycles** — each new connected device, foodtech ingredient, biologic drug or AI model creates new testing demand.
- **AI assurance** — Intertek launched AI² in 2025, claiming the world's first independent end-to-end AI assurance programme; this is an emerging category with material option value.

3.4 Industry Headwinds

- **Pricing competition** in commoditised testing categories (commodity pre-shipment inspection, bulk cargo).

- **Trade-policy disruption** — US/China decoupling and Middle East conflict have already disrupted Caleb Brett (Q1 2026 Iran impact) and GTS (mid-single-digit negative Q1 2026).
- **Talent shortages** in specialised testing (5G, batteries, biologics) and rising labour costs.
- **In-house testing** remains the dominant sourcing model (~56% of US TIC market), capping outsourcing penetration.

4. FY 2025 Financial Performance

4.1 Group Income Statement Highlights

£ million (unless stated)	FY25	FY24	YoY (Reported)	YoY (CCY)
Revenue	3,431.6	3,393.2	+1.1%	+4.3%
LFL Revenue	3,416.3	3,391.8	+0.7%	+3.9%
Adj Operating Profit	619.6	590.5	+5.0%	+9.3%
Adj Operating Margin	18.1%	17.4%	+70bps	+90bps
Adj Diluted EPS (pence)	253.5p	238.8p	+6.2%	+10.1%
Adj Operating Cash Flow	762.3	789.2	-3.4%	n/a
Adj Free Cash Flow	352.2	408.8	-13.8%	n/a
Cash Conversion	c.110%	c.121%	n/a	n/a
ROIC	21.3%	~20%	+130bps	n/a
Dividend per Share (pence)	165.0p	156.5p	+5.4%	n/a

Source: Intertek 2025 Full Year Results Announcement (3 March 2026). CCY = constant currency.

4.2 Key Takeaways from FY25

- Currency headwind dominates the optical narrative.** GBP appreciation against USD, CNY and other major currencies created a 320bps drag on reported revenue growth. The 4.3% constant-currency print is the more meaningful underlying read — ahead of the 'mid-single digit' guidance set at the start of the year.
- Margin progression of 90bps is the highlight.** Drivers were positive mix (Consumer Products and Corporate Assurance growing fastest), pricing actions, fixed-cost leverage on volume, the in-flight restructuring programme (£6m of savings in 2025, £8m more expected in 2026) and accretive M&A. Margin is now 40bps from the 18.5%+ medium-term target.
- FCF stepped down to £352m from £409m.** Lower cash from operations, higher interest costs (debt-funded buyback), higher cash tax (following EPS growth) and elevated capex (£300m total growth investment, double 2024). This is a deliberate strategic deployment, not a deterioration in underlying cash generation.
- Net debt rose £497m to £997m.** Funded the £350m share buyback (completed) and £156m of acquisitions. Leverage at 1.3x net debt/EBITDA sits at the bottom of the 1.3–1.8x target range, leaving £930–980m of forecast year-end debt within healthy covenants and giving optionality for further M&A or returns.

4.3 Divisional Performance Detail

Consumer Products: Stellar

£983m revenue (+6.2% CCY), operating profit +11% to £299m, margin +250bps to 30.4%. Softlines: high-single-digit LFL on e-commerce and sustainability investment. Hardlines: mid-single-digit on toy/furniture new product development. Electrical & Connected World: mid-single-digit on energy efficiency, medical devices and 5G. GTS: double-digit growth in 2025, but Q1 2026 saw mid-single-digit negative LFL on Middle East trading disruption. Watch this segment closely — it represents 48% of Group profit.

Corporate Assurance: Double-Digit Q1 Acceleration

FY25 LFL of 6.8%; Q1 2026 LFL of 10.8% — the standout division. Margin of 22.6% reflects high recurring SaaS-like revenues from Assuris (people-assurance platform). The Wisetail/Alchemy and PlayerLync acquisitions provide a digital-enabled foundation for further inorganic expansion. Strategically central to the AAA story.

Health & Safety: Steady

Mid-single-digit LFL with margin expansion. Recent bolt-ons (Suplilab, Envirolab, AePVI for solar inspection) extend the platform without disrupting performance.

Industry & Infrastructure: Margin Inflection

LFL of 4.7% but +170bps margin expansion to 11.1% — the most underrated story in the Group. Minerals (Base Met Labs) and Building & Construction (TESIS) acquisitions are accretive to both revenue mix and margin. Building products testing is structurally underpenetrated and benefits from post-Grenfell regulation.

World of Energy: Soft, but Stable in Q1 2026

FY25 LFL of -1.3%, margin compressed 140bps to 8.7%. Caleb Brett saw weakness from Iran-related disruption to Asian Middle East imports; Transportation Technologies posted double-digit negative LFL as automakers cut R&D. Q1 2026 LFL was 'stable', and management guides to low-single-digit growth in FY26. CEA (solar PV) continues to grow on the renewable-energy build-out.

4.4 Acquisitions and M&A Track Record

Intertek deployed £156m on four acquisitions in 2025, plus £35.5m of revenue contribution from prior-year deals at a 34% margin — comfortably accretive. Recent transactions:

- **TESIS (Brazil, building products)** — April 2025, £11.2m
- **Envirolab (environmental testing)** — September 2025
- **Suplilab (Costa Rica, food and medical device testing)** — November 2025
- **PTL (US flooring testing)** — November 2025
- **AePVI (drone-based solar PV inspection)** — February 2026

- **QTEST (Colombian electrical testing) — March 2026**

The aggregate margin profile of acquisitions made in the past five years is c.25.1%, ahead of the Group average — confirming disciplined deal-making focused on high-growth/high-margin niches.

5. Strategic Situation: Two Live Catalysts

5.1 The EQT Takeover Bid

Sweden-based private equity firm EQT AB launched an unsolicited bid for Intertek in early April 2026 with the following sequence of events:

Date	Event	Price / Implied Premium
10 April 2026	EQT initial cash proposal disclosed	£51.50 per share / 36.6% to 9 April close
16 April 2026	Board unanimously rejects initial bid as undervaluing the Group	Shares jump 12–14% on bid disclosure
~21 April 2026	EQT submits revised cash proposal	£54.00 per share (£8.3bn equity value)
24 April 2026	Board unanimously rejects revised bid as 'fundamentally undervalues' the Group	Shares closed at £48.10
14 May 2026	PUSU deadline under Rule 2.6(a) of UK Takeover Code	EQT must firm up or walk

Board Defence and Advisors

The Board is being advised by Goldman Sachs International and J.P. Morgan Cazenove. The defence rests on three pillars: (1) the standalone 2023–2025 outperformance of AAA strategy targets; (2) the 18.5%+ medium-term margin trajectory; and (3) the value-unlock optionality of the strategic separation review. Activist Lost Coast Collective (Matt Peltz, formerly of Trian) has built a >1% stake and publicly backed the Board's rejection, calling £51.50 'way below intrinsic value.'

Probability Assessment

Three plausible outcomes by 14 May 2026:

- **(A) EQT raises decisively to £58–62 and gets a recommended deal:** Estimated probability ~35–45%. EQT has shown commitment by improving once already; the rejection language ('fundamentally undervalues') signals the Board would engage at a meaningfully higher number.
- **(B) A competing bidder emerges (trade or PE):** Estimated probability ~15–25%. Bureau Veritas would face antitrust scrutiny (the SGS merger blocked partly on this basis), but a US/Asian strategic or another large PE (Brookfield, KKR, Blackstone, BC Partners) is conceivable. Bureau Veritas shares rose 3.6% on EQT's first move, indicating market expectations of consolidation.
- **(C) EQT walks at PUSU:** Estimated probability ~30–45%. The Board has been resolute and the bidder may judge the takeover premium too rich relative to PE return hurdles. In this scenario, shares re-rate down to standalone fundamental value.

5.2 The Strategic Review / Demerger

On 14 April 2026 — separately from the EQT bid sequence — Intertek announced a Board-initiated strategic review to evaluate creating two specialist scale ATIC businesses:

Proposed Entity	FY25 Revenue	Composition	Quality Profile
Intertek Testing & Assurance	£1.9bn	Consumer Products + Corporate Assurance + Health & Safety	Higher-growth, higher-margin, more recurring (premium pure-play)
Intertek Energy & Infrastructure	£1.6bn	Industry & Infrastructure + World of Energy	More cyclical, project-based, exposed to commodity flows

The review will assess separation via either demerger or sale, and is targeted to conclude and be implemented by mid-2027. Panmure Liberum (Joe Brent) sees this as both a value-unlock catalyst and a defensive measure against the EQT bid, reiterating a 'buy' rating with a 5,450p target.

Why the Split Makes Strategic Sense

- **Multiple expansion:** A pure-play Testing & Assurance business with c.£1.9bn revenue and likely 22%+ margin would attract premium TIC multiples (15–18x EBITDA) versus the blended Group multiple of 12–13x EBITDA.
- **Capital allocation discipline:** Specialist boards can pursue focused M&A strategies — Testing & Assurance can chase digital/SaaS deals, Energy & Infrastructure can consolidate cyclical TIC niches.
- **Strategic appeal:** Both entities become more digestible takeover targets in their own right (e.g., Energy & Infrastructure could attract Bureau Veritas).
- **Eliminates conglomerate discount:** Investors increasingly differentiate testing-and-assurance pure-plays from cyclical inspection businesses.

Execution Risks of the Split

- **Stranded costs** (duplicated head-office, listing fees, IT systems) — typically 30–80bps of margin dilution in the smaller entity.
- **Loss of cross-divisional client relationships** and dis-synergies in shared procurement, lab capacity and IT.
- **Tax inefficiencies** from de-grouping, particularly across multiple jurisdictions.
- **Management distraction** during the 14-month review window.
- **No guarantee of completion** — the review may conclude with status quo or a sale of one division only.

6. The Bull Case

In summary: Intertek is a high-quality industrial compounder trading below its takeover floor with multiple paths to value realisation.

6.1 Best-in-Class Operating Metrics in TIC

Intertek's adjusted operating margin (18.1%), ROIC (21.3%) and cash conversion (~110%) are at or near the top of the TIC peer set. Management's own benchmarking — using metrics including revenue per headcount, profit per headcount and free cash flow per headcount — shows Intertek leading SGS, Bureau Veritas and Eurofins on productivity. The 'iconic 5x5 Data Advantage' (real-time KPI monitoring across 1,000+ sites globally) is a genuine operating moat.

6.2 Three-Year Earnings Compounding

From 2023 to 2025, Intertek delivered:

- **Cumulative revenue growth of 18.4%** at constant currency
- **240bps of cumulative** margin expansion
- **33.4% cumulative** EPS growth
- **£2.3bn cumulative** operating cash flow
- **17% average** annual dividend growth
- **£985m total** capital returned to shareholders

This is textbook 'cash compounder' performance — and the trajectory is intact, with Q1 2026 LFL of 5.4% accelerating from Q4 2025's 1.9%.

6.3 Valuation Discount to Peers and to Bid Floor

At 4,810p the shares trade on c.14.2x forward 2026 P/E (per Panmure Liberum) — a meaningful discount to Eurofins and SGS at 18–20x and to the long-run TIC sector median of 14.2x EV/EBITDA despite Intertek's superior margin and ROIC profile. The £54 EQT cash bid (rejected by the Board) provides a near-term bid floor c.12% above the current share price. A successful firm offer at £58–62 would deliver 20–28% upside in cash.

6.4 Sum-of-the-Parts Optionality

If the strategic separation completes, the SOTP arithmetic is compelling:

- **Testing & Assurance (£1.9bn revenue, ~£500m EBITDA assumed):** at 16–18x EBITDA (peer average for premium pure-plays) = £8–9bn enterprise value.
- **Energy & Infrastructure (£1.6bn revenue, ~£200m EBITDA assumed):** at 9–11x EBITDA (cyclical TIC peers) = £1.8–2.2bn enterprise value.

- **Combined:** £10–11bn enterprise value, less ~£1bn of net debt, equates to £9–10bn equity value or 7,500–8,400p per share — substantially above the standalone fundamental case and above the EQT bid.

Even applying conservative haircuts for stranded costs (-15%), this analysis suggests material undervaluation versus the current share price.

6.5 Structural Demand Acceleration

Several structural drivers should accelerate the AAA growth algorithm into 2026 and beyond:

- **Mandatory CPSC eFiling** from July 2026 (Intertek's InterLink 2.0 platform is referenced in Federal Register guidance)
- **EU CSRD/CBAM** ramping ESG verification demand
- **EU Cyber Resilience Act** and FCC Cyber Trust Mark expanding cybersecurity certification
- **AI assurance** (Intertek AI²) creates a new emerging market with first-mover advantage
- **Digital Product Passports** (EU mandate from 2027) require independent verification of supply-chain data
- **Energy transition** drives battery testing, solar PV (CEA), critical minerals (Base Met Labs)

6.6 Capital Returns and Balance Sheet Optionality

The Group's capital allocation policy is clear and shareholder-friendly: progressive ~65% payout ratio, opportunistic buybacks (£350m completed in 2025), bolt-on M&A funded out of free cash flow, and excess capital returned. With leverage at the bottom of the 1.3–1.8x target range and £930–980m of net debt forecast for FY26, the Group has £400m+ of incremental capacity for further buybacks or larger acquisitions, particularly if the strategic separation crystallises a tax-efficient capital return.

6.7 Activist Validation

Lost Coast Collective (Matt Peltz, ex-Trian) holding a >1% stake and publicly backing the Board's rejection of EQT's first bid is a positive signal. Activist money typically agitates for value realisation — meaning the Board faces ongoing pressure to deliver either a higher bid, the demerger, or both.

6.8 Defensive Quality in a Volatile Macro

Beyond the catalyst-driven case, Intertek offers genuinely defensive characteristics: regulatory non-discretionary spend, recurring revenue, low capital intensity, and the ability to maintain margins through downturns (as evidenced by 30% downside stress-tests confirming covenant compliance). In a higher-volatility macro environment, this matters.

7. The Bear Case

In summary: A high-quality business is currently being supported by takeover speculation; if the bid evaporates, valuation re-rates down and several operational and macro risks come back into focus.

7.1 EQT-Walk Risk Is Material

The Board's repeated 'fundamentally undervalued' language has been firm. PE firms apply tight return hurdles: at £54 per share, EQT is paying ~14x trailing EBITDA, ~17x P/E and ~5% FCF yield — already towards the upper end of historical TIC take-private precedents (Element Materials at 14.5x EBITDA in 2022, Applus+ at ~12x in 2023). To clear the £56–60 hurdle implicitly demanded by the Board, EQT would need to underwrite materially higher cost synergies, organic growth, or a leveraged carve-out — and may judge the risk-reward unfavourable. If EQT walks on 14 May 2026, the c.10–15% takeover premium evaporates.

7.2 Sterling Strength is a Persistent Headwind

With ~75% of revenue earned outside the UK, GBP appreciation is a structural drag. The 320bps headwind in 2025 reduced reported revenue growth from 4.3% (CCY) to 1.1% (actual) and converted a 9.3% CCY operating profit increase into 5% reported. If sterling continues its upward path on relative UK macro stability, FY26 reported numbers could again disappoint despite strong underlying trends.

7.3 World of Energy Cyclical and Geopolitical Risk

The 20% of Group revenue in World of Energy is exposed to the oil price cycle, refined-product trade flows and Middle East geopolitical disruption (Iran-related challenges already cited in Q1 2026). Transportation Technologies has seen double-digit negative LFL as automakers (particularly European OEMs) cut R&D budgets — and the structural 'EV slowdown' narrative could persist into 2027. While management guides to a return to low-single-digit growth in FY26, this is not assured.

7.4 Government & Trade Services (GTS) Concentration

Within the high-margin Consumer Products division, GTS provides pre-shipment inspection contracts to developing-market governments — a multi-decade revenue stream but vulnerable to (a) loss of a major contract on renewal, (b) Middle East trade disruption (already showing in Q1 2026), and (c) protectionist policy shifts. GTS turning materially negative could meaningfully drag the otherwise stellar Consumer Products performance.

7.5 Demerger Execution and Stranded Costs

The strategic review introduces 14 months of execution uncertainty. Stranded costs from separating shared HQ functions, IT systems and group procurement could erode 30–80bps of margin from the smaller Energy & Infrastructure entity. Tax leakage from de-grouping — particularly given Intertek's

100-country footprint — is non-trivial. There is no guarantee the review concludes in a value-accretive separation; a 'minor change' or 'sale of energy division only' outcome would disappoint.

7.6 Leadership Transition

Long-serving CFO Colm Deasy stepped down on 10 April 2026, replaced by Laura Crespi. While Crespi appears credible and the timing is awkward (mid-bid, mid-strategic-review), CFO transitions during M&A processes introduce execution risk. Equally, CEO André Lacroix has been at the helm since 2015 — at some point a succession plan will be required, and the right successor in a multi-stakeholder defence/separation context is non-trivial.

7.7 Valuation No Longer Cheap

At 4,810p the shares trade on c.14.2x forward 2026 P/E — discount to Eurofins and SGS but not to Bureau Veritas, and roughly in line with the long-run TIC sector average. If sentiment turns post-bid (case where EQT walks), shares could trade towards 12–13x P/E (£42–46) on standalone fundamentals, implying 10–15% downside from current levels.

7.8 Rising Net Debt

Financial net debt rose £497m in 2025 to £997m, principally to fund the £350m buyback and £156m M&A. Total net debt including IFRS 16 leases is £1,319m. While leverage of 1.3x net debt/EBITDA is still conservative, the trajectory is upwards, and any combination of (a) a major M&A move, (b) further buybacks, or (c) earnings disappointment could push leverage materially higher and into the 1.8x ceiling.

7.9 Antitrust on Trade Consolidation

Should EQT walk, hopes for a Bureau Veritas or SGS strategic offer face the same antitrust constraints that killed the SGS/Bureau Veritas merger in January 2025. This effectively limits the universe of credible alternative bidders to private equity (already 'tested' via EQT) or non-Western strategic buyers (where UK National Security and Investment Act scrutiny would apply). The 'M&A floor' may therefore be less robust than it appears.

7.10 Cyclical Reversal in Consumer Products

Consumer Products represents 48% of Group profit and operates at a 30.4% margin — but consumer-electronics testing, softlines and toys are tied to the global retail cycle. A consumer recession (e.g., from sustained higher rates, US tariffs, or China weakness) could compress LFL growth and pressure incremental margin contribution materially. The division's 250bps margin expansion in 2025 is impressive but partly reflects a strong cycle; it is not guaranteed to repeat.

8. Valuation Framework

8.1 Trading Multiples

Metric	FY25 Actual	FY26 Consensus	FY27 Consensus
Revenue (£m)	3,431.6	~3,580	~3,750
Adj Operating Margin	18.1%	18.4%	18.6%
Adj Operating Profit (£m)	619.6	~660	~700
Adj Diluted EPS (pence)	253.5p	~270p	~295p
P/E (at 4,810p)	19.0x	17.8x	16.3x
EV/EBITDA (~£810m FY26 EBITDA)	9.0x	8.3x	7.7x
FCF Yield	6.1%	~6.5%	~7.0%
Dividend Yield (trailing)	3.4%	~3.6%	~3.9%

Note: FY26/27 consensus figures are author estimates based on management guidance (mid-single-digit LFL revenue growth, continuous margin progression) and typical sell-side modelling. The trailing P/E of 13.8x cited by Stockopedia reflects pre-bid pricing of 3,734p.

8.2 Peer Multiples

Company	Forward P/E	EV/EBITDA	Operating Margin
Intertek	~17.8x (FY26)	~8.3x (FY26)	18.1%
SGS	~17–18x	~10x	~15.3%
Bureau Veritas	~18x	~11–12x	~15.5%
Eurofins	~18–20x	~10–11x	~17%
TIC Sector Median (Aventis)	n/a	12.9x (May 2025)	n/a
TIC 10-year Average	n/a	14.2x	n/a

Intertek currently trades at the lowest EV/EBITDA in the listed TIC peer set despite owning the highest operating margin and ROIC. This valuation gap reflects (a) its UK listing (FTSE 100 has structurally derated relative to European peers), (b) lower geographic exposure to high-growth Asia versus SGS, and (c) bid uncertainty discounting near-term valuation. Closure of even half the gap to peers implies materially higher fair value.

8.3 Sum-of-the-Parts (Indicative)

Entity	FY25 Revenue	Est. FY26E EBITDA	Multiple	Enterprise Value
Testing & Assurance	£1.9bn	~£480m (25% margin)	16x	£7.7bn
Energy & Infrastructure	£1.6bn	~£200m (12.5% margin)	10x	£2.0bn
Combined Enterprise Value	£3.5bn	~£680m	—	£9.7bn
Less: Net Debt + Leases	—	—	—	(£1.3bn)
Equity Value	—	—	—	£8.4bn
Per Share (159m diluted shares)	—	—	—	~5,300p
Stranded cost adjustment (-10%)	—	—	—	~4,800p
Premium scenario (peer multiples)	—	—	18x / 11x	~5,800p

Note: SOTP is illustrative only. Actual outcome depends on tax structuring, stranded costs and final separation perimeter. The £8.4bn equity value lines up closely with the £8.3bn EQT rejected at £54.

8.4 Analyst Targets

- **Consensus 12-month target (Investing.com, 16 analysts):** 5,238p (~9% upside; 12 buys, 0 sells)
- **Stockopedia consensus target:** 5,439p (45.7% upside vs. 3,734p pre-bid close)
- **Panmure Liberum (Buy):** 5,450p (citing demerger upside)
- **Morgan Stanley (Equal-Weight):** 5,600p (lowered from 5,850p)
- **JPMorgan (Overweight):** 5,300p (lowered from 5,500p)
- **TipRanks consensus average:** 6,122p (Strong Buy, 4 buy / 0 hold / 0 sell)
- **Highest target:** 6,750p (Investing.com high)
- **Lowest target:** 4,300p

8.5 Scenario-Based Price Targets

Scenario	Probability	Target Price	Return from 4,810p
EQT raises and gets recommended deal at £58	20%	5,800p	+20.6%

Scenario	Probability	Target Price	Return from 4,810p
EQT raises to £60+ or competing bid emerges	20%	6,000–6,200p	+24.7% to +28.9%
EQT walks; standalone case + demerger value	30%	5,200–5,500p	+8.1% to +14.3%
EQT walks; demerger drifts; pure standalone	20%	4,400p	-8.5%
Macro shock + bid collapse + cyclical hit	10%	3,800p	-21.0%

Probability-weighted target: ~5,290p, implying ~10% upside from current levels with positive skew (asymmetric upside in successful bid scenarios). This supports a constructive stance, with the recognition that returns are highly bid-event dependent over the next 2–4 weeks.

9. Catalyst Calendar & Risks Matrix

9.1 Near-Term Catalysts (next 12 months)

Date / Period	Event	Likely Direction
By 14 May 2026	EQT PUSU deadline – firm offer or withdrawal	Binary positive/negative
May–June 2026	Potential competing bidder emergence	Positive if materialises
28 May 2026	Ex-dividend date for final dividend (107.7p)	Technical
June 2026	Possible Q2 trading update / AGM commentary	Neutral/positive
24 June 2026	Final dividend payment date	Cash-positive
August 2026	H1 2026 results; strategic review progress update	Likely positive (LFL trends)
October 2026	Q3 2026 trading update (newly introduced quarterly cadence)	Neutral
Late 2026 / Early 2027	Strategic review key milestones / SOTP framework disclosed	Positive
Mid-2027	Strategic review concludes and is implemented	Positive (value unlock)

9.2 Risk Matrix

Risk	Probability	Impact	Mitigation
EQT walks on 14 May	Medium-High	10–15% downside	Standalone fundamental floor; demerger optionality
FX (sterling strength)	Medium	Reported earnings drag	75% of revenue overseas; constant-currency reporting
GTS / Middle East disruption	Medium	Top-line drag in Q2/Q3 2026	Geographic diversification; pricing power
Auto R&D cuts (Transport Tech)	High	Marginal Group impact (small division)	Acquisition mix shift towards Industrial
Demerger stranded costs	Medium	30–80bps margin	Cost discipline; potential carve-out optimisation
Loss of major GTS contract	Low	Material in division	Long-tenured relationships; multi-country diversification
Recession in consumer goods	Medium	Direct hit to highest-margin division	Defensive regulatory testing component
CFO transition + bid timing	Low-Medium	Execution friction	Strong CEO continuity; advisor support

Risk	Probability	Impact	Mitigation
UK CMA / NSI scrutiny on bid	Low	Delays takeover	EQT not strategic; passive investor structure
Competitor M&A counter-move	Medium	Could affect long-term competitive position	Intertek's premium positioning persists

10. Investment Recommendation & Conclusion

10.1 Recommendation: BUY (event-driven, high conviction)

12-month price target: 5,500p (*probability-weighted; range 4,400p–6,200p depending on bid outcome*)

Position sizing:

Given the binary 14 May 2026 PUSU deadline, position sizing should reflect event risk. For a generalist institutional book, an initial 1.0–1.5% position with the ability to add into weakness post-bid resolution represents an appropriate risk budget. For event-driven strategies and special-situations funds, this is a near-textbook setup — a quality compounder with a hard takeover floor, an explicit Board-led value-unlock catalyst, and asymmetric near-term price action.

10.2 Why We Are Buyers

Three core arguments support a constructive stance:

- **1. The standalone business is genuinely high quality.** 18.1% margin (best in TIC), 21.3% ROIC, 110% cash conversion, structural growth tailwinds, disciplined capital allocation, and a three-year track record of beating the AAA strategy targets. Even without any catalyst, this is a quality compounder we would own at the right price.
- **2. The valuation already discounts a bid failure.** At 4,810p the shares trade at 17.8x FY26 P/E and 8.3x FY26 EV/EBITDA — a meaningful discount to TIC peers despite Intertek's superior margin and ROIC profile. The implied premium over the standalone fair value is modest, suggesting limited downside even if EQT walks.
- **3. Multiple paths to value.** Whether via (a) a topped-up EQT bid, (b) a competing offer, (c) the strategic separation completing, or (d) standalone earnings compounding at 10%+ EPS growth, several routes deliver positive returns. A clean outright bid failure with no demerger and macro deterioration is the only scenario producing material downside, and we assess it at <10% probability.

10.3 What Would Make Us Sellers

- **EQT firmly walks on 14 May AND** the Board materially waters down or scraps the strategic review.
- **Sustained Q2/Q3 2026 LFL deceleration** below 4% combined with margin slippage.
- **Major Consumer Products contract loss** (particularly in GTS) or sustained Middle East-related impact spreading beyond a single quarter.

- **Adverse change in capital allocation** (e.g., a large, dilutive 'transformational' acquisition that breaches the 1.8x leverage ceiling).
- **Re-rating to >18x P/E** without commensurate earnings progression — at that point downside risk-reward becomes unattractive.

10.4 Trade Construction

Several practical considerations for executing a position:

- **Direct equity (LSE: ITRK):** the cleanest expression. ADR (IKTSF) provides USD-denominated access for US institutions but with reduced liquidity.
- **Optionality through derivatives:** given the binary 14 May event, listed options or upside calls dated June 2026 offer convex exposure to a successful bid scenario while limiting downside if EQT walks. Implied volatility will be elevated heading into the deadline — premium discipline matters.
- **Sterling hedging consideration:** for non-GBP investors, the bid is GBP-denominated and a successful deal would crystallise FX exposure. Hedging the GBP exposure may be appropriate depending on base currency.
- **Liquidity:** ITRK is FTSE 100 with average daily volume of c.£40m+; institutional-size positions are achievable in days, not weeks.

10.5 Final Word

Intertek represents a rare combination of structural quality, near-term catalysts, and embedded optionality. The Board has shown commendable discipline in rejecting two opportunistic bids, supported by a credible activist shareholder. The standalone business is delivering ahead of an already-strong AAA strategy, with Q1 2026 LFL acceleration to 5.4% confirming that operating momentum is intact. The strategic separation review provides a long-dated value-unlock catalyst regardless of the EQT outcome. Across virtually any plausible scenario other than a hard combined bid-failure-and-macro-shock, the asymmetric risk-reward is favourable to long positions over the next 12–18 months.

The principal call investors must make is on the EQT-walks scenario — and even there, the standalone fundamental floor of c.4,200–4,400p limits absolute downside to single-digit percentages from current levels, while upside in successful bid scenarios reaches 25–30%. This is precisely the asymmetric setup that high-conviction event-driven strategies are designed to exploit.

END OF MEMO

Disclaimer

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