

# **Intertek Group plc (IKTSF) May 2024 Trading Update Transcript**

Seeking Alpha - Earnings Call Transcripts

May 24, 2024 Friday

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**Length:** 7104 words

**Byline:** SA Transcripts

**Body**

Intertek Group plc (IKTSF)

May 2024 Trading Update Call

May 24, 2024, 02:45 AM ET

Company Participants

André Lacroix - Chief Executive Officer

Conference Call Participants

Rory McKenzie - UBS

Neil Tyler - Redburn Atlantic

Arthur Truslove - Citi

Suhasini Varanasi - Goldman Sachs

Sylvia Barker - JPMorgan

James Rosenthal - Barclays

Presentation

Operator

Good day, ladies and gentlemen, and welcome to Intertek May 2024 Trading Update. At this time, all participants are in listen-only mode. Later, we will conduct a question-and-answer session. [Operator Instructions] I would like to remind all participants that this call is being recorded. Questions will follow after the presentation.

I will now hand over to André Lacroix to start the presentation.

André Lacroix

Good morning to you all, and thanks for joining our call today. I'm here with Colm, our CFO; and Denis, our VP of Investor Relations.

And there are essentially five take-aways from our call today: first, trading in the first four months of the year were slightly stronger than expected with 7% like-for-like revenue growth at constant currency; we've delivered a robust margin performance by -- driven by pricing, operating leverage, cost control and productivity improvements; our disciplined cash conversion drove strong free cash flow; we are reconfirming our full year guidance at constant currency; and the execution of our AAA differentiated growth strategy is on track.

I would like to start our call today by answering the most frequently asked questions we've had in meetings since we announced our full year results a few weeks ago.

The first question we get is, "Why do you have the confidence to deliver mid-single digit like-for-like revenue growth on a sustainable basis?" We all know the ATIC structural growth opportunities are very attractive. Companies have increased their investments in risk-based quality assurance in the last two decades. And importantly, based on the growing challenge they face in their supply chain and more and more demanding stakeholders, our clients will invest more moving forward.

Indeed, our customer research shows that the structural ATIC growth drivers will be augmented by: the need for companies to operate with safer and more resilient supply chain; continued investments by corporation and new products and services, especially for these companies that have increased prices very, very strongly in the last few years and are seeing volume decline; a step change in how companies manage sustainability, you know that the regulatory framework is evolving every single day; we expect increased investments in traditional oil and gas infrastructure, and of course, renewables; and lastly, we expect an increase in the number of new clients, both in developing and emerging economies, it's never been easier to start a new business in our world today.

Against this backdrop, we operate a high-quality portfolio, extremely well positioned to deliver faster growth. And that's why we expect to deliver mid-single digit like-for-like revenue growth on a sustainable basis at constant currency.

The second question we get is, "What are building blocks to go to a 17.5%-plus margin over time?" For us, margin-accretive revenue growth is central to the way we manage performance at Intertek. You will remember that between 2014 and 2019, we were the only global listed TIC companies that delivered 200-bps-plus of margin accretion. In '21 and '22, our margin performance was, of course, impacted by COVID and the higher-than-expected inflation. In 2023, you would recall, we reported a 60 basis points margin improvement at constant currency. We have made further progress on margin in the first four months of the year, and we are on track to deliver our medium-term target of 17.5%-plus margin.

You will recall that during our full year results presentation a few weeks ago, I gave specific examples about how we manage margin in every single business. When driving margin equity revenue growth, we focus our teams on five simple yet powerful value drivers: First, the portfolio effect. This is how we manage volume, price and mix. Second, the fixed cost leverage linked to revenue growth, and of course, the faster revenue growth, the better operating leverage. The variable cost productivity improvement, which is very important as you grow, you want to get more proactive. Targeted fixed cost reduction; we never stop looking at costs that are unnecessary that can be taken out. And importantly, margin-accretive investments in innovation, technology and growth capability.

To execute these priorities, we have proven enablers in the organization that have been tested for so many years, and some of you know these very well. First, we run the company based on a daily/weekly/monthly performance management cadence. We do best-in-class benchmarking analysis every single month. We are very disciplined on price, capitalizing on our superior customer service. Our capital allocation policy is targeting investments in high-growth and high-margin segments. And our management incentive has been designed to reward margin-accretive revenue growth.

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We are confident we'll achieve our medium target margin of 17.5%-plus over time for three simple reasons: we have the proven tool and processes, we operate a wide span of performance, and we have a very disciplined accretive portfolio strategy.

The third question we are getting is, "What is the performance in the first four months of the year within your consumer activities? And what do you expect for the full year?" You've seen the numbers this morning. Our Consumer Products business delivered 6.2% like-for-like revenue growth in the first four months, which was slightly ahead of expectations.

What happened? Following a difficult 2023, fashion and general retailers entered 2024 with low levels of inventory and started to invest in the development of new SKUs given the positive outlook for consumer demands in both discretionary and non-discretionary categories. That's why we saw a high-single digit like-for-like revenue growth in Softlines, the mid-single digit like-for-like revenue growth in the Hardlines. And both the like-for-like revenue growth in Softlines and Hardlines were broad-based from a geographic standpoint, which is really good news for us. Demand is strong in every single country where we operate Hardlines and Softline.

The other important point is that the electrification of society, and we talked about it at length during the Capital Markets event a year ago, continues to strongly support the growth of our Electrical business, which has delivered a high-single digit like-for-like revenue growth. I would remember everyone on the call that our Electrical business had a steady growth year after year and didn't decline in 2020. Finally, GTS was in line with expectations.

So, we are revising our '24 guidance for Customer Products division and we are now expecting mid-single digit like-for-like revenue growth within our Consumer Product.

The fourth question we get is, "How well are you positioned in the context of changes in global supply chain of your clients?" Supply chain never stands still in the world today, and we have seen structural change in the operations of our clients in the last few decades on a regular basis. Our mantra at Intertek is simple. We always anticipate where our clients will take the supply chain using the 6,000 interviews we do with our customers every month. Our global footprint and our capital-light business model make us very agile, giving us the ability to move fast if we need to build additional ATIC capability for our clients in existing or new markets. And over the years, we have invested in many markets to expand our global footprint. This is how we've built a strong presence in Vietnam, India, Bangladesh, Cambodia, Egypt, Turkey, Greece, Morocco, Guatemala, Brazil, Colombia and Mexico.

There have been a lot of discussions about brands exiting their manufacturing footprint in China. I can tell you that we only have seen a handful of brands doing so. Changing production location is a high-risk decision for any business. However, what we've seen is that companies are pursuing a China+1 strategy. They are building the supply chain for new businesses in new countries to operate a more diversified footprint. That has resulted in additional investments in countries like Vietnam, Cambodia, India and Bangladesh for Hardlines and Softlines, while the manufacturing activities have continued to grow in China, benefiting from growth in existing categories, new brands deciding to produce in China as well as expanding in new sectors. You've seen the expansion of the Chinese export industry in the solar panels and of course, EV industry. We all know that China has a track record of manufacturing excellence and good customer service. That's why the export economy in 2023 was 37% larger than in 2019, and that's why our Chinese business has continued to deliver mid-single digit like-for-like revenue growth.

We also have seen investments in nearshoring to reduce the time to market and CO2 emissions. And the main beneficiaries are Egypt, Turkey Portugal, Morocco, Guatemala and Mexico. And finally, we are seeing onshoring investments in the renewable sectors with manufacturing investments in energy storage, solar and wind and these are strategic sectors for the energy security of the European and North American markets. And there is no question that the Inflation Reduction Act is triggering a significant step-up in greener energy investments in the US.

The fifth question we are getting is, "How are the competitive dynamics inside the industry and what are the Intertek differentiating factors?" An important point to make upfront is that our competitive set is very broad. The Tier 1 group of companies in our industry made of publicly listed companies and a Tier 2 group made of midsized businesses being not-for-profit or owned by private equity sponsors together represent less than 25% of the global industry.

Intertek offers its clients a differentiated value proposition based on very distinct attributes, and let me go through these one by one. First, we have a very decentralized and empowered organization, which makes us truly customer-centric, and that's why we deliver the best customer service in the industry. We operate a high-quality portfolio with well-capitalized scale businesses. You've seen during our Capital Market event, the quality of our labs around the world. We are the only player in the industry offering our clients end-to-end risk-based quality assurance with our ATIC solutions. We've built over the years a comprehensive suite of leading and lagging indicators for every business, and that gives us a strong data advantage. And lastly, but importantly, we believe in the power of continuous improvement, our high-performance culture, combined with our data advantage means that we never stop challenging ourselves on how we improve our processes and solutions to provide better value.

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Let's now discuss our trading highlights and all the comments I will make are at constant currency. In the last four months, the group delivered 7% like-for-like revenue growth, slightly ahead of expectation.

Our Consumer Products division delivered like-for-like revenue growth of 6.2%, as we just discussed, driven by high single-digit like-for-like performance in Softline and Electrical, while Hardlines delivered mid-single-digit like-for-like revenue growth, GTS was slightly below last year.

Our Corporate Assurance division delivered like-for-like revenue growth of 7.6%, driven by high-single digit like-for-like performance in Business Assurance and mid-single digit performance within Assuris.

Our Health and Safety division delivered a like-for-like revenue growth of 9.9%, driven by double-digit like-for-like performance in Food and AgriWorld, while C&P delivered a high-single digit like-for-like performance.

Our Industry and Infrastructure division delivered like-for-like revenue growth of 4.2%, driven by mid-single digit like-for-like performance in our Industry Services and Minerals business and low-single digit like-for-like growth in Building & Construction.

Our World of Energy division delivered a like-for-like revenue growth of 9.4%, driven by double-digit like-for-like increase in Caleb Brett and CEA, and mid-single digit like-for-like growth in TT.

Turning now to the performance at the group on a year-to-date basis. Revenue for the four months to the end of April grew 7.5% at constant currency and 2% at actual rates to £1.081 billion. Like-for-like revenue growth of 7% at constant currency was broad-based, benefiting from both volume and pricing. Acquisitions contributed £5.6 million revenue on a year-to-date basis. The Controle Analitico, PlayerLync and Base Met Labs acquisition we made in 2023 and '24 to scale up our portfolio in attractive growth and margin sectors are performing very well. Margin progression was robust. We benefited from our pricing initiatives, good operating leverage, disciplined cost control and productivity improvements. We've delivered a strong free cash flow and continue to operate with a robust balance sheet. We continue to invest in organic and inorganic growth opportunities.

Let's now discuss our guidance for the full year of 2024. We continue to expect the group will deliver mid-single digit like-for-like revenue growth at constant currency. Given the strong start to the year, we have raised our guidance in Consumer Products to mid-single digit and to high-single digit for Health and Safety as well as the World of Energy. Our expectations remain to high-single digit growth in Corporate Assurance. We are revising our outlook for Industry and Infrastructure to mid-single digit. We are, of course, targeting margin progression. Our cash discipline will remain in place to deliver strong free cash flow. We'll invest in growth, with CapEx of circa £135 million to £145 million. And we expect our financial net debt to be in the range of £510 million to £560 million before any M&A or ForEx movements.

A quick update on currencies for your model. The average sterling rate in the last three months applied to the full year results of 2023 would reduce our full year revenues and operating profit, respectively by circa 200 bps and 300 bps. What does it mean? Net-net, we are on track to deliver our full year guidance at constant currency and the market expectations for 2024, notwithstanding the ForEx volatility we are seeing in the market.

A year ago, at our Capital Market event, we presented our Intertek AAA differentiated growth strategy to unlock the significant value growth opportunities ahead. All of us at Intertek are laser-focused on taking our company to greater heights, and I'm pleased to report that the execution of our AAA growth strategy is on track.

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We've made strong progress between 2014 and 2023, delivering value for all stakeholders and our good-to-great journey continues capitalizing on science-based customer excellence ATIC advantage. Our clients understand the mission-critical nature of risk-based quality assurance to operate with higher quality, safety and sustainability standards and make their business stronger. We are experiencing faster growth for our ATIC solutions, and we expect that to continue.

To continue to deliver sustainable growth and value for our shareholders, we'll stay very focused on our virtuous economics based on the compounding effect year-after-year of mid-single digit like-for-like revenue growth, margin accretion, strong free cash flow and, of course, disciplined investments in high-growth, high-margin sectors.

Importantly, we believe in the value of accretive disciplined capital allocation, we pursue the following priorities. Our first priority is to support organic growth through capital expenditures and investment in working capital. The second priority is to deliver sustainable returns for our shareholders through the payment of progressive dividends, and we target a payout ratio of circa 65%. The third priority is to pursue M&A activities that strengthen our portfolio and attractive growth and margin areas, provided, of course, we can deliver good returns. And our fourth priority is to maintain an efficient balance sheet with the flexibility to invest in growth. Our leverage target is 1.3x to 1.8x net debt to EBITDA, with the potential to return excess capital to shareholders, subject, of course, to our future requirements and prevailing macros.

So, let me summarize the highlights of our trading statements before taking your questions. Trading in the first four months were slightly stronger than expected, with 7% like-for-like revenue growth at constant currency, benefiting from a broad-based performance. Our pricing initiatives, strong cost controls and productivity improvements drove a robust margin performance while our disciplined cash conversions delivered a strong free cash flow. We are on track to deliver our full year guidance at constant currency and the market expectations for 2024, notwithstanding the ForEx volatility in many markets in the last few months.

Again, thank you for joining our call today, and we'll now answer any questions you might have.

Question-and-Answer Session

Operator

[Operator Instructions] We'll take our first question from Rory McKenzie of UBS. Please unmute your line and ask your question.

Rory McKenzie

Good morning. It's Rory here from UBS. Two questions, please. Firstly, on consumer...

André Lacroix

Good morning.

Rory McKenzie

Good morning, André. On consumer goods, as you were describing the strong performance in Softlines and Hardlines, you spoke about retailers wanting to restock after last year. Can you talk about if this marks a return to steady growth trends for you, or could this year be volatile as you go through periods of catch-up and restocking from clients and then see slower periods later on? And I appreciate you did just increase divisional guidance, of course mid-single digits still leaves a range that could be lower than where you were tracking today.

And then secondly, good growth again in World of Energy. Can you talk about what underpins that in terms of price or volume or new service mix? And again, as you look at the year, does that growth rate look sustainable given that I know there's a little bit of a catch-up in some areas from some of that mobility trends. Thank you.

André Lacroix

Yeah. I mean, look, I'm not worried about Consumer Products. What happened in the last few years was clearly understood by everyone and made sense. I'll just remind everyone that post-COVID there was a surge in consumer demand for new products and Softlines and Hardlines and Electrical benefited from that. I think retailers were too bullish with their forecasting in 2022 because they had not really quantified the big one-off that was a rebound post COVID on consumer consumption. And they got their supply chain forecast wrong, which basically made them, obviously, very careful in '23 with inventory management. And of course, they were worried about weakening consumer demand based on the higher-than-expected inflation.

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Now, that was the reason for the slowdown in the new product development within Consumer Product in Hardlines and Softline, less so in Electrical, which obviously benefits from the greener energy trends. And we know that the consumption in the world is in a good shape, that inflation is going down, and that confidence is good. And the confidence in the global economy that we are all sensing is the confidence that we are sensing within our customers. And I think we're going to have a really good momentum over the years. I've given, of course, some long-term guidance for Consumer Products, remember, at the Capital Markets event, and that's the guidance that I would want you to think, not for '24, but for the long term.

But as you know, this is a very strong part of our portfolio. We have created the Softlines and Hardlines testing industry with lab test in 1973. We've got leadership positions. We have got tremendous technical expertise and we've got scale and fabulous productivity, and we are never stopping in terms of innovation.

When it comes to Electrical, look, we don't talk much about Electrical. And maybe we should. I mean this is one of the major vertical of Intertek. Remember, this is the business we bought from -- in the U.S. many years ago, it was called the Edison Testing Laboratory. We are the #1 outside of the U.S. Inside the U.S., we are #2 just behind UL. But our performance is, frankly speaking, world-class. We've never seen any issue in terms of organic growth. And the performance that we've delivered with high-single digit is very, very commendable. And I can tell you that here, we're not seeing any slowdown because what is driving electric testing is essentially, of course, innovation, new products, new brands but greener. If energy is really needed with appliances and electrical products that are more efficient, right? And of course, this sector is benefiting from energy storage investments being industrial or consumer products with batteries and you know all of that.

So look, I'm not worried about consumer goods. The recovery in the first four months were stronger than we expect, which is good, and we are very, very positive about the year, and everybody knows that this is an important recovery because this is where we have the highest margin in the group.

As far as the World of Energy performance, look, let's just start with the smallest of the three business, CEA, which is essentially the business we bought a few years ago to be the global leader in terms of independent assurance when it comes to solar energy. Now, solar energy is the fastest-growing renewable source of energy, we all know that. It's an unregulated space. And a lot of companies are asking them the questions which solar panel should I buy? How should I make it part of my energy mix management. And CEA provides both independent quality inspections in the manufacturing footprint, i.e., in the factories producing solar panels, but also they work with the clients in terms of managing the quality assurance of the infrastructure they build.

And frankly speaking, you can see that there is growth there and they continue to do a fantastic job. Transportation technology has been obviously challenged for multiple reasons that we talked about in the past. These issues are now behind us. I think the supply chain of the OEMs is in much better shape, and they need to invest in greener internal combustion engines and of course, electrical vehicles and hybrid. And here, you know, the drivers are very, very, very positive.

When it comes to Caleb Brett, which is the biggest of the three businesses in World of Energy, I have to say that I'm extremely pleased with the way Caleb Brett has performed in 2023 and '24. You will remember from Ian last year, the Capital Market event where he talked about the growth drivers, of course, mobility with the recovery in airline traffic, which we have seen. And, importantly, the investments that our clients are making in biofuels, sustainable aviation fuels, essentially, greener fuels. And this is obviously, an important part of the mix because this is more complex from a testing standpoint. So, it's higher price, higher margin. And here again, the growth is very, very, significant. I mean, you see it every single day. I mean, this week there is a summit in Amsterdam on sustainable aviation fuels. We have a partnership here with Zero Petroleum. I was talking about where they are in terms of developing synthetic fuels. I mean, you can see that this world is going to continue to grow. So look, that's what I can say on the World of Energy, and they're going to continue to do well. So, thanks for your two questions.

Rory McKenzie

Thank you.

Operator

Our next question is from Neil Tyler at Redburn Atlantic. Please unmute your line and ask your question.

Neil Tyler

Yeah, good morning, André. Thank you very much. My first question really on the -- first question on the Assurance activities really. I appreciate that outside of your Corporate Assurance division, there are other mentions -- frequent mentions of Assurance work you're doing. I wonder if you could sort of share your thoughts on the -- in aggregate, the momentum within those to give a sort of picture, sort of top-down picture of how those are progressing versus the last year or two? And then, do you have a view of the proportion of those revenues in aggregate that you would view as sort of repeat annual business? That's the first question.

And then the second one, sorry to call this out, but in government and trade, one of the few areas where sales have declined. I noticed that they've been sort of declining for the last couple of years. So, can you share your sort of medium-term perspective on sort of what the strategy is there and how you see that developing over the next few years? Thank you.

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André Lacroix

Yeah. Thanks, Neil. I mean, don't be sorry to ask a question about GTS. I mean we are here to talk about all parts of our business. Look, GTS is an inspection-based business that works with government, it's called Government Trading Services. And that's true that the performance has been soft over the last few years because we exited contracts that we didn't want to renew. Why is GTS slightly below last year this year, is essentially not a volume issue, it's a program mix point. We don't have the same price points on every single contract. And this is what's happening. The volume is good and we're going to continue to make progress. So, I'm not worried, and I don't want you to worry about GTS.

I mean your question about Assurance is central to what we do with our clients, right? ATIC is all about risk-based quality assurance where we provide end-to-end risk assessment with an Assurance, which is an audit of operating procedures, management systems, skills and behaviors to make sure that our clients have got an end-to-end visibility on risk within their entire value chain. And that complements, of course, the quality control work that we do with testing inspection certifications in a high-risk area. I mean this is the genesis of what we offer to our clients. As I said on the call earlier today, we are the only company to basically talk about risk-based quality assurance through ATIC and this gives us, of course, an incredible advantage when we talk to clients on -- at the C-suite level.

Now, you're right, there are two types of Assurance solutions inside the group. They are the business line-agnostic solution, which is essentially Business Assurance and Assuris, and you've got the business line-specific solutions. And we report our ATIC revenue now every single year. So we'll do so at the end of 2024. There is no question that if you look at the data and Denis can send you the graph that Assurance has been one of the fastest-growing solutions for Intertek because companies need to increase focus on risk management. And if anything, COVID has pinpointed the fact that company didn't have enough focus on the resilience of the value chain end-to-end, et cetera and so forth.

So look, I'm not going to give you a number for the Assurance Services for the first four months because we're going to disclose it at the end of the year, but this is continuing to perform very well. And this is obviously at the heart of our competitive advantage, and we are really, really focused on that, and we know all the drivers. Thank you.

Neil Tyler

Thanks, André. Just to follow up there. Within that sort of broader Assurance piece, do you have a perspective, are you able to see how much of it is repeat business in both business agnostic -- industry agnostic and industry specific?

André Lacroix

Yeah. I mean a couple of things about your question. Sorry, I should have addressed that, my apologies. Number one, we have very sticky customer relationships at Intertek, right? I've talked about it in the past. So, customer retention rate is very, very, very high. And it's very rare when we lose a client and usually is because we don't agree on the price, as you know, we are [Technical Difficulty] to your question, because typically, when you do an Assurance program, it's a multiyear program, right? So, Assurance -- and I shouldn't have said that because [Technical Difficulty] basically planned for your capability development. So, it's -- I wouldn't say it's a very good business, okay?

Neil Tyler

Great. Thank you very much.

Operator

Our next question is from Arthur Truslove at Citi. Please unmute your line and ask your question.

Arthur Truslove

Good morning, everybody. A couple from me, please. So, first question, please. On the Consumer Products business, obviously, a good start to the year. How are you expecting organic growth there to progress as the year goes on? Or are you expecting it to strengthen in May and June and then also July to October or not?

Second question is on the margin. I guess, simply put today, Consumer Products has been stronger than expected, which is obviously [lab-based] (ph), World of Energy likewise, and therefore, I would expect that to be very positive for operational leverage and therefore, margin. But my understanding is you're talking margin, down a little bit. So I just wondered whether I understood correctly or not.

And then third question just on the free cash flow. I guess, how confident are you of very strong free cash flow conversion this year perhaps relative to last year? Thank you.

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André Lacroix

Yeah, I mean, thanks, Arthur. So, let's take these questions in reverse order. Free cash flow confidence, super strong. Don't worry about that.

Margin, we're not taking the margin down. What we are saying is that ForEx is going to be, of course, more negative than we thought and more negative at the operating profit than revenue, 200 versus 200 bps, but from a constant currency standpoint, which is the way we look at margin performance. We're not downgraded, if anything. What we said this morning is we believe that market expectations at actual rate, which is the consensus, we are comfortable with that. And if you do the math and you include the more adverse ForEx compared to our previous guidance, essentially, what we are talking about today is a mini upgrade at constant currency. So, don't worry about margin.

As far as Consumer Products is concerned, look, we've increased the guidance to mid-single digit, mid-single digit is the range. And it's true that 6.2% is a bit at the upper end of this range. We don't give forecast for the next two months or H1 or H2 or give the full year. But where I sit today, I think we're going to have a good year. So, if I were you, I wouldn't worry about Consumer Products.

Arthur Truslove

Thank you very much.

Operator

Our next question is from Suhasini Varanasi at Goldman Sachs. Please unmute your line and ask your question.

Suhasini Varanasi

Hi, good morning. Thank you for taking my questions.

André Lacroix

Good morning.

Suhasini Varanasi

A few from me, please. Good morning. So, just one more on Consumer Products, please. Sorry to go back to that, but it's probably the most interesting division at this point, given the inflection you've seen on growth this year. But that's the one division where margins are well below 2019 levels. So, I just wanted to check, given the upgrade to guidance and the strong start to the year, how long do you think it will take for you to get back to 2019 levels? Is it just one year or take two to three years? That's the first question.

The second question is on the..

André Lacroix

I'm going to answer this one with a smile, and nice try. You know that I'm not going to give you anything. So, enjoy. Do you have a more interesting questions for me because don't ask me questions where I'm not going to give you answers.

Suhasini Varanasi

Okay. The next one...

André Lacroix

And I'm saying it with a smile with the utmost respect because you and I know each other for so many years. Let's have fun today.

Suhasini Varanasi

Of course. So, the second one is on Building & Construction please, which seems to have seen a slightly softer growth this year compared to last year. Can you maybe discuss what you've been seeing? Where has the slowdown been? What kind of projects are seeing a little bit of delays? Thank you.

André Lacroix

Yeah, that's a very good question. Thank you. Look, for us, Building & Construction on a serious note is a North American business. You will recall that we've invested in this business several years ago, anticipating the investments that we made to upgrade the infrastructure in the U.S., public and private housing, and of course, road and airports, et cetera, and so forth. This is -- business has done very well. If you look at -- the performance in '23 was very commendable. We had a really good mid-single digit performance last year.

And what happens in the U.S. is each time there is an election, there is a bit of uncertainty before or after on what kind of incentives the government is going to put in place. And what we've seen is, on the large projects, large infrastructure projects, of course, some of these projects have lapsed, and we've seen a bit of a slowdown in terms of decisions being made by local or regional authorities to basically invest in larger projects, because there might be some change in terms of incentives or because they expect the interest rates to go down. So that's what we are seeing.

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Am I worried? No. Would I like it to be higher? Of course, but it's a very strong business. And we know that the Infrastructure Bill that has been passed and Inflation Reduction Act is very significant in terms of investments moving forward. And I don't know if you've seen some of these numbers. But since the Inflation Reduction Act was passed, there were 295 major projects that have been announced. It doesn't mean that they have been approved and planned. This is basically the intention, right? And this represents $118 billion of investment in the private sectors. And this is a quote from your bank, so the data is really correct. So, this is a good growth area for us. And of course, it's a bit slow at the moment, but I'm not too worried.

Suhasini Varanasi

Thank you. Last question for me, please. Obviously, a very strong start to the year, 7% organic growth, and you upgraded the guidance in three out of the five divisions and notwithstanding the small downgrade in one division, which is Industry and Infrastructure. They're also facing easier comparables going into second half of the year on organic growth. So, definitely feels as so there's some upside to your group guidance, which is still at mid-single digit organic growth. Just wanted to get your thoughts on, okay, is it just the usual level of caution and conservatism because it's the beginning of the year, or is there anything else that we should be worried about? Thank you.

André Lacroix

I mean you know me so well, so you got the answer to your question. And the other thing I would say is mid-single digit is a range, right?

Suhasini Varanasi

Got it. Yeah, thank you.

André Lacroix

Thank you.

Operator

Our next question is from Sylvia Barker at JPMorgan. Please unmute your line and ask your question.

Sylvia Barker

Thank you. Hi, good morning.

André Lacroix

Good morning.

Sylvia Barker

A couple from me, please. First, maybe going back to the margin on Consumer. Just could you maybe talk a little bit about the different parts of that? So, Softlines historically has been the highest margin, but Electricals has been catching up over time. So, could you maybe just update us on where the margins stand relative for the sub-businesses within that division?

And then maybe within Connected, [UL] (ph) clearly talks about high margins within industrial versus consumer within Electrical. And it seems that it's the more industrial end markets, maybe they're growing faster for you at the moment. So, within the Electrical piece, do you think that you're actually seeing kind of further margin growth? That will be interesting.

And then finally on -- second question rather on Business Assurance. Is there a regional kind of skew at the moment? Clearly, there's been a lot more regulation probably in focus within Europe. But could you maybe just talk a little bit about the regional split of that growth? Thank you.

André Lacroix

Sorry, what was the exact last question? Can you be more precise?

Sylvia Barker

I'm sorry. Business Assurance, just whether that's driven more by Europe or EMEA versus other regions?

André Lacroix

Okay. I mean, on the last question, no, the BA growth is very broad-based. Just to remind everyone, Intertek as a company has always been very strong in Asia, in emerging markets and in North America. As you know, Europe is not our biggest business, right? So, the European BA business is doing very, very well, but the growth in terms of quantum, right, comes from the India, the China, the U.S., all the markets where we are very, very big.

As far as your question on UL look, like you did, I looked at the statement, and I don't understand why their margin is a problem on Consumer Products. I don't know, maybe they don't have the same definition. I think they put some Hardlines and Softline numbers in that. It's not pure Electrical. I can tell you that, of course, now that they disclosed their performance, I can do side-by-side comparison, and I talk to my Electrical teams and yes, of course, Industrial is doing very well, but our Consumer Product in Electrical is flying, right, and the margin is very good. So, I'm not sure I understand the issue here there. You should ask them.

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As far as the margin, I mean, you're right. I mean Softlines, Hardlines have always been the highest margin within Consumer Product. But you're right, Electrical, given the fact that it's steadily making progress here, yes, it's catching up, but we still have some room. So, Hardline, Softline is still the highest margin. Thank you.

Sylvia Barker

Okay. Thanks for that.

Operator

[Operator Instructions] Our next question is from James Rosenthal at Barclays. Please unmute your line and ask your question.

James Rosenthal

Hi, there. Thanks for taking my question. I've got one on North America infrastructure projects. I mean there's a lot of those going on out like those at a very early stage for now. At what stage of the project developments do you think that demand will really pick up for your particular suite of services? And then within the business you have as well, is there any particular sort of exposures within infrastructure we should be particularly aware of?

André Lacroix

It's a really good question. And this is why I'm super excited about the IRA and it would mean for onshoring in essentially in the North American business. Let's just start with business model in the United States, right? I've talked about B&C, which is a Building & Construction, quality assurance organization that essentially gets involved when the building starts, right? Foundational work and all the way till the end because we do the quality assurance of the building cycle. We will be involved slightly upstream in terms of, call it, consulting, and we call it looking at the ecosystems of what being built because companies need to make sure they've got the right safety protocol and standards in their buildings or bridges or airport, but also the eco, greener side of things is very, very, very important.

The other area where we are highly present is with Moody. Essentially, in Moody, you would remember, is a leader in terms of engineering-based inspection, has been traditionally involved in oil and gas upstream infrastructure, offshore platforms, pipelines, refineries, power plant. And there is no question that what we do for this large project is we basically do the quality assurance of the high-tech assets that basically not for platform or a refinery would basically build, i.e., we work with the suppliers at the refinery orders from -- to basically make sure that when the equipment arrives in the factory, we are basically giving the assurance that, that turbine or that piece of equipment is going to work. So that obviously happens at a later stage of the project, but it is very, very, very, very significant.

The other thing that we are seeing going back to discussions on industrial, I mean, all this investment that we are seeing in terms of battery plants, power plants, need some electrification. And this is where the Industrial division of our Electrical business in North America is extremely well positioned. And lastly, we do have, of course, the opportunity with our Business Assurance operations to offer [indiscernible] solution.

So essentially, we have a very comprehensive business model in North America. And I wouldn't want to forget Caleb Brett, which when refinery has been built or when people have invested in hydrogen power plants or when they want to basically put a higher level of greener fuels in the supply chain, of course, we are there to do the testing and inspections when the operation is up and running. So, we are very much involved when it starts being built, i.e., the project need to be approved, the foundation needs to be, if you want, in place and the financing needs to be in place. But the opportunity for us is significant because we have the business model with our business plans I just explained to take advantage of all these opportunities. And we are very, very focused on that. We have a dedicated multifunctional, multi-business line teams solely focused on that in North America because, look, it is going to change the way energy is produced and consumed in the largest economy in the world, the U.S., right?

James Rosenthal

That's great. Thanks very much for the insight.

Operator

This concludes our Q&A. I'll now hand over to André Lacroix for closing remarks. Please go ahead.

André Lacroix

Well, thank you very much for your time today, and I appreciate the discussion. So, we are obviously available if you have any more questions. Denis is on standby. And I wish you all a very good day. Thank you.

**Load-Date:** May 24, 2024

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