



CHINA TIC MARKET

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WHEN YOU NEED TO BE SURE



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DAYS CHILE AND PERU
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THE MARKET: A SHIFTING LANDSCAPE

WHEN YOU NEED TO BE SURE



- PMI dropped to 4.71, a historical low since 2008
- Flat in electricity output and cement production
- Fixed investment growth slowing down:
 - 9.9% in July
 - 12-month average of 12%
- Continuous decline in exports:
 - 8.3% YOY drop in July
- Actual GDP growth widely regarded at lower than 7%

- Presence of all business lines
- CTS remains the largest
- Rapid organic growth in other sectors dilutes dependence on CTS:
 - Agriculture & Food (+30%)
 - Transportation (+15%)
 - Industrial (+20%)
- Overall above market average growth

CHINA \neq CTS

- 40% of business is from domestic market
- Export-related activities facing headwind
- Drivers of rapid growth in domestic market:
 - Trend for liberalization
 - Local consumption
 - eCommerce
- Most fast growth units driven by domestic expansion

CHINA ≠ CTS ≠ Export Driven Business

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THE DOMESTIC MARKET: A CLOSER LOOK

WHEN YOU NEED TO BE SURE





- Accessible market of over RMB 100 billion
- Market liberalization:
 - Clear direction from State Council
 - Internal integration among state-owned TIC companies – no significant progress
 - Next step: separation of governmental and commercial functions
 - Government outsourcing open to TICs
 - More scope for commercial participation
- SGS well placed to collaborate



- China's national standard – GB
- CCC (China Compulsory Certification) laboratory testing services
- Food safety
- Domestic energy market
- Building and infrastructure project supervision
- Special equipment inspection
- Offshore services
- Calibration services
- Environmental assessment and testing services
- Outbound direct investment projects

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THE OUTLOOK: OUR ANALYSIS

WHEN YOU NEED TO BE SURE





- **China evolves from world's manufacturer to world's market**
- Liberalization on track – space for International players increases
- Continuously dilutes the importance of export
- Digitalization and eCommerce as catalysts
- Evolution from execution to selling market – Outbound Direct Investment Initiative:
 - Belt and Road Initiative
 - Chinese Companies beyond China
 - KAM and technical support
 - Capabilities and knowledge in investing countries

- Sourcing and manufacturing migration trends in traditional CTS segments:
 - Low end – simple supply chain, low value
 - Move to inland China and other Asian countries
- Growth opportunities:
 - Chinese government to push high end products
 - Wireless: increasing variety, volume and share
 - Functional garments and footwear
- SGS well-placed to support migrating manufacturers via other affiliates



SGS