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Chemistry Pesticide Detection Laboratory, Portugal

Third quarter 2024  
**sales update**

**SGS**



## Third quarter 2024 sales update

# Continued strong sales performance in Q3

Ad hoc announcement pursuant to article 53 LR  
Geneva, 25 October 2024

- Strong sales growth of 7.3% organically<sup>1</sup> and 3.8% in reported terms in the third quarter
- New sustainability offering IMPACT NOW ready to be rolled out
- Global PFAS<sup>2</sup> campaign launched
- 4 new bolt-on acquisitions, serving SGS's growth strategy in North America and Europe
- Outlook 2024 confirmed
- Capital Markets Event on 19 and 20 November in Rotterdam and Antwerp

### Géraldine Picaud, Chief Executive Officer, commented:

*"We take great pride in the achievements that are driving our future growth. Notably, we are excited to launch IMPACT NOW, our new offering for sustainability services. The scope of PFAS testing and accreditations has expanded significantly, and we have accelerated our acquisitions with four new deals. I want to extend my gratitude to all the talented SGS teams who made these successes possible."*

## Sales review

### Group sales

(CHF million)	Q3 2024	Q3 2023	9M 2024	9M 2023
Sales	<b>1 699</b>	1 637	<b>5 034</b>	4 921
Total change	3.8%		2.3%	
<b>of which organic<sup>1</sup></b>	<b>7.3%</b>		<b>7.8%</b>	
of which scope	0.0%		-0.4%	
of which FX	-3.5%		-5.1%	

### Group sales by division

(CHF million)	Q3 2024	Organic <sup>1</sup> growth	9M 2024	Organic <sup>1</sup> growth
Europe	486	5.4%	1 468	4.8%
Asia Pacific	511	4.8%	1 491	5.8%
North America	179	8.8%	525	6.8%
Latin America	142	17.0%	425	18.9%
Eastern Europe, Middle East & Africa	190	11.0%	568	14.2%
<b>Testing &amp; Inspection</b>	<b>1 508</b>	<b>7.4%</b>	<b>4 477</b>	<b>7.9%</b>
<b>Business Assurance</b>	<b>191</b>	<b>5.9%</b>	<b>557</b>	<b>7.2%</b>
<b>Total Group</b>	<b>1 699</b>	<b>7.3%</b>	<b>5 034</b>	<b>7.8%</b>

1 Please refer to Alternative Performance Measures in the Appendix

2 PFAS: per- and polyfluoroalkyl substances

## Q3 2024 sales review

Group sales reached CHF 1 699 million in Q3 2024, delivering strong organic<sup>1</sup> growth of 7.3%. In reported terms, sales increased by 3.8% compared to prior year, impacted by a moderate currency effect of -3.5%.

Sustainability, digital trust, supply chain services and increased regulations continued to support organic<sup>1</sup> growth across all divisions and regions, in line with industry megatrends.

**Testing & Inspection** delivered 7.4% organic<sup>1</sup> sales growth, supported by Connectivity & Products and Health & Nutrition. In addition, activity continued to accelerate in North America and Europe.

**Business Assurance** delivered 5.9% organic<sup>1</sup> sales growth, with double-digit growth in certification and a strong performance in ESG assurance and sustainability audits. Consulting was impacted by a high basis of comparison.

## Recent major developments

Significant growth initiatives are being deployed across the network:

- The new sustainability offering **IMPACT NOW** is ready to be launched. It will bring together the entire suite of SGS's sustainability services under one platform. Leveraging on its deep knowledge, long-standing expertise and proven track record in sustainability, SGS will now offer customer-centric solutions across four pillars:

**Climate solutions** are concerned with fighting climate change and driving net-zero ambitions.

**Nature solutions** focus on protecting biodiversity and improving human health.

**Circularity solutions** enable the transition to the circular economy and address the challenges of plastics and waste reduction.

**ESG Assurance** helps clients navigate the complexities of non-financial reporting, improve their ESG strategies and mitigate risks.

- SGS also launched a **global PFAS campaign** to promote the company's leadership and unique portfolio of services. With the broadest scope of testing and accreditations in PFAS, SGS is ideally positioned to support the global fight against PFAS contamination. Following the quadrupling of the company's capabilities in North America, this campaign further reinforces SGS's commitment to sustainability.

## M&A relaunched

The Group announces four additional acquisitions that serve its growth strategy in Europe and North America and strengthen its positions in attractive market segments. Together with the five acquisitions announced in H1 2024, they represent combined revenue of approximately CHF 70 million on an annual basis:

- **Hazgo and Express Solutions** are two Belgium-based companies specializing in supply chain services for sensitive products, including pharmaceuticals, chemical samples, and dangerous goods. These acquisitions closed on 30 September 2024 and add 36 talented employees to SGS. Both companies are strategically aligned with the global regulation megatrend in Health & Safety and strengthen SGS's position as a leading player in the pharmaceutical value chain in the crucial Benelux market. Their integration into the broader SGS network provides significant synergies.
- SGS has signed an agreement to acquire **Beta Analytic**, the global leader in Carbon 14 testing for governmental, academic, and commercial organizations worldwide. The company is headquartered in Miami, Florida, and brings 100 highly skilled staff to SGS. It operates in over 30 countries throughout Europe, Asia and the Americas, holding key accreditations and deep industry expertise. As an increasing number of products and packaging move from petroleum-based materials to bio-based alternatives, radiocarbon testing is a unique solution to validate product claims and prevent greenwashing. This acquisition aligns with the Company's strategy to capture the sustainability transition and underlines its commitment to North America expansion. Closing is expected on 31 October 2024.
- SGS has signed an agreement to acquire **AMA Analytical Services**, a Maryland-based specialist in environmental testing, with a focus on asbestos, metals, and microbial analysis. The acquisition adds 21 skilled professionals to SGS's team and provides significant opportunities to expand its specialized environmental services in the Mid-Atlantic and North-East regions of the United States. Closing is expected on 31 October 2024.

<sup>1</sup> Please refer to Alternative Performance Measures in the Appendix

## Management changes

James Roberts has been appointed Chief Human Resources Officer and member of the Executive Committee, effective 1 November 2024. Prior to joining SGS, he served as Head of HR at Holcim UK. An accomplished HR leader with over 25 years of international experience across multiple sectors, James will drive the HR dimensions of Strategy 27. He is highly skilled in HR strategies that support business growth and cultivate a culture of performance and accountability. He has a strong track record in incentivization, M&A integration, talent acquisition, leadership development and advancing diversity & inclusion initiatives.

James succeeds Jessica Sun, who brought valuable contributions to the group.

David Plaza, Chief Information Officer of SGS, has been appointed to the Executive Committee. In this role, he will drive the implementation of a robust IT roadmap to support the goals of Strategy 27. David has served as the group's Chief Information Officer since November 2020. Before joining SGS, he was Regional IT Head at Adecco Group, where he oversaw IT operations across multiple regions. He has extensive experience in managing the IT aspects of organizational transformation.

## Outlook 2024

The Group confirms its targets for 2024:

- Mid to high single-digit organic<sup>1</sup> growth
- M&A relaunched
- Improvement in adjusted operating income<sup>1</sup> margin on sales
- Strong free cash flow<sup>1</sup> generation

## Mid-term 2027 objectives

Strategy 27 will shift gears towards growth of the top and bottom line. The Group confirms the following objectives:

- Organic<sup>1</sup> sales growth of 5% to 7% annually
- Significant improvement of at least 1.5 percentage points in adjusted operating income<sup>1</sup> margin on sales by 2027
- Cash conversion<sup>1</sup> to exceed 50% by 2027

## Conference call

A live webcast for analysts and investors will be held on 25 October at 10:00am CET.

Details of the webcast can be found below:

<https://event.choruscall.com/mediaframe/webcast.html?webcastid=otjVPmhr>

A recording of the webcast will be available later in the day on sgs.com.

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<sup>1</sup> Please refer to Alternative Performance Measures in the Appendix



## Sales by end-market

### Testing & Inspection: Industries & Environment



(CHF million)	Q3 2024	9M 2024
<b>Sales</b>	<b>557</b>	<b>1 681</b>
Total change	3.0%	4.0%
<b>of which organic<sup>1</sup></b>	<b>7.0%</b>	<b>9.6%</b>
<i>of which scope</i>	0.0%	-0.8%
<i>of which FX</i>	-4.0%	-4.8%

Industries & Environment delivered an organic<sup>1</sup> growth of 7.0% in Q3 2024, led by Environment.

- Double-digit growth in Environment was fueled by increased capacity in PFAS testing
- Strong demand prevailed in safety-related services in Asia Pacific and Latin America
- High single-digit growth in technical Supervision & Advisory was led by Latin America
- Growth was partly offset by the completion of low-margin contracts in non-destructive testing

### Testing & Inspection: Natural Resources



(CHF million)	Q3 2024	9M 2024
<b>Sales</b>	<b>403</b>	<b>1 202</b>
Total change	2.8%	1.8%
<b>of which organic<sup>1</sup></b>	<b>6.9%</b>	<b>8.0%</b>
<i>of which scope</i>	0.0%	0.0%
<i>of which FX</i>	-4.1%	-6.2%

Natural Resources delivered a solid performance, with an organic<sup>1</sup> growth of 6.9% in Q3 2024.

- Double-digit growth in Laboratory Testing was led by increased activity in energy, chemicals and on-site projects
- Double-digit growth in Metallurgical Testing was driven by Latin America and North America
- Solid growth in Trade & Inspection was achieved despite a soft start of the new crop season
- Growth was partly offset by the exit from low-margin minerals contracts in Latin America

<sup>1</sup> Please refer to Alternative Performance Measures in the Appendix

## Testing & Inspection: Connectivity & Products



(CHF million)	Q3 2024	9M 2024
<b>Sales</b>	<b>327</b>	<b>950</b>
Total change	5.1%	0.8%
<b>of which organic<sup>1</sup></b>	<b>8.4%</b>	<b>7.5%</b>
<i>of which scope</i>	-0.4%	-1.3%
<i>of which FX</i>	-2.9%	-5.4%

Organic<sup>1</sup> sales growth in Connectivity & Products continued to accelerate in Q3 to 8.4%, driven by Softlines and Connectivity.

- Double-digit growth in Softlines was driven by sustainability and lower inventory levels
- Connectivity delivered high single-digit growth, fueled by increasing demand in wireless and automotive
- High single-digit growth in Hardlines was supported by new regulations in food contact materials
- Trade Facilitation Services remained broadly stable

## Testing & Inspection: Health & Nutrition



(CHF million)	Q3 2024	9M 2024
<b>Sales</b>	<b>221</b>	<b>644</b>
Total change	6.3%	0.8%
<b>of which organic<sup>1</sup></b>	<b>8.2%</b>	<b>3.8%</b>
<i>of which scope</i>	0.0%	0.6%
<i>of which FX</i>	-1.9%	-3.6%

Health & Nutrition delivered organic<sup>1</sup> sales growth of 8.2%, benefiting from strong growth in Food and early signs of recovery in Health Science.

- Food continued to deliver double-digit growth, supported by regulation and food safety
- Cosmetics delivered high single-digit growth, led by increased clinical testing in North America
- Health Science returned to mid single-digit growth, driven by strong performance in drug development in Europe

<sup>1</sup> Please refer to Alternative Performance Measures in the Appendix

## Certification: Business Assurance



(CHF million)	Q3 2024	9M 2024
<b>Sales</b>	<b>191</b>	<b>557</b>
Total change	3.2%	2.8%
<b><i>of which organic<sup>1</sup></i></b>	<b>5.9%</b>	<b>7.2%</b>
<i>of which scope</i>	0.0%	0.0%
<i>of which FX</i>	-2.7%	-4.4%

Business Assurance delivered organic<sup>1</sup> sales growth of 5.9% in Q3 2024 driven by Certification and Sustainability.

- Certification continued to grow at double digits, supported by medical devices and digital trust
- High single-digit growth in Sustainability was led by ESG Assurance, social audits and energy certification
- Training services slowed down during the quarter
- Softness in Consulting, driven by a high basis of comparison, is expected to continue for the rest of the year

<sup>1</sup> Please refer to Alternative Performance Measures in the Appendix



# Appendix

## 2023 sales by quarter

(CHF million)	Q1	Q2	Q3	Q4	2023
Industries & Environment	527	549	541	573	<b>2 190</b>
Natural Resources	394	395	391	403	<b>1 583</b>
Connectivity & Products	308	323	311	304	<b>1 246</b>
Health & Nutrition	212	219	208	218	<b>857</b>
Business Assurance	170	187	186	203	<b>746</b>
<b>Total</b>	<b>1 611</b>	<b>1 673</b>	<b>1 637</b>	<b>1 701</b>	<b>6 622</b>

## Alternative Performance Measures

### For the period ended 30 September 2024

The following document presents and defines the Group's alternative performance measures (APMs), not defined by IFRS which are used to evaluate financial and operational performance. Where relevant, a reconciliation to the information included in our IFRS consolidated financial statements is presented. Management deems these performance measures as a useful source of information when taking decisions and managing the operations. These alternative performance measures are disclosed in the integrated report, the half year report, the quarter reports and other external communications to investors, and are available following this link: <https://www.sgs.com/en/investors/reports>

### Organic sales growth

Organic sales growth is used by management to evaluate the evolution of existing operations, excluding the changes in scope (impacts of business acquisitions and divestments) and currency fluctuations. This provides a 'like-for-like' comparison with the previous period in constant scope and constant currency, enabling deeper understanding of the business dynamics which contribute to the evolution of sales from one period to another.

- Scope: the results from acquisitions are excluded for the 12 months following the date of a business combination, while results generated by a divested unit are excluded for the 12 months prior to the divestiture
- Currency fluctuations: sales at constant currency are calculated by translating current year numbers at prior year average exchange rates (except for currencies with a devaluation of above 50% between the two comparable periods, for which the current year average rate is applied to the prior year baseline)

Organic sales are then divided by the prior period sales to derive the organic growth percentage. A numerical reconciliation of this APM is included below:

(CHF million)		
Sales Q3 2023		1 637
<b>Growth in value and in %</b>		
<b>Organic</b>	<b>119</b>	<b>7.3%</b>
<b>Scope</b>	<b>-1</b>	<b>-0.0%</b>
Acquisitions	3	0.2%
Disposals	-4	-0.2%
Sales Q3 2024 at constant currency	1 755	7.3%
<b>Currency impact</b>	<b>-56</b>	<b>-3.5%</b>
<b>Sales Q3 2024</b>	<b>1 699</b>	<b>3.8%</b>

(CHF million)		
Sales 9M 2023		4 921
<b>Growth in value and in %</b>		
<b>Organic</b>	<b>383</b>	<b>7.8%</b>
<b>Scope</b>	<b>-21</b>	<b>-0.4%</b>
Acquisitions	8	0.2%
Disposals	-29	-0.6%
Sales 9M 2024 at constant currency	5 283	7.4%
<b>Currency impact</b>	<b>-249</b>	<b>-5.1%</b>
<b>Sales 9M 2024</b>	<b>5 034</b>	<b>2.3%</b>

### Constant currency

The constant currency calculation is used in order to assess the period over period evolution of financial indicators without the currency impact. SGS calculates constant currency measures by translating the current year numbers at prior year average exchange rates (except for currencies with a devaluation of above 50% between the two comparable periods, for which the current year average rate is applied to the prior year baseline).

### Adjusted operating income

The adjusted operating income is provided to assess the underlying financial and operational performance of the Group excluding the influence of items not directly attributable to operational performance. Adjusted operating income represents the operating income excluding:

- Amortization and impairment expenses on intangibles arising as a result of acquisitions
- Impairment expenses on goodwill
- Restructuring costs including impairment charges arising from the execution of restructuring plans
- Gains and losses from business disposals
- Acquisition- and divestment-related expenses including integration costs
- Other non-recurring items, e.g. non-operational items such as certain regulatory, compliance and legal costs and certain asset write-downs/impairments

### Free cash flow

The free cash flow is deemed an important measure by management as it shows the ability to generate cash after the investment in assets necessary to support the existing operating activities.

The Group defines free cash flow as:

Net cashflow from operating activities,

Less net purchase of property, plant and equipment and of other intangible assets,

Less lease payments,

Less interests paid, net of interests received.

### Cash conversion

Cash conversion ratio provides management with a measurement of the Group's ability to convert operational results in cash. The ratio is calculated by comparing the free cash flow to the EBITDA (operating income before depreciation, amortization and impairment) minus lease payments.

## About SGS

We are SGS – the world's leading testing, inspection and certification company. We are recognized as the global benchmark for sustainability, quality and integrity. Our 99,600 employees operate a network of 2,600 offices and laboratories around the world.

# Shareholder Information

## Upcoming investor events

<b>19 - 20 November 2024</b>	Capital Markets Event
<b>11 February 2025</b>	Full year 2024 results
<b>26 March 2025</b>	Annual General Meeting of Shareholders
<b>24 April 2025</b>	Q1 2025 sales update
<b>25 July 2025</b>	Half year 2025 results
<b>23 October 2025</b>	Q3 2025 sales update

## Stock listing information

<b>Stock exchange trading</b>	SIX Swiss Exchange
<b>Stock exchange listing</b>	SGSN
<b>Common stock symbols</b>	Bloomberg: Registered Share: SGSN.SW Reuters: Registered Share: SGSN.S Telekurs: Registered Share: SGSN ISIN: Registered Share: CH0002497458 Swiss security number: 249745

## Investor and media contacts

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