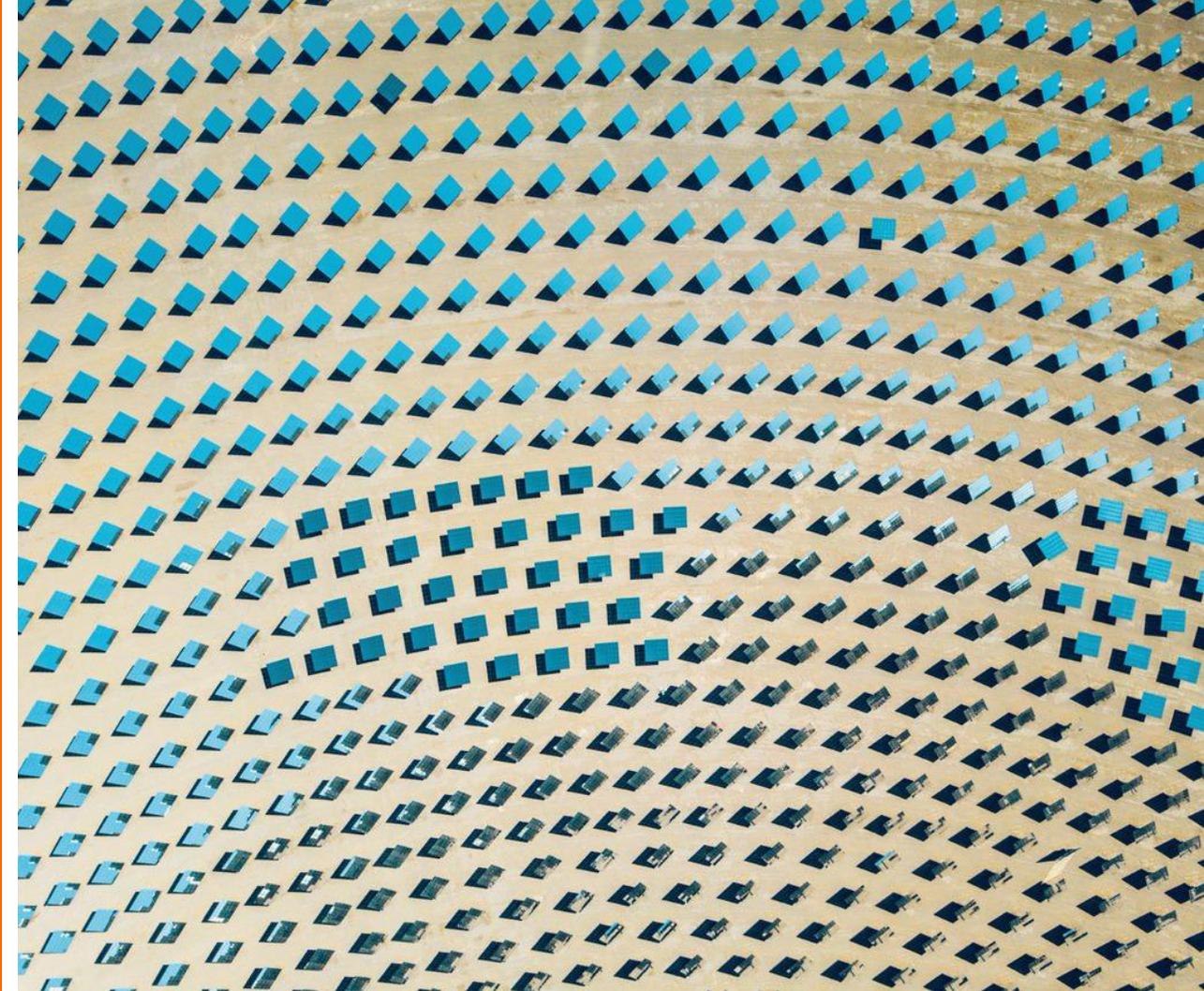


# PATH TO INORGANIC GROWTH

**Vincenzo Torrasi**  
VP Corporate Development

Investor Days 2018, Bordeaux



WHEN YOU NEED TO BE SURE

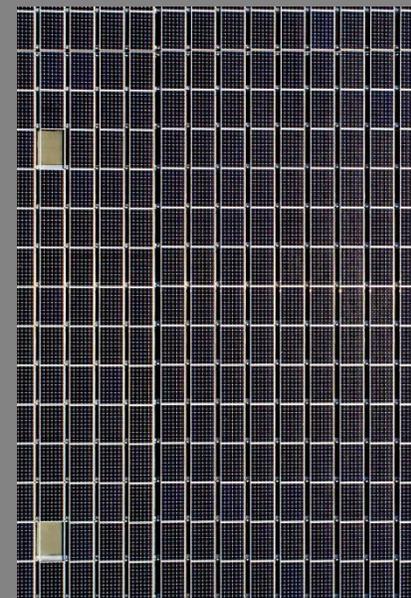




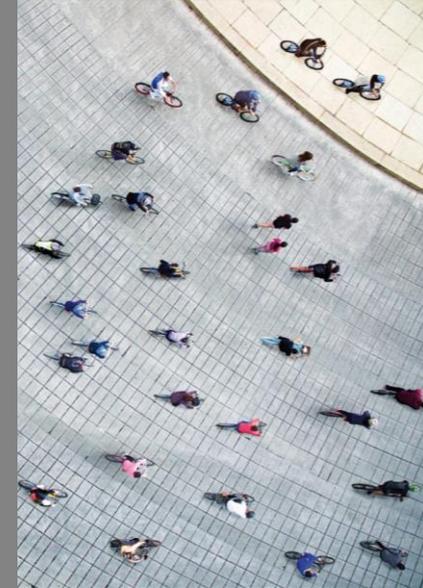
TIC market  
overview



SGS approach



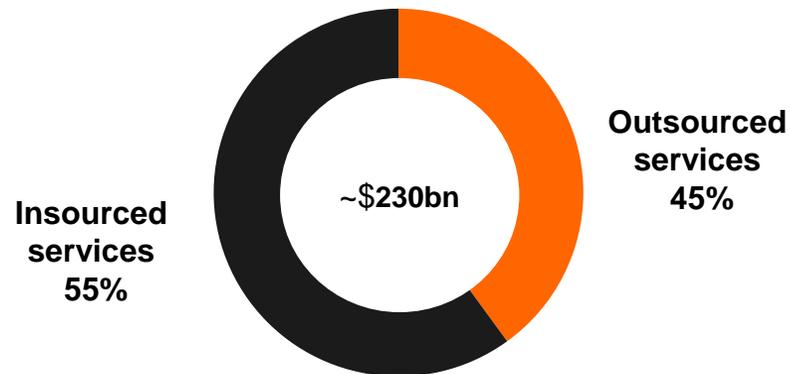
Achievements



Looking ahead

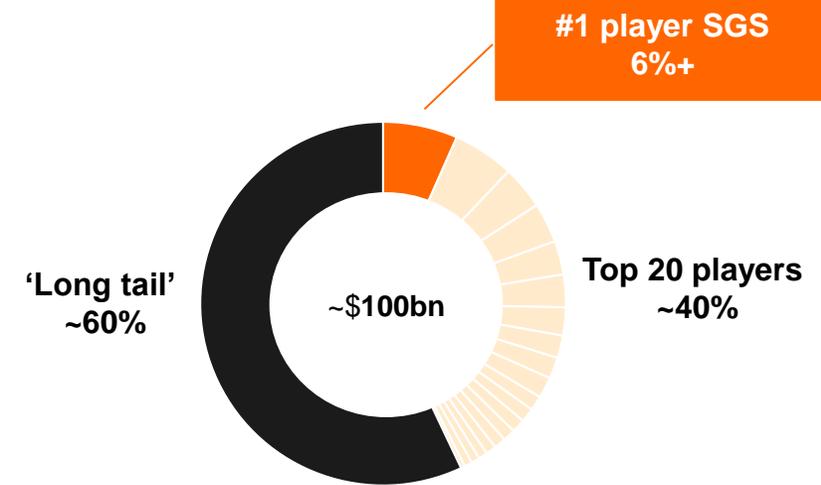
TIC MARKET SIZE : ~\$230bn OUT OF WHICH ~\$100bn OF OUTSOURCED SERVICES

### GLOBAL TIC MARKET



Outsourced services

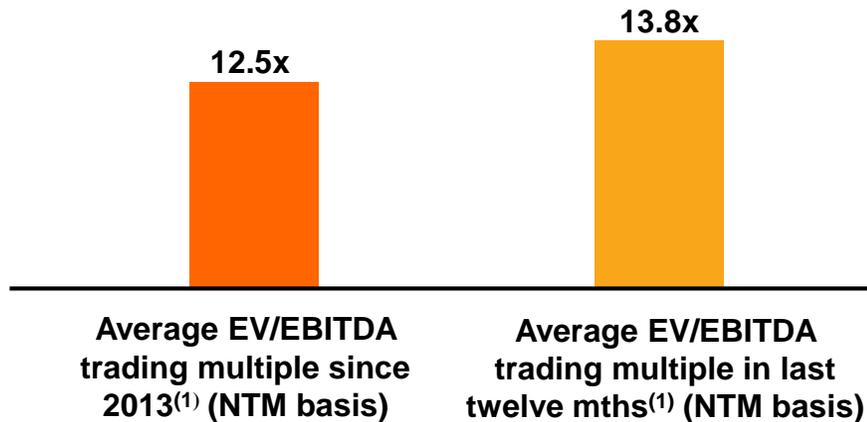
### SGS IN TIC OUTSOURCED SERVICES



- TIC Market size : ~\$230bn
  - ~\$130bn estimated in insourced services
  - ~\$100bn estimated in outsourced services
    - market expectations: trend toward outsourcing

- Leadership position in a growing and fragmented market

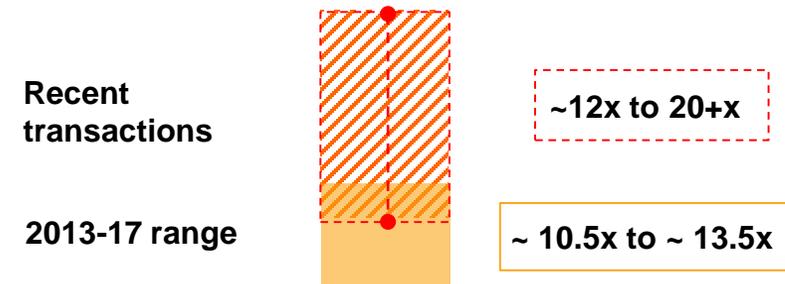
### TRADING MULTIPLES TIC Co.



Trading valuations are higher than historical levels and supported by solid long term fundamentals

- EV/EBITDA : 13.8x (LTM) vs. 12.5x (last 5 years)

### LARGE M&A TRANSACTIONS



EV/EBITDA multiple (LTM basis)

Deal activity, pushed by different factors and dynamics

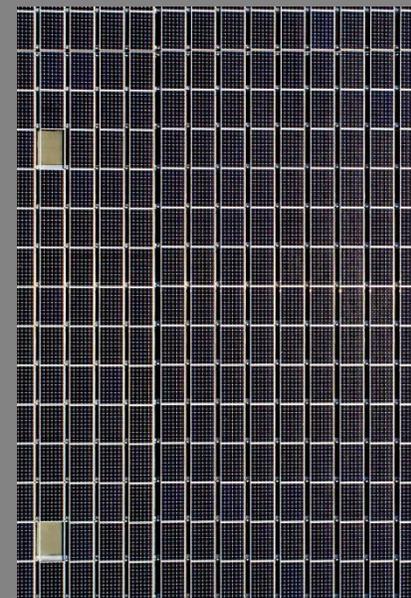
- Large targets:
  - last transaction multiples between 12x and 20+x EBITDA
- Medium – Small targets:
  - multiples more stable, less affected by competition



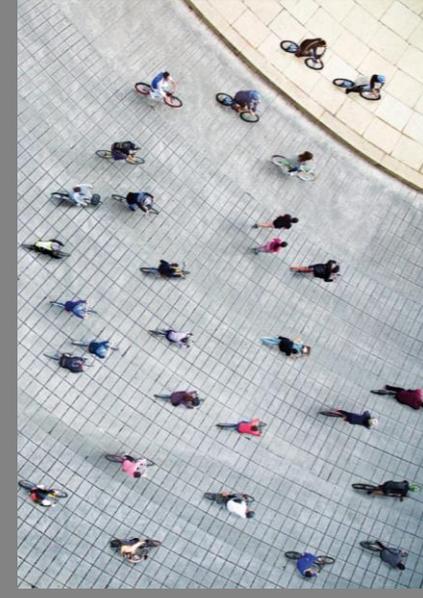
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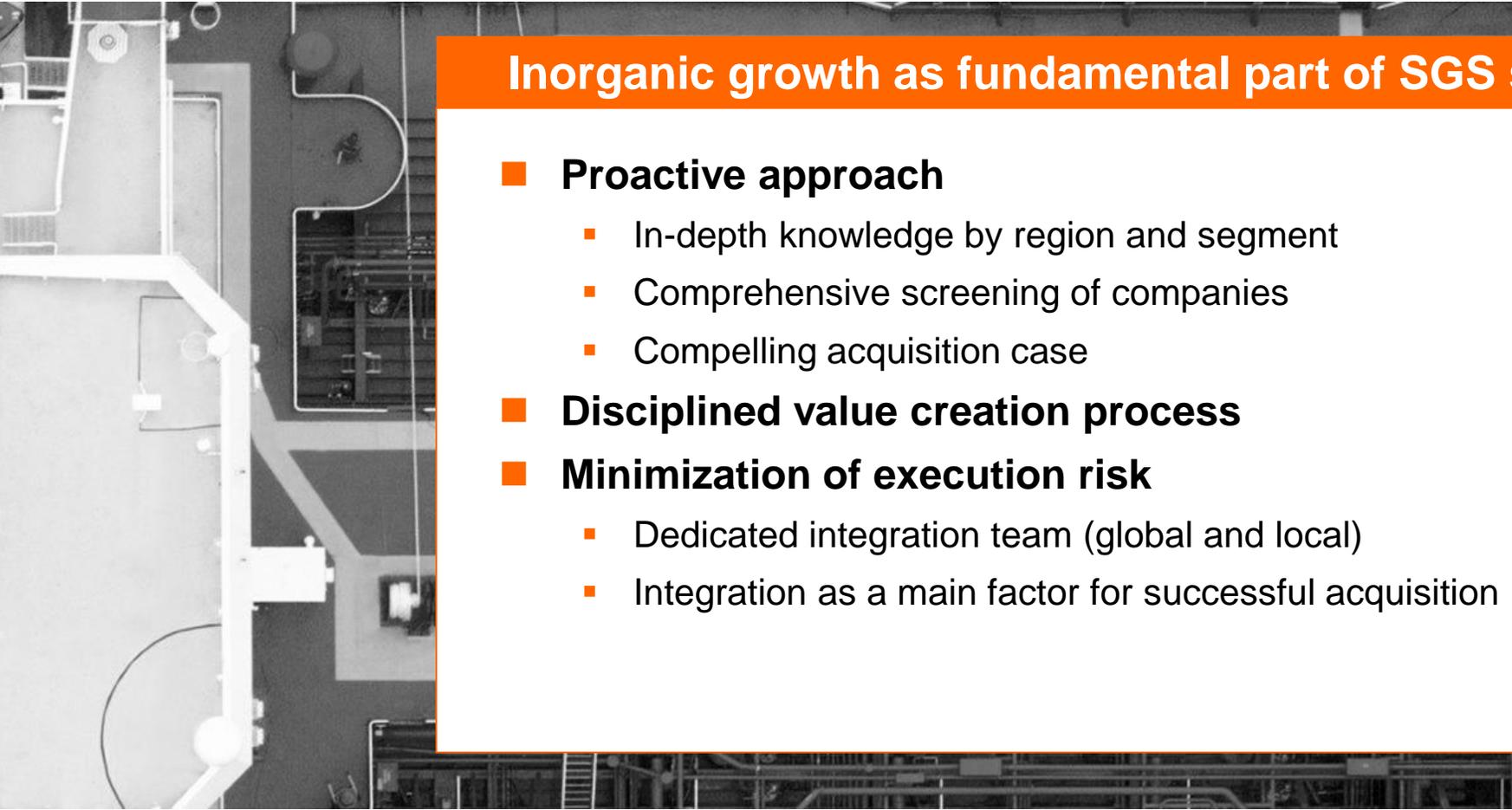
SGS approach



Achievements



Looking ahead



## Inorganic growth as fundamental part of SGS strategy

- **Proactive approach**
  - In-depth knowledge by region and segment
  - Comprehensive screening of companies
  - Compelling acquisition case
- **Disciplined value creation process**
- **Minimization of execution risk**
  - Dedicated integration team (global and local)
  - Integration as a main factor for successful acquisition

A dark, textured background image showing a complex network of lines, possibly representing a data network or infrastructure.

### ENHANCE CAPABILITIES

- Expertise
- Reputation
- Innovation
- New business model
- Accreditations
- New equipment

A dark, textured background image showing silhouettes of people in a meeting or office setting.

### REINFORCE GEOGRAPHIC PRESENCE

- Enter attractive markets
- Fill geographical gaps

An orange-tinted background image showing a person working at a desk with a computer monitor and a lamp.

### BUILDING SCALE

- Establish leadership position
- Expand customer base

## MAINTAINING STRATEGIC SIGNIFICANCE

### VALUE DRIVER

- Top line:
  - Scalability / replicability
  - Cross selling opportunities
- Operating leverage
- Overall synergies

### FINANCIAL KPIs:

- Sales growth
- Operating margin
- Cash conversion
- Payback period
- ROIC/WACC spread

KEEPING THE RIGHT BALANCE BETWEEN REVENUE EXPANSION AND VALUE ACCRETION



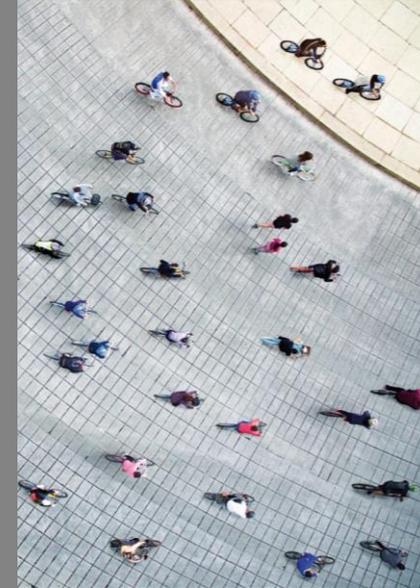
TIC market  
overview



SGS approach



Achievements



Looking ahead

## OUR ACHIEVEMENTS 90 TRANSACTIONS SINCE 2012

2012	2013	2014	2015	2016	2017	Oct-18
CIMM	Enger	Search Group	SIGA	Suzhou Safety	Laboratoire LCA Maroc	Vanguard
ETSA	MSi Testing & Engineering	Galson	ASHBY	Cargo Compliance	CBF Engineer./ BF Machinery	LCA, Belgium
Sercovam	Hart Aviation	ATE	LeBrigand	Accutest	ILC-Micro-Chem	Traitgenetics
Analytical Perspective	Time Mining	Röntgen Technische Dienst	QCL	Matrolab Total	Harrison Research Labo.	SIT Skin Investigation
Environ	IVE	Labtox	Testing Service Group	Firstrank	Central Illinois Grain Inspect.	Oleotest
Vitrology	MIS Testing	CAS	Airservices	Lab Asia Ltd	SGS Leicester	Polymer Solutions Inc.
E&S	Labmat	Courtray	Cronolab	Cybermetrix	CTR	Advanced Metrology Solutions
Ludwig Group	MIS Environmental	RFT Japan	Radiation Safety Services	SGS Bateman	Maco Group	Komgo
Herguth	Qingdao Yuanshun	GMR	DLH	IPS Testing	The Govmark Testing Services	IBR
Exprimo	RDFI	Nemko Oy	Western Radiation Services	SpecHub	Geostrada	
Ware Care Group	CQA			Lab. Contecon Urbar	Biovision	
EMICS	RUK			Group CCS	WIN Services / Leadership	
Australian Radiation Services				Unigeo		
Metlab				Eecolab		
Gravena				Axy's Analytical Services		
Sentinel Services				Roos&Bijl BV		
Roplex Engineering				Bio Premier		
Gladstone Testing				C-Labs		
				SGS Laagrma		

### REVENUE CONTRIBUTION:

- 40 transactions since 2016: revenues contribution of CHF 315 million
- 90 transactions since 2012: revenues contribution of CHF 810 million

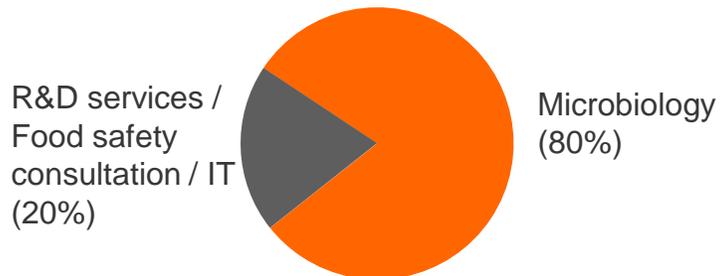
### INVESTMENT BREAKDOWN:

- 80%+ of total EV invested in Agriculture Food & Life, Transportation, Environmental Health & Safety and Industrial
- 65%+ in Europe and North America

	Agriculture, Food & Life				Industrial	Consumer & Retail Services	Transportation	Digital & Innovation	
	Vanguard Sciences	Oleotest	Traitgenetics	Laboratoire de Contrôle at Analyse	Polymer Solutions Inc.	SIT Skin Investigation	IBR	AMS	Komgo
<b>Business</b>	Food microbiology and proxy chemistry (ash, moisture, protein, carbohydrates)	Chemical food and feed testing lab	Development and analysis of molecular markers for plant breeding research	Chemical and microbiological testing to international pharmaceutical companies	Materials testing laboratory specializing in polymer science	Clinical / human panel testing sector for skin care products	Provider of state-of-the-art testing and verification for air and fluid filtration performance across multiple industries	3D metrology precision services and technical inspection measurement processes in the aerospace sector	Stake in Blockchain-based platform providing trusted digital ledgers to limit operational risks of fraud, counterfeiting or human error
<b>Location</b>	USA	Belgium	Germany	Belgium	USA	Germany	USA	Spain	Switzerland
<b>Strategic rationale</b>	Reinforce SGS food testing services in the US market	Expand the network to close geographical gaps Enter new market segment, food, feed, where Oleotest provides chemical analysis complementary to SGS	Expand our expertise in plant breeding services and strengthen ability to support clients' ambitions to reduce time-to-market in the seed industry	Expand GMP testing portfolio in Belgium, with a key focus on QC lab services	Enhancement of global platform of materials science and testing laboratories	Expand the network to close geographical gaps	Broaden our services within non-woven materials, particularly filtration performance, allowing further expansion of value-added services to our customers and core industries	Service expansion in the aerospace industry. Building scale and buying capabilities in Spain and Europe	Continue to offer advanced services to clients across numerous industries

### COMPANY OVERVIEW

- Formed in 2008, headquartered in South Dakota, USA
- The business: food microbiology (both quantitative organism and qualitative pathogen) and proxy chemistry (ash, moisture, protein, carbohydrates) laboratory
- 74 FTE in 2 locations, North Sioux City and Oklahoma City
- Revenues breakdown



### STRATEGIC RATIONALE

- Established food testing platform to enter and grow food testing in the USA
- Acquire a complete set of key accreditations, recognitions and key clients
- Existing experience and reputation across the US

#### CAPABILITIES

- Located in Midwest, 1 of 5 key food regions in US
- Proximity with SGS food chemistry laboratory
- Model for replication of additional food microbiology laboratories in the US

#### GEOGRAPHIC PRESENCE

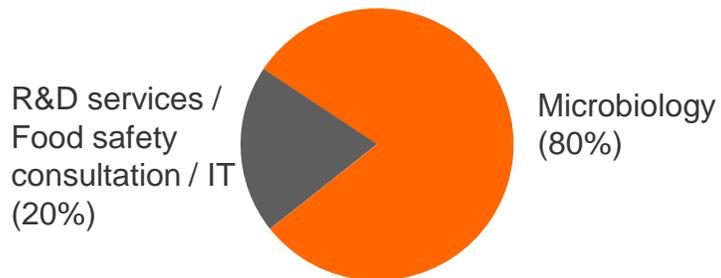
### SYNERGIES

- Geographic Expansion
  - Organic expansion of food microbiology laboratories in the US with possibilities to replicate microbiological and proxy chemistry testing
  - Complements SGS service offering to the retail industry

#### SCALE & COMPLEMENTARITY

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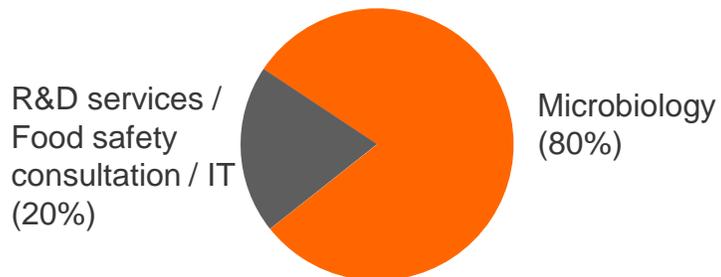
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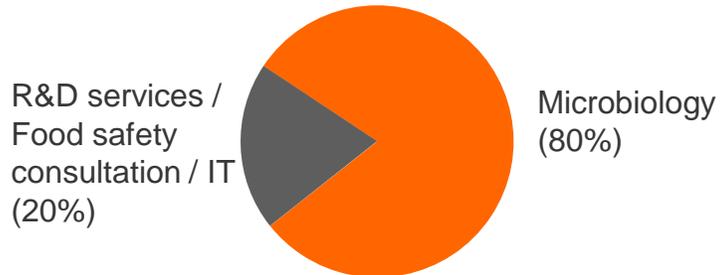
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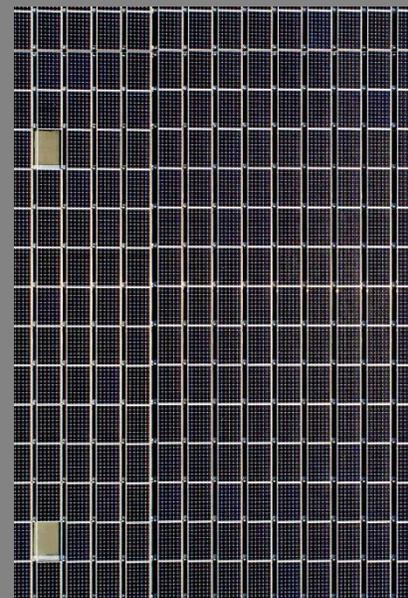
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TIC market  
overview



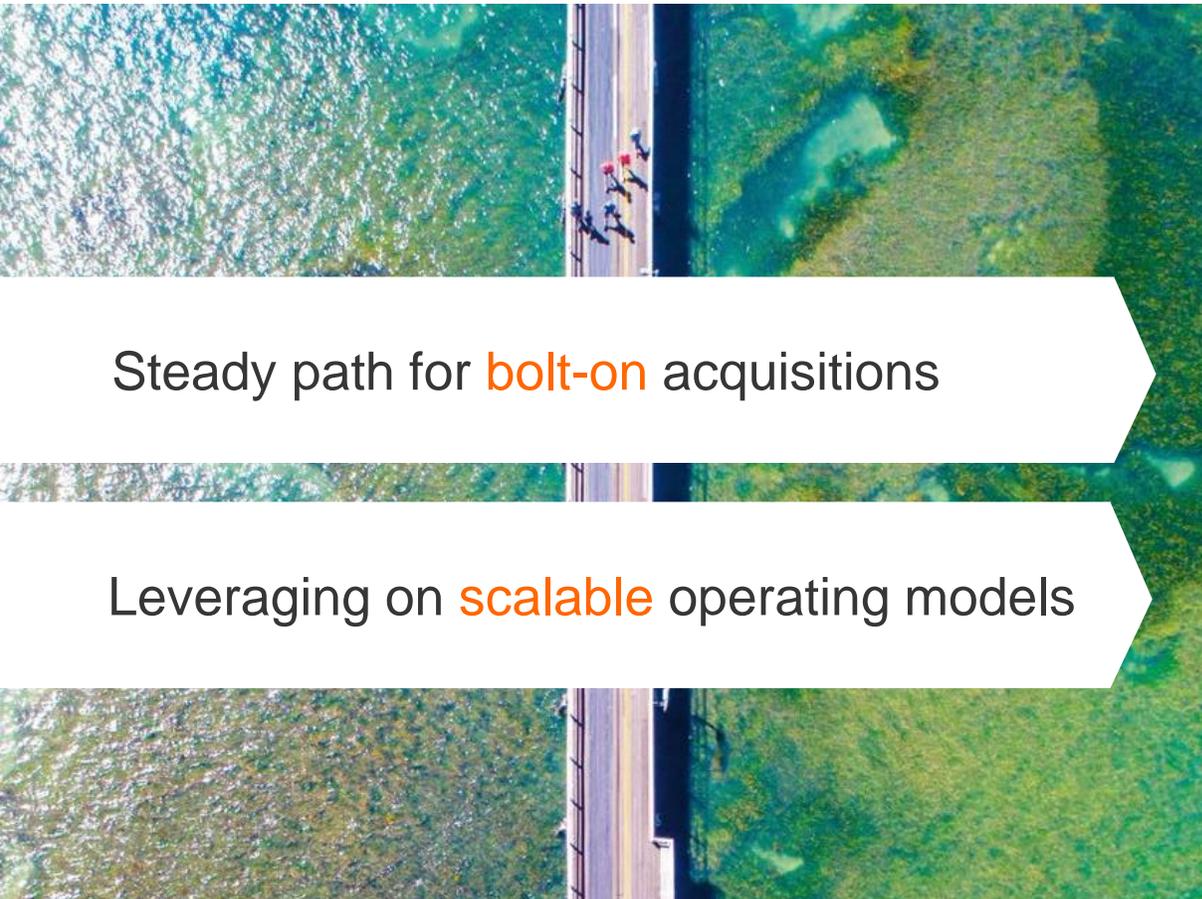
SGS approach



Achievements



Looking ahead



Steady path for **bolt-on** acquisitions

Leveraging on **scalable** operating models





Screening **medium-sized targets** in specific segments

Reinforce **unique market position** in selected geographies



### Agriculture, Food & Life

Expand geographical footprint in Food testing activities

Acquire new capabilities and enter high growth markets in Life Sciences

### Certification & Business Enhancement

Focus on technical consulting activities and training services

### Consumer & Retail Services

Expand services in Electrical & Electronics

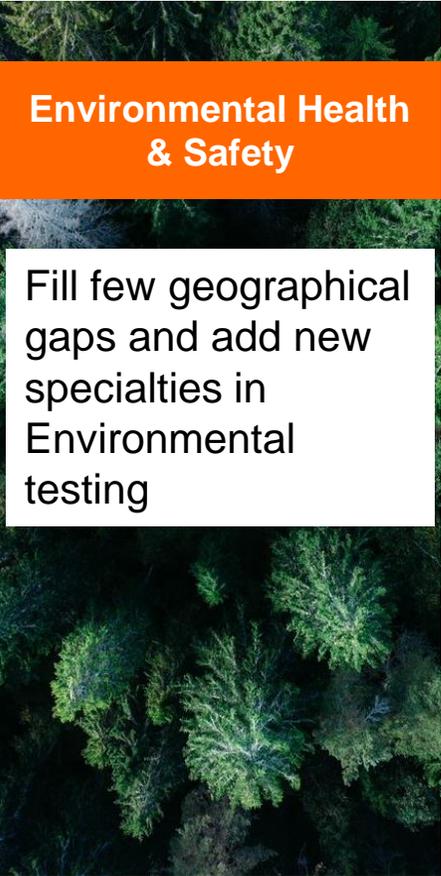
Complete portfolio of Cosmetics & Personal Care and Hardlines

### Transportation Services

Focus on growing Industries and value accretive services supporting geographical expansion

# LOOKING AHEAD

## OPPORTUNITIES FOR INORGANIC GROWTH



### Environmental Health & Safety

Fill few geographical gaps and add new specialties in Environmental testing



### Government & Institutions Services

Enhance capabilities as a trade facilitator and compliance agent



### Industrial Services

Develop advanced material testing capabilities



### Minerals

Enhancing capabilities utilizing new technology



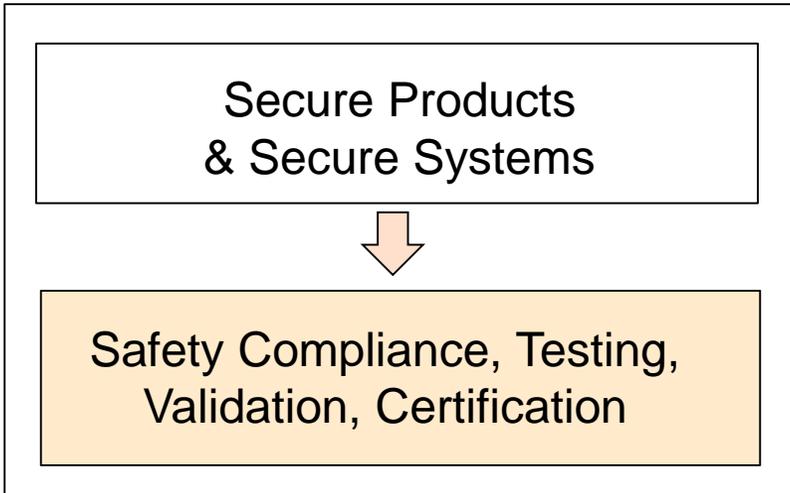
### Oil Gas & Chemicals

Innovative solutions and markets. Data analytics, consultancy and bundled services

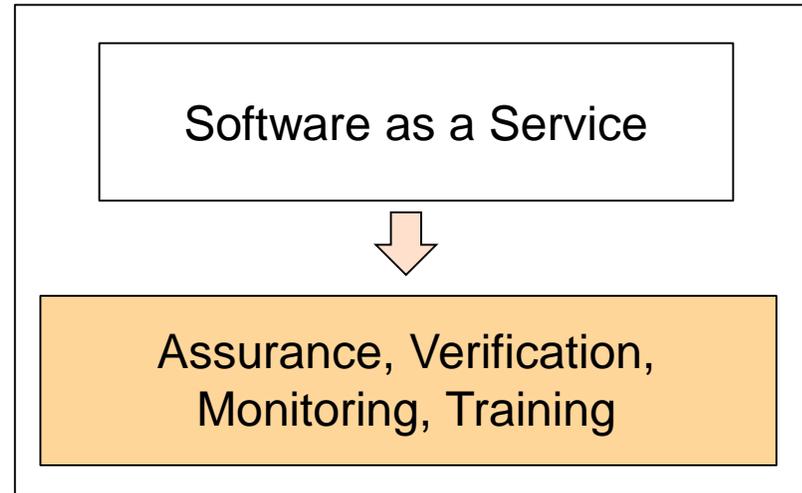


### RESHAPING THE BUSINESS MODEL OF TIC INDUSTRY

New Regulatory requirements:  
**Cyber Security & Data Protection**



New Business Models:  
**Platform Solutions**



**New opportunities, customers and adjacent services**



**Steady pipeline of bolt-on acquisitions**



**Positioned to pursue value enhancing and high quality mid-sized targets**

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WHEN YOU NEED TO BE SURE

**SGS**