

## INVESTMENT MEMORANDUM

## INTERTEK GROUP PLC

LSE: ITRK | TIC Sector | PE Take-Private Analysis

*"A Quality Compounder at a Structural Discount — and Why EQT Moved First"*

Analyst	Romanos Valeontis
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Classification	CONFIDENTIAL
Target Company	Intertek Group PLC
Exchange / Ticker	LSE: ITRK
Sector	Testing, Inspection & Certification (TIC)
Live Deal	EQT AB take-private approach — board endorsed May 13, 2026
EQT Final Offer	£60.00/share cash + £1.077 dividend = £61.077 total
Implied EV	~£9.4 billion (incl. dividend)
PUSU Deadline	June 11, 2026 (extended)

## SITUATION SUMMARY

**Part 1 — Pre-Deal Thesis:** As of Q1 2026, Intertek traded at ~11–12x EV/EBITDA against a 10-year TIC sector average of 14.2x — the widest discount since 2021 — despite three consecutive years of double-digit EPS growth and 110% cash conversion. A high-quality compounder materially mispriced by public markets, with embedded portfolio optionality in its Consumer Products crown jewel.

**Part 2 — Live Deal Verdict:** EQT's £60/share offer (£9.4bn EV) implies ~12.2x entry EV/EBITDA. Our DCF Base Case implies £56.7–59.2/share; our Sum-of-Parts Base Case implies £64.2/share. EQT's offer is below intrinsic SOP value — opportunistic but not generous. The real thesis: separate Consumer Products (48% of profit) from World of Energy, re-rate the core at 14–15x, exit at 2.5–3.0x MOIC. EQT needs execution upside to clear 20%+ IRR at this entry price.

## 1. EXECUTIVE SUMMARY

Intertek Group PLC is the world's fourth-largest Testing, Inspection and Certification (TIC) provider, operating across 1,000+ locations in 100 countries with approximately 45,000 employees. As of Q1 2026, the company was demonstrating exceptional financial momentum — three consecutive years of double-digit EPS growth at constant currency, expanding margins (18.1% in FY2025, up 90bps), and 110% cash conversion — yet traded at a material discount to its sector peers and to its own long-term intrinsic value. This created a compelling take-private opportunity for a PE firm with the conviction to act.

EQT AB identified and acted on this opportunity, making four successive approaches between April and May 2026 at prices of £51.50, £54.00, £58.00 and finally £60.00 per share. The board endorsed the £60 offer on May 13, 2026 following sustained pressure from activist investors PrimeStone Capital, Palliser Capital and Lost Coast Collective, valuing the company at approximately £9.4 billion including the declared £1.077 final dividend.

### Key Metrics Snapshot (FY2025A)

Metric	Value	Metric	Value
Revenue	£3,432m	Adj. Operating Margin	18.1%
Adj. Operating Profit	£620m	EBITDA (est.)	~£769m
EPS (diluted, adj.)	253.5p	EPS Growth (3yr CAGR, CC)	~12%
Cash Conversion	110%	Net Debt / EBITDA	1.3x
Free Cash Flow (est.)	~£447m	Dividend per Share	165p
EQT Offer Price	£60.00/share	Implied EV	~£9.4bn
Entry EV/EBITDA (implied)	~12.2x	TIC Sector LTA Multiple	14.2x
DCF Base Case (price/share)	£56.7–59.2	SOP Base Case (price/share)	£64.2

### Valuation Summary — Bear / Base / Bull

Scenario	Methodology	Implied EV	Equity Value	Price/Share	vs. EQT £60
Bear	DCF (GG, 8.2% WACC)	£7.8bn	£7.0bn	£44.6	(25.7%)
Base	DCF (GG, 7.4% WACC)	£9.5bn	£8.6bn	£56.7	(5.5%)
Bull	DCF (GG, 6.8% WACC)	£11.8bn	£10.9bn	£69.4	+15.7%
Bear	Sum-of-Parts	£8.4bn	£7.5bn	£49.8	(17.0%)
Base	Sum-of-Parts	£10.6bn	£9.8bn	£64.2	+7.0%
Bull	Sum-of-Parts	£12.2bn	£11.2bn	£73.8	+23.0%

**Bottom line:** EQT's £60 offer is fair relative to DCF but below our SOP base case of £64.2/share. The deal is value-accretive for EQT if the Consumer Products/Energy separation is executed — generating an estimated 17–20% IRR in base case, with 25%+ achievable in an upside scenario. For Intertek shareholders, the offer represents a 38% premium to the pre-approach price and certain cash vs. uncertain execution of the standalone strategic review.

## 2. BUSINESS OVERVIEW

### 2.1 What Intertek Does

Intertek is a global quality assurance company operating under the ATIC model — **Assurance, Testing, Inspection and Certification**. The company helps clients develop, produce and sell products and services that meet quality, safety and sustainability standards across more than 100 regulatory frameworks worldwide. With over 1,000 laboratories and inspection offices, Intertek's network constitutes a barrier to entry that would take a decade and billions of dollars to replicate.

The structural demand driver is irreversible: as global supply chains become more complex, regulatory requirements more stringent, and ESG obligations more enforceable, the need for independent third-party assurance grows. TIC services are non-discretionary for most clients — a manufacturer cannot sell a product into the EU, US or China without the relevant certifications. This creates recurring, sticky revenue with high switching costs.

### 2.2 Revenue by Division — FY2025

Division	Revenue	% of Rev	% of Op. Profit	Op. Margin (est.)	Trend
<b>Consumer Products</b>	<b>£995m</b>	<b>29%</b>	<b>48%</b>	<b>~30%</b>	<b>Growing strongly</b>
Industry & Infrastructure	£858m	25%	~21%	~15%	Growing
World of Energy	£721m	21%	~13%	~12%	Modest decline
Corporate Assurance	£515m	15%	~12%	~14%	Growing
Health & Safety	£343m	10%	~7%	~13%	Growing
<b>TOTAL</b>	<b>£3,432m</b>	<b>100%</b>	<b>100%</b>	<b>18.1%</b>	

**Key insight:** Consumer Products generates 30% operating margins — nearly double the group average. A pure-play Consumer Products / T&A; business should trade at 14–15x EBITDA, not the blended 12x implied by EQT's entry price. The World of Energy drag is the primary reason Intertek trades at a discount to intrinsic value, and the primary value creation lever for EQT post-close.

### 2.3 Competitive Moat

- **Accreditation and regulatory switching costs:** TIC clients cannot simply switch providers without risking product recall, regulatory non-compliance and reputational damage. Laboratory accreditation is country- and standard-specific, typically requiring 12–24 months to transfer. Client retention rates in TIC are typically 90%+.
- **Network scale:** 1,000+ locations in 100 countries. No regional competitor can offer the same global coverage for multinational clients. This is critical for large retailers and manufacturers who need consistent standards across geographies.
- **Regulatory expertise:** Intertek's institutional knowledge of regulatory frameworks across 100 jurisdictions is impossible to replicate quickly. This expertise compounds over time and creates pricing power — particularly in high-complexity areas like AI assurance and ESG certification.
- **AAA strategy differentiation:** Intertek's Total Sustainability Assurance (TSA) programme positions it at the forefront of ESG verification — a structurally growing market driven by mandatory sustainability reporting requirements (EU CSRD, SEC climate rules, etc.).

### 2.4 Management & AAA Strategy

CEO André Lacroix has led Intertek since 2015 and designed the AAA (Attractive, Accretive, Accountable) strategy, formally adopted in 2023. The strategy targets mid-single digit LFL revenue growth, margin progression to 18.5%+ and double-digit EPS growth at constant rates. After three years of execution, the track record is strong: 12% average EPS CAGR at constant rates (FY2023–FY2025), 18.1% operating margin in FY2025 (up from ~17.0% in FY2022), and consistent cash conversion above 90%. The strategy is institutional — embedded across divisions and unlikely to be disrupted by management change in

a PE context.

### 3. HISTORICAL FINANCIAL ANALYSIS (FY2022–FY2025)

#### 3.1 Income Statement

Metric (£m)	FY2022A	FY2023A	FY2024A	FY2025A	3yr CAGR
<b>Revenue</b>	<b>3,187</b>	<b>3,329</b>	<b>3,291</b>	<b>3,432</b>	<b>+2.5%</b>
LFL Revenue Growth (CC)	5.2%	5.9%	5.5%	4.3%	—
<b>Adj. Operating Profit</b>	<b>541</b>	<b>566</b>	<b>567</b>	<b>620</b>	<b>+4.6%</b>
Adj. Operating Margin	17.0%	17.0%	17.2%	18.1%	+110bps
<b>EBITDA (est.)</b>	<b>679</b>	<b>709</b>	<b>712</b>	<b>769</b>	<b>+4.2%</b>
EBITDA Margin (est.)	21.3%	21.3%	21.6%	22.4%	—
Net Income (adj.)	300	302	310	325	+2.7%
<b>Diluted EPS (adj., pence)</b>	<b>215p</b>	<b>230p</b>	<b>241p</b>	<b>253.5p</b>	<b>+5.6%</b>
EPS Growth (constant FX)	~10%	~11%	~10.5%	~10.1%	~12% avg

Three observations stand out. First, the FX headwind is masking strong underlying performance: FY2025 reported revenue grew only 1.1% in actual GBP terms despite 4.3% constant-currency growth, a -320bps FX drag from GBP strengthening. Public market investors were penalising the reported number without properly adjusting for currency. Second, the margin trajectory is genuine and structural — Consumer Products mix shift, operating leverage and pricing power driving +110bps expansion over three years, not cost-cutting. Third, EPS growth has been consistently double-digit at constant rates across all three post-AAA years — this is a compounder, not a recovery story.

#### 3.2 Cash Flow Quality

Metric (£m)	FY2022A	FY2023A	FY2024A	FY2025A
<b>Adj. Operating Cash Flow</b>	<b>560</b>	<b>562</b>	<b>535</b>	<b>762</b>
Cash Conversion (Op CF / EBITDA)	82%	79%	75%	110%
<b>Capital Expenditure</b>	<b>134</b>	<b>145</b>	<b>135</b>	<b>155</b>
Free Cash Flow (Op CF – CapEx)	426	417	400	607
<b>FCF Margin</b>	<b>13.4%</b>	<b>12.5%</b>	<b>12.2%</b>	<b>17.7%</b>
Dividends Paid	148	157	165	174
M&A / Investing	73	176	145	310+

**DD flag — FY2025 cash conversion:** The 110% conversion appears elevated relative to FY2022–FY2024 averages (~79%). Management confirms FY2025 included a working capital release that is unlikely to repeat. Normalised cash conversion is approximately 88–92%, still excellent but meaningfully below the headline figure. This is a standard quality-of-earnings adjustment that any PE fund would make in Week 1 of DD.

#### 3.3 Balance Sheet & Leverage

Metric (£m)	FY2022A	FY2023A	FY2024A	FY2025A
<b>Net Debt</b>	<b>1,030</b>	<b>918</b>	<b>923</b>	<b>~850</b>
EBITDA (est.)	679	709	712	769
<b>Net Debt / EBITDA</b>	<b>1.52x</b>	<b>1.29x</b>	<b>1.30x</b>	<b>1.3x</b>
Total Equity	975	1,080	1,280	1,320
CapEx / Revenue	4.2%	4.4%	4.1%	4.5%

The balance sheet is exceptionally clean. At 1.3x ND/EBITDA — the bottom of Intertek's own stated target range of 1.3–1.8x — there is substantial LBO leverage capacity. A PE buyer can load approximately £3.5–4.0bn of debt at 4.5x leverage, leaving the business with strong FCF to service and paydown the debt over a 5-year hold.

## 4. VALUATION

### 4.1 Comparable Companies Analysis

Company	Revenue	Rev Growth	EBITDA Margin	EV/Revenue	EV/EBITDA	P/E
SGS SA	CHF 6.95bn	5.6%	~19.2%	2.7x	11.7x	23.4x
Bureau Veritas	EUR 6.47bn	6.5%	~20.1%	2.1x	11.0x	18.8x
Eurofins Scientific	EUR 7.30bn	3.7%	22.5%	1.9x	N/M	32.1x
UL Solutions	USD 3.11bn	8.2%	24.2%	4.2x	17.2x	28.9x
ALS Limited	AUD 2.84bn	7.4%	22.4%	3.1x	13.8x	22.1x
<b>25th Percentile</b>	—	<b>5.1%</b>	<b>19.8%</b>	<b>2.0x</b>	<b>11.3x</b>	<b>19.8x</b>
<b>Median</b>	—	<b>6.5%</b>	<b>22.4%</b>	<b>2.7x</b>	<b>13.8x</b>	<b>23.4x</b>
<b>75th Percentile</b>	—	<b>7.8%</b>	<b>23.3%</b>	<b>3.7x</b>	<b>16.5x</b>	<b>29.5x</b>
<b>TIC Sector LTA (10yr avg)</b>	—	—	—	—	<b>14.2x</b>	—
<b>Intertek — EQT Offer</b>	<b>£3.43bn</b>	<b>4.3% CC</b>	<b>~22.4%</b>	<b>2.7x</b>	<b>12.2x</b>	<b>~18.5x</b>

Intertek's EQT entry multiple of 12.2x EV/EBITDA sits below the sector median of 13.8x and materially below the 10-year sector LTA of 14.2x. Intertek's EBITDA margin (~22%) is superior to SGS (19.2%) and Bureau Veritas (20.1%), justifying a premium to those names — yet EQT is acquiring at a discount. The implied valuation range from 25th–75th percentile comps (11.3x–16.5x) puts fair value at £43.9–£65.0/share, bracketing the EQT offer at the lower half.

### 4.2 DCF Valuation — Key Assumptions & Outputs

Assumption	Bear	Base	Bull	Source
WACC	8.2%	7.4%	6.8%	CAPM; UK 10Y gilt ~4.5%, ERP 5.5%, beta 0.75
Terminal Growth Rate	2.0%	2.5%	3.0%	UK nominal GDP LT; TIC structural premium
Terminal EBITDA Margin	18.5%	19.5%	20.5%	Post-EQT operational leverage + mix
Revenue CAGR (FY25–30)	3.0%	3.5%	5.0%	Company guidance: mid-single digit LFL
<b>Implied Share Price</b>	<b>£44.6</b>	<b>£56.7–59.2</b>	<b>£69.4</b>	<b>Gordon Growth + Exit Multiple TV</b>
<b>vs. EQT Offer (£60)</b>	<b>(25.7%)</b>	<b>(5.5%) to (1.3%)</b>	<b>+15.7%</b>	—

In the Base Case, Intertek's intrinsic DCF value is approximately £56.7–59.2/share — broadly in line with EQT's £60 offer but marginally below it. The DCF is more sensitive to WACC than to terminal growth rate: a 50bps WACC reduction moves the implied price by approximately £4–5/share, while a 50bps increase in terminal growth moves it by ~£3/share. In no scenario does the pure DCF suggest EQT is significantly overpaying.

### 4.3 Sum-of-Parts — The Headline Finding

The SOP analysis is the most revealing component of this work and directly answers the question: was EQT right? The key insight is that Intertek's Consumer Products division — with ~30% operating margins and structural growth — deserves a premium multiple that is obscured by the blended group valuation.

Division	Revenue	EBITDA (est.)	Multiple	Division EV	Confidence
<b>Consumer Products + T&amp;A</b>	<b>£995m</b>	<b>£330m</b>	<b>14.5x</b>	<b>£4,785m</b>	<b>MEDIUM-HIGH</b>
Industry & Infrastructure	£858m	£172m	13.0x	£2,231m	MEDIUM
Corporate Assurance	£515m	£99m	12.5x	£1,238m	MEDIUM

Division	Revenue	EBITDA (est.)	Multiple	Division EV	Confidence
Health & Safety	£343m	£64m	12.5x	£805m	MEDIUM
World of Energy	£721m	£114m	9.0x	£1,026m	LOW
<b>Gross Divisional EV</b>	<b>£3,432m</b>	<b>£779m</b>	—	<b>£10,085m</b>	—
Less: Holdco Overhead	—	—	—	(£300m)	MEDIUM
Less: Net Debt (FY2025A)	—	—	—	(£850m)	HIGH
Less: Minorities & Fees	—	—	—	(£75m)	MEDIUM
<b>SOP EQUITY VALUE (BASE)</b>	—	—	—	<b>£8,860m</b>	—
<b>Implied Price/Share (157m shares)</b>	—	—	—	<b>£64.2/share</b>	—

HEADLINE VERDICT: EQT's £60/share offer is BELOW our SOP Base Case of £64.2/share and BELOW the Bull Case of £73.8/share. The offer sits between our Bear (£49.8) and Base case — it is **opportunistic, not generous**. EQT is acquiring the Consumer Products crown jewel at a blended multiple that undervalues its standalone worth. The World of Energy drag (~9x) pulls the blended enterprise multiple down to ~12.2x, masking the 14.5x+ value of the core ATIC business. Our recommendation: Intertek's board should have held out for £63–65/share in a more patient process. Shareholders who tender at £60 are leaving approximately £4.2/share (7%) on the table relative to fundamental value.

## 5. LBO ANALYSIS

### 5.1 Transaction Structure

Item	Amount (£m)	% of EV	Rate / Terms
Entry Share Price	£60.00/share	—	EQT final offer, May 2026
Equity Value (157m shares)	£9,420m	—	—
Net Debt (assumed at close)	£850m	—	Refinanced at PE rates
Transaction EV	£10,270m	100%	—
<b>Senior Debt</b>	<b>£5,649m</b>	<b>55%</b>	<b>SONIA + ~200bps; ~6.5% all-in</b>
<b>Mezzanine Debt</b>	<b>£1,027m</b>	<b>10%</b>	<b>PIK/cash blend; ~10.0% all-in</b>
<b>Total Debt</b>	<b>£6,676m</b>	<b>65%</b>	<b>Net Debt / EBITDA: ~4.5x at close</b>
Equity (EQT + Management rollover)	£3,595m	35%	Including 3% mgmt rollover
<b>Total Sources</b>	<b>£10,270m</b>	<b>100%</b>	<b>Checks to Transaction EV</b>

### 5.2 Value Creation Levers

- **Margin expansion (18.1% → 19.5%+):** Mix shift toward Consumer Products as World of Energy is carved out. Operational leverage on the fixed cost base as revenues grow at mid-single digit. Post-Energy disposal, the remaining T&A; business should naturally carry higher margins. Each 50bps of margin improvement on £3.5bn revenue base = ~£17.5m additional EBITDA.
- **World of Energy disposal:** EQT's most impactful near-term lever. Selling this division (est. £1.0bn EV at 9x) to an infrastructure fund or strategic buyer would: (i) reduce debt by ~£1bn, cutting leverage from 4.5x to ~3.1x; (ii) eliminate the margin drag on the remaining portfolio; (iii) re-rate the core ATIC business toward 14–15x. Confirmed buyer interest exists per Intertek's own strategic review commentary.
- **Revenue growth (mid-single digit LFL + bolt-on M&A):** The AAA strategy already delivers 5%+ LFL growth at constant rates. EQT can accelerate bolt-on M&A; in high-growth segments (AI assurance, supply chain integrity, ESG certification) without the public market's quarterly earnings pressure. Target: 5–7% total revenue growth p.a. over the hold period.
- **Working capital optimisation:** Intertek carries DSO of approximately 55–60 days. Reducing to sector best-in-class of 45–50 days would release ~£50–80m of cash in Year 1, providing additional de-leveraging capacity and reinforcing the FCF story.

### 5.3 Returns Analysis — Bear / Base / Bull

Scenario	Entry EV/EBITDA	Exit Multiple (Yr5)	Revenue CAGR	Exit EBITDA	Exit EV	IRR	MOIC
Bear	12.2x	11.5x	3.0%	£880m	£10.1bn	10.2%	1.6x
Base	12.2x	13.5x	3.5%	£920m	£12.4bn	17.4%	2.3x
Bull	12.2x	15.0x	5.0%	£980m	£14.7bn	23.9%	3.1x
<b>Bull + Energy Disposal</b>	<b>12.2x</b>	<b>15.0x (core)</b>	<b>5.0% (core)</b>	<b>£860m (core)</b>	<b>£12.9bn (core)</b>	<b>26.1%</b>	<b>3.4x</b>

In the Base Case, EQT generates ~17.4% IRR and 2.3x MOIC — acceptable but below the typical 20%+ hurdle for a large-cap PE deal. EQT needs the Bull Case or the Energy disposal upside to justify this entry price at a fund level. The Bull + Energy Disposal scenario at 26% IRR / 3.4x MOIC is the realistic upside case and likely represents EQT's underwriting thesis. This is a complex deal, not a simple LBO.

## 6. INVESTMENT THESIS

### PART 1 — PRE-DEAL ANALYSIS (Q1 2026 Perspective)

#### Why Intertek Was a Compelling Take-Private Target

**Bull Point 1: Quality compounder at a structural discount.** Three consecutive years of ~12% EPS growth at constant rates, 110% cash conversion, accelerating margin from 17.0% to 18.1%, and a £762m operating cash flow — all priced at ~12x EV/EBITDA vs. a sector LTA of 14.2x. The gap between demonstrated performance and market price was at its widest since 2021.

**Bull Point 2: Portfolio optionality hiding in plain sight.** The Consumer Products division's 30% operating margins — delivering 48% of group profit on 29% of revenues — deserves a pure-play premium multiple. The strategic review confirmed that Intertek's own board recognised this value gap. EQT is capturing the optionality that the public market was refusing to price.

**Bull Point 3: PE-friendly financial architecture.** 1.3x net debt / EBITDA at entry provides maximum leverage capacity. CapEx intensity of only 4.5% of revenue. 90%+ normalised cash conversion. Pricing power from regulatory moat. Non-cyclical, non-discretionary revenue driven by compliance mandates. A textbook LBO profile.

#### Why Now — The Q1 2026 Window

Four conditions aligned simultaneously in Q1 2026 to create an optimal entry point. **(i) Valuation:** The stock had not recovered to its 2021 highs above £60, creating the widest discount to intrinsic value in four years. **(ii) Strategy de-risking:** The AAA strategy entered its third year with a clean track record — EQT was buying demonstrated results, not a turnaround narrative. **(iii) Activist pressure:** Three activist investors were building stakes, signalling that management was under pressure to deliver value — the optimal moment for a PE bid. **(iv) Market:** The UK take-private wave was in full flow, with EQT and peers willing to pay premiums for defensive, cash-generative UK businesses with global scale. The 12-month window either side of Q1 2026 would have been less optimal: 12 months earlier, the valuation discount existed but activist pressure was absent; 12 months later, strategic review execution would have either closed the value gap or created deal certainty that demands a higher price.

### PART 2 — LIVE DEAL BREAKDOWN (May 2026)

#### Was EQT Right? Was £60 the Right Price?

Our valuation work produces a clear answer: EQT's £60 offer is **below intrinsic value on a SOP basis** but **broadly in line on a DCF basis**. The distinction matters — DCF values Intertek as a going concern with its current blended margin profile; SOP values the portfolio as a collection of separable assets. Since EQT's explicit thesis involves portfolio separation, the SOP is the more relevant framework for evaluating whether EQT overpaid. On that basis, £60 is approximately 7% below our £64.2 SOP base case.

EQT's likely internal justification for the price was the DCF — which shows ~5% discount to fair value in base case — combined with confidence in their ability to execute the Energy separation and Consumer Products re-rating. If they execute the Bull + Energy Disposal scenario (26% IRR / 3.4x MOIC), the price paid is validated. If they cannot execute the separation or if margins disappoint, the deal works but not exceptionally (Base: 17.4% IRR / 2.3x MOIC). There is limited margin of safety at this entry price.

#### EQT's Probable Playbook (Post-Close)

Year 1–2	Close deal (est. Q4 2026). Retain management team with equity rollover. Formally pause the Intertek strategic review. Quietly market World of Energy assets to infrastructure funds and O&G; strategic buyers — confirmed buyer interest already exists per Intertek's own disclosure.
Year 2–3	Execute World of Energy disposal at ~£1.0bn. Use proceeds to pay down senior debt (reducing leverage from 4.5x to ~3.1x). The remaining 'Intertek Testing & Assurance' business begins trading at a higher implicit multiple. Accelerate bolt-on M&A; in AI assurance, ESG certification and supply chain integrity.

Year 3–5	Drive Consumer Products and Corporate Assurance margins above 20%. Target group EBITDA margin of 19.5%+ on the cleaned-up portfolio. Build the re-IPO or strategic sale narrative around a focused, high-margin TIC champion with a clear ESG and digital assurance story.
Year 5–6	Exit via re-IPO of 'Intertek Testing & Assurance' or sale to a large industrial conglomerate (Danaher, Hexagon, etc.). At 14x EBITDA on the core business, equity value exceeds £10bn. Target: 2.5–3.4x MOIC, 20–26% IRR.

## 7. ACTIVIST DYNAMICS — THE CATALYST FOR EQT'S TIMING

The role of activist investors in this deal is analytically significant and deserves its own section. Three separate activist funds — with different strategies and different stakes — created the conditions under which EQT's bid succeeded. Understanding this dynamic is essential for any PE fund evaluating contested UK public targets.

### PrimeStone Capital | Stake: ~0.5% stake (disclosed)

The most vocal and strategically important activist. Published an open letter on May 11, 2026 — two days before the board's endorsement — publicly challenging the board to engage with EQT and questioning the credibility of the strategic review. PrimeStone's framing was precise: they argued that EQT's £59.10 offer (then current) did not 'significantly undervalue' Intertek, removing the board's primary justification for rejection. This public pressure, coming from a named institutional investor rather than anonymous market commentary, materially weakened the board's position.

### Palliser Capital | Stake: Undisclosed (Bloomberg reported)

Built its stake quietly as EQT's interest was being publicly disclosed — classic event-driven hedge fund positioning. Palliser's approach was to accumulate without creating the public confrontation that PrimeStone chose. Their presence (reported by Bloomberg on May 11, 2026) added institutional weight to the activist coalition without requiring a public statement, signalling to the board that a significant portion of the shareholder base was aligned against the standalone strategy.

### Lost Coast Collective (Matthew Peltz) | Stake: Undisclosed

Founded by Matthew Peltz (son of activist legend Nelson Peltz), Lost Coast provided the most analytically damaging argument against the board: that the market was pricing the strategic review break-up plan at the 'mid-40s per share,' creating a ~17% spread to EQT's £60 offer. This framing — comparing certain cash at £60 to an uncertain break-up at £43–46 — was the decisive narrative that shifted shareholder opinion. It converted an abstract valuation debate into a concrete choice between certainty and execution risk.

**What This Shows for PE Practitioners:** EQT's timing was not accidental. The activists created the conditions for a successful bid by fracturing board confidence in the standalone path. For a PE fund evaluating a contested public target, activist alignment is as important as financial modelling — it is the mechanism that converts 'approached and rejected four times' into 'approached and endorsed.' EQT almost certainly had informal intelligence on the activist positions before submitting their fourth and final offer. The lesson: in UK contested bids, understanding the shareholder register and activist motivation is a prerequisite for deal execution, not an afterthought.

## 8. KEY RISKS & MITIGANTS

Risk	Severity	Detail	Mitigant
MEDIUM	<b>Currency headwinds (GBP strength)</b>	-320bps on reported FY2025 revenue growth. ~40% of revenue is GBP-exposed on translation.	~60% of revenue in non-GBP currencies provides natural partial hedge. PE evaluates on CC economics. At 4.5x leverage, GBP +10% stress would reduce EBITDA coverage from 2.2x to ~1.9x — manageable.
MEDIUM	<b>World of Energy structural decline</b>	Division declined in FY2025 despite global energy capex growth. Secular shift from O&G; to renewables.	Division is separable — confirmed buyer interest per Intertek's own strategic review. EQT's playbook explicitly involves disposal. Risk is transition timing, not permanence.
MEDIUM	<b>Consumer Products earnings concentration</b>	48% of operating profit in one division creates earnings vulnerability.	CP division is geographically diversified (50+ countries) and driven by regulation, not consumer sentiment. Client base spans global retailers and manufacturers — high diversification within division.
MEDIUM	<b>LBO leverage at 4.5x in rising rate environment</b>	Post-LBO net debt ~£4.6bn at 4.5x EBITDA. Senior + mezz cost estimated at ~7% blended.	FCF coverage ~2.2x in Year 1, improving to ~3.0x by Year 3 as debt is repaid. World of Energy disposal in Year 2 would reduce leverage to ~3.1x, significantly de-risking debt service.
LOW-MEDIUM	<b>Integration risk — £300m+ M&amp;A; deployed in FY2025</b>	Largest single-year M&A; activity in Intertek's recent history. Early-stage integrations not yet proven.	AAA strategy has a track record of accretive bolt-on M&A.; No margin deterioration visible in FY2025 results despite elevated M&A; activity. Standard PE practice to stress test each acquisition separately.
LOW	<b>Key man dependency — CEO André Lacroix</b>	Lacroix has led the company since 2015 and designed the AAA strategy.	Standard PE retention package and equity rollover. Divisional management bench is strong. The AAA strategy is institutional — embedded across the business, not dependent on one individual.

## 9. DUE DILIGENCE FLAGS

■ RED	<b>World of Energy structural decline</b>	Is the decline secular or cyclical? Critical to disposal valuation. A 1x difference in exit multiple = ~£65m EV impact.	<b>Action:</b> Request client interview findings, peer benchmarking vs. renewables-exposed TIC peers
■ RED	<b>Working capital elevation in FY2025</b>	110% cash conversion includes WC release. Normalised ~88%. Headline FCF of £607m may overstate sustainable FCF by £100–150m.	<b>Action:</b> Request monthly WC bridge FY2023–FY2025; quality of earnings adjustment
■ RED	<b>FX concentration and hedging policy</b>	No translation hedging apparent. At 4.5x PE leverage, GBP +10% is a covenant stress scenario. Refinancing risk amplified.	<b>Action:</b> Review treasury policy; stress test at GBP +10% and +20%
■ AMBER	<b>£300m+ FY2025 M&amp;A; — early integrations</b>	Largest M&A; year in recent history. Profitability of acquired entities unverified. Earn-out obligations may be substantial.	<b>Action:</b> Request acquisition-level P&Ls; map earn-out schedule against FCF projections
■ AMBER	<b>Consumer Products client concentration</b>	48% of profit in one division. Top-3 client concentration within division undisclosed. Standard red flag if any client > 10% of divisional revenue.	<b>Action:</b> Request client revenue concentration data for Consumer Products division
■ AMBER	<b>Post-LBO management fee and transaction cost burden</b>	~£205m in transaction fees + annual mgmt fee will pressure Year 1 reported margins. Important to model separately from underlying business performance.	<b>Action:</b> Gross up EBITDA for PE cost layer in Year 1 reporting; set investor expectations
■ AMBER	<b>Debt maturity profile and refinancing risk</b>	Investment-grade to leveraged loan transition. Maturity walls at Year 3–5 create refinancing risk if credit markets deteriorate.	<b>Action:</b> Request existing debt maturity schedule; model refi scenario at +200bps rates
■ GREEN	<b>Cash conversion quality — confirmed</b>	Even normalising for WC, 3-year avg ~88% is best-in-class for TIC. Low CapEx intensity directly converts to debt paydown.	<b>Action:</b> Confirmed from public filings. No further action required.
■ GREEN	<b>Balance sheet leverage at entry — 1.3x ND/EBITDA</b>	Maximum LBO flexibility. Post-close 4.5x leverage well-supported by FCF. World of Energy disposal reduces to ~3.1x in Year 2.	<b>Action:</b> Confirmed. Modelled in LBO debt schedule.
■ GREEN	<b>Competitive moat — accreditation switching costs</b>	TIC accreditation is jurisdiction-specific, requiring 12–24 months to transfer. Client retention ~90%+. 1,000+ lab network irreplicable within a decade.	<b>Action:</b> Confirmed. Structural moat; no further DD required.

## 10. NEXT STEPS & RECOMMENDATIONS

Three specific, actionable recommendations for different stakeholder perspectives:

- 1 IMMEDIATE (48 HOURS)**

For Intertek shareholders: tender shares at £61.077 (£60 + final dividend). The strategic review break-up value — priced by the market at approximately £43–46/share per Lost Coast's analysis — does not compete with certain all-cash consideration. While our SOP analysis suggests fair value of £64.2, the execution risk and timeline of a self-managed separation (12–24 months) means the NPV of the standalone path is substantially below the bird-in-hand of EQT's offer. Tender.

**Expected Impact:** Expected impact: Lock in 38% premium to pre-approach price; eliminate execution risk
- 2 NEAR-TERM (DEAL CLOSE, EST. Q4 2026)**

Watch for EQT's formal firm offer filing (before June 11 PUSU deadline) and monitor for any third-party competing bid. A competing offer from a strategic buyer (SGS, Danaher, Hexagon) or a rival PE firm (KKR, Carlyle) cannot be ruled out — the asset quality is known and the strategic review created a public auction process. Any competing bid would likely need to clear £65–68/share to materially outcompete EQT's endorsed offer.

**Expected Impact:** Expected impact: Define whether to hold shares into potential higher bid or tender immediately
- 3 MEDIUM-TERM (POST-CLOSE, 2027–2031)**

Track EQT's execution of the World of Energy disposal and Consumer Products margin progression. These two metrics will determine whether the 17% IRR base case becomes a 26% IRR bull case. If World of Energy disposal is confirmed within 18 months post-close, re-evaluate the credit profile of the remaining business for potential public debt investment opportunity. Monitor for re-IPO signals from Year 3 onward.

**Expected Impact:** Expected impact: Identify follow-on investment opportunities in the re-IPO and debt markets

**THE ONE THING TO DO IN THE NEXT 48 HOURS: Model the sum-of-parts of the cleaned-up 'Intertek Testing and Assurance' business (ex-Energy) at a 14–15x EV/EBITDA premium multiple. This single calculation tells you whether EQT's £60 was opportunistic or fair — and whether a competing bid from a strategic buyer is economically rational. Our work shows it is: the clean T&A; business is worth £63–68/share on a standalone basis. EQT identified this. The Intertek board, under shareholder pressure, did not hold out long enough to capture it.**