

2023 Results and Strategic Update

Frankie Ng
CEO

Géraldine Picaud
CEO Designate

26 January 2024

When you need
to be sure



SGS

2023 Business Highlights

Frankie Ng
CEO

Inspector, Industries & Environment, Kazakhstan

2023 highlights

Strong organic sales growth, margin impacted by FX



Laboratory technician automotive, Connectivity & Products, Kazakhstan

8.1%
Strong organic¹
sales growth

14.7%
Adjusted Operating
Income margin¹ on
sales

Agenda

- › Consolidating leadership
- › Strong growth driven by all business lines
- › Driving additional returns through portfolio management
- › Leading the way in corporate sustainability

¹ Please refer to Alternative Performance Measures

2023 highlights

Consolidating leadership



Invest to consolidate leadership

**Natural Resources
No. 1**



**Connectivity & Products
No. 1**



**Business Assurance
(prev. Knowledge)
No. 1**



**Health & Nutrition
Sales
> CHF 1 billion**



Become the most digital company in the TIC industry

20% sales delivered by digital services



30% lab sales executed via Digital Labs



> 50% FAIR¹ data – leveraging structured data



> 50% applicable inspections & audits remote



¹ Findable, Accessible, Interoperable, Reusable

2023 highlights

Strong growth driven by all business lines

Industries & Environment

Strong focus on **sustainability**
Leading expertise in emerging pollutants and PFAS¹

Natural Resources

Reinforced position in minerals
 Focus on **consulting**, **energy transition** and **net-zero supply chains**

Connectivity & Products

Prime position in growing **cybersecurity** market, strengthened by **BrightSight's** unique offering

Health & Nutrition

Strong momentum in food testing and **expansion** in testing capacity

Business Assurance (prev. Knowledge)

Record performance driven by **ESG assurance** and **consulting**

¹ Perfluoroalkyl and Polyfluoroalkyl substances

Testing & Inspection: Industries & Environment

Strong growth driven by energy, safety and reliability



Wind turbine inspection, Industries & Environment, Belgium

(CHF million)	2023	2022	% change	CCY ¹ 2022	CCY ¹ % change
Sales	2 190	2 157	1.5	2 010	9.0
Organic ² sales growth %	9.5				
Adjusted Operating Income ²	248	224	10.7	205	21.0
Margin ² %	11.3	10.4		10.2	

1. Constant currency 2. Please refer to Alternative Performance Measures

Industries & Environment

- › Double-digit organic growth in field services & inspection, safety, supply chains and government mandates
- › High single-digit organic growth in environmental testing
- › Margin improvement driven by pricing and business mix

Testing & Inspection: Natural Resources

Market-leading business performance



Technical developer XRF analyzers, Natural Resources, Netherlands

(CHF million)	2023	2022	% change	CCY ¹ 2022	CCY ¹ % change
Sales	1 583	1 583	0.0	1 444	9.6
Organic ² sales growth %	9.6				
Adjusted Operating Income ²	228	225	1.3	193	18.1
Margin ² %	14.4	14.2		13.4	

1. Constant currency 2. Please refer to Alternative Performance Measures

Natural Resources

- › High single-digit growth in trade & inspection and strong performance in lab testing, driven by critical minerals and sustainability
- › Strong double-digit growth in metallurgy and consulting
- › Margin improvement driven by improved efficiencies, adoption of automated solutions and pricing

Testing & Inspection: Connectivity & Products

Solid growth and market share gains



Test engineer, Connectivity & Products, Finland

(CHF million)	2023	2022	% change	CCY ¹ 2022	CCY ¹ % change
Sales	1 246	1 311	-5.0	1 196	4.2
Organic ² sales growth %	4.7				
Adjusted Operating Income ²	262	313	-16.3	278	-5.8
Margin ² %	21.0	23.9		23.2	

1. Constant currency 2. Please refer to Alternative Performance Measures

Connectivity & Products

- › High single-digit growth in connectivity, partly driven by very strong performance from Brightsight
- › Mid single-digit growth in softlines
- › Margin decline mainly due to softer activity in wireless testing and a positive one-off in 2022

Testing & Inspection: Health & Nutrition

Organic sales growth in a challenging environment



Laboratory technician, Health & Nutrition, Germany

(CHF million)	2023	2022	% change	CCY ¹ 2022	CCY ¹ % change
Sales	857	892	-3.9	832	3.0
Organic ² sales growth %	1.3				
Adjusted Operating Income ²	80	119	-32.8	109	-26.6
Margin ² %	9.3	13.3		13.1	

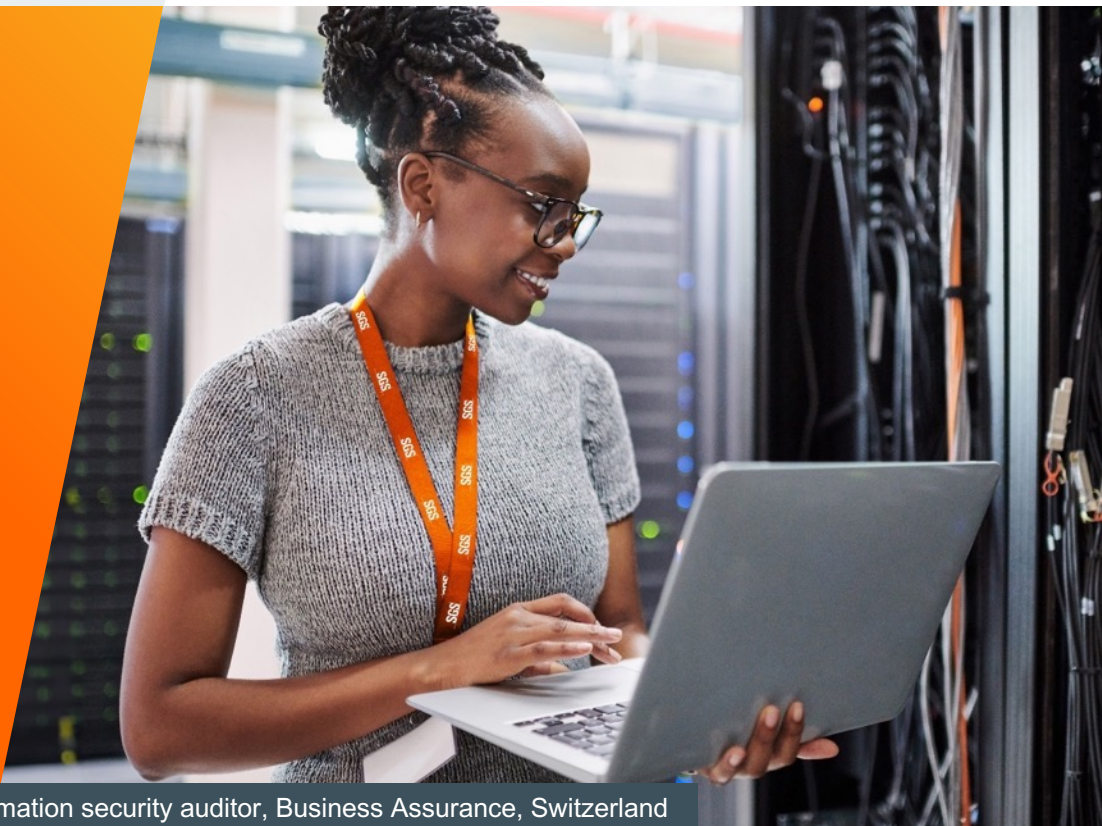
1. Constant currency 2. Please refer to Alternative Performance Measures

Health & Nutrition

- › High single-digit growth in food testing driven by regulations, network expansion and pricing
- › Positive underlying growth for health science (excluding Covid related testing) despite challenging market conditions
- › Margin decrease primarily due to the change in business mix and slowdown in project outsourcing

Business Assurance (prev. Knowledge)

Record performance in 2023



Information security auditor, Business Assurance, Switzerland

(CHF million)	2023	2022	% change	CCY ¹ 2022	CCY ¹ % change
Sales	746	699	6.7	647	15.3
Organic ² sales growth %	15.3				
Adjusted Operating Income ²	153	142	7.7	129	18.6
Margin ² %	20.5	20.3		19.9	

1. Constant currency 2. Please refer to Alternative Performance Measures

Business Assurance

- › Double-digit growth in management system certification, ESG assurance services and customized audits
- › Very strong double-digit growth in consulting
- › Margin improvement driven by the strong sales growth and business mix

Acquisitions and disposals

Driving additional returns through portfolio management

Acquisitions



Leansis

(Acquisition of the remaining 40% minority stake)

Business line:
Business Assurance (prev. Knowledge)

Location:
Spain

FTEs: 75



Maine Pointe

(Acquisition of the remaining 40% minority stake)

Business line:
Business Assurance (prev. Knowledge)

Location:
USA

FTEs: 200



Nutrasource

Business line:
Health & Nutrition

Location:
Canada and USA

FTEs: 69

Disposals



Automotive Asset Assessment and Retail Network Services Operations

Business line:
Industries & Environment

Location:
Multiple countries

FTEs: 214



Powertrain Testing Operations

Business line:
Connectivity & Products

Location:
USA

FTEs: 108



Crop Science Operations

(Agreement for divestment signed)

Business line:
Health & Nutrition

Location:
Multiple countries

FTEs: 480

Corporate sustainability

Leading the way in corporate sustainability



A decade featuring at the **top** of the **DJSI World** and **Europe** indices



Highest rating for the third consecutive year in the **MSCI ESG** assessment



Top 5% of over 100,000 companies recognized by **Ecovadis Gold** medal



First TIC company to receive approval for our 1.5°C and net-zero **science-based targets**

- **Diversity:** **31.9%** women in leadership positions
- **Safety:** **0.87** Lost Time Incident Rate
- **Decarbonization:** **-16%** CO₂ per net sales vs 2019 baseline

Targets 2023

- ✓ > 30%
- ✓ < 1.15
- ✓ > -10%

2023 Financial Performance

Géraldine Picaud
CEO Designate

Laboratory technicians, Health & Nutrition, Spain



Financial KPIs¹

Full year 2023 achievements

Sales / Organic growth
CHF 6 622 million
+8.1%

AOI / AOI margin on sales
CHF 971 million
14.7%

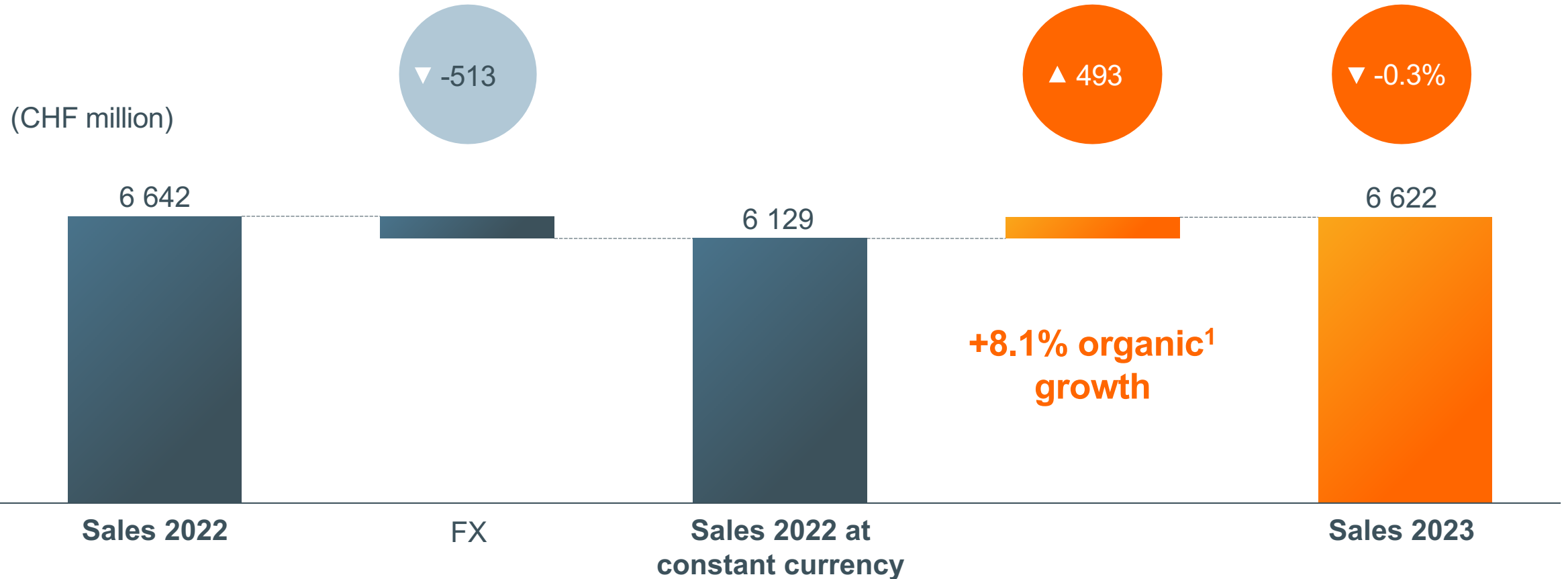
Earnings Per Share
CHF 3.00

Free cash flow / Change vs 2022
CHF 604 million
+25.6%

¹ Please refer to Alternative Performance Measures

Sales bridge

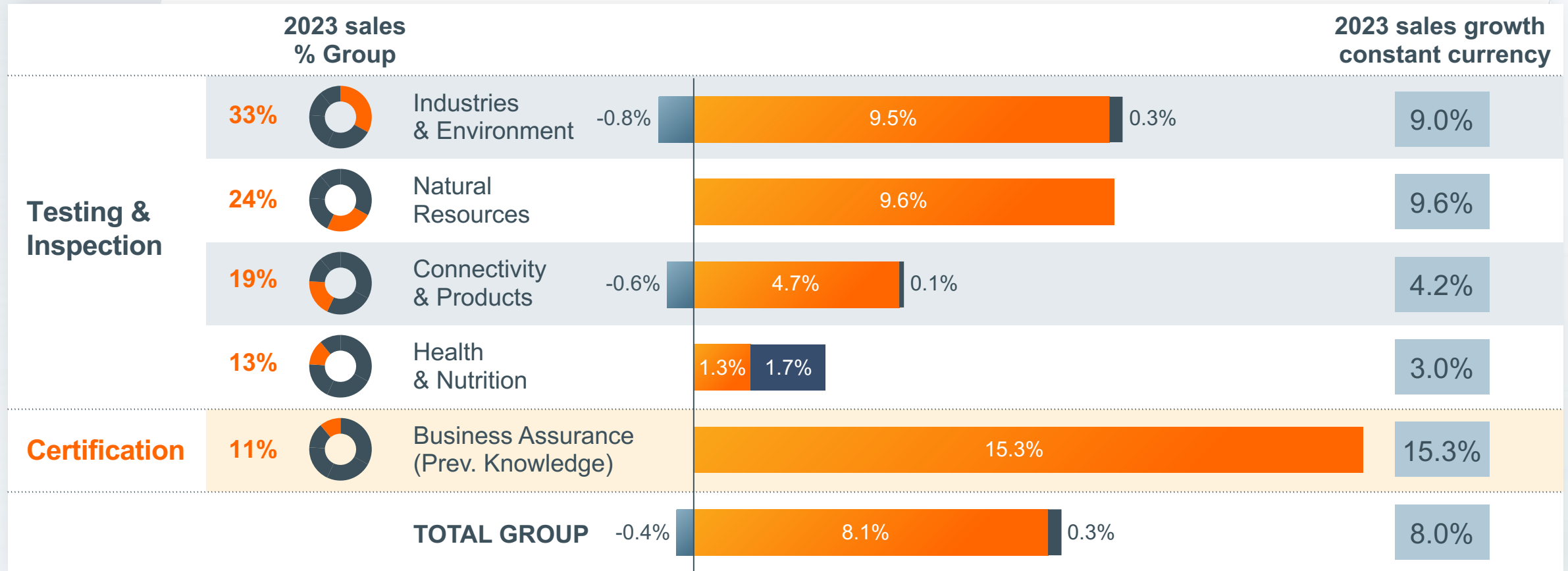
Strong organic growth of 8.1%



¹ Please refer to Alternative Performance Measures

Business lines performance

Strong growth driven by all business lines



Organic
 Acquisitions
 Disposals

Regional performance

All regions growing above their GDP growth

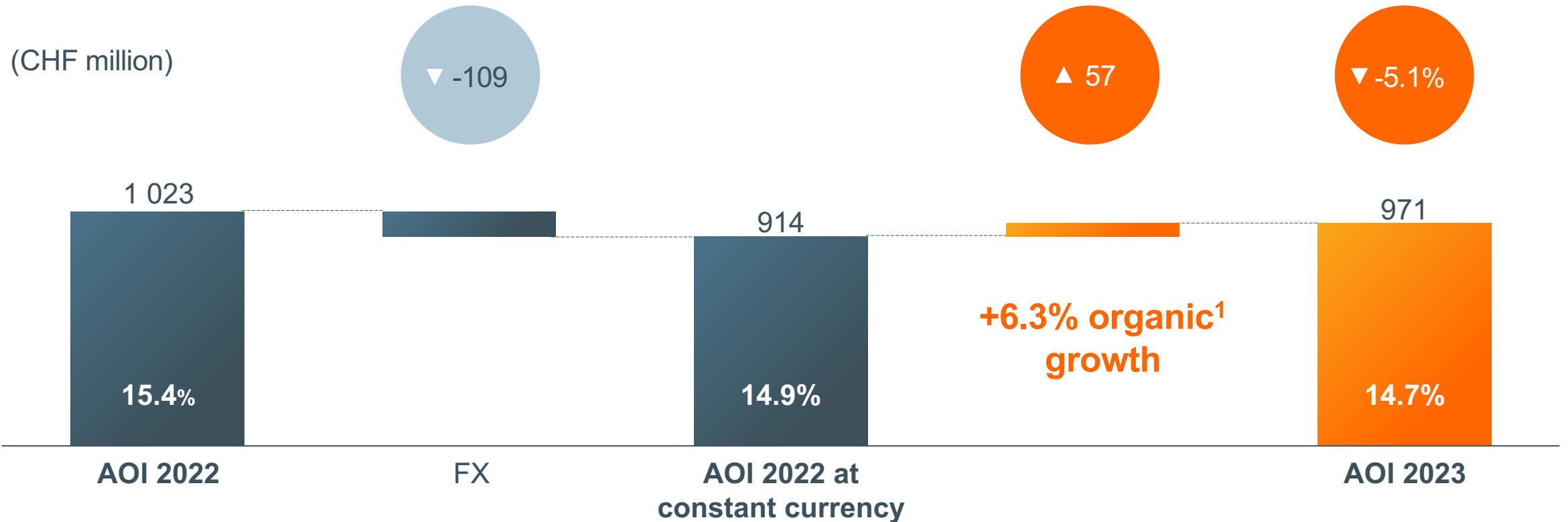
			2023 sales growth constant currency
Europe	2 350	5.1%	4.9%
Asia Pacific	2 279	8.3%	8.3%
North America	816	9.6%	9.8%
Latin America	590	12.8%	13.0%
Africa & Middle East	587	13.3%	13.3%
TOTAL GROUP	6 622	8.1%	8.0%

■ Sales, CHF million ● Organic¹ growth, %

¹ Please refer to Alternative Performance Measures

Adjusted Operating Income¹ (AOI) bridge

AOI margin of 14.7%



¹ Please refer to Alternative Performance Measures

Full P&L

Earnings Per Share at CHF 3.00

CHF million	2023	2022	Change
Sales	6 622	6 642	-20
Adjusted Operating Income¹	971	1 023	-52
Amortization and impairment	-91	-55	-36
Other restructuring and non-recurring items	-23	-70	47
Operating income	857	898	-41
Profits/losses from associated companies and JVs	2	2	–
Net financial expenses	-57	-51	-6
Profit before taxes	802	849	-47
Income taxes	-205	-219	14
<i>Effective tax rate</i>	26%	26%	–
Net profit	597	630	-33
Attributable to non-controlling interests	-44	-42	-2
Net profit attributable to Group shareholders	553	588	-35
Earnings Per Share	3.00	3.15	-0.15

1 Please refer to Alternative Performance Measures

Free cash flow review

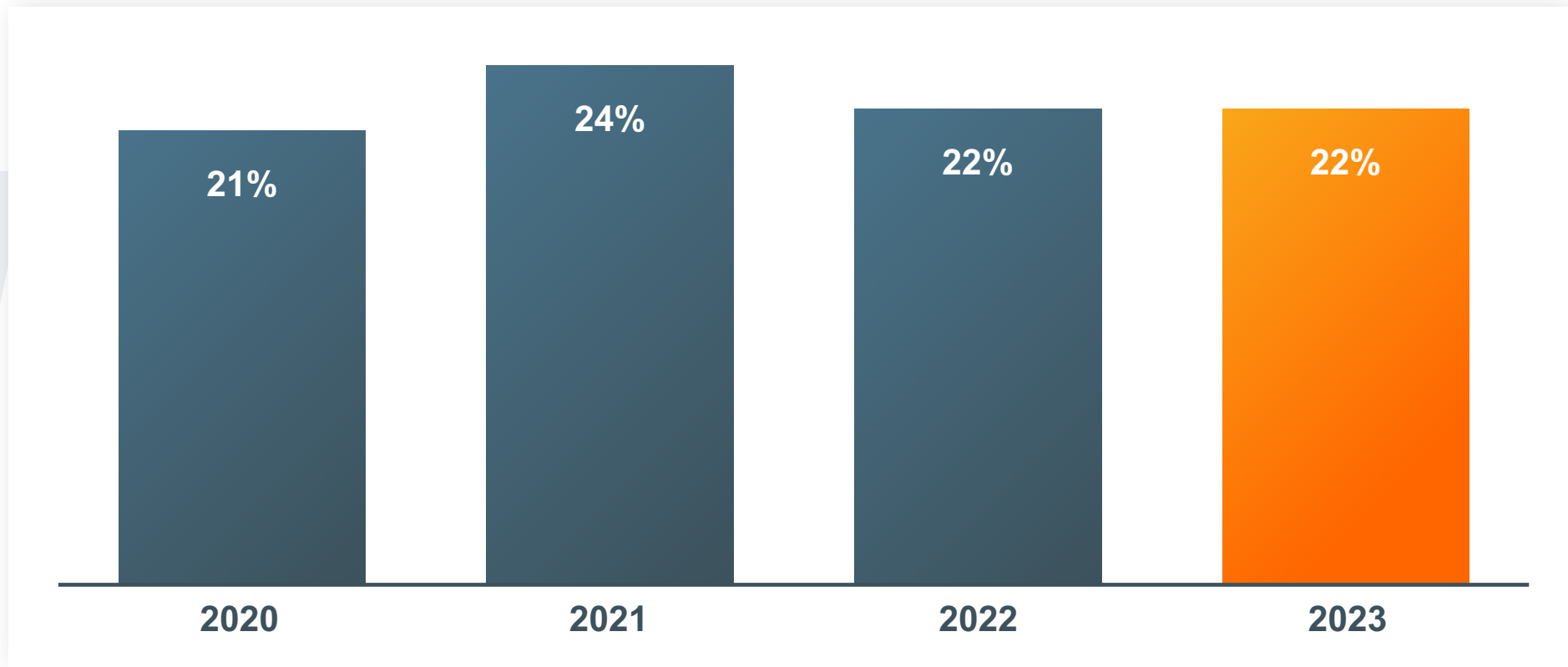
Free cash flow generation improved to CHF 604 million

CHF million	2023	2022	Change
Sales	6 622	6 642	-20
EBITDA	1 402	1 419	-17
Non-cash and non-operating items	19	23	-4
Change in net working capital	-55	-162	107
Taxes paid	-243	-250	7
Net Capex	-283	-321	38
Lease payments	-178	-183	5
Interests paid (net of interests received)	-58	-45	-13
Free cash flow¹	604	481	123

¹ Please refer to Alternative Performance Measures

Return on Invested Capital¹

Industry-leading ROIC to support additional value generation



¹ Please refer to Alternative Performance Measures

Strategy 27

Accelerating growth,
building trust

Géraldine Picaud
CEO Designate

Technical Division Manager, Health & Nutrition, France



Attractive TIC industry

Four megatrends driving market demand

Powerful sustainability transition



Higher demand from ESG regulation and societal expectations

Innovation in digital capabilities & new technologies



Strong growth driven by digital trust needs and technological changes

Near-shoring of supply chains



New opportunities from growing domestic demand and supply chain proximity

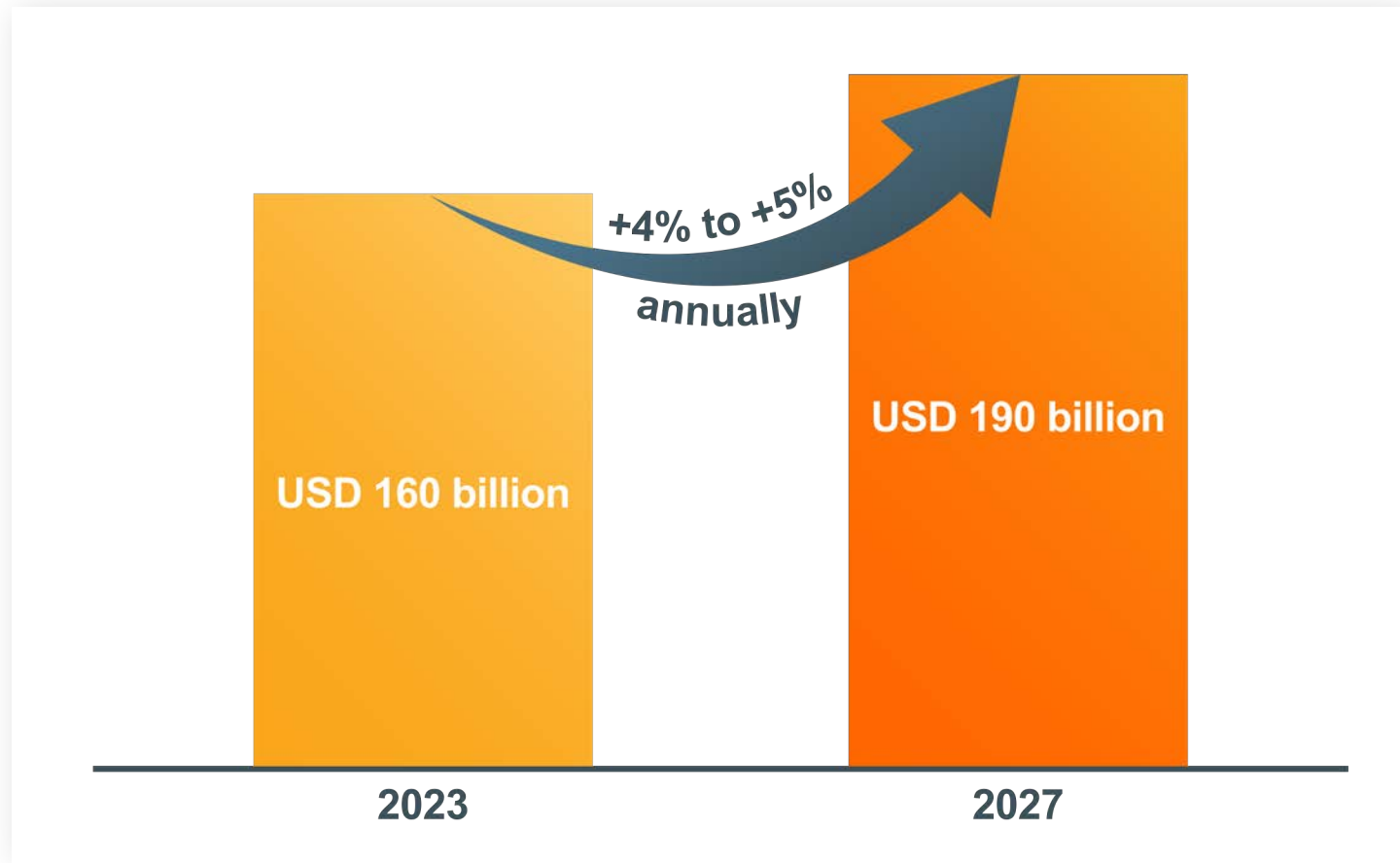
Increasing regulation & public awareness



Structural expansion from tighter legislation and expectations for safety, health and well-being

Attractive TIC industry

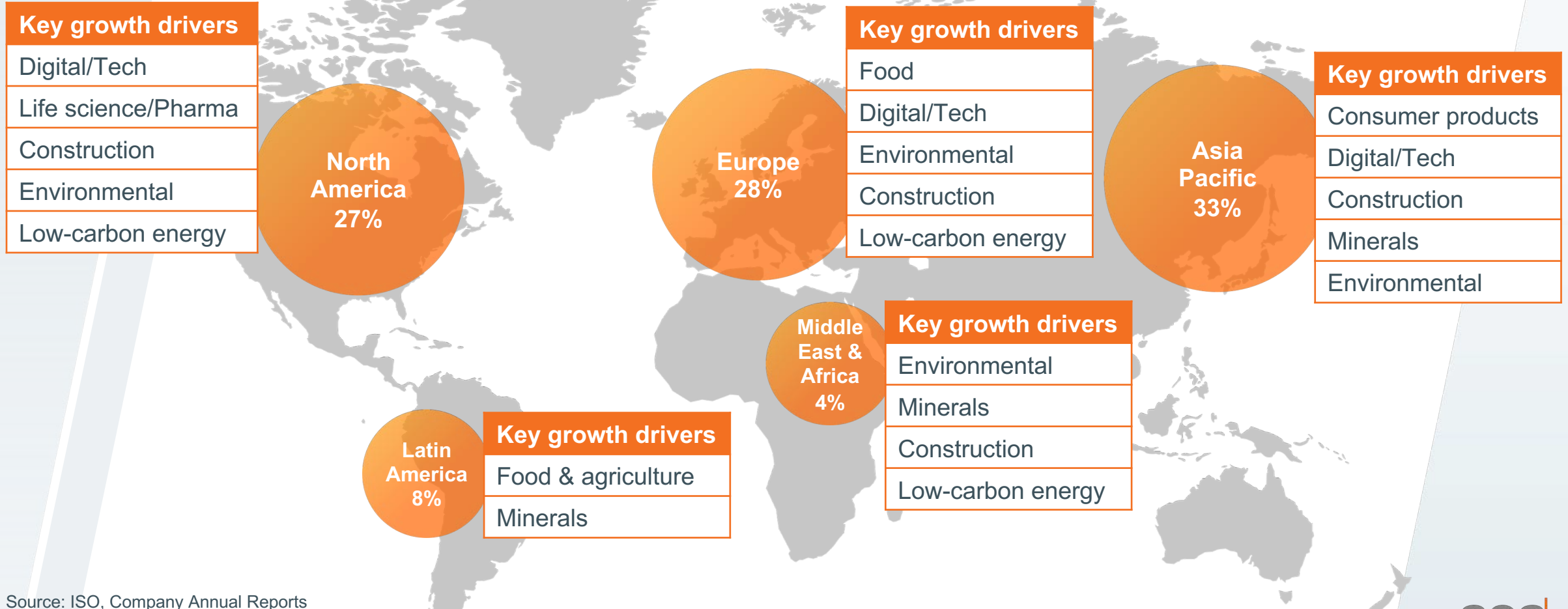
Addressable market growth consistently exceeding GDP



Sources: TIC council, ISO association reports

Attractive TIC industry

Demand driven by regional market dynamics



Source: ISO, Company Annual Reports

Unique positioning within the TIC industry

SGS is the point of reference when you need to be sure



Test engineer, Connectivity & Products, Finland

- › Gold standard solutions provider in the industry, with 145 years of established history and experience
- › Largest number of national accreditations globally to support customers in meeting their compliance needs and challenges
- › Largest global network of restricted substances testing, pollutant identification and general chemistry
- › Unique expertise capturing supply chain evolution
- › Leading provider of digital trust services (cybersecurity, e-commerce compliance and data integrity)

Strategy 2027: Accelerating growth, building trust

Strategic priorities to create value based on three levers



Growth

- 1 Sustainability transition
- 2 Digital acceleration
- 3 Near-shoring of supply chains



Performance & agility

- 1 Accountability, performance and cash flow culture
- 2 New organization
- 3 Corporate simplification



Strong financial profile

- 1 Financial targets
- 2 Capital allocation
- 3 New corporate sustainability KPIs

Sustainability transition

Capturing outstanding growth opportunities from sustainability



Inspector, Natural Resources, Peru

- › **Carbon:** proven expertise in GHG emissions, from verification to gap assessments to advisory (for example, the Carbon Border Adjustment Mechanism)
- › **Biodiversity:** comprehensive portfolio ranging from impact assessments to best practice implementation
- › **Plastics:** unique expertise in achieving circularity (for example, microplastics testing solutions)
- › **ESG assurance:** trusted partner in client sustainability journeys (for example, ESG reporting and supply chain mandates)

Digital acceleration

Demonstrated leadership in digital trust services



- › 500+ Digital Trust experts and auditors across 40+ countries
- › Leadership in cybersecurity evaluations & microchip testing
- › Security evaluations to support compliance & risk management across the most complex sectors
- › First AI certification ISO 42001 (Artificial Intelligence Management Systems) and strong partnerships with research institutes and leading technology companies

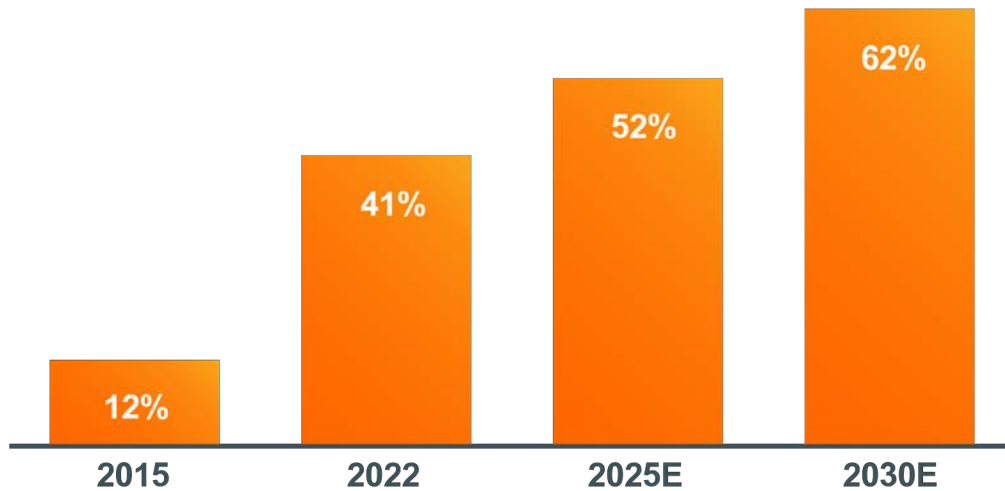
Near-shoring of supply chains

Rebalancing strong footprint and increasing proximity

Asia

- › Leading position in Asia
- › Strong demand from increased consumption of manufactured products

China's upper-middle class as a % of all urban households¹



North America

- › Attractive opportunities to grow in North America
- › Significant sales expansion by 2027

Group sales in North America



Leveraging our **global reach** and **local expertise**
Demonstrated ability to follow **trade flows** and **supply chains** (Turkey, Vietnam)

¹ McKinsey Global Insights China Macro Model

Accountability, performance and cash flow culture

Promoting a high-performance culture



Quality auditor, Industries & Environment, South Africa

- › Enhance P&L responsibility and accountability in the network
- › New incentives based on Group performance targets including cash generation
- › People strategy centered on learning & development, leadership and talent management

New organization

Leaner leadership to accelerate decision-making



Laboratory technician, Health & Nutrition, Germany

Change in organization:

- › Testing & Inspection managed locally, organized under five regions and supported by lean central resources for global contracts and technical expertise
- › Certification (Business Assurance) managed as a global business unit while keeping strong synergies with the network
- › Business leaders to be nominated from the existing organization, benefiting from strong expertise and experience in the company
- › Focused Executive Committee of 12 members to be announced end of March

Corporate simplification

Optimize agility and returns



Security evaluator, Connectivity & Products, Netherlands

- › Focus at the local level
- › Eliminate duplicate responsibilities (double reporting lines) between regions and business lines
- › Continuous internal process optimization especially through the roll out of digital labs program across the network
- › Implement CHF 100 million cost reduction through simplification of organization and processes: new run rate reached at the end of 2025

Financial targets

Accelerating growth, building trust

Sales

5% - 7%
organic growth

Annually

Adjusted Operating Income margin on sales

Significant improvement
at least 1.5 percentage points

By 2027

Free cash flow After leases and interests

> 50%
cash conversion¹

By 2027

¹ Free cash flow / (EBITDA – leases). Please refer to Alternative Performance Measures

Capital allocation

Key principles to finance Strategy 2027

Accelerating growth, building trust

Resources

- › Solid multi-year cash flow
- › Financing through debt while keeping strong credit metrics
- › Scrip dividend to be proposed at the next AGM

Use of funds

- › Growth through accretive and synergetic acquisitions
- › Attractive shareholder remuneration through stable dividend

New corporate sustainability KPIs

Ambitious 2027 sustainability targets



Environment

Environmental leadership

Material progress towards 28% reduction in Scope 3 emissions



Social

Diversity, equity and inclusion

At least one third of leadership positions held by women

Education

7 million hours of training per year to employees, clients and communities



Governance

Responsible business

93% customer satisfaction score

Outlook

Géraldine Picaud
CEO Designate



Inspector, Industries & Environment, Belgium

Outlook 2024



Laboratory managers, Health & Nutrition, Germany

- › Mid to high single-digit organic¹ growth
- › Relunched M&A program
- › Improvement in Adjusted Operating Income margin¹ on sales
- › Strong free cash flow¹ generation

¹ Please refer to Alternative Performance Measures

Q&A

Appendix

Financial calendar

Annual General Meeting

**26 March 2024
Geneva**

Q3 sales update

25 October 2024

Q1 sales update

26 April 2024

Capital Markets Day

November 2024

H1 2024 results

24 July 2024

FY 2024 results

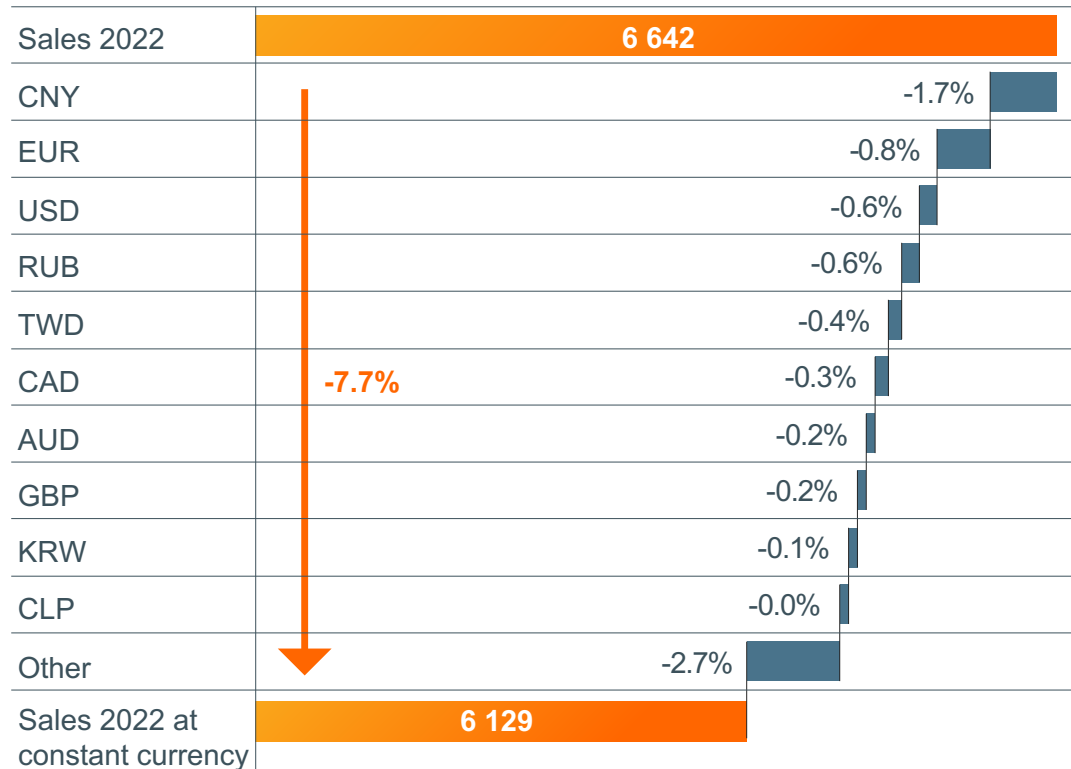
11 February 2025

FX impact

CHF strengthening against all major currencies

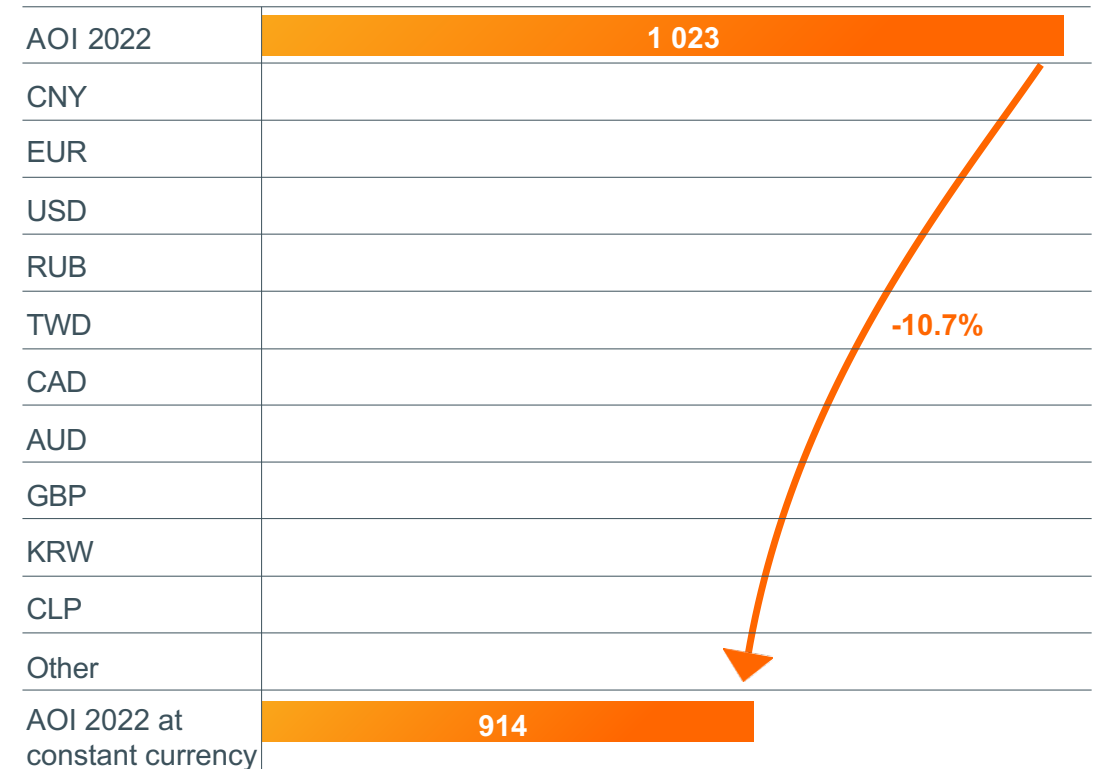
Currency impact on sales (%)

(CHF million)



Currency impact on AOI¹ (%)

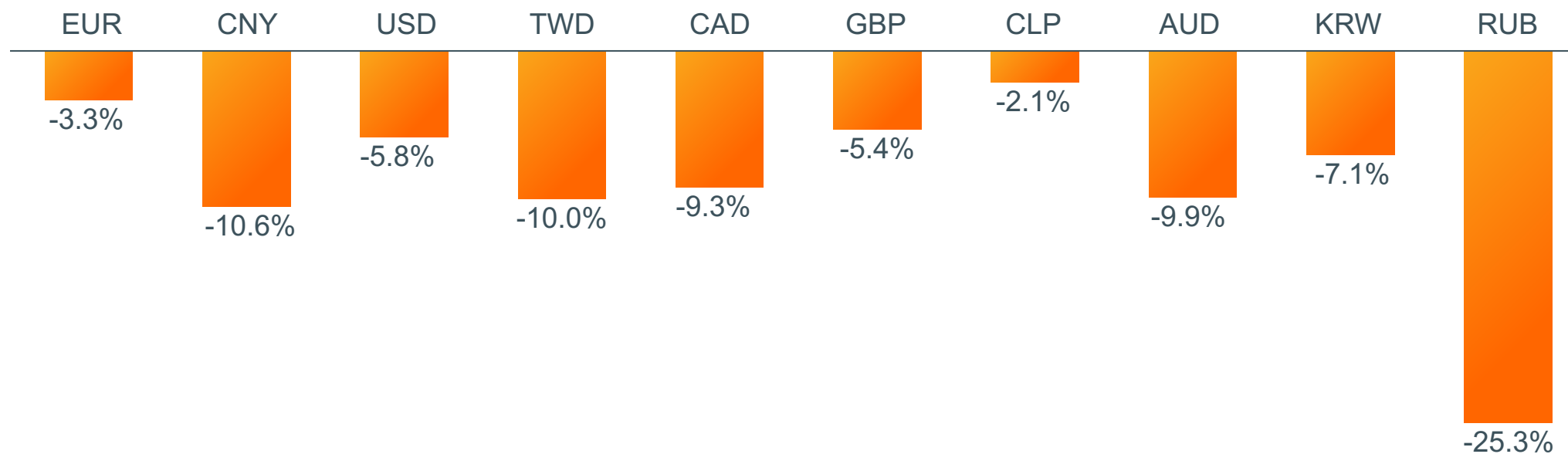
(CHF million)



¹ Please refer to Alternative Performance Measures

Foreign currency average rates

Year-on-year change



	EUR	CNY	USD	TWD	CAD	GBP	CLP	AUD	KRW	RUB
2023	0.9717	0.1270	0.8987	0.0289	0.6659	1.1169	0.0011	0.5973	0.0007	0.0107
2022	1.0052	0.1420	0.9544	0.0321	0.7340	1.1801	0.0011	0.6633	0.0007	0.0143
Change	-3.3%	-10.6%	-5.8%	-10.0%	-9.3%	-5.4%	-2.1%	-9.9%	-7.1%	-25.3%

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