

Strong results and Strategy 2027 on track

Ad hoc announcement pursuant to Art. 53 LR
Geneva, 24 July 2024

- Excellent organic¹ growth of 8.0% in H1 2024
- Adjusted operating income margin¹ stable at 14.1%
- Free cash flow¹ up 35% to CHF 155 million
- CHF 100 million cost savings plan delivering first results
- M&A relaunched with five acquisitions to date
- Outlook 2024 confirmed

Géraldine Picaud, Chief Executive Officer, commented:

"I would like to thank all members of the SGS family for delivering a strong set of results in the first half of the year. The excellent organic growth reflects our ability to capture the megatrends of our industries. Recent bolt-on acquisitions in the Americas and Europe demonstrate our commitment to seize growth opportunities in attractive end markets.

We remain focused on executing Strategy 2027 – 'Accelerating growth, building trust', which will support increasing margins for the second half of the year.

We are laying solid foundations for growth and profitability to deliver on our promises. This is only the start of our journey."

Financial highlights

(CHF million)	June 2024	June 2023	Change in %	Organic ¹ growth %
Sales	3 335	3 284	1.6	8.0
Adjusted operating income¹	471	462	1.9	11.5
Adjusted operating income margin ¹	14.1%	14.1%		
Operating income (EBIT)	415	423	-1.9	
Operating income margin	12.4%	12.9%		
Profit attributable to equity holders of SGS SA	267	272	-1.8	
Basic EPS (CHF)	1.44	1.47	-2.0	
Free cash flow¹	155	115	34.8	

¹ Refer to alternative performance measures in the 2024 half year results interim report.

Strategy 2027

Strategy 2027 is on track and key steps in its implementation were executed with discipline and consistency in the first half of 2024.

Géraldine Picaud was appointed Chief Executive Officer on 26 March 2024 and announced a renewed and focused Executive Committee on the same day.

A sharper growth focus was instilled into the operations, with clear country roadmaps and key action plans targeting priority end markets.

M&A was relaunched with five acquisitions announced year-to-date, representing combined revenue of approximately CHF 40 million on an annual basis.

The CHF 100 million cost savings plan announced in January started to deliver its first results. As announced on 26 January, the new cost run rate will be reached by the end of 2025.

Management incentives were fully aligned with Group targets to promote a culture of performance and accountability across the network.

The successful scrip dividend resulted in cash savings of close to CHF 400 million, unlocking additional firepower to drive shareholder returns through accelerated, sustainable growth.

Financial review

Sales reached CHF 3 335 million in the first half of 2024, up 1.6% compared to prior year. Excellent organic¹ growth of 8.0% more than offset the adverse foreign exchange effect of -5.8%.

Adjusted operating income¹ reached CHF 471 million, an increase of 1.9% compared to prior year. The adjusted operating income margin¹ on sales remained stable at 14.1%. The disciplined execution of Strategy 2027 and the associated cost savings plan helped to offset a 40 basis point adverse foreign exchange effect.

Profit attributable to equity holders was CHF 267 million, a reduction of 1.8%, impacted by restructuring costs of CHF 34 million. It resulted in a **basic earnings per share** of CHF 1.44, against CHF 1.47 in June 2023.

Free cash flow¹ up 34.8% to CHF 155 million marked a significant improvement compared to CHF 115 million in prior year, driven by lower net working capital requirements and focused cash allocation.

Net debt¹ at 30 June 2024 amounted to CHF 3 022 million including lease liabilities, an increase of CHF 183 million compared to December 2023. This was mainly due to the dividend distribution in April 2024. Compared to June 2023, net debt decreased by CHF 319 million.

Operational review

All divisions and regions contributed to the excellent organic¹ growth of 8.0%.

- **Testing & Inspection** delivered 8.1% organic¹ growth, driven by double-digit growth in Industries & Environment and high single-digit growth in Natural Resources and Connectivity & Products. Adjusted operating income margin¹ reached 13.6% for the division.
- **Business Assurance** delivered 7.8% organic¹ growth, driven by certification and sustainability services, including social audits and ESG assurance. Adjusted operating income margin¹ reached 18.6% for the division.

This strong growth momentum reflects the Group's ability to leverage the diversity of its portfolio to capture the powerful **megatrends** related to sustainability, digital trust, supply chain migrations and increased regulations.

In addition, SGS continued to consolidate its presence in **leading-edge activities** and drive incremental returns.

In North America, **PFAS** (perfluoroalkyl and polyfluoroalkyl substances) testing capacity is being quadrupled to meet increasing demand. SGS signed multi-million contracts in the first half of the year to deliver site remediation and PFAS-related testing over the next 5 years.

SGS also continued to pioneer environment-friendly extraction technologies in critical minerals and battery metals to accelerate the energy transition. Thanks to its unparalleled scientific expertise, the Group has secured close to 200 ongoing projects in this field.

Additionally, SGS is leading the way in **sustainability report assurance** in Asia, where it signed several contracts with top listed companies.

Finally, the Group also expanded its **cybersecurity capabilities** by opening a new Brightsight laboratory in Singapore.

¹ Refer to alternative performance measures in the 2024 half year results interim report.

Performance by end market

(CHF million)	June 2024 sales	Organic ¹ growth	Adjusted operating income ¹	Adjusted operating income margin ¹
Industries & Environment	1 124	10.9%	133	11.8%
Natural Resources	799	8.6%	111	13.9%
Connectivity & Products	623	6.9%	126	20.2%
Health & Nutrition	423	1.7%	33	7.8%
Testing & Inspection	2 969	8.1%	403	13.6%
Business Assurance	366	7.8%	68	18.6%
Total	3 335	8.0%	471	14.1%

Testing & Inspection sales by region

(CHF million)	June 2024	Organic ¹ growth
Europe	982	4.5%
Asia Pacific	980	6.3%
North America	346	5.8%
Latin America	283	19.8%
Eastern Europe, Middle East & Africa	378	15.7%
Total Testing & Inspection	2 969	8.1%

M&A relaunched

M&A was relaunched as a key growth lever. The pipeline of bolt-on acquisitions is expanding. The Group announced five acquisitions to date in 2024, representing combined revenue of approximately CHF 40 million on an annual basis.

On 1 May, SGS acquired **ArcLight Wireless Inc.**, a worldclass leader in systems engineering, network services, technical outsourcing and field testing for the wireless industry, headquartered in North Carolina, USA. This acquisition allows the Group to reinforce its presence in North America and strengthen its leadership in the dynamic connectivity industry.

On 10 July, SGS announced a definitive agreement to acquire **Institut d'Expertise Clinique**, a leading cosmetics Clinical Research Organization active in the field of advanced clinical testing solutions headquartered in Lyon, France. This acquisition further strengthens the Group's global position in cosmetics and hygiene testing, bringing innovative capabilities and strong scientific expertise as well as complementary geographic footprint and service offering.

On 18 July, SGS announced a definitive agreement to acquire **Gossamer**, a worldclass provider of cybersecurity evaluation, testing and consulting services for connected devices. It is a leader in the assessment of product conformance to Common Criteria, the international set of standards for IT security certification. Founded in 2012 and headquartered in Maryland, USA, Gossamer employs 30 highly specialized employees and generates high growth. The acquisition is expected to close on 31 July 2024.

On the same day, SGS also announced a definitive agreement to acquire **AQM and Cromanal**, two key players in the Colombian pharmaceutical testing industry. The companies hold key accreditations and offer microbiology, physico-chemical, liquid and gas chromatography services in raw materials and finished products, as well as stability studies and validations. Founded in 1995 and 2006 respectively, AQM and Cromanal are headquartered in Bogota, Colombia and employ 140 employees in total. The acquisitions are subject to antitrust approval.

Acquisitions

	Closing date	Region	Business line	FTE
ArcLight Wireless Inc.	1 May 2024	North America	Connectivity & Products	75
Gossamer	Est. Q3 2024	North America	Connectivity & Products	30
Institut d'Expertise Clinique	Est. Q3 2024	Europe	Health & Nutrition	150
AQM	Est. Q3 2024	Latin America	Health & Nutrition	90
Cromanal	Est. Q3 2024	Latin America	Health & Nutrition	50

¹ Refer to alternative performance measures in the 2024 half year results interim report.

Innovation

In the first half of 2024, SGS successfully brought to market highly **innovative solutions** to its customers:

SGS developed a cutting-edge **computer vision recognition** solution driven by Artificial Intelligence to examine chip sets in connected devices. This technology can process analyses over 20 times faster than traditional methods.

Combining digital trust and certification expertise, SGS is impacting the area of **Artificial Intelligence**. The Group continued to deliver ISO/IEC 42001 Artificial Intelligence Management System certifications globally, with notable firsts in Europe and Asia. SGS, through panel discussions and white papers, continues to raise public awareness and thought leadership on critical aspects such as digital trustworthiness, fairness, privacy and security, transparency and accountability.

In June 2024, SGS celebrated the official launch of a highly innovative **drone transport** service for petrochemical samples in Belgium, called Samplifly. This marked an international first. The project, backed by the European Space Agency, provides a swift, safe and low-carbon alternative to carry samples by drones from client sites to SGS laboratories.

Corporate sustainability

SGS was ranked **6th most sustainable company in the world** by TIME. This achievement rewarded SGS's strategy to integrate sustainable practices into every operation and action plan. The rigorous and transparent methodology evaluated over 5 000 companies based on factors such as external sustainability ratings and commitments, corporate reporting practices and environmental and social stewardship.

The Group published its comprehensive **Net-Zero Transition Plan**, demonstrating its commitment to climate action by targeting net-zero greenhouse gas emissions by 2050. It also reaffirmed its commitment to a reduction of 46% in absolute Scope 1 and Scope 2 emissions and of 28% in absolute Scope 3 emissions by 2030, compared to its 2019 base line, as validated by the Science Based Targets initiative (SBTi).

SGS was the first TIC company to publish a **double materiality assessment**, in line with the requirements of the Corporate Sustainability Reporting Directive. This sets a benchmark for transparency, accountability and a sustainable business approach in the industry.

Management changes

Géraldine Picaud was appointed Chief Executive Officer on 26 March 2024 and announced a renewed and focused Executive Committee on the same day.

Marta Vlatchkova was appointed Chief Financial Officer on 8 May 2024.

Outlook 2024

SGS remains focused on delivering Strategy 2027 – ‘Accelerating growth, building trust’, and fully confirms the following objectives for 2024:

- Mid to high single-digit organic¹ growth
- M&A relaunched
- Improvement in adjusted operating income margin¹ on sales
- Strong free cash flow¹ generation

Mid-term 2027 objectives

Strategy 2027 will shift gears towards growth of the top and bottom line. The Group confirms the following objectives over the next four years:

- Organic¹ growth of 5% to 7% annually
- Significant improvement of at least 1.5 percentage points in adjusted operating income margin¹ on sales by 2027
- Cash conversion¹ to exceed 50% by 2027

¹ Refer to alternative performance measures in the 2024 half year results interim report.

Upcoming investor events

25 October 2024: Q3 2024 sales update (Virtual)

19 - 20 November 2024: Capital Market Event (Rotterdam & Antwerp)

11 February 2025: Full year 2024 results (Geneva)

26 March 2025: Annual General Meeting of Shareholders (Geneva)

24 April 2025: Q1 2025 sales update (Virtual)

25 July 2025: Half year 2025 results (Virtual)

Conference call

A live webcast for analysts and investors will be held on 24 July at 10:00am CET.

Details of the webcast can be found below:

<https://event.choruscall.com/mediaframe/webcast.html?webcastid=kK02AJWv>

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

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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.

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