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to be sure



Hardlines Testing Laboratory, France

First quarter 2024
sales update



First quarter 2024 sales update

Strong start to the year Strategy 2027 on track

Ad hoc announcement pursuant to article 53 LR
Geneva, 26 April 2024

- Organic¹ sales growth of 7.1%, at the top end of guidance
- New CEO and streamlined Executive Committee appointed
- Management incentives implemented, fully aligned with Group targets
- Restructuring plan launched
- Pipeline of bolt-on acquisitions expanding
- Successful scrip dividend
- Outlook 2024 confirmed

Géraldine Picaud, CEO, commented:

“Today, we are delighted to report our quarterly sales for the first time. The strength of our organic growth reflects the soundness and diversity of our portfolio of activities. We have started to execute Strategy 2027 to firm up this growth momentum, streamline the organization and generate a strong financial performance. I am confident that with the energy and passion of our experienced teams across the globe, we will deliver on our promises.”

First quarter 2024 sales review

Sales reached CHF 1 577 million in the first quarter of 2024. Strong organic¹ growth of 7.1% offset most of the negative currency effect of 8.6%. In reported terms, sales were down 2.1% compared to prior year.

Sustainability, digital trust, supply chain services and increased regulations supported the strong organic growth, in line with industry megatrends. All divisions and regions contributed to this positive performance.

Group sales

(CHF million)	Q1 2023	Q1 2024
Sales	1 611	1 577
Total change		-2.1%
of which organic¹		7.1%
<i>of which scope</i>		<i>-0.6%</i>
<i>of which FX</i>		<i>-8.6%</i>

Group sales by division

(CHF million)	Q1 2024	Organic growth
Europe	472	3.3%
Asia Pacific	465	6.7%
North America	165	6.6%
Latin America	133	19.0%
Eastern Europe, Middle East & Africa	172	10.2%
Testing & Inspection	1 407	7.1%
Business Assurance	170	7.6%
Total Group	1 577	7.1%

¹ Please refer to Alternative Performance Measures in the Appendix.

Strategy 2027: Accelerating growth, building trust

Strategy 2027 – ‘Accelerating growth, building trust’ was announced on 26 January 2024 and execution is on track.

Géraldine Picaud was appointed CEO on 26 March 2024 and announced a streamlined Executive Committee on the same day. Management incentives fully aligned with Group targets were implemented to promote a culture of accountability and performance across the network. The CHF 100 million restructuring plan was launched and execution is underway to reach the new run rate at the end of 2025. M&A was relaunched as a key growth lever and the Group is expanding its pipeline of bolt-on targets, with a view to accelerate acquisitions in leading-edge activities across the network. The scrip dividend was successful, unlocking additional firepower to drive shareholder returns through accelerated, sustainable growth.

M&A relaunched

SGS has reached an agreement to acquire ArcLight Wireless Inc., a world-class leader in systems engineering, network services, technical outsourcing and field testing for the wireless industry, headquartered in North Carolina, United States. The company has 75 full-time employees.

This acquisition, which will be effective 1 May 2024, is positioned within the digital megatrend. It allows SGS to reinforce its presence in North America and to strengthen the Group’s leadership in the dynamic connectivity industry.

Successful scrip dividend

The company’s Annual General Meeting held on 26 March 2024 had offered its shareholders the possibility to receive the 2023 dividend in cash or in new SGS shares.

As announced on 22 April 2024, 64.87% of the dividend for the financial year 2023 was elected to be paid in the form of new SGS shares, with the remaining 35.13% to be paid out in cash. The delivery of the new shares and the payment of the total CHF 207.3 million cash dividend took place on 25 April 2024.

This represents a clear endorsement of Strategy 2027 and allows SGS to reward the loyalty of its shareholders while redirecting close to CHF 400 million of cash towards attractive growth opportunities.

Outlook 2024

The Group confirms its targets for 2024:

- Mid to high single-digit organic¹ growth
- M&A relaunched
- Improvement in adjusted operating income¹ margin 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 sales growth of 5% to 7% annually
- Significant improvement of at least 1.5 percentage points in adjusted operating income¹ margin on sales by 2027
- Cash conversion¹ to exceed 50% by 2027

¹ Please refer to Alternative Performance Measures in the Appendix.

First quarter 2024 performance by end-market

Testing & Inspection: Industries & Environment

(CHF million)	Q1 2023	Q1 2024
Sales	527	526
Total change		-0.2%
of which organic¹		8.7%
<i>of which scope</i>		-1.3%
<i>of which FX</i>		-7.6%

Industries & Environment delivered high organic sales growth of 8.7%, led by Safety and Advisory. Environmental Testing achieved double-digit organic growth, driven by North America, Europe and PFAS² regulations. Health & Safety reported strong organic growth, benefiting from increased activity in industrial hygiene notably in North America. Double-digit organic growth in Technical Assessments & Advisory was mainly due to new projects in Latin America. High single-digit growth was achieved in Field Services, driven by supply chain mandates in EEMEA³ and Asia Pacific.

Testing & Inspection: Natural Resources

(CHF million)	Q1 2023	Q1 2024
Sales	394	386
Total change		-2.0%
of which organic¹		8.6%
<i>of which scope</i>		0.0%
<i>of which FX</i>		-10.6%

Natural Resources benefited from strong and healthy market trends, delivering organic sales growth of 8.6% across the network. This was supported by high single-digit organic growth in Trade & Inspection, driven by pricing and project wins in all commodities. Excellent performance in Lab Testing was led by strong analytical services in North America, Latin America and EEMEA. Services supporting the energy transition displayed a strong momentum, while Metallurgy & Consulting reported solid organic growth, with new projects in battery metals in North America.

Testing & Inspection: Connectivity & Products

(CHF million)	Q1 2023	Q1 2024
Sales	308	294
Total change		-4.5%
of which organic¹		6.8%
<i>of which scope</i>		-1.9%
<i>of which FX</i>		-9.4%

Connectivity & Products generated solid organic sales growth of 6.8% driven by Softlines and Connectivity. Double-digit organic growth was achieved in Softlines, which benefited from lower inventory levels and new opportunities in sustainability. Connectivity delivered high single-digit organic growth, driven by Asia Pacific, North America and regulations. Strong momentum in cybersecurity, notably at Brightsight, also supported growth. Hardlines reported solid performance in Asia Pacific and Europe, led by increased activity in hardgoods.

¹ Please refer to Alternative Performance Measures in the Appendix.

² Perfluoroalkyl and Polyfluoroalkyl substances.

³ Eastern Europe, Middle East and Africa.

Testing & Inspection: Health & Nutrition

(CHF million)	Q1 2023	Q1 2024
Sales	212	201
Total change		-5.2%
of which organic¹		0.5%
of which scope		1.4%
of which FX		-7.1%

Health & Nutrition increased organically thanks to high single-digit growth in Food, with very strong performance in Europe and Latin America supported by regulations and network expansion. Sales also benefited from double-digit organic growth in Cosmetics & Hygiene in Asia Pacific. Market conditions in Health Science remained challenging.

Certification: Business Assurance

(CHF million)	Q1 2023	Q1 2024
Sales	170	170
Total change		0.0%
of which organic¹		7.6%
of which scope		0.0%
of which FX		-7.6%

Business Assurance delivered organic sales growth of 7.6% driven by sustainability. Double-digit organic growth in Management System Certification was supported by strong activity in medical devices, digital trust and food, notably in North America, Europe and Asia Pacific. Strong momentum in Quality, Health & Safety and Environment also contributed to growth. Sustainability increased in high single digits organically, driven by very strong performance in North America and Europe, and solid performance in ESG assurance and audits.

Financial calendar

- 24 July 2024: Half year 2024 results
- 25 October 2024: Q3 2024 sales update
- 20 - 21 November 2024: Capital Markets Event
- 11 February 2025: Full year 2024 results
- 24 April 2025: Q1 2025 sales update

Conference call

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

Details can be found at <https://event.choruscall.com/mediaframe/webcast.html?webcastid=D8eKzMAU> together with presentation slides. A recording of the webcast will be available later in the day.

For further information, please contact:

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¹ Please refer to Alternative Performance Measures in the Appendix.



Wind Turbine Inspection, Spain

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Appendix

2023 sales by quarter

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

Alternative performance measures

For the period ended 31 March 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 Q1 2023	1 611	
Growth in value and in %		
Organic	115	7.1%
Scope	-10	-0.6%
Acquisitions	3	0.2%
Disposals	-13	-0.8%
Sales Q1 2024 at constant currency	1 716	6.5%
Currency impact	-139	-8.6%
Sales Q1 2024	1 577	-2.1%

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.



Health & Nutrition Laboratory, Vietnam

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