



# EUROLAB Special Briefing

## Testing, Inspection and Certification (TIC) Sector Business Review 2014

The global testing, inspection and certification (TIC) market is valued at EUR 100 billion.

According to the researchers, the testing, inspection and certification market is expected to grow at a steady rate. This growth is mainly driven by the following factors:

- rapid globalization
- rising concerns about the quality and safety
- rise in outsourcing of the certification, testing and inspection services
- growth in the regulations and industrial standards

While the above driving factors stimulate the growth of the sector, long lead-time and changing rules and regulations are expected to be the major restraints for the market.

Currently, the industry is fragmented and the top players operating in this market have been increasing their acquisition practices in order to expand services in the market sectors of emerging economies, namely, China, India, and Brazil. Growing consumer awareness about the importance of the certified products is increasing the demand for third party certification.

Asia-Pacific is witnessed to have the largest growth among all the regions, owing to the government's stringent legislations to ensure health and safety; rising disposable income and overall industrial growth is further contributing to the growth of the market.

The testing, inspection, certification market has thus a huge potential, especially in emerging markets, fuelled by acquisitions by the major players, which will consolidate the industry further, leading to internationally accepted standards.

The Mergers & Acquisitions activity in the TIC sector reveals that: The 21 announced deals in the TIC subsector in the second quarter of 2014 (2Q14) accounted for 24% of overall TIC industry activity, down slightly versus the average of 29% for the prior three years. The most active acquirers over the past three years include SGS with 41 announced deals, Eurofins and Bureau Veritas with 35 and 31 deals, respectively.

Please find below the 2014 Business Review for some of the larger TIC companies.

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#### **Headquarters in Geneva, Switzerland – CEO Frankie Ng**

- **Revenue of EUR 5.6 billion (CHF 5.9 billion) up 5.4%**
- Adjusted operating income of EUR 900 million (CHF 947 million), +2.6%
- Adjusted operating margin of 16.1%
- Free cash flow of EUR 577 million (CHF 607 million), +2.7%
- EBIT margin of 16.0%, +0.6%
- Basic earnings per share of EUR 78 (CHF 81.99), +10.9%
- Proposed dividend of EUR 65 (CHF 68), +4.6%
- Number of employees 83,515

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#### **Headquarters in Paris, France – CEO Didier Michaud-Daniel**

- **Revenue of EUR 4.17 billion**
- Adjusted operating profit of EUR 694 million (16.6% margin)
- Free cash-flow generation of EUR 402 million, +24%
- Adjusted net profit of EUR 391 million
- Proposed dividend of EUR 0.48, stable versus 2013
- Number of employees 66,494

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Valued Quality. Delivered.

#### **Headquarters in London, United Kingdom – CEO André Lacroix**

- **Revenue EUR 2.9 billion (£ 2,093.3 million)**
- Operating profit EUR 445 million (£324.4 million)
- Profit before tax EUR 412 million (£300.2 million)
- Cash generated from operations EUR 553 million (£403.7million)
- Number of employees 38,000

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#### **Headquarters in Høvik, Norway – CEO Henrik O. Madsen**

- **Revenue EUR 2.5 Billion (NOK 21,623 million)**
- EBIT / operating profit EUR 184 million (NOK 1, 612 million)
- Earnings before Interest, Taxes and Amortization (EBITA) EUR 251 million (NOK 2,203 million)
- Equity ratio 58.1%
- Number of employees 15,712

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#### **Headquarters in Stuttgart, Germany – CEO Stefan Kölbl**



- **Revenue EUR 2.5 billion**
- Adjusted Earnings Before Interest and Taxes (EBIT) improved by 7.4% to around EUR 175 million
- Strategic acquisitions strengthen international presence
- Number of employees 35,000

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#### **Headquarters in Munich, Germany – CEO Axel Stepken**

- **Revenue of EUR 2.06 billion**
- Earnings Before Interest and Taxes (EBIT) EUR 147 million
- Cash flow from operating activities EUR 145 million
- Number of employees 22,000

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#### **Headquarters in Cologne, Germany – CEO Michael Fübi**



- **Revenue rose to EUR 1.731 billion**
- Earnings Before Interest and Taxes remained stable at EUR 110.2 million
- profit margin 6.4%
- Number of employees 19,320

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#### **Headquarters in Barcelona, Spain – CEO Fernando Basabe**



- **Revenue EUR 1.62 billion**
- Adjusted operating profit up 8.0% to EUR 159 million
- Adjusted operating profit margin up 30bps to 9.8%
- Adjusted operating cash flow up 29% to EUR 132 million
- Number of employees 20,000

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#### **Headquarters in Paris, France – CEO Gilles Martin**



- **Revenue growth of 15% to EUR 1.4 billion**
- Adjusted EBITDA increase of 19% to EUR 230 million
- 25% increase in Operating Cash Flow to EUR 212 million
- 17 acquisitions
- Number of employees over 17,000

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#### **Headquarters in London, United Kingdom – CEO Richard Sadler**



- **Revenue 11.8% higher at EUR 1.4 billion (£1.03 billion)**
- Operating profit increased by 4.1% to EUR 101 million (£73.7 million)
- Number of employees over 9,000

You can find more information in the following [document](#)



#### **Headquarters in Northbrook, USA – CEO Keith E. Williams**

*Figures not available.*

*For more information, please visit the [UL website](#).*



#### **Headquarters in Hanover, Germany – CEO Guido Retting**

- **Revenue up to EUR 1.09 billion, + 3.1%**
- Industrial business grows by 5.9 %
- Operating profit (EBIT) up to EUR 58.8 million, + 34.6%
- 2.1 % growth in Mobility business unit
- Number of employees 10,000

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#### **Headquarters in Queensland, Australia – CEO Greg Kilmister**

- **Revenue up 0.2% to EUR 1.04 billion (\$1.5 billion)**
- Underlying profit EUR 118 million (\$171.9 million)
- Underlying Earnings per share EUR 0,29 (43.03 cents)
- Number of employees 12,200

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#### **Headquarters in Paris, France – Director General Rémi Sohier**

- **Revenue EUR 820 million**
- Earnings before Interest, Taxes and Amortization (EBTDA) EUR 49 million
- Number of employees 10,700

*For more information, please visit the [Apave website](#).*

\* Euro foreign exchange reference rates published on the National Bank of Belgium [website](#)

\*\*Source: <http://www.marketsandmarketsblog.com/emerging-economies-are-fuelling-the-testing-inspection-and-certification-tic-services.html>;  
KPMG Test & Measurement M&A Quarterly Summer 2014

For further information, comments or improvements please contact the EUROLAB General Secretariat at [info@eurolab.org](mailto:info@eurolab.org)