



EUROLAB Special Briefing

Testing, Inspection and Certification (TIC) Sector Business Review 2016

The global testing, inspection and certification (TIC) market value is estimated to be between **EUR 130 - 200 billion**.

The TIC sector is forecast to grow at an annual rate of five to six percent. This is driven by several factors:

- Growth in global trade and more stringent requirements within emerging markets
- A shift towards tougher and more complex regulations and standards across a variety of industries and products
- An increasing shift to outsource TIC functions to reduce in-house costs and to pass on responsibility for complex compliance issues to third parties
- Ageing infrastructure primarily within developed countries

Digitalisation has become a game-changing industry disruptor. As client expectations shift from traditional legacy control and inspection services towards more sophisticated risk analysis, management, and performance solutions, **market leaders need to transform their operating models to embrace ‘the power of digital’.**

Likewise, the **absence of internationally accepted standards is a key restraint to the industry.** Countries across the globe have different set of TIC guidelines and standards, which also differ based on type of products and industries. The highly-diversified set of regulations could often create bottlenecks for promoting international trade, thereby creating hindrance for the growth of the global TIC market.

Agriculture, Food and Life as well as commodity services achieved solid revenue growth in 2016 for the TIC sector.

Consumer and Retail generally benefited from growth especially in the Chinese domestic market and e-commerce services.

However, **TIC Energy-related markets remained challenging for the year 2016.** Low oil prices, ongoing difficulties in the global gas markets and soft demand for minerals continued to impact demand, creating pricing pressure on services for Minerals, Industrial and Oil, Gas and Chemicals. At the same time, the **renewable energy sector is expected to grow significantly** due to the drop in the cost of both renewable energy and energy storage, making this combination increasingly competitive.

In the maritime world, 2016 presented a set of particularly challenging market conditions for most shipping segments as well as the offshore segment. Low freight rates, consolidation, tight financing, reduced contracting and new regulations forced adaptation and tough choices on every player in virtually every segment.

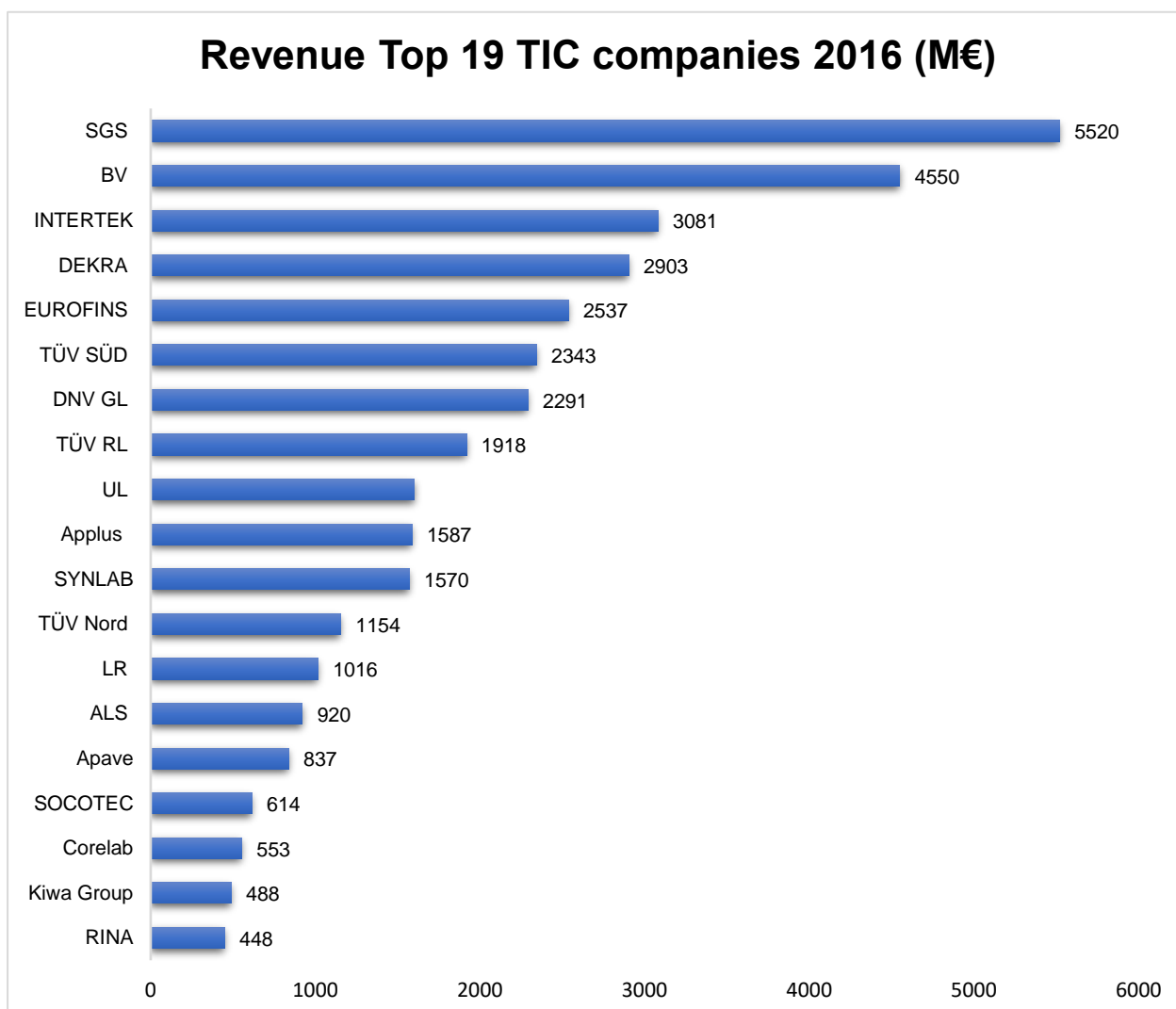
The highly competitive global automotive market responds to the rapid development of new technologies, the demands on product quality, safety and reliability within the sector are ever increasing. Car manufacturers must meet new challenges in quality and reliability, in addition to enhanced technology and connectivity. They must also remain competitive, with efficient processes and controls at each stage of the supply chain. Vehicles are becoming

increasingly specialised with the use of robotics and highly complex technology at each stage of the process. The TIC industry is well responding to the high demands of the automotive sector.

Regardless of the challenges, **opportunities across emerging nations** and recent technological advancements will make certification necessary for innovation at every stage. This is expected to give significant impetus to the global testing, inspection, and certification market in the coming years. In China, despite the widely discussed slowdown of the economy, the increasing liberalisation of the Chinese domestic market offers opportunities that can more than offset it. With a TIC market size of EUR 23 billion and an anticipated compound annual growth rate of 13%, it is an inviting market.

The **Mergers & Acquisitions activity in the TIC sector reveals that the sector remains widely fragmented** with 90% of deals involve companies generating €10 million or less in revenue. SGS, Bureau Veritas and Eurofins remain the most active players driving M&A with 78, 56 and 52 deals respectively since 2010.

Please find below the 2016 Business Review for some of the larger TIC companies.



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Headquarters in Geneva, Switzerland – CEO Frankie Ng

- **Revenue of EUR 5.52 billion (CHF 6.0 billion) up 6.0%**
- Adjusted operating income of EUR 845.48 million (CHF 919 million), +2.4%
- Adjusted operating margin of 15.4%
- Free cash flow of EUR 679.96 million (CHF 738 million), +12.1%
- Basic earnings per share of EUR 65.81 (CHF 71.54), +3.4%
- Proposed dividend of EUR 64,4 (CHF 70), +2.9%
- Number of employees 90,000

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



Headquarters in Paris, France – CEO Didier Michaud-Daniel

- **Revenue of EUR 4.5 billion**
- Adjusted operating profit of EUR 734.9 million
- Adjusted operating margin of 16.2%
- Free cash-flow generation of EUR 362 million
- Adjusted net profit of EUR 409 million
- Proposed dividend of EUR 0.55, up 7.8% vs 2015
- Number of employees 69,000

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



Headquarters in London, United Kingdom – CEO André Lacroix

- **Revenue EUR 3 billion (£ 2,567.0 million)**
- Operating profit EUR 483.4 million (£409.7 million)
- Profit before tax EUR 457 million (£387.3 million)
- Cash generated from operations EUR 641.2 million (£543.4million)
- Number of employees 42,000

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



Headquarters in Stuttgart, Germany – CEO Stefan Kölbl

- **Revenue EUR 2.9 billion**
- Adjusted Earnings Before Interest and Taxes (EBIT) improved by 7.6% to around EUR 220.6 million
- Strong expansion of testing capacity in Asia-Pacific
- Number of employees 39,357

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



Headquarters in Paris, France – CEO Gilles Martin

- **Revenues grew 30.1% to EUR 2.53 billion**
- Adjusted EBITDA increase of 32.9% to EUR 479.6 million
- 27.7% increase in Operating Cash Flow to EUR 371.8 million
- 27 acquisitions
- Number of employees over 25,000

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



Headquarters in Munich, Germany – CEO Axel Stepken

- **Revenue of EUR 2.34 billion**
- Earnings Before Interest and Taxes (EBIT) EUR 202 million
- Cash flow from operating activities EUR 241.5 million
- Number of employees 24,000

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

Headquarters in Høvik, Norway – CEO Remi Eriksen



- **Revenue EUR 2.3 Billion (NOK 20,834 million)**
- EBIT / operating profit EUR 16 million (NOK 154 million)
- Earnings before Interest, Taxes and Amortization (EBITA) EUR 93.80 million (NOK 984 million)
- Equity ratio 64.8%
- Number of employees 13,550

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

Headquarters in Cologne, Germany – CEO Michael Fübi



- **Revenue rose to EUR 1.918 billion**
- Earnings Before Interest and Taxes remained stable at EUR 122.6 million
- EBIT margin 6.4%
- Number of employees 19,671

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

Headquarters in Barcelona, Spain – CEO Fernando Basabe



- **Revenue EUR 1.58 billion**
- Adjusted operating profit EUR 141.1 million
- Adjusted operating profit margin of 8.9%, down 64 bps
- Adjusted operating cash flow up 9.5% to EUR 178.7 million
- Number of employees 19,000

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

Headquarters in Munich, Germany – CEO Bartholomäus Wimmer



- **Revenue EUR 1.57 billion**
- Operating profit EUR 79.6 million
- Number of employees 14,000

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

Headquarters in Northbrook, USA – CEO Keith E. Williams



- Number of employees 10,001

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

Headquarters in Hanover, Germany – CEO Dr. Dirk Stenkamp



- **Revenue up to EUR 1,15 billion, + 3.3%**
- Operating profit (EBIT) up to EUR 69.8 million, + 12.0%
- Positive development in earnings in the Industrial Service business unit
- More rigorous procurement controlling
- Number of employees 10,113

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



Headquarters in London, United Kingdom – CEO Alastair Marsh

- **Revenue at EUR 1 billion (£881 million)**
- Operating profit 62.5 million (£53 million)
- Number of employees over 9,000

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

Headquarters in Brisbane, Australia – CEO Raj Naran



- Revenue up 0.2% to EUR 920 million (\$1.36 billion)
- Underlying profit EUR 67.55 million (\$99.5 million)
- Underlying Earnings per share EUR 0,15 (21.7 cents)
- Number of employees 11,500

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

Headquarters in Paris, France – Director General Rémi Sohier



- Revenue EUR 837 million
- Earnings before Interest, Taxes and Amortization (EBITDA) EUR 58 million
- Number of employees 10,700

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

Headquarters in Paris, France – CEO Hervé Montjotin



- Revenue EUR 614 million
- Number of employees 6,700

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

Headquarters in Houston, United States – CEO David M. Demshur



- Revenue EUR 533 million (\$594 million)
- Operating profit EUR 77,4 (\$86 million)
- Operating margins 15%
- Earnings per diluted share EUR 1,31 (\$1.46)
- Number of employees 4,400

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

Headquarters in Rijswijk, The Netherlands – CEO Paul Hesselink



- Revenue EUR 488 million
- 31% growth compared to 2015
- Normalised operating profit: EUR 46.5 million
- 11% growth compared to 2015
- Number of employees 4,600

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

Headquarters in Genova, Italy – CEO Ugo Salerno



- Revenue EUR 448 million (+19%)
- EBIDTA EUR 54 million (+25%)
- Number of employees 3,700

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

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

**Sources :

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