

2017 AGM presentation

Howard Kerr, Chief Executive



By Royal Charter



INVESTORS
IN PEOPLE | Silver



- Introduction
- 2016 highlights
- 2016 financial results
- Business review
 - By geography
 - By business stream
- Summary and outlook

Making Excellence a Habit

- At BSI, we help to develop excellence by driving the success of our clients through standards
- We enable others to perform better, manage risk and achieve sustainable growth.
- For over a century, our experts have been challenging mediocrity and complacency to help embed excellence into the way people, processes and products work.
- We make excellence a habit.

A Successful Business is...

- Trusted
- Secure
- Responsible
- Robust
- Innovative
- Agile
- Resilient

Why 'Organizational Resilience'?

- The ultimate benefit or result of '**making excellence a habit**' is a **resilient organisation**
- It **elevates our 'pitch'**, raising awareness of BSI among key decision makers, especially the 'C-Suite'.
- It provides us with a **distinctive 'voice'**, and **competitive differentiation as a thought leader**.
- It demonstrates our **expertise** in selected topics aligned to BSI's global offering
- It draws together our **unique strengths**, into a clear set of **customer benefits**.
- However, to be credible BSI must first demonstrate it's **own resilience**.

Our Strategic Initiatives

1. Develop leadership under the theme of 'Organizational Resilience'

1.1 Develop leadership in our chosen **sectors of healthcare, food and built environment**

1.2 Develop leadership in our chosen **domains of supply chain, information and operational Resilience**

1.3 Develop our approach to **Social Responsibility under the banner "enable a resilient world"**

2. Position BSI as a **Global Standards Organization**

3. Develop our **Standards Publishing business** into a **knowledge solutions provider**

4. Build a sustainable, higher margin, **Systems Certification business**

5. Expand our global **Training** business and improve its margins

6. Globalize our **Product Certification** offering

7. Build our **Professional Services** offering

7.1 EHS
7.2 InfoSec
7.3 Supply Chain

8. Identify and execute **acquisitions**

9. Develop a **resilient BSI for the future**

9.1 Develop strategic **resource planning**

9.2 Develop resilient **IT**

9.3 Develop strategic **marketing**

Key Focus Areas:

- Opportunities and risks arising from **Brexit**
- Ensuring that we lock-in prior year gains and **build foundations for future growth**
- **Recruitment, retention and development of the best people** we can find
- **Systems integration and enhancements** to enable sustained performance and client service
- **Key account management** focussed on core sectors and domains across the whole of BSI
- Continuing to demonstrate **relevance** for all our stakeholders.

2016 Highlights

- Strong global performance despite economic, political and social uncertainty
- Record underlying revenue for the seventeenth consecutive year
- Record underlying profit delivered organically and through acquisitions:
 - Atrium (Virginia, US)
 - CES (New York, US)
 - QMG (New Jersey, US)

EHS Solutions

 - Espion (Dublin, Ireland)
 - Info Assure (Farnborough UK)

Cyber and Information Security Resilience
- Weakness of Sterling boosted results from significant non-UK business
- The implementation of our strategy is accelerating and goals re-set.

2016 Financial Results

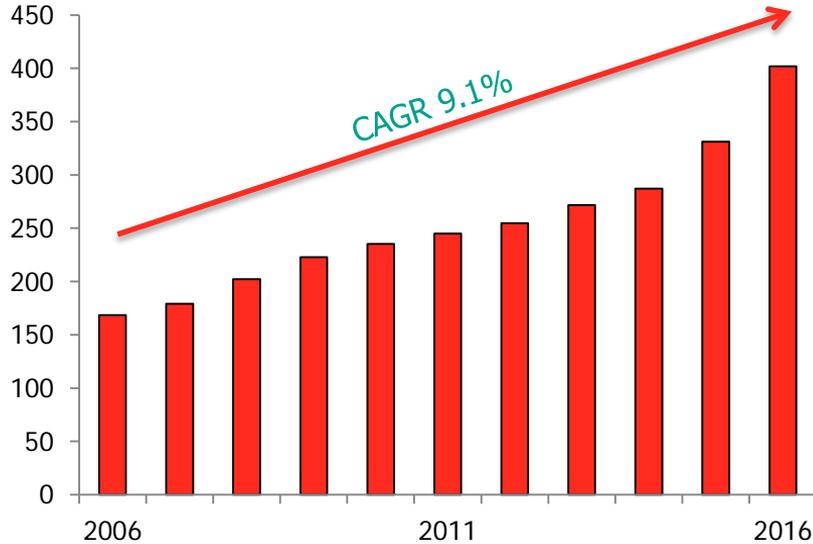
£m	2016	2015	2014	2016/15 growth
Revenue	401.8	331.1	287.1	21%
Gross profit	192.0	155.2	137.0	24%
Gross profit margin	47.8%	46.9%	47.7%	+0.9ppt
Underlying operating profit	50.1	35.4	29.1	42%
UOP margin	12.5%	10.7%	10.1%	+1.8ppt
Operating profit	47.3	34.1	30.7	39%
Cash	48.1	51.0	52.8	-6%
Net assets	82.9	78.4	56.5	6%
UK pension scheme deficit	104.1	70.9	82.0	47%

*Revenue growth was 9% organic, 3% inorganic and 9% due to exchange rate movements

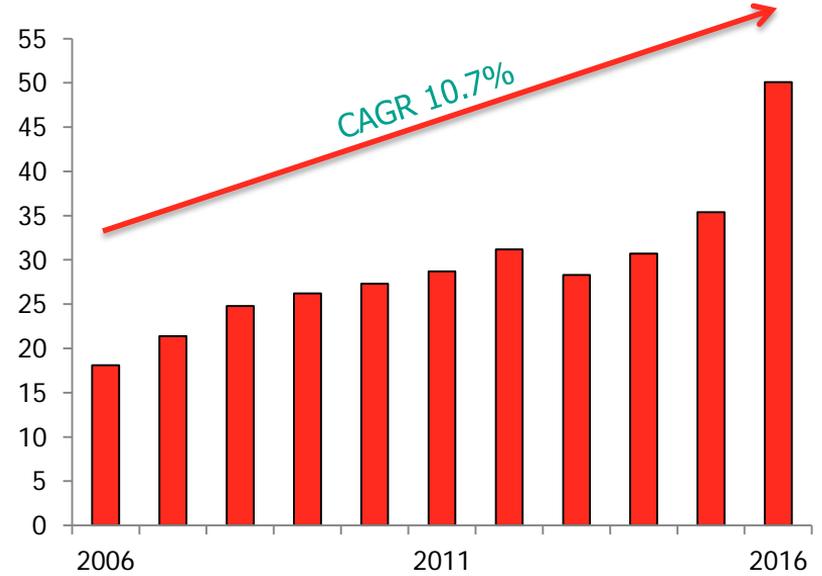
** UOP growth was 31% organic, 1% inorganic and 10% due to exchange rate movements

Revenue and Profit Evolution

Revenue £m



Underlying operating profit £m

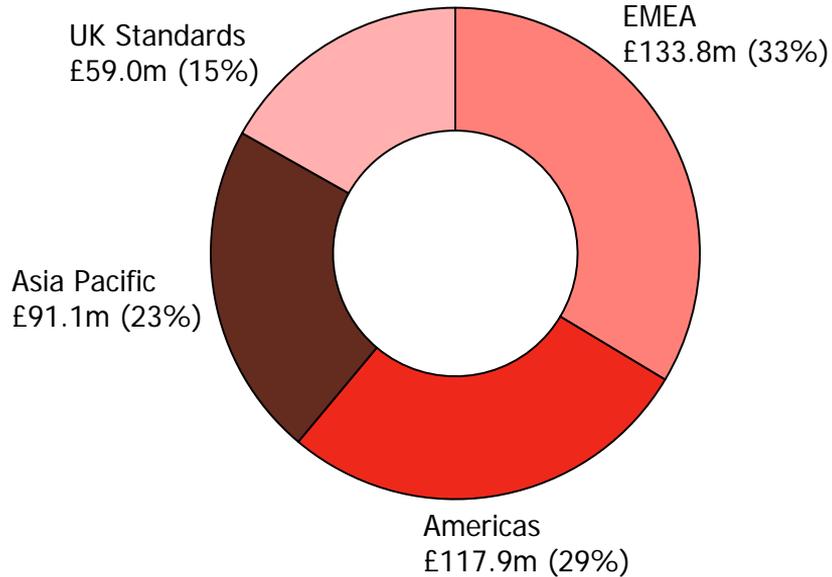


Use of Funds

£m	2016	2015	2014
Cash generated from operations	61.1	45.7	38.5
Funds have been deployed as follows:			
- UK defined benefit pension fund	(12.5)	(12.5)	(12.5)
- Tax payments	(12.5)	(8.6)	(8.5)
- Investment in acquisitions	(29.3)	(19.7)	
- Investment in fixed assets	(8.8)	(3.8)	(3.6)
- Investment in IT systems & training products	(3.3)	(3.0)	(4.8)
- Other movements	2.4	0.1	0.3
Net increase in funds	(2.9)	(1.8)	9.4

Revenue by Geography and Business Stream

Geography

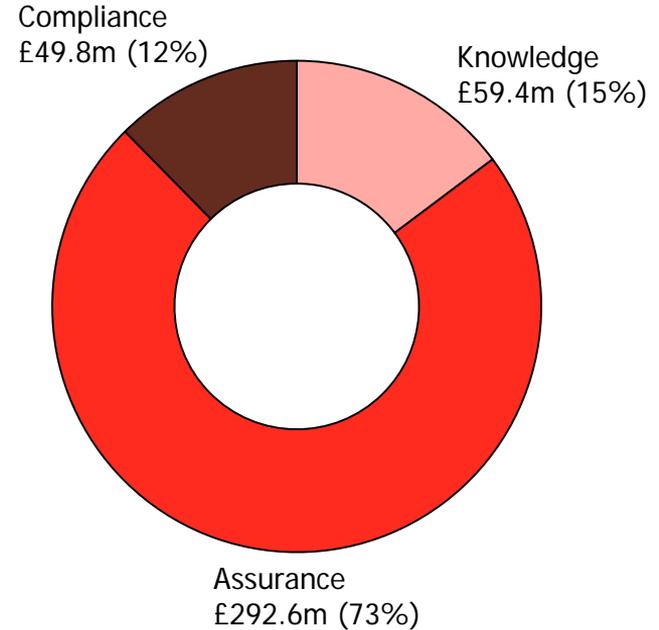


In 2008:

UK/EMEA accounted for: 57% of Revenue

Americas: 22%, Asia Pacific: 21%

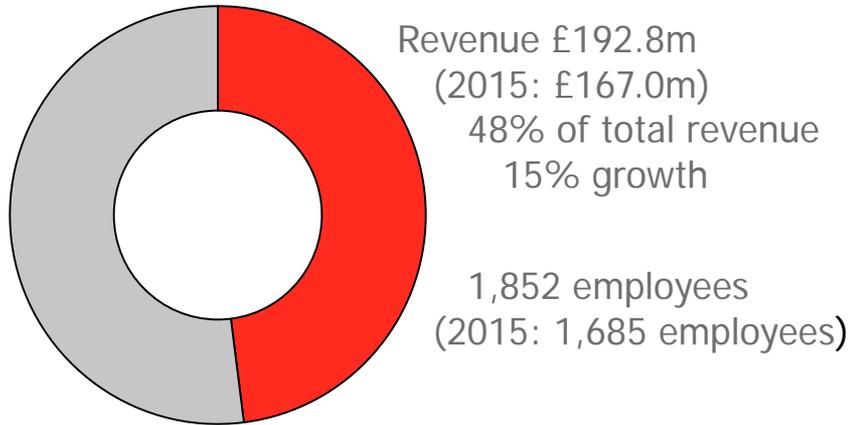
Business stream



Knowledge accounted for 23% of Revenue

and Assurance: 77%

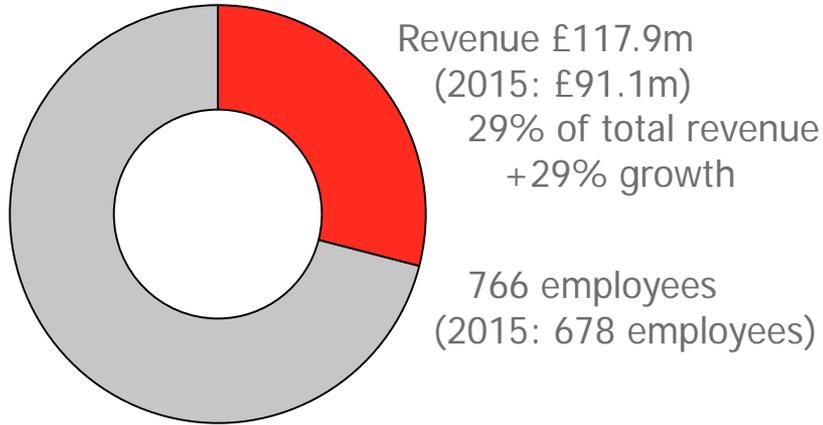
Europe, Middle East and Africa (including Standards)



Offices in the UK (including Head Office), the Netherlands, France, Spain, Ireland, Italy, Germany, Turkey, Poland, Russia, UAE, Qatar, Saudi Arabia and South Africa

- Revenue growth was 13% at constant exchange rates
- UK Assurance business had outstanding year - transition to new versions of ISO 9001/14001, back office efficiencies and enhanced client service offering
- German Medical Device NB closed as planned
- Middle eastern business benefited from restructuring
- Information Security Consultancy acquisitions completed in UK and Ireland

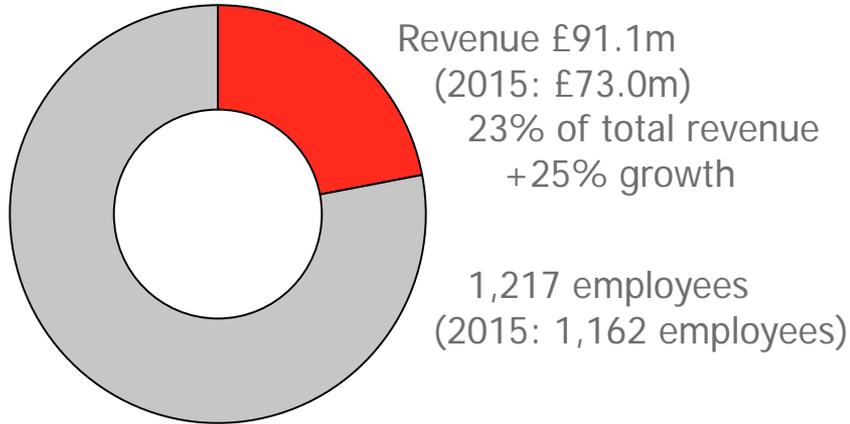
Americas



Offices in the US, Canada, Mexico and Brazil

- Growth was 9% organic and 5% inorganic at constant exchange rates
- Core assurance business balanced demand fall after 2015 recertification year with addition business from transition
- Healthcare business consolidated position as market leader
- Three acquisitions in EHS Consultancy space on East Coast of US
- Mexico remained a strong performer and Brazil increased profits despite macro-economic issues in country

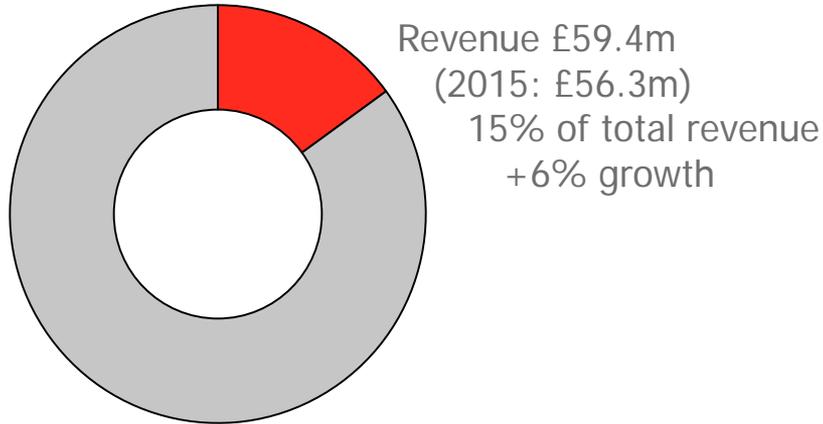
Asia Pacific



Offices in Hong Kong, Australia, China, Japan, India, Indonesia, Korea, New Zealand, Malaysia, Singapore, Thailand and Vietnam

- Organic growth at constant exchange rates was 9%
- Region broke even in March – seven months' improvement in two years
- Good performance from three largest units – Australia, China and Japan
- ASEAN region delivered highest growth rates in region with enhanced profitability
- Korea remained difficult following management issues in 2015
- New office opened in New Zealand

Knowledge

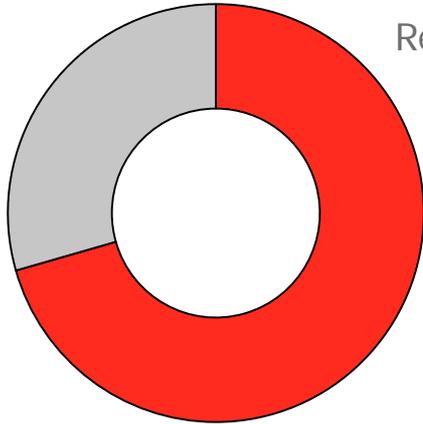


Comprises our Standards sub-stream

Standards

- Above market results with 5% revenue growth at constant exchange rates
- Main growth areas are online subscription model, direct digital content and international partnering
- International Projects wins in Belarus, Belgium, Turkmenistan, Turkey and the Caribbean
- Investment continued in digital solutions and digitalization of content

Assurance



Revenue £292.6m
(2015: £246.6m)
73% of total revenue
+19% growth

Comprises our Systems Certification, Training, Product Certification and Healthcare sub-streams

Systems Certification

- 3% growth at constant exchange rates
- Increased demand following transition to new versions of ISO 9001 and ISO 14001

Training

- 22% growth at constant exchange rates
- Excellent year due to increased demand following transition

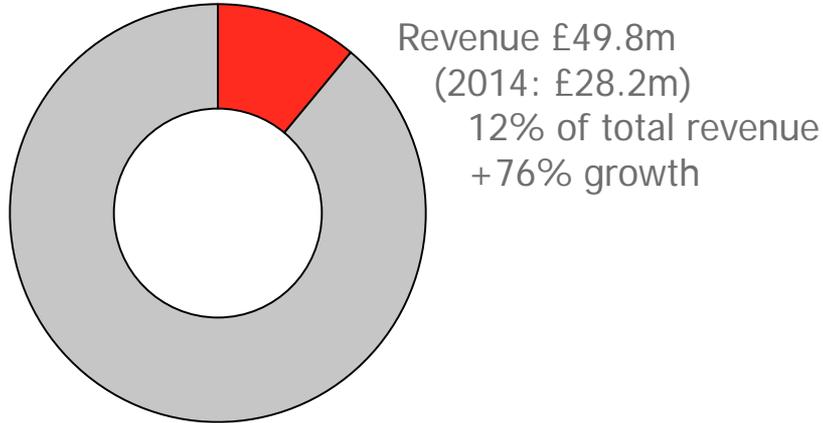
Product Certification

- 10% growth at constant exchange rates
- Significant growth outside the UK as business continues to globalize

Healthcare

- Constant exchange rate growth of 20% was significantly higher than market
- Market leadership in US consolidated
- Good global growth outside traditional markets of UK and US

Compliance



Comprises our Consultancy and Supply Chain Solutions sub-streams

Consultancy

- Acquisitions of EHS consultancy businesses built robust East Coast US portfolio to complement 2015 West Coast acquisitions
- IS consultancy acquisitions in UK and Ireland broadened Information resilience portfolio

Supply Chain Solutions

- Business benefited from refocus of structure and delivered 55% revenue growth at constant exchange rates
- Global advisory offering launched, concentrating on security and social responsibility across the supply chain

Summary and Outlook

- **Proven strength of brand, reputation and portfolio** – business model in place with reduced reliance on any one geography, business stream or sector
- **Standards continue to provide confidence, value and benefits** in dynamic markets. The National Standards Body fully supports HMG and the UK business agenda, exerting stronger influence internationally.
- **Steady growth every year** for past decade from increased linkage across the business to enhance client benefits, based on the expertise and passion of our people
- **Clear strategy for future growth with ambitious targets**
 - Led by organic growth (existing and new clients)
 - Supported by targeted acquisitions (where appropriate)
- We continue to seek out further acquisitions but **integration of 2016 acquisitions remains our priority.**
- Projecting further expansion in 2017 and **continued revenue and profit growth**