



# Investor Presentation

Half Year Results FY2019

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Right Solutions · Right Partner  
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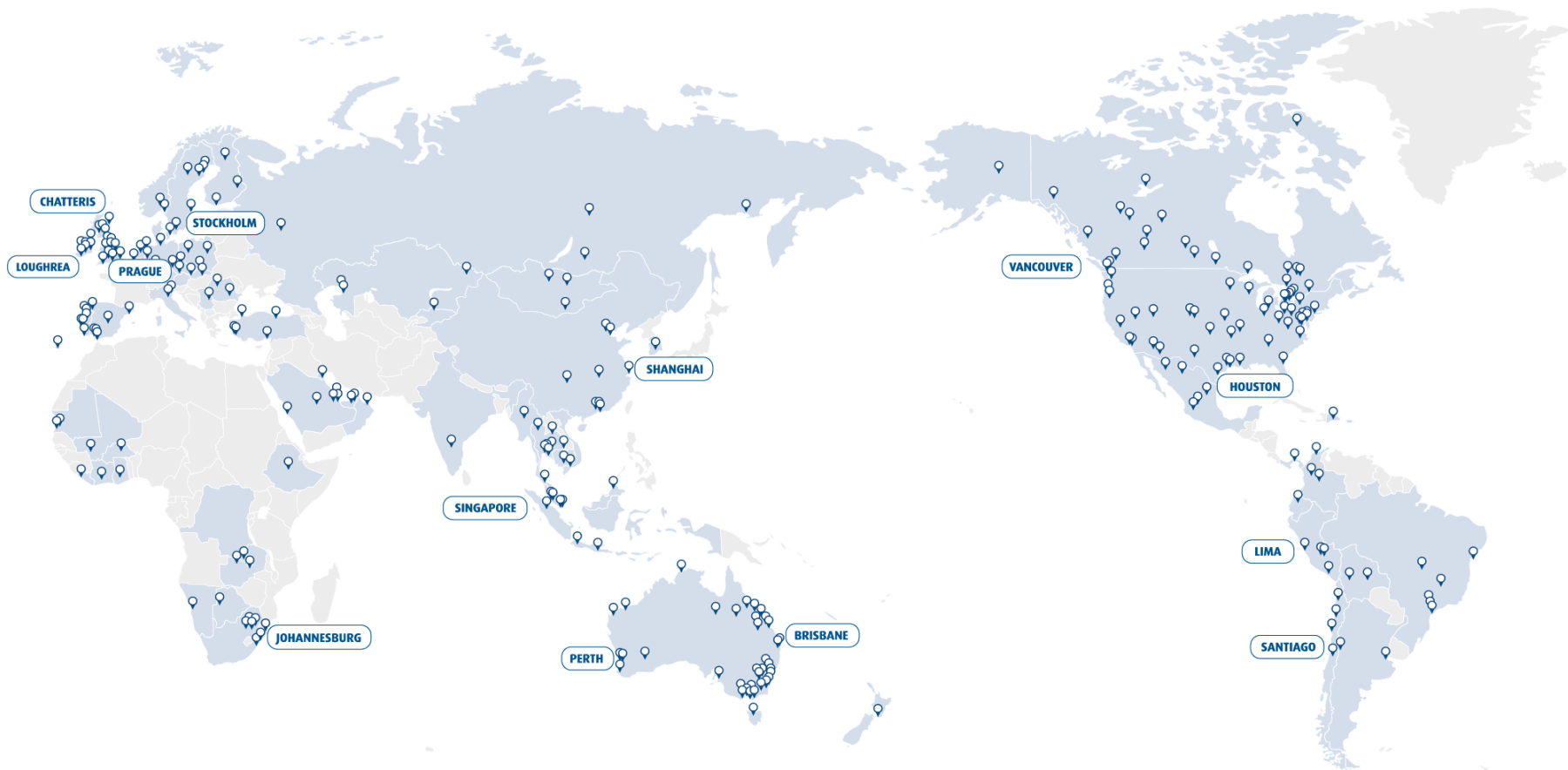
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# Global Operations Map



**70+**  
Countries

**350+**  
Locations

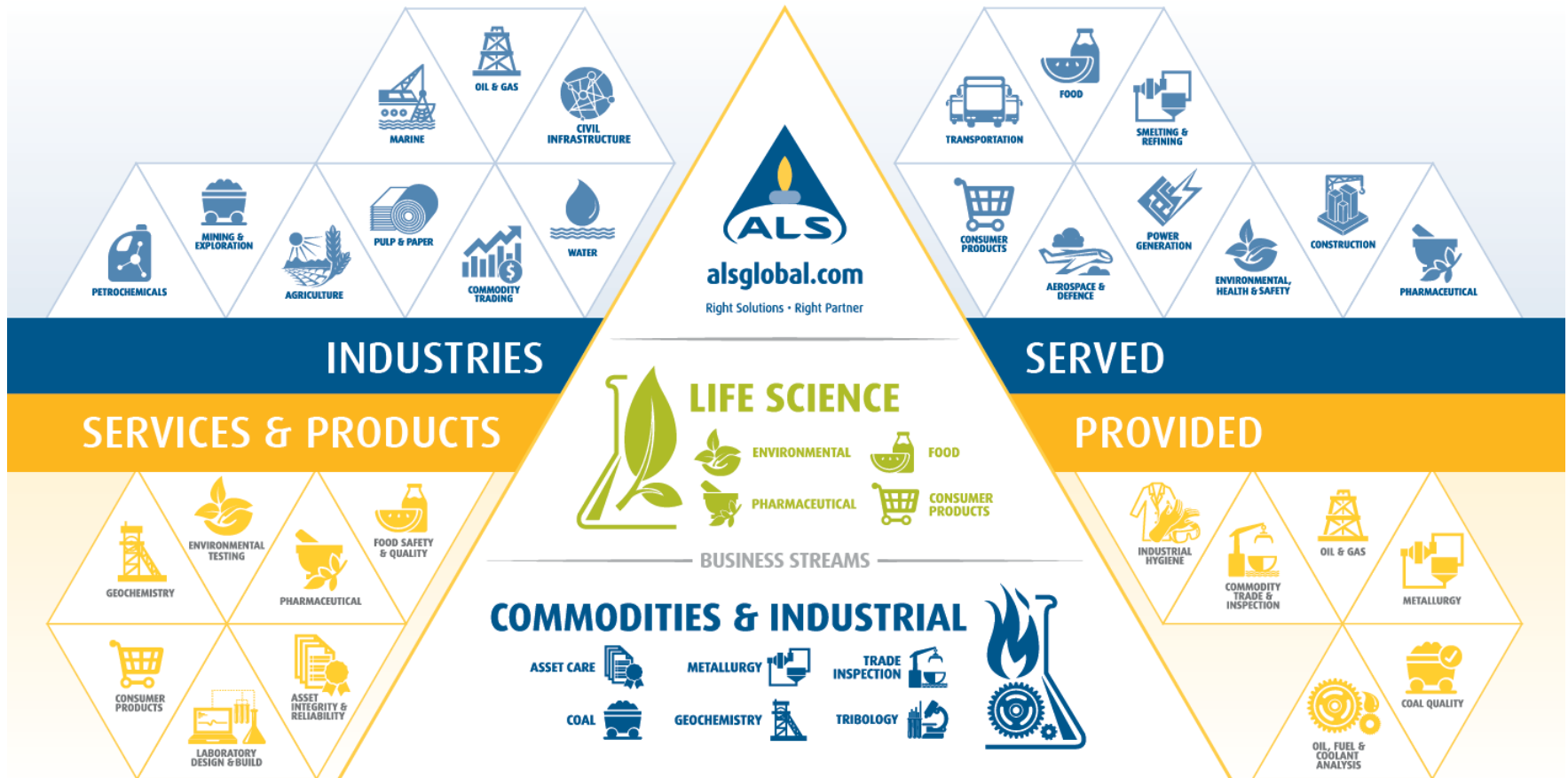
**40+**  
Years of strong  
business  
performance

**14,000+**  
Staff worldwide

**20+ million**  
Processed samples  
per year

**\$1.6+ billion**  
Global revenue (annualized)

# Business streams



# Sustainability Program

## People

### Health & Safety

Safety as a Priority

### Diversity & equality

Respecting differences

### Training & development

Investing in talent development

### Human rights

Worker's rights upheld



- ✓ 53% female new hires
- ✓ Record Low Injury Rates
- ✓ Global employee survey completed
- ✓ 44,000 training sessions completed >50%
- ✓ Hazard observations >50%

## Environment

### Operational Environmental Performance

Management of adverse environmental emissions

### Energy management

The pursuit of energy efficiency

### Waste reduction

Reduce, reuse, recycle

### Water conservation

Managing a scarce resource

### Climate Change

Estimating CO<sub>2</sub> emissions and its economic impact



- ✓ Energy Intensity reduced by average of 7%
- ✓ No uncontrolled releases
- ✓ >2500 kg Extra glass diverted from landfill

## Society

### Economic Contributions

Paying our fair share of tax

### Local investment

Investing in the local community

### Employment creation

Creating jobs in the local community



- ✓ 1300 new employees
- ✓ Support of science education programs
- ✓ \$47M taxes

## Governance

### Financial performance

Maximise return for shareholders

### Anti-bribery & corruption

Zero tolerance for bribery and corruption

### Honesty & integrity

An ALS core value

### Regulatory compliance

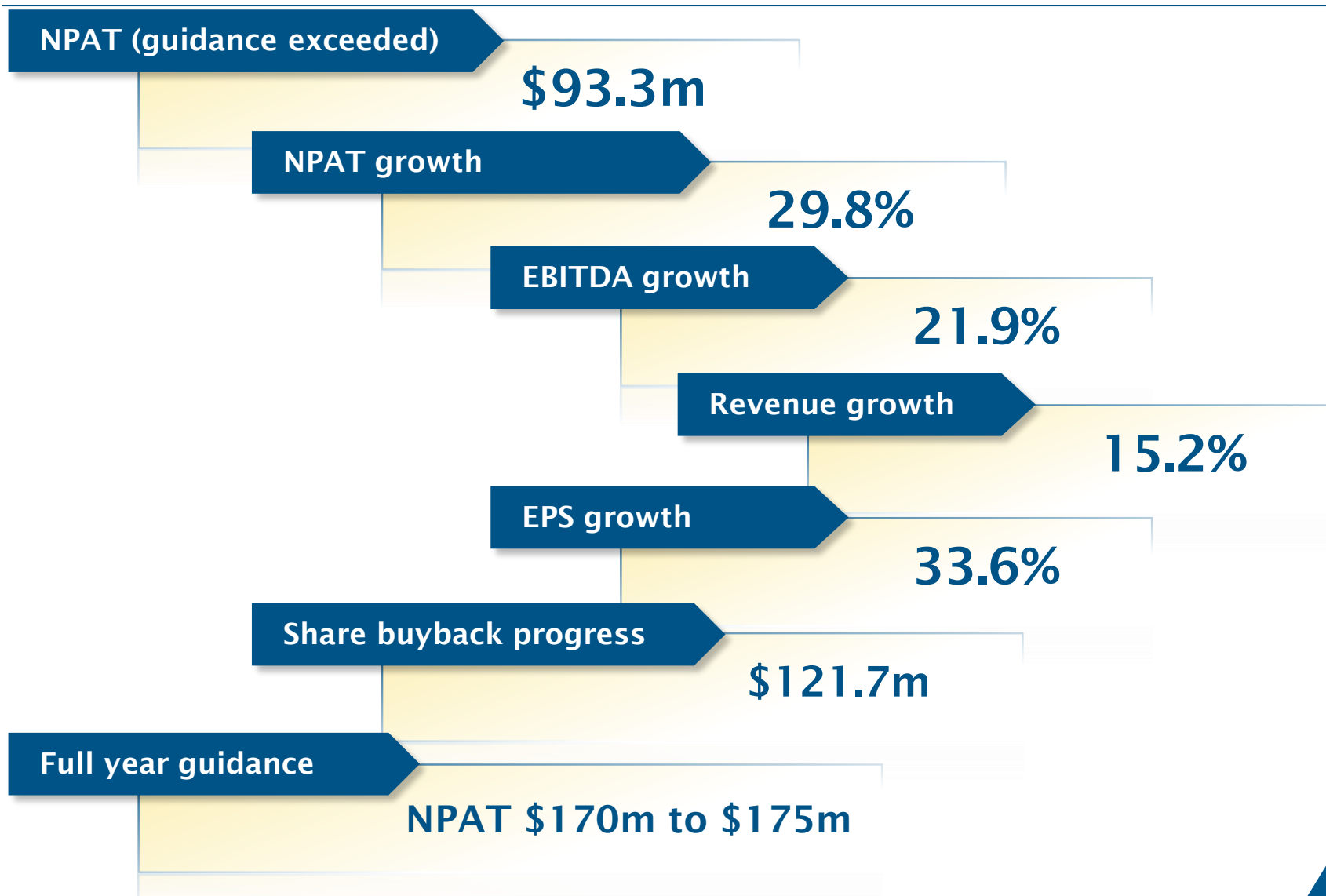
Systems to maintain legal compliance



- ✓ Modern slavery statement published
- ✓ 9500 Code of Conduct training sessions completed
- ✓ Re- invigorated whistle-blower program & hotline

# Half Year FY19 Financial Summary

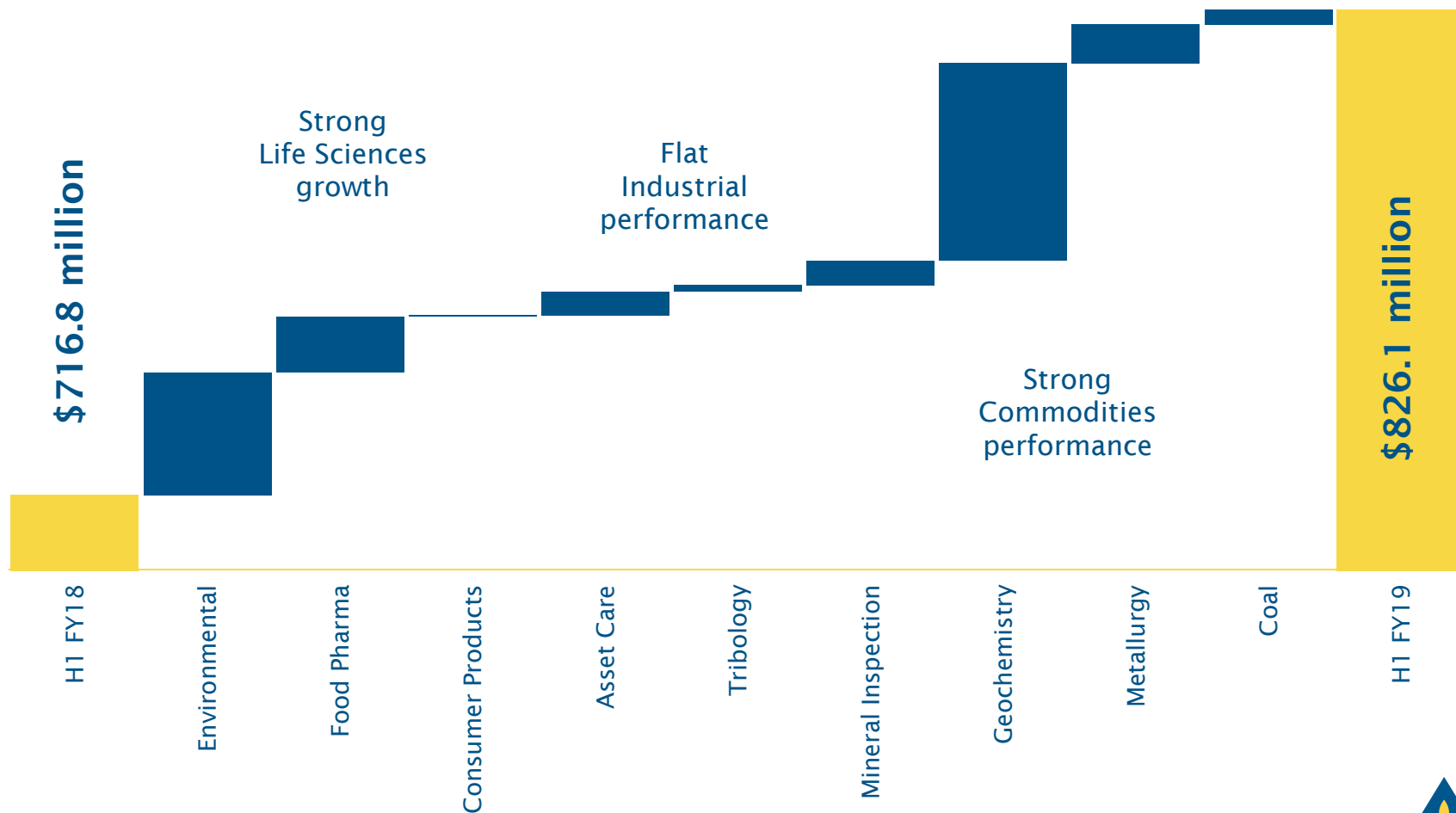
Underlying performance from continuing operations



# ALS Segments and Business Streams Revenue split



# Revenue waterfall H1 FY18 vs H1 FY19 – continuing operations





# Cash Flow



**FREE CASH FLOW**



**CAPEX**

**45.8** million = **5.5%** of revenue  **17%** on H1 FY18

**SHARES  
BOUGHT BACK**



**14.9** million  
ON MARKET H1 FY19

Half year	H1 FY18 AUD mn	H1 FY19 AUD mn
Underlying operating profit (EBIT)	110.5	141.4
Depreciation & Amortisation	38.1	35.8
EBITDA	148.6	177.2
Working capital	(50.3)	(43.7)
CAPEX	(39.2)	(45.8)
Other	4.3	0.3
Free cash flow	63.4	88.0
Acquisitions	(17.9)	(17.1)
Divestments	79.5	-
Dividends paid	(40.3)	(44.5)
Issued capital bought back	-	(14.9)
Borrowings - movement	-	(0.4)
Interest and Tax	(34.0)	(39.8)
Restructuring costs	(6.7)	(6.1)
Net increase/(decrease) in cash	44.0	(34.8)
Opening net cash	248.9	187.2
Effect of FX on cash held	0.4	0.5
Closing net cash	293.3	152.9

*Analysis includes both continuing and discontinued operations*

# Capital management

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Share Buyback Program	Buyback extended for 12 months to a total of \$225 million through to December 2019
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Buyback Progress	<p>17.5 million shares (representing 3.5% of the original base) have been bought back on-market for an overall consideration of \$121.7 million</p> <p>The Company will continue to use its existing cash balances and free cash flow to fund the buy-back program</p>
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Balance Sheet	<p>Company retains strong balance sheet and flexibility to pursue opportunities (leverage 1.8 times at 30 September 2018)</p> <p>Positive market environment will support generation of additional free cash flow to fund the buy-back</p> <p>Company will also pursue its growth agenda through bolt-on targeted acquisitions</p> <p>New 3 year USD300 million revolving multi-currency bank facilities finalised in October provide funding liquidity and flexibility</p>
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Dividend	<p>Half Year underlying payout ratio 57.4% (interim dividend 11.0c per share)</p> <p>Existing dividend policy remains unchanged</p>
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# Life Sciences. Overview

## Environmental

- ▶ Revenue growth (in AUD) 10%
- ▶ Ongoing cost controls and procurement synergies introduced in the Americas improving H1 FY19 ROS
- ▶ Margin improvements in Europe and Canada offset by declines in USA and Asia
- ▶ Organic revenue growth remains strong throughout the Australian, Asian and Canadian markets and new contract wins in Latin America

## Food & Pharma

- ▶ Revenue growth (in AUD) 17%
- ▶ Acquisition of Truesdail (US) and Labfor (Brazil) increase platform within the Americas for further expansion in the sector

Underlying results (AUD)	H1 FY19	H1 FY18	Change
Revenue	\$406.0 mn	\$365.7 mn	+11.0 %
EBITDA	\$81.7 mn	\$74.9 mn	+9.1 %
EBITDA Margin	20.1 %	20.5 %	-40 bps
EBIT	\$61.2 mn	\$55.9 mn	+9.5 %

# Life Sciences. Outlook

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- ▶ Focus on operational efficiency is ongoing with workflow consolidation through Hub and Spoke effort to improve future margins
- ▶ Food safety and pharmaceutical acquisition strategy will continue with pipeline of opportunities identified
- ▶ Environmental business in the Americas demonstrating strong organic revenue growth capturing market share
- ▶ EMENA EBIT growth driven by continued UK improvement as well as recent bolt on acquisitions in Mainland Europe
- ▶ Improvement in performance through new efficient laboratories, improving work flows, operational efficiencies and margin

# Life Sciences. Strategy

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- ▶ Continued focus on bolt on acquisitions for food business (\$17m spent YTD). Solid pipeline
  - ▶ Food strategy on target to deliver \$200m in revenue this fiscal year
  - ▶ New unique service offerings to provide market differentiator
  - ▶ Global strategy now focused on building pharmaceutical business
  - ▶ New greenfield start ups globally in food, pharmaceutical and environmental
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# Commodities. Overview

## Geochemistry

- ▶ Sample volumes up 14% pcp
- ▶ Market share increases evident from new contract wins
- ▶ Contribution margin up from 27% to 31%

## Metallurgy

- ▶ Revenue up 63% pcp
- ▶ Contribution margin up from 6% to 22%
- ▶ Pricing and volume outlook improving

## Inspection

- ▶ Revenue up 33% pcp
- ▶ Contribution margin up from 18% to 30%
- ▶ Continued capitalisation on capacity upgrade in UK hub laboratory, with significant sample volume increases

## Coal

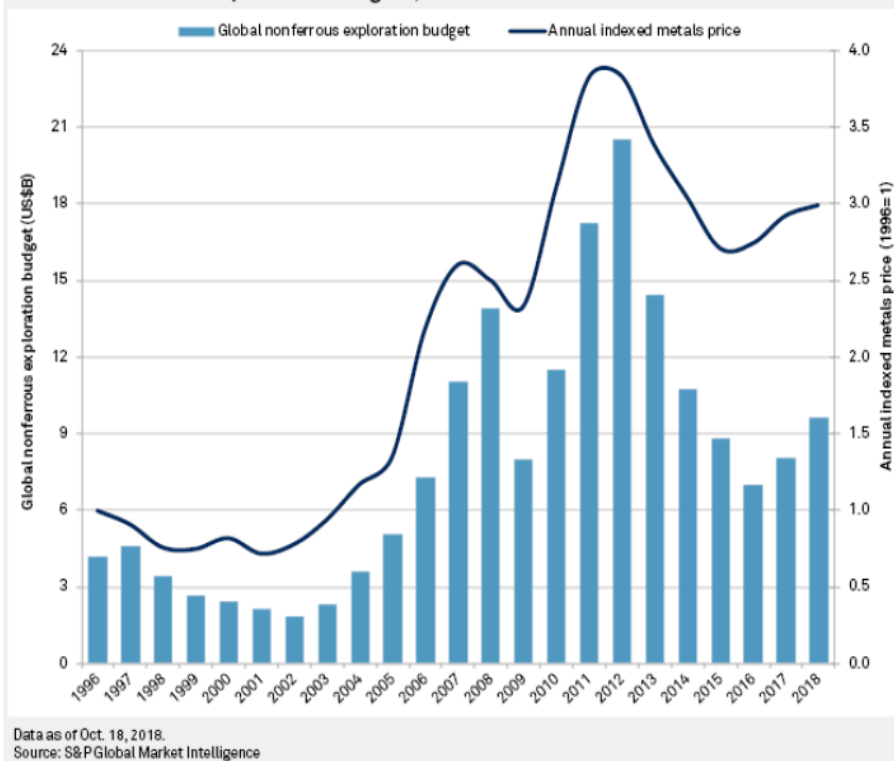
- ▶ Revenue up 13% pcp
- ▶ Contribution margin up from 14% to 17%
- ▶ Increased market share in bore core and superintending services lines

Underlying results (AUD)	H1 FY19	H1 FY18	Change
Revenue	\$313.8 mn	\$251.4 mn	+24.8 %
EBITDA	\$94.6 mn	\$69.5 mn	+36.1 %
EBITDA Margin	30.2 %	27.7 %	+250 bps
EBIT	\$83.8 mn	\$57.9 mn	+44.7 %

# Global Mineral Exploration Market

## Market Activity

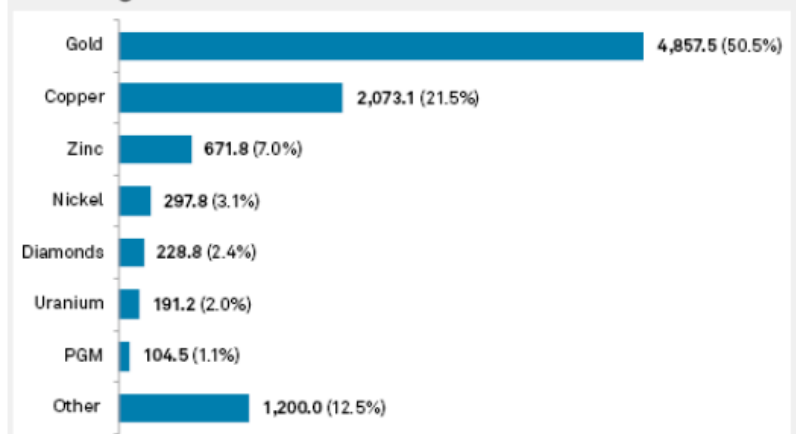
Annual nonferrous exploration budgets, 1996-2018



## Analytical Spend Drivers

Nonferrous exploration budgets by commodity, 2018 (\$M)

Total budget: US\$9.62 billion

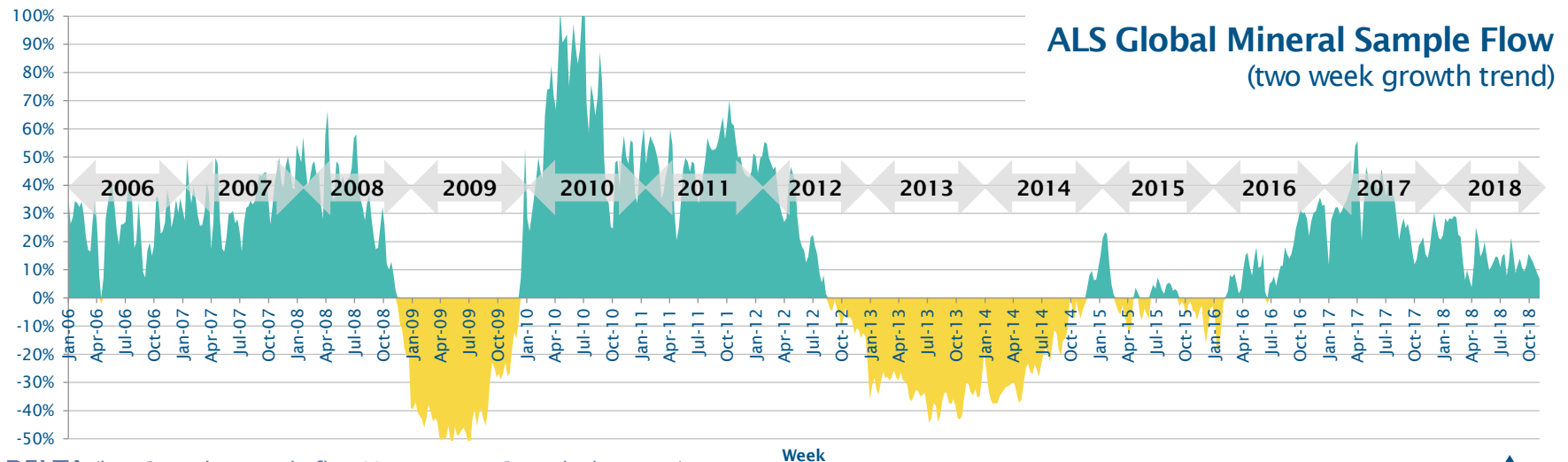
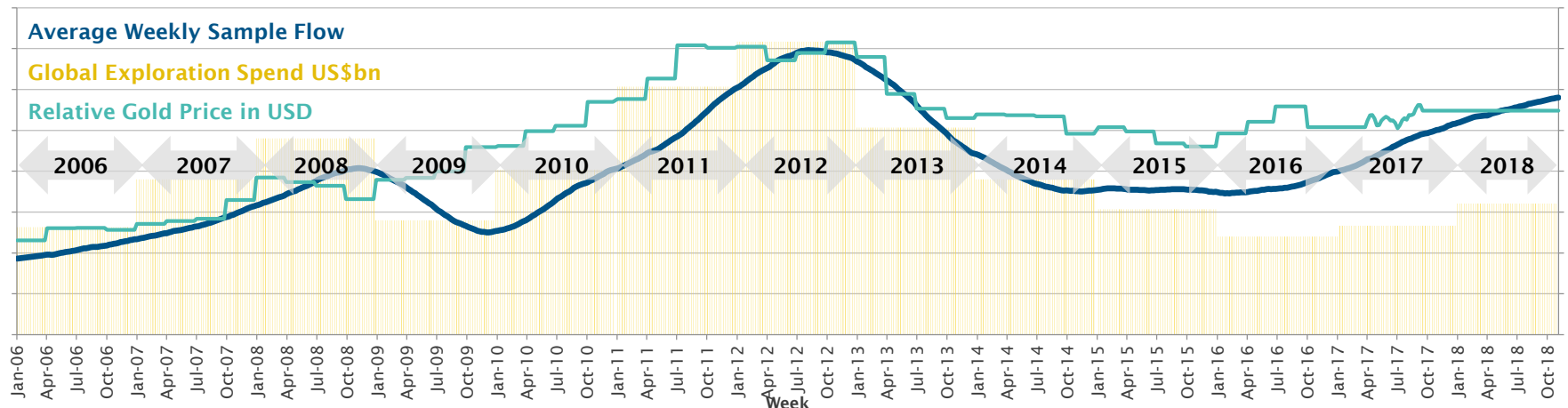


Data as of Oct. 18, 2018.  
Source: S&P Global Market Intelligence

- Global spend on exploration activities continues to rebound across a broad base of commodities both traditional and non-traditional (i.e. rare earths)
- ALS' focus on systems, productivity and innovation enable superior quality and turnaround outcomes relative to its competitors within this sector

# Geochemistry – The Recovery continues

ALS Global Mineral Sample Flow (trailing 52 week running average) and Global Exploration Spend



DELTA (last 2 weeks sample flow Versus same 2 weeks last year)



# Commodities. Outlook

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- ▶ Geochemistry expects current market conditions to continue with growth levels on pcg basis to slightly moderate
- ▶ Geochemistry market share gains to translate into improved FY19 performance
- ▶ Metallurgy experiencing strong increases in activity in traditional gold, iron ore, and base metal projects, alongside new revenues from battery related materials
- ▶ Demand for coal services increasing underpinned by both growing market demand and significant market share gains
- ▶ Strategic expansion program actively in progress to broaden the Inspection global footprint whilst market conditions remain very supportive

# Industrial. Overview

## Asset Care

- Maintenance contracts wins in Australia generate increased revenues albeit this work is being undertaken in some cases at lower margins
- New business development plans help to deliver 15% pcip increase in revenues in US market
- Market remains highly price sensitive

## Tribology

- Revenue growth delivered in all regions – Australasia, North America and South America and strong margins maintained
- Improved sales and marketing efforts creating new contract wins and increased volumes
- Automation of lab workflow processes together with data management continues to be a key focus

Underlying results (AUD)	H1 FY19	H1 FY18	Change
Revenue	\$106.3 mn	\$99.7 mn	6.6 %
EBITDA	\$15.7 mn	\$18.0 mn	(12.8) %
EBITDA Margin	14.7 %	18.1%	-340 bps
EBIT	\$12.6 mn	\$15.0 mn	(16.0) %

# Industrial. Outlook

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- ▶ Well positioned to support mining, oil & gas and power generation maintenance programs in Australia
- ▶ Construction projects and recently introduced maintenance-related service lines in the US to drive organic growth
- ▶ Increasing client interest in online monitoring and data management solutions
- ▶ Strategic focus on expanding geographic reach in key markets – North America, South America, South East Asia and Europe

# Next generation TIC, Innovation and Technology

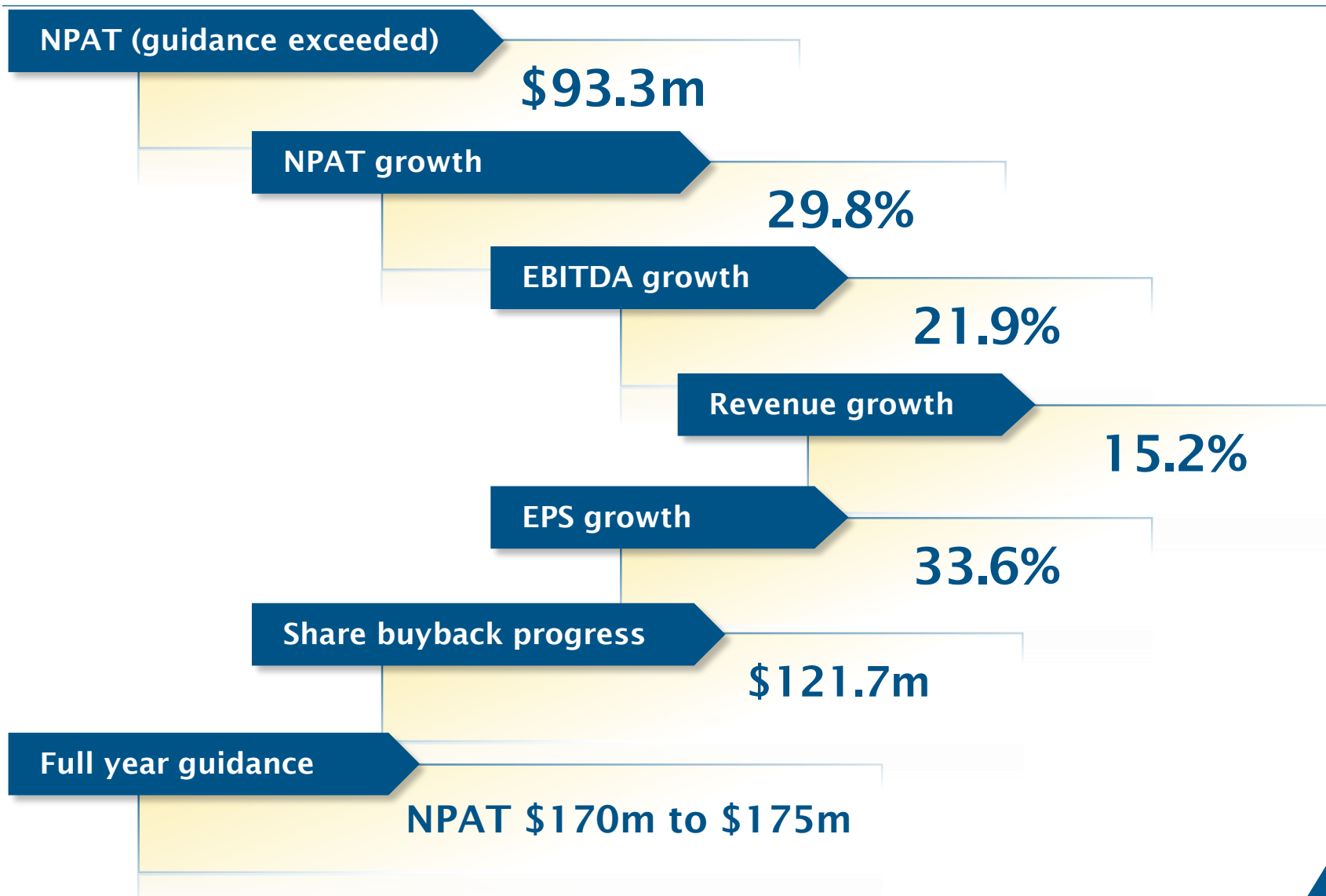
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- ▶ Robotics
- ▶ Client Software Platforms
- ▶ Artificial Intelligence and Deep Learning
- ▶ Deeper Supply Chain Engagement
- ▶ Global ERP

# Half Year FY19 Financial Summary

Underlying performance from continuing operations





# H1 FY2019 results

## Financial appendix

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# Half Year FY19 Financial Summary

Half Year	FY18** (\$mn)	Half Year FY19 (\$mn)					
	Underlying*	Underlying*	Discontinued Operations	Divestment & Impairment Charges	Restructuring & other one off items	Amortisation of Intangibles	Statutory Results
Revenue	716.8	826.1	4.0	-	-	-	830.1
EBITDA	146.4	178.5	(1.3)	-	(6.1)	-	171.1
Depreciation & amortisation	(34.0)	(35.0)	(0.8)	-	-	(1.3)	(37.1)
EBIT	112.4	143.5	(2.1)	-	(6.1)	(1.3)	134.0
Interest expense	(13.1)	(14.9)	-	-	-	-	(14.9)
Tax expense	(26.5)	(35.0)	0.4	-	1.3	-	(33.3)
Non-controlling interests	(0.9)	(0.3)	-	-	-	-	(0.3)
NPAT	71.9	93.3	(1.7)	-	(4.8)	(1.3)	85.5
EPS (basic – cents per share)	14.3	19.1					17.5
Dividend (cents per share)	8.0	11.0					

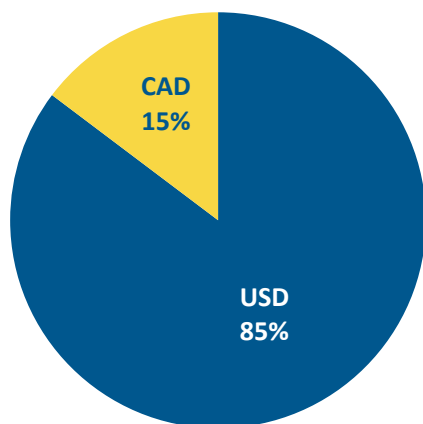
\* continuing operations \*\* restated



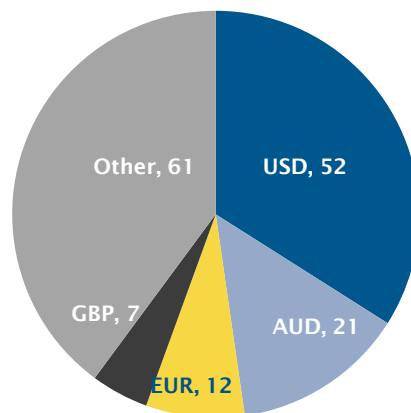
# Debt Metrics

	Mar-15	Mar-16	Mar-17	Mar-18	Sep-18
<b>STATISTICS</b>					
<b>Gearing Ratio</b> (comfort 45%)	38%	27%	29%	31%	35%
<b>Leverage</b> (net debt/ EBITDA; max 3.00)	2.5	1.7	1.9	1.7	1.8
<b>EBITDA interest cover</b> (min 3.75)	9.1	7.7	9.2	11.3	11.6
<b>BALANCE SHEET MEASURES</b>					
<b>Total Equity</b> (AUD mn)	1228	1186	1185	1122	1099
<b>Net Debt</b> (AUD mn)	762	438	485	506	585

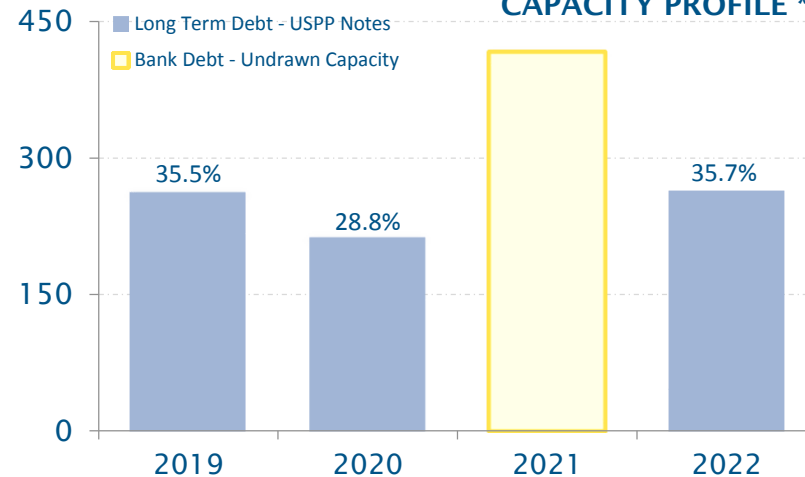
Debt Denomination



Cash Holdings AUD\$m



AUD\$ million



\* Adjusted for October 2018 bank refinancing