



ALS Investor Day

21 November 2018

Perth, Australia

Right Solutions · Right Partner
www.alsglobal.com

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Q&A





ALS Industrial

ALS Investor Day | 21 November 2018

Kristen Walsh, Group General Manager, Industrial

Perth, Australia

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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% pcp 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) %



Confidence in Assets

Compliance —

adherence to regulations

Performance:

- minimising maintenance cost
- optimising production
- extending asset life

Assurance —

providing confidence in safe operation

HOLISTIC INTEGRITY & RELIABILITY ENGINEERING SERVICES



Engineering Assessment



Integrated Condition Monitoring



Maintenance Planning & Review



Materials Engineering



Mechanical Testing



Non-Destructive Testing (NDT)



Quality Assurance / Inspection



Balancing & Alignment



Tribology



RBI / Fitness For Service / Remaining Life

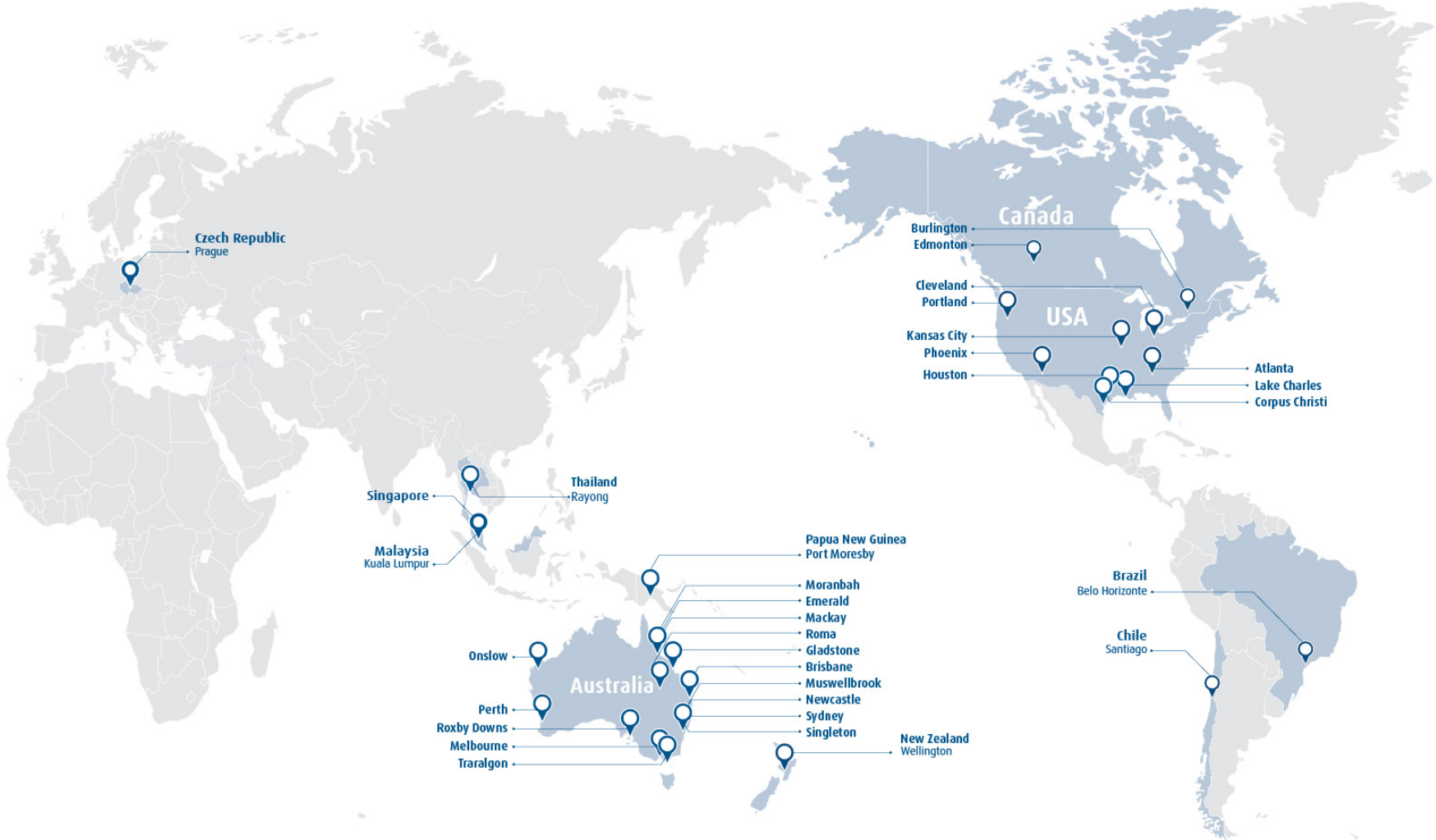


Training Academy



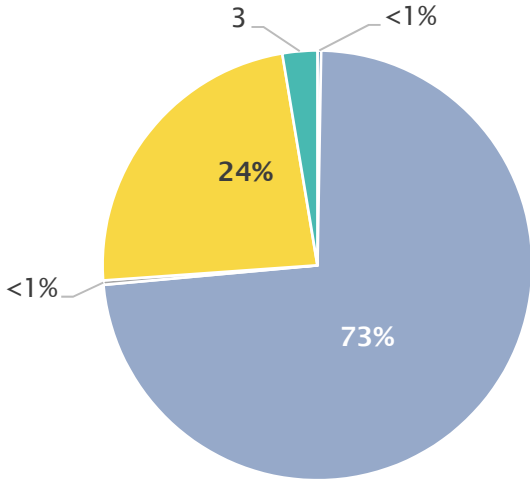
Non-Intrusive Inspection / Advanced NDT

Geographic Footprint



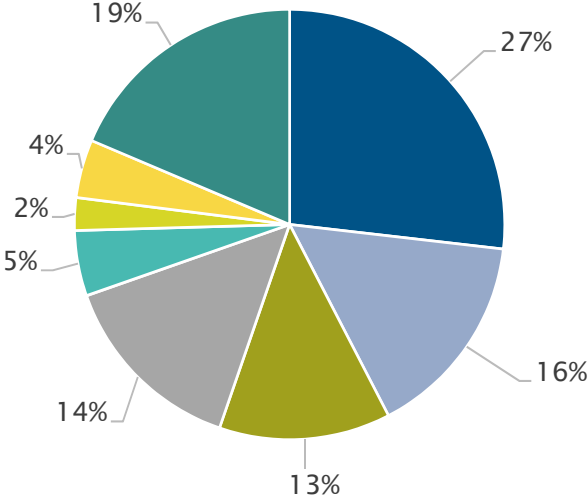
Revenue Mix

Revenue by Region



- Asia
- Australiasia
- EMENA
- North America
- South America

Revenue by End Market



- Mining
- Oil & Gas
- Power
- Welding / Construction
- Fleet
- OEMs
- Lubricant Manufacturers
- Other

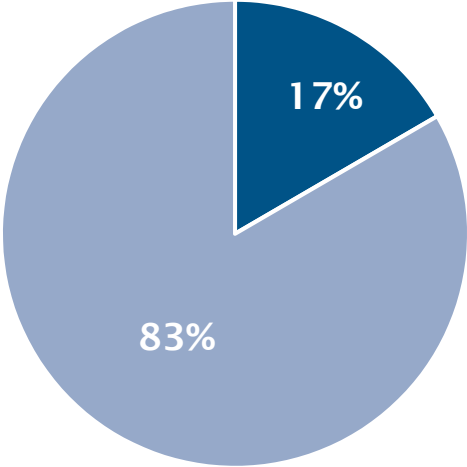
- ▶ Diversity in end markets
- ▶ Positioned for geographic expansion



Market Environment

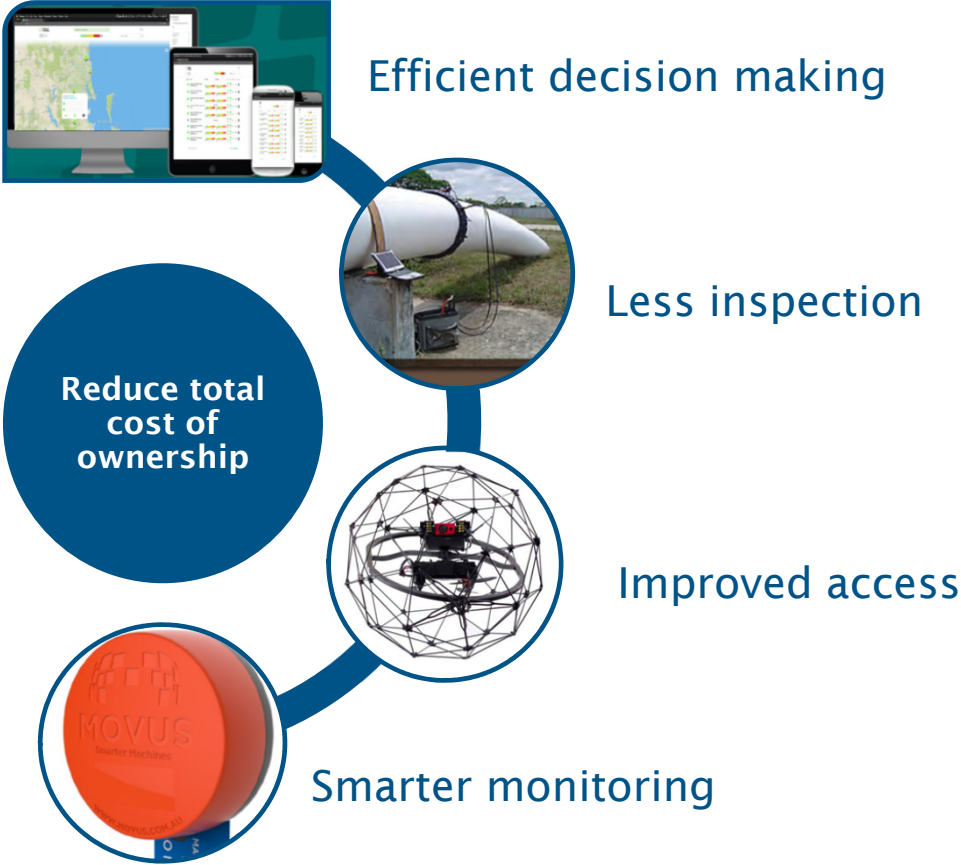
Revenue Mix

- Capex
- Opex



- ▶ \$8b global market
- ▶ Price sensitive
- ▶ Positioned for disruption

More effective monitoring drives asset performance



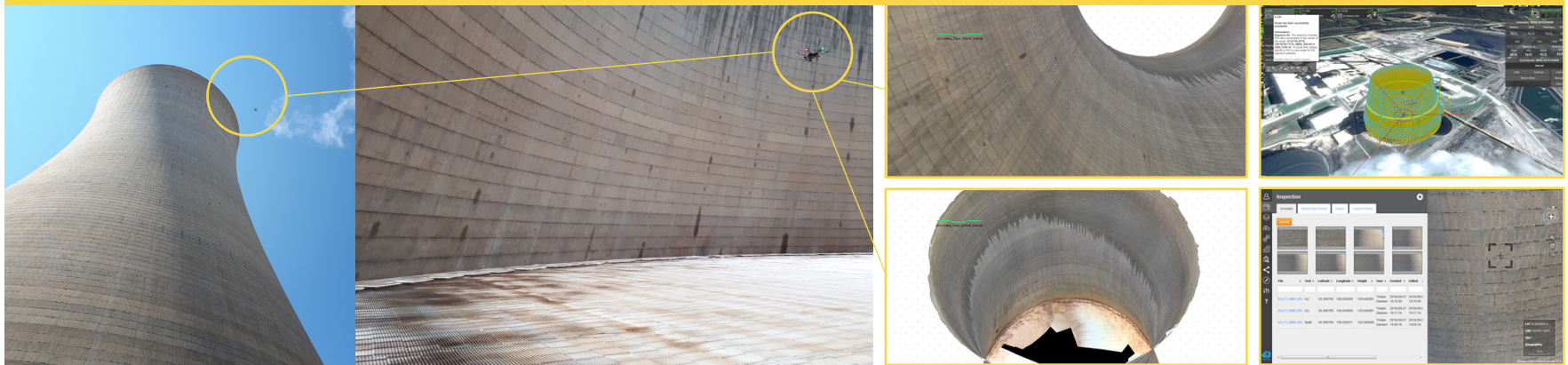
Strategy

Grow market share

Expand geographic reach

Leverage technology

- Reposition value proposition
- Improve margins



Drone Based Photogrammetry





ALS Commodities

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Wayne Williams, General Manager Geochemistry, APAC Region

Perth, Australia

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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 %

Inspection



H1 FY19 Highlights

- ▶ Improved Financials
- ▶ UK Hub laboratory
- ▶ Expansion

Strategic Focus

- ▶ Expansion
- ▶ Systems

Outlook

- ▶ Sample flow to remain buoyant
- ▶ Expansion continues
- ▶ Some headwinds in South Africa

Coal



H1 FY19 Highlights

- ▶ Improved Financial
- ▶ Client retention & growth
 - Contracts
 - Market share
 - Mine sites
- ▶ Pricing improvement

Strategic Focus

- ▶ Specialised sample handling equipment

Outlook

- ▶ Increasing demand
- ▶ Market share growth
- ▶ Additional Mine-site laboratories
- ▶ Closure of underperforming operations in South Africa

Metallurgy



H1 FY19 Highlights

- ▶ Financials
- ▶ Hubs performing
- ▶ Piloting increased
- ▶ Work Mix
 - Iron ore projects increased
 - Energy/Battery Metals

Strategic Focus

- ▶ Hub performance
- ▶ Cost base management
- ▶ Energy/Battery Metals projects

Outlook

- ▶ Solid pipeline of projects

Geochemistry – Market

S&P Global

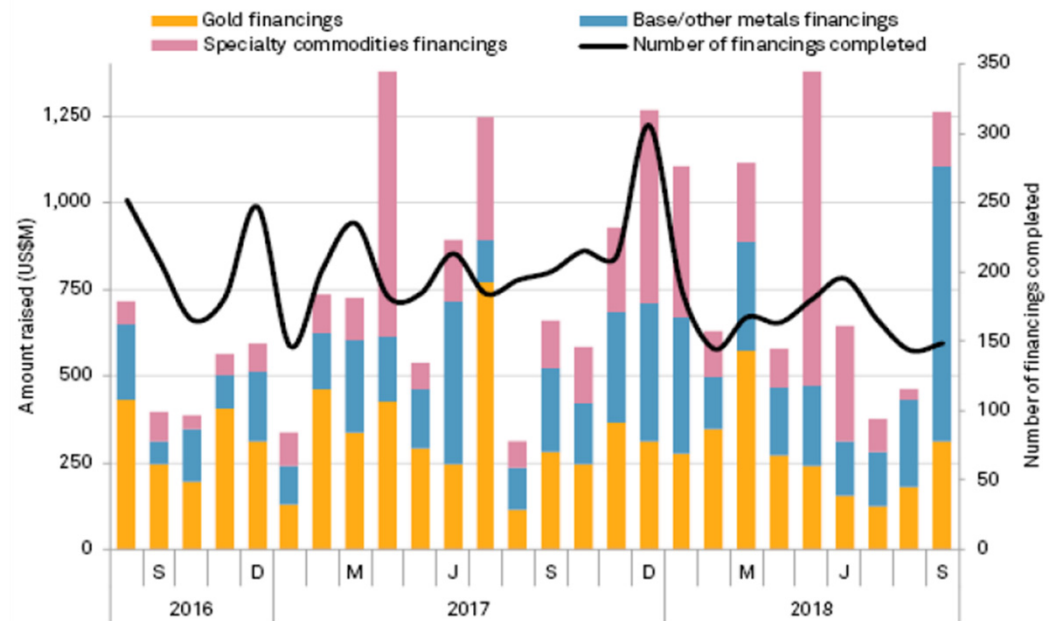
METALS AND MINING RESEARCH

Exploration budgets surge

“The global nonferrous exploration budget has increased for the second time since 2012, by almost 20% year over year.”

“We... expect the global exploration budget to increase again in 2019, although likely by a smaller percentage than this year.”

Junior and intermediate financings, August 2016-September 2018



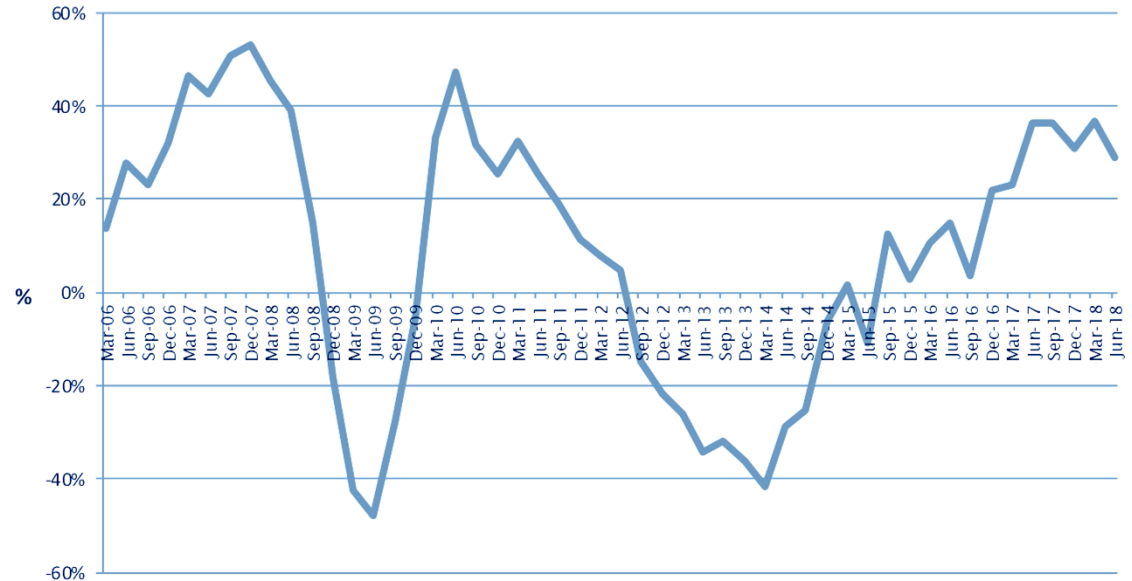
Data as of Oct. 7, 2018.
Source: S&P Global Market Intelligence



Geochemistry – Market

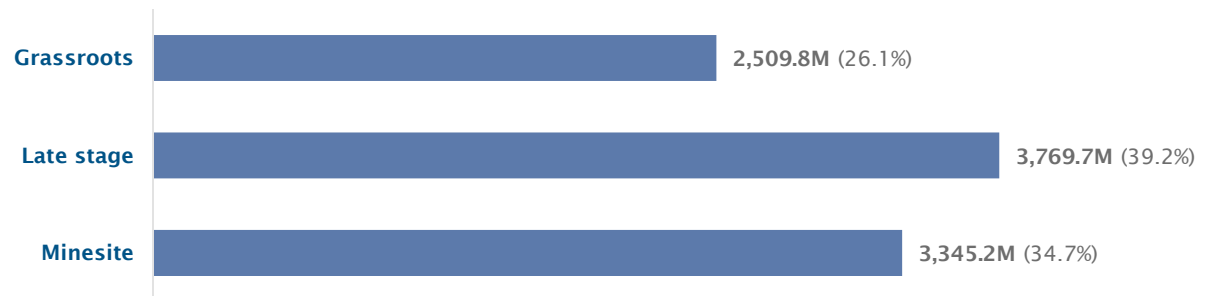
Exploration Dollars – AUST Growth pcp (excl. Iron Ore and Coal)

(i.e. quarter v equivalent quarter the previous year)



Exploration budgets by stage of development, 2018 (US\$M)

(1,651 companies budgeting US\$9.62 billion)



Data as of Oct. 29, 2018.
Source: S&P Global Market Intelligence



Geochemistry



H1 FY19 Highlights

- ▶ Financial performance
- ▶ Growth in all regions
- ▶ Increased sample volumes
- ▶ Work mix
- ▶ Market share
- ▶ Hub laboratories
- ▶ Mine site laboratories

Strategic Focus

- ▶ Innovative Productivity
- ▶ Technical Development
- ▶ Cost base
- ▶ Investment & Expansion
 - Capacity
 - Geographies
 - Mine site services

Outlook

- ▶ H2 FY19 similar to H2 FY18
- ▶ Growth at industry expected rate
- ▶ Mine site start ups (awarded)



ALS Life Sciences

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Tim Kilmister, General Manager APAC Life Sciences

Perth, Australia

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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 %

1H FY2019 high level numbers



Revenue of
AU\$ 406 mn



Global headcount
8,200 people



CAPEX investment
circa AU\$ 34mn

Moderate acquisition spend of

AU\$ 17mn

(ramp up expected in 2nd half)

Continuing OPEX spend on
laboratory workflow software

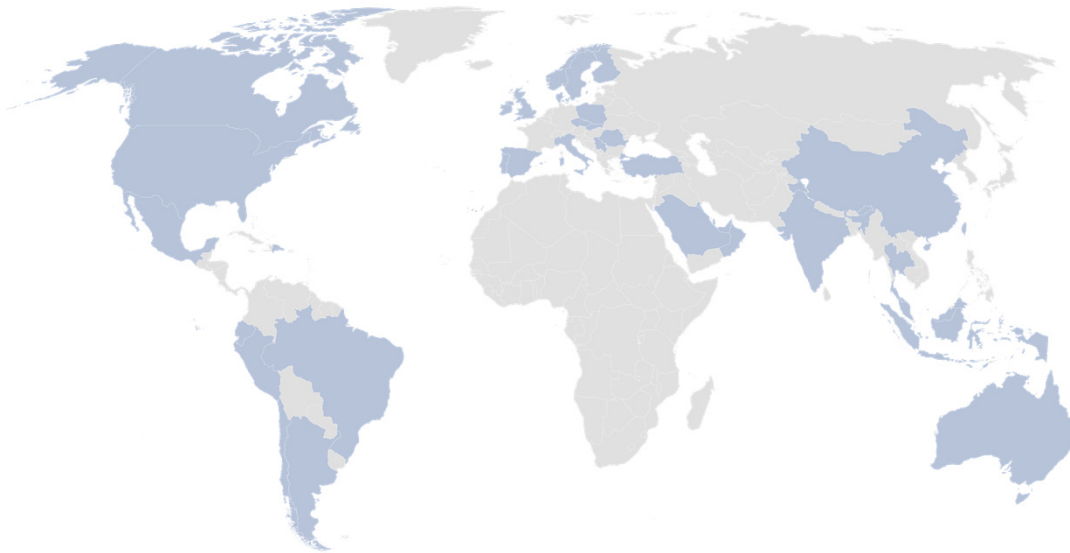
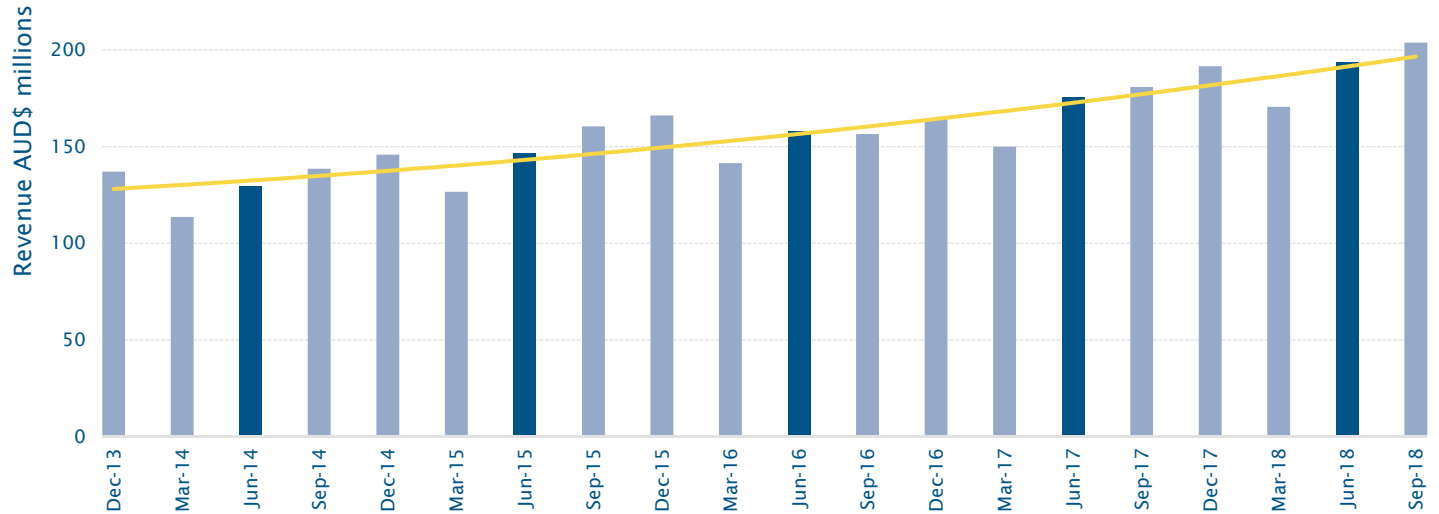
\$ 2mn

Long wave market drivers

- ▶ Increasing quality of life and quality of planet expectations driving regulation and enforcement (particularly across the middle class)
- ▶ Emerging contaminants of concern and lower detection limits
- ▶ Brand protection for manufacturers and producers
- ▶ Increased outsourcing from manufacturing
 - Outsourcing non-core activities
 - Technology a barrier
- ▶ Trend in moving up the value chain
- ▶ Globalisation and demand for low-cost sourcing

5 year growth story - Environmental

ALS
Environmental



2018

39
countries

170+
locations

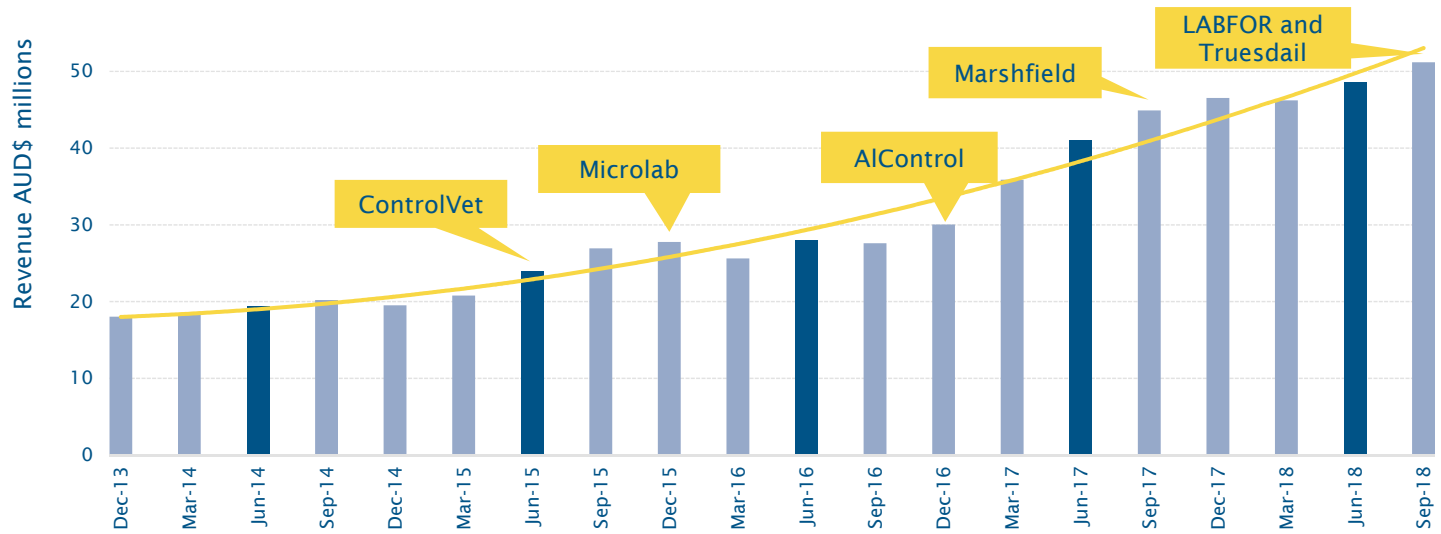
1H FY2019

Revenue growth
10%



5 year growth story – Food/Pharmaceutical

ALS
Food/Pharma



Pharmaceutical sector commitments

Large market (est. AU\$20 bn) with strong growth drivers

Global presence, trusted brand, and commitments to quality and service a value to clients

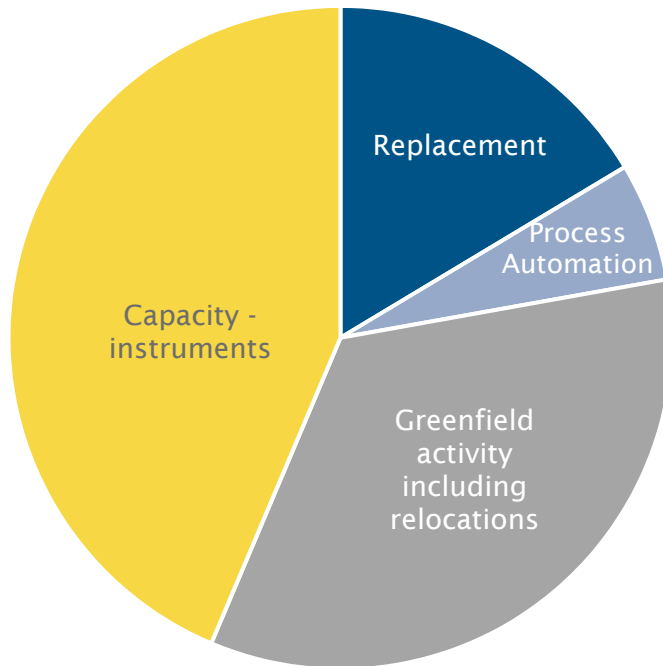
Solid acquisition pipeline and financing availability

Prospecting for a beachhead acquisition in Europe and/or America to provide global leadership

Capacity expansion in current (albeit small) footprint

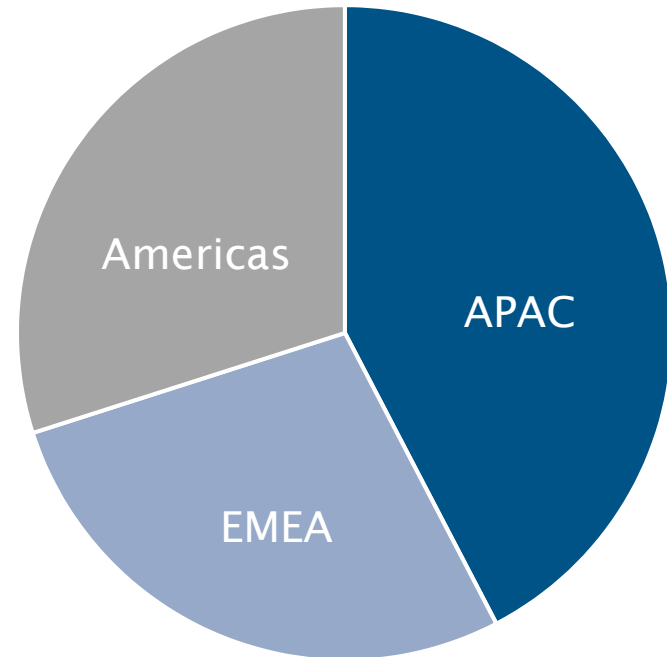
Progressing a greenfield commitment in Bangalore, India (global hotspot for outsourced R&D and manufacturing)

1H FY2019 CAPEX Investment



- ▶ CAPEX spending at 8% of revenue across the Life Science portfolio
- ▶ CAPEX allocation reflecting organic growth commitments
- ▶ CAPEX excludes acquisitions, which are largely focussed on the EMEA and Americas regions

- ▶ Asset refreshment in line with expectations
- ▶ Process automations (excluding NGT) supporting operational efficiency commitments
- ▶ Majority of CAPEX committed to capacity building



Systems and solutions activities

▶ Progressing commitments towards harmonised global systems

- Laboratory Information Management Systems (LIMS)
- Office365 suite of products
- Regional quality systems
- Client management tools (eg CRM, e-mail blast, webinars)

▶ Improving the client ecosystem

- Client web portals – ALSolutions and MyALS
- Client mobile apps – ALS Compass and MyALS Mobile
- A focus on laboratory data deliverables

▶ Optimisation activity

- Dedicated resourcing to support global better practice sharing
- Global benchmarking
- Committed programs to deliver improved commercial outcomes and reduced environmental footprint
- Staff secondments and talent sharing
- Commitment to hub and spoke model





ALS Limited

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Raj Naran, Managing Director and CEO, ALS Limited

Perth, Australia

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- All references to dollars are to Australian currency unless otherwise stated.



Global Operations Map



70+
Countries

350+
Locations

40+
Years of strong
business
performance

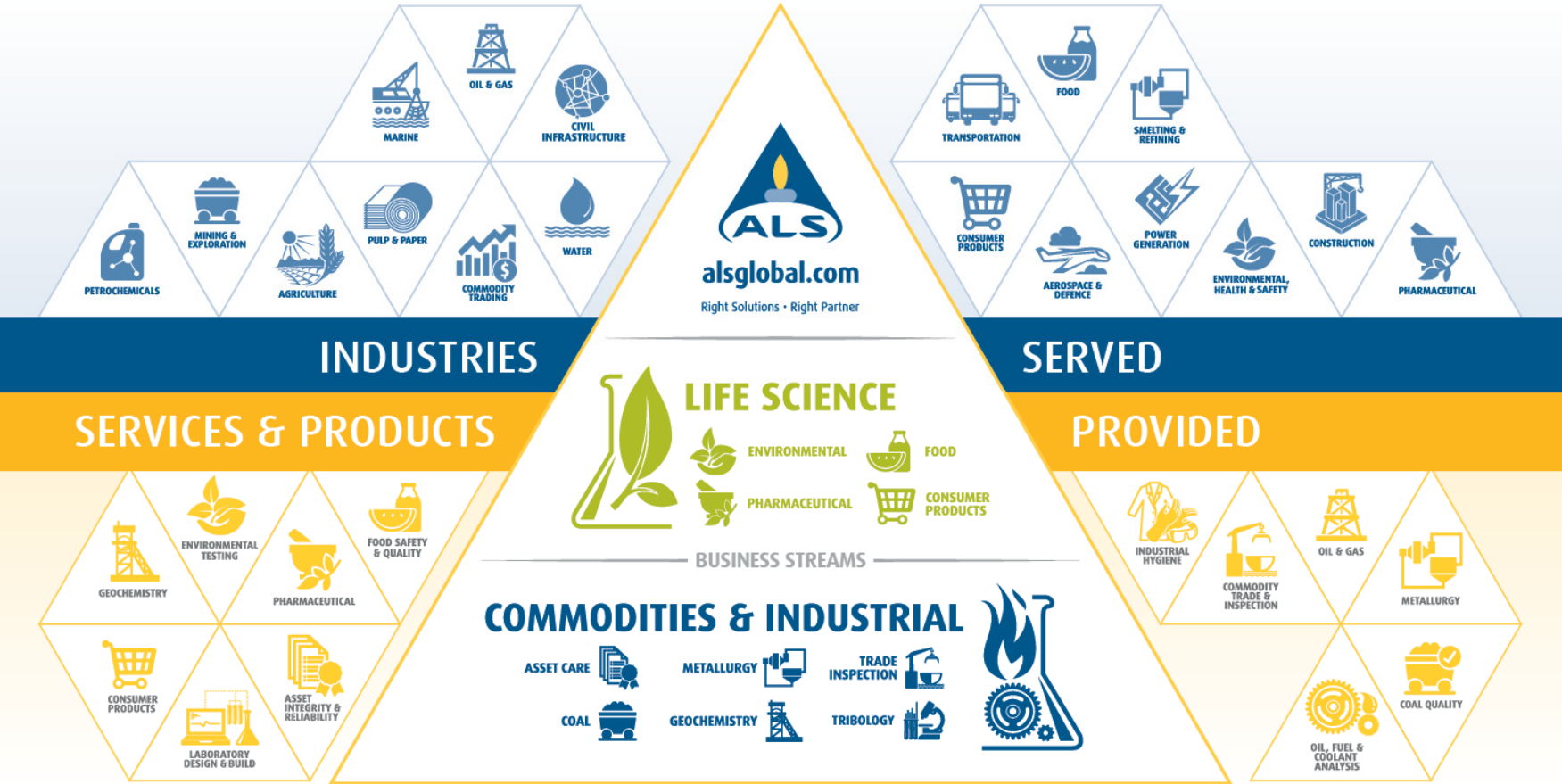
14,000+
Staff worldwide

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 CO₂ 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

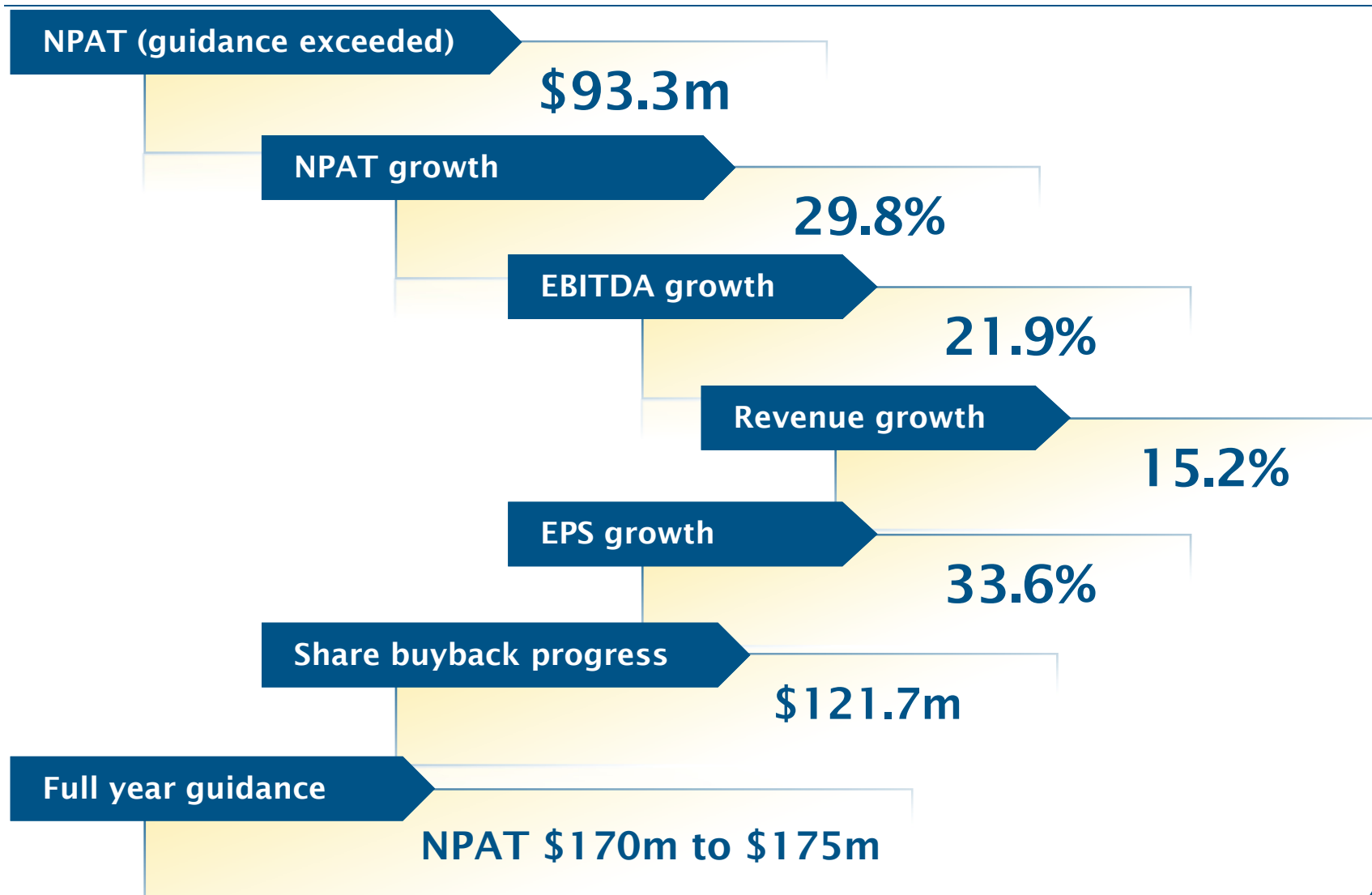
Regulatory compliance

Systems to maintain legal compliance

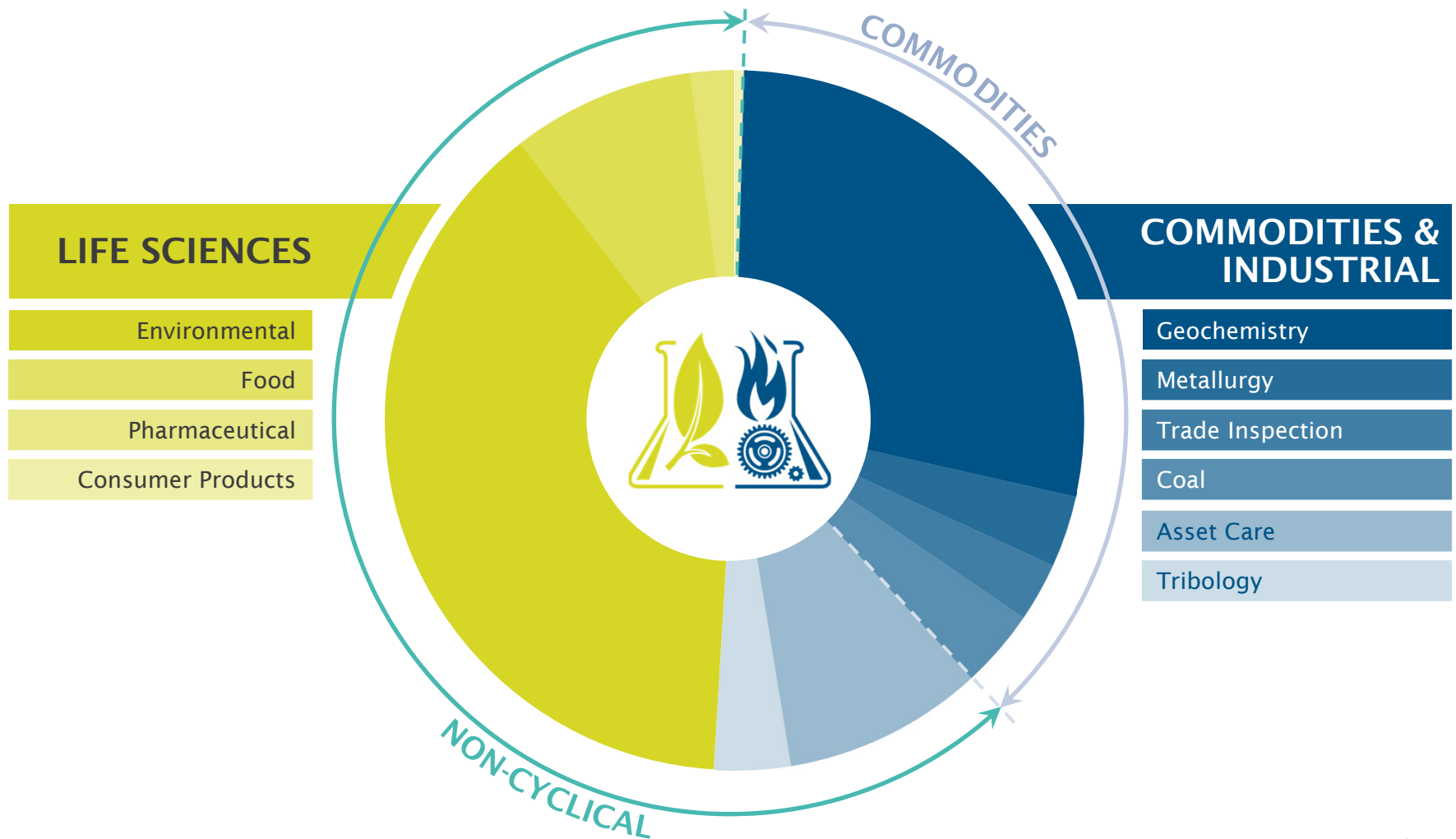
- ✓ Modern slavery statement published
- ✓ 9500 Code of Conduct training sessions completed
- ✓ Re- invigorated whistle-blower program & hotline

Half Year FY19 Financial Summary

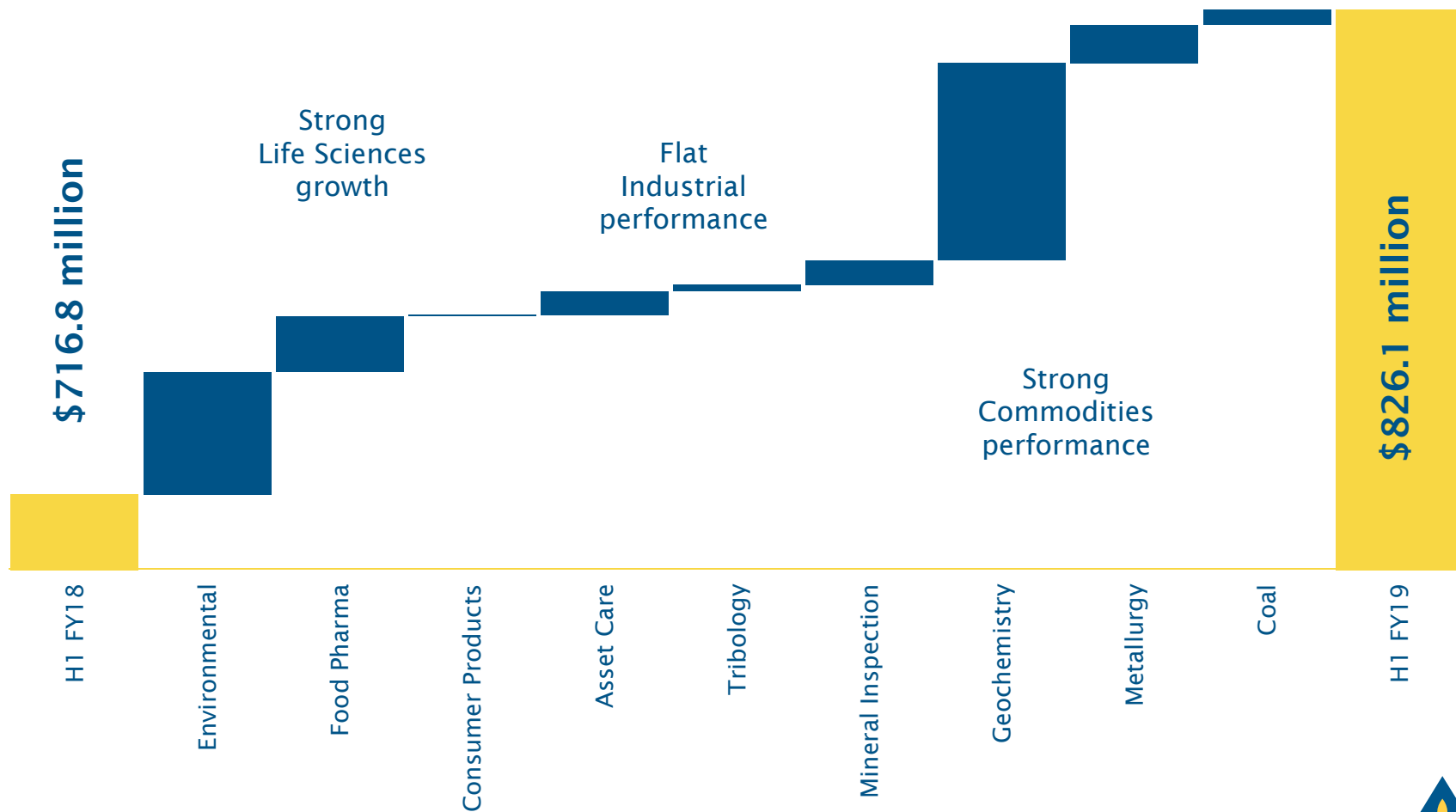
Underlying performance from continuing operations



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

Share Buyback Program

Buyback extended for 12 months to a total of \$225 million through to December 2019

Buyback Progress

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

The Company will continue to use its existing cash balances and free cash flow to fund the buy-back program

Balance Sheet

Company retains strong balance sheet and flexibility to pursue opportunities (leverage 1.8 times at 30 September 2018)

Positive market environment will support generation of additional free cash flow to fund the buy-back

Company will also pursue its growth agenda through bolt-on targeted acquisitions

New 3 year USD300 million revolving multi-currency bank facilities finalised in October provide funding liquidity and flexibility

Dividend

Half Year underlying payout ratio 57.4% (interim dividend 11.0c per share)

Existing dividend policy remains unchanged



Life Sciences. Overview

Environmental

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- ▶ 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
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Life Sciences. Outlook

- ▶ 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

- ▶ 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
-

Commodities. Overview

Geochemistry

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Metallurgy

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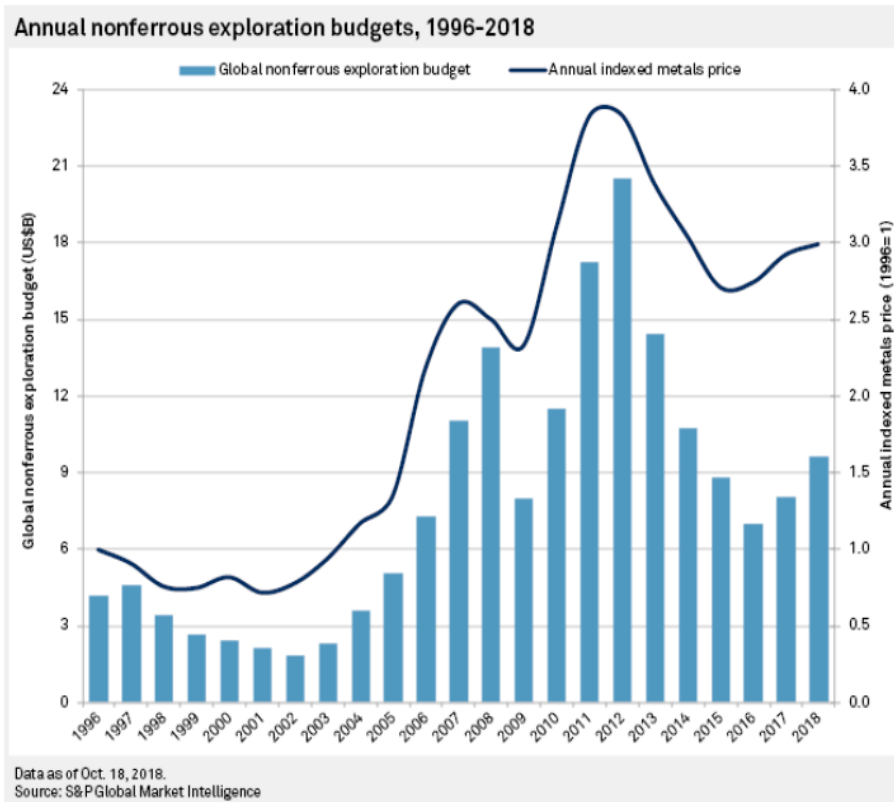
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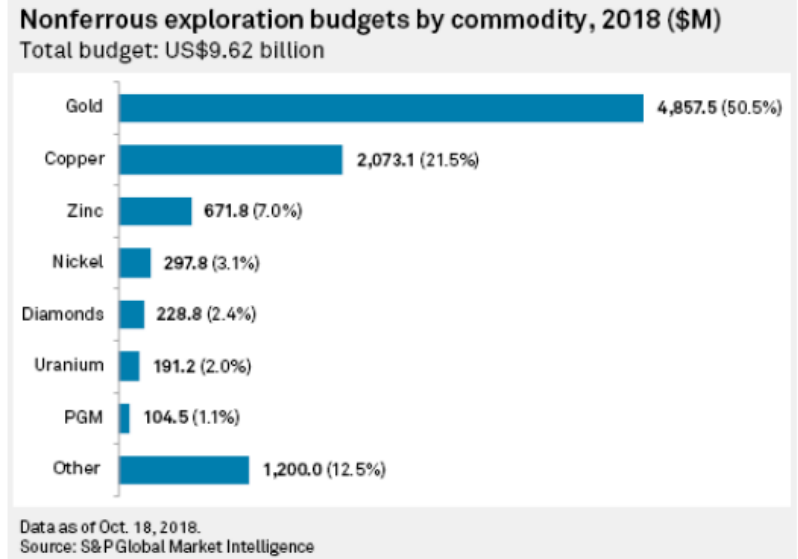
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Global Mineral Exploration Market

Market Activity



Analytical Spend Drivers

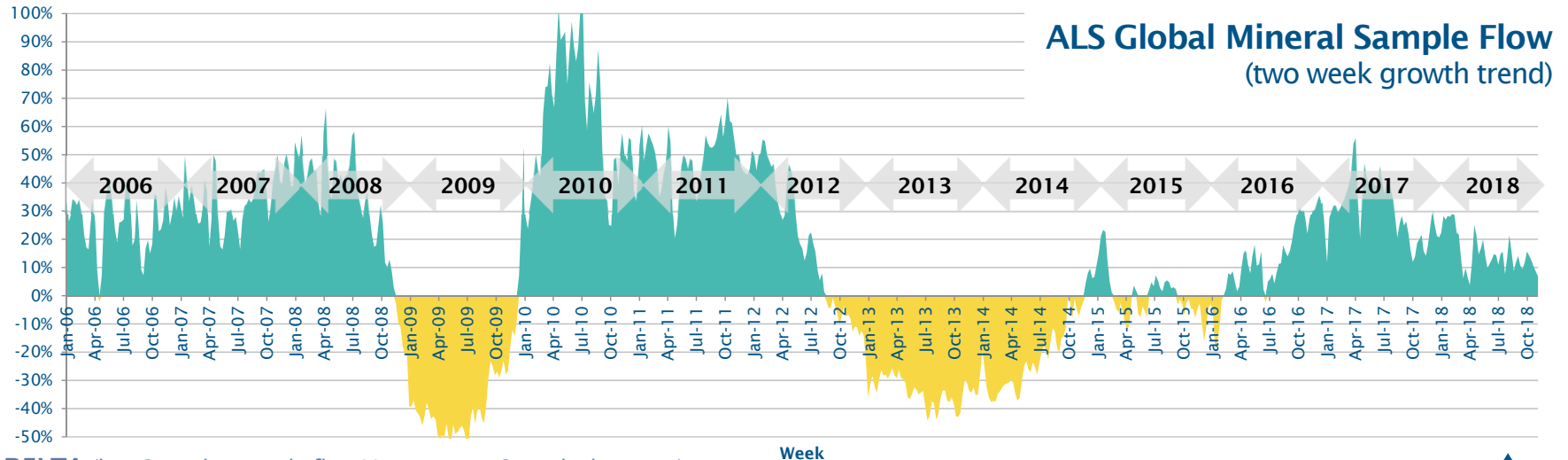
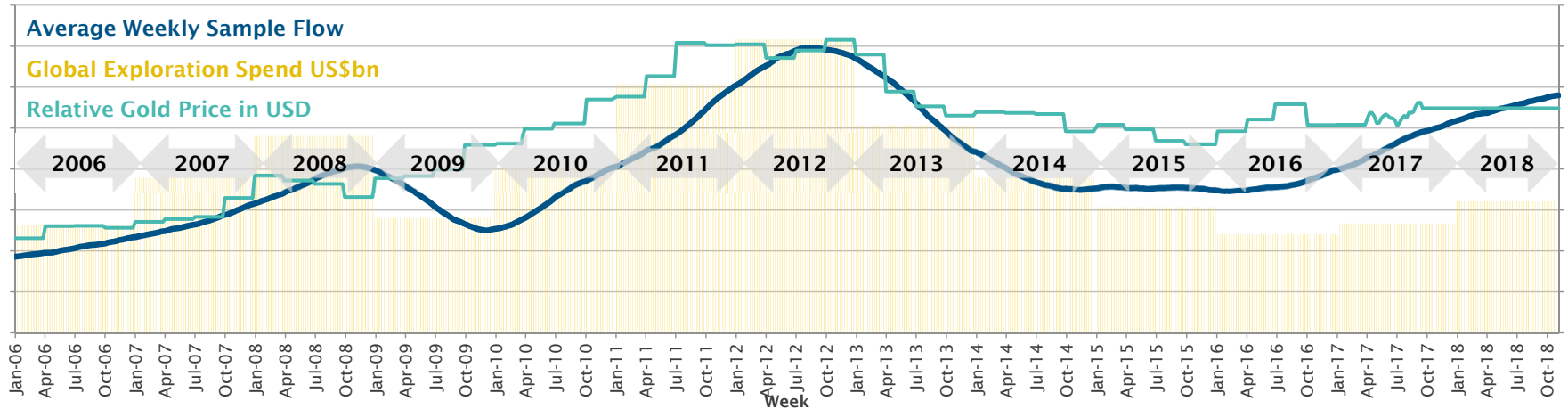


- Global spend on exploration activities continues to rebound across a broad base of commodities both traditional and non-traditional (i.e. rare earths)
- ALS' focus on systems, productivity and innovation enable superior quality and turnaround outcomes relative to its competitors within this sector



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

- ▶ Geochemistry expects current market conditions to continue with growth levels on pcp 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

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Industrial. Outlook

- ▶ 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



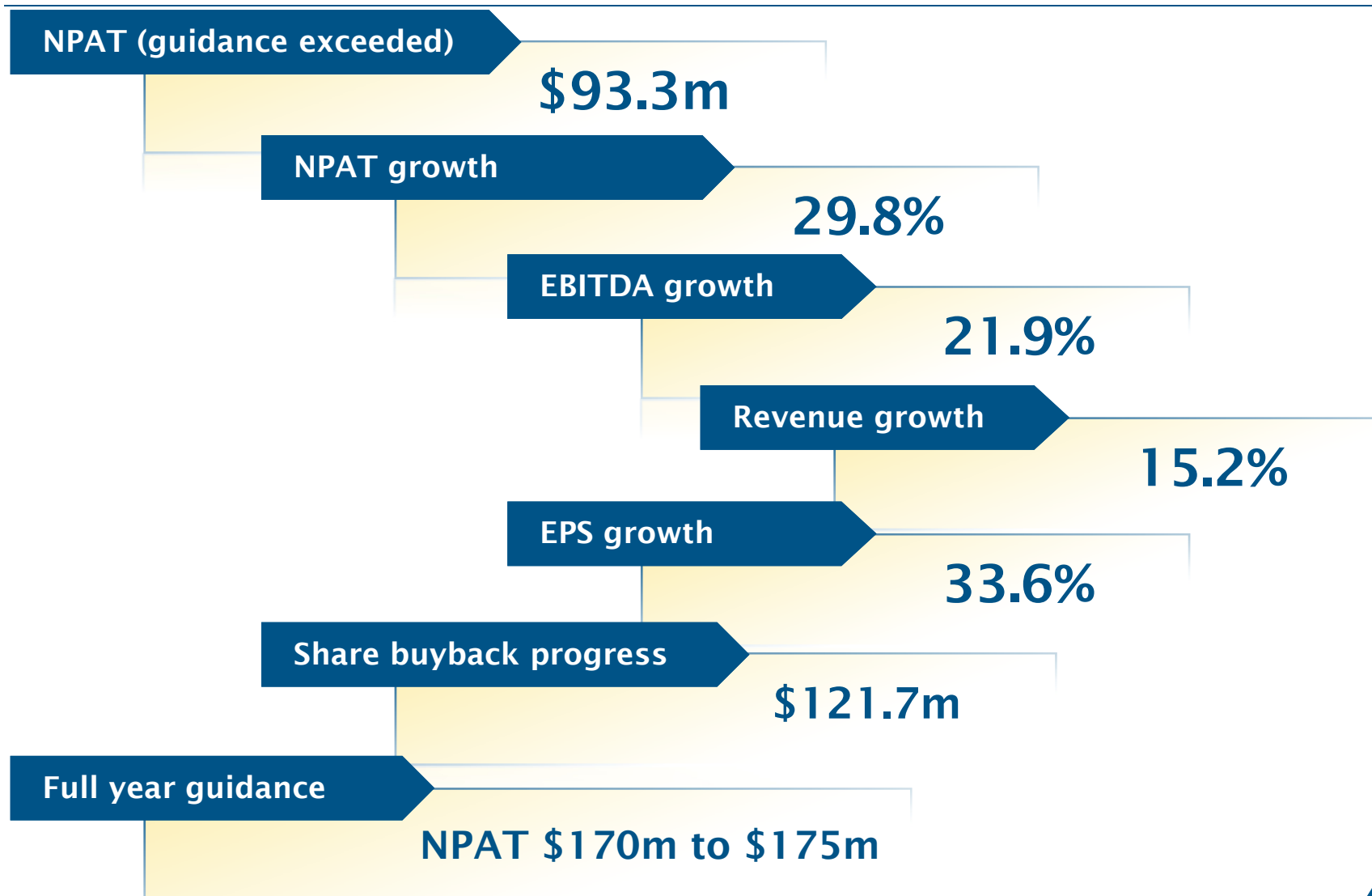
Next generation TIC, Innovation and Technology



- ▶ 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					

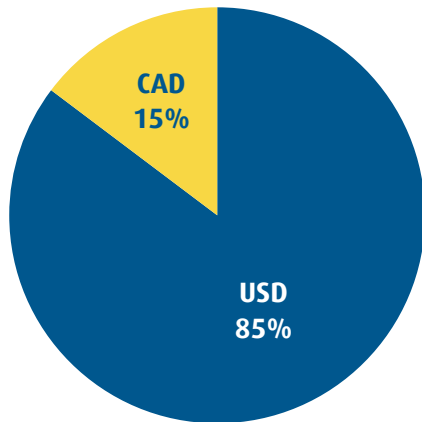
* continuing operations ** restated



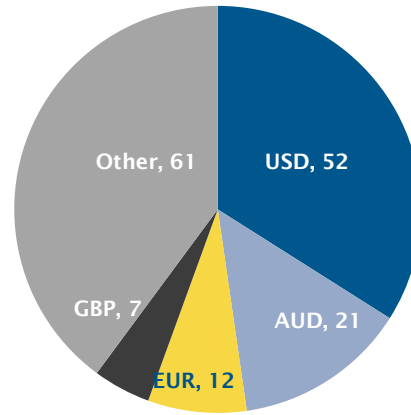
Debt Metrics

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

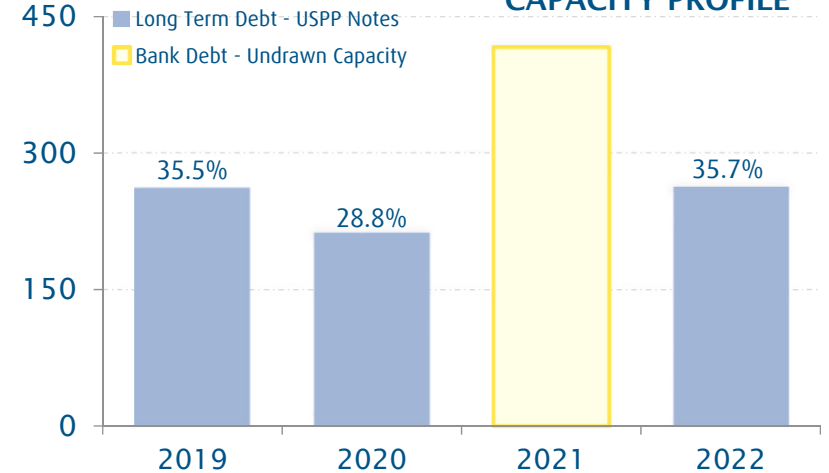
Debt Denomination



Cash Holdings AUD\$m



AUD\$ million



* Adjusted for October 2018 bank refinancing





Questions & Discussion