



# Investor Presentation

## Half Year Results FY2020

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# H1 FY20 Results

## Group Performance

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# Half Year FY2020 underlying NPAT of \$98.2 million and statutory NPAT of \$135.6 million

Underlying performance from continuing operations below

## Revenue growth

\$919 m, +11.3% vs pcp

- Organic revenue growth of +7.3% (Life Sciences +10.2%)
- Scope growth (net of acquisition growth and divestment) of +1.4%
- Favourable currency impact of +2.6%

## EBIT\*

\$154.9 m, +7.9% vs pcp

- EBIT increase of \$11.4 m
- Life Sciences margin at 15.8%, +73 bps pcp

## NPAT\* guidance exceeded

\$98.2 m, +5.3% vs pcp

- Earnings per share of 20.3 cents, +6.3% pcp
- Dividend of 11.5 cents per share, +4.5 % pcp

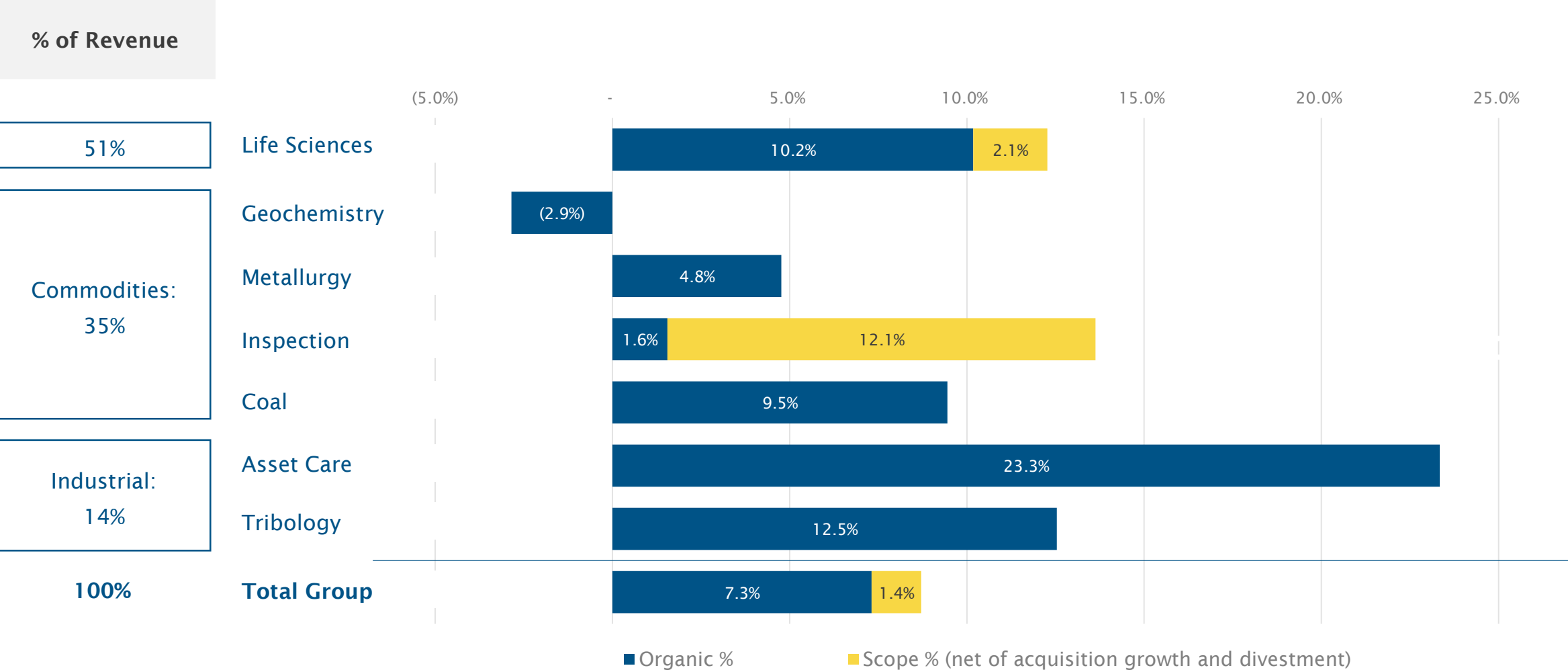
## Capital Management

- Share buy-back progress: \$153.4 m, average share price of \$7.04
- Program extended to December 2020, with increase of \$25 m to \$250 m
- Leverage ratio 1.9x and gearing ratio 38%

**Full year guidance : \$185 m to \$195 m**

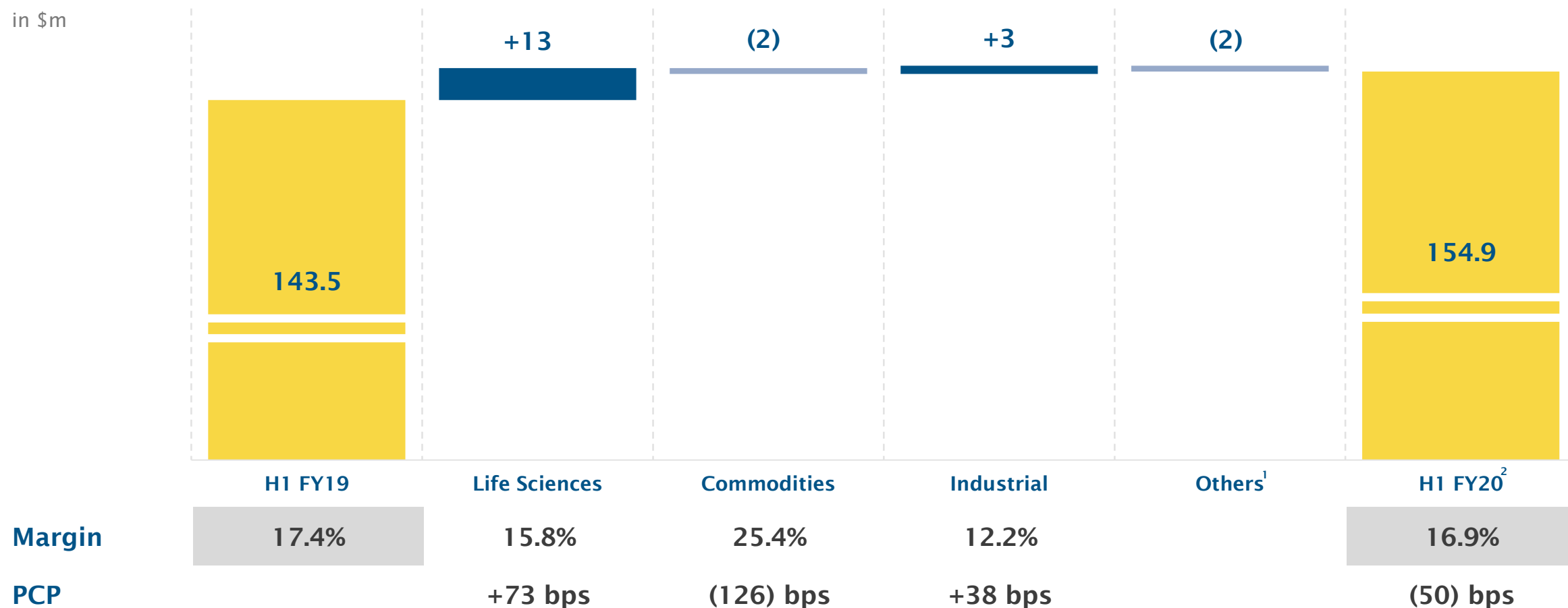
\* Underlying EBIT from continuing operations before applying AASB 16.

# Business Streams Revenue Growth Components (at constant currency)



# Underlying EBIT - Continuing Operations

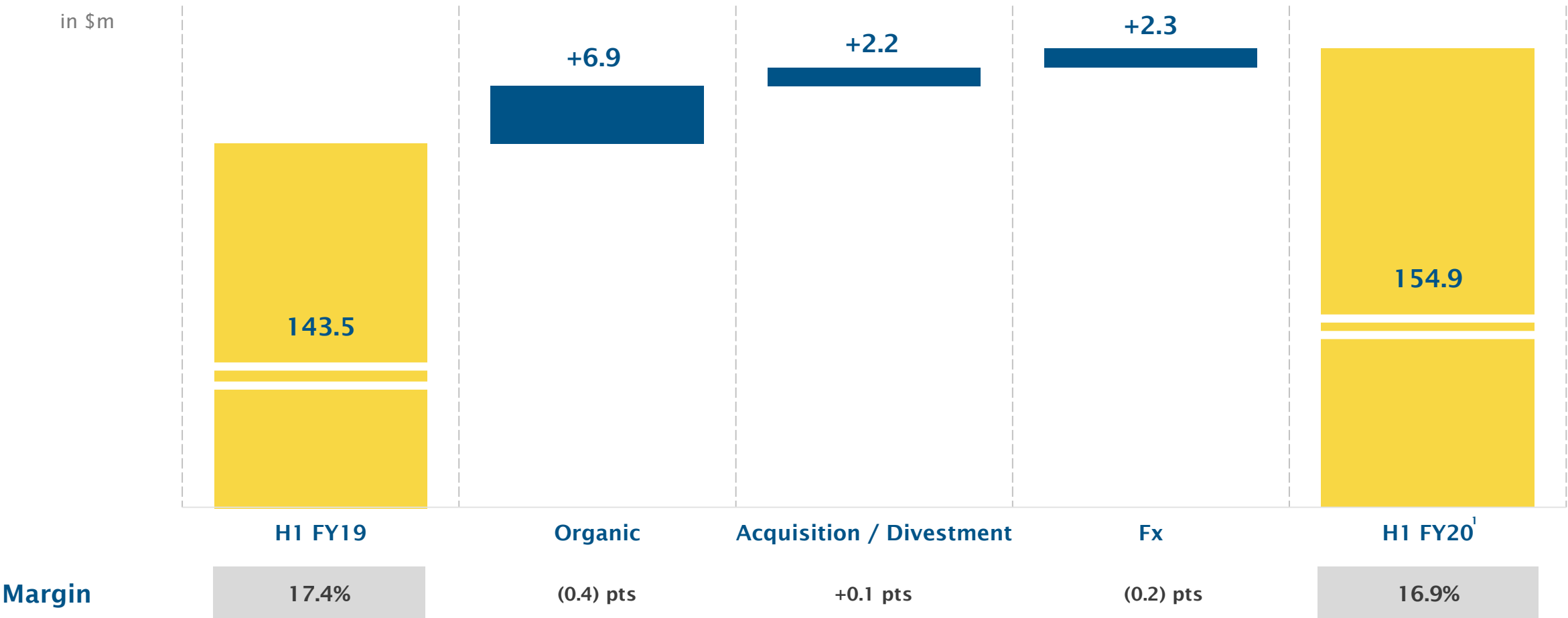
in \$m



1. Corporate costs + Fx

2. Underlying EBIT before applying AASB 16

# Underlying EBIT – Continuing Operations



1. EBIT before applying AASB 16

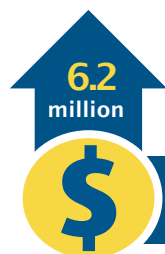
# H1 FY20 Financial Summary

Half Year	H1 FY19 (\$m)	H1 FY20 (\$m)							
	Underlying*	Underlying before AASB 16*	Applying AASB 16*	Underlying after AASB 16*	Restructuring & other one-off items	Discontinued operations	Divestment & other business closures	Amortisation of Intangibles	Statutory Results
Revenue	826.1	919.1		919.1	-	1.9	-	-	921.0
EBITDA	178.5	194.0	24.2	218.2	(11.7)	(0.6)	51.7		257.6
Depreciation & amortisation	(35.0)	(39.1)	(20.6)	(59.7)	-	(0.5)	-	(2.6)	(62.8)
EBIT	143.5	154.9	3.6	158.5	(11.7)	(1.1)	51.7	(2.6)	194.8
Interest expense	(14.9)	(16.6)	(3.6)	(20.2)	-	(0.7)	-	-	(20.9)
Tax expense	(35.0)	(39.3)		(39.3)	1.5	0.3	-	-	(37.5)
Non-controlling interests	(0.3)	(0.8)		(0.8)	-	-	-	-	(0.8)
NPAT	93.3	98.2		98.2	(10.2)	(1.5)	51.7	(2.6)	135.6
EPS (basic – cents per share)	19.1	-		20.3					28.1
Dividend (cents per share)	11.0	-		11.5					-

\* continuing operations



# Cash Flow



**Cash Flow (pre CAPEX)**



**CAPEX**

**51.7 million** = **5.6%** of revenue  **12.9%** on H1 FY19

**SHARES BOUGHT BACK**



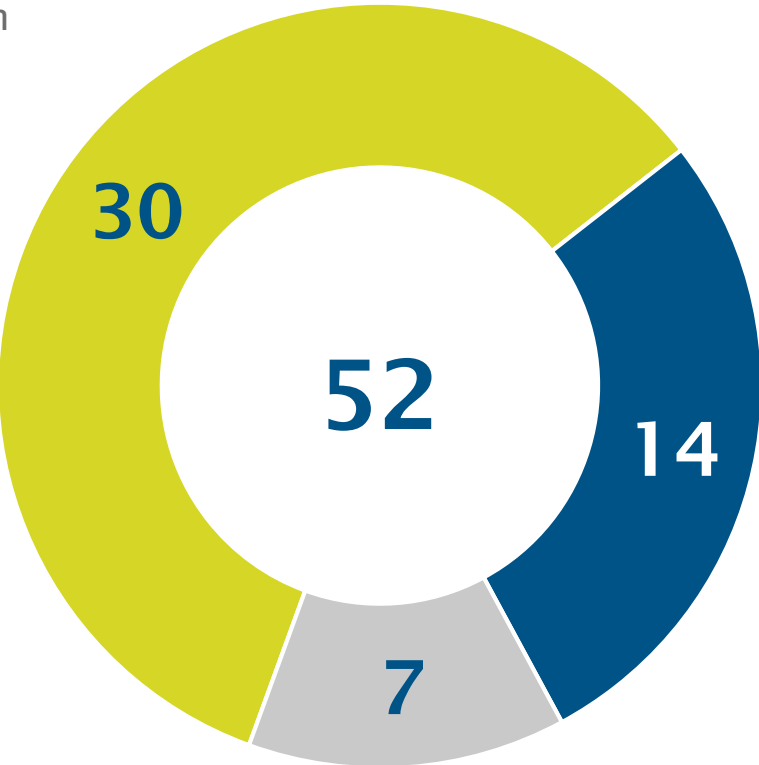
**22.0 million**  
ON MARKET H1 FY20

Full year (\$m)	H1 FY19	H1 FY20
Underlying operating EBIT (before AASB 16)	141.4	153.7
Depreciation & Amortisation	35.8	39.2
EBITDA (before AASB 16)	177.2	192.9
Working capital	(43.7)	(53.8)
Other	0.3	0.9
Cash flow before CAPEX (before AASB 16)	133.8	140.0
CAPEX	(45.8)	(51.7)
Acquisitions	(17.1)	(58.8)
Divestments	-	66.9
Dividends paid	(44.5)	(55.9)
Issued capital bought back	(14.9)	(22.0)
Treasury shares bought on-market	-	(4.3)
Borrowings - movement	(0.4)	37.7
Interest and Tax (AASB 16 adjusted)	(39.8)	(56.2)
Restructuring costs	(6.1)	(8.1)
Net increase/(decrease) in cash	(34.8)	(12.4)
Opening net cash	187.2	148.2
Effect of FX on cash held	0.5	2.8
Closing net cash	152.9	138.6

*Analysis includes both continuing and discontinued operations*

# CAPEX by Business

in \$m



CAPEX as % of Revenue	H1 FY20	H1 FY19
Life Sciences	6.4%	7.1%
Commodities	4.4%	4.7%
Industrial	5.2%	3.9%
<b>Total Group</b>	<b>5.6%</b>	<b>5.8%</b>
Life Sciences: Green field and growth projects		
Commodities: Maintenance and geographical expansion		
Industrial: Geographical expansion, growth projects and new services		

Excludes acquisition capex



# Acquisition strategy and ARJ

## Acquisition strategy

1

Expansion in strategic markets (such as food and pharmaceutical) and geographies

2

Focus on bolt-ons and medium size deals

3

Consider establishing a green field operation where multiples are above target range

4

M&A governance and process has been strengthened



## ARJ

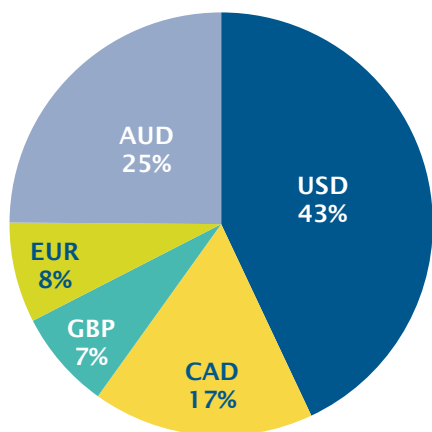
**~\$30 m** ANNUAL REVENUE

- Acquired in August 2019, based in Mexico
- Founded in 1967, annual revenue of ~\$30m, 500 employees
- Largest private pharmaceutical testing laboratory in Latin America
- Important hub for Latin and North American growth
- Trading in-line with expectations, made initial contribution in H1 FY20

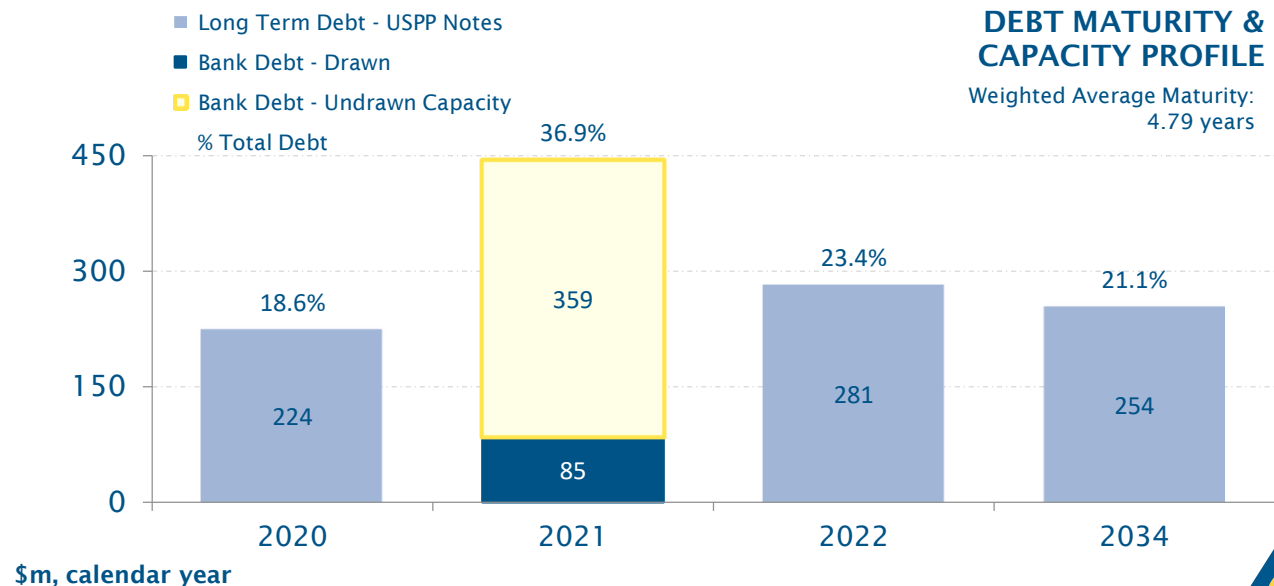
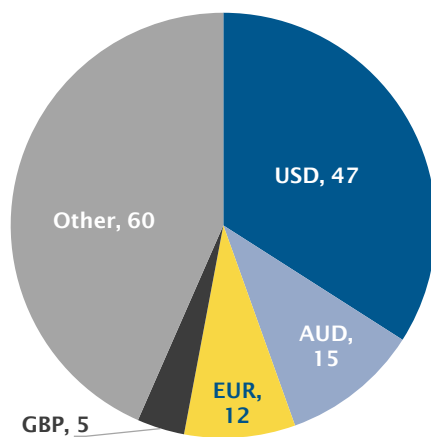
# Debt Metrics

	Mar-16	Mar-17	Mar-18	Mar-19	Sep -19
<b>STATISTICS</b>					
<b>Gearing Ratio</b> (target <45%)	27%	29%	31%	36%	38%
<b>Leverage</b> (net debt/ EBITDA; max 3.25)	1.7	1.9	1.7	1.8	1.9
<b>EBITDA interest cover</b> (min 3.75)	7.7	9.2	11.3	10.9	10.8
<b>BALANCE SHEET MEASURES</b>					
<b>Total Equity</b> (in \$m)	1,186	1,185	1,122	1,084	1,150
<b>Net Debt</b> (in \$m)	438	485	507	629	707

## Debt Denomination



## Cash Holdings AUD \$m



# Capital Management

## Capex

- ▶ \$51.7 m in Capex (5.6% of revenue).
- ▶ Continued investment in growth projects in Life Sciences and Industrial divisions.

## Share Buy-back Program

- ▶ Buy-back extended for 12 months to a total of \$250 m through to December 2020.
- ▶ Since inception of the buy-back program **21.8 million shares** (representing 4.3% of the original base) have been bought back on-market for an overall consideration of \$153.4 m, and average share price of \$7.04.
- ▶ The Company will continue to use its existing cash balances and free cash flow to fund the buy-back program.

## Dividend

- ▶ Half year dividend 11.5 cents per share, up 4.5%, with underlying payout ratio of 56.5%.
- ▶ Existing dividend policy remains unchanged.

## Balance Sheet

- ▶ Company retains a strong balance sheet and flexibility to pursue acquisition opportunities and fund organic growth (leverage **1.9 times** at 30 September 2019).
- ▶ New 15 year multicurrency USPP placed (\$252 m, equivalent), extends average debt maturity profile to 4.8 years on a drawn and undrawn basis, and reduces total weighted average funding costs by approximately 20 bps, enhancing long-term capital management strategy.



# H1 FY20 Results

## Review by Business Stream

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# Life Sciences. Overview

- ▶ Underlying margin of 15.8%, +73 bps vs pcg driven by process and productivity improvements across all regions.
- ▶ Organic revenue growth of 10% driven by green fields and market share gains.
- ▶ USA business performing well with new management team, underlying margin improvement +700 bps vs pcg.

## Environmental

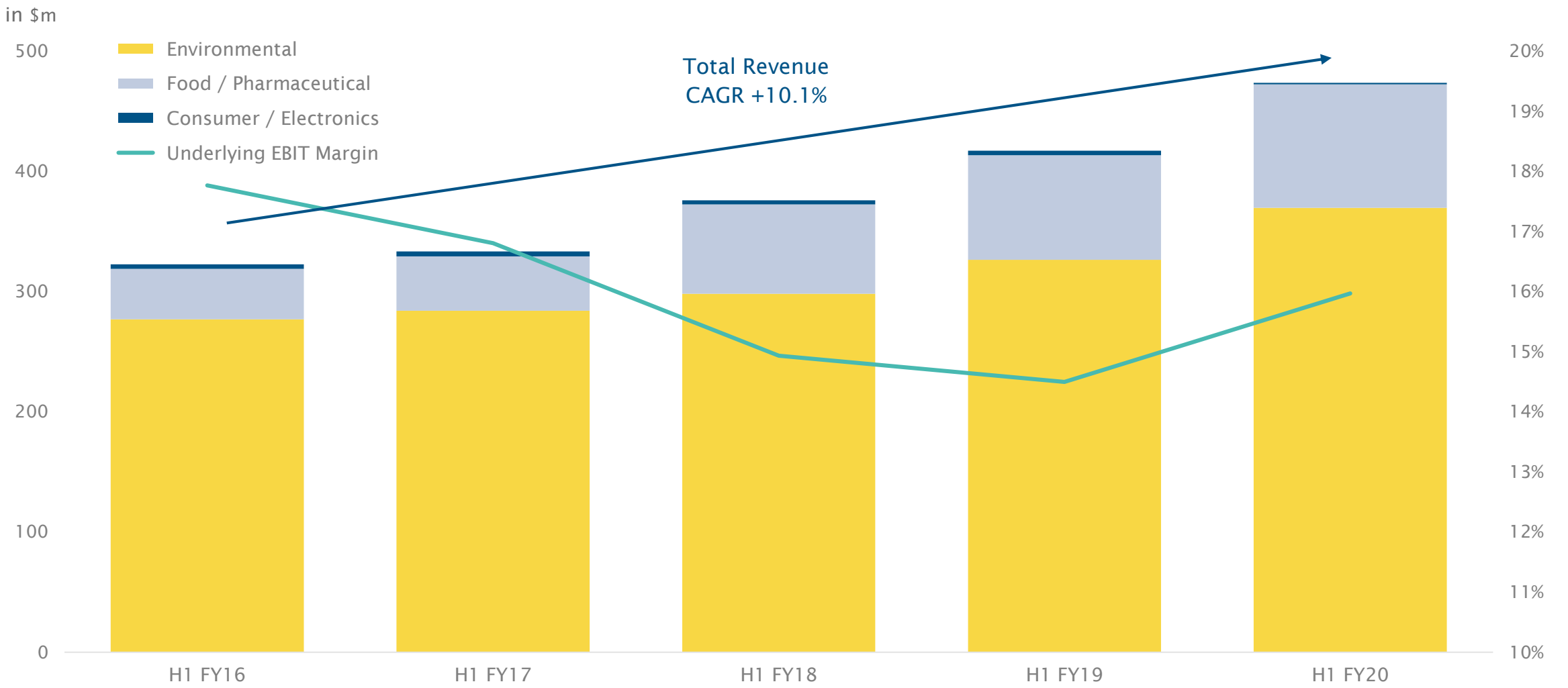
- ▶ Revenue growth of 16%.
- ▶ Strong growth in Australia (market share gains, east coast infrastructure, and stability of mining production); in LATAM and the USA.

## Food and Pharmaceutical

- ▶ Revenue growth of 18%.
- ▶ ARJ acquisition performing in-line with expectations with significant business development opportunities.

Underlying results	H1 FY20 post-AASB 16	H1 FY20 pre-AASB 16	H1 FY19	Change pre-AASB 16
Revenue	\$468.6 m	\$468.6 m	\$406.0 m	+15.4%
EBITDA	\$111.0 m	\$97.4 m	\$81.7 m	+19.2%
EBITDA Margin	23.7%	20.8%	20.1%	+66 bps
EBIT	\$76.3 m	\$74.0 m	\$61.2 m	+20.9%
EBIT Margin	16.3%	15.8%	15.1%	+73 bps

# Life Sciences. Evolution





# Life Sciences. Outlook

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- ▶ High single digit organic growth expected in FY20 with EBIT margin improvement of 50bps vs pcp.
- ▶ Strong organic growth in Environmental driven by LATAM, USA and APAC.  
Low organic growth in the UK Food and Pharmaceutical business due to Brexit.
- ▶ Price sensitivity in some markets requiring continuous focus on productivity improvement and business development.
- ▶ Strong acquisition pipeline in Food and Pharmaceutical, particularly in strategic markets in LATAM and Europe.

# Commodities. Overview

Geochemistry	Metallurgy	Inspection	Coal
<ul style="list-style-type: none"> <li>▶ Organic revenue down 3% and sample volumes down 11% vs pcg.</li> <li>▶ Primarily driven by lack of equity raisings by juniors, partially offset by price management and mix.</li> <li>▶ Contribution margin of 28%.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Revenue up 6% vs pcg.</li> <li>▶ Pricing and volume outlook improving.</li> <li>▶ Strong market share with increasing activity in Australia.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Revenue up 15% vs pcg.</li> <li>▶ MARSS International (acquisition completed in Jan 2019) performing as per business plan.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Revenue up 10% vs pcg.</li> <li>▶ Continued change in mix towards metallurgical.</li> <li>▶ ~70% revenue from less cyclical sources due to growth in mine site and superintending lines.</li> </ul>

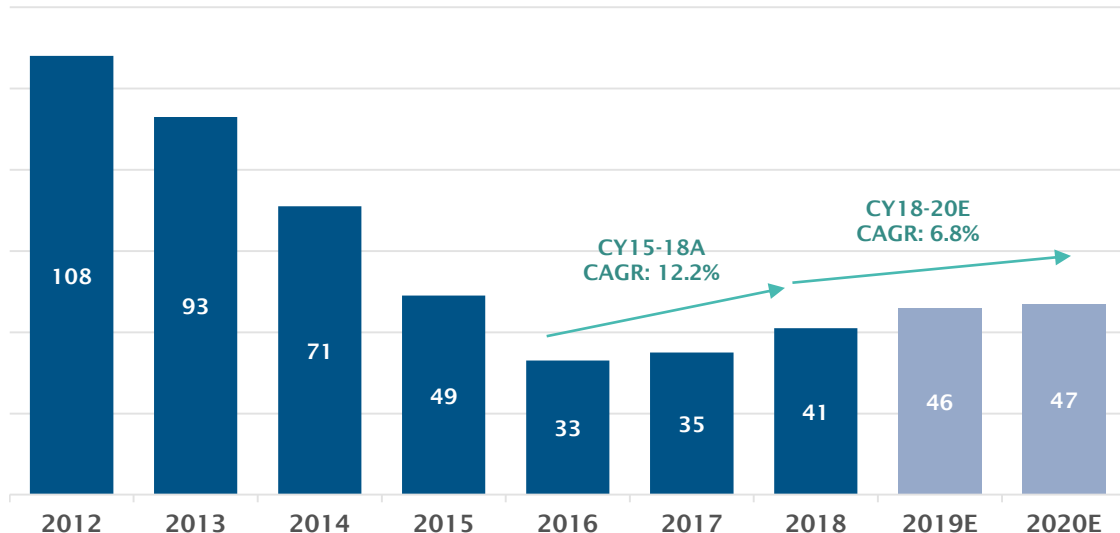
Underlying results	H1 FY20 post-AASB 16	H1 FY20 pre-AASB 16	H1 FY19	Change pre-AASB 16
Revenue	\$319.9 m	\$319.9 m	\$313.8 m	+1.9%
EBITDA	\$100.3 m	\$92.7 m	\$94.6 m	(2.0)%
EBITDA Margin	31.4%	29.0%	30.2%	(118) bps
EBIT	\$82.4 m	\$81.4 m	\$83.8 m	(2.9)%
EBIT Margin	25.8%	25.4%	26.7%	(126) bps

# Global Mining Capital Expenditure Outlook

Strength in global capital expenditure on metals and mining projects expected to continue

Growth in Global Mining Capital Expenditure Expected to Continue

Mining Capital Expenditures for 20 Biggest Global Miners (USD bn) <sup>(1)</sup>



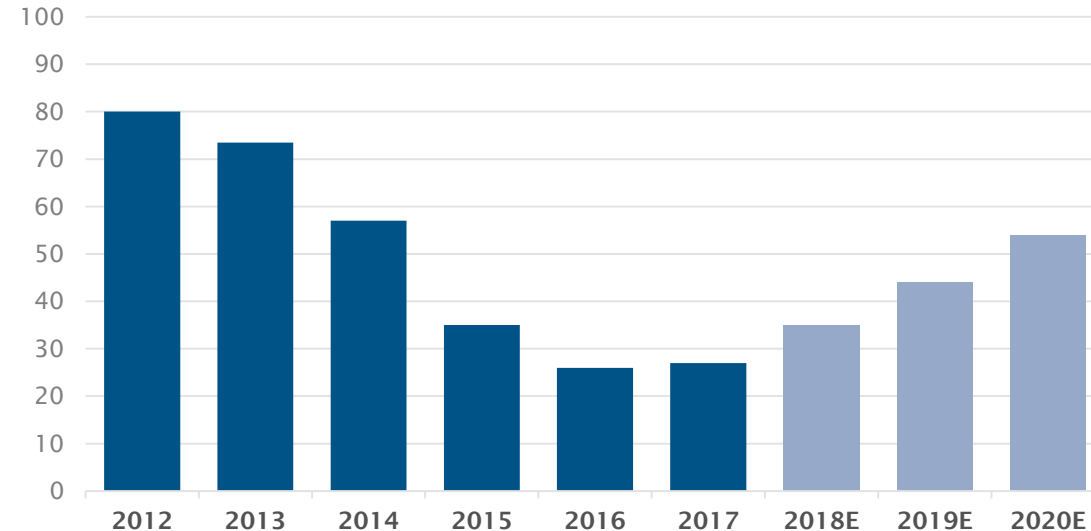
Source: Wall Street research, Deloitte public reports.

(1) Sourced from Wall Street research. Capex figures represent an index of 20 of the top global miners. These miners capture c.60% of total global mining capital expenditure. Includes green field and brownfield.

(2) Calendar year estimates for whole industry based on S&P market intelligence, and Deloitte estimates "Mining capital projects, Are you ready for the next CAPEX investment cycle?" Nov 2018, "Tracking the trends 2019, the top 10 issues transforming the future of mining" Jan 2019.

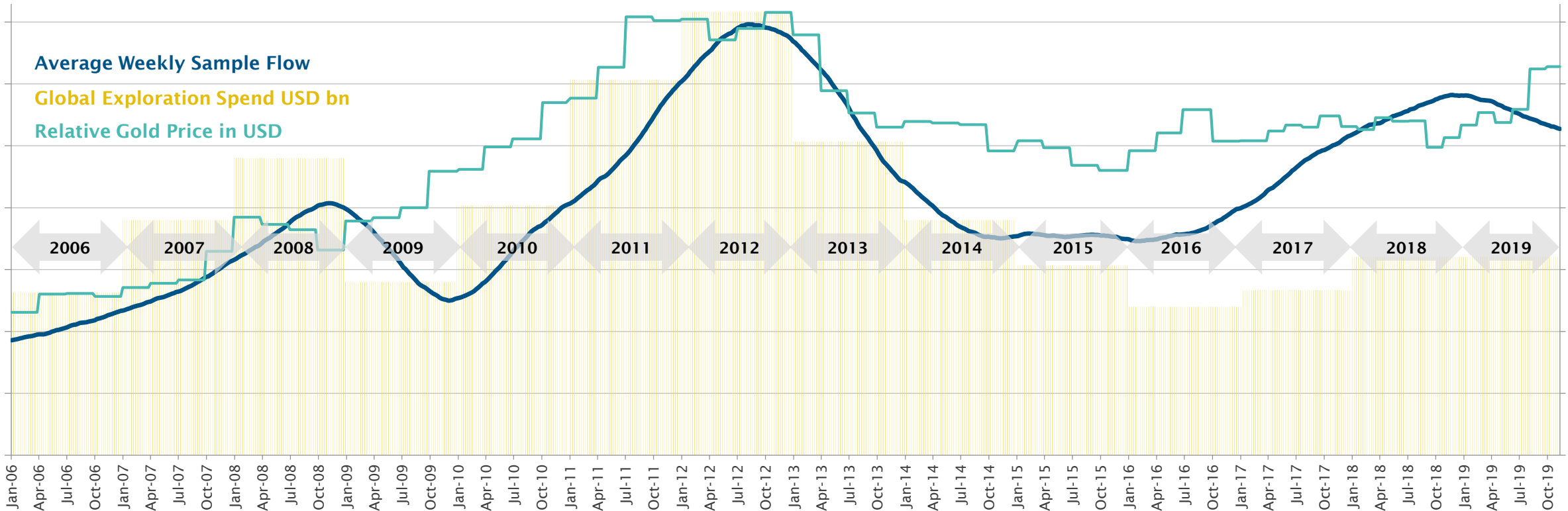
Green field Capital Expenditure at Low Levels but Expected to Grow as Commodity Prices Stabilise

Green field Capital Expenditure Estimates (USD bn) <sup>(2)</sup>



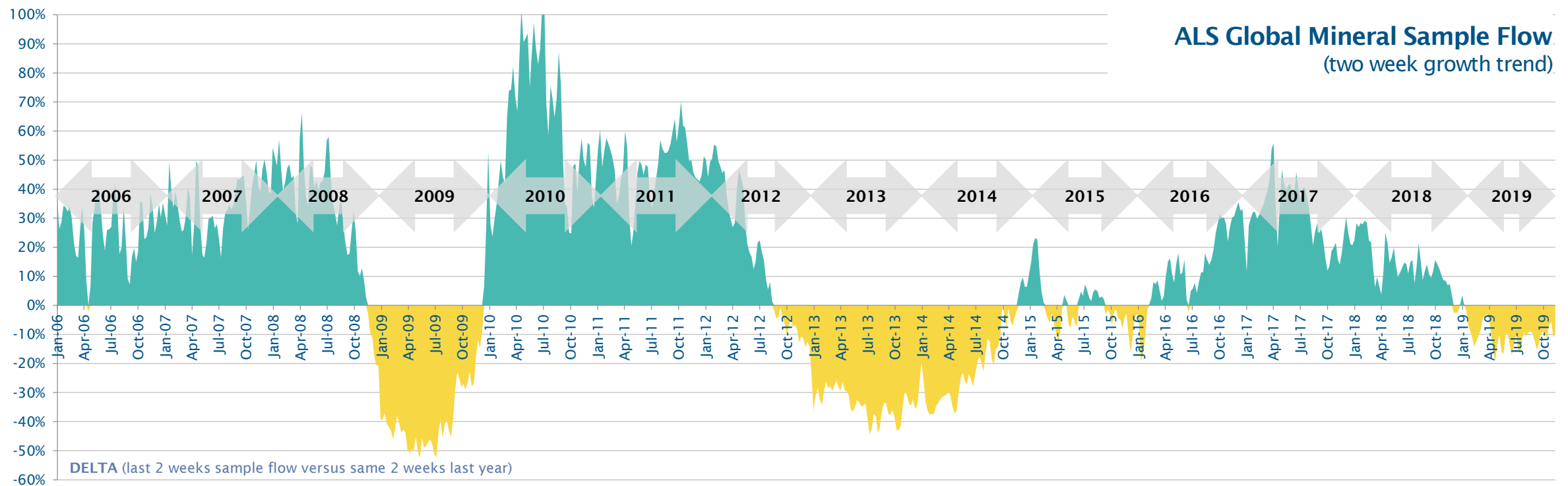
# Geochemistry – subdued H1 FY20, gradual improvement expected in H2 FY20

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



- Global exploration spending subdued due to the geopolitical and macroeconomic situation - limited junior fund raising activity in H1 FY20.
- Strength in price of gold (~50% of volume) and other commodities supports moderate exploration spend going into H2 FY20.
- Requirement to replenish resources to drive the need for exploration in the medium term.

# Geochemistry – subdued H1 FY20, gradual improvement expected in H2 FY20



- **Sample flows volume down 11% for H1 FY20 compared to pcip**
  - Primarily driven by lower volumes from junior miners, major producer volume is stable.
  - Some geopolitical uncertainty in LATAM and Africa.
- **Gradual improvement in sample flows expected in H2 FY20, but anticipated to be slightly lower than pcip**
  - Early signs of improvement in junior equity raising and exploration activity, stable volumes from the major producers and broadly supportive commodity pricing environment.

# Commodities. Outlook

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- ▶ Low single digit revenue growth for FY20 despite sample flow volumes in Geochemistry, as Metallurgy, Inspection and Coal continue to grow.
- ▶ Geochemistry mid-cycle pause: gradual improvement in sample flows expected in H2 FY20, but anticipated to be slightly lower than pcp. Continuous focus on cost base management to maintain current margins.
- ▶ Inspection business benefiting from capacity upgrade and is focused on cost-base management.
- ▶ Demand for coal services remains. Business is expected to continue to grow based on focused client service and expansion of less cyclical activities (mine site and superintending).

# Industrial. Overview

## Asset Care

- ▶ Strong organic revenue growth in Australia and USA markets with new business wins. Productivity improvements drove margin increase.
- ▶ Australia growth driven by maintenance revenue from oil and gas and mining sectors.
- ▶ USA growth driven by green field investments and contract wins, particularly relating to construction activity in the chemical sector.

## Tribology

- ▶ Revenue growth primarily driven by high single-digit or low double-digit organic growth across all regions.
- ▶ Australia growth supported by strong oil and gas and mining production environment.
- ▶ USA growth driven by diversification of service offering.

Underlying results	H1 FY20 post-AASB 16	H1 FY20 pre-AASB 16	H1 FY19	Change pre-AASB 16
Revenue	\$130.7 m	\$130.7 m	\$106.3 m	+23.0%
EBITDA	\$22.6 m	\$19.6 m	\$15.7 m	+24.8%
EBITDA Margin	17.3%	15.0%	14.7%	+27 bps
EBIT	\$16.3 m	\$16.0 m	\$12.6 m	+27.0%
EBIT Margin	12.5%	12.2%	11.9%	+38 bps

# Industrial. Outlook

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- ▶ Continue to be well positioned to support mining, oil and gas, and power generation maintenance programs in Australia and expand in the USA.
- ▶ Continue to invest in the expansion of Asset Care and Tribology businesses (green field and focused business development).
- ▶ Laboratory automation, online monitoring, 'IoT' and data management solutions driving increased efficiency and improved quality.
- ▶ Cost reduction and rationalisation initiatives to be reinforced aiming margin improvement in Asset Care.





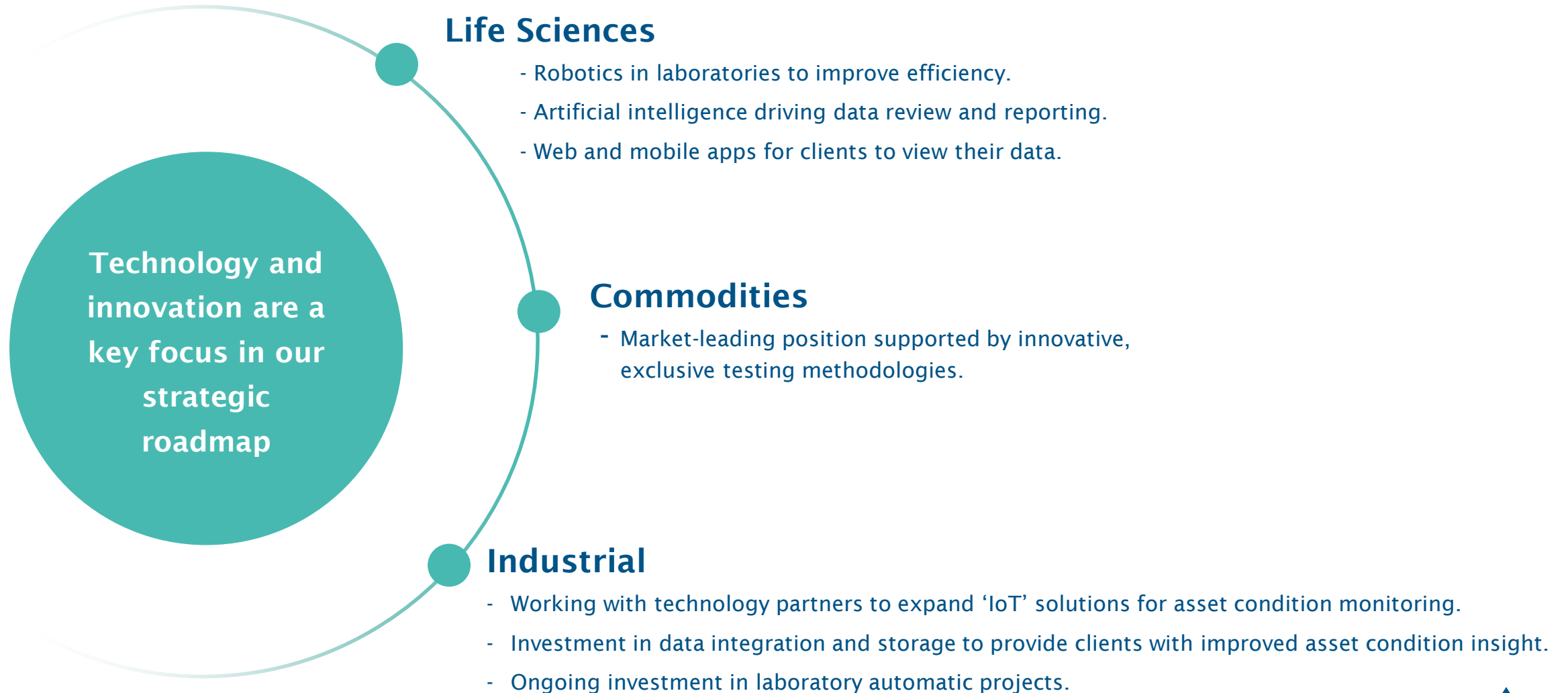
# H1 FY20 Results

## Innovation and Strategic Priorities

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# Next Generation TIC, Innovation and Technology

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# Strategic Priorities



# H1 FY20 performance vs strategic priorities

## Shorter term strategic priorities

## H1 FY20 performance

### Life Sciences

Strong organic growth and margin expansion (pre AASB 16 impact) across all regions

- 10.2% organic growth
- +73 bps margin improvement vs H1 FY19

Improve USA performance with new management driving productivity gains and new business wins

- +700 bps margin improvement vs H1 FY19

### Commodities

Single digit revenue growth across the division

- 1.9% revenue growth

Stable Geochemistry sample flow volumes

- -11% sample flow vs H1 FY19

### Industrial

Drive revenue growth and stabilise margin

- 23% revenue growth
- +38 bps margin expansion vs H1 FY19

## Longer term strategic priorities

## H1 FY20 performance

Life Sciences contributing 50% of EBIT by 2022

- 48% EBIT contribution in H1 FY20

Strategic acquisitions in key growth markets

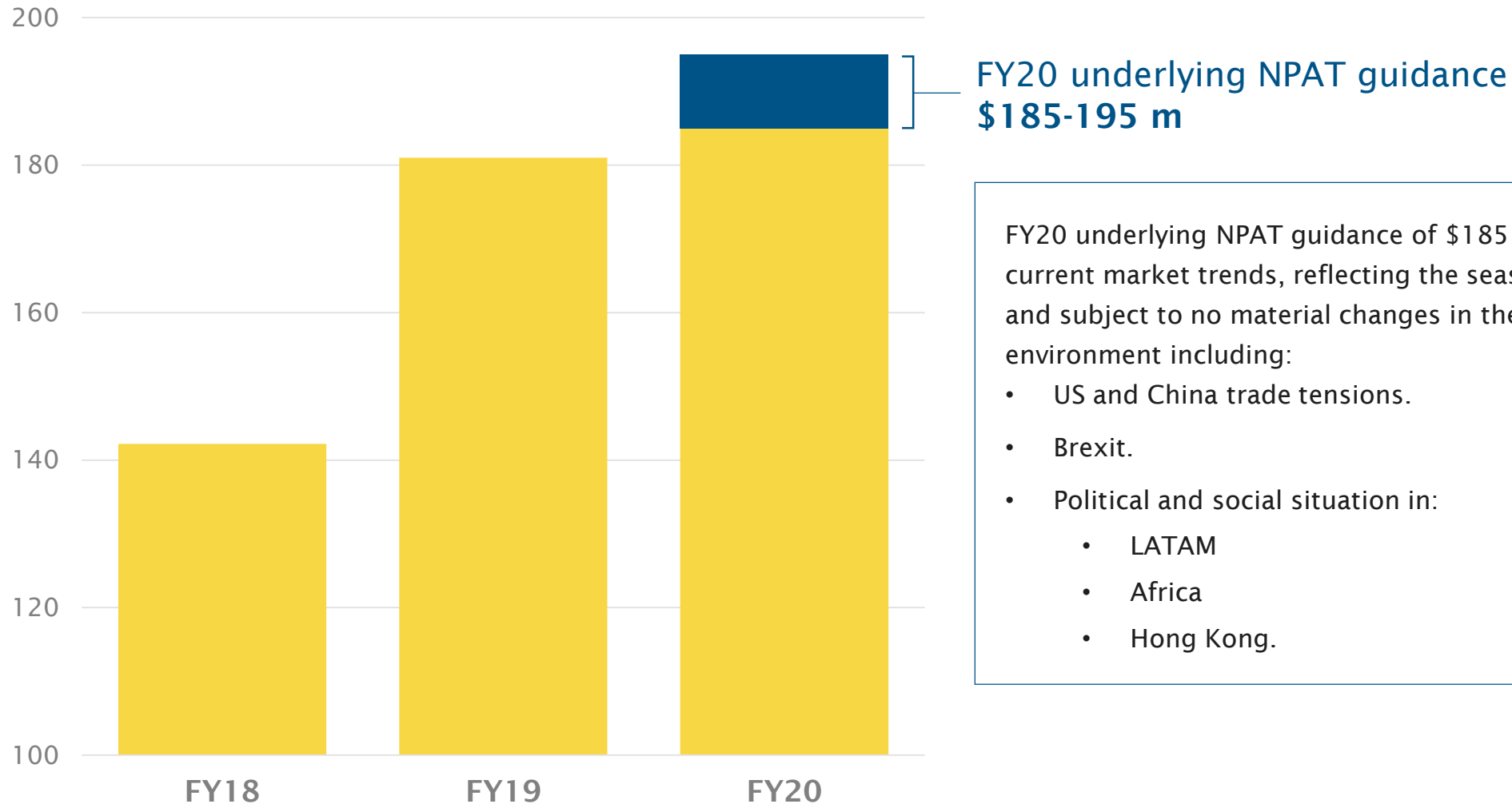
- ARJ (Mexico-based pharmaceutical laboratory) acquired Aug 19, ~\$30 m revenue p.a
- Company continues to evaluate a number of value-enhancing bolt-on acquisitions

Investment in technology and innovation

- Continued focus and investment across the businesses

# FY20 underlying NPAT guidance

NPAT (\$m)



FY20 underlying NPAT guidance of \$185 m – \$195 m based on current market trends, reflecting the seasonality of the business and subject to no material changes in the operating or economic environment including:

- US and China trade tensions.
- Brexit.
- Political and social situation in:
  - LATAM
  - Africa
  - Hong Kong.



# H1 FY20 Results

## Appendix

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# One-Offs – H1 FY20

in \$m	Startup	Restructuring	Acquisition	Other one-off Items	Divestment & other business closures	Total
Commodities	-	(0.5)	-	-	-	(0.5)
Life Sciences	(3.0)	(0.9)	-	-	-	(3.9)
Industrial	(0.6)	-	-	-	-	(0.6)
Corporate	-	-	(1.6)	(3.1)	-	(4.7)
Discontinued	-	-	-	(2.0)	51.7	49.7
<b>Total</b>	<b>(3.6)</b>	<b>(1.4)</b>	<b>(1.6)</b>	<b>(5.1)</b>	<b>51.7</b>	<b>40.0</b>

- Startup: losses incurred during startup phase of new businesses
- Restructuring: office closing costs and severance costs linked to business reorganisations and restructuring plans
- Acquisition: transaction and integration costs linked to acquisitions
- Other One-off Items: corporate (realised FX in intercompany loan), discontinued (oil and gas business)

# Corporate Cost Evolution

	H1 FY18	H2 FY18	H1 FY19	H2 FY19	H1 FY20
Corporate Cost *	12.4	14.1	18.2	18.8	19.7
Revenue	721.6	725.3	826.1	838.7	919.1
Corporate Cost % on Revenue	1.7%	1.9%	2.2%	2.2%	2.1%

\* exclude net foreign exchange gain or loss.

- H1 FY20 absolute cost increase mainly driven by increase in insurance premium and investment in human capital
- Targeting 2.0% corporate cost to revenue by FY21



# Underlying Effective Tax Rate Movement

in \$m	H1 FY20 After AASB 16	H1 FY19	Change YoY
Underlying Profit before Tax (from continuing operations)	137.5	128.3	7.2%
Tax	(39.3)	(35.0)	12.3%
Underlying Effective Tax Rate (ETR)	28.6%	27.3%	1.3 pts

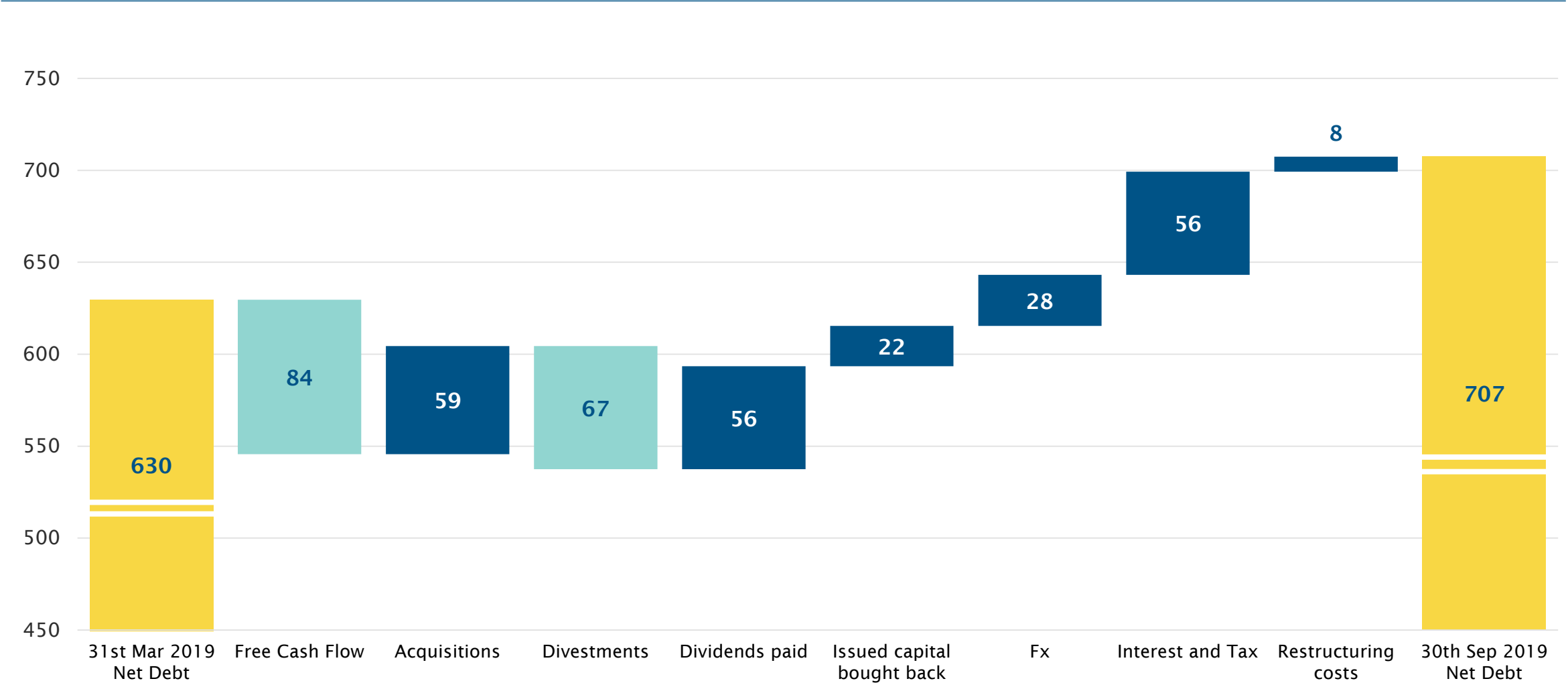
## H1 FY20 vs H1 FY19

- Increase in underlying ETR driven by changes to the anti-hybrid interest deductibility rules in Australia
- Treatment of tax startup costs for green field operations

## Outlook FY20

- ETR is anticipated to be ~29% on an underlying basis

# Net Debt Evolution





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