Bruce Phillips

Chairman

ALS Limited ACN 009 657 489

Annual General Meeting

10:00am on 26 July 2023

2023 financial year (FY23) performance

Ladies and gentlemen, the 2023 financial year (FY23) represented a record performance by our global business. The Company continued to demonstrate its resilience in operating through challenging periods of global instability, high inflation, and economic uncertainty.

It has been very rewarding for the board to work with the management team to navigate the business through these formidable times and see us emerge even more resilient.

FY23 was highlighted by a record year in underlying NPAT of $320.6 million, up 23.4% vs the prior corresponding period, which exceeded the top end of our upgraded market guidance.

Underlying revenue from operations for the consolidated Group saw a 19.5 per cent increase over 2022, with associated organic growth of 10.8%. In terms of Underlying EBIT, the business showed a 21.8% improvement. The Company paid a total dividend for the year of 39.7 cents per share, up 21.0 per cent.

This very pleasing performance was underpinned by the contribution of our two largest businesses, Geochemistry and Environmental, which delivered industry-leading growth and improved margins for the Group, despite the difficult trading conditions.

The strong performance was a meaningful step towards the objectives of the new five-year strategic plan.

Capital allocation

The Group continued its disciplined and proactive approach to capital management during the year, balancing investment in growth with returns to shareholders.

Overall capital expenditure increased by 27% (versus PCP) as the Group invested in strategic organic growth opportunities across the Life Sciences and Commodities divisions. Investment in acquisitions will continue to be a focus in the future, with a robust pipeline of opportunities continually being evaluated.

The balance sheet remains strong, with an improved leverage ratio of 1.8x and available liquidity of $423 million, including $336 million of undrawn bank facilities (as of 31 March 2023). Pleasingly, 80% of total drawn debt is fixed at an average interest rate of 2.9%.

Strategy

Following the successful completion of the previous 5-year strategic plan at the end of FY22, the Group provided a new plan to continue the transformation of ALS into a market leader in the global Testing, Inspection and Certification industry.

The plan consists of a series of strategic growth priorities, with an emphasis on investments to capitalise on industry megatrends linked to Sustainability and Life Sciences, as well as rebalancing the portfolio into higher margin businesses.

The aspirational financial targets set to be achieved by 2027 include growing revenue to $3.3 billion, underlying EBIT to $600 million, and maintaining a Group margin floor of 19%. In addition, the Group aims to keep cash conversion above 90%, and continue to improve the return on capital above 20%.

The TIC Industry in which we operate has several megatrends which are driving the long-term growth for our industry. Megatrends such as increased regulation, client outsourcing, transition to renewable energy, and digitalisation of technology, underpin our Company's future growth plans.

The Group's strong focus on our people, culture of innovation, and collaboration, provides the necessary support to achieve this growth agenda.

Safety and sustainability

At ALS, our most important core value is that "We Are Safe." The safety and health of our employees, and the communities in which we operate will always be our primary focus.

As we know, Safety is not just about preventing physical harm, but also preventing psychological harm. As we continually strive to provide an environment where our people can achieve their best, we will continue to work together to create healthy, inclusive, and respectful work environments and cultures.

In FY23, we achieved our best-ever total recordable injury frequency rate and maintained our position as the industry-leader in safety. We intend to also become the leader in our industry in ensuring that our employees around the world feel as psychologically safe as they do physically safe.

As a global leader in scientific analysis, our purpose at ALS is helping make the world a better place. Our Vision, "In Pursuit of a Better World for All", lays the foundation for our approach to sustainability. It means we seek to protect our planet for future generations.

Last month, following World Environment Day, we published the latest edition of our Sustainability Report which sets out our People, Environmental, Social, and Governance visions, and their related FY23 achievements.

During the year, we reduced carbon intensity by 10%, achieved carbon neutrality for scope 1&2 emissions (against our 2020 baseline), and developed a roadmap to achieve Net Zero emissions by 2050.

We remain committed to the continued integration of sustainability into all aspects of the business, and ensuring all our stakeholders continue to benefit from our growth and development.

Our sustainability strategy continues to align with, and support, the advancement of the United Nations Sustainable Development Goals (SDGs), which seek to address the world's most important economic, environmental, and social challenges.

Shareholders can be proud of ALS' A$2.4 billion economic contribution to the communities in which it operates. These significant contributions take many forms: local employment, business suppliers, science and education programs, social projects, government taxes for the benefit of broader communities, and of course dividends to shareholders.

Remuneration

Turning now to remuneration results. After setting the new five-year strategy, which involved significant changes to the scope of work for our Executive Key Management Personnel, the board engaged external remuneration experts to ensure our settings remained competitive in the international markets in which we operate.

This resulted in Executive KMPs receiving increases in fixed remuneration ranging from 3% to 15%, and an increase in their LTI opportunity from 60% to 110%. STI opportunities remained the same at 60% at target. These changes reflected benchmarking against both relevant industries, and our geographic peers, and importantly reflect the Board's strategy to weight incentives to equity and long term objectives aligned with positive shareholder outcomes.

Our strong performance against the Financial, Strategic, and ESG KPIs resulted in commensurate STI vesting outcomes ranging between 38% and 96% of maximum. This outcome was driven by outperformance against financial targets, particularly underlying EBIT and NPAT within the Minerals segment; and at the corporate level, strong cash and debt management, strong safety and sustainability outcomes, and consistent progress against key non-financial strategic objectives.

With respect to the LTI program, the excellent sustained performance against each of the four performance measures (absolute growth in EPS and ROCE; and relative performance against peers in EBITDA margins and TSR) over the three-year period resulted in the 2020 LTI Awards vesting at 100%.

Later in the meeting, we will most likely see a strike against the FY23 Remuneration Report. While approximately 72% of shareholders approve the remuneration report, there is a considerable 28% vote against. As you would expect, we had previously engaged with the latter shareholders to listen to their concerns.

They predominantly relate to the "one-off" grant of retention payments to two unsuccessful internal CEO candidates, a 38% (of maximum) STI discretionary award to our Head of Global Food & Pharma, and the continuation of existing LTI entitlements to the past CEO.

Each of the shareholder concerns were a result of the sudden changeover of CEO and the Board's desire for a smooth transition to minimise any adverse impact on the Company's strategic objectives. Whilst the Board's objectives have been achieved to date, we understand shareholder concerns and will work hard over the next year to engage earlier with stakeholders with respect to any unusual remuneration events.

In FY24, remuneration adjustments will understandably be more modest. For Executive KMPs, fixed remuneration will only receive an inflation adjustment reflecting CPI in their home countries, ranging between 4% and 5%. There will be no increase in LTI percentages, and a small increase in STI from 60-70% for the majority of KMPs.

Limited

Non-executive Director (NED) base retainer fees have been increased by 4.5%, reflecting CPI increases to remuneration across the group. Due to the increased complexity of the global business, and the associated workload of Directors, and to give flexibility for overlap of Director tenures as we manage Board succession, we are seeking shareholder approval today to increase the cap on the number of Directors from 8 to 12 under the company's Constitution. No increase in the fee pool is being sought to accompany this proposal.

Outlook

As is our tradition, today we announce our profit guidance for the first half of FY24. With the usual caveat around no significant change to our operating environment, we expect UNPAT to fall in the range of A$150-155 million. CEO, Malcolm Deane will provide more detail on the outlook in his presentation.

Conclusion

Finally, this is a day where the board and management not only report to you as our shareholders, we also acknowledge and thank you for your continued loyalty and support of our business and its objectives.

In return, I am sure you join me in thanking my colleagues on the board, the management team, and indeed all the talented and dedicated people across our company, for their hard work and commitment during what was a very busy and successful year.

On an entirely personal level, it is with mixed feelings that I advise after completing nine years of service, eight as your Chairman, I will not be seeking re-election at the 2024 AGM. As you would expect, succession planning for the chair role is already well advanced, as is the ALS way. I now hand over to our new CEO Mr Malcolm Deane, who will provide further detail on our FY23 operational performance and the outlook for the first half of FY24.

Thank you.