

28 May 2015

ALS FY2015 result in line with guidance

Final dividend 10 cents per share

ALS Limited (ASX Code: ALQ) today announced an underlying net profit after tax¹ of \$135.4 million for the year ended 31 March 2015.

The result was 21% lower than the \$171.9 million underlying profit of the previous year, delivered in very challenging global market conditions. Revenue from continuing operations increased from \$1,384 million in FY2014 to \$1,422 million in FY2015.

The FY2015 statutory result was a net loss after tax² attributable to equity holders of the Company of \$174.5 million compared to a net profit after tax of \$154.4 million recorded in FY2014. The statutory loss was due to non-cash impairment charges of \$290.6 million after tax primarily against the Company's oil and gas investments.

A full reconciliation from underlying net profit after tax to statutory net loss after tax is provided in the attached appendix.

Dividend

Directors have declared a final partly franked (25%) dividend for the year of 10 cents per share (2014: 20 cents, 50% franked) to be paid on 1 July 2015. This brings the total partly franked (average of 17.1%) dividend for the year to 21 cents per share (2014: 39 cents, 50% franked).

The Record Date for entitlement to the dividend will be 11 June 2015. The Company's dividend reinvestment plan (DRP) will operate for the final 2015 dividend at no discount to market price. The DRP shares issue price is to be calculated based on the volume weighted average price of ALQ shares sold over the 5 trading days following the last DRP Election Date. The last date to sign up for the DRP is close of business on 12 June 2015 (Election Date). The dividend will include conduit foreign income of 7.5 cents per share.

The shares to be issued to DRP participants will be acquired on-market. Therefore, there will be no dilutive effect to existing shareholders, recognising that in recent years the DRP has been funded from new share allotments.

¹ attributable to equity holders of the Company, and excluding impairment charges, amortisation of acquired intangibles, restructuring and related costs and acquisition costs

² including impairment charges, amortisation of acquired intangibles, restructuring and related costs and acquisition costs

Overview of FY2015 Result

The Chairman, Nerolie Withnall said the result represented a solid outcome in current market conditions and demonstrates that the Group's focus on its cost base, maximizing market share, and continuing to execute its long-term strategies of market sector and geographical diversification is working.

"Markets for our services remain challenging in an environment of falling commodity prices and a strong cost focus from most clients. "

The Group's underlying financial performance by division for the year to 31 March 2015 is summarised as follows:

Financial Results <i>In millions of AUD</i>	Revenue			Underlying EBIT		
	FY15	FY14	+ / -	FY15	FY14	+ / -
ALS Minerals	367.4	425.9	-13.7%	73.4	102.1	-28.1%
ALS Life Sciences	557.4	527.3	+5.7%	98.1	94.4	+3.9%
ALS Energy	307.4	247.9	+24.0%	36.9	53.5	-31.0%
ALS Industrial	190.0	182.9	+3.9%	28.3	26.4	+7.2%
Reward Distribution**	70.5	119.4	n/a	1.3	2.7	n/a
Total segments	1,492.7	1,503.4	-0.7%	238.0	279.1	-14.7%
Net financing costs				(33.1)	(26.8)	
Foreign exchange gains				5.9	3.5	
Other corporate expenses				(20.6)	(19.8)	
Income tax expense				(53.0)	(61.9)	
Net profit attributable to minority interests				(1.8)	(2.2)	
Underlying * net profit after tax				135.4	171.9	-21.2%

* attributable to equity holders of the Company, and excluding impairment charges, amortisation of acquired intangibles, restructuring and related costs and acquisition costs.

** The Reward Distribution business was divested in October 2014.

Commenting on the full year result, Managing Director, Greg Kilmister said that the operating profit in both the Life Sciences and Industrial Divisions showed some improvement over last year, whilst the more cyclical, resource exposed Minerals and Energy Divisions saw EBIT deteriorate in line with market movements.

"Geochemical and Metallurgy sample volumes in ALS Minerals declined during the year with North and South America the most affected.

While ALS Life Sciences and ALS Industrial achieved small organic revenue gains during the year ALS Energy's revenue growth reflected the first full 12 months' contribution from the Oil and Gas business."

Contribution margins remained under pressure from competition across all business streams but the impact of this was buffered by the Group's focus on managing costs to suit market conditions.

"Market conditions are unlikely to change in the short-term and management remains focused on ensuring our operating model and strategies are aligned to market conditions."

Divisional overview

Life Sciences

The division's focus on client retention and business development were the key drivers of increased revenue and contribution. Underlying EBIT margin fell slightly to 17.6% in a challenging economic climate; a good result in the face of aggressive price competition. While markets for services remained relatively subdued in Australia and Canada, ALS took advantage of organic growth opportunities in other regions with the South American and European businesses being successful in winning important contracts. A strong emphasis on cost control and market share growth was maintained globally throughout the year. ALS Food & Pharmaceutical business delivered strong growth in revenue and earnings particularly in the UK reflecting a focus on developing brand recognition to grow market share.

The general economic environment continues to be very price-sensitive requiring the business to make the cost adjustments necessary to continue its growth in existing markets. The business remains focused on service delivery and performance (turnaround time and quality). Upgraded and new environmental facilities recently established in Brazil, Chile, Peru, China and Indonesia will provide additional capacity for new project work. Development of ALS's global food and pharmaceutical testing business continues with the completion of new laboratories in England and Denmark together with implementation of its laboratory information management system. In April 2015 the Group completed the acquisition of ControlVet which is the premier full service food testing laboratory in Portugal and has a presence in Spain and Poland.

Minerals

The Division continued to respond through a three-pronged approach of cost base management, service optimisation and strategic business development, delivering sound profit margins. The deterioration in market conditions appears to have slowed to the extent that we expect a stable environment during FY2016.

The fall in demand for services led to increased competitive forces and pricing pressure in all regions for the Geochemistry business stream. Cost flexibility provided by the business's hub and spoke model ensured that its cost base continued to move in line with declining volumes and revenues. Effective short and long term marketing strategies and a consistent emphasis on service quality led to an incremental growth in global market share. And the continued pursuit of new technology reinforced the technical leadership position occupied by ALS Geochemistry.

Weak demand also impacted ALS Metallurgy during the year across both of its major regions – Australia and North America – with revenue declining 24% from the previous year. Demand for the services provided by ALS Inspection to the downstream metal trading sector has been less affected by softer commodity prices than the upstream exploration and development phases serviced by our other Minerals business streams. With strategic business development activity starting to bear fruit, ALS Inspection delivered a small increase of 4% in revenue during the year. The success of cost reduction initiatives led to improved profit margins during the year as EBIT contribution increased to 26%.

Energy

The oil and gas sector experienced a marked decline over the year with oil prices falling 50% over the course of the year including a drop of more than 40% from September 2014 to March 2015. The resultant lowering of industry activity levels and forward curve oil price expectations has led to the Group recognising a significant non-cash impairment against the carrying value of its oil and gas investments.

Revenue in ALS Energy was 24% ahead of the previous year primarily because it was the first full year for the Oil & Gas business (8 months in FY2014). However, EBIT contribution fell due to lower volumes and tighter pricing in both the Coal and Oil & Gas business streams. While the Australian Coal services operations managed to exceed internal EBIT expectations, falling demand in other regions led to a 51% reduction in ALS Coal's contribution compared with the previous year.

The Oil & Gas business stream suffered from the sharp decline in oil prices and activity during the second half of the year despite winning some significant contracts. The North American region was the worst affected and the business is focussing its development efforts on the Middle East, Africa and Europe. Oil prices are expected to remain flat during the coming year.

Upstream oil and gas markets remain very attractive to ALS and we are confident of achieving our long-term goals in the sector. A series of restructuring and refocusing projects were commenced in ALS Oil and Gas in the second half of the year. These include the centralisation of management in Houston Texas and cost management initiatives such as the relocation and rationalisation of a number of operational sites and an accelerated integration of business processes within the broader ALS Group. Strategic development plans were modified to adapt to the rapidly changing business environment and are currently being implemented for all components of the business.

Industrial

The Industrial Division delivered revenue growth during the year with the Asset Care business flat and the Tribology business stream growing by 16% on the previous year. Contribution margin improved in the Tribology unit but fell away slightly in the Australian region of Asset Care. The AIT (Asset Care, USA) and Oilcheck (Tribology, Australia) businesses acquired in October 2013 both performed in line with expectations.

With 95% of revenue generated in Australia, the Asset Care business experienced a challenging year due to further weakening of the Australian energy and resources sector. The mining, power and oil & gas sectors further increased the focus on cost management and cost deferral. Throughout the year, softening in the welding and fabrication markets continued due to ongoing reduction in capital programs in the energy and resources sector. The business experienced a 25% reduction in revenue in this sector resulting in significant impact to margins because of the relatively high proportion of fixed site costs. This was partially offset by two large asset integrity projects resulting from significant plant failures in the mining sector and a major oil & gas refinery outage. The liquefied natural gas (LNG) construction projects at Curtis Island, Queensland were the largest driver of revenue growth. Targeted project margins were achieved. Pleasingly, ALS was awarded a significant contract associated with the Wheatstone project that commenced in March 2015.

The Tribology business delivered revenue and EBIT growth in all three markets – North America, Australasia and South America. Mining market share and market size growth underpinned Australasian performance. Increased mine production resulted in an increased requirement for condition monitoring services which was partially offset by pressure on price. North America growth came from increased revenue from major accounts, specialist testing and an increase in market share. A well-managed capital upgrade program is positively impacting both turnaround time and quality.

Acquisitions and Divestments during FY2015

During the year the Group expanded and diversified its technical service capabilities through acquisitions in the following industry sectors and geographies:

- technical services and equipment to the Oil & Gas industry in the USA and Canada;
- Food Testing in the United Kingdom; and
- Water Analysis in Australia.

The Group sold the Reward Distribution hospitality supplies segment in October 2014. The transaction represented the divestment of the only remaining business operating outside the Group's core testing and inspection services.

Outlook for FY2016

The Group is committed to maintaining the strong and sustainable growth strategies which have made it a successful global company.

Despite the impairment to the Company's oil and gas investments taken in FY2015, the upstream oil and gas markets remain very attractive to ALS and we are confident of achieving our long-term goals in the sector. The Group will continue to implement its oil and gas strategies including the opening of a large new laboratory in Houston, Texas in the second half of FY2016.

The Life Sciences division has plans to acquire small food testing businesses in Europe and North America to complement the acquisitions made during FY2015.

The Industrial division is engaged in several significant tenders to secure increased market share, while the Minerals division expects to gain ongoing market share through technology leadership, quality and innovative service delivery.

-ENDS-

Further information:

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About ALS Limited

ALS is a global Testing, Inspection & Certification business. The company's strategy is to broaden its exposure into new sectors and geographies where it can take a leadership position.

APPENDIX

2015 \$m	Continuing operations	Discontinued operations	Underlying operating result (1)	Impairment charges (2)	Acquisition costs	Restructuring & related costs (1)	Amortisation of intangibles	Statutory result
Revenue	1,422.2	70.5	1,492.7	-	-	-	-	1,492.7
EBITDA (3)	305.4	1.6	307.0	-	-	(6.8)	-	300.2
Impairments (2)	-	-	-	(292.1)	-	-	-	(292.1)
Depreciation & amortisation	(83.4)	(0.3)	(83.7)	-	-	-	(12.1)	(95.8)
EBIT (3)	222.0	1.3	223.3	(292.1)	-	(6.8)	(12.1)	(87.7)
Interest expense	(33.1)	-	(33.1)	-	-	-	-	(33.1)
Tax expense	(52.6)	(0.4)	(53.0)	1.5	-	(0.4)	-	(51.9)
Non-controlling interests	136.3	0.9	137.2	(290.6)	-	(7.2)	(12.1)	(172.7)
	(1.6)	(0.2)	(1.8)	-	-	-	-	(1.8)
Net profit/(loss) after tax	134.7	0.7	135.4	(290.6)	-	(7.2)	(12.1)	(174.5)
Basic EPS (cents)			33.7					(43.4)
Diluted EPS (cents)			33.6					(43.4)

2014 \$m	Continuing operations	Discontinued operations	Underlying operating result (1)	Divestment losses	Acquisition costs	Restructuring & related costs (1)	Amortisation of intangibles	Statutory result
Revenue	1,384.0	119.4	1,503.4	-	-	-	-	1,503.4
EBITDA (3)	335.7	3.3	339.0	(1.9)	(2.3)	(9.1)	-	325.7
Depreciation & amortisation	(75.6)	(0.6)	(76.2)	-	-	-	(7.0)	(83.2)
EBIT (3)	260.1	2.7	262.8	(1.9)	(2.3)	(9.1)	(7.0)	242.5
Interest expense	(26.8)	-	(26.8)	-	-	-	-	(26.8)
Tax expense	(61.1)	(0.8)	(61.9)	0.2	0.1	2.5	-	(59.1)
Non-controlling interests	172.2	1.9	174.1	(1.7)	(2.2)	(6.6)	(7.0)	156.6
	(1.9)	(0.3)	(2.2)	-	-	-	-	(2.2)
Net profit/(loss) after tax	170.3	1.6	171.9	(1.7)	(2.2)	(6.6)	(7.0)	154.4
Basic EPS (cents)	45.3		45.4					40.7
Diluted EPS (cents)	45.3		45.3					40.7

- (1) The terms Underlying Result and Restructuring & Related Costs are non-IFRS disclosures. They have been presented to assist in the assessment of the relative performance of the Group from period to period. The calculations thereof are based on non-IFRS information and are unaudited.
- (2) Impairment charges include divestment loss in FY2015 and relate to both continuing and discontinued operations.
- (3) EBITDA = EBIT plus depreciation and amortisation. EBIT = Earnings before interest and tax. The terms EBITDA and EBIT are non-IFRS disclosures. They have been presented to provide a measure of the Group's performance before the impact of depreciation and amortisation (i.e. non-cash items) as well as that of interest and tax expenses. The calculations thereof are based on non-IFRS information and are unaudited.