

# Investor Day March 2016

Melbourne Australia  
31<sup>st</sup> May 2016

*All figures stated in AUD unless otherwise stated*



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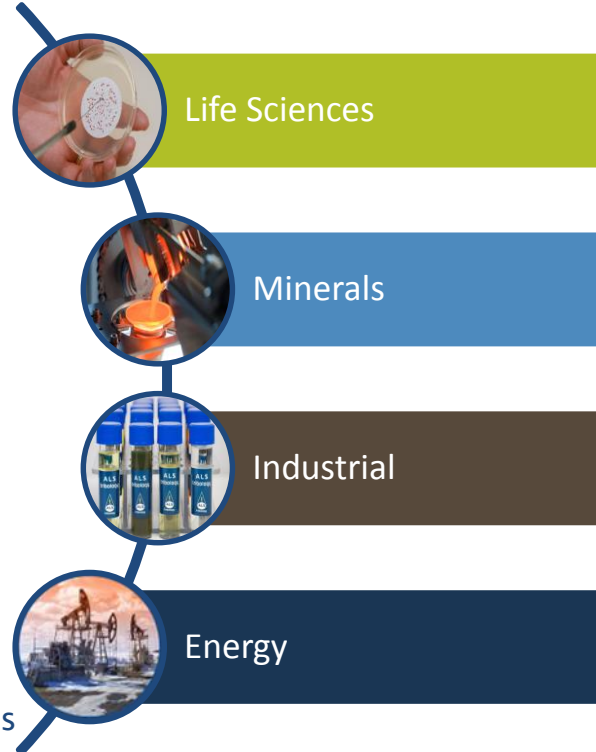
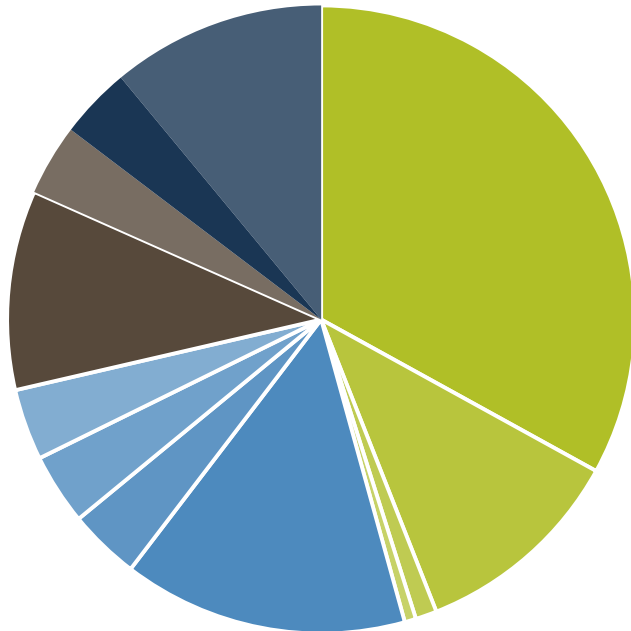


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# ALS Business Streams



FY2016 Revenue

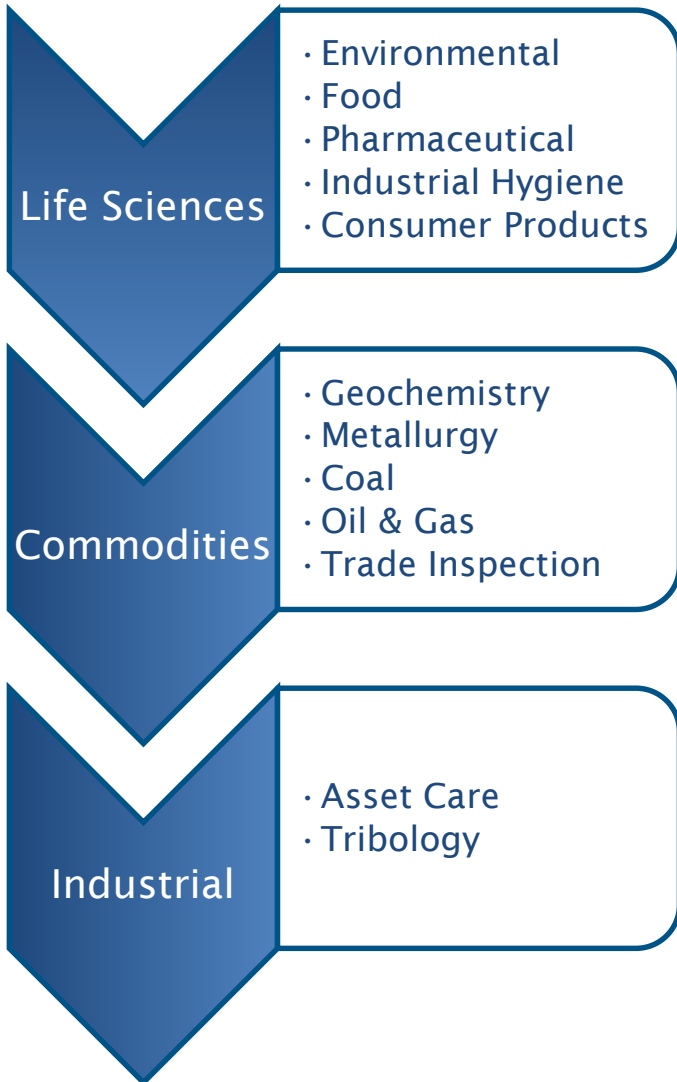


- Environmental
- Food
- Pharmaceutical
- Consumer Products
- Geochemistry
- Mine Site
- Metallurgy
- Trade Inspection
- Asset Care
- Tribology
- Coal
- Oil & Gas

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*Note: the majority of Mine Site work is geochemistry*

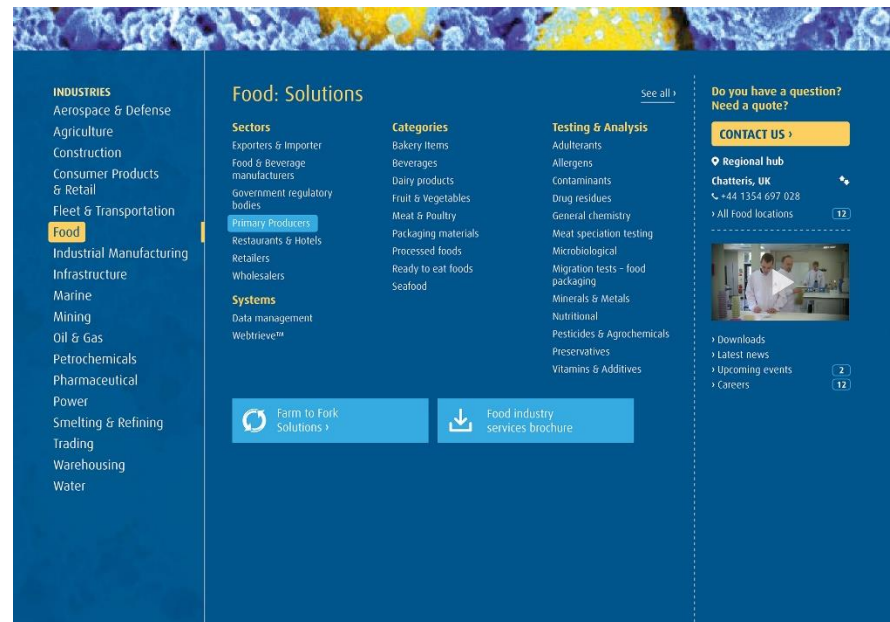
# New Business – structure and end market focus



*How do our end markets want to interact with ALS?*

## “One ALS” Project

- promoting a broad range of services to an end market
- packaging services
- cross business stream ALS portal
- improve and simplify B2B interaction
- leveraging clients across business streams

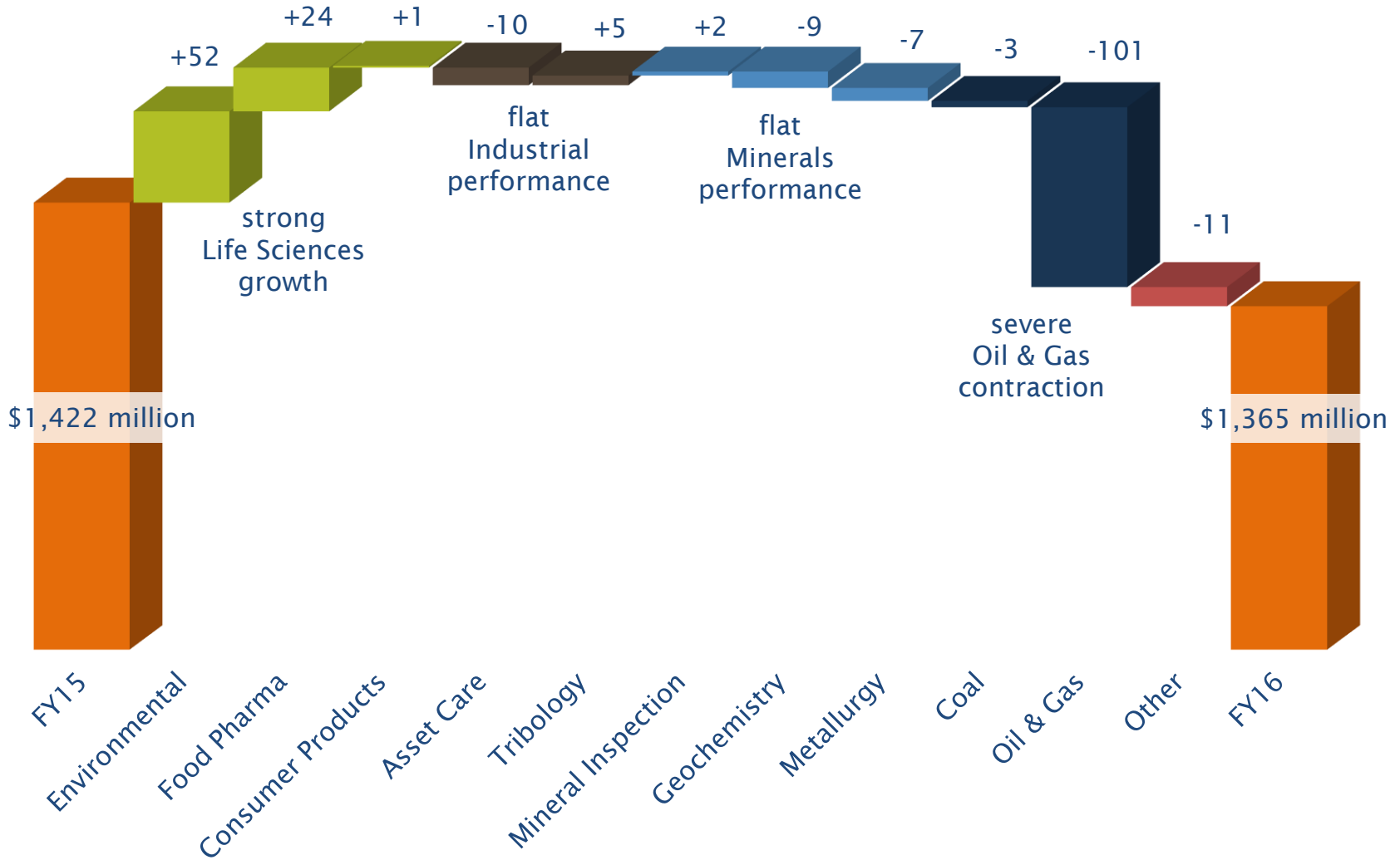


# FY 2016 Financial Summary



Full year	FY15 (\$mn)	Full Year FY16 (\$mn)				
	Continuing Underlying	Continuing Underlying	Impairment Charges	Restructuring & other one off items	Amortisation of Intangibles	Statutory Results
Revenue	1422.2	1364.9				1364.9
EBITDA	305.4	264.3	(317.9)	(13.9)		(67.5)
Depreciation & amortisation	(83.4)	(86.4)			(15.2)	(101.6)
EBIT	222.0	177.9	(317.9)	(13.9)	(15.2)	(169.1)
Interest expense	(33.1)	(34.5)				(34.5)
Tax expense	(52.6)	(42.9)	3.9	2.9		(36.1)
Non-controlling interests	(1.6)	(1.0)				(1.0)
NPAT	134.7	99.5	(314.0)	(11.0)	(15.2)	(240.7)
EPS (basic - cents per share)	31.7	21.7				(52.5)
Dividend (cents per share)	21.0	13.5				13.5

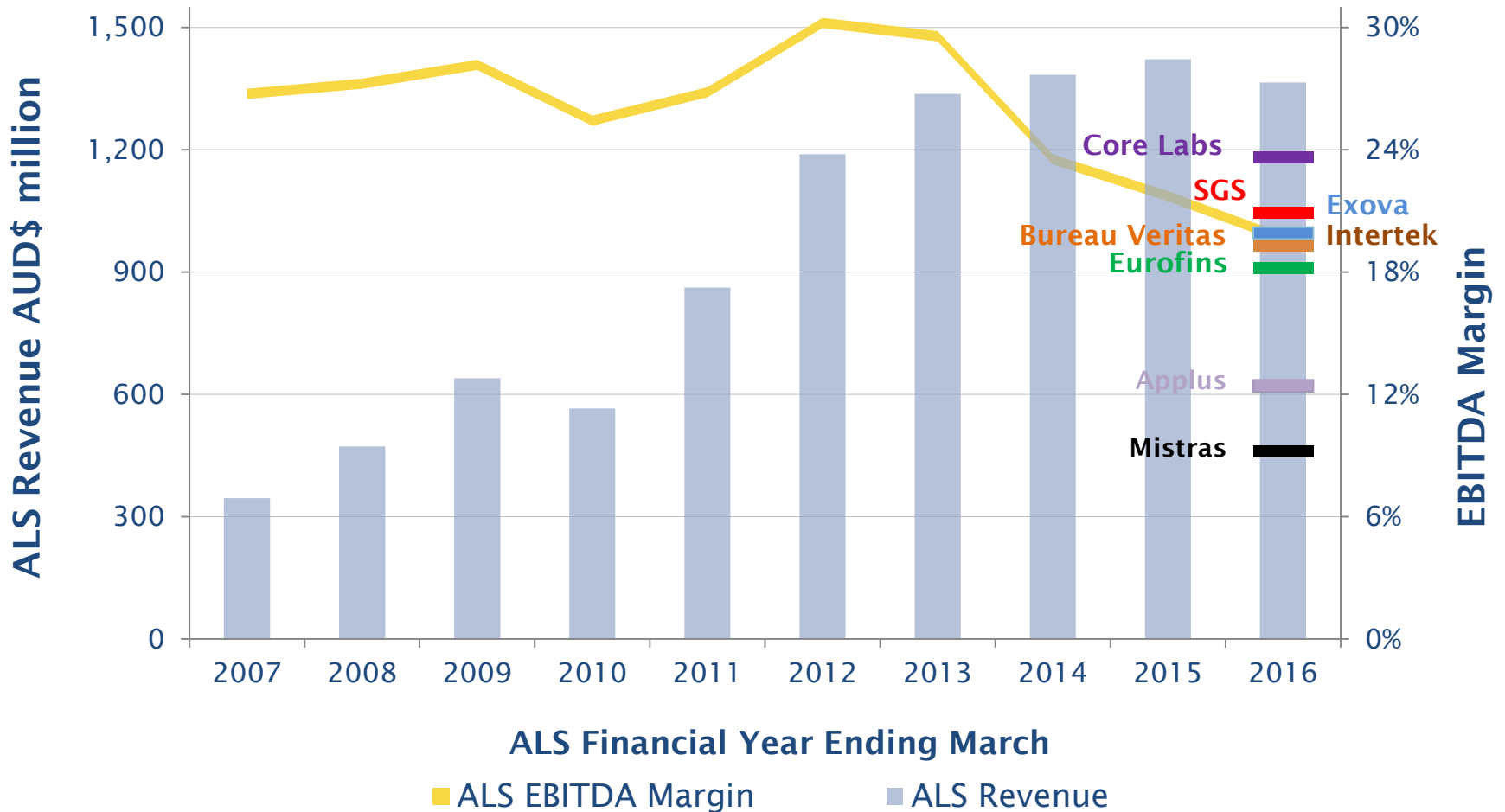
# Revenue Waterfall (AUD\$ million)



# ALS global locations – a strategic asset



# Margin Strong at the Bottom of the Cycle



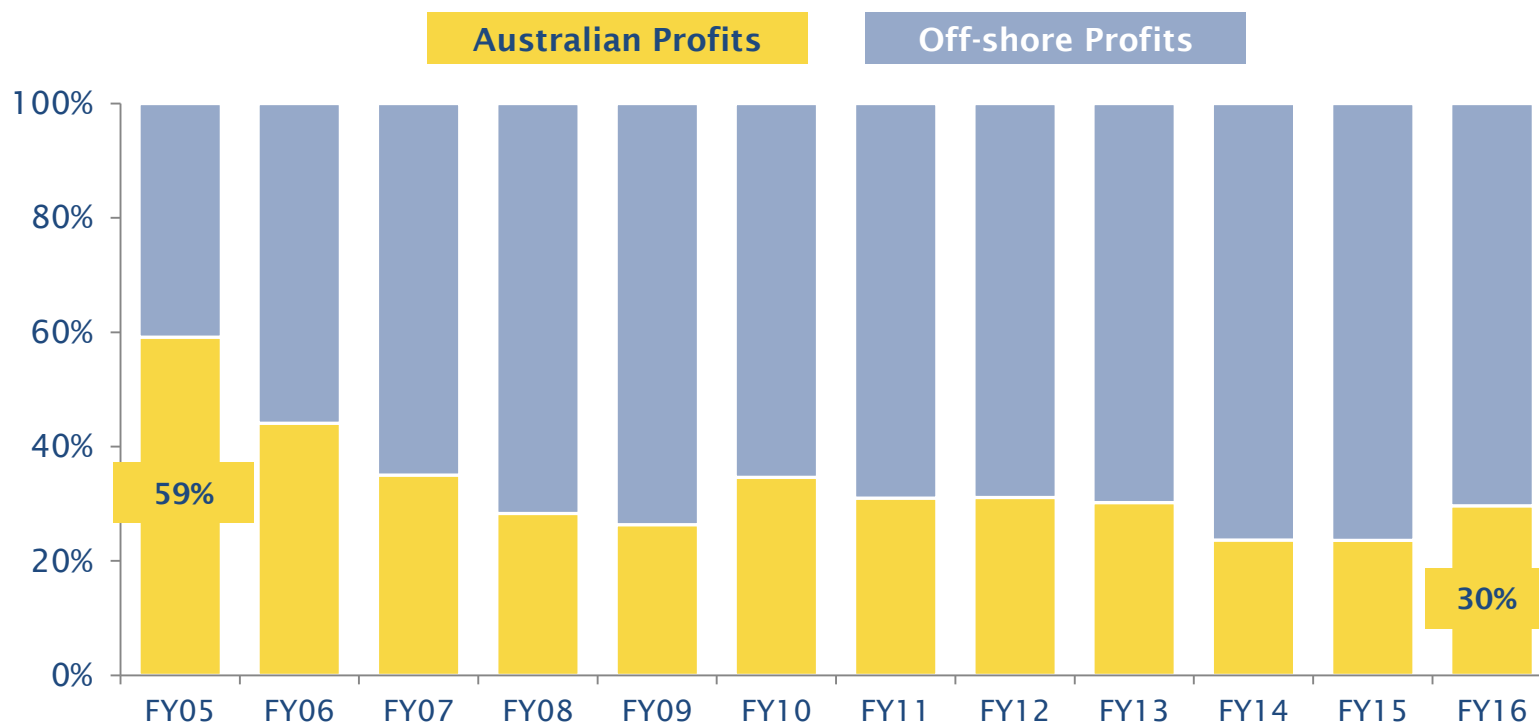
EBITDA Margin for Core Labs, SGS, Intertek, Bureau Veritas, Eurofins, Applus, & Exova is for Calendar Year 2015 and Mistras year ending May 2015. EBITDA Margin & Revenue for ALS includes all corporate expenses. Data for Financial Year ending March 2016 based on current forecasts. EBITDA is underlying EBITDA for all companies.



# Group Taxable Earnings – franking capacity



## Australian versus Off-shore Taxable Profits

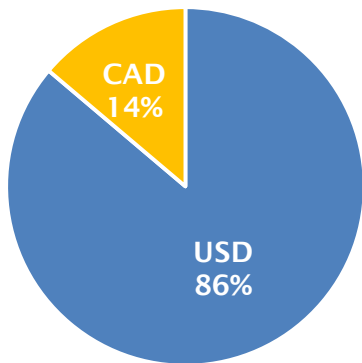


# Debt Metrics

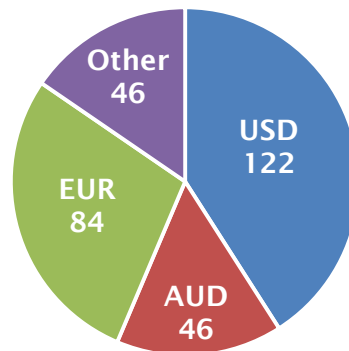


		Mar-12	Mar-13	Mar-14	Mar-15	Mar-16
<b>Statistics</b>						
Gearing Ratio	comfort 45%	29%	29%	34%	38%	27%
Leverage (net debt/EBITDA)	max 3.00	1.0	1.0	2.2	2.5	1.7
EBITDA interest cover	min 3.75	23.9	21.0	12.2	9.1	7.7
<b>Balance Sheet Measures</b>						
Total Equity (AUD mn)		930	997	1,419	1,228	1,186
Net Debt (AUD mn)		370	400	722	762	438

## Debt Denomination

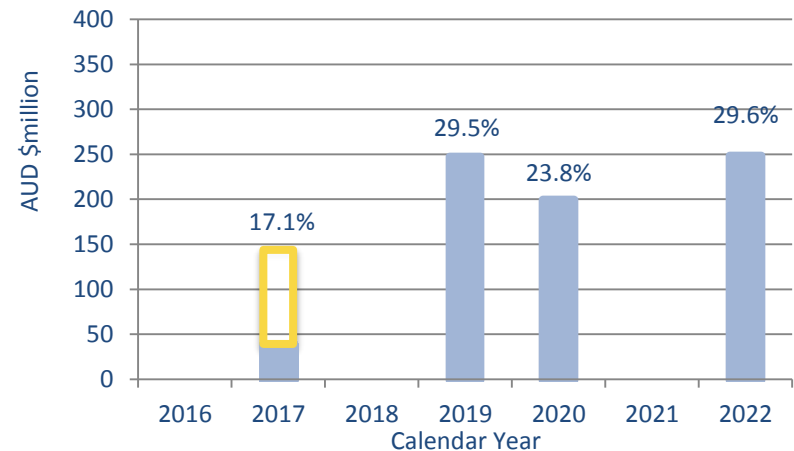


## Cash Holdings AUD mn



## Debt Maturity & Capacity Profile as at March 2016

■ Long Term Debt - USPP Notes    ■ Bank Debt - Undrawn Capacity



# Cash Flow



Full year	FY15 AUD mn	FY16 AUD mn
Underlying operating profit (EBIT)	223.3	177.9
Depreciation & Amortisation	83.7	86.4
Working capital	2.7	(6.3)
CAPEX	(76.5)	(73.7)
Other <sup>(1)</sup>	22.8	5.1
Free cash flow	256.0	189.4
Acquisitions	(30.2)	(22.8)
Dividends paid	(77.9)	(72.0)
Borrowings - movement	(57.0)	(183.2)
Equity Issued	27.2	317.0
Interest and Tax	(89.4)	(73.5)
Restructuring costs	(6.8)	(13.9)
Net increase/(decrease) in cash	21.9	141.0
Opening net cash	136.2	163.0
Effect of FX on cash held	4.9	(6.1)
Closing net cash	163.0	297.9

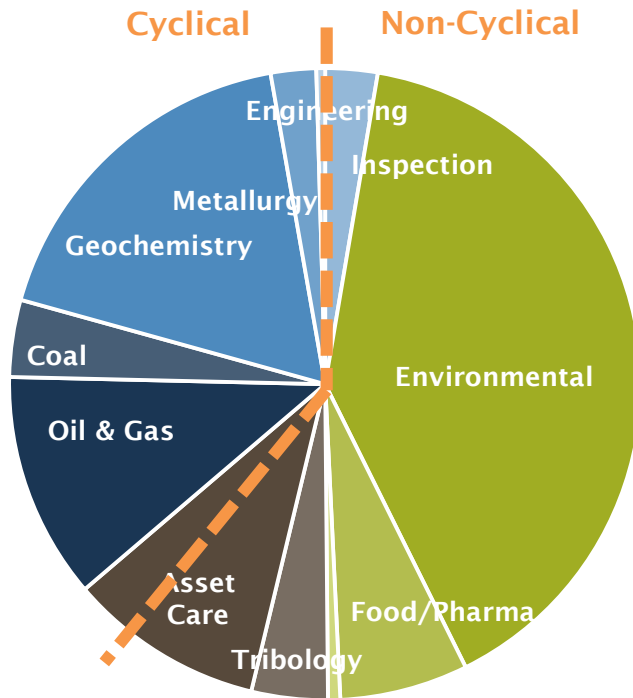
- Cash Flow
  - free cash flow down \$66.6mn
  - EBITDA cash conversion 97.1%
  - CAPEX \$ 73.7mn – 5% of revenue
  - 5 acquisitions - \$ 22.8mn
- Effective Tax Rate
  - 29.9%

<sup>1</sup> divestments and sale of assets

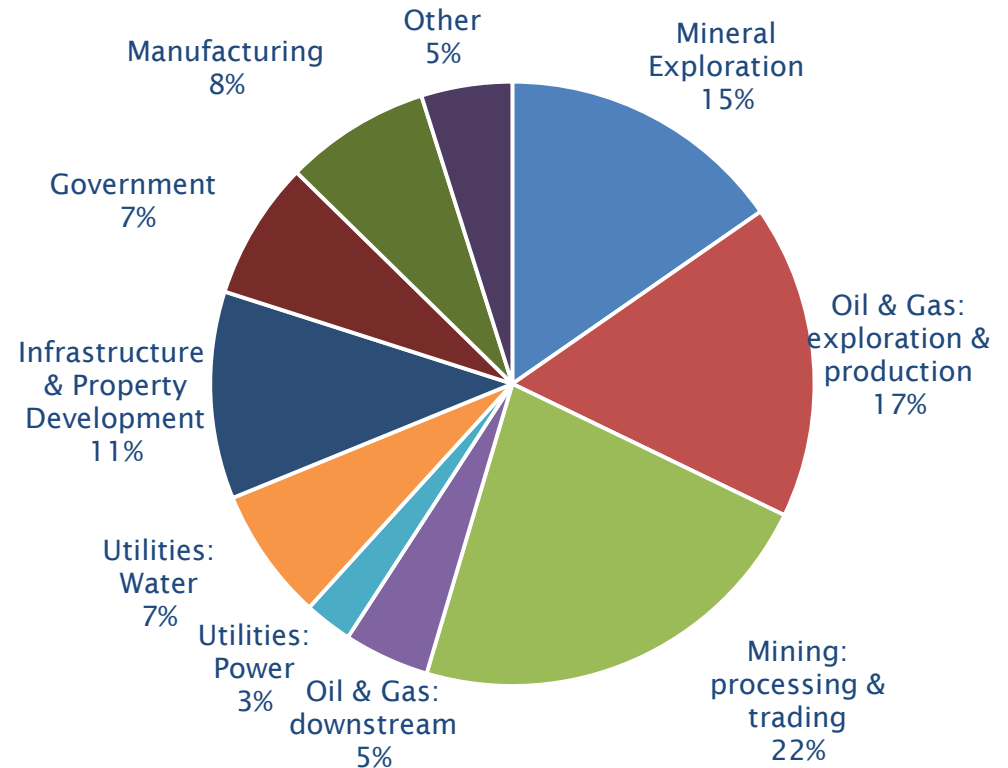
# Strategic mix of revenue



Revenue FY16



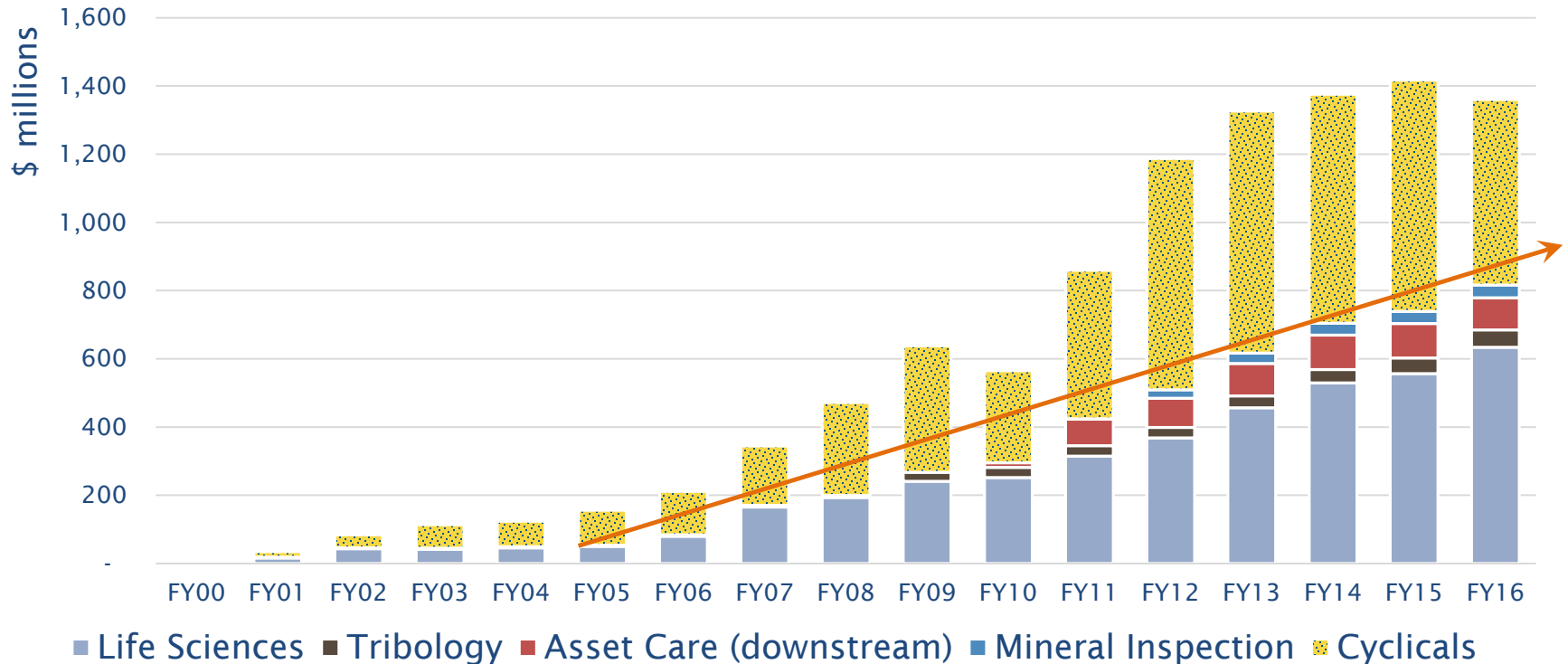
FY16 end-customer sector mix



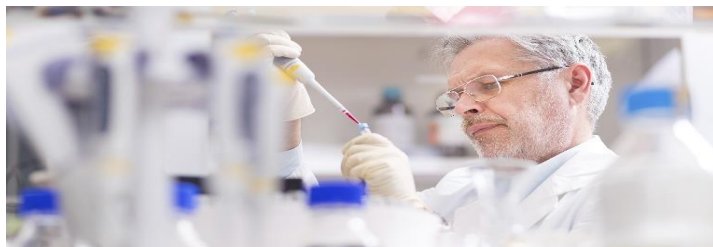
# Strategic mix of revenue



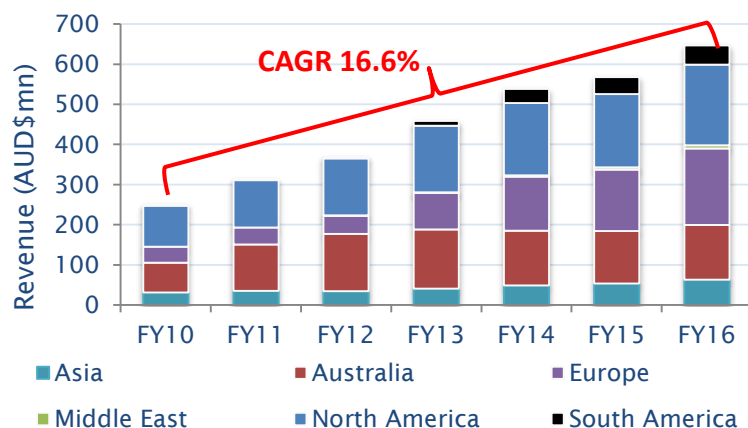
## Revenue



- Multi-year strategy of growing the non-cyclicals to provide reliable underlying earnings
- Maintain geographical scale and market position in cyclicals to provide leverage and outperformance during top of the cycle



	2016	2015	Change
Revenue	\$634mn	\$557mn	+14%
EBITDA	\$145mn	\$130mn	+12%
EBIT	\$110mn	\$98mn	+12%
EBIT Margin	17.4%	17.6%	-20bps



## Overview

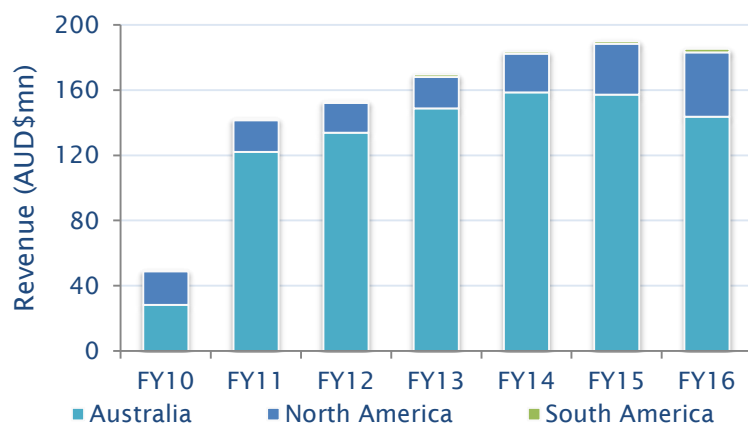
- revenue and EBIT growth in all regions
- Life Sciences revenue up by 14%, with Food/Pharma revenue up 34%
- strong recovery in margin in Australia due to increased market share and cost control initiatives
- new chemistry hub in Chatteris (UK) commissioned and new pharmaceutical hub in Ely (UK) close to completion
- three acquisitions completed during the year
- controlVet acquisition successfully integrated – Iberian Hub
- acquired outstanding 20% shareholding in Latin America Life Science business in January 2016

## Outlook

- continuing organic growth
- bolt on acquisitions in Europe and USA
- investment in South America in anticipation of further market growth
- global cost initiatives to drive margin improvement
- further development in “gate to plate” food strategy



	2016	2015	Change
Revenue	\$186mn	\$190mn	-2%
EBITDA	\$31mn	\$34mn	-10%
EBIT	\$25mn	\$28mn	-11%
EBIT Margin	13.5%	14.9%	-140bps



## Overview

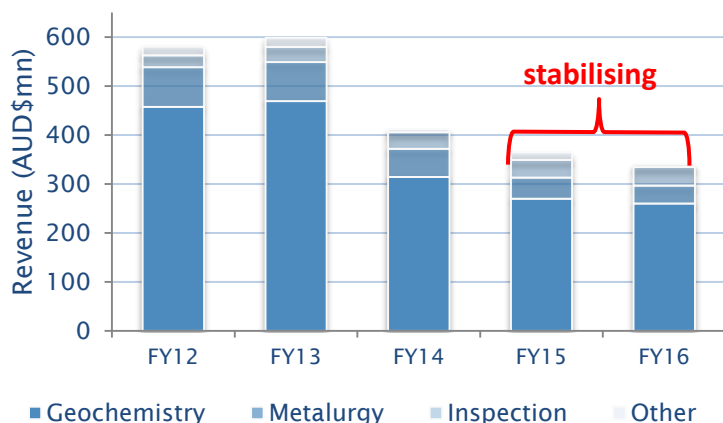
- solid organic tribology growth across all regions
- Tribolab acquisition in Brazil performed in line with expectation for first six months of ownership
- Maverick integration complete and new site opened in Louisiana to expand Gulf Coast footprint
- further decline in Australian welding and fabrication revenue
- severe price pressure in mining, oil & gas and power
- new long term maintenance contracts secured in mining and oil & gas

## Outlook

- continued contraction of the Australian market due to completion of LNG construction projects
- Australian business well positioned to secure additional maintenance contracts in mining and oil & gas
- Maverick acquisition positioning North American business for diversification into downstream oil & gas, petrochemical and power
- market share growth remains the key focus in all regions



	2016	2015	Change
Revenue	\$343mn	\$367mn	-7%
EBITDA	\$82mn	\$97mn	-15%
EBIT	\$59mn	\$73mn	-19%
EBIT Margin	17.2%	20.0%	-280bps



## Overview:

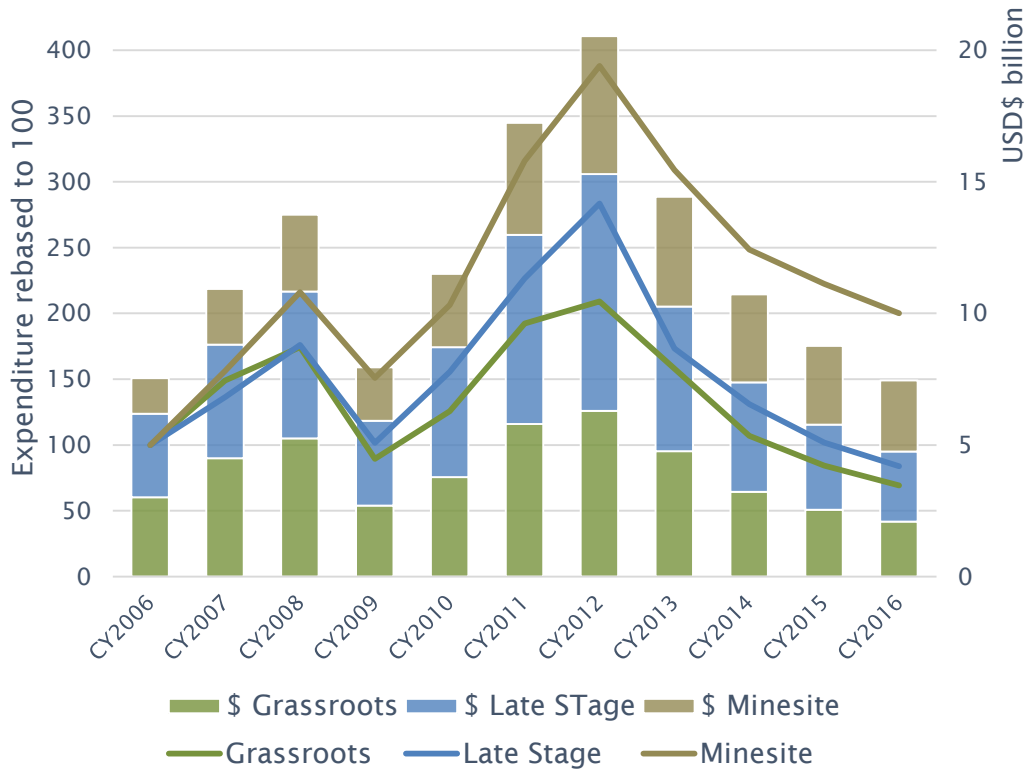
- Geochemistry underlying EBIT margin 19%
- Metallurgy Markets challenging in all regions
- Inspection EBIT margin improved to 27% - some price pressure realised in H2
- Mine Site pipeline continued to grow however project timeline extensions delayed awards.

## Outlook:

- focus remains on Cost Base and Market Share Growth
  - cost base improvements have facilitated price positioning and expect to generate further market share growth
  - new emphasis on Productivity and Efficiency with both incremental and step change programs in place
- price pressure easing in some Geochemistry markets in line with increased seasonal activity, but remains in Metallurgy sector and is increasing in Inspection.
- closer operational relationship between coal and mineral Inspection Service lines expected to deliver growth opportunities via expanded footprint.

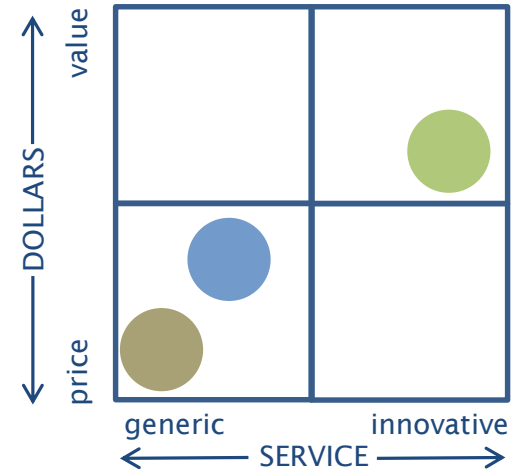


## Market Trends

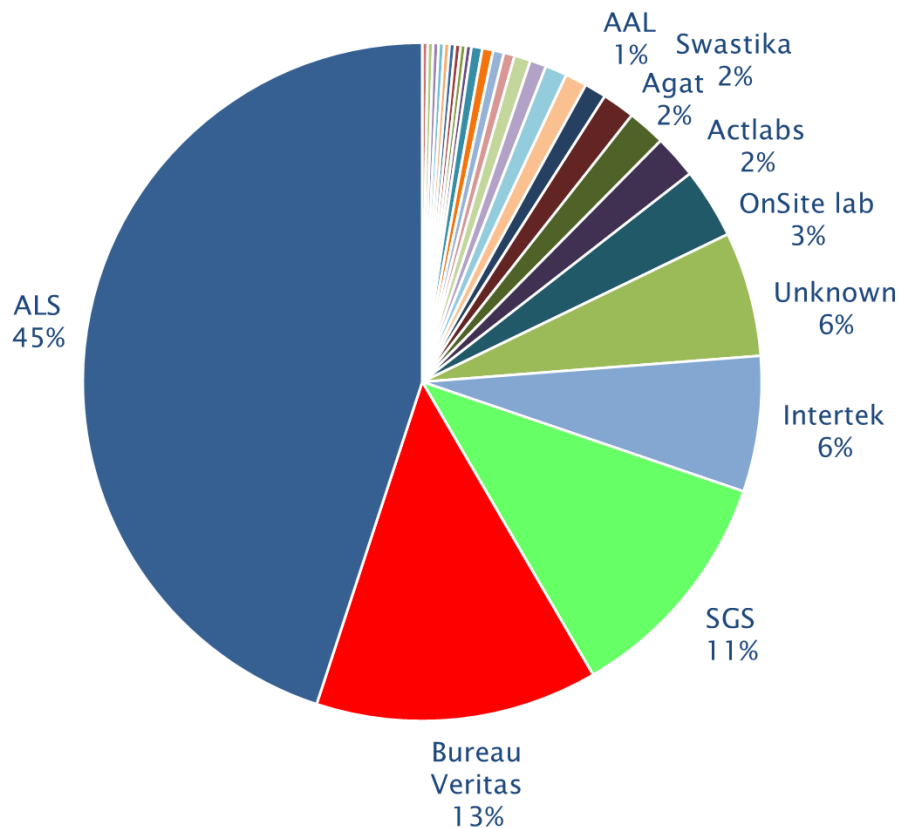


Source: SNL Data

## Analytical Spend Drivers



- ALS continued investment to maintain technical capabilities and feed innovation to high end value added services
- ALS focus on systems, productivity and cost base to maintain volume in generic services market sector



## SNL Data

- calendar years 2014 and 2015
- ten best intersections reported for gold, copper, lead, zinc, silver and nickel per quarter
- 387 reported intersections analysed
- ALS estimate of analyzing laboratory for each reported intersection
- number of reports per region
  - North America - 167
  - Asia & Pacific - 88
  - South America - 58
  - Africa - 50
  - Europe - 23
  - Middle East - 1

ALS leveraged to inevitable market recovery



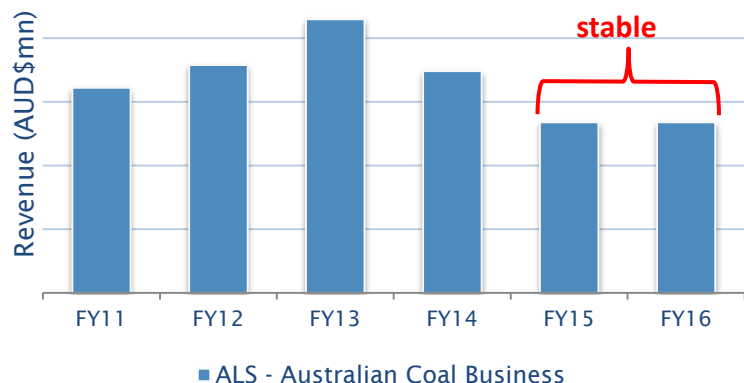
## Overview – Oil & Gas

- global Oil & Gas markets remain volatile
- pricing pressure and delayed projects
- new products introduced and gaining market acceptance
- Cedar Turbine
- QuickCapture V2
- Houston laboratory fully commissioned and gaining market traction
- changed coring operating model to reduce fixed cost base
- continuing efforts to “right size” all business streams
- consolidating locations globally

## Overview - Coal

- solid performance in Australia – revenue flat pcp
- revenue growth in Production and Superintending services with stable margin
- Bore Core (exploration) further decline with significant pricing pressure
- market leader in Australia in
  - coal technology
  - exploration
  - production
  - shipping services

	2016	2015	Change
Revenue	\$203mn	\$307mn	-34%
EBITDA	\$14mn	\$59mn	-77%
EBIT	-\$8mn	\$37mn	-123%
EBIT Margin	-4.1%	12.0%	-1610bps



# Life Sciences Division



Lima



Singapore



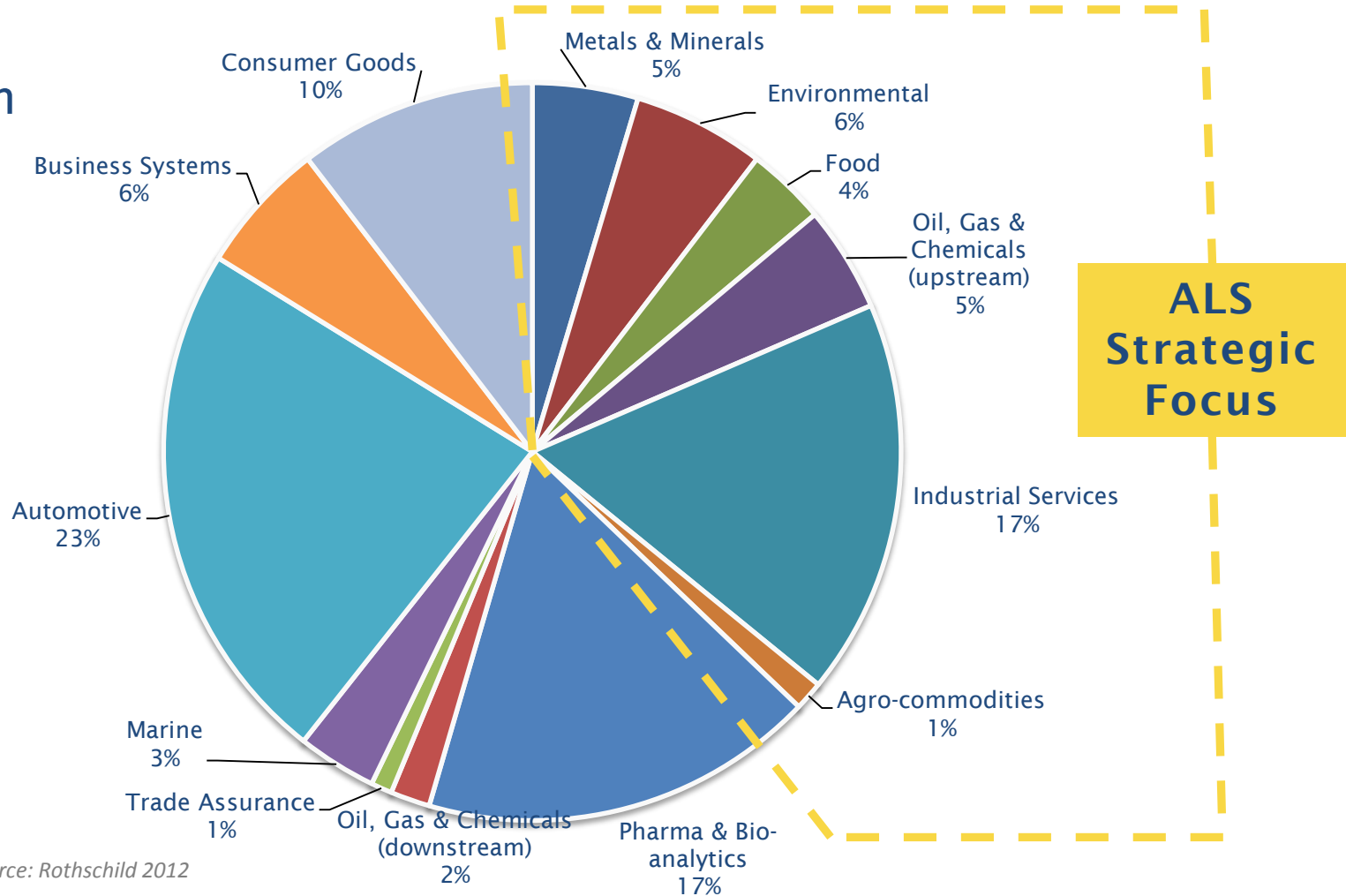
Bangkok



Raj Naran  
Group General Manager  
Life Sciences

Testing  
Inspection  
Certification

## TIC - Available Market 2016



# Key Dynamics - driving growth in TIC Industry



## outsourcing of non-core activities

- increasing sophistication and automation of TIC programs combined with a shortage of skilled professionals and stricter regulations, has caused companies to outsource non-core activities
- companies looking for 3<sup>rd</sup> party providers with a proven safety record and “technical know-how”
- outsourcing trends are expected to accelerate, driven by cost, time-to-market and increased credibility of 3<sup>rd</sup> party providers

## meeting safety regulations

- increasing sensitivity of public opinion to risk management continues to drive strengthening and convergence of Quality, Health, Safety and Environment regulations
- owners and operators of infrastructure assets increasingly face strict government regulations and safety requirements driven by recent failures
- failure to meet safety standards can result in financial liabilities and tarnish brand value

## growing end markets

- trend of moving up the value chain (upstream) to provide testing at the point of production
- advances in innovation coupled with rapid technological progress by customer may create demand for more testing while life-cycle management will become the predominate approach to managing infrastructure systems
- retailers are using shorter product cycles, and quicker inventory turns

## expanding geographies

- globalisation and the demand for low-cost sourcing from emerging markets has required greater scrutiny of quality along an increasingly complex supply chain
- the new middle-class rising in emerging markets is demanding higher quality safety standards
- North America will continue to be a driver of incremental demand as companies seek to partake in secular growth driven by the shale gas boom

## aging infrastructure

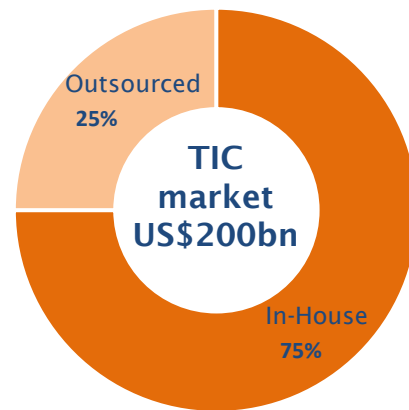
- prohibitive cost / challenge of building new infrastructure has caused significant aging of existing infrastructure and companies are looking for ways to extend the useful life of existing assets
- large, growing market as companies increase spending and frequency of maintenance / repair
- North America is evolving to be a net exporter of oil. That process will require both current infrastructure to be upgraded as well as investment into new facilities

increased outsourcing and more stringent regulations are catalysts for growth

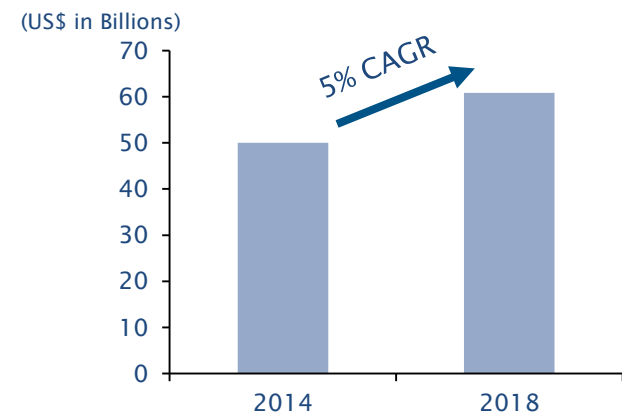
## Commentary

- increasing regulations and complexity of testing functions have made outsourcing more appealing
- concentration on core competencies with a greater focus on efficient use of capital
- time to market – outsourcing allows for quicker turnaround times, reduces costs and is vital in markets with shortening product lifecycles
- the TIC industry is highly driven by increasingly stringent regulatory requirements, with Europe traditionally leading the way
- catalysts for new regulation / legislation including emerging market food testing

## TIC Outsourced Market



Source: Wells Fargo

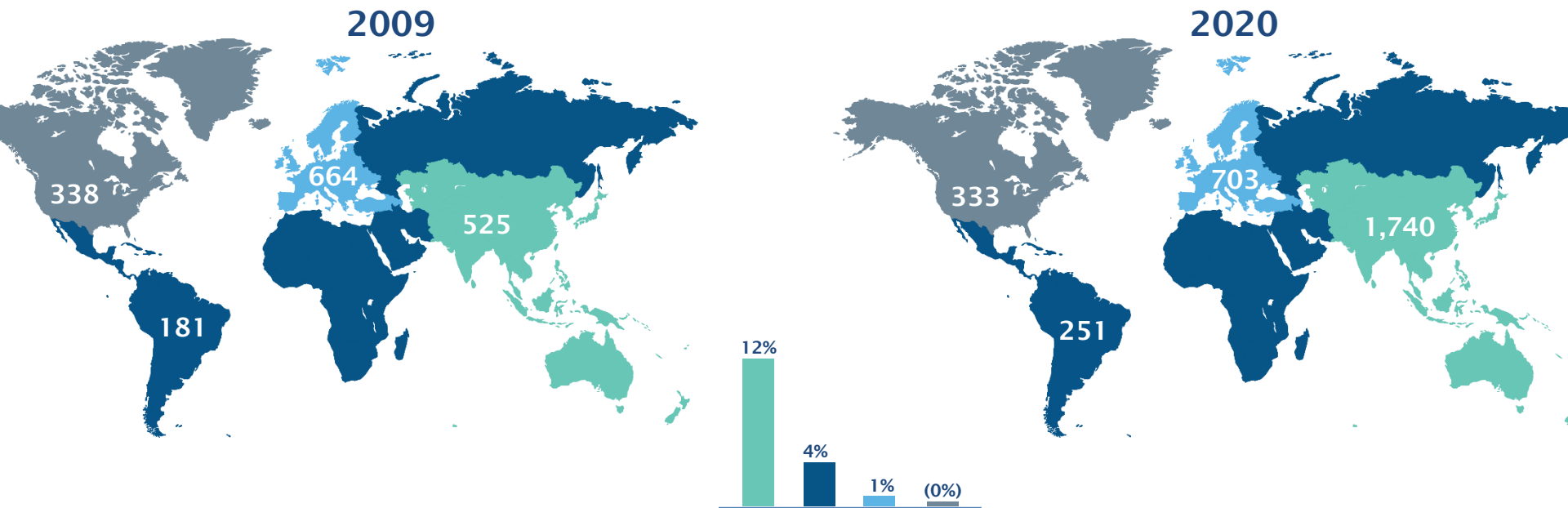


# Life Sciences Markets – poised for continued growth



Strong emerging middle class growth driving global trade – Asia Pacific leading the way

## Middle Class Population by Geography



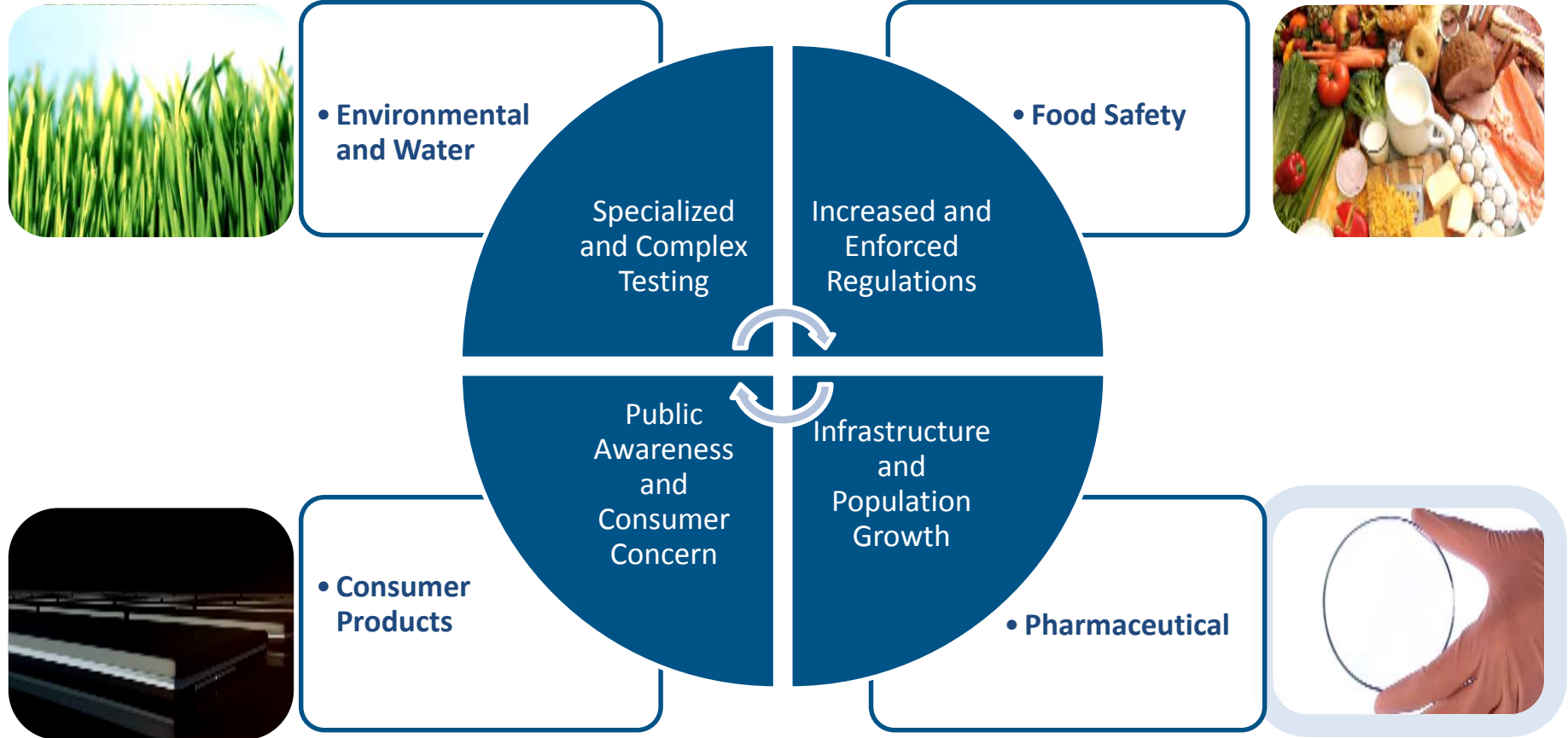
Source: Brookings Institution

## Growth CAGR by Region

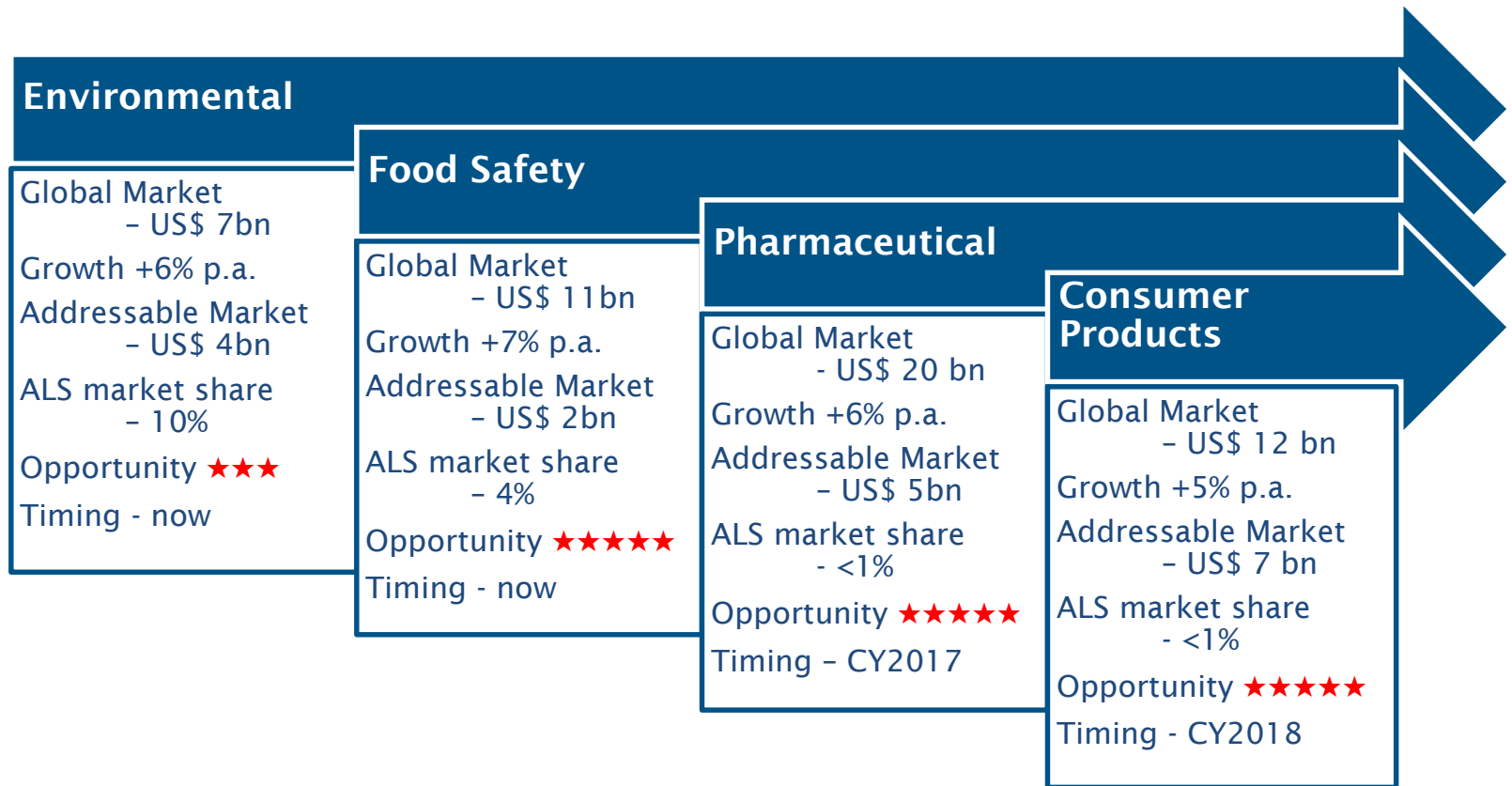
■ Asia Pacific ■ Rest of World ■ North America ■ Europe



# End Markets and Market Drivers - ALS positioned to benefit



# Global Life Sciences TIC Market – ALS perspective

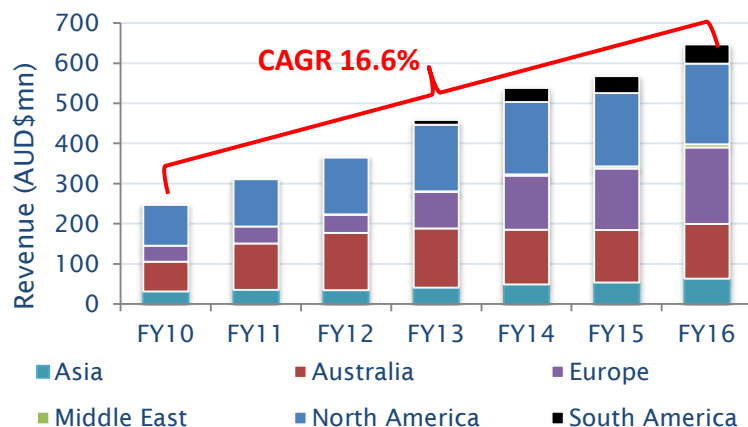


Note: Company estimates

# Life Sciences Division



	2016	2015	Change
Revenue	\$634mn	\$557mn	+14%
EBITDA	\$145mn	\$130mn	+12%
EBIT	\$110mn	\$98mn	+12%
EBIT Margin	17.4%	17.6%	-20bps



## Overview

- key growth focused:
  - substantial addressable market in Life Sciences growing at 7-10% p.a.
  - strong market position
- revenue grew 75% since 2012 achieved through both organic growth and M&A
- strategic plan has Life Sciences being closer to 65% of ALS' portfolio in 3-5 years
- targeted bolt-on acquisitions will continue to be made if shareholder value enhancing
- performance reflects ALS' ability to secure a global leadership position in this market

# Life Sciences growth 2007 to 2016



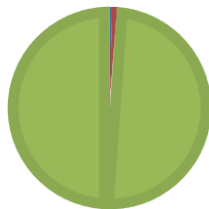
## FY07

LOCATIONS	REVENUE	EBITDA	EBITDA%
34	\$165mn	\$37mn	22%

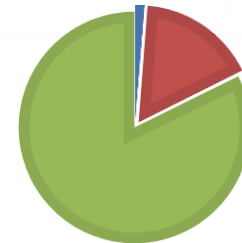
## FY16

LOCATIONS	REVENUE	EBITDA	EBITDA %
155	\$634mn	\$145mn	23%

End Markets



Revenue  
16% CAGR  
over 9 years



■ Environmental

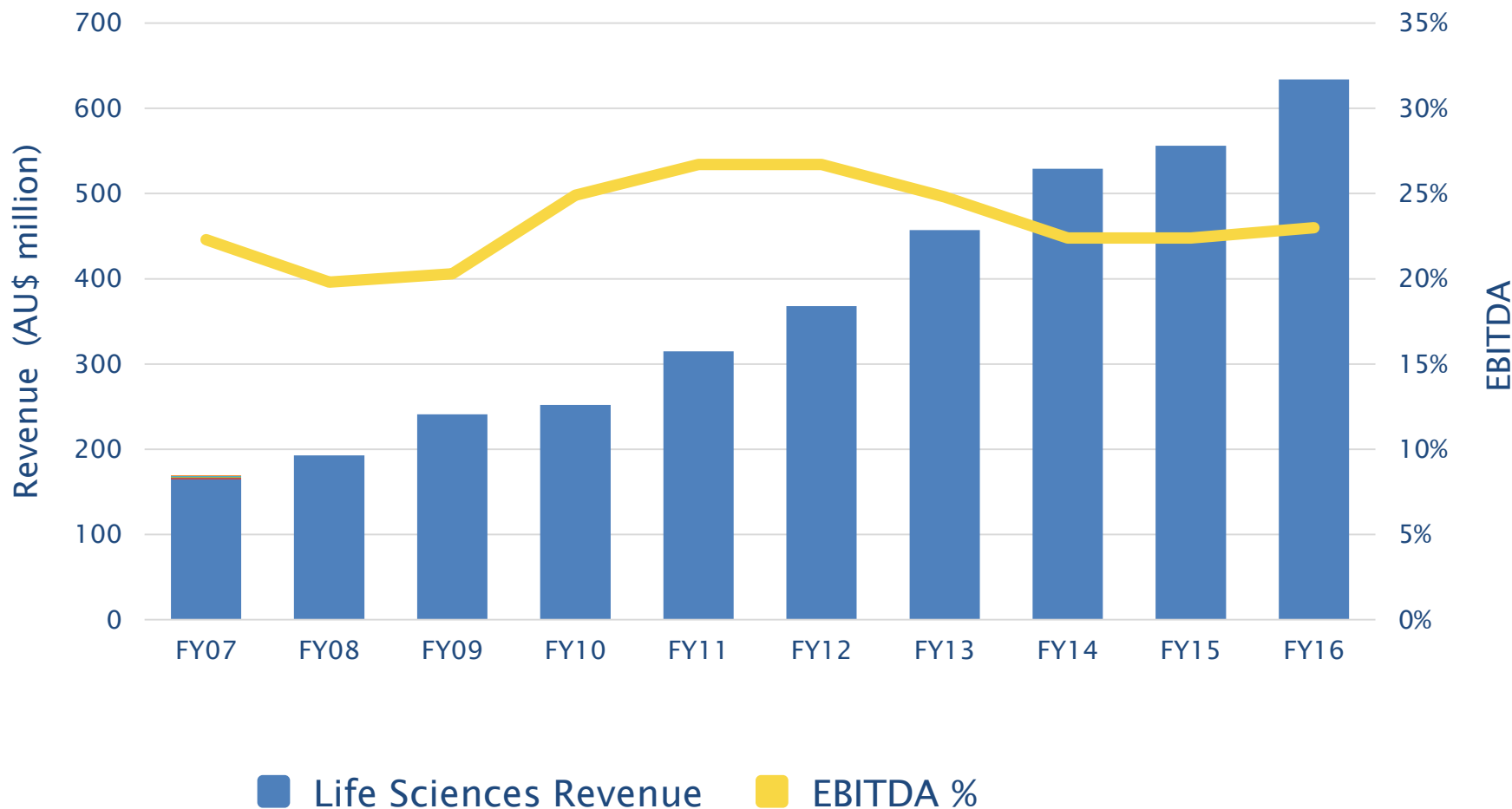
■ Consumer Testing

■ Food/Pharma

# 2007 – 2016 Life Sciences



## Life Sciences Revenue



# ALS Market Share – food & environmental



Note – Company estimates

# ALS Value Proposition



highly trusted and experienced company

continued investment in client management systems

commitment to Client Service

well established reputation for superior quality

market leading IT and LIMS

track record of growth

lean and focused cost base

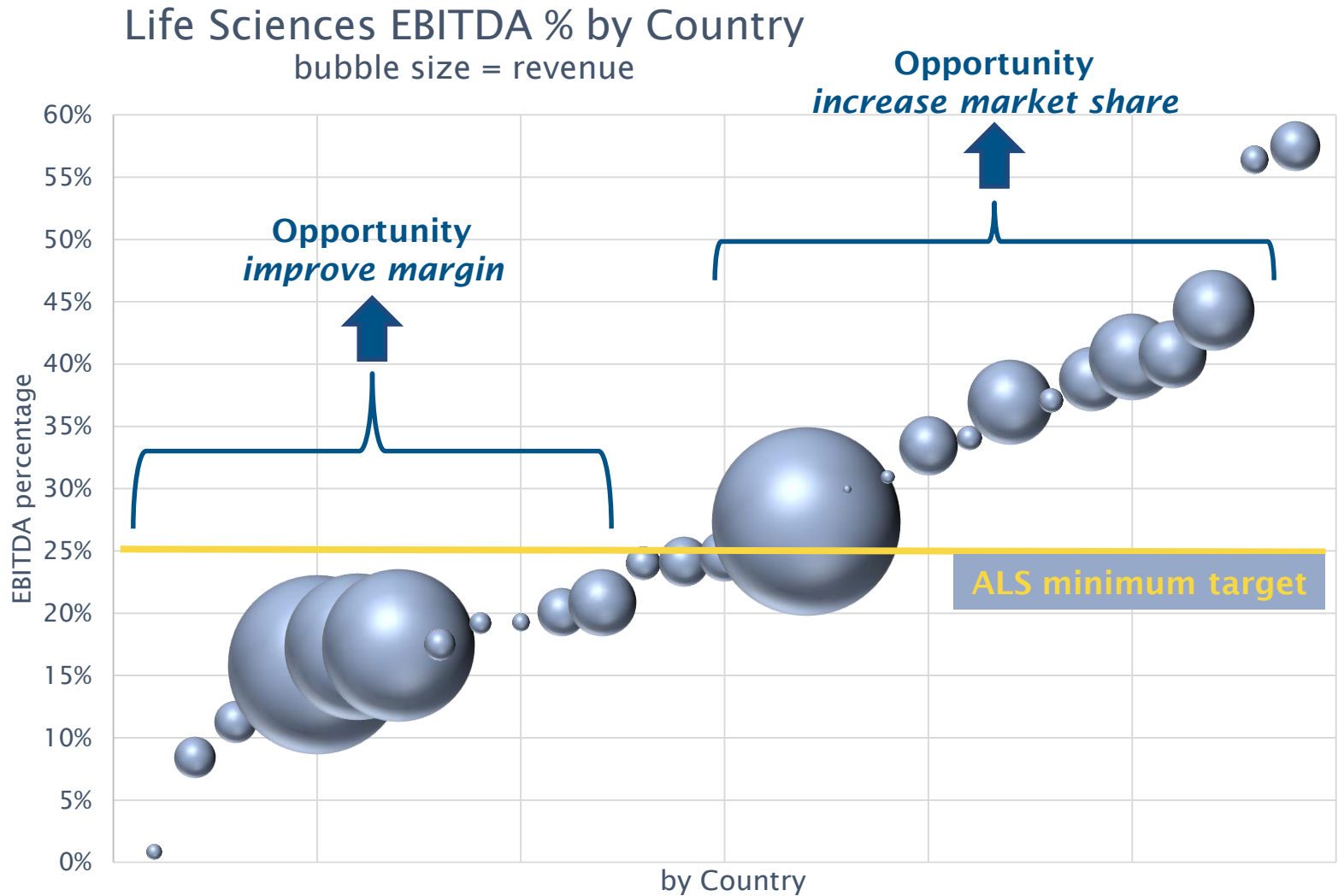
experienced management team

well diversified revenue base – geographies and markets

geographic footprint in growing markets

strong and loyal client base

# Current Opportunity





# Environmental Business Stream



*Rayong*



*Beijing*



*Houston*



Andreas Jonsson  
*General Manager  
Life Sciences – Europe*

# Environmental Market Overview



**Total contestable market is estimated to be in excess of  
AU\$ 5.5 billion**

## **global environmental testing market continues to grow**

- rise in contamination and pollution issues
- progress in research has identified more compounds as toxic
- increasing demand by citizens for a clean environment

## **trends in regulation supports the business**

- strong regulated markets (EU, USA) are amending and adding regulations
- increasing enforcement in Eastern Europe to catch up with EU
- fast development of regulations in emerging markets (Asia, Latin America)

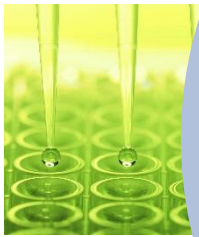
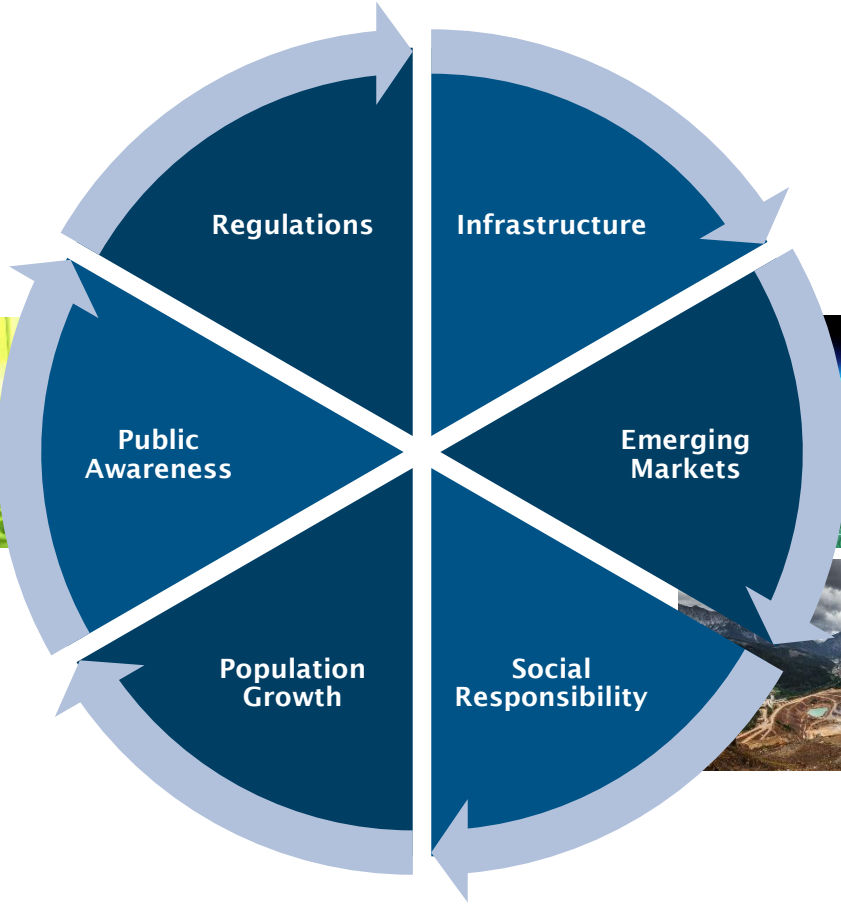
## **increased outsourcing increases the contestable market**

- requirement for more sophisticated analyses – investment barrier
- third party evaluation a requirement for independence
- pricing pressure drives the outsourcing of non-core business

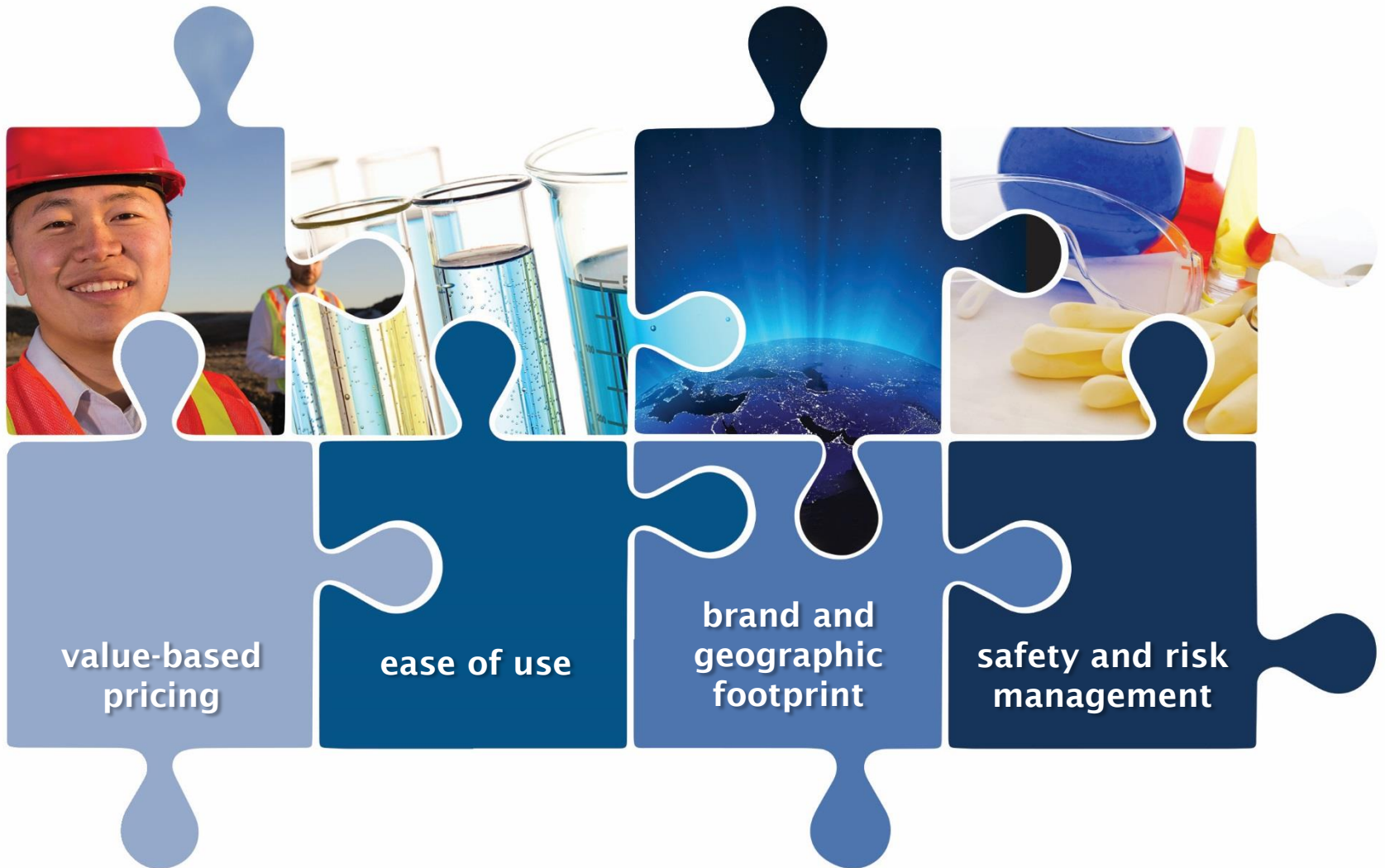
## **key clients**

- government regulatory bodies
- environmental consultants
- water utility companies
- private industries

# Market Drivers



# Market Expectations



# ALS' Commitment to the Environmental Sector



**ALS serves all the main environmental testing markets**

## **testing of all sample matrix types**

- **water:** drinking-, ground-, wastewater testing
- **soil/sediments:** analysis for full range of contaminants
- **air:** outdoor, indoor and ambient pollutants
- **waste:** solid waste, ash

## **strong global presence**

supported by regional hub-and-spoke model

## **state-of-the-art laboratory infrastructure**

- technical and quality expertise
- best practice sharing

## **harmonization**

of systems, processes and global IT platforms

## **value added service model**

# Historical – Environmental in 2006



SITES	REVENUE	EBITDA
25	\$80 mn	\$17 mn

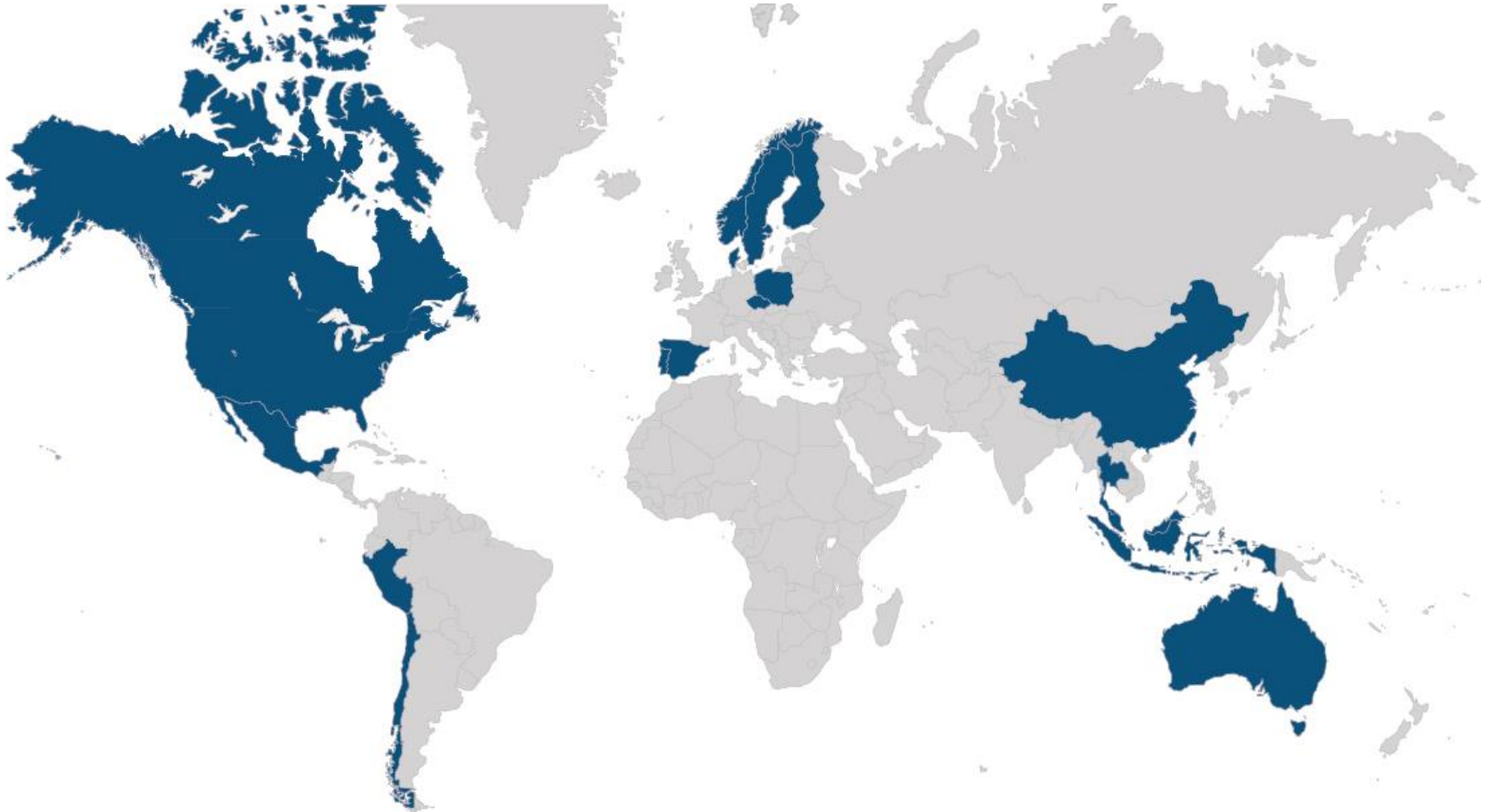


# Historical – Environmental in 2011



SITES	REVENUE	EBITDA
25	\$80 mn	\$17 mn

SITES	REVENUE	EBITDA
90	\$306 mn	\$82 mn



# Today - Environmental 2016



SITES	REVENUE	EBITDA
25	\$80 mn	\$17 mn

SITES	REVENUE	EBITDA
90	\$306 mn	\$82 mn

SITES	REVENUE	EBITDA
125	\$522 mn	\$121 mn





# Environmental – FY2016 overview by numbers



1	largest provider of environmental analytical services
522	million AU\$ Revenue
11	% year on year growth
23	% EBITDA Margin
125	locations globally
4500	staff
25	million AU\$ CAPEX (excl. acquisition and facilities)
>50,000	sqm lab space upgraded to state of the art condition
10	million AU\$ investment in LIMS/client portal Global

# Significant events from FY2016



expanded  
European  
footprint

new greenfield  
locations

UK growth  
water  
contracts

South America  
major  
remediation  
project

North America  
growth  
through  
industry direct  
contracts

Asia Pacific  
expanded air  
testing  
footprint

ALS Experience

LIMS  
harmonization  
road map



# Food Business Stream



*Chatteris*

*Singapore*



*Sydney*

Tim Kilmister  
General Manager  
Life Sciences – Asia Pacific

# Key Dynamics - driving growth in the Food Sector



## Market Macros

- Global Food Safety and Food Quality market is estimated to be in excess of US \$11 Billion
- Current contestable market is 20% of the total (big upside)
- Total market CAGR 7-8%
- Food testing market remains highly fragmented, early part of curve in market consolidation (providing economies of scale)



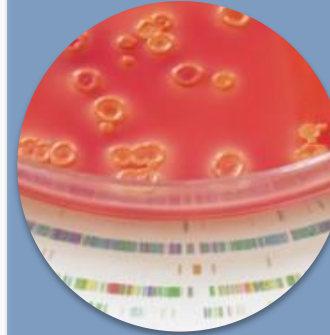
## Long-wave Total Market Growth

- Increasing regulatory requirements
- Consumer awareness and increasing requirements for better labelling
- Consumer requirements for foods with health promoting properties
- Importance of brand protection



## Increased Outsourcing

- Increased outsourcing to increase proportion of market that is contestable
- Globalisation of the food supply chain
- Consumer requirements for independence
- New technologies – investment barrier for laboratory services
- Consumer pricing pressure driving the outsourcing of non-core business



## Evolving Testing Requirements

- New product development
- Sensorial testing
- Food packaging and food contact
- Emerging food safety trends – e.g. Allergens and adulterants



## Client Profile

- Government regulatory bodies
- Food & beverage manufacturers
- Restaurants and hotels
- Retailers
- Wholesalers
- Primary producers

## Common Elements

- ability to leverage existing Environmental locations in target Food geographies
- high contribution from laboratory services (Microbiology, Chemistry and Molecular Biology)
- reliance on technology and technical expertise
- commitment to harmonise systems and processes

## Hub and Spoke Model

- providing local reach, economies of scale and centres of excellence
- facilitated by global IT platforms
- excellence in logistics management
- integrated management team

## Diverse range of testing capabilities

- microbiological
- chemical and nutritional
- pesticides and agrochemicals
- contaminants
- vitamins and additives
- adulterants
- allergens

## Value Added Service Model

- high functionality client portal
- consulting support and services
- training and knowledge base
- auditing

# FY2016 ALS overview by numbers



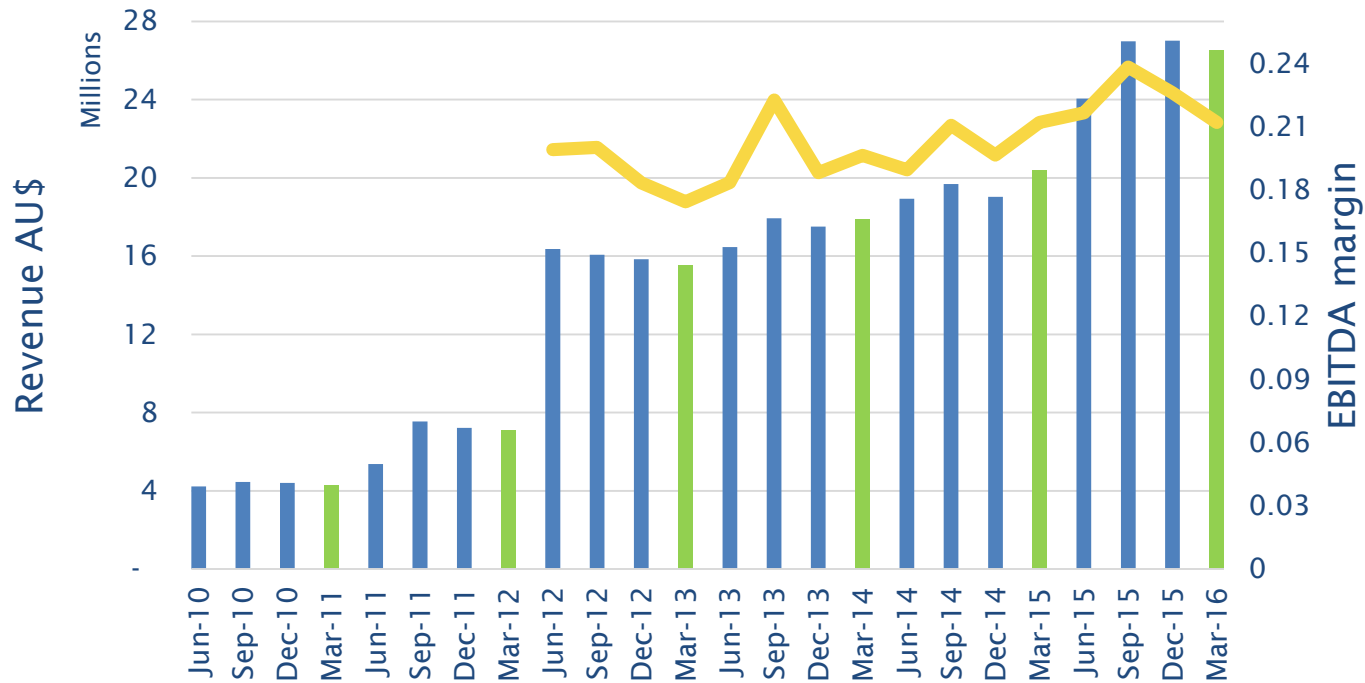
- revenue AU\$ 105mn
- global headcount 1,200
- EBITDA Margin 22%
- CAPEX AU\$ 7mn  
(excl. acquisition and facilities)
- investment in LIMS/client portal AU\$ 2.5mn
- new geographies entered; Portugal, Spain, Norway, Denmark and Poland



# ALS Journey in the Food Sector



## ALS Global Food/Pharma by Quarter



**FY2006**

revenue  
\$1.9mn

**FY2011**

revenue  
\$17mn

**FY2016**

revenue  
\$105mn

## Growth Contributions FY11 - FY16

- acquired growth 300%
- organic growth 217%



# Market Share Commentary



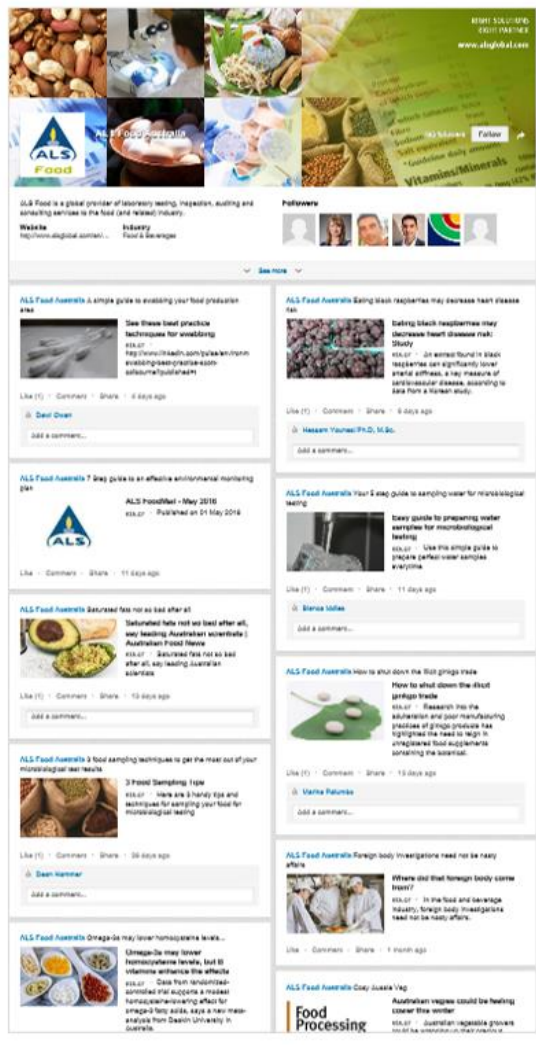
Region	Country	ALS Position and Comments
Asia	Singapore	market leader with significant brand presence and reputation
	Thailand	strong market position and brand awareness, with significant additional organic growth opportunities
	Malaysia	market leader, with significant additional growth opportunities
	Hong Kong	strong position in a relatively small market
Australia	Australia	growing brand awareness with significant additional organic growth opportunities
Europe	UK & Ireland	market leader with significant brand presence and reputation, large market which is still fractured
	Portugal	market leader with significant brand presence and reputation
	Spain	ALS is a new entrant in a fractured market with significant growth opportunities
	Czech Republic	strong position in a relatively small market
	Poland	ALS is a new entrant in an emerging market
	Slovakia	ALS is a new entrant in an emerging market
	Denmark	ALS is a new entrant in a market with significant growth opportunities
	Norway	ALS is a new entrant in a market with significant growth opportunities
	Sweden	ALS is a new entrant in a market with significant growth opportunities

# Significant events from FY2016



- expanded European footprint through acquisition
  - **ControlVet**; Portugal, Spain and Poland, **OMM Lab**; Norway and **Mikrolab**; Slovakia
- new greenfield locations in Asia
  - **Songkhla** (Thailand), **Sentul** (Indonesia)
- consolidation of market position in Ireland and Hong Kong (growth and margin improvement)
- growth of complementary medicine and dairy industries in Australia

# Significant events from FY2016 (cont.)

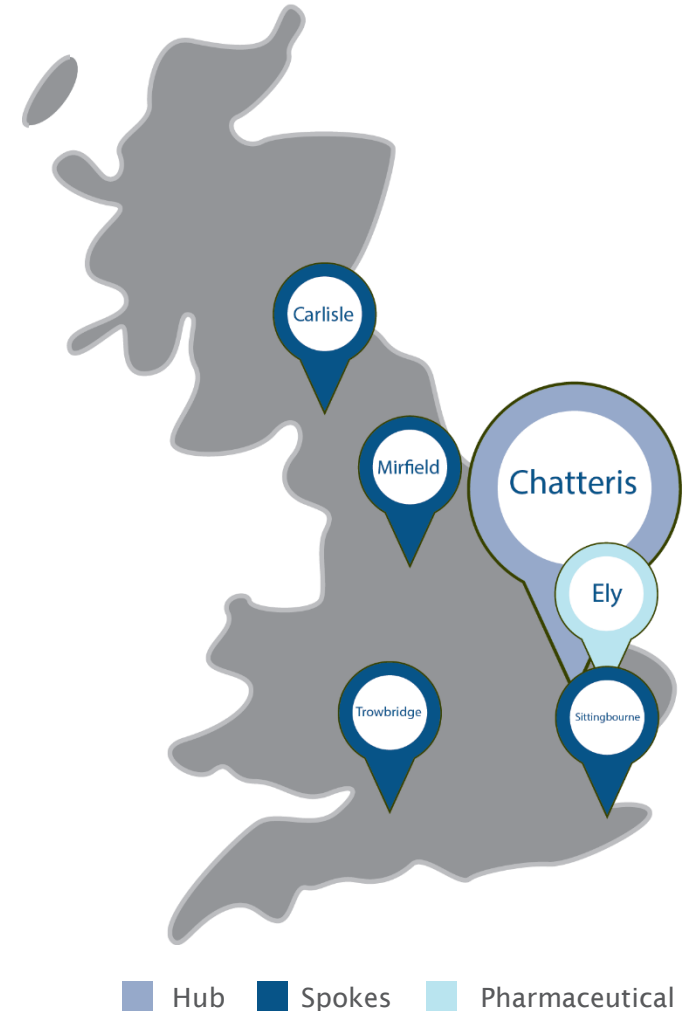
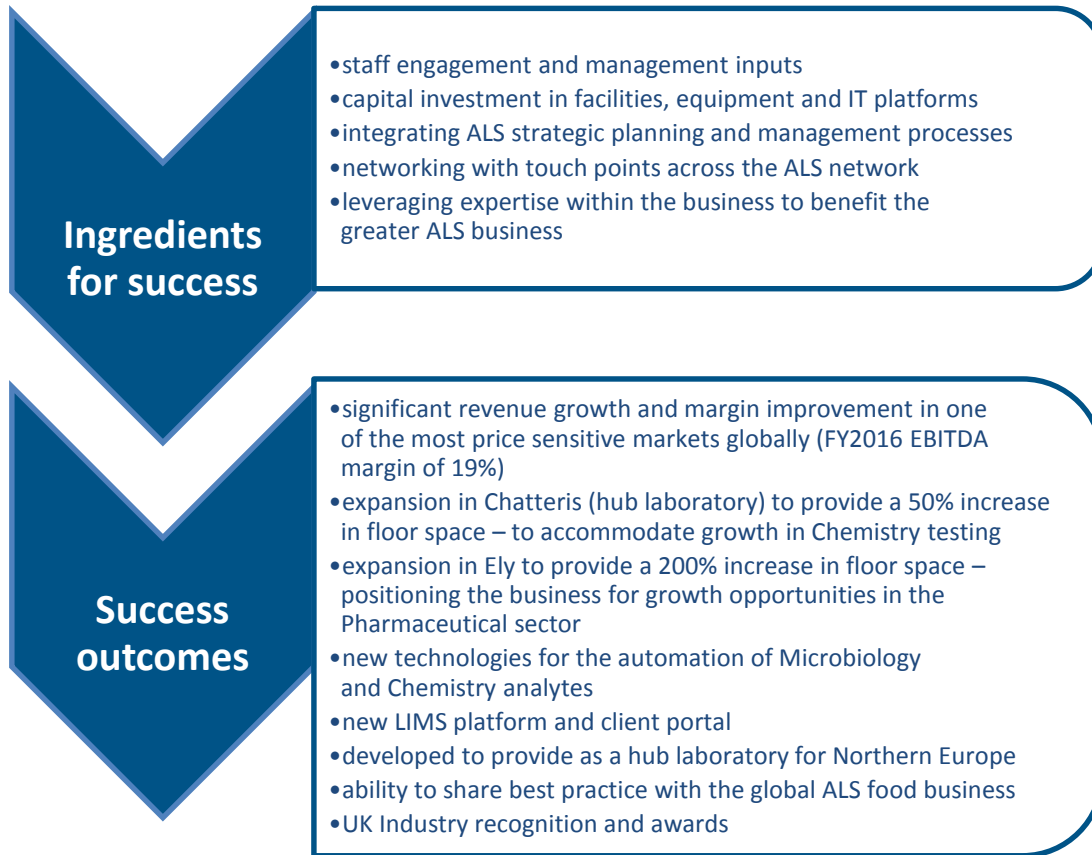


- enhanced capabilities to meet emerging market opportunities – Pesticides and Allergens
- development of on-line audit tool, Food Consultancy services, client training workshops (part of *right solution model*)
- >5,000 active clients using new client portal
- investment in new technologies
- best practice technology and method transfer between European and APAC business units

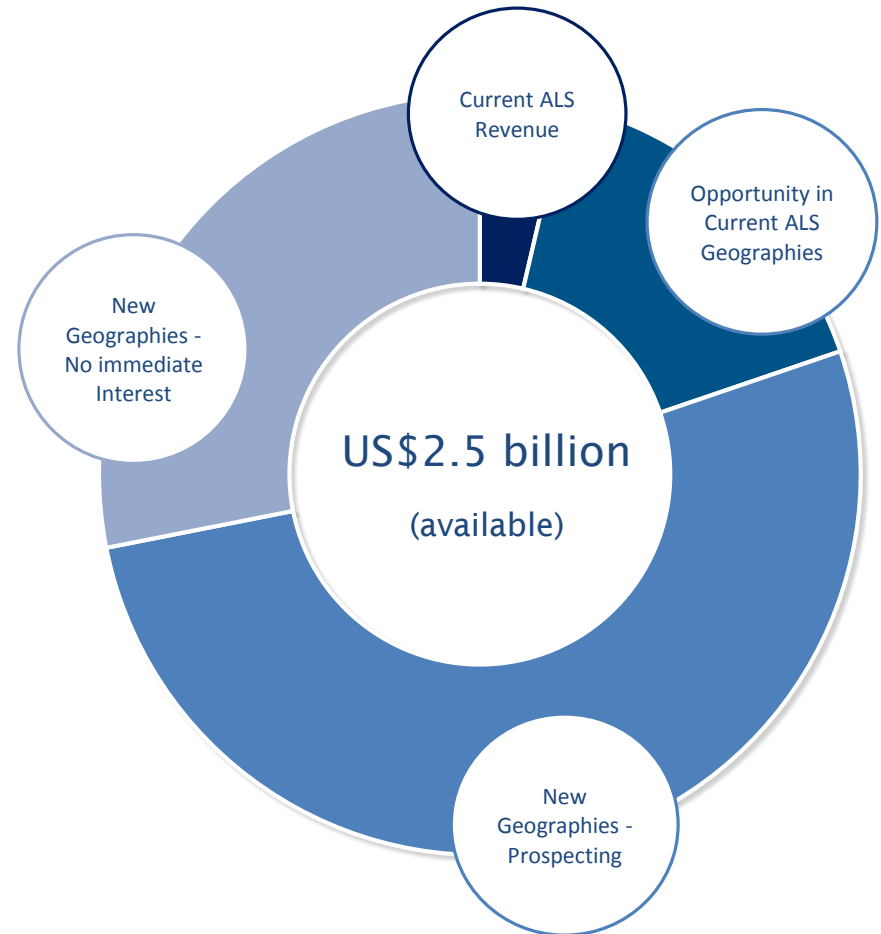
# Eclipse Scientific was acquired by ALS in April 2012 as an entry point into the UK food sector



Since acquisition the business has established itself as a market leader for service and quality, providing ALS with a strong brand presence



- exciting Future growth trajectory of the sector, driven by increasing consumer awareness, regulation and outsourcing
- quantum of total market opportunity in ‘new’ geographies for ALS
- continued organic growth opportunities in existing ALS geographies
- demonstrated integration roadmap and ability to add value on 12 month timeline
- ability to leverage existing presence from non-food ALS businesses in target acquisition geographies
- commitment to complementary services (both testing and non-testing)
- expanding client relationships - internationally
- previously demonstrated execution in the Environmental sector





## Vision Statement – Food Sector

“The ALS Food & Pharmaceutical Division will be a global leader in customer service and ease of use. Providing customers with competitive pricing through leveraging best practice testing processes and data tools that add value and reduce end user costs. A differentiated service culture will provide customers with reliable and consistent results, access to technical expertise, a network of services, and logistics support.”

