

25 May 2022

ALS Limited (ASX: ALQ) delivers 42.1% increase in FY22 underlying NPAT

FY22 financial highlights (compared to FY21):

- Revenue of \$2,182.3 million, an increase of 23.9% (24.8% at constant currency) due to strong performance from Life Sciences (+24.2% vs prior corresponding period (pcp)) and Commodities (+31.1% vs pcp)
- Statutory net profit after tax (NPAT) of \$190.5 million, up \$20.9million following the continued strong performance in the 2nd half, partially offset by non-operational one-off costs
- Underlying NPAT of \$264.2 million, up 42.1%, at the top-end of the guidance (upgraded in March 2022) of \$260 million to \$265 million
- Life Sciences underlying EBIT margin of 16.9%, up 68 basis points (bps) driven by strong volume, process automation and efficiency gains on invested capital.
- Commodities underlying EBIT margin of 29.9%, up 230 bps primarily driven by strong sample volume (up +32% vs pcp) and price improvement in Geochemistry.
- Underlying earnings per share (eps) of 54.7 cents per share (cps), up 42.1%. Statutory eps of 39.5cps, up 12.2%
- Final dividend of 17.0 cps (partially franked to 30%). FY22 total dividend of 32.8 cps, an increase of 9.7 cps (42%) compared to FY21 representing a payout ratio of 60% of FY22 underlying NPAT
- 93% of underlying EBITDA converted into cash despite the increased working capital requirement to support the strong organic revenue growth
- Strong balance sheet with 1.9x leverage ratio and ~\$432 million of available liquidity and 15.3x interest coverage with weighted average debt maturity of 4.9 years. The weighted average debt maturity increases to 6.9 years following the refinancing of US Private Placement debt to be funded in July 2022
- The Group has announced its commitment to achieve carbon neutrality in FY23¹, a 6% reduction in carbon intensity, and a greater than 90% reliance on renewable electricity across ALS global operations. In addition, the Group will develop a roadmap this financial year that will achieve net zero¹ carbon emissions. These commitments are an important part of our sustainability agenda and demonstrate our commitment to playing a critical role to achieving a low-carbon future.

ALS chairman Bruce Phillips commented, "This is another very strong performance by our increasingly global enterprise.

"Underlying NPAT was up 42% yoy and achieved the top end of our previously upgraded market guidance. The Company has emerged stronger from the pandemic years which has underpinned the board's confidence to declare a 42% increase yoy in dividends for our shareholders.

"FY22 also marks the end of our most recent five-year strategic plan. Despite some ambitious objectives, the management team has exceeded expectations, delivering revenue growth of 73% and underlying EBIT growth of

¹ Scope 1 and 2 emissions



113%. It is a testament to CEO Raj Naran and indeed all of our employees that such an excellent outcome has been achieved through some of the most challenging business conditions in generations.

“The board and management have been developing a refreshed strategy which we look forward to sharing with shareholders at the FY22 AGM in August.”

Managing Director and CEO, Raj Naran commented “The Group has delivered strong organic growth, margin accretion and made highly strategic acquisitions during the year.

“The outperformance was driven by the Life Sciences volumes surpassing pre-COVID-19 pandemic levels, and the on-going strength of the commodity volumes and price in the Commodities division. The acquisition of a 49% stake in Nuvisan is providing a solid initial financial and strategic contribution to the pharmaceutical business.

“FY22 marks the successful conclusion of our five-year strategy. Over this period, the Group successfully exceeded all strategic priorities, achieving Group Revenue and Underlying EBIT growth, improving cash conversion, and delivering solid returns on invested capital.

“Trading conditions have remained supportive to date and our balance sheet is well positioned to invest in future growth opportunities.”

Overview of FY22 result

Contributions from the company’s divisions for FY22 are summarised below:

FY22 Underlying Results	Revenue			Underlying EBIT			Underlying margin		
	FY22	FY21	%	FY22	FY21	%	FY22	FY21	bps
Life Sciences	1,154.6	930.0	24.2%	194.8	150.6	29.3%	16.9%	16.2%	+68 bps
Commodities	819.1	624.8	31.1%	245.0	172.5	42.0%	29.9%	27.6%	+230 bps
Industrial	208.6	206.6	1.0%	17.0	20.5	(17.1)%	8.1%	9.9%	(177) bps
Total segments	2,182.3	1,761.4	23.9%	456.8	343.6	32.9%	20.9%	19.5%	+142 bps
Net financing costs				(37.9)	(40.0)				
FX gains / (losses)				2.6	(4.6)				
Other corporate expenses				(50.0)	(37.6)				
Income tax expense				(105.6)	(74.0)				
Net profits attributed to minority interests				(1.7)	(1.5)				
Underlying NPAT¹				264.2	185.9	42.1%	12.1%	10.6%	+155 bps

¹ attributed to equity holders of the Company and excluding restructuring and other one-off items, divestment and impairment losses and amortisation of acquired intangibles

Life Sciences division delivers organic growth of 13.4%

Life Sciences delivered revenue of \$1,154.6 million, growth of 24.2% driven by an organic growth of 13.4%, and scope growth (net of acquisitions and divestments) of 11.5%, including an initial six-month contribution of \$73m from Nuvisan, and an unfavourable currency impact of -0.7%.

Underlying EBIT increased by 29.3% to \$194.8 million, with the margin expanding further to 16.9%, an improvement of 68 bps compared to the pcp. Margin expansion was supported by strong increase in volumes, process optimisation, and efficiency gains on invested capital.



The acquisition of a 49% stake in Nuvisan was completed in early October 2021, contributing approximately 6 months to earnings. This is a highly strategic acquisition and has significantly expanded the service offering and geographical reach of the ALS pharmaceutical business. Nuvisan has performed in-line with expectations and the business development teams across the ALS pharmaceutical network are leveraging Nuvisan's capability to cross-sell testing services to existing clients. There have also been several good new business wins, in replacing the revenue reduction as part of the scheduled contract run-down with the major pharmaceutical client (~20% reduction per year over 5 years).

Commodities division grows underlying EBIT by 42% with margin expansion of 230 bps

The Commodities division reported revenue growth of 31.1%, of which was organic with a 1.7% contribution from the recently acquired MinAnalytical. The continued high demand for commodities drove an underlying EBIT margin of 29.9% which was an increase of 230 bps for the year.

Geochemistry sample volume was up by 32% for the year (compared to the pcp) as both major miners (~60% of sample volume) and junior miners (~40% of sample volume) increased their contribution. Geochemistry organic growth (+41.6% compared to pcp) benefitted from increased sample volumes, enhanced capacities, and improved prices.

Geochemistry capacity was increased ~15% by the end of FY22 as planned with a further ~5% expansion from the acquisition of MinAnalytical (acquired in December 2021). In addition, the acquisition of MinAnalytical has enabled ALS Geochemistry to expand its range of capacity and technological service offerings for clients. MinAnalytical supports our strategy to grow mine site testing, with Chrysos photon-assay technology now available to clients in some markets. This increase in capacity and service offering across the global 'hub and spoke' model is capturing the strong growth in the sample volume.

Metallurgy delivered solid organic revenue growth of 23.7% due to the strong mining sector activity in the critical metals for energy and battery metals, with support from strong commodity prices from traditional revenue sources. Underlying EBIT margins improved due to strong cost management and increased efficiencies.

Inspection business posted modest organic revenue growth of 2.6%, however experienced underlying EBIT margin erosion due to global supply-chain cost disruption and COVID-19 outbreaks. The Coal business had an organic revenue decline of 17.8% due to a reduction in superintending volumes which resulted in an EBIT margin decline. The business continues to focus strategically on service diversification and operational improvements, particularly in the growing production (mine site) testing.

Industrial division underlying EBIT margin decline of 177 bps

Although the Industrial division delivered a 1.0% increase in revenue, there was a 17.1% decline in underlying EBIT. This led to an underlying EBIT margin of 8.1%, a decline of 177 bps as both Asset Care and Tribology suffered margin decline.

Asset Care organic revenue declined by 1.5% and the underlying EBIT margin fell by 122 bps due to ongoing Australian state border closures and the closure of the business in the USA. Similarly, Tribology saw organic revenue growth of 7.9% whilst temporary entry level labour sourcing shortages and an increase in operating costs, resulted in a 405 bps decline in the underlying EBIT margin.

Capital management and balance sheet

The Group continued its prudent approach to capital management, balancing investment in organic growth, accretive acquisition opportunities, and dividend payments to shareholders.

The balance sheet remains strong with a leverage ratio of 1.9 times and ~\$432 million of available liquidity as at 31 March 2022 following significant investments in acquisitions of Nuvisan pharmaceutical business in Europe and MinAnalytical geochemistry business in Australia.

Net debt increased by \$288 million with a weighted average debt maturity profile of 4.9 years. Following the refinancing of US Private Placement capital notes, to be funded in July 2022, the weighted average debt maturity profile will extend to 6.9 years.



Final dividend

Directors have declared a final dividend of 17.0 cps, partially franked to 30% (FY21: 14.6 cents, partly franked to 70%) representing a payout ratio of 60% of FY22 underlying NPAT. This dividend reflects the strong current trading conditions and liquidity position. It will be paid on 4 July 2022 to shareholders on the register at 7 June 2022.

The Dividend Reinvestment Plan is in place and will be available to eligible shareholders who elect to participate at the 5-day volume weighted average share price for the period from 9 June 2022 to 15 June 2022, at no discount. It will be funded by the issuance of new shares.

Investment in growth

Capex spend increased by 47% in the year compared to the pcp as the Group invested in targeted organic growth opportunities in response to strong growth across the Life Sciences and Commodities divisions. These opportunities included automation and process improvements in Life Sciences and the commitment to the expansion of global Geochemistry laboratory capacity by ~15% (plus an additional ~5% following the acquisition of MinAnalytical) to capture future sample volume growth opportunities.

During the year, the Group completed two significant M&A transactions in strategic areas (Pharmaceutical and Geochemistry), that contributed 6.7% scope revenue growth in the year. The Group remains disciplined on its acquisition strategy focusing on value-enhancing acquisitions, particularly in the food and pharmaceutical markets, targeting opportunities that fit with existing capabilities or attractive adjacent markets. The balance sheet retains significant capacity for further acquisitions with a solid pipeline of opportunities available.

Successful completion of five-year strategy

The Group has achieved its five-year strategy, which involved a series of strategic growth priorities. These included achieving revenue of \$2.2 billion (vs plan \$2.0 billion revenue), \$409 million of underlying EBIT (vs plan \$400m underlying EBIT), and a 5-year organic revenue CAGR of 9.7% (vs plan of mid-single-digit organic growth rate), which all have been achieved despite the impact of the pandemic. The Group achieved these targets through a focus on driving operational efficiency, innovation and technology, targeted acquisitions and strong capital management.

In response to the successful achievement of the 5-year strategy, the Group will present a refreshed growth strategy to the market at the Company's AGM on 23rd of August 2022.

Outlook

There has been a positive start to FY23 with strong volumes across the Life Sciences and Commodities divisions.

Life Sciences volumes continue to be strong across Environmental, Food and Pharmaceutical in all geographies. Price increases and procurement practices have allowed the division to manage inflationary pressure to date but the environment remains volatile.

The Commodities division, particularly Geochemistry and Metallurgy, are continuing to benefit from strong demand for commodities and energy metals. Strong volume, price increases and increased capacity in Geochemistry are driving further volume growth and margin accretion in the first months of FY23. Metallurgy activity continues to be strong with Coal and Inspection trading in-line with FY22 levels.

The trading environment for the Industrial division is gradually improving following the opening of the state borders in Australia, the gradual implementation of price increases, and the initial benefits from procurement initiatives.

There are several megatrends which are driving the long-term growth of the Testing, Inspection and Certification industry. These include:

- Increasing requirement for sustainability testing services
- Technological development and connectivity
- Advancement of nutritional and biopharmaceutical activities



- Transition towards renewable energy sources

These megatrends will underpin ALS' future growth plans and the Group remains well-positioned to capture these long-term, sustainable structural growth opportunities in the markets in which it operates.

Approved for release by ALS Limited Board.

Conference Call details

The results will be presented by Raj Naran, Managing Director and CEO, and Luis Damasceno, Chief Financial Officer, via webcast and call.

Date: 25 May 2022

Time: 10:00 am (AEDT)

To join the briefing, participants must pre-register via the below link. You will then receive the webcast link and dial in number via a calendar invite.

<https://s1.c-conf.com/diamondpass/10022084-gsfd56.html>

Approved for release by the Company Secretary.

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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.