ALS Limited (ASX: ALQ) today announced underlying net profit after tax (NPAT) from continuing operations of $188.8 million for FY20, within the guidance range of $185 million to $195 million provided to the market in July 2019. This is an increase of 4.3% in underlying NPAT compared to the prior corresponding period (pcp).

This performance was primarily driven by strong organic growth by the Life Sciences and Industrial divisions. This was combined with growth from the acquisition of ARJ and Aquimisa...
within the Life Sciences division. The Commodities division grew revenue organically by 0.6% despite Geochemistry sample volumes declining by 9% (compared to pcp) for the full year.

ALS Chairman, Bruce Phillips commented “Delivering within market guidance is a pleasing result given the impact of the COVID-19 pandemic in the last quarter. The Group has demonstrated its adaptability and resilience in a very challenging market. Our most recent trading conditions, combined with the strength of our balance sheet, has given Directors the confidence to pay shareholders a final dividend of 6.1 cents per share. Whilst there will be a continuing focus on the many short-term challenges, we will not lose sight of our longer-term strategies.”

Managing Director and CEO, Raj Naran commented “This is a strong result that positions the Group well to manage through these uncertain economic times. The Life Sciences division continued to deliver strong organic growth and was on-track to achieve the targeted margin expansion of 50 bps but fell slightly short as COVID-19 began to impact the business in February and March. Commodities produced a solid performance, delivering organic revenue growth with Geochemistry achieving price increases to offset some of the fall in sample volume.

“Our experienced management team have utilised our ‘hub and spoke’ model to act quickly to align our cost base to client demand, while maintaining capacity and capability to continue to deliver the highest quality service.”

**Overview of FY20 result**

Contributions from the company’s divisions for FY20 are summarised below:

<table>
<thead>
<tr>
<th>Full year financial results (from continuing operations)</th>
<th>Revenue</th>
<th>Underlying EBIT*</th>
</tr>
</thead>
<tbody>
<tr>
<td>$m (AUD)</td>
<td>FY20 (pre AASB 16)</td>
<td>FY19 (restated)</td>
</tr>
<tr>
<td>Life Sciences</td>
<td>939.2</td>
<td>831.4</td>
</tr>
<tr>
<td>Commodities</td>
<td>642.2</td>
<td>620.3</td>
</tr>
<tr>
<td>Industrial</td>
<td>250.5</td>
<td>213.1</td>
</tr>
<tr>
<td><strong>Total segments</strong></td>
<td><strong>1,831.9</strong></td>
<td><strong>1,664.8</strong></td>
</tr>
<tr>
<td><strong>Net financing costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Foreign exchange gains</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other corporate expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net profit attributable to minority interests</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Underlying NPAT</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*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 delivered 5.9% organic growth**

Life Sciences delivered revenue of $939.2 million, growth of 13.0%. This included organic revenue growth of 5.9% and acquisition growth of 3.3% (net of the divestment of the Chinese business).

Underlying EBIT grew by 15.7% to $143.9 million while the margin further expanded to 15.3% (pre-AASB16 impact), an improvement of 35 bps compared to FY19. This was driven by a second successive year of strong growth across all regions. The USA was a standout with a margin increase of 420 bps due to productivity improvements and new business wins.

ALS acquired Mexican-based pharmaceutical testing business ARJ and Iberian-based food testing business Aquimisa in FY20. With combined annual revenue of approximately $65 million, these operations add significantly to the Group’s existing network and capability and are strongly aligned to the Group’s ‘bolt-on’ acquisition strategy. Both acquisitions performed well during the year despite the impact of COVID-19 and are expected to continue to perform in-line with the original business plan.

**Commodities division delivered organic growth of 0.6% despite Geochemistry headwind**

The Commodities division increased organic revenue by 0.6% despite Geochemistry sample flows declining by 9% for the year compared to pcp. This sample flow reduction was primarily driven by the impact of COVID-19, with early signs of growth of mining activity in most regions of the world prior to the pandemic. This impact was partially offset by price increases. Metallurgy had a strong year despite a revenue decline of 2.6% compared to a particularly strong FY19. Inspection had revenue growth of 18.6% while Coal delivered solid growth with process improvements raised by the independent review almost complete.

**Industrial division organic growth of 15.2%**

The Industrial division delivered a 17.6% increase in revenue and 13.1% increase in underlying EBIT (pre-AASB16 impact). The underlying margin of 9.7% was down 38 bps compared to pcp due to COVID-19 impacting the business in February and March.

Asset Care organic revenue growth of 17.6% was driven by increased maintenance revenue from the Australian energy and mining sectors combined with growth in USA green field activity. Tribology saw organic growth of 9.1% which was supported by a stable mining production environment in Australia and expansion of the service offering to the USA.

**Impairments**

The decision was made to impair the asset values of both the Latin American Life Sciences business and the Industrial division, reflecting the impact from COVID-19 and market dynamics. The Group has recorded non-cash impairment of the goodwill of Latin American Life Sciences business ($50m) and Industrial division ($40m).

The Group remains confident of the ability to grow the Latin American Life Sciences business in the long-term. The impairment is primarily driven by the enhanced risk profile of this market, particularly in Brazil and Peru, reflecting the continued socioeconomic issues, the likely prolonged impact from COVID-19 and material devaluation of local currencies in the region.
The impairment of the Industrial division also reflected the impact of the COVID-19 pandemic combined with the recent downturn in the oil and gas sector resulting in concerns regarding its margin evolution.

**Capital management and balance sheet**

The company’s approach to capital management is to utilise cash generated by its business activities to reinvest in its facilities and equipment, fund growth by acquisition and green field investments and maintain a strong balance sheet. Capital not required for these purposes in the near term is returned to shareholders through dividends and share buy-backs.

The balance sheet remains strong with a gearing ratio of 42% and leverage ratio of 2.1 times at the year end, which is well-within debt covenants. The Group will continue to assess value enhancing bolt-on acquisition opportunities expected to present themselves through this period of uncertainty.

Given the current economic uncertainty due to the impact of the COVID-19 pandemic and in order to further increase capital liquidity, the Group agreed with its bank lenders to increase existing facilities by $200 million. Combined with remaining undrawn facilities and available, unencumbered cash, this is expected to give the Group approximately $650 million of available capital.

In addition, the Group took the prudent and precautionary step of drawing down $245 million of bank facilities to meet the obligation of a tranche of US Private Placement (USPP) debt due for repayment in December 2020. ALS continues to monitor the USPP market for long-term financing opportunities.

The share buy-back continued early in FY20 with an additional $22.0 million worth of shares acquired, bringing the total to $153.4 million for the entire program, at an average share price of $7.04. The programme remains in place until December this year and will be reviewed at that time.

**Final dividend**

Directors have declared a final dividend of 6.1 cents per share partly franked to 70% (FY19: 11.5 cents, partly franked to 35%), representing a payout ratio of 45% of full year underlying NPAT. This dividend reflects the prudent capital management strategy and also demonstrates the Group’s strong liquidity position.

The dividend will be paid on 6 July 2020 to shareholders on the register at 9 June 2020.

**Managing through COVID-19**

The Group’s diversified portfolio of testing businesses across a range of markets and geographies has proved resilient during the operational and economic challenges created by the COVID-19 pandemic, with many deemed as ‘essential businesses’ that continue to operate. Management has acted swiftly to adapt by aligning the cost base to client demand, strengthening the balance sheet and increasing the amount of liquidity available to the Group. These actions have led to a reduction of the leverage ratio to 2.0x underlying EBITDA at the end of April 2020.
Total revenue for the Group was down 9% in April 2020 compared to pcp, notwithstanding economic shutdowns in many markets making sample collection difficult, particularly in Life Sciences. In the last few weeks several economies have started to relax restrictions although it is too early to tell the impact on sample volumes.

ALS is well positioned for future growth with supportive long-term market trends including further outsourcing of testing services and increased testing in some areas as the global economy emerges from the COVID-19 pandemic. ALS has the capacity to capitalise on opportunities for innovation by developing new products (such as the recently launched COVID-19 human and surface testing services) and continuing its acquisition strategy in a highly disciplined manner.

ALS is currently focused on business resilience during this downturn and expects to emerge in a strong position, targeting increased market share and maintaining its strong capability in people, capacity, supply chain and client service standards.

A further update on operational trends will be provided at the Group’s Annual General Meeting in late July following the completion of Q1 FY21.

This announcement was approved for release by the Board of ALS Limited.

-ENDS-

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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.