


2014 – 15 Full Year Result

Investor Presentation
May 2015
Greg Kilmister - CEO

RIGHT SOLUTIONS · RIGHT PARTNER

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2
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Company Profile

ALS Limited (ASX:ALQ) is an ASX 100 company that provides professional technical services to the global Mineral and Energy Resources (exploration, extraction, processing and trading), Life Sciences (environmental, food and pharmaceutical), and Industrial sectors throughout the world.

- 11,000 employees
- 350 sites
- 65 countries
- AUD$1.4 billion revenue
- Enterprise Value AUD$3.3b
- 407 million shares (96% free float)

FY2015 Financial Summary

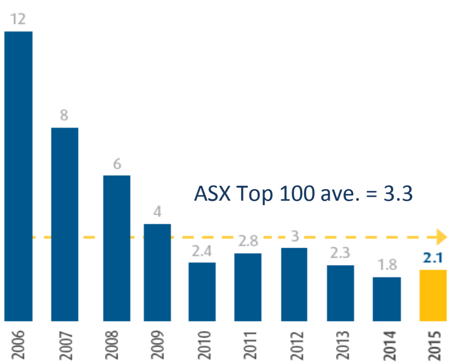
	FY14 ($mn)	Full Year FY15 ($mn)					
Full year	Continuing Underlying	Continuing Underlying	Discontinued Operations (1)	Impairment Charges	Restructuring & Acquisition Costs	Amortisation of Intangibles	Statutory Results
Revenue	1384.0	1422.2	70.5	-			1492.7
EBITDA	335.7	305.4	1.6	(292.1)	(6.8)		8.1
Depreciation & amortisation	(75.6)	(83.4)	(0.3)	-		(12.1)	(95.8)
EBIT	260.1	222.0	1.3	(292.1)	(6.8)	(12.1)	(87.7)
Interest expense	(26.8)	(33.1)	-	-			(33.1)
Tax expense	(61.1)	(52.6)	(0.4)	1.5	(0.4)		(51.9)
Non-controlling interests	(1.9)	(1.6)	(0.2)	-			(1.8)
NPAT	170.3	134.7	0.7	(290.6)	(7.2)	(12.1)	(174.5)
EPS (basic – cents per share)	45.4	33.6					(43.4)
Dividend (cents per share)	39	21					

(1) Reward Distribution which was divested on 31st October 2014

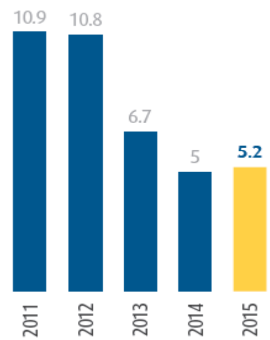
Health Safety and Environment

Performance at a glance:

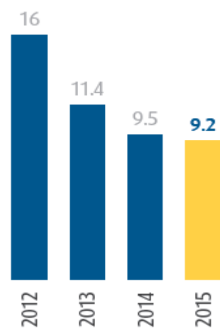
LTIFR better than ASX Top 100 average*.	TRIFR 50% reduction over 4 years.	Decreasing severity rate.	All divisions meeting target PPI score.



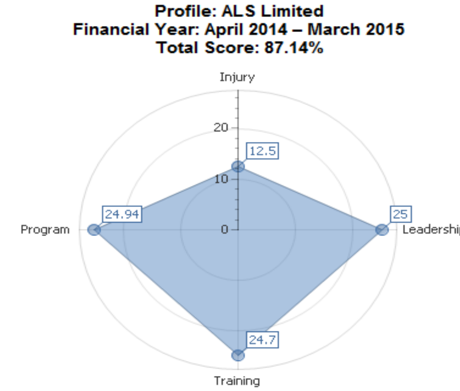
Group LTIFR



Group TRIFR



Duration Rate (Ave. Days Lost)

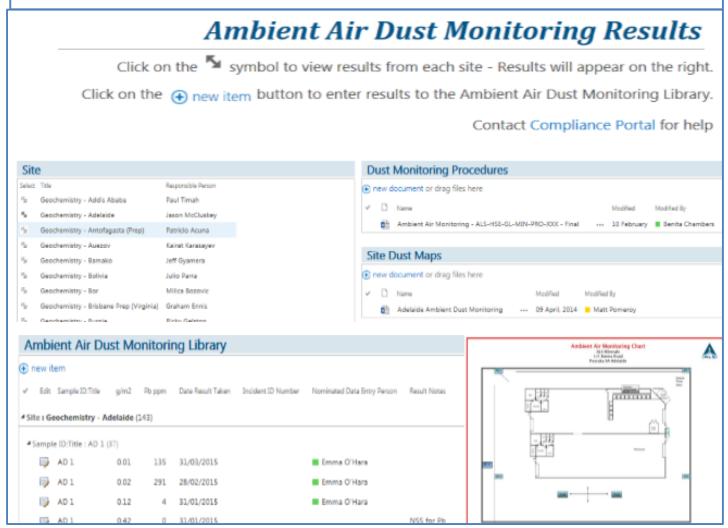


PPI Scorecard

Client Recognition	Investment in Training	Safety First Focus

Compliance and Sustainability

- Core values of “Safety as a Priority” and “Honesty and Integrity” supported by long term compliance program.
- Strong internal controls maintained by compliance portal which incorporates company policies, management sign-offs, environmental monitoring programs, training packages, incident databases, and performance tracking.
- Corporate Social Responsibility program tracks environmental performance, ensures efficient use of resources such as energy, encourages environmental initiatives including recycling programs, and promotes positive interaction with local communities.
- ALS continued its involvement in community and charity work with major recipients including the Red Cross, Unicef, the Salvation Army, and various hospital and cancer foundations.



Cash Flow

Full year	FY14 $mn	FY15 $mn
Underlying operating profit (EBIT)	262.8	223.3
Depreciation & Amortisation	76.2	83.7
Working capital	15.9	2.7
CAPEX	(82.6)	(76.5)
Other[(1)]	8.2	22.8
Free cash flow	280.5	256.0
Acquisitions	(476.5)	(30.2)
Dividends paid	(99.7)	(77.9)
Borrowings - movement	152.2	(57.0)
Equity Issued	281.6	27.2
Interest and Tax	(112.5)	(89.4)
Restructuring costs	(9.1)	(6.8)
Net increase/(decrease) in cash	16.5	21.9
Opening net cash	112.9	136.2
Effect of FX on cash held	6.8	4.9
Closing net cash	136.2	163.0

[1] divestments and sale of assets

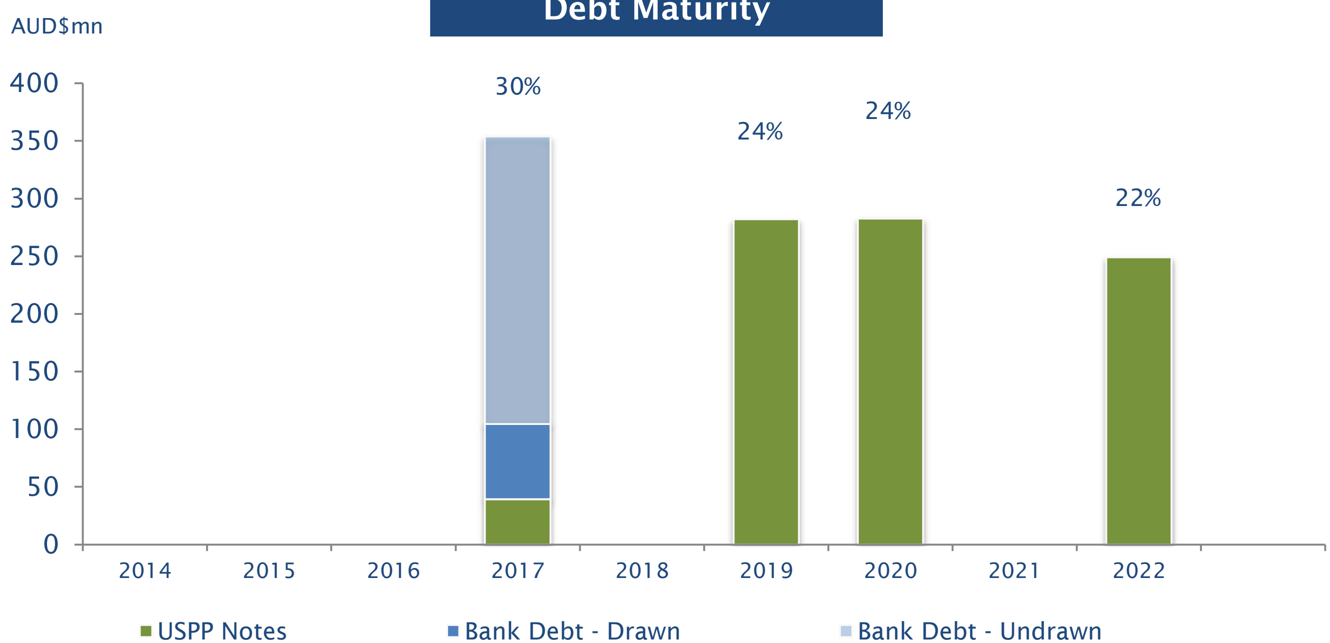
- Cash Flow
  - Free cash flow down $ 24.5mn
  - Cash conversion 101.7%
  - CAPEX $ 76.5mn – 5% of revenue
  - 4 acquisitions - $ 30.2mn
- Tax Rate
  - 27.7%

Funding

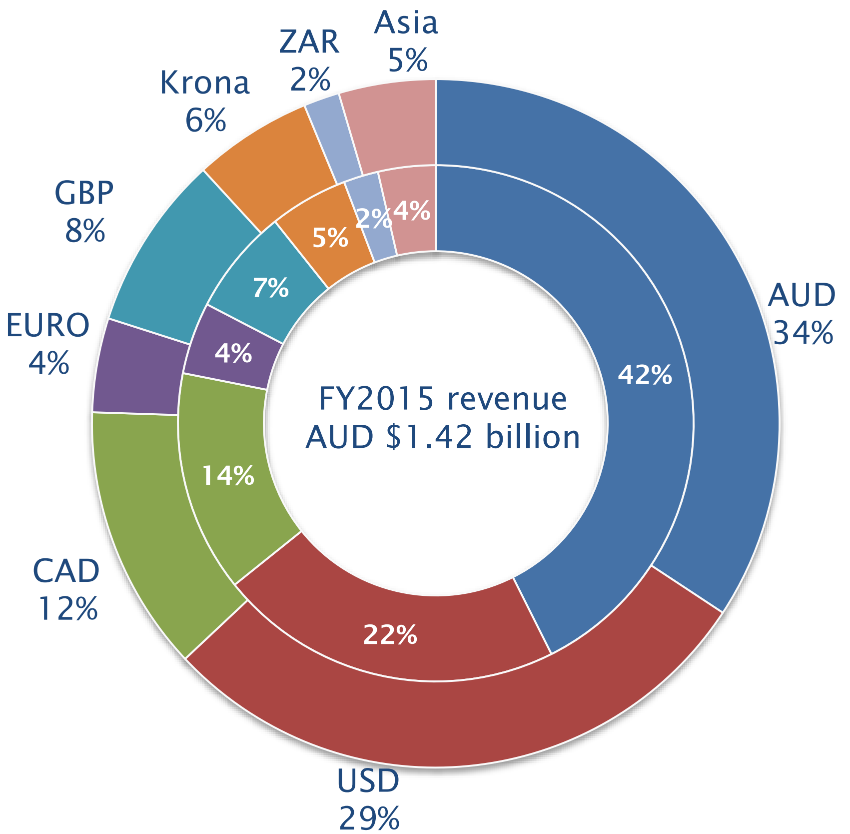
		Mar-14	Sept-14	Mar-15
Funding statistics				
Gearing ratio	Comfort 45%	33.9%	35.5%	38.3%
Leverage (net debt / EBITDA)	Max 3.25	2.2	2.7	2.5
EBITDA interest cover	Min 3.75	12.2	8.8	9.1

debt covenants

Debt Maturity



Foreign Currency Revenues



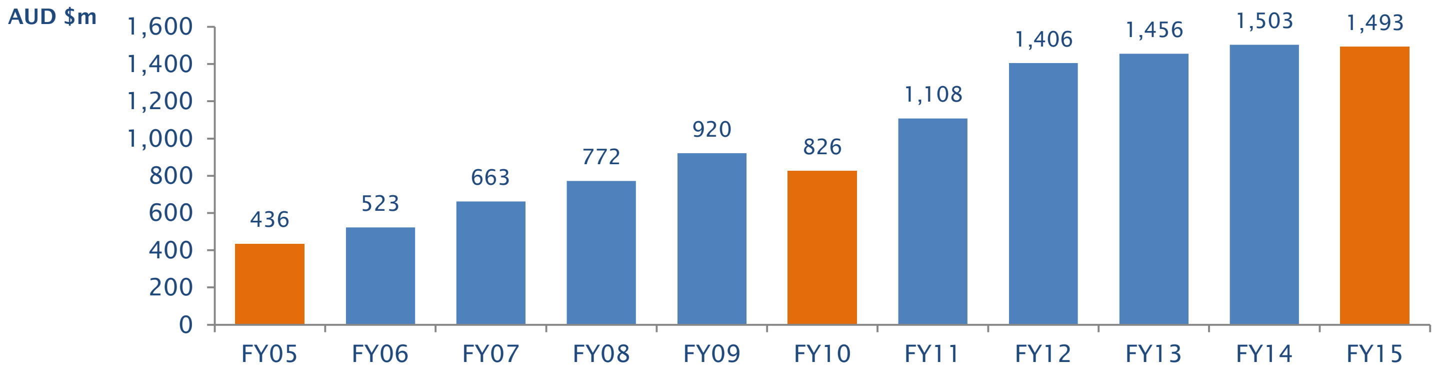
	Average Exchange Rate		
	FY2015	FY2014	Change
USD	0.8675	0.9235	-6.1%
CAD	0.9902	0.9776	+1.3%
EURO	0.6909	0.6880	0.0%
GBP	0.5389	0.5796	-7.0%
SEK	6.3838	6.0287	+5.9%
ZAR	9.6091	9.3955	+2.3%
SGD	1.1195	1.1639	-3.8%

Note: Krona includes SEK, NOK, DKK,CZK & FMM
Asia includes HKD, SGD, THB, MYR, IDR, CYN & MNN

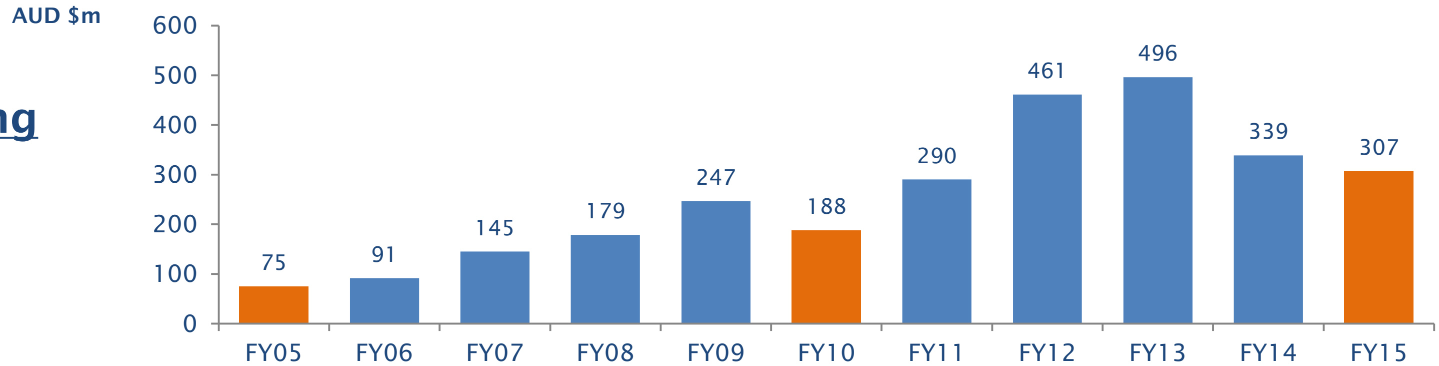
Outer annulus FY15 (continuing operations), Inner annulus FY14

Historical Trend – Ten Year Journey

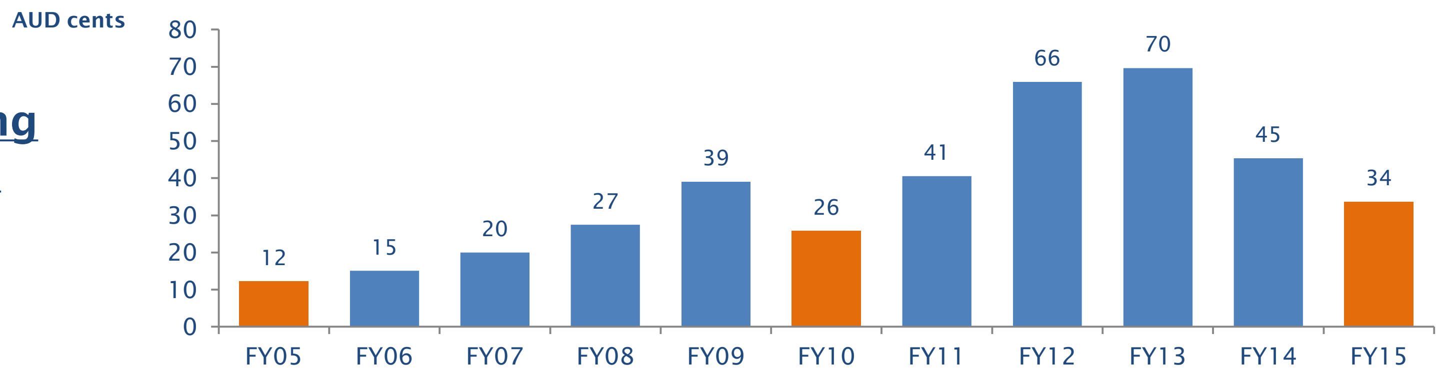
Revenue



Underlying EBITDA



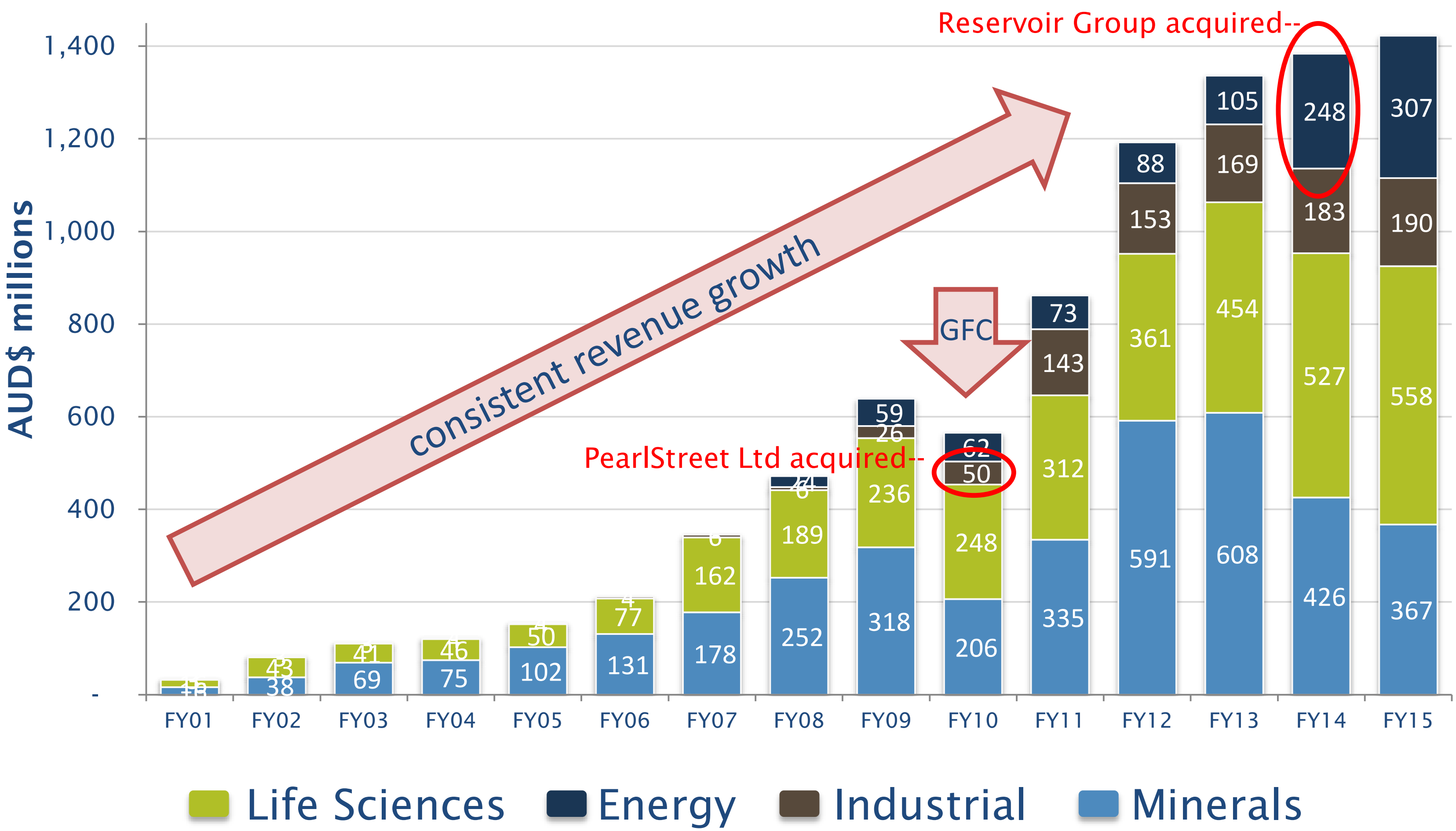
Underlying Basic EPS



FY15 – Revenue by Region by Division

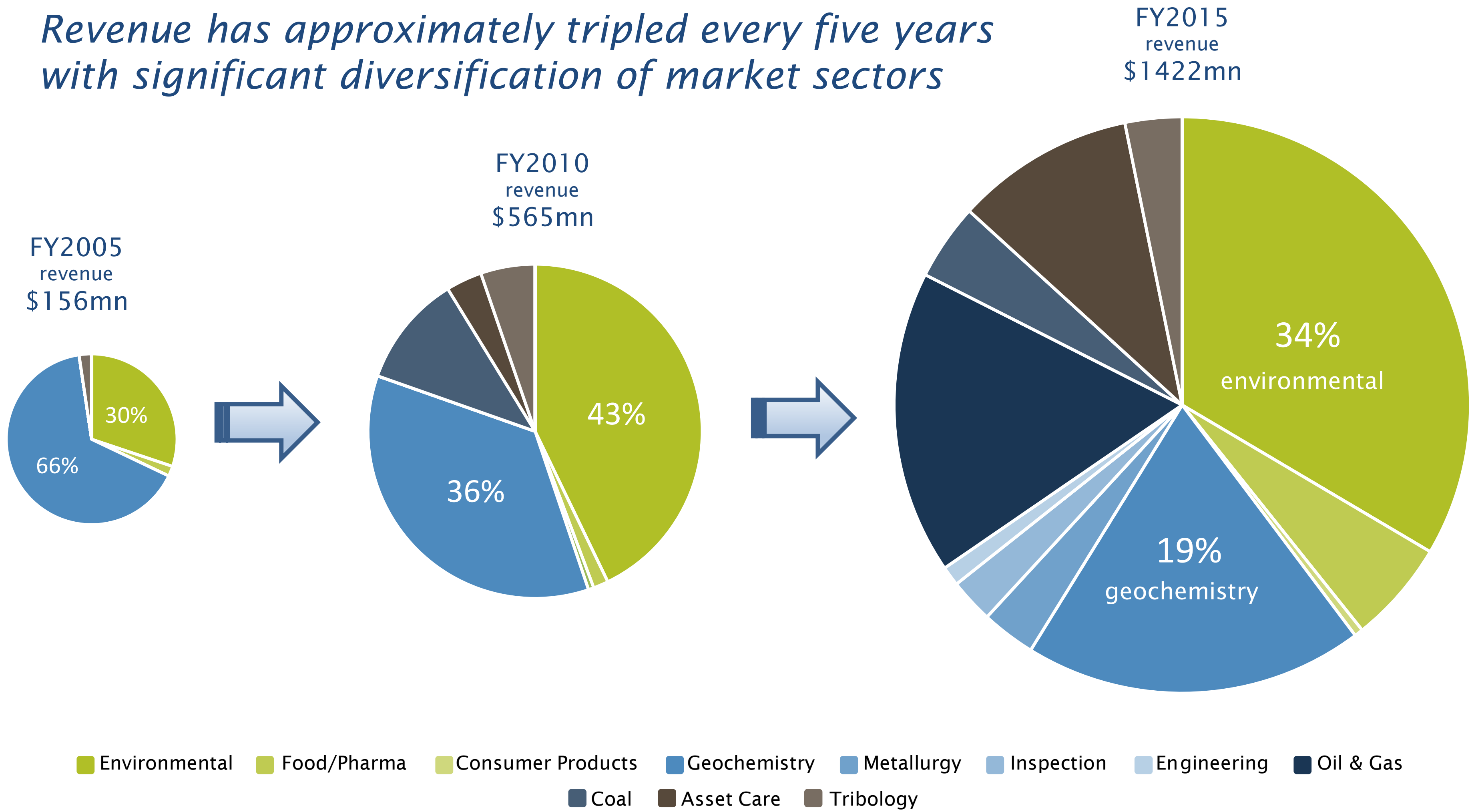
Global Location Map – genuine global footprint

ALS Revenue History



Laboratory revenue - journey over the last decade?

Revenue has approximately tripled every five years with significant diversification of market sectors

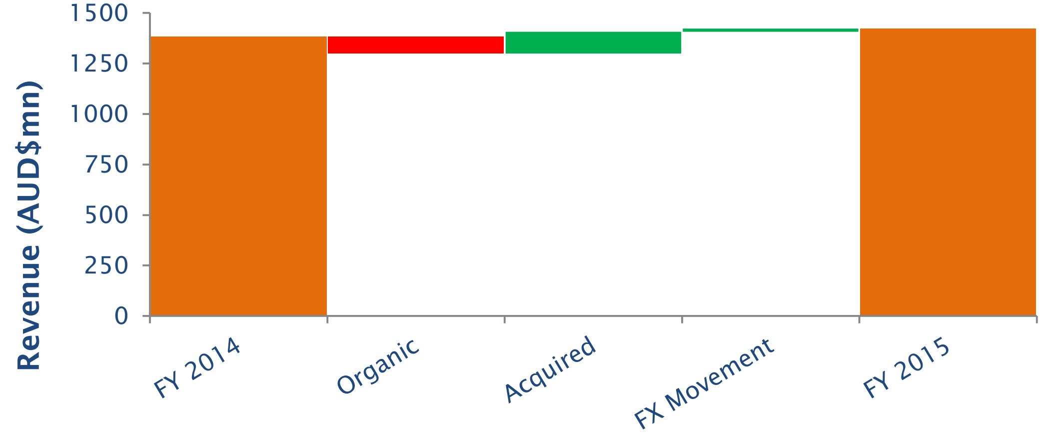


Revenue Growth - laboratories

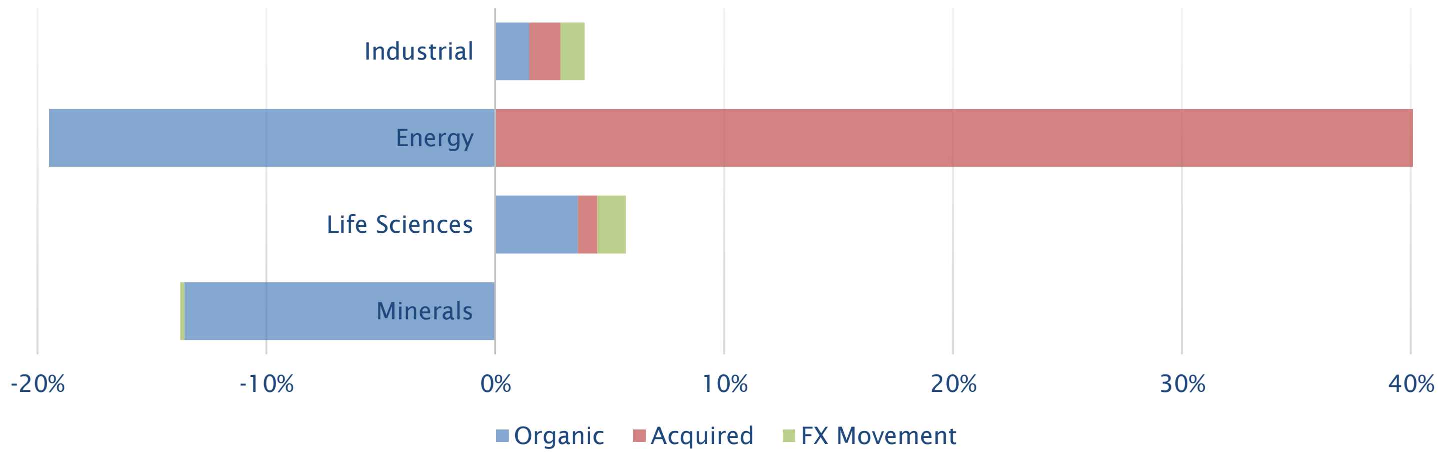
ALS (laboratories) Revenue Growth

- Organic Growth - 6.1%
- Acquired Growth +7.7%
- Currency Impact +1.1%

Reported Growth 2.7%



Revenue Growth YoY

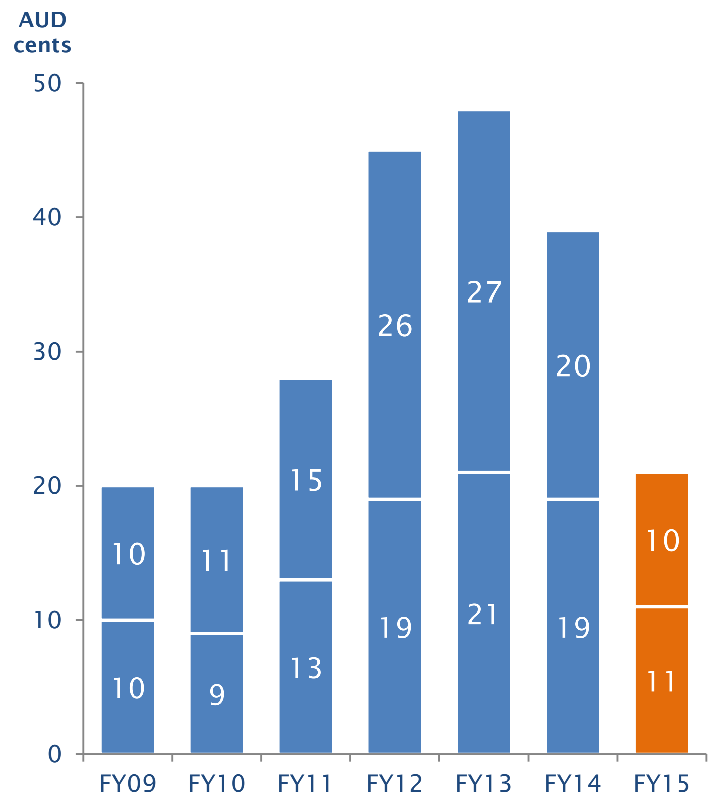


Dividend

FY15 – 2nd Half Dividend

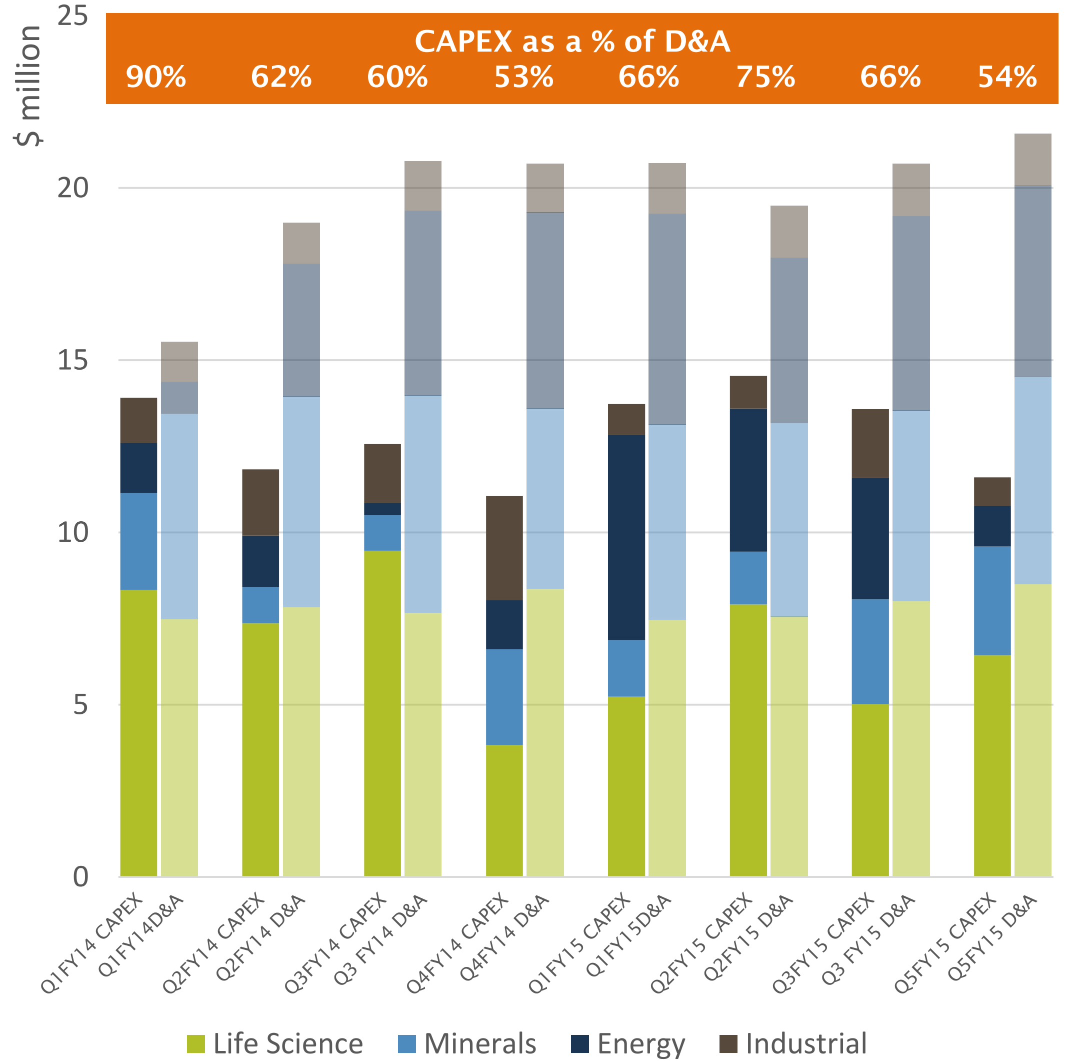
- Payout ratio 62%
- Franked to 25%
- Dividend Reinvestment Plan retained at 0% discount
- DRP shares purchased on market – no new equity issued

Full Year Dividend per Share



CAPEX (excluding land & building purchases) and Depreciation

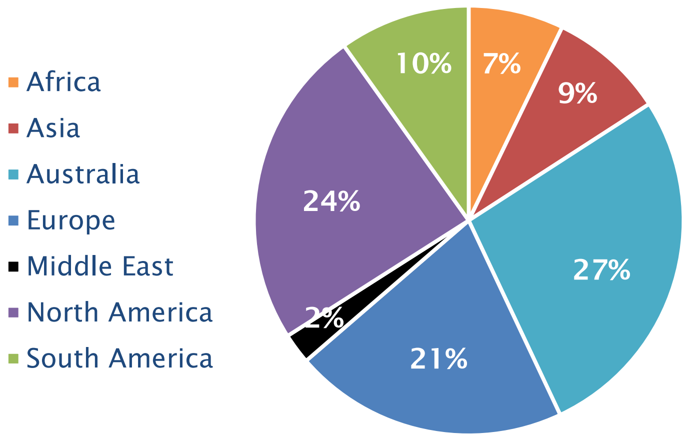
- Capacity CAPEX remains subdued- in line with market conditions
- Replacement CAPEX (~$20mn) being maintained for inevitable market upswing
- Research and Development CAPEX being maintained
- Some higher near-future CAPEX required
  - Oil & Gas laboratory fitout in Houston
  - Recently acquired Food businesses in Europe and potentially USA
  - Advanced technologies in UK water laboratories – EU water regulations
- Focus on Return on Capital Employed

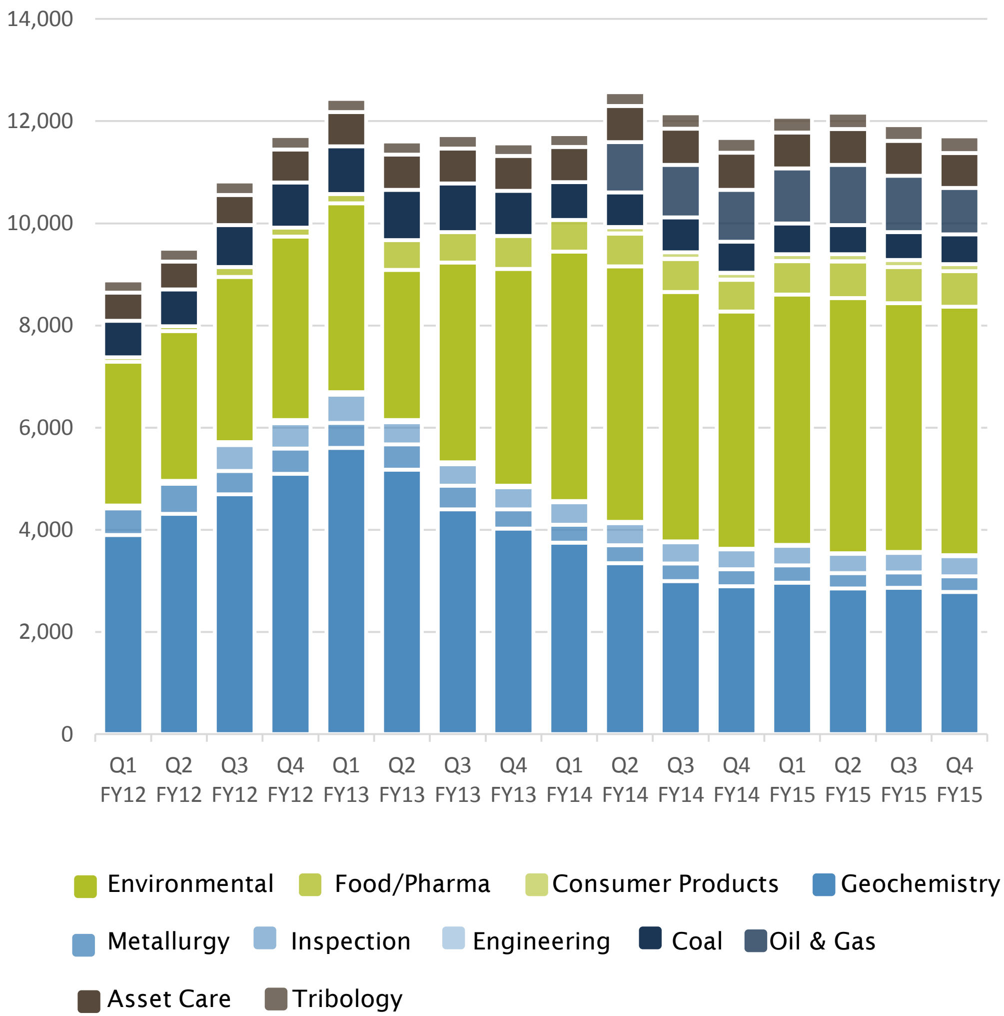


[1] *Amortisation does not include amortisation of intangibles. CAPEX is "approved" CAPEX in the quarter.*

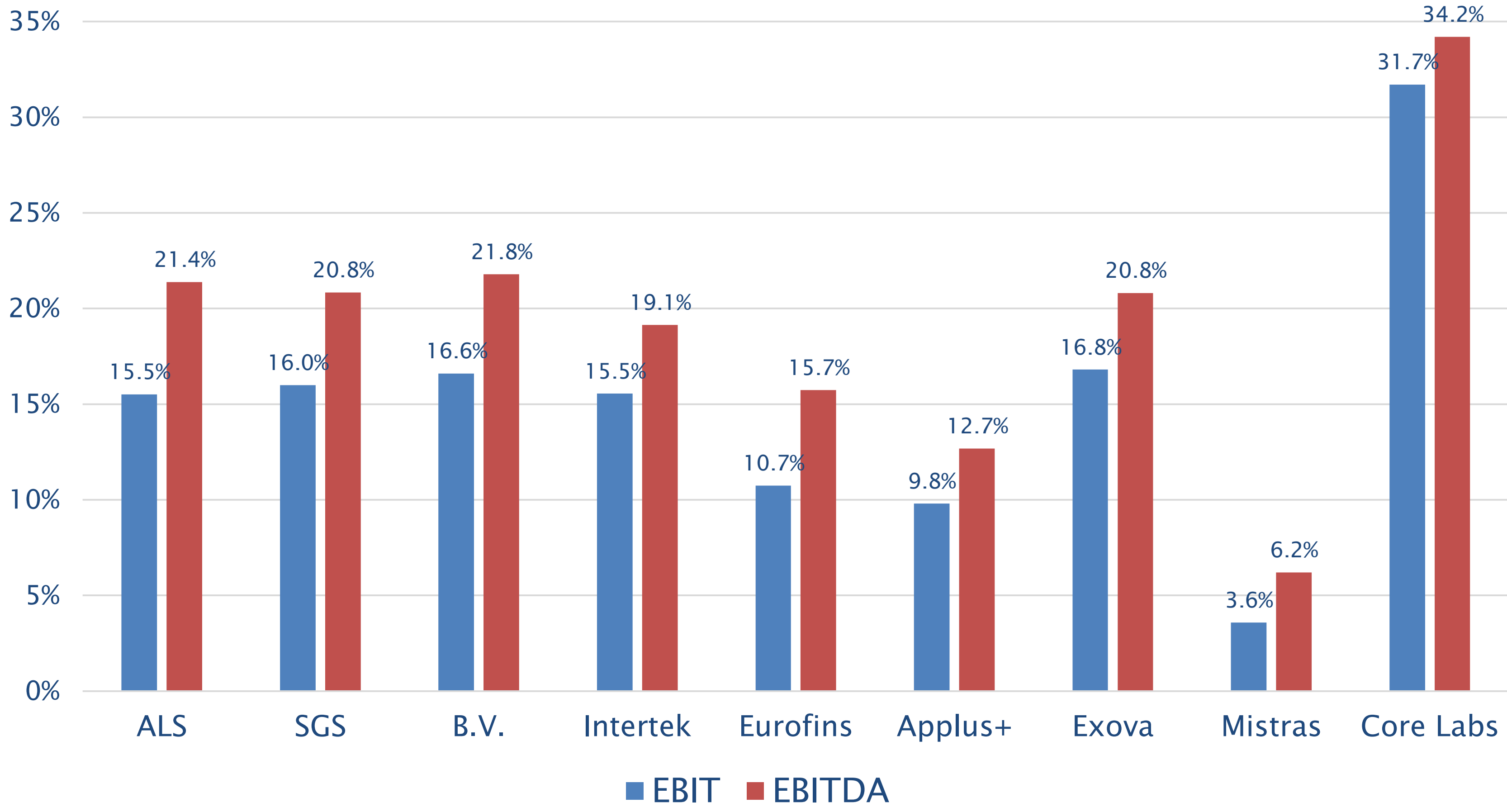
Employee Numbers - total head count

- ALStar online training platform launched in 25 languages – delivering 3400 training sessions per month
- Agility in managing our manpower costs and a highly engaged workforce has allowed for a step change improvement in productivity ultimately translating to an enhanced ROS margin.
- The O&G business headcount was reduced by 25% from the peak during the year mirroring revenue contractions of a similar magnitude as the oil price declined.





Margin – peer comparison



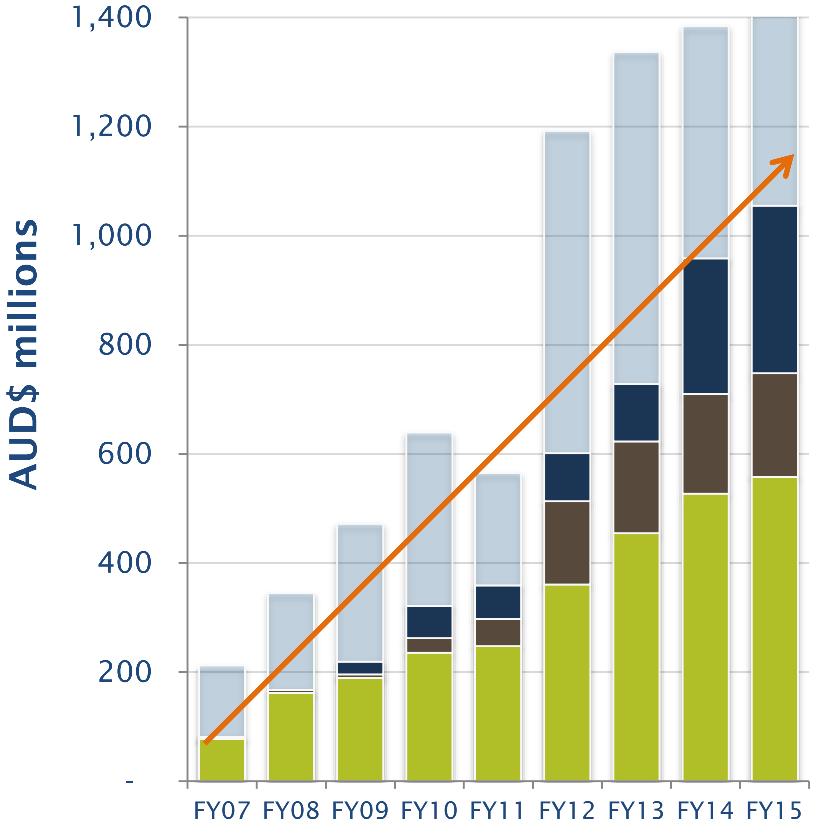
Note: FY Dec 14 for all companies excluding ALS (FY Mar 15) and MISTRAS (FY Jun 14)

EBIT and EBITDA underlying margins

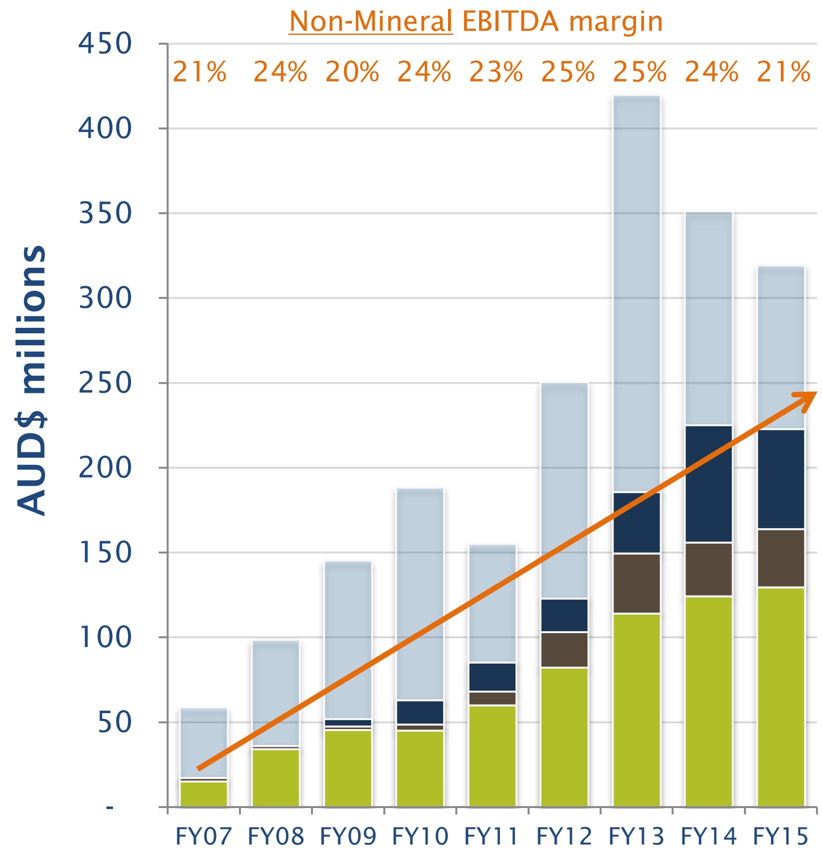
Data from company reports

Growth of non-Minerals Divisions

Lab Services Revenue



Lab Services EBITDA

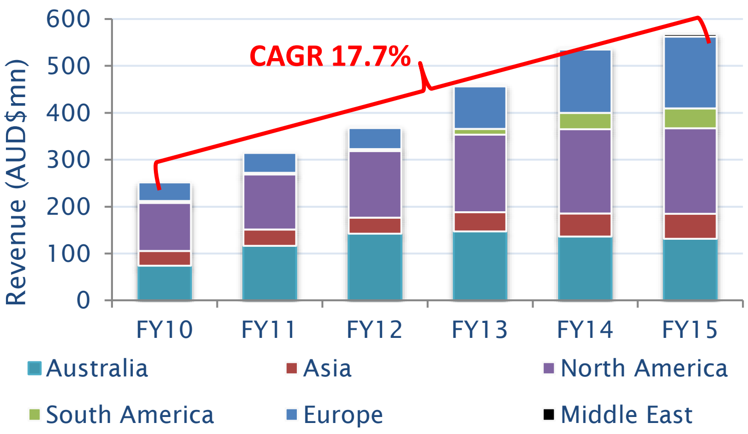


Life Sciences Industrial Energy Minerals

The non-Minerals revenue of ALS lab services is now more than one billion dollars

Life Sciences Division

	2015	2014	Change
Revenue	$557mn	$527mn	+6%
EBITDA	$130mn	$124mn	+4%
EBIT	$98mn	$94mn	+4%
EBIT Margin	17.6%	17.9%	-30bps



Overview

- Strong Environmental revenue growth in South America (+22%), Europe (+11%) and Asia (+10%). Australia down slightly in a very competitive market but no loss of market share.
- New Environmental LIMS progressively deployed in Australia – highly successful
- Strong Food/Pharma revenue growth in Europe (+18%)
- New multi-language Food LIMS including client portal successfully deployed in United Kingdom
- Food chemistry hub in Denmark completed
- Acquisition of ControlVet provides food hub laboratory in Iberian Peninsula

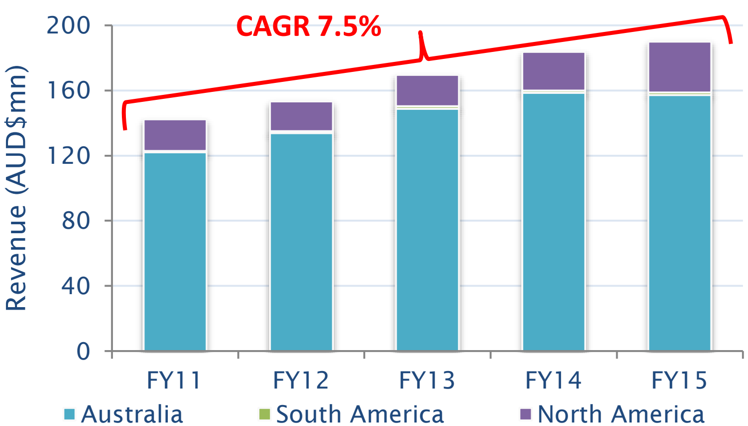
Outlook

- Acquisitions in Food sector – "building blocks" in place
- New Food LIMS to be rolled out to all global food laboratories by year end
- Environmental laboratory performance in the Americas to improve substantially
- New water contracts in UK to drive margin improvement

Note:- EBIT and EBITDA are underlying measures

Industrial Division

	2015	2014	Change
Revenue	$190mn	$183mn	+4%
EBITDA	$34mn	$32mn	+9%
EBIT	$28mn	$26mn	+7%
EBIT Margin	14.9%	14.4%	+50bps



Overview

- Solid organic tribology growth across all regions
- OilCheck and AIT acquisitions in line with expectations for first full year of ownership
- LNG construction revenue peaked with three projects in Queensland and Wheatstone in Western Australia
- Significant decline in “welding and fabrication” revenue due to reduction in energy and resource sector capex
- Several new long term oil & gas and mining maintenance contracts secured

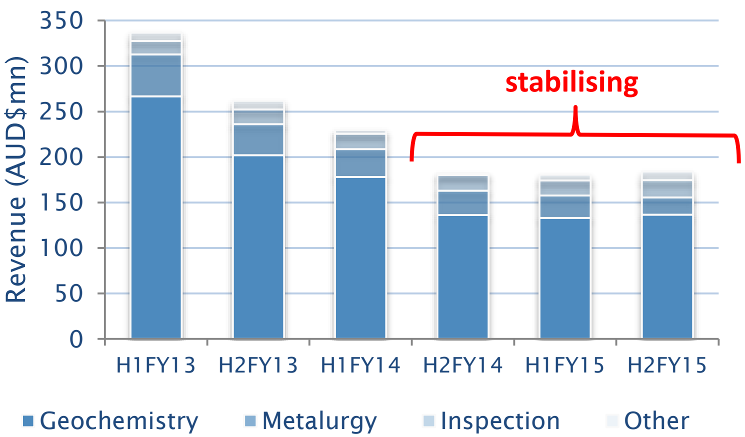
Outlook

- Contraction of the Australian market due to completion of mega projects (LNG, mining)
- Australian business well positioned to secure additional maintenance contracts in oil & gas and mining
- Market share growth remains key focus in South America (tribology) and North America
- Queensland LNG projects to complete and transition to maintenance

Note:- EBIT and EBITDA are underlying measures

Minerals Division

	2015	2014	Change
Revenue	$367mn	$426mn	-14%
EBITDA	$97mn	$126mn	-24%
EBIT	$73mn	$102mn	-28%
EBIT Margin	20.0%	24.0%	-400bps



<u>Overview</u>

- Metallurgy market contraction – margins under pressure
- Geochemistry full year EBIT margin >22%
- Geochemistry market share growth
- Six new mine site contract wins
- Inspection EBIT margin 26% - lower cost base and revenue growth in H2

<u>Outlook</u>

- Focus on
  - Cost base
  - Service optimization
  - Marketing initiatives
  - New methods and integrated services
- Pricing pressure to be offset by productivity improvements
- Growth of the Santiago (Chile) metallurgy business
- Inspection business to focus on development in Asia and South America
- Market share growth in geochemistry
  - Pricing agility
  - Unique technical offerings

<u>Note:-</u> EBIT and EBITDA are underlying measures

Energy Division

	2015	2014	Change
Revenue	$307mn	$248mn	+24%
EBITDA	$59mn	$69mn	-15%
EBIT	$37mn	$54mn	-31%
EBIT Margin	12.0%	21.6%	-960bps

<u>Overview – Oil & Gas</u>

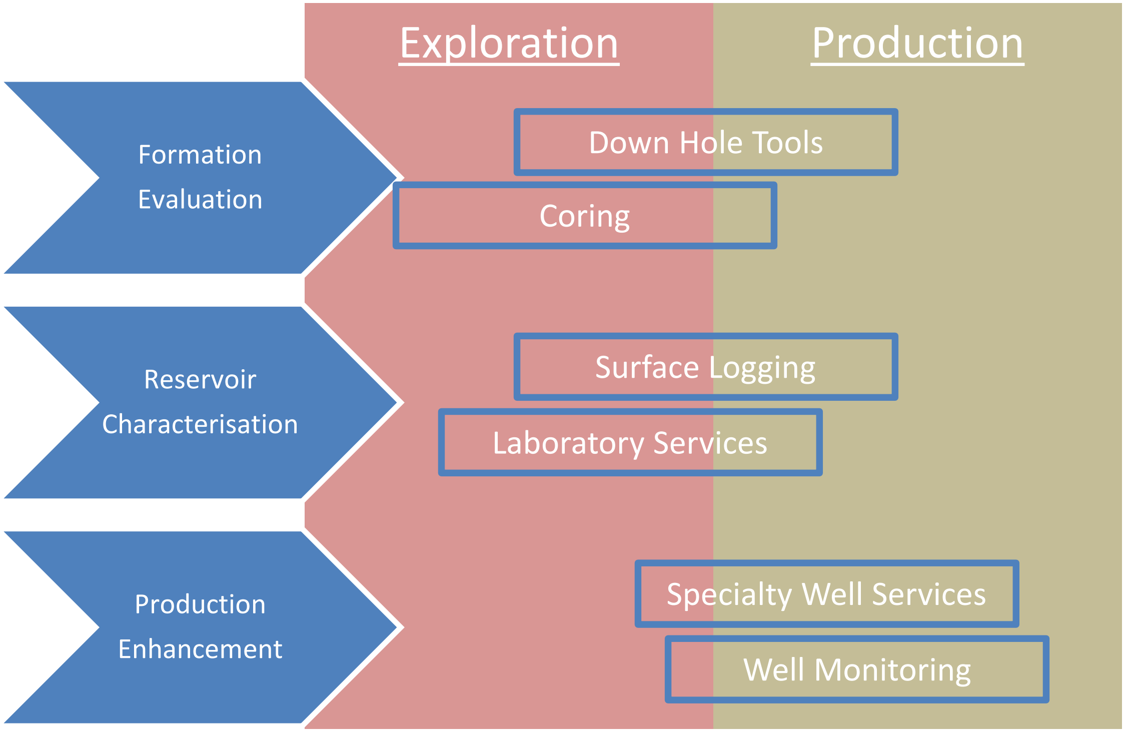
- Significant inroads in the Gulf of Mexico deep-water markets. Coring, Drilling Services, Surface Logging & Reservoir Laboratories all expanded their footprint in this premium market segment
- Cedar Turbine redesigned and successfully trialed in Brazil and Africa
- Secured a further 2 year extension of major coring services contract in Brazil
- Thru-tubing Services (ALS Wellvention) successfully entered the Mexican market and added 2 new locations in USA
- Significant restructuring in response to rapidly changing market conditions, soundly positioning us at the lower end of the cost curve
- Commercialized the new Wellsite Geochemistry business in Surface Logging and were able to gain significant market share through this new service line
- Extended fiber optic service offering to pipeline monitoring – enhanced security & integrity

<u>Overview - Coal</u>

- Global rollout of new LIMS (Coal8) now completed
- Total Australian market share now estimated at 60% following significant contract wins
- Expanded services in the emerging Gunnedah basin area
- Market leader in Australia in
  - Coal technology
  - Exploration
  - Production
  - Shipping services

<u>Note:-</u> EBIT and EBITDA are underlying measures

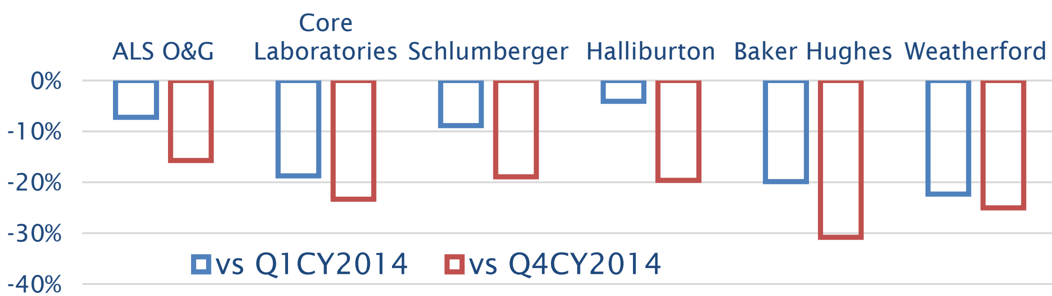
Oil & Gas Overview



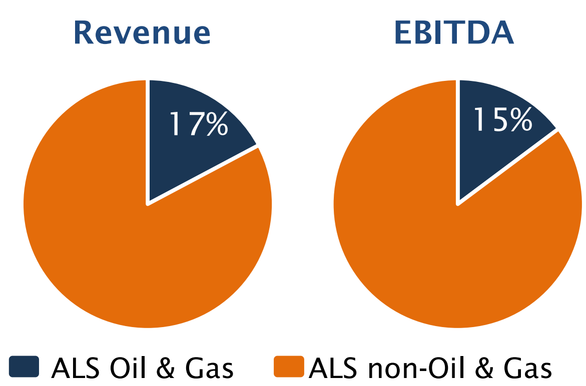
	2015	2014(1)	Change
Revenue	$245mn	$249mn	-2%
EBITDA	$45mn	$59mn	-23%
EBIT	$27mn	$40mn	-33%
EBIT Margin	11.0%	16.1%	-510bps

(1) full 12 months although only owned by ALS for 8 months

March Quarter 2015 Revenue Performance



impact of Oil & Gas business stream on total ALS operations



Note:- EBIT and EBITDA are underlying measures