

17 November 2021

ALS delivers strong H1 FY22 results with organic revenue growth of 24% driven by Life Sciences and Commodities divisions

H1 FY22 financial highlights (compared to H1 FY21):

- Revenue from continuing operations of \$1,031.1 million, an increase of 22.9% (25.5% at constant currency) due to strong performance from Life Sciences and Commodities
- Statutory net profit after tax (NPAT) of \$74.1 million, up \$5.9 million following the strong performance in the half, partially offset by non-operational one-off costs
- Underlying NPAT from continuing operations of \$127.1 million, up 57.7%, exceeding guidance (provided at the 2021 AGM) of \$115 million to \$125 million
- Life Sciences underlying EBIT margin of 17.7%, up 131 basis points (bps) driven by strong volume, process automation and efficiency gains combined with lower capex spend in pcpc in response to the COVID-19 pandemic (reducing depreciation and amortisation recognised in H1 FY22)
- Commodities underlying EBIT margin of 29.9%, up 519 bps primarily driven by strong sample volume volumes in Geochemistry (+46% vs prior corresponding period (pcp))
- Underlying basic earnings per share (eps) of 26.4 cents per share (cps), up 58.1%. Statutory eps of 15.4 cps, up 9.2%
- Interim dividend of 15.8 cps (partially franked to 30%) an increase of 85.9% compared to H1 FY21, representing a payout ratio of 60% of H1 FY22 underlying NPAT. This dividend reflects the strong first half performance and liquidity position
- 85% of underlying EBITDA converted into cash despite strong organic revenue growth
- Strong balance sheet with 1.5x leverage ratio and ~\$720 million of available liquidity and 14.0x interest coverage with weighted average debt maturity of 5.4 years - proforma leverage ratio of 2.0x and ~\$490 million of available liquidity had payment of all consideration for the acquisition of a 49% stake in Nuvisan (which completed in October 2021) occurred in H1 FY22
- ALS has voluntarily elected to repay COVID-19 pandemic-related government net subsidies in all countries where repayment mechanisms exist, including \$3.0 million in Australia (JobKeeper program), with a provision in place to repay \$21.5 million in Canada

ALS Limited (ASX: ALQ) today announced underlying NPAT from continuing operations of \$127.1 million for H1 FY22, an increase of 57.7% compared to the pcpc. This strong result was driven by the Life Sciences and Commodities divisions. Life Sciences volumes surpassed pre-COVID-19 pandemic levels, growing revenue by 19.0% (compared to pcpc), while the strong commodity cycle drove a revenue increase of 37.7% (compared to pcpc) in the Commodities division.

ALS Chairman, Bruce Phillips commented "This is a very pleasing performance which demonstrates that the Group is capturing organic and inorganic growth opportunities as the

global economy continues to recover. ALS has emerged as a stronger company from the early stages of the COVID-19 pandemic and we remain well-positioned to capitalise on the long-term megatrends driving structural growth across the Testing, Inspection and Certification industry.”

Managing Director and CEO, Raj Naran commented “The Group has delivered significant organic growth as the Life Sciences and Commodities divisions performed very strongly across all regions.

“All three Life Sciences businesses delivered double-digit organic growth as volumes surpassed pre-pandemic levels. The Commodities division continues to benefit from the strong commodity cycle with Geochemistry in particular, seeing strong sample volume growth from both major and junior mining clients as it capitalises on its market leading position”.

Overview of H1 FY22 result

Contributions from the company’s divisions for H1 FY22 are summarised below:

Half year financial results (from continuing operations)	Revenue			Underlying EBIT			Underlying margin		
	1H22	1H21	%	1H22	1H21	%	1H22	1H21	bps
Life Sciences	537.9	452.1	19.0%	95.1	74.0	28.5%	17.7%	16.4%	+131 bps
Commodities	383.3	278.4	37.7%	114.6	68.8	66.6%	29.9%	24.7%	+519 bps
Industrial	109.9	108.3	1.5%	10.3	12.3	(16.3)%	9.4%	11.4%	(199) bps
Total segments	1,031.1	838.8	22.9%	220.0	155.1	41.8%	21.3%	18.5%	+285 bps
Net financing costs				(19.4)	(21.2)				
FX gains / (losses)				(0.3)	(2.4)				
Other corporate expenses				(22.7)	(17.5)				
Income tax expense				(49.7)	(32.5)				
Net profits attributed to minority interests				(0.9)	(0.9)				
Underlying NPAT¹				127.1	80.6	57.7%	12.3%	9.6%	+272 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 18%

Life Sciences delivered revenue of \$537.9 million, growth of 19.0% driven by an organic growth of 17.8%, and scope growth (net of acquisitions and divestments) of 3.6% with an unfavourable currency impact of -2.4%.

Underlying EBIT increased by 28.5% to \$95.1 million, with the margin expanding further to 17.7%, an improvement of 131 bps compared to the pcp. This was driven by volume growth, process automation and efficiency gains combined with reduced depreciation and amortisation recognised in the half following limited capex spend in the pcp in response to the COVID-19 pandemic.

The acquisition of a 49% stake in Nuvisan was completed in early October 2021 and will make a full contribution to the second half of FY22. This is a highly strategic acquisition which will significantly expand the service offering and geographical reach of the pharmaceutical

business. Management teams from ALS and Nuvisan are working together to implement the strategic plan to leverage growth opportunities and benefit from synergies across both businesses. There has also been good progress in replacing the revenue from the contract with the major pharmaceutical company which is scheduled to reduce over time (as is common with this type of fully outsourced contract) from both existing and new potential clients.

Commodities division grows underlying EBIT by 67% with margin expansion of 519 bps

The Commodities division reported revenue growth of 37.7%, all of which was organic, as it was supported by the strong commodity cycle. This drove an underlying EBIT margin of 29.9% which was an increase of 519 bps for the first half.

Geochemistry sample volume was up by 46% for the first half (compared to the pcg) as both major miners (~70% of sample volume) and junior miners (~30% of sample volume) increased their contribution, with the latter deploying some of the significant capital raised during the past calendar year. Geochemistry organic growth (+59% compared to pcg) benefitted from gradual price rises achieved during the half and the increased contribution from junior miners. There is currently an investment to increase Geochemistry capacity by ~15% which is anticipated to be completed at the end of FY22. This, combined with the global 'hub and spoke' model, is designed to capture growth in sample volume.

Industrial division underlying EBIT margin decline of 199 bps

Although the Industrial division delivered a 1.5% increase in revenue, there was a 16.3% decline in underlying EBIT. This led to an underlying EBIT margin of 9.4%, a decline of 199 bps as both Asset Care and Tribology suffered margin decline.

Asset Care organic revenue grew by 1.0%, however, ongoing Australian state border closures and the closure of the business in the USA impacted the underlying EBIT margin, which fell by 94 bps. Similarly, Tribology saw organic revenue growth of 8.7% with temporary labour shortages and an increase in consumable costs primarily in the USA, leading to a 486 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 and accretive acquisition opportunities with the return of capital to shareholders.

The balance sheet remains strong with leverage ratio of 1.5 times and ~\$720 million of available liquidity at 30 September 2021. The proforma leverage ratio increases to 2.0 times, with \$490 million of available liquidity had the payment of all consideration for the acquisition of a 49% stake in Nuvisan (which completed in October 2021) occurred in H1 FY22.

The Group continues its strategy focused on value enhancing acquisitions, particularly in the food and pharmaceutical markets, targeting opportunities that fit with existing capabilities or attractive adjacent markets.

Net debt increased by \$50 million in the first half with the weighted average debt maturity profile of 5.4 years.

Interim dividend

Directors have declared an interim dividend of 15.8 cps, partially franked to 30% (H1 FY21: 8.5 cents, fully franked to 100%) representing a payout ratio of 60% of H1 FY22 underlying NPAT. This dividend reflects the strong current trading conditions and liquidity position. It will be paid on 17 December 2021 to shareholders on the register at 3 December 2021.

The Board has elected not renew the share buy-back program given the superior capital allocation opportunities such as investment in organic growth and accretive acquisitions. The Dividend Reinvestment Plan has been reinstated and will be available to eligible shareholders who elect to participate at a 1.5% discount to the 5-day volume weighted average share price for the period from 7 to 13 December. It will be funded by the issuance of new shares.

Investment in organic growth

Capex spend increased by 70% in the half compared to the pcg as the Group invested in organic growth opportunities. These included automation and process improvements in Life Sciences and the commitment to expand Geochemistry laboratory capacity by ~15% to capture future sample volume growth opportunities.

FY22 guidance of underlying NPAT between \$242 million and \$252 million

FY22 underlying NPAT is expected to range between \$242 million and \$252 million which is a 33% increase compared to FY21 (at the midpoint of guidance). The strong performance in the first half of FY22 has continued into the early part of the second half, however, H2 FY22 will be compared to a particularly strong pcg for the Life Sciences and Commodities divisions. FY22 guidance includes a six-month contribution from the recently-acquired 49% stake in Nuvisan.

Life Sciences volume has surpassed pre-pandemic levels in all regions which, combined with further efficiency gains, is expected to drive underlying EBIT margin expansion of 30 bps for FY22. Underlying EBIT margin growth in H2 FY22 will be impacted by an increase in depreciation and amortisation following significant growth in capex spend in H2 FY21 combined with some cost inflation pressure on consumables.

The Commodities division, particularly Geochemistry and Metallurgy, is expected to continue to benefit from the strong commodity cycle. The ~15% increase in Geochemistry capacity is anticipated to be completed by the end of FY22 with some gradual price rises also expected in the second half, which may be somewhat offset by rising cost of consumables. Revenue and underlying EBIT margins in Inspection and Coal are expected to be broadly stable with H1 FY22 levels in the second half.

The trading environment for the Industrial division remains challenging as Australia state borders continue to impact Asset Care. However, the temporary labour shortages which impacted Tribology, primarily in the USA, during H1 FY22 are expected to unwind in H2 FY22.

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

ALS 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.

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For further information please contact:

Raj Naran
Managing Director and CEO
ALS Limited
+61 7 3367 7900

Simon Starr
Head of Investor Relations
ALS Limited
+61 428 275 170
simon.starr@alsglobal.com

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.