



Raj Naran
CEO & Managing Director
ALS Limited

Annual General Meeting
10:00am on 29 July 2020

Thank you, Mr Chairman.
Good morning.

I would like to reiterate Bruce's welcome to our shareholders, investors and staff. I appreciate you joining us in this format today and I am pleased to have the opportunity to update you on the performance of the business and look to the future.

Our people are our most important resource, and I am pleased to say that we have the number one safety record compared to our peers. In FY20, we reported our best safety performance on record with a further 11% reduction in our injury rate for the year, and a reduction to, record lows in our Lost Time Injury and Total Recordable Incident Frequency Rates.

Safety is a priority - ALS COVID-19 response



Safety guidance

- Handwashing and sanitation information;
- Hygiene and routine disinfection information and procedures;
- Screening for, and information for, employees feeling unwell;
- Physical distance markings and signs throughout facilities;
- Detailed response and contingency plans.



Equipment

- Additional sanitation products and PPE;
- IT resources to enable virtual meetings and remote working;
- Additional guarding, equipment, and walkways to reduce personal contact;
- No contact transfer stations installed for delivery of incoming samples and goods.



Communication

- Regular communication to employees;
- Website and social media announcements and communication to clients.



Restrictions

- On the number of people per common rooms and spaces;
- Only essential visitors or contractors permitted on sites;
- On social gatherings;
- On international and regional travel.



We acted quickly early in the pandemic to protect our people and business. We implemented a comprehensive response to protect our people and our clients, and to maintain the integrity of our testing. This included implementing controls in line with government regulations; social distancing at our operations; optional temperature checks for all employees; and regular communication with our employees globally to disseminate up-to-date information.

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Our safety performance during the pandemic has enabled us to continue to safely operate the majority of our sites and to maintain business continuity and quality of our service. This was particularly appreciated by our clients and staff during this challenging period.

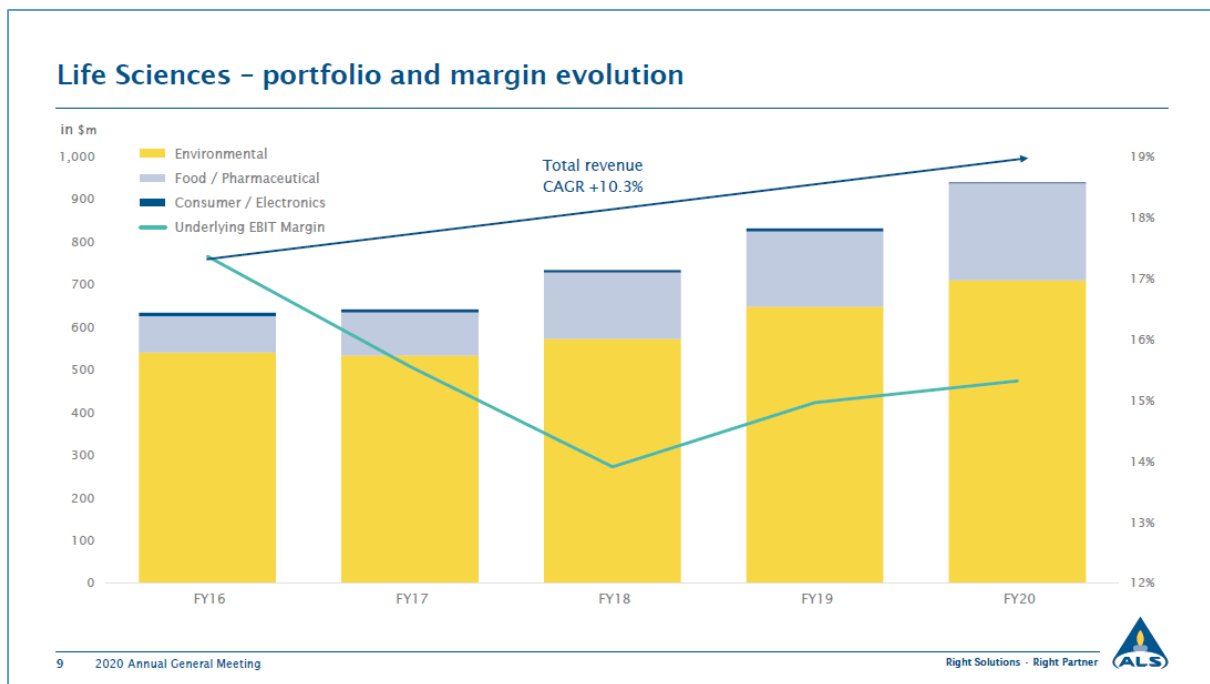
Resiliency of the ALS model

The COVID-19 pandemic has demonstrated the strength of ALS' 'hub and spoke' model. While each of our regions and divisions has experienced different challenges, the Group's model has enabled us to respond quickly by aligning our cost base to client demand. At the same time, we have maintained capacity and the capability to preserve client service levels and capitalise on opportunities.

The diversified nature of the Group's portfolio positions us well to withstand the economic impact of COVID-19, and in many regions, our operations were deemed 'essential' by local governments and remained open throughout the pandemic.

FY20 performance

Turning to the performance of our businesses in FY20.



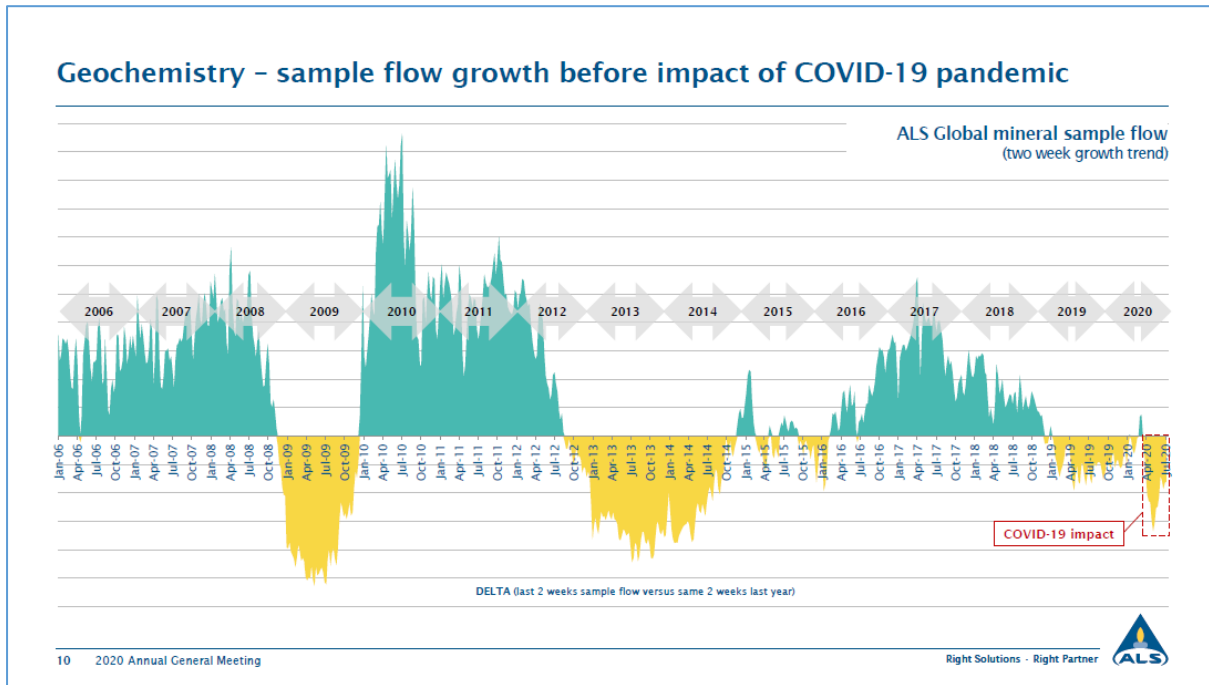
The **Life Sciences** business delivered revenue of \$939 million, up 13% on the prior year. The business achieved margin expansion of 35 basis points compared to the previous year and was on track to deliver our 50 basis points target until the impact of the pandemic.

I am pleased to report that the two acquisitions made during the year, ARJ and Aquimisa, have performed very well, and are strategically important as we grow our presence in the food and pharmaceutical markets, which continue to show long-term structural growth.

Our **Commodities** business showed positive organic growth despite headwinds in the Geochemistry business. Geochemistry recorded a creditable FY20 result despite sample flows being down on the previous year, with price increases supporting the organic performance. We saw early signs of growth in the mining sector before



COVID-19, which impacted sample flow in early Q1 of FY21. As you can see on the graph, sample flow improved during late May and June as economies reopened and mining activity increased.



I echo the Chairman's disappointment with the actions of a small number of employees in our Australian Coal Superintending and Certification Unit. While this fell well short of our code of conduct, and expectations of our people, processes have been established to ensure that this cannot occur again. Having undertaken a thorough, independent review, we are comfortable that this issue was isolated to this small part of our business.

The strong performance in our **Industrial** business has delivered an 18% revenue increase on last year, however the impact of COVID-19 resulted in a margin reduction of 38 basis points. The Asset Care business will be particularly impacted in the current financial year as clients delay maintenance spend, and the exposure to the USA oil and gas related market which has contracted following the oil price crash.

Strategy

While we are actively managing the short-term impacts of COVID-19 and the resulting economic fallout, our longer-term strategies remain highly relevant. Most notably, we continue to see structural growth in our key Life Sciences markets, as clients increasingly seek to outsource their testing requirements. We have also identified the emergence of a number of new markets driven by COVID-19, and I will provide further detail on these shortly.

Our acquisition strategy is to identify bolt-on acquisitions in our key markets where we are building our network, particularly on the high margin food and pharmaceutical markets. We remain focused on fully integrating these acquired businesses as quickly as possible, and the success of this strategy is demonstrated by the strong performance of our recent acquisitions.



Recent acquisitions performing well



ARJ

~\$30 m ANNUAL REVENUE

- Acquired in August 2019, based in Mexico.
- Founded in 1967, annual revenue of ~\$30m, 500 employees.
- Largest private pharmaceutical testing laboratory in Latin America.
- Strong performance since acquisition.



Aquimisa

~\$35 m ANNUAL REVENUE

- Acquired in December 2019, based in Southern Europe.
- Founded in 1994, annual revenue of ~\$35m, 350 employees.
- Chemical and microbiological food testing, expanding existing footprint in Europe and adding new capability to ALS network.
- Strong Q4 20 contribution despite COVID-19 shutdowns in key markets.



The Group is well capitalised and while we had a strong acquisition pipeline ahead of COVID-19, we will continue to review acquisition opportunities that may arise from the current situation. However, our acquisition criteria remain stringent, and we continue to focus on margin-enhancing acquisitions.

New opportunities and innovation

I mentioned that there are a number of new markets as a result of COVID-19, and we have innovated to service these new markets, to further support the safety of our clients and community.

Firstly, we are testing for COVID-19 in humans, using standard swabs taken by medical professionals and tested in our laboratory. This test was developed in our Portugal laboratory and is currently being rolled out across our international operations. There is minimal capital investment required as the equipment and expertise already exist across our Life Sciences network with approximately 1,000 tests being conducted per week.

Secondly, we have identified an opportunity in surface testing. This involves mapping sites for high-touch surfaces and providing testing services to identify the presence of COVID-19 and other viruses to protect against infection. Sites could include offices, infrastructure, factories and transport such as planes and cruise ships. We have developed testing kits and are currently rolling out this service across our global network.

Thirdly, there is the possibility that virus testing will be mandated in our key markets. Prior to the COVID-19 pandemic, there was limited or no mandated testing for viruses across the sectors we operate in. We anticipate that regulators could start to mandate virus testing across environmental, food and pharmaceutical industries. These are industries where we already have strong client relationships and could provide additional testing services. We will remain at the forefront of government and regulatory recommendations, in each of the geographies in which we operate to support the safety of our clients, and communities. A recent example

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of this is our work with the Victorian government to test wastewater samples for early detection of COVID-19 in localised populations.

Outlook

Looking forward, total revenue was down 9.8% in Q1 of FY21 compared to the prior corresponding period, demonstrating the resiliency of our portfolio of testing businesses. The total revenue performance improved by the end of the quarter as economies reopened and client activity increased. There has been a degree of recovery in activity across all other major markets, apart from Latin America which continues to be the region most impacted by the COVID-19 pandemic.

Life Sciences was the least impacted by the COVID-19 pandemic due to the essential services it provides, and the ability to operate despite economic shutdowns, although we still saw a small decline in total revenue in the first quarter compared to the prior corresponding period. Commodities experienced a challenging start to the first quarter before a stronger performance in June driven by an increase in general mining activity, with Geochemistry sample flows beginning to improve, although still down compared to the prior corresponding period. The Asset Care business continues to be challenged as clients defer non-essential maintenance work.

As I mentioned earlier, we leveraged our 'hub and spoke' business model and acted swiftly to align our cost base with client demand. This allowed us to maintain our Group underlying EBIT margin for the first quarter of FY21 at the same level as the prior corresponding period, despite the fall in total revenue. Our liquidity remains solid at over \$600 million with our leverage ratio at 1.9x.

We are hopeful that our first quarter of FY21 was the most challenging as economies continue to re-open around the world and sample flows return to our laboratories.

Conclusion

In closing, our FY20 performance was highly creditable given the impact of the pandemic on our final quarter, and we acted decisively to position the Group well going into FY21. None of this would be possible without our dedicated staff and management team around the world. I would like to thank them all for their hard work, commitment, resilience and dedication during these unprecedented times. A sincere thank you to the Board for their guidance and counsel, and to my family for their continued support. It has been pleasing to see the business pivot to capitalise on opportunities as they arise, and to see the strength of the Group in responding to the challenges posed by the pandemic.

Finally, thank you to you, our shareholders, for your ongoing support. Our ultimate goal is to ensure no harm to our people, while delivering value to our shareholders, and we remain focused on this, despite the short-term challenges in some markets.

On behalf of the management team and myself, I would also like to thank Grant Murdoch for his valuable contribution to the growth of ALS as a Non-Executive Director over the last 10 years.

Thank you.

I will now hand the meeting back to our Chairman to conduct the formalities of the meeting.

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