



## Malcolm Deane

CEO and Managing Director

ALS Limited | ACN 009 657 489

Annual General Meeting

10:00am (AEST) on 31 July 2024

## Introduction

Good morning, ladies and gentlemen.

I warmly welcome you all to our annual general meeting - to those here in person and those joining us online. It is my pleasure to have this opportunity to reflect on the year that's been, and to share more on our future.

First, I want to take a moment to extend my thanks:

- To you, our shareholders
- To our board and management team for your ongoing support and collaboration
- To our people and their extraordinary efforts - everything we achieve is possible because of their dedication, and
- To our clients, partners and suppliers.

Over the next 20 minutes, I will update you on our:

- FY24 performance
- Progress toward our 2027 strategy, and
- The shareholders value creation framework.

## Our FY24 performance highlights

Turning to our performance. As the Chairman shared, we reported solid financial performance. However, there is one area I want to highlight ahead of anything financial, and that's safety.

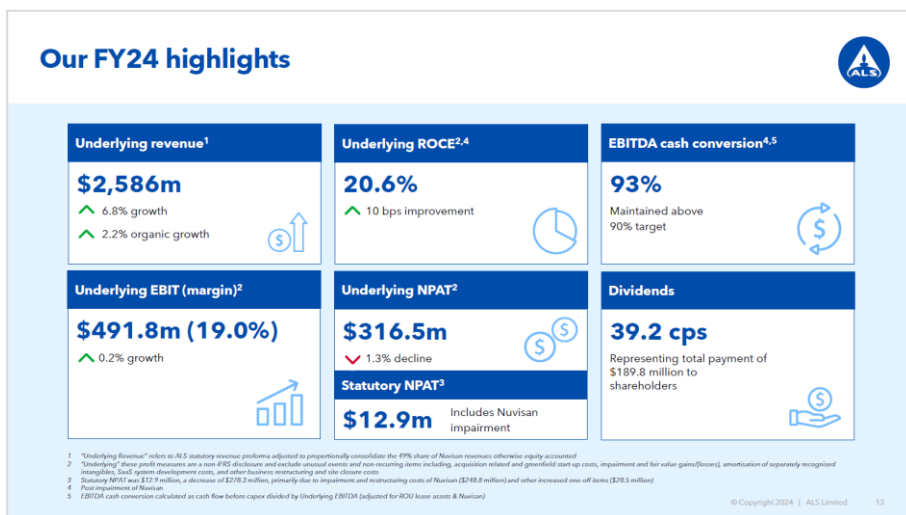


I am proud to say that ALS continues to lead our industry in safety globally. ALS is a safe, best-in-class workplace, proven by the outstanding improved results we showed year after year. This past year, we reduced our total recordable injury frequency rate to 0.95 - the lowest ever recorded by ALS. This was achieved through our widespread safety culture, supported by our life saving rules, alongside our psychological safety programs, safety training, and visible leadership and commitment to safety.

Safe work is our non-negotiable priority and underpins every other performance measure, including of course our financial performance.



This past year, ALS again demonstrated that our diversified business model is resilient and equipped to adapt to market changes. As the Chairman shared, we continued to deliver revenue growth and maintain industry-leading margins.



Our business delivered overall revenue growth of 6.8%, with low single-digit organic growth despite a challenging market and slowdown in mining exploration and overall pharmaceutical activities.

The company continues to deliver solid best-in-sector margins, recording a 19% EBIT margin. This was supported by the strong performance of our leading Environmental business, as well as Food and Industrial Materials. Additionally, our Minerals business demonstrated a resilient performance, which delivered an EBIT margin of 32% in this volatile business environment.

Our cash generation, balance sheet and liquidity remain strong, supporting the implementation of our capital framework and continued growth journey as we move forward.

Let me now share a high-level overview of the performance of each business stream, starting with Commodities.



## Commodities

- In **Minerals**, we boosted our market share and managed costs efficiently, driving growth in mine site activities. The Minerals margin was above 32%, reflecting reduced cyclicality, due to an ongoing change in the mix of elements we test and services we offered, new products launched (including high-performance methods), and the type of clients we service (with a robust expansion into mine site).
- Global electrification continues to drive revenue growth opportunities in our Minerals group.



- We continued to create lasting value for our clients upstream by offering unique, high-value services that ensure consistency and reliability. This was done with methods that deliver the lowest detection limits with the highest precision. With our culture of innovation, we continued delivering and offering new methods to our clients. This year, we launched a new super trace gold detection method with the lowest detection limits in the market.
- Additionally, over the last three years, we have seen the business expand its mine site operations, with a CAGR growth of 20%, representing an increase in new sites open of 45%. By the end of FY24, we had presence at 26 mine sites.
- The company will continue focusing on expanding our mine site activities for the right locations and clients, offering them our unique solutions. We are excited about the prospect that this market presents to ALS, having become an enabler of the global energy transition.
- Following with **Industrial Materials**, part of the Commodities division, we achieved growth and margin improvements across most businesses. The organic growth for this division was around 13%, with volume and market share expansion in all three divisions.

Moving to Life Sciences, which includes our **Environmental and Food & Pharma** divisions:

- The **Environmental division** is our largest, representing nearly 35% of revenue. This division remains a core expansion area, achieving 8.6% organic growth, outpacing overall market growth. Our growth surpassed the market in all regions, and we've strengthened our positioning through key acquisitions in growth areas and further margin expansion. The business has benefited from global standardisation, increased use of our unique LIMS, and new regulations with tighter enforcement from authorities worldwide.
- In the ever-evolving landscape of environmental challenges, we have positioned ALS as a trailblazer—a company that not only keeps pace with industry trends but actively shapes them. With a keen eye on emerging contaminants like PFAS, ALS has solidified its position as a market leader.
- Anticipating the significant attention PFAS would garner due to their potential health and environmental impacts, we positioned ourselves as a frontrunner in PFAS testing, starting early in Australia and then consolidating our position in Asia, Europe, and later North America. By investing in cutting-edge technology and expertise, we provide clients with reliable PFAS analysis.
- Our momentum in key geographies—such as the USA and Europe—reflects our strategic vision. These regions face unique challenges related to PFAS contamination, and ALS has risen to the occasion. Collaborating with local stakeholders, we tailor our services to meet regional needs. Whether it's compliance testing for industrial sites or monitoring drinking water supplies, our impact resonates across communities.
- ALS doesn't merely react; we proactively build capacity. Organic investments—such as expanding laboratory facilities and optimising workflows—ensure scalability. Equally crucial are strategic acquisitions, which keep ALS ahead of the competition—I'll discuss more on those later today.
- Finally, our **Food & Pharma division** accounts for 24% of the company's total turnover. Together, the Life Sciences divisions have seen improvements through market share expansion, enhanced end-market focus, and price discipline. We anticipate these factors will continue to benefit the organisation as clients increasingly seek high-quality solutions.
- Regarding the Food division, we achieved rapid recovery in volume and price growth in Europe, helped by a better mix of work and effective cost controls, and
- And finally, the Pharmaceutical division navigated tough market conditions due to reduced drug development funding and started the transformation of Nuvisan.



## Our progress toward our 2027 vision

**Our progress**

- **Sustainability** - maintained carbon neutrality for Scope 1 and 2 emissions, reviewed Scope 3 emissions, reduced plastic waste and expanded solar energy
- **People and culture** - increased employee engagement, improved resources, support and recognition, and inclusion initiatives.
- **Innovation** - intentional investment in digital innovation, integrating technology for real-time insights.
- **Growth** - acquired two environmental testing businesses, York and Wessling, and remaining 51% interest in Nuvisan.



Beyond our safety and financial performance, we embarked on several strategic initiatives as part of our 2027 strategy.

I'd like to focus on four highlights:

- We achieved carbon neutrality for Scope 1 and 2 emissions, reduced plastic waste, and expanded solar energy use.
- We increased employee engagement and inclusivity, with over 80% of our employees reporting they feel their work is meaningful in our engagement survey.
- Our intentional investment in innovation enhanced efficiency and client solutions, setting us apart in the industry.
- We added two leading environmental testing businesses, York Analytical and Wessling, to strategically fill geographical gaps and expand our services and capabilities in high-growth regions.
- And, we acquired the remaining 51% interest in Nuvisan at nil cost, securing majority control and creating the best opportunity to deliver earnings growth and maximise shareholder value optionality. We have started implementing a transformation program to increase revenue via targeted investment in business development and improved profitability across the Nuvisan business.

Nuvisan integration and cost transformation initiatives are on track.

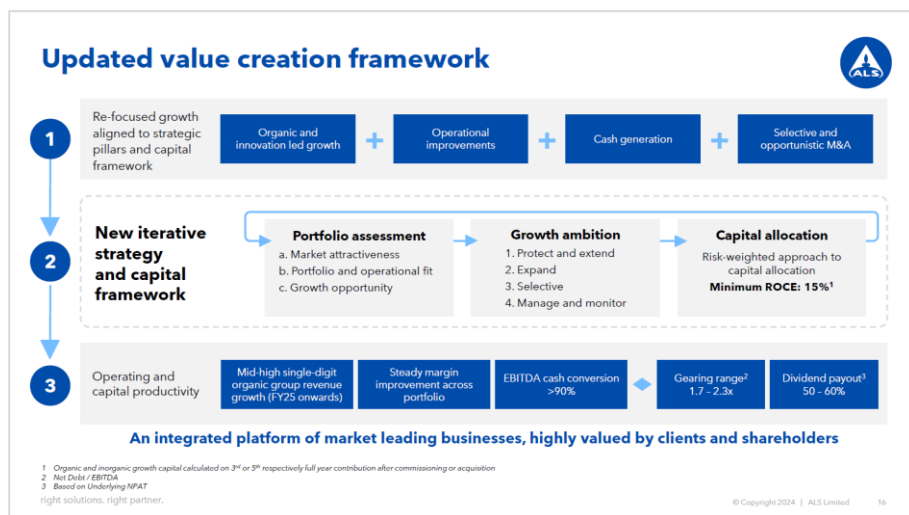
And, we have started to see positive market movement, especially in the biotech sector, with improved funding and business development opportunities. We expect this to benefit Nuvisan in the future.



## Our refreshed strategy

We have made significant strides in executing our strategy toward 2027. However, we knew we needed to push that work further, driven by factors such as a newly formed executive team comprising long-term and new leaders, a step-up in our efforts to improve the integration of acquisitions, enhancements to our operating model to enable margin improvement, a desire to better scale our businesses, and development of a new approach to capital allocation.

As a result, we have developed our new value creation framework, which clearly sets the focus of the organisation.



We believe this framework provides the fundamental basis to help us deliver on our ambition of top-quartile shareholder returns in the medium term.

1. As you can see on the slides the **first level** outlines our refocused, risk-weighted approach to growth capital allocation:
  - Capital allocation comprises organic growth, including ongoing implementation of the ALS Way and investment in innovation and inorganic growth.
  - Our aim is to unlock additional value and maximise returns for our shareholders by prioritising investments close to the core, with higher return expectations for investments that are in segments just outside or adjacent to the core.
  - Overall, we're targeting disciplined and successful implementation of the refreshed strategy to support mid-to-high, single-digit organic revenue growth, along with steady margin improvements as we leverage our scale and benefit from the ALS Way, which includes ongoing investment in innovation.
2. The **second level** in the middle of the slide - explains how our new strategy aligns with the company's capital allocation.
  - When evaluating investment opportunities within our portfolio, we use three lenses: the character of a market, the alignment of a market to our portfolio, and the growth potential of a market. It's clear that parts of our portfolio benefit from holding market leadership positions in key markets, regionally or globally.
  - In this regard, we have identified four growth pillars for our business:
    - First, protecting and extending leadership positions in key businesses through a combination of rapid organic growth and inorganic expansion.
    - Second, expanding our service offering and market share in selected global and regional high-growth markets to create leadership positions, where the business already benefits from a strong presence.
    - Third, selectively investing capital into markets through organic growth and M&A that can expand our scale or capabilities.



- And lastly, seeking to optimise value from underperforming businesses, consistent with how capital is allocated to extract maximum returns.
  - In terms of returns, with this new capital allocation strategy, we are targeting a return on capital employed of 15%. This is measured as EBIT over average capital employed, in the third and fifth full year post-investment for organic and inorganic capital respectively.
3. The **third level** on the slide, addresses the company's overall growth profile and shareholder returns:
- Through a combination of returns on organic growth, continuous improvement of the existing asset base, and improved returns from integrated M&A activity, we expect to maintain ROCE in the high teens or above in the medium term.
  - As mentioned earlier, our refreshed strategy aims to support mid-to-high single-digit organic revenue growth, alongside steady margin improvement and solid ongoing cash generation.
  - When combined with a sensible, targeted gearing range of between 1.7 to 2.3 times, we will have the financial strength to invest in our growth ambitions, while also delivering returns to shareholders.

I will pause here to reiterate Bruce's comment that we will no longer provide NPAT guidance. Instead, we have started providing forward-looking building block commentary. The perspectives for the current year have not changed from what was announced a couple of months ago, which include:

- Targeting mid-single digit organic revenue growth, on a constant currency basis. First quarter trading is in line with this guidance. However, despite positive longer term macro indicators, organic growth in the Minerals division has been subdued with volumes tracking in line with past year.
- Excluding acquisitions, expecting modest improvement in operating margins for Life Sciences, with continued margin resilience in Minerals.
- Prioritising risk-weighted growth to Environmental and Minerals businesses, in-line with the value creation framework.
- Maintaining a strong focus on integration of acquisitions and Nuvisan transformation program - as outlined earlier.
- Expecting leverage at the top end of targeted range after recent acquisitions, with a clear focus on bringing the leverage ratio to the mid-range over the next 12 to 18 months.

It is important to note that while this is a change to our reporting framework, our longer-term FY27 financial objectives are unchanged.

## Conclusion

We have had a strong year with solid performance in line with our commitments. And we face the future with a sharper focus for where we will win, and a deeper definition of our competitive advantage to guide how we will win.

Within the testing, inspection and certification industry, the opportunity for organic and consolidation-based growth is significant, with key megatrends also supporting our growth outlook.

I am confident that we are well-positioned for the future. We have an un-matched foundation to build on and cultural agility to evolve with the market. We will continue to focus on having the best people, systems, technology and equipment to serve our clients with excellence - which is key to us being trusted as the right partner, delivering the right solutions.

Thank you again for your continued support. I look forward to sharing future updates on our performance.