

28 January 2016

ALS third quarter FY2016 result within guidance range

In announcing its interim result and an equity raising on 26 November 2015, **ALS Limited (ASX Code: ALQ)** provided commentary that it expected underlying net profit after tax for the December 2015 quarter to be in the range of \$30 million to \$35 million.

Directors advise that the unaudited underlying net profit after tax for the quarter to December 2015 was within that range at \$31 million. The result was struck on revenue of \$351 million for the quarter compared with \$376 million from continuing operations in the December 2014 quarter.

Managing Director, Greg Kilmister commented;

“While it is pleasing to see improved revenue and operating margin performance from the Group’s non-cyclical businesses in the Life Sciences and Industrial Divisions, this was more than offset by the decline in earnings experienced by the Minerals and Energy Divisions which continue to be affected by further reduced exploration and development activity coupled with very aggressive cost cutting initiatives from producers. Unpredictable markets for minerals and oil coupled with widespread uncertainty about the Chinese economy are impacting the performance of all regions.

The Life Sciences Division had a strong quarter with revenue of \$171 million, an increase of 16% compared to the December 2014 quarter of \$148 million, at an EBIT margin of 20.6% slightly up on the previous corresponding period (pcp). Significant revenue gains were delivered by both the Environmental and Food/Pharmaceutical businesses within Life Sciences. The Industrial Division revenue was up 4% for the quarter versus pcp, primarily in the Tribology business stream, with the divisional EBIT margin improving to 15.9% compared with 14.4% in the December 2014 quarter.

The Energy Division was severely affected by falling activity levels in the Oil & Gas sector. The Energy Division quarterly revenue declined 44% pcp to \$46 million resulting in a \$5 million EBIT loss being recorded compared to a \$12 million EBIT profit in the corresponding period of the previous year.

Sample flow in the Geochemistry Business for the quarter was down 6% pcp. A strong focus on cost control delivered a healthy EBIT margin of 20.1% for the business.

Total restructuring costs for the quarter were \$1.6m compared to \$0.9m for the same quarter last year.”

Whilst the Life Sciences and Industrial Divisions are expected to perform better in the fourth quarter compared to the corresponding period last year, the Company has not provided full year guidance.

Mr Kilmister stated, “The final quarter is typically one of slower trading conditions as it is the traditional off season for global mineral exploration; there is reduced activity in environmental markets in the Northern Hemisphere due to the winter months; and further uncertainty is expected in the oil and gas services sector due to oil prices now being at their lowest levels since 2002. All businesses exposed to the resources sector continue to operate in challenging and very uncertain markets.

However the Company remains confident that the quality of its assets, its operating model, and its strategic disciplined focus, will see it continue to increase its market share despite the challenges of current conditions. The company remains focused on significantly reducing the underlying cost base of its Oil & Gas businesses whilst aggressively pursuing growth opportunities in Life Sciences; particularly in the food sector where it is evaluating a select number of high quality bolt-on acquisition targets.”

The debt leverage ratio (net debt/trailing 12 months EBITDA in AUD) for the Company was 1.67 at the end of December 2015, well within the current covenant of 3.25.

The Company’s preliminary final results for the year ending 31 March 2016 (Appendix 4E) will be released to the market on 30 May 2016.

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Further information:

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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.