

ALS Ltd (ALQ)

Commercial & Professional Services

HOLD

ALQ A\$11.60

TARGET PRICE A\$10.83

Provision of professional technical services, primarily in the areas of testing, measurement and inspection supporting environmental monitoring, food and pharmaceutical quality assurance, mining and mineral exploration, commodity certification, equipment maintenance and asset care operations.

Company Data

Number of shares	482.4 M
Market Capitalisation	\$ 5,258.4 M
12-month high/low	\$11.52/\$6.37
Average Daily Turnover (\$m)	9.0077
% S&P/ASX200	0.26
% All Ordinaries	0.23
DDM Ranking	264
Free Float (%)	97.7
ESG Score (Ranking)	N/A
% of All Ordinaries	0.217%

Source: FactSet, Barclay Pearce Capital

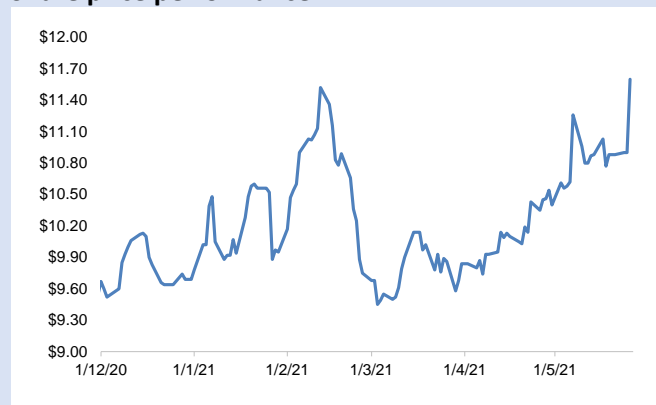
Earnings Summary (AUD)

Year end March	2021A	2022F	2023F	2024F
Revenue (\$M)	1,761.4	1,931.5	2,042.7	2,294.0
EBITDA (\$M)	425.1	469.7	505.3	528.0
Reported NPAT (\$M)	172.6	214.1	238.8	271.2
Adjusted NPAT (\$M)	185.9	212.3	236.0	N/A
Reported EPS (c)	35.8	43.2	48.8	55.9
Adjusted EPS (c - FD)	38.5	43.4	49.0	55.9
Adjusted EPS growth (%)	-0.02	17.5	12.9	14.0
Adjusted P/E (x)	28.3	25.1	22.2	19.5
Dividend (c/sh)	23.1	26.0	29.0	34.0
Gross yield (%)	1.9	2.7	3.0	3.5
Net yield (%)	1.7	2.4	2.7	3.1
ROIC (%)	8.7	10.4	11.0	N/A

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, Bloomberg, FactSet, Nucleus 195 and Capital IQ.

Share price performance



Source: FactSet, Barclay Pearce Capital

FY21 Results Update

On 26 May 2021, ALS Ltd (ALQ) released a full-year results update with the following highlights:

- Revenue from continuing operations of \$1,761.4 million, a decline of 5.0% (-0.1% at constant currency) due to the impact of COVID-19 pandemic in the first half;
- Statutory NPAT of \$172.6 million, up \$44.8 million primarily due to impairment losses offset by the net effect of one-off gains in H1 FY20 from the sale of the China business;
- Underlying NPAT from continuing operations of \$185.9 million, down 1.5% (excludes government subsidies and related direct costs);
- EBITDA margin expansion across all three divisions demonstrating strong cost management in response to the pandemic and recovery in sample volumes in H2 FY21;
- Life Sciences - Margin of 16.2%, growth of +72 bps (+41 bps at constant currency) driven by swift action to align cost base with client demand, efficiency gains and recovery of volumes in H2 FY21;
- Commodities - Geochemistry sample volumes increase of +2% vs pcp with significant improvement in H2 (Q3: +13%, Q4: +27% vs. pcp);
- Industrial - Tribology saw solid improvement in H2 FY21 driven by a recovery in the commodity sector;
- Final dividend of 14.6 cps (70% franked) compared to 6.1 cps in H2 FY20;
- FY21 total declared dividend of 23.1 cps, an increase of 31.3% compared to FY20, representing a payout ratio of 60% of FY21 underlying NPAT; and
- This dividend reflects strong current trading conditions and liquidity position.

MD and CEO, Raj Naran commented:

"These results demonstrate the resilience of the Group. Our diverse portfolio of businesses and geographies combined with our flexible 'hub and spoke' model has allowed us to navigate the pandemic to date and support our clients during this challenging time.

"Life Sciences delivered an impressive 72 bps margin expansion despite the impact of the pandemic, driven by efficiency gains and an increase in volume later in the year. The Commodities division, particularly Geochemistry, saw a strong recovery in the second half as we captured growth opportunities as the cycle improves."

Earnings changes

ALQ's FY21 NPAT was \$185.9m compared to market expectations of \$176.8m. Hence, we expect positive earnings revisions in the order of 4-6% for FY22 and future periods.

Valuation

We are initiating research coverage on ALQ with a 12-month price target of \$10.83 and a HOLD recommendation. The price target is underpinned by our valuation.

26 May 2021

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over thirty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2021 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

Conflicts of Interest

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Buy – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

Speculative Buy – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

Free Float (float / current shares outstanding) *100 – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's, employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

26 May 2021

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Barclay Pearce Capital Recommendation Proportions

Buy	38.8%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.2%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	21.6%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	39.4%	(0.0% of stocks with recommendations are Barclay Pearce clients)