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asx/media release

28 July 2021

ALS expands Life Sciences service offering and geographic footprint with acquisition of 49% stake in European Pharmaceutical business

ALS Limited (ASX: ALQ), a leading global testing, inspection and certification business, today announced the acquisition of an initial 49% interest in NUVISAN, a pharmaceutical testing business with operations in Germany and France.

Founded in 1979, NUVISAN is privately owned with over 1,000 employees and generated ~EUR185 million of revenue and ~EUR40 million of adjusted EBITDA in FY21. NUVISAN operates in contract research organisation (CRO) and contract development and manufacturing organisation (CDMO) markets providing drug testing services throughout the pharmaceutical development cycle in the fast-growing outsourced market.

Strategic rationale

The Group's acquisition strategy is primarily focused on growing the Life Sciences division in strategic Food and Pharmaceutical geographies and broadening its service offering.

NUVISAN represents an expansion of ALS' Pharmaceutical offering into the drug development part of the supply chain which has a global market size of ~EUR154 billion, growing at a compound annual growth rate of 4%. While aligning with ALS' core focus on testing, this additional capability allows ALS to expand into new areas of the high-margin Pharmaceutical market.

The acquisition of this 49% stake in NUVISAN provides the platform for ALS to expand its offering from quality control testing into 'upstream' services in research and development which constitutes the majority of client spend. Growth of this area of the market is driven by major pharmaceutical companies outsourcing drug development research and CRO / CDMO testing due to increasing pricing pressure, lack of internal capability and expertise from external providers.

NUVISAN significantly expands ALS' geographic footprint in Europe, particularly in the key markets of Germany and France. Adding NUVISAN to ALS' existing European and global network will also allow these expanded services to be offered into new geographies. In addition, NUVISAN will be the 'Centre of Excellence' for innovation and technology research and development for the entire ALS Pharmaceutical network.

The global ALS Life Sciences platform will support the expansion of NUVISAN's service offering and geographic footprint into new markets.

Deal structure

ALS will initially acquire 49% of the equity in NUVISAN for consideration of ~EUR145 million. There is an exclusive 'call' option to acquire the remaining equity from 1 January 2024 which expires by 30 September 2026 at the latest. Should this option be exercised, the remaining 51% equity in NUVISAN will be acquired at 13x adjusted EBITDA based on the 12 months preceding the purchase.

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There is a scheduled reduction in contracted revenue from a pharmaceutical client in the period prior to the exclusive 'call' option which is reflected in the valuation of the initial 49% stake of NUVISAN. As part of the strategic and business development plan agreed with the acquisition, there is significant activity underway to replace this revenue and grow the business. This is showing promising early results.

There is a detailed shareholders agreement in place which sets out the governance structure between ALS and NUVISAN. The NUVISAN management team will remain and continue to manage the operations of the business. A joint Advisory Board of NUVISAN will be established and include the current management from NUVISAN and representatives from ALS which will advise on key operational and strategic decisions within NUVISAN.

The transaction is subject to foreign control approval from local authorities and is expected to settle within 6 weeks. It will be funded from existing debt facilities with no requirement for shareholder approval.

Managing Director and CEO, Raj Naran commented "This is a significant expansion of our Life Sciences capability as we grow our presence in the strategically important Pharmaceutical market. This will allow us to move our service offering up the supply chain into drug development and research testing, which significantly expands our addressable markets. NUVISAN offers us a platform in the key markets of Germany and France which has long been an aspiration for our Life Sciences division.

"This is an important and highly strategic acquisition for us. We have demonstrated our capacity of acquiring new businesses into our existing Life Sciences network and NUVISAN will take our presence in the attractive Life Sciences market to the next level."

Approved for release by the ALS Limited Board.

-ENDS-

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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 where it can take a leadership position.

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Acquisition of Nuvisan

28 July 2021

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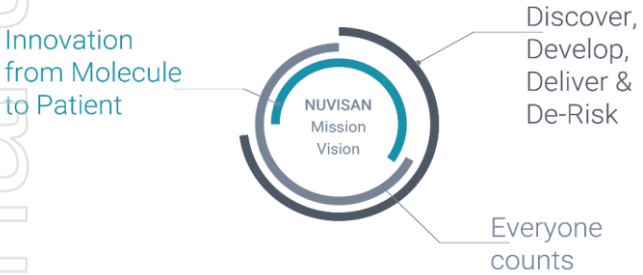
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Nuvisan Pharmaceutical Services - background

~EUR185m FY21 REVENUE | **~EUR40m** FY21 EBITDA | **~21%** FY21 EBITDA MARGIN

NUVISAN Pharma Services

- Founded in 1979, based in Germany with an operation in France
- 7 sites (6 in Germany, 1 in France) with over 1,000 employees
- Operates in the drug development contract research organisation (CRO) and contract development and manufacturing organisation (CDMO) markets
- Provides full service offering for drug development CRO / CDMO clients:
  - Discovery
  - Non-clinical
  - Clinical
  - Pharmaceutical and biological testing



Addressable markets

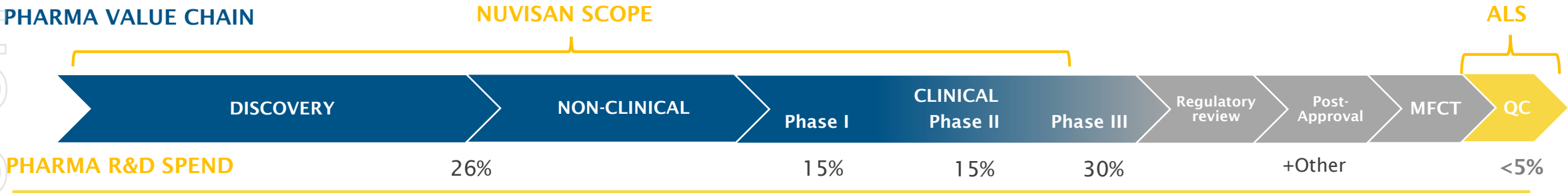
- Global drug CRO and CDMO markets:

Pharma R&D	R&D spend growth	CRO market	R&D
154 Billion EUR	4% CAGR	42 Billion EUR	55% Outsourced

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Strategic rationale

- Nuvisan provides the platform to expand the ALS pharmaceutical service offering
  - ➢ ALS currently provides manufacturing quality control testing services
  - ➢ Nuvisan will add 'upstream' testing services into research and development markets which constitute the major of spend by clients



- Grows presence in Europe, particularly in key markets of Germany and France
- Captures ongoing trend of major pharmaceutical companies outsourcing drug development CRO / CDMO testing
  - ➢ Driven by increasing pricing pressure, lack of internal capability and expertise from external providers

Key post acquisition growth plans

- Leverage existing ALS Life Sciences network to expand drug development CRO / CDMO services globally
- Expand service offering to existing clients across Life Sciences network
- Focus on outsourcing contract wins with major global pharmaceutical companies
- Provide a 'centre of excellence' for innovation and technology research and development for the ALS Pharmaceutical network

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Deal structure

- Initial acquisition of 49% of Nuvisan equity with exclusive 'call' option to purchase the remaining 51% which can be exercised between 1 Jan 2024 to 30 September 2026 at the latest
- Initial 49% equity acquired for consideration of ~EUR145m with the remaining 51% to be acquired at 13x adjusted EBITDA based on the 12 months preceding the purchase, should the 'call' option be exercised
  - Scheduled reduction in contracted revenue from a pharmaceutical client in period prior to 'call' option which is reflected in the valuation of the initial 49% stake in Nuvisan
    - Strategic and business development plan in place with significant activity underway to replace this revenue and grow the business, with promising early results
  - 'Put' option in place should 'call' option not be exercised







Post-acquisition governance

- Detailed shareholders agreement in place which sets out governance structure between ALS and Nuvisan
- Nuvisan management team will remain and continue to manage the operations of the business post-acquisition
- Advisory Board comprising of current Nuvisan management team and representations from ALS will be established
- Advisory Board will advise on key operational and strategic decisions within Nuvisan

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