

## ASX ANNOUNCEMENT (ASX:BLY)

24 August 2022

### BOART LONGYEAR ANNOUNCES FIRST HALF 2022 RESULTS

#### Revenue grew 18% and adjusted EBITDA up 14%; strongest first-half results since 2013

Boart Longyear Group Ltd (ASX:BLY) (the Company or Boart Longyear), the world's leading provider of drilling services, an expert in providing valuable orebody knowledge, and a pioneer in innovative drilling equipment and performance tooling, announces results for the first half ended 30 June 2022. All results are referenced in US dollars.

#### Highlights for the first half ended 30 June 2022 (compared to the first half ended 20 June 2021)

- Revenue increased 18% driven by robust customer demand for Boart Longyear's services and products
- Adjusted EBITDA<sup>1</sup> increased 14% primarily driven by Drilling Services and Products price and volume growth
- Net profit after tax increased 147% due to reduced finance costs following the 2021 recapitalisation
- GDS continued the rollout of TruGyro during the first half and the division's strategic partner Globaltech successfully defended its optical device patent

Jeff Olsen, Boart Longyear's Chief Executive Officer, commenting on the Company's results said, "We experienced substantial demand for our products and services during the first half of 2022, evidenced by our strongest half-year performance since 2013. Long-term metals demand remains consistent despite commodity prices easing in June 2022.

"Drilling Services saw robust revenue growth during the first half, with improved EBITDA resulting from price and volume growth, and productivity initiatives implemented in 2021. A new pricing programme benefitted Products' revenue expansion while increased manufacturing costs and input price inflation impacted EBITDA. The supply chain environment remains challenging, yet we continue to proactively navigate it and meet our client commitments.

"Geological Data Services' (GDS) roll out of our newest product, TruGyro, progressed during the first half. The team's TruScan business development efforts are gaining traction with several new sites starting in Q3'22 and some clients requesting multiple units. Our new customers are confirming how their exploration and development programmes are benefiting from TruScan's cutting-edge technology.

"We remain focused on positioning the business for future growth by investing \$28 million in our operations during the first half. Each day, we are demonstrating to our customers the benefits of our differentiated offerings of best-in-class Drilling Services, Products and our GDS technology platform."

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<sup>1</sup> See page 4 of this press release for footnote descriptions



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### COMPARATIVE RESULTS

| (\$ in millions)  | Consolidated Results |           |          |
|---|----------------------|-----------|----------|
|   | Half-Year Ended      |           |          |
|   | 30-Jun-22            | 30-Jun-21 | % Change |
| <b>Total Company</b>  |                      |           |          |
| Revenue   | 528                  | 447       | 18%      |
| EBITDA  | 52                   | 50        | 4%       |
| Adjusted EBITDA <sup>1,2</sup>  | 69                   | 61        | 14%      |
| Statutory Net Profit / (Loss) After Tax                               | 18                   | (38)      | 147%     |
| Net Cash Generated / (Used) in Operating Activities                   | 21                   | 25        | (18%)    |
| Net Debt  | 176                  | 911       | (81%)    |
|   | Divisional Results   |           |          |
|   | Half-Year Ended      |           |          |
|   | 30-Jun-22            | 30-Jun-21 | % Change |
| <b>Global Drilling Services</b>                                       |                      |           |          |
| Revenue   | 365                  | 301       | 21%      |
| EBITDA (prior to intercompany profit margin elimination) <sup>3</sup> | 62                   | 43        | 44%      |
| EBITDA (after intercompany profit margin elimination) <sup>3</sup>    | 71                   | 50        | 42%      |
| Average Number of Operating Drill Rigs                                | 321                  | 306       | 5%       |
| Average Number of Drill Rigs  | 657                  | 642       | 2%       |
| Average Rig Utilisation <sup>4</sup>                                  | 49%                  | 48%       | 2%       |
| <b>Global Products*</b>   |                      |           |          |
| Revenue (prior to intercompany eliminations) <sup>3</sup>             | 208                  | 177       | 18%      |
| Revenue (after intercompany eliminations) <sup>3</sup>                | 162                  | 146       | 11%      |
| EBITDA (prior to intercompany profit margin elimination) <sup>3</sup> | 28                   | 39        | (28%)    |
| EBITDA (after intercompany profit margin elimination) <sup>3</sup>    | 19                   | 32        | (41%)    |
| Average Backlog   | 60                   | 61        | (2%)     |

\* = Includes GDS

### RESULTS COMMENTARY

First half revenues of \$528 million increased 18% compared to the prior year, which is the strongest first half performance since 2013. The Company continues to benefit from strong global exploration and development fundamentals of the mining industry. Drilling Services experienced dynamic price and volume increases during the period from vigorous customer demand, mainly in the US, Canada, and Latin America. Products saw solid price and volume growth, particularly with performance tooling and capital equipment. The impacts of COVID-19 on a global scale have decreased; however, in some regions, risks of operational interruptions remain.

Adjusted EBITDA<sup>1</sup> in the first half of \$69 million increased 14% over the prior year, mainly driven by Drilling Services' price and volume growth as well as productivity efficiencies implemented in 2021. Global Products' EBITDA was negatively impacted by increased manufacturing costs and input price inflation.

1, 2, 3 See page 4 of this press release for footnote descriptions



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Net cash from operating activities of \$21 million for the first half decreased 18% over the same period in 2021, mainly due to increased cash interest paid. In the first half of 2021, payment in kind interest was utilised on the outstanding debt before the recapitalisation in September 2021.

Net Debt in the first half of 2022 decreased 81% compared to the first half of 2021 following the Company's 2021 recapitalisation. Liquidity on 30 June 2022 was \$44 million, comprised of cash balances totalling \$38 million and a further \$6 million available under the Company's asset-based loan (ABL) facility.

Like many companies, Boart Longyear has seen unprecedented impact on its supply chain driven by:

- Robust demand for the Company's products and services;
- Lingering COVID-19-related labour shortages across key suppliers and the Company's manufacturing group;
- Component shortages supporting Boart Longyear's rigs and spares operations;
- Raw material and freight inflation; and
- Constraints on available global sea and air cargo capacity.

Boart Longyear has implemented strategies to work around supply chain constraints and has taken measures to secure capacity enabling the Company to continue meeting customer commitments. The steps taken led to increased investment in working capital, which was secured by the increase in the Company's ABL facility as announced on 12 January 2022. Boart Longyear continues to monitor the ongoing constraints and based on current near-term assessments does not anticipate significant improvement.

Given the current economic and geopolitical environment, the Company could be impacted by risks related to raw material inflation costs, potential interest rate increases, and implications of the Russian-Ukrainian conflict.

## **SUCCESSFUL PATENT DEFENSE**

During the first half of 2022, GDS' strategic partner Globaltech Corporation Pty Ltd (Globaltech -- 58% owned by Boart Longyear) successfully enforced its Australian patent No. 2012297564 (for an optical device used in down hole tools and a down hole information gathering system incorporating such a device) against Reflex Instruments Asia Pacific Pty Ltd (Reflex), a wholly owned subsidiary of Imdex Limited. In the same proceedings, Globaltech successfully defended a challenge to the validity of this patent and the Judge declared that Reflex infringed the patent.

## **GLOBAL MINING AND EXPLORATION UPDATE**

The outlook for the mining and exploration industries reflects current commodity pricing trends and increased investment into the sector after a decade of underinvestment. Market commentary continues to expect the green economy to drive demand growth for key metals (e.g., copper and nickel) while supply-side issues remain supportive of long-term commodity prices.

Mining firms have underinvested in finding and developing new resources in recent years. More current investments in exploration activities have focused on extending existing assets and improving reserves and resources to meet future demand.



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In the latter part of Q2'22, metals prices eased from historic highs due to inflationary pressures, rising interest rates, and a strengthening US dollar. During the Q2'22, demand was subdued resulting from geopolitical tensions and COVID-19 lockdowns in Asia.

S&P Global Market Intelligence's exploration index (Pipeline Activity Index) reached a ten-year high in March 2022 driven by a sharp increase in significant financings and a slight rise in positive project milestones. During Q2'22, the Pipeline Activity Index eased slightly following reduced commodity prices and economic headwinds. The Pipeline Activity Index measures the level and direction of overall activity in the commodity supply pipeline by incorporating significant drill results, initial resource announcements, major financings and positive project development milestones into a single comparable index.

Significant funds were raised by junior and intermediate mining companies during the first half of 2022. June financings of \$1.1 billion were the second-highest monthly total of 2022, after the \$2.5 billion raised in March. The aggregate market value of the mining industry's listed companies (2,353 firms) as tracked by S&P reached an all-time high of almost \$3 trillion in March 2022.

Over the long-term, gold has accounted for approximately 40% to 50% of global exploration activities with copper making up approximately 20% to 30% of the remaining base metal commodities. Historically, both copper and gold prices have held a strong correlation to exploration spend levels, and both commodities have seen a run-up in price. For example, gold miners have seen a reduction in average mine life from highs of 20 years in 2011 to approximately ten years in many reports, indicating a serious reserve crisis is in front of the sector. The base metals sector, in which copper is a dominant indicator, has analysts predicting insufficient supply over the next five years, even when factoring in the current project pipelines. Electrification and green technologies will increasingly consume more copper, thereby contributing to supply shortages.

## **STATEMENT COVERING COVID-19**

Boart Longyear holds the health and safety of its employees and surrounding communities as a top priority. The Company has implemented measures required to protect the health and wellbeing of employees while ensuring ongoing operational sustainability. The Company is in constant communication with customers and employees to fine-tune these plans to prevent the transmission of COVID-19. Boart Longyear continues to monitor information released by the World Health Organisation and governments where it operates and adjusts its operating procedures to ensure it complies with government guidelines.

While the Company believes the worst of the impacts of COVID-19 on the business have been felt, there remains a level of uncertainty as populations around the world continue to navigate through this pandemic.

## **FOOTNOTE DESCRIPTIONS**

1. Adjusted EBITDA is 'Earnings before interest, tax, depreciation, and amortisation and before major restructuring initiatives, impairments of assets, and other significant and non-recurring transactions outside the ordinary course of business.'
2. Adjusted EBITDA at 30 June 2021 has been restated from the prior year figure to make it comparable to the current year calculation.



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3. The information presented is before inter-segment eliminations in order to reflect each business unit's revenue and EBITDA assuming all inter-segment sales were made to third parties instead. This financial information is provided so that investors can better understand each business unit's true scale. Transactions between Company segments are carried out at arm's length and are eliminated on consolidation. EBITDA is a non-AASB financial measure that management use to assess our operating performance. See the section of Boart Longyear's 2022 Half Year Financial Report titled "Non-AASB Financial Measures" for information regarding our use of EBITDA and a reconciliation of net profit (loss) to EBITDA.
4. Boart Longyear calculates rig utilisation on a weekly basis. If a rig generates revenue during a specific seven-day period, it is counted as an *operating rig*.
  - The Company's quarterly rig utilisation metric is an average of the 13 weeks within that quarter.
  - The Company's half-year rig utilisation metric is an average of the 26 weeks within the first half.
  - The Company's full-year rig utilisation metric is an average of the 52 weeks within that year.

### Authorised for lodgement by:

Nicholas R. Nash  
Company Secretary

### Disclaimer

*This announcement contains certain forward-looking statements. The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention has been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the Company's control and may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.*

### About Boart Longyear

Established in 1890, Boart Longyear is in its 132nd year as the world's leading provider of drilling services, orebody-data-collection technology, and innovative, safe and productivity-driven drilling equipment. With its main focus in mining and exploration activities spanning a wide range of commodities, including copper, gold, nickel, zinc, uranium, and other metals and minerals, the company also holds a substantial presence in the energy, oil sands exploration, and environmental sectors.

The Global Drilling Services division operates for a diverse mining customer base with drilling methods including diamond coring exploration, reverse circulation, large diameter rotary, mine dewatering, water supply drilling, pump services, production, and sonic drilling services.



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The Geological Data Services division utilises innovative scanning technology and down-hole instrumentation tools to capture detailed geological data from drilled core and chip samples. This valuable orebody knowledge gives mining companies the ability to make timely decisions for more efficient exploration activities.

The Global Products division offers sophisticated research and development and holds hundreds of patented designs to manufacture, market, and service reliable drill rigs, innovative drill string products, rugged performance tooling, durable drilling consumables, and quality parts for customers worldwide.

Boart Longyear is headquartered in Salt Lake City, Utah, USA, and listed on the Australian Securities Exchange in Sydney, Australia (ASX:BLY). More information about Boart Longyear can be found at [www.boartlongyear.com](http://www.boartlongyear.com). To get Boart Longyear news direct, follow us on [Twitter](#), [LinkedIn](#) and [Facebook](#).

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