

Announcement

Trading Update

6 February 2017

RungePincockMinarco Limited (ASX: RUL) [RPM] today provides a trading update for the first half of the 2017 Financial Year (**1H FY2017**).

Software License revenue for 1H FY2017 was \$11.6 million (1H FY2016: \$5.5 million) which is a record result for RPM and represents a 110% increase over the prior corresponding period. This record result was secured following a very late and strong close to the calendar year. As such RPM expects to report significantly better financial results than it did in 1H FY2016. The results are still subject to finalisation and audit review.

RPM Software revenue for the first half of FY2017 was \$24.1 million (1H FY2016: \$16.8 million), License revenue came in at \$11.6 million (1H FY2016: \$5.5 million), Maintenance revenue at \$8.5 million (1H FY2016: \$7.8 million) and Services revenue at \$4.0 million (1H FY2016: \$3.3 million).

Software License sales for the newly acquired iSolutions products increased by more than 500% over the same period (prior to RPM's acquisition of iSolutions). Market acceptance by RPM's customers of the financial benefits that can be unlocked through the integration of AMT with RPM's scheduling and financial solutions has been outstanding.

RPM's Advisory revenue grew for the first time in five years, up 4% on the same period last year, with the division itself delivering a positive contribution of \$0.9 million (1H FY2016 \$0.0 million).

RPM continues to increase its investment in Software Development with \$6.1 million expensed in the half (1H FY2016 \$4.9 million). This ongoing investment delivered two new products during the period (Open Cut Coal and Stratigraphic Metals) as well as significant ongoing development on RPM's Financial, Simulation, Scheduling, Execution and Maintenance suite of products.

Operational costs (excluding Research and Development) in the half year finished \$1.4 million up on the same period last year due to the acquisition of the iSolutions business on 1 July 2016.

RPM now expects a positive EBITDA (before one off redundancies and reorganisation costs) for the first half of FY2017 of \$3.1 million (1H FY2016: \$0 million).

The company will recognise \$0.6 million in redundancy costs (1H FY2016: \$0.2 million) from the continued focus on streamlining the business and reducing costs including through replacing the last of its more expensive expatriate based employment arrangements (entered into during the mining boom) with local market based arrangements. These cost saving initiatives coupled with savings from roles which will not be replaced due to staff attrition will result in annualised employee cost savings of \$4.8 million going forward.

The integration, reorganisation and transaction costs (including stamp duty and professional fees) associated with the acquisition of the iSolutions business were \$0.5 million. The total expected annualised savings from acquisition synergies is now expected to be \$2.4 million (up from the \$1.8 million estimated in May 2016).

Depreciation for the half was \$0.4 million (1H FY2016: \$0.5 million). Amortisation costs rose to \$1.0 million as a result of the iSolutions acquisitions (1H FY2016: \$0.5 million). Net interest dropped to \$0.1 million from \$0.2 million in the prior corresponding period.

As a result of the above, RPM now expects to report a profit before tax of \$0.6 million (1H FY2016 \$1.0 million loss).

RPM maintains a strong balance sheet with \$19.5 million in net cash (as at 31 December 2016) and no debt. The cash consideration components associated with the purchase of the iSolutions business and agreement to acquire the source code and intellectual property rights of the Fewzion short interval control and work management software products were both paid during the period.

Commenting on the strong financial result, RPM's CEO and Managing Director Richard Mathews said "It is really pleasing to see the growth in software license fees during the last six months."

"All throughout the mining downturn over the last five years, our shareholders have continued to support both our rightsizing efforts and our strategy of increased software development investment. Since September 2012, these strategic initiatives have resulted in us expending \$9.4 million to reduce the total costs of the business by \$36 million. During the same period the company has invested \$58 million in either building or buying what we consider to be the most innovative software products available to the mining industry."

"RPM's organic software investment growth has been accelerated by the acquisition of iSolutions and the intellectual property rights to four (4) other software products (Mine 2-4D, Geospatial (PrimeThought), FlexSim and Fewzion). It is these investments, both internal and external, that have provided the foundation for our return to profitability."

"Not to be outdone, the book of work for RPM's Advisory Division started growing steadily during the last quarter of the 2016 calendar year. The RPM advisory business has always had great relationships with the major mining companies, however in the aftermath of the resources downturn RPM actively focused on targeting larger and longer term engagements for government entities and mid-tier mining companies who are carrying out global pre-feasibility and feasibility project studies particularly around mergers, acquisitions and divestiture related work. The conclusion and announcement of these projects continues to enhance our already market leading reputation and market share in mining related advisory work."

"One of the differentiating strengths of RPM's advisory offering is the ability for the professional team to harness RPM's state of the art software products for the benefit of their clients. Not only does this advisory work often yield on-going review work for these clients, but it also provides opportunities for clients to purchase these software products for their own ongoing use."

"The sharp increase in the price of thermal and coking coal during the second half of the 2016 calendar year has seen coal exploration slowly returning to the Australian coal fields. As such we are seeing an increase in the demand for GeoGAS products and services (coal gas testing and its associated consulting) both in Australia and offshore."

"I am really pleased with how the original equipment manufacturers and the mining companies have responded to our purchase of iSolutions. Now that we better understand how our customers use the AMT product suite it is clear that this acquisition has been better received by our customers than we had originally envisaged."

"Over the Christmas New Year period we made great progress on our new short interval control offering following the Fewzion acquisition in late December. We expect to release our new operations management product in February 2017 which will fully integrated into our Enterprise Planning Framework."

"Whilst the last six months have been encouraging, suppliers to the mining industry, including ourselves, still face difficult times. Mining enterprises remain wary of any expenditure that doesn't clearly evidence value-adding potential for their businesses. As the resources industry returns to more attractive trading conditions, it is immensely pleasing that the investment RPM has made in technology, coupled with the relationships and partnerships our management team has made with our clients, is demonstrably bearing fruit."

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About RungePincockMinarco:

RungePincockMinarco Limited (ASX: RUL) is the world's largest publicly traded independent group of mining technical experts, with history stretching back to 1968. We have local expertise in all mining regions and are experienced across all commodities and mining methods. Listed on the Australian Securities Exchange on 27 May 2008, RungePincockMinarco is a global leader in the provision of advisory consulting, technology and professional development solutions to the mining industry. We have global expertise achieved through our work in over 118 countries and our approach to the business of mining is strongly grounded in economic principles. We operate offices in 18 locations across 12 countries.
