

# 2021 HALF YEAR RESULTS PRESENTATION

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Information included in this presentation is dated 25 February 2021.

# 1H FY21 FINANCIAL HIGHLIGHTS

<b>Drilling Business Revenue</b>  <b>\$72.7M</b>	<b>Drilling Business EBITDA</b>  <b>\$14.9M</b>  Drilling Business EBITDA Margin of 20.5%	<b>Drilling Business EBIT</b>  <b>\$7.2M</b>  Drilling Business EBIT Margin of 9.9%	<b>NPAT</b>  <b>\$0.9M</b>  After \$3.6 million (EBIT) investment in Orexplore
<b>Operating Cash Conversion</b>  <b>55%</b>  Increased debtors balance due to increased monthly revenue run-rate	<b>Drilling Business Order Book</b>  <b>\$330M</b>  In excess of 2.2x annual revenue	<b>Net Debt</b>  <b>\$9.5M</b>  Gearing of 10.5% and Net leverage of 0.8x	<b>Interim Dividend Per Share</b>  <b>0.45 cents</b>  Up 50% on pcg

# 1H FY21 OVERVIEW

## GROUP

### WELL POSITIONED TO DELIVER SHAREHOLDER VALUE IN FY21

- Strong order book of \$330m at end of 1H FY21, entering 2H FY21 with high fleet utilisation.
- Strong Balance Sheet with the sale of the surface RC Division and free cash generation providing a significant boost to the balance sheet.
- Improved market outlook for exploration and mining with opportunities for growth.
- Swick Engineering has commenced as a commercial entity for the Group as it is now selling the world class Swick GenII mobile drill rig to customers globally.
- Swick Engineering has potential to be a significant division supporting the global drilling market with an initial four rig orders in 1H FY21 to large international drillers.
- Remain vigilant on COVID-19 whilst prioritising employee safety and working closely with clients, however impacts have reduced to minor levels at present.
- Orexplora - ongoing investment with intention to commercialise as a standalone business.

## DRILLING

### IMPROVED PROFITABILITY AND FOCUS ON UNDERGROUND SPECIALTY

- Drilling business performance is strong with 1H FY21 EBITDA of \$14.9m from revenue of \$72.7m at a 20.5% margin.
- 61 (56 FTE) drill rigs in use at the end of 1H FY21 with a solid outlook ahead for rig utilisation at existing contracts and a large tender pipeline.
- DeepEX equipment and specialist teams performing well delivering target margins on complex and deep hole drilling that otherwise would be dilutive to the business.
- Swick Engineering constructing four underground mobile rigs for external sales, with a strong outlook for the world class drill rig as the global market trends away from skid rigs.
- Surface RC Drilling Business sold effectively making Swick the world's largest specialist underground diamond core driller.

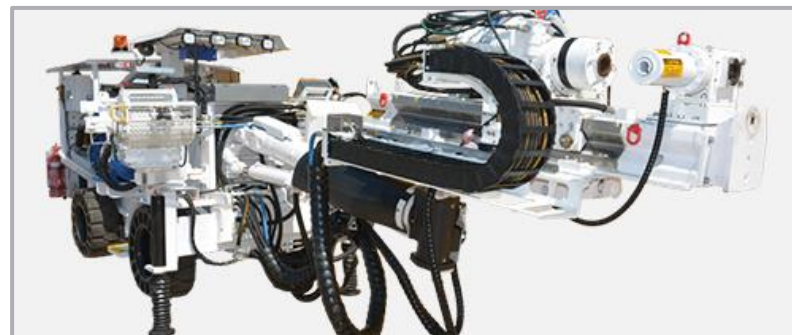
# OPERATIONAL HIGHLIGHTS

## DRILLING



### UNDERGROUND DIAMOND DRILLING (UD)

- Swick's world class UD division generated 1H FY21 revenue of \$68.7m and EBITDA of \$13.5m, up 7.5% from pcp, following improved profitability from contract extensions and new work.
  - Step change in utilisation with mobile fleet approaching maximum utilisation and at target rates.
  - FY21 contracts awarded at Jundee, Olympic Dam, Broken Hill, MATSA (Spain) and Aurelia Metals.
  - Internationally, Pogo was de-risked in 1H FY21, achieving material cost reductions and productivity enhancements with ten rigs deployed at site.
- Fleet of 69 mobile, 5 Nevada skid and 3 DeepEX rigs with 61 mobile rigs deployed at end of 1H FY21:
  - 14 rigs operating internationally, 25 in Western Australia and 22 across the rest of Australia.



### SURFACE REVERSE CIRCULATION DRILLING (RC)

- RC Division sold comprising 6 rigs, sold for \$6.4m in cash to allow Swick to focus on its strength.
- Surface Drilling 1H FY21 Revenue of \$4.0m and EBITDA of \$1.4m (includes profit on sale of equipment of \$0.5m).

# OPERATIONAL HIGHLIGHTS

## DRILLING – BUILDING NEW EARNINGS SOURCES



### DEEPEX AND SWICK ENGINEERING

- Leading the way with innovation and revenue diversification with the launch and early commercialisation of DeepEX and the ramp up of Swick Engineering division.
- DeepEX early commercialisation:
  - Launched in FY20, representing the world's most powerful underground mobile drills.
  - Rigs designed to drill up to 2,000 metres NQ2 vertically down and up to 3,000m horizontal.
  - Three rigs built.
  - Favourable conditions entering 2H FY21.
- Swick Engineering ramp up:
  - Strong in-house engineering capability building rigs since 2004.
  - Growing demand for Swick's drills has led to the manufacturing and sale of GenII rigs to the open market.
  - Four GenII rigs ordered by two large global drilling contractors for use outside of Australia. Two built and ready for delivery and two currently in build.
  - New hires including experienced Production Manager and Sales Engineer made to scale up Engineering operations.



*UD4501: First DeepEX build c/w rod handler*

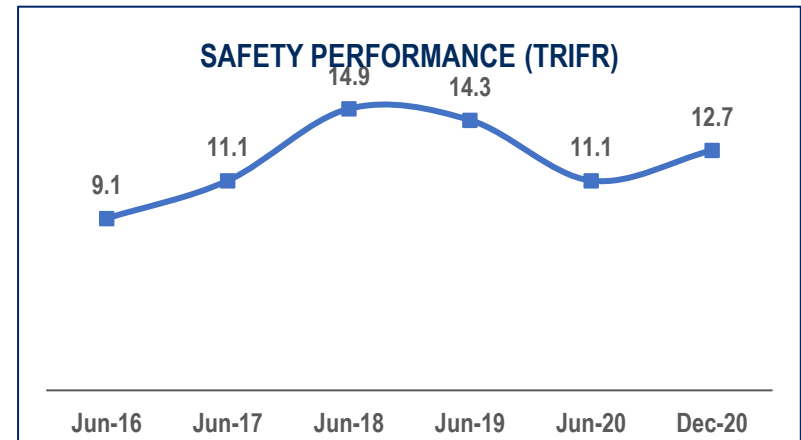


*The first two Swick GenII mobile drills constructed for third parties – destined for Canada*

# SAFETY

## SAFETY IS AN ONGOING PRIORITY

- Safety innovations are continuing to be released at Swick with a focus on tube and rod handling equipment to lower the exposure and total weight borne by the crew.
- 17% increase in UD rig shifts per month over first half (2,875 in Jun-20, 3,446 in Dec-20) indicates a high number of new starters.
- High utilisation of training facility in Perth seeing up to six offsiders per week in training.



*Operators undergoing training at Swick's custom build training facility in South Guildford, WA*

# 1H FY21 RESULTS

## FINANCIAL OVERVIEW



# GROUP RESULTS

- Decrease in group revenue reflects reduction in volume of work from the Barrick Nevada contract in USA.
- Drilling Business EBITDA improved due to improved productivity and cost management across all sites.
- Group earnings and margins reflect ongoing strategic investment in Mineral Technology Business. Renewed focus on cost and capital management in 2H FY21.
- Group EBITDA margin improvement assisted by a reduction of over \$1.6m in corporate salaries and wages from restructure undertaken strategically.
- Improved conversion of EBITDA to EBIT due to accounting for drilling rods as consumable expense instead of long-life consumable asset – move from depreciation expense to operating expense.

A\$ million	1HFY21			1HFY20 <sup>1</sup>	Change
	Drilling Business <sup>1</sup> & Other Segment	Mineral Tech Business	Group <sup>1</sup>		
Revenue	72.7	0.03	72.8	80.3	↓ 9.4%
EBITDA	14.6	(2.8)	11.8	10.8	↑ 9.2%
<i>EBITDA margin</i>	20.0%	na	16.2%	13.4%	↑ 280bps
EBIT	6.8	(3.6)	3.2	(1.8)	↑ 276%
EBIT margin	9.4%	na	4.4%	(2.3%)	↑ 670bps
NPAT	4.1	(3.2)	0.9	(2.9)	↑ 130%
Dividend	na	na	0.45cps	0.30cps	↑ 50%

Notes:

Numbers may not add due to rounding.

<sup>1</sup> Includes discontinued operations (RC Drilling business)

# BUSINESS RESULTS

## DRILLING

- Revenue decrease to \$72.7m reflects reduction in volume of work from the Barrick Nevada contract in USA.
- EBITDA increased by 23% and EBIT rebound to \$7.2m:
  - Follows significantly higher profitability from contract extensions and new work.
  - Stronger rig performance and increased utilisation at target rates coupled with operational cost management.
- Margins at Pogo improved during the period and expected to achieve target margins in 2H FY21.
- Australian Underground Drilling business EBIT margin of 13.0% compared to 9.7% pcp.

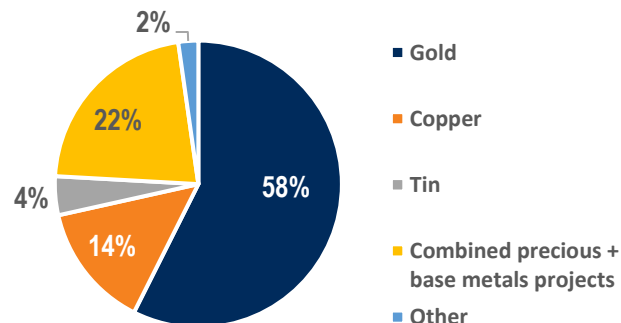
A\$ million	1H FY21 <sup>1</sup>	1H FY20 <sup>1</sup>	Change
Revenue	72.7	80.3	↓ 9.5%
EBITDA	14.9	12.1	↑ 23.1%
<i>EBITDA margin</i>	20.5%	15.1%	↑ 540 bps
EBIT	7.2	0.7	↑ 929%
<i>EBIT margin</i>	9.9%	0.9%	↑ 900 bps

Notes:

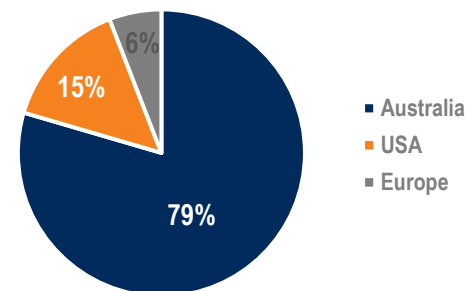
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### REVENUE BY COMMODITY



### REVENUE BY GEOGRAPHY



# BUSINESS RESULTS

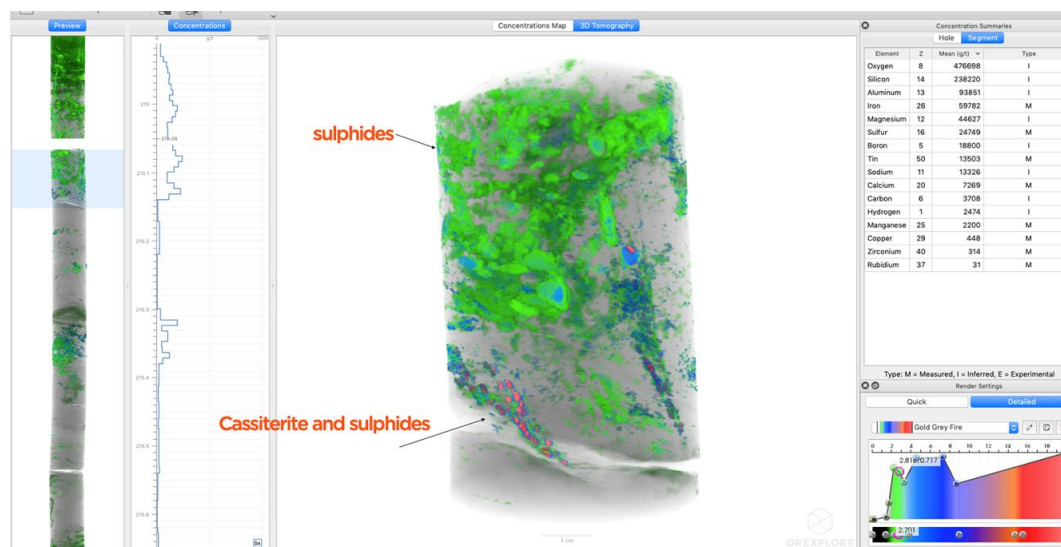
## MINERAL TECHNOLOGY BUSINESS



- Ongoing EBITDA investment of \$2.8m (1H FY20: \$2.0m EBITDA loss) in refining and testing the technology for commercial adoption.
- Promising laboratory testing work with a pipeline of customers is expected to drive market confidence and uptake of the technology.
- Additional insights being developed with in house Geoscience acumen added to the development team.

A\$ million	1H FY21	1H FY20	Change
Revenue from core scanning	0.03	0.05	↓ 40%
Government grants	0.2	0.2	-
EBITDA	(2.8)	(2.0)	↓ 40%
EBIT	(3.6)	(3.2)	↓ 12.5%

Note: numbers may not add due to rounding



# CASH FLOW

- Operating cash flow was \$6.5m, up on 1H FY20. This was after Orexplore expenses.
- EBITDA cash conversion of 55%.
- Increase in working capital due to increase in monthly revenue run-rate with 17% growth in rig shifts in last six months.
- Total capex of \$4.3 including growth capex of \$1.4m (Drilling \$0.8m, Mineral Technology \$0.6m).
- Reduction in stay-in-business capex as drilling rods now treated as consumable expense instead of capital expenditure depreciated over two years.
- Drilling Business generated \$7.3m of free cashflow.
- Interim dividend of 0.45c per share representing 18% of Drilling Business free cash flow.

A\$ million	1H FY21			1H FY20 <sup>1</sup>	Change
	Drilling Business <sup>1</sup> & Other Segment	Mineral Tech Business	Group <sup>1</sup>		
<b>EBITDA</b>	<b>14.6</b>	<b>(2.8)</b>	<b>11.8</b>	<b>10.8</b>	<b>↑ 9.2%</b>
Working capital movement	(4.7)	(0.6)	(5.3)	(6.1)	↓ 13.1%
<b>Operating cash flow before interest and tax</b>	<b>9.9</b>	<b>(3.4)</b>	<b>6.5</b>	<b>4.6</b>	<b>↑ 41.3%</b>
<i>EBITDA cash conversion</i>	68%	na	55%	43%	↓ 1200bps
Interest & tax paid	(0.8)	-	(0.8)	(0.9)	↓ 11.1%
<b>Operating cash flow after interest and tax</b>	<b>9.1</b>	<b>(3.4)</b>	<b>5.7</b>	<b>3.7</b>	<b>↑ 54.1%</b>
Capital expenditure	(3.7)	(0.6)	(4.3)	(8.0)	↓ 46.3%
Asset sales & investment income	1.9	-	1.9	0.1	↑ 1800%
<b>Free cash flow</b>	<b>7.3</b>	<b>(4.0)</b>	<b>3.3</b>	<b>(4.2)</b>	<b>↑ 179%</b>
Proceeds/(repayment) of debt	(1.2)	-	(1.2)	(10.0)	↓ 88.0%
Proceeds/(purchase) of equity	(1.4)	-	(1.4)	14.7	↓ 110%
<b>Increase/(decrease) in cash</b>	<b>4.6</b>	<b>(4.0)</b>	<b>0.6</b>	<b>0.4</b>	<b>↑ 50.0%</b>

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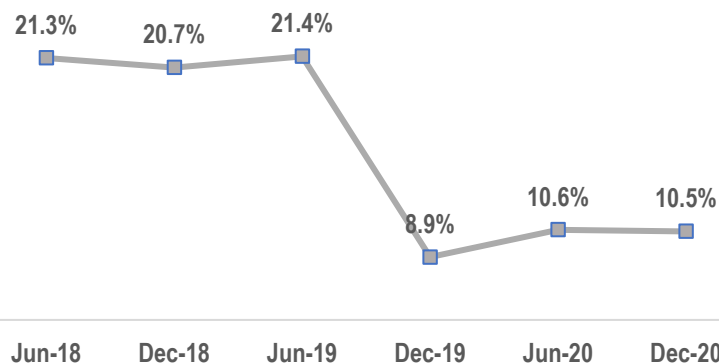
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<sup>1</sup> Includes discontinued operations (RC Drilling business)

# BALANCE SHEET

- Enhanced balance sheet position with gearing of 10.5% and Net Debt/EBITDA of 0.8x at 31 December 2020.
- Group reset to low gearing provides flexibility to target additional work and returns to shareholders.
- \$15m of available undrawn debt facilities providing funding for growth.

## GEARING (NET DEBT / EQUITY)<sup>1</sup>



<sup>1</sup> Excludes lease liabilities defined under AASB 16

A\$ million	31 Dec 20	30 Jun 20	Change
Cash	13.3	12.7	↑ 4.7%
Receivables	22.8	16.2	↑ 40.7%
Inventories	18.8	19.3	↓ 2.6%
Property, plant and equipment	64.6	74.4	↓ 13.2%
Intangible assets	12.7	12.2	↑ 4.1%
Other assets	17.1	13.1	↑ 30.5%
<b>Total assets</b>	<b>149.3</b>	<b>147.9</b>	<b>↑ 0.9%</b>
Payables	13.7	13.4	↑ 2.2%
Borrowings – Bank & HP	22.7	22.5	↑ 0.9%
Borrowings – AASB16 Liabilities	9.4	10.0	↓ 6.0%
Employee obligations	6.1	6.1	-
Other liabilities	7.4	3.5	↑ 111%
<b>Total liabilities</b>	<b>59.3</b>	<b>55.6</b>	<b>↑ 6.7%</b>
<b>Shareholders' equity</b>	<b>89.9</b>	<b>92.4</b>	<b>↓ 2.7%</b>

Note: numbers may not add due to rounding

# STRATEGY AND OUTLOOK

# GROWTH STRATEGY

## DRILLING - UNDERGROUND

### Current work: Execute safely and efficiently

- Ongoing focus on higher rig utilisation and cost efficiency from rigs.
- Opportunity for further rig deployments on existing contracts.
- Remain vigilant of potential impacts from COVID-19 while staying flexible to client demands.
- Maintain high safety performance.
- Focus on retention of staff in highly competitive space.

### Growth

- Refocus on core Drilling Business.
- Entered 2H FY21 with strong order book of \$330m from new and extended contracts secured from existing clients and markets.
- Capitalise on strong tender pipeline with many opportunities for growth into new projects.
- Continue construction of GenII drill rigs to cater for internal demand and significant new external revenue stream from the Engineering business.



*DeepEX prototype drill in use – capable of >2,000m diamond core holes from underground*

# GROWTH STRATEGY

## DRILLING – INNOVATION

### DeepEX

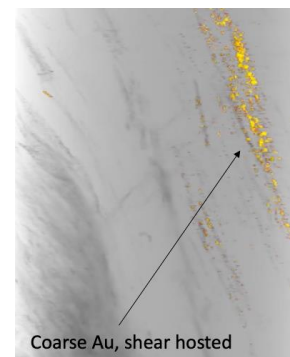
- Excellent deep drilling performance has potential to create additional market for Swick.
- Clients becoming aware of the opportunity to undertake low cost, deep hole drilling from underground stations.
- DeepEX crews proving that targeted, deep exploration is achievable from a small, underground mobile drill rig and not the sole domain of large and expensive surface rigs.

### Swick Engineering

- The sale of GenII rigs to the open market provides Swick with a significant additional revenue opportunity and after market support will be ongoing business.
- There is a global trend towards mobile underground rigs and the Swick GenII rig is a world leader in technology and power with the smallest footprint available – a successful combination for underground.

## MINERAL TECHNOLOGY – OREEXPLORE

- Focus of Orexlore will be on commercialisation activities
  - Continue to build portfolio of test results to demonstrate competitive advantage relative to existing mineral analysis technology.
  - Focus on initial commercial agreements with early commercialisation clients/partners.
- Swick remains committed to implementing the recommendations of the FY20 strategic review - separating the Drilling and Orexlore businesses to maximise shareholder value. Demerger to occur once commercialisation runway is established.
- Geoscience acumen employed to assist in the interpretation of the detailed data set and creation of unique insights designed to add significant value to mining operations.





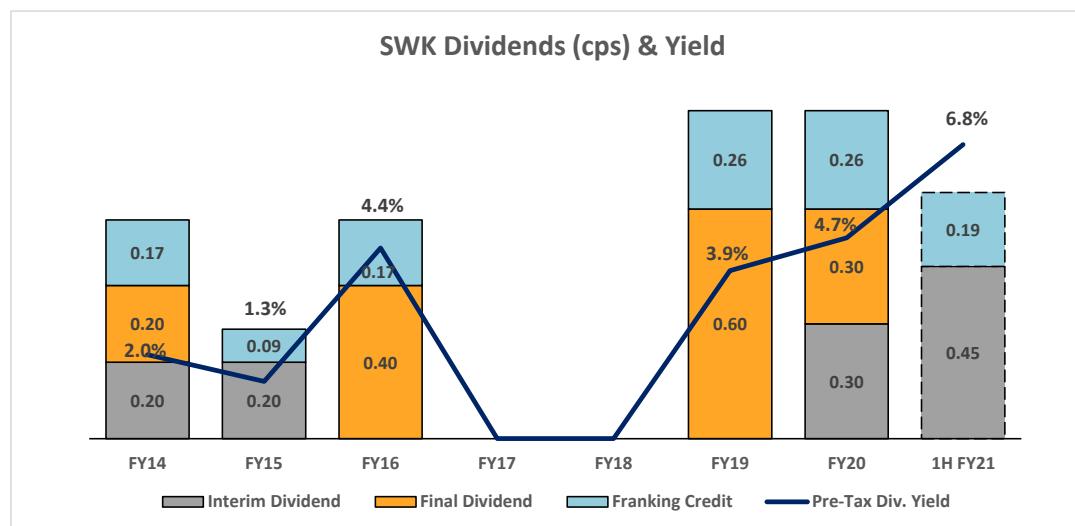


- Entering 2H FY21 with strong order book of \$330m from secured work.
- Focus on high fleet utilisation and at target rates.
- Additional revenue stream from DeepEX and Swick Engineering.
- Improved market outlook for exploration and mining resulting in improved tender pipeline for Swick.
- Proven ability to generate strong cash flow, providing returns to shareholders.
- 2H FY21 Underground Drilling business performance expected to be as strong as 1H FY21.
- Ongoing investment in Orexplore to define a commercialisation pathway.

# INVESTMENT SUMMARY

## Investment highlights

- World class underground driller.
- Safety is our #1 priority.
- Contractor of choice to many of the world's tier one mining operations.
- Substantial market share in low risk jurisdictions (Australia, USA and Europe).
- Attractive EBITDA margins of c.20%.
- Strong balance sheet – low gearing and ability to fund growth while maintaining cash returns to shareholders.
- Track record of cash returns to shareholders through regular dividends and share buybacks.



Note: FY14 - FY20 yield based on VWAP for the respective year. 1H FY21 yield is annualised and based on VWAP for financial year-to-date.

# 1H FY21 Reconciliation of Statutory to Reported

A\$ million	Revenue	EBITDA	EBIT
Statutory Results	68.7	10.4	2.3
Discontinued Operations (RC Drilling business)	4.1	1.4	0.9
Reported Results	72.8	11.8	3.2
Margin (%)		16.2%	4.4%

# QUESTIONS