



IMDEX LIMITED | ABN 78 008 947 813

216 Balcatta Rd, Balcatta WA 6021 Australia  
PO Box 1262, Osborne Park WA 6916 Australia  
+61 8 9445 4010

[imdexlimited.com](http://imdexlimited.com)

28 August 2023

Company Announcements Office  
ASX Limited Exchange Centre  
20 Bridge Street SYDNEY NSW 2001

Dear Sir / Madam,

**IMDEX FY23 FULL YEAR RESULTS TELECONFERENCE AND WEBCAST SCRIPT**

Please find attached the script from today's FY23 Results Teleconference and Webcast.

Yours faithfully  
**Imdex Limited**

A handwritten signature in black ink, appearing to read "Michael Tomasz", written in a cursive style.

**Michael Tomasz**  
Company Secretary

**This announcement has been approved for lodgement by the Company Secretary**

## **IMDEX FY23 FULL YEAR RESULTS PRESENTATION**

### **COVER**

#### **Slide 2**

##### **Forward Looking Statements**

#### **Slide 3**

##### **IMDEX is a Leading Global Mining-Tech Company**

Welcome to the IMDEX full year results presentation for 2023. Joining me on the call today is Paul Evans, our Chief Financial Officer and Kym Clements, who leads our Investor Relations and ESG functions.

I'd like to commence today at slide 3 of our presentation. We are a leading global mining-tech Company. We distinguish our business from the broader mining services arena in a number of ways:

- We place technical leadership at the core of our growth strategy.
- We build that technical leadership through consistent and disciplined investment in R&D.
- We are neither capital intensive, nor people intensive.
- We are truly global, with limited contract risk, commodity risk and geographic risk.
- Finally, we are developing an integrated solution set that works together, rather than as individual products, to build a high-quality revenue base, with a history of increasing EBITDA margins.

This has been our consistent position for a number of years; however, it is years like FY23, where our strategy and the strength of our business model comes into its own.

At IMDEX we see our core competencies as being uniquely positioned to provide orebody knowledge to our customers. Our purpose and the opportunity we have, is to help mining companies better unlock the earth's resources.

#### **Slide 4**

##### **IMDEX is a Leading Global Mining-Tech Company (cont.)**

We regard mining engineers without orebody knowledge data, as akin to highly trained surgeons who are being asked to operate in a theatre without the lights on.

The image on slide 4 is an extract from our MINEPORTAL solution, demonstrating that it is possible to view an orebody in real-time, anywhere in the world.

Through the delivery of high-quality real-time orebody knowledge, we can turn the lights on. Ensuring the mining industry can execute with precision, with confidence, and with speed.

#### **Slide 5**

##### **Presentation Overview**

Our agenda for today's presentation is set out on slide 5.

We will focus on four key areas:

1. Our financial, strategic and ESG highlights, including a deeper dive into our financial performance, which Paul Evans will provide;
2. An update on our core and new business growth activity;
3. The outlook and our focus areas for FY24; and finally
4. A brief recap of how IMDEX is positioned to benefit from the broader themes driving the industry today.

Following the presentation, Paul and I are happy to take any questions.

## **Slide 6**

### **FY23 Highlights and Performance**

Turning now to slide 7 and our financial highlights.

## **Slide 7**

### **FY23 Financial Highlights**

Group revenue was a record result at \$411m, an uplift of 20% compared to the prior period. Devico contributed 4 months of revenue totalling \$20.6m and was in line with our expectations at the time of completion. Accordingly, organic revenue growth for IMDEX was up 14% for the year.

You will recall that our 1H23 revenue was up 18% on the pcp. The softer exploration activity that took place in 2H23, played through predominantly in Canada and Western Australia. The strength of our core business continued to deliver strong second half growth over pcp, which Paul Evans will go over in more detail.

For the purpose of reporting our performance, we have normalised our EBITDA result to remove the impact of two significant items:

1. The legal costs that were incurred in the first half of this year defending our intellectual property in the USA; and
2. The acquisition costs that accompanied the Devico transaction.

Our normalised EBITDA of \$123m, is again a record and represents an increase of 17%.

Correspondingly, our normalised EBITDA margin for the year was sustained at circa 30% for the full year. Having regard for both the softer exploration activity in 2H23 and the rising cost environment in the industry throughout the year, we consider this to be an exceptional outcome and a testament to the discipline of our operating teams around the world.

I should acknowledge, we would normally expect our EBITDA growth to be stronger than our revenue growth being a feature of the leverage in our business model. Therefore, two additional items are worth calling out in relation to the FY23 result.

- Firstly, our product mix, where we saw faster growth in fluid sales over sensors; and
- Secondly, an accelerated spend in our R&D as we continue to pass milestones in our digital and IMT growth initiatives.

Paul Evans will elaborate on the impact of these two items when he discusses the financial performance in more detail.

While our P&L performance was a feature of FY23, the efficient use and leverage of our balance sheet was a highlight.

The Devico acquisition was the catalyst that allowed us to put our balance sheet to work for shareholders, with a \$120m loan facility used to finance the transaction. Our net debt of \$65m as at 30 June, incorporates this facility and we remain well positioned to fund growth and investments in accordance with our strategy.

I will let Paul Evans cover our working capital performance in detail; however, a noteworthy achievement has been the release of the additional investment in inventory of circa \$8m, which was built up during the COVID period.

Finally, our directors declared a 2.1 cps final dividend, bringing the full year dividend to 3.6cps. This is an increased dividend payout from the prior year and remains in accordance with our 30% NPAT payout ratio.

## **Slide 8**

### **FY23 Strategic Highlights**

Turning now to slide 8 and our strategic highlights for the period.

The Devico technology portfolio directly complements our core business. This transformative transaction represents a highly significant advancement of the IMDEX growth strategy.

Furthermore, our organic investment in R&D resulted in the release of three next generation technologies also within our core portfolio:

- Our aiSwyft™ spectral mineralogy product;
- Our all-attitude OMNI Gyro™; and
- Our core logging solution LOGGERx™.

We made a 40% investment in Krux Analytics and increased our investment in Datarock from 40% to 49.1%.

And finally, our extension into the mining production space continued to make great strides across all three product categories.

## **Slide 9**

### **FY23 ESG Highlights**

Turning now to slide 9.

FY23 represents the first year that we have integrated our corporate sustainability reporting with our annual report.

Our sustainability strategy is divided across five focus areas that are tailored to our organisation, our people and the communities in which we operate.

I will highlight just a few things that were of particular importance, starting with People on the left of the slide:

- Our HSE workforce engagement metric was up 42% over the prior year, and in the month of August, we completed our second year without any lost time injuries.
- We closed our gender pay gap, which is an important milestone and has deep meaning within our organisation; and
- Finally, we established a Diversity, Equity & Inclusion council.

Within our Environment focus area, while we are not a large contributor of greenhouse gas emissions, we measured our scope 1 and 2 emissions as a baseline for further improvement in the future.

Within Innovation, our product development stage gate process was revised to elevate ESG considerations at all stages.

Within Society, we undertook a number of initiatives in the communities in which we operate, however, a highlight has been our partnership with the Canadian Diamond Drillers Association on mental health programs.

Finally, on Governance. We welcomed Uwa to the Board and formalised a Sustainability Committee that will report directly to the Board in FY24.

## **Slide 10**

### **FY23 Financial Performance**

I will now hand over to Paul, to discuss the financials in more detail.

## **PAUL EVANS**

## **Slide 11**

### **Key Metrics**

Thanks Paul.

Paul has covered the headline numbers, so I will expand on some of the key metrics on slide 11. It is important to remember the FY23 results include 4 months contribution from Devico, being revenue of \$20.6m and EBITDA of \$8.5m.

Where normalised earnings are quoted throughout this release, this has excluded \$22.1m of expense resulting from:

1. \$11.1m of exceptional legal costs incurred in respect of international IP infringement matters;
2. \$10.6m of Devico transaction and integration costs; and
3. \$0.4m of residual costs associated with the FY22 settlement with the prior owners of Flexidrill.

2H23 revenue was up 11% on the pcp, however, the softer second half market conditions meant revenue was down 3% on 1H23. In addition, the higher proportion of fluid sales relative to sensors and SaaS revenue, impacted our EBITDA margin.

We delivered strong cash conversion over FY23. Pleasingly, the working capital build arising from the FY22 supply chain constraints, has largely been released.

Net cash, being cash less external borrowings, was down on the pcp following the Krux and Datarock investments and with the introduction of the new \$120m term loan facility, that assisted with the Devico acquisition funding.

It is important to call out the 36.8% uplift in employees includes 187 new Devico employees.

## **Slide 12**

### **Record Revenue**

Moving now to slide 12.

In line with our objective, we continued to outperform industry growth rates, as demonstrated by our 13% 5-year revenue CAGR. One of our internal benchmarks for industry growth rates is the S&P exploration expenditure for nonferrous metals, which has a 5-calendar year CAGR of 9%.

The graph in the centre illustrates our half yearly revenue performance. Excluding the Devico contribution, here we can more clearly see 2H23 was up 11% on 2H22, however, was down 3% on 1H23 due to the softer market conditions in this half. As Paul mentioned earlier in the presentation, the softer exploration activity that took place in 2H23 played through predominantly in Canada and Western Australia.

Despite a positive start to 2H23, where the January start-up recommenced faster than in the prior year and the average number of sensors on hire was up on the pcp, growth moderated for the remainder of the second half. A gradual improvement was apparent in June 2023.

Exploration activity was impacted as resource companies sought to combat inflationary cost pressures, demand greater productivity, and shift their exploration activity to alternative jurisdictions. This was evident in North America, Australia, and West Africa.

Pleasingly, the strength of our core business continued to deliver strong second half growth over the pcp and this was evident in Africa, South America, Europe and the US. The graph on the right shows our product mix with 60% of revenue generated from Sensors & SaaS and the balance 40% from Sales. If we remove Devico's contribution, fluid sales represented 42% of total revenue.

At present, Devico sensors are not connected to IMDEX HUB-IQ. Accordingly, this has reduced the percentage of IMDEX HUB-IQ connected sensors to 30%. Connecting the Devico sensors continues to remain a key integration activity.

### **Slide 13**

#### **Regional Revenue Performance**

Turning now to slide 13 and our growth by region. Here we see the distribution of the 20% revenue growth across our three regions. I will draw your attention to two key highlights:

1. Continued strength within the Americas, despite the softer exploration market in Canada; and
2. The introduction of Devico and the positive impact on all regions around the world, most notably our stronger position in the European market.

Despite the softer exploration market in Canada, we saw more robust activity within the Americas in the US and South America. Mid to Major resource companies, although slow to spend in 2H23 have available budgets and are now progressing programs in these countries supported by demand for our solutions.

Revenue from our Africa and Europe region was up 25%, including an 8% contribution from 4 months of Devico. Demand in this region has continued to be steady with a particular focus on critical metals.

Revenue from our Asia Pacific region was up 20%, including a 3% contribution from 4 months of Devico. Most notable was the slowing of activity in this region in 2H23, particularly in relation to gold and junior activity. This was offset by more robust activity in Asia.

### **Slide 14**

#### **EBITDA Performance**

Moving to slide 14.

The graph on the left of the slide illustrates our EBITDA historical performance over the past 5 years and the corresponding 24% CAGR measure over this time. FY23 normalised EBITDA of \$122.6m includes 4 months contribution of \$8.5m from Devico.

Our normalised EBITDA margin shown on the graph on the right, was slightly down from the pcg at 29.8%. The slight decrease can be directly attributed to two factors:

1. A combination of product mix due to growth in our drilling optimisation business, most notably fluid sales as illustrated on the previous slide; and
2. Our increased investment to support growth, including our IMDEX Mining Technology business and Digital 2.0 on the back of significant progress during the year.

The impact is most visible in the centre graph where we also see the flow through margin impact of 3% lower revenue from 1H23 that we also saw on the previous slide.

## **Slide 15**

### **Strong Cash Generation**

Looking at Slide 15.

From the reported EBITDA result of \$100.5m, there was a net inflow of operating cash of \$82.5m. This represented an 82% conversion rate and is substantially higher than historical levels of 65-70% following the working capital improvements. As mentioned, the additional investment in inventory to mitigate supply chain delays in FY22 has largely been released. This is an excellent result and highlights our strong working capital discipline.

## **Slide 16**

### **Commitment to R&D and Technology Leadership**

Turning to slide 16 and a very important part of the IMDEX DNA. Our investment into R&D in all market conditions is to maintain our technology leadership and continue to deliver value to our customers.

In FY23, \$27.4m was expensed on product development and \$5.1m was capitalised in relation to software. This represents 7.9% of total revenue and a 10% increase in total R&D expenditure on FY22. This overall investment remains well within industry benchmarks and is conservative as a growth company.

Of note, is the increase we have previously mentioned to accelerate IMT, BLAST DOG™, and our acquisition of the MINEPORTAL™ software, which you can see in Horizon 3 in FY22 and moving to Horizon 2 in FY23.

Investment in Horizon 1 has increased over the past two years as we commence commercialisation of the next generation of core products in FY24. As Paul mentioned when recapping the strategic highlights, this year our Horizon 1 spend saw the release of a number of next generation core products.

## **Slide 17**

### **Balance Sheet**

Looking briefly now at our balance sheet on slide 17.

At 30 June 2023, net Assets had increased notably during the year from \$297m to \$556m. This increase is principally due to the purchase of Devico.

External borrowings at \$123m largely reflects the amortised balance of the original \$120m debt facility secured to support the funding of the Devico acquisition. After the further investments in Datarock and Krux, assisted by working capital disciplines, net debt of \$64.9m remains a conservative gearing level relative to EBITDA.

Interest cover on normalised earnings is at a comfortable 14 times.

This has allowed the declaration of a final FY23 dividend of 2.1cps, resulting in a full year FY23 dividend of 3.6cps, a 5.9% increase over the prior year and therefore on normalised earnings, maintaining our 30% NPAT payout ratio.

Return On Equity and Return On Capital Employed ratios fully includes the expanded capital base mentioned earlier and only includes 4 months earnings from Devico.

## **Slide 18**

### **Core Business Performance**

I will now hand back to Paul for an update on our core business performance, commencing on slide 19.

## **PAUL HOUSE**

## **Slide 19**

### **Core Business Performance**

Thanks Paul.

While our financials incorporate the Devico business, the metrics on slide 19 relate to IMDEX only. Once again, progress was made across all key metrics:

- ARPU was up 7%, reflecting demand for our next generation technologies.
- Our average rock knowledge sensors on hire finished FY23 in line with the pcp. It worth noting that the strong first half was offset by the softness in the second half. The difference between average sensors on hire between 2H23 and 1H23 was a decline of 11%.
- Customers connected to our HUB-IQ cloud-based platform has grown a further 10%.
- And finally, our solution selling strategy expanded out of North America with earnest into Africa and Australia. The percentage of our top 250 clients who use greater than 3 products continues to grow, now sitting at 46%.

## **Slide 20**

Slide 20 quite simply provides a recap of strategic rationale behind our Devico acquisition, which completed on 28 February this year.

Devico is a significant addition to our core business. The combination of IMDEX and Devico gives us a market leadership position in Europe, a market leadership position in directional core drilling, complements our market leadership position in survey tools, and finally, a worldclass R&D team and facility in Norway.

## **Slide 21**

### **Devico Growth**

Turning to Slide 21 and commencing and an update on the integration of Devico on the left.

It has been six months since completion of the Devico transaction. Integration has gone very much to plan. Critically, we have added 187 people into our business with zero safety incidents recorded.

All key management personnel have been retained; and all employees have been onboarded through the IMDEX HR platform and IMDEX Academy training platform.

All Devico group sites have been brought into the IMDEX network without incident.

All Devico products have been added into the IMDEX GDR platform, which will facilitate cross selling within the IMDEX network. This ability to leverage the IMDEX Digital 1.0 systems investment is key to optimising tool fleets and gross margin performance in the sensor business and will be a key contributor to cost synergies.

Finally, we have made progress in moving the remaining Devico sensor sales to a rental model, positioning customers for a better service model and the business for better long-term returns.

Looking now to the right of the slide and an update on performance.

Whilst we did not provide specific revenue synergy guidance at the time of acquisition, I am delighted to report that the strategy to combine the Devico and IMDEX teams, products and client networks is already unlocking some gains.

First, we have been able to deploy DeviGyros to customers within the IMDEX network, initially displacing competitor tools. To date, we have deployed 17% more DeviGyros throughout our IMDEX network compared to the total DeviGyros that were on rent at the time of completion. I must also point out that since completion, the Devico business in Canada was impacted by the recent softening of exploration activity in that market, in the same way that IMDEX was.

Secondly, we have seen a growth in the Devico directional core drilling business since completion, with an increase of 14% in the number of active DCD projects around the world. This increase includes a number of new projects in regions that leverage the Devico expertise into the IMDEX network, where Devico was formally not present.

Both of these statistics exceed our original expectations and position the combined business to unlock significant value for shareholders in the years to come.

Finally, I would like to acknowledge the Devico team.

We have spent considerable time getting to know the Devico business and Devico's people. It has been a genuine pleasure discovering the strong alignment of our corporate values and our purpose as we look for ways to bring advanced technologies to the mining industry. And so, to Erlend, Torkil, Anita,

Espen, John, Randy, Don, Augusto, Megan and all of your respective teams, please accept our thanks and our warmest welcome to the IMDEX group.

## **Slide 22**

### **New Business Growth**

Turning to slide 22 and an update on our new business growth initiatives, which includes our digital products and our extension downstream into the mining production space with our IMT products.

## **Slide 23**

### **IMDEX Mining Technologies Growth**

Starting at slide 23.

We made progress in FY23 in each IMT product category. Demonstrations and trials continue with a growing list of interested customers.

I would draw your attention to two key highlights:

- Firstly, our IMDEX BOLT product, used to survey underground production holes, has only recently launched, and has seen early success with four installed sites. The capabilities of the Devico team have greatly aided this initiative, and by the end of FY25 we expect the BOLT solution to exist in all regions; and
- Secondly, as of today we have 3 BLASTDOG units operating on rent.

All IMT products remain in the commercial prototype phase, which is specifically designed to test the value of these products and refine the commercial model before moving into production and full commercialisation.

While our push into mining production is still at a relatively early stage, we remain both committed and excited by the prospects of this sector.

## **Slide 24**

### **IMDEX Mining Technologies Growth - The Size of the IMT Opportunity**

Slide 24 has been shared previously and is added here as a reminder of the size of the opportunity.

Whilst we are earning BLASTDOG revenues from three sites today, we see the immediately addressable market to be in excess of 100 sites.

## **Slide 25**

### **Our IMDEX Digital Software and Analytics Strategy**

Turning to slide 25 now and a quick recap of our Digital strategy.

Our strategic intent is to take the data we originate from our sensors, as illustrated to the left-hand side of this schematic, and build software solutions that enrich that data, give it context, and enable

our drilling and resource customers to make more informed decisions about their orebody, with increased precision and with speed.

Examples of the solutions we seek to bring together are highlighted in the centre of the schematic.

## **Slide 26**

### **Digital Growth**

And so, on slide 26 we are pleased to provide an update on these select digital solutions. The highlights are:

- aiSwyft was launched, moving aiSIRIS from semi-autonomous to fully autonomous – highlighted by the 5-day turnaround time saving. Client migration is progressing, and overall volumes are up 20%.
- ioGAS experienced extraordinary growth rates of just over, 20% year on year.
- Datarock has continued to grow its SaaS revenue platform, which really only launched in 3Q23, and made great strides in 4Q23.
- And finally, the Krux Analytics investment that we finalised in April, as a best-in-class solution to replace our IMDEX Mobile product, has grown at pace with 23% of IMDEX mobile customers already migrated to the Krux platform, and 35% are committed.

## **Slide 27**

### **Outlook and FY24 Focus Areas**

Turning now to slide 28 and the outlook for the business.

## **Slide 28**

### **Outlook**

I'll begin by reminding that S&P forecast exploration activity contracted by circa 20% throughout calendar 2023. We do see evidence of this softening in the marketplace to date, most notably in Canada and Australia as we have spoken about earlier today.

The strength of 1H23 gave way to this softening in 2H23, which has now stabilised. We see this in our own numbers.

By way of comparison, IMDEX rock knowledge sensors on hire at 1 July 2023 were down only 8% on pcp. While this is behind the prior year, it remains above the general market performance.

As of today, sensors on hire have continued to improve and we are currently up 5% from 1 July 2023.

Looking ahead, we expect market demand to remain steady throughout FY24 as resource companies continue to respond to the high-cost environment, where the baked in increase in labour rates is likely to extend the recovery phase.

Importantly, however, mid-tier and major resource companies remain well-funded and capital raisings have shown some signs of improvement for juniors.

Looking further afield into FY25 and beyond, the fundamentals remain extremely attractive. S&P forecasts an increase in exploration spend in FY25. The demand drivers outlined on this slide remain very strong. Encouraging there is an increased trend towards adoption of innovative solutions, driven first by productivity and second by orebody knowledge. Two critical themes in the industry today.

Our recent investments in Devico's directional core drilling technology, and Krux's drilling analytics solutions, speak directly to this demand for improved productivity.

## **Slide 29**

### **Focus Areas – Investing in Growth**

Moving to slide 29 and our focus areas for FY24.

Protecting our people as a combined global team will remain our priority. We will continue to pursue the following growth drivers and operational initiatives:

1. Investment in our core and in the continued integration of Devico;
2. Investment in our digital solutions and IMT products; and
3. Investment in Digital 2.0 to bring further efficiencies into our business.

We remain acutely aware of maintaining our disciplined approach to product portfolio management and efficient operations.

## **Slide 30**

### **Why IMDEX Will Deliver**

Turning now to slide 30, we look back at the FY23 year with great pride. We have long maintained that the IMDEX business and business model is positioned to grow in all market scenarios. The external market volatility, impacting the second half activity, has allowed us to demonstrate our ability to grow and to run a disciplined core business, while at the same time, continue to invest in our growth strategies.

Our network around the world positions us to leverage the shifting geographic activity.

Our commodity agnosticism positions us to benefit from growth in critical metals activity.

Our balance sheet has been put to work for shareholders supporting the current growth, supporting our M&A activity, and maintaining our 30% dividend payout ratio.

Finally, Paul and I would like to acknowledge our teams around the world who have been instrumental in the discipline required to steer the business through a very interesting FY23.

We look forward to FY24 with confidence.

I will now hand back to the moderator to take questions.