



216 Balcatta Road, Balcatta  
Western Australia 6021

PO Box 1262, Osborne Park  
Western Australia 6916

**Tel:** +61 (0) 8 9445 4020  
**Fax:** +61 (0) 8 9445 4042

[index@indexlimited.com](mailto:index@indexlimited.com)

[www.indexlimited.com](http://www.indexlimited.com)

ABN 78 008 947 813

21 August 2017

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

Dear Sir/Madam

**FY17 Results Conference Call and Slide Show**

Please find attached the script from today's FY17 Results Conference Call and Slide Show.

Yours faithfully  
**Index Limited**

A handwritten signature in blue ink, appearing to read "P. Evans".

**Paul Evans**  
Company Secretary

**IMDEX LIMITED**  
**FY17 WEBCAST SCRIPT**

**SLIDE 1 – COVER**



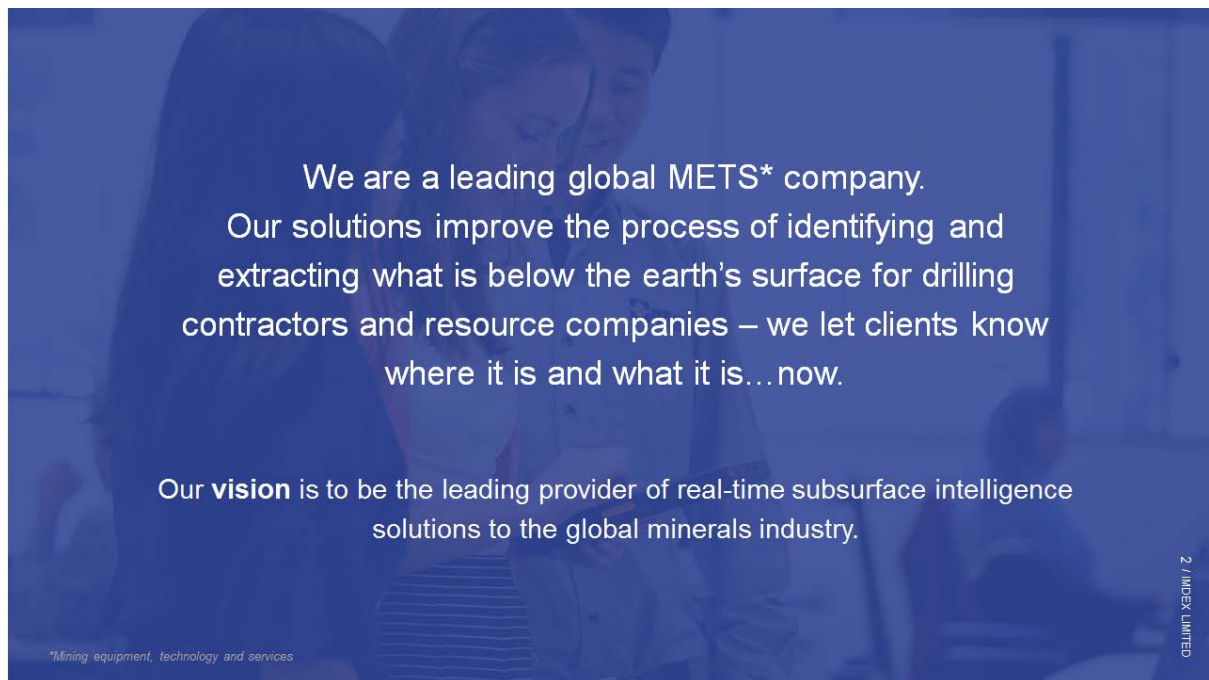
Welcome everyone. Thank you for joining today as we present IMDEX's results for the 2017 financial year.

Paul Evans, Imdex's CFO and Company Secretary, is also on the call and will provide more detail regarding our financial results.

The presentation will take approximately 15-20 minutes – we will then be happy to answer questions.

I will begin with a brief overview of our company, however, for listeners who are not familiar with the IMDEX Group, additional information has been included in the appendices to the presentation and we encourage you to visit our website.

## SLIDE 2 – WHO WE ARE



Firstly a quick overview of what we do and our vision for the future.

We are a leading global mining equipment, technology and services – or METS – company.

Our solutions improve the process of identifying and extracting what is below the earth's surface for drilling contractors and resource companies. In short, we let our clients know where it is and what it is...in real-time or near real-time.

Our clear vision is to be the leading provider of real-time subsurface intelligence solutions to the global minerals industry.

## SLIDE 3 – FY17 HIGHLIGHTS



- Increased revenue and earnings
- Strong balance sheet
- Successful capital raising
- \$30 million Bankwest facility secured on attractive terms
- Paid out Bain Capital in full
- Divestment of wholly owned oil and gas businesses – 100% minerals focused
- Early stages of minerals industry upswing
- Increase of REFLEX instruments on hire
- Continued to invest in R&D
- Commercialised new technologies
- Commenced internal digital transformation project
- Board renewal – appointment of new Non-Executive Chairman and Non-Executive Director

3 / IMDEX LIMITED

Looking now at our highlights for FY17 on slide 3.

Financially, we had a strong year. We exceeded our revenue and profit targets and at 30 June, we have a significantly stronger balance sheet.

We paid out Bain Capital in full and improved our capital structure by way of a successful capital raising and new finance facility with Bankwest.

We completed the divestment of our wholly owned oil and gas businesses and since the beginning of this calendar year, we have been 100% focused on the global minerals industry.

In line with our commitment to delivering leading technologies and solution sets, we continued to invest in R&D and commercialised new technologies that differentiate IMDEX in the market. They have also contributed to the growth in the REFLEX rental fleet, which I will refer to later in the presentation.

In early calendar 17, we released a new version of REFLEXHUB – which is now known as IMDEXHUB-IQ. This provides us with a significant advantage over our competitors. I'm pleased to report that there have been a number of recent examples where customers have

chosen IMDEX technologies over competitors due to our connectivity and the ability to view data from anywhere, anytime.

To complement our differentiated technologies and Cloud capability, we commenced an internal digital transformation project during the year. This is an exciting project that will enhance our systems and processes – and importantly, will allow us to significantly improve our customer service and our business outcomes.

As announced during the year, we were pleased to welcome two new Board members. Anthony Wooles was appointed Non-Executive Chairman on 1 July 2016 and Sally-Anne Layman joined as a Non-Executive Director on 6 February 2017.

## SLIDE 4 – KEY METRICS



\$MILLIONS UNLESS INDICATED OTHERWISE	FY17	FY16	VAR	VAR%
Revenue from continuing operations <sup>1</sup>	176.2	143.3	32.9	23% ▲
EBITDA from continuing operations	31.5	20.3 <sup>2</sup>	11.2	55% ▲
NPAT	3.6 <sup>3</sup>	-56.2 <sup>4</sup>	59.8	▲
EPS (cents)	1.1	-23.1	24.2	▲
Operating cash flow from continuing operations (excluding financing costs)	20.7	10.0	10.7	107% ▲
Net assets	159.8	115.6	44.2	38% ▲
Number of employees as at 30 June	437	468 <sup>5</sup>	-31	-7% ▼

<sup>1</sup> AMC Oil & Gas is discontinued and Index's 30% share in VES has been written-off

<sup>2</sup> Normalised to exclude restructure and other one-off costs totalling \$5.2m

<sup>3</sup> Includes \$16.2m (non-cash \$11.5m) of financing costs in relation to Bain Capital, which has been fully repaid

<sup>4</sup> Includes impairment costs of \$32.2m associated with the VES JV and \$17.8m of restructuring and other costs, of which \$12.6m relates to the divestment of AMC Oil & Gas

<sup>5</sup> Includes 74 AMC Oil & Gas employees within discontinued operations

4 / INDEX LIMITED

Moving now to slide 4, which shows our key metrics.

Revenue from our minerals business – was \$176.2 million for the year, a 23% increase on the previous year.

EBITDA from continuing operations was up 55% to \$31.5 million.

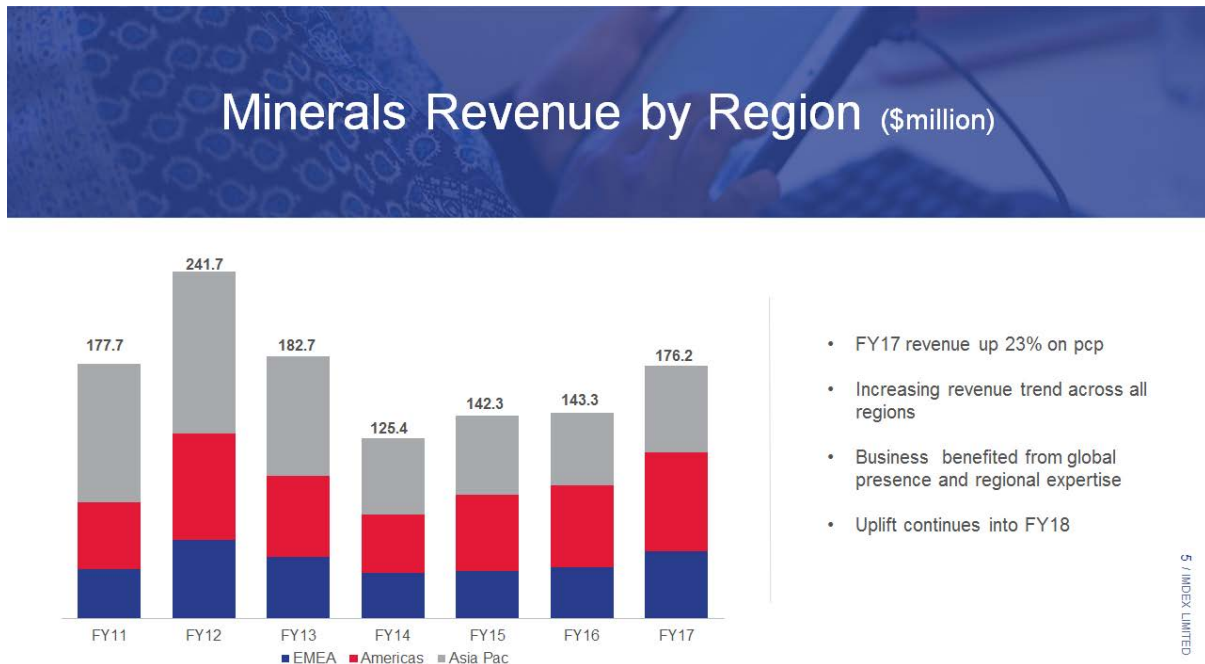
We recorded a net profit after tax of \$3.7 million.

Our operating cash flow from continuing operations for FY17, prior to financing costs, was \$20.7 million, a 107% increase on the normalised equivalent for the prior year.

And as mentioned earlier, we strengthened our balance sheet. At 30 June 2017, net assets had increased by \$44.2 million and we had net cash of \$12.3 million.

As at 30 June 2017, our global workforce had reduced by 7% to 437 people, which reflects our divestment of AMC Oil & Gas and increased activity for our minerals business. Additional personnel for our minerals business are principally within sales and operations.

## SLIDE 5 – MINERALS REVENUE BY REGION

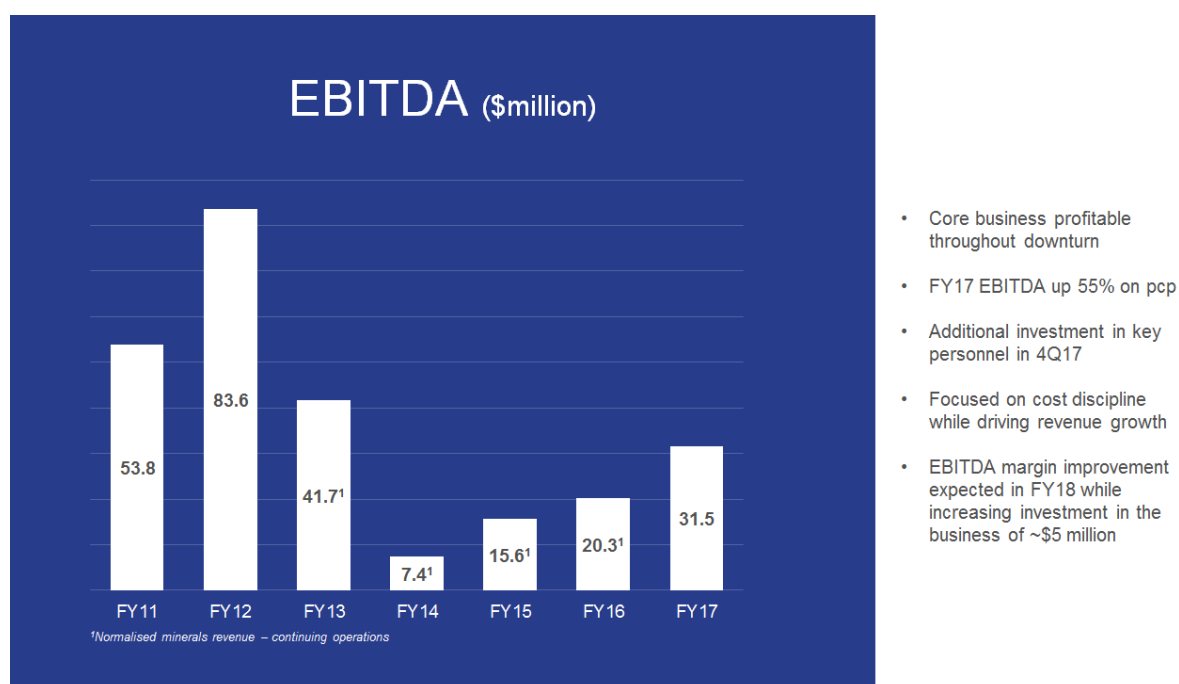


Slide 5 shows our minerals revenue for the year by region.

As you can see, all regions grew their revenue from the previous year, which illustrates the breadth of the recovery in the minerals sector. Approximately 40% of our revenue is generated in the Americas, 35% in Asia Pacific and the remaining 25% in EMEA, which includes Europe, the Middle East and Africa.

Due to our global presence, we are well positioned to benefit from the recovery in all of the major mining regions and encouragingly, we have seen the increasing activity continue into FY18.

## SLIDE 6 – EBITDA



Before I speak more about our operations and market conditions, I will hand over to Paul to provide more detail regarding our financial performance.

### Paul

The EBITDA result for our ongoing minerals business shows a similar trend to that of revenue, however, it is even more encouraging. You can see as revenue increases, we are able to generate some good fixed cost leverage from our business.

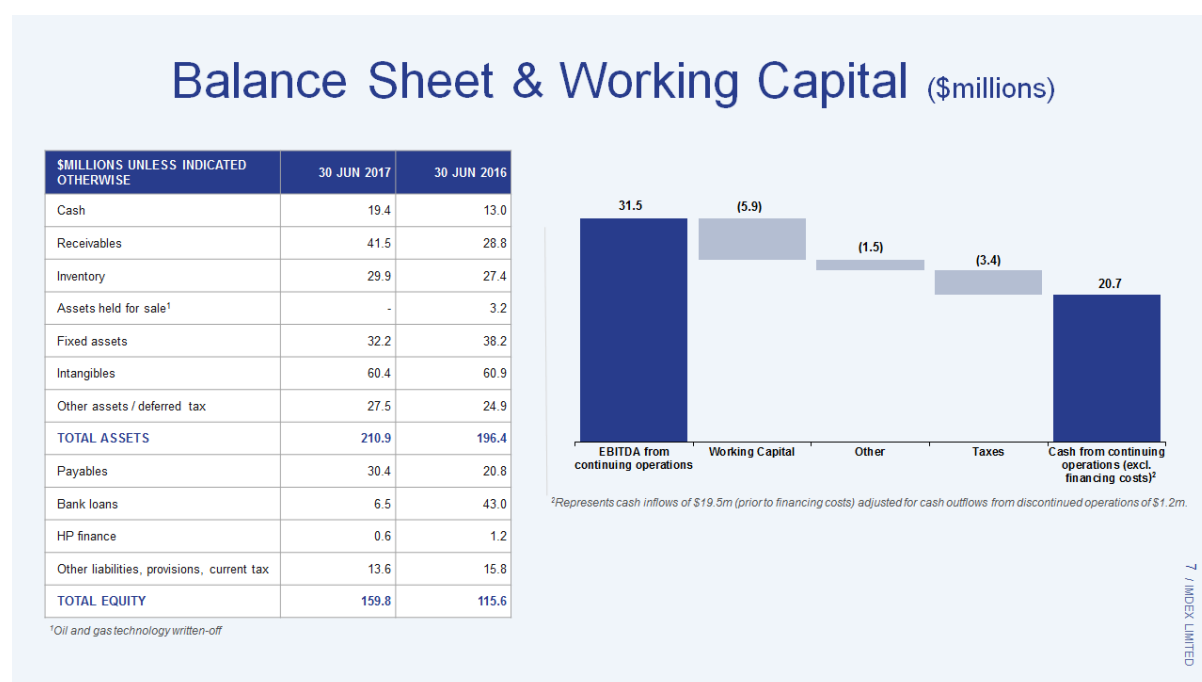
It is also important to note that through the depths of the downturn, our minerals business remained profitable.

During 4Q17 our earnings were impacted by additional investment in personnel, however, we maintain a disciplined approach to costs while driving revenue growth.

We expect EBITDA margin expansion in FY18, while increasing investment in the business. These initiatives, over the coming years, should reduce the cyclicity of our business and provide a more sustainable revenue and earnings stream.



## SLIDE 7 – BALANCE SHEET & WORKING CAPITAL MANAGEMENT



Moving to slide 7.

As mentioned earlier, we have a strong balance sheet where Net Assets increased by \$44.2m.

Gross bank debt is \$7.1 million versus our cash position of \$19.4 million.

Our receivables and payables increased during the year, however, this is consistent with the uplift in business activity where revenue increased by 23% over FY16.

Debtor days outstanding were on target at 62 days at the end of FY17.

As announced in our 1H17 results presentation, the oil and gas technology that was on the balance sheet at \$3.6 million (\$3.2m at 30 June 2016) has been written-off and we have no exposure to the energy sector in the balance sheet.

The waterfall on the right of slide 7 shows a reconciliation of our continuing operations from the FY17 EBITDA result to the cash flow from operations prior to financing costs.

From the EBITDA result of \$31.5 million there was a net inflow of operating cash from continuing operations prior to financing costs, of \$20.7 million. After \$3.4 million of tax paid in certain regions and other minor items, there has been an investment of working capital over the course of the year of \$5.9 million.

I'll now pass back to Bernie for the remainder of the presentation.

## SLIDE 8 – GLOBAL BUSINESS WITH OPERATIONAL LEVERAGE



Thanks, Paul.

As shown on slide 8, the main activity – or minerals industry hotspots – are in Canada, the western part of the United States, Latin America, West Africa and Australia.

You can also see from our locations – we are a global business with operational leverage and we are where the money is being spent.

## SLIDE 9 – MARKET UPDATE



- Increased activity in the minerals sector – particularly in Canada, Latin America, West Africa and Australia
- Activity uplift initially associated with stronger gold price – now a broader-based recovery
- Major, intermediate and junior companies well-funded with increased budgets
- Large resource companies – continuing to focus on increasing efficiencies, cost reduction
- New technologies are gaining momentum in order to drive efficiencies and productivity
- Mining companies need to replace depleting reserves

9 / INDEX LIMITED

Slide 9 provides further information about market conditions during the year.

We witnessed the beginning of the recovery in the minerals market in 4Q16, which was largely due to the stronger gold price and associated capital raisings at that time by companies operating in the sector.

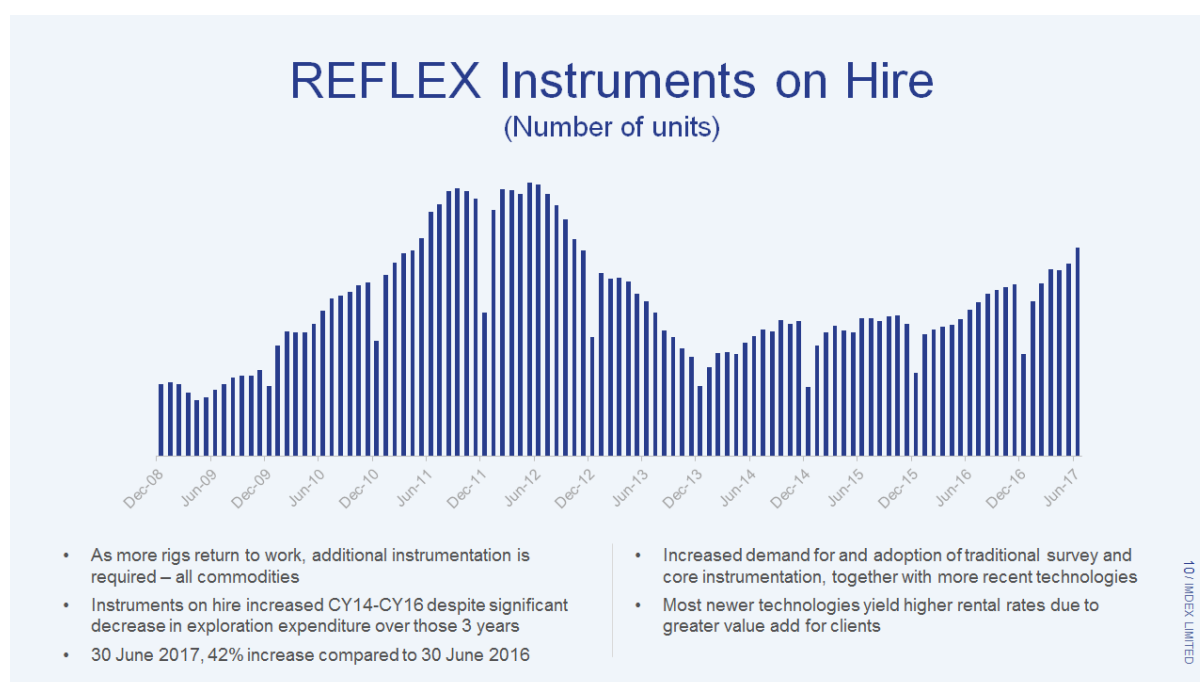
Since that time, however, we have seen the emergence of a broader-based recovery.

Resource companies are generally well-funded and the miners are generating free cash as a result of improving commodity prices, cost reduction and efficiency programs.

The Junior mining companies have also been able to raise cash from equity markets and are actively exploring.

New technologies are gaining momentum in order to drive efficiencies and productivity – we are delivering these technologies, which provides a good segue into the next slide.

## SLIDE 10 – REFLEX INSTRUMENTS ON HIRE



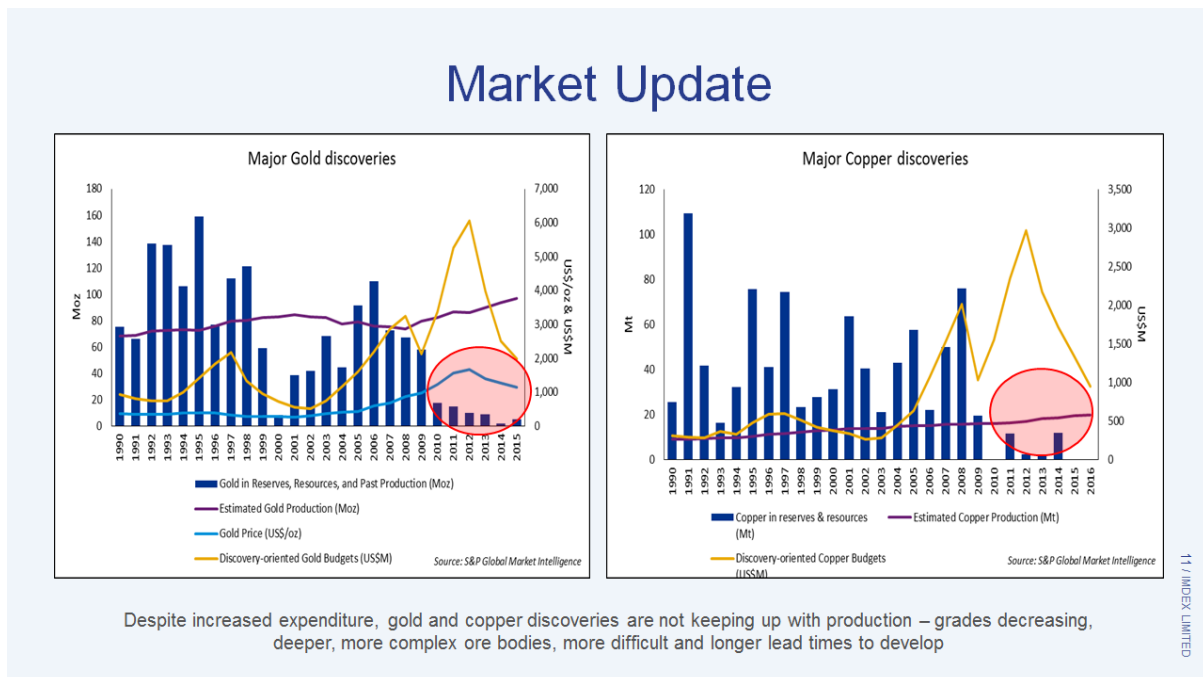
Our REFLEX rental fleet has traditionally been a lead indicator of market conditions within the minerals industry – as more rigs return to work, more instruments are required.

It is interesting to note that instruments on hire increased across the CY14 - CY16 period despite significant decreases in exploration expenditure over those 3 years. We believe this is vindication of our differentiated technologies.

At 30 June 2017, the number of instruments on rent was up 42% compared to 30 June 2016. The increase in demand is for traditional survey and core instrumentation, together with our more recent technologies, which generally yield higher rental rates due to the additional value they provide to customers.

Our instruments are not commodity specific; however, the largest driver of rentals is activity in the gold and copper commodities, which leads us to slide 11.

## SLIDE 11 – GOLD / COPPER DISCOVERIES



This slide shows some interesting insights in terms of exploration spend, discoveries and production in the gold and copper markets.

The chart on the left hand side shows gold discoveries – or the lack of them – represented by the blue bars despite the large increase in expenditure – the yellow line – which peaked in 2012. The purple line shows gold production increasing at a time when discoveries have been unsuccessful. Hence the statement that gold companies are not replacing reserves at the rate they are mining them.

The situation for copper is very similar as shown by the chart on the right hand side.

If you then take into account that grades are decreasing, ore bodies are deeper and more complex and when you find them, they are more difficult and take longer to develop.

The lack of reserves is largely underpinning activity within the minerals industry and our belief that we are in the early stages of a cyclical upswing. This view is supported by what we are seeing on the ground and our customers.

## SLIDE 12 – DRIVING SUSTAINABLE EARNINGS GROWTH

### Driving Sustainable Earnings Growth

- Growth of core business historically driven by cyclical upswing and the introduction of new technologies
- Strategic positioning for sustainable earnings growth
- FY18 investing in two-tiered strategy:
  - **Organic** – protect and grow core business
  - **Transformational** – extension into new market segments

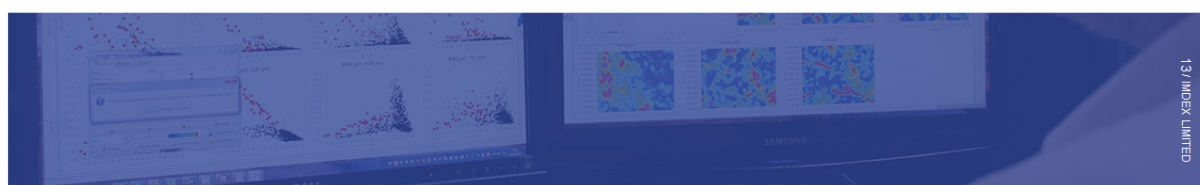
A man in a blue shirt is working on a circuit board in a laboratory setting. He is using a soldering iron and wires. The background shows various electronic equipment and a clean, professional environment.

Before moving to the Summary on Slide 13, I would like to reiterate that we are focused on organic growth by protecting and growing our core business, while working on transformational initiatives that are designed to reduce the cyclicity of our business – and ultimately – deliver more sustainable earnings growth for our shareholders.

## SLIDE 13 – SUMMARY

### Summary & Outlook

- Strong performance in FY17
- REFLEX instruments on hire at 30 June 2017 42% up on 30 June 2016
- Activity within major mining areas is robust – early stages of cyclical upswing
- Recovery initially driven by gold, now more broad-based
- Major, intermediate and junior companies well-funded with increased budgets
- There remains a fundamental need to replace diminishing resources and reserves
- Strategic positioning to achieve sustainable earnings growth for shareholders
- Solid balance sheet – ability to drive organic and transformational growth
- Stronger financial performance expected in FY18



Finally turning to the summary and outlook on slide 13

Our company performed well during the year, boosted by increased activity globally and demand for the efficiencies our technologies are delivering.

The improving market conditions were reflected in our REFLEX instruments on hire and as at 30 June 2017, the total fleet was up 42% on the prior year.

The outlook for IMDEX remains positive. The global minerals industry is in the early stages of a cyclical upswing and activity has increased across all major mining regions. This uplift was initially driven by the stronger gold price; however, this is now a broader-based recovery.

There also remains a fundamental need to replace diminishing reserves; resource companies are well-funded; and new technologies are gaining momentum within the industry to drive greater efficiency and productivity – IMDEX is delivering these real-time or near real-time technologies.

For the balance of FY18, we will focus on:

- Our ongoing commitment to health and safety;
- Achieving and exceeding financial targets;



- Strategic business development to deliver sustainable earnings growth for shareholders; and
- Increasing our capability to deliver IMDEX's vision of being the leading provider of real-time subsurface intelligence solutions to the global minerals industry.

The company is in a strong position to capitalise on improving conditions within the global minerals industry and anticipates a stronger financial performance in FY18.

That brings the formal part of our presentation to an end. I thank you for calling in today and your interest in our company.

Paul and I are now happy to answer any questions you may have.

## **CLOSING COMMENTS**

Many thanks for dialing in to this call. Before finishing, we would like to leave you with the following comments:

- Our balance sheet is in great shape and we are well placed to support the growth of our business.
- We have invested in technology development through the cycle. A number of these technologies are commercial and in product development which allows us to increase revenue
- The resource companies and drilling contractors are looking at ways to reduce costs and increase efficiencies – it is these new products and services which are assisting them do that
- The depth of experience across our business and the sophistication and application of our technologies has never been better.
- We look forward with optimism as we apply our strengths to increase revenue and profits.

Thank you again.