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22 August 2016

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

Dear Sir/Madam

**FY16 Results Conference Call and Slide Show**

Please find attached the script from today's FY16 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 FY16 Webcast Script***

## **<<Cover >>**

Welcome everyone. Thank you for joining us today as we present Imdex's performance for the 2016 financial year.

Paul Evans, Imdex's CFO and Company Secretary, is also with me today 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 slides.

## **<<Slide 1 – Established Global Business>>**

As you can see on slide 1, Imdex is an established global business. We have operations in all of the key mining regions of the world, which are also complemented by a network of distributors.

The largest gold budgets by country are spent in Canada, Australia and the USA with those three contributing 40% of the total. By region, Latin America, North America and Asia/Pacific make up about 80% of global gold budgets.

As you can see we are well represented in all regions.



## **<<Slide 2 – Refined Company Structure>>**

The graphic on this slide illustrates how we have refined our business.

As previously announced to the ASX, we have made the decision to exit the oil and gas market. We are closing and selling AMC Oil & Gas, which will eliminate the losses associated with this business. We are also committed to selling our remaining oil and gas assets. Proceeds from these divestments will be applied to debt reduction.

This decision to exit the oil and gas market was not only a response to the deterioration of the energy sector; it was also influenced by our strength and differentiated position within the minerals market.

Strategically, we are focusing 100% on the global minerals business where we have competitive advantages and the ability to achieve sustainable revenue and earnings growth.

Accordingly, we are implementing a cost reduction programme, which will ensure our company has the most efficient operating model to capitalise on the minerals industry upswing. The full benefits of this programme will be progressively realized throughout FY17.

We will also continue to review and rigorously manage our cost structure within our minerals business going forward.

## **<<Slide 3 – Key Metrics & Performance>>**

### **<<Slide 4 – Key Metrics>>**

Moving now to slide 4, which shows our Key Metrics.

It is important to note that AMC Oil & Gas is now classified as discontinued operations and our share in VES has been written off consistent with the Company's review of the strategy and carrying value of its oil and gas assets.

Statutory revenue from the continuing operations – that is our minerals business – was \$143.3 million for the year, a 1% increase on the previous year.



EBITDA from continuing operations was down 45% to \$15.1 million; however, the FY15 result of \$27.6 million included \$14.2 million profit on sale of Imdex's final interest in Sino Gas and Energy Holdings Limited.

Normalized EBITDA of \$20.3 million from continuing operations was up a healthy 30% on FY15 of \$15.6 million.

We recorded a net loss after tax of \$56.2 million. As with many other companies operating in the oil and gas sector we have brought to account discontinued operations, non-cash impairment charges, restructuring and other costs. These non-recurring items were primarily caused by the deterioration of activity in the oil and gas sector and similar to other companies in this sector, we have reviewed the strategy and carrying value of oil and gas assets. As I mentioned earlier, these items are largely brought to account at 30 June, 2016 and will not have a material impact on our results for FY17.

Our operating cash flow for FY16 from continuing operations, prior to financing costs, was \$9.4 million.

Our gearing is manageable, with net debt to total capital at 21% (27% based on total net debt) and normalized EBITDA interest cover of 2 times.

As at 30 June, 2016, our global workforce had reduced by 11% to 468 people, which includes 74 oil and gas employees forming part of the discontinued operation. Following the divestment/closure of AMC Oil & Gas, our total number of employees will be approximately 400.

Given the trading results of the business, the Directors have not declared a dividend.



**<<Slide 5 – FY16 Group Revenue>>**

Slide 5 shows our statutory revenue from continuing minerals operations for the year.

Our revenue was 1% up on FY15. Although influenced by foreign currency fluctuations you can see that we have grown our minerals revenue year-on-year since FY14 in a market where global exploration and development spending has been in decline.

**<<Slide 6 – FY16 Normalized EBITDA>>**

With the decision to divest our oil and gas assets, the normalized EBITDA result has been separated to report the result from the discontinued business and from the continuing business.

The EBITDA result of the ongoing minerals business shows a similar trend to that of revenue, however, it is even more encouraging. As revenue increases we generate some good fixed cost leverage from our business. Furthermore, as we progressively deliver on our recent cost reduction programme and grow revenue, the fixed cost leverage should be even greater in FY17 and beyond.

**<<Slide 7 – FY16 EBITDA Segment result>>**

Paul will now comment on slide 7, which shows our EBITDA segment result.

Thank you, Bernie.

In this slide, we have separated the FY16 results into the 3 classifications of continuing, held for sale and discontinued and to further separate the one-off items to allow a normalized result to be compared to FY15. Held for sale and discontinued relate to our oil and gas assets, whilst the continuing business relates to our minerals business.

The FY16 Group EBITDA result was a loss of \$36.3 million and includes \$50 million of one-off items. These relate to the \$32.2 million non-cash impairment of the investment in VES and restructuring and other costs of \$17.8 million largely related



to the sale / closure of our oil and gas assets from which there is a net cash outflow to come estimated at approximately \$2 million.

Our normalized EBITDA result from the continuing business for FY16 totals \$20.3 million compared to \$15.6 million in FY15, representing a 30% increase. A slow start in activity in 3Q16 post the traditional Christmas shut down saw minerals revenue down 7% in 2H16 compared to 1H16 with a consequential impact on the EBITDA result. Despite this, the minerals business achieved a normalized EBITDA result of \$27.1 million (FY15: \$23.9 million), a 13% increase on the prior corresponding period.

### **<< Slide 8 – FY16 Balance Sheet >>**

Moving to slide 8.

Net debt at 30 June, 2016 was \$31 million. Gearing, as measured by net debt to capital, was at 21% (27% on a total net debt basis) compared to 17% at 30 June, 2015. Normalized EBITDA interest cover stands at 2 times compared to 5.2 times at the same time last year.

At 30 June 2016, borrowings represent the Bain Capital funding facility. Bain Capital was formerly known as Sankaty and the facility was put in place in September 2015 and finalized in December 2015 to replace the Westpac / HSBC Club facility. This facility is a three year, interest only, \$54 million fully drawn facility. Interest is at 10.75% being 8% cash and 2.75% PIK. The borrowings of \$54 million within the balance sheet are offset by the cost of the 37.1 million warrants issued to Bain Capital and fees associated with this funding facility. These costs are being amortized to the profit and loss over the period of the loan.

Assets “Held for Sale” at 30 June 2016 total \$3.2 million and relate to oil & gas technology undergoing commercialization and testing for sale. The Balance Sheet will become stronger as we progressively dispose of our oil and gas assets combined with the profitable trading performance of the continuing business.



**<< Slide 9 – FY16 Working Capital Management>>**

Looking now at slide 9, the waterfall shows a reconciliation from the FY16 normalized EBITDA result to the normalized cash flow from operations prior to financing costs. The normalized cash flow from operations excludes cash costs associated with one-off restructuring and other costs and the costs associated with the 2014 product containment matter finalized and paid in FY16.

From the normalized EBITDA result of \$13.7 million there was a net inflow of normalized operating cash prior to financing costs, of \$9.4 million. After an allowance for a non-cash items and \$2.4 million of tax paid in certain regions, there has been a release of working capital over the course of the year of \$2 million.

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

**<< Slide 10 – Operational review >>**

**<< Slide 11 – Minerals Update & Strategy >>**

Thanks, Paul.

Slide 11 provides a more detailed review of our minerals operations.

During the year our Minerals Division's achieved revenue of \$143.3 million, which was marginally up on FY15. Importantly, the Division's normalized EBITDA was \$27.1 million, which was a 13% increase on the previous year.

It is also important to note our Total Recordable Injury Frequency Rate for FY16 was 4.11 – this is the total recordable injuries per million hours worked. This rate is well below the industry benchmarks we measure ourselves against and is a good achievement for the company.

The slight uplift in minerals revenue and significant increase in earnings was principally due to growing demand for our new technologies and increased activity – both greenfield and brownfield – particularly in the gold sector.

The stronger gold price and associated capital raisings by companies operating in the sector, bodes well for the early part of FY17.



The strong performance by our minerals business reflects our competitive advantages, which includes our leading technologies.

As was the case in previous cycles, we have continued to invest in strategic product development to provide the competitive edge I just mentioned. This investment in driller operated instrumentation, real-time data solutions and geoscience expertise throughout the industry downturn, complements our traditional product offering and provides us with a first mover advantage.

Our strategy for the growth of our minerals business is set out at the bottom of this slide. For the balance of FY17 we will continue to:

- Develop leading technologies and leverage our first mover advantage with cloud solutions, connectivity & geoscience expertise;
- Our established global network provides a competitive advantage and provides a platform to expand and diversify our global client base including resource companies, drillers and service companies; and
- Build a resilient business with sustainable earnings by becoming an integral part of our clients' operations – gaining additional exposure to production activities.

#### **<< Slide 12 – Minerals Revenue - Regions>>**

The graph on slide 12 shows that the Americas are now our largest region by revenue, generating 41% of minerals revenue. This is further evidence of growing our market share in that region.

Asia Pacific and Africa contributed strongly with 34% and 15% of revenue respectively, whilst Europe made up the balance of 10%.

The growth in markets outside Australia, demonstrate a successful strategy to expand into other regions with the aim to become the dominant products and service provider globally in our markets.





In that regard, AMC is the leading brand of drilling fluids for the global mining industry and REFLEX is the leading global provider of downhole instrumentation, data management and data analysis solutions to that industry.

Given these market leading positions, we are well placed to continue to grow our minerals business as the cycle recovers.

**<< Slide 13 – FY16 Minerals revenue by Quarter FY07 – FY16>>**

Slide 13 illustrates our minerals revenue by quarter from and including FY07. You can see the steady quarterly revenue growth to the peak in 4Q12. Given the wholesale industry restructuring that took place, expenditure fell away sharply as did our quarterly revenue numbers.

You can see, however, the potential commencement of a new upswing due to the increased activity in the gold sector. This increase is also supported by our REFLEX rental fleet on the next slide.

**<< Slide 14 – Minerals barometer>>**

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.

In FY16, the average number of instruments on rent was up 6% on FY15.

It is also pleasing to note that the number of instruments on rent has continued to increase, and at 31 July 2016, was the highest in three years with further increases forecast.

Our instruments are not commodity specific; however, the largest driver of rentals is activity in the gold and copper commodities.

Due to our successful product development programme through the cycle, a number of the newer technologies are also commanding higher rental rates than our traditional technologies.



### **<< Slide 15 – Oil & Gas Update & Strategy>>**

Moving now to oil and gas on slide 15.

During FY16 our Oil & Gas Division included AMC Oil & Gas and our 30.65% equity in VES.

The Division's revenue was down 34% to \$30.4 million when compared to FY15.

Market conditions reflected significantly reduced volume and pricing from the operators, and this difficult trading environment is expected to persist for the foreseeable future given the continued weakness in the oil price.

As mentioned earlier, we are divesting AMC Oil & Gas, which will eliminate the losses associated with this business. We are also committed to selling our remaining oil and gas assets and proceeds from these divestments will be applied to debt reduction.

As mentioned earlier, all costs associated with the divestment of our oil and gas assets are largely taken up at 30 June, 2016. This has been done to ensure no one-off oil and gas costs have a material impact on our FY17 minerals results.

### **<< Slide 16 – Leading Technologies>>**

### **<< Slide 17 – Industry Opportunities>>**

As has been the case for the last four years, resource companies are focused on cost cutting initiatives and increasing efficiencies.

The mining industry is lagging significantly behind other industries such as oil and gas and requires step-change productivity improvements to be competitive in a lower commodity price environment.

Companies can't exercise much control over commodity prices; however, they can control their costs.



We can assist them do this by providing end-to-end solutions across the full mining life cycle – currently, no other competitor has this capability and we have a first mover advantage.

As we know, the mining industry is traditionally a slow adopter; however, the implementation of new technologies is gaining momentum.

Proof of this is shown in the graphs on the right hand side of the slide. In the face of severely declining exploration/development expenditure, we have been able to stabilize and grow the number of instruments on active hire over the last two and a half years.

**<< Slide 18 – End-to end solutions, Differentiator>>**

Moving now to slide 18.

Our vision is to be the market leader in real-time subsurface intelligence solutions and REFLEX HUB is a key enabler in achieving this vision.

The wheel shown on slide 18 summarizes the key products and services within our minerals business marketed by leading brands AMC and REFLEX.

As I stated earlier, no other competitor can offer the suite of solutions we bring to the market.

As you can see, there is a diverse range of integrated technologies listed and we are advancing as a mining technology company as opposed to a mining services company.

Our current and future technologies are relevant in each phase of the mining cycle. This is a significant shift, whereby we are positioning the business to generate more revenue from the development and production phases of projects. That is, we want a more predictable and sustainable revenue stream.



### **<< Slide 19 – Diversified Client Base>>**

Slide 19 shows a sample of our clients.

Both the drilling contractors and resource companies are very important to us, however, there is a growing percentage of our revenue from resource companies as we assist them to reduce their costs and increase their efficiencies.

Resource companies and drilling contractors want more information faster so that they can drill and mine smarter and have more time to make the right decisions.

Our new technologies, when combined with our global presence and specialist skill set, are allowing us to provide these solutions to our clients.

We believe our strategy is right and we are confident of continuing to implement our technologies into many of the leading resource companies and drilling contractors and other mining service clients.

### **<< Slide 20 – Summary>>**

Turning to our summary on slide 20

Our minerals businesses performed well during the year, boosted by increased activity within the sector and demand for the efficiencies our technologies are delivering.

The performance of our minerals business in challenging market conditions supports our strategy of focusing on our minerals business and investing in technology development through the cycle to maintain our competitive advantage.

Accordingly, the divestment/closure of AMC Oil & Gas and largely bringing to account in FY16 all associated one-off costs is prudent.

We are committed to the sale of our remaining oil and gas assets and proceeds will be applied to debt reduction. Reducing our debt and borrowing costs also remains a priority.

During the balance of FY17 we will be focusing on the growth of our minerals business where we have strong industry economics and competitive advantages.



We have:

- Established global business in all the key mining areas of the world;
- Leading technologies and unique end-to-end solutions across all the mining phases from exploration to production;
- Dominant market share with our REFLEX and AMC brands;
- Long standing and high quality client relationships with major resource and drilling companies;
- Exposure to a diverse range of commodities, however, primarily gold and copper; and
- A first mover advantage in cloud solutions, connectivity & geoscience expertise ahead of our competition.

These strengths, together with the sustainable reductions to our cost base, place us in a strong position to benefit from improving conditions within the minerals sector.

The increased activity witnessed in 4Q16 has continued into early FY17.

That brings the formal part of our presentation to an end. I thank you for 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 top priority is to dispose of the oil & gas assets and we have largely brought to account at 30 June, 2016 all costs associated with that process.
- 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 in the Minerals business
- 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.