

# A leading global Mining-Tech company



8 February 2021

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

Dear Sir / Madam,

## **IMDEX 2021 Half Year Results Teleconference and Webcast**

Please find attached the script from today's 1H21 Results Teleconference and Webcast.

Yours faithfully

**Imdex Limited**

A handwritten signature in blue ink, appearing to read "P. Evans", is positioned below the company name.

**Paul Evans**  
Company Secretary

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

## **ABOUT IMDEX**

IMDEX is a leading global Mining-Tech company, which enables successful and cost-effective operations for drilling contractors and resource companies. The Company develops drilling optimisation products and cloud-connected sensors to provide real-time rock knowledge and quality data. Together they enhance decision making and sustainable operations across the mining value chain – from the drill rig to the core farm and processing plant. [www.imdexlimited.com](http://www.imdexlimited.com)

## **FURTHER INFORMATION**

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## **COVER**

### **Slide 2**

#### **We are a leading global Mining-Tech company**

Welcome everyone.

Joining me on the call today is Paul Evans, our Chief Financial Officer and Company Secretary.

It is our pleasure to provide an update on the first half of the 2021 financial year.

During this presentation we will focus on three key areas:

- Our financial and operational performance;
- Current market conditions and positive industry drivers; and finally
- How IMDEX is positioned as a growth company.

Many of you are familiar with our business, however like previous presentations, there is additional information in the appendices expanding on our Drilling Optimisation and Rock Knowledge offerings.

I would also like to draw your attention to the new Investor Relations section of our website, where you can find new resources and ways to engage with our business.

### **Slide 3**

#### **1H21 Financial Highlights**

Commencing on slide 3 with the financial highlights.

As announced in our release this morning, we are proud of the results for the half and our ability to outperform industry growth rates in all market conditions – most notably under the duress caused by COVID:

- We generated revenue of \$124.3m. This result was down 3% over the prior period, yet up 1.5% on a constant currency basis, highlighting the strong rebound in our underlying operations;
- EBITDA at \$33.1m is up 6% on 1H20 and 9% on a constant currency basis;
- Cash from operations was up 33% reflecting strong client collections;
- Our Directors declared a fully-franked interim dividend of 1.0 cps; and
- We maintained a robust balance sheet with a strong net cash position of \$47m – up 84% on the pcp.

### **Slide 4**

#### **1H21 Operational Highlights**

Turning to the operational highlights on slide 4:

- I am pleased to report ZERO recordable injuries during the half and an Improved Lost Time Injury Frequency Rate;
- Our team continued to navigate COVID with a heightened focus on employee safety and supply chain;

- To support the development of new technologies, particularly during the restrictions imposed by COVID, we signed a joint development agreement with a tier 1 mining company to advance our Drilling Optimisation technologies. A second JDA to accelerate our Rock Knowledge technologies is in its final stages. Such agreements will form part of our ongoing business model;
- We advanced our corporate sustainability program, including kicking off an ESG materiality assessment, which we will include in our full year report;
- The increasing demand for remote working solutions prioritized the upgrade of IMDEXHUB™ and ioGAS™ version 7.3 of our geochemistry software;
- We had a record number of gyro-related technologies on rent. Accordingly, we boosted gyro production capabilities by 33% and are on track to increase this to 100% by June; and finally
- We had a record December and January for instruments on rent, despite the unseasonably warm winter in Canada.

## Slide 5

### A Strong Core Business in All Market Conditions

Before handing over to Paul to cover the financials in more detail, I would like to call out some of the messages on slide 5.

IMDEX is strong and resilient. Our core business remained profitable during the GFC and past industry downturns. The current global pandemic has been no exception:

- Our goal is that we consistently outperform minerals industry growth rates;
- Our 4-year revenue CAGR of 10.7% can be benchmarked against the S&P 4-year exploration spend CAGR of 4.3%;
- Our year-on-year EBITDA margin expansion highlights our relentless focus on efficient operations and the improving quality of our product mix;
- Our global reach and product offering is unrivalled; and
- We have a highly capable and dedicated team. Its response to the pandemic and our changing client needs both, has been exceptional. On behalf of the Board and myself, I would like to acknowledge and thank every member of our team around the world.

Over to you now Paul.

## Slide 6

### 1H21 Financial Review

Thanks Paul.

## Slide 7

### Key Metrics

Paul has covered the highlights so I will focus on the notes on slide 7.

Reading through the headline performance, I would like to point out the EBITDA line excludes:

- The \$2.2m gain in 1H21 for the Flexidrill deferred consideration fair value adjustment; and
- The \$3.6m gain from the sale of Vaughn Energy Services in 1H20.

The \$2.2m adjustment is based on the regular assessment of the deferred consideration payable to the prior owners of Flexidrill. It updates for a number of elements, including forward revenue projections of the technologies, FX, IMDEX's share price, dividend projections and others.

The net profit and earnings per share lines include higher D&A charges. The depreciation charges largely relate to the purchase of assets to support increasing demand for gyro-related technologies; and the amortisation charge relating to our Flexidrill and AusSpec acquisitions.

I would also like to note, the number of fulltime employees at December 31 was down 3% on the prior corresponding period.

## **Slide 8**

### **Revenue by Region**

Moving now to slide 8.

While the 1H21 revenue result of \$124.3m was down 3% on 1H20 it was up 13% on 2H20.

Approximately 33% of our 1H21 revenue was generated in Asia Pacific, 41% in the Americas and the balance in Africa and Europe. These revenue splits are broadly in line with recent years.

COVID continued to disrupt operations during the half – particularly in South America, South Africa and parts of Asia – however it heightened the demand for our cloud-connected technologies, which support zero-entry operations and provide greater value.

Activity continued to recover in the majority of our other areas – particularly Canada, USA and West Africa – and is being boosted by strong industry fundamentals.

## **Slide 9**

### **EBITDA & EBITDA Margin %**

Moving now to EBITDA on slide 9:

- Our 1H21 result of \$33.1m was up 6% on 1H20, and 43% on 2H20;
- During the period we continued to benefit from:
  - Our growing percentage of rental and software revenue, which yields higher gross margins;
  - Our digital transformation and focus on streamlining our operations; and
  - Benefits from lower travel related costs and new ways of working. We do not anticipate the level of travel and associated costs to return to pre-COVID levels as restrictions ease.

## **Slide 10**

### **Strong Cash Generation From Operations**

Slide 10 shows the reconciliation from EBITDA and highlights our strong cash generation.

From the EBITDA result of \$33.1m, there was a net inflow of operating cash of \$33.2m. On a like-for-like basis, this represents an uplift of 33% on the pcg.

This uplift was achieved by a combination of strong EBITDA conversion, a focus on collections and lower tax outlays.

Historically we have achieved a working capital investment ratio of 30 to 35 cents for every dollar of incremental revenue.

## **Slide 11**

### **Balance Sheet**

Looking briefly now at our balance sheet at 31 December 2020.

Our strong cash generation was reflected in our net cash position, which was up 84% on the pcg.

The other balances I would like to call out include:

- Fixed assets, which includes lease assets of \$33.3m;
- Intangibles, which accounts for increased goodwill and IP from the acquisition of AusSpec and Flexidrill;
- Borrowings, which includes additional USD funds to manage our currency exposures; and
- Other. This balance accounts for lease liabilities of \$38.7m, together with the deferred consideration for the purchase of Flexidrill of \$12.9m and AusSpec of \$2.1m.

Importantly, we continued to invest in leading technologies and software to drive future growth. At 31 December 2020, our Return on Equity and Return on Capital Employed were 12.2% and 14.5% respectively.

Maintaining a robust balance sheet remains a priority. Our current net cash position of \$47m provides the capacity to accelerate targeted R&D and pursue opportunities for acquisitive growth.

## **Slide 12**

### **Sustainability – Key Focus Areas**

Before handing back to Paul, I would like to provide a brief update regarding our ESG program on slide 12.

We remain committed to enhancing our ESG related disclosure and delivering solutions that support the sustainability of our clients' operations.

Since our last update, our internal ESG Committee has finalised IMDEX's Sustainability Policy and Key Focus areas. All policies and documents supporting our ESG program can be found on our website.

During the half we engaged a global ESG advisory firm to assist with the materiality assessment. This study, together with our climate change gap analysis, will help inform our full year report in August.

I will now hand back to Paul to provide an update on current industry drivers and our strategy as a growth company.

## **Slide 13**

### **Market & Industry Update**

Thank you Paul.

## **Slide 14**

### **Our Market and the Impact of COVID-19**

The table on slide 14 shows the evolution of government mandated restrictions in response to COVID on the mining regions in which we operate.

As you can see, secondary outbreaks are resulting in renewed restrictions in some areas. Our clients are also experiencing temporary delays to the resumption of projects, due to site specific cases.

You will note at the bottom of the slide we have updated what we see are the key risks:

- Global COVID cases are rising, which may fatigue industry efforts to protect labour and supply chains;
- Corporate restrictions continue to limit access to sites, particularly non-essential personnel and discretionary projects; and
- Government policy continues to be fluid and impacting labour mobility.

While the opportunity ahead of us is exciting, we remain watchful and ready. Watchful of the current risks posed by COVID and ready to meet the increasing demand for mining-technologies. This confluence of risk and opportunities, is accelerating long-term structural change in the mining industry.

## **Slide 15**

### **Strong Commodity Prices and Regional Demand**

Moving now to slide 15.

The strength of commodity prices – particularly gold and copper – is being driven by increasing demand and the fundamental need to replace diminishing reserves. S&P's forward commodity price forecast, released on 4 February and representing a combined view of over 30 analysts, maintains copper and gold prices will continue to be above the 2020 averages for the next few years.

As you can see from the graph on the left, the significant uptick in the gold price is yet to be matched with increased spending.

This increase in demand across all commodities is expected to be consistent around the world.

Canada, being a region significant to IMDEX and mining both, is indicative of this underlying trend. It is currently benefiting from positive equity markets, positive budgets and is currently seeing a robust upturn in activity. As you can see from the graph on the right, the focus currently remains on late stage exploration and mine sites.

## **Slide 16**

### **Clients Are Well Funded With Increasing Budgets**

Looking now at slide 16.

The strong commodity prices and regional activity is being reflected in increased exploration budgets.

Bloomberg data shows the total value of equity raisings for the December January period are up 32% year-on-year. This uplift is heavily skewed towards January.

Looking back to May last year, equity raising volumes and values through to January are up ~128% and ~49% year-on-year respectively.

Similarly, S&P's October update forecasts double-digit growth year-on-year for exploration budgets this calendar year.

Notwithstanding the current increase in budgets, the graph on the right shows the industry is a long way off the 2012 peak.

The last thing I would like to highlight is the note towards the bottom of the slide. While the prospects are positive, the delivery of intended exploration budgets may be constrained in the short-term by capital investment in rigs and access to labour by drillers.

## **Slide 17**

### **Positive Long-Term Outlook for Mining-Tech**

Slide 17 includes several industry quotes around the long-term outlook for mining-tech.

- Mining is seen as essential to the global economic recovery;
- The minerals industry is embracing technologies to enable safer, more efficient and more sustainable operations; and
- Decarbonisation targets are driving investment in future forward metals such as aluminium, cobalt, copper, nickel and lithium.

IMDEX is extremely well-positioned to benefit.

## **Slide 18**

### **A Growth Company**

## **Slide 19**

### **How We Provide Real-Time Rock Knowledge and Quality Data**

So how are we positioned to benefits? Slides 19 and 20 provide a recap of our product offering and business model.

The key to delivering value to clients is to provide quality data in real-time.

We develop and offer solutions in three broad integrated groups:

- First, Drilling Optimisation Products that reduce the cost of drilling, enhance safety and are critical drivers in improving exploration success – particularly with deeper drilling;
- Second, best-in-class Rock Knowledge Sensors, that deliver quality data across the four components of rock knowledge – location, grade, texture and mineralogy; and
- Third, cloud-based Software & Services to aggregate, store and distribute data, to where it needs to be anywhere in the world, with a secure chain of custody.

We help drilling contractors and resource companies both. We help them drill faster and smarter. We help them understand their ore bodies in real-time. And we do this right throughout the mining value chain.

## **Slide 20**

### **Maturing a Stronger Business Profile**

Slide 20 shows the evolution of our revenue profile. I would like to draw your attention to three key points:

- Our recurring rental and SAAS revenue has been increasing and importantly, delivering higher margins. We expect this trend to continue as we execute our growth strategy;
- Currently, our revenue largely comes from exploration and development, although we are increasing our presence in the mining and production stage. Again we expect this trend to continue; and finally
- Our commodity exposure is representative of exploration expenditure globally. Our product offering is largely commodity agnostic.

## **Slide 21**

### **A Compelling Growth Strategy**

Moving now to our strategy on slide 21.

Although our business has been impacted by COVID and we responded to meet clients immediate needs, our underlying strategy remains unchanged. We continue to prioritise technical leadership and embedding real value in our clients operations.

We have an opportunity to leverage our core competencies, global footprint and expand into the mining and production market. We will deliver that. Importantly, mining and production is a much larger total addressable market and is less-cyclical.

Our growth opportunities come from three key areas:

- Disciplined R&D;
- Technology acquisitions that are on-strategy; and
- Collaboration with partners such as the joint development agreements we have recently announced, which help us deliver real value to the industry.



At all times, we maintain our focus on streamlining operations – or as we refer to it internally, being ‘match-fit’. It includes our cost discipline, new efficient ways of working and our ethical business practices.

## **Slide 22**

### **How We Are Growing Our Core Business**

Looking now at slide 22 and how we are growing our core business. Again I would like to highlight two things

- First, at 31 December the number of IMDEXHUB connected technologies had increased by 80% on the prior period reflecting the uptake of HUB; and
- Second, the case studies on the right. In both projects, we engage with the resource company and the driller to optimise the solution for their ore body. In both projects we have been able to increase the value delivered, and the revenue that IMDEX can earn. These examples are illustrative of the growth we can achieve in the bottom left of the previous slide’s strategy quadrant alone.

## **Slide 23**

### **Summary & Outlook**

## **Slide 24**

### **Positioned to Deliver Attractive Returns**

Before concluding with the outlook, I would like to highlight how we are positioned as a growth company.

- We have a resilient core business that is outperforming minerals market growth;
- We have the capacity to build new technologies, acquire new technologies and collaborate with other players in the industry; and
- The industry fundamentals are positive and are being further strengthened by the trend towards decarbonisation.

We are in a strong position to leverage these robust industry fundamentals and the unique competitive position our financial platform, global presence and leading technology suite.

## **Slide 25**

### **Outlook for FY21**

Finally, some commentary on the outlook for FY21.

The long-term outlook for Mining-Tech is stronger than it has ever been. This is underpinned by strong industry fundamentals, together with demand for real-time data and technologies that enable safe and efficient operations.

For the balance of FY21, we remain watchful and ready to respond to risks presented by COVID. Equally, we are in a strong position to leverage opportunities as they arise.

2H21 commenced with a record number of instruments on rent for January and demand remains strong. Our business is in excellent shape to drive long-term sustainable growth for shareholders.

That concludes the formal presentation and I would like to hand over to our moderator for questions.

### **Closing Comments**

The industry outlook despite COVID remains positive. IMDEX is well-positioned financially, operationally and technically to meet this growing demand and outperform the market and continue to deliver for shareholders.

Many thanks for listening in to this call and we look forward to speaking with many of you during the course of this week.