



# Swick Mining Services Ltd

FY17 Investor Presentation

13<sup>th</sup> September 2017

**ASX: SWK**

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

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Unless otherwise stated all the currency disclosures in this presentation are Australian Dollars.

Information included in this presentation is dated 12 September 2017.

# Company Overview – FY 2017

- Top five global mineral drilling provider operating in Australia, US , Canada and Europe
- In excess of 1,100,000 metres drilled globally by market leading Underground Diamond division
- FY17 results - \$130.0m revenue (including other income), 9.3% EBITDA, NPAT loss of \$4.6m
- Roll-out of technology upgrades ongoing on underground fleet
- Swick focused on ensuring a return to strong profitability via continued operational improvements and innovation



# Corporate Snapshot

## Corporate Structure

- ASX: SWK - Listed Nov 2006
- Shares outstanding: 231.5m
- Share Price 01 Sep 17: \$0.30
- Market Cap 01 Sep 17: \$69.4m

## Board and Executive Management

- Andrew Simpson - NEC
- Kent Swick - MD
- Phil Lockyer - NED
- David Nixon - NED
- Ian McCubbing – NED
- Jitu Bhudia– CFO

## Substantial shareholders\*

- Kent Swick (14.3%)
- Hercules Int. Pty Ltd (12.6%)
- IOOF Holdings Ltd (10.2%)
- Vanshap Capital LLC (9.4%)
- Rosanne Swick (6.0%)

\*As at 14<sup>th</sup> August 2017

## Share price relative to ASX and Global peers Aug 2016 to current SWK is up 23% YOY



ASX listed peers include Mitchell Services, Boart Longyear

# Division Overview



Drilling: Underground Delineation  
 Rig Type: Swick Mobile Drill  
 Sectors: Gold, Base Metals  
 Sites: Operating Mines  
 Advantage: Reliability, Productivity, Safety, Total Value  
 Range: + 1,500m  
 Fast Fact: World's leading drill rig  
 Fleet Size: 68 Rigs (57 Asia Pacific & 11 International).  
 FY17 Revenue: \$118.3 million



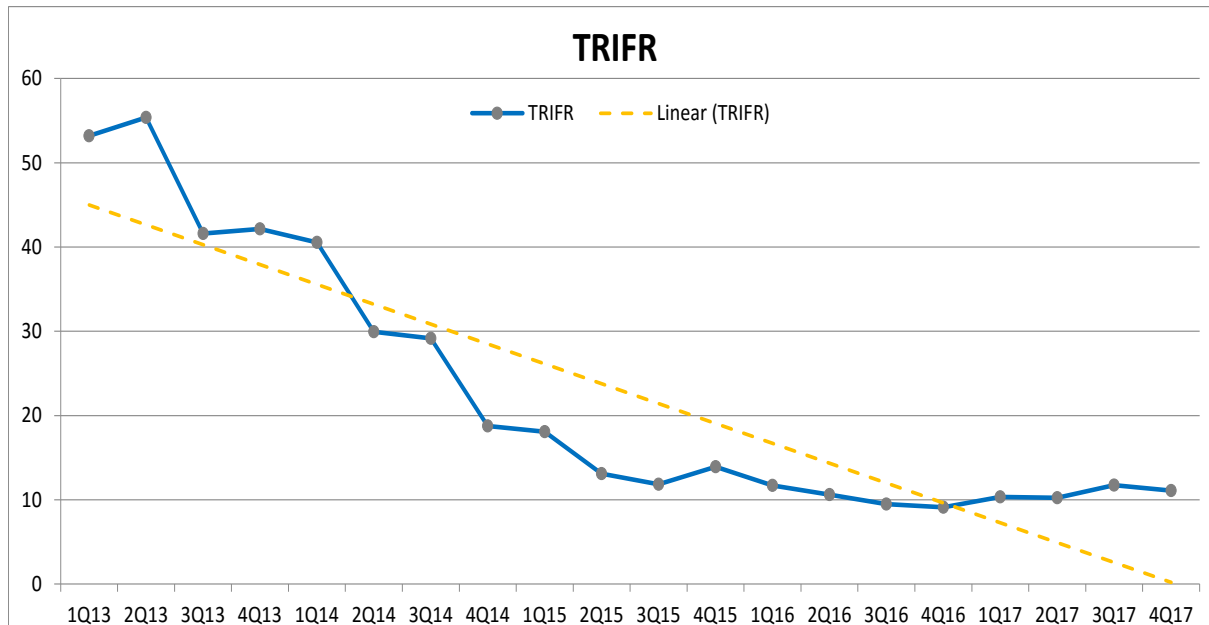
Drilling: Reserve Definition & Expl.  
 Rig Types: Swick RC Drills  
 Sectors: Base Metals, Bulks, Gold  
 Sites: Brownfield & Greenfield  
 Advantage: High Air Power, Deep Hole Capacity  
 Range: + 400m  
 Fast Fact: Award Winning Rig Design  
 Fleet Size: 7 Rigs  
 (6 Swick & 1 tracked Schramm)  
 FY17 Revenue: \$7.4 million



Mineral Technology: Orexplore

- Base Metal Product now available
- Geochemistry to 100ppm in 10 minutes per metre
- Large volume analysis – kg's vs grams
- 3D Visualization of inside the core
- Structure, Mineralogy and Lithology
- Intuitive software, cloud based virtual; core farm capability
- Gold detector(<0.5ppm) in development, expected release FY19
- Commercial launch of base metal product in FY18

# Safety in FY 2017 – Towards Zero Harm



- Safety improvements over the last four years now stabilised with TRIFR of 11.1 at year end
- Commissioned a purpose built testing, training and induction facility
- 100% implementation of IPAD technology with HSE tools and training videos
- Continued investment in Project Implementation and Technical trainers (PITT)
- Focus now on early intervention and biomechanical studies

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# Financial Performance

## Profit & Loss - Group

A\$ million	FY17	FY16	% change
Revenue and other income	130.0	124.9	4%
EBITDA	12.1	14.8	(18%)
<i>EBITDA margin</i>	9.3%	11.8%	(250 bps)
Reported EBIT	(3.6)	(1.1)	(235%)
EBIT before significant items	(3.6)	(0.4)	(766%)
<i>EBIT margin</i>	(2.8%)	(0.3%)	(250 bps)
<b>Reported NPAT</b>	<b>(4.6)</b>	<b>(2.8)</b>	<b>(63%)</b>
NPAT before significant items	(3.3)	(1.3)	(148%)

Note: Totals may not add due to rounding

Note: Refer to Slide 18 for details of Significant Items

# Financial Performance

## Profit & Loss – Drilling Segment:

A\$ million	FY17	FY16	% change
Revenue and other income	129.9	124.7	4%
EBITDA	13.4	15.2	(12%)
<i>EBITDA margin</i>	10.3%	12.2%	(190 bps)

- FY17 margins impacted by increased rig mobilisations in 2H17 and client driven standby event at Newmont Tanami for which no income has been received as yet (currently in dispute) for a total of 672 rig shifts.

## Profit & Loss – Mineral Technology Segment:

A\$ million	FY17	FY16	% change
Revenue and other income	0.1	0.2	(50%)
EBITDA	(1.3)	(0.4)	(225%)



# Financial Performance

## Balance Sheet

A\$ million	FY17	FY16
Cash	8.8	4.7
Receivables	16.7	19.1
Inventories	15.1	13.0
Property, plant and equipment	77.8	77.6
Other assets	16.1	14.7
<b>Total assets</b>	<b>134.5</b>	<b>129.1</b>
Payables	19.3	14.6
Borrowings	26.0	20.1
Employee obligations	5.4	6.4
<b>Total liabilities</b>	<b>50.8</b>	<b>41.1</b>
<b>Shareholders' equity</b>	<b>83.7</b>	<b>88.0</b>

- Strong balance sheet provides flexibility and liquidity.
- Increase in debt to fund increased capital and working capital spend due to increase in rig utilisation.
- Gearing (Net Debt/Equity) increased from 17.5% to 20.5%.
- 1.3 million SWK shares bought back at an average price of 22.0c.
- Net tangible asset (NTA) per share decreased from 36.7c to 30.9c.

Note: Totals may not add due to rounding

# Financial Performance

## Cash Flow

A\$ million	FY17	FY16	% change
EBITDA	12.1	14.8	(18%)
Working capital improvement	3.4	3.0	13%
<b>Operating cash flow before interest and tax</b>	<b>15.5</b>	<b>17.8</b>	<b>(13%)</b>
<i>EBITDA cash conversion</i>	<i>128.6%</i>	<i>120.5%</i>	<i>810 bps</i>
Tax refund	1.7	1.9	(11%)
Net interest paid	(1.0)	(1.2)	(17%)
<b>Operating cash flow after interest and tax</b>	<b>16.3</b>	<b>18.5</b>	<b>(12%)</b>
Cash used in investing activities	(17.9)	(13.8)	30%
Cash from/(used in servicing) debt	5.9	(4.9)	220%
Cash from/(used in servicing) equity	0.0	(0.8)	100%
<b>Net cash flow</b>	<b>4.2</b>	<b>(1.1)</b>	<b>482%</b>

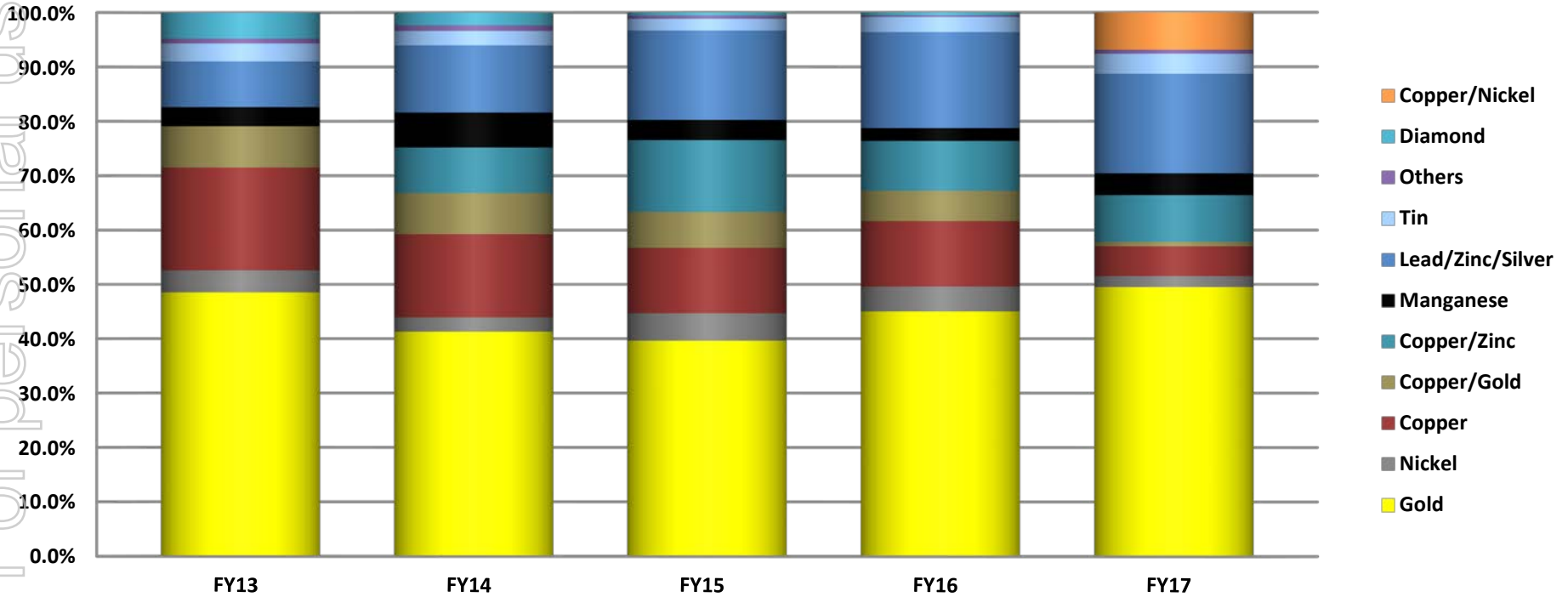
Note: Totals may not add due to rounding

# What Drives Swick as a Company

- Market Share of Australian Underground Coring
  - Current market leader in Australia with significant upside potential
- Market Leading Status in Underground Coring - Globally
  - Operational Performance unmatched – Safety, Productivity, Quality, Reliability
  - Competitive Advantage continues to widen – technology, power, automation
- Establishing new product offering in USA
  - Developing underground RC capability to be interchangeable with UD feed rails on same rig (Multi Purpose)
  - Established in Nevada with opportunities in a world class mining district
- Strategic Objective – Efficiency – More metres, less manning
  - Metres per man-hour increasing, metres per shift increasing, costs per shift decreasing
- Rates – appetite for production over costs
  - Current sentiment is changing from lower costs to increased production, mining is becoming relevant to the market again
  - Swick is the most productive, professional and reliable of all underground coring contractors – plays to our strengths
- Disruptive Technology – Orexplore Mineral Analysis
  - Potential to disrupt mineral analysis technology and benefit every operating mine globally

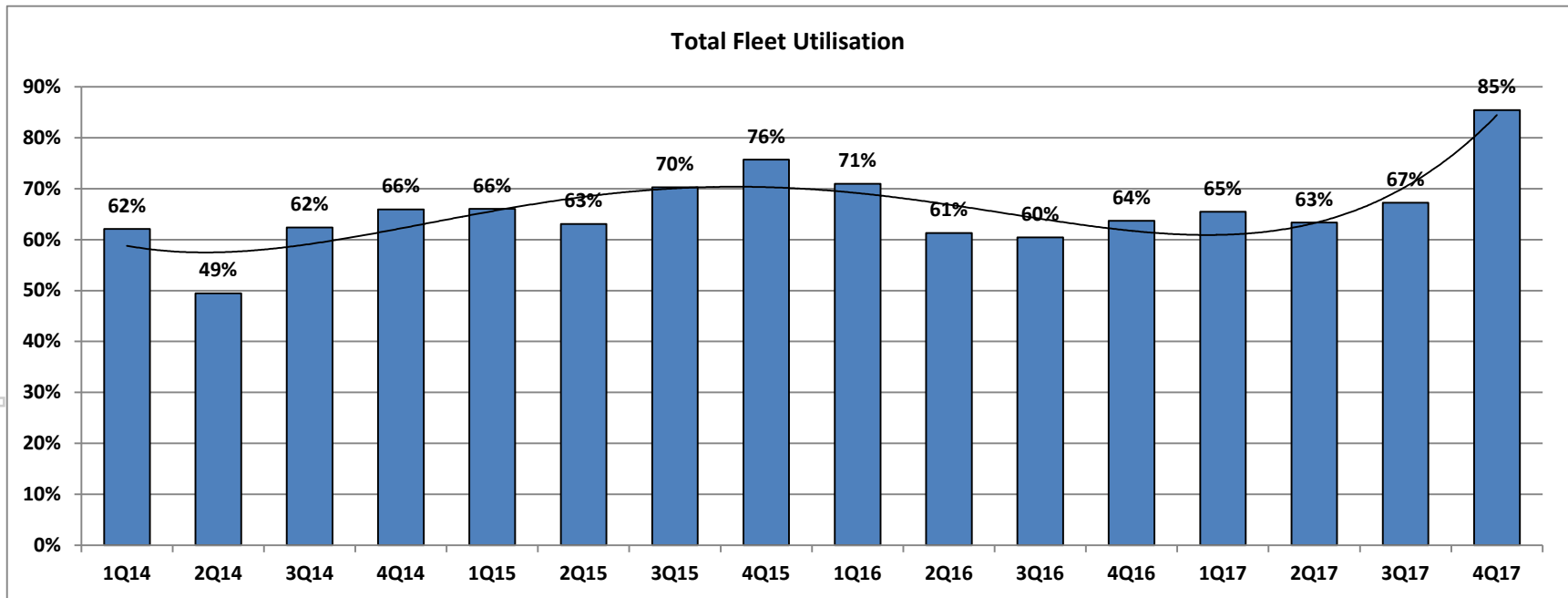
# Commodity Split – 5yr Trend

## Revenue by Commodity



# Fleet Utilisation

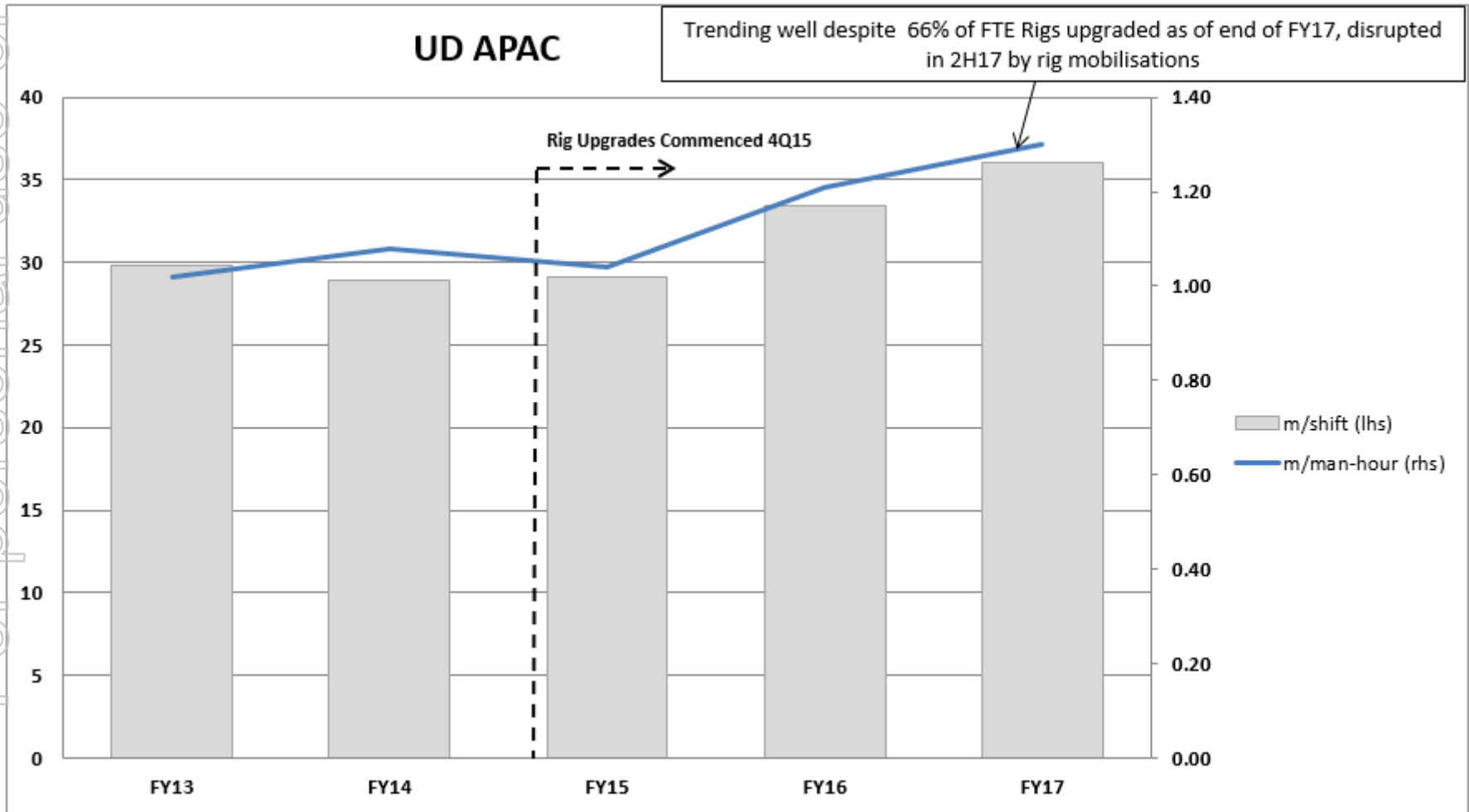
- Total Fleet Utilisation increased with commencements at Kirkland Lake Gold sites and increased rig demand from existing clients. UD Fleet Utilisation for 4Q17 of 89%.
- In July 2017 (post FY17) five UD rigs demobilized from Golden Grove which will provide additional opportunity at better margins.



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# UD APAC Productivity

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# Disruptive Technology– Orexlore AB

*“Orexlore technology is a potential game changer in exploration, allowing Swick to re-position itself as a mineral information provider”* Kent Swick – Swick Mining Services 2013

- Orexlore AB was a start up technology firm designing state of the art mineral analysis technology
- In 2013 Swick signed a share purchase agreement with Orexlore AB, commenced funding R&D
- In 2017 Swick executed a 100% buyout of Orexlore AB
- Commercialisation commencing in Australia FY18
- Lab based trials with major mining houses underway



**OREXPLORE**

## *Unique Patented Technology*

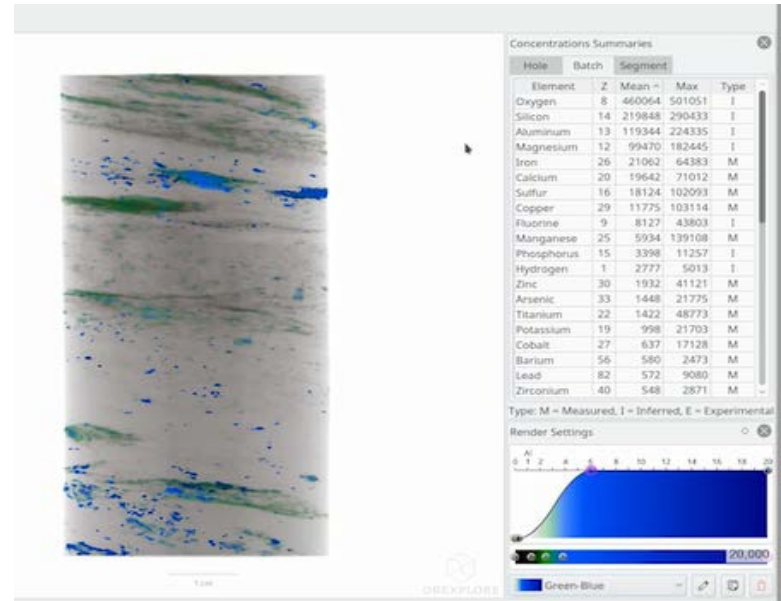
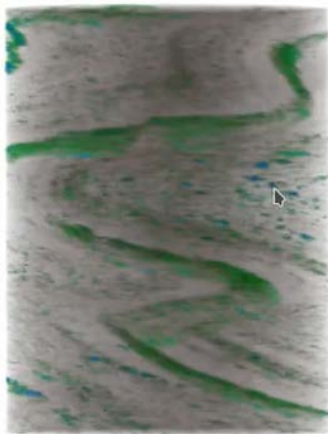
*Provides detailed insight into*  
*Geochemistry*  
*Tomographic Imaging (CT)*  
*Structure*  
*Lithology*  
*Mineralogy*  
*Rock Density*



# Disruptive Technology – Orexplore

## ***Increased knowledge and decreased risk in resource development***

- World First, unique mineral scanning technology – non-destructive, immediate, on-site
- Significantly reduced sampling error- analyse kilograms rather than grams of material
- 3D structural information using CT (computerised tomography, sees through the core)
- Easy to use, intuitive software program providing a whole suite of mineral information
- Allows clients to create and access their virtual core farm on demand via the cloud
- Allows definition of ore boundaries to within 1cm





# Potential for Shareholders

- Swick is a brownfield, operating mine supplier – limited downside to volume even in commodity price downturns
- Large footprint of clients and sites (19) – heavily exposed to drilling budget rebounds
- Technical leader in the space – automation, telemetry, safety and lower manning levels
- Well managed through the worst mineral drilling downturn in living history
- Strong Balance Sheet – cash generation and debt reduction through down cycle (net debt \$17m)
- Culture of innovation and desire to move up the value chain to being a mineral information provider
- High potential from Orexplore mineral assay technology to materially benefit holders in medium term
- FY18 mix of drilling income and rig utilisation rates will lead to increased profitability and cashflow

# Significant Items

## Reconciliation of Underlying and Reported IFRS results

A\$ million	FY17			FY16		
	Before Tax	Tax	After Tax	Before Tax	Tax	After Tax
Significant Items						
Impairment of assets	-	-	-	0.7	(0.1)	0.5
De-recognition of deferred tax assets	-	1.3	1.3	-	0.9	0.9
<b>Significant items impacting EBIT &amp; NPAT</b>	<b>-</b>	<b>1.3</b>	<b>1.3</b>	<b>0.7</b>	<b>0.8</b>	<b>1.5</b>

Note: Totals may not add due to rounding

Thank You

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