

## ASX ANNOUNCEMENT (ASX:BLY)

25 February 2022

### **BOART LONGYEAR ANNOUNCES STRONG FULL YEAR 2021 RESULTS, REVENUE UP 40% AND ADJUSTED EBITDA UP 87%**

Boart Longyear Group Ltd (ASX:BLY) (the Company or Boart Longyear), the world's leading provider of drilling services, an expert in providing valuable orebody knowledge, and a pioneer in innovative drilling equipment and performance tooling, announces results for the full year ended 31 December 2021. All results are referenced in US dollars.

#### Highlights

- **Exceptional safety performance for 2021 with second lowest LTIR<sup>1</sup> of 0.06 in the company's history and TCIR<sup>1</sup> of 1.31, which is the lowest in six years**
- **Revenue increased 40% over 2020 driven by an increase in Products of 53% and Drilling Services growth of 35%**
- **Adjusted EBITDA<sup>2</sup> increased 87% over 2020 driven primarily by volume growth, competitive pricing strategies, and Drilling Services productivity efficiencies**
- **Revenue from GDS products TruCore and TruShot grew 85% over 2020 while sales of TruScan increased by more than 100%**
- **Net debt decreased 81% over 2020 to \$164 million following the successful recapitalisation resulting in a net debt leverage of 0.9x, excluding capital leases**

Jeff Olsen, Boart Longyear's Chief Executive Officer, commenting on the Company's results said, "I am extremely proud of what our employees delivered in 2021, including navigating the impact of a global pandemic. During the year, we were able to grow all parts of our business as the mining sector copes with supply constraints and invests in exploration to expand reserves to historic levels. We also invested \$58 million in equipment and facility upgrades and right sized our balance sheet through a successful recapitalisation. Drilling Services and Products benefitted from both volume and price growth, while GDS continues to expand its industry-leading products for digitised drilling, which we see as the future of the industry. Like many companies, we are actively working around supply chain constraints and increased our working capital investment in the second half of 2021 to meet customer commitments.

"I was also pleased to see our team advance our ESG programme during 2021. We plan on issuing our first ESG report in April, which is a significant step for Boart Longyear and further indication of our commitment to sustainability.

"Looking to 2022, all indications point to the mining sector continuing to invest in exploration and development and we expect our business to continue to benefit and grow. As a result, we see opportunities for significant revenue and EBITDA expansion during 2022. Volume growth, price

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<sup>1</sup> See page 4 of this press release for footnote descriptions

<sup>2</sup> See page 4 of this press release for footnote descriptions

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changes, and an accelerated GDS roll out are part of our operational plan to build on the successes of 2021 and deliver more strong results.”

## COMPARATIVE RESULTS

(\$ in millions)	Consolidated Results					
	Full Year Ended			Three Months Ended		
	31-Dec-21	31-Dec-20	% Change	31-Dec-21	31-Dec-20	% Change
<b>Total Company</b>						
Revenue	921	657	40%	238	176	35%
Statutory EBITDA	84	40	110%	(5)	7	(171%)
Adjusted EBITDA <sup>2</sup>	112	60	87%	19	15	27%
Statutory Net Profit / (Loss) After Tax	(57)	(99)	42%	(18)	(25)	28%
Net Cash Generated / (Used) in Operating Activities	3	49	(94%)	(11)	69	(116%)
Net Debt	164	855	(81%)			

	Divisional Results					
	Full Year Ended			Three Months Ended		
	31-Dec-21	31-Dec-20	% Change	31-Dec-21	31-Dec-20	% Change
<b>Global Drilling Services</b>						
Revenue	615	456	35%	155	121	28%
Statutory EBITDA	94	50	88%	20	11	82%
Average Number of Operating Drill Rigs	311	252	23%	316	268	18%
Average Number of Drill Rigs	647	683	(5%)	654	664	(2%)
Average Rig Utilisation	48%	37%	30%	48%	40%	20%
<b>Global Products</b>						
Revenue	307	201	53%	83	55	51%
Statutory EBITDA	62	25	148%	11	6	83%
Average Backlog	66	33	100%	70	38	84%

## RESULTS COMMENTARY

Revenues of \$921 million for 2021 increased 40% compared to the prior year, reflecting the strong global exploration and development fundamentals of the mining industry. By the fourth quarter of 2021, Drilling Services was experiencing volumes approaching levels last seen in 2013. Strong market demand in Global Products resulted in a healthy average backlog of \$66 million and a book-to-bill ratio above 1.1 globally. Price increases were implemented during 2021 to counteract inflation and wage pressure. The impacts of COVID-19 on a global scale have decreased; however, in some regions, risks of operational interruptions remain.

Adjusted EBITDA<sup>2</sup> of \$112 million increased 87% over 2020, largely driven by increasing demand for the Company's products and services as well as productivity efficiencies in Drilling Services.

Cash generated from operations of \$3 million for 2021 decreased compared to 2020. This decrease was driven by a strategic inventory investment to manage customer commitments and navigate supply chain challenges.

With respect to normalized pre-COVID-19 operations, 2021 should also be evaluated with 2019 to better understand business performance before the impact of the pandemic. Revenue for 2021 increased 24% over 2019 revenue of \$745 million while 2021 adjusted EBITDA<sup>2</sup> grew 29% over 2019 adjusted EBITDA<sup>2</sup> of \$87 million.

<sup>2</sup> See page 4 of this press release for footnote descriptions



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On 24 September 2021, Boart Longyear implemented a recapitalisation that reduced the Company's net debt by 81%, strengthened its balance sheet, lowered interest expense, and enhanced the liquidity of the Company to support operations and future growth. On 31 December 2021, liquidity was \$47 million comprised of cash balances totalling \$26 million and a further \$21 million available under the Company's asset-backed loan facility. In conjunction with the recapitalisation, the Company also implemented a re-domiciliation to Canada that was effective on 5 October 2021.

Like many companies, Boart Longyear has seen an unprecedented impact on its supply chain driven by:

- Growing demand for the Company's products and services;
- COVID-19-related labour shortages across key suppliers and the organisation's manufacturing group; and
- Constraints on available global shipping capacity.

Boart Longyear is actively working around supply chain constraints and took measures early in the second half of 2021 to secure capacity that should enable the Company to continue meeting customer commitments. The steps taken saw an increased investment in working capital, which was secured by the increase in the Company's ABL facility as announced on 12 January 2022. Boart Longyear continues to monitor the ongoing impacts and based on current near-term visibility does not anticipate significant improvement.

Given the current economic and geopolitical environment, the Company could be impacted by risks related to raw material inflation costs, potential interest rate increases, and implications of the Russian-Ukrainian conflict.

## **GLOBAL MINING AND EXPLORATION UPDATE**

The outlook for the mining and exploration industries reflects current commodity pricing trends and increased investment into the sector after a decade of underinvestment. Recent market commentary suggests that the industry has now entered a significantly improved commodity cycle driven by a recovery from the COVID-19 pandemic, government stimulus initiatives, and the anticipated impacts of economic growth and environmental policies on demand and supply for metals.

Mining firms have underinvested in finding and developing new resources in recent years. Recent investments in exploration activities have focused on extending existing assets and improving reserves and resources to meet future demand.

According to S&P Global Market Intelligence, 2021 global exploration budgets increased 35% to \$11 billion compared to 2020, the highest level since 2013, driven by strong metal prices and robust financings.

Aggregate metals and mining fundraising during 2021 increased 78% over 2020 to more than \$21 billion. Financings for base and other metals during 2021 totalled nearly \$8 billion, more than double the amount raised in 2020. The number of metals and mining IPOs on the Australian Stock Exchange reached its highest level in over two decades in 2021.



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Over the long term, gold has accounted for approximately 40-50% of global exploration activities with copper making up approximately 20-30% of the remaining base metal commodities. Historically, both copper and gold prices have held a strong correlation to exploration spend levels, and both commodities have seen a run up in price. For example, gold miners have seen a reduction in average mine life from highs of 20 years in 2011 to approximately ten years in many reports, indicating a serious reserve crisis is in front of the sector. The base metals sector, in which copper is a dominant indicator, has analysts predicting insufficient supply over the next five years, even when factoring in the current project pipelines. Electrification and green technologies will increasingly consume more copper, thereby contributing to supply shortages.

## STATEMENT COVERING COVID-19

Boart Longyear holds the health and safety of our employees and surrounding communities as a top priority. The Company has implemented measures required to protect the health and wellbeing of employees while ensuring ongoing operational sustainability. The Company is in constant communication with customers and employees to fine tune these plans to prevent the transmission of COVID-19. We continue to monitor information released by the World Health Organisation and governments where we operate and adjust our operating procedures to ensure we comply with government guidelines.

While the Company believes the worst of the impacts of COVID-19 on the business have been felt, there remains a level of uncertainty as populations around the world continue to navigate through this pandemic.

## FOOTNOTE DESCRIPTIONS

1. Lost Time Incident Rate (LTIR): A standard metric that calculates the number of incidents that result in time away from work. It is per 200,000 work hours.

Total Case Incident Rate (TCIR): A standard metric that calculates the number of recordable incidents. It is per 200,000 work hours.

The use of 200,000 work hours represents 100 employees working 40 hours a week for 50 weeks during a calendar year.

2. Adjusted EBITDA is 'Earnings before interest, tax, depreciation, and amortisation and before major restructuring initiatives, impairments of assets, and other significant and non-recurring transactions outside the ordinary course of business.'

### Authorised for lodgement by:

Jeffrey Olsen, President and Chief Executive Office

### Disclaimer

*This announcement contains certain forward-looking statements. The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking*



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*statements. Due care and attention has been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the Company's control and may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.*

### About Boart Longyear

Established in 1890, Boart Longyear is in its 132nd year as the world's leading provider of drilling services, orebody-data-collection technology, and innovative, safe and productivity-driven drilling equipment. With its main focus in mining and exploration activities spanning a wide range of commodities, including copper, gold, nickel, zinc, uranium, and other metals and minerals, the company also holds a substantial presence in the energy, oil sands exploration, and environmental sectors.

The Global Drilling Services division operates for a diverse mining customer base with drilling methods including diamond coring exploration, reverse circulation, large diameter rotary, mine dewatering, water supply drilling, pump services, production, and sonic drilling services.

The Geological Data Services division utilises innovative scanning technology and down-hole instrumentation tools to capture detailed geological data from drilled core and chip samples. This valuable orebody knowledge gives mining companies the ability to make timely decisions for more efficient exploration activities.

The Global Products division offers sophisticated research and development and holds hundreds of patented designs to manufacture, market, and service reliable drill rigs, innovative drill string products, rugged performance tooling, durable drilling consumables, and quality parts for customers worldwide.

Boart Longyear is headquartered in Salt Lake City, Utah, USA, and listed on the Australian Securities Exchange in Sydney, Australia (ASX:BLY). More information about Boart Longyear can be found at [www.boartlongyear.com](http://www.boartlongyear.com). To get Boart Longyear news direct, follow us on [Twitter](#), [LinkedIn](#) and [Facebook](#).

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