

1H 2016 Results
August 2016
Marcus Randolph – Executive Chairman



## **Important Notice and Disclaimer**



- This presentation has been prepared by Boart Longyear Limited, ABN 49 123 052 728 (**Boart Longyear** or the **Company**). It contains general information about the Company's activities as at the date of the presentation. It is information given in summary form and does not purport to be complete. The distribution of this presentation in jurisdictions outside Australia may be restricted by law, and you should observe any such restrictions.
- This presentation is not, and nothing in it should be construed as, an offer, invitation or recommendation in respect of securities, or an offer, invitation or recommendation to sell, or a solicitation of an offer to buy, securities in any jurisdiction. Neither this document nor anything in it shall form the basis of any contract or commitment. This presentation is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any investor. All investors should consider such factors in consultation with a professional advisor of their choosing when deciding if an investment is appropriate.
- The Company has prepared this presentation based on information available to it, including information derived from public sources that have not been independently verified. No representation or warranty, express or implied, is provided in relation to the fairness, accuracy, correctness, completeness or reliability of the information, opinions or conclusions expressed herein.
- This presentation includes forward-looking statements within the meaning of securities laws. Any forward-looking statements involve known and unknown risks and uncertainties, many of which are outside the control of the Company and its representatives. Forward-looking statements may also be based on estimates and assumptions with respect to future business decisions, which are subject to change. Any statements, assumptions, opinions or conclusions as to future matters may prove to be incorrect, and actual results, performance or achievement may vary materially from any projections and forward-looking statements.
- Due care and attention should be undertaken when considering and analysing the financial performance of the Company.
- All references to dollars are to United States currency unless otherwise stated, and financial results presented are not audited.

Footnotes referred to throughout presentation are described on slide 27



## **1H 2016 Summary**

(Results compared to 1H 2015, except as otherwise indicated)



#### Safety<sup>1</sup>

- o Lost time incident rate (LTIR) at 0.12 33% improvement over FY 2015 reflects success at mitigating significant risks
- o Moderate increase in total case incident rate (TCIR) still among the lowest in the industry at 1.39
- o No fatalities; three lost time incidents YTD

#### Adjusted EBITDA

- o Up \$12M despite a \$77M (20%) drop in revenue
- Adjusted COGS down \$82M (23%); adjusted SG&A down \$8M (12%)

#### Cash from Operating Activities

- o Used \$12M less cash despite revenue decline (\$73M used in 1H 2016 vs. \$85M used in 1H 2015)
- o Results are typically seasonal cash burn in first half, cash generation in second half

#### Productivity

o ~20% improvement in drill meters per shift and meters per hour; reduction in non-billable time

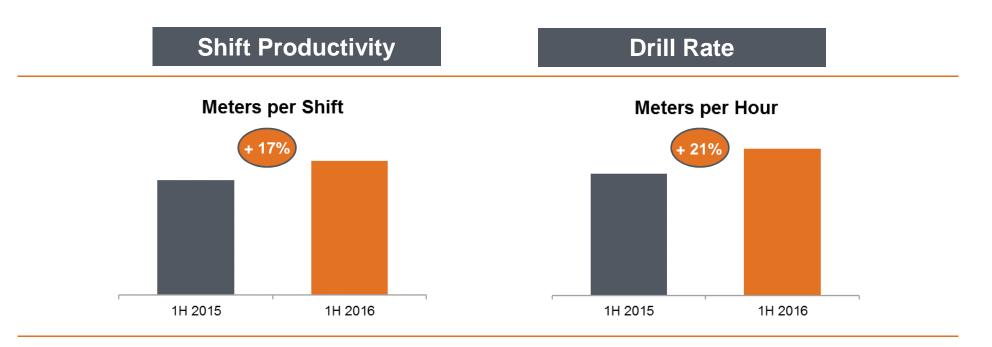
#### Business Environment

- o Gold up ~25% YTD Gold represented ~57% of Drilling Services revenue in 1H 2016
- o Equity raisings by junior miners at strongest levels since 2012



## **Drilling Services Productivity Initiative Update**





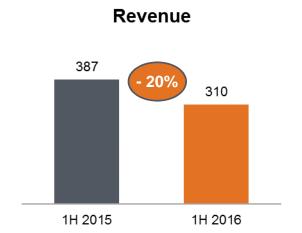
- Tracking key metrics daily
- Results reported and highly visible throughout company
- Coaching and performance management for underperformers

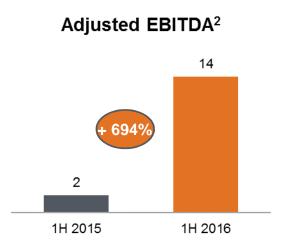
Productivity initiative driving measureable improvements with customers

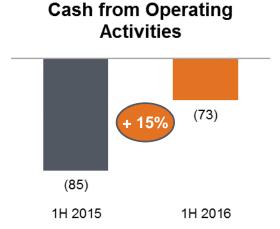


# Productivity & cost controls are improving results









Significant improvement in EBITDA and cash despite revenue decline



# Becoming a data provider, not just a driller

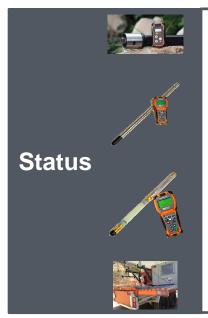


## **Today**

- Data acquisition done by third parties at our rigs
- Assay done off-site
- Slow, costly and not user-friendly for our customers

#### **Future**

- Core orientation, core logging, survey and assay all done by our crews at the rig
- Direct data feed into customer databases
- Instantaneous, low-cost and user-friendly



- TruCore™ (Core Orientation) Successfully launched in 2015
- TruShot<sup>TM</sup> (Down-hole Survey) Rolling out soon in Australia
- TruProbe™ (Down-hole Geophysics) Field testing and working well
- TruScan™ (On-site Assay) Field testing and working well



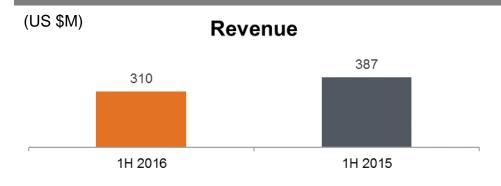


Financial Overview Jeff Olsen – CEO

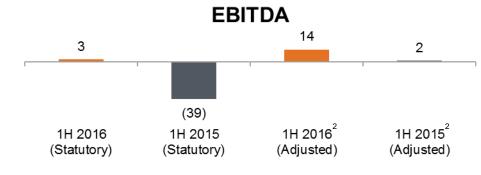


# **Consolidated Results Summary: 1H 2016**



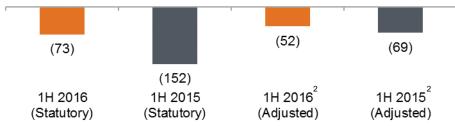


- Revenue down \$77M, driven by volume and FX
- · Price down slightly
- Demand relatively stable in underground and production drilling applications
- Increase in requests for proposals



- Adjusted EBITDA up \$12M, driven by cost control and increased productivity
- Adjusted COGS down \$82M; adjusted SG&A down \$8M

#### **Net Profit After Tax**



- Adjusted NPAT improved by \$17M
- No dividend to be paid



# Half-Over-Half Comparison



Statutory								
(US \$M except EPS)	1H 2016	1H 2015	Change Fav / (Unfav)					
Revenue	310	387	-20%					
Gross Margin	39	2	2341%					
GM as % of Revenue	13%	0%						
Operating Margin	(30)	(84)	65%					
OM as % of Revenue	-10%	-22%						
EBITDA	3	(39)	NMF					
EBITDA as % of Revenue	1%	-10%						
NPAT	(73)	(152)	52%					
NPAT as % of Revenue	-24%	-39%						
EPS (cents)	(7.8)	(17.2)	55%					

Adjusted <sup>2</sup>								
(US \$M)	1H 2016	1H 2015	Change Fav / (Unfav)					
Revenue	310	387	-20%					
Adjusted Gross Margin	40	36	13%					
Adj. GM as % of Revenue	13%	9%						
Adjusted Operating Margin	(19)	(43)	55%					
Adj. OM as % of Revenue	-6%	-11%						
Adjusted EBITDA	14	2	694%					
Adj. EBITDA as % of Revenue	4%	0%						
Adjusted NPAT	(52)	(69)	24%					
Adj. NPAT as % of Revenue	-17%	-18%						

Tight cost control and productivity initiatives are driving margin improvement



## **Consolidated Overview: 1H 2016**



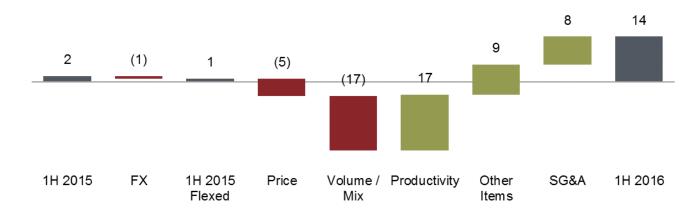
Volume and price declines offset by operational improvements

(US \$M)

#### **Consolidated Revenue Bridge**



### Consolidated Adjusted EBITDA<sup>2</sup> Bridge

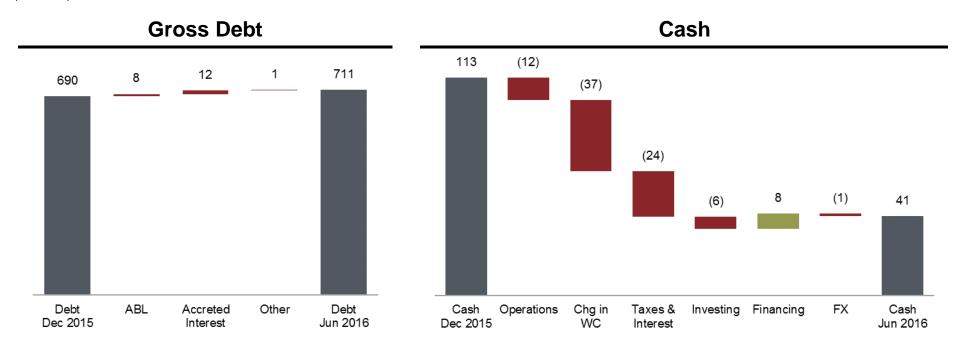




# **Debt and Cash Bridges**



(US \$M)



- Working capital build in 1H 2016 consistent with seasonality of business
- Total liquidity as of 30 June 2016 was \$57M (\$16M available under ABL)
- > Typical seasonality = cash use in first half, cash generation in second half





**Business Overview** 



## **Drilling Services: 1H 2016 Operations**

## Productivity improvements offset lower volumes



Key Financials (US \$M):	1H 2016	1H 2015	Change Fav / (Unfav)	
Revenue	220	281	-22%	
cogs	200	266	25%	
SG&A	16	22	26%	
EBITDA	23	22	6%	
EBITDA as % of Revenue	11%	8%		

Key Performance Indicators	1H 2016	1H 2015	Change Fav / (Unfav)	
Average Operating Rigs <sup>3</sup>	279	340	-18%	
Headcount (period-end)	3,349	3,478	4%	

Note: ~300 employees were reclassified from Products to Drilling Services in 1H 2016.

- Revenue down 22% from 1H 2015 (volume driven)
- FX also a factor; price down slightly
- EBITDA up despite lower revenue; driven by improved productivity and lower costs

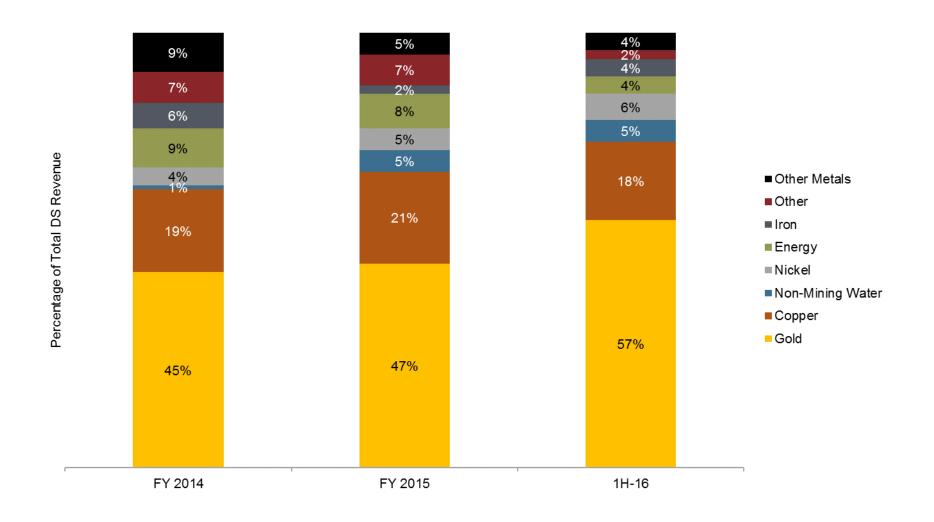




# **Drilling Services: Revenue by Commodity**

Gold drives bulk of revenue







## **Global Products: 1H 2016 Operations**

## Headwinds from lower volume & FX partially offset by cost control



Key Financials (US \$M):	1H 2016	1H 2015	Change Fav / (Unfav)	
Revenue	91	106	-14%	
cogs	70	85	17%	
SG&A	18	19	2%	
EBITDA	6	7	-14%	
EBITDA as % of Revenue	7%	7%		
Pro Forma <sup>4</sup> Revenue (US \$M)	1H 2016	1H 2015	Change Fav / (Unfav)	
Sales to BLY Drilling Services	30	27	12%	
Pro Forma Revenue	121	133	-9%	

- Revenue down 14% from 1H 2015 (volume driven)
- Price flat
- EBITDA only down \$1M despite large revenue decline
- Tight focus on costs

Key Performance Indicators	1H 2016	1H 2015	Change Fav / (Unfav)		
Average Backlog (US \$M)	13	19	-30%		
Headcount (period-end)	960	1,321	27%		

Note: ~300 employees were reclassified from Products to Drilling Services in 1H 2016.





## Capital structure review commenced



- Material improvements in productivity and margins
- Market indicators improving
- Sufficient liquidity for near-term but challenged in 2017
- Improved capital structure required to ensure long-term sustainability and capture market recovery
- "Emphasis of matter" included in financial report
- Houlihan Lokey engaged to assess capital structure options





**Conclusion Marcus Randolph – Executive Chairman** 

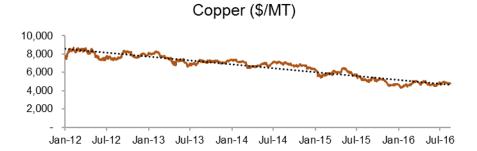


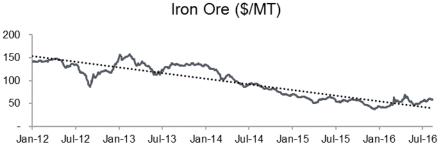
# Positive signs in recent commodity trends...



## **Long-Term Commodity Trends**<sup>5</sup>

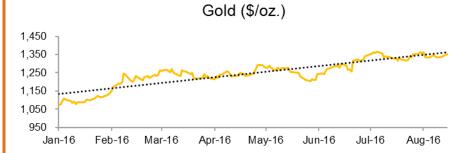






## **\*\* BOART LONGYEAR**\*\*

## Recent Commodity Trends<sup>5</sup> (since Jan-16)



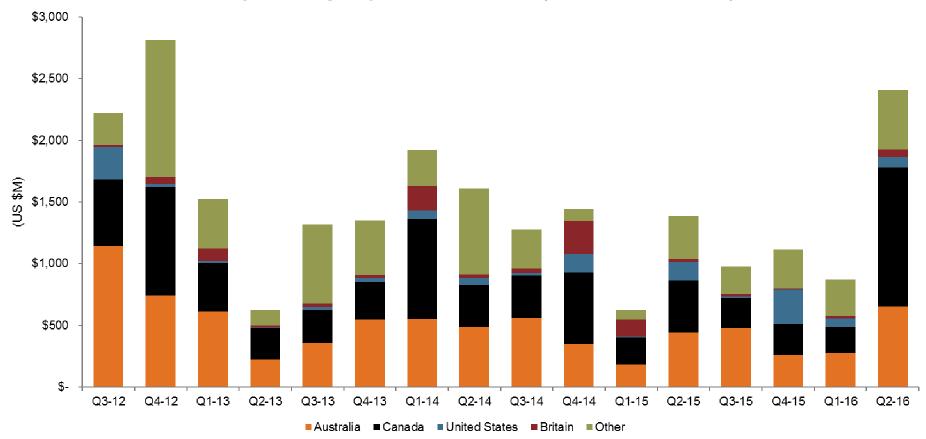




# ...as well as recent equity raising activity by junior mining companies







Note: "Juniors" defined as mining companies with a market cap of less than \$500M



# We remain committed to our Strategic Priorities



## Safety

o Continue to be an industry leader

## Operations

- o Continue to improve on the 20% productivity gains we have made in the last year
- o Get paid a fair price for the products and services we deliver

## > Technology

 Strong focus on acquiring data from our drill holes and delivering to customers in a faster, lower-cost and user-friendly format

#### Cash / Debt

- Benefit from anticipated strong cash generation in 2H 2016
- o Goal to be cash-neutral in 2017
- o Implement capital structure option that balances interests of all stakeholders





# Questions?





Appendix

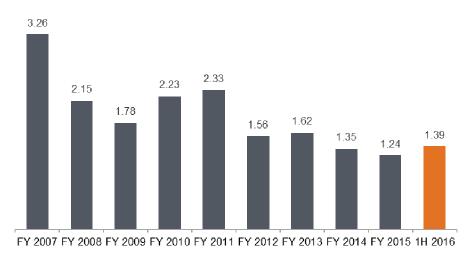


## **Safety & Environment**

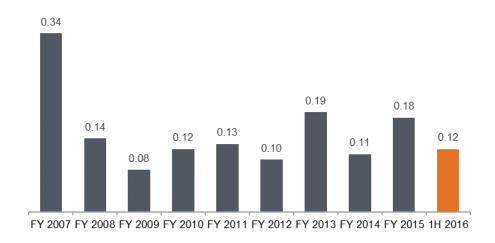
Our goal is to add value with zero harm – leading our industry with our employees returning home safely each day and performing our work with minimal impact to our neighbors or the environment.



#### Total Case Incident Rate<sup>1</sup>



#### Lost Time Incident Rate<sup>1</sup>



#### Safety Performance

- o Improvement in lost time incident rate
- Moderate increase in total case incident rate
- No fatalities; three lost time incidents YTD

#### Proactive Safety Culture

o Focused field leadership interactions with field employees and other initiatives covering significant areas of risk

#### Continual Improvement

o Focus on significant incident root cause analysis and corrective actions, supported by operations-centric incident reviews

Improvement in lost time safety performance in 1H 2016 and no fatalities



# **Key Performance Indicators**



	Quarters 201		Quarters ended 2015			Quarters ended 2014				
US\$ Millions <sup>1</sup>	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total Company										
Revenue	168.7	141.8	160.9	186.8	200.3	187.2	205.8	239.3	224.1	197.4
EBITDA	15.5	(12.4)	(75.2)	(0.7)	(25.2)	(14.2)	(61.9)	12.3	(31.1)	(1.9)
Adjusted EBITDA <sup>2</sup>	19.8	(6.3)	(4.9)	3.1	11.2	(9.5)	(3.2)	15.9	14.9	3.8
Operating Gain (Loss)	3.4	(33.2)	(90.4)	(24.8)	(44.6)	(39.4)	(83.3)	(15.7)	(56.6)	(29.4)
Proft (Loss) from Trading Activities <sup>3</sup> Net cash flows (used in) provided by	7.8	(23.2)	(10.3)	(7.7)	(3.6)	(24.2)	(14.3)	(6.2)	(4.1)	(23.3)
operating activities	(22.5)	(50.0)	28.2	2.0	(10.2)	(74.9)	(6.8)	10.1	(8.3)	(6.3)
Net Debt	670.1	639.6	576.4	554.6	556.1	538.1	547.6	550.9	555.8	544.4
Adjusted SG&A <sup>2</sup>	28.9	27.0	28.3	31.0	32.5	30.6	31.6	32.7	34.6	32.7
# of employees	4,629	4,611	4,725	5,089	5,151	5,537	5,933	5,972	5,871	5,593
Global Drilling Services										
Revenue	122.2	97.3	111.3	135.4	145.1	136.1	151.8	176.0	168.7	139.6
EBITDA	21.5	1.9	3.0	15.8	18.1	4.0	9.1	22.9	25.4	11.2
Average # of drill rigs	889	911	914	917	921	933	944	953	945	950
Average rig utilisation	34%	28%	33%	37%	38%	35%	38%	40%	39%	32%
# of employees	3,349	3,300	3,127	3,420	3,478	3,833	4,172	4,208	4,130	3,874
Global Products										
Revenue	46.5	44.5	49.6	51.4	55.2	51.1	53.9	63.3	55.4	57.8
EBITDA	4.3	1.8	4.0	3.4	4.5	2.6	1.2	7.0	5.0	0.8
Average backlog	11.3	14.9	13.3	16.7	18.4	18.9	19.3	20.3	16.9	15.2
# of employees	960	974	1,258	1,314	1,321	1,338	1,393	1,407	1,382	1,363

<sup>(1)</sup> Except number of employees, utilisation and rigs. Figures are period end, except where averages are indicated.

<sup>(3)</sup> Profit (Loss) from Trading Activities is a non-IFRS measure and is used internally by management to assess the underlying performance of the business.

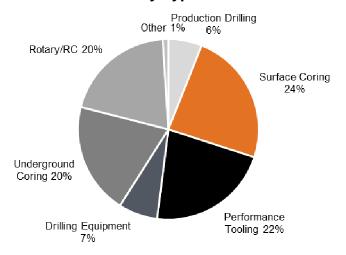


<sup>(2)</sup> Adjusted EBITDA and Adjusted SG&A are non-IFRS measures and are used internally by management to assess the underlying performance of the business.

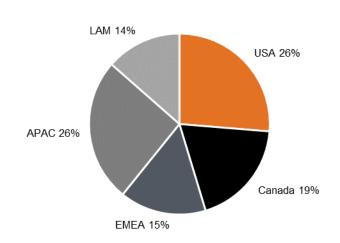
## **Diversified End-Market Exposure**



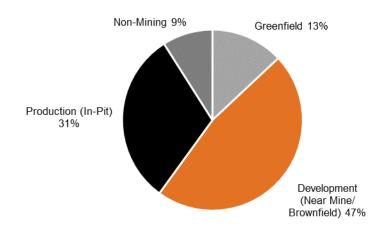
#### 1H 2016 Total Revenue by Type – Products & Services



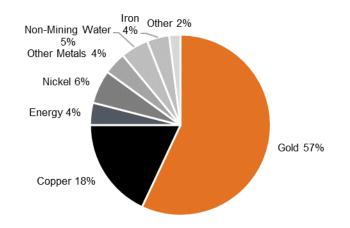
#### 1H 2016 Total Revenue by Region - Products & Services



#### 1H 2016 Drilling Services Revenue by Stage



#### 1H 2016 Drilling Services Revenue by Commodity

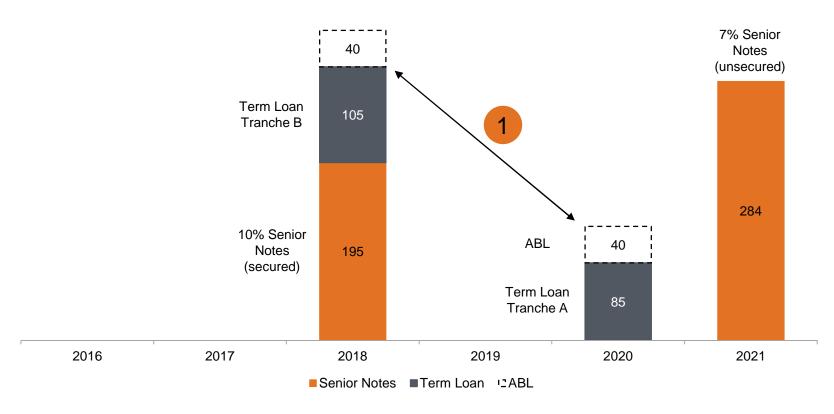




# **Debt Maturity Schedule**



(US \$M)



If Term Loan – Tranche B and 10% Senior Secured Notes have not been refinanced prior to July 2018, ABL maturity accelerates to 2018 (in advance of Term Loan – Tranche B and 10% Notes) instead of 2020



## **Footnote Disclosures**



- Footnote 1: Per 200,000 work hours.
- Footnote 2: Loss from Trading Activities, Adjusted Gross Margin, Adjusted Operating Loss, Adjusted SG&A, Adjusted EBITDA and Adjusted NPAT Loss are non-IFRS measures and are used internally by management to assess the underlying performance of the business and have been derived from the Company's financial results by adding back significant items (i.e., charges relating to recapitalisation, impairments, restructuring, and employee and related costs). In the case of Pro Forma Adjusted EBITDA, additional adjustments are made to account for one-time items. In the case of Adjusted NPAT, additional adjustments are made to account for the tax effect of significant items and other tax write-offs and, in the case of Loss from Trading Activities, adjustments are made to Adjusted Operating Loss to remove other expense/income.
- **Footnote 3:** Operating rigs defined as the number of weekly operating rigs generating revenue. Utilisation figures based on operating rigs divided by rigs held in the fleet.
- Footnote 4: Transactions between segments are carried out at arm's length and are eliminated on consolidation.
- Footnote 5: Source: Bloomberg.

