



# Swick Mining Services Ltd

FY16 AGM Presentation  
11<sup>th</sup> November 2016

**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 11<sup>th</sup> November 2016.

# Company Overview – FY 2016

- Top five global mineral drilling provider operating in Australia, US , Canada and Europe
- > 1,300,000 metres drilled across 3 divisions
- Total of ~ 1,000,000 metres drilled globally by market leading Underground Diamond division
- FY16 results in line with guidance \$124.9m revenue, 11.8% EBITDA, NPAT loss of \$2.8m
- Technology upgrades in progress on underground fleet
- Swick is working with and developing technology that will lead the market forward



# Corporate Snapshot

## Corporate Structure

- ASX: SWK - Listed Nov 2006
- Shares outstanding: 212.1m
- Share Price 10 Nov 16: \$0.27
- Market Cap 10 Nov 16: \$57.3m

## Board and Executive Management

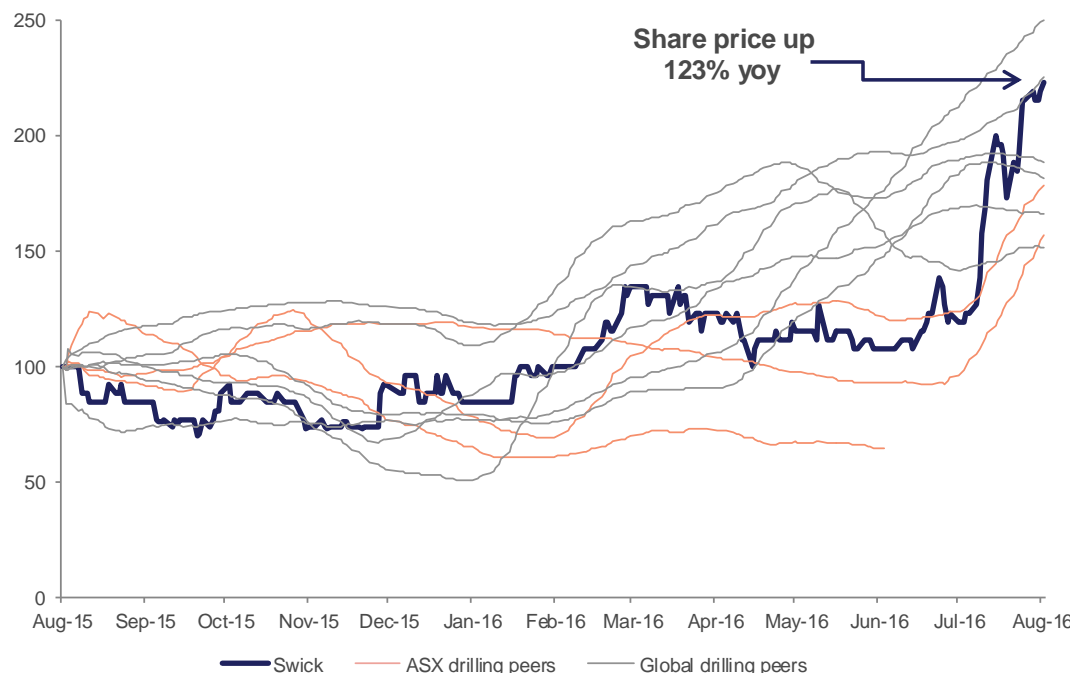
- Andrew Simpson - NEC
- Kent Swick - MD
- Phil Lockyer - NED
- David Nixon - NED
- Ian McCubbing – NED
- Vahid Haydari – CEO
- Jitu Bhudia– CFO

## Substantial shareholders\*

- Kent Swick (15.7%)
- Simone Lourey (11.5%)
- Perennial Investments (11.1%)
- Vanshap Capital (10.2%)
- Schroder Investment Mgt. (7.1%)
- Rosanne Swick (6.5%)

\*As at 30<sup>th</sup> September 2016

## Share price relative to ASX and Global peers Aug 2015 to current SWK is up 123% YOY



ASX listed peers include Mitchell Services, Boart Longyear, Hughes Drilling

# 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).  
 FY16 Revenue: \$109.8 million



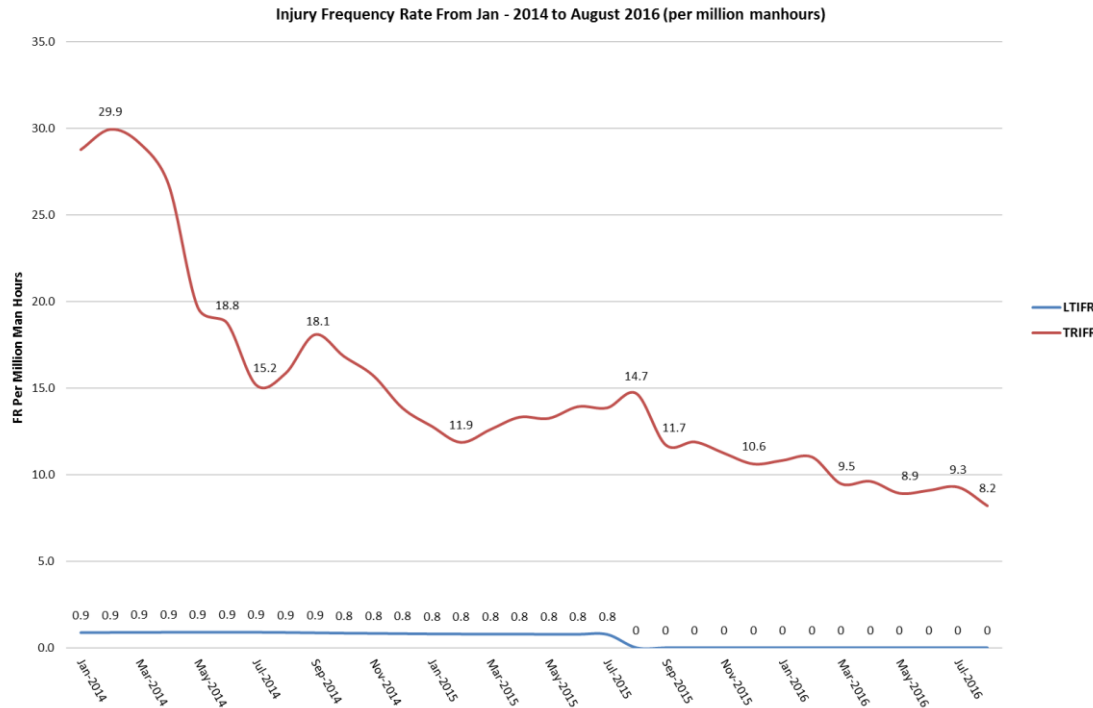
Drilling: Reserve Definition & Expl.  
 Rig Types: Swick RC Drills  
 Sectors: Base Metals, Bulks, Gold  
 Sites: Brownfield & Greenfield  
 Advantage: High Air Power, Deep Hole Capacity  
 Range: + 400m  
 Fast Fact: Award Winning Rig Design  
 Fleet Size: 7 Rigs  
 (6 Swick & 1 tracked Schramm)  
 FY16 Revenue: \$5.4 million



Drilling: Production (Blast)  
 Rig Type: Sandvik Solo's  
 Sectors: Base Metals  
 Sites: Brownfield  
 Range: +50m  
 Fast Fact: Offer Contract Management Services  
 Fleet Size: 3 client owned rigs under mgmt.  
 FY16 Revenue: \$8.0 million



# Safety in FY 2016 – Towards Zero Harm



- Companywide TRIFR continued to trend down 38% for the year
- Biomechanical study incorporating engineering changes implemented
- 100% implementation of IPAD technology with HSE tools and Training videos
- Continued investment in Project Implementation and Technical trainers (PITT)
- Confirmation of Induction facility development and build

## Swick LAD Redesign











# Results Overview

Operational Performance	FY16	FY15	% Change
Total Metres Drilled	1,324,523	1,308,853	1%
Total Rigs in Fleet (Period end)	78	83	-6%
Total Rigs in Use (Period end)	62	67	-7%
Revenue (incl. Other Income) (\$m)	124.9	132.0	-5%
Consolidated Revenue per Metre (\$/metre)	94.29	100.84	-6%
Total Employees	511	626	-18%
Financial Performance	FY16	FY15	% Change
Revenue (Incl. Other income) (\$m)	124.9	132.0	-5%
EBITDA (reported) (\$m)	14.8	11.9	24%
EBITDA (before significant items) (\$m)	14.8	17.2	-14%
EBIT (reported) (\$m)	-1.1	-23.0	95%
EBIT (before significant items) (\$m)	-0.4	2.0	-121%
NPAT (reported) (\$m)	-2.8	-17.5	84%
NPAT (before significant items) (\$m)	-1.3	0.0	-4297%
EBITDA (before significant items) %	11.8%	13.1%	-10%
EBIT (before significant items) %	-0.3%	1.5%	-120%
Net Assets (\$m)	90.0	93.4	-4%
Cash (\$m)	4.7	5.7	-18%
Debt (\$m)	20.1	25.0	-20%
Net Debt (\$m)	15.4	19.3	-20%
Operating Cashflow (\$m)	18.5	13.6	36%
Free Cashflow (\$m)	4.6	-1.8	359%

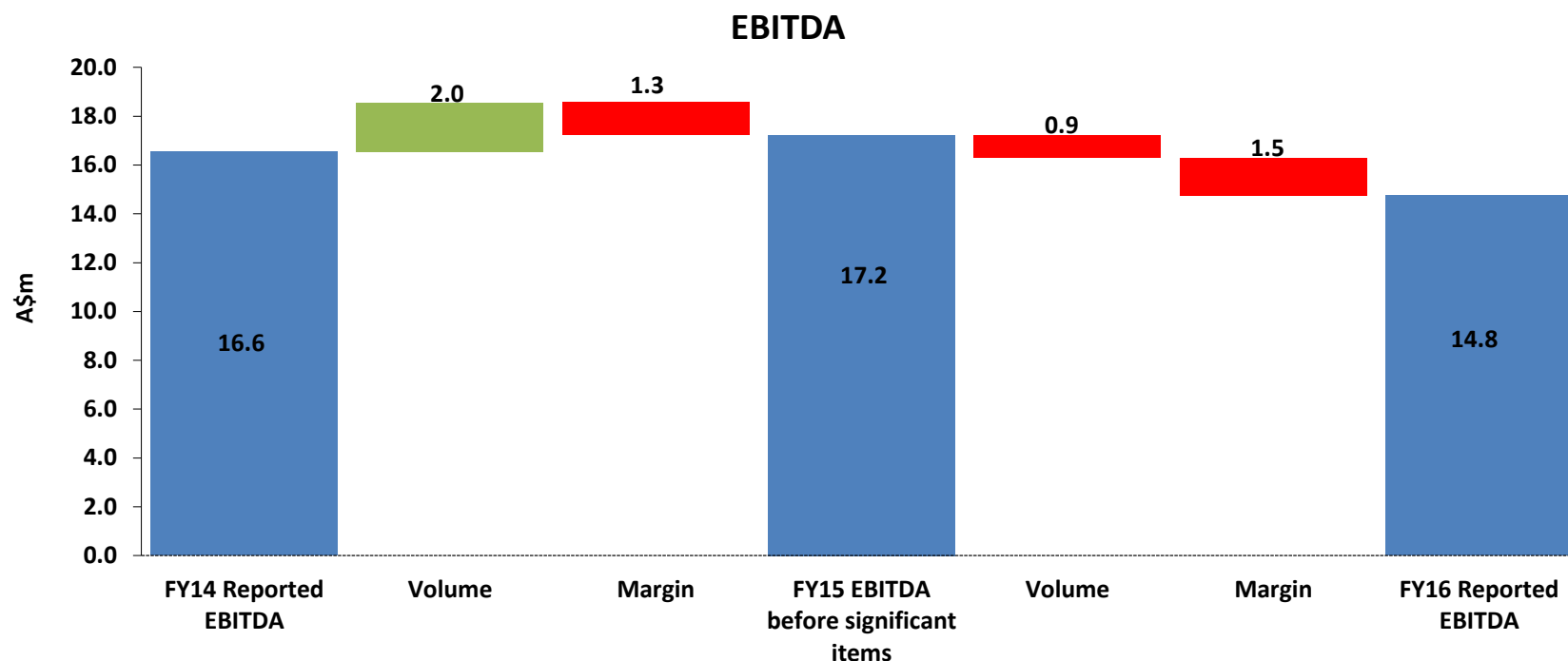
Note: Totals may not add due to rounding

Note: Refer to Slide 17 for details of Significant Items

- Total Metres  1%
- Revenue  -5%
- Rev/Metre  -6%
- EBITDA \*  -14%
- EBITDA % \*  -10%
- Operating Cash  36%
- Free Cashflow  359%
- Net Debt  -20%
- 6 million SWK shares (3% of register) bought back at an average price of 13.5c.
- Net tangible asset (NTA) per share maintained at 38c per share - reduction in equity offset by reduction in issued shares through share buy-back.
- Final dividend of 0.4c per share (fully franked) – paid in October 2016.

# EBITDA Bridge FY14 to FY16

FY16 margins were impacted by ongoing pricing pressures from customers as well as reduction in volume of revenue.



Note: Refer to Slide 17 for details of Significant Items

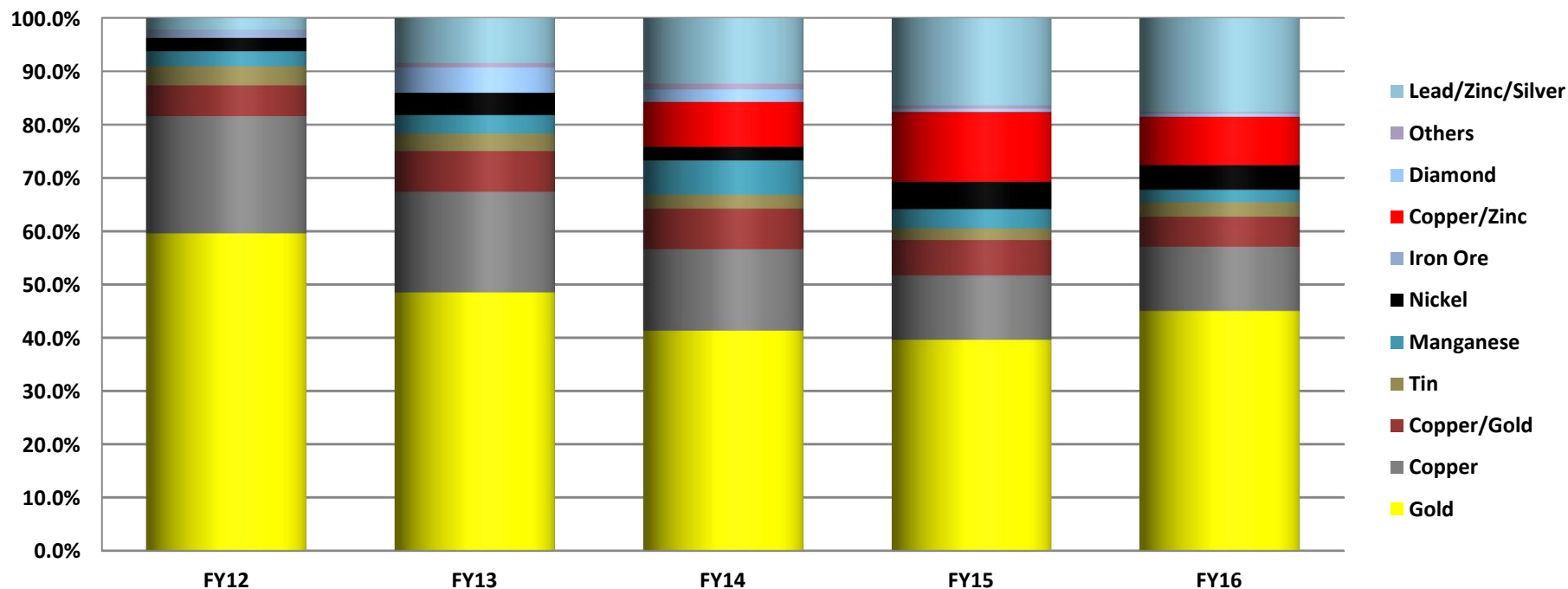


# What Drives Swick as a Company

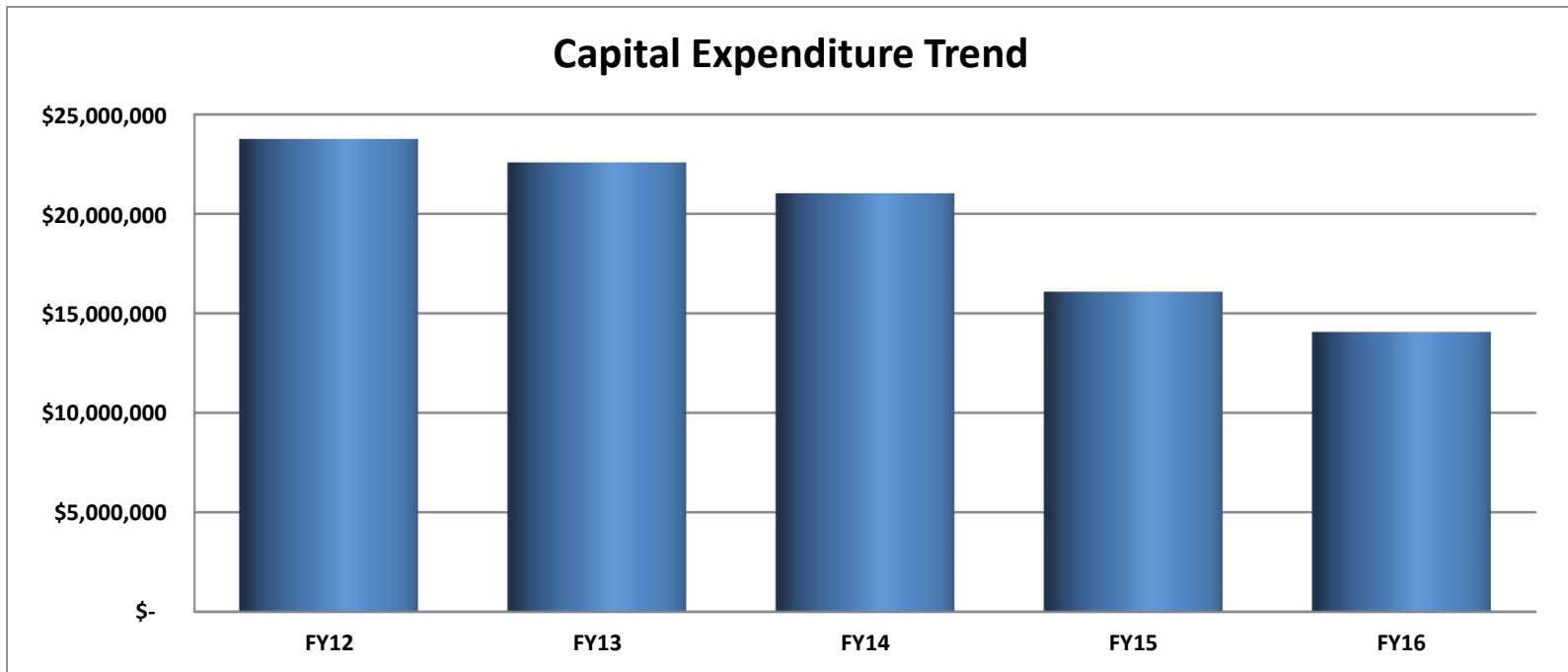
- Market Share of Australian Underground Coring
  - Current market leader in Australia with around 40% share, potential to be > 75%
- Market Leading Status in Underground Coring - Globally
  - Operational Performance unmatched – Safety, Productivity, Quality, Reliability
  - Competitive Advantage continues to widen – technology, power, automation
- Growth Opportunity in USA
  - Competitive advantage in USA similar to Swick inception In Australia in 2004
  - Barriers of entry breaking down, established in Nevada and Tennessee
  - Profitable market, currency advantage
- 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



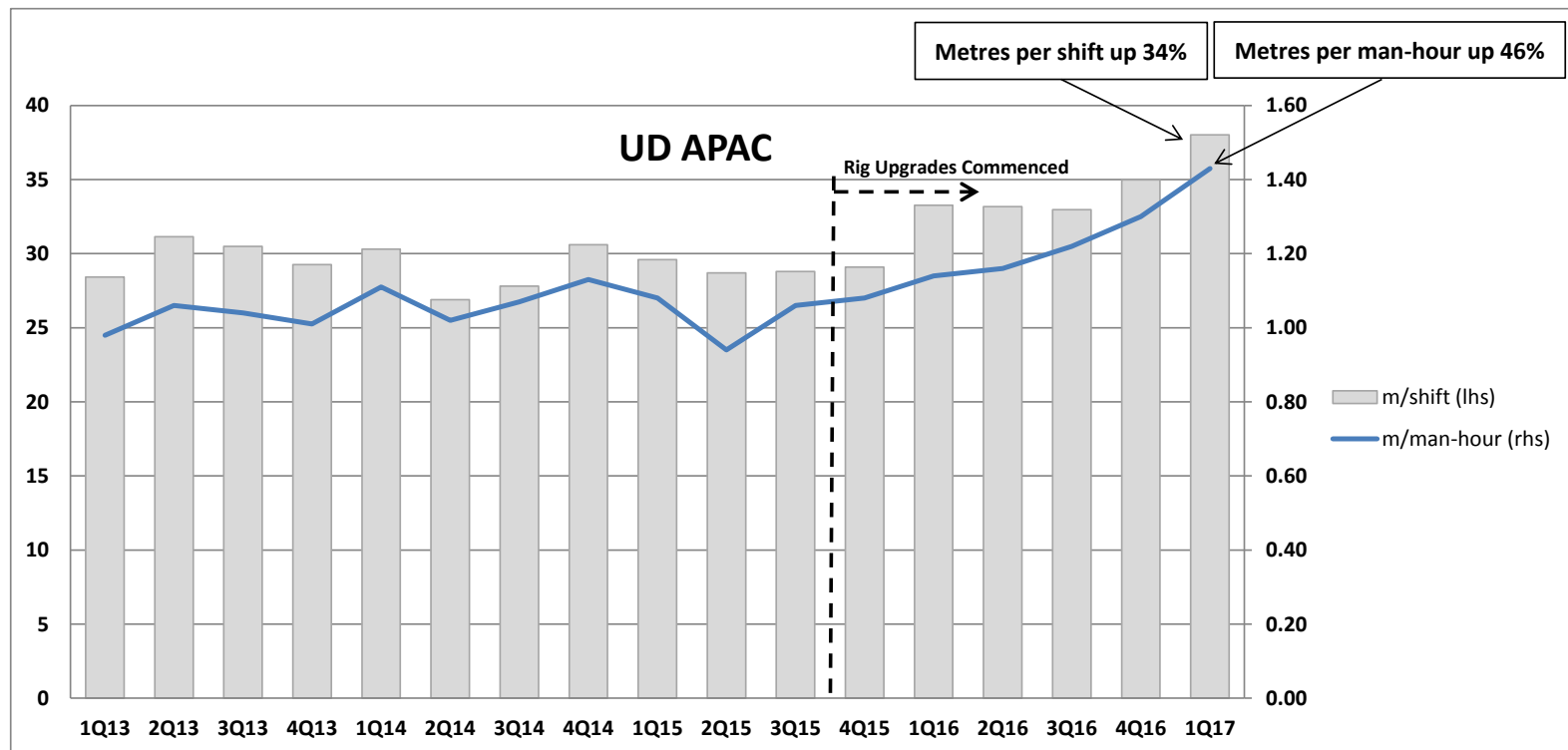
# Capital Expenditure – Efficiency focused



- Includes Orexlore investment/capex
- Productivity improvements fully budgeted for all UD fleet
- Swick is focused on cash generation through this part of the cycle

# Efficiency Gains limiting Rates Pain

- Strategic Objective to Double the Metres per Man-hour from June 2012 to June 2017
- Strategic Engineering Upgrades on rigs in fleet commenced 3Q 15
- Declining market drilling rates of 25% over three years, EBITDA impact limited to only 9%
- Efficiency gains mitigating the impact to EBITDA



# 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
- Swick committed an A\$5m equity injection over 4 years
- Upon final equity tranche Swick will hold ~75% ownership
- Current Swick holding is 66% , therefore Orexlore is now a subsidiary of Swick



*Unique Patented Technology*

**AXM**

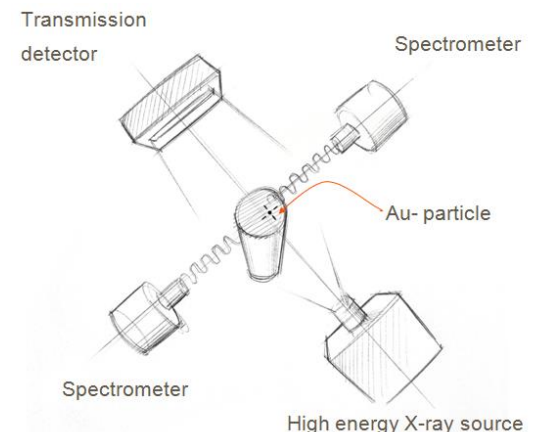
*Attenuation and XRF*

*Combined measurement*

*Patented*

*Atomic weight 42-82*

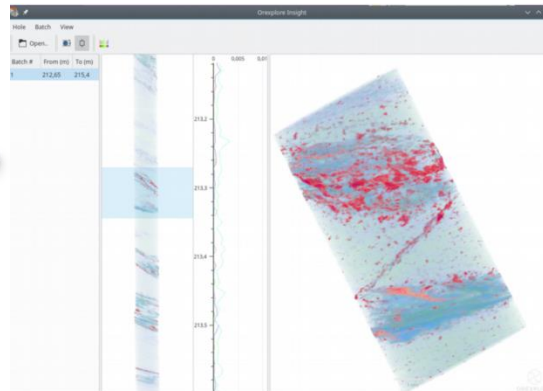
*Full Penetration*



# Disruptive Technology – Orexplore

## ***Immediate and accurate chemical analysis of drill samples***

- World First, unique mineral scanning technology – non-destructive
- Analyse kilograms rather than grams of material
- Unique ability to scan the entire sample (sees through the core)
- 3D structural information using CT (computerised tomography)
- Instant, on-site analysis at core farm or at the lab
- Potential to be on site at every mining operation globally
- Expected Prototype release 1Q17 to Boliden Copper



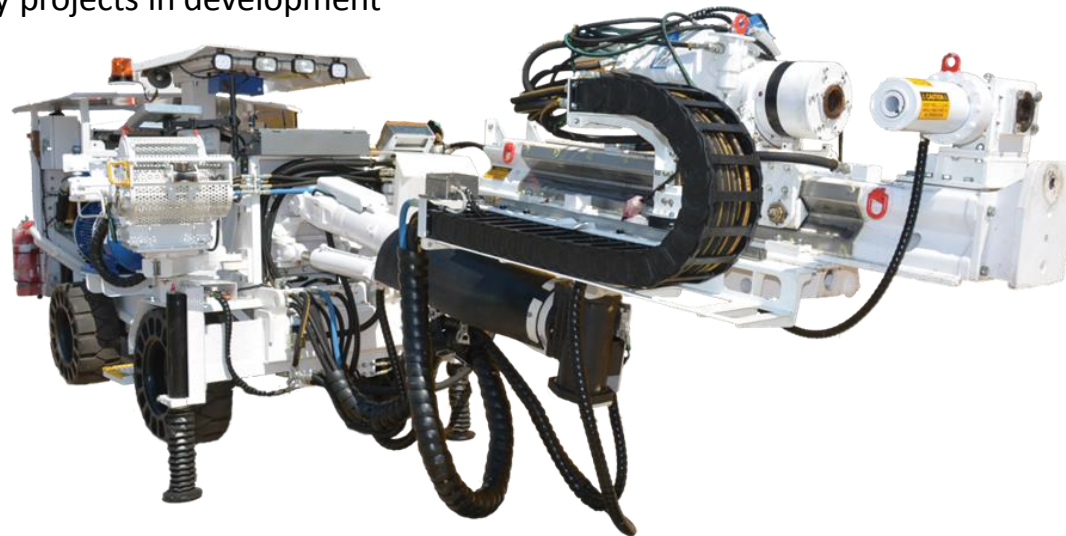


# Potential for Shareholders

- Swick is contracted to operating mines – limited downside to volume even in commodity price downturns
- Large footprint of clients (16) and sites (20) – heavily exposed to drilling budget rebounds
- Current fleet can add ~\$50m in revenue without adding rigs (limited capex requirements)
- Technical leader in the space – automation, telemetry, safety and lower manning levels
- Margin improvement even with static charge out rates as a result of continuous improvement in physicals
- Well managed through the worst mineral drilling downturn in living history
- Strong Balance Sheet – cash generation and debt reduction through down cycle (net debt \$15m)
- Focused on shareholder return either through dividend or buyback (or both)
- 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

# Operations Update FY17

- Significant new contract award with Newmarket Gold
- Global Rig Utilisation forecast to be at 77% during Q3 FY17
- Strong Tender Pipeline for additional work
- Market Rates are Stabilising
- Swick Efficiency Upgrades in full swing
- Orexplore commencing field trials
- Many R&D Productivity projects in development



# Significant Items

## Reconciliation of Underlying and Reported IFRS results

A\$ million	FY16				FY15		
Significant Items	Before Tax	Tax	After Tax		Before Tax	Tax	After Tax
One-off redundancy costs of restructuring	-	-	-		0.5	(0.1)	0.3
Loss recognised on disposal of associate <sup>1</sup>	-	-	-		0.7	(0.2)	0.5
Increase in provision for stock obsolescence	-	-	-		4.1	(1.2)	2.9
<b>Significant items impacting EBITDA</b>	-	-	-		<b>5.3</b>	<b>(1.6)</b>	<b>3.7</b>
Impairment of assets	0.7	(0.1)	0.5		19.7	(5.9)	13.8
De-recognition of deferred tax assets	-	0.9	0.9		-	-	-
<b>Significant items impacting EBIT &amp; NPAT</b>	<b>0.7</b>	<b>0.8</b>	<b>1.5</b>		<b>25.0</b>	<b>(7.5)</b>	<b>17.5</b>

Note: Totals may not add due to rounding

<sup>1</sup> Refers to the Orexplore AB entity as it changed from an associate to a subsidiary

# Thank You