



Innovative • Productive • Safe

# Swick Mining Services Ltd

FY17 Investor Presentation

13<sup>th</sup> September 2017

**ASX: SWK**

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

# Disclaimer

This presentation has been prepared by Swick Mining Services Ltd (“the Company”) for the sole purpose of providing corporate, financial, operational and other information to enable recipients to review the Company and its business activities. The information provided is in summary format and is not intended to provide a full and complete picture of the Company and its business activities.

This presentation is not intended as an offer, invitation, solicitation or recommendation with respect to the purchase or sale of any securities. Nothing in this presentation should be construed as financial product advice, whether personal or general, for the purposes of section 766B of the Corporations Act 2001.

This presentation may contain forward looking information, statements or forecasts that are subject to risks and other factors outside of the control of the Company. Any forward looking information, statements or forecasts provided is/are considered reasonable in the circumstances and has/have been prepared in good faith and with all due care, but may differ materially from actual future results and performance. The Company and its affiliates or any of its directors, agents, officers or employees do not make any representation or warranty, express or implied, as to or endorsement of, the accuracy or completeness of any information, statements or forecasts contained in this presentation, and they do not accept any liability for any statement made in, or omitted from, this presentation.

This presentation should not be relied upon as a representation of any matter that an investor should consider in evaluating the Company or its business activities. Investors must make and rely upon their own enquiries and due diligence in relation to the subject matter of this presentation and an investment in the Company. A potential investor must assess the merits or otherwise of an investment in the Company having regard to their own personal, financial and other circumstances.

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

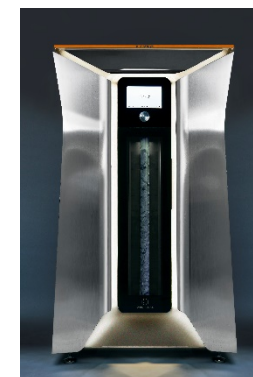
# Division Overview



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

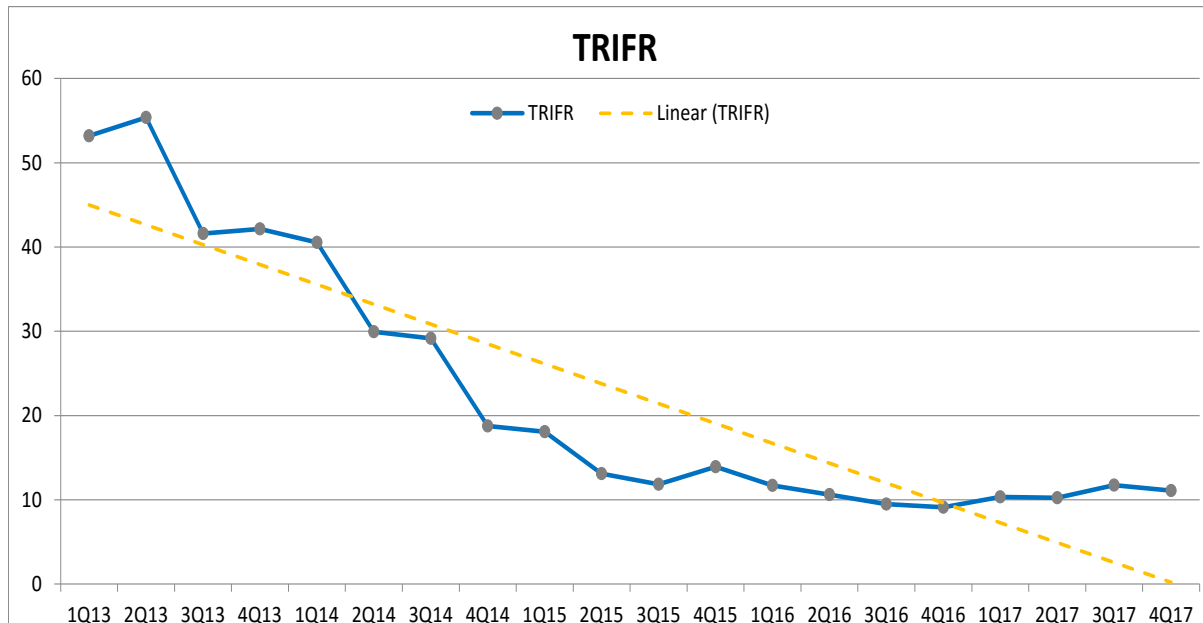


  
OREXPLORE

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



Swick Training & Induction Facility



- 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



# 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>	<i>10.3%</i>	<i>12.2%</i>	<i>(190 bps)</i>

- 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

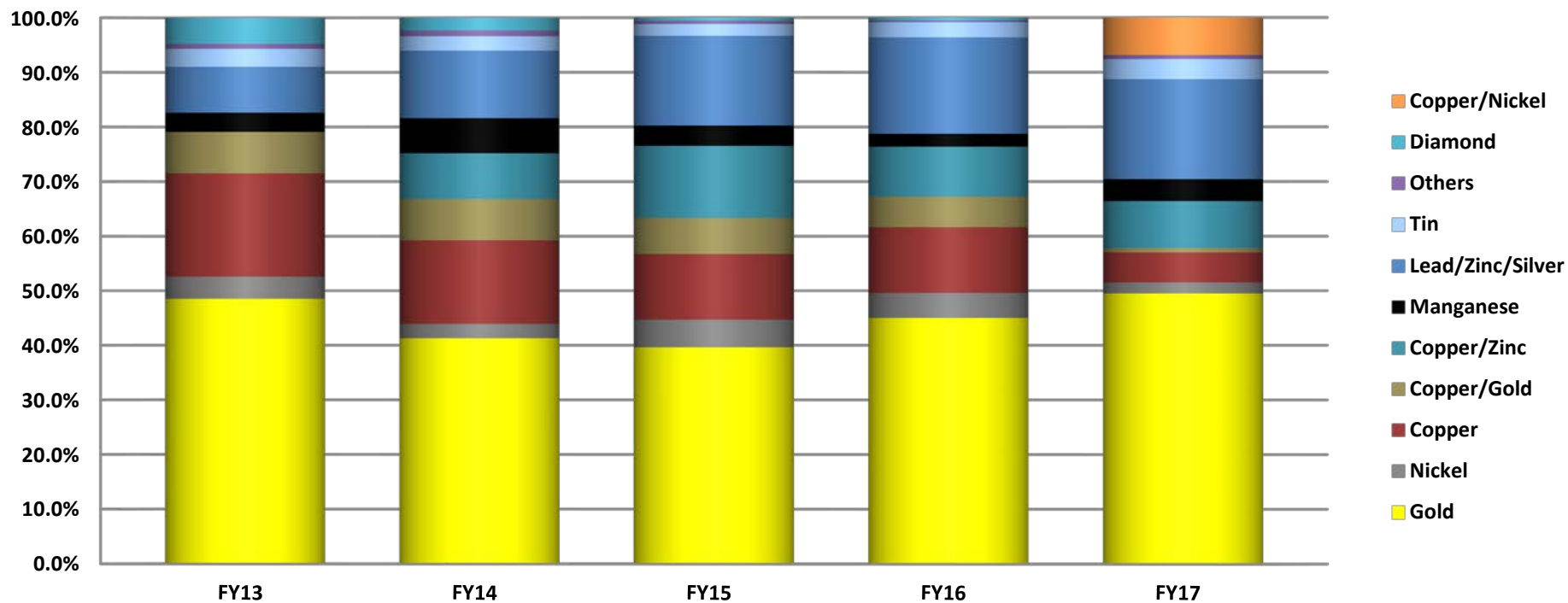
# What Drives Swick as a Company



- 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

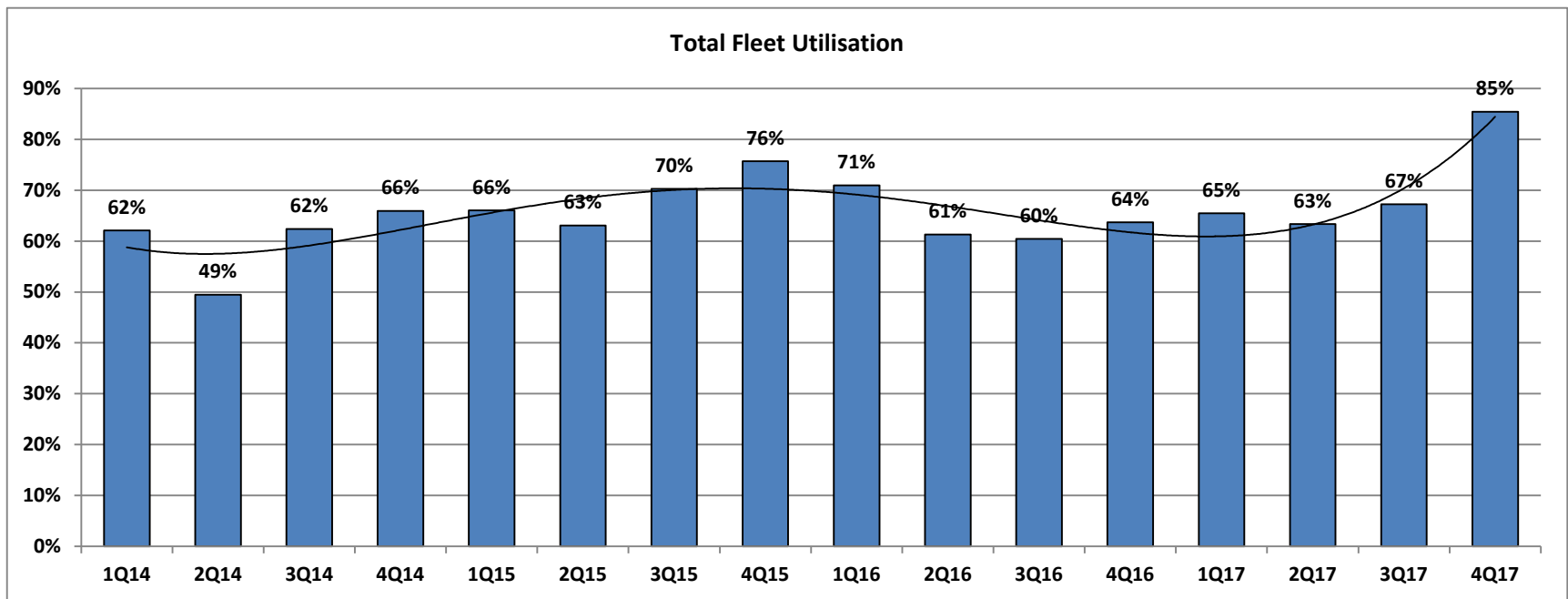
# Commodity Split – 5yr Trend

## Revenue by Commodity

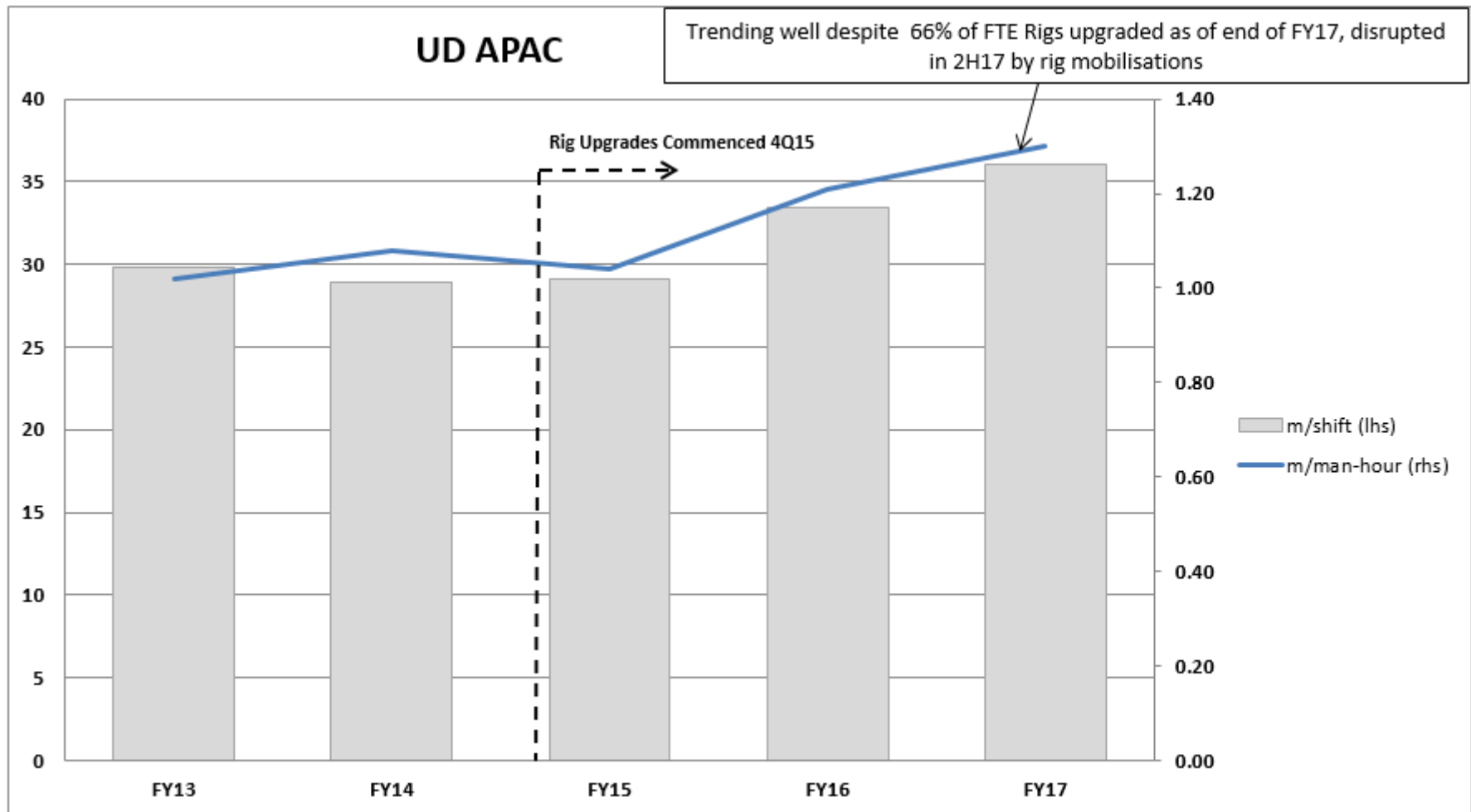


# Fleet Utilisation

- 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.



# UD APAC Productivity



# Disruptive Technology– Orexplode AB

*“Orexplode 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

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



## *Unique Patented Technology*

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

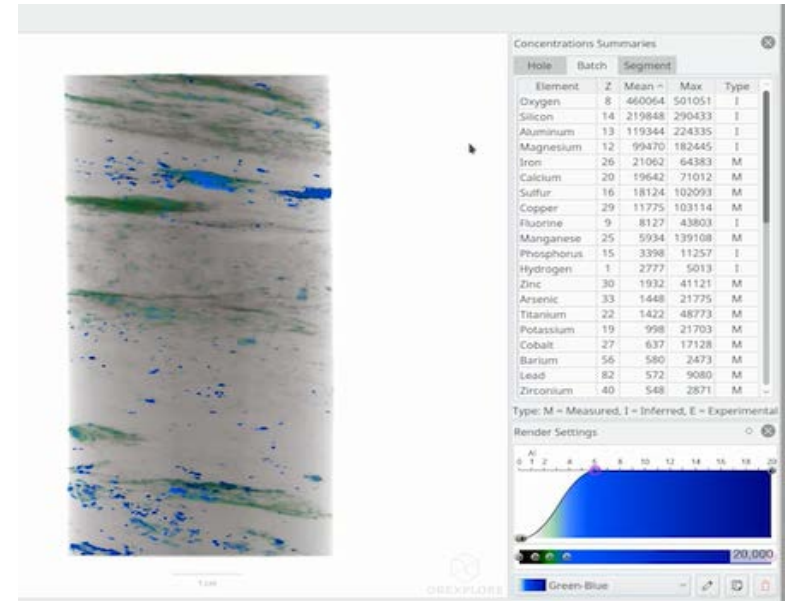
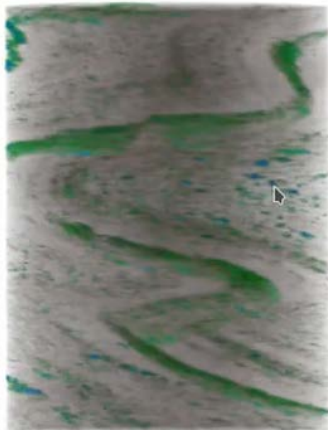




# Disruptive Technology – Orexplore

## ***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 Orexlore 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		
Significant Items	Before Tax	Tax	After Tax		Before Tax	Tax	After Tax
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