

**SWICK MINING SERVICES**

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ASX ANNOUNCEMENT

## Swick closes strong FY19 in line with guidance, enters FY20 with platform for growth

**Highlights:**

- Unaudited Drilling Business 4Q FY19 revenue of \$33.8m, EBITDA of \$5.3m, and EBIT of \$0.6m
- FY19 preliminary unaudited accounts show Drilling Business expected to be in line with guidance:
  - Revenue of \$143.3m (guidance: \$138m – \$143m), up 4% on FY18
  - EBITDA of \$28.9m (guidance: \$27.5m – \$29.5m), up 50% on FY18
- Drilling Business FY19 unaudited EBIT of approximately \$9.9m, up 298% on FY18
- Strong conversion of earnings into cash, with FY19 unaudited operational cash flow (before interest and tax) of \$25.6m, up 49% on FY18
- Total metres drilled of 1,080,078 in FY19, down 11% on FY18
- Average fleet utilisation of 70% across FY19 (FY18: 74% utilisation)
- Earnings growth reflects success in strategy of deploying drill rigs onto better performing contracts or new projects and reducing costs across the business
- Delivery of strategy and expansion of work in hand to \$353 million sets strong platform to drive earnings growth and enhance cash generation in FY20

**Western Australia – Swick Mining Services Limited ('Swick', ASX: SWK)**, a leading provider of high quality underground and surface mineral drilling and mineral analysis services, is pleased to announce its unaudited results for the three months ended 30 June 2019 (4Q FY19) and preliminary FY19 results.

Swick's Drilling Business has reported 4Q FY19 revenue of \$33.8 million and earnings before interest, tax, depreciation and amortisation (EBITDA) of \$5.3 million at a margin of 16%. The solid 4Q FY19 results were achieved despite the previously advised impact of rigs demobilising and transitioning to new sites during the period, including the planned cessation of short-term rates at two contracts at the end of March 2019.

Following preparation of the Company's preliminary FY19 accounts, Swick wishes to advise it expects Drilling Business revenue of \$143.3 million (FY18: \$137.3 million) and Drilling Business EBITDA of \$28.9 million (FY18: \$19.2 million). The revenue result is slightly ahead of the Company's guidance of \$138 million – \$143 million and EBITDA is in line with guidance of \$27.5 million – \$29.5 million. Earnings before interest and tax (EBIT) for the Drilling Business is expected to be approximately \$9.9 million (FY18: \$2.5 million). These preliminary FY19 financial results are subject to completion of the full year audit.

Swick Managing Director Kent Swick said the growth in FY19 Drilling Business earnings demonstrated the team's ability to deliver on the Company's clear strategy of moving rigs to better performing contracts, mobilise at new sites, and improve efficiencies by reducing costs at both the operating and corporate level.

"I am very pleased with our performance in the year, particularly how it sets the business up for the future," Mr Swick said.

"For example, rigs demobilised during the fourth quarter are already being deployed to better performing contracts, with an additional net 15 underground diamond drill rigs expected to go to work during 1H FY20 at both existing sites and new projects.

"We have a good mix of high-quality clients, wide commodities exposure led by gold and copper, and an international strategy that is yielding significant results with a third of our rigs now deployed outside of Australia.

"These factors, combined with our strong \$353 million order book, ensure Swick is well placed to drive earnings growth and improve cash generation in FY20. The strong cash flow of \$25.6 million (unaudited) also gives us confidence that we can resume to generate strong shareholder returns".

Mr Swick added that the Company was investing for its next phase of growth by ensuring it had the capacity to meet clients' changing requirements, such as through the expansion of Swick's DeepEX rig fleet.

"In addition, our Mineral Technology business Orexlore is progressing well, with the product evolving since its launch in May 2018 to offer a more compelling value proposition for the market," Mr Swick said.

"A significant new feature being added to Orexlore's GeoCore X10 core scanner and associated Insight software is the identification of gold grains inside the drill core, providing a gold grade calculation. This removes a significant sample bias that currently occurs with traditional assays in a coarse gold environment, which is a considerable problem for large parts of the gold sector. This new feature is an exciting development that I believe will generate strong interest after its release in the next few months."

<b>Drilling Business (Unaudited)</b>	<b>4Q FY19</b>	<b>4Q FY18</b>	<b>% Change</b>	<b>FY19</b>	<b>FY18</b>	<b>% Change</b>
<b>Operational Performance</b>						
Total Metres Drilled	252,749	282,614	-11%	1,080,078	1,207,554	-11%
Total Rigs in Fleet (period end)	83	76	9%	83	76	9%
Total Fleet Utilisation (FTE)	59%	72%	-18%	70%	74%	-4%
UD Metres Drilled	245,097	274,377	-11%	1,036,182	1,136,420	-9%
UD Rigs in Fleet (period end)	76	69	10%	76	69	10%
UD Fleet Utilisation (FTE)	61%	74%	-18%	73%	76%	-4%
<b>Financial Performance (A\$'000)</b>						
Revenue	33,785	33,920	0%	143,288	137,256	4%
EBITDA	5,345	6,560	-19%	28,903	19,205	50%
EBITDA Margin (%)	16%	19%	-18%	20%	14%	44%
EBIT	599	1,993	-70%	9,911	2,493	298%
EBIT Margin (%)	2%	6%	-70%	7%	2%	281%
<b>Consolidated Group (Unaudited)</b>						
<b>Financial Performance (A\$'000)</b>						
Revenue	33,935	34,039	0%	143,933	138,178	4%
EBITDA	4,700	6,120	-23%	25,604	17,318	48%
EBITDA Margin (%)	14%	18%	-23%	18%	13%	42%
EBIT	(518)	1,394	-137%	4,650	443	950%
EBIT Margin (%)	-2%	4%	-137%	3%	0%	908%
Operating Cash Flow (before interest & tax)	7,548	7,988	-6%	25,617	17,249	49%
EBITDA Cash Conversion (%)	161%	131%	23%	100%	100%	0%

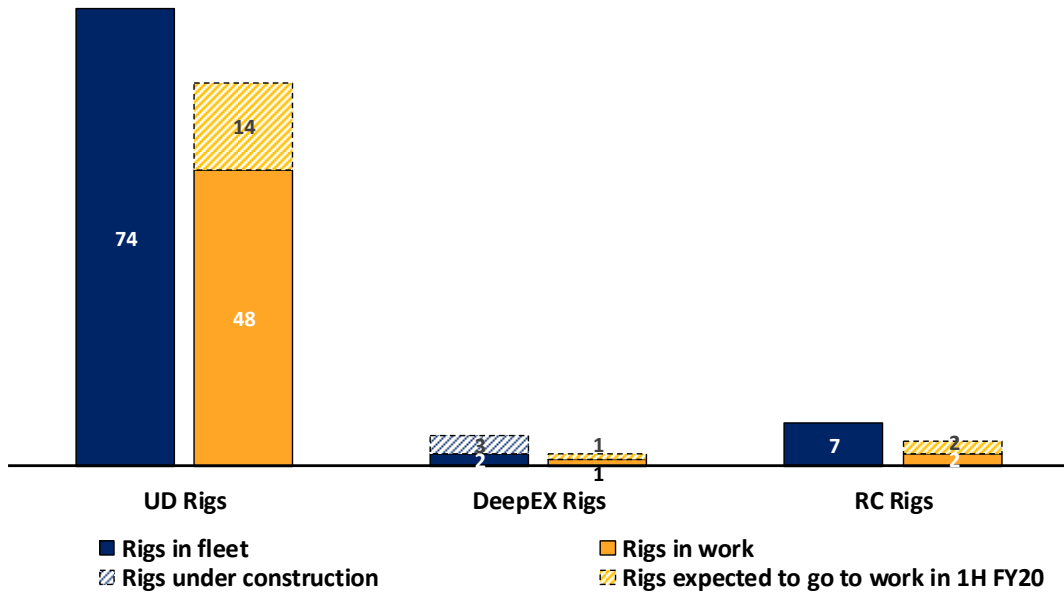
\* FTE - Full Time Equivalent

During the quarter, Swick built four new mobile underground diamond drill rigs to service increased rig demand which were deployed to the Pogo gold mine in Alaska, USA. In addition, the USA division commissioned two additional new high torque skid rigs in the Nevada market. Swick also purchased a mobile carrier and high torque drilling components to allow the construction of a high torque Nevada-specific mobile underground core drill, which the Company expects to be attractive to the large market where Swick has existing relationships in the state. The high torque Nevada style mobile drill will be commissioned in 1H FY20.

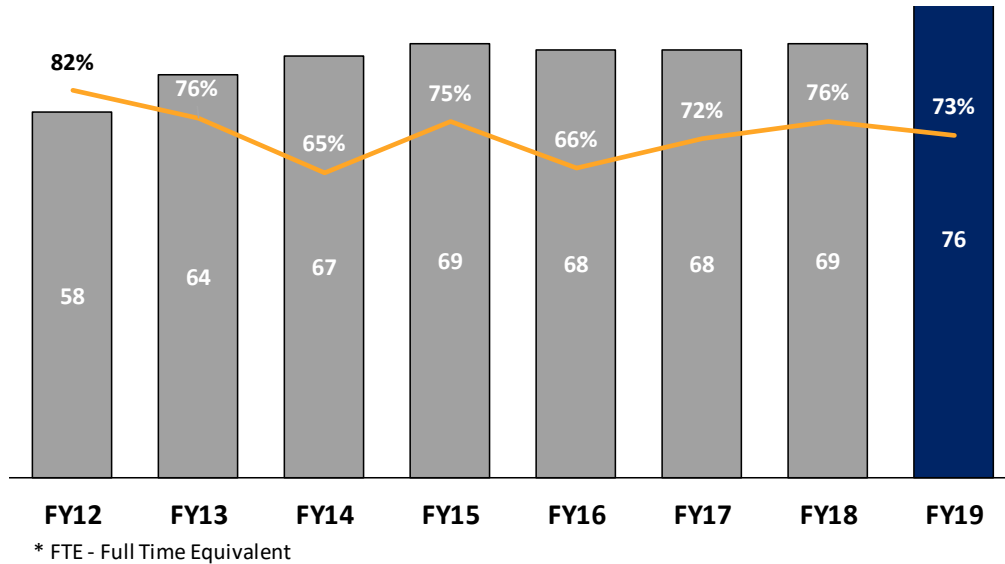
Swick invested capital in its new DeepEX division by purchasing high torque drilling equipment and two mobile underground carriers to construct two DeepEX mobile rigs that will be assembled in 1H FY20. These new DeepEX mobiles are planned to be the most powerful underground diamond drills ever delivered to the Australian market and will provide Swick's customers with a new range of underground core drilling opportunities by matching the depth capability of large surface drills.

The addition of the new mobile underground diamond drill rigs and high torque skids brings the total underground diamond drilling rig fleet to 76 rigs at the end of FY19. The remaining DeepEX and Nevada mobile rigs are expected to be completed in 1H FY20 and, once commissioned, will increase the total underground diamond drill rig fleet size to 79 rigs. Combined with the RC division, Swick's rig fleet increased from 76 at the end of FY18 to 83 rigs at the end of FY19 and will be at least 86 rigs by the end of 1H FY20.

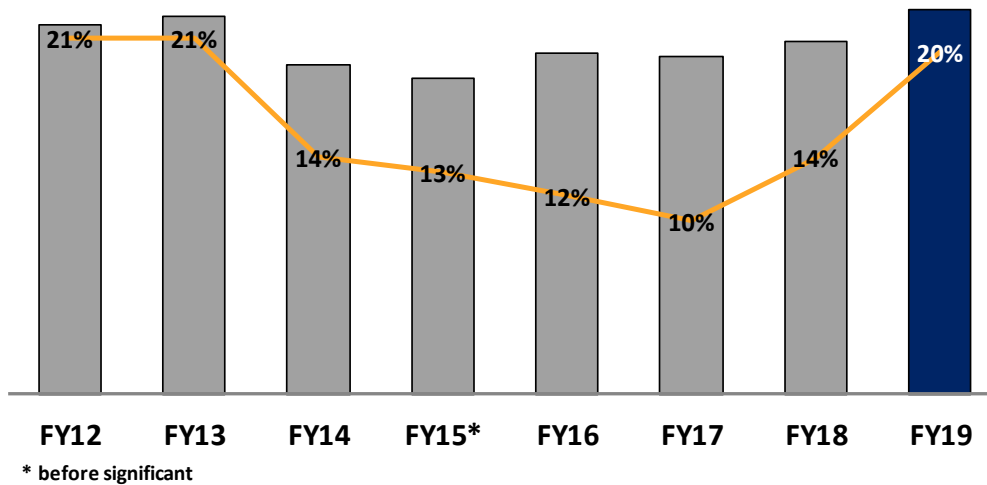
### Swick Rig Fleet as at 30 June 2019



### UD (inc. DeepEX) Fleet Size at Year-end & FTE Utilisation



## UD Revenue/Shift & Drilling Business EBITDA %



At a Group level, Swick expects consolidated FY19 EBITDA of approximately \$25.6 million (unaudited) and EBIT of approximately \$4.7 million (unaudited). In FY18, Swick reported EBITDA of \$17.3 million and EBIT of \$0.4 million.

Full year cash from operations (before interest and tax payments) was approximately \$25.6 million (unaudited) (FY18: \$17.2 million), representing an EBITDA to cash conversion ratio of 100 per cent. The increased spend in growth capital in the last quarter has resulted in total FY19 capital expenditure of approximately \$24.4 million, including investments in Oreplore.

Swick expects to release its audited FY19 accounts on or around 27 August 2019. Swick will host an analyst and investor conference call on the same day, with notice of the conference call details to be provided in advance.

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### **About Swick Mining Services:**

Swick Mining Services Ltd (ASX: SWK) is one of Australia's largest mineral drilling contractors, providing high quality underground and surface drilling services to a diverse group of mining houses and across a spread of commodities. The Company has a strong reputation for innovation in rig design and drilling practices that delivers improvements in productivity, safety, versatility and value. Swick has a global presence with Operational revenue from Australia, United States and Europe.

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### **Disclosure Statement:**

These materials include forward looking statements. Forward looking statements inherently involve subjective judgement and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside of the control of, and may be unknown to, the Company. Actual results and developments may vary materially from those expressed in these materials. The types of uncertainties which are relevant to the Company may include, but are not limited to, commodity prices, political uncertainty, changes to the regulatory framework which applies to the business of the Company and general economic conditions. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Forward looking statements in these materials speak only at the date of issue. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, the Company does not in providing this information undertake any obligation to publicly update or revise any of the forward-looking statements or any change in events, conditions or circumstances on which any such statement is based.