



# Imdex Limited

**FY08 Full Year Results**

**August 2008**

- Highlights
- Financial Performance
- Review of Activities
- Strategy & Outlook
- Questions

# Continued Strong Growth



- Growth across all geographic regions – strong business model with a global footprint
- Supply and Distribution agreements with Sandvik, Boart Longyear, Major Drilling and Layne Christensen
- Increased exposure to the global oil & gas market – drilling fluids and down hole instrumentation
- Continued product technology leadership
- Divestment of Surtron business for \$20m cash
- Earnings accretive acquisitions:
  - Suay Energy Services in Kazakhstan
  - Poly-Drill Drilling Systems in Canada
  - Southernland in Chile
  - System Entwicklungs in Germany
- Commencement of upgrades/additional plant and manufacturing facilities - Samchem (South Africa) and Southernland (Chile) - reduce costs and meet demand



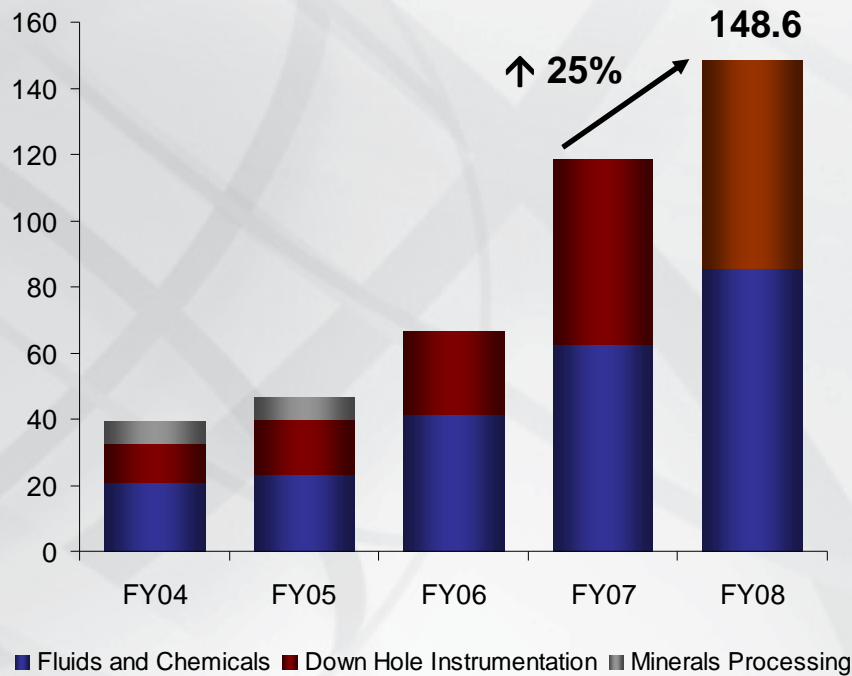
Reflex EZ Shot being prepared for use

# Five consecutive years of revenue and profit growth

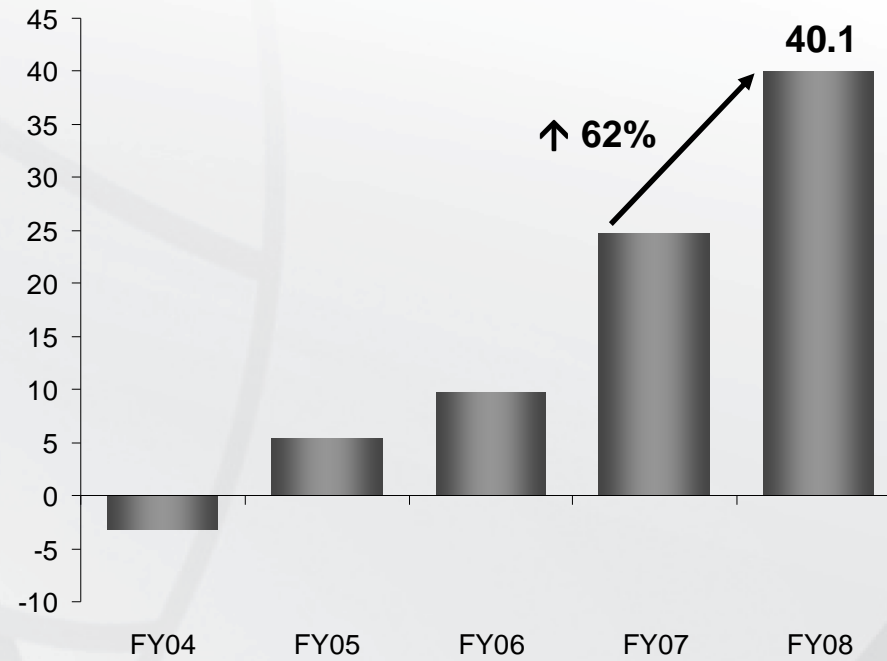


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### Normalised Revenue by Division (\$m)



### Normalised EBITA (\$m)



Normalised results include discontinued operations and exclude non-operational items



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# Financial Results Overview

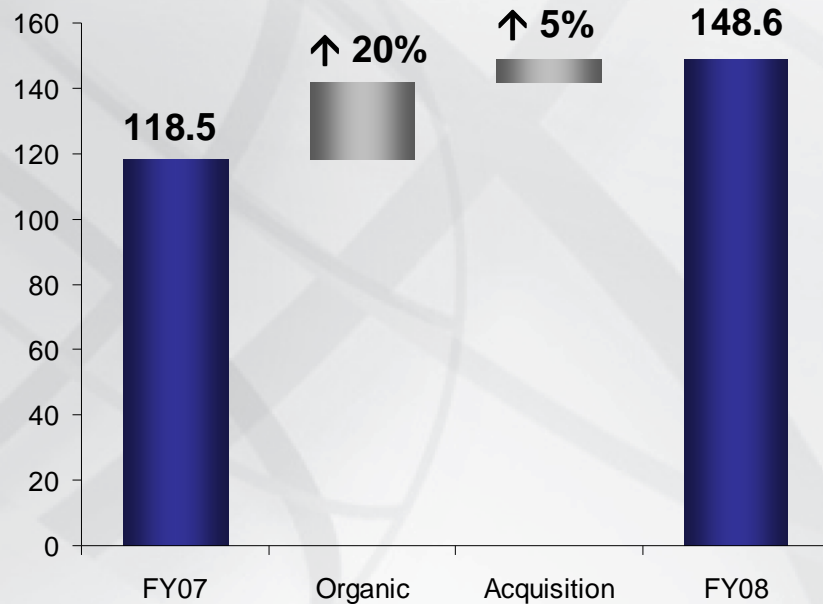


	FY08 \$000's	FY07 \$000's	Change
Fluids and Chemicals Revenue	85,711	62,353	↑ 37%
Down Hole Instrumentation Revenue (incl Surtron)	62,882	56,139	↑ 12%
<b>Normalised Revenue</b>	<b>148,593</b>	<b>118,492</b>	<b>↑ 25%</b>
<b>EBITA (incl Surtron trading, excl profit on disposal)</b>	<b>40,071</b>	<b>24,707</b>	<b>↑ 62%</b>
<b>EBIT (incl Surtron trading, excl profit on disposal)</b>	<b>34,016</b>	<b>21,277</b>	<b>↑ 60%</b>
<b>Profit on sale of Surtron (before tax)</b>	<b>12,139</b>	-	-
<b>Net Profit after Tax</b>	<b>32,002</b>	<b>13,518</b>	<b>↑ 137%</b>
<b>Earnings per Share (continuing operations)</b>	<b>11.22c</b>	<b>7.72c</b>	<b>↑ 45%</b>
<b>Return on Equity</b>	<b>38%</b>	<b>32%</b>	<b>↑ 19%</b>
<b>Operating Cash Flow before Tax</b>	<b>25,619</b>	<b>21,651</b>	<b>↑ 18%</b>

# 25% Revenue Growth



**Normalised Revenue Growth**  
(\$m)



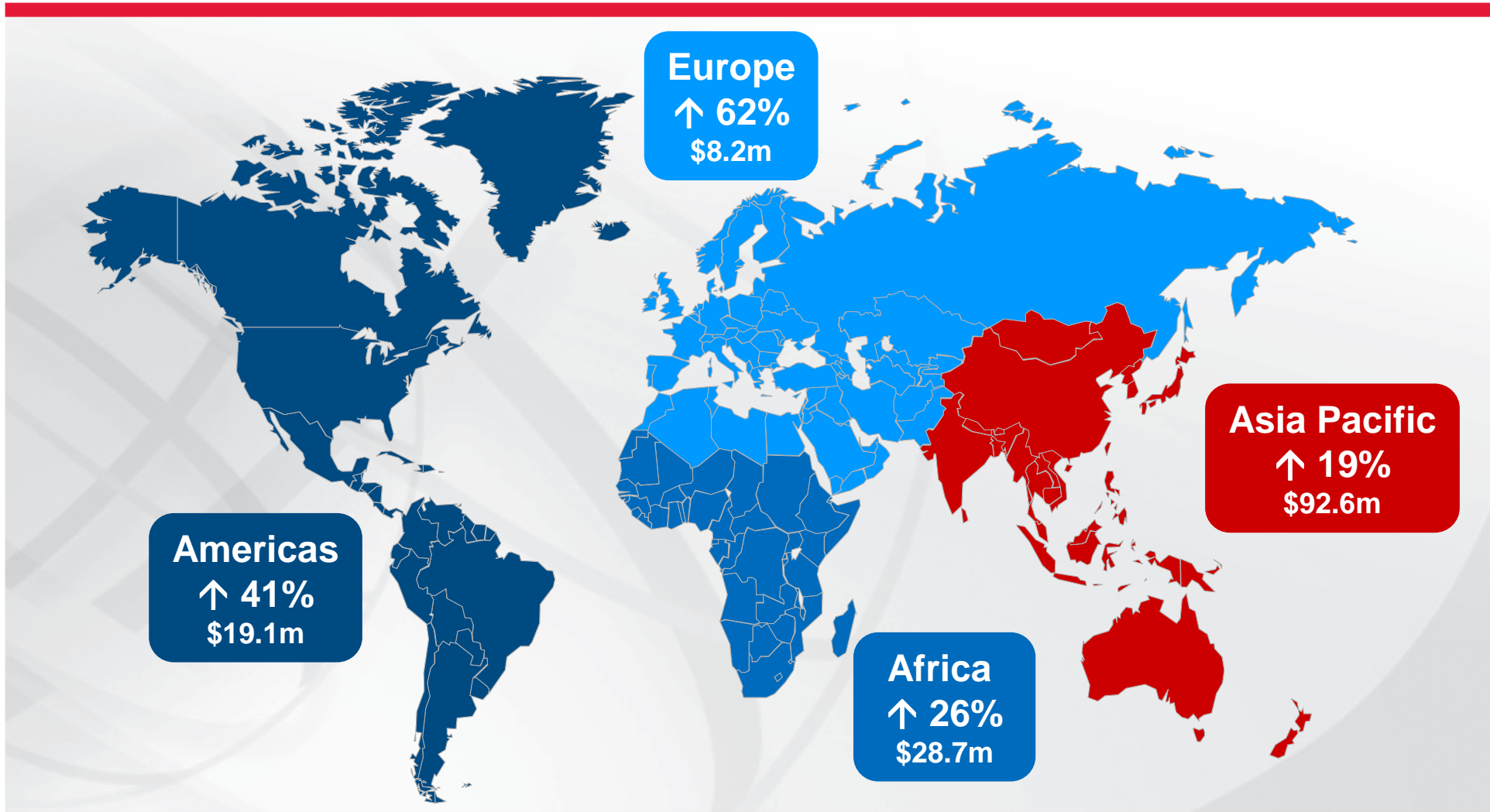
**Normalised results include discontinued operations and exclude non-operational items**

- 25% revenue growth – 20% organic growth and 5% acquisition growth
- Organic growth - all geographic areas (see next slide)
- Highest organic growth - AMC and Reflex
  - The growth in AMC was driven by increased mining and mineral exploration activity - Asia Pacific and Africa
  - Reflex's growth driven by increased market penetration - Asia Pacific, Africa and Canada

# Strong revenue growth across all geographies



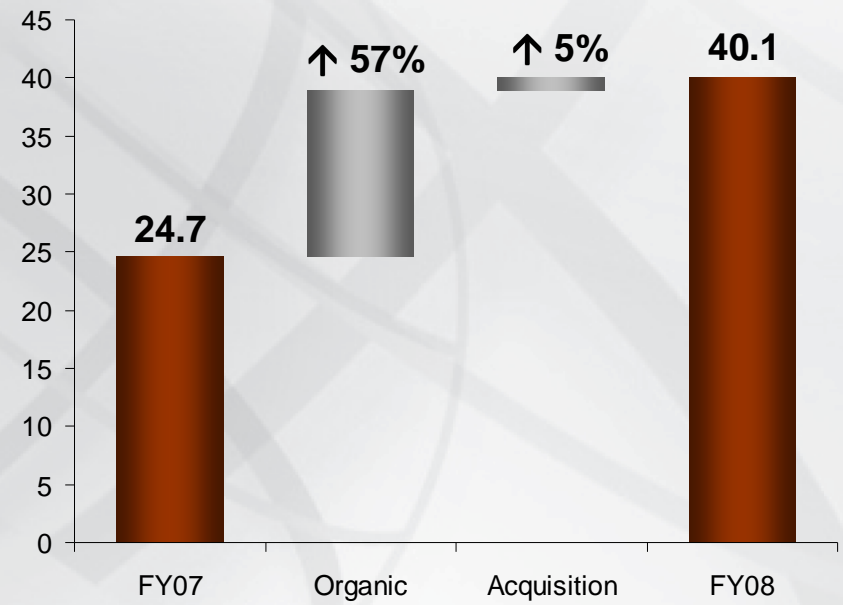
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# 62% EBITA Growth



**Normalised EBITA Growth**  
(\$m)



**Normalised results include discontinued operations and exclude non-operational items**

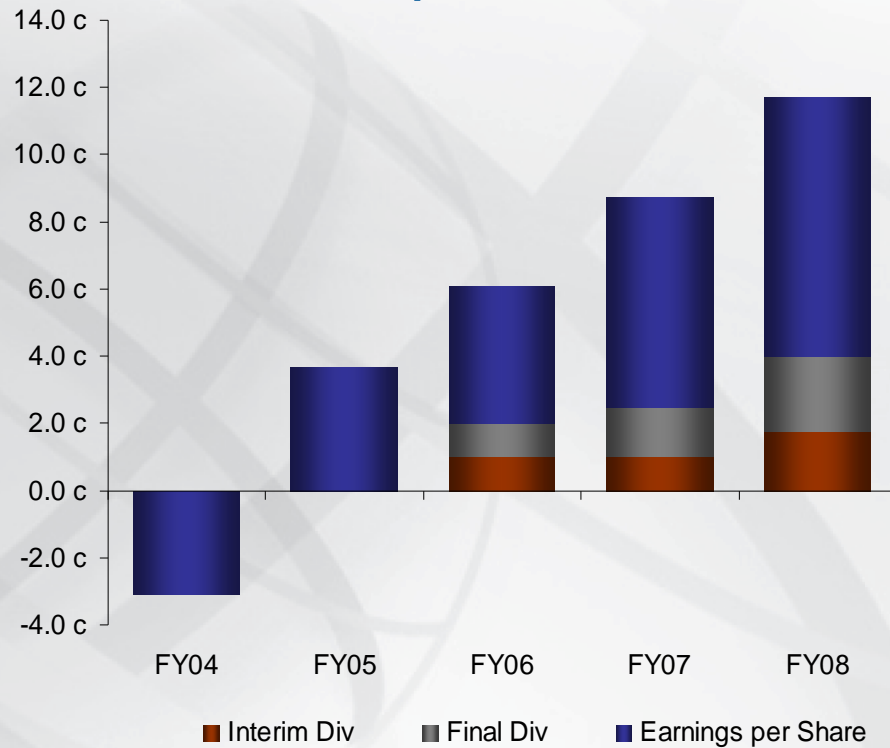
- 62% EBITA growth – 57% organic growth and 5% acquisition growth
- Growth in margins achieved by:
  - Growing economies of scale
  - Controlling back office costs, particularly in newly acquired operations
  - Continued implementation of the Index business model in all overseas operations

# EPS, DPS and ROE Growth



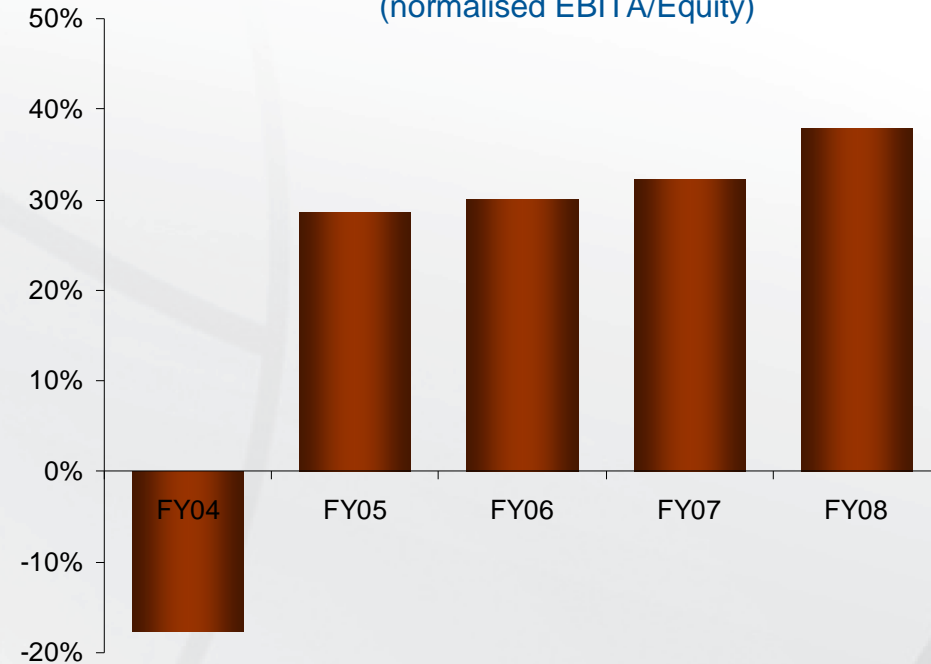
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### Normalised Earnings & Dividends per Share



Normalised results include discontinued operations and exclude non-operational items

### Return on Equity (normalised EBITA/Equity)



Index is delivering attractive Returns on Equity

# Strong Balance Sheet



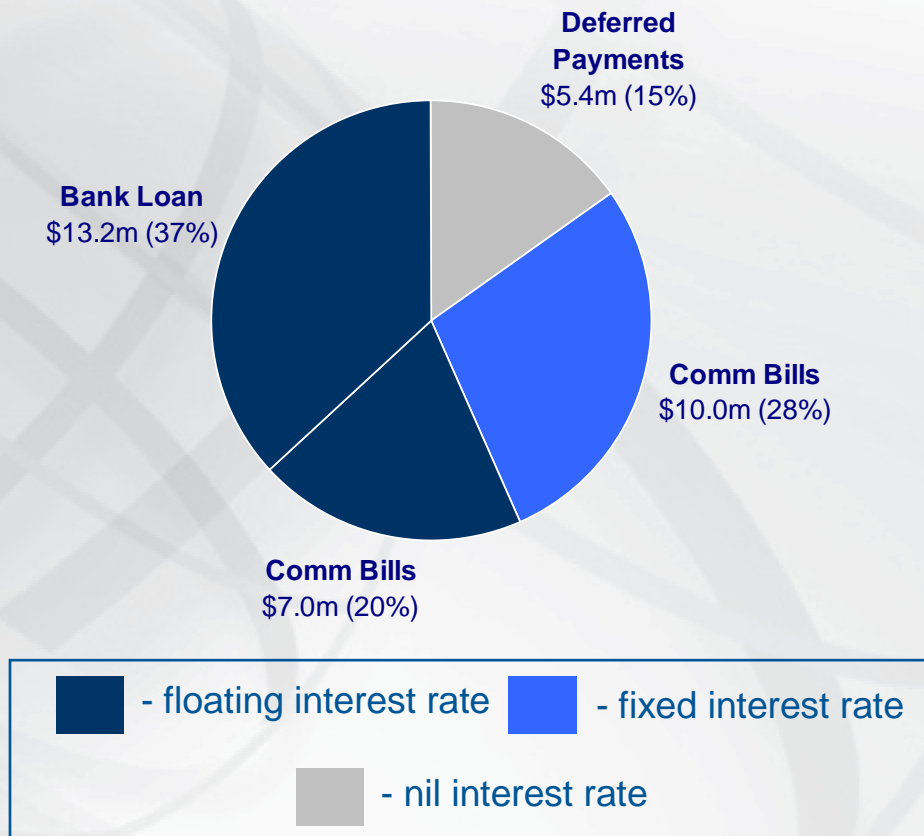
	June 08 \$000's	June 07 \$000's
Cash	13,276	15,271
Receivables	32,079	27,806
Inventory	21,716	13,839
Investment in SGE	17,508	16,056
Property, plant & equipment	7,140	13,207
Goodwill & intangible assets	79,915	62,779
Other assets	1,429	888
<b>Total Assets</b>	<b>173,063</b>	<b>149,846</b>
Payables	25,314	25,654
Commercial bills	17,000	12,300
Bank loan	13,148	15,140
Hire purchase borrowings	-	2,407
Other borrowings	-	502
Vendor finance – Chardec	5,404	10,088
Provisions / Deferred tax liabilities	6,554	7,141
<b>Total Equity</b>	<b>105,643</b>	<b>76,614</b>
<i>Debt to Equity D/(D+E)</i>	25%	35%
<i>Quick Ratio (CA – Inventory)/CL</i>	1.53	1.53
<i>Current Ratio CA/CL</i>	2.05	1.89

- Strong cash position
- Growth in assets due to acquisitions and organic business growth
- Goodwill/intangible assets due to acquisitions: includes IP and technology assets
- Recent acquisitions funded by operating cash flows and debt
- SGE:
  - Investment \$4.5m book value (15m shares at cash cost \$300k);
  - Secured loan \$13.0m (being repaid in cash from IPO - 1H09)
- Net debt of \$22.3m at 30 June 08
- Vendor finance reduced to \$3.1m on 31 July 08

# Low Gearing



## Composition of Debt at 30 June 2008



- Total debt as at 30 June 08 of \$35.6m (30 June 07 - \$40.4m)
- Gearing down to 25% (30 June 07 – 35%)
- Gearing reduced further to 24% on 31 July 08 with the repayment of \$2.3 million deferred payment
- Commercial bills are AUD based with \$10m capped at 7% p.a.
- Bank loan is SEK based and bears interest at ~7% per annum
- Deferred payments have no cash interest payments
- 43% of debt - fixed interest rates

- Highlights
- Financial Performance
- **Review of Activities**
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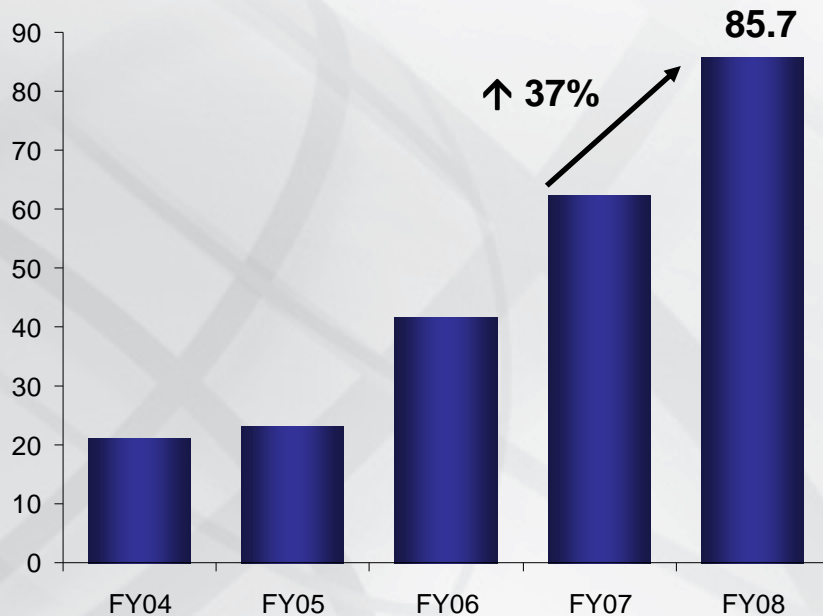
# Fluids and Chemicals Division

## Global Presence



### Fluids and Chemicals Revenue

(\$m)



Company	Country	% Acquired	Date
Poly-Drill	Canada	100%	1 July 07
Suay	Kazakhstan	75%	1 July 07
Suay	Kazakhstan	25%	30 June 08
Southernland	Chile	100%	1 Nov 07

- Strong organic growth
- A balanced global presence
- Facilities being upgraded and expanded to reduce costs and meet demand:
  - Samchem (Africa)
  - Southernland (Latin America)
- FY08 margins maintained
- Growth experienced from global alliances
- Strengthened management team to maintain/extend superior customer service

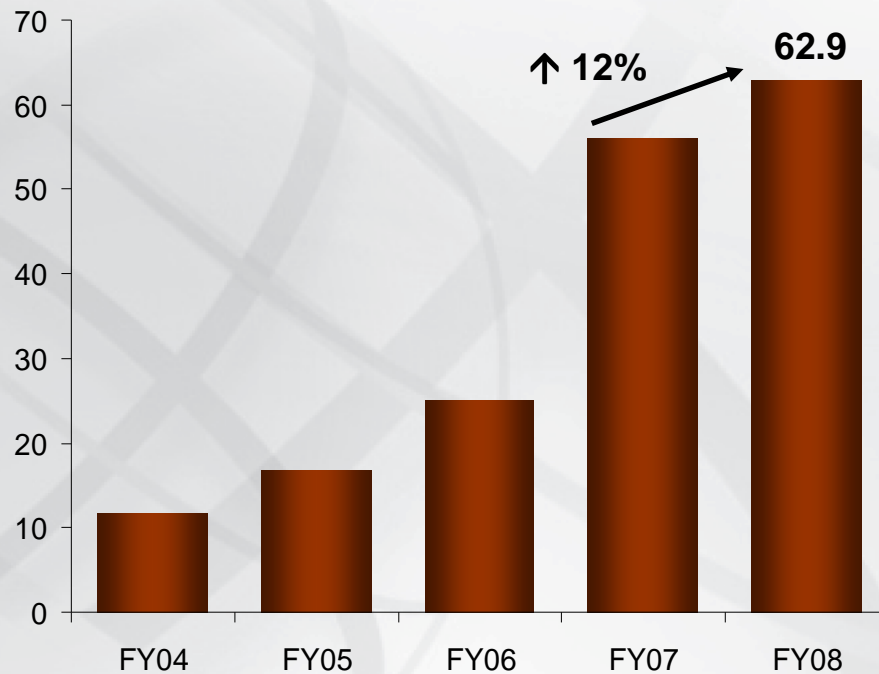
# Down Hole Instrumentation Division

## Technology Leader



### Down Hole Instrumentation Revenue

(\$m)



- Divestment of Surtron for \$20m cash on 1 Nov 07
- Acquisition of 100% of SEG (Germany) 1 Jan 08

- Gaining entry into oil & gas market with industry specific down hole instrumentation
- Continuing to grow rental business
- Maintained technology leadership:
  - Digital down hole survey instrumentation
  - Electronic core orientation tool
  - MEMS digital, solid state down hole gyro survey system
- Growth experienced from global alliances
- Strengthened management team to maintain/extend superior customer service

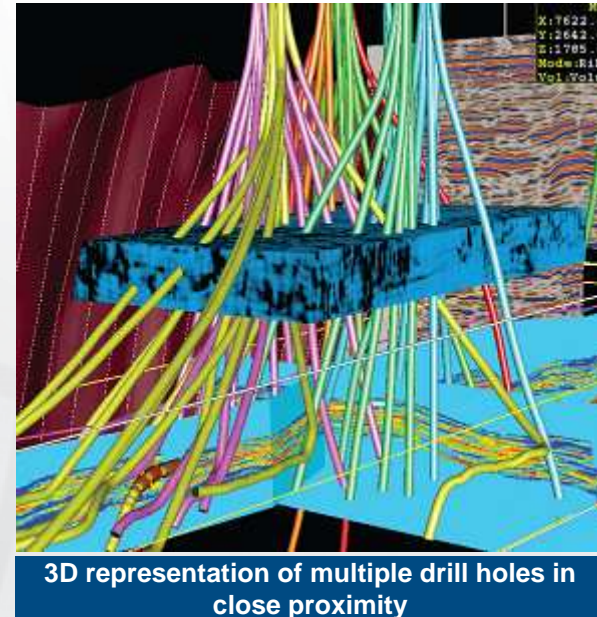
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# Down Hole Instrumentation Division

## SEG – Platform for Oil & Gas Market



- Successful integration of SEG
- Strong demand going forward
- Long term supply of gyros secured for Target INS system
- Production capacity is being expanded
- Focussed primarily on rentals
- SEG technology has competitive edge e.g. continuous “on the fly” survey
- Ongoing development of additional technologies e.g. Drop Tool



3D representation of multiple drill holes in close proximity

# FY08 Scorecard



## Achieved

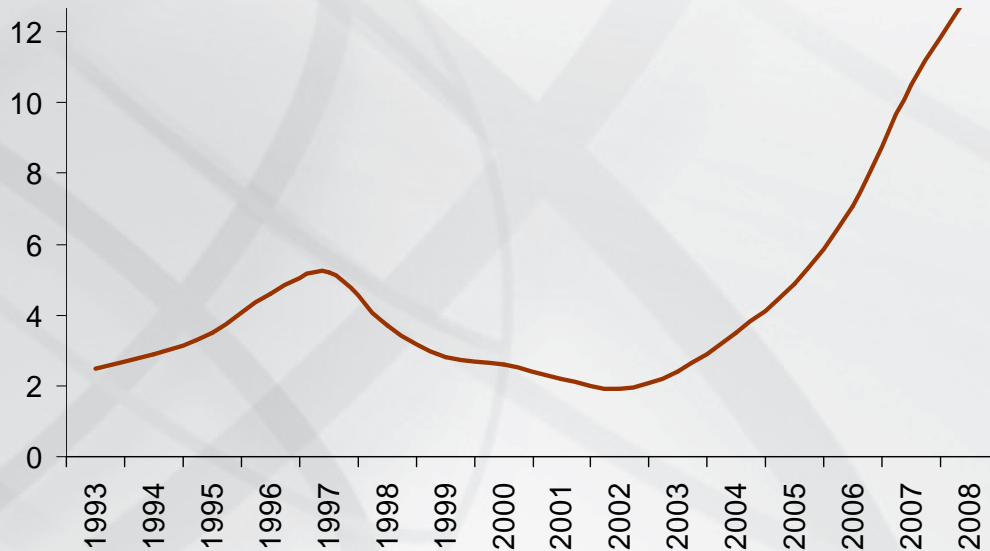
- Integrate acquisitions Yes
- Deliver organic growth Yes
- Maintain superior customer service Yes, ongoing
- Maintain and extend global technology leadership Yes, ongoing
- Support global alliances Yes, ongoing
- Penetrate oil & gas market – DHI Ongoing
- Become 5<sup>th</sup> global player in drilling fluids Ongoing
- Dispose of SGE investment Ongoing

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# Outlook for Mineral Exploration



**Estimated Exploration Spend Worldwide (Non Ferrous)  
(US\$b)**



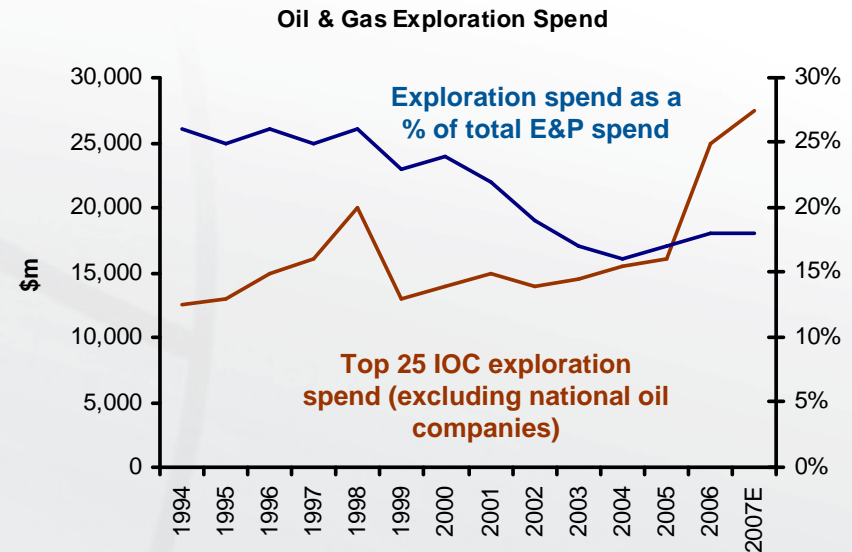
Data from the Corporate Exploration Strategies report of the Metals Economics Group – March 2008

- Record minerals exploration spend and increased production activity
  - US\$13.1b in 2008 - up 25% on US\$10.5b in 2007
- Strong demand for drilling fluids and down hole instrumentation
- Production capacity constraints – longer for supply to meet demand
  - Deeper and more complicated ore bodies
  - Longer timeframes from discovery to production
  - Rising exploration, development and production costs

# Outlook for Oil & Gas



- Strong investment into exploration and development of new reserves
- Significant uplift in exploration spend over past 4 years
- Worldwide exploration spend in 2007 was ~US\$332b (approx. 30 times that of minerals sector)
- Interest in new exploration in all parts of the industry – highest for 30 years
- Complex exploration places a premium on technologies that improve performance and reduce risk
- Imdex is well positioned to benefit from this long-term opportunity through our developing technology portfolio and competitive drilling fluids



Source: SEB Enskilda 2007

# Sustainable growth and profitability

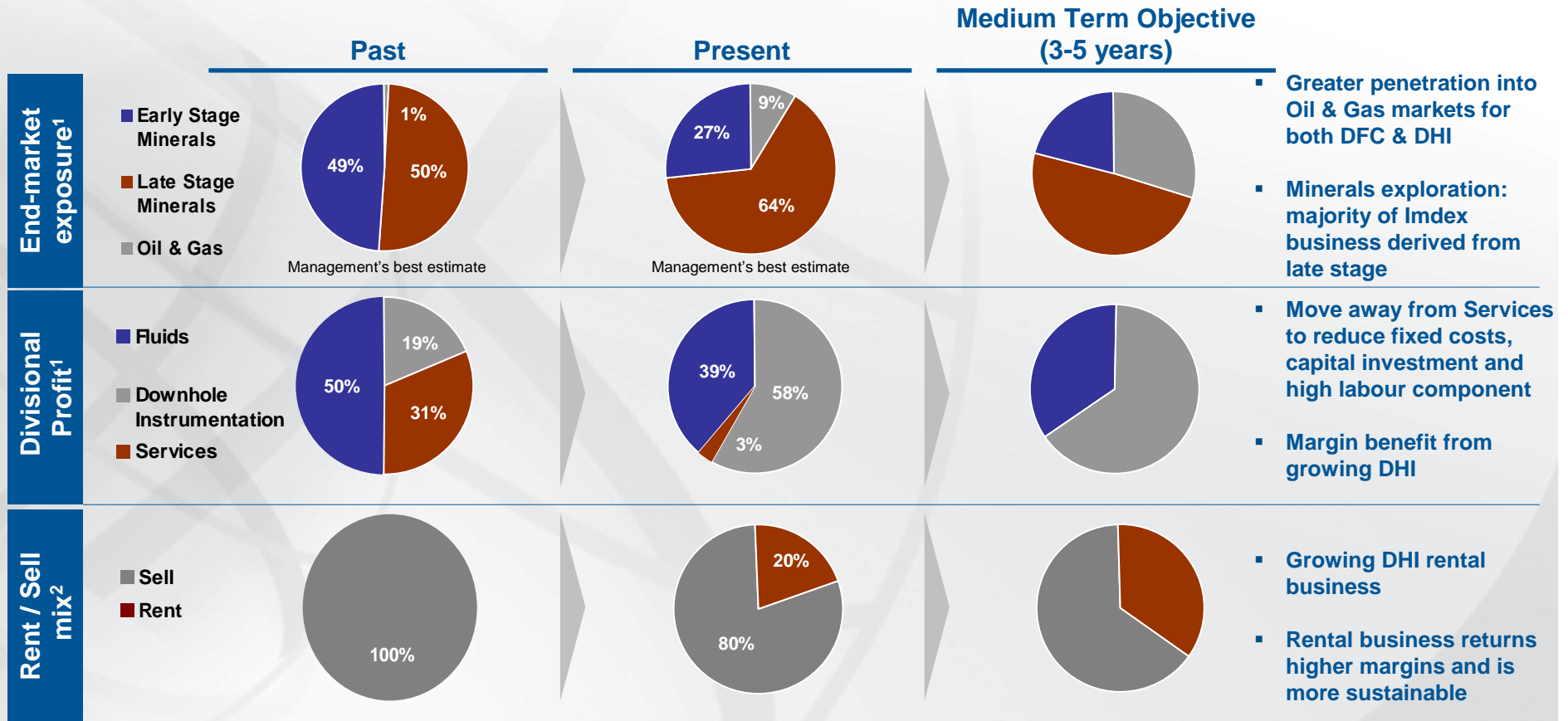


- Continue to build strong customer relationships
- Continue to diversify down hole instrumentation into oil & gas industry
- Increase competitive advantage and points of differentiation
- Continue to invest in R & D – instruments easier to operate, more accurate information, multi functional leading to increased productivity for customers
- Expand manufacturing facilities in local jurisdictions – reduces freight/shipping costs
- Continue to implement rental model in down hole instrumentation
- Diligent cost control. Where applicable, pass costs on through price increases
- Business model means profit per employee and EBITA margins highest amongst peer companies

# Medium term strategy



**Strong relationships, leading technology, sustainable growth and attractive end-markets**



<sup>1</sup> Based on actual or anticipated EBITA contribution  
<sup>2</sup> Based on actual or anticipated Revenue contribution

# Summary



- **Attractive market fundamentals**
  - Continued growth in mining and mineral exploration spend
  - Increased drilling in oil & gas with expenditure at 30 year highs
  - Commodity prices expected to drive demand for the foreseeable future
  - Balanced global exposure
  - Imdex supplies three of the world's largest drilling contractors servicing mining and exploration representing about 40% of the global market
  
- **Focused divisions**
  - Fluids and chemicals – offers scale
  - Down hole instrumentation – offers scale
  - Further bolt-on acquisitions to be pursued for both divisions
  
- **Strong business model**
  - Continued implementation of rental model
  - Market leadership using owned IP and ongoing investment in R&D
  - Low capital intensity
  - Own manufacturing
  - Comparatively low staff costs

# Summary



- **Strong growth in earnings**
  - FY08 was a record year for Group revenues and profit
  - Fifth successive year of increased revenues and profits
  - Profit margins and profit per employee highest amongst peers
- **Outlook**
  - Strong track record in revenue and profit growth expected to continue in FY09
  - The Board expects the current strong demand for Imdex products to persist and is forecasting revenue growth in FY09 of between 15-20% at similar margins to those achieved in FY08

*Strong financial and capital position supports Imdex's strategy of becoming a significant global company in "drilling fluids and down hole instrumentation"*



Oil and gas rig

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- Appendices

# Appendix – Industry Outlook Resources



## Sandvik Mining & Construction

*“2Q08 organic sales growth of 19%”*

## Atlas Copco Construction & Mining

*“24% organic sales growth in 2Q08”*

## Boart Longyear

*“20-25% revenue growth in FY08”*

## Major Drilling

*“4Q08 revenue a new record up 31.8% on pcp”*

## Layne Christensen

*“1Q09 mineral exploration revenues up 37.7% on pcp”*

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# Appendix – Industry Outlook

## Oil & Gas



### Schlumberger

*“2Q08 revenue up 7% on 1Q08 and 20% on pcp*

*“It appears that customers are responding vigorously to current commodity price levels”*

*“We therefore reiterate our “stronger for longer” view of the current cycle of exploration and production spending”*

### Halliburton

*“2Q08 revenue was a record \$4.5 billion, up 20% on pcp...driven by both increased international activity and strengthening demand in the United States”*

### Baker Hughes

*“Revenue for 2Q08 was up 18% on pcp”*

*“Looking forward, we continue to see many opportunities...”*

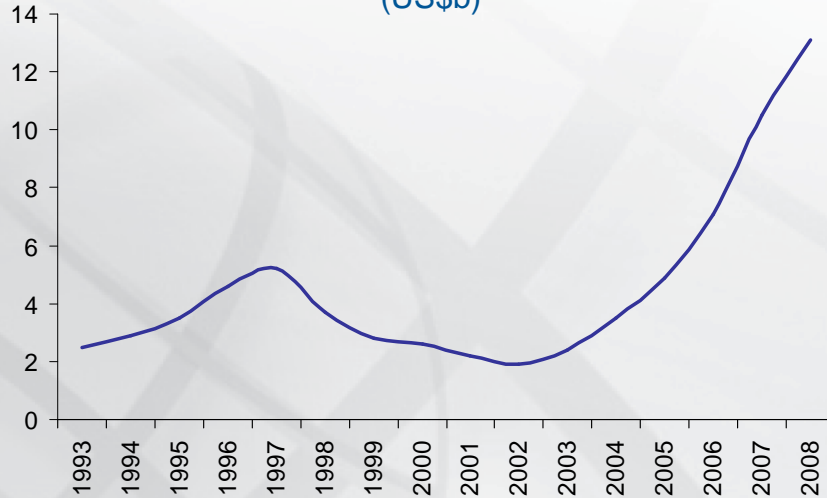
### Newpark Resources

*“2Q08 drilling fluids revenue of US\$169.1m, up 29% on pcp”*

# Appendix - Mineral Exploration Spend



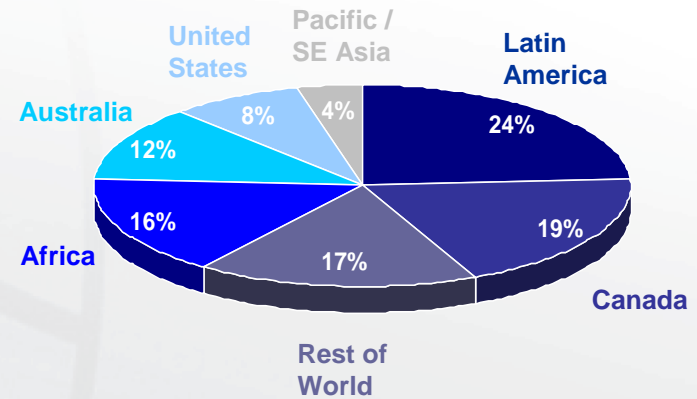
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(US\$b)



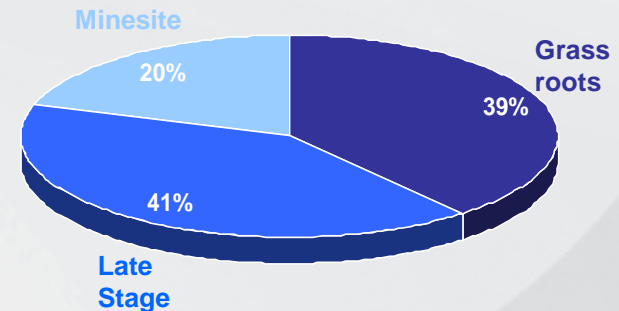
Data from the Corporate Exploration Strategies report of the Metals Economics Group – March 2008

- In Latin America, 83% of expenditure is undertaken in Mexico, Peru, Chile, Brazil and Argentina
- In Africa, major exploration destinations include South Africa, DRC, Angola, Tanzania, Botswana and Ghana representing two thirds of Africa's total spend
- Late stage exploration exceeds grassroots exploration for the third consecutive year

**Worldwide Exploration Budgets\* by Region 2007 (%)**



**Worldwide Exploration Budgets\* by Stage 2007 (%)**



\* 1,980 companies' budgets totalling US\$11.4B. Source: MEG, Mar 2008

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