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Boart Longyear Announces First Quarter 2019 Results

Boart Longyear Limited (ASX: BLY) - Boart Longyear, the world's leading supplier of drilling services, equipment and tooling for mining and drilling companies, announces results for the first quarter ended 31 March 2019. All results are referenced in US dollars.

Jeff Olsen, Boart Longyear's CEO, commented on the Company's results, stating, "Q1 was another terrific quarter on our path to recovery. We are very pleased with the results as they continue to demonstrate improvements in both the markets and our underlying business. This is clearly demonstrated by the \$7 million improvement in Adjusted EBITDA on \$2 million higher revenues. Notably, organic revenue on continuing operations grew 8% during the quarter driven by improved market conditions. The first quarter of the year is typically our slowest quarter and this year we had the best cash performance of any comparable quarter since 2007."

KEY METRICS FOR YEAR THROUGH 31 MARCH 2019 (Compared to 31 MARCH 2018)

- **REVENUE - \$190M - Up \$2M (1%). After eliminating impacts of FX, discontinued operations and slow-moving inventory, business grew by 8%**
- **ADJUSTED EBITDA - \$22M - Up \$7M (47%) on improved volume, pricing, and productivity gains**
- **NET PROFIT AFTER TAX - \$11M Improvement (65%). Invested \$10M of capital back into the business**
- **LEVERAGE - While market conditions may change we are on track to have leverage below 6x Adjusted EBITDA by year end**

COMPARATIVE RESULTS

(US \$M)	Consolidated Results		
	3 Months Ended		% Change Fav/(Unfav)
	31-Mar-19	31-Mar-18	
Total Company			
Revenue	190	188	1%
Statutory EBITDA	19	13	46%
Adjusted EBITDA	22	15	47%
Statutory Net Profit After Tax	(6)	(17)	65%
Net Cash Flows from Operating Activities	3	0	1,634%
Net Debt	729	616	(18%)
SG&A	22	23	4%
Number of Employees	4,727	4,882	3%

	Divisional Results		
	3 Months Ended		% Change Fav/(Unfav)
	31-Mar-19	31-Mar-18	
Global Drilling Services			
Revenue	132	122	8%
Statutory EBITDA	26	12	117%
Average Number of Operating Drill Rigs	284	300	(5%)
Average Number of Drill Rigs *	691	677	2%
Average Rig Utilisation	41%	44%	(3%)
Number of Employees	3,493	3,647	4%
Global Products			
Revenue	58	66	(12%)
Statutory EBITDA	6	8	(25%)
Average Backlog	31	32	(5%)
Number of Employees	927	947	2%

RESULTS COMMENTARY

Revenues for the first quarter closed flat compared to the prior year and were impacted by FX currency movements, discontinued operations and higher sales from company initiative to reduce slow moving inventory in Q1 2018. Adjusting for the effect of those factors revenue increased 8% from the prior year period. Lower demand in the products business was driven by uncertainty in the global economy. Adjusted EBITDA increased from \$15M to \$22M, driven by improvement in pricing, cost reductions and productivity initiatives.

The Company experienced a notable improvement in cash from operations through March of \$3M (\$3M source through March 2019 compared to \$0M through March 2018). Net working capital increased from 31 December 2018 levels in line with the 2019 drill program start-ups.

Liquidity at 31 March 2019 was \$44M, comprised of cash balances totalling \$30M and a further \$14M of availability under the Company's asset-based loan facility.

STRATEGIC PRIORITIES

With improved financial and operating performance in 2018, the Company strategy is on target to continue that momentum through 2019. To create long-term value, Management has implemented directives to facilitate growth and to address imperatives to build customer loyalty, better understand customer needs, position the company to differentiate offerings ahead of the competition, and to improve upon its service excellence, especially with key accounts.

While long-term value creation is at the core of the Company's strategy, the Company continues to drive objectives to reduce debt, improve efficiencies, increase cash returned on investment, and improve overall profitability. With commodity markets trending upwards, steps are being taken to deploy capital while finding new growth segments and markets.

The Company's strategic focus is built upon providing customers with high-quality geological information through the use of its products, services, and increasingly important advanced technologies found within its expanding Geological Data Services (GDS). Coring equipment and products are consistently refined and developed to increase the quality of core extracted through exploration activities. GDS instrumentation and tools are a key part and competitive advantage to the Company's complete offerings, giving geologists and mining companies more timely geological information for critical decision making. These developments in exploration are driven by understanding the needs of customers and continually innovating to their greater expectations and requirements towards earning more efficiencies.

Footnotes:

- 1) Increase in Net Debt during the quarter was due to PIK interest being converted to debt as anticipated, and the impact of the IFRS16 accounting change which requires capitalization of previously off-balance sheet operating leases (\$30M).
- 2) Q1 EBITDA was benefited \$3M by the IFRS16 accounting change
- 3) Profit on Sale of Fixed Assets through the company's simplification project improved 2018 Q1 adjusted EBITDA by \$4M. This benefit was not repeated in Q1 2019.



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Disclaimer

This announcement contains certain “forward-looking statements.” The words “anticipate, “believe”, “expect”, “project”, “forecast”, “estimate”, “likely”, “intend”, “should”, “could”, “may”, “target”, “plan” and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention has been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the Company’s control and may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

About Boart Longyear

Established in 1890, Boart Longyear is the world’s leading provider of drilling services, drilling equipment and performance tooling for mining and drilling companies. It also has a substantial presence in aftermarket parts and service, energy, mine de-watering, oil sands exploration, production drilling, and down-hole instrumentation.

The Global Drilling Services division operates for a diverse mining customer base spanning a wide range of commodities, including copper, gold, nickel, zinc, uranium, and other metals and minerals. The Global Products division designs, manufactures and sells drilling equipment, performance tooling, down-hole instrumentation and parts and services.

Boart Longyear is headquartered in Salt Lake City, Utah, USA, and listed on the Australian Securities Exchange in Sydney, Australia (ASX:BLY). More information about Boart Longyear can be found at www.boartlongyear.com. To get Boart Longyear news direct, follow us on [Twitter](#), [LinkedIn](#) and [Facebook](#).

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