



20 August 2012

## **IMDEX ANNOUNCES RECORD RESULT AND SUBSTANTIAL INCREASE TO DIVIDEND**

Imdex Limited (ASX: IMD) today announced its results for the 12 months ended 30 June 2012 (FY12), which saw the company achieve record results and substantially increase its dividend.

### **Financial highlights – record results across all key metrics:**

- Revenue up 31% to \$269.6 million (FY11: \$205.2 million)
- Combined revenue (excluding interest) up 36% to \$278.9 million (FY11: \$205.2 million)
- Earnings before interest, tax and amortisation (EBITA)\* up 56% to \$75.2 million (FY11: \$48.1 million)
- Net profit after tax (NPAT) up 58% to \$45.8 million (FY11: \$29.0 million)
- Net assets up 34% to \$168.1 million (30 June 2011: \$125.4 million)
- Operating cash flow before taxes paid up 29% to \$56.9 million (FY11: \$44.0 million)
- Low gearing levels with net debt/capital of 22.3%
- Final dividend up 45% to 4.00 cents per share fully franked (FY11: 2.75 cents per share fully franked)
- Total FY12 dividend up 61% to 7.25 cents per share fully franked (FY11: 4.50 cents per share fully franked)

*\* Including DHS Energy Services joint venture loss of \$1.5 million*



### **Operational highlights:**

- Increased market share in all global regions
- Acquisition of Brazilian based System Mud Industria e Comercio Ltda
- Record Reflex rental fleet levels
- Continued investment in research and product development maintaining the Company's pipeline of new and improved products
- Commercialisation of AMC's Solids Removal Units
- Acquisition of US based oil and gas downhole survey provider, Vaughn Energy Services, by DHS Energy Services – now 30% owned by Imdex

Commenting on the results, Imdex's Managing Director, Mr Bernie Ridgeway, said:

"The 2012 financial year has been exceptional on both the financial and operational fronts.

"Across all key financial metrics Imdex has been able to achieve record results, reflecting the Company's global footprint and growing market position, as well as our unique product range and leading technologies. Our strong balance sheet, growing cash flows, and attractive growth opportunities have also lead to a substantial increase in dividend.

"Operationally, we have seen record Reflex rental levels in mining downhole instrumentation, successfully integrated three strategic acquisitions, executed a significant joint venture within the oil and gas sector, and further enhanced our product range and leading technology position."

Mr Ridgeway reiterated the Company's strategy of growing its global business, expanding into growth markets (particularly oil and gas), maintaining product leadership through investment in research and development, increasing rental based revenue, and expanding margins through operational efficiencies.



“Imdex’s commitment to its strategy over the past seven years has produced a strong global company backed by market leading technologies. Despite recent softening in the resources sector, largely reflecting junior companies conserving cash, we note that approximately 80 per cent of Imdex’s revenue is generated from major and intermediate resource companies, and approximately 70 per cent from the development and production phases. Imdex is therefore well positioned to continue to grow its earnings through increasing market share, introducing new products, and growing its oil and gas division,” added Mr Ridgeway.

### **Minerals Division**

Imdex’s Minerals Division consists of the AMC and Reflex businesses. These businesses market drilling fluids, chemicals, solids removal technology, and downhole instrumentation to the global minerals industry.

### ***Financial performance***

During FY12 the Minerals Division contributed 87% of Imdex’s combined revenue, growing by 36% to \$241.7 million. Operational EBITA was up 72% to \$85.7 million (FY11: \$49.9 million).

### ***Key operating highlights and achievements***

- Successfully integrated Australian Drilling Specialities (ADS), a Western Australian based manufacturer of high quality drilling fluids and chemicals effective 1 July 2011
  - Complemented Imdex’s existing operations and is delivering additional growth opportunities within the mining and oil and gas industries
  - Immediately earnings accretive
  
- Acquisition of Brazilian based System Mud Industria e Comercio Ltda (System Mud) effective 1 August 2011
  - Bolt-on acquisition that significantly strengthened Imdex’s position in Latin America
  - Strongly aligned with Imdex’s clearly defined strategy of further expanding its drilling fluids and chemicals business in growth regions



- Record Reflex rental fleet levels
  - Strong demand for Reflex's superior technology over FY12 will be further enhanced with the release of new products in FY13 and beyond
- Active product development of Reflex's existing range of downhole instrumentation
  - Maintaining Imdex's technological leadership through continued investment in the longevity of the Company's products, ensuring they provide the most efficient and accurate results for customers
- Development of new instrumentation including the Reflex Ez-Gyro and Reflex Smart Barrel
  - Both these revolutionary instruments will significantly enhance the efficiency of operations which is demanded by Imdex's customers. These new instruments will be released to the market in FY13
- Refinement and commercialisation of AMC's Solids Removal Units (SRUs)
  - SRUs were released to the Australian market in late FY12 and production is being increased to meet demand. This business line is expected to generate strong global revenue in FY13. Imdex has first mover advantage with this innovative technology, and there has been significant interest shown in it, predominately by the major mining companies.

Mr Ridgeway said the excellent results achieved by Imdex's Minerals Division were driven by consistently strong performances across all geographical regions and ongoing benefits being realised from the regional operating structure Imdex implemented in 2010.

"Imdex's regional structure has allowed us to generate operational efficiencies, provide better customer support, and enhanced our ability to deliver a broader selection of solutions and products to our customers. Importantly, the benefits generated by the regional structure are expected to continue in the future," said Mr Ridgeway.



## **Oil and Gas Division**

Imdex's Oil & Gas Division consists of the AMC Oil & Gas and Imdex's 30% interest in DHS. These businesses respectively provide drilling fluids, production and completion chemicals, and downhole survey services to the global oil and gas industry.

### ***Financial performance***

The Oil & Gas Division contributed 13% of Imdex's full year combined revenue and grew by 36% to \$37.2 million. Operational EBITA was a loss of \$6.2 million, largely from AMC Oil & Gas and was driven by a variety of issues, including long periods of wet weather on the eastern seaboard and a slower ramp up in AMC Germany. In FY12 we have invested in people, facilities and inventory and we now believe the foundations are in place for substantial growth in FY13 and beyond.

### ***Key operating highlights and achievements***

- Successfully integrated AMC Oil & Gas Europe.
  - Imdex acquired the German based drilling fluids and equipment business effective 1 March 2011
  - Enhanced Imdex's product range, expertise and exposure to the oil and gas and geothermal industries in Europe, an area with attractive growth opportunities
  
- DHS Joint Venture acquired US based oil and gas downhole survey provider Vaughn Energy Services (VES), effective 1 January 2012.
  - Immediately earnings accretive and supported Imdex's strategy of generating approximately 30-40% of revenues from the oil and gas market within the next 3-4 years
  - The combined DHS/VES business has excellent growth prospects in the US domestic onshore oil and gas market as well as the international offshore and onshore markets, and is expected to generate significant revenue and profits in FY13 and beyond.



Mr Ridgeway noted “Imdex’s Oil & Gas Division’s performance is expected to increase substantially in the 2013 financial year due to the acquisitions of significant revenue generating assets in this sector.”

“Importantly, our DHS joint venture’s acquisition of Vaughn Energy Services positions the joint venture as a leading global competitor in the US\$400-500 million annual oil and gas downhole survey market. It also offers numerous other benefits to Imdex including diversification and enhancement of our geographical footprint, as well as a marked increase in our range of technologies and breadth of customer base,” added Mr Ridgeway.

Commenting on the Oil and Gas Division’s EBITA, Mr Ridgeway said Imdex had committed considerable investment to the consolidation and development of AMC Oil & Gas in order to position it for growth in FY13.

“Throughout the year Imdex secured key personnel, invested in equipment and enhanced ISO 9000 accreditation, enabling the Company to participate in additional contract tenders,” added Mr Ridgeway.

### **Dividend**

In line with Imdex’s policy of reinvesting in the longevity of its products and growth cycle, whilst maintaining a steady and sustainable dividend stream for the Company’s shareholders, the Directors have declared a final fully franked dividend of 4.00 cents per share. This brings the total dividend for FY12 to 7.25 cents per share fully franked, a 61% increase from the prior year.

Dividend record and payment dates are 12 October 2012 and 26 October 2012 respectively.

### **Outlook**

The fundamentals driving Imdex’s core markets remain positive. However, the three principal macro risks of European sovereign debt and the state of the Chinese and US economies continue to create a level of uncertainty.



Notwithstanding this underlying sentiment and commodity prices coming off recent highs, gold and copper prices, which have the greatest impact on Imdex's revenue, remain above their long term averages. In addition, the majority of Imdex's revenue is sourced from major/intermediate resource companies, and they continue to report solid pipelines of work with plans for significant future development expenditure.

Industry data suggests that demand within the oil and gas sector remains strong, buoyed by continuing demand, particularly across Asia. Energy demand growth is forecast to continue to grow at a time where supply challenges continue, given declining significant world class discoveries and diminishing easily accessible reserves.

Mr Ridgeway said he was confident that Imdex would continue to grow in the 2013 financial year and yield increasing returns for its shareholders.

"Imdex has a diversified customer base, with approximately 70 per cent of its minerals revenue generated from gold and copper projects and approximately 80 per cent of its revenue generated within the development phase from major and intermediate resource companies. On the oil and gas side of the business, Imdex now has the product range, expertise and global reach required to further enhance revenue from the energy sector," said Mr Ridgeway.

Commenting on Imdex's growth trajectory, Mr Ridgeway also highlighted the extensive development experienced by the Company, particularly over the past seven years.

"Imdex has significantly increased its geographical presence and remains well positioned for growth in both the global mining and minerals industry and the global oil and gas market. The Company has developed a range of products and superior technology to support customers operating at every stage of their lifecycle," Mr Ridgeway said.



### Key priorities for FY13

- Manufacturing and marketing Imdex's Solids Removal Units via the Company's existing global distribution channels
- Commercialising newly developed products, including the Reflex Ez-Gyro and Reflex Smart Barrel
- Increasing geographical market share in growth regions including Canada, Latin America, Africa, the United States and Europe
- Utilising Imdex's specialist technical expertise and product development laboratories to enhance existing and develop new drilling fluid products and down hole instrumentation for the minerals and oil and gas markets
- Further expansion of Imdex's capabilities and presence in the global conventional and unconventional oil and gas and geothermal markets.

Mr. Ross Kelly AM BE (HONS) FAICD

Imdex Limited, Chairman

A handwritten signature in black ink that reads "Ross Kelly".

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**Imdex Limited**  
**Summary Financial Highlights for the Year Ended 30 June 2012**  
**(Audited Results)**

	Consolidated			
	2010 \$'000	2011 \$'000	2012 \$'000	11-12 Var %
<b>Revenue from continuing operations (excluding interest income)</b>	<b>134,253</b>	<b>205,163</b>	<b>269,563</b>	<b>31%</b>
Operating Profit before Interest, Tax, Depreciation & Amortisation	24,893	53,867	81,960	52%
Depreciation	(4,182)	(5,721)	(6,761)	18%
<b>Earnings before Interest, Tax &amp; Amortisation (EBITA)</b>	<b>20,711</b>	<b>48,146</b>	<b>75,199</b>	<b>56%</b>
EBITA margin	15.0%	23.5%	27.9%	18.7%
Amortisation	(6,363)	(6,778)	(5,957)	(12%)
<b>Earnings before Interest &amp; Tax (EBIT)</b>	<b>14,348</b>	<b>41,368</b>	<b>69,242</b>	<b>67%</b>
Net interest expense	(771)	(2,775)	(1,742)	(37%)
Net profit before tax	13,577	38,593	67,500	75%
Income tax expense	(3,781)	(9,591)	(21,723)	126%
<b>Net Profit after Tax (before non-operational items)</b>	<b>9,796</b>	<b>29,002</b>	<b>45,777</b>	<b>58%</b>
<b>Non-operational items</b>				
Forex loss on loan to SEH	(677)	-	-	-
Impairment of SEH investment	(10,440)	-	-	-
Impairment of operations	(23,531)	-	-	-
Tax effect of non-operational items	3,304	-	-	-
<b>Net Profit for the Year after Tax</b>	<b>(21,548)</b>	<b>29,002</b>	<b>45,777</b>	<b>58%</b>
<b>Basic (loss) / earnings per share</b>	<b>(11.05 ¢)</b>	<b>14.69 ¢</b>	<b>22.34 ¢</b>	<b>52%</b>
<b>Net Cash before tax provided by Operating Activities</b>	<b>16,013</b>	<b>44,039</b>	<b>56,939</b>	<b>29%</b>
<b>Cash on hand</b>	<b>9,007</b>	<b>18,388</b>	<b>11,232</b>	<b>(39%)</b>
<b>Net Assets</b>	<b>94,495</b>	<b>125,409</b>	<b>168,066</b>	<b>34%</b>
<b>Total Borrowings (incl deferred acquisition payments)</b>	<b>32,018</b>	<b>37,860</b>	<b>59,429</b>	<b>57%</b>
<b>Net Tangible Assets per Share</b>	<b>22.83 ¢</b>	<b>34.83 ¢</b>	<b>51.35 ¢</b>	<b>47%</b>