



# Enteq Upstream

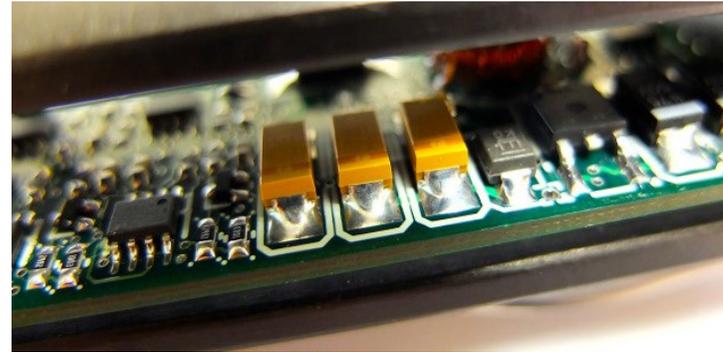
## Interim results presentation

*6 months ended 30 September 2019*

***Reach & Recovery Technologies***  
*For Upstream Oil & Gas*

## Supplier of Measurement While Drilling equipment to directional drilling service companies

- An MWD system is operated during the drilling of EVERY directional oil or gas well
- MWD allows the well to be drilled to the target location and to maximise drilling efficiency
- Enteq sells or rents specialist equipment to the drilling company
- Directional Drilling services market is @ \$10bn
- MWD supply market is @ \$200m



- Significant growth in revenue (58%) and adjusted EBITDA\* (143%) over previous H1
- Growth in both North American and International revenues
- International revenues up to 36% of first half year total (September 2018: 6%)
- Technology partnerships creating pull through for Enteq sales
- Exclusive agreement with Shell for innovative Directional Drilling technology

| <i>\$m</i>      |               | <i>H1 2019/20</i> | <i>H2 2018/19</i> | <i>H1 2018/19</i> |
|-----------------|---------------|-------------------|-------------------|-------------------|
| Revenue:        |               |                   |                   |                   |
|                 | North America | 4.2               | 5.3               | 3.9               |
|                 | International | 2.3               | 0.7               | 0.3               |
|                 |               | <b>6.5</b>        | <b>6.0</b>        | <b>4.2</b>        |
| Adjusted EBITDA |               | <b>1.5</b>        | <b>1.9</b>        | <b>0.6</b>        |
| Cash            |               | <b>10.7</b>       | <b>11.9</b>       | <b>11.8</b>       |
| Overheads       |               | <b>2.1</b>        | <b>2.2</b>        | <b>2.0</b>        |

- WTI crude within \$50 - \$70 price range
  - Economic for major US production fields
- USA Rig Count currently approx. 820
  - Mar 19 : 980      Sep 18 : 1,050
- Current North American market shows signs of weakness
  - Steady reduction in rig count throughout 2019 to date, however
  - Requires long term stability in oil production
- International markets show increasing in demand for Enteq equipment

- UK

- Board / Senior Management
- International Business Development
- Sponsored engineering project
- Serviced office & remote engineering

- Houston

- Electronic & focused mechanical manufacturing capability
- R&D/engineering team
- Sales & Customer support
- Administration
- Owned facility and some outworking on engineering

- Total Head Count

- 35 employees
- Contract engineering development teams in UK



## Components



## Systems



## Solutions



- Technology agreements
- IP Acquisitions
- Internal development

### ONGOING PRODUCT ENHANCEMENT

- Communication
  - Connectivity
  - Higher data rates
  - Near bit
- Formation Evaluation
  - Gamma
  - Resistivity
  - Logging While Drilling

- New customers established in China, Middle East and Russia
- New technology partnerships and licensing arrangements:
  - Well Resolution Technology 'At-Bit' sensors resulting in "pull through" sales, primarily in China
  - Exclusive licence from Shell to commercialise novel rotary steerable system
- Continued in-house development of PowerHop (the patented wireless down-hole connection system) :
  - Successful demonstrations to a number of potential customers
  - Exhibited at ADIPEC

# Income statement

|                                | H1 2019/20   | H2 2018/19 | H1 2018/19   |
|--------------------------------|--------------|------------|--------------|
|                                | \$m          | \$m        | \$m          |
| <b>Revenue</b>                 | <b>6.5</b>   | <b>6.0</b> | <b>4.2</b>   |
| Gross profit                   | 3.6          | 4.1        | 2.6          |
| Overheads                      | (2.1)        | (2.2)      | (2.0)        |
| <b>Adjusted EBITDA</b>         | <b>1.5</b>   | <b>1.9</b> | <b>0.6</b>   |
| Depreciation & amortisation    | (1.9)*       | (1.6)      | (1.1)        |
| Interest                       | 0.2          | 0.1        | 0.1          |
| Exceptional and other items    | (0.3)        | (0.2)      | -            |
| Profit/(loss) before tax       | (0.5)        | 0.2        | (0.4)        |
| Tax                            | -            | 0.1        | -            |
| <b>Profit/(loss) after tax</b> | <b>(0.5)</b> | <b>0.3</b> | <b>(0.4)</b> |
| <i>Gross margin</i>            | <i>55%</i>   | <i>68%</i> | <i>62%</i>   |

\* Increase in depreciation charge due to increase in rental fleet (Sep 19= 32 kits)

|                                       | H1 2019/20         | H2 2018/19  | H1 2018/19         |
|---------------------------------------|--------------------|-------------|--------------------|
|                                       | \$m                | \$m         | \$m                |
| <b>Adjusted EBITDA</b>                | <b>1.5</b>         | <b>1.9</b>  | <b>0.6</b>         |
| Change in operational working capital | (1.5) <sup>a</sup> | 0.3         | (1.8) <sup>b</sup> |
| <b>Operational cash generated</b>     | <b>-</b>           | <b>2.2</b>  | <b>(1.2)</b>       |
| Increase in rental fleet              | (0.7)              | (1.9)       | (1.9)              |
| R&D expenditure                       | (0.7)              | (0.8)       | (0.5)              |
| CAPEX                                 | (0.1)              | -           | (0.2)              |
| Interest and other                    | 0.3                | 0.6         | 0.1                |
| Net cash movement                     | (1.2)              | 0.1         | (3.7)              |
| Opening cash                          | 11.9               | 11.8        | 15.5               |
| <b>Closing cash</b>                   | <b>10.7</b>        | <b>11.9</b> | <b>11.8</b>        |

<sup>a</sup> Includes \$0.6m of long lead time sensors plus reduction in creditors

<sup>b</sup> Includes \$0.4m of "At bit" demo stock

|                                    | 30 September 2019 | 31 March 2019 |
|------------------------------------|-------------------|---------------|
|                                    | \$m               | \$m           |
| Intangibles (R&D capitalised)      | 2.9               | 2.4           |
| Land & buildings (Freehold of SHO) | 2.1               | 2.1           |
| Plant & equipment                  | 0.4               | 0.3           |
| Trade & other receivables          | 2.3               | 2.4           |
| Inventories held for resale        | 5.3               | 4.5           |
| Inventories held for rental        | 2.5               | 3.4           |
| Trade & other payables             | (2.3)             | (3.0)         |
| Cash                               | 10.7              | 11.9          |
| <b>Net assets</b>                  | <b>23.9</b>       | <b>24.0</b>   |

- Core market of USA land drilling weakening in short/medium term but stable long term
- International markets shows increasing demand
- Introducing new technologies will address broader market
- Ongoing investment in new products can transform scale

- Progressive growth in revenue and adjusted EBITDA.
- Encouraging international opportunities could balance any North America market weakness.
- New technology making progress and creating significant medium-term opportunity
- Continuing strong balance sheet and cash balance.
- Continuing investment in technology and the MWD rental fleet.
- Increasing focus on marketing & investor communication

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