



Enteq Upstream

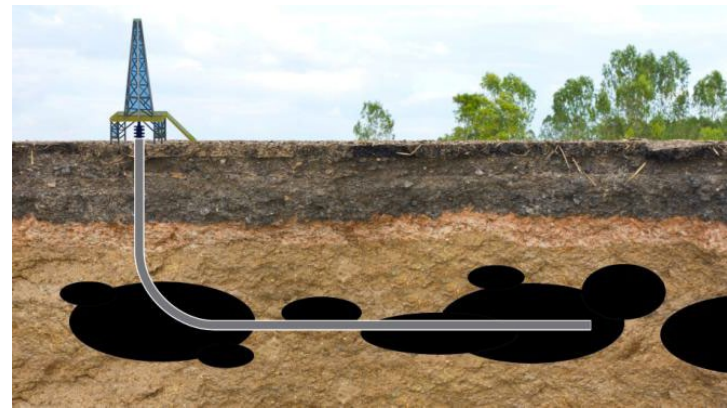
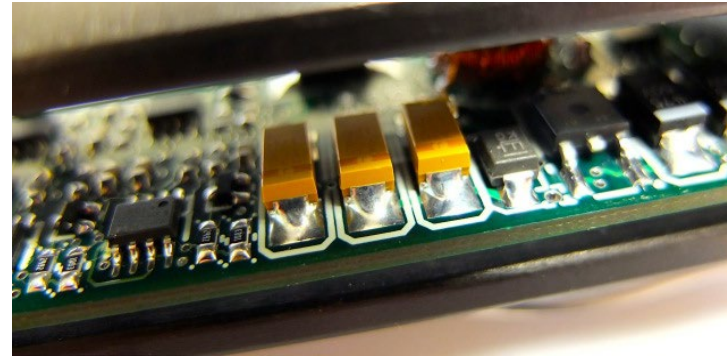
Interim results presentation

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
		6.5	6.0	4.2
Adjusted EBITDA		1.5	1.9	0.6
Cash		10.7	11.9	11.8
Overheads		2.1	2.2	2.0

- 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



System evolution

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
Revenue	6.5	6.0	4.2
Gross profit	3.6	4.1	2.6
Overheads	(2.1)	(2.2)	(2.0)
Adjusted EBITDA	1.5	1.9	0.6
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	-
Profit/(loss) after tax	(0.5)	0.3	(0.4)
<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
Adjusted EBITDA	1.5	1.9	0.6
Change in operational working capital	(1.5) ^a	0.3	(1.8) ^b
Operational cash generated	-	2.2	(1.2)
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
Closing cash	10.7	11.9	11.8

^a Includes \$0.6m of long lead time sensors plus reduction in creditors

^b Includes \$0.4m of "At bit" demo stock

	30 September 2019	31 March 2019
	<i>\$m</i>	<i>\$m</i>
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
Net assets	23.9	24.0

- 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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