



The Driller's Choice

# MINCON RESULTS 2020



# SUMMARY 2020

## LOCAL CHALLENGES, GLOBAL RESILIENCE



01

Operating profit growth of **55%** was achieved versus 2019 continuing operations.

02

Direct end-user sales has increased to **77%** of Group revenue.

03

Revenue into the construction industry grew by **33%**

04

Increased global reach, selling into **81 countries**.

05

Substantial vertical acquisition in Lehti Group completed and now bedded in.

06

Increased manufacturing capacity in Australia, to incorporate in-house heat treatment.

■ Mincon Product Revenue in €'m  
■ Third-Party Product Revenue in €'m  
■ Operating Profit in €'m



# MINCON'S HISTORY

## 1977 - 1999

### ► 1977

Mincon is established in Shannon, Ireland by Paddy and Mary Purcell

### ► 1980

Mincon innovation starts with the development of its own drilling tools

### ► 1990

Mincon starts manufacturing in Perth, Australia

### ► 1992

Mincon establishes USA sales office in Roanoke, Virginia

## 2000-2010

### ► 2003

Mincon acquires a DTH bit manufacturer in Benton, Illinois

### ► 2005

Mincon acquires a South African distributor to expand its footprint

### ► 2006

Mincon returns to Perth to establish an RC manufacturing facility

### ► 2007

Mincon establishes a customer service centre for the Swedish geothermal market

## 2011-2020

### ► 2011

Mincon establishes a sales office to service the West African market

### ► 2013

Mincon successfully lists on the Irish and London stock exchanges

### ► 2014

Mincon acquires Rotacan, a rotary drill bit manufacturer in North Bay, Ontario

Mincon expands its footprint in sub-Sahara Africa by acquiring a Namibian distributor

### ► 2015

Mincon's Australian businesses are consolidated as Mincon Group Australia

Mincon opens a sales office in Santiago to service the mining industry in Chile

Mincon acquires Marshalls Carbide, a tungsten carbide manufacturing specialist in the UK

### ► 2017

Mincon acquires PPV Oy, a Finnish engineering business developing geotechnical and construction solutions

Mincon acquires Viqing Drilling, a drill pipe manufacturer in Sunne, Sweden

### ► 2018

Mincon acquires Driconeq Group, a Swedish drill pipe manufacturer with facilities in Sweden, South Africa, and Australia

Mincon Group annual sales revenue exceeds €100 million for the first time

### ► 2019

Mincon acquires Pacific Bit, a distributor that services customers in the western region of Canada

### ► 2020

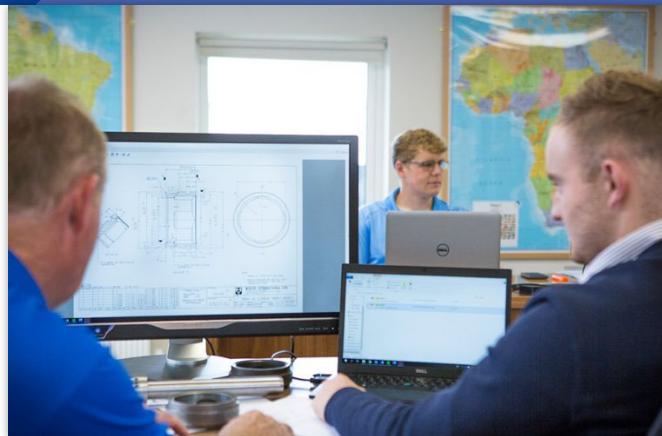
Mincon acquires Lehti Group Oy, the manufacturer of Mincon's geotechnical systems

Mincon acquires RocDrill and increases its global presence, selling to 81 countries

# DESIGN

Mincon is building a **business for the future** by investing in the **next generation** of engineers to deliver on its goal of designing innovative products that use **less energy per metre drilled**.

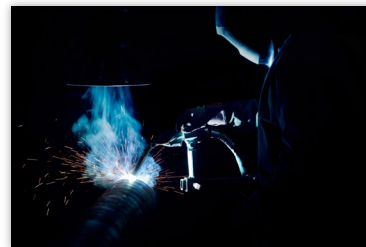
**More efficient drilling solutions** will lower the total drilling cost, which also results in reduced operational costs and **lower carbon emissions** for our customers.



# MANUFACTURING

To ensure consistent quality, Mincon's products are manufactured at **Mincon-owned factories**. Where Mincon has control and oversight of all aspects of production – including proprietary heat-treatment processes.

Mincon's eight manufacturing facilities are **strategically located** around the world to respond to local customer demand.



# SERVICE



Mincon's comprehensive range of drilling solutions is backed by an **unparalleled service** offering across its four global regions.

Dedicated and experienced **service teams** work with customers to develop **the best solutions**. Feedback from the field is provided to product engineers, feeding a cycle of **continuous improvement**.

This close collaboration between customers, service and engineering ensures that Mincon **innovates locally while leading globally**.

# THE MINCON CUSTOMER

Mincon has a comprehensive range of innovative rock drilling solutions and products that are used in a wide range of applications.

Mincon customers are businesses active in mining, construction, and waterwell/geothermal drilling.



## Mining

Quarries, exploration drilling, open-pit mines for extracting of minerals and metals



## Construction

Casing systems, geotechnical solutions, foundation piles, tunnel



## Waterwell/Geothermal

Waterwell, geothermal energy wells

# **BUSINESS REVIEW 2020**



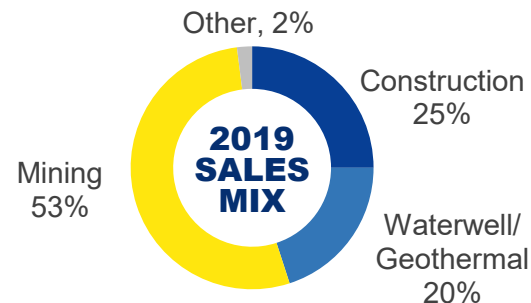
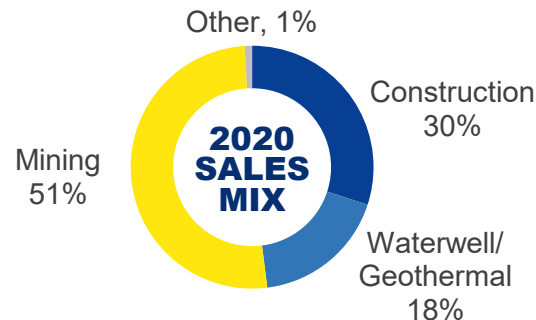
# SECTOR SALES ANALYSIS

## WE SERVE THREE INDUSTRIES

**DIVERSIFIED  
OUR REVENUE  
STREAMS**

**WE TARGET  
APPLICATIONS  
WHERE MINCON  
PRODUCTS CAN  
MAKE A  
DIFFERENCE**

**THE RANGE  
OF OUR  
BUSINESS  
PROVIDES  
RESILIENCE  
AND  
OPTIMISES  
MARGINS**



# DIRECT SALES APPROACH



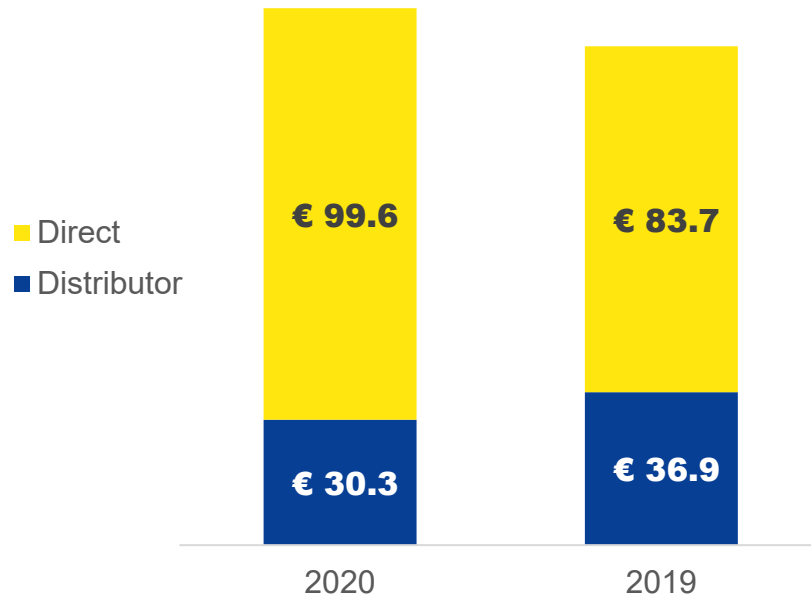
**WE HAVE EXPANDED  
OUR CUSTOMER BASE.**

**WE HAVE OVER 1,600  
CUSTOMERS ACROSS  
81 COUNTRIES.**



**WE ARE NOW BETTER  
POSITIONED TO  
CONTINUE GROWING  
DIRECT SALES.**

Revenue approach in €'millions



# DIRECT SALES APPROACH



We have transitioned into a full drill-string OEM supplier to our industries, by acquiring new manufacturing facilities and designing new products.



The current product offering, and after-sales service, has given us a better footing for selling directly to large mining and construction contractors.



This approach allows for more transparency on pricing for our products, which results in more control of gross margin for the Group.



Direct sales approach grew by 19% in 2020, this sales model now accounts for 77% of our revenue. This was achieved through our supply in full-service mining accounts and to large geotechnical contracts.



We will continue to work through distributors to serve the market in areas where the direct model is unviable, or where we already have strong distributor partnerships in place.

# MINING



- ✓ Excluding capital equipment sales, mining revenue grew by 4% on continuing operations of 2019.
- ✓ We traded through temporary mining closures in Southern Africa and parts of the Americas.
- ✓ Government restrictions in relation to the Covid-19 pandemic did have an impact on our operations across all regions, with temporary mine closures.
- ✓ Price increases of precious metals and iron ore alleviated the performance of the mining industry.

## 2020 VERSUS 2019 CONTINUING OPERATIONS

Mining revenue growth (excluding rigs)



# MINING



## Americas

A more direct sales approach in North America has brought about an increase in market share in the mining industry in this region. New contracts won in late 2019 with deliveries continuing through 2020 increased our market share in South America, this offset the impact of temporary mine closures in Peru and Mexico.



## Europe / Middle East

Increased orders from gold mining production customers in the Middle East has boosted mining revenue in the region.



## Africa

Additional market share into the gold mining industry in West Africa attributed to our growth in revenue in the region, which offset the impact of the shut-down and restrictions on our South Africa operations.



## Asia Pacific

Our revenue growth in mining was held back somewhat by a weaker performance in the Asia Pacific region. Travel restrictions made it difficult to service mining customers outside of Australia, with the spread of the virus allowing only intermittent access to our customers in remote areas. New business development was severely impeded due to the prevailing environment.



# CONSTRUCTION



- ✓ We diversified the revenue streams of the Group further in 2020, with additional growth in the construction industry.
- ✓ Construction revenue grew 33% in the year, and now now accounts for 30% of our overall Group revenue.
- ✓ Large gains in market share, 44% of the growth in construction was achieved organically.
- ✓ Acquisitions growth of 19% in construction with Lehti and RocDrill.
- ✓ We have expanded our global reach with the acquisition of RocDrill.

## CONSTRUCTION REVENUE GROWTH



# CONSTRUCTION

## Large Complex Construction Projects that Mincon supplied during 2020:

BC Hydro, John Hart Dam Site C in **British Columbia, Canada**

- ✓ KFS Finland Oy built a 600-metre-long complex-shaped interlocked-casing wall to act as a seawall in Verkkosaari, Helsinki, Finland.
- ✓ Keller Group has contracted with Mincon to install an O-pile wall on either bank of the Gowanus canal in Brooklyn.
- ✓ Donofrio have chosen Mincon to supply equipment to install fender piles for the Triborough Bridge and Tunnel Authority in New York State.
- ✓ A strong pipeline of potential construction projects available.



Electric Boat in **Connecticut, USA**

Chesapeake Bay project in **Virginia, USA**

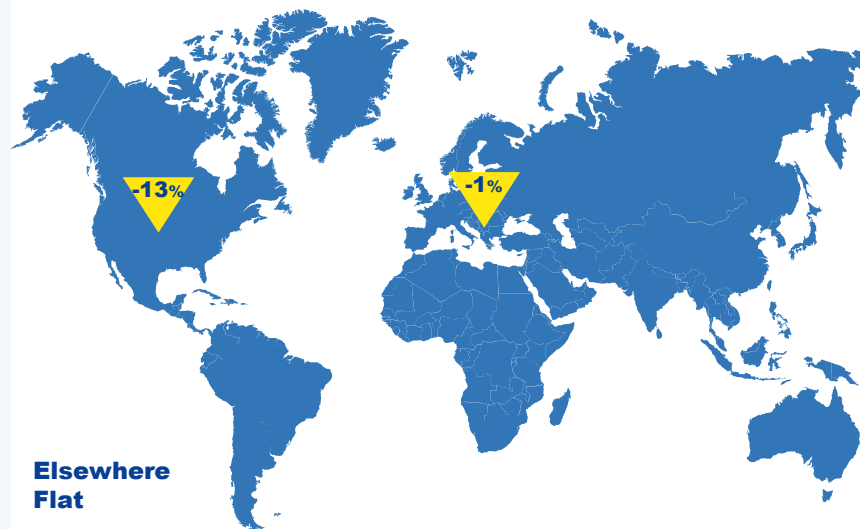
Belfi Project for Teck Resources in **Chile.**

# WATERWELL/GEOTHERMAL



- ✓ Our waterwell/geothermal revenue declined 3% in 2020.
- ✓ Our customers within this industry are smaller drilling contractors, due to the type of drilling undertaken. The industry contracted with the onset of the Covid-19 pandemic.
- ✓ We traded through several disruptive prolonged Covid-19 government lockdowns across many European countries in 2020, though the effect of those eased during Q4.
- ✓ In the Americas, the industry experienced a decrease in investment from the private sector, local and state governments across the region due to the Covid-19 impact in 2020.

## WATERWELL/GEOTHERMAL REVENUE GROWTH

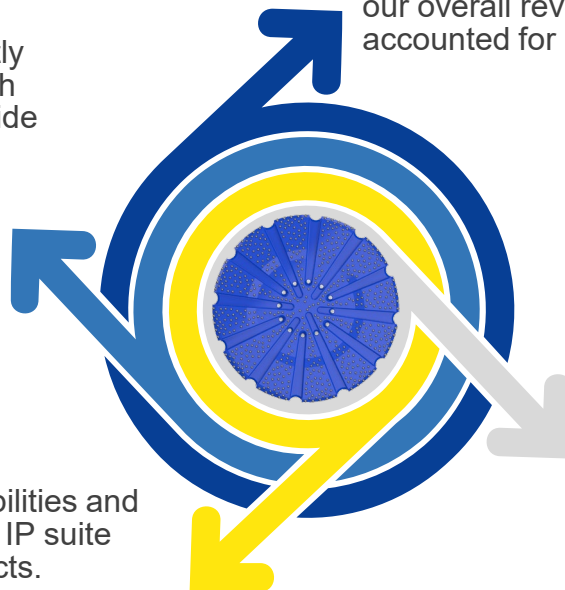


# OTHER INDUSTRIES

This other revenue stream is mostly generated in Sheffield, UK, through the sale of our manufactured carbide to competitors in our industries.

Revenue outside our three main industries accounted for 1% of our overall revenue in 2020, it accounted for 2% in 2019.

We view our carbide manufacturing capabilities and quality as part of the IP suite for our drilling products.



Due to internal demand for our Mincon manufactured carbide, external revenue in 2020 decreased as a result of capacity.

# 2020 FINANCIAL PERFORMANCE



# INCOME STATEMENT

Revenue growth of 8% and 11% on a constant currency basis.

Constant currency growth:

- ✓ Organic of 6%
- ✓ Acquisitions of 5%

Improved factory efficiencies resulted in a better gross margin, however freight disruptions brought about by the Covid-19 pandemic impacted our gross margin percentage by 0.5% for the year.

We acquired our construction manufacturing gross margin in Lehti Group, which added €2 million to our operating profit.

	2020 €'000	2019* €'000	Change €'000	%
Sales Mincon product	108,556	100,731	7,825	8%
Sales bought in product	21,347	19,940	1,407	7%
<b>Revenue</b>	<b>129,903</b>	<b>120,671</b>	<b>9,232</b>	<b>8%</b>
Cost of sales	(84,186)	(80,158)	(4,028)	
Gross margin	45,717	40,513	5,204	13%
<b>Total gross margin %</b>	<b>35.2%</b>	<b>33.6%</b>		
<b>EBITDA</b>	<b>24,731</b>	<b>17,052</b>	<b>7,679</b>	<b>45%</b>
EBITDA %				
Other operating costs	(27,468)	(28,703)	1,235	
<b>Operating profit</b>	<b>18,249</b>	<b>11,810</b>	<b>6,439</b>	<b>55%</b>
Operating profit %	14.0%	9.8%		
Non-operational income/(cost)	(1,180)	(595)	(585)	
Profit before tax	17,069	11,215	5,854	52%
Tax	(2,683)	(1,666)		
<b>Profit after tax</b>	<b>14,386</b>	<b>9,549</b>	<b>4,837</b>	<b>51%</b>

\*Excluding 2019 write offs & exceptional

# INCOME STATEMENT

We managed to increase revenue while at the same time reducing operating costs, which reflected:

01

Seeing the full-year impact in 2020, after 2019 business restructure.

02

Significant curtailment in travel and other costs, in light of the pandemic.

03

Benefit of government supports of €1.3 million in certain regions which were impacted by the pandemic, particularly Australia



# BALANCE SHEET

## Our inventory carrying amount increased during the year

- ✓ The acquisition of Lehti and RocDrill brought €3.6 million of inventory onto our balance sheet.
- ✓ Prudent approach to increase inventory of high-volume selling, Mincon-manufactured product to shore up supply, due to increased freight times brought about by the pandemic.
- ✓ We decreased inventory of products that have a lower-volume turnover, by improving our inventory systems and procedures.
- ✓ As a measurement of inventory weeks to hand, we decreased inventory weeks versus 2019.

Balance Sheet	2020 €'000	2019 €'000	Change %
<b>Non-Current Assets</b>			
Intangible assets & Goodwill	36,987	31,937	
Property plant & equipment	45,820	41,172	
Deferred tax asset	1,093	616	
<b>Total Non-Current Assets</b>	<b>83,900</b>	<b>73,725</b>	<b>14%</b>
Total Inventory	53,017	48,590	
Trade and other receivables	20,640	20,346	
Other current assets	4,186	6,098	
Current tax assets	311	589	
Cash and cash equivalents	17,045	16,368	
<b>Total Current Assets</b>	<b>179,099</b>	<b>165,716</b>	<b>8%</b>
<b>Non-Current Liabilities</b>			
Loans and borrowings	14,789	10,879	
Deferred tax liability	1,832	1,794	
Contingent liability	4,723	4,962	
Other liabilities	503	153	
<b>Total Non-Current Liabilities</b>	<b>21,847</b>	<b>17,788</b>	<b>23%</b>
<b>Current Liabilities</b>			
Loans and borrowings	6,822	4,043	
Trade and other payables	10,457	10,853	
Accrued and other liabilities	5,529	5,827	
Taxation Liabilities	1,508	1,061	
<b>Total Liabilities</b>	<b>46,163</b>	<b>39,572</b>	<b>17%</b>
Total Equity	132,936	126,144	
<b>Total Shareholders' Equity and Liabilities</b>	<b>179,099</b>	<b>165,716</b>	<b>4%</b>

# BALANCE SHEET



0

**The Group had zero occurrence of debtor write-offs during a year where many businesses struggled.**

- ✓ As a measurement of days, debtors decreased 6% compared with 2019.



**We decreased our creditors during the year, mainly through the purchase of Lehti in Finland as this was a vertical acquisition.**

# CASHFLOW

We invested in acquisitions along with taking control of minority interest holdings in the Group. We now have 100% control of Group subsidiaries.

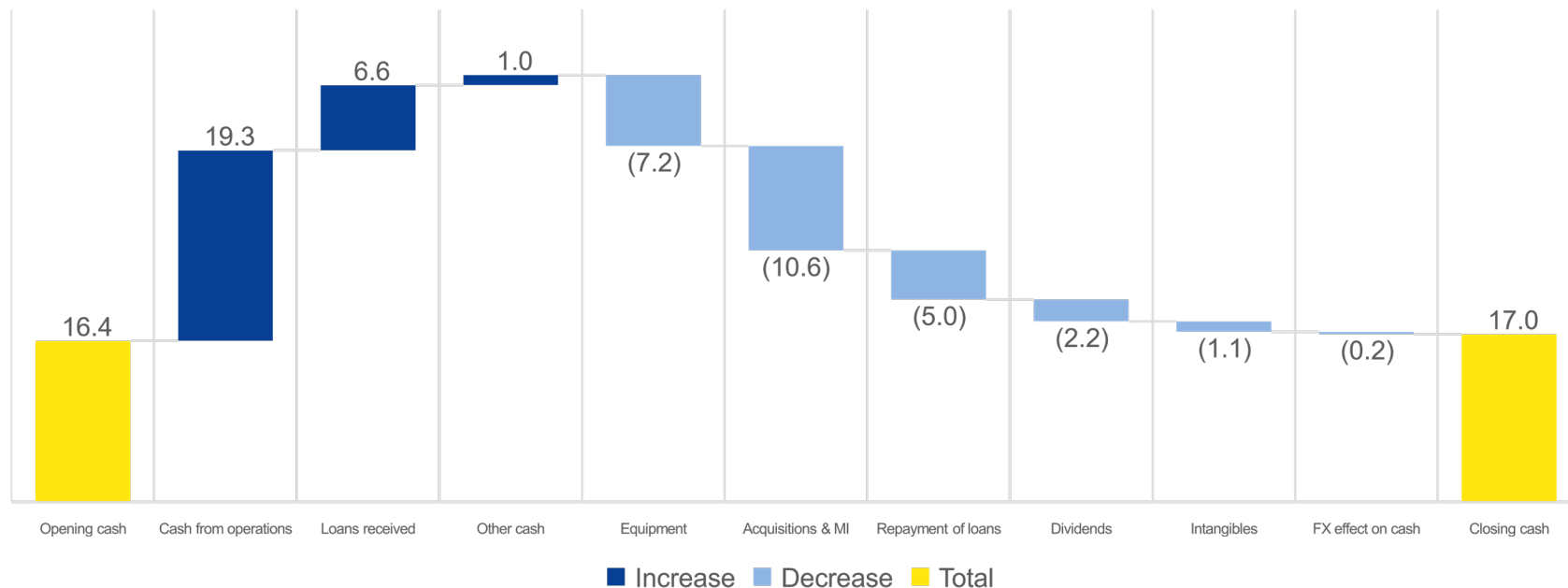
We increased our manufacturing capacity and invested further into new methods of manufacturing, while disposing of less efficient machinery:

- ✓ New heat treatment facility in Australia.
- ✓ Increased manufacturing capacity in our hammer plant in Shannon, Ireland and carbide plant in Sheffield, UK.
- ✓ Manufacturing upgrades across all Mincon factories.

Cashflow	2020 €'000	2019 €'000	Change €'000	%
Profit for the year	14,386	12,383	2,003	
Depreciation	6,482	5,242	1,240	
Other adjustments	4,577	(5,022)	9,599	
<b>Cash from operating activities</b>	<b>25,445</b>	<b>12,603</b>	<b>12,842</b>	<b>102%</b>
Changes in trade receivables	919	1,037	(118)	
Changes in prepayments	1,209	1,873	(664)	
Changes in inventory	(3,228)	1,050	(4,278)	
Changes in trade payables	(1,812)	(1,865)	53	
<b>Cash provided by operations</b>	<b>22,533</b>	<b>14,698</b>	<b>7,835</b>	<b>53%</b>
Interest received	42	107	(65)	
Interest paid	(837)	(582)	(255)	
Income taxes paid	(2,389)	(1,713)	(676)	
<b>Net cash from operating activities</b>	<b>19,349</b>	<b>12,510</b>	<b>6,839</b>	<b>55%</b>
Purchase of Plant & Equipment	(6,891)	(7,930)	1,039	
Investment in intangible assets	(1,065)	(1,405)	340	
Acquisitions & NCI	(8,156)	(770)	(7,386)	
Payment of deferred consideration	(2,460)	(1,600)	(860)	
Other investing activities	713	8,522	(7,809)	
<b>Net cash used in investing</b>	<b>(17,859)</b>	<b>(3,183)</b>	<b>(14,676)</b>	<b>461%</b>
Dividends paid	(2,222)	(4,426)	2,204	
Loans paid & received	1,631	3,404	(1,773)	
<b>Cash provided/(used in) financing activities</b>	<b>(591)</b>	<b>(1,022)</b>	<b>431</b>	<b>-42%</b>
FX effect on cash	(222)	21	(243)	
Cash at the beginning of the year	16,368	8,042	8,326	
<b>Cash at the end of the year</b>	<b>17,045</b>	<b>16,368</b>	<b>677</b>	<b>4%</b>

# CASH INVESTED

Cash in €'millions



# PRODUCT DEVELOPMENT



# GREENHAMMER

01

The 10" Greenhammer system on our Mincon-owned rig is ready to drill, but site access has been restricted due to Covid-19 safety measures

02

As soon as these restrictions are lifted, we are ready to get onsite

03

Due to maintenance issues we have experienced on the mine-owned PV351 rigs, we have sourced two rigs that we can convert to test the larger 12" system

04

These rigs will be commissioned once we have the 10" system running

05

It is notable that all new rig deliveries are on extended lead times, which further strengthens the case for the high-speed drilling characteristics that the Greenhammer brings



# LARGE HAMMERS & BITS



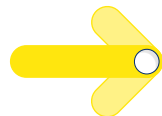
## LARGE DIAMETER/LOW PRESSURE HAMMER



Hammer has been assembled in Finland and has been functionally tested



Results have been an excellent match for the design simulations



Hammer and bit has been shipped to Malaysia



Subject to Covid 19 restriction levels not significantly changing, we hope to be drilling in H1 with Mincon personnel onsite



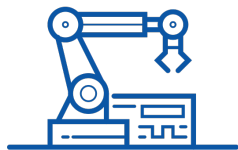
# OUTLOOK 2021



# OUTLOOK 2021

The perspective for 2021 is positive with the new opportunities, however these are subject to the global Covid-19 pandemic.

In the coming year, we will be investing in new manufacturing processes to improve our production efficiencies, while also increasing capacity. These manufacturing investments are partly based on new manufacturing methods that will give our products added advantages in the market.



In January 2021 we acquired Hammer Drilling Rigs (HDR) in the USA, a company that specialises in drill mast attachments to heavy equipment that is used in a variety of applications including the installation of anchors points for solar field projects.

This was a strategic acquisition to support Mincon's offering of a complete solution to customers within this sector of the renewable energy industry.



Any forward-looking statements made in this document represent the Board's best judgment as to what may occur in the future. However, the Group's actual results for the current and future financial periods and corporate developments will depend on a number of economic, competitive and other factors, some of which will be outside the control of the Group. Such factors could cause the Group's actual results for future periods to differ materially from those expressed in any forward-looking statements included in this document.

# APPENDIX

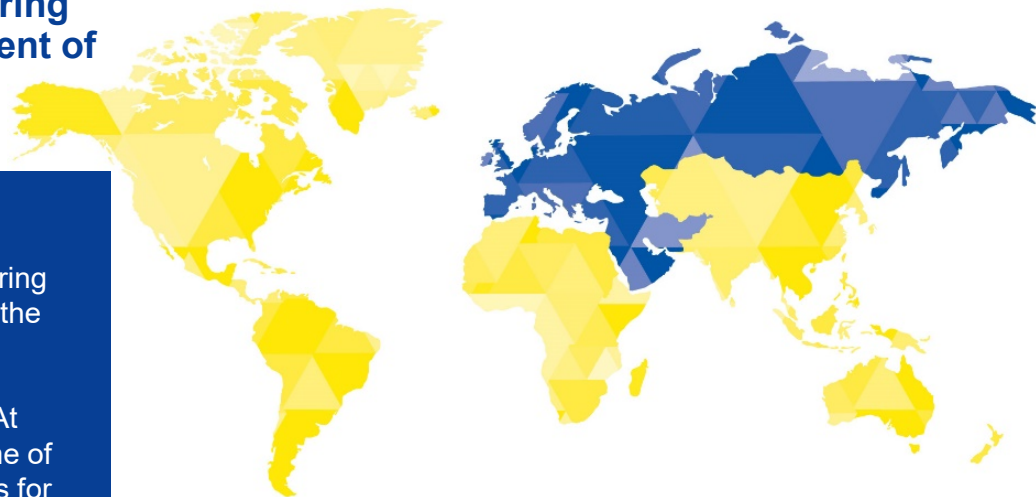


# EUROPE AND MIDDLE EAST

Mincon Group is headquartered at its Shannon factory in Ireland, where the business was founded in 1977. This remains the centre of excellence for manufacturing of DTH hammers, as well as development of new drilling technologies.



Mincon has three additional world-class manufacturing facilities in Europe. Drill pipes are manufactured at the Driconeq factory in Sunne, Sweden. The tungsten carbide buttons used in all Mincon drill bits are manufactured at Mincon Carbide in Sheffield, UK. At the Ylöjärvi factory in Finland, we manufacture some of the world's largest geotechnical drilling components for construction projects around the globe.



# EUROPE AND MIDDLE EAST

## Key Region information



Number of employees:

**290**



Customers in region:

**620**



Mincon service centres:

**3**



Mincon factories:

**4**

manufacturing DTH and RC hammers, DTH and RC drill bits, geotechnical systems, drill pipes, drilling accessories, tungsten carbide buttons.



Key customer markets:

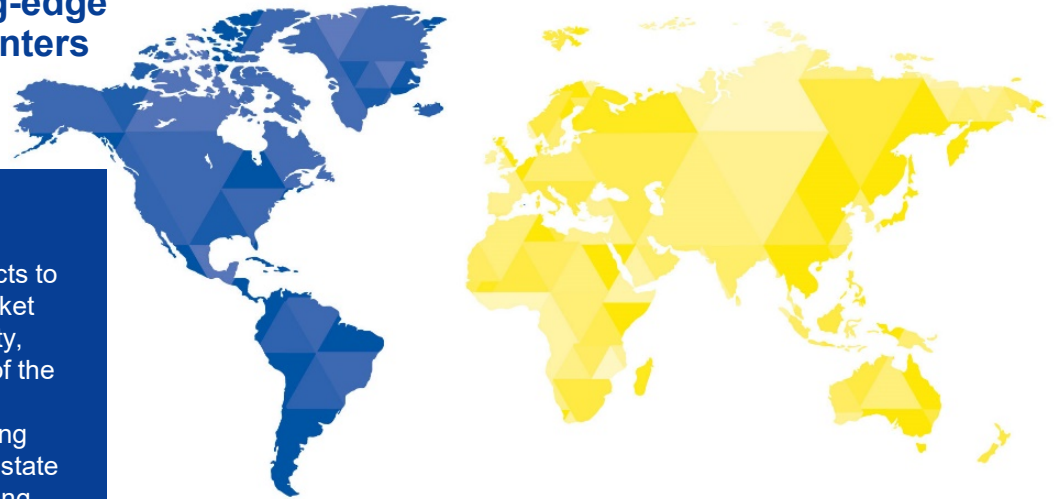
**Construction and geotechnical,**  
**Production mining,**  
**Waterwell and geothermal**

# AMERICAS

**Mincon North America marked the Group's expansion into the Americas, starting in the early 90s. Since then the region has expanded significantly with two cutting-edge manufacturing facilities and service centers in Canada, USA, and customer centres in Peru, and Chile.**



With the addition of construction and geotechnical products to Mincon's portfolio, the Group has gained impressive market share thanks to patented innovations, technical superiority, and the industry's most experienced engineers. As part of the challenger brand strategy, Mincon in the Americas has expanded its direct sale and service footprint for the mining sector engaging directly with mining companies, offering state of the art engineered solutions backed with industry leading service, and winning valuable multi-year supply contracts.



# AMERICAS

## Key Region information



Number of employees:

**132**



Customers in region:

**422**



Mincon service centres:

**12**



Mincon factories:

**2**

**manufacturing  
DTH drill bits,  
rotary drill bits**



Key customer markets:

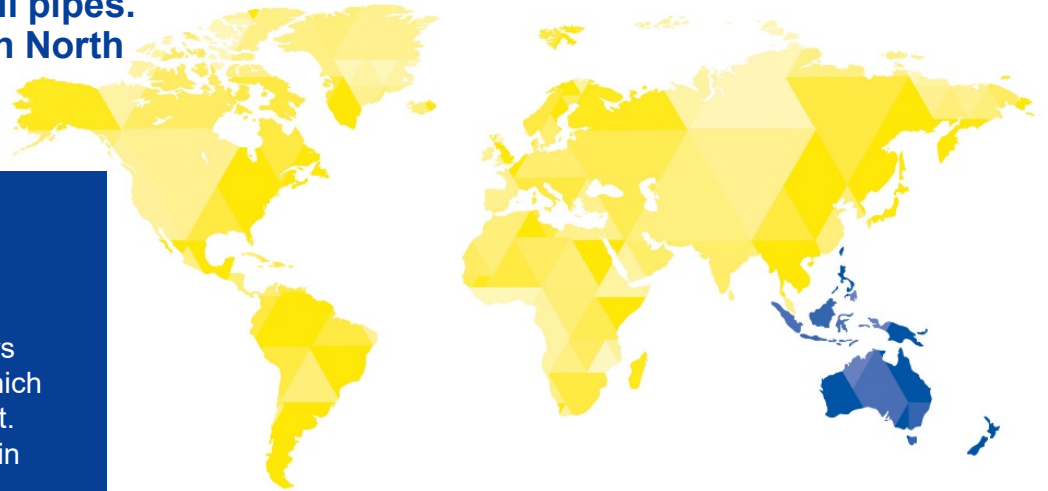
**Construction  
and HDD,  
Water well and  
geothermal,  
Mining**

# ASIA PACIFIC

Mincon has had a presence in the Asia Pacific region since starting manufacturing Perth in 1990. Today, the Perth factory manufactures world-class DTH & RC drill bits and drill pipes. Mincon also has a distribution centre in North Rockhampton, servicing customers on Australia's east coast.



Mincon's Australian customers include some of the world's largest mining companies, such as BHP Billiton, Citic Pacific, and Freeport. These customers are serviced directly by the Perth service centre, which is in a prime position to handle logistics and support. Outside Australia, Mincon also services customers in other APAC countries, including New Zealand and Papua New Guinea.



# ASIA PACIFIC

## Key Region information



Number of employees:

**57**



Customers in region:

**245**



Mincon service centres:

**3**



Mincon factories:

**1**

**manufacturing DTH drill bits, RC drill bits, drill pipes**



Key customer markets:

**Production mining,  
Exploration mining,  
Quarrying**

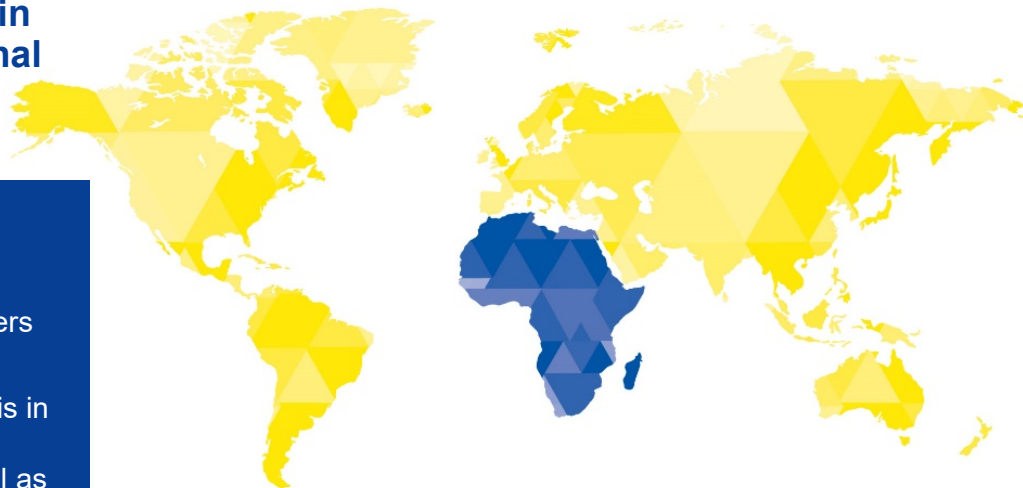
# AFRICA

**In 2005 Mincon established a presence in Africa, when it acquired a distributor in South Africa. Since then it has expanded its sub-Saharan footprint with an office in Namibia, and opened a dedicated regional headquarters for West Africa, based in Las Palmas, Gran Canaria.**



Driconeq Africa, based in Germiston, South Africa, manufactures drill pipes and accessories for customers throughout the region.

With dedicated offices in strategic locations, Mincon is in a position to directly service large mines across the African continent's diverse range of countries, as well as partnering with specialist distributors who have existing customer relationships.



# AFRICA

## Key Region information



Number of employees:

**73**



Customers in region:

**347**



Mincon service centres:

**4**



Mincon factories:

**1**

**manufacturing  
drill pipes,  
drill accessories**



Key customer markets:

**Production mining,  
Exploration mining,  
Construction and  
waterwell**



The Driller's Choice

# **MINCON RESULTS 2020 Q&A**

