

The Driller's Choice



RESULTS H1 2021



SUMMARY H1 2021



We have built further on the good progress achieved in 2020, with revenue growth of 4%. Market share won in some regions offset by pandemic impacts in two regions.



Further growth into the construction industry with an **increase of 10%**, without invoicing any large construction projects.



We have a strong pipeline of tenders for large construction projects and remain positive about the outlook for the industry for H2 2021.



Earnings decreased slightly due to pandemic effects on operations during Q1, increased freight costs and new contract startup costs.



Increased investment in working capital due to transportation difficulties and material shortages.

BUILDING FURTHER ON PROGRESS ACHIEVED

	H1 2021	H1 2020	Change	
	€'000	€'000	€'000	%
Revenue	67,000	64,654	2,346	4%
Gross margin	22,906	23,457	(551)	(2%)
Gross margin %	34.2%	36.3%		
Profit before tax	7,980	7,656	324	4%
Profit before tax	11.9%	11.8%		

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

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

2011-2021

▶ 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

▶ 2021

Mincon acquires HDR, a small manufacturer and reseller of drill rig attachments.

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.



MINING

Open-pit mines for extraction of minerals and metals



CONSTRUCTION

Casing systems, geotechnical solutions, foundation piles, tunnel



WATERWELL / GEOTHERMAL

Waterwell, geothermal energy wells



MINCON CUSTOMERS ARE BUSINESSES ACTIVE IN MINING, CONSTRUCTION, AND WATERWELL / GEOTHERMAL DRILLING.

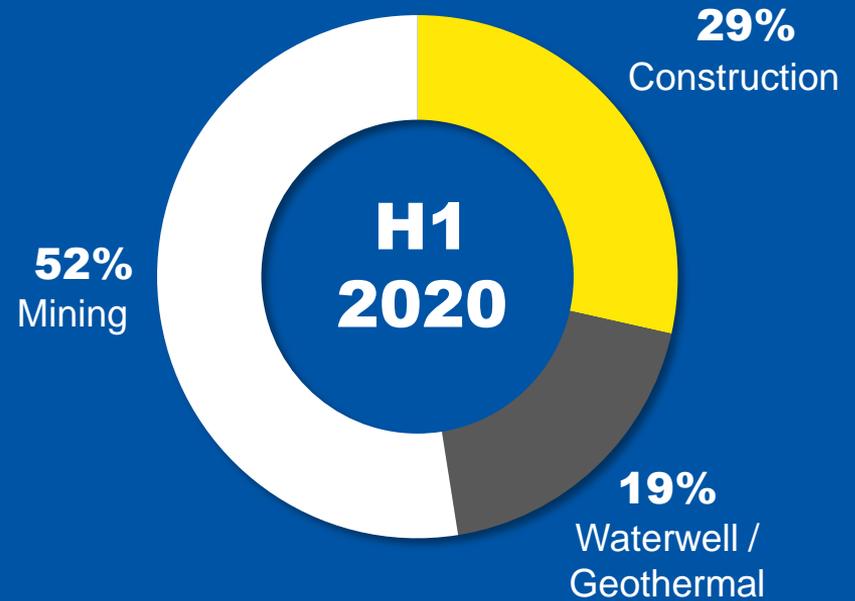
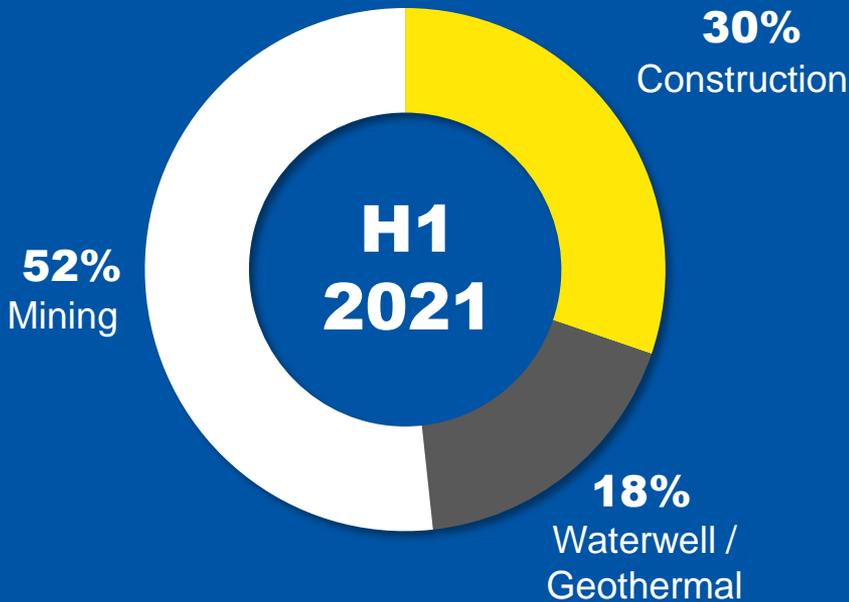
BUSINESS REVIEW H1 2021



SECTOR SALES ANALYSIS



	H1 2021	H1 2020
Mining	34,644	33,878
Construction	20,253	18,493
Waterwell / Geothermal	12,103	12,284
	67,000	64,654



SECTOR SALES ANALYSIS



We have won market share in the mining industry where Covid-19 vaccinations are widespread, and restrictions are not interrupting normal business.

In other regions, pandemic related issues have interrupted mining operations with some customers having to temporarily cease operations.

Covid-19 restrictions and government lock downs in mining regions are causing operational difficulties and slowing our revenue growth.

Revenue into the construction industry increased by 10% in the period.

Revenue grew through winning smaller projects in regions where government restrictions have eased.

We have built inventory for large construction projects but did not supply in H1 2021, these projects yield our best operating margin when we complete invoicing.

WE HAVE BUILT ON OUR REVENUE GROWTH FROM 2020 WITH OVERALL GROWTH OF 4% IN THE PERIOD.

MINING



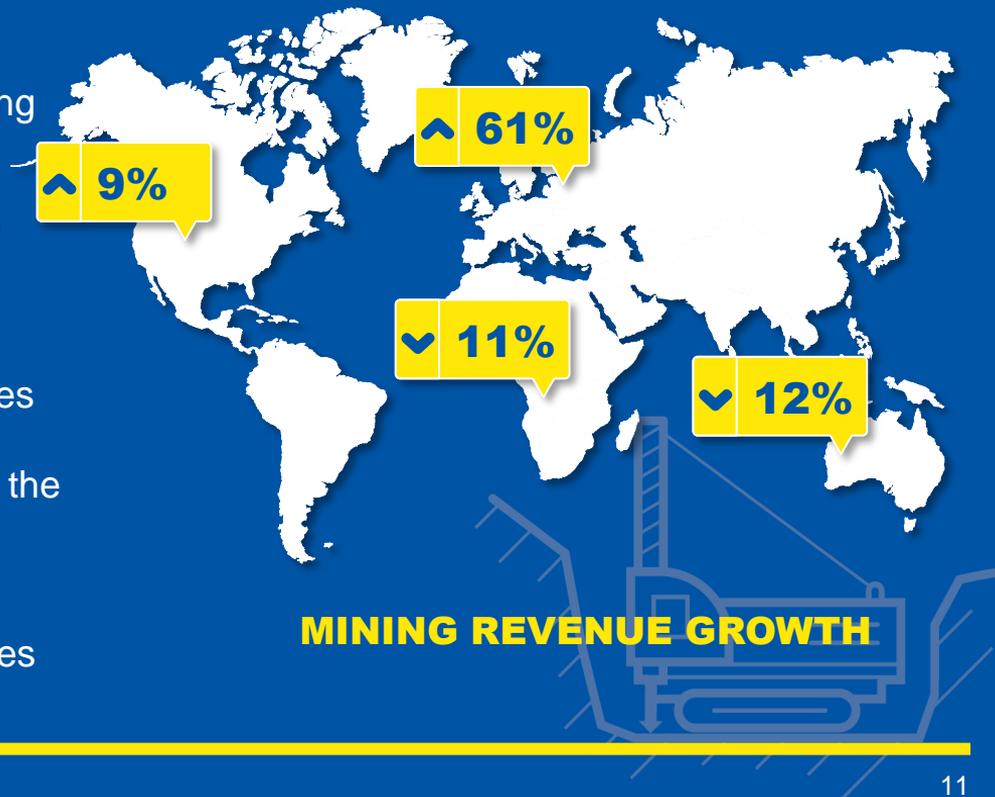
Our revenue into the mining industry grew by 2% during the period.

The sustained high commodity prices are driving growth in the industry.

Our main growth was in the EME region, more notably in the Middle East, and also in North America.

Mine access restrictions and temporary closures due to the pandemic, have impacted our operations in the Southern Hemisphere during the period.

We are gaining a greater share in the mining market in North America through our direct sales approach.



CONSTRUCTION

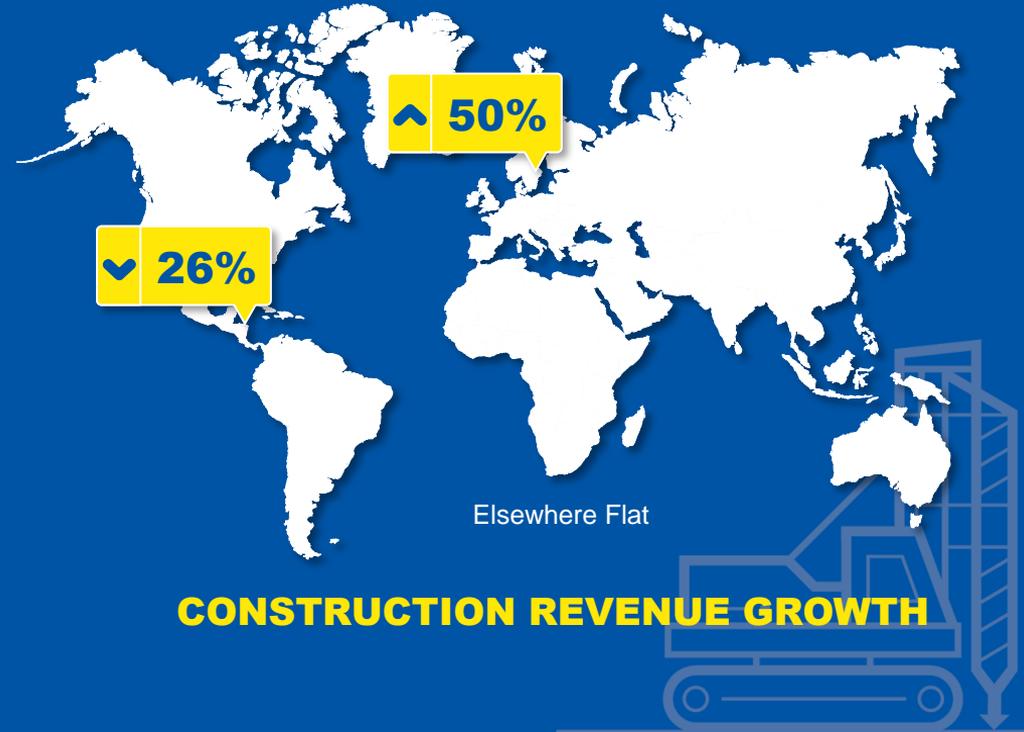


We built on our growth into the construction industry, with a 10% increase in revenue in H1 2021.

This growth was achieved through winning smaller projects, particularly in Europe.

The decrease in construction revenue in the Americas is due to not invoicing any large construction projects in this period. They accounted for 22% of construction revenue in H1 2020.

We have built our inventory for large construction projects and are ready to supply to projects expected H2 2021.



CONSTRUCTION REVENUE GROWTH



WATERWELL / GEOTHERMAL

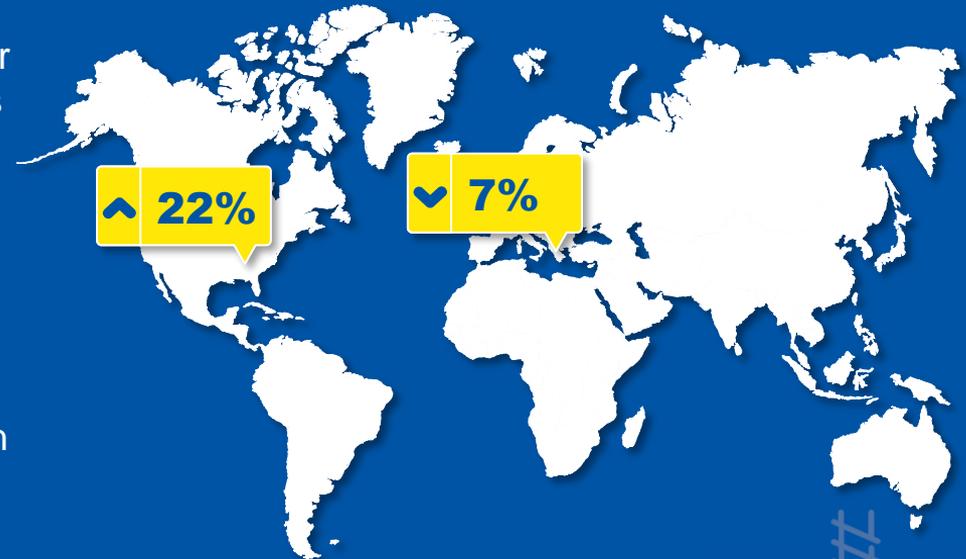
Our waterwell/geothermal revenue declined 1% in H1 2021.

In Europe, the region where the majority of our waterwell/geothermal business, the industry is recovering from the pandemic, though our revenue declined there by 7%.

Some of our customers ceased trading in Europe during H2 2020 due to the effects on their business from prolonged lockdowns.

The investment in waterwell drilling returned in North America during the period after a slight decline in the prior year.

In other regions our revenue in waterwell/geothermal increased by 28%.

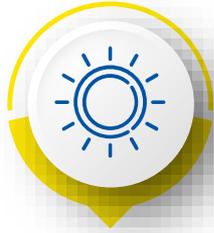


**WATERWELL / GEOTHERMAL
REVENUE GROWTH**





OTHER OPERATIONAL ACTIVITY



NEW INDUSTRIES

We received a grant approval in Ireland for the design and development of mooring systems for offshore wind installations, this will assist us in developing products for the renewables energy industry.

We acquired Hammer Drilling Rigs in January 2021, giving us the ability to offer the full packages into solar field anchoring, and limited access drilling.



SOCIAL RESPONSIBILITIES

It is clear that we are embedded in a wide range of cultures and communities. As a significant employer in these communities, we have a meaningful role to play in these societies and we are committed to growth and increasing opportunities for our employees as well as the wider communities.



MINIMISING OUR CARBON FOOTPRINT

Our engineering focus continues to be on efficiency in the products we offer along with efficiency in manufacturing. Our design of the Greenhammer emphasises this along with product development for the renewables energy industry. We are also investing in new plant and equipment to modernise our factories and reduce our environmental impact.



REGIONAL STRUCTURE

Our regional management structure has continued to deliver, and our strong global coverage has meant that we have been able to run the business with a minimum level of international travel to try and mitigate any Covid risks.

H1 2021 FINANCIAL PERFORMANCE





INCOME STATEMENT

Revenue growth of 4%, with some regions gaining market share and other regions growth curtailed by the pandemic.

In the prior period, invoicing of 22% of our construction revenue was into large Geotech projects.

We did not invoice any large Geotech projects in H1 2021, though we have a large pipeline of tenders, and we have confidence in our performance for the construction industry in H2 2021.

A sharp increase in raw material prices was largely absorbed in H1 2021 and is being passed on to customers in H2 2021.

	Actual €'000	Prior Year €'000	Variance	
			€'000	%
Sales Mincon products	57,390	55,565	1,824	3%
Sales bought in products	9,610	9,089	522	6%
Revenue	67,000	64,654	2,346	4%
Cost of sales	(44,094)	(41,197)	(2,897)	7%
Gross margin	22,906	23,457	(551)	(2%)
<i>Total gross margin %</i>	<i>34.2%</i>	<i>36.3%</i>		
EBITDA	11,091	11,412	(321)	(3%)
<i>EBITDA %</i>	<i>16.6%</i>	<i>17.7%</i>		
Operating costs	(15,402)	(15,194)	(208)	1%
Operating profit	7,504	8,263	(759)	(9%)
<i>Operating profit %</i>	<i>11.2%</i>	<i>12.8%</i>		
Non-operational costs	476	(608)	1,084	(100%)
Profit before tax	7,980	7,655	325	4%
Tax	(1,623)	(1,297)	(326)	
Profit after tax	6,357	6,358	(1)	(0%)



INCOME STATEMENT

Congestion at seaports has disrupted sea freight and increased costs, this added additional pressure to our gross margin.

Air freight was extensively used during the period, when we were most affected by the pandemic, to ensure on time delivery to our customers.

The pandemic severely impacted our manufacturing in Q1 2021, resulting in a lot less product manufactured during the quarter, which had an impact on our gross margin for the period.

However, we did recover during Q2 2021 and increased our manufacturing run-rate.

International travel has not fully resumed, and our travel costs are behind pre-pandemic periods.





BALANCE SHEET

We built on our balance sheet during the period:

- To support business growth
- To support current and future customers
- To add to our IP offering.

We acquired Hammer Drilling Rigs and Campbell Grouting in the USA during the period, increasing our intangible assets & goodwill by €2.2 million.

We commissioned €2.5 million of equipment in our factories to increase capacity and further the modernisation of our facilities.

We increased the level of raw materials held at our factories to reduce the risk to our supply chain due to longer and unreliable lead times of raw materials.

Balance Sheet	H1 2021 €'000	2020 €'000	Change %
Intangible assets & Goodwill	40,293	36,987	
Property plant & equipment	47,492	45,820	
Deferred tax assets	615	1,093	
Total Non-Current Assets	88,400	83,900	5%
Total Inventory	58,214	53,017	
Trade and other receivables	22,248	20,640	
Other current & current tax assets	7,780	4,497	
Cash - current accounts	11,684	17,045	
Total Current Assets	99,926	95,199	5%
Total Assets	188,326	179,099	5%
Loans and borrowings	16,738	14,789	
Contingent liability	5,054	4,723	
Other non-current & deferred tax liabilities	1,679	2,335	
Total Non-Current Liabilities	23,471	21,847	7%
Loans and borrowings	8,981	6,822	
Trade and other payables	12,640	10,457	
Accrued, other current & current tax liabilities	6,896	7,037	
Total Current Liabilities	28,517	24,316	17%
Total Liabilities	51,988	46,163	13%
Total Equity	136,338	132,936	3%
Total Shareholders' Equity and Liabilities	188,326	179,099	5%



CASH FLOW

We have invested the cash generated within the business to improve our manufacturing efficiencies, through modernisation of our plant and equipment.

We increased the volume of finished product held at our customer centres as sea freight journey times have lengthened and seaport docking times are unreliable.

We used cash generated in the business to prepay €3 million of plant and equipment for future modernisation and capacity of our factories.

Our net borrowing during the period was €2 million; this was used to commission plant and equipment.

We paid deferred consideration of €1.8 million for historical acquisitions and €0.4 million in current year acquisitions.

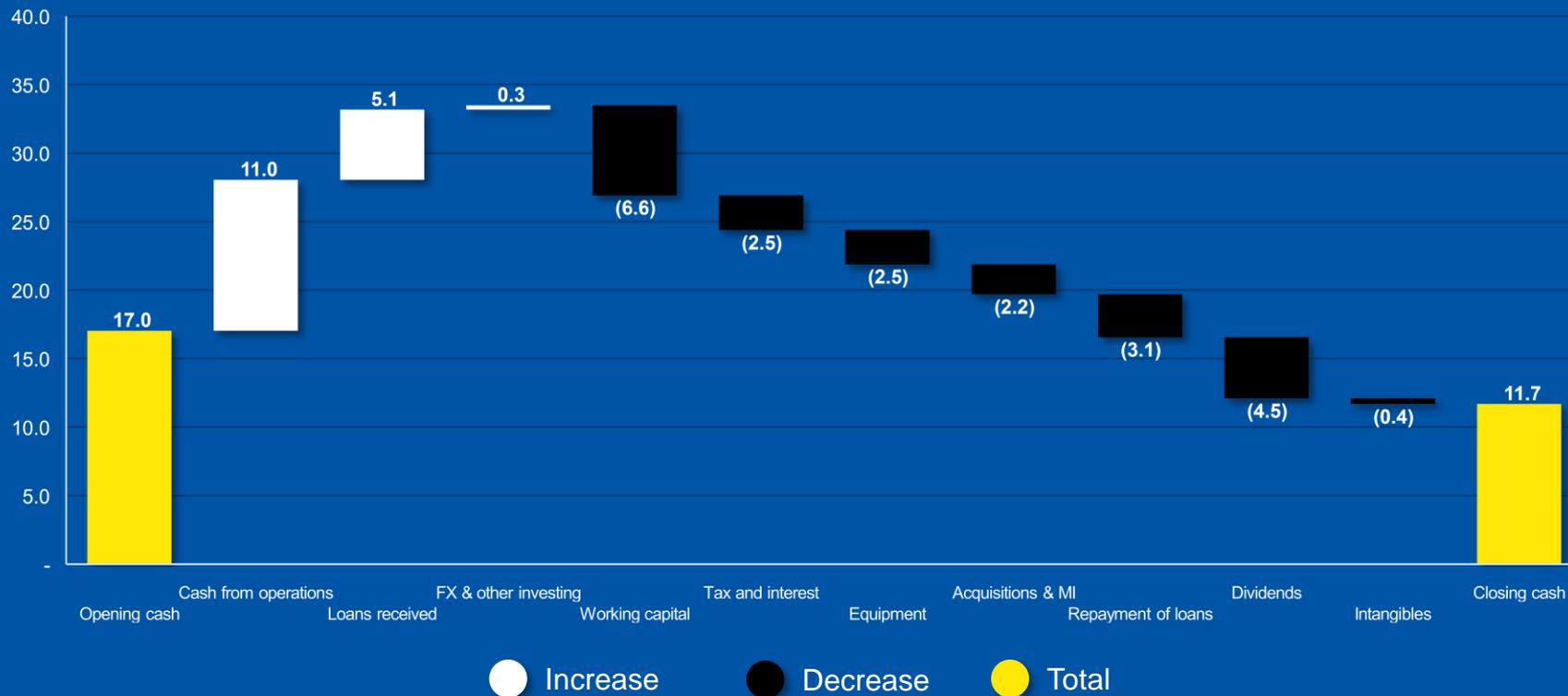
We paid a full year dividend for 2020 of €4.5 million in June 2021.

Cashflow	H1 2021 €'000	H1 2020 €'000	Variance €'000
Profit	6,357	6,358	
Depreciation & amortisation	3,586	3,149	
Other non cash movements	1,057	1,434	
Cash from Operating activities	11,000	10,941	59
Changes in inventory	(4,179)	(3,440)	
Changes in trade receivables	(1,193)	422	
Changes in prepayments	(3,274)	3,160	
Changes in trade payables and accruals	2,085	189	
Cash provided by operations	4,439	11,272	(6,833)
Net interest	(391)	(394)	
Taxes paid	(2,146)	(1,153)	
Net cash from operating activities	1,902	9,725	(7,823)
Purchase of property plant & equipment	(2,501)	(4,469)	
Investment in intangibles	(419)	(459)	
Acquisitions, current and historical	(2,191)	(8,248)	
Other investing activities	119	7	
Net cash used in investing activities	(4,992)	(13,169)	8,177
Dividends paid	(4,462)	-	
Loan facilities	2,011	3,457	
Net cash used in investing activities	(2,451)	3,457	(5,908)
FX effect on cash	180	(346)	
Cash at the beginning of the year	17,045	16,368	
Cash at the period end	11,684	16,035	(4,351)

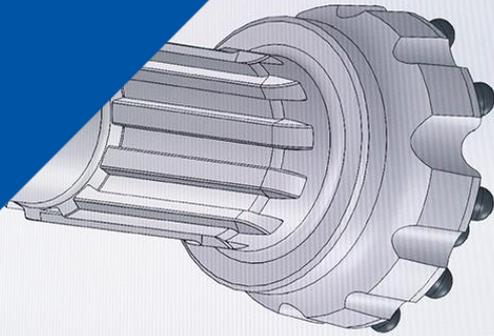
CASH INVESTED



Cash in €'millions



PRODUCT DEVELOPMENT





GREENHAMMER

- ▶ The 10” Greenhammer system on our Mincon-owned rig is ready to drill, but site access is still restricted due to Covid-19 safety measures.
- ▶ As soon as these restrictions are lifted, we are ready to get onsite.
- ▶ We are progressing well on converting the 2 rigs that we sourced to run the larger 12” system.
- ▶ These rigs will be commissioned once we have the 10” system running.
- ▶ New drill rig deliveries to the industry continue to be on extended lead times, which further strengthens the case for the high-speed drilling characteristics that the Greenhammer brings.



LARGE HAMMERS & BITS

Hammer has been assembled in Finland and has been functionally tested.

Results have been an excellent match for the design simulations.

Hammer and bit have been shipped to Malaysia, and is ready to commence drilling.

Covid 19 restrictions has meant we could not get personnel onsite to start testing. As soon as we get notification that we can travel onsite we will commence testing of this exciting new product opportunity.



LARGE DIAMETER / LOW PRESSURE HAMMER

SUBSEA MICROPILE PROJECT



Working with Subsea Micropiles, an offshore foundations Company based in Dublin.

Experienced team, many years of subsea project work with strong IP.

Strong industry engagement and interest in the solution being proposed as well as an extensive portfolio of projects on successful delivery and certification of same.

Mincon is developing IP which will work well with Subsea Micropile solution and improves the efficiency and cost of the delivered projects.

Approved for a Disruptive Technology Innovation Fund grant as part of a consortium which includes Mincon, Subsea Micropiles, University College Dublin and University of Limerick. 30 month timeframe on project.



OUTLOOK H2 2021





OUTLOOK H2 2021

We have a positive viewpoint for the business in the coming months and beyond, with new products for current and new industries. However, the global pandemic has the possibility to deliver new challenges in the near term.

We have ordered new machinery to modernise our existing manufacturing and reduce our environmental impact. Our focus is on innovative engineering excellence which improves our sustainable business profile.

In July 2021 we signed the purchase agreement to acquire Attakroc Inc in Quebec City, Canada. This is a company that specialises in the distribution of hard rock drilling tools into the construction, mining and waterwell / geothermal industries.

H1 2021 Q&A





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.

