

# Boart Longyear Limited ABN 49 123 052 728

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www.boartlongyear.com

### 19 November 2012

### **BOART LONGYEAR ISSUES MARKET UPDATE**

- Confirms Revenue Guidance of US\$2.0 Billion and Revises 2012 EBITDA Guidance Downward
- Details Significant Cost Reductions
- Quantifies Anticipated 2012 Restructuring Costs and Impairments
- Positions for 2013 Expected Activity Levels

Boart Longyear Limited (**ASX:BLY**) – While 2012 revenue is expected to be approximately US\$2.0 billion, in line with revised guidance issued in August, EBITDA is expected to be in the range US\$310-320 million largely due to expected margins not being achieved, a significant cause being the lag impact of implemented workforce reductions. Margins are expected to recover as those employees come off the payroll.

Chairman and Interim Chief Executive Officer of Boart Longyear, David McLemore, said: "Our markets have performed in line with August guidance. Revenues are broadly consistent with expectations, but margins in Drilling Services have been impacted due to timing of cost take-outs associated with headcount reductions."

#### **Management Actions**

Mr McLemore said management had moved swiftly since his appointment as interim CEO just over a month ago to implement annualized overhead cost savings across the business totalling approximately US\$70 million, equivalent to over 20 percent of the Company's global overhead.

Additional cost reduction initiatives have included:

- Relocating manufacturing operations from Perth (Australia) to an existing facility in Poland and other locations; and
- Consolidating the Company's sonic drilling services with its main exploration drilling service business and reviewing strategic options for sonic services focused on environmental and infrastructure end markets, largely a US-centred business.

Expenses associated with these and other cost saving actions are expected to be in the range of US\$15-20 million, primarily in cash costs.

The Company has reviewed its inventory and capitalised asset values, provisions and reserves in light of changing market conditions, with this review to be subject to audit as part of the normal financial year-end close process. Mr McLemore said, "While still subject to full review and audit, our preliminary work on potential impairments indicates a post-tax, non-cash charge of approximately \$50 million, which will be taken as part of the year-end close."

## 2013 Outlook and Margin Recovery

Early indications from 2013 contract negotiations currently underway are that market demand has stabilised and revenue run-rate in 2013 should approximate second-half 2012 levels. Furthermore, as the cost take-outs in the second-half of 2012 flow through, the Company expects a recovery in margin that will support EBITDA above second-half 2012 levels.



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The Company's financial position remains strong. Substantial operating cash flows are expected in 2013, which will be directed to reduce overall borrowings next year.

"Boart Longyear will continue to invest in key areas of the business but will be cutting back significantly on capital expenditures through the first half of 2013. We intend to maintain our dividend policy," Mr McLemore said. "The actions we have taken put the Company in a strong position to withstand difficult market conditions while retaining the capacity to respond quickly to any upturn in demand for our products and services."

"Boart Longyear remains extremely well-positioned globally in its core drilling services and products markets. In recent years we have successfully broadened our footprint in Drilling Services into new geographies and, through mine water services, we expanded our drilling offering to tie us more closely to stable mine production operations. In Products, our investment in R&D continues to strengthen our portfolio and deliver new, higher-margin products in our core markets, where we have a leadership position," he added.

## **About Boart Longyear**

With over 120 years of expertise, Boart Longyear is the world's leading provider of drilling services and products for the mining industry. It also has a substantial drilling and products presence in mine de-watering, environmental sampling, energy and oil sands exploration.

Boart Longyear is a global company headquartered in Salt Lake City, Utah, USA, and is listed on the Australian Securities Exchange (ASX: BLY) in Sydney, Australia. Sales in 2011 were over US\$2.0 billion, and the company employs over 10,000 employees worldwide. Contract drilling services are conducted in over 40 countries, and exploration products are manufactured in seven global factories and sold to customers in over 100 countries.

More information about Boart Longyear can be found on the Internet at <a href="www.boartlongyear.com">www.boartlongyear.com</a>. To get Boart Longyear news direct, visit <a href="http://www.boartlongyear.com/rssfeed">http://www.boartlongyear.com/rssfeed</a>.

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