



ION Q4 2019 Earnings Call



Earnings Call Presentation
February 6, 2020



Corporate Participants and Contact Information



CHRIS USHER
President and
Chief Executive Officer



MIKE MORRISON
Executive Vice President
and Chief Financial Officer

CONTACT INFORMATION

If you have technical problems during the call, please contact DENNARD–LASCAR Associates at 713 529 6600.

If you would like to view a replay of today's call, it will be available via webcast in the Investor Relations section of the Company's website at www.iongeo.com for approximately 12 months.

For discussion of non-GAAP measures, please see our Earnings Release.

Forward-Looking Statements



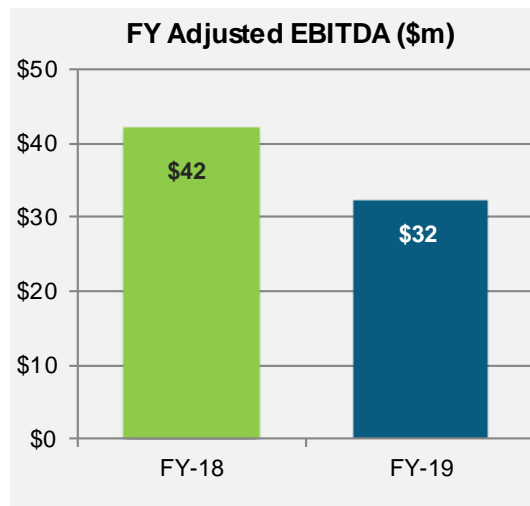
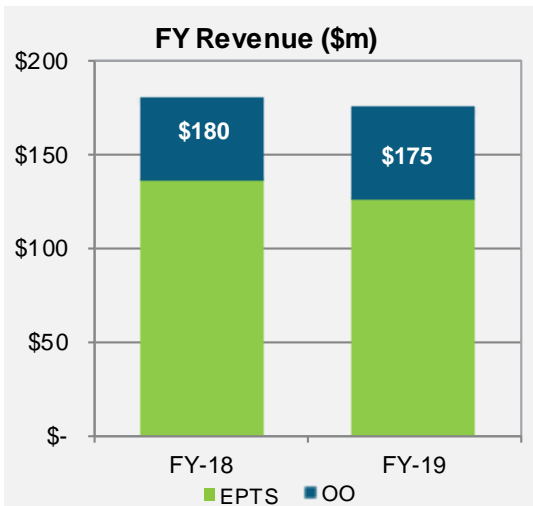
The information included herein contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

Actual results may vary fundamentally from those described in these forward-looking statements.

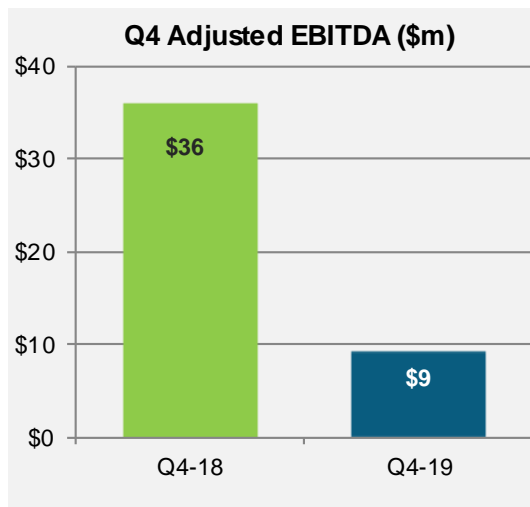
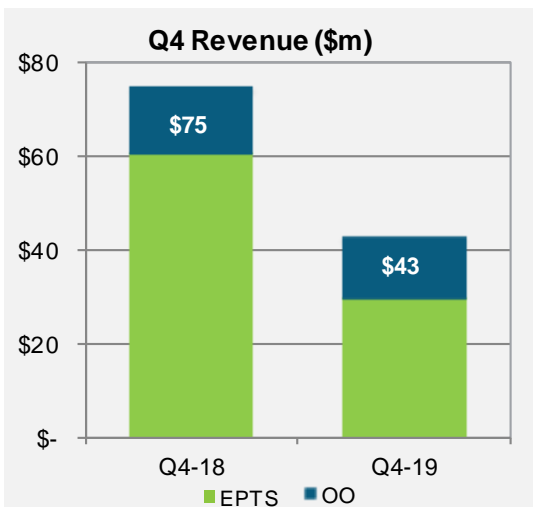
All forward-looking statements reflect numerous assumptions and involve a number of risks and uncertainties.

These risks and uncertainties include risk factors that are disclosed by ION from time to time in its filings with the Securities and Exchange Commission.

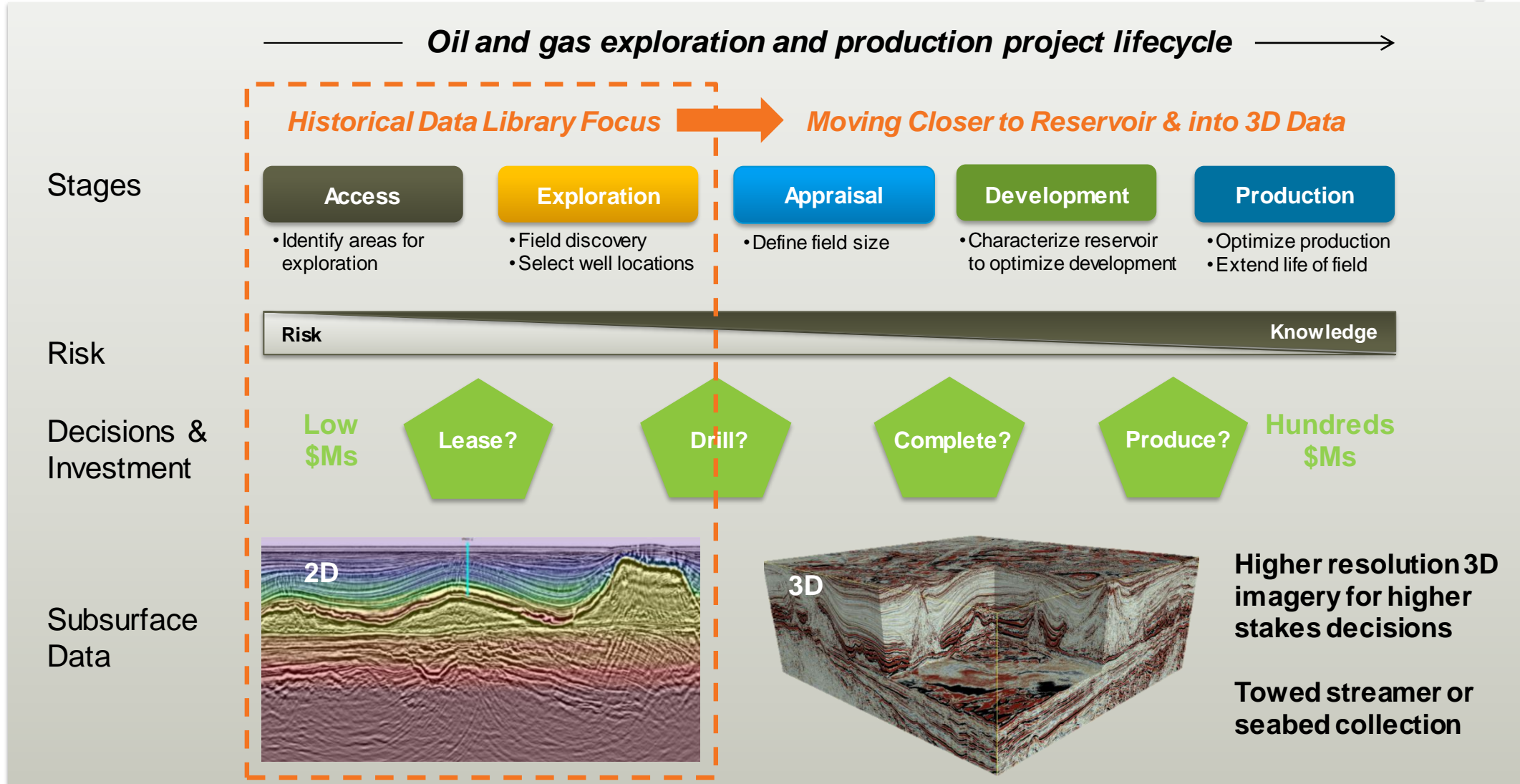
ION Financial Highlights



- FY-19 total revenue down 3% vs FY-18
 - E&P Technology & Services down 8% vs FY-18
 - Operations Optimization up 13% vs FY-18
- FY-19 net loss of \$48m or (\$3.41) per share vs net loss of \$71m or (\$5.20) per share in FY-18
- FY-19 adjusted net loss of \$34m or (\$2.40) per share vs \$33m or (\$2.37) per share in prior year
- FY-19 Adjusted EBITDA of \$32m, down from \$42m in FY-18
- Q4-19 total revenue down 43% vs Q4-18
 - E&P Technology & Services down 51% vs prior year
 - Operations Optimization down 8% vs prior year
- Q4-19 net loss of \$14m or (\$1.02) per share vs net loss of \$19m or (\$1.38) per share in prior year
- Q4-19 adjusted net loss of \$6m or (\$0.40) per share vs adjusted net income of \$15m or \$1.07 per diluted share in Q4-18
- Q4-19 Adjusted EBITDA of \$9m, down from \$36m in Q4-18



Reorganizing the Business and Shifting to 3D Multi-client

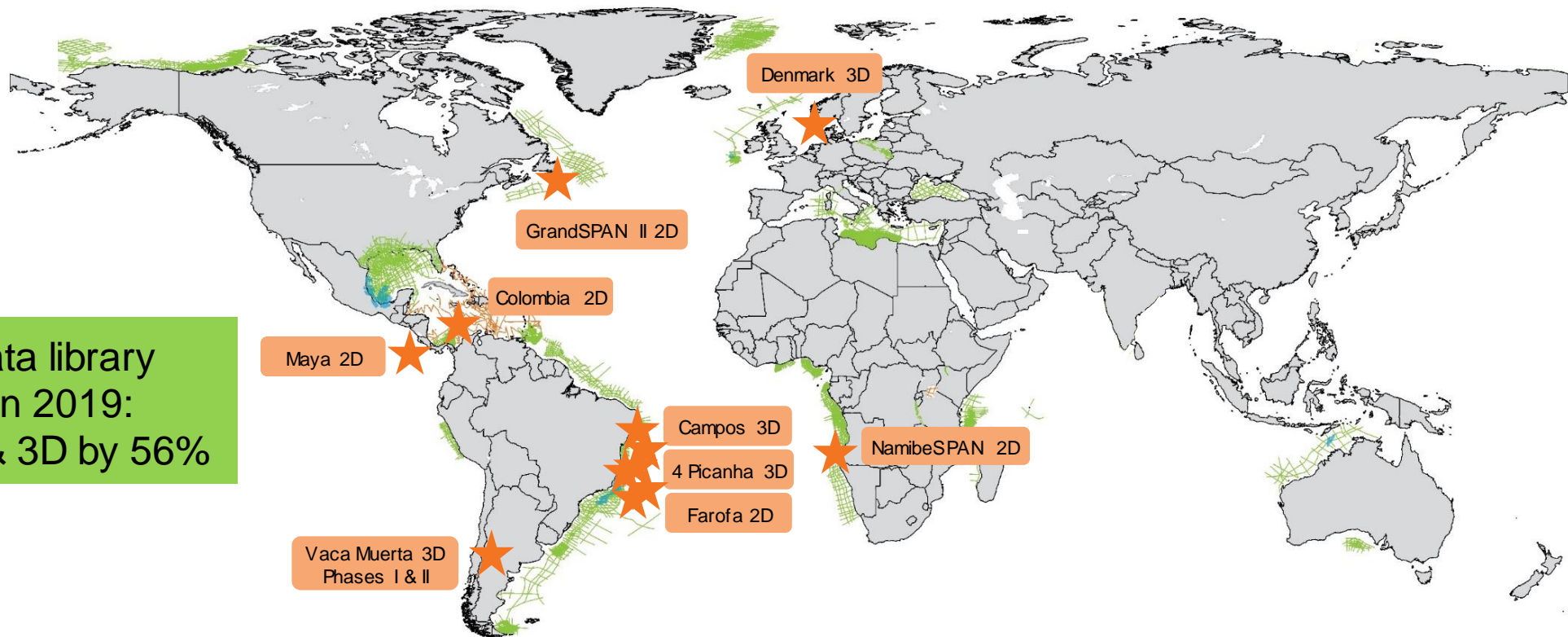


ION Q4-19 Highlights



E&P Technology & Services

- Revenues decreased 51% this quarter and 8% this year, due to multi-client sales
- Sanctioned 12 multi-client programs in 2019 vs 7 in 2018, but not the new acquisition we intended



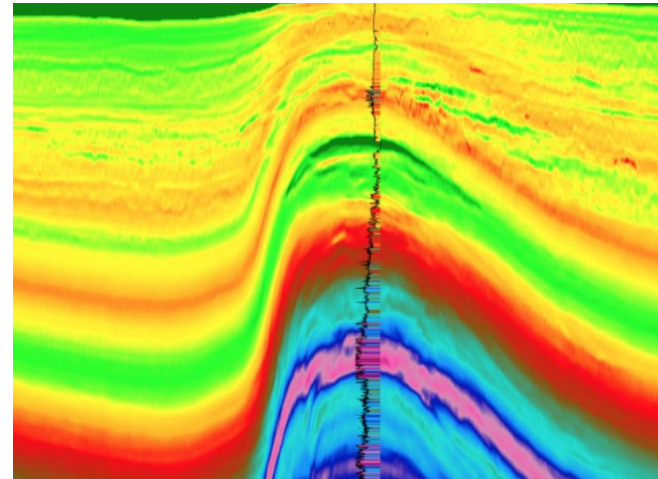
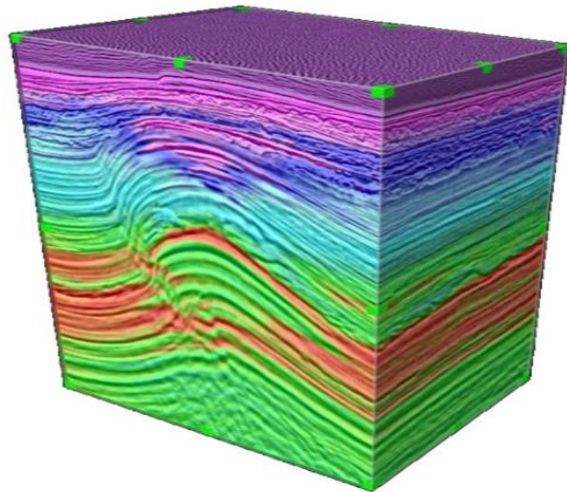
Increased data library significantly in 2019: 2D by 16% & 3D by 56%

ION Q4-19 Highlights



E&P Technology & Services

- Novel technology for differentiated, efficient 3D multi-client surveys
- Maturing pipeline of 3D new acquisition opportunities, and secured 3D multi-client permits
- Imaging Services revenues up 14%, focusing on basins/clients that advance our technology

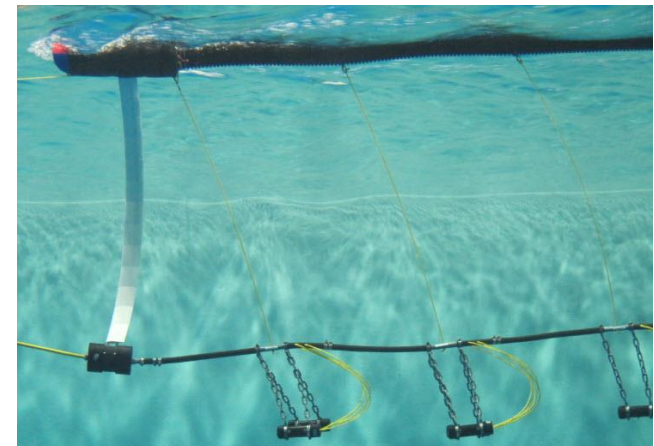


ION Q4-19 Highlights

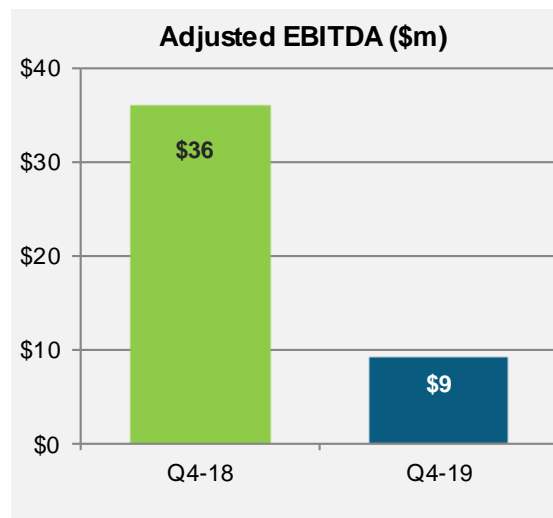
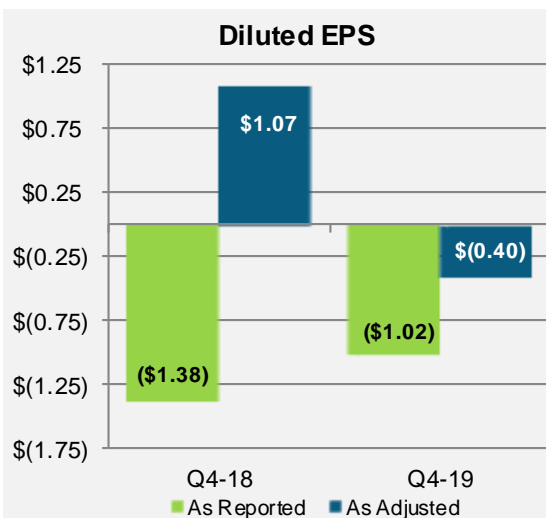
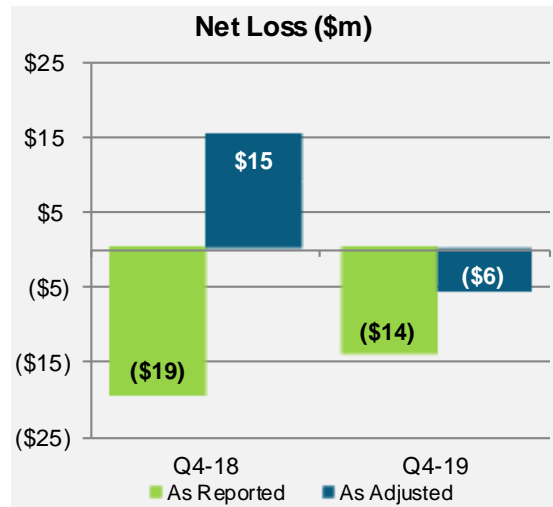
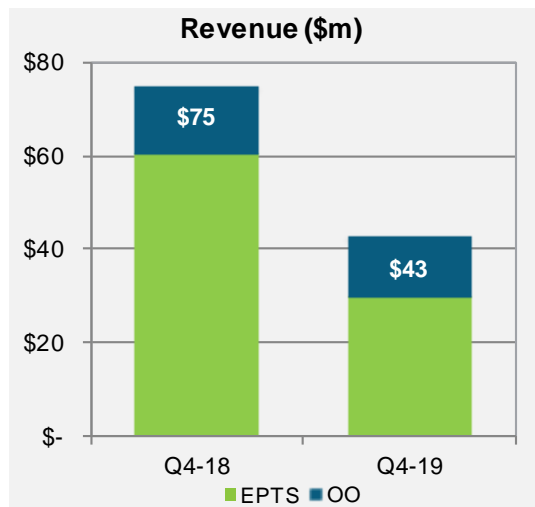


Operations Optimization

- Revenues increased 13% this year due to new technology sales and marine equipment business
- Software revenues were up 10% annually due to strong C&C performance & Marlin deployments
 - ~20% of revenue is attributable to recent technology
 - Doubled number of long-term Marlin contracts
 - Secured another Marlin SmartPort client, accelerating business development and refining roadmap
- Devices revenues were up 16% due to an increase in towed streamer equipment sales and repairs
 - Highest level of contracted business since downturn
 - SailWing deployments continue to go well and add value
 - Focusing on Port Security adjacent market initiative



ION Financial Overview



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- Q4-19 adjusted net loss of \$6m or (\$0.40) per share vs adjusted net income of \$15m or \$1.07 per diluted share in Q4-18
- Q4-19 Adjusted EBITDA of \$9m, down from \$36m in Q4-18
- In Jan. 2020, implemented cost savings program:
 - Over \$20m in annualized savings: reduced use of contractors and eliminated certain discretionary spending, reduction in facilities and reduction in workforce (11%)
 - Will start realizing full effect of savings in Q4-20

ION Financial Overview



	3 mo ended Dec 31		12 mo ended Dec 31	
	2019	2018	2019	2018
Net Loss	\$(14.4)	\$(19.1)	\$(47.2)	\$(70.4)
Non-cash adjustments	20.4	52.4	55.6	92.1
Working Capital	8.8	(18.9)	25.8	(14.6)
Net cash from operations	14.8	14.4	34.2	7.1
Multi-client investment	(7.6)	(8.4)	(28.8)	(28.3)
PP&E capital expenditures	(1.1)	(1.2)	(2.4)	(1.5)
Net cash from investing activities	(8.7)	(9.6)	(31.2)	(29.8)
Net proceeds from stock issuance	-	-	-	47.0
Payments on debt	(0.6)	(0.7)	(2.6)	(30.8)
Net payments under revolving line of credit	-	-	-	(10.0)
Other financing activities	(0.3)	(0.7)	(1.0)	(2.4)
Net cash from financing activities	(0.9)	(1.4)	(3.5)	3.8
Effect of FX	(0.3)	0.0	(0.1)	0.3
Net change in cash	4.9	3.4	(0.7)	(18.6)
Cash & restricted cash (beg. of period)	28.2	30.4	33.9	52.4
Cash & restricted cash (end of period)	\$33.1	\$33.9	\$33.1	\$33.9

- Net cash flows from operations of \$34m for FY-19 versus \$7m in prior year
- Total net cash flows (including investing & financing activities) of (\$1m) for FY-19 versus (\$19m) in prior year
- No outstanding amounts under credit facility at Dec-19
- Total Liquidity of \$72m (Cash of \$33m + Available Revolver Capacity of \$39m)
 - Total Liquidity up \$7m from Sept-19 and down \$3m from Dec-18

Summary



- **Digested disappointing Q4 and made some required course adjustments to set the stage for more consistent and improved performance**
- **Expect E&P and seismic spending to be up slightly, with stronger growth in multi-client**
- **Given an E&P recovery that's still developing, we will not solely rely on market growth to improve our business**
 - In a seismic landscape that has largely bifurcated into asset-light players and asset-only providers, we believe we are different; our customers have said we “punch above our weight” in terms of innovation.
 - In 2020 we will do fewer things better, and we will continue to build a culture around execution.
 - We are reorganized and focused on materially entering the 3D new acquisition multi-client market and building out the Marlin SmartPort business.
- **We believe the combination of our streamlined strategy, reorganization, and cost reductions will enable us to deliver the first full year of profitability in recent memory**

Q&A





Powering data-driven decisions

