



# ION Q3 2018 Earnings Call



Earnings Call Presentation

November 1, 2018

# Corporate Participants and Contact Information



**BRIAN HANSON**  
President and  
Chief Executive Officer



**STEVE BATE**  
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](http://www.iongeo.com) for approximately 12 months.

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

# Forward-Looking Statements

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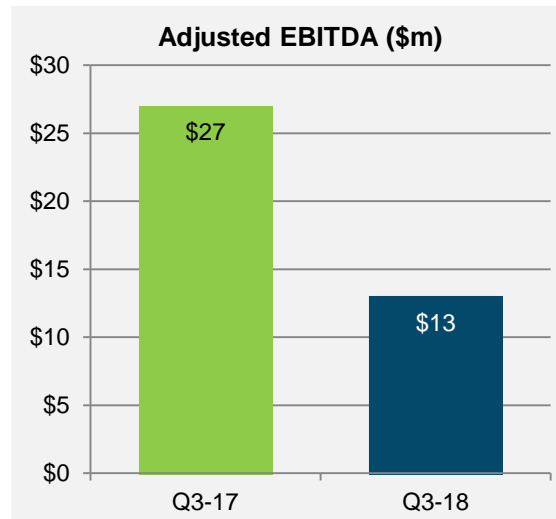
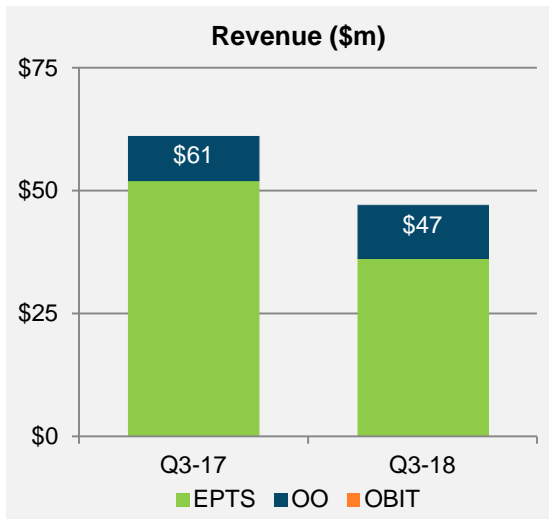
*The information included herein contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.*

*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 Q3-18 Financial Overview



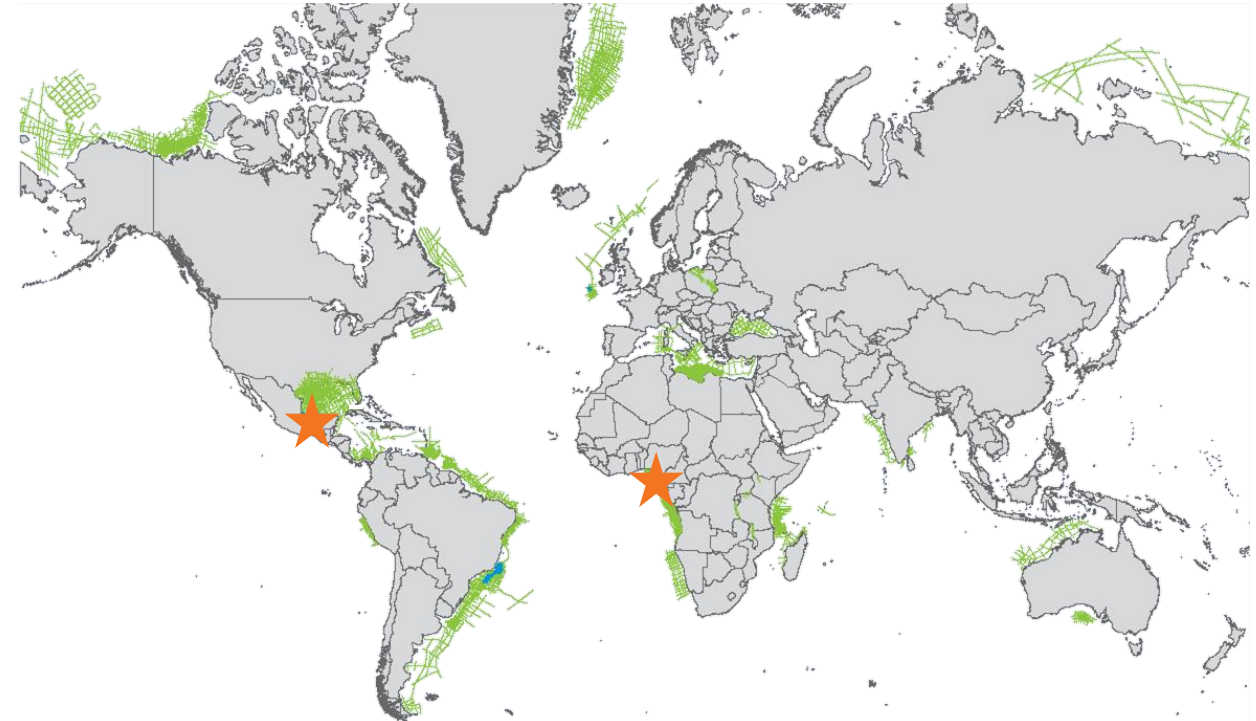
- Revenues down 23% vs Q3-17 due to:
  - continued delay of the Panama license round announcement
  - recently elected president in Mexico caused the E&P industry to pause spending on new acreage and seismic data in Mexico until there is better clarity on international investment after he takes office in Dec.
  - continued E&P company disciplined focus on procurement is restricting exploration spending and pushing deals into Q4
- Net loss of \$8m vs net income of \$5m in prior year
- Adjusted EBITDA of \$13m vs \$27m in prior year
- Pent up demand for data is continuing to build a strong pipeline of opportunities for Q4-18 and 2019

# ION Q3-18 Highlights



## E&P Technology & Services

- Seeing increasing momentum in multi-client
  - New venture program activity up 27% year-on-year
  - Backlog remains strong at \$33M
- Sanctioned 2 new multi-client programs
  - Tabasco 3D reimaging program onshore Mexico
  - Nigeria 2D reimaging program
- Completed 1 multi-client program
  - North extension of Campeche 3D reimaging program offshore Mexico



# ION Q3-18 Highlights



## Operations Optimization

- Revenues up 20% due to additional Gator installations
- Steadily establishing Marlin as the premier offshore optimization software, gaining increasing adoption
  - Reached 108 deployments, 17 were active in the quarter
  - Shifted Marlin to more scalable web browser delivery



# ION Q3-18 Highlights

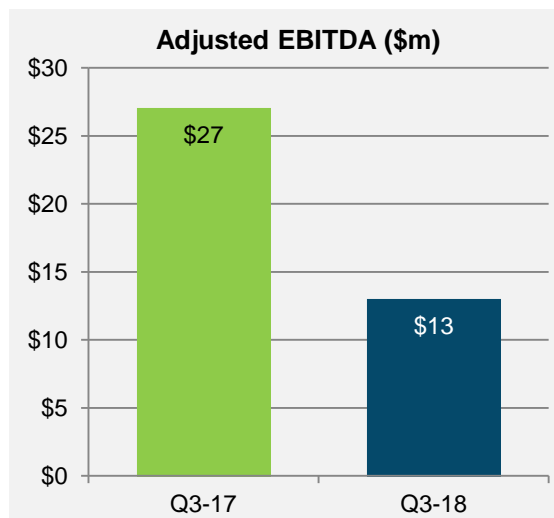
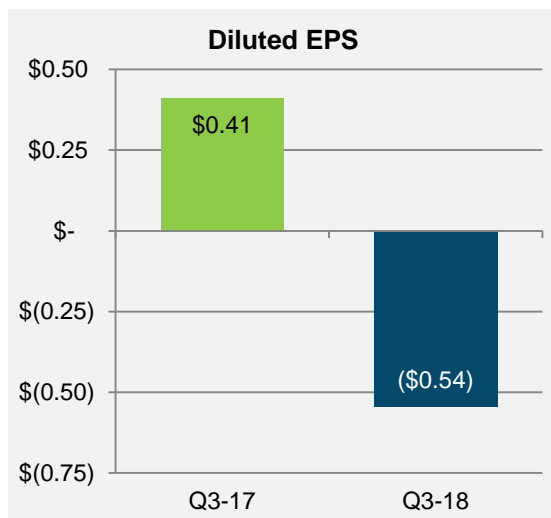
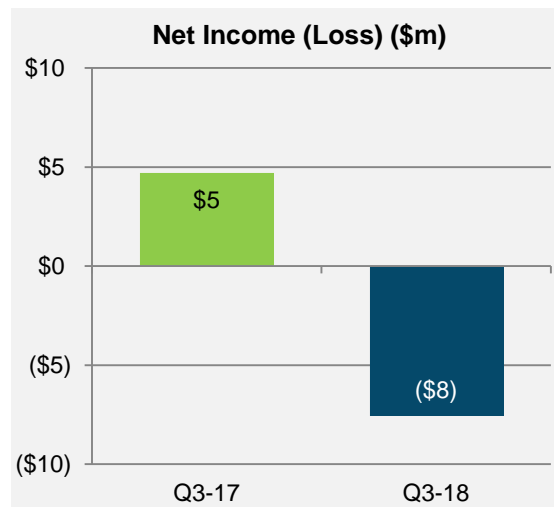
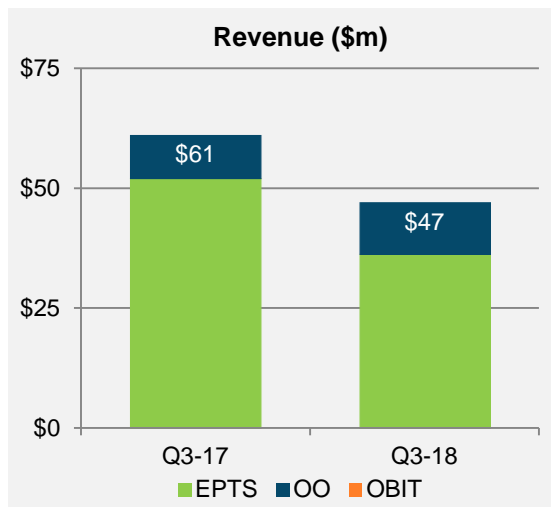


## Ocean Bottom Integrated Technologies

- Gaining traction bringing our fully integrated ocean bottom system, 4Sea, to market in asset light business models that enable us to share in the value our technology delivers
- Made significant progress on the automated back deck deployment and retrieval system
  - Completed the majority of the engineering
  - Provided compelling demonstrations to potential customers in Norway with our joint marketing partner



# ION Q3-18 Financial Overview



- Total revenue down 23% vs Q3-17
  - E&P Technology & Services down 30%
  - Operations Optimization up 20%
  - Ocean Bottom Integrated Technologies had no revenue
- Net loss of \$8m vs net income of \$5m in prior year
- Diluted EPS of (\$0.54) vs \$0.41 in Q3-17
- Adjusted EBITDA of \$13m vs \$27m in prior year



# ION Q3-18 Cash Flow Overview

\$ million



	3 mo ended Sept 30		9 mo ended Sept 30	
	2017	2018	2017	2018
Net Income (Loss)	\$5.0	\$(7.5)	\$(28.0)	\$(51.3)
Non-cash adjustments	17.0	15.1	53.2	39.6
Working Capital	(15.8)	(14.8)	(15.5)	4.4
<b>Net cash from operations</b>	<b>6.2</b>	<b>(7.1)</b>	<b>9.7</b>	<b>(7.3)</b>
Multi-client investment	(8.1)	(6.1)	(16.6)	(19.9)
PP&E capital expenditures	(0.1)	(0.1)	(1.0)	(0.5)
Other investing activities	-	0.2	-	0.2
<b>Net cash from investing activities</b>	<b>(8.2)</b>	<b>(6.0)</b>	<b>(17.6)</b>	<b>(20.2)</b>
Net proceeds from stock issuance	-	(0.2)	-	47.0
Payments on debt	(1.2)	(0.4)	(4.3)	(30.1)
Payments under revolving line of credit	-	-	-	(10.0)
Other financing activities	-	(0.6)	(0.3)	(1.7)
<b>Net cash from financing activities</b>	<b>(1.1)</b>	<b>(1.2)</b>	<b>(4.6)</b>	<b>5.2</b>
Effect of FX	(0.1)	-	(0.3)	0.3
<b>Net change in cash</b>	<b>(3.2)</b>	<b>(14.3)</b>	<b>(12.8)</b>	<b>(22.0)</b>
Cash & restricted cash (beg. of period)	43.9	44.7	53.4	52.4
<b>Cash &amp; restricted cash (end of period)</b>	<b>\$40.7</b>	<b>\$30.4</b>	<b>\$40.7</b>	<b>\$30.4</b>

- Net cash flows from operations of (\$7m) in Q3-18 vs \$6m in prior year
- Total net cash flows (including investing & financing activities) of (\$14m) in Q3-18 vs (\$3m) in Q3-17
- Total liquidity of \$73m at Q3-18, consisting of \$30m cash and \$43m of available and undrawn borrowing capacity under credit facility
- Amended Revolving Credit Facility (mid-August)
  - Extended maturity date to August 2023
  - Increased maximum facility size from \$40m to \$50m
  - Increased borrowing base by raising borrowing capacity attributable to data library and by including certain foreign receivables

# Summary

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- Optimistic about long-term oil and gas fundamentals and eventual resumption of exploration activity due to higher oil prices, improved cash flow, and low reserve replacement rates.
- Business has a history of being lumpy, encouraged by overall activity levels.
- Strong pipeline of opportunities and pent up demand for multi-client data, which is potentially setting up Q4-18 and 2019 to be very strong.

# Q&A





Powering data-driven decisions

