



ION Q4 2018 Earnings Call



Earnings Call Presentation
February 7, 2019



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 for approximately 12 months.

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

Forward-Looking Statements



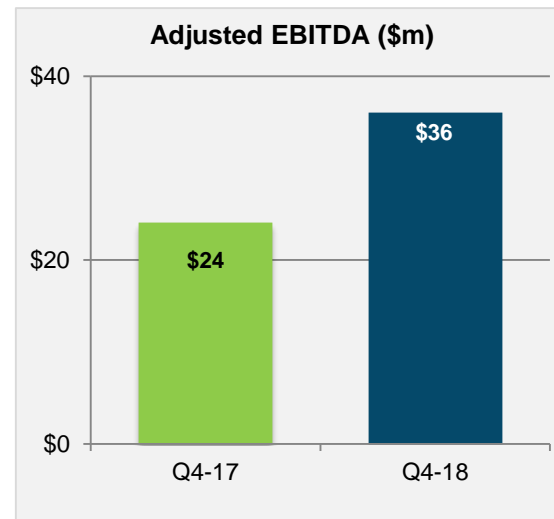
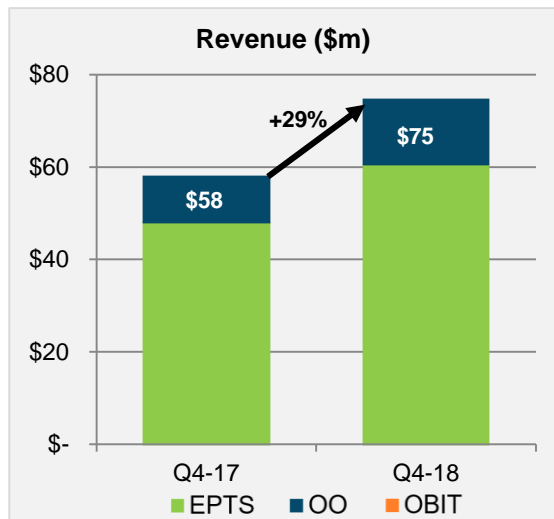
The information included herein contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

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.

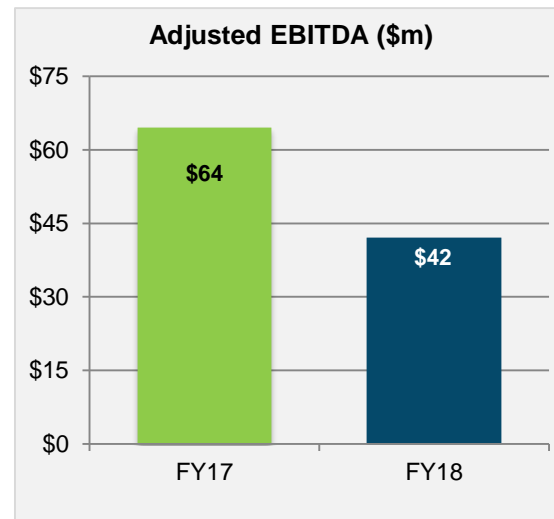
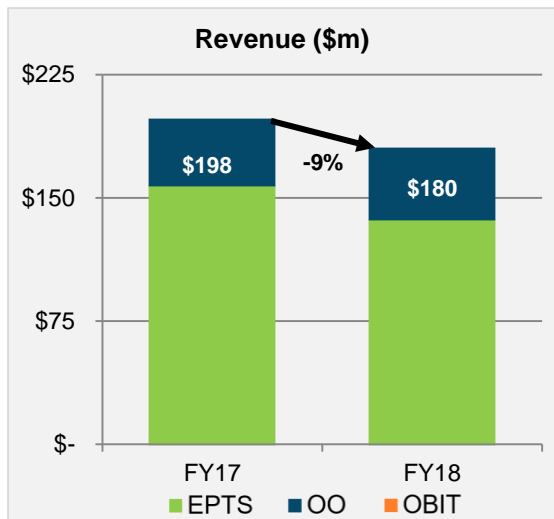
These risks and uncertainties include risk factors that are disclosed by ION from time to time in its filings with the Securities and Exchange Commission.

ION Q4-18 Financial Highlights



- Revenues of \$75m up 29% vs Q4-17
 - E&P Technology and Services up 26%
 - Operations Optimization up 43%
- Net loss of \$19m vs net loss of \$1m in Q4-17
- Adjusted net income of \$15m vs \$5m in Q4-17
- Adjusted EBITDA of \$36m vs \$24m in Q4-17
- Generated \$3m of cash, increasing liquidity to \$76m

ION FY 2018 Financial Highlights



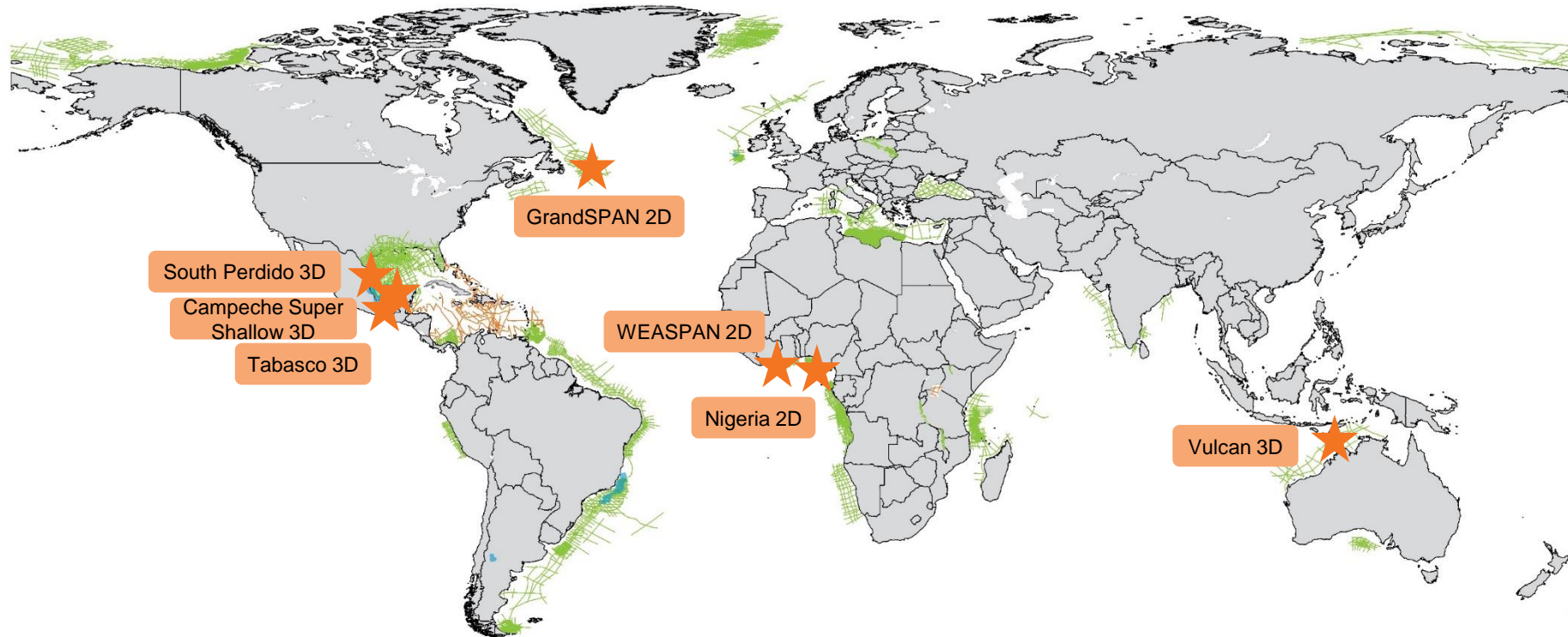
- Revenues of \$180m down 9%
 - Decline attributed to lack of material year-end spending, geopolitical delays and conservative exploration activity
- Net loss of \$71m in FY18 vs net loss \$30m FY17
- Adjusted net loss of \$33m in FY18 vs Adjusted net loss \$19m FY17
- Adjusted EBITDA of \$42m vs \$64m in prior year

ION Q4-18 and 2018 Highlights



E&P Technology & Services

- Sanctioned 7 multi-client programs in 2018
- Imaging Services continues to focus on high-end, technology-driven projects with better margins
- E&P Advisors receiving an increasing amount of reservoir services work and are well positioned for upcoming license round management work



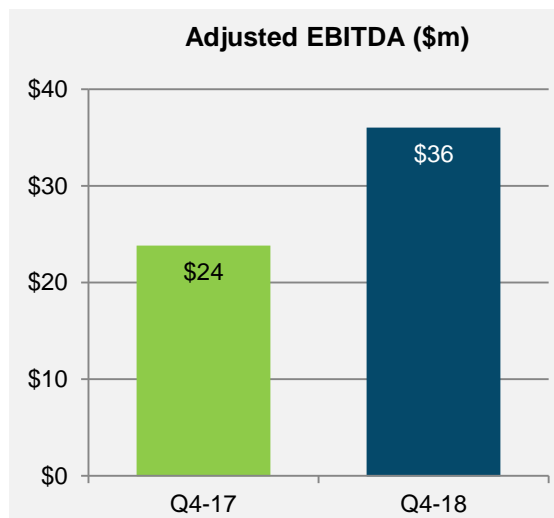
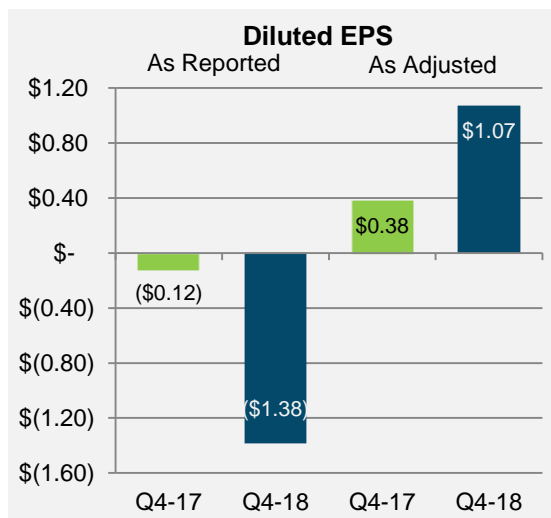
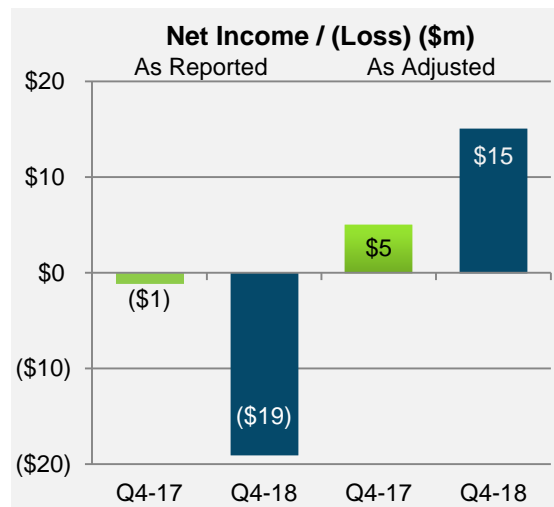
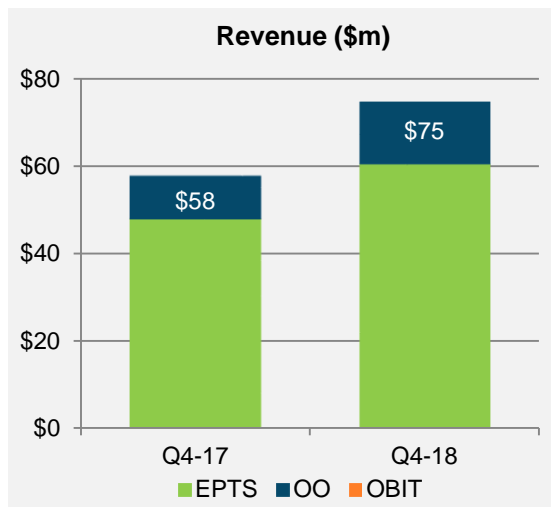
ION Q4-18 and 2018 Highlights

Operations Optimization

- Software results improved due to robust OBS activity and increased Marlin deployments
- Made significant progress accelerating adoption and advancing Marlin offshore optimization software
 - Nearly doubled deployments in 2018 to 127
 - Launched fully featured SaaS application in the cloud
 - Secured first non-E&P project for port management
- Strong SailWing client interest with pilot opportunities
- Remaining 4Sea components will be commercialized in 2019
 - Second demonstration of back deck system next month
 - QA/QC system will be delivered in the first half of the year
 - SimSurvey is being deployed with early adopter customers



ION Q4-18 Financial Overview



- Total revenue up 29% vs Q4-17
 - E&P Technology & Services up 26%
 - Operations Optimization up 43%
 - Ocean Bottom Integrated Technologies had no revenue
- Net loss of \$19m vs net loss of \$1m in prior year, or EPS of (\$1.38) vs (\$0.12) in Q4-17
 - With evolution of our OBS strategy and the shift in the OBS market to nodal systems , Q4-18 reflects \$37m write-down of cable-based ocean bottom technologies
- Adjusted net income of \$15m vs \$5m in prior year, or Adjusted Diluted EPS of \$1.07 vs \$0.38 in Q4-17
- Adjusted EBITDA of \$36m vs \$24m in prior year

ION Q4-18 Cash Flow Overview

\$ million



	3 mo ended Dec 31		12 mo ended Dec 31	
	2017	2018	2017	2018
Net Loss	\$(1.3)	\$(19.1)	\$(29.4)	\$(70.4)
Non-cash adjustments	15.3	52.4	68.5	92.1
Working Capital	3.9	(18.9)	(11.5)	(14.6)
Net cash from operations	17.9	14.4	27.6	7.1
Multi-client investment	(7.1)	(8.4)	(23.7)	(28.3)
PP&E capital expenditures	(0.1)	(1.2)	(1.1)	(1.5)
Net cash from investing activities	(7.2)	(9.6)	(24.8)	(29.8)
Net proceeds from stock issuance	-	-	-	47.0
Payments on debt	(0.5)	(0.7)	(4.8)	(30.8)
Payments under revolving line of credit	-	-	-	(10.0)
Other financing activities	1.5	(0.7)	1.2	(2.4)
Net cash from financing activities	1.0	(1.4)	(3.6)	3.8
Effect of FX	-	-	(0.3)	0.3
Net change in cash	11.7	3.4	(1.0)	(18.6)
Cash & restricted cash (beg. of period)	40.7	30.4	53.4	52.4
Cash & restricted cash (end of period)	\$52.4	\$33.9	\$52.4	\$33.9

- Net cash flows from operations of \$14m in Q4-18 vs \$18m in prior year
- Total net cash flows (including investing & financing activities) of \$3m in Q4-18 vs \$12m in Q4-17
 - Decrease due to \$13m increase in receivables balance which should result in an increase in cash collections during Q1-19
- Total liquidity of \$76m at Q4-18, a \$3m increase from Sept-18 and an \$8m increase from one year ago

Summary



- **While long-term oil and gas fundamentals remain strong, we expect near-term oil price volatility and a cautious backdrop for E&P spending**
 - Analysts are projecting E&P spending to increase another 8% in 2019
- **Expect 2019 to be a better year for ION, subject to E&P budgets**
 - Intend to materially increase the number of new sanctioned programs in 2019
 - Data library well positioned and relevant to 46 of the 86 2019 offshore license rounds
 - Imaging Services and E&P Advisors are executing strategies to deliver higher returns
 - Positioning our offerings to excel in military and port management adjacent markets
 - Commercializing new technologies that should positively contribute to 2019
 - Anticipate our software business growing nicely in both core and adjacent markets

Q&A





Powering data-driven decisions

