

7 February 2022

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IMDEX Limited (IMD)

Materials

UNDERPERFORM

IMD A\$2.96
TARGET PRICE A\$2.77

IMDEX Ltd. engages in the provision of mining equipment, technology, and services. It operates through the AMC and REFLEX brands. The AMC brand deals with drilling fluids, equipment, technologies, and software. The REFLEX brand includes downhole instrumentation, data management and analytical software for geological modelling. The company was founded on December 17, 1980 and is headquartered in Balcatta, Australia.

Company Data

Number of shares	396.5M
Market Capitalisation	\$ 1,173.5M
Free float (%)	88.7
12-month high/low	\$3.16/\$1.595
Average Daily Turnover (\$m)	2.644092
% S&P/ASX200	0.055
DDM Ranking	326
% All Ordinaries	0.048
GICS Industry Group	Metals & Mining

Source: FactSet, Barclay Pearce Capital

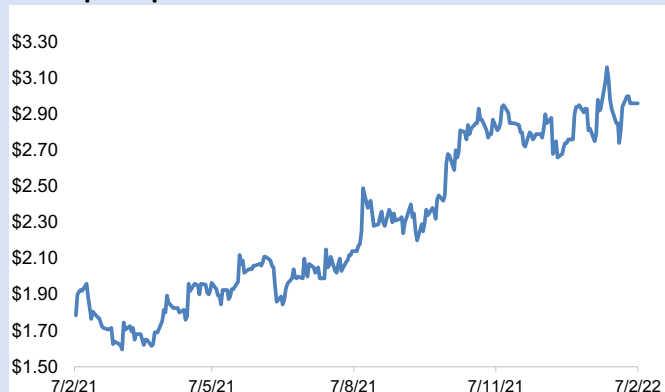
Earnings Summary (AUD)

Year end June	2021A	2022F	2023F	2024F
Revenue (\$M)	264.4	338.4	345.7	363.8
EBITDA (\$M)	75.5	103.2	104.8	108.9
Reported NPAT (\$M)	31.7	46.2	46.1	47.9
Adjusted NPAT (\$M)	31.7	47.4	48.2	50.3
Adjusted EPS (c - FD)	7.8	11.7	11.8	12.3
Adjusted EPS growth (%)	42.9	39.4	6.7	3.8
Adjusted P/E (x)	37.9	30.7	27.6	26.6
Dividend (c/sh)	2.8	3.9	4.1	4.3
Gross yield (%)	1.4	1.9	2.0	2.1
Net yield (%)	0.9	1.3	1.4	1.5
ROIC (%)	14.5	20.7	20.5	21.1

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

Share price performance.



Source: FactSet, Barclay Pearce Capital

1H22 Results Announcement

On 7th February 2022, IMDEX Limited (IMD) announced its 1H FY22 Results Announcement with the following highlights:

Financial Highlights:

- Record half year revenue of \$167.8m up 34.9% (up 35.3% on a constant currency basis);
- Record EBITDA of \$51.5m up 55.1% (up 54.8% on a constant currency basis);
- Record NPAT of \$24.4m up 80.8%;
- Pre-tax cash from operations to EBITDA conversion rate of 75%;
- Robust balance sheet with a strong net cash position of \$30m; and
- Declared a 1H22 fully franked interim dividend of 1.5 cps.

Completed Strategic Investments:

- Acquired MinePortal software from DataCloud International Inc. to accelerate growth within the mining production market; and
- Acquired an initial 30% interest in Datarock Holdings Pty Ltd to add image analysis software, AI capabilities and deliver additional answer products for clients.

IMDEX CEO Paul House said: "Our record half year financial results were driven by our strong operational performance during a demanding and ever-changing market. The strength of our results can again be attributed to the expertise, dedication and resourcefulness of our global team to meet these changing client needs."

The combination of 35% revenue growth, 55% EBITDA growth and 81% NPAT growth, is the strongest possible statement of the underlying quality of the IMDEX business and the IMDEX business model.

Our significant uplift in earnings reflected strong demand across all regions, particularly for our higher margin sensors and software. At the close of 1H22, rentals and SaaS subscriptions represented 59% of revenue.

Both gross and EBITDA margins continued to expand. During 2H22 we will progress our Digital 2.0 Transformation project, which will further streamline costs and enhance the customer experience.

Additional operational highlights include our improved safety performance, the mitigation of supply chain risks, the resumption of IMDEX BLAST DOG™ trials and two investments to accelerate our expansion within mining production. These achievements demonstrate our team's ability to keep finding ways to execute our strategy."

Earnings changes

IMD has reported NPAT for 1H FY22 of A\$24.4m which is 80.8% above last year's A\$13.5m. and compares to market expectations of full year FY22 NPAT growth of 35%. Hence, we expect positive earnings revisions of 10% for FY22 and 5% for future periods.

Valuation

We are initiating research coverage on IMD with a 12-month target price of \$2.77 and a UNDERPERFORM recommendation. The price target is underpinned by our valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2021 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

Conflicts of Interest

Barclay Pearce Capital does not have any material interests in the financial product discussed in this Research Report nor will it receive any benefits in relation to the publication of this Research Report. Barclay Pearce Capital manages all Conflicts of Interest in accordance with its Conflicts of Interest Policy. Please contact us if you require any further information.

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Buy – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

Speculative Buy – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

Free Float (float / current shares outstanding) *100 – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's, employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

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Valuation Methodology

Barclay Pearce Capital's methodology for assigning stock and credit ratings may include the following: market capitalisation, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of peer comparisons, market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of parts, net asset value, discounted dividend model (DDM), franking credits and return on equity (ROE) over the next 12 months.

Barclay Pearce Capital Recommendation Proportions

Buy	38.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	23.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	38.6%	(0.0% of stocks with recommendations are Barclay Pearce clients)