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# ION Earnings Call – Q4 2016

Earnings Call Presentation

February 9, 2017

# Corporate Participants and Contact Information

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**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.

# 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.*

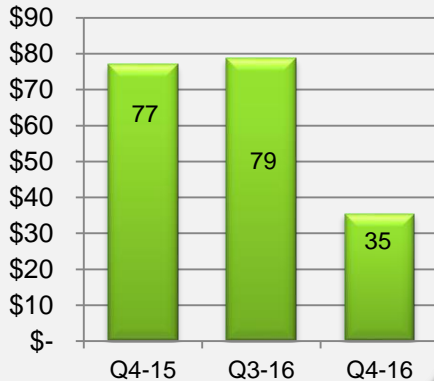
*Actual results may vary fundamentally from those described in these forward-looking statements.*

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

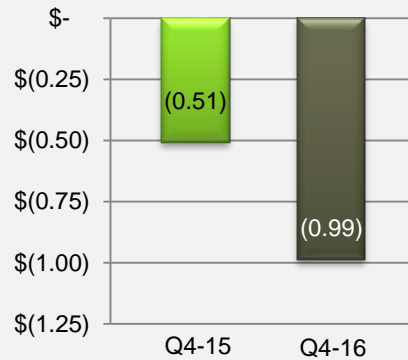
*These risks and uncertainties include risk factors that are disclosed by ION from time to time in its filings with the Securities and Exchange Commission.*

# ION Q4-16 Financial Highlights

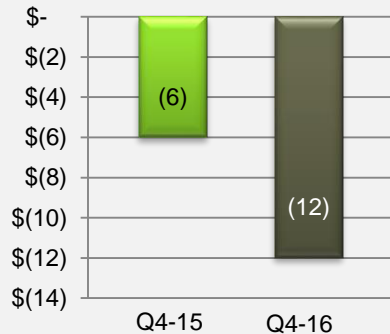
Revenues \$M



Adjusted EPS



Adjusted Net Income (Loss)



Cash Activity\* \$M



\* Q4-16 excludes patent litigation and repayments on revolver

- Revenues of \$35M
  - Down 54% compared to Q4-15
- Adjusted net loss of \$(12)M versus \$(6)M net loss in Q4-15
- Generated \$16M of cash (excluding special items\*) versus \$(3)M in Q4-15
- Generated break-even cash flows for FY 2016 excluding patent litigation payment and cash used on our Q2 bond exchange
- FY 2016 cash flow break-even demonstrates we have rightsized our business

# ION Q4-16 Highlights

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## Overall

- Closed a significant amount of new deals related to our 3D multi-client Campeche reimaging program in partnership with Schlumberger
- Increased backlog \$15M to \$34M at year-end, up from \$19M at year-end 2015

## E&P Operations Optimization Segment

- Completed 22 deployments total of our simultaneous operations management software, Marlin, and continue to receive great client feedback

## E&P Technology & Services Segment

- Very positive customer feedback on the unprecedented turnaround time and imaging improvement in our 3D multi-client program
- Imaging Services group remains close to being fully utilized, with a large portion of capacity dedicated to higher potential 3D reprocessing projects

## Ocean Bottom Services Segment

- Continue to work on, and are strongly positioned for, tenders in the region

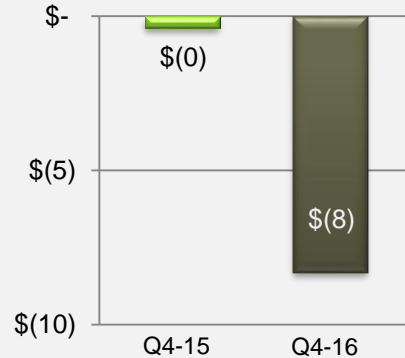
# ION Financial Overview

## Q4-16 Summary

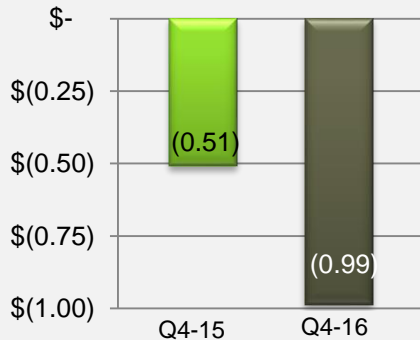
Revenue \$M



Operating Loss \$M



Adjusted EPS



Adjusted EBITDA \$M



- Revenues down 54% vs Q4-15
  - E&P Technology & Services down 60%
  - E&P Operations Optimization down 29%
  - No revenues from Ocean Bottom Services
- Operating loss of \$8M compared to \$0M in Q4-15
  - Decrease driven by significant decline in revenues, more than offsetting the \$95M in annualized cost reductions implemented over the last two years
- Adjusted EPS of \$(0.99) compared to \$(0.51) in Q4-15
- Adjusted EBITDA of \$7M compared to \$18M in Q4-15
  - Adjusted EBITDA remained positive despite a significant decline in revenues, the result of savings from prior cost cutting initiatives

# ION Financial Overview



## Cash Flow \$M

	Q4-15	Q4-16	FY-15	FY-16
Net loss	\$ (5.3)	\$ (6.3)	\$ (25.2)	\$ (64.7)
Non-cash adjustments	21.4	12.9	(26.2)	58.8
Working capital	3.3	12.6	34.8	28.3
Patent litigation payment	-	(20.8)	-	(20.8)
<b>Net cash from operations</b>	<b>19.5</b>	<b>(1.7)</b>	<b>(16.5)</b>	<b>1.6</b>
Multi-client investment	(17.4)	(3.3)	(45.6)	(14.9)
PP&E capital expenditures	(1.6)	(0.9)	(19.2)	(1.5)
Other investing activities	-	2.7	1.3	2.7
<b>Net cash from investing activities</b>	<b>(19.0)</b>	<b>(1.5)</b>	<b>(63.5)</b>	<b>(13.6)</b>
Payment to repurchase bonds	-	-	-	(15.0)
Costs associated with issuance of debt	-	(0.1)	(0.1)	(6.7)
Net borrowings under revolver	-	(5.0)	-	10.0
Other financing activities	(4.0)	(2.2)	(9.4)	(9.9)
<b>Net cash from financing activities</b>	<b>(4.0)</b>	<b>(7.3)</b>	<b>(9.5)</b>	<b>(21.6)</b>
Effect of change on f/x	0.3	0.5	0.9	1.4
<b>Net change in cash</b>	<b>(3.3)</b>	<b>(9.9)</b>	<b>(88.7)</b>	<b>(32.3)</b>
Cash & cash equiv. (beg. of period)	88.2	62.5	173.6	84.9
<b>Cash &amp; cash equiv. (end of period)</b>	<b>\$ 84.9</b>	<b>\$ 52.7</b>	<b>\$ 84.9</b>	<b>\$ 52.7</b>

- Generated \$16M of positive cash flows in Q4-16, excluding patent litigation and repayments on revolver
- FY-16 cash flow break-even, excluding patent litigation and bond exchange payments
- Bond exchange reduced debt by 20% and extended maturities on \$121M of bonds to the end of 2021
- Initiated “At-the-Market” equity program
  - Max. of \$20M spread over multiple quarters
  - No shares have been sold under the program

# Summary

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- **2016 was a tough year, but we've navigated it successfully**
  - Proactive, disciplined, and creative balance sheet management
  - Rightsized our business to weather this severe industry downturn
- **Expect E&P market to start improving**
  - Expect a modest increase in 2017 E&P spending
  - Expect growth in seismic spending to lag behind other oil and gas segments, especially offshore marine activity, which remains our primary focus
- **Expect 2017 to be a transition year for ION**
  - As usual, we believe the first half will be softer than the back half
  - Past rightsizing initiatives enable us to run our business in 2017 and position ourselves for a recovery in our area of the industry in 2018
  - Maintained our capabilities, our workforce and our R&D programs – we're actively positioning ourselves to take full advantage of a more normal 2018



# Q&A

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