


FULL YEAR RESULTS PRESENTATION

Financial Year 2019

Mitchell SERVICES

MITCHELL 50 YEARS AND SPINNING

DISCLAIMER

This investor presentation has been prepared by Mitchell Services Limited ("the Company"). Information in this presentation is of a general nature only and should be read in conjunction with the Company's other periodic and continuous disclosure announcements to the ASX, which are available at: www.asx.com.au.

This presentation contains statements, opinions, projections, forecasts and other material ("forward-looking statements") with respect to the financial condition, business operations and competitive landscape of the Company and certain plans for its future management. The words *anticipate*, *believe*, *expect*, *project*, *forecast*, *estimate*, *likely*, *intend*, *should*, *could*, *may*, *target*, *plan* and other similar expressions are intended to identify forward-looking statements. Such forward-looking statements are not guarantees of future performance and include known and unknown risks, uncertainties, assumptions and other important factors which are beyond the Company's control and may cause actual results to differ from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. Any forward-looking statements contained in this document are qualified by this cautionary statement. The past performance of the Company is not a guarantee of future performance. None of the Company, or its officers, employees, agents or any other person named in this presentation makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward-looking statements or any of the outcomes upon which they are based.

The information contained in this presentation does not take into account the investment objectives, financial situation or particular needs of any recipient and is not financial product advice. Before making an investment decision, investors should consider their own needs and situation and, if necessary, seek independent professional advice.

Mitchell Services Limited's financial statements comply with International Financial Reporting Standards (IFRS). This presentation may include certain non-IFRS performance measures including EBITDA, EBIT, Gearing ratio, Gross Debt, Net Debt and Return on Invested Capital (ROIC). These measures are used internally by management to assess the performance of the business. Non-IFRS measures have not been subject to audit or review and should not be considered as an alternative to an IFRS measure of profitability, financial performance or liquidity

To the maximum extent permitted by law, the Company and its directors and advisers of both give no warranty, representation or guarantee as to the accuracy, completeness or reliability of the information contained in this presentation. Further, none of the Company, it officers, agents or employees of accepts, to the extent permitted by law, any liability for any loss, claim, damages, costs or expenses arising from the use of this presentation or its contents or otherwise arising out of, or in connection with it. Any recipient of this presentation should independently satisfy themselves as to the accuracy of all information contained herein.

MITCHELL SERVICES MARKET PROFILE

ASX Information

Shares Issued (ASX:MSV)	1,742,382,681
Share Price (at 23/08/2019)	A$0.068
Market Capitalisation	A$118.2m
FY19 EBITDA	A$24.1m
Net Debt (at 30/06/2019)	A$8.2m

Major Shareholders

Mitchell Group	20.4%
Washington H Soul Pattinson	9.78%
CVC Limited	6.1%

Board of Directors

Nathan Mitchell
Executive Chairman

Peter Miller
Non-Executive Director

Robert Douglas
Non-Executive Director

Neal O'Connor
Non-Executive Director

Senior Management Team

Andrew Elf
Chief Executive Officer

Greg Switala
CFO & Company Secretary

Josh Bryant
GM People & Risk

Todd Wild
GM Commercial

SAFETY UPDATE

- Finishing each day without harm is a **core Mitchell Services value**
- Zero lost time incidents in FY19
- **Focus on training** to attract, retain and further develop our own drillers in an improving market
- Mitchell Services' **safety culture** was recognised during the year with the following **major accolades**:
  - Winner 2018 Australian Mining Prospects Awards (Safety Advocate Award)
  - Finalist 2018 Australian Mining Prospects Awards (Excellence in Mine Safety, OH&S)
  - Finalist 2018 Safe Work and Return to Work QLD (Most Significant Improvement to Work Health and Safety Performance & Best Demonstrated Leadership in Work Health and Safety)

FY19 BUSINESS OVERVIEW

Revenue of $120.2m

↑65%

from FY18

EBITDA of $24.1m

↑286%

from FY18

Net Debt of $8.2m

54%

reduction from June 2018

Zero Lost Time Injuries

in FY19 with 400+ employees

Special dividend

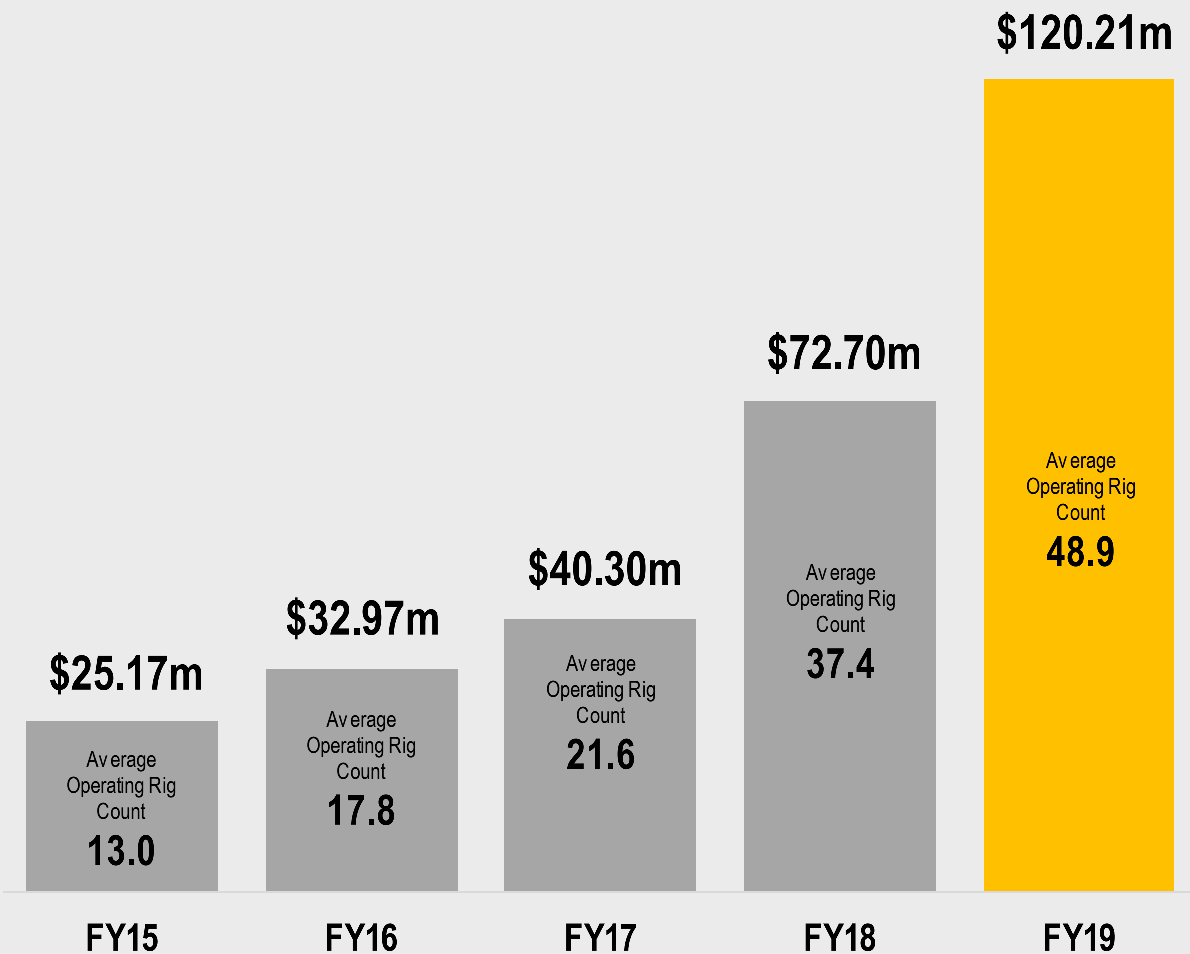
declared in FY19

Strong balance sheet

provides flexibility

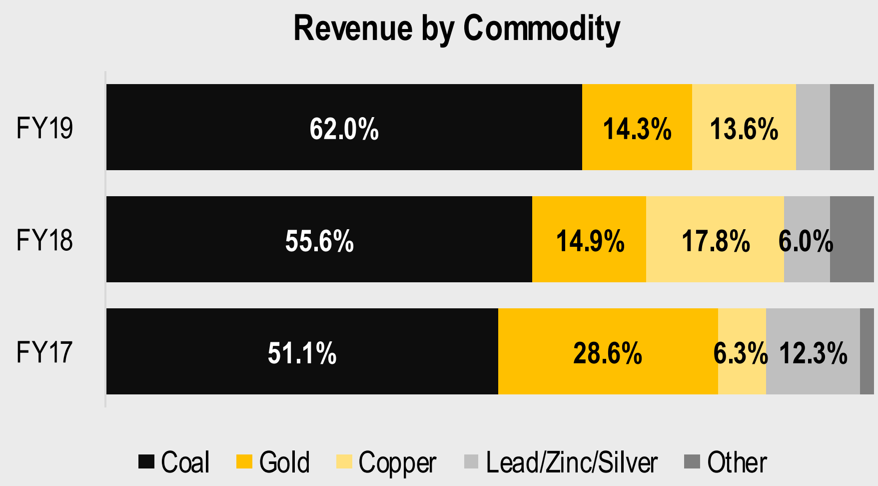
IMPACT OF INCREASED UTILISATION ON REVENUE

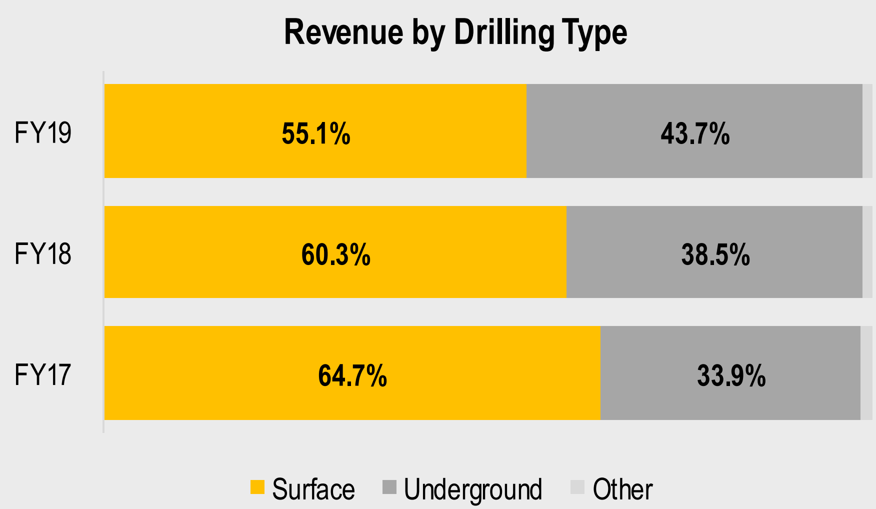
Annual Average Operating Rig Count vs Revenue



- Average operating revenue per rig continued to increase due to improved productivity, pricing and drilling mix
- Mitchell Services anticipates further increases in operating rig count in FY20
- Operating rig count subject to change due to seasonality or other factors
- 69 rigs in fleet

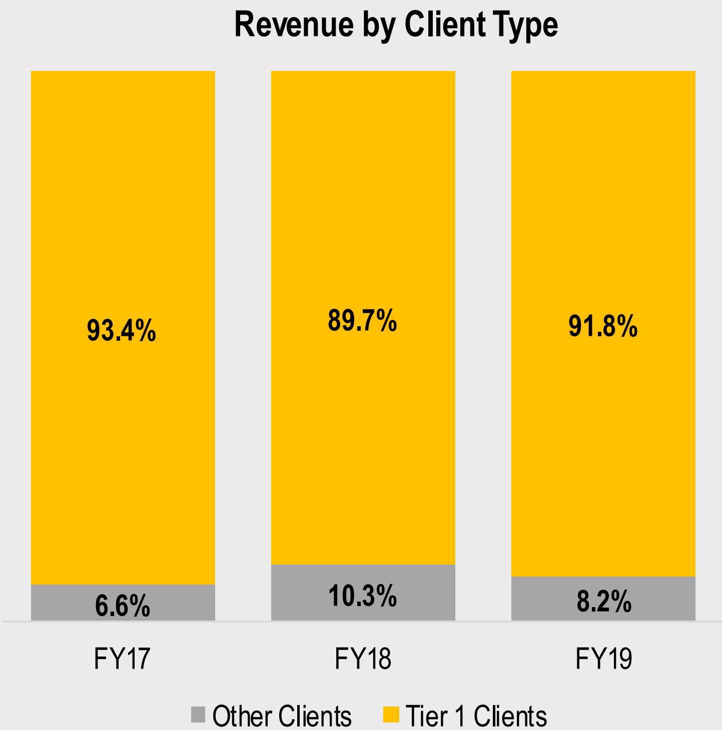
REVENUE DIVERSITY



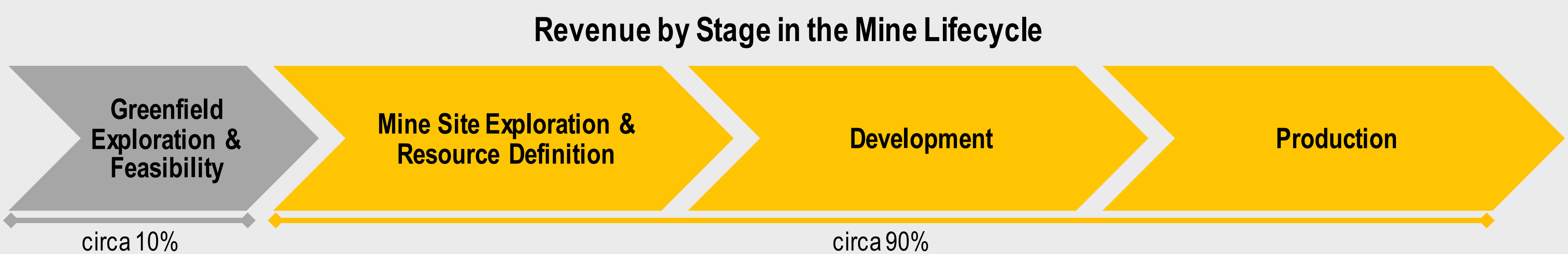


- Demand for drilling services remains strong across all commodities
- Entry into the underground coal sector (through the acquisition of Radco Drilling in 2018) has driven the increase in coal and underground as a percentage of revenue
- Management and board remain mindful of revenue by commodity and drilling type and as part of this initiative has recently announced entry into the drill and blast market

HIGH QUALITY REVENUE STREAMS



- Tier 1 Clients are large / multinational mining & energy companies
- A significant majority of Mitchell Services revenue comes from Tier 1 Clients operating on long life, low cost mine sites
- Approximately 90% of revenue is at the mine site resource definition, development and production stage which is a critical service in the mining lifecycle
- Focus on production related services was further enhanced by the recent announcement of entry into the drill and blast market through a material contract award



STAGES OF THE CYCLE

STAGE 1: UTILISATION INCREASES (THIS IS HAPPENING)

- More rigs start working

STAGE 2: PRODUCTIVITY IMPROVES AS UTILISED RIGS WORK MORE SHIFTS (THIS IS HAPPENING)

- Seasonality impact reduces as rigs work through the wet season
- More rigs work 24 hours a day 7 days a week versus 12 hours a day (limited rigs in the surface coal sector work 24 hours a day)

STAGE 3: PRICE INCREASES AS SUPPLY AND DEMAND CHANGES IN FAVOUR OF SERVICE PROVIDERS (EARLY STAGES)

- On average across a range of different drilling types prices are still circa 10% - 30% below the highs achieved during the last cycle (Large Diameter, Surface and Underground)
- Prices for multi-rig multi-year contracts are increasing by high single or low double digit percentages

STAGE 4: GENERAL CONTRACT TERMS & CONDITIONS IMPROVE

- Larger up front mobilisation charges to manage ramp up costs
- Larger demobilisation charges
- Take or pay contracts
- More flexible pricing schedule of rates

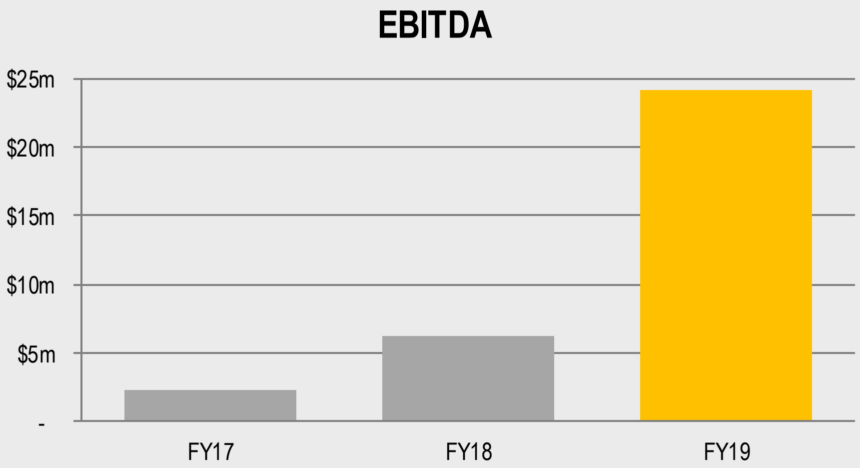
Evidence suggests that we are still in the early stages of Stage 3 with growth remaining measured

PROFIT AND LOSS

Unprecedented earnings growth

Profit & Loss

	FY19	FY18	Change
	$000's	$000's	%
Revenue	120,205	72,700	65%
EBITDA	**24,112**	**6,254**	**286%**
EBIT	13,894	(1,361)	(1,121%)
NPBT	12,829	(3,048)	(521%)
NPAT	**17,368**	**(2,340)**	**(842%)**



- 286% improvement in EBITDA on pcp driven by increased utilisation, quality operational execution and improving market conditions
- FY19 EBITDA Margin 20% (up 133% on pcp)
- FY19 EBIT Margin 12% (up 718% on pcp)
- NPAT greater than NPBT due to $4.7m tax credit following the recognition of a deferred tax asset pertaining to historical tax losses not previously recognised

BALANCE SHEET

Strong balance sheet provides flexibility

	30 Jun 19	30 Jun 18	Change
	$000's	$000's	%
Balance Sheet Summary			
Current assets	29,717	27,519	8%
Non-current assets	40,480	30,773	32%
Total assets	**70,197**	**58,292**	**20%**
Current liabilities	26,469	23,125	14%
Non-current liabilities	6,134	14,133	(57%)
Total liabilities	**32,604**	**37,258**	**(12%)**
Net assets	**37,593**	**21,034**	**79%**
Working Capital Summary			
Receivables	22,776	17,609	29%
Prepayments & other assets	2,239	1,154	94%
Inventories	2,995	2,275	32%
Trade & other payables	(16,241)	(13,164)	23%
Premium funding	(816)	(390)	109%
Working Capital Investment	**10,953**	**7,484**	**46%**

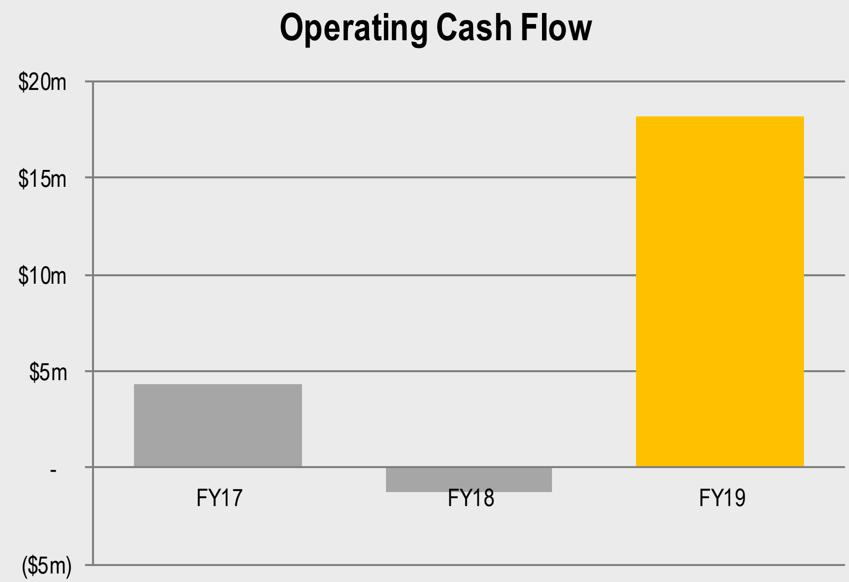
- Significant reduction in debt paid from operating cash flow provides a solid foundation for future growth
- ROIC of 29.9% driven by strong operating cash flows and improved EBITDA margins, this highlights Mitchell Services disciplined approach to capital deployment
- Gross Debt / EBITDA (Operating Leverage Ratio) of 0.41 times is an 87% improvement on pcp of 3.12 times
- The increase in working capital (of approx. $3.5m) is a function of the revenue growth in FY19 and has contributed to the Cash Conversion Ratio of 76%

CASH FLOW

Improved operating cash flows and Cash Conversion Ratio

Operating Cash Flow Summary

	FY19	FY18	Change
	$000's	$000's	%
Receipts from customers	111,535	64,343	73%
Payments to suppliers / employees	(90,729)	(63,697)	42%
Cash generated from operations	**20,806**	**646**	**3,121%**
Interest & other financing costs	(1,271)	(1,700)	(25%)
Income tax paid	(1,309)	(221)	(100%)
Cash flow from operating activities	**18,226**	**(1,275)**	**(1,529%)**
EBITDA	24,112	6,254	286%
Cash Conversion Ratio	**76%**	**(20%)**	**(471%)**



FY19 has seen the operating leverage within the business play out resulting in significantly improved operating cash flows and Cash Conversion Ratio

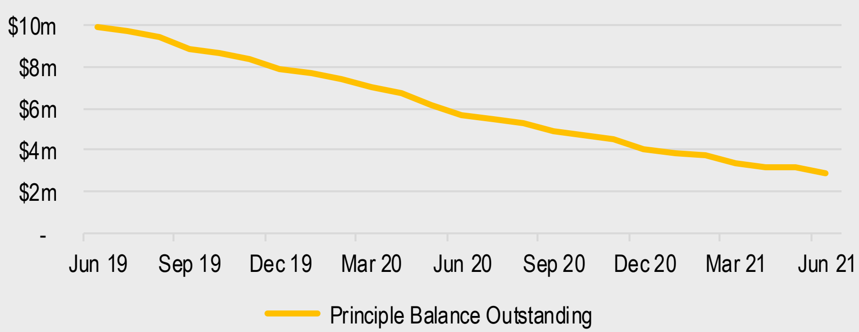
NET DEBT

MSV can move forward with confidence and certainty

Net Debt Summary

	30 Jun 19 $000's	30 Jun 18 $000's
Equipment finance	9,792	8,358
Shareholder Loans	-	8,500
Property Loan	-	2,700
Gross debt	**9,792**	**19,558**
Cash on hand	1,597	1,864
Net debt	**8,195**	**17,694**

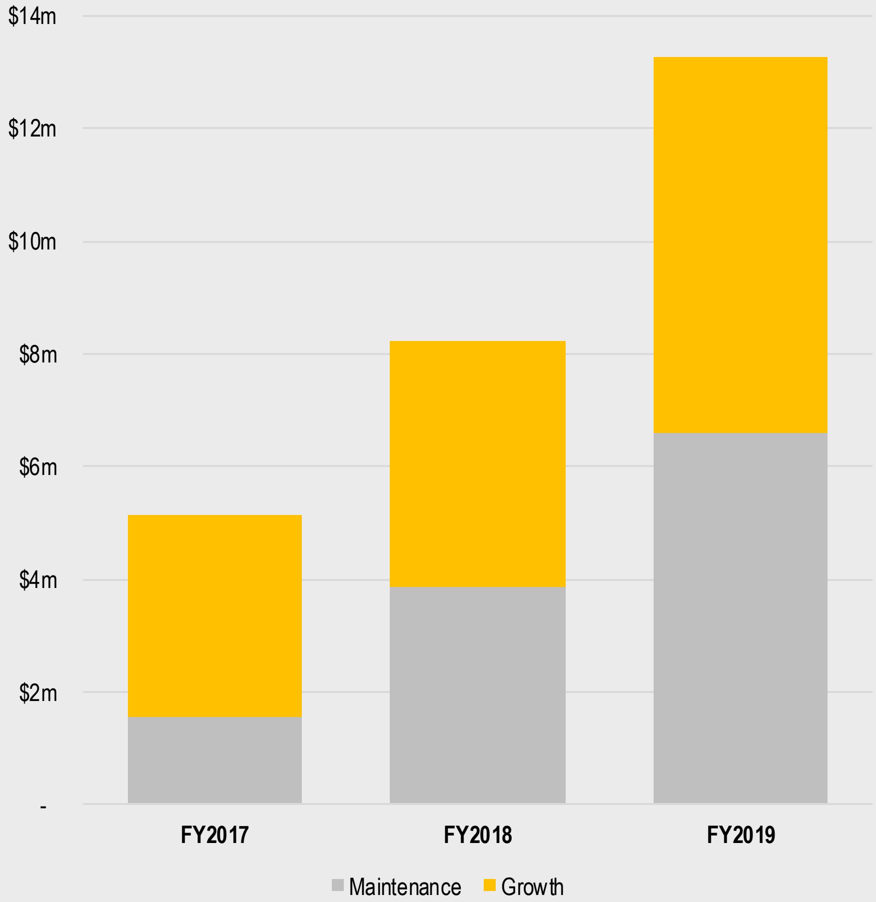
Amortisation Profile of drawn equipment finance facilities at 30 June 2019



- The $8.5m Shareholder Loans were repaid in full from operating cash flows approximately 18 months earlier than the expiry date of July 2020 with no fees or penalties associated with the early repayment
- Gross debt at 30 June 2019 comprises entirely of traditional equipment finance facilities with short amortisation profiles
- Mitchell Services is well funded to take advantage of potential growth opportunities and has access to these key debt facilities
  - $5m working capital facility with NAB (undrawn at 30 June 2019)
  - $25m equipment finance facility with NAB ($4.3m drawn at 30 June 2019)

CAPITAL EXPENDITURE

Organic growth delivering strong returns



- Growth capex in FY19 (primarily in the underground sector) was a function of significant contract wins, extensions and scope increases including:
  - 5 year contract award in Western Australia with Kalgoorlie Consolidated Gold Mines (a joint venture between Newmont Australia and Barrick Gold)
  - 3 year Underground In-Seam (UIS) contract extension and scope increase with Anglo American
  - Contract extension and scope increase with BHP Olympic Dam
- Maintenance Capex typically trends in line with P&L depreciation multiplied by utilisation
- Maintenance capex (as a percentage of depreciation) was 80% in FY19 vs 58% in FY18 and is reflective of utilisation levels

OUTLOOK

- Pipeline of identified opportunities remains strong as does the demand for drilling services particularly from Tier 1 clients
- At current conversion rates, rigs required exceed rigs available
- Based on current market conditions, commodity prices, current contracts, and strong opportunity pipeline, Mitchell Services expects FY20 revenue and EBITDA to exceed FY19 levels
- Mitchell Services will provide more detailed FY20 Revenue and EBITDA guidance post finalisation of the 1H20 actual results in Jan/Feb 2020
- MSV covered by Morgans and Wilsons

CAPITAL MANAGEMENT

- Mitchell Services implemented various capital management initiatives during FY19 including:
  - The use of operating cashflows to reduce gross debt from $19.6m to $9.8m
  - Initiation of an on market share buyback
  - The payment of a special dividend of approx. $1.8m
- Mitchell Services will continue to invest in **organic growth opportunities** where they meet internal investment hurdles
- The drilling industry is capital intensive and Mitchell Services will maintain a strong balance sheet to provide **flexibility**
- Mitchell Services will consider **acquisition opportunities** where they fit within the Company's growth profile, safety culture and are earnings accretive to shareholders

SUMMARY

- Mitchell Services' vision is to be **Australia's leading provider of drilling services** to the global exploration, mining and energy industries
- Mitchell Services has a **diversified revenue stream** by different drilling types and commodities
- Mitchell Services has a **high quality client base** with a majority of work related to mine site resource definition, development and production
- Expects increases in FY20 to both **Revenue and EBITDA**
- Capital management structures are in place to **reward shareholders**
- Maintain a **strong balance sheet** to provide flexibility to take advantage of strategic opportunities

DEFINITIONS

Capex	Capital expenditure
Cash Conversion Ratio	The ratio of A to B; where A is the reported cash flows from operating activities and B is the reported EBITDA
EBITDA	Earnings before interest, tax, depreciation and amortisation; calculated as NPAT plus income tax expense plus finance charges plus depreciation expense plus amortisation of intangibles
EBITDA Margin	EBITDA divided by reported revenue expressed as a percentage
EBIT	Earnings before interest and tax; calculated as NPAT plus income tax expense plus finance charges
EBIT Margin	EBIT divided by reported revenue expressed as a percentage
Gross Debt	Total principle balances outstanding on all bank loans, shareholder loans, equipment finance facilities, hire purchase agreements, working capital facilities and overdrafts
Net Debt	Gross Debt less cash and cash equivalents on hand
NPAT	Net profit after tax; calculated as statutory reported profit before income tax less income tax expense
NPBT	Net profit before tax; calculated as NPAT plus income tax expense
Operating Leverage Ratio	The ratio of A to B; where A is Gross Debt at reporting date and B is EBITDA on a 12 month rolling basis
pcp	Previous corresponding period
Property Loan	$2.7m loan provided by National Australia Bank in April 2018 which was secured by Mitchell Services Limited's investment property located in Townsville
ROIC	Return on invested capital; EBIT on a 12 month rolling basis divided by (net PP&E plus net intangibles plus trade and other receivables plus inventories less trade and other payables less cash on hand)
Shareholder Loans	$8.5 million in loans that were provided in 2015 from major shareholders Washington. H. Soul Pattinson and Company Limited and Mitchell Family Investments (QLD) Pty Ltd
Tier 1 Clients	Publicly listed mining and energy companies with market capital over $1 billion or large multi-national private mining and energy companies