



**Mitchell**  
SERVICES

18 October 2023

## **Mitchell Services Limited (ASX: MSV)**

### **Quarterly Investor Update**

Mitchell Services Limited delivers strong quarterly earnings and cashflows

- Quarterly revenue of \$64.8m
- Quarterly EBITDA of \$11.6m
- Quarterly operating cashflow of \$10.3m (89% EBITDA conversion)
- Quarterly profit before tax \$4.8m
- Q1 annualised ROIC 20.3%

Dear Shareholder

I am pleased to provide the following investor update for the quarter ended 30 September 2023 (**FY24 Q1**) for Mitchell Services Limited (**the Company**) based on the Company's un-audited consolidated management accounts.

The Company recorded FY24 Q1 revenue of \$64.8m which represents a 6.1% increase when compared to the FY23 Q1 figure of \$61.1m, driven by a higher proportion of surface work and contract repricing.

It was pleasing to note that the quarterly increase in revenue translated into a material increase in EBITDA with the Company generating quarterly EBITDA of \$11.6m (at an operating margin of just under 18%) compared to \$10.1m (at a margin of 16.5%) in the corresponding FY23 quarter.

Earnings Before Tax (EBT) in FY24 Q1 of \$4.8m grew by approximately 178% compared to the same quarter in FY23 and was driven largely by the increase in EBITDA but also from reduced levels of depreciation and finance costs as growth capital expenditure and debt levels continue to reduce. Given the increasing levels of EBT and reduced capex, annualised ROIC for the quarter was 20.3%, representing an increase of approx. 150% when compared to the FY23 Q1 figure of 8.1%.

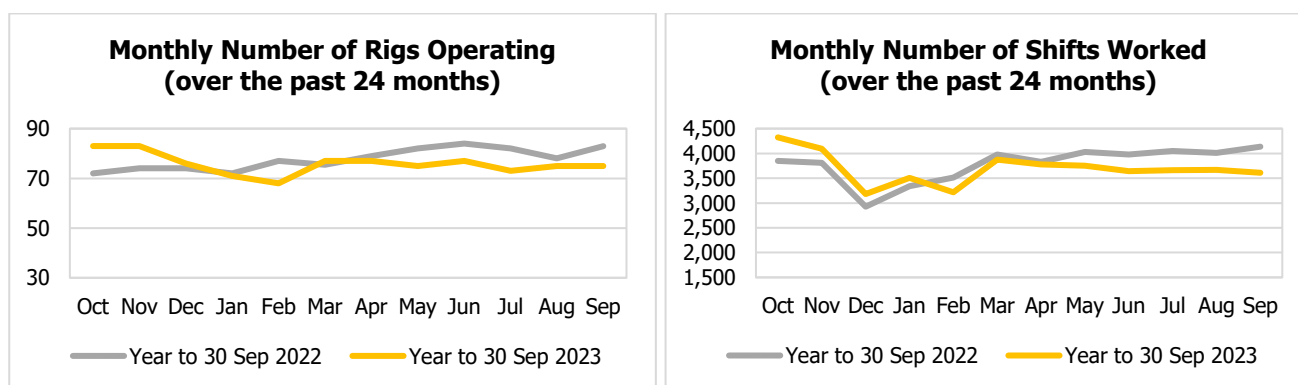
From a cashflow perspective, the Company produced \$10.3m in operating cash for the quarter which was significantly higher than the \$3.0m produced in the same quarter in FY23. Cash payments to shareholders (in the form of the FY23 final dividend and the ongoing share buy-back) were approximately \$6.0m in FY24 Q1. Despite these payments in shareholder returns, net debt has increased only marginally since 30 June 2023 (from \$17.6m to \$18.3m) which talks to the strong underlying free cashflows generated in FY24 Q1.

The Company has substantial carried forward tax losses (having recently benefited from the ATO's accelerated depreciation program) and as such does not expect to be in an income tax payable position in the short term. Given this favourable tax position and the current expectation that earnings will increase year on year, the Company expects that these strong underlying cash flows will continue, and it is well positioned to deliver on its capital management policy which includes a net debt target of \$15.0m by 30 June 2024 with continued returns to shareholders along the way.

The below table summarises key operational and financial metrics for the current and corresponding prior year quarterly reporting periods. The demand for drilling services remains strong and as such, the Company expects that the number of operating rigs will increase into FY24 Q2.

	<b>FY24 Q1</b>	<b>FY23 Q1</b>	<b>Movement</b>	<b>Movement %</b>
Average operating rigs	74.3	81.0	(6.7)	(8.3)
Number of shifts	10,936	12,199	(1,263)	(10.4)
Revenue (\$'000s)	64,840	61,105	3,735	6.1
EBITDA (\$'000s)	11,608	10,055	1,553	15.5
EBITDA (%)	17.9	16.5		
EBT (\$'000s)	4,831	1,736	3,095	178.3
ROIC* (%)	20.3	8.1		
Operating cash flow (\$'000s)	10,274	2,987	7,287	244.0
Operating cash conversion ratio (%)	88.5	29.7		
Gross Debt (\$000's)	27,428	39,415	(11,987)	(30.4)
Net Debt (\$000's)	18,315	39,415	(21,100)	(53.5)

\*defined as annualised Q1 EBIT divided by (net PPE plus intangibles plus working capital)



In closing, I would like to specifically acknowledge the performance and achievements of our health and safety teams and our wider operational teams. I am extremely proud of the culture that we have built within the organisation and in particular our safety culture and performance which is industry leading. Our safety function is comprised of passionate industry professionals who possess some of the most innovative minds regarding all aspects of operational health and safety and this was on full display recently with the team winning a prestigious national health and safety award.

Our safety team was named the National Health and Safety Team of the year in the 2023 Australian Workplace Health & Safety awards with competition extending across all industries and organisations of all sizes. This is an achievement that we are extremely proud of.

Thank you to all shareholders for your ongoing support.

Yours faithfully,

**Andrew Elf**  
Chief Executive Officer  
Mitchell Services Limited