

22 October 2024

Mitchell Services Limited (ASX: MSV)

Quarterly Investor Update

Mobilisations well underway in FY25 Q1 following multiple newly won contracts

- Quarterly revenue of \$52.7m
- Quarterly EBITDA of \$7.0m
- Quarterly operating cashflow of \$5.8m (82% EBITDA conversion)
- Strong balance sheet – net debt of \$4.8m
- Loop Decarbonisation Solutions receives first purchase order

Dear Shareholder

I am pleased to provide the following investor update for the quarter ended 30 September 2024 (**FY25 Q1**) for Mitchell Services Limited (**the Company**) based on the Company's un-audited consolidated management accounts.

As previously advised, the Company has recently experienced a temporary reduction in utilisation levels. These reduced utilisation levels are not reflective of the state of the drilling services market for global mining majors and existing producers which remains strong given current commodity prices. Instead, the softening was primarily in response to a variety of factors (largely outside the Company's control) including:

- The recent underground fire event at Grosvenor mine
- Mining industry corporate activity which saw drilling programs temporarily halted during periods of post-acquisition integration or during periods pre-sale
- Elevated rainfall events throughout August and into September including the heaviest August rainfall in decades that fell throughout the Australian east-coast coal fields
- General market conditions for junior resources

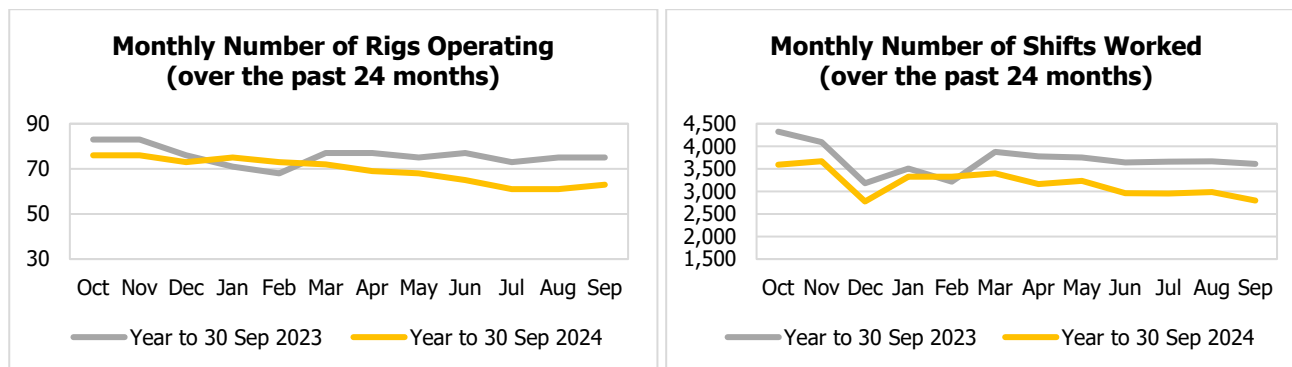
The above factors contributed to the Company recording FY25 Q1 revenue and EBITDA of \$52.7m and \$7.0m which were down 19% and 39% respectively vs FY24 Q1.

The below table summarises key metrics for the current and corresponding prior year quarterly reporting periods.

	FY25 Q1	FY24 Q1	Movement	Movement %
Average operating rigs	61.7	74.3	(12.6)	(17%)
Number of shifts	8,734	10,936	(2,202)	(20%)
Revenue (\$'000s)	52,707	64,840	(12,133)	(19%)
EBITDA (\$'000s)	7,032	11,608	(4,576)	(39%)
EBITDA (%)	13.3	17.9	(4.6)	(26%)
EBT (\$'000s)	341	4,831	(4,490)	(93%)

	FY25 Q1	FY24 Q1	Movement	Movement %
ROIC* (%)	2.7	20.3	(17.6)	(87%)
Operating cash flow (\$'000s)	5,753	10,274	(4,521)	(44%)
Operating cash conversion ratio (%)	81.8	88.5	(6.7)	(8%)
Net Debt (\$000's)	4,841	18,315	(13,474)	(74%)

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



It's important to note that the decrease in utilisation was not attributable to any major contract termination or expiry as all major contracts expiring in FY25 Q1 were re-won. In addition, the Company has recently won new, multi-rig, multi-year contracts with multiple global mining majors across a range of different commodities and geographies. Given the size of these contracts and the number of rigs involved, it is anticipated there will be material levels of mobilisation and ramp up throughout the second quarter of FY25 which will temporarily impact earnings growth and working capital requirements in the short term.

While utilisation and earnings are expected to improve in the second half of the year as newly won contracts reach full production, the Company does not expect FY25 earnings to be as strong as FY24.

I maintain my view that the business is in the best position it has been with a significantly strengthened balance sheet that provides optionality including the ability to comfortably navigate these periods of lower utilisation and ramp up. Net debt at 30 September 2024 was \$4.8m which represents an increase of \$2.9m vs the 30 June 2024 position of \$1.9m. The modest increase was largely attributable to combined dividends and buy back payments in the quarter of \$4.4m and an increase in inventory purchases in relation to recently won contracts.

I'm very pleased to inform shareholders that the decarbonisation opportunity continues to gain momentum. Loop Decarbonisation Solutions Pty Ltd (Loop) was recently incorporated to offer end to end decarbonisation solutions to a broad market of clients who are required to reduce fugitive emissions following reforms to the Safeguard Mechanism Legislation in Australia. Loop is a 50/50 joint venture between the Company and specialist mining advisory firm, Talisman Partners. Loop has recently received its first formal purchase order from a major mining client. The purchase order relates to upfront consulting work and we are hopeful that drilling will commence shortly after, under a drilling contract that is currently being negotiated.

In closing, I would like to thank all employees for their hard work and dedication and all shareholders for their ongoing support.

Yours faithfully,

Andrew Elf
Chief Executive Officer