

2 October 2014

**Contract changes sparks refocus of TTN sales and growth strategies**

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ASX ticker: TTN

TITAN Energy Services (TTN) today announces contract changes, revised full year guidance and a strategy to deliver a strong second half result.

Since the last TTN update relating to changes in the Atlas Drilling contract position, two important RCH contracts including water, waste and catering have not been renewed. One 212 room camp contract was terminated early and a 183 room camp concluded its contract term. The 183 room camp was expected to be taken over by another client, however this did not eventuate. Separately, two significant contract tender decisions for RCH which were expected in October 2014, have been deferred into the second half.

The impact of these RCH contract changes along with the holding costs of retaining drilling rig crews for the upcoming Arckaringa Basin contract for Atlas Drilling have provided a confluence of factors that will significantly impact short term results.

TTN Managing Director Jim Sturgess said what we are seeing is the Queensland CSG market rapidly shifting into a new phase.

“The CSG market is transitioning from the high growth, start-up phase that we’ve experienced for the past three years, into an operation and production phase,” Mr Sturgess said.

“We’re seeing an easing of growth and more competition in the market for services which will impact future contract pricing. At the same time, there are new opportunities as the major producers are looking to consolidate suppliers, expand scope of works and contract terms. TTN is well positioned to respond to this market shift with a targeted sales strategy and, as always, an eye towards growing and acquiring complementary businesses that will meet the industry’s needs.”

Mr Sturgess said that the two RCH camp terminations would have a flow on impact to Titan’s catering (Nektar) and water/waste (BASE) businesses in the short term.

“While the demand for our services remains robust in the Queensland market, it will take time for our sales pipeline in other markets to respond in the short term. We have also considered the likely impacts of our clients seeking costs savings in their operations as they move to first gas and therefore have reassessed margins in both Nektar and RCH. The combination of these changes, the flow on impacts, and Atlas staff carrying costs will have a significant effect on the first half result.”

Hofco is trading ahead of last year and developing new opportunities for growth.

As a result of these business and market changes, Titan is implementing a plan to consolidate its second half position:

1. Enhanced sales capacity in South Australia. We have recently undertaken a sales mission into the Cooper Basin and were very encouraged by the opportunities identified. Sales personnel will be deployed in SA to sell all Titan services. Other sales efforts will continue in WA and NT.
2. Continue to build the accommodation services pipeline. BASE and Nektar will employ dedicated sales personnel this year, no longer relying solely on RCH for their lead generation.

3. Accelerate plans to consolidate support functions into a shared services structure and a further review of overhead costs.
4. Continue to consider organic and acquisition opportunities that fit our growth strategy.

Christine Hayward, Titan's new CFO said "Given the rapid expansion of the Group, it's appropriate to conduct a review of all costs and operating structures. Whilst the recent developments within our business are challenging in the short term, we are encouraged by a number of significant current and upcoming tenders across our business units."

TTN's focus over the next few months will be to reposition the business for improved sales lead generation and a more cost effective operating structure. In light of the recent changes we expect a full year EBIT of \$10m - \$12m<sup>1</sup>. We will update our position at the half year.

### **Conference Call**

Titan will discuss this result in a conference call that will be held at 1pm (AEST) today. Dial-in details for analysts and investors are outlined below.

Dial-in: 1800 558 698  
Conference ID: 726203

### **ENDS**

For investor or media inquiries:

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### **About Titan**

Titan Energy Services Limited (ASX: TTN) provides diversified energy and infrastructure services to the oil and gas, mining, pipeline, rail, road and infrastructure sectors.

Through its operating businesses Atlas Drilling, Hofco Oilfield Services, Resources Camp Hire (RCH), BASE Transport & Logistics and Nektar Remote Hospitality, Titan provides expertise in CSG drilling, drilling equipment hire, camp hire and camp management, water and waste transport and catering services.

Titan operates four drilling rigs, is a leading provider of oilfield down-hole tool rental in Australia and overseas, operates and rents remote self-contained camps, provides water and waste logistics services, manages camp catering and camp management contracts.

<sup>1</sup> Excludes potential expenditure in relation to the realisation of the contingent liability relating to the retention payment to key personnel of up to \$1.9m remaining under the Hofco acquisition agreement, which is subject to conditions being met. If realised this would reduce targeted EBIT by up to \$1.9m.