



# FULL YEAR RESULTS PRESENTATION

Financial Year 2016



**Mitchell**  
SERVICES

# 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](http://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.

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, its officers, agents or employees 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.

# SAFETY UPDATE

- Even though rig utilisation has increased the frequency and severity of safety incidents has **continued to decrease**
- Numerous initiatives implemented to further strengthen **safety culture and performance**
- Mitchell Services has had **no lost time injuries** since November 2014





# 2016 BUSINESS OVERVIEW

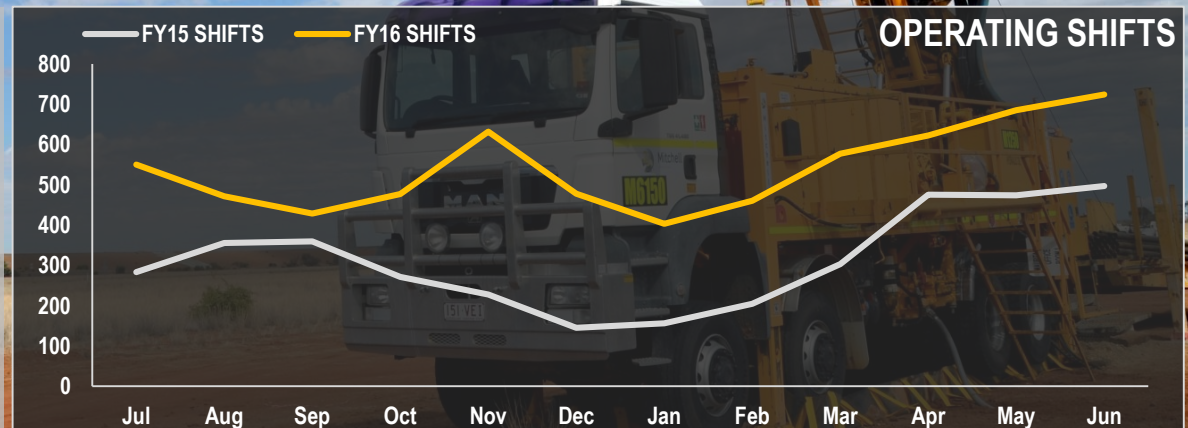
**600+ days**  
lost time injury free

**POSITIVE EBITDA**  
on less than 30% utilisation

Total revenue of \$32.97m

↑ **31%**  
from FY2015

Nitro acquisition and  
integration completed  
**on time and on budget**



# BUSINESS OPTIMISATION STRATEGY

## Phase 1: Business Ready COMPLETE

- ISO certification and implementation of electronic safety, training and human resources management system
- Review and implementation of Industrial Relations strategy to increase flexibility across the business
- Moved operational base, corporate office and rented Townsville premises to major global defence contractor
- Auction of surplus equipment
- Increased rig utilisation from 3 to 12 rigs

## Phase 2: Ramp Up COMPLETE

- Implement initiatives to improve safety culture and performance
- Reached goal of \$24m operating revenue in FY 2015
- \$20.2m capital raise for the acquisition of Tom Browne Drilling Services assets from receivers
- Integration of Tom Browne Drilling Services including auction of surplus equipment
- Increase Tier 1 client base and increase rig utilisation

## Phase 3: Refinement COMPLETE & ONGOING

- Take advantage of strong position in key markets
- Capitalise on long term revenue streams from high quality Tier 1 clients
- Focus on reducing costs in the business
- Deliver efficient, safe and quality services to our clients
- Acquisition and integration of Nitro assets
- Upgrade asset fleet and sell non-core assets to reduce commercial debt levels and optimise asset mix

# RESULTS OVERVIEW

## Statutory Profit & Loss

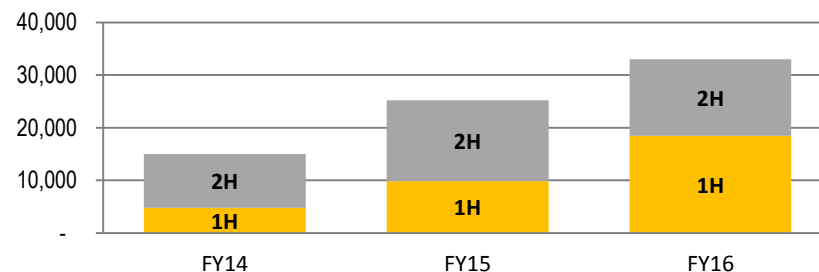
	FY16	FY15	Change
	\$000's	\$000's	%
Revenue	32,970	25,233	31%
EBITDA	522	(4,322)	112%
EBIT	(4,795)	(12,648)	62%
NPBT	(6,049)	(16,999)	64%

## Adjusted Profit & Loss

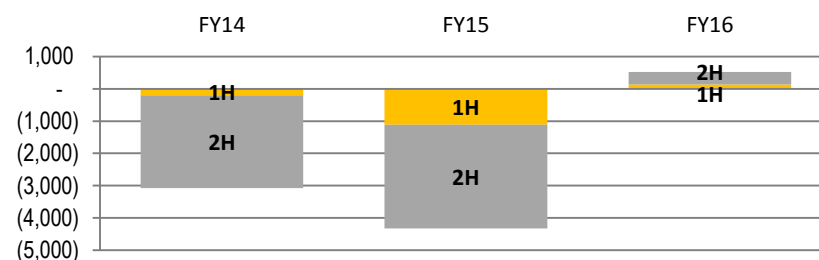
	FY16	FY15	Change
	\$000's	\$000's	%
Revenue	32,970	25,233	31%
EBITDA	2,535	(219)	1259%
EBIT	(2,782)	(8,544)	67%
NPBT	(4,036)	(12,896)	69%

Please note "Adjusted" figures represent non-IFRS information that has not been subject to an audit or review at 30 June 2016

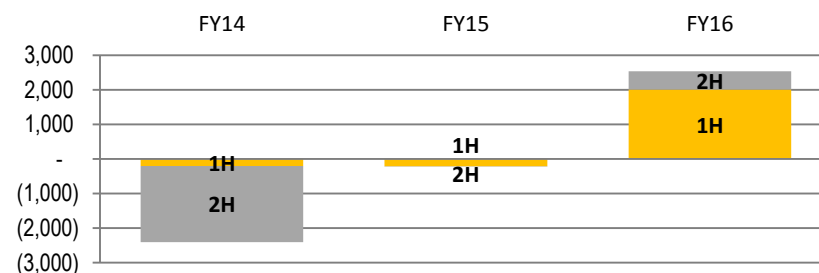
## Revenue (\$000's)



## Statutory EBITDA (\$000's)



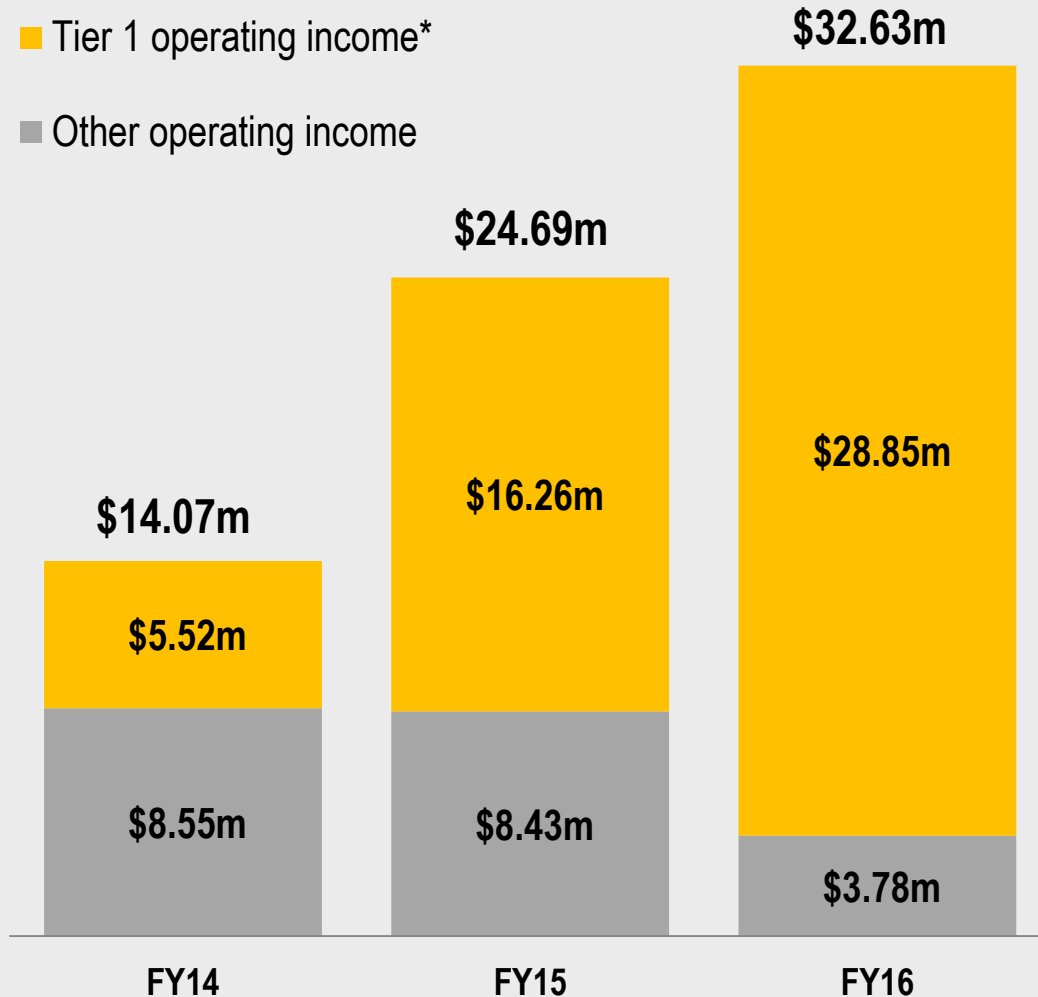
## Adjusted EBITDA (\$000's)



# OPERATING REVENUE BY CLIENT TYPE

■ Tier 1 operating income\*

■ Other operating income

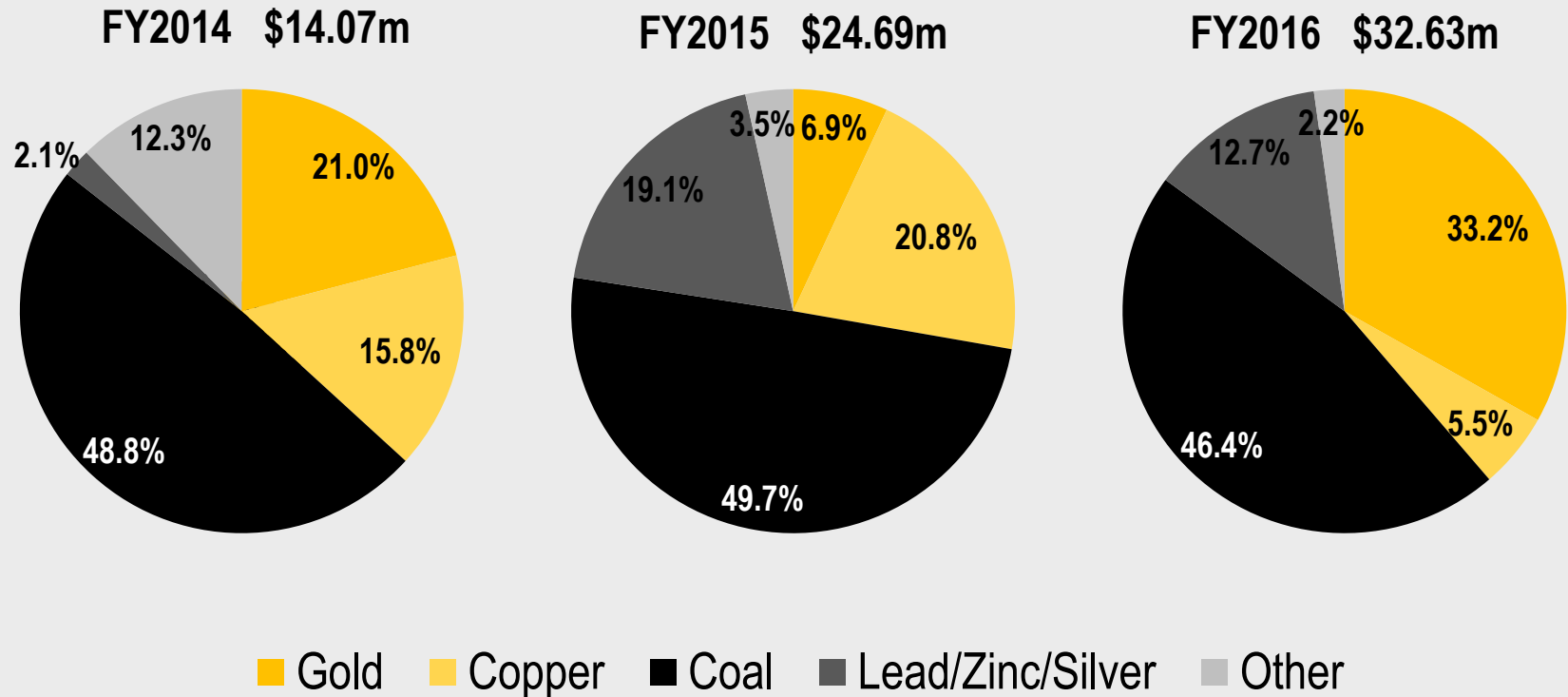


\*large / multinational mining & energy companies

## VALUE OF TIER 1

- Large / multinational mining and energy companies
- Very high safety and business system requirements
- Generally brownfield work for existing mining operators
- Longer term contracts
- Annual revenue from existing Tier 1 clients (based on current workloads) circa \$30million

# OPERATING REVENUE BY COMMODITY

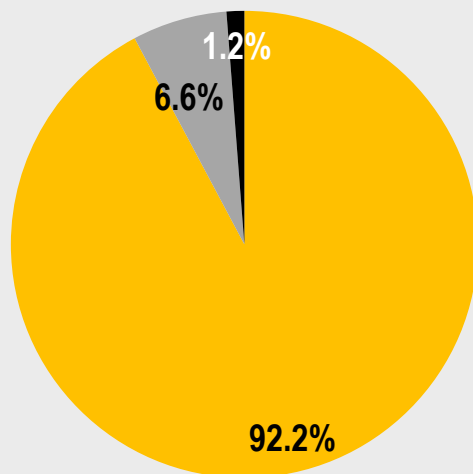


Management remains mindful of the importance of diversification in revenue streams including diversity in commodity mix. Our commodity mix remains well balanced with revenue from coal and revenue from minerals accounting for 46% and 51% of total operating revenue respectively.

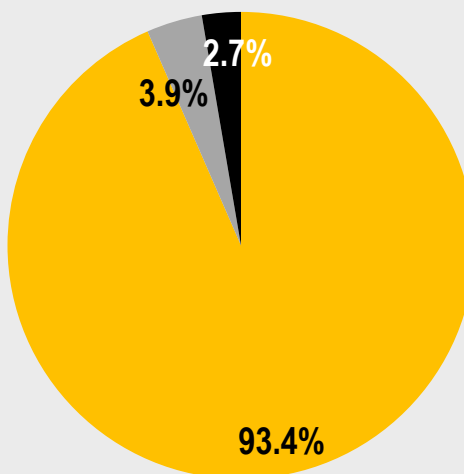


# OPERATING REVENUE BY DRILLING TYPE

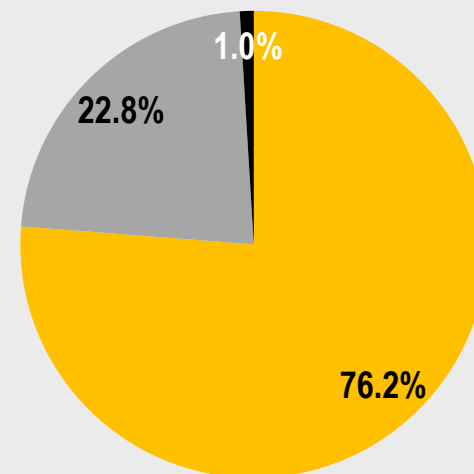
**FY2014 \$14.07m**



**FY2015 \$24.69m**



**FY2016 \$32.63m**



■ Surface   ■ Underground   ■ Non-Drilling

Management remains mindful of the importance of diversification in revenue streams including diversity in the mix between underground and surface drilling. Underground drilling is generally performed on a double shift basis and is generally not subjected to seasonal fluctuations. Revenue from underground drilling has grown by 681% compared to 2015 and now accounts for 23% of our total operating revenue.

# ADJUSTED EBITDA



Please note ADJUSTED EBITDA represents non-IFRS information that has not been subject to an audit or review at 30 June 2016 and is used internally by management to assess the underlying performance of the business.

# BALANCE SHEET

	30 Jun 16	30 Jun 15	Change
	\$000's	\$000's	%
Current assets^	8,375	26,103	(68%)
Property, plant and equipment*	30,251	21,262	42%
Other non-current assets	18	21	(13%)
<b>Total assets</b>	<b>38,644</b>	<b>47,386</b>	<b>(18%)</b>
Current liabilities^	8,276	28,378	(71%)
Non-current liabilities*	12,396	3,754	230%
<b>Total liabilities</b>	<b>20,672</b>	<b>32,132</b>	<b>(36%)</b>
<b>Net assets</b>	<b>17,972</b>	<b>15,254</b>	<b>18%</b>

^Prior to settlement, the Nitro transaction was unconditional at 30 June 2015. The purchase price of \$16.1 million was recorded as a current liability at 30 June 2015 with a corresponding current asset.

\*The material increase in Property, Plant and Equipment and Non-Current liabilities relates to the settlement of the Nitro Drilling asset purchase and the associated shareholder loans which took place on 6 July 2015.

# MARKET OUTLOOK

- **Competitive Profile** of the market has continued to improve
- **New entrants** are faced with **barriers** to entry such as high capital cost and inability to secure financing
- **Pipeline** of identified **opportunities** continues to grow
- **Greenfield** exploration sector showing some “**green shoots**”
- Interest in **gold** has **increased**
- **Ability to leverage** to the upside as general market conditions **improve**



# SUMMARY

- Mitchell Services' vision is to be **Australia's leading provider of drilling services** to the global exploration, mining and energy industries
- Tender pipeline provides opportunity for further revenue growth
- Mitchell Services can utilise acquired assets and generate a superior return versus buying new equipment
- **EBITDA positive** at less than 30% annual rig utilisation in current pricing environment
- Ability to leverage increased returns in an improving market
- Mitchell Services has an experienced board and management team who have proven success in business development and growth

