



21 August 2012

**Titan Energy Services announces full year NPAT of \$2.3m and this represents a full year Proforma EBITDA of \$8.1million<sup>(1)</sup>, in line with previous market guidance. Strong outlook for FY13.**

**Highlights**

- Profit guidance achieved
  - NPAT of \$2.3m, up 130% on Proforma Consolidated Results for the previous corresponding period <sup>(2)</sup>
  - \$8.1 million Proforma EBITDA <sup>(1)</sup>
- Attractive shareholder returns
  - Earnings per share of 10.81cps
  - Dividend declared – shareholders in line for 2 cents per share final dividend
  - Dividend reinvestment plan announced
- Atlas Drilling (Atlas)
  - Significant increase in Atlas rig utilisation to 82% for FY12 (59% in FY11)<sup>(3)</sup>
  - Atlas fully contracted with three “blue chip” clients
- Resources Camp Hire (RCH)
  - RCH room capacity more than doubled since acquisition, with strong growth expected to continue
  - 86% RCH room utilisation (FY11 - 88%)<sup>(3)</sup> and demand remains strong
- Catering Business Established
  - Nektar Remote Hospitality catering business launched in April 2012 and won first contract
- Outlook – strong growth prospects
  - \$12m - \$13m<sup>(4)</sup> EBITDA / \$7m - \$8m EBIT expected for FY13
  - Increase of c80% - 100% compared to FY12 EBIT

**Results summary**

<b>Results</b> (\$million unless stated otherwise)	<b>Actual</b> <b>FY June 12</b>	<b>Proforma</b> <b>FY June 11<sup>(2)</sup></b>	<b>Growth</b>
Revenue	33.5m	23.1m	<b>45%</b>
Statutory EBITDA	7.4m	5.0m	<b>48%</b>
Add: Acquisition and share based payments	0.7m	0.4m	
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Proforma EBITDA <sup>(1)</sup>	8.1m	5.4m	<b>50%</b>
Margin	24.2%	23.4%	<b>0.8%</b>
Statutory EBIT <sup>(4)</sup>	3.9m	2.6m	<b>50%</b>
Dividend – final dividend fully franked	2 cents/share	n/a	<b>n/a</b>

**Note 1:** Proforma EBITDA is arrived at after adding back transaction costs associated with the RCH acquisition and share based expenses associated with the Company’s IPO.

**Note 2:** Proforma Consolidated Results for Titan Energy Services for year ended 30 June 2011, assuming Titan Energy Services operated RCH and Atlas Drilling for year then ended. Prior year results based on audited management accounts of the individual entities that now form part of the Titan Group. For the FY11 year, RCH was owned by the Hinman Group with whom the Titan Group entered into an asset sale agreement to acquire the assets of RCH as of 1 July 2011. These results formed the basis of the historical data provided in the Titan Prospectus in November 2011.

**Note 3:** FY11 utilisation based on management accounts.

**Note 4** Titan will be basing future results on Statutory EBIT due to the significant impact the financing decision to rent or purchase assets can have on results due to the impact on depreciation or amortisation.

## **Results overview**

Titan Energy Services Limited (Titan) today released audited full year accounts, highlighted by strong net profit after tax (NPAT) increased 130% to \$2.3m and a Proforma EBITDA (achieved \$8.1m) in line with previous market guidance.

The diversified oil and gas services business has grown strongly since listing in December 2011 and has set the foundation for future growth.

The above Results Summary compares actual results for the 12 months to 30 June 2012 with the Proforma Consolidated Results for Titan Energy Services, assuming Titan Energy Services operated RCH and Atlas Drilling for year ended 30 June 2011.

In the 12 months to 30 June 2012, Titan achieved \$8.1m Proforma EBITDA, a result above its \$8.0m target and a 50% increase on the prior year's Proforma Consolidated Results.

NPAT increased 130% to \$2.3m on the prior year's Proforma Consolidated Results. Full year revenue increased 45% to \$33.5m on the prior year's Proforma Consolidated Results.

Titan performed strongly during the second half, backed by strong contracts in the Atlas drilling business, rapid expansion of the Resources Camp Hire (RCH) portable camps business and the launch of a new revenue stream, Nektar Remote Hospitality.

Atlas's utilisation during the second half was 95%, while RCH recorded an 85% utilisation rate during a period of significant expansion.

In announcing the results, Titan managing director Jim Sturgess said:

"The results are pleasing, given that we have achieved the targets we set ourselves on listing last year while continuing to develop the foundations for future growth.

"They reflect the strong demand being experienced for all of our operating divisions and will allow us to return an inaugural dividend to shareholders.

"The RCH camps business has performed to expectations after acquisition in September last year and increased capacity during the year by 115% to 236 rooms. We expect this expansion to continue and since year-end have increased capacity to 336 rooms."

Further details on the performance of Titan's key divisions are included below.

## **Atlas Drilling**

Atlas Drilling has been operating for five years as a specialist provider of drilling services to the CSG industry and operates three drilling rigs, two of which are company-owned. The rigs are currently contracted to three 'blue chip' CSG developers in the Surat, Bowen, and Galilee Basins in Queensland. The Titan group leverages off the experience of the combined team to grow and diversify the business into related CSG services.

During the second half, the three Atlas rigs were fully contracted and achieved 95% utilisation, a significant improvement on the previous corresponding period's 73% utilisation rate (one rig did not operate for most of the previous corresponding period).

Utilisation is expected to remain strong, with one of the contracts extending to December 2013 and the remaining two contracts currently under negotiation.

## **Resources Camp Hire (RCH)**

RCH provides fully serviced portable accommodation solutions predominantly to the CSG industry. The business currently services clients throughout Queensland and north eastern South Australia, specifically in the Bowen, Surat and Cooper Basins. RCH also provides transport and maintenance services, catering and mobilisation for its clients.

Titan acquired RCH in September 2011 (effective from 1 July 2011), prior to listing on the ASX. The business has now been fully integrated into Titan and the benefits are flowing to the group through broader client relationships, enhanced industry reputation and the ability to offer a larger variety of services to clients.

At 30 June 2012, RCH had 236 rooms available, a 115% improvement on the 110 purchased at acquisition. A further 100 rooms will be delivered in the September 2012 quarter taking the group's total capacity to 336 rooms in the early part of FY13. At the start of FY13, RCH will have a 60% increase in capacity from the prior year based on the weighted average number of rooms.

RCH is expected to continue to expand as demand remains strong for the product.

### **Nektar Remote Hospitality**

Nektar commenced in April 2012, in line with Titan's strategy of expanding and diversifying its service offerings. It is also a logical fit with the Atlas and RCH businesses, as it offers necessary services to existing clients.

Nektar is performing well, with the first contract being won in June 2012.

With the launch of this new business division, Atlas, RCH and Nektar can now pitch jointly for accommodation, drilling and catering contracts. Nektar will also contract directly with third parties.

### **Safety**

Titan places its people first and continues to focus on safety. One lost time incident (LTI) occurred and, when combined with other recordable incidents, resulted in a total recordable incident frequency rate per million hours worked (TRIFR) of 17.9.

At June 30, 2012, the rigs were operating on the following LTI free days:

- Rig 1: 461 days
- Rig 2: 361 days
- Rig 3: 331 days

### **Balance Sheet and Cashflow**

At the end of the year, the group's net debt was \$8.0m, in-line with net debt as at 31 December 2011 of \$7.9m. The group's cash position was \$1.4m.

Total capital expenditure for the year was \$7.6m, funded by a combination of operating cashflow, debt facilities, and extended credit terms. These funds were spent predominantly on expansion equipment.

Titan currently has excess capacity of \$2.2m in undrawn funding facilities and is currently in discussion to expand these facilities to support its expected growth.

### **Dividend**

A maiden full year dividend of 2 cents per share has been announced today and will be paid on 19 October 2012 (record date 21 September 2012). The dividend is fully franked and in line with Titan's commitment to return 25% of NPAT to shareholders. The company has also established a Dividend Reinvestment Plan (DRP) to provide shareholders with the opportunity to reinvest their first dividend back into the company. The DRP will be offered at a 5% discount to the 10 day VWAP beginning after the record date.

### **Outlook**

Mr Sturgess said Titan aimed to build on its successes of 2012 and looked set for further growth during 2012/13.

"It is pleasing that we have delivered the expected results this year and, at the same time, built the foundations for FY13 growth.

"We have a significantly increased RCH room capacity and are in the process of confirming forward contracts within Atlas.

"Should these contracts be confirmed, they will lead to solid earnings growth in FY13.

“Titan is expecting FY13 EBIT in the range of \$7m to \$8m. If we achieve the top end of this range, EBIT will have doubled. This guidance equates to a FY13 EBITDA of \$12m to \$13m.

“The CSG sector remains robust, with all significant projects in Queensland fast progressing towards production. Delivery of this result is dependent on a robust demand outlook and no significant wet weather events.

“We expect to grow all business segments within Titan and continue to look for additional businesses to diversify and expand.”

## **ENDS**

For investor or media inquiries:

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## **About Titan**

Titan Energy Services Limited (ASX: TTN) is a diversified oil and gas services business with a focus on the rapidly growing CSG-LNG industry in eastern Australia.

Titan was established in 2007, through its wholly owned subsidiary Atlas Drilling. Effective from 1 July 2011 Titan acquired the Resources Camp Hire (RCH) business, a provider of flexible, innovative temporary accommodation solutions to the oil and gas sector, and the remote infrastructure construction sector. It recently commenced its own catering company, Nektar Remote Hospitality.

Titan currently manages 236 remote accommodation rooms, operates three drilling rigs, owns and hires equipment (including pumps and ancillary drilling tools) and owns and deploys transport assets including trucks, trailers and loaders.

## APPENDIX

### Summary Results

<b>Annual Result</b> (\$ million unless otherwise stated)	<b>FY12</b>	<b>FY11<sup>(5)</sup></b>	<b>Variance (%)</b>
Revenue Atlas	24.3	16.5	48%
RCH	9.1	6.6	38%
Nektar	0.0	-	-
Other	0.1	0.0	n/r
Total Revenue	33.5	23.1	44%
Statutory EBITDA	7.4	5.0	45%
EBITDA margin - %	22.1%	21.6%	0.5%
Depreciation	3.5	2.4	(46%)
EBIT	3.9	2.6	50%
EBIT margin - %	11.6%	11.3%	0.3%
Interest	0.6	1.0	40%
NPBT	3.3	1.6	106%
Tax Expense	1.0	0.6	(67%)
NPAT	2.3	1.0	130%
Basic earnings per share - cents	10.81	n/a	n/a
<b>RECONCILIATION TO PROFORMA</b>			
Statutory EBITDA	7.4	5.0	48%
After adjusting for acquisition and share based payments	0.7	0.4	
Proforma EBITDA <sup>(6)</sup>	8.1	5.4	50%

**Note 5:** Proforma Consolidated Results for Titan Energy Services for the year ended 30 June 2011, assuming Titan Energy Services operated RCH and Atlas Drilling for year then ended. Prior year results based on audited management accounts of the individual entities that now form part of the Titan Group. For the FY11 year, RCH was owned by the Hinman Group with whom the Titan Group entered into an asset sale agreement to acquire the assets of RCH effective from 1 July 2011. These results formed the basis of the historical data provided in the Titan Prospectus in November 2011.

**Note 6:** Proforma EBITDA is considered the most appropriate measure of the Titan Group performance in the current financial year as it closely reflects cash performance and allows comparability between the operations and external businesses and normalises results for one off costs associated with the RCH acquisition in September 2011 and the IPO in December 2011.