



HALF YEAR RESULTS PRESENTATION

December 2020



Mitchell
SERVICES



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MITCHELL SERVICES MARKET PROFILE

ASX Information

ASX Stock Symbol	MSV
Shares Issued	199,238,740
Share Price (at 23/02/2021)	A\$0.415
Market Capitalisation	A\$82.68m

Major Shareholders

Mitchell Group	17.9%
Scott Tumbridge	7.2%
Other Directors & Management	3.4%
Institutions	21.0%
Other Shareholders	50.5%

Board of Directors



Nathan Mitchell
Executive Chairman

Peter Miller
Non-Executive
Director

Neal O'Connor
Non-Executive
Director

Scott Tumbridge
Executive Director

Robert Douglas
Non-Executive
Director

Peter Hudson
Non-Executive
Director

Executive Management Team

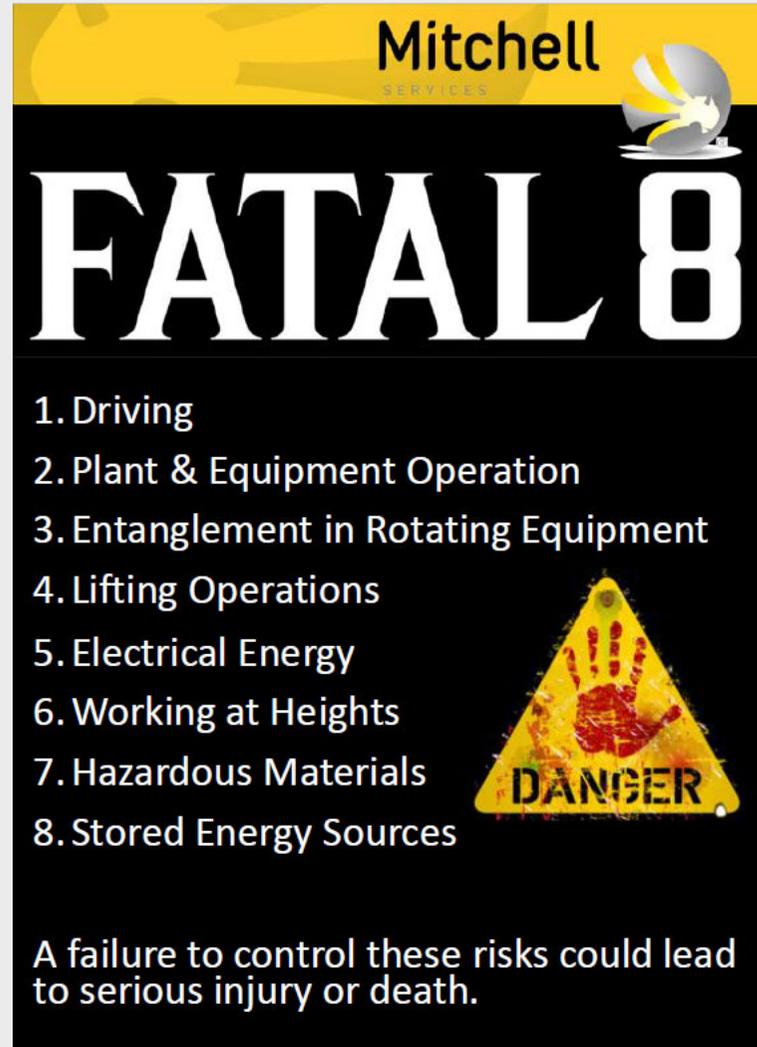


Andrew Elf
Chief Executive Officer

Greg Switala
CFO & Company Secretary

PEOPLE, RISK AND SUSTAINABILITY

- Implemented critical risk management program. Infield program designed to verify the presence and effectiveness of critical control measures to prevent life changing injuries and fatalities.
- Covid 19 has continued to present logistical changes but credit to our entire team who have continued to deliver safe and efficient services to our clients.
- Developed and released a Modern Slavery Statement.
- Mitchell Services Foundation has now been registered as a Charity.



The poster features the Mitchell Services logo at the top right, which includes a stylized globe icon. Below the logo, the word "FATAL" is written in large, white, serif capital letters, followed by a large "8". To the right of the "8" is a yellow triangular warning sign with a red handprint in the center and the word "DANGER" in black capital letters at the bottom. Below the "FATAL 8" text is a list of eight items, and at the bottom is a warning statement.

Mitchell
SERVICES

FATAL 8

1. Driving
2. Plant & Equipment Operation
3. Entanglement in Rotating Equipment
4. Lifting Operations
5. Electrical Energy
6. Working at Heights
7. Hazardous Materials
8. Stored Energy Sources

A failure to control these risks could lead to serious injury or death.

1H2021 BUSINESS OVERVIEW

Revenue of \$100m

↑ **37%**

from 1H2020

Underlying EBITDA of \$19.8m

↑ **40%**

from 1H2020

Net Debt of \$23.4m

↓ **39%**

reduction from Dec 19

Revenue guidance FY2021

\$190m-\$200m

Underlying EBITDA guidance FY2021

\$38m-\$42m

Statutory EBITDA guidance

\$29m-\$33m

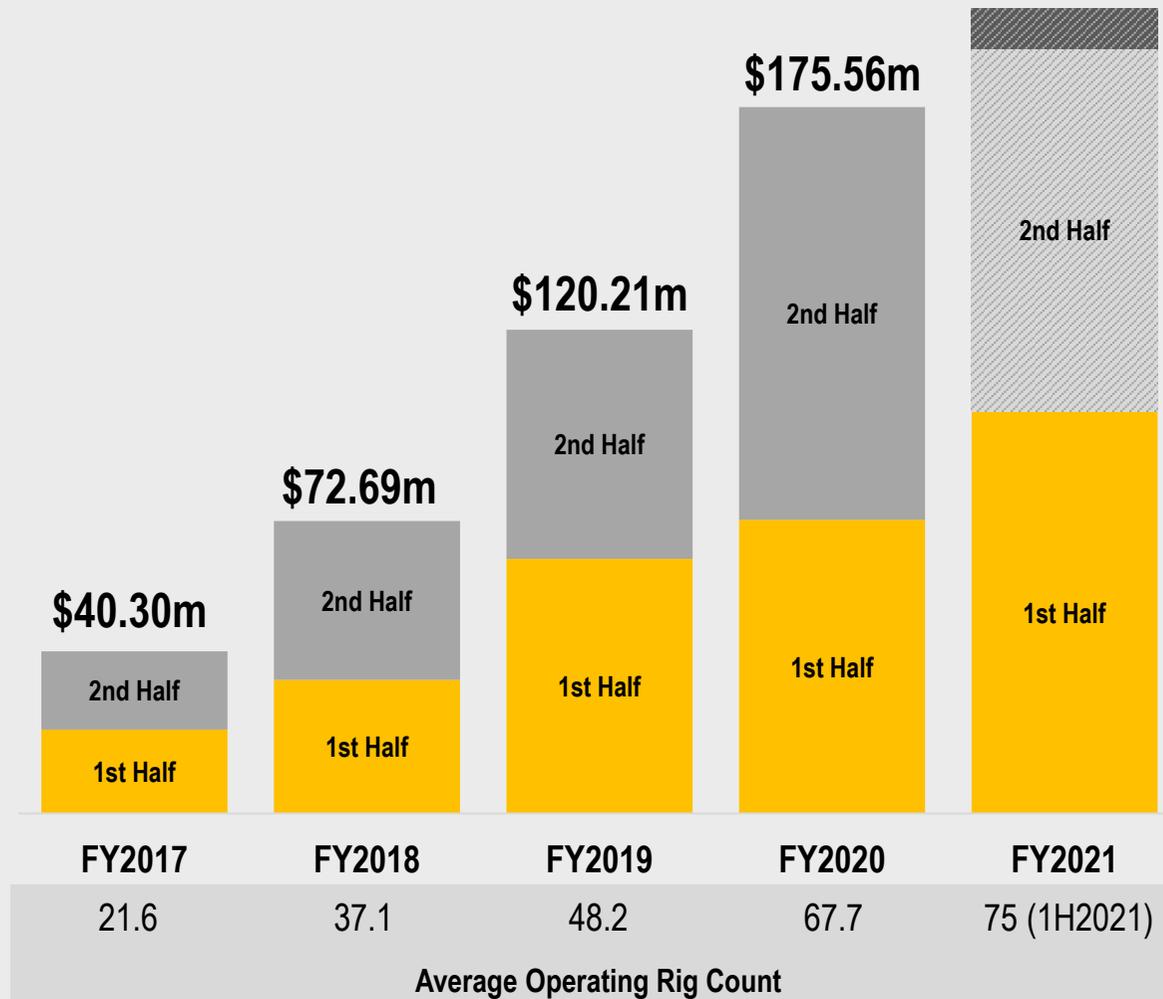
Significant
improvement in
key operating
metrics

OPERATIONAL HIGHLIGHTS

- **Strong underlying performance** excluding impairment loss on trade receivables. Solid operating base to move forward on in a strong market.
- Rig utilisation was marginally impacted by COVID-19 but **utilisation is now increasing** again.
- **Revenue diversity** continues to improve by commodity, geography and drilling type.
- Approximately 80% of revenue is derived from **Tier 1 clients** at the mine site resource definition, development and production stage which is a critical service in the mining lifecycle.



IMPACT OF INCREASED UTILISATION ON REVENUE

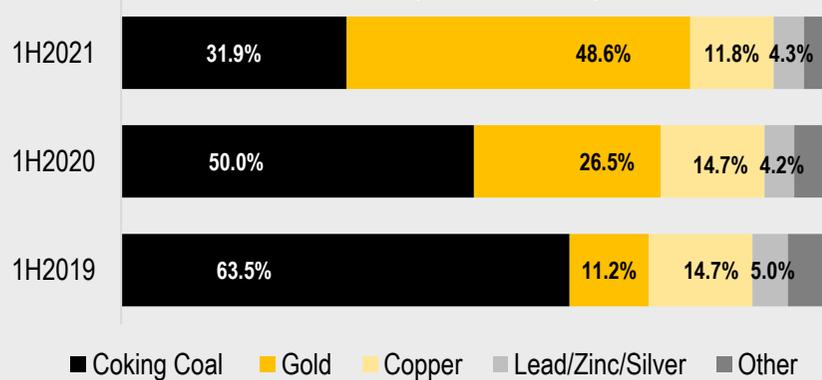


- Revenue guidance FY2021 \$190m-\$200m
- Average operating revenue per rig continued to increase due to improved productivity, pricing and drilling mix
- Mitchell Services anticipates further increases in operating rig count in FY2021
- Operating rig count subject to change due to seasonality or other factors
- 99 rigs in fleet

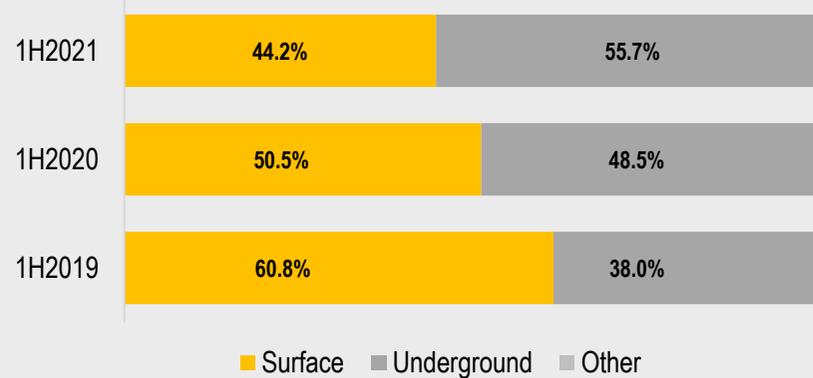
REVENUE DIVERSITY

Diversity in revenue streams sets Mitchell Services apart from competitors

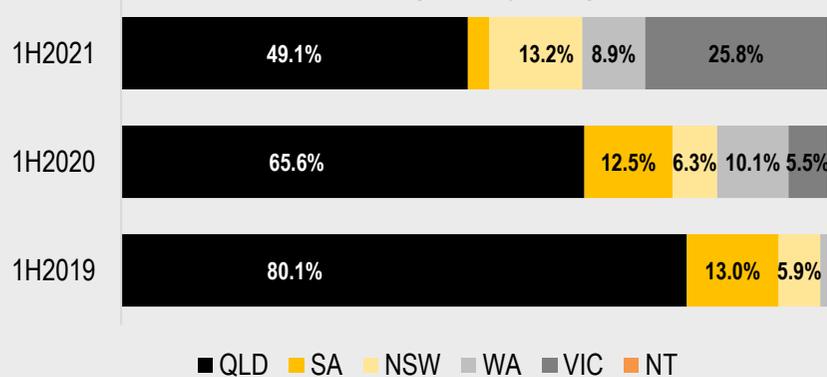
Revenue by Commodity



Revenue by Drilling Type



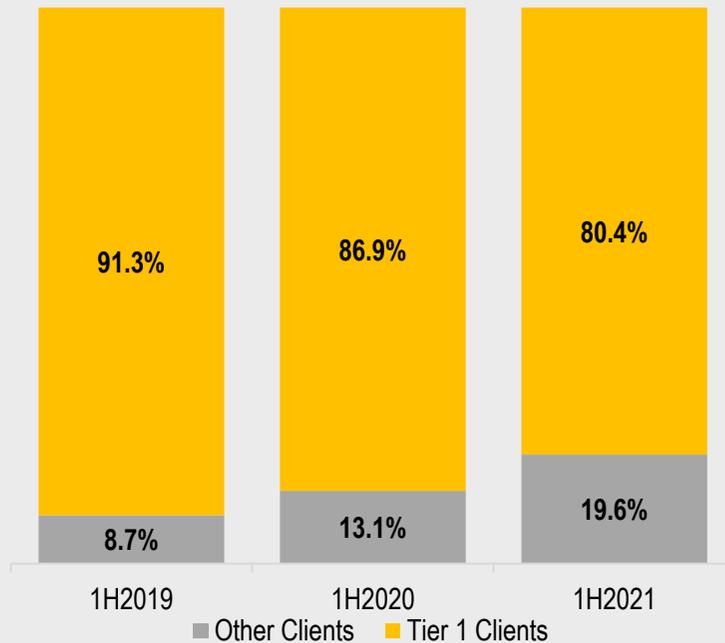
Revenue by Geography



- Coal is circa 30% of group revenue with zero exposure to thermal coal. It is not our intention to drill in the thermal coal market sector in the future.
- Base metals now represents circa 70% of group revenues and we are positioned strongly to capitalise on the strength in this market sector, particularly in Victoria.
- The Victorian revenue and underground revenue increases are driven by the Deepcore acquisition.
- Management remain mindful of diversity in revenue streams.

HIGH QUALITY REVENUE STREAMS

Revenue by Client Type



- Tier 1 Clients are large / multinational mining & energy companies.
- A majority of Mitchell Services revenue comes from Tier 1 Clients operating on long life, low cost mine sites. Approximately 80% of revenue is at the mine site resource definition, development and production stage which is a critical service in the mining lifecycle.
- The strength of the base metals sector and attractive returns has driven the revenue increase from other clients and we expect this percentage to remain fairly similar in the second half.
- We maintain our focus on production related services but have exited the drill and blast sector. We may choose to re-enter this market sector in the future should an appropriate opportunity arise.

Revenue by Stage in the Mine Lifecycle



SMS UPDATE

- Whilst entities controlled by the Mitchell family (collectively the Mitchell Group) have a shareholding in the company that owns the Kirkalocka Gold Project of approximately 18%, it has no shareholding in SMS nor any liabilities to SMS.
- Failure to recover amounts invoiced during 1H2021 was considered objective evidence of an impairment event under the requirements of AASB 9.
- The company will continue to vigorously pursue the outstanding debt.
- Application received to set aside the statutory demand in the Melbourne Supreme Court on 10 March 2021.

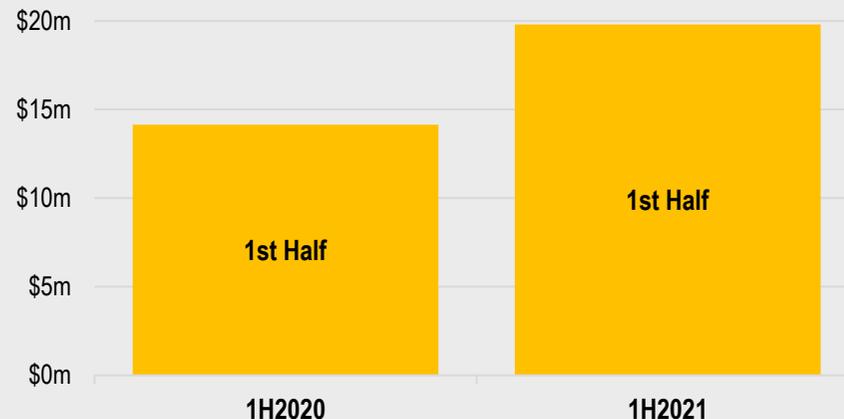
PROFIT AND LOSS

Strong underlying EBITDA performance

Underlying Profit & Loss

	1H2020	1H2021	Change
	\$000's	\$000's	%
Revenue	72,983	100,035	37%
EBITDA	14,140	19,794	40%
EBIT (before Amortisation)	7,887	8,754	11%
NPBT (before Amortisation)	7,195	7,387	3%
NPAT (before Amortisation)	4,867	5,104	5%

Underlying EBITDA



- At an underlying level, revenue and EBITDA have continued to grow due to improved utilisation, productivity, pricing and drilling mix.
- Underlying EBITDA margins remain strong (1H2021 margin of 19.8% up slightly on 1H2020).
- At an underlying level, Mitchell Services expects that FY2021 EBITDA will represent growth of approximately 25% when compared to FY2020 levels.

Figures in this slide are underlying and exclude significant one-off items and acquisition related amortisation as disclosed on slide 21.

BALANCE SHEET

Strong balance sheet provides flexibility

	31-Dec-20	30-Jun-20	Change
	\$000's	\$000's	%
Balance Sheet Summary			
Current assets	42,765	58,553	(27%)
Non-current assets	81,209	83,491	(3%)
Total assets	123,974	142,044	(13%)
Current liabilities	40,774	49,459	(18%)
Non-current liabilities	28,693	35,124	(18%)
Total liabilities	69,467	84,583	(18%)
Net assets	54,507	57,461	(5%)

Working Capital Summary

Trade and other receivables	22,020	33,076	(33%)
Prepayments & other assets	1,590	1,811	(12%)
Inventories	4,193	4,094	2%
Trade & other payables	(18,043)	(21,699)	(17%)
Premium funding	(816)	(1,214)	(33%)
Net Working Capital	8,944	16,068	(44%)

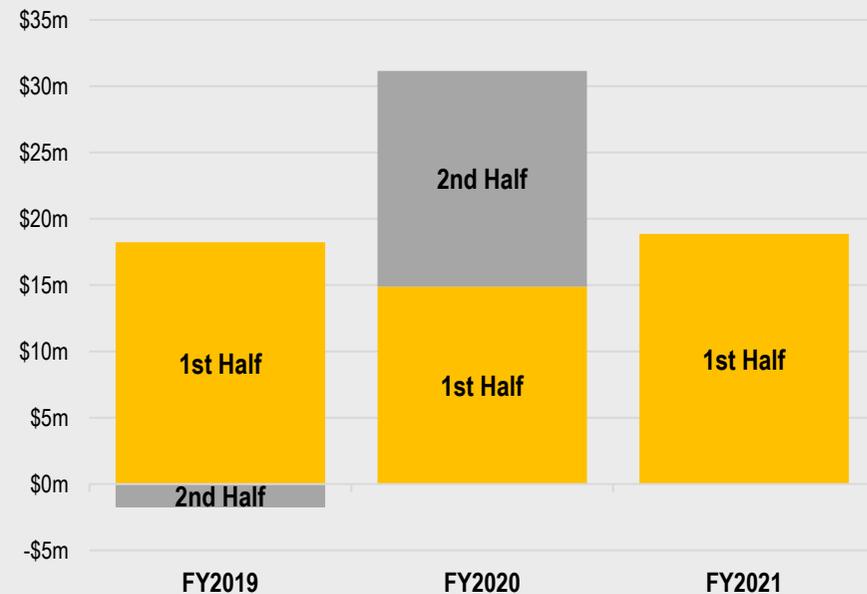
- The \$7.3m impairment of trade debtors has seen the current ratio reduce from 1.18 to 1.05 and Net Working Capital reduce by 44%.
- MSV remains well funded to take advantage of potential growth opportunities with access to a \$15m revolving equipment finance facility (\$10m drawn at 31 December 2020).
- Strong liquidity coverage
 - cash of \$9.6m at 31 December 2020
 - access to further \$10m (currently undrawn working capital facility).

CASH FLOW

Strong operating cash flows and Cash Conversion Ratio

Operating Cash Flow Summary

	1H2019	1H2020	1H2021
	\$000's	\$000's	\$000's
Receipts from customers	63,807	74,502	104,196
Payments to suppliers / employees	(47,342)	(59,624)	(85,333)
Cash generated from operations	16,465	14,878	18,863
Interest & other financing costs	(671)	(867)	(916)
Income tax paid	(484)	-	(2,201)
Cash flow from operating activities	15,310	14,011	15,746
EBITDA	14,229	14,140	12,465
Cash Conversion Ratio	108%	99%	126%



Despite the \$7.3m impairment, operating cash flow was up on pcp

NET DEBT

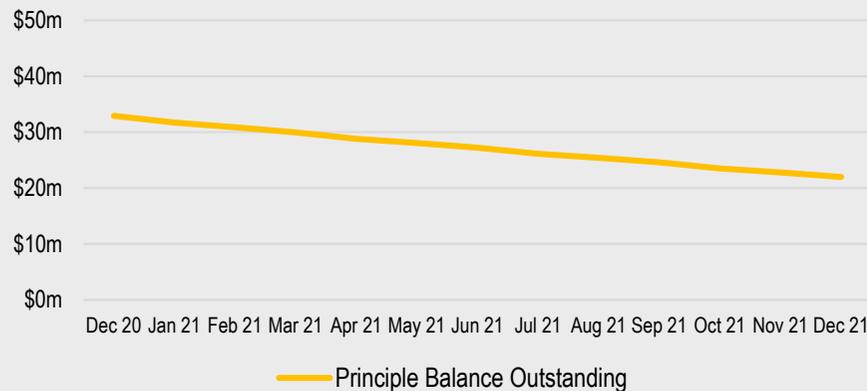
Net debt to EBITDA approximately 0.7 times

Net Debt Summary

	31-Dec-20	30-Jun-20
	\$000's	\$000's
Equipment finance	20,422	25,323
Acquisition loan	12,556	14,169
Gross debt	32,978	39,491
Cash on hand	9,599	11,906
Net debt	23,379	27,585

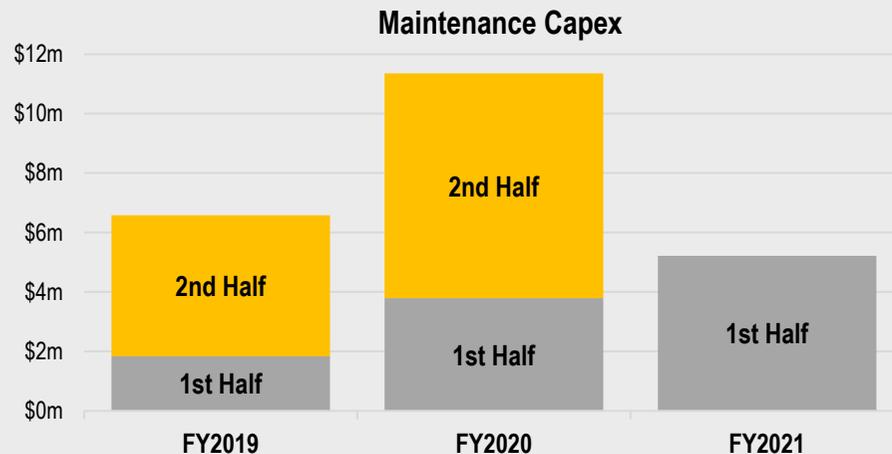
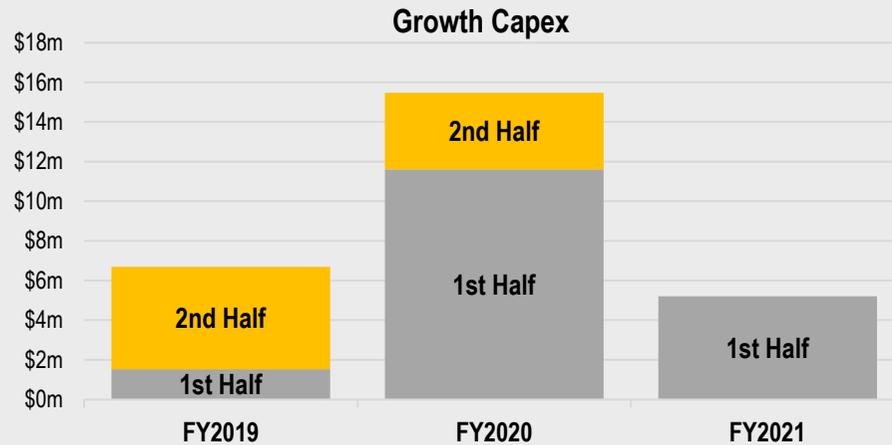
- Despite provision for impairment, Net Debt reduced by 15% from 30 June 2020 and 39% from 31 December 2019.
- All debt facilities are structured to include minimum principle repayments and have relatively short amortisation profiles.
- On a rolling 12-month historical basis, 31 December 2020 Net Debt to EBITDA (Operating Leverage Ratio) approximately 0.7 times.

Amortisation Profile of Debt Facilities at 31 Dec 2020



CAPITAL EXPENDITURE

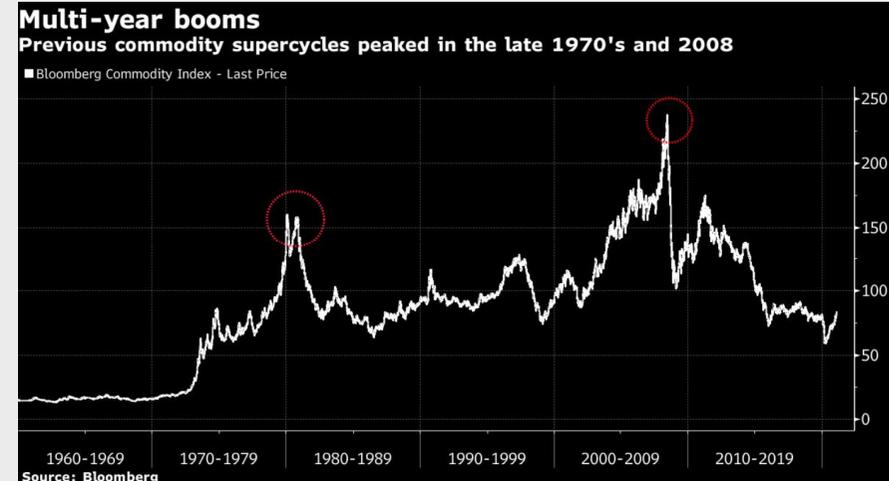
Accelerated innovation program maximises tax benefit



- Maintenance Capex typically trends in line with P&L depreciation multiplied by utilisation rates.
- 1H2021 maintenance capex represents approximately 45% of 1H2021 depreciation implying expected increase in 2H2021 maintenance capex.
- Growth Capex relates to new rigs to service new or extended contracts.
- Growth Capex in 1H2021 includes the commissioning of a next generation large diameter surface rig as part of a broader upgrade and innovation program.
- Will receive the benefit of the Federal Government Instant Asset Write-Off Scheme on approximately all Capex through to 30 June 2022.

INDUSTRY OVERVIEW

- Significant increase in demand in the gold and base metals sectors with a positive long-term industry outlook.
- Government stimulus and subsequent investment into infrastructure and other projects will drive demand for copper and other base metals.
- In a world where reserves and grades of some commodities are reducing Australia is seen as a high quality, low risk jurisdiction in which to operate.
- Increase in new projects and exploration programs due to significantly increased level of capital raising during 2020 and 2021.
- With approximately 70% of 1H2021 revenue derived from the gold and base metal sectors, the Company is well placed to take advantage of any further uplift in these markets.



“We believe that the last supercycle peaked in 2008 (after 12 years of expansion), bottomed in 2020 (after a 12-year contraction) and that we likely entered an upswing phase of a new commodity supercycle”

JP Morgan macro and quantitative strategist Marko Kolanovic

Market conditions are the strongest we have seen since 2008

OUTLOOK

- Pipeline of identified opportunities remains strong as does the demand for drilling services particularly from Tier 1 clients.
- Demand for drilling services in gold is very strong and gold as a percentage of revenue has increased in FY2021.
- Based on current market conditions, commodity prices, current contracts, and strong opportunity pipeline, Mitchell Services expects opportunities to exceed available rigs.
- Mitchell Services expects to generate full year FY2021 revenue and underlying EBITDA of \$190m-\$200m and \$38-\$42m respectively.
- These guided revenue and underlying EBITDA levels consider expected utilisation levels from existing contracts subject to normal operating conditions.
- Mitchell Services is covered by Morgans.



CAPITAL MANAGEMENT



- The \$7.3m impairment of trade receivables has created uncertainty in regard to the capital management strategy.
- A final decision on potential dividends and share buy backs in the short term will be made once this uncertainty is resolved.
- Debt reduction will continue to be a focus however we will take advantage of a strong drilling market, increase in demand and accelerated asset innovation program.
- It is the intention of members of board and management to purchase shares in MSV in the short term.

SUMMARY

- Mitchell Services' vision is to be **Australia's leading provider of drilling services** to the global exploration, mining and energy industries.
- Mitchell Services has a **diversified revenue stream** by different drilling types and commodities.
- Mitchell Services has a **high quality client base** with a majority of work related to mine site resource definition, development and production.
- Underlying EBITDA guidance FY2021 of \$38m-\$42m.
- Maintain a **strong balance sheet** to provide flexibility to take advantage of strategic opportunities in a strong market.



APPENDIX A

Definitions

Capex	Capital expenditure
Cash Conversion Ratio	The ratio of A to B; where A is the reported cash flows from operating activities (excluding interest and income tax paid) and B is the reported EBITDA
EBITDA	Earnings before interest, tax, depreciation and amortisation; calculated as NPAT plus income tax expense plus finance charges plus depreciation expense plus amortisation of intangibles
EBITDA Margin	EBITDA divided by reported revenue expressed as a percentage
EBIT	Earnings before interest and tax; calculated as NPAT plus income tax expense plus finance charges
EBIT Margin	EBIT divided by reported revenue expressed as a percentage
Gross Debt	Total principle balances outstanding on all bank loans, equipment finance facilities, hire purchase agreements, working capital facilities and overdrafts
Net Debt	Gross Debt less cash and cash equivalents on hand
NPAT	Net profit after tax; calculated as statutory reported profit before income tax less income tax expense
NPBT	Net profit before tax; calculated as NPAT plus income tax expense
pcp	Previous corresponding period
SMS	SMS Innovative Mining Pty Ltd
Underlying	Measurement of performance metric (e.g. EBITDA) adjusted for the impact of once-off and/or non-recurring adjustments

APPENDIX B

1H2020 and 1H2021 reconciliation of statutory to underlying results

1H2020	EBITDA	EBIT	NPBT	NPAT
	\$000's	\$000's	\$000's	\$000's
Statutory Results	14,140	7,063	6,371	4,290
Impairment of trade receivables ¹	-	-	-	-
Acquisition related amortisation of customer contracts ²	-	824	824	824
Net tax effect ³	-	-	-	(247)
Underlying Results	14,140	7,887	7,195	4,867
1H2021	EBITDA	EBIT	NPBT	NPAT
	\$000's	\$000's	\$000's	\$000's
Statutory Results	12,465	(3,011)	(4,378)	(3,131)
Impairment of trade receivables ¹	7,329	7,329	7,329	7,329
Acquisition related amortisation of customer contracts ²	-	4,436	4,436	4,436
Net tax effect ³	-	-	-	(3,530)
Underlying Results	19,794	8,754	7,387	5,104

1. Impairment loss in relation to the SMS trade receivable owing.
2. Amortisation of separate customer contracts measured at fair value per the acquisition of Deepcore Drilling in November 2019.
3. Adjustment to derive underlying tax expense related to pre-tax underlying adjustments.