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HALF-YEAR RESULTS PRESENTATION

December 2018



Mitchell
SERVICES

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MITCHELL SERVICES MARKET PROFILE

ASX Information

| | |
|-----------------------------|---------------|
| Shares Issued (ASX:MSV) | 1,738,673,346 |
| Share Price (at 25/02/2019) | A\$0.054 |
| Market Capitalisation | A\$93.9m |
| 1H19 EBITDA | A\$14.0m |
| Net Debt (at 31/12/2018) | A\$2.6m |

Major Shareholders

| | |
|-----------------------------|-------|
| Mitchell Group | 20.4% |
| Washington H Soul Pattinson | 9.9% |
| CVC Limited | 6.1% |

Board of Directors



Nathan Mitchell
Executive Chairman

Peter Miller
Non-Executive Director

Robert Douglas
Non-Executive Director

Neal O'Connor
Non-Executive Director

Senior Management Team



Andrew Elf
Chief Executive Officer

Greg Switala
CFO & Company Secretary

Josh Bryant
GM People & Risk

Todd Wild
GM Commercial

SAFETY UPDATE

- Finishing each day without harm is a **core Mitchell Services value**
- Continued **year on year reduction** in recordable incident occurrence and severity
- **Focus on training** to attract, retain and further develop our own drillers in an improving market
- Mitchell Services' **safety culture** was recognised during the year with the following **major accolades**:
 - Winner 2018 Australian Mining Prospects Awards (Safety Advocate Award)
 - Finalist 2018 Australian Mining Prospects Awards (Excellence in Mine Safety, OH&S)
 - Finalist 2018 Safe Work and Return to Work QLD (Most Significant Improvement to Work Health and Safety Performance & Best Demonstrated Leadership in Work Health and Safety)



1H19 BUSINESS OVERVIEW

Revenue of \$63.29m

↑ **91%**

from 1H18

EBITDA of \$14.23m

↑ **431%**

from 1H18

Net Debt of

\$2.6m

83% reduction from Dec 2017

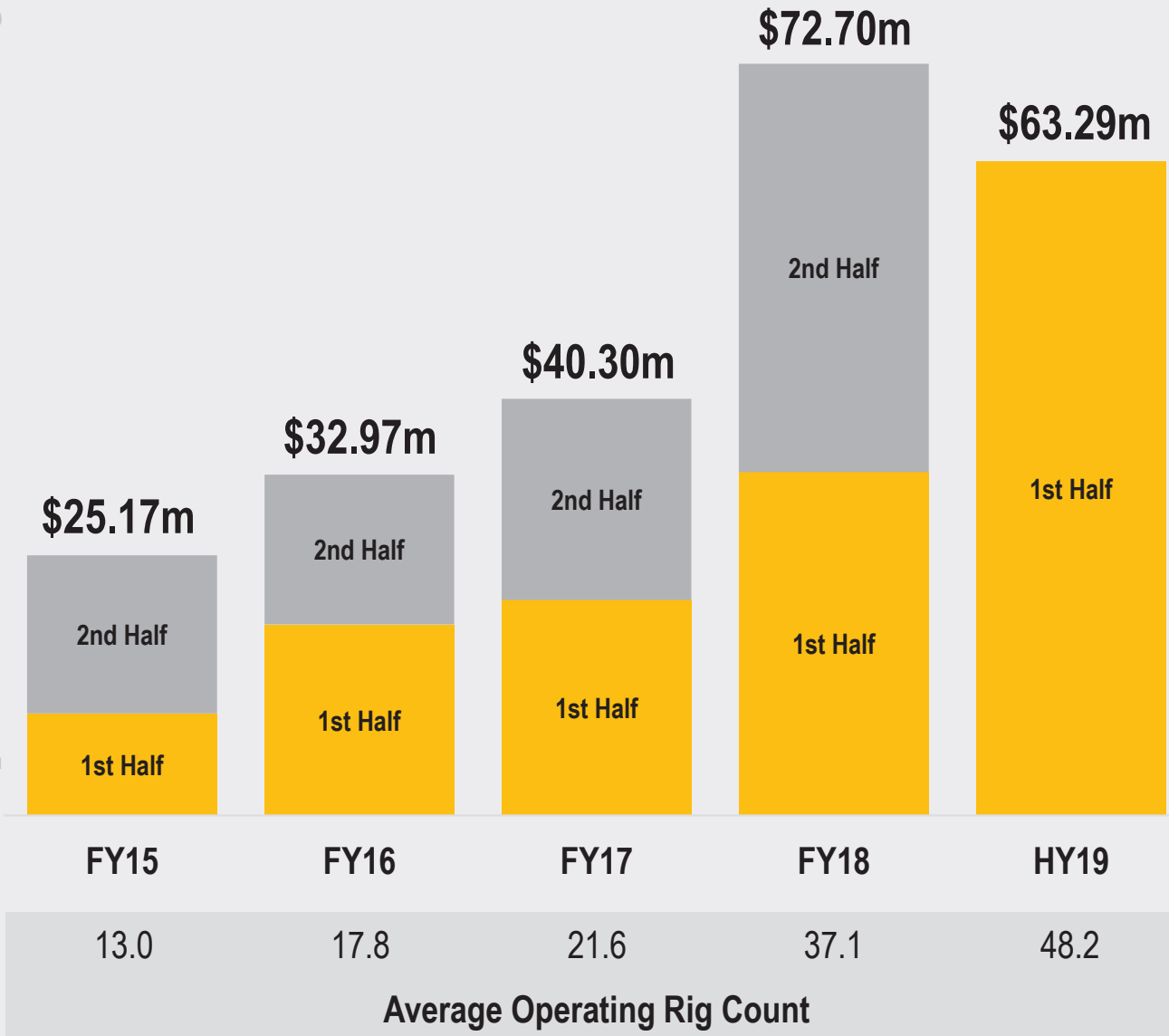
Strong balance sheet
provides flexibility

400+

experienced employees

Total recordable injury
frequency rate
continues to reduce

IMPACT OF INCREASED UTILISATION ON REVENUE

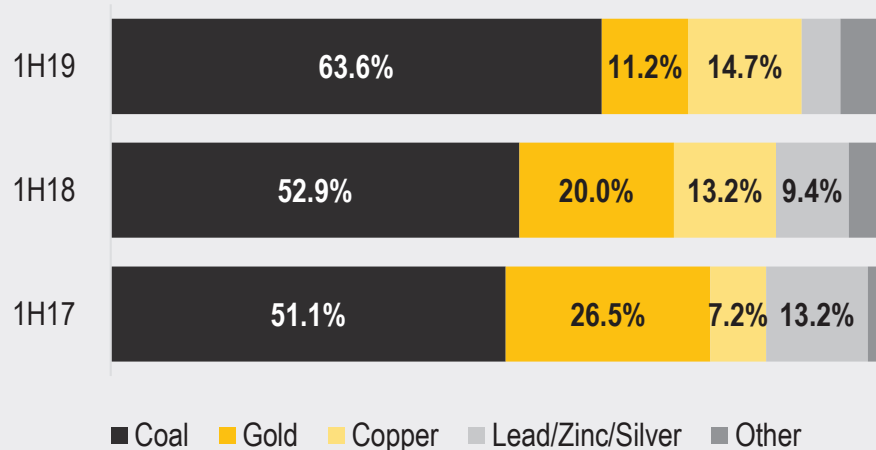


- Average operating revenue per rig continues to increase due to improved productivity and pricing
- Mitchell Services anticipates further increases in operating rig count in calendar year 2019
- Operating rig count subject to change due to seasonality or other factors
- 64 rigs in fleet

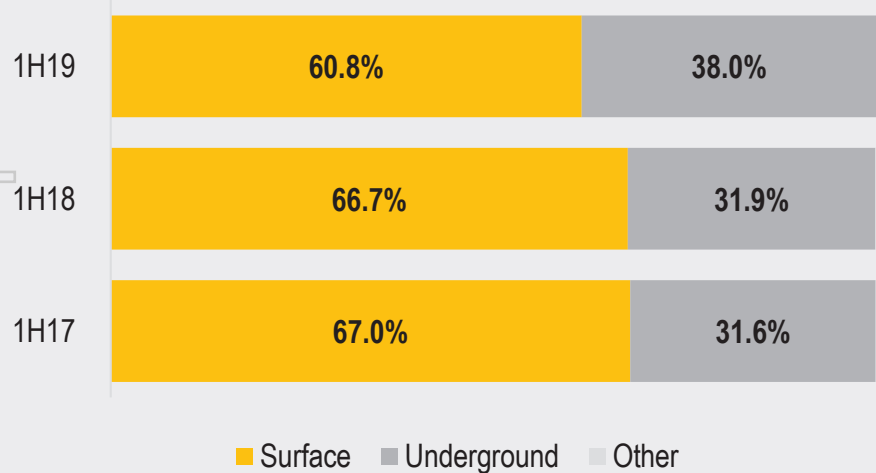
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REVENUE DIVERSITY

Revenue by Commodity



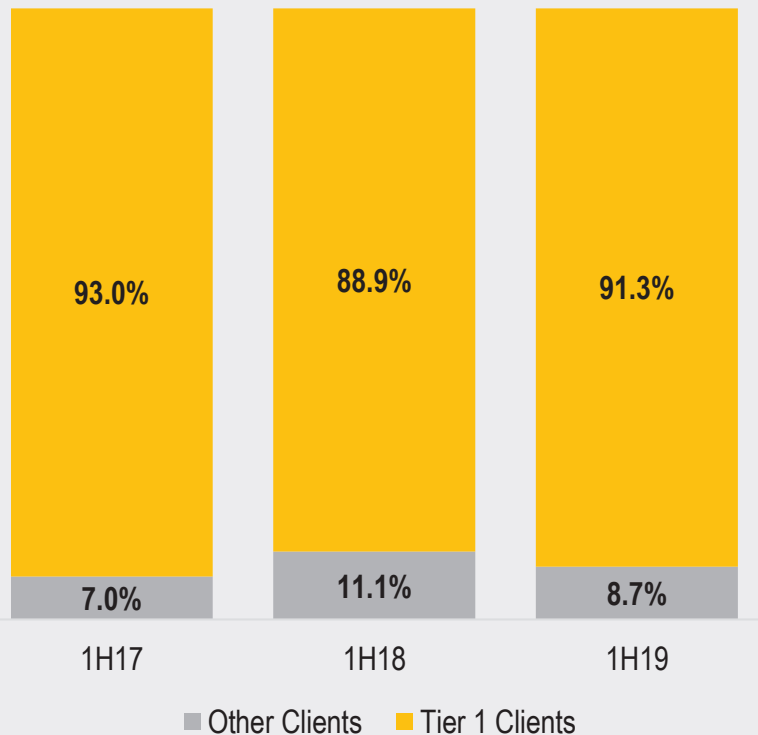
Revenue by Drilling Type



- Demand for drilling services continues to strengthen across all commodities
- Entry into the underground coal sector has driven the increase in coal and underground as a percentage of revenue
- Management and board remain mindful of revenue by commodity and drilling type
- Pure play ASX listed drilling services provider

HIGH QUALITY REVENUE STREAMS

Revenue by Client Type



- Tier 1 Clients are large / multinational mining & energy companies
- Tier 1 Clients generally operate long life, low cost mine sites
- A majority of Mitchell Services revenue comes from Tier 1 Clients at operating mine sites
- Approximately 90% of revenue is at the mine site resource definition and development stage which is critical for ongoing production

Mine Lifecycle



STAGES OF THE CYCLE

- **STAGE 1: UTILISATION INCREASES (THIS IS HAPPENING)**
 - More rigs start working
- **STAGE 2: PRODUCTIVITY IMPROVES AS UTILISED RIGS WORK MORE SHIFTS (THIS IS HAPPENING)**
 - Seasonality impact reduces as rigs work through the wet season
 - More rigs work 24 hours a day 7 days a week versus 12 hours a day (limited rigs in the surface coal sector work 24 hours a day)
- **STAGE 3: PRICE INCREASES AS SUPPLY AND DEMAND CHANGES IN FAVOUR OF SERVICE PROVIDERS**
 - On average across a range of different drilling types prices are still circa 10% - 30% below the highs achieved during the last cycle (Large Diameter, Surface and Underground)
 - Prices for multi-rig multi-year contracts are increasing by high single or low double digit percentages
- **STAGE 4: GENERAL CONTRACT TERMS & CONDITIONS IMPROVE**
 - Larger up front mobilisation charges to manage ramp up costs
 - Larger demobilisation charges
 - Take or pay contracts
 - More flexible pricing schedule of rates

Evidence suggests that we are in the early stages of Stage 3

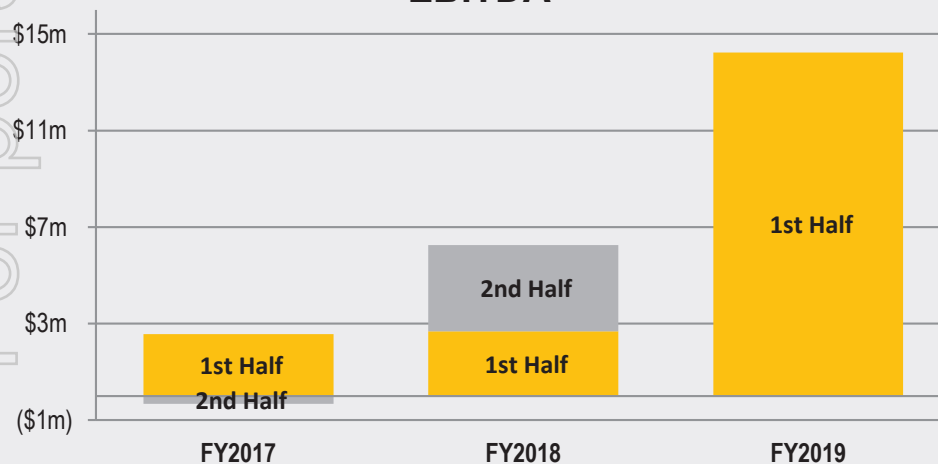
PROFIT AND LOSS

Unprecedented earnings growth

Profit & Loss

| | 1H19 | 1H18 | Change |
|---------------|---------------|----------------|---------------|
| | \$000's | \$000's | % |
| Revenue | 63,291 | 33,215 | 91% |
| EBITDA | 14,229 | 2,678 | 431% |
| EBIT | 8,458 | (374) | 2,362% |
| NPBT | 7,725 | (1,195) | 747% |
| NPAT | 11,728 | (1,195) | 1,082% |

EBITDA



- 431% improvement in EBITDA on pcp driven by increased utilisation, quality operational delivery and improving market conditions
- 1H19 EBITDA Margin 22% (up 179% on pcp)
- 1H19 EBIT Margin 13% (up 1,287% on pcp)
- NPAT greater than NPBT due to \$4m tax credit following the recognition of a deferred tax asset pertaining to historical tax losses not previously recognised

BALANCE SHEET

Strong balance sheet provides flexibility

| | 31 Dec 19 | 30 Jun 18 | Change |
|-----------------------------------|---------------|---------------|--------------|
| | \$000's | \$000's | % |
| Balance Sheet Summary | | | |
| Current assets | 23,779 | 27,519 | (14%) |
| Non-current assets | 34,259 | 30,773 | 11% |
| Total assets | 58,038 | 58,292 | (0%) |
| Current liabilities | 20,940 | 23,125 | (9%) |
| Non-current liabilities | 3,924 | 14,133 | (72%) |
| Total liabilities | 24,864 | 37,258 | (33%) |
| Net assets | 33,174 | 21,034 | 58% |
| Working Capital Summary | | | |
| Receivables | 16,120 | 17,609 | (8%) |
| Prepayments & other assets | 1,445 | 1,154 | 25% |
| Inventories | 2,068 | 2,275 | (9%) |
| Trade & other payables | (13,679) | (13,164) | 4% |
| Premium funding | (690) | (390) | 77% |
| Working Capital Investment | 5,264 | 7,484 | (30%) |

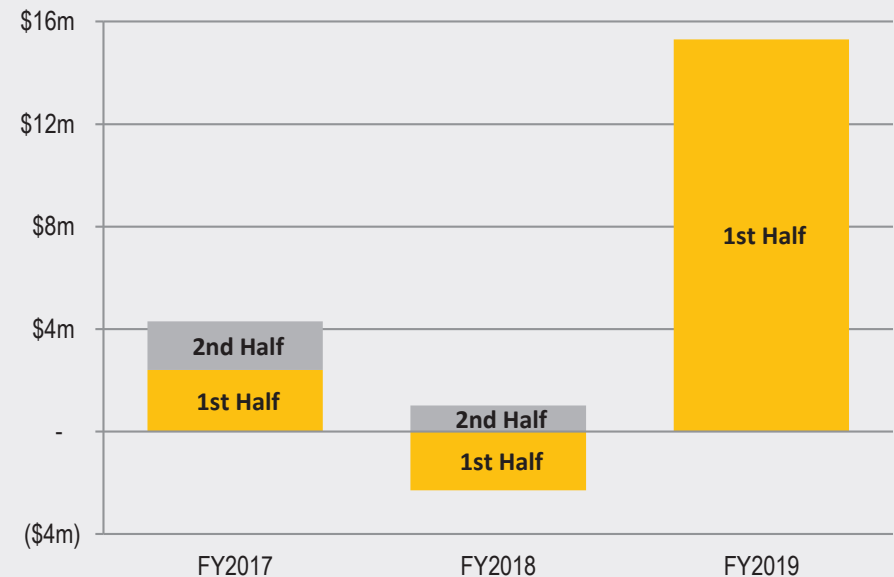
- Significant reduction in debt paid from operating cash flow provides a solid foundation for future growth
- ROIC of 24.3% driven by strong operating cash flows and improved EBITDA margins, this highlights Mitchell Services disciplined approach to capital deployment
- EBITDA / Gross Debt (Operating Leverage Ratio) of 0.37 times is an 88% improvement on pcp of 3.12 times
- Working capital requirements are traditionally lower in 1H versus 2H primarily due to seasonality
- A \$2.2m reduction in working capital requirements has contributed to a strong Cash Conversion Ratio

CASH FLOW

Improved operating cash flows and Cash Conversion Ratio

Operating Cash Flow Summary

| | 1H19 | 1H18 | Change |
|--|---------------|----------------|---------------|
| | \$000's | \$000's | % |
| Receipts from customers | 63,807 | 28,741 | 122% |
| Payments to suppliers / employees | (47,342) | (30,174) | 57% |
| Cash generated from operations | 16,465 | (1,433) | 1,249% |
| Interest & other financing costs | (671) | (856) | (22%) |
| Income tax paid | (484) | - | 100% |
| Cash flow from operating activities | 15,310 | (2,289) | 769% |
| EBITDA | 14,229 | 2,678 | 431% |
| Cash Conversion Ratio | 108% | (85%) | 226% |



1H19 has seen the operating leverage within the business play out resulting in significantly improved operating cash flows and Cash Conversion Ratio

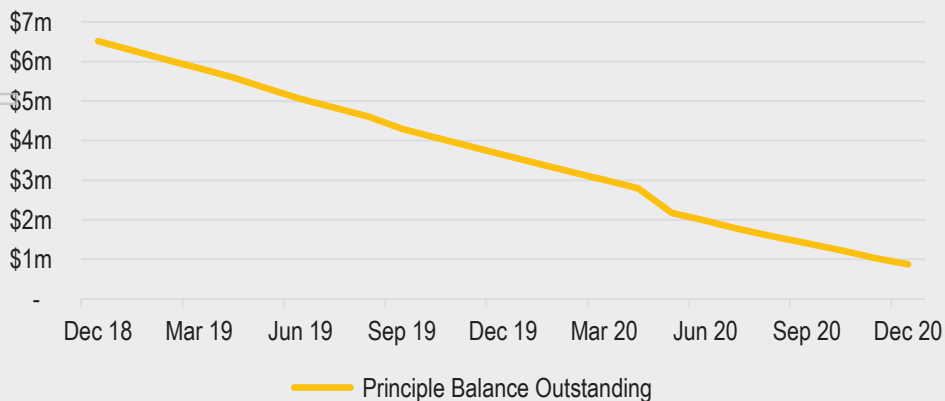
NET DEBT

MSV can move forward with confidence and certainty

Net Debt Summary

| | 31 Dec 18 | 30 Sep 18 | 30 Jun 18 |
|-------------------|--------------|---------------|---------------|
| | \$000's | \$000's | \$000's |
| Equipment finance | 6,490 | 7,425 | 8,358 |
| Shareholder Loans | - | 8,500 | 8,500 |
| Property Loan | - | - | 2,700 |
| Gross debt | 6,490 | 15,925 | 19,558 |
| Cash on hand | 3,925 | 4,432 | 1,864 |
| Net debt | 2,565 | 11,493 | 17,694 |

Equipment Finance Amortisation Profile

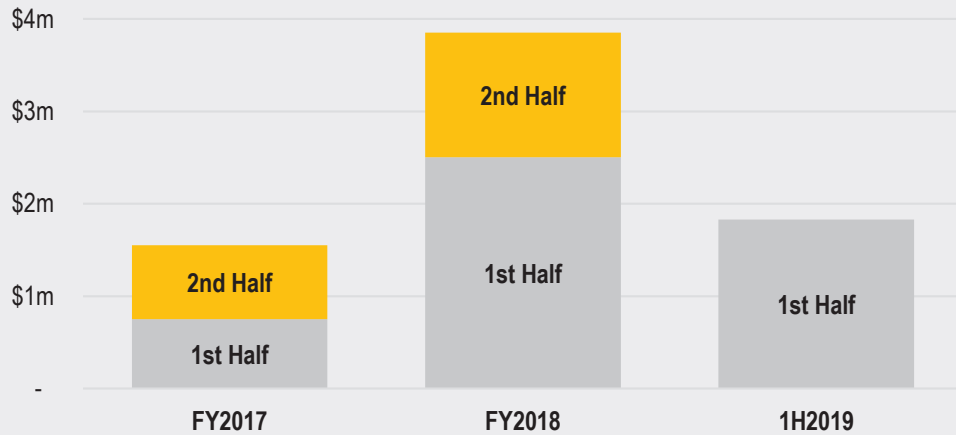


- The \$8.5m Shareholder Loans were repaid in full from operating cash flows approximately 18 months earlier than the expiry date of July 2020 with no fees or penalties associated with the early repayment
- Gross debt at 31 December comprises entirely of traditional equipment finance facilities with short amortisation profiles
- Mitchell Services is well funded to take advantage of potential growth opportunities and has access to these key debt facilities (undrawn at 31 Dec 18)
 - \$9m working capital facility with NAB
 - \$25m approved equipment finance facility with NAB

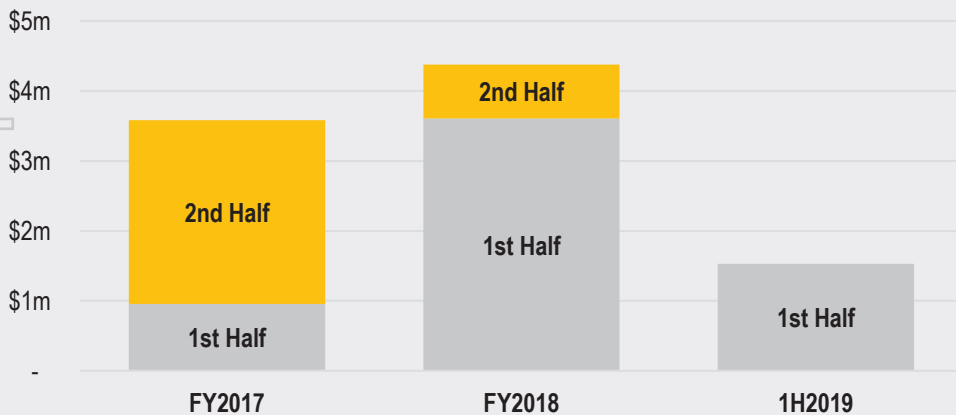
CAPITAL EXPENDITURE

Higher level of growth Capex expected in 2H19

Maintenance Capex



Growth Capex

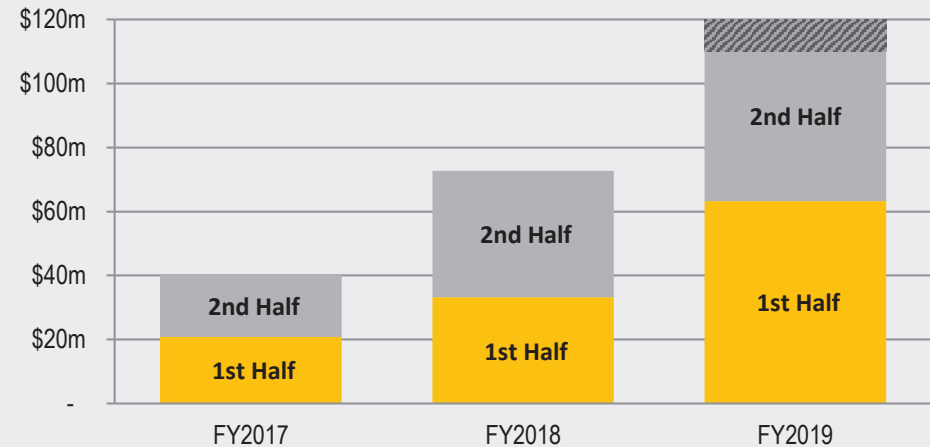


- 1H19 total Capex spend demonstrates the capital discipline within the business
- Maintenance Capex typically trends in line with P&L depreciation multiplied by utilisation percentages but may vary based on rig deployment levels
- 1H19 total Capex was 84% of P&L depreciation and was funded from operating cash flows
- Expect 2H19 total Capex to exceed 1H19 levels and be funded out of a combination of debt and operating cash flows

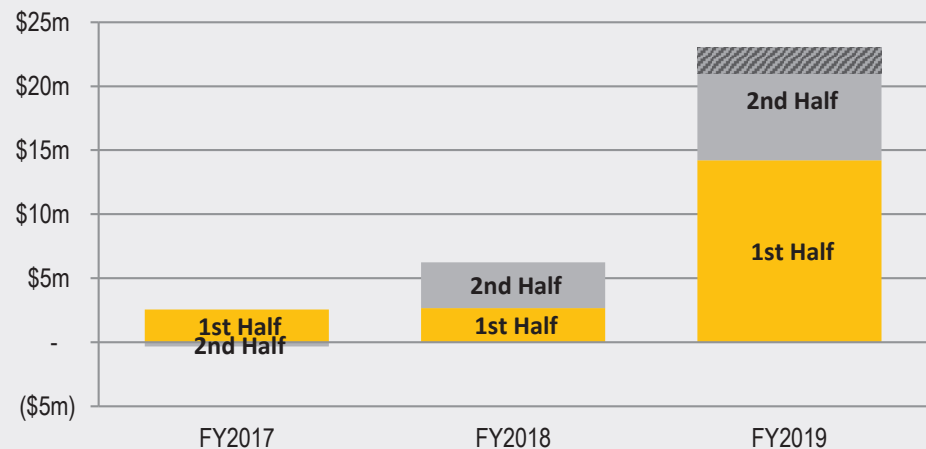
OUTLOOK

- Pipeline of identified opportunities remains strong and **demand continues to increase for drilling services** particularly from Tier 1 clients
 - At current conversion rates, rigs required exceed rigs available
- Mitchell Services expects to generate full year **FY19 revenue** of between **\$110m and \$120m**
- At full year forecast revenue levels Mitchell Services expects to generate full year **FY19 EBITDA** of approx. **\$21m to \$23m** with strong associated cash flows
- These forecast revenue and EBITDA levels take into account **expected utilisation levels** from **existing contracts** subject to normal operating conditions.

Revenue (\$M)



EBITDA (\$M)



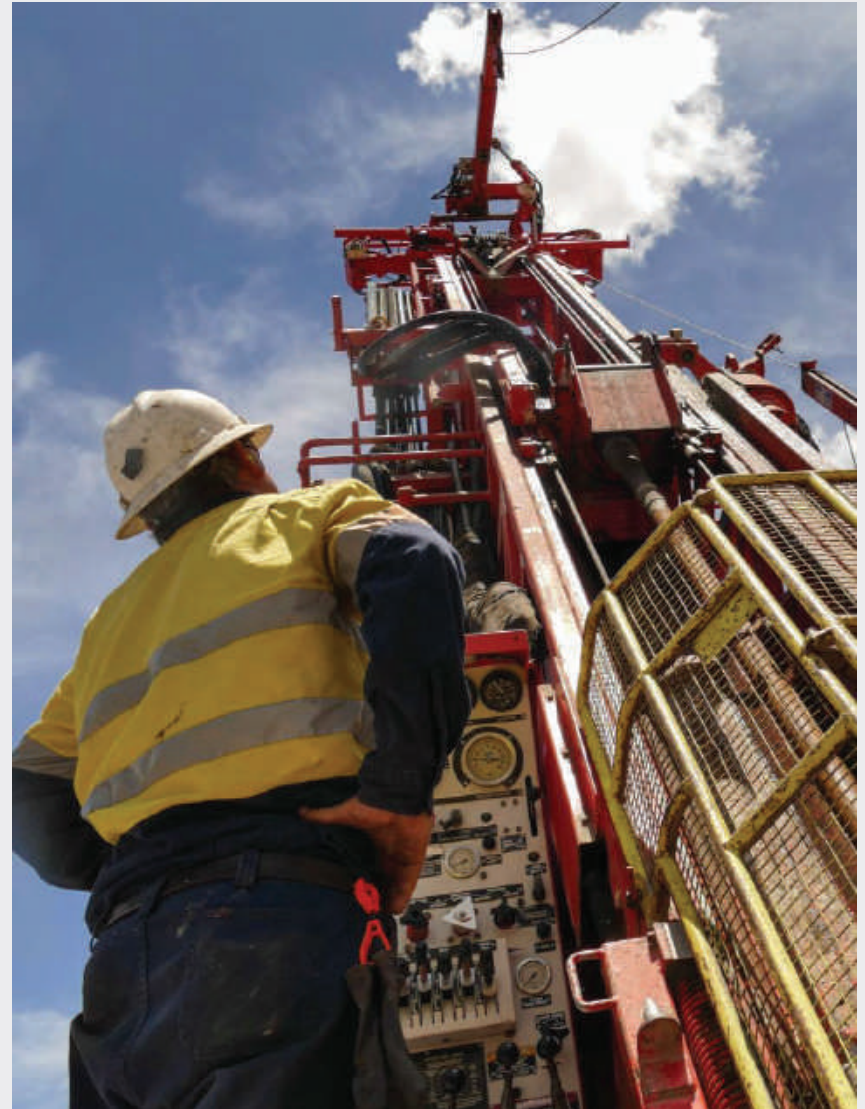
CAPITAL MANAGEMENT

- **Debt reduction** was determined to be the most efficient use of cash generated in 1H19 and has strengthened the balance sheet creating a **platform for further growth**
- Mitchell Services will continue to invest in **organic growth opportunities** where they meet internal investment hurdles
- The drilling industry is capital intensive and Mitchell Services will maintain a strong balance sheet to provide **flexibility**
- With current Net Debt of approx. \$2.6m, Mitchell Services is implementing a number of **capital management initiatives** to reward shareholders, and have announced an intended buy-back of up to 10% of MSV's ordinary shares. The Board is also evaluating the quantum and timing of a special dividend payment in the near future
- Mitchell Services may consider **acquisition opportunities** where they fit within the Company's growth profile, safety culture and are earnings accretive to shareholders



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 operating expenditure not capital expenditure
- Guidance range for **FY19 Revenue and EBITDA** of \$110m-\$120m and \$21m-\$23m respectively.
- Actively putting capital management structures in place to **reward shareholders**
- Maintain a **strong balance sheet** to provide flexibility to take advantage of strategic opportunities



DEFINITIONS

| | |
|---------------------------------|---|
| Capex | Capital expenditure |
| Cash Conversion Ratio | The ratio of A to B; where A is the reported cash flows from operating activities 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, shareholder 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 |
| Operating Leverage Ratio | The ratio of A to B; where A is EBITDA on a 12 month rolling basis and B is Gross Debt at reporting date |
| pcp | Previous corresponding period |
| Property Loan | \$2.7m loan provided by National Australia Bank in April 2018 which was secured by Mitchell Services Limited's investment property located in Townsville |
| ROIC | Return on invested capital; EBIT on a 12 month rolling basis divided by (net PP&E plus net intangibles plus trade and other receivables plus inventories less trade and other payables less cash on hand) |
| Shareholder Loans | \$8.5 million in loans that were provided in 2015 from major shareholders Washington. H. Soul Pattinson and Company Limited and Mitchell Family Investments (QLD) Pty Ltd |
| Tier 1 Clients | Publicly listed mining and energy companies with market capital over \$1 billion or large multi-national private mining and energy companies |