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FULL YEAR RESULTS PRESENTATION

Financial Year 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 10/08/2020)	A\$0.62
Market Capitalisation	A\$123.5m

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

Scott Tumbridge
Executive Director

Peter Miller
Non-Executive
Director

Robert Douglas
Non-Executive
Director

Neal O'Connor
Non-Executive
Director

Peter Hudson
Non-Executive
Director

Executive Management Team



Andrew Elf
Chief Executive Officer

Greg Switala
CFO & Company Secretary

COVID 19 RESPONSE

- Detailed response and contingency plans
- 10% of our workforce relocated temporarily to keep rigs operational
- 20% of our workforce changed rosters on a temporary basis to keep rigs operational
- Credit to our entire team who have continued to deliver safe and efficient services to our clients
- Our rapid response and previous operational performance saw Mitchell Services as the driller of choice when restrictions began



PEOPLE AND COMMUNITY



Mitchell Services
Foundation



- The health and safety of our people and the well being of our communities are essential
- We are focused on creating sound value to grow shareholder value and returns
- Social value protects our business today and positions us to take advantage of future opportunities
- The Mitchell Services Foundation was incorporated in June 2020 and will be the philanthropic arm of the Mitchell Services business

FY20 BUSINESS OVERVIEW

Revenue of \$175.5m

↑ **46%**

from FY19

EBITDA of \$35m

↑ **45%**

from FY19

Net Debt of \$27.6m

↓ **28%**

reduction from Dec 19

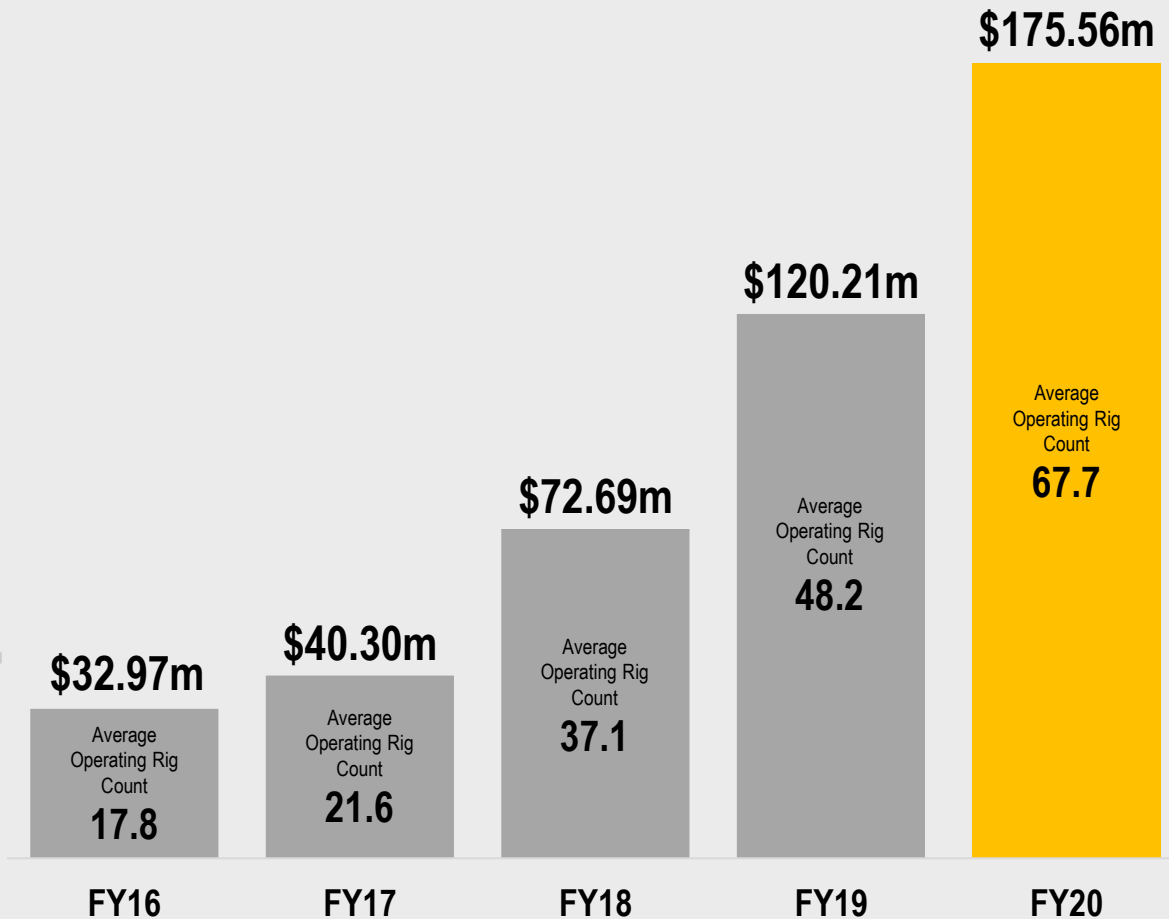
Quality of business model proven during global pandemic

Fully franked special dividend
paid July 2020

Strong balance sheet provides flexibility

IMPACT OF INCREASED UTILISATION ON REVENUE

Annual Average Operating Rig Count vs Revenue



- 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 FY21
- Operating rig count subject to change due to seasonality or other factors
- 101 rigs in fleet

OPERATIONAL HIGHLIGHTS

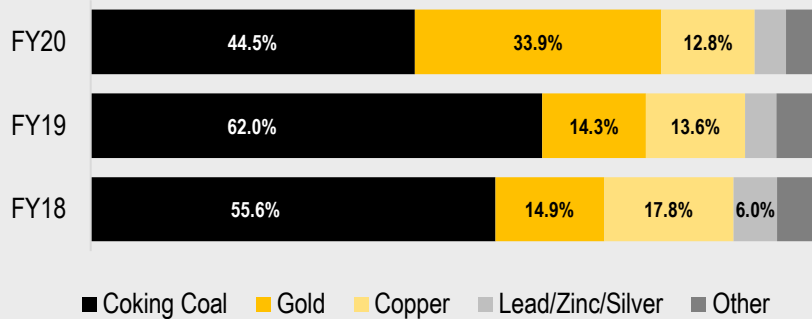
- Achieved revenue and EBITDA guidance during a global pandemic proving the quality of the business model
- Rig utilisation has been marginally impacted by Covid-19 but **utilisation is now increasing** again.
- **Revenue diversity** continues to improve by commodity, geography and drilling type
- Approximately 90% 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



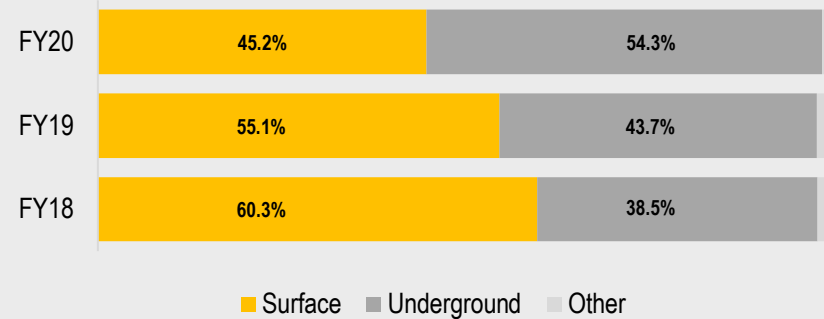
REVENUE DIVERSITY

Diversity in revenue streams sets Mitchell Services apart from competitors

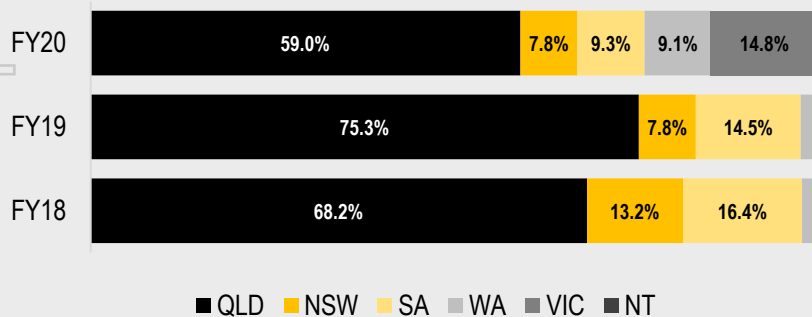
Revenue by Commodity



Revenue by Drilling Type



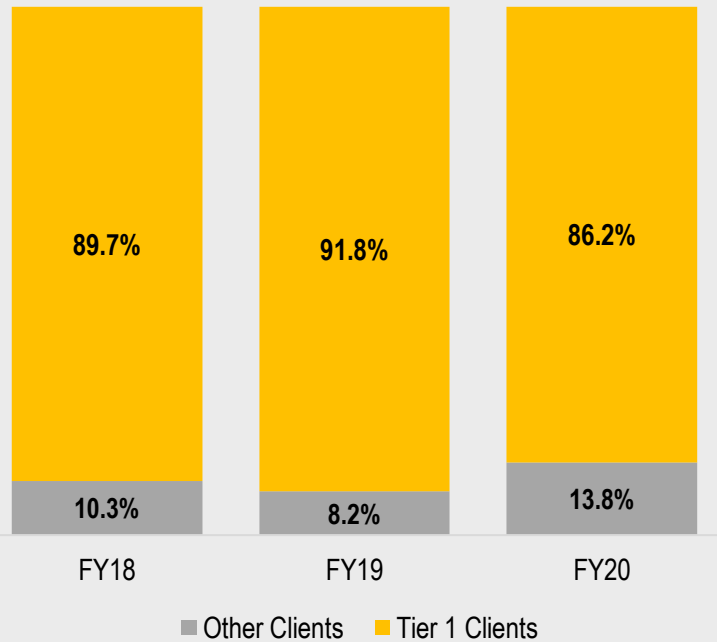
Revenue by Geography



- Zero exposure to thermal coal
- Management remain mindful of diversity in revenue streams
- Gold as a percentage of revenue will increase in FY21

HIGH QUALITY REVENUE STREAMS

Revenue by Client Type



- Tier 1 Clients are large / multinational mining & energy companies
- A significant majority of Mitchell Services revenue comes from Tier 1 Clients operating on long life, low cost mine sites
- Approximately 90% of revenue is at the mine site resource definition, development and production stage which is a critical service in the mining lifecycle
- Focus on production related services was further enhanced by the recent announcement of entry into the drill and blast market through a material contract award

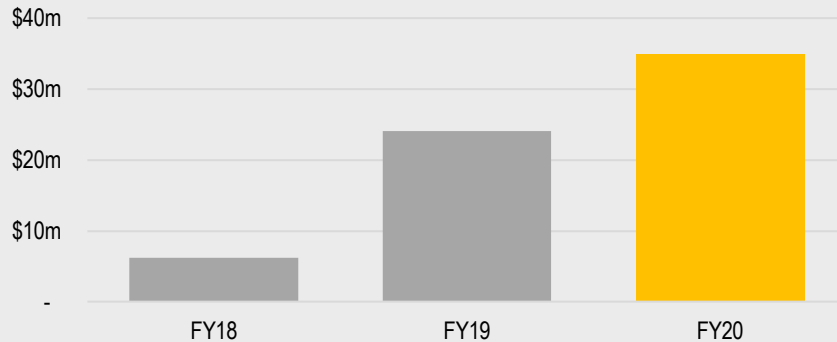
Revenue by Stage in the Mine Lifecycle



PROFIT AND LOSS

Expect FY21 EBITDA to continue to grow

EBITDA



Profit & Loss

	FY20	FY19	Change
	\$000's	\$000's	%
Revenue	175,555	120,205	46%
EBITDA	34,951	24,112	45%
EBIT	12,606	13,894	(9%)
NPBT	10,463	12,829	(18%)
NPAT	7,203	17,368	(59%)

- Significant revenue and EBITDA growth driven by increased utilisation, increased production and seven months Deepcore contribution
- Strong EBITDA margin of 20% maintained in FY20
- Lower EBIT a function of increased PPE depreciation and amortisation of customer contracts (Deepcore Acquisition accounting)
- FY20 income tax charge of \$3.3m vs an FY19 income tax credit of \$4.5m (relating to the recognition of a deferred tax asset) driving the decrease in NPAT.

BALANCE SHEET

Strong balance sheet provides flexibility

	30 Jun 20	30 Jun 19	Change
	\$000's	\$000's	%
Balance Sheet Summary			
Current assets	58,553	29,717	97%
Non-current assets	83,491	40,480	106%
Total assets	142,044	70,197	102%
Current liabilities	49,459	26,469	87%
Non-current liabilities	35,124	6,134	473%
Total liabilities	84,583	32,604	159%
Net assets	57,461	37,593	53%
Working Capital Summary			
Receivables	33,076	22,776	45%
Prepayments & other assets	1,811	2,239	(19%)
Inventories	4,094	2,995	37%
Trade & other payables	(21,699)	(15,930)	36%
Premium funding	(1,214)	(816)	49%
Working Capital Investment	16,068	11,264	43%

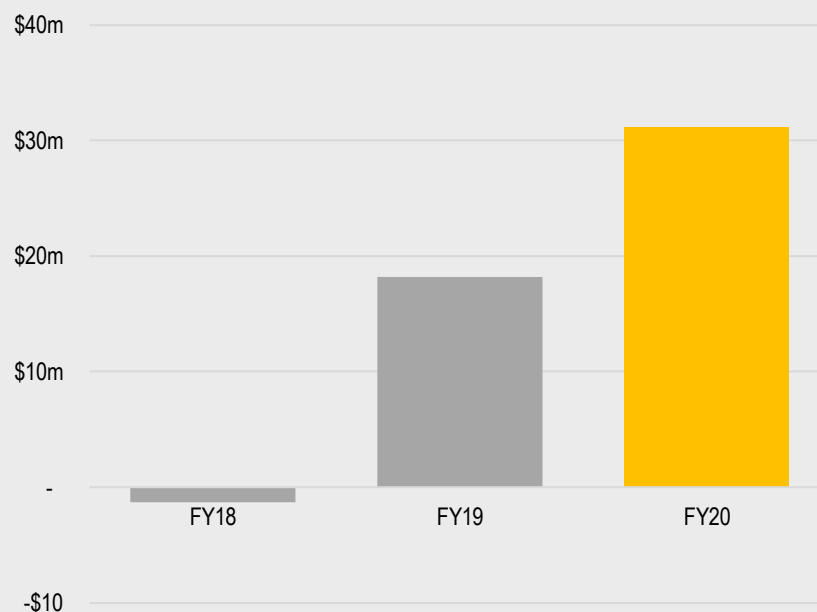
- MSV's strong balance sheet allowed the entire cash component of the Deepcore Acquisition to be funded using debt whilst maintaining appropriate surplus capital to pay a 1.1c fully franked special dividend in July 2020.
- Cash component of Deepcore Acquisition funded through a \$16m facility provided by NAB on following key terms
 - Interest rate BBSY plus 2.7%
 - Annual principle repayments \$3.2m
 - 3 year term expires Nov 2022
- FY20 saw an overall improvement in the Company's current ratio from 1.1 in FY19 to 1.2 in FY20

CASH FLOW

Strong operating cash flow will provide capital management opportunities

Operating Cash Flow Summary

	FY20	FY19	Change
	\$000's	\$000's	%
Receipts from customers	173,205	111,535	55%
Payments to suppliers / employees	(140,136)	(90,729)	54%
Cash generated from operations	33,069	20,806	59%
Interest & other financing costs	(1,919)	(1,271)	51%
Income tax paid	0	(1,309)	(100%)
Cash flow from operating activities	31,150	18,226	71%
EBITDA	34,951	24,112	45%
Cash Conversion Ratio	89%	76%	18%



MSV has continued to deliver genuine operating cash flow growth driven by the growth in EBITDA and the improvement in the underlying Cash Conversion Ratio

NET DEBT

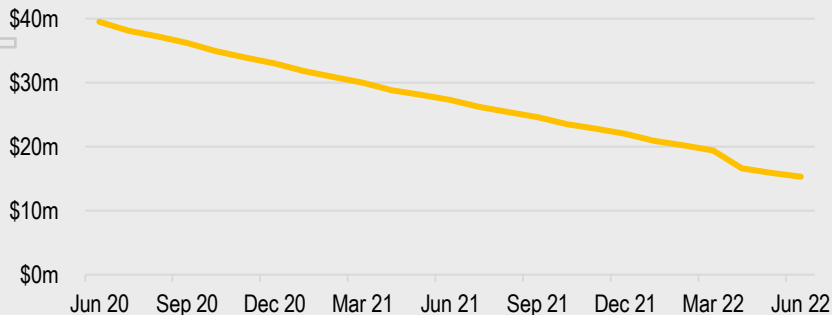
Well positioned to capitalise on growth opportunities

Net Debt Summary

	30 Jun 20	31 Dec 19	30 Jun 19
	\$000's	\$000's	\$000's
Equipment finance	25,323	29,750	9,792
Acquisition loan	14,169	15,781	-
Gross debt	39,492	45,531	9,792
Cash on hand	11,906	7,082	1,597
Net debt	27,586	38,449	8,195

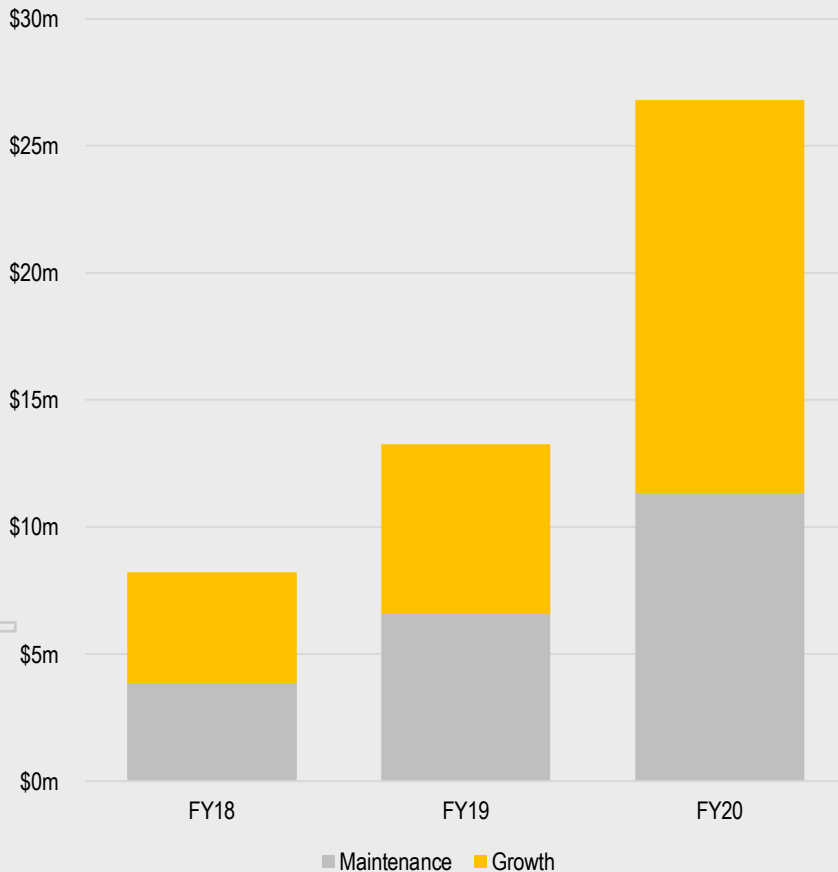
- 28% reduction in net debt since 31 Dec 19
- Net Debt to EBITDA well under one times
- Based on the principle and interest amortisation profiles of existing facilities, gross debt would reduce to \$15m (a 63% reduction) by November 2022
- Mitchell Services is well funded to take advantage of potential growth opportunities and has access to these key debt facilities
 - \$10m working capital facility with NAB (undrawn at 30 June 2020)
 - \$15m equipment finance facility with NAB (\$9.9m drawn at 30 June 2020)

Amortisation Profile of drawn equipment finance facilities at 30 June 2020



CAPITAL EXPENDITURE

Disciplined capital management framework



- Maintenance capex continues to trend in line with P&L depreciation multiplied by utilisation rates
- Maintenance capex in FY20 (\$11.1m) represented 66% of FY20 P&L depreciation (\$16.9m) vs 80% in FY19
- Increased growth capex in FY20 was driven by:
 - Entry into the Drill and Blast market sector
 - Further organic growth in underground drilling
 - Delivery of business innovation and improvement pipeline
- Organic growth capex targeted pay back typically two to three years

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 will increase in FY21
- Based on current market conditions, commodity prices, current contracts, and strong opportunity pipeline, Mitchell Services expects FY21 Revenue and EBITDA to continue to grow
- Mitchell Services will provide more detailed FY21 Revenue and EBITDA guidance post finalisation of the 1H21 actual results in February 2021 pending Covid-19 and general market conditions.
- Mitchell Services is covered by Morgans and Wilsons



CAPITAL MANAGEMENT



- Mitchell Services implemented various capital management initiatives during FY20 including:
 - The use of operating cashflows to reduce net debt from \$38.5m to \$27.6m
 - The payment of a special dividend of \$2.1m
 - The continuation of an on market share buyback
- 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
- Mitchell Services will 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 resource definition, development and production
- Achieved EBITDA guidance in FY20 of \$35m
- Fully franked special dividend paid in July 2020
- 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
Deepcore Acquisition	The acquisition by Mitchell Services Limited (the Company) of 100% of the equity of Deepcore Holdings Pty Ltd as announced by the Company to the ASX on 29 November 2019
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
pcp	Previous corresponding period
Tier 1 Clients	Publicly listed mining and energy companies with market capital over \$1 billion or large multi-national private mining and energy companies