FULL YEAR RESULTS

FINANCIAL YEAR 2024

Mitchell SERVICES

ASX:MSV

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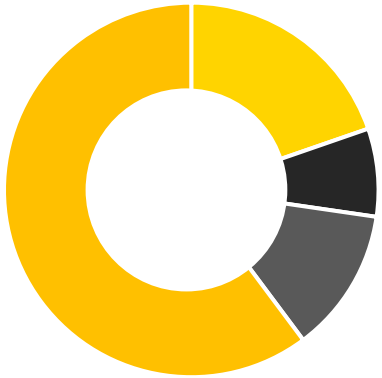
MARKET PROFILE

ASX INFORMATION

ASX Stock Symbol	MSV
Shares on Issue (at 21/08/2024)	213,923,502
Share Price (at 21/08/2024)	A$0.385
Market Capitalisation	A$82.4m

SHAREHOLDERS



- 19.7% - Mitchell Group
- 7.6% - Dream Challenge Pty Ltd
- 12.5% - Institutional Investors
- 60.2% - Retail Investors

BOARD OF DIRECTORS

Nathan Mitchell	Executive Chairman
Scott Tumbridge	Non- 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

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FY24 BUSINESS SUMMARY

REVENUE $236.8m

↓ 3%

FROM $243.1m in FY23

EBITDA $40.4m

↓ 2%

FROM $41.2m in FY23

PROFIT AFTER TAX $9.2m

↑ 21%

FROM $7.6m in FY23

OPERATING CASHFLOW $43.1m

↑ 21%

FROM $35.6m in FY23

SAFETY PERFORMANCE

WINNER OF PRESTIGIOUS NATIONAL SAFETY AWARD

RETURN ON INVESTED CAPITAL 16.5%

↑ 34%

FROM 12.3% in FY23

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OVERVIEW

- **Continued demand** for drilling services with all FY24 expiring key contracts re-won
- Inflationary pressures **have eased**
- The drilling services market for global mining majors and existing **producers is stronger** than **exploration** which remains soft.
- **No exposure** to Lithium or Nickel
- High quality revenue streams have enabled the Company to **generate strong cash flow**
  - 90% of revenue is from global mining majors
  - Revenue is split circa 55% surface drilling & 45% underground drilling
  - Gold represents circa 40% of revenue
  - 80% of revenue is from production, development and resource definition drilling

Newmont GLENCORE SOUTH32 BMA BHP Mitsubishi Alliance AngloAmerican AGNICO EAGLE

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OPERATIONAL UPDATE

- The Company's customer base **remains strong** with relevant key contracts re-won in FY24 albeit with **fewer operating rigs**.
- Whilst the Company has been awarded **new contracts** in other areas, utilisation is **expected to soften** in response to a variety of factors including:
  - The recent underground fire event at Grosvenor mine
  - Mining industry corporate activity
  - General market conditions for junior resources
- The Company generated **strong FY24 EBITDA of $40.4m**, slightly lower than pcp ($41.2m) primarily due to the decrease in utilisation.
- **Material growth opportunity** exists in decarbonisation solutions

LOOP : AN UNPARALLED PARTNERSHIP FROM INDUSTRY FOR INDUSTRY

- 50/50 JV between MSV and Talisman
- Forging over 50 years of drilling specialists experience with contemporary operational expertise
- Our aim is to reduce emissions from fugitive gases, and to recycle waste by reusing coal mine methane
- First rig purchased in FY24
- CEO appointed – Vikesh Magan (previously Thiess)
- https://loopdecarb.com.au

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Mitchell Services Limited (ASX: MSV) is a leading provider of drilling services to the exploration, mining and energy industries.

TALISMAN

Talisman Technical focuses on providing comprehensive solutions for the resources sector, including ESG, decarbonisation, safety and critical control management, reservoir engineering, and mining advisory.

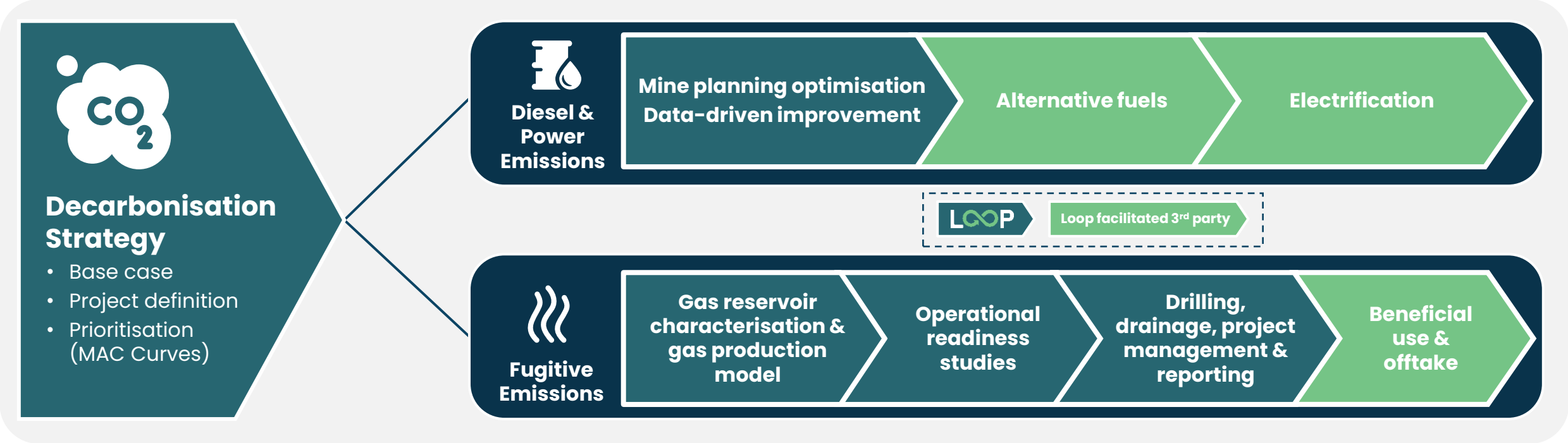
THE LOOP FULL-SERVICE OFFERING

From concept through to execution, our unique capabilities allow us to manage the decarbonisation solution from end-to-end.

Our extensive operational experience allows us to effectively manage the interactions between active mining and the decarbonisation activities to mitigate risk and maintain production.

We integrate all aspects of the decarbonisation solution, including health, management systems, safety and environmental risk.

From marginal abatement cost curves, to execution at the coal-face, and audit and assurance to national and global ESG standards – Loop is the trusted partner of choice.



DECARBONISATION:AN OPPORTUNITY IN DISGUISE

WHAT'S DRIVING CHANGE?

The transition toward a clean energy future is here. This is being driven by investor demand, government regulation, and growing societal pressure. Regardless of the pace of change, the direction is all shifting towards net zero by 2050.

Loop seeks to shift the narrative – this is an opportunity in disguise. Stakeholder sentiment is linked to long-term value and social licence. Why can't it be risk adjusted return centric?

Corporate Strategy

Global corporates are aligning decarbonisation strategies to net zero by 2050 with interim targets by 2030.

Safeguard Mechanism

The Safeguard Mechanism has commenced, with operations required to reduce emissions each year. NGERS is shifting to Method 2 across all Safeguard-covered facilities by FY26.

State Compliance

All states require a GHG management plan for approvals and amendments, with exceptional detail required. NSW is the most stringent, with QLD not far behind.

LOOP

Wood Mackenzie

AUSTRALIA'S EMISSIONS-INTENSIVE MINES FACE UNFORESEEN FUTURE UNDER NEW SAFEGUARD MECHANISM SCHEME REFORMS

07 July 2023

CLIMATE COUNCIL

SAFEGUARD MECHANISM: BIG POLLUTERS ON NOTICE AS AUSTRALIA'S ERA OF CLIMATE GRIDLOCK ENDS

27 Mar 2023

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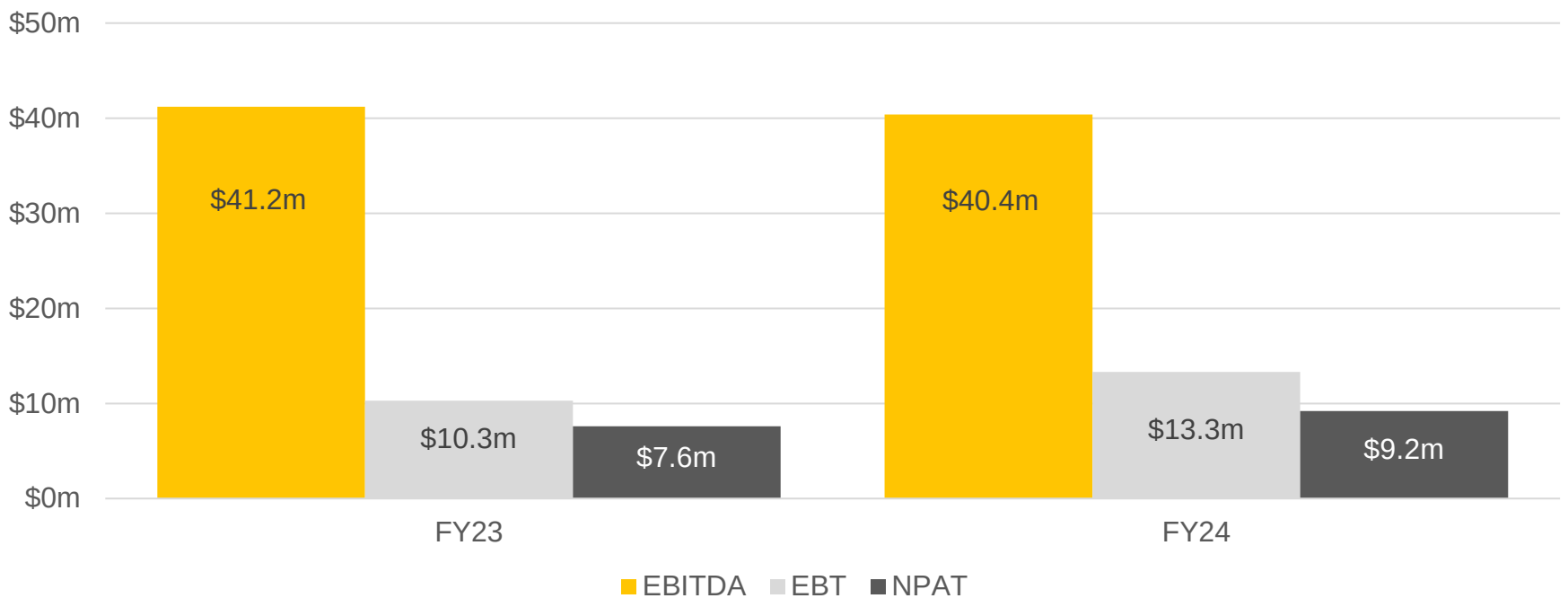
PROFIT AND LOSS

Material increase in post tax earnings



- Relatively similar EBITDA generation to FY23 on reduced rig utilisation with the second half of the previous year having benefited significantly from a large portion of the fleet providing highly technical specialist drilling services
- Materially greater NPAT driven by reduced depreciation and amortisation (latter attributable to customer contracts having been fully amortised in the previous year) as well as lower finance costs given the significant reduction in net debt during FY24.

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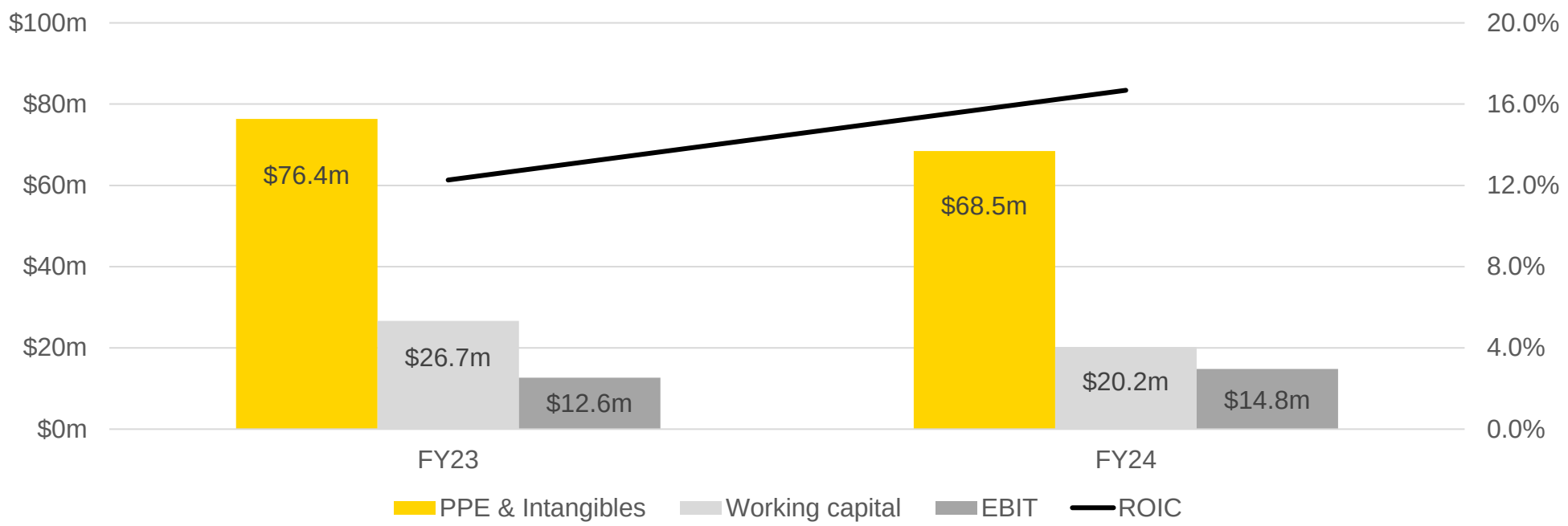
RETURN ON INVESTED CAPITAL



- ROIC increased substantially from 12.3% in FY23 to 16.5% in FY24. This was in line with greater year-on-year earnings combined with a lower invested capital base given the reduction in PPE (with FY24 depreciation greater than FY24 capex) and also reduced working capital given strong management of this balance during the year.

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BALANCE SHEET

BALANCE SHEET REMAINS STRONG HEADING INTO FY25

- Overall **reduction in net asset position** due to the FY24 dividends and share buy-back payments
- **No intention to raise equity** for any reason
- Net current asset position remains largely **unchanged**
- **Significant working capital improvement** (circa $6.5m) driving the positive cash-flow performance.

	30-Jun-24	30-Jun-23	Change
	$000's	**$000's**	**%**
Balance Sheet Summary			
Current assets	57,466	56,782	1.2
Non-current assets	69,941	77,823	(10.1)
Total assets	**127,407**	**134,605**	**(5.3)**
Current liabilities	48,536	47,454	(2.3)
Non-current liabilities	13,241	20,051	34.0
Total liabilities	**61,777**	**67,504**	**8.5**
Net assets	**65,630**	**67,100**	**(2.2)**
Working Capital Summary			
Receivables	29,598	34,546	(14.3)
Prepayments & other assets	2,053	2,284	(10.1)
Inventories	9,781	8,845	10.6
Trade & other payables	(21,230)	(19,005)	(11.7)
Working Capital Investment	**20,202**	**26,670**	**24.3**

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CASH FLOW

EXCEPTIONAL CASHFLOW PERFORMANCE

- Strong **EBITDA and working capital performance** have driven an exceptionally strong FY24 cashflow performance.
- Operating cashflows of $43.1m (at a CCR of 107%) represent **a record for the Company** for any full financial year and a 21% improvement vs pcp
- Cash outflows for interest/financing costs have **decreased by 41.5%** given the reduction in debt.

OPERATING CASH FLOW SUMMARY

	FY24	FY23	Change
	$000's	**$000's**	**%**
Receipts from customers	266,503	266,841	(0.1)
Payments to suppliers / employees	(222,068)	(228,965)	3.0
Cash generated from operations	**44,435**	**37,876**	**17.3**
Net interest & other financing costs	(1,316)	(2,248)	41.5
Cash flow from operating activities	**43,119**	**35,628**	**21.0**
EBITDA	40,384	41,167	(1.9)
Cash Conversion Ratio (CCR)	**107%**	**87%**	**23.0**

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DEBT PROFILE

SIGNIFICANT REDUCTION IN DEBT AND LEVERAGE

- FY24 performance delivered a **89% reduction in net debt** with closing net debt just $1.9m
- Current blended average cost of debt is approximately 5.68% p.a with **all interest rates fixed** on equipment finance agreements.
- MSV has access to a **$15m working capital facility** (undrawn) to fund any working capital requirements with new or expanding contracts
- On a net debt and historical EBITDA basis, Operating **Leverage is now practically zero**
- Net debt will **likely increase in the short term** (given the **dividend payment** in September and working capital requirements with new contracts)

FACILITY

	30-Jun-24	30-Jun-23	Movement
	$000's	**$000's**	**$000's**
Equipment finance	17,959	24,217	(6,258)
Corporate/acquisition loan	-	4,533	(4,533)
$15m overdraft/working capital	-	-	-
Gross debt	**17,959**	**28,750**	**(10,791)**
Cash on hand	16,035	11,108	4,927
Net debt	**1,924**	**17,642**	**(15,718)**

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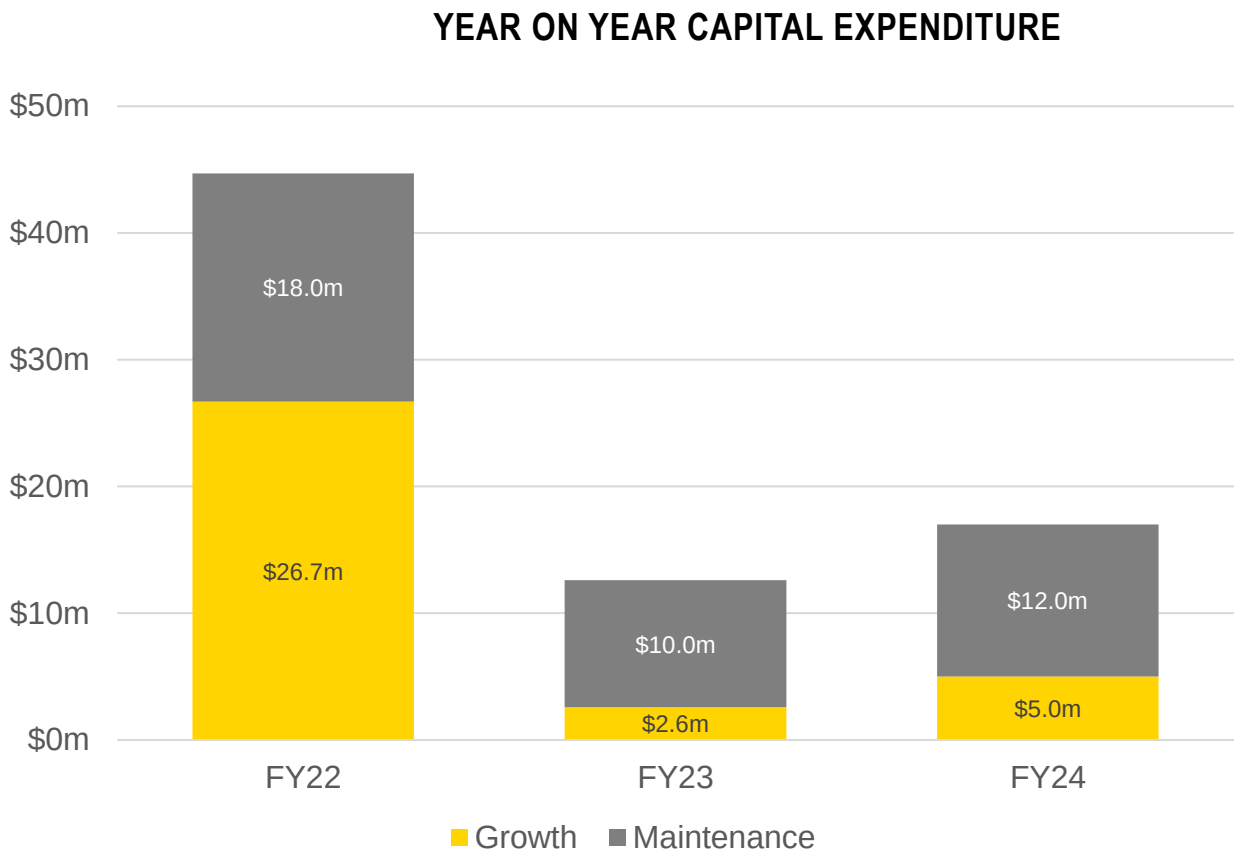
CAPITAL EXPENDITURE

DISCIPLINED ALLOCATION OF CAPITAL

- Total capital expenditure for FY24 was $17.0m, largely **in line with expectations** and increased 34.9% when compared to the $12.6m spend in FY23.
- The Company remains committed to a capital management framework that includes the application of **sensible limits on growth CAPEX.**
- Maintenance CAPEX continues to support **high levels of availability** across all equipment.
- FY24 Growth capex primarily **decarbonisation related** and a new LF160 rig



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CAPITAL MANAGEMENT UPDATE

Prioritise leverage reduction	Sensible Capex allocation	Dividends	Share buy-backs
NET DEBT $1.9m	**CAPEX $17.0m**	**FY24 DIVIDENDS OF 4.0cps**	**BUYBACK PAYMENTS**
↓ 89%	↑ 35%	↑ 91%	$2.2m
FROM FY23	FROM FY23	FROM FY23	RETURNED TO SHAREHOLDERS

- A key aspect of FY24's success was the execution of a capital management strategy that focused on **rapid debt reduction** and **maximising shareholder returns**.
- Since inception of the capital management strategy in early FY23, the Company **reduced net debt** from approx. $40m **to just under $2m** and returned approximately **$17.7m** via dividends and buy-backs

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FY25 STRATEGY

- The overall strategy of the Company is to optimise the long-term **growth of the business** and **returns to shareholders** by:
  - Maintaining and, where possible, improving the profitability of the existing business
  - Identifying opportunities in the domestic mining sector to provide new services to Tier 1 clients
  - Identifying drilling opportunities offshore for existing clients
- With a significantly **stronger balance sheet**, the Company now has the advantage of **optionality** and intends to manage FY25 capital allocation as follows:
  - The business will seek to optimise its capital allocation across the four pillars of dividends, buy-backs, growth and debt management
  - Whilst a ceiling of $15m will remain the longer-term debt target, the Company may at times and where appropriate look to increase or decrease this

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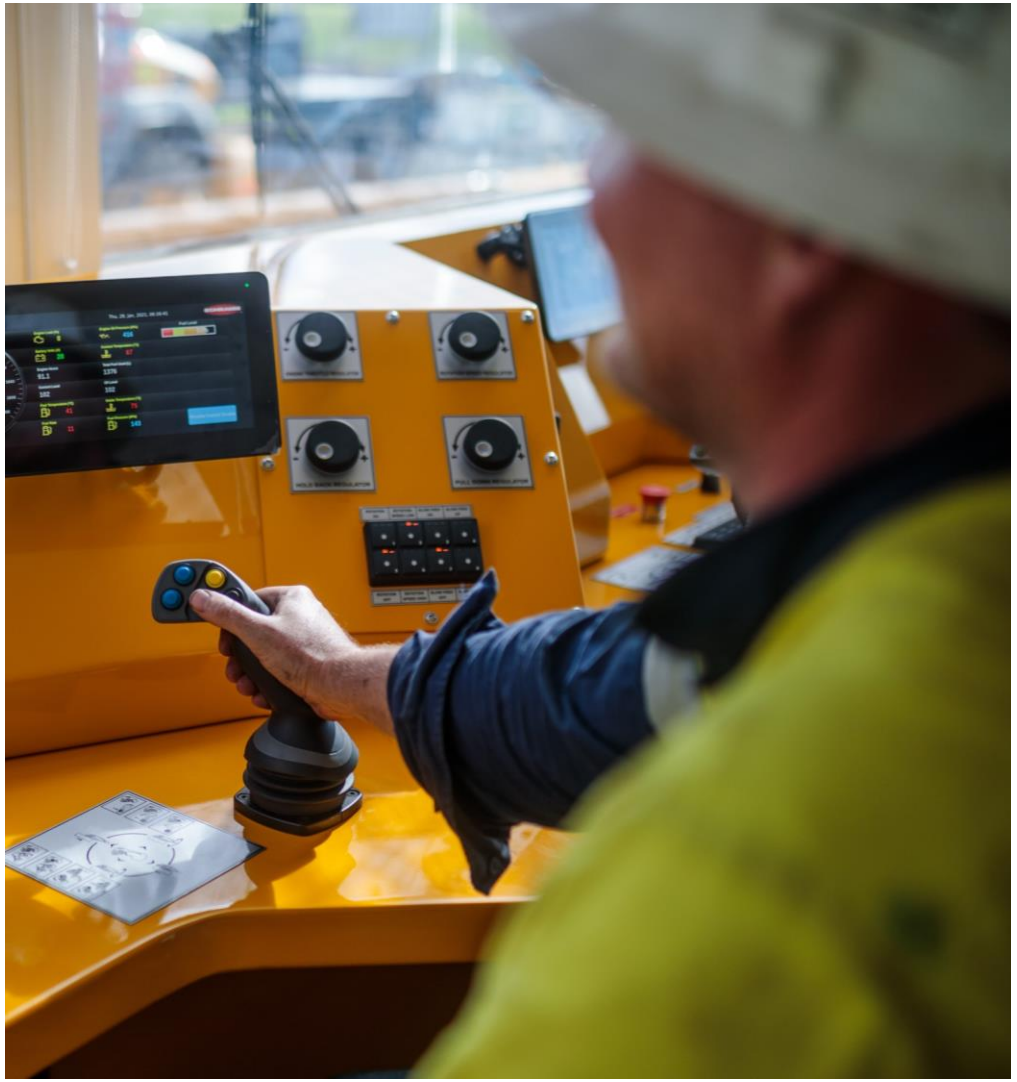
SUMMARY

- **FY24** NPAT and ROIC were **materially greater** than FY23 levels.
- **Net debt has decreased by 89%** since 30 June 2023 with closing net debt at $1.9m
- Since the inception of its capital management strategy in early FY23, MSV has **reduced net debt** by approx. $38m and **delivered returns to shareholders** (dividends and buy-backs of approx. $17.7m).
- **Continued demand** for drilling services with all FY24 expiring key contracts re-won
- **Inflationary pressures** have eased
- **Quality brand** with long history and high-quality revenue streams
- Whilst the Company has been awarded **new contracts** in other areas, utilisation is **expected to soften** in response to a variety of factors outside of the Company's control
- With a **strong balance sheet**, the Company is well positioned to take advantage of any future opportunities



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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 principal 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
ROIC	EBIT divided by (net PPE plus intangibles plus working capital)

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