


FULL YEAR RESULTS PRESENTATION

Financial Year 2018

Mitchell
SERVICES

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MITCHELL SERVICES MARKET PROFILE

ASX Information

ASX Stock Symbol	MSV
Shares Issued	1,738,673,346
Share Price (at 20/08/2018)	A$0.044
Market Capitalisation	A$77m

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**
- Key initiatives implemented to **strengthen safety culture** and performance have primarily focused on key risks and field leadership
- 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

2018 BUSINESS OVERVIEW

Utilised an additional

22%

of the fleet year on year

Total revenue of $72.70m

↑80%

from FY2017

Total EBITDA of $6.3m

279%

of FY2017 EBITDA

Successful acquisition and integration of earnings accretive Radco Drilling further improves revenue diversity

350+

experienced employees

Total recordable injury frequency rate improved by

13.9%

from FY2017

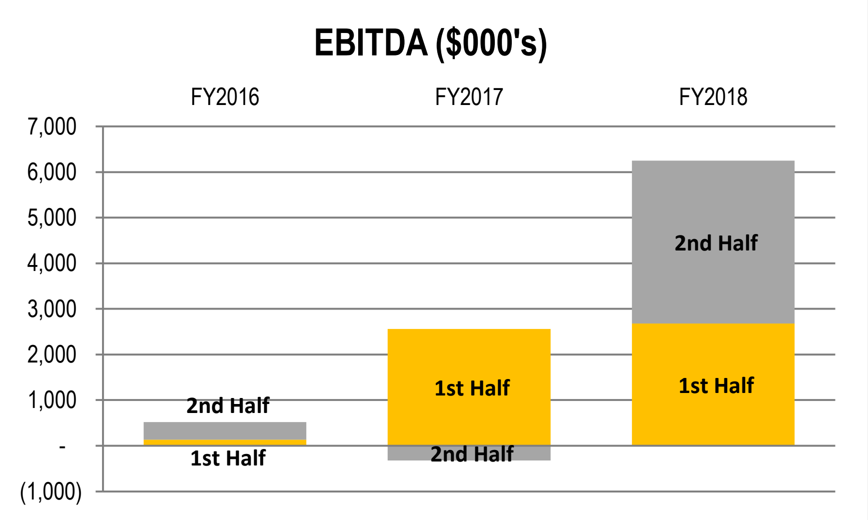
RESULTS OVERVIEW

Profit & Loss

	FY18	FY17	FY16	Change
	$000's	$000's	$000's	%
Revenue	72,700	40,303	32,970	80%
EBITDA	**6,254**	**2,238**	**522**	**179%**
EBIT	**(1,361)**	**(3,197)**	**(4,795)**	**57%**
NPBT	**(2,340)**	**(4,407)**	**(6,049)**	**47%**

Balance Sheet

	30 Jun 18	30 Jun 17	Change
	$000's	$000's	%
Current assets	27,519	10,100	172%
Non-current assets	30,773	29,937	3%
Total assets	**58,292**	**40,037**	**46%**
Current liabilities	23,125	12,139	91%
Non-current liabilities	14,133	13,253	7%
Total liabilities	**37,258**	**25,392**	**47%**
Net assets	**21,034**	**14,645**	**44%**



- First half EBITDA impacted by material levels of ramp up associated with major project wins
- Stronger 2nd half performance as EBITDA begins to normalise post ramp up
- MSV anticipates to be NPAT positive FY19

GROUP DEBT PROFILE

Debt levels reflective of growth organisation in early stages of the cycle

Shareholder Loans

- Funding mechanism for the 2015 Nitro asset acquisition
- Matures July 2020 (no fees for early payment)
- Secured over ex-Nitro assets (no financial covenants)
- Debt is not convertible to equity

$9 million debtor finance facility

- To fund day to day working capital
- NAB to advance 75% of receivables balance
- Undrawn at 30 June 2018 resulting in significant working capital capacity

Equipment Finance

- Traditional P&I facilities with commercial lenders
- Repayment period generally matched to client contract

Property loan

- Funding mechanism for Radco acquisition
- Secured over Townsville investment property

	30 June 2018	31 Dec 2017	30 June 2017
	$000's	$000's	$000's
Equipment finance	8,345	7,723	6,476
Shareholder loans	8,500	8,500	8,500
Property loan	2,713	-	-
Debtor finance facility	-	-	n/a
Overdraft	n/a	n/a	535
Total	**19,558**	**16,233**	**15,511**

- The Townsville investment property was sold on 20 August 2018
- Gross debt as at 20 August 2018 has **reduced to $16.2m** after repayment of the property loan

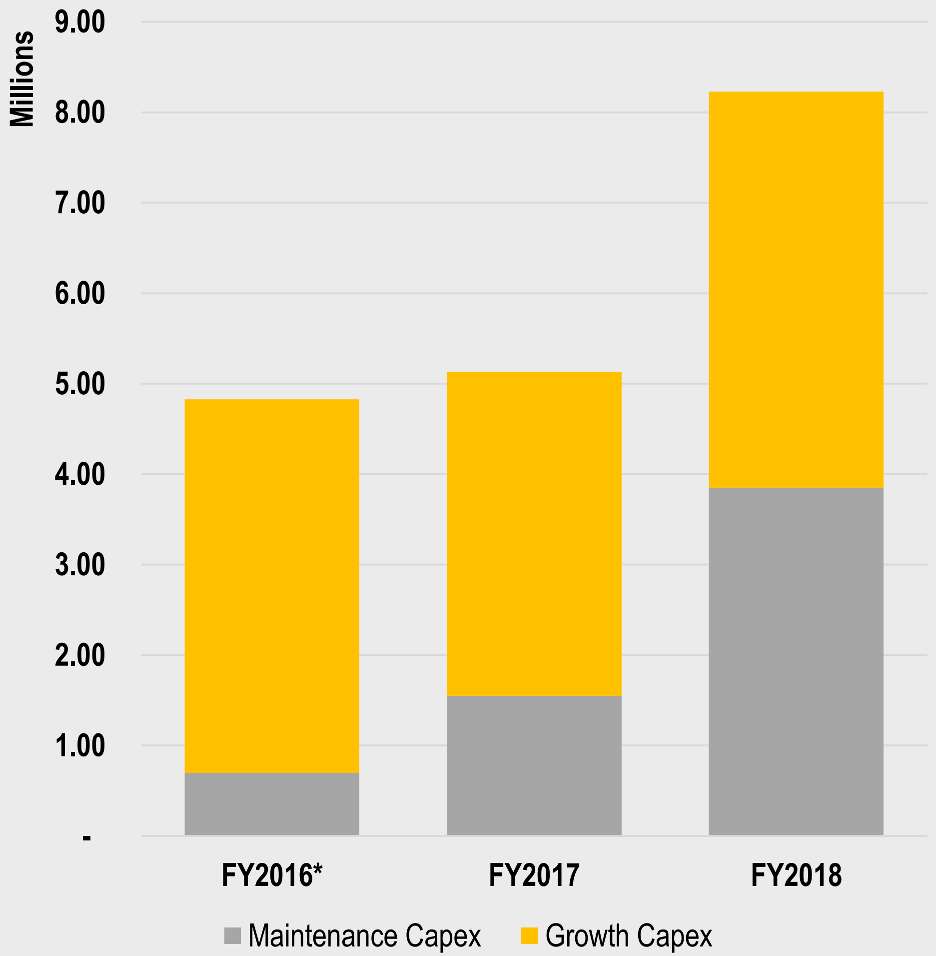
CAPITAL EXPENDITURE

- Growth capital reflective of **material organic growth** in the underground and large diameter markets

- Maintenance capex is reflective of the **higher equipment utilisation rate** and material levels of equipment ramp up to service **current and expected contract pipeline requirements**

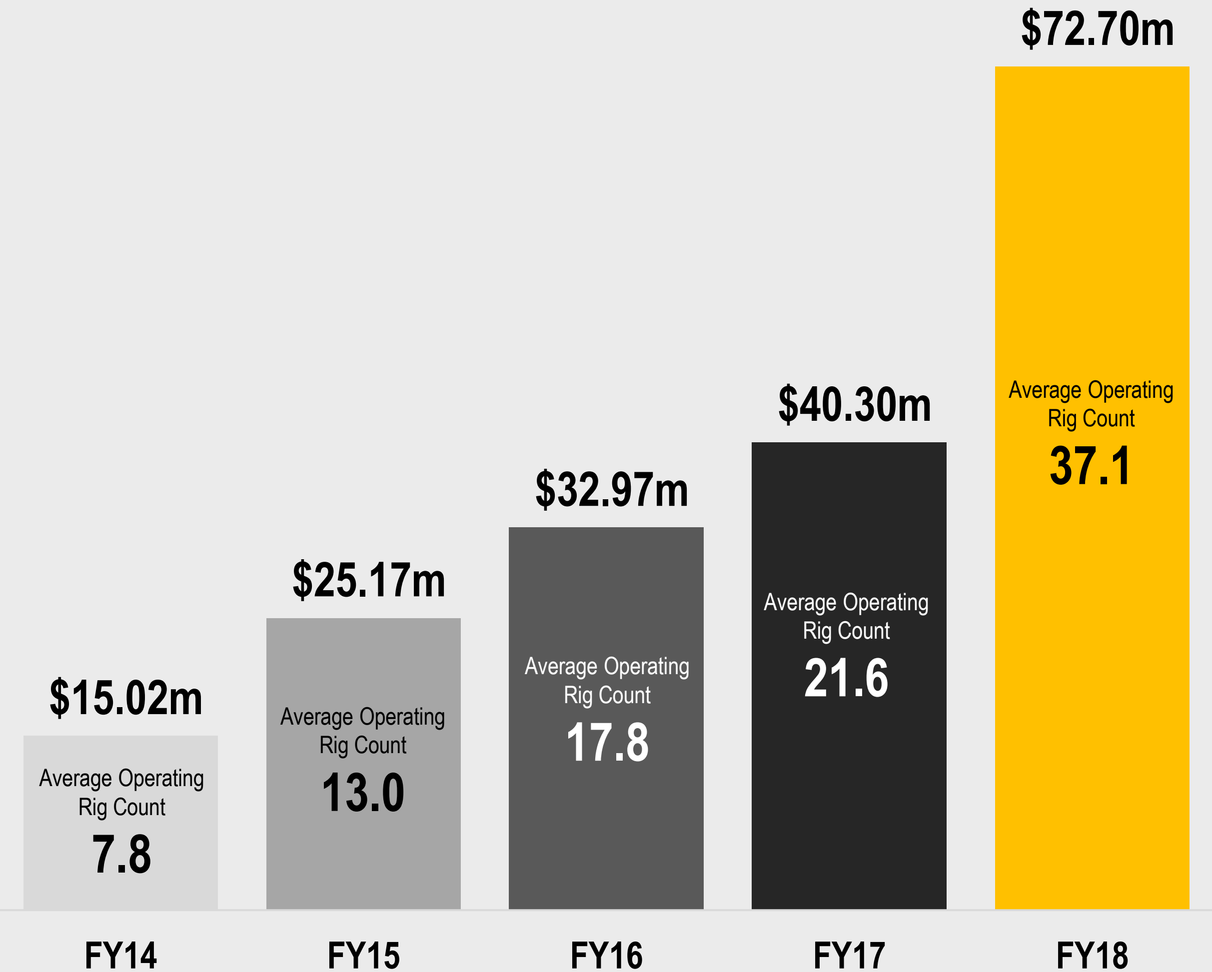
- Maintenance capex in FY18 represents 57% depreciation expense

- 100% of FY18 maintenance capex funded via cash



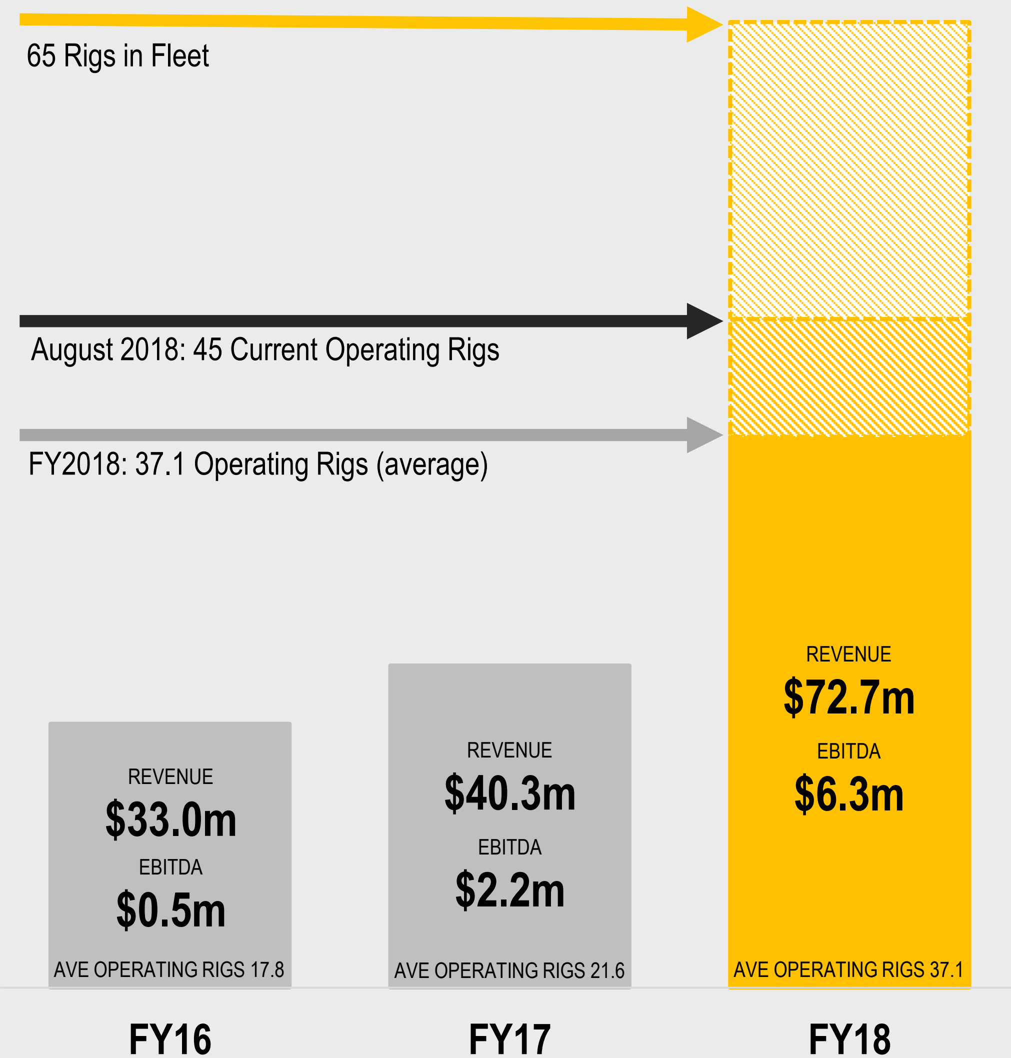
*Excludes Nitro asset acquisition $15.8m

IMPACT OF INCREASED UTILISATION ON REVENUE



- Average operating revenue per rig continues to increase
- We anticipate further material increases in revenue and profitability in FY19
- Operating rig count subject to change due to seasonality or other factors

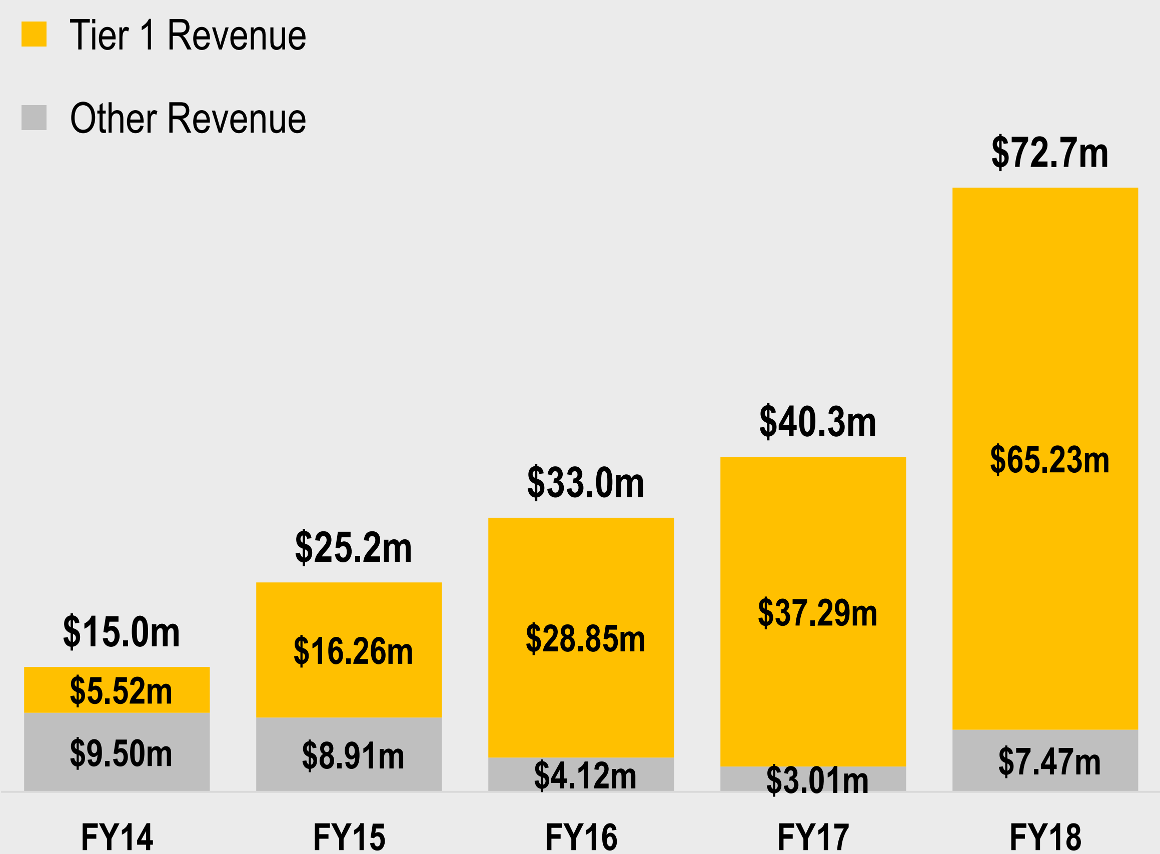
LEVERAGE AS OPERATING RIG COUNT INCREASES



- Average operating rig count increased by 15.4 rigs year on year
- Utilisation improvement from 35% in FY2017 to 57% in FY2018
- Revenue up 80% year on year
- FY2018 EBITDA 279% of FY2017 EBITDA
- MSV anticipates continued growth in FY2019

OPERATING REVENUE BY CLIENT TYPE

Strong year on year revenue growth anticipated to continue in FY19

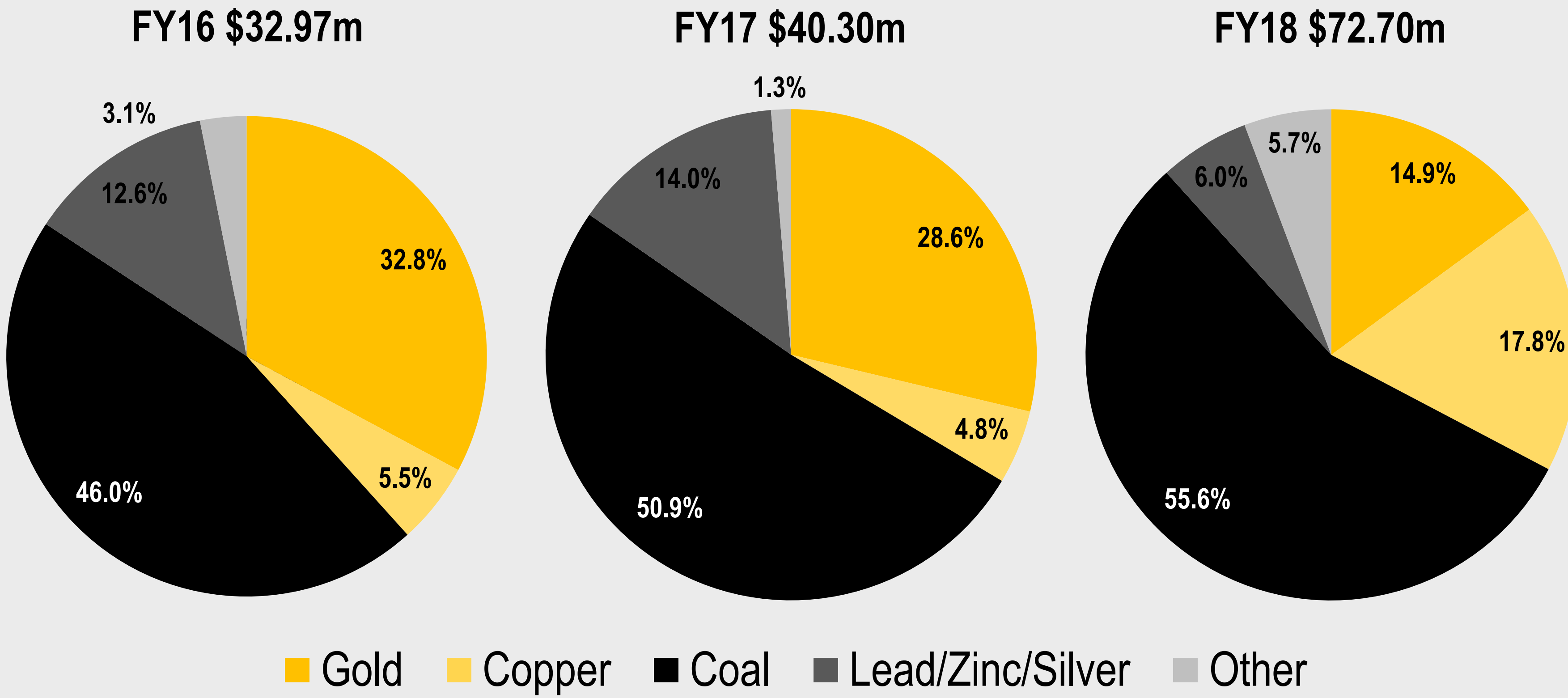


*large / multinational mining & energy companies

VALUE OF TIER 1

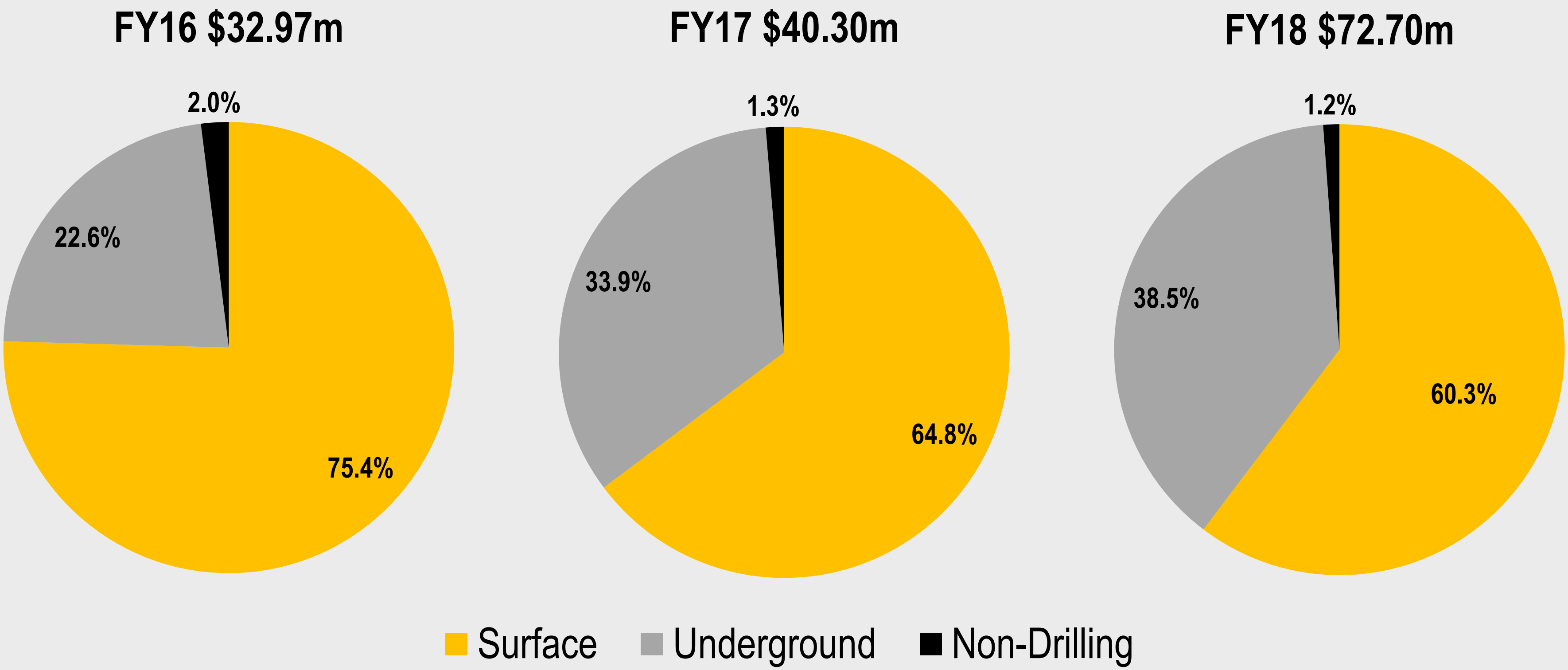
- Large / multinational mining and energy companies
- Very high safety and business system requirements
- Generally brownfield work for existing mining operators that primarily relates to production
- Longer term contracts

OPERATING REVENUE BY COMMODITY



Management remains mindful of the importance of diversification in revenue streams including diversity in commodity mix. Our commodity mix remains well balanced with revenue from coal and revenue from minerals accounting for 55.6% and 44.4% of total operating revenue respectively.

OPERATING REVENUE BY DRILLING TYPE



Increase in underground revenue strengthens overall revenue diversity

Management remains mindful of the importance of diversification in revenue streams including diversity in the mix between underground and surface drilling. Underground drilling is generally performed on a double shift basis and is generally not subjected to seasonal fluctuations. Revenue from underground drilling has grown by 105% compared to 2017 and now accounts for 38.5% of our total operating revenue.

LEVERAGE IN AN IMPROVING MARKET

- **STAGE 1: UTILISATION INCREASES**
- More rigs start working (This is happening)

- **STAGE 2: PRODUCTIVITY IMPROVES AS UTILISED RIGS WORK MORE SHIFTS**
- Seasonality impact reduces as rigs work through the wet season (This is starting to happen in limited areas)
- More rigs work 24 hours a day 7 days a week versus 12 hours a day (Limited rigs in the Energy 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 20% - 40% below those of the highs in the last cycle (Large Diameter, Surface and Underground)
- HQ Core in the Energy sector is circa $110 per metre down from $150 per metre

- **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

We are in the early stages of the cycle

EBITDA as a percentage of revenue will increase significantly as the market continues to improve

MARKET OUTLOOK

- **Competitive Profile** of the market has stabilised and prices have started to increase but remain competitive in certain sectors
- Pipeline of identified opportunities remains strong and **demand continues to increase for drilling services**
- Clients are **more active** across all sectors
- **Ability to leverage** to the upside as general market conditions **improve**:
  - Drilling rates
  - Utilisation (operating rig count)
  - Contract terms and conditions
  - Productivity per rig (double shift operations)
- Favourable conditions to take advantage of **acquisition opportunities** in early stages of the cycle

SUMMARY

- Mitchell Services' vision is to be **Australia's leading provider of drilling services** to the global exploration, mining and energy industries
- Tender pipeline provides opportunity to further **increase rig utilisation**
- Previous acquisitions of surface assets early in the cycle has positioned Mitchell Services to **generate a superior returns** on capital vs peers
- Mitchell Services has a diverse revenue stream across different drilling types and commodities and will continue to take advantage of **strategic opportunities**
- Mitchell Services' delivered **significant revenue and EBITDA growth** in FY2018 as utilisation rates increased from 35% to 57% year on year
- Ability to leverage further increased returns in an **improving market**
- Q4 FY18 NPAT positive and anticipate to be **NPAT positive in FY19**