



WILSONS RAPID INSIGHTS CONFERENCE

30 May 2019



Mitchell
SERVICES



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MITCHELL SERVICES MARKET PROFILE

ASX Information

Shares Issued (ASX:MSV)	1,738,376,346
Share Price (at 21/05/2019)	A\$0.070
Market Capitalisation	A\$121.69m
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)



COMPANY OVERVIEW

FY19 Guidance Revenue
\$110m-\$120m

FY19 Guidance EBITDA
\$21m-\$23m

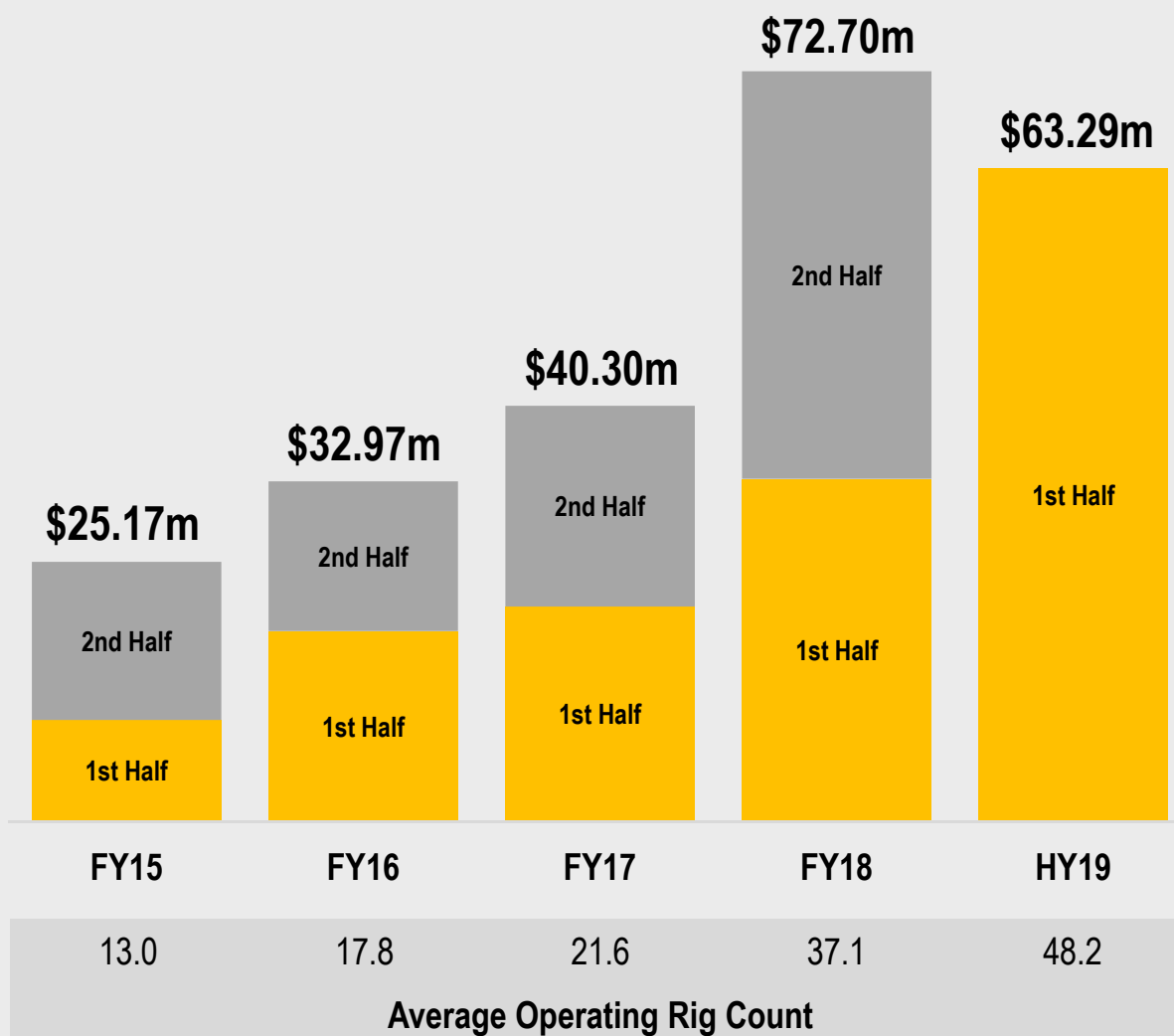
Recent analyst coverage
initiation from
**Wilsons and
Morgans**

Strong balance sheet
provides flexibility

400+
experienced employees

Total recordable injury
frequency rate
continues to reduce

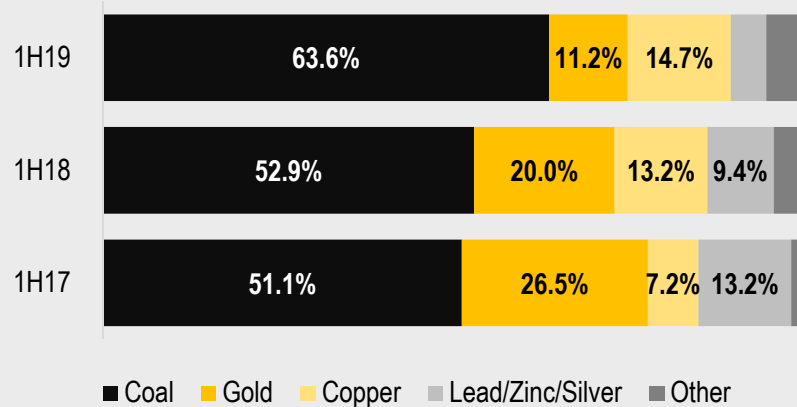
IMPACT OF INCREASED UTILISATION ON REVENUE



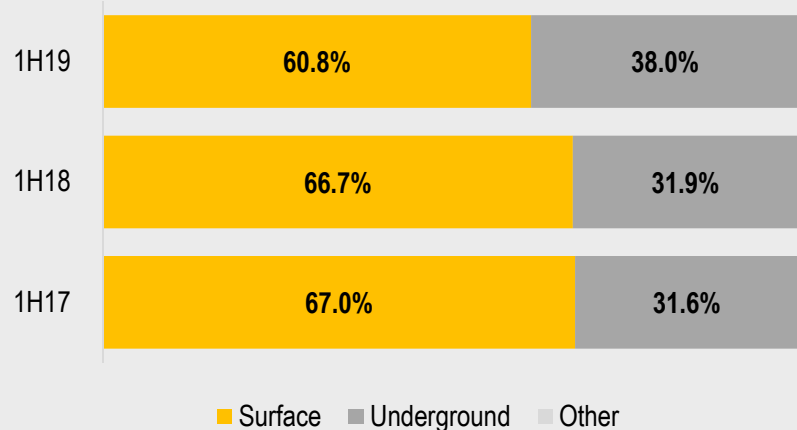
- Average operating revenue per rig continues to increase due to improved productivity and pricing
- Mitchell Services anticipates further increases in operating rig count in calendar year 2019
- Operating rig count subject to change due to seasonality or other factors

REVENUE DIVERSITY

Revenue by Commodity



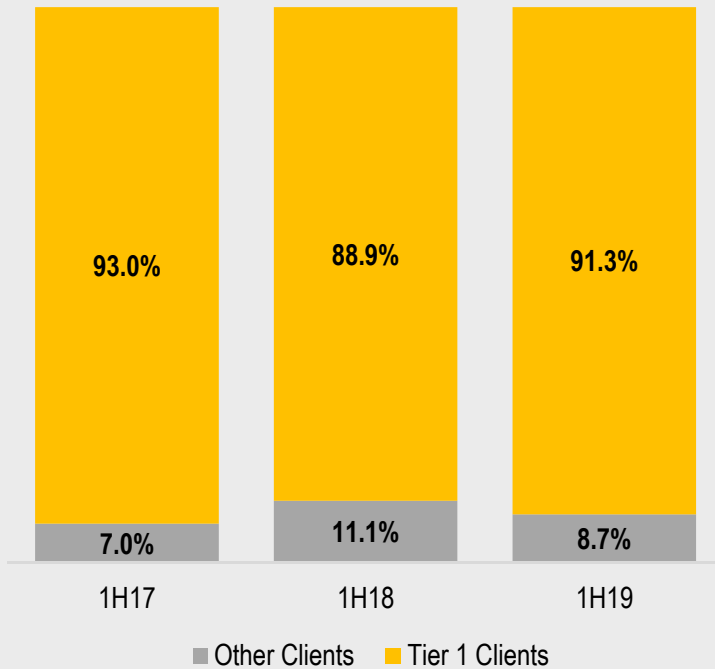
Revenue by Drilling Type



- 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



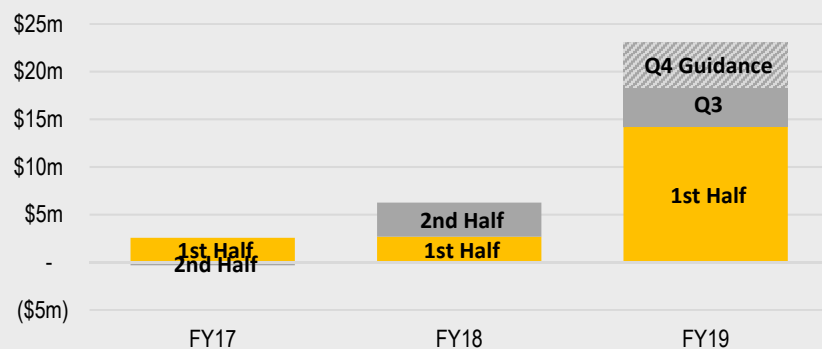
STAGES OF THE CYCLE

- **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

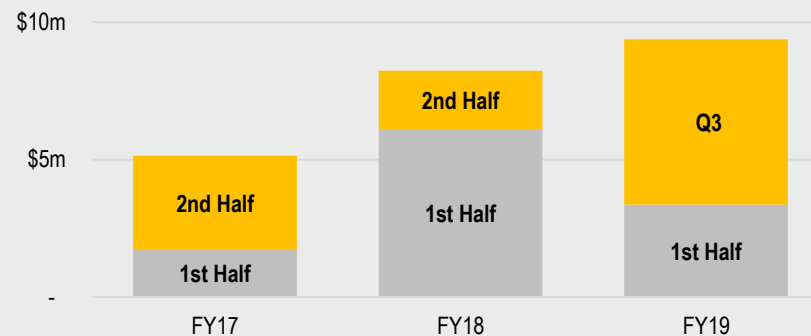
Evidence suggests that we are in the early stages of Stage 3

FINANCIAL SUMMARY

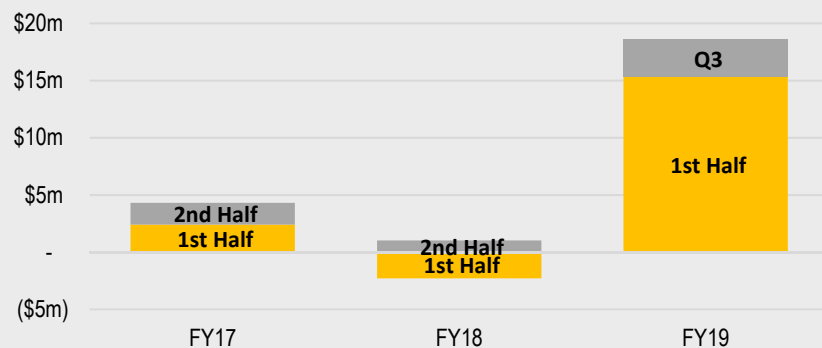
EBITDA



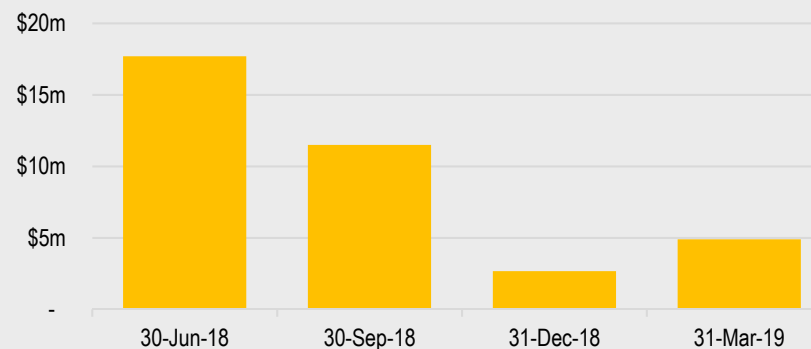
Capital Expenditure



Operating Cash Flow



Net Debt

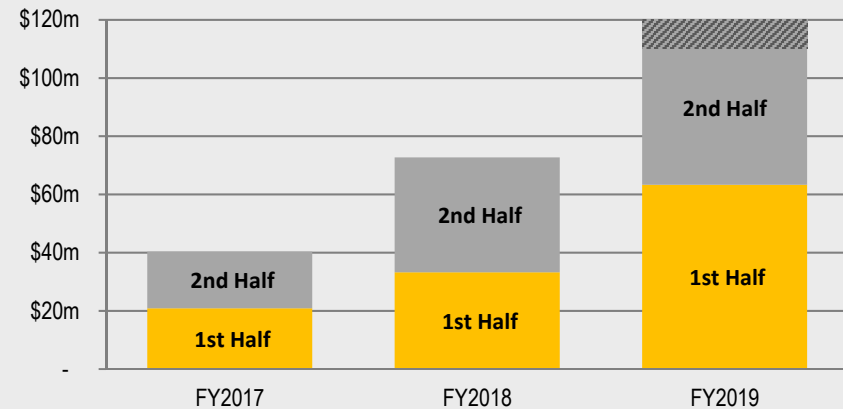


Increase in debt and capital expenditure in Q3 relates to investment material contract awards and extensions as recently announced

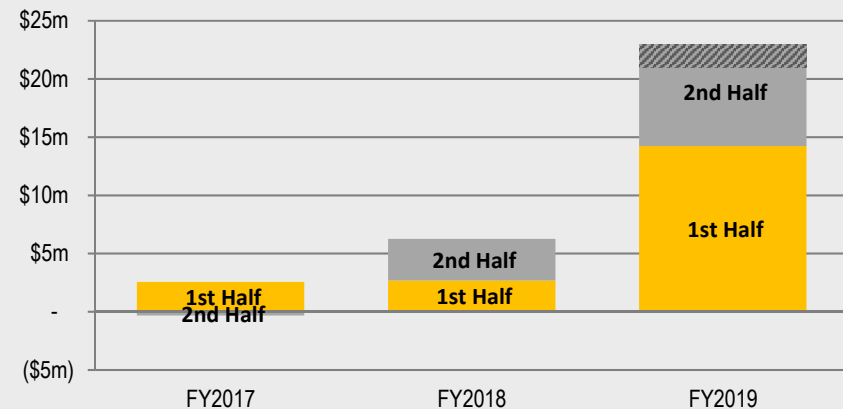
OUTLOOK

- 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 has invested in **organic growth opportunities** in 2H19 to fund material contract awards and extensions including KCGM, BHP Olympic Dam and Anglo American as per recent ASX announcements
- The drilling industry is capital intensive and Mitchell Services will maintain a strong balance sheet to provide **flexibility**
- Mitchell Services has implemented a number of **capital management initiatives** to reward shareholders including an intended buy-back of up to 10% of MSV's ordinary shares and a special dividend of 0.1cps payable in July 2019
- Mitchell Services will continue to assess **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

