



**Mitchell**  
SERVICES

22 October 2018

**MITCHELL SERVICES LIMITED**  
**(ASX: MSV)**

## Appendix 4C Quarterly Report and Investor Update

### Strong FY19 Q1 performance with following key points

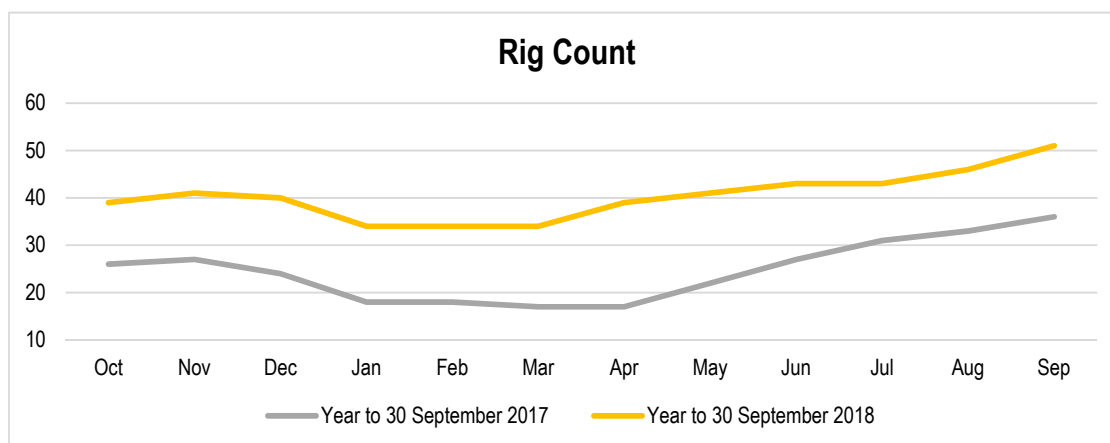
- Revenue \$31.0m
- EBITDA \$7.0m
- EBIT \$4.2m
- Operating cash flow \$4.4m
- EBITDA to operating cash conversion rate 63%
- 35% reduction in net debt from 30 June 2018

Dear Shareholder,

It gives me great pleasure to provide the following investor update for the quarter ended 30 September 2018 for Mitchell Services Limited (the Company).

The Company has reported a strong financial performance for the September quarter with improvements in revenue, EBITDA and cash balance, underpinned by improving utilisation, productivity and pricing.

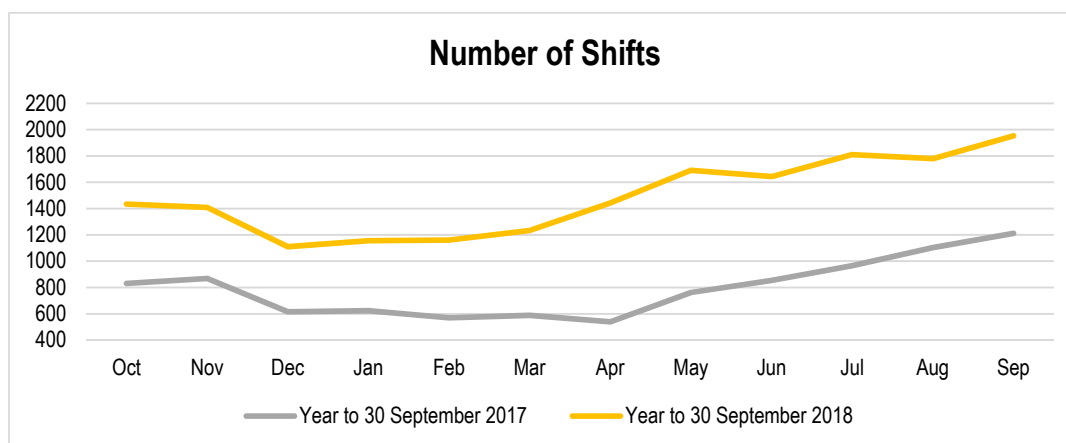
Productivity and utilisation have continued to increase steadily as the following two charts demonstrate. The average operating rig count for the quarter ending 30 September 2018 was 46.7 vs 41.0 in the June 2018 quarter.



**Mitchell Services Limited**  
ABN 31 149 206 333

112 Bluestone Circuit  
Seven Mile Rocks Qld 4073 Australia  
PO Box 3250 Darru Qld 4376 Australia  
t +61 7 3722 7222 f +61 7 3722 7256  
e info@mitchellservices.com.au w www.mitchellservices.com.au

For personal use only



Whilst operating rig count and shift numbers increased steadily over the quarter, revenue and EBITDA have increased far more rapidly. This differential (outlined in the table below) resulted from material increases in per shift revenue, driven by a combination of improved productivity and pricing levels. As disclosed previously, EBITDA in FY18 was impacted by material levels of ramp up associated with major project wins. The absence of this ramp up in FY19 Q1, also contributed to the increase in revenue and EBITDA.

	FY18		FY19*
	1H	2H	1Q
Average operating rigs	36.7	37.5	46.7
Number of shifts	7,423	8,332	5,542
Revenue (\$'000s)	33,215	39,485	30,980
EBITDA (\$'000s)	2,678	3,576	7,011
EBITDA (%)	8.1%	9.1%	22.6%
EBIT (\$'000s)	(374)	(987)	4,188
EBIT (%)	(1.1%)	(2.5%)	13.5%
Operating cash flow (\$'000s)	(2,290)	1,016	4,409
Annualised revenue per rig (\$'000s)	1,810	2,106	2,654

\* un-audited

It is pleasing to note that nearly two thirds of the quarter's EBITDA was converted to operating cashflows with the Company generating positive operating cashflows for the quarter of \$4.4m. After net cash payments for maintenance capex of \$0.8m, and repayment of equipment finance facilities of \$1.1m, the Company generated free cashflows of \$2.5m, increasing its cash balance from \$1.9m at 30 June 2018 to \$4.4m at 30 September 2018.



**Mitchell**  
SERVICES

This increase in cash on hand, together with the repayment of the \$2.7m property loan as announced on 20 August 2018, has led to a 35% reduction in net debt between 30 June 2018 and 30 September 2018 as the following table demonstrates.

	30-Jun-18	30-Sep-18
	\$000's	\$000's
Equipment finance facilities	8,358	7,425
Shareholder loans	8,500	8,500
Property loan	2,700	-
<b>Gross debt</b>	<b>19,558</b>	<b>15,925</b>
Cash on hand	1,864	4,432
<b>Net debt</b>	<b>17,694</b>	<b>11,493</b>

It should be noted that due to the seasonal nature of our business, the 1<sup>st</sup> and 4<sup>th</sup> quarters are traditionally stronger than the 2<sup>nd</sup> and 3<sup>rd</sup> quarters and the first half is generally stronger than the second. In addition to this traditional seasonality, it is very pleasing to note that the business has substantial further leverage through potential improvements in pricing and utilisation. In FY17 the Company generated EBITDA of \$2.2m with an average operating rig count of 21.6. In FY18, EBITDA increased to \$6.3m with an average operating rig count of 37.1. Our 1<sup>st</sup> quarter FY19 EBITDA of \$7.0m was generated from revenues of \$31m and with an average operating rig count of 46.7. With a total fleet of 65 rigs, this represents 72% utilisation with a further 28% in available capacity.

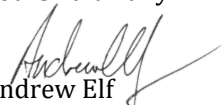
I am pleased to inform shareholders that the Radco Drilling integration is complete and that the business continues to perform safely, efficiently and in line with expectations following the acquisition in April 2018.

The outlook remains positive and our near-term focus is to:

- Continue to operate safely across all operations
- Continue to generate strong operational cash flows
- Continue to assess potential acquisition or growth opportunities that align with our strategy

Thank you for your continued support.

Yours Faithfully

  
Andrew Elf  
Chief Executive Officer

**Mitchell Services Limited**  
ABN 31 149 206 333

112 Bluesone Circuit  
Seventeen Mile Rocks Qld 4073 Australia  
PO Box 3250 Darra Qlc 4075 Australia  
t +61 7 3722 7222 f +61 7 3722 7256  
e [info@mitchellservices.com.au](mailto:info@mitchellservices.com.au) w [www.mitchellservices.com.au](http://www.mitchellservices.com.au)

For personal use only

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

<b>Name of entity</b>	
Mitchell Services Limited and subsidiaries (The Group)	
<b>ABN</b>	<b>Quarter ended ("current quarter")</b>
31 149 206 333	30 September 2018

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	26,599	26,599
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(6,683)	(6,683)
	(c) advertising and marketing	(65)	(65)
	(d) leased assets	-	-
	(e) staff costs	(13,493)	(13,493)
	(f) administration and corporate costs	(1,083)	(1,083)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(383)	(383)
1.6	Income taxes paid	(484)	(484)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>4,408</b>	<b>4,408</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(879)	(879)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	96	96
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(783)</b>	<b>(783)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(1,057)	(1,057)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(1,057)</b>	<b>(1,057)</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	1,864	1,864
4.2	Net cash from / (used in) operating activities (item 1.9 above)	4,408	4,408
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(783)	(783)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,057)	(1,057)
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>4,432</b>	<b>4,432</b>
<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	4,432	1,864
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,432</b>	<b>1,864</b>
<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>	
6.1	Aggregate amount of payments to these parties included in item 1.2	58	
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-	
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2		
The transactions included in 6.1 above relate to director's fees and associated superannuation payments.			

7.	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>	
7.1	Aggregate amount of payments to these parties included in item 1.2	362	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-	
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2  The transactions included in 7.1 above relate to payments made to entities that are controlled by certain directors. The nature of these transactions has not changed from those outlined in note 21 of the Group's most recent published Annual Report and include equipment hire, repair and maintenance type services and office rental.		
8.	<b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1	Loan facilities	8,500	8,500
8.2	Credit standby arrangements	9,000	-
8.3	Other (equipment finance facilities)	7,425	7,425
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
<b>8.1</b>	<b>\$8.5 million secured shareholder loan facility provided by major shareholders Washington H. Soul Pattinson &amp; Company Limited and Mitchell Family Investments (Qld) Pty Ltd as trustee for the Mitchell Family Investment Trust. This loan was provided to partly fund the acquisition of all Nitro Drilling Pty Ltd assets in 2015. Interest is charged at a fixed rate of 10% pa on this facility.</b>		
<b>8.2</b>	<b>Day to day working capital requirements of the Group are funded through a trade finance facility with NAB. This facility is provided under the following key terms:</b> <ul style="list-style-type: none"> <li>• NAB will advance 75% of the Group's outstanding trade receivables balance (up to a maximum advance of \$9 million).</li> <li>• The advances are secured against the Group's trade receivables balance and a first ranking general security interest in Mitchell Operations Pty Ltd (a wholly owned subsidiary of Mitchell Services Limited) and a guarantee provided by Mitchell Services Limited.</li> <li>• Interest is levied at 6.5% per annum plus an annual line fee of 1% applicable to the facility.</li> </ul>		
<b>8.3</b>	<b>Secured equipment finance facilities through a range of lenders including Westpac, Suncorp, Toyota Equipment Finance, Atlas Copco Financial Solutions, NAB and MEH Equipment Hire, at fixed interest rates between 4.09% and 8.33% pa.</b>		

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	-
9.2	Product manufacturing and operating costs	7,485
9.3	Advertising and marketing	65
9.4	Leased assets	-
9.5	Staff costs	15,112
9.6	Administration and corporate costs	850
9.7	Other (repayment of borrowings and capital expenditure)	2,203
<b>9.8</b>	<b>Total estimated cash outflows</b>	<b>25,715</b>

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity		
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: .....  
(Company secretary)

Date: 22 October 2018

Print name: Greg Switala

For personal use only



**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

For personal use only