



**Mitchell**  
SERVICES

24 January 2019

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

**Investor update and Appendix 4C Quarterly Report**

**Strong FY19 Q2 performance with following key points**

- **Revenue \$32.2m**
- **EBITDA \$7.2m**
- **EBIT \$4.3m**
- **Operating cash flow \$10.9m**
- **EBITDA to operating cash conversion rate 151%**
- **78% reduction in net debt from 30 September 2018 to \$2.6m**

Dear Shareholder,

It gives me great pleasure to provide the following investor update for the quarter ended 31 December 2018 (December quarter) for Mitchell Services Limited (the Company).

The past two quarters have been financially transformational for the Company and we are well placed with a strong balance sheet to move forward into the future.

The three months to December represents the second successive quarter in which the Company has recorded revenues of over \$30m at EBITDA and EBIT percentages of over 22% and 13% respectively. This is also the second successive quarter in which the Company has recorded a strong EBITDA to cash conversion rate culminating in a 78% reduction in net debt from the September 2018 quarter (and an 86% net debt reduction from 30 June 2018).

Despite the traditional seasonal decrease in shift numbers in December, the Company's Q2 financial performance was in line with that of Q1 due to increased activity levels in October and November as the charts below demonstrate.

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

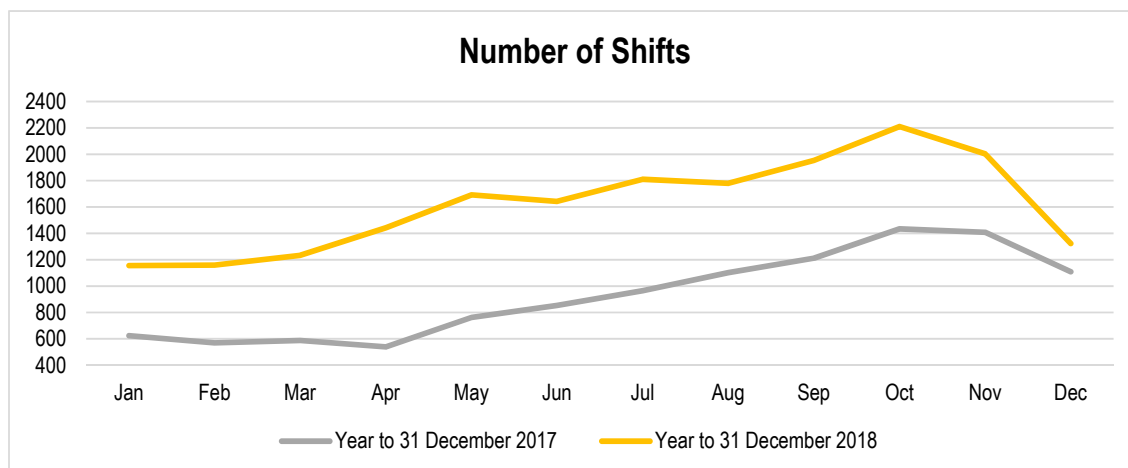
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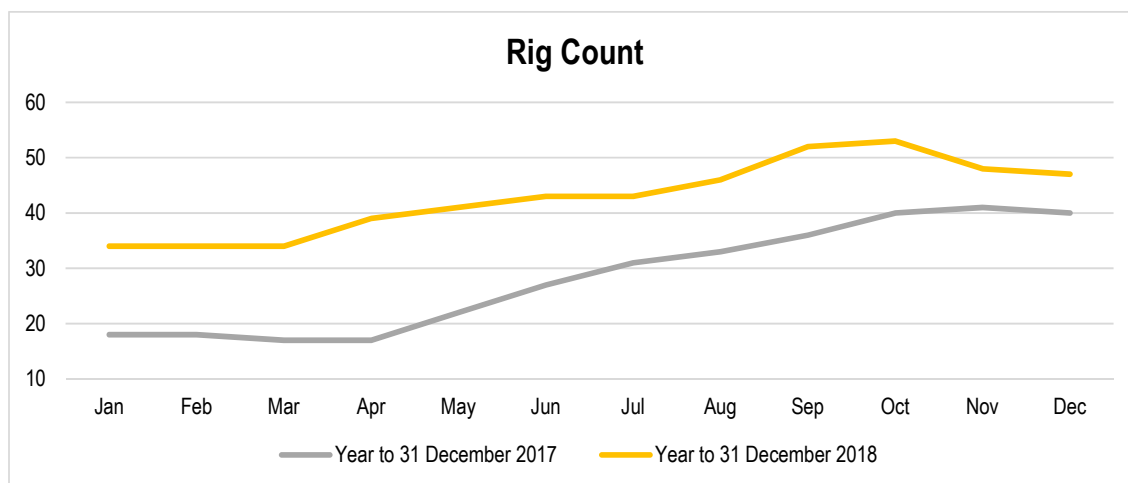


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**Monthly number of shifts worked (over the past 24 months)**



**Monthly number of rigs operating (over the past 24 months)**



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As disclosed previously, EBITDA in FY18 was impacted by material levels of ramp up associated with major project wins. The significant improvement in EBITDA from 1H2018 to 1H2019 was driven by a far lower impact of this type of ramp up in 1H2019 in addition to increased utilisation, productivity and pricing. This significant improvement in EBITDA (and other key financial metrics) is summarised in the table below.

	FY18		FY19*		
	1H	2H	1Q	2Q	1H
Average operating rigs	36.7	37.5	46.7	49.3	48.1
Number of shifts	7,423	8,332	5,542	5,536	11,078
Revenue (\$'000s)	33,215	39,485	30,980	32,173	63,153
EBITDA (\$'000s)	2,678	3,576	7,011	7,218	14,229
EBITDA (%)	8.1%	9.1%	22.6%	22.4%	22.5%
EBIT (\$'000s)	(374)	(987)	4,188	4,270	8,458
EBIT (%)	(1.1%)	(2.5%)	13.5%	13.3%	13.4%
Operating cash flow (\$'000s)	(2,290)	1,016	4,409	10,901	15,310
Annualised revenue per rig (\$'000s)	1,810	2,106	2,654	2,610	2,626

\* un-audited

It is pleasing to note that over 150% of the quarter's EBITDA was converted to operating cashflows with the Company generating positive operating cashflows of \$10.9m for the quarter. After net cash capex payments of \$2.0m, the Company generated positive free cash of \$8.9m which it has used to reduce net debt from \$11.5m at 30 September 2018 to \$2.6m at 31 December 2018 as the chart below demonstrates.

	30-Jun-18	30-Sep-18	31-Dec-18
	\$000's	\$000's	\$000's
Equipment finance facilities	8,358	7,425	6,490
Shareholder loans	8,500	8,500	-
Property loan	2,700	-	-
<b>Gross debt</b>	<b>19,558</b>	<b>15,925</b>	<b>6,490</b>
Cash on hand	1,864	4,432	3,925
<b>Net debt</b>	<b>17,694</b>	<b>11,493</b>	<b>2,565</b>

The \$6.5m in gross debt at 31 December 2018 is made up entirely of traditional equipment finance facilities following the full repayment of the \$8.5m shareholder loans on 11 December 2018. The shareholder loans were repaid approximately 18 months earlier than their expiry date of July 2020 with no applicable fees/penalties for early repayment.

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I am pleased to inform shareholders that ASX has recently informed the Company of its decision to lift the requirement of quarterly cash flow reporting (Appendix 4C). The ASX noted that it considered the Company's actual operating cash flow performance in arriving at this view. Whilst we will continue to provide these investor updates at the end of each quarter, I note that they will no longer include the Appendix 4C.

The board of directors is currently assessing and considering various capital management initiatives (including dividends and/or share buy-backs) the timing and extent of which will be subject to the ongoing financial performance of the Company.

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
- Consider various capital management options

Thank you for your continued support.

Yours faithfully

Andrew Elf  
Chief Executive Officer

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## 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	31 December 2018

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	37,207	63,806
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(10,644)	(17,327)
	(c) advertising and marketing	(73)	(138)
	(d) leased assets	-	-
	(e) staff costs	(13,860)	(27,353)
	(f) administration and corporate costs	(1,440)	(2,523)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(288)	(671)
1.6	Income taxes paid	-	(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>10,902</b>	<b>15,310</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(1,894)	(2,773)
	(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
	(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>(1,894)</b>	<b>(2,677)</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	(9,515)	(10,572)
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 (6 months) \$A'000
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(9,515)</b>	<b>(10,572)</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	4,432	1,864
4.2	Net cash from / (used in) operating activities (item 1.9 above)	10,902	15,310
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,894)	(2,677)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(9,515)	(10,572)
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>3,925</b>	<b>3,925</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	3,925	4,432
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>3,925</b>	<b>4,432</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	572	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-	
7.3	<p>Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2</p> <p>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.</p>		
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	-	-
8.2	Credit standby arrangements	9,000	-
8.3	Other (equipment finance facilities)	6,490	6,490
8.4	<p>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.</p> <p><b>8.2</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:</p> <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> <p><b>8.3</b> Secured equipment finance facilities through a range of lenders including Westpac, Suncorp, Toyota Equipment Finance, Atlas Copco Financial Solutions and NAB, at fixed interest rates between 4.09% and 8.33% pa.</p>		

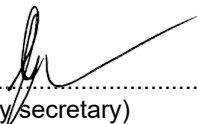


9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	-
9.2	Product manufacturing and operating costs	11,276
9.3	Advertising and marketing	65
9.4	Leased assets	-
9.5	Staff costs	10,710
9.6	Administration and corporate costs	1,500
9.7	Other (repayment of borrowings and capital expenditure)	1,910
<b>9.8</b>	<b>Total estimated cash outflows</b>	<b>25,461</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: 24 January 2019

Print name: Greg Switala

**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.

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