

# WILSONS RAPID INSIGHTS CONFERENCE 2022 PRESENTATION

26 May 2022



**Mitchell**  
SERVICES



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# MITCHELL SERVICES MARKET PROFILE

## ASX Information

ASX Stock Symbol	MSV
Shares Issued	224,948,905
Share Price (at 19/05/2022)	A\$0.305
Market Capitalisation	A\$68.61m

## Major Holders

Mitchell Group	18.4%
Dream Challenge Pty Ltd	7.2%
Washington H Soul Pattinson	5.4%

## Board of Directors



**Nathan Mitchell**  
Executive Chairman

**Scott Tumbridge**  
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

# 1H22 FINANCIAL HIGHLIGHTS

Revenue of \$103m

↑ **3%**  
from 1H21

EBITDA of \$17.5m

↑ **41%**  
from 1H21

Net Debt of \$22.2m

↓ **12%**  
reduction from June 21

Revenue guidance FY22

**\$200m-\$220m**

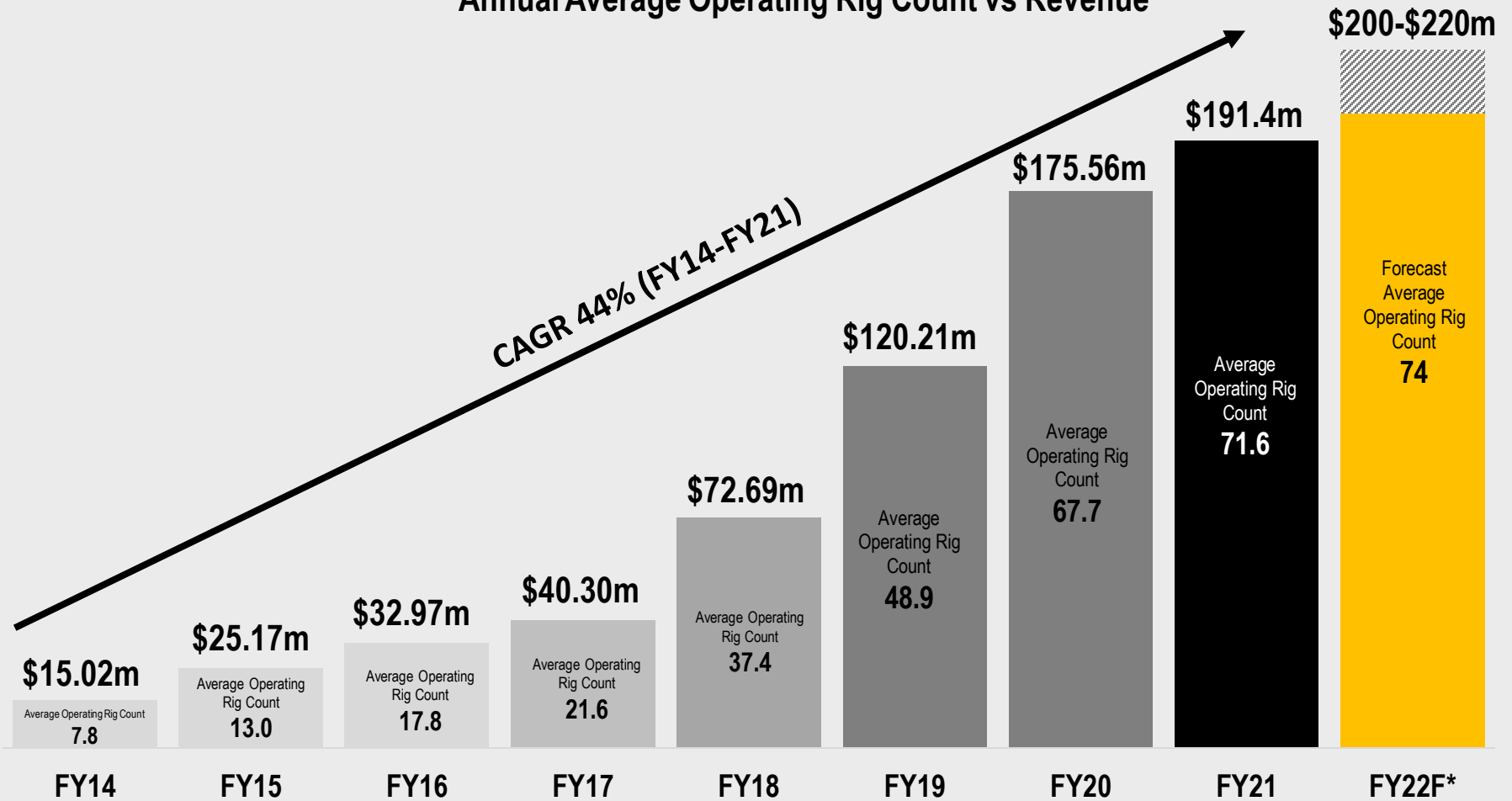
EBITDA guidance FY22

**\$31m-\$35m**

Based on the size of the fleet post implementation of the growth strategy (expected 30 June 22) the business will have capacity to generate \$50m-\$60m EBITDA

# MSV'S DEMONSTRATED ABILITY TO DELIVER GROWTH

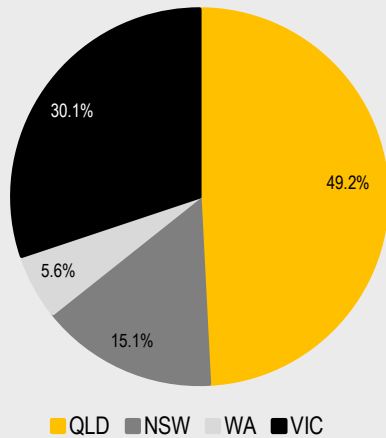
Annual Average Operating Rig Count vs Revenue



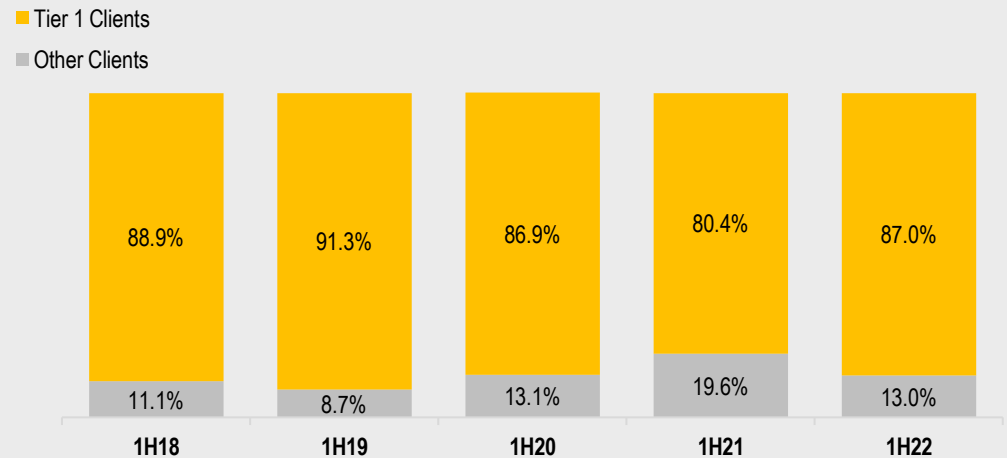
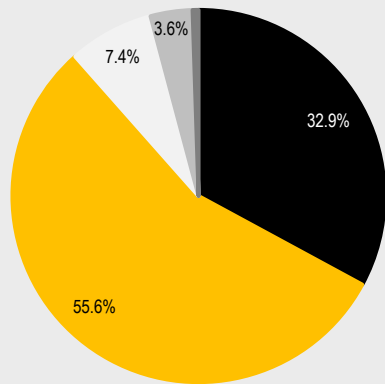
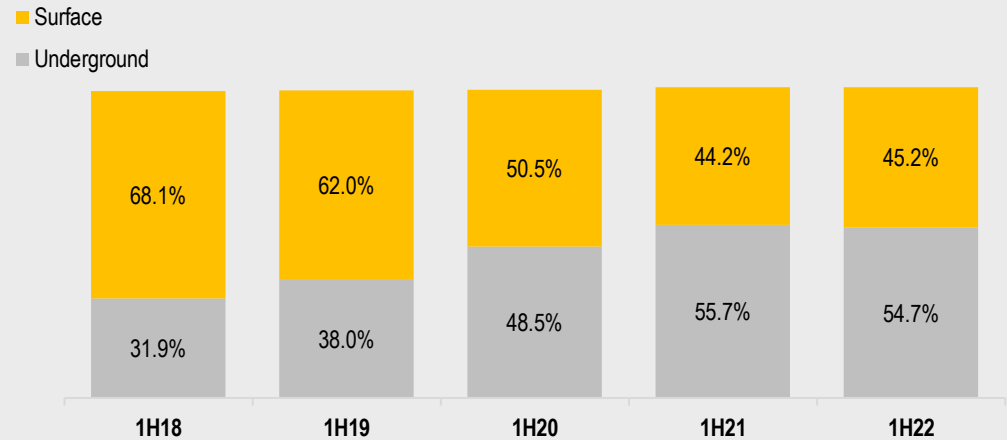
\*FY22 guided revenue range.

# REVENUE QUALITY AND DIVERSITY

## 1H22 Revenue by State and Commodity



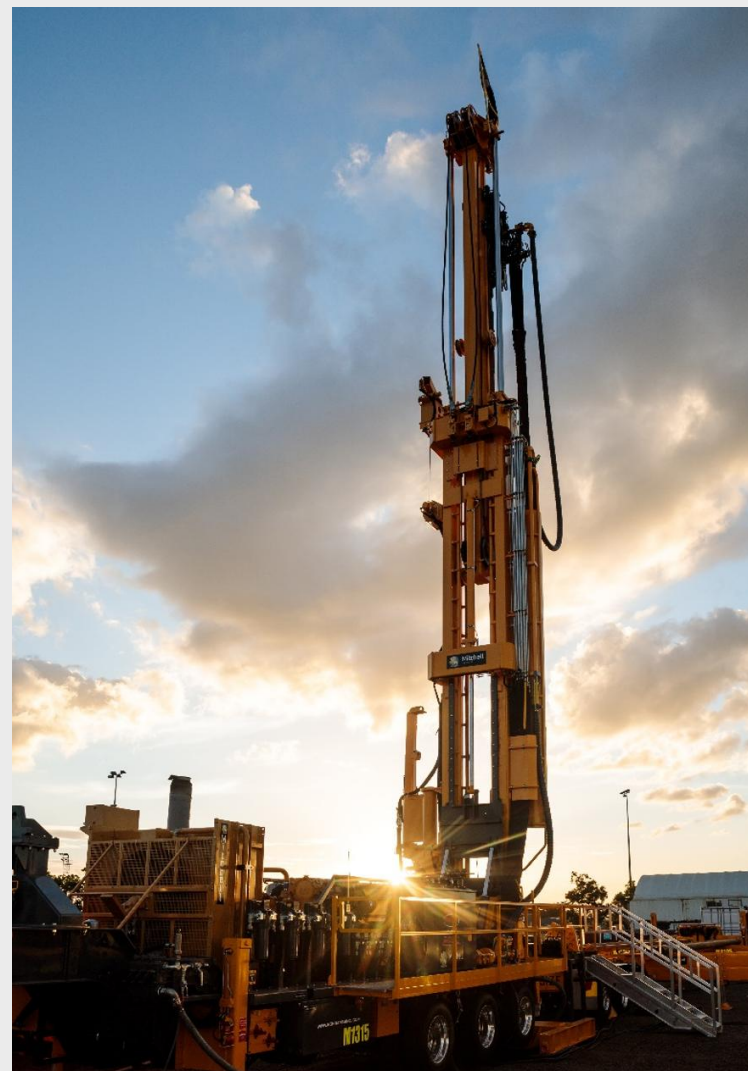
## Revenue by Client and Drilling Type



■ Coking Coal 
 ■ Gold 
 ■ Copper 
 ■ Lead/Zinc/Silver 
 ■ Other

# ORGANIC GROWTH STRATEGY UPDATE

- Implementation now well underway
- 12 state of the art LF160 drill rigs (underpinned by increasing levels of demand for drilling services)
- 12 rigs expected to be delivered by 30 June 2022
- 9 of the 12 rigs already assigned to customer contracts with strong interest received from clients for the remaining 3 rigs
- The timing of this capital investment allows MSV to take advantage of cash benefit associated with the ATO's instant asset write off program
- Post delivery of the 12 rigs MSV would have the capacity (based on fleet size) to deliver EBITDA between \$50m-\$60m
- Once these capital commitments for 12 rigs are met, the business will limit further capex (where it makes sense) and focus on generating strong cashflows with a world class fleet



# REASONS FOR OPTIMISM

- **Strongest demand for drilling services since 2008** with positive industry fundamentals
- **Commodity prices are strong**
- **Resource capital raisings continue**, and quality drilling results are being recognised by the market
- **Quality of Australia as a jurisdiction** and demand for commodities as energy transitions
- Industry consolidation continues and the **competitive profile of the market is improving.**
- **Significant barriers to entry** for new service providers





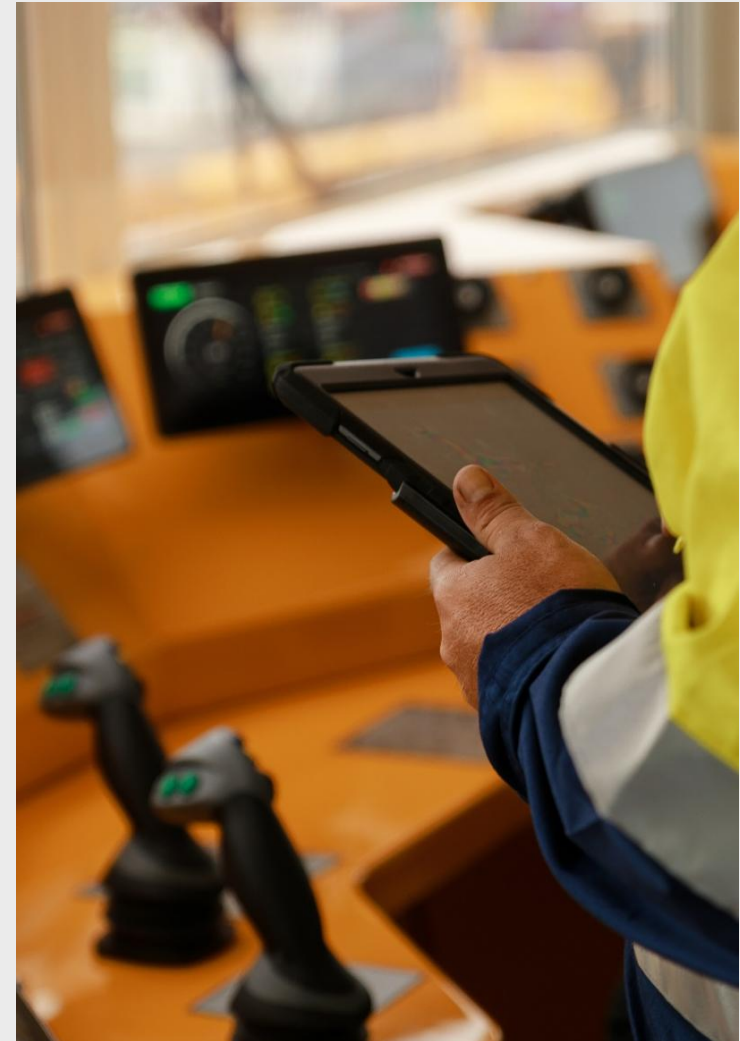
# CAPITAL MANAGEMENT

- The material organic growth strategy is well underway with all 12 rigs expected to be delivered by 30 June 2022.
- Following completion of the organic growth strategy, peak gross debt is expected to be circa \$40m.
- Post implementation, the business will limit further capex (where it makes sense to do so) and focus on cash flow generation
- Post FY22, cash flow generation in near term will be focused on debt reduction and returns to shareholders either in the form of dividends or buy backs
- The federal un-capped instant asset write-off has now been extended to the end of FY23. This will have a positive impact on free cash flow



# OUTLOOK

- Pipeline of identified **opportunities remains strong** as does the demand for drilling services particularly from Tier 1 clients
- Mitchell Services expects to generate full year FY22 revenue and EBITDA of **\$200m-\$220m** and **\$31m-\$35m** respectively
- The **increased run rate** heading into FY23 is expected to **drive a material year on year increase in earnings**
- Post organic growth strategy and with a forecast rig count of 102 rigs by 30 June 22, the business will have **capacity to generate EBITDA of \$50m-\$60m**
- Post organic growth strategy execution capital expenditure will be reduced to **maximise cash generation**, reduce debt and increase shareholder returns
- MSV is trading at less than net tangible asset value based on market values of property, plant and equipment
- Mitchell Services is covered by Morgans



# SUMMARY

- 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 resource definition, development and production.
- The business has had operational disruptions from **COVID-19** and multiple **wet weather** events. These impacts are temporary and the broader long-term outlook is positive.
- The **material organic growth strategy** is well underway with all 12 rigs anticipated to be delivered by June 2022 and 9 of those 12 rigs are currently assigned to drilling contracts.
- Based on the size of the fleet post implementation of the organic growth strategy, the business will have **capacity to generate \$50m-\$60m EBITDA**
- The business will focus on **cash generation and shareholder returns** in FY23

