

HALF YEAR RESULTS

FINANCIAL YEAR 2024



Mitchell
SERVICES



ASX:MSV

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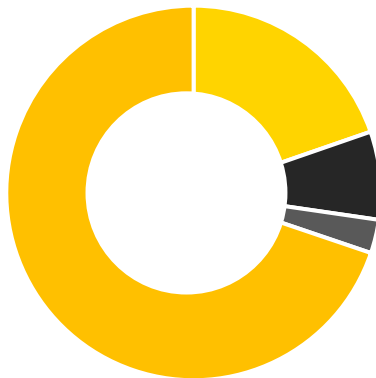
- 13. SUMMARY**

MARKET PROFILE

ASX INFORMATION

ASX Stock Symbol	MSV
Shares on Issue (at 19/02/2024)	214,008,947
Share Price (at 19/02/2024)	A\$0.365
Market Capitalisation	A\$78.11m

SHAREHOLDERS



- 19.7% - Mitchell Group
- 7.6% - Dream Challenge Pty Ltd
- 2.9% - Washington H Soul Pattinson
- 69.7% - Other

BOARD OF DIRECTORS



Nathan Mitchell	Executive Chairman
Scott Tumbridge	Non- 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

1H24 BUSINESS SUMMARY

REVENUE \$121.6m

↑ 1%

FROM 1H23

EBITDA \$20.0m

↑ 21%

FROM 1H23

PROFIT AFTER TAX \$4.3m

↑ 2,050%

FROM 1H23

OPERATING CASHFLOW \$24.4m

↑ 122%

FROM 1H23

SAFETY PERFORMANCE

WINNER OF PRESTIGIOUS
NATIONAL SAFETY AWARD

RETURN ON INVESTED CAPITAL 15.1%

↑ 459%

FROM 1H23

OVERVIEW

- High prices for key commodities driving **continued demand** for drilling services particularly for highly skilled specialist drilling services
- Inflationary pressures are **continuing to ease**
- The drilling services **market** for global mining majors and existing producers **remains strong** whilst exploration has shown signs of softening in recent times.
- High quality revenue streams position the Company to deliver **strong shareholder returns** through a focused capital management policy
 - 90% of revenue is from global mining majors
 - Revenue is split circa 55% surface drilling & 45% underground drilling
 - Gold represents circa 40% of revenue
 - 80% of revenue is from production, development and resource definition drilling
- **No exposure** to Lithium or Nickel



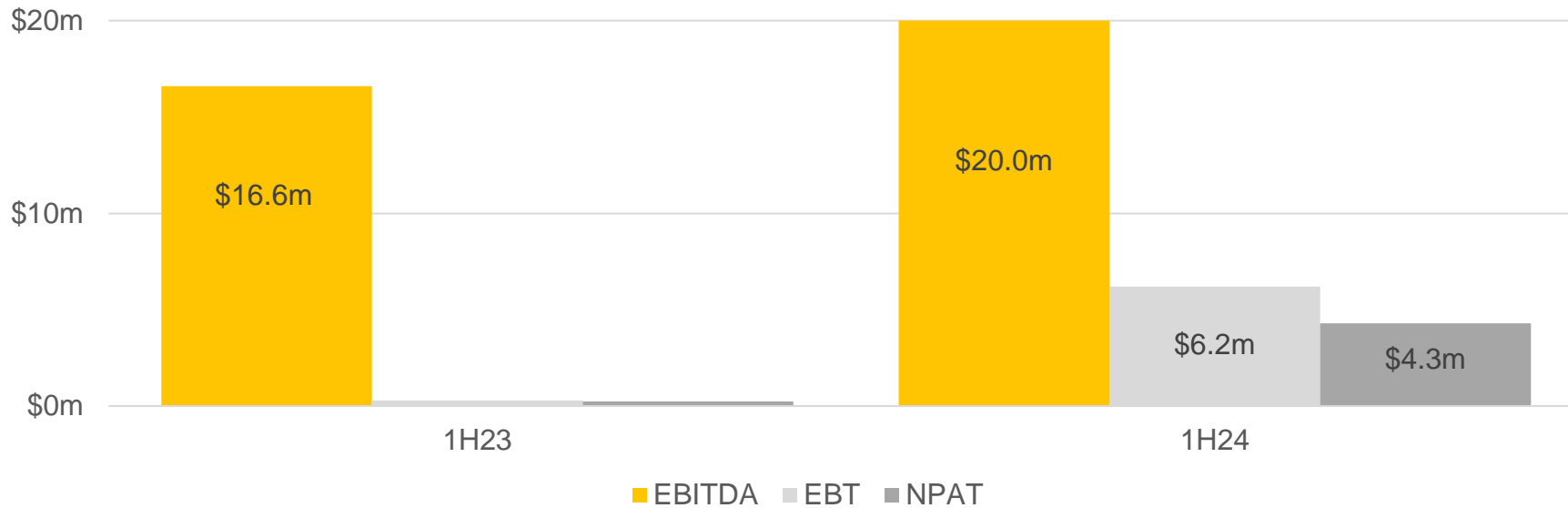
OPERATIONAL UPDATE

- The surface fleet continues to benefit from **strong demand** with all surface rigs **effectively booked out**
- Utilisation in the underground fleet reduced slightly with the largest portion of this reduction coming from the Victorian goldfields (where existing clients have **reduced rig count** in the **ordinary course of business**).
- Unlike 1H23, the business was largely **unaffected by rainfall** and other events in 1H24
- The absence of adverse weather impacts and the shift in the mix of revenue by drilling type (with a greater surface portion) has seen **EBITDA increase by 21%** in 1H24 to \$20.0m.
- In August 2023 the business was awarded the **National Health and Safety Team of the Year** at the 2023 Australian Workplace Health and Safety awards with competition extending across all industries and organisations of all sizes.



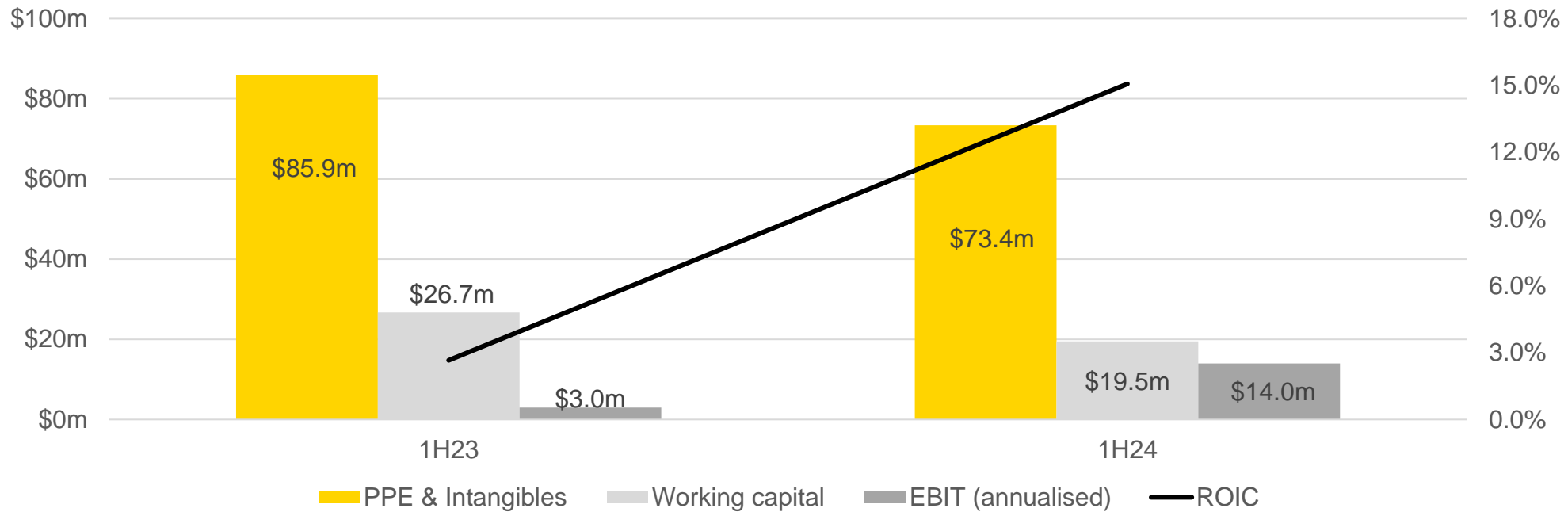
PROFIT AND LOSS

Leverage in earnings beginning to play out



- 1H24 EBITDA increased by approx. 20% vs 1H23 levels driven by stronger margins as opposed to top line revenue growth
- Growth in EBT and NPAT out-paced the EBITDA growth given materially lower levels of depreciation and interest
- MSV expects FY24 full year earnings to exceed FY23 levels

RETURN ON INVESTED CAPITAL



- ROIC increased exponentially from 2.7% in 1H23 to 15.1% in 1H24 driven by the continued increase in EBIT and lower PPE asset base (through depreciation and lower levels of capex).

*ROIC defined as annualised EBIT divided by (net PPE plus intangibles plus working capital).

BALANCE SHEET

BALANCE SHEET REMAINS STRONG HEADING INTO 2H24

- Overall reduction in net asset position largely due to the FY23 final dividend and ongoing share buy-back payments made in 1H24.
- No current intention to raise equity for any reason.
- Net current asset position remains largely unchanged
- Significant improvement in working capital requirements (of circa \$7.1m) driving the positive cash-flow performance in 1H24.

	31 Dec 23	30 Jun 23	Change
	\$000's	\$000's	%
Balance Sheet Summary			
Current assets	55,872	56,782	(1.6%)
Non-current assets	74,609	77,823	(4.1%)
Total assets	130,481	134,605	(3.1%)
Current liabilities	48,020	47,454	1.2%
Non-current liabilities	17,263	20,051	(13.9%)
Total liabilities	65,283	67,505	(3.3%)
Net assets	65,198	67,100	(2.8%)
Working Capital Summary			
Receivables	27,341	34,546	(20.9%)
Prepayments & other assets	2,323	2,283	1.8%
Inventories	9,356	8,845	5.8%
Trade & other payables	(19,474)	(19,005)	2.5%
Working Capital Investment	19,546	26,669	(26.7%)

CASH FLOW

EXCEPTIONALLY STRONG CASH FLOW PERFORMANCE

- Strong EBITDA performance, stable operating rig count and lack of any significant increase in working capital requirements have driven an exceptionally strong cash flow performance.
- The EBITDA to cash conversion ratio in 1H24 was 122%
- Operating cashflows of \$24.4m represent a record for the Company for any 6-month period ended 31 December.
- Despite recent interest rate rises, cash outflows for interest/financing costs have halved given the rapid debt reduction
- Having benefited from the recent ATO instant asset write-off program, MSV expects to continue have no income tax payment obligations until approximately late FY25 or early FY26.

OPERATING CASH FLOW SUMMARY

	1H24	1H23	Change
	\$000's	\$000's	%
Receipts from customers	142,108	133,492	6.5%
Payments to suppliers / employees	(116,953)	(121,337)	(3.6%)
Cash generated from operations	25,155	12,155	107.0%
Interest & other financing costs	(781)	(1,140)	(31.5%)
Cash flow from operating activities	24,374	11,015	121.3%
EBITDA	20,009	16,609	20.5%
Cash Conversion Ratio (CCR)	121.8	66.3	83.7%

DEBT PROFILE

CONTINUED REDUCTION IN DEBT AND LEVERAGE

- 1H24 performance delivered a 49% reduction in net debt
- Current blended average cost of debt is approximately 5.7% p.a with the majority fixed prior to recent rate increases
- MSV has access to a \$15m working capital facility (undrawn) to fund any working capital requirements with new or expanding contracts
- On a net debt and historical EBITDA basis, Operating Leverage is now circa 0.25 times
- Net Debt will likely increase in the short term (given an anticipated dividend payment in March and seasonal working capital requirements).
- The net debt target of no more than \$15m at 30 June 2024 remains on track.

FACILITY

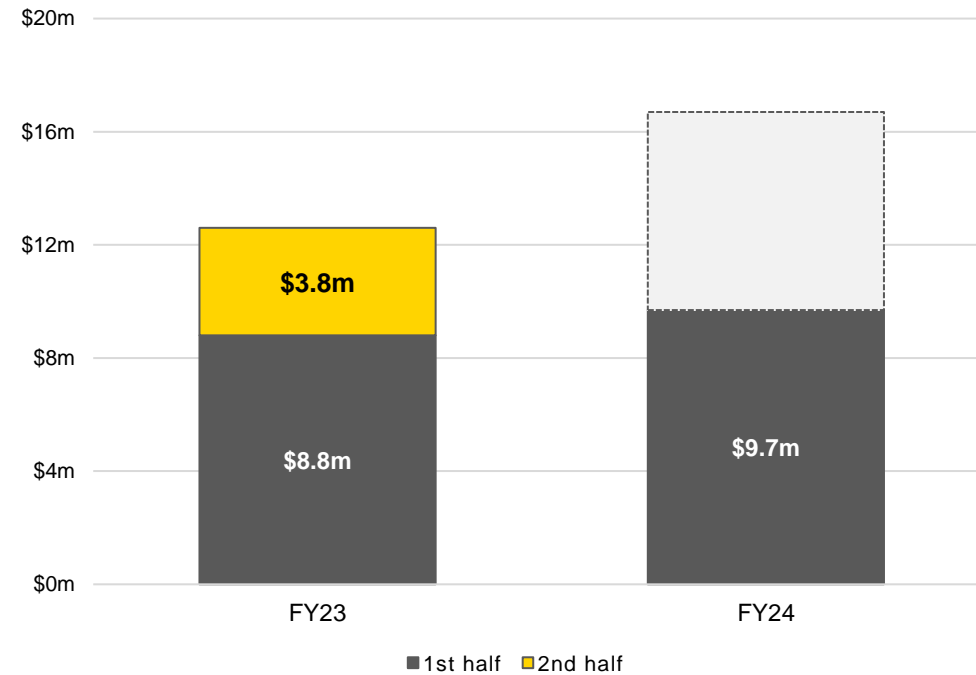
	31 Dec 23	30 Jun 23	Movement
	\$000's	\$000's	\$000's
Equipment finance	22,991	24,217	(1,226)
Corporate/acquisition loan	2,933	4,533	(1,600)
\$15m overdraft/working capital	-	-	-
Gross debt	25,924	28,750	(2,826)
Cash on hand	16,852	11,108	5,744
Net debt	9,072	17,642	(8,570)

CAPITAL EXPENDITURE

Disciplined allocation of capital

- The Company remains committed to its Capital Management Strategy which includes the application of sensible limits to growth capital expenditure
- Total capital expenditure for 1H24 was \$9.7m which was largely in line with expectations and slightly increased vs 1H23 levels.
- Maintenance capex continues to support high levels of availability across all equipment.
- Any 2H24 capex is expected to be cash funded

YEAR ON YEAR CAPITAL EXPENDITURE



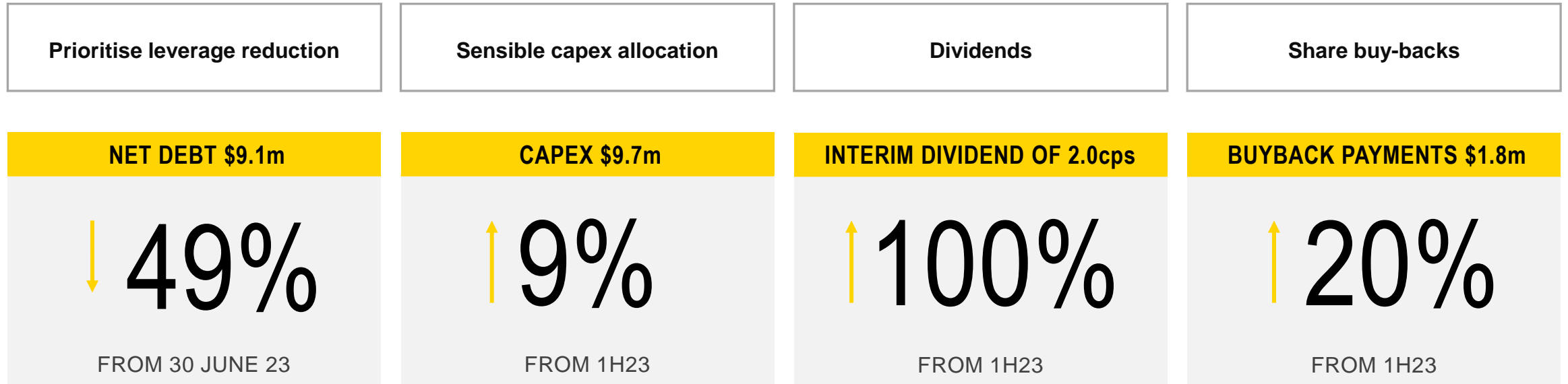
CAPITAL MANAGEMENT UPDATE

The Company is committed to returning surplus cash to shareholders under a capital management policy with the following summarised key terms.

- The Company will prioritise a portion of free cash flow to reduce leverage and has set a net debt target of \$15.0m by 30 June 2024
- A portion of free cashflows generated from earnings will be returned to shareholders via a dividend with up to 75% of post tax profits available for distribution under the current dividend policy
- MSV will continue to apply a portion of any surplus equipment sales to the on-market share buy back when considered appropriate
- MSV has returned approx. \$13.2m to shareholders based on the FY23 final dividend, FY24 interim dividend and payments for shares bought back to date under the buyback.

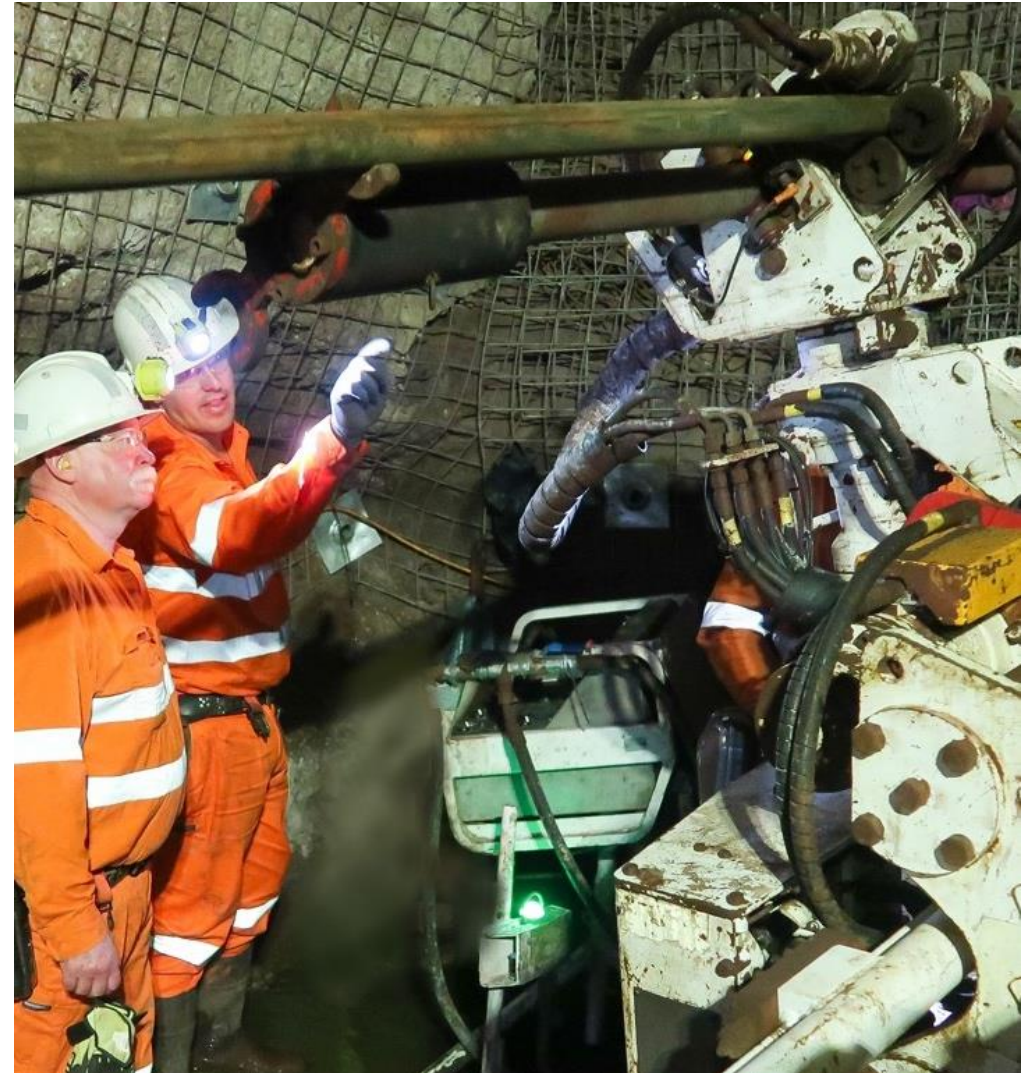


1H24 CAPITAL MANAGEMENT PERFORMANCE



SUMMARY

- MSV generated 1H24 EBITDA and NPAT of \$20.0m and \$4.3m respectively
- High prices for key commodities driving **continued demand** for drilling services particularly for highly skilled specialist drilling services
- **Quality brand** with long history and high-quality revenue streams
- The drilling services **market** for global mining majors and existing producers **remains strong** whilst exploration has shown signs of softening in recent times.
- Inflationary pressures have **continued to ease**
- **Net debt has decreased by 49%** since 30 June 2023 and the Company remains on track to reach its net debt target of \$15.0m by 30 June 2024
- MSV has returned approximately \$13.2m to shareholders since the inception of its current **capital management strategy**.
- Solid 1H24 result with **ROIC and NPAT leverage** beginning to play out with the Company expecting FY24 NPAT to exceed FY23 levels.



DEFINITIONS

Capex	Capital expenditure
Cash Conversion Ratio	The ratio of A to B; where A is the reported cash flows from operating activities and B is the reported EBITDA
EBITDA	Earnings before interest, tax, depreciation and amortisation; calculated as NPAT plus income tax expense plus finance charges plus depreciation expense plus amortisation of intangibles
EBITDA Margin	EBITDA divided by reported revenue expressed as a percentage
EBIT	Earnings before interest and tax; calculated as NPAT plus income tax expense plus finance charges
EBIT Margin	EBIT divided by reported revenue expressed as a percentage
Gross Debt	Total principal balances outstanding on all bank loans, equipment finance facilities, hire purchase agreements and overdrafts
Net Debt	Gross Debt less cash and cash equivalents on hand
NPAT	Net profit after tax; calculated as statutory reported profit before income tax less income tax expense
NPBT	Net profit before tax; calculated as NPAT plus income tax expense
ROIC	EBIT divided by (net PPE plus intangibles plus working capital)



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