

23 April 2024

Mitchell Services Limited (ASX: MSV)

Quarterly Investor Update

Mitchell Services Limited delivers strong third quarter financial and operational performance

- Quarterly revenue of \$59.2m
- Quarterly EBITDA of \$10.5m
- Quarterly operating cashflow of \$9.4m (89% EBITDA conversion rate)
- Further net debt reduction of 13% since 31 December 2023 to \$7.9m
- Annualised Return on Invested Capital of 16.2%

Dear Shareholder

I am pleased to provide the following investor update for the quarter ended 31 March 2024 (**FY24 Q3**) for Mitchell Services Limited (**the Company**) based on the Company's un-audited consolidated management accounts.

Quarterly results

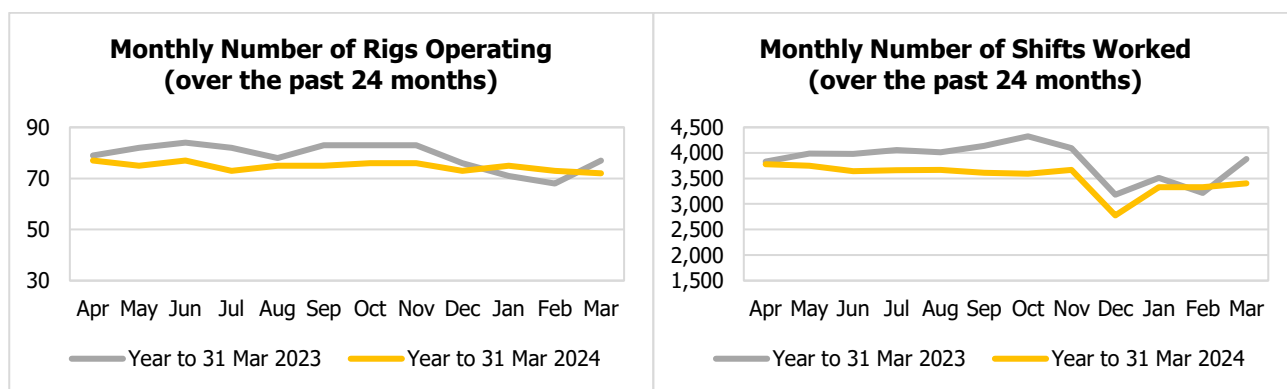
The Company has again delivered positive financial and operational results for FY24 Q3 as reflected in the table below which summarises key Q3 metrics vs the corresponding quarter in FY23 (FY23 Q3).

Revenue increased by approx. 3.6% from \$57.1m in FY23 Q3 to \$59.2m in FY24 Q3. This improvement was mainly driven by the continued change in the mix of work (more surface drilling) as well as a modest increase in the operating rig count (from 72.0 to 73.3).

Pleasingly, EBITDA increased by approximately 13% in FY24 Q3 vs FY23 Q3 (\$10.5m vs \$9.3m). This increase was driven by an improvement in EBITDA margins (from 16.3% in FY23 Q3 to 17.8% in FY24 Q3) as well as the increase in revenue volume.

Given this positive EBITDA performance, the relatively stable number of operating rigs and only a modest increase in working capital requirements (as rigs re-mobilised post the normal Christmas and wet season breaks), the cashflow performance of the business in FY24 Q3 was once again very strong. The Company produced \$9.4m in operating cash (at an EBITDA to cash conversion rate of 89%) in FY24 Q3 which represents a nearly five-fold improvement when compared to FY23 Q3 (\$1.7m at 19%). This result brings the operating cash performance to just over \$33.7m for the 9 months ended 31 March 2024 and has further reduced net debt to \$7.9m.

	FY24 Q3	FY23 Q3	Movement	Movement %
Average operating rigs	73.3	72.0	1.3	1.8%
Number of shifts	10,055	10,600	(545)	(5.1%)
Revenue (\$'000s)	59,155	57,122	2,033	3.6%
EBITDA (\$'000s)	10,518	9,311	1,207	13.0%
EBITDA margin (%)	17.8	16.3	1.5	9.2%
Operating cash flow (\$'000s)	9,372	1,718	7,654	445.5%
Operating cash conversion ratio (%)	89.1	18.5	70.6	381.6%



Year to date results

The table below summarises the un-audited financial and operating results for the 9 months ended 31 March 2024 (FY24 YTD) and the corresponding 9 months ended 31 March 2023 (FY23 YTD).

	9 Months Ended 31 March 2024	9 Months Ended 31 March 2023	Movement	Movement %
Average operating rigs	74.2	77.9	(3.7)	(4.7%)
Number of shifts	31,027	34,398	(3,371)	(9.8%)
Revenue (\$'000s)	180,799	177,353	3,446	1.9%
EBITDA (\$'000s)	30,527	25,920	4,607	17.8%
EBITDA margin (%)	16.9	14.6	2.3	15.8%
EBT (\$'000's)	9,884	2,344	7,540	321.7%
Annualised ROIC* (%)	16.2	4.9	11.3	230.6%
Operating cash flow (\$'000s)	33,746	12,733	21,013	165.0%
Operating cash conversion ratio (%)	110.5	49.1	61.4	125.1%
Annualised revenue per rig (\$'000s)	3,248	3,036	212	7.0%

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

The FY24 YTD performance represents a positive result that saw the Company deliver material improvements across all earnings/profitability metrics when compared to FY23 YTD. FY24 YTD EBITDA (of \$30.5m) represents an increase of 18% vs the FY23 YTD figure whilst EBT increased three-fold over the same period (\$9.9m vs \$2.3m). This significant improvement in EBT was driven by the increase in EBITDA and reduced levels of depreciation and finance costs as capex and debt levels continue to reduce. Given this increase in EBT and the reduced capex levels, annualised ROIC for FY24 YTD was 16.2%, representing an increase of approximately 230% when compared to the FY23 YTD figure of 4.9%.

As outlined in previous updates, the Company expects that its full year FY24 post tax earnings will exceed the FY23 level of \$7.6m.

Capital Management Update

The Company remains committed to maximising cash returns to shareholders, applying sensible limits to growth capital expenditure and operating within a target net debt parameter of no more than \$15.0m by 30 June 2024.

Total capital expenditure for FY24 YTD is \$12.8m which is largely in line with expectations and slightly increased when compared to the figure of \$10.3m for FY23 YTD. Maintenance capex continues to support high levels of availability across all equipment with breakdown rates remaining negligible.

Given the strong operating cashflows during the nine months ended 31 March 2024 and the modest levels of capital expenditure, net debt at 31 March 2024 was \$7.9m which represents a decrease of approximately 13% since 31 December 2023 (\$9.1m) and a 55% decrease since 30 June 2023. This result is particularly pleasing given the Company made cash payments to shareholders (via dividends and share-buy backs) of approximately \$10.9m during that nine-month period.

The Company has effectively achieved its net debt target of no more than \$15m in advance of the target date of 30 June 2024 and remains committed to its current capital management objectives.

In closing, I would like to again thank all employees for their hard work and dedication and all shareholders for their ongoing support.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Andrew Elf', with a stylized flourish extending from the end.

Andrew Elf
Chief Executive Officer
Mitchell Services Limited