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19 October 2020

Mitchell Services Limited (ASX: MSV)

Quarterly Investor Update

Mitchell Services Limited records strong FY21 Q1 operating and financial performance

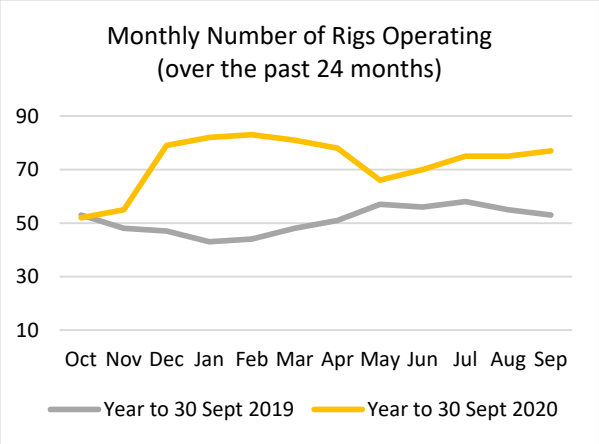
- Revenue $53.2m
- EBITDA $10.4m
- Operating cash flow $9.5m
- Operating cash flow conversion ratio 91.1%
- 1.1c per share fully franked dividend paid on 30 July 2020
- Net Debt reduction of 34% this calendar year

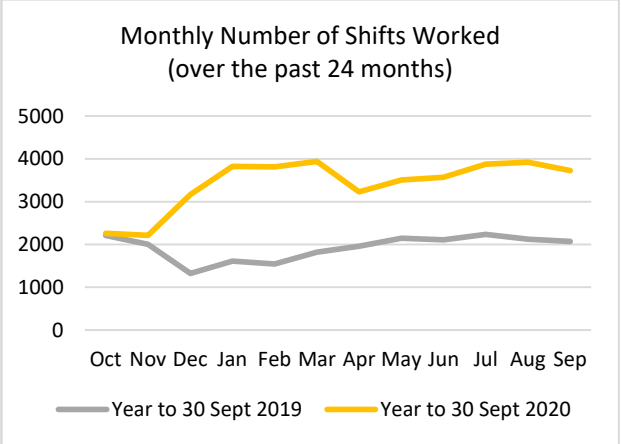
Dear Shareholder.

I am pleased to provide the following investor update for the quarter ended 30 September 2020 (**FY21 Q1**) for Mitchell Services Limited (**the Group**) based on the Group's un-audited management accounts. The Group has once again delivered a strong performance during FY21 Q1.

As utilisation and productivity levels improve post initial COVID-19 restrictions and following the Deepcore Drilling acquisition, FY21 Q1 has seen significant increases in revenue, EBITDA, operating rigs and shift numbers when compared to the same quarter last year (FY20 Q1) as the below tables illustrate.

	FY21 Q1	FY20 Q1	Movement	Movement %
Average operating rigs	75.7	55.3	20.4	36.9%
Number of shifts	11,529	6,427	5,102	79.4%
Revenue ($'000s)	53,185	33,454	19,731	59.0%
EBITDA ($'000s)	10,400	6,247	4,153	66.5%
Operating cash flow ($'000s)	9,474	5,674	3,800	67.0%





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The Group reported significant year on year improvements in financial performance for the 12-month period to 30 September 2020 vs the previous corresponding period ended 30 September 2019. The below table summarises the un-audited financial performance on a 12-month rolling basis.

	12-months ended 30 Sep 2020	12-months ended 30 Sep 2019	Movement	Movement %
Average operating rigs	72.6	51.1	21.5	42.1%
Number of shifts	41,058	23,151	17,907	77.3%
Revenue ($'000s)	195,225	122,460	72,765	59.4%
EBITDA ($'000s)	39,104	23,348	15,756	67.5%
EBITDA (%)	20%	19%		
Operating cash flow ($'000s)	34,949	19,490	15,459	79.3%
Annual revenue per rig ($'000s)	2,689	2,396	293	12.2%

It is pleasing to note that during a quarter that saw a special dividend payment of approx. $2.2m, net debt reduced to $25.6m at 30 September 2020 representing a 7% decrease since 30 June 2020 and a 34% decrease since 31 December 2019. Based on the actual EBITDA performance on a 12-month rolling basis, net debt now represents approximately 0.65 times EBITDA.

The outlook for the remainder of FY21 is strong and I specifically note the following:

Capital raisings for Australian mining and exploration companies

Usually a reliable lead indicator for drilling activity levels, the chart below illustrates the level of capital raisings (in USD) for gold projects completed by ASX listed junior and intermediate mining and exploration companies over the 12-month period ended 31 August 2020 vs the corresponding 12-month period ended 31 August 2019. The data was sourced from S&P Global Market Intelligence.



Federal budget

The federal budget that was handed down on 6 October 2020 is expected to be materially beneficial for the Group in FY21 and FY22. The introduction of an un-capped instant asset write-off for tax purposes is likely to significantly reduce income tax liabilities in FY21 and FY22 which consequently will have a positive impact on free cash flow.

In closing I'd once again like to thank all employees for their hard work and dedication particularly those who have remained flexible in relation to COVID related roster and travel restrictions. It is pleasing to note that restrictions are continuing to ease, and we all look forward to a working environment where staff members can travel freely between states once again.

Thank you to all shareholders for your ongoing support.

Yours faithfully,



Andrew Elf
Chief Executive Officer
Mitchell Services Limited

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