Energold Drilling Group Announces Second Quarter 2014 Financial Results

28.08.2014 | Marketwired

VANCOUVER, BRITISH COLUMBIA--(Marketwired - Aug 28, 2014) - Energold Drilling Corp. (TSX VENTURE:EGD) ("Energold" or "the Company") announces second quarter revenue 2014 of $20.8 million across four business divisions, representing a 10.5% decrease over second quarter 2013 revenue of $23.3 million. Lower year-over-year revenue is due mostly to the decline in the mineral drilling as well as the manufacturing segment, although the Company realized strong offsetting results in the energy business. These results continue to highlight the successful diversification objectives made by the Company over the last several years.

Gross margin for the quarter on a Company-wide basis improved to 18.7% in the second quarter 2014 compared to 13.5% in the same period in 2013. There was a net loss per share in the second quarter 2014 $(0.08) compared to a net loss per share of $(0.03) in the second quarter 2013. The adjusted net loss** in the second quarter for 2014 was $3.2 million or $(0.07) per share compared to net loss of $3.4 million or $(0.07) per share in 2013.

The second quarter is historically one of the busiest periods for the mineral drilling segment. Presently, there is softness in the junior mining segment, a lack of financial resources to initiate and maintain drill programs and an overall cautious approach towards exploration worldwide. Senior and well-funded intermediate miners still represent the majority of the industry's drilling activity. Notwithstanding, some markets are beginning to improve in Central and South America, while in Africa some programs have been delayed due to the Ebola crisis. Meanwhile, the diversification of the Company's divisions continue to provide some offsetting results as the energy division has more than tripled its revenue in the second quarter compared to the second quarter 2014. The manufacturing division's contribution during the period reflects typical seasonal effects where this first half of the year involves marketing of products and tendering bids while the latter part of the year reflects fulfilling contracts.

Energold's balance sheet at the end of the second quarter 2014 remained well capitalized with $18.5 million in cash and $70.1 million in working capital. Subsequent to quarter-end, the Company announced that it had raised, by way of three-year convertible debentures, $13.5 million which replaced the $10.0 million debentures that matured in July 2014. The remainder of the proceeds will be used to fund expansion and general working capital requirements.

Quarter-to-date and year-to-date June 30, 2014 results comparison

($CAD ,000s except per-share amounts and meters drilled)	For Three Months Ended June 30		For the Si Ende	
	2014	2013	2014	
Revenue				
Mineral	9,736	16,180	15,064	
Manufacturing	2,655	4,691	5,770	
Energy	8,432	2,402	37,029	
Total Revenue	20,823	23,273	57,863	
Loss				
Mineral	139	1,981	(1,108)	
Manufacturing	(311)	(262)	(1,640)	
Energy	(1,454)	(935)	4,257	
Corporate	(2,491)	(2,110)	(4,210)	
Total (Loss) Earnings	(4,117)	(1,326)	(2,701)	
Earnings Per Share				
Basic	$(0.08)	$(0.03)	$(0.05)	

Diluted	$(0.08)	$(0.03)	$(0.05)	
EBITDA*	$(1,392)	$731	$4,749	
Adjusted (Loss) Earnings**	$(3,237)	$(3,404)	$(1,431)	
Adjusted (Loss) Earnings Per Share				
Basic	$(0.07)	$(0.07)	$(0.03)	
Diluted	$(0.07)	$(0.07)	$(0.03)	

	As of June 30, 2014	As of December 31, 2013
Cash	$18,491	$26,608
Working Capital	$70,064	$65,450

* EBITDA - Earnings before interest, taxes, depreciation and amortization

** Adjusted Earnings - Extraordinary and non-cash items include earn-out payment related to Bertram, accretion expense on debenture, finance cost for sales leaseback financing, share-based payments, foreign exchange, dilution and equity gain/loss on IMPACT, impairment/write-down of assets.

ENERGY DIVISION

Given the seasonality of the energy business, the division performed well in the second quarter thanks to strong results from the U.S. where the Company is working through a multi-year geothermal work program. As well, some oil sands work during the period helped the Company achieve significant increase in revenue on a year-over-year basis. Management is making use of innovative drilling methods to meet evolving demands in the region. Long-term customers appear to be receptive to this approach and have requested specific items and procedures that many competitors cannot offer at this time.

Year-to-date revenue for the Energy division, which include the Company's North America and Latin America regions, in 2014 was $37.0 million compared to $33.8 million in 2013. Revenue in the second quarter 2014 was $8.4 million compared to $2.4 million in the second quarter 2013. Gross margin for the first half 2014 was 29.5% compared to 24.3% in 2013. Gross margin for the second quarter 2014 was 9.5% compared to (53.6)% in the second quarter 2013.

The majority of revenues and activity for Bertram are typically generated in the first quarter primarily due to weather factors. The Company has expanded its energy business into Latin America. Other than Colombia, the energy business in Latin America is operated by wholly owned subsidiaries of the Company. In the latter half of 2013, the Company entered into a joint venture, called EESI, with a local partner in Colombia who is a leader in the seismic drilling business. Energold holds 60% ownership of EESI and the partner holds 40%.

MINERAL DRILLING DIVISION

There is generally a seasonal uptick in activity leading up to and during the summer months in certain regions where Company operates. While the second quarter's performance remains below levels seen in previous years, management is encouraged by quarter over quarter improvements. Many of the Company's existing customers remain cautious with their exploration budgets and are committing to smaller programs on a case-by-case basis.

During the second quarter 2014, Energold's mineral division drilled 61,300 meters compared to 92,100 meters in the second quarter 2013, a decrease of 33%. Revenues for the second quarter 2014 were $9.7 million compared to $16.2 million for the same period in 2013. Year-to-date revenues for 2014 were $15.1 million compared to $34.5 million for 2013. Average revenue per meter for the second quarter 2014 was $159 compared to $176 in the second quarter 2013. The decrease in price is due primarily to competitive pricing pressures from customers seeking to maximize exploration budgets while excess capacity continues to put pressure on pricing and as a result, profit margin remains depressed. Notwithstanding, gross margin remains positive as management seeks to maximize its variable cost structure and employing rigs in contracts where the margin for error can be managed such that profits are mostly protected in the event of delays or malfunctions.

Gross margin percentage from mineral drilling in the second quarter 2014 was 23.7%, compared to 4.5% in the first quarter 2014 and 22.6% in second quarter 2013. On a year-to-date basis, gross margin was 17.0% compared to 29.2% in 2013. The Company maintains a strong infrastructure network in all regions where it operates, which allows for a relatively lean operation.

On a geographical basis, management is seeing some encouraging trends from Central America and the Caribbean while South America remains impacted by social and political issues as well as the onset of the rainy season. In West Africa, the Company is seeing some improvements in tendering opportunities although the Ebola outbreak has had and will continue to have an impact on productivity as governments tighten work conditions and import controls during the crisis while customers may consider delaying programs until later this year.

MANUFACTURING & WATER DRILLING - DANDO MANUFACTURING & HYDROFOR

Revenues for manufacturing in the second quarter 2014 were $2.2 million with a gross margin of 31.6% compared to revenues of $4.4 million with a gross margin of 14.6% in the second quarter 2013. Year-to-date 2014 revenues of $5.0 million with a gross margin of 18.3% compared to revenues of $8.3 million with a gross margin of 12.7% in 2013. During the first half of 2014, Dando delivered five terriers and 10 D type rigs (2000 - 4000) capacity, one S3.5 rig and 6 WaterTec6 rigs. Revenue for the latter two rigs were accounted for on a percentage of completion basis in 2013.

Revenues for Energold's water drilling joint venture (Hydrofor Togo) for the second quarter 2014 were $0.5 million with a gross margin of 15.5% compared to $0.3 million with a gross margin of 37.8% in the second quarter 2013. Year-to-date revenues for the first half of 2014 was $0.8 million with gross margin of 14.1% compared to $0.4 million with gross margin of 31.4% in 2013.

INDUSTRY OUTLOOK

Management continues to believe the difficult environment for mineral drilling with last through year-end and a recovery is expected to begin in mid-2015. Activity levels in some geographical areas have provided some encouraging signs although other factors including social, political, weather and health crises continue to create headwinds at this time. Notwithstanding, reserve replacement through exploration is expected to remain the preferred route for most senior miners, as acquisitions have become riskier and more costly over recent years.

The Company's energy business remains strong as oil prices remain at levels required to encourage new exploration and production. Management has been working on growing the business both overseas and in North America, especially during the summer months when activity levels in northern Canada are lower. Cost containment efforts in the energy division have led to gross margin improvements and while this process is ongoing, management continues to focus on winning new non-winter business to reduce seasonality.

The manufacturing business has been involved in a greater number of tender opportunities that should help increase output levels and sales to key African and South East Asian markets. Management expects the majority of Dando's sales to continue to come from the water drilling business where it holds a niche market position.

The Company remains well capitalized and maintains a strong balance sheet. With a global footprint across all continents and in approximately 25 countries, management continues to evaluate new expansion opportunities on a regular basis.

A conference call is planned for August 28, 2014 at 4:30 pm Eastern. Dial-in numbers are 416-640-5946 or 1-866-233-4585.

SUBSEQUENT EVENTS

On July 21, 2014, the Company issued three-year convertible debentures for a total amount of $13.5 million. The proceeds were used to repay the previous convertible debentures of $10.0 million with the remainder to be used for, but limited to, bolt-on acquisitions and other expansion opportunities.

In July 2014, the Board of Directors approved the final earnout payment of $2.8 million related to the 2011 acquisition of Bertram Drilling Corp. The settlement for this payment was agreed upon and expensed in December 2013; therefore, no amount was expensed for the period ending June 30, 2014. The earnout payment was composed of $1.8 million in cash and $1.0 million in shares of Energold. The recorded price of the share payment was $1.74 and the number of shares issued was 574,713.

Energold Drilling Corp. is a leading global specialty drilling company that services the mining, energy, water, infrastructure and manufacturing sectors in approximately 25 countries. Specializing in a socially and environmentally sensitive approach to drilling, Energold provides a comprehensive range of drilling services from early stage exploration to mine site operations for all commodity sectors, and has an established drill rig manufacturer, Dando Drilling International Ltd., based in the United Kingdom. Energold also holds 6.98 million shares of Impact Silver Corp., a silver producer in Mexico.

On behalf of the Directors of Energold Drilling Corp.,

Frederick W. Davidson

President, CEO

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