

CanElson Announces Third Quarter Results, Its 2015 Capital Program and Declares Quarterly Dividend

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CALGARY, ALBERTA--(Marketwired - Nov 6, 2014) - [CanElson Drilling Inc.](#) (TSX:CDI) announces its financial results for the third quarter compared to a year earlier, announces its 2015 capital program, and declares a third quarter dividend of \$0.06 per share.

THIRD QUARTER 2014 SUMMARY (compared with a year earlier)

- Services revenue of \$89.9 million, up 36% from \$66.2 million
- Adjusted EBITDA of \$27.7 million, up 20% from \$23.1 million, excluding Adjusted EBITDA from our joint venture equity investment in DCM of nil (2013: Adjusted EBITDA of \$1.2 million)
- Income attributable to shareholders of the Corporation \$11.1 million, up 14% from \$9.8 million
- EPS (diluted) of \$0.12, unchanged
- Weighted average diluted shares outstanding 93.3 million, up 11% from 84.2 million
- Declared third quarter dividend of \$0.06 per share, same as the prior year
- Canadian utilization of 66% (1.44 times industry average), up 20% from 55%
- US utilization of 85%, up 8% from 79%

NINE MONTHS ENDED 2014 SUMMARY (compared with a year earlier)

- Services revenue of \$249.0 million, up 42% from \$175.9 million
- Adjusted EBITDA of \$75.8 million, up 27% from \$59.6 million (excludes Adjusted EBITDA from our joint venture equity investment in DCM of \$5.6 million (2013: \$2.1 million))
- Income attributable to shareholders of the Corporation \$31.7 million, up 27% from \$25.0 million
- EPS (diluted) of \$0.34, up 10% from \$0.31
- Weighted average diluted shares outstanding 93.1 million, up 17% from 79.9 million
- Canadian utilization of 60% (1.37 times industry average), up 25% from 48%
- US utilization of 82%, unchanged

Third quarter Canadian utilization (spud to rig release days) of 66% was 1.44 times the industry average utilization level of 46% and 1.20 times our Q3 2013 utilization level of 55%. We credit our modern drilling fleet and our continued focus on working with our partners to find operating efficiencies as significant contributors to our outperformance in this operating region. In the US, utilization of 85% was up 8% year-over-year as a result of strong seasonal results in North Dakota and an increased emphasis on reducing non-productive time. Operations in Mexico were in transition in the third quarter; one drilling rig remained inactive and the second rig was mobilized to the Miquetla block of Chicontepec and began operations early in Q4 2014. CanGas reported record results in the third quarter, with EBITDA of \$1.2 million, reflecting organizational and operational changes that were made earlier in the year.

For the first nine months ended September 30, 2014, Canadian utilization (spud to rig release days) was 60%, 1.37 times the average industry utilization level of 44%. Furthermore, 93% of the Canadian drilling rig fleet is committed through the winter drilling season and 43% of the fleet is under long-term contract at the time of this press release. In the US, utilization of 82% was flat year-over-year. At the time of this press release 100% of the US drilling rig fleet is committed to customers, with 35% under long-term contract.

Fleet deployment (by rigs)

| | Alberta /BC | Saskatchewan /Manitoba | Texas | North Dakota | Mexico Drilling | Mexico Service | Total |
|-----------------------|----------------|---------------------------|------------------|-----------------|--------------------|-------------------|----------------|
| At September 30, 2014 | 15 (net 15) | 13 (net 11.5) | 14 (net 12.5) | 6 (net 6) | 2 (net 1) | 2 (net 1) | 52 (net 47) |
| At December 31, 2013 | 16 (net 16) | 13 (net 11.5) | 12 (net 10.5) | 5 (net 5) | 2 (net 1) | 2 (net 1) | 50 (net 45) |

| Change % | (6)% | Unchanged | 17% | 20% | Unchanged | Unchanged | 4% |
|-------------------------------|-------------|------------------------|-------|--------------|-----------------|----------------|-------|
| Gross fleet deployment (by %) | | | | | | | |
| | Alberta /BC | Saskatchewan /Manitoba | Texas | North Dakota | Mexico Drilling | Mexico Service | Total |
| At September 30, 2014 | 29% | 25% | 27% | 11% | 4% | 4% | 100% |
| At December 31, 2013 | 32% | 26% | 24% | 10% | 4% | 4% | 100% |

OUTLOOK

Drilling Services

During the first nine months of 2014, CanElson generated higher consolidated activity levels than the comparative period, due to a higher US weighting, relatively strong seasonal activity in Canada and overall growth in the drilling rig fleet. Our strategy is to be measurably more efficient in order to reduce well costs for our customers and has uniquely positioned CanElson to sustain relatively strong profitability during the full drilling industry cycle. While a sustained decline in commodity prices will result in a reduction to activity levels and revenue rates, we view the current commodity price instability as an opportunity to further differentiate ourselves from our peers, as demonstrated efficiency in the drilling process and cost saving programs will become even more relevant to our customers.

We are confident in our ability to source skilled personnel to crew our growing drilling rig fleet, and to maintain the quality and performance that our customers have grown to expect. We continue to be an employer of choice, due in part to a relentless focus on safety, an employee stock participation program, and a growing rig fleet that fosters career advancement opportunities. Our human resources program to attract, retain, orient, train, and develop personnel, which will require an investment of approximately \$2 million over the next twelve months, is producing results, with essentially all positions on our next two rig deployments (Rig #49 and Rig #103) now filled.

Canada - Alberta & British Columbia

During the third quarter of 2014, base drilling rig rate pricing levels remained flat sequentially as a result of sustained demand for drilling rigs capable of efficiently drilling horizontal wells. Subsequent to the end of the third quarter, pricing levels have increased modestly to accommodate an increase in labour rates. In Q4 2014, CanElson will deploy an AC tele-double drilling rig to British Columbia, under a long term contract with an existing customer.

Canada - Saskatchewan & Manitoba

During the third quarter of 2014, activity levels were negatively impacted in September by wet weather conditions. However, we are expecting improved utilization levels throughout the winter drilling season in Saskatchewan. Drilling rig rate pricing levels remained flat sequentially, and subsequent to the end of the third quarter, pricing levels have increased modestly to accommodate an increase in labour rates. CanElson's rig fleet is positioned to take advantage of deeper horizons which are being targeted in the region, with one tele-double drilling rig having drilled to 6,300 meters (~20,700 feet) subsequent to the end of the third quarter.

United States - Texas

CanElson has 25% of its rig fleet focused on oil directed drilling in the Permian Basin in Texas, which will increase to 32% upon the completion of our announced build program, which includes four new drilling rigs to be added within the next twelve months. This is important in the context of mitigating our seasonality risk by deploying assets in areas with year-round operations and underlying strong economics for our customers. Our success to date in this area has largely been the result of our operating efficiencies, coupled with performance-based contract options that deliver

reduced customer well costs. The shift to horizontal drilling in the Permian Basin has allowed CanElson to further differentiate itself with its tele-double service offering, and the addition of two triple drilling rigs in 2015

will allow us to expand our service offering to higher pressure areas of the Basin.

United States - North Dakota

During the third quarter, one of our mechanical tele-doubles has pushed the boundaries of what this rig design is capable of in the US Bakken play, by consistently drilling to total measured depths of greater than 5,500 meters (~18,000 feet), including one well greater than 6,000 meters (~20,000 feet). We believe that growth in this area is due to our ability to execute, and our track record of operating efficiency, which has resulted in reduced drilling times and lower overall well costs.

Mexico

Our Mexican operations were in transition during the third quarter of 2014, as the rate of wells drilled in the Ebano block throughout the first half of 2014 significantly outpaced the budgeted number of wells and the associated production from these wells exceeded the regional infrastructure capacity to handle this production. As a result, one drilling rig was temporarily inactive and the other was mobilized from the Ebano block to the Miquetla block of Chicontepec. The drilling rig mobilized to the Miquetla block commenced drilling early in the fourth quarter of 2014, and the remaining rig in the Ebano block is expected to commence operations in the first half of 2015. Going forward we believe that our historical performance and alignment with an experienced and strong local partner (Grupo Diavaz, with 40+ years of experience serving PEMEX) positions DCM to expand its range of services if Mexico's current energy sector reform results in increased demand for drilling rigs.

Rig Assembly

CanElson has signed five drilling rigs to long-term contracts with existing customers, including three previously under construction and two additional new build mechanical heavy duty telescopic doubles ("tele-doubles"). Based on existing customer contracts, CanElson's 2014 and 2015 investment and deployment of new rig builds has been or is expected to be as follows:

- Rig #44 (tele-double): Committed to a long-term contract and delivered to British Columbia in January 2014.
- Rig #45 (tele-double): Committed to a long-term contract and delivered to Texas in April 2014.
- Rig #46 (tele-double): Committed to a long-term contract and delivered to Texas in August 2014.
- Rig #49 (Alternating Current Electric (AC) tele-double): Committed to a long-term contract and expected to commence operations in British Columbia in Q4 2014.
- Rig #103 (AC triple): Committed to a long-term contract and expected to commence operations in Texas in Q1 2015.
- Rig #104 (AC triple): Committed to a long-term contract and expected to commence operations in Texas in Q3 2015.
- Rig #47 (tele-double): Committed to a long-term contract and expected to commence operations in Texas in Q3 2015.
- Rig #48 (tele-double): Committed to a long-term contract and expected to commence operations in Texas in Q4 2015.

The four drilling rigs that are to be deployed to the Permian Basin of Texas will work year round. In order to accommodate specific customer and geographic requirements, two of these rigs (Rig #103 and Rig #104) are expected to commence operations in Q1 2015 and Q3 2015, respectively.

CanGas Solutions Inc.

Third quarter financial results for CanGas are beginning to reflect organizational and operational changes that were made earlier in the year. Demand for our services continues to grow, and we expect to continue investing in our fleet of truck-hauled CNG delivery trailers and compressors. For more information about our investment plan see the *Capital Availability and Capital Program* below.

Capital Availability and Capital Program

CanElson has approximately \$73 million of available capacity on existing credit facilities to fund its capital programs and take advantage of strategic opportunities. Funds flow continues to be strong and fully supports our current quarterly dividend rate of \$0.06 per share as well as a majority of the expected 2014 capital investment program, with the remaining amount being funded through cash flow and existing credit facilities.

2015 Capital Program

| | Drilling Services | | | | | |
|--|--|---------------------------|-----------|--------|---------|--|
| | Spare equipment facility & overhead | Upgrades & maintenance | Expansion | CanGas | Total | |
| Capital Expenditures | | | | | | |
| Total approved 2015 capital expenditures | \$ 8.1 | \$ 19.8 | \$ 34.3 | \$ 1.7 | \$ 63.9 | |

2015 expansion capital is for the completion of additional new drilling rig builds (see *Rig Assembly* in the *Outlook*), additional components on selected drilling rigs, various other critical maintenance items and rig equipment upgrades. Approximately \$11 million of the 2015 capital program is carried forward from the 2014 capital program.

2014 Capital Program

| | Drilling Services | | | | | | | | | |
|---|--|--------|---------------------------|--------|-----------|--------|--------|-------|----|--------|
| | Spare equipment facility & overhead | | Upgrades & maintenance | | Expansion | | CanGas | Total | | |
| Capital Expenditures | | | | | | | | | | |
| Capital expenditures for the nine months ended September 30, 2014 | \$ | 2.9 | \$ | 20.2 | \$ | 47.7 | \$ | 4.3 | \$ | 75.1 |
| Anticipated capital expenditures for the balance of 2014 | | 1.8 | | 7.9 | | 16.1 | | 0.5 | | 26.3 |
| Total expected 2014 capital expenditures | \$ | 4.7 | \$ | 28.1 | \$ | 63.8 | \$ | 4.8 | \$ | 101.4 |
| Previously anticipated 2014 capital expenditures (i) | \$ | 6.3 | \$ | 28.7 | \$ | 71.8 | \$ | 2.3 | \$ | 109.1 |
| Variance from previously anticipated 2014 capital expenditures | \$ | (1.6) | \$ | (0.6) | \$ | (8.0) | \$ | 2.5 | \$ | (7.7) |

(i) Refer to our MD&A dated May 14, 2014

2014 expansion capital is for the completion of additional new drilling rig builds (see *Rig Assembly* in the *Outlook*). Year to date, CanElson has spent \$75.1 million, including \$1.5 million in capitalized interest. Total expected capital expenditures for 2014 have decreased by \$7.7 million to \$101.4 million, primarily due to deferral of various upgrade and maintenance items, as well as capital expenditures related to Rig #104.

Primary Corporate Objective

CanElson's primary objective is to maintain and strengthen its above industry average utilization by consistently providing operational excellence and drilling efficiencies to its customers. Subject to securing suitable customer commitments, we intend to carry out the following activities to further enhance our competitive positioning:

- Continue to expand our modern drilling rig fleet in Canada and the United States.
- Continue to form innovative long-term business relationships.
- Continue growth through strategic acquisitions.
- Provide customers with lower overall well costs.

DIVIDEND

On November 5, 2014, the Board of Directors approved a quarterly dividend of \$0.06 per share to be paid on December 5, 2014 to shareholders of record at the close of business on November 26, 2014. The ex-dividend date is November 24, 2014.

FINANCIAL SUMMARY

(Tabular amounts are stated in thousands of Canadian dollars, except per share amounts and rig operating

days)

| | For the three months ended September 30, | | | For the nine months ended September 30, | | |
|--|--|-----------|----------|---|------------|----------|
| | 2014 | 2013 | % change | 2014 | 2013 | % change |
| Services revenue | \$ 89,933 | \$ 66,155 | 36% | \$ 248,976 | \$ 175,931 | 42% |
| Adjusted EBITDA | \$ 27,711 | \$ 23,060 | 20% | \$ 75,788 | \$ 59,551 | 27% |
| Share of profit unconsolidated joint venture | \$ 625 | \$ 586 | 7% | \$ 2,874 | \$ 1,100 | 161% |
| Net income attributable to shareholders of the Corporation | \$ 11,102 | \$ 9,767 | 14% | \$ 31,740 | \$ 24,972 | 27% |
| Net income per share | | | | | | |
| Basic | \$ 0.12 | \$ 0.12 | -% | \$ 0.34 | \$ 0.32 | 6% |
| Diluted | \$ 0.12 | \$ 0.12 | -% | \$ 0.34 | \$ 0.31 | 10% |
| Cash dividends per share | \$ 0.06 | \$ 0.06 | -% | \$ 0.12 | \$ 0.12 | -% |
| Funds flow | \$ 27,594 | \$ 23,081 | 20% | \$ 75,779 | \$ 58,463 | 30% |
| Gross Margin | \$ 34,692 | \$ 28,225 | 23% | \$ 95,775 | \$ 74,201 | 29% |
| Weighted average diluted share outstanding | \$ 93,299 | \$ 84,197 | 11% | \$ 93,076 | \$ 79,857 | 17% |

CANELSON DRILLING INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | September 30, December 31, | |
|--|----------------------------|------------|
| (Unaudited, Stated in thousands of Canadian dollars) | 2014 | 2013 |
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 10,915 | \$ 6,402 |
| Trade and other receivables | 61,120 | 65,055 |
| Prepaid expenses and deposits | 704 | 1,693 |
| Current income tax asset | - | 6,020 |
| Total current assets | 72,739 | 79,170 |
| Property and equipment | 477,666 | 422,257 |
| Deferred tax assets | 555 | 749 |
| Other intangible assets | 1,784 | 1,872 |
| Investment in unconsolidated joint venture | 10,000 | 7,062 |
| Goodwill | 35,696 | 35,696 |
| Total assets | \$ 598,440 | \$ 546,806 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Trade payables and accrued liabilities | \$ 29,859 | \$ 26,720 |
| Deferred revenue | 442 | 1,532 |
| Loans and borrowings | 7,607 | 17,163 |
| Total current liabilities | 42,966 | 45,415 |
| Deferred revenue | 859 | 1,450 |
| Loans and borrowings | 46,788 | 24,608 |
| Deferred tax liabilities | 63,948 | 56,423 |
| Total liabilities | 154,561 | 127,896 |
| Equity: | | |
| Share capital | 305,684 | 301,439 |
| Employee benefit reserve | 5,290 | 4,406 |
| Foreign currency translation reserve | 14,254 | 8,791 |
| Retained earnings | 96,214 | 81,110 |
| Equity attributable to shareholders of the Corporation | 421,442 | 395,746 |
| Equity attributable to non-controlling interest | 22,437 | 23,164 |
| Total equity | 443,879 | 418,910 |
| Total liabilities and equity | \$ 598,440 | \$ 546,806 |

CANELSON DRILLING INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Three months ended June 30, | | Six months ended June 30, | |
|--|-----------------------------|------|---------------------------|------|
| (Unaudited, Stated in thousands of Canadian dollars - except per share data) | 2014 | 2013 | 2014 | 2013 |

| | | | | | | | | |
|---|----|--------|----|----------|----|---------|----|---------|
| Services revenue | \$ | 89,933 | \$ | 37,499 | \$ | 248,976 | \$ | 175,931 |
| Cost of sales: | | | | | | | | |
| Other direct operating expenses | | 55,241 | | 23,920 | | 153,201 | | 101,730 |
| Depreciation and amortization | | 8,925 | | 3,905 | | 23,564 | | 15,693 |
| Stock based compensation | | 204 | | 118 | | 602 | | 427 |
| Total cost of sales | | 64,370 | | 27,943 | | 177,367 | | 117,850 |
| Total gross profit | | 25,563 | | 9,556 | | 71,609 | | 58,081 |
| Expenses: | | | | | | | | |
| Administration expenses | | 6,981 | | 4,543 | | 19,987 | | 14,650 |
| Stock based compensation | | 398 | | 303 | | 1,120 | | 912 |
| Foreign exchange loss (gain) | | 440 | | 249 | | 804 | | 411 |
| Total expenses | | 7,819 | | 5,095 | | 21,911 | | 16,165 |
| Share of unconsolidated joint venture profits | | 625 | | 476 | | 2,874 | | 1,100 |
| Income before interest and taxes | | 18,369 | | 4,937 | | 52,572 | | 43,016 |
| Interest expense | | 73 | | 427 | | 377 | | 1,333 |
| Income before income tax | | 18,296 | | 4,510 | | 52,195 | | 41,683 |
| Current tax expense (recovery) | | 4,928 | | (1,578) | | 7,331 | | 1,074 |
| Deferred tax expense | | 617 | | 2,851 | | 8,416 | | 10,961 |
| | | 5,545 | | 1,273 | | 15,747 | | 12,035 |
| Net income | \$ | 12,751 | \$ | 3,237 | \$ | 36,448 | \$ | 29,648 |
| Other comprehensive income | | | | | | | | |
| Foreign currency translation differences for foreign operations | | 6,978 | | 4,209 | | 5,670 | | 3,606 |
| Share of unconsolidated joint venture translation differences | | (51) | | 193 | | 64 | | (52) |
| Total comprehensive income | \$ | 19,678 | \$ | 7,639 | \$ | 42,182 | \$ | 33,202 |
| Income attributable to: | | | | | | | | |
| Shareholders of the Corporation | \$ | 11,102 | \$ | 9,767 | \$ | 31,740 | \$ | 24,972 |
| Non-controlling interest | | 1,649 | | 1,367 | | 4,708 | | 4,676 |
| | \$ | 12,751 | \$ | 11,134 | \$ | 36,448 | \$ | 29,648 |
| Total comprehensive income attributable to: | | | | | | | | |
| Shareholders of the Corporation | \$ | 17,362 | \$ | 6,669 | \$ | 37,203 | \$ | 27,546 |
| Non-controlling interest | | 2,316 | | 970 | | 4,979 | | 5,656 |
| | \$ | 19,678 | \$ | 7,639 | \$ | 42,182 | \$ | 33,202 |
| Income per share: | | | | | | | | |
| Basic | \$ | 0.12 | \$ | 0.02 | \$ | 0.22 | \$ | 0.32 |
| Diluted | \$ | 0.12 | \$ | 0.02 | \$ | 0.22 | \$ | 0.31 |

NON-GAAP MEASURES

This MD&A contains references to Adjusted EBITDA, funds flow, gross margin, and effective tax rate to shareholders of the Corporation. These financial measures are not measures that have any standardized meaning prescribed by IFRSs and are therefore referred to as non-GAAP measures. The non-GAAP measures used by CanElson may not be comparable to similar measures used by other companies.

Adjusted EBITDA is defined as income (loss) before interest, taxes, business acquisition transaction costs, depreciation and amortization, stock based compensation expense, gains on disposal of property and equipment, foreign exchange and share of unconsolidated joint venture profits. Adjusted EBITDA includes 100% of revenue and expenses from controlled entities where the Corporation holds less than 100% of the outstanding shares. Management believes that, in addition to net and total comprehensive income (loss), Adjusted EBITDA is a useful supplemental measure as it provides an indication of the results generated by CanElson's principal business activities prior to consideration of how these activities are financed, how the results are taxed in various jurisdictions, or how the results are effected by the accounting standards associated with CanElson's stock based compensation plan. For the calculation of DCM Adjusted EBITDA, see the *Summary of Selected Quarterly Results for the Unconsolidated Joint Venture (DCM)* section.

| | For the three months ended September 30, | | | For the nine months ended September 30, | | |
|----------------------------|--|-----------|----------|---|-----------|----------|
| | 2014 | 2013 | % change | 2014 | 2013 | % change |
| Net Income | \$ 12,751 | \$ 11,498 | 11 % | \$ 36,448 | \$ 29,648 | 23 % |
| Interest Expense | 73 | 389 | (81)% | 377 | 1,333 | (72)% |
| Current and Deferred Taxes | 5,545 | 5,102 | 9 % | 15,747 | 12,035 | 31 % |
| Depreciation expense | 8,925 | 6,174 | 45 % | 23,564 | 15,693 | 50 % |

| | | | | | | |
|--|-----------|-----------|-------|-----------|-----------|-------|
| EBITDA | 27,294 | 23,163 | 18 % | 76,136 | 58,709 | 30 % |
| Business acquisition and transaction cost | - | 192 | nm | - | 192 | nm |
| Stock based compensation expense | 602 | 433 | 39 % | 1,722 | 1,339 | 29 % |
| Share of profit unconsolidated joint venture | (625) | (586) | 7 % | (2,874) | (1,100) | 161 % |
| Foreign exchange (recovery) losses | 440 | (142) | 410 % | 804 | 411 | 96 % |
| Adjusted EBITDA | \$ 27,711 | \$ 23,060 | 20 % | \$ 75,788 | \$ 59,551 | 27 % |

nm - calculation is not meaningful

Funds flow from operations is defined as cash provided by operating activities before changes in non-cash working capital. Funds flow from operations is a measure that provides shareholders and potential investors with additional information regarding CanElson's liquidity and its ability to generate funds to finance its operations, fund investing activities and support dividend payments. Management utilizes this measurement to assess CanElson's ability to finance operating activities and capital expenditures.

| | For the three months ended September 30, | | | For the nine months ended September 30, | | |
|----------------------------|--|-----------|----------|---|-----------|----------|
| | 2014 | 2013 | % change | 2014 | 2013 | % change |
| Operating cash flow | \$ 23,424 | \$ 7,080 | 231 % | \$ 81,213 | \$ 59,177 | 37% |
| Income taxes paid | (1,827) | - | nm | (1,141) | - | nm |
| Changes in working capital | 5,997 | 16,001 | (63)% | (4,293) | (714) | 501% |
| Funds flow | \$ 27,594 | \$ 23,081 | 20% | \$ 75,779 | \$ 58,463 | 30% |

nm - calculation is not meaningful

Gross margin is defined as "gross profit from services revenue before stock based compensation and depreciation". Gross margin is a measure that provides shareholders and potential investors additional information regarding CanElson's cash generating operating performance. Management utilizes this measurement to assess CanElson's operating performance.

| | For the nine months ended September 30, | | | For the nine months ended September 30, | | |
|----------------------------------|---|-----------|----------|---|-----------|----------|
| | 2014 | 2013 | % change | 2014 | 2013 | % change |
| Gross profit | \$ 25,563 | \$ 21,885 | 17% | \$ 71,609 | \$ 58,081 | 23% |
| Depreciation expense | 8,925 | 6,174 | 45% | 23,564 | 15,693 | 50% |
| Stock based compensation expense | 204 | 166 | 23% | 602 | 427 | 41% |
| Gross margin | \$ 34,692 | \$ 28,225 | 23% | \$ 95,775 | \$ 74,201 | 29% |

Effective tax rate to the shareholders of the corporation is defined as "income tax expense divided by the sum of net income to the shareholders of the corporation and income tax expense". Management utilizes this measurement to determine expected income tax expense to the Corporation's shareholders.

STANDARD INDUSTRY DEFINITIONS

In addition to the non-GAAP measures listed above, we use a number of industry and other terms in this press release which are described below:

Drilling rigs are categorized as singles, doubles, or triples based on the number of connected segments or "joints" of drill pipe that can be handled as a "stand" in the mast. Taller masts (e.g. triples) generally correspond to greater drilling depth capacities. We often refer to many of our rigs as tele-doubles - "tele" is short for telescoping, which refers to a design featuring an upper section of the mast that nests inside the lower section for transport and telescopes to full operating height to handle two-joint stands while drilling. Drilling rigs are also categorized as mechanical or AC electric, which refers to the method by which the hoisting and pumping equipment are powered.

CanElson presents its activity levels on a drilling day basis, and sources its utilization statistics from the Canadian Association of Oilwell Drilling Contractors ("CAODC"), which measures drilling rig utilization based on spud to rig release dates. Moving, rig up, and tear down time are excluded, although revenue may be earned during these times.

Revenue per operating day is calculated as total segment revenue divided by the number of drilling days (spud to rig release) and is not indicative of our drilling rig rates.

FORWARD LOOKING INFORMATION

This press release contains forward-looking information pertaining to: our experience in drilling risk management will result in higher gross margins for footage contracts than day rate contracts; our belief that our strategy of being measurably more efficient has uniquely positioned us to sustain relatively strong profitability during the full drilling industry cycle; our expectation that we will see further opportunities for expansion in Texas; our expectation to invest \$2 million to train and develop our personnel over the next twelve months; our expectation for improved utilization levels throughout the winter drilling season in Saskatchewan; our performance and partner relationships in Mexico provides an opportunity for DCM to expand in the region; the construction and deployment of additional rigs in 2014 and 2015; our 2014 and 2015 capital program; our primary corporate objectives; expected commencement of drilling by DCM in the Ebano block in the first half of 2015; and expected payment date of the third quarter dividend of \$0.06 per share. This forward-looking information involves material assumptions and known and unknown risks and uncertainties, including the risks set out under "Risks and Uncertainties", certain of which are beyond CanElson's control. CanElson's Annual Information Form and other documents filed with securities regulatory authorities (accessible through the SEDAR website www.sedar.com) describe the other risks, the material assumptions and other factors that could influence actual results and which are incorporated herein by reference. Actual results, performance or achievements could differ materially from those expressed in, or implied by, this forward-looking information and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits CanElson will derive therefrom. The forward-looking information is made as at the date of this press release and CanElson does not undertake any obligation to update publicly or to revise any of the included forward-looking information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

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