

Orbit Garant Drilling Reports Fiscal 2019 Fourth Quarter and Year-End Financial Results

18.09.2019 | [CNW](#)

Fourth quarter revenue in line with record level a year ago

VAL-D'OR, Sept. 18, 2019 - [Orbit Garant Drilling Inc.](#) (TSX: OGD) ("Orbit Garant" or the "Company") today announced its financial results for the fourth quarter and fiscal year ended June 30, 2019. All dollar amounts are in Canadian dollars unless otherwise stated. Percentage calculations are based on numbers in the financial statements and may not correspond to rounded figures presented in this news release.

Financial Highlights

(\$ amounts in millions, except per share amounts)	Three months ended June 30, 2019	Three months ended June 30, 2018	12 months ended June 30, 2019	12 months ended June 30, 2018
Revenue	\$44.4	\$44.5	\$152.8	\$173.1
Gross Profit	\$4.7	\$7.5	\$16.3	\$21.5
Gross Margin (%)	10.6	16.8	10.7	12.4
Adjusted Gross Margin (%) ¹	15.8	21.2	16.4	17.0
EBITDA ²	\$2.6	\$5.5	\$8.3	\$14.7
Net earnings (loss)	\$(0.8)	\$3.3	\$(3.5)	\$4.5
Net earnings (loss) per share				
- Basic and diluted	\$(0.02)	\$0.09	\$(0.09)	\$0.12
Total metres drilled	438,582	383,152	1,427,587	1,537,212

¹ Adjusted Gross Margin is a non-IFRS financial measure and is defined as Gross Profit excluding depreciation expenses. See "Reconciliation of Non-IFRS financial measures".

² EBITDA is a non-IFRS financial measure and is defined as earnings before interest, taxes, depreciation, and amortization. See "Reconciliation of Non-IFRS financial measures".

"We are pleased by our revenue performance in the fourth quarter, as we were just slightly below our record quarterly revenue in the corresponding period a year ago. We are seeing increasing demand for drilling services in Canada. While our International drilling revenue declined in the quarter due to the conclusion of a large multi-year contract in Chile at the beginning of the period, we are encouraged by our new projects in Chile, Argentina, Burkina Faso and Ghana, which nearly offset this impact. In addition, our expansion in Burkina Faso through the acquisition of the drilling business of PPI during the second quarter of Fiscal 2019 has strengthened our platform for growth in West Africa, and we are seeing good opportunities in that market," said Eric Alexandre, President and CEO of Orbit Garant. "Our decline in gross margins for the quarter reflects lower productivity levels on certain contracts in Canada, the rapid ramp up on new and existing projects in Canada, and the conclusion of the large contract in Chile."

"Looking ahead, we are encouraged by the pick-up in customer demand, particularly in Canada, which is supported by the recent rally in the price of gold. With approximately 70% of our revenue generated from gold related projects, and a strong presence in Canada and other leading gold producing jurisdictions, we

are well positioned to benefit from demand growth."

Fourth Quarter Results

Revenue for the three-month period ended June 30, 2019 ("Q4 FY2019") declined slightly to \$44.4 million from \$44.5 million in the three-month period ended June 30, 2018 ("Q4 FY2018"). Drilling Canada revenue of \$31.6 million was 3.9% higher than the corresponding Q4 FY2018 level, reflecting increased specialized drilling activity, which is typically charged at a higher rate. International revenue decreased 9.2% to \$12.8 million, compared to \$14.1 million in the year-earlier period. The decrease was primarily attributable to lower revenue in Chile due to the completion of a multi-year drilling contract at the beginning of Q4 FY2019, partially offset by new drilling projects in Chile, Argentina, Burkina Faso and Ghana.

Orbit Garant drilled a total of 438,582 metres in Q4 FY2019, a 14.5% increase from the 383,152 metres drilled in Q4 FY2018. The Company's average revenue per metre drilled in Q4 FY2019 decreased to \$101.01, compared to \$115.69 in Q4 FY2018. This decrease in average revenue per metre drilled was attributable to a lower proportion of higher-priced specialized drilling activity in the International drilling segment.

Gross profit for Q4 FY2019 decreased to \$4.7 million, or 10.6% of revenue, compared to \$7.5 million, or 16.8% of revenue, in Q4 FY2018. Depreciation expenses totalling \$2.3 million are included in the cost of contract revenue for Q4 FY2019, compared to \$2.0 million in Q4 FY2018. Adjusted gross margin, excluding depreciation expenses, was 15.8% in Q4 FY2019, compared to adjusted gross margin of 21.2% in Q4 FY2018. The reductions in gross profit, gross margins, and adjusted gross margins were primarily attributable to lower productivity levels on certain contracts in Canada, as well as lower productivity levels resulting from the rapid ramp up of new and existing drilling projects in Canada and the conclusion of the large contract in Chile.

General and administrative ("G&A") expenses were \$4.4 million, or 9.8% of revenue, in Q4 FY2019, compared to \$3.8 million, or 8.6% of revenue, in Q4 FY2018. G&A expenses in Q4 FY2019 included \$0.2 million of acquisition and integration costs related to the Company's acquisition of the drilling business of Projet Production International BF S.A. ("PPI") based in Burkina Faso in the second quarter of Fiscal 2019 ("Q2 FY2019").

Earnings (loss) before interest, taxes, depreciation and amortization ("EBITDA") totalled \$2.6 million in Q4 FY2019, compared to \$5.5 million in Q4 FY2018, reflecting the lower productivity in Canada and lower proportion of specialized drilling in International, as noted above. The Company incurred a net loss for Q4 FY2019 of \$0.8 million, or \$0.02 per share, compared to net earnings of \$3.3 million, or \$0.09 per share, in Q4 FY2018.

Fiscal 2019 Results

Revenue in Fiscal 2019 totalled \$152.8 million, a decrease of 11.7%, from the record \$173.1 million in revenue in Fiscal 2018. Drilling Canada revenue was \$109.5 million in Fiscal 2019, a decrease of 9.4%, compared to \$120.9 million in Fiscal 2018. The decrease was primarily attributable to a decline in metres drilled. International revenue totalled \$43.3 million in Fiscal 2019, compared to \$52.2 million in Fiscal 2018, a decrease of 17.0%. International includes \$26.1 million in revenues from Chile, compared to \$41.6 million in Fiscal 2018. The decrease in International revenue was primarily attributable to the conclusion of a large drilling contract in Chile during the third quarter of Fiscal 2018, and the conclusion of an additional multi-year drilling contract in Chile at the beginning of the fourth quarter of Fiscal 2019. The decline was partially offset by an increase in drilling activity in Burkina Faso, attributable to the acquisition of the drilling business of PPI in Q2 FY2019 and new projects in Argentina and Ghana.

Orbit Garant drilled 1,427,587 metres in Fiscal 2019, a 7.1% decrease from the record 1,537,212 metres drilled in Fiscal 2018. The Company's average revenue per metre drilled in Fiscal 2019 was \$106.74, a decrease of 4.9% from \$112.29 in Fiscal 2018. The decrease was primarily attributable to a lower proportion of specialized International drilling activity, which is priced at a higher rate than conventional drilling.

Gross profit for Fiscal 2019 was \$16.3 million, compared to \$21.5 million in Fiscal 2018. Gross margin was 10.7% compared to 12.4% in Fiscal 2018. Depreciation expenses totalling \$8.8 million were included in cost of contract revenue for Fiscal 2019, compared to \$7.9 million in Fiscal 2018. Adjusted gross margin, excluding depreciation expenses, was 16.4% in Fiscal 2019, compared to 17.0% in Fiscal 2018. The

decreases in gross profit, gross margin and adjusted gross margin were primarily attributable to lower overall drilling volume in Canada, partially offset by improved gross profit and margins in International operations, as the Company concluded a large non-profitable drilling contract in Chile during Q3 FY2018, and benefitted from increased drilling activities in Burkina Faso.

G&A expenses were \$17.3 million, or 11.3% of revenue, in Fiscal 2019, compared to \$15.8 million, or 9.1% of revenue, in Fiscal 2018. The increase was primarily attributable to \$1.1 million of acquisition and integration costs related to the acquisition of the drilling business of PPI in Q2 FY2019.

EBITDA totalled \$8.3 million, or 5.4% of revenue, in Fiscal 2019, compared to \$14.7 million, or 8.5% of revenue, in Fiscal 2018. The decline in EBITDA was primarily attributable to lower drilling volumes in Canada and to \$1.1 million of acquisition and integration costs related to the acquisition of the drilling business of PPI in Q2 FY2019.

The Company's net loss for Fiscal 2019 was \$3.5 million, or \$0.09 per share, compared to net earnings of \$4.5 million, or \$0.12 per share, in Fiscal 2018. Lower gross profit and margins, as discussed above, contributed to the Company's net loss for Fiscal 2019. The Company's net loss for Fiscal 2019 also included \$1.1 million of acquisition and integration costs, before income taxes, related to the acquisition of the drilling business of PPI in Q2 FY2019 (or \$0.8 million of acquisition and integration costs, net of income taxes).

During Fiscal 2019, Orbit Garant generated \$10.3 million from financing activities, compared to \$3.2 million in Fiscal 2018. The Company withdrew a net amount of \$7.2 million during Fiscal 2019 on its secured, three-year revolving credit facility (the "Credit Facility") with National Bank of Canada Inc. (the "Lender"), compared to a withdrawal of \$4.5 million in Fiscal 2018. The Company's long-term debt under the Credit Facility, including the current portion, was \$25.3 million as at June 30, 2019, compared to \$18.1 million as at June 30, 2018. The Company's debt was incurred to support working capital requirements, the financing of the acquisition of certain assets of PPI in Q2 FY2019 and the acquisition of capital assets, property, plant and equipment.

As at June 30, 2019, the Company's working capital was \$55.1 million (\$53.3 million as at June 30, 2018) and 37,021,756 common shares were issued and outstanding.

Orbit Garant's audited consolidated financial statements and management's discussion and analysis for the fourth quarter and year ended June 30, 2019 are available via the Company's website at www.orbitgarant.com or SEDAR at www.sedar.com.

Conference call

Eric Alexandre, President and CEO, and Alain Laplante, Vice President and CFO, will host a conference call for analysts and investors on Thursday, September 19, 2019 at 10:00 a.m. (ET). The dial-in numbers for the conference call are 416-764-8609 or 1-888-390-0605. A live webcast of the call will be available on Orbit Garant's website at: <http://www.orbitgarant.com/en/sites/fog/investors.aspx>.

To access a replay of the conference call, dial 416-764-8677 or 1-888-390-0541, passcode: 480077 #. The replay will be available until September 26, 2019. The webcast will be archived following conclusion of the call.

RECONCILIATION OF NON - IFRS FINANCIAL MEASURES

Financial data has been prepared in conformity with IFRS. However, certain measures used in this discussion and analysis do not have any standardized meaning under IFRS and could be calculated differently by other companies. The Company believes that certain non-IFRS financial measures, when presented in conjunction with comparable IFRS financial measures, are useful to investors and other readers because the information is an appropriate measure to evaluate the Company's operating performance. Internally, the Company uses this non-IFRS financial information as an indicator of business performance. These measures are provided for information purposes, in addition to, and not as a substitute for, measures of financial performance prepared in accordance with IFRS.

EBITDA: Net earnings (loss) before interest, taxes, depreciation and amortization.

Adjusted gross profit and margin: Contract revenue less operating costs. Operating expenses comprise material and personnel expenses, and other operating expenses, excluding depreciation.

EBITDA

Management believes that EBITDA is an important measure when analyzing its operating profitability, as it removes the impact of financing costs, certain non-cash items and income taxes. As a result, Management considers it a useful and comparable benchmark for evaluating the Company's performance, as companies rarely have the same capital and financing structure.

Reconciliation of EBITDA

(unaudited) (in millions of dollars)	3 months ended June 30, 2019	3 months ended June 30, 2018	12 months ended June 30, 2019	12 months ended June 30, 2018	12 months ended June 30, 2017
Net earnings (loss) for the period	(0.8)	3.3	(3.5)	4.5	(5.9)
Add:					
Finance costs	0.6	0.4	2.1	1.7	1.0
Income tax expense (recovery)	0.2	(0.2)	(0.3)	(0.3)	(2.0)
Depreciation and amortization	2.6	2.0	10.0	8.8	9.6
EBITDA	2.6	5.5	8.3	14.7	2.7

Adjusted Gross Profit and Margin

Although adjusted gross profit and margin are not recognized financial measures defined by IFRS, Management considers them to be important measures as they represent the Company's core profitability, without the impact of depreciation expenses. As a result, Management believes they provide useful and comparable benchmarks for evaluating the Company's performance.

(unaudited) (in millions of dollars)	3 months ended June 30, 2019	3 months ended June 30, 2018	12 months ended June 30, 2019	12 months ended June 30, 2018	12 months ended June 30, 2017
Contract revenue	44.4	44.5	152.8	173.1	125.2
Cost of contract revenue (including depreciation)	39.7	37.1	136.5	151.6	117.1
Less depreciation	(2.3)	(2.0)	(8.8)	(7.9)	(8.7)
Direct costs	37.4	35.1	127.7	143.7	108.4
Adjusted gross profit	7.0	9.4	25.1	29.4	16.8
Adjusted gross margin (%) ⁽¹⁾	15.8	21.2	16.4	17.0	13.4

(1) Adjusted gross profit, divided by contract revenue X 100

About Orbit Garant

Headquartered in Val-d'Or, Quebec, Orbit Garant is one of the largest Canadian-based mineral drilling companies, providing both underground and surface drilling services in Canada and internationally through its 235 drill rigs and more than 1,300 employees. Orbit Garant provides services to major, intermediate and junior mining companies, through each stage of mining exploration, development and production. The Company also provides geotechnical drilling services to mining or mineral exploration companies, engineering and environmental consultant firms, and government agencies. For more information, please visit the Company's website at www.orbitgarant.com.

Forward-looking information

This news release may contain forward-looking statements (within the meaning of applicable securities laws) relating to business of [Orbit Garant Drilling Inc.](http://www.orbitgarant.com) (the "Company") and the environment in which it operates. Forward-looking statements are identified by words such as "believe", "anticipate", "expect", "intend", "plan", "will", "may" and other similar expressions. These statements are based on the Company's expectations, estimates, forecasts and projections. They are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. These risks and uncertainties are discussed in the Company's regulatory filings available at www.sedar.com. There can be no assurance that forward-looking statements will prove to be accurate as actual outcomes and results may differ materially from those expressed in these forward-looking statements. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made. The Company undertakes no obligation to publicly update any such statement or to reflect new information or the occurrence of future events or circumstances.

SOURCE [Orbit Garant Drilling Inc.](http://www.orbitgarant.com)

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/334726--Orbit-Garant-Drilling-Reports-Fiscal-2019-Fourth-Quarter-and-Year-End-Financial-Results.html>

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