

Orbit Garant Drilling Reports Fiscal 2020 Third Quarter Financial Results

16.06.2020 | [CNW](#)

Recent financing agreements with lenders provide enhanced flexibility

VAL-D'OR, June 15, 2020 - [Orbit Garant Drilling Inc.](#) (TSX: OGD) ("Orbit Garant" or the "Company") today announced its financial results for the three months ("Q3 FY 2020") and nine-month periods ended March 31, 2020. 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 March 31, 2020	Three months ended March 31, 2019	Nine months ended March 31, 2020	Nine months ended March 31, 2019
Revenue	\$36.0	\$37.4	\$117.6	\$108.4
Gross Profit	\$1.3	\$3.1	\$10.6	\$11.6
Gross Margin (%)	3.5	8.2	9.0	10.7
Adjusted Gross Margin (%) ¹	10.2	14.3	15.1	16.7
EBITDA ²	\$0.4	\$1.4	\$6.5	\$5.7
Net earnings (loss)	\$(3.4)	\$(1.4)	\$(4.6)	\$(2.7)
Net earnings (loss) per share				
- Basic and diluted	\$(0.09)	\$(0.04)	\$(0.12)	\$(0.07)
Total metres drilled	358,580	361,642	1,111,700	989,005

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".
 "The impact of COVID-19 on our operations was significant during the quarter, until we were impacted by the COVID-19 pandemic beginning in mid-March," said Eric Alexandre, President and CEO of Orbit Garant. "At that point, we began to reduce or suspend activity on projects due to government restrictions or customer decisions. In Quebec, we suspended all drilling between March 24 and April 20 as a result of a provincial government order. While we still managed to generate 13.7% revenue growth in our Canadian operations during the quarter, the abrupt slowdown in business activity had a significant impact on our financial results, attributable both to postponed customer drilling activity and one-time costs associated with temporary operational shutdowns. The month of March is typically an active time for winter drilling in Canada, and we were on track to generate year-over-year revenue growth during that period. We look forward to recapturing the lost business as we ramp our operations back up."

"In addition to the negative impact from COVID-19, our third quarter results were affected by high demobilization costs as we terminated two major contracts in Canada. Despite these impacts, we generated positive EBITDA in the quarter and drilled nearly as many metres as we did in Q3 last year, reflecting the

momentum in our business prior to the COVID-19 crisis," continued Mr. Alexandre. "We have also undertaken multiple initiatives to reduce costs and manage our liquidity position during the current period of reduced drilling activities. These include a significant reduction in capital expenditures, lower purchases of inventory items and a program to progressively reduce overall inventory levels. Importantly, we implemented these measures without impacting our ability to ramp up our business as market conditions improve. In addition, effective April 1, the management and directors agreed to take a temporary 15% reduction in their remuneration to further support the Company. "

"Our operations in Canada are now gradually ramping back up, and we expect drilling activity in our international jurisdictions to also increase gradually in the coming months," added Mr. Alexandre. "We continue to prioritize the health and safety of our employees and the communities in which we operate during this difficult period. While market conditions remain challenging, we expect to receive benefits related to the Canada Emergency Wage Subsidy program in our fiscal fourth quarter. We did not record any benefits from this program in our third quarter. In addition, we have been able to modify our existing financing agreements with our lenders and we secured financing in Chile through our Chilean subsidiary to provide additional flexibility. We are also encouraged by the current strong price of gold, which has improved the economics of gold mining and should lead to increased investment in gold exploration and development as global economic conditions improve."

Third Quarter Results

Revenue for the three-month period ended March 31, 2020 totalled \$36.0 million, a decline of 3.8% compared to \$37.4 million for the three-month period ended March 31, 2019 ("Q3 FY2019"). Drilling Canada revenue increased 13.7% to \$28.6 million, compared to \$25.1 million in Q3 FY2019, reflecting increased meters drilled. International revenue was \$7.4 million, a decrease of \$4.9 million compared to \$12.3 million in Q3 FY2019, reflecting the completion of a multi-year drilling contract in Chile during the fourth quarter of fiscal 2019 and a decrease in drilling activities in Burkina Faso and Ghana. The Company believes that the recent civil protests in Chile, regional security concerns in Burkina Faso, and the impact of COVID-19 resulted in delays or interruptions to drilling projects in these countries during Q3 FY2020.

Orbit Garant drilled a total of 358,580 metres in Q3 FY2020, compared to 361,642 metres drilled in Q3 FY2019. The Company's average revenue per metre drilled in Q3 FY2020 was \$100.26, compared to \$103.27 in Q3 FY2019. The decline in average revenue per metre drilled was attributable to a decrease in international specialized drilling activity.

Gross profit for Q3 FY2020 was \$1.3 million, or 3.5% of revenue, compared to \$3.1 million, or 8.2% of revenue, in Q3 FY2019. Adjusted gross margin, excluding \$2.4 million in depreciation expenses, was 10.2% in Q3 FY2020, compared to adjusted gross margin, excluding \$2.3 million in depreciation expenses, of 14.3% in Q3 FY2019. The decline in gross profit and margins was primarily attributable to the completion of a large drilling contract in Chile during the fourth quarter of fiscal 2019, decreased drilling activity in Burkina Faso and Ghana, and the impact of COVID-19. Gross margin was also negatively impacted by demobilization costs attributable to the termination of two large contracts in Canada during Q3 FY2020.

General and administrative ("G&A") expenses were \$4.0 million, or 11.1% of revenue, in Q3 FY2020, compared to \$4.2 million, or 11.1% of revenue, in Q3 FY2019. G&A expenses in Q3 FY2019 included \$0.2 million of acquisition and integration costs related to the acquisition of the drilling business of Projet Production International BF S.A. ("PPI") in Burkina Faso. There were no such costs in Q3 FY2020.

Earnings (loss) before interest, taxes, depreciation and amortization ("EBITDA") was \$0.4 million in Q3 FY2020, compared to \$1.4 million in Q3 FY2019. Net loss for Q3 FY2020 was \$3.4 million, or \$0.09 per share, compared to net loss of \$1.4 million, or \$0.04 per share, in Q3 FY2019.

Liquidity and Capital Resources

Orbit Garant's primary sources of liquidity are cash flows from operations and borrowings under a credit facility (the "Credit Facility") with National Bank of Canada. The Credit Facility consists of a \$35.0 million revolving credit facility and a US\$5.0 million revolving credit facility. The current term of the Credit Facility expires on November 2, 2021. During Q3 FY2020, Orbit Garant generated \$0.8 million from financing activities, compared to \$1.0 million in Q3 FY2019. The Company withdrew a net amount of \$1.5 million

during Q3 FY2020 on its Credit Facility, compared to a repayment of \$2.6 million in Q3 FY2019. The Company's long-term debt under the Credit Facility, including US\$1.0 million (\$1.4 million) from the US\$5.0 million revolving credit facility and the current portion, was \$31.9 million as at March 31, 2020, compared to \$25.3 million as at June 30, 2019. This increase was incurred to support working capital requirements and the acquisition of capital assets, property, plant and equipment. Further amendments to the Credit Agreement were executed in March and June 2020 to modify certain of the financial covenants applicable to Q3 FY2020 and future quarters.

On December 20, 2018 Orbit Garant entered into an additional loan agreement with Export Development Canada ("EDC") for a term loan in the principal amount of up to US\$5,150,000. Orbit Garant is required to repay this loan in 57 consecutive monthly installments commencing May 2019, and maturing January 2024. On April 23, 2020, the Company and EDC made arrangements whereby, among other things, all payments of principal and accrued interest under EDC loans were deferred until October 16, 2020 and therefore the terms of these loans were extended by six months.

In May 2020, Orbit Garant Chile S.A., a wholly-owned subsidiary of the Company, obtained two loans totaling CLP\$1,000 million (of approximately \$1.7 million) from Banco Scotiabank. The loans bear interest at a rate of 3.5% per annum, have a term of 36 months and are 70% guaranteed by the Chilean government as part of a government program in response to COVID-19. The loans have no capital repayments for the first six months and the interest over such period will be capitalised over the remaining period of the loans.

Orbit Garant believes that it will continue to meet its obligations under its credit facilities and have sufficient resources to carry on its business operations.

As at March 31, 2020, the Company's working capital was \$56.0 million (\$55.1 million as at June 30, 2019) and 37,021,756 common shares were issued and outstanding.

Orbit Garant's unaudited interim condensed consolidated financial statements and management's discussion and analysis for Q3 FY2020 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 Tuesday, June 16, 2020 at 10:00 a.m. (ET). The dial-in numbers for the conference call are 416-764-8688 or 1-888-390-0546. 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: 021399 #. The replay will be available until June 23, 2020. 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:

Contract revenue excluding operating expenses. Operating expenses comprise material and service

expenses, personnel expenses, 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)	3 months ended	3 months ended	9 months ended	9 months ended
(in millions of dollars)	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Net earnings (net loss) for the period	(3.4)	(1.4)	(4.6)	(2.7)
Add:				
Finance costs	0.7	0.6	2.1	1.5
Income tax expense (recovery)	0.2	(0.6)	0.6	(0.5)
Depreciation and amortization	2.9	2.8	8.4	7.4
EBITDA	0.4	1.4	6.5	5.7

Adjusted Gross Profit and Margin

Although adjusted gross margin 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 expense. As a result, Management believes they provide a useful and comparable benchmark for evaluating the Company's performance.

Reconciliation of Adjusted Gross Profit and Margin

(unaudited)	3 months ended	3 months ended	9 months ended	9 months ended
(in millions of dollars)	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Contract revenue	36.0	37.4	117.6	108.4
Cost of contract revenue (including depreciation)	34.7	34.4	107.0	96.8
Less depreciation	(2.4)	(2.3)	(7.1)	(6.5)
Direct costs	32.3	32.1	99.9	90.3
Adjusted gross profit	3.7	5.3	17.7	18.1
Adjusted gross margin (%) ⁽¹⁾	10.2	14.3	15.1	16.7

(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 231 drill rigs and more than 1,200 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.](#) (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. Risks and uncertainties that could cause actual results, performance or achievements to differ materially include the ability of the jurisdictions in which the Company operates to manage and cope with the implications of COVID-19, the impact of measures taken by such jurisdictions to control the spread of COVID-19 on the Company's operations, the economic and financial implications of COVID-19 to the Company, including its impact on cash flows, liquidity and the Company's compliance with its obligations under its borrowing agreements as well as the 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 except as required by applicable securities laws.

SOURCE [Orbit Garant Drilling Inc.](#)

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Die URL für diesen Artikel lautet:

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