

Orbit Garant Drilling Reports Improved Net Earnings for Fiscal 2021 First Quarter

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VAL-D'OR, Nov. 11, 2020 - [Orbit Garant Drilling Inc.](#) (TSX: OGD) ("Orbit Garant" or the "Company") today announced its financial results for the three-month period ended September 30, 2020 ("Q1 FY2021"). All dollar amounts are in Canadian dollars unless otherwise stated.

Q1 FY2021 Financial Highlights

(\$ amounts in millions, except per share amounts)	Three months ended September 30, 2020	Three months ended September 30, 2019
Revenue	\$35.6	\$43.3
Gross Profit	\$8.7	\$6.9
Gross Margin (%)	24.6	16.0
Adjusted Gross Margin (%) ⁽¹⁾	31.3	21.3
EBITDA ⁽²⁾	\$8.4	\$5.1
Net earnings	\$3.5	\$1.1
Net earnings per share		
- Basic and diluted	\$0.09	\$0.03
Total metres drilled	351,373	387,424

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. "Our domestic drilling business regained non-IFRS financial measures in the first quarter as we continued to gradually ramp up our operations following the project shutdowns or reduced drilling activities we had from March into our fourth quarter of fiscal 2020, due to the impact of the COVID-19 pandemic," said Eric Alexandre, President and CEO of Orbit Garant. "While our utilization rates have not reached pre-pandemic levels, we are encouraged by the solid demand we are seeing from customers in Canada, which is supported by elevated gold prices. The ramp up has been slower in our international markets, but we are now seeing increased project opportunities in these markets and we are well positioned to mobilize."

"We continue to manage our financial liquidity carefully. We reduced G&A costs by more than 20% in the first quarter compared to the same period last year, and continued to operate with reduced capital expenditures. These cost control measures contributed to improved profitability in the quarter and we expect certain of these measures will have a sustained positive impact on our earnings going forward. We are monitoring market conditions carefully, including the spread of COVID-19, and remain well positioned to continue ramping up our drilling activity as market conditions permit."

First Quarter Results

Revenue for Q1 FY2021 totalled \$35.6 million, compared to \$43.3 million for the three-month period ended September 30, 2019 ("Q1 FY2020"). Canada revenue totalled \$31.4 million in Q1 FY2021, compared to \$35.4 million in Q1 FY2020. The Company's Canadian drilling operations gradually ramped up in the latter half of Q4 FY2020 and throughout Q1 FY2021, but drill utilization rates have not reached pre-pandemic levels. International revenue decreased to \$4.2 million in Q1 FY2021, from \$7.9 million in Q1 FY2020. The decrease in International revenue was primarily attributable to a decline in drilling activities in each of the Company's international markets due to the impact of the pandemic.

Orbit Garant drilled a total of 351,373 metres in Q1 FY2021, compared to 387,424 metres drilled in Q1 FY2020. The Company's average revenue per metre drilled in Q1 FY2021 was \$100.51, compared to \$109.93 in Q1 FY2020. The decline in average revenue per metre drilled is primarily attributable to a lower proportion of specialized drilling activity.

Gross profit for Q1 FY2021 was \$8.7 million, or 24.6% of revenue, compared to \$6.9 million, or 16.0% of revenue, in Q1 FY2020. Depreciation expenses totalling \$2.4 million are included in the cost of contract revenue for Q1 FY2021, compared to \$2.3 million in Q1 FY2020. Adjusted gross margin, excluding depreciation expenses, was 31.3% in Q1 FY2021, compared to 21.3% in Q1 FY2020. The cost of contract revenue was reduced by \$2.4 million in Q1 FY2021 as a result of financial support from the Canada Emergency Wage Subsidy ("CEWS") program, which positively impacted gross profit, gross margin and adjusted gross margin. This positive impact was partially offset by a reduction in drilling activities due to the impact of the pandemic.

General and administrative ("G&A") expenses were \$3.2 million, or 9.1% of revenue, in Q1 FY2021, compared to \$4.4 million, or 10.1% of revenue, in Q1 FY2020. The Company's decreased G&A expenses for Q1 FY2021 reflect a \$0.2 million reduction resulting from financial support received from the CEWS program and cost reduction measures that were implemented following the onset of the pandemic.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") increased to \$8.4 million in Q1 FY2021, compared to \$5.1 million in Q1 FY2020. EBITDA in Q1 FY2021 includes \$2.6 million in financial support that the Company recorded from the CEWS program. Net earnings for Q1 FY2021 increased to \$3.5 million, or \$0.09 per share, compared to \$1.1 million, or \$0.03 per share, in Q1 FY2020. The increase in net earnings reflects improved gross margins, cost reduction measures and the \$2.6 million grant recorded from the CEWS program, partially offset by a decline in drilling activities due to the impact of the pandemic.

During Q1 FY2021, Orbit Garant's financing activities resulted in a \$2.2 million reduction in debt and lease liabilities, compared to an increase of \$2.4 million in Q1 FY2020. The Company repaid a net amount of \$2.1 million during Q1 FY2021 on its Credit Facility, compared to a withdrawal of \$3.3 million in Q1 FY2020. The Company's long-term debt under the Credit Facility, including US\$1.0 million (\$1.3 million) drawn from the US\$5.0 million revolving credit facility and the current portion, was \$26.6 million as at September 30, 2020, compared to \$28.7 million as at June 30, 2020.

As at September 30, 2020, the Company's working capital was \$56.8 million (\$52.1 million as at June 30, 2020) and 37,021,756 common shares were issued and outstanding.

Orbit Garant's unaudited interim consolidated financial statements and management's discussion and analysis for Q1 FY2021 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, November 12, 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: 848912 #. The replay will be available until November 19, 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)	Three months ended	Three months ended
(in millions of dollars)	September 30, 2020	September 30, 2019
Net earnings for the period	3.5	1.1
Add:		
Finance costs	0.6	0.7
Income tax expense	1.5	0.6
Depreciation and amortization	2.8	2.7
EBITDA	8.4	5.1

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 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)	Three months ended	Three months ended
(in millions of dollars)	September 30, 2020	September 30, 2019
Contract revenue	35.6	43.3
Cost of contract revenue (including depreciation)	26.9	36.4
Less depreciation	(2.4)	(2.3)
Direct costs	24.5	34.1
Adjusted gross profit	11.1	9.2
Adjusted gross margin (%) ⁽¹⁾	31.3	21.3

(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 approximately 1,100 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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