

Orbit Garant Drilling Reports Fiscal 2021 Fourth Quarter and Year-End Financial Results

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Record revenue in the quarter reflects strong recovery in customer demand

VAL-D'OR, Sept. 28, 2021 - [Orbit Garant Drilling Inc.](#) (TSX: OGD) ("Orbit Garant" or the "Company") today announced its financial results for the three-month period ("Q4 2021") and fiscal year ended June 30, 2021. All dollar amounts are in Canadian dollars unless otherwise stated.

Financial Results Summary

(\$ amounts in millions, except per share amounts)	Three months ended June 30, 2021	Three months ended June 30, 2020	Year ended June 30, 2021	Year ended June 30, 2020
Revenue	\$51.1	\$20.2	\$163.3	\$137.8
Gross Profit	\$3.0	\$2.3	\$20.3	\$12.9
Gross Margin (%)	5.9	11.5	12.4	9.4
Adjusted Gross Margin (%) ¹	9.8	23.3	17.9	16.3
EBITDA ²	\$1.2	\$0.3	\$17.6	\$6.8
Net earnings (loss)	\$(2.2)	\$(2.7)	\$2.3	\$(7.4)
Net earnings (loss) per share				
- Basic and diluted	\$(0.06)	\$(0.08)	\$0.06	\$(0.20)
Total metres drilled	502,350	186,138	1,661,396	1,297,838

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 drilled a record number of metres in the quarter and generated a historical high in quarterly revenue, reflecting the strong recovery of customer demand in Canada and West Africa following the initial impacts of the pandemic. Our drilling activity in Chile continues to be impacted by COVID-19 related challenges and has not yet reached pre-pandemic levels, but demand is gradually ramping up. We commenced a new, long-term contract there last quarter," said Eric Alexandre, President and CEO of Orbit Garant. "Our margins are being impacted in the short term by increased driller training, ramp-up and mobilization costs as we adapt our operations to this higher level of demand."

"Looking ahead, we expect continued high levels of customer demand supported by strong gold and copper prices. However, we also expect increased labour costs in Canada due to the industry-wide shortage of experienced drillers and higher costs of materials due to COVID-19 related supply chain challenges. We expect to offset these higher costs with price increases on our drilling contracts. We are addressing the shortage of experienced drillers and higher training costs in Canada through our driller training program and our computerized drill technology. We expect to gradually increase our capacity utilization and driller productivity as this positive cycle progresses and grow our margins," continued Mr. Alexandre. "We will continue to carefully monitor the impact of COVID-19 in our markets and ensure that we are taking every

appropriate measure to support the health and safety of our employees and other stakeholders."

Fourth Quarter Results

Revenue for Q4 2021 totalled \$51.1 million, a significant increase from \$20.2 million for the three-month period ended June 30, 2020 ("Q4 2020"), reflecting an increase in drilling activities in Canada and internationally. Canada revenue totalled \$38.1 million in the quarter, compared to \$16.4 million in Q4 2020. The increase reflects strong domestic demand for the Company's drilling services in Q4 2021 and the negative impact of COVID-19 in Q4 2020, which resulted in business restrictions including project suspensions and slowdowns. International revenue increased to \$13.0 million in Q4 2021, from \$3.8 million in Q4 2020, reflecting increased drilling activity in West Africa, the commencement of a new drilling project in Chile and the negative impact of COVID-19 in Q4 2020.

Orbit Garant drilled a record 502,350 metres in the quarter, compared to 186,138 metres drilled in Q4 2020, when drilling activity was severely impacted by business restrictions related to COVID-19. The Company's average revenue per metre drilled in Q4 2021 was \$101.00, compared to \$108.36 in Q4 a year ago. The decline in average revenue per metre drilled is primarily attributable to a lower proportion of specialized drilling activity, and a change in the Company's revenue mix due to increased drilling activity in West Africa.

Gross profit for Q4 2021 was \$3.0 million, or 5.9% of revenue, compared to \$2.3 million, or 11.5% of revenue, in Q4 2020. Depreciation expenses totalling \$2.0 million are included in the cost of contract revenue for Q4 2021, compared to \$2.4 million in Q4 a year ago. Adjusted gross margin, excluding depreciation expenses, was 9.8% in Q4 2021, compared to 23.3% in Q4 2020. The Company's gross profit and margins in Q4 2021 were negatively impacted by increased driller training and project ramp-up costs in Canada due to rapid growth in customer demand, and significant mobilization costs related to new long-term contracts in Guinea and Chile. The decline in gross margins in Q4 2021 relative to Q4 2020 also reflects a lower level of financial support from the Canada Emergency Wage Subsidy ("CEWS") program. In Q4 2021, the cost of contract revenue was reduced by \$0.1 million as a result of a benefit recorded from the CEWS program, compared to \$3.2 million in Q4 2020.

General and administrative ("G&A") expenses were \$3.9 million, or 7.7% of revenue, in Q4 2021, compared to \$2.9 million, or 14.1% of revenue, in Q4 2020. The increase in G&A expenses in Q4 2021 reflects the increase in drilling activities. The Company's G&A expenses for Q4 2020 also reflect a \$0.4 million reduction resulting from financial support from the CEWS program. There was no such reduction in Q4 2021.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") increased to \$1.2 million in Q4 2021, compared to \$0.3 million in Q4 2020. Net loss for Q4 2021 was \$2.2 million, or \$0.06 per share, compared to a net loss of \$2.7 million, or \$0.08 per share, in Q4 a year ago. The positive variance was primarily attributable to increased drilling activities in Canada and internationally. The net loss for Q4 2021 reflects increased driller training and project ramp-up costs, and new project mobilization costs and the reduction of financial support from the CEWS program, as described above.

Fiscal 2021 Results

Revenue in Fiscal 2021 totalled \$163.3 million, an increase of 18.5% compared to \$137.8 million in Fiscal 2020, primarily reflecting increased drilling activities in Canada and West Africa. Canada revenue totalled \$130.0 million in Fiscal 2021, an increase of 19.2% compared to \$109.0 million in Fiscal 2020. The Company's domestic drilling operations gradually ramped up in the latter half of Q4 2020 and throughout the first half of Fiscal 2021, following the initial slowdown caused by the pandemic beginning in late Q3 2020. The Company's drilling activities in Canada returned to pre-pandemic levels during the second half of Fiscal 2021, and more recently surpassed those levels. International revenue increased 15.7% to \$33.3 million in Fiscal 2021, compared to \$28.8 million in Fiscal 2020, reflecting increased drilling activity in Burkina Faso, Guinea and Guyana, partially offset by a decline in drilling activity in Chile and Argentina.

Gross profit for Fiscal 2021 increased to \$20.3 million, or 12.4% of revenue, compared to \$12.9 million, or 9.4% of revenue, in Fiscal 2020. Depreciation expenses totalling \$8.9 million are included in the cost of contract revenue for Fiscal 2021, compared to \$9.5 million in Fiscal 2020. Adjusted gross margin, excluding depreciation expenses, was 17.9% in Fiscal 2021, compared to 16.3% in Fiscal 2020. The Company's gross profit and margins in Fiscal 2021 were positively impacted by increased drilling activity, improved operational

efficiencies and cost reduction initiatives, which offset the additional logistical challenges and related costs due to COVID-19, significant mobilization costs in Guinea and Chile in the second half of Fiscal 2021 related to new, long-term contracts, and increased driller training and project ramp-up costs in Canada during Q4 2021. In Fiscal 2021, the cost of contract revenue was reduced by \$2.9 million as a result of financial support recorded from the CEWS program, compared to \$3.2 million in Fiscal 2020.

G&A expenses were \$14.5 million, or 8.9% of revenue, in Fiscal 2021, compared to \$15.4 million, or 11.2% of revenue, in Fiscal 2020. The decline in G&A expenses reflects the cost reduction measures that were implemented following the onset of the pandemic. G&A expenses were reduced by \$0.3 million in Fiscal 2021 as a result of financial support recorded from the CEWS program, compared to \$0.4 million in Fiscal 2020.

EBITDA increased to \$17.6 million in Fiscal 2021, compared to \$6.8 million in Fiscal 2020. Net earnings for Fiscal 2021 were \$2.3 million, or \$0.06 per share, compared to a net loss of \$7.4 million, or \$0.20 per share, in Fiscal 2020. The positive variance reflects improved gross margins and the reversal of a \$1.96 million provision for litigation in Burkina Faso during Q3 2021, partially offset by increased driller training and project ramp-up costs in Q4 2021, and new long term contracts mobilization costs incurred in the second half of Fiscal 2021, as described above.

Liquidity and Capital Resources

During Fiscal 2021, Orbit Garant's financing activities resulted in a \$3.8 million reduction in debt and lease liabilities. In Fiscal 2020, cash flow of \$2.9 million was generated from financing activities in Fiscal 2020.

The Company repaid a net amount of \$4.4 million during Fiscal 2021 on its Credit Facility, compared to a withdrawal of \$3.2 million in Fiscal 2020. The Company's long-term debt under the Credit Facility, including US\$1.0 million (\$1.2 million) drawn from the US\$5.0 million revolving credit facility and the current portion, was \$24.3 million as at June 30, 2021, compared to \$28.7 million as at June 30, 2020, a decrease of \$4.4 million.

As at June 30, 2021, the Company's working capital was \$54.0 million (\$52.1 million as at June 30, 2020) and 37,372,756 common shares were issued and outstanding. Orbit Garant's working capital requirements are primarily related to the funding of inventory and the financing of accounts receivable.

Orbit Garant's audited consolidated financial statements and management's discussion and analysis for the fourth quarter and fiscal year ended June 30, 2021 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 Daniel Maheu, CFO, will host a conference call for analysts and investors on Wednesday, September 29, 2021 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/events>.

To access a replay of the conference call, dial 416-764-8677 or 1-888-390-0541, passcode: 712332 #. The replay will be available until October 6, 2021. 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	12 months ended	12 months ended
(in millions of dollars)	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Net earnings (net loss) for the period	(2.2)	(2.7)	2.3	(7.4)
Add:				
Finance costs	0.5	0.6	2.3	2.7
Income tax expense (recovery)	0.5	(0.4)	2.5	0.2
Depreciation and amortization	2.4	2.8	10.5	11.3
EBITDA	1.2	0.3	17.6	6.8

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)	3 months ended	3 months ended	12 months ended	12 months ended
(in millions of dollars)	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Contract revenue	51.1	20.2	163.3	137.8
Cost of contract revenue (including depreciation)	48.1	17.9	143.1	124.9
Less depreciation	(2.0)	(2.4)	(8.9)	(9.5)
Direct costs	46.1	15.5	134.2	115.4
Adjusted gross profit	5.0	4.7	29.1	22.4
Adjusted gross margin (%) ⁽¹⁾	9.8	23.3	17.9	16.3

(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 223 drill rigs and approximately 1,250 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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