Foraco International SA reports outstanding performance in Q2 2023

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Foraco International SA (TSX: FAR) (the "Company" or "Foraco"), is pleased to announce its second quarter 2023 results. All amounts are denominated in US Dollars (US$) unless otherwise stated.

In Q2 2023, Foraco achieved remarkable financial results, reinforcing its position as a leader in the industry and continued to build on its momentum from the previous quarters, maintaining a trajectory of sustained profitable growth. Notably, the revenue figures for Q2 demonstrate substantial progression, reflecting the Company's unwavering commitment to delivering advanced drilling services to its clients.

As previously announced, Co-founders Daniel Simoncini and Jean-Pierre Charmensat retired from their executive roles but continue to serve on the Board of Directors. The leadership structure now includes Tim Bremner, as CEO, Fabien Sevestre, as CFO and Olivier Demesy as SVP South America, Africa and Europe.

Key facts of the Q2 2023 include:

Robust Revenue Growth:	Revenue reached US$ 100.1 million, marking a substantial 16% increase from the same period in 2022, driven by sustained demand in battery metals, gold, and water.
Strong EBITDA Margin:	Standing at US$ 23.8 million, accounting for 24% of revenue, representing a significar 33% year-on-year increase.
Consistent Rig Utilization Rates:	Maintained at 59%, comparable to Q2 2022. While there were regional disparities, the reduced operations in CIS were balanced by increased activity elsewhere.
Solid TTM Performance:	Trailing Twelve Months (TTM) revenue and EBITDA were reported at US$ 364 million and US$ 83 million, respectively compared to US$ 294 million and US$ 50 million one year ago.

Tim Bremner, CEO of Foraco, expressed his satisfaction with the company's performance: "We are extremely proud to have achieved record-breaking results in the second quarter of 2023. Our success is the confirmation of the effectiveness of our long-term strategy, the exceptional quality of our drilling services, and the expertise and dedication of our team. Furthermore, the Company continues to successfully secure a high volume of orders while receiving a considerable number of pricing inquiries, contract extension requests, and new project proposals. As we look to the future, we will continue to explore opportunities for expansion of high added value services in selected regions worldwide, while focusing on delivering optimal value to our clients."

Fabien Sevestre, CFO of Foraco, emphasized the remarkable profitability achieved during Q2: " We are delighted to report a very robust EBITDA and cash generation, solidifying our position as a financially resilient company. Our net debt to EBITDA ratio was below 1.0 at quarter end. The capital expenditure of US$ 5.8 million, which includes the roll out of our new generation rig we purposedly designed for long-term water drilling contracts. Capitalizing on our continuing profitable trajectory and our strong financial position, we are currently engaged in proactive negotiations to improve the Company's debt profile and reduce its associated costs."

Income Statement

(In thousands of US$) (unaudited)	Three-month period ended June 30,		Six-month period ended June 30,	
	2023	2022	2023	2022
Revenue	100,066	86,498	188,444	154,239
Gross profit (1)	25,964	18,787	47,082	28,348
As a percentage of sales	25.9 %	21.7 %	25.0 %	18.4 %
EBITDA	23,812	17,867	42,943	26,394
As a percentage of sales	23.8 %	20.7 %	22.8 %	17.1 %
Operating profit	18,857	12,617	33,071	16,227
As a percentage of sales	18.8 %	14.6 %	17.5 %	10.5 %
Net profit for the period	11,054	7,164	19,055	7,942
Attributable to:				
Equity holders of the Company	8,814	5,059	15,449	4,887
Non-controlling interests	2,240	2,105	3,606	3,055
EPS (in US cents)				
Basic	8.92	5.12	15.61	4.95
Diluted	8.73	4.99	15.29	4.82

(1) This line item includes amortization and depreciation expenses related to operations

Highlights - Q2 2023

Revenue

- In Q2 2023, Foraco's revenue rose to US$ 100.1 million, marking a 16% increase from the US$ 86.5 million generated in Q2 2022. This growth is attributed to the solid performance of main contracts.

Profitability

- Q2 2023 gross margin, including depreciation within cost of sales, reached US$ 26.0 million (representing 25.9% of revenue), a substantial increase of 39% from the US$ 18.8 million (or 21.7% of revenue) recorded in Q2 2022. The uplift was driven by the satisfactory performance of contracts and an increase contribution of value-added drilling services.
- For the quarter, EBITDA totaled US$ 23.8 million (or 23.8% of revenue), a 33% increase from the US$ 17.9 million (or 20.7% of revenue) for the corresponding quarter of the previous year."
- The Free Cash Flow before debt service for the period stood at US$ 11.3 million. The company had anticipated the increased working capital requirements corresponding to the robust revenue growth seen in H1.

Highlights - H1 2023

Revenue

- For the six-month period ending June 30, 2023 (H1 2023), the revenue amounted to US$ 188.4 million, a 22% increase from US$ 154.2 million in H1 2022. This surge in revenue is due to the solid performance of main contracts and the delivery of more-added drilling services.

Profitability

- In H1 2023, the gross margin, inclusive of depreciation within cost of sales, was US$ 47.1 million (or 25.0% of revenue), a significant 66% increase from US$ 28.3 million (or 18.4% of revenue) in H1 2022. This boost resulted from good contract performance, improved selling prices, and the delivery of more value-added drilling services.
- During H1, EBITDA amounted to US$ 42.9 million (or 22.8% of revenue), a 63% increase from US$ 26.4 million (or 17.1% of revenue) for the same period last year.

Financial results

Revenue

(In thousands of US$) - (unaudited)	Q2 2023	% change	Q2 2022	H1 2023	% change	H1 2022
Reporting segment						
Mining	87,933	20 %	73,453	162,452	22 %	132,804
Water	12,133	-7 %	13,045	25,992	21 %	21,435
Total revenue	100,066	16 %	86,498	188,444	22 %	154,239
Geographic region						
South America	39,016	56 %	25,001	70,158	54 %	45,700
North America	31,176	17 %	26,598	60,902	26 %	48,198
Asia Pacific	16,731	20 %	13,910	32,738	35 %	24,184
Europe, Middle East and Africa	13,143	-37 %	20,989	24,645	-32 %	36,158
Total revenue	100,066	16 %	67,740	188,444	22 %	154,239

Q2 2023

The company's quarterly revenue experienced a 16% surge, escalating from US$ 86.5 million in Q2 2022 to US$ 100.1 million in Q2 2023. The hike in revenue was driven by the solid performance of main contracts and the provision of more value-added drilling services which more than compensated for the decline in activity in certain regions due to political and economic instability. The rig utilization rate remained stable at 59% for Q2 2023, compared to Q2 2022, with underlying disparities across regions with notably lower rates in CIS and higher rates in other areas.

The uptick in the Mining segment's revenue can be attributed to favorable market dynamics. Long-term rolling contracts, renegotiated and extended last year, coupled with the company's proven delivery capability, played a crucial role. In the water segment, revenue experienced a slight dip due to the phasing of contracts.

North American operations reported a 17% revenue increase, reaching US$ 31.2 million in Q2 2023 from

US$ 26.6 million in Q2 2022. This improvement was driven by heightened activity on long-term contracts renewed last year with senior customers.

South American revenue swelled by 56% to US$ 39.0 million in Q2 2023, up from US$ 25.0 million in Q2 2022. All countries reported an upsurge in activity, powered by new long-term contracts with senior companies.

In the Asia Pacific region, revenue for Q2 2023 rose to US$ 16.7 million, a 20% increase that reflects a quarter-over-quarter increase in demand and a gain in market share.

Revenue for the EMEA region saw a 37% decrease, moving down to US$ 13.1 million in Q2 2023 from US$ 21.0 million in Q2 2022. Revenues in Southern Europe and Africa remained stable compared to Q2 2022, while activity in the CIS decreased by 56% due to political and economic uncertainties in the region.

H1 2023

The uptick in revenue for the Mining and Water segments can be attributed to favorable market dynamics, with the Company having renegotiated and extended its long-term rolling contracts since the previous year. Coupled with the Company's proven capacity to deliver, this has generated significant growth.

North American operations saw a 26% surge in activity, with revenues climbing to US$ 60.9 million in H1 2023, up from US$ 48.2 million in H1 2022. This increase primarily resulted from the early remobilization of long-term contracts with senior clients, renewed in the previous year.

In South America, revenues spiked by 54% to reach US$ 70.2 million in H1 2023, a notable increase from US$ 45.7 million in H1 2022. This was driven by all countries ramping up their activity levels, supported by new long-term contracts with senior companies.

In the Asia Pacific region, H1 2023 revenues rose to US$ 32.7 million, a 35% increase, reflecting period-over-period growth in demand and expansion of market share.

In the EMEA region, revenue for H1 2023 was US$ 24.6 million, showing a 32% decrease compared to the US$ 36.2 million in H1 2022. While revenues in Southern Europe and Africa experienced a slight increase compared to H1 2022, operations in the CIS countries saw a 52% decline, primarily due to political and economic uncertainties in the region.

Gross profit

(In thousands of US$) - (unaudited)	Q2 2023	% change	Q2 2022	H1 2023	% change	H1 2022
Reporting segment						
Mining..	22,846	47 %	15,511	40,490	74 %	23,226
Water...	3,118	-5 %	3,276	6,592	29 %	5,121
Total gross profit / (loss)	25,964	38 %	18,787	47,082	66 %	28,347

Q2 2023

For Q2 2023, the gross margin, inclusive of depreciation within cost of sales, reached US$ 26.0 million (or 25.9% of the revenue). This shows a substantial rise when compared to Q2 2022's US$ 18.8 million (or 21.7% of the revenue). This reflects the solid operating performance of contracts.

H1 2022

In H1 2023, the gross margin, inclusive of depreciation within the cost of sales, rose to US$ 47.1 million (or 25.0% of the total revenue). This marked a significant surge compared to the US$ 28.3 million (or 18.4% of revenue) in H1 2022. The substantial increase underscores the robust performance and efficiency of contracts.

Selling, General and Administrative Expenses

(In thousands of US$) - (unaudited)	Q2 2023	% change	Q2 2022	H1 2023	% change	H1 2022
Selling, general and administrative expenses	7,107	15 %	6,170	14,011	16 %	12,121

Q2 2023

SG&A increased compared to the same quarter last year mainly due to the level of activity. As a percentage of revenue, SG&A remained stable at 7.1% of the revenue.

H1 2023

SG&A increased compared to the same quarter last year mainly due to the level of activity. As a percentage of revenue, SG&A decreased from 7.9% in H1 2022 to 7.4% in H1 2023.

Operating result

(In thousands of US$) - (unaudited)	Q2 2023	% change	Q2 2022	H1 2023	% cha
Reporting segment					
Mining	16,601	62 %	10,272	28,424	123 %
Water	2,256	-4 %	2,345	4,647	35 %
Total operating profit / (loss)	18,857	49 %	12,617	33,071	104 %

Q2 2023

The operating profit reached US$ 18.9 million, resulting in a US$ 6.2 million increase driven by heightened activity levels and enhanced profit margins.

H1 2023

The operating profit reached US$ 33.1 million, resulting in a US$ 16.8 million increase driven by heightened activity levels and enhanced operational margins.

Financial position

The following table provides a summary of the Company's cash flows for H1 2023 and H1 2022:

(In thousands of US$)	H1 2023	H1 2022
Cash generated by operations before working capital requirements	42,943	26,394
Working capital requirements	(14,264)	(12,427)
Income tax paid	(5,636)	(3,980)
Purchase of equipment in cash	(14,162)	(8,574)
Free Cash Flow before debt servicing	8,881	1,412
Debt variance	5,328	3,252
Interests paid	(6,824)	(4,645)
Acquisition of treasury shares	(609)	(749)
Dividends paid to non-controlling interests	(699)	-
Net cash generated / (used in) financing activities	(2,804)	(2,142)
Net cash variation	6,077	(730)
Foreign exchange differences	(595)	397
Variation in cash and cash equivalents	5,482	(332)
Cash and cash equivalents at the end of the period	34,890	23,592

In H1 2023, the cash generated from operations before working capital requirements amounted to US$ 42.9 million compared to US$ 26.4 million in H1 2022.

During the same period, the working capital requirements reached US$ 14.3 million, slightly up from US$ 12.4 million in the previous year. The additional working capital requirement is a result of the heightened activity levels and the seasonality of the activity.

During the period, Capex totaled US$ 14.2 million in cash compared to US$ 8.6 million in H1 2022. Capex relates essentially to the acquisition of rigs, major rig overhauls, ancillary equipment and rods. Three large rigs were added to the fleet during the period.

Strategy

The Company's strategy is to assist its customers in exploring or managing their deposits throughout the entire cycle, with a special focus on the life of mines extension activity. The Company intends to continue developing and growing its services across the world with a focus on stable jurisdictions, high tech drilling services, optimal commodities mix including battery metals and gold - with a significant presence in water related drilling services - and a gradual implementation of advanced digital applications. The Company expects to execute its strategy primarily through organic growth and targeted acquisitions.

The Company addressed the environmental, social and governance (ESG) requirements, and implements a pragmatic and measurable approach to ESG with quantitative KPIs to maximize improvement and efficiencies.

Currency exchange rates.

The exchange rates for the periods under review are provided in the Management's Discussion and Analysis of Q2 2023.

Non-IFRS measures

EBITDA represents Net income before interest expense, income taxes, depreciation, amortization and non-cash share based compensation expenses. EBITDA is a non-IFRS quantitative measure used to assist in the assessment of the Company's ability to generate cash from its operations. The Company believes that the presentation of EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the drilling industry. EBITDA is not defined in IFRS and should not be considered to be an alternative to Profit for the period or Operating profit or any other financial metric required by such accounting principles.

Net debt corresponds to the current and non-current portions of borrowings and the consideration payable related to acquisitions, net of cash and cash equivalents.

Reconciliation of the EBITDA is as follows:

(In thousands of US$)	Q2 2023	Q2 2022	H1 2023	H1 2022
(unaudited)				
Operating profit / (loss)...	18,857	12,617	33,071	16,227
Depreciation expense	4,866	5,170	9,692	10,018
Non-cash employee share-based compensation..	90	70	180	150
EBITDA	23,812	17,867	42,943	26,394

Conference call and webcast

On July 28, 2023, Company Management will conduct a conference call at 10:00 am ET to review the financial results. The call will be hosted by Tim Bremner, CEO, and Fabien Sevestre, CFO.

You can join the call by dialing 1-888-664-6392 or 1-416-764-8659. You will be put on hold until the conference call begins. A live audio webcast of the Conference Call will also be available

https://app.webinar.net/dOAgJKoJLl6

An archived replay of the webcast will be available for 90 days.

About Foraco International SA

Foraco International SA (TSX: FAR) is a leading global mineral drilling services company that provides a comprehensive and reliable service offering in mining and water projects. Supported by its founding values of integrity, innovation and involvement, Foraco has grown into the third largest global drilling enterprise with a presence in 22 countries across five continents. For more information about Foraco, visit www.foraco.com.

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