

# Orbit Garant Drilling Reports Fiscal 2019 Second Quarter Financial Results

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VAL-D'OR, QC, Feb. 13, 2019 /CNW/ - [Orbit Garant Drilling Inc.](#) (TSX: OGD) ("Orbit Garant" or the "Company") today announced its financial results for the three and six-month periods ended December 31, 2018. 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 the rounded figures presented in this news release.

## Financial Summary

(\$ amounts in millions, except per share amounts)	Three months ended Dec. 31 2018	Three months ended Dec. 31, 2017	Six months ended Dec. 31, 2018	Six months ended Dec. 31, 2017
Revenue	\$33.7	\$43.0	\$71.0	\$85.5
Gross Profit	\$2.9	\$5.1	\$8.5	\$11.8
Gross Margin (%)	8.6	11.7	12.0	13.8
Adjusted Gross Margin (%) <sup>1</sup>	15.2	16.3	17.9	18.4
EBITDA <sup>2</sup>	\$0.9	\$3.3	\$4.3	\$8.3
Net earnings (loss)	\$(1.7)	\$0.8	\$(1.3)	\$2.5
Net earnings (loss) per share				
- Basic and diluted	\$(0.04)	\$0.02	\$(0.03)	\$0.07
Total metres drilled	311,318	371,161	627,363	775,423

<sup>1</sup> 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".

<sup>2</sup> 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".

"Our decline in revenue and metres drilled for the quarter reflects lower drilling activity in both Canada and Chile compared to the same quarter last year, which was a record second quarter in both revenue and metres drilled. This past quarter still represents our second highest revenue total for this three-month period in company history. With the recent rapid expansion of our global operations, our margins are more impacted by the slowdown in drilling activity. Our profitability for the quarter was also impacted by costs related to our acquisition in Burkina Faso," said Eric Alexandre, President & CEO of Orbit Garant.

"We're pleased with the early results of the Burkina Faso acquisition, with drill deployment up from seven at the time of acquisition to 12 at quarter-end. Looking more broadly at our business, with global gold and base metal reserves of mining companies continuing to be depleted, we expect mineral exploration spending to increase in order to address this decline. With our international presence and our strong position in Canada, we are increasingly well positioned to capitalize on market opportunities as they arise," added Mr. Alexandre.

## Second Quarter Results

Revenue for the three-month period ended December 31, 2018 ("Q2 FY2019") totalled \$33.7 million, compared to \$43.0 million for the three-month period ended December 31, 2017 ("Q2 FY2018"). Drilling Canada revenue was \$23.6 million, compared to \$28.3 million in Q2 FY2018, reflecting a decline in metres drilled during the quarter, partially offset by an increase in average revenue per metre drilled. Drilling International revenue was \$10.1 million, compared to \$14.7 million in Q2 FY2018. The decline in international revenue is primarily attributable to the conclusion of a large drilling contract in Chile, partially offset by increased drilling activity in Burkina Faso.

Orbit Garant's fleet drilled a total of 311,318 metres in the quarter, compared to 371,161 metres drilled in the very strong FY2018 period. Consolidated average revenue per metre drilled decreased 6.7% to \$107.85 compared to \$115.64 in Q2 FY2018. The decline in consolidated average revenue per metre drilled is primarily attributable to a lower proportion of specialized international markets in the quarter, partially offset by higher prices on drilling contracts in Canada.

Gross profit and gross margin for Q2 FY2019 were \$2.9 million and 8.6%, respectively, compared to \$5.1 million and 11.8%, respectively, in Q2 FY2018. Depreciation expenses totalling \$2.2 million are included in cost of contract revenue for Q2 FY2019 compared to \$2.0 million in Q2 FY2018. Adjusted gross margin, excluding depreciation expenses, was 15.2% in Q2 FY2019 compared to 16.3% in Q2 FY2018. The decrease in gross profit and margins was primarily attributable to lower drilling activity in Canada, partially offset by higher gross profit and margins on international contracts.

General and administrative (G&A) expenses were \$4.8 million (representing 14.4% of revenue) in Q2 FY2019, compared to \$4.7 million (representing 10.0% of revenue) in Q2 FY2018. Increased G&A expenses are primarily attributable to \$0.7 million of acquisition and integration costs related to the Company's acquisition of the drilling business of Projet Production International S.A. ("PPI") in Burkina Faso during Q2 FY2019.

Earnings before interest, taxes, depreciation and amortization ("EBITDA")<sup>1</sup> totalled \$0.9 million in Q2 FY2019, compared to \$1.0 million in Q2 FY2018.

The Company's net loss for Q2 FY2019 was \$1.7 million, or \$0.04 per share, compared to net earnings of \$0.8 million, or \$0.01 per share, in Q2 FY2018. Lower gross profit and margins, as discussed above, and costs related to the acquisition of PPI contributed to the Company's net loss for Q2 FY2019.

During Q2 FY2019, Orbit Garant generated \$7.6 million from financing activities compared to \$5.5 million in Q2 FY2018. The Company drew down a net amount of \$7.1 million during Q2 FY2019 on its secured, three-year revolving credit facility ("Credit Facility"), compared to \$1.4 million in Q2 FY2018, largely due to the financing impact of the PPI acquisition. As at December 31, 2018, the Company had \$27.1 million drawn under the Credit Facility, compared to \$18.1 million as at June 30, 2018.

As at December 31, 2018, Orbit Garant had working capital of \$57.1 million (\$53.3 million as at June 30, 2018), and 37,000 common shares issued and outstanding.

Orbit Garant's unaudited interim condensed consolidated financial statements and management's discussion and analysis for the three and six-month periods ended December 31, 2018 are available on the Company's website at [www.orbitgarant.com](http://www.orbitgarant.com) or SEDAR at [www.sedar.com](http://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, February 14, 2019 at 10:00 a.m. (ET). The dial-in numbers for the conference call are 416-764-1-888-390-0605. A live webcast of the call will be available on Orbit Garant's website at: <http://www.orbitgarant.com/en/sites/fog/investors.aspx>. The webcast will be archived following conclusion of the call.

To access a replay of the conference call dial 416-764-8677 or 1-888-390-0541, passcode: 490114 #. The replay will be available until February 21, 2019.

## RECONCILIATION OF NON - IFRS FINANCIAL MEASURES

Financial data has been prepared in conformity with IFRS. However, certain measures used in this discussion and analysis are non-IFRS measures.

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 margin: Contract revenue less operating costs. Operating expenses comprise material and service costs, 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 structures.

### Reconciliation of EBITDA

(unaudited)	3 months ended	3 months ended	6 months ended	6 months ended
(in millions of dollars)	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Net earnings (net loss) for the period	(1.7)	0.8	(1.3)	2.5
Add:				
Finance costs	0.5	0.5	0.9	0.9
Income tax expense	(0.4)	(0.3)	-	0.6
Depreciation and amortization	2.5	2.3	4.7	4.4
EBITDA	0.9	3.3	4.3	8.4

### Adjusted Gross 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 expenses. As a result, Management believes they provide a useful and comparable benchmark for evaluating the Company's performance.

### Reconciliation of Adjusted Gross Margin

(unaudited)	3 months ended	3 months ended	6 months ended	6 months ended
(in millions of dollars)	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Contract revenue	33.7	43.0	71.0	85.5
Cost of contract revenue (including depreciation)	30.8	38.0	62.5	73.7
Less depreciation	(2.2)	(2.0)	(4.2)	(3.9)
Direct costs	28.6	36.0	58.3	69.8
Adjusted gross profit	5.1	7.0	12.7	15.7
Adjusted gross margin (%) <sup>(1)</sup>	15.2	16.3	17.9	18.4

(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 200+ drill rigs and more than 1,300 employees. Orbit Garant provides services to major, intermediate and minor clients, with a presence throughout the Eastern and Western Canadian provinces. The company's major clients include major resource companies, engineering and environmental consultant firms, and government agencies. For more information, please visit the Company's website at [www.orbitgarant.com](http://www.orbitgarant.com).

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#### Forward-looking information

This news release may contain forward-looking statements (within the meaning of applicable securities laws) relating to the 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. These risks and uncertainties are discussed in the Company's regulatory filings available at [www.sedar.com](http://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.

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