

Orbit Garant Drilling Reports Fiscal 2022

Second Quarter Financial Results

09.02.2022 | [CNW](#)

Company reports strong growth in revenue and metres drilled reflecting high customer demand in Canada, West Africa and Chile and obtains UL 2724 ECOLOGO® Certification for Suppliers of the Mineral Exploration Industry

VAL-D'OR, Feb. 9, 2022 - [Orbit Garant Drilling Inc.](#) (TSX: OGD) ("Orbit Garant" or the "Company") today announced its financial results for the three-month ("Q2 2022") and six-month periods ended December 31, 2021. All dollar amounts are in Canadian dollars unless otherwise stated.

Q2 2022 Financial Highlights

(\$ amounts in millions, except per share amounts)	Three months ended December 31, 2021	Three months ended December 31, 2020	Six months ended December 31, 2021	Six months ended December 31, 2020
Revenue	\$45.9	\$36.1	\$96.5	\$71.7
Gross Profit	\$2.7	\$5.4	\$6.5	\$14.1
Gross Margin (%)	6.0	14.9	6.7	19.7
Adjusted Gross Margin (%) ¹	11.5	21.3	11.9	26.3
EBITDA ²	\$2.0	\$4.4	\$4.7	\$12.8
Net earnings (loss)	\$(1.7)	\$0.3	\$(3.1)	\$3.8
Net earnings (loss) per share				
- Basic and diluted	\$(0.05)	\$0.01	\$(0.08)	\$0.10
Total metres drilled	445,039	376,303	908,794	727,676

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 generated strong year-over-year growth in revenue and metres drilled in both Canada and our international operations in the quarter. Our drilling activity in Chile has now returned to pre-pandemic levels and our drilling activity in Canada and West Africa are now at or near record levels," said Eric Alexandre, President and CEO of Orbit Garant. "Our margins continue to be impacted by higher costs related to driller training, wages, project ramp-ups, mobilization on new projects and supply chain disruptions. We expect our margins to improve in the second half of the fiscal year as the price increases we have implemented on our contracts take hold and offset increased wage and materials costs, and our international mobilization costs decline."

"The Omicron variant began impacting our business late in the second quarter, resulting in a temporary slowdown in drilling activity that carried into our third quarter," continued Mr. Alexandre. "Looking ahead, customer demand remains strong and we expect our customers to maintain continued high levels of exploration and development spending in this calendar year and beyond, supported by strong metals prices. The short-term costs we have incurred for driller training, project ramp-ups and new project mobilizations

have positioned us to realize improved profitability as our driller productivity improves and the mining cycle progresses."

Second Quarter Results

Revenue for Q2 2022 totalled \$45.9 million, an increase of 27.2% compared to \$36.1 million for the three-month period ended December 31, 2020 ("Q2 2021"), reflecting an increase in drilling activity in Canada and internationally. Canada revenue totalled \$32.7 million in the quarter, an increase of 11.2% compared to \$29.4 million in Q2 2021, reflecting strong domestic demand for the Company's drilling services. International revenue increased to \$13.2 million in Q2 2022, from \$6.7 million in Q2 2021 due to new long-term contracts in Guinea and Chile.

Orbit Garant drilled 445,039 metres in the quarter, an increase of 18.3% compared to 376,303 metres drilled in Q2 2021. The Company's average revenue per metre drilled in Q2 2022 was \$102.53, an increase of 7.8% compared to \$95.08 in Q2 a year ago. The increase in average revenue per metre drilled was primarily attributable to improved pricing in Canada on drilling contracts, partially offset by a lower proportion of specialized drilling activity.

Gross profit for Q2 2022 was \$2.7 million, or 6.0% of revenue, compared to \$5.4 million, or 14.9% of revenue, in Q2 2021. Depreciation expenses totalling \$2.5 million are included in the cost of contract revenue for Q2 2022, compared to \$2.4 million in Q2 a year ago. Adjusted gross margin, excluding depreciation expenses, was 11.5% in Q2 2022, compared to 21.3% in Q2 2021. The Company's margins in Q2 2022 were negatively impacted by increased driller training and project ramp-up costs in Canada reflecting growth in customer demand. Orbit Garant's margins in Canada were also impacted by increasing driller wage rates. Internationally, the Company incurred significant mobilization costs related to new, long-term contracts in Guinea and Chile. Orbit Garant is also experiencing supply chain disruptions and cost inflation for materials and supplies in all the regions in which it operates, which impacted gross margins. Starting in late November 2021, the Company also experienced temporary interruptions to work in progress due to the Omicron outbreak.

The Company expects to offset its increased wage and materials costs in the second half of Fiscal 2022 through increases to contract pricing. Orbit Garant also expects its international mobilization costs to decline in the second half of Fiscal 2022.

General and administrative expenses were \$3.2 million, or 6.9% of revenue, in Q2 2022, compared to \$3.7 million, or 10.1% of revenue, in Q2 2021.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") totalled \$2.0 million in Q2 2022, compared to \$4.4 million in Q2 2021. Net loss for Q2 2022 was \$1.7 million, or \$0.05 per share, compared to net earnings of \$0.3 million, or \$0.01 per share, in Q2 a year ago. The negative variances were primarily attributable to increased driller training and project ramp-up costs, new project mobilization costs, higher costs of materials and wages, and Omicron-related work interruptions, as discussed above, partially offset by increased drilling activities.

Liquidity and Capital Resources

The Company repaid a net amount of \$1.4 million during Q2 2022 on its Credit Facility, compared to a repayment of \$5.0 million in Q2 2021. 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 \$24.2 million as at December 31, 2021, compared to \$24.3 million as at June 30, 2021. The debt was used to support working capital requirements and the acquisition of capital assets, property, plant and equipment.

On November 22, 2021, the Company and National Bank of Canada entered into an amendment to the Fourth Amended and Restated Credit Agreement. This Credit Facility consists of a \$35.0 million revolving credit facility and a US\$5.0 million revolving credit facility guaranteed by Export Development Canada. The current term of the Credit Facility expires on November 2, 2024.

As at December 31, 2021, the Company's working capital was \$50.2 million (\$54.0 million as at June 30, 2021) 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 unaudited interim consolidated financial statements and management's discussion and analysis for Q2 2022 are available via the Company's website at www.orbitgarant.com or SEDAR at www.sedar.com.

Environmental Certification

Orbit Garant has received UL 2724 ECOLOGO® Certification for Suppliers of the Mineral Exploration Industry. To achieve this important environmental certification, which required extensive third-party verification, the Company demonstrated that it met a series of responsible development indicators. Orbit Garant recognizes that mineral exploration has a significant impact on the environment and on local communities, and is committed to maintaining strong social, environmental, and economic practices across its operations. The UL ECOLOGO® certification recognizes the Company's significant and ongoing efforts in these areas.

Conference Call

Eric Alexandre, President and CEO, and Daniel Maheu, CFO, will host a conference call for analysts and investors on Thursday, February 10, 2022 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: 515221 #. The replay will be available until February 17, 2022. 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	6 months ended	6 months ended
(in millions of dollars)	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Net earnings (net loss) for the period	(1.7)	0.3	(3.1)	3.8
Add:				
Finance costs	0.6	0.7	1.0	1.3
Income tax expense	0.4	0.5	1.2	2.1
Depreciation and amortization	2.7	2.9	5.6	5.6
EBITDA	2.0	4.4	4.7	12.8

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	6 months ended	6 months ended
(in millions of dollars)	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Contract revenue	45.9	36.1	96.5	71.7
Cost of contract revenue (including depreciation)	43.1	30.7	90.0	57.6
Less depreciation	(2.5)	(2.3)	(5.0)	(4.7)
Direct costs	40.6	28.4	85.0	52.9
Adjusted gross profit	5.3	7.7	11.5	18.8
Adjusted gross margin (%) ⁽¹⁾	11.5	21.3	11.9	26.3

(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 217 drill rigs and approximately 1,400 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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<https://www.goldseiten.de/artikel/527306--Orbit-Garant-Drilling-Reports-Fiscal-2022-Second-Quarter-Financial-Results.html>

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