

# Foraco International reports Q1 2022

03.05.2022 | [CNW](#)

## Revenue up 24% - EBITDA up 67%

TORONTO and MARSEILLE, May 3, 2022 - [Foraco International SA](#) (TSX: FAR) (the "Company" or "Foraco"), a leading global provider of mineral drilling services, today released its unaudited financial results for the first quarter 2022. All figures are expressed in US Dollars (US\$) unless otherwise indicated.

"The first quarter of 2022 was another successful step for Foraco and we are pleased to report that our revenue for the period was US\$67.7 million, up 24% compared to the same quarter last year. South America (+116%), Asia Pacific (+37%) and North America (+16%) are leading this increase. This performance is remarkable given the outbreak of highly contagious Covid Omicron strain which hit a lot of regions in the quarter and disrupted many operations worldwide. The rigs utilization rate reached an average of 53% in Q1 2022 compared to 48% in Q1 2021, a satisfactory level for a first quarter that is generally seasonally lower". said Daniel Simoncini, Chairman and Co-CEO. "In the present context of favourable market conditions fueled by energy transition, infrastructure plans and increasing water scarcity, we continue to see sustained demand for our high added value services as customers turn to bigger or more challenging programs. Equally, we have identified significant organic opportunities including development of water related services in all regions, expansion into neighbouring countries, production drilling in targeted areas and gradual implementation of autonomous smart rigs and advanced digital applications."

"During the quarter we improved our profitability, thanks to the strong performance of our operations. We also achieved to pass the increased labour and operational costs onto selling prices during the renegotiation of most of our long-term contracts. Our operational performance translates into the continuing improvement of our key profitability indicators. Q1 2022 EBITDA reached US\$ 8.5 million (12.6 % of revenue), a 67% increase compared to Q1 2021 (US\$ 5.1 million or 9.4% of revenue) and a profit after tax of US\$ 0.8 million was recorded during the quarter". said Jean-Pierre Charmensat, Co-CEO and CFO. "During the quarter, Capex amounted to US\$ 5.6 million compared to US\$ 4.4 million in Q1 2021 mainly linked to rigs and ancillary equipment for new contracts to start in 2022. As anticipated, the working capital requirement related to the activity also increased to US\$ 12.6 million. We have the capacity to finance our Capex and development program while we remain focus on continuing to take advantage of our solid financial performances to deleverage our balance sheet and to protect the interest of our shareholders."

## Highlight - Q1 2022

### Revenue

- Revenue for Q1 2022 amounted to US\$ 67.7 million compared to US\$ 54.6 million in Q1 2021, an increase of 24%.
- Rig utilization rate was 53% in Q1 2022 compared to 48% in Q1 2021.

### Profitability

- Q1 2022 gross margin including depreciation within cost of sales was US\$ 9.6 million (or 14.1% of revenue) compared to US\$ 6.1 million (or 11.1% of revenue) in Q1 2021, an increase of 58%.
- Ongoing contracts reported solid performances. Increased costs were passed on most of the new selling prices upon the renewal and the renegotiation of long term contracts.
- During the quarter, EBITDA amounted to US\$ 8.6 million (or 12.6% of revenue), compared to US\$ 5.1 million (or 9.4% of revenue) for the same quarter last year, an increase of 67 %.

## Selected financial data

### Income Statement

(In thousands of US\$) (unaudited)	Three-month period ended March 31,	
	2022	2021

Revenue	67,740	54,551
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Gross profit / (loss) (1)	9,560	6,061
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As a percentage of sales	14.1%	11.1%
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EBITDA	8,527	5,114
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As a percentage of sales	12.6%	9.4%
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Operating profit / (loss)	3,609	803
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As a percentage of sales	5.3%	1.5%
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Profit / (loss) for the period	778	(965)
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Attributable to:

Equity holders of the Company	428	(995)
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Non-controlling interests	350	30
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EPS (in US cents)

Basic	0.43	(1.11)
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Diluted	0.42	(1.11)
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(1) includes amortization and depreciation expenses related to operations.

Financial results

Revenue

(In thousands of US\$) - (unaudited) Q1 2022 % change Q1 2021

## Reporting segment

Mining.....	59,350	32%	45,102
Water.....	8,390	-11%	9,449
Total revenue.....	67,740	24%	54,551

## Geographic region

North America.....	21,600	16%	18,635
Europe, Middle East and Africa.....	15,168	-19%	18,828
South America.....	20,698	116%	9,580
Asia Pacific.....	10,274	37%	7,508
Total revenue.....	67,740	24%	54,551

Revenue for the quarter increased from US\$ 54.6 million in Q1 2021 to US\$ 67.7 million in Q1 2022 (+ 24%).

The increase in revenue in the Mining segment is the result of the favorable market dynamics with long-term rolling contracts started in 2021 and the capacity of the Company to deliver. The water activity decreased by 11% mainly due to the phasing of contracts compared to last year.

Activity in North America increased 16% with revenue at US\$ 21.6 million in Q1 2022 compared to US\$ 18.6 million in Q1 2021. This increase is mainly linked to the rolling of long-term contracts.

In EMEA, revenue for the quarter was US\$ 15.2 million compared to US\$ 18.8 million in Q1 2021, a decrease of 18%. In Africa, activity decreased by 41% compared to Q1 2021 mainly due to the phasing of contracts. The activity was stable in the other regions (Europe and CIS).

Revenue in South America increased by 116% to US\$ 20.7 million in Q1 2022 (US\$ 9.6 million in Q1 2021). This increase is mainly linked to new contracts mobilized during the first quarter and the lower impact of the pandemic which disrupted the region during the same period last year.

In Asia Pacific, Q1 2022 revenue amounted to US\$ 10.3 million, an increase of 37% reflecting quarter over quarter the ongoing improvement of the activity.

## Gross Profit

(In thousands of US\$) - (unaudited) Q1 2022 % change Q1 2021

## Reporting segment

Mining.....	7,715	62%	4,752
Water.....	1,845	43%	1,289
Total gross profit .....	9,560	58%	6,061

The Q1 2022 gross margin including depreciation within cost of sales was US\$ 9.6 million (or 14.1% of revenue) compared to US\$ 6.1 million (or 11.1% of revenue) in Q1 2021. Ongoing contracts reported

expected performances. All regions operated in a tight labor market generating inflation on costs and impacting project gross margins. Some of these cost increases were not yet compensated in our selling prices.

#### Selling, General and Administrative Expenses

(In thousands of US\$) - (unaudited)                      Q1 2022 % change Q1 2021

Selling, general and administrative expenses 5,951      14%      5,238

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 9.6% in Q1 2021 to 8.8% in Q1 2022.

#### Operating result

(In thousands of US\$) - (unaudited)                      Q1 2022 % change Q1 2021

##### Reporting segment

Mining .....	2,501	n/a	421
Water.....	1,108	n/a	382
Total operating profit (loss) .....	3,609	n/a	803

The operating profit was US\$ 3.6 million, resulting in a US\$ 2.8 million increase thanks to the increased activity and the continued control over the operations and costs.

#### Financial position

The following table provides a summary of the Company's cash flows for Q1 2022 and Q1 2021:

(In thousands of US\$) Q1 2022 Q1 2021

Cash generated by operations before working capital requirements	8,527	5,114
Working capital requirements	(12,615)	(7,655)
Income tax paid	(2,586)	(1,240)
Purchase of equipment in cash	(5,235)	(4,418)
Free Cash Flow before debt servicing	(11,910)	(8,199)
Debt variance	5,422	3,906
Interests paid	(2,365)	(534)
Acquisition of treasury shares	(313)	(154)
Dividends paid to non-controlling interests	-	-
Net cash generated / (used in) financing activities	2,745	3,218
Net cash variation	(9,165)	(4,881)
Foreign exchange differences	232	329
Variation in cash and cash equivalents	(8,933)	(4,653)
Cash and cash equivalents at the end of the period	14,991	16,310

In Q1 2022, the cash generated from operations before working capital requirements amounted to US\$ 8.5 million compared to US\$ 5.1 million in Q1 2021.

In Q1 2022, the working capital requirement was US\$12.6 million compared to a US\$ 7.7 million in the same period last year. This is mainly linked to the improved activity requiring higher inventories and resulting in higher receivables at quarter end which is only partially offset by the increased amounts payable to suppliers.

During the period, Capex totaled US\$ 5.2 million in cash compared to US\$ 4.4 million in Q1 2021. Capex essentially relates to the acquisition of rigs, major rig overhauls, ancillary equipment and rods.

As at March 31, 2022, the maturity of financial debt can be analyzed as presented in the table below:

March 31, 2022

Credit lines	7,661
Long-term debt	
Within one year	7,437
Between 1 and 2 years	10,216
Between 2 and 3 years	9,919
Between 3 and 4 years	74,464
Total	109,696

As at March 31, 2022, cash and cash equivalents totaled US\$ 15.0 million compared to US\$ 23.9 million as at December 31, 2021. Cash and cash equivalents are mainly held at or invested within top tier financial institutions.

As at March 31, 2022, the net debt including operational lease obligations (IFRS 16) amounted to US\$ 100.8 million (US\$ 85.7 million as at December 31, 2021).

Bank guarantees as at March 31, 2022 totaled US\$ 5.7 million compared to US\$ 9.0 million as at December 31, 2021. The Company benefits from a confirmed contract guarantee line of &#8364; 6.5 million (US\$ 7.1 million).

#### Covid 19

The Company continues to report improved key profitability indicators compared to pre-Covid-19 activity in the context of favourable market conditions. While the Company believes that the worst of the impacts of Covid-19 on the business have been felt, there remains a level of uncertainty.

#### Impairment testing

As at December 31, 2021, the Company performed impairment tests at the level of each geographic region using the carrying value of the Company's long-lived assets based on the expected discounted cash flows method. Based on the internal forecasts and projections made, the expected discounted future cash flows exceeded each of the long-lived asset's carrying amount for each geographic region and accordingly no impairment was recognized as at December 31, 2021.

Based on the current activity trend, the Company considers that there is no triggering event which would justify an impairment testing as at March 31, 2022.

#### Currency exchange rates

The exchange rates for the periods under review are provided in the Management's Discussion and Analysis of Q1 2022

#### 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 as this 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 as 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 of payables related to acquisitions, net of cash and cash equivalents. The lease obligations are included in the net debt calculation.

Reconciliation of EBITDA is as follows:

(In thousands of US\$)	Q1 2022	Q1 2021
(unaudited)		
Operating profit / (loss).....	3,609	803
Depreciation expense .....	4,848	4,261
Non-cash employee share-based compensation.....	70	50
EBITDA .....	8,527	5,114
Conference call and webcast		

On May 3, 2022, Company Management will conduct a conference call at 10:00 am ET to review the financial results. The call will be hosted by Daniel Simoncini, Chairman and co-CEO, and Jean-Pierre Charmensat, co-CEO and CFO.

You can join the call by dialing 1-888-231-8191 or 1-647-427-7450. You will be put on hold until the conference call begins. A live audio webcast of the Conference Call will also be available through:

[https://produceredition.webcasts.com/starthere.jsp?ei=1546527&tp\\_key=9d35dbb788](https://produceredition.webcasts.com/starthere.jsp?ei=1546527&tp_key=9d35dbb788)

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](http://www.foraco.com).

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disclaims any intention or obligation to update or revise any forward-looking statements and information whether as a result of new information, future events or otherwise. All written and oral forward-looking statements and information attributable to Foraco or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements.

SOURCE [Foraco International SA](#)

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