

# Orbit Garant Drilling Inc. Reports Fiscal 2023 First Quarter Financial Results

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## Continued margin enhancement supported by strong customer demand, improved productivity and increased revenue per metre drilled

VAL-D'OR, Nov. 9, 2022 - [Orbit Garant Drilling Inc.](#) (TSX: OGD) ("Orbit Garant" or the "Company") today announced its financial results for the three-month period ended September 30, 2022 ("Q1 2023"). All dollar amounts are in Canadian dollars unless otherwise stated.

### Financial Highlights

(\$ amounts in millions, except per share amounts)	Three months ended September 30, 2022	Three months ended September 30, 2021
Revenue	\$53.2	\$50.6
Gross Profit	\$6.2	\$3.8
Gross Margin (%)	11.7	7.4
Adjusted Gross Margin (%) <sup>1</sup>	16.3	12.3
EBITDA <sup>2</sup>	\$5.8	\$2.7
Net earnings (loss)	\$1.1	\$(1.3)
Net earnings (loss) per share		
- Basic and diluted	\$0.03	\$(0.04)
Total metres drilled	410,121	463,755

<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 profitability continued to improve in the first quarter as our average revenue per metre drilled increased nearly 20% compared to Q1 last year, primarily reflecting improved productivity of our drillers, supported by our training program, and more favourable contract pricing that helped offset inflation impacts in Canada. Our margins also benefited from increased specialized drilling activity and decreased project ramp-up costs in Canada, and a reduction in mobilization costs for our recent drilling projects in Guinea and Chile," said Eric Alexandre, President and CEO of Orbit Garant. "Customer demand remains strong and we expect to generate further margin expansion in fiscal 2023, supported by the investments we made in ramping up our operations last year, improving driller productivity and a more favourable pricing environment."

### First Quarter Results

Revenue for Q1 2023 totalled \$53.2 million, an increase of 5.3% compared to \$50.6 million for the

three-month period ended September 30, 2021 ("Q1 2022"). Canada revenue totalled \$42.8 million in the quarter, an increase of 12.9% compared to \$37.9 million in Q1 2022. The increase was primarily attributable to improved driller productivity, a more favorable pricing environment and increased specialized drilling activity. International revenue declined to \$10.4 million in Q1 2023, compared to \$12.7 million in Q1 2022, reflecting a reduction in drilling activity in Burkina Faso and Chile, partially offset by increased drilling activities in Guinea and Guyana.

Orbit Garant drilled 410,121 metres in the quarter, compared to 463,755 metres drilled in Q1 2022. The Company's average revenue per metre drilled in Q1 2023 was \$129.66, an increase of 19.5% compared to \$108.46 in Q1 2022. The increase in average revenue per metre drilled was primarily attributable to an improved pricing environment in Canada and a higher proportion of specialized drilling activity.

Gross profit for Q1 2023 increased to \$6.2 million, or 11.7% of revenue, compared to \$3.8 million, or 7.4% of revenue, in Q1 2022. Depreciation expenses totalling \$2.5 million are included in the cost of contract revenue for Q1 2023, similar to Q1 a year ago. Adjusted gross profit in Q1 2023, excluding depreciation expenses, was \$8.7 million, compared to \$6.2 million in Q1 2022. Adjusted gross margin was 16.3% in Q1 2023, compared to 12.3% in Q1 2022. The increases in gross profit, gross margin, adjusted gross profit and adjusted gross margin were primarily attributable to higher average revenue per metre drilled, reflecting improved driller productivity, a more favourable pricing environment and increased specialized drilling activity in Canada. Prior year margins were impacted by project ramp-up costs due to rapid growth in Canada and mobilization costs for new, long-term projects in Guinea and Chile.

General and administrative expenses were \$3.9 million, or 7.3% of revenue, in Q1 2023, compared to \$3.8 million, or 7.4% of revenue, in Q1 2022.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") increased to \$5.8 million in Q1 2023, compared to \$2.7 million in Q1 2022. Net earnings for Q1 2023 were \$1.1 million, or \$0.03 per share, compared to a net loss of \$1.3 million, or \$0.04 per share, in Q1 a year ago. The positive variances were primarily attributable to higher average revenue per metre drilled, reflecting improved driller productivity, a more favourable pricing environment and increased specialized drilling activity in Canada. The Company's EBITDA and net earnings in Q1 2023 also reflect decreased project ramp-up costs in Canada and a reduction in mobilization costs for drilling projects in Guinea and Chile.

#### Liquidity and Capital Resources

During Q1 2023, cash flow of \$0.1 million was generated from financing activities. In Q1 2022, the Company repaid a net amount of \$1.2 million of its long-term debt and lease liabilities.

On September 9, 2022, the Company entered into an additional loan agreement with the Business Development Bank of Canada (the "BDC Loan Agreement") which provides for a term loan in the principal amount of \$8.47 million. The loan bears interest at a fixed rate of 6.70% per year, has a 20-year term and is repayable by way of 240 consecutive monthly payments from November 2022 until October 2042. The fixed interest rate may be reduced by 0.20% from October 2023, if certain financial covenants are met by the Company. The Company's obligations under the BDC Loan Agreement are secured: (a) by a first ranking immovable hypothec on the building serving as the Company's head office located in Val-d'Or, Quebec (the "Property"); and (b) guaranteed on a solidary (joint and several) basis by certain of the Company's subsidiaries.

As a result of the Company entering into the BDC Loan Agreement and in order to extract the Property from the borrowing base under the Credit Agreement, the Company entered into a third amending agreement to the Credit Agreement with National Bank on September 9, 2022 (the "Third Amending Agreement"), pursuant to which the amount available for borrowing under the revolving facility contemplated under the Credit Agreement was reduced from \$35.0 million to \$30.0 million. Other noteworthy amendments made pursuant to the Third Amending Agreement include consents by National Bank to authorize the first ranking immovable hypothec on the Property pursuant to the BDC Loan Agreement and modifications to certain financial covenants of the Company applicable to Q1 2023 and future quarters.

As at September 30, 2022, the Company's working capital was \$53.7 million, compared to \$53.4 million as at June 30, 2022, and 37,372,756 common shares were issued and outstanding. The Company'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 Q1 2023 are available via 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 Daniel Maheu, CFO, will host a conference call for analysts and investors on Thursday, November 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: 086240 #. The replay will be available until November 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
(in millions of dollars)	September 30, 2022	September 30, 2021
Net earnings (net loss) for the period	1.1	(1.3)
Add:		
Finance costs	0.7	0.4
Income tax expense	1.3	0.8
Depreciation and amortization	2.7	2.8
EBITDA (loss)	5.8	2.7

### 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
(in millions of dollars)	September 30, 2022	September 30, 2021
Contract revenue	53.2	50.6
Cost of contract revenue (including depreciation)	47.0	46.9
Less depreciation	(2.5)	(2.5)
Direct costs	44.5	44.4
Adjusted gross profit	8.7	6.2
Adjusted gross margin (%) <sup>(1)</sup>	16.3	12.3

<sup>(1)</sup> 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](http://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](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 except as required by applicable securities laws.

SOURCE [Orbit Garant Drilling Inc.](#)

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