

Foraco International reports Q1 2024

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TORONTO and MARSEILLE, France, April 30, 2024 /CNW/ - [Foraco International SA](#) (TSX: FAR) (the "Company" or "Foraco"), a leading global provider of mineral and water drilling services, today announced its first quarter 2024 results. All figures are expressed in US Dollars (US\$) unless otherwise indicated.

Revenue

- Revenue: US\$ 77.1 m compared to US\$ 88.4 m in Q1 2023 (-13%).
- Q1 2024 revenue is the second-best Q1 quarter of the last decade (+14% vs Q1 2022).
- During Q1 2024, several customers postponed the resumption of activities in January compared to 2023 which were recovered in the second part of the quarter.

Profitability

- Gross Margin: US\$ 16.8 m, or 21.8% of revenue (vs 23.9% in Q1 2023)
- EBITDA: US\$ 17.6 m, or 22.8% of revenue (vs 21.6% in Q1 2023)
- Net Profit: US\$ 8.5 m, or 11.0% of revenue (vs 9.1% in Q1 2023)
- EPS to equity holders: 8.78 US cents vs 6.56 US cents in Q1 2023 (+34% QoQ)

Tim Bremner, CEO of Foraco, reflected on the quarter, stating, "Q1 2024 stands out as the second-best quarter of the last decade, even though the activity level was slightly below that of Q1 2023 when most contracts were remobilized particularly early in the quarter. Unfavorable exchange rates also impacted Q1 2024. However, the quarter ended on a strong note with a robust rebound in activity levels, smooth operations, and the successful completion of our withdrawal from Russia. We are optimistic as several customers have already initiated discussions to extend their long-term contracts."

Fabien Sevestre, CFO of Foraco, shared insights into the financial outcomes, stating, "Our financial performance in Q1 2024 was robust, marked by an EBITDA margin of 22.8% compared to 21.6% in Q1 2023. The need for increased working capital due to heightened activity in the latter half of the quarter. Our exit from Russia generated profit, with a related cash payment at the end of Q2. With a 50% reduction in interest rates following our recent debt refinancing, we achieved a notable net profit and earnings per share that surpassed last year's figures. The approved C\$0.06 per share dividend will be disbursed on July 18."

Income Statement

(In thousands of US\$) (unaudited)	Three-month period ended March 31,	
	2024	2023

Revenue	77,089	88,378
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Gross profit (1)	16,812	21,118
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As a percentage of sales	21.8 %	23.9 %
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EBITDA	17,574	19,130
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As a percentage of sales	22.8 %	21.6 %
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Operating profit	12,624	14,214
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As a percentage of sales	16.4 %	16.1 %
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Net profit for the period	8,464	8,001
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Attributable to:

Equity holders of the Company	8,846	6,635
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Non-controlling interests	(382)	1,366
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EPS (in US cents)

Basic	8.96	6.70
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Diluted	8.78	6.56
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(1) includes amortization and depreciation expenses related to operations.

Highlights - Q1 2024

Revenue

- Q1 2024 revenue amounted to US\$ 77.1 million compared to US\$ 88.4 million in Q1 2023, a decrease of 13%.
- Q1 2024 revenue remains the second-best first quarter of the last decade (+14% vs Q1 2022).
- In Q1 2023, most contracts were remobilized particularly early. Delays noted in the first part of Q1 2024 were partially compensated by a robust rebound in activity towards the end of the quarter.

Profitability

- Q1 2024 gross margin including depreciation within cost of sales was US\$ 16.8 million (or 21.8% of revenue) compared to US\$ 21.1 million (or 23.9% of revenue) in Q1 2023, the temporary revenue dip, leading to some under-absorption of costs.

- During the quarter, EBITDA amounted to US\$ 17.6 million (or 22.8% of revenue) compared to US\$ 19.1 million (or 22.8% of revenue) for the same quarter last year.
- The Free Cash Flow for the period was US\$ (19.0) million mainly explained by the working capital requirements and the higher activity in the second part of the quarter and the capex required in the first quarter to support the upcoming projects.

Financial results

Revenue

(In thousands of US\$) - (unaudited) Q1 2024 % change Q1 2023

Reporting segment

Mining	69,046	-7 %	74,519
Water	8,043	-42 %	13,859
Total revenue	77,089	-13 %	88,378

Geographic region

North America	27,023	-9 %	29,726
South America	25,575	-18 %	31,142
Asia Pacific	14,671	-8 %	16,008
Europe, Middle East and Africa	9,820	-15 %	11,502
Total revenue	77,089	-13 %	88,378

Revenue for the quarter amounted to US\$ 77.1 million in Q1 2024 compared to US\$ 88.4 million in Q1 2023 and to US\$67.7 million in Q1 2022

During Q1 2024, several customers delayed the resumption of activities in January compared to 2023 which was partially recovered in the second part of the quarter. Rigs utilization rate was 42% in Q1 2024 compared to 53% in Q1 2023.

Activity in North America decreased by 9% with revenue at US\$ 27.0 million in Q1 2024 compared to US\$ 29.7 million in Q1 2023. This decrease is linked to the late remobilization of long-term contracts at clients' request.

Revenue in South America decreased by 18% to US\$ 25.6 million in Q1 2024 (US\$ 31.1 million in Q1 2023). Several clients delayed issuing orders to remobilize long-term contracts.

In Asia Pacific, Q1 2024 revenue amounted to US\$ 14.7 million, a decrease of 8% compared to Q1 2023. This decrease is mainly linked to adverse foreign exchange rate (4%) and weather issues in Australia.

In the EMEA, revenue for the quarter was US\$ 9.8 million compared to US\$ 11.5 million in Q1 2023, a decrease of 15% mainly linked to the political and economic uncertainties in some countries.

Gross Profit

(In thousands of US\$) - (unaudited) Q1 2024 % change Q1 2023

Reporting segment

Mining	15,446	-12 %	17,644
Water	1,366	-60 %	3,464
Total gross profit	16,812	-20 %	21,118

The Q1 2024 gross margin including depreciation within cost of sales was US\$ 16.8 million (or 21.8% of revenue) compared to US\$ 21.1 million (or 23.9% of revenue) in Q1 2023. The revenue decrease during the first part of the quarter led to some under-absorption of fixed costs.

Selling, General and Administrative Expenses

(In thousands of US\$) - (unaudited) Q1 2024 % change Q1 2023

Selling, general and administrative expenses	6,299	-9 %	6,904
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SG&A decreased compared to the same quarter last year. As a percentage of revenue, SG&A was stable at 8%.

Operating result

(In thousands of US\$) - (unaudited) Q1 2024 % change Q1 2023

Reporting segment

Mining	11,915	1 %	11,823
Water	709	-70 %	2,391
Total operating profit	12,624	-11 %	14,214

The operating profit was US\$ 12.6 million compared to US\$ 14.2 million in the same quarter last year. On March 15, 2024, the Company finalized the sale of its 50 % stake in Eastern Drilling Company (EDC) Russia. This transaction generated a net profit of US\$ 2.1 million recorded in other operating income and expense within operating profit.

Liquidity and Capital Resources

The following table provides a summary of the Company's cash flows for Q1 2024 and Q1 2023:

(In thousands of US\$) Q1 2024 Q1 2023

Cash generated by operations before working capital requirements 17,574 19,130

Working capital requirements (26,716) (10,541)

Income tax paid (1,904) (2,402)

Purchase of equipment in cash (6,198) (8,572)

Free Cash Flow before debt servicing (17,244) (2,385)

Proceeds from / (repayment of) debt 6,400 5,250

Interests paid (1,710) (3,314)

Acquisition of treasury shares (269) (393)

Deconsolidation of EDC Russia (2,076) -

Dividends paid to non-controlling interests (330) (398)

Net cash generated / (used in) financing activities 2,015 1,145

Net cash variation (15,229) (1,241)

Foreign exchange differences (728) (556)

Variation in cash and cash equivalents (15,958) (1,797)

Cash and cash equivalents at the end of the period 18,331 27,611

In Q1 2024, the cash generated from operations before working capital requirements amounted to US\$ 17.6 million compared to US\$ 19.1 million in Q1 2023.

In Q1 2024, the working capital requirement was US\$ 26.7 million compared to US\$ 10.5 million in the same period last year. The increase in the working capital requirement is a consequence of the higher activity in the second part of the quarter.

During the period, Capex totaled US\$ 6.2 million in cash compared to US\$ 8.6 million in Q1 2023. Capex relates essentially to the acquisition of rigs, major rig overhauls, ancillary equipment and rods. Two large rigs were added to the fleet during the quarter.

As at March 31, 2024, the maturity of financial debt can be analyzed as presented in the table below:

In thousands US\$ March 31, 2024 March 31, 2023

Credit lines	9,145	7,072
Long-term debt		
Within one year	12,751	13,553
Between 1 and 2 years	11,880	10,393
Between 2 and 3 years	11,619	74,853
Between 3 and 4 years	43,993	565
Between 4 and 5 years	8,094	-
Total	97,482	106,436
IFRS 16	5,886	6,428
Cash	18,331	27,611
Net Debt	85,016	85,253

As at March 31, 2024, cash and cash equivalents totaled US\$ 18.3 million compared to US\$ 34.3 million as at December 31, 2023. Cash and cash equivalents are mainly held at or invested within top tier financial institutions.

As at March 31, 2024, the net debt including operational lease obligations (IFRS 16) amounted to US\$ 85.0 million (US\$ 65.2 million as at December 31, 2023).

Bank guarantees as at March 31, 2024 totaled US\$ 5.2 million compared to US\$ 7.4 million as at December 31, 2023.

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 Q1 2024.

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 Company's lease obligations are included in the net debt calculation.

Reconciliation of EBITDA is as follows:

(In thousands of US\$)	Q1 2024 Q1 2023	
(unaudited)		
Operating profit / (loss)	12,624	14,214
Depreciation expense	4,847	4,826
Non-cash employee share-based compensation	102	90
EBITDA	17,574	19,130

Conference call and webcast

On April 30, 2024, Company Management will conduct a conference call at 10:30 am ET to review the financial results. The call will be hosted by Tim Bremner, CEO, and Fabien Sevestre, CFO.

To join the conference call without operator assistance, you may register and enter your phone number at <https://emportal.ink/3xEWc0O> to receive an instant automated call back.

You can also 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/wMNp9dKrZjy>

Please connect at least 15 minutes prior to the Conference Call to ensure adequate time for any software download that may be needed to hear the webcast. 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 21 countries across five continents. For more information about Foraco, visit www.foraco.com.

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Contact

Fabien Sevestre (ir@foraco.com), Tel: (705) 495-6363

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