

# Foraco International reports Q2 2024

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Company pivots its business towards more stable jurisdictions. Temporary revenue contraction while maintaining good Best quarter ever in North America and Australia.

TORONTO and MARSEILLE, France, Aug. 2, 2024 /CNW/ - [Foraco International SA](#) (TSX: FAR) ("Foraco" or the "Company"), a leading global provider of drilling services, is pleased to announce its results for the second quarter ended June 30, 2024. All amounts are denominated in US Dollars (US\$) unless otherwise stated.

## Q2 2024 Highlights:

- Revenue amounted to US\$ 77.9 million, compared to a record US\$ 100.1 million in Q2 2023.
  - Two key regions marked their best quarter ever:
    - North America saw an increase of 3%, reaching US\$ 32.1 million.
    - Asia-Pacific (Australia) experienced a 38% increase, reaching US\$ 22.2 million.
  - In the EMEA region, revenue decreased US\$ 7.8 million following the Company's strategic decision to exit unstable jurisdictions (Russia and some countries in West Africa).
  - Revenue in South America decreased by US\$ 20.7 million from last year's record quarter (US\$ 39.0 million) due to a lack of financing in the junior mining sector and an early winter season on high-altitude projects.
- Gross Margin, including depreciation within the cost of sales, was a solid US\$ 17.9 million (23.0% of revenue) compared to US\$ 25.9 million (25.9% of revenue) in Q2 2023. Most projects generated solid operating performance, which partially offset the impact of under-absorption of fixed costs.
- EBITDA amounted to 21.0% of revenue (US\$ 16.4 million) compared to 23.8% of revenue (US\$ 23.8 million) for the same quarter last year.

Tim Bremner, CEO of Foraco, reflected on the quarter, stating, "We have achieved notable successes in our two main regions, North America and the Asia-Pacific region, where we generated all-time record revenue. The decrease in revenue in EMEA is a result of our strategic decision to reduce exposure in unstable jurisdictions, including Russia and some countries in West Africa. In South America, we faced challenges mainly due to reduced funding for junior miners particularly in the lithium commodity sector and adverse weather conditions. We are therefore confident that our strategy to focus on tier-one clients in mining-friendly countries offer significant opportunities, driven by the demand for mineral commodities. We believe that the revenue contraction is temporary as a result of our strategic decision to pivot the Company."

Fabien Sevestre, CFO of Foraco, shared insights into the financial performance, stating, "During the quarter we have maintained healthy financial metrics with a 23% gross margin after depreciation (compared to 26% in Q2 2023), a 21% EBITDA margin (compared to 24% in Q2 2023), and a 10% net profit margin (compared to 11% in Q2 2023). We also reduced our SG&A by 18% compared to Q2 2023. The US\$ 23.5 million increase in working capital requirements is entirely linked to support our operations and developments in North America and Australia. We have achieved a 50% reduction in net financial expenses compared to Q2 2023 thanks to more favorable interest rates from our new financing secured in Q4 2023. Looking ahead, we will continue to focus on debt reduction while staying active in strategic investments."

## Income Statement

(In thousands of US\$) (unaudited)	Three-month period ended June 30,		Six-month period ended June 30,	
	2024	2023	2024	2023
Revenue	77,884	100,066	154,973	188,444
Gross profit (1)	17,916	25,964	34,728	47,082
As a percentage of sales	23.0 %	25.9 %	22.4 %	25.0 %
EBITDA	16,391	23,812	33,964	42,943
As a percentage of sales	21.0 %	23.8 %	21.9 %	22.8 %
Operating profit	12,116	18,857	24,740	33,071
As a percentage of sales	15.6 %	18.8 %	16.0 %	17.5 %
Net profit for the period	7,809	11,054	16,273	19,055
Attributable to:				
Equity holders of the Company	7,760	8,814	16,606	15,449
Non-controlling interests	49	2,240	(333)	3,606
EPS (in US cents)				
Basic	7.87	8.92	16.84	15.61
Diluted	7.70	8.73	16.48	15.29

(1) This line item includes amortization and depreciation expenses related to operations

## Highlights - Q2 2024

### Revenue

- Q2 2024 revenue amounted to US\$ 77.9 million, compared to a record US\$ 100.1 million in Q2 2023.
- Two key regions achieved new record performance for the quarter:
  - North America increased by 3% at US\$ 32.1 million
  - Asia-Pacific (Australia) increased by 33% at US\$ 22.2 million
- In the EMEA region, revenue decreased US\$ 7.8 million following the Company's strategic decision to exit unstable jurisdictions (Russia and some countries in West Africa).
- Revenue in South America decreased by US\$ 20.7 million from last year's record quarter (US\$ 39.0 million), due to financing in the junior mining sector and an early winter season on high-altitude projects.

### Profitability

- Q2 2024 gross margin including depreciation within cost of sales was a solid US\$ 17.9 million (or 23.0% of revenue) compared to US\$ 25.9 million (or 25.9% of revenue) in Q2 2023. Most projects generated solid operating performance, partially offset the under-absorption of fixed costs.
- During the quarter, EBITDA amounted to US\$ 16.4 million (or 21.0% of revenue) compared to US\$ 23.8 million (or 25.9% of revenue) for the same quarter last year.

## Highlights - H1 2024

### Revenue

- For the six-month period ending June 30, 2024 (H1 2024), revenue amounted to US\$ 155.0 million compared to US\$ 188.4 million in H1 2023.

### Profitability

- In H1 2024, the gross margin, inclusive of depreciation within cost of sales, was US\$ 34.7 million (or 22.4% of revenue) compared to US\$ 47.1 million (or 25.0% of revenue) in H1 2023.
- During H1, EBITDA amounted to US\$ 34.0 million (or 21.9% of revenue), compared to US\$ 42.9 million (or 22.8% of revenue) for the same period last year.
- The Free Cash Flow for the period was US\$ (9.7) million, mainly attributed to working capital requirements to support development in North America and Asia Pacific.

## Financial results

### Revenue

(In thousands of US\$) - (unaudited)

Q2 2024 % change Q2 2023 H1 2024 % change H1 2023

#### Reporting segment

Mining.....	69,316	-21 %	87,933	138,363	-15 %	162,452
Water.....	8,568	-29 %	12,133	16,610	-36 %	25,992
Total revenue.....	77,884	-22 %	100,066	154,973	-18 %	188,444

#### Geographic region

North America.....	32,129	3 %	31,176	59,151	-3 %	60,902
Asia-Pacific.....	22,190	33 %	16,731	36,861	13 %	32,738
South America.....	18,255	-53 %	39,016	43,830	-38 %	70,158
Europe, Middle East and Africa.....	5,310	-60 %	13,143	15,130	-39 %	24,645
Total revenue.....	77,884	-22 %	100,066	154,973	-18 %	188,444

## Q2 2024

Revenue for the quarter decreased by US\$ 22.2 million, from US\$ 100.1 million in Q2 2023 to US\$ 77.9 million in Q2 2024. The decline in junior activity, which amounted to US\$ 11.0 million, accounted for nearly half of this decrease and mainly impacted South America. Additionally, the company has reduced its exposure in unstable jurisdictions in the EMEA region, which further impacted revenue by US\$ 8.0 million.

Activity in North America reported its best quarter ever, with a 3% increase in revenue (5% excluding adverse foreign exchange rates) to US\$ 32.1 million in Q2 2024, compared to US\$ 31.2 million in Q2 2023. This increase is attributed to strong operational performance on ongoing long-term contracts.

In Asia Pacific, Q2 2024 revenue amounted to US\$ 22.2 million, marking the best quarter ever with a 33% increase compared to Q2 2023. This growth is primarily attributed to increased demand and the acquisition and commissioning of new rigs.

Revenue in South America decreased by 53% to US\$ 18.3 million in Q2 2024, down from US\$ 39.0 million in Q2 2023. The region was affected by an early winter season for high-altitude projects and the suspension of activity by junior companies due to a lack of financing.

In the EMEA region, revenue for the quarter was US\$ 5.3 million, compared to US\$ 13.1 million in Q2 2023, representing a 60% decrease. This decline was primarily due to the company's exit from Russia and the reduction of its exposure in Africa.

Overall, rig utilization rate in Q2 2024 was 40% compared to 59% in Q2 2023.

#### H1 2024

H1 2024 revenue amounted to US\$ 155.0 million compared to US\$ 188.4 million in H1 2023, a decrease of 18%.

Revenue in North America was US\$ 59.2 million compared to US\$ 60.9 million, a decrease of 3% mainly due to the adverse exchange rate between the US dollar and the Canadian dollar.

In Asia Pacific, H1 2024 revenue amounted to US\$ 36.9 million, an increase of 13%. This increase is mainly linked to the increase in demand and the acquisition and commissioning of new rigs.

Revenue in South America amounted to US\$ 43.8 million in H1 2024 (US\$ 70.2 million in H1 2023), a decrease of 38%. Several clients delayed issuing orders to remobilize long-term contracts at the beginning of the year, while Q2 activity was impacted by the withdrawal of junior companies due to a lack of financing and an early winter season for high-altitude projects.

In EMEA, revenue decreased by 39% (from US\$ 24.7 million in H1 2023 to US\$ 15.1 million in H1 2024). The Company sold its participation in Russia in Q1 2024 and continued to reduce exposure in unstable jurisdictions.

#### Gross profit

(In thousands of US\$) - (unaudited)

Q2 2024 % change Q2 2023 H1 2023 % change H1 2022

#### Reporting segment

Mining.....	15,396	-33 %	22,846	40,490	74 %	23,226
Water.....	2,520	-19 %	3,118	6,592	29 %	5,121
Total gross profit / (loss) .....	17,916	-31 %	25,964	47,082	66 %	28,347

#### Q2 2024

The Q2 2024 gross margin including depreciation within cost of sales was a solid US\$ 17.9 million (or 23.0% of revenue) compared to US\$ 26.0 million (or 25.9% of revenue) in Q2 2023. Most projects generated solid

operating performance which partially offset the under-absorption of fixed costs.

#### H1 2024

The H1 2024 gross margin including depreciation within cost of sales was US\$ 34.7 million (or 22.4% of revenue) compared to US\$ 47.1 million (or 25.0% of revenue) in H1 2023. Most projects generated solid operating performance which partially offset the under-absorption of fixed costs.

#### Selling, General and Administrative Expenses

(In thousands of US\$) - (unaudited)                      Q2 2024 % change Q2 2023 H1 2024 % change H1 2023

Selling, general and administrative expenses	5,800	-18 %	7,107	12,099	-14 %	14,011
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#### Q2 2024

SG&A decreased 18% compared to the same quarter last year. As a percentage of revenue, SG&A remained stable around 7.0% of the revenue.

#### H1 2024

SG&A decreased by 14% compared to the same period last year. As a percentage of revenue, SG&A was stable.

#### Operating result

(In thousands of US\$) - (unaudited)

Q2 2024 % change Q2 2023 H1 2024 % change H1 2023

#### Reporting segment

Mining .....	10,234	-38 %	16,601	22,149	-22 %
Water.....	1,882	-17 %	2,256	2,591	-44 %
Total operating profit / (loss) .....	12,116	-36 %	18,857	24,740	-25 %

#### Q2 2024

The operating profit was US\$ 12.1 million compared to US\$ 18.9 million in the same quarter last year.

#### H1 2024

The operating profit was US\$ 24.7 million compared to US\$ 33.1 million in the same period 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.

#### Financial position

The following table provides a summary of the Company's cash flows for H1 2024 and H1 2023:

(In thousands of US\$)	H1 2024	H1 2023
Cash generated by operations before working capital requirements	33,964	42,943
Working capital requirements	(23,497)	(14,264)
Income tax paid	(6,264)	(5,636)
Purchase of equipment in cash	(9,978)	(14,162)
Free Cash Flow before debt servicing	(5,775)	8,881
Proceeds from / (repayment of) debt	1,796	5,328
Interests paid	(3,931)	(6,824)
Acquisition of treasury shares	(556)	(609)
Deconsolidation of EDC Russia	(2,076)	-
Dividends paid to non-controlling interests	(330)	(699)
Net cash generated / (used in) financing activities	(5,097)	(2,804)
Net cash variation	(10,872)	6,077
Foreign exchange differences	(1,458)	(595)
Variation in cash and cash equivalents	(12,330)	5,482
Cash and cash equivalents at the end of the period	21,959	34,890

In H1 2024, the cash generated from operations before working capital requirements amounted to US\$ 33.9 million compared to US\$ 42.9 million in H1 2023.

During the same period, the working capital requirements reached US\$ 23.5 million compared to US\$ 14.3 million for the same period last year, primarily to support the developments in North America and Australia.

During the period, Capex totaled US\$ 10.0 million in cash compared to US\$ 14.26 million in H1 2023. Capex primarily relates to the acquisition of rigs, major rig overhauls, ancillary equipment and rods. Three large rotary rigs were added to the fleet during the period.

## 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 mine 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 remote-controlled rigs and other 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 Q2 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 because it 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 to be 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 payable related to acquisitions, net of cash and cash equivalents.

Reconciliation of the EBITDA is as follows:

(In thousands of US\$)	Q2 2024	Q2 2023	H1 2024	H1 2023
(unaudited)				
Operating profit / (loss).....	12,116	18,857	24,740	33,071
Depreciation expense .....	4,173	4,866	9,020	9,692
Non-cash employee share-based compensation.....	102	90	204	180
EBITDA .....	16,391	23,812	33,964	42,943

Conference call and webcast

On August 2, 2024, Company Management will conduct a conference call at 10:00 am Eastern Time to review the financial results. The call will be hosted by Tim Bremner, CEO, and Fabien Sevestre, CFO.

You can join the call by dialing 1-888-836-8184 or 1-289-819-1350. 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/G0zrOB9mpN3>

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

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#### Caution concerning forward-looking statements

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Important factors that could cause actual results to differ materially from the Company's expectations are disclosed under the heading "Risk Factors" in the Company's Annual Information Form dated March 7, 2024, which is filed with Canadian regulators on SEDAR ([www.sedar.com](http://www.sedar.com)). The Company expressly 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.

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SOURCE: Foraco International SA

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