Orbit Garant Drilling Inc. Reports Fiscal 2024 Fourth Quarter And Year-end Financial Results

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Margins increased in fourth quarter, following exit from West Africa and continued demand for drilling services from senior and intermediate mining customers

VAL-D'OR, Sept. 19, 2024 - Orbit Garant Drilling Inc. (TSX: OGD) ("Orbit Garant" or the "Company") today announced its financial results for the three-month period ("Q4 2024") and fiscal year ended June 30, 2024. All dollar amounts are in Canadian dollars unless otherwise stated.

Financial Highlights

($ amounts in millions,	Three months ended June 30, 2024	Three months ended June 30, 2023	Fiscal year ended June 30, 2024	Fiscal year ended June 30, 2023
except per share amounts)				
Revenue	45.3	46.8	181.2	201.0
Gross Profit	7.3	0.7	20.4	18.3
Gross Margin (%)	16.1	1.4	11.2	9.1
Adjusted Gross Margin (%)[1]	21.7	15.9	16.7	16.2
Adjusted EBITDA[1]	6.4	1.8	14.4	19.1
Net earnings (loss)	(1.2)	(4.1)	(1.3)	(0.7)
Net earnings (loss) per share				
- Basic and diluted ($)	(0.04)	(0.11)	(0.04)	(0.02)

(1) This is a non-IFRS measure and is not a standardized financial measure. The Company's method of calculating such financial measures may differ from the methods used by other issuers and, accordingly, the definition of these non-IFRS financial measures may not be comparable to similar measures presented by other issuers. Refer to "Reconciliation of Non-IFRS financial measures" on page 4 of this news release for more information about each non-IFRS measure and for the reconciliations to the most directly comparable IFRS financial measures.

"We generated solid margins in our fiscal fourth quarter, reflecting continued steady demand from our senior and intermediate mining customers in Canada and Chile, and our cessation of operations in West Africa earlier this year. Our year-over-year decline in revenue for the quarter reflects our exit from West Africa and the current low levels of junior exploration activity in Canada, which is attributable to their continued restrained access to capital," said Pierre Alexandre, President and CEO of Orbit Garant. "During fiscal year 2024, we entered into an agreement to sell our remaining assets in West Africa and recorded a long-term account receivable totalling $7.5 million as compensation. During the quarter, we recorded a non-cash substantial modification of a receivable and expected credit loss totalling $5.2 million. Excluding this modification, our net income would have been $4.0 million, or $0.11 per share for the quarter."

"While financing conditions remain challenging for junior exploration and certain intermediates companies in Canada, we expect to maintain our improved margins based on our expertise in drilling contracts with senior and well-financed intermediate mining companies, which represented 87% of our revenue for fiscal 2024. Record-high gold prices and strong copper pricing are providing incentive for producing mining companies to continue investing in mine development activities."

Fourth Quarter Results

Revenue for Q4 2024 totalled $45.3 million, a decrease of 3.0% compared to $46.8 million for the three-month period ended June 30, 2023 ("Q4 2023"). Canada revenue totalled $32.8 million in Q4 2024, an increase of 0.9% compared to $32.6 million in Q4 2023. Canada revenue was negatively affected by financing difficulties for junior and intermediate mining companies during Q4 2024, resulting in lower drilling activity than previous years, whereas revenue in Q4 2023 was negatively impacted by project suspensions due to forest fires. International revenue totalled $12.5 million in Q4 2024 compared to $14.2 million in Q4 2023. The year-over-year decline in international drilling revenue reflects the Company's cessation of drilling activity in Burkina Faso and Guinea during its Fiscal 2024 second quarter ("Q2 2024"), partially offset by increased drilling activity in Chile.

The Company recorded a one-time, non-cash $4.2 million restructuring charge in Q4 2023 relating to its decision to exit Burkina Faso and complete its drilling program in the country during Q2 2024. The restructuring charge reflects a write-down of inventory to its net realizable value. Orbit Garant subsequently made the decision to not renew its drilling contract in Guinea, which was completed at the end of Q2 2024, as the Company determined that it was no longer financially viable to maintain drilling activities in West Africa considering its exit from Burkina Faso.

The Company had entered into an agreement to sell its inventories, for an amount of $1.2 million, and property, plant and equipment, for an amount of $6.3 million, located in West Africa and recorded a short-term receivable as compensation, for an amount of $7.5 million. As at June 30, 2024, the Company recorded the derecognition of the short-term receivable and the recognition of a new long-term receivable of $3.9 million following a significant change in contractual payment terms of the receivable. The effect of this substantial modification of the receivable is a loss of $3.5 million included in the expenses of the Consolidated Statements of Loss. The Company also recognized an expected credit loss on this receivable for an amount of $1.7 million in the Consolidated Statements of Loss.

Gross profit for Q4 2024 was $7.3 million, or 16.1% of revenue, compared to $0.7 million, or 1.4% of revenue, in Q4 2023. The increase in gross profit and gross margin reflects the write-down of inventories from restructuring in Q4 2023, as discussed above, and improved profitability of the Company's international operations, resulting from the Company's increased drilling activity in Chile and the cessation of drilling activity in West Africa, which was unprofitable. Depreciation expenses totalling $2.5 million are included in the cost of contract revenue for Q4 2024, compared to depreciation expenses of $2.6 million and the $4.2 million write-down of inventories from restructuring in Q4 2023. Adjusted gross margin[1], excluding depreciation expenses, was 21.7% in Q4 2024, compared to adjusted gross margin[1], excluding depreciation expenses and the write-down of inventories, of 15.9% in Q4 2023. The increase in adjusted gross margin[1] primarily reflects increased profitability of the Company's international operations.

General and Administrative expenses were $4.0 million, or 8.9% of revenue, in Q4 2024, compared to $5.1 million, or 10.9% of revenue, in Q4 2023.

Adjusted EBITDA[1] totalled $6.4 million in Q4 2024 compared to $1.8 million in Q4 2023. The increase primarily reflects growth in operating earnings from the Company's international operations. Net loss for Q4 2024 was $1.2 million, or $0.04 per share, compared to a net loss of $4.1 million, or $0.11 per share, in Q4 2023. The net loss in Q4 2024 was primarily attributable to the $5.2 million effect of the substantial modification of a receivable and expected credit loss, as discussed above.

Fiscal 2024 Results

Revenue in Fiscal 2024 totalled $181.2 million, a decrease of 9.8% compared to $201.0 million in Fiscal 2023. Canada revenue totalled $132.6 million in Fiscal 2024, a decrease of 12.8% compared to $152.1 million in Fiscal 2023. The decline was primarily attributable to customer decisions to temporarily suspend or reduce drilling activity on certain projects throughout the first half of Fiscal 2024. The Company gradually resumed operations on the drilling projects that were temporarily suspended or reduced, and all of these projects had fully resumed by January 2024. International revenue totalled $48.6 million in Fiscal 2024, a decrease of 0.4% compared to $48.9 million in Fiscal 2023. The decline was primarily due to a reduction of drilling activity in Guinea, Burkina Faso and Guyana, partially offset by increased drilling activity in Chile.

Gross profit for Fiscal 2024 was $20.4 million, or 11.2% of revenue, compared to $18.3 million, or 9.1% of revenue, in Fiscal 2023. Depreciation expenses of $9.9 million are included in cost of contract revenue for Fiscal 2024, compared to depreciation expenses of $10.1 million and the $4.2 million write-down of inventories from restructuring in Fiscal 2023. Adjusted gross margin[1], excluding depreciation expenses, was 16.7% in Fiscal 2024, compared to adjusted gross margin[1], excluding depreciation expenses and the write-down of inventories, of 16.2% in Fiscal 2023.

The increases in gross profit, gross margin, and adjusted gross margin[1] primarily reflect increased drilling revenue in Chile and the cessation of drilling activities in West Africa, partially offset by the decline in drilling activity on certain projects in Canada during the first half of Fiscal 2024, as discussed above.

General and administrative expenses were $15.6 million, or 8.6% of revenue in Fiscal 2024, compared to $16.4 million, or 8.2% of revenue, in Fiscal 2023.

Adjusted EBITDA[1] was $ 14.4 million for Fiscal 2024, a decrease of $4.7 million compared to adjusted EBITDA of $19.1 million in Fiscal 2023. The decrease reflects the reduction of drilling activity in Canada due to project suspensions or reductions during the first half of Fiscal 2024, and the costs related to retaining key personnel on these projects and then ramping them back up. The Company also had a $3.0 million negative variation in foreign exchange. These negative factors were partially offset by the positive variation in the profitability of the Company's international drilling operations.

Net loss for Fiscal 2024 was $1.3 million, or $0.04 per share, compared to a net loss of $0.7 million, or $0.02 per share, in Fiscal 2023. The Company's net loss in Fiscal 2024 reflects the reduction of drilling activity in Canada due to project suspensions or reductions during the first half of the year, costs related to retaining key personnel on these projects and then ramping them back up, a $3.0 million negative variation in foreign exchange, and the $5.2 million effect of the substantial modification of a receivable and expected credit losses on the sale of assets located in West Africa, as discussed above. These negative factors were partially offset by the positive variation in the operating earnings of the Company's international drilling operations and a $3.7 million income tax recovery in Fiscal 2024, compared to a $1.1 million income tax expense in Fiscal 2023.

Liquidity and Capital Resources

The Company repaid a net amount of $0.7 million on its Credit Facility in Fiscal 2024, compared to $9.3 million in Fiscal 2023. The Company's long-term debt under the Credit Facility, including US$3.0 million ($4.1 million) drawn from the US$5.0 million revolving credit facility and the current portion, was $21.5 million as at June 30, 2024, compared to $22.2 million as at June 30, 2023.

As at June 30, 2024, the Company's working capital totalled $48.9 million, compared to $50.4 million as at June 30, 2023. Orbit Garant's working capital requirements are primarily related to the funding of inventory and the financing of accounts receivable. As at June 30, 2024, Orbit Garant had 37,372,756 common shares issued and outstanding.

Orbit Garant's audited consolidated financial statements and management's discussion and analysis for Fiscal 2024 are available via the Company's website at www.orbitgarant.com or SEDAR+ at www.sedarplus.ca.

Conference Call

Pierre Alexandre, President and CEO, and Daniel Maheu, CFO, will host a conference call for analysts and investors on Friday, September 20, 2024 at 10:00 a.m. (ET). To join the conference call without operator assistance, you can register and enter your phone number at https://emportal.ink/3T744zY to receive an instant automated call back. Alternatively, you can dial 437-900-0527 or 1-888-510-2154 to reach a live operator that will join you into the call.

A live webcast of the call will be available on Orbit Garant's website at: http://www.orbitgarant.com/en/events. The webcast will be archived following conclusion of the call. To access a replay of the conference call dial 289-819-1450 or 1-888-660-6345, passcode: 17693 #. The replay will be available until September 27, 2024.

RECONCILIATION OF NON - IFRS FINANCIAL MEASURES

Financial data has been prepared in conformity with International Financial Reporting Standards ("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, adjusted EBITDA and adjusted EBITDA margin:	EBITDA is defined as net earnings (loss) before interest, taxe EBITDA is defined as EBITDA excluding the impact of (i) the Burkina Faso and of (ii) the effect of the substantial modificat Adjusted EBITDA margin is defined as the percentage of adj
Adjusted gross profit and adjusted gross margin:	Adjusted gross profit is defined as gross profit excluding dep restructuring in Burkina Faso. Adjusted gross margin is defin contract revenue.

EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin

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, income taxes and restructuring costs. 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, Adjusted EBITDA and Adjusted EBITDA Margin

(audited)	Q4 2024	Q4 2023	Fiscal 2024	Fiscal 2023
(in millions of dollars)				
Net loss for the period	(1.2)	(4.1)	(1.3)	(0.7)
Add:				
Finance costs	0.8	0.9	3.5	3.4
Income tax expense	(1.2)	(2.1)	(3.7)	1.1
Depreciation and amortization	2.8	2.9	10.7	11.1
EBITDA	1.2	(2.4)	9.2	14.9
Write-down of inventories from restructuring in Burkina Faso	-	4.2	-	4.2
Effect of the substantial modification of a receivable and expected credit loss	5.2	-	5.2	-
Adjusted EBITDA	6.4	1.8	14.4	19.1
Contract revenue	45.3	46.8	181.2	201.0
Adjusted EBITDA margin (%) (1)	14.1	3.8	7.9	9.5

(1) Adjusted EBITDA, divided by contract revenue X 100

Adjusted Gross Profit and Adjusted Gross Margin

Although adjusted gross profit and adjusted gross 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 Adjusted Gross Margin

(audited)	Q4 2024	Q4 2023	Fiscal 2024	Fiscal 2023	Fiscal 2022
(in millions of dollars)					
Contract revenue	45.3	46.8	181.2	201.0	195.5
Cost of contract revenue	38.0	46.2	160.9	182.7	181.7
Less:	(2.5)	(2.6)	(9.9)	(10.1)	(10.0)
depreciation	-	(4.2)	-	(4.2)	-
write-down of inventories from restructuring in Burkina Faso					
Direct costs	35.5	39.4	151.0	168.4	171.7
Adjusted gross profit	9.8	7.4	30.2	32.6	23.8
Adjusted gross margin (%) [1]	21.7	15.9	16.7	16.2	12.2

[1] Adjusted gross profit, divided by contract revenue X 100

About Orbit Garant

Headquartered in Val-d'Or, Québec, 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 188 drill rigs and approximately 1,000 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 world economic climate as it relates to the mining industry; the Canadian economic environment; the Company's ability to attract and retain customers and to manage its assets and operating costs; the political situation in certain jurisdictions in which the Company operates and the operating environment in the jurisdictions in which the Company operates, as well as the risks and uncertainties are discussed in the Company's regulatory filings available at www.sedarplus.ca. 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.

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For further information:

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