



**Foraco International reports Q2 2022  
Revenue up 14%, EBITDA up 22%**

Toronto, Ontario/Marseille, France - July 28, 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 second quarter 2022. All figures are expressed in US Dollars (US\$) unless otherwise indicated.

"Revenue for the second quarter of 2022 was US\$ 86.5 million, up 14% compared to the same quarter last year. The rigs utilization rate is unchanged YoY at 60% reflecting a gradual and ongoing higher revenue per rig coming from both bigger rigs utilization and ongoing prices adjustment. Our TTM revenue at US\$ 293.7 million is a marker of our continuing growth since 2016. This trend shows no sign of slowing down with continued demand for copper, nickel and lithium, linked to energy transition. We have also benefited from our unique expertise in water related services which we have progressively deployed in all our regions. The bidding activity is particularly sustained for this period of the year, mainly with Tier One companies." said Daniel Simoncini, Chairman and Co-CEO. "Profitability of our operations also improved despite challenges such as supply chains issues, the availability of workforce, inflationary pressures and Covid-19 variants. In the present context our focus remains on quality of service as customers turn to longer term contracts."

"Our operational performance translates into the continuing improvement of our key profitability indicators. Q2 2022 EBITDA reached US\$ 17.8 million (21% of revenue), a 22% increase compared to Q2 2021 (US\$ 14.7 million or 20% of revenue). Our Q2 TTM EBITDA, reached US\$ 49.6 million, a record high over the last decade,". said Jean-Pierre Charmensat, Co-CEO and CFO. "With the net debt position at US\$ 91.1 million, our leverage ratio improved to 1.8 despite the ramp-up of our working capital due to the Company's growth. This confirms our capacity to finance our ambitious Capex and development program. The intake of a higher proportion of long-term contracts gives us the opportunity to leverage the learning curve of our operations and provides us with better visibility on our financial perspectives. We nevertheless remain focused on cost control as we are convinced that it is a vital issue in securing long-term relationships with our clients."

## Income Statement

(In thousands of US\$) (unaudited)	Three-month period ended June 30,		Six-month period ended June 30	
	2022	2021	2022	2021
	<b>Revenue</b>	<b>86,498</b>	<b>75,668</b>	<b>154,239</b>
<b>Gross profit / (loss) (1)</b>	<b>18,787</b>	<b>15,809</b>	<b>28,348</b>	<b>21,850</b>
<i>As a percentage of sales</i>	<i>21.7%</i>	<i>20.9%</i>	<i>18.4%</i>	<i>16.8%</i>
<b>EBITDA</b>	<b>17,867</b>	<b>14,705</b>	<b>26,394</b>	<b>19,819</b>
<i>As a percentage of sales</i>	<i>20.7%</i>	<i>19.4%</i>	<i>17.1%</i>	<i>15.2%</i>
<b>Operating profit / (loss)</b>	<b>12,617</b>	<b>10,049</b>	<b>16,227</b>	<b>10,852</b>
<i>As a percentage of sales</i>	<i>14.6%</i>	<i>13.3%</i>	<i>10.5%</i>	<i>8.3%</i>
<b>Profit / (loss) for the period</b>	<b>7,164</b>	<b>5,656</b>	<b>7,942</b>	<b>4,691</b>
Attributable to:				
Equity holders of the Company	5,059	3,805	4,887	2,809
Non-controlling interests	2,105	1,851	3,055	1,882
<b>EPS (in US cents)</b>				
Basic	5.12	4.27	4.95	3.15
Diluted	4.99	4.15	4.82	3.06

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

### Highlights - Q2 2022

#### Revenue

- Revenue for Q2 2022 amounted to US\$ 86.5 million compared to US\$ 75.7 million in Q2 2021, an increase of 14%.
- Rig utilization rate was 60% in Q2 2022 similar to Q2 2021.

#### Profitability

- Q2 2022 gross margin including depreciation within cost of sales was US\$ 18.8 million (or 21.7% of revenue) compared to US\$ 15.8 million (or 20.9% of revenue) in Q2 2021, an increase of 19%.
- Ongoing contracts reported solid performances. Increased costs are passed on most of the selling prices upon the renewal and the negotiation of long-term contracts.
- During the quarter, EBITDA amounted to US\$ 17.9 million (or 20.7% of revenue), compared to US\$ 14.7 million (or 19.4% of revenue) for the same quarter last year, an increase of 22 %.

### Highlights - H1 2022

#### Revenue

- H1 2022 revenue amounted to US\$ 154.2 million compared to US\$ 130.2 million in H1 2021 an increase of 18%.

#### Profitability

- H1 2022 gross margin including depreciation within cost of sales was US\$ 28.3 million (or 18.4% of revenue) compared to US\$ 21.9 million (or 16.8% of revenue) in H1 2021.
- During the semester, EBITDA amounted to US\$ 26.4 million (or 17.1% of revenue), compared to US\$ 19.8 million (or 15.2% of revenue) for the same period last year.

## Financial results

### Revenue

(In thousands of US\$) - (unaudited)	Q2 2022	% change	Q2 2021	H1 2022	% change	H1 2021
<b>Reporting segment</b>						
Mining .....	73,453	13%	64,737	132,804	21%	109,839
Water .....	13,045	19%	10,931	21,435	5%	20,380
<b>Total revenue.....</b>	<b><u>86,498</u></b>	<b><u>14%</u></b>	<b><u>75,668</u></b>	<b><u>154,239</u></b>	<b><u>18%</u></b>	<b><u>130,219</u></b>
<b>Geographic region</b>						
North America .....	26,598	3%	25,723	48,198	9%	44,358
Europe, Middle East and Africa .....	20,989	-14%	24,474	36,158	-16%	43,302
South America .....	25,001	95%	12,819	45,700	104%	22,399
Asia Pacific .....	13,910	10%	12,652	24,184	20%	20,160
<b>Total revenue.....</b>	<b><u>86,498</u></b>	<b><u>14%</u></b>	<b><u>75,668</u></b>	<b><u>154,239</u></b>	<b><u>18%</u></b>	<b><u>130,219</u></b>

### Q2 2022

Revenue for the quarter increased from US\$ 75.7 million in Q2 2021 to US\$ 86.5 million in Q2 2022 (+ 14%).

The increase in revenue in the Mining and Water segment is the result of the favorable market dynamics with long-term rolling contracts which started in 2021, and the capacity of the Company to deliver despite the Covid-19 variants which caused some delays to operations.

Activity in North America increased slightly with revenue at US\$ 26.6 million in Q2 2022 compared to US\$ 25.7 million in Q2 2021. The region faces continuing crewing issues.

In the EMEA, revenue for the quarter was US\$ 21.0 million compared to US\$ 24.5 million in Q2 2021, a decrease of 14%. In Africa, activity decreased by 30% compared to Q2 2021 mainly due to the phasing of contracts and logistic challenges. The activity remained stable in the other regions (Europe and CIS).

Revenue in South America increased by 95% to US\$ 25.0 million in Q2 2022 (US\$ 12.8 million in Q2 2021). This increase is mainly linked to new long-term contracts mobilized during the first quarter.

In Asia Pacific, Q2 2022 revenue amounted to US\$ 13.9 million, an increase of 10% reflecting quarter over quarter the ongoing improvement of the activity with two significant long-term contracts initiated during the period.

### H1 2022

H1 2022 revenue amounted to US\$ 154.2 million compared to US\$ 130.2 million in H1 2021, an increase of 18%.

The increase in revenue is the result of the combination of favorable market dynamics and the capacity of the Company to deliver despite the Covid-19 variants which caused some delays to operations.

Revenue in North America increased by 9% to US\$ 48.2 million in H1 2022 from US\$ 44.4 million in H1 2021, a growth driven by long term contracts which started during the period.

In EMEA, revenue decreased by 16%, to US\$ 36.2 million in H1 2022 from US\$ 43.3 million in H1 2021. In Africa, activity decreased by 36% compared to H1 2021 mainly due to the phasing of contracts and logistic challenges. The activity remained stable in the other regions (Europe and CIS).

Revenue in South America increased by 104% to US\$ 45.7 million in H1 2022 (US\$ 22.4 million in H1 2021). This increase is mainly linked to new long-term contracts mobilized during the period.

In Asia Pacific, H1 2022 revenue amounted to US\$ 24.2 million, an increase of 20% reflecting the ongoing improvement of the activity with significant long-term contracts beginning during the period.

## Gross profit

(In thousands of US\$) - (unaudited)	<u>Q2 2022</u>	<u>% change</u>	<u>Q2 2021</u>	<u>H1 2022</u>	<u>% change</u>	<u>H1 2021</u>
<u>Reporting segment</u>						
Mining .....	15,511	21%	12,870	23,226	32%	17,622
Water .....	<u>3,276</u>	<u>11%</u>	<u>2,939</u>	<u>5,121</u>	<u>21%</u>	<u>4,228</u>
<b>Total gross profit / (loss) .....</b>	<b><u>18,787</u></b>	<b><u>19%</u></b>	<b><u>15,809</u></b>	<b><u>28,348</u></b>	<b><u>30%</u></b>	<b><u>21,850</u></b>

### Q2 2022

The Q2 2022 gross margin including depreciation within cost of sales was US\$ 18.8 million (or 21.7% of revenue) compared to US\$ 15.8 million (or 20.9% of revenue) in Q2 2021. Most ongoing contracts reported solid performances. All regions operated in a tight labor market and experienced inflation of costs impacting project gross margins.

### H1 2022

The H1 2022 gross margin including depreciation within cost of sales was US\$ 28.3 million compared to US\$ 21.8 million in H1 2021. Most ongoing contracts reported solid performances. All regions operated in a tight labor market and experienced inflation of costs impacting project gross margins.

## Selling, General and Administrative Expenses

(In thousands of US\$) - (unaudited)	<u>Q2 2022</u>	<u>% change</u>	<u>Q2 2021</u>	<u>H1 2022</u>	<u>% change</u>	<u>H1 2021</u>
Selling, general and administrative expenses	6,170	7%	5,760	12,121	10%	10,998

### Q2 2022

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 7.6% in Q2 2021 to 7.1% in Q2 2022.

### H1 2022

SG&A increased by 10% compared to the same period last year. As a percentage of revenue, SG&A decreased from 8.4% to 7.9% of revenue.

## Operating result

(In thousands of US\$) - (unaudited)	<u>Q2 2022</u>	<u>% change</u>	<u>Q2 2021</u>	<u>H1 2022</u>	<u>% change</u>	<u>H1 2021</u>
<u>Reporting segment</u>						
Mining .....	10,272	29%	7,942	12,773	53%	8,363
Water.....	<u>2,345</u>	<u>11%</u>	<u>2,107</u>	<u>3,453</u>	<u>39%</u>	<u>2,489</u>
<b>Total operating profit / (loss) .</b>	<b><u>12,617</u></b>	<b><u>26%</u></b>	<b><u>10,049</u></b>	<b><u>16,227</u></b>	<b><u>50%</u></b>	<b><u>10,852</u></b>

### Q2 2022

The operating profit was US\$ 12.6 million, resulting in a US\$ 2.6 million increase thanks to the increased activity and margins and the continuing focus on costs control.

### H1 2022

The operating profit was US\$ 16.2 million in H1 2022, a US\$ 5.4 million improvement compared to H1 2021 as a result of the increase in activity and the continued control over the operations and SG&A expenses.

## Financial position

The following table provides a summary of the Company's cash flows for H1 2022 and H1 2021:

(In thousands of US\$)	<u>H1 2022</u>	<u>H1 2021</u>
<b>Cash generated by operations before working capital requirements</b>	<b>26,394</b>	<b>19,819</b>
Working capital requirements	(12,427)	(3,011)
Income tax paid	(3,980)	(3,126)
Purchase of equipment in cash	(8,574)	(10,463)
<b>Free Cash Flow before debt servicing</b>	<b>1,412</b>	<b>3,219</b>
Debt variance	3,252	(3,132)
Interests paid	(4,645)	(775)
Acquisition of treasury shares	(749)	(225)
Dividends paid to non-controlling interests	-	-
<b>Net cash generated / (used in) financing activities</b>	<b>(2,142)</b>	<b>(4,132)</b>
<b>Net cash variation</b>	<b>(730)</b>	<b>(913)</b>
Foreign exchange differences	397	37
<b>Variation in cash and cash equivalents</b>	<b><u>(332)</u></b>	<b><u>(876)</u></b>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>23,592</u></b>	<b><u>20,084</u></b>

In H1 2022, the cash generated from operations before working capital requirements amounted to US\$ 26.4 million compared to US\$ 19.8 million in H1 2021.

In H1 2022, the working capital requirement was US\$12.4 million compared to a US\$ 3.0 million in the same period last year. The increase of the working capital requirement is the result of the activity ramp-up.

During the period, Capex totaled US\$ 8.6 million in cash compared to US\$ 10.5 million in H1 2021. Capex relates essentially to the acquisition of rigs, major rig overhauls, ancillary equipment and rods.

As at June 30, 2022, cash and cash equivalents totaled US\$ 23.6 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 June 30, 2022, the net debt including operational lease obligations (IFRS 16) amounted to US\$ 91.1 million (US\$ 85.7 million as at December 31, 2021).

Bank guarantees as at June 30, 2022 totaled US\$ 7.5 million compared to US\$ 9.0 million as at December 31, 2021. The Company benefits from a confirmed contract guarantee line of € 6.5 million (US\$ 6.8 million).

Company in favour of the new shareholders. As part of the financial reorganization, the Company deleveraged its balance sheet, extended its debt maturity through the end of 2025 and eased its financial constraints and covenants.

## Strategy

The Company's strategy is to secure its position as a leading actor in the mineral drilling services sector, assisting its customers to explore or manage their deposits throughout the whole cycle, with a special focus on life of mines extension activity. As developed economies focus on "green" recovery, there will be an increased need for key resources such as copper, nickel, lithium, and special attention to water management. The Company anticipated the increased environmental, social and governance (ESG) requirements. The Company intends to develop and grow

its services offered across the world with a focus on high tech drilling services, optimal commodities mix with a significant involvement in water related drilling services and stable jurisdictions. The Company expects it will execute its strategy primarily through organic growth in the near future.

### **General economic environment**

The Company continues to report improved key profitability indicators compared to pre-Covid-19 activity levels in the context of favourable market conditions for the industry in which the Company operates. However, the economic instability resulting from continuing health crisis and the recent geopolitical events has impacted the Company's activity with challenges such as supply chains, availability of workforce and inflationary pressures. While the favourable market conditions prevailing in the industry show no sign of slowing down, there does remain a level of uncertainty.

### **Currency exchange rates.**

The exchange rates for the periods under review are provided in the Management's Discussion and Analysis of Q2 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 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\$) (unaudited)	<u>Q2 2021</u>	<u>Q2 2020</u>	<u>H1 2021</u>	<u>H1 2020</u>
Operating profit / (loss).....	10,049	6,062	10,852	6,186
Depreciation expense .....	4,606	4,054	8,867	8,350
Non-cash employee share-based compensation .....	50	45	100	90
<b>EBITDA .....</b>	<b><u>14,705</u></b>	<b><u>10,161</u></b>	<b><u>19,819</u></b>	<b><u>14,626</u></b>

### **Conference call and webcast**

On July 28, 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 1-866-652-5200 or 1-412-317-6060. 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/mbAJNLeP6Bv>

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).

### **For further information, please contact:**

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