



Foraco International reports Q3 2022

Revenue up 30 %, EBITDA up 67 %

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

Highlights

<i>in USD million</i>	Q3 2022	Q3 2021	Variation	TTM
Revenue	91.4	70.6	+30%	314.5
EBITDA	23.0	13.8	+67%	58.8
Net profit	11.2	6.6 (*)	+70%	21.3
Net debt				86.9

(*) Excluding Q3 2021 non-recurring financial gain

“The global demand for electrification continues to fuel a growing market dynamic for copper and battery metals. Major customers representing 85% of our activity continue to grow their reserves while Juniors start to be affected by the tightening access to financing. In this context, we report a revenue for the third quarter of 2022 at US\$ 91.4 million, up 30 % compared to the same quarter last year. Our TTM revenue at US\$ 314.5 million reaches new highs.” said Daniel Simoncini, Chairman and Co-CEO. “Our revenue increase mainly comes from the utilization of larger rigs, the mix in our geographical revenue and price adjustments. This explains why our utilization rate remained substantially unchanged YoY at 57%. In addition, we continued to record increased demand for our complex water drilling services.”

“In this period of solid demand, despite global inflationary pressures and supply chain challenges, margins continued to improve from the prior year quarter due to overall pricing improvements and enhanced productivity. Our Q3 2022 EBITDA reached US\$ 23.0 million (or 25 % of revenue), a 67 % increase compared to Q3 2021 (US\$ 13.8 million and 20 % of revenue). Our Q3 TTM EBITDA, reached US\$ 58.8 million, a new record high over the last decade.”. said Jean-Pierre Charmensat, Co-CEO and CFO. “We reimbursed US\$ 5.0 million of Bonds in the quarter and the net debt went from US\$ 91.1 million at the end of Q2 to US\$ 86.9 million at the end of Q3. Our net debt now represents 1.5 x our TTM EBITDA. We posted a net profit in progression of 70%, to US\$ 11.2 million in Q3 2022 despite a Libor interest rate increase of 3.1% compared to Q3 2021. Our profitability and the strong fundamentals of the industry give us headroom to address further improvements in the Company’s financial structure.”

Income Statement

(In thousands of US\$) (unaudited)	Three-month period ended		Nine-month period ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Revenue	91,414	70,574	245,652	200,793
Gross profit / (loss) (1)	24,446	14,858	52,793	36,708
<i>As a percentage of sales</i>	<i>26.7%</i>	<i>21.1%</i>	<i>21.5%</i>	<i>18.3%</i>
EBITDA	23,024	13,802	49,418	33,621
<i>As a percentage of sales</i>	<i>25.2%</i>	<i>19.6%</i>	<i>20.1%</i>	<i>16.7%</i>
Operating profit / (loss)	18,156	8,988	34,382	19,840
<i>As a percentage of sales</i>	<i>19.9%</i>	<i>12.7%</i>	<i>14.0%</i>	<i>9.9%</i>
Profit / (loss) for the period	11,151	32,093	19,093	36,785
Attributable to:				
Equity holders of the Company	8,351	30,408	13,238	33,219
Non-controlling interests	2,800	1,685	5,855	3,566
EPS (in US cents)				
Basic	8.46	30.91	13.41	35.78
Diluted	8.25	29.90	13.07	34.60

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

Highlights - Q3 2022

Revenue

- Revenue for Q3 2022 amounted to US\$ 91.4 million compared to US\$ 70.6 million in Q3 2021, an increase of 30%.
- Rig utilization rate was 57% in Q3 2022 similar to Q3 2021 with a higher part of our revenue coming from the utilization of larger rigs.

Profitability

- Q3 2022 gross margin including depreciation within cost of sales was US\$ 24.4 million (or 26.7% of revenue) compared to US\$ 14.9 million (or 21.1% of revenue) in Q3 2021, an increase of 65%. This reflects the combination of solid operating performances and increases in selling prices.
- During the quarter, EBITDA amounted to US\$ 23.0 million compared to US\$ 13.8 million for the same quarter last year, an increase of 67 %.
- Q3 2022 EBITDA was 25.2% of revenue compared to 19.6% of revenue in Q3 2021.

Highlights - YTD Q3 2022

Revenue

- YTD Q3 2022 revenue amounted to US\$ 245.7 million compared to US\$ 200.8 million for YTD Q3 2021 an increase of 22%.

Profitability

- YTD Q3 2022 gross margin including depreciation within cost of sales was US\$ 52.8 million (or 21.5% of revenue) compared to US\$ 36.7 million (or 18.3% of revenue) for YTD Q3 2021.
- During the period, EBITDA amounted to US\$ 49.4 million (or 20.1% of revenue), compared to US\$ 33.6 million (or 16.7% of revenue) for the same period last year.

Financial results

Revenue

(In thousands of US\$) - (unaudited)	<u>Q3 2022</u>	<u>% change</u>	<u>Q3 2021</u>	<u>YTD Q3 2022</u>	<u>% change</u>	<u>YTD Q3 2021</u>
<i>Reporting segment</i>						
Mining	79,027	28%	61,793	211,831	23%	171,632
Water.....	12,387	41%	8,781	33,822	16%	29,161
Total revenue.....	<u>91,414</u>	<u>30%</u>	<u>70,574</u>	<u>245,652</u>	<u>22%</u>	<u>200,793</u>
<i>Geographic region</i>						
North America	27,870	11%	25,131	76,068	10%	69,489
Europe, Middle East and Africa	18,988	-4%	19,684	55,145	-12%	62,985
South America	29,398	109%	14,057	75,097	106%	36,456
Asia Pacific	15,158	30%	11,702	39,342	24%	31,863
Total revenue.....	<u>91,414</u>	<u>30%</u>	<u>70,574</u>	<u>245,652</u>	<u>22%</u>	<u>200,793</u>

Q3 2022

Revenue for the quarter increased from US\$ 70.6 million in Q3 2021 to US\$ 91.4 million in Q3 2022 (+ 30%).

The increase in revenue in the Mining and Water segment is the result of the favorable market dynamics with long-term rolling contracts which began in 2021, coupled with the capacity of the Company to deliver.

Activity in North America increased by 11% with revenue at US\$ 27.9 million in Q3 2022 compared to US\$ 25.1 million in Q3 2021. The growth in the region is penalized by continuing crewing issues.

In the EMEA, revenue for the quarter was US\$ 19.0 million compared to US\$ 19.7 million in Q3 2021, a decrease of 4% mainly due to a Euro / US\$ adverse foreign exchange variance.

Revenue in South America increased by 109% to US\$ 29.4 million in Q3 2022 (US\$ 14.1 million in Q3 2021). This increase is mainly linked to new long-term contracts mobilized during the quarter.

In Asia Pacific, Q3 2022 revenue amounted to US\$ 15.2 million, an increase of 30% reflecting quarter over quarter the ongoing improvement of the activity with two significant long-term contracts initiated during the period.

YTD Q3 2022

In a favorable economic context for the industry, the Company reports a YTD Q3 2022 revenue amounting to US\$ 245.6 million compared to US\$ 200.8 million for YTD Q3 2021, an increase of 22%.

Revenue in North America increased by 10% to US\$ 76.1 million in YTD Q3 2022 from US\$ 69.5 million in YTD Q3 2021, a growth driven by long term contracts which started during the period.

In EMEA, revenue decreased by 12%, to US\$ 55.1 million in YTD Q3 2022 from US\$ 63.0 million in YTD Q3 2021. In Africa, activity decreased by 32% compared to YTD Q3 2021 mainly due to the phasing of contracts, logistic challenges and adverse foreign exchange. The activity remained stable in the other regions (Europe and CIS).

Revenue in South America increased by 106% to US\$ 75.1 million in YTD Q3 2022 (US\$ 36.5 million in YTD Q3 2021). This increase is mainly linked to new long-term contracts mobilized during the period.

In Asia Pacific, YTD 2022 revenue amounted to US\$ 39.3 million, an increase of 24% reflecting the ongoing improvement of the activity with significant long-term contracts mobilized during the period.

Gross profit

(In thousands of US\$) - (unaudited)	<u>Q3 2022</u>	<u>% change</u>	<u>Q3 2021</u>	<u>YTD Q3 2022</u>	<u>% change</u>	<u>YTD Q3 2021</u>
<i>Reporting segment</i>						
Mining.....	20,523	57%	13,076	43,749	43%	30,698
Water	3,923	120%	1,782	9,044	51%	6,010
Total gross profit	<u>24,446</u>	<u>65%</u>	<u>14,858</u>	<u>52,793</u>	<u>44%</u>	<u>36,708</u>

Q3 2022

The Q3 2022 gross margin including depreciation within cost of sales was US\$ 24.4 million (or 26.7% of revenue) compared to US\$ 14.9 million (or 21.1% of revenue) in Q3 2021. The Company benefited from increased selling prices. Most ongoing contracts reported solid performances despite a tight labor market and inflationary pressure.

YTD Q3 2022

In the context of a solid demand and good operating performances and despite global inflationary pressures and supply chain challenges, margins continue to improve. The YTD Q3 2022 gross margin including depreciation within cost of sales was US\$ 52.8 million compared to US\$ 36.7 million in YTD Q3 2021 (+44%).

Selling, General and Administrative Expenses

(In thousands of US\$) - (unaudited)	<u>Q3 2022</u>	<u>% change</u>	<u>Q3 2021</u>	<u>YTD Q3 2022</u>	<u>% change</u>	<u>YTD Q3 2021</u>
Selling, general and administrative expenses	6,290	7%	5,870	18,411	9%	16,868

Q3 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 8.3% in Q3 2021 to 6.9% in Q2 2022.

YTD Q3 2022

SG&A increased by 9% compared to the same period last year. As a percentage of revenue, SG&A decreased from 8.4% to 7.5% of revenue.

Operating result

(In thousands of US\$) - (unaudited)	<u>Q3 2022</u>	<u>% change</u>	<u>Q3 2021</u>	<u>YTD Q3 2022</u>	<u>% change</u>	<u>YTD Q3 2021</u>
<i>Reporting segment</i>						
Mining	15,085	90%	7,936	27,858	71%	16,299
Water.....	3,071	192%	1,052	6,524	84%	3,541
Total operating profit / (loss) .	<u>18,156</u>	<u>102%</u>	<u>8,988</u>	<u>34,382</u>	<u>73%</u>	<u>19,840</u>

Q3 2022

The operating profit was US\$ 18.2 million, resulting in a US\$ 14.5 million increase thanks to the increased activity and improved margins.

YTD Q3 2022

The operating profit was US\$ 34.4 million in YTD Q3 2022, a US\$ 14.5 million improvement compared to YTD Q3 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 YTD Q3 2022 and YTD Q3 2021:

(In thousands of US\$)	<u>YTD Q3 2022</u>	<u>YTD Q3 2021</u>
Cash generated by operations before working capital requirements	49,417	33,621
Working capital requirements	(18,526)	(5,643)
Income tax paid	(5,685)	(4,670)
Purchase of equipment in cash	(14,096)	(14,677)
Free Cash Flow before debt servicing	11,109	8,631
Proceeds from issuance of bonds, net of issuance costs	-	95,564
Repayments of Bonds including costs paid	(5,000)	(96,125)
Repayments of borrowings and others	7,355	(4,600)
Interests paid	(7,097)	(839)
Acquisition of treasury shares	(927)	(263)
Dividends paid to non-controlling interests	(1,098)	(1,217)
Net cash generated / (used in) financing activities	(6,767)	(7,480)
Net cash variation	4,342	1,151
Foreign exchange differences	(635)	207
Variation in cash and cash equivalents	<u>3,708</u>	<u>1,359</u>
Cash and cash equivalents at the end of the period	<u>27,631</u>	<u>22,319</u>

In YTD Q3 2022, the cash generated from operations before working capital requirements amounted to US\$ 49.4 million compared to US\$ 33.6 million in YTD Q3 2021.

In YTD Q3 2022, the working capital requirement was US\$ 18.5 million compared to US\$ 5.6 million in the same period last year. The increase of the working capital requirement is a result of the activity's ramp-up.

During the period, Capex totaled US\$ 14.1 million in cash compared to US\$ 14.7 million in YTD Q3 2021. Capex relates essentially to the acquisition of rigs, major rig overhauls, ancillary equipment and rods.

As at September 30, 2022, the maturity of financial debt can be analyzed as presented in the table below:

<i>In thousands US\$</i>	September 30, 2022
Credit lines	11,375
Long-term debt	
Within one year	12,912
Between 1 and 2 years	10,157
Between 2 and 3 years	9,787
Between 3 and 4 years	64,836
Total	109,067
IFRS 16	5,435
Cash	27,631
Net Debt	86,871

As at September 30, 2022, cash and cash equivalents totaled US\$ 27.6 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 September 30, 2022, the net debt including operational lease obligations (IFRS 16) amounted to US\$ 86.9 million (US\$ 85.7 million as at December 31, 2021).

Bank guarantees as at September 30, 2022 totaled US\$ 7.9 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\$ 6.3 million).

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 Q3 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>Q3 2022</u>	<u>Q2 2021</u>	<u>YTD Q3 2021</u>	<u>YTD Q3 2020</u>
Operating profit / (loss).....	18,156	8,988	34,382	19,840
Depreciation expense	4,777	4,764	14,795	13,631
Non-cash employee share-based compensation	90	50	240	150
EBITDA	<u>23,024</u>	<u>13,802</u>	<u>49,417</u>	<u>33,621</u>

Conference call and webcast

On October 28, 2022, Company Management will conduct a conference call at 11:00 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 1-888-664-6392 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/AWROP9b2QKM>

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.

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