



Foraco International reports Q4 2021
Revenue up 27%, EBITDA up 20% and all-time high order book at 419.8 M\$

Toronto, Ontario/Marseille, France - Thursday March 3, 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 fourth quarter 2021. All figures are expressed in US Dollars (US\$) unless otherwise indicated.

“We are pleased to report that our revenue for the fourth quarter 2021 was US\$ 68.9 million, up 27% compared to the same quarter last year. On a yearly basis, revenue reached US\$ 269.7 million in 2021, up 30% compared to 2020 or 31% up compared to 2019’s pre-Covid levels. We value the fact that all regions contributed to this remarkable performance. This upward trend is further confirmed by our year-end backlog which reached an all-time high of US\$ 419.8 million with the confirmation of major long-term contracts. At US\$ 216.5 million the order book to be executed in 2022 compares favorably with last year one at US\$ 174.7 million.” said Daniel Simoncini, Chairman and Co-CEO. “We achieved this level of activity while delivering improved profitability, and this in spite of increased labour constraints and inflationary pressures on costs. Indeed, we managed to pass these increased costs onto the new selling prices in the renewal and the renegotiation of most of our long-term contracts.”

<i>in US\$ million</i>	FY 2021	FY 2020	FY 2019 (Pre-Covid)	2021 - 2019 Variance
Revenue	269.7	207.1	205.4	+31%
EBITDA	43.0	34.1	29.3	+47%
Net Debt	85.7	141.6	133.4	-47.6M
Year-end backlog	419.8	270.1	269.1	+150.7M

“2021 is definitely an important milestone in the life of Foraco with all the indicators showing positive. It is worth noting that we largely exceeded the pre-Covid levels of activity both in terms of volume and profitability. The rig utilization rate was 56% on average this quarter compared to 53% for the same quarter last year. Our EBITDA for the quarter reached US\$ 9.4 million, up 20 % compared to Q4 2020 and US\$ 43.0 million for the full year 2021, an increase of 26% compared to 2020 and 47% above our 2019 pre-Covid EBITDA.” said Jean-Pierre Charmensat, Co-CEO and CFO”. Along with the improved operational and financial situation we reduced our debt by US\$ 55.9 million and reshaped our balance sheet. Net debt at year-end 2021 was US\$ 85.7 million compared to US\$ 141.6 million at year-end 2020. In the context of the increased activity, we also managed to keep control of our working capital requirements and our Capex. With our operating performance, our backlog, and our reinforced balance sheet, we believe that we have the strengths to satisfy our clients increasing demand and are well positioned to greatly enhance shareholders’ value while financing our development.”

The Company is deeply concerned by the recent events occurred between Russia and Ukraine. Although the Company does not have any direct or indirect interest in Ukraine, the conflict may affect its activity in the region and the Company is currently assessing its potential economic impact. To date, continuity of operations is not affected. As part of the Company’s financial strategy, no significant cash balances are held in subsidiaries worldwide. Foraco is following up on any new regulatory decisions and will comply.

Income Statement

(In thousands of US\$) (unaudited)	Three-month period ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
Revenue	68,896	54,177	269,689	207,122
Gross profit / (loss) (1)	10,112	8,963	46,820	38,225
As a percentage of sales	14.7%	16.5%	17.4%	18.5%
EBITDA	9,420	7,846	43,041	34,054
As a percentage of sales	13.7%	14.5%	16.0%	16.4%
Operating profit / (loss)	4,287	3,377	24,127	17,185
As a percentage of sales	6.2%	6.2%	8.9%	8.3%
Profit / (loss) for the period	2,226	2,060	39,010	7,519
Attributable to:				
Equity holders of the Company	2,269	1,604	35,487	4,236
Non-controlling interests	(43)	456	3,523	3,283
EPS (in US cents)				
Basic	2.26	1.79	37.65	4.72
Diluted	2.20	1.74	36.71	4.61

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

Year-end backlog

- Order backlog of US\$ 419.8 million at 2021 year-end vs US\$ 270.1 million at 2020 year-end (+55%),
- Order backlog to be executed during calendar year 2022 of US\$ 216.5 million vs US\$ 174.7 million last year (+24%).

Highlights - Q4 2021

Revenue

- Revenue for Q4 2021 amounted to US\$ 68.9 million compared to US\$ 54.7 million in Q4 2020, an increase of 27%.
- Rig utilization rate was 56% in Q4 2021 compared to 53% in Q4 2020.

Profitability

- Q4 2021 gross margin including depreciation within cost of sales was US\$ 10.1 million (or 14.7% of revenue) compared to US\$ 9.0 million (or 16.5% of revenue) in Q4 2020.
- Ongoing contracts reported solid performances despite the impact of some 2021 cost increases due to inflationary pressure. During the period, increased costs were passed on to the new selling prices upon the renewal and the renegotiation of contracts.
- During the quarter, EBITDA amounted to US\$ 9.4 million (or 13.7% of revenue), compared to US\$ 7.8 million (or 14.5% of revenue) for the same quarter last year.

Highlights - FY 2021

Revenue

- FY 2021 revenue was US\$ 269.7 million compared to US\$ 207.1 million in FY 2020, representing an increase of 30%.

Profitability

- FY 2021 gross margin including depreciation within cost of sales was US\$ 46.8 million (or 17.4% of revenue) compared to US\$ 38.2 million (or 18.5% of revenue) in FY 2020.
- During the period, EBITDA amounted to US\$ 43.0 million (or 15.9% of revenue), compared to US\$ 34.0 million (or 16.4% of revenue) for the same period in the previous year.

Financial results

Revenue

(In thousands of US\$) - (unaudited)	<u>Q4 2021</u>	<u>% change</u>	<u>Q4 2020</u>	<u>FY 2021</u>	<u>% change</u>	<u>FY 2020</u>
<u>Reporting segment</u>						
Mining	60,724	35%	45,007	232,356	37%	169,305
Water	8,172	-11%	9,170	37,333	-1%	37,817
Total revenue	<u>68,896</u>	<u>27%</u>	<u>54,177</u>	<u>269,689</u>	<u>30%</u>	<u>207,122</u>
<u>Geographic region</u>						
North America	22,772	32%	17,294	92,261	37%	67,563
Europe, Middle East and Africa	18,889	4%	18,228	81,875	20%	68,209
South America	16,341	80%	9,099	52,797	59%	33,130
Asia Pacific	10,894	14%	9,556	42,756	12%	38,220
Total revenue	<u>68,896</u>	<u>27%</u>	<u>54,177</u>	<u>269,689</u>	<u>30%</u>	<u>207,122</u>

Q4 2021

Revenue of the quarter increased from US\$ 54.2 million in Q4 2020 to US\$ 68.9 million in Q4 2021 (27%).

The increase in revenue in the Mining segment is the result of the favorable market dynamics and the capacity of the Company to deliver. The water activity decreased by 11% mainly due to the phasing of contracts compared to last year which is not indicative of a business trend.

Activity in North America increased 32% with revenue at US\$ 22.8 million in Q4 2021 compared to US\$ 17.3 million in Q4 2020. This increase is mainly linked to new long-term rolling contracts.

In EMEA, revenue for the quarter was US\$ 18.9 million compared to US\$ 18.2 million in Q4 2020, an increase of 4%. In Africa, activity decreased by 15% compared to Q4 2020 mainly due to the phasing of contracts. In Russia, activity increased by 22% thanks to new significant contracts secured during Q1 2021.

Revenue in South America increased by 80% to US\$ 16.3 million in Q4 2021 (US\$ 9.1 million in Q4 2020). The activity in the region continued to be impacted in Q4 2021 by the effect of the pandemic which disrupted the operational activities.

In Asia Pacific, Q4 2021 revenue amounted to US\$ 10.9 million, an increase of 14% reflecting quarter over quarter the ongoing improvement of the activity.

FY 2021

FY 2021 revenue was US\$ 269.7 million compared to US\$ 207.1 million in FY 2020, an increase of 30%. The increase in revenue is the result of a combination of a steady stream of demand and the capacity of the Company to deliver.

Revenue in North America increased by 37% to US\$ 92.3 million in FY 2021 from US\$ 67.6 million in FY 2020, a growth driven by new long-term contracts.

In EMEA, revenue increased by 20%, to US\$ 81.9 million in FY 2021 from US\$ 68.2 million in FY 2020. Both

Russia and Africa areas showed sustained activity.

Revenue in South America increased by 59% at US\$ 52.8 million in FY 2021 (US\$ 33.1 million in FY 2020). The activity in the region was particularly impacted by the effect of the Covid-19 pandemic during 2020.

In Asia Pacific, FY 2021 revenue amounted to US\$ 42.8 million, an increase of 12%.

Gross profit

(In thousands of US\$) - (unaudited)	<u>Q4 2021</u>	<u>% change</u>	<u>Q4 2020</u>	<u>FY 2021</u>	<u>% change</u>	<u>FY 2020</u>
<i>Reporting segment</i>						
Mining	8,645	17%	7,406	39,342	34%	29,347
Water	1,467	-6%	1,557	7,478	-16%	8,878
Total gross profit / (loss)	<u>10,112</u>	<u>13%</u>	<u>8,963</u>	<u>46,820</u>	<u>22%</u>	<u>38,225</u>

Q4 2021

The Q4 2021 gross margin including depreciation within cost of sales was US\$ 10.1 million (or 14.7% of revenue) compared to US\$ 9.0 million (or 16.5% of revenue) in Q4 2020. Ongoing contracts reported solid performances while some costs increased were not yet compensated in our selling prices. All regions operated in a tight labor market generating inflation on costs and impacting project gross margins. During the period, increased costs were passed onto the new selling prices in the renewal and the renegotiation of contracts.

FY 2021

The FY 2021 gross margin including depreciation within cost of sales was US\$ 46.8 million compared to US\$ 38.2 million in FY 2020. Ongoing contracts reported solid performances while some new contracts in their mobilization phase generated a lower percentage of gross margin. All regions face ongoing inflationary pressures on operating costs. There is generally a time lag before these cost increases can be passed on through selling prices. Increased costs were passed on to the new selling prices in the renewal and the renegotiation of contracts which were carried out at year end.

Selling, General and Administrative Expenses

(In thousands of US\$) - (unaudited)	<u>Q4 2021</u>	<u>% change</u>	<u>Q4 2020</u>	<u>FY 2021</u>	<u>% change</u>	<u>FY 2020</u>
Selling, general and administrative expenses	5,825	4%	5,586	22,693	8%	21,040

Q4 2021

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 10.3% in Q4 2020 to 8.3% in Q4 2021.

FY 2021

SG&A increased by 8% compared to the same period last year. As a percentage of revenue, SG&A decreased from 10.2% to 8.4% of revenue.

Operating result

(In thousands of US\$) - (unaudited)	<u>Q4 2021</u>	<u>% change</u>	<u>Q4 2020</u>	<u>FY 2021</u>	<u>% change</u>	<u>FY 2020</u>
<i>Reporting segment</i>						
Mining	3,552	28%	2,765	19,851	64%	12,122
Water	735	20%	612	4,276	-16%	5,063
Total operating profit / (loss) .	<u>4,287</u>	<u>27%</u>	<u>3,377</u>	<u>24,127</u>	<u>40%</u>	<u>17,185</u>

Q4 2021

The operating profit was US\$ 4.3 million, resulting in a US\$ 1.0 million increase thanks to the increased activity and the continued control over the operations and SG&A expenses.

FY 2021

The operating profit was US\$ 24.1 million in FY 2021, a US\$ 6.9 million improvement compared to FY 2020 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 FY 2021 and FY 2020:

(In thousands of US\$)	<u>FY 2021</u>	<u>FY 2020</u>
Cash generated by operations before working capital requirements	43,041	34,054
Working capital requirements	(4,048)	3,349
Income tax paid	(6,764)	(3,982)
Purchase of equipment in cash	(18,586)	(13,320)
Free Cash Flow before debt servicing	13,643	20,100
Proceeds from issuance of bonds, net of issuance costs	95,564	-
Repayments of Bonds including costs paid	(96,125)	-
Repayments of borrowings and others	(4,906)	(9,239)
Interests paid	(3,210)	(2,904)
Acquisition of treasury shares	(552)	(163)
Dividends paid to non-controlling interests	(1,778)	(2,536)
Net cash generated / (used in) financing activities	(11,007)	(14,842)
Net cash variation	2,636	4,576
Foreign exchange differences	328	(354)
Variation in cash and cash equivalents	<u>2,963</u>	<u>4,907</u>
Cash and cash equivalents at the end of the period	<u>23,924</u>	<u>20,960</u>

In FY 2021, the cash generated from operations before working capital requirements amounted to US\$ 43.0 million compared to US\$ 34.0 million in FY 2020.

In FY 2021, the working capital requirement was US\$4.0 million compared to a US\$ 3.3 million decrease in the same period last year. This is mainly linked to the improved activity requiring higher inventories and resulting in higher receivables at year end which is only partially offset by the increased amounts payable to suppliers.

During the period, Capex totaled US\$ 18.6 million in cash compared to US\$ 13.3 million in FY 2020. The higher 2021 Capex is also driven by the increased activity. Capex essentially relates to the acquisition of rigs, major rig overhauls, ancillary equipment and rods.

On July 7, 2021, the Company finalized its financial reorganization related to the early redemption of its euro-denominated bonds amounting to US\$ 145.9 million thousand as at June 30, 2021 through a cash payment of US\$

96.1 million. To finance the reorganization, the Company raised US\$ 95.6 million net of OID and related transaction fees. The new bonds will mature in December 2025.

As at December 31, 2021, the maturity of financial debt can be analyzed as presented in the table below:

	December 31, 2021
Credit lines	1,382
Long-term debt	
Within one year	7,584
Between 1 and 2 years	10,183
Between 2 and 3 years	9,858
Between 3 and 4 years	74,061
Between 4 and 5 years	
Total	103,067

As at December 31, 2021, cash and cash equivalents totaled US\$ 23.9 million compared to US\$ 21.0 million as at December 31, 2020. Cash and cash equivalents are mainly held at or invested within top tier financial institutions.

As at December 31, 2021, the net debt including operational lease obligations (IFRS 16) amounted to US\$ 85.7 million (US\$ 141.7 million as at December 31, 2020).

Bank guarantees as at December 31, 2021 totaled US\$ 9.0 million compared to US\$ 8.1 million as at December 31, 2020. The Company benefits from a confirmed contract guarantee line of € 6.5 million (US\$ 7.4 million).

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 - with a significant presence in water related drilling services - and a gradual implementation of advanced digital applications. The Company expects it will execute its strategy primarily through organic growth and targeted acquisitions.

The Company anticipated the increased environmental, social and governance (ESG) requirements, and is implementing a pragmatic and measurable approach to ESG with quantitative KPIs to maximize improvement and efficiencies.

Covid 19

Key profitability indicators continue to improve period over period despite the continuing uncertainties linked to the Covid-19 pandemic. The market for commodities is supported by the global economic recovery and the increased demand for energy transition and water management. In 2021, the Company largely exceeded 2019 pre-Covid activity levels.

Currency exchange rates

The exchange rates for the periods under review are provided in the Management's Discussion and Analysis of Q4 2021.

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>Q4 2021</u>	<u>Q4 2020</u>	<u>FY 2021</u>	<u>FY 2020</u>
Operating profit / (loss).....	4,287	3,377	24,127	17,185
Depreciation expense	5,050	4,409	18,681	16,673
Non-cash employee share-based compensation	83	60	233	195
EBITDA	<u>9,420</u>	<u>7,846</u>	<u>43,041</u>	<u>34,054</u>

Conference call and webcast

On March 3, 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 1-888-664-6392 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://produceredition.webcasts.com/starthere.jsp?ei=1532351&tp_key=0daflcfdae

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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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.