



**FORACO INTERNATIONAL REPORTS Q3 2020**

**Toronto, Ontario/Marseille, France - October 30, 2020.** 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 2020. All figures are expressed in US Dollars (US\$) unless otherwise indicated.

“After a volatile period in Q2 due to the Covid-19 pandemic impact which slowed down our activity in a number of countries, most clients decided to progressively resume their programs during Q3 2020 and we forthwith remobilized our resources. In this context, we are pleased to report a Q3 2020 revenue at US\$ 55.9 m, an increase of 4% at constant exchange rate compared to Q3 2019. Our utilization rate reached an average of 49% in Q3 2020. We are also pleased to report that our efforts to position the Company in the water management segment has borne fruit with an increase from US\$ 5.2 million in Q3 2019 to 12.1 million in Q3 2020.” said Daniel Simoncini, Chairman and Co-CEO” We reported good operating performances on all contracts despite the unprecedented logistic and human challenges resulting from the pandemic. Once again, we demonstrated that our organization is well suited to adapt to market fluctuations and to meet clients’ expectations thanks to all our employees who showed an extraordinary commitment during this difficult period”.

“Despite the health crisis all profitability indicators continued to show improvements. In the third quarter of 2020, we recorded an EBITDA of US\$ 11.6 million an increase of 13% vs US\$ 10.2 million in Q3 last year. The Q3 2020 TTM EBITDA was USD 34.4 million (or 17% of revenue) a 35% increase compared to US\$ 25.4 million (or 12% of revenue) for the same period last year. We post a net profit of US\$ 4.2 million this quarter or 7.6% of revenue. The more recent published financial information for the last periods confirm that Foraco continues to outperform the market both in terms of growth and profitability.” said Jean-Pierre Charmensat Co-CEO and Chief Financial Officer “. We generated a free cash flow before debt service of US\$ 15.6 million but the net debt remains substantially unchanged at USD 130.5 million penalized by the impact of foreign exchange rates fluctuations and the cost of financing. Our focus for the next quarters is to continue to generate free cash flow and to deleverage the company’s balance sheet.”

After a stand-by period, due to the Covid-19 pandemic which slowed down Foraco's activity in a number of countries during the first semester of 2020, most clients progressively resumed their program. During this quarter, the Company managed to remobilize its resources and reports improving operating and financial indicators quarter over quarter.

### Highlights - Q3 2020

#### Revenue

- Revenue of the period amounted to US\$ 55.9 million compared to US\$ 57.8 million in Q3 2019, a 3% decrease. At constant exchange rates the Q3 2020 revenue increased by 4% vs Q3 2019.
- The rigs utilization rate progressively increased during the quarter to reach an average of 49% in Q3 2020 compared to 52% in Q3 2019.
- This trend is confirmed by the rigs utilization rate which remained relatively high at 47% in Q2 2020 compared to 50% in Q2 2019.

#### Profitability

- The Q3 2020 gross margin including depreciation within cost of sales was US\$ 12.8 million (or 23.0% of revenue) compared to US\$ 10.5 million (or 18.1% of revenue) in Q3 2019. This improvement results from the combination of higher contribution of the water segment and solid overall performance on contracts.
- During the quarter, EBITDA amounted to US\$ 11.6 million (or 20.7% of revenue), a 13% increase compared to US\$ 10.2 million (or 17.7% of revenue) for the same quarter last year.
- The Free Cash Flow for the period was US\$7.4 million compared to US\$1.9 million in Q3 2019.

### Highlights - YTD Q3 2020

#### Revenue

- The Covid-19 pandemic affected the activity of the first 9 months of the year. In this challenging times, YTD Q3 2020 revenue reached US\$ 152.9 million compared to US\$ 157.1 million in YTD Q3 2019 a decrease of 3%. Excluding foreign exchange variances, revenue increased by 5% compared to the same period last year.

#### Profitability

- YTD Q3 2020 gross margin including depreciation within cost of sales was US\$ 29.3 million (or 19.1% of revenue) compared to US\$ 23.2 million (or 14.8% of revenue) in YTD Q3 2019. This improvement results from the combination of higher contribution of the water segment and solid overall performance on contracts despite unprecedented logistic and human challenges linked to Covid-19.
- During the period, EBITDA amounted to US\$ 26.2 million (or 17.1% of revenue), compared to US\$ 21.0 million (or 13.4% of revenue) for the same period last year.
- The Free Cash Flow of the period was US\$13.3 million compared to US\$ 3.5 million in YTD Q3 2019.

#### Net debt

- The net debt excluding the impact of the implementation of IFRS 16 was US\$ 130.5 million as at September 30, 2020 compared to US\$ 128.9 million as at December 31, 2019. The net debt including the impact of IFRS 16 was US\$ 134.7 million as at September 30, 2020.
- The net debt position of the company is penalized by non-cash items including adverse foreign exchange variations (US\$ 6.7 million) mainly due to the exchange rate between the euro and the dollar and capitalized interests (US\$ 4.9 million).

## Selected financial data

(In thousands of US\$) ( <i>unaudited</i> )	Three-month period ended September 30,		Nine-month period ended September 30,	
	2020	2019	2020	2019
<b>Revenue</b>	<b>55,924</b>	<b>57,771</b>	<b>152,945</b>	<b>157,066</b>
<b>Gross profit (1)</b>	<b>12,836</b>	<b>10,478</b>	<b>29,262</b>	<b>23,181</b>
<i>As a percentage of sales</i>	<i>23.0%</i>	<i>18.1%</i>	<i>19.1%</i>	<i>14.8%</i>
<b>EBITDA</b>	<b>11,582</b>	<b>10,233</b>	<b>26,208</b>	<b>21,020</b>
<i>As a percentage of sales</i>	<i>20.7%</i>	<i>17.7%</i>	<i>17.1%</i>	<i>13.4%</i>
<b>Operating profit / (loss)</b>	<b>7,623</b>	<b>5,315</b>	<b>13,808</b>	<b>7,368</b>
<i>As a percentage of sales</i>	<i>13.6%</i>	<i>9.2%</i>	<i>9.0%</i>	<i>4.7%</i>
<b>Profit / (loss) for the period</b>	<b>4,247</b>	<b>3,004</b>	<b>5,459</b>	<b>362</b>
Attributable to:				
Equity holders of the Company	2,949	2,451	2,633	(885)
Non-controlling interests	1,298	553	2,827	1,247
<b>EPS (in US cents)</b>				
Basic	3.28	2.73	2.93	(0.99)
Diluted	3.19	2.66	2.86	(0.99)

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

## Financial results

### Revenue

(In thousands of US\$) - (unaudited)	<u>Q3 2020</u>	<u>% change</u>	<u>Q3 2019</u>	<u>YTD</u> <u>Q3 2020</u>	<u>% change</u>	<u>YTD</u> <u>Q3 2019</u>
<i>Reporting segment</i>						
Mining .....	43,790	-17%	52,591	124,298	-13%	142,915
Water.....	12,134	+134%	5,180	28,647	+102%	14,151
<b>Total revenue.....</b>	<b><u>55,924</u></b>	<b><u>-3%</u></b>	<b><u>57,771</u></b>	<b><u>152,945</u></b>	<b><u>-3%</u></b>	<b><u>157,066</u></b>
<i>Geographic region</i>						
Europe, Middle East and Africa .....	17,118	20%	14,321	49,981	27%	39,454
South America .....	8,228	-40%	13,610	24,031	-34%	36,259
North America .....	20,423	+3%	19,792	50,269	-7%	54,255
Asia Pacific .....	10,155	+1%	10,048	28,664	6%	27,098
<b>Total revenue.....</b>	<b><u>55,924</u></b>	<b><u>-3%</u></b>	<b><u>57,771</u></b>	<b><u>152,945</u></b>	<b><u>-3%</u></b>	<b><u>157,066</u></b>

### Q3 2020

Revenue of the quarter decreased from US\$ 57.8 million in Q3 2019 to US\$ 55.9 million in Q3 2020 (-3%). Excluding currency fluctuations, revenue increased by 4%.

The long-standing presence of the Company in the water segment enabled it to develop unique applications for the mining sector. These applications which require the use of certain specific assets and which now represent a growing part of the Company's revenue led the management to assess the performance of these activities separately from the mining sector. These activities which include the mining dewatering are classified in the water segment in 2020, the historical figures presented in the table above having been restated to present comparative data in a homogeneous manner.

The 134% increase in revenue in the water segment is the result of (i) the leveraging of the Company's expertise applied to mining dewatering and (ii) the deep-water wells contracts in Africa.

In EMEA revenue for the quarter was US\$ 17.1 million compared to US\$ 14.3 million in Q3 2019, an increase of 20% (32% excluding foreign exchange variances). In Africa, new deep-water wells contracts mobilized in 2019 performed successfully in Q3 2020 and will continue throughout 2021.

Revenue in South America decreased by 40% (22% excluding adverse foreign exchange rate variances) at US\$ 8.2 million in Q3 2020 (US\$ 13.6 million in Q3 2019). The activity in the region was particularly impacted by the effect of the pandemic which disrupts the commercial and operational activities since Q2 2020.

Activity in North America increased with revenue at US\$ 20.4 million in Q3 2020 compared to US\$ 19.8 million in Q3 2019. This increase is mainly due to new dewatering contracts which will continue throughout 2020.

In Asia Pacific, Q3 2020 revenue amounted to US\$ 10.1 million, stable compared to the same period last year. foreign exchange variance). New contracts were mobilized during the quarter and will continue through 2020.

### YTD Q3 2020

YTD Q3 2020 revenue amounted to US\$ 152.9 million compared to US\$ 157.1 million in YTD Q3 2019, a decrease of 3%. The YTD Q3 2020 revenue increased by 5% after adjusting for currency fluctuations.

In EMEA, revenue increased by 27%, to US\$ 50.0 million in YTD Q3 2020 from US\$ 39.5 million in YTD Q3 2019. Russia, Africa and France showed improved activity.

Revenue in South America decreased by 34% at US\$ 24.0 million in YTD Q3 2020 (US\$ 36.3 million in YTD Q3 2019). The activity in the region was particularly impacted by the effect of the Covid-19 pandemic which disrupts the commercial and operational activities since Q2 2020.

Revenue in North America decreased by 7% to US\$ 50.3 million in YTD Q3 2020 from US\$ 54.3 million in YTD Q3 2019. This decrease is mainly due to disruptions affecting a certain number of contracts in Q2 2020 linked to the Covid-19 pandemic. The activities resumed progressively in Q3 2020.

In Asia Pacific, YTD Q3 2020 revenue amounted to US\$ 28.7 million, an increase of 6%. New contracts were mobilized during the period and will continue through 2020.

### Gross profit

(In thousands of US\$) - (unaudited)	<u>Q3 2020</u>	<u>% change</u>	<u>Q3 2019</u>	<u>YTD</u> <u>Q3 2020</u>	<u>% change</u>	<u>YTD</u> <u>Q3 2019</u>
<i>Reporting segment</i>						
Mining .....	9,773	+5%	9,271	21,941	6%	20,656
Water .....	<u>3,063</u>	<u>x 2.5</u>	<u>1,207</u>	<u>7,321</u>	<u>x 2.9</u>	<u>2,525</u>
<b>Total gross profit / (loss) .....</b>	<b><u>12,836</u></b>	<b><u>23%</u></b>	<b><u>10,478</u></b>	<b><u>29,262</u></b>	<b><u>26%</u></b>	<b><u>23,181</u></b>

### Q3 2020

The Q3 2020 gross margin including depreciation within cost of sales was US\$ 12.8 million (or 23.0% of revenue) compared to US\$ 10.5 million (or 18.1% of revenue) in Q3 2019. This improvement results from the combination of higher contribution of the water segment and solid overall performance on contracts.

### YTD Q3 2020

The YTD Q3 2020 gross margin including depreciation within cost of sales was US\$ 29.3 million (or 19.1% of revenue) compared to US\$ 23.2 million (or 14.8% of revenue) in YTD Q3 2019. This improvement results from the combination of higher contribution of the water segment and solid overall performance on contracts despite unprecedented logistic and human challenges linked to Covid-19.

### Selling, General and Administrative Expenses

(In thousands of US\$) - (unaudited)	<u>Q3 2020</u>	<u>% change</u>	<u>Q3 2019</u>	<u>YTD</u> <u>Q3 2020</u>	<u>% change</u>	<u>YTD</u> <u>Q3 2019</u>
Selling, general and administrative expenses	5,213	1%	5,163	15,454	-2%	15,813

### Q3 2020

SG&A expenses were stable compared to the same quarter last year.

### YTD Q3 2020

SG&A expenses decreased by 2% compared to the same period last year. As a percentage of revenue, SG&A expenses were stable.

### Operating result

(In thousands of US\$) - (unaudited)	<u>Q3 2020</u>	<u>% change</u>	<u>Q3 2019</u>	<u>YTD</u> <u>Q3 2020</u>	<u>% change</u>	<u>YTD</u> <u>Q3 2019</u>
<i>Reporting segment</i>						
Mining .....	5,691	+23%	4,636	9,357	+49%	6,289
Water.....	<u>1,932</u>	<u>x 2.8</u>	<u>679</u>	<u>4,451</u>	<u>x 4.1</u>	<u>1,079</u>
<b>Total operating profit / (loss) .</b>	<b><u>7,623</u></b>	<b><u>+43%</u></b>	<b><u>5,315</u></b>	<b><u>13,808</u></b>	<b><u>+87%</u></b>	<b><u>7,368</u></b>

### Q3 2020

The operating profit was US\$ 7.6 million, a 43% improvement as a result of improved gross margin rate and stabilization of SG&A expenses.

### YTD Q3 2020

The operating profit was US\$ 13.8 million in YTD Q3 2020, a US\$ 6.4 million improvement as a result of improved gross margin rate and tight control of SG&A expenses.

### Financial position

The following table provides a summary of the Company's cash flows for H1 2020 and H1 2019:

(In thousands of US\$)	<u>YTD</u> <u>Q3 2020</u>	<u>YTD</u> <u>Q3 2019</u>
<b>Cash generated by operations before working capital requirements</b>	<b>26,207</b>	<b>21,021</b>
Working capital requirements	(1,648)	(2,398)
Income tax paid (received)	(1,664)	(3,204)
Purchase of equipment in cash	(7,313)	(9,379)
<b>Free Cash Flow before debt servicing</b>	<b>15,582</b>	<b>6,040</b>
Debt variance	(7,598)	141
Interests paid	(2,237)	(2,550)
Acquisition of treasury shares	(27)	(19)
Dividends paid to non-controlling interests	(1,978)	(558)
<b>Net cash generated / (used in) financing activities</b>	<b>(11,840)</b>	<b>(2,986)</b>
<b>Net cash variation</b>	<b>4,576</b>	<b>3,054</b>
Foreign exchange differences	(698)	(871)
<b>Variation in cash and cash equivalents</b>	<b><u>3,878</u></b>	<b><u>2,183</u></b>

In YTD Q3 2020, the cash generated from operations before working capital requirements amounted to US\$ 26.2 million compared to US\$ 21.0 million in YTD Q3 2019.

In YTD Q3 2020, the working capital requirement was US\$1.6 million compared to US\$ 2.4 million in the same period last year.

During the period, the Capex was US\$ 7.3 million in cash compared to US\$ 9.4 million in YTD Q3 2019. The Capex mainly relates to major rigs overhauls, ancillary equipment and rods.

Free cash flow before debt servicing was US\$ 15.6 million in YTD Q3 2020 compared to US\$ 6.0 million in YTD Q3 2019.

As at September 30, 2020, cash and cash equivalents totaled US\$ 19.9 million compared to US\$ 16.1 million as at December 31, 2019. Cash and cash equivalents are mainly held at or invested within top tier financial institutions.

As at September 30, 2020, net debt excluding IFRS 16 implementation amounted to US\$ 130.5 million (US\$ 128.9

million as at December 31, 2019).

The Net Debt variance can be summarized as follows (in thousands of US\$):

Net Debt December 31, 2019	128,874
Cash generated	<u>(9,886)</u>
<b>Net Debt September 30, 2020 before non-cash items</b>	<b>118,988</b>
Capitalized Interests	4,851
FX variance	<u>6,686</u>
<b>Net Debt September 30, 2020</b>	<b>130,525</b>

The net debt position of the Company is penalized by non-cash items including adverse foreign exchange variations (US\$ 6.7 million) mainly due to the exchange rate between the euro and the dollar and capitalized interests (US\$ 4.9 million).

Bank guarantees as at September 30, 2020 totaled US\$ 8.4 million compared to US\$ 6.5 million as at December 31, 2019. The Company benefits from a confirmed contract guarantee line of € 12.7 million (US\$ 14.9 million).

### ***Going concern and impairment testing***

After a stand-by period, due to the Covid-19 pandemic which slowed down Foraco activity in a number of countries during the first semester of 2020, most clients progressively resumed their program. The Company managed to remobilize its resources and continued to record positive cash flows during the period.

Despite the current economic environment, and assuming that the health crisis does not deteriorate further, the Company believes that it will have adequate financial resources to continue in operation for a period of at least twelve months.

As at September 30, 2020, the Company met its financial covenants.

### ***Currency exchange rates***

The exchange rates for the periods under review are provided in the Management's Discussion and Analysis of Q3 2020.

### ***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\$) ( <i>unaudited</i> )	<u>Q3 2020</u>	<u>Q3 2019</u>	<u>YTD</u> <u>Q3 2020</u>	<u>YTD</u> <u>Q3 2019</u>
Operating profit / (loss).....	7,623	5,315	13,808	7,368
Depreciation expense .....	3,914	4,873	12,264	13,518
Non-cash employee share-based compensation .....	45	45	135	135
<b>EBITDA .....</b>	<b><u>11,582</u></b>	<b><u>10,233</u></b>	<b><u>26,208</u></b>	<b><u>21,020</u></b>

### ***Conference call and webcast***

On October 30, 2020, 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 1-888-231-8191 or 1-647-427-7450. You will be put on hold until the conference call begins. A live audio webcast of the Conference Call will also be available through:

[https://produceredition.webcasts.com/starthere.jsp?ei=1350286&tp\\_key=19b3d85897](https://produceredition.webcasts.com/starthere.jsp?ei=1350286&tp_key=19b3d85897)

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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### ***Caution concerning forward-looking statements***

This document may contain "forward-looking statements" and "forward-looking information" within the meaning of applicable securities laws. These statements and information include estimates, forecasts, information and statements as to Management's expectations with respect to, among other things, the future financial or operating performance of the Company and capital and operating expenditures. Often, but not always, forward-looking statements and information can be identified by the use of words such as "may", "will", "should", "plans", "expects", "intends", "anticipates", "believes", "budget", and "scheduled" or the negative thereof or variations thereon or similar terminology. Forward-looking statements and information are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Readers are cautioned that any such forward-looking statements and information are not guarantees and there can be no assurance that such statements and information will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. 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 30, 2020, 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.