



AKITA announces third quarter results and extension of covenant relief period

CALGARY, AB, Oct. 29, 2020 /CNW/ - **AKITA Drilling Ltd.** (TSX: AKT.A)

AKITA Drilling Ltd. (the "Company") announces results for the nine months ended September 30, 2020. The Company recorded a net loss of \$8,203,000 and adjusted EBITDA of \$1,635,000 in the third quarter of 2020 compared to \$5,397,000 and \$4,690,000 in the same period of 2019. Reduced activity in the quarter was the key driver for the lower results.

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. To date, the COVID-19 related economic slowdown has resulted in significant declines and volatility in the stock markets as well as steep reductions in both global oil demand and prices. There remains significant uncertainty surrounding the future impact of COVID-19 on demand and prices for the Company's drilling services.

The impact of COVID-19 on demand for drilling services in North America is clearly reflected in the reduced drilling activity level over the third quarter of 2020. In Canada, the active rig count decreased 57% to 86 active rigs in September of 2020 from 196 rigs in September of 2019. In the United States, the decline was even greater at a 70% decrease as the active rig count fell to 261 rigs at the end of September 2020, from 860 rigs at the same point in 2019. AKITA's operating days decreased 55% to 531 for the third quarter of 2020 from 1,181 in the third quarter of 2019. This decrease in activity had a corresponding impact on the Company's revenue, which decreased to \$18,849,000 in the third quarter of 2020 from \$42,610,000 in the same period of 2019.

On September 22, 2020, the Company and its syndicate of lenders extended the Company's covenant relief period by one quarter to September 30, 2021. It is the Company's intent to extend its relief period on a quarterly basis as needed. The covenants for the extension are a debt to tangible net worth ratio not to exceed 0.75 and an interest to EBITDA ratio that is greater than 0.75 as well as a minimum trailing twelve-month EBITDA threshold.

Karl Ruud, AKITA's President and Chief Executive Officer stated: "AKITA's strong relationships with its banks and its top tier customer base will allow us to retain our standard of excellence throughout this most challenging cycle."

CONSOLIDATED FINANCIAL HIGHLIGHTS

(\$Thousands except per share amounts)	For the three months ended September 30,				For the nine months ended September 30,			
	2020	2019	Change	% Change	2020	2019	Change	% Change
Revenue	18,849	42,610	(23,761)	(56%)	98,780	134,072	(35,292)	(26%)
Operating and maintenance expenses	13,719	33,219	(19,500)	(59%)	75,785	102,091	(26,306)	(26%)
Operating income	5,130	9,391	(4,261)	(45%)	22,995	31,981	(8,986)	(28%)
Margin %	27%	22%	5	23%	23%	24%	(1)	(4%)
Adjusted EBITDA ⁽¹⁾	1,635	4,690	(3,055)	(65%)	16,265	16,992	(727)	(4%)
Per share	0.04	0.12	(0.08)	(67%)	0.41	0.43	(0.02)	(5%)
Adjusted funds flow from operations ⁽¹⁾	(669)	3,033	(3,702)	(122%)	11,583	12,333	(750)	(6%)
Per share	(0.02)	0.08	(0.10)	(125%)	0.29	0.31	(0.02)	(6%)
Net loss	(8,203)	(5,397)	(2,806)	(52%)	(65,682)	(11,932)	(53,750)	(450%)
Per share	(0.21)	(0.14)	(0.07)	(50%)	(1.66)	(0.30)	(1.36)	(453%)
Capital expenditures	742	3,301	(2,559)	(78%)	5,881	11,083	(5,202)	(47%)
Dividends declared	-	-	-	0%	-	6,734	(6,734)	(100%)

Weighted average shares outstanding	39,608	39,608	-	0%	39,608	39,608	-	0%
Total assets	278,072	376,877	(98,805)	(26%)	278,072	376,877	(98,805)	(26%)
Total debt	74,252	82,318	(8,066)	(10%)	74,252	82,318	(8,066)	(10%)

(1) Non-GAAP items

OPERATIONAL HIGHLIGHTS

	For the three months ended September 30,				For the nine months ended September 30,			
	2020	2019	Change	% Change	2020	2019	Change	% Change
Operating days								
Canada	134	338	(204)	(60%)	846	1,216	(370)	(30%)
United States	397	843	(446)	(53%)	2,048	2,991	(943)	(32%)
Revenue per operating day⁽¹⁾								
Canada ⁽²⁾	38,881	37,601	1,280	3%	34,132	32,935	1,197	4%
United States	34,375	35,918	(1,543)	(4%)	36,588	32,401	4,187	13%
Operating and maintenance per operating day⁽¹⁾								
Canada ⁽²⁾	23,687	30,920	(7,233)	(23%)	25,246	24,718	528	2%
United States	26,569	27,444	(875)	(3%)	28,548	24,818	3,730	15%
Utilization								
Canada	7%	16%	(9%)	(56%)	13%	19%	(6%)	(32%)
United States	24%	54%	(30%)	(56%)	42%	64%	(22%)	(34%)

(1) Non-GAAP items

(2) Includes AKITA's share of Joint Venture revenue and expenses.

United States Drilling Division

Activity levels in the US appear to have reached a low point of the current cycle in the third quarter of 2020, bottoming out at 244 active rigs throughout the industry in August of 2020 and increasing from there. For AKITA, third quarter revenue declined by 55% to \$13,647,000 from \$30,279,000 in the third quarter of 2019 due to the decrease in operating days, which fell to 397 days in the third quarter of 2020, from 843 days in the third quarter of 2019. The impact of COVID-19 on both the demand for and the price of oil were the dominant factors contributing to the decrease in activity for drilling services.

The Company has four drilling rigs under contract, two active rigs contracted into the second quarter of 2021 and two rigs currently receiving standby revenue into the fourth quarter of 2021. The Company also currently has three rigs operating in the spot market and is anticipating this will increase as the market strengthens.

Canadian Drilling Division

The Canadian drilling industry has also been significantly impacted by the COVID-19 related pressure on oil demand. During the third quarter of 2020, AKITA achieved 134 operating days in Canada, which corresponds to a utilization rate of 7%, compared to 16% (338 days) in the third quarter of 2019, with an industry average of 9% in the third quarter of 2020 compared to 23% in the same period of 2019. This decrease in activity had a corresponding impact on revenue (including AKITA's share of Joint Venture revenue) which decreased to \$5,210,000 in the third quarter of 2020 from \$12,709,000 in the same period of 2019. Currently the Company has one rig operating in Canada and is providing labour services on another rig. The Company's active rig count in Canada is expected to increase as the winter drilling season commences.

FURTHER INFORMATION

This news release shall be used as preparation for reading the full disclosure documents. AKITA's unaudited interim condensed consolidated financial statements and management's discussion and analysis for the quarter ended September 30, 2020, will be available on the AKITA website (www.akita-drilling.com) or via SEDAR (www.sedar.com) or can be requested in print from the Company.

NON-GAAP ITEMS

This news release references Non-GAAP (Generally Accepted Accounting Principles) items. Revenue per operating day, operating and maintenance expense per operating day, adjusted EBITDA and adjusted funds flow from operations are all considered Non-GAAP items. Management feels that these Non-GAAP items are useful in assessing the Company's performance. These terms do not have standardized meanings prescribed under International Financial Reporting Standards (IFRS) and may not be comparable to similar measures used by other companies. For further information, see "Basis of Analysis in this MD&A and Non-GAAP Items" in AKITA's 2020 third quarter Management's Discussion & Analysis.

FORWARD-LOOKING INFORMATION:

Certain statements contained in this news release may constitute forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "will", "intend", "should", and similar expressions.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information.

The Company's actual results could differ materially from those anticipated in this forward-looking information as a result of regulatory decisions, competitive factors in the industries in which the Company operates, prevailing economic conditions (including as may be affected by the COVID-19 pandemic), and other factors, many of which are beyond the control of the Company.

The Company believes that the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon.

Any forward-looking information contained in this news release represents the Company's expectations as of the date hereof, and is subject to change after such date. The Company disclaims any intention or obligation to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required by applicable securities legislation.

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