



AKITA announces first quarter results and net income of \$9.5 million for the quarter

CALGARY, AB, May 4, 2023 /CNW/ - **AKITA Drilling Ltd.** (TSX: AKT.A)

AKITA Drilling Ltd. ("AKITA" or the "Company") announces results for the three months ended March 31, 2023.

The Company's net income increased to \$9,523,000 in the first quarter of 2023 from a loss of \$2,933,000 during the same period of 2022. Higher day rates drove the improved earnings as activity levels remained constant between the two quarters (1,764 operating days in the first quarter of 2023 versus 1,739 in the same period of 2022). Adjusted funds flow from operations increased 203% to \$15,159,000 in the first quarter of 2023 from \$4,996,000, also driven by improved rates. Net cash from operations decreased to a loss of \$414,000 for the three months ended March 31, 2023, compared to a gain of \$247,000 in the same period of 2022, due to the continued build of the Company's working capital balances which typically peak at the end of the first quarter. Debt decreased to \$91,212,000 at the end of the first quarter of 2023 from \$94,521,000 at the same time in 2022. In Canada, the Company operated 12 rigs in the first quarter of 2023 (11 rigs in the same period of 2022) and 14 rigs in the US (13 rigs in the first quarter of 2022). The Company spent \$2,504,000 on routine capital items in the first quarter of 2023, down from \$6,412,000 over the same period in 2022.

Colin Dease, AKITA's Chief Executive Officer stated: "We are pleased with our first quarter results and our focus for the balance of the year will be on meaningful debt repayments while we work to increase our active rig count in Canada."

CONSOLIDATED FINANCIAL HIGHLIGHTS

(\$ thousands except per share amounts)	For the Three Months Ended March 31,			
	2023	2022	Change	% Change
Revenue	65,000	44,986	20,014	44 %
Operating and maintenance expenses	45,426	36,254	9,172	25 %
Operating margin	19,574	8,732	10,842	124 %
Margin %	30 %	19 %	11 %	58 %
Net cash from (used in) operating activities	(414)	247	(661)	(268 %)
Operating Days	1,764	1,739	25	1 %
Adjusted funds flow from operations ⁽¹⁾	15,159	4,996	10,163	203 %
Per share	0.38	0.13	0.25	192 %
Net income (loss)	9,523	(2,933)	12,456	425 %
Per share	0.24	(0.07)	0.31	443 %
Capital expenditures	2,504	6,412	(3,908)	(61 %)
Weighted average shares outstanding	39,650	39,608	42	0 %
Total assets	270,169	261,348	8,821	3 %
Total debt	91,212	94,521	(3,309)	(4 %)

⁽¹⁾ See "Non-GAAP and Supplementary Financial Measures" near the end of this release for further detail.

	For the Three Months Ended March 31,			
\$Thousands except per day amounts	2023	2022	Change	% Change
Revenue Canada	19,427	16,242	3,185	20 %
Revenue from joint venture drilling rigs	7,782	5,903	1,879	32 %
Flow through charges ⁽¹⁾	(829)	(1,082)	253	23 %
Adjusted revenue Canada⁽¹⁾	26,380	21,063	5,317	25 %
Operating and maintenance expenses Canada	14,072	12,423	1,649	13 %
Operating and maintenance expenses from joint venture drilling rigs	5,494	4,516	978	22 %
Flow through charges ⁽¹⁾	(829)	(1,082)	253	23 %
Adjusted operating and maintenance expenses Canada⁽¹⁾	18,737	15,857	2,880	18 %
Adjusted operating margin Canada⁽¹⁾	7,643	5,206	2,437	47 %
Margin % ⁽¹⁾	29 %	25 %	4 %	16 %
Operating days	720	722	(2)	(0 %)
Adjusted revenue per operating day ⁽¹⁾	36,639	29,173	7,466	26 %
Adjusted operating and maintenance per operating day ⁽¹⁾	26,024	21,963	4,061	18 %
Adjusted operating margin per operating day⁽¹⁾	10,615	7,210	3,405	47 %
Utilization ⁽¹⁾	40 %	40 %	0 %	0 %
Rig count	20	20	-	0 %

⁽¹⁾ See "Non-GAAP and Supplementary Financial Measures" near the end of this release for further detail.

During the first quarter of 2023, AKITA achieved 720 operating days in Canada, which corresponds to a utilization rate of 40% compared to an industry utilization of 45%. For the first quarter of 2022, the Company's utilization rate was 40% with an industry average of 39%.

Adjusted revenue in Canada increased to \$26,380,000 in the first quarter of 2023 from \$21,063,000 in the first quarter of 2022. Adjusted revenue per operating day increased to \$36,639 in the first quarter of 2023 from \$29,173 in the same period of 2022, due to higher day rates which in turn increased adjusted revenue. Rates improved in the latter half of 2022 and impacted 2023's first quarter results.

Higher revenue in the quarter was offset by higher adjusted operating and maintenance expenses which increased 18% to \$18,737,000 in the first quarter of 2023 from \$15,857,000 in the same period of 2022. As activity remained flat for the Company in Canada, this increase is due to higher labour costs as well as increased costs for consumable rig supplies and repairs.

United States Drilling Division

	For the Three Months Ended March 31,			
\$ Thousands except per day amounts (CAD)	2023	2022	Change	% Change
Revenue US	45,573	28,744	16,829	59 %
Flow through charges ⁽¹⁾	(4,573)	(2,211)	(2,362)	(107 %)
Adjusted revenue US⁽¹⁾	41,000	26,533	14,467	55 %
Operating and maintenance expenses US	31,355	23,831	7,524	32 %
Flow through charges ⁽¹⁾	(4,573)	(2,211)	(2,362)	(107 %)
Adjusted operating and maintenance expenses US⁽¹⁾	26,782	21,620	5,162	24 %
Adjusted operating margin US⁽¹⁾	14,218	4,913	9,305	189 %
Margin % ⁽¹⁾	35 %	19 %	16 %	84 %
Operating days	1,044	1,017	27	3 %
Adjusted revenue per operating day ⁽¹⁾	39,272	26,089	13,183	51 %
Adjusted operating and maintenance per operating day ⁽¹⁾	25,653	21,259	4,394	21 %
Adjusted operating margin per operating day⁽¹⁾	13,619	4,830	8,789	182 %
Utilization ⁽¹⁾	77 %	71 %	6 %	8 %
Rig count	15	16	(1)	(6 %)

⁽¹⁾ See "Non-GAAP and Supplementary Financial Measures" near the end of this release for further detail.

The impact of day rate increases in the US that took effect in the second half of 2022 are clear to see when comparing revenue of \$41,000,000 in the first quarter of 2023 with revenue of \$26,533,000 over the same period of 2022; a 55% increase, despite activity levels increasing just 3% over the same period. Quarter-over-quarter revenue per day increased 51% from the first quarter of 2022 to the first quarter of 2023 with the largest increases to the second and third quarters of 2022.

Activity increased 27 days in the first quarter of 2023 (1,044) from the first quarter of 2022 (1,017) as all 14 rigs that the Company is currently marketing in the US were working during both quarters.

Operating and maintenance costs increased 24% between the first quarter of 2023 and 2022, leading to increased costs per day of \$25,653 in the first quarter of 2023 from \$21,259 in the first quarter of 2022. The primary driver of the cost per day increase is increased labour costs. Operating and maintenance costs were offset in the first quarter of 2023 by \$2,000,000 in Employee Retention Credits received from the IRS.

During the first quarter of 2023 the Company disposed of certain components, including the centre section of one of its idle US rigs, for proceeds of \$2,027,000, decreasing the Company's total US rig count to 15 rigs. The Company also relocated two rigs from Colorado to Texas in order to consolidate its US Operations in the Permian basin.

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 March 31, 2023 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 and Supplementary Financial Measures

Non-GAAP Financial Measures

Adjusted Revenue and Adjusted Operating and Maintenance Expenses

Revenue and operating and maintenance expenses in AKITA's Canadian operating segment include revenue and expenses from AKITA's wholly-owned drilling rigs as well as its share of joint venture revenue and expenses.

Excluded from the revenue and expenses in AKITA's Canadian and US operating segment are flow through charges that are billed to operators and repaid to the Company. The volume and timing of the flow through charges can artificially impact the operational per day analysis and as a result management and certain investors may find the comparability between periods is improved when these flow through charges are excluded from revenue per day and operating and maintenance expense per day. The flow through charges do not have any impact on the Company's net earnings as the amounts offset each other.

Adjusted Funds Flow from Operations

Adjusted funds flow from operations is not a recognized GAAP measure under IFRS and readers should note that AKITA's method of determining adjusted funds flow from operations may differ from methods used by other companies, and includes cash flow from operating activities before working capital changes, equity income from joint ventures, and income tax amounts paid or recovered during the period. Nonetheless, management and certain investors may find adjusted funds flow from operations to be a useful measurement to evaluate the Company's operating results at year-end and

within each year, since the seasonal nature of the business affects the comparability of non-cash working capital changes both between and within periods.

\$Thousands		
For the three months ended March 31,	2023	2022
Net cash from (used in) operating activities	(414)	247
Interest paid	2,178	1,030
Interest expense	(2,231)	(1,069)
Post-employment benefits paid	86	69
Equity income from joint ventures	2,184	1,296
Change in non-cash working capital	13,356	3,423
Adjusted funds flow from operations	15,159	4,996

Non-GAAP Ratios

"Adjusted funds flow from operations per share" is calculated on the same basis as net loss per class A and class B share basic and diluted, utilizing the basic and diluted weighted average number of class A and class B shares outstanding during the periods presented.

"Adjusted revenue per operating day" may be useful to analysts, investors, other interested parties and management as a measure of pricing strength and is calculated by dividing adjusted revenue by the number of operating days for the period.

"Adjusted operating and maintenance expenses per operating day" may be useful to analysts, investors, other interested parties and management as it demonstrates a degree of cost control and provides a proxy for specific inflation rates incurred by the Company

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. In particular, forward-looking information in this news release includes, but is not limited to, references to the outlook for the drilling industry (including activity levels and day rates), the Company's relationships and customers and vendors, and the renewal of drilling contracts.

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.

Although the Company believes that the expectations reflected in the forward-looking information are reasonable based on the information available on the date such statements are made and processes used to prepare the information, such statements are not guarantees of future performance and no assurance can be given that these expectations will prove to be correct. By their nature, these forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and therefore carry the risk that the predictions and other forward-looking statements will not be realized. Readers of this news release are cautioned not to place undue reliance on these statements as a number of important factors could cause actual future results to differ materially from the plans, objectives, estimates and intentions expressed in such forward-looking statements.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of, among other things, prevailing economic conditions; the level of exploration and development activity carried on by AKITA's customers, world crude oil prices and North American natural gas prices; global liquefied natural gas (LNG) demand, weather, access to capital markets; and government policies. We caution that the foregoing list of factors is not

exhaustive and that while relying on forward-looking statements to make decisions with respect to AKITA, investors and others should carefully consider the foregoing factors, as well as other uncertainties and events, prior to making a decision to invest in AKITA. Except where required by law, the Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by it or on its behalf.

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