



AKITA announces first quarter results with net income of \$2.6 million and EBITDA of \$12.5 million for the quarter.

CALGARY, AB, May 6, 2024 /CNW/ - **AKITA Drilling Ltd.** (TSX: AKT.A)

AKITA Drilling Ltd. ("AKITA" or the "Company") announces results for the three months ended March 31, 2024.

The Company achieved net income of \$2,627,000 and EBITDA^[1] of \$12,519,000 in the first quarter of 2024. This compares to net income of \$9,523,000 and EBITDA of \$17,390,000 in the first quarter of 2023. The slowed demand for drilling services in the US was the key driver of lower results for the Company in the first quarter of 2024. Additionally, the Company received \$2,000,000 in employee retention credits from the IRS in the first quarter of 2023, which did not reoccur in 2024. This slow down in the US was partially offset by an increase in the adjusted operating margin from Canada, which increased by 23% in the first quarter of 2024 when compared to the first quarter of 2023. Net cash from operations increased to \$6,948,000 for the three months ended March 31, 2024, compared to a loss of \$414,000 in the same period of 2023, due to working capital remaining relatively flat since December 31, 2023, compared to a significant increase during the same period of the prior year. Funds flow from operations, which is not affected by changes in non-cash working capital, decreased by 26% due to the results in the US. Capital expenditures increased to \$3,935,000 in the first quarter of 2024, up from \$2,504,000 in the first quarter of 2023. In both quarters capital expenditures related to routine items. Debt decreased to \$69,619,000 at the end of the first quarter of 2024 from \$91,212,000 at March 31, 2023.

Colin Dease, AKITA's President and Chief Executive Officer stated: "We are optimistic for the second half of the year with the increased tidewater access capacity imminent in Canada for both crude oil and natural gas. The US market is facing headwinds due to weakened natural gas prices and operator consolidation, however, we are seeing signs of a recovery beginning in the third quarter."

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

CONSOLIDATED FINANCIAL HIGHLIGHTS

(\$ thousands except per share amounts)	For the Three Months Ended March 31,			
	2024	2023	Change	% Change
Revenue	46,304	65,000	(18,696)	(29 %)
Operating and maintenance expenses	33,511	45,426	(11,915)	(26 %)
Operating margin	12,793	19,574	(6,781)	(35 %)
Margin %	28 %	30 %	(2 %)	(7 %)
Net cash from (used in) operating activities	6,948	(414)	7,362	1778 %
Adjusted funds flow from operations ⁽¹⁾	11,260	15,159	(3,899)	(26 %)
Per share	0.28	0.38	(0.10)	(26 %)
Adjusted EBITDA ¹	12,519	17,390	(4,871)	(28 %)
Net income (loss)	2,627	9,523	(6,896)	(72 %)
Per share	0.07	0.24	(0.17)	(71 %)

Capital expenditures	3,935	2,504	1,431	57 %
Weighted average shares outstanding	39,716	39,650	66	0 %
Total assets	258,204	270,169	(11,965)	(4 %)
Total debt	69,610	91,212	(21,602)	(24 %)

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

Canadian Drilling Division

\$Thousands except per day amounts	For the Three Months Ended March 31,			
	2024	2023	Change	% Change
Revenue Canada	15,549	19,427	(3,878)	(20 %)
Revenue from joint venture drilling rigs	12,517	7,782	4,735	61 %
Flow through charges ⁽¹⁾	(629)	(829)	200	24 %
Adjusted revenue Canada⁽¹⁾	27,437	26,380	1,057	4 %
Operating and maintenance expenses Canada	10,313	14,072	(3,759)	(27 %)
Operating and maintenance expenses from joint venture drilling rigs	8,354	5,494	2,860	52 %
Flow through charges ⁽¹⁾	(629)	(829)	200	24 %
Adjusted operating and maintenance expenses Canada⁽¹⁾	18,038	18,737	(699)	(4 %)
Adjusted operating margin Canada⁽¹⁾	9,399	7,643	1,756	23 %
Margin % ⁽¹⁾	34 %	29 %	5 %	17 %
Operating days	649	720	(71)	(10 %)
Adjusted revenue per operating day ⁽¹⁾	42,276	36,639	5,637	15 %
Adjusted operating and maintenance per operating day ⁽¹⁾	27,794	26,024	1,770	7 %
Adjusted operating margin per operating day⁽¹⁾	14,482	10,615	3,867	36 %
Utilization ⁽¹⁾	42 %	40 %	2 %	5 %
Rig count	17	20	(3)	(15 %)

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

The Company's Canadian division produced stronger results quarter over quarter, despite reduced activity. AKITA achieved 649 (2023 – 720) operating days in the first quarter of 2024, which corresponds to a utilization rate of 42% (40% in 2023) compared to an industry utilization of 50% (45% in 2023).

Adjusted revenue in Canada increased to \$27,437,000 in the first quarter of 2024 from \$26,380,000 in the first quarter of 2023. This increase in adjusted revenue was the result of increased day rates as well as contract cancellation revenue of \$1,500,000 received in the quarter. Adjusting for the contract cancellation revenue, adjusted revenue per day increased to \$39,965 per operating day (\$42,276 including the cancellation revenue) in the first quarter of 2024 from \$36,639 in the same period of 2023. Day rate increases secured throughout the second half of 2023 had a significant impact on overall profitability in Canada.

Adjusted operating and maintenance expenses decreased 4% to \$18,038,000 in the first quarter of 2024 from \$18,737,000 in the same period of 2023 due to fewer operating days. Adjusted operating and maintenance expense per day increased 7% quarter over quarter attributable to higher labour costs.

United States Drilling Division

\$ Thousands except per day amounts (CAD)	For the Three Months Ended March 31,			
	2024	2023	Change	% Change
Revenue US	30,755	45,573	(14,818)	(33 %)
Flow through charges ⁽¹⁾	(3,759)	(4,573)	814	18 %
Adjusted revenue US⁽¹⁾	26,996	41,000	(14,004)	(34 %)
Operating and maintenance expenses US	23,197	31,355	(8,158)	(26 %)
Flow through charges ⁽¹⁾	(3,759)	(4,573)	814	18 %
Adjusted operating and maintenance expenses US⁽¹⁾	19,438	26,782	(7,344)	(27 %)
Adjusted operating margin US⁽¹⁾	7,558	14,218	(6,660)	(47 %)
Margin % ⁽¹⁾	28 %	35 %	(7 %)	(20 %)

Operating days	719	1,044	(325)	(31 %)
Adjusted revenue per operating day ⁽¹⁾	37,547	39,272	(1,725)	(4 %)
Adjusted operating and maintenance per operating day ⁽¹⁾	27,035	25,653	1,382	5 %
Adjusted operating margin per operating day⁽¹⁾	10,512	13,619	(3,107)	(23 %)
Utilization ⁽¹⁾	53 %	77 %	(25 %)	(32 %)
Rig count	15	15	-	0 %

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

The decline in the active rig count in the US drilling industry had a significant impact on the Company in the first quarter of 2024. Activity decreased to 719 operating days in the first quarter of 2024, down from 1,044 in the first quarter of 2023. This decrease in activity also impacted the Company's US day rates as the pricing pressure affecting the industry also affected AKITA.

Adjusted operating margin was \$7,558,000 in the first quarter of 2024 compared to \$14,218,000 in the same period of last year. The primary cause of this decrease was the reduction in activity between the two quarters, with AKITA's active rig count falling to an average of 10 rigs in the first quarter of 2024 from 14 rigs in the first quarter of 2023. This decrease was in line with the active rig count in the industry which fell to an average of 623 active rigs in the first quarter of 2024, from 761 in the first quarter of the prior year. Also contributing to the reduction in adjusted operating margin was a modest reduction in day rates with adjusted revenue per operating day falling 4% to \$37,547 in the first quarter of 2024, from \$39,272 in the first quarter of 2023. The reduction in revenue per day is attributable to a general reduction in rates across the Company's fleet of rigs as well as to one of the Company's highest specification rigs remaining idle in the quarter.

Adjusted operating expense per operating day increased to \$27,035 per day in the first quarter of 2024 from \$25,653 in the first quarter of 2023. In the first quarter of 2023 the Company received \$2,000,000 in Employee Retention Credits ("ERC") from the IRS, which reduced operating and maintenance costs. Adjusting for the ERC payment, operating costs per operating day decreased \$534 per day, reflective of AKITA's continued focus on cost reductions.

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, 2024 will be available on the AKITA website (www.akita-drilling.com) or via SEDAR (www.sedarplus.ca) 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 and Adjusted EBITDA

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. Adjusted earnings before interest and finance costs, taxes, depreciation and amortization, other non-cash items and one-time gains and losses ("Adjusted EBITDA") is not a recognized GAAP measure under IFRS and readers should note that AKITA's method of determining adjusted EBITDA may differ from methods used by other companies, and removes the aspect of how the Company finances its operations from adjusted funds flow from operations.

\$Thousands		
For the three months ended March 31,	2024	2023
Net cash from (used in) operating activities	6,948	(414)
Interest paid	1,210	2,178
Interest expense	(1,259)	(2,231)
Post-employment benefits paid	79	86
Equity income from joint ventures	4,043	2,184
Change in non-cash working capital	239	13,356
Adjusted funds flow from operations	11,260	15,159
Interest expense	1,259	2,231
Adjusted EBITDA	12,519	17,390

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, advantages associated with the percentage of pad drilling rigs in the Company's Canadian drilling fleet, the renewal of drilling contracts, and debt repayment.

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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