

## Q4/2019 Trading Update

### CAPD LN

16 January, 2020

Market Capitalisation: US\$112m

Last price: 63.5p

Enterprise Value: US\$108m

Target Price: 100.0p

Capital Drilling (LSE: CAPD) this morning provided its Q4/2019 trading update and its unaudited FY/2019 consolidated trading update. The key metrics are as follows:

	Q4/2019	Tamesis Estimate	% change	Q4/2018	Q3/2019	% change from Q4/2018	% change from Q3/2019	FY/2019	FY/2018
Revenue (US\$ million)	30.7	31.3	(2.0%)	26.6	29.4	15.4%	4.4%	114.8	116.0
ARPOR (US\$)	167,000	181,000	(7.7%)	205,000	174,000	(18.5%)	(4.0%)	176,000	194,000
Average utilised rigs	55	54	2.3%	41	48	34.1%	14.6%	50	57
Fleet Utilisation (%)	59%	56%	5.4%	44%	52%	34.1%	13.5%	54%	51%
Net Cash (US\$m)	4.4	1.4	215.8%	10.9	2.5	(59.6%)	76.0%	4.4	10.9

### Our view – encouraging drilling business growth, majority of mining services contract revenue expected H2/2020

Capital achieved full year revenues of US\$114.8 million, at the mid-point of US\$110-120 million guidance. Revenues for the quarter were broadly in line with our expectations. Lower ARPOR due to greater proportion of exploration contracts and single-shift operations was offset by higher utilisation rates. Using this updated revenue figure, we now estimate EBITDA of US\$26.6 million for FY2019, a margin of 23%, and profit after tax of US\$9.8 million.

Net cash exceeded our expectations, US\$4.4 million versus our estimate of US\$1.4 million – despite increased capital expenditure to US\$20 million on acquiring eight new rigs and mining equipment. The mining services contract is expected to contribute US\$15 million to revenues in 2020, weighted to the second half of the year. We assume a 15% gross margin on this contract.

The company is now firmly established in West Africa, with 44 of the company's 93 rig fleet based in the region. We expect exploration contract wins to continue as gold prices remain well above US\$1,500/oz.

We will revisit our model on the release of the FY2019 financials, currently scheduled for release on 19 March 2019. We adjust our target price down slightly to 100p (from 106p), reflecting the delay to the delivery of the long-term mine plan at Bonikro. Our target price represents 5x forecast 2020E EBITDA of US\$32.7 million. Capital Drilling continues to look undervalued, the company is currently trading on a 2020E 3.3x EV/EBITDA and 9.1x P/E.

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