

# Capital Limited

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## Capital Drilling reveals Q4 revenue boost as it ended 2019 strongly

Capital Drilling Ltd (LON:CAPD) in a trading update revealed a 4.8% increase in quarter on quarter revenue growth, rising 4.8% to US\$30.7m in the three months ended 31 December.

For the full year, the company brought in US\$114.8m of revenue, in the middle of guidance for US\$110m to US\$120m.

Cash flow generation increased in the fourth quarter, and the company ended the period with US\$4.4m of cash - up from US\$2.5m at the end of quarter three.

The company told investors that its strong balance sheet has provided capacity to fund US\$20m of capex during the year allowing the addition of eight new rigs and other equipment in 2019. Four of the new rigs are due for commissioning in the first quarter of 2020.

Thursday's statement confirmed an increase in rig utilisation in the fourth quarter (up to 59% from 52% in Q3) and, it highlighted that this is the equal highest utilisation level in four years for the group. Utilisation rates are supported by new contract start-ups, most of which are coming in West Africa.

### READ: Analyst cheers Capital Drilling Ltd's busy end to 2019

Nine of eleven new contract wins from 2019 are with new clients and are in West Africa, Capital Drilling noted.

It added that work began on eight new exploration drilling contracts in the fourth quarter - for a client list that included Allied Gold, Barrick Gold, and Centamin among several others.

"We experienced another strong year during 2019," said Jamie Boyton, executive chairman.

"The company continued its transition into mining services at the Bonikro mine site with the first of the new mining equipment delivered during the fourth quarter.

"We also saw continued high levels of activity as eight new exploration contracts commenced during the period, primarily in West Africa."

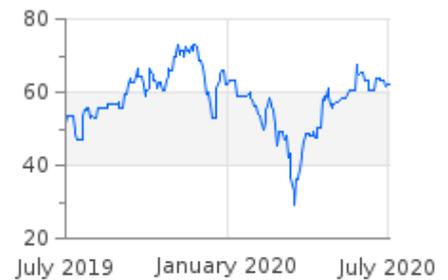
Boyton added: "we will remain focussed on continuing to improve the key metrics of our business, growing our portfolio of long-term mine-site based contracts, further expanding our West African footprint and maintaining strong cash flow generation to maximise returns to our stakeholders."

### Gold price optimism drives positive outlook

**Price:** 61.9

**Market Cap:** £84.79 m

#### 1 Year Share Price Graph



#### Share Information

**Code:** CAPD

**Listing:** LSE

**52 week High Low**  
75 25

**Sector:** Business & education services

**Website:** www.capdrill.com

#### Company Synopsis:

*We provide full-service mining, drilling, maintenance and geochemical analysis solutions to customers within the global minerals industry, focussing on the African markets. Our services extend across the mining cycle, from initial exploration drilling to load and haul, providing our customers with a fully integrated mining services solution.*

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Looking into Q1 2020, the company noted the continued mobilisation of rigs into West Africa where the fleet is now increasing to 44 rigs before the end of the quarter.

The company said its key long-term contracts continue to perform well, in line with management expectations. The long-term client base includes mining group's such as AngloGold Ashanti, Acacia, Centamin, Resolute, Kinross and Allied Gold.

Capital Drilling's outlook commentary highlighted a strengthening gold price continuing into 2020, which is positive for the group given that 90% of its revenue comes from operators in the gold sector.

It noted optimism in the market, manifest by an increase in M&A activity and improved operating cash flows for majors.

A broadened client base is expected to be a "solid platform" for revenue and future growth opportunities.

"With the gold price at encouraging levels, our broader client base, new opportunities presented by our expansion into mining services and strong presence in West Africa, we remain confident of another solid performance this year," Boyton said.

### **Stockbroker bullish after a strong end to 2019**

Peter Mallin-Jones, analyst at stockbroker Peel Hunt, in a note, said: "Capital Drilling saw more rigs turning in Q4 than we expected as well as adding two new contracts, suggesting there is strong momentum in the drilling business.

"With gold prices giving miners good cash flows, it is a sign that exploration, having been significantly constrained in recent years, is returning.

"With a larger fleet now and plenty of rigs in the West Africa hotspot, Capital Drilling is well positioned to benefit."

Peel Hunt rates Capital Drilling as a 'buy'.

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