

ASX:VYS



27 May 2021

## ASX ANNOUNCEMENT

### VYSARN OPERATIONAL AND EARNINGS UPDATE

**Hydrogeological drilling service provider Vysarn Limited (ASX:VYS) (Company) provides operational update and earnings guidance for FY2021 and FY2022.**

#### **FY2022 Earnings and Operational Outlook**

Subject to maintaining 100% rig utilisation the Company is budgeting FY2022 EBITDA (earnings before interest, tax, depreciation and amortisation) to be between \$10.0 million and \$11.0 million.

The Company currently has 83% rig utilisation (i.e. 10 rigs mobilised to site or on paid standby), expects to have 92% rig utilisation (i.e. 11 rigs mobilised to site or on paid standby) in June 2021 and anticipates 100% rig utilisation (12 rigs mobilised to site or on paid standby) in July 2021 conditional, upon third party service providers completing the final rig upgrade. Current contracts and continuing strong demand are then expected to deliver 100% rig utilisation throughout FY2022, noting that earnings are also conditional upon wet weather, unforeseen repairs and maintenance and other unbudgeted operational expenses.

#### **FY2021 Earnings and Operational Update**

FY2021 EBITDA is expected to be approximately \$5.0 million. The Company previously provided guidance in February 2021 of \$6.0 million.

Timing and availability of third-party critical services (for rig modifications and upgrades) and supply chain constraints have resulted in delays in rig readiness and subsequent actual mobilisations versus February forecasts. Additionally, the Company made a deliberate and strategic decision during the June quarter to attract and retain key drilling employees in a highly competitive labour market. This decision was to ensure the availability of guaranteed labour in anticipation of full rig utilisation in July 2021. Subsequently, the labour overhead in the June quarter has been disproportionately high compared to the average number of rigs utilised in the same period.

The consequential difference of approximately \$1.0 million EBITDA is a result of not having all rigs operational from early in the June quarter as forecast and the additional drilling labour costs incurred pertaining to these rigs.

Capital expenditure and increases in working capital requirements required to reach 100% rig utilisation is nearing completion with Company net debt expected to be approximately \$9.0 million (assuming normalised working capital) as at 30 June 2021. Given the forecast FY2022 rig utilisation and earnings the Company will aggressively amortise a significant portion of group debt in FY2022.

*This announcement has been authorised for release by the Board of Vysarn Limited.*

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