



Major Drilling Group (TSX:MDI) Gains 12.85% in 1 Day

Description

The TSX lost 135.80 points (-0.65%) mid-week to close lower at 20,792.40. Only the consumer discretionary (+1.08%) and energy (+0.69%) sector posted gains. However, the top advancer for the day didn't come from either sector. **Major Drilling Group** ([TSX:MDI](#)) in the [materials sector](#) advanced 12.85% on June 8, 2022.

Investors reacted positively to the stellar operational and financials of the \$983.85 million company in fiscal 2022. Major Drilling is a leading provider of specialized drilling services to the mining sector. Market analysts covering the stock recommend a buy rating, because of visible business growth potential.

Exceptional business growth

Major Drilling's revenue in fiscal 2022 (12 months ended April 30, 2022), increased 50.52% to \$650.4 million versus fiscal 2021. Net earnings jumped 435% year over year to \$53.5 million compared to \$10 million in the previous fiscal year. In Q4 fiscal 2022, the EBITDA of \$40.7 million was 240% higher than in Q4 fiscal 2021.

Denis Larocque, president and CEO of Major Drilling, said, "As the upcycle progresses, demand for our specialized drilling services continues to grow with customers turning to us to execute their increasingly challenging drill programs. Despite the COVID-19 Omicron variant causing some minor delays to operations, the momentum we saw in January continued throughout this quarter."

Larocque added, "The fourth quarter of 2022 closed a fiscal year of exceptional EBITDA growth, as the operating leverage inherent in our business model delivered positive results." Because of the current shortage of qualified crews in the industry, the company renewed and gained new contracts at improved terms and pricing.

Major Drillings's CFO, Ian Ross, said, "Despite an expected ramp-up in working capital, caused by the Company's rapid growth in the quarter, our financial position remains strong and our balance sheet flexible, with net debt of only \$1.6 million at the end of the quarter."

Ross further said, "Our ability to invest in our equipment and respond to growth opportunities has been well received by our customers."

Unique position

Major Drilling offers a complete suite of drilling services to customers in the mining industry. It has field operations and offices in Canada, the United States, Mexico, South America, Australia, Africa, and Asia. While gold projects accounted for 52% of drilling revenue in fiscal 2022, management expects copper exploration to accelerate.

Because of the increasing global demand for electric vehicles (EV), industry experts see an urgent need to replenish copper reserves. The same thing goes for other metals like nickel and lithium. Major Drilling anticipates substantial additional investments in copper and other base metal exploration projects going forward.

Larocque said, "With these fundamentals still firmly in place, the outlook for our company remains extremely positive. With the need to add more specialized and underground drills in some of our busy markets, Major Drilling expects to spend approximately \$65 million in capital expenditures in fiscal 2023." The ongoing concern is to meet and exceed the rigorous standards of its customers.

Potential for outsized gains

For fiscal 2023, Major Drilling looks forward to increased inquiries of customers from all categories. The growth stock is well positioned to deliver outsized gains. In 3.01 years, it has already rewarded investors with a total return of 191.22% (42.71% CAGR).

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Date

2025/07/21

Date Created

2022/06/10

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