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PRECISION DRILLING CORP
Form 6-K
February 12, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO SECTION 13a-16 OR 15d-16 OF THE
SECURITIES EXCHANGE ACT OF 1934

For February 12, 2004

Commission File Number: 001-14534

PRECISION DRILLING CORPORATION
(Exact name of registrant as specified in its charter)

4200, 150 - 6TH AVENUE S.W.
CALGARY, ALBERTA
CANADA T2P 3Y7
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b) (1). _____

Note: Regulation S-T Rule 101(b) (1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b) (7): _____

Note: Regulation S-T Rule 101(b) (7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

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If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- N/A

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PRECISION DRILLING CORPORATION

Per: /s/ Jan M. Campbell

Jan M. Campbell
Corporate Secretary

Date: February 12, 2004

Calgary, Alberta, Canada - February 12, 2004

PRECISION DRILLING CORPORATION ANNOUNCES 105% INCREASE IN ANNUAL EARNINGS

Precision Drilling Corporation ("Precision" or the "Corporation") today reports results for the year and quarter ended December 31, 2003. Diluted earnings per share for the year increased 105% to \$3.41 compared to \$1.66 in 2002. Reflecting the strong activity levels in the Canadian market, fourth quarter diluted earnings per share from continuing operations increased to \$1.17 compared to \$0.12 last year. Included in earnings from continuing operations for the fourth quarter of 2003 are \$3.9 million (\$0.05 per share) of charges associated with the write down of operating assets in the Technology Services segment. Losses from discontinued operations amounted to \$0.18 per share in the fourth quarter of 2003 bringing net earnings for the period to \$0.99 per share.

The review of the business plan for the Technology Services segment was completed in the fourth quarter of 2003. One of the outcomes of this process was the identification of two product lines, namely pressure pumping and completion services carried on by the Fleet Cementers and Polar Completions divisions respectively, as being not core to the segment's ongoing growth initiatives. As a result, a program has been initiated to dispose of these businesses and discussions are being held with interested parties. Results of operations for these businesses along with those of Energy Industries, which was sold effective January 1, 2003, have been classified as results from discontinued operations.

The Canadian market has been the significant driver for Precision's improved results. Sustained high natural gas and crude oil prices combined with favorable weather conditions in Canada have generated a strong business environment.

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Commodity prices were also relatively high in 2002, however, concern over their sustainment at these high levels have led customers to use a significant portion of their cash flow to strengthen their balance sheets.

Contract Drilling revenue of \$290.9 million and operating earnings of \$99.2 million increased by 54% and 152% respectively in the fourth quarter of 2003 compared to the same period of 2002. The Canadian drilling and service rig operations saw activity levels increase 46% and 19% respectively. The Canadian drilling fleet achieved 11,631 operating days in the fourth quarter of 2003 and the service rig fleet generated 113,134 operating hours. The heightened activity levels brought increased pricing as drilling revenue per operating day increased by 16% and service revenue per hour increased by 11%.

Precision's international rig fleet grew to 19 at the end of 2003 compared to 16 at the end of 2002. International rig operating days increased by 56% to 1,247 in the fourth quarter of 2003 compared to 2002. Over half of the activity increase came from Mexico where the fleet now numbers 10 rigs with the addition of 3 rigs as part of the Burgos project extension. Activity in Venezuela has also improved with 4 rigs being fully utilized throughout the fourth quarter of 2003. Additional operating days generated by contracts in Asia Pacific and the Middle East rounded out the activity increase. The positive impact of activity increases on the profitability of the international drilling operation was offset somewhat by the devaluation of the US dollar versus the Canadian dollar.

Technology Services revenue increased by \$52.3 million or 38% to \$189.3 million in the fourth quarter of 2003 compared to 2002. Operating earnings, which included a \$3.9 million write down of operating assets, increased by \$21.5 million over the same period.

Revenue increased in all regions but two while operating earnings increased in all regions except one. Over half of the segment's revenue increase was generated in Canada where operating activity increased in conjunction with the rise in active drilling rigs which, in turn resulted in pricing improvement for our services. Similarly, US activity rose as the active land rig count increased from 856 in December 2002 to 1,114 in December 2003. The US also experienced rate increases, which combined with renewed focus on cost control, generated significant improvement in profitability. The segment's Mexican operations benefited from the extension of the Burgos project and also from additional contract awards in that country. Business in Latin America improved with the pick up of activity in Venezuela.

The Rental and Production segment saw a 12% increase in revenue and an 86% increase in operating earnings in the fourth quarter of 2003 compared to 2002. Much of the improvement came from the rental operation which had 225,000 equipment rental days compared to 157,000 in 2002, reflecting the strong activity levels in the Canadian market. The plant maintenance business had strong results from its Canadian industrial group, which saw a 17% year over year increase in fourth quarter revenue, and from its mechanical group which continues to experience growth in services provided to the oilsands projects.

Certain statements contained in this press release, including statements which may contain words such as "could", "should", "expect", "believe", "will" and similar expressions and statements relating to matters that are not historical facts are forward-looking statements. Such forward-looking statements involve known and unknown risks and uncertainties which may cause the actual results, performances or achievements of Precision to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Such factors include fluctuations in the market for oil and gas and related products and services; competition; political and economic conditions in countries in which Precision does business; the demand

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for services provided by Precision; changes in laws and regulations, including environmental, to which Precision is subject and other factors, which are described in further detail in Precision's filings with the Securities and Exchange Commission.

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

| CDN \$000'S, EXCEPT PER SHARE AMOUNTS | THREE MONTHS ENDED DECEMBER 31 | | YEARS DECEMBER |
|--|-----------------------------------|-------------|-------------------|
| | 2003 | 2002 | 2003 |
| | (UNAUDITED) | (Unaudited) | |
| Revenue | \$ 528,697 | \$ 369,649 | \$ 1,917,933 |
| Expenses: | | | |
| Operating | 341,034 | 273,882 | 1,273,434 |
| General and administrative | 35,585 | 35,622 | 136,747 |
| Depreciation and amortization | 45,011 | 35,048 | 170,788 |
| Research and engineering | 11,465 | 9,584 | 42,419 |
| Foreign exchange | (905) | 699 | (2,565) |
| | 432,190 | 354,835 | 1,620,823 |
| Operating earnings | 96,507 | 14,814 | 297,110 |
| Interest | 8,298 | 9,045 | 35,050 |
| Dividend income | -- | -- | -- |
| Loss (gain) on disposal of investments | (329) | 100 | (3,355) |
| Earnings from continuing operations before income taxes and non-controlling interest | 88,538 | 5,669 | 265,415 |
| Income taxes: | | | |
| Current | 20,546 | 3,564 | 59,681 |
| Future | 2,093 | (4,849) | 12,851 |
| | 22,639 | (1,285) | 72,532 |
| Earnings from continuing operations before non-controlling interest | 65,899 | 6,954 | 192,883 |
| Non-controlling interest | 912 | 93 | 1,752 |
| Earnings from continuing operations | 64,987 | 6,861 | 191,131 |
| Gain on disposal of discontinued operations | -- | -- | 17,460 |
| Discontinued operations | (9,842) | 2,002 | (19,915) |
| Net earnings | 55,145 | 8,863 | 188,676 |
| Retained earnings, beginning of period | 753,615 | 611,221 | 620,084 |
| Retained earnings, end of period | \$ 808,760 | \$ 620,084 | \$ 808,760 |
| Earnings per share from continuing operations: | | | |
| Basic | \$ 1.19 | \$ 0.13 | \$ 3.51 |

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| Diluted | \$ | 1.17 | \$ | 0.12 | \$ | 3.46 |
|---|----|--------|----|--------|----|--------|
| Earnings per share: | | | | | | |
| Basic | \$ | 1.01 | \$ | 0.16 | \$ | 3.47 |
| Diluted | \$ | 0.99 | \$ | 0.16 | \$ | 3.41 |
| Common shares outstanding (000's) | | 54,846 | | 54,067 | | 54,846 |
| Weighted average shares outstanding (000's) | | 54,769 | | 54,006 | | 54,430 |
| Diluted shares outstanding (000's) | | 55,578 | | 55,121 | | 55,299 |

CONSOLIDATED BALANCE SHEETS

| CDN \$ 000'S | DECEMBER 31 2003 | December 2002 |
|--|------------------|---------------|
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 21,370 | \$ 17,311 |
| Accounts receivable | 544,850 | 431,333 |
| Income taxes recoverable | -- | 8,711 |
| Inventory | 99,088 | 92,744 |
| Assets of discontinued operations | 21,150 | 51,722 |
| | 686,458 | 601,820 |
| Property, plant and equipment, net of accumulated depreciation | 1,588,250 | 1,457,271 |
| Intangibles, net of accumulated amortization | 65,262 | 71,355 |
| Goodwill | 527,443 | 527,444 |
| Other assets | 8,932 | 17,444 |
| Assets of discontinued operations | 32,040 | 84,671 |
| | \$2,908,385 | \$2,760,011 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Bank indebtedness | \$ 147,909 | \$ 95,321 |
| Accounts payable and accrued liabilities | 260,545 | 257,911 |
| Income taxes payable | 7,373 | -- |
| Current portion of long-term debt | 17,158 | 27,091 |
| Liabilities of discontinued operations | 5,212 | 11,231 |
| | 438,197 | 391,554 |
| Long-term debt | 399,422 | 514,871 |
| Future income taxes | 320,599 | 311,161 |
| Future income taxes of discontinued operations | 1,107 | 7,381 |
| Non-controlling interest | 3,771 | 2,011 |
| Shareholders' equity: | | |
| Share capital | 936,529 | 912,911 |
| Retained earnings | 808,760 | 620,081 |

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1,745,289 1,533,00

\$2,908,385 \$2,760,01

CONSOLIDATED STATEMENTS OF CASH FLOW

| CDN \$000's | THREE MONTHS ENDED DECEMBER 31 | | YEARS ENDED DECEMBER 31 | |
|--|-----------------------------------|---------------------|----------------------------|-----------|
| | 2003 (Unaudited) | 2002 (Unaudited) | 2003 | 2002 |
| Cash provided by (used in): | | | | |
| Operations: | | | | |
| Earnings from continuing operations | \$ 64,987 | \$ 6,861 | \$ 191,131 | \$ 8,861 |
| Items not affecting cash: | | | | |
| Depreciation and amortization | 45,011 | 35,048 | 170,788 | 133,048 |
| Future income taxes | 2,093 | (4,849) | 12,851 | (3,355) |
| Loss (gain) on disposal of investments | (329) | 100 | (3,355) | |
| Amortization of deferred financing costs | 321 | 323 | 1,286 | |
| Unrealized foreign exchange gain on long-term monetary items | (2,308) | (2,481) | (16,433) | (1,286) |
| Non-controlling interest | 912 | 93 | 1,752 | |
| Funds provided by operations | 110,687 | 35,095 | 358,020 | 188,861 |
| Changes in non-cash working capital balances | (13,939) | (11,505) | (101,146) | (101,146) |
| | 96,748 | 23,590 | 256,874 | 87,715 |
| Discontinued operations: | | | | |
| Funds provided by (used in) discontinued operations | \$ (2,034) | \$ 4,527 | \$ (5,692) | \$ 4,527 |
| Changes in non-cash working capital balances of discontinued operations | 4,294 | (399) | 7,245 | |
| | 2,260 | 4,128 | 1,553 | 4,527 |
| Investments: | | | | |
| Business acquisitions, net of cash required | -- | (1,544) | (6,800) | (6,800) |
| Purchase of property, plant and equipment | (77,489) | (101,431) | (314,921) | (266,431) |
| Purchase of intangibles | -- | (2,049) | (6) | (6) |
| Proceeds on sale of property, plant and equipment | 7,777 | 6,761 | 24,423 | 31,184 |
| Proceeds on disposal of investments | 386 | -- | 10,966 | |
| Investments | (350) | (5,525) | (1,080) | (5,525) |
| Proceeds on disposal of discontinued operations | -- | -- | 67,274 | |
| | (69,676) | (103,788) | (220,144) | (220,144) |
| Financing: | | | | |
| Increase in long-term debt | 4,288 | 84,754 | 85,228 | 110,000 |
| Repayment of long-term debt | -- | (9,836) | (145,657) | (100,000) |
| Issuance of common shares | 7,349 | 3,905 | 23,613 | 23,613 |
| Change in bank indebtedness | (37,869) | (9,554) | 2,588 | |

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| | | | | |
|-----------------------------|-----------|-----------|-----------|------|
| | (26,232) | 69,269 | (34,228) | 5 |
| Increase (decrease) in cash | 3,100 | (6,801) | 4,055 | |
| Cash, beginning of period | 18,270 | 24,116 | 17,315 | 1 |
| ----- | | | | |
| Cash, end of period | \$ 21,370 | \$ 17,315 | \$ 21,370 | \$ 1 |
| ===== | | | | |

SEGMENT INFORMATION

| THREE MONTHS ENDED DECEMBER 31, 2003 CDN \$000's (unaudited) | Contract Drilling | Technology Services | Rental and Production | Corporate and Other |
|---|----------------------|------------------------|--------------------------|------------------------|
| Revenue | \$ 290,940 | \$ 189,345 | \$ 48,412 | \$ -- |
| Operating earnings | 99,161 | (617) | 7,493 | (9,530) |
| Research and engineering | -- | 11,465 | -- | -- |
| Depreciation and amortization | 19,491 | 20,966 | 3,169 | 1,385 |
| Total assets | 1,423,036 | 1,257,235 | 166,300 | 61,814 |
| Goodwill | 257,531 | 241,340 | 28,572 | -- |
| Capital expenditures* | 36,240 | 28,939 | 5,695 | 6,615 |

| THREE MONTHS ENDED DECEMBER 31, 2002 CDN \$000's (unaudited) | Contract Drilling | Technology Services | Rental and Production | Corporate and Other |
|---|----------------------|------------------------|--------------------------|------------------------|
| Revenue | \$ 189,010 | \$ 137,075 | \$ 43,392 | \$ 172 |
| Operating earnings | 39,365 | (22,149) | 4,035 | (6,437) |
| Research and engineering | -- | 9,584 | -- | -- |
| Depreciation and amortization | 16,097 | 14,600 | 3,227 | 1,124 |
| Total assets | 1,312,459 | 1,127,550 | 240,842 | 79,164 |
| Goodwill | 257,531 | 241,340 | 28,572 | -- |
| Capital expenditures* | 21,152 | 67,763 | 7,399 | 7,166 |

| TWELVE MONTHS ENDED DECEMBER 31, 2003 CDN \$000's | Contract Drilling | Technology Services | Rental and Production | Corporate and Other |
|--|----------------------|------------------------|--------------------------|------------------------|
| Revenue | \$ 992,824 | \$ 714,385 | \$ 210,724 | \$ -- |
| Operating earnings | 285,753 | 4,842 | 39,350 | (32,835) |
| Research and engineering | -- | 42,419 | -- | -- |
| Depreciation and amortization | 77,725 | 75,578 | 12,533 | 4,952 |
| Total assets | 1,423,036 | 1,257,235 | 166,300 | 61,814 |
| Goodwill | 257,531 | 241,340 | 28,572 | -- |
| Capital expenditures* | 99,034 | 177,756 | 15,158 | 22,979 |

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| TWELVE MONTHS ENDED DECEMBER 31, 2002 CDN \$000's | Contract Drilling | Technology Services | Rental and Production | Corporate and Other |
|--|----------------------|------------------------|--------------------------|------------------------|
| Revenue | \$ 770,147 | \$ 603,088 | \$ 192,840 | \$ 1,431 |
| Operating earnings | 184,553 | (31,733) | 30,090 | (27,351) |
| Research and engineering | -- | 34,862 | -- | -- |
| Depreciation and amortization | 62,524 | 53,347 | 13,159 | 4,354 |
| Total assets | 1,312,459 | 1,127,550 | 240,842 | 79,164 |
| Goodwill | 257,531 | 241,340 | 28,572 | -- |
| Capital expenditures* | 50,686 | 189,092 | 22,346 | 9,868 |

* excludes business acquisitions

CANADIAN DRILLING OPERATING STATISTICS

| | FOR THE YEARS ENDED DECEMBER 31, | | | | |
|--|----------------------------------|-----------|-------------------|-----------|----------|
| | 2003 | | | 2002 | |
| | Precision | Industry* | Market Share % | Precision | Industry |
| Number of drilling rigs | 225 | 660 | 34.1 | 226 | 644 |
| Number of operating days (spud to release) | 42,725 | 126,457 | 33.8 | 31,363 | 91,958 |
| Wells drilled | 8,451 | 20,694 | 40.8 | 6,315 | 14,920 |
| Average days per well | 5.1 | 6.1 | | 5.0 | 6.2 |
| Metres drilled (000's) | 8,604 | 21,802 | 39.5 | 6,222 | 15,708 |
| Average meters per day | 201 | 172 | | 198 | 171 |
| Average meters per well | 1,018 | 1,054 | | 985 | 1,053 |
| Rig utilization rate (%) | 52.0 | 53.1 | | 38.3 | 39.1 |

* Excludes non-CAODC rigs.

A conference call to review the year-end results has been scheduled for 12:00 noon MST on Thursday, February 12, 2004. The conference call dial-in number is 1-800-814-4853.

A live webcast will be accessible at www.precisiondrilling.com.

Precision Drilling Corporation (TSX: PD and PD.U; NYSE: PDS) is a global oilfield services company providing a broad range of drilling, production and evaluation services with focus on fulfilling customer needs through fit-for-purpose technologies for the maturing oilfields of the 21st century. With corporate offices in Calgary, Alberta, Canada and Houston, Texas, and research facilities in the U.S. and Europe, Precision employs more than 10,000 people conducting operations in more than 30 countries. Precision is committed to providing efficient and safe services to create value for our customers, our shareholders and our employees.

FOR FURTHER INFORMATION, PLEASE CONTACT DALE E. TREMBLAY, SENIOR VICE PRESIDENT, FINANCE AND CHIEF FINANCIAL OFFICER, 4200, 150 6TH AVENUE S.W., CALGARY,

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