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EXPLORATION

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The world's largest provider of drilling services to miners, Boart Longyear, says it expects solid revenues and earnings in 2011 as strong metals prices boost exploration spending

Author: Euan Rocha (Reuters)

Posted: Tuesday, 08 Mar 2011

TORONTO (REUTERS) -

Boart Longyear (BLY:AX: [Quote](#)), the world's largest provider of drilling services to miners, expects solid earnings and revenue growth this year, as strong metal prices push miners to boost exploration spending.

Boart expects its revenue to rise about 20 percent to \$1.75 billion in 2011, said its chief executive, adding that earnings before interest, taxes, depreciation and amortization are expected to rise 35 percent to \$300 million.

The company expects much of its growth to come from regions outside its traditional strongholds.

"The majority of drilling is Canada, the U.S. and Australia and it has been for years," said Kipp. "But most of the resource companies that we are now dealing with are heading toward South America and Africa," Chief Executive Craig Kipp told Reuters in an interview.

Kipp, a long-time General Electric (GE.N: [Quote](#)) executive who joined Boart in 2005, took the helm of the drilling services company in early 2009.

Kipp said the company, which also manufactures drilling equipment that it sells to other drilling services companies, is running at about 75 percent capacity in its services business.

"We have a little spare capacity right now that is available. I would not be surprised, if that continues to tighten. We certainly expect it to get to 80 percent this year, so we are moving toward full utilization," said Kipp.

The Salt Lake City, Utah-based company considers 85 percent to be full capacity. The company always has some rigs that are undergoing maintenance or being transported.

"We are busy and the market looks very good," said Kipp, who is in Toronto for the PDAC mining convention that kicked-off on Sunday.

The annual event, the world's largest mining conference, is expected to attract more than 2,000 delegates this year. As prices of gold, silver, copper and other metals have surged to near-record levels, major mining companies have stepped up their search for promising projects that could boost their production quickly.

CONSOLIDATION NEEDED

Boart, which traces its roots to late 1880s, was spun out of diversified miner Anglo American (AAL.L: [Quote](#)) in 2005 and acquired by private equity firms.

The company, which counts BHP Billiton (BHP:AX: [Quote](#))(BLT.L: [Quote](#)), Rio Tinto (RIO:AX: [Quote](#))(RIO.L: [Quote](#)), Vale SA (VALE5.SA: [Quote](#)), Barrick Gold (ABXN: [Quote](#)) and Freeport-McMoRan (FCXN: [Quote](#)) among its customers, was taken public by Macquarie in April 2007.

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Silver	34.44		0.52%
Platinum	1,760.00		0.03%
Palladium	714.50		0.99%
Copper usd/lb	3.87		-2.44%
Lead usd/lb	1.03		-3.57%
Nickel usd/lb	10.87		-1.94%
Zinc usd/lb	0.95		-1.50%
S&P	1,337.05		-0.05%
FTSE	5,923.69		-0.04%
EUR	1.42		0.75%
GBP	1.62		0.26%

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Even though it ranks as the world's top drilling services provider for miners, Boart only accounts for about 15 percent of global market share in an industry populated by a large number of small regional players.

"It is a fragmented industry and has been forever. We have always said we support consolidation around the world," said Kipp.

"We continue to entertain a lot of acquisition targets. We probably look at an acquisition target a month in both products and services," said Kipp, while adding that valuations in the sector were a tad too rich for his liking at this time.

"You always have to look at through the cycle return and not just the return at the top of the market," he said. (Editing by Frank McGurty)

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