VAL-D'OR, QC, Sept. 6, 2017 /CNW/ - Orbit Garant Drilling Inc. (TSX: OGD) ("Orbit Garant" or the "Company") today announced its financial results for the fourth quarter and fiscal year ended June 30, 2017 ("Fiscal 2017"). All dollar amounts are in Canadian dollars unless otherwise stated. Percentage calculations are based on numbers in the financial statements and may not correspond to rounded figures presented in this news release.

Summary

($ amounts in millions, except per share amounts)	Three months ended June 30, 2017	Three months ended June 30, 2016	Twelve months ended June 30, 2017	Twelve months ended June 30, 2016
Revenue	$37.4	$33.4	$125.2	$107.5
Gross Profit (loss)	$2.4	$4.3	$8.0	$10.2
Gross Margin (%)	6.6	12.8	6.4	9.5
Adjusted Gross Margin (%)[1]	11.8	19.7	13.4	18.1
Negative goodwill	-	$5.0	-	$5.0
EBITDA[2]	$0.7	$7.9	$2.7	$11.1
Adjusted EBITDA[2,3]	$0.7	3.0	$2.7	6.9
Net earnings (loss)	$(1.6)	$4.4	$(5.9)	$(0.2)
Net earnings (loss) per share				
- Basic and diluted	$(0.05)	$0.12	$(0.17)	$(0.01)
Adjusted net earnings (loss)[3]	$(1.6)	$(0.5)	$(5.9)	(4.7)
Adjusted net earnings (loss) per share[3]				
- Basic and diluted	$(0.05)	$(0.02)	$(0.17)	$(0.13)
Total metres drilled	376,201	334,507	1,293,350	1,152,102

[1] In accordance with IFRS, reported gross profit and margin include certain depreciation expenses. For comparative purposes, adjusted gross margin is also shown excluding these depreciation expenses.

[2] EBITDA is defined as earnings before interest, taxes, depreciation, and amortization.

[3] Adjusted EBITDA and adjusted net earnings for the fourth quarter and year ended June 30, 2016 excludes a one-time gain resulting from negative goodwill and acquisition and integration expenses, both associated with the acquisition of Captagua Ingeniería S.A. (now "OG Chile")

"Demand for our mineral drilling services continues to strengthen as the mining sector commits more dollars to exploration and mine development. The fourth quarter of Fiscal 2017 was our tenth consecutive quarter of year-over-year revenue growth, and we drilled more metres in Fiscal 2017 than any year since Fiscal 2012, the peak of the last cycle. While pricing remains competitive across the industry, we are seeing improvement in our new contracts, coinciding with our increasing drill utilization rates," said Eric Alexandre, President and CEO of Orbit Garant. "We had expected to start realizing improved margins and earnings towards the end of Fiscal 2017, however, pricing on existing domestic contracts, lower than expected productivity, and increased employee training and project mobilization costs, primarily in Canada, have continued to impact the Company, as we continue to ramp up our operations to meet increased customer demand. Our investment in expanding our operations internationally over the last 18 months has also impacted our profitability, but through these investments, we have made strong progress in growing our revenue base and elevating our profile in our target international markets during this period, which has positioned us for future growth."

"Looking ahead, with our sound balance sheet, expanded international operations, recent investments in hiring and training employees in Canada, and our continued focus on technological innovation, we are well positioned to capitalize as the mineral drilling sector continues to recover. We expect profitability to improve in Fiscal 2018 as productivity increases and a larger portion of our revenue comes from new, higher-priced contracts in both Canada and our international markets."

Fourth Quarter Results

For the three months ended June 30, 2017 ("Q4 FY2017") revenue totaled $37.4 million, an increase of $4.0 million, or 11.7%, from $33.4 million for the three-month period ended June 30, 2016 ("Q4 FY2016"). Drilling Canada revenue was $30.4 million, up 12.2% from $27.1 million in Q4 FY2016, reflecting increased metres drilled during the quarter. Drilling International revenue was $6.9 million, an increase of 9.4% compared to $6.3 million in Q4 FY2016, primarily due to increased specialized drilling activity in Chile, partially offset by a decline in metres drilled in both Guyana and Kazakhstan.

Orbit Garant's fleet drilled a total of 376,201 metres in Q4 FY2017, an increase of 12.4% from 334,507 metres drilled in Q4 FY2016. Consolidated average revenue per metre drilled was $99.03, compared to $99.82 in Q4 FY2016. The decrease in consolidated average revenue per metre drilled reflects a decline in specialized drilling activity in Canada during the quarter, as specialized drilling is typically charged at a higher rate than conventional drilling. This decline was partially offset by increased specialized drilling activity in Chile during the quarter.

Gross profit for Q4 FY2017 was $2.4 million, compared to $4.3 million in Q4 FY2016. Gross margin for Q4 FY2017 was 6.6%, down from 12.8% in Q4 FY2016. In accordance with IFRS, depreciation expenses totalling $1.9 million are included in cost of contract revenue for Q4 FY2017, compared to $2.3 million in Q4 FY2016. Adjusted gross margin, excluding depreciation expenses, was 11.8% in Q4 FY2017, compared to 19.7% in Q4 FY2016. The decrease in gross profit, gross margin and adjusted gross margin was primarily attributable to lower productivity and increased employee training and project mobilization costs in Canada, as the Company ramps up its operations to meet increased customer demand. The Company's lower gross profit and margins in Q4 FY2017 also reflect lower drilling volumes in Guyana and Kazakhstan and a decrease in specialized drilling activity in Canada compared to Q4 FY2016.

General and administrative (G&A) expenses were $3.6 million (representing 9.7% of revenue) in Q4 FY2017, compared to $3.7 million (representing 11.1% of revenue) in Q4 FY2016.

Earnings before interest, taxes, depreciation and amortization ("EBITDA")[1] was $0.7 million in Q4 FY2017, compared to $7.9 million in Q4 FY2016. EBITDA in Q4 FY2016 includes a $5.0 million one-time gain resulting from negative goodwill associated with the acquisition of Captagua Ingeniería S.A. (now "OG Chile"), and $0.1 million of acquisition and integration costs. Excluding these items, adjusted EBITDA for Q4 FY2016 was $3.0 million. No negative goodwill was recorded in Q4 FY2017.

The Company's net loss for Q4 FY2017 was $1.6 million, or $0.05 per share, compared to net earnings of $4.4 million, or $0.12 per share, in Q4 FY2016. Lower gross margins, discussed above, contributed to the Company's net loss for Q4 FY2017. The Company's net earnings for Q4 FY2016 include the one-time gain from negative goodwill and acquisition and integration costs indicated above. Excluding these items, net loss for Q4 FY2016 would have been approximately $0.5 million, or $0.02 per share.

Fiscal 2017 Results
For Fiscal 2017, the Company's revenue totalled $125.2 million, compared to $107.5 million in Fiscal 2016, representing an increase of $17.7 million, or 16.4%. Revenue growth was primarily attributable to an increase in domestic and international metres drilled.

Domestic contract drilling revenue increased to $99.3 million in Fiscal 2017, compared to $92.4 million in Fiscal 2016, an increase of $6.9 million, or 7.4%, reflecting a higher number of metres drilled. International drilling revenue was $25.9 million in Fiscal 2017, up 72.1% from $15.1 million in Fiscal 2016. International revenue growth was primarily attributable to a full year of operations in Chile following the acquisition of Captagua in the second quarter of Fiscal 2016, and to a lesser extent, revenue from new projects in Ghana and Burkina Faso.

During Fiscal 2017, Orbit Garant drilled 1,293,350 metres, an increase of 12.3% from 1,152,102 metres drilled in Fiscal 2016. The growth in metres drilled reflects an increase in demand from customers in Canada and the Company's expanded international drilling operations. The Company's average revenue per metre drilled in Fiscal 2017 was $96.53, up 5.6% from $91.40 in Fiscal 2016. The increase in average revenue per metre drilled is attributable to an increase in specialized drilling activity in Chile, which is priced at a higher rate than conventional drilling.

Gross profit for Fiscal 2017 was $8.0 million, compared to $10.2 million in Fiscal 2016. Gross margin for Fiscal 2017 was 6.4%, compared to 9.5% in Fiscal 2016. Adjusted gross margin, which excludes depreciation expenses, was 13.4% in Fiscal 2017, compared to 18.1% in Fiscal 2016. The decrease in gross profit, gross margin and adjusted gross margin was primarily attributable to lower productivity and increased employee training and project mobilization costs in Canada, as the Company ramps up its operations to meet increased customer demand, partially offset by increased higher margin international drilling activities.

EBITDA totalled $2.7 million in Fiscal 2017, compared to $11.1 million in Fiscal 2016. EBITDA in Fiscal 2016 includes a one-time gain of $5.0 million related to negative goodwill associated with the Captagua acquisition, and acquisition and integration costs of $0.8 million. Excluding these items, adjusted EBITDA in Fiscal 2016 was $6.9 million. No negative goodwill was recorded in Fiscal 2017.

Net loss in Fiscal 2017 was $5.9 million, or $0.17 per share, compared to $0.2 million, or $0.01 per share, in Fiscal 2016. Lower gross profit and margins, discussed above, contributed to the net loss in Fiscal 2017. The Company's net loss for Fiscal 2016 includes the one-time gain from negative goodwill and acquisition and integration costs indicated above. Excluding these items, net loss for Fiscal 2016 would have been $4.7 million, or $0.13 per share.

During Fiscal 2017, the Company generated $7.0 million from financing activities, compared to $2.3 million in Fiscal 2016. The Company withdrew a net amount of $7.6 million during Fiscal 2017 on its secured, three-year revolving credit facility (the "Credit Facility") with National Bank of Canada Inc. (the "Lender"), compared to a reimbursement of $0.4 million in Fiscal 2016. In addition to the above, the Company provided a letter of credit to a bank of one of its subsidiaries of US$1.0 million (or approximately CAN$1.3 million) from the credit facility. As at June 30, 2017, the Company had $13.6 million drawn under the Credit Facility, compared to $7.4 million as at June 30, 2016, with the full amount re-classified from long-term debt to current debt, as the Credit Facility matures on December 19, 2017. Accordingly, working capital declined to $30.8 million from $42.9 million as at June 30, 2016. The Company is currently in discussions with the Lender to amend and renew the Credit Facility, at which point the debt would again be classified as long-term. In December 2016, the Company entered into a credit facility with Export Development Canada in the amount of $2.5 million. The purpose of the loan was to assist in financing capital expenditure requirements for the Company's international operations.

As at June 30, 2017, there were 36,094,919 common shares of Orbit Garant issued and outstanding.

Orbit Garant's audited consolidated financial statements and management's discussion and analysis for the fourth quarter and fiscal year ended June 30, 2017 are available via the Company's website at www.orbitgarant.com or SEDAR at www.sedar.com.

Conference call
Eric Alexandre, President and CEO, and Alain Laplante, Vice President and CFO, will host a conference call for analysts and investors on Thursday, September 7, 2017 at 10:00 a.m. (ET). The dial-in numbers for the conference call are 647-427-7450 or 1-888-231-8191. A live webcast of the call will be available on Orbit Garant's website at: http://www.orbitgarant.com/en/sites/fog/investors.aspx.

To access a replay of the conference call dial 416-849-0833 or 1-855-859-2056, passcode: 75487704. The replay will be available until September 14, 2017. The webcast will be archived following conclusion of the call.

About Orbit Garant
Headquartered in Val-d'Or, Quebec, Orbit Garant is one of the largest Canadian-based mineral drilling companies, providing both underground and surface drilling services in Canada and internationally through its 221 drill rigs and approximately 1,100 employees. Orbit Garant provides services to major, intermediate and junior mining companies, through each stage of mining exploration, development and production. The Company also provides geotechnical drilling services to mining or mineral exploration companies, engineering and environmental consultant firms, and government agencies. For more information, please visit the Company's website at www.orbitgarant.com.

(1) Management believes that EBITDA is a useful supplemental measure of operating performance before interest, taxes, depreciation and amortization. However, EBITDA is not a recognized earnings measure under IFRS and does not have a standardized meaning prescribed by IFRS. Investors are cautioned that EBITDA should not be construed as an alternative to net income or loss (which is determined in accordance with IFRS) as an indicator of the performance of the Company or as a measure of liquidity and cash flows. The Company's method of calculating EBITDA may differ materially from the methods used by other public companies and, accordingly, may not be comparable to similarly named measures used by other public companies.

Forward-looking information
This news release may contain forward-looking statements (within the meaning of applicable securities laws) relating to business of Orbit Garant Drilling Inc. (the "Company") and the environment in which it operates. Forward-looking statements are identified by words such as "believe", "anticipate", "expect", "intend", "plan", "will", "may" and other similar expressions. These statements are based on the Company's expectations, estimates, forecasts and projections. They are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. These risks and uncertainties are discussed in the Company's regulatory filings available at www.sedar.com. There can be no assurance that forward-looking statements will prove to be accurate as actual outcomes and results may differ materially from those expressed in these forward-looking statements. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made. The Company undertakes no obligation to publicly update any such statement or to reflect new information or the occurrence of future events or circumstances.

SOURCE Orbit Garant Drilling Inc.

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