

Orbit Garant Drilling Reports Fiscal 2018 Second Quarter Financial Results

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– Company reports 57% year-over-year increase in second quarter revenue –

VAL-D'OR, QC, Feb. 13, 2018 /CNW/ - [Orbit Garant Drilling Inc.](#) (TSX: OGD) ("Orbit Garant" or the "Company") today announced its financial results for the three and six-month periods ended December 31, 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 the rounded figures presented in this news release.

Financial Highlights

(\$ amounts in millions, except per share amounts)	Three months ended December 31, 2017	Three months ended December 31, 2016	Six months ended December 31, 2017	Six months ended December 31, 2016
Revenue	\$43.0	\$27.4	\$85.5	\$57.9
Gross Profit	\$5.1	\$1.5	\$11.8	\$4.4
Gross Margin (%)	11.7	5.5	13.8	7.6
Adjusted Gross Margin (%) ¹	16.3	13.6	18.4	15.8
EBITDA ²	\$3.3	\$0.0	8.3	2.4
Net earnings (loss)	\$0.8	\$(1.9)	2.5	(2.1)
Net earnings (loss) per share				
- Basic and diluted	\$0.02	\$(0.05)	\$0.07	\$(0.06)
Total metres drilled	371,161	285,583	775,423	603,965

¹ Adjusted Gross Margin is a non-IFRS measure and is defined as Gross Profit excluding depreciation expenses. See "Reconciliation of Non-IFRS measures".

² EBITDA is a non-IFRS measure and is defined as earnings before interest, taxes, depreciation, and amortization. See "Reconciliation of Non-IFRS measures".

"We are pleased to report all-time highs in second quarter and first-half revenues, demonstrating the current strength of demand for our services both in Canada and our international markets. Notably, our second quarter revenue exceeded first quarter revenue for the first time since fiscal 2009. This first half sequential growth is not typical for Orbit Garant due to market factors and it indicates that our momentum is building. Further, our expanded international operations are making a major contribution to our growth, demonstrating the success of our international expansion strategy, including our acquisition of Ingenieria S.A. in Chile. With access to a broader range of growth opportunities, our market position is stronger today than ever before," said Eric Alexandre, President & CEO of Orbit Garant. "We have now achieved 12 consecutive quarters of year-over-year revenue growth. With this sustained growth in demand for our services, we've had to invest in scaling up our operations by hiring new employees, and mobilizing equipment and crews for new projects. These factors continue to be reflected in our growth. We expect to achieve gradual improvements in productivity and benefit from improving contract pricing in calendar 2018."

enhance our margins and profitability."

Second Quarter Results

Revenue for the three-month period ended December 31, 2017 ("Q2 FY2018") totalled \$43.0 million, an increase of \$27.4 million for the three-month period ended December 31, 2016 ("Q2 FY2017"). Drilling Canada revenue was \$28.3 million in Q2 FY2018, an increase of \$8.3 million, or 41.8%, from \$20.0 million in Q2 FY2017. The increase was primarily attributable to a higher number of metres drilled and increased specialized drilling activity. International revenue was \$14.7 million in Q2 FY2018, up from \$7.4 million in Q2 FY2017, representing an increase of \$7.3 million. International includes \$11.9 million in revenue from operations in Chile, compared to \$5.3 million in Q2 FY2017. The remaining increase in International revenue was primarily attributable to increased drilling activity in Burkina Faso.

Orbit Garant drilled a total of 371,161 metres in Q2 FY2018, an increase of 30.0% compared to 285,583 metres drilled in Q2 FY2017. The Company's average revenue per metre drilled in Q2 FY2018 increased to \$115.64, from \$95.81 in Q2 FY2017. The increase in average revenue per metre drilled is primarily attributable to increased specialized drilling activity in Chile as specialized drilling is priced at a higher rate than conventional drilling. The Company also benefitted from improved terms on certain drilling contracts in Canada.

Gross profit for Q2 FY2018 was \$5.1 million, up from \$1.5 million in Q2 FY2017. Gross margin increased to 11.7% from 10.0% in Q2 FY2017. Depreciation expenses totalling \$2.0 million are included in cost of contract revenue for Q2 FY2018, compared to \$1.5 million in Q2 FY2017. Adjusted gross margin, excluding depreciation expenses, was 16.3% in Q2 FY2018, up from 13.0% in Q2 FY2017. The increase in gross profit, gross margin and adjusted gross margin was primarily attributable to higher drilling activity in Canada and increased, higher-margin specialized drilling activity in both Chile and Canada.

General and administrative (G&A) expenses were \$4.3 million (representing 10.0% of revenue) in Q2 FY2018, compared to \$3.0 million (representing 14.5% of revenue) in Q2 FY2017. Increased G&A expenses reflect the Company's recent growth in Canada and internationally.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") totalled \$3.3 million in Q2 FY2018, compared to a nominal amount in Q2 FY2017.

The Company's net earnings for Q2 FY2018 were \$0.8 million, or \$0.02 per share, compared to a net loss of \$1.9 million, or \$0.02 per share, in Q2 FY2017. Higher gross profit and margins, as discussed above, contributed to the Company's net earnings in Q2 FY2018.

During Q2 FY2018, the Company generated \$5.5 million from financing activities, compared to \$2.9 million in Q2 FY2017. The Company withdrew a net amount of \$1.4 million during Q2 FY2018 on its secured, three-year revolving credit facility (the "Credit Facility"), compared to a repayment of \$0.4 million in Q2 FY2017. The Company's long-term debt, including the current portion, under the Credit Facility was \$16.5 million as at December 31, 2017, compared to \$13.6 million as at June 30, 2017. 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 \$0.7 million) from the Credit Facility. Orbit Garant's Chilean subsidiary (OG Chile) enters into receivable purchase agreements (commonly referred to as "factoring agreements") with different banks as part of its normal working capital financing. As at December 31, 2017, trade receivables included \$5.0 million related to factored accounts, compared to \$0.7 million as at June 30, 2017.

As at December 31, 2017, Orbit Garant had working capital of \$50.9 million (\$30.8 million as at June 30, 2017), and 36 million common shares issued and outstanding. The increase in working capital resulted from the reclassification of the outstanding amount under the Credit Facility from current to non-current liabilities as a new Credit Facility was signed on November 1, 2017.

Orbit Garant's unaudited interim condensed consolidated financial statements and management's discussion and analysis for the three and six-month periods ended December 31, 2017 are available via the Company's website at www.orbitgarant.com and 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 Wednesday, February 22, 2018, at 10:00 AM (EST).

investors on Wednesday, February 14, 2018 at 10:00 a.m. (ET). The dial-in numbers for the conference call are 647-421-888-231-8191. 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: 5495588. The replay will be available until February 21, 2018. 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 underground and surface drilling services in Canada and internationally through its 220 drill rigs and more than 1,300 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.

RECONCILIATION OF NON - IFRS FINANCIAL MEASURES

Financial data has been prepared in conformity with IFRS. However, certain measures used in this discussion and analysis do not have any standardized meaning under IFRS and could be calculated differently by other companies. The Company believes that certain non-IFRS financial measures, when presented in conjunction with comparable IFRS financial measures, are useful to investors and other readers because the information is an appropriate measure to evaluate the Company's operating performance. Internally, the Company uses this non-IFRS financial information as an indicator of business performance. These measures are provided for information purposes, in addition to, and not as a substitute for, measures of financial performance prepared in accordance with IFRS.

EBITDA: Net earnings (loss) before interest, taxes, depreciation and amortization.

Adjusted gross profit and margin: Contract revenue less operating costs. Operating expenses comprise material and services, personnel expenses, other operating expenses, excluding depreciation.

EBITDA

Management believes that EBITDA is an important measure when analyzing its operating profitability, as it removes the impact of financing costs, certain non-cash items and income taxes. As a result, Management considers it a useful and comparable benchmark for evaluating the Company's performance, as companies rarely have the same capital and financing structures.

Reconciliation of EBITDA

(unaudited)	Three months ended December 31, 2017	Three months ended December 31, 2016	Six months ended December 31, 2017	Six months ended December 31, 2016
(in millions of dollars)				
Net earnings (loss) for the period	0.8	(1.9)	2.5	(2.1)
Add:				
Finance costs	0.5	0.2	0.9	0.4
Income tax expense (recovery)	(0.3)	(0.7)	0.6	(1.0)
Depreciation and amortization	2.3	2.4	4.3	5.1
EBITDA	3.3	0.0	8.3	2.4

Adjusted Gross Profit and Margin

Although adjusted gross profit and margin are not recognized financial measures defined by IFRS, Management considers them to be important measures as they represent the Company's core profitability, without the impact of depreciation expenses. As a result, Management believes they provide useful and comparable benchmarks for evaluating the Company's performance.

(unaudited)	Three months ended December 31, 2017	Three months ended December 31, 2016	Six months ended December 31, 2017	Six months ended December 31, 2016
(in millions of dollars)				
Contract revenue	43.0	27.4	85.5	57.9
Cost of contract revenue (including depreciation)	38.0	25.9	73.7	53.5
Less depreciation	(2.0)	(2.2)	(3.9)	(4.8)
Direct costs	36.0	23.7	69.8	48.7
Adjusted gross profit	7.0	3.7	15.7	9.2
Adjusted gross margin (%) ⁽¹⁾	16.3	13.6	18.4	15.8

(1) Adjusted gross profit, divided by contract revenue X 100

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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