

# Orbit Garant Drilling Reports Fiscal 2019 First Quarter Financial Results

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VAL-D'OR, QC, Nov. 13, 2018 /CNW/ - [Orbit Garant Drilling Inc.](#) (TSX: OGD) ("Orbit Garant" or the "Company") today announced its financial results for the three-month period ended September 30, 2018 ("Q1 FY2019"). 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.

## Q1 FY2019 Financial Summary

(\$ amounts in millions, except per share amounts)	Three months ended Sept. 30, 2018	Three months ended Sept. 30, 2017
Revenue	\$37.3	\$42.5
Gross Profit	\$5.6	\$6.7
Gross Margin (%)	15.0	15.9
Adjusted Gross Margin (%) <sup>1</sup>	20.4	20.5
EBITDA <sup>2</sup>	\$3.4	\$5.1
Net earnings (loss)	\$0.4	\$1.7
Net earnings (loss) per share		
- Basic and diluted	\$0.01	\$0.05
Total metres drilled	316,045	404,262

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

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

"We experienced a slowdown in demand from our customers in the quarter, reflecting the slower pace of financing activities in the mining sector in the second half of 2018. Despite the current lower demand levels, we were able to preserve margins due to a higher contribution from specialized drilling activity in Canada and higher margin contracts in Chile," said Eric Alexandre, President & CEO of Orbit Garant.

"Subsequent to quarter end, we acquired a drilling business based in Burkina Faso, adding 13 surface drills, related support equipment, existing customer contracts and approximately 100 employees. We expect this acquisition to add approximately \$12 million in incremental revenue and generate positive cash flow and earnings for our fiscal year ended June 30, 2019," continued Mr. Alexandre. "Looking ahead, we are well

positioned to build value when demand picks up with our strong market position in Canada, our growing presence in Chile and our recently expanded operations in Burkina Faso. We believe Canada, Chile and West Africa will continue to be attractive regions for us in terms of near and long-term market opportunity."

#### First Quarter Results

Revenue in Q1 FY2019 totalled \$37.3 million, compared to \$42.5 million for the three-month period ended September 30, 2017 ("Q1 FY2018"). Drilling Canada revenue was \$29.1 million, compared to \$31.9 million in Q1 FY2018, reflecting a decline in metres drilled during the quarter, partially offset by increased specialized drilling activities. Drilling International revenue was \$8.2 million, compared to \$10.6 million in Q1 FY2018. Drilling International revenue for Q1 FY2019 includes \$6.7 million of revenue from operations in Chile, compared to \$8.0 million in Q1 FY2018. The decline in International revenue is primarily attributable to the conclusion of a large drilling contract in Chile and a contract delay in Burkina Faso.

Orbit Garant's fleet drilled a total of 316,045 metres in Q1 FY2019, compared to 404,262 metres drilled in Q1 FY2018. Consolidated average revenue per metre drilled increased 12.2% to \$117.55 compared to \$104.78 in Q1 FY2018. The increase in consolidated average revenue per metre drilled is attributable to increased specialized drilling activity in Canada.

Gross profit for Q1 FY2019 was \$5.6 million, compared to \$6.7 million in Q1 FY2018. Gross margin was 15.0%, compared to 15.9% in Q1 FY2018. Depreciation expenses totalling \$2.0 million are included in cost of contract revenue for Q1 FY2019 and Q1 FY2018. Adjusted gross margin, excluding depreciation expenses, was 20.4% in Q1 FY2019, compared to 20.5% in Q1 FY2018. The decrease in gross profit and margins was primarily attributable to lower drilling volumes in Canada and international markets, partially offset by an increased proportion of higher margin specialized drilling activity in Canada.

General and administrative (G&A) expenses were \$3.9 million (representing 10.5% of revenue), compared to \$3.7 million (representing 8.8% of revenue) in Q1 FY2018. Increased G&A expenses reflect the Company's growth strategy in Canada and internationally.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") totaled \$3.4 million in Q1 FY2019, compared to \$5.1 million in Q1 FY2018.

The Company's net earnings for Q1 FY2019 were \$0.4 million, or \$0.01 per share, compared to \$1.7 million, or \$0.05 per share, in Q1 FY2018. The decrease was attributable to lower gross profit, as discussed above.

During Q1 FY2019, the Company generated \$1.7 million from financing activities, in line with Q1 FY2018. The Company withdrew a net amount of \$1.9 million during Q1 FY2019 on its secured, three-year revolving credit facility (the "Credit Facility") with National Bank of Canada Inc., compared to a draw of \$1.5 million in Q1 FY2018. As at September 30, 2018, the Company had \$20.0 million drawn under the Credit Facility, compared to \$18.1 million as at June 30, 2018.

As at September 30, 2018, Orbit Garant had working capital of \$55.5 million (\$53.3 million as at June 30, 2018), and 36,147,119 common shares issued and outstanding.

Orbit Garant's unaudited interim condensed consolidated financial statements and management's discussion and analysis for the first quarter ended September 30, 2018 are available on the Company's website at [www.orbitgarant.com](http://www.orbitgarant.com) or SEDAR at [www.sedar.com](http://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, November 14, 2018 at 10:00 a.m. (ET). The dial-in numbers for the conference call are 416-764-8609 or 1-888-390-0605. 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 416-764-8677 or 1-888-390-0541, passcode: 477428 #. The replay will be available until November 21, 2018. The webcast will be archived following conclusion of the call.

#### Annual General Meeting

Orbit Garant will host its Annual and Special Meeting of shareholders on Wednesday, December 5, 2018 at 10:00 am at the Hotel Le Crystal, 1100 de la Montagne St., Montreal, Quebec. The meeting will be held in the René-Lévesque B Room (3<sup>rd</sup> floor).

#### 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 margin: Contract revenue less operating costs. Operating expenses comprise material and service expenses, 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 structure.

#### Reconciliation of EBITDA

(unaudited)	Three months ended	Three months ended
(in millions of dollars)	September 30, 2018	September 30, 2017
Net earnings (net loss) for the period	0.4	1.7
Add:		
Finance costs	0.4	0.3
Income tax expense (recovery)	0.4	0.9
Depreciation and amortization	2.2	2.2
EBITDA	3.4	5.1

#### Adjusted Gross Margin

Although adjusted gross margin 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 expense. As a result, Management believes they provide a useful and comparable benchmark for evaluating the Company's performance.

(unaudited)	Three months ended	
(in millions of dollars)	September 30, 2018	September 30, 2017
Contract revenue	37.3	42.5
Cost of contract revenue (including depreciation)	27.7	31.8
Less depreciation	2.0	2.0
Direct costs	29.7	33.8
Adjusted gross profit	7.6	8.7
Adjusted gross margin (%) <sup>(1)</sup>	20.4	20.5

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

#### 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 23 plants. Vice President and Chief Financial Officer (919) 824-2707 ext. 22. Major Negotiations and Relations (47) 496-7850 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](http://www.orbitgarant.com).

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**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](http://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.

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