

March 8, 2018

McCOY GLOBAL INC. ANNOUNCES FOURTH QUARTER AND ANNUAL RESULTS FOR 2017

Edmonton, Alberta– **McCoy Global Inc.** (“McCoy” or “the Corporation”) (TSX:MCB) today announced its operational and financial results for the three months and year ended December 31, 2017.

“McCoy closed 2017 having executed on several key strategic initiatives to increase revenue and reduce McCoy’s cost structure,” said Jim Rakievich, President and CEO of McCoy Global. “In 2017, McCoy’s revenues increased by 48% and customer orders increased by 72%, as compared to 2016. This is a result of the strategic acquisition of 3PS, positive Western Hemisphere demand for McCoy’s products and services and our focus on responsiveness to customers.”

“Market fundamentals appear to be trending positively as we start 2018, which should contribute to improved financial performance in the second half of 2018,” continued Jim Rakievich. “In 2018, revenue growth remains a priority and McCoy will focus on introducing new technologies and strategic acquisition opportunities that complement the Corporation’s technology platforms and solve customer challenges. In addition, cost discipline will remain a focus and the Corporation will continue to drive supply chain improvements and the optimization of the assembly production model to achieve production cost improvements and a reduction in lead times and delivery times for standard products.”

Operational Summary

Since January 1, 2017, McCoy Global reported:

- An increase of revenue to \$40.0 million, compared to \$27.0 million in 2016;
- Net loss of \$16.3 million, compared to net loss of \$35.9 million in 2016. The \$16.3 million loss includes impairment and restructuring charges of \$3.3 million and a non-cash inventory charge of \$6.2 million primarily related to components for non-standard product models which have seen limited customer demand;
- Adjusted EBITDA¹ of (\$3.3 million) in 2017, compared to (\$13.2 million) in 2016;
- Backlog² of \$8.7 million at December 31, 2017, compared to \$3.7 million at December 31, 2016;
- Book-to-bill ratio³ of 1.15 for the three months ended December 31, 2017 compared to 1.04 for the three months ended December 31, 2016;
- A strong cash balance of \$17.4 million at December 31, 2017;
- The acquisition of the assets of 3PS, Inc., (“3PS”) a company specialized in sensors, systems and services for several industry applications, including Torque and Tension Sub (TTS) technology;
- The consolidation of McCoy’s production into two production centers: wellbore construction products in Louisiana, USA, and data acquisition products in Texas, USA. This resulted in the closure of the Corporation’s Edmonton production facility in the fourth quarter of 2017;

- The transition from in-house manufacturing to an assembly only production model (other than the Corporation's Die & Insert product line), which is expected to lower production cost structure and reduce capital expenditures;
- The consolidation of McCoy's Eastern Hemisphere operations in the UAE in the first quarter of 2018. McCoy will continue to support the European and Asia Pacific regions using a lower cost structure model; and
- Additional headcount reductions to align staffing with organizational restructuring efforts undertaken and reduce the Corporation's cost structure.

Quarterly Financial Summary

Revenue for the three months ended December 31, 2017 was \$10.1 million, an increase of \$4.0 million, or 64%, from the fourth quarter of 2016, due to improving industry fundamentals in 2017. The majority of the increase was driven by aftermarket opportunities, strength in the Western Hemisphere, and increased revenues from the acquisition of 3PS.

Gross profit percentage for the three months ended December 31, 2017 decreased four percentage points from the fourth quarter of 2016. The decline was due to a provision for excess and obsolete inventory of \$3.7 million, which was offset by the impact of restructuring initiatives taken. The inventory charge is primarily related to components for non-standard product models, which have seen limited customer demand. In addition, customer pricing pressure remains strong, placing pressure on margins.

G&A expense for the three months ended December 31, 2017 was \$2.3 million, consistent with the fourth quarter of 2016. As a percentage of revenue, G&A expense decreased by 17%. The Corporation continues to review its processes and overhead spend with an emphasis on agile costs that offer flexibility to increases or decreases in revenue demand; however, a base level of overhead is needed to support the international nature of the Corporation's operations.

Sales & Marketing expense for the three months ended December 31, 2017 increased by \$0.5 million from the fourth quarter of 2016. As a percentage of revenue this was a slight increase, which is a result of the 3PS acquisition and strategic sales efforts in targeted markets.

R&D expenditures for the three months ended December 31, 2017 increased by \$0.5 million from the fourth quarter of 2016. R&D expenditures increased as a result of the 3PS acquisition, which added a strong engineering team to McCoy and increased R&D capabilities and expense. In addition, strategic investments were made to allocate capital to develop and prototype several key technology projects.

Net loss for the three months ended December 31, 2017 was \$6.3 million (\$0.23 loss per basic share), compared to net loss of \$4.4 million (\$0.16 loss per basic share) in the fourth quarter of 2016.

Adjusted EBITDA¹ for the three months ended December 31, 2017 was (\$0.9 million) compared to (\$1.6 million) for the fourth quarter of 2016.

As at December 31, 2017, the Corporation had \$17.5 million in cash and cash equivalents, of which \$2.5 million was restricted per the conditions of the Corporation's credit facility. The Corporation's \$4.9 million in borrowings at December 31, 2017 were repaid in 2018 and the Corporation is currently in discussion with another lender to replace these borrowings with a similar amount.

Selected Quarterly Information

(\$000 except per share amounts and percentages)	<u>Q4 2017</u>	<u>Q4 2016</u>	<u>% Change</u>
Total revenue	10,054	6,120	64
Gross profit	(1,416)	(586)	(142)
as a percentage of revenue	(14%)	(10%)	(4%)
Net loss	(6,254)	(4,359)	(43)
per common share – basic	(0.23)	(0.16)	(44)
per common share – diluted	(0.23)	(0.16)	(44)
Adjusted EBITDA ¹	(898)	(1,620)	45
per common share – basic	(0.03)	(0.06)	50
per common share – diluted	(0.03)	(0.06)	50
Total assets	57,438	69,895	(18)
Total liabilities	16,232	10,090	61
Total non-current liabilities	666	3,630	(82)

Annual Financial Summary

Revenue for the year ended December 31, 2017 was \$40.0 million, an increase of \$13.0 million, or 48%, from 2016 due to improving industry fundamentals in 2017. The majority of the increase was driven by aftermarket opportunities, strength in the Western Hemisphere, and increased revenues from the acquisition of 3PS.

Gross profit percentage for the year ended December 31, 2017 was 7%, an increase of 28 percentage points from 2016. The increase is a result of restructuring measures undertaken by the Corporation to reduce its production cost structure and from higher revenues which improved the absorption of fixed production costs. Included in gross profit is a non-cash charge for excess and obsolete inventory of \$6.2 million (2016 - \$2.7 million). The inventory charge is primarily related to components for non-standard product models, which have seen limited customer demand. In addition, customer pricing pressure remains strong, placing pressure on margins.

G&A expense for the year ended December 31, 2017 decreased by \$1.8 million, or 17%, from 2016. As a percentage of revenue, G&A expense decreased by 18%. The Corporation has remained focused on implementing process improvements and operational efficiencies which will position McCoy Global as a leaner

and more efficient organization that can increase scale when market conditions improve. In 2017 revenue increased by 48% while G&A decreased by 16%, as compared to 2016.

Sales & Marketing expense for the year ended December 31, 2017 increased by \$0.8 million from 2016, which is a result of the 3PS acquisition and strategic sales efforts in targeted markets.

R&D expenditures for the year ended December 31, 2017 increased by \$2.3 million from 2016. R&D expenditures increased as a result of the 3PS acquisition, which added a strong engineering team to McCoy and increased R&D capabilities and expense. In addition, strategic investments were made to allocate capital to develop and prototype several key technology projects.

Net loss for the year was \$16.3 million (\$0.59 loss per basic share), compared to net loss of \$35.9 million (\$1.30 loss per basic share) in 2016.

Adjusted EBITDA¹ for the year ended December 31, 2017 was (\$3.3 million) compared to (\$13.2 million) in 2016.

Selected Annual Information

(\$000 except per share amounts and percentages)	<u>2017</u>	<u>2016</u>	<u>% Change</u>
Total revenue	40,045	26,999	48
Gross profit	2,984	(5,709)	152
as a percentage of revenue	7%	(21%)	28%
Net loss	(16,317)	(35,929)	55
per common share – basic	(0.59)	(1.30)	55
per common share – diluted	(0.59)	(1.30)	55
Adjusted EBITDA ¹	(3,296)	(13,192)	71
per common share – basic	(0.12)	(0.48)	75
per common share – diluted	(0.12)	(0.48)	75

¹ EBITDA is calculated under IFRS and is reported as an additional subtotal in the Corporation's consolidated statements of cash flows. EBITDA is defined as net (loss) earnings, before depreciation of property, plant and equipment; amortization of intangible assets; income tax expense (recovery); and finance charges, net. Adjusted EBITDA is a non-GAAP measure defined as net (loss) earnings, before: depreciation of property, plant and equipment; amortization of intangible assets; income tax expense (recovery); finance charges, net; provisions for excess and obsolete inventory; other losses (gains), net; restructuring charges; share-based compensation; and impairment losses. The Corporation reports on EBITDA and adjusted EBITDA because they are key measures used by management to evaluate performance. The Corporation believes adjusted EBITDA assists investors in assessing McCoy Global's current operating performance on a consistent basis without regard to non-cash, unusual (i.e. infrequent and not considered part of ongoing operations), or non-recurring items that can vary significantly depending on accounting methods or non-operating factors. Adjusted EBITDA is not considered an alternative to net (loss) earnings in measuring McCoy Global's performance. Adjusted EBITDA does not have a standardized meaning and is therefore not likely to be comparable to similar measures used by other issuers. For comparative purposes, in previous financial disclosures 'adjusted EBITDA' was defined as "net (loss) earnings before finance charges, net, income tax expense (recovery), depreciation, amortization, impairment losses, restructuring charges, non-cash changes in fair value related to derivative financial instruments and share-based compensation." The Corporation revised its definition of adjusted EBITDA in the

fourth quarter of 2016, as management believes the revised metric provides a better measure for assessing McCoy Global's current operating performance without regard to inventory excess and obsolete charges and other gains or losses, net; which are non-cash or non-recurring in nature. Adjusted EBITDA should not be used as an exclusive measure of cash flow since it does not account for the impact of working capital changes, capital expenditures, debt changes and other sources and uses of cash, which are disclosed in the consolidated statements of cash flows.

² McCoy Global defines backlog as orders that have a high certainty of being delivered and is measured on the basis of a firm customer commitment, such as the receipt of a purchase order. Customers may default on or cancel such commitments, but may be secured by a deposit and/or require reimbursement by the customer upon default or cancellation. Backlog reflects likely future revenues; however, cancellations or reductions may occur and there can be no assurance that backlog amounts will ultimately be realized as revenue, or that the Corporation will earn a profit on backlog once fulfilled. Expected delivery dates for orders recorded in backlog historically spanned from one to six months. Under current market conditions, many customers have shifted their purchasing towards just-in-time buying.

³ The book-to-bill ratio is a measure of the amount of net sales orders received to revenues recognized and billed in a set period of time. The ratio is an indicator of customer demand and sales order processing times. The book-to-bill ratio is not a GAAP measure and therefore the definition and calculation of the ratio will vary among other issuers reporting the book-to-bill ratio. McCoy Global calculates the book-to-bill ratio as net sales orders taken in the reporting period divided by the revenues reported for the same reporting period.

About McCoy

McCoy provides equipment and technologies designed to support wellbore integrity and assist with collecting critical data for the global energy industry. The Corporation operates internationally through direct sales and distributors with operations in Canada, the United States of America, the United Kingdom, Singapore and the United Arab Emirates. McCoy's corporate headquarters are located in Edmonton, Alberta, Canada.

Forward-Looking Information

This News Release contains forward looking statements and forward looking information (collectively referred to herein as "forward looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward looking statements. Forward looking information is often, but not always, identified by the use of words such as "could", "should", "can", "anticipate", "expect", "objective", "ongoing", "believe", "will", "may", "projected", "plan", "sustain", "continues", "strategy", "potential", "projects", "grow", "take advantage", "estimate", "well positioned" or similar words suggesting future outcomes. This News Release contains forward looking statements respecting the business opportunities for the Corporation that are based on the views of management of the Corporation and current and anticipated market conditions; and the perceived benefits of the growth strategy and operating strategy of the Corporation are based upon the financial and operating attributes of the Corporation as at the date hereof, as well as the anticipated operating and financial results. Forward looking statements regarding the Corporation are based on certain key expectations and assumptions of the Corporation concerning anticipated financial performance, business prospects, strategies, the sufficiency of budgeted capital expenditures in carrying out planned activities, the availability and cost of labour and services and the ability to obtain financing on acceptable terms, which are subject to change based on market conditions and potential timing delays. Although management of the Corporation consider these assumptions to be reasonable based on information currently available to them, they may prove to be incorrect. By their very nature, forward looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward looking statements will not be achieved. Undue reliance should not be placed on forward looking statements, as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in the forward looking statements, including inability to meet current and future obligations; inability to complete or effectively integrate strategic acquisitions; inability to implement the Corporation's business strategy effectively; access to capital markets; fluctuations in oil and gas prices; fluctuations in capital expenditures of the Corporation's target market; competition for, among other things, labour, capital, materials and customers; interest and currency exchange rates; technological developments; global political and economic conditions; global natural disasters or disease; and inability to attract and retain key personnel. Readers are cautioned that the foregoing list is not exhaustive. The reader is further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and

*expenses. These judgments and estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes. **The information contained in this News Release identifies additional factors that could affect the operating results and performance of the Corporation. We urge you to carefully consider those factors. The forward looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward looking statements included in this News Release are made as of the date of this New Release and the Corporation does not undertake and is not obligated to publicly update such forward looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.***

For further information, please contact:

Mr. Jim Rakievich
McCoy Global Inc.
President & CEO

Phone: 1.780.453.8451
E-mail: info@mccoyglobal.com
Website: www.mccoyglobal.com