

Orbit Garant Drilling Reports Fiscal 2015 Second Quarter Financial Results

VAL-D'OR, QC, Feb. 11, 2015 /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, 2014. All dollar amounts are in Canadian currency 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.

Second Quarter Summary

(\$ amounts in millions, except per share amounts)	Three months ended Dec. 31, 2014	Three months ended Dec. 31, 2013	Six months ended Dec. 31, 2014	Six months ended Dec. 31, 2013
Revenue	\$16.8	\$16.8	\$37.5	\$35.3
Gross Profit (loss)	\$(0.4)	\$1.1	\$1.6	\$3.1
Gross Margin (%)	(2.4)	6.8	4.2	8.8
Adjusted Gross Margin (%) ¹	10.9	20.5	16.2	22.1
EBITDA ²	\$(0.8)	\$0.9	\$1.3	\$2.6
Net loss	\$(2.8)	\$(1.5)	\$(3.4)	\$(2.6)
Net loss per share				
- Basic and diluted	\$(0.08)	\$(0.05)	\$(0.10)	\$(0.08)
Total metres drilled	193,362	184,040	424,284	385,543

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.

"Our financial results continue to reflect the difficult market conditions in the mineral drilling industry. While our volume of metres drilled to date in fiscal 2015 has increased compared to the first half of 2014, our margins reflect competitive pricing, a decline in higher margin specialized drilling, and the shorter duration of a number of our recent surface drilling contracts, which has resulted in higher labour and equipment relocation costs," said Eric Alexandre, President and CEO of Orbit Garant. "In response to current market conditions, we continue to carefully manage our staff and inventory levels, capital expenditures and balance sheet. We secured a new \$25 million revolving credit facility during our second quarter and had just \$5.0 million drawn at quarter end, demonstrating our continued focus on maintaining our sound financial position. While market conditions may remain challenging in the near term, we believe Orbit Garant is well positioned to respond to customer demand and seize growth opportunities when market conditions improve."

"We commenced work on our first project in Chile during the second quarter and our work to date has progressed very well. We are in process of bidding on other drilling contracts in this important market. We also continue our market development effort in West Africa," continued Mr. Alexandre. "One computerized drill rig was added to our fleet in the quarter, bringing our total number of drill rigs outfitted with our computerized monitoring and control technology to 22. All of these next generation rigs are currently deployed on customer projects. As we continue to deploy more of these rigs in the market, we believe we will benefit both in terms of customer loyalty and profitability, as they consistently outperform conventional drill rigs."

Second Quarter Results

For the three months ended December 31, 2014 ("Q2 FY2015") revenue totaled \$16.8 million, consistent with revenue for the three-month period ended December 31, 2013 ("Q2 FY2014"). Drilling Canada revenue was \$16.2 million, an increase of 5.4% from \$15.3 million in Q2 FY2014, reflecting increased metres drilled during the quarter, partially offset by a decline in average revenue per metre drilled. Drilling International revenue was \$0.6 million, down from \$1.5 million in Q2 FY2014, reflecting lower demand. Orbit Garant's fleet drilled a total of 193,362 metres in Q2 FY2015, an increase of 5.1% from 184,040 metres in Q2 FY2014. Average revenue per metre drilled was \$86.14 compared to \$90.61 in Q2 FY2014. Average revenue per metre drilled remains at the lower end of the Company's trailing three-year range, primarily due to current conditions in the mineral industry. These have resulted in pricing pressure from customers, as well as a significant decline in the Company's specialized drilling activity, which is typically charged at a higher rate.

Gross loss for Q2 FY2015 was \$0.4 million compared to a gross profit of \$1.1 million in Q2 FY2014. Gross margin for Q2 FY2015 was (2.4%) compared with 6.8% in the second quarter a year ago. In accordance with IFRS, depreciation expenses totalling \$2.2 million are included in cost of contract revenue for Q2 FY2015, compared to \$2.3 million in Q2 FY2014. Adjusted gross margin, excluding depreciation expenses, was 10.9% in Q2 FY2015, compared to 20.5% in Q2 FY2014. The decreases in gross profit, gross margin and adjusted gross margin were primarily attributable to lower average revenue per metre drilled, a reduction in higher margin specialized drilling activity, higher employee-related fixed costs on a lower international revenue base and start-up costs for a new project in Chile. The Company also incurred higher labour and equipment relocation costs in the quarter, reflecting the shorter durations of recent surface drilling contracts.

General and administrative (G&A) expenses totalled \$2.9 million, or 17.6% of revenue, in Q2 FY2015, compared to \$3.1 million, or 18.2% of revenue, in Q2 FY2014. A one-time gain of \$0.2 million, associated with the reversal of a portion of a contingent earn-out consideration, reduced G&A expenses for Q2 FY2015. In accordance with IFRS, depreciation and amortization expenses of \$0.4 million are included in G&A expenses for Q2 FY2015, in line with Q2 FY2014. Adjusted G&A expenses, excluding depreciation and amortization expenses and the \$0.2 million gain from the reversal of a portion of a contingent earn-out consideration in Q2 FY2015, were \$2.7 million, or 16.0% of revenue, in Q2 FY2015, compared to \$2.6 million, or 15.6% of revenue, in Q2 FY2014.

Earnings before interest, taxes, depreciation and amortization ("EBITDA")¹ was \$(0.8) million in Q2 FY2015, compared to \$0.9 million in the second quarter a year ago.

The Company's net loss for Q2 FY2015 was \$2.8 million, or \$0.08 per share, compared to \$1.5 million, or \$0.05 per share, in Q2 FY2014. Lower gross margins, as discussed above, contributed to the Company's net loss for Q2 FY2015.

On December 19, 2014, Orbit Garant obtained a new \$25.0 million secured, three-year revolving credit facility with National Bank, replacing the Company's prior \$40.0 million four-year revolving credit facility held with the same institution. The credit facility is used to fund working capital requirements and strategic growth initiatives.

During Q2 FY2015, the Company repaid a net amount of \$2.4 million of its \$25.0 million revolving credit facility. As at December 31, 2014, the Company had \$5.0 million drawn from its revolving credit facility. Orbit Garant had working capital of \$42.1 million at December 31, 2014 (\$37.1 million as at June 30, 2014), and 33,276,519 common shares issued and outstanding.

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, 2014 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, February 12, 2015 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 and archived webcast of the call will be accessible via 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: 76022475. The replay will be available until February 19, 2015.

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 214 drill rigs and approximately 600 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.

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For further information: Alain Laplante, Vice-President and Chief Financial Officer, (819) 824-2707 ext. 122; Bruce Wigle, Investor Relations, (647) 496-7856

CO: Orbit Garant Drilling Inc.

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