

## **PyroGenesis Announces 2015 Q1 Results: Revenues increase 38% to \$1.1MM; Net Worth > \$2MM, Backlog of \$16.4MM or 2.8x 2014 Revenues**

MONTREAL, May 30, 2015 /CNW Telbec/ - **PyroGenesis Canada Inc.** (<http://pyrogenesis.com>) (TSXV: PYR.V), a TSX Venture 50® clean-tech company (the "Company" or "PyroGenesis") that designs, develops, manufactures and commercializes plasma waste-to-energy systems and plasma torch products, announced today its financial and operational results for the first quarter of fiscal year 2015.

### **First Quarter Highlights**

In Q1 of Fiscal 2015,

- Revenues increase by 38% to \$1,116,477 (\$806,425 2014 Q1);
- Gross margins of over 27% as expected
- Cash on hand: \$2,841,734
- Working capital of \$3,217,262
- Net Worth: \$2,344,280
- At May 30, 2015, backlog at \$16,369,601 or 2.8x 2014 revenues.

2015 Q1 was a strong quarter for PyroGenesis with continuation of the Company's initiatives and continued support by investors in the strategy of the Company. The Balance Sheet was further strengthened through the successful completion of a private placement, and the Company continued taking positive strides towards the execution of the Company's key initiatives. These key initiatives are:

- Continued investment in Business Development
- Diversification by sector
- Diversification by geography
- Improved order structure

### **Financial Summary**

#### **Revenues**

The Company posted revenues of \$1,116,477 in 2015 Q1, an increase of 38% as compared to that posted in 2014 Q1 of \$806,425. 2015 Q1 revenues primarily resulted from progress achieved on (i) the reorder of the plasma waste destruction system to be installed on the next US Navy Ford-class aircraft carrier; the CVN-79, (ii) work completed under phase 1 of the tactical mobile plasma system for destruction of chemical warfare agents, (iii) the ongoing R&D projects incorporating novel plasma based technologies in the oil and gas industrial sector, and (iv) work completed on the Company's latest project to manufacture ten plasma based powder production systems for 3D printing.

2015 Q1 saw revenues being generated from a more diverse client, technology and industry base, which was a direct result of the strategic targeting of new high value niche markets by the Company.

The majority of revenues associated with signed backlog are expected to impact revenues in the 2<sup>nd</sup> half of 2015.

#### **Cost of Sales and Services**

Cost of Sales and Services before amortization of intangible assets for 2015 Q1 was \$814,323, an increase of 69% compared to \$483,141 reported in 2014 Q1.

The type of contracts being executed and the nature of project activity during any given quarter has a significant impact on both the overall level of cost of sales and services reported in a period, as well as the composition of the cost of sales and services, as the mix between labour and materials and equipment may be significantly different.

2015 Q1 Gross Margins before amortization of intangible assets was \$302,154 (27.1% of revenues), as compared to a Gross Margin of \$323,284 (40.1% of revenues) for 2014 Q1.

The number of projects/contracts the Company is currently executing, and has under development, has increased significantly. The Company has continued to invest in reducing fixed manufacturing costs and streamlining its operating procedures, and management firmly believes that the Company is well positioned to address this higher business volume. All manufacturing overhead costs are fully applied against Cost of Sales and Services.

The amortization of intangible assets of \$349,268 in 2015 Q1 (\$349,269 in 2014 Q1) relates to licenses and know-how purchased in 2011 from a company under common control. This expense is a non-cash item and the underlying asset will be fully amortized by the end of 2016.

#### **Selling, General and Administrative Expenses**

Selling, general and administrative expenses ("SG&A") for 2015 Q1 were \$1,191,516 (\$946,918: 2014 Q1); an increase of 26%. The costs associated with share-based compensation (a non-cash item in which options vest over a four year period) commenced in 2011-Q3 when the stock option plan was put in place. SG&A before share based payments increased by 16% in 2015 Q1 as compared to 2014 Q1.

Of note, during 2013, management decided to dedicate business development resources to other high value niche markets other than those within the US military. It is expected that there will be a natural lag between incurring business development related expenses and the resulting increase in revenues. This commitment has resulted in record levels of signed backlog at year-end which have continued through the first quarter of fiscal 2015.

Total SG&A expenses before share based payments were \$1,042,065 for 2015 Q1 (\$896,918: 2014 Q1), as increase of 16%.

2015 SG&A expenses incorporate employee compensation due to the commitment in business development activities including additional employees in this area; professional fees relating to external investor relations services and business development services; and travel costs for business development activities, as well as increased travel expenses related to investor relations activities.

Government grants and other expenses decreased 4%, primarily due to government grants received during the quarter.

#### **Net Loss**

The Loss from operations for 2015 Q1 was \$1,279,278 as compared to a Loss of \$1,164,763 in 2014 Q1, an increase of 10% year-over-year.

#### **Total Comprehensive Loss**

The total Comprehensive loss for 2015 Q1 was \$1,279,089 as compared to a Comprehensive loss of \$1,164,728 in 2014 Q1, an increase of 10% year-over-year.

The 10% increase in the Comprehensive loss in 2015 Q1 as compared to 2014 Q1 is primarily a result of: (i) acceleration of project development in the quarter which resulted in significant increases in Cost of Goods Sold; (ii) increase in professional services costs within SG&A as a result of additional PR work, and investments in our internal and external reporting structure; and (iii) an increase in travel expenses associated to increased sales and marketing activities.

#### **EBITDA**

EBITDA (earnings from operations before interest, taxes, depreciation and amortization) for 2015 Q1 was (\$878,211) as compared to a loss of (\$681,293) for the same period last year, an increase of 29%. The increase in the EBITDA loss in the quarter is due primarily to lower gross margins in 2015 Q1. EBITDA in 2015 Q1 was also negatively impacted by the increased investment in PR work, and additional spend on business development with the goal to increase backlog and future revenues.

#### **Liquidity**

At March 31, 2015, the Company had cash on hand of \$2,841,734 and positive working capital of \$3,217,262 (cash balance of \$362,183 and positive working capital of \$1,502,802 at December 31, 2014).

At March 30, 2015, the Company raised an additional \$4 million through an issuance of convertible debentures which mature in 3 years from the date of issuance and bear interest at 7.5% per annum. As part of this offering, \$755,000 of existing debt was converted to convertible debentures, thereby further strengthening the balance sheet.

#### **About PyroGenesis Canada Inc.**

PyroGenesis Canada, a TSX Venture 50® clean-tech company, is the world leader in the design, development, manufacturing and commercialization of advanced plasma processes. We provide engineering and manufacturing expertise, cutting-edge contract research, as well as turnkey process equipment packages to the defense, metallurgical, mining, advanced materials (including 3D printing), oil & gas, and environmental industries. With a team of experienced PyroClass™ engineers, scientists and technicians working out of our Montreal office and our 3,800 m2 production facility, PyroGenesis maintains its competitive advantage by remaining at the forefront of technology development and commercialization. Our core competencies allow PyroGenesis to lead the way in providing innovative plasma torches, plasma waste processes, high-temperature metallurgical processes, and engineering services to the global marketplace. Our operations are ISO 9001:2008 certified, and have been since 1997. PyroGenesis is a publicly-traded Canadian company on the TSX Venture Exchange (Ticker Symbol PYR.V). For more information, please visit [www.pyrogenesis.com](http://www.pyrogenesis.com)

*This press release contains certain forward-looking statements, including, without limitation, statements containing the words "may", "plan", "will", "estimate", "continue", "anticipate", "intend", "expect", "in the process" and other similar expressions which constitute "forward-looking information" within the meaning of applicable securities laws. Forward-looking statements reflect the Company's current expectation and assumptions, and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. These forward-looking statements involve risks and uncertainties including, but not limited to, our expectations regarding the acceptance of our products by the market, our strategy to develop new products and enhance the capabilities of existing products, our strategy with respect to research and development, the impact of competitive products and pricing, new product development, and uncertainties related to the regulatory approval process. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks and uncertainties and other risks detailed from time-to-time in the Company's ongoing filings with the securities regulatory authorities, which filings can be found at [www.sedar.com](http://www.sedar.com). Actual results, events, and performance may differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements either as a result of new information, future events or otherwise, except as required by applicable securities laws.*

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