

## PyroGenesis Announces Q3-2014 Activities and Financial Results

MONTREAL, Nov. 28, 2014 /CNW Telbec/ - **PyroGenesis Canada Inc.** (<http://pyrogenesis.com>) (TSXV: PYR), a TSX Venture 50® company, a world leader in the design, development, manufacturing and commercialization of advanced plasma processes, today announced its financial and operational results for the third quarter ("2014-Q3"), and nine months, of fiscal 2014, ending September 30, 2014.

### Third Quarter Highlights

During the third quarter of 2014, PyroGenesis has:

- Backlog of \$16.4MM or more than 280% of 2013 annual revenues;
- Gross Margin of 40.5% continue to exceed targets;
- Strong progress achieved on a \$12.5MM contract to design and manufacture first of 10 plasma-based powder production systems for 3D printing industry;
- Continues to successfully reposition the Company by supplying plasma processes to an expanded client base which includes Oil and Gas, Mining and Metallurgical, and 3D Printing industries.

PyroGenesis' strategic entree into new high-margin market niches is translating into significant orders for its plasma processes and engineering services as evidenced by the level of new business activity and historic backlog. These results validate management's strategic decision to reposition the Company by introducing its plasma processes into new high-margin markets and embarking on the largest business development push in the Company's history.

### Financial Highlights

	Three months ended Sept 30,		% Nine months ended Sept 30,	
	2014	2013	2014	2013
<b>Revenue</b>	\$ 1,215,261	\$ 1,394,255	-13%	\$ 3,980,220
Gross margin before amortization of intangible assets	492,401	575,462		1,630,711
Gross margin before amortization of intangible assets %	40.5%	41.3%		48.8%
Gross margin	143,133	226,194		582,906
Gross margin %	11.8%	16.2%		22.4%
<b>Loss from operations</b>	(995,742)	(916,604)	9%	(2,578,724)
<b>Comprehensive loss</b>	\$ (995,695)	\$ (915,156)	9%	\$ (2,577,576)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)		\$ (0.04)
EBITDA (loss) (1)	(531,629)	(275,859)	93%	(1,024,660)
<b>Adjusted EBITDA (loss) (1)</b>	\$ (531,629)	\$ (275,859)	93%	\$ (1,024,660)

	Sept 30,	Dec 31,
	2014	2013
Total assets	\$ 6,133,657	\$ 7,170,872
Total Liabilities	\$ 4,048,930	\$ 11,780,886
Shareholders' equity (deficiency)	\$ 2,084,727	\$ (4,610,014)

(1) EBITDA and Adjusted EBITDA are non-IFRS financial measures. The Company defines EBITDA as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA less share-based payments.

### Revenues

Revenues for 2014-Q3 were \$1,215,261, a decrease of 13% over revenues of \$1,394,255 reported during the same period in fiscal 2013. On a year-to-date basis, revenues for fiscal year 2014 increased by 3% to \$3,980,220 (9 months 2013: \$3,877,216). Revenues in 2014-Q3 are positively impacted by progress achieved on (i) the plasma system being built for the US Navy, (ii) phase 1 of a tactical mobile plasma system for destruction of chemical warfare agents, (iii) on R&D projects using novel plasma based technologies in the oil and gas industrial sector, and (iii) work on the recently signed contract to manufacture ten plasma based powder production systems for 3D printing.

2014 and 2015 revenues are projected to increase significantly based on a strong backlog (\$16.4MM) of signed contracts combined with a significant pipeline of future projects identified and under discussion.

### Cost of Sales and Services

Cost of Sales and Services before amortization of intangible assets for 2014-Q3 was \$722,860 (\$818,793: 2013-Q3), a decrease of 12%. On a YTD basis, cost of sales before amortization of licenses decreased by 9% to \$2,039,701 as compared to \$2,246,505 for the same period the prior year.

Building on the improvements in gross margins (before amortization of intangible assets) started in late 2012, 2014-Q3 strong gross margins of 40.5% (41.3%: 2013-Q3), exceeded the Company's business plan for the period. On a YTD basis, gross margins (before amortization of intangible assets) increased by 19.0% to \$1,940,519 as compared to \$1,630,711 for the same period the prior year. The Company is targeting gross margins more consistent with those it has realized in 2013 and 2014 Q1 of approximately 40%.

The strong level of gross margin in 2014-Q3 was achieved through controlled project management, tight control over technical resources employed on projects, and favorable pricing on equipment purchases.

Management is confident that with an increased focus on operations and project execution, PyroGenesis will continue to post strong gross margins on its projects notwithstanding the natural fluctuations that may occur from quarter to quarter.

### Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") increased 7% to \$1,082,803 (\$1,013,214: 2013-Q3) for 2014-Q3 primarily reflecting management's strategic decision to increase investment in business development; YTD SG&A increased 3% over that posted for the same period in 2013 (2014 Q3: \$3,109,362; 2013 Q3: \$3,021,782).

### Net Loss

Loss from operations and Comprehensive loss for 2014-Q3 both increased 9% to \$995,742 and \$995,695 respectively, as compared to a Loss from Operations and a Comprehensive Loss of \$916,604 and \$915,156 reported for the same period during 2013-Q3. On a YTD basis, Loss from operations and Comprehensive

loss decreased by 9%.

The 9% increase in the comprehensive loss in 2014-Q3 versus the comparable 2013 period, is primarily due to a 3% decrease in revenues, a 7% increase in SG&A, offset in part by a 79% reduction in financing charges due to the \$6,000,000 conversion of debt to equity May 2014. The company continues to maintain strong control over its spending while increasing resources allocated to business development, proposals, investor relations and research and development.

#### **EBITDA**

EBITDA (earnings from operations before interest, taxes, depreciation and amortization) for 2014-Q3 was negative \$581,629, as compared to the negative EBITDA of \$425,642 reported during 2013-Q3. On a YTD basis, EBITDA for fiscal 2014 was negative \$1,203,160, a 13% improvement over the negative EBITDA of \$1,377,568 reported during the same period in fiscal 2013.

Adjusted EBITDA (EBITDA adjusted for share-based payments) for 2014-Q3 was negative \$531,629 an increase of 93% over the negative Adjusted EBITDA of \$275,859 reported during 2013-Q3. On a YTD basis, Adjusted EBITDA for fiscal 2014 was negative \$1,024,660, a 10% increase over the negative Adjusted EBITDA of \$932,160 reported during the same period in fiscal 2013.

#### **Balance Sheet and Liquidity**

At September 30, 2014, PyroGenesis had cash on hand of \$78,003 and negative working capital of \$191,679 (negative \$1,373,763 at December 31, 2013). As disclosed in the Subsequent Events section, on November 26th, 2014, the Company closed a private placement of \$1,500,000, which significantly strengthens its working capital position.

Of note, the Company has no bank debt, nor any debt owing to unrelated parties.

#### **Subsequent events**

During October 2014, the Company announced that Pope & Company and Pollitt & Co. Inc. commenced research coverage on PyroGenesis Canada.

On October 28, 2014, the Company announced that it had passed initial inspection and had received the second payment in regards to the sale and delivery of the first of ten powder production systems for 3D printing.

On November 18, 2014, the Company announced that it was awarded an additional study under a Master Service Agreement with a global oil and gas company for \$788,300. This contract involves the adaption of an existing plant at the Company's facility which will be used to test and further demonstrate the economics of the Company's proprietary technology. It is expected that this project will be completed in the second half of 2015.

On November 26, 2014, The Company announced the closing of a private placement of CAD\$1,500,000 of units of PyroGenesis (the "Units") at \$0.35 per Unit (the "Issue Price"), each Unit consisting of one (1) common share (each, a "Common Share") and one-half (1/2) of one Common Share purchase warrant (each whole Common Share purchase warrant, a "Warrant") of PyroGenesis (the "Private Placement"). Each Warrant entitles its holder to acquire an additional Common Share (each, a "Warrant Share") at an exercise price of \$0.55 per Warrant Share for a period of 24 months following the closing of the Private Placement.

The Common Shares constituted qualifying shares for the purposes of the Quebec Stock Savings Plan II.

The Company intends to use the net proceeds from the Private Placement for general corporate purposes and working capital.

#### **Outlook**

Although Q3 results are not in line with what one may have expected given recent press releases, we are happy to report that this was due to certain revenues, which were expected to be posted in Q3, will be accounted for in Q4 2014 and Q1 2015, and is not due to any deterioration in company prospects or backlog. Results were further exasperated by delays in the signing of two key contracts from Q3 to Q4 2014. These revenues would have contributed a minimum of \$400K to profitability in the quarter for a loss of approximately \$595K as compared to that posted of \$995K (vs. loss posted same quarter 2013 of \$916K). Notwithstanding this, PyroGenesis still posted 3% gains in revenues and a 10% improvement in profitability for year over year nine months comparison.

Notwithstanding the above, 2014 continues to prove itself to be the "tipping point year" for PyroGenesis as the full effects of the Company's strategic plan to position itself in new high margin niche markets are being realized. Management believes that based on the contracts in hand PyroGenesis will be profitable in 2015.

As noted, 9 month Revenues-to-date, 3% higher than the same period last year, are supported by a record backlog of signed contracts which are already more than 280% of 2013 revenues (which already were a 175% increase over 2012 revenues) and which are all expected to be completed over the next 15 months. Despite recent delays associated with certain project commencements, management still expects to post strong year over year results while maintaining its historic strong gross margins.

This progress has largely been due to the Company's successful repositioning itself in answer to the fiscal crisis confronting its largest client at the time; the US military. Under the direction of the Board, the Company has successfully transitioned from being a company predominately supplying waste management plasma processes to the US military to one that is supplying plasma processes to not only the military but also to the Oil and Gas as well as the Mining & Metallurgical and 3D Printing industries. In each case the Company has targeted high margin niche businesses with the potential for significant repeat orders. PyroGenesis' recent success within the 3D printing industry wherein the Company announced that they had signed a \$12.5 MM contract to provide 10 plasma based systems to produce the smallest, and most uniform spherical Titanium powders to the industry, is just one of the many successes of this repositioning strategy. The Company expects many more of such contracts to be signed over the near term.

The Company continues to implement measures to strengthen and focus its business development department, which includes, amongst other measures, hiring additional strategically focused professionals.

The Company continues to de-risk its business model by starting to require recurring revenue features within sales agreements. Management has targeted 2016-2017 as the time frame in which the Company will be profitable from recurring revenues alone.

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

PyroGenesis Canada, a TSX Venture 50® 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 m<sup>2</sup> 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*

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