PyroGenesis Announces 2014 Results: Revenues of $5.8MM; Gross Margin Exceeds 53%; Current Backlog $16.5MM; Shareholder's Equity $2.9MM

MONTREAL, April 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, announces today its financial and operational results for the fourth quarter and the fiscal year ended December 31, 2014.

Highlights

2014 was a year in which PyroGenesis:

- maintained revenues at $5,764,896;
- increased gross margin (before amortization of intangible assets) to over 53% (45%: 2013). Same margins for 2014-Q4 exceed 63.5%;
- decreased EBITDA loss by 26% to $1,484,451;
- 2014-Q4 decreased Adjusted EBITDA loss by 67% to $156,872;
- Shareholder's equity at year-end 2014: $2,878,22;
- At April 29, 2015, backlog of $16,523,636 exceeds 2014 Revenues by 275%;

2014 saw PyroGenesis capitalize on the success of its 2013 strategic decision to introduce its plasma processes into high margin niche markets and industries. As a result, backlog has increased to over $16MM, which represents over 2.5x 2014 revenues. These signed contracts are expected to have a significant impact on the Company's income statement in the second half of 2015. The cost reduction and rationalization plans initiated in 2013, and which continued in 2014, favourably impacted the Company as PyroGenesis posted record Gross Margins (before amortization of intangible assets) in excess of 53% for the year ending December 31st, 2014. As a result of this combined increase in Gross Margins and Order Backlog, management is confident PyroGenesis is well on its way to profitability.

Financial Summary

Revenues

The Company posted revenues of $5,764,896 in fiscal year 2014, an increase of 0.2% as compared to that posted in fiscal 2013 of $5,756,009. 2014 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.

Revenues posted in the fourth quarter ended December 31, 2014 (hereafter "2014-Q4") were $1,784,676 ($1,878,793: 2013-Q4).

Revenue in 2014 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 2014 signed backlog are expected to impact revenues in the 2nd half of 2015.

Cost of Sales and Services

Cost of Sales and Services before amortization of intangible assets for fiscal year 2014 was $2,691,741, a decrease of 14% compared to $3,133,812 reported in fiscal year 2013. The cost of sales and services before amortization was $652,040, ($887,307: 2013), an decrease of 27%.

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.

The Company posted strong Gross Margins for fiscal 2014 as it continued to improve this ratio year over year since 2012, and exceeded targeted levels for the period. 2014 Gross Margins before amortization of intangible assets was $3,073,155 (53.3% of revenues), as compared to a Gross Margin of $2,622,197 (45.6% of revenues) for 2013. These gross margins were primarily achieved through improved project management controls. However, it is important to note that despite these initiatives to improve gross margins, such may fluctuate due to the innovative nature of these projects. Furthermore, one-time events may also positively or negatively impact gross margins in any given fiscal year.

Another development impacting Gross Margins is the implementation in fiscal 2013 of more stringent and effective project management methods which have resulted in a more efficient use of resources in engineering, procurement and manufacturing during the course of fiscal 2014.

The number of projects/contracts the Company is currently executing, and has under development, has increased significantly. Due to ongoing efforts to reduce fixed manufacturing costs and streamlining its operating procedures, the Company is well positioned to address this higher business volume. As such, the Company has become more competitive as the majority of these cost containment measures are permanent and will have a long-term impact on the Company's profitability. All manufacturing overhead costs are fully applied against Cost of Sales and Services.

These initiatives have positively impacted the Company's gross margins in 2014, and the Company continues to focus on improvements in this area.

The amortization of intangible assets of $1,397,074 in fiscal year 2014 ($1,397,073 in fiscal year 2013) 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.

The gross margins achieved during fiscal years 2013 & 2014 are significantly higher than the 40% management has targeted. This is a result of an increased focus on operations and project execution which management expects to continue.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") for fiscal 2014 were $4,533,280 ($4,051,354: 2013), an increase of 12%. 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 23% in fiscal year 2014 as compared to fiscal year 2013.

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 Dec 31st 2014.

Total SG&A expenses before share based payments were $4,230,361 for the fiscal year ended December 31st 2014 ($3,444,466: 2013), as increase of 23%.

2014 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.

Of note, other expenses decreased 15%, primarily due to government grants received during the year.

Separately, share based payments decreased 50% as a result of the vesting structure of the stock option plan. The majority of the stock options were fully vested by December 31, 2014.

Net Loss

The Loss from operations for fiscal year 2014 was $3,281,807 as compared to a Loss of $3,409,333 in fiscal year 2013, a decrease of 4% year-over-year. The 2014-Q4 Loss from operations increased 25% as compared to the same period in the prior year ($703,083 compared to $561,696).

Total Comprehensive Loss

The total Comprehensive loss for fiscal year 2014 was $3,278,610 as compared to a Comprehensive loss of $3,988,077 in fiscal year 2013, a decrease of 18% year-over-year. The 2014-Q4 Comprehensive loss has decreased 39% over the same period in the prior year (2014-Q4 of $701,034, as compared to 2013-Q4 of $1,143,309).

The 18% decrease in the Comprehensive loss in 2014 as compared to 2013 is primarily a result of: (i) greater efficiencies achieved in cost of sales through initiatives implemented in 2013; (ii) recognition of $754,000 of Billings in excess of costs and profits on uncompleted contracts to Revenues due to the cancellation of a contract, and (iii) reductions in General & Administrative expenses.

EBITDA

EBITDA (earnings from operations before interest, taxes, depreciation and amortization) for 2014-Q4 was ($281,291) as compared to a loss of ($635,344) for the same period last year, an improvement of 56%. For fiscal year 2014, EBITDA was ($1,484,451) as compared to a loss of ($2,012,912) for fiscal year 2013, an improvement of 26% year-over-year. The decrease in the EBITDA (loss) in the quarter is due primarily to improved gross margins both in 2014-Q4 and in 2014 as a whole.

Liquidity

At December 31, 2014, the Company had cash on hand of $362,183 and positive working capital of $1,502,802 (cash balance of $1,182,835 and negative working capital of $1,373,763 at December 31, 2013).

Of note, there is no debt owing to unrelated third parties at December 31st 2014.

In May 2014, the conversion of $6,000,000 of long-term debt to equity strengthened the balance sheet of the Company and resulted in a decrease of $156,000 in interest expense in fiscal year 2014. This conversion and subsequent reduction of interest expense will continue to benefit the Company for the remaining term of the loan. The Loan is expected to be fully paid by the end of 2017.

On 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

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