McCoy Global Inc. Announces Third Quarter 2017 Results

Edmonton, Alberta – McCoy Global Inc. (“McCoy”, “McCoy Global” or “the Corporation”) (TSX: MCB) today announced its operational and financial results for the three months ended September 30, 2017.

“During the quarter, we recorded orders of $11.8 million and continued to experience stable quoting activity,” said Jim Rakievi, President and CEO of McCoy Global. “Revenue generation and growth are top priorities, and we are actively reviewing growth opportunities in the short-term and exploring strategic opportunities that will enhance or accelerate our market position over the longer-term.

“The company also announced the retirement of two long-standing McCoy Directors, Mr. Frank Burdzy and Mr. John Irwin,” said Mr. Chris Seaver, Chairman of the Board of McCoy Global. “Both Frank and John were exceptional contributors to our Board and, on behalf of the Board, the executive team and our shareholders, we thank Frank and John for their service to McCoy Global. The duties of the retired board members will be assumed by the existing board members.

“Although 2017 has been an improvement over 2016, it has proven to be another challenging year as our customers remain restrained on capital spending,” continued Jim Rakievi, President and CEO. “All opportunities to improve profitability while retaining our core business value and capabilities remain a priority as we look toward 2018. Our team has done an excellent job of transitioning McCoy to become a more efficient and cost effective organization, while repositioning the organization for future growth by providing data-based solutions and advanced designs for critical wellbore construction products and services.”

Operational Summary

Since July 1, 2017, McCoy Global reported:

- Revenue of $10.6 million, compared to $7.1 million in Q3 2016;
- Net loss of $3.4 million, compared to net loss of $3.1 million in Q3 2016;
- Adjusted EBITDA1 of ($1.5 million), compared to ($2.4 million) in Q3 2016;
- Backlog2 of $6.8 million and customer orders of $11.8 million, compared to $3.3 million and $5.2 million, respectively, in Q3 2016; and
- Book-to-bill ratio3 of 1.11, compared to 0.72 in Q3, 2016.
Quarterly Financial Summary

Revenue for the three months ended September 30, 2017 was $10.6 million, a 48% increase from Q3 2016. Overall industry fundamentals have improved in 2017 resulting in an increase in revenue, mainly driven by aftermarket opportunities, strength in the western hemisphere and increased revenues from the acquisition of 3PS Inc. (“3PS”). However, market instability continues to create a challenging environment for customers who remain hesitant to commit to capital equipment orders.

Gross profit percentage for the three months ended September 30, 2017 increased 26 percentage points from Q3 2016. Gross profit was positively impacted by the restructuring measures undertaken by the Corporation to reduce its production cost structure, higher revenues that increased the absorption of production costs and positive product mix from sales of higher margin data acquisition products and aftermarket revenues. This was partially offset by the transitional impacts of moving to an outsourced production model in Edmonton and customer pricing pressure. Foreign exchange volatility continues to impact gross profit, and in Q3 2017 a strengthening Canadian dollar had a negative impact on gross profit.

G&A expense for the three months ended September 30, 2017 was $2.3 million, which is consistent with Q3 2016. The Corporation’s revenue has increased without a corresponding increase in G&A and as a result, G&A expense has declined as a percentage of revenue.

Sales and marketing expense for the three months ended September 30, 2017 was $1.0 million, a 43% increase from Q3 2016. The acquisition of 3PS and investments in sales and marketing efforts to take advantage of revenue generation opportunities contributed to higher sales and marketing expenses, which were partially offset by restructuring initiatives in 2016 and continued discipline around overhead spend.

Research and development costs increased in the three months ended September 30, 2017 to $0.7 million, from $0.1 million in Q3 2016. The increase is a result of the acquisition of 3PS, which enhanced McCoy’s engineering team, and development and prototype costs that were incurred in 2017 as several technology projects progressed and reached critical milestones.

Net loss for the three months ended September 30, 2017 was $3.3 million ($0.12 loss per basic share), compared to net loss of $3.1 million ($0.11 loss per basic share) in Q3 2016.

Adjusted EBITDA¹ for the three months ended September 30, 2017 was ($1.5 million) compared to ($2.3 million) in Q3 2016.

At September 30, 2017, the Corporation had $14.4 million in cash and cash equivalents, of which $2.5 million is restricted. The Corporation also had $5.1 million in borrowings as at September 30, 2017.
## Selected Quarterly Information

<table>
<thead>
<tr>
<th></th>
<th>Q3 2017</th>
<th>Q3 2016</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>10,563</td>
<td>7,137</td>
<td>48</td>
</tr>
<tr>
<td>Gross profit</td>
<td>907</td>
<td>(1,182)</td>
<td>177</td>
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<tr>
<td>as a percentage of revenue</td>
<td>9</td>
<td>(17)</td>
<td>26</td>
</tr>
<tr>
<td>Net loss</td>
<td>(3,390)</td>
<td>(3,094)</td>
<td>(9)</td>
</tr>
<tr>
<td>per common share – basic</td>
<td>(0.12)</td>
<td>(0.11)</td>
<td>9</td>
</tr>
<tr>
<td>per common share –diluted</td>
<td>(0.12)</td>
<td>(0.11)</td>
<td>9</td>
</tr>
<tr>
<td>Adjusted EBITDA 1</td>
<td>(1,494)</td>
<td>(2,322)</td>
<td>36</td>
</tr>
<tr>
<td>per common share – basic</td>
<td>(0.06)</td>
<td>(0.09)</td>
<td>44</td>
</tr>
<tr>
<td>per common share –diluted</td>
<td>(0.06)</td>
<td>(0.09)</td>
<td>44</td>
</tr>
<tr>
<td>Total assets</td>
<td>62,228</td>
<td>73,875</td>
<td>(16)</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>15,085</td>
<td>10,679</td>
<td>41</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>2,134</td>
<td>3,039</td>
<td>(30)</td>
</tr>
</tbody>
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1 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 charges. 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 or non-recurring items that can vary significantly depending on accounting methods or nonoperating 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 The Corporation 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.

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, aspirations, 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 require 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 Rakiević
McCoy Global Inc.
President and CEO
Phone: 1.780.453.8451
Email: info@mccoyglobal.com
Website: www.mccoyglobal.com