



**pason**

Third Quarter 2019

# Investor Presentation

Technology • Deployed • Simply

# Forward-Looking Statements



This presentation may contain forward-looking statements and information which reflects the current view of Pason Systems Inc. ("Pason" or the "Company") with respect to future events and financial performance. Any such forward-looking statements are subject to risks and uncertainties and Pason's actual results of operations could differ materially from historical results or current expectations. Pason assumes no obligation to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized. Refer to Pason's annual report, management information circular, annual information form and other filings with Canadian securities regulatory authorities for further information on risks and uncertainties that could cause actual results to differ materially from forward-looking statements contained in this presentation.

# Who We Are

Pason is a leading energy services and technology company.

We develop and deliver high-value hardware, software and services, primarily for the drilling industry.

Our motto is:

**Technology Deployed Simply**



# Pason Highlights

## 1 Clear Market Leader

- Sustained leading market positions in North America, South America, and Australia
- Access to the majority of land rigs and users of drilling data in the Western Hemisphere
- High barriers to entry for profitable operations driven by scope of technology, service intensity, and required scale

## 2 Distinctive Technology Position and Unique Capability Set

- Internet of Things of the drilling industry
- Distinctive field and remote support service capabilities
- Flexible platform can host new Pason and third-party software (at the rigsite and in the cloud)
- Unrivalled capabilities for UI/UX design and ruggedization for field users

## 3 Outstanding Financial Profile

- Outstanding cash-generating capability and low capital intensity
- Consistently delivering returns in excess of cost of capital
- No interest-bearing debt on the balance sheet
- 16-year track record of dividend growth

## 4 Well Positioned for Growth

- Existing product growth: 1) product penetration; 2) US market share; 3) product value/price; 4) international expansion
- New products for the drilling market: Spending ~10% of revenue annually on R&D and IT
- Products for well completions and workovers: Minority investment in Intelligent Wellhead Systems (IWS)
- Solar and energy storage market: Energy Toolbase (ETB) – Pason Power

# Overview of Pason



# Company Snapshot



**HISTORY** Established 1978; public since 1996

**CORPORATE HEAD OFFICE** Calgary, AB, Canada

**US HEAD OFFICE** Houston, TX, United States

**INTERNATIONAL PRESENCE** Argentina, Australia, Bolivia, Brazil, Colombia, Dubai, Ecuador, Mexico, Peru, Saudi Arabia (JV)

**CUSTOMERS** E&P Operators  
Drilling Contractors  
Other Oilfield Service Companies

**EMPLOYEES** 640

**OUTSTANDING SHARES** 85.3 million

**MARKET CAPITALIZATION** \$1.2 billion

**DIVIDEND PER SHARE** \$0.19 quarterly – \$0.76 annualized

**DIVIDEND YIELD** 5.4%

# Pason Business Model

## Business Model

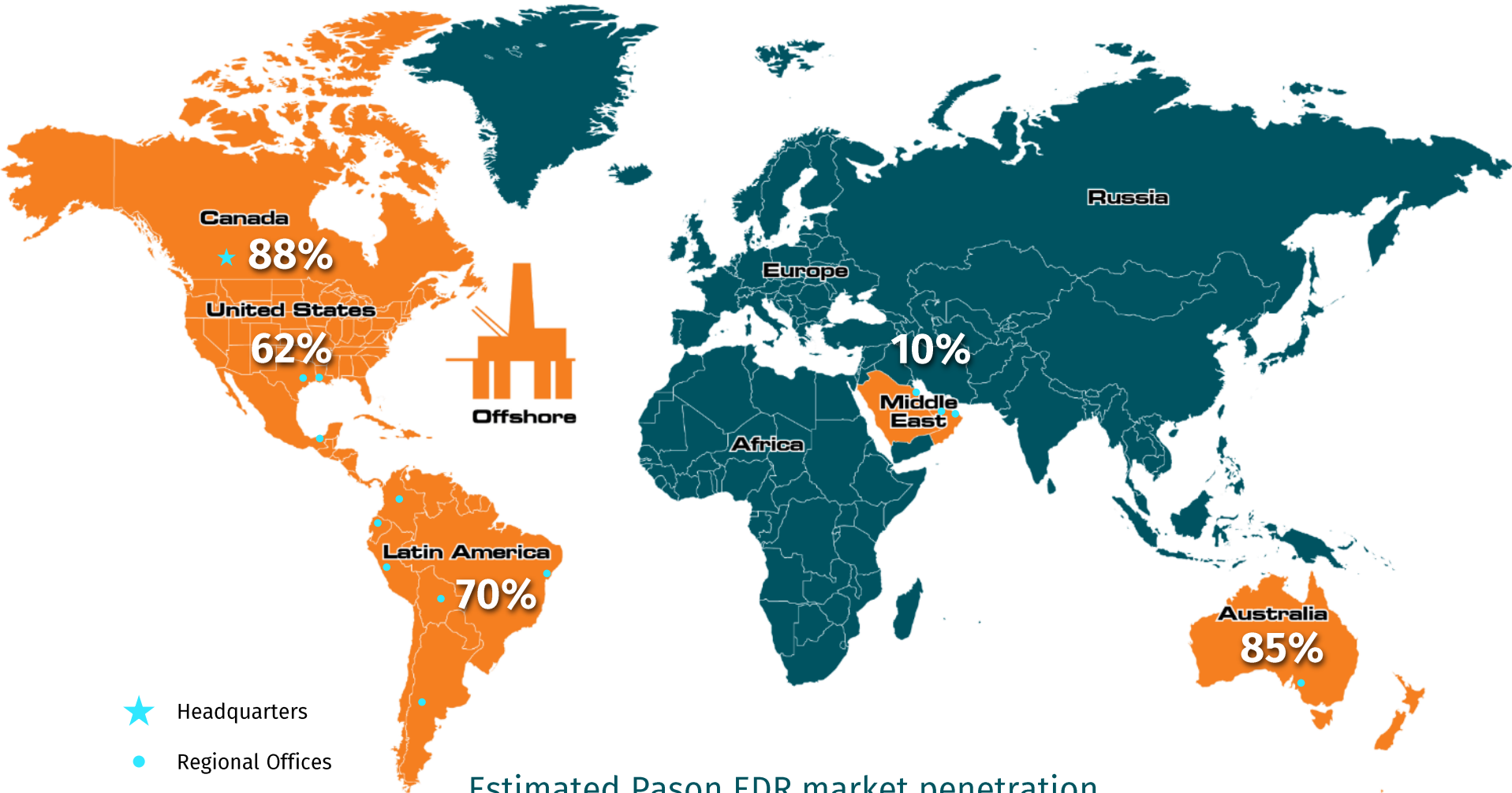
Rental equipment, SaaS (software licenses for Verdazo), bandwidth, analytics

The industry's only specialist with fully integrated end-to-end drilling data solutions that make it fast, flexible, and easy for customers to access critical drilling information anytime, anywhere (the "Internet of Things" of the drilling industry)

Unique product platform and distinctive technical capabilities as a key enabler for:

- drilling optimization and automation efforts
- big data analytics strategies

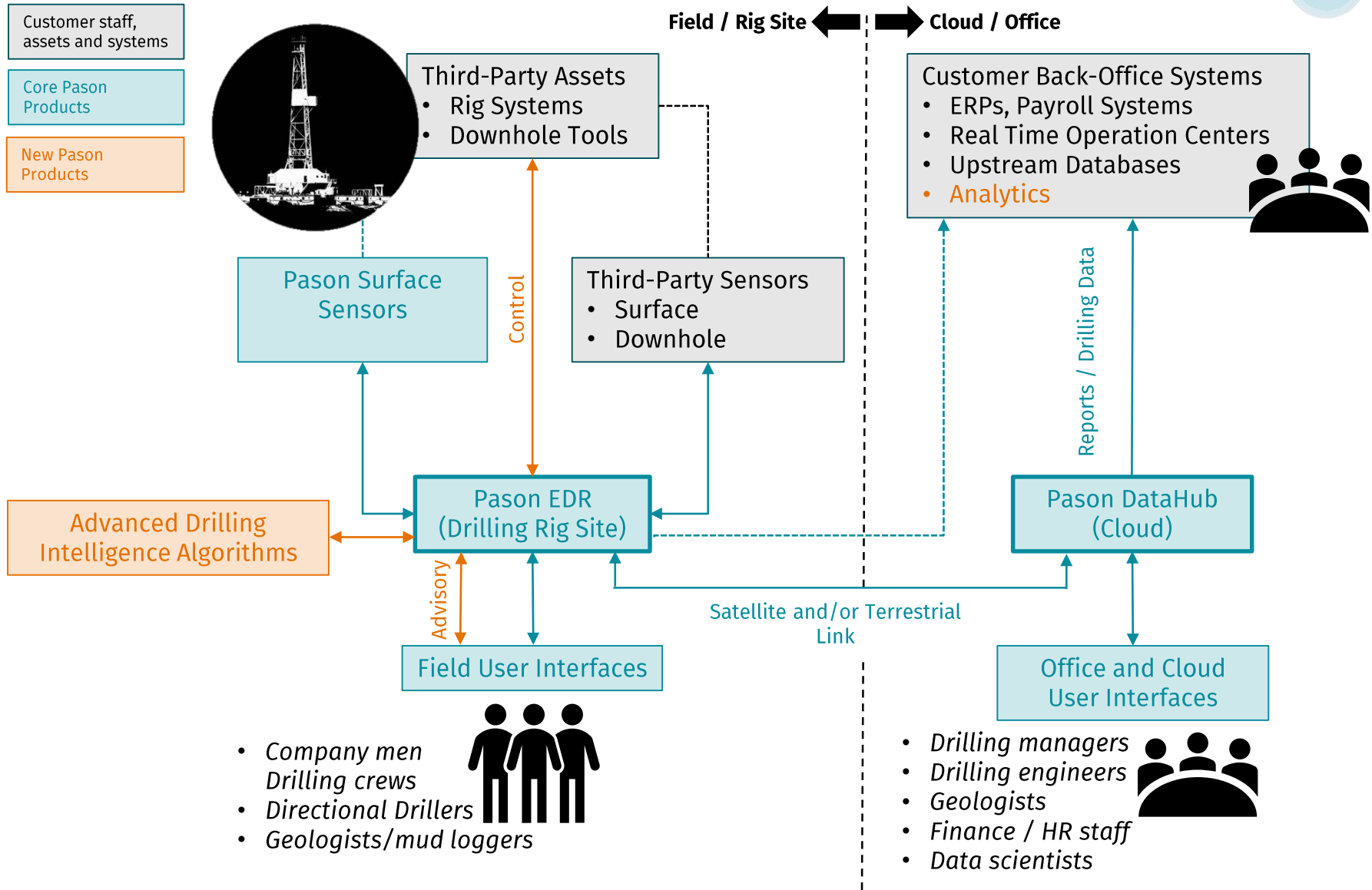
# Strong Market Positions and Global Reach



Estimated Pason EDR market penetration (percentage of active drilling rigs)



# Overview of the Pason Data Ecosystem



# Superior Service Model

**1,000**  
Active drilling rigs

**45,000**  
DataHub (cloud)  
users

**>100,000**  
“Calls”/year



PHONE



EMAIL



CHAT

## Problem resolution

**>50% Tier 1**  
HelpDesk

**5% Tiers 2&3**  
Service specialists,  
R&D

**<50% Rig visits**  
Field Technician

**Growing**  
Proactive monitoring and problem  
resolution

# Overview of Pason's Core Products

	Operator Benefits	Contractor Benefits	3 <sup>rd</sup> Party Benefits
<b>DRILLING DATA (ACQUIRE, VIEW, STORE, DELIVER)</b>			
Electronic Drilling Recorder (EDR), Electronic Service Recorder (ESR)	•	•	•
DataHub / Pason Live (incl. Mobile)	•	•	
Data Delivery & Reporting (incl. WellView™)	•	•	
Rig Display, SideKick, Workstation, Monitor	•	•	•
<b>MUD MANAGEMENT AND SAFETY</b>			
Pit Volume Totalizer (PVT), Smart Alarms, Digital Trip Sheets	•	•	
Gas Analyzer	•		
Electronic Choke Actuator	•	•	
Hazardous Gas Alarm	•	•	
<b>COMMUNICATIONS</b>			
Internet Bandwidth (Satellite and Terrestrial)	•	•	•
Bandwidth Management	•	•	•
Wireless Rigsite, VOIP and Intercom	•	•	•
<b>DRILLING INTELLIGENCE</b>			
AutoDriller(s)	•	•	
ExxonMobil Drilling Advisory System™ (DAS)	•	•	
Directional System / Decoder, Abbl Directional Advisor™	•	•	•
<b>ANALYTICS</b>			
Verdazo (Discovery Analytics), Reports, KPIs	•		•

# Data Capture by Pason

**675,000+** oil and gas wells in Pason DataHub, including more than 150,000 drilled since 2014

**2,300+** active drilling rigs simultaneously feeding data to the Pason DataHub during peak activity levels (in 2014)

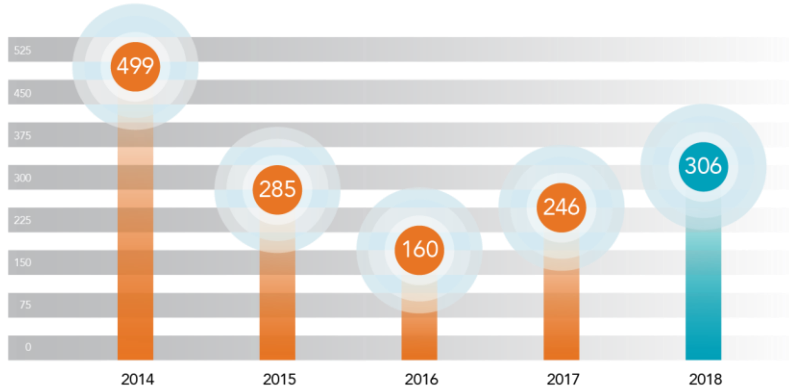
Categories of Data Captured	Examples of Data
<b>Pason Surface Sensors Data</b>	Time/depth-based sensor data: Depth, standpipe pressure, hook load, rotary RPM, torque, pump strokes, drilling mud levels and flow, gases, volumes, temp
<b>Calculated Data</b>	Rate of penetration (ROP), weight on bit (WOB), mechanical specific energy (MSE), drilling mud volume changes (kicks, lost circulation), rig states etc.
<b>Third-Party Sensor Data</b>	Wide variety of third-party sensor (e.g., gas systems, generator/engine monitors) and rig PLC control system data
<b>Directional Data</b>	Directional survey data, downhole tool information (inclination and azimuth, gamma, resistivity)
<b>Operator and Contractor Reporting</b>	General well information, operational data, safety info, wellbore info, geological evaluation, equipment and downhole details, test info, bit reports, service rig info
<b>Drilling Contractor Payroll Data</b>	Accurate crew lists and payroll data between the rig and the contractor's payroll system

# Financials



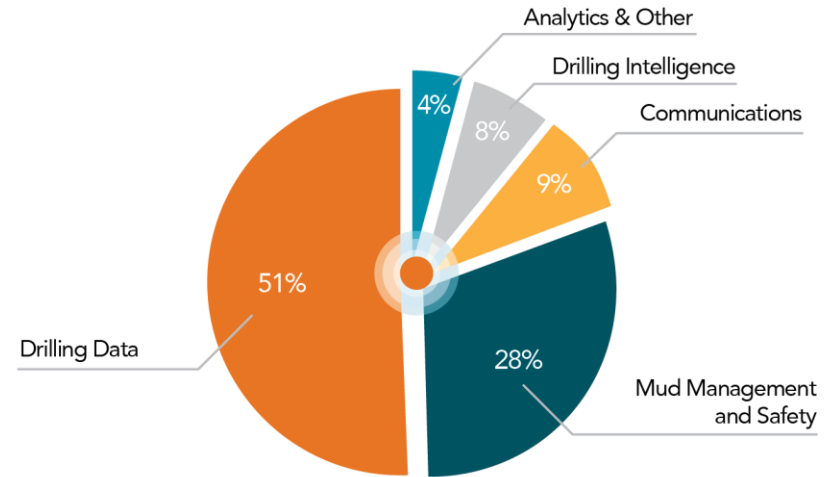
# Financial Summary

## TOTAL REVENUE (\$MILLIONS)

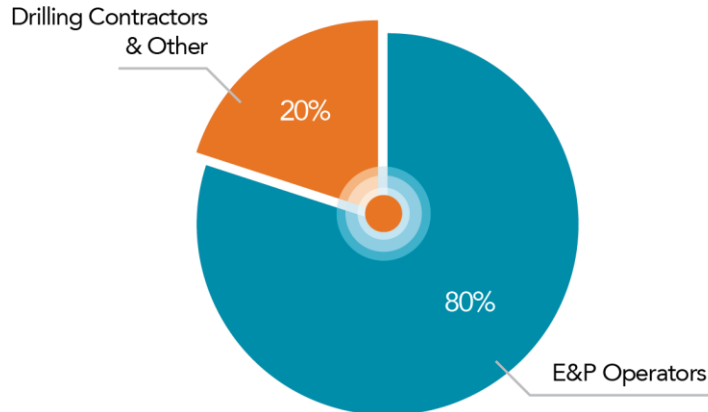


## REVENUE BY PRODUCT

12 MONTHS ENDED DECEMBER 31, 2018

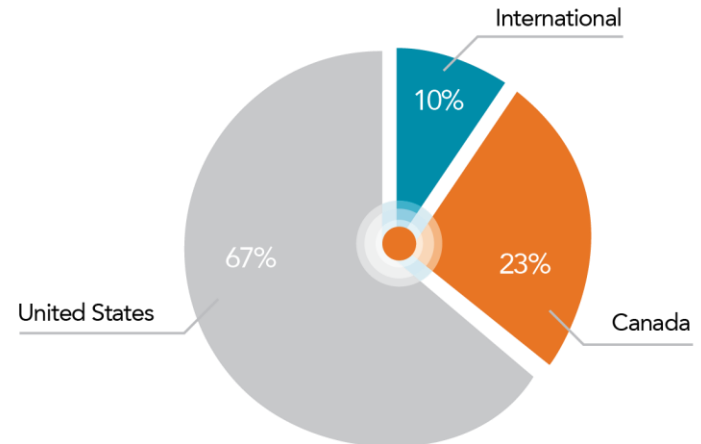


## BY CUSTOMER TYPE



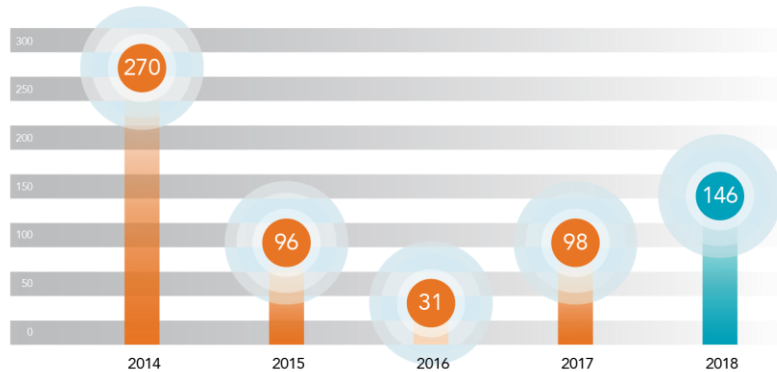
## REVENUE BY BUSINESS UNIT

12 MONTHS ENDED DECEMBER 31, 2018

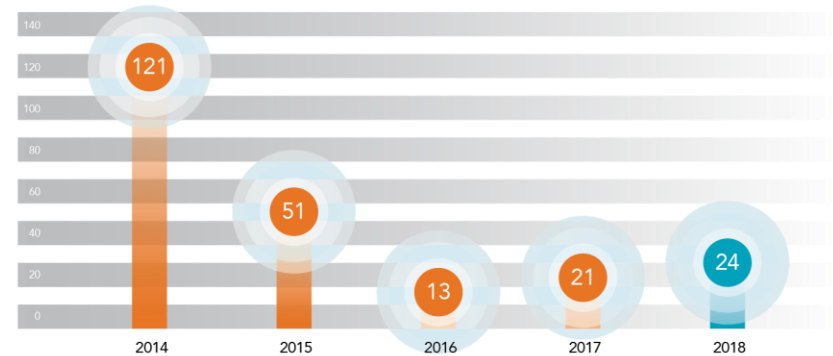


# Financial Summary

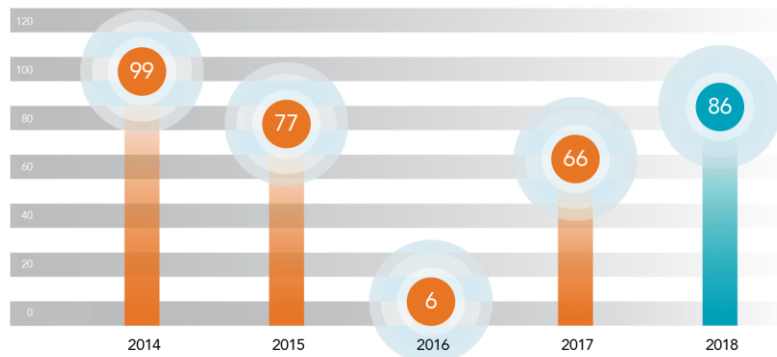
## ADJUSTED EBITDA (\$MILLIONS)



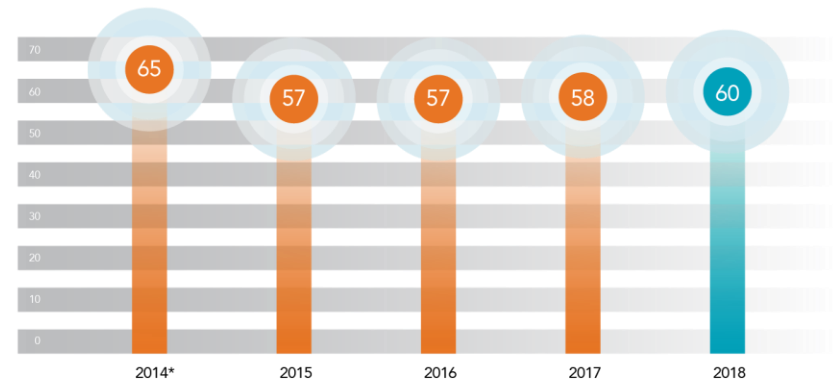
## CAPITAL EXPENDITURES (\$MILLIONS)



## FREE CASH FLOW (\$MILLIONS)



## DIVIDENDS PAID (\$MILLIONS)

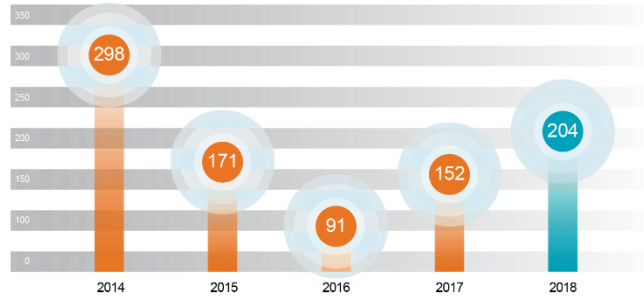


\* In 2014, Pason transitioned to paying dividends in the quarter in which they were declared

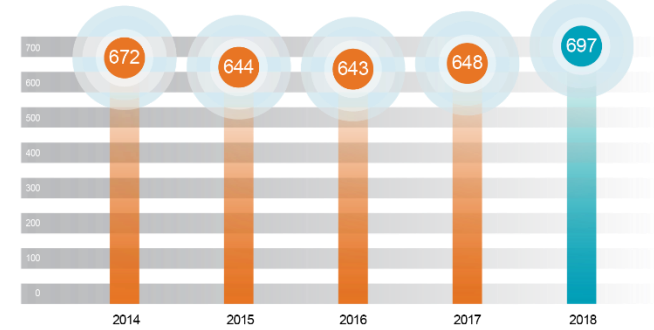
# Financial Summary

## UNITED STATES

REVENUE (C\$ MILLIONS)

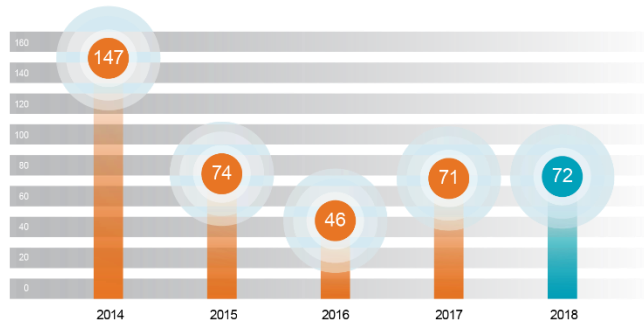


REVENUE PER EDR DAY (US\$)

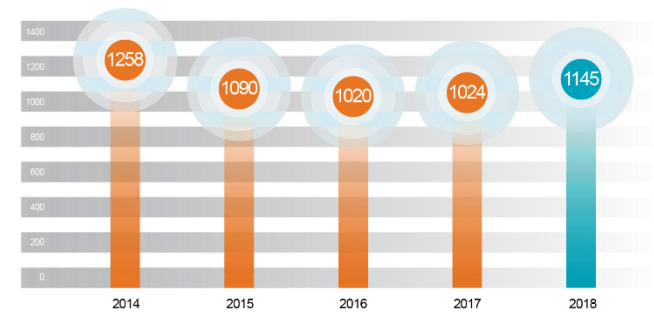


## CANADA

REVENUE (C\$ MILLIONS)

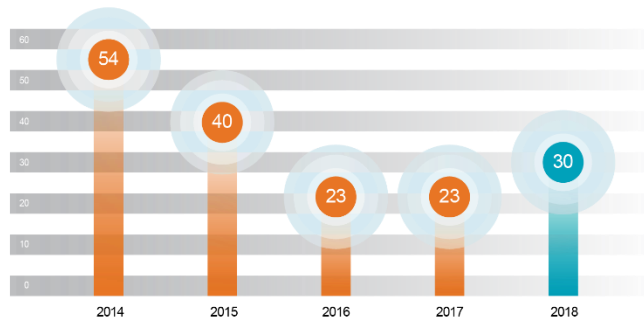


REVENUE PER EDR DAY (C\$)

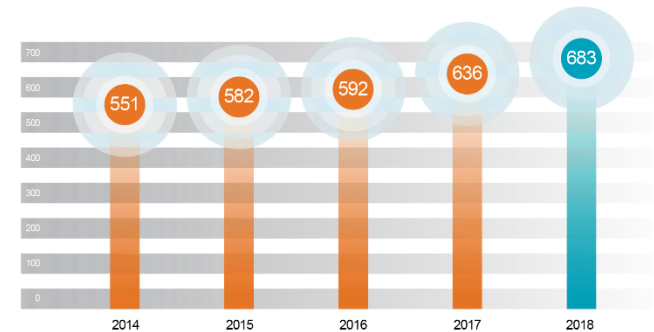


## INTERNATIONAL

REVENUE (C\$ MILLIONS)



REVENUE PER EDR DAY (C\$)





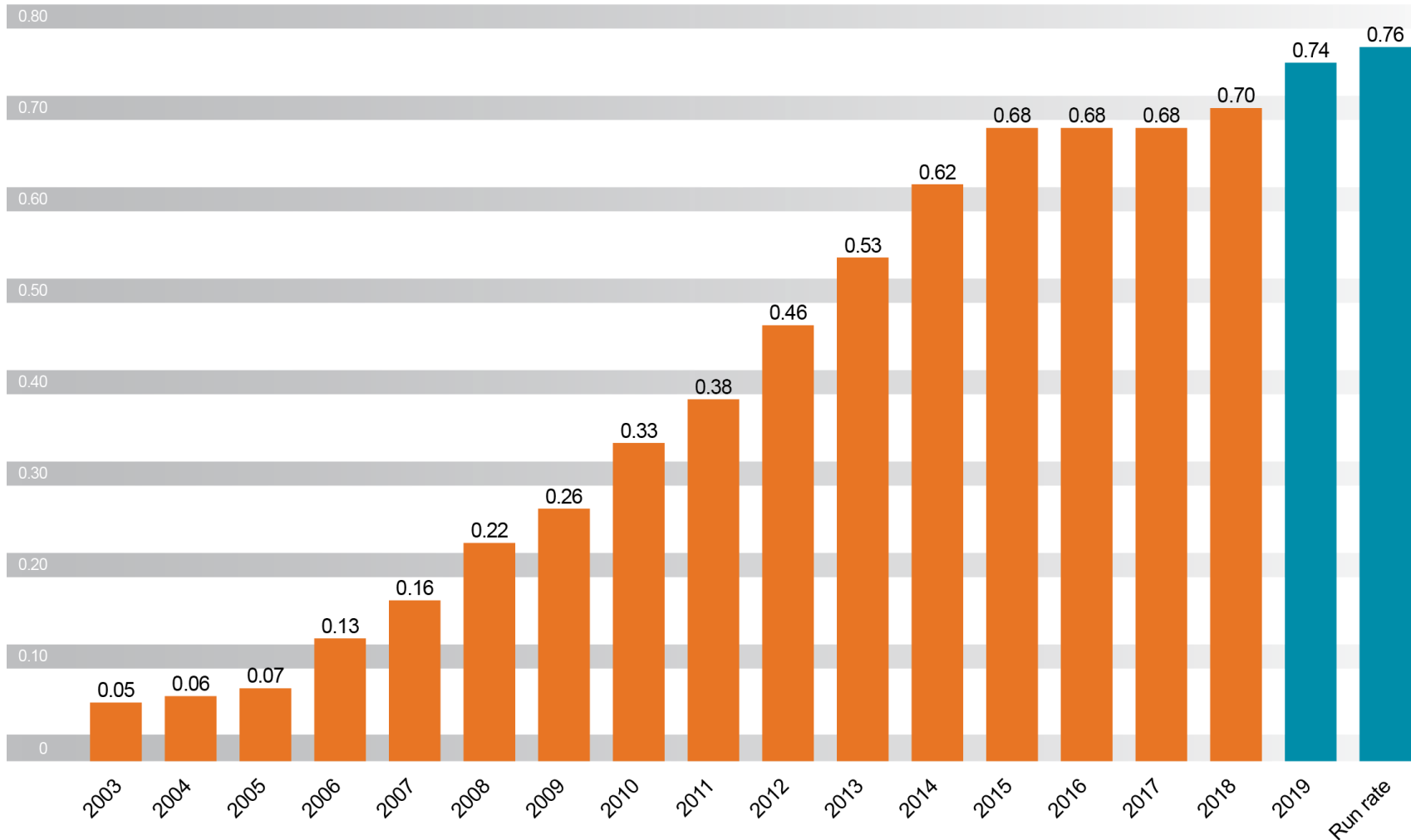
# Financial Results YTD

in C\$000s

	9 months ended Sept 30, 2019	9 months ended Sept 30, 2018	Change
<b>Revenue</b>			
United States	\$157,896	\$148,555	+6%
Canada	41,574	54,104	-23%
International	27,762	21,769	+28%
	227,232	224,428	+1%
<b>Adjusted EBITDA<sup>1</sup></b>	102,873	106,684	-4%
<b>Net income<sup>1</sup></b>	43,707	42,224	+4%
<b>Capital expenditures</b>			
	\$18,591	\$15,426	+21%
<b>Dividends paid</b>	47,055	44,349	+6%

1. The Company adopted IFRS 16 (Leases) effective January 1, 2019 which impacts Adjusted EBITDA. See the Company's Management Discussion and Analysis for a discussion of the impact of this standard on the Company's financial statements.

# 16-year Track Record of Dividend Growth

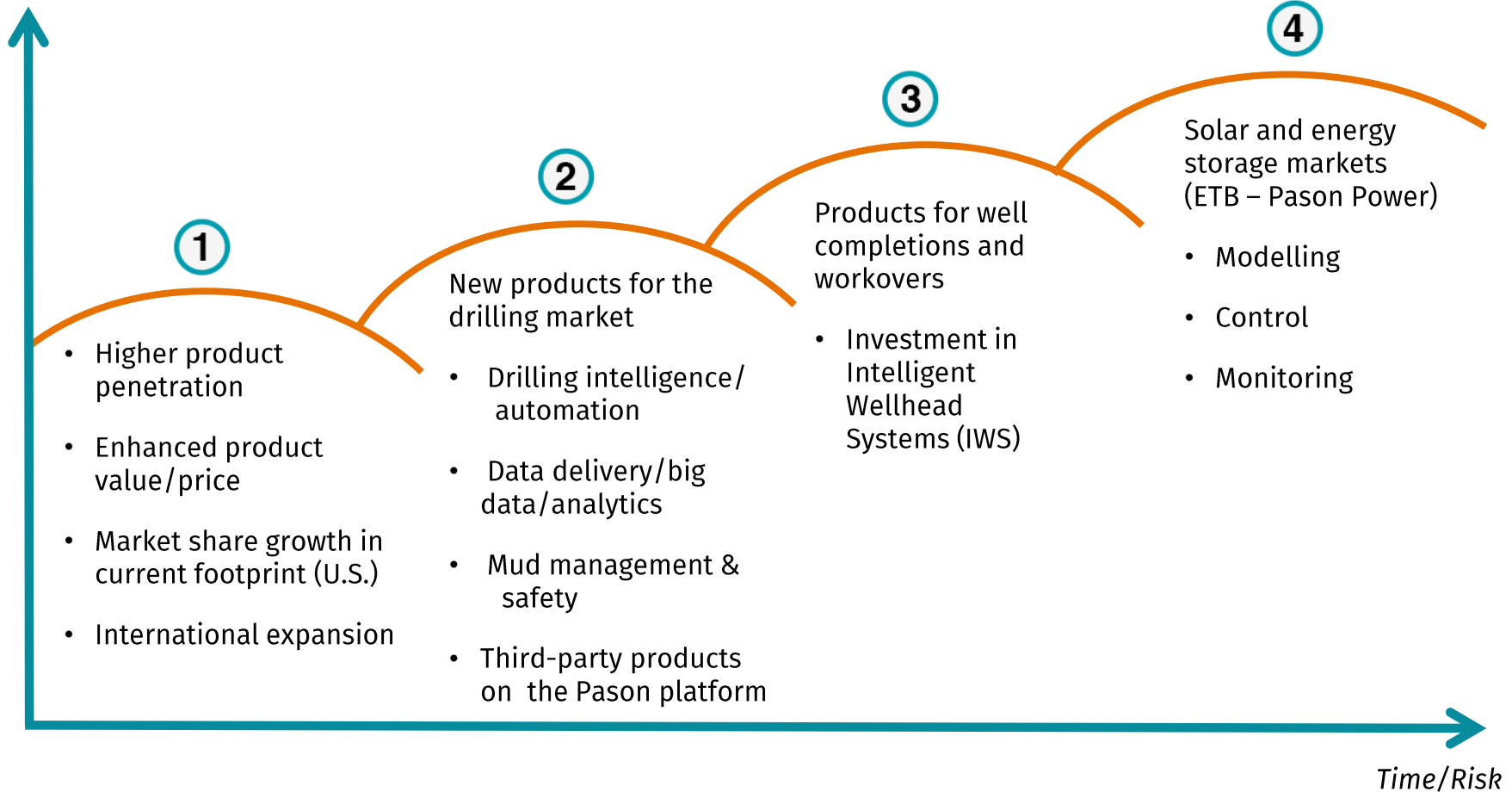


# Outlook



# Well-Positioned for Growth

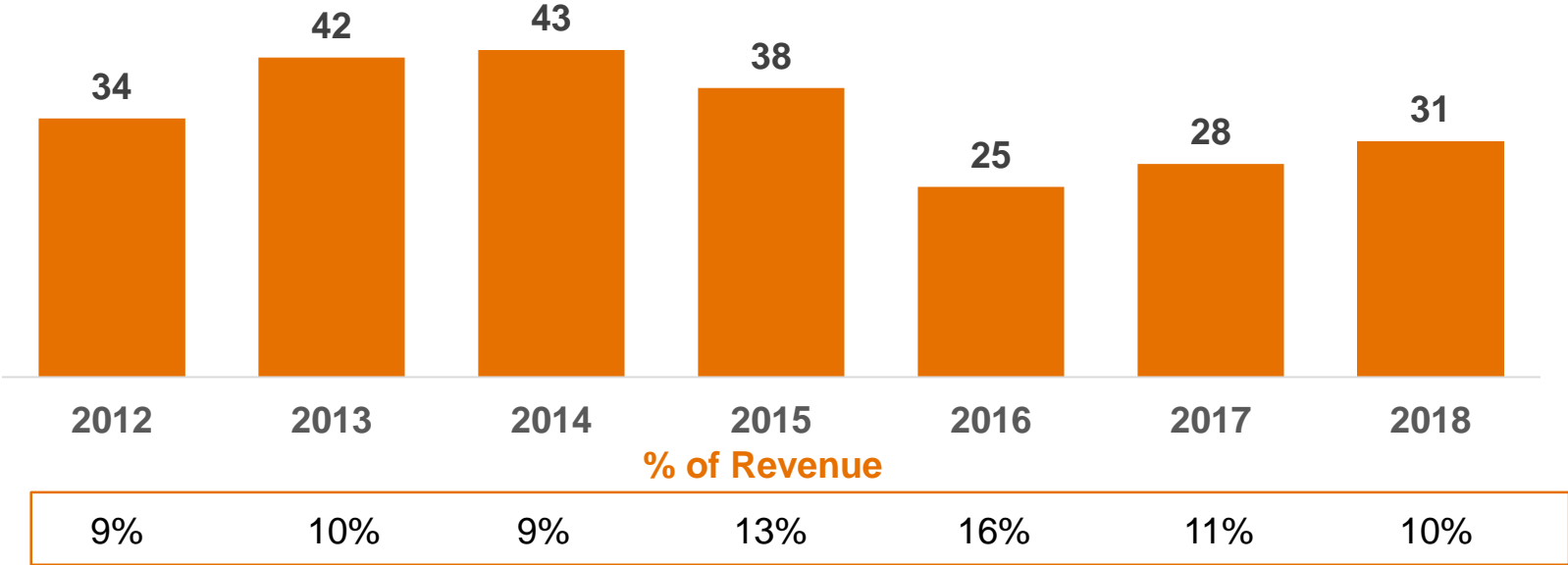
Revenue/  
Earnings



# Significant Investments in R&D and IT

## R&D and IT Spending

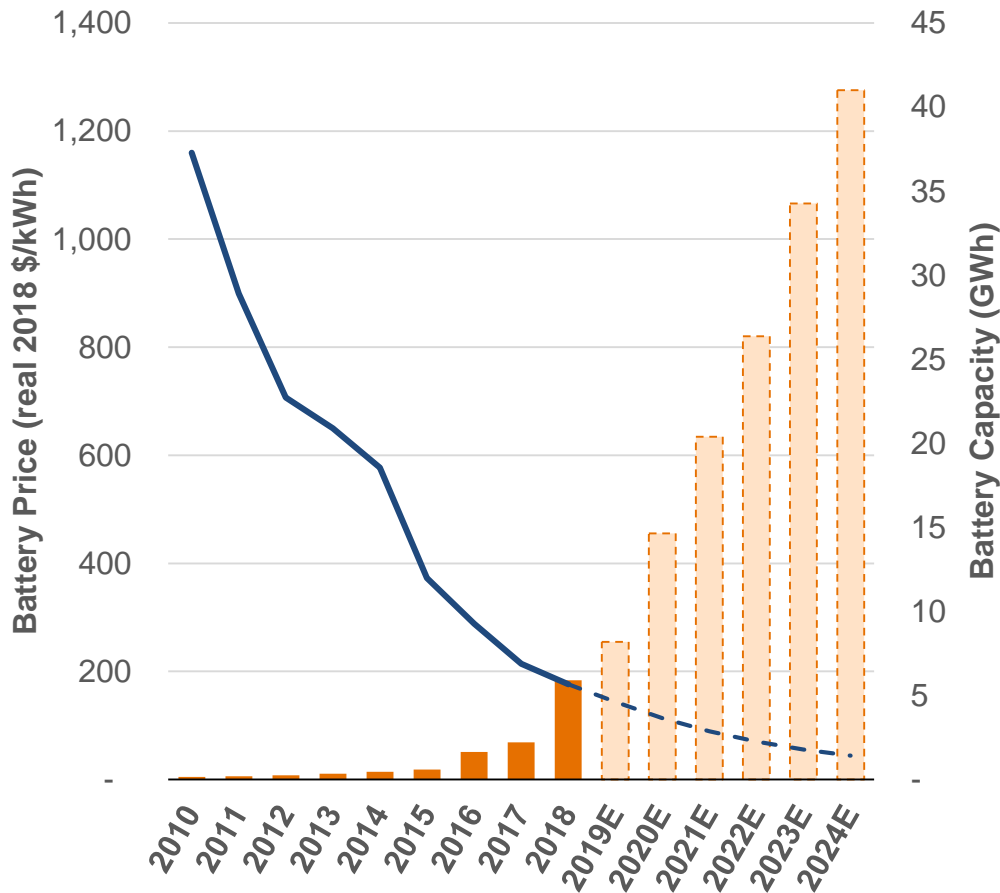
In CAD millions (includes expensed and deferred development costs)



- Portfolio of R&D initiatives balanced between:**
1. Sustaining and improving existing products vs. developing new
  2. Catering to the needs of O&G companies vs. drilling contractors
  3. Focused on needs in the field vs. in the office / in the cloud
  4. Hardware vs. software (incl. analytics and machine learning)
  5. Safe bets vs. “moonshots” (need to expect and accept failures)

# The Energy Storage Market is Poised for Exceptional Growth

**Battery Price and Installed Battery Capacity**  
GWh, \$/kWh

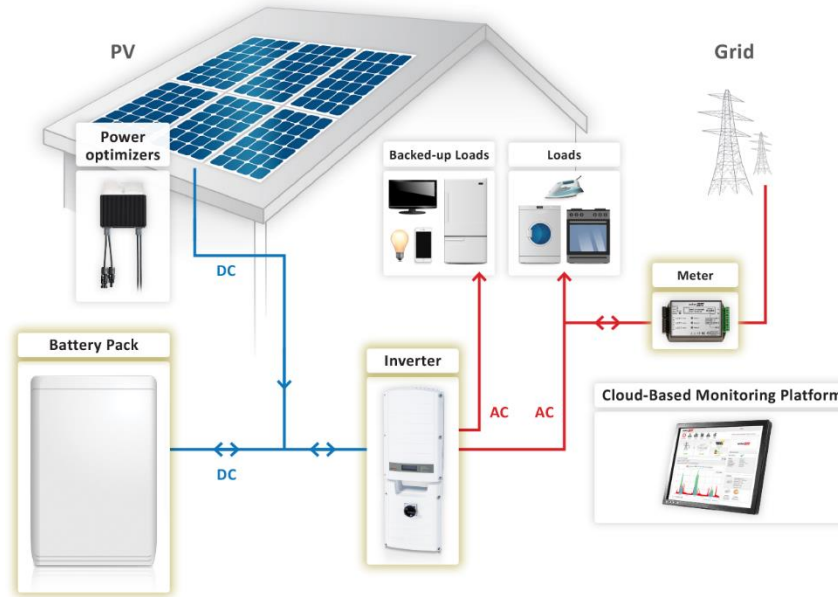







“Energy storage could even be bigger than automotive...but it will certainly be of a similar magnitude.”  
- Elon Musk, Tesla 3Q19 Earnings Call

“Energy storage systems market to hit \$500 billion by 2025.”  
- Global Market Insights, Inc.

“Simply put, accelerated rollout of energy storage has to happen, and we need to see more subsidies to make it happen faster.”  
- Bill Gates

# Energy Toolbase and Pason Power Complement each other in the “Intelligence Layer” of Energy Storage



	 Model	 Control	 Monitor
 ENERGY TOOLBASE	✓	-	-
 PASON POWER	✓	✓	✓
<b>The Future</b>	✓	✓	✓

# Appendix





# Pason's History

**1978:** Founded by Wayne Parks and Ron Mason who created the name "Pason" based on a hybrid of their last names

**Early 1990s:** Inventor Brian Taylor designed and introduced the Pit Volume Totalizer

**1994:** First EDR rental

**2006:** Entered Australia

**2014:** Entered into joint venture in Saudi Arabia

**2016:** Acquired Verdazo Analytics

**2019:** Acquired Energy Toolbase

**1980:** Acquired by Badger Drilling Ltd.

**1997:** Entered the US market and acquired Rocky Mountain Geo Engineering

**1987:** Acquired by Jim Hill (current Chairman of the Board)

**1996:** Went public at \$0.70 per share (effectively \$0.17 per share with two splits)

**2003:** Entered Latin America

**2009:** Purchased Petron Industries based in Houston

**2015:** Opened Dubai office

**2017:** Entered into DAS licensing agreement with ExxonMobil

**2019:** Invested in IWS

