



Pason Reports First Quarter 2021 Results

FOR IMMEDIATE RELEASE

CALGARY, Alberta (April 29, 2021) – Pason Systems Inc. (TSX:PSI) announced today its 2021 first quarter results. The following news release should be read in conjunction with the Company's Management Discussion and Analysis ("MD&A"), the unaudited interim condensed consolidated financial statements and related notes for the three months ended March 31, 2021, as well as the Annual Information Form for the year ended December 31, 2020. All of these documents are available on SEDAR at www.sedar.com.

Financial Highlights

Three Months Ended March 31,	2021	2020	Change
(CDN 000s, except per share data)	(\$)	(\$)	(%)
North American Revenue	34,579	63,822	(46)
International Revenue	7,064	9,249	(24)
Solar and Energy Storage Revenue	912	891	2
Total Revenue	42,555	73,962	(42)
EBITDA ⁽¹⁾	15,673	33,469	(53)
Adjusted EBITDA ⁽¹⁾	13,170	33,305	(60)
As a % of revenue	30.9	45.0	(1,410) bps
Funds flow from operations	13,730	26,722	(49)
Per share – basic	0.17	0.32	(47)
Per share – diluted	0.17	0.32	(47)
Cash from operating activities	11,085	25,593	(57)
Capital expenditures	1,849	3,088	(40)
Free cash flow ⁽¹⁾	9,176	22,935	(60)
Cash dividends declared (per share)	0.05	0.19	(74)
Net income	3,991	16,552	(76)
Net income attributable to Pason	4,315	16,919	(74)
Per share – basic	0.05	0.20	(74)
Per share – diluted	0.05	0.20	(74)

(1) Non-IFRS financial measures are defined under Non-IFRS Financial Measures in the Company's Management Discussion and Analysis.

As at	March 31, 2021	December 31, 2020	Change
(CDN 000s, except per share data)	(\$)	(\$)	(%)
Cash and cash equivalents	151,427	149,282	1
Working capital	170,765	167,366	2
Total interest bearing debt	—	—	—
Shares outstanding end of period	83,088,941	83,088,941	—

Pason's financial results for the three months ended March 31, 2021 reflect the Company's strong competitive positioning, prudent balance sheet, and operating leverage as industry conditions continued to improve from the lows experienced in 2020. In comparison to the first quarter of 2020, which reflected pre-pandemic activity levels, financial results in the first quarter of 2021 still reflect ongoing headwinds associated with the COVID-19 pandemic on the oil and gas industry.

Pason generated \$42.6 million in revenue in Q1 2021, a 42% reduction from \$74.0 million generated in the three months ended March 31, 2020. Despite the year-over-year decline in activity levels and revenue, through disciplined cost management subsequent to the cost restructuring efforts undertaken in the second quarter of 2020, Pason was able to generate \$13.2 million in Adjusted EBITDA, or 30.9% of revenue, in the first quarter of 2021 compared to \$33.3 million or 45.0% of revenue in Q1 2020.

Revenue in the North American business unit was \$34.6 million during the first quarter of 2021, a decrease of 46% from the comparable period in 2020, as average North American land rig count fell 45% during the same comparative periods. In the first quarter, Pason grew Revenue per Industry Day from the low points of the downturn as the Company's competitive position and product adoption remained strong. Year-over-year, North American Revenue per Industry Day was \$720, a decrease of 2% from the comparable period in 2020, primarily due to a strengthening Canadian dollar negatively impacting US dollar source revenue on translation as well as the geographic sales mix within North America.

The International business unit's revenue decreased by 24% in the first quarter of 2021 over the 2020 comparative period as activity levels in the Company's major international markets also experienced a significant reduction in activity, as was witnessed in North America.

Revenue generated by the Solar and Energy Storage business unit was \$0.9 million in both the first quarter of 2021 and the 2020 comparative period, for which the majority is comprised of subscription-based software licenses for the Company's solar energy planning tools.

Sequentially, Q1 2021 revenue represented an increase of 30% from \$32.8 million generated in Q4 2020 as the Company continued to defend its leading market share position in key markets with improving activity levels. Revenue in the North American business unit increased 31% compared to \$26.3 million of revenue in the fourth quarter of 2020, primarily driven by the 33% increase in North American industry days as industry fundamentals continued to improve. Similarly, the International business unit reported a 25% increase compared to revenue of \$5.7 million in the fourth quarter of 2020, which was attributable to a global increase in drilling activity, partially offset by heavy rains in Australia, which caused several rigs to temporarily suspend operations. In the quarter, the Company saw some incremental operating costs related to ongoing research and development efforts and equipment repairs to meet increased activity, but continued to see improvements in Adjusted EBITDA margin, from 25.2% in Q4 2020 to 30.9% in Q1 2021.

In the first quarter, Pason recognized \$2.9 million in government wage assistance, primarily related to the Canada Emergency Wage Subsidy (CEWS) (Q1 2020: \$nil). The Company has excluded this benefit in its calculation of Adjusted EBITDA. In April of 2021, the Government of Canada announced the extension of the CEWS program to the end of September 2021. The Company awaits further details on eligibility and measurement requirements but intends to participate through the duration of this program extension as applicable.

The Company recorded net income attributable to Pason of \$4.3 million (\$0.05 per share) in the first quarter of 2021 compared to net income attributable to Pason of \$16.9 million (\$0.20 per share) recorded in the corresponding period in 2020. The year-over-year decline is due to the factors outlined above.

Pason's balance sheet remains strong with no interest bearing debt and \$151.4 million in cash and cash equivalents as at March 31, 2021 (March 31, 2020: \$170.3 million). Pason generated \$13.7 million in funds flow from operations in the first quarter (Q1 2020: \$26.7 million), which was partially offset by investments in working capital to meet improving industry activity levels, resulting in cash generated from operating activities of \$11.1 million (Q1 2020: \$25.6 million). Year-over-year, funds flow from operations and cash from operating activities was negatively impacted by the reduction in activity levels affecting gross profit, offset by the Company receiving government wage subsidies as well as cost savings from the 2020 restructuring.

In the first quarter, Pason remained disciplined on capital expenditures, with \$1.8 million in Q1 2021 which represents a 40% reduction from \$3.1 million in the comparative 2020 period, and as a result generated \$9.2 million of Free Cash Flow (2020: \$22.9 million). The Company's first quarter results and ability to generate positive Free Cash Flow through the early stages of recovering activity levels is a reflection of the Company's operating leverage, and the decision to retain critical technology and service capabilities through the downturn to be in a position of strength with a prudent balance sheet as activity levels recovered.

President's Message

Pason's President and Chief Executive Officer Jon Faber stated:

"The context in which this quarter's message is being written could not feel more different than that of the first quarter a year ago. At this time twelve months ago, we had just come through the last quarter prior to the devastating impacts of the COVID-19 pandemic. Industry activity was falling precipitously as oil prices plummeted and traded at negative prices for the only time in history. Nobody could predict the full extent of the pandemic and how deep the reductions in drilling activity would ultimately be, nor how long they would persist."

"While a year-over-year comparison of the 2021 first quarter financial results to those of the comparative period a year ago reflect the differing realities of a pre-pandemic environment in 2020 and an ongoing pandemic in 2021, our industry continues to recover. Our financial results are improving sequentially, and our outlook is increasingly optimistic, albeit tempered with continued uncertainty around ongoing impacts from COVID-19 and the production policy decisions of the OPEC+ nations."

"North American land rig counts in the first quarter were down 45% from the prior year period but are up more than 90% from their lowest point in the summer of 2020. Pason's revenue remains highly correlated to North American land drilling activity and, as a result, consolidated first quarter revenue of \$42.6 million was down 42% from the first quarter of 2020. Adjusted EBITDA of \$13.2 million was down 60% from the prior year period, as many of our costs are fixed in nature. Continued discipline on capital expenditures and a strong focus on working capital management helped deliver free cash flow of \$9.2 million in the quarter, also down 60% from 2020 levels. Net income attributable to Pason of \$4.3 million was down 74% year-over-year."

“Through the most challenging quarters of the current downturn, we continued to invest in the required technology and service capabilities to grow our competitive position. With these capabilities in place, we have been able to generate strong incremental margins as the industry recovers. Our financial results bottomed in the third quarter of 2020, and since that time we have posted incremental Adjusted EBITDA margins of 73%.”

“Our competitive position remained strong in the first quarter. In North America, revenue per industry day of \$720 was down 2% year-over-year and was unchanged from the fourth quarter of 2020. International revenue decreased 24% from the prior year period and was up 23% sequentially as industry activity continued to improve across our major operating regions.”

“We continue to advance our efforts in the solar and energy storage market through Energy Toolbase (ETB). Our economic analysis and proposal generation software package remains a compelling tool for project developers, maintaining a strong subscriber base, and our pipeline of opportunities and bookings for new installations continues to grow for our energy storage control system. We remain focused on developing an integrated platform to enable the modeling, control, and monitoring of energy storage systems.”

“Our balance sheet remains strong. We ended the first quarter with \$151.4 million of cash and cash equivalents, and \$170.8 million of positive working capital. We are maintaining our quarterly dividend at \$0.05 per share.”

“Many leading indicators point to continued growth in North American land drilling activity. WTI oil prices, currently in the mid-\$60s, are at levels last seen in early 2019, a full year prior to the COVID-19 pandemic. US land production continues to be approximately 15% lower than pre-pandemic levels. The inventory of drilled but uncompleted wells (DUCs) continues to steadily decline from its peak in the summer of 2020 and now sits at its lowest level since late 2018. According to the International Energy Agency, oil demand is now at 95% of its pre-COVID highs.”

“Against this backdrop, industry analysts are now calling for the US land rig count to exit 2021 at approximately 500 rigs and to push toward 600 rigs in 2022. We will ensure we have the necessary people and equipment to meet the expectations of our customers as activity increases. We anticipate certain operating costs will begin to increase in the coming quarters in anticipation of future activity levels, though our incremental margins will remain strong. We continue to expect to spend up to \$15 million in capital expenditures in 2021.”

“Our product development initiatives continue to be aligned with the efforts of customers to increasingly utilize automation and analytics technologies to improve drilling performance. We remain committed to providing unmatched service quality and technology innovations, and our resolve is strengthened as the industry increasingly looks to better utilize technology in its efforts,” concluded Mr. Faber.

First Quarter Conference Call

Pason Systems Inc. (TSX: PSI) will be holding its annual general and special meeting of the shareholders on Thursday, April 29th, 2021 at 3:30 p.m. (MDT) via live audio webcast at <https://web.lumiagm.com/259295880>. Additional details on how to access and login to the meeting are provided on Pason’s website at www.pason.com.

Pason will also be conducting a conference call for interested analysts, brokers, investors, and media representatives to review its 2021 first quarter results at 9:00 a.m. (MDT) on Friday, April 30th, 2021. The

conference call dial-in number is 1-888-231-8191 or 1-647-427-7450. You can access the seven-day replay by dialing 1-855-859-2056 or 1-416-849-0833, using password 3696576.

An archived audio webcast of the conference call will also be available on Pason's website at www.pason.com.

Forward Looking Information

Certain statements contained herein constitute "forward-looking statements" and/or "forward-looking information" under applicable securities laws (collectively referred to as "forward-looking statements"). Forward-looking statements can generally be identified by the words "anticipate", "expect", "believe", "may", "could", "should", "will", "estimate", "project", "intend", "plan", "outlook", "forecast" or expressions of a similar nature suggesting a future outcome or outlook.

Without limiting the foregoing, this document includes, but is not limited to, the following forward-looking statements: the Company's growth strategy and related schedules; divergence in activity levels between the geographic regions in which we operate; demand fluctuations for our products and services; the Company's ability to increase or maintain market share; projected future value, forecast operating and financial results; planned capital expenditures; expected product performance and adoption, including the timing, growth and profitability thereof; potential dividends and dividend growth strategy; future use and development of technology; our financial ability to meet long-term commitments not included in liabilities; the collectability of accounts receivable; the application of critical accounting estimates and judgements; treatment under governmental regulatory and taxation regimes; and projected increasing shareholder value.

These forward-looking statements reflect the current views of Pason with respect to future events and operating performance as of the date of this document. They are subject to known and unknown risks, uncertainties, assumptions, and other factors that could cause actual results to be materially different from results that are expressed or implied by such forward-looking statements.

Although we believe that these forward-looking statements are reasonable based on the information available on the date such statements are made and processes used to prepare the information, such statements are not guarantees of future performance and readers are cautioned against placing undue reliance on forward-looking statements. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties and other factors, which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such risks and uncertainties include, but are not limited to: the state of the economy; volatility in industry activity levels and resulting customer expenditures on exploration and production activities; customer demand for existing and new products; the industry shift towards more efficient drilling activity and technology to assist in that efficiency; the impact of competition; the loss of key customers; the loss of key personnel; cybersecurity risks; reliance on proprietary technology and ability to protect the Company's proprietary technologies; changes to government regulations (including those related to safety, environmental, or taxation); the impact of extreme weather events and seasonality on our suppliers and on customer operations; and war, terrorism, pandemics, social or political unrest that disrupts global markets.

These risks, uncertainties and assumptions include but are not limited to those discussed in Pason's Annual Information Form under the heading, "Risk and Uncertainty", in our management's discussion and analysis

for the year ended December 31, 2020 and in our other filings with Canadian securities regulators. These documents are on file with the Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or through Pason's website (www.pason.com).

Forward-looking statements contained in this document are expressly qualified by this cautionary statement. Except to the extent required by applicable law, Pason assumes no obligation to publicly update or revise any forward-looking statements made in this document or otherwise, whether as a result of new information, future events or otherwise.

Pason Systems Inc.

Pason Systems Inc. is a leading global provider of specialized data management systems for drilling rigs. Our solutions, which include data acquisition, wellsite reporting, remote communications, web-based information management, and analytics, enable collaboration between the rig and the office. Through Energy Toolbase (ETB), the Company also provides products and services for the solar power and energy storage industry. ETB's solutions enable solar and energy storage developers to model, control and measure economics and performance of solar energy and storage projects. Pason's common shares trade on the Toronto Stock Exchange under the symbol PSI.

For more information about Pason Systems Inc., visit the company's website at www.pason.com or contact investorrelations@pason.com.

Jon Faber
President and Chief Executive Officer
403-301-3400

Celine Boston
Chief Financial Officer
403-301-3400

Additional information on risks and uncertainties and other factors that could affect Pason's operations or financial results are included in Pason's reports on file with the Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or through Pason's website (www.pason.com).