



## Pason Reports Third Quarter 2021 Results and Declares Quarterly Dividend

FOR IMMEDIATE RELEASE

**CALGARY, Alberta (November 3, 2021)** – Pason Systems Inc. (“Pason” or the “Company”) (TSX:PSI) announced today its 2021 third quarter results and the declaration of a quarterly dividend. 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 and nine months ended September 30, 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](http://www.sedar.com).

### Financial Highlights

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Change	2021	2020	Change
(CDN 000s, except per share data)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
North American Revenue	<b>46,106</b>	18,280	152	<b>115,613</b>	105,061	10
International Revenue	<b>10,434</b>	3,878	169	<b>25,307</b>	16,165	57
Solar and Energy Storage Revenue	<b>1,165</b>	910	28	<b>2,933</b>	2,652	11
Total Revenue	<b>57,705</b>	23,068	150	<b>143,853</b>	123,878	16
EBITDA <sup>(1)</sup>	<b>24,870</b>	2,348	959	<b>55,527</b>	40,088	39
Adjusted EBITDA <sup>(1)</sup>	<b>22,356</b>	(1,118)	nmf	<b>48,312</b>	31,339	54
As a % of revenue	<b>38.7</b>	nmf	nmf	<b>33.6</b>	25.3	830 bps
Funds flow from operations	<b>19,983</b>	4,765	319	<b>48,375</b>	31,621	53
Per share – basic	<b>0.24</b>	0.06	326	<b>0.59</b>	0.38	57
Per share – diluted	<b>0.24</b>	0.06	326	<b>0.59</b>	0.38	57
Cash from operating activities	<b>17,074</b>	5,754	197	<b>38,000</b>	61,300	(38)
Capital expenditures	<b>1,205</b>	807	49	<b>7,574</b>	4,694	61
Free cash flow <sup>(1)</sup>	<b>16,261</b>	4,141	293	<b>31,121</b>	56,964	(45)
Cash dividends declared (per share)	<b>0.05</b>	0.05	—	<b>0.15</b>	0.43	(65)
Net income (loss)	<b>12,775</b>	(3,957)	nmf	<b>21,646</b>	7,796	178
Net income (loss) attributable to Pason	<b>13,074</b>	(3,698)	nmf	<b>22,696</b>	8,734	160
Per share – basic	<b>0.16</b>	(0.04)	nmf	<b>0.27</b>	0.10	162
Per share – diluted	<b>0.16</b>	(0.04)	nmf	<b>0.27</b>	0.10	162

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

<b>As at</b>	<b>September 30, 2021</b>	December 31, 2020	Change
(CDN 000s)	(\$)	(\$)	(%)
Cash and cash equivalents	<b>147,080</b>	149,282	(1)
Working capital	<b>179,675</b>	167,366	7
Total interest bearing debt	—	—	—
Shares outstanding end of period	<b>82,415,162</b>	83,088,941	(1)

Pason's financial results for the three months ended September 30, 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 third quarter of 2020, which reflected historically low activity levels due to the impacts of the COVID-19 pandemic, financial results in the third quarter of 2021 have improved significantly.

Pason generated \$57.7 million in revenue in the third quarter of 2021, which represents a 150% increase from the \$23.1 million generated in the third quarter of 2020 as drilling activity improved significantly in Pason's operating regions. With this increase in revenue, Pason generated \$22.4 million in Adjusted EBITDA, or 38.7% of revenue in the third quarter of 2021, compared to a \$1.1 million loss in the third quarter of 2020. While the Company incurred certain incremental expenses to support increased activity levels, such as equipment repairs, research and development costs and compensation expenses, third quarter results continue to demonstrate the Company's strong operating leverage through improved industry conditions. The Company recorded net income attributable to Pason of \$13.1 million (\$0.16 per share) in the third quarter of 2021 compared to a net loss attributable to Pason of \$3.7 million (\$0.04 per share) recorded in the corresponding period in 2020. The year over year increase is primarily due to the improved operating results as outlined above.

Industry conditions in North America continued to improve in the third quarter of 2021, with a 124% increase in industry activity compared to the pandemic lows experienced in the comparative prior year period. Outpacing the improvement in industry activity, the North American business unit generated \$46.1 million of revenue in the third quarter of 2021, a 152% increase from \$18.3 million in the comparative period of 2020. Revenue per Industry day was \$765 in Q3 2021, an increase of 15% from the comparable period in 2020 and a record level for the Company. The year over year increase is due to increased market share and also reflects the very challenging pricing environment experienced in the third quarter of 2020.

The International business unit generated \$10.4 million of revenue in the third quarter of 2021 compared to \$3.9 million in the comparative period of 2020. The year over year increase is due to increased industry activity in the international markets that the company serves, and higher levels of revenue generated per drilling day with improved product adoption. Further, in the third quarter of 2021, the Company recognized a \$0.6 million increase to revenue relating to a contractual foreign exchange and inflationary related adjustment clause with one of its major customers.

Revenue generated by the Solar and Energy Storage business unit was \$1.2 million, an increase of 28% from the comparative period in 2020 and represented the highest quarterly revenue level generated for the reporting segment. While this revenue continued to be primarily comprised of subscription-based software licenses for the Company's solar energy planning tools, sales of control systems and related hardware contributed to the increase in revenue.

In the third quarter, Pason recognized \$2.2 million in government wage assistance, primarily related to the Canada Emergency Wage Subsidy ("CEWS") (Q3 2020: \$3.3 million). The Company has excluded this benefit in its calculation of Adjusted EBITDA.

Pason's balance sheet remains strong with no interest bearing debt and \$147.1 million in cash and cash equivalents as at September 30, 2021, compared to \$135.0 million as at June 30, 2021, and \$149.3 million as at December 31, 2020. During the third quarter of 2021, Pason generated \$17.1 million in net cash from operating activities (Q3 2020: \$5.8 million) as the Company's operating results improved and while the Company managed investments in working capital to meet increased revenue levels.

Pason remains disciplined on capital spending and during the third quarter of 2021, incurred \$1.2 million of capital expenditures which represents rental equipment additions to meet activity levels, partially offset by the recognition of income tax credits for eligible development costs. Resulting Free Cash Flow generated in Q3 2021 was \$16.3 million compared to \$4.1 million generated in the third quarter of 2020.

Pason's results to date in 2021 continue to reinforce the decision to retain critical technology and service capabilities through the downturn, putting the Company in a position of strength with a prudent balance sheet and significant operating leverage as activity levels recover.

## **President's Message**

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

"What a difference a year makes. A year ago, North American land drilling activity troughed at the lowest level in Pason's history as the world grappled with the effects of the COVID-19 pandemic. Since that time, industry activity has shown continued signs of recovery each quarter. As a result, industry activity in the third quarter of 2021 was 124% higher than the low point marked in the same quarter of 2020. As we navigated those challenging quarters, we maintained our conviction that making the necessary investments to defend and grow our service and technology advantages would position the Company to outperform as the industry recovered."

"Pason's third quarter 2021 results reflect the positive impacts of both the improved industry environment in which we operate and our strengthened competitive position."

"Consolidated revenue of \$57.7 million represented an increase of 150% from the third quarter of 2020. Our ability to outpace the underlying growth in North American land drilling activity was primarily a function of a 15% increase in Revenue per Industry Day in North America and significant growth from our International operations. Our growth in Revenue per Industry Day continues to be driven by market share gains, strong product adoption and a more favourable pricing environment."

"Adjusted EBITDA of \$22.4 million in the third quarter increased by \$23.5 million from a loss of \$1.1 million in the prior year period. In our second quarter 2021 report, we noted that we anticipated that certain operating cost categories, notably product repairs and staffing, would increase as we continued to scale our operations to meet growing industry activity and also as a result of higher prevailing rates of inflation. These increases, coupled with strategic decisions to make additional investments in research and development, will continue to put some pressure on incremental margins, at least in the short term, but will position Pason to fully participate in improving industry conditions."

"Free cash flow increased by 293% from the third quarter of 2020, to \$16.3 million and net income attributable to Pason of \$13.1 million (\$0.16 per share) compared to a \$3.7 million loss (\$0.04 per share) in the prior year period."

"During the third quarter of 2021 Energy Toolbase ("ETB"), our subsidiary in solar and energy storage markets, posted a 28% increase in revenue from the corresponding quarter of 2020 as bookings from the

sale of control systems and associated hardware are now beginning to translate into revenue and add to the base provided by subscription-based licenses for the company's economic modeling and proposal generation software.”

“We continue to balance three priorities in our approach to capital allocation: ensuring continued growth in our drilling-related business, establishing additional sources of revenue not directly tied to North American land drilling for longer term growth, and maintaining a disciplined return of capital to shareholders. Capital expenditures in the third quarter totaled \$1.2 million. While we continue to expect to spend up to \$15 million in capital expenditures in 2021 before returning toward a more sustainable level of capital expenditures of approximately \$25 million in 2022, the timing of capital expenditures will be heavily influenced by the ongoing global supply chain challenges. We will continue to make investments to ensure the success of ETB, as well as Intelligent Wellhead Systems, an early-stage company in which Pason holds a minority interest and which is focused on the completions segment of the oil and gas industry. Consistent with the second quarter, we returned \$7.1 million to shareholders through a combination of dividends and share repurchases in the third quarter and we are maintaining our quarterly dividend at \$0.05 per share.”

“Our balance sheet remains strong, allowing us to both withstand the inevitable volatility of land drilling activity and make growth-related investments. We ended the third quarter with \$147 million in cash and cash equivalents and \$180 million in positive working capital.”

“The prospects for continued growth in industry activity remain strong over the medium term. Global demand for oil has nearly recovered to pre-pandemic levels, yet most supply sources continue to significantly lag. US land production remains approximately 10% below 2019 levels, and the total US inventory of crude and refined products is at a level last witnessed in early 2015. The current inventory of drilled but uncompleted wells (“DUCs”) in the US is now near its minimum sustainable level in the view of industry observers. WTI oil prices recently traded above US\$85 per barrel for the first time in seven years. While the prospects of supply increases from OPEC+ nations and a potential nuclear pact between the US and Iran weigh on oil markets, oil traders continue to expect prices to trade higher for longer. As oil and gas producers build their 2022 capital plans, there may be the opportunity for them to increase spending, while maintaining discipline to operate within cash flow and return capital to shareholders. That said, growth in short term industry activity may be muted as the industry contends with the challenges of labour availability and supply chain shortages.”

“Against this backdrop, Pason is poised to further strengthen our position. Our product and service offerings remain squarely aligned with the increased efforts of customers to more fully utilize technology to increase operational performance and are supported by our unmatched service quality.” concluded Mr. Faber.

## **Quarterly Dividend**

Pason announced today that the Board of Directors have declared a quarterly dividend of five cents (C\$0.05) per share on the Company's common shares. The dividend will be paid on December 31, 2021, to shareholders of record at the close of business on December 15, 2021.

## **Third Quarter Conference Call**

Pason will be conducting a conference call for interested analysts, brokers, investors, and media representatives to review its 2021 third quarter results at 9:00 a.m. (MDT) on Thursday, November 4th, 2021. The conference call dial-in number is 1-888-664-6383 or 1-416-764-8650. You can access the fourteen-day replay by dialing 1-888-390-0541 or 1-416-764-8677, using password 946301#.

An archived audio webcast of the conference call will also be available on Pason's website at [www.pason.com](http://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](http://www.sedar.com)) or through Pason's website ([www.pason.com](http://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](http://www.pason.com) or contact [investorrelations@pason.com](mailto: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](http://www.sedar.com)) or through Pason’s website ([www.pason.com](http://www.pason.com)).*