



## Pason Reports Third Quarter 2022 Results and Declares Increased Quarterly Dividend

FOR IMMEDIATE RELEASE

**CALGARY, Alberta (November 2, 2022)** – Pason Systems Inc. ("Pason" or the "Company") (TSX:PSI) announced today its 2022 third quarter results and the declaration of an increased 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, 2022, as well as the Annual Information Form for the year ended December 31, 2021. 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,		
	2022	2021	Change	2022	2021	Change
(CDN 000s, except per share data)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
North American Revenue	<b>75,245</b>	46,106	63	<b>196,882</b>	115,613	70
International Revenue	<b>15,829</b>	10,434	52	<b>38,831</b>	25,307	53
Solar and Energy Storage Revenue	<b>1,428</b>	1,165	23	<b>4,865</b>	2,933	66
Total Revenue	<b>92,502</b>	57,705	60	<b>240,578</b>	143,853	67
EBITDA <sup>(1)</sup>	<b>50,659</b>	24,870	104	<b>117,018</b>	55,527	111
Adjusted EBITDA <sup>(1)</sup>	<b>46,231</b>	22,356	107	<b>110,566</b>	48,312	129
As a % of revenue	<b>50.0</b>	38.7	1,130 bps	<b>46.0</b>	33.6	1,240 bps
Funds flow from operations	<b>35,968</b>	19,983	80	<b>88,914</b>	48,375	84
Per share – basic	<b>0.44</b>	0.24	82	<b>1.08</b>	0.59	85
Per share – diluted	<b>0.43</b>	0.24	82	<b>1.07</b>	0.59	85
Cash from operating activities	<b>30,743</b>	17,074	80	<b>84,472</b>	38,000	122
Capital expenditures <sup>(2)</sup>	<b>6,915</b>	1,205	474	<b>18,106</b>	7,574	139
Free cash flow <sup>(1)</sup>	<b>24,047</b>	16,261	48	<b>66,764</b>	31,121	115
Cash dividends declared (per share)	<b>0.08</b>	0.05	60	<b>0.24</b>	0.15	60
Net income	<b>33,739</b>	12,775	164	<b>69,732</b>	21,646	222
Net income attributable to Pason	<b>34,246</b>	13,074	162	<b>71,359</b>	22,696	214
Per share – basic	<b>0.42</b>	0.16	163	<b>0.87</b>	0.27	222
Per share – diluted	<b>0.41</b>	0.16	163	<b>0.86</b>	0.27	222

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

(2) Includes additions to property plant, and equipment and development costs from Pason's Condensed Consolidated Interim Statement of Cash Flows

As at	September 30, 2022	December 31, 2021	Change
(CDN 000s)	(\$)	(\$)	(%)
Cash and cash equivalents	<b>206,027</b>	158,283	30
Working capital	<b>226,343</b>	184,083	23
Total interest bearing debt	—	—	—
Shares outstanding end of period (#)	<b>81,758,607</b>	82,194,051	(1)

Pason's financial results for the three and nine months ended September 30, 2022, reflect improved industry conditions, increasing demand for the Company's products and technologies, strong competitive positioning and operating leverage. Financial results have improved significantly compared to the comparative periods in 2021. Pason generated \$92.5 million in revenue in the third quarter of 2022, representing a 60% increase from the \$57.7 million generated in the third quarter of 2021 as drilling activity in Pason's operating regions continued to improve. With this increase in revenue, Pason generated \$46.2 million in Adjusted EBITDA, or 50.0% of revenue in the third quarter of 2022, compared to \$22.4 million in the third quarter of 2021, or 38.7% of revenue. While the Company incurred incremental expenses to support increased activity levels, and further faced inflationary effects on certain operating costs, third quarter results continue to demonstrate the Company's strong operating leverage through improved industry conditions. As a result, the Company generated net income attributable to Pason of \$34.2 million (\$0.42 per share) in the third quarter of 2022 compared to net income attributable to Pason of \$13.1 million (\$0.16 per share) in the corresponding period of 2021.

Industry conditions in North America continued to steadily improve in the third quarter of 2022, with a 49% increase in industry activity compared to the comparative period in 2021. For the fifth consecutive quarter, the North American business unit outpaced the improvement in industry activity, generating \$75.2 million of revenue in the third quarter of 2022, a 63% increase from \$46.1 million in the comparative period of 2021. Revenue per Industry Day of \$871 in Q3 2022 was a new quarterly record for the Company and a 14% increase from the comparable period in 2021. The year over year increase was driven by the strengthening US dollar relative to the Canadian dollar, and also represents strong product adoption and improved pricing for the Company's products and technologies. North American segment gross profit was \$49.0 million during the third quarter of 2022 compared to \$24.8 million in the comparative period of 2021, demonstrating strong operating leverage with improving activity levels.

The International business unit generated \$15.8 million of revenue in the third quarter of 2022 compared to \$10.4 million in the comparative period of 2021. The year over year increase of 52% 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. The International business unit also benefited from a stronger US dollar in the quarter. For the three months ended September 30, 2022, International segment gross profit was \$7.8 million during the third quarter of 2022 compared to \$5.0 million in the 2021 comparative period.

Revenue generated by the Solar and Energy Storage business unit was \$1.4 million, an increase of 23% from the comparative period in 2021. The increase in revenue is primarily due to increased sales of the Company's subscription based software licenses. Segment gross loss for the third quarter of 2022 of \$1.0 million reflects investments made for future growth, compared to a \$0.4 million segment gross loss in the comparable period in 2021.

Sequentially, Q3 2022 revenue of \$92.5 million increased 26% from the \$73.6 million generated in Q2 2022 as Canadian drilling activity resumed from the spring break-up lows seen in the second quarter, and Pason also saw continued activity level growth in other end markets. Similarly, Adjusted EBITDA was \$46.2 million in the third quarter of 2022 compared to \$31.0 million in the second quarter of 2022. The sequential Adjusted EBITDA increase reflects the Company's primarily fixed cost structure and strong operating leverage. The Company recorded net income attributable to Pason in the third quarter of 2022 of \$34.2 million (\$0.42 per share) compared to net income attributable to Pason of \$18.5 million (\$0.23 per share) in the second quarter of 2022. The increase in net income attributable to Pason is driven by the improvement in operating results.

For the nine month period ended September 30, 2022, Pason generated \$240.6 million of revenue, a 67% increase from \$143.9 million recorded in the corresponding 2021 period. Adjusted EBITDA for the nine months ended September 30, 2022 was \$110.6 million or 46.0% of revenue, compared to \$48.3 million, or 33.6% of revenue in the first nine months of 2021. Net income attributable to Pason in the nine months ended September 30, 2022 was \$71.4 million (\$0.87 per share), up from \$22.7 million (\$0.27 per share) in the comparative 2021 period. A comparison of year to date results reflects improved industry conditions, higher levels of revenue generated per operating day, the effects of a strengthening US dollar, and strong operating leverage.

Pason's balance sheet remains strong, with no interest bearing debt and \$206.0 million in cash and cash equivalents as at September 30, 2022, compared to \$158.3 million at December 31, 2021. During the third quarter of 2022, Pason generated \$30.7 million in net cash from operating activities (Q3 2021: \$17.1 million) as the Company's operating results improved and the Company managed required investments in working capital while revenue levels grew.

During the third quarter of 2022, Pason incurred \$6.9 million of capital expenditures, representing net additions to rental equipment to meet activity levels, investments associated with the ongoing refresh of the Company's fleet and technology platform, and also an element of catch up from lower capital expenditure levels throughout 2020 and 2021. Resulting Free Cash Flow generated in Q3 2022 was \$24.0 million compared to \$16.3 million generated in the third quarter of 2021. In the third quarter of 2022, Pason returned \$11.7 million to shareholders, through the Company's quarterly dividend for \$6.6 million and \$5.1 million in share repurchases.

## President's Message

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

"Pason delivered exceptional operational and financial results in the third quarter of 2022. Consolidated quarterly revenue of \$92.5 million represented the highest quarterly revenue since the first quarter of 2015, and quarterly Adjusted EBITDA of \$46.2 million was the highest since the fourth quarter of 2014."

"North American rig counts in the quarter were similar to those in the first quarter of 2020, the last period prior to the onset of the COVID-19 pandemic, while revenue and Adjusted EBITDA were 25% and 39% higher, respectively, compared to the first quarter of 2020. Since bottoming during the most extreme depths of the pandemic in the third quarter of 2020, quarterly revenue has increased by \$69.4 million and we generated \$0.68 of Adjusted EBITDA from every additional dollar of revenue generated."

"Our third quarter results speak to the continued strength of our competitive position and our leading technology and service offering. The 60% increase in consolidated revenue significantly outpaced a 49% increase in underlying North American land drilling activity. Adjusted EBITDA margins of 50% reflect both the significant operating leverage in our business and the effects of a strengthening US dollar."

Pason generated Revenue per Industry Day of \$871 in the third quarter, a new quarterly record for the Company and a 14% year-over-year increase from the third quarter of 2021. We maintain a leading market position, coupled with strong product adoption and improved pricing for the Company's products and technologies. Revenue per Industry Day also benefited from the strengthening US dollar in the quarter.

"Our International Business Unit posted a 52% year-over-year increase in revenue to \$15.8 million and generated \$7.8 million in segment gross profit. Our Solar and Energy Storage segment recorded \$1.4 million in revenue, up 23% compared to the third quarter of 2021. Sequentially, revenue for this segment

decreased due to the timing of the commissioning of control system projects and associated revenue recognition, while subscription revenue for our economic modeling software increased in the quarter."

"Free cash flow for the third quarter totaled \$24.0 million, up 48% from the same quarter of 2021. We maintain a balance sheet that allows us to both withstand the inevitable volatility of North American land drilling and to make growth-related investments. At the end of the third quarter, we had \$206.0 million in cash and cash equivalents and \$226.3 million of positive working capital."

"Our capital allocation priorities remain unchanged. We are investing in capital expenditures and working capital that allow us to generate continued growth and profitability within our core drilling-related business while navigating the ongoing challenges of supply chain uncertainties. We are pursuing additional revenue growth not directly tied to North American land drilling through Energy Toolbase (ETB), which focuses on the solar and energy storage market, and our minority investment in Intelligent Wellhead Systems (IWS), which participates in the oil and gas completions market. We are committed to returning capital to our shareholders through our regular quarterly dividend and share repurchases."

"In the third quarter, we recorded \$6.9 million in capital expenditures, bringing our total capital expenditures for the first nine months of the year to \$18.1 million. We continue to expect 2022 capital expenditures to total approximately \$30 million, which would imply significantly higher sequential capital expenditures in the fourth quarter provided expected equipment delivery timelines are met. Customer demands and requirements for data continue to increase and evolve in order to enable their automation and analytics technology initiatives. We see opportunities to renew and extend the capabilities of important parts of our hosting platform to maintain our leading market position and reinforce the foundation for future product development and continued revenue growth. As such, we currently expect to spend approximately \$45 million in capital expenditures in 2023 and anticipate capital expenditures to remain at this level for a couple of years before beginning to trend lower. While this level of capital expenditures is higher than we have incurred since 2015, as a rental business we have redeployed idled assets through a series of industry downturns. Further, over the past two years, maintenance capital spending on operational equipment such as trucks has been delayed by acute supply chain shortages. Our capital intensity remains lower than the Company's historical annual capital expenditures."

"When we took the extraordinary measure of significantly reducing our dividend in the third quarter of 2020, we communicated our intention to establish a more flexible approach to capital allocation. This included establishing the regular dividend at a lower percentage of free cash flow than prior to the pandemic and an increased use of share repurchases to return capital to shareholders. We continue to favour flexibility in our capital allocation. As we consider the impressive free cash flow generation capabilities of our business, we are able to meaningfully increase the fixed amount of returns to shareholders through the regular dividend while preserving our ability to adjust total shareholder returns over time through share repurchases. As a result, we are increasing our regular quarterly dividend from \$0.08 per share to \$0.12 per share. At our current share count, the proforma aggregate annual dividends of \$39.2 million compares to free cash flow of \$90.8 million over the trailing twelve month period. While the board will continue to regularly consider the appropriate level of regular dividend payments, following this increase, we expect potential future increases to the regular dividend to be more modest over time. In the third quarter, we also returned \$5.1 million to shareholders through share repurchases."

"As we look ahead to the end of this year and into 2023, macroeconomic conditions continue to become challenging, with central banks moving more aggressively to address high prevailing levels of inflation by significantly raising interest rates. There are growing concerns around economic recession and questions

around the potential impact on global oil demand. At the same time, the world is wrestling with a global energy crisis with significant shortages and elevated prices in many countries, with concerns becoming more heightened as cold winter weather approaches in the Northern Hemisphere. Geopolitical instability has placed an increased focus and attention on where commodities are sourced. WTI oil prices have retreated to approximately US\$85 per barrel. We expect that these factors will continue to result in volatility in the financial trading in oil commodities in the near-term, however, supply and demand fundamentals for the physical commodity remain constructive."

"US storage of crude oil and petroleum products, including the Strategic Petroleum Reserve ("SPR"), are at levels last seen in 2005. US land production remains approximately 8% below pre-pandemic levels. The inventory of drilled but uncompleted wells ("DUCs") in the US has decreased for 27 consecutive months, though the pace of decline has slowed, suggesting the DUC inventory may be plateauing at a minimum level. There is a finite limit to how much supply can come from drawing down on storage and uncompleted well inventories; meeting continuing global demand for oil will require new drilling. As a result, we continue to expect land drilling activity to steadily grow over the coming quarters, albeit at a more modest pace than witnessed over the past two years, owing in part to the potential demand impacts from economic recession, as well as continued challenges around labour availability and tightening availability of high spec rigs."

"Pason is well equipped to provide the drilling data and technologies that are being used by companies in their automation and analytics efforts as they seek to develop energy resources in a profitable and responsible manner" concluded Mr. Faber.

## Quarterly Dividend

Pason announced today that the Board of Directors have declared a quarterly dividend of twelve cents (C\$0.12) per share on the company's common shares. The dividend will be paid on December 30, 2022, to shareholders of record at the close of business on December 15, 2022.

## Third Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors, and media representatives to review its 2022 third quarter results at 9:00 a.m. (MDT) on Thursday, November 3, 2022. The conference call dial-in numbers are 1-888-664-6383 or 1-416-764-8650, and the call will be simultaneously audio webcast via: [www.pason.com/webcast](http://www.pason.com/webcast). You can access the fourteen-day replay by dialing 1-888-390-0541 or 1-416-764-8677, using password 656202#.

An archived audio webcast of the conference call will also be available on Pason's website at [www.pason.com/investors](http://www.pason.com/investors).

## 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 for the year ended December 31, 2021 under the heading, "Risk and Uncertainty," in our management's discussion and analysis for the year ended December 31, 2021, 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 our subsidiary, Energy Toolbase (ETB), we provide products and services for the solar power and energy storage industry. ETB's solutions enable project developers to model, control and monitor 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).

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*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)).*