



## Pason Reports Second Quarter 2023 Results and Declares Quarterly Dividend

FOR IMMEDIATE RELEASE

**CALGARY, Alberta (August 10, 2023)** – Pason Systems Inc. ("Pason" or the "Company") (TSX:PSI) announced today its 2023 second 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 six months ended June 30, 2023, as well as the Annual Information Form for the year ended December 31, 2022. All of these documents are available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Financial Highlights

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
(CDN 000s, except per share data)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
North American Revenue	<b>67,318</b>	59,637	13	<b>147,093</b>	121,637	21
International Revenue	<b>14,980</b>	12,311	22	<b>30,570</b>	23,002	33
Solar and Energy Storage Revenue	<b>2,393</b>	1,660	44	<b>5,257</b>	3,437	53
Total Revenue	<b>84,691</b>	73,608	15	<b>182,920</b>	148,076	24
EBITDA <sup>(1)</sup>	<b>37,822</b>	31,673	19	<b>89,577</b>	66,359	35
Adjusted EBITDA <sup>(1)</sup>	<b>37,887</b>	30,962	22	<b>90,297</b>	64,335	40
As a % of revenue	<b>44.7</b>	42.1	260 bps	<b>49.4</b>	43.4	600 bps
Funds flow from operations	<b>33,111</b>	27,242	22	<b>76,784</b>	52,946	45
Per share – basic	<b>0.41</b>	0.33	24	<b>0.95</b>	0.64	47
Per share – diluted	<b>0.41</b>	0.33	24	<b>0.95</b>	0.64	47
Cash from operating activities	<b>29,658</b>	25,679	15	<b>75,923</b>	53,729	41
Net capital expenditures <sup>(2)</sup>	<b>11,670</b>	6,544	78	<b>23,225</b>	11,012	111
Free cash flow <sup>(1)</sup>	<b>17,988</b>	19,135	(6)	<b>52,698</b>	42,717	23
Cash dividends declared (per share)	<b>0.12</b>	0.08	50	<b>0.24</b>	0.16	50
Net income	<b>24,962</b>	17,992	39	<b>60,416</b>	35,993	68
Net income attributable to Pason	<b>25,470</b>	18,540	37	<b>61,312</b>	37,113	65
Per share – basic	<b>0.32</b>	0.23	40	<b>0.76</b>	0.45	68
Per share – diluted	<b>0.32</b>	0.22	41	<b>0.76</b>	0.45	68

(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, net of proceeds from Pason's Condensed Consolidated Interim Statement of Cash Flows

As at	June 30, 2023	December 31, 2022	Change
(CDN 000s)	(\$)	(\$)	(%)
Cash and cash equivalents	<b>134,721</b>	132,057	2
Short-term investments	<b>39,860</b>	40,377	(1)
Total Cash <sup>(1)</sup>	<b>174,581</b>	172,434	1
Working capital	<b>213,714</b>	213,899	nmf
Total interest bearing debt	—	—	—
Shares outstanding end of period (#)	<b>80,207,268</b>	81,526,954	(2)

(1) Total Cash is defined as total cash and cash equivalents and short-term investments from Pason's Condensed Consolidated Interim Balance Sheets

Pason's financial results for the three and six months ended June 30, 2023, reflect the Company's strong competitive positioning, prudent balance sheet, and continued ability to outpace underlying industry activity.

Pason generated \$84.7 million in revenue in the second quarter of 2023, representing a 15% increase from \$73.6 million generated in the second quarter of 2022. With this increase in revenue, Pason generated \$37.9 million in Adjusted EBITDA, or 44.7% of revenue in the second quarter of 2023, compared to \$31.0 million in the second quarter of 2022, or 42.1% of revenue. While the Company saw slight reductions in industry activity in certain end markets, second quarter results continue to demonstrate the Company's ability to increase levels of revenue generated per day over its mostly fixed cost base. The resulting net income attributable to Pason was \$25.5 million (\$0.32 per share) in the second quarter of 2023 compared to net income attributable to Pason of \$18.5 million (\$0.23 per share) in the corresponding period of 2022.

Industry activity levels in North America, the Company's largest end market, were slightly down year over year. However, Revenue per Industry Day in the North American business unit was \$910 in Q2 2023, an increase of 14% from the comparative period in 2022, reflecting improvements in product adoption and pricing conditions. As such, North American revenue increased by 13% from the second quarter of 2022 to the second quarter of 2023 despite the modest reduction seen recently in drilling activity. Resulting North American segment gross profit was \$39.1 million or 58% of revenue during the second quarter of 2023 compared to \$35.1 million or 59% of revenue in the comparative period of 2022, highlighting the investments made in the business unit's fixed cost base in recent quarters, along with the Company's ability to maintain strong profitability levels despite reduced industry activity.

The International business unit generated \$15.0 million of revenue in the second quarter of 2023 compared to \$12.3 million in the comparative period of 2022. The year over year increase of 22% 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 and pricing. Segment gross profit for the International business unit was \$7.2 million or 48% of revenue during the second quarter of 2023 compared to \$5.4 million or 44% of revenue in the 2022 comparative period.

Revenue generated by the Solar and Energy Storage business unit was \$2.4 million, an increase of 44% from the comparative period in 2022. The business unit continues to grow revenue associated with its economic modelling tool, while also increasing the number of control systems commissioned. Quarterly revenue for the Solar and Energy Storage business unit will fluctuate with the timing of delivery and commissioning of control system projects. Segment gross loss for the business unit was \$0.2 million for the second quarter of 2023, a decrease of \$0.6 million from the comparable period in 2022.

Sequentially, Q2 2023 revenue of \$84.7 million decreased 14% from the \$98.2 million generated in Q1 2023 primarily due to the effects of the seasonal slowdown in Canadian drilling activity in the second quarter coupled with slightly lower US industry activity. Following the reduction in revenue with the Company's mostly fixed cost structure, gross profit was \$46.1 million in the second quarter of 2023 compared to gross profit of \$59.0 million in Q1 2023. Similarly, Adjusted EBITDA was \$37.9 million in the second quarter of 2023, compared to \$52.4 million in the first quarter of 2023.

For the six month period ended June 30, 2023, Pason generated \$182.9 million of revenue, a 24% increase from \$148.1 million recorded in the corresponding 2022 period. Adjusted EBITDA for the six months ended June 30, 2023, was \$90.3 million or 49.4% of revenue, compared to \$64.3 million, or 43.4% of revenue in the first six months of 2022. Net income attributable to Pason in the six months ended June 30, 2023, was \$61.3 million (\$0.76 per share), an increase from \$37.1 million (\$0.45 per share) in the comparative 2022 period. A comparison of year to date results reflects higher levels of revenue generated per operating day, the effects of a strengthening US dollar, and improved industry conditions in the first quarter.

Pason's balance sheet remains strong, with no interest bearing debt and \$174.6 million in Total Cash as at June 30, 2023, compared to \$172.4 million at December 31, 2022. During the second quarter of 2023, Pason generated \$29.7 million in net cash from operating activities, a 15% increase from the \$25.7 million generated in the second quarter of 2022 while the Company managed required investments in working capital on higher levels of revenue generated.

During the second quarter of 2023, Pason incurred \$11.7 million of net capital expenditures, an increase from the \$6.5 million incurred in the second quarter of 2022. Pason's Q2 2022 capital expenditure levels reflect a more challenging global supply chain environment, while 2023 capital expenditures reflect moderately improved conditions. As such, capital expenditures in 2023 represent an element of catch up from previous years, rental equipment replacements and additions, as well as investments associated with an ongoing refresh of the Company's fleet and technology platform. Resulting Free Cash Flow generated in Q2 2023 was \$18.0 million compared to \$19.1 million generated in the second quarter of 2022.

In the second quarter of 2023, Pason returned \$16.6 million to shareholders, through the Company's quarterly dividend of \$9.6 million, and \$7.0 million in share repurchases. Also in the second quarter of 2023, the Company approved and funded \$5.0 million of the \$15.0 million in available preferred share subscriptions for its non-controlling investment in Intelligent Wellhead Systems Inc. ("IWS"). Subsequent to June 30, 2023, the Company approved and funded another \$5.0 million of the remaining available preferred share subscriptions.

### **President's Message**

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

"Pason's operational and financial results in the second quarter of 2023 again demonstrated our ability to outpace underlying drilling industry activity. Compared to the same quarter of 2022, consolidated revenue increased by 15% and Adjusted EBITDA increased by 22%, while North American industry activity declined by 1% from the prior year period. These results highlight our continued strong competitive position, coupled with growing demand for drilling data to be used in automation and analytics technologies."

"Consolidated revenue totaled \$84.7 million in the quarter. Our North American business unit generated Revenue per Industry Day of \$910, a 14% increase from the second quarter of 2022, driven by higher product adoption and improved price realization. Our International business unit grew its revenue by 22% due to higher activity levels in the markets in which the company operates, as well as increased revenue per drilling day. The majority of our operating costs are fixed in nature and reflect the investments we continue to make in our field service, support functions and technology development to ensure we are able to continue outpacing industry conditions."

"Energy Toolbase, which participates in the solar and energy storage markets, generated revenue of \$2.4 million in the second quarter, up 44% from the same period in 2022, while operating costs in the segment increased by only 4% year-over-year. The business unit saw growth both in subscription revenue for its economic modelling tool, as well as an increasing number of control systems commissioned during the quarter."

"Second quarter net capital expenditures of \$11.7 million were up \$5.1 million from the second quarter of 2022, and free cash flow of \$18.0 million represented a \$1.1 million decrease comparatively. Net income attributable to Pason increased 37% year-over-year to \$25.5 million."

"For the six-month period ended June 30, consolidated revenue of \$182.9 million represented a 24% year-over-year increase, compared to an 8% increase in North American land drilling activity over the same

period. Adjusted EBITDA of \$90.3 million was up 40% year-over-year, while free cash flow of \$52.7 million and net income attributable to Pason of \$61.3 million represented 23% and 65% increases, respectively."

"We allocate capital in three important areas: (1) supporting and strengthening our core, drilling-related business; (2) investing in growth opportunities beyond the core; and (3) returning capital to shareholders. In the first half of 2023, net capital expenditures were \$23.2 million and we continue to expect to spend approximately \$45 million in capital expenditures in 2023. During the second quarter, we funded an additional \$5 million of growth capital for Intelligent Wellhead Systems under our previously announced preferred share financing agreement, with a further \$5 million funded subsequent to the end of the quarter. In the six month period ended June 30, we returned \$36.4 million to shareholders, with \$19.4 million paid in dividends and \$17.0 million in share repurchases."

"Our balance sheet allows us to withstand slowdowns in industry activity while making growth-related investments. At June 30th, we had cash and short-term investments of \$174.6 million and positive working capital of \$213.7 million."

"After declining steadily through much of the first half of the year, we expect North American land rig counts to plateau near current levels in the near term before beginning to steadily increase through the end of 2023 and into 2024. Oil prices have risen above US\$80 per barrel as supply measures come into greater focus. With production, crude oil and product inventories and the inventory of drilled but uncompleted wells (DUCs) all below pre-pandemic levels, any efforts to increase supply will require additional drilling activity."

"Pason remains well equipped to deliver exceptional operational and financial results, and to capitalize on increasing levels of drilling activity." 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 September 29, 2023, to shareholders of record at the close of business on September 15, 2023.

## **Second Quarter Conference Call**

Pason will be conducting a conference call for interested analysts, brokers, investors, and media representatives to review its 2023 second quarter results at 9:00 a.m. (MDT) on Friday, August 11, 2023. 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 233195#.

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, 2022 under the heading, “Risk and Uncertainty,” in our management’s discussion and analysis for the year ended December 31, 2022, 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).

**Jon Faber**

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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)).*