



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

FOR IMMEDIATE RELEASE

CALGARY, Alberta (November 2, 2023) – Pason Systems Inc. ("Pason" or the "Company") (TSX:PSI) announced today its 2023 third quarter results and declared 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, 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 September 30,			Nine Months Ended September 30,		
	2023	2022	Change	2023	2022	Change
(CDN 000s, except per share data)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
North American Revenue	<b>72,163</b>	75,245	(4)	<b>219,256</b>	196,882	11
International Revenue	<b>15,313</b>	15,829	(3)	<b>45,883</b>	38,831	18
Solar and Energy Storage Revenue	<b>5,618</b>	1,428	293	<b>10,875</b>	4,865	124
Total Revenue	<b>93,094</b>	92,502	1	<b>276,014</b>	240,578	15
Adjusted EBITDA <sup>(1)</sup>	<b>42,281</b>	46,231	(9)	<b>132,578</b>	110,566	20
As a % of revenue	<b>45.4</b>	50.0	(460) bps	<b>48.0</b>	46.0	200 bps
Funds flow from operations	<b>40,233</b>	35,968	12	<b>117,017</b>	88,914	32
Per share – basic	<b>0.50</b>	0.44	15	<b>1.45</b>	1.08	34
Per share – diluted	<b>0.50</b>	0.43	16	<b>1.45</b>	1.07	35
Cash from operating activities	<b>31,698</b>	30,743	3	<b>107,621</b>	84,472	27
Net capital expenditures <sup>(2)</sup>	<b>6,682</b>	6,696	nmf	<b>29,907</b>	17,708	69
Free cash flow <sup>(1)</sup>	<b>25,016</b>	24,047	4	<b>77,714</b>	66,764	16
Cash dividends declared (per share)	<b>0.12</b>	0.08	50	<b>0.36</b>	0.24	50
Net income	<b>27,399</b>	33,739	(19)	<b>87,815</b>	69,732	26
Net income attributable to Pason	<b>27,732</b>	34,246	(19)	<b>89,044</b>	71,359	25
Per share – basic	<b>0.35</b>	0.42	(17)	<b>1.10</b>	0.87	27
Per share – diluted	<b>0.35</b>	0.41	(17)	<b>1.10</b>	0.86	27

(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 on disposal from Pason's Condensed Consolidated Interim Statement of Cash Flows.

As at	September 30, 2023	December 31, 2022	Change
(CDN 000s)	(\$)	(\$)	(%)
Cash and cash equivalents	<b>138,359</b>	132,057	5
Short-term investments	<b>40,035</b>	40,377	(1)
Total Cash <sup>(1)</sup>	<b>178,394</b>	172,434	3
Working capital	<b>221,310</b>	213,899	3
Total interest bearing debt	—	—	—
Shares outstanding end of period (#)	<b>79,766,501</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 nine months ended September 30, 2023 reflect the Company's strong competitive positioning, prudent balance sheet, and continued ability to outpace underlying industry activity.

Pason generated \$93.1 million of revenue during the three months ended September 30, 2023, a 1% increase from the three months ended September 30, 2022. While industry activity levels in North America, the Company's largest end market, decreased by 14% year over year, the Company was able to grow Revenue per Industry Day by 12% in that same period, posting a new record quarterly level. In addition, the Company's Solar Energy & Storage business unit generated its highest level of quarterly revenue to date, with \$5.6 million recognized in the third quarter of 2023, a 293% increase from the \$1.4 million generated in the third quarter of 2022. With this revenue, Pason generated \$42.3 million in Adjusted EBITDA, or 45.4% of revenue in the third quarter of 2023, compared to \$46.2 million in the third quarter of 2022, or 50.0% of revenue. A comparison of Adjusted EBITDA margin year over year reflects the Company's mostly fixed cost base for its drilling related business units, which is currently sized for higher levels of activity than seen in the third quarter of 2023.

Resulting net income attributable to Pason of \$27.7 million (\$0.35 per share) in the third quarter of 2023 compared to net income attributable to Pason of \$34.2 million (\$0.42 per share) in the corresponding period of 2022. The year over year decline is driven by the lower level of Adjusted EBITDA seen in the third quarter of 2023 as outlined above, along with higher levels of depreciation expense with increased capital expenditures in recent quarters, and higher stock based compensation expense as a result of current quarter share price changes on the Company's cash settled stock based compensation plans.

Industry activity in North America declined by 14% compared to the prior year comparative period, primarily driven by a decline in US rig counts. Despite this, Pason's Revenue per Industry Day in the third quarter of 2023 of \$975 was a new quarterly record for the Company and a 12% increase from the comparative 2022 period. Revenue per Industry Day in the current quarter continues to represent strong product adoption and improved pricing for the Company's products and technologies. As a result, improvements in Revenue per Industry Day largely offset the decline in industry activity, and revenue only fell by 4% year over year, from \$75.2 million in the third quarter of 2022 to \$72.2 million in the third quarter of 2023. Total revenue and Revenue per Industry Day for the North American business unit also benefited from a stronger US dollar in the current quarter, in comparison to the prior year comparative period. North American segment gross profit was \$42.9 million during the third quarter of 2023 compared to \$49.0 million in the comparative period of 2022, with lower levels of revenue in the current quarter over the business unit's mostly fixed cost base, which is in place to support higher levels of activity than seen in the third quarter of 2023.

The International business unit generated \$15.3 million of revenue in the third quarter of 2023 compared to \$15.8 million in the comparative period of 2022. The year over year decrease is primarily due to the impacts of hyperinflationary accounting on the Company's Argentinian operations. Excluding this adjustment, the International business unit would have generated \$15.6 million of revenue in the current quarter, resulting in a year over year increase of 14% compared to \$13.7 million in the third quarter of 2022. This year over year increase reflects higher levels of activity in the Company's international end markets, along with improved product adoption and a more favorable pricing environment. Resulting International segment gross profit was \$7.3 million during the third quarter of 2023 compared to \$7.8 million in the 2022 comparative period due to the year over year decline in reported revenue over the segment's mostly fixed cost base.

The Solar and Energy Storage business unit generated \$5.6 million in revenue in the third quarter of 2023, a new quarterly record and a significant increase from the comparative period in 2022 driven primarily by increased control system sales. Quarterly revenue for the Solar and Energy Storage business unit will fluctuate with the timing of control system project deliveries. Segment gross profit was \$0.6 million for the third quarter of 2023 compared to a segment gross loss of \$1.0 million in the comparable period in 2022.

Sequentially, Q3 2023 revenue of \$93.1 million represented a 10% increase from \$84.7 million generated in the second quarter of 2023. While drilling activity remained relatively flat in North America, Revenue per Industry Day grew by 7% with a more favorable mix of drilling activity and higher levels of product adoption. Resulting North American revenue grew by 7% from \$67.3 million in the second quarter of 2022 to \$72.2 million in the current quarter. Sequential revenue growth also reflects the record quarterly revenue result in the third quarter from the Solar and Energy Storage business unit, as further outlined above. The Company's gross profit increased sequentially with the increase in revenue, from \$46.1 million in Q2 2023 to \$50.8 million in Q3 2023. Similarly, Adjusted EBITDA was \$42.3 million in the third quarter of 2023, a 12% increase from \$37.9 million in the second quarter of 2023. Sequential gross profit and Adjusted EBITDA increases reflect the Company's primarily fixed cost structure, and the record quarterly result from the Company's Solar and Energy Storage business unit.

For the nine month period ended September 30, 2023, Pason generated \$276.0 million of revenue, a 15% increase from \$240.6 million recorded in the corresponding 2022 period. Adjusted EBITDA for the nine months ended September 30, 2023 was \$132.6 million or 48.0% of revenue, compared to \$110.6 million, or 46.0% of revenue in the first nine months of 2022. Net income attributable to Pason in the nine months ended September 30, 2023 was \$89.0 million (\$1.10 per share), up from \$71.4 million (\$0.87 per share) in the comparative 2022 period. A comparison of year to date results reflects the Company's operating leverage with higher levels of revenue generated per operating day, improved industry conditions in the first quarter of 2023, and the effects of a strengthening US dollar.

Pason's balance sheet remains strong, with no interest bearing debt and \$178.4 million in Total Cash as at September 30, 2023, compared to \$172.4 million at December 31, 2022. During the third quarter of 2023, Pason generated \$31.7 million in net cash from operating activities and \$25.0 million in Free Cash Flow, both representing slight increases from the levels generated in the 2022 comparative period while the Company continued to make required investments in working capital and capital expenditures.

In the third quarter of 2023, Pason returned \$15.6 million to shareholders through the Company's quarterly dividend of \$9.6 million and \$6.0 million in share repurchases. Also in the third quarter of 2023, the Company approved and funded \$5.0 million of the available preferred share subscriptions for its non-controlling investment in Intelligent Wellhead Systems Inc. ("IWS"). Subsequent to September 30, 2023, the Company approved the final \$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 third quarter 2023 financial and operational results again demonstrated the company's ability to outpace underlying drilling industry activity. Consolidated revenue in the quarter increased modestly from the same period in 2022, while North American land drilling activity decreased by 14%. Growing customer demand for data to be used in their automation and analytics efforts continue to support Pason's dominant market share position and drive increases in Revenue per Industry Day."

"Consolidated revenue totaled \$93.1 million in the third quarter. Our North American business unit generated Revenue per Industry Day of \$975, a 12% increase from the third quarter of 2022, driven by higher product adoption and improved price realization. Our International business unit also posted strong results in the quarter, with revenue up 14% before the impacts of hyperinflationary accounting related to our Argentinian operations. 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 with a view toward expected medium-term activity levels."

"Energy Toolbase, which participates in the solar and energy storage markets, had an excellent quarter with revenue of \$5.6 million, compared to \$1.4 million the same period in 2022, primarily as a result of increased number of control system deliveries in the quarter. We continue to see strong growth in our pipeline of control systems opportunities, though the timing of bookings and deliveries can fluctuate meaningfully between quarters."

"Net capital expenditures of \$6.7 million and free cash flow of \$25.0 million in the third quarter were both similar to the third quarter of 2022. Net income attributable to Pason decreased 19% year-over-year to \$27.7 million, reflecting higher depreciation and amortization expense as a result of higher levels of capital expenditures in recent quarters."

"For the nine-month period ended September 30, consolidated revenue of \$276.0 million represented a 15% year-over-year increase, while North American land drilling activity was unchanged over the same period. Adjusted EBITDA of \$132.6 million was up 20% year-over-year, while free cash flow of \$77.7 million and net income attributable to Pason of \$89.0 million represented 16% and 25% 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 nine months of 2023, net capital expenditures were \$30.0 million; our expectation of full year capital expenditures of approximately \$45 million in 2023 is unchanged and we expect our 2024 capital program will be at a similar level. During the third quarter, we funded an additional \$5 million of growth capital for Intelligent Wellhead Systems under our previously announced preferred share financing agreement, with the final \$5 million tranche funded subsequent to the end of the quarter. In the nine month period ended September 30, we returned \$51.9 million to shareholders, with \$29.0 million paid in dividends and \$22.9 million in share repurchases."

"Our balance sheet allows us to withstand slowdowns in industry activity while making growth-related investments. As at September 30, 2023, we had cash and short-term investments of \$178.4 million and positive working capital of \$221.3 million."

"We expect North American land rig counts to plateau near current levels in the near term before beginning to steadily increase. Oil prices have held above US\$80 per barrel as supply measures and geopolitical tensions 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 December 29, 2023, to shareholders of record at the close of business on December 15, 2023.

## Third Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors, and media representatives to review its 2023 third quarter results at 9:00 a.m. (MST) on Friday, November 3, 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 009529#.

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 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 Software, Inc. ("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)).*