



## Pason Reports Third Quarter 2024 Results and Declares Quarterly Dividend

FOR IMMEDIATE RELEASE

**CALGARY, Alberta (November 7, 2024)** – Pason Systems Inc. ("Pason" or the "Company") (TSX:PSI) announced today its 2024 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 Condensed Consolidated Interim Financial Statements and related notes for the three and nine months ended September 30, 2024, as well as the Annual Information Form for the year ended December 31, 2023. All of these documents are available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

### Financial Highlights

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
(CDN 000s, except per share data)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
North American Drilling Revenue	74,141	72,163	3	211,510	219,256	(4)
International Drilling Revenue	15,327	15,313	—	45,243	45,883	(1)
Completions Revenue <sup>(3)</sup>	12,512	—	nmf	38,963	—	nmf
Solar and Energy Storage Revenue	3,909	5,618	(30)	10,788	10,875	(1)
Total Revenue	105,889	93,094	14	306,504	276,014	11
Adjusted EBITDA <sup>(1)</sup>	44,148	42,281	4	119,708	132,578	(10)
As a % of revenue	41.7	45.4	(370) bps	39.1	48.0	(890) bps
Funds flow from operations	36,119	40,233	(10)	99,009	117,017	(15)
Per share – basic	0.45	0.50	(9)	1.24	1.45	(14)
Per share – diluted	0.45	0.50	(9)	1.24	1.45	(14)
Cash from operating activities	30,375	31,698	(4)	87,365	107,621	(19)
Net capital expenditures <sup>(2)</sup>	13,721	6,682	105	50,947	29,907	70
Free cash flow <sup>(1)</sup>	16,654	25,016	(33)	36,418	77,714	(53)
Cash dividends declared (per share)	0.13	0.12	8	0.39	0.36	8
Net income	23,717	27,399	(13)	103,124	87,815	17
Net income attributable to Pason	24,158	27,732	(13)	104,577	89,044	17
Per share – basic	0.30	0.35	(13)	1.31	1.10	19
Per share – diluted	0.30	0.35	(13)	1.31	1.10	19
<b>As at</b>				<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>Change</b>
(CDN 000s)				(\$)	(\$)	(%)
Cash and cash equivalents				70,848	171,773	(59)
Short-term investments				3,101	—	nmf
Total Cash <sup>(1)</sup>				73,949	171,773	(57)
Working capital				118,059	212,561	(44)
Total interest bearing debt				—	—	—
Shares outstanding end of period (#)				79,621,109	79,685,025	nmf

(1) Non-GAAP and supplementary financial measures are defined under Non-GAAP Financial Measures in this press release.

(2) Includes additions to property, plant, and equipment and development costs, net of proceeds on disposal from Pason's Condensed Consolidated Interim Statements of Cash Flows

(3) The Completions segment includes results generated by IWS, which were not part of the Company's consolidated reporting group until January 1, 2024 following the IWS Acquisition

Pason generated \$105.9 million in consolidated revenue in the third quarter of 2024, representing a 14% increase from the \$93.1 million generated in the comparative period of 2023 and a result that continues to outpace the changes in underlying North American industry drilling activity.

The North American Drilling business unit generated \$74.1 million of revenue in the third quarter of 2024, a 3% increase over the comparative period of 2023 despite a 5% decline in North American industry drilling activity. Pason's Revenue per Industry Day in the third quarter of 2024 of \$1,058 increased by 9% from the comparative 2023 period. Revenue per Industry Day in the current quarter represents increased product adoption across Pason's technology offering and benefited from strength in the US dollar versus the Canadian dollar. Segment gross profit of \$45.5 million during the third quarter of 2024 compared to \$44.2 million in the comparative period of 2023 demonstrates the Company's ability to outpace industry activity levels on a mostly fixed cost base.

The International Drilling business unit generated \$15.3 million of revenue in the third quarter of 2024, a level comparable to the third quarter of 2023. Gross profit was impacted by higher levels of depreciation and amortization expense in the current quarter and declined slightly from \$7.9 million in Q3 2023 to \$7.6 million in Q3 2024.

The Company's new Completions business unit, formed after the acquisition of IWS on January 1, 2024, generated \$12.5 million in revenue while averaging 28 IWS Active Jobs with Revenue per IWS day of \$4,868 through very challenging industry conditions in the third quarter. Segment gross profit of \$0.3 million in the quarter includes \$5.1 million of depreciation and amortization expense, of which \$2.2 million relates to amortization expense on intangible assets acquired through the IWS Acquisition.

Revenue generated by the Solar and Energy Storage business unit was \$3.9 million, a \$1.7 million decrease from the comparative period in 2023 due to the timing of revenue recognized on the delivery of control systems. Resulting segment gross profit was \$0.4 million for the third quarter of 2024 compared to a segment gross profit of \$0.6 million in the comparable period in 2023.

Pason generated \$44.1 million in Adjusted EBITDA, or 41.7% of revenue in the third quarter of 2024, compared to \$42.3 million or 45.4% of revenue in the third quarter of 2023, highlighting the Company's mostly fixed cost base and associated operating leverage. A comparison of Adjusted EBITDA margin year over year reflects the inclusion of IWS financial results at lower margins, reflecting the Completions segment's investments made for its current stage of growth.

The Company recorded net income attributable to Pason of \$24.2 million (\$0.30 per share) in the third quarter of 2024, compared to net income attributable to Pason of \$27.7 million (\$0.35 per share) recorded in the corresponding period in 2023. The year over year increase in Adjusted EBITDA was offset by higher levels of depreciation and amortization with increased capital expenditures in recent quarters, as well as amortization of fixed assets and intangibles acquired through the IWS acquisition in the first quarter of 2024. Further, the Company saw lower levels of interest income year over year with lower average cash balances in 2024, and a declining interest rate environment in Canada.

Sequentially, Q3 2024 consolidated revenue of \$105.9 million was a 10% increase from consolidated revenue of \$95.9 million generated in the second quarter of 2024 largely driven by improved drilling activity in Canada coming out of seasonal lows in the second quarter. Highlighting the Company's mostly fixed cost base and significant operating leverage, Adjusted EBITDA was \$44.1 million in the third quarter of 2024 compared to \$33.1 million in the second quarter of 2024.

The Company recorded net income attributable to Pason in the third quarter of 2024 of \$24.2 million (\$0.30 per share) compared to net income attributable to Pason of \$10.9 million (\$0.14 per share) in the second quarter of 2024 where the increase is primarily driven by the factors noted above, along with lower stock based compensation expense in the third quarter which reflects changes in the Company's share price.

Pason's balance sheet remains strong, with no interest bearing debt, and \$73.9 million in Total Cash as at September 30, 2024, compared to \$171.8 million as at December 31, 2023. The decrease is the result of funding the IWS Acquisition in Q1 2024 with a total of \$88.2 million in cash and the repayment of \$13.3 million in interest bearing debt assumed through the acquisition. Pason generated cash from operating activities of \$30.4 million in the third quarter of 2024, compared to \$31.7 million in the third quarter of 2023, with the increase in Adjusted EBITDA being offset by lower levels of interest income recognized.

During the three months ended September 30, 2024, Pason invested \$13.7 million in net capital expenditures, an increase from \$6.7 million in the third quarter of 2023 as the Company executes on its 2024 capital budget. Net capital expenditures in the current quarter includes investments associated with supporting the continued growth of IWS' pressure automation technology offering, for which there would be no associated capital expenditures during the 2023 comparative period given the effective date of the IWS Acquisition was January 1, 2024. Net capital expenditures in Q3 2024 also includes investments associated with the ongoing refresh of Pason's drilling related technology platform and continued investments in the new Pason Mud Analyzer. Resulting Free Cash Flow in the third quarter of 2024 was \$16.7 million, compared to \$25.0 million in the same period in 2023.

In the third quarter of 2024, Pason returned \$11.3 million to shareholders through the Company's quarterly dividend of \$10.3 million and \$1.0 million in share repurchases. Year to date, Pason returned \$38.0 million to shareholders through the Company's quarterly dividend of \$31.0 million and \$7.0 million in share repurchases.

## **President's Message**

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

"The resilience of Pason's business was demonstrated in our financial and operating results for the third quarter of 2024. Consolidated revenue increased by 14% compared to the third quarter of 2023, while North American land drilling activity decreased by 5% year-over-year."

"As a daily rental business, our results will be strongly influenced by activity levels, but we remain focused on outpacing underlying North American land drilling activity in three ways: (1) growing Revenue per Industry Day in North America, primarily through increased product adoption and technology enhancements; (2) increasing revenue from international drilling markets; and (3) generating revenue from less mature, higher growth markets including technology offerings in the completions market and solar and energy storage. By focusing on these three priorities, we expect to be able to achieve meaningful growth and strong financial results even in periods of flat North American land drilling activity."

"North American Revenue per Industry Day of \$1,058 in the third quarter represented a 9% increase from 2023. On a year-to-date basis, North American Revenue per Industry Day was also up 9% at \$1,018 per industry day. North American Drilling revenue increased by 3% year-over-year to \$74.1 million in the third quarter, while International Drilling was unchanged year-over-year at \$15.3 million."

"Our Completions segment generated revenue of \$12.5 million in the third quarter, with the sequential decline in revenue from the second quarter mirroring the decline in the reported number of frac spreads in the United States. Given its stage of development, Intelligent Wellhead Systems ("IWS") is much more

sensitive to customer mix and changes in the activity of specific customers than our drilling-related businesses, where our financial results are more strongly correlated to overall industry activity given our substantial market share. IWS continued to post strong Revenue per IWS Day, at \$4,868 in the third quarter on 28 IWS Active Jobs in the quarter. Revenue per IWS Day will fluctuate between quarters based on job type and customer mix."

"Energy Toolbase ("ETB") generated revenue of \$3.9 million in the third quarter, up 24% sequentially from the second quarter of 2024, driven primarily by increased sales of control systems. Quarterly revenue for the Solar and Energy Storage segment will fluctuate with the timing of control system deliveries, and the 30% year-over-year decline in third quarter revenue was the result of additional control system deliveries in the prior year period. Our pipeline of control systems sales and opportunities remains robust."

"Adjusted EBITDA of \$44.1 million represented a 4% increase from the third quarter of 2023 and a 33% sequential increase from the second quarter of 2024. The \$11 million sequential increase in Adjusted EBITDA exceeded the \$10 million sequential revenue increase, highlighting the operating leverage in our business and continued cost discipline. Free Cash Flow decreased by 33% year-over-year to \$16.7 million in the quarter, reflecting our increased capital expenditures with the full inclusion of IWS in 2024, while sequentially Free Cash Flow increased by \$8.6 million. Net income attributable to Pason totaled \$23.7 million in the third quarter."

In the first nine months of 2024, we returned \$38.0 million to shareholders through our regular dividend and share repurchases. Net capital expenditures for the first nine months totaled \$50.9 million."

"Drilling and completions activity continued to soften in the third quarter, with US land drilling activity down 3% sequentially from the second quarter and US completions down 8% over the same period. We expect that North American land drilling will remain near current levels in the remainder of 2024 before beginning to increase in 2025, with completions activity following a similar trajectory."

"The gains we have made in (1) increasing North American Revenue per Industry Day in our drilling segment and (2) expanding our customer base while maintaining a strong Revenue per IWS Day in our completions business should translate into continued outperformance against industry conditions. We continue to prioritize flexibility within our approach to shareholder returns and our quarterly dividend remains unchanged at \$0.13 per share. We will make required capital investments in both our drilling and completion segments to position ourselves for further free cash flow generation and expect to spend approximately \$70 million in capital expenditures in 2024, which is lower than the \$75 million to \$80 million range previously provided, and approximately \$65 million in 2025."

"As customers continue to deploy data-driven automation and analytics technologies in their operations, our drilling and completions-related businesses stand to benefit. Our innovative new drilling mud analyzer provides continuous, real-time readings of critical drilling mud parameters and we are seeing higher adoption of our automation products. Our wellsite automation products provide valuable safety and efficiency benefits for customers in their completions operations, and we are working closely with customers to develop compelling data aggregation and management solutions for the completions market, benefiting both operators and service companies. Our technology solutions are supported by a best-in-class service and support organization."

"Our continued success remains rooted in the quality of our product and service offering, the dedication of our people, and the confidence of our customers and shareholders" concluded Mr. Faber.

## Quarterly Dividend

Pason announced today that the Board of Directors have declared a quarterly dividend of thirteen cents (C\$0.13) per share on the company's common shares. The dividend will be paid on December 31, 2024, to shareholders of record at the close of business on December 17, 2024.

## Third Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors, and media representatives to review its 2024 third quarter results at 9:00 a.m. (MT) on Friday, November 8, 2024. The conference call dial-in numbers are 1-888-510-2154 or 1-437-900-0527, 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 1-888-660-6345 or 1-289-819-1450, using password 06411#.

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).

## Non-GAAP Financial Measures

A non-GAAP financial measure has the definition set out in National Instrument 52-112 "Non-GAAP and Other Financial Measures Disclosure".

The following non-GAAP measures may not be comparable to measures used by other companies. Management believes these non-GAAP measures provide readers with additional information regarding the Company's operating performance, and ability to generate funds to finance its operations, fund its research and development and capital expenditure program, and return capital to shareholders through dividends or share repurchases.

### EBITDA and Adjusted EBITDA

EBITDA is defined as net income before interest income and expense, income taxes, stock-based compensation expense, and depreciation and amortization expense. Adjusted EBITDA is defined as EBITDA, adjusted for foreign exchange, impairment of property, plant, and equipment, restructuring costs, net monetary adjustments, government wage assistance, revaluation of put obligation, gain or loss on mark-to-market of short-term investments, gain on previously held equity interest and other items, which the Company does not consider to be in the normal course of continuing operations.

Management believes that EBITDA and Adjusted EBITDA are useful supplemental measures as they provide an indication of the results generated by the Company's principal business activities prior to the consideration of how these results are taxed in multiple jurisdictions, how the results are impacted by foreign exchange or how the results are impacted by the Company's accounting policies for equity-based compensation plans.

## Reconcile Net Income to EBITDA

Three Months Ended	Dec 31, 2022	Mar 31, 2023	Jun 30, 2023	Sep 30, 2023	Dec 31, 2023	Mar 31, 2024	Jun 30, 2024	Sep 30, 2024
(000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Net income	35,994	35,454	24,962	27,399	8,012	69,123	10,284	<b>23,717</b>
Add:								
Income taxes	9,405	12,374	7,906	7,356	6,710	9,057	6,048	<b>6,148</b>
Depreciation and amortization	5,399	6,616	5,815	6,988	7,797	11,730	12,901	<b>13,659</b>
Stock-based compensation	5,129	(82)	1,986	5,082	4,732	3,011	4,634	<b>(117)</b>
Net interest (income) expense	(2,679)	(2,607)	(2,847)	(3,858)	(5,082)	(1,411)	(522)	<b>(803)</b>
EBITDA	53,248	51,755	37,822	42,967	22,169	91,510	33,345	<b>42,604</b>

## Reconcile EBITDA to Adjusted EBITDA

Three Months Ended	Dec 31, 2022	Mar 31, 2023	Jun 30, 2023	Sep 30, 2023	Dec 31, 2023	Mar 31, 2024	Jun 30, 2024	Sep 30, 2024
(000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
EBITDA	53,248	51,755	37,822	42,967	22,169	91,510	33,345	<b>42,604</b>
Add:								
Foreign exchange loss (gain)	1,959	233	1,597	681	14,247	714	(1,202)	<b>(1,245)</b>
Put option revaluation	(5,815)	—	—	—	(149)	—	—	<b>—</b>
Net monetary gain	(536)	(159)	(1,196)	(1,477)	—	—	—	<b>—</b>
Gain on previously held equity interest	—	—	—	—	—	(50,830)	—	<b>—</b>
Unrealized loss on short-term investments	—	—	—	—	—	—	—	<b>1,103</b>
Other	88	581	(336)	110	2,621	1,031	992	<b>1,686</b>
Adjusted EBITDA	48,944	52,410	37,887	42,281	38,888	42,425	33,135	<b>44,148</b>

## Free cash flow

Free cash flow is defined as cash from operating activities plus proceeds on disposal of property, plant, and equipment, less capital expenditures (including changes to non-cash working capital associated with capital expenditures), and deferred development costs. This metric provides a key measure on the Company's ability to generate cash from its principal business activities after funding capital expenditure programs, and provides an indication of the amount of cash available to finance, among other items, the Company's dividend and other investment opportunities.

## Reconcile cash from operating activities to free cash flow

Three Months Ended	Dec 31, 2022	Mar 31, 2023	Jun 30, 2023	Sep 30, 2023	Dec 31, 2023	Mar 31, 2024	Jun 30, 2024	Sep 30, 2024
(000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Cash from operating activities	19,942	46,265	29,658	31,698	27,412	31,014	25,976	<b>30,375</b>
Less:								
Net additions to property, plant and equipment	(16,112)	(11,404)	(11,303)	(6,474)	(7,720)	(17,834)	(16,695)	<b>(12,444)</b>
Deferred development costs	(121)	(151)	(367)	(208)	(375)	(1,447)	(1,250)	<b>(1,277)</b>
Free cash flow	3,709	34,710	17,988	25,016	19,317	11,733	8,031	<b>16,654</b>

## **Supplementary Financial Measures**

A supplementary financial measure: (a) is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of the Company; (b) is not presented in the financial statements of the Company; (c) is not a non-GAAP financial measure; and (d) is not a non-GAAP ratio. Supplementary financial measures found within this press release are as follows:

### **Revenue per Industry Day**

Revenue per Industry Day is defined as the total revenue generated from the North American Drilling segment over all active drilling rig days in the North American market. This metric provides a key measure of the North American Drilling segment's ability to evaluate and manage product adoption, pricing, and market share penetration. Drilling rig days are calculated by using accepted industry sources.

### **IWS Active Jobs**

IWS Active Jobs represents the average number of jobs per day that IWS is generating revenue on through the rental of its technology offering to customers during the reporting period. This metric provides a key measure of IWS' market penetration.

### **Revenue per IWS Day**

Revenue per IWS Day is defined as the total revenue generated by the Completions segment over all IWS active days during the quarter. IWS active days are calculated by using IWS Active Jobs in the reporting period. This metric provides a key measure of the IWS' ability to evaluate and manage product adoption and pricing.

### **Adjusted EBITDA as a percentage of revenue**

Calculated as adjusted EBITDA divided by revenue.

### **Total Cash**

Calculated as the sum of cash and cash equivalents, and short-term investments from the Company's Condensed Consolidated Interim Balance Sheets. The Company's short term-investments are comprised of US dollar bonds.

## **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 and completions 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, 2023 under the heading, "Risk and Uncertainty," in our management's discussion and analysis for the year ended December 31, 2023, 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.sedarplus.ca](http://www.sedarplus.ca)) 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 Intelligent Wellhead Systems Inc. (“IWS”), we also provide engineered controls, data acquisition, and software, to automate workflows and processes for oil and gas well completions operations, improving wellsite safety and efficiency. Through Energy Toolbase Software, Inc. (“ETB”), we also 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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Chief Financial Officer

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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.sedarplus.ca](http://www.sedarplus.ca)) or through Pason’s website ([www.pason.com](http://www.pason.com)).*