



Pason Reports Second Quarter 2022 Results and Declares Quarterly Dividend

FOR IMMEDIATE RELEASE

CALGARY, Alberta (August 10, 2022) – Pason Systems Inc. ("Pason" or the "Company") (TSX:PSI) announced today its 2022 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, 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.

Financial Highlights

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
(CDN 000s, except per share data)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
North American Revenue	59,637	34,928	71	121,637	69,507	75
International Revenue	12,311	7,809	58	23,002	14,873	55
Solar and Energy Storage Revenue	1,660	856	94	3,437	1,768	94
Total Revenue	73,608	43,593	69	148,076	86,148	72
EBITDA ⁽¹⁾	31,673	14,984	111	66,359	30,657	116
Adjusted EBITDA ⁽¹⁾	30,962	12,786	142	64,335	25,956	148
As a % of revenue	42.1	29.3	1,280 bps	43.4	30.1	1,330 bps
Funds flow from operations	27,242	14,662	86	52,946	28,392	86
Per share – basic	0.33	0.18	87	0.64	0.34	90
Per share – diluted	0.33	0.18	87	0.64	0.34	90
Cash from operating activities	25,679	9,841	161	53,729	20,926	157
Capital expenditures ⁽²⁾	6,727	4,520	49	11,191	6,369	76
Free cash flow ⁽¹⁾	19,135	5,684	237	42,717	14,860	187
Cash dividends declared (per share)	0.08	0.05	60	0.16	0.10	60
Net income	17,992	4,880	269	35,993	8,871	306
Net income attributable to Pason	18,540	5,307	249	37,113	9,622	286
Per share – basic	0.23	0.06	283	0.45	0.12	277
Per share – diluted	0.22	0.06	267	0.45	0.12	277

(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	June 30, 2022	December 31, 2021	Change
(CDN 000s)	(\$)	(\$)	(%)
Cash and cash equivalents	186,950	158,283	18
Working capital	201,729	184,083	10
Total interest bearing debt	—	—	—
Shares outstanding end of period (#)	82,130,025	82,194,051	—

Pason's financial results for the three and six months ended June 30, 2022, reflect improved industry conditions, the Company's strong competitive positioning, prudent balance sheet, and operating leverage. Financial results have improved significantly compared to the comparative periods in 2021.

Pason generated \$73.6 million in revenue in the second quarter of 2022, representing a 69% increase from the \$43.6 million generated in the second quarter of 2021 as drilling activity in Pason's operating regions continued to improve. With this increase in revenue, Pason generated \$31.0 million in Adjusted EBITDA, or 42.1% of revenue in the second quarter of 2022, compared to \$12.8 million in the second quarter of 2021, or 29.3% of revenue. While the Company incurred incremental expenses to support increased activity levels, and further faced inflationary effects on certain operating costs, second 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 \$18.5 million (\$0.23 per share) in the second quarter of 2022 compared to net income attributable to Pason of \$5.3 million (\$0.06 per share) in the corresponding period of 2021.

Industry conditions in North America continued to steadily improve in the second quarter of 2022, with a 58% increase in industry activity compared to the comparative period in 2021. For the fourth consecutive quarter, the North American business unit outpaced the improvement in industry activity, generating \$59.6 million of revenue in the second quarter of 2022, a 71% increase from \$34.9 million in the comparative period of 2021. Revenue per Industry Day was \$801 in Q2 2022, a 10% increase from the comparable period in 2021. The year over year increase is due to a combination of factors, including increased adoption of certain products, and improvement in pricing conditions from the challenging environment that existed during the COVID-19 related downturn. Furthermore, both revenue and Revenue per Industry Day for the North American business unit in the second quarter of 2022 benefited from a shorter Canadian break-up in activity levels, which was more pronounced in the second quarter of 2021.

The International business unit generated \$12.3 million of revenue in the second quarter of 2022 compared to \$7.8 million in the comparative period of 2021. The year over year increase of 58% 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.

Revenue generated by the Solar and Energy Storage business unit was \$1.7 million, an increase of 94% from the comparative period in 2021. The increase in revenue is primarily due to the commissioning of control systems and sales of related hardware. Quarterly revenue for the Solar and Energy Storage business unit will fluctuate with timing of commissioning of control system projects.

Sequentially, Q2 2022 revenue of \$73.6 million decreased only 1% from the \$74.5 million generated in Q1 2022 as the effects of the seasonal slowdown in Canadian drilling activity in the second quarter were mostly offset by continued growth in the Company's other end markets. Similarly, Adjusted EBITDA was \$30.9 million in the second quarter of 2022, compared to \$33.4 million in the first quarter of 2022. While the Company's cost structure remains primarily fixed, Pason continues to make investments for further increases in activity levels, while managing inflationary effects on certain elements of the Company's cost structure. The Company recorded net income attributable to Pason in the second quarter of 2022 of \$18.5 million (\$0.23 per share) compared to net income attributable to Pason of \$18.6 million (\$0.23 per share) in the first quarter of 2022. Second quarter net income benefited from lower depreciation and amortization expense, as well as lower stock based compensation expense.

For the six month period ended June 30, 2022, Pason generated \$148.1 million of revenue, a 72% increase from \$86.2 million recorded in the corresponding 2021 period. Adjusted EBITDA for the six months ended June 30, 2022 was \$64.3 million or 43.4% of revenue, compared to \$26.0 million, or 30.1% of revenue in the first six months of 2021. Net income attributable to Pason in the six months ended June 30, 2022 was \$37.1 million (\$0.45 per share), up from \$9.6 million (\$0.12 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, and strong operating leverage.

Pason's balance sheet remains strong, with no interest bearing debt and \$187.0 million in cash and cash equivalents as at June 30, 2022, compared to \$158.3 million at December 31, 2021. During the second quarter of 2022, Pason generated \$25.7 million in net cash from operating activities (Q2 2021: \$9.8 million) as the Company's operating results improved and while the Company managed required investments in working capital while revenue levels grew.

During the second quarter of 2022, Pason incurred \$6.7 million of capital expenditures which represents rental equipment additions to meet activity levels, as well as investments associated with ongoing refresh of the Company's fleet and technology platform. Resulting Free Cash Flow generated in Q2 2022 was \$19.1 million compared to \$5.7 million generated in the second quarter of 2021. In the second quarter of 2022, Pason returned \$8.1 million to shareholders, through the Company's quarterly dividend for \$6.6 million and \$1.5 million in share repurchases.

Pason's second quarter results continue to reinforce the investments made in critical technology and service capabilities through the pandemic related downturn, putting the Company in a position of strength with a prudent balance sheet and significant operating leverage as activity levels recover.

President's Message

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

"Pason delivered excellent operational and financial results again in the second quarter of 2022. Our strong competitive position and leading technology and service offering drove a 69% year-over-year increase in Pason's consolidated revenue, outperforming a 58% increase in North American land drilling activity. Prudent management of our operating expenses and capital expenditures drove increases in Adjusted EBITDA and free cash flow of 142% and 237% respectively."

"North American land drilling continued to steadily grow throughout the second quarter, despite the effects of a short Canadian spring break-up. In fact, in the 103 weeks since activity troughed in August of 2020, the US land drilling count has posted only 7 weekly declines, and have grown 59% since their lowest point. International markets have also seen continued growth. Increased drilling activity, together with strong market share, higher levels of product adoption, and more favourable pricing conditions all contributed to consolidated quarterly revenue of \$73.6 million, up \$30.0 million from the same period a year ago. While down sequentially from the first quarter due to the seasonal effects of the Canadian winter drilling season, North American Revenue per Industry Day again topped the \$800 level in the quarter. International Business unit revenue increased by 58% year-over-year to \$12.3 million. Revenue from our Solar and Energy Storage segment of \$1.7 million was up 94% from the prior year period."

"Adjusted EBITDA in the second quarter totaled \$31.0 million, up from \$12.7 million in the second quarter of 2021, and represented Adjusted EBITDA margins of 42.1% in the quarter. Pason's second quarter revenue and Adjusted EBITDA were nearly identical to those of the second quarter of 2019, despite the fact that North American land drilling activity was 23% lower in the second quarter of 2022 as compared to the

2019 comparable period. Net income attributable to Pason for the second quarter was \$0.23 per share, up from \$0.06 per share a year ago."

"We continue to navigate difficult global supply chain conditions, which have increased lead times and made visibility around equipment deliveries more challenging. We continue to expect 2022 capital expenditures to total approximately \$30 million, with \$11.2 million in capital expenditures recorded in the first half of the year. As noted in our first quarter report, we are strategically increasing our inventory of consumable supplies and equipment components further in advance of anticipated repairs and field consumption. While this has an impact on near-term working capital requirements, it enables us to respond to continued industry growth and to maintain the product and service advantages which underpin our leading competitive position. Free cash flow for the second quarter totaled \$19.1 million."

"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. 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, which we are maintaining at \$0.08 per share, and share repurchases."

"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 first quarter, we had \$187 million in cash and cash equivalents and \$201 million of positive working capital."

"Macroeconomic conditions have become more challenging as central banks attempt to bring down high prevailing levels of inflation by raising interest rates, while trying to avoid putting economies into recession. The world is wrestling with a global energy crisis with significant shortages and elevated prices in many countries; at the same time, geopolitical instability has placed an increased focus and attention on where commodities are sourced. Oil prices have become more volatile as traders weigh the implications of supply shortfalls against the potential demand impacts from an economic slowdown."

"Despite that backdrop, our outlook for continued steady growth in North American land drilling is based on a review of market fundamentals. In previous cycles, high oil prices have led to significantly oversupplied markets. In the current situation, however, major sources of supply are below pre-pandemic levels and trending lower. US storage levels of crude oil and petroleum products are at levels last seen in 2008. US land production remains almost 10% below pre-pandemic levels. The inventory of drilled but uncompleted wells ("DUCs") in the US has decreased for 24 consecutive months to its lowest level in more than 9 years; 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 global demand for oil which is similar to pre-pandemic levels will require new drilling. As a result, we expect land drilling activity to steadily grow over the coming quarters."

"Pason is well equipped to provide 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 eight cents (C\$0.08) per share on the company's common shares. The dividend will be paid on September 29, 2022, to shareholders of record at the close of business on September 15, 2022.

Second Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors, and media representatives to review its 2022 second quarter results at 9:00 a.m. (MDT) on Thursday, August 11, 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. You can access the fourteen-day replay by dialing 1-888-390-0541 or 1-416-764-8677, using password 433604#. An archived audio webcast of the conference call will also be available on Pason's website at 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) or through Pason's website (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 or contact 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) or through Pason's website (www.pason.com).