



Pason Reports Second Quarter 2021 Results and Declares Quarterly Dividend

FOR IMMEDIATE RELEASE

CALGARY, Alberta (August 10, 2021) – Pason Systems Inc. (TSX:PSI) announced today its 2021 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, 2021, as well as the Annual Information Form for the year ended December 31, 2020. All of these documents are available on SEDAR at www.sedar.com.

Financial Highlights

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	Change	2021	2020	Change
(CDN 000s, except per share data)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
North American Revenue	34,928	22,959	52	69,507	86,781	(20)
International Revenue	7,809	3,038	157	14,873	12,287	21
Solar and Energy Storage Revenue	856	851	1	1,768	1,742	1
Total Revenue	43,593	26,848	62	86,148	100,810	(15)
EBITDA ⁽¹⁾	14,984	4,271	251	30,657	37,740	(19)
Adjusted EBITDA ⁽¹⁾	12,786	(848)	nmf	25,956	32,457	(20)
As a % of revenue	29.3	nmf	nmf	30.1	32.2	(210) bps
Funds flow from operations	14,662	134	10,842	28,392	26,856	6
Per share – basic	0.18	—	nmf	0.34	0.32	6
Per share – diluted	0.18	—	nmf	0.34	0.32	6
Cash from operating activities	9,841	29,953	(67)	20,926	55,546	(62)
Capital expenditures	4,520	799	466	6,369	3,887	64
Free cash flow ⁽¹⁾	5,684	29,888	(81)	14,860	52,823	(72)
Cash dividends declared (per share)	0.05	0.19	(74)	0.10	0.38	(74)
Net income (loss)	4,880	(4,799)	nmf	8,871	11,753	(25)
Net income (loss) attributable to Pason	5,307	(4,487)	nmf	9,622	12,432	(23)
Per share – basic	0.06	(0.05)	nmf	0.12	0.15	(21)
Per share – diluted	0.06	(0.05)	nmf	0.12	0.15	(21)

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

As at	June 30, 2021	December 31, 2020	Change
(CDN 000s)	(\$)	(\$)	(%)
Cash and cash equivalents	135,033	149,282	(10)
Working capital	165,010	167,366	(1)
Total interest bearing debt	—	—	—
Shares outstanding end of period	82,775,041	83,088,941	—

Pason's financial results for the three months ended June 30, 2021 reflect the Company's strong competitive positioning, prudent balance sheet, and operating leverage as industry conditions continued to improve from the lows experienced in 2020. In comparison to the second quarter of 2020, which reflected the beginning of historically low activity levels due to impacts of the COVID-19 pandemic, financial results in the second quarter of 2021 have improved significantly. Although improved, results still reflect ongoing headwinds associated with the COVID-19 pandemic on the oil and gas industry, and on a year to date basis, Pason's 2021 results continue to reflect the decline in industry activity from the first quarter of 2020. Pason generated \$43.6 million in revenue in the second quarter of 2021, a 62% increase from the \$26.8 million generated in the second quarter of 2020 as industry activity improved significantly, and further, the Company grew Revenue per Industry day by 13% during the same period. The second quarter is generally the weakest quarter due to spring break-up in Canada, however, the Company experienced a 2.4% sequential increase in revenue from the \$42.6 million generated in the first quarter of 2021, as the improvement in drilling activity in other regions and sequential growth in Revenue per Industry day muted the expected seasonal decline in Canada.

With this increase in revenue, Pason generated \$12.8 million in Adjusted EBITDA, or 29.3% of revenue in the second quarter of 2021 compared to an \$0.8 million loss in the second quarter of 2020. While the Company incurred certain incremental expenses to support increased levels of activity, such as equipment repairs, research and development costs and compensation expenses, second quarter results continue to demonstrate the Company's strong operating leverage through improving industry conditions.

Revenue in the North American business unit was \$34.9 million during the second quarter of 2021, an increase of 52% from the comparable period in 2020, as average North American industry days improved 37% year over year. In the second quarter, Pason grew Revenue per Industry Day from the low points of the downturn as the Company's competitive position and product adoption remained strong. Year over year, North American Revenue per Industry Day increased 13% to \$728 from the comparable period in 2020, primarily due to an increase in North American market share, geographical mix, and further reflects the challenging pricing environment experienced in the second quarter of 2020. Sequentially, growth in Revenue per Industry day from \$720 in the first quarter to \$728 in the second quarter, and steadily improving industry activity in the United States resulted in a 1% increase in revenue quarter over quarter.

The International business unit reported revenue of \$7.8 million in the second quarter of 2021 compared to \$3.0 million in the comparative period of 2020. The second quarter of 2020 represented the beginning of historical low levels of global drilling activity as the impacts of the COVID-19 pandemic caused operators in many international regions to suspend drilling operations. Since then, international industry activity has improved, and Pason has defended its leading competitive position in Latin America and Australia. Sequentially, the International business unit reported an 11% increase compared to revenue of \$7.1 million in the first quarter of 2021, which represents continued improvements in drilling activity in Pason's international end markets, particularly Argentina, as impacts of the COVID-19 pandemic continued to ease.

Revenue generated by the Solar and Energy Storage business unit was \$0.9 million in both the second quarter of 2021 and the 2020 comparative period, for which the majority is comprised of subscription-based software licenses for the Company's solar energy planning tools.

In the second quarter, Pason recognized \$3.0 million in government wage assistance, primarily related to the Canada Emergency Wage Subsidy (CEWS) (Q2 2020: \$4.4 million). The Company has excluded this benefit in its calculation of Adjusted EBITDA. In July of 2021, the Government of Canada announced the

extension of the CEWS program to the end of October 2021. The Company intends to participate through the duration of this program extension as applicable.

The Company recorded net income attributable to Pason of \$5.3 million (\$0.06 per share) in the second quarter of 2021 compared to a net loss attributable to Pason of \$4.5 million (\$0.05 per share) recorded in the corresponding period in 2020. The year over year increase is due to the factors outlined above.

Pason's balance sheet remains strong with no interest bearing debt and \$135.0 million in cash and cash equivalents as at June 30, 2021 (December 31, 2020: \$149.3 million). Pason generated \$14.7 million in funds flow from operations in the second quarter (Q2 2020: \$0.1 million), which was partially used for investments in working capital to meet improving industry activity levels, resulting in cash generated from operating activities of \$9.8 million (Q2 2020: \$30.0 million). In contrast, the Company experienced a significant working capital release in the second quarter of 2020 given the steep decline in activity levels experienced.

Pason's capital expenditures increased to \$4.5 million during the second quarter of 2021 from \$0.8 million in the second quarter of 2020, which represented a quarter where capital expenditure programs were halted given the existing uncertainty around industry conditions at the time. Capital expenditures in the current quarter are comprised primarily of rental equipment to meet activity levels, and also a \$1.5 million purchase of equipment and technology from a contract manufacturer wishing to divest a portion of its business. Resulting Free Cash Flow for the second quarter was \$5.7 million (Q2 2020: \$30.0 million).

During the second quarter, Pason repurchased and cancelled 313,900 shares for total cash consideration of \$3.0 million (Q2 2020: 50,000 shares for \$0.3 million). The Company also declared and paid a quarterly dividend of \$0.05 per share in the second quarter for a total of \$4.2 million (Q2 2020: \$0.19 per share for a total of \$16.0 million).

Additionally, in the second quarter, the Company increased its minority investment in Intelligent Wellhead Systems Inc. (IWS) and acquired a portion of outstanding common shares for total cash consideration of \$7.1 million. IWS is a privately-owned oil and gas technology and service company that provides engineered controls, data acquisition, and software to automate workflows and processes at live well operations in the completions segment of the oil and gas industry. The Company's initial minority investment was made in 2019, and consisted of total consideration of \$25.0 million. The investment consisted of initial cash consideration of \$10.0 million and \$15.0 million payable in three separate \$5.0 million put options, exercisable at IWS' discretion for a period of up to three years. The first \$5.0 million put obligation was exercised in the third quarter of 2020, while the second was exercised during the second quarter of 2021 to fund IWS' recent growth.

President's Message

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

"The second quarter of 2021 marks the first time in which the prior year comparator reflects the full effects of the COVID-19 global pandemic. Comparing results of a year ago to those of this quarter provides a sense of how the industry landscape has improved. North American land drilling activity increased by 37% from the second quarter of 2020. The increase in industry activity in North America and international markets, coupled with a strengthened competitive position, drove a 62% year over year increase in consolidated revenue to \$43.6 million. The investments we made through the downturn to protect and grow our

technology and service capabilities are delivering value. Revenue per Industry Day in North America grew by 13% from the second quarter of 2020, reflecting an expansion in market share, strong product adoption and a more favourable pricing environment. Increased industry activity in our international markets helped drive 157% year over year growth in revenue in our International business unit."

"Adjusted EBITDA of \$12.8 million compared to an Adjusted EBITDA loss of \$0.8 million in the prior year. The fixed nature of a significant portion of our operating cost base continues to deliver strong earnings as revenue increases. Compared to the second quarter of 2020, Adjusted EBITDA increased by 81 cents for every dollar of increased revenue. We expect incremental margins will be strong as the industry continues to recover; however, we look to strike the right balance between effective cost management and ensuring we have the capabilities in place to fully participate in the recovery. As a result, we anticipate certain operating costs, notably product repairs and staffing, will continue to increase in the coming quarters in anticipation of future activity levels. Further, the current challenges facing all industries around supply chain disruptions and prevailing rates of inflation will likely put some pressure on margins, at least in the short term."

"We will continue to make the necessary capital investments to support increasing activity and product enhancements. Free cash flow of \$5.7 million in the second quarter reflected increased investments in capital expenditures and working capital. Net income attributable to Pason for the quarter was \$5.3 million or \$0.06 per share."

"Our balance sheet remains strong. We ended the second quarter with \$135 million of cash and cash equivalents and \$165 million of positive working capital."

"We are maintaining a balanced approach to capital allocation – making growth-focused investments in the drilling-related business, establishing additional sources of revenue not directly tied to North American land drilling for longer term growth, and returning capital to shareholders. Capital expenditures in the second quarter totaled \$4.5 million and we expect to spend up to \$15 million in capital expenditures in 2021. Also in the second quarter, Intelligent Wellhead Systems (IWS) exercised one of the two remaining \$5 million put options for growth capital, and we also increased our minority ownership stake in the business by acquiring a portion of the outstanding common shares for \$7.1 million. We continue to be impressed by IWS' technology and trajectory of product adoption, and we are optimistic about the medium-term outlook for the business. We returned \$7.2 million to shareholders through a combination of dividends and share repurchases in the quarter and are maintaining our quarterly dividend at \$0.05 per share."

"Energy Toolbase (ETB), our subsidiary in the solar and energy storage markets, made continued progress in the second quarter. Subscriptions for our leading economic analysis and proposal generation software package remain strong, and the team delivered a significant release of the next generation of the tool in the quarter. The pipeline of new opportunities and bookings for our energy storage control system continues to grow. We remain focused on developing and commercializing an integrated platform to enable the modeling, control and monitoring of energy storage systems."

"Our outlook for growth continues to improve. While North American land drilling activity has more than doubled since bottoming in June 2020, activity levels remain significantly lower than pre-pandemic levels. In August 2019, there were over 1,000 active land drilling rigs in North America, compared to 625 today. At the same time, global oil demand currently sits at 97% of its August 2019 levels and leading supply indicators are constructive. WTI oil prices have recently traded above US\$70 per barrel for the first time

since October 2018. US land production is approximately 10% lower than August 2019 and the inventory of drilled but uncompleted wells (DUCs) in the US has been reduced by more than 20% over the same timeframe. While uncertainty still weighs on oil markets due to potential demand implications from COVID-19 variants and supply questions around OPEC+ production levels and compliance, industry analysts continue to expect the US land rig count to grow from 475 rigs today and exit 2021 at approximately 500 rigs and to push toward 600 rigs in 2022. At over 150 rigs, the Canadian land rig count is more than 10% higher than in August 2019 and is also expected to grow further through 2022."

"Pason is well positioned to participate in the continued growth of the drilling industry. Our data and technology solutions continue to be aligned with customers' efforts to increasingly utilize automation and analytics to improve drilling performance and are supported by unmatched service quality," concluded Mr. Faber.

Quarterly Dividend

Pason announced today that the Board of Directors have declared a quarterly dividend of five cents (C\$0.05) per share on the company's common shares. The dividend will be paid on September 29, 2021, to shareholders of record at the close of business on September 15, 2021.

Pursuant to the Canadian Income Tax Act, dividends paid by the Company to Canadian residents are considered to be "eligible" dividends.

Second Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors, and media representatives to review its 2021 second quarter results at 9:00 a.m. (MDT) on Wednesday, August 11th, 2021. The conference call dial-in number is 1-888-664-6383 or 1-416-764-8650. You can access the fourteen-day replay by dialing 1-888-390-0541 or 1-416-764-8677, using password 846427#.

An archived audio webcast of the conference call will also be available on Pason's website at www.pason.com.

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 under the heading, "Risk and Uncertainty", in our management's discussion and analysis for the year ended December 31, 2020 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 Energy Toolbase (ETB), the Company also provides products and services for the solar power and energy storage industry. ETB's solutions enable solar and energy storage developers to model, control and measure 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).