



Pason Reports First Quarter 2022 Results and Declares Quarterly Dividend

FOR IMMEDIATE RELEASE

CALGARY, Alberta (April 28, 2022) – Pason Systems Inc. ("Pason" or the "Company") (TSX:PSI) announced today its 2022 first 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 months ended March 31, 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 March 31,		
	2022	2021	Change
(CDN 000s, except per share data)	(\$)	(\$)	(%)
North American Revenue	62,000	34,579	79
International Revenue	10,691	7,064	51
Solar and Energy Storage Revenue	1,777	912	95
Total Revenue	74,468	42,555	75
EBITDA ⁽¹⁾	34,686	15,673	121
Adjusted EBITDA ⁽¹⁾	33,373	13,170	153
As a % of revenue	44.8	30.9	1,390 bps
Funds flow from operations	25,704	13,730	87
Per share – basic	0.31	0.17	89
Per share – diluted	0.31	0.17	89
Cash from operating activities	28,050	11,085	153
Capital expenditures ⁽²⁾	4,464	1,849	141
Free cash flow ⁽¹⁾	23,582	9,176	157
Cash dividends declared (per share)	0.08	0.05	60
Net income	18,001	3,991	351
Net income attributable to Pason	18,573	4,315	330
Per share – basic	0.23	0.05	360
Per share – diluted	0.23	0.05	360

(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	March 31, 2022	December 31, 2021	Change
(CDN 000s)	(\$)	(\$)	(%)
Cash and cash equivalents	172,057	158,283	9
Working capital	182,353	184,083	(1)
Total interest bearing debt	—	—	—
Shares outstanding, end of period (#)	82,195,141	82,194,051	—

Pason Systems Inc.

Pason's financial results for the three months ended March 31, 2022, reflect improved industry conditions, and the Company's strong competitive positioning, prudent balance sheet, and operating leverage. In comparison to Q1 2021, financial results have improved significantly.

Pason generated \$74.5 million in revenue in the first quarter of 2022, representing a 75% increase from the \$42.6 million generated in the first quarter of 2021 as drilling activity improved significantly across Pason's operating regions. Furthermore, the Company realized the fourth consecutive quarter of sequential growth in Revenue per Industry day in the North American business unit with a new record of \$835 in Q1 2022, an increase of 16% from the comparative period in 2021, resulting in improvements in revenue that outpaced underlying industry activity. With this increase in revenue, Pason generated \$33.4 million in Adjusted EBITDA, or 44.8% of revenue in the first quarter of 2022, compared to \$13.2 million in the first quarter of 2021, or 30.9% of revenue. While the Company incurred certain incremental expenses to support increased activity levels, such as equipment repairs, research and development costs and compensation expenses, first quarter results continue to demonstrate the Company's strong operating leverage. As a result, the Company generated net income attributable to Pason of \$18.6 million (\$0.23 per share) in the first quarter of 2022 compared to net income attributable to Pason of \$4.3 million (\$0.05 per share) in the corresponding period of 2021.

Industry conditions in North America continued to improve in the first quarter of 2022, with a 57% increase in industry activity compared to the comparative prior year period. The North American business unit outpaced the improvement in industry activity, generating \$62.0 million of revenue in the first quarter of 2022, a 79% increase from \$34.6 million in the comparative period of 2021. Revenue per Industry day was \$835 in Q1 2022, an increase of 16% from the comparable period in 2021 and a new record level for the Company. The year over year increase is due to a combination of factors including increased market share, increased adoption of certain products, and improvement in pricing conditions compared to the very challenging environment that existed since the COVID-19 pandemic began. Furthermore, Revenue per Industry Day in the first quarter of 2022 benefited from a strong Canadian winter drilling season, a region which has historically generated comparatively higher levels of Revenue per Industry Day for the Company.

The International business unit generated \$10.7 million of revenue in the first quarter of 2022 compared to \$7.1 million in the comparative period of 2021. The year over year increase 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 \$1.8 million, an increase of 95% from the comparative period in 2021 and represented the highest quarterly revenue level generated for the reporting segment. The increase in revenue is primarily due to the commissioning of control systems and sales of related hardware.

Sequentially, Q1 2022 revenue increased 19% from the \$62.8 million generated in Q4 2021 as the Company continued to defend its leading market share position in key markets with improving activity levels. Q1 2022 revenue in the North American business unit increased 23% to \$62.0 million. The increased revenue was driven by a 14% increase in North American industry days as well as a 9% increase in Revenue per Industry day of \$835 in Q1 2022 versus \$767 in Q4 2021. Both industry activity and Revenue per Industry day in Q1 2022 benefited from strong Canadian winter drilling activity throughout the first quarter.

Adjusted EBITDA was \$33.4 million in the first quarter of 2022, a 38% increase from \$24.2 million in the fourth quarter of 2021. The Company's cost structure remains primarily fixed and Pason continues to demonstrate its operating leverage with 79% incremental Adjusted EBITDA margins generated sequentially.

The Company recorded net income attributable to Pason in the first quarter of 2022 of \$18.6 million (\$0.23 per share) compared to net income attributable to Pason of \$11.1 million (\$0.14 per share) in the fourth quarter of 2021. First quarter net income benefited from the increased activity levels and operating results, as noted above.

Pason's balance sheet remains strong, with no interest bearing debt and \$172.1 million in cash and cash equivalents as at March 31, 2022, compared to \$158.3 million at December 31, 2021. During the first quarter of 2022, Pason generated \$28.1 million in net cash from operating activities (Q1 2021: \$11.1 million) as the Company's operating results improved and while the Company managed required investments in working capital while revenue levels grew. Net cash from operating activities in the first quarter of 2022 also benefitted from the collection of withholding taxes owing from the IRS in the amount of \$12.5 million.

During the first quarter of 2022, Pason incurred \$4.5 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 Q1 2022 was \$23.6 million compared to \$9.2 million generated in the first quarter of 2021.

Pason's first quarter results continue to reinforce the decision to retain 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 continue to recover.

President's Message

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

"Since bottoming in the third quarter of 2020, oil and gas drilling conditions have maintained a consistent trajectory of steady growth; this trend continued again through the first quarter of 2022. While it has not fully returned to levels witnessed before the onset of the COVID-19 pandemic, North American land drilling activity increased 57% compared to the same quarter in 2021. Coupled with growth across our international markets and continued strength in our competitive position, this growth drove a 75% year-over-year increase in Pason's consolidated revenue to \$74.5 million in the first quarter. Pason's revenue and Adjusted EBITDA in the first quarter were nearly identical to the first quarter of 2020, the last quarter prior to significant global shutdowns related to the COVID-19 pandemic, despite North American land drilling activity being 15% lower than the 2020 period."

"For the fourth consecutive quarter, Pason posted growth in North American Revenue per Industry Day, with a new record generated this quarter of \$835 breaking through the \$800 per Industry Day level for the first time in the Company's history. We have held onto the market share gains we made through the pandemic, while both pricing and product adoption continue to improve. First quarter results are also positively impacted by the seasonally strong contribution from the Canadian winter drilling season. Our International business posted a 51% revenue increase over the first quarter of 2021. With additional revenue from installations of our intelligent energy management systems, our Solar and Energy Storage segment grew 95% year-over-year to \$1.8 million in the quarter."

"We delivered an additional \$0.63 of Adjusted EBITDA from every additional dollar of revenue compared to the first quarter of 2021. As a result, Adjusted EBITDA for the first quarter of \$33.4 million was up 153% from a year ago and represented an Adjusted EBITDA margin of 45%. We continue to make the necessary investments to scale our operations in anticipation of further industry growth, most notably in the areas of product repairs and staffing, which will impact margins in the short term while positioning Pason to outperform in the medium to longer term."

Pason Systems Inc.

"Global supply chain shortages and disruptions continue to be a challenge and are impacting delivery schedules. As a result, while we continue to plan to spend approximately \$30 million in capital expenditures in 2022, our expenditures in the first quarter came in at \$4.5 million. We continue to evaluate our capital programs in the context of further opportunities to evolve our product and service offering, while navigating continued supply chain challenges. We are pursuing opportunities to mitigate the impact of supply chain disruptions by strategically increasing our inventory of equipment components and parts further in advance of anticipated repairs and equipment builds. This will have an impact on near-term working capital requirements, while enabling us to be responsive to continued industry growth and to maintain the product and service advantages which underpin our leading competitive position."

"Free cash flow for the first quarter of \$23.6 million represented a 157% improvement from the first quarter of 2021, while net income attributable to Pason of \$18.6 million was up 330% over the same time period."

"We remain disciplined in our approach to capital allocation. We are committed to making the necessary investments in capital expenditures and working capital to support our growing core business. At the same time, 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 remain committed to returning capital to our shareholders through our regular quarterly dividend, which we are maintaining at \$0.08 per share, and share repurchases."

"Our balance sheet allows us to withstand the inevitable volatility of North American land drilling and make growth-related investments. At the end of the first quarter, we had \$172 million in cash and cash equivalents and \$182 million of positive working capital, both of which benefited from the receipt of a long-standing income tax receivable in the amount of \$12.5 million in the quarter."

"Oil prices continue to trade around US\$100 per barrel as a result of both the ongoing military conflict in Ukraine and persistent global supply and demand imbalances. The circumstances around the conflict in Eastern Europe are both troubling and unpredictable, and they are likely to create continued volatility in global oil prices in the short-term."

"Our positive outlook for continued steady growth in North American land drilling remains rooted first and foremost in an analysis of significant global supply and demand indicators. While global oil demand has largely returned to pre-pandemic levels, all significant sources of supply not only remain below pre-pandemic levels, but in some cases they are trending lower. US storage levels of crude oil and petroleum products continue to decrease and are already below their 5-year lows. The US has announced plans to release one million barrels per day from the Strategic Petroleum Reserve for up to 6 months, a plan which if fully implemented would move the reserve to its lowest level since 1984. US land production is nudging higher, but still remains almost 10% below pre-pandemic levels. The inventory of drilled but uncompleted wells in the US has decreased for 21 consecutive months and now sits at its lowest level since early 2013. Oil supply challenges could be further exasperated by underinvestment in long-term development projects over the past five years. The industry's ability to respond to the growing supply shortfalls quickly is further limited by challenges with availability of labour and equipment."

"The drilling of new wells represents the first step in the creation of additional supply, and we expect land drilling activity to steadily grow over the coming quarters. Companies remain focused on ensuring they develop new sources of supply in a responsible manner and maximizing the productivity of each new well. To do so, they are increasingly looking to technology solutions which harness the power of data to drive automation and analytics solutions that optimize their efforts. Pason sits at the center of the ecosystem of

much of the Western Hemisphere's drilling data, and we are well positioned to provide our customers with the leading technologies, unmatched service and support, and high-quality data they require to pursue their initiatives" 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 June 30, 2022, to shareholders of record at the close of business on June 15, 2022.

Annual General Meeting

Pason will be holding its annual general meeting of shareholders on Thursday, April 28, 2022, at 3:30 p.m. (MDT) via live audio webcast at www.meetnow.global/M77P2HM. Additional details on how to access and login to the meeting are provided on Pason's website at www.pason.com/investors.

First Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors, and media representatives to review its 2022 first quarter results at 9:00 a.m. (MDT) on Friday, April 29, 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 893731#. 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 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).

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