



Pason Reports Fourth Quarter 2022 Results and Declares Quarterly Dividend

FOR IMMEDIATE RELEASE

CALGARY, Alberta (March 2, 2023) – Pason Systems Inc. ("Pason" or the "Company") (TSX:PSI) announced today its 2022 fourth 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") for the three and twelve months ended December 31, 2022, the Consolidated Financial Statements and related notes for the year ended December 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 December 31,			Twelve Months Ended December 31,		
	2022	2021	Change	2022	2021	Change
(CDN 000s, except per share data)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
North American Revenue	77,687	50,477	54	274,569	166,090	65
International Revenue	14,391	11,182	29	53,222	36,489	46
Solar and Energy Storage Revenue	2,342	1,174	99	7,207	4,107	75
Total Revenue	94,420	62,833	50	334,998	206,686	62
EBITDA ⁽¹⁾	53,248	26,874	98	170,266	82,401	107
Adjusted EBITDA ⁽¹⁾	48,944	24,208	102	159,510	72,520	120
As a % of revenue	51.8	38.5	1,330 bps	47.6	35.1	1,250 bps
Funds flow from operations	45,971	19,353	138	134,885	67,728	99
Per share – basic	0.56	0.23	145	1.65	0.82	101
Per share – diluted	0.56	0.23	145	1.63	0.82	99
Cash from operating activities	19,942	27,061	(26)	104,414	65,061	60
Net capital expenditures ⁽²⁾	16,233	3,071	429	33,941	9,950	241
Free cash flow ⁽¹⁾	3,709	23,990	(85)	70,473	55,111	28
Cash dividends declared (per share)	0.12	0.05	140	0.36	0.20	80
Net income	35,994	10,279	250	105,726	31,925	231
Net income attributable to Pason	36,257	11,149	225	107,616	33,845	218
Per share – basic	0.44	0.14	228	1.31	0.41	221
Per share – diluted	0.44	0.14	226	1.30	0.41	219

As at	December 31, 2022	December 31, 2021	Change
(CDN 000s)	(\$)	(\$)	(%)
Cash and cash equivalents	132,057	158,283	(17)
Short-term investments	40,377	—	nmf
Total Cash ⁽³⁾	172,434	158,283	9
Working capital	213,899	184,083	16
Total interest bearing debt	—	—	—
Shares outstanding end of period (#)	81,526,954	82,194,051	(1)

(1) See 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 Consolidated Statements of Cash Flows

(3) Total Cash is defined as total cash and cash equivalents and short-term investments from Pason's Consolidated Balance Sheets

Pason's financial results for the three and twelve months ended December 31, 2022, reflect improved industry conditions, increasing demand for the Company's products and technologies, strong competitive positioning and operating leverage.

Pason generated \$94.4 million in revenue in the fourth quarter of 2022, representing a 50% increase from the \$62.8 million generated in the comparative period of 2021, as drilling activity remained strong across Pason's operating regions. With this increase in revenue, Pason generated \$48.9 million in Adjusted EBITDA, or 51.8% of revenue in the fourth quarter of 2022, compared to \$24.2 million in the fourth quarter of 2021, or 38.5% of revenue. While the Company incurred incremental expenses to support increased activity levels, and further faced inflationary effects on certain operating costs, fourth quarter results continue to demonstrate the Company's strong operating leverage through improved industry conditions. The Company recorded net income attributable to Pason of \$36.3 million (\$0.44 per share) in the fourth quarter of 2022, a significant increase compared to net income attributable to Pason of \$11.1 million (\$0.14 per share) recorded in the corresponding period in 2021.

Industry conditions in North America remained strong in the fourth quarter of 2022, with a 34% increase in industry activity compared to the comparative period in 2021. Pason's Revenue per Industry Day in the fourth quarter of 2022 of \$890 was a new quarterly record level for the Company and a 16% increase from the comparative 2021 period. Revenue per Industry Day in the current quarter benefited from improved pricing for the Company's products and technologies, strong product adoption and a strong US dollar relative to the Canadian dollar. For the sixth consecutive quarter, the North American business unit outpaced the improvement in industry activity, generating \$77.7 million of revenue in the fourth quarter of 2022, a 54% increase from \$50.5 million in the comparative period of 2021. North American segment gross profit was \$51.1 million or 66% of revenue during the fourth quarter of 2022 compared to \$27.8 million or 55% of revenue in the comparative period of 2021, highlighting the business unit's significant operating leverage through increased activity levels.

The International business unit generated \$14.4 million of reported revenue in the fourth quarter of 2022, a 29% increase over the comparative period of 2021. The increase is due to increased industry activity in the Company's international markets and higher levels of revenue generated per drilling day with improved pricing and rig mix. The year over year quarterly increase in revenue is partially offset by the impacts of the Company applying hyperinflation accounting rules to the Company's Argentinian subsidiary as is required by IFRS and further detailed in the Company's MD&A. Excluding the impact of hyperinflation accounting entries in each respective period, International business unit revenue would have been \$15.2 million in the fourth quarter of 2022, a 54% increase from \$9.8 million in the fourth quarter of 2021. Segment gross profit for the International business unit was \$5.9 million during the fourth quarter of 2022 compared to \$3.6 million in the 2021 comparative period.

Revenue generated by the Solar and Energy Storage business unit was \$2.3 million, an increase of 99% from the comparative period in 2021. The increase in revenue is due to increased sales of the Company's subscription based software licenses along with revenue recognition associated with the commissioning of control system projects. Segment gross loss for the fourth quarter of 2022 of \$0.6 million reflects investments made for future growth, compared to a \$0.9 million segment gross loss in the comparable period in 2021.

Sequentially, Q4 2022 consolidated revenue of \$94.4 million increased 2% from the \$92.5 million generated in the third quarter of 2022. While drilling activity in North America remained relatively flat quarter over quarter, the business unit increased Revenue per Industry Day sequentially from \$871 in Q3 2022 to \$890

in Q4 2022. Revenue per Industry Day in the fourth quarter benefited from a stronger US dollar relative to the Canadian dollar. The International business unit reported revenue of \$14.4 million in the fourth quarter of 2022, a 9% decrease compared to \$15.8 million in the third quarter of 2022, which includes the effects of hyperinflationary accounting for the Company's Argentinian subsidiary. Excluding this impact for both periods, Q4 2022 revenue for the International business unit would have been \$15.2 million, an 11% increase from the \$13.7 million generated in Q3 2022. Adjusted EBITDA was \$48.9 million, or 51.8% of revenue, in the fourth quarter of 2022 compared to \$46.2 million, or 50.0% of revenue, in the third quarter of 2022. The sequential increase reflects the Company's primarily fixed cost structure. The Company recorded net income attributable to Pason in the fourth quarter of 2022 of \$36.3 million (\$0.44 per share) compared to net income attributable to Pason of \$34.2 million (\$0.42 per share) in the third quarter of 2022. The increase in net income attributable to Pason is driven by the improvement in operating results, as well as a put option revaluation recovery of \$5.8 million recorded in the fourth quarter of 2022.

For the twelve months ended December 31, 2022, Pason generated \$335.0 million of revenue, a 62% increase from \$206.7 million recorded in 2021. Adjusted EBITDA for the twelve months ended December 31, 2022 was \$159.5 million or 47.6% of revenue, compared to \$72.5 million, or 35.1% of revenue for the year ended December 31, 2021. Net income attributable to Pason in the twelve months ended December 31, 2022 was \$107.6 million (\$1.31 per share), up from \$33.9 million (\$0.41 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, the effects of a strengthening US dollar, and strong operating leverage.

Pason's balance sheet remains strong, with no interest bearing debt and \$172.4 million in cash, cash equivalents and short-term investments as at December 31, 2022, compared to \$158.3 million at December 31, 2021. Cash flow from operations in the fourth quarter of 2022 reflects investments made in respect of the 2022 year, including increased levels of tax installments and annual settlement of the Company's cash settled stock-based compensation plans. Further, the Company continued to make proactive investments in inventory levels in the fourth quarter of 2022. Resulting cash from operating activities was \$19.9 million in the fourth quarter of 2022 compared to \$27.1 million in the fourth quarter of 2021.

During the fourth quarter of 2022, Pason invested \$16.2 million in net capital expenditures, an increase from \$3.1 million in the fourth quarter of 2021. Capital expenditures throughout 2022 reflect net additions to rental equipment to meet activity levels, investments associated with the ongoing refresh of the Company's fleet and technology platform, and also an element of catch up from lower capital expenditure levels throughout 2020 and 2021. Fourth quarter 2022 capital expenditure levels also represent the easing of supply chain challenges which impacted the timing around Pason's quarterly capital expenditures throughout 2022. Pason continues to make necessary capital investments in its equipment and technology in order to service the increasing demand for its products.

Resulting Free Cash Flow generated in Q4 2022 was \$3.7 million compared to \$24.0 million generated in the fourth quarter of 2021. In the fourth quarter of 2022, Pason returned \$15.6 million to shareholders, through the Company's quarterly dividend for \$9.8 million and \$5.8 million in share repurchases.

President's Message

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

"Pason's fourth quarter 2022 results once again reflected the strength of our competitive position in the context of significantly improved industry conditions as compared to the fourth quarter of 2021. North

American land drilling activity increased by 34% over the prior year period, and Pason again outperformed the underlying growth in industry activity with a 50% increase in consolidated revenue in the quarter."

"Our North American business unit posted the highest quarterly Revenue per Industry Day in the company's history at \$890 per day, a 16% year-over-year increase, reflecting higher price realization, strong product adoption and a strengthened US dollar relative to the Canadian dollar. Our International business similarly posted strong growth in the quarter, with reported revenue up 29% compared to the prior year period after accounting for a negative impact from hyperinflation accounting entries (excluding the effect of hyperinflation accounting, International revenue would have increased 54% year-over-year). On the strength of additional energy storage control system installations, Energy Toolbase doubled its revenue in the fourth quarter of 2022 compared to the same period in 2021."

"Adjusted EBITDA in the fourth quarter came in at \$48.9 million, reflecting a 51.8% Adjusted EBITDA margin and a 102% increase from the prior year period. This represents the company's highest Adjusted EBITDA since the fourth quarter of 2014."

"After navigating supply chain challenges through much of 2022, we saw delivery time improvements in some areas of our capital spending program, resulting in fourth quarter net capital expenditures of \$16.2 million. We also saw further investments in working capital owing to higher revenue levels and inventory investments to improve the resiliency of our ongoing supply chain needs. As a result, free cash flow in the fourth quarter totaled \$3.7 million, compared to \$24.0 million in the prior year period. Net income attributable to Pason in the quarter totaled \$36.3 million (\$0.44 per share) compared to \$11.1 million (\$0.14 per share) in the fourth quarter of 2021."

"For the full year, consolidated revenue totaled \$335.0 million and Adjusted EBITDA came in at \$159.5 million, representing a 47.6% Adjusted EBITDA margin. Full year net capital expenditures totaled \$33.9 million, and free cash flow for the year was \$70.5 million. Net income attributable to Pason of \$107.6 million (\$1.30 per share) in 2022 was up 218% from \$33.8 million in 2021."

"Our balance sheet remains strong, as we exited the year with \$172.4 million in cash, cash equivalents and short-term investments and positive working capital of \$213.9 million."

"We allocate capital in three important areas: (1) investments within our core drilling-related business to defend and grow our leading market position; (2) investments outside of the drilling-related business to provide avenues of future revenue growth; and (3) disciplined returns to shareholders. Our capital expenditures and working capital investments in our core business were significant in 2022 as we met growing industry activity and navigated a challenging supply chain environment. We increased our investment in the completions space through further investment in Intelligent Wellhead Systems, including \$7.9 million to increase our ownership position and a commitment to fund an additional \$25 million through a preferred share financing to accelerate capital expenditures, \$10 million of which was funded in the fourth quarter. We returned \$43.3 million to shareholders through the regular dividend and share repurchases, up from \$25 million in shareholder returns in 2021. Our current quarterly dividend of 12 cents per share is up 50% from 8 cents per share a year ago."

"We continue to favour flexibility in our approach to capital allocation, maintaining a disciplined return of capital to shareholders, while allowing ourselves to pursue opportunities to strengthen our core business and position ourselves for meaningful revenue growth in new markets. We expect to spend approximately \$45 million in capital expenditures in 2023, while our investments in carrying levels of inventory are expected to lessen as supply chain conditions improve. We will continue to fund the accelerated growth of Intelligent Wellhead Systems through additional tranches of our preferred share financing agreement. We are maintaining our quarterly dividend at 12 cents per share and will continue to revisit both the regular dividend and share purchases in the context of our expectations for free cash flow generation and alternatives for capital deployment."

"Sequential growth in industry activity slowed in the fourth quarter and softer conditions, particularly in the United States, have continued to persist into the first quarter of 2023. Increases in oil inventories and a significant downturn in natural gas prices with warmer-than-expected winter weather have created headwinds for commodity prices and caused drilling activity to slow. We anticipate that North American industry activity will decline modestly from current levels in the first half of 2023 before increasing in the second half of the year. We remain confident in our outlook that over the medium term there will continue to be an upward trend in drilling activity, albeit at a slower pace than witnessed through 2022."

"Supply and demand fundamentals remain constructive for oil and gas. While both oil storage levels and the inventory of drilled but uncompleted wells (DUCs) have started to move upward, they remain significantly below historical levels. Total US crude oil and petroleum product inventories remain approximately 15% below their 5-year average. Meanwhile, the US government has largely completed the releases of oil from the Strategic Petroleum Reserve (SPR). While commercial crude inventories have grown by approximately 20 million barrels since March 2020, over the same time period the SPR has been drawn down by over 260 million barrels, representing a 41% reduction in the SPR and placing it at its lowest level since 1983. US land production remains approximately 5% below pre-pandemic levels. While all sources of US oil supply are low compared to historical levels, global demand for oil has increased by 3% from pre-pandemic levels."

"Against this backdrop, questions remain around the potential headwinds from global recessionary economic conditions and lower natural gas demand due to warmer winter weather, weighed against potential tailwinds from recovering oil demand as China emerges from COVID-19 restrictions, announced reductions in Russian oil production, and analyst estimates of tight OPEC spare production capacity."

"The availability of Tier 1, super-spec rigs remains tight and there are limits to the number of economically viable upgradeable rigs. As a result, while there may be some short-term volatility in rig counts due to natural gas price weakness or churn in the mix of active operators, the demand for high spec rigs is likely to remain high and provide support to rig counts near current levels. As evidenced by our fourth quarter performance, Pason is able to generate attractive financial results at this level of activity."

"The investments we have made in our people, our technology development and our equipment over the past two years has provided us with a strong competitive position to meet anticipated activity levels and to continue to be the leading drilling data provider of choice as our customers look to increased use of automation and analytics technologies to improve their operational performance" 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 March 31, 2023, to shareholders of record at the close of business on March 15, 2023.

Fourth Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors, and media representatives to review its 2022 fourth quarter results at 9:00 a.m. (MST) on Friday, March 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. You can access the fourteen-day replay by dialing 1-888-390-0541 or 1-416-764-8677, using password 374715#.

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, 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) 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.

Jon Faber
President and Chief Executive Officer
403-301-3400

Celine Boston
Chief Financial Officer
403-301-3400

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).