



Pason Reports First Quarter 2023 Results and Declares Quarterly Dividend

FOR IMMEDIATE RELEASE

CALGARY, Alberta (May 4, 2023) – Pason Systems Inc. ("Pason" or the "Company") (TSX:PSI) announced today its 2023 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, 2023, as well as the Annual Information Form for the year ended December 31, 2022. All of these documents are available on SEDAR at www.sedar.com.

Financial Highlights

	Three Months Ended March 31,		
	2023	2022	Change
(CDN 000s, except per share data)	(\$)	(\$)	(%)
North American Revenue	79,775	62,000	29
International Revenue	15,590	10,691	46
Solar and Energy Storage Revenue	2,864	1,777	61
Total Revenue	98,229	74,468	32
EBITDA ⁽¹⁾	51,755	34,686	49
Adjusted EBITDA ⁽¹⁾	52,410	33,373	57
As a % of revenue	53.4	44.8	860 bps
Funds flow from operations	43,673	25,704	70
Per share – basic	0.54	0.31	74
Per share – diluted	0.53	0.31	71
Cash from operating activities	46,265	28,050	65
Net capital expenditures ⁽²⁾	11,555	4,468	159
Free cash flow ⁽¹⁾	34,710	23,582	47
Cash dividends declared (per share)	0.12	0.08	50
Net income	35,454	18,001	97
Net income attributable to Pason	35,842	18,573	93
Per share – basic	0.44	0.23	95
Per share – diluted	0.44	0.23	95

⁽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, net of proceeds on disposal from Pason's Condensed Consolidated Interim Statement of Cash Flows

As at	March 31, 2023	December 31, 2022	Change
(CDN 000s)	(\$)	(\$)	(%)
Cash and cash equivalents	144,355	132,057	9
Short-term investments	40,229	40,377	nmf
Total Cash ⁽³⁾	184,584	172,434	7
Working capital	224,546	213,899	5
Total interest bearing debt	—	—	—
Shares outstanding end of period (#)	80,793,793	81,526,954	(1)

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

Pason's financial results for the three months ended March 31, 2023, reflect improved industry conditions, and the Company's strong competitive positioning, prudent balance sheet, and significant operating leverage.

Pason generated \$98.2 million in revenue in the first quarter of 2023, representing a 32% increase from the \$74.5 million generated in the first quarter of 2022 as drilling activity improved across Pason's operating regions. Furthermore, the Company realized a new record for Revenue per Industry Day of \$922 in Q1 2023, an increase of 10% from the comparative period in 2022, resulting in improvements in revenue that outpaced underlying industry activity. With this increase in revenue, Pason generated \$52.4 million in Adjusted EBITDA, or 53.4% of revenue in the first quarter of 2023, compared to \$33.4 million in the first quarter of 2022, or 44.8% 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 through improved industry conditions.

The Company recorded net income attributable to Pason of \$35.8 million (\$0.44 per share) in the first quarter of 2023, a significant increase compared to net income attributable to Pason of \$18.6 million (\$0.23 per share) recorded in the corresponding period in 2022 due to the improving industry conditions, and also benefiting from lower stock based compensation expense year over year.

Drilling activity in North America remained strong in the first quarter of 2023, with an 18% increase in industry activity compared to the comparative prior year period. With this backdrop, the North American business unit generated \$79.8 million of revenue in the first quarter of 2023, a 29% increase from \$62.0 million in the comparative period of 2022. Revenue per Industry Day was \$922 in Q1 2023, an increase of 10% from the comparable period in 2022 and a record level for the Company. The year over year increase is due to a combination of factors including increased adoption of certain products, and improvement in pricing conditions. Furthermore, Revenue per Industry Day in the first quarter of 2023 benefited from a strong Canadian winter drilling season, a region that has historically generated comparatively higher levels of Revenue per Industry Day for the Company. North American segment gross profit was \$51.3 million or 64% of revenue during the first quarter of 2023 compared to \$35.8 million or 58% of revenue in the comparative period of 2022, highlighting the business unit's mostly fixed cost base and significant operating leverage through increased activity levels.

The International business unit generated \$15.6 million of revenue in the first quarter of 2023, a 46% increase from \$10.7 million generated in the comparative period of 2022. 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 and pricing. Segment gross profit for the International business unit was \$7.8 million or 50% of revenue during the first quarter of 2023 compared to \$4.6 million or 43% of revenue in the comparative period of 2022, demonstrating strong operating leverage on higher levels of revenue generated.

Revenue generated by the Solar and Energy Storage business unit was \$2.9 million, an increase of 61% from the comparative period in 2022 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. Quarterly revenue for the Solar and Energy Storage business unit will continue to fluctuate with the timing of the commissioning of control system projects. Segment gross loss for the segment was \$0.1 million for the first quarter of 2023, a decrease of \$0.5 million from the comparable period in 2022.

Sequentially, consolidated revenue of \$98.2 million in the first quarter of 2023, represented a 4% increase from consolidated revenue of \$94.4 million generated in the fourth quarter of 2022. Revenue in the first quarter benefited from a strong Canadian winter drilling season, record North American Revenue per Industry Day, and increased revenue levels for the International business unit and Solar and Energy Storage segment. The Company's gross profit was \$59.0 million in the first quarter of 2023, a 5% increase compared to gross profit of \$56.4 million in the fourth quarter of 2022. Similarly, Adjusted

EBITDA was \$52.4 million in the first quarter of 2023, a 7% increase from \$48.9 million in the fourth quarter of 2022. Sequential gross profit and Adjusted EBITDA increases reflect the Company's primarily fixed cost structure and strong operating leverage. The Company recorded net income attributable to Pason in the first quarter of 2023 of \$35.8 million (\$0.44 per share) compared to net income attributable to Pason of \$36.3 million (\$0.44 per share) in the fourth quarter of 2022. Fourth quarter 2022 net income benefited from other income recognized from the revaluation of the Company's put obligation. Further, current quarter net income reflects an increased provision for income taxes as taxable income increased sequentially.

Pason's balance sheet remains strong, with no interest bearing debt and \$184.6 million in Total Cash as at March 31, 2023, compared to \$172.4 million at December 31, 2022. During the first quarter of 2023, Pason generated \$46.3 million in net cash from operating activities (Q1 2022: \$28.1 million) as the Company's operating results improved and while the Company managed required investments in working capital on higher levels of revenue generated.

During the first quarter of 2023, Pason incurred \$11.6 million of net 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 2023 was \$34.7 million compared to \$23.6 million generated in the first quarter of 2022. In the first quarter of 2023, Pason returned \$19.7 million to shareholders, through the Company's quarterly dividend of \$9.8 million and \$9.9 million in share repurchases. Subsequent to March 31, 2023, Pason approved and funded \$5.0 million of the \$15.0 million in available preferred share subscriptions for its minority investment in Intelligent Wellhead Systems Inc. ("IWS").

President's Message

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

"The first quarter of 2023 represented the continuation of strong financial and operational performance for Pason. Consolidated revenue in the quarter of \$98.2 million was 32% higher than the prior year period, significantly outpacing an 18% increase in North American land drilling activity over the same period. We delivered an additional \$0.80 of Adjusted EBITDA for each incremental dollar of revenue compared to the first quarter of 2022, even while navigating challenging inflationary pressures on our costs throughout 2022. Adjusted EBITDA in the first quarter of 2023 totaled \$52.4 million, representing an Adjusted EBITDA margin of 53.4%."

"Our competitive position remains exceptionally strong. Our North American business unit generated Revenue per Industry Day of \$922 in the quarter, a 10% increase compared to the prior year period and the first time this metric has surpassed the \$900 level in the Company's history. North American Revenue per Industry Day has increased at a compound annual growth rate of 8.7% over the 5-year period since the first quarter of 2018, a period which included drastic industry downturns and the effects of the COVID-19 pandemic. Over that time period, US market share, product adoption, and realized pricing have all improved."

"Our international business also continues to deliver exceptional results, with first quarter revenue of \$15.6 million representing a 46% year-over-year increase. Segment gross profit increased by 70% to \$7.8 million in the quarter."

"We are confident that our proven ability to generate revenue growth in excess of underlying industry activity, coupled with high operating leverage, will deliver continually improving financial results at higher levels of industry activity. While US land drilling activity softened in the later part of the first quarter, and Canada began to experience its seasonal declines due to winter breakup, our outlook for a return of steady growth in industry activity in the second half of 2023 is unchanged."

"Basic economic principles around supply and demand are instructive in establishing the prevailing direction of industry activity. Our outlook for continued growth in land drilling activity remains positive. Significant draws from oil storage inventories, and an inventory of Drilled but Uncompleted wells ("DUCs")

below what industry analysts consider to be sustainable levels, cannot persist in perpetuity while global oil demand continues to surpass pre-pandemic levels.”

“We will continue to make the necessary investments in our business to ensure we best capitalize on higher levels of industry activity. We currently expect approximately \$45 million in capital expenditures in 2023. This includes amounts to refresh and renew our rental assets to ensure we are able to address changing customer data requirements, and spending on operational equipment which was delayed over the past two years by acute supply chain shortages. We continue to evaluate our capital program with a focus on supporting increasing revenue, generating free cash flow and creating value for shareholders over time, rather than simply in response to prevailing near-term industry conditions.”

“We are making growth-related investments outside of our drilling-related business. We purchased an additional \$0.4 million of outstanding common shares of Intelligent Wellhead Systems (IWS) during the first quarter. Subsequent to quarter-end, we funded an additional \$5 million tranche under the preferred share financing arrangement announced in December 2022 to meet the capital expenditure and working capital investments required to capitalize on the significant growth in IWS’ business. We are making investments to advance the economic modeling platform and control systems of Energy Toolbase (ETB) in the solar and energy storage markets. ETB delivered revenue of \$2.9 million in the first quarter, which was positively impacted by the timing of commissioning of control system projects in the quarter.”

“Returning capital to shareholders represents an important part of our approach to capital allocation. During the first quarter, we returned \$19.8 million to shareholders in the form of regular dividends and share repurchases and we are maintaining our quarterly dividend at \$0.12 per share.”

“Our balance sheet remains strong with \$184.6 million in cash, cash equivalents and short-term investments and \$224.6 million in positive working capital.”

“Pason is well positioned for growth. We expect land drilling activity to increase through the second half of 2023 and beyond. We have demonstrated our ability to outpace underlying growth in industry activity through improved Revenue per Industry Day across industry cycles and our high operating leverage results in significant increases in Adjusted EBITDA as revenue grows. Our capital spending remains much lower than the company has historically witnessed during periods of industry growth. Outside of our drilling-related business, we are encouraged by the growth we are seeing in both Energy Toolbase and Intelligent Wellhead Systems.”

“Most importantly, we continue to attract and retain an exceptionally talented and highly motivated group of employees who work hard to earn the continued trust and 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 twelve cents (C\$0.12) per share on the company’s common shares. The dividend will be paid on June 30, 2023, to shareholders of record at the close of business on June 15, 2023.

First Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors, and media representatives to review its 2023 first quarter results at 9:00 a.m. (MDT) on Friday, May 5, 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 041815#.

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, 2022 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 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).