



Pason Reports Second Quarter 2024 Results and Declares Quarterly Dividend

FOR IMMEDIATE RELEASE

CALGARY, Alberta (August 7, 2024) – Pason Systems Inc. ("Pason" or the "Company") (TSX:PSI) announced today its 2024 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 Condensed Consolidated Interim Financial Statements and related notes for the three and six months ended June 30, 2024, as well as the Annual Information Form for the year ended December 31, 2023. All of these documents are available on SEDAR+ at www.sedarplus.ca.

Financial Highlights

	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	Change	2024	2023	Change
(CDN 000s, except per share data)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
North American Drilling Revenue	63,765	67,318	(5)	137,369	147,093	(7)
International Drilling Revenue	15,284	14,980	2	29,916	30,570	(2)
Completions Revenue	13,666	—	nmf	26,451	—	nmf
Solar and Energy Storage Revenue	3,141	2,393	31	6,879	5,257	31
Total Revenue	95,856	84,691	13	200,615	182,920	10
EBITDA ⁽¹⁾	33,345	37,822	(12)	124,855	89,577	39
Adjusted EBITDA ⁽¹⁾	33,135	37,887	(13)	75,560	90,297	(16)
As a % of revenue	34.6	44.7	(1,010) bps	37.7	49.4	(1,170) bps
Funds flow from operations	28,044	33,111	(15)	62,890	76,784	(18)
Per share – basic	0.35	0.41	(14)	1.01	0.95	6
Per share – diluted	0.35	0.41	(14)	1.00	0.95	5
Cash from operating activities	25,976	29,658	(12)	56,990	75,923	(25)
Net capital expenditures ⁽²⁾	17,945	11,670	54	37,226	23,225	60
Free cash flow ⁽¹⁾	8,031	17,988	(55)	19,764	52,698	(62)
Cash dividends declared (per share)	0.13	0.12	8	0.26	0.24	8
Net income	10,284	24,962	(59)	79,407	60,416	31
Net income attributable to Pason	10,890	25,470	(57)	80,419	61,312	31
Per share – basic	0.14	0.32	(57)	1.01	0.76	33
Per share – diluted	0.14	0.32	(57)	1.00	0.76	32
As at				June 30, 2024	December 31, 2023	Change
(CDN 000s)				(\$)	(\$)	(%)
Cash and cash equivalents				66,811	171,773	(61)
Short-term investments				4,402	—	nmf
Total Cash ⁽¹⁾				71,213	171,773	(59)
Working capital				113,499	212,561	(47)
Total interest bearing debt				—	—	—
Shares outstanding end of period (#)				79,639,076	79,685,025	nmf

(1) Non-GAAP and supplementary financial measures are defined under Non-GAAP Financial Measures in this press release.

(2) Includes additions to property, plant, and equipment and development costs, net of proceeds on disposal from Pason's Condensed Consolidated Interim Statements of Cash Flows

(3) The Completions segment includes results generated by IWS, which were not part of the Company's consolidated reporting group until January 1, 2024 following the IWS Acquisition

Pason generated \$95.9 million in consolidated revenue in the second quarter of 2024, representing a 13% increase from the \$84.7 million generated in the comparative period of 2023 and a result that continues to outpace the changes in underlying North American industry drilling activity.

The North American Drilling business unit generated \$63.8 million of revenue in the second quarter of 2024, a 5% decrease over the comparative period of 2023 despite a 13% decline in North American industry drilling activity. Pason's Revenue per Industry Day in the second quarter of 2024 of \$993 increased by 9% from the comparative 2023 period. Revenue per Industry Day in the current quarter continues to represent strong product adoption and improved pricing for the Company's products and technologies. Segment gross profit was \$34.1 million during the second quarter of 2024 compared to \$40.8 million in the comparative period of 2023, which reflects lower industry activity levels over the business unit's mostly fixed cost base.

The International Drilling business unit generated \$15.3 million of revenue in the second quarter of 2024, a 2% increase over the comparative period of 2023, with slightly improved industry activity in the segment's end markets. Gross profit was impacted by higher levels of depreciation and amortization expense in the current quarter and declined slightly from \$7.4 million in Q2 2023 to \$7.3 million in Q2 2024.

The Company's new Completions business unit, formed after the acquisition of IWS on January 1, 2024, generated \$13.7 million in revenue while averaging 29 IWS Active Jobs with Revenue per IWS day of \$5,103 in the second quarter. These represent increases from the prior quarter despite challenging industry conditions in the completions sector seen throughout the second quarter of 2024. Segment gross profit of \$1.4 million in the quarter includes \$5.0 million of depreciation and amortization expense, of which \$2.2 million relates to amortization expense on intangible assets acquired through the IWS Acquisition.

Revenue generated by the Solar and Energy Storage business unit was \$3.1 million, an increase of 31% from the comparative period in 2023, primarily due to increased sales of control system projects. Resulting segment gross loss was \$0.03 million for the second quarter of 2024 compared to a segment gross loss of \$0.2 million in the comparable period in 2023.

Pason generated \$33.1 million in Adjusted EBITDA, or 34.6% of revenue in the second quarter of 2024, compared to \$37.9 million or 44.7% of revenue in the second quarter of 2023. A comparison of Adjusted EBITDA margin year over year reflects the 13% reduction in North American drilling activity on a mostly fixed cost base, along with the inclusion of IWS financial results at lower margins, reflecting the Completions segment's investments made for its current stage of growth.

The Company recorded net income attributable to Pason of \$10.9 million (\$0.14 per share) in the second quarter of 2024, compared to net income attributable to Pason of \$25.5 million (\$0.32 per share) recorded in the corresponding period in 2023. The year over year decrease is primarily due to the lower Adjusted EBITDA levels as outlined above, along with higher levels of depreciation and amortization with increased capital expenditures in recent quarters, as well as amortization of intangibles and fixed assets acquired through the IWS acquisition in the first quarter of 2024.

Sequentially, Q2 2024 consolidated revenue of \$95.9 million was a 9% decrease from consolidated revenue of \$104.8 million generated in the first quarter of 2024 largely due to the effects of the seasonal slowdown in Canadian drilling activity coupled with slightly lower US industry activity. Adjusted EBITDA of \$33.1 million in the second quarter of 2024 compared to \$42.4 million in the first quarter of 2024. Adjusted EBITDA margin in the second quarter of 2024 reflects the seasonal reduction in Canadian drilling activity, and lower US activity levels over the Company's mostly fixed cost base. The Company recorded net income attributable to Pason in the second quarter of 2024 of \$10.9 million (\$0.14 per share) compared to net

income attributable to Pason of \$69.5 million (\$0.87 per share) in the first quarter of 2024 where the decrease quarter over quarter is primarily driven by the \$50.8 million accounting gain recognized in the first quarter on the revaluation of the Company's previously held equity interest in IWS.

Pason's balance sheet remains strong, with no interest bearing debt, and \$71.2 million in Total Cash as at June 30, 2024, compared to \$171.8 million as at December 31, 2023. The decrease is the result of funding the IWS Acquisition in Q1 2024 with a total of \$88.2 million in cash and the repayment of \$13.3 million in interest bearing debt assumed through the acquisition. Pason generated cash from operating activities of \$26.0 million in the second quarter of 2024, compared to \$29.7 million in the second quarter of 2023. Similarly to Adjusted EBITDA, cash from operating activities in the second quarter of 2024 reflects the 13% decline in North American industry drilling activity year over year.

Pason invested \$17.9 million in net capital expenditures during the three months ended June 30, 2024, an increase from \$11.7 million in the second quarter of 2023 as the Company executes on its 2024 capital budget. Further, net capital expenditures in the current quarter includes investments associated with supporting the continued growth of IWS' pressure automation technology offering, for which there would be no associated capital expenditures during the 2023 comparative period given the effective date of the IWS Acquisition was January 1, 2024. Net capital expenditures in Q2 2024 also includes investments associated with the ongoing refresh of Pason's drilling related technology platform and the manufacture of additional Pason Mud Analyzers. Resulting Free Cash Flow in the second quarter of 2024 was \$8.0 million, compared to \$18.0 million in the same period in 2023.

In the second quarter of 2024, Pason returned \$13.1 million to shareholders through the Company's quarterly dividend of \$10.4 million and \$2.7 million in share repurchases.

President's Message

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

"Pason's financial and operating results in the second quarter of 2024 showed resilience in all three areas of our business – oil and gas drilling, completions, and solar and energy storage – in the face of continued headwinds from end market conditions. Consolidated revenue increased 13% over the same period of 2023 to \$95.9 million, despite North American land drilling activity decreasing by 13%."

"As a daily rental business, our results will be strongly influenced by activity levels, but we remain focused on outpacing underlying North American land drilling activity in three ways: (1) growing Revenue per Industry Day in North America, primarily through increased product adoption and technology enhancements; (2) increasing revenue from international drilling markets; and (3) generating revenue from less mature, higher growth markets including technology offerings in the completions market and solar and energy storage. By focusing on these three priorities, we expect to be able to achieve meaningful growth and strong financial results even in periods of flat to modestly growing North American land drilling activity."

"North American Revenue per Industry Day of \$993 in the second quarter represented a 9% increase from 2023. Second quarter Revenue per Industry Day is typically the lowest during the year due to the seasonality of the Canadian region. On a year-to-date basis, North American Revenue per Industry Day was also up 9% at \$998 per industry day. Growth in this metric did not fully offset the year-over-year 13% decrease in North American land drilling activity in the quarter and, as a result, North American drilling-related revenue decreased by 5% in the quarter. International Drilling revenue increased by 2% in the

second quarter, reflecting the Company's continued strong competitive position in our international end markets."

"In the completions market, Intelligent Wellhead Systems (IWS) generated revenue of \$13.7 million in the second quarter, up 7% sequentially from the first quarter, despite the number of reported active frac spreads in the United States decreasing slightly. IWS continued to post strong Revenue per IWS Day, at \$5,103 in the second quarter and increased its number of IWS Active Jobs to 29 jobs with new customer additions more than offsetting activity slowdowns among some existing customers."

"Energy Toolbase (ETB) generated revenue of \$3.1 million in the second quarter, up 31% from the same quarter of 2023, driven primarily by increased sales of control systems. While quarterly revenue for the Solar and Energy Storage segment will fluctuate with the timing of control system deliveries, the pipeline of control systems sales and opportunities remains robust."

"Adjusted EBITDA of \$33.1 million represented a 13% decrease from the second quarter of 2023, as a result of lower activity levels in both drilling and completions as well as the investments we are making to strengthen our leading service and technology position in the oil and gas drilling market and the scaling of our completions operations. We will continue to make these investments to support growth in each of our segments. Free cash flow decreased by \$10.0 million to \$8.0 million in the quarter, reflecting the reduction in Adjusted EBITDA and our increased capital expenditures with the full inclusion of IWS in 2024. Net income attributable to Pason totaled \$10.9 million in the second quarter."

"In the first six months of 2024, we returned \$26.7 million to shareholders through our regular dividend and share repurchases. Net capital expenditures for the first six months totaled \$37.2 million and we continue to expect our 2024 capital program to total \$75 to \$80 million."

"Drilling and completions activity have softened throughout 2024, with drilling activity down 13% year-over-year and completions activity down 8% over the same period, due in part to a busy period of M&A activity among exploration and production companies and low prevailing natural gas prices. We expect that North American land drilling will remain near current levels in the second half of 2024 before beginning to increase as we enter 2025 and beyond, with completions activity following a similar trajectory."

"We continue to lay the foundation for meaningful growth once industry conditions begin to improve, which we expect to happen heading into 2025. The gains we have made in increasing North American Revenue per Industry Day in our drilling segment and expanding our customer base while maintaining a strong Revenue per IWS Day in our completions business should translate into continued outperformance against industry conditions."

"Continued efforts by customers to deploy data-driven automation and analytics technologies in their operations will benefit both our drilling and completions-related businesses. We are rolling out an innovative new drilling mud analyzer to provide continuous, real-time readings of critical drilling mud parameters and we are seeing higher adoption of our automation products, including the Drilling Advisory System and Toolface Control. Leveraging the combined experience and expertise of Pason and IWS, we are developing compelling data aggregation and management solutions for the completions market, benefiting both operators and service companies."

"We are focused on ensuring that our leading technology solutions are supported by a best-in-class service and support organization, to fully earn the confidence and trust of our customers" concluded Mr. Faber.

Quarterly Dividend

Pason announced today that the Board of Directors have declared a quarterly dividend of thirteen cents (C\$0.13) per share on the company's common shares. The dividend will be paid on September 27, 2024, to shareholders of record at the close of business on September 13, 2024.

Second Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors, and media representatives to review its 2024 second quarter results at 9:00 a.m. (MT) on Thursday, August 8, 2024. 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 195985#.

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

Non-GAAP Financial Measures

A non-GAAP financial measure has the definition set out in National Instrument 52-112 "Non-GAAP and Other Financial Measures Disclosure".

The following non-GAAP measures may not be comparable to measures used by other companies. Management believes these non-GAAP measures provide readers with additional information regarding the Company's operating performance, and ability to generate funds to finance its operations, fund its research and development and capital expenditure program, and return capital to shareholders through dividends or share repurchases.

EBITDA and Adjusted EBITDA

EBITDA is defined as net income before interest income and expense, income taxes, stock-based compensation expense, and depreciation and amortization expense. Adjusted EBITDA is defined as EBITDA, adjusted for foreign exchange, impairment of property, plant, and equipment, restructuring costs, net monetary adjustments, government wage assistance, revaluation of put obligation, gain on previously held equity interest and other items, which the Company does not consider to be in the normal course of continuing operations.

Management believes that EBITDA and Adjusted EBITDA are useful supplemental measures as they provide an indication of the results generated by the Company's principal business activities prior to the consideration of how these results are taxed in multiple jurisdictions, how the results are impacted by foreign exchange or how the results are impacted by the Company's accounting policies for equity-based compensation plans.

Reconcile Net Income to EBITDA

Three Months Ended	Sep 30, 2022	Dec 31, 2022	Mar 31, 2023	Jun 30, 2023	Sep 30, 2023	Dec 31, 2023	Mar 31, 2024	Jun 30, 2024
(000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Net income	33,739	35,994	35,454	24,962	27,399	8,012	69,123	10,284
Add:								
Income taxes	11,482	9,405	12,374	7,906	7,356	6,710	9,057	6,048
Depreciation and amortization	4,433	5,399	6,616	5,815	6,988	7,797	11,730	12,901
Stock-based compensation	2,032	5,129	(82)	1,986	5,082	4,732	3,011	4,634
Net interest (income) expense	(1,027)	(2,679)	(2,607)	(2,847)	(3,858)	(5,082)	(1,411)	(522)
EBITDA	50,659	53,248	51,755	37,822	42,967	22,169	91,510	33,345

Reconcile EBITDA to Adjusted EBITDA

Three Months Ended	Sep 30, 2022	Dec 31, 2022	Mar 31, 2023	Jun 30, 2023	Sep 30, 2023	Dec 31, 2023	Mar 31, 2024	Jun 30, 2024
(000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
EBITDA	50,659	53,248	51,755	37,822	42,967	22,169	91,510	33,345
Add:								
Foreign exchange (gain) loss	(3,332)	1,959	233	1,597	681	14,247	714	(1,202)
Put option revaluation	—	(5,815)	—	—	—	(149)	—	—
Net monetary loss (gain)	(1,380)	(536)	(159)	(1,196)	(1,477)	—	—	—
Gain on previously held equity interest	—	—	—	—	—	—	(50,830)	—
Other	284	88	581	(336)	110	2,621	1,031	992
Adjusted EBITDA	46,231	48,944	52,410	37,887	42,281	38,888	42,425	33,135

Free cash flow

Free cash flow is defined as cash from operating activities plus proceeds on disposal of property, plant, and equipment, less capital expenditures (including changes to non-cash working capital associated with capital expenditures), and deferred development costs. This metric provides a key measure on the Company's ability to generate cash from its principal business activities after funding capital expenditure programs, and provides an indication of the amount of cash available to finance, among other items, the Company's dividend and other investment opportunities.

Reconcile cash from operating activities to free cash flow

Three Months Ended	Sep 30, 2022	Dec 31, 2022	Mar 31, 2023	Jun 30, 2023	Sep 30, 2023	Dec 31, 2023	Mar 31, 2024	Jun 30, 2024
(000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Cash from operating activities	30,743	19,942	46,265	29,658	31,698	27,412	31,014	25,976
Less:								
Net additions to property, plant and equipment	(6,590)	(16,112)	(11,404)	(11,303)	(6,474)	(7,720)	(17,834)	(16,695)
Deferred development costs	(106)	(121)	(151)	(367)	(208)	(375)	(1,447)	(1,250)
Free cash flow	24,047	3,709	34,710	17,988	25,016	19,317	11,733	8,031

Supplementary Financial Measures

A supplementary financial measure: (a) is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of the Company; (b) is not presented in the financial statements of the Company; (c) is not a non-GAAP financial measure; and (d) is not a non-GAAP ratio. Supplementary financial measures found within this press release are as follows:

Revenue per Industry Day

Revenue per Industry Day is defined as the total revenue generated from the North American Drilling segment over all active drilling rig days in the North American market. This metric provides a key measure of the North American Drilling segment's ability to evaluate and manage product adoption, pricing, and market share penetration. Drilling rig days are calculated by using accepted industry sources.

IWS Active Jobs

IWS Active Jobs represents the average number of jobs per day that IWS is generating revenue on through the rental of its technology offering to customers during the reporting period. This metric provides a key measure of IWS' market penetration.

Revenue per IWS Day

Revenue per IWS Day is defined as the total revenue generated by the Completions segment over all IWS active days during the quarter. IWS active days are calculated by using IWS Active Jobs in the reporting period. This metric provides a key measure of the IWS' ability to evaluate and manage product adoption and pricing.

Adjusted EBITDA as a percentage of revenue

Calculated as adjusted EBITDA divided by revenue.

Total Cash

Calculated as the sum of cash and cash equivalents, and short-term investments from the Company's Condensed Consolidated Interim Balance Sheets. The Company's short term-investments are comprised of US dollar bonds.

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 and completions 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, 2023 under the heading, "Risk and Uncertainty," in our management's discussion and analysis for the year ended December 31, 2023, 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.sedarplus.ca) 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 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 Intelligent Wellhead Systems Inc. (“IWS”), we also provide engineered controls, data acquisition, and software, to automate workflows and processes for oil and gas well completions operations, improving wellsite safety and efficiency. Through Energy Toolbase Software, Inc. (“ETB”), we also 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

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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.sedarplus.ca) or through Pason’s website (www.pason.com).