



Pason Reports First Quarter 2024 Results and Declares Quarterly Dividend

FOR IMMEDIATE RELEASE

CALGARY, Alberta (May 2, 2024) – Pason Systems Inc. ("Pason" or the "Company") (TSX:PSI) announced today its 2024 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 Condensed Consolidated Interim Financial Statements and related notes for the three months ended March 31, 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 March 31,		
	2024	2023	Change
(CDN 000s, except per share data)	(\$)	(\$)	(%)
North American Drilling Revenue	73,604	79,775	(8)
International Drilling Revenue	14,632	15,590	(6)
Completions Revenue ³	12,785	—	nmf
Solar and Energy Storage Revenue	3,738	2,864	31
Total Revenue	104,759	98,229	7
EBITDA ⁽¹⁾	91,510	51,755	77
Adjusted EBITDA ⁽¹⁾	42,425	52,410	(19)
As a % of revenue	40.5	53.4	(1,290) bps
Funds flow from operations	34,846	43,673	(20)
Per share – basic	0.44	0.54	(18)
Per share – diluted	0.44	0.53	(18)
Cash from operating activities	31,014	46,265	(33)
Net capital expenditures ⁽²⁾	19,281	11,555	67
Free cash flow ⁽¹⁾	11,733	34,710	(66)
Cash dividends declared (per share)	0.13	0.12	8
Net income	69,123	35,454	95
Net income attributable to Pason	69,529	35,842	94
Per share – basic	0.87	0.44	98
Per share – diluted	0.87	0.44	98
As at	March 31, 2024	December 31, 2023	Change
(CDN 000s)	(\$)	(\$)	(%)
Cash and cash equivalents	70,050	171,773	(59)
Short-term investments	4,187	—	nmf
Total Cash⁽¹⁾	74,237	171,773	(57)
Working capital	119,641	212,561	(44)
Total interest bearing debt	—	—	—
Shares outstanding end of period (#)	79,493,854	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 \$104.8 million in consolidated revenue in the first quarter of 2024, representing a 7% increase from the \$98.2 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 \$73.6 million of reported revenue in the first quarter of 2024, an 8% decrease over the comparative period of 2023 despite a 15% decline in North American industry drilling activity. Pason's Revenue per Industry Day in the first quarter of 2024 of \$1,000 increased by 8% from the comparative 2023 period and was a new record level for the Company. 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 \$44.4 million during the first quarter of 2024 compared to \$52.7 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 \$14.6 million of reported revenue in the first quarter of 2024, a 6% decrease over the comparative period of 2023, with a weaker Argentinian Peso contributing to the decline. Operating expenses were similarly impacted by the changes in foreign currency rates, and while segment gross profit declined from \$8.4 million during the first quarter of 2023 to \$7.8 million in Q1 2024, segment gross profit as a percentage of revenue remained stable.

The Company's new Completions business unit, formed after the acquisition of IWS on January 1, 2024, generated \$12.8 million in revenue while averaging 28 IWS Active Jobs with Revenue per IWS day of \$5,026 in the first quarter. Segment gross profit of \$1.2 million in the quarter includes \$4.4 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 \$3.7 million, an increase of 31% from the comparative period in 2023, primarily due to increased sales of control system projects. Resulting segment gross profit was \$0.2 million for the first quarter of 2024 compared to a segment gross loss of \$0.1 million in the comparable period in 2023.

Pason generated \$42.4 million in Adjusted EBITDA, or 40.5% of revenue in the first quarter of 2024, compared to \$52.4 million or 53.4% of revenue in the fourth quarter of 2023. A comparison of Adjusted EBITDA margin year over year reflects the 15% 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 \$69.5 million (\$0.87 per share) in the first quarter of 2024, compared to net income attributable to Pason of \$35.8 million (\$0.44 per share) recorded in the corresponding period in 2023. The year over year increase is primarily driven by a \$50.8 million non-cash accounting gain realized in the first quarter on the revaluation of the Company's previously held equity investment in IWS following the acquisition of all remaining outstanding common shares not held by Pason. Partially offsetting this gain, Pason's depreciation and amortization expense increased from \$6.6 million in the first quarter of 2023 to \$11.7 million in the first quarter of 2024 as a result of increased capital expenditures in recent quarters, along with the depreciation and amortization expense recognized on IWS' recently acquired fixed and intangible assets.

Sequentially, Q1 2024 consolidated revenue of \$104.8 million was a 12% increase from consolidated revenue of \$93.3 million generated in the fourth quarter of 2023 through improved activity levels during the Canadian winter drilling season, along with the first time inclusion of IWS' results as a fully consolidated subsidiary. Adjusted EBITDA was \$42.4 million in the first quarter of 2024 compared to \$38.9 million in the fourth quarter of 2023. Adjusted EBITDA margin in the first quarter of 2024 reflects the inclusion of IWS financial results, which are at lower margin levels than Pason's drilling segments given the earlier stage of the business and the investments being made to support rapid growth. The Company recorded net income attributable to Pason in the first quarter of 2024 of \$69.5 million (\$0.87 per share) compared to net income attributable to Pason of \$8.5 million (\$0.11 per share) in the fourth quarter of

2023. The increase quarter over quarter is primarily driven by the \$50.8 million accounting gain recognized in the 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 \$74.2 million in Total Cash as at March 31, 2024, compared to \$171.8 million as at December 31, 2023. The decrease in the period is the result of funding the IWS Acquisition 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 \$31.0 million in the first quarter of 2024, compared to \$46.3 million in the first quarter of 2023. Similar to Adjusted EBITDA, cash from operating activities in the first quarter of 2024 reflects the earlier stage of growth in IWS' financial results, along with the 15% decline in North American industry drilling activity year over year.

Pason invested \$19.3 million in net capital expenditures during the three months ended March 31, 2024, an increase from \$11.6 million in the first quarter of 2023 as the Company executes on its 2024 capital budget. Net capital expenditures in the first quarter of 2024 includes \$4.8 million from 2023 capital expenditure plans that were delivered in early 2024. 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. Finally, net capital expenditures in Q1 2024 also includes investments associated with the ongoing refresh of Pason's drilling related technology platform and growth related investments in the new Pason Mud Analyzer. Resulting free cash flow in the first quarter of 2024 was \$11.7 million, compared to \$34.7 million in the same period in 2023.

In the first quarter of 2024, Pason returned \$13.6 million to shareholders through the Company's quarterly dividend of \$10.3 million and \$3.3 million in share repurchases.

President's Message

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

"Pason generated strong financial and operating results in the first quarter of 2024. Consolidated revenue in the first quarter totaled \$104.8 million, up 7% from the first quarter of 2023, while North American land drilling activity decreased 15% over the same period."

"While Pason would benefit from growing North American land drilling activity, our ability to deliver meaningful growth and strong financial results is not dependent on higher activity levels. We have made important progress in reducing our reliance on North American land drilling activity through three important initiatives: (1) outpacing underlying industry activity through growth in North American Revenue per Industry Day; (2) growing international revenue; and (3) generating revenue from high growth markets including technology offerings in the completions market and solar and energy storage. Our new revenue segmentation, beginning with first quarter of 2024, now reflects our four operating segments - North American Drilling, International Drilling, Completions, and Solar and Energy Storage – and will allow investors to assess our progress in each of these areas."

"Revenue per Industry Day in North America in the first quarter was \$1,000, marking a significant milestone in Pason's history and up 8% from the first quarter of 2023, as a result of strong product adoption and improved price realization for Pason's products and services. North American Revenue per Industry Day has increased at a compound annual growth rate of 8.4% over the 5-year period since the first quarter of 2019. We have focused a significant proportion of our investments and efforts on products and services that reinforce the reliability of our systems and the quality of the data that we provide."

"We anticipate continued growth in our North American Drilling segment, even in the midst of relatively flat industry activity in the near term, with increased product adoption being driven by customers' growing usage of data-driven automation and analytics technologies. We have experienced a very positive market response as we have begun rolling out an innovative new drilling mud analyzer to provide continuous,

real-time readings of critical drilling mud parameters. We are seeing increased momentum in our automation products, including the Drilling Advisory System and Toolface Control.”

“Revenue from Pason’s other reporting segments contributed 30% of consolidated revenue in the quarter, with International Drilling revenue representing 14% of quarterly revenue, Completions delivering 12% of revenue and Solar and Energy Storage providing 4% of revenue.”

“Our International Drilling segment continues to post strong results, with revenue of \$14.6 million in the first quarter. Growing adoption of more advanced technology offerings is expected to deliver further gains in our international markets.”

“At the start of the first quarter, Pason completed the acquisition of the remainder of Intelligent Wellhead Systems (“IWS”). This marked the largest acquisition in Pason’s history and is a meaningful opportunity for Pason to deliver material revenue outside of oil and gas drilling. IWS has demonstrated impressive capabilities in the acquisition of new customers, retention of existing customers and expansion of its product and service offering. In the first quarter of 2024, IWS averaged 28 IWS Active Jobs and generated Revenue per IWS Day of \$5,026, allowing IWS to deliver the highest quarterly revenue in its history. Buoyed by its leading technology position in the industry, we expect IWS to see strong revenue growth going forward as a result of increasing adoption of automation technologies in the completions industry.”

“We are focused on establishing a compelling data aggregation solution in the completions space, bringing together the unique experience and expertise of both Pason and IWS. As customers continue to pursue automation and analytics efforts, including the establishment of remote operating centers, access to consistent, high-quality data from disparate sources is increasingly important. The challenges around handling complex data management requirements in remote operating environments are significant. Pason’s experience over more than four decades in solving similar challenges in the oil and gas drilling market provides a natural advantage to making meaningful and rapid advancements in this increasingly important technology space.”

“Energy Toolbase (“ETB”) grew its revenue in the first quarter of 2024 by 31% from the same period in 2023, to \$3.7 million, driven primarily by increased sales of control systems and associated revenue. Quarterly revenue in the Solar and Energy Storage segment will fluctuate significantly based on the project size and the timing of deliveries. We are expanding the functionality of our economic modeling tool to address the unique requirements of additional markets, and our pipeline of control systems opportunities has seen sizeable growth as regulatory changes provide additional incentives for solar project developers to incorporate energy storage in their proposals.”

“Adjusted EBITDA in the first quarter of \$42.4 million was down 19%, reflecting the 15% decrease in North American Drilling revenue as well as the lower margin profile of IWS revenue at its current stage of maturity and growth. A significant portion of our operating costs are fixed in nature and, as such, margins will fluctuate based on industry activity and IWS’ revenue growth. We will make the necessary investments to support the pace of growth of IWS’ automation revenues and accelerate our development efforts to deliver a compelling data aggregation solution for the completions industry.”

“Capital expenditures totaled \$19.3 million in the first quarter of 2024, reflecting the additional investments we are making in IWS, and free cash flow in the quarter totaled \$11.7 million. We continue to anticipate full year capital expenditures of between \$75 to \$80 million.”

“Net income attributable to Pason totaled \$69.5 million in the first quarter, which was significantly impacted by a \$50.8 million gain related to a non-cash remeasurement to fair value of Pason’s previously held equity investment in IWS.”

“In the first quarter of 2024, we returned \$10.3 million to shareholders through our regular quarterly dividend and \$3.3 million in the form of share repurchases. Since the first quarter of 2019, Pason has reduced its share count by 7.4% while also completing the acquisitions of ETB in September 2019 and IWS in January 2024 with no dilution to shareholders. We maintain flexibility in our approach to

shareholder returns by evaluating share repurchases in the context of attractive organic investments to generate additional free cash flow. As at March 31, 2024, Pason had positive working capital of \$119.6 million, including \$74.2 million in Total Cash.”

“The US active land rig count has remained in a range between 595 and 695 rigs over the past 6 months and we anticipate that North American land activity will remain at current levels before slowly moving higher later in 2024 and into 2025. Our strong competitive position and compelling product and service offering in drilling data management, coupled with our leading positions in the completions and solar and energy storage markets, positions us well to post continued strong financial and operational results in the near term and generate meaningful growth over the medium to longer term” 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 June 28, 2024, to shareholders of record at the close of business on June 14, 2024.

First Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors, and media representatives to review its 2024 first quarter results at 9:00 a.m. (MT) on Friday, May 3, 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 423735#.

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	Jun 30, 2022	Sep 30, 2022	Dec 31, 2022	Mar 31, 2023	Jun 30, 2023	Sep 30, 2023	Dec 31, 2023	Mar 31, 2024
(000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Net income	17,992	33,739	35,994	35,454	24,962	27,399	8,012	69,123
Add:								
Income taxes	7,189	11,482	9,405	12,374	7,906	7,356	6,710	9,057
Depreciation and amortization	4,696	4,433	5,399	6,616	5,815	6,988	7,797	11,730
Stock-based compensation	2,514	2,032	5,129	(82)	1,986	5,082	4,732	3,011
Net interest (income) expense	(718)	(1,027)	(2,679)	(2,607)	(2,847)	(3,858)	(5,082)	(1,411)
EBITDA	31,673	50,659	53,248	51,755	37,822	42,967	22,169	91,510

Reconcile EBITDA to Adjusted EBITDA

Three Months Ended	Jun 30, 2022	Sep 30, 2022	Dec 31, 2022	Mar 31, 2023	Jun 30, 2023	Sep 30, 2023	Dec 31, 2023	Mar 31, 2024
(000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
EBITDA	31,673	50,659	53,248	51,755	37,822	42,967	22,169	91,510
Add:								
Foreign exchange (gain) loss	(1,054)	(3,332)	1,959	233	1,597	681	14,247	714
Put option revaluation	—	—	(5,815)	—	—	—	(149)	—
Net monetary loss (gain)	268	(1,380)	(536)	(159)	(1,196)	(1,477)	—	—
Gain on previously held equity interest	—	—	—	—	—	—	—	(50,830)
Other	75	284	88	581	(336)	110	2,621	1,031
Adjusted EBITDA	30,962	46,231	48,944	52,410	37,887	42,281	38,888	42,425

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	Jun 30, 2022	Sep 30, 2022	Dec 31, 2022	Mar 31, 2023	Jun 30, 2023	Sep 30, 2023	Dec 31, 2023	Mar 31, 2024
(000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Cash from operating activities	25,679	30,743	19,942	46,265	29,658	31,698	27,412	31,014
Less:								
Net additions to property, plant and equipment	(6,412)	(6,590)	(16,112)	(11,404)	(11,303)	(6,474)	(7,720)	(17,834)
Deferred development costs	(132)	(106)	(121)	(151)	(367)	(208)	(375)	(1,447)
Free cash flow	19,135	24,047	3,709	34,710	17,988	25,016	19,317	11,733

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 reporting period. IWS active days are calculated by using IWS Active Jobs in the reporting period. This metric provides a key measure of 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.

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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).