Pason Reports Fourth Quarter 2021 Results and Declares Increased Quarterly Dividend

FOR IMMEDIATE RELEASE

CALGARY, Alberta (February 22, 2022) – Pason Systems Inc. ("Pason" or the "Company") (TSX:PSI) announced today its 2021 fourth quarter results and an increase in its quarterly dividend. The following news release should be read in conjunction with the Company's Management Discussion and Analysis ("MD&A"), the audited consolidated financial statements and related notes for the year ended December 31, 2021, as well as the Annual Information Form for the year ended December 31, 2020. All of these documents are available on SEDAR at www.sedar.com.

Financial Highlights

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2021	2020	Change	**2021**	2020	Change
(CDN 000s, except per share data)	**($)**	($)	(%)	**($)**	($)	(%)
North American Revenue	**50,477**	26,318	92	**166,090**	131,379	26
International Revenue	**11,182**	5,738	95	**36,489**	21,903	67
Solar and Energy Storage Revenue	**1,174**	702	67	**4,107**	3,354	22
Total Revenue	**62,833**	32,758	92	**206,686**	156,636	32
EBITDA (1)	**26,874**	8,300	224	**82,401**	48,388	70
Adjusted EBITDA (1)	**24,208**	8,201	195	**72,520**	39,540	83
As a % of revenue	**38.5**	25.0	1,350 bps	**35.1**	25.2	990 bps
Funds flow from operations	**19,353**	8,939	117	**67,728**	40,560	67
Per share – basic	**0.23**	0.11	120	**0.82**	0.48	71
Per share – diluted	**0.23**	0.11	120	**0.82**	0.48	71
Cash from operating activities	**27,061**	(2,717)	nmf	**65,061**	58,583	11
Capital expenditures	**3,346**	465	620	**10,920**	5,159	112
Free cash flow (1)	**23,990**	(3,100)	nmf	**55,111**	53,864	2
Cash dividends declared (per share)	**0.05**	0.05	—	**0.20**	0.48	(58)
Net income (loss)	**10,279**	(2,662)	nmf	**31,925**	5,134	522
Net income (loss) attributable to Pason	**11,149**	(2,166)	nmf	**33,845**	6,568	415
Per share – basic	**0.14**	(0.03)	nmf	**0.41**	0.08	423
Per share – diluted	**0.14**	(0.03)	nmf	**0.41**	0.08	423

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

As at	**December 31, 2021**	December 31, 2020	Change
(CDN 000s)	**($)**	($)	(%)
Cash and cash equivalents	**158,283**	149,282	6
Working capital	**184,083**	167,366	10
Total interest bearing debt	**—**	—	—
Shares outstanding end of period	**82,194,051**	83,088,941	(1)

Pason’s financial results for the three and twelve months ended December 31, 2021, reflect the Company’s strong competitive positioning, prudent balance sheet, and operating leverage as industry conditions improved from the lows experienced in 2020.

Pason generated $62.8 million in revenue in the fourth quarter of 2021, which represents a 92% increase from the $32.8 million generated in the fourth quarter of 2020 as drilling activity improved significantly in Pason's operating regions.

Industry conditions in North America continued to improve in the fourth quarter of 2021, with an 83% increase in industry activity compared to the fourth quarter of 2020. Outpacing the improvement in industry activity, the North American business unit generated $50.5 million of revenue in the fourth quarter of 2021, a 92% increase from $26.3 million in the comparative 2020 period. Revenue per Industry day was $767 in Q4 2021, an increase of 6% from the comparable period in 2020 and a record level for the Company. The year over year increase reflects increased market share and improved pricing conditions in 2021. North American segment gross profit was $27.8 million during the fourth quarter of 2021, a 219% increase from $8.7 million generated in the fourth quarter of 2020. While the North American segment incurred incremental operating costs to support higher levels of activity, including repairs and headcount increases, Q4 2021 results continue to demonstrate strong operating leverage in the context of improving activity levels.

The International business unit reported revenue of $11.2 million in the fourth quarter of 2021, an increase of 95% from $5.7 million generated in the comparative 2020 period. The increase is due to increased activity in the international markets that the Company serves, and higher levels of revenue generated per drilling day with improved product adoption. International segment gross profit was $3.6 million during the fourth quarter of 2021, a 200% increase from $1.2 million generated in the fourth quarter of 2020, also demonstrating strong operating leverage with improving activity levels.

Revenue generated by the Solar and Energy Storage business unit was $1.2 million, an increase of 67% from the comparative period in 2020 and represented the highest quarterly revenue level generated for the reporting segment, for which the majority is comprised of subscription-based software licenses for the Company's solar energy economic modeling and proposal generation tools.

Sequentially, Q4 2021 consolidated revenue increased from $57.7 million generated in Q3 2021 to $62.8 million in Q4 2021 as the Company continued to defend its leading market share position in key markets with improving activity levels.

Pason generated $24.2 million in Adjusted EBITDA, or 38.5% of revenue in the fourth quarter of 2021, compared to $8.2 million in the fourth quarter of 2020 or 25.0% of revenue. In addition to operating cost increases associated with higher levels of activity as outlined above, throughout 2021, Pason has made additional investments in research and development, further improving the Company’s ability to support increasing activity levels, increased market share and product enhancements. While the Company incurred these incremental expenses, 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 $11.1 million ($0.14 per share) in the fourth quarter of 2021 compared to a net loss attributable to Pason of $2.2 million ($0.03 per share) recorded in the corresponding period in 2020.

For the year ended December 31, 2021, Pason generated $206.7 million in revenue, an increase of 32% over the 2020 comparative period, and a reflection of the improvement in industry conditions year over year in all of the Company’s end markets. Resulting Adjusted EBITDA for the year ended December 31, 2021 was $72.5 million, or 35.1% of revenue, an 83% increase from $48.4 million, or 25.2% of revenue generated in 2020. The Company recorded net income attributable to Pason of $33.8 million ($0.41 per share) for the annual 2021 period, compared to net income attributable to Pason of $6.6 million ($0.08 per share) recorded in the corresponding period in 2020.

Pason's balance sheet remains strong with no interest-bearing debt and $158.3 million in cash and cash equivalents as at December 31, 2021, compared to $149.3 million as at December 31, 2020. In 2021, Pason generated $65.1 million in net cash from operating activities as the Company's operating results improved while managing investments in working capital to meet increased revenue levels. In contrast, 2020 net cash from operating activities of $58.6 million reflects the working capital harvest experienced as activity levels declined.

Pason remains disciplined on capital spending and in 2021, incurred $10.9 million of capital expenditures on updated and additional rental equipment to meet activity levels. Resulting Free Cash Flow generated in 2021 was $55.1 million compared to $53.9 million generated in 2020.

Pason's results in 2021 continue to reinforce the decision to retain critical technology and service capabilities through the downturn, putting the Company in a position of strength with a prudent balance sheet and significant operating leverage as activity levels recover.

President’s Message

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

"The fourth quarter of 2021 showed a continuation of the recovery in oil and gas land drilling that has been under way since the industry bottomed in the third quarter of 2020. Throughout the pandemic, Pason has been steadfast in our conviction that our competitive position would be strengthened by maintaining and building on our service and technology advantages. Pason’s fourth quarter results again reflected our strengthened competitive position and improved industry conditions."

"Consolidated revenue of $62.8 million was 92% higher than the fourth quarter of 2020, outpacing an 83% increase in North American land drilling activity. North American Revenue per Industry Day of $767 in the fourth quarter marked the highest level in Pason’s history, with market share holding strong above pre-pandemic levels while pricing and product adoption continue to recover. Our International business showed strength again in the fourth quarter, with revenue increasing 95% over the prior year, and our Solar and Energy Storage segment saw a 67% year-over-year increase."

"Fourth quarter Adjusted EBITDA was up 195% from the same quarter of 2020, to $24.2 million. We continue to make the necessary investments to scale our operations in anticipation of further industry growth, most notably in the areas of product repairs and staffing, which will put pressure on incremental margins in the short term while positioning Pason to outperform in the medium to longer term."

"Capital expenditures in the fourth quarter totaled $3.3 million as global supply chain shortages and disruption continued to impact delivery schedules. As a result, free cash flow came in at $24.0 million for the quarter, compared to negative free cash flow of $3.1 million in the fourth quarter of 2020. Pason generated net income of $0.14 per share in the fourth quarter, compared to a net loss of $0.03 per share in the prior year period."

“For the full year, consolidated revenue of $206.7 million was 32% higher than 2020, while Adjusted EBITDA grew 83% to $72.5 million and net income increased 415% to $33.8 million. Capital expenditures for the year came in at $10.9 million, with the timing of certain planned equipment purchases being pushed to 2022 due to ongoing supply chain shortages and delays. As a result, we now expect to spend approximately $30 million in capital expenditures in 2022, which includes $5.2 million of planned expenditures carried forward from 2021. We will continue to evaluate our capital programs in the context of further opportunities to evolve our product and service offering, while navigating continued supply chain challenges."

"Our capital allocation priorities remain unchanged. Investments in our drilling-related business are focused on sustained growth. We are pursuing additional revenue growth not directly tied to North American land drilling through Energy Toolbase (ETB), which focuses on the solar and energy storage market, and our minority investment in Intelligent Wellhead Systems (IWS), which participates in the oil and gas completions market. We remain committed to returning capital shareholders through our regular dividend and share repurchases. As our cash flow generation and outlook improves, we are able to increase shareholder returns and, as such, we are increasing our quarterly dividend from $0.05 per share to $0.08 per share."

"Our balance sheet allows us to withstand the inevitable volatility of North American land drilling and make growth-related investments. At the end of the fourth quarter, we had $158.3 million in cash and cash equivalents and $184.1 million of positive working capital."

"Our outlook remains positive for continued growth in land-based drilling in North America and across our international markets. Global demand for oil has remained resilient even in the face of additional COVID-19 variants and is now forecast to exceed pre-pandemic levels in 2022. At the same time, all signs point to further tightening of supply. US storage levels of crude oil and petroleum products are the lowest they have been in more than five years and the US government has approved releases from the Strategic Petroleum Reserve to combat elevated oil prices. As OPEC+ countries unwind production cuts, estimates of spare capacity shrink in tandem. US land production remains approximately 10% below 2019 levels. The inventory of drilled but uncompleted wells (DUCs) in the US has decreased for each of the last 18 months, and the current level is the lowest it has been in eight years and below the minimum sustainable level in the view of industry observers. Underinvestment in long-term development projects over the past five years is likely to create further supply gaps in the future."

"WTI oil prices are trading above US$90 per barrel for the first time in seven years and industry analysts expect prices to push beyond $100 per barrel this year. Oil and gas producers appear to be able to increase spending, while operating within cash flow and returning capital to shareholders. We expect the growth in activity to continue its steady climb through 2022, moderated by ongoing challenges with availability of labour and equipment."

"Pason is well equipped to participate in continued industry growth. We have demonstrated our ability to adapt to the challenges of the pandemic and supply chain disruptions, and we will continue to ensure we are able to deliver the leading technologies and unmatched service quality that our customers rely on as they look to utilize technology to increase their operational performance" concluded Mr. Faber.

Quarterly Dividend

Pason announced today that the Board of Directors have declared an increased quarterly dividend of eight cents (C$0.08) per share on the company's common shares. The dividend will be paid on March 31, 2022, to shareholders of record at the close of business on March 15, 2022.

Fourth Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors, and media representatives to review its 2021 fourth quarter results at 9:00 a.m. ("MST") on Wednesday, February 23rd,

2022. The conference call dial-in number is 1-888-664-6383 or 1-416-764-8650. You can access the fourteen-day replay by dialing 1-888-390-0541 or 1-416-764-8677, using password 404951#.

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

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, 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. Users should be cautioned that these metrics should not be construed as an alternative measure to net income or loss determined in accordance with IFRS. Management does not use these non-GAAP measures to assess the Company's financial results against internal expectations.

Reconcile Net Income to EBITDA

Three Months Ended	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	**Dec 31, 2021**
(000s)	($)	($)	($)	($)	($)	($)	($)	($)
Net income (loss)	16,552	(4,799)	(3,957)	(2,662)	3,991	4,880	12,775	**10,279**
Add:								
Income taxes	7,023	(1,072)	(1,369)	282	1,257	2,002	5,239	**3,240**
Depreciation and amortization	10,414	8,612	7,503	7,888	7,831	6,156	5,530	**6,172**
Stock-based compensation	(122)	1,868	276	2,818	2,602	2,216	1,611	**5,094**
Net interest (income) expense	(398)	(338)	(105)	(26)	(8)	(270)	(285)	**2,089**
EBITDA	33,469	4,271	2,348	8,300	15,673	14,984	24,870	**26,874**

Reconcile EBITDA to Adjusted EBITDA

Three Months Ended	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	**Dec 31, 2021**
(000s)	($)	($)	($)	($)	($)	($)	($)	**($)**
EBITDA	33,469	4,271	2,348	8,300	15,673	14,984	24,870	**26,874**
Add:								
Foreign exchange loss (gain)	(47)	79	113	968	448	725	(204)	**(2,980)**
Recognition of onerous lease	—	(5,757)	—	—	—	—	—	**—**
Government wage assistance	—	(4,363)	(3,334)	(2,244)	(2,924)	(2,966)	(2,190)	**(128)**
Reorganization costs	—	5,554	—	—	—	—	—	**—**
Put option revaluation	—	—	—	1,812	—	—	—	**381**
Net monetary gain	(419)	(396)	(465)	(594)	(49)	(11)	(190)	**(246)**
Other	302	(236)	220	(41)	22	54	70	**307**
Adjusted EBITDA	33,305	(848)	(1,118)	8,201	13,170	12,786	22,356	**24,208**

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	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	**Dec 31, 2021**
(000s)	($)	($)	($)	($)	($)	($)	($)	**($)**
Cash from operating activities	25,593	29,953	5,754	(2,717)	11,085	9,841	17,074	**27,061**
Less:								
Net additions to property, plant and equipment	(2,236)	(644)	(1,282)	(66)	(1,510)	(3,696)	(1,258)	**(2,803)**
Deferred development costs	(422)	579	(331)	(317)	(399)	(461)	445	**(268)**
Free cash flow	22,935	29,888	4,141	(3,100)	9,176	5,684	16,261	**23,990**

Revenue per Industry day

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

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, 2020, under the heading, "Risk and Uncertainty," in our Management's Discussion and Analysis for the year ended December 31, 2021, and in our other filings with Canadian securities regulators. These documents are on file with the Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or through Pason's website (www.pason.com).

Forward-looking statements contained in this document are expressly qualified by this cautionary statement. Except to the extent required by applicable law, Pason assumes no obligation to publicly update or revise any forward-looking statements made in this document or otherwise, whether as a result of new information, future events or otherwise.

Pason Systems Inc.

Pason Systems Inc. is a leading global provider of specialized data management systems for drilling rigs. Our solutions, which include data acquisition, wellsite reporting, remote communications, web-based information management, and analytics, enable collaboration between the rig and the office. Through Energy Toolbase ("ETB"), the company also provides products and services for the solar power and energy storage industry. ETB's solutions enable solar and energy storage developers to model, control and measure economics and performance of solar energy and storage projects. Pason's common shares trade on the Toronto Stock Exchange under the symbol PSI.

For more information about Pason Systems Inc., visit the company's website at www.pason.com or contact investorrelations@pason.com.

Jon Faber	**Celine Boston**
President and Chief Executive Officer 403-301-3400	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).