

Source: Pulse Seismic Inc.



PULSE SEISMIC INC. REPORTS Q3 2020 RESULTS

CALGARY, Alberta, November 10, 2020 (GLOBE NEWSWIRE) – Pulse Seismic Inc. (TSX:PSD) (OTCQX:PLSDF) (“Pulse” or the “Company”) is pleased to report its financial and operating results for the three and nine months ended September 30, 2020. The unaudited condensed consolidated interim financial statements, accompanying notes and MD&A are being filed on SEDAR (www.sedar.com) and will be available on Pulse’s website at www.pulseseismic.com.

HIGHLIGHTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020

- Data library sales revenue was \$1.8 million for the three months ended September 30, 2020 compared to \$2.5 million for the three months ended September 30, 2019. Data library sales revenue was \$5.9 million for the nine months ended September 30, 2020 compared to \$18.4 million for the nine months ended September 30, 2019;
- Net loss for the three months ended September 30, 2020 was \$1.9 million (\$0.04 per share basic and diluted) compared to net loss of \$2.9 million (\$0.05 per share basic and diluted) for the three months ended September 30, 2019. Net loss for the nine months ended September 30, 2020 was \$7.1 million (\$0.13 per share basic and diluted) compared to net loss of \$2.7 million (\$0.05 per share basic and diluted) for the nine months ended September 30, 2019;
- Cash EBITDA^(a) was \$1.2 million (\$0.02 per share basic and diluted) for the three months ended September 30, 2020, compared to \$1.3 million (\$0.02 per share basic and diluted) for the three months ended September 30, 2019. Cash EBITDA was \$3.3 million (\$0.06 per share basic and diluted) for the nine months ended September 30, 2020 compared to \$13.7 million (\$0.25 per share basic and diluted) for the nine months ended September 30, 2019;
- Shareholder free cash flow^(a) was \$861,000 (\$0.02 per share basic and diluted) for the third quarter of 2020 compared to \$1.1 million (\$0.02 per share basic and diluted) for the comparable period in 2019. Shareholder free cash flow was \$2.4 million (\$0.04 per share basic and diluted) for the nine months ended September 30, 2020 compared to \$10.6 million (\$0.20 per share basic and diluted) for the nine months ended September 30, 2019; and
- At September 30, 2020 long-term debt excluding deferred financing charges was \$28.7 million, and the Company was in compliance with all debt covenants.

CORPORATE AND COVID-19 UPDATE

Pulse continues to respond to very challenging business conditions brought about by the combined impact of the COVID-19 pandemic and the precipitous decline of oil prices brought on by the unprecedented demand fallout from COVID-19. These global events have caused significant declines in the 2020 capital budgets of Pulse’s customers in the oil and natural gas sector of Western Canada. While the Company continues to see a lack of clarity into future seismic data licensing opportunities, Pulse remains engaged with customers to monitor their seismic data requirements.

Pulse also remains committed to the health and safety of its employees. In response to the public health measures associated with the pandemic, Pulse implemented its disaster recovery plan and staff began working remotely as of March 13, 2020. Since the third quarter began, the Company has a combination of staff working both remotely and in the office, following strict policies and procedures which were developed using the guidance of the health authorities. Pulse’s business is supplying licences to a digitally-based product, seismic data, and as a result, staff are able to respond to customer needs in a timely manner. The Company’s primary focus and attention at this time continues to be the safety of its employees, preserving cash and protecting the balance sheet while weathering these uncertain and unprecedented times.

At September 30, 2020 the Company was in compliance with all covenants related to its syndicated credit facility. As announced in June, with the ongoing uncertainty as to the length and continued severity of this oil and gas downturn, Pulse negotiated with its lending syndicate for its senior credit facility to amend its financial covenants to ensure additional flexibility in future quarters, beginning July 1, 2020. The details are disclosed in the financial statements as well as in the liquidity, capital resources and capital requirements section of the MD&A, for the three and nine months ended September 30, 2020.

Beginning in the first quarter, and continuing through the year, Management and the Board of Directors of the Company implemented cost-cutting measures in reaction to the decline in commodity prices and uncertainty surrounding the continuation of the low oil price environment. Pulse has implemented salary reductions ranging from 7.5 percent to 20 percent for all its employees. Director fees for the chair of the Board were reduced by 50% and all other independent director's fees were reduced by 40%. All administrative and operating expenses and capital spending plans have been evaluated and reduced where appropriate. The Company also received \$135,000 from the Canada Emergency Wage Subsidy (CEWS) program for the third quarter for a total of \$357,000 received so far in 2020. The CEWS program has been extended to June 2021 and the Company may receive additional subsidy, but this is dependent on meeting the criteria. The criteria for 2021 has yet to be announced.

SELECTED FINANCIAL AND OPERATING INFORMATION

(thousands of dollars except per share data, numbers of shares and kilometres of seismic data)	Three months ended September 30,		Nine months ended September 30,		Year ended
	2020	2019	2020	2019	December 31,
	(unaudited)		(unaudited)		2019
Revenue					
Data library sales	1,829	2,460	5,869	18,354	23,635
Other revenue	76	127	257	437	520
Total revenue	1,905	2,587	6,126	18,791	24,155
Amortization of seismic data library	2,489	3,557	8,855	10,700	14,200
Net loss	(1,937)	(2,861)	(7,073)	(2,652)	(3,411)
Per share basic and diluted	(0.04)	(0.05)	(0.13)	(0.05)	(0.06)
Cash provided by operating activities	603	(1,609)	3,062	7,478	8,605
Per share basic and diluted	0.01	(0.03)	0.06	0.14	0.16
Cash EBITDA ^(a)	1,222	1,325	3,290	13,678	17,557
Per share basic and diluted ^(a)	0.02	0.02	0.06	0.25	0.33
Shareholder free cash flow ^(a)	861	1,072	2,395	10,624	13,605
Per share basic and diluted ^(a)	0.02	0.02	0.04	0.20	0.25
Capital expenditures					
Seismic data purchases, digitization and related costs	96	-	287	61,029	61,029
Property and equipment	-	-	7	398	439
Total capital expenditures	96	-	294	61,427	61,468
Weighted average shares outstanding					
Basic and diluted	53,793,317	53,793,317	53,793,317	53,793,317	53,793,317
Shares outstanding at period-end			53,793,317	53,793,317	53,793,317
Seismic library					
2D in kilometres			829,207	829,207	829,207
3D in square kilometres			65,310	65,310	65,310

FINANCIAL POSITION AND RATIOS

(thousands of dollars except ratios)	September 30, 2020	September 30, 2019	December 31, 2019
Working capital	2,007	579	596
Working capital ratio	1.6:1	1.1:1	1.1:1
Cash and cash equivalents	282	814	1,356
Total assets	56,901	70,994	69,807
Long-term debt	28,417	31,854	31,511
Trailing twelve-month (TTM) cash EBITDA ^(b)	7,169	16,887	17,557
Shareholders' equity	24,909	32,674	31,973
Long-term debt to TTM cash EBITDA ratio	3.96	1.90	1.79
Long-term debt to equity ratio	1.14	0.97	0.99

- (a) The Company's continuous disclosure documents provide discussion and analysis of "cash EBITDA", "cash EBITDA per share", "shareholder free cash flow" and "shareholder free cash flow per share". These financial measures do not have standard definitions prescribed by IFRS and, therefore, may not be comparable to similar measures disclosed by other companies. The Company has included these non-GAAP financial measures because management, investors, analysts and others use them as measures of the Company's financial performance. The Company's definition of cash EBITDA is cash available for interest payments, cash taxes, repayment of debt, purchase of its shares, discretionary capital expenditures and the payment of dividends, and is calculated as earnings (loss) from operations before interest, taxes, depreciation and amortization less participation survey revenue, lease payments treated as capital lease and warehouse storage fees, plus any non-cash and non-recurring expenses. Cash EBITDA excludes participation survey revenue as these funds are directly used to fund specific participation surveys and this revenue is not available for discretionary capital expenditures. The Company believes cash EBITDA assists investors in comparing Pulse's results on a consistent basis without regard to participation survey revenue and non-cash items, such as depreciation and amortization, which can vary significantly depending on accounting methods or non-operating factors such as historical cost. Cash EBITDA per share is defined as cash EBITDA divided by the weighted average number of shares outstanding for the period. Shareholder free cash flow further refines the calculation of capital available to invest in growing the Company's 2D and 3D seismic data library, to repay debt, to purchase its common shares and to pay dividends by deducting non-discretionary expenditures from cash EBITDA. Non-discretionary expenditures are defined as debt financing costs (net of deferred financing expenses amortized in the current period) and current tax provisions. Shareholder free cash flow per share is defined as shareholder free cash flow divided by the weighted average number of shares outstanding for the period.
- (b) TTM cash EBITDA is defined as the sum of the trailing 12 months' cash EBITDA and is used to provide a comparable annualized measure.

These non-GAAP financial measures are defined, calculated and reconciled to the nearest GAAP financial measures in the Management's Discussion and Analysis.

OUTLOOK

The current extreme economic uncertainty renders it difficult for Pulse to issue a specific outlook concerning industry and market conditions over the next 12 months. The plunge in domestic Canadian crude oil prices and further reductions to oil and natural gas producers' capital expenditures make it very likely that industry activity will be extremely low over the next several quarters. Accordingly, Pulse expects low traditional seismic data library sales. Transaction-based sales however, occur as a result of industry merger and acquisition and asset sales and could happen at any time.

Having spent the past five years reducing controllable costs, maximizing efficiencies, maintaining a strong balance sheet and optimizing its access to credit, Pulse is well-prepared to weather an extended period of weak sales. As demonstrated in the first three quarters of 2020, the Company can generate positive shareholder free cash flow with sales of \$5.9 million. Pulse will continue to seek further cost reductions where possible, without impairing the Company's ability to serve its clients, conduct sales and act on attractive opportunities. The seismic library's data does not deteriorate or expire and incurs minimal maintenance costs.

CORPORATE PROFILE

Pulse is a market leader in the acquisition, marketing and licensing of 2D and 3D seismic data to the western Canadian energy sector. Pulse owns the largest licensable seismic data library in Canada, currently consisting of approximately 65,310 square kilometres of 3D seismic and 829,207 kilometres of 2D seismic. The library extensively covers the Western Canada Sedimentary Basin where most of Canada's oil and natural gas exploration and development occur.

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This document contains information that constitutes "forward-looking information" or "forward-looking statements" (collectively, "forward-looking information") within the meaning of applicable securities legislation. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "believe", "expect", "plan", "intend", "forecast", "target", "project", "guidance", "may", "will", "should", "could", "estimate", "predict" or similar words suggesting future outcomes or language suggesting an outlook.

The Outlook section herein contain forward-looking information which includes, but is not limited to, statements regarding:

- > The outlook of the Company for the year ahead, including future operating costs and expected revenues;
- > Recent events on the political, economic, regulatory, public health and legal fronts affecting the industry's medium- to longer-term prospects;
- > The Company's capital resources and sufficiency thereof to finance future operations, meet its obligations associated with financial liabilities and carry out the necessary capital expenditures through the balance of 2020;
- > Pulse's capital allocation strategy;
- > Pulse's dividend policy;
- > Oil and natural gas prices and forecast trends;
- > Oil and natural gas drilling activity and land sales activity;
- > Oil and natural gas company capital budgets;
- > Future demand for seismic data;
- > Future seismic data sales;
- > Future demand for participation surveys;
- > Pulse's business and growth strategy; and
- > Other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results and performance, as they relate to the Company or to the oil and natural gas industry as a whole.

By its very nature, forward-looking information involves inherent risks and uncertainties, both general and specific, and risks that predictions, forecasts, projections and other forward-looking statements will not be achieved. Pulse does not publish specific financial goals or otherwise provide guidance, due to the inherently poor visibility of seismic revenue. The Company cautions readers not to place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations and anticipations, estimates and intentions expressed in such forward-looking information. These factors include, but are not limited to:

- > Uncertainty of the timing and volume of data sales from the newly acquired seismic data library, which was partially funded with long-term debt;
- > Volatility of oil and natural gas prices;
- > Risks associated with the oil and gas industry in general;
- > The Company's ability to access external sources of debt and equity capital;
- > Credit, liquidity and commodity price risks;
- > The demand for seismic data and participation surveys;
- > The pricing of data library licence sales;
- > Cybersecurity;
- > Relicensing (change-of-control) fees and partner copy sales;
- > The level of pre-funding of participation surveys, and the Company's ability to make subsequent data library sales from such participation surveys;
- > The Company's ability to complete participation surveys on time and within budget;
- > Environmental, health and safety risks, including those related to the COVID-19 pandemic;
- > Federal and provincial government laws and regulations, including those pertaining to taxation, royalty rates, environmental protection, public health and safety;
- > Competition;
- > Dependence on qualified seismic field contractors;
- > Dependence on key management, operations and marketing personnel;
- > The loss of seismic data;
- > Protection of intellectual property rights;
- > The introduction of new products; and
- > Climate change.

Pulse cautions that the foregoing list of factors that may affect future results is not exhaustive. Additional information on these risks and other factors which could affect the Company's operations and financial results is included under "Risk Factors" in the in the Company's most recent annual information form, and in the Company's most recent audited annual financial statements, most recent MD&A, management information circular, quarterly reports, material change reports and news releases. Copies of the Company's public filings are available on SEDAR at www.sedar.com.

When relying on forward-looking information to make decisions with respect to Pulse, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Furthermore, the forward-looking information in this document is provided as of the date of this document and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking information, except as required by law. The forward-looking information in this document is provided for the limited purpose of enabling current and potential investors to evaluate an investment in Pulse. Readers are cautioned that such forward-looking information may not be appropriate, and should not be used, for other purposes.