Source: Pulse Seismic Inc.

PULSE SEISMIC INC. REPORTS Q1 2019 RESULTS

CALGARY, Alberta, May 7, 2019 (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 months ended March 31, 2019. 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.

"I am very pleased by our first quarter results," commented Neal Coleman, President and CEO of Pulse. "Accomplishing a 131% quarter-over-quarter increase in data sales is exactly the kind of result we were working towards by increasing our geographical coverage through our January purchase of Seitel."

Pulse's acquisition of Seitel Canada Ltd. ("Seitel") on January 15, 2019 more than doubled the Company's seismic coverage, increasing Pulse's revenue-generating potential by adding unique, complementary, high-quality data over areas that Pulse's library did not previously cover. With significant synergies to be realized by combining Pulse and Seitel, the Company foresees increased sales ultimately driving a higher cash margin.

As reported in previous filings concerning the acquisition, in addition to the purchase price of $58.6 million, Pulse assumed various future liabilities that are viewed by the Company as being a part of the total cost of the acquisition. These estimated $4.2 million of costs are being expensed over time, with a large percentage occurring in the first year, including $1.9 million in the first quarter of 2019. These non-recurring expenses are categorized as restructuring costs and are being excluded from the Company's calculation of cash EBITDA and shareholder free cash flow.

To date in 2019, Pulse has licensed $7.8 million of seismic data, which is equivalent to 55 percent of 2018 annual sales generated by the combined Pulse and Seitel data libraries.

HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2019

- Data library sales was $5.3 million for the three months ended March 31, 2019 compared to $2.3 million for the three months ended March 31, 2018;

- The net loss was $2.7 million or $0.05 per share compared to a net loss of $696,000 or $0.01 per share in the first quarter of 2018;

- Cash EBITDA was $3.1 million or $0.06 per share compared to $934,000 or $0.02 per share for the comparable period in 2018;

- Shareholder free cash flow was $2.7 million or $0.05 per share compared to $880,000 or $0.02 per share in the first quarter of 2018; and

- At March 31, 2019 long-term debt excluding deferred financing charges was $36.6 and included the $3.9 million balance of the contingent liability related to the Seitel purchase. There was $22.0 million undrawn and available to the Company on the revolving credit facility.

SELECTED FINANCIAL AND OPERATING INFORMATION

(thousands of dollars except per share data, numbers of shares and kilometres of seismic data)	Three months ended March 31, **2019**	2018	Year ended December 31, 2018
	(unaudited)		
Revenue			
Data library sales	**5,277**	2,289	10,076
Other revenue	**143**	39	112
Total revenue	**5,420**	2,328	10,188
Amortization of seismic data library	**3,566**	1,878	7,337
Net loss	**(2,671)**	(696)	(1,730)
Per share basic and diluted	**(0.05)**	(0.01)	(0.03)
Cash provided by operating activities	**1,458**	(8,592)	(3,250)
Per share basic and diluted	**0.03**	(0.16)	(0.06)
Cash EBITDA [a]	**3,097**	934	5,037
Per share basic and diluted [a]	**0.06**	0.02	0.09
Shareholder free cash flow [a]	**2,700**	880	4,671
Per share basic and diluted [a]	**0.05**	0.02	0.09
Capital expenditures			
Seismic data purchases, digitization and related costs	**61,029**	62	62
Property and equipment	**335**	2	18
Total capital expenditures	**61,364**	64	80
Weighted average shares outstanding			
Basic and diluted	**53,793,317**	53,887,280	53,838,106
Shares outstanding at period-end	**53,793,317**	53,850,917	53,793,317
Seismic library			
2D in kilometres	**829,207**	447,000	450,000
3D in square kilometres	**65,310**	28,956	28,956

FINANCIAL POSITION AND RATIO

(thousands of dollars except ratio)	**March 31, 2019**	March 31, 2018	December 31, 2018
Working capital	**(736)**	22,216	25,804
Working capital ratio	**0.9:1**	13.5:1	15:1
Cash and cash equivalents	**1,302**	18,232	23,016
Total assets	**78,784**	41,218	38,847
Long-term debt	**36,577**	-	-
Shareholders’ equity	**32,800**	36,656	35,238
Long-term debt to equity ratio	**1.1:1**	-	-

[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, 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.

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

OUTLOOK

Although successive quarterly results will be needed to confirm trends, Pulse’s first-quarter results are consistent with the Company’s assessment that the Seitel acquisition would approximately double its baseline seismic data library sales (all other things being equal). Following the first quarter, Pulse’s strong sales in April bring the Company’s year-to-date seismic data library revenue to $7.8 million (compared to full-year 2018 sales from both Pulse and Seitel of $14.5 million). This includes significant sales from both datasets, corroborating Pulse’s business case for the Seitel acquisition.

Pulse’s outlook for the remainder of 2019 remains cautious, however. While some industry indicators are strengthening, many remain weak. Briefly:

- Domestic natural gas prices (AECO) remain very low, averaging $2.10 per GJ in February, spiking to nearly $5.00 per GJ amidst brutal cold in early March, before collapsing in April to the range of only $0.50 per GJ;
- The domestic oil price benchmark, Western Canada Select (WCS), has rallied since the pricing crisis experienced last fall, which saw WCS trade at a rock-bottom $5.97 per bbl in December after the WTI-WCS price differential widened to a record $45.93 per bbl. Following government-mandated curtailment of Alberta’s oil production to force a reduction in the domestic oil storage inventory, WCS has recovered to the higher end of the price range it held through much of 2015-2018. Despite lower overall world crude prices, WCS improved to $45.33 per bbl and the differential fell to $9.68 per bbl in February 2019. If this holds, it represents billions of dollars in annualized revenues for western Canada’s oil-producing sector;
- Oil and natural gas well drilling was extremely weak over the winter, with none of the customary seasonal spike, due to factors including the WTI-WCS differential, but drilling forecasts for 2019 remain reasonable. On May 1 , the Petroleum Services Association of Canada reduced its 2019 drilling forecast by 300 wells to 5,300 wells. This was a decrease of 1,300 hundred wells from its initial 2019 forecast and 300 less than it had predicted in its update in late January. As of May 1, however, the Canadian Association of Oilwell Drilling Contractors was maintaining its 2019 forecast of 6,962 wells;
- Proceeds from mineral lease auctions or “land sales” in Western Canada as of April 30, 2019 were down by 60% from the comparable period in 2018, and by 75% from the same time period in 2017. From January to April 2019, in Alberta $42.3 million in new exploration lands were leased and in British Columbia the total was only $2.5 million;

- The Trans-Mountain Pipeline expansion project, critical for accessing Pacific Rim crude oil markets, received renewed regulatory approval from the National Energy Board but remains in limbo while awaiting a political decision by the federal government on whether to proceed with construction;
- The Keystone XL pipeline project appears to be moving forward, having received a new presidential permit from the U.S. Administration in late March;
- Efforts continue to move forward with Canada's first large LNG export project;
- U.S. LNG exports continue to grow, exceeding 4 bcf per day in April as additional liquefaction trains come on-stream amidst a global boom in the LNG trade, which now exceeds 40 bcf per day worldwide. This boom adds impetus to Canadian LNG projects;
- While the level of corporate merger-and-acquisition activity remained low in the first few months of 2019, this could suggest a pent-up potential for industry transactions if overall industry volatility is reduced somewhat; and
- The Alberta provincial election on April 17 was won by the United Conservative Party, which campaigned on a platform of reducing the regulatory burden facing the industry, lowering the corporate income tax rate and vigorously promoting energy development including new export pipelines.

On balance, Western Canada's oil and natural gas sector still faces economic headwinds and uncertainties. In addition, Pulse is likely to experience a delay before any renewed industry investment and activity translate into higher seismic data sales. The Company is, accordingly, prepared for additional quarters of weak traditional sales while also cautioning that there is no visibility as to transaction-based sales.

Pulse's management team remains pleased with the Company's cost structure and financial position, and confident in its ability to pay down debt at the schedule and rate specified, as well as the additional sales-based consideration for Seitel. The Seitel acquisition financing structure enables Pulse to comfortably meet its obligations. The low cost structure of Pulse's business model facilitates significant synergies on future sales.

The Company has been structured to survive and even grow through all phases of the industry cycle. Throughout 2019 Pulse intends to pay down debt, continue to manage costs conservatively and remain stringent in assessing potential new opportunities. Pulse has unused borrowing capacity of up to a further $22 million if needed.

As Canada's largest pure-play seismic data library provider, Pulse's sales are highly scalable without either capital investment or higher operating costs, and a transaction-based sale of any size could occur at any time. The Company's low cost structure and the broad coverage of its seismic database make Pulse's revenue, cash margin and shareholder free cash flow highly levered to any uptick in industry field activity and demand for seismic data amidst a longer-term recovery in western Canada's oil and natural gas sector.

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.

The Outlook section contains forward-looking information which includes, among other things, statements regarding:

- Pulse's outlook for the remainder of 2019 remains cautious;
- Pulse is prepared for additional quarters of weak traditional sales while also cautioning that there is no visibility as to transaction-based sales;
- Pulse is confident in its ability to pay down debt at the schedule and rate specified;
- Pulse's capital allocation strategy;
- Pulse's dividend policy;
- Oil and natural gas prices;
- 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.

Undue reliance should not be placed on forward-looking information. Forward-looking information is based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to vary and in some instances to differ materially from those anticipated in the forward-looking information. Pulse does not publish specific financial goals or otherwise provide guidance, due to the inherently poor visibility of seismic revenue.

The material risk factors include, without limitation:

- Oil and natural gas prices;
- The demand for seismic data and participation surveys;
- The pricing of data library license sales;
- Relicensing (change-of-control) fees and partner copy sales;
- Cybersecurity;
- 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;
- Federal and provincial government laws and regulations, including those pertaining to taxation, royalty rates, environmental protection 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.

The foregoing list 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" of the Company's MD&A for the year ended December 31, 2018. Forward-looking information is based on the assumptions, expectations, estimates and opinions of the Company's management at the time the information is presented.