

Source: Pulse Seismic Inc.



PULSE SEISMIC INC. REPORTS STRONG Q2 2021 RESULTS

CALGARY, Alberta, July 21, 2021 (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 six months ended June 30, 2021. 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 SIX MONTHS ENDED JUNE 30, 2021

- Data library sales revenue was \$19.0 million for the three months ended June 30, 2021 compared to \$1.9 million for the three months ended June 30, 2020. Data library sales revenue was \$23.7 million for the six months ended June 30, 2021 compared to \$4.0 million for the six months ended June 30, 2020;
- Net earnings for the three months ended June 30, 2021 were \$10.2 million (\$0.19 per share basic and diluted) compared to a net loss of \$2.3 million (\$0.04 per share basic and diluted) for the three months ended June 30, 2020. Net earnings for the six months ended June 30, 2021 were \$10.2 million (\$0.19 per share basic and diluted) compared to a net loss of \$5.1 million (\$0.10 per share basic and diluted) for the six months ended June 30, 2020;
- Cash EBITDA^(a) was \$17.6 million (\$0.33 per share basic and diluted) for the three months ended June 30, 2021, compared to \$1.0 million (\$0.02 per share basic and diluted) for the three months ended June 30, 2020. Cash EBITDA was \$21.3 million (\$0.40 per share basic and diluted) for the six months ended June 30, 2021 compared to \$2.1 million (\$0.04 per share basic and diluted) for the six months ended June 30, 2020;
- Shareholder free cash flow^(a) was \$12.8 million (\$0.24 per share basic and diluted) for the second quarter of 2021 compared to \$762,000 (\$0.01 per share basic and diluted) for the comparable period in 2020. Shareholder free cash flow was \$15.4 million (\$0.29 per share basic and diluted) for the six months ended June 30, 2021 compared to \$1.5 million (\$0.03 per share basic and diluted) for the six months ended June 30, 2020; and
- During the first half of 2021 the Company repaid a total of \$17.5 million of long-term debt including all \$10.0 million of its subordinated debt and \$7.5 million on the balance of its revolving facility. At June 30, 2021, long-term debt (net of deferred financing cost) was \$10.4 million. The balance of the long-term debt owing as of the date of this press release is \$4.0 million. The Company now has \$21.0 available on its revolving credit facility.

CORPORATE UPDATE AND COVID-19 UPDATE

Pulse remains committed to the health and safety of its employees. Since March 13, 2020 many Pulse employees continuously worked remotely. In addition, the Company has a small group working at its warehouse facility. The guidance of health authorities continues to be closely monitored and Pulse had a minimum number of staff working in the office from time to time, as was deemed necessary. Pulse’s business is supplying licences to a digitally-based product, seismic data and, as a result, the combination of staff working in the office and remotely allowed for timely responses to customers’ needs. The Company’s top priorities continue to be the safety of its employees, generating data sales and repaying long-term debt, while keeping costs low and improving the balance sheet as we continue to navigate uncertain times. On July 1, 2021 the Government of Alberta lifted its COVID-19 restrictions. All Pulse staff have since returned to work at the office.

SELECTED FINANCIAL AND OPERATING INFORMATION

(thousands of dollars except per share data, numbers of shares and kilometres of seismic data)	Three months ended June 30,		Six months ended June 30,		Year ended
	2021	2020	2021	2020	December 31,
	(unaudited)		(unaudited)		2020
Revenue					
Data library sales	18,973	1,850	23,713	4,040	11,011
Other revenue	115	91	200	181	338
Total revenue	19,088	1,941	23,913	4,221	11,349
Amortization of seismic data library	2,503	2,850	5,001	6,366	11,348
Net earnings (loss)	10,159	(2,309)	10,192	(5,136)	(6,786)
Per share basic and diluted	0.19	(0.04)	0.19	(0.10)	(0.13)
Cash provided by operating activities	9,134	137	18,215	2,459	3,814
Per share basic and diluted	0.17	0.00	0.34	0.05	0.07
Cash EBITDA ^(a)	17,612	1,029	21,260	2,110	7,553
Per share basic and diluted ^(a)	0.33	0.02	0.40	0.04	0.14
Shareholder free cash flow ^(a)	12,819	762	15,387	1,514	5,346
Per share basic and diluted ^(a)	0.24	0.01	0.29	0.03	0.10
Capital expenditures					
Seismic data purchases, digitization and related costs	96	-	191	191	383
Property and equipment	3	7	3	7	7
Total capital expenditures	99	7	194	198	390
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)	June 30, 2021	June 30, 2020	December 31, 2020
Working capital	4,272	1,210	5,601
Working capital ratio	1.9:1	1.4:1	3.6:1
Cash and cash equivalents	-	327	-
Total assets	51,488	59,176	56,742
Long-term debt	10,356	28,738	27,715
Trailing 12-month (TTM) cash EBITDA ^(b)	26,703	7,272	7,553
Shareholders' equity	35,484	26,805	25,266
Long-term debt to TTM cash EBITDA ratio	0.39	3.95	3.67
Long-term debt to equity ratio	0.29	1.07	1.10

- (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.
- (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

Pulse over the past several quarters had cautioned about unusually high economic, industry and pandemic-related uncertainty, and the most recent quarter's excellent financial results demonstrate that "uncertainty" can also lead to strong performance. At its simplest, commodity prices remained relatively robust and the emerging increase in industry merger-and-acquisition activity noted in the previous quarter accelerated significantly, leading to a combination of traditional sales and, in particular, large transaction-based sales. Pulse's sales revenue for the first half of 2021 is already 215 percent of sales revenue for all of 2020.

The Company therefore is even better positioned for a range of conditions than it was exiting the first quarter or at any time since the Seitel acquisition. Financial results over the past three quarters have enabled the Company to repay the majority of its debt. The resulting reduced interest costs further strengthen Pulse's ability to continue repaying its remaining debt, as well as lowering the break-even revenue level needed to generate shareholder free cash flow should industry conditions weaken and seismic data library sales fall. 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.

Overall, Pulse is markedly more optimistic than it has been since the pandemic began. Crude oil and natural gas prices have strengthened further, confidence within Canada's oil and natural gas sector – an intangible but critical factor – has improved sharply in the past several months, and a number of companies have announced increases to their capital investment budgets and drilling programs, providing reasons for optimism that the industry's initial rebound will be sustained. Accordingly, Pulse's outlook for traditional seismic data library sales for the balance of the year has improved, while transaction-based sales of any size could continue to occur at any time.

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;
- > 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 2021;
- > Pulse’s capital allocation strategy;
- > 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;
- > 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;
- > Volatility of oil and natural gas prices;
- > Risks associated with the oil and natural 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;

- > The pricing of data library licence sales;
- > Cybersecurity;
- > Relicensing (change-of-control) fees and partner copy sales;
- > 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 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 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 contained 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.