

Source: Pulse Seismic Inc.



PULSE SEISMIC INC. REPORTS Q1 2020 RESULTS

CALGARY, Alberta, June 5, 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 months ended March 31, 2020. The audited consolidated 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 MONTHS ENDED MARCH 31, 2020

- Data library sales were \$2.2 million for the three months ended March 31, 2020 compared to \$5.3 million for the three months ended March 31, 2019;
- The net loss was \$2.8 million or \$0.05 per share compared to a net loss of \$2.7 million or \$0.05 per share in the first quarter of 2019;
- Cash EBITDA was \$1.1 million or \$0.02 per share compared to \$3.1 million or \$0.06 per share for the comparable period in 2019;
- Shareholder free cash flow was \$763,000 or \$0.01 per share compared to \$2.7 million or \$0.05 per share in the first quarter of 2019; and
- At March 31, 2020 long-term debt excluding deferred financing charges was \$29.4 million.

CORPORATE AND COVID-19 UPDATE

At March 31, 2020 the Company was in compliance with all covenants related to its syndicated credit facility. In January 2019 Pulse borrowed a total of \$38 million to partially fund the acquisition of Seitel Canada Ltd. (Seitel). This indebtedness included approximately \$23.0 million in senior debt from its syndicated credit facility, \$10.0 million in subordinated debt and an additional \$5.0 million due to the vendor of Seitel which reflected a potential sales-based deferred payment to the vendor. This acquisition more than doubled the size of Pulse’s seismic data library, which we believe has doubled the opportunity set for future sales. At March 31, 2020 the balance owing on these credit facilities was \$29.4 million, of which \$19.4 million was due on its senior credit facility and \$10.0 million in subordinated debt. The sales-based deferred payment was fully satisfied by mid 2019.

With ongoing uncertainty as to the length and continued severity of this oil and gas downturn, Pulse negotiated with the lead bank of its syndicated credit facility to amend its financial covenants to ensure additional flexibility in future quarters. 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 months ended March 31, 2020.

Management and the Board of Directors of the Company have taken 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 10 percent to 20 percent for its executive and management team, and compensation for the Board of Directors has also been reduced. Director fees for the chair of the Board of Directors has been reduced by 50% and all other independent director’s fees have been reduced by 40%. All administrative and operating expenses and capital spending plans have been evaluated and reduced where appropriate.

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 have been working remotely since March 13, 2020. Management is closely monitoring the guidance of the health authorities and it is anticipated that staff will continue to work remotely for the foreseeable future. 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.

Q2 2020 SALES UPDATE

The Company is pleased to announce that as of June 5, 2020 seismic data sales total \$1.75 million for the second quarter. This brings year to date seismic data library sales revenue to approximately \$4.0 million.

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,		Year ended
	2020	2019	December 31,
	(unaudited)		2019
Revenue			
Data library sales	2,190	5,277	23,635
Other revenue	90	143	520
Total revenue	2,280	5,420	24,155
Amortization of seismic data library	3,516	3,566	14,200
Net loss	(2,827)	(2,671)	(3,411)
Per share basic and diluted	(0.05)	(0.05)	(0.06)
Cash provided by operating activities	2,322	1,458	8,605
Per share basic and diluted	0.04	0.03	0.16
Cash EBITDA ^(a)	1,060	3,097	17,557
Per share basic and diluted ^(a)	0.02	0.06	0.33
Shareholder free cash flow ^(a)	763	2,700	13,605
Per share basic and diluted ^(a)	0.01	0.05	0.25
Capital expenditures			
Seismic data purchases, digitization and related costs	96	61,029	61,029
Property and equipment	-	335	439
Total capital expenditures	96	61,364	61,468
Weighted average shares outstanding			
Basic and diluted	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)	March 31, 2020	March 31, 2019	December 31, 2019
Working capital	1,040	(736)	596
Working capital ratio	1.2:1	0.9:1	1.1:1
Cash and cash equivalents	1,036	1,302	1,356
Total assets	63,838	78,784	69,807
Long-term debt	29,169	36,577	31,511
Trailing twelve-month (TTM) cash EBITDA ^(b)	15,520	7,200	17,557
Shareholders' equity	29,134	32,800	31,973
Long-term debt to TTM cash EBITDA ratio	1.88	5.08	1.79
Long-term debt to equity ratio	1.0	1.1	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 quarter, the Company can generate shareholder free cash flow with quarterly sales of \$2 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.

For further information, please contact:

Neal Coleman, President and CEO

Or

Pamela Wicks, Vice President Finance and CFO

Tel.: 403-237-5559

Toll-free: 1-877-460-5559

E-mail: info@pulsesismic.com.

Please visit our website at www.pulsesismic.com

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.