Source: Pulse Seismic Inc.

PULSE SEISMIC INC. REPORTS 2019 RESULTS

CALGARY, Alberta, February 13, 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 year ended December 31, 2019. 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.

"Despite 2019 being year five of the ongoing downturn in Western Canada's oil and natural gas sector, Pulse generated strong levels of cash EBITDA and shareholder free cash flow throughout the year," stated Neal Coleman, Pulse's President and CEO. "In January 2019 Pulse closed the opportunistic and transformative acquisition of Seitel Canada Ltd. The result for 2019 was a 64% increase in sales over the sales generated from the combined data libraries in 2018. Having doubled our database, and therefore doubled our opportunity sets, Pulse has been able to capitalize on a larger range of traditional data sales, and has continued potential to benefit from a greater number of industry transactions that generate relicensing fees."

HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2019

- Total revenue for the year ended December 31, 2019 was $24.2 million compared to $10.2 million for the year ended December 31, 2018.
- The Company incurred a net loss of $3.4 million ($0.06 per share basic and diluted) for 2019 compared to a net loss of $1.7 million ($0.03 per share basic and diluted) for 2018;
- Cash EBITDA[a] was $17.6 million ($0.33 per share basic and diluted) for the year ended December 31, 2019, compared to $5.0 million ($0.09 per share basic and diluted) for the year ended December 31, 2018;
- Shareholder free cash flow[a] was $13.6 million ($0.25 per share basic and diluted) for the year ended December 31, 2019, compared to $4.7 million ($0.09 per share basic and diluted) for the year ended December 31, 2018; and
- At December 31, 2018, the Company had a cash balance of $23.0 million and no debt. That cash was subsequently utilized as partial consideration for the $58.6 million acquisition of Seitel. At year end 2019, the cash balance was $1.4 million, long-term debt was $31.5 million and the Company had $22.1 million available on the revolving credit facility.

HIGHLIGHTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2019

- Total revenue for the three months ended December 31, 2019 was $5.4 million compared to $4.3 million for the three months ended December 31, 2018;
- Net loss was $759,000 ($0.01 per share basic and diluted) compared to net earnings of $1.0 million or ($0.02 per share basic and diluted) in the fourth quarter of 2018;
- Cash EBITDA was $3.9 million ($0.07 per share basic and diluted) compared to $3.2 million ($0.06 per share basic and diluted) in the fourth quarter of 2018; and
- Shareholder free cash flow was $3.0 million ($0.06 per share basic and diluted) compared to $2.6 million ($0.05 per share per share basic and diluted) in the fourth quarter of 2018.

SELECTED FINANCIAL AND OPERATING INFORMATION

(thousands of dollars except per share data, numbers of shares and kilometres of seismic data)	Three months ended December 31, 2019	2018	Years ended December 31, 2019	2018
Revenue				
Data library sales	**5,281**	4,286	**23,635**	10,076
Other Revenue	**83**	27	**520**	112
Total revenue	**5,364**	4,313	**24,155**	10,188
Amortization of seismic data library	**3,500**	1,811	**14,200**	7,337
Net earnings (loss)	**(759)**	1,024	**(3,411)**	(1,730)
Per share basic and diluted	**(0.01)**	0.02	**(0.06)**	(0.03)
Cash provided by operating activities	**1,127**	2,457	**8,605**	(3,250)
Per share basic and diluted	**0.02**	0.05	**0.16**	(0.06)
Cash EBITDA [(a)]	**3,879**	3,209	**17,557**	5,037
Per share basic and diluted [(a)]	**0.07**	0.06	**0.33**	0.09
Shareholder free cash flow [(a)]	**2,981**	2,616	**13,605**	4,671
Per share basic and diluted [(a)]	**0.06**	0.05	**0.25**	0.09
Capital expenditures				
Seismic data purchases, digitization and related costs	**-**	-	**61,029**	62
Property and equipment	**41**	9	**439**	18
Total capital expenditures	**41**	9	**61,468**	80
Weighted average shares outstanding				
Basic and diluted	**53,793,317**	53,793,317	**53,793,317**	53,838,106
Shares outstanding at period-end			**53,793,317**	53,793,317
Seismic library				
2D in kilometres			**829,207**	450,000
3D in square kilometres			**65,310**	28,956

FINANCIAL POSITION AND RATIOS

(thousands of dollars except ratios)	December 31, 2019	December 31, 2018
Working capital	**596**	25,804
Working capital ratio	**1.11:1**	15:1
Cash and cash equivalents	**1,356**	23,016
Total assets	**69,807**	38,847
Long-term debt	**31,511**	-
Cash EBITDA	**17,737**	5,037
Shareholders’ equity	**31,973**	35,238
Long-term debt to Cash EBITDA ratio	**1.79**	-
Long-term debt to equity ratio	**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, 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

Financial results for the first year following the acquisition of Seitel confirmed the belief that the Company's sales opportunities would be doubled. Traditional data library sales in 2019 was in fact double the average of the last four years, and there was also modest year-over-year growth in sales of the combined data libraries. The Company does remain very cautious about the year ahead, even with certain recent events on the political, regulatory and legal fronts that are positive for the industry's medium- to longer-term prospects.

The Company considers the following relevant:

- The recently re-elected Liberal federal government stated its support for the Trans Mountain Pipeline expansion. While some Indigenous court challenges may continue, in January the Supreme Court of Canada unanimously rejected British Columbia's appeal of court rulings rejecting the province's attempt to control what commodities are contained in inter-provincial pipelines traversing B.C., in order to prohibit heavy crude oil and halt the project. Following this, B.C. premier John Horgan signalled that he would no longer oppose construction. Then on February 4, Canada's Federal Court of Appeal dismissed a challenge to the government's approval of the pipeline expansion, clearing some more uncertainty over the project. Trans Mountain had resumed construction on its Alberta leg last fall. The planned near-tripling of capacity to 839,000 bbls per day is critical for the producing sector to access Pacific Rim markets;
- The $8 billion, 830,000-bbl-per-day Keystone XL pipeline project into the U.S. heartland continues to move forward. Last August the project received court approval critical to its routing through Nebraska. In mid-January project owner TC Energy Corp. announced that it intends to build the short but critical Canada-U.S. border crossing in April, and by summer to commence construction in Montana, South Dakota and Nebraska;
- Enbridge Inc.'s Line 3 Replacement, an approximately $9 billion project to replace aging pipeline connecting Alberta to the U.S. Midwest, has continued to make significant progress. The Canadian portion of the project entered service last year, and the remaining U.S. portion in Minnesota last year received a number of favourable court rulings. Construction there could start in the second half of this year, with the entire line shipping oil by early to mid-2021. The line replacement will increase export capacity from less than 400,000 bbls per day at present to a planned initial 790,000 bbls per day;

- Significant progress continues to create a liquefied natural gas (LNG) export industry. Construction of the landmark LNG Canada facility at the port of Kitimat, B.C., is well underway. While the associated gas supply pipeline for the combined $40 billion project remains embroiled in controversy, all elected Indigenous governments along its route support construction, and premier Horgan is also a strong supporter. The smaller, $1.6 billion Woodfibre LNG project at the port of Squamish, B.C., received key provincial approval last July, opening the way to construction this year. And the proposed Chevron-Woodside Kitimat LNG project also made progress, with the project partners applying to nearly double annual export capacity to 18 million tonnes (although Chevron later announced its intention to exit the project). Combined, the three projects would move a material proportion of Western Canada's natural gas production to global markets, accessing stronger pricing;
- Alberta's new United Conservative Party government, after moving expeditiously to enact business-friendly policies, including a phased reduction of 33 percent to Alberta's corporate income tax, and to reduce the regulatory burden on the oil and natural gas industry, is vigorously promoting energy development and pushing back against the international campaign to "landlock" Alberta's energy production;
- The UCP government is extending the policy of oil production "curtailment" through 2020. Begun in late 2018, curtailment aims to ease the high price differential between the West Texas Intermediate (WTI) North American benchmark and the Western Canadian Select (WCS) regional benchmark crude. This is mainly caused by insufficient oil export capacity, increasing oil storage levels and driving down the intra-Alberta oil price, severely reducing the producing sector's revenue. Curtailment has been highly successful in narrowing the differential. For 2020, the production cutoff for smaller producers exempt from curtailment was doubled to 20,000 bbls per day, expected to encourage investment, drilling and growth among smaller producers; and
- Oil shipments by rail are forecast to continue increasing throughout the year, to as high as 600,000 bbls per day, enabling more oil to exit the producing region and further easing the need for curtailment.

Traditional industry indicators generally remain on the weaker side, though with some positive elements:

- In late January, the Canadian Association of Petroleum Producers (CAPP) forecast that non-oil-sands oil and natural gas capital investment will increase by 4 percent to $25.4 billion in 2020, marking the first year-over-year increase in five years. CAPP attributed the planned spending increases to Alberta's corporate tax cut and easing of production curtailment;
- Also in late January, the Petroleum Services Association of Canada revised its 2020 drilling forecast to 4,800 wells, up by 7 percent from its previous forecast, although the increased figure still represents a year-over-year decline of 2 percent from the very weak 2019 level;
- In November, the Canadian Association of Oilwell Drilling Contractors forecast 4,905 wells to be drilled in 2020, virtually unchanged from 2019;
- Mineral lease auctions or "land sales" in B.C. and Alberta, traditionally a leading indicator of oil and natural gas field activity, were only $134 million in 2019 (vs. $469 million in 2018);
- Natural gas prices are expected to recover slightly from the very low levels of the past two years, with GLJ Petroleum Consultants Ltd. currently forecasting monthly 2020 pricing of US$1.32-US$1.81 per mmBtu at Alberta's AECO "C" hub (converted to U.S. dollars for easier comparison);
- Crude oil prices are expected to increase year-over-year and maintain moderate strength, with GLJ forecasting an average WTI price of US$61.00 per bbl in 2020, up from US$56.98 per bbl in 2019; and
- Of even greater importance for Canadian producers, the WTI-WCS differential is forecast by GLJ to be in the range of US$16-$18 per bbl in 2020, considered a moderate level.

Entering 2020 Pulse's strengths and advantages include:

- Ownership of the largest licensable seismic dataset in Western Canada, providing exceptional exposure to any rebound in industry activity;
- A low cost structure, with only a modest increase in SG&A expenses as a result of the Seitel acquisition, as well as relatively low interest expense, thereby providing even greater cash flow and margin leverage than in the past;
- A strong cash margin, cash EBITDA and shareholder free cash flow generated on the 2019 sales level;

- Moderate debt levels on favourable terms. The Company is confident in its ability to pay down debt at the schedule and rate specified. Pulse has unused borrowing capacity of up to a further $22.1 million if needed;
- An experienced, proven and efficient team of senior management and employees; and
- An experienced and supportive Board of Directors.

Over the coming quarters Pulse intends to continue paying down debt, to manage costs conservatively and to remain stringent in assessing potential new opportunities. 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. In summary, Pulse is equally well-positioned to weather additional quarters of weaker industry activity, to benefit from an industry rebound, to use a sudden increase in sales to the benefit of its shareholders, or to act on further opportunities to grow its seismic data library.

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 and legal fronts affecting the industry's medium- to longer-term prospects, including progression and completion of contemplated pipeline projects;

> 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 2020;

> Pulse's capital allocation strategy;

> Pulse's dividend policy;

> Oil and natural gas prices and forecasted 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 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. We caution 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;
- 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.

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 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.