Source: Pulse Seismic Inc.

PULSE SEISMIC INC. REPORTS Q2 2019 RESULTS

CALGARY, Alberta, July 18, 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 and six months ended June 30, 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.

HIGHLIGHTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019

- Data library sales revenue was $10.6 million for the three months ended June 30, 2019 compared to $1.9 million for the three months ended June 30, 2018. Data library sales revenue was $15.9 million for the six months ended June 30, 2019 compared to $4.2 million for the six months ended June 30, 2018. A sale in the second quarter of 2019 had extended payment terms and resulted in $183,000 being reallocated from data library sales to deferred revenue on the sale date, which will be recognized over time as interest income until the final payment is received;

- Net earnings for the three months ended June 30, 2019 were $2.9 million ($0.05 per share basic and diluted) compared to a net loss of $1.0 million ($0.02 per share basic and diluted) for the three months ended June 30, 2018. Net earnings for the six months ended June 30, 2019 were $209,000 ($0.00 per share basic and diluted) compared to a net loss of $1.7 million ($0.03 per share basic and diluted) for the six months ended June 30, 2018;

- Cash EBITDA[a] was $9.3 million ($0.17 per share basic and diluted) for the three months ended June 30, 2019, compared to $482,000 ($0.01 per share basic and diluted) for the three months ended June 30, 2018. Cash EBITDA was $12.4 million ($0.23 per share basic and diluted) for the six months ended June 30, 2019 compared to $1.4 million ($0.03 per share basic and diluted) for the six months ended June 30, 2018;

- Shareholder free cash flow[a] was $6.9 million ($0.13 per share basic and diluted) for the second quarter of 2019 compared to $630,000 ($0.01 per share basic and diluted) for the comparable period in 2018. Shareholder free cash flow was $9.6 million ($0.18 per share basic and diluted) for the six months ended June 30, 2019 compared to $1.5 million ($0.03 per share basic and diluted) for the six months ended June 30, 2018; and

- At June 30, 2019 long-term debt excluding deferred financing charges was $30.0 million. Approximately $3.0 million has been repaid on the Company's term and revolving credit facilities. The $5.0 million, sales-based, contingent liability related to the purchase of Seitel Canada Ltd. ("Seitel") in January was fully repaid by early July. At June 30, there was $24.6 million undrawn and available to the Company on the revolving credit facility.

As reported in previous filings concerning the Seitel 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 $2.2 million in the first half of 2019. These non-recurring expenses are categorized as restructuring costs and are being added back to the Company's cash EBITDA and shareholder free cash flow.

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
	2019	2018	**2019**	2018	December 31,
	(unaudited)		(unaudited)		2018
Revenue					
Data library sales	**10,617**	1,905	**15,894**	4,193	10,076
Other revenue	**167**	36	**310**	76	112
Total revenue	**10,784**	1,941	**16,204**	4,269	10,188
Amortization of seismic data library	**3,577**	1,836	**7,143**	3,714	7,337
Net earnings (loss)	**2,880**	(1,016)	**209**	(1,712)	(1,730)
Per share basic and diluted	**0.05**	(0.02)	**0.00**	(0.03)	(0.03)
Cash provided by operating activities	**3,691**	213	**5,149**	(8,379)	(3,250)
Per share basic and diluted	**0.07**	0.00	**0.10**	(0.16)	(0.06)
Cash EBITDA [(a)]	**9,256**	482	**12,353**	1,416	5,037
Per share basic and diluted [(a)]	**0.17**	0.01	**0.23**	0.03	0.09
Shareholder free cash flow [(a)]	**6,852**	630	**9,552**	1,510	4,671
Per share basic and diluted [(a)]	**0.13**	0.01	**0.18**	0.03	0.09
Capital expenditures					
Seismic data purchases, digitization and related costs	**-**	-	**61,029**	62	62
Property and equipment	**63**	2	**398**	4	18
Total capital expenditures	**63**	2	**61,427**	66	80
Weighted average shares outstanding					
Basic and diluted	**53,793,317**	53,850,917	**53,793,317**	53,868,998	53,838,106
Shares outstanding at period-end			**53,793,317**	53,850,917	53,793,317
Seismic library					
2D in kilometres			**829,207**	450,000	450,000
3D in square kilometres			**65,310**	28,956	28,956

FINANCIAL POSITION AND RATIOS

(thousands of dollars except ratios)	June 30, 2019	June 30, 2018	December 31, 2018
Working capital (deficit)	**(2,282)**	22,586	25,804
Working capital ratio	**0.8:1**	15:1	15:1
Cash and cash equivalents	**464**	18,040	23,016
Total assets	**77,673**	39,246	38,847
Long-term debt	**29,696**	-	-
Shareholders' equity	**35,475**	35,305	35,238
Long-term debt to equity ratio	**0.84**	-	-

[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, if applicable, 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

Pulse experienced a strong first half of the year. Seismic data sales of $15.9 million were equivalent to 156 percent of Pulse’s full-year 2018 sales and 110 percent of full-year 2018 sales from both Pulse’s and Seitel’s datasets. With significant second-quarter sales generated from the former Seitel data library, the second quarter strengthened the Company’s confidence that the Seitel acquisition was capable of doubling Pulse’s baseline seismic data library sales (all other things being equal).

In short, Pulse’s business case for the acquisition is being validated. The Company is also pleased that strong first-half sales were more than sufficient to complete the sales-based deferred payment to the vendor of $5 million.

Pulse is, however, maintaining a cautious outlook for the rest of 2019 and the opening quarters of 2020. While some industry indicators have been strengthening, others remain weak or unresolved. Key items:

- Domestic natural gas prices remain very low. Although the AECO daily spot price strengthened to above $2.00 per gigajoule (GJ) in mid-July, it averaged less than $0.90 per GJ in June and as of mid-July the futures index for the next year is fluctuating between approximately $1.00 per GJ and no more than $2.25 per GJ. This is insufficient to stimulate growth in gas-focused land sales and drilling;
- The rally of the domestic oil price benchmark, Western Canada Select (WCS), since the pricing crisis experienced last fall, extended into the second quarter. After widening to a record US$45.93 per bbl last fall, the West Texas Intermediate (WTI) to WCS price differential narrowed sharply over the winter and averaged only US$8.39 per barrel in May. In conjunction with the solid WTI price, WCS thereby averaged US$46.71 per barrel from January through May. The successive months of a narrower differential have already added billions of dollars in revenue for western Canada’s oil-producing sector and, if this trend continues, could stimulate oil-focused industry activity;
- After disappointing rates of oil and natural gas well drilling over the winter, activity remained low in the spring 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 wells from its initial 2019 forecast and 300 less than it had predicted in its update in late January. As of July 14, 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 have continued to fall. As of June 30, 2019 they were down by 77 percent from the comparable periods in both 2018 and 2017. In the first six months of 2019, only $53.5 million in new exploration lands were leased in Alberta and the total was only $2.7 million in British Columbia;

- Although the Trans-Mountain Pipeline expansion project received renewed regulatory approval from the National Energy Board in February and political approval from the Government of Canada in June, construction remains highly uncertain due to pending court challenges announced by project opponents. The expansion is critical for accessing Pacific Rim crude oil markets and its delay is, therefore, influencing rates of oil drilling in Western Canada. In addition, the Liberal federal government recently passed two regulatory laws that are widely expected to discourage if not thwart significant future oil export projects;
- The Keystone XL pipeline project appears to be moving forward, having received a new presidential permit from the U.S. Administration in late March, although court challenges are continuing;
- Efforts continue to move forward with Canada's first large LNG export project;
- U.S. LNG exports leapt to more than 6 bcf per day in early July from the already-record 4 bcf per day set 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. The export boom is supportive of domestic natural gas prices in the U.S. and adds impetus to Canadian LNG projects; and
- The recently elected Alberta government has moved expeditiously to enact business-friendly policies, including a phased reduction of 33 percent to Alberta's corporate income tax, to reduce the regulatory burden on a number of industries, including oil and natural gas, to vigorously promote energy development, and to push back aggressively against the international campaign to "landlock" Alberta's energy production.

Western Canada's oil and natural gas sector continues to face economic headwinds and uncertainty. 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. 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 $24.6 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 is maintaining a cautious outlook for the rest of 2019 and the opening quarters of 2020;
- 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 licence 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.