

Source: Pulse Seismic Inc.



PULSE SEISMIC INC. REPORTS 2020 RESULTS

CALGARY, Alberta, February 18, 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 year ended December 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.

“Pulse’s 2020 financial results, and particularly the strong fourth quarter results, highlight the Company’s low fixed cost structure and its ability to generate positive cash flows under unprecedented negative conditions,” stated Neal Coleman, Pulse’s President and CEO.

“Having total data library sales of only \$11.0 million and still generating a 68 percent cash EBITDA margin, or \$7.5 million in cash EBITDA, as well as \$5.4 million of shareholder free cash flow, put us in a position to significantly reduce total debt to only \$20.2 million as of today.”

In December 2020 the Company amended, simplified and restated its senior credit facility, which has reduced financing expenses while maintaining sufficient liquidity to execute the Company’s plans for 2021, assuming business conditions remain volatile. Following debt repayments totalling \$3.8 million in 2020, in January 2021 Pulse repaid an additional \$7.8 million. Accordingly, continued Coleman, “Pulse’s total debt has been reduced by 36 percent, or \$11.6 million, since year-end 2019.”

“The current year has begun on a positive note,” added Coleman, “with data library sales totalling \$4.3 million as of this date, of which \$4.2 million was transaction-based.”

“Looking forward into 2021, we continue to benefit from the doubling of our seismic database and opportunity sets through the significant acquisition in 2019, and we remain positioned to benefit through relicensing fees from a potentially greater number of industry transactions this year,” concluded Coleman. “I would like to express my sincere appreciation to Pulse’s staff for their unwavering dedication and strength as a team in supporting the Company through these extraordinary times.”

HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2020

- Total revenue was \$11.3 million compared to \$24.2 million for the year ended December 31, 2019;
- Net loss was \$6.8 million (\$0.13 per share basic and diluted) compared to a net loss of \$3.4 million (\$0.06 per share basic and diluted) for 2019;
- Cash EBITDA^(a) was \$7.5 million (\$0.14 per share basic and diluted) compared to \$17.6 million (\$0.33 per share basic and diluted) for the year ended December 31, 2019;
- Shareholder free cash flow^(a) was \$5.4 million (\$0.10 per share basic and diluted) compared to \$13.6 million (\$0.25 per share basic and diluted) for the year ended December 31, 2019; and
- At year-end 2020, long-term debt was \$27.7 million (net of deferred financing cost) and the Company had \$7.0 million available on its revolving credit facility.

HIGHLIGHTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2020

- Total revenue was \$5.2 million compared to \$5.4 million for the three months ended December 31, 2019;
- Net earnings were \$287,000 (\$0.01 per share basic and diluted) compared to a net loss of \$759,000 (\$0.01 per share basic and diluted) in the fourth quarter of 2019;
- Cash EBITDA was \$4.2 million (\$0.08 per share basic and diluted) compared to \$3.9 million (\$0.07 per share basic and diluted) in the fourth quarter of 2019; and
- Shareholder free cash flow was \$3.0 million (\$0.06 per share basic and diluted) for the fourth quarter of 2020 and 2019.

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,		Twelve months ended December 31,	
	2020	2019	2020	2019
Revenue				
Data library sales	5,142	5,281	11,011	23,635
Other revenue	81	83	338	520
Total revenue	5,223	5,364	11,349	24,155
Amortization of seismic data library	2,493	3,500	11,348	14,200
Net earnings (loss)	287	(759)	(6,786)	(3,411)
Per share basic and diluted	0.01	(0.01)	(0.13)	(0.06)
Cash provided by operating activities	752	1,127	3,814	8,605
Per share basic and diluted	0.01	0.02	0.07	0.16
Cash EBITDA ^(a)	4,178	3,879	7,468	17,557
Per share basic and diluted ^(a)	0.08	0.07	0.14	0.33
Shareholder free cash flow ^(a)	2,978	2,981	5,373	13,605
Per share basic and diluted ^(a)	0.06	0.06	0.10	0.25
Capital expenditures				
Seismic data purchases, digitization and related costs	96	-	383	61,029
Property and equipment	-	41	7	439
Total capital expenditures	96	41	390	61,468
Weighted average shares outstanding				
Basic and diluted	53,793,317	53,793,317	53,793,317	53,793,317
Shares outstanding at period-end			53,793,317	53,793,317
Seismic library				
2D in kilometres			829,207	829,207
3D in square kilometres			65,310	65,310

FINANCIAL POSITION AND RATIOS

(thousands of dollars except ratios)	December 31, 2020	December 31, 2019
Working capital	5,601	687
Working capital ratio	3.6:1	1.1:1
Cash and cash equivalents	-	1,356
Total assets	56,742	69,504
Long-term debt	27,715	31,511
Cash EBITDA	7,468	17,557
Shareholders' equity	25,266	31,973
Long-term debt to cash EBITDA ratio	3.71	1.79
Long-term debt to equity ratio	1.10	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.

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

OUTLOOK

In weathering the COVID-19 storm of 2020, Pulse proved its survivability under the worst conditions. Having further reduced its costs throughout the year, continued to generate cash EBITDA and shareholder free cash flow, simplified its credit facility and, as of February 17, 2021, reduced total debt to only \$20.2 million, Pulse came out of this exceptionally weak and uncertain year in a stronger overall position than when it entered. Despite ongoing industry weakness, the Company therefore feels solidly positioned for a range of potential industry conditions and business results in 2021. Following its modest uptick in sales during the fourth quarter of 2020, Pulse's sales in the first six weeks of this year have already totalled \$4.3 million.

Given the continuation of the COVID-19 pandemic, uncertainty is higher than at the beginning of last year, and the Company has no visibility as to traditional or transaction-based sales. An extensive discussion of industry and economic conditions and traditional indicators of seismic licensing activity is, accordingly, moot.

A few points can be made:

- In mid-January, the Canadian Association of Petroleum Producers (CAPP) forecast that oil and natural gas industry capital spending outside the oil sands would increase by 16 percent year-over-year to \$20 billion in 2021 from \$17.2 billion in 2020 (CAPP's original 2020 forecast was for \$25 billion in spending);
- Forecasts for oil and natural gas drilling remain very low, up only slightly from the extremely poor results in 2020;
- Mineral lease auctions or "land sales" in Alberta and B.C. remain at or near record-lows, with B.C. having cancelled all postings in March of last year, with a restart expected next month;
- Natural gas and crude oil prices are at relatively favourable levels, although outlooks remain mixed;
- Merger-and-acquisition activity and aggregate transaction value in Canada's oil and natural gas industry are expected to continue the upward trend begun last year, increasing the potential for transaction-based sales of Pulse's seismic library data which, however, always remain unpredictable as to timing and size;
- Key industry infrastructure projects, including the Trans Mountain Pipeline expansion for international crude oil exports, and Canada's first liquefied natural gas (LNG) export facility, are continuing to move ahead;
- The Government of Alberta's acceleration of its reduction to the provincial corporate income tax rate to 8 percent took effect at mid-year 2020, which will benefit full-year income tax rates for taxpaying Alberta-based corporations in 2021; and
- U.S. LNG exports have continued to grow and are forecast to average 8-10 billion cubic feet per day in 2021, with an additional approximately 5 billion cubic feet per day in pipeline exports to Mexico, which will be positive for domestic American natural gas pricing and, in turn, for Canadian natural gas exports into the U.S. market.

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;
- A strong cash EBITDA margin (68 percent of data library sales in 2020) as well as continuing positive cash EBITDA and shareholder free cash flow, even were 2021 sales to be unchanged from 2020;
- Low indebtedness on favourable terms, with bank and subordinated debt totalling only \$20.2 million as of this date, and no principal payments required before January 2023;
- Unused borrowing capacity of \$14.8 million as of this date;
- Long-term relationships with supportive senior and subordinated creditors;
- An experienced, proven and efficient team of senior management and employees; and
- An experienced and supportive Board of Directors.

As stated, Pulse's outlook for 2021 remains cautious. Above all the Company is intent on maintaining its strength and flexibility in order to be able to weather, adapt to or profit from virtually any conditions, ranging from further extended weakness to a strong recovery. Over the coming quarters Pulse intends to continue paying down bank debt, to manage its costs conservatively and to remain stringent in assessing potential new opportunities.

Many of the remaining Canadian oil and natural gas producers are in better financial condition than the overall industry was over the previous several years, although a significant number of producers remain focused on repairing their balance sheets. Accordingly, it remains uncertain whether, when and how much these companies will begin reinvesting their cash flow plus new capital to resume growing, and when investment conditions might become attractive enough to draw new entrants to the Western Canada Sedimentary Basin. This dynamic will determine activity levels, demand for seismic data and Pulse's sales. The broad coverage of its seismic database makes 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 an episodic increase in seismic data licensing sales to the benefit of its shareholders, or to act on further opportunities to increase the size of its seismic data library. With its reduced indebtedness, new banking facility, positive start to 2021 sales and the widespread expectation of higher merger-and-acquisition activity, the Company is in an excellent position to benefit from any industry recovery.

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, public health 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 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 from the recently 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 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 and;
- > 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.