

Source: Pulse Seismic Inc.



PULSE SEISMIC INC. REPORTS STRONG Q3 2021 RESULTS, RESUMES REGULAR QUARTERLY DIVIDENDS AND DECLARES ONE TIME SPECIAL DIVIDEND

CALGARY, Alberta, October 27, 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 nine months ended September 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.

In the third quarter of 2021 the Company continued to generate robust transaction-based sales as well as traditional sales, driving a significant improvement in all key performance indicators over both the quarterly and year-to date results of the prior year.

“We are very pleased with the level of sales generated so far in 2021. Total revenue of \$32.8 million converts to \$21.3 million of shareholder free cash flow generated in the first three quarters of the year,” stated Neal Coleman, Pulse’s President and CEO. “The Company has now repaid the full \$38.0 million of debt related to the 2019 acquisition of Seitel Canada Ltd., having repaid its remaining September 30, 2021 debt balance of \$3.2 million. Since the acquisition, capital allocation has been focused on debt repayment. We are extremely pleased at having fully repaid all borrowings in less than three years, considering the economic environment.”

The strong quarterly and year-to-date results have enabled Pulse’s Board of Directors to make additional capital allocation decisions. Since 2003, Pulse has returned approximately \$109.1 million to its shareholders through dividends and share buybacks. Total dividends paid were \$62.9 million and the shares repurchased cost \$46.2 million. Regular quarterly dividends were suspended in 2015, early in the energy sector downturn. Since that time, one special dividend was paid in 2017. The Board has now made the decision to resume regular quarterly dividends and has declared a dividend in the amount of \$0.0125 per share. In addition, the Board has declared a special one-time dividend of \$0.04 per share. Together the special and regular dividends will result in a distribution of approximately \$2.8 million, based on 53,793,317 shares outstanding as of this date. As well, the Company will file a notice with the Toronto Stock Exchange (TSX) to undertake a Normal Course Issuer Bid which will allow for approximately 3.1 million shares to be purchased and cancelled in a one-year period. The details will be released following TSX approval.

These decisions reflect Pulse’s strong balance sheet and the anticipated delivery in the first half of 2022 of the remaining \$9.7 million of seismic data under a transaction-based sale announced in the second quarter. “Pulse is a pure-play seismic data library company with very low cash operating costs,” continued Coleman. “Having this \$9.7 million sales backlog for early 2022 provides improved clarity for the short-term.”

HIGHLIGHTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

- Data library sales revenue was \$8.8 million for the three months ended September 30, 2021 compared to \$1.8 million for the three months ended September 30, 2020. Data library sales revenue was \$32.5 million for the nine months ended September 30, 2021 compared to \$5.9 million for the nine months ended September 30, 2020;
- Net earnings for the three months ended September 30, 2021 were \$3.2 million (\$0.06 per share basic and diluted) compared to a net loss of \$1.9 million (\$0.04 per share basic and diluted) for the three months ended September 30, 2020. Net earnings for the nine months ended September 30, 2021 were \$13.4 million (\$0.25 per share basic and diluted) compared to a net loss of \$7.1 million (\$0.13 per share basic and diluted) for the nine months ended September 30, 2020;

- Cash EBITDA^(a) was \$7.5 million (\$0.14 per share basic and diluted) for the three months ended September 30, 2021, compared to \$1.2 million (\$0.02 per share basic and diluted) for the three months ended September 30, 2020. Cash EBITDA was \$28.8 million (\$0.53 per share basic and diluted) for the nine months ended September 30, 2021 compared to \$3.4 million (\$0.06 per share basic and diluted) for the nine months ended September 30, 2020;
- Shareholder free cash flow^(a) was \$5.9 million (\$0.11 per share basic and diluted) for the third quarter of 2021 compared to \$855,000 (\$0.02 per share basic and diluted) for the comparable period in 2020. Shareholder free cash flow was \$21.3 million (\$0.40 per share basic and diluted) for the nine months ended September 30, 2021 compared to \$2.4 million (\$0.04 per share basic and diluted) for the nine months ended September 30, 2020;
- During the three first quarters of 2021, the Company repaid a total of \$24.8 million of long-term debt including all \$10.0 million of its subordinated debt and \$14.8 million on the balance of its revolving facility. At September 30, 2021, long-term debt (net of deferred financing cost) was \$3.1 million. The outstanding balance was subsequently repaid and the Company now has the full \$25.0 million available on its revolving credit facility;
- In the second quarter of 2021 the Company signed a \$17.0 million seismic data licensing contract. The Company delivered a portion of the data and recognized revenue of \$7.3 million in the second quarter. The remainder of the data must be selected by the customer before April 15, 2022. If the data is selected before that date, revenue will be recognized upon data delivery. There is an additional \$9.7 million in licensing fees to be recognized as revenue no later than April 15, 2022. Invoices will be issued when the remainder of the data is delivered, with payment due in 30 days; and
- Pulse's Board of Directors declared a special dividend of \$0.04 per share as well as a regular quarterly dividend of \$0.0125 per share. The total of the special and regular dividend will be approximately \$2.8 million based on Pulse's 53,793,317 common shares outstanding as of October 27, 2021, to be paid on November 29, 2021 to shareholders of record on November 12, 2021. This dividend is designated as an eligible dividend for Canadian income tax purposes. For non-resident shareholders, Pulse's dividends are subject to Canadian withholding tax.

SELECTED FINANCIAL AND OPERATING INFORMATION

(thousands of dollars except per share data, numbers of shares and kilometres of seismic data)	Three months ended September 30,		Nine months ended September 30,		Year ended
	2021	2020	2021	2020	December 31,
	(unaudited)		(unaudited)		2020
Revenue					
Data library sales	8,832	1,829	32,545	5,869	11,011
Other revenue	100	76	300	257	338
Total revenue	8,932	1,905	32,845	6,126	11,349
Amortization of seismic data library	2,509	2,489	7,510	8,855	11,348
Net earnings (loss)	3,164	(1,937)	13,356	(7,073)	(6,786)
Per share basic and diluted	0.06	(0.04)	0.25	(0.13)	(0.13)
Cash provided by operating activities	7,572	603	25,787	3,062	3,814
Per share basic and diluted	0.14	0.01	0.48	0.06	0.07
Cash EBITDA ^(a)	7,500	1,243	28,760	3,354	7,553
Per share basic and diluted ^(a)	0.14	0.02	0.53	0.06	0.14
Shareholder free cash flow ^(a)	5,867	855	21,254	2,370	5,346
Per share basic and diluted ^(a)	0.11	0.02	0.40	0.04	0.10
Capital expenditures					
Seismic data purchases, digitization and related costs	96	96	287	287	383
Property and equipment	5	-	8	7	7
Total capital expenditures	101	96	295	294	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)	September 30, 2021	September 30, 2020	December 31, 2020
Working capital	2,708	2,007	5,601
Working capital ratio	1.8:1	1.6:1	3.6:1
Cash and cash equivalents	-	282	-
Total assets	46,036	56,901	56,742
Long-term debt	3,117	28,417	27,715
Trailing 12-month (TTM) cash EBITDA ^(b)	32,959	7,253	7,553
Shareholders' equity	38,710	24,909	25,266
Long-term debt to TTM cash EBITDA ratio	0.09	3.92	3.67
Long-term debt to equity ratio	0.08	1.14	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

The improvements to industry and business conditions noted in the previous quarter's outlook have continued and in some aspects strengthened further, with a global commodities rally that has included crude oil and, in particular, natural gas. Exports of Canadian energy products have rebounded to pre-pandemic and, in fact, to near-record levels, reaching \$12 billion in August, according to Statistics Canada. In the third quarter the effects of merger-and-acquisition activity in Canada's oil and natural gas sector translated into transaction-based sales of seismic data, along with moderate traditional sales. Pulse's sales revenue of \$32.5 million for the first nine months of 2021 is equivalent to 295 percent of full-year 2020 sales revenue, and has been exceeded in only two years since 2011.

The Company has made use of the unexpectedly strong rebound in sales to continue strengthening its balance sheet, repaying all of its long-term and subordinated debt. The resulting reduced interest costs further strengthen Pulse's ability to generate shareholder free cash flow at a low break-even revenue level should business conditions weaken, and improve the Company's profitability during periods of robust sales. This strengthens Pulse's ability to act on attractive opportunities and provides renewed financial flexibility concerning capital allocation decisions.

On October 27, 2021 Pulse's Board of Directors declared a special dividend of \$0.04 per share and a regular quarterly dividend of \$0.0125 per share, enabling shareholders to benefit directly from the shareholder free cash flow that has been generated so far this year. With the repayment of all long-term debt, the added clarity built into 2022 sales provided from the backlog related to the large second quarter transaction-based sale, as well as the improved outlook in the business conditions in general, these positive developments have led the Board of Directors to view the return of approximately \$2.8 million of cash to shareholders, while maintaining balance sheet strength, as an appropriate use of cash. As well, the Company will file a notice with the Toronto Stock Exchange (TSX) to undertake a Normal Course Issuer Bid which will allow for approximately 3.1 million shares to be purchased and cancelled in a one-year period. The details will be released following TSX approval.

Positive trends noted above extended into the fourth quarter of 2021. The U.S. Energy Information Administration recently forecast that U.S. natural gas prices will average US\$5.67 per mmBtu from October 2021 to March 2022, the highest winter pricing since 2007-2008. U.S. exports of liquefied natural gas (LNG) are expected to grow by over 40 percent year-on-year, averaging nearly 10 billion cubic feet (bcf) per day in 2021, while U.S. natural gas production grows only modestly. Meanwhile, natural gas spot prices in some international markets have approached and even exceeded US\$30.00 per mmBtu. This provides favourable conditions for the U.S. natural gas market to absorb increasing amounts of exported Canadian natural gas at strengthening prices, somewhat compensating for the slow development pace of Canadian LNG export projects.

Canadian short-term (spot) natural gas prices, following years of weakness, in September and October increased sharply to the range of \$4.50-\$5.00 per gigajoule (GJ, roughly equivalent to 1 mmBtu), and are expected to maintain this range through the winter, although the longer-term outlook is for a return to the \$3.00 per-GJ range. Combined with continued strength in crude oil prices, all of this is encouraging to Canadian natural gas and oil producers and is supportive of higher rates of capital investment, including drilling, land acquisition and seismic data. To date, the industry's response signals have been relatively weak, with continued low rates of drilling and no recent increases in drilling forecasts, but a recovery in mineral lease auctions or "land sales" in Alberta from only \$29.4 million in 2020 to \$72.2 million in the first nine months of 2021.

Accordingly, Pulse's outlook for traditional seismic data library sales for the balance of 2021 and the first half of 2022 has improved further, while transaction-based sales of any size could continue to occur at any time. In addition, the Company anticipates further sales of seismic data related to the emerging global energy transformation. The seismic library incurs minimal maintenance costs and the digitally-stored data does not deteriorate or expire.

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 contains 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.