

Source: Pulse Seismic Inc.



PULSE SEISMIC INC. REPORTS EXCELLENT 2021 FINANCIAL RESULTS AND DECLARES DIVIDEND

CALGARY, Alberta, February 17, 2022 (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, 2021. 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.

“The Company generated its second-highest level of annual data library sales in 2021, with strong results in each quarter fuelled mainly by the high volume of M&A activity in the industry, which led to multiple transaction-based sales,” stated Neal Coleman, Pulse’s President and CEO. “We are very pleased with the great improvement in all key metrics from 2020, and also with the growth we are seeing in data licencing to companies involved in both energy transition and helium extraction,” Coleman continued. “The Company’s significant year-over-year increase in sales revenue allowed us to repay in full the remaining \$28 million of debt we had taken on to double our seismic data library in 2019.”

Pulse continued to operate with a small team and low-cost structure throughout 2021. “With \$49.2 million of revenue we were able to generate a cash margin of 87%, and after deducting income tax and debt costs, to convert 65% of our revenue to shareholder free cash flow,” said Coleman. “We are now debt-free, positioned with a very strong balance sheet and we own the largest licensable seismic data library in Canada.”

Pulse’s improving financial position throughout 2021 enabled several capital allocation decisions by the Board of Directors in the fourth quarter, including reinstatement of a regular quarterly dividend, declaration of a special dividend, and the implementation of a Normal Course Issuer Bid.

Pulse’s Board of Directors today approved a quarterly dividend of \$0.0125 per share. The total of the regular dividend will be approximately \$672,000 based on Pulse’s 53,733,117 common shares outstanding as of February 17, 2022, to be paid on March 21, 2022 to shareholders of record on March 14, 2022. 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.

HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2021

- Total revenue was \$49.2 million compared to \$11.3 million for the year ended December 31, 2020;
- Net earnings were \$21.5 million (\$0.40 per share basic and diluted) compared to a net loss of \$6.8 million (\$0.13 per share basic and diluted) for 2020;
- Cash EBITDA^(a) was \$42.7 million (\$0.79 per share basic and diluted) compared to \$7.6 million (\$0.14 per share basic and diluted) for the year ended December 31, 2020;
- Shareholder free cash flow^(a) was \$32.1 million (\$0.60 per share basic and diluted) compared to \$5.3 million (\$0.10 per share basic and diluted) for the year ended December 31, 2020;
- At year-end 2021, long-term debt was \$2.3 million (net of deferred financing cost) and the Company had \$22.6 million available on its revolving credit facility. As stated above, the remaining long-term debt was fully repaid in January 2022. In the fourth quarter the credit facility was renewed and extended for two years to January 15, 2025; and,
- In November the Company reinstated a regular annual dividend of \$0.05 per common share to be paid quarterly, and also declared a special dividend of \$0.04 per common share. Dividends of approximately \$2.8 million were paid in December, representing the initial declaration of the quarterly dividend of \$0.0125 per common share and special dividend of \$0.04 per common share.

HIGHLIGHTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2021

- Total revenue was \$16.3 million compared to \$5.2 million for the three months ended December 31, 2020;
- Net earnings were \$8.2 million (\$0.15 per share basic and diluted) compared to \$287,000 (\$0.01 per share basic and diluted) in the fourth quarter of 2020;
- Cash EBITDA was \$13.9 million (\$0.26 per share basic and diluted) compared to \$4.2 million (\$0.08 per share basic and diluted) in the fourth quarter of 2020; and
- Shareholder free cash flow was \$10.8 million (\$0.20 per share basic and diluted) compared to \$3.0 million (\$0.06 per share basic and diluted) in the fourth quarter of 2020.

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,		Years ended December 31,	
	2021	2020	2021	2020
Revenue				
Data library sales	16,172	5,142	48,717	11,011
Other revenue	133	81	433	338
Total revenue	16,305	5,223	49,150	11,349
Amortization of seismic data library	2,500	2,493	10,010	11,348
Net earnings (loss)	8,158	287	21,514	(6,786)
Per share basic and diluted	0.15	0.01	0.40	(0.13)
Cash provided by operating activities	4,010	752	29,799	3,814
Per share basic and diluted	0.07	0.01	0.55	0.07
Cash EBITDA ^(a)	13,936	4,200	42,696	7,553
Per share basic and diluted ^(a)	0.26	0.08	0.79	0.14
Shareholder free cash flow ^(a)	10,828	2,977	32,082	5,346
Per share basic and diluted ^(a)	0.20	0.06	0.60	0.10
Capital expenditures				
Seismic digitization and related costs	62	96	350	383
Property and equipment	-	-	8	7
Total capital expenditures	62	96	358	390
Weighted average shares outstanding				
Basic and diluted	53,791,997	53,793,317	53,792,984	53,793,317
Shares outstanding at period-end			53,784,717	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, 2021	December 31, 2020
Working capital	9,749	5,601
Working capital ratio	2.7:1	3.6:1
Total assets	52,899	56,742
Long-term debt	2,265	27,715
Cash EBITDA ^(a) for the years ended December 31	42,696	7,553
Shareholders' equity	44,141	25,266
Long-term debt to cash EBITDA ratio	0.05:1	3.67:1
Long-term debt to equity ratio	0.05:1	1.10:1

^(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

Building on the oil and natural gas industry's strong finish to 2021, the current positive forecasts for commodity prices, global energy demand, capital investment, drilling and production, along with an improving outlook on pandemic management, led Pulse to anticipate a continuing recovery in western Canada's energy industry in 2022. With zero debt, a low cost structure, high cash EBITDA margin of 87% percent in 2021, no capital spending commitments, access to credit on favourable terms, Canada's largest licensable seismic data library and strong customer relations, the Company is favourably positioned to benefit from growing strength in industry conditions.

Following an estimated \$16.0 billion in Canadian oil and natural gas industry merger-and-acquisition (M&A) activity in 2021, the driver of transaction-based sales, Pulse anticipates continued M&A deal flow this year. The Company's sales revenue of \$48.7 million in 2021 was largely achieved through transaction-based sales, and Pulse anticipates this again to be the main source of sales in 2022. M&A transactions do not, however, provide visibility as to the timing or value of associated demand for seismic data, so as always Pulse cautions that a transaction-based data library sale of any size can occur at any time.

With benchmark WTI crude oil having recently risen above US\$90 per barrel, and intra-Alberta natural gas priced above \$4.50 per gigajoule in early February, forecasts for oil and natural gas prices remain buoyant for 2022 and industry confidence continues to strengthen. While inflation is a significant global issue and there are recessionary signs in some countries, inflationary environments generally drive higher commodity prices. Favourable commodity pricing encourages industry capital investment, drilling and production, along with new-company formation. In late November the Canadian Association of Oilwell Drilling Contractors issued an initial drilling forecast of 6,457 wells for 2022, an increase of 27 percent from 2021 and 96 percent from 2020. Provincial mineral lease auctions or "land sales", a traditional leading indicator of field activities, extended the rebound begun in 2021, with sales in Alberta totalling \$37.8 million in January 2022 compared to only \$4.5 million the previous January, and a total of \$104.2 million for all of 2021 in Alberta.

All of these factors, in turn, imply industry demand for seismic data, the driver of Pulse's traditional data library sales. Still, Pulse as always must caution that there is no direct linkage between industry field conditions and demand for seismic data and, accordingly, Pulse has innately poor visibility as to future traditional sales.

While Pulse is optimistic about the year ahead, the past several years have demonstrated that virtually anything can happen at any time – including record-setting lows and highs in business results. Accordingly, Pulse remains focused on the business practices that have enabled the Company to navigate and thrive through the full range of conditions: maintaining a strong balance sheet with access to credit on favourable terms, careful management of cash resources including distributing cash to shareholders when it is prudent to do so, a low cost structure, a disciplined and rigorous approach to growth opportunities, an experienced and capable management team, and excellent customer care complemented by the current initiative to enhance the attractiveness of the seismic data library for broader application in both traditional and new-energy exploration and development.

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 2022;
- > 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;
- > 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 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.