

Source: Pulse Seismic Inc.



## **PULSE SEISMIC INC. REPORTS 2018 RESULTS**

CALGARY, Alberta, February 28, 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 year ended December 31, 2018. The audited consolidated financial statements, accompanying notes and MD&A are being filed on SEDAR ([www.sedar.com](http://www.sedar.com)) and will be available on Pulse’s website at [www.pulseseismic.com](http://www.pulseseismic.com).

### **HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2018**

- Total revenue for the year ended December 31, 2018 was \$10.2 million compared to \$43.5 million for the year ended December 31, 2017. The third quarter of 2017 included Pulse’s largest-ever seismic data licensing agreement, for \$29.5 million;
- The Company incurred a net loss of \$1.7 million (\$0.03 per share basic and diluted) for 2018 compared to net earnings of \$15.1 million (\$0.27 per share basic and diluted) for 2017;
- Cash EBITDA<sup>(a)</sup> was \$5.0 million (\$0.09 per share basic and diluted) for the year ended December 31, 2018, compared to \$37.1 million (\$0.67 per share basic and diluted) for the year ended December 31, 2017;
- Shareholder free cash flow<sup>(a)</sup> was \$4.7 million (\$0.09 per share basic and diluted) for the year ended December 31, 2018, compared to \$29.7 million (\$0.54 per share basic and diluted) for the year ended December 31, 2017;
- In 2018 Pulse purchased and cancelled, through its normal course issuer bid, a total of 227,500 common shares at a total cost of approximately \$673,000 (average cost of \$2.96 per common share including commissions); and
- At December 31, 2018, the Company had a cash balance of \$23.0 million, compared to a cash balance of \$27.4 million at December 31, 2017.

### **HIGHLIGHTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2018**

- Total revenue for the three months ended December 31, 2018 was \$4.3 million compared to \$5.4 million for the three months ended December 31, 2017;
- Net earnings were \$1.0 million (\$0.02 per share basic and diluted) compared to net earnings of \$1.3 million or (\$0.02 per share basic and diluted) in the fourth quarter of 2017;
- Cash EBITDA was \$3.2 million (\$0.06 per share basic and diluted) compared to \$3.8 million (\$0.07 per share basic and diluted) in the fourth quarter of 2017; and
- Shareholder free cash flow was \$2.6 million (\$0.05 per share basic and diluted) compared to \$3.3 million (\$0.06 per share per share basic and diluted) in the fourth quarter of 2017.

Subsequent to year end, on January 15, 2019 Pulse acquired 100 percent of the shares of Seitel Canada Ltd. Purchase consideration included an initial cash payment of \$53.6 million at closing, plus potential additional payments of up to \$5 million, in aggregate, within two years of closing. Pulse also assumed an estimated \$4.2 million in additional future liabilities. The \$53.6 million cash payment consisted of \$20.6 million cash on hand and \$33.0 million in long-term debt. The acquisition more than doubled Pulse’s seismic coverage, increasing Pulse’s revenue generating potential by adding unique, complementary, high-quality data over areas that Pulse’s library did not previously cover. Pulse now owns approximately 65,310 square kilometres of 3D and 829,207 kilometres of 2D seismic data.

## 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,	
	2018	2017	2018	2017
Revenue – Data library sales	<b>4,313</b>	5,449	<b>10,188</b>	43,525
Amortization of seismic data library	<b>1,811</b>	1,958	<b>7,337</b>	15,870
Net earnings (loss)	<b>1,024</b>	1,311	<b>(1,730)</b>	15,087
Per share basic and diluted	<b>0.02</b>	0.02	<b>(0.03)</b>	0.27
Cash provided by operating activities	<b>2,457</b>	2,080	<b>(3,250)</b>	38,755
Per share basic and diluted	<b>0.05</b>	0.04	<b>(0.06)</b>	0.70
Cash EBITDA <sup>(a)</sup>	<b>3,209</b>	3,791	<b>5,037</b>	37,070
Per share basic and diluted <sup>(a)</sup>	<b>0.06</b>	0.07	<b>0.09</b>	0.67
Shareholder free cash flow <sup>(a)</sup>	<b>2,616</b>	3,301	<b>4,671</b>	29,729
Per share basic and diluted <sup>(a)</sup>	<b>0.05</b>	0.06	<b>0.09</b>	0.54
Capital expenditures				
Seismic data purchases, digitization and related costs	-	1,450	<b>62</b>	1,575
Property and equipment	<b>9</b>	8	<b>18</b>	48
Total capital expenditures	<b>9</b>	1,458	<b>80</b>	1,623
Special dividend paid	-	10,915	-	10,915
Weighted average shares outstanding				
basic and diluted	<b>53,793,317</b>	54,404,433	<b>53,838,106</b>	55,135,035
Shares outstanding at period-end			<b>53,793,317</b>	54,020,817
Seismic library				
2D in kilometres			<b>450,000</b>	447,000
3D in square kilometres			<b>28,956</b>	28,956

## FINANCIAL POSITION AND RATIO

(thousands of dollars except ratio)	December 31, 2018	December 31, 2017
Working capital	<b>25,804</b>	<b>22,486</b>
Working capital ratio	<b>15:1</b>	<b>3:1</b>
Cash and cash equivalents	<b>23,016</b>	<b>27,422</b>
Total assets	<b>38,847</b>	<b>51,693</b>
Shareholders' equity	<b>35,238</b>	<b>37,810</b>

<sup>(a)</sup> 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

As a result of the January 15, 2019 acquisition, Pulse has more than doubled the size of its primary asset and its revenue-generating potential. While there are an estimated \$4.2 million in additional future liabilities associated with the purchase of the shares of Seitel Canada Ltd., Pulse considered these costs to be part of the negotiated purchase price. Those costs aside, the low cost structure of the business model facilitates significant synergies on future sales. Additionally, the financing structure for this acquisition positions the Company to comfortably meet its new level of obligations which includes interest expense, deferred payments to the vendor based on sales of the newly acquired data, and a very low level of debt principal payments for three years post acquisition.

The Company intends to pay down debt, continue to manage costs conservatively and to continue to be stringent in assessing potential new opportunities. Pulse also has unused borrowing capacity on the credit facility of up to a further \$22 million if needed. Pulse's management team is pleased with the Company's financial position and go-forward cost structure, and confident in its ability to handle its indebtedness in the current economic environment.

The Company does not see indications of an industry rebound and is therefore very cautious about the coming year. Not only are the industry signals generally weak, the situation is so dominated by shifting political and regulatory affairs – including looming elections in Alberta and federally – that it would be imprudent to attempt even broad predictions. Pulse is, accordingly, prepared for additional quarters of weak traditional sales, and continues to caution that visibility as to future traditional sales remains very poor. An industry rebound will depend on some combination of export pipeline approvals, LNG projects proceeding, political resolution of seemingly intractable issues and more favourable government tax and industry policies – all without another downturn in crude oil prices.

Pulse has been structured to survive and even grow through all phases of the industry cycle. It has clearly demonstrated that its business is strong, that its model works, that its capabilities meet its aspirations, and that its management team is capable and prudent. The Company's low cost structure and the immense 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.

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 (transaction-based sales are innately unpredictable). These ongoing advantages are compounded by the seismic data library's larger size and greatly expanded coverage. Now Canada's largest pure-play seismic data library provider, Pulse is able to weather additional short-term weakness, while positioned for and confident of 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.

For further information, please contact:

**Neal Coleman**, President and CEO

Or

**Pamela Wicks**, Vice President Finance and CFO

Tel.: 403-237-5559

Toll-free: 1-877-460-5559

E-mail: [info@pulsesismic.com](mailto:info@pulsesismic.com)

Please visit our website at [www.pulsesismic.com](http://www.pulsesismic.com).

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 does not see indications of an industry rebound and is therefore very cautious about the coming year;
- 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:

- Uncertainty of the timing of data sales from newly acquired seismic data library which was partially funded with long-term debt;
- Oil and natural gas prices;
- The demand for seismic data and participation surveys;
- The pricing of data library license 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.