Divestco

Press Release

Divestco Reports 2015 Q2 Results

August 27, 2015, Calgary, AB (TSX-V: DVT) – Divestco Inc. ("Divestco" or the "Company"), an exploration services company dedicated to providing a comprehensive and integrated portfolio of data, software and services to the oil and gas industry worldwide, today announced its financial and operating results for the three and six months ended June 30, 2015.

Financial Highlights

Overall Performance and Operational Results

Financial Results (Thousands, Except Per Share Amounts)								
	Three months ended June 30				Three months ended June 30			
	2015	2014	*$ Change*	*% Change*	**2015**	2014	*$ Change*	*% Change*
Revenue	**$ 2,936**	$ 5,189	*$ (2,253)*	*-43%*	**$ 12,341**	$ 11,901	*$ 440*	*4%*
Operating Expenses [1]	**4,053**	5,516	*(1,463)*	*-27%*	**9,400**	11,141	*(1,741)*	*-16%*
Other Loss (Income)	**36**	28	*8*	*29%*	**(5,584)**	(155)	*(5,429)*	*N/A*
EBITDA [2]	**(1,153)**	(355)	*(798)*	*N/A*	**8,525**	915	*7,610*	*832%*
Finance Costs	**208**	243	*(35)*	*-14%*	**666**	502	*164*	*33%*
Depreciation and Amortization	**1,399**	3,399	*(2,000)*	*-59%*	**8,385**	5,156	*3,229*	*63%*
Loss before Income Taxes	**(2,760)**	(3,997)	1,237	N/A	**(526)**	(4,743)	4,217	N/A
Income Tax Recovery	**-**	-	*-*	*N/A*	**-**	(31)	*31*	*N/A*
Net Loss	**$ (2,760)**	$ (3,997)	*$ 1,237*	*N/A*	**$ (526)**	$ (4,712)	*$ 4,186*	*N/A*
Per Share - Basic and Diluted	**(0.04)**	(0.06)	*0.02*	*N/A*	**(0.01)**	(0.07)	*0.06*	*N/A*
Funds from (used in) Operations [2]	**$ (1,124)**	$ (316)	*$ (808)*	*N/A*	**$ 2,988**	$ 808	*$ 2,180*	*270%*
Per Share - Basic and Diluted	**(0.02)**	-	*(0.02)*	*N/A*	**0.04**	0.01	*0.03*	*300%*
Class A Shares Outstanding	**67,108**	67,085	*N/A*	*N/A*	**67,108**	67,085	*N/A*	*N/A*
Weighted Average Shares Outstanding								
Basic and Diluted	**67,108**	67,085	*N/A*	*N/A*	**67,108**	67,069	*N/A*	*N/A*

[1] *Includes salaries and benefits, G&A and shared-based payments but excludes depreciation and amortization and other loss (income)*

[2] *See the "Non GAAP Measures and Additional GAAP Measure" sections of the Company's Management Discussion and Analysis filed on the Company's website and on SEDAR.*

Q2 2015 vs. Q2 2014

Divestco generated revenue of $2.9 million in Q2 2015 compared to $5.2 million in Q2 2014, a decrease of $2.3 million (43%) mainly related to lower commodity prices. Revenue in the Software & Data segment ($1.2 million) decreased by $0.7 million (39%) due to the sale of the Company's land software assets in Q1 2015. Log data revenue was down slightly. Revenue in the Seismic Data segment ($0.2 million) decreased by $0.6 million (76%) due to reduced exploration activity levels. Revenue in the Services segment ($1.6 million) decreased by $0.9 million (37%) due to lower commodity prices partially offset by the completion of certain international projects. Land management services experienced weaker demand for telecom services compared to Q2 2014 due to reduced capital spending while the demand for oil and gas services was weaker due to lower commodity prices.

Operating expenses decreased by $1.4 million (27%) to $4.1 million in Q2 2015 from $5.5 million in Q2 2014 as salaries declined due to a lower headcount and austerity measures put in place in reaction to the current economic conditions. Finance costs decreased by $35,000 (14%) to $208,000 in Q2 2015 from $243,000 in Q2 2014 mainly related to lower debt levels as a $4.5 million bridge loan was repaid in Q1 2015. Depreciation and amortization ($1.4 million) decreased by $2.0 million (59%) mainly due to the completion of a large seismic data survey in Q2 2014 (Company’s policy is to amortize 40% of participation survey costs immediately upon delivery of new seismic data to participants and the balance over six years straight-line).

Six Months Ended June 30, 2015 vs. Six Months Ended June 30, 2014

Divestco generated revenue of $12.3 million in during the first half of 2015 compared to $11.9 million in during the same period in 2014, an increase of $0.4 million (4%) mainly related to the completion of three seismic surveys in Q1 2015 which commenced in Q4 2014, partially offset by lower commodity prices which impacted the rest of the business. Revenue in the Software & Data segment ($3.2 million) decreased by $0.6 million (18%) mainly due to the sale of its land software assets in Q1 2015 partially offset by higher geological software revenue. Log data revenue was down slightly. Revenue in the Seismic Data segment ($5.1 million) increased by $2.4 million (87%) due to the completion of new seismic surveys earlier in 2015 partially offset by lower seismic brokerage revenue. Revenue in the Services segment ($4.1 million) decreased by $1.2 million (23%) due to lower commodity prices partially offset by the completion of some larger international projects. Land management services experienced weaker demand for telecom services compared to 2014 due to reduced capital spending while the demand for oil and gas services was weaker due to lower commodity prices. The increase in other income is mainly related to a $5.6 million accounting gain recognized on the sale of the Company’s land software assets for net proceeds of $6.3 million. A portion of the total proceeds from the asset disposition were used to repay a $4.5 million bridge loan with the remaining proceeds being used for working capital purposes. Operating expenses decreased by $1.7 million (16%) to $9.4 million in the first half of 2015 from $11.1 million during the same period in 2014 as salaries declined due to a lower headcount and austerity measures put in place in reaction to the current economic conditions. Finance costs increased by $164,000 (33%) to $666,000 in the first half of 2015 from $502,000 during the same period in 2014 mainly related to more expensive debt. Depreciation and amortization ($8.4 million) increased by $3.2 million (63%) mainly due to the completion of three seismic surveys in Q1 2015 (Company’s policy is to amortize 40% of participation survey costs immediately upon delivery of new seismic data to participants and the balance over six years straight-line).

Business Seasonality

Although the Company’s Software & Data segment has relatively constant recurring revenue throughout the year from its license and subscription sales, some of the Company’s other segments experience revenue fluctuations due to seasonal influences on oil and gas industry activities.

Seismic data acquisitions are usually completed in the winter season when the ground is frozen allowing access of heavy equipment with minimal disruption of agricultural fields. This affects the timing of recognition of revenues in the Seismic Data segment. Additionally, the Services segment normally exhibits a noticeable reduction in sales in the spring and summer months and a noticeable increase in sales during the fall and winter months when significant drilling and exploration activities are underway in North America. To the extent possible, Divestco minimizes these fluctuations by performing specific types of contract work appropriate for lower-activity months.

Financial Position

As at June 30, 2015, Divestco had a working capital deficiency of $8.1 million (December 31, 2014: $10.7 million deficiency), excluding deferred revenue of $1.6 million (December 31, 2014: $3.2 million). $6.4 million of the working capital deficiency is comprised of shareholder loans from three directors ($5.7 million) and the current portion of debentures ($0.6 million) of which $0.5 million is held by four directors. Currently, management is in negotiations with the holders of the shareholder loans to develop a long-term debt structure which will significantly reduce the current portion of the loans. The decrease in the working capital deficit from the end of 2014 was primarily due to the sale of the Company’s land software assets; the proceeds were used to repay a $4.5 million bridge loan and for working capital purposes. Management remains focused on putting a new credit facility in place and reviewing other non-strategic asset dispositions. However, the outcome of these events cannot be predicted at this time.

Mr. Stephen Popadynetz, CEO commented: “With the collapse in commodity prices, we, like all others in our sector are struggling through this time of uncertainty. Towards the end of Q2 2015, Divestco increased its austerity plan to further reduce expenses. While we see the remainder of the year continuing to be a challenge, we feel that Divestco has now taken all the correct steps to weather the current downturn.”

Operations Update and Outlook

The significant decline in West Texas Intermediate and Western Canadian Select benchmark oil prices has forced the majority of North American oil and gas producers to reduce their capital budgets considerably. This has also led to pressure being put on North American oil and gas service companies to discount their prices. Due to the uncertainty the industry is currently facing, Divestco has taken measures to reduce operating expenses and debt. Effective March 1, 2015, a salary austerity program was implemented and a restriction placed on all discretionary expenses. Further salary reductions were implemented on June 1, 2015 and again on July 1, 2015. On March 25, 2015, the Company announced that it had sold its land software assets and used a portion of the total proceeds to fully repay a bridge loan. Management continues to have discussions with various parties on the sale of other non-strategic assets and putting a new credit facility in place.

About the Company

Divestco is an exploration services company that provides a comprehensive and integrated portfolio of data, software, and services to the oil and gas industry. Through continued commitment to align and bundle products and services to generate value for customers, Divestco is creating an unparalleled set of integrated solutions and unique benefits for the marketplace. Divestco’s breadth of data, software and services offers customers the ability to access and analyze the information required to make business decisions and to optimize their success in the upstream oil and gas industry. Divestco is headquartered in Calgary, Alberta, Canada and trades on the TSX Venture Exchange under the symbol “DVT”.

Additional information on the Company is available on its website at Divestco.com and on SEDAR at sedar.com.

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This press release contains forward-looking information related to the Company’s capital expenditures, projected growth, view and outlook with respect to future oil and gas prices and market conditions, and demand for its products and services. Statements that contain words such as “could’, “should”, “can”, “anticipate”, “expect”, “believe”, “will”, “may” and similar expressions and statements relating to matters that are not historical facts constitute “forward-looking information” within the meaning applicable by Canadian securities legislation. Although management of the Company believes that the expectations reflected in such forward-looking information are reasonable, there can be no assurance that such expectations will prove to have been correct because, should one or more of the risks materialize, or should the assumptions underlying forward-looking statements or forward-looking information prove incorrect, actual results may vary materially from those described in this press release as intended, planned, anticipated, believed, estimated or expected. Readers should not place undue reliance on forward-looking statements or forward-looking information. All of the forward-looking statements and forward-looking information of the Company contained in this press release are expressly qualified, in *their entirety, by this cautionary statement. Except where required by law, the Company does not assume any obligation to update these forward-looking statements or forward-looking information if conditions or opinions should change.*

In particular, this press release contains forward-looking statements pertaining to the following: Company's ability to keep debt and liquidity at acceptable levels, improve/maintain its working capital position and maintain profitability in the current economy; availability of external and internal funding for future operations; relative future competitive position of the Company; nature and timing of growth; oil and natural gas production levels; planned capital expenditure programs; supply and demand for oil and natural gas; future demand for products/services; commodity prices; impact of Canadian federal and provincial governmental regulation on the Company; expected levels of operating costs, finance costs and other costs and expenses; future ability to execute acquisitions and dispositions of assets or businesses; expectations regarding the Company's ability to raise capital and to add to seismic data through new seismic shoots and acquisition of existing seismic data; treatment under tax laws; and new accounting pronouncements.

These forward-looking statements are based upon assumptions including: future prices for crude oil and natural gas; future interest rates and future availability of debt and equity financing will be at levels and costs that allow the Company to manage, operate and finance its business and develop its software products and various oil and gas datasets including its seismic data library, and meet its future obligations; the regulatory framework in respect of royalties, taxes and environmental matters applicable to the Company and its customers will not become so onerous on both the Company and its customers as to preclude the Company and its customers from viably managing, operating and financing its business and the development of its software and data; and that the Company will continue to be able to identify, attract and employ qualified staff and obtain the outside expertise as well as specialized and other equipment it requires to manage, operate and finance its business and develop its properties.

These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the Company's control, including: general economic, market and business conditions; volatility in market prices for crude oil and natural gas; ability of Divestco's clients to explore for, develop and produce oil and gas; availability of financing and capital; fluctuations in interest rates; demand for the Company's product and services; weather and climate conditions; competitive actions by other companies; availability of skilled labour; failure to obtain regulatory approvals in a timely manner; adverse conditions in the debt and equity markets; and government actions including changes in environment and other regulation.