Divestco

Press Release

Divestco Reports 2016 Q4 and Annual Results

April 26, 2017, 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 months and year ended December 31, 2016.

Financial Highlights

Overall Performance and Operational Results

Financial Results (Thousands, Except Per Share Amounts)								
	Three months ended December 31				Year ended December 31			
	2016	2015	*$ Change*	*% Change*	**2016**	2015	*$ Change*	*% Change*
Revenue	**$ 7,679**	$ 2,863	*$ 4,816*	*168%*	**$ 15,966**	$ 18,314	*$ (2,348)*	*-13%*
Operating Expenses [1]	**2,501**	3,256	*(755)*	*-23%*	**10,141**	15,754	*(5,613)*	*-36%*
Other Loss (Income)	**18**	(21)	*39*	*N/A*	**80**	(5,517)	*5,597*	*N/A*
EBITDA [2]	**5,160**	(372)	*5,532*	*N/A*	**5,745**	8,077	*(2,332)*	*-29%*
Finance Costs	**236**	334	*(98)*	*-29%*	**1,305**	1,181	*124*	*10%*
Depreciation and Amortization	**1,627**	1,438	*189*	*13%*	**6,377**	11,403	*(5,026)*	*-44%*
Net Income (Loss)	**$ 3,297**	$ (3,366)	*$ 6,663*	*N/A*	**$ (1,937)**	$ (5,729)	*$ 3,792*	*N/A*
Per Share - Basic and Diluted	**0.05**	(0.05)	*0.10*	*N/A*	**(0.03)**	(0.09)	*0.06*	*N/A*
Funds from (used in) Operations	**$ 4,136**	$ (382)	*$ 4,518*	*N/A*	**$ 4,703**	$ 2,648	*$ 2,055*	*78%*
Per Share - Basic and Diluted	**0.06**	(0.01)	*0.07*	*N/A*	**0.07**	0.04	*0.03*	*75%*
Class A Shares Outstanding	**66,884**	67,208	*N/A*	*N/A*	**66,884**	67,208	*N/A*	*N/A*
Weighted Average Shares Outstanding Basic and Diluted	**67,150**	67,126	*N/A*	*N/A*	**67,217**	67,117	*N/A*	*N/A*

[1] *Includes salaries & benefits, general & administrative expenses and share-based payments but excludes depreciation and amortization and other losses (income)*

[2] *See the “Non GAAP Measures” section of the Company’s Management Discussion and Analysis filed on the Company’s website and on SEDAR*

Q4 2016 vs. Q4 2015

Divestco generated revenue of $7.7 million in Q4 2016 compared to $2.9 million in Q4 2015, an increase of $4.8 million (168%) which was mainly due to the Company’s Seismic Data segment with the commencement of a new seismic survey and strong data library sales. This was partially offset by lower Services and Software & Data revenue as result of reduced capital spending by clients caused by low commodity prices. Revenue in the Seismic Data segment ($6.3 million) increased by $5.7 million (891%). Revenue in the Software & Data segment ($0.8 million) decreased by $0.3 million (25%) and revenue in the Services segment ($0.6 million) decreased by $0.5 million (47%).

Operating expenses decreased by $0.8 million (23%) to $2.5 million in Q4 2016 from $3.3 million in Q4 2015. Salaries declined by $0.7 million (38%) due to reduced staffing levels and the austerity measures put in place in response to the economic conditions in 2015 and 2016. G&A expenses declined by $27,000 (2%) due to a decrease in discretionary expenses, stock-based compensation, as well as software licences and contractor fees offset by an increase in bad debts.

Finance costs decreased by $98,000 (29%) to $236,000 in Q4 2016 from $334,000 in Q4 2015.

Depreciation and amortization was $1.6 million in Q4 2016 compared to $1.4 million in Q4 2015, an increase of $0.2 million (13%).

There was no impairment charge in Q4 2016 compared to $1.2 million in Q4 2015.

Year Ended December 31, 2016 vs. Year Ended December 31, 2015

Divestco generated revenue of $16 million during 2016 compared to $18.3 million in 2015, a decrease of $2.3 million (13%). Lower Services and Software & Data revenue was partially offset by higher Seismic Data revenue. Revenue in the Seismic Data segment ($9.3 million) increased by $3.1 million (51%) due to higher data library sales partially offset by slight lower seismic participation revenue; there were three surveys completed in Q1 2015 and a new survey commenced in Q4 2016. Revenue in the Services segment ($2.6 million) decreased by $4.2 million (62%) mainly due to a reduction in activity levels caused by low commodity. Revenue in the Software & Data segment ($4.1 million) decreased by $1.3 million (24%) mainly due to the sale of the land software assets in Q1 2015 and reduced industry activity. Seismic brokerage revenue decreased due to lower activity levels.

Operating expenses decreased by $5.7 million (36%) to $10.1 million in 2016 from $15.8 million in 2015. Salaries declined by $3.8 million (41%) due to reduced staffing levels and the austerity measures put in place in response to current economic conditions. G&A expenses declined by $1.9 million (27%) due to a decrease in discretionary expenses as well as software licences and contractor fees.

Finance costs increased by $0.1 million (10%) to $1.3 million in 2016 from $1.2 million in 2015 mainly related to repayment of a $4.5 million bridge loan in March 2015. The Company then secured a new bridge loan in September 2015. Thus, debt levels were higher during 2016 compared to 2015.

Depreciation and amortization decreased by $5 million (44%) to $6.4 million from $11.4 million in 2015 mainly due to the addition of new seismic data in 2015. No new surveys were completed in 2016; however, a survey commenced in Q4 2016 and was completed in Q1 2017.

There was no impairment charge in 2016 compared to $1.2 million in 2015.

Financial Position [(1)]

As at December 31, 2016, Divestco had a working capital deficiency of $3.9 million (December 31, 2015: $2.1 million deficiency), excluding deferred revenue of $1.7 million (December 31, 2015: $1.3 million). The increase in the working capital deficit from the end of 2015 was due to the reclassification of the Company's bridge loan to current at December 31, 2016. The bridge loan was repaid in March 2017 with the proceeds of a new term loan with the balance being used for working capital purposes.

[(1)] See the "Non GAAP Measures" section of the Company's Management Discussion and Analysis filed on the Company's website and on SEDAR

Operations Update and Outlook

There has been an improvement in West Texas Intermediate oil prices from a low of US$27/barrel in February 2016 to US$50/barrel currently and rig utilization has improved from 12.5% in July 2016 to 23% in March 2017. However, commodity prices and rig utilization remain significantly lower than 2014 levels which forced most North American oil and gas producers to keep their capital spending to historically low levels. Access to capital also remains challenging for the industry. Due to significantly lower activity levels, Divestco implemented several salary austerity measures in 2015 and 2016. These are expected to remain in place for the remainder of 2017 or until a change in activity levels is realized.

Mr. Stephen Popadynetz, CEO and President commented: “We spent two years focusing on cost control resulting in Divestco lowering its operating expenses by over 50% from 2014 to 2016. Towards the latter part of 2016, we began to finally see an increase in activity levels which resulted in a very strong fourth quarter for Divestco. This allowed us to achieve positive funds from operations of $4.7 million for 2016, an increase of $2.1 million (78%) from 2015. In addition, we are pleased to report that for the first time in two years, we returned to acquiring new seismic in Q4 2016 and successfully completed our first survey in Q1 2017. The increased activity levels experienced in the last quarter of 2016 have continued and has led to a general renewed optimism that we haven’t seen in over two years. Many producers have already announced increased capital spending for 2017, capital markets are again starting to finance many smaller oil and gas producers and the glut of distressed assets is being resolved through acquisition. These factors point to new opportunities for Divestco to start growing again. As well, during this downturn, Divestco focused much of its strategy on international markets and we have been receiving bids for a significant number of international opportunities. These strategies all led to Divestco negotiating a new bank financing and retiring our $3.2 million bridge loan in March 2017. With improved working capital and stronger sales opportunities, we look forward to delivering significantly improved results and rewarding our patient shareholders.”

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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Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this news release.

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.