

2021 Annual Meeting of Shareholders

Remarks from Walter "Rick" Wheeler, CEO



Thank you, Gary. And, thanks to everyone attending our virtual Annual Shareholders Meeting today. This morning's discussion may include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements are subject to both known and unknown risks, many of which are discussed in our Annual Report and our S.E.C. Form 10-K and 10-Q filings.

First, I'll review our 2020 fiscal year, which ended on September 30th, 2020, and I'll follow that with an update on the company through our first quarter of Fiscal Year 2021. Lastly, I will end my remarks with commentary on what lies ahead for Geospace Technologies.

Review Of Fiscal Year 2020:

Our 2020 fiscal year began on a remarkably positive footing. In the year that had just ended, our revenue had outperformed the previous year by 26%, representing a third straight year of increases and marking the highest annual revenue in five years. At a net loss of a penny per share, operations were on the brink of positive returns. Our balance sheet had increased its cash by \$7 million while at the same time maintaining its longstanding debt-free position. All of this had been accomplished in defiance of a depressed market for many of our oil & gas related products and services.

With this backdrop, our 2020 fiscal year began October 1, 2019 with strong momentum and high optimism. In the first three months, nearly all 33,000 stations of our OBX marine node rental fleet were being utilized in performing rental contracts, and we also announced the sale of a land system comprised of 30,000 channels of our GCL recording nodes. At the close of the first quarter, revenue was on track to be the highest first quarter figure since December 2013, but due to an OBX rental customer's financial distress and inability to

pay, it became necessary to write down a portion of the amount. It was around this time when first mentions were heard of a new coronavirus emanating from Wuhan, China. And as the second quarter unfolded, impacts of the ensuing COVID-19 pandemic rapidly escalated throughout the world.

At the onset, Geospace was largely unaffected by the pandemic. Our primary OBX rental contracts, already in place, remained on schedule, and as part of the U.S. government's designated critical infrastructure, our operations were able to continue without shutting down. At the end of the second quarter, revenue had decreased slightly from the year before, but still remained above second quarter figures from prior years. In our third quarter, we began to experience more of the negative economic effects of the pandemic. This was particularly true in our adjacent markets segment where the shuttering of events and activities reduced demand for these products.

Fortunately, revenue from ongoing rental contracts of our OBX systems was able to buffer some of these effects. And we were additionally lifted from the bad news of COVID by our award of a \$10.5 million contract to provide the U.S. Border Patrol with a high technology border security system in the coming year.

As fiscal year 2020 wrapped up, fourth quarter revenue was again driven by rentals of our OBX systems. And despite the impact of COVID-19, revenue for the full year closed at only 8% less than the previous year's total. During the year we also generated over \$18 million in cash from operations and through our conservative management, we ended with another stand-up balance sheet containing no long-term debt and total liquidity of over \$50 million. With this stable foundation underpinning our technology and market strategies, we were in a great position to take on the challenges we will face in the new fiscal year. I'll now discuss the recently ended first quarter of fiscal year 2021.



First Quarter of FY 2021:

Spanning October 1, 2020 through December 31, 2020, our first quarter was filled with several noteworthy events. Perhaps most significant were the two new additions to our Board of Directors, Margaret “Sid” Ashworth, former Vice President of Government Relations for Northrup Grumman, and Kenneth Asbury, former President and CEO of CACI International. They each bring a unique set of experiences from outstanding careers, adding fresh perspectives to our governance as well as offering insights for our navigation of expected increased government interactions. Our board of directors also authorized a stock buyback program of up to \$5 million worth of our common shares. The discretionary purchases within the program depend on various factors and business conditions, but the program has no time limit. As of December 31, 2020, we had purchased a total of 117,637 shares under this program.

As reported overnight, our first quarter of fiscal year 2021 recorded \$28.5 million in revenue, an increase of 62% over the same period last year. This exceeds each of last year’s four quarters and marks our highest first quarter revenue since the all-time high set seven years ago. Included in this figure was our first sale of a large OBX marine nodal recording system to a well-known international seismic contractor. The amount also included the first sale by our Quantum subsidiary of a high technology border and perimeter security system to the U.S. Border Patrol. So, what do we see ahead for Geospace in the coming year?

What Lies Ahead in FY 2020:

Late in the fourth quarter of fiscal year 2020, we were approached by a large oil and gas customer to provide a bid proposal for a permanent reservoir monitoring (PRM) system. Under the initial terms and conditions presented, we were unable to provide a bid, but we remain in discussions with this customer to try and resolve the issues. This could lead to a new proposal request later in the year, but our PRM discussions with this customer as well as others are not likely to lead to revenue in fiscal year 2021. Nonetheless, a renewed interest in PRM seems to be developing among those oil and gas companies that are making it a priority to increase production from existing reserves. We see a lull in rental contracts for our shallow-water OBX systems at the present time, possibly picking up later in the year. Interestingly, this lull is partially filled by projects and quote requests

for our deep-water OBX. According to Rystad Energy, over 75% of new oil & gas discoveries by volume in 2020 were found offshore, and of these, nearly two-thirds were in deep or ultra-deep water. Our OBX systems are tailor-made for providing the clearest seismic images available of offshore areas, and the desire for quality images of these and other offshore fields could very well lead to more utilization of both our shallow- and deep-water OBX. We are currently in the final stages of fulfilling our contract with the U.S. Border Patrol to provide them with a high technology border and perimeter security system. The proprietary seismic acoustic data analytics we have incorporated in this system provide features and capabilities not seen before. While we presently have no other significant contracts for these systems, we are confident that the benefits of high value information they provide will lead to additional contracts with both government and commercial customers.

As we look further into 2021, we know there will be challenges. The battle over COVID-19 is not yet won and as the world’s economies grapple for stability, we will see new ups and downs. In steering the course, we must remember that Geospace, at its core, is a technology focused company, providing multifaceted engineered solutions to a wide range of markets. Our highly acclaimed seismic instrumentation and sensors used in the oil & gas industry are by far our most widely known products, and we intend to keep them at the pinnacle of industry choice. Likewise, we intend to continue the creation of innovative technological solutions and products serving our growing adjacent and emerging markets. The breakthrough border security system we created with our Quantum subsidiary for the U.S. Border Patrol is a formidable example of our technology focused path, and we intend to keep this pipeline of ideas and products flowing. What lies ahead for Geospace may include a few rocks in the road, but we believe our strategy and financial strength give us the right tools to prosper.

Let me now take the opportunity to acknowledge the tremendous teamwork of our loyal employees. They have risen above all expectations in the fight against COVID-19, all the while steadfastly serving the needs of our customers. I also want to thank our valued shareholders, who share our vision of achieving prosperity and long-term value through the innovation and delivery of unique technology solutions to customers in our varied and diversified markets.