



## **Remarks by Rick Wheeler**

### **Geospace Technologies Corporation**

### **2020 Annual Meeting of Shareholders**

**February 6, 2020**

Thank you Gary, and thank all of you in attendance today for our Annual Shareholders Meeting. Let me point out that this morning's discussion may include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995, where such 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.

I'll first review our 2019 fiscal year, which ended on September 30<sup>th</sup>, 2019, and then follow that with an update on the company through its first quarter of Fiscal Year 2020. Lastly, I will end my remarks with commentary on what lies ahead for Geospace Technologies.

#### **1. REVIEW OF FISCAL YEAR 2019:**

Our 2019 fiscal year was set in motion on October 1st, 2018. We were encouraged at the time that amidst a very depressed oil and gas seismic market, we had reduced our losses in the year just ended to one-third the amount of the previous year, despite only a slight increase in revenue. We were additionally inspired by the new markets and opportunities we were working to create as a result of our acquisition a few months earlier of Quantum Technology Sciences, and with those goals clearly in our vision, we continued to make great progress on the integration of our combined technologies in the first quarter. Along the way and without any interruption, we completed yet another strategic acquisition in the first quarter, adding OptoSeis® fiberoptic sensing to our growing portfolio of advanced technology offerings. With this addition, we established an unmatched diversity of options for the E&P industry to consider in the deployment of permanent reservoir monitoring (PRM) systems. We believe our broadened line of products greatly magnifies our opportunity to win various PRM contracts that we expect to be tendered in the coming years. Clearly, the first quarter of fiscal year 2019 was quite busy, and as a result of increased demand for the rental of our OBX marine nodal recording systems, reported revenue for the quarter increased 22% over the same three months the year before. Demand for our OBX marine nodal systems only continued to grow throughout fiscal year 2019, with performing rental contracts producing revenue in each quarterly period at comparative levels not seen in as many as five years. In response to this ever-increasing demand, we expanded our OBX rental fleet over the course of the year to approximately 31,000 stations, nearly all of which were utilized in



long-term contracts. In total contrast, demand for land-based oil & gas seismic exploration products remained persistently weak throughout the fiscal year. However, despite this depressed market, we were nonetheless excited in the fourth quarter to have sold the first 5,000 channels of our new GCL recording system, the only one of its kind comprising a connectorless design and the most advanced features in the industry. At year's end, total revenue for fiscal year 2019 reached \$95.8 million, an increase of 26% over the previous year, and gross profits nearly tripled, reaching \$31.4 million. Aided by the sale of a non-essential real estate holding, our 2019 fiscal year closed at almost breakeven earnings, showing a net loss of only \$0.01 per diluted share. In addition, by maintaining our same conservative financial management as in years past, we ended the year with zero debt on our balance sheet, almost \$19 million of cash and equivalents, plus \$27 million of available borrowings against an untapped credit line. Thus, with total liquidity of \$46 million, we began our 2020 fiscal year journey on solid financial footing. I'll now discuss the recently ended first quarter of fiscal year 2020.

## **2. First Quarter of FY 2020:**

As just reported overnight, our first quarter of fiscal year 2020 saw an increase in total revenue of 44% over the same period last year. The \$25.7 million figure sets the highest first quarter revenue achieved in the six years since our all-time highest in fiscal year 2014. At the end of the quarter, nearly all 33,000 of the OBX marine nodal recording stations in our rental fleet were being utilized in ongoing rental contracts, which explains why quarterly revenue from our rental operations more than doubled in a year-over-year comparison. Our first quarter also included the announced sale to SAEExploration of 30,000 channels of our GCL recording system. Given a persistent diminished market for seismic instruments, SAE's selection of our GCL serves to cement our belief that Geospace's unabashed focus on technology marks its leadership in providing products with the greatest value to its customers. So what do we see ahead for Geospace in the coming year?

## **3. What Lies Ahead in FY 2020:**

As we look forward, there is significant evidence that many E&P companies are continuing the trend established in recent years of renewed focus on offshore reserves. Just last month, Rystad Energy reported that, as in prior years, offshore finds again dominated the list of new oil and gas discoveries in 2019. This interest in offshore, coupled with the high image fidelity that can be achieved with our OBX marine nodes, is a major driver for the growth in demand we are experiencing for our OBX systems. We believe fiscal year 2020 will see this continue. We also believe this neo-interest in offshore sets a basis for rekindling discussions for PRM systems. New discoveries in 2019 totaled 12.2 billion b.o.e., the highest amount in four years. Yet this figure still represents a woeful fraction of current annual production. So, there is keen interest from E&P companies to maximize production at the lowest cost from their existing offshore resources, and our PRM systems can provide valuable tools to help achieve that goal.



We believe this year will also set a milestone in our strategic diversification through the acquisition of Quantum Technology Sciences. While our integration of technologies and development of new products will continue marching forward, the products we have currently created are ready for prime time. And we believe contracts are likely to occur this year for the deployment of these products in critical border and perimeter scenarios requiring surveillance and detection of potential threats. Thus, what lies ahead for Geospace should be a very busy and productive year. At this point, I would like to acknowledge and thank our tremendous team of loyal employees. It is their hard work, integrity, and perseverance that provide the foundation for Geospace to satisfy and serve the needs of its customers. I would also like to express our deepest appreciation for our shareholders, with whom we continue to share the vision of creating long-term value by way of delivering advanced engineered technology to our diversified markets. We are very much looking forward to the year ahead.

And now, I'll turn the meeting back over to Gary.