Expro Group Holdings N.V.

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11:00 A.M. ET

Operator: Hello and welcome to today's Expro fourth-quarter earnings 2021 conference call. My name is Elliot and I will be coordinating your call today. If you would like to register a question during the presentation, you may do so by pressing * followed by 1 on your telephone keypad.

I would now like to hand over to our host, Karen David-Green. Please go ahead.

Karen David-Green: Welcome, everyone, to Expro's fourth-quarter 2021 conference call. I'm joined today by Mike Jardon, CEO, and Quinn Fanning, CFO. First, Mike and Quinn will share their prepared remarks, and then we will open it up for questions.

The condensed consolidated financial statements of the company reflect the financial position, results of operations and cash flows of only legacy Expro for all periods prior to October 1, 2021, the merger date. And of the combined company, including activities of Frank's, for all periods subsequent to the merger.

We have an accompanying presentation on our fourth-quarter results that is also posted on the Expro website, Expro.com,

under the Investors section. The presentation along with the downloadable financials both reflect the pro forma combined company results of legacy Expro and legacy Frank's.

I'd like to remind everyone that some of today's comments may refer to or contain forward-looking statements. Such remarks are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied as such statements. Such statements speak only as of today's date, and the company assumes no responsibility to update any forward-looking statements at a future date.

The company has included in its SEC filing cautionary language identifying important factors that could cause actual results to be materially different from those set forth in any forward-looking statements. A more complete discussion of these risks is included in the company's SEC filings, which may be accessed on the SEC's website or on our website at Expro.com.

Please note that any non-GAAP financial measures discussed during this call are defined and reconciled to the most directly comparable GAAP financial measure in our fourth-quarter 2021 earnings release, which can be found on our website.

With that, I'd like to turn the call over to Mike.

Mike Jardon: Thank you, Karen. Good morning and good afternoon, everyone. I'm excited to be speaking with all of you today to discuss Expro's strong results for the fourth quarter,

which marks the first quarter of our new company after completing our merger with Frank's International. While Expro and Frank's were both leaders in their own right, together we have a more resilient business model that is positioned to continue to win in the market and lead the next chapter of our industry, given the following: Our balanced portfolio of services and solutions that span the well lifecycle, which provides through-cycle resilience and ability to better capture cyclical recovery upside.

Our diversified global footprint with operations in key growth markets, our best-in-class innovation platform and technology portfolio that enables us to support our customers' carbon capture reduction goals. And finally, our strong balance sheet and merge-related synergies which bring a significant degree of operational flexibility and strategic optionality, in order to accelerate growth and create long-term shareholder value.

The fourth-quarter results we announced today and our outlook for 2022 underscore the strong business combination that we have created through the merger and the opportunities ahead for our business as we continue to capitalize on positive industry trends.

On today's call, I plan to first walk you through our fourth-quarter performance; secondly, give you an update on our

integration process; and finally, provide some perspective on trends we are seeing in the broader industry environment.

Starting with our fourth-quarter performance, we delivered outstanding results that demonstrate our progress unlocking the value inherent in our scale, broad portfolio of solutions, global operating footprint, through-cycle capabilities, and strong financial profile.

For the fourth quarter, we delivered revenue of $296 million and adjusted EBITDA of $51 million. Our growth was broad-based across our regions and product lines, with particularly notable growth in the areas of production, subsea well access, and well intervention and integrity services. Importantly, we saw the significant benefit of our diversified portfolio as we enhanced our business mix, and our team continued to capitalize on improving industry fundamentals, and our broad suite of innovative solutions to win new business and expand our relationship with existing customers.

We achieved contract wins and extensions totaling $235 million, which is a true testament to our team's resilience and the traction that our solutions are gaining on the market.

On a regional basis, in North and Latin America we were awarded contracts across Argentina, the Gulf of Mexico, Trinidad, Guyana and Canada for cased hole services, flow-back services, the provision of tubulars, advanced reservoir testing,

and integrated testing services for an exploration and appraisal well. During the quarter, we also successfully completed our first operation for a distributed fiber-optics system in Argentina.

The Europe and Sub-Saharan Africa team secured contracts in Angola, the Eastern Mediterranean and the UK for subsea and well tests, again, as a direct result of our continued focus on service delivery. In the fourth quarter, we also commissioned our first automated TONG system which uses artificial intelligence to optimize tubular make-ups.

This groundbreaking system will facilitate a step change in drilling rig efficiency and safety, reducing manpower requirements and improving well integrity. This one-touch automated system is well aligned to our customers' drive for automation and will build on our record-setting rig operations performance.

In the Middle East and North Africa, we secured a significant contract in Northeast Africa for the provision of multi-phase pumps, which allow enhanced production from challenging production wells. During the quarter, we also successfully carried out a large trace element campaign supporting the design of a future gas plant in Iraq.

A $67 million contract was secured in Saudi Arabia, the first contract that we can directly attribute to the merger of

the two companies, for the provision of tubular running services.

We also achieved a significant milestone in the region as we passed 0.5 million hours of data transmission. This is a testament to the breadth of our data analytics capabilities and is a win for our team in the region, that they are able to harness the data to develop more targeted solutions for our customers.

In Asia-Pacific, the team secured contracts in Thailand for well intervention, tubing conveyed perforating solutions in Indonesia, and subsea work for a four-well abandonment campaign in Australia, all as a result of our service delivery performance.

We also performed a radial cutting service for a new geothermal customer in Indonesia, where we were able to successfully perform operations which had previously proven problematic.

In November, we announced four significant subsea well access contracts in Southeast Asia and Australia worth in excess of $50 million. This award includes the delivery of an integrated subsea solution, including our industry-leading intervention riser system to access the wells and undertake plug and abandonment work.

During the quarter, we also continued to advance our innovation platform to develop the next generation of solutions that will serve as differentiators for Expro and we believe will help bring on more new customers. A key highlight from this work is our successful integration test of a legacy Expro electrohydraulic subsea umbilical with a legacy Frank's tubular running services sheaveless COBRA control line manipulator arm.

This combination of technologies provides deployment efficiency while improving the safety of operations. This test generates significant customer interest, and we already have one large customer committed to using this offering in a key operation in the Eastern Mediterranean in the first quarter of 2022.

Additionally, in the quarter we announced the launch of the Galea, the world's first fully autonomous well intervention system that's designed to maximize production while reducing intervention costs, HSE risks, and overall environmental impact. This system builds on our commitment to developing new technologies that help our customers achieve their carbon reduction goals and create a more sustainable future.

While our technology is a key differentiator, one of the main reasons we are seeing customers continue to choose Expro over our competition is our consistently excellent service. I want to specifically highlight the work of our Europe and Sub-

Saharan Africa team whose flexibility and commitment to our customers led to growth and new business in December, with a record score for our job performance across all of our operator areas.

Our customers' feedback averaged 97%, meaning the majority of our customers ranked our service in all categories as excellent. This is testament to the strong project execution by our team, combined with Expro's cost-effective technology-driven solutions offering.

Our service quality based on our customer job performance rate is historically very strong, and we ended 2021 with an average of 94.6% across all the regions, where in North and Latin America, Europe-Sub-Saharan Africa, and Asia Pacific were all in excess of 94%, and the Middle East-North Africa was over 95%. We expect to continue to enhance our service delivery as we continue implementing our integration plans to enhance the coordination and collaboration of our legacy Frank's and Expro teams to work as one seamless organization.

We have already made significant progress executing on the comprehensive plans we developed prior to close. As we have worked through this process, we have begun to see the true power of our new team. Our strong financial profile provides us the flexibility to continue to invest in our portfolio through market cycles to develop the next generation of solutions, and

address our customers' needs and support their carbon reduction goals as part of the energy transition.

This past year, we allocated 40% of our research and development spending to carbon reduction initiatives and efforts, and we expect that percentage to approach 50% in 2022. In doing so, we are developing and advancing solutions that will play a critical role in enabling our customers to achieve their own emission reduction goals.

Expro is committed to playing a leading role in the low carbon energy transition through transforming our portfolio and achieving net zero emissions by 2050. We continue to pursue work across the value chain with suppliers and customers to not only reduce our own environmental impact, but to support the sustainability initiatives of our customers.

Expro has established operations in technologies within geothermal and flare reduction in gas recovery segments, and has continued to develop our offerings within the energy transition space. In particular, we have seen increasing growth in carbon capture and storage or CCS since our involvement in a successful Northern lights CCS project in Norway.

Before I turn the call over to Quinn, I want to provide perspective on trends we are seeing in the market and what we expect in the year ahead. We continue to see strengthening signals of a multiyear recovery. We expect demand for our

services and solutions to increase throughout 2022, as operators look both to increase production from existing assets and to develop new fields. We anticipate better business conditions and activity levels throughout 2022 and beyond, and are confident that the pipeline of projects we are seeing will support multiyear growth for the energy sector, with particularly strong potential for a number of the geo markets within North and Latin America, the Middle East, Africa and Asia.

Natural gas demand has remained strong in the U.S. internationally due to increased economic activity, which is forecast to drive new infrastructure development and further increase activity levels. Although Expro has traditionally had minimal revenue in Russia and the Ukraine, less than 1%, we are disheartened to see the ongoing conflict in Ukraine and hope that a peaceful resolution will soon be achieved.

There is also a trend for the IOCs to increase the natural gas share of their overall production and thereby better balance their gas liquids portfolios.

In parallel to this, national companies are focused on accelerating field development efforts in order to stimulate their country's economic recovery. Internationally, the super majors are increasingly focused on lower-risk phased developments. In addition, efforts to reduce emissions and more broadly to position themselves for the energy transition

continue to gather momentum and be a priority for our IOC customers. We believe international exploration activity will become more near field and infrastructure led in the near-term.

The outlook for the first and second quarter of 2022 indicates a continuing modest recovery in E&P expenditures, albeit at different rates in individual countries. In the medium-term, with final investment decision approvals anticipated to continue growing, nearly 60% of those commitments are expected to be offshore.

We also believe oil and gas demand will soon recover to 2019 levels, resulting in operators that will need to again focus on reserves replacement following a multiyear period of underinvestment and lower volumes of discoveries. For now, operators seem most focused on maximizing the investments that they have made previously. Consistent with past recoveries, incremental OpEx spending and Brownfield enhancement programs are expected to be an initial area of customer focus. And in select markets we are seeing some signs of recovery and intervention well integrity projects, execution of which is a traditional strength of Expro.

More broadly, we believe offshore deepwater activity in shale or tight well projects will be the largest growth areas, which should support sustained growth for Expro, given our

capabilities in subsea well access services, complex well construction services, and production optimization.

Bolstered by constructive commodity pricing, we are experiencing increased activity which we expect to gain momentum as we progress through 2022 and beyond. Expro is uniquely positioned to serve our clients in the current market environment. We anticipate increased demand for our existing services and more opportunities to provide new solutions from our enhanced portfolio.

We are differentiating ourself in the market as well experts across the full well lifecycle, with a focus on integrity in all its forms. Whether that means ensuring connection integrity, integrity in our services to our customers, or our ability to enhance management integrity. We are also leading the industry in technology supporting energy transition, which will become increasingly important as customers around the world look to accelerate their carbon reduction strategies.

Combined with technology and know-how, prioritizing QETC (PH) allows the company to give absolute focus on advancing the company and delivering maximum value to our customers, shareholders and other stakeholders.

With that, I will hand the call over to Quinn to discuss our financial results.

Quinn Fanning: Thank you, Mike. Good morning and good afternoon to everyone on the call. As Mike noted, I will cover the results for the quarter and year ended December 31, 2021, and will highlight sequential and year-over-year performance on both an as reported basis, which is consistent with the presentation of financial results in our press release and SEC filings, and on a pro forma basis, which is consistent with the presentation of financial results in the slides that Karen referenced at the top of the call and that are available in the Investors section of our website, Expro.com.

To recap, we reported revenue of approximately $296 million for the December quarter, which was up $98 million or approximately 50% relative to the September quarter. The increase was driven by the merger between legacy Frank's International and legacy Expro, which contributed $112 million in additional revenue, partially offset by $21 million in production equipment sales that occurred during Q3 2021, but did not reoccur in Q4.

On a pro forma basis, revenue was down $17 million or approximately 5.5% quarter-over-quarter. Excluding the just-referenced Q3 production equipment sales and consistent with the guidance provided on our third-quarter earnings conference call, revenue was essentially flat quarter-over-quarter and largely reflected our expectations for a seasonally weaker fourth

quarter. As reported, adjusted EBITDA for Q4 2021 was approximately $51 million, representing a sequential improvement of approximately $20 million or 61% quarter-over-quarter.

In percentage terms, adjusted EBITDA was up approximately 120 basis points quarter-over-quarter to 17% of consolidated revenue. The merger contributed $17 million of the quarter's adjusted EBITDA increase. The balance of the adjusted EBITDA increase reflects a modestly more favorable activity mix, but limited pricing traction today, at least in international markets.

On a pro forma basis, adjusted EBITDA was up $6 million or approximately 12% quarter-over-quarter. In percentage terms, pro forma adjusted EBITDA was up approximately 270 basis points quarter-over-quarter to 17%. Relative to 2020, reported revenue was up $151 million or 22% year-over-year, $112 million of which was due to the merger.

The remaining increase was driven by higher activity across North and Latin America or NLA, Europe and sub-Saharan Africa or ESSA, and Asia-Pacific or APAC, partially offset by reduction activity in the Middle East and North Africa or MENA segment.

On a pro forma basis, consolidated revenue was up $78 million or approximately 7% year-over-year. As reported, adjusted EBITDA for 2021 increased by $26 million or 26% to $126 million. Adjusted EBITDA margin was approximately 15% for both

2021 and 2020. On a pro forma basis, adjusted EBITDA increased by $49 million or approximately 45% year-over-year to $158 million. In percentage terms, pro forma adjusted EBITDA was up approximately 360 basis points year-over-year to approximately 14%.

As highlighted in our press release, the adjusted net loss for the fourth quarter of 2021 was $4 million or $0.03 per common share, compared to adjusted net income for the third quarter of $1 million or $0.02 per common share, with the sequential trend largely reflecting incremental per-share depreciation, amortization, and tax expense as a result of the merger.

The adjusted net loss for 2021 was $19 million or $0.24 per common share, compared to an adjusted net loss for 2020 of $29 million or $0.41 per common share, with the year-over-year trend largely reflecting incremental per share adjusted EBITDA.

Total liquidity at the quarter-end was approximately $370 million. Cash and cash equivalents, including restricted cash, was $240 million as of December 31st. Total liquidity also includes $130 million that is available to the company for drawdowns as loans under our $200 million revolving credit facility. The balance of the facility is available for bonds and guarantees.

Expro had no interest-bearing debt at the end of Q4 2021, and the company has no interest-bearing debt today. During the quarter ended December 31, 2021, cash provided by operating activities net was $16 million, as compared to cash used in operating activities of $2 million in Q3 2021.

Q4 adjusted operating cash flow reflecting cash used in operations before cash paid for interest, severance and other expenses, and merger and integration expenses, was $41 million compared to $11 million in Q3 2021.

Investing and financing activities collectively generated $160 million of cash in Q4 2021, primarily reflecting $190 million of cash and cash equivalents and restricted cash that was acquired as a result of the merger, partially offset by capital expenditures in the quarter of $28 million, $20 million of which was Capex related to core operations, including $5 million related to the well construction business of legacy Frank's, and $8 million of which was related to new technology investments such as lightweight (PH) intervention, CoilHose, and annular integrity, all of which we expect to generate material revenue and good margin in 2022.

Capex as a percentage of revenue continues to trend downwards, as management focused on maximizing utilization of existing assets and were practical limiting new capital expenditures. The company continues to plan for 2022 capital

expenditures in the range of $90 to $100 million or 7% to 8% of expected revenue.

Now, moving into the details of our reporting segment, North and Latin America or NLA revenue for the fourth quarter of 2021 was $100 million, an increase of $68 million quarter-over-quarter. Approximately $67 million were nearly all of the sequential increase in revenue related to the merger. So pro forma NLA revenue was essentially flat quarter-over-quarter.

In particular, the sequential increase in revenue in South America, which was primarily driven by well intervention and integrity activity in Argentina and subsea well access activity in Brazil, and in the Caribbean which was driven by intervention and integrity activity, was offset by a sequential revenue decrease in our North American offshore business, largely driven by a relatively large tubular sale by legacy Frank's in Q3 which was not repeated in Q4, and in Mexico which reflected lower rig activity and, therefore, lower well flow management activity.

U.S. land revenue was essentially flat quarter-over-quarter, as our focus in this market remains on margin over market share. On a pro forma basis, Q4 revenue in NLA was up 16% year-over-year. As reported, NLA revenue for the full year of 2021 was $193 million, an increase of $77 million or approximately 67%, of which $67 million relates to the merger.

On a pro forma basis, full-year NLA revenue was $393 million and was up 6% year-over-year.

As reported, NLA segment EBITDA for the just completed December quarter was $21 million or approximately 21% of segment revenue, and it was up by $16 million quarter-over-quarter. For Q3 2021, NLA segment EBITDA was 17% of segment revenue.

On a pro forma basis, NLA segment EBITDA was essentially flat quarter-over-quarter, both in dollar and percentage terms. As reported, full-year 2021 segment EBITDA for NLA was $32 million or approximately 17% of segment revenue, as compared to essentially breakeven results for legacy Expro for the full year of 2020.

On a pro forma basis, NLA segment EBITDA for 2021 was $75 million or 19% of segment revenue. Pro forma segment EBITDA was up $36 million or approximately 8.5 percentage points year-over-year.

Legacy Frank's had a particularly strong position in NLA, and we expect that NLA financial results for the combined company will continue to benefit from the incremental scale and complementary operating footprints and customer relationships that were made possible by the merger.

For the ESA segment, which is Europe and Sub-Saharan Africa, revenue in Q4 was $94 million, which was up $7 million or approximately 8% quarter-over-quarter. The sequential

improvement was primarily due to the merger, which contributed incremental revenue of $29 million. This was partially offset by production equipment sales in Sub-Saharan Africa totaling approximately $21 million that occurred during Q3, but did not reoccur in Q4.

On a pro forma basis, Q4 revenue in ESA was down 18% quarter-over-quarter, again reflecting Q3 equipment sales which were not repeated in Q4. Excluding the production equipment sales, ESA revenue was essentially flat quarter-over-quarter and reflected the offsetting effects of a sequential revenue increase in the UK, which was primarily driven by well intervention and integrity, the subsea well access activity, and a sequential and largely seasonal revenue decrease in Norway which most significantly impacted our well flow management activity.

On a pro forma basis, Q4 revenue in ESA was up approximately 40% year-over-year. As reported, ESA revenue for the full year of 2021 was $301 million, an increase of $81 million or approximately 37% year-over-year. Approximately $28 million was due to the merger.

On a pro forma basis, full-year ESA revenue was $373 million and was up approximately 25% year-over-year. Excluding the previously referenced production equipment sales, pro forma ESA revenue was up approximately 18%, reflecting easing of COVID

restrictions, incremental customer spending, and Brownfield enhancement programs.

As reported, ESA segment EBITDA for the December quarter was $20 million or 21% of segment revenue. ESA segment EBITDA increased $2 million quarter-over-quarter, with segment EBITDA as a percentage of revenue improving approximately 1 percentage point quarter-over-quarter. The increase in segment EBITDA was primarily due to the merger, which contributed incremental ESA segment EBITDA of $9 million of the fourth-quarter results. This was partially offset by a reduction in segment EBITDA due to the nonrecurring production equipment sales and a modestly less favorable activity mix.

A pro forma basis, ESA segment EBITDA was down approximately $5 million quarter-over-quarter, and ESA segment EBITDA as a percentage of segment revenue was down approximately 1 percentage point quarter-over-quarter, again largely reflecting the nonrecurring equipment sales in Q3 and a modestly less favorable activity mix.

As reported, full-year 2021 segment EBITDA for ESA was $53 million or approximately 18% of segment revenue. For 2020, ESA segment EBITDA was approximately 16% of segment revenue. On a pro forma basis, ESA segment EBITDA for 2021 was $72 million or approximately 19% of segment revenue. Pro forma segment EBITDA

was up $24 million or approximately 3 percentage points year-over-year.

For the MENA segment, revenue in the fourth quarter was $49 million, an increase of $11 million or approximately 30% quarter-over-quarter. The merger contributed $8 million to the sequential increase in revenue in the quarter. On a pro forma basis, Q4 revenue in MENA was up approximately 8% quarter-over-quarter, largely reflecting increases in well flow management activity in Algeria and Egypt. Activity in other key markets including the KSA was relatively stable quarter-over-quarter.

On a pro forma basis, Q4 revenue in MENA was down approximately 4% year-over-year. As reported, MENA revenue for the full year of 2021 was $171 million, a decrease of $23 million or approximately 12% year-over-year. Relative to 2020, lower revenues in MENA largely reflect lower well flow management activity across the region, offset by approximately $8 million of Q4 MENA revenue that was as a result of the merger.

On a pro forma basis, full-year MENA revenue was $194 million and was down approximately 13% year-over-year. As reported, MENA segment EBITDA for the December quarter was $60 million or approximately 33% of segment revenue, an increase of $5 million or approximately 4 percentage points quarter-over-quarter.

An increase of $1 million was due to the merger, and the remaining increase was due to a more favorable activity mix and improved activity levels, which also contributed to the improvements of segment EBITDA margin during the fourth quarter.

On a pro forma basis, MENA segment EBITDA was up approximately $5 million quarter-over-quarter, and MENA segment EBITDA as a percentage of segment revenue was up approximately 8 percentage points quarter-over-quarter to 32% of segment revenue, largely reflecting a more favorable activity mix.

Startup costs in new projects which were a drag on Q3 segment EBITDA margins also contributed to the sequential improvement in financial results for MENA. As reported, full-year MENA segment EBITDA was lower than the prior year by approximately $21 million, due to lower activity on higher-margin contracts and the just-referenced startup costs, partially offset by an increase in segment EBITDA related to the merger which contributed approximately $1 million of MENA segment EBITDA. In percentage terms, MENA segment EBITDA margin for 2021 and 2020 was 33% and 40%, respectively.

As reported, Asia-Pacific or APAC revenue for the fourth quarter was $51 million, which was an increase of $11 million or approximately 28% sequentially. The merger contributed $8 million of the increase in revenue in the quarter. On a pro forma basis, revenue in APAC was up approximately 5% quarter to

quarter, reflecting a modest easing of COVID-related restrictions and as a result, higher subsea well access activity in Malaysia and increased well intervention and integrity activity in Thailand, Indonesia, and Brunei. On a pro forma basis, Q4 revenue in APAC was up approximately 17% year-over-year.

As reported, APAC revenue for the full year of 2021 was up $50 million or approximately 10% year-over-year. The merger contributed $8 million of incremental revenue, and the remaining increase was driven by increased well flow management and well intervention and integrity revenue.

On a pro forma basis, full-year APAC revenue was $184 million and was up approximately 5% year-over-year. As reported, APAC segment EBITDA for the December quarter was $12 million or approximately 24% of segment revenue, an increase of $4 million or approximately 5 percentage points quarter-over-quarter. An increase of $1 million was due to the merger. The remaining increase was due to a more favorable activity mix.

On a pro forma basis, APAC segment EBITDA was up approximately $3 million quarter-over-quarter, and APAC segment EBITDA as a percentage of segment revenue was up approximately 5.5 percentage points quarter-over-quarter. As reported, full-year 2021 segment EBITDA for APAC was $33 million or

approximately 21% of segment revenue. For 2020, APAC segment EBITDA was approximately 24% of segment revenue.

On a pro forma basis, APAC segment EBITDA for 2021 was $35 million or approximately 19% of segment revenue. Pro forma segment EBITDA was down approximately $2.5 million or approximately 2.5 percentage points year-over-year, reflecting a less favorable activity mix, driven by lower subsea well access activity and reduced activity on higher-margin contracts.

As Mike mentioned, our integration plans are progressing well. We are already starting to realize the significan6 synergy benefits we anticipated when we first announced our business combination.

During the fourth quarter, we identified an action cost savings representing more than 50% of our previously stated $55 million run rate cost synergies target for the first 12 months following the merger close. It will take a quarter or two for our financial results to reflect such cost synergies, but we remain confident that we are on track, if not a bit ahead of schedule, in regards to the first year of synergies targets.

As noted in our press release and as Mike highlighted in his remarks, we are also now pursuing growth opportunities afforded by our broader portfolio and geographic footprint, with early wins such as the recent TRS award in the Kingdom of Saudi Arabia, increasing our conviction that revenue synergies will

allow us to realize incremental adjusted EBITDA growth as we continue to benefit from our strong customer relationships, global scale, and the tailwinds from the multiyear industry recovery and global economic recovery that are beginning to play out.

As we further improve our cost structure and capitalize on the global recovery, we expect to generate strong free cash flow. To reiterate our near-term outlook, we expect that Q1 2020 revenue will be generally flat relative to the circa $300 million of revenue reported for Q4 2021, and that we will also experience some sequential margin compression, driven primarily by a less favorable mix of activity.

In particular, we expect that adjusted EBITDA margin in the first quarter of 2022 will be 12% to 14% of consolidated revenue. As we move into the northern hemisphere summer season in the second quarter of 2022 and onwards, we expect that our H2 2022 revenue run rate will approach that of the pre-pandemic 2019 revenues of legacy Expro and legacy Frank's on a combined basis, implying quarterly revenue in the back half of 2022 of approximately $325 to $350 million.

With the benefit of follow-through on incremental revenue and synergies, we expect that adjusted EBITDA margins in the second half of 2022 will be in the area of 20% of revenue. As always, our objective is to enhance long-term value for our

shareholders, employees, partners, and the communities in which we operate.

With that, I will turn the call back over to Mike for a few closing comments.

Mike Jardon: Thank you, Quinn. We ended 2021 on a strong note with excellent fourth-quarter operating performance that demonstrates the potential of our resilient flexible business model. As we look ahead to 2022, we are well-positioned to build on our momentum, given our strong business fundamentals and the tailwinds from broader industry trends. We are gaining more traction in the market to win new business and expand our mandate with existing customers, as our team capitalizes on broader portfolio, best-in-class service quality, and our reputation as an industry-leading well expert with a focus on well integrity.

Leveraging our strong innovation platform, we continue to advance our technology to develop the next generation of solutions to address our customers' needs and support their carbon reduction objectives. We are capitalizing on the industry recovery, as drilling activity continues to ramp up, particularly offshore, and in key growth markets where we are fortunate to have an already strong presence.

As customers increase activity, we are also seeing more demand for carbon reduction solutions across the board. Suffice

to say, we are firing on all cylinders and we are well-positioned to continue delivering excellent service to our customers, while implementing our thoughtful plans to unleash the full power of Expro. I am particularly proud to see how our combined team is coming together to support each other and deliver exceptional service to our clients. Their work is inspiring and will continue to be the bedrock of our success.

I'm excited about entering 2022 as a new company, and look forward to what the future holds for us as we focus on accelerating growth, improving profitability, and enhancing value for shareholders, employees, customers and partners. Thank you again.

Operator, let's go ahead and open it up for questions.

Operator: Thank you. We will now proceed with the Q&A. If you would like to ask a question, please press *1 on your telephone keypad. If you wish to withdraw your questions, you may press *2. Please ensure you're unmuted locally when asking your question.

Today, we'll first begin our Q&A session with a few questions that we have received from our preregistered callers. The first question: Could you provide more detail on how you believe Expro is differentiated in the markets, and what do you believe you are providing that others are not?

Mike Jardon: Great, that's a good question. You know, I always like to think about Expro really in terms of scale, solutions, and overall service. With the new combined company, we have a significant global footprint. This includes operations in all of the key growth markets; that we serve our customers really wherever they operate, and our scale and our geographic footprint is going to allow us to expand our relationship with those customers and ultimately provide them with the same services they rely on, you know, across different regions and different operations.

You know, in particular, we are really well-positioned across many of the key markets where we see strong growth activity potential, in particular North America, the North Sea and the Middle East.

In terms of -- in addition, really a broad footprint. We -- now with the new combined company, we offer an expanded suite of solutions that allows us to serve our customers in all stages of the well lifecycle. So whether customers are beginning new activity, exploration activity, or if they're managing current well flow or completing new wells, we ultimately as a new company have best-in-class solutions that can support that full lifecycle activity.

You know, this (INAUDIBLE) solution not only allows us to serve the customers today, but I think it positions us well to

give us earlier visibility in their future projects, and really ultimately help us anticipate what we can do to support them better in the future.

You know, a good example is in the Middle East, we won a well construction contract, which was our first noteworthy revenue synergy from the merger. We're also very focused on leveraging our strong innovation and technology platforms that allow us to continue to advance solutions that ultimately help support our customers in the industry.

You know, finally lastly, I think while customers oftentimes come to Expro for our solutions, the reason our customers stay with us is because of our excellent service quality. You know, both Frank's and Expro have always been known for our service quality, and really since completing the merger we are already starting to see the tremendous potential of the benefits of this combination from our customers' perspective.

You know, our outstanding service quality was highlighted by the work that I mentioned earlier in the call from the performance of our ESA team in the quarter. You know, I cannot stress how important it is and how really strong of a confirmation it is. When you exceed 97% on customer feedback, it means you're really clicking on all cylinders, and I think it's a real testament to how well the team is performing in ESA.

So ultimately, with the broader footprint, you know, a new suite of solutions and really, really solid service quality, it allows us to really be a tremendous force and allows us to be more of a partner for our customer than the industry.

Operator: The second question: Can you provide more perspective on the industry's energy transition and Expro's role in supporting it?

Mike Jardon: You know, it's an interesting question. I can tell you the energy transition is really -- it's on the top of everyone's mind in the industry. Almost every conversation that I have with our customers and our partners, this is usually if not the very first topic, it certainly is -- it certainly is one of the first topics that we talk about. You know, ultimately around how do we as an industry reduce our carbon footprint.

You know, as I commented earlier, we've really seen from the international super majors an increase in their focus on reducing emissions and ultimately positioning their businesses for lower carbon in a lower carbon world.

In the coming years, I think we're going to expect that the first question customers will always ask for new projects will be around sustainability. And I think that business will be won or lost on whether they can -- you know, as a service company, whether we can help reduce a project's carbon footprint more so than the competition.

You know, one of the things that Expro is really built around is ultimately, we're leveraging ourselves towards a lower carbon world. We believe that our commitment to sustainability and our strong portfolio of carbon reduction solutions is going to be one of our key differentiators.

You know, I alluded to earlier in the call, in 2021, 40% of our R&D efforts, spending, was really focused around solutions to help our customers reduce their carbon footprint and have a more sustainable future. You know, ultimately, we'll allocate almost 50% of our R&D efforts to this in 2022, because I think it's an area we can continue to leverage.

And ultimately, by doing this, we think that we'll be able to develop in advanced solutions that will help play a critical role for our customers as they try to achieve their own admission reduction goals, as well as us reducing ours as a company.

I think the other thing to keep in mind is, as our customers prepare for a lower carbon future is ultimately, you know, our own focus on sustainability and what are we going to do within our own operations. You know, we as a company are targeting a 50% reduction in our carbon emissions by 2030, and the ultimate goal of achieving net zero carbon emissions by 2050.

We think that in doing this, you know, we're really demonstrating to our customers that we truly practice what we preach and we're focused on sustainability, not only in how we help them reduce their carbon emissions but also how we reduce ours as a company as well.

Operator: Our next question comes from Taylor Zurcher from Tudor, Pickering, Holt. Taylor, your line is now open.

Taylor Zurcher: Hey, Mike and Quinn, thanks for taking my question. My first one on the MENA region, had really strong Q4 results in that geographic based segment for Q4. And I'm just curious on 2022, we're in this really constructive commodity price environment. And I was just hoping you could shed some light on the mindset of some of your NOC customers in that region today and what that might mean for growth in the MENA region for you guys over the course of 2022.

Mike Jardon: Yeah, Taylor, good question. I think what we're really seeing is continued investment from our NOC customers in the Middle East. You know, they tend to be more methodical, a little bit more careful on their investment decisions and ramping up activity and those kind of things. But I can tell you in speaking with a number of them, we'll continue to see that. The strong commodity price right now will help with that.

And I think that as we saw the example we highlighted earlier where we were able to leverage a TRS contract in Saudi, I think because we have a good presence with some of the historic legacy Expro business, I think we're going to be able to leverage some of those relationships and really expand our footprint throughout the Middle East.

So I think we are well-positioned as a company. I also think that we'll see overall the industry be strong in the Middle East here as we continue into 2022.

Taylor Zurcher: Yeah, good to hear. A follow-up on free cash flow. So I imagine here -- and I asked this question last quarter as well -- but I imagine some more cash outlays for merger and integration type expenses here in the near-term. But as we think about the full year of 2022, is it reasonable to assume that the cash balance on the balance sheet is likely to build from current levels exiting 2022, relative to today?

Quinn Fanning: That's certainly our expectation, Taylor. You know, free cash flow obviously is defined differently by various people. I guess the guidance we've given today in regards to just EBITDA margins with 12% to 14% in Q1 and ultimately getting to plus or minus 20% in the back half of the year, you can certainly interpolate to get to a guess for Q2. You know, but if you kind of average that out, you're going to be in the 17%, 17.5% area for the year for adjusted EBITDA

margins, and management remains focused on constraining Capex as a percentage of revenue.

So, you know, if you can assume 7% to 8% non-Capex, if you at least use EBITDA plus Capex as a free cash flow proxy, that puts you in the high single-digit area as a percentage of revenue. You know, that is our target is high single-digit free cash flow margin. But we do expect that we will build cash this year, notwithstanding the fact that we do have merger and integration related expenses, including some Capex associated with facilities consolidation. But your basic assumption is consistent with our views.

Taylor Zurcher: Awesome, thanks for the answers.

Quinn Fanning: Thanks, Taylor.

Operator: Our next question comes from James West of Evercore ISI. James, please go ahead.

James West: Hey, good morning, Mike, Quinn.

Mike Jardon: Good morning, sir.

James West: Thanks for the -- yeah, thanks for the guidance for the full year. That was extremely helpful as we think about the integrated business. Curious, Mike, in your conversations with customers, particularly on the offshore environment, I think I understand kind of the cadence of activity because Quinn gave us some numbers for this year. But as we look into kind of

'23, '24, do you start to see really some momentum building for at least a decent offshore cycle?

Mike Jardon: I do. You know, and one of the benefits of us completing the merger is it really has given me a great opportunity to speak with and talk with and meet with an awful lot more customers than even what I normally would. I think today, there continues to be some cautious optimism. I think offshore, you know, circa 60% of the FIDs that are going to be approved are going to be offshore type FIDs. I think we're going to see that momentum start to build in the second half of the year. It's part of the reasons why we've given some guidance around where we see revenue and where we see margins.

I don't think we're going to see the same number of -- massive number of well FIDs approved in the short-term that we historically would have. I think we're going to continue to see operators that are going to approve two, three, four-well projects, and then they'll roll that into another two, three, four wells.

But yes, there's a lot more positive sentiment, and I certainly have much more confidence today in what our activity set that looks like for the end of the year than even what I did when we were going through our budgeting process at the end of last calendar year.

Quinn Fanning: I think, James, the only thing I would tack onto that is if you look at kind of our customer inquiry activity, you know, as Mike points out, what may have been an eight-well campaign that we would've had 12 to 18 months' worth of visibility on in terms of project planning, you know, the customers -- at least the IOCs -- are proving (INAUDIBLE) smaller or more discrete elements.

So if you have an eight-well program, historically it may end up being two separate four-well approvals. And I think one of the interesting knock-on effects of that is that the customer turnaround requests, as an example for subsea completions work, seems to be shortening.

James West: Okay. That's very interesting, okay. Thanks for that, Quinn. And then on the carbon reduction solutions that you provide, are those scoped into contracts at this point where they are specifically asking for those, or is it more of a conversation topic?

Mike Jardon: You know, right now, it's more of a conversation topic. I mean, we're starting to see some -- some requests and some requirements from -- especially from some of more of the European centric operators. It's not compulsory, but there certainly is starting to be some scope and some definition.

I kind of view this kind of like -- in some ways, kind of like HSE performance was 15 years ago. It initially started as you've got to provide your data and then it become a prerequisite. And I think we're in the scope right now of providing data for some of them, and I think that will become more of an industry norm.

James West: Right. Okay, got it. All right, thanks, guys.

Quinn Fanning: Thanks, James.

Mike Jardon: Thanks, James.

Operator: Our next question comes from Ian Macpherson from Piper Sandler. Your line is now open.

John Nutt: Hi, good morning. This is John Nutt stepping in for Ian. My first question is that given that you currently have over $2 per share of cash on the balance sheet and have solid visibility for free cash flow generation, could you please provide a reminder on your capital allocation priorities?

Quinn Fanning: Yeah. Well, in regards to free cash flow, our number one priority is generating it. You know, we have -- we're now one quarter into this combined company, and we'll certainly have a robust dialogue with our Board in regards to capital allocation as we have better visibility on the timing and trajectory of particularly the recovery in offshore.

But we understand what investor expectations are and I'm sure the full suite of alternatives will be on the table,

whether it's incremental organic investment, you know, bolt-on M&A or some repatriation strategy. But I think that's going to be something that plays out over '22. But again, our initial focus is on generating cash flow more so than it is on what we do once we have it.

John Nutt: Okay, great. Thanks for the color there. And then to follow up, you know, we're obviously early in the integration period, and there's naturally some noise in EBITDA adjustments, specifically with stock-based comp and merger and integration expenses. Could you help us think about maybe how these items settle over the next few quarters?

Quinn Fanning: Sure. Well, I guess one thing I'll mention is our expectation is we'll file our quote/unquote inaugural 10-K early next week. And I think a lot of the details in regards to stock-based compensation that will be embedded in that will help you understand more of a go-forward expectation.

But I will point out that the vast majority of the stock-based compensation expense that was recognized in 4Q was essentially a valuation of legacy Expro options based on, I think, an $18.90 price as of the merger closing date. Obviously, we're south of that and certainly south of the average exercise price there, but there is a $40 million-plus expense that was recognized related to the legacy Expro options program. You know -- and again, these details will be available to you in the K.

In regards to merger and integration expenses, we will continue at least for a couple of quarters to recognize severance associated with support costs, rationalization, and both some operating expense and likely a bit of Capex associated with the consolidation of facilities. We were within a couple weeks of closing, consolidated into single headquarters in Houston; you know, recognized some lease abandonment costs in the fourth quarter related to that, and we'll continue to have some of those expenses.

But I think once we get through 2022, the numbers will settle down a bit and you'll see much fewer adjustments. But hopefully, the schedules that we provided with the press release will at least help you cut through the noise and see at least what we consider to be kind of traditional core operational performance.

John Nutt: Great, thanks for taking my questions. I'll turn it back.

Quinn Fanning: Yes, sir.

Mike Jardon: Thanks, John.

Operator: Thank you, ladies and gentlemen. That concludes your conference for today. We appreciate your participation. You may now disconnect.