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# Expo Group Holdings N.V.

Third Quarter 2024 Earnings

## CORPORATE SPEAKERS:

**Michael Jardon**
*Chief Executive Officer*
**Quinn Fanning**
*Chief Financial Officer*
**Chad Stephenson**
*Director of Investor Relations*

## PARTICIPANTS:

**Neil Mehta**
*Goldman Sachs; Analyst*
**Arun Jayaram**
*JPMorgan; Analyst*
**Edward Kim**
*Barclays; Analyst*
**Steve Ferazani**
*Sidoti & Co; Analyst*
**Josh Jayne**
*Daniel Energy Partners; Analyst*

# PRESENTATION:

**Operator**
*Hello, everyone. And welcome to the Expro Q3 2024 Earnings Presentation.*
*(Operator Instructions)*

*I would now like to hand over to Chad Stephenson, Director of Investor Relations.*

*Please go ahead.*

**Chad Stephenson**

Welcome to Expro's third quarter 2024 conference call.

I am joined today by Expro's CEO, Mike Jardon and Expro CFO, Quinn Fanning. First, Mike and Quinn will have some prepared remarks. Then we will open it up for questions.

We have an accompanying presentation on our third quarter results that is posted on the Expro website, expro.com, under the Investors section.

In addition, supplemental financial information for the third quarter results is downloadable on the Expro website, likewise under the Investors section.

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 by such statements.

Such statements speak only as of today's date. And the company assumes no responsibility to update forward-looking statements as of any future date.

The company has included in its SEC filings 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, sec.gov, or on our website, again 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 third quarter 2024 earnings release, which can also be found on our website.
With that, I'd like to turn the call over to Mike.

**Michael Jardon**

Good morning, everyone.

I'd like to start off by reviewing the third quarter financial results summarized in today's earnings press release. I will then discuss the macro environment, which notwithstanding near-term headwinds, we believe supports a solid multi-year outlook for energy services companies with exposure to international and offshore markets, presenting a compelling opportunity for Expro. Finally, Quinn will provide some additional commentary on the just-completed quarter and share some additional financial information.

For a recap of consolidated results and quarterly results by region, I'll direct you to slides 3 through 7 of the presentation we posted to expro.com.

Turning to slide 3, I am pleased to report a solid quarter for Expro, with Q3 2024 revenue of $423 million and Adjusted EBITDA of $85 million, both within our quarterly guidance ranges. Q3 revenue was essentially at the mid-point of guidance. Adjusted EBITDA was at the low end of guidance, largely reflecting a of $7 million negative impact on results of our Congo production solutions project, pending resolution of several variation orders. Excluding such losses we would have been above the mid-point of Adjusted EBITDA guidance for the September quarter.

As anticipated, the sequential revenue decline of $47 million, or 10%, largely reflected the wrap-up of the construction and delivery phase of the Congo project, as well strong Q2 results for our subsea well access business which was driven by PRT activity in NLA and legacy Expro activity in ESSA. Our press release also highlighted sequentially lower well construction and well test activity in NLA. Compared to Q3 2023, revenue was up $53 million, or 14%, largely reflecting the results of PRT Offshore and Coretrax, partially offset by lower revenue from the Congo production solutions project.

Q3 2024 Adjusted EBITDA decreased $10 million, or 10%, sequentially and increased $35 million, or 69%, compared to Q3 2023. In addition to losses recognized on the Congo project in Q2 and Q3 of 2024, note that Q3 2023 Adjusted EBITDA included $15 million of LWI-related unrecoverable costs which were not repeated in Q3 2024.

The business continues to generally move in the right direction, and we remain confident that we are in the early innings of a multi-year upcycle for international and offshore-levered energy services companies that will continue to create growth opportunities for Expro.

Having said that, over the past few months, commodity prices have been under pressure and customers are being more cautious with discretionary spending, increasing their focus on service costs, and selectively delaying the start-up of new projects. As a result, we are seeing moderated growth in certain regions, including NLA.

As a result, we are refining our full-year guidance range to reflect expectations for revenue of between $1.72 and $1.75 billion and expectations for Adjusted EBITDA of between $335 and $350 million.

It is important to note we have an active dialog with our customers related to project timing and scope across all markets. If customers' 2025 budgets, as expected, reflect a more cautious approach, the greatest impact will likely be on short-cycle activity and within the North America onshore market, with long-cycle activity and the international and offshore markets likely remaining the most resilient. We believe that select projects may be delayed a quarter or two, resulting in a slow start to '25 but our leverage to long-cycle development, including deepwater, gives us confidence that Expro's business momentum will be sustained moving forward.

Assuming OPEC+ navigates near-term supply challenges, commodity prices should recover with demand, and activity should gain momentum as we progress through 2025. The energy services industry has essentially no spare capacity, and continued capital discipline should support pricing for the technology-enabled services and solutions that Expro provides. While I am confident that net pricing gains will provide scope for margin expansion as sentiment improves, we have recently kicked off several initiatives to further

rationalize our support costs to improve operating leverage with expected growth. I don't plan to announce cost targets today, but we will incorporate such targets into our 2025 guidance which will be provided when we report Q4 results in February.

Before turning to the regions, I want to highlight that Expro has been recognized in two industry awards. Our Centri-FI Consolidated Controls solution has been selected by Hart E&P's panel of independent judges as winner of the 2024 Special Meritorious Awards for Engineering Innovation in the Digital Oilfield Category. This month, Expro was also recognized as finalists across three categories in the Gulf Energy Excellence Awards. These recognitions reflect our commitment to innovation and leadership within the industry's ongoing sustainability journey.

Now, moving on to the regions…….For **North and Latin America**, third quarter revenue was $139 million, a decrease of $18 million, or 11%, quarter-over-quarter, reflecting decreased activity in well construction, well flow management, and subsea well access activity in the lower 48, the Gulf of Mexico and in Mexico. In South America, the well flow management team had a strong quarter in Argentina and the well construction team continued strong performance in Guyana. NLA Segment EBITDA margin, at 24%, was down from 28% in Q2 2024, reflecting decreased activity and a less favorable activity mix in the region, including what we expect will be a short-term DST hiatus by our primary customer in Mexico.

Additionally, we continue to expand Expro's Remote Boxing Device in deepwater Brazil, following our successful trial that demonstrated the safety and reliability of our solution. The solution's consistent performance delivers value on every connection, with the cumulative potential to reduce over 28 hours of Red Zone exposure of our personnel per well.

For **Europe and Sub-Saharan Africa**, third quarter revenue was $131 million, a sequential decrease of $37 million, or 22%, driven by the delivery of a large subsea project in Q2 and lower revenue recognized on the Congo production solutions project. Segment EBITDA margin, at 24%, was up 3 percentage points sequentially, and down 4 percentage points relative to Q3 2023, again reflecting Q2 and Q3 2024 losses on our Congo project, pending resolution of variation orders.

To expand on our Congo project, the site is 99% complete with only equipment retrofits for items found during commissioning remaining. As mentioned last quarter, the first gas export to the client's floating liquified natural gas facility was within 22 months of the contract. The plant has successfully operated at 10% over capacity to demonstrate the plant's design flexibility. And while our percentage of completion accounting for higher-than-expected costs during Phase 1 of the project have negatively impacted group results, I'm comfortable that we will reach an acceptable resolution of pending variation orders in the coming months.

More broadly, our ESSA business has good momentum as we continue to capitalize on the increased activity in the region. The Subsea Well Access business had a strong second and third quarter, respectively delivering projects in Angola and the Ivory Coast. The subsea team has another large project in Angola that is scheduled for delivery in Q4. Similarly, in Q3 the Well Flow Management team was awarded a well clean-up package to bring 8 new wells onto production in Norway, which is valued at over $10 million. While not a lot of new development is happening in the U.K. due to an unfavorable tax regime, we expect the P&A market to gain momentum in the new year, and we offer several differentiated services that should lead to incremental opportunities in that market. Finally, in Kazakhstan, we progressed an important project where we delivered three well test packages, allowing the client to achieve early production from their field- where we are processing significant gas and condensate volumes.

The **Middle East and North Africa** team delivered another excellent quarter, with revenue at $87 million, up 7%, driven by a full 3 months of revenue from Coretrax. MENA Segment EBITDA Margin, at 35%, was flat quarter-over-quarter and up about 6 percentage points year-over-year.

Within the region this last quarter, we surpassed one million hours of data transmission from our Data-to-Desk, or D2D, solution – an established capability used for transmitting and presenting data from the well site in real time. Users access their data from the well site to any web enabled device, in any location across the globe, ensuring decisions on well performance are based on the latest available data.

Finally, **in Asia-Pacific**, third quarter revenue was $65 million, up 4% relative to the June quarter, primarily reflecting increased activity in Thailand, Australia and an increase Coretrax revenue. Asia-Pacific Segment EBITDA Margin at 25% was up one percentage points from the prior quarter, which reflects the impact of the Coretrax acquisition.

In Brunei, the well intervention and integrity team successfully executed the client's first Distributed Fiber Optics Sensing (DFOS) job in two wells, delivering unique insights that traditional methods couldn’t match. DFOS data helped pinpoint the ideal injection pressure and rates, prevented fracture extension, and minimized integrity risks. It also enabled the client to isolate unproductive zones, optimize the injection profile, and refine future well completions, literally transforming their approach to well performance monitoring.

In terms of commercial activity, we have continued to build on our momentum, capturing roughly $354 million of new contract awards, including well constructions contracts worth approximately $80 million and $31 million in Gulf of Mexico and Angola, respectively.

Our backlog remains healthy at approximately $2.3 billion at the end of the third quarter, including approximately $100 million of Coretrax and PRT backlog, which on an apples-to-apples, is consistent with the end of the previous quarter.

To provide an update on Coretrax, integration efforts are well underway. We are streamlining functional support where it makes sense, and the Expro and Coretrax teams are collaborating on tenders across the world to realize the potential of pull-through revenue synergies.

For example, we successfully performed five expandables jobs for a new client in Kuwait. Their operations team recognized our casing patch products as the preferred solutions for addressing casing corrosion and to provide perforation seals.

In Brunei, we had one of our first cross-Product Line initiatives between Expro and Coretrax, where a Well Construction field supervisor was mobilized offshore together with a Coretrax technician to assist in the running of a CX-2 bridge plug. As just one example of potential revenue and cost synergies, coordination of the Coretrax product line and our regional business development team supported incremental CX-2 activity and we avoided the need to mobilize additional personnel from outside the country.

**Macro outlook**
Turning to our market outlook…despite near-term pressures on commodity prices driven by weakening demand in China and uncertainty around future OPEC+ production levels, we remain optimistic about the long-term outlook for international and offshore services, and we anticipate the demand for our services and solutions will continue to grow in 2025 and beyond as current commodity prices remain supportive of investment in long-cycle development.

Oil demand is projected to outpace supply through 2024, resulting in inventory draws. If OPEC+ continues to delay production increases until late 2024 or early 2025 and successfully navigates near-term supply challenges, commodity prices should recover with demand and activity should gain momentum as we progress through 2025.

Brent crude prices have declined from $80 per barrel in January 2024 to an average of $74 per barrel in September -- the lowest since December 2023 -- despite lower-than-average global inventories and the market being prospectively undersupplied.

Since the end of the third quarter, the ebbs and flows of tensions in the Middle East have pushed Brent spot prices above $80 per barrel and then back to the mid-70s, and the potential for further escalation creates significant uncertainty and volatility within the oil markets. EIA’s assessment indicates ample crude oil production capacity remains available, maintaining their price estimates at $76 per barrel for the remainder of 2024.

Looking ahead to 2025, production is expected to gradually surpass global demand growth as OPEC+ unwinds voluntary cuts and additional supply comes online from the United States, Guyana, Brazil, and Canada. This shift is expected to drive inventory builds, potentially resulting in downward pressure on oil prices absent a better-than-expected demand recovery. Despite

an anticipated modest decline in prices over the course of 2025, EIA currently expects Brent to average of $78 per barrel next year. Importantly, expected prices should still support continued upstream investment and continued investment in deepwater, in particular, due to the cost and carbon advantages of deepwater barrels.

In contrast, global gas markets are demonstrating more stability, and storage levels in the U.S. are expected to keep U.S. prices below $3.00 per MMBtu throughout 2024. However, there is room for upward price movement driven by potentially stronger winter demand, continued global growth in LNG demand, and the impending end of the Russia-Ukraine transit agreement in December 2024.

Overall, the gas market remains generally balanced, with reasonable medium-term support for prices and continued investment in LNG to meet growing demand. Natural gas plays a critical role in reducing carbon emissions in electricity generation and is a key transition fuel towards achieving global net-zero targets.

Despite the negative tone in the equity market, operators remain focused on replacing produced reserves, as evidenced by record levels of FIDs in 2023 and expected sanctioning activity in 2024 and 2025, particularly in the lower-cost, lower-carbon offshore conventional sector. It is anticipated that in 2024, offshore will represent the majority share of greenfield projects with 82% expected to fall within this segment, and 75% in 2025. This trend should support a multi-year demand for Expro services and solutions, particularly in our well construction and subsea well access product lines.

Globally, constructive commodity prices should drive continued expenditures on exploration and production, with near 2015 levels of upstream investment expected. Investment growth is largely driven by the offshore deepwater and shelf segments, with particularly notable projects in Guyana, Brazil, the U.S., Mexico, Saudi Arabia, the Emirates, Norway, and China.

In parallel, operators continue to focus on fiscal discipline, aiming to maximize production from existing assets while simultaneously reducing emissions to meet ESG targets. This focus will continue to drive demand for Expro’s production-related activities, well intervention and integrity technologies, and well flow management solutions. As mature assets approach the end of their economic life, the need for cost-effective plug and abandonment solutions is increasing, which is supporting the decommissioning market and driving incremental activity in Europe and U.S. Gulf of Mexico.

Investments in new energy solutions, such as geothermal energy, particularly in APAC and the Europe and Sub-Saharan Africa region, and carbon capture and storage, primarily in NLA and Europe, are being driven by emissions reduction and net-zero targets. These decarbonization efforts present additional opportunities for Expro’s services and technologies.

In summary, the underlying market fundamentals are set to drive a multi-year expansion for the energy services industry, positioning Expro and similar companies to assist operators in meeting growing demand for energy. Despite near-term uncertainty, commodity prices continue to support upstream investments and activities aimed at extracting resources from existing assets and developing new ones. As such, our company continues to see demand for our people, services, and solutions in support of our customers' activities.

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

**Quinn Fanning**

As Mike noted, we reported revenue of $423 million for the quarter ended September 30 as compared to the guidance range for Q3 2024 revenue of $410 to $430 million that was provided on our Q2 earnings conference call.

North and Latin America was really the only region that came in below Q3 revenue expectations, primarily reflecting lower-than-expected well construction activity the U.S. and lower-than-expected well testing activity in Mexico, partially offset by better-than expected subsea results in the U.S. Gulf of Mexico.

Sequentially, revenue was down $47 million as a result of the non-repeat of a large subsea project in Angola in Q2, and the wrap-up of the construction and delivery phase of the Congo production solutions project, partially offset by higher revenue in MENA, which was driven by incremental activity, plus the additional month of Coretrax revenue.

Our current expectation is that we will see a modest sequential rebound in NLA activity in Q4, in part due to an expected pick-up in well test activity, and good sequential growth in ESSA, largely driven by subsea. MENA and Asia-Pacific should be stable, with modest sequential growth and strong year-over-year growth, largely reflecting additional subsea activity, including PRT activity, and Coretrax.

For reference, revenue for the quarter ended September 30 was up $53 million, or 14%, year-over-year, and was the strongest Q3 revenue since we completed the Expro/Frank's merger in Q4 2021.

Net income for the third quarter of 2024 was $16 million, or $0.14 per diluted share, compared to a net loss of $14 million, or negative $0.13 per diluted share, in the third quarter of 2023.

Adjusted net income, which excludes merger and integration expense, severance and other expense, and stock-based compensation expense, for Q3 2024 was $28 million, or $0.23 per diluted share, compared to a net loss of $6 million, or $0.06 per diluted share for Q3 2023.

Adjusted EBITDA for the third quarter of 2024 was $85 million, as compared to Q3 guidance of $85 to $95 million, representing a year-over-year increase of approximately $35 million, or 69%, relative to the third quarter of 2023. Adjusted EBITDA margin for the third quarter was 20%, up roughly 650 basis points year-over-year.

As Mike noted, the sequential decrease in Adjusted EBITDA reflects lower Well Construction and Well Flow Management revenue in NLA and lower Well Flow Management and Subsea Well Access revenue in ESSA, partially offset by higher revenue across multiple product lines in MENA, driven by incremental activity and an additional month of Coretrax.

Underperformance relative to expectations in Q3 is primarily related to losses recognized on the Congo production solutions project, again pending resolution of several variation orders.

For reference, results for the Congo project are captured within the ESSA segment and included within the Well Flow Management product line.

For sequential and year-over-year comparisons, note that we recognized $1 million of revenue on the Congo project in Q3 2024, $23 million in Q2 2024 and $36 million in Q3 2023. The margin recognized on the project in Q3 2024, Q2 2024 and Q3 2023 was $(7) million, $(12) million and $12 million, respectively.

Also for reference, note that over the last four quarters, ESSA Segment EBITDA margin has averaged ~24%. Excluding the Congo project, Segment EBITDA margin would have been ~30%, or about 600 basis points higher.

Total support costs for Q3 2024 of $85 million totaled 20% of revenue and were flat sequentially. We continue to expect that support costs for the full year 2024 will around 20% of revenue. Corporate G&A is a subset of total support costs and is expected to be between 3.0% and 3.5% of revenue.

Moving to liquidity, Q3 Adjusted Cash Flow from Operations, which excludes cash paid for interest, net, cash paid for severance and other expense, and cash paid for merger and integration expense, was $65 million compared to $64 million in Q3 2023. Working capital consumed approximately $4 million of cash in the quarter.

Total available liquidity at quarter end of was approximately $303 million with cash and cash equivalents, including restricted cash, of approximately $167 million and approximately $136 million available for borrowings on our revolving credit facility. At quarter end, we had $121 million drawn on the credit facility.

Turning to our outlook, page 9 of our accompanying slides summarizes our guidance for Q4 and full-year 2024.

As Mike noted, we are refining full-year 2024 guidance with anticipated revenues to be in a range of $1.72 and $1.75 billion and Adjusted EBITDA to be within a range of $335 and $350 million. Full-year Adjusted EBITDA margin is expected to be ~20%.

Cash taxes for the year is expected to be within a range of 3.0% and 4.0% of revenue and capex as a percentage of revenue is expected to be within a range of 7% and 8%.

Moving to guidance for Q4 2024, revenue is expected to be within a range of $440 and $470 million, implying sequential and year-on-year growth (at the mid-point of guidance) of ~8% and ~12%. Adjusted EBITDA is expected to be within a range of $90 and $105 million, implying Q4 Adjusted EBITDA margin falling within a range of 20% and 22%. The high end of our guidance for Q4 revenue, Adjusted EBITDA and Adjusted EBITDA margin, in part assumes a favorable resolution of variation orders on the Congo project.

Looking ahead, we have previously stated that the current fundamental backdrop and underlying business momentum provides us a clear path to $2 billion of run-rate revenue, a mid-20s Adjusted EBITDA margin and a Free Cash Flow margin of 10% over the medium-term. We continue to believe that the markets to which we are most levered, and our market position will ultimately support these medium-targets. However, as Mike noted, given recent market headwinds, we expect that 2025 may start slow and that pricing gains may be more challenging absent an improvement in market tone.

As a result, achieving these medium-term targets might be more within a 2026 timeframe. In the meantime, we will continue to focus on integrating the businesses that we have acquired and improving margins by continuing to optimize our cost structure.

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

**Michael Jardon**
Thank you, Quinn.

Expro has accomplished a lot year-to-date 2024 with solid financial performance. Some key highlights include the acquisition of Coretrax, which enhances our depth of talent and the capabilities of our product offerings and the successful integration of the PRT Offshore team.

As Quinn stated, we believe the fundamental macro backdrop, while setting up to provide only modest near-term growth, should provide a multi-year upcycle for the international and offshore sectors.

We continue to enhance our ability to support our customers through the cycle with our cost-effective, technology-enabled services and solutions, which we believe can deliver enhanced returns to our shareholders. Based on project sanctioning levels and customer dialog, we are confident in our future prospects and believe we have a clear path to sustain momentum for the remainder of the decade.

We are confident that our talented global team's commitment to excellent execution and advancing our strategic initiatives will enable us to champion safety, deliver best-in-class service across the life-cycle of the field and capitalize on organic and inorganic growth opportunities.

With that, we can now open the call for questions..

## QUESTION & ANSWER:

**Operator**
*(Operator Instructions) First question comes from Neil Mehta with Goldman Sachs.*

**Neil Mehta**
I guess a couple of questions on the outlook. You did a great job kind of helping us understand the last quarter, but can you just talk about the revision to the 2024 outlook in a little bit more detail and what were the most important moving pieces. And then that kind of bridges me to the follow-up, which is, as we think about the path to 25% adjusted EBITDA margin and $2 billion of revenue, how should we think about the building blocks to get there and help the market get confidence around that? So two related questions.

**Quinn Fanning**
Thanks, Neil. I'll start and then Mike can supplement.

So the midpoint of our current guidance is about 5.5% below the midpoint that we laid out on the Q2 call. Really, as I mentioned, performance relative to expectations for the third quarter, setting aside the Congo project, which we can touch on as well, is really in the North and Latin America market. We've had, as Mike mentioned, what we believe will ultimately be a temporary hiatus in DST activity as part of a customer's cost containment efforts.

Similarly, in the Gulf of Mexico, we had weaker performance in the well construction product line in particular, and to a lesser extent, well testing. There's weather in the Gulf of Mexico, certainly in the third quarter that had an impact. So the lower well testing activity in Mexico was separate and apart from that.

So I guess from our perspective, the business is moving in the right direction, NLA has some soft spots that we just talked about.

So I guess as we kind of look forward, getting back to the momentum that we thought we had 60 days ago was really just to a function of customer budgets, or spending plans, and we think it's going to start a little slow given the market tone and the commodity price backdrop, but the sanctioning activity has been high, it's expected to remain high in the international offshore markets, so we should be a primary beneficiary of that.

So we may have a little bit of zigzagging over the next couple of quarters. But by and large, we think that the market is going to play to our favor. Again, getting to the higher end of the current guidance probably requires favorable resolution of the Congo project variation orders. There's potentially some upside in terms of an extended activity season in the Northern European markets. And if we see a return to the historical activity that we had in Mexico, that should probably help as well.

But I would say Asia Pac, MENA continue to perform strongly. ESSA is we're going to have a good quarter, we believe in the fourth quarter with Subsea project deliveries in Africa. And NLA, at least in our minds, is the biggest question mark in the short term.

**Michael Jardon**
Yes. And Neil, I guess a couple of things I would add is in the discussions that I'm having with customers, and to be honest, really over the course of the last 30, 45 days, I really kind of tried to redouble the efforts around that to understand where their thought process is at, and those type of things. And I'm certainly not seeing project sanctioning is not going to happen or those type things.

I think there's just some choppiness right now. I think that the fact that there happens -- that we happen to be an election season in the U.S. is providing a little bit of uncertainty, ongoing what's going on in the Middle East and in the Ukraine, which quite frankly, probably becomes more clear how those two areas will play out given post election results in the U.S.

I think that's kind of creating some uncertainty in the short term and whether that's another month or another two months or another quarter, I think, is to be flushed out. But I'm certainly not hearing anything from our customers where they're just not going to move projects forward. And I think if you look at some of the longer-term indicators, the tree order backlogs and what's happening with some of the rig rates and what's happening with some of those kind of things, that's why we continue to see strength in activity through the tail end of the decade.

And then the only other comment I would make, and Quinn touched on it for Q4 here. Part of this is dependent upon the resolution we end up with on the Congo project. Keep in mind, that was a fast-track project. The nature of it was such that the variation orders would be agreed upon post the commissioning of the facility because it was intended to be fast track.

It's a little bit unique, and we've taken a very careful approach because of project accounting guidance and those type of things, both in terms of how we reflect this thing in Q2 and Q3. And until we have more real clear certainty, i.e., signed variation orders, we're going to continue to be careful and methodical with that.

But quite frankly, that was a project that was delivered 30% quicker than typical projects of that size and met the requirement for the operator. And it's a facility we've been able to demonstrate has because of the design has a lot of flexibility in which we've been able to operate the facility at 10% greater than of the desired capacity.

So there's a lot of those kind of things. There's just a lot of moving pieces and parts that we'll look to get resolved here in the coming couple of months.

**Neil Mehta**
And then just a follow-up, if you could talk about the bridge to that $2 billion and the 25% EBITDA margin. It sounds like you're thinking it could be a '26 event. What are the milestones we should be watching to suggest that you're moving towards that?

**Quinn Fanning**
I guess just focusing on margins for a second. Really three building blocks that we've talked about on previous calls. Number one is going to be the activity set in the market. We think it's going to be, again, a slower start to the year. So if you kind of slide our expectations two quarters. That's kind of where our heads are at right now.

But it's activity mix, it's operating leverage, and it's pricing. And if the activity mix because of a slower ramp-up in drilling completions activity is the case, that shifts things out a bit.

As we've talked about in the past, our drilling completions levered businesses tend to come with the highest margins. So if activity and pricing is going to be less part of the story in the short term, we're focused on maximizing operating leverage and that's why Mike mentioned that we have some cost initiatives.

So we've got more than one tool in the tool kit, and we may be emphasizing the cost side of things more so in the short term than the tailwind that comes with pricing or for that matter, a more favorable activity mix.

So I think 60 days ago, we would have said that we would probably, at some point in 2025, we have that $2 billion run rate and a nice glide path towards the mid-20s EBITDA margins. And I still see that in our near-term future, just probably shifted out a couple of quarters.

**Operator**
We now turn to Arun Jayaram with JPMorgan Chase.

**Arun Jayaram**
I wanted to maybe first start with Congo. Mike, my understanding is that you're delivering the plant in the third quarter, and then you would soon be shifting to the O&M piece, which is the eight-year contract. Is that still correct? And is it fair to say that some of the losses that you reported in the last couple of quarters, are those in the rearview mirror? And if you do get some resolution of the change orders that, that could potentially be booked into earnings in the fourth quarter. Just give us a sense of how the profitability of Congo goes from here? And what's embedded in that fourth quarter guide in terms of Congo?

**Michael Jardon**
Sure. No. It's a great question and I appreciate the opportunity to clarify it.

So fundamentally, yes, we will go operational and move into the O&M phase here in any day now so to speak, the facility is up and running already, but the handover portion is about to be completed.

So we will move into that O&M phase. And that's part of the question around some of these outstanding variation orders is are they going to be tagged as part of the upfront build phase or are they going to be added into the O&M phase. And so that's part of what we're working our way through with some engagements with the customer.

Overall project economics will -- may change a little bit based upon the build phase or the O&M phase based upon the resolution of those variation orders. But as I said a few minutes ago, fundamentally, 30% quicker than historical facilities have been delivered. We have the production capability, the capacity capability to ramp up to over 10% (of required capacity).

So there's a lot of those kind of positives. And it's just working our way through a fast-track project to get those kind of things resolved and ironed out.

**Arun Jayaram**
Okay. Got it. And then have you -- in terms of the fourth quarter guide, have you -- what are your assumptions around Congo just to be specific?

**Quinn Fanning**
Yes. So as I mentioned in my prepared remarks, at the high end of guidance, we're going to have some margin recovery in the fourth quarter on the Congo project.

As Mike mentioned, whether or not that is essentially resolved as part of the construction phase, which would benefit Q4 or Q1 results or if it's tacked on to the O&M phase, that will be spread over a longer period of time. So I think that's a big question mark in terms of where we fall in the guidance.

But maybe just to put things in context, the midpoint of the range that we're talking about is a little over 2% shy of where we established guidance at the beginning of the year, certainly moving to this upper half of the guidance as we revised things on the Q2 call is perhaps unfortunate retrospect. But we're still just 5.5% lower from where we revised guidance to, call it 90 days ago.

So certainly, whether we're off 2% relative to the initial guidance for the year or 5.5% relative to the guidance we provided on 2Q, with a 40% stock price correction over 90 days, the equity market seems to have a more negative view of the outlook that we do.

**Arun Jayaram**
Yes. Fair enough. Maybe my follow-up is just to maybe, Mike, to understand what's your sense on the ground of trends in Mexico? And obviously we had a handoff at the government level. So I know there's been a little bit of a slack in activity. But what are you seeing on the ground? And maybe just remind us about Expro's exposure to Pemex in terms of your NLA segment?

**Michael Jardon**
Sure. So there has been -- there's been some governmental transitions in Mexico. There's been some Pemex leadership transitions -- and quite frankly, if you have asked me that question last week, I would have a different answer than what I have today because we're seeing from an exploration standpoint, a more historic kind of fact pattern of behavior that we're seeing today than what we were seeing 30 days ago.

So I think that's just kind of a bit of a process for them to sort through. The exposure we have in Mexico is largely around some of the exploration testing, a little bit of well construction. And those exploration tests tend to be pretty chunky revenues and whether it's they don't have success, so they don't test the well or it's -- they're trying to spend their exploration budgets very judiciously like they've kind of acted like here recently. That's most of what our exposure is and activity is.

We do a lot of that through third parties as opposed to -- we partner with other service providers as opposed to us having a direct relationship with Pemex.

**Operator**
Our next question comes from Eddie Kim with Barclays.

**Edward Kim**
Just wanted to touch on the outlook for next year. It seems like your views on next year have kind of come down a bit versus three months ago, especially with kind of the medium-term guidance, $2 billion revenue, 25% EBITDA margin is getting pushed out a few quarters. Is that

related to the white space concerns for next year that the offshore drillers have been telegraphing over the past two to three months or is it something different?

**Michael Jardon**
Eddie, I guess what I would say is that we're in the very early phases of our budget process for 2025. And we really do kind of a bottoms up, with a high level of granularity. So it's based upon a lot of customer -- specific customer -- feedback on projects. And we're not -- as I said, we're kind of in the early innings of that.

I think our commentary is more based upon some of the sentiment, some of the feel. I'm not getting the white space concerns and the white space issues translate into our activity from my direct conversations with customers.

But I think we're trying to be sensitive to some commentary from others around moderated activity in 2025 offshore international, not the same high single-digit growth. It's kind of more single-digit growth.

I think we're trying to be more sensitive to that. And once we kind of go through our budgeting process, it's based on very specific customer project feedback here over the course of the next 45 days, we'll have a better sense of how that kind of translates into the activity going into 2025.

I think it really is -- I think we may have 2025, it may be really the tale of two halves. I think you may have on activity rate in the first half of the year, and I would anticipate that the activity rate in the second half of the year is going to be in a much greater slope, which is going to provide some operational challenges, but that's kind of my sense of how we may see things play out in 2025.

**Edward Kim**
Okay. Understood. And then my follow-up is just on net pricing. You previously talked about net pricing gains in the second half of this year to contribute about 100 to 200 bps to the overall EBITDA margin uplift this year. Is that still the expectation?

And then looking ahead to next year, I understand the net pricing gains might be difficult next year, which you alluded to. I mean -- how much of a contribution, I guess, to any margin uplift next year, should we expect is that, if at all?

**Michael Jardon**
Yes. Eddie, I think it really -- my view is the net pricing impact here for the back half -- for the back half of 2024 is really not different than what we said in the last quarter.

We are project by project, we try to get as much of a pricing adjustment as we can, certainly in terms of net pricing I think how we set ourselves up for 2025, partially is going to depend on what is the slope of that first half activity set versus the slope of the second half activity set.

My feel if it plays out that way, that we're probably going to see more of the 100-ish basis points of impact in the second half of 2025 would be my sense today.

But again, we're very, very early innings of our budget process which again, because it kind of goes through a project by project, we start to see how the previous pricing levels kind of feather into that activity set for next year, but that would be my sense.

Quinn, do you have anything different you want to add?

**Quinn Fanning**
I think the -- I mean well construction, in particular, and the drilling completions levered activity more broadly, we are getting pricing as we've said in the past -- the work that we have in backlog is at better pricing than the work that we've been executing to date, whether that moderates with this more negative tone in the near term, is an open question.

But I think it's going to come down as it does with most things to supply and demand and the capacity constraints within deepwater well construction and the landing string-driven business remain sort of technology-enabled services where you should be able to get pricing, and we have been getting pricing and whether or not that progresses or not, again, is probably the big question.

So we had anticipated up to 200 basis points of margin benefit in '24 from pricing, that probably would have gotten us to the high end of the guidance that we had initially established of 20% to 22% EBITDA margins. And we're -- based on the current guidance, backing down closer to plus or minus 20% for the year. And we'll finish out Q4 somewhere in the 21%, 22% ZIP code or 20% to 22% ZIP code. And clearly, that's off from where we thought we'd be 60 days ago or 90 days ago.

**Edward Kim**
Understood. And I appreciate we're a bit early on 2025. So I appreciate all the color.

**Operator**
(Operator Instructions) We now turn to Steve Ferazani with Sidoti.

**Steve Ferazani**
Mike and Quinn appreciate the color and responses this morning, to give us a little bit more understanding where things might be going.

Can you talk a little bit about the new contract awards, which were very solid, and backlog, which is back up, the backlog that you're getting from Coretrax and PRT. Trying to get a sense of what's embedded in some of these more recent contract awards was embedded in margins? And are you seeing what you're getting in backlog to be better pricing, somewhat better pricing than what you're reporting right now?

**Quinn Fanning**
Somewhat better is probably the best characterization. So again, it's really the drilling and completions levered businesses in particular, what we've described as capacity-constrained asset classes in deepwater well construction and subsea.

I think as was a general matter, we've gotten 10%, 15% benefit in the repricing of deepwater well construction and Subsea Well Access pricing. But it's not across geographies and it's not covering all of our product lines.

So again, certain product lines are moving in the right direction, others are less so.

**Steve Ferazani**
To get to that medium-term target by 2026 still implies double -- at least double-digit top line growth in '25 and '26, you're still comfortable with that?

**Quinn Fanning**
I think we'll hold off on providing revenue or other guidance for '25 until we get through the budget season. But to get to those medium-term targets seen in our slides, contemplates plus 10% top line growth. And that's certainly not what we're expecting in the very short term. We think it's more of a 26' event, not '25.

**Steve Ferazani**
Synergies and how you feel so far about Coretrax and where that's trending and your growth opportunities for Coretrax, what you're thinking now versus maybe 90 days ago when it was still much more recent?

**Michael Jardon**
Yes. I mean it's -- we continue to be very excited about Coretrax. It's always -- it's always a little bit tricky when you get completely under the tent is what you really thought it was. And what I can tell you is we've not seen anything that has been a surprise.

One of the challenges, I actually had dinner last night with some of the Coretrax team and part of the conversation we had was really making sure that we rank and prioritize the countries we're going to go to, to pursue first because we operate probably in 10 or 12 countries today on Coretrax, and we can't go to 60 tomorrow.

So we're going to focus on the right ones that can have the most impact in the right order, but it's great technology. One of the things that the Coretrax team was so excited about was they have so many more customer touch points in markets like Latin America and which Coretrax was very underrepresented. They have a lot more customer -- contacts, a lot more customer engagements there.

So from a revenue synergy standpoint, it's tremendously positive. This was never really about cost synergies. It was really more around cost avoidance. So some of the back office support and those type of things that we need in Coretrax, some of the engineering efforts and finance and IT and HR, we're going to be able to supplement that.

So it's a great opportunity for us, and we continue to be really excited about it. And hopefully, we can continue to accelerate the growth on that business.

And it's similar to what we've seen out of the PRT acquisition as well or even DeltaTek. It's technologies, we thought we were getting really, really high-performing teams -- and it's really around how do we internationalize those and how do we make sure we go to the next 10 countries. We need to get those in the right order to maximize the potential.

**Operator**
Our final question comes from Josh Jayne with Daniel Energy Partners.

**Josh Jayne**
So if we take a step back and just think about a lot of the issues that you're trying to solve for in your business, specifically in deepwater. There's, let's call this white space, for the next 12 months, that's fine. But day rates are still elevated for a lot of the contracts that have been signed. And so I would assume the value proposition hasn't changed for a number of your products. Could you speak to that a little bit?

**Michael Jardon**
Yes. I mean Josh, I think it's a fair question. I -- my sense is -- because let's keep in mind, the white space, it has an effect on some of the drillers but not all of them. And we're active on a wide number of 130-ish floating assets. We're active on probably 70 of them, I would say, with some different type of services.

So I think that white space impact is probably going to be more of a first half of the year phenomenon. You continue to see some really strong healthy day rates that are being contracted, part of this is around efficiency and those type things. And that's why I highlighted in our prepared remarks around CENTRI-FI, some of the things we're doing around some of our DeltaTek cure technologies, those really bring tremendous operational efficiencies on the rigs. And with elevated day rates, even whether it's short, medium or long term, when you can bring technology to bear that reduces -- significantly reduces the amount of operating time, the

amount of time waiting on cement and those kind of things, it has a real financial benefit for the customers.

So that's kind of see how I see that playing out. That's part of the reason why my view and what I commented earlier was I think we may see two different slopes of activity growth in 2025. And yes, I think it kind of corresponds a little bit to some of the potential uncertainty with the white space.

**Josh Jayne**
For sure. And maybe you could just speak to -- you've obviously been pretty active in M&A over the last couple of years. And maybe one of the positives of the correction in oil prices from what we've seen over the summer is the potential for more opportunities for you.

Could you just talk, if at all, how the correction in oil pricing at the number of opportunities you've been able to look at over the last three to six months and how that potentially has changed your outlook and how you're thinking about uses of capital going forward?

**Michael Jardon**
Sure. It's another really good question. What I would tell you is we -- we have a full-time dedicated corporate development team, albeit a small team, but we continue -- we've looked at a large number of potential combinations over the course of the last several years.

We continue to work hard on that. For us, it's always going to be the industrial logic that has to lead these thought processes.

We want to become more relevant to our customers. We feel like that's something that's highly important because I firmly believe that if we become more relevant to our customers, we can explain to investors and to analysts why being more relevant is better for us as a company.

At some point in time, today we're highly leveraged to the drilling and completion phase of the industry to kind of more our customers' CapEx spend. We think that's a good place to be given where we believe drilling completions activity will be for the remainder of the decade.

But at some point in time, we're going to want to have a greater exposure to our customers' OpEx spend, so more production-related, more production optimization, more intervention related. So we continue to look at different aspects and different opportunities.

I don't necessarily look at the commodity price correction as a better or worse opportunity for us. We look at the long-term industrial logic and long-term valuation aspects of these kind of things.

But yes, long answer to say we continue to look at things that would help strengthen us and help us become more relevant to our customers and subsequently more relevant to the market.

**Josh Jayne**
Okay. And then maybe just one quick final one to ask a question on 2025 a different way.

I know in your prepared remarks, Mike, you talked about -- and maybe this is a question for Quinn, you talked about you aren't going to call out cost targets for next year at this time. But maybe just at a high level, is there any way you could discuss the things that -- the type of things that you're targeting, obviously there's going to be synergies from the M&A that you've done. But maybe just talk about some of the cost opportunities in the business looking into next year. So that even if we are in a flattish rig count environment, you guys can still pull through margin expansion.

**Michael Jardon**
Sure. No -- and I'll start off and let Quinn add some additional commentary.

So this was something that we kicked off really about 60 days ago. So this is -- this was prior to any commodity pricing softness and those kind of things. And we've really undertaken an initiative because what we really want to do is -- we really have to figure out how are we going to do less with less.

So how do we start to become more efficient? How do we drive more operating efficiency, those type things. And that's really what the initiative is about. And if we would have said, okay, we want to do these things over the course of the next 18 to 24 months if we're going to have a softer 2025 in the market than what we'd anticipated, then we're probably not going to be talking about a 24-month timeframe. We're probably going to be talking about a 9- to 15-month timeframe.

So what kind of -- we'll kind of double down on what our efforts are there, so we can take those kind of things out. For us, this is not just about going through and making -- just making a head count reduction. That's not what it is. It's really around some of our operational efficiencies, some of our internal processes, whether it's in finance or it's in supply chain, those kind of things really kind of drive that kind of operational efficiency.

It's not just about headcount, but it's simplifying our business. It's making our business more efficient. It's utilizing technology more to our benefit to help accelerate things.

**Quinn Fanning**
And I think that we have made significant investments in systems, I mean this is not a novel concept, but investing a bunch in technology or an ERP platform in order to do bad processes faster is not what we would consider to be a win.

So we've made the investments in technology, we're trying to take a fresh look at our underlying business processes where there's inefficiencies or redundancy within our matrix organization, whether there's scope for incremental rationalization of support, whether there's opportunities to either centralize more in the existing centers of excellence or whatever, but it's -- yes, there's a cost benefit associated with it, but it's really about creating operating leverage with growth. And if we're in a lower growth environment in the short term, maybe it's more focused on what -- where can we squeeze out more margin in the short term.

But the real long-term objective is to make sure we get margin expansion with revenue growth and, as Mike said, trying to do less with less.

So I think that's what it's about, and we'll have pretty specific targets internally, and we'll articulate those in some form or fashion in February when we provide Q4 results.

But as I mentioned earlier in the call, we've got three tools in the toolkit in terms of margin expansion, whether it's activity mix, pricing or operating leverage, the fact of the matter is, in the short-term, operating leverage has become more important than the other two but all three should play into getting us to that mid-20s level that we've talked about.

**Operator**
Ladies and gentlemen, this concludes our Q&A and today's Expro Q3 2024 earnings presentation. We'd like to thank you for your participation. You may now disconnect your lines.