February 25, 2025

Expo Group Holdings N.V.

Fourth Quarter 2024 Earnings

CORPORATE SPEAKERS:

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

PARTICIPANTS:

Edward Kim
Barclays Capital, Inc.; Analyst
Atidrip Modak
Goldman Sachs & Co. LLC; Analyst
Grant Hynes
JP Morgan; Analyst
Steve Ferazani
Sidoti & Co; Analyst
Josh Jayne
Daniel Energy Partners; Analyst

PRESENTATION:

Operator
Hello and welcome to the Expro Q4 2024 Earnings Presentation. My name is Carla and I will be coordinating your call today. [Operator Instructions]

I would now like to hand you over to Chad Stephenson, Director Investor Relations to begin. Chad, please go ahead when you're ready.

Chad Stephenson
Welcome to Expro's fourth 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 fourth quarter results that is posted on the Expro website, expro.com, under the Investors section.

In addition, supplemental financial information for the fourth 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 fourth 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 fourth quarter and full-year 2024 financial results as was summarized in today's earnings press release. I will then discuss what I would characterize as a dynamic macro environment -- which despite our expectation of a near-term moderating of upstream investment -- we believe supports a positive, multi-year outlook for energy services companies with exposure to international and offshore markets. Finally, Quinn will provide some additional commentary on the just-completed quarter, the full year, and share some additional financial information.

For a recap of consolidated results and quarterly results by region, I'll direct you to slides 2 through 7 of the presentation we posted to expro.com.

Turning to slide 2, I am pleased to report a solid quarter for Expro, with Q4 2024 revenue of $437 million and Adjusted EBITDA of $100 million, or 23% of revenue. Q4 Adjusted Cash Flow from Operations and Free Cash Flow were $115 million and $75 million, respectively.

Of note, Q4 2024 results reflect our best financial performance in terms of Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Cash Flow from Operations and Free Cash Flow since we closed the Expro/Frank's merger in October of 2021.

The sequential increase in revenue of $14 million in the fourth quarter was primarily due to increased activity in Angola within our subsea well access business, and higher well flow management services in Algeria, Iraq and Saudi Arabia. Compared to Q4 2023, revenue was up $30 million, or 7%, again reflecting a strong quarter for the subsea well access business as well as results of the acquired Coretrax business, partially offset by lower revenue from our Congo production solutions project.

As highlighted in our press release, we recently resolved outstanding variation orders related to the Congo project, allowing us to successfully close out the construction and commissioning phase of the project. Our customer also approved an adjustment to the contract rate for the multi-year operations and maintenance, or O&M, phase of the project to incentivize higher through-put from the Expro-built onshore pre-treatment plant and our provision of additional services for the facility.

Our customers continue to highlight their desire to optimize production from existing wells and assets and reduce their emissions, and the Congo project is an excellent example of how we enable our customers achieve these objectives.

I congratulate our production solutions team for developing and delivering a cost-competitive, differentiated solution for this important customer, and doing so within a very ambitious timeline. With 800 team members working at site over 22 months, we also achieved nearly 1.9 million hours without an HSE-related lost time incident. This is a significant milestone, the achievement of which all my Expro colleagues can take pride.

For full-year 2024, Expro delivered revenue of $1.7 billion, up 13% year-over-year, with performance led by the North and Latin America, Europe and Sub-Saharan Africa, and Middle East North Africa regions, with the growth of MENA, in particular, being bolstered by the Coretrax acquisition.

Full-year Adjusted EBITDA was $347 million, or 20% of revenue, and was up 40% year-over-year in dollar terms. Adjusted EBITDA margin was up approximately 400 basis points year-over-year and up approximately 800 basis points relative to combined results for legacy Expro and Frank's International over the four quarters prior to our completing the merger.

In terms of commercial activity across the company, we have continued to build on our momentum, capturing roughly $314 million of new contract awards, including contract extensions worth more than $50 million for plug and perforation solutions in Argentina, $35 million for tubular running services in Norway, and $25 million for well test and TRS in the UK.

Our backlog remains healthy at approximately $2.3 billion at the end of the fourth quarter, which is consistent with the end of the previous quarter.

During the past year, our team managed the business through a dynamic macro environment and, starting in H2 2024, a more subdued short-term growth outlook for the sector as customers adopted a more cautious approach around mid-year due to concerns about a potentially oversupplied oil market.

Macro outlook
In fact, the oil market remained relatively balanced and prices were generally stable over the fourth quarter, with continued production restraint and a focus on price stability from OPEC+ largely offsetting an apparent reduction in geopolitical risk premia and tepid demand growth, particularly in China.

The U.S. Energy Information Administration is currently forecasting global liquids demand to average 104.1 million b/d in 2025, an increase of approximately 1.3 million b/d over 2024. Demand is expected to grow by a further 1.1 million b/d in 2026 to average 105.1 million b/d.

The EIA forecasts that global liquid fuels production will grow by 1.8 million b/d in 2025 to average 104.4 million b/d. Global liquid fuels supply is then predicted to grow a further 1.5 million b/d in 2026 to average 105.9 million b/d. Production growth in 2025 is due to a combination of an expected relaxation of OPEC+ production cuts and further production growth from countries outside of OPEC, including the U.S., Canada, Brazil and Guyana. OPEC+ countries are expected to contribute 0.2 million b/d to global supply growth in 2025 as voluntary production cuts are expected to gradually unwind whereas countries outside of OPEC+ are expected to collectively increase production by roughly 1.6 million b/d.

With a relatively well-balanced outlook for demand and supply, oil prices are expected to see modest upward movement in early 2025 amid global oil inventory withdrawals before beginning a modest decline from mid-2025 through to 2026 as expected global oil production modestly outpaces what is currently expected to be relatively weak demand growth.

EIA currently forecasts that the Brent price will average $74/bbl in 2025 and $66/bbl in 2026; however, several uncertainties are not factored into this outlook, not the least of which is the impact of new sanctions on Iranian exports and the go-forward volume and destination of Russian exports if there is a negotiated peace deal between Russia and Ukraine.

As a general matter, if customers have confidence that oil prices will remain above $65/bbl to $70/bbl, we believe the outlook for our business will be stable to positive, largely due (i) what is expected to be steady to modestly increasing global liquids demand through 2030, and (ii) the break-even cost and carbon advantages of deepwater barrels.

The global gas market remains fundamentally tight, likely supporting prices and significant investment through the remainder of this decade. In the near- to medium-term, replacing lost Russian pipeline supplies, growth in U.S. LNG export capacity, energy security, and diversification of supply will remain key themes in the industry. Longer-term, there is massive upstream and infrastructure investments required to support AI- and data center-driven demand and we believe gas will remain the most cost-competitive transition fuel toward renewables, if not a structural source of lower-carbon electricity generation.

Translating the commodity backdrop to what it means for our business, a high cadence of sanctioning activity is forecast to continue in 2025, maintaining levels observed in 2024. The majority of new projects are expected to be in the lower-cost, lower-carbon offshore segment. Offshore project approvals are expected to account for 72% of greenfield capex in 2025, growing further to 75% of all final investment decisions in 2026. Consequently, a sustained level of project sanctioning by operators should support growth in demand for the services and solutions that energy services companies provide. We believe Expro and other companies that are more levered to international and offshore markets will be better positioned on a relative basis.

Customer opex spending is also set to continue growth in 2025, facilitating increased brownfield activity as operators remain focused on cost-effectively increasing production from existing assets and reducing their emissions. Like deepwater development, we believe cost-effective and carbon-advantaged production enhancement will be a secular theme, and adding additional exposure to opex-funded, production optimization activity remains a strategic objective for the company.

Overall, we expect upstream investment to be stable to up modestly in 2025 compared to 2024, with several geo-markets, including the US onshore market, Mexico, the UK, offshore Saudi Arabia and offshore Australia, currently expected to contract. Other markets, including U.S. offshore, Guyana and Norway, should be relatively stable. And still other markets such as Brazil, Argentina, onshore Saudi, the Emirates, and onshore Australia, should provide scope for growth.

For Expro, our 2025 outlook is for stable -- if not modest growth in -- revenue, and stable- to improving margins, reflecting (i) the relative size of our businesses in the markets that are expected to decelerate and the markets that we expect to be more resilient; (ii) strong relationships with blue-chip, global operators; (iii) an ability to offer differentiated services and solutions; (iv) our recently initiated operating efficiency campaign; and (v) strategic and margin-accretive acquisitions.

We remain focused on building a business that is relevant and resilient, and one that more consistently delivers strong financial results. We continue to invest in high return projects and

opportunistically pursue smart, synergies-focused acquisitions to broaden our portfolio of cost-effective, technology-enabled services and solutions, enable margin expansion, and capture the opportunities that should come with global economic growth, increasing demand for energy, and security of supply considerations.

Investments in our core businesses, such as well construction, have allowed us to remain on the forefront of the industry and we continue to offer leading edge technologies to the market, which is demonstrated through several of the contract awards that were highlighted in our press release, including the first deployment in West Africa of our AI-enabled iTong, the industry's most advanced tubular make-up solution.

Similarly, offshore Saudi Arabia, we successfully displaced conventional plug manifolds through our first deployment of the Wireless Dropping Cement Head with SKYHOOK™. This follows the successful deployment by one of super majors of our cement head with SKYHOOK in Trinidad. Like iTong, our cement head system with SKYHOOK creates operational efficiencies while improving safety by removing personnel from the red zone.

Performance is a differentiator in markets like Saudi, and while Aramco has announced the suspension of several jackups and the deferral of several offshore development projects in 2024, our operational success with cementing and other technologies has resulted in additional opportunities and revenue growth.

Within our well intervention and integrity business, over the last several years, we have selectively invested in deployment solutions to facilitate the introduction of cased hole services and data acquisition and data interpretation capabilities. Compared to our traditional mechanical slickline business, this has resulted in a higher-quality, opex-funded business with improved margins and better returns on invested capital. For example, revenue generated from our well intervention and integrity business in Brunei business is about 50% larger than it was three years ago, and margins have improved by about ten percentage points over the same timeframe.

More value-adding intervention capabilities have also led to recent contract awards such as in Algeria, where we achieved the first commercial deployment of our distributed fiber optic sensing, or DFOS, capability as well as new, multi-year wireline and cased hole services contracts.

Overall, our well intervention and integrity business is expected to be a +$300 million business in 2025, with contribution margins in the low 30s, which lags our drilling and completions levered businesses, but is a stable, production-levered business. Margins continue to move in the right direction as a result of investments in technology and cost discipline.

Within well flow management, Expro recently partnered with Petrobras to develop a new flow meter technology, which will provide flow rates and identify flow patterns, generating online and real-time data availability for remote monitoring and control to increase efficiency and optimize the production of wells. The key requirement in this technology development is the non-intrusive aspect of the clamp-on design, as well as the absence of any radioactive sources.

Our global operating footprint and service delivery franchise also provide a platform to deploy value-adding services and solutions through technology and business acquisitions. You can see our global platform at work through the commercial success of Coretrax in markets that are new to Coretrax following our acquisition of the business in May 2024.

A great example of this is offshore Qatar, where a client recently deployed Coretrax's HyPR HoleSaver hydraulic pipe recovery system. In this case, the bottom hole assembly was severed efficiently, allowing for a timely cementing operation and the deployment of the next drilling assembly within a single day. This milestone underscores the technology's ability to support rapid decision-making and minimize operational downtime in challenging drilling environments.

Similarly, in December, the Coretrax team utilized the RelineMNS expandable casing integrity solution for the first well of an intended 15-well campaign onshore Australia, successfully addressing corrosion issues and to bring production back on-line, with the remaining wells scheduled for completion in early 2025. RelineMNS is a new technical solution for the market, positioning Expro as the only service company capable of delivering a full suite of remediation solutions, including short, medium, and long expandable patches.

With recent contract awards and on-going pilot programs in several markets, including the onshore US, the onshore basin in eastern Australia, and in Brazil, we are excited about the growth potential for Coretrax's expandables solutions. Markets with high well counts and systemic casing integrity or corrosion issues such as Argentina and Colombia also have untapped potential. Importantly, our expandables solutions are conveyance agnostic, meaning that we can deploy via coil tubing, wireline or drill pipe.

Regarding our operating efficiency campaign -- what we are calling Drive25 -- we have identified a 7% to 8% reduction in run-rate support costs that we plan to realize over the next 12-18 months, about half of which should be captured in 2025. As was highlighted in our press release, the Drive25 campaign is focused on standardizing practices across geo-markets, product lines, and job functions in order to improve operating leverage and facilitate margin expansion.

Consistent with my comments on our third quarter earnings call, my view remains that 2025 will start slow, again primarily driven by near-term concerns related to an oversupplied oil market, and then build momentum as the year progresses. We believe our business and revenue, which are largely levered to long-cycle development, will be stable or grow modestly

over the next year, resulting in full-year revenues that are stable to up modestly relative to 2024. Thus, our initial guidance is that full-year revenue will be within the range of $1.7 to $1.75 billion.

While 2025 seems to be setting up to be a transition year for the energy services industry, the outlook for oil and gas investment and Expro remains quite compelling for the rest of the decade, so we are cautious about the near-term and more bullish over the medium- to long-term.

That said, our intent is to size our support structure and calibrate capex and other investment based on revenue realities rather than revenue aspirations, so cost and capital discipline will be key themes at Expro until we have better clarity around the direction international and offshore markets and the timing of deepwater projects that we expect will be sanctioned, beginning in H2 2025.

As highlighted in our press release, driven by (i) an improved activity mix, which includes business in backlog and a full-year contribution and pull-through revenue opportunities from the acquired Coretrax business, and (ii) efficiency gains, we expect 2025 Adjusted EBITDA margin will be up more than 100 basis points, implying 2025 Adjusted EBITDA within a range of $350 to $370 million. Note that guidance assumes the conversion of backlog at contracted rates but does not embed material gains in net pricing.

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

Quinn Fanning
Thank you, Mike. Good morning and good afternoon to everyone on the call.

As Mike noted, we reported revenue of $437 million for the quarter ended December 31 as compared to the guidance range for Q4 2024 revenue of $440 to $470 million that was provided on our Q3 earnings conference call.

Revenue was up sequentially $14 million, or 3%, relative to the third quarter of 2024. Year-over-year, revenue was up $30 million, or approximately 7%, relative to fourth quarter of 2023.

North and Latin America came in a bit below Q4 revenue expectations, primarily reflecting lower-than-expected well construction activity and tubular sales in the Gulf of America and lower Coretrax revenue, which was largely driven by delivery delays within the expandables product line. Additionally, lower well flow management revenue in APAC, specifically in Malaysia and Australia, impacted Q4 results.

Looking at the full year, revenue, at $1.71 billion, was up $200 million, or approximately 13% year-over-year. Activity and revenue across all our regions increased during the year ended

December 2024, most notably in NLA, ESSA and MENA. As Mike noted, MENA, in particular, was bolstered by the Coretrax acquisition.

Adjusted EBITDA for the fourth quarter of 2024 was $100 million, as compared to Q4 guidance of $90 to $105 million, representing a sequential increase of approximately $15 million, or 18%, relative to the third quarter of 2024. Adjusted EBITDA margin for the fourth quarter was 23% and was up ~300 basis points quarter over quarter.

On a full-year 2024 basis, Adjusted EBITDA was $347 million, which represents an increase of almost $100 million, or approximately 40% relative to 2023. Adjusted EBITDA margin for the full-year was approximately 20%, which represents an increase of approximately 400 basis points year-over-year.

Turning to regional results, for North and Latin America, or NLA, fourth quarter revenue was $139 million, or flat quarter-over-quarter, again reflecting lower activity in well construction, while well flow management activity was higher in the US and Brazil.

NLA Segment EBITDA margin, at 22%, was down from 24% in Q3 2024, again reflecting a decrease in well construction activity and a resulting less favorable activity mix in the region. Full-year NLA segment EBITDA margin was 25%.

We expect mid-single digit revenue growth and relatively stable segment EBITDA margin for NLA in 2025. Following our rationalization of the lower 48 TRS business over the course of 2024, we are not particularly exposed to the expected continued contraction in the U.S. onshore market. That said, we are excited about several U.S. onshore applications for the expandables product line which should provide scope for higher margin revenue within the U.S. land business without requiring additional base infrastructure or significant personnel additions. While the average floater count in 2025 is expected be flat-ish in the Gulf of America, and Guyana is expected to be down one rig year-on-year on average, we have secured several new, multi-year awards within the well construction business which should allow us to sustain a high level of well construction activity in NLA in 2025.

While activity in Mexico will be tempered by decreased spending, we continue to see positive activity across South America, where we have secured several contracts in Brazil within our well construction and well flow management businesses as well as a contract extension in Argentina within the well intervention and integrity product line, valued at more than $50 million and highlighted in both our press release and Mike’s prepared remarks.

Note that revenue generated the U.S. land and Mexico markets was about 4% and 2% of consolidated 2024 revenue, respectively.

For Europe and Sub-Saharan Africa, or ESSA, fourth quarter revenue was $143 million, a sequential increase of $11 million, or 9%, primarily driven by higher subsea well access revenue in Angola.

Segment EBITDA margin, at 37%, was up 13 percentage points sequentially, reflecting the increased subsea activity and a positive contribution from the Congo production solutions project as we closed out the construction and commissioning phase of the project. Full-year ESSA segment EBITDA margin was 26%.

Our ESSA business sustained good momentum through 2024 as we continued to capitalize on increased activity in the region. As anticipated, in the UK, we are seeing increased activity in P&A opportunities, which is reflected in a December press release announcing our support of an operator's 52-well plug and abandonment campaign. As Mike highlighted, in Norway, Expro secured a contract in excess of $40 million for TRS and well clean up services during the startup phase covering eight wells for one of the largest gas fields on the Norwegian Continental Shelf.

For 2025, we expect ESSA revenue will be down ~10% year-over-year, largely reflecting the completion of the construction and commissioning phase of the Congo project, and a non-repeat of several Angola subsea projects that were delivered in 2024. ESSA Segment EBITDA is expected to improve several hundred basis points year-over-year based on expected activity mix. While ESSA activity and revenue is currently assumed to be down year-on-year, expected FIDs beginning in H2 2025 should support a rebound in 2026.

For reference, for full-year 2024, the construction and commissioning phase related to our Congo production solutions product contributed revenue of approximately $42 million and negative margin of approximately $14 million. As Mike noted, variation orders that were pending when we reported Q3 results were recently resolved, with a positive, albeit modest, impact on fourth quarter results. Based on the incentive structure and our provision of additional services during the multi-year operations and maintenance phase of the project, we should have a bit of revenue and margin upside on a go-forward basis relative to our initial assumptions for the O&M phase of the project.

The Middle East and North Africa, or MENA, team delivered another excellent quarter. Q4 revenue in MENA was $93 million, or up 7% sequentially, driven by higher well flow management services revenue in Algeria, Iraq and Saudi Arabia. MENA Segment EBITDA Margin, at 35%, was flat quarter-over-quarter and up about 5 percentage points year-over-year. Full-year MENA segment EBITDA margin was also 35%.

For 2025, with a full-year contribution from the acquired Coretrax business, we are expecting mid- to high-single digit revenue growth within MENA and still-strong, but modestly lower, segment EBITDA margin based on expected activity mix.

The geo-markets generally driving the MENA region are Saudi Arabia, Algeria and the Emirates. Saudi and Algeria each accounted for about 37% of MENA revenue in 2024 and the Emirates accounted for about 8% of MENA revenue. Note also that the majority of our revenue generated in the KSA is from onshore activity, which is weighted to gas and unconventionals and is largely unaffected by Saudi's announcement of the suspension of offshore jackup rigs and the deferral of several oil developments.

Finally, in Asia-Pacific, or APAC, fourth quarter revenue was $62 million, a decrease of 5% relative to the September quarter, primarily reflecting decreased well flow management activity in Malaysia and Australia.

Asia-Pacific Segment EBITDA Margin, at 25%, was flat from the prior quarter and full-year APAC segment EBITDA margin was 23%.

For 2025, we are expecting APAC revenue to be flat to down a couple of percentage points with declines in activity offshore Australia, largely offset by increased activity in Indonesia, Malaysia, Thailand and Brunei. APAC segment EBITDA margin should be relatively stable year-on-year.

Total support costs for Q4 2024 and full-year 2024 were $88 million and $340 million, respectively, and for both Q4 and full-year 2024, total support costs were approximately 20% of revenue. Corporate G&A is a subset of total support costs and was about 3½% of revenue in 2024.

To expand on our Drive25 initiative and assuming full-year 2025 revenue is relatively stable compared to 2024, the 7% to 8% reduction in support costs that Mike referenced implies an approximate $25 million reduction in run-rate support savings by Q4 2025, half of which we expect to capture in 2025 results. This will allow us to establish a new baseline for support costs at around 19% of revenue, which should provide scope for improved operating leverage and further margin expansion with growth.

Turning to liquidity, full-year 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 $225 million, a Y/Y increase of $55 million.

Working capital increased $55 million Y/Y, and 2024 cash taxes was approximately $39 million. 2024 Cash Conversion, or Adjusted Cash Flow from Operations as a percentage of Adjusted EBITDA was 65%. Full-year Adjusted EBITDA, less capital expenditures was ~$210 million, and Free Cash Flow, or Adjusted CFFO less capex, was ~$87 million.

Non operating uses of cash included capex of $144 million; $24 million for the cash portion of the Coretrax acquisition, net of post-closing adjustments which were in Expro's favor; $13 million for the final settlement of contingent consideration related to the 2023 PRT Offshore

acquisition; and $14 million for the repurchase of 1.2 million Expro common shares at an average price per share of $11.80. Acquired shares were approximately 1% of total shares outstanding.

Expro has total available liquidity at year-end of approximately $320 million, with cash and cash equivalents, including restricted cash, of approximately $185 million and availability under our revolving credit facility of $136 million.

Turning to our outlook, page 9 of our accompanying slides summarizes our guidance for Q1 and full-year 2025.

As Mike noted, we are currently expecting full-year 2025 revenue to be stable to up modestly year-on-year, and Adjusted EBITDA margin is expected to up more than 100 bps year-on-year. On this basis, our initial full-year 2025 guidance is for revenue to be within a range of $1.7 billion and $1.75 billion and for Adjusted EBITDA to be within a range of $350 million and $370 million.

Free Cash Flow Margin, or Free Cash Flow as a percentage of Revenue, is expected to be about 7%.

Finally, full-year guidance for 2025 is based on aggregate support costs and cash taxes of between 19% to 20% of revenue and approximately 4% of revenue, respectively.

As is typical, Q1 is expected to reflect seasonal impacts of the winter season in the Northern Hemisphere and the budget cycles of our National Oil Company customers, with revenue expected to be in a range of $370 million to $380 million, or down ~15% sequentially from the strong Q4 results and relatively flat year-over-year, in both cases based on the mid-point of guidance.

As highlighted in our press release, the year-over-year trend largely reflects the non-repeat of first quarter of 2024 revenue associated with the construction and commissioning phase of the Congo production solutions project, largely offset by revenue from the acquired Coretrax business.

Based on the Q1 Adjusted EBITDA guidance of $65 million to $75 million, Q1 2025 Adjusted EBITDA margin is expected to be sequentially lower by about 400 basis points and up 50 to 100 basis points year-on-year.

As Mike noted, we expect the traditionally weak first quarter to be followed by an activity rebound in the second quarter, particularly in international markets, and momentum building in international and offshore markets as the year progresses.

We are planning for 2025 capital expenditures of $120-$130 million, or approximately 7% of revenue at the mid-point of guidance.

Note that our revenue and capex guidance does not contemplate significant, new production solutions projects. As we have highlighted in the past, larger production solutions projects can result in elevated capital expenditures relative to what is required to sustain our business and support more typical, non-production solutions project-related growth; however, our PS projects usually provide for milestone payments. To the extent new production solutions project awards will have a material impact on our guidance, we will highlight such projects in future earnings calls or other investor communications.

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

Michael Jardon
Thank you, Quinn.

Expro accomplished a lot in 2024 with solid financial performance, including year-over-year growth in revenue of 13% and year-over-year growth in Adjusted EBITDA of 40%. Some key operational highlights include the acquisition of Coretrax, which enhances our depth of talent and the capabilities of our product offerings, the successful integration of the PRT Offshore team, and the completion of the construction and commissioning phase of the large Congo production solutions project.

While we believe the macro backdrop sets up 2025 to be a transition year for the energy services industry, Expro's outlook is for steady revenue, if not modest growth, relative to 2024. Activity mix and operating efficiency gains should translate into Adjusted EBITDA dollars and margins at or above 2024 levels. Absent further geopolitical disruptions, we expect momentum to build in the international and offshore markets as the year progresses and concerns about oil supply abate. Beyond 2025, we remain very bullish on the outlook for long-cycle development, driven by economic growth, security of supply considerations, and policy makers accepting that hydrocarbons -- and particularly natural gas -- will remain a key element of the global energy slate for the foreseeable future.

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

QUESTION & ANSWER:

Operator
We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from the line of Eddie Kim with Barclays.

Edward Kim
Hi, good morning. Just wanted to ask about the full year 2025 revenue guide of stable to modestly up year-over-year, which is a little bit higher than what others have indicated more kind of in the maybe flat or maybe even flat to down kind of level. Is that more a function of maybe Expro gaining share or just a better than expected outlook than what others are saying or is it maybe a function of kind of Expro specific differences? I know there are a lot of moving parts with the Coretrax acquisition last year and the Congo project moving into the O&M phase of the contract. So just more details around your full year revenue guidance would be great?

Michael Jardon
Sure. Eddie, good morning and thanks for the question. I guess I would frame it up like this. Part of it has to do with the markets that we have a lot of exposure to whether it's US land, which I think is going to have some choppiness this year or the announced reduction in spend by Pemex in Mexico. We have very minimal spend. We're about 4% and 2%, respectively revenue from those. It also has to do with our exposure to the Saudi market. As we tried to highlight in the discussion, most of our exposure in Saudi is really unconventional land, gas. So the jackup reduction and the offshore reduction is not going to have as much of an impact on us.

And then the other one is really kind of what's going to happen in the offshore Australia market. So it's really kind of it's a combination of the markets we're exposed to. It also frankly is, we very intentionally and strategically have done some accretive M&A in the last few years. We're going to see the benefit of those as we internationalize those businesses. And frankly, we're also going to see the benefit of some of the investments we've made in our own engineering efforts. Whether it's introduction of technology around cementation or introduction of technology to reduce personnel in the red zone, we're really starting to see the benefit of it. So some of it's related to our business, the markets where we're in and really continue to see some of the internationalization of our overall business.

Edward Kim
Understood. Understood… My follow-up is just on the first quarter guidance, the 15% kind of sequential decline in revenue is a bit more steep than historically. If I look at past years, I think the sequential decline has been kind of in the mid-single-digit range. So just any more color on why this first quarter is, the decline is a little bit more steep than historically? And then I guess just your confidence level in the rebound in 2Q and the rest of the year, is that more your expectation for the market, the overall market to kind of rebound, or is it based on kind of projects you're working on currently?

Quinn Fanning
Hey, Eddie. It's Quinn. I'll take that. So, number one, on the sequential decline in the first quarter, I think the couple of things that I would highlight would be, number one, we had a very strong quarter in terms of subsea project deliveries in Q4 2024. So we won't repeat that in the first quarter. And beyond that, it's really the kind of, as expected and as has happened the last number of years, the winter season in the Northern Hemisphere, which most significantly impacts the North Sea activity. And I guess if you look at it from a year-over-year perspective, we did have Congo project-related revenue in last year which somewhat insulated the step down. That was also true in 2023. So essentially when you remove the Congo benefit in the last two years, it's actually pretty consistent with the seasonality that we've experienced in the past. Though, again, the Q4 2024 subsea projects probably magnifies it a bit.

Regarding the rebound, our internal forecasting and budgeting processes very much bottoms up. A lot of it relates to expected project timing, in part benefiting from the winter season, the Northern Hemisphere kind of passing, that's an expected uptick. But beyond that, we had some relative weakness in terms of NLA, in tubulars deliveries, in the expandables product line. And at least based on the visibility that we have today, that will somewhat reverse. So it's really kind of as the team sees projects lining up in 2024, hopefully the macro situation improves a bit, but we have relatively good visibility on our Q2 activity. And based on what we know today, we should see the typical recovery.

Edward Kim
Okay, great. All very clear. Thank you. I'll turn it back.

Quinn Fanning
Thanks, Eddie.

Operator
Thank you. And our next question comes from Ati Modak with Goldman Sachs.

Atidrip Modak
Hi. Good morning, team. I guess on the – thanks for all the color on the Drive25. I was just wondering if you can give us more color on the free cash flow progression as well from the 7% of revenue this year into the 10% target over time?

Michael Jardon
Yeah. Ati, thanks for the question. I'll comment on the Drive25 initiative. This was something that we actually highlighted in our Q3 call that we had kicked off kind of at the middle of the summer last year, really felt like we had an opportunity to start to go through and look at efficiency opportunities and look at how we can drive more throughput through the organization. And as much as anything that, as we get out into 2026 and beyond, as we see

revenue step up, how do we drive more efficiency with the business from a support cost standpoint?

So we've spent a lot of time over the course of…. we had some external help, in the late fall timeframe, to really go through and look at how are the regions and how are the product lines and how are the support functions operating today? How can we become more efficient? How can we drive additional cost out? And part of that has been to continue to expand our shared service center operations. We stood up a support center in Bogota in Colombia last year to support largely the Americas activity, but also how do we drive more of the transactional kind of things? How do we drive more operating efficiency, more operating leverage there?

So the good thing was, we started that off back in the summertime, not because we necessarily anticipated any market softness in 2025, but more around a, we have a lot of focus on continuous improvement and that's really what that was around. So to some extent, we were kind of ahead of the curve, so to speak, so we could move into an implementation mode. As we moved into 2025, we're able to embed many of those expectations on our 2025 budget process.

So I think kind of as we tried to highlight in the prepared remarks, it's about $25 million of cost improvements, about half of which we think we'll see kind of pop out the bottom of the P&L, so to speak, here in 2025. But it's very much part of our… we really focus a lot on continuous improvement around our HSE performance and our service delivery performance. And it's really is applying that same kind of approach and efficiency expectation to our own kind of internal support efforts as well.

Quinn Fanning
And I'll just pick up on the free cash flow margin progression and what are the key drivers. So activity mix is one, so the movement into the operations maintenance phase of the Congo is one example where we know we've got a change in mix that's expected that should be beneficial. But more broadly, I think it's about cost and capital discipline. Mike's talked about the Drive25 program. We've provided guidance for CapEx, which is down year-over-year in a more flattish type environment. As Mike said, we'll be designing the cost structure and capital investments around revenue realities as opposed to revenue aspirations. So, you'll see us restrained in terms of CapEx until we have a better sense of where the market's headed.

And then finally, Expro, and quite frankly, the entire energy services industry has been challenged with working capital issues over the last year plus, and at least our expectation is that will at least moderate in the more flat revenue environment and hopefully reverse at some point. But I think we're all sitting on higher AR and higher inventory than we prefer as an industry. And hopefully that will start to again, moderate or reverse. But those are the key drivers.

Atidrip Modak
That's very helpful. Thank you, Quinn. And maybe sticking with you, if you can give us any color on capital allocation priorities throughout the year, Coretrax obviously has been very additive to MENA. Thoughts around similar kind of M&A, given where the market is, are bid ask spreads becoming more interesting? what's the appetite for M&A? and then overall capital allocation? if you can.

Quinn P. Fanning
Well, the appetite is there for M&A. We've got a clean balance sheet that would allow us to execute on it without issuing shares within a certain size parameter. But we don't believe in big for big sake. As Mike says, we focus on three things, industrial logic, industrial logic and industrial logic. And that will continue to be our North Star. But I guess the broader capital allocation we've highlighted, the 7% that we're intending to invest in CapEx, M&A will be compared against, where effectively Expro trades. We've tried to be balanced in our approach, targeting 1% to 2% of TSO in terms of buybacks per annum, I think that will continue to be our plan or expectation.

We did buy some stock in the fourth quarter, late in the fourth quarter and I would expect we'll continue to look hard at that on a go-forward basis. So again, I think our approach is balanced. The name of the game was to create long-term shareholder value. And if we can convince ourselves that we can do that through M&A, we will do so. But it's got to be relative to where Expro trades and ultimately what's in the best interests of shareholders.

Atidrip Modak
That's very helpful, thank you.

Operator
Thank you. And our next question comes from Grant Hines with JPMorgan.

Grant Hines
Hey, good morning, Mike, Quinn and team. I just had one quick one here. Could you provide us a little bit more color kind of on the resolution of the Congo project? I think previously that might have represented about $7 million headwind or so kind of in 3Q. Was this essentially reversed in 4Q and then additionally, it sounds like you have an opportunity to maybe earn some better rates on the execution side within the O&M contract. Any more color there as well? Thanks.

Michael Jardon
Great. Thank you, Grant, appreciate the question. I guess, first off, what I really want to highlight is that, I am very pleased that we delivered a world-class facility in a very quick manner. All of this while maintaining a very high level of HSE performance. On top of that, the

design that we had for the plant has allowed for some short-term production rates to be above the nameplate capacity, which I think gives us and the operator some operational flexibility.

So, fundamentally, subsequent to the close of the third quarter, we've been able to successfully resolve the outstanding variation orders. And this, really this is a mix of kind of lump sum in the construct and commissioning phase, lump sum that's going to be in the O&M phase and some increase in the O&M rates. Fundamentally as we can, as I alluded to, as we can increase the production throughput as well as provide some additional services and some additional support to them specifically around power generation capacity.

The original 10-year project economics will ultimately be delivered. And fundamentally, despite the choppiness that we had during that percentage of completion part of the project in 2024, these are the type of production solutions projects that we really want to have. We now move into the operate and maintain phase. And fundamentally for us, that's when margins will be accretive to our overall business. The lump sum impact in Q4 was not significant. It was a couple million bucks. We are… I am really pleased how we've concluded the conversations with the operator. And it's really going to be a combination of small incremental revenues in the commission and construct phase, increase in the lump sum and some O&M rates and then increase in the overall daily rate. So good conclusion. And fundamentally, overall, we still maintain the original project economics that we had based the project on when we sanctioned it a number of years ago, albeit, a little bit more choppiness during the percentage of completion, construct and commissioning phase. But overall very successful.

Grant Hines
Appreciate the color. I'll hand it back. Thank you.

Michael Jardon
Sounds good. Thanks Grant

Operator
Our next question comes from Steve Ferazani with Sidoti & Company

Steve Ferazani
I did want to follow up on the answer to the previous question. I think, Quinn, obviously you generated a really significant ESSA margin in 4Q. If it was only a couple of million bucks from the Congo repayment, what else was driving that really significant margin besides obviously you had the drag in the previous two quarters. It's still well above what we might have expected. And I'm assuming that's not the type of margin you want us to assume, even as you go into the O&M phase with Congo next year. Is all of that under rights?

Quinn Fanning
Yeah, that's why I tried the walk through the regions in terms of our expectations in terms of year-over-year progression. But as Mike highlighted, the close out of the construction and commissioning phase on Congo, I mean, it was a driver in terms of the sequential improvement because we essentially didn't repeat the losses that were recognized in Q3. So that was obviously a positive in that we had, as Mike mentioned, a couple of million dollar benefit and that was recognized in Q4. I would say the primary driver beyond that is subsea is one of our higher margin product lines. We had significant subsea deliveries in terms of projects in Q2, which was also a good margin quarter, though somewhat offset by the Congo project. And then 4Q we had another large project delivery, again, in Angola within the subsea well access product line. So, subsea can be a bit lumpy at times, but it is a high value-added, mission-critical service, and customers value that and we tend to generate better margins from it.

Steve Ferazani
Okay. That's helpful. And when we think about your margin assumptions for 2025 guidance and you're talking about 100 basis points, but when we put together all the pieces you walked through that the cost cuts related to Drive25, the phasing into O&M and you won't have the drag from the cost overruns last year in Congo, we think about a full year of Coretrax, which is higher margin. A lot of this would bias towards higher margin. What's offsetting it less subsea well access projects this year or what limits margin improvement as we just go through those three pieces, which clearly drive better margins next year, even in a flat market?

Quinn Fanning
Yeah. I think you might have misspoke. So the margin benefit that we should get from operating efficiency campaign on a run rate basis should close in on 100 basis points by itself. But we obviously won't get the full benefit of that in 2025; it’s a phased program. But again, the biggest drivers are going to be activity mix. And as Mike mentioned, we've built in the pricing that's embedded in our backlog, but we're not assuming given the current market tone that we'll get incremental net pricing gains, though certainly within well construction subsea, we have high value-added, mission-critical services that have limited sideline capacity. So as the market tightens up, we should see benefits from that. But we're not embedding it in our guidance today. So again, I think, what we're focused on is where can we expand margins within the things that we can 100% control? And that's really costs. So I would say that primarily costs and maybe a little bit of activity mix that's embedded in backlog is what drives the guidance. And hopefully as the year progresses and the market tightens up a little bit, we can improve upon that. But I think we and others are going into 2025 cautious both in terms of expectations and the guidance that we're providing to the market.

Steve Ferazani
Okay. Fair. If I could get one more in just in terms of progress with Coretrax and DeltaTek. DeltaTek, you just lapped two years in that acquisition. When you made it, you talked about potentially doubling the cementing business. How far are you towards that target, in Coretrax,

you won that Australia contract in terms of winning awards outside of the core markets where you are with that progress?

Michael Jardon
It's a great question. I can tell you we continue to make good progress on the expansion of our cementation product line. This helps us drive a lot of rig efficiency when you start dramatically reducing the waiting on cement cure time for offshore deepwater rigs. That's 18 to 24 hours, it starts to become meaningful. So we continue to make really good progress on that.

At the same time, I can also tell you that we're going to be patient on our introduction because we have value creation and revenue generation expectations for those new services and we're not going to give them away. I can tell you, I was in Europe a week ago with one of our international customers, and they pressed me really hard on, why we don't have iTONG on every one of the rigs globally. And my answer was, as soon as you guys agree to the rates that we have expectations around, we'll continue deployment.

So we're going to be patient. We're going to get those things out there. But we're making good progress with that. Coretrax is another one that we're going to have an ability to expand our footprint in US land, in Australia with some of the coalbed methane fields where they have a lot of corrosion issues and a lot of casing integrity issues. Brazil land, we tried to highlight, Argentina and Colombia, there's a lot of places that expandable tubulars, whether it's short section patches or it's full production string relining, we think we're going to have some great opportunities there.

So it's as much as anything making sure we focus on the right markets. We can't try to go to 60 countries tomorrow to operate Coretrax. And we want to make sure we go to the top five and then the next five, then the next five. So it's really a matter of us trying to be methodical and patient to get the maximum benefit out of these things.

Steve Ferazani
That's great. Thanks, Mike. Thanks, Quinn.

Michael Jardon
Thanks, Steve. Appreciate it.

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

Josh Jayne
Thanks. Good morning. Mike in your last – good morning. Thanks. Good morning. Mike, in your last question that you just responded to, you talked about iTONG a little bit. And you also highlighted in the presentation first deployment in West Africa. Maybe you could just speak to

the sense of urgency among customers to pay for this type of technology, especially when we think about rig safety and also, the ability to take 15 rig hours out a month. How many of these systems are in the market today and what do you think the growth runway is for this over the next couple of years?

Michael Jardon
Josh, it's a great question. I can tell you, it's, some of our customers, some of our IOC customers are much more focused on the HSE importance of this and, reducing the number of personnel in the red zone and those type of things. I think we'll continue to gain momentum. I mean, quite frankly, I was in Europe with an executive level meeting with the customer. And I'll be honest, I was quite surprised that one of the key topics they want to talk about was iTONG and introduction of it, how much value that they see it bringing to them. It was a kind of specific technology importance that I wouldn't have thought would have kind of bubbled up to that level. But we've got good momentum behind it.

We're going to put those into the marketplace at an appropriate rate because frankly, we have an expectation around what we're going to charge for that. And we could probably double the market uptake if we would reduce the pricing on it. And we're not going to because it brings such tremendous value. And so we're going to push it out there at the right rate.

Ideally, we today probably operate on somewhere north of 70 of the total floating assets in well construction. I would like to think that at some point in time down the road in the next couple of years, that we would have 75% plus iTONG, Centri-fi uptake on those rigs because it does drive efficiency and more importantly, it really reduces the exposure for personnel in the red zone. So I think we'll continue with that kind of uptake.

Josh Jayne
Okay. Thanks very much. I'll turn it back

Michael Jardon
Great. Thanks, Josh

Operator
That was our final question. So this does conclude today's call. Thank you, everyone, for joining and thank you for your participation. Have a great day. And you may now disconnect