April 30, 2025

Expo Group Holdings N.V.

First Quarter 2025 Earnings

Chad Stephenson: Welcome to Expro's first quarter 2025 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 first quarter results that is posted on the Expro website, expro.com, under the Investors section.

In addition, supplemental financial information for the first 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 first quarter 2025 earnings release, which can also be found on our website.

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

Mike Jardon:

Good morning, everyone. I'd like to start off by reviewing the first quarter 2025 financial results as summarized in today's earnings press release. I will then discuss what I would characterize as a dynamic operating environment -- which despite our expectation that upstream investment will likely moderate in the near-term -- we believe supports a positive, multi-year outlook for energy services companies like Expro that have a material exposure to the international and offshore markets.

Quinn will supplement my commentary on the first quarter and outlook 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 9 of the presentation we posted to expro.com.

On slide 2, Expro's Q1 2025 revenue was $391 million with an Adjusted EBITDA of $76 million, or 20% of revenue. This marks our highest first-quarter performance in Adjusted EBITDA and margin since merging with Frank's in October 2021, continuing a multi-year trend of margin improvement.

Our performance demonstrates the robustness of our business model, the benefits of having a comprehensive portfolio of services and solutions and a global presence but modest exposure to markets such as U.S. land, Mexico and offshore Saudi that are expected to contract in 2025.

Organic investment and a successful M&A strategy continue to enable margin expansion, improve relevancy to our customers, and better position the company for 2025 and beyond. In sum, we believe Expro is well-prepared to handle expected market volatility and create long-term value for stakeholders.

In terms of commercial activity, we secured $272 million in new contract awards in the first quarter. Safety, service delivery, and cost-effective, technology-enabled services and solutions have all contributed to these successes, which included contracts across the lifecycle of the well. More specifically, we had contract awards in the U.S. covering well construction services, valued at approximately $50 million; in Brazil for drilling and completions, workover and abandonment services, valued at more than $30 million; and in Indonesia, for electric-line and slickline services, valued at approximately $15 million.

Our backlog, at approximately $2.2 billion at the end of the first quarter, remains both healthy and in line with expectations given the typical seasonal patterns of contract awards.

Macro outlook

Turning to the macro outlook, following the conclusion of the first quarter, tariff announcements and a pull-forward of production increases by OPEC+ introduced significant near-term uncertainty and volatility across the global oil markets. Fears of a tariff-induced global trade war have lowered macroeconomic visibility and GDP growth expectations. Consequently, there is no clear, near-term path for global liquids demand, which before Liberation Day had been rising. Despite changing trade policies, a modestly oversupplied oil market, and evolving economic conditions, the long-term outlook for the international onshore and offshore markets to which Expro is most levered remains very positive.

Regarding long-term demand, natural gas will be a critical clean fuel to meet global energy needs, with tailwinds stemming from AI-, data center- and digital infrastructure-related demand and from energy security considerations, particularly in Europe. This is why LNG is in the midst of a major expansion phase.

Similarly, liquids demand is expected to remain above 100 million barrels per day through at least 2030 and more than half of that daily demand will be met with barrels from fields that have not yet been developed.

Regarding long-term supply, as Veriten highlighted in its recent *Super-Spiked* newsletter, U.S. shale oil, which has been the over-arching engine of oil supply growth over the past decade, is showing signs of maturation, with a growing list of companies contemplating plans for what comes after U.S. shale oil. We believe operators will increasingly focus on offshore activities. This shift is due to the accessibility of deepwater barrels, which also offer cost and carbon advantages.

After a decade of restrained upstream investment, we remain bullish on the business over the longer-term; however, the energy services industry is also navigating global economic uncertainty and supply-demand imbalances, the collective effect of which has been weaker and more volatile commodity prices. Until prices stabilize, customers will likely remain cautious with discretionary spending and new project sanctioning.

In our view, current macro conditions are influenced more by global trade issues and geopolitics than energy industry fundamentals, which remain very strong. Meanwhile, volatility has increased across commodities, equities, and other markets, and we expect this to persist until there is better clarity on the macro outlook.

While policy choices may ultimately lead to a global recession, a more likely scenario is that sector weakness will reverse once trade policies are clarified and other macro indicators improve, similar to the recovery seen after the 90-day pause on planned tariffs.

In this context, according to the U.S. Energy Information Administration (EIA), global oil consumption is forecast to increase by 0.9 million b/d in 2025, with demand reaching an average of 103.6 million b/d. A further increase of 1.1 million b/d is anticipated in 2026. In short, despite softer near-term growth, demand is expected to remain resilient, supporting a long-term upcycle for the energy sector. A potentially protracted trade war between the U.S. and China, however, would pose a risk to China's long-term oil demand.

On the supply side, the EIA projects global liquids production to grow by 1.3 million b/d in 2025, reaching 104.1 million b/d, led by non-OPEC+ producers including the United States, Canada, Brazil, and Guyana. Further growth of 1.2 million b/d is forecast for 2026. That said, supply risk remains high due to the uncertainty surrounding the sustainability of sanctions on Russia, Iran, and Venezuela exports.

While the EIA currently forecasts average Brent prices of $68/bbl in 2025 and $61/bbl in 2026, oil prices are expected to remain volatile in the near-term as markets digest new tariff policies, geopolitical tensions, and sanctions. Despite downside risk, commodity prices are expected to remain at levels that will support continued upstream investment, with most international and offshore operators maintaining good profitability above that $60-$65/bbl range. This should provide a constructive environment for continued activity across Expro's largest product lines.

If a more constructive macro backdrop develops over the next several quarters, we continue to believe that 2025 will be a transition year, with a return to a healthy level of sanctioning activity in 2026 and beyond to meet long-term demand for oil and gas. Offshore project sanctioning should continue to gain momentum, with about two-thirds of greenfield capex over the next two years expected to be allocated to offshore developments. Again, these projects benefit from lower emissions intensity and have competitive break evens and are a natural fit for Expro's core strengths.

Compared to our Q4 earnings call outlook, this indicates a delay in activity yet maintains a positive multi-year perspective both on the overall opportunity set and Expro's relative market position.

Years of industry-wide capital discipline have prepared operators to continue development activities through a more volatile near-term market scenario and as such, upstream investment is expected through 2025, with several geo-markets likely proving to be more resilient than the equity markets currently seem to believe.

- In our NLA region, activity should be stable in Brazil and Guyana as a result of development plans emanating from the high volume of FIDs in recent years, as well as in Argentina and Colombia because of an abundance of oil and gas resources and pro-growth policies.
- Similarly, in ESSA, the outlook is constructive for Norway and parts of West Africa.
- In Middle East and North Africa, we are expecting stability in our two largest markets which are Saudi Arabia and Algeria. In Saudi, our business is levered to onshore and unconventional gas more so than offshore oil. In Algeria, our business is levered to production optimization more so than new development activity.
- In APAC, we were expecting a 2025 slowdown offshore Australia prior to April 2nd due to the timing of projects, but markets such as Brunei and India should have a post

monsoon season rebound in the second quarter of 2025, and we have new activity commencing in both Indonesia and Vietnam.

In addition to the anticipated contractions in U.S. land, Mexico, and offshore Saudi that I mentioned earlier, a prolonged trade war and weaker commodity prices could result in reduced activity in the Gulf of America, which historically responds relatively quickly to changes in commodity prices and is an important market for Expro.

Overall, it is expected that customers' 2025 work programs will be largely unaffected by short-term commodity price movements and market uncertainty. However, non-committed exploration and appraisal (E&A) wells and final investment decision (FID) approvals may be delayed as customers re-evaluate project economics in light of current conditions. Consequently, the approval of offshore projects in areas such as West Africa may be postponed to 2026 or even early 2027. If expected project approvals slide to the right, the 2026 activity outlook may be impacted but we believe this will also extend the upcycle given the reduced upstream spending levels over the last 10 years.

If development activity slows, customers will continue to focus on improving efficiency and reducing the carbon intensity of their operations, resulting in increased brownfield activity and sustained opex spending. While Expro is currently more levered to drilling and completions activity, the company's well intervention and integrity, production optimization, and digital solutions businesses should remain resilient.

With a more uncertain backdrop, we remain focused on maintaining cost and capital discipline and otherwise controlling what we can control. We will continue to execute our strategy and offer differentiated services and solutions to our customers. We will also size the business based on revenue realities, and we will adjust capex spend based on the projects that customers sanction and the business that is awarded to Expro. In addition, our zero net debt balance sheet also provides the company with strategic and financial flexibility.

Operational performance has been strong, and we have a head start on cost optimization with our Drive25 efficiency campaign that we launched several quarters ago. This should help us protect margins if activity softens and allow us to improve margins if activity stabilizes or improves. Again, on a relative basis, we are less exposed to the markets most likely to contract in 2025, including the lower 48, Mexico and offshore Saudi.

Regarding our ability to offer differentiated services and solutions, we continue to provide cost-effective technology to the markets as evidenced by several of the contract awards that we highlighted in our press release.

In the Gulf of America, we have remained a market leader in well construction by investing in technologies that enable operating efficiencies and cost savings, improve safety outcomes by removing personnel from the red zone, and enhance well integrity through more reliable tubular connections, most recently securing a three-year Tubular Running Services (TRS) contract over four rigs. The contract for approximately $50 million integrates our most advanced digital technology, including CENTRI-FI™ and iCAM™.

PRT Offshore, which we acquired in 2023, continues to perform well, highlighting how Expro has opportunistically used M&A to complement organic investments in the business. In the first quarter, the PRT team simultaneously executed operations for seven subsea customers in the Gulf of America. The team is also leveraging Expro's global operating footprint to improve asset utilization and increase revenue, having secured new awards for surface handling equipment in Asia-Pacific and Sub-Saharan Africa.

In ESSA, we successfully completed the system integration test (SIT) of our open water, intervention riser system (OWIRS), the first of its kind to be built by Expro. The equipment was delivered under a six-year contract and is currently mobilized for deployment in the U.K. sector of the North Sea. The current campaign is abandonment, but Expro's open-water IRS solution ensures safe and reliable subsea well access and can be used across development, intervention and abandonment, ultimately unlocking production gains while minimizing operational costs.

In the Eastern Mediterranean, we continue to see robust momentum and have successfully completed deepwater well construction operations for two major clients for TRS services across two exploration wells.

Within the MENA region, our QPulse™ technology was successfully piloted on the Jaffurah field in Saudi Arabia, demonstrating excellent correlation in multiphase flow data across three phases compared to the traditional test separator. This success allows the technology to be used for production testing as a standalone technology, eliminating the need for a conventional separator. This non-intrusive solution offers rapid, cost-efficient data essential for field production allocation and well performance monitoring.

In Asia-Pacific, we successfully deployed our CENTRI-FI™ consolidated control console for a major international oil company in Indonesia, marking its maiden international deployment. We are seeing an increasing demand from the market for our CENTRI-FI systems, reflecting the value and efficiency they bring to our clients' operations. This system exemplifies our commitment to automation and operational excellence.

Also in Indonesia, we secured a three-year contract for well intervention services across 315 wells.

Before I hand over to Quinn, I will comment on the guidance for the second quarter and full-year 2025 that was included in our earnings press release.

For Q2, assuming no additional tariff-driven uncertainty and that commodity prices remain at or near current levels, we expect a seasonal rebound in Europe and a return to normal operational cadence in Asia-Pacific after an extended monsoon season, with low- to mid- single-digit sequential revenue growth overall and modest quarter-over-quarter Adjusted EBITDA margin expansion. Q2 revenue will be down on a year-over-year basis due to a non-repeat of subsea projects delivered in the second quarter of 2024.

We currently expect at least mid-single digit revenue growth in the second half of the year compared to the first half of the year, largely supported by the scheduled start-up of new projects.

For full-year 2025, with the same tariff and commodity price caveats, we expect revenue to be generally flat relative to 2024 and that margins will be stable – if not up modestly – year-over-year due to activity mix and operating efficiency gains.

For now, we remain comfortable that full-year revenue will exceed $1.7 billion. We also expect Adjusted EBITDA for the full year will meet or exceed 2024 results, but clearly visibility is less precise today given the uncertain macroeconomic and geopolitical backdrop.

While there is currently a lot of uncertainty in the market, we have experienced extended downcycles as well as transient troughs in activity in the past. The current market feels more like a transient trough to me and, in retrospect, 2025 will be a better year than many investors currently assume, but only time will tell.

Our business is more levered to long-cycle rather than short-cycle development, so we should be somewhat insulated from short-term movements in commodity prices. Nonetheless, we will quickly adjust our costs and capital expenditures as market conditions warrant.

We are also in a good position with the balance sheet that we have, the quality of the customers that we support, and the geo-markets to which we are more exposed. Importantly, we are focusing on profitability and cash generation more than growth.

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

Quinn Fanning: Thank you, Mike. Good morning to everyone on the call.

As Mike noted, we reported revenue of $391 million for the quarter ended March 31st as compared to the guidance range for Q1 2025 revenue of $370 to $380 million that was provided on our Q4 earnings conference call.

As anticipated, revenue was down $46 million, or ~11%, relative to the fourth quarter of 2024, reflecting a combination of the winter season in the Northern hemisphere and the non-repeat of large subsea projects in the fourth quarter of 2024.

Year-over-year, revenue was up $7 million, or approximately 2%, relative to the first quarter of 2024. As Mike noted Q1 2025 was the best first quarter performance since we completed the Expro / Frank's merger.

Adjusted EBITDA for the first quarter of 2025 was $76 million, as compared to Q1 guidance of $65 to $75 million, representing a sequential decrease of approximately $24 million, or 24% relative to the fourth quarter of 2024. Compared to Q1 2024, Adjusted EBITDA increased $9 million, or 13%. Adjusted EBITDA margin for the first quarter was 20% and was down ~300 basis points quarter-over-quarter. As compared to Q1 2024, Adjusted EBITDA margin increased ~200 basis points.

Turning to regional results, for **North and Latin America**, or NLA, first quarter revenue was $134 million, or down $5 million quarter-over-quarter, reflecting lower activity in well construction and well flow management, while subsea well access activity was higher in the U.S. and well intervention and integrity was higher in Argentina.

NLA Segment EBITDA margin improved to 23% from 22% in Q4 2024, reflecting an increase in subsea activity and a resulting more favorable activity mix in the region.

Note that revenue generated from the U.S. land and Mexico markets was about 4% and 1% of consolidated 2024 revenue, respectively, and continues to be a small part of the global Expro business.

For **Europe and Sub-Saharan Africa**, or ESSA, first quarter revenue was $112 million, a sequential decrease of $30 million, or 21%, primarily driven by a non-repeat of Q4 subsea projects in Angola, partially offset by increased production solutions revenue in the Congo.

Segment EBITDA margin, at 26%, was down 11 percentage points sequentially, reflecting a decrease in higher-margin subsea activity.

The **Middle East and North Africa**, or MENA, team delivered another excellent quarter. Q1 revenue in MENA was $94 million, or up 1% sequentially, driven by higher well intervention and integrity revenue in Qatar, higher production solutions revenue in Algeria, and higher revenue from the acquired Coretrax business, which is largely captured within well construction, partially offset by lower well construction revenue in Egypt.

MENA Segment EBITDA margin, at 37%, was up 1% quarter-over-quarter and up ~220 basis points year-over-year.

Finally, in **Asia-Pacific**, or APAC, first quarter revenue was $51 million, a decrease of $12 million relative to the December quarter, primarily reflecting the expected decrease in subsea well access activity offshore Australia, and lower well flow management and well construction activity in Brunei and Malaysia, partially offset by increased Coretrax activity onshore Australia, which in this case is captured within the well intervention and integrity product line.

Asia-Pacific Segment EBITDA margin, at 21%, was down from the prior quarter reflecting mix but was up ~340 basis points compared to Q1 2024.

Total support costs for Q1 2025 were $85 million compared to $88 million in Q4. Support costs as a percentage of revenue was approximately 22% compared to approximately 20% in Q4 due to sequentially lower revenue.

Corporate G&A is a subset of total support costs and was 3.9% of revenue in Q1 2025.

To provide an update on our Drive25 initiative, we are well into the implementation phase of our cost optimization program. On our Q4 earnings conference call, we highlighted an initial target of $25 million in run-rate support cost savings that would be achieved by the fourth quarter of

2025. This would allow us to establish a new baseline for support costs at around 19% of revenue and provide scope for improved operating leverage and further margin expansion with growth.

We have now identified a bit over $30 million of run-rate support cost savings and, where possible, are looking to pull forward the realization of such savings. On our Q4 call we indicated that about 50% of the overall target would be reflected in 2025 results and we are planning to capture not less than 50% of the higher run-rate target during the current year.

Turning to liquidity, first quarter 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 $53 million, a Y/Y increase of $14 million.

During Q1 2025, working capital decreased $2 million quarter-over-quarter, and cash taxes were approximately $15 million. Additionally, Cash Conversion, or Adjusted Cash Flow from Operations as a percentage of Adjusted EBITDA, was 69%. Adjusted EBITDA less capital expenditures was ~$43 million, and Free Cash Flow, or Adjusted CFFO less capex, was ~$20 million.

Non-operating uses of cash included capital expenditures of $33 million; and $10 million for the repurchase of 1 million Expro shares at an average price per share of $10.08. Acquired shares were approximately 1% of total shares outstanding.

Following the Q1 stock repurchases, approximately $66 million was available under our current $100 million program. We still intend to use about 1/3 of our annual Free Cash Flow to acquire Expro shares.

Expro had total available liquidity at the end of Q1 of approximately $315 million, with cash and cash equivalents, including restricted cash, of approximately $180 million and availability under our revolving credit facility of approximately $135 million.

Turning to our outlook, page 9 of our accompanying slides summarizes our guidance for Q2 and for full-year 2025.

As Mike noted, we are currently expecting full-year 2025 revenue to be comparable year-on-year, and that Adjusted EBITDA will meet or exceed 2024 results. Within a reasonable 2025 revenue range, Free Cash Flow margin, or free cash flow as a percentage of revenue, should be in the 7% area, or approximately $120 million.

As it relates to Q2, we expect our results for the second quarter to reflect a moderate increase in activity across NLA, ESSA and APAC, while MENA is expected to be relatively stable quarter-over-quarter. We currently expect Q2 revenue of $400 million to $410 million, or up ~4% sequentially based on the mid-point of guidance.

Based on Q2 Adjusted EBITDA guidance of $80 million to $90 million, Q2 2025 Adjusted EBITDA margin is expected to be up sequentially and year-on-year by about 100 basis points.

We continue to expect a further uptick in H2 based on planned project start-ups, including in Mexico and on U.S. side of the Gulf of America where we expect a pick-up in drilling activity following a completions heavy first half of the year. This should benefit the TRS and cementing technologies businesses within well construction. We also plan to commence work on new contracts that were awarded in Q4 and Q1 in several countries in both NLA and APAC.

As discussed, there is an element of market uncertainty created by tariff announcements, additional OPEC+ supply, and a variety of geopolitical issues that will inform customer activity in 2025; however, this will likely not be settled until the second half of the year. We expect the demand for our services to continue with line of sight on projects in Q2, particularly in international and offshore markets. As the year progresses and more clarity is provided by the operators, we will have more visibility on project timing for the second half of the year and the medium-term activity set.

We are currently planning to deliver 2025 financial results within our original guidance ranges based on our understanding of customer work plans but we acknowledge such work plans may continue to evolve throughout the year. As I've highlighted, we are already taking action to optimize costs and streamline processes through our Drive25 operating efficiency campaign. If operators' plans change, we will adjust costs and capex accordingly to preserve margins and generate cash.

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

Mike Jardon: Thank you, Quinn.

As we evaluate the business, we believe Expro is positioned well, with leading positions in our core product lines and good exposure to markets that will support the underlying activity for a multi-year growth cycle. Our organic investments allow us to maintain our position at the forefront of the energy services industry as we continue to evolve and expand our portfolio of differentiated solutions while maintaining our high service quality.

Our M&A strategy has facilitated accretive growth and allowed us to acquire and integrate high quality businesses with excellent margins and to acquire high quality talent and integrate business builders into Expro global platform.

We continue to believe the macro backdrop sets up 2025 to be a transition year for the energy services industry. As such, while we expect Expro's topline revenue to be relatively flat compared to 2024, improved activity mix and operating efficiency gains should translate into margins at or above 2024 levels.

The current geopolitical and oil supply disruptions have introduced market uncertainty, and we will navigate the international and offshore markets as the year progresses. 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.

Expro is poised for long-term growth, success and value creation.

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