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NYSE: XPRO

EXPRO

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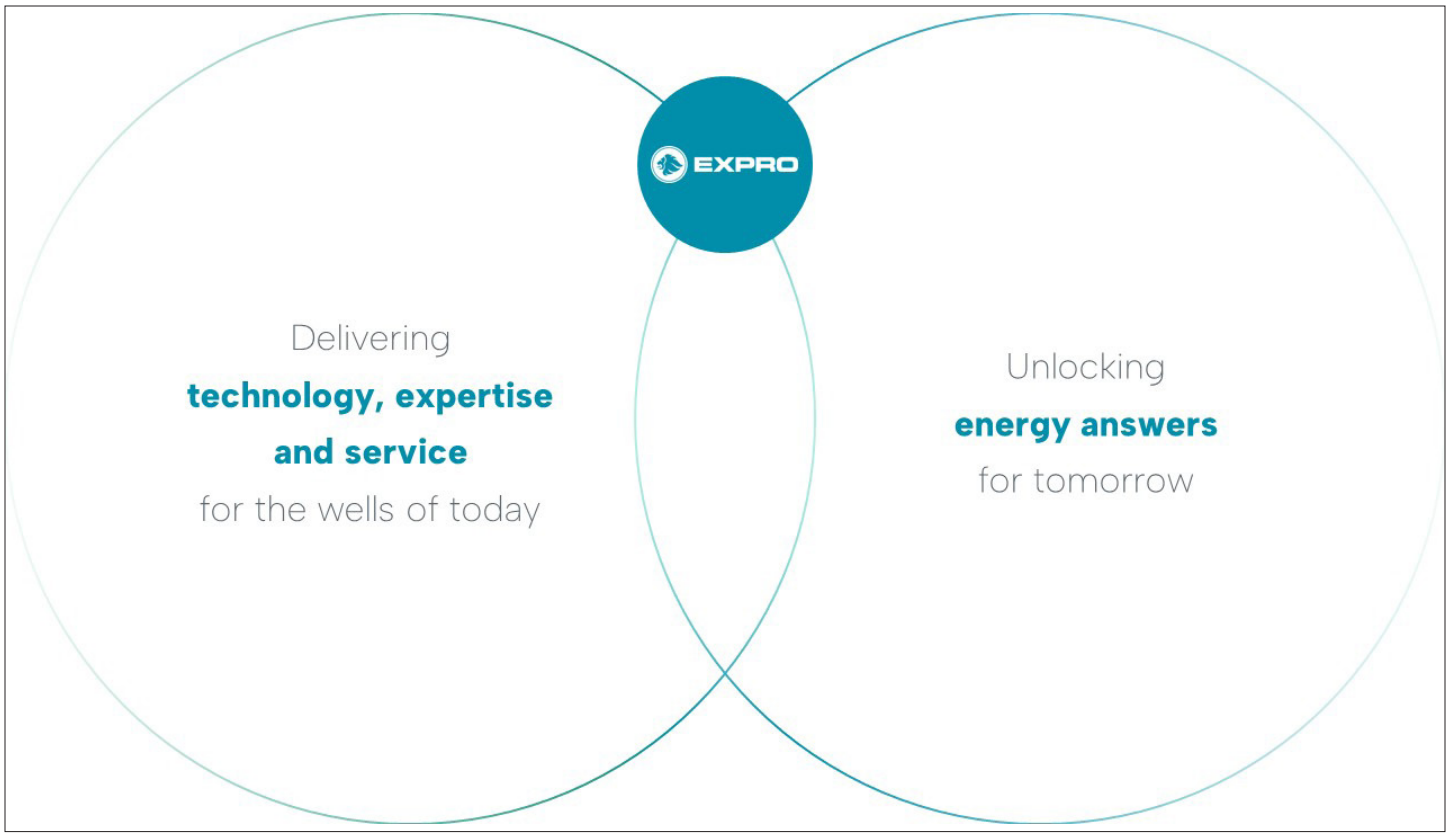


Introduction – Delivering Technology… Unlocking Energy Answers

Thank you, Eddie. Good morning, everyone. As Eddie noted, I am Mike Jardon, CEO of Expro, a position I have held since 2016. With me today is Quinn Fanning, our CFO, and Chad Stephenson, who recently joined us as Director – Investor Relations.

I'll start out by thanking Eddie Kim, Dave Anderson and the entire Barclays team for inviting Expro to participate in this year's Energy and Power conference, and for providing us with the opportunity to share our views on the global energy and energy services markets.

Today, I plan to cover four topics:

- **First**, I will cover Expro's strategy to create long-term value for shareholders.
- **Second**, I will recap the Company's view on the macro backdrop and our outlook for the energy services industry.
- **Third,** I would like to summarize several technology-enabled, value-added services and solutions within the Expro portfolio to give you a sense of how we deliver and derive value.
- **And finally**, I would like to share my views on the positive momentum we are seeing in terms of financial performance, and our medium-term expectations for revenue growth, margin expansion and cash generation.



Long-term value creation strategy

As an introduction for those that may be new to the story, after being privately held since 2008, Expro returned to the public markets in October of 2021 via a merger into then publicly traded Frank's International. Over the last 2 years, we have made significant progress bringing the two legacy businesses together to capture the full potential of our platform.

The "new" Expro has a global operating footprint, a technologically differentiated portfolio of value-added services and solutions, and a depth of expertise and experience that allows us to deliver value to our customers across the life of their wells.

We deliver and derive value from complex well construction, well completions and from helping our customers maximize production from existing well stock. We are not the biggest energy services company, but we offer complimentary services and solutions to those offered by the Big 3. In some instances, we work in conjunction with those companies to provide an integrated service or solution for a customer. We also successfully compete with the Big 3 and other larger energy services companies.

In a nutshell, we believe we win business and "*punch above our weight*" because of our long-standing customer relationships, superior execution and ability to effectively work with other service partners, not because we're the biggest in the business.

As I'll cover in a moment, we believe industry fundamentals support a multi-year growth cycle and that Expro's business is built to ride the tailwinds that we expect to persist for the next several years, driven by favorable supply-demand dynamics and a heightened emphasis on energy security and diversification of supply.

Long-term value creation strategy

With a more constructive macro backdrop, our value creation strategy has four elements to it.

1) **First,** we intend to maximize the expected multi-year upcycle.

Increased international and offshore activity should result in improved asset utilization across our service lines, and increased drilling and completions activity should result in a more favorable activity mix for Expro.

Cost and capital discipline should result in improved operating leverage, margin expansion, and better cash generation.

As the calendar turns to 2024, we expect that our results will also begin to reflect net pricing gains, particularly within capacity-constrained asset classes such as high-end deep water and ultra-deepwater TRS, and our subsea well access business, which includes the provision of market-leading completions landing string technology and services.

2) **Second,** we intend to maintain the through cycle resiliency of our business, which results from broad portfolio of technology-enabled services, our focus on sustainable energy solutions such as geothermal and emissions management, our global operating footprint, and a balanced mix of customer CapEx- and customer OpEx-funded activities.

We differentiate the Expro brand and compete by delivering technology-differentiated solutions and value-added service as opposed to competing on price. This is one key reason why we are not particularly active in the US onshore market.

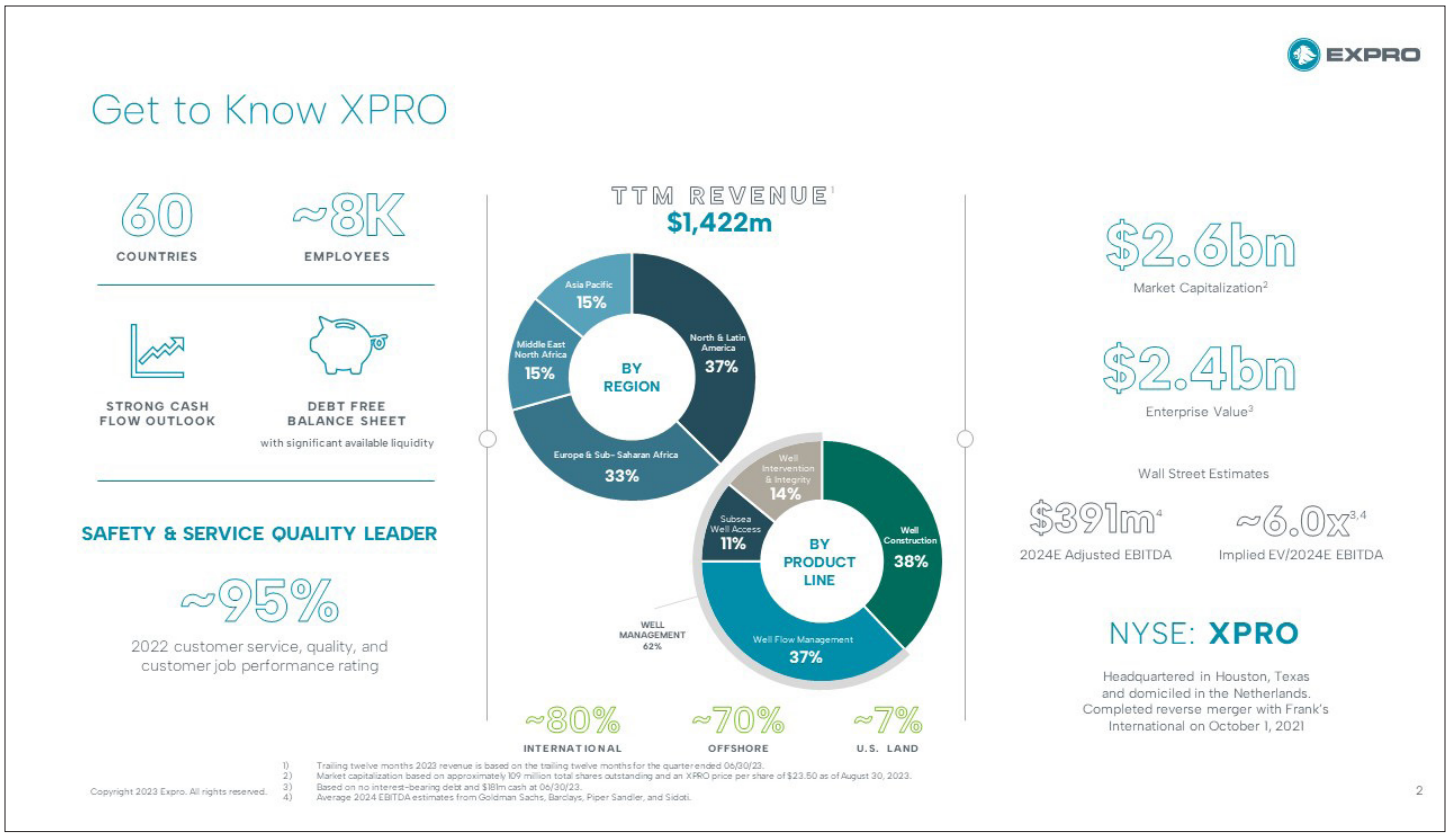
We also have a desire to maintain a business that is balanced across the well life cycle, with some activities leveraged to what we believe will be a multi-year drilling and completions upcycle, and other activities leveraged to production optimization, which is less exposed to the industry's inevitable peaks and valleys.

3) **Third,** we are laser-focused on increasing margins and free cash flow, which should come from a combination of good growth, a better activity mix, improved operating leverage, and, within a couple of quarters, improved net pricing as well.

Over the last several years, we have also invested heavily in several recently deployed technologies, which we believe will continue to help us differentiate Expro as a provider of value-added services and holistic solutions and improve the company's financial performance.

4) **Fourth and finally**, we believe we will create long-term value for shareholders by achieving sustainable free cash flow through additional scale and scale-based economies, and through discipline in regards to costs, capital expenditures, and inorganic investment.

We are also committed to a balanced, transparent capital allocation framework, meaning that **we desire incremental scale as a means to an end, not as an end in itself.**



Get to Know XPRO

To get to know Expro, it is important to understand that Expro operates in over 60 countries globally, with approximately 80% of our revenue coming from operations outside of the U.S. and roughly 70% of our revenue coming from offshore operations.

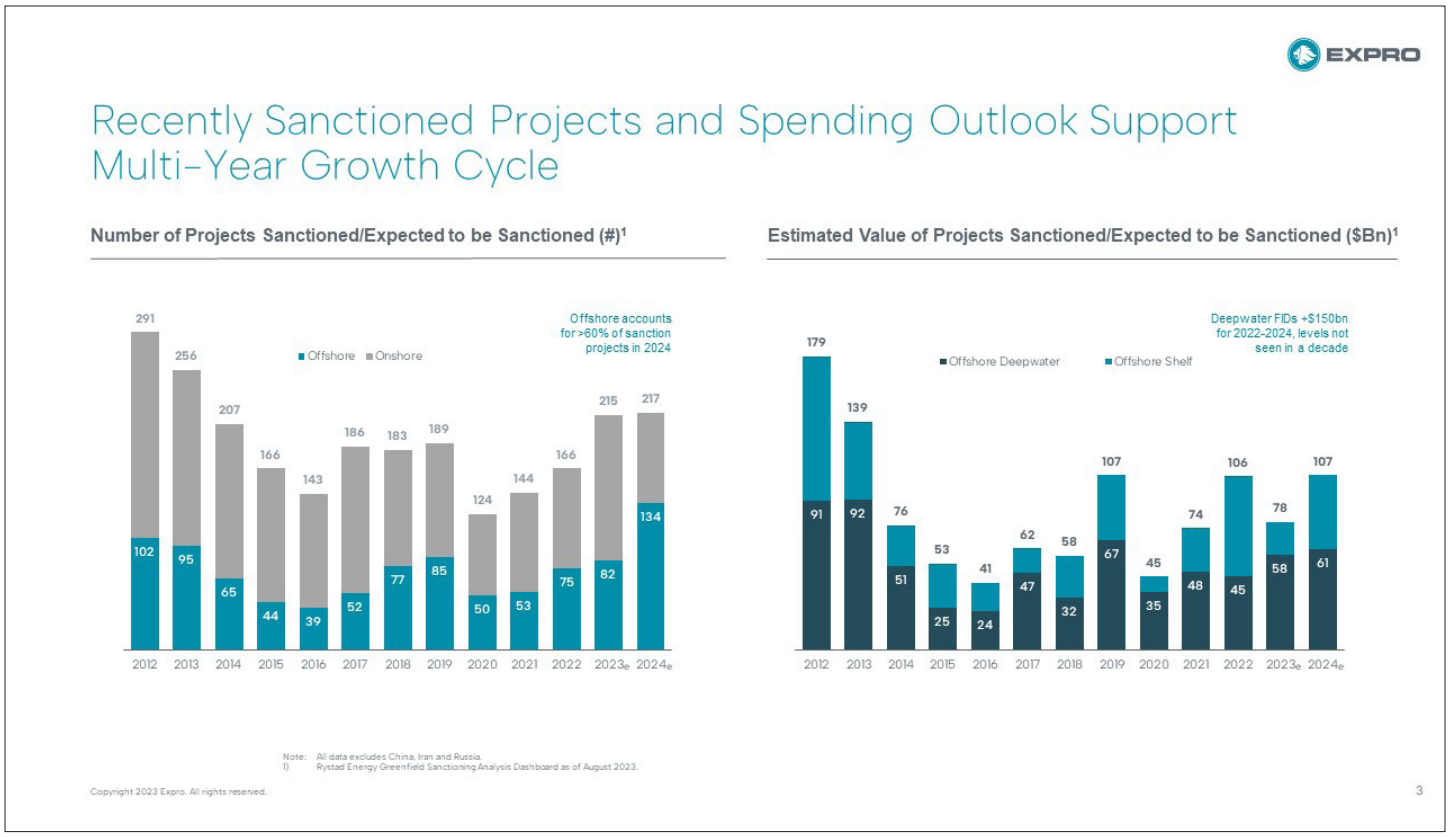
Highlighting the geographic balance of our business, in 2023, we expect to generate about $500 million of revenue from each of our North and Latin America and Europe and Sub-Saharan Africa businesses, and about $250 million of revenue from each of our Middle East North Africa and Asia Pacific businesses.

Highlighting the breadth of our capabilities, we expect to generate about $500 million of revenue from Well Construction and about $1 billion of revenue from Well Management, which includes our Well Flow Management, Subsea Well Access, and Well Intervention and Integrity product lines.

We are not a US onshore company, but instead we are leveraged to an international and offshore recovery that we anticipate, and frankly, that we are seeing flow through several of the drilling and completions-driven product lines activity in real time.

As I noted earlier, for the last several quarters, we focused on capturing merger-related cost synergies and improving our operating leverage in advance of the current cyclical upturn. Expro will also continue to leverage the complimentary capabilities, customer relationships and operating footprints of the two predecessor companies to capture revenue synergies.

And with a debt-free balance sheet and strong cash flow outlook, we are well positioned to fully participate in an improving energy services market, opportunistically invest in growth, and deliver value for and to shareholders.



Recently Sanctioned Projects and Spending Outlook Support Multi-Year Growth Cycle

Turning to the macro backdrop, over the next several years, we expect that upstream spending and international offshore activity will be resilient and materially exceed pre-pandemic levels, and we believe Expro is well positioned to leverage this multi-year growth cycle.

With OPEC+ supply restraint offsetting a more modest near-term demand growth outlook, long-cycle development, such as international offshore and capacity expansion projects should support a multi-year growth phase for the entire energy services industry.

Importantly, project approvals will drive customer capital spending for 3 to 5 years, providing a stable spending foundation for the currently positive activity outlook.

The left side of the screen highlights more than 200 offshore projects expected to be sanctioned in the 2023-2024 period -- 60% of projects expected to be sanctioned. You will have to go back to the 2012-2013 timeframe to see a similar level of offshore projects being sanctioned.

The chart on the right summarizes the estimated value of offshore projects, split between shallow water projects in the lighter blue and deepwater projects in the darker blue. What I would call your attention to is deepwater FIDs are expected to exceed $150 billion in the 2022-2024 period, which are also levels not seen in about a decade. The dollar value of sanctioned deepwater projects, which is longer cycle development, is expected to be approximately 65% of overall offshore FIDs.

Recently Sanctioned Projects and Spending Outlook Support Multi-Year Growth Cycle

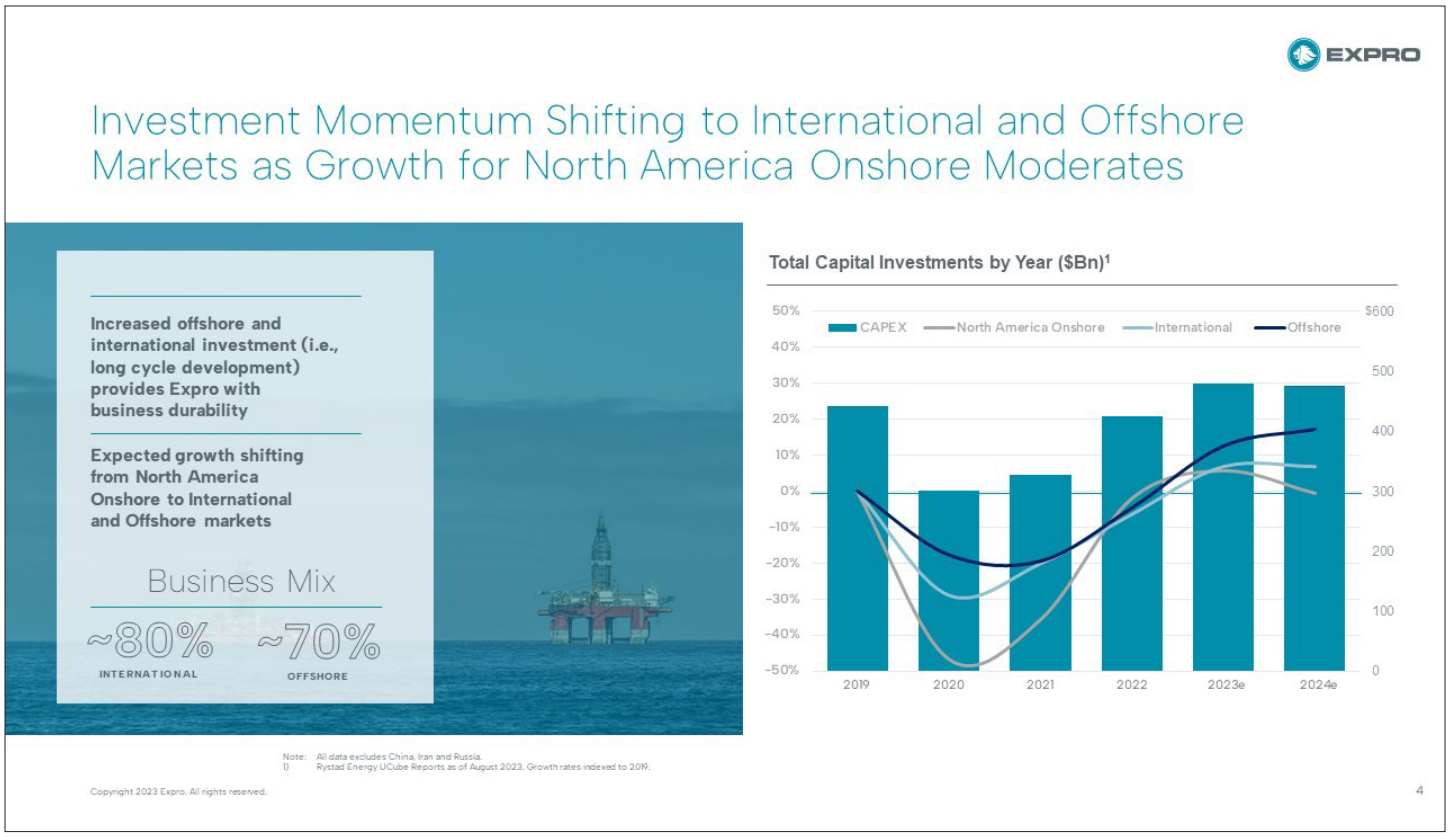
The number of projects sanctioned and the overall value of the projects are two areas that we watch closely as leading indicators as sanctioning activity translates into expected capital investment, which I will cover on the next slide.

The key take-aways from this slide are…

- First, overall sanctioning activity is moving in a very positive direction;
- Second, +60% of the projects expected to be sanctioned are offshore projects; and
- Third, in dollar terms, about 65% of offshore projects to be sanctioned are long-cycle, deepwater projects

Also worth noting is, relative to the 2012-2013 period, Africa is under-represented in the number and value of projects expected to be sanctioned through 2024. Based on our dialogue with customers, we expect that to change over the next 24 months, giving us some confidence that the current industry growth cycle will have resiliency through 2025 or beyond.

Directionally, we expect overall deepwater FIDs to approach $200 billion, or about 40% of an approximate $500 billion in newly sanctioned projects in the 2022-2025 period.



Investment Momentum Shifting to International and Offshore Markets as Growth for North America Onshore Moderates

Now looking at the upstream investments that follow the sanctioning of projects, with Brent oil prices stabilizing around $80/bbl and operators gaining confidence that high commodity prices can be sustained, there is a clear trend line forming around the international and offshore markets, at the very least, through 2024.

North America onshore took the brunt of budget cuts during the pandemic, and as you would expect, had a steeper post-pandemic recovery given the shorter investment cycles.

As growth for North America onshore moderates, investment momentum seems to be shifting to the International and Offshore marketsAnd as we start our budgeting season for 2024, the positive outlook for upstream investment in international and offshore assets gives us confidence that we will build upon what we expect to be positive results for 2023. I will remind you that roughly ~70% of Expro's revenue is generated from offshore activity and 80% is generated from international markets.

Regarding the likely duration of this growth cycle, while long-term oil demand scenarios have a wide landing zone into 2050, the world is again consuming approximately 100 million barrels per day and there is general consensus that population and GDP growth should sustain those levels through at least 2030. Decline rates and the replacement of produced reserves suggest the need for "new oil" to meet more than 50 million barrels a day in expected liquids demand.

Investment Momentum Shifting to International and Offshore Markets as Growth for North America Onshore Moderates

This is not a surprise to all of you in this room, but the drilling activity required to bring on new oil to meet this demand is substantial. Rystad estimates 20 million barrels a day, or about 40 percent of the total requirement, will come from offshore development.

Given the long development cycle for international and offshore projects, we are starting to see the expected increase in activity in a growing Expro backlog and we expect the activity outlook to continue to trend in a positive direction.

With the markets that we are most levered to gaining momentum, a portfolio of value-adding services and solutions, and a strong competitive positioning, we believe that Expro — currently trading around 6 times 2024 EBITDA — represents a compelling investment opportunity.



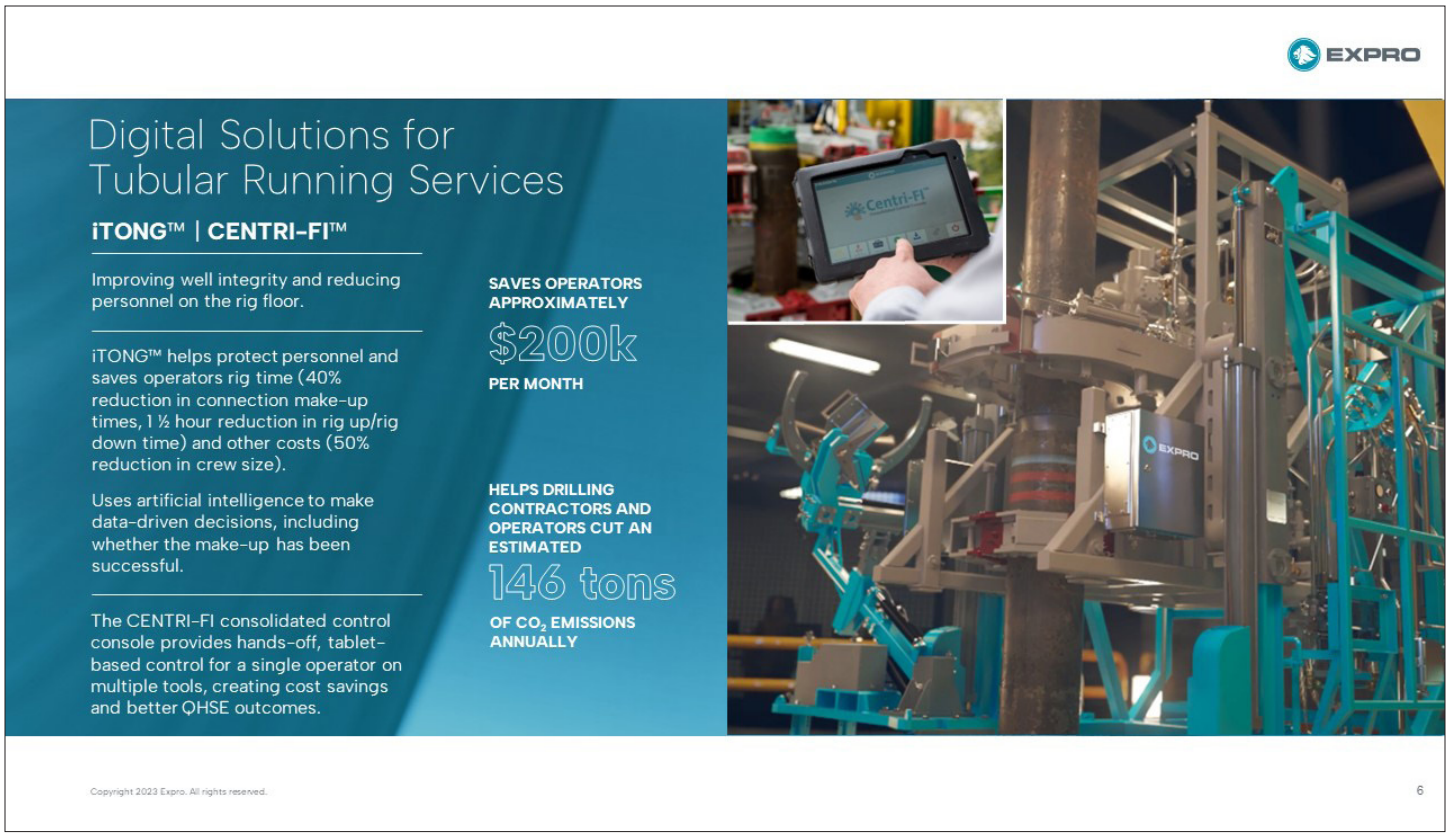
Expro Delivers and Derives value from Providing Cost-Effective, Technology-Enhanced Solutions

We have addressed the market environment that is driving growth in the business and our long-term strategy, and now I would like to highlight a few of Expro's services and solutions that allow us to deliver value to our customers and derive value for owners.

Within our Well construction business, we have developed a series of digital solutions for tubular running services, including iTONG and CENTRI-FI, to improve well integrity and safety outcomes, and to reduce development costs and emissions. We have also developed and acquired several advanced cementing technologies to improve the quality of cementing operations and to reduce rig time and the overall cost of well construction.

Last week, we announced the acquisition of PRT Offshore, which we expect to complete in the 4th quarter of 2023. PRT strengthens our subsea well access position in the North and Latin America region, and enhances our capabilities across other regions through the addition of surface handling solutions to complement our subsea landing string technology.

Finally, two capabilities that we have spent some time discussing with investors is our recently introduced, vessel-deployed Light Well Intervention, or LWI, solution and the Eni-Congo LNG expansion project currently being executed by our production solutions team within our Well Flow Management business.



Digital Solutions in Well Construction

We are focused on providing digital and other technology-enabled solutions to our customers. iTONG is one such example: a single push button tubular make-up solution, which allows artificial intelligence powered automation to control, execute and verify every connection make-up in order to optimize connection integrity. Each Joint of casing and tubing can be made up to a specific torque, or broken out in an automated sequence, with the single push of a button. iTONG also allows for a 50% reduction in crew size and keeps personnel out of the red zone on the rig floor.

All of this can be operated by a single tablet or fully integrated into the driller's control chair, through our CENTRI-FI consolidated control console technology. This allows full control of the casing make-up process.

Ultimately, customers benefit from reduced time of operations, lower costs, reduced POB and improved safety and environmental outcomes.



Advanced Cementing Technologies

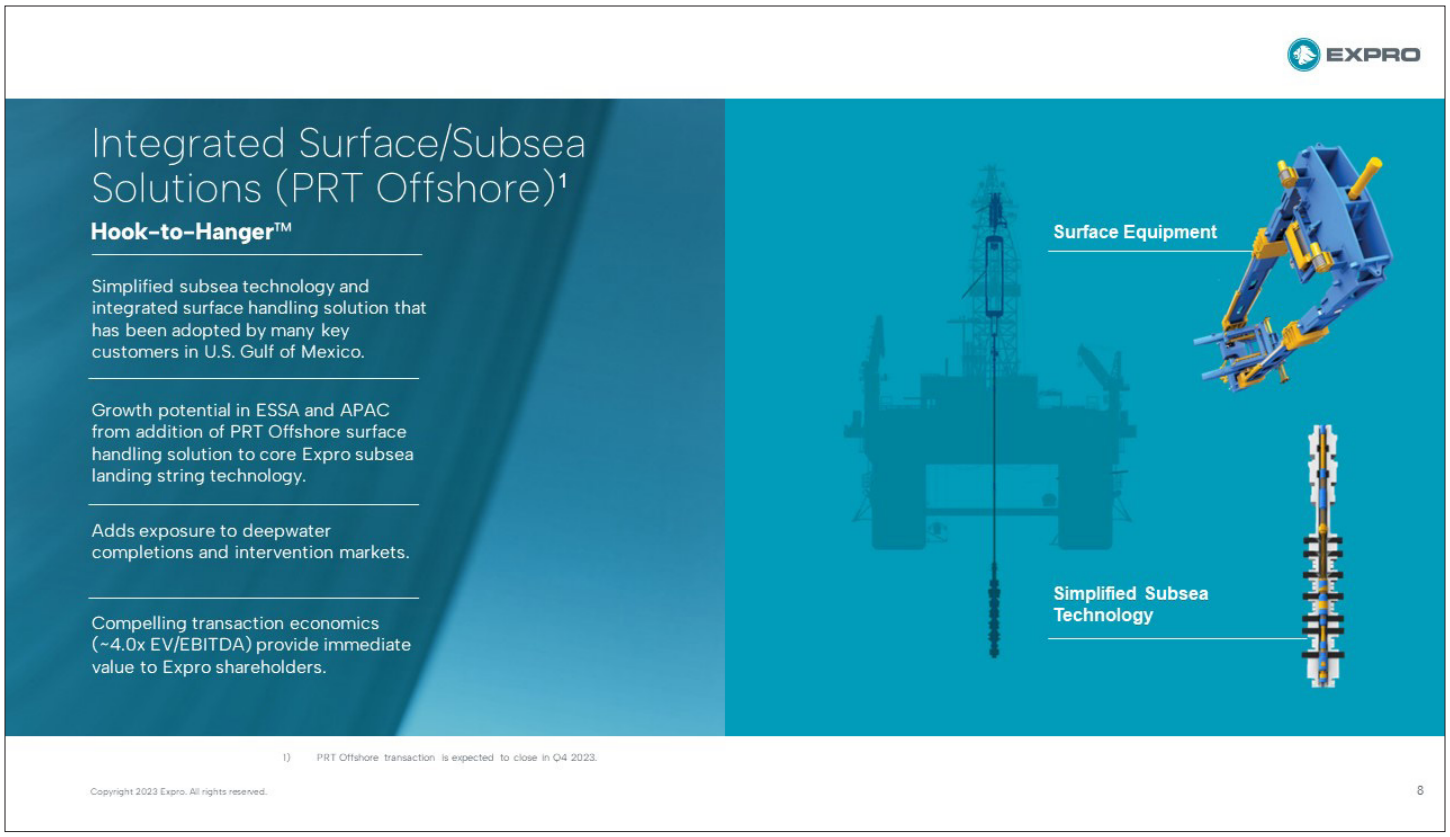
Cementing Technologies is critical in the construction of quality well infrastructure in order to reduce costs of drilling and future well maintenance. Ineffective cementation is one of the single biggest contributors to cost over-runs, poor life of well integrity and ultimate failure of well objectives.

SKYHOOK technology allows operators to remotely make-up the cementing iron or cement hose without the need to send personnel above the rig floor.

Our SeaCure technology is a mechanical subsea cementing system that delivers inner string cementing for subsea wells. This allows operators to achieve ultimate cement placement and minimize drill out sections.

Customers can combine SeaCure with our QuikCure process that circulates heated fluid after the cement is in place to enhance the cement setting environment. This improves the strength of the development properties and reduces cement setting waiting time. We have seen QuikCure reduce wait time on cement from an average of 13.5 hours to just 4 hours.

All these technologies save rig time thereby reducing costs, risks and unproductive time.



Integrated Surface/Subsea Solutions (PRT Offshore)

Turning to the proposed PRT Offshore acquisition, we really like the hook-to-hanger integrated surface-subsea solution that PRT developed for their customers. The simplified landing string technology that PRT offers has been adopted by several key customers in the U.S. Gulf of Mexico, so the PRT acquisition fills in a technology gap within the Expro subsea services portfolio without requiring us to add additional equipment capacity to the market.

We also believe we can leverage our global operating footprint to grow the surface handling solutions business of PRT by offering an integrated surface/subsea solution where we are already providing subsea services utilizing our core landing string technology.

The transaction economics of the proposed PRT Offshore acquisition are also compelling at about 4 times EV to EBITDA, which provides immediate value to Expro shareholders. This also highlights that for this upcycle to be characterized by margin expansion rather than capacity additions, industry consolidation is required.



Vessel-Deployed Light Well Intervention Services

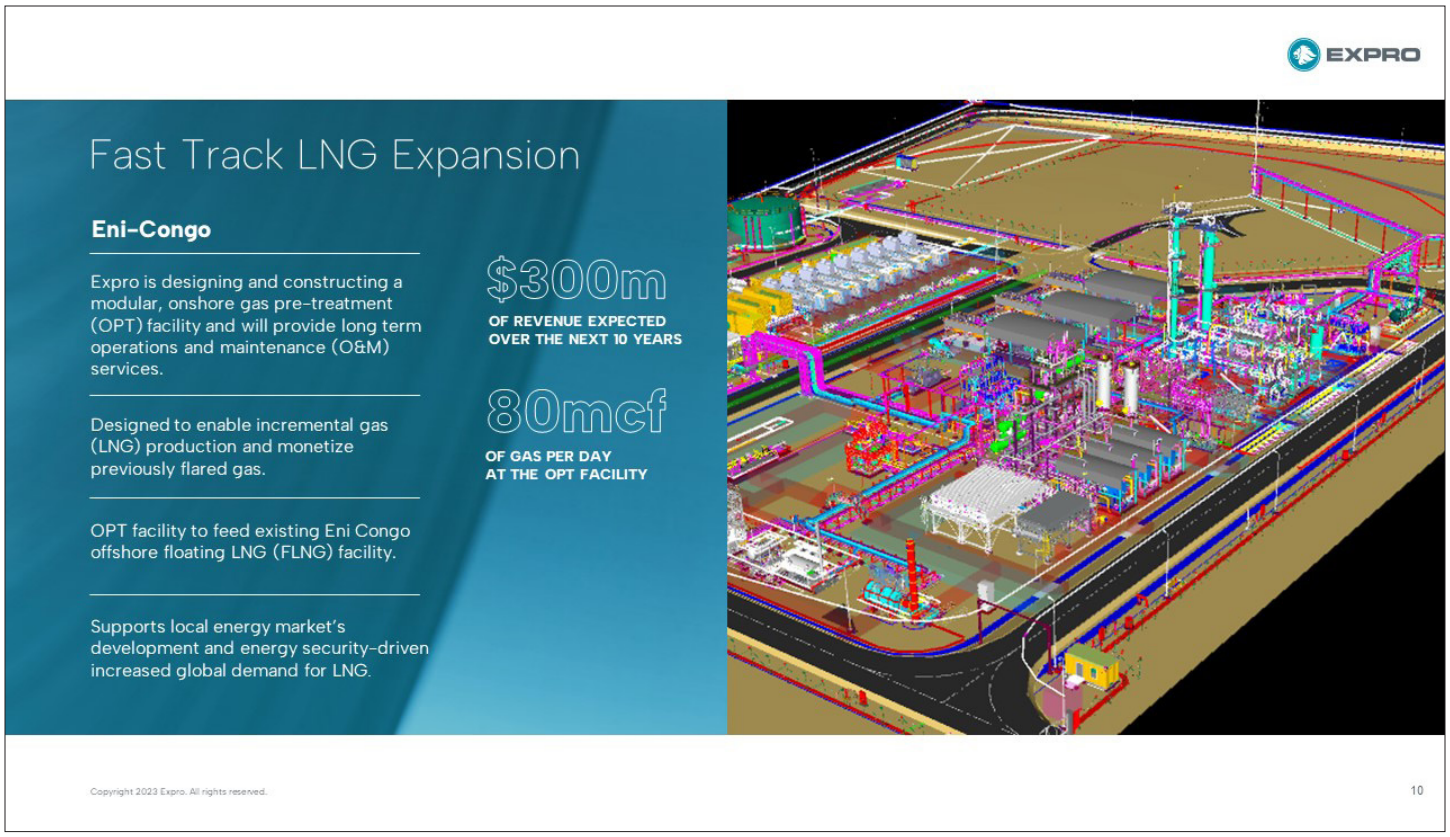
Turning to our vessel-deployed Light Well Intervention, or LWI, service, Expro offers a fully integrated subsea intervention package that safely reduces risks, lowers operational costs, and increases customers' efficiencies.

Start-up and commissioning delays and excess costs have made the introduction of this new system challenging to date, but we remain excited about the capabilities of our riser-less system. Because our LWI system eliminates the need for a drilling rig, there is a compelling value proposition for the end-user customer.

Customer interest in our LWI system has been significant to date and we are building a significant backlog of work. The total project cost of a vessel-deployed system should also make subsea interventions more economically feasible and, therefore, result in more interventions performed on subsea wells. Due to the high cost of rig-based interventions today, operators intervene on very few subsea wells, accepting either sub-optimal production or the shut-in of wells.

As noted on the slide, our LWI system has life-of-field capabilities. In addition to subsea intervention work scopes, we have an on-going well de-suspension campaign with one of the Super Majors, and the system is also capable of executing well abandonment work.

Importantly, the LWI business is generally opex- not capex-funded revenue, adding balance to our mix of activity and, thereby, improving the through-cycle resiliency of Expro's business.

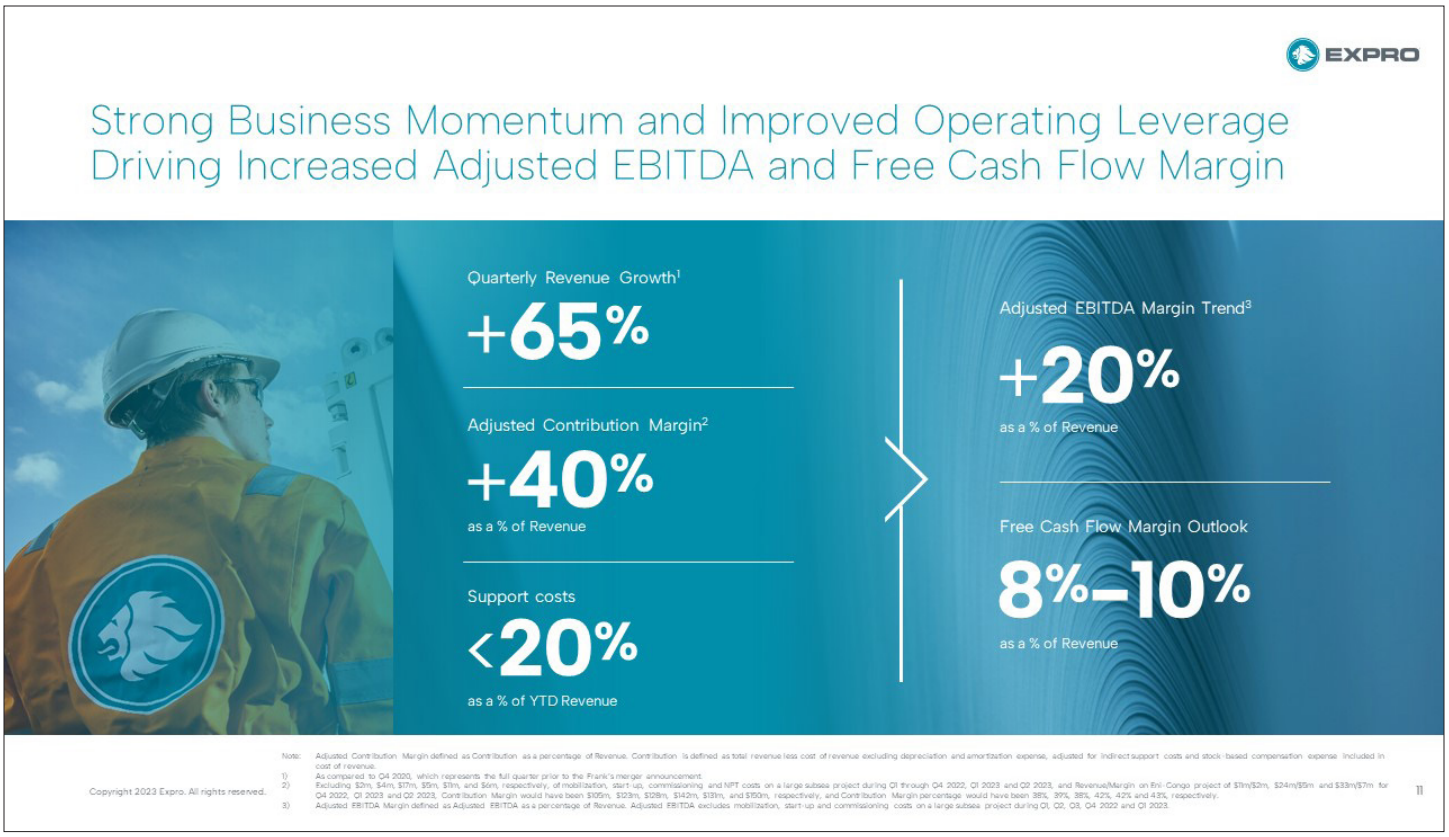


Fast Track LNG Expansion

Lastly, I wanted to highlight one of the large projects Expro is undertaking with Eni-Congo for the design, construction and operation of an onshore LNG pre-treatment facility. While the project is expansive, it is deploying current Expro technology, just on a modular basis and on a larger scale.

This pre-treatment plant will allow incremental gas production to flow to the floating LNG facility, supporting increased global demand for LNG, particularly in Europe where energy security and diversification of supply remain key themes following the start of the Russia/Ukraine war.

We expect to deliver the project to ENI in the first half of 2024 and will then operate and maintain the facility under a long term contract. This is a really important project to Expro and ENI and we think this project highlights our ability to “punch above our weight” and effectively compete with larger companies within our areas of expertise.



Strong Business Momentum and Improved Operating Leverage Driving Increased EBITDA and Free Cash Flow Margin

I've talked about our strategy, the macro backdrop, and a selection of Expro's services and solutions. We have strong, defensible market positions, our backlog is growing, and merger-related synergies have allowed us to materially improve operating leverage. As a result, Expro has very good business momentum today…really the best I've seen in my career.

For the reasons described, we believe we are in the early innings of a multi-year upcycle, and the positive business and financial performance trends observed in 2022 and 2023 should continue for at least the next several years.

For context, quarterly revenue is up 65 plus percent since Q4 2020, which is the last full quarter prior to the announcement of the Expro/Frank's merger. With increased drilling and completions activity and an improving business mix, contribution, or cash basis gross profit, is showing improvement to plus 40 percent of revenue, excluding LWI-related start-up, commissioning and other transitory costs, and revenue and contribution margin from the Eni-Congo project, which has been a drag on Contribution in percentage terms.

It should be noted that the lower margins on the ENI project were anticipated and such margins reflect competitive market rates for this phase of the project. Once the plant expansion is delivered to the client, which we anticipate in the first half of 2024, and the project flips to a long-term operations and maintenance phase, we should generate contribution margin consistent with our other services.

Strong Business Momentum and Improved Operating Leverage Driving Increased EBITDA and Free Cash Flow Margin

Below the Contribution line, support costs as a percentage of revenue are about 20% over the last couple of quarters, or down about 11 percentage points from where legacy Expro and Frank's were before we announced our business combination.

As a result, Adjusted EBITDA Margin has reached about 20%. We think we will exit 2023 within the 20% to 22% range and try to build upon that in 2024 through a combination of mix-driven higher fall-through on incremental revenue and improved pricing.

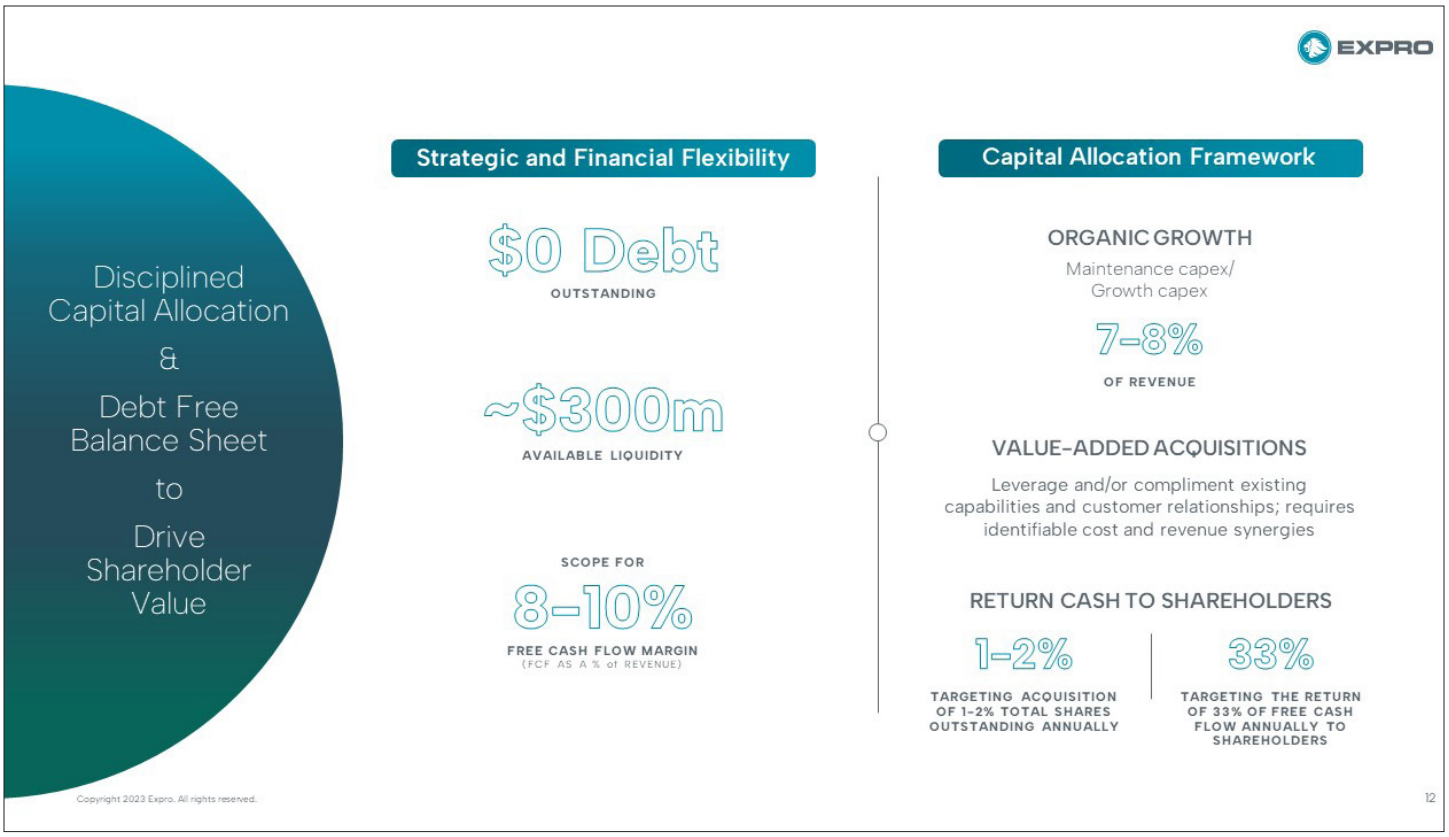
The midpoint of our most recent guidance for full-year 2023 revenue was $1.5 billion, and again, full-year Adjusted EBITDA Margin is expected to come in around 20 percent, which equates to about $300 million, implying year-over-year adjusted EBITDA margin expansion of about 400 basis points.

We should exit 2023 with quarterly run rate for revenue of approximately $400 million, or $1.6 billion annualized, and sustain Adjusted EBITDA Margins at 20 percent plus as a percent of revenue.

I am confident that we will continue to control the things that we can control and that we will continue to exercise discipline in regard to costs and capital investment in order to optimize this growth cycle.

We are also pushing pricing to get more value for the services that we provide to our customers, and we believe our results will reflect net pricing gains beginning in late 2023 and in to 2024.

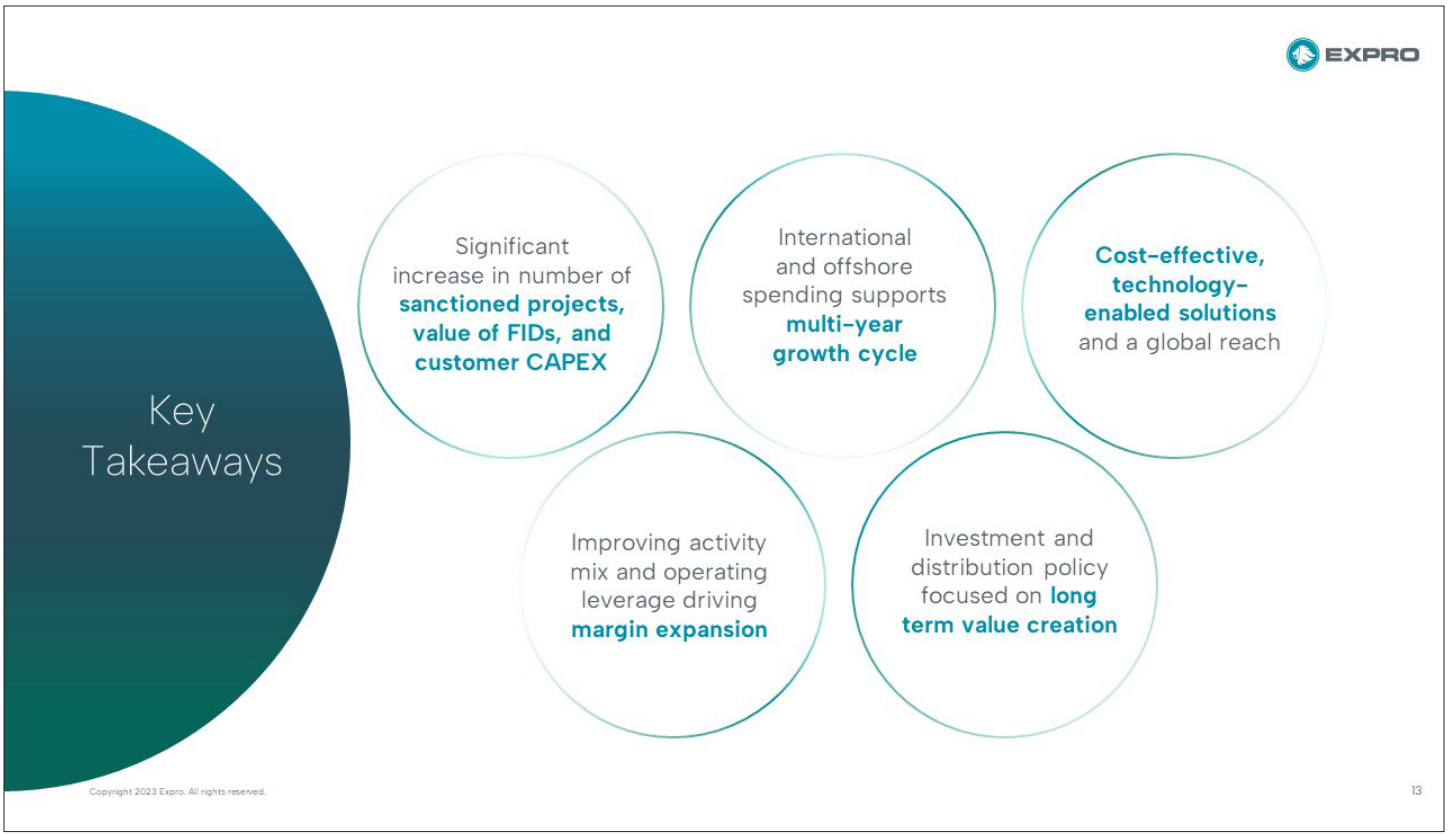
With good topline growth, better pricing and cost discipline, we should be able to sustain and improve upon margins. With capital discipline, we should see a step-change in free cash flow performance. In particular, we feel that an 8 to 10 percent free cash flow margin is achievable over the medium term.



Financial Summary

As you have all picked up on by now, we believe that industry fundamentals support a multi-year growth cycle, and that the company is well positioned for long-term success.

Our debt-free balance sheet and cash flow outlook provide the company with strategic and financial flexibility, and we will endeavour to be both good stewards of shareholder capital and maintain a shareholder-friendly capital allocation framework, balancing the need to achieve sustainable free cash flow through incremental scale and an intent to regularly return cash to shareholders.



Key Takeaways

The resurgence of international and offshore activity is demonstrated by the number of projects announced and expected. This is being captured by the statistical data aggregated by Rystad and others. Our engagement with customers is very consistent with this positive, multi-year outlook.

While the next couple of quarters may be choppy as a demand recovery, particularly in China, takes hold, we believe that operators' spending commitments will be revised upwards,

We think that we've made significant strides in creating a platform to deliver cost-effective, technology-enabled services and solutions, and that we will fully participate in what we expect will be an extended growth phase for the energy services industry. We also believe that our industry requires additional consolidation, and that we have a track record of creating value through smart, synergies-focused M&A.

We are looking to build a sustainable business and a great company, and we very much appreciate both your time today and your interest in Expro.

If you have questions, I'd be more than happy to entertain them.