

# National Energy Services Reunited Corp. Reports Fourth Quarter and Full Year 2019 Financial Results

Wed, 26 Feb 2020 11:01:11

EQS-News: National Energy Services Reunited Corp. Reports Fourth Quarter and Full Year 2019 Financial Results

Houston, 02/26/2020 / 05:01, EST/EDT - EQS Newswire - National Energy Services Reunited Corp. (Nasdaq)

**HOUSTON, TX / ACCESSWIRE / February 26, 2020** National Energy Services Reunited Corp. ("NESR" or the "Company") (NASDAQ:NESR)(NASDAQ:NESRW), a national, industry-leading provider of integrated energy services in the Middle East and North Africa ("MENA") and Asia Pacific regions, today reported its financial results for the quarter and year ended December 31, 2019. The Company posted the following results for the periods presented:

- **Revenue for the fourth quarter of 2019 is \$185 million, growing 17% year-over-year**
- **Gross collections of \$207M in the fourth quarter drove free cash flow of \$26 million and a net debt decrease of \$20 million**
- **Net Income for the fourth quarter of 2019 is \$4 million**
- **Adjusted Net Income (a non-GAAP measure) for the fourth quarter of 2019 is \$19 million\***
- **Adjusted EBITDA (a non-GAAP measure) is \$52 million as compared to \$48 million in the prior quarter\***
- **Diluted Earnings per Share (EPS) for the fourth quarter of 2019 is \$0.04, which includes \$0.17 per share of Charges and Credits**
- **Adjusted Diluted EPS (a non-GAAP measure) for the fourth quarter of 2019 is \$0.21\***

|                                        | Three Months Ended |                    |                   | Variance   |                |
|----------------------------------------|--------------------|--------------------|-------------------|------------|----------------|
|                                        | December 31, 2019  | September 30, 2019 | December 31, 2018 | Sequential | Year-over-year |
| (in millions except per share amounts) |                    |                    |                   |            |                |
| Revenue                                | \$ 185,176         | \$ 161,606         | \$ 158,024        | 15%        | 17%            |
| Net income                             | 3,724              | 11,110             | 22,788            | (66)%      | (84)%          |
| Adjusted net income (non-GAAP)*        | 18,948             | 16,195             | 17,892            | 17%        | 6%             |
| Adjusted EBITDA (non-GAAP)*            | 51,749             | 47,708             | 49,948            | 8%         | 4%             |
| Diluted EPS                            | 0.04               | 0.13               | 0.26              | (69)%      | (85)%          |
| Adjusted Diluted EPS (non-GAAP)*       | 0.21               | 0.19               | 0.21              | 11%        | -%             |

\*The Company presents its financial results in accordance with generally accepted accounting principles in the United States of America ("GAAP"). However, management believes that using additional non-GAAP measures will enhance the evaluation of the profitability of the Company and its ongoing operations. Please see Tables 1, 2, 3 and 4 below for reconciliations of GAAP to non-GAAP financial measures.

Sherif Foda, Chairman of the Board and CEO of NESR said, "NESR achieved very important milestones this quarter which will bring a step change to the Company going forward. We opened a casing accessories manufacturing facility in Oman to deepen our commitment to In-Country Value creation and local employment, a cornerstone of our ESG strategy in the region. We also commenced operations under a significant unconventional gas stimulation services contract in Saudi Arabia, achieving qualification of these services in a record time during the fourth quarter. Separately, our team's focus on operational efficiency and financial discipline resulted in a \$20.2 million decrease in net debt quarter over quarter after collecting a record \$207 million during the quarter."

Mr. Foda continued, "Most recently, we announced the agreement to acquire a significant oilfield services provider, SAPESCO. This transaction is expected to close in April of 2020 and will mark the entry of the NESR brand into Egypt, further expanding our presence in North Africa and adding a new service line, Pipelines and Industrial Services, to our portfolio."

## Net Income Results

The Company had net income for the fourth quarter of 2019 totaling \$3.7 million as compared to a net income of \$11.1 million for the third quarter of 2019 and \$22.8 million in the prior year quarter. Net income for the fourth quarter of 2019, third quarter of 2019, and fourth quarter of 2018, includes amortization expenses associated with intangible assets acquired in the acquisition of NPS and GES (the "Business Combination") of \$3.8 million, per quarter. Adjusted net income for the fourth quarter of 2019 is \$18.9 million and includes adjustments totaling \$15.2 million mainly related to integration and restructuring costs, higher startup and qualifying costs in conjunction with new contracts, specifically the unconventional contract setup, and other discrete provisions that include non-cash actuarial adjustments and tax reserve charges (collectively, "Total Charges and Credits"). In the fourth quarter of 2018, Total Charges and Credits included a gain of \$6.1 million for a Business Combination-related earn-out adjustment. A complete list of the adjusting items and the associated reconciliation from GAAP has been provided in Table 1 below in the section entitled "Reconciliation of Net Income and Adjusted Net Income."

The Company reported \$0.04 of diluted earnings per share ("EPS") for the fourth quarter of 2019 compared to \$0.13 per share during the third quarter 2019 period. Adjusted for the impact of Total Charges and Credits, a non-GAAP measure described in Table 1 below, Adjusted Diluted EPS for the fourth quarter of 2019 is \$0.21, compared to \$0.19 per share during the third quarter 2019 period.

See "Business Combination Accounting and Presentation of Results of Operations" section below for additional information on current reporting conventions.

### Adjusted EBITDA Results

The Company produced Adjusted EBITDA of \$52 million during the fourth quarter of 2019. Fourth quarter 2019 Adjusted EBITDA includes adjustments for certain Total Charges and Credits (those not related to interest, taxes, and/or depreciation and amortization) of \$11.6 million. The Company posted the following results for the periods presented.

|                 | Three<br>months<br>ended | Three<br>months<br>ended | Three<br>months<br>ended |
|-----------------|--------------------------|--------------------------|--------------------------|
|                 | December                 | September                | December                 |
|                 | <u>31, 2019</u>          | <u>30, 2019</u>          | <u>31, 2018</u>          |
| (in thousands)  |                          |                          |                          |
| Revenue         | \$ 185,176               | \$ 161,606               | \$ 158,024               |
| Adjusted EBITDA | \$ 51,749                | \$ 47,708                | \$ 49,948                |

### Production Services Segment Results

The Production Services segment contributed \$121.0 million to consolidated revenue for the fourth quarter of 2019 as compared to \$97.2 million during the third quarter of 2019, growing 24.6% quarter-over-quarter. Segment Adjusted EBITDA increased to \$40.4 million from \$34.2 million in the prior quarter, an improvement of 18.2%. The Production Services segment posted the following results for the periods presented.

|                  | Three<br>months<br>ended | Three<br>months<br>ended | Three<br>months<br>ended |
|------------------|--------------------------|--------------------------|--------------------------|
|                  | December                 | September                | December                 |
|                  | <u>31, 2019</u>          | <u>30, 2019</u>          | <u>31, 2018</u>          |
| (in thousands)   |                          |                          |                          |
| Revenue          | \$ 121,023               | \$ 97,160                | \$ 98,523                |
| Operating income | \$ 14,610                | \$ 20,447                | \$ 28,949                |
| Adjusted EBITDA  | \$ 40,434                | \$ 34,218                | \$ 35,530                |

### Drilling and Evaluation Services Segment Results

The Drilling and Evaluation ("D&E") Services segment contributed \$64.2 million to consolidated revenue for the fourth quarter of 2019 as compared to revenue of \$59.5 million in the fourth quarter of 2018. The D&E Services segment revenue grew by over 7.8% over the past year. Segment Adjusted EBITDA totaled \$13.6 million in the fourth quarter of 2019 reflecting changes in segment mix during the quarter.

The D&E Services segment posted the following results for the periods presented.

|                  | Three<br>months<br>ended | Three<br>months<br>ended | Three<br>months<br>ended |
|------------------|--------------------------|--------------------------|--------------------------|
|                  | December                 | September                | December                 |
|                  | <u>31, 2019</u>          | <u>30, 2019</u>          | <u>31, 2018</u>          |
| (in thousands)   |                          |                          |                          |
| Revenue          | \$ 64,153                | \$ 64,446                | \$ 59,501                |
| Operating income | \$ 4,956                 | \$ 9,183                 | \$ 9,147                 |

Adjusted EBITDA

\$ 13,645 \$ 16,299 \$ 13,877

Offsetting both the Production Services segment and D&E Services segment results were certain corporate costs, which are not allocated to segment operations.

## Balance Sheet

Cash and cash equivalents are \$73.2 million as of December 31, 2019, compared to \$24.9 million as of December 31, 2018.

Total debt as of December 31, 2019 is \$383.5 million with \$53.0 million of such debt classified as short-term. Working capital for the Company totaled \$175.0 million as of December 31, 2019. Net debt totaled \$310.3 million as of December 31, 2019 as compared to \$330.6 million as of September 30, 2019, a decrease of \$20.2 million. Net debt has decreased quarter-over-quarter due to improved accounts receivable collections, a trend which we expect to continue into the first quarter of 2020. Gross collections were \$207 million in the fourth quarter of 2019, a 34% sequential increase. Free cash flow for the fourth quarter of 2019 was \$26 million. As compared to December 31, 2018, net debt has increased by \$33.1 million fund working capital and capital spending to support our growth.

## Predecessor/Successor Accounting Treatment

NESR continues to report in a Predecessor/Successor format whereby NPS Holdings Limited ("NPS") is the Predecessor for periods prior to the completion of the Business Combination on June 7, 2018 and NESR, including NPS and Gulf Energy S.A.O.C. ("GES"), is the Successor for post-transaction periods.

## Conference Call Information

NESR will host a conference call on Wednesday, February 26, 2020, to discuss fourth quarter and full year financial results. The call will begin at 8:00 AM Eastern Time.

Investors, analysts and members of the media interested in listening to the conference call are encouraged to participate by dialing in to the U.S. toll-free line at 1-877-407-0312 or the international line at 1-201-389-0899. A live, listen-only webcast will also be available under the "Investors" section of the Company's website at [www.nesr.com](http://www.nesr.com). A replay of the conference call will be available after the event under the "Investors" section of the Company's website.

## About National Energy Services Reunited Corp.

Founded in 2017, NESR is one of the largest national oilfield services providers in the MENA and Asia Pacific regions. With over 4,000 employees, representing more than 40 nationalities in over 15 countries, the Company helps its customers unlock the full potential of their reservoirs by providing Production Services such as Cementing, Coiled Tubing, Filtration, Completions, Stimulation, Pumping and Nitrogen Services. The Company also helps its customers to access their reservoirs in a smarter and faster manner by providing Drilling and Evaluation Services such as Drilling Downhole Tools, Directional Drilling, Fishing Tools, Testing Services, Wireline, Slickline, Fluids and Rig Services.

## Business Combination Accounting and Presentation of Results of Operations

As a result of the Business Combination, NESR was determined to be the accounting acquirer and NPS was determined to be the predecessor for SEC reporting purposes. Pursuant to Accounting Standard Codification ("ASC") 805, *Business Combinations* ("ASC 805"), the acquisition-date fair value of the purchase consideration paid by NESR to affect the Business Combination was allocated to the assets acquired and the liabilities assumed based on their estimated fair values. As a result of the application of the acquisition method of accounting resulting from the Business Combination, the financial statements and certain footnote presentations separate the Company's presentations into two distinct sets of reporting periods, the periods before the consummation of the transaction ("Predecessor Period") and the period after that date ("Successor Period"), to indicate the application of the different basis of accounting between the periods presented. The Predecessor Periods reflect the historical financial information of NPS prior to the Business Combination, while the Successor Period reflects the Company's consolidated financial information, including the results of NPS and GES, after the Business Combination.

## Forward-Looking Statements

This communication contains forward-looking statements (as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended). Any and all statements contained in this communication that are not statements of historical fact may be deemed forward-looking statements. Terms such as "may," "might," "would," "should," "could," "project," "estimate," "predict," "potential," "strategy," "anticipate," "attempt," "develop," "plan," "help," "believe," "continue," "intend," "expect," "future," and terms of similar import (including the negative of any of these terms) may identify forward-looking statements. However, not all forward-looking statements may contain one or more of these identifying terms.

Forward-looking statements in this communication may include, without limitation, statements regarding the benefits resulting from the Company's recent business combination transaction, the plans and objectives of management for future operations, projections of income or loss, earnings or loss per share, capital expenditures, dividends, capital structure or other financial items, the Company's future financial performance, expansion plans and opportunities, and the assumptions underlying or relating to any such statement.

The forward-looking statements are not meant to predict or guarantee actual results, performance, events or circumstances and may not be realized because they are based upon the Company's current projections, plans, objectives, beliefs, expectations, estimates and assumptions and are subject to a number of risks and uncertainties and other influences, many of which the Company has no control over. Actual results and the timing of certain events and circumstances may differ materially from those described by the forward-looking statements as a result of these risks and uncertainties. Factors that may influence or contribute to the accuracy of the forward-looking statements or cause actual results to differ materially from expected or desired results may include, without limitation: estimates of the Company's future revenue, expenses, capital requirements and the Company's need for financing; the risk of legal complaints and proceedings and government investigations; the Company's financial performance; success in retaining or recruiting, or changes required in, the Company's officers, key employees or directors; current and future government regulations; developments relating to the Company's competitors; changes in applicable laws or regulations; the possibility that the Company may be adversely affected by other economic and market conditions, political disturbances, war, terrorist acts, international currency fluctuations, business and/or competitive factors; and other risks and uncertainties set forth in the Company's most recent Annual Report on Form 20-F filed with the Securities and Exchange Commission (the "SEC").

You are cautioned not to place undue reliance on forward-looking statements because of the risks and uncertainties related to them and to the risk factors. The Company disclaims any obligation to update the forward-looking statements contained in this communication to reflect any new information or future events or circumstances or otherwise, except as required by law. You should read this communication in conjunction with other documents which the Company may file or furnish from time to time with the SEC.

The preliminary financial results for the Company's fourth quarter and full year ended December 31, 2019 included in this press release represent the most current information available to management. The Company's actual results when disclosed in its Annual Report on Form 20-F for the year ended December 31, 2019 may differ from these preliminary results as a result of the completion of the Company's financial statement closing procedures, final adjustments, completion of the independent registered public accounting firm's audit procedures, and other developments that may arise between now and the disclosure of the final results.

**NATIONAL ENERGY SERVICES REUNITED CORP. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In US\$ thousands, except share data)

|                                        | <b>December<br/>31,<br/>2019</b> | <b>December<br/>31,<br/>2018</b> |
|----------------------------------------|----------------------------------|----------------------------------|
| <b>Assets</b>                          |                                  |                                  |
| <b>Current assets</b>                  |                                  |                                  |
| Cash and cash equivalents              | 73,201                           | 24,892                           |
| Accounts receivable, net               | 99,019                           | 62,636                           |
| Unbilled revenue                       | 75,974                           | 95,145                           |
| Service inventories, net               | 78,841                           | 58,151                           |
| Prepaid assets                         | 9,590                            | 6,937                            |
| Retention withholdings                 | 40,970                           | 22,011                           |
| Other receivables                      | 14,019                           | 16,695                           |
| Other current assets                   | 6,800                            | 13,178                           |
| <b>Total current assets</b>            | <b><u>398,414</u></b>            | <b><u>299,645</u></b>            |
| <b>Non-current assets</b>              |                                  |                                  |
| Property, plant and equipment, net     | 417,683                          | 328,727                          |
| Intangible assets, net                 | 122,714                          | 138,052                          |
| Goodwill                               | 574,764                          | 570,540                          |
| Other assets                           | 1,105                            | 6,345                            |
| <b>Total assets</b>                    | <b><u>\$1,514,680</u></b>        | <b><u>\$1,343,309</u></b>        |
| <b>Liabilities and equity</b>          |                                  |                                  |
| <b>Liabilities</b>                     |                                  |                                  |
| Accounts payable                       | 60,907                           | 66,264                           |
| Accrued expenses                       | 70,488                           | 38,986                           |
| Current installments of long-term debt | 15,000                           | 45,093                           |
| Short-term borrowings                  | 37,963                           | 31,817                           |

|                                  |                |                |
|----------------------------------|----------------|----------------|
| Income taxes payable             | 6,432          | 10,991         |
| Other taxes payable              | 7,189          | 5,806          |
| Other current liabilities        | 25,448         | 24,123         |
| <b>Total current liabilities</b> | <b>223,427</b> | <b>223,080</b> |
| Long-term debt                   | 330,564        | 225,172        |
| Deferred tax liabilities         | 20,908         | 30,756         |
| Pension benefit liabilities      | 16,745         | 13,828         |
| Other liabilities                | 36,564         | 19,482         |
| <b>Total liabilities</b>         | <b>628,208</b> | <b>512,318</b> |

### Commitments and contingencies

#### Equity

|                                                                                                                                                                           |                    |                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Preferred shares, no par value; unlimited shares authorized; none issued and outstanding at December 31, 2019 and December 31, 2018, respectively                         | -                  | -                  |
| Common stock, no par value; unlimited shares authorized; 87,187,289 and 85,562,769 shares issued and outstanding at December 31, 2019 and December 31, 2018, respectively | 801,545            | 801,545            |
| Additional paid in capital                                                                                                                                                | 17,237             | 1,034              |
| Retained earnings                                                                                                                                                         | 67,661             | 28,297             |
| Accumulated other comprehensive income                                                                                                                                    | 29                 | 48                 |
| <b>Total shareholders' equity</b>                                                                                                                                         | <b>886,472</b>     | <b>830,924</b>     |
| Non-controlling interests                                                                                                                                                 | -                  | 67                 |
| <b>Total equity</b>                                                                                                                                                       | <b>886,472</b>     | <b>830,991</b>     |
| <b>Total liabilities and equity</b>                                                                                                                                       | <b>\$1,514,680</b> | <b>\$1,343,309</b> |

**NATIONAL ENERGY SERVICES REUNITED CORP. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In US\$ thousands, except share data and per share amounts)

| Description                                                   | Successor (NESR)                                 |                                                  |                                               |                                                  | Predecessor (NPS)                           |
|---------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|-----------------------------------------------|--------------------------------------------------|---------------------------------------------|
|                                                               | Period from January 1, 2019 to December 31, 2019 | Period from October 1, 2019 to December 31, 2019 | Period from June 7, 2018 to December 31, 2018 | Period from October 1, 2018 to December 31, 2018 | Period from January 1, 2018 to June 6, 2018 |
| Revenues                                                      | \$ 658,385                                       | \$ 185,176                                       | \$ 348,590                                    | \$ 158,024                                       | \$ 137,027                                  |
| Cost of services                                              | (506,799)                                        | (154,083)                                        | (249,159)                                     | (109,755)                                        | (104,242)                                   |
| <b>Gross profit</b>                                           | 151,586                                          | 31,093                                           | 99,431                                        | 48,269                                           | 32,785                                      |
| Selling, general and administrative expense                   | (63,840)                                         | (17,248)                                         | (36,705)                                      | (13,926)                                         | (19,969)                                    |
| Amortization                                                  | (15,932)                                         | (3,896)                                          | (9,373)                                       | (4,257)                                          | (10)                                        |
| <b>Operating income</b>                                       | 71,814                                           | 9,949                                            | 53,353                                        | 30,086                                           | 12,806                                      |
| Interest expense, net                                         | (18,971)                                         | (4,280)                                          | (14,383)                                      | (6,284)                                          | (4,090)                                     |
| Other income / (expense), net                                 | (408)                                            | 221                                              | 5,441                                         | 5,459                                            | 362                                         |
| <b>Income before income tax</b>                               | 52,435                                           | 5,890                                            | 44,411                                        | 29,261                                           | 9,078                                       |
| Income tax expense                                            | (13,071)                                         | (2,166)                                          | (9,431)                                       | (6,471)                                          | (2,342)                                     |
| <b>Net income / (loss)</b>                                    | 39,364                                           | 3,724                                            | 34,980                                        | 22,790                                           | 6,736                                       |
| Net income / (loss) attributable to non-controlling interests | -                                                | -                                                | (163)                                         | 9                                                | (881)                                       |
| <b>Net income attributable to shareholders</b>                | <b>\$ 39,364</b>                                 | <b>\$ 3,724</b>                                  | <b>\$ 35,143</b>                              | <b>\$ 22,781</b>                                 | <b>\$ 7,617</b>                             |
| <b>Weighted average shares outstanding:</b>                   |                                                  |                                                  |                                               |                                                  |                                             |
| Basic                                                         | 86,997,554                                       | 87,168,937                                       | 85,569,020                                    | 85,576,902                                       | 348,524,566                                 |
| Diluted                                                       | 86,997,554                                       | 87,168,937                                       | 86,862,983                                    | 86,862,983                                       | 370,000,000                                 |
| <b>Net earnings per share:</b>                                |                                                  |                                                  |                                               |                                                  |                                             |
| Basic                                                         | \$ 0.45                                          | \$ 0.04                                          | \$ 0.41                                       | \$ 0.26                                          | \$ 0.02                                     |
| Diluted                                                       | \$ 0.45                                          | \$ 0.04                                          | \$ 0.40                                       | \$ 0.26                                          | \$ 0.02                                     |

**NATIONAL ENERGY SERVICES REUNITED CORP. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In US\$ thousands)

|                                                                                          | <u>Successor (NESR)</u>                    |                                         | <u>Predecessor (NPS)</u>        |                         |
|------------------------------------------------------------------------------------------|--------------------------------------------|-----------------------------------------|---------------------------------|-------------------------|
|                                                                                          | Period<br>from                             | Period<br>from                          | Period<br>from                  | Year<br>ended           |
|                                                                                          | January 1<br>to<br>December<br>31,<br>2019 | June 7<br>to<br>December<br>31,<br>2018 | January 1<br>to June 6,<br>2018 | December<br>31,<br>2017 |
| <b>Cash flows from operating activities:</b>                                             |                                            |                                         |                                 |                         |
| Net income/(loss)                                                                        | \$ 39,364                                  | \$ 34,980                               | \$ 6,736                        | \$ 28,353               |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b> |                                            |                                         |                                 |                         |
| Depreciation and amortization                                                            | 88,111                                     | 42,416                                  | 17,284                          | 38,408                  |
| Shares issued for transaction costs                                                      | -                                          | 2,719                                   | -                               | -                       |
| Stock-based compensation                                                                 | 5,654                                      | 1,034                                   | -                               | -                       |
| (Gain) on disposal of assets                                                             | (1,659)                                    | (986)                                   | -                               | (228)                   |
| Non-cash interest expense                                                                | 1,884                                      | 2,055                                   | 3,350                           | 7,835                   |
| Deferred tax expense (benefit)                                                           | (5,644)                                    | (2,025)                                 | -                               | 598                     |
| Allowance for doubtful receivables                                                       | 1,771                                      | 693                                     | 2,402                           | 334                     |
| Provision for obsolete service inventories                                               | 530                                        | 1,155                                   | -                               | -                       |
| NPS equity stock-earn out                                                                | -                                          | (5,723)                                 | -                               | -                       |
| Other operating activities, net                                                          | 90                                         | 796                                     | 1,442                           | -                       |
| <b>Changes in operating assets and liabilities:</b>                                      |                                            |                                         |                                 |                         |
| (Increase) decrease in accounts receivable                                               | (39,023)                                   | 10,329                                  | (15)                            | (5,000)                 |
| (Increase) in inventories                                                                | (21,220)                                   | 5,440                                   | (2,080)                         | (8,118)                 |
| (Increase) in prepaid expenses                                                           | (2,573)                                    | 596                                     | (759)                           | 2,070                   |
| (Increase) in other current assets                                                       | 5,227                                      | (36,373)                                | (16,257)                        | 7,480                   |
| (Increase) decrease in other long-term assets and liabilities                            | 8,622                                      | -                                       | (544)                           | -                       |
| Increase (decrease) in accounts payable and accrued expenses                             | 21,222                                     | (34,943)                                | 7,335                           | 9,172                   |
| Increase (decrease) in other current liabilities                                         | (9,657)                                    | 18,677                                  | 1,932                           | 2,289                   |
| <b>Net cash provided by operating activities</b>                                         | <u>92,699</u>                              | <u>40,840</u>                           | <u>20,826</u>                   | <u>83,193</u>           |
| <b>Cash flows from investing activities:</b>                                             |                                            |                                         |                                 |                         |
| Capital expenditures                                                                     | (111,544)                                  | (23,211)                                | (9,861)                         | (48,657)                |
| Proceeds from disposal of assets                                                         | 1,625                                      | 5,309                                   | -                               | 282                     |
| Proceeds from the Company's Trust account                                                | -                                          | 231,782                                 | -                               | -                       |
| Acquisition of business, net of cash acquired                                            | -                                          | (282,190)                               | (1,098)                         | (624)                   |
| Other investing activities                                                               | (1,025)                                    | 1,722                                   | 3,043                           | (3,043)                 |
| <b>Net cash used in investing activities</b>                                             | <u>(110,944)</u>                           | <u>(66,588)</u>                         | <u>(7,916)</u>                  | <u>(52,042)</u>         |
| <b>Cash flows from financing activities:</b>                                             |                                            |                                         |                                 |                         |
| Proceeds from long-term debt                                                             | 365,000                                    | 92,490                                  | 47,063                          | -                       |
| Repayments of long-term debt                                                             | (285,048)                                  | (61,606)                                | -                               | -                       |
| Net change in overdraft facilities                                                       | (6,994)                                    | -                                       | -                               | -                       |
| Proceeds from short-term borrowings                                                      | 49,305                                     | -                                       | -                               | -                       |
| Repayments of short-term borrowings                                                      | (49,971)                                   | -                                       | -                               | (7,871)                 |
| Payments on capital leases                                                               | -                                          | -                                       | -                               | -                       |
| Payments for equipment purchased using seller financing                                  | -                                          | -                                       | -                               | -                       |
| Proceeds from issuance of shares                                                         | -                                          | 48,294                                  | -                               | -                       |
| Redemption of ordinary shares                                                            | -                                          | (19,380)                                | -                               | -                       |
| Payment of deferred underwriting fees                                                    | -                                          | (9,070)                                 | (164)                           | -                       |
| Dividend paid                                                                            | -                                          | -                                       | (48,210)                        | (20,000)                |
| Other financing activities, net                                                          | (5,717)                                    | (134)                                   | (4,429)                         | (4,267)                 |
| <b>Net cash provided by (used in) financing activities</b>                               | <u>66,575</u>                              | <u>50,594</u>                           | <u>(5,740)</u>                  | <u>(32,138)</u>         |

|                                                       |                      |                      |                      |                      |
|-------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Effect of exchange rate changes on cash               | (21)                 | -                    | (16)                 | (45)                 |
| <b>Net increase (decrease) in cash</b>                | <u>48,309</u>        | <u>24,846</u>        | <u>7,154</u>         | <u>(1,032)</u>       |
| <b>Cash and cash equivalents, beginning of period</b> | <u>24,892</u>        | <u>46</u>            | <u>24,502</u>        | <u>25,534</u>        |
| <b>Cash and cash equivalents, end of period</b>       | <u><u>73,201</u></u> | <u><u>24,892</u></u> | <u><u>31,656</u></u> | <u><u>24,502</u></u> |

Supplemental disclosure of cash flow information (also refer Note 3):

|                   |        |       |       |       |
|-------------------|--------|-------|-------|-------|
| Interest paid     | 17,290 | 8,812 | 3,636 | 7,989 |
| Income taxes paid | 19,192 | 6,008 | 345   | 3,286 |

**NATIONAL ENERGY SERVICES REUNITED CORP. AND SUBSIDIARIES**  
**RECONCILIATION OF ADJUSTED EBITDA AND ADJUSTED NET INCOME TO NET INCOME**  
**(Unaudited)**  
(In US\$ thousands)

The Company uses and presents certain key non-GAAP financial measures to evaluate its business and trends, measure performance, prepare financial projections and make strategic decisions. Included in this release are discussions of earnings before interest, income tax and depreciation and amortization adjusted for certain non-recurring and non-core expenses ("Adjusted EBITDA"), net income adjusted for certain non-recurring and non-core expenses ("Adjusted Net Income") as well a reconciliation of these non-GAAP measures to operating income and net income, respectively, in accordance with GAAP.

The Company believes that the presentation of Adjusted EBITDA and Adjusted Net Income provides useful information to investors in assessing its financial performance and results of operations as the Company's board of directors, management and investors use Adjusted EBITDA and Adjusted Net Income to compare the Company's operating performance on a consistent basis across periods by removing the effects of changes in capital structure (such as varying levels of interest expense), asset base (such as depreciation and amortization), items that do not impact the ongoing operations (transaction, integration, and startup costs) and items outside the control of its management team. Adjusted EBITDA and Adjusted Net Income should not be considered as an alternative to operating income or net income, respectively, the most directly comparable GAAP financial measures. Non-GAAP financial measures have important limitations as analytical tools because they exclude some but not all items that affect the most directly comparable GAAP financial measure. You should not consider non-GAAP measures in isolation or as a substitute for an analysis of the Company's results as reported under GAAP.

**Table 1 - Reconciliation of Net Income and Adjusted Net Income**

|                                            | <u>October 1 to<br/>December 31, 2019</u> |                        | <u>July 1 to<br/>September 30, 2019</u> |                        | <u>October 1 to<br/>December 31, 2018</u> |                        |
|--------------------------------------------|-------------------------------------------|------------------------|-----------------------------------------|------------------------|-------------------------------------------|------------------------|
|                                            | <u>Net<br/>Income</u>                     | <u>Diluted<br/>EPS</u> | <u>Net<br/>Income</u>                   | <u>Diluted<br/>EPS</u> | <u>Net<br/>Income</u>                     | <u>Diluted<br/>EPS</u> |
| Net Income                                 | \$ 3,724                                  | \$ 0.04                | \$ 11,110                               | \$ 0.13                | \$ 22,788                                 | \$ 0.26                |
| Add Charges and Credits:                   |                                           |                        |                                         |                        |                                           |                        |
| Transaction, integration and startup costs | 11,768                                    | 0.13                   | 4,181                                   | 0.05                   | 1,219                                     | 0.01                   |
| Other discrete provisions                  | 3,456                                     | 0.04                   | 904                                     | 0.01                   | (6,117)                                   | (0.06)                 |
| Total Charges and Credits                  | <u>15,224</u>                             | <u>0.17</u>            | <u>5,085</u>                            | <u>0.06</u>            | <u>(4,898)</u>                            | <u>(0.05)</u>          |
| Total Adjusted                             | <u>\$ 18,948</u>                          | <u>\$ 0.21</u>         | <u>\$ 16,195</u>                        | <u>\$ 0.19</u>         | <u>\$ 17,890</u>                          | <u>\$ 0.21</u>         |

**Table 2 - Reconciliation of Net Income to Adjusted EBITDA**

|                                               | <u>October 1<br/>to<br/>December<br/>31, 2019</u> | <u>July 1 to<br/>September<br/>30, 2019</u> | <u>October 1<br/>to<br/>December<br/>31, 2018</u> |
|-----------------------------------------------|---------------------------------------------------|---------------------------------------------|---------------------------------------------------|
| Net Income                                    | \$ 3,724                                          | \$ 11,110                                   | \$ 22,788                                         |
| Add:                                          |                                                   |                                             |                                                   |
| Income Taxes                                  | 2,166                                             | 3,511                                       | 6,471                                             |
| Interest Expense, net                         | 4,280                                             | 5,011                                       | 6,284                                             |
| Depreciation and Amortization                 | 29,980                                            | 23,196                                      | 19,303                                            |
| Charges and Credits impacting Adjusted EBITDA | 11,599                                            | 4,880                                       | (4,898)                                           |
| Total Adjusted EBITDA                         | <u>\$ 51,749</u>                                  | <u>\$ 47,708</u>                            | <u>\$ 49,948</u>                                  |

**Table 3 - Reconciliation of Segment EBITDA to Adjusted EBITDA**

|                       | October 1 to<br>December 31, 2019 |                                 |                    | July 1 to<br>September 30, 2019 |                                 |                    | October 1 to<br>December 31, 2018 |                                 |                    |
|-----------------------|-----------------------------------|---------------------------------|--------------------|---------------------------------|---------------------------------|--------------------|-----------------------------------|---------------------------------|--------------------|
|                       | Charges<br>and<br>Credits         |                                 |                    | Charges<br>and<br>Credits       |                                 |                    | Charges<br>and<br>Credits         |                                 |                    |
|                       | EBITDA                            | impacting<br>Adjusted<br>EBITDA | Adjusted<br>EBITDA | EBITDA                          | impacting<br>Adjusted<br>EBITDA | Adjusted<br>EBITDA | EBITDA                            | impacting<br>Adjusted<br>EBITDA | Adjusted<br>EBITDA |
| Production Services   | \$ 32,832                         | \$ 7,602                        | \$ 40,434          | \$ 32,581                       | \$ 1,637                        | \$ 34,218          | \$ 35,530                         | \$ -                            | \$ 35,530          |
| Drilling & Evaluation | 12,093                            | 1,552                           | 13,645             | 15,239                          | 1,060                           | 16,299             | 13,877                            | -                               | 13,877             |
| Unallocated           | (4,775)                           | 2,445                           | (2,330)            | (4,992)                         | 2,183                           | (2,809)            | 5,439                             | (4,898)                         | 541                |
| <b>Total</b>          | <b>\$ 40,150</b>                  | <b>\$ 11,599</b>                | <b>\$ 51,749</b>   | <b>\$ 42,828</b>                | <b>\$ 4,880</b>                 | <b>\$ 47,708</b>   | <b>\$ 54,846</b>                  | <b>\$ (4,898)</b>               | <b>\$ 49,948</b>   |

**Table 4 - Reconciliation of Segment EBITDA to Segment Operating Income**

|                                          | Period<br>from<br>September<br>30<br>to<br>December<br>31,<br>2019 | Period<br>from<br>July 1<br>to<br>September<br>30,<br>2019 | Period<br>from<br>September<br>30<br>to<br>December<br>31,<br>2018 |
|------------------------------------------|--------------------------------------------------------------------|------------------------------------------------------------|--------------------------------------------------------------------|
| <b>Production Services:</b>              |                                                                    |                                                            |                                                                    |
| Segment EBITDA                           | \$ 32,832                                                          | \$ 32,581                                                  | \$ 35,530                                                          |
| Depreciation and amort.                  | (19,290)                                                           | (12,322)                                                   | (7,991)                                                            |
| Other (income)/expense, net              | 1,068                                                              | 188                                                        | 1,410                                                              |
| Segment Operating Income                 | <u>14,610</u>                                                      | <u>20,447</u>                                              | <u>28,949</u>                                                      |
| <b>Drilling and Evaluation Services:</b> |                                                                    |                                                            |                                                                    |
| Segment EBITDA                           | 12,093                                                             | 15,239                                                     | 13,877                                                             |
| Depreciation and amort.                  | (6,313)                                                            | (5,980)                                                    | (4,796)                                                            |
| Other (income)/expense, net              | (824)                                                              | (76)                                                       | 66                                                                 |
| Segment Operating Income                 | <u>4,956</u>                                                       | <u>9,183</u>                                               | <u>9,147</u>                                                       |
| <b>Unallocated:</b>                      |                                                                    |                                                            |                                                                    |
| Segment EBITDA                           | (4,775)                                                            | (4,992)                                                    | 5,439                                                              |
| Share-based compensation                 | (1,597)                                                            | (1,944)                                                    | (703)                                                              |
| Depreciation and amort.                  | (2,780)                                                            | (2,950)                                                    | (5,804)                                                            |
| Other (income)/expense, net              | (465)                                                              | 18                                                         | (6,942)                                                            |
| Segment Operating Income                 | <u>(9,617)</u>                                                     | <u>(9,868)</u>                                             | <u>(8,010)</u>                                                     |
| <b>Total Operating Income</b>            | <b>\$ 9,949</b>                                                    | <b>\$ 19,762</b>                                           | <b>\$ 30,086</b>                                                   |

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