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National Energy Services Reunited Corp. (NESR)

Investor Meeting - Fireside Chat

CORPORATE PARTICIPANTS

Sherif Foda

Chairman & Chief Executive Officer, National Energy Services Reunited Corp.

OTHER PARTICIPANTS

Jeff Robertson

Analyst, Water Tower Research LLC

MANAGEMENT DISCUSSION SECTION

Jeff Robertson

Analyst, Water Tower Research LLC

Good morning. Thank you for joining us today for a fireside chat with Sherif Foda, Chairman and Chief Executive Officer of National Energy Services Reunited. I am Jeff Roberson, Managing Director of National Resources at Water Tower Research. Before we begin our discussion, I'd like to remind participants that our – that we – our discussion today could include forward-looking statements as of today April 10, 2025. NESR's disclosures regarding such statements can be found under the Investor Relations tab of its corporate homepage. NESR is the largest publicly listed pure play, diversified oilfield services company that's solely focused on serving national oil company and international oil company customers in most of the major, major MENA region markets. Saudi Arabia contributes more than about – more than 50% of NESR's revenue and together with Oman, Kuwait and UAE, the four countries contribute about 75% to 80% of total revenue. Sherif, I'd like to take the opportunity to thank you for joining us today.

Sherif Foda

Chairman & Chief Executive Officer, National Energy Services Reunited Corp.

Thank you, sir.

QUESTION AND ANSWER SECTION

Jeff Robertson

Analyst, Water Tower Research LLC

Q

Let's to start out, I'm curious how NESR headquartered in Houston, has been able to build relationships with the largest NOCs and IOCs and the world access some of the largest and most stable oilfield services markets in the MENA region.

Sherif Foda

Chairman & Chief Executive Officer, National Energy Services Reunited Corp.

A

So, if you look back on the idea or the ideology was always to form a very strong local Middle East homegrown, if you like, company that serves the entire MENA region and at the same time connect the capital market of the US to it. So, a lot of the time, especially from my background and a multinational company, a lot of the investors wanted to link or wanted to invest into this Middle East region. But there is nothing to buy, because there is nothing publicly listed. So, and that's what we created and that's we – and we said we are going to be national in every country. So, we're Saudi and Saudi, UAE and UAE, et cetera. We have our office there. We have our local people. And at the same time, we have a representative office in Houston, where basically the client and some of the investors and some of the technology can have easy reach to us, doesn't have to fly to Saudi, doesn't have to go to UAE. We have a representative office. And that's why if you look at it at our when you call it headquarters, not really headquartered, I mean you have seven -- we have 7,000 people and we have six people in Houston. So, it is – we have a very nice office in the Post Oak and people can come in and – and join. But we do a lot of the deals, we do a lot of the M&A and we have a lot of the technology service, which we – I'm sure you're going to ask me about it that we do it in Houston.

Jeff Robertson

Analyst, Water Tower Research LLC

Q

So, you really are a local MENA centric oilfield services company who just happens to be headquartered in Houston. Does that -- that's I guess the way to think about it?

Sherif Foda

Chairman & Chief Executive Officer, National Energy Services Reunited Corp.

A

Representative office in Houston, that's what I keep saying. Yeah.

Jeff Robertson

Analyst, Water Tower Research LLC

Q

Okay.

Sherif Foda

Chairman & Chief Executive Officer, National Energy Services Reunited Corp.

A

Yeah.

Sherif Foda

Chairman & Chief Executive Officer, National Energy Services Reunited Corp.

A

Let's talk a little bit about the volatility in the market that we've seen in the last couple of weeks. Oil markets have turned lower in response to OPEC+'s decision on April 3 last week to return about 411,000 barrels of oil to the market beginning in May of 2025. And some of the economic uncertainty around the administrations on again, off again tariff strategy. Can you talk about how the markets that NESR operates in react to price volatility?

Sherif Foda

Chairman & Chief Executive Officer, National Energy Services Reunited Corp.

A

So, this is actually one part of the fundamental why we form the company, that this is a market that is very stable, that is very long-term, that is characterized with a very long-term contracts, which means in the cyclical business, like the oil and gas, which happened four times in my – in my lifetime, we don't get affected as much as the US. We get affected, but not as much. In some cases, we don't get affected at all actually because it's activity linked. So, if you look today on the current environment, that cycle, which is characterized by drop of oil, drop of demand. However, activity is the same. Why? Because all these OPEC countries wants to maintain a certain capacity and they want to increase their capacity, so you have excess capacity where people can what we call open and close the tap, which is Saudi Arabia really is the leader on that. They have 3 million barrel today they can play on which mean they can open and close and the rest of the guys want to have the same. And that's why you have growth in Kuwait. Why? So, why they do that, because they want to have that capacity to be able to play, I can close and open the top, which means for us, it's good, because my activity is not affected.

So, today my activity is not affected at all, actually, right. So, I'm – I'm serving the same region. The only thing if you saw we grew, for example, what we always say we're going to double the growth of the region, because we are small, we can grow faster. So, if the region was growing at 10%, we grew to 20%, at 5%, 6% we grew 12%, 15%. And the same thing is going to happen in 2025 over 2024 where the region is going to grow maybe, maybe 3% to 5%. We definitely are going to grow in the 10% region and that's why we have that. Sorry. Go ahead.

Jeff Robertson

Analyst, Water Tower Research LLC

Q

And you're referring to CapEx growth in the region and revenue...

Sherif Foda

Chairman & Chief Executive Officer, National Energy Services Reunited Corp.

A

Yes.

Jeff Robertson

Analyst, Water Tower Research LLC

Q

...growth for NESR?

Sherif Foda

Chairman & Chief Executive Officer, National Energy Services Reunited Corp.

A

Correct. Absolutely.

Jeff Robertson

Analyst, Water Tower Research LLC

Q

Okay.

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.*

A

And that's why you see the whole price war and or you call it tariffs or whatever, but in the US and that's why the audience when they are from the US they don't answer, because that's unconventional. Unconventional is like you have to keep drilling, keep reducing and the CapEx burning money. And it is not the same in conventional in the Middle East, you have a world that produce 10,000, 10,000 barrels per day if you produce it. So, your activity, yes, will get affected a bit as a service company, but the intensity is different. In the US, you have to shut down, because you lose money, you lose cash. Below \$50 in the Permian, you can – I mean the rig count in the US is going to drop to half if the oil price goes to \$50. Right. So, but it's not the same in the Middle East.

Jeff Robertson*Analyst, Water Tower Research LLC*

Q

Right. One thing I wanted to ask you about since just given your history operating there, OPEC said in their announcement that they will continue to monitor market conditions.

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.*

A

Yes.

Jeff Robertson*Analyst, Water Tower Research LLC*

Q

From your perspective, do you have any color on how they might react to Brent around a \$60 level with the, with the return they talked about?

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.*

A

In my personal view, they are going – they are not going to keep pumping if the oil keeps dropping. So, in a sense basically and that's why they put the disclaimer, if you like, right. So, obviously there is a geopolitical kind of messaging between the US and GCC that is obvious to show support to the US administration. And that's why you have the oil and the flow of – of production. If start to go below \$60, then going to \$50, they cannot afford it. So, they will not just from oil, because they are – they want to look good. They will have to shut down. And that's why I think they put the very clear, depending on the market condition, they are going to stop that flow, minimize it, restrict it to what it used to be to ensure that the price doesn't just collapse. I mean at the point [indiscernible] (00:07:45) oil, these countries, all the countries will have a serious problem. Obviously, the US will have to shut down, right. Because at \$40, nobody makes money in the US, right, and cheap. But in the Middle East as well, we will have a problem, because their budget is based on a much higher number with a commitment of social spend between all the countries. They cannot afford it.

Jeff Robertson*Analyst, Water Tower Research LLC*

Q

It sounds like from their remarks, they're committed to market stability.

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.*

A

Correctly. Absolutely.

Jeff Robertson*Analyst, Water Tower Research LLC*

Q

Let's just close out on tariffs. Since NESR operates in the Middle East, you will have any exposure to tariffs that – that have been put on by the US?

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.*

A

Zero. I mean, I have no impact whatsoever. The difference would be obviously you have the US and the GCC or the Saudi, UAE, et cetera, almost have no custom, no tariff, nothing. I mean now obviously they have this minimum 10%. But from my perspective, it's so small, it's negligible. If you – if you think about it, if you buy equipment at 8% of your – of your numbers and that becomes 10%, so it's like 1%, right, cost, right. So, it's not really – it's not an issue. I think the – the – and the stuff that you come outside the US and you see nothing has changed from Europe, nothing has changed. So – and we obviously procure a lot locally. So, and that's the whole idea. So, no, there's no effect at all almost on our business as NESR.

Jeff Robertson*Analyst, Water Tower Research LLC*

Q

With just on restoring production, if they move ahead and bring production back into the market, does that translate into capital spending that means business for NESR or does that translate into as you said earlier opening the tap or is it some combination of the two?

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.*

A

I mean – I mean if you think about it. If they increase production and they want to increase capacity even more than they go to again the same, if you like, flooding the market, right, which was a strategy that did not work before. Let's say that for the sake of argument, this happened. Meaning what? Meaning I'm going to have more work, right. So, my activity will increase, but I still don't like it. Why? Because the client will not make any money. Or that money – their margin will be small. Even if I have more activity, they will have to [indiscernible] (00:10:19) with me. So, the way it works, they don't squeeze me the same way they squeeze the US because US becomes more like very bad in, in a downturn because people work actually for loss. But in the Middle East, they would – they will ask you, I have a contract with you for five to seven years. I want a discount because of that price. I have to honor the contract, but I need to give a discount, because now there is a flood of the market of equipment and they know that they get – they have to switch. So, you're going to get the squeeze on price, so your margin will, but activity you will not have a problem. On the country, you will have actually more activity.

Jeff Robertson*Analyst, Water Tower Research LLC*

Q

So, am I right in taking away that a lower oil price and ultimately you'd rather have your customers be Saudi people, companies like Saudi Aramco and Kuwait Oil Company than US unconventional producers?

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.*

A

No brainer and in every downturn that's exactly what happened. I mean if I look at the – again the big oilfield diversified company we – in the serious downturn and people actually were shocked about that in the – one of the worst downturn, some of this multinational company made money only from seven countries in the whole world.

The six GCC plus Russia. Everything else, we lose money, [indiscernible] (00:11:40) lose money, Europe lose money, US lose ton of money. So, yeah, absolutely. So, our focus area is the best.

Jeff Robertson*Analyst, Water Tower Research LLC*

Q

You compete with the likes of Schlumberger and Halliburton. As a smaller company, how do you – how does NESR carve out a niche and compete with larger, global, diversified oilfield services companies?

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.*

A

So, look, I mean our philosophy or DNA from the start was we have to operate and – in the top quartile, which is what I call the top three in service quality, service delivery, HSE, health and safety, operation efficiency, et cetera, right. And I have to be that far that good, right. So, now the client – think about it as a client, right. Today you are Mr. Big NOC and you have all these, if you like, foreigner or multinational company that you are very happy to work with by the way for a lot of years. But you want to diversify your supply chain, right. So, you have this national champion or local company that performs exactly the same level or even better in those services that people are local, the quality is impeccable, et cetera. So, you start to say, okay, let's give them 5%, 10% of the work, 20% of the work. They still perform even better and they are cost effective. They are not much, but they are maybe a couple of percentage point cheaper and they are more effective and they are local no brainer. I give them as much work as I can.

So, being small like us is easier. So, if I have overall a market share today of 5% to 10%, I can still keep growing at this double-digit, because I'm small. If I become 50% market share, I will not outgrow that. I will have to grow with the market and drop with the market. So, today because I perform so well in quality and I am national and I perform even better with a – with a bit of a cheaper price or similar price, the client is very happy to keep giving me work and the proof of that is just not talk. Today, we are the largest service company in four segments and from nothing, right. Today, I am the number one I think in [indiscernible] (00:14:07) top three in cementing. So, that's where we want to be top three and market share in our area. And then the other part, that is what I call lucky that we can be choosy, meaning in – in a segment of the market where the pricing is very bad I can afford not to participate, because I know I won't make a difference in quality and the price is already very bad, so I can't even compete with the price. So, actually I don't even penetrate that market. Again, being small, you can.

Jeff Robertson*Analyst, Water Tower Research LLC*

Q

To your local company who competes in the higher margin parts of the market and that helps drive your revenues faster than overall and your margins, for that matter, faster than the overall industry in those local markets, that – am I summarizing it correctly?

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.*

A

Yes, absolutely.

Jeff Robertson*Analyst, Water Tower Research LLC*

Q

In 2024, your revenue grew about 14% and your gross profit margin expanded by a little over 300 basis points. Adjusted EBITDA grew 18% in 2024 and the adjusted EBITDA margin expanded by over 90 basis points. Can

you maybe expand or build on that of how you all have been able to turn out very solid growth and margin expansion in a market where as you said earlier customers are trying to claw back some margin?

Sherif Foda

Chairman & Chief Executive Officer, National Energy Services Reunited Corp.

A

So, if I look, if I look to be quite frank, and a lot of it is people just don't know, right. And because they don't have a visibility on that market, this is the margin of the Middle East, right. So, we are not like doing so much better than others. No, this is the margin. So, if people look at the big guys, that's their margins, right. So, it's an acceptable margin. And by the way, this went down significantly from last history, because again people talk about the US, right, they are not used to it. But we used to do a normal 40%, 50% margins, right. Because, again if you look at that from a holistic view that the total cost of operation of OFS versus the price of oil is very low.

So, if you are today the customer, right. And you're, let's say you produce at a total cost of \$6, \$7 per barrel, the OFS service cost is maybe [ph] \$2 (00:16:46), right. If the oil price is \$100, why do you give the [indiscernible] (00:16:51)? I mean what you care is that this two part of their cost has a good technology, has good delivery, train the people, takes part of the whole geopolitical and the whole environment and ecosystem. More important than the [indiscernible] (00:17:10), because it's irrelevant for your total cost, right.

Now, obviously that margin decline from the client or the cost of operation becomes bigger. You still want the price to be better, but you don't squeeze as much, because the other social impact of your – the service industry is more important, right. So, I think we are part of that ecosystem. Again, I'm not better than the others. We are like kind of that is the same margin. We are better of being growing and that's why I want to grow faster, which I can and we can maintain those margins fixed, because that's how we can operate at a much larger scale. So, today as I said, when we formed the company and we combine it, we said we're going to double the company every two to three years, which we manage to do that, I mean more or less. And what we need to do is we think we can go and reach the \$2 billion mark, which is very important for us. And I think we can reach that at the – even in a market with tariffs, lower demand and all this stuff, we can still reach that, which is if you are big, it's almost impossible.

Jeff Robertson

Analyst, Water Tower Research LLC

Q

You talked in earlier about having an office in Houston that helps provide access to Middle Eastern markets for people who may not otherwise have it. NESR's grown through strategic acquisitions and co-investments with technology innovators, which have brought capabilities to – to the markets that you serve. Can you talk a little bit about how investors should think about your -- the open technology platform that NESR talks about and how that translates into bringing technologies and growing the addressable market?

Sherif Foda

Chairman & Chief Executive Officer, National Energy Services Reunited Corp.

A

Yes. So, one very important aspect of the innovation of our industry was the access to research, access to university, access to client to be able to test the technology and obviously being strong financially that you can spend on this R&D, right. So, if people I try to think about what is that cycle you're talking about 8 years to 10 years, some of the technology innovation, right. I mean by the way the oil and gas industry has some very cool stuff, right. I mean it's not NESR that took some of the our, our innovation. I mean there is a lot of technology, because you are downhaul at 20,000 feet in the ground with temperature of 400 degree and all the electronics has to work. If you have your iPhone and it goes a bit in the pool or something, it doesn't work or you cannot go to the steam room with it, right. So, today can NESR do all this? Absolutely not, right. No way, right.

So, we adopted a very different approach to all the service industry. We said we are going to be an open platform. I have the best infrastructure today in Middle East. I am exactly the same like the best two service company from the structure, research center, offices, yard, custom clearance. I know everything about the Middle East. So, now there is a lot of innovator here, which is basically between the US and I would say Canada and Europe that have a lot of like cool stuff, right. Like very innovative technology. Very, very, but small. Small like a venture capital, small guys with a lot of very good ideas, right. That what they need, they need access, they need some funding and they need obviously knowledge to understand how does this work? I provide them all this. They have the cool technology.

So, we team together and I tell them, guys, you can give your IP, because I know that's what's the most you're going to be so scared that I still know we are open. We don't hide you. We are not an agent. No, we actually come and take your hand and I take the CEOs and I give them access to some of the most prominent people in the Middle East and we can. But after I do my due diligence and I believe that their technology is good, right. So, I am not, sorry to say a taxi driver on the Uber, right. No, I go technically, I have a very good solid technical people with hundreds of years of technology knowledge. We test, we check, we – we make sure once we fit this company and we say this is very good, either I invest in them, which I have today eight investment in like a venture capital.

So, I – and I become, I have a board seat, I take ownership, I change some of the even their path to technology and become part of the company. But they stay independent and obviously they have the access or the company is very well established, right. Very well established. They don't need me. They don't need me in funding. They don't need me in technology, but they need me in access. I do as well a partnership. So, you see we have the both model and today we have almost 20 of those. The client from the other side, if I – it loves it, because the client let's say, you are an ADNOC or KOC, they know this company, they heard about it. They would love to see this company come, if they go to the big guys, they would never allow them. They come to me and I allow them and they love it, because now I give them that open source without saying, if you don't take it from me, I will not have it. No, I will bring, I will help them, I will set them up if you guys want them. So, it worked very well so far. We have as I said like to any of those between investment and partnership and I think that – that serves both of us and serves the client.

Jeff Robertson*Analyst, Water Tower Research LLC*

Q

It's a part of that strategy. You built and operate a research and development center in Saudi Arabia and recently signed an MoU with Kuwait oil company to set up a research facility in Ahmadi Innovation Valley. How critical are having research facilities in Saudi Arabia and building one now in Kuwait to that strategy of providing a bridge or developing technology locally that your customers need?

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.*

A

Absolutely crucial. Why? Because if you want to elevate yourself from being a local outfit to a national company with a vision to be as good and as strong as the big go – big guys that has everything that you have commitment, you develop people, you train them, you have research, you – you go with the academia. You are long-term, you have the financial muscle to spend money. They look at you totally different, right. So – and that's why I go back to the same vision since the start of the company, why local company did not succeed in Middle East for the last 75 years, because of lack of that kind of vision of long-term. And establishment the anchor of your research, knowledge, people, if you like pedigree or you don't -you see what I mean? So, if I have PhD guys that are working in Saudi Arabia on a project that is for five years, the client knows that I'm here to stay and the client knows I am doing that because I'm investing for the future. And I believe in Saudi Arabia and I believe in this and

that's why I'm hiring local people in research, because that's basically money. I don't make any money out of it. It's costs, it's like a levy, right. So, that – that sort of commitment gets you to the table to a different degree than the rest. And – and even I always like it when I'm in Saudi or Kuwait. And the client size is the Big 4, the Big 5, I'm from that crowd, right. So, the AI view we did in Kuwait, which is Ahmadi Innovation Valley, which is orchestrated by the very – my dear friend, the CEO of KOC who is very visionary.

We were – we always selected companies that would make a difference and selected meaning, I'm going to again bring some technology, bring some people, and we'll be able to even invest and build that facility, so I can house those people to come and develop something that is what I call fit for purpose for the reservoir of Kuwait, that will translate in the longer term, in a lot of activity and a lot of stuff. If still – if you had a very short term if I talk to this, for example, to a banker and I tell him this is the return and he was crazy, why are you spending all this money. When are you going to get your return? And I said, no, no, this is very long. And if you look at it, what is the percentage this is like my R&D budget that I do, but I do it nationally.

Jeff Robertson*Analyst, Water Tower Research LLC*

Q

You're – essentially you're fostering a local entrepreneurial culture to develop new technologies specifically geared toward the reservoir issues that your customers are dealing with country-by-country?

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.*

A

Yes, obviously, you have to have the scale and you have to have that kind of agreement with the leadership of the country. You cannot do this in every one, because you would never be able to succeed.

Jeff Robertson*Analyst, Water Tower Research LLC*

Q

Natural gas has gotten – is getting more attention in some of the MENA countries as they look for ways to displace oil from their power generation system. How is NESR positioned to benefit from that trend? And especially in Saudi Arabia, where Aramco aims to significantly expand production capacity at their Jafurah unconventional gas field?

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.*

A

So, if you look – if you look at the Middle East and the vision of their leadership, they want to move to what they call 50% renewable, 50% gas for their internal consumption. So, the drive in the Middle East for gas is different than the rest of the world in the sense that they are doing this for internal consumption. That's why, it's regardless, if the gas price goes to [ph] Henry Hub (00:28:01) at a dollar, they are still going to continue with the project zero effect and that's the best proof is Saudi Arabia with Jafurah. So, even if they dropped the oil rigs, they dropped all the stuff, they did not touch the unconventional. So, it's a vision to – to maintain that you do not burn crude for power and become environmental friendly with climate. So, even with COP27, COP28, which is again long-term of the Middle East, not just because now people don't like ESG as much, I'll drop it, I'll go burn coal. No. I have that commitment to uphold the climate and for the internal consumption to be gas and renewable, because I always said gas is not a traditional fuel, it's a fuel to stay, and that's where we become part of that equation, because obviously we service the customer for that gas. So, our exposure to offshore, onshore gas or it's the same with, with the client spectrum. We work on all and obviously we are actually more leveraged to gas, especially in Saudi. So, we will benefit more because we will be not affected by the drop if they drop more rigs for oil.

Jeff Robertson*Analyst, Water Tower Research LLC*

Q

There's some of the requirements or services that you supply for or that you – that customers need for gas. Does it differ much from what they need for conventional oil and is there any margin impact?

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.*

A

No, not at all. The only thing you have if you look at this from a surface or if you are a generically or not, you don't know what is oil and gas business, if you are in the service business, it doesn't make any difference. The only thing on the unconventional versus the conventional that you need a lot of frac for the unconventional. So, the tight formation of oil or gas, obviously nobody is doing unconventional oil in the Middle East, because there's a lot of conventional oil. But the gas, because they need it again for internal consumption. You – yes. The profile is very similar to the Permian, which is multi-pad wells, a lot of very fast drilling manufacturing, which is factory. So, you – a lot of frac margins are lower, but activity is higher.

Jeff Robertson*Analyst, Water Tower Research LLC*

Q

Along those lines, we talked about bringing technologies to the region. You all or NESR introduced the ROYA drilling, I think in 2024, and have won some contracts for directional drilling. Are there – is that one of the instances that was developed through your technology platform? And are there other technologies that you see being used maybe in the US or Canada that you think could be next to be introduced into Saudi Arabia or Kuwait or one of the other countries you work in?

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.*

A

Yeah. This is a unique ROYA, in the sense of – that's the only technology that we developed basically, right. So, as I said we do a lot of – people develop the technology already. We team up with, we give them some money, et cetera. In that instance, is it different? Obviously it was people that came to us with ideas, which we liked and we said, okay, let's put money with the one of our very close private equity. And we said we are going to sponsor basically this and we are going to build and change direction. But we enter from the R&D side from the beginning and brand the tool, test them, et cetera, right. So, that's very important.

Why is that, because we look outside, we didn't find anything. There is nothing in the market today that can compete with the big I would say Big 3 on a, on a same level. And if you dig back from what I said from the beginning, I don't want to be a second, a generation or poor performer or low technology. And that's why we- we said, let's invent this stuff with our partners, the company that we put a lot of money on and spend the money. And that's why we think it's going to be a big differentiator. The beauty now is we won the contracts for it. So, it's a matter of deployment. So, today what I'm doing, what we are doing, what we call a deliberate, extensive testing and deployment, which means I deploy when I know advanced Stage A, Stage B, Stage C, Stage E, I don't – I make it a very scientific deployment to ensure the success of the tool. And then I call it what I call a commercial success. So, today, we know it's a technology success. We know we are deploying already. We drilled 70,000 feet in the US. So, now we need to make sure we are in Saudi, in Kuwait, in Oman, and we are going to deploy in those three countries over the next 18 months to make sure that good to go. It's beautiful. We can gain a lot of share and then we go expand outside those.

Jeff Robertson*Analyst, Water Tower Research LLC*

Q

Can you describe the adoption process as you test up that system in each country that it does, let's say, Saudi Aramco says we like this, it works. Does that, does Kuwait run its own adoption system...

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.*

A

Yes.

Jeff Robertson*Analyst, Water Tower Research LLC*

Q

...and testing in Oman?

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.*

A

Each one does its own field testing. Each one does its own TTR, what they call trial test. And if you are not present there, it's almost impossible to do it, right. So, and that's the barrier of entry and some of those technologies and being established there obviously it makes a difference. Any way, I have to say, I'll be honest, I like it, because if it's easy, everybody would do it, right? So, it's in a way, it's a long process. Now, the development of the technology is very complicated of that what we built, which is the rotary steerable and the LWT, because a lot of electronics, a lot of moving parts and it's complicate – it takes time, right. So, it's not something that you can repeat, right. In a big companies, this is again 8 to 10 years. So, we spend now at five years on it. So – and we have tools and we deployed it. I think we – we can have a very nice story to tell towards the end of the year.

Jeff Robertson*Analyst, Water Tower Research LLC*

Q

I think the sort of the market share for that system comes from bigger companies.

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.*

A

Yes, only big companies, not -- I think call it Big 3 only to be honest, the rest is irrelevant.

Jeff Robertson*Analyst, Water Tower Research LLC*

Q

And I think you said it at least in your – in your slide deck, that – that could be a two-third, that \$2.5 billion per year type of market. That's total steerable in – in Saudi Arabia?

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.*

A

No, no, that's the total market in MENA for that market. So, that's why I keep saying 10% of that is \$250 million, yeah.

Jeff Robertson*Analyst, Water Tower Research LLC*

Q

Okay. And how long does it take to commercialize a product like that? And how long do you think it will take to run through the rest of your commercialization work with Saudi Aramco? Is that the – I think you said maybe end of the year.

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.*

A

Yes, I already have been working on this for, yeah. It's – I mean I can call it commercial today, but I don't, because I call it until I am satisfied with the extensive testing, then I call it still what I call [ph] E&P 2 (00:35:52), right. I mean I would call it 100% commercial. It's on the Amazon, you can buy. Then I say it's good to go.

Jeff Robertson*Analyst, Water Tower Research LLC*

Q

Then lastly on that, can you – can you share any color on what you think the revenue pathway would look like over the next several years as that product is – is adopted more widely?

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.*

A

Yeah. Our target is – is to make \$150 million, \$200 million next year.

Jeff Robertson*Analyst, Water Tower Research LLC*

Q

Okay. One of the other you mentioned shifting away from – from oil and power for partly for environmental issues. In 2024, NESR consolidated ESG impact segment into NESR environmental and decarbonization applications, which you call NEDA. Can you talk about how NEDA can help these – help your customers and countries further their ambitions of continuing be the lowest carbon, lowest carbon intensity oil supplier to global markets?

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.*

A

Yeah. So, so I'm very passionate about that. We started this before. Yes, you would like in fame, but because we believe it, right. We believe that if you are part of that ecosystem in a country, part of your responsibility is the people, the – the local knowledge and the client, right. So, and today if I look at our energy sector, they do a lot of stuff again, lowest carbon footprint per barrel. But the outside, we – we produce a lot of water. We are still in it. We are still flare. We should stop that, right. And I think in COP27, when the industry started to become part of that dialogue, which was good, then you had the company with the methane pledge, 20, 30, zero and you had the water.

So, it's a good story and we have a very strong enabler of those tools that I want to provide to the client to tell him I can make this economic, right. Because I know at the end of the day and again let's just be frank and straight. If I am going to pay more, because I love the climate, it's not going to happen. So, I want to make sure that the client, the client knows, by the way, today you dump water in the sea, right. And it should only be, let's say, 4ppm or whatever it is, the rule of every place. I can take that water and instead of you dumping it and cleaning it to that level to be able to dump it, I'll take it, recycle it, use it for all the villages around you and you're going to give them water to do their agriculture, drink and build trees and – and it is going to – today it cost you how much, \$0.30. I'm going to charge you \$0.30, right. So, do we have echo, right.

Jeff Robertson*Analyst, Water Tower Research LLC*

Yes.

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.*

You are okay. Okay. So, now all the client – if you are a client, no brainer you are going to give me the contract, unless you are evil person or something. You tell me. Okay. Sherif \$0.30, I pay \$0.30. Take it. What is the problem today, it doesn't cost you \$0.30. It costs you \$0.30, my solution or the solution of the industry cost \$0.80, right. So, that's why nobody does it, because it's economically non-feasible. What I'm doing with net debt, which again means call to action in our way. It says guys I am going to enable technology and I will close the dot with other industry to make that circular economy feasible. And I know nobody else is doing that, right. So, we took technology from outside oil and gas, adopted insight and created some other market for the, if you like, for selling some of our products to them. Then the entire holistic story become economic. This takes time obviously, we have been developing it, but we have an amazing client, which is again Saudi Aramco, right. And they are a real believer of climate, the real believer of can we make a difference? And today we did two pilots with them on water and we are doing a pilot on mineral recovery. We are going to even do something on lithium, right. So, imagine if I can put all this together, this can be a bigger business than my oil and gas business.

Jeff Robertson*Analyst, Water Tower Research LLC*

So, it's really geared to serve Saudi, Saudi Arabia and Saudi Aramco's goal of diversifying the economy with other industries, because everybody needs water. And you operate in an area, where there's not a lot of fresh water. And so you close that loop between recycling produced water for use in other industries and it really fosters growth outside of the traditional oil and gas industry for the countries that – it might follow it the market?

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.*

Yeah. I mean, I wouldn't – I would characterize it a bit differently if you – if you allow me. It's not to diversify. I'd be a water business. No. It's to make the water that you dump economical enough to serve your internal. So, you don't – you keep the RO plant water, because the desalination has to happen and there is no water as we said. But then I can – I do not need to use that desalination water in my oil and gas industry. I – I keep – I prevent to take from the desal plant internally. But I get minerals that I can sell and I make that project economical. So, it's really to make the lowest carbon footprint more visible for the oil and gas industry and have an equivalent. I tell you -- and it's not Saudi Arabia, it's the whole Middle East. So, another project we did in Iran, where basically we do the – the place where they don't use some of what they call the underground water is already very salty. So, why can't I take that and use it for again oil and gas and prevent using desal water for oil and gas.

Jeff Robertson*Analyst, Water Tower Research LLC*

So, if you're...

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.*

[indiscernible] (00:42:34) really decarbonizing in – in a bigger scale the – the energy sector, the oil and gas sector. And I think we are – I would say I think we are the only one really working on that from that holistic view, if we have project at the scale is successfully done I think is going to be a really game changer in the world.

Jeff Robertson

Analyst, Water Tower Research LLC

Q

Can you talk about the path to commercialization on some of those technologies?

Sherif Foda

Chairman & Chief Executive Officer, National Energy Services Reunited Corp.

A

Yeah. Pilot success, economic success. Then, it's a commercial. I think if I can get the economics to work by next year, I will not have enough supply for the demand I'm going to get. As I – as I told you before, it's going to become a no brainer, it cost you \$0.30 to dump it. It costs \$0.30 to give it to me. You got to give me the \$0.30...

Jeff Robertson

Analyst, Water Tower Research LLC

Q

Right.

Sherif Foda

Chairman & Chief Executive Officer, National Energy Services Reunited Corp.

A

...and you give it to me. And then there is six barrels of oil – six barrels of water for every barrel of oil. So, that business is 6x the oil sector.

Jeff Robertson

Analyst, Water Tower Research LLC

Q

So, you're kind of back to the notion of displacing oil. You're displacing the industry's demand on desalinated water. So, that stays where it needs to be in [indiscernible] (00:44:00) you're closing the loop in the oil industry to keep that water and reuse it?

Sherif Foda

Chairman & Chief Executive Officer, National Energy Services Reunited Corp.

A

Correct.

Jeff Robertson

Analyst, Water Tower Research LLC

Q

Okay. Very good. Sherif, I – we're getting toward the bottom of the hour. I'd like to maybe close by – you're clearly exposed to some very dynamic markets with customers that are looking for complex solutions to their oilfield and gas field operations, but also some of the other issues that they deal with around to decarbonization that we spoke about. Can you just kind of maybe summarize for us how you think the exposure that NESR has in the Middle East really positions you to build value and compare that to some of the peers or more of North American centric?

Sherif Foda

Chairman & Chief Executive Officer, National Energy Services Reunited Corp.

A

Yeah. Look, if I – if I would simplify it. Today, this market is \$20 billion to \$25 billion, it's going here to stay forever. Meaning it's going to be the last produced barrel in the world for sure, right. You're talking about the factor of [ph]

5 to 6 9 (00:45:08) of cost. So, you produce anywhere between [ph] 6 to 10 barrel -- \$10 per barrel. Worst case is \$20 (00:45:13), right. It's versus anywhere between [ph] \$30 to \$70 (00:45:20), right. So, that cost cut will always be there. So, the last drop of oil will be there. If you are a believer that the oil demand will start to go down and EV would be a huge success and everything, you're talking about 50 years, that 50 years will be the Middle East. So, we are exposed in that region.

The market service industry, as I said is [ph] 20 to 25 (00:45:46). We are \$1.5 billion today. So, our growth profile to go to \$2 billion, \$2.5 billion is very clear, very steady. And therefore we are in the best neighborhood for oil and gas. The least affected by the cycles, the least sensitive to oil price, the gas always in demand for internal consumption. We are perceived in performing nationally and locally with a lot of interest to the government and to the oil sector and to the NOC and IOC as well that are working there. So, I think there is resistance or – or the viability of our company and resilience to change is very strong. So, we are here to stay and we are not part of this. Oh, there is tariff, Trump changed his mind, the price go down, the five service company went out of business, we don't have that problem.

Jeff Robertson*Analyst, Water Tower Research LLC***Q**

So, so in that sense the markets that you operate on are like Boardwalk and Park Place and the Monopoly game.

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.***A**

I wouldn't say at all. I mean it's not Monopoly at all. I mean that it – it's a multi – it's actually every contract if you look at the tenders, every tender and the clients are very smart. They award five or six or seven or eight even suppliers and they give you your market share obviously based on the price and quality. So, you have a five year contract and based on that you can maybe become number two, number three, number – so they make the fact that the formula, price quality, if your quality is terrible and you're very cheap, you're going to get no work, because you're very bad, because you cost the client money, right. But they want a multi-award, the multi-contract. Once you have that the first one, today look at the Middle East. If you look at a company like Schlumberger, for example, they are 80 years, 90 years in every country. So, it's actually very stable. They build a lot of infrastructure. They have a lot of local people.

Similarly, you have local company. You have now us national champion, which we are unique, because again publicly listed on numerous, but operate solely mainly in the – in the 15 countries with a lot of diversity, et cetera. So, no, I think it's again resilient, long-term compliant and we provide some unique technology or unique feature, which we spoke about over the last 45 minutes that I think make us a resilient and here to stay.

Jeff Robertson*Analyst, Water Tower Research LLC***Q**

And I guess just to close back to your comment earlier about activity levels in the US dropping with oil prices. A lot of contracts I think that companies here work with our pad-to-pad or in some cases well-to-well. So, you have a five year, you have five year type contracts, you have a lot more duration in your business than probably some of your North American Center companies have to deal with.

Sherif Foda*Chairman & Chief Executive Officer, National Energy Services Reunited Corp.***A**

Oh, absolutely. I mean, I had what I call the backlog or a very good view or you call it the funnel. So, I know exactly the worst case scenario of this happen where I – I'm going to – I'm going to lose for 20% of my business,

because it's going to – they're going to shut it down. And the other is [ph] estate (00:49:13), right. So, I know I have a very good visibility of what happened. When I used to work in my older life in North America and I used to talk to client, they tell me Sherif next week, don't come. That's it. That's as simple as that. When you finish the well, don't come, just park home. And I – I talk to some of my dear friends, the CEOs of – of companies here in the US in the last conference. And they told me yeah at \$50 we're going to shut down 50% of our fleet. So – and they can do that as fast as shutting down the path, finish the path and end of story and release the rig at the end of the – of the well. And you don't have that, you have a very stable.

But again you have to think about it, the client do that, because the client is the country and that – that whole, the whole issue is you have supply chain, you have employment, it's totally different. And – and it is – the country is dependent on that business. I mean all the export and all the money comes from oil and gas. I mean oil and gas prices is small tiny part of GDP, but it's like 80% of these cuts. So, there is nothing else to do, right. So, it's a fundamental for that business and to survive.

Jeff Robertson

Analyst, Water Tower Research LLC

Sherif, I think we'll leave it there today. It's interesting to talk to you about NESR's business, but it's also the concept that you do operate in a, in markets that have a lot of visibility into your future cash flow and in earnings power and with growing technology there's – there's room to expand. And I'd like to thank you for taking the time to join us. And we look forward to hosting another fireside chat with you in the near future.

Sherif Foda

Chairman & Chief Executive Officer, National Energy Services Reunited Corp.

Thank you. Thank you very much. Appreciate it.

Jeff Robertson

Analyst, Water Tower Research LLC

Thank you.

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