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National Energy Services Reunited Corp.

Second Quarter Earnings Call

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CORPORATE PARTICIPANTS

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CONFERENCE CALL PARTICIPANTS

Greg Colman, *National Bank Financial*

Mike Cahill, *Crispin Capital*

PRESENTATION

Operator:

Good day and welcome to the National Energy Services Second Quarter Earnings Call. Today's conference is being recorded. At this time, I would like to turn the conference over to our host, Mr. Steve Calk. Please go ahead, sir.

Steve Calk:

Good day, thank you, Operator, and welcome to NESR Corp.'s Second Quarter 2018 Earnings Call. Today's call is being hosted from Houston, Texas, and with me today are Sherif Foda, Chairman and Chief Executive Officer, and Melissa Cougle, Chief Financial Officer. After our prepared remarks, we will open the call to questions.

On today's call, Sherif will comment on our second quarter results and overall performance. In addition, as this is our first earnings call, Sherif will provide additional information on NESR, the industry, and growth opportunities in the MENA region.

Before we begin I'd like to remind our participants that some of the statements we'll be making today are forward-looking statements. These matters involve risks and uncertainties that could cause our actual results to differ materially from those projected in these statements. I therefore refer you to our latest 10-K and other SEC filings.

Our comments today may also include non-GAAP financial measures; additional details and reconciliations to the most directly comparable GAAP financial measures can be found in our second quarter press release, which is on our website.

Finally, as this is our first earnings call and given the nature of the presentation of the results and initial SPAC earnings, please feel free to contact us after the call with any additional questions. Our investor relations contact information is available at nesr.com.

Now I'll hand the call over to Sherif Foda. Sherif?

Sherif Foda:

Thank you, Steve.

Ladies and gentlemen, thank you for participating in this conference call.

Before I start with my remarks on the results and talk about the future, I want to take a few minutes to reflect on our journey til now, as well as the work done in the two months since our closing.

As you may know, NESR started its life only a year ago as a SPAC. In the subsequent 12 months, we acquired and consummated a business combination with NPS and Gulf Energy, two market-leading oil field service companies in the MENA region. This transaction closed in early June, and NESR is now operating in 14 countries, has about 3200 employees, and serves approximately 25 clients across the MENA region and the Asia-Pacific.

As we begin, let me give you a quick overview of each of our operating companies.

Gulf Energy, or GES, is one of the major service providers in Oman, with a significant market share in its main business lines. Two-thirds of their portfolio focuses on drilling technologies, and one-third on production services. The structure of contracts in Oman generally are longer term, ranging from five to seven years, providing NESR a stable revenue base and long-term relationships.

National Petroleum Services, or NPS, is highly diversified in terms of geography, and is larger than Gulf Energy in terms of revenue and head count. NPS nicely complements Gulf Energy in its portfolio and geographical footprint. More than two-thirds of its business are concentrated in production completions, and the remainder is in evaluation services. NPS is strong in Saudi, Qatar, Iraq, Algeria, and other countries in the region, and is recognized as one of the premier service providers who can compete with the major suppliers in these countries. They have continually gained market share over the last few years and have a healthy portfolio of contracts.

Both of these companies were formed as we know them today in the middle of the last decade, and have significant long-standing relationships in the region that, in some cases, date back thirty years. As a combined Company, they complement each other in the portfolio of services they provide and the geographies where they operate. This, along with the technology we are bringing to bear in both companies, will serve as a springboard for our future growth.

NESR Corporate has offices in Houston, and we will have a strong presence in each country where we operate.

Since closing, we have organized the Company under two reporting segments: production, drilling and evaluation. Production includes primarily cementing, core tubing, filtration, completions, stimulation, fracturing, and nitrogen services. Drilling and evaluation will have drilling down hole tools, directional drilling, switching tools, testing services, wild line, slick line, fluids, and rig services.

Excepting the large integrated service providers and rig companies, NESR is now the largest indigenous integrated oil field service provider in the MENA region; and we are the only U.S.-listed national service provider.

Now let's talk about the work that has been done since we completed the business combination.

In the two months since we closed, we have aggressively pursued our integration goals, and I am pleased to say that we are progressing at a faster rate than expected and what I have witnessed in the industry through my career. This reflects the high-caliber team we have assembled and the value proposition for our operations team on the ground who see genuine benefits from what we have created.

As an example, in this very short period, we have relocated the Gulf Energy drilling tool shop and the team in Saudi to our NPS base. Consequently, this move and NPS position in the market has led to a recent award of these services to Gulf Energy.

Another example, we have exited the NPS operation in Oman, which were dilutive to its result, as we already have the Gulf Energy footprint for that market space.

Similar phase one integration efforts in Algeria, Kuwait and Iraq are under way. In this short period, we have already effected most of the organization changes and harmonized the structure across the Company, which I will talk about later.

The focus here is on rationalizing our resource base, increasing the efficiency of assets and capital without compromising our service quality and customer footprint.

Beyond phase one, we expect the integration effort to continue into 2019, and based on what has been achieved untargeted for the rest of the year. This integration effort will focus on reducing the underlying cost of certain departments such as supply chain, HR training, IT infrastructure; and we are evaluating our integrated software platform across both companies.

After we closed the transaction, one of the first thing we did was define our identity and those goals to which we aspire. We have defined three pillars for our values.

The first is our customer-centric ethos. Who we are, what we are, is directly linked to what our customer perceive of us. Customer satisfaction is at the center of everything we do. We understand the local operation and set-up, and will always strive to exceed expectation in every aspect of our work.

Secondly, we focus on our people, their development, their overall well-being. This extends to every level in the Company and we aligned our bonus structure at all levels to reflect the delivery of our services. In other words, we want every person and not only senior management to be rewarded based on the success of the Company and its financial results.

Lastly, we want to be a Company that stands out for its contribution to countries where we operate. This entails a commitment to developing local talent, contributing to the local economies, driving in-country value, enhancing communities, protecting the environment, and operating with the highest standard of integrity. In line with this, the majority of our country directors are from the same country in which they operate.

We have very aggressive plans to focus on adding value by investing in local manufacturing. An example, we are embarking on plans to manufacture down-hole tools in Oman and expand the existing Gulf Energy facilities. Similarly, we have significant plans for starting manufacturing and design facility for targeted products in Saudi and other regional countries.

Coming back to our structure, NESR now has a geographical country management to run the day-to-day operations, which is the focal point for our clients, with product group verticals leading technology introduction and implementation. We believe that this structure allows NESR to best leverage its size, allows us to scale our support structure to the needs of each country, and it allows the country management to focus on running the business in the most efficient manner.

This is reflected in our performance in Saudi, where year-on-year revenue growth have been 60%, compared to rig growth of about 5%. This growth has been driven by larger contract awards in business segment like testing, and we have increased our market share in our core drilling segment.

Additionally, about three quarters of the growth over the last two years for NPS has come from markets like Iraq and Algeria. Going forward we will see this trend continuing, driving the importance for having a solid on the ground organization.

Supporting our newly established organization in operation, we have also brought in exceptional talent to lead our product and service offering with the production and drilling and evaluation groups. These leaders have deep expertise in their respective areas and will be focused on expanding our product and service offering in the future by utilizing new technology and building new core competencies.

NESR is following a distributed network model to build its technology portfolio. By this, I mean that NESR does not have a conventional R&D set-up like most of the large integrated players. Rather, we are leveraging our North American presence to source fit for purpose and cutting edge technologies to the MENA region. This is already in effect, and we have either signed partnerships or have begun the process to sign with approximately ten technology providers in the last two months.

One may ask, what is the value proposition for NESR, as well as for these technology providers. Well for one, these providers who have exceptional technologies have been unable to build any decent scale in the MENA region. This is because until now there were only traditional agent type relationships available for them, or they had to align with a large service company which eventually developed competing products. Agents don't run these services, and can't help improve the technologies. We can.

For these technology companies, NESR is the optimal partner. We are the end user of their services, provide scale across the region, and we quantify and qualify those technologies. Given our position and understanding of the region, we will have the ability to look at all innovative new products that our customers are looking for.

In terms of business model, we have developed and are open to discussing engagement levels across the spectrum. For example, we can team up at an early stage, invest in the company, work alongside them to develop fit-for-purpose products; or, if the technology is mature and we understand where it is best deployed, then we team up and add value with the execution of the services.

We believe this distributed network strategy for technology will provide us with the agility to respond to our customer needs as well as being very capital-efficient in the long term.

As we shift from technology and visit our geography opportunities, there are several countries where we could add critical scale or beef up our presence by acquiring smaller regional companies who have distinguished themselves, or have built a particular business line that is additive for us. We are actively working today on several opportunities, and will complete them at the right valuations in due course.

We are also actively looking at opportunities to grow out of our core MENA region. NPS consummated an acquisition in the region just before NESR closing, which we believe will give us further scale to grow in the

Far East. Similarly, we have been expanding our footprint in India with new contract awards; although these operations are still small, we believe they provide us with a solid foundation to leverage and grow our non-MENA operations.

NESR is also seeking opportunities to grow in Sub-Saharan Africa, and is actively engaged with customers who are extremely keen to see NESR as a viable integrated service provider in their respective geographies. We expect that, over the next few quarters, we will be able to make substantial inroads in couple of countries.

Having discussed our present status and what we are doing, I will now like to spend some time on the overall macro picture in the MENA region and how NESR is positioned to benefit from it.

As most of you are aware, rig counts in the Middle East and North Africa did not see the levels of volatility that occurred in North America during the last downturn. In fact, if you compare to the fourth quarter of 2014, every major market where we operate has either higher or similar rig count. This resiliency is a result of the longer-term capital spending plans for the NOC in the region that comprise approximately 80% of our client base. An example is Saudi announcement to spend roughly $400 billion over the next five years. Other countries have big plans to enter into newer reservoirs, like unconventional and heavy oil, which in turn increase the service intensity and the need for innovative service providers. This further translate to our customer having contract cycle which span from a few years to as long as seven or eight years. This inherent stability allows us to build critical capacity in these product lines. This is one of the main reasons that all of the service providers in the region perform better than anywhere else.

This quarter, we signed new contracts worth approximately $360 million, which was on the higher side of what we normally do.

In line with research estimate, we believe that the Middle East market will grow at an average CAGR of 6% for the next four to five years. Just to put numbers into perspective, if we look at the market size of the region, it is around $20 billion. If we are looking at about $1 billion in growth every year over that period, and NESR objectives to grow at higher teens CAGR is certainly achievable, given the tail winds that support our growth. Actually we are looking at more significant growth, given the added businesses to the combined entity.

NESR saw year-over-year revenue growth in the mid teens during the first half of 2018. We expect to sequentially materially expand and build on this trend going forward.

I hope with these remarks I have been able to share our excitement at this great opportunity to grow our Company into something special. I will now pass the call to Melissa to review the financials for Q2.

Melissa Cougle:

Thank you, Sherif.

Let me start by congratulating the NESR team on a successful transaction and express my appreciation for the warm welcome and all the hard work that has created this first and only U.S.-listed national services provider in the MENA region. It is truly an honor for me to be here and I am excited about what the future has in store for NESR.

As you can see from our 6-K filed today, we have made an FPI election designating us as a foreign private issuer. We want to reinforce to our investor base that we are committed to sharing regular reporting results as evidenced by today's filing. The FPI election was made to provide the Company with flexibility in relieving the administrative burden, time constraints, and costs that can be encountered as a U.S. issuer.

We are reporting in a predecessor-successor format, as required by SEC requirements and necessitated by the three-way business combination undertaken. In NESR's case, as the acquiring Company was a SPAC, NPS was treated as the predecessor entity, and all historical information up to the combination date is presented for NPS on a stand-alone basis. All three entities are represented as part of the successor NESR entity. This presentation format is required and so I wanted to provide some additional background.

Our second quarter financials include both successor and predecessor financial information. The combined post-combination successor period, including one month of results, totaled a loss of $4 million, which is influenced by significant transaction costs triggered at the time of combination, as well as amortization associated with our acquired intangible assets. The NPS predecessor accounting period includes net income of $6.7 million through May of 2018, and we would like to note that, due to the unique accounting treatment involved, neither the NESR parent company nor the GES result of operations for April and May are reflected in the statement of operations. Going forward, successor period reporting will reflect these results of the combined organization.

Our goal is to give you our best read on the fundamental performance of the business during this transition period, and the overall financial performance of NESR.

What is clear within the financials is that NESR continues to grow in the top line. Overall revenues have demonstrated double-digit growth, and we intend to expand on this trend in future quarters. We have had significant growth in key markets and our NPS subsidiary grew revenues by approximately 38% year over year, from $123 million in H1 of 2017 to $169 million in H1 of 2018. On a combined basis, the Company grew revenues by 12% between Q1 and Q2 of 2018, and 14% when comparing the six-month period ending June 30 with the same period in 2017.

We have posted combined revenue of $249 million for the first half of 2018, as compared to $219 million in he same period of 2017. The growth described was achieved exclusive of synergies, and generated by the stand-alone companies with only three weeks of combined Company performance reflected. We anticipate future NESR quarters will build upon this growth and reflect recent contract awards, translating into positive EBITDA fall-through.

Both our subsidiary companies posted solid performance on Adjusted EBITDA, coming in at a combined $66 million for the first half of 2018, as compared to $63 million in the first half of 2017.

Although already mentioned, it is worth reinforcing that MENA businesses historically experience a stronger second half of this year. We believe the same holds true for NESR as we continue to build upon the growth already achieved, making the back half effect even more pronounced for us.

Switching gears a bit, after operating as a combined Company for two months, we remain steadfast in the pursuit of our growth strategy while creating integration cost synergies. We intend to achieve these synergies through streamlining of business processes, elimination of inefficiencies, and leveraging new pricing power with our vendors.

Our balance sheet profile has changed considerably as well through the combination. We continue to have conservative leverage with an economical cost of debt averaging 550 basis points as of June 30. During July we completed a refinancing of our bridge facility to term it out, and entered into a new credit facility giving us an additional $50 million of liquidity, to better manage business operations during our integration period and provide dry powder for opportunities. We drew down $25 million of this facility, and have an additional $25 million available to us. We ended the quarter with total borrowings of $306 million inclusive of a convertible loan from one of our largest investors.

On the tax side, we are expecting some changes based on the new NESR ownership structure. We are currently evaluating this new structure and will fully explore our optionality in this area. Our effective tax rate for the quarter was 20.6% and is exclusive of any corporate restructuring that is under evaluation post business combination. As part of our integration activities, we do intend to look for tax efficiencies created as a combined Company.

NPS and Gulf Energy cap ex commitments as of June 30 were $25 million. As we improve equipment utilization, asset sharing between countries, and achieve full integration synergies, we expect the full year 2018 cap ex commitments to be approximately $50 million.

As mentioned by Sherif, NESR will be focused on top line growth, and we will look toward providing our operations with the resources needed to effect this growth as efficiently and opportunistically as possible.

In closing, I'm very excited about the financial opportunities we're creating here at NESR. We believe we are well positioned in the marketplace, have strong momentum, and enjoy a solid financial foundation from which to grow. With this, I would like to pass back to Sherif for some final comments.

Sherif Foda:

Thanks, Melissa.

We at NESR have a vision of creating something extraordinary, which will not only provide superior returns to our investor but will also have a lasting impact on the region with in-country value creation and employment opportunities. We also have strong ethic to help our clients achieve their goals. As I mentioned earlier, we have very aggressive growth plans, both organically and inorganically. NESR has grown from just an idea to a multi-country, multi-product line, integrated Company in a span of one year, and we intend to keep on growing at this attractive pace going forward.

The existing market fundamentals over the last couple of years support us, and if the existing oil price environment improves or holds, as it is the consensus estimate, then we believe we will further benefit from tightening of the demand-supply curve for our services.

I would like to list for you some of the key objectives that will be our focus throughout the rest of 2018.

Number one, we want to build on the integration teams and complete the majority of tasks needed to fully integrate by end of this year.

Number two, we want to build on the momentum of H1 and accelerate our revenue growth in H2 to deliver revenue growth year over year. In markets like Iraq, where we have approximately 75% growth year over year until now, we want revenue growth to significantly outpace rig growth. We want all our business and geography to experience growth in 2018 and beyond.

Number three, we believe we have a very low cost of debt, but having said that, we want to work on optimizing our capital structure and start the process on optimizing our tax planning, which we believe has room to improve.

Number four, I will put this in the ambition column, but we would like to start operation in one new country in the second half and continue to strengthen our geographical footprint in the MENA region.

Number five, we will introduce two new technologies, which will feed future growth.

With this, I would like to take this opportunity to thank everybody for joining our first earning call, and if there are any questions, we'd be very happy to address them now. Thank you. Operator?

Operator:

Thank you. Ladies and gentlemen, if you'd like to ask a question over the telephone at this time, please press the star or asterisk key, followed by the digit one on your telephone. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. If you find that your question has already been answered, you may remove yourself from the queue by pressing star, two. Again, please press star, one to ask a question. We will pause just for a moment to allow everyone the opportunity to signal.

We'll take our first question from the queue with Greg Colman from National Bank Financial; please go ahead, your line is now open.

Greg Colman:

Thanks very much. Congratulations on getting the first quarter results out there, Sherif and team.

Steve Calk:

Thanks, Greg.

Greg Colman:

Just wanted to start with a question about the full year. In your proxy you talked about $170 million in full year 2018 EBITDA, that was filed earlier this year. How's your confidence in that number now, after reporting Q2, versus what you were expecting in February, March? Is achieving about $100 million or so in the second half of EBITDA a realistic goal in the context of the $66 million we saw in the first year—in the first half rather?

Sherif Foda:

Thanks, Greg. Very good question. If you look at, fundamentally as we stated in our remarks, H2 in traditionally in the Middle East, Q3 and Q4 are very strong and much stronger than H1. If you look at our growth rate with the activity, especially in countries like Saudi, like Iraq, you're talking about a growth of the Company into the 50% to 60%, which is much much significant higher than the rig growth. Saying that and being in charge of the Company now, as I said in the quarter we only had the three weeks, and in H2 we are—I was very confident on our ability to deliver on the numbers we estimated earlier.

Greg Colman:

That's good to hear. Keeping on that theme, you mentioned a couple comments about a limited amount of time to have the two companies together in the reporting period, which ended at June 30. What kind of synergy impact did we see in Q2? Was there any, or was it really just kind of putting the two businesses together and we won't be expecting to see any synergy impact, either cost or revenue, until Q3 and beyond? I'm basically looking to see if we should be expecting margin expansion here, especially on the cost side, into the back part of the year.

Sherif Foda:

As we explained, so, with the synergy we started with the companies, as you may know, obviously, as I tried as well to explain, the main focus for us is revenue and cross-selling. The biggest item was to ensure that the portfolio of Gulf Energy in the drilling arena is mapped or is put into NPS geographical footprint. That is a key for our integration team, as the number one. We, in a span of, as I said, in weeks, we managed to build the new shop in NPS facility, move the entire Gulf Energy into that facility, improve the machine shops, et cetera, and then we demonstrated this to our clients, and they were very comfortable with our strategy, and hence, actually we were a large contract in Saudi based on that. Right? That's based on NPS obviously strength, name, brand, and the ability to be able to service that contract from that solid base.

If you look at the entire region, we are doing exactly the same thing, we visited all the locations since we started, and we put integration plan for each one of them. A lot of the integration will be in the cross-selling, but a big part of it, which is on the financial team, is how to remove all, I would say, the fat, remove all the supply chain, how can you leverage the size of the Company to reduce the price with the suppliers, the IT, the HR et cetera; so all this is happening, and if you want to put a number on the cost, it's as we explained before, we believe that $8 million to $10 million is achievable in 2018.

Greg Colman:

Makes sense. Okay. How many contracts in—the $360 million you got in the second quarter, you mention that exceeding even your expectations, which were probably pretty aggressive expectations to begin with. Are there any other whales out there, any other potential big wins that we should be watching for in the third or fourth quarter, either by country or by company?

Sherif Foda:

The tendering activity is obviously now we are in 14, 15 countries, is very active. You will see a lot of tendering coming. We are engaged in several of them. We believe that we're going to get our fair share of these awards. The 360 was definitely on, as we said, on the high side, and it was extremely extremely well perceived, and again you have new businesses, you have using new product line, you are making sure that you're strong presence in front of the clients, engage with them, and that give them comfort that we will be able to deliver. On the couple of contracts where we recently were awarded, large contract, the client is extremely extremely pleased with our performance; as a matter of fact, I attended personally a service quality meeting with the client, and I was very pleased that we scored number one, in front of everybody else. Our efficiency and delivery, that is what's going to make us, making sure that we can get more of these contracts and get more awards going forwards.

Greg Colman:

That makes sense, but from just from a scale and intensity perspective, was the $360 million in wins in the quarter sort of the big bogey you were focusing on, and there's still opportunities in the future but potentially not of that scale in the immediate term, or is this indicative of the kind of magnitude of contracts which you are looking to achieve over the subsequent six to nine months as well?

Sherif Foda:

I cannot give you exact numbers, but I can give you that the scale will be similar in the coming quarter. Not every quarter will be the same, but we are engaged now in a large large mega contract that is even bigger. The award of that will depend on the timing. I cannot tell you it will close in Q3 or Q4. However, you will see some significant contracts or mega-tenders going on in the different countries. Again remember, we, at before, NPS and Gulf Energy, each one was on its own; now they are combined, and we have now bigger pool of tenders we are going after. Because you have now a drilling portfolio in countries where NPS existed that did not bid for before.

For example, Algeria, we did not bid for drilling business, and now we are bidding for those businesses. You need to qualify obviously in those countries, to ensure that the customer believe that you can deliver; then they will approve you to be in the tender list, and then you go after the tender, but now you have a chance to win. Right? If I talk about tendering itself in the region, is very different than what people experience in North America. Every contract in the MENA region, you have to have a tender, you have to get an award, and you have to have a contract. Right? It's not the quotation per job. Once you have that contract, some of the clients prefer a model where they award six to eight suppliers, and based on your technology and your service quality you get a percentage of that award. First you have to have a price that qualify you and puts you into the pool, and then based on your delivery you can capture more work than your assigned rigs. Then you have other type of contracts where it's more of a binary approach, so either you are in or out. Right? We have both types of contracts in the region where we are operating in, and as again we are targeting much bigger pool of these tenders, so the expectation of awards and our ambition is to have similar scale to what we have awarded before.

Greg Colman:

That's great color. All right, just from a country perspective, we think your single biggest contributor is Saudi Arabia; and we saw Schlumberger cite some—that country as actually being a bit of a drag in the second quarter, due to some delays and logistical challenges. Wondering did you experience the same? Was Saudi a bit of a drag for you? It doesn't seem like it, based on the NPS growth rate, but just wanted to get any color as to any friction in one of your major operating region.

Sherif Foda:

Obviously I cannot comment on others. I would just comment on our Company. Saudi has been more than outstanding, I would say. As I mentioned, we grow in the 50–60%, year-on-year, sequentially it is in the 30%, so it's a very very very strong achievement, again, we had new contract awards, so definitely this contributed to a large part of this, because we didn't have that contract before, so we added a big space of it. We gain market share against others, and again this is mainly due to our service delivery, and our technology provider.

Again, Saudi and Iraq has been very very strong for us. We did extremely well. You have to remember as well we are not involved in some of the large integrated (inaudible) type contracts, and we are mainly on the services side, so this has been going very very steady. If you look at the macro picture, definitely Saudi is the main engine of oil production for the OPEC, and they have a sustainable capacity to gain, and they have adding capacity, so you have a lot of rigless operation that adds up to this—and this is where NPS is very strong. Not all the revenue is based on the rigs; a lot of rigless activity, which is basically the testing type of work, testing slick line, cold tubing, acidizing, and again, where we are very strong in that arena.

Working in Saudi is actually absolutely, I would say, outstanding; the customers extremely extremely strong, very very hungry with technology, and they really appreciate and value service quality and the local content in-country value and service delivery. We are in a very good shape there.

Greg Colman:

That's great to hear. Okay, that's almost it for me, I just have one more last one. You mentioned in your prepared remarks the expansion opportunities in India and Indonesia. If you, as a Management team, reflect forward as to what your revenue mix looks like in, say, whatever you want to define it, one, three, five years, what do you see the non-MENA, the non Middle East North Africa revenue slice being? Is this a 5%, 10%, 15% of the business, or could this be a quarter or a third of your business?

Sherif Foda:

Again, I mean, obviously it's very very very small today. It's almost—I mean, you can say it's almost irrelevant in the revenue for the Company. However, if you look at it, our ambition is to grow profitably into the market where we think we can make a difference. That's why we identify some of those countries where we can make a difference. If I look today on what you are doing in Indonesia, it's extremely well done. It gives you not only of revenue but it gives you that diversity of being able to operate in different environment, gaining scale, gaining different type of operation, this is important as well for your employees. You get that diversity, you get the people exposed to different setup, it's good for them. They can move from one country to another, and that's, again, very healthy, but again, you do not want to start somewhere where we are going to have non-profitable growth in this country.

If you look at between Sub-Sahara, once we are successful in the entry, and Asia, our ambition is that this will represent a good part of what we're doing, versus what we do today. When I say good part, yes, it might be 10%, 15%, and this is the beauty of being small, because everything you do is very, very accretive to what you do. Right? Because we do not exist, so if you add, I would say, $50 million to $60 million of revenue in a country, that's significant to what you have as over all.

Greg Colman:

Got it, but you wouldn't see the non-MENA contribution being, at any point, the majority of the business in your forecast period?

Sherif Foda:

No, no. Definitely not. This is just going to be a good addition, and if you target 10% to 15% of the total, we will be glad.

Greg Colman:

Excellent. Well, listen, congrats again, that's it for me, and I'll turn it back.

Steve Calk:

Thanks, Greg.

Operator:

Now we can take our next person from the queue, who's Mike Cahill from Crispin Capital. Please go ahead, your line is now open.

Mike Cahill:

Thank you. Sherif, great execution in the quarter. I know this might be hard to quantify, but in terms of the $360 million of new contracts, how much would you say were influenced by you and the team and then the new combined entity versus just NPS or Gulf Energy kind of operating on their own and just getting these contracts in the normal cycle? I'm just trying to get a sense of, as you take over more control of this thing, what you think the acceleration and benefit of the combined companies will be in terms of winning new contracts. Thank you.

Sherif Foda:

Thanks, Mike. I would say if you—yes. It's going to be hard to quantify as a percentage, because there is, in these tenders, there is always like the normal just pricing and delivery et cetera, and then there is the soft skills from the client of perceiving the company being able to deliver on a larger-scale contract and being more comfortable that you are strong now from not just a relationship, mainly for the client is, are you strong to be able to deliver, you have the capital backing, you can buy the cap ex, can I award you this type of work. Right? The contract, to be quite frank, that they felt that we are now much better positioned to win or to be able to deliver on those, I would say in the 30%, 40% from—for this kind of—if I give you a rough number. The rest was purely the guys were solid, they had this contract, they had this tender before, and it's based on their performance. If this kind of answer your question around the 40%, I would say, I would qualify that this could be the answer.

Mike Cahill:

Great. Thanks. Keep up the good work, Sherif.

Sherif Foda:

Thank you, sir.

Operator:

Thank you, and we have a follow-up question from Greg Colman from National Bank Financial. Please go ahead, your line is now open.

Greg, please go ahead, your line is now open to ask your follow-up question.

Greg Colman:

Sorry about that. Mike jogged my memory as to something I meant to ask. Sherif, of the $360 million of wins, how much of that is additive, new wins that would be expanding the business, and how much of it would be renewals of just existing contracts that are being carried on?

Sherif Foda:

I would say, from the $360 million, 80% is the new contract.

Greg Colman:

Okay.

Sherif Foda:

Additive, yes.

Greg Colman:

That's it.

Sherif Foda:

Thank you.

Operator:

Thank you. Thanks very much. As there are no further questions at this time, I would like to hand the call back to Mr. Sherif Foda for any additional or closing remarks.

Sherif Foda:

Thank you very much. Thank you for joining us. We're very, very excited on our journey, and we look forward to updating you on all our progress next quarter. Thank you.

Operator:

Thank you, ladies and gentlemen, that will conclude today's conference call. Thank you for participating, you may now disconnect.