NESR
Second Quarter 2026 Financial Results
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<u>Presenters</u>
Blake Gendron - Vice President of Investor Relations & NEDA Segment
Sherif Foda - Executive Chairman & CEO
Stefan Angeli - Chief Financial Officer

<u>Q&A Participants</u>
Arun Jayaram - JPMorgan
David Anderson - Barclays
Derek Podhaizer - Piper Sandler
Saurabh Pant - Bank of America
Sherif Elmaghrabi - BTIG
Jeff Robertson - Water Tower Research

Operator
Greetings, and welcome to the NESR Report Second Quarter 2026 Financial Results. At this time, all participants are in a listen only mode. A brief question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Blake Gendron, Vice President of Investor Relations. Thank you, sir. You may begin.

Blake Gendron
Thanks, Maria. Hello, and welcome to NESR's Second Quarter 2026 Earnings Call. With me today are Sherif Foda, Chairman and Chief Executive Officer of NESR, and Stefan Angeli, Chief Financial Officer.

On today's call, we will comment on our second quarter results and overall performance. After our prepared remarks, we will open up the call to questions.

Before we begin, I'd like to remind our participants that some of the statements we'll be making today are forward-looking. These matters involve risks and uncertainties that could cause our results to differ materially from those projected in these statements. I therefore refer you to our latest earnings release filed earlier today and other SEC filings. Our comments today may also include non-GAAP financial measures. Additional details on reconciliations to the most directly comparable GAAP financial measures can be found in our press release, which is on our website.

Finally, feel free to contact us after the call with any additional questions you may have. Our Investor Relations contact information is available on our website.

Now I'll hand the call over to Sherif.

Sherif Foda
Thanks, Blake. Ladies and gentlemen, good morning, and thank you for participating in this conference call. I could not be prouder of the nearly 8,000 men and women of NESR, who not only rose to the challenge in the second quarter, but exceeded all expectations and stood by our customers when needed most. I also have immense gratitude to all our clients that proved to the world that it will take more than a geopolitical disruption to change the strategic inertia of the region.

Our differentiated record-setting results reflect the resilience of our customers, our unique project exposure and the responsiveness of our local team that consistently and repeatedly turn crisis into opportunity. As stated in the beginning of the conflict on our last conference call, we were first to rally to our customers. We remained by their side, and we nimbly reoriented our 30-60-90 supply chain strategy to ensure 100% reliability with zero interruption. This response showed up clearly in our fantastic results just as we had planned and communicated.

Throughout the conflict, we stayed true to our founding ethos. NESR began with the vision of creating a MENA energy service company built for local content leadership, supply chain resilience, fleet for purpose technology and to empower our 100% in-country workforce to set new standards for safety, quality and reliability as a true national leader. The strategy was simple, attract capital globally to cultivate locally what our customers could consider the national champion. If we could simultaneously match or even exceed the service delivery standard to the global peers, then the growth, profitability and cash flow would naturally follow. We would also be the go-to partner in times of crisis.

The story across the Middle East has been a story of in-country investment, innovation and human capital development. NESR's funding simply reflected the trends that had been put in motion. The story was certainly tested over the past several months, but I can proudly say that NESR's star has never shined brighter amidst the dim of conflict and uncertainty.

Our second quarter results speak for themselves. They speak clearly to the Middle East story of national champion resilience and speak unambiguously to the success of our founding strategy. Despite the conflict, we've exceeded the $2 billion revenue run rate target that we originally set at the founding of the firm. And we've already established new ambitious targets that are well on the path to achieve these even more quickly.

As we have proven to the market, the next growth story continues to accelerate, and our momentum will be tough to stop or even slow down. Our recent performance is not a one-off, but a solid track record that we have been building over many quarters. While the conflict presented its own set of challenges and opportunities for NESR market capture, the growth trajectory that has been in motion, particularly over the past several years, has proven rock solid regardless of the commodity price, geopolitical backdrop or competitive landscape. It's been precisely the execution of our countercyclical investment strategy that has helped us decouple fundamentally from the broader cyclicality of the energy service sector, and the geopolitical [inaudible] news cycle, which is why I can confidently trust that our path to our 3B3 corporate strategy, a step-by-step playbook to reach a $3 billion revenue run rate target, is achievable.

This strategy launched late last year, including fueling the funnel, expanding our anchor country footprint and realizing the technology portfolio built over the past five years. It captured our main R&D focus areas and include opportunistic M&A, along with strengthening our unique technology partnership.

Now let me expand upon our 3B3 in more detail. First, fueling the funnel - today, we are the largest frac company in the Middle East. And across our largest segments, we are well within the top three provider in the region. This scale is what fuels our supply chain efficiency and also our ability and agility as we can move people and assets seamlessly around the region to respond to, for instance, what I call the post-conflict box of restart opportunities. But this also means that our remaining segments still have plenty of growth runway to reach the scale of our top services. Here, we need to ensure winning more than our fair share of tenders so that funnel is always filled with secured multiyear contracts.

We have very good visibility of these tenders, and with our past performance, we have secured the license to enable bidding on bigger contract sizes for the different product lines.

The second part is adding to the list of anchor countries. Here, we are talking about enlarging our geographical footprint smartly by either entering a new country or making one of the small ones much bigger. We are present in all basins of the Middle East, but some we are way too small or decided to limit our exposure in the past. As we gain momentum, we are invited and asked to participate in several new opportunities with innovative business model that ensures we maintain our slogan of only profitable growth.

A good example of this is Syria, where ConocoPhillips, Total, Qatar Energy and others have signed a wave of recent agreements to revive the country oil and gas industry alongside its economy and also play a crucial role in the export capacity build-out ongoing to the Eastern net. We know the blueprint of how to intelligently start the operation and support both the IOCs and the newly formed national company with partnership and scalable operations.

The third pillar encompass our frontier growth, especially NEDA and ROYA, among other R&D and innovation venture. We have invested in the past with multiple pilots, and time has come to realize the fruits of our past investment. We will be able to demonstrate in the coming quarters the results of those efforts.

We recently announced a number of contract awards in Kuwait, but we are particularly excited about our Ahmadi innovation value contract. As an inaugural partner in AIV, we were one of the first to announce our commitment and plan for a world-class innovation center and the new heart of upstream innovation in Kuwait. More importantly for NESR, this contract represents our new entry into a long-term master technology agreement framework, which unlocks an entirely new innovation budget that is aligned with our open technology platform, which will explore clicks adapt promising solution tailored to the Kuwait market.

To give you an idea of the magnitude of the scope, the NESR AIV focus area includes drilling, flow assurance, heavy oil, industrial inspection service, enhanced recovery, and very crucially, unconventional resources, where we have established a lead investing class in the region from our work in Jafurahp [sp] and Saudi Arabia. This engagement will be supported by over a dozen R&D partnership with leading tech company globally, several hundreds granted patents, and with the forthcoming groundbreaking of a world-class research center.

This is our DNA, build and invest in the future of the region with commitment at the highest level for long-term sustainability and prosperity.

And with that, let me turn over to Stefan to discuss our stellar results in detail.

Stefan Angeli
Thank you, Sherif. Good morning to those joining us from the United States, and good afternoon or good evening to the participants across the Middle East, North Africa, Asia and Europe. Thank you for taking the time to join us today. I'm pleased to discuss our financial results for the second quarter of 2026 and provide our perspective on the business, our continued momentum and our outlook for the remainder of the year.

Let's begin with our second quarter performance. Revenue for the quarter reached a record $520.8 million, increasing 28.7% sequentially and 59.1% year-over-year. Sequential growth was driven primarily by Saudi Arabia, reflecting the continued successful ramp-up of the Jafurah contract, where four hydraulic fracturing fleets were active throughout the quarter, together with strong growth in our conventional Saudi operations. We also delivered solid growth in Oman and in Egypt, partially offset by lower activity in Iraq, which continued to be impacted by the regional disruptions during the quarter.

Year-over-year growth was also driven by the strong contributions from the Jafurah contract together with increased activity across Oman, Kuwait and North Africa. Iraq remained a principal headwind during the quarter with activity levels affected by ongoing regional disruptions.

Shifting our focus to profitability, adjusted EBITDA reached a record $106.2 million during the second quarter, representing a margin of 20.4%. The margin expansion reflects the normal seasonal improvement we typically see in our business together with the benefits of key project ramp-ups, most notably Jafurah.

During the quarter, margins were impacted by approximately $4 million or around 80 basis points of incremental freight and logistic costs resulting from regional geopolitical disruptions. These costs primarily related to special airfreight charters and other contingency measures that enabled us to maintain uninterrupted services for our customers. Despite these headwinds, margins remained resilient supported by disciplined cost management, improved operational execution, higher activity efficiencies and our lean overhead structure.

Adjusted EBITDA also included $1.5 million of net charges and credits, primarily reflecting $1 million of expected credit loss provision related to a North Africa customer.

From an income and earnings per share perspective, adjusted net income for the quarter reached a record $45.5 million, increasing 70.1% sequentially and 125.9% year-over-year. Adjusted diluted EPS was a record $0.44, reflecting the strong operating leverage in our business as high activity levels continue to translate into expanding profitability, particularly within our unconventional completions and testing service lines.

Looking at cash flow and liquidity, this continues to be one of NESR's key strengths in an area where we have consistently differentiated ourselves over the past several years. As many of you will recall, our first quarter operating cash flow and free cash flow were impacted timing wise by the normal seasonal build in working capital associated with Ramadan and the higher activity levels we experienced during the quarter. As expected, this reversed in the second quarter with operating cash flow increasing to $174 million.

The improvement was primarily driven by three factors - one, record working capital execution, including our lowest day sales outstanding on record for a non-year-end reporting period, resulting in a significant reduction in accounts receivable and unbilled revenue; two, higher accounts payable and accrued expenses at quarter end, largely reflecting the timing difference between customer collections and outbound payments, many of which were settled in the first few days in the third quarter; and three, partially offsetting by higher inventory balances as we proactively secured critical materials to ensure uninterrupted operations across the Middle East during the regional conflict consistent with our 30, 60, 90-day contingency planning.

Capital expenditures totaled $74.1 million during the quarter, consistent with our countercyclical investment strategy as we continue deploying equipment into recently awarded contracts and position the business for the next phase of growth.

Overall, free cash flow reached $99.9 million during the quarter. As noted previously, included within that result was approximately $40 million of temporary quarter end working capital timing associated with accounts payable and accrued expense. Even after normalizing for this timing effect, the business generated approximately $60 million of free cash flow. This reinforces the consistency and resilience of our cash generation and reflects the same seasonal working capital pattern we experienced during the first half of 2025.

Moving to debt, as of June 30, gross debt was $274.6 million, a reduction of $12.7 million from the end of the first quarter, while net debt declined to $99.6 million. This resulted in a net debt to adjusted EBITDA ratio of just 0.3x, well below our long-term target of maintaining leverage below 1x. This provides significant financial flexibility to support both organic growth and disciplined capital allocation.

As highlighted earlier, quarter end cash benefited from approximately $40 million of supplier payments that were made shortly after quarter end. Even after normalizing for this temporary timing difference our net leverage ratio would have remained a very conservative 0.42x.

Finally, reflecting the significant improvement in profitability during the quarter, trailing 12-month return on capital employed increased to approximately 38.5%, driven by higher earnings, disciplined capital allocation and improving asset utilization.

As we look ahead to the third quarter, we remain encouraged by the momentum in the business and currently expect, one, continued strong year-over-year revenue growth, supported by the ongoing ramp-up of the Jafurah contract and recent contract awards across Kuwait, the UAE and in North Africa; two, sequential margin improvement consistent with the normal seasonal trends we have discussed previously; three, net interest expense of approximately $6.8 million; and four, an effective tax rate of approximately 24%.

From a cost perspective, freight logistics continues to represent the primary impact from the current geopolitical environment. We have proactively planned for these costs, and based on current conditions, do not expect them to exceed the incremental cost experienced during the second quarter, unless the regional situation deteriorates materially. We also expect third quarter operating cash flow, free cash flow and capital expenditure to remain consistent with our long-term objective of generating free cash flow equivalent to approximately 35% of adjusted EBITDA on a full year basis.

With respect to our full year outlook for 2026, our performance through the first half of the year exceeded our original expectations. As a result, we now view $2 billion of revenue as a minimum objective for 2026, having effectively achieved our previously communicated fourth quarter annualized exit rate target two quarters ahead of schedule. We continue to expect full year adjusted EBITDA margins to remain broadly in line with 2025 levels despite the additional freight and logistic costs associated with the current regional geopolitical environment. We remain committed to our countercyclical investment strategy and now expect full year capital expenditures of approximately $210 million to $215 million, reflecting the increased activity levels, the execution of recently awarded contracts and continued investment to support our long-term $3 billion 3B3 growth strategy.

For the full year, we currently expect net -- we expect net interest expense of approximately $26 million to $27 million, an effective tax rate of approximately 24%, net income margins in the 9%

to 9.5% range and free cash flow conversion of approximately 35% to 40% of adjusted EBITDA, depending on final collections.

Overall, we believe NESR is well positioned to deliver another year of record financial performance while continuing to invest for long-term profitable growth.

As the company enters its next phase of growth, we also announced last quarter a formal capital allocation framework designed to ensure we continue deploying capital with disciplined and value-accretive manner. I'd like to briefly reiterate that framework today.

Our approach is built around three priorities. First, we'll continue investing in high-return growth opportunities, including recently awarded contracts and technology-led expansion across core markets. These investments remain the primary driver of long-term shareholder value creation and are fully aligned with our $3 billion 3B3 growth strategy. Second, we remain committed to maintaining the strong balance sheet, targeting net leverage at or below 1x adjusted EBITDA. This provides financial flexibility through the cycle while supporting continued investment in the business. Given our current trajectory, achieving a zero net debt position over the next two years is a realistic possibility. Third, we're committed to returning capital to shareholders in a consistent and sustainable manner. And as announced last quarter, we intend to, one, initiate quarterly dividend beginning in the fourth quarter of '26 at $0.10 per share or $0.40 per share annually. We expect to announce the record and payment date with our next earnings release. This reflects our confidence in the durability of our cash flow generation and our commitment to establishing a sustainable dividend that can grow over time; two, maintain our 50 million 12-month share repurchase program while evaluating its renewal upon completion of the initial authorization in the first quarter of 2027. This provides us with flexibility to repurchase shares opportunistically when we believe they are trading below intrinsic value while continuing to prioritize investment in the business.

Taken together, this capital allocation framework balances investment for growth, balance sheet strength and disciplined shareholder returns, positioning NESR to deliver sustainable long-term value creation.

Today, as you may have seen in one of our 8-K announcements, we announced that we'll be changing our auditors from Grant Thornton Dubai to PricewaterhouseCoopers Dubai effective for the 2027 audit. The required rotation of the Grant Thornton lead audit engagement partner provided an appropriate opportunity for us to take a comprehensive look at our independent audit requirements and consider how best to support NESR as we continue to grow. Thus, NESR undertook a competitive tender process.

Given the significant progress we have made as a company, including our growth to date, the successful completion of our back-office transformation and our strategy for the future, we concluded that a Big 4 international accounting firm will be the best for NESR's audit requirements going forward.

As noted in the announcement, there were no disagreements with Grant Thornton on any accounting matters or principles. While we believe this is the right decision for NESR at this stage of our journey, I want to take a moment to sincerely thank Darren Yule and the entire Grant Thornton Dubai team for their tremendous support over the years. From 2020 through 2025 audit program, they have been a trusted partner to NESR, and their dedication, professionalism and commitment have been greatly appreciated. They've also played an important role in helping us successfully complete our back-office transformation, which was a significant undertaking for the company. We're grateful for everything the team has done to support NESR during the period of growth and change.

I would also like to thank them in advance for their continued commitment and support as we work together to bring the 2026 audit to a successful conclusion.

To conclude, we are excited about the opportunities ahead. The Middle East and North Africa continues to be the most attractive energy services markets globally, and we believe the region is well positioned to lead the next phase of industry growth, as Sherif discussed earlier. Combined with our strong market position, expanding technology portfolio and growing backlog of long-term contracts, we believe NESR is exceptionally well positioned to capitalize on these opportunities.

Against that backdrop, NESR remains focused on delivering profitable growth, driving operational excellence, maintaining disciplined capital allocation and working capital management and expanding our technology leadership. The combination of our strong operational momentum, resilient financial performance, robust cash generation and disciplined capital allocation gives us confidence in our ability to continue delivering profitable growth, strong cash generation and long-term shareholder value in '26 and beyond.

On behalf of the management team, we'd like to thank our employees for their continued dedication and outstanding execution as well as our customers, shareholders and banking partners for their continued trust and support.

With that, I'll turn the call back to Sherif.

Sherif Foda

Thanks, Stefan. Let me conclude. I'm extremely pleased to be here today, reaching the target of $2 billion that we set ourselves to a couple of quarters in advance. I'm proud of our team and extremely thankful to our clients for their trust and support over our journey. I continue to feel honored serving all our esteemed customers and be with them every day during those difficult times. We have demonstrated resilience, exceptional growth, while the region has suffered lockdowns, sirens, evacuation alerts, but nothing deterred our momentum.

We are very confident with our upcoming growth profile. We believe we will achieve our 3B3 target faster than anticipated and are encouraged by the contract wins and continued R&D success.

With that, I'd like to open the door for your question. Maria, please go ahead.

Operator
Thank you. We will now be conducting a question and answer session. If you'd like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment please while we poll for questions.

Our first question comes from Arun Jayaram with JPMorgan. Please proceed with your question.

Arun Jayaram
Yeah, good morning, Sherif and team. Sherif and Stefan, I was wondering if you could help us understand the drivers of the strong revenue growth. Sequentially, your revenues were up $116 million, almost 30%. And I guess we're trying to think about framing the second half outlook. Stefan mentioned that you believe that $2 billion is kind of a floor for revenue this year. But we're just trying to understand is if that fourth frac fleet in Jafurah was fully utilized in 2Q, and I know you're adding a fifth later in third quarter, so just trying to think about what the run rate could look like for the top line as you get into 3Q, 4Q.

Sherif Foda
Thanks, Arun. So obviously, as Stefan explained, the second quarter, definitely, Jafurah was the main highlights. As we had started the project back in November, we said we are going to ramp up faster. We decided to countercyclical, as we call it, the investment. So we bought the fleets ahead of time. We shipped them all. We maintained all this inventory, 30-60-90, etc., etc., to ensure that we have all products available. We -- in the second quarter, the fourth fleet was working. And we shipped the fifth fleet. It should be in the country very soon. And we will work with our clients to see the best timing to deploy it, right? So it's obviously their decision.

But what we wanted always to maintain is we have all this equipment ready. And at the same time, as we did in other countries, replace anyone that either evacuated, decided to stop, decided not to work. So -- and we -- and obviously, this benefited us to capture some of this work. As Stefan mentioned, as well, Oman was very, very strong this quarter. Obviously, they don't have any problem with exports. So they benefit from the price. We had, as well, good North Africa incremental quarter-on-quarter.

So overall, I would characterize it, Jafurah is definitely the stellar. And we had support from the others. And all -- again, as we said last quarter, we are very fortunate that the disruption in the main areas is not affecting us because we are very small in the areas where the disruption did happen or did occur. So our -- that's why our decremental is very, very small.

Arun Jayaram
Got it. And my follow-up is can you provide more details or thoughts around timing of achieving the $3 billion kind of run rate kind of target? Obviously, a lot of tender activity going on right now, but what is a reasonable expectation to reaching that new -- relatively new target?

Sherif Foda
So the idea 3B3 means $3 billion in three years. That's the definition of that. And we launched it last year. And basically, the idea was if you have the pillars, you get the contract awards as we anticipate, you win more than your fair share of the contract, especially on the smaller segment than the bigger segment. Therefore, that you will be able to deploy those equipment and on these contracts that are all long term, I believe that we will be able to achieve the target, as I call it, faster. So it's called 3B3, again, three years. So we think we will be able to have that run rate faster than even three years.

So again, depending, obviously, on the contract wins, we have to win these contracts. As I mentioned in my prepared remarks, as well, we have this new countries where we wanted to enter and start new business. We have very good dialogue over the past three to four months with several of them. And I mentioned in my remarks, as well, Syria, in particular, very promising. You saw ConocoPhillips. You saw the engagement even with the administration with them. You saw the Iraqi Prime Minister was here in the U.S. So there is a lot of action being -- happening, a lot of IOCs deciding to really up their game in North Africa and other places. So the key now is that you are one of the reliable and very, very strong supplier in the Middle East, so they will come to you like they come to our peers.

But we -- again, we are ready. We have local workforce. We never stopped. We never evacuated. So we have a lot of equipment being bought. So that size make us available to be able to capture that growth faster. And if we do between the two and as well have a success of our advanced direction drilling and our NEDA, our decarbonization and mineral and lithium, etc., then you will be able to achieve that hopefully faster than our three years' target.

Arun Jayaramb
Great. Thanks a lot.

Operator
Our next question comes from David Anderson with Barclays. Please proceed with your question.

David Anderson
Hey, good morning, Sherif. I want to dig into Kuwait in a second here, but before we go there, nobody spends more time in the Middle East than you. I was wondering if you could kind of give us an assessment on the ground. You talked about a post-conflict box of restart opportunities,

but how are your customers sort of thinking about the next six months? You also talked about a $3 billion tender pipeline. Can you update your view there? Is that pushed to the right at all? Is it bigger than you thought? Just some kind of broader kind of commentary on kind of what you're seeing on the ground, please? Thanks.

Sherif Foda
Thanks, David. So first, the macro - nothing has changed from what I said before, which is basically the majority of the countries with the leadership preparing for the post-conflict, which obviously took some time now, but the post-conflict readiness. So rigs are all warm stacked, nothing more cold stacked if they had to release rigs. Kuwait, for example, did not release the rigs. Abu Dhabi kept the rigs. So everybody kept their fleet to be ready to -- when the export is happening. So the activity -- and I repeat this many times to investors, you have to decouple the activity and production and export. So the region decided I am not shutting down. I am not laying off the rigs or facility. I'm keeping the activity. What I do, I manage my production by either not drilling the reservoir section like many of them did or -- but I keep the rigs running because I need the ecosystem to maintain the same. I need the supply chain to remain. I need the people to be employed.

And unless you have a disruption that is -- that you cannot change about it, which is like Iraq, like Qatar, and this is project that cannot continue -- so you have LSTK that, for example, shut down dramatically in Iraq. You have LNG that stops, you had a force majeure, etc. But the majority of them are ready. Some of them are saying I am going to get back to my production in a matter of two to three months once the conflict is off, once I can export, when the Hormuz is open. If the deal is struck between Oman and Iran now and the U.S. accept it, I can export immediately. I am ready, and I can do that. UAE, you saw that they produced north of 4 million barrels a day. So everybody is ready for that.

And when I call the post-conflict box, which is basically you need to be ready with coiled tubing, slickline, intervention, etc., because some of these wells you need to enter, you need to put plugs, you need to do some workover, and some of them, you need to go back and drill the reservoir section, so who is ready, and that's what they assess. So I am more optimistic than others on the Middle East recovery, and I still believe that it's going to be much faster than what people think once the Hormuz is open.

Now for your other question--

David Anderson
--Yeah, yeah, I just want to know a little bit more about Kuwait -- the Master Technology Agreement. You just talked about that quite a bit, and it sounds like it's quite a bit more extensive than I realized. You've been talking about Kuwait as one of those anchor countries for a while. I think you said it's going to be the -- I don't know if it's still going to be the second largest country in your portfolio this year. But can you just talk about the significance of this contract? And when

do you start to expect -- when does revenue or sort of contracts start to flow from this Master Technology Agreement from what you can gather?

Sherif Foda
Sure. So the AIV, why -- I'm very excited about it. Why? Because it's been in the work for some time, but the leadership in Kuwait, very visionary, decided to make this a reality. And they made an inaugural. So this is basically for people that maybe visited Dhahran before, you have the Techno Valley. This is going to be very similar, which is in Ahmadi where the space is, they took the space. They took the -- and then they will have a research center based on fit-for-purpose technology for the Kuwait market.

Four of us now signed as inaugural players. We announced the award. But the way they did it very smartly, you have a contract with a value and you are going to open and build the research center, but -- as well, you need these technologies to work. And if you prove that those technology underground will make differentiated and address the issues, the challenges of the Kuwait as an R&D, but with an application, you make revenue immediately from this even before you build the facility. And that's why it's very significant. It's going to be very big. There is -- it's a choice that obviously the leadership in Kuwait decided. And we are obviously honored to be the top four companies -- one of the top four companies worldwide chosen for that. And then they're going to have another set of companies that will come as Phase 2.

And they will be in, if you like, an inauguration ceremonial officially done sometime in Q4, obviously, barring any more issues to make something like that in the Middle East, but it's going to be within the ADIPEC and WPC, within that kind of timeframe.

So it's very important because this never happens. So basically, if you have a Master Technology Agreement with the national oil company of Kuwait, and let's say you have a very innovative flow assurance like downhole water separation technology, you are able to immediately operate it and run it. You don't need to have a tender and a contract and an application, no. Ship the tool and we start. It's successful, and it really made what you said it will make, then you have a contract with it for a multiyear, let's say, $30 million to apply this technology, and for example, in some wells. Immediately, you have that contract, and you don't need to wait for anything. So it's like a single source if you prove that your technology is differentiated enough to maintain that in the Kuwait market.

David Anderson
Great. Thank you very much.

Operator
Our next question comes from Derek Podhaizer with Piper Sandler. Please proceed with your question.

Derek Podhaizer

Hey, good morning, everybody. I just wanted to go back to the 3B3. I think you mentioned, Sherif, that you talked about gaining the licenses to enable bidding those bigger contract sizes. So maybe just help us understand what you meant by that comment, what you mean like growing your footprint or what licenses you're talking about and then how that can really support the timing of the 3B3?

Sherif Foda
Yeah, so for -- just for explanation in more details, in the contracts in the Middle East, these are multiyear contracts, five, seven years, sometimes nine years, right? So if the client decide to, I am going to give, let's say, a coiled tubing contract, right? So I will dissect this into big companies and smaller company or middle companies. Everybody does it in a different shape or form. But let's say, for a big picture, this is basically what it means. If you are -- we always used to be like the national, fine, the local company, very good, but you are not at the level, etc., etc., in the past. And then we kept growing, growing, growing. So as I explained, we have what I call the majority of our completion product line or production product line like coiled tubing, cementing, we are the top three or top four, right? So you are allowed to bid on the big lots.

Now on the smaller ones, you have to prove that you are capable from a technology perspective, from people, from equipment that you can cover the majority of that product line, right? So once you have that and you proved it either with a cycle of contract wins or a track record, then you are invited to bid, as well, on the big lots. And today, we're very proud that we are already at that level in the majority of the -- of our segments, meaning in this coming $3 billion or $4 billion tenders that has been running now, we are tendering -- some of it are huge contracts, like massive contracts. Obviously, some of these awards are being pushed. And I said it before, it's going to be in Q2, Q3. I think now it's going to be Q3, Q4. Why? Because, for obvious reason, they don't want someone -- a new, let's say, somebody, a newcomer that takes a big part, 20% of a contract, but he was never there, how he's going to ship the equipment, how he's going to start sending people, how he's going to get visa when there are wars and the planes are not flying, etc., right?

So I would say these tenders are going to be pushed for a quarter or something. All the awards -- sorry, the awards will be pushed because the tenders -- majority of it, we submitted our pricing. And it's going to come. So -- and that's why, back to the main question, if you have the license to bid on a bigger lot, that means you can win one of the big lots, which means that you can grow much faster. And that's why we believe, if we win more than our fair share in the coming tenders, then the $3 billion is not going to be like in '29, it could be faster than our three years' target that we launched back in Q4 of last year.

Derek Podhaizer
That's great. I appreciate all the comments. I mean, just a quick follow-up on that, I mean, is it fair to think you can be awarded something as big as the Jafurah contract?

Sherif Foda

No. Jafurah is massive, man. Jafurah is the largest contract in the world, the largest tender in the world in the oilfield services. And we won 100%, right? So no, these tenders will not be awarded as a binary or one-off, right? This will be awarded as multi-award to multiple companies. So some of it, they will award like five players, six players, seven players. All of them will be there. But the key for us is I want to be from those three big ones or the four big ones, right? So then we establish our position to be that big. Like, for example, today, very, very proud when we walk in the Middle East and we talk to the clients, and we are the number one frac company, the largest frac company. So people come to us for technology, for everything, but we have the scale that we can replicate in other countries.

Derek Podhaizer
Got it. Okay. Very, very helpful. And just my follow-up question is, you mentioned in your opening remarks -- obviously, we know Jafurah is a huge growth driver in Saudi, but you did mention your strong conventional operations in the country, as well. So maybe just quickly educate us on kind of what you're performing there, maybe the different service lines and some of the technology you're feeding and are you gaining maybe some national market share in the country there on the conventional side?

Sherif Foda
On the conventional or unconventional?

Derek Podhaizer
Conventional, the conventional side.

Sherif Foda
Okay. Sorry. So the conventional side of Saudi, which has been going on for years, right, this is the normal frac operation -- again, for the audience to understand, these are nothing to do with the United States. This is not unconventional. This is exactly the frac that happens over the last 20 years in the Middle East. These are like majority are single well, single stage, single frac. You have this in Kuwait, you have this everywhere, in Saudi, Egypt, Libya, Algeria. So this is a much smaller footprint. It's very good, as well. And today, we used to -- this contract completed for us. We moved out of it. Now it's being retendered for several people.

But size-wise, is much, much, much smaller than the unconventional. And today, in the Middle East, I would say there will be maybe 20 fleets running things like that in the different countries. Oman is one of them, much -- very big, as well. But these are all -- for people's education, again, this is one stage, two stage, three stage, sometimes 10 stage, but nothing to do with the pad, four-well pads, five-well pad, six-well pad, which is basically now, as I say, Aramco managed to have a world-class unconventional operation in Jafurah that is exactly the same style like you have in the Permian or Delaware or everywhere.

Derek Podhaizer
Great. Thank you, Sharif. I'll turn it back.

Operator
Our next question comes from Saurabh Pant with Bank of America. Please proceed with your question.

Saurabh Pant
Hi, good morning, guys, Sherif and Stefan.

Sherif Foda
Good morning.

Stefan Angeli
Good morning, Saurabh.

Saurabh Pant
Sherif, you talked about three pillars of your growth. I think we touched on the first two pillars in quite a bit of detail. But on the third pillar, you were talking about, Sherif, frontier growth, the NEDA and ROYA, maybe just talk to that a little bit. And then maybe just clarify, Sherif, do you need a step change in those frontier endeavors to get to that $3 billion target? Or do you think you can get to the $3 billion target just with the first two pillars that you were talking about, the post-conflict opportunities and then the tender pipeline?

Sherif Foda
We have -- yeah, thanks so much. So if you look at the third pillar, what we call it, this is part of our $3 billion, right, based on what we have accomplished from the technology so far, right? So we've been investing -- so let me a bit elaborate more. So if you have ROYA, which is advanced drilling, which is basically MWD, LWD and rotary steerable, we've been investing on that now five, six years. So we did a lot of pilots. We did a lot of jobs. We have contracts already in three countries with those tools.

Now we deliberately pass those tools or run those tools very -- in a very engineering, detailed manner. We don't expand fast. We expand very slow because we wanted to make sure that the reliability of the tool, I can call it commercial tool, meaning the tool can compete with the established best-in-class tools in the world, which is -- majority of them are with three service provider, I can be an equivalent. I can be a me-too, I can be some -- the client can take these tools and run it properly. So we believe this will -- it's already like a year late because of the deliberate testing, but we believe that this will be part of the magnitude. This is a $2 billion market. And today, we don't play in it, right? So we are going to take share of that.

On the NEDA, which is the decarbonization and mineral recovery, water, and I think we talked a lot over the past two, three years about it, it's been launched since 2021. We established, we invested in, I would say, dozens of ventures, partnerships, etc. Today, those pilots are reaching a maturity level that we believe we will be able to have a project. And those projects have been discussed now for the last eight to nine months in details. Again, that's what I call it, the conflict problem. Obviously, if you are a client and you have a lot of other priorities to get back your production to export, to open the Strait of Hormuz, you're not going to go and let's look at the methane and let's look at a water project, etc. So obviously, this goes to the bottom of the list, which would happen. And -- but the negotiation and the discussion is ongoing.

And I believe we -- with the technology, we've already proven based on the pilot over the past three to four years, we are getting to the economical model that we can make that a reality. If this is a reality and we have a project, then that project could start in '27, which means it realize a very good revenue target in, for example, '28, right? So if I have that, then you fuel the funnel or what -- I don't want to use the same word, but, I mean, you fuel the growth story by $200 million, $300 million that you can realize yearly based on those two that the technology is already just waiting to be commercialized. So -- and that's why we are positive about it. But I said we are going to talk in the coming quarters once I have an award or I have a technology breakthrough with the award being given and then we can say publicly, guys, we just got this award, and this is the value of the contract.

Saurabh Pant
Yeah, yeah, no, that makes sense, right? I mean, I guess where I was getting to, Sherif, was that the funnel of opportunities for you is getting broader. So you're not relying on two things or three things because those three things in themselves are getting broader, right? So even if one of the things gets a little slower, you still have more than enough in the hopper to get you to that $3 billion target.

Sherif Foda
Absolutely correct. That's why we have three, like, arms, and all of them -- I mean, if everything works, then it will be $3 billion so much faster, right? So we always say, okay, one will work, one will delay, one there is a conflict, one there is this. But overall, all of them -- put them together, that's why we are very confident that we can reach it faster.

Saurabh Pant
Yeah, yeah, yeah, and then my follow-up, Sherif, and Stefan, maybe you want to jump in on this one, is as we think about that, the $3 billion target, maybe it comes a little sooner now, how should we think about the margin side of that equation? And how are you preparing the organization for that $3 billion run rate, because, just for context, right, last year, 21%, 21.5% kind of EBITDA margin, is that what we should still think about? Or do you think as you gain operational scale and get more operating leverage, do you think your margins can even be accretive as you go from here to that $3 billion number?

Stefan Angeli
So there's two bits to that, right? In the short term, for your own models on that, use the same margins, 21.5%, 22%, right? But obviously, as we grow our revenue, right, our target is to get back to our historical margin rate, right? And we believe that, with the extra revenues, the extra

-- you'll have activity efficiencies, we've got low overheads, right? So the margins should improve over the years to come, right? Whether we'll get back to the exact margins we had three or four years ago, that's to be seen, but that's our target, right? But it will improve over the years to come.

Saurabh Pant
Oh, got it. Okay, Stefan, thank you. Sherif, thank you. I'll turn it back.

Operator
Okay. Our next question will be from Sherif Elmaghrabi with BTIG. Please proceed with your question.

Sherif Elmaghrabi
Hi, thanks, and good morning. Maybe just starting with supply chain. I'm curious if you've been -- how you've been able to ensure uninterrupted operations. I guess on the ground, right, you mentioned you guys kept working and other people stopped. That's one thing. But particularly on supply chain side, some of the larger service providers have specifically said they've been impacted. And so I'm very curious what you guys are doing so right.

Sherif Foda
Thanks. So obviously, we're not going to give you all the secrets. But in a nutshell, we had that establishment in the beginning, and we treated this like the COVID exactly. So we had all the CEOs of the main supplier. We put a list from our CMT, crisis management team. This is the list. These are the suppliers. These are the partners. And again, we walk with -- we talk to the guys like exactly like partners. And we told them, guys, this is what's going to happen. We need to -- who has a store where we need to have diversity? If the road stops between country X and country Y, all of you cannot just depend on like Jebel Ali, and then you cannot export anything because the things are blocked or the Strait is closed or something like that. And we diversified our supply chain. We put -- stored things in a different spot. And we ensure that once we get back, if this stops, I have an alternative. If this stops, I have an alternative.

And as Stefan had mentioned, we decided, in some of them, there is no way they can do anything. So we took that initiative to air freight, right? And some people thought we are crazy. Some people said, guys, it's going to cost you a fortune, and we said, it's fine. And we decided to load planes with a lot of stuff and shifted it to Saudi Arabia, for example, and ensure that we have those material -- critical material that we know in a place of a war will be an issue, and it worked very well with us, right?

So we worked. We were able to do that. We took the cost, and we decided, as well, that we are not going to do anything. We told the clients, this is part of our duty to be with you. And even if it cost us more, and it's not in there, but we are happy to take off this cost on ourselves because that's what partnership and trusted adviser to our clients means, right?

On the other side, on the evacuation, we decided that we have national people, and we are not evacuating anything, right? So if you have a 90% -- 95% Iraqis in Iraq, they stay there, right? So we stayed, we ensured that the security is there. We told the clients we're not going anywhere. If anybody has a problem, and we can capture this work because we stand with our clients in times of crisis. So that's how basically we maintained our 100%, and we captured some work from others, and that's reflected in the results.

Sherif Elmaghrabi
All right. Thanks, Sherif. And then just to follow up, I want to turn to the opportunity set in North Africa. Are you seeing any projects there being pulled forward due to what's going on in the Middle East? And maybe that's part of 3B3, but just wondering what you're seeing there.

Sherif Foda
Look, I mean, so far, the answer is, like, in the ground, is you don't see it like rigs coming in -- but what you see is all the projects being signed. This is -- again, it takes time. All the projects have been signed. You saw Total. You saw ConocoPhillips, as well. You saw E&I [sp]. Now Chevron is very heavy engaged. So all these contracts being signed. So once they sign the contract, it will take three, four months for the permits, they move their stuff. So things, I would say, could move faster. But knowing North Africa and the way there is an organization, there is tender, there is committee, there are a lot of check-the-boxes that have to take place.

But I'm positive it's going to happen faster once everything is signed because, again, this is a place where they have the pipeline not even full. So they don't need to do anything. They just need to drill wells, get oil and gas, they would put it in the pipe, sell it to Europe, and Europe is dying for gas and oil. So it's a no-brainer for North Africa, especially Libya and Algeria, to grow much faster than what they have.

Sherif Elmaghrabi
Okay, thanks very much.

Operator
Our next question comes from Jeff Robertson with Water Tower Research. Please proceed with your question.

Jeff Robertson
Thank you, good morning. Sherif, you mentioned -- or you talked about the technology center in Kuwait, and I know you have one in Saudi Arabia. Can you export some of the learnings from those centers to -- or leverage those in other countries in your -- in the MENA area?

Sherif Foda
Yes, absolutely. Absolutely. That's the whole idea. And obviously, people that work on technology know that's how we do on -- that's what you do in your research or technology application. And we have a very strong, as well, alignment with universities because that's the key. So we have a

very good alignment with world-class KFUPM, which is stellar. By the way, people should study this, under the leadership of Dr. Saggaf, but it is -- it's a state-of-the-art, and we're doing a lot of projects together. We're doing, as well, some with the Kuwait, and we are going to establish the same kind of setup. And all this, then you can do with the ADNOC, UAE.

So this is where you get a lot of learning across portfolio and across technology and, as well, the key is the research doctors to have access to that they are excited about what you're doing. That's where technology happens, because if a research doctor, like you have in MIT or Texas A&M, likes what you see and you have, as well, the apparatus, which is basically you invested in some of the particles and some of the equipment in this lab, then they are happy to come and work with you, right? And then we have, obviously, I think all the mineral recovery and the advanced, like, technologies, a lot of it will be put there and people would really like to see.

And then some of the stuff will be for the future, like I mentioned downhole separation. This -- as an industry, we've been working on this for the last 20 years with, I would say, zero technology breakthrough. Nothing really works. We still separate everything on surface because we cannot intelligently separate water and everything downhole. If we can reach that and have a research project, it might be two, three years, five years, but still, people would be excited. So we definitely want to have the Saudi, the Kuwait, with the U.S., all this with the partnership and technology transfer, doctor going from here to there, makes a big difference.

Jeff Robertson
So those work as a magnet essentially for your Open Technology Platform that you spoke about earlier. Is that correct?

Sherif Foda
Correct. Yes, correct.

Jeff Robertson
Okay. Thank you.

Operator
We have reached the end of our question-and-answer session. I would now like to turn the floor back over to management for closing comments.

Sherif Foda
Thanks, Maria. Thanks, everyone. We really appreciate your time and support and looking forward for a very, very exciting journey going forward. Thank you so much.

Operator
This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.