



Q4 2025 Unaudited Financial Report

BEYOND TECHNOLOGY • BEYOND NORMAL



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EXECUTIVE SUMMARY

Profitability \$26.6m adjusted EBITDA YTD Q4 2025

Cash Cash / Cash equivalents of \$23m as of Q4 2025
Net debt of \$60.2m; Net Leverage of 2.43x
YTD 2025 Operating Cash Flow of \$15.4 million

Operations Entering 2026 with strong sales in Saudi Arabia across all product lines, with heavy focus on the emerging rebound in the KSA market

Strong performance across the GCC Middle East market with Kuwait representing the highest sales and profit in company's history

PDC Booster™ bit technology representing a platform for market share increase in areas of the US, Asia, and Middle East

Letter from CEO Derek Nixon Chief Executive Officer

I am pleased to share our fourth-quarter 2025 results and to reaffirm our confidence in the strategic direction of the company and in the exceptional capabilities of our approximately 1,100 employees worldwide. During the quarter, we delivered revenue of \$41.2m and Adjusted EBITDA of \$3.3m, reflecting solid execution and continued commercial traction across our core markets.

Business Overview:

Throughout 2025, we navigated a challenging macro environment marked by persistent headwinds, geopolitical uncertainty, and muted drilling activity. Even under these conditions, we generated \$15.4 million of operating cash flow through year-end—evidence of our disciplined focus on working capital efficiency and consistent cash generation.

Over the course of the year, we made meaningful progress in rightsizing our production footprint, optimizing capacity, and adopting leaner inventory practices. these actions reduced structural costs, strengthened operational flexibility, and enhanced cash flow, positioning Varel to capitalize on future market opportunities from a foundation of financial strength.

We also strengthened our commercial relationships with NOCs and leading OFS customers, deepening engagement across key regions and laying the groundwork for increased activity in 2026.

Our global production order pipeline remains strong at approximately \$30m as of February 27th. Looking ahead, we are providing a full-year 2026 Adjusted EBITDA guidance of \$30 million to \$36 million, reflecting expectations of increased drilling activity in the Middle East and expanded relationships with major OFS companies.

As we move into 2026, our priorities remain clear. We will maintain a disciplined oversight of liquidity, working capital efficiency, and cash generation to ensure ongoing compliance with our debt covenants. Our agile operating model provides the flexibility needed to navigate near-term volatility while continuing to protect and enhance long-term value creation.

I am extremely proud of the operational improvements our team delivered during a challenging 2025. The combination of capacity optimization, cost reductions, organizational changes, and a renewed emphasis on cash flow enabled us to finish the year with strong operational momentum.

We continue to evaluate selective, strategic acquisition opportunities that enhance our technology offerings and strengthen our market presence. Our earlier acquisition of Ace Well Technology reflects this disciplined approach – expanding our capabilities, broadening our commercial offering, and reinforcing our partnerships with key customers.

Finally, I want to reaffirm that the safety of our people remains our highest priority. I am pleased to report another excellent quarter of safety performance, with a TRIR of 0.01 and zero Lost Time Incidents.



CFO FINANCIAL STATEMENT

Operating Performance:

The consolidated income statement is shown on page 3 to these financial statements. Revenue was \$41.2m and \$51.2m for the three months ended December 31, 2025 and December 31, 2024, respectively.

Adjusted EBITDA was \$3.3m and \$12.1m for the quarters ended December 31, 2025 and 2024, respectively. A reconciliation between net profit per these financial statements and Adjusted EBITDA is set out below.

	Quarter Ended		Twelve Months Ended	
	Dec. 31, 2025	Dec. 31, 2024	Dec. 31, 2025	Dec. 31, 2024
Net Profit (loss)	(13,378)	(2,575)	(22,547)	6,665
Provision (benefit) for income taxes	632	3,007	3,016	8,256
Interest Expense	3,622	(1,366)	14,260	9,696
Depreciation and Amortization	3,131	4,282	12,151	12,642
Transaction Cost (debt)	669	961	1,067	1,865
Inventory impairment	11,493	-	11,493	-
Other Non-Cash Items	(1,687)	2,826	3,099	2,826
EBITDA	4,482	7,135	22,539	41,950
Adjustments for the effects of:				
Restructuring & Severance	142	118	1,610	1,348
Other	(1,295)	4,846	2,490	5,275
Adjusted EBITDA	3,329	12,099	26,639	48,573

We exited 2025 with strong liquidity and are expecting to meet the leverage covenants throughout 2026, but with limited headroom at the point of the Q2 step-down. Out of caution, we plan to go out to investors in the coming weeks to request an amendment to the bond terms to ensure sufficient headroom and financial flexibility for growth from new business in 2026.

Borrowings:

During the second quarter of 2024, the Company completed the refinancing of its pre-existing debt facility through the issue of a new 4-year senior secured \$60m Nordic Bond. This process was completed on April 4, 2024, with the proceeds being used to repay the aforementioned pre-existing debt facility amounting to \$33.1m, fees associated with both the pre-existing debt facility and the bond process of \$2.8m, the remaining purchase price related to our Indian acquisition in 2022 amounting to \$6.6m which was finalized in September 2024, and other general corporate purposes. During the fourth quarter 2024, Varel successfully issued subsequent bonds in the amount of \$12m, increasing the total outstanding amount under the existing senior secured bond to \$72m. Net proceeds from the subsequent bond issue were ultimately used for the acquisition of Ace Well Technology in January 2025.

Cashflow and Debt:

The consolidated statement of cash flows is show on page 5 of the financial statements. An analysis of the net debt for the quarter ending December 31, 2025, is set out below, with leverage at 2.43x.

Leverage Ratio Table

(in thousands of dollars)	Dec 31, 2025
Nordic Bonds	\$ (72,000)
Loan-Revolver	(4,298)
Right of Use Liabilities	(6,963)
Cash	23,012
Net Debt as of Dec 31, 2025	\$ (60,249)
Adjusted EBITDA TTM Q4 2025	\$ 24,793
Leverage	2.43x

* restricted to 10% for debt leverage

FINANCIAL STATEMENTS

Consolidated Unaudited Profit and Loss

Three Months Ended December 31

Twelve Months Ended December 31

<i>(in thousands of dollars)</i>	Three Months Ended December 31			Twelve Months Ended December 31		
	2025	2024	Percent Change	2025	2024	Percent Change
Revenue	\$ 41,221	\$ 51,235	-20%	\$ 183,732	\$ 204,665	-10%
Cost of Revenue	\$ (21,008)	(37,612)	-44%	(113,107)	(122,331)	-8%
Gross Profit	20,213	13,623	48%	70,625	82,334	-14%
Selling, general and administrative expenses	\$ (13,979)	(12,977)	8%	(55,284)	(51,414)	8%
Operating Profit	6,234	646	865%	15,341	30,920	-50%
Loss on debt extinguishment	\$ -	(376)	-100%	-	(376)	-100%
Other income (loss), net	\$ (457)	2,567	-118%	334	3,675	-91%
Add: Add-backs	\$ (2,448)	9,262	-126%	10,964	14,354	-24%
Adjusted EBITDA	3,329	12,099	-72%	26,639	48,573	-45%
Less: Add-backs	2,448	(9,262)	-126%	(10,964)	(14,354)	-24%
Inventory Impairment	\$ (11,493)			(11,493)		
Transaction cost (debt)	\$ (669)	(961)	-30%	(1,067)	(1,865)	-43%
Depreciation & Amortization	\$ (2,740)	(2,810)	-3%	(8,387)	(7,737)	8%
Finance costs	\$ (3,622)	1,366	-365%	(14,260)	(9,696)	47%
Income tax expense	\$ (632)	(3,007)	-79%	(3,016)	(8,256)	-63%
Net profit (loss)	(13,378)	(2,575)	420%	(22,547)	6,665	-438%

NM = Not meaningful

FINANCIAL STATEMENTS

Consolidated Balance Sheet (Unaudited)

(in thousands of dollars)

	Dec. 31, 2025	Dec. 31, 2024
Assets		
Current Assets		
Cash and cash equivalents	\$ 23,012	\$ 24,957
Trade receivables	34,846	41,700
Trade receivables, related parties	-	-
Income tax receivables	198	193
Inventories	45,745	70,555
Prepays and other current assets	15,084	15,251
Total current assets	<u>118,885</u>	<u>152,656</u>
Non-current assets		
Property, plant, and equipment	22,809	26,009
Right-of-use assets	4,218	6,805
Goodwill	10,666	7,985
Intangibles	12,518	9,683
Investments in affiliates	3,490	3,145
Deferred tax asset	4,650	4,370
Other assets	191	124
Total non-current assets	<u>58,542</u>	<u>58,121</u>
Total assets	<u>\$ 177,427</u>	<u>\$ 210,777</u>

	Dec. 31, 2025	Dec. 31, 2024
Liabilities		
Current liabilities		
Trade payables	16,000	21,418
Trade payables, related parties	-	20
Income tax payables	5,859	6,532
Accrued liabilities	2,454	5,161
Provisions	-	160
Other current liabilities	7,718	10,991
Current portion of borrowings	4,379	4,480
Current portion of borrowings, related party	21,844	18,642
Current portion of lease liabilities	1,701	2,091
Total current liabilities	<u>59,955</u>	<u>69,495</u>
Non-current liabilities		
Borrowings	70,278	69,057
Borrowings, related party	-	540
Lease liabilities	5,262	7,585
Deferred tax liabilities	2,539	2,074
Provisions	-	-
Other liabilities	5,766	5,488
Total non-current liabilities	<u>83,845</u>	<u>84,744</u>
Total liabilities	<u>143,800</u>	<u>154,239</u>
Equity		
Total equity	33,627	56,538
Total shareholder's equity and liabilities	<u>\$ 177,427</u>	<u>\$ 210,777</u>

FINANCIAL STATEMENTS

Consolidated Unaudited Cash Flow

Cash from operating activities increased \$18.9 million from cash used in operations of \$3.5 million to cash generated in operations of \$15.4 million for the twelve months ended December 31, 2024 and 2025, respectively. Cash from operating activities were strongly impacted by working capital management.

Cash used in investing activities increased \$11.5 million from \$2.6 million to \$14.1 million for the twelve months ended December 31, 2024 and 2025, respectively, primarily to support the completion of the Ace Well Technology acquisition.

Financing cash flows changed \$27.3 million from cash provided of \$25.0 million to cash used of \$2.3 million for the twelve months ended December 31, 2024 and 2025, respectively.

Condensed Consolidated Statements of Cash Flow (Unaudited)

Twelve Months Ended December 31

<i>(in thousands of dollars)</i>	Notes	2025	2024
Cash flows from operating activities			
Net profit (loss)		\$ (22,547)	\$ 6,665
Adjustments to net income:			
Depreciation and amortization		12,151	7,749
Amortization of deferred financing costs		1,074	612
Net finance costs		13,268	10,870
Severance costs		1,958	632
Inventory Impairment		11,493	-
Other non cash movements*		3,312	(1,582)
Changes in operating assets and liabilities			
Trade receivables		8,747	(4,867)
Inventories		25,888	(9,259)
Prepays and other assets		(7,857)	1,378
Trade and other payables		(8,476)	(10,416)
Other liabilities		(9,496)	3,816
Cash generated from operating activities		29,515	5,598
Interest paid		(10,410)	(6,255)
Income taxes paid		(3,691)	(2,814)
Net cash provided by (used in) operating activities		15,414	(3,471)
Cash flows from investing activities			
Acquisition of property and equipment		(3,915)	(2,560)
Business Combination, net of cash acquired		(10,206)	-
Net cash used in investing activities		(14,121)	(2,560)
Cash flows from financing activities			
Change in borrowing and lending		190	39,878
Change in lease liability		(2,189)	(2,345)
Deferred financing costs, net of bond premium		(308)	(3,399)
Changes in equity**		-	(9,113)
Net cash provided by (used in) financing activities		(2,307)	25,021
Effect of exchange rate changes on cash		(931)	92
Net increase (decrease) in cash and cash equivalents		(1,945)	19,082
Cash and cash equivalents			
Beginning of year		24,957	5,876
End of year		<u>\$ 23,012</u>	<u>\$ 24,958</u>

*Includes Inventory write down, impairments, and reclassification of finance interest.

**Includes contributions to Joint Ventures



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FURTHER INFORMATION

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