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## CORPORATE PARTICIPANTS

**Girish K. Saligram** *Weatherford International plc - President, CEO & Director*

**H. Keith Jennings** *Weatherford International plc - Executive VP & CFO*

**Karl Blanchard** *Weatherford International plc - Executive VP & COO*

**Sebastian Pellizzer** *Weatherford International plc - Senior Director of IR*

## CONFERENCE CALL PARTICIPANTS

**Brian Hook**

**Gregg William Brody** *BofA Securities, Research Division - MD*

## PRESENTATION

**Operator**

Ladies and gentlemen, thank you for standing by, and welcome to the Weatherford International Fourth Quarter 2020 Earnings Call. (Operator Instructions)

As a reminder, today's call is being recorded. I would now like to turn the call over to Sebastian Pellizzer, Senior Director of Investor Relations. Sir, you may begin.

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**Sebastian Pellizzer** - *Weatherford International plc - Senior Director of IR*

Welcome, everyone, to the Weatherford International Fourth Quarter 2020 Conference Call. I'm joined today by Girish Saligram, President and CEO; Karl Blanchard, Executive Vice President and COO; and Keith Jennings, Executive Vice President and CFO. We will start today with our prepared remarks, and then we will open it up for questions. You may download a copy of the presentation slides that correspond with today's call from our website's, Investor Relations section. I want to remind everyone that some of today's comments include forward-looking statements. These statements are subject to many risks and uncertainties that could cause our actual results to differ materially from any expectation expressed herein. Please refer to our latest Securities and Exchange Commission filings for risk factors and cautions regarding forward-looking statements.

Our comments today also include non-GAAP financial measures. As noted in our press release, the company adopted fresh start accounting in December 2019. Our comments today include a comparison of the results of the predecessor and successor companies. The underlying details and a reconciliation of GAAP to non-GAAP financial measures are included in our fourth quarter press release, which can be found on our website.

With that, I'd like to turn the call over to Girish.

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**Girish K. Saligram** - *Weatherford International plc - President, CEO & Director*

Thanks, Sebastian, and thank you all for joining the call today. I will open up with some key points from the fourth quarter, and then Karl will go through some additional operational details. Keith will then take you through the fourth quarter results as well as the broad construct on 2021, including the first quarter. Finally, I'll come back to lay out our focus areas for 2021 as well as some initial thoughts around our strategic direction.

We will start today on Slide 3. 2020 was a very challenging year for our industry, but I'm pleased with our performance, despite the challenges, and accomplishments in 2020 are a direct result of the tremendous resilience, creativity and dedication shown by the Weatherford team day in and day out throughout the year. I've already seen the collaboration instilled by our One Weatherford culture by positive outcomes, and I'm confident that it will take us far together.

To our entire global employee base, I thank you for all that you do for our customers and company every day. I previously stated our objective of being a business with sustainable profitability and free cash flow generation. While that objective is a work in progress in a multiyear journey, we believe we have strong momentum coming into 2021. Our commitment to our shareholders is to operate the business with the view that we will not count on increased market activity to drive profitability improvements and free cash flow.

Specifically, that implies that we will not take our eye off the ball on structural cost improvements and margin expansion and believe that being a smaller, more nimble organization will allow us to leverage activity increases to greater effect as they happen.

With that, I'd like to highlight a few points for the quarter and the year. Firstly, safety and service quality are foundational elements of our performance, and in 2020, we delivered a number of year-on-year improvements, including a 25% reduction in our total recordable incident rate as well as a 13% reduction in our average nonproductive time.

In terms of revenues, our fourth quarter revenues grew by 4% sequentially, driven by growth of 15% in North America and 2% internationally to $842 million.

Notably, we achieved full year revenue growth at several strategic markets, including a number of countries in the Middle East in what was arguably one of the toughest years in the industry. Third, we achieved another quarter of double-digit adjusted EBITDA margin, and despite a 29% decline in full year revenues, our 2020 adjusted EBITDA decrementals were limited to only 9% year-on-year. The $98 million of adjusted EBITDA was generated in the fourth quarter was slightly better than the third quarter, excluding the effects of the one-time sale of operational assets in Q3.

Next, the sound performance we had was enabled by the decisive actions we took and continue to drive in order to reduce our cost with the results exceeding our annualized savings target of $800 million. We delivered positive full year free cash flow of approximately $80 million, an improvement of $950 million year-on-year through improved operating performance, disciplined capital expenditures, and a reduction of working capital.

Our fourth quarter performance was especially strong, and our team exceeded expectations with laser-like focus right up until the end of the year, delivering unlevered free cash flow of $95 million. Our liquidity position is strong with Weatherford ending the year with $1.3 billion of total cash, giving us flexibility to operate through this environment. We also accelerated the adoption of our company's digital offerings. Last quarter, we talked about how these offerings enable us to operate remotely and make tangible contributions towards our customers' safety, quality and efficiency goals. We plan to expand on these in 2021.

And finally, we continued our history of driving innovation to deliver solutions to the complex challenges our customers face. Our central digital well delivery solution, ForeSite sense reservoir monitoring solution and the Velox wellhead system are examples of new offerings that enhance safety, efficiency and effectiveness.

Despite the physical travel limitations presented by COVID, I've enjoyed the opportunity to engage with many of our customers over the past few months, and I'm grateful for their continued support and encouragement.

Our customers recognize the overall value, safety and service quality that Weatherford delivers, and I'm excited about the many opportunities for collaboration in the future.

With that, let me turn it over to Karl to provide you with some operational highlights from the quarter and commentary on the market.

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**Karl Blanchard** - *Weatherford International plc - Executive VP & COO*

Thank you, Girish. Please turn to Slide 4. As Girish mentioned, we have continued to see successes with our customer during the fourth quarter and some highlights include: the tubular running services, we won several significant contracts across the globe with both national and international oil companies to further expand our leading position in the space. These awards were driven by technology such as our Vero automated connection integrity system and our team's high service quality across the globe.

A few wins include: the extension of TRS contracts in Europe and in the Middle East, where Weatherford was selected based on our superior HSE and service quality performance; an award for a major offshore operator in Qatar to exclusively provide casing and tubular running services; and an award from an IOC in North America to provide offshore services, including Vero. For completions, we were awarded a major contract to deliver annular safety valves for an operator in the Caspian Sea, demonstrating the customer's recognition of both the technical and operational advantages that Weatherford provides.

In the Middle East, we had a number of contract wins, including a 5-year wellbore cleanout contract with a major offshore contractor in Qatar. A multiple discrete service projects by a major operator in Iraq, which bolstered our portfolio of work in that country, and multiple contracts for completions and products and services across the region. We spoke last quarter about how our digital offerings have enabled us to operate remotely and are delivering tangible value to our customers. There are a number of highlights this quarter as well, including the installation and remote monitoring of our Xpress integrated liner system using our AccuView remote support system and Centro, digital well delivery solution with a national oil company in the Middle East.

Utilizing AccuView to run a complex rotating liner-hanger without a Weatherford employee at the well site in Mexico and the extension of a contract with a major IOC in the Middle East and expanding its work scope to include the use of Weatherford's Centro platform to digitize the operation and enhance performance with real-time monitoring.

In addition to these highlights from the quarter, I'm also proud of our success in driving the adoption of many of our meaningful technologies over the course of the year. A few milestones include: we have now drilled more than 1 million feet with our Magnus rotary steerable system since its launch 3.5 years ago; we deployed ForeSite production optimization on about 20,000 new wells in 2020, further enabling our customers to make well informed decisions to maximize production performance; and we have now run Vero on over 200 jobs and have made up over 56,000 connections since commercializing this technology.

We have been awarded multiple new contracts for our TR1P single-trip completion system, recognition of the value our customers see in this digitally enabled technology. These are just a few examples of the many achievements for 2020, and we will continue this focus in '21.

Now let's move to Slide 5, which highlights recent trends in both rig count and drilling and completion spending in North America and internationally. In North America, fourth quarter drilling activity was slightly better than our expectations. Strong seasonal activity increases in Canada and continued rig count increases in the United States drove a 33% sequential increase in average rig counts across North America.

Completion and workover activity continued its positive trajectory as well and was in line with our expectations. Internationally, average rig counts declined 9% sequentially. This is in line with our expectations of continued activity declines, albeit at a slower rate versus previous quarters. Latin America was the only region to post-activity increases during the quarter, largely driven by Argentina and Colombia, where activity continues to recover from COVID-19-related shutdowns.

We are cautiously optimistic that the markets are in the early stages of a broader recovery, particularly as we look ahead to the second half of 2021. However, there is continued uncertainty around the timing and magnitude of the recovery, largely due to the COVID pandemic and its impact on economic activity as well as a lack of clarity on the scope and eventual impact of new policy measures in the United States.

In North America, while we expect activity levels will continue to improve sequentially through the first half of the year, we remain focused on improving our operational performance and not chasing unprofitable work. We expect international activity to decline sequentially in the first quarter of the year with activity then increasing as Latin America continues to rebound from COVID-related shutdowns, and as production increases broadly to meet the pent-up demand that we believe exists.

With that, I'll turn things over to Keith to provide a financial update.

**H. Keith Jennings** - *Weatherford International plc - Executive VP & CFO*

Thank you, Karl. Let's turn to Slide 6 and begin with a summary of our fourth quarter 2020 results. Revenues in the fourth quarter were $842 million, 4% above the third quarter and 32% below the same period in 2019. This sequential growth primarily resulted from increased completion and production sales in North America and Europe, increased activity across most of Latin America, seasonal activity increases in Canada.

These positive activities were partially offset by weather-related project delays in Mexico and activity reductions in the Middle East. Fourth quarter adjusted EBITDA was $98 million with adjusted EBITDA margins of 12%. As Girish mentioned, we achieved another quarter of double-digit EBITDA margin, which was up approximately 20 basis points sequentially after adjusting our third quarter results for a onetime benefit related to the sale of operational assets.

We continue to drive favorable EBITDA decrementals during the quarter defined as the change in adjusted EBITDA over the change in revenue with year-on-year decrementals of 14% during the fourth quarter. In addition, our EBITDA decrementals for the full year 2020 was only 9%, despite 29% reduction in revenue year-on-year.

Let me now provide a regional breakdown, starting with the Western Hemisphere on Slide 7. Western Hemisphere revenues of $372 million in the fourth quarter grew 18% sequentially and declined 40% versus prior year. In North America, revenue grew 15% sequentially, driven by sequential growth of 27% in our completion and production business, or C&P, largely due to increased well completion and workover activity as well as year-end product sales revenue for drilling, evaluation and intervention, or DEI, declined 8% sequentially, largely due to changes in our business model in our drilling services product line to improve profitability.

Additionally, both product lines benefited from seasonal activity increases in Canada. Fourth quarter revenues of $171 million in Latin America grew 21% sequentially and declined 35% versus the prior year. C&P revenues grew 56% sequentially and DEI grew 10%, with growth across both product lines driven by increased activity and year-end product sales in Argentina, Colombia -- and Colombia, which were partially offset by lower activity in Mexico, largely due to weather-related project delays.

Segment adjusted EBITDA for the Western Hemisphere was $41 million in the fourth quarter, growing $12 million or 41% sequentially. Adjusted segment EBITDA margin of 11% improved 180 basis points sequentially and were 70 basis points above last year. The sequential improvements were primarily driven by both increased activity and product sales in Latin America.

Let's now move to the Eastern Hemisphere, Slide 8. Eastern Hemisphere revenues of $470 million in the fourth quarter, declined by 4% sequentially and 25% versus prior year. Revenues in Europe, Sub Saharan Africa and Russia grew 5% sequentially and declined 24% versus the prior year.

C&P revenues grew 16% sequentially, driven primarily by increased product sales in the North Sea, the Mediterranean and Russia. DEI revenues decreased by 2% sequentially, driven primarily by seasonally low drilling activity in Russia, which was partially offset by additional activity in the North Sea. Revenues in the Middle East, North Africa, and Asia were $289 million -- up $289 million were down 9% sequentially and 25% versus the prior year.

A portion of the year-on-year decline was driven by businesses we have previously divested, and excluding this impact, our Q4 2020 revenues were down by 21% year-on-year. On a sequential basis, our revenue decline here was similar across both C&P and DEI, largely driven by lower activity across the region, which was partially offset by Iraq, where we experienced strong sequential growth, particularly in DEI.

Adjusted segment EBITDA for the Eastern Hemisphere was $87 million in the fourth quarter, a decrease of $17 million or 16% sequentially. Adjusted segment EBITDA margin of 19% declined 270 basis points from the third quarter.

The reduction in both adjusted EBITDA dollars and margin is primarily attributable to the non repeat of the $12 million gain on operational asset sales that we recognized in the third quarter, and to a lesser extent, lower activity levels in the region. Excluding the gain on operational asset sales, adjusted segment EBITDA declined 5% sequentially and margin declined by 20 basis points. Our results also included charges totaling $89 million that were not included in our adjusted EBITDA, primarily related to the company's facility consolidations and headcount reductions.

Slide 9 highlights the components of our year-to-date change in cash and enhancement to our liquidity. The company generated unlevered free cash flow of $95 million in the quarter, reflecting the ongoing improvements in our operations from the prior year result of negative $72 million.

We continue to experience an unwinding of working capital and this alongside CapEx reductions of over 40% year-on-year and the nonrepeating cash outflows associated with our financial restructuring drove the majority of the cash flow improvement year-on-year. On a full year basis, the company generated $78 million of free cash flow, which represented a $950 million improvement year-on-year. Our total cash of $1.3 billion was essentially unchanged sequentially. Our 2020 closing cash balance is approximately $250 million higher than the balance of our cash and availability under our former asset-based lending facility at year-end 2019.

We believe our cash position provides the flexibility to operate through this environment, and we have no debt maturities until 2024. Our $1.3 billion of total cash compares favorably to our estimated operating liquidity requirements of between $700 million to $1.1 billion. This estimated requirement is comprised of operating, restricted, trapped cash and the additional liquidity to support the seasonality of a business of our scale and the cyclicality of our industry. This additional liquidity can be provided in the form of cash on balance sheet as we do currently or in the form of undrawn availability of the credit facility.

As you may recall, in August 2020, we retired our $450 million asset-based lending facility with the issuance of senior secured notes due to the complexities of the mechanics of that ABL and the risk of a covenant breach. The transaction provided the company to a stable source of liquidity through additional cash on balance sheet. However, we will continue to monitor the bank and credit markets for potential opportunities to provide this liquidity in a more cost-efficient way.

Turning to Slide 10. I will share our thoughts on both the full year and the first quarter of 2021. I will again provide qualitative comments on how we expect our business to progress as there is still significant economic and industry-specific uncertainty that precludes us from providing more specific guidance. These comments do not assume another round of extended pandemic-related lockdowns that may further curtail oil and gas activity or disrupt the expected recovery of hydrocarbon consumption that is underway.

Further, these comments assume a relatively stable commodity price environment and do not consider prices weakening due to a reoccurrence of sustained production increases or sustained reductions in hydrocarbon demand. We expect our consolidated revenues in 2021 to align with current activity levels and therefore, be in line with our annualized second half 2020 results. This will be comprised of growth in the Western Hemisphere of low to mid-single digits and declined to the low -- in the low to mid-single digits in the Eastern Hemisphere.

On the cost side, we are expecting headwinds next -- this year that our plans must address, including additional costs as we bring back salaries and benefits after the temporary reductions in 2020. Our employees have demonstrated leadership, responsibility and commitment while making personal sacrifices during a challenging period to ensure the financial performance of the company, and it is the right thing to do to normalize base salaries back in line with industry benchmarks.

Despite these cost headwinds, we plan to continue to drive margin expansion in 2021 through focus areas that Girish will elaborate on shortly. The benefit of these efforts is expected to more than offset any cost-related headwinds we are facing and expect adjusted EBITDA margins to increase by 100 to 200 basis points from second half 2020 levels. Importantly, we do not expect the benefit from the onetime sale of operational assets to reoccur in 2021, and we have excluded that benefit from our second half 2020 baseline.

Another important theme that will provide a headwind as we progress into 2021 and beyond is working capital. As activity levels stabilize and eventually grow, we will not benefit from almost $200 million unwinding of net working capital that we experienced in 2020, and in fact, we expect the opposite if we experience a material growth in activity.

For 2021, excluding the impact of net working capital, our unlevered free cash flow is expected to improve slightly year-on-year. Our interest expense will increase in 2021 due to the refinancing transactions that were completed in August 2020, and we expect to reinvest in our business through capital expenditures at similar levels to 2020 in the range of $120 million to $150 million. As a result, we are currently expecting to be free cash flow negative in 2021.

Let me turn now to the first quarter of 2021. We expect first quarter 2021 consolidated revenues that follow their typically -- their typical seasonality and decline sequentially from the fourth quarter of 2020 by a high single to low double digits, driven largely by the expected reduction in international activity, Karl noted. This will translate into stronger declines in the Eastern Hemisphere. Adjusted EBITDA margin is expected to decline by 150 to 250 basis points from Q4 2020 levels, driven largely by lower activity in our higher margin international operations.

First quarter unlevered cash flow is expected to decline sequentially from the fourth quarter of 2020, largely due to the nonrepeat of the net working capital unwind in the fourth quarter as well as the seasonal timing of cash outflows.

Thank you for your time today. I will now hand the call over to Girish for his closing comments.

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**Girish K. Saligram** - *Weatherford International plc - President, CEO & Director*

Thank you, Keith. As I mentioned, I believe our strong fourth quarter and full year results are a reflection on the progress we have made towards our objectives of sustainable profitability and free cash flow generation. The actions we took in 2020 have meaningfully improved cash flow, liquidity and operational performance, but we also recognize that we are not done and need to fully institutionalize the processes and mindset to grow our 2020 execution.

As Keith alluded to, we expect a couple of significant headwinds in 2021 and beyond, specifically around restoration of employee salaries and lack of working capital unwinding benefits that we need to overcome. It is therefore critical for us to accelerate the momentum from 2020 into 2021, and we will be focused on restructuring our cost levels and ensuring our working capital as a percent of revenue have clear improvement targets and actions.

To provide clarity, we have laid out our internal focus areas for 2021 on Slide 11. To ensure that we are poised to deliver a year that will demonstrate increased profitability versus our second half 2020 run rate without depending on market activity increases. Firstly, performing in North America. Historically, North America has been one of the largest oilfield service markets. It is a market unlike any other globally with shorter cycle times, a degree of competition and innovation that make it very unique amongst many other things.

Our team in North America did excellent work last year and delivered meaningful improvements to their operations. We plan to build on those actions this year and continue to drive further efficiencies through facility consolidation and adjustments to our commercial approach. We expect these efforts to yield meaningful improvement to our North America profitability year-on-year that will be significantly accretive to the overall company.

Second is simplifying our organization. Our organization must be more agile and flexible to serve the changing needs of our dynamic business. We took significant actions last year to align our costs with rapidly evolving market conditions and drive additional efficiencies into the organization.

A great example of this is merging our manufacturing and supply chain organization into a consolidated function supporting our operations. For 2021, we see additional opportunities for reducing complexity, driving efficiencies and improving the way we support our operations, which we believe will enable a high single-digit reduction in percentage of our support costs.

Third, variable cost optimization. In the spirit of continuous improvement, we are also focusing on reducing the magnitude of our variable costs. We are creating new cultural and operational frameworks for tracking costs and driving cost reduction initiatives across our organization and have established enterprise-wide teams across several cost categories, including real estate, fleet management, logistics and telecom to name a few. We believe there are meaningful opportunities to reduce spending, drive change, increased profitability, and are targeting a $50 million annualized impact from these initiatives but recognize these are unlikely to fully manifest immediately.

Number four is inventory. Inventory continues to be a critical theme for us this year. Streamlining inventory management will play a critical role in becoming a more efficient organization. We are redeploying existing inventory and more closely integrating manufacturing, operations and sales to improve inventory management and delivery. This is not just about improving processes, but also about increasing company-wide collaboration throughout our entire supply chain. Better inventory management will be a crucial enabler of our profitability and cash flow objectives. We aim to reduce day sales of inventory by 10 days through this initiative, an improvement of over 10% from the end of last year.

As you can see through the actions I just laid out, we will continue driving down operational costs to increase cash flow and profitability in 2021 and beyond. I will stress again that we have developed our plans and targets for this year based on flat activity levels and will scale up or down without sacrificing our focus areas.

Beyond these operational imperatives, we are carefully examining our approach on 3 long-term strategic vectors to shape and define our long-term vision and strategic road map. As many in the industry have pointed out, these are central themes to the future of our sector, and we strongly believe that Weatherford has the differentiation, footprint and track record to carve out our unique value addition space stemming from them. The first is digitalization. We touched on the broad spectrum of our portfolio in detail last quarter, and we will continue to employ automation and digital tools and technology to simplify and enhance not just our offerings, but also our internal operations.

We will continue to deploy and improve the suite of digital products and services across our many offerings to deliver a world-class customer experience. The integration of monitoring technology, algorithmic models backed by deep domain expertise, artificial intelligence and software delivery models are a strong competency within our team, and we will look for further development and deployment applications. These offerings also help enable meaningful improvements to our service delivery and productivity.

The second vector is ESG. We have responsibility to our employees, the communities we operate in, and our shareholders to be good ESG stewards. Doing so will impact everything from our governance practices to managing our carbon footprint to fostering diversity and inclusion into our company. A key part of this is our role, position and value in the energy transition. The imperatives to adapt to what our customers and communities are rightfully asking for is upon us, and we will enhance our existing focus in this regard. As an example, we already have a footprint and product offering in geothermal energy.

Exemplified by a recent achievement in Canada, where we helped grow the world's first 90-degree geothermal well for renewable power generation, and at the same time, achieved the deepest lateral in Saskatchewan's history. Our FIRMA offering in plug and abandonment is a benchmark on responsibly stewarding the end-of-life of wells and ensuring environmental wellbeing. Decarbonization will be a continuing theme, and we will look to unify our efforts under a common umbrella to amplify impact and reach.

Our final vector is our product and service portfolio. While we have a relatively low share in the low to mid-single digits globally across the sector, we have market-leading product lines, including managed pressure drilling, tubular running services, cementation products, liner-hangers and production optimization amongst others. Rather than simply expand share in these, we will look to exploit pull through and synergy opportunities across all of our product lines, spearheaded by unified commercial focus in our geozone operations.

We also have several product lines that provide innovative and value-added services with low global share. Our focus will be optimizing the intersection of product lines and geographies without a need to be everything for everyone everywhere. Each individual business in each geozone will have to demonstrate independent liability and accretive cash performance, and that standard will provide an objective lens to defining our global portfolio reach. We will also continue to invest in technology and engineering as we believe the technical differentiator is a key value driver for our customers.

Before we end our prepared remarks, I'd like to also touch upon some organizational changes that we are announcing today. Firstly, Karl Blanchard, our COO, will be retiring at the end of February. Karl has been a transformative leader and champion of our One Weatherford culture in his 3 plus years at a company. He has provided expertise, leadership and a steady hand during all of the changes with our financial restructuring and the challenges we faced in 2020.

Over the past few months, Karl has been a partner, trusted advisor, coach and friend to me as I've come up to speed within the company, and he will be missed. However, after almost 40 years in the industry, Karl and his wife Julie are looking forward to an extremely well-deserved retirement and extra time to enjoy their family, and we wish them all the best.

Additionally, Stuart Fraser, our Chief Accounting Officer, will be leaving the company at the end of March, and we wish him well in his future endeavors.

With Karl's retirement, we are taking this as an opportunity to reduce our organizational layers and will not be backfilling that role. Our underlying principles for our structure are organizational simplification, customer focus, empowerment and accountability. We will consolidate our product line engineering and technology functions under a single leader to ensure synergy standardization and common focus.

We will continue with our geozone structure hazards while driving greater focus on North America, and these will be the primary conduit for driving the relationship with customers and business operations. Our manufacturing, supply chain and logistics operations will continue to operate under a single leader, and we will look to drive synergies with our global service network. Lastly, we are creating the role of Chief Sustainability Officer to drive the focus I highlighted earlier.

Karl, anything you'd like to add.

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**Karl Blanchard** - *Weatherford International plc - Executive VP & COO*

Yes, Girish. I'd just like to say, it's been a privilege being a part of the One Weatherford team over the last few years, and I'm proud of what we accomplished. I want to thank all of our employees, our customers and stakeholders for their support during my tenure here. I'm confident that under your leadership, Girish, Weatherford will enjoy continued success in the future.

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**Girish K. Saligram** - *Weatherford International plc - President, CEO & Director*

Thanks, Karl, and once again, thank you and all the very best. Let me close by acknowledging that we know we have a lot of hard work ahead of us. However, I'm confident in our ability to achieve our long-term profitability and cash flow objectives.

We delivered on the commitments we made in 2020 and exited the year with strong momentum and over $1.3 billion of cash on our balance sheet. That provides us with flexibility to operate the company in an uncertain environment and work through our shorter-term objectives, while also monitoring capital markets with a goal of relisting our shares on a major exchange and reverting to a more traditional financing structure in the future. We have a clear vision of what we need to accomplish in 2021, and we are further developing our plans for our strategic vectors. I look forward to updating you on our progress in future quarters. Thank you for joining us today.

And with that, operator, let's open it up for Q&A.

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## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions)

Our first question comes from Brian Hook with Barclays.

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**Brian Hook**

With respect to the unlevered free cash flow guide for '21, can you give us a sense for what the cash restructuring charges embedded in that slightly up? (inaudible)

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**H. Keith Jennings** - *Weatherford International plc - Executive VP & CFO*

Brian, good question, and thank you for the question. As we think about 2021 and we think about the restructuring charges for next year, at this point in time, we're thinking about a range of somewhere between $50 million and $100 million. We're still working through the estimates. In 2020, the cash portion of restructuring was just about $135 million. We expect it to be less than 2020, and as we're refining the estimate.

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**Brian Hook**

Okay. Got it. And I guess as you guys think about the business longer term, like when do you think you'll have a lot of sites of these charges going away?

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**Girish K. Saligram** - *Weatherford International plc - President, CEO & Director*

Well -- yes, Brian, this is Girish. Probably towards the middle of the year, I think a big part of this is going to depend on how exactly we lay out our overall strategic footprint and the portfolio.

So as we talked about our strategic vectors as we get that fully nailed down probably by the middle of the year as we continue these calls, we'll update you on that, but that's the rough timing.

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**Brian Hook**

Got it. So I guess, by the middle of this year, from that point forward, you would no longer be incurring the consistent cash restructuring charges? Or you'll have a final view of it will be for '21?

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**H. Keith Jennings** - *Weatherford International plc - Executive VP & CFO*

No longer be incurring because our business always has to go through some level of healthy pruning. As you can appreciate, the level is coming down significantly from where it was in 2020 and where it was in 2019. As we think through the viewpoint, which you are hoping for, which is the next upward looking cycle for oilfield services, we hope that we're not spending time, just releasing people and rightsizing the organization, but in fact, investing and adding new dimensions to the organization so we can grow with the cycle.

But I think at this point in time -- last year, we incurred roughly $135 million. This year, we're looking at $50 million to $100 million. And hopefully, it is reduced, but we can't say it will be exactly zero, right.

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**Girish K. Saligram** - *Weatherford International plc - President, CEO & Director*

Exactly. I think, look, it will be more of a steady state thing. We get the business to a normal level. Whatever we redefine normal as will be the key for us, and going forward, it will be sort of more adjusting to cycles, as Keith said.

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**Operator**

(Operator Instructions)

Our next question comes from Gregg Brody with BoA.

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**Gregg William Brody** - *BofA Securities, Research Division - MD*

I have just a couple of questions. Is the -- you mentioned a couple of times about moving to a more traditional financing structure. I would read that to me that you're trying to move back to a credit facility. Is that correct? And can you just tell us what's changed in the marketplace that makes -- that you believe that's available to you?

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**Girish K. Saligram** - *Weatherford International plc - President, CEO & Director*

Gregg, always a pleasure. Thank you for the question. I think we've alluded to moving back to a traditional structure and pretty structure -- and capital structure because we think that's probably more efficient and more cost effective. The market, as you rightly inferred, has not yet changed. The banks and certain parts of the capital market have not come back to the credit zip code we are in, in royalties, services and energy at the moment.

That said, that does not mean that it's not something that we are working -- we're not working towards. We're having conversations. We are looking towards the up cycle. We are hoping to put things together and attract the right partners that can understand that our international business is bankable.

And so as we move through these developments, if something develops, we will share it in this forum, but it's something that we have to look forward to. Just using long-dated money for short-dated liquidity is very expensive. So we're just acknowledging the inefficiencies in our capital structure and the drag it has on free cash flow as we run this business.

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**Gregg William Brody** - *BofA Securities, Research Division - MD*

That's helpful. And then just on free cash flow, I've -- how should we think about taxes for this year? And are there any other line items that we should be aware of as we think about our leverage free cash flow?

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**H. Keith Jennings** - *Weatherford International plc - Executive VP & CFO*

Taxes, we think, should be in the same level as 2020, in the same range. I don't think we have any large surprises in unlevered free cash flow to share. I think that the thing that we have to manage the most this year is working capital.

We had a good performance in terms of net unwind of almost $200 million in 2020. That benefit would just not peak. We just don't have the same shrinkage in the profile for receivables that unwound and then we benefited from. So we have to manage that carefully. So that's how we are thinking through 2021.

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**Gregg William Brody** - *BofA Securities, Research Division - MD*

And just one more, if I may. It sounds like you're optimistic about the second half of the year, but conservative in your guidance. How should we think about -- I think that's correct? If I'm wrong, please correct me. The question is, if revenue increases in the second half of the year, how should we think about incremental margins for the -- for Weatherford?

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**H. Keith Jennings** - *Weatherford International plc - Executive VP & CFO*

I think our overall guidance for the year is someone assumes -- some of that, the 100 to 200 basis points is our range. If it steps up, it all depends on how much it steps up. If it steps up more, it also depends on where it steps in, in terms of Eastern versus Western Hemisphere. They are different profiles [indicative.] And it also depends on what product lines get pulled through because acquisitions in different product lines are also very different. So it'd be hard for me to give you anything more than 100 to 200 basis points that we planned for the year at this time. But if we see activity moving outside that range with either a certain geography or sort of a product line, we'll be happy to update the guidance.

Girish, do you want to add anything?

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**Girish K. Saligram** - *Weatherford International plc - President, CEO & Director*

Yes. Look, I think the only thing is, again, for us, the way we are planning it is really focusing on the cost actions while building out our commercial footprint, and making sure we have the right commercial and product line focus in each of the geographies, especially on these accretive product lines. So as Keith said, look, that 100 to 200 basis point range is in itself pretty significant.

And if we can drive our cost actions, we should get at least start that lower end and then help get closer to that, higher end with an activity uptick. And then overall, if activity does go up significantly, it should be more accretive, but to Keith's point, it will depend a little bit on the mix and where it comes through comp.

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**Gregg William Brody** - *BofA Securities, Research Division - MD*

Great. And I congratulated to Christian, not Karl. Karl, congrats to you, and good luck.

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**Operator**

Next questions come from [John with UFS Partners.]

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**Unidentified Analyst**

Just one question for me. If you could just speak to any change in the volume of inquiries from customers, international customers, in particular, just the last 3 to 4 weeks, if you've seen any uptick?

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**Karl Blanchard** - *Weatherford International plc - Executive VP & COO*

Well, so this is Karl. There has been a pretty robust activity in tendering business. I do think that -- as we pointed out, the cycles in international are slower and longer pitched than you have here in the U.S., and we're still on a downward trend. But there are definitely some green shoots across international, and in the Middle East, there's quite a bit of tendering activity going on right now, but a lot of that's a bit long dated. It will take several months for the process to go through and that ultimately, tender awards -- and when that becomes part of your business going forward. But I think we see reasonably healthy activity in that space.

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**Unidentified Analyst**

Okay. I guess where I'm going with this call is just, we -- obviously, we all know about the capital discipline there that are being forced on U.S. producers. I'm just curious how you would characterize that narrative for international customers, if it even exists?

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**Karl Blanchard** - *Weatherford International plc - Executive VP & COO*

Well, Girish, do you want to...

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**Girish K. Saligram** - *Weatherford International plc - President, CEO & Director*

Yes. So look, I think it's not a purely U.S. phenomena. I think everyone around the world is recognizing, you need to make sure you've got sufficient and the right returns from the capital investment. So we've seen a lot of our international customers, both on the NOC side as well as IOCs who have operations internationally. So you've got to remember that it's a mix of both of those that we do business with.

So I think, in general, a discipline around returns is sort of pervasive around the world, which results in us having to really focus on differentiation and ensure that we have the right levels of quality at service level, and we can truly differentiate our value add.

Look, we've been pretty clear in our prepared remarks, and I'll reiterate again. What we're not going to do is just chase volume just for the sake of that. It has to, for us, drive the right profitability. We recognize customers are going to be price conscious, but we believe that through the right differentiation, through the right focus areas and the intimacy that we have with our customers in multiple areas, we can be commensurate with them in driving the returns on our activities as well.

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**Unidentified Analyst**

Yes. No, I wasn't referring to your capital discipline. I was referring to is there -- like [kind of hope and pray] that the international folks are a bit more excessive in spending.

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**Girish K. Saligram** - *Weatherford International plc - President, CEO & Director*

I just want to make sure you kind of got both sides of the coin. So it's certainly -- you see it across the board. Let me put it this way, no one is spending the time, in fact.

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**Operator**

Ladies and gentlemen, this concludes the question-and-answer session and today's conference call. We thank you all for attending today's presentation. You may now disconnect your lines and have a wonderful day.

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