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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Weatherford International second quarter 2025 Results. (Operator Instructions)
As a reminder, this event is being recorded.

I would now like to turn the conference over to Luke Lemoine, Senior Vice President of Corporate Development. Sir, you may begin.

Luke Lemoine - *Weatherford International PLC - Senior Vice President - Corporate Development and Investor Relations*

Welcome, everyone, to the Weatherford International Second Quarter 2025 Earnings Conference Call. I'm joined today by Girish Saligram, President and CEO; and Anuj Dhruv, Executive Vice President and CFO. We'll start today with our prepared remarks and then open up for questions. You may download a copy of the presentation slides corresponding to 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. The underlying details and a reconciliation of GAAP to non-GAAP financial measures are included in our earnings press release, which can be found on our website. As a reminder, today's call is being webcast, and a recorded version will be available on our website's investor relations section following the conclusion of this call.

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

Girish Saligram - *Weatherford International PLC - President, Chief Executive Officer, Director*

Thanks, Luke, and thank you all for joining our call. I'll start with an overview of our performance and key highlights, and we'll then share our outlook on the markets. Anuj will then cover specifics on financial performance, balance sheet, detailed guidance. And I will wrap up with some thoughts on Weatherford's operating plans for this environment before opening for Q&A.

As illustrated on slide 3, our second quarter results were in line with our expectations outlined in April. Despite significant market headwinds, the impact of divestitures in Argentina and minimal payments coming out of Mexico, the One Weatherford team delivered strong performance. I'm incredibly grateful for the team's unwavering spirit, customer focus and operating intensity that every single person brings every single day.

For context, normalizing for the Argentina divestitures, our revenue and adjusted EBITDA would have seen a noticeable improvement on a sequential basis. North America and Latin America performed as expected, with both geographies down sequentially. The former was driven by the seasonal spring breakup in Canada and the latter due to the effect of the Argentina divestitures. In Latin America, our view on Mexico hasn't changed and we still expect this to be down approximately 60% this year.

However, we believe activity levels have now stabilized, and simultaneously, we have rightsized our cost structure in the country. As expected, project start-ups in Europe contributed to the growth in the ESSR region, further amplified by FX. I am very pleased with our team's performance in the Middle East, North Africa broader region with several noteworthy performances.

The market in the Kingdom of Saudi Arabia has softened and will likely have a similar trajectory in the second half. However, we achieved sequential growth in the second quarter, underscoring our belief that we still have a longer-term growth opportunity. The market declines are primarily concentrated in the service-related segments, resulting in a higher decremental impact.

While we are seeing margin dilution from tariff cost pass-throughs and rising pricing pressure, we have mitigated these impacts through volume-based cost adjustments and structural cost reductions. This resulted in adjusted EBITDA margins for Q2 at 21.1%, which slightly declined relative to Q1. Adjusted free cash flow of \$79 million in an interest paying quarter with minimal payments from Mexico is a testament to our unwavering focus on a north star of cash generation.

As shown on slide 6, we have now paid four quarterly dividends of \$0.25 per share and repurchased approximately \$186 million worth of shares over the past 4 quarters, which includes approximately \$34 million during 2Q. While this amount may vary each quarter due to market conditions, we remain committed to our buyback program and still have ample capacity under our \$500 million authorization.

Now turning to our segment overview on Slides 8 through 11. The operational and technical highlights showcase advancements in new market penetration, technology adoption and continued innovation of our products and services portfolio. As noted in our earnings release, our continued success in securing high-impact contracts across key regions reflects the strength of our technology and the trust of our customers.

In Offshore UK, bp awarded Weatherford a one-year contract to provide cementation products, completions, drilling services, intervention services and drilling tools and a one-year contract to provide line hanger systems for the Northern Endurance partnership CO2 storage project. In the Gulf of America, Shell awarded Weatherford a 3-year contract to provide intervention services and drilling tools.

In Norway, Weatherford completed a successful field trial of TITAN RS technology for Equinor, following the acquisition of Ardyne. The trial delivered a full casing cut and recovery solution for the plug and abandonment market, reinforcing Weatherford's leadership in advanced well abandonment. These highlights underscore the differentiated value of our technology across global operations. Now turning to our outlook.

Last quarter, we provided what we believe was a prudent view for the balance of 2025, and we continue to believe this outlook is reasonable in today's market. We have tightened the range a bit on both ends as the visibility window improves. The overall international market has softened over the past year, a trend that could continue well into 2026.

While commodity prices remained relatively stable, they have led to increased caution and a slowdown in customer spending. Trade discussions continue to cause significant uncertainty and may lead to demand destruction in the short to midterm. In the first half, tariff impacts were modest as most inventory remained at pre-tariff levels. However, we expect a greater impact on both margins and demand in the second half.

Concurrently, OPEC+ continues adding supply back to the market, increasing pressure on the global oil supply demand balance. While some customers have signaled future spending cuts, others have not, leaving the outlook uncertain. We continue to believe we are in a distinctly different phase of the cycle with some markets in a clear downturn.

Uncertainty remains a defining feature for this market and downturn. While the shape and timing of a recovery are unclear, we anticipate market headwinds will persist for at least another 12 months. While we haven't seen clear direction from all customers yet, it's reasonable to expect sluggish activity levels in the second half of 2025 and first half of 2026.

If global trade reductions and increased supply create a need for customers to reduce CapEx. That said, we remain hopeful that the industry discipline of recent years will result in a milder global downturn than the last three cycles. We have continued to adapt our cost structure over the past three quarters, and this will further evolve as the market unfolds.

Since Q3 of 2024 and excluding divestitures, we have reduced our head count by over 1,500 and lowered our annualized personnel expenses by more than \$125 million. While much of this is offset by revenue declines, our swift actions have positioned us to continue operating efficiently. We continue to believe we are very well positioned to capitalize on stable or improving activity levels.

But we are also taking proactive steps to ensure we can respond swiftly in the event of a more pronounced slowdown. Even with the potential annualized double-digit revenue decline, we expect to deliver EBITDA margins in the low 20s this year, which remarkably is still better than where we were three-years ago. Giving precise outlooks on geo markets and product lines remains challenging in this market.

However, our overall outlook remains unchanged. With this in mind, we expect that 2025 North America revenues will decline by high single digits year-on-year and international will decline low double to mid-double digits. Adjusting for Mexico activity declines and our Argentina divestitures, we believe our 2025 international revenues will likely be down low to mid-single digits.

I'd like to turn the call over to Anuj before I come back with closing comments.

Anuj Dhruv - Weatherford International PLC - Executive Vice President and Chief Financial Officer

Thank you, Girish. Good morning, and thank you, everyone, for joining us on the call. Girish has already shared an overview of our second quarter performance and an update on our capital return program. For a more detailed breakdown of the second quarter results, please refer to our press release and accompanying slide deck presentation.

My comments today will center around our cash flow, working capital, balance sheet, liquidity and guidance. Turning to slide 22 for cash flows and liquidity. For the second quarter, we generated \$79 million of adjusted free cash flow at a 31.1% free cash flow conversion rate versus 26.1% in Q1 2025. As you know, our free cash flow is generally weighted towards the second half of the year.

We do not expect 2025 to be any different but there is a significant expectation of payments from Mexico that we do not have precise visibility on. Net working capital efficiency, measured by net working capital as a percentage of revenues moved slightly from 26.3% in Q2 2024 to 26.7% in Q2 2025 primarily due to a lower revenue base and minimal collections in the quarter from Mexico.

We expect our net working capital efficiency to improve going forward. And regardless of the stage of the cycle, continue to work towards our goal of maintaining net working capital efficiencies levels at 25% or better. We have continued to execute on and initiated a series of cost reduction actions across the company. In this context, we took an additional restructuring and severance charge of \$11 million in Q2 following the \$29 million in Q1.

Several actions have already been completed, and we expect to implement additional measures throughout the remainder of the year, as we stay agile and adapt to evolving market conditions. While many of our actions are tied to volume, we're also using this moment to drive long-term productivity through shared services, automation and generative AI.

At the core of this effort is our continued investment in infrastructure systems as a non-negotiable priority. These systems are critical enablers of efficiency, scalability and bottom-line impact and we remain firmly committed to protecting and advancing them. We have always maintained that it is critical for us to invest in the future, but at the same time, that will never be a crutch to not perform.

I'm very pleased to see both of them happening. During the second quarter, CapEx was \$54 million versus \$77 million in the first quarter, driven by adjustments to align with market conditions and completion of spending related to our Brazil subsea intervention contract. We expect CapEx to decline further and fall within our targeted range by year-end.

In Q2, we repurchased approximately \$34 million worth of shares and paid a \$0.25 per share quarterly dividend. In addition, we also bought back \$27 million of our 8.625% notes and will continue to do so opportunistically in the market. Our net leverage ratio is less than 0.5x. We have approximately \$1 billion of cash and restricted cash.

We reduced our trapped cash by over half during the quarter, and our liquidity is approximately \$1.3 billion, which is the highest level since emergence. With this, we feel very confident in the strength of our balance sheet and the corresponding flexibility it provides to manage the company through this cycle. Turning to guidance, let me start with Q3.

Third quarter revenues are expected to be modestly down with US land and Saudi as the primary headwinds. This should be partially offset by the seasonal rebound in Canada. We are expecting \$1.165 billion to \$1.195 billion in revenues. Looking at the broader second half 2025 versus the first half of 2025, we believe Brazil, North America offshore, UAE, Kuwait, Iraq, Australia, Azerbaijan, and Indonesia will experience notable growth.

And while we are hopeful for a slight uptick in Q4, we remain very cognizant of the broader slowdown and hence, expecting a generally flattish revenue trajectory in the second half as well. Adjusted EBITDA for Q3 is expected to be between \$245 million and \$265 million, and margins should tick up slightly from Q2 levels, driven by cost stabilization.

We expect free cash flow to be flat to slightly up from Q2 levels, followed by another increase in Q4. Payments from Mexico will be the differential factor on timing of cash flows, and these are not substantially included in our Q3 free cash flow guidance. For 2025, we've tightened the guidance range with the midpoint of revenue and EBITDA guidance remaining unchanged.

We expect revenues of \$4.7 billion to \$4.9 billion, adjusted EBITDA of \$1.015 billion to \$1.060 billion and free cash flow conversion to increase 100 basis points to 200 basis points year-on-year. Our effective tax rate can vary quarter-to-quarter depending on the geographic mix, and we still anticipate this will be similar to 2024 in the 20% range for 2025. CapEx is expected to trend down over the course of the year and land in the 3% to 5% of revenues for the full year. Thank you for your time today.

I will now pass the call back to Girish for his closing comments.

Girish Saligram - *Weatherford International PLC - President, Chief Executive Officer, Director*

Thanks, Anuj. I remain highly optimistic about Weatherford's future over the next several years. As market conditions continue to evolve, we are staying agile and ready to pivot as needed. The market has changed, and our approach must continue to adapt. Despite the headwinds, we remain focused on defending margins and maximizing cash generation.

Over the past several years, we have been preparing the company to navigate potential market disruptions. First, our balance sheet is stronger than ever before with total liquidity of \$1.3 billion, and we have approximately \$1 billion of cash. Second, our cost structure has radically transformed since 2020 with further value creation opportunities ahead.

Third, we remain committed to our shareholder return plan. We set the dividend at a level that is sustainable through the cycle, and we intend to remain opportunistic, disciplined and thoughtful in our share repurchase program. Moving forward, we will be flexible with our operating structure, support costs and CapEx, adjusting as needed to align with market conditions.

Our cost optimization program is being designed to go beyond volume adjustments. It's a multi-year program focused on achieving sustainable productivity gains through technology and lean processes, not just flexing head count due to market conditions. Also, working capital efficiency remains a core focus area to drive free cash flow conversion to a sustainable 50%.

The new Weatherford transformation is an ongoing journey, and the initiatives already position us to navigate this part of the cycle far better than in the past. It's now clear that the market will be more challenging than many expected just six months ago. However, I'm confident that our team will stay agile, adapt effectively and emerge as a stronger company through this period.

And now, operator, please open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) David Anderson, Barclays Capital.

David Anderson - Barclays Capital Inc - Analyst

I wanted to focus a little bit on Saudi. It's your largest international market, it's been going through quite a bit of transition this year. The rig count has fallen, Jafurah is potentially ramping up. You're expecting further softness in the second half. I was wondering if you could provide some more color around some of the moving parts in the Kingdom.

And you mentioned you're growing against this backdrop. Maybe talk about how you're doing that. And then while we're here, if you could maybe talk about kind of when you see this start to turn positive again in KSA and potentially kind of what does international start to look like in 2026. So recognizing it's very, very early, all sorts of moving, all sorts of challenges out there. But a little bit of color on that would be very helpful as well.

Girish Saligram - Weatherford International PLC - President, Chief Executive Officer, Director

Sure, Dave. So look, I'm incredibly pleased with how our teams operated and executed in the Kingdom. We have talked for the past several quarters about the softness in the market, really starting with an inflection point in Q1 last year, when Saudi changed the direction a little bit and drop from the \$13 million to back to the \$12 million. And since then, we've seen a bit of a steady decline in rig count, a lot of announcements.

And there was another round recently that will sort of bleed itself out through third quarter. So there's clearly a downdraft. But we've always maintained through that we are underpenetrated in several businesses. And as we have transformed the company and really driven a significant amount of transformation of the portfolio, new technology introduction, there's an opportunity.

So the way we've been able to drive that performance is really working very closely with Aramco showcasing and highlighting where we can bring value in -- a couple of years ago, we announced the LSTK contract, but that's fully baked in. And on a comp basis, that's not a delta. This year, it was last year. But it's really all about technology introduction and making sure we're staying very close to our customers there as well as very strong execution.

So look, as I mentioned in my prepared remarks, we think it will continue to be soft as we go through the rest of this year. There will be a decline in Q3 versus Q2, and I'm -- well, I'm still pretty confident about our performance. There will likely be a decline for us as well. The rig count is something that affects everyone. And we think that will sort of play itself out through the end of the year.

We are hopeful that there will be a little bit of a transition in 2026, but not counting on that, and it really is more likely to be the second half of '26. And then if you extrapolate that, -- that's sort of what we are seeing across the international markets, Mexico stabilized a little bit. So I think that will be -- that won't be an inflection next year on the negative like it was this year.

But the rest of the markets, including especially the offshore side, we see softness through '25, probably into early '26. And really, the earliest recovery we see in the second half of '26. But again, we don't expect it to be a dramatic decline. I think that's really important to understand.

Operator

Scott Gruber, Citigroup.

Scott Gruber - *Citigroup Global Markets Inc - Analyst*

I want to ask about the implied 4Q guide, solid guide overall, but the implied 4Q has a 3% to 4% bump in sales close to 100 basis points better margin. Is this largely year-end sales that looks normal for year-end sales, but just in a softer crude environment, those can be a little bit lighter? Or are you seeing some improvement in those countries which are still growing up?

Girish Saligram - *Weatherford International PLC - President, Chief Executive Officer, Director*

Yes. Scott, really, a couple of things.. So look, we have talked in the past about the ramps that we had built in, in the course of the year. And again, as we pointed out, if you look at set of Q2 performance versus Q1, we actually did have a ramp that was really based on project start-ups.

So if you exclude the Argentina divestitures, we had a pretty interesting ramp, I would say, order of magnitude sort of mid-single digits. And very similarly, we've got a ramp from Q3 to Q4, and it's really driven by two factors. The first, as you pointed out, is seasonality, we typically see year-end sales. We expect that to be a little bit more muted this year, though. And there's a lot of uncertainty on that given tariffs.

But in addition, we have actually got a couple of significant project start-ups. So we've got very good visibility, very strong line of sight to those. And that's really what that guidance is based upon. So there's still some degree of uncertainty as there always is, but we feel pretty good about that ramp based on having orders in hand.

Operator

Jim Rollyson, Raymond James.

Jim Rollyson - *Raymond James & Associates Inc - Analyst*

Girish, going back to US land has obviously been a challenging area for the last couple of years, and it seems like it's only gotten a bit worse this year with the macro situation. Maybe just my recollection is for Weatherford, you guys have been more tied here recently to the production side versus drilling or completions but maybe you could refresh kind of that mix and what you're seeing?

And also if there's any quantification you might have, you mentioned tariffs, if there's any quantification you have on the impacts you're seeing there, too.

Girish Saligram - *Weatherford International PLC - President, Chief Executive Officer, Director*

Yes. Jim, US land has been a very steady sort of decline. You're absolutely right. We are far more product oriented in US land as well as far more production product oriented. So artificial lift, obviously, it's a very big part of that for us. So US land was actually up just the core US land was actually up just a tad going from Q1 to Q2, obviously, the broader North America, offset by the Canada spring breakup and the decline.

Now look, what we see happening in Q3 is a further decline, and that's really driven by a tariff impact. We were able to consume a significant amount of tariff-free inventory that we had in Q2. Interestingly enough, it created actually a bit of a rush to get some of the orders filled before the tariffs potentially hit. So it's still a lot of uncertainty on how exactly that will play out.

And so if we do see an uptick on that, it will be because we've got more certainty there. But more than likely, we'll also have a little bit of dilution because of that tariff impact. Look, we don't really see the US land market changing dramatically over the next few quarters. Our hope is of as we get into Q4, we'll have clarity on tariffs, and we'll get into more of a stable situation versus sort of the continual decline that we've seen.

And our focus has remained to be on improving our cost position, defending margins, and we're really not going to chase price. Look, it is a hypercompetitive market. So look, we will continue to focus on margins drive value and manage that through, but it is a challenging market, no question at this point.

Operator

Saurabh Pant, Bank of America.

Saurabh Pant - *Bank of America - Analyst*

Maybe I want to touch on Mexico a little bit. I think it was good to hear about stability in that market. That market has moved quickly. Obviously, we know that. But maybe talk to that a little bit, Girish, that stability, how you're seeing at that market? Do you think we improve in the near term, medium term, your line of sight to that market?

And then also on the cash side of the equation, right? I think you said you've got minimal payments coming out of Mexico, but then you do expect a ramp towards the end of the year, right? And we are seeing headlines coming out of the country saying the government might be raising money for Pemex to just meet their balance sheet and operational obligations. So maybe just talk to those two aspects in Mexico a little bit.

Girish Saligram - *Weatherford International PLC - President, Chief Executive Officer, Director*

Sure. Yes. Look, first of all, it's exciting that we get to the fourth question before Mexico comes up. Look, so obviously, we've had a very significant decline in Mexico, and that's reflected in the Latin America numbers. It's reflected in the broader enterprise numbers. And then finally, the share of Mexico, right?

Mexico used to be 11% - 12% of the company, and has dropped by more than 50%. So look, as we pointed out, this year, we expect it to be down 60%, but we think activity levels have now stabilized. So we really don't see a significant inflection from here to the end of the year. Given the nature of the Mexico business, there's always the sort of one well moves from one month or one quarter to the other.

It causes a little bit of a variation given our size. But in sort of a broader aggregate sense, we feel pretty good about the stability of the business, and we feel very good about now how we have structured our team to respond to that activity level. And we are now getting into a much more of an operating cadence and rhythm working very closely with our customer base, Pemex and multiple other customers in the country to drive the operational effectiveness.

On the cash side, it has been a very challenging period, as everyone understands. So as we've pointed out multiple times in our remarks, the team -- our team has done an outstanding job across the rest of the world and managing working capital to deliver the results with very few payments coming in. We are hopeful that the second half will see a significant change.

We are extremely heartened by some of the commentary coming out, and we have a high degree of confidence both in the government as well as in Pemex that they will continue to work with us and the rest of the industry in managing the payment stream and getting everyone paid. Having said all of that, it is very unclear as to the precision of timing, which is why we thought it's prudent to provide guidance but be more explicit.

That it really did not anticipate a significant bolus of payment. So we do expect that sometime in the second half, and we'll update you as we come back with Q3 earnings on where that really lies.

Operator

James West, Melius Research.

James West - Melius Research - Analyst

So very curious on the -- now that your balance sheet in such great shape and you've got a kind of cash and we've got some market volatility, the M&A environment should be picking up and pricing should be better. So I'm curious to hear about kind of the pipeline, kind of what's your thinking, what you're seeing in regards to technologies that are out there or businesses that are out there that might be nice tuck-ins or bolt-ons or maybe even somewhat transformational.

And then maybe if I can throw in a second to Anuj, I'd love to get your thoughts as you're new to the company -- your initial -- these thoughts on Weatherford and its position and how you feel about the company kind of going forward? And what drove you?

Girish Saligram - Weatherford International PLC - President, Chief Executive Officer, Director

Thanks, James. First of all, congratulations on the new role. So welcome back in this capacity. So James, look, I think the M&A landscape is really interesting. There's some very interesting opportunities and all of you have heard me on this call for now a couple of years with my view that I think the industry has an opportunity to improve returns through consolidation.

But it has to be done sensibly, and it has to be done with the right returns focused. So that's what we have looked at. We've got a very robust pipeline. And look, our predominant focus is really going to be far more probably on the well construction leading into the production segments. And if we do something in the drilling side of it, it will really be something that is augmenting our leadership position in where we've already got leadership. So -- but we see a very robust pipeline, but these things are always a function of several variables. And most importantly, we are focused on the rigor of the length that we have put forward on making sure that it truly creates value through cash flow accretion and we have sensible valuations.

So obviously, with the way the markets evolved over the past few months, that's become a tad bit more challenging. But look, there's plenty of different opportunities. And I think what we will see over the next few quarters, hopefully, is the ability to progress on some of those conversations. But again, with the intent that it has to have a strategic fit and the ability to create exaggerated value beyond just sort of the obvious math. So that's kind of how we look at it. I'll let Anuj take the second part.

Anuj Dhruv - *Weatherford International PLC - Executive Vice President and Chief Financial Officer*

Sure. Thanks for the question, James. So today is my three-month anniversary, and so very happy to be celebrating here on this call with you all. So you asked two questions, James. I'll maybe take the second one first, why Weatherford. And so in the spirit of brevity, I'll say there's a solid foundation in place. We have a very strong balance sheet here. We have a hard working culture.

There's a lot going on in the company to improve upon and ensure, I think, significant opportunity exists. And so really focusing now on your first question around what are my key priorities. I'd say there's four key items. First is capital allocation and long-term balance sheet strength. You heard me talk in Q1 and my second day here on the fortress balance sheet that we have here.

This gives us flexibility and optionality, and this view is unchanged. Second, it's to drive free cash flow and margins. And right now, there's a lot of focus on cost, cyclical costs but we're also looking at structural cost improvements to drive longer-term efficiencies. I'd say as part of the free cash flow initiatives, there's numerous other initiatives underway in the company on optimizing working capital.

And essentially, the aim is to further create a cash and margin mindset throughout the company. As Girish mentioned, this is our north star. Third, I'd say, simplification. So further building out our processes, utilizing systems and technology. I tell my team that speed is a strategy. And by improving these technologies and systems, it essentially allows us to move with speed and remain nimble.

And then lastly, the key for me is to be a very strong business partner and to create more operational bandwidth, which ultimately will enable greater bandwidth for Girish as well to spend more time to focus on broader strategic themes.

Operator

Doug Becker, Capital One.

Doug Becker - *Capital One Securities Inc - Analyst*

Girish, you mentioned pricing pressure, which countries and what product lines is this most acute? And then separately, how would you frame the benefits from the incremental cost out measures being taken?

Girish Saligram - *Weatherford International PLC - President, Chief Executive Officer, Director*

Yes. Doug, look, pricing we talked about in the past, North America is clearly some place where we're seeing that. We see a lot of pressure, especially as the volumes come down, the rate count goes down. But that's something that we are very used to. On the international side, I would say we are starting to see a few pockets, and it's in multiple regions.

But I am continuously hopeful that the discipline that the industry has had over the past few years will maintain. And I think given the fact that as an industry, we didn't build up a whole ton of spare capacity, I think should keep us in good stead as we go through it. But clearly, there is a little bit greater emphasis on that.

But look, we remain very focused on maintaining margins and really, pricing is the first and most significant lever on that. From a segment standpoint, it's probably most noticeable, I would say, on the service businesses, which have seen the most decline. So really the DRE segment, and it's natural because with some of the activity declines in some regions, you've got excess tool capacity for multiple players, and they can get redeployed into other parts of the world.

So that's really what's happening. To your other question, Doug, look, what we are doing right now, as we mentioned on the call, we're really driving our cost focus in a very thoughtful and systematic fashion and making sure that whatever we end up with is also scalable in addition to giving us the margin benefit. So look, up until now, I would say, for so far, the first six-months, it's really been an offset to the revenue declines.

And given the decrements on the service piece, we haven't been able to quite match that. So we've seen a little bit of that margin degradation. But I would say, look, going forward, what we really get into with these cost reductions is the thesis of order of magnitude, 25 bps to 75 bps per year on an annualized basis of productivity. And I think we'll start to see that as we get into '26 and beyond on sort of flattish volumes.

Operator

Derek Podhaizer, Piper Sandler.

Derek Podhaizer - Piper Sandler - Analyst

So you highlighted the \$1.3 billion of liquidity, \$1 billion of cash. You continue to reduce debt opportunistically. Can you maybe expand on your strategy with the balance sheet from here. Just thinking about continued debt reduction and potentially refinancing? Just maybe expand on balance sheet, liquidity strategy, if you could.

Girish Saligram - Weatherford International PLC - President, Chief Executive Officer, Director

Yes, sure. Look, for us, it's really not changed, but I'll let Anuj talk a little bit more about the specifics if you want to.

Anuj Dhruv - Weatherford International PLC - Executive Vice President and Chief Financial Officer

Sure. Thanks. So I'll take the time again to emphasize the comments you just made there around our balance sheet. As mentioned on the call, we have \$1.3 billion of liquidity, which is the greatest or most liquidity we've had on our balance sheet since emergence. We have over \$1 billion of cash. The team has done a great job over the last several years to bring down our net debt-to-EBITDA ratio.

We currently sit at 0.49x. So all in all, we have a very robust balance sheet. It gives us optionality. It gives us flexibility as well. From a metric standpoint, taking a step back, we have communicated that our intent in the long run is to target a gross leverage ratio, gross leverage to EBITDA ratio of about one turn. And so we will continue to be opportunistic in the market to continue reducing debt as we see feasible and economical.

If you look at our current actions in H1, we repurchased around \$61 million of our 8.625% notes already. And we're in the market to just continuing to be opportunistic to see when we will do more open market repurchases. With regards to more of our long-term structural notes, we are in a position of strength. We have ample time before 2030 to go and address our notes.

However, we do have a step down in October of this year. And so it will be even more attractive to potentially pursue refinancing thereafter. But there's really four key things that we look for when it comes to refinancing our 2030 notes. First, it's to reduce our overall tower size from \$1.6 billion to towers that are a bit smaller and a bit more manageable.

Second is to manage our maturity profile by pushing out the towers a bit further and breaking out the size. Third, it's the lower our interest expense, and this ties back to our focus on free cash flow and driving cash outcomes. And lastly, it's to review and really eliminate and revise some of the covenants we had in place since emergence on the notes going forward.

Operator

Ati Modak, Goldman Sachs.

Ati Modak - *Goldman Sachs & Co LLC - Analyst*

Argentinian asset sales, is there a way to quantify that? And then are there other parts of the portfolio that could be optimized as you think about the strategic aspects of cost in the business?

Girish Saligram - *Weatherford International PLC - President, Chief Executive Officer, Director*

Yes. I'll talk for the second part first, Ati, if that's okay. So look, we've talked about this multiple times, and it's sort of the philosophy we took of we really want to focus on the intersection of product line and country and that's what we've been doing and really driving businesses that are sustainable over the long term from a cash generation standpoint.

So we've been systematically over the past five-years working through businesses that were unprofitable, that were thought to be strategic, but didn't make money, and we said there's nothing strategic about losing money. So we've got an out of most of those. And now we are sort of on these last few things that are a significant cash burn.

So Argentina was the most significant one. the pressure pumping business as well as some of the slickline and wireline businesses in Southern Argentina that were atrophying. So we executed on that earlier this year. There's, I would say, a few more that we have that are not anywhere close to the size of the Argentina divestiture but much smaller ones that we continue to have a dialogue on and determine the best path forward on whether we sort of simply exit or we find a optionality for sale of the business or something like that, but they're much, much smaller.

Now the combined set of divestiture in Argentina, it's a little bit of a difficult thing because you did exist in Q2, and those then get into projections of how much we thought it would be. So probably the best comparison is sort of the sequential impact, sort of normalizing, so taking it out of Q1 as well. If we had done that, then the delta between Q1 and Q2 would have been an order of magnitude at a five-ish percent of our sequential revenue increase and sequential EBITDA increase.

So that's sort of the order of magnitude of the business. But look, ultimately, again, the reason we decided to make this change was one, it was an important strategic action for the customers that we ended up selling the business to. And secondly, this was a business that was going to be extremely capital intensive as we went into 2026. And so from an economic basis, on a cash flow basis, made a lot of sense for us.

Operator

(Operator Instructions) Josh Jayne, Daniel Energy Partners.

Josh Jayne - *Daniel Energy Partners - Analyst*

I wanted to focus my question on MPD. And as it pertains to deepwater, could you talk about the opportunity set today for Weatherford. You highlighted a three-year deepwater development project in Mexico and then also in Aramco award for onshore and offshore. Are customers still evaluating incremental opportunities that MPD equipment at the same pace they have been? And could you speak to how MPD equipment is evolving and how you expect it to improve going forward?

Girish Saligram - *Weatherford International PLC - President, Chief Executive Officer, Director*

Yes, sure, Josh. Look, it's just a product line we continue to be extremely bullish on and a lot of the case studies and literature that we put out on this papers that we're putting out really point to the efficacy of MPD as a mechanism, not just to improve drilling outcomes, but in additional areas. So this concept of transitioning from managed pressure drilling, really a more holistic concept of managed pressure wells, we think is very significant for the industry.

So on the deepwater side, we have a very strong leadership position and we are very committed to maintaining that. What we are seeing is a fair degree of interest and a lot of different tender and quotation activity. So essentially, what that really means is multiple systems that have been quoted a combination of capital sales and rentals.

Now what we don't really see is any of this coming to fruition from a revenue standpoint, if you will, up until, I would say, the second half of next year, but certainly into the second half of next year and then going into 2027, we think there will be a significant uptick in activity. So we are seeing MPD become a differentiator for rig operators to make sure that they've got the capability and upgrading systems from Gen 1 to Gen 2, potentially Gen 3 and we've got very strong technology leadership there.

So a big push on that, lots of different activity, but it will take a little bit more time for that to come to fruition. But we are seeing some things like the project that we announced in Mexico with an IOC, which look is critical, not just for -- it's a three-year contract to provide MPD services, it's very significant, but it's also a testament to the diversification of the revenue base in Mexico.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to management for any closing remarks.

Girish Saligram - *Weatherford International PLC - President, Chief Executive Officer, Director*

Great. Okay. Thank you all for joining. Again, I appreciate all of the interest, and we look forward to coming back in 90-days with an update on the third quarter. Thank you.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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