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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Weatherford International First Quarter 2021 Earnings Call. (Operator Instructions) As a reminder, this event is being recorded. I would now like to turn the conference over to Mohammed Topiwala, Director, Investor Relations and M&A. Sir, you may begin.

Mohammed Topiwala

Welcome, everyone, to the Weatherford International First Quarter 2021 Conference Call. I'm joined today by Girish Saligram, President and CEO; 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. The underlying details and a reconciliation of GAAP to non-GAAP financial measures are included in our first quarter press release, which can be found on our website. With that, I'd like to turn the call over to Girish.

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

Thanks, Mohammed, and thank you all for joining the call today. I'd like to start today with some highlights from the first quarter and our view on the market. Keith will then follow it up with details on the financials for the first quarter, some directional views on the second quarter and updates to the full year for 2021. Finally, I will wrap up our commentary with an update on our 2021 imperatives and strategic direction.

We will start today on Slide 3, which lays out our priorities. We came into the year with good momentum from 2020, and I'm very proud of our team for carrying that forward into 2021, with another quarter of favorable operating performance while never losing focus on safety and service quality. We delivered above the expectations we outlined on our February call and are keeping pace with larger and more diversified industry players, despite having exited drilling oriented commoditized product lines in several geographies. Revenue was down very slightly on a sequential basis as we saw 6% growth in North America, offset by a 4% decline internationally. However, EBITDA performance was, again, strong at 12%, with this being the fifth consecutive quarter of double-digit margins. Most significantly, our cash performance was outstanding, with the company generating $70 million in free cash flow, which led to a cash balance of $1.3 billion, up $58 million sequentially.

As you're all aware, we recently announced that we filed the registration of our shares with the SEC and we intend to relist the company on the NASDAQ under the ticker symbol WFRD. While we recognize that we still have work to do to bring the company to an optimal operating efficiency,

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we are confident in the future and believe this is the right time to make this change. I would like to thank our team, Board, partners, customers and shareholders for their patience, efforts and support in reaching this important milestone.

Moving to specifics for the first quarter on Slide 4. I'd like to start with safety, an area where we continue to receive recognition from multiple customers. For example, our tubular running crew in Tengiz, Kazakhstan, received the outstanding operational excellence award from an IOC. We realize that safety continues to be at the core of our values and are now augmenting our historical focus with digital transformation. These efforts to digitalize operations for reduced exposure of personnel at the rig site are exemplified in the TRS product line, which has a high-risk profile given the historical manual intensity of operations.

We had several successes, both operationally and commercially over the quarter, which create greater customer stickiness and potentially meaningful expansion opportunities. As we have discussed before, technology innovation is a large driver of the value we bring to customers. Several decades ago, we pioneered the tubular running industry. We continue to build on our leadership position through our Vero automatic -- automated connection integrity, the first technology of its kind in the oilfield. We commercialized Vero in 2019. Today, I'm proud to announce that in the first quarter of 2021 we had a Vero operation in every 1 of our 8 geo zones, which marks a major milestone in the commercial traction of this technology. As an example of the efficacy of this technology, Vero automated connection integrity technology enabled an IOC in Nigeria to make a premium connections on a remote high-pressure gas well.

The customer decided to replace the incumbent competitors offering with our system on account of several leaks observed in the previous completions in this field. Our team delivered a flawless solution, which drew a note of commendation from the customer and resulted in the work scope expanding to several more wells. This commercial traction was also visible in Indonesia, where we executed a successful trial of Vero for a major operator. Our solution delivered flawless connection integrity assurance, a hallmark of our offering while enhancing safety by reducing personnel on board and limiting exposure for personnel in the red zone.

The customer recognized the value of Vero automated valuation software when it rejected several threads that conventional means could not have identified. This differentiated capability, thereby reduced the risk of future casing leaks for our customer, not to mention the associated time and cost. Despite travel restrictions, this trial operation received full support with live streaming assistance from our engineering center in Germany and operations team in Australia, showcasing our expanding digital capabilities around remote operations.

These results illustrate the value of our tubular running services business. Even more powerful is the integration of our tubular running capabilities with other offerings. For a major operator in the Surinam Basin, we leveraged the full strength of our tubular running and intervention portfolio to displace a global competitor and win a long-term contract on 2 deepwater rigs. This combination of services helps to reduce onboard personnel and enhances safety. Not only that, it addresses unforeseen contingencies by having cross-trained fishing technicians on the rig, and it reduces the customer's total cost of ownership. Besides well construction and intervention operations, we enabled effective outcomes in drilling through differentiated technologies.

In Romania, we saved an operator 9 days of rig time using an integrated drilling solution that combined the Magnus 475 rotary steerable system with turbine and triple combo logging while drilling technologies on an offshore well. As a result, we delivered a horizontal 6-inch reentry in record time by doubling the penetration rate compared to a major competitor's previous record.

Employing the full scope of our drilling engineering quality process enabled us to design the bottom hole assembly with appropriate bit and stabilization features. Using our central well construction optimization platform and real-time operating center allowed us to manage critical operational parameters, including downhole vibrations in real time.

This successful operation enables us to expand the Magnus portfolio in the Continental Europe market. Again, speaking about drilling in the first quarter, we achieved the first ever use of Victus intelligent managed pressure drilling, or MPD, for a particular NOC in the Middle East as part of a recently awarded 5-year contract. Our MPD solution enabled the operator to perform dynamic pore pressure and formation integrity test, drilling statically underbalanced conditions while balancing the formation pressure and eliminate losses while circulating.

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This solution yielded a 67% faster rate of penetration in the reservoir section, enabled mitigation or differential sticking incidents and resulted in an elimination of over 14,500 barrels of oil-based mud lost per well to the formation and offset wells, all translating to significant cost savings to the customer. In another example of remote collaboration, our MPD teams performed a terrific job of engineering preparations, a HAZOP study and risk management at a distance from India, Mexico and the UAE. Also in the Middle East, we completed a successful trial of the industry's first fully retrievable 15,000 psi gas-tight bridge plug for a major operator there. The approved well barrier was set to isolate between frac stages. Post fracking, it was received with wireline, which saved the customer over 2 days of coiled tubing milling, something that would have been required with the use of conventional cement barriers.

In the last quarter of 2020, we highlighted the value delivered to a major operator in Argentina, using a combination of our drilling services and managed pressure drilling technologies. Recognizing the value of our integrated solutions with leading technologies another major operator in the same field has awarded Weatherford multiple 3-year contracts to serve as the primary provider of many services, including drilling, managed pressure drilling, tubular running, intervention drilling tools, cementing products, production packers and liner hanger systems.

This comprehensive solutions package will be delivered on a minimum of 4 wells with potential for expanding the scope of work. The highlights from this quarter show how we are harnessing opportunities for profitable growth. Our strategy involves increasing commercial traction of new technologies that enable differentiated value, leveraging scale to grow into adjacent product lines in targeted geographies, digitization to drive remote operations and creating synergies through cross-product line solutions. These strategies for growth carryover from our core operations to alternative energy. Last quarter, we hosted a virtual geothermal event in the U.K. for our global customers. The digital session highlighted the significant contributions that geothermal energy can make to decarbonization efforts. This particular power source is clean, renewable and generated from the earth's heat, so it represents a huge opportunity for the energy transition.

It's worth noting that Weatherford has a 23-year history of delivering results in geothermal projects. These results, including the world's hottest borehole in Iceland, geosteering the world's first 90-degree geothermal well in Canada, pioneering the Turkish geothermal market and drilling and logging wells for Munich's largest geothermal heating plant.

Clearly, our portfolio can make a positive impact in this space through synergies among our product lines. In fact, we can integrate our proprietary technologies from drilling, managed pressure drilling, tubular running and wireline completion services to help customers harness this energy source and fulfill its enormous potential.

Now turning to Slide 5 for our view on the market. As you all know, North America activity was up meaningfully during the quarter, and we see the U.S. rig count continue on a path of improvement. As we've previously discussed, after making strategic exits in uncompetitive markets in North America, we now have greater exposure to the production cycle in businesses like Production & Automation software and artificial lift. We generally trail rig count increases. We are encouraged by the increase in rig count and like other industry observers expect capital spending discipline by E&Ps to continue.

On the international side, the disruption of logistics, including the deployment of people and assets, continues to improve, but not at a rate commensurate with what we are seeing in North America. Many NOCs continue to use this period to reevaluate and retender long-term contract. While this provides some external pressure on pricing, we see opportunities to gain market share in select geo zones where tenders have been advanced in timing. We still believe there is pent-up demand that will raise market activity as the pandemic eases. And we see early signs of activity firming up in key markets such as the Middle East and Latin America. However, as discussed, it's a bit early to be definitive on the timing of that coming to bear, and it might be more in 2022 than the second half of 2021.

While we see demand signals somewhat improving with vaccinations rising, a number of countries are in the middle of third and fourth waves, and operational movements are increasingly restricted in these places. Our focus remains on the health, safety and well-being of our operational teams. At the same time, we are shifting attention to ensuring that our return to work protocols for office employees provide the highest degree of safety while enabling in person collaboration to begin again.

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Moreover, there are still challenges to moving around and changing crews internationally. Our focus continues to be to drive operational improvements in the company based on flat activity. We will be poised to take advantage of activity increases with higher fall through, but we are not relying on that on our journey towards sustainable profitability. With that, let me turn it over to Keith to provide you the financial update.

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

Thank you, Girish. Please turn to Slide 6, and I will begin with a summary of our first quarter results, which reflects the continued momentum of our improving financials. Revenues were $832 million, 1% below the fourth quarter and 32% below the same period in 2020. The sequential performance primarily resulted from increased drilling, evaluation and intervention services in the U.S. and Canada, plus seasonal activity increases in Canada and increased activity across all our product lines in Latin America.

These gains were offset by seasonally driven decreases in completion and production product sales in the Middle East, Asia and North Africa and seasonal drilling activity decreases in Russia. First quarter adjusted EBITDA was $102 million, which is an adjusted EBITDA margin of 12%. As Girish mentioned, we delivered on our commitments in the first -- in the past quarter by accomplishing another quarter of double-digit adjusted EBITDA margins and generating free cash flow.

Our EBITDA margin improved by approximately 60 basis points sequentially overcoming the impact of restored pay and benefits to our employees and the seasonal decline in product sales. In the quarter, we experienced a lower-than-anticipated seasonal decline in product revenues of 13%. While not fully offsetting the revenue decline in products, the 7% increase in service revenues delivered very accretive earnings fall through. Operating results in the first quarter also benefited from the continued realization of cost reductions from our initiatives focused on simplifying the organization and managing our variable cost levers. Overall, the 12% EBITDA margin this quarter, which improved on the EBITDA margin of the prior quarter on lower revenues plus headwinds from material cost inflation, along with treating our employees as they deserve by restoring pay and benefits, demonstrates that our cost rationalization initiatives aimed at stabilizing and improving our margin profile, are taking hold.

Let me now provide a regional breakdown, starting with the Western Hemisphere on Slide 7. Western Hemisphere revenues of $390 million in the first quarter grew 5% sequentially and declined 34% versus prior year. In North America, revenues grew 6% sequentially, driven by the 14% sequential growth in our drilling evaluation and intervention business, or DEI, aligning with the increased rig activity. Revenue for completions and production or C&P remained unchanged sequentially, largely due to ongoing completion and workover activity, which was partly offset by lower product sales. Additionally, both product lines benefited from seasonal increases, activity increases in Canada.

First quarter revenues of $176 million in Latin America grew 3% sequentially and declined 29% versus the prior year. DEI revenue growth of 8% sequentially more than offset the C&P revenue decline. DEI product line growth was driven by increased activity in South America which was partially offset by lower production-related sales throughout Latin America.

Segment adjusted EBITDA for the Western Hemisphere in the first quarter was $52 million, which grew by $11 million or 27% sequentially. Adjusted segment EBITDA margins of 13% improved 230 basis points sequentially and were 40 basis points above the prior year quarter. The growth in adjusted segment EBITDA was primarily driven by increased activity and cost rationalization in North America.

Turning to Slide 8. Eastern Hemisphere revenues of $442 million in the first quarter declined 6% sequentially and 30% versus the prior year. Overall, across the Eastern Hemisphere, C&P revenues declined 17% sequentially, driven primarily by seasonally lower product sales across the Middle East, Asia and North Africa. DEI revenues increased by 5% sequentially, driven by higher drilling activity in Europe and the Middle East, more than offsetting the service and activity declines in Russia from weather impacts.

Revenues in the Middle East, North Africa and Asia of $267 million were down 8% sequentially and 34% versus the prior year. On a sequential basis, our revenue decline here was across C&P and largely driven by seasonally lower product sales and lower activity across the region, particularly in the Middle East and Asia. Revenues in Europe Sub Saharan Africa and Russia declined 3% sequentially and declined 22% versus the prior year.

Adjusted segment EBITDA for the Eastern Hemisphere was $66 million in the first quarter, a decrease of $21 million or 24% sequentially. Adjusted segment EBITDA margins of 15% declined 360 basis points sequentially. The sequential decline in adjusted segment EBITDA margins was primarily

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driven by a decline in high-margin product sales in the fourth quarter of 2020, which did not reoccur in the first quarter, and seasonally driven lower activity in sales for completions and drilling.

Slide 9. We continue to demonstrate our performance improvements by generating positive cash flow. Despite a greater than 30% year-on-year reduction in revenues and a $22 million increase year-on-year in cash paid for interest, unlevered free cash flow of $94 million in the first quarter of 2021 improved by $94 million versus the prior year and free cash flow of $70 million in the first quarter of 2021 improved $72 million. Sequentially, adjusted EBITDA and unlevered free cash flow remain unchanged or relatively flat with the decrease in cash paid for interest and capital expenditures being the primary drivers behind the improvement of $93 million in free cash flow.

First quarter 2021 cash flows provided by operations were $74 million compared to $22 million in the fourth quarter of 2020 and $30 million in the first quarter of 2020. Our continuing improvements in cash flow performance results from our improved operating performance, disciplined cost management, returns focused capital expenditures and working capital harvesting, driven by accounts receivable collection and continued inventory rationalization.

Capital expenditures were $15 million in the first quarter compared to $38 million in the first quarter of 2020 and $54 million in the fourth quarter of 2020 when we accelerated our investments in selected growth projects in Latin America. Total cash of approximately $1.3 billion as of March 31, 2021, was up $58 million from the prior quarter.

We believe our cash flow from operating activities and cash balance provide the flexibility to operate through this environment, and we have no debt maturities until 2024. In March of the first quarter, we filed a Form 10 registration statement with the United States Securities and Exchange Commission to register our ordinary shares, pursuant to Section 12B of the Securities Exchange Act of 1934 with no additional shares to be offered for sale.

Our filing of the Form 10 is subject to SEC review and upon its effectiveness we will be subject to the reporting requirements of the Exchange Act. In conjunction with the Form 10 becoming effective, we intend to list our ordinary shares on the NASDAQ Stock Exchange under the ticker symbol, WFRD, subject to the approval from NASDAQ and in compliance with the applicable listing requirements. We currently expect the registration and listing process to be completed in the second quarter of 2021.

This is an essential step for the company to fully return to the public markets. We believe this is the right time in our reemergence to relist on the NASDAQ Stock Exchange and that doing so will enhance long-term shareholder value by improving the company's visibility, expanding liquidity in our ordinary shares and providing a broader institutional investor base the opportunity to invest in the new Weatherford.

Turning to Slide 10. I will share a few qualitative thoughts on both the full year and the second quarter of 2021. 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.

Consolidated revenues in 2021 will align with current activity levels, and we continue to expect them to be in line with our annualized second half 2020 results. Our focus areas will drive more margin expansion in 2021, and the benefit of these efforts is expected to improve EBITDA margins by 100 to 200 basis points from the second half 2020 levels.

As activity levels stabilize and eventually grow, we expect net working capital to be an outflow, particularly if we experience a material growth in activity in the second half of 2021. For 2021, excluding the impact of net working capital, our unlevered free cash flow is expected to improve slightly year-on-year. We expect to reinvest in our business through capital expenditures in the range of $100 million to $130 million. As a result, we expect slightly negative free cash flow in 2021.

Let me turn now to the second quarter of 2021. We expect second quarter 2021 consolidated revenues to be in line with the first quarter we just completed. Adjusted EBITDA margin is expected to be in line with the first quarter 2021 levels. Second quarter unlevered cash flow is expected to

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decline sequentially from the first quarter, largely due to the nonrepeat of the working capital unwind in the first 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.

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

Thanks, Keith. As you heard, a really strong start to the year, and we are focused on bringing the same degree of performance into subsequent quarters. We are seeing strong signals that our goal of achieving sustainable profitability and free cash flow generation is not just aspirational but achievable. We believe that our consistency and execution and growth should translate that into reality over the next couple of years.

Turning to Slide 11. In February, we laid out our 2021 focus areas of North America performance, variable cost optimization, organizational simplification and inventory, along with the strategic vectors of digital transformation, ESG and energy transition and our portfolio. Our first focus area for 2021 is North America, where we have put in place a new leadership team and are realigning our cost structure to be in tune with the realities of today's market.

In the first quarter, we saw the results of that with a 6% revenue growth in NAM coming through at improved margins. We are driving changes in the way we manage inventory through a robust sales and operations process, inventory categorization and a redeployment process. These changes, along with improved organizational agility enabled a significant increase in sequential margin performance in the first quarter.

Continuing on, variable cost management is a very important focus area for us. We appointed an enterprise-wide team to establish new cultural and operational frameworks for tracking costs and driving cost reduction initiatives across the organization. The work we have done on our cost savings initiatives enabled us to maintain almost the same level of gross margin with only a 100 basis point drop on a 32% year-over-year decline in revenue.

This is an incredible feat in a very challenging market, but we cannot rest there. The actions we are taking now are critical enablers for us to manage our business and advance toward the goal of sustainable profitability. To further progress efforts for our third focus area, organizational simplification, we recently brought on Joe Mongrain as our Chief Human Resources Officer. He had previously been in that role for Anadarko and Cameron. Joe and his team are focused on reducing layers and increasing span of control, while also ensuring robust mechanisms for efficient international assignments and a thriving pipeline program for our next-generation of engineers.

All these efforts, coupled with the natural intensity of our teams, enabled our strong first quarter performance. I'm looking forward to the cumulative impact of our initiatives showing up in our results in the coming quarters. In the area of inventory rationalization, we made incredible progress on our 2021 goal of improving day sales of inventory by 10 days. The work done so far to simplify the organization is paying dividends. We were able to enhance collaboration throughout our company's entire supply chain and better integrate manufacturing, operations and sales for improved inventory management and delivery. As a result of these efforts, we have seen a 4-day improvement in our DSI sequentially.

Now let me briefly touch base on what we've been doing to align ourselves with the long-term strategic vectors, shaping our industry as a whole. Digital transformation is one that is a high priority for us. Our investments in digital capabilities have continued to help deliver value to our customers on their ongoing digital transformation journeys. We have seen renewed interest from customers in our digital offerings, which feature remote operating capabilities, visualization, edge automation and artificial intelligence.

During the quarter, the headway we made in expanding into new geographies will further the deployment of our digital platforms. In turn, we can help our customers to reduce downtime and increase operational efficiencies across drilling, well construction, completion and production. Energy transition is an extremely important strategic vector with tremendous traction from our customers, particularly in Europe, where we continue to see increasing levels of engagement on drilling geothermal wells. We are also having advanced conversations about carbon capture as our Firma Abandonment and Slot Recovery Solutions make further inroads in the market. This vector has great important for us, and our portfolio is pivotal to making an impact in this area, going forward.

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And that brings me to our product and service portfolio. The traction of key technologies and commercial operations has a crucial effect on our achievements because it influences winning work and gaining market share. A clear indication of this is the success we've had leveraging adjacent product lines for market expansion, as in the case with Vero, which I mentioned earlier, which ran in all 8 of our geo zones in the first quarter.

At the same time, we continue to refine the portfolio by exiting dilutive businesses and refocusing our efforts and capital on parts of the portfolio that are generating positive returns. Weatherford has been through some challenging periods over the past few years, but we continue to remain optimistic about the future and believe that our best days are ahead.

The results of 2020, and now the first quarter of 2021, are leading indicators that should provide confidence and justify our optimism. Our decision to reenter the public markets is another sign of our belief, and we look forward to updating all of you on our progress in the coming quarter. Thank you all for joining us today. And with that, operator, let's open it up for Q&A, please.

QUESTIONS AND ANSWERS

Operator

And today's first question comes from Connor Lynagh with Morgan Stanley.

Connor Joseph Lynagh - *Morgan Stanley, Research Division - Equity Analyst*

Yes. I was wondering if you guys could expand on some of the comments you made on some potential big retenders from national oil companies and your potential to gain market share there. Could you maybe provide some extra color on what these tenders look like, as in are they large projects? Are they specific product line tenders? Where geographically are they? And sort of what are you targeting in terms of gains there?

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

Sure. Thanks, Connor. This is Girish. What we are seeing, I would say, the predominant activity is in the Middle East. That's where we are seeing the bulk of this. And most of these are really product line specific tenders. And I think there's a combination of -- you've got a natural sort of end of cycle and the next cycle starting up in some cases. And in some cases, as we mentioned, it is customers saying, "Hey, look, let's retender the overall piece."

Some of these tenders happened as we were going through our Chapter 11 process, and we've lost some of the share. That's why we are looking to be able to get back in and gain some share. Secondly, we have made a lot of investment in terms of our local infrastructure, which, as you know, is a critical component in some of these geographies. And then last but not least, as we've talked about, we believe we've got a very strong suite of technology that can help.

So we've put our best foot forward on these tenders, we hope, and now we'll have to see what the outcome of these. Now in terms of timing, most of these tenders typically run between 3 and sometimes 5 up to 7 years in some cases. So they're varying length we expect over the next few months to get the decisions on these. As you know, in this sector, the way these tenders, a lot of them at least work is they're typically shared across multiple service providers.

And so it's not only winning the tender, but then it's also about how you execute, which is a really important part. So you've got to continue to deliver on the performance every day to make sure that you're capturing the full share of what you were originally awarded.

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Connor Joseph Lynagh - *Morgan Stanley, Research Division - Equity Analyst*

Yes, understood. There's been a lot of focus on international, and I think, frankly, Middle East in particular, pricing for service companies. Would you agree with the sentiment that capacity is a bit tighter than it was last cycle that there is maybe some longer-term potential for price increases for service companies? And I guess the question from your perspective is are you trading price for market share? How are you sort of approaching the market, given the balance between market share and desire for higher margin?

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

Sure. Yes, look, I think it's a little bit of a mixed bag right now. I think where you've got product lines that truly have a higher risk profile and you can deliver incremental value through either a differentiated service or a product offering, I think there is the ability to drive price. In terms of capacity, I also clubbed that with a little bit of material inflation and certain pieces. So there is a bit of an opportunity, for sure, around that.

Having said that, I think part of the rationale that a lot of customers go through with these tenders is exactly that to make sure that they are getting the optimal pricing and to ensure that they're getting the best cost structure. So what we are trying to do is really put together an overall holistic view, and it's actually good that many of these are coming together. So we can figure out where we can get synergies across our operations to provide the right cost point and get as much price as possible.

In terms of share versus price, we've been very clear in that, obviously, share is important. We are focused on top line growth, but we are not going to chase volume at the expense of margins. That is something that we are very, very clear about. We have talked about that at length internally. We have had conversations about that with customers.

Now in the event in certain places, going from a let's say, a 5% share on a particular tender to a 20% share, gives you volume efficiencies. It gives you scale. If that actually changes the profile, that we will certainly look at, consider and go after. But in a generic sense, trading off volume for margin is not something we're doing.

Operator

Our next question today comes from Ian MacPherson with Simmons.

Ian MacPherson

I wanted to ask you first about the MPD business. Now that we're -- especially since we're beginning to see all the offshore drillers come out of Chapter 11 with more capital and, hopefully, some reemergence with offshore activity as well. That's a leadership position with you, a unique niche for Weatherford.

Can you talk about that outlook? Maybe also frame it within where today's penetration of MPD is in the high-value markets and where you think it could go to over the next couple of years in a good scenario?

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

Sure, absolutely. Thanks. Really appreciate it, and glad to have you on the call. Look, MPD, or managed pressure drilling, is a business, it's a technology that I'm personally tremendously excited about and something that Weatherford has had as you said, leadership position for a very long time. We've been the pioneers in this technology in a number of different ways, and it's something that we have continued to invest in over multiple cycles.

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We've got a fantastic global team, and we've got deep domain expertise in the product line. And the thing about MPD is, look, we truly believe it's a better paradigm around drilling. But it is still something that is less than 10% of the wells drilled in the world. So if you think about it from that context, regardless of what the share position is, I'll just say, we've got a leading position on share in that product line.

If we can take that sub-10% adoption rate, we'll call it, and grow that to, say, 15% over the next 2 to 3 years, that's a tremendous increase in the overall market itself. And so we believe with the portfolio that we have, that we are adding to, we are continuing to invest in technologies to span the full spectrum. We think it's something that is a critical part of the growth engine for the company. And the thing about our MPD business is it's both onshore and offshore.

We've clearly got leading-edge technology on the offshore side, our Victus product, which has been successfully deployed and is running in different parts of the world. That's something that we are very proud of, and it continues to be a market leader.

But we've also got a very, very strong basic RCD business, starting with the U.S. that we do in multiple parts. So we are augmenting that overall product line, making sure that we are covering every part of the spectrum. At the same time, there's a big focus from us on really ensuring that we are spending time with customers making sure that we are going through the understanding of what the technology brings, how do we make it part and parcel of their overall paradigm in drilling. So thanks for bringing that up. Look, it's something we're very, very excited about. We think it will be a big part of our future going forward.

Ian MacPherson

Super. Thanks, Girish. Now I wanted to ask a follow-up about your outlook for the year. We're calling this qualitative outlook and not guidance. I got that, but you got off to a good start with Q1. I wouldn't say starting on second base, but certainly a good start. And your guidance or the outlook for Q2, it's flatter. I know you know this than what all of your peers are pointing towards and expecting with more in the range of mid- to high single digit growth sequentially from Q1 in Q2.

You mentioned some important considerations with regard to COVID impacts that are still hampering mobility internationally as well as some of the lag effect to the rig count in your North American businesses. But that being said, do you see any particular areas where you would hope to do a little bit better than flat in the second quarter?

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

Sure. Look, let me give you a little bit of a macro view, and Keith can jump in with some additional points. Look, first of all, I'd say, start with -- the philosophy that we have taken and that we are really trying to drive hard within the company is making sure that the company is profitable at flat activity levels. And so we are very cognizant of the fact that in this sector and especially with us historically, we have relied on an upcycle to get the company profitable. And then inevitably, we suffer the consequences on the next down cycle.

So we are absolutely determined to make sure that doesn't happen. And so we are laser-focused on ensuring that we are making the structural changes in the company to drive the change that's required for us to be sustainably profitable. So that's really why we keep sort of hammering that theme.

Secondly, as you pointed out, look, we've -- in certain geographies, we've exited unprofitable commoditized product lines that didn't really contribute. So as activity picks back up, the first part that picks back up are those product lines. As an example, we talked about drilling services in North America. We have just recently made a decision on our wellheads business because we didn't have something that was as profitable on that line. It was very commoditized. And so those are the things that will pick up fairly quickly, and we don't expect that to contribute to us meaningfully.

Having said that, look, we are excited about the production side of the equation. Artificial lift, as an example in the U.S. if that sees activity come through, we are positioned, we are poised to capture that and we expect that to come through at an increased fall through. Secondly, look, if the restrictions around logistics and people movement, especially in some parts of the world, but it's still very strong where the pandemic is still raging.

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If that abates over the second half, I think we will have a better opportunity to go capture some of that. But we don't want to get way too ahead of our skis. And so we are being a little bit more prudent, and we are really focused on what we need to do and what we can control while always being ready to pounce on the market opportunity.

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

Ian, I think the thing we also have to think about is Q1 was a strong quarter, and it was partially strong because the products business did not step down as hard seasonally. And so we are working with our front-line salespeople to understand if that was just some of the Q2 pull forward because the U.S. is picking up.

If -- with that, then we have to balance the forecast for Q2 with the step-up in the services business and then the leveling of the product sales. So that's how we've kind of thought about it, if there's more activity than we're seeing, then we'll be happy to sell into it.

Operator

(Operator Instructions)

Today's next question comes from Gregg Brody with BofA.

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

Last quarter, you talked a little bit about trying to put in place a regular way of credit facility. I'm curious where that stands and what your current thoughts on that are.

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

Sure. So we continue to have dialogue with our banking partners. The overall credit spectrum and feeling towards the subinvestment grade oilfield services market, we are part of, I think, is getting better. I think we see more issues. We see more facilities being put in place. So we are working with our partners. We're having better conversations than we had in Q4. We still have not launched the process yet, but as we get out of the quiet period here, we'll pick those dialogue.

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

So you haven't launched it, do you have a sense of timing, how long you think it will take for it to get inked and finalized once you do...

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

No, no sense of timing. We're not rushing this, as you know, story of Weatherford, they -- prior leadership team, I think, probably rushed coming out of bankruptcy and the facility was not where it needed to be. So it was part of the problem that led to the need to unwind it. It became something of a -- so this time, we're taking our time. We're being more cautious. We're making sure that we put together a facility that better reflects the geographic footprint of the company as best as possible and so that's really why it's taking so long. It's not an easy thing, particularly when you're coming off of the single B credit spectrum in a world where people have moved away from your industry.

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

That makes sense. And then you gave some commentary on free cash flow for this year. You expect it to be slight negative. I am -- just wanted to rehash a couple of guidance numbers you gave us last quarter just to make sure they're still the same. The restructuring charges, how much are you estimating for this year?

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

The restructuring spend for this year?

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

Yes.

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

So I think we had $60 million in the forecast. We may not hit all of that, but we're still thinking that depending on how the second half plays out and how our cost and organizational rationalization program continues.

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

Is that -- the corporate cost for the quarter of $18 million, is that a good run rate now?

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

I think that's a good run rate. I think we could probably use $20million to $25 million in your models, but I think we're in a good place with the corporate costs. I think -- you have to remember, though, in that line, we carry intercompany eliminations, and that's what will move it up or down. We started to footnote that in our Q, so people can get a better look into that number. But this quarter, intercompany eliminations were minimal, so it's a better look at that number.

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

Got it. So of the $20 million to $25 million it sounds like trending towards the $20 million makes more sense there.

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

Yes.

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

Just CapEx, you reduced it, I think, by about $20 million. How should we think about -- is that something that got moved out to next year? How should we be thinking about how CapEx may grow as you mentioned that business opportunity improves?

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

Sure. So as -- let's peg it out a $3.5 billion revenue business. I think steady state CapEx should probably average roughly 5%, which should be about $175 million We are under that at the moment, particularly because we were overcapitalized in some ways in the last part of the cycle. So as we rationalize the assets, rationalize the assets that can go into service, we're rationalizing what we need to invest in as growth assets. Then at the moment, we see the $100 million to $130 million is what we need for 2021. That may pick up as we get a better look for '22. But at the moment, we are spending just what we need and what we believe will provide a return. As you can tell, or remember from last quarter, Q4, we accelerated and spent over $50 million because we had some particularly interesting growth opportunities that we wanted to fund and that's how we're looking at it. If it's not something that we can clearly see the return on, now we're going to continue to be fairly prudent.

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

That's helpful. And then you mentioned working capital, you won't have the benefit that you had in the first quarter for the rest of the year. I think you also said that it may become a use as you grow. How should we think about working capital the rest of this year as a -- in terms of how much cash it may consume?

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

So as I think about my full year view on working capital, I think -- when I think it through, AR is the wildcard because it depends on how the second half grows and which markets we grow in. But that should not be the same profile as 2020, which was more of a cash source as we were coming down the cycle. So we expect that AR might be a slight use in the second half. Inventory, we are working hard at our inventory rationalization program. As you saw our Q1 inventory was a strong source. We continue to hope to get to a better place across the full year. Payables, where we continue to rationalize. So I think net-net, we expect working capital to be a slight positive on the year, but not as positive as 2020.

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

Does that imply that you actually think you won't use any working capital over the rest of the year?

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

I wouldn't say -- I think net, for the rest of the year, it shouldn't be a use unless AR -- and if the business grows and I increase my AR, I think I'm okay with that.

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

And your -- just the taxes that you have that's -- we should just assume -- should we still assume about a little under $80 million for the year?

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

Just about under $80 million because we're not yet profitable, so really the same paradigm of paying deem taxes is what we're faced with.

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

Got it. And just last question. You talked about opportunities in carbon capture and geothermal drilling. What type of capital do you think that could ultimately require over your existing business set up for that?

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

Yes. Yes, I'll take that. Look, right now, I think it's still a little bit of early days on the geothermal side. We don't really expect it to be dramatically different because it's the same suite of products and technologies that we have, and it's really us doing a little bit of adjacent work, et cetera. And on the carbon capture side, it's something we are exploring, we're understanding, but suffice to say whatever model we end up with will be one that has returns that are accretive to the company and that are substantially high than what we've got. So we're not going to, again, go chase marginal returns in this business.

But there's still a lot of work to be done in that front. And our focus predominantly for right now is leveraging existing technologies, and we've got an asset base that we think can fulfill most of the work that we see in front of us.

Operator

Ladies and gentlemen, this concludes today's 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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