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WFRD.OQ - Q3 2024 Weatherford International PLC Earnings Call

EVENT DATE/TIME: OCTOBER 23, 2024 / 12:30PM GMT

OVERVIEW:

Company Summary

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Weatherford International third-quarter 2024 earnings call.

(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, 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 third-quarter 2024 earnings conference call.

I'm joined today by Girish Saligram, President and CEO; and Arun Mitra, 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 third quarter's 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 the call.

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

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

Thanks Luke and thank you all for joining our call.

I will kick off our prepared remarks with an overview of our performance and update on our capital return program, key highlights, and a brief market outlook. Arun will then cover cash flow, the balance sheet, liquidity, and guidance and I will wrap up with some thoughts on our strategic direction and multi-year targets before opening for Q&A.

As illustrated on slide 3, we delivered strong margin and cash performance in a quarter where North America remained challenged, Latin America had delays, and schedule shifted in the Middle East and North Africa. We have observed a gradual softening in activity, particularly in short cycle oil projects and onshore programs.

E&P operators are taking a measured cautious approach and we expect this trend to continue in the near term. In the third quarter of 2024, despite the revenue headwinds, adjusted EBITDA margins came in as expected at 25.2%. While the margins were more normalized after MPD asset sales supported the second quarter, it is worthwhile noting that we had almost 200 basis points of margin expansion over the same period last year. We delivered adjusted free cash flow of $184 million for an adjusted free cash flow conversion of 52%.

Third quarter revenue was flat sequentially and up 7% year over year, driven by international revenue growth of 9% year over year. Revenue came in at the lower end of expectations due to two main factors. Firstly, we experienced delays in activity in Latin America that were broadly felt across the sector. Secondly, there were scheduling shifts in the Middle East, North Africa region driven by the more measured approach I referenced earlier. While we did have opportunities to offset the revenue shortfall with transactional work, we remain firmly committed to pricing discipline and margin expansion to drive long-term value creation.

While revenue came in at the lower end of expectations, I'm encouraged by our strong margin and cash flow performance, which reinforces our thesis on the ability to continue driving margin growth on an annual basis. From a regional standpoint, overall North America revenue was up 6% sequentially, primarily due to an activity increase in Canada due to favorable seasonality and increased activity in the Gulf of Mexico. Our international business was down 1% sequentially but up 9% year over year. The sequential impact was primarily a function of the previously mentioned factors.

Despite the sequential delta, we have now achieved 14 consecutive quarters of year-over-year international revenue growth with the Middle East, North Africa, Asia region driving the year-on-year results this quarter. The Kingdom of Saudi Arabia continues to show strength and has grown 29% year to date, and the broader Middle East, North Africa, Asia region has grown 25% year to date.

Earlier this year, we discussed the expected modulation of our integrated project in Oman. This began in the third quarter and will continue into the fourth with normalization expected to resume in the first quarter of 2025. Our team's outstanding execution on this contract has led to significantly better performance than originally expected. However, as we have previously discussed, we needed to slow down to allow other customer activities to catch up.

On the second quarter call, we expanded our capital allocation framework to include a quarterly dividend and a $500 million buyback. As shown on slide 6, we paid our first ever quarterly dividend of $0.25 per share and repurchased approximately $50 million of shares during the third quarter. However, this amount may vary each quarter depending on market conditions.

Our net leverage ratio is approximately 0.5 times and we remain committed to retiring additional debt while maintaining our top tier ROIC. We continue to pursue inorganic opportunities that align with our strategic filters. In addition to the three small acquisitions in February, we announced Datagration in September. I'm very pleased with the progress and execution of our team on the integration plans across all four of these businesses.

Now turning to our segment overview on slides 8 through 10, the operational and technical highlights showcase advancements in new market penetration, technology adoption, and continued innovation of our product and services portfolio. Aramco awarded Weatherford a three-year Corporate Procurement Agreement that includes cementation products, completions, liner hangers, and whipstocks as well as associated service agreements.

Also in the Middle East, Weatherford deployed MPD Solutions in two deep geothermal exploration wells. This innovative use of MPD technology mitigates risk from elevated geothermal gradients during exploration drilling. Furthermore, Weatherford was awarded a three-year frame contract for drilling services in Middle East unconventional resources.

In digital, the acquisition of Datagration added the PetroVisor and EcoVisor platforms to Weatherford's digital solutions portfolio, enhancing the integration of customer data with ForeSite and Cygnet for improved real-time analysis and decision-making. A few weeks ago at our 20th Annual FWRD Conference, we showcased the platform's capability and potential. It is extremely encouraging to see the strong customer response and immediate pipeline growth.

Now for our market outlook. While the broader international market is still growing, growth has decelerated. We don't see a whipsaw in the market but activity is moderating due to various reasons, including commodity prices, efficiencies, budget exhaustion, delays in several short-cycle campaigns, and several scheduling changes.

We have several noteworthy contracts listed in our press release. Despite the slowing growth, we showcased the tender and award activity are still proceeding and demonstrate that Weatherford is able to drive competitive advantage in several spaces.

Importantly, our margin outlook of an annual increase of 25- to 75-basis-point improvement per year was predicated on flat revenues. While the market outlook is softer than three months ago, we're still comfortable with our ability to isolate growth opportunities in select pockets. Furthermore, we continue to believe that across all parts of the well life cycles, there remains an emphasis on technologies that support predictable, cost-competitive production, and supply security for our customers which are areas that we excel in. We anticipate continued growth in parts of international land and offshore, mainly driven by portions of the Middle East and supported by pockets of growth in sub-Saharan Africa and Asia.

The bottom line is that we believe we will have pockets of growth driven by differentiating technologies in key markets. Most importantly, for this year, we continue to have confidence in delivering approximately 20% year-on-year adjusted EBITDA growth, slightly more than 25% adjusted EBITDA margins, and adjusted free cash flow of over $500 million.

With that, I'd like to hand it over to Arun.

Arunava Mitra - *Weatherford International PLC - Chief Financial Officer, Executive Vice President*

Thank you, Girish. Good morning and thank you everyone for joining us on the call.

Girish has already shared an overview of our third-quarter performance and provided an update on our capital return program. For a more detailed breakdown of the third-quarter results, please refer to our press release and accompanying slide deck. My comments today will center around cash flow, working capital, balance sheet, liquidity, and fourth-quarter guidance.

Turning to slide 18 for cash flows and liquidity. In the third quarter, we generated adjusted free cash flow of $184 million, up $88 million from the second quarter levels of $96 million. Our networking capital showed significantly better efficiencies and only increased 70 basis points compared to the third quarter of 2023 in spite of a 730-basis-point increase in revenues. As a result, net working capital as a percentage of the last 12 months revenue was 25.8% which represented a year-on-year improvement of greater than 260 basis points. Irrespective of the stage of the cycle, the goal is to get net working capital as a percentage of revenue to be sustainably at 25% or better.

For the last 12 months, CapEx was $266 million or 4.8% of revenues. Total cash was approximately $978 million, up $58 million sequentially. During the third quarter, we repurchased approximately $50 million of shares and paid a 25% quarterly dividend.

While our liquidity is at $1.3 billion, we remain committed to retiring additional debt and reducing our interest expense with an intent to get gross leverage below 1x while maintaining liquidity of approximately $1 billion to operate the business and manage event risk.

To summarize, our balanced capital allocation approach to investing in technology, organic and inorganic growth, debt management, and shareholder returns underscores our focus on sustainable value creation.

Turning to our fourth-quarter and full-year 2024 guidance on slide 19. As Girish mentioned, there are a number of factors that have recently developed in the market with scheduled shifts and several short-cycle campaigns that have been delayed. As a result, we expect fourth-quarter revenues to be flat to up low single digits. Within this, we expect DRE revenues to be flat sequentially. WCC revenues to be flat to up low single digits and PRI revenues to be up low-to-mid single digits.

Adjusted EBITDA margins for the fourth quarter are expected to be approximately 25% and we still expect full-year margins to be slightly above 25%. Full-year adjusted free cash flow is still expected to exceed $500 million.

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

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

Thanks, Arun.

On the second-quarter conference call, I laid out the vision for the future that requires the same rigor on operating intensity, but is fueled with the capability of more differentiating technology, world-class fulfillment, and larger scale. While the overall market is evolving and the cycle is maturing, we believe we have the opportunity to deliver EBITDA margins in the high 20s in the next three years in a flat-to-modestly up operating environment.

We remain intensely focused on networking capital efficiency and with further reductions in our interest burden, we expect to achieve free cash flow conversion of around 50% during this period. Our internal investments aim to deliver top-tier return on invested capital. All of this will enable significant cash generation, providing an opportunity to return around 50% of that to shareholders through the framework we have outlined. This will leave sufficient dry powder for selective inorganic place that will reinforce this entire thesis.

So while we are entering a new phase of the cycle with low growth for the immediate future, our capability to deliver true value creation is significantly bolstered by the actions and focus over the past few years.

And now operator, please open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Dave Anderson, Barclay.

David Anderson - *Barclays Capital Inc. - Analyst*

So you talked about the last quarter call about how you view Weatherford in the future, and one part of that was scale. I just want to come back to the M&A discussion here. You've done four smaller acquisitions during the year. I was wondering first, maybe you could just talk a little bit about how those acquisitions have gone, what are they bringing to the table? And then really more secondarily, I'm curious as to where are you thinking going forward? Are there any must-haves you need? I go back to that you said scale. Is it more than just scale? Are there certain technologies you're looking for? Just a general M&A discussion?

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

Sure, Dave. So look, let me start maybe a little bit more with the first and then I'll walk into the first question. So look from an M&A standpoint, let me start with the fact that we're very pleased -- we're happy with the portfolio we've got today. We don't see any glaring gaps or significant holes that we absolutely have to go fill. So as a result, as I pointed out in my prepared comments, M&A will be selective. We are not looking to grow scale for the sake of scale. That's absolutely not on the cards.

We think we've got sufficient scale today. The company is operating really well. We're happy with the portfolio. But what we do have is a strategy within each of the product lines that we operate within that aim to further grow those product lines and to enhance value creation. We've also got some enterprise teams that we're trying to drive. So what we look at when we think about M&A is any potential target here, does it fit that strategy?

And if you look at the deals that we have done this year they have been small but they all fit into that strategy. So as an example, you look at the acquisition of Probe in the wireline technology space. We were trying to pivot our wireline business and are doing that successfully to being a different a wireline provider. We will have a wireline service in some critical countries, but we will also be a technology provider to other service companies in areas that we don't operate.

To do that, we needed a broader suite and that's what Probe gave us. So it's things like that. Ardyne has really helped fill out the portfolio in terms of a full capability with high degree of efficiency with innovative technology around plug and abandonment and slot recovery. So those are the kinds of things that we are getting after. I'm extremely pleased with the progress that we have made.

As everyone knows, Weatherford's had a history of acquisitions, but what we have not done a great job in the past is integrating them. So we put a lot of emphasis before we consummated the deal around the integration planning with dedicated teams, a clear playbook on how we're going to go execute, and we're learning through that. But the teams have done a terrific job and I'm excited about the ability to build out all of these platforms to be significant growth for us in the years to come.

David Anderson - *Barclays Capital Inc. - Analyst*

So Girish, it sounds like you had mentioned a couple of times isolating growth pockets in a flattish market. And is this the idea that you can find these technologies that go after these growth pockets?

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

Absolutely. Look, we still think there's reasonably good chances for solid activity while it might be stable, we've got an opportunity to not just increase our share position, but we've also got an opportunity to create some white space and move into that. So that's exactly what we mean by that. And we think that will provide us the ability to grow the business while the overall market might be stable to slightly up.

David Anderson - *Barclays Capital Inc. - Analyst*

Great. And just one other thing, if I could just ask you, you had mentioned a couple of times about some scheduling shifts in the Middle East and North Africa. Could you expand on that a little bit? What do you mean by scheduling shifts? Or are these temporary? Are these just one project to the next? Just a little bit more color on that, please? Thank you.

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

Yeah, so look, I think without getting into customer specifics what it really is some of the campaigns getting pushed out a quarter or two. That's really what it comes down to. So it's not a permanent shift. It's not cancellations, but we are seeing as I pointed out again in my prepared remarks, a bit more of a measured, a bit more of a cautious approach and so things that can get delayed, we are seeing customers push that out a little bit to see how the overall macroeconomic situation unfolds.

Operator

James West, Evercore.

James West - *EVERCORE ISI - Analyst*

So Girish, you talked about stable market environment and I know you just discussed a little bit about the M&A that you've done so far this year. And so I'm curious how you see Weatherford evolving and growing in this stable environment, can you outpace the modest growth environment? And if so by how much and then if so in what areas do you see your biggest strength?

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

Yeah. So James, look, we will give as you can imagine more specific guidance in February around the year. But broadly speaking like we have pointed out, I think we've got specific areas of growth and if we are able to execute on that, which we are working very hard towards, is making sure that we essentially can get that incremental growth. So that's really what it's about.

So I think as long as the market remains stable, as long as we can execute, we do have an opportunity to get that exaggerated growth, if you will. Specifically look, it's different areas and different product lines. For example, I've talked in the past on MPD around our Modus launch. This year was really about getting the launch done, getting packages built, getting the supply chain together, and getting them out in the field, finishing up the field trials, et cetera. Those have been incredibly successful, so next year that should create a little bit more of a bolus for growth for us.

The other area. Look at a very broad thematic approach where we are really focused is this notion of production optimization around matured fields. So everything that we've got from a product line capability really comes to the floor in this notion of mature field rejuvenation, production optimization, et cetera. Our MARS offering which is our Mature Asset Rejuvenation through Surveillance, we have had some great examples there. Our well services portfolio brings that through our intervention capabilities all the way up to decommissioning. So that's where we think there is still going to be an extremely strong emphasis because customers in this environment are actually going to be far more focused on how do they get more out of their existing fields, how do they get more out of their existing wells, and that should give us an opportunity to grow.

James West - *EVERCORE ISI - Analyst*

Got you. Okay.

And then maybe a follow-up on that. As you have some growth next year, how do you think about margin profile? And I know again, you'll get more color in February. But how do you think about the potential to take what are already very good margins higher in a slower growth environment?

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

Yeah. So look, we will probably not see a margin expansion to the tune that we've seen in the past two to three years of multiple hundreds of basis points. But we feel comfortable and confident that we should still be able to grow margins in that 25 to 75 bps in a flat to slightly up an environment. And that's really a combination of several things that we are driving internally, improving the value gap, improving our execution. And as I've pointed out before, we still have opportunities within the company to get more efficient. So the capabilities that we have developed over the past three years while we've gotten a lot of the low-hanging fruit, there's still enough fruit out there on the trees and we've built a few small ladders to go with that as well.

Operator

Scott Gruber, Citigroup.

Scott Gruber - *Citigroup Global Markets Inc. - Analyst*

I want to stay on the margin topic. Just because the slower growth environment, of course, management teams look at opportunity to reassess those margin enhancement drivers that they've been thinking about. So are you guys thinking about the margin enhancement drivers any differently in the slower growth environment? Like are there certain levers that you can pull faster or harder? Can you introduce technology internally faster? Just some additional thoughts on how you pull those larger enhancement levels.

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

Yeah. So look, Scott, for us, the levers are consistent, right? So the first one is pricing. Obviously, pricing in a slower growth environment becomes a bit more challenging, but we still think there is enough tightness of supply in highly differentiated product lines and technologies that that is still an opportunity and we expect pricing to -- at a minimum offset inflation and be a slight net positive.

The second and probably most significant one is the introduction of new technology. And as we do that, we're really trying to enhance the value gap. So really position it at the point where we can get higher price but also at the same time, deliver it with more efficiencies and a lower cost.

The third for us is what we've been working on for a while is our entire fulfillment network. Now, this is a herculean task. It's a four- to five-year road map. We're making good progress on it. The initial part of it was a lot of facility consolidation. We're done with that. Now, it's about how do we optimize the supply chain and our sourcing networks around that. Just a very simplistic example on that.

I talked on one of the calls, I think three or four quarters ago about moving to lower-cost countries from a sourcing base. That's providing us already significant benefits and what's interesting about that is we are 10 years late on doing this. Everyone else has already done this. So for us, it's actually a significant margin expansion that we're still able to get really good margins. But doing that keeping price where it is or slightly above, getting a significant cost reduction does help that. So network optimization, the supply chain optimization and fulfillment is a big factor and we will lean on that a lot harder now is because cost becomes more important.

And sticking to that cost theme, the last lever really is our own internal efficiencies and our cost structure. Look, the team's done an outstanding job over the past few years, improving the company, taking a lot of cost out, but Weatherford was never really designed to be what it is today. And so we've still got an opportunity to get more efficiencies. Everything from how information flows, to material flows, to where we have people, what roles they're doing, how we can consolidate, how we can use technology better. So that's going to be a huge emphasis for us over the next 18 months or so. And so all of that combined, I think gives us enough ammunition to really get after cost and improved margins in this slower growth environment.

Scott Gruber - *Citigroup Global Markets Inc. - Analyst*

That's great. I appreciate the color.

I want to come back to the pricing point because we get questions from investors on the topic of margin resiliency for Weatherford. And I think some folks wonder if you benefited disproportionately versus peers from price inflation on the way up. And if that introduces risk in a more competitive marketplace. Is that a risk that folks should be concerned about?

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

Scott, the way I think about it is, I think it is reasonably fair to assume that we might have benefited, if you'll call it disproportionately. Look, we've put a tremendous amount of emphasis on pricing as part of our commercial approach and strategy. So we have gotten price. We have significantly increased price. But what I would say is, I don't think that poses a risk on the other side because of a couple of factors.

One is I feel that the whole industry has strong pricing discipline and I think hopefully, we'll all continue to maintain that. I think second look, we've got internally a very, very rigorous mechanism and a culture around pricing. And I talked in my prepared remarks that we've got opportunities frankly every day, every week to increase revenue by reducing prices fairly significantly and we're absolutely not giving in to that. So we are very clear about our North Star, which is cash generation and margins are the first proxy for that. So we are very clear about that. And so our focus on making sure that we can articulate the value proposition that our differentiating technology brings to customers allows us to keep that pricing. So I think the first part I would say is fair. I think the second part is not something that I'm personally overly concerned about.

Scott Gruber - *Citigroup Global Markets Inc. - Analyst*

That's great color. Appreciate it. Thank you.

Operator

Ati Modak, Goldman Sachs.

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

Girish, you highlighted a new MPD award in the Middle East. So maybe from an adoption perspective, can you talk about which are the regions are an area of focus for you where adoption might be low at the moment and can drive growth in the next 12 months?

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

Yeah. Ati, look, I think MPD adoption continues to be something that is very important for us. When we're seeing very positive signs of that, there isn't necessarily a region per se. It's really our -- it's ubiquitous. We're trying to push this in every part of the world and as we are able to get in front of customers, show them more case studies, share best practices; we're seeing that adoption increase.

The Middle East, I would say, has been by far the probably most significant part of it but there's areas in Asia, there's areas in Europe and Latin America where we're seeing more and more of that as well. So it's really a overall perspective.

Look, what we are really -- if you look at it though, what we're trying to now get after is this performance segment of the market, right? So we have always had the basic RCDs that go on the lower end of the market, we've got our very high-end Victus offering, which is typically deep-water types of applications, et cetera. But there really has never been in the market this performance tier offering. So that's something that we are really focused on. And Modus is an outstanding product and really allows us to capture that both in land and in offshore. And offshore, you think about the jack-up market, for example, that's something that now starts to open up for us and something that we are excited about getting after.

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

Great appreciate that.

And then for next year with -- you've mentioned flattish revenue, maybe some margin growth. Any early thoughts on free cash flow cadence because the working capital seasonality will obviously be different for a year like next year versus what previous years have been. So maybe any thoughts around that and cash use, if you could.

Arunava Mitra - *Weatherford International PLC - Chief Financial Officer, Executive Vice President*

Ati, as Girish mentioned, one of the things we take very seriously is the efficiency which we use working capital. And what you would have seen over the last 21 months is a consistent improvement in the efficiency of working capital. We were at 28% beginning of last year. We find ourselves at 25.8%. Now, the idea is to sustainably be at 25% or below going forward. So what I can tell you is you should expect continuous efficiency improvement across the board DSO, DSI, and DPO translating into a better conversion cycle. And then as we mentioned before, we will keep -- continue to work on debt which translates into lower interest costs and we expect over time cash taxes to moderate as well. So we expect cash conversion to sequentially improve over the next three years.

Operator

James Rollyson, Raymond James.

James Rollyson - *Raymond James & Associates, Inc. - Analyst*

Girish, congrats, I guess on the first quarter of returning capital to shareholders. Along those lines, you look around oilfield service base and guys that have been doing this for a little while you see this breakdown into a couple of different ways of executing it. Some people just look at what their annual free cash flow is going to be and execute the buyback portion of the annual return programmatically across the year and some guys are a little more opportunistic based on share price. Just curious how you guys, this is your first quarter with the $50 million but curious how you will execute that going forward, how you're thinking about that?

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

Yeah. Jim, I'll let Arun take the specifics on this, but I will just kick it off and say, look, I think this is a learning process for us. We are trying to figure out the most optimal way but really with the focus on doing this, like we do everything else in the most prudent and responsible fashion without going nuts and taking undue risk.

Arunava Mitra - *Weatherford International PLC - Chief Financial Officer, Executive Vice President*

Jim, what we can tell you is we did a bit of both this quarter and what we also know for a fact that empirical evidence suggests that companies are not very good at opportunistically executing buybacks and adding value. So we will be careful and we will be looking at market signals which trigger opportunistic buybacks. But at the same time, the dilution component which is triggered by grants to employees, that is something we expect to buyback programmatically so more to come in the future quarters on this.

James Rollyson - *Raymond James & Associates, Inc. - Analyst*

Yeah. No, that's helpful color. Thanks for both answers.

And Girish, just one follow-up. At the FWRD Conference, you guys talked about a lot of different things on the digital front from sensors to obviously Datagration and the ability to integrate a lot of different things. Maybe just order of magnitude, there's been a lot of talk about digital but order of magnitude how impactful is that as we think about Weatherford going forward from the growth aspect.

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

Yeah, look we talked earlier, Jim, about those pockets of growth. Digital is most certainly one of those pockets, right? So I highlighted production focus and this mature field rejuvenation. P&A is another digital is a third and a very significant portion. And look, it's far more than about the simplistic revenue growth that we get out of it. We get a couple of other things with that digital capability.

The first is significantly higher margins so it's very accretive to margins. And the second is while there is a lot of typically upfront cost in software development, et cetera, our approach is a little bit different really becoming more of an integrator of different things. So it's actually less capital intensive as well. Today, it's not big enough that we would peel it out and talk about it as a separate segment or anything like that. But it is something that we are really counting on as we talk about in those levers of margin expansion, technology being a driver, digital is smack-dab and center in the middle of that.

James Rollyson - *Raymond James & Associates, Inc. - Analyst*

Perfect. Appreciate the answer.

Operator

Saurabh Pant, Bank of America.

Saurabh Pant - *BofA Securities, Inc. - Analyst*

Girish, maybe I want to start with a little more color on the orders that you announced. I know you're not primarily an order-driven company, right? But it's interesting to see a dozen orders in your press release that you announced. I think seven or eight of them are in the Middle East. And I know we are simultaneously talking about concerns on the Middle East, maybe Saudi more specifically slowing down. But on the other hand, you continue to get stronger orders. How do you feel about the trajectory going forward, right? I mean, considering the order and flow, the conversation still looks relatively positive.

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

Yeah, look, Saurabh. Great question. As we highlighted in the press release, I mean, there is still a lot of activity out there. So I think it's important to understand that activity growth is slowing, no question. But activity itself is actually still very much there and it's growing a little bit. So I think the orders not just show that there is activity but that we are actually winning in several different areas of the business, in several different geographies.

And the Middle East, I think is still the place that we think about as spearheading growth overall, right? As we look at a global landscape, I think everyone understands and recognizes that North America is likely as we look into the next 12 months or so, going to be challenged flat more likely a bit down.

On the international side, we think there's growth but that growth is very mixed. Europe, obviously with some of the things happening in the UK, the North Sea, that's likely to be down. We think sub-Saharan Africa has probably mid-single digits growth. We think Asia has mid-single digit growth. But then Middle East select countries have high-single digits. And overall, we think Middle East is about mid-single digits growth as we look at next year.

And then for us, therefore, when you look at the total international business, it's probably up in this low-single digits place. But then select pockets that have significant margin accretion that we continue to exploit should give us that ability to deliver higher EBITDA margins. The one wildcard I would say is probably going to be Latin America, which it really is -- we've got to wait and see a little bit how it eventually modulates especially in places like Argentina and Mexico what really happens. But those awards you are 100% right, really showcase what's happening and there is still activity out there.

Saurabh Pant - *BofA Securities, Inc. - Analyst*

Right. No, exactly right. I mean, we hear about all the concerns but on the other hand, like you said, the trends on the ground they still look -- like they're relatively resilient, right, if not positive.

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

Yeah, I mean, look, we talked about our year-to-date growth and granted that's retrospective. But it's still very, very strong year-to-date growth. So even if that moderates, I think we've got enough momentum, we've got enough scale that we should now really be able to continue to get momentum and efficiencies and really drive those margin expansion story. So I feel -- I've been saying this consistently for three-plus years is this is a margin and cash story. Yes, you've got to have revenue growth to help drive that but even in a flat to slightly up environment, we should be able to get a significant value creation from that margin expansion.

Saurabh Pant - *BofA Securities, Inc. - Analyst*

Right. Perfect.

Arun, one for you very quickly. I know you talked about the working capital efficiency in response to a Ati's question and you've done a great job right 25%, 28%. That's a fantastic number you're sitting at and the target is to come down to 25% or less than 25%. How soon should we expect you to get there? And that the fact that the overall market growth is slowing, does that make it harder to further accelerate, for example, collections for you?

Arunava Mitra - *Weatherford International PLC - Chief Financial Officer, Executive Vice President*

Look, we haven't seen, Saurabh, any impact on collections. As a matter of fact, we had a pretty strong collections quarter. But if things slow down, history suggests that collections would slow down as well. But at the same time, you would expect inventory to build up much less or actually reduce. So overall in our environment, which is not growing as quickly as it was, you would expect some actually working capital to go in a favorable direction.

Now, if the world falls apart and everything goes to hell in a handbasket, then of course, you would expect to see working capital unwind, but in a flat to moderately up, you would see continuous efficiency improvements. And when you ask about how soon we have some critical dependencies, I mean concentrations. We've seen from our 10-Qs that a significant portion of our AR is concentrated in Mexico. So we are actively working to reduce the concentration.

So I couldn't tell you that we sustainably get to 25% next quarter or the quarter after. What I can tell you is we are working on the structure which reduces concentration on any particular customer or any particular geography. And once we do that, which we expect to do over the next couple of years, you could expect us to be 25% or better sustainably.

Saurabh Pant - *BofA Securities, Inc. - Analyst*

Okay. No, I got it. Arun, it makes a lot of sense.

Operator

Kurt Hallead, Benchmark.

Kurt Hallead - *The Benchmark Company, LLC - Analyst*

I have some questions. So Girish, let's go back to some of the commentary you referenced obviously moderation in the growth rates. And you went through a very detailed explanation of where you think that growth is going to come. You've emphasized the focus on maintaining and improving your margins even in that environment.

So how do you guide the organization if you will in the context of maybe feeling pressure to take some work that doesn't meet necessarily the margin or return thresholds? Or are you getting any indication of a little bit of, I don't know, anxiety within the organization about having to book work even if it's not the best work.

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

Yeah. Look, Kurt, the way we do that is just a lot of communication firstly, and then the second is making sure we've got the right operating rhythms and mechanisms set up to ensure that everyone's on the same page. I feel really good about the culture within the company, the changes that we have had over the last four years. I think everyone understands today what the North Star is. And again, it's, it's cash and the proxies to get to that. So no one's really looking to say, hey, I'm just going to grow revenue or share at the expense of margins and cash.

So I feel really good about that and it's been four years of a lot of work that we've put in as a leadership team. But more importantly, making sure that that message is percolated through the 19,000 people in the organization. We have had bi-directional interaction, a lot of dialogue around it. So is it perfect? Probably not, but I feel really good about the overall system that people will have the opportunity to ask those questions and then we can address them. But yeah, look, we're absolutely not going to go chase low-quality work.

Kurt Hallead - *The Benchmark Company, LLC - Analyst*

That's great. Appreciate that color.

Maybe a follow-up and typically in periods like we're experiencing now, like which is not really typical if it's either going to go up in a big way or down in a big way and now we're just moderating. But nonetheless, the customer base tends to utilize these types of situations to really lean on the suppliers and service companies from a pricing standpoint.

So you explain the culture dynamic around it, but maybe can you give us some insights as to are you seeing that increased amount of discussion from the customers really trying to lean on you to reduce prices. Is it more intense now than it might have been three, four, five months ago?

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

It's always something that is part of every conversation, right. We do that with our supply base, our customers do that with us. That's just the circle of business that you go through. So we're certainly having, I would say, maybe a few more conversations, but it's nothing to the extent that we would say, it's a widespread phenomenon or something that we are overly concerned about.

Most importantly, look, I think a couple of things, one is we have really tried as we have worked on pricing over the past few years to make sure that it is backed up by a very strong value proposition. So it's not a pricing argument that's been hey, commodity prices are high, so our prices should go high. It's been about the value that we generate and create for our customers.

The second is customers are still very cognizant and very keen on ensuring security of supply, especially when there is a lack of different choices around differentiating technology. So that's a big, big factor. I think the industry has been a lot more prudent in this cycle of not building out a lot of capacity. And so there isn't this huge mismatch right now again, especially in those differentiated areas where we get the higher margins that would suggest that there's a lot of surplus capacity to throw that could create pricing softness.

And look, I think last but not least, I think customers are also very, very cognizant that the cycles have changed and this is not whipsaw effect. There is a moderation in activity but there isn't a drop. And I think that's a fundamental difference and customers recognize that they need a healthy service sector as well. So I think the conversations are constructive and net-net, we still believe we've got an opportunity and a road map to increase margins.

Operator

Doug Becker, Capital One.

Douglas Becker - *Capital One Securities, Inc - Analyst*

Girish, Mexico is an important market for Weatherford. The country has a new President, National Oil Company has a new CEO. And then yesterday, there was a report that Pemex is looking to suspend some rigs just to manage budget. So just given that dynamic backdrop, wanted to get your outlook for Latin America specifically.

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

Yeah. Doug, look, Latin America has been one of the challenges over the past six months. We have referenced it on the prior call as well as on this call in terms of delays that we have seen and certainly Mexico is a part of that. We recognized that leading up to the elections, there was a little bit of churn and things got slowed down and now we've got a new administration. I think it's still very early days to say exactly what it's going to look like.

But clearly there's a big focus on what they want to do in terms of getting Pemex on the right footing and we want to support them as a supplier and partner to the extent that we can while making sure that we generate the value that's due.

So as I look at Latin America as a whole, as I said earlier on one of the questions, Latin America is probably the wild card for next year. As we look at it right now, it probably feels like it's flat to maybe slightly down. But it also is the one region that has the ability to inflect the strongest. Argentina has probably the most positive outlook at this point than it's had in several years. But we still need to see that shift actually happen and the full ability to free up capital controls, et cetera. If that happens, I think there could be a significant positive opportunity there.

Colombia, we have talked about some of the changes there and the slow down et cetera, that's likely going to persist and not really change for a bit longer. Brazil has been pretty steady and growing and that continues to do well. And then it really comes down to Mexico, which is a very significant market. So I think more to come on that, especially in the February call as we lay out guidance, et cetera. But it's something that we are very cognizant of. We're keeping a very close eye on and making sure that we are modulating our workforce, our plans, everything in line with customer activity and really ensuring that we are well positioned as a company to manage overall exposure there.

Douglas Becker - *Capital One Securities, Inc - Analyst*

That makes sense.

Just switching gears a little bit, the industry seems to be increasingly focused on the production phase of the well life cycle. At your recent digital conference, you were highlighting the ForeSite production platform that you integrate artificial lift into and then specifically the power regenerative system. Just how would you characterize the growth opportunity for Weatherford from the digital production related offerings?

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

Yeah, look, I think it's one of our most significant opportunities. We've got a very extensive portfolio on two dimensions. The first one is really around artificial lift, right? So we don't have an ESP offering, but we have just about every other form of lift. And it's the most comprehensive lift offering with a very strong installed base that we've got in the industry. So that's a huge advantage for us. We really understand this production domain.

The second is the digital capability. We're the only OFS company that has its own SCADA platform with Cygnet and that is a huge competitive advantage for us. And so as we modernize that, feed that into ForeSite, the ability to then bring together different data structures, different databases, different data models with what we have with Datagration now this capability of a unified data model that allows us to create incredibly powerful algorithms platforms for customers to drive their operational efficiency. So that's what we're really focused on.

So we think it's an area that we will get tremendous capability. And what we're adding to these two legs now is a third dimension, which is not just hey, we've got the artificial lift, we've got the digital capability but we're now making sure we've got that comprehensive portfolio to help customers rejuvenate their mature fields to improve their production from existing wells through a combination of intervention services, well services, et cetera, a lot of different technologies that really help drive that. So it's an area that we are probably -- most excited about in terms of the growth potential.

Operator

Josh Jayne, Daniel Energy Partners.

Josh Jayne - *Daniel Energy Partners - Analyst*

I have one with a related follow-up that you discussed on the service and a little bit in your last question, but I just wanted to drill down further on. So first, you completed the acquisition of Datagration in the third quarter. Could you just speak to why now exactly was the right time for that specific deal and maybe a bit more detail on PetroVisor and EcoVisor.

And then as my follow-up, could you just give a bit more detail about how they're ultimately going to work together with ForeSite and Cygnet? And the increasing importance of real-time analysis and how that's -- how you see that specifically evolving over time over the next couple of years? Thanks.

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

All right, a lot of different things in there, Josh, but let me try and address most of them at a high level.

So look in terms of the why now? Yeah, that's always a bit hard to answer. Everything typically comes together but really, as we looked at the market landscape as well as our own capabilities, there was a couple of things that we realized. Look, first is customers are struggling with the same issue, which is, we've got a lot of data. We just don't know how to really bring it all together.

The second is nobody really wants to get tied into a particular platform or a particular system. They see different things that are best in class, but lack the ability to stitch it all together. Especially, when you think about all of the consolidation and granted that's more of a US phenomena, but it's a huge market. Customers are consolidating and they're saying, hey, look company acquired was on this system. I've got the system. There's this huge treasure trove of data, but they don't talk to each other, they are different systems. How do we pull all of that together?

We looked at that, we see that internally, but we also see that within the offerings that we have for customers. Datagration really is a solution that bridges that gap for our customers. It has this ability with this unified data model to really bring things together in a very crude fashion, the layman in me describes it as it's the universal plug adapter for the digital world. So that's really what we get with that and it creates then a very powerful message for customers that we can help them bring together different data sources and most importantly, do it very fast, do it real time, do it on the cloud, do it as a software-as-a-service model, or if they want it on-prem we can do that as well. Different delivery mechanisms that bring that together.

So that's really what it is. Look, in terms of the exact road map of integration with ForeSite, PetroVisor, et cetera, that's something that we're working on. But what is more important than the actual platform is the fact that we have the capability now to deliver to customers specific optimization platforms. We've got the ability to drive these AI, ML models on a variety of their use cases through whatever channel that they want along with a very simple user interface that can be delivered to them in a subscription model, in whatever mechanism that they want. So that's really what this whole thesis is about.

Operator

Thank you. And this concludes our question-and-answer session. I'd like to turn the conference back over to the management team for any closing remarks.

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

Great. Thanks, Rocco.

Hey, thank you all for joining the call today. Look, appreciate it. So just to summarize again, we recognize that the market is changing, it's evolving. We still do believe that we have pockets of growth. We have the ability to grow the business in several different areas that we're excited about. And most importantly, we have the ability to continue the margin expansion journey that we've been on for the past few years. And for this year, we are on track to deliver over 25% EBITDA margins and over $500 million of cash.

So thank you all so much for joining and we'll talk to you on our fourth quarter call.

Arunava Mitra - *Weatherford International PLC - Chief Financial Officer, Executive Vice President*

Thank you.

Operator

Thank you, everybody. This concludes today's conference call. We thank you all for attending today's presentation. You may now disconnect your lines and have a wonderful day.