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## PRESENTATION

**Operator**

Ladies and gentlemen, thank you for standing by. Welcome to the Weatherford International's Fourth Quarter and Full Year 2022 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.

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**Mohammed Topiwala** - *Weatherford International plc - Director of IR and M&A*

Welcome, everyone, to the Weatherford International's Fourth Quarter and Full Year 2022 Conference Call. I'm joined today by Girish Saligram, President and CEO, Arun Mitra, our Executive Vice President and Chief Financial Officer; and Desmond Mills, our Chief Accounting Officer.

We will start today with our prepared remarks and then open it 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 fourth quarter 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 section following the conclusion of this call.

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

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

Thanks, Mohammed, and thank you all for joining the call today.

Weatherford delivered outstanding results in the fourth quarter and all of 2022, and I'm incredibly gratified, proud and humbled. Gratified that our strategy and actions have come together to deliver strong performance; proud of what we have achieved; and humbled by being given the privilege to represent the 17,700 members of the One Weatherford team and share our results with all of you. The spirit, resilience and talent of our team is the driving force behind the commercial wins, revenue growth, margin expansion and free cash flow we delivered. My immense pride and deep gratitude goes out to all of our Weatherford team. Thank you for what you do every day for our customers and the company.

There are many significant milestones in our full year 2022 results. It was the first time we generated positive free cash flow for 3 consecutive years in over 3 decades. We achieved a leverage ratio of 1.4x, the lowest in over 15 years. Revenue grew year-over-year by 19%, the highest growth rate in over 10 years and perhaps most notably, we generated positive net income of $26 million, another first in over 10 years. These results clearly demonstrate the effectiveness of our refreshed operating paradigm and reaffirm the strength of our strategy to enable margin expansion and generate free cash flow.

With this marking the tenth successive quarter of results that demonstrate performance, credibility, transparency and stability, we can now confidently say the turnaround at Weatherford is complete. We are the new Weatherford, a Weatherford that continues to deliver differentiation in technology and people, but now with the culture, leadership and operating paradigm around consistency and credibility of performance.

As we confidently move into the next phase of our journey, we have a broader horizon and a longer range vision to deliver value. Desmond and Arun will cover more details, but I wanted to share a few of the more significant highlights of our results. Our fourth quarter 2022 revenue of $1.2 billion was up 8% sequentially and 25% year-over-year. Our focus on directed growth and pricing allowed us to grow the top line and was aided by general market activity increase.

I'm especially pleased with our performance on margins and free cash flow. We delivered 22% adjusted EBITDA margins, expanding margins by 290 basis points sequentially driven by solid execution across the board. In fact, the Q4 2022 EBITDA margin is the highest that the company has achieved in any quarter in more than 12 years.

The improvements we have made in our net working capital efficiencies, alongside higher adjusted EBITDA were reflected in our $171 million of free cash flow performance. This is $38 million higher than the third quarter despite $65 million in additional interest payments.

We delivered $72 million of net income in Q4, leading to a full year profitability as measured by net income of $26 million. Few would have bet on Weatherford being net income positive in 2022, and we are excited to turn the page and add to shareholder equity on our balance sheet.

While we clearly acknowledge the benefit of the tailwinds of a strong market, our performance improvements are equally driven by the execution intensity on our 2022 focus areas. In fulfillment, we continued our multiyear initiative and have begun to fundamentally change the company's manufacturing, sourcing and repair platform. Over the course of the year, we identified our new flagship centers, put in place a new logistics management system, and continue to make progress on facility optimization, as we have now exited over 12% of our operating facilities since 2021.

I have been emphatic about not chasing revenue growth without margins and directed growth was a focus area for us to ensure that incremental revenues also provide margin lift. We complemented this with a company-wide initiative on driving price consistently and systematically as we offset the inflationary pressures from our suppliers and wage increases.

Excellence in execution. Our focus area aimed at improving our enterprise effectiveness continued to progress over the course of the year. We saw improved inventory efficiency evidenced by an 11-day reduction in DSI year-over-year, in a year where revenue increased by 19%. Overall, net working capital days improved by 13 days to 91 days, an impressive achievement in a growth environment.

Simplification. Our focus area to increase operational efficiency was led by several global and localized initiatives aimed at delayering and driving more accountability across the organization, resulting in overhead costs as a percentage of revenue to decline over 280 basis points on a full year basis.

These initiatives are crucial in delivering our year-over-year increases of 320 basis points in EBITDA margins and $21 million of free cash flow. Over the past 3 years, Weatherford has generated $655 million of free cash flow, which exceeds the past 2 decades combined.

In the fourth quarter of 2022, we also had many commercial wins, demonstrating our position as both a broad spectrum and specialty services provider, providing a solid foundation for 2023 and beyond.

Kuwait Oil Company or KOC awarded us a 5-year contract to provide directional drilling and logging while drilling services, which provide fit-for-purpose solutions to overcome complex challenges. A major IOC in the Middle East awarded us a 5-year contract to provide fishing equipment and services. We attribute this win to our consistent service quality and safety performance.

We won 3 awards worth more than $600 million with a Latin American customer to deliver integrated drilling and completion services in onshore and offshore operations, enabled by our technological and operational leadership.

In Brazil, we secured a 2-year sole provider award with Petrobras for the provision of our newly enhanced chemical injection system, addressing the reliability and conveyance requirements of the pre-salt play.

As previously announced, we received a 3-year lump sum turnkey or LSTK contract with Aramco to deliver drilling and intervention services with the possibility of extending it for 2 years and a 5-year contract exceeding $500 million from Petroleum Development Oman to deliver integrated drilling services in the Marmul and Grater Saqar fields, which is already underway.

Shifting to our technology and partnership highlights for the quarter. Our Firma Plug and Abandonment team in Europe won an OWI award for significant contribution to the industry. This recognition showcases our Firma Solutions' rigorous approach to well decommissioning, resulting in reduced carbon emissions and enhance safety in every operation.

We announced a partnership with Ardyne, a leader in specialized well decommissioning technology that will enable Weatherford and Ardyne to deliver significant value to customers globally by offering the industry's most comprehensive portfolio of Plug and Abandonment and Slot Recovery solutions. This partnership demonstrates our continuing commitment to innovation and value creation in the well decommissioning space and further enhancing our industry-leading Firma offering.

We signed a multiyear agreement with DataRobot, a leader in artificial intelligence, to deliver advanced AI solutions in our digital platforms, including ForeSite production optimization and central well construction platforms.

Now turning to our view on the markets. In North America, the last several quarters have seen a high rate of growth for drilling and completions activity, and we expect the trajectory to start flattening. We still expect North America to grow in 2023, but at a lower rate.

On the supply side, we are now beginning to see signs of recovery, as logistical constraints are slowly correcting and raw materials are becoming available.

On the offshore side, we are seeing signs of market activity picking up and are well positioned to capture it across our portfolio, especially with our MPD and TRS offerings.

The momentum of our international markets continues to gain traction and support the multiyear up-cycle view across all segments and markets.

Middle East and Latin America activity continue to be robust, and there will be incremental opportunities as activity further ramps up.

In summary, the overall macro environment for the sector continues to be supported by solid fundamentals despite continued inflationary and geopolitical headwinds. Our ability to carry our momentum forward is evident in the commercial wins in 2022, including over $6.5 billion of wins with IOCs and NOCs across our broad customer footprint. In the coming quarters, we will begin to see the impact of our new contracts, technology advancements and partnerships, as we continue to focus on margins, cash flow and positioning the company for success over the long term.

Our confidence in the growing revenue pipeline and intense focus on driving lean business operations enable us to envision low to mid-20% EBITDA margins over the next few years. We also added a new member to our leadership team. In January, Arun Mitra joined Weatherford as Executive Vice President and Chief Financial Officer. Arun's decision to join Weatherford speaks volumes to the caliber of talent we attract as a best-in-class organization. Arun, we are thrilled to have you on our team.

Before I hand things over to Arun, I'd like to thank Desmond Mills for his service as our interim Chief Financial Officer and his continued leadership in guiding our finance team. With that, I'd now like to hand it over to Desmond to talk more specifically about our financial performance this quarter, followed by Arun to walk us through the guidance for the first quarter and full year of 2023.

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**Desmond J. Mills** - *Weatherford International plc - Senior VP & CAO*

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

I'll begin with our consolidated results and then move into our segment results, liquidity and cash flows. As Girish outlined, we had a stellar fourth quarter to close out the full year with great momentum. Full year 2022 revenue of $4.33 billion grew 19% as all segments experienced growth with adjusted EBITDA of $817 million or 18.9%, adjusted EBITDA margin, a 320 basis point improvement.

Revenue for the fourth quarter of 2022 was $1.21 billion, an increase of 8% sequentially and 25% year-over-year. Operating income was $169 million in the fourth quarter of 2022 compared to $121 million in the third quarter of 2022 and $33 million in the fourth quarter of 2021.

Net income was $72 million compared to $28 million in the third quarter of 2022 and a net loss of $161 million in the fourth quarter of 2021. Adjusted EBITDA of $266 million in the fourth quarter increased 24% sequentially and 73% year-over-year with adjusted EBITDA margin of 22%, a sequential improvement of 290 basis points.

These results were primarily driven by increased activity, share improvement and pricing across all of our segments, coupled with successful execution across the focus areas we laid out for ourselves in 2022.

Now moving into segment results. Drilling and Evaluation or DRE revenues of $371 million increased by $23 million or 7% sequentially, mainly driven by higher volumes and price increases for drilling services and higher wireline and managed pressure drilling activity in Latin America and Middle East, North Africa, Asia regions. Segment adjusted EBITDA of $111 million increased by $26 million or 31% sequentially, leading all segments with Q4 adjusted EBITDA of nearly 30%, 550 basis points higher than Q3. This increase is largely attributable to price increases to certain drilling services contracts, which were retroactive back to Q3.

Additionally, we achieved higher fall-throughs from increased activity in drilling services.

Well construction and completion or WCC revenues of $403 million increased by $12 million or 3% sequentially, primarily driven by higher cementation and liner hanger products in the Middle East, North Africa, Asia and Latin America regions. Segment adjusted EBITDA of $87 million increased by $9 million or 12% sequentially, largely due to higher fall-through and execution efficiencies for cementation and liner hanger products in the Middle East, North Africa, Asia and Latin America regions.

Production and Intervention or PRI revenues of $407 million increased by $50 million or 14% sequentially, primarily driven by higher international pressure pumping activity along with higher artificial lift activity in North America. Segment adjusted EBITDA of $88 million increased by $22 million or 33% sequentially, mainly due to higher margin fall-through for pressure pumping overall.

Turning to liquidity and cash flows. For the full year 2022, operating cash flow was $349 million and free cash flow was $299 million. In the fourth quarter, net cash provided by operating activities was $193 million, an increase of $33 million and free cash flow was $171 million, an increase of $38 million sequentially. These improvements were primarily driven by higher EBITDA margins as well as improved working capital efficiencies, especially around inventory utilization.

We drove outstanding performance with DSI metrics improving by 7 days to end the quarter at 51 days on improved sales and operational plan execution.

We made a lot of progress improving operational efficiencies as seen from our cost of products and services, which as a percentage of revenue was 70% in 2022 compared to 74.5% in 2021, an improvement of 450 basis points. This is reflective of the high utilization on a more efficient operating cost structure, coupled with price improvements, which offset some of the impacts from supply chain disruptions and inflationary headwinds. We are beginning to see the working capital benefits of our ongoing fulfillment and inventory optimization initiatives. The improvements are evidenced by our year-end inventory levels, which were up less than 3% compared to 2021, despite a 19% increase in revenue.

We ended the fourth quarter of 2022 with total cash of approximately $1.1 billion as of December 31, 2022, down $31 million sequentially, reflecting payments made to pay down some of our debt. During the fourth quarter, we completed the debt paydown of previously announced redemption of the $125 million principal amount of our 11% senior notes due in 2024.

In addition, we are also opportunistic in buying back some of our debt on the open market as we optimize the economics of our debt paydown by open market purchases, all below par. We bought $8 million of our 6.5% secured notes during the fourth quarter and an additional $11 million in January 2023. Finally, we also redeemed a further $20 million of our 11% senior notes in January 2023 by calling it in December 2022.

In total, since the beginning of 2022, we have now paid down a total of $214 million of debt as we continue to improve our debt profile and reduce annual interest expense by approximately $23 million. Our overall debt stack at this point comprises $1.6 billion of senior notes due in 2030 at 8.625%, $481 million of secured notes due in 2028 at 6.5% and the original exit note stub of $105 million due in 2024 at 11%.

Finally, during the fourth quarter of 2022, Standard & Poor upgraded our credit rating to B and we also increased the aggregate amount available under our credit facility to $400 million.

Thanks all for your time today. I will now pass the call to Arun for his comments on the outlook for the first quarter and full year 2023.

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**Arunava Mitra** - *Weatherford International plc - Executive VP & CFO*

Thank you, Girish, for the introduction and Desmond for supporting me with the 2022 commentary, and good morning, everyone.

I just wrapped up my first full month here, and it's been a busy one. I'm truly excited to be part of an organization that has achieved so much in such a short span. I look forward to contributing to the company's strategic direction and driving further financial performance as we pivot to position the company to generate sustainable returns over the longer term.

In the first quarter of 2023, we expect consolidated revenues to grow on a year-over-year basis by mid- to high teens. However, there will be the usual Q4 to Q1 sequential decline by mid- to high single digits, mainly driven by seasonality and some FX impacts.

Across the segments, DRE revenue is expected to decline in the high single digits. WCC is expected to increase low to mid-single digits and PRI is expected to decline by mid- to high teens, mainly driven by seasonality.

Adjusted EBITDA margins for the first quarter of 2023 are expected to decline by 150 to 200 basis points, compared to the record fourth quarter we experienced in 2022, which was augmented by catch-up pricing adjustments. So normalized for Q4, the decline is around 50 to 100 basis points. Although the margins will witness a seasonal decline in Q1, they are still expected to be over 20%.

CapEx is expected to range between $40 million to $60 million and free cash flow will be in the range of negative $15 million to negative $35 million due to seasonal working capital payments during the quarter.

Our full year 2023 consolidated revenues are expected to grow by low double digits to mid-teens compared to 2022, driven by mid-single-digits growth in North America, mid-teens growth internationally, excluding Russia, with our Russia business expected to be a drag on overall company growth.

Across the segments, DRE is forecasted to deliver mid- to high single-digits growth, WCC to deliver in the mid- to high teens growth, and PRI to deliver mid- to high single digits growth.

There continue to be multiple headwinds highlighted by labor inflation, geopolitical uncertainty and supply chain disruptions. 2023 will also be a year where we invest in the company for the longer term and also have some start-up costs on the new contracts we have announced. Regardless, we are confident in our ability to deliver margin expansion and cash flow generation.

We also have visibility to some significant opportunities and we fully expect to offset the aforementioned risk and have a slight bias to the upside. As a result, full year consolidated adjusted EBITDA margins are expected to expand by at least 100 basis points over 2022.

We expect 2023 free cash flow to be in line with 2022 with a slight bias to growth in spite of higher CapEx and net working capital. CapEx for the full year is expected to be in the range of $200 million to $230 million. As in our prior years, our CapEx will be a metered spend with rigor around delivering returns and within the 3% to 5% range we've previously discussed.

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

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

Thanks, Arun. As we take a final lap on 2022 and take time to communicate and celebrate these results, we are also very clear that now is not the time to rest. Rather, we are marching forward with a renewed, refreshed and rejuvenated sense of purpose.

As we are moving on to the next phase of our journey, I will share our strategic imperatives. However, this time around, our priorities are broader and will be a multiyear journey. The first and foremost priority remains financial performance. We successfully demonstrated in 2022 that we could achieve growth along with margin expansion and positive cash flow. For 2023 and beyond, we are driving to ensure cash flow generation is cycle agnostic. While taking advantage of the up cycle, we will drive cost efficiencies and technology differentiation to provide greater leverage now and enhanced support in a different cycle.

The second priority is organizational vitality. Our goal is to upskill and develop our team to meet industry challenges and continue to lead. We will drive greater focus and investment in training and development across all levels of the company. But like all other investments, this will also have a rigorous payback lens. We want to attract great talent, but more importantly, develop, engage and retain our team to grow their careers in the manner they aspire to.

Next, we have customer experience. Customers will continue to be the focal point of everything we do. As we build our opportunity pipeline, we want to ensure that we employ robust processes, solutions, technologies and data that help us achieve both customer success and satisfaction. As we forge ahead, we want to look at building a sticky customer base through our approach of delivering services. Despite the continuing logistical challenges faced by the industry, we will endeavor to maintain our uptime for our customers and minimize our total incident rate.

The fourth priority is lean operations. Efficiency and waste elimination will be the motives that guide all our internal processes. Our ultimate goal is to provide value to the customer, and this will be achieved on the back of nimble and agile operations. This will be achieved through a combination of various factors such as maximizing the value per dollar spent on support costs, increasing asset utilization efficiency and tightening the working capital cycle. This is a very significant change for our company as we bring together disparate systems, processes and workflows built on myriad of acquisitions and become a more integrated company.

Our final priority is creating the future. Innovation is the key tenet to achieving this objective. Our focus will be to enable our people to understand the needs of our customers and to introduce new products and services that create a unique value proposition for our customers and differentiate us in the market. We will continue to actively engage in further building our core products and services, energy transition and digital portfolios, thereby positioning ourselves for the next decade.

As a responsible organization that is committed to its sustainability journey, Weatherford will continue to advance our ESG strategies and collaborate with stakeholders to achieve our net zero commitments.

We have come a long way, and our progress energizes and reassures me that we are on the right path. I've seen what this organization is capable of, and I'm excited about the journey ahead.

Thank you for joining the call today. And now operator, let's open it up for questions, please.

## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) Today's first question comes from James West of Evercore ISI.

**James Carlyle West** - *Evercore ISI Institutional Equities, Research Division - Senior MD*

Congrats on a great quarter. And welcome to the team, Arun. And I know, Chuck, you've been there a little longer but welcome as well. I was curious I guess, maybe for you, first question for me. You laid out the 5 priorities going forward, all important priorities and really shows a company that's much matured from where Weatherford was just several years ago. If you had to pick kind of 1 or 2 of those priorities as kind of keys to success, what would those 2 be? I understand that all 5 are important, but what were the key 1 or 2 messages that we should take away?

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

Yes. So a great question, James. Look, I think at the end of the day, financial performance, frankly, is an output of everything that we do. So the way I look at it, for us, we have to -- you're 100% right. We have to do all of it. But this whole notion of lean operations and customer experience, I think that external focus on delivering to customers and how we deliver it internally really brings everything together and ultimately drives our ability to be more efficient and more effective.

**James Carlyle West** - *Evercore ISI Institutional Equities, Research Division - Senior MD*

Okay. Okay. Fair enough. And then just looking at your strengths in MPD and TRS and really just these nice inflection and acceleration that we're seeing offshore and in particular in deep water. Could you maybe talk for a minute about how well positioned you guys are there? And if there are any kind of geographical or product holes you need to fill?

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

Yes. So look, we are excited as we referenced a little bit in our prepared remarks on the offshore inflection. Look, the industry is starting to adopt MPD a little bit more. So that's, I think, a big positive for us given our leading-edge technology in that space. And as we have said multiple types for both MPD and TRS have a bit more of an exaggerated value proposition on the offshore piece.

So look, we don't think we've got any gaps per se, but we continue to drive new product development to position us at multiple different application levels and different price points. So we're excited about a couple of things that we've got coming through the pipeline that we'll be talking about over the course of the year.

**Operator**

And our next question today comes from Luke Lemoine with Piper Sandler.

**Luke Michael Lemoine** - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Girish, congrats on a pretty remarkable turnaround here. I wanted to see, you gave us the PSL outlook and briefly touched on the geo markets. I was wondering if you could expand on the geo markets and the outlook for each of these in '23?

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

Sure. Look, I'll start with North America. Again, we expect North America to grow. But as you look at last year, we grew over 20% in North America. So certainly not anything close to that kind of a rate. I think probably instead of the mid- to high single digits is where we see the North America business going. Again, this offshore inflection will help a little bit, especially on the Gulf of Mexico side.

Look, Latin America was probably -- if you look at just on a numbers basis, it was our most robust region, grew 30% last year. We are still continuing to be excited about Latin America, but that will again taper down a little bit. We got the bulk of our growth. And so this year, we will be building on that and driving margin expansion. Middle East is probably the area we're the most excited about, as I've referenced multiple times on the call. We think the Middle East growth will be head and shoulders above all of the other regions, and will really spearhead the overall company growth and should be high teens to 20-plus percent just on a stand-alone basis.

And then you've got Europe and Russia, and especially Russia, as we mentioned, will be a little bit of a drag. Look Russia continues to be a complex environment. There's a lot of volatility on currency. So it's a little bit hard to predict exactly where that will go. We think Europe will grow outside of that, but probably not to the level of any of these other regions. So hopefully, that gives you a little bit more of a perspective.

**Luke Michael Lemoine** - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Yes, absolutely. And then on the margin side, you talked about your goal to get to the low to mid-20% EBITDA range over the next few years. Of course, you get the low 20% range on a quarterly basis in 4Q. Can you talk a little bit about what it takes and maybe bridge the gap to get to the mid-20% margin level?

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

Yes. So I think, look, a couple of things, Luke, that are important, as Arun pointed out and Desmond referenced, right? In our Q4 numbers, we had a little bit of a pricing catch up. The total year numbers, everything sort of still fits within that envelope. But there was a little bit of a catch-up that really should be attributed to Q3. So net-net, it's probably about 50 to 100 basis points.

If you look at it from that perspective, I think we will continue to see very strong and solid margin expansion this year on an operational basis, and we'll continue to drive that. Having said that, we have this year a couple of things going on. The first piece is we have a few investments that we have talked about all over the course of last year in systems, in our processes, that we are going to be very, very diligent about, very conscious and we'll do it in a metered fashion, but we have to get this company ready for the next decade or 2. So that's going to come in a little bit over the course of the year.

And the second is our new contracts have some start-up costs, especially in the second and maybe a little bit in the third quarter. So we've got a little bit of that. But I think once we are sort of passed that as we get our fulfillment network and our overall platform around repair and maintenance fully established, and it should be in a much better state by the end of this year, as we are able to bring out more new technology, I think we will be able to then look at '24 as really the year where we transition into that sort of a realm on a consistent basis.

**Operator**

And our next question today comes from Ati Modak with Goldman Sachs.

**Atidrip Modak** - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

You talked about a lot of improvements in working capital in 2022. Are you now in a position to talk about normalized free cash flow conversion from EBITDA just yet? And if not, what else do you need to see happen before you get there?

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

Ati, look, I think a couple of things, right? Normalized is a very broad word for -- and it's all relative to a certain extent. I think we have made some tremendous progress on working capital efficiencies but I don't believe we are fully done yet. Look, the other thing for us is you have to recognize as you think about EBITDA to free cash flow conversion is we still have a sizable chunk of debt, right? So our debt and our interest payments, while they're very manageable now, our blended cost of debt is approximately 8%, which in today's market is very competitive.

We think we can certainly manage that, but it does create a little bit of a bump, if you will, on that conversion ratio. So I think we've got to take a little bit more time. And hopefully, by the second half of this year, we'll be able to talk a little bit more about from your perspective, what that normalized sense means. But we still think we've got opportunities to improve our overall working capital side, especially on our payable side.

**Atidrip Modak** - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Got it. And then, Arun, maybe one for you. Firstly, congratulations on the role, and we look forward to working with you. I'd like to get your view on what your key areas of focus are for the firm as you think about the role? And how do you think about the capital allocation priorities for the firm in terms of just the milestones you would like to achieve?

**Arunava Mitra** - *Weatherford International plc - Executive VP & CFO*

Thank you, Ati. Yes, I'm very excited to be in the role, a lot of work to be done, but a tremendous amount of progress has already been made and the excitement is palpable. So I'm very excited to be here. But I think to -- as Girish mentioned earlier, there is still work to be done on the working capital optimization. So I'd like to get to, on an unlevered basis, 40% to 50% conversion.

In terms of capital allocation priorities, as Girish has mentioned several times in the past, our priority is to recalibrate our debt structure, work on our debt, keep paying down debt, so that we have the flexibility and the resilience on our balance sheet when the down cycle hits. So resilience of the balance sheet is a clear priority at this stage.

**Operator**

And our next question today comes from James Hubbard with Deutsche Bank.

**James Richard Hubbard** - *Deutsche Bank AG, Research Division - Research Analyst*

Congrats on great results, the others have said. My first question is, I've been listening to all week BP, Shell and Total and others. They claim that they're saying mid -- low single-digit inflation on all of their CapEx. And of course, we've heard that story before from those guys and then it all goes in a different direction. But I'm just wondering, can you help me reconcile that with the obvious margin expansion we're seeing in the U.S. oilfield service sector yourselves included? I'm just wondering, do you not do much work for the majors? Is that the answer?

And then secondly, more philosophically, traditionally very cyclical sector and 20%, 25% EBITDA margins maybe to look forward to in the next few years. But then inevitably, at some point, we worry about an activity decline. And in the past, the sector has behaved by getting rid of lots of people. And it sounds like your -- over the last few analyst calls, you're trying to take a different approach with the new Weatherford.

And I'm wondering how would you envisage riding through the next downturn, whenever it may be, hopefully, many years from now, but when it comes, will it just be another slash 50% of the workforce? Or do you see a different path for Weatherford ahead?

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

Yes, James, both great questions. Thank you. Look, on the first one, I am never going to tell you that we do enough for any kind of a customer anywhere, we'd love to do more for all of them. But look, we do have a very wide mix. And again, as you look at our company, right, we have talked multiple times about our revenue mix, it is much more internationally geared, right? So 75% of our revenues are outside of North America. So as a result, we do have a greater proportion of preponderance of NOCs versus the IOCs.

So -- and look, we do work with all of the companies that you mentioned. They're all very important and strategic customers for us, along with a lot of the different NOCs. Look, when it comes to margin expansion, as we have talked to you, pricing is certainly a factor in that. But in addition to pricing, you have 2 other effects, right? The first is us working on our cost structure and improving the efficiencies on that.

And second is just a very simple sort of mathematical view of fall-throughs as they come in with -- on the same cost base because we don't add cost at that same level on a total company basis. So I think that's what gives us that margin expansion, and we continue to have optimism about being able to expand it into the future.

So having said that, look, your second question, I think, is really important and you're right. Look, we've tried to look at it very differently for the last couple of years. One of the tenets that I've spoken about multiple times is that we are willing to give up a little bit of that upside in this up cycle to make sure that we are fixing the company and we are protecting it on the downside when inevitably the cycle will turn.

Look, like everyone else, we hope and we believe, at this point, it's not going to be any time in the immediate future. But we are trying to build a company that is more cycle-agnostic, that is a little bit more cycle proof, if you will. And that mentality of as soon as you have a down cycle, you slash and burn your employee base, just doesn't work, that's no way to run an organization. So we are really working on scalable infrastructure. Look, as you look at our revenue growth, we exited 2020 with a run rate of approximately $3 billion.

If you look at what we are guiding to, our exit run rate this year is going to be 60% higher than that. But our employee base has not even gone up 10%, right? So it's a dramatic change in the way we are leveraging our resource base, how we are utilizing third-party labor and just getting more efficiency, but also driving automation into our services, into how we deliver to our customers. And again, that's also a big part of the margin expansion that we see.

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**Operator**

And our next question today comes from Doug Becker at Capital One.

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**Douglas Becker** - *CapitalOne Securities, Research Division*

Girish, I wanted to approach the margin outlook a little differently. Last year, Weatherford Group EBITDA margin's more than 300 basis points. Guidance for this year calls for at least 100 basis points of margin improvement and full disclosure, I'm trying to gauge the potential upside to that, but what assumptions around pricing benefits from the fulfillment initiatives are really needed just to reach that 100 basis point of margin expansion?

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

Yes. Doug, look, I will start off with saying our mentality and our approach of really being credible in terms of the guidance that we give and making sure that we have a pathway and a line of sight and having full transparency on how we get there and what changes, has not changed at all. If you recollect, even last year, look, we started at, at least 50 basis points, and we worked our way up as we saw more, and we saw activity in inflect up.

Look, as we have planned out this year, we have built in some assumptions on cost increases in terms of inflation. We have built in assumptions on wage increases. This is a high inflationary environment for all of our team members, so we are going to be doing a merit increase. That's something that's very important. And we have, as Arun mentioned, some start-up costs on these new contracts, nothing untoward, nothing that is concerning, but it's just a timing factor.

These are long-range contracts, 3 years for the one in Saudi and 5 years for the one in Oman. So we will have a little bit of an impact this year. But look, we do believe that pricing is going to continue to be a factor that is a positive contributor, but probably not to the extent that it was last year. We were able to get some very significant benefits, especially in the fourth quarter as we worked with customers and were able to explain our value proposition as well as our cost base.

So we think all of these -- look, we haven't broken it down in a quantitative fashion to give you the exact walk, but all of that feeds into, say, 100 basis points at least of margin expansion. And as we come back each quarter like we have done in the past, we will provide you with a granular update of where we see things and how much progress we have made on the initiatives to drive that.

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**Douglas Becker** - *CapitalOne Securities, Research Division*

That all sounds very reasonable. Europe, SSA and Russia revenue grew 22% sequentially. Just can you highlight which countries were the primary drivers of this growth?

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

So again, Doug, we don't break it out by country. But look, we had multiple growth areas. And you have to also look at it on a quarterly sequential basis but also on a total year basis. If you look at it on a total year basis, it was only a 4% growth year-over-year. So we also highlight some of the challenges that we see as opposed to the other regions.

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**Douglas Becker** - *CapitalOne Securities, Research Division*

Fair. And then Arun, you touched base on this a little bit, but I just want to get a little more color on what attracted you to Weatherford and maybe get your initial assessment of the internal systems and maybe down the road, would you anticipate providing segment guidance, not just total company revenue guidance?

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**Arunava Mitra** - *Weatherford International plc - Executive VP & CFO*

Yes. Thanks for the question. This is a question which has been asked pretty frequently in the recent past. And my common answer has been, I don't know what I was thinking, I should have been here a year ago. So this has been -- the excitement in the team is palpable. This does not look anywhere close to being a company, which had an existential crisis 3 years ago. This is a company which is on a platform to drive growth and continued margin expansion. So -- and although there was -- there is still a little bit of negative imperative out there in terms of when you Google Weatherford, if you dig deeper and understand what this management team has been able to accomplish over the last 2.5 years, it's extraordinary.

And of course, Girish has been able to put together a super management team, communication vertically, horizontally is very transparent. And some of the grassroot levels based on what I've seen in the last 30 days, there is alignment in the strategic direction of the company. So I'm very excited.

We don't do segment EBITDA margin disclosures. So as Girish highlighted earlier, the 100 -- the at least 100 basis points expansion compared to 2022, we do see an upside bias to it, but we'll be able to give you guys more color as the quarters progress in 2023.

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

Yes. And Doug, look, if I could just add to that. We are very committed to transparency, but we also need to make sure that we give you things that are constructive and helpful versus giving you more information that will just lead to more questions. Our job is to manage all of this together. And we always give you the full details on our retroactive base of exactly what happened in each segment, so to get a bit of a better sense around the company.

Look, given our size and scale, we still have a situation where individual product lines in a single country do have an effect, and we've got to manage that at a holistic level.

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**Douglas Becker** - *CapitalOne Securities, Research Division*

Fair point. And Girish, I don't say this on calls very often, but nice quarter.

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**Operator**

(Operator Instructions) Our next question comes from Gregg Brody of Bank of America.

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

Congrats on a great quarter. I don't say that very often either. Just -- you mentioned the capital allocation priorities. You're focused on recalibrating the debt structure. Can you just give us a little bit more color how you're thinking about that? And what is the right debt number today?

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

Yes. So Gregg, I'll take that. Arun and I have just started to have a lot of discussions as he's coming up to speed on that. Look, we have not explicitly laid out a leverage target or a specific debt number. But look, our priority has been to, first and foremost, take out the high cost of debt stuff or the stuff that we still have left. We took out another $20 million of that. We paid it down in January, we called it in December. So we're left at $105 million. The call premium on that goes away in December. So we'll continue to look at the economics on that. But I think suffice to say, look, that won't be an issue on the longer term.

We will get that taken care of. And look, what we started doing on an opportunistic basis in the fourth quarter, as we saw our bonds dipped below par a little bit just given the market volatility, we went in and got some of -- we were able to buy back some of those bonds. So look, we want to continue to pare down that cost of debt. Like I mentioned earlier, blended sort of 8%, we think, is very competitive, but we'd still like to bring that quantum down a little bit more. I think, look, once we are able to get our retrenching down the credit facilities, we get a few more quarters under our belt, we'll be able to come back and have a bit more of a specific conversation about that. So I would just ask for a tad bit more patience on that. But just look, it continues to be the biggest priority for us.

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

Right. And just last quarter, you put in place a new revolver. One of the -- I think one of the benefits of that facility was the ability to release some of the cash that's collateralized for LCs. Have you made any progress with being able to release cash? Is that something -- is there a way to think about how that may play out over the year?

**Arunava Mitra** - *Weatherford International plc - Executive VP & CFO*

Yes, Gregg, I'll take that. Based on what I've seen, I think we are on target to release about $50 million in Q1 and another $20 million in Q2. So we should be able to free up restricted cash to the extent of $70 million through the first half of the year.

**Operator**

And ladies and gentlemen, this concludes our question-and-answer session. I'd like to turn the conference back over to management for any final remarks.

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

Great. Thank you all for joining and taking the time today. We look forward to coming back towards the end of April and sharing our Q1 results. Thank you all.