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CORPORATE PARTICIPANTS

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

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

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

CONFERENCE CALL PARTICIPANTS

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

Douglas Lee Becker *Capital One Securities, Inc., Research Division - Research Analyst*

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

James Michael Rollyson *Raymond James & Associates, Inc., Research Division - Director of Oilfield Services*

Kurt Kevin Hallead *The Benchmark Company, LLC, Research Division - Research Analyst*

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

Saurabh Pant *BofA Securities, Research Division - VP*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Weatherford International Fourth Quarter and Full Year 2023 Earnings Call. (Operator Instructions) As a reminder, this event is being recorded. I would now like to turn the conference over to Mohammed Topiwala, Vice President, Investor Relations and M&A. Sir, you may begin.

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

Welcome, everyone, to the Weatherford International Fourth Quarter and Full Year 2023 Conference Call. I'm joined today by Girish Saligram, President and CEO; and Arun Mitra, Executive Vice President and CFO. We will start today with our prepared remarks, and then I'll 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's Investor Relations section following the conclusion of this call. With that, I'd like to turn the call over to Girish.

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

Thanks, Mohammed, and thank you all for joining the call. We are changing the format of our prepared remarks a bit. I will provide an overview of our operating performance, view on the markets, specifics on the transaction announcements and our priorities heading into 2024. Arun will then cover the detailed financial results and specifics on guidance before opening for Q&A.

2023 was an outstanding year for Weatherford. Revenue growth of 19%, adjusted EBITDA margins expanding 423 basis points to 23.1% and adjusted free cash flow of $651 million reflect an accelerated achievement of the short to midterm objectives we set for ourselves. Our growth has been driven across all segments with DRE and WCC in the high teens, reflecting increased drilling and completions activity. Geographically, our international leverage, coupled with share gains and pricing, enabled 26% growth.

I want to also highlight our North America performance, where we grew margins despite revenue declining in a weaker market environment. If there was ever a litmus test of the change in the Weatherford operating culture, our North America performance passes it with flying colors. Cost optimization, technology upsell and business model changes all helped to drive the profitability increase, coupled with our U.S. Gulf of Mexico business, which grew over 25% for the year.

Fourth quarter performance of $1.36 billion in revenue, EBITDA margin improvement of 34 basis points sequentially and $315 million in adjusted free cash flow was delivered on the back of the enormous passion and commitment of the entire One Weatherford team. It has been a privilege for me to witness what this team is capable of, and there is enormous emotion behind my simple thank you to each of our 18,000-plus team members.

Turning to the future. As the events of the past couple of weeks have shown, there is a fair degree of volatility and concern among the investor community. However, we remain confident in continued activity growth for our products and services across all segments, driven by international customer investment. We are now in the third year of a long-term upcycle. This upcycle shows clear signs of a longer duration than any time in the past couple of decades. The combination of energy demand, growth in emerging economies, reservoir declines and lack of sustainable investment over the past decade imply that even to maintain current rates of production, there will need to be continued investment and activity for oil and gas projects, at least through the end of the decade.

This outlook is supported by over 100 large projects with investments of over $1 billion each that are on track to reach FID over the next 3 years, in addition to nearly 700 smaller project FIDs as well. Also the large majority of these projects are in countries and regions where Weatherford has invested significantly and that positions us well for growth now and in the future. We continue to see the most momentum in our DRE segment with high teens growth in 2024 on top of mid-teens growth in 2023, reflective of our belief in the longevity of the cycle with growth in PRI to follow.

In summary, we see a lot of runway for opportunity. Let me start the geographical view with our North America business, which is actually 3 distinct pieces. The first in Canada should grow with the market in high single digits. Our offshore U.S. Gulf of Mexico will remain stable, and we expect to get more operating efficiencies. And finally, the production-oriented U.S. land business, which is approximately 13% of overall revenue in 2023 is expected to remain flat to slightly down.

On the international front, there is broad strength in both the onshore and offshore markets. Latin America was our highest growth region in 2023, and we expect to see that growth moderate in 2024 but still expand in the mid- to high single-digit range, driven primarily by Brazil and Mexico but tempered by Argentina and Colombia. In Europe and Sub-Sahara Africa, we expect offshore to be the growth driver, enabling mid-teens growth. As previously discussed, Russia continues to be uncertain, given the operational complexity as well as FX volatility. We expect Russia to continue to decline in revenue. And while it is difficult to predict, at this point, we are expecting a double-digit rate.

Our growth in 2024 will be spearheaded by the Middle East, North Africa and Asia reported geography, with countries like Saudi Arabia, Kuwait, UAE, Oman, Australia and Malaysia setting the pace. With high-teens growth expectations for the year in the Middle East, the most significant risk to activity growth continues to be geopolitical rather than broader macro themes. Clearly, there has been sector-related concern over the past week with the announcement on capacity expansion plans in Saudi Arabia. From all of our analysis, insight and discussions thus far, we expect that this will have a negligible impact on our projections. Our position in Saudi Arabia is mostly onshore. And while offshore represents a tangible opportunity, it is not one that we have factored in significantly into our multiyear outlook.

The Kingdom is a critical region for us but does not meet the 10% of revenue threshold to be reported on separately. We have clear line of sight to activity growth in the next few years that we are excited about and fully committed to supporting Aramco with our differentiated technology and services. To summarize, we see strong activity growth for the next several years and provide a platform for continued revenue growth.

We will also look to invest in CapEx and net working capital to support that growth. Simultaneously, our focus on margin expansion and cash flow conversion will not be dulled. We laid out our next target of 25% EBITDA margins and are well on track to achieve that in 2025. In 2024, we will make meaningful progress towards that ambition and don't see that goal as the defining limit for the company. We have expanded margins every single quarter since the first quarter of 2022. That's 8 consecutive quarters of margin expansion, and we remain fully committed to the conversion of those margins to cash as the primary driver of shareholder value creation.

As we see market growth continuing, we are also looking at ways to accelerate further. Inorganic growth enables that, and we are excited about the acquisitions we have closed. While small, relative to the size of the company, these are the first acquisitions for Weatherford in a while, and we are committed to a totally different integration paradigm than in the past. Our criteria for selection includes strategic fit, followed by margin accretion, positive cash flows, being deleveraging in nature and fitting within our market valuation envelope.

We have acquired 2 technology companies in the Wireline space from Turnbridge Capital: Probe and Impact Selector International, both widely recognized brands, and Ardyne, a leader in well decommissioning technology with whom we have had a partnership since the fourth quarter of 2022. We were meticulous in our approach to diligence and integration planning as both are critical pillars to ensure we achieve the full potential of these transactions in the coming years. Again, these are small but will be accretive immediately, and projections for them will be included in the overall guidance Arun provides. I also want to point out that agreeing to payment for 2 of these acquisitions primarily in equity reflects a strong belief from others and the potential for upward mobility in the stock.

Turning to our commercial and technology highlights. As in previous quarter, we received several noteworthy commercial awards across all our segments from various customers, like Qatar Energy, E&I, Exxon and PTTEP. In addition, we continued to demonstrate the strength of our portfolio with several significant technology highlights with major customers. The details of these are highlighted in our press release for earnings and investor deck.

Our 5 strategic priorities of organizational vitality, creating the future, customer experience, lean operations and financial performance remain unchanged for 2024. The initiatives, metrics and targets within each have evolved to further raise the bar, and we will keep you updated on these on our quarterly calls. Finally, I'd like to touch on some organization updates. I'm very pleased that we have been able to attract world-class talent, and I'm excited to share that we just welcomed Richard Ward to the company a few weeks ago. Richard joins as our EVP of Global Field Operations and will have responsibility for all of our geozone operations. Richard has a deep background in OFS with over 30 years in the industry.

We have also announced a couple of other changes to the executive team with the departures of Chuck Davison and Joe Mongrain. Both of them have made important contributions to the company and set us up well for the journey ahead and the transition plans will be seamless.

We have always asked to be judged by our results, and I hope you will see the intensity of focus on delivering for our customers and investors. Our operating performance has enabled us to reduce our gross debt to $1.7 billion currently, and our net leverage at this point is 0.7x. It is our expectation to pay off the secured notes by midyear and, following that, to provide a capital allocation framework, including shareholder returns.

As we enter 2024, Weatherford is a different company, both different from our own past but also within the sector. With the firm eye on the future, we are well on our way to building a purpose-driven, leaner and less capital-intensive organization that is focused on technology differentiation and operational excellence. My confidence in our ability to perform and execute is stronger than ever. With that, I'd like to hand it over to Arun.

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

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 very good fourth quarter to close out a spectacular year. Full year 2023 revenues of $5.14 billion grew 19% as all segments experienced growth with net income of $417 million, a 1,500-plus percent improvement and adjusted EBITDA of approximately $1.2 billion or 23.1% adjusted EBITDA margin, a 423 basis point improvement.

Revenue for the fourth quarter of 2023 was $1.36 billion, an increase of 4% sequentially and 13% year-over-year. Operating income was $216 million in the fourth quarter of 2023 compared to $218 million in the third quarter of 2023 and $169 million in the fourth quarter of 2022. The operating income was sequentially down, primarily due to restructuring charges taken in Q4 for rightsizing our footprint in certain locations.

Net income was $140 million as compared to $123 million in the third quarter of '23 and $72 million in the fourth quarter of '22. Adjusted EBITDA of $321 million in the fourth quarter increased 5% sequentially and 21% year-over-year, with adjusted EBITDA margin of 23.6%, a sequential improvement of 34 basis points and year-over-year improvement of 157 basis points. These results were primarily driven by increased activity, share improvement, pricing across all segments, coupled with solid operational execution. I would also like to highlight our performance on the integrated contracts in Oman and Saudi Arabia, which have now fully ramped up and are executing very well.

Now moving to our segment results for the fourth quarter of '23. While Drilling and Evaluation, or DRE, revenues of $382 million decreased by $6 million or 2% sequentially, primarily due to lower activity for drilling-related services in Latin America as impacted by weather, partially offset by increased wireline activity, full year revenues increased by 16%. DRE segment adjusted EBITDA of $97 million decreased by $14 million or 13% sequentially, primarily due to lower activity and change in mix around drilling-related services. But on a full year basis, DRE adjusted EBITDA margins expanded 308 basis points, reflecting the overall improvement in the operating profile of the segment with higher activity, cost discipline and increased traction in the marketplace.

Well Construction and Completion, or WCC, revenues of $480 million increased by $21 million or 5% sequentially, primarily due to higher activity and completions and cementation products in the Middle East, North Africa and Asia regions, partially offset by lower activity in North America. WCC segment adjusted EBITDA of $131 million increased by $12 million or 10% sequentially, primarily due to higher international activity and a favorable change in mix in tubular running services.

Production and Intervention, or PRI revenues of $386 million increased by $15 million or 4% sequentially, primarily due to higher activity in digital solutions and international artificial lift, partially offset by lower activity for international pressure pumping and lower activity in North America for artificial lift. PRI segment adjusted EBITDA of $88 million increased by $2 million or 2% sequentially, primarily due to higher fall-throughs for digital solutions, partially offset by lower international activity for pressure pumping.

Turning to cash flows and liquidity. For the full year 2023, operating cash flow was $832 million, up $483 million compared to 2022. And adjusted free cash flow was $651 million, an increase of $352 million. In the fourth quarter, we generated operating cash of $375 million, up $203 million sequentially, and adjusted free cash flow was $315 million, up $178 million sequentially, a strong performance on the back of strong profitability and heightened collections. During the fourth quarter, we were able to collect an additional $140 million of outstanding receivables from our largest customer in Mexico as a result of a financial transaction with a third-party financial institution.

We ended 2023 with net working capital at 25.8%, but that number is significantly aided by the transaction I just referenced. Our journey of improving our net working capital efficiency is far from complete, and we remain optimistic about the opportunities to further improve. In the years to come, our goal is still to achieve a net working capital level of 25% of revenue. And to achieve that, we will continue to drive improvements, efficiencies across billings, collections management and inventory management, which are key performance drivers.

Fourth quarter CapEx was $67 million or 4.9% of revenue, and full year CapEx of $209 million or 4.1% of revenue marked a notable increase in investing for growth while CapEx still within our range of 3% to 5%. Every dollar of CapEx incurred is rigorously monitored and focused towards providing incremental returns for the business. Our CapEx thesis of 3% to 5% is still valid in this environment, but important to note that it is over a 12- to 18-month rolling window.

We closed the fourth quarter with total cash of approximately $1.06 billion, up $117 million sequentially. We repaid an additional $151 million of 6.5% senior secured notes in January 2024. This brings the total amount of the 6.5% senior secured notes outstanding to $97 million as of the date of the release. Our net leverage ratio of 0.7x at the end of 2023 marks the lowest-ever level in the company in over 15 years, and we will continue to address gross debt to give us more degrees of freedom.

I would also like to highlight that our return on invested capital, which is net operating profit after taxes over total invested capital, stood at 27.2%. This top-tier performance provides a clear demonstration of our focus on creating value through our operating paradigm. Finally, during the fourth quarter of 2023, credit rating upgrades from S&P to B+ with a positive outlook and Moody's to B1 with a positive outlook and Fitch Ratings initiating a rating of B+ reflects the tangible improvements we have made in our operating performance and balance sheet.

Turning to our full year 2024 outlook. We expect consolidated revenues to grow by double digits to low teens compared to 2023. All segments are expected to grow, with DRE forecasted to deliver high teens, WCC to deliver mid-single digits, and PRI to deliver high single digits growth. Full year consolidated adjusted EBITDA margins are expected to make meaningful progress towards a goal of 25%, with the goal of that being the exit rate for the year. We expect 2024 adjusted free cash flow to be greater than $500 million in spite of higher CapEx, higher cash taxes and net working capital investment. This represents adjusted free cash flow generation at the same levels as 2023 adjusted for the onetime acceleration described earlier.

CapEx for the full year is expected to be approximately 5% of revenue. For the first quarter 2024, we expect consolidated revenues versus the fourth quarter of 2023 to decline by low single digits, driven by seasonality. Across the segments, DRE revenue is expected to grow by high single digits, WCC is expected to decline by mid-single digits, and PRI is expected to decline by high single digits.

Adjusted EBITDA margins for the first quarter 2024 are expected to expand 25 to 50 basis points versus the fourth quarter '23 and expect it to expand by greater than 120 bps over first quarter 2023. CapEx is expected to be in the range of $55 million to $70 million and adjusted free cash flow is expected to be positive. Thanks all for joining the call. And operator, let's open up the call for questions, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

And today's first question comes from Luke Lemoine with Piper Sandler.

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

Girish, you addressed the elephant in the room with your thoughts on Saudi during your prepared remarks with how this is unfolding and the minimal impact to you, and we decree that the future cuts to Aramco CapEx are coming from offshore, Safaniyah and Manifa and you haven't factored any of this in your multiyear outlook. But could you just refresh us on which land projects and/or fields you're working on within the Kingdom?

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

Yes. So we're working on several different ones without going into hyper specifics, Luke. We provide services across the spectrum as well as provide products. One of the things that is interesting about our business, we also provide products to some of the integrated projects that other service companies run as well. In addition, we've got our specialty services like MPD that we've got a very strong position in Saudi, so a lot of different ones.

Plus Luke, lastly, we also have our own integrated project that we had talked about in Q4 of 2022. We ramped this up. This is the LSTK project on intervention services. So really across the board, like we mentioned in our prepared remarks, the business is mostly onshore but we see offshore as a very tangible opportunity and we do work over there today, mostly in the form of product sales.

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

Okay. And maybe just kind of generically within the Kingdom, I mean, there's a decent amount of gas exposure as well for you guys, right?

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

Yes.

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

And then you touched on it a little bit just kind of with the integrated projects within Aramco, but just globally, these been growing fairly substantially. Can you just update us on where these are, what's to come? And how we should think about growth and profitability within the integrated project business for you guys?

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

Sure. So look, I think a couple of things. We really -- we've got a couple of different models on the integrated projects. First of all, these are not really construction projects. They're really more sort of what we do on a normal basis, just integrated and fully. Now some of these, we do not provide the rig and those tend to have a significantly higher profitability and are significantly accretive. So we started that in Latin America, in Mexico, for example.

And then we have projects where the rigs and other pass-through services are included. So when you have that model, the profitability tends to be lower, but that's only because of the pass-through services. The intrinsic profitability of the core services and products that we provide is still very accretive to the company as a whole. And most significantly, these projects have a very high degree of cash flow conversion because of the minimal CapEx. They also provide a baseload of absorption for the company, so we think of them as a very positive thing overall.

Now having said all of that, look, it's not something that we are going to just go nuts on and take on a lot of these things. We are going to be very careful, like we have been, in terms of the projects that we will take through. So today, we've got a decent number of these projects, but really, it's going to be very measured, and we'll probably do order of magnitude, maybe 1, max 2 additional ones a year but nothing more than that.

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

Okay, got it. Very nice quarter for cash flow.

Operator

And our next question today comes from James West of Evercore ISI.

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

So your -- the debt paydown is now well underway. The balance sheet is in great shape. Free cash flow continues to surprise the upside, and I echo Luke's comments about a great free cash flow quarter in the fourth quarter. So the shift now in your -- well, I think there's probably a shift coming in kind of the strategic priorities for the business. So one, is that true? And two, is this shift, which I think would be more offensive in nature, what would you define as the characterizations of that shift? Is it M&A? Is it market share? Is it continue to just block it and tackling as internal? What are the main characteristics?

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

Yes. James, look, I think a couple of things. First of all, I appreciate the comments. The way I would characterize it is the balance sheet is still not at a great position. It's still -- but it's definitely gone from being in pretty dire straits to being in a good position. So we still have some wood to chop. Our gross debt levels, as everyone knows, are still a tad bit higher than what we would like, so debt will continue to be a priority with the secured notes being the immediate one and then continuing to chip away the rest of the debt stack. So that's still going to be important.

Look, if you look at the rest of it, though, you're right, there is a shift. And I think it's multidimensional as you've pointed out. As we mentioned in our prepared remarks, once we have the secured notes taken off, there will be a conversation on overall capital allocation, including shareholder returns. We recognize that, that is something that is on everyone's mind so we will come back and address that.

Investment into the business is always a priority. We have not slowed that down. Look, over the last couple of years, we have continued to increase investment into technology, especially as well as into CapEx. And as Arun pointed out in his remarks, you see some of that evolution flowing. The inorganic nature of our posture will be, I think, a little bit more apparent. We've announced 3 transactions today, one of which we paid for in cash. It was small, the rest -- the other ones predominantly in equity. So I think there will be a balance of that.

But look, we're going to be very careful about M&A. We are not ever going to be a serial acquirer. Again, I want to make sure that I'm very explicit about that. That is not who we are. But we will do it very selectively where it makes sense and we've got very robust integration plans. So I think it will really be a combination of those things, investing into the company, continuing to shore up the balance sheet from a reduction of debt and then really thinking about what are the inorganic opportunities and with what's left over, how do we create more shareholder value creation.

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

Yes. And James, just to add to that, it is not only the gross debt, it is also the cost of debt. So our cost of debt, which translates into interest coverage being lower than our peers, is something that we need to keep working on but completely aligned with just what Girish outlined.

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

Okay, okay. Makes sense. And then maybe a quick follow-up from me. Some of the conversations we've had in recent months have talked a bit more about leaning out the operations. You're competitive on with your pricing structure versus your peers. There's no discounting to win market share anymore. And so -- but your margins are up a lot and they're chasing a major peer. So curious, though, what opportunities you see on the margin side. I know you highlighted in your prepared comments that there's more room to go here. But could you talk a bit about kind of what the opportunity set is there for margins?

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

Yes. So I think there's a couple of different things, James. So first of all, I'll touch upon our big fulfillment initiative. We've made tremendous progress on this, but it's still one that hasn't really fully sort of reflected in the results. I'm tremendously excited about what we will see over the course of this year, and then it will really start to deliver in 2025.

So this is a couple of different things. The simplest form of it is facility consolidation but that's frankly not the big target here. It's about strategic sourcing, moving our supply base closer to where our factories are, making sure we've got better cost controls. We've got better sourcing opportunity. So we think there's a huge opportunity moving to best-cost countries, for example. We've talked about that in the past. So everything from manufacturing, repair and maintenance, sourcing and logistics, we think that's got a significant role to play in our margin expansion thesis.

Second thing, as you think about the company and our history, as we have gone way up and then come down, the company has a legacy of complexity just driven by a variety of different acquisitions, all of the different countries we played, our tax, our legal entity structure, et cetera. So our team has done a fabulous job over the last couple of years so simplifying that, but there's still some room to go to continue to further reduce that and simplify the operational flow, reduce manual intervention in a lot of our processes and essentially get not just margin expansion but also get velocity, so cycle time improvement, which will help our cash flow conversion.

Operator

And our next question comes from Atidrip Modak with Goldman Sachs.

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

You guys spoke about this a little bit but didn't really go into detail, so I guess I'll take the opportunity to ask. So with all the notes that you've been able to pay down so far, how are you thinking about the right balance between dividend share repurchases and when should we sort of wait to hear from you?

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

So Ati, our priorities haven't really changed. As you noticed, we've made meaningful progress in getting to where we need to. We have about $97 million of the senior notes which are still open, and we have to eliminate that before we engage in a shareholder return discussion. And as we've maintained in the past, we expect to be pared by the mid of this calendar year. And beyond that, having a framework and discussing specifics of the framework in terms of what shape it takes, the how, what, when is something we'll give you guys more clarity in maybe another 3 to 4 months later.

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

Yes, if I could just add to that. Look, we have said this. I know there is a lot of interest and specifics on this, all the options on the table. Our focus is going to be creating something that is sustainable over the long term and that we have line of sight to. We are not really looking to do something that is just going to get us a quick set of announcement interest, et cetera. We just want to make sure we're really thinking through not just the long duration of the company but also on a multiyear basis, on a through-cycle basis to make sure it's really sustainable.

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

Makes sense. And then on the CapEx, you guys mentioned 5% of revenue. Can you provide color on where that CapEx is going to be directed across your service lines for that organic growth component? And help us understand the long-term objective in terms of the revenue and margin impact you expect from that.

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

Yes. So Ati, a couple of things. So typically, our DRE segment tends to be the biggest recipient of CapEx, just given the service nature. We've got a lot of demand for drilling tools. We've got obviously a lot of demand for MPD. And then there is also a fair amount across the segments of replenishment and maintenance CapEx requirement.

The other thing, though, that I think is important to point out this year is we announced a couple of very significant contracts with Petrobras in the offshore space. So these fall into our PRI because they're intervention services space. So that is a very significant driver. And from an increase standpoint, it's probably the most significant increase. So in terms of the returns, though, Arun talked about our return on invested capital. It is a very, very solid number at this point in time. So our goal is to continue to keep driving that in the upward direction.

But look, a big part of the margin expansion that you see is a result of these CapEx investments. Not only are we able to get increased revenue with higher fall-throughs, but we're also looking to see how do we increase the efficiency of our operations with improvements in the technologies that we deploy.

Operator

Our next question comes from Jim Rollyson with Raymond James.

James Michael Rollyson - *Raymond James & Associates, Inc., Research Division - Director of Oilfield Services*

And I echo the same thing which Ati just have said, which is a great quarter and especially on the free cash flow side. But maybe just a little bit picking on 2024. You exited the year with 23.6% EBITDA margins, obviously guiding higher sequentially kind of gets you closer to 24%, and it sounds like as the year progresses, we're going to be inching closer to 25%. How are you thinking about that average progression throughout the year from a margin perspective? It sounds like we're going to probably end up somewhere north of 24% for the full year this year as we transition towards that 25% in '25. Is that a reasonable read?

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

Yes. Well, look, North is all kinds of stuff, Jim. So look, I think a couple of things. One is, as Arun pointed out in his prepared remarks, we will exit the year, we believe, at a 25% so there will be a progression over the course of the year, but it's not going to be sort of big jumps. It's probably going to be a little bit smaller increments. And look, it's not necessarily going to be evenly spaced across the quarters. We've got typically a third quarter that tends to be a service-oriented quarter, a second and fourth quarter that tend to be more mix driven through products. So there is a little bit more (inaudible) like that.

So look, I think overall, as we have said, we will see meaningful progress towards the 25%. But we have been very clear that, that 25% is sort of a 25% by '25 kind of a target. So that's where we will expect to land. I think the other thing to point out, as I said in my prepared remarks, our philosophy has always been, we set a target. We provide a line of sight to it. We achieve it. We make sure we're sustainable and then we raise it up. But we did point out, look, we don't think that, that is necessarily a defining limit. So we are constantly looking for other ways to raise the bar as well.

James Michael Rollyson - *Raymond James & Associates, Inc., Research Division - Director of Oilfield Services*

Absolutely. And then obviously, you clearly detailed there's a lot of things going on that seem to extend beyond -- well beyond 2025. Switching gears on a follow-up. Obviously, you talked about CapEx and you were a little more active on the M&A front this quarter. And it sounds like that could be part of -- opportunistically part of your incremental growth strategy. Just curious, as you think about M&A, pretty strategic in your directive on what you're focused on, but are they mostly things that you're looking at mostly on the smaller side, like the transactions you announced today? Or are there any larger transactions that you would contemplate as you go forward and your balance sheet continues to improve?

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

Yes. Look, Jim, we would certainly contemplate it. The criteria don't really change, though, right? So that's the important thing for us. We are not interested in driving scale for the sake of scale. We want to drive scale for value creation. That's the most important thing. And we believe that, first of all, there has to be a strategic thesis. We've got to do things that will improve the overall margin profile of the company, will increase our ability to generate cash.

So as we do all of that and then we look at our valuation envelope for it to make sense, that's how we look at it. So yes, we will certainly entertain larger transactions. We have looked at several. But it's taken us -- look, since I've been in the company, it's taken us 3.5 years to get to this point

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because we set a pretty high bar, and especially given our history, I think that's warranted. We want to make sure that everything that we do on the M&A space is exceedingly well thought-out and has integration plans that will actually deliver the value that we have committed to.

Operator

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

Douglas Lee Becker - *Capital One Securities, Inc., Research Division - Research Analyst*

So the revenue growth guidance a little bit higher than some of the competitors. I just want to get a sense for how much of that is driven by the acquisitions announced versus just maybe the smaller base or some of the unique opportunities that Weatherford has.

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

Yes, Doug. So that's why I tried to stress the word small a couple of times in my prepared remarks. Look, our -- we've been talking since sort of the late summer last year about double-digit revenue growth. So it wasn't overly influenced by our acquisitions and we've been sort of thinking through this. We've also had some things that have pressured us on the downside. I talked about Russia. We obviously know the situation in North America.

So I think, look, in terms of the smaller number, yes, you're right, it's a smaller base for sure. But for now a couple of years, we've been talking up numbers that are in excess on the international side. And I think that's a combination again of the opportunity to grow. So the portfolio that we have, which is really broad spectrum, full-scale services, coupled with the specialty services, give us an opportunity to really increase the value proposition that we can offer customers. And that's what we really think is driving the growth.

Douglas Lee Becker - *Capital One Securities, Inc., Research Division - Research Analyst*

Got it. And will these primarily be in the DRE segment?

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

So it's a mix, Doug. So the 2 wireline technology companies will be in the DRE segment, and Ardyne, which is in decommissioning, will be in the PRI segment.

Douglas Lee Becker - *Capital One Securities, Inc., Research Division - Research Analyst*

Okay. And then just real quickly on the net working capital, the 25.8% this year benefited from the financial transaction you highlighted. Maybe just what was the normalized net working capital there? And what's a reasonable target for this year as the company is moving toward that 25% of revenue over time?

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

Doug, this is something I've maintained. The idea is to keep improving the metrics. So while we were helped by this transaction at year-end, we did make meaningful progress on a few of these metrics this year, even if I were to carve out the year-end transaction. So the idea is to improve on a normalized basis at least 100 basis points every year and with the long-term goal being on a sustainable 25% investment in working capital in the next couple of years.

Operator

And our next question today comes from Saurabh Pant with Bank of America.

Saurabh Pant - *BofA Securities, Research Division - VP*

I guess if we can spend a little time on offshore, Girish, if you don't mind. I know I think you said in your prepared remarks, Gulf of Mexico revenues for you grew, I think, you said more than 25% in 2023. I know, Girish, you haven't given specifics on your offshore exposure, but to the extent you can talk about that opportunity for you over the next couple of years or maybe more than a couple of years, elaborate on that a little bit and maybe give us a little more color on TRS and MPD from that perspective.

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

Sure. So I think, look, it continues to be a really exciting space. We traditionally talk about MPD and TRS first when we talk about offshore, but there's several other things that contribute to our offshore exposure. First of all, there's intervention services. We do a lot there. These 2 contracts I talked about with Petrobras, for example, again part of our PRI segment, and we do a lot of more conventional intervention services across the board.

A lot of work around now decommissioning and plug and abandonment. So we think that will be an area of tremendous growth for us, both in the Gulf of Mexico as well as in the North Sea. So we think that's a huge opportunity. We also provide a significant amount of product sales into this -- some of our cementing products, some completions. So that's an area, especially on the completion side as we look to expand our presence and get more penetration.

At the same time, I would be remiss if I didn't point out here, we do a lot of other activity, including drilling. We have talked about our wins in the Gulf of Thailand, which is a high-temperature basin, where we do drilling services for PTTEP. We also do that in the North Sea for different operators. So it's a fairly broad spectrum set of offerings.

Look, on the MPD side, I'm tremendously excited about Modus. This is the platform that we launched. As we get more packages and we scale up, it will actually give us an opportunity to get into the jackup market, so that's something that we are looking forward to. So all of that to say, look, bottom line is we still see offshore as a significant area of growth for us. And given the traction that the industry as a whole has, we think we will be able to do more with that. The U.S. Gulf of Mexico, yes, grew significantly last year. I said in my prepared remarks that this year, we expect that to be a bit more stable. But some of the other offshore basins represent significant growth for us. Brazil, West Africa, Asia, North Sea, et cetera.

Saurabh Pant - *BofA Securities, Research Division - VP*

Right, right. Okay. No, that's very helpful, Girish. And then one maybe unrelated follow-up on the ISP or Integrated Services and Products business. So obviously, I think, Arun, you talked about in your prepared remarks on the Oman and Saudi integrated contracts fully ramping up and doing really well. And I think you got maybe one in Mexico as well. How should we think about that business relative to your overall growth?

Girish, I know you talked about maybe picking up 1 or at most 2 contracts like that a year. How should we think about that growing relative to the business overall? Does it grow faster than your overall business? And then just in terms of accounting, how you report some numbers, I got a few people asking me, on the all other line, Arun, if you can give us a little color on what goes into that within ISP and what goes into the main operating segments?

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

Sure. So Saurabh, the ISP business is -- we report ISP in 2 categories. Ones, which are product line-related make its way into the segments. And the one which is predominantly purchase resale and project management is the part that gets reported in all other. And that component is what kind of is dilutive to our overall margins as Girish outlined.

But having said all of that, it is also from a CCC standpoint, accretive because of low CapEx and lower inventories. So in terms of growth, I would almost consider the same growth as you consider for the enterprise or the ISP other segment. And it's not big enough for us to report as a separate segment. So once it does, you'll get transparency about that but we don't see it happening in '24 at least.

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

Yes. And look, Saurabh, for the first part of your question, what I would say is these ISP projects for us will be sort of really when they happen, they will create an accelerant to growth. We've not really factored into our projections anything significant that would happen as a one-off that would give us an added fill-up to the growth. So if that happens, obviously, we will come back, we'll announce that and outline that like we did in 2022 when we got these 2 awards.

But look, I think we are -- our whole thesis has always been make sure we win these, like with everything else, run it, stabilize around it, and the team has done an outstanding job of execution, which gives us the confidence to look to see what else we can do.

Operator

And our next question comes from Kurt Hallead with Benchmark.

Kurt Kevin Hallead - *The Benchmark Company, LLC, Research Division - Research Analyst*

So Girish, first on your end, right? You referenced that there's something like 100 large projects and a number of smaller projects that are expected to be up for FID over the course of the next 3 years that would then provide some visibility for revenue growth out through the end of the decade. So again, not looking for specifics here, but maybe in the context of that total addressable market, when you look at the different regions in which you report your operations, which regions do you think would offer the highest growth?

And how would you kind of rank the regions in terms of, again, whatever risk adjustment you mentally want to put into the process of what may happen or what may not happen, I'm just curious as to what regions do you think will offer the biggest growth opportunities for you through the end of the decade.

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

Yes, Kurt. Look, I think our overall thesis on this remains reasonably intact. I'll start with look, head and shoulders, we think the Middle East continues to be the one that spearheads the growth, sort of the broader Middle East. And it's really sort of secular. It's countries like the Kingdom of Saudi Arabia, it's UAE, Oman, Kuwait, et cetera, including North Africa, right? So you've got Egypt that continues to be a really interesting opportunity, several other projects, et cetera.

The one maybe question mark on the Middle East is Iraq, just given some of the challenges there. But in the long term, we expect that to be positive as well. The second one is Latin America. And look, in Latin America, Brazil is sort of leading the way but Mexico is pretty strong as well, both Pemex as well as all of the other operators that are -- that have got activity in Mexico. And then there is, I think, a little bit of a question mark as we see how Argentina fares over the course of the year, hopefully comes out to be a very big positive. And actually, over the next 4 to 5 years becomes a big boost to growth.

And then look, the last piece of it, I would say, Sub-Saharan Africa. There's always a higher degree of risk to some of the projects there, but we see that both on the East and West Africa side to be a fairly positive signal. So look, multiple different areas but we've also got growth in Asia. We've got growth even in North America. So I really think for the next few years, we've got a positive outlook.

Kurt Kevin Hallead - *The Benchmark Company, LLC, Research Division - Research Analyst*

I appreciate that. And I just wanted to circle back on the commentary about expect CapEx to average 5% of sales on a full year basis. And I think that dovetails with what you mentioned in terms of contract wins and satisfying those contracts. But in a certain extent, if there is anyone who might get a little bit nervous, it's always when oil service companies start to increase CapEx. So I was just wondering if you could give you an opportunity here to kind of address that in the context that I'm assuming you're not ramping CapEx in anticipation of things, you're ramping CapEx to address specific contract awards.

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

Yes. Kurt, I appreciate the question. We've been very clear about this. And we've spent a lot of time thinking through our 3% to 5% framework, doing a lot of analysis on it. And we have stuck to that now for a while. This is down significantly from what used to be the normal, 7% in an up cycle, 10% to sometimes 12%. So it's already significantly curtailed. But the way we look at CapEx is we are not sort of following this philosophy of build it and they will come. It is very project-specific. It's where we've got line of sight and a clear view on potential contingency plans on redeployment, et cetera.

And as we have stated on these calls multiple times, look, we are actually reasonably comfortable if we miss out on some of the opportunities that we could have had if we had built more CapEx because we want to make sure we've got the right capital model, the right capital intensity on a through-cycle basis because we are in a cyclical industry. So we are very, very careful about that. And I think you see that reflected in our return on invested capital metric that Arun referenced.

Operator

Thank you. And ladies and gentlemen, 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 K. Saligram - *Weatherford International plc - President, CEO & Director*

Great. Thanks, Rocco. Thank you all for joining today, and we look forward to joining you again in about a few weeks' time to give you an update on the Q1 results. Thank you, and have a great day.

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

Thank you.

Operator

Thank you, everyone. 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.
