

LSEG STREETEVENTS

EDITED TRANSCRIPT

WFRD.OQ - Q1 2026 Weatherford International PLC Earnings Call

EVENT DATE/TIME: APRIL 22, 2026 / 12:30PM GMT

OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

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

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

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

CONFERENCE CALL PARTICIPANTS

J. David Anderson *Barclays Services Corp - Analyst*

Scott Gruber *Citigroup - Analyst*

James West *Melius Research LLC - Analyst*

Saurabh Pant *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Doug Becker *Capital One Securities, Inc - Analyst*

Derek Podhaizer *Piper Sandler - Analyst*

James Rollyson *Raymond James - Analyst*

Phillip Jungwirth *Bank of Montreal - Analyst*

Keith Mackey *RBC Capital Markets Inc - Analyst*

Josh Silverstein

Ati Modak *Goldman Sachs Group Inc - Analyst*

Josh Jayne *Daniel Energy Partners - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Weatherford first-quarter 2026 results conference call.

(Operator Instructions)

As a reminder, today's event is being recorded. At this time, I'd like to turn the conference call over to Luke Lemoine, Senior [Vice President] (added by company after the call) of Corporate Development. Sir, you may begin.

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

Welcome, everyone, to the Weatherford International first-quarter 2026 earnings conference call. I'm joined today by Girish Saligram, President and CEO; and Anuj Dhruv, Executive Vice President, and CFO. We'll start today with our prepared remarks and then open it up for questions. You may download a copy of the presentation slides corresponding today's call from our website's Investor Relations section.

I want to remind everyone that some of today's comments include forward-looking statements. These statements are subject to many risks and uncertainties that could cause our actual results to differ materially from any expectation expressed herein. Please refer to our latest Securities and Exchange Commission filings for risk factors and cautions regarding forward-looking statements.

Our comments today also include non-GAAP financial measures. The underlying details and a reconciliation of GAAP to non-GAAP financial measures are included in our earnings press release and accompanying slide deck, 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 Saligram - *Weatherford International PLC - President, Chief Executive Officer, Director*

Thanks, Luke, and thank you all for joining our call. I'll start with an overview of our financial and operational performance, followed by our short-term outlook on the markets. Anuj will then cover specifics on financial performance, balance sheet, detailed guidance, and I will wrap up with some thoughts on the current operating environment and structural market dynamics before opening for Q&A.

To summarize our Q1 2026 performance, we delivered revenue of \$1.152 billion, adjusted EBITDA of \$233 million at a 20.2% margin and adjusted free cash flow of \$85 million. I would like to thank all of our One Weatherford team and especially our Middle East-based employees for their focus on customers, safety and operational discipline in a complex and challenging environment.

I would also like to highlight our announcement during the quarter of our proposal to re-domesticate from Ireland to the United States, specifically Texas, which we believe will simplify our corporate structure, enhance capital management flexibility and support long-term shareholder value creation.

As illustrated on slide 3, revenue declined 3% on a year-on-year basis, but it is important to note that it was predominantly driven by the divestiture of the Pressure Pumping business in Argentina. On a sequential basis, revenues were down 11%, reflecting typical first-quarter seasonality and the conflict in Iran, partly offset by continued strength in parts of our international portfolio and some second-quarter opportunities that materialized earlier in the first.

North America was modestly softer as operators maintain tight budgets, and US land activity remained under pressure. Latin America declined sequentially as expected, but this was partly offset by higher artificial lift in Argentina.

In Mexico, we continued to make meaningful progress in the first-quarter. Collections remained strong and consistent, reinforcing our confidence in the new payment mechanisms we discussed on our last call. This not only supported our Q1 cash flow performance but also contributed to a sequential improvement in working capital efficiency.

The Middle East, North Africa and Asia region was impacted by the Iran conflict in the Middle East, which drove delays, dropped drilling and workover activity and resulted in project suspensions in multiple countries. Since the start of the recent Iran conflict and over the course of the past few weeks, our priority has been the safety and security of our employees and ensuring business continuity to the extent it was feasible.

Each country in the Middle East has been impacted in different ways, and we have taken actions in close coordination with customers and advice from local authorities. While the drop in revenue and resultant high decremental margins are the most obvious manifestation financially, we are also working through additional complexities.

Freight costs have risen dramatically. And with logistical disruptions, there are both delays and higher costs in moving materials and people to the appropriate locations. With a strong manufacturing, supply chain base and local expertise in the region, we were able to navigate the first month of the conflict well.

There was a financial impact, but that has been offset through contributions from the rest of the international regions and other items in the first-quarter. However, with the prolonged nature of the conflict, the impact of lead times, inventory drawdowns, logistical bottlenecks, the impact is expected to show more clearly in the second-quarter, both in the region and to shipments outside the region.

With the assumption that the conflict is behind us and activity starts to normalize towards the latter part of the quarter, we believe the conflict would result in about \$30 million to \$50 million profit impact over the first half of the year. However, we are very encouraged about second half 2026, along with increasing confidence in activity levels in 2027.

As the region rebounds in response to a growing need for energy security, we believe we will be well positioned to assist our customers in their efforts to normalize operations and provide that energy to the world.

From a segment perspective, WCC revenue was largely flat year-over-year with higher Liner Hanger activity partly offsetting lower cement position products and TRS activity in MENA. DRE revenue declined 8% year-over-year, primarily from lower activity in Latin America, MENA, and North America, partly offset by higher wireline and drilling services activity in Europe.

PRI revenue declined 11% year-over-year, mostly driven by the sale of our Pressure Pumping business in Argentina, partly offset by higher subsea intervention activity. Across all three segments, our product lines continue to benefit from differentiated technology, a strong installed base, and the operational and manufacturing capability we have built over the past several years.

Our first-quarter adjusted EBITDA margin came in at 20.2%. Typical Q1 seasonality resulted in lower margins, and that was further exacerbated starting in March by the Iran conflict. We remain focused on productivity and cost actions to support margin performance. And barring the Iran conflict persisting, we believe they will result in margin expansion in the second half of 2026.

We are also taking further actions to fine-tune our portfolio through a series of small non-core divestitures. These will each be smaller than our Argentina Pressure Pumping divestiture by divesting these businesses should remove lower-margin revenue from our portfolio base, reduce capital intensity and align with our strategic priorities.

Our adjusted free cash flow for the first-quarter was \$85 million, which was supported by very strong collections across most of our geographies, including continued progress on payments from our largest customer in Mexico.

Importantly, our Q1 working capital efficiency improved by approximately 100 basis points sequentially, reflecting disciplined execution and the positive impact of continued strong collections. We believe free cash flow conversion will improve for the full year versus our prior expectations with continued progress towards our 50% through-cycle target.

Turning to our segments. Slide 7 through 9 lay out key highlights. During the quarter, we continued to build momentum with new contract wins across our portfolio and key regions. These wins are a testament to our operational and technical capabilities to deliver a range of differentiated technology and cost-effective solutions for our customers.

I'm especially encouraged by key awards this quarter, including a multiyear integrated completions contract with TotalEnergies in Denmark, a five-year TRS contract with Phu Quoc POC in Vietnam and a multiyear contract with Shell to provide artificial lift in Argentina.

On the operational side, in our PRI segment, we completed the first AlphaV casing system deployment in the UK sector of Liverpool Bay. We also achieved important milestones in the Kingdom of Saudi Arabia, where we set a new global record for extended reach wireline work, logging over 29,000 feet measured depth with our Compact Well Shuttle system. Successfully executed the first rigless thru-tubing sand-control gravel pack there, restoring a shut-in gas well without a work over rig, and we also successfully trailed our rod lift system at the Jafurah gas field.

Now turning to our outlook. As we near the second half, we are encouraged by a number of contract awards and project start-ups that should lead to noticeable second half growth over the first half. However, it goes without saying that the conflict in the Middle East must conclude and operations must normalize to pre-conflict levels. These start-ups in the second half include Argentina, UAE, Brazil, Australia, Indonesia, and Egypt.

We are encouraged that second half 2026 international revenues could possibly be up year-on-year and are constructive on 2027 being a year of growth. Furthermore, we are seeing early signs of improvement in offshore deepwater activity, underpinned by rising service-related demands in core basins such as Gulf of America, Brazil, the Caribbean, and the Caspian Sea. With that, I'd like to turn the call over to Anuj.

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

Thank you, Girish. Good morning, and thank you, everyone, for joining us on the call. Girish has already shared an overview of our first-quarter performance. For a more detailed breakdown of the results, please refer to our press release and accompanying slide deck presentation. My comments today will center around our cash flow, working capital, balance sheet, liquidity, capital allocation, and guidance.

Turning to slide 21 for cash flows and liquidity. In the first-quarter, we generated \$85 million of adjusted free cash flow, representing a 36.5% adjusted free cash flow conversion. This compares favourably to the 26.1% conversion we delivered in the first-quarter of 2025 and was supported by very strong collections across most of our geographies, including continued progress on collections from our key customer in Mexico.

While sizable collections remain outstanding, recent payment trends have remained consistent, reinforcing our confidence in the full year free cash flow outlook. Our adjusted net working capital as a percentage of revenues was 27.9% in the first-quarter, a sequential improvement of approximately 100 basis points, driven largely by improved collections relative to the revenue base, supported by continued collections from our key customer in Mexico.

While the year-over-year comparison remains affected by the revenue base decline, we are encouraged by the direction of travel. All things considered, we remain fully committed to our internal initiatives aimed at achieving the goal of 25% or better. As we stay agile and adapt to evolving market conditions, we continue to execute on a series of cost improvement actions across the company during the first-quarter.

Our cost optimization efforts remain guided by two objectives. First, we are rightsizing elements of our cost structure, including headcount, real estate and supply chain footprint to better align with activity levels with a clear focus on ensuring each incremental dollar invested supports profitability.

Second, we are maximizing the productivity of the current cost base by leveraging shared services, digital platforms and artificial intelligence to enhance efficiency and margin performance.

We have seen the impact of these cost actions in the first-quarter, and they have helped partially offset the impact of revenue decrements, pricing pressure, geopolitical conflict in the Middle East and the Argentina divestiture impact.

During the first-quarter, CapEx was \$54 million or 4.7% of revenues, down approximately \$23 million compared to the first-quarter of 2025. As we align our budgets with the current market conditions, we continue to expect the midpoint of CapEx for the full year 2026 to decline relative to 2025.

Given our investment in our infrastructure programs, the mix of our CapEx spend in 2026 will be noticeably different. Our CapEx on product and service line assets will decline commensurate with market activity and the completion of build-out on key projects. But we will see an increase in IT-related spend on our ERP systems. We continue to remain in the 3% to 5% range that we have laid out and will make the appropriate and prudent trade-offs through the cycle with cash returns guiding our decisions.

In the first-quarter of 2026, we returned \$30 million to shareholders comprising \$20 million in dividends and \$10 million in share repurchases, reflecting the 10% increase in the quarterly dividend announced in January. Since the inception of the shareholder return program, we have now returned more than \$330 million to shareholders via share repurchases and dividends.

Our balance sheet remains very strong. At the end of the first-quarter, we had approximately \$1.05 billion of cash and restricted cash, and our net leverage ratio remained well below 0.5 times. This outcome reflects our focus on strengthening the capital structure over time. Our

stronger-than-ever balance sheet provides a solid foundation to not just navigate business operations in a challenging environment but also pursue strategic opportunities.

Turning to second-quarter 2026 guidance on slide 22, we expect revenues to be in the range of \$1.017 billion to \$1.110 billion and adjusted EBITDA to be between \$195 million and \$220 million. The sequential decline in the range is primarily a function of the Iran conflict and the operational disruptions in the Middle East. We expect adjusted free cash flow in the second-quarter to be broadly in line with first-quarter levels.

For the full year 2026, we have greater confidence in the second half ramp but are refining our guidance ranges to reflect the impact of the Iran conflict in the first half. Revenues are now expected to be in the range of \$4.5 billion to \$4.95 billion, and adjusted EBITDA is expected to be in the range of \$945 million to \$1.075 billion.

Adjusted free cash flow conversion is now expected to be in the mid-40% range, reflecting increased confidence on collections combined with our operational initiatives. And our effective tax rate is expected to be in the low to mid-20% range for 2026. Thank you for your time today. I will now pass the call back to Girish for his closing comments.

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

Thanks, Anuj. Before we open it up to questions, I want to step back and address the macro backdrop as I know it's the lens every one of you is applying to our results and to our guide.

The first-quarter unfolded against the most severe disruption to the physical oil market in the industry's history. I want to acknowledge and recognize the leadership, efforts and resilience of our colleagues, customers, and partners across the Middle East region. Our people performed extraordinarily through this period. Operations continued in a lot of cases, and the attitude and focus of our team was frankly one of the proof points I'm proudest of this quarter.

The conflict in Iran, the closure of the Strait of Hormuz in early March and the subsequent damage to infrastructure across the Gulf pulled roughly 20% of seaborne crude and significant LNG volumes out of the market almost overnight. Several well-respected sources have indicated this will take months to years to fully repair. The IEA has characterized this as the largest supply disruption in the history of the global oil market, and I don't think that framing is hyperbole.

The April 8 ceasefire was a welcome development, but OPEC+ March supply fell by more than 9 million barrels a day month-on-month and prompt physical cargoes are still trading at meaningful premiums to the strip. Even right now, it is clear with the daily announcements and volatility that the notion of the Strait being completely open to passage is not being manifested in reality.

Now what does all of this mean for our industry and specifically for Weatherford? I'd offer three observations. First, energy security has been fundamentally rewritten as a strategic priority, not as a slogan, but in capital plans. We are having conversations today with national oil companies, IOCs and independents that simply were not happening six months ago, and those conversations are about adding productive capacity, adding redundancy, and hardening infrastructure.

Second, the demand destruction the IEA is flagging in its most recent monthly update concentrated in Asian petrochemicals and aviation is, in our view, cyclical, while the supply response required on the other side is structural and multiyear. You cannot replace 9 million barrels a day of OPEC+ output with inventory releases indefinitely.

And third, while it won't happen overnight, the pricing environment for services should eventually tighten because the same service intensity that funds reinvestment economics for our customers is the service intensity that flows through our P&L.

Against that backdrop, our outlook for the second half of 2026 and into 2027 and beyond is candidly the most constructive it has been since late 2023. In the Middle East, we expect multiyear acceleration of capacity and resilience programs across Saudi Arabia, the UAE,

Oman, Iraq, and Kuwait and are very well positioned to participate given our installed base and our integrated offerings across drilling, completions, and production. There are structural multiyear tailwinds, and we should see a reacceleration of FID activity in North American, East African, and Eastern Mediterranean gas projects that had been previously deferred.

In North America, higher sustained prices and a renewed policy emphasis on domestic production should translate into rising completion intensity, and our portfolio is leveraged directly to that activity. In international offshore and in mature field intervention, where our artificial lift and well services franchises are differentiated, we see a demand set that looks to us more like the front end of a durable up cycle than a late cycle peak.

To be clear about what I'm telling you, while the immediate couple of months are a bit murky, we believe the industry is entering a period of multiyear visibility that is rare in this sector. And Weatherford's portfolio, our geographic mix and the operating discipline we've built over the last several years position us to convert that environment into earnings, free cash flow and capital returns at a rate that I believe the market has not yet fully appreciated.

We will stay disciplined, we will continue to execute on the capital allocation framework we laid out, and we will keep doing what we have done every quarter, tell you exactly what we see, deliver against it and let our results speak. Thank you for your time this morning. Operator, we're ready for questions, and please open the floor.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Dave Anderson, Barclays.

J. David Anderson - Barclays Services Corp - Analyst

So you tend to be a bit more measured in your outlooks, as we've seen over the years. But this is a pretty big shift in tone from you. Some inspiring closing remarks, and I agree this is -- seems to be a rare opportunity in terms of visibility. You were saying it's the most positive been since 2023.

I was wondering if you could talk a little bit more about the structural shift you're seeing. Maybe a few of the areas where you think you're really going to excel. And also if you could touch on some of those conversations you were mentioning, kind of how all the different customers are talking to you these days and kind of what those conversations are about. I just kind of want to see if you could elaborate a little bit more on all this.

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

Sure, Dave. Appreciate it. And look, you're right. We do tend to be a tad bit measured about it. But look, at the same time, we are always keen to point out that we are very clear about what we see and we deliver to that. And look, this time around, our comments truly reflect that we feel that the mid- to long term is incredibly positive for the sector.

Look, it's unfortunate the way it's come about. The backdrop is not great and especially from a humanitarian standpoint. But from a business standpoint, as this conflict comes to an end, we think it's going to really result in structural dynamics that are very beneficial.

So let me walk you through a couple of things. Look, first of all, as we pointed out and as everyone knows, there's been a lot of disruptions operationally on activity. So there is going to be a lot of work to go in and restart production. That's going to require service intensity. Again, we are very well positioned with our production portfolio.

What tends to happen when you've also got production that's shut in as some of our customers do, when you bring these wells back up, it's not a guarantee that you're going to get back at the exact same flow rates. And so you might have and likely will have in multiple circumstances, additional intervention work, et cetera, to go back in and make sure you're getting the same production rates. Again, very well positioned to participate in that.

And then lastly, you will, to offset that decline in production, need more drilling. And again, that's where our existing contract base comes very handy. On the other side of the equation, from a demand standpoint, what we think is, first of all, you're going to have to replace all the strategic reserves that have been depleted. That is going to take a fair amount of catching up to do.

But this notion of energy security that I alluded to in our prepared remarks, we think is really important, and you'll see a lot of customers do two things. First, customers who don't have any sources other than import, will look to expand their strategic reserves, and I think that will create a demand stimulus.

And the second is countries who have both oil and gas operations, but are still net importers will emphasize their own local operations a lot more heavily, and we are starting to see that today with multiple customers outside of the Middle East that we are talking to about expansion plans because they want to reduce their reliance on imports.

So net-net, what we think is this will lead to structurally higher oil prices and LNG prices, et cetera, which flows back to structural demand for our business. And so we think, look, coupled with what we see in the offshore side of the world, we think for the next few years, this is going to result in significantly more opportunities for us.

J. David Anderson - *Barclays Services Corp - Analyst*

The world has changed.

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

Indeed.

Operator

Scott Gruber, Citigroup.

Scott Gruber - *Citigroup - Analyst*

I want to stay on the Middle East, just given that the activity set has been very dynamic there and your exposure differs a bit from larger peers. So just curious if you could walk us around the region, which countries and which product lines have been most impacted by activity disruptions, which have been more resilient? Just some color on that complexion and that dynamic would be great.

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

Sure, Scott. Look, I want to start off by truly acknowledging our gratitude to our customers. Their leadership has been phenomenal in the face of some very adverse circumstances. So Aramco, ADNOC, KOC, PDO, the list goes on and on. Every single customer has really, really

taken a lot of effort to ensure safety, the security of all of our employees, making sure that everyone feels safe, facilitating logistics, and that's helped a lot.

Look, as we look at it, before I go country by country, one of the things that's important to note, for us, you're right, the Middle East has been our largest region. It's the region where we have the largest share. But as a result, we have a lot of local capability in the region as well. We have local capabilities in each country. It's also where we have our flagship manufacturing.

And as a result, we were able to withstand the first month of the conflict reasonably well. We had built-in inventory levels, and we worked out alternative logistics routes within the region to make sure that everyone was well supplied and well stocked.

As we look at it sort of on a country-by-country basis, everything is -- every country is a bit different. In Oman, for the most part, operations have been fairly normal, and there's really been no disruption. In Kuwait, we have seen some disruptions and some slowdown of activity. In Iraq, there has been some suspension of projects, and that is where one of the countries where we had to evacuate some personnel as well early in March.

In Saudi Arabia and the UAE, most of the operations have been normal with the biggest impact being on the offshore side. So I think what we have really seen over the course of March is on a day-by-day, week-by-week basis, things started to slow down a little bit more.

And so that's why, as we pointed out, we did have an impact, but it was muted, and we were able to offset it with other things. And then going into April is kind of when everything was sort of at the level that we are currently seeing that run rate off and truly sort of at a disrupted level.

Operator

James West, Melius Research.

James West - Melius Research LLC - Analyst

I wanted to kind of flip the Middle East question around and talk about or get your thoughts on countries that have restarted operations because we're hearing about activity pickups in Iraq, in Kuwait, Saudi on land didn't really shut down.

And so the disruption is not 100% everything in the Middle East is down, it's not that the countries aren't trying to get back to work either. We obviously have storage issues and transport issues. But it seems to me like the -- your customer base is trying to get back to operations. And I wanted to clarify if that's the case and if that's what you're seeing.

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

Yes. Look, I think that process has certainly started. Again, it varies on a country-by-country basis, James. I'll start with Qatar, which was probably the most affected. I didn't talk about Qatar earlier. Again, QatarEnergy has done a wonderful job with their leadership of making sure that safety was truly the number one priority for personnel, but they've started to start drawing up plans, get back, et cetera.

But look, I think rightfully so, every country, every customer is being careful about this, is being cautious, is being thoughtful and making sure that they are prioritizing safety and security above everything else, but also doing this in a fashion that is going to be sustainable over the long term versus just a let's rush back and do something that is half baked.

So we are starting to see a little bit of a normalization. But I think until the Strait fully opens and everyone can start loading up cargoes, it's going to be very difficult to get back to that full sense of normalcy just because storage capacity is essentially running out and there's nowhere to go with the barrels.

So I think that's going to be a gating factor on really getting back. And then, of course, making sure that the cease fire is truly permanent on the offshore side, especially, I think that's going to be another thing that everyone is going to look at.

So we are starting to see plans getting drawn up. Everyone is starting to work towards that. There is a little bit of activity in a few places, but nothing yet that would suggest that we are back to immediate normalcy. But I'm confident that, that will happen and hopeful that it will happen over the course of the quarter.

Operator

Saurabh Pant, Bank of America.

Saurabh Pant - Bofa Merrill Lynch Asset Holdings Inc - Analyst

Girish, maybe I want to flip a little bit and talk a little about Mexico. It seems like things are steady, positive. And steady is more important than positive alone, perhaps, right?

But I saw in your press release, you were talking about a rebound in activity in Mexico in 1Q, but I know that's from a low base in 1Q of last year. So maybe you can talk to how things are moving on the ground in Mexico. And then any early commentary you can give, Girish, on 2027, how that might roll in Mexico?

And then perhaps, Anuj, if you want to just talk a little bit about the new payment mechanism with your largest customer there? And then just what's baked into your free cash flow outlook for the year, just from a collection standpoint?

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

Sure. Saurabh, look, on Mexico, I think suffice to say, we are very encouraged by what is happening. Look, we have said this multiple times, it's really about being steady right now. And thank you for noticing that. It's not about now all of a sudden a big growth inflection, but we are encouraged that there is stability. We think that stability will continue on an activity level. And look, there's now additional customers as we diversify our revenue base in Mexico.

So I think over the next few years, it will be a bright spot. Right now, we're just very pleased with the fact that activity levels have normalized, and we are starting to get paid. And I'll let Anuj talk a little bit more about that.

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

Sure. So on the payments and collection standpoint, Saurabh, we are very constructive on collections. So if you recall, last year in 2025, the government of Mexico announced a few structural reforms with the essential goal being to create an environment where our largest customer in Mexico is structurally and financially sound. And that included pre-capitalization, it included other tax reforms. And so real structural changes and not cyclical changes that were put in place.

And since then, the collections or the payments, I should say, from our largest customer in Mexico have been like clockwork. They put in a \$13 billion mechanism for payments from Banobras, and that mechanism has worked extremely well. So in Q4, we received a large payment from them. In Q1 of this year, we received a large payment, and we expect this trend to continue. And so we're expecting collections to come in Q2 as well as in the back half of this year.

Taking a step back on the total balance we have from our largest customer in Mexico, it's about \$283 million as of March 31 in our 10-Q, and we're constructive that we'll continue to get these collections here over time. And so if you add all that together, this is one of the

backbones and pillars for why we are optimistic on our robust free cash flow generation for the year, and we've guided to the mid-40% on a full year basis.

And on this topic, as we're here, I do want to take this opportunity to thank the local team in Mexico. They have done an excellent job working with our largest customer there in getting these collections through the door.

Operator

Doug Becker, Capital One.

Doug Becker - Capital One Securities, Inc - Analyst

Girish, you gave us some high-level comments about project start-ups that support your confidence in the ramp. I was hoping you go into more detail about the moving pieces for the back half of this year and 2027.

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

Yes. So Doug, I'm not going to call out specific contracts, of course. Look, we mentioned a few countries. Over the past two, three quarters, you've seen us make several announcements on new contract wins. I think that's really what feeds into that second half ramp that we expect.

We also typically have a higher degree of seasonality from a product sales standpoint, both on completions as well as artificial lift that leads into the second half. So we see that pipeline, we've got the purchase orders, we've got the manufacturing teams cranking on that. So we feel very good about that.

Look, the last piece of it is we've got several significant capital sales contracts, then this really leads into both '26 and into '27 on the offshore side that we feel very good about. And some of it will come in this year, some of it will come in next year. And then typically, those get followed up with aftermarket pieces as well.

On the offshore side, we've seen a lot of different announcements from operators. We've got plans that are moving forward for operations to start up in the latter part of this year, in early 2027. We've got expansion plans, whether it is in the Eastern Mediterranean, the Caspian. We've got the Caribbean.

And look, we've got several contracts on there that we are in the process of mobilizing for. Our CapEx spend reflects some of that as well as well as our personnel moves. So all of that really sort of puts that together and brings it up.

Operator

Derek Podhaizer, Piper Sandler.

Derek Podhaizer - Piper Sandler - Analyst

I just want to maybe talk about quantification of the Middle East impact a little bit more. You pointed to the \$30 million to \$50 million of profit impact. How do you -- how should we think about the split between lost revenue versus elevated cost, the logistics, the fuel? Could we maybe get a deeper dive into that from a country perspective? And how we should think about the return to normalcy, the shape of second half of this year if we get a resolution by the end of second-quarter?

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

Sure. So Derek, let me start with a couple of things. Look, first of all, that is truly a first-half view. And some of that was already experienced in the first-quarter. It wasn't huge, and we were able to offset it, which is why we didn't call it out explicitly exactly how much it was. But the totality of that first half is in that \$30 million to \$50 million range.

Secondly, the range is important because the range really depends on not just the timing of operations returning to normalcy, but also a function of where it comes in and what does the new normal actually mean, right? So look, I think what we have seen so far is in the first-quarter, the revenue hits were not very significant. It was really most of an elevated cost base as operations shut down, and we maintained all of our capacity on the ground.

As we go into the second-quarter, and you've seen that reflected in our guidance with the reduction in revenue levels, that is a pretty significant impact, especially as we have countries that have gotten significantly disrupted and operations have paused for several weeks. I alluded a little bit to Iraq, Qatar, pieces of Kuwait, et cetera, offshore in Saudi. So that all has an impact.

And look, that typically will have a very high decremental impact simply because we are not having a knee-jerk reaction on personnel, et cetera. So we are very committed to our team as well as to our customers on making sure we are ready when operations resume as we hope they would reasonably quickly.

The cost side of it is a different story, right? So we are seeing that very immediately on freight costs, for example, that have soared dramatically. In addition to freight costs having gone up, and they've gone up in multiple parts of the world, it's not just restricted to the region with the increase in pricing in jet fuel, et cetera, which also leads to sort of general expense increases.

We also have logistical additions, right? So because we are not able to ship through our normal routes, we are shipping to alternative ports, and then you have additional trucking costs, et cetera. So I would say right now, it's really sort of order of magnitude, 60-40 from a revenue cost standpoint. But that can fluctuate on a country-by-country basis, and it all depends on when things come back.

What we've sort of assumed is really towards -- over the course of the quarter, things normalize. It's very, very difficult to pinpoint this and say this is today, everything goes back, given that we really don't know what the geopolitical outcomes are going to be. And so that's why we've taken a little bit of liberty on having a broader range here. And I think once all of this is behind us, we'll be able to provide a heck of a lot more clarity on exactly what happened in terms of the various impacts and how the forward curve looks on coming back.

But either way, look, assuming that, again, we are entering the third-quarter, the second half essentially with all of this behind us, we think that activity profile ramps up significantly. And the good news for us is we've got the capacity on the ground, we've got the fulfilment network on the ground, and we have the ability to ramp up very, very quickly.

Operator

Jim Rollyson, Raymond James.

James Rollyson - *Raymond James - Analyst*

I actually wanted to change topics a little bit and inquire a little around the re-domestication back to the US. You mentioned, I think, Girish, at the beginning that there's some financial benefits, but I'd like to see if you could elaborate on that a bit.

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

Sure, James. I'm happy to take that question. So we are proposing to re-domesticate from Ireland to the US and specifically to Texas. This will go to a shareholder vote here soon.

And as we alluded to in the prepared remarks, the reason for us to do this is simple. It increases shareholder value. And it does so by simplifying many of our administrative and compliance complexities that we have. It does also position us much better from an [operational] (corrected by company after the call) perspective and also from a tax perspective.

And so we've talked in length about our North Stars, one of those being free cash flow. And this initiative here is a step among many steps that we're taking to get to our target of achieving 50% free cash flow conversion.

I do want to take this moment to note, though, that this is a corporate structural change only. This will not impact day-to-day operations, it doesn't impact how we interact with our customers, where our leadership team sits and our priorities will continue to stay the same.

Operator

Phillip Jungwirth, BMO.

Phillip Jungwirth - *Bank of Montreal - Analyst*

Can you come back to the portfolio pruning comment? Last year, you divested a higher capital-intensive business in Argentina and have seen free cash flow conversion improve. What's the nature of future divestitures? And how maybe those don't align with the strategic priorities, whether it's technology advantage, scale, or regional positioning?

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

Yes. Look, Phil, we have gone through a few different phases in the company. But if I break it out very broadly, right. Our initial focus was we had to stop depleting several years ago. And so we stopped activity and divested businesses that were losing us money that we couldn't operate. Notable examples being growing services in the United States, our wellhead business, for example, those kinds of things we got out of because we just were not making money on those.

We had a lot of other businesses, though, that we put a lot of effort in to make sure they were generating cash. And at that point in time, look, where the company was we didn't have a whole lot of flexibility on what exactly we might have wanted to do with the portfolio. And you've all heard my comment before of if you can't have what you want, you want what you have. And as long as what you have is generating cash, that is okay to a certain point.

As we have sort of been working through the company and sort of really saying we want to be a company that is, a, technology differentiated, that's how we win business; two, we want businesses that are truly capital-light; and third, we want things that we can add value into. A lot of things have now come up that are decent businesses, they're not bad businesses. They generate margins for us; they generate some degree of cash. But they're not really -- they don't fit that lens.

And so we have tried to now then go after those, and those are really at the intersection of our product line and country strategy and say, how do we move that out? So Pressure Pumping in Argentina was a great example. It wasn't really technology differentiation for us. It was very, very capital intensive and really didn't fit what we wanted to do.

Things like rentals, things that have a high pass-through of third-party services, for example, tubular business those are things that, look, we don't necessarily feel have the right place in Weatherford, but might in other organizations.

So again, we want to be very thoughtful about this. This is not just about taking x amount of revenue out and saying we're just done with that. We actually think there is monetary value in these. So we are working through a very systematic process on these. They're all pretty small, which is why, look, we think the effects will be on the edges.

And to put it in perspective, again, to reiterate what we said on the comments, each of these is definitely much smaller than the Argentina divestiture. So we don't expect it to have a huge impact any single one of these. But we are now in a position where we've got a great opportunity to continue to high-grade the portfolio and continue to look for opportunities where we can bring in things that are more differentiated either organically or inorganically.

Operator

Keith MacKey, RBC Capital Markets.

Keith Mackey - *RBC Capital Markets Inc - Analyst*

So just want to keep on the free cash flow thread. It looks like things are certainly improving, increasing the target from the low 40s to the low to mid-40s or to the mid-40s rather. Just curious, on that 50% through cycle target, how aspirational of a target that is? Are the things that you've talked about, Girish, things that you have a very high degree of confidence will get you there? Or will there need to be additional things done to achieve that target over time?

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

Yes. Let me just start, and I'll have Anuj give you the specifics. On this, Keith, look, we don't put out randomly aspirational targets. Our philosophy has always been we put a target; we've got a line of sight. So we absolutely intend to achieve this. So I'll let Anuj talk about the how.

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

Yes. So I'll maybe take this opportunity to talk a bit about our margins, but also free cash. And so we haven't been shy, Keith, to really highlight two North Stars that we have. One is margin and the second is free cash. And on the second, it's really maximizing the absolute amount of free cash, but then also maximizing our free cash flow conversion from EBITDA.

And so starting at the top, the key for us is to invest our money where we think there is line of sight to high ROIC. And so we're laser-focused on how we deploy our capital, our CapEx dollars to ensure that we can drive cash returns from those dollars. From that, we then look at how do we optimize all of the levers we have to drive margin, our procurement, our supply chain.

We then look at our cost structure. We have numerous initiatives underway that are driving the optimization of our cost structure. A few examples being do we in-source, do we outsource? How do we use technology? How do we automate, how do we drive efficiencies?

And it's not just saying what we're -- it's not just saying it, it's doing it. In 2025, if you recall, we had significant, significant reductions, one, to right size activity to the headcount that we have, but also two, to really optimize based on all these initiatives that are underway.

And so that then takes you to EBITDA. You drive EBITDA and EBITDA margins. And thereafter, the focus is on how do you convert that EBITDA to free cash flow and hit the 50% target. And so that is a continuous relentless focus on AR, AP inventory.

And a few of the tools I mentioned before with regards to automation, using artificial intelligence, are key really for us to go and chase things on the AR, AP, and inventory side. We do have inefficiencies like every company. And on the AR side, there are situations where an invoice can cross the hands of many people before it goes to a customer. And so these are on-the-ground items that we are focused on.

These aren't the high-level corporate items. These are on the ground; how do we structurally improve our processes so that we can continue to drive a better cash outcome. And on the inventory front, it's about optimizing, it's about reusing inventory.

We've recently deployed an AI tool that allows us to look at inventory that might be sitting idle in a plant and allows us to use it in similar or other locations for a similar process. And so this allows us to reuse inventory that otherwise might have been potentially obsolete. And so these are all initiatives that are aimed at driving our working capital and optimizing that.

Then you have on the interest expense side. And so last year, if you recall, we delevered our debt portfolio by \$160 million, and we also refinanced \$1.2 billion of our 2030 notes, and we extended them out to 2033. And by doing so, one, we derisked the balance sheet; but two, we also reduced our interest expense substantially.

We printed in September of last year the lowest spread to treasury for an OFS high-yield company ever at that point in time. And so we're expecting to get \$35-plus million on a run rate basis relative to 2025 on the benefits from lower interest.

And then lastly, on the tax side, we've alluded to how we're going to optimize our tax structure. And the re-domestication from Ireland to the US into Texas specifically is a key, key milestone in this initiative. And so you'll likely see some of the accrued benefits this year from that change, but you'll really see some of the cash benefits start kicking in 2027.

And as Girish alluded to, this is our initial target. It's not an aspirational target; this is our initial target. My aspirational target is well above 50%. And so this is our core, is how do we continue to improve, not just based on the initial target, but also maximizing what we think the true potential of the company can be. And that is, in my view, over time, above the 50% level.

Operator

Josh Silverstein, UBS.

Josh Silverstein

Girish, you mentioned the potential growth in offshore, and you have MPD has one of your strongest offerings. Can you talk about the growth potential here over the next few years? And are you already starting to see signs of an uptick?

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

Josh, yes, look, I think it's one of the most exciting parts of the portfolio right now as well as one of the most exciting times. We've talked a lot and others have talked about the offshore cycle over the next several years that everyone sees happening. And as you look at what we've done, we've got several offerings, MPD being foremost amongst them. We've got a very, very healthy share of the MPD market on the offshore side.

But what's interesting is, look, over the next order of magnitude a couple of years, we still think there is an opportunity for 30-odd drillships to get equipped with MPD systems. And if you take a conversion of even about 20% to 30% on that, which is, I think, reasonable, that's a pretty significant opportunity.

So we've got a rental fleet. We've got the ability to drive capital sales followed by aftermarket service agreements. Our technology differentiation on deep water is very significant. We've got a lot of new advances on control systems as well that bring it together. On the shallow side of it, shallow market side of it, we've got the Modus offering that is starting to get a lot of traction.

Look, recently, we have put together -- we've built a new center of excellence in Houston for Managed Pressure wells. We're actually hosting an event there during the OTC week in Houston with several of our customers. So I think this is something that over the next few years has a lot of tailwind and something that I'm excited about seeing a lot of growth.

Operator

Ati Modak, Goldman Sachs.

Ati Modak - *Goldman Sachs Group Inc - Analyst*

Girish, can you give us your thoughts on the North American market a little bit? It sounds like there's some excitement around in-season activity, maybe less so on pricing just yet, but would love to get your thoughts on what you're seeing and expecting?

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

Sure. Look, I think, first of all, it's a broad -- very broad market. I'll address sort of the two ends of it first and then come back to US land. So I think, look, Canada is pretty positive, especially with the current environment. We think there could be additional opportunities there. We've got a portfolio in Canada that is a lot more like our international business versus US land, much more of a full spectrum service provider. So I think there's some good opportunities that we've got to go after and materialize.

And then look, US offshore in the Gulf of America, a very stable business, but also has some very interesting growth prospects. So we think those two things are the things that will sort of prop us up. US land, look, for us, we tend to be a much more product-driven business, a little bit more production oriented on the product side where you're right, look, price competition is pretty high. We don't really participate in the true drilling and fracing completion activity. So for us, activity levels on that don't have a direct impact. They do on our cementing products business, et cetera, but it's not as extreme.

Look, we think the US market is going to continue to be a little bit more restrained. We have not really seen a significant uptick from our key customers on adding rigs or anything like that. There is a lot of, I think, talk, but much more on the private and small player side.

I think as the next few months develop, I think it will be really interesting to see where ultimately commodity prices stabilize and that activity profile that comes out of it. But we've got a portfolio, I think, that's well positioned to benefit from the production side of growth there.

Operator

(Operator Instructions)

Josh Jayne, Daniel Energy Partners.

Josh Jayne - *Daniel Energy Partners - Analyst*

Just one for me on global supply chain and the state of it. You alluded to this a bit earlier, but maybe you could just talk about the numerous issues outside of the Strait. So we've had tariffs on top of mind for more than a year, and then we talk about the strait with oil, but that matters not just for oil, but also for aluminum and a number of other products.

So I'm just curious how long after the conflict ends do those things take to normalize and are costs structurally elevated for the balance of this year? And do you believe that these will easily be passed on to the operator community?

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

Yes. Josh, look, I think it will take a little bit of time for it to fully normalize. I think there's different components of it. I think things like fuel costs that are being passed through as surcharges will just automatically come down as that abates, both from a commodity price level as well as refining flows and ultimately, fuel being available back to normal levels.

I think the rest of it, everyone is going to always try to hang on to price to whatever extent. I mean we do that. Every industry, every company is going to try to do that and say it's now there. What has really benefited us over the past couple of years, our team has done a fabulous job in continuing to diversify our supply chain, having multiple sources of supply, moving to lower-cost countries for our sources of supply. And so we've been able to withstand that, and I think we will continue to be able to drive towards that greater degree of efficiency.

In terms of passing it on to customers, I think things that are just trade-up surcharges, et cetera, are generally a little bit simpler because you can do that as a pass-through, though they have significant dilutive effects. Things that are more structural, especially in longer-term contracts, become a lot more challenging and they require very thoughtful discussions.

But look, I'm always of the opinion that the -- our customers need a thriving service sector for them to be successful, and we don't just sort of pass it on and say, hey, this is what it is. So it's all about adding value. And as long as we can demonstrate that, I think we will have some degree of pricing flexibility.

Operator

And ladies and gentlemen, with that, we'll be concluding our question-and-answer session for this morning. I would like to turn the floor back over to management for any closing remarks.

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

Great. Thank you. Thank you all for joining our call today, and we look forward to updating you again in about 90 days. Thanks so much.

Operator

And with that, we'll conclude today's conference call and presentation. We do thank you for joining. You may now disconnect your lines.

DISCLAIMER

LSEG reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES LSEG OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2026, LSEG. All Rights Reserved.