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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 - Analyst*

J. David Anderson *Barclays Bank PLC, Research Division - Director and Senior North America Oilfield Services & Equipment 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 - Head of Global Energy & Equity 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 First Quarter 2024 Earnings Call. All participants will be in listen-only mode. (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 First Quarter 2024 Earnings 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 open it up for questions. You may download a copy of the presentation slides corresponding to today's call from our website, Investor Relations section. I want to remind everyone that some of today's comments include forward-looking statements. These statements are subject to many risks and uncertainties that could cause our actual results to differ materially from any expectation expressed herein. Please refer to our latest Securities and Exchange Commission filings for risk factors and cautions regarding forward-looking statements. Our comments today also include non-GAAP financial measures. The underlying details and a reconciliation of GAAP to non-GAAP financial measures are included in our first quarter 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, 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 our call. I will provide an overview of our operating performance, commercial and technology highlights, our view on the markets and an update on our strategic priorities. Arun will then cover the financial results and specifics on guidance before we open for Q&A. You will notice an updated format to our investor presentation as we have tried to provide additional clarity around our portfolio and differentiation, and we will reference the data and information within the presentation as part of our prepared remarks. As illustrated on Slide 3, we delivered yet another quarter of exceptional results. I remain extremely grateful to our entire one Weatherford team, and I'm excited that we are developing an operating culture that provides execution differentiation. First quarter revenue grew 15% year-over-year, driven by DRE and WCC from a segment standpoint. Our integrated services project team did an excellent job in driving efficiencies and delivered above expectations. Geographically, we once again witnessed growth driven by the strength of our international business, which was up 21% year-over-year, spearheaded by our Middle East, North Africa and Asia region, which grew 32%.

While year-over-year growth is significant, we are also encouraged by sequential revenue performance that was essentially flat in a quarter that typically sees a seasonal decline. This was driven by strong performance in Latin America and North America and also aided slightly by our recent acquisitions contributing revenue for part of the quarter. We have now had 12 consecutive quarters of year-over-year adjusted EBITDA margin expansion, and Q1 represents the ninth consecutive quarter of sequential expansion. In the first quarter of 2024, adjusted EBITDA margin set another high at 24.7%, driven by accelerated outcomes from our initiatives and continued rigor on the commercial, technology and operational fronts. The performance in the first quarter has given us the confidence and visibility to raise our margin guidance for the remainder of the year, and we now anticipate achieving our goal of 25% adjusted EBITDA margins in 2024 itself. We had indicated that our exit rate would be 25%, but now believe that we will hit that milestone on a total year basis. Importantly, we continue to see opportunities for further enhancements and we'll articulate the next milestone and road map towards that once we have delivered the 25%.

We also successfully expanded our credit facility by $130 million to $680 million. In line with our previous commitment to pay off the 6.5% senior secured notes, we issued a notice to redeem the remaining balance. This paves the way to providing a comprehensive capital allocation framework that we intend on communicating later this year. As we have seen, the OFS sector is witnessing a degree of consolidation, and I am excited about the opportunities we see with the companies we acquired in the first quarter. I am pleased with the progress we have made so far on the integration of Ardyne, Probe and ISI into the Weatherford operating structure. The detailed planning has helped facilitate smooth transitions and ensure that we remain focused on serving customers. While still early days, we are starting to see greater opportunities in terms of commercial benefits, increased technology cross-selling and growing adoption rates across our expanded portfolio. These headlights provide greater confidence in the long-term value creation potential of these acquisitions.

Now turning to our segment overview on Slides 5 through 7. The operational and technical highlights showcase synergies between product lines, which is driven by our solutions creation mindset. In DRE, I am particularly excited about our MPD win with PDO in Oman as this represents another example of growing MPD adoption and our technology differentiation. We are also seeing some quick wins from our acquisitions with the launch of the HD Spitfire tool as part of our wireline products portfolio. In WCC, we continue to see significant awards through the quarter and the deployment of our pressure balanced liner system, the Xpress XT in an offshore setting for the first time is particularly encouraging. In PRI, our focus on digital solutions has resulted in significant advancements in operational efficiency and value creation for our customers. A significant development in this segment is the commercial launch of Foresite 5.3, which combines artificial intelligence, machine learning and autonomous control for proactive failure prediction and therefore, prevents ESP and Rod Lift failures.

We'll now turn to the market outlook, which is laid out on Slides 9 through 11. We anticipate sustained growth in international land and offshore sectors, particularly driven by the Middle East and Latin America. Our focus remains on production optimization, digital solutions and exploration investments with significant potential in gas-rich regions such as Guyana and the Eastern Mediterranean and growing unconventionals in the Middle East paired with oil-focused growth across major deepwater basins. The increasing adoption of managed pressure drilling, both onshore and offshore and well life extensions via interventions will play well to our strengths in these areas. Additionally, responsible well management, including plug and abandonment services and growth in geothermal and carbon capture present promising opportunities. Leveraging our advanced technology suite, we are well poised to capitalize on these trends. The first quarter results validate our expectations about the market outlook that we presented in the previous quarter. To summarize, the current stage of the up cycle is reflected by a combination of continued demand for energy, persistent investment and activity for oil and gas projects at least through the end of the decade. We continue to see the most momentum in our DRE segment with high teens growth, reflective of our continued belief in the longevity of the cycle with growth in WCC and PRI that typically follows.

Looking across our geographies for 2024, in North America, we continue to expect our Canadian business to grow in the high single digits, though there is some uncertainty around the second half driven by commodity prices. We believe the offshore Gulf of Mexico will remain stable and U.S. land business is expected to be relatively flat. On the international front, there continues to be broad strength, both offshore and onshore. Latin America had a solid start to the year and expect growth for the year to be in the mid- to high single-digit range, mainly driven by Brazil and Mexico and partially tempered by Colombia. In Europe and Sub-Saharan Africa, offshore continues to be the growth driver, enabling high-teens growth led by the North Sea. As previously discussed, Russia continues to be challenging and declining in revenue given the operations complexity as well as FX volatility. In the Middle East, North Africa and Asia region, we continue to remain optimistic about the growth potential and still foresee a year of high teens growth. We believe this growth is spread across multiple countries and is backed by the investment plans of our customers. A key element of our growth has been our integrated contracts. And as I mentioned before, I'm very proud of the work the team has done, and we are focused on the modulation of execution pace to drive optimal outcomes on safety, customer hookups and margins.

We are also cognizant of the need for investment to support that growth and to that end, we'll continue to drive CapEx towards 5% of revenue and invest in net working capital and infrastructure support. In summary, we don't see any material shift in our market and revenue outlook discussed a couple of months ago. The most significant risk to our outlook is driven by geopolitical events, and we remain focused on the safety and well-being of our employees and business continuity plans. Turning to Slide 12. I want to provide a brief update on our strategic priorities. Our 5 strategic priorities of organizational vitality, creating the future, customer experience, lean operations and financial performance remain our guardrails for driving investment and initiatives. As we deliver phases of each initiative, we revised the target to raise the bar even higher. As you can see, we have significantly increased our spend on engineering and technology, but importantly, that has been offset in other functions, ensuring that our SG&A as a percent of revenue has continued to get more efficient. We also continue to drive simplification and process improvement into the company and the most evident result of that is in our net working capital days improvement. As we conclude the first quarter of 2024, I believe our results speak clearly to the progress we have made across our organization and with our customers. We remain confident and optimistic about Weatherford's growth prospects as well as the potential for upward mobility in the stock with a multiple re-rate that should be reflective of top-tier industry performance on margins and return on invested capital. 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. Let us begin with Slide 13 and 14, where I'll walk you through our consolidated results. Revenue for the first quarter 2024 of $1.36 billion increased 15% year-over-year and essentially flat sequentially. Operating income was $233 million compared to $185 million in the first quarter of 2023 and $216 million in the fourth quarter of 2023. Net income was $112 million compared to $72 million in the first quarter of 2023 and $140 million in the fourth quarter of 2023. You will recollect that we had some onetime tax benefits in the prior quarter that did not repeat and drove the sequential decline. Adjusted EBITDA of $336 million increased 25% year-over-year and 5% sequentially with adjusted EBITDA margin of 24.7% or 206 basis points improvement year-over-year and 117 basis points sequentially.

Now moving to our segment results on Slides 15 through 17. Drilling and Evaluation or DRE revenue of $422 million increased by $50 million or 13% year-over-year, primarily from higher wireline and drilling services activity. DRE also benefited from the impact of weather-related pushout of activity in Latin America, which we referenced last quarter. DRE segment adjusted EBITDA of $130 million increased by $22 million or 20% year-over-year, primarily from drilling services, managed pressure drilling and wireline. Well Construction and Completions or WCC revenue of $458 million increased by $37 million or 9% year-over-year, primarily due to increased completions and TRS activity in Middle East, North Africa and Asia region and offshore Latin America, partly offset by lower activity in North America. WCC segment adjusted EBITDA of $120 million increased by $24 million or 25% year-over-year, primarily from higher fall-throughs in the Middle East, North Africa and Asia region around TRS and cementation products as well as increased offshore activity in Latin America.

Production & Intervention, or PRI revenue of $348 million was largely flat year-over-year, primarily from lower activity in North America, partly offset by higher international intervention services and drilling tools activity. PRI segment adjusted EBITDA of $73 million increased by $5 million or 7% year-over-year, primarily from higher artificial lift margin and increased international activity in intervention services and drilling tools. We have previously indicated that despite the pricing pressure in North America, we remain focused on margins and will not chase volume, and these segment results are a positive proof point of that intent. Turning to Slide 18 for cash flows and liquidity. In the first quarter, we generated operating cash flow of $131 million, up $47 million year-over-year and adjusted free cash flow was $82 million, up $55 million year-over-year, a solid performance on the back of strong profitability and improved net working capital performance. Our net working capital as a percentage of last 12 months revenue was 26.1%, a 240 basis points improvement year-over-year. This progress highlights our commitment to continuously improve our working capital cycle, including ongoing internal process enhancement initiatives in billings, connections management and inventory management. We remain focused on further optimizations in the order-to-cash and procure-to-pay processes to make progress towards reaching our longer-term goal of a sustainable net working capital level at 25% of revenues.

First quarter CapEx of $59 million at 4.3% of revenues was down sequentially and year-over-year, primarily due to timing. Total cash was approximately $937 million, down $46 million year-over-year. Additionally, during the quarter, we repaid $167 million of 6.5% Senior Secured Notes, bringing the total amount of 6.5% Senior Secured Notes outstanding to $82 million as of the date of this release. Furthermore, we issued a redemption notice to repay the remaining $82 million of our 6.5% Senior Secured Notes, which will leave us with $1.6 billion long-term notes due 2030 outstanding thereafter. We are also pleased to announce the expansion of our credit facility, which reflects the confidence and support of our banking partners in our strong operational and financial performance. The amendment to our credit agreement provides an increase in total commitment from $550 million to $680 million by adding additional banks to the facility and provides us with create liquidity and flexibility in managing our balance sheet. Our net leverage ratio at the end of the quarter was 0.6x and marks the lowest ever level in the company in over 15 years.

Turning to our guidance for second quarter and full year '24 on to Slide 19. For the second quarter 2024, we expect consolidated revenues to increase between 4% to 6% sequentially. Across the segments, DRE revenue is expected to grow by mid-single digits. WCC is expected to grow by high single digits and PRI is expected to grow by mid-single digits. Adjusted EBITDA for the second quarter is expected to expand by 20 to 30 basis points sequentially. CapEx is expected to be in the range of $65 million to $80 million and adjusted free cash flow is expected to be in line with the first quarter '24 despite higher cash interest, cash taxes and continued net working capital investments for full year '24. For the full year 2024, we expect consolidated revenues to grow by double digits to low teens over full year 2023. DRE is expected to grow by high teens, WCC to grow by high single digits and PRI to grow by mid-single digits. Full year consolidated adjusted EBITDA margins are expected to hit our goal of 25%. CapEx for the full year is expected to be approximately 5% of revenue. We continue to expect 2024 adjusted free cash flow to be greater than $500 million despite higher CapEx, cash taxes and net working capital investments. Thanks all for joining the call. And operator, let's open up the call for questions, please.

QUESTIONS AND ANSWERS

Operator

Thank you. We will now begin the question-and-answer session. (Operator Instructions) At this time, we will pause momentarily to assemble our roster. And our first question today comes from Luke Lemoine with Piper Sandler.

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

Girish, I know that's been on a number of times in the past, but truly congrats to you and the whole team on the best turnaround transformation I've ever seen in oil service. I mean this has truly been kind of not important remarkable here with what you've done with the transformation.

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

Thank you. Appreciate it. Look, the team has done an outstanding job. I get the privilege of being the guy that gets to talk about at the moment. So -- but I truly appreciate the sentiment.

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

I guess with a little rounding, you hit 25% margins in 1Q, which I know has been an aspirational target for some time now. and you just brought that target forward a whole year. And then not to pin you down on the multiyear margin, but when you just look at Weatherford over the next 2 to 3 years, can you talk about what you see the company doing outside of overall market revenue growth? I mean you've talked about expanding MPD technology to other service lines kind of going with many pressure wells, offshore accelerating, which will boost TRS. And then among other things, you have various digital growth initiatives. Could you just kind of paint the picture on how you see Weatherford looking in 2 to 3 years.

(technical difficulty)

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

So look, on the question, Luke, you kind of say we'll round it up, but we still haven't gotten to 25%. What we've seen over the course of this year is really the initiatives that we've launched, and we've had them for a while now. We've gotten a lot more confidence in that. We're starting to see the outcome of those. And we're seeing a slightly greater magnitude, which is what's given us the confidence to pull that target forward. As we look to the future, I'm not going to give a specific target, but look, I'll reiterate that we've always talked about how we plan the business with flat activity, and we look at our role as making sure that we get margin expansion despite flat activity of 25 to 75 basis points. So I think it's reasonable to assume that once we stabilize around this 25% goal, we will continue to drive margins upward. And so we'll come back over the next few quarters and lay out more specifics around the time frame and what that next threshold is.

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

Okay. Got it. And then hopefully, this next question won't break the call. But on your integrated project business, this was fairly nascent just a couple of years ago. Nice margin expansion, nice growth. Could you just talk about where this goes, maybe the potential size and what's the rate margin profile for the business?

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

Sure. Yes. So Luke, as I pointed out in our prepared remarks a couple of things. One is a significant part of our growth certainly has come from these integrated projects. We've been doing them for a while now in different places, especially in Latin America. But the 2 ones we announced in late 2022 in Saudi Arabia and Oman have certainly added to that. We talked about this in the February call. We don't expect to go -- suddenly start doing a whole lot of this. We want to be very measured about what we do. And we will bid very selectively and maybe add 1, max 2 every year that is sizable and of a significant scale that it moves the needle. But we're not focused on the number. We are much more focused on the right profile for us to execute where we can actually deliver the cash flow performance that these bring. These projects generally tend to be a little bit dilutive from a margin standpoint, but have terrific cash conversion and also give us a base load of activity. What we saw in the first quarter was an interesting dynamic. Our team did an outstanding job of execution. And what that really resulted in was a much higher degree of revenue and also a greater margin contribution. We don't think that is going to be the norm. And that's why I referenced that we will modulate space a little bit because we've also got to make sure that we are working lockstep with our customers on these projects, making sure that we are sticking to their budgets and their plans and all of that is synchronized. So we expect that rate to come down and moderate a little bit. But again, all of that is contained within our overall guidance for the year, and it's been a net positive relative to when we bid it.

Operator

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

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

So Girish, that you've got the balance sheet in excellent shape, margins are up significantly. You highlighted that the industry is in a somewhat a consolidation phase now. You've made 2 smaller acquisitions recently. How should we think about your M&A strategy going forward? Do you think it will still be more of the tuck-ins? Are there larger targets you might be interested in? Any change at all to the M&A strategy?

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

Not really, James. Look, I think I'll expand a little bit on what we've talked about. We really for a while, M&A has been something we've not considered just given some of the historical issues that we've had... There now... We've been a lot more comfortable and confident. But for us, integration is still the primary thing. We want to make sure that anything that we do regardless of size or scale, we have the bandwidth and the capacity to integrate because sometimes, look, whether it is a $30 million company or a $3 billion company, a lot of this stuff is similar. But for us, it's not about scale. We really look at it from a perspective of strategic fit, margin accretion, cash generation, the deleveraging component and where can we really add value to that business to scale it and grow it. So we are very open on what the size is, but you're not actively pursuing a specific size or set and say that's what we've got to get after. We look at it and say what actually makes sense for the business, and we'll look at things that come along from that standpoint.

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

Okay. Makes sense. And then from a capital allocation or shareholder return strategies and as you've gotten the balance sheet in great shape here. How are you thinking about potentially returning capital to shareholders?

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

James, as we've mentioned before, our priorities were to get access from more liquidity, get access to liquidity which is cheaper than eliminate restrictions associated with liquidity and potential capital allocation framework, which is what we've done. And now the next step, as Girish mentioned in his remarks, is to announce a comprehensive framework, which will include shareholder returns, but amongst other things, will include continued debt reduction as well. So you can expect us to talk more about that in the second half -- second half year.

Operator

And our next question today comes from Jim Rollyson with Raymond James.

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

I would echo the same things that Luke said about the progress. It's been phenomenal to watch. Arun, question for you on cash. You guys are still sitting on quite a bit of cash, recently upgraded the size of the credit facility about to pay off the notes and you just mentioned further debt reduction. But kind of curious as you look forward as your credit facility has increased in size here over the last few quarters, like how much cash do you guys think about needing to sit on? Or what drives that?

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

Look, I mean we always want to be able to sit on cash, which takes care of the event risk, right? And I'm not going to say that we have enough cash now or we have more cash than we need now. But what I can tell you is once we shed more light on the capital allocation framework, which will include the shareholder return policy and our debt targets, you will get a sense of how much liquidity we will sit on going forward. So yes, we feel good about the access to liquidity that we have compared to before. And that translates to our confidence that we communicated about us being able to come up with a comprehensive framework in the second half of the year. So you can expect to hear more about this in more detail in the second half.

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

And if I could just add to that, Jim. Look, I think if you look back in the history, right, what we have done, there's a pretty clear match between the cash on the balance sheet, the free cash flow we've generated and the debt reduction, right? Even take yesterday or last night's announcement, for example, we announced the increase in liquidity, simultaneously the redemption. So yes, there is cash on the balance sheet, but we are going to take that and pay off the secured notes. So we are doing this very methodically to make sure we've got the right liquidity, as Arun said, and we always want to make sure that we've got enough protection against any sort of event risk for the company.

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

Yes. It makes perfect sense. And then just as a follow-up. Obviously, some recent consolidation ongoing in one of your main markets in artificial lift market. Curious if you have any views on how you think that might impact the market? And does that create benefits for you potentially? Or just kind of how you see that?

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

Well, look, we always look at these things with the duality, right? On the one hand, it is a very formidable combination. And so we've got tremendous respect for both organizations and that combination will likely create more opportunities for them. At the same time, we also look at it as an opportunity for ourselves. And so we will focus on driving innovation and serving our customers. I do think it's important, though, to point out that on the artificial lift space, again, we don't play in the ESP space. We really play in all other forms of lift. So it's a little bit more insulated for us, if you will.

Operator

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

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

Thank you. Girish, I was hoping you could expand on the prospects for the OpEx versus the drilling and completion spending cycle just as it relates to the company, in particular, you're thinking about the longer-term growth prospects for PRI.

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

Yes. Look, I think longer term, we continue to be very excited. OpEx spend, we believe, will continue to increase. And it depends upon the geography, you look at in terms of the rate of growth, right? As I pointed out in my prepared remarks, right now, we really see DRE leading a little bit but PRI eventually will follow. So I think that rate of growth will modulate. But look, even as you look at this year, Q1 was a little bit different. It's got some dynamics around seasonality that typically happens as well as what we have talked about some of the complexity in Russia, et cetera. But over the course of the year, we see PRI growing very decently over the course of the year. And especially, look, for our interventions business, as we look at more production optimization, our Digital Solutions business, a greater amount of focus on plug and abandonment, slot recoveries, those kinds of things. We're really excited about that, and it's also where we have probably the maximum impact of our digital solutions.

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

Is this a segment you could see in 3, 4 years leading the growth? Or is it just the makeup more than it probably is always a little bit of a slower growth business?

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

Yes. Look, I think to a certain extent, it's going to depend on how much of it we classified that goes into the digital piece, et cetera. But I will also -- look, for us, we are also trying to make sure that we are driving a less capital-intensive strategy. So for example, what we -- what I think we should really look for is growth in margins and growth in cash versus necessarily just growth in top line. I'll give you a classic example, in pressure pumping, we are not going to grow the same way the rest of the market is because we are being very focused on controlling our footprint. And we also, of course, don't have a North America price pumping footprint. But we're also driving a strategic change and providing more engineered fluid chemistry, which has a much greater value addition and a much greater margin impact to the company. So those are the kinds of things we are doing. So for us, I'll really look at it more from margin impact and free cash flow impact. But look, over the next few years, we still see DRE as probably having a little bit more juice.

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

Got it. And some of those comments kind of feed into the sustainability of CapEx running 5% of revenue based on some of the things you were alluding to, I think that's still a good target as we think about the years ahead.

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

Yes. Look, absolutely. We've talked about it now for 2 years. And look, we are steadily inched up closer to that 5%. I'm very pleased with the efficiencies that our team has been able to drive in redeployment of CapEx and reuse but also shifting our business strategy to a less capital-intensive model. And that's a big part of it. This is not about us saying we're not going to invest enough CapEx. It's about making a conscious and a purposeful shift in strategy and making sure that we've got the overall portfolio balance. And look, some product lines are much higher than 5%. Some are much lower, but that blend is what we're really looking for, and that's where it all comes together.

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

Makes sense. And I'd just like to echo the positive sentiments on the execution of turning around really just very impressive.

Operator

And our next question comes from David Anderson of Barclays.

J. David Anderson - *Barclays Bank PLC, Research Division - Director and Senior North America Oilfield Services & Equipment Analyst*

As you talk about the initiatives that have driven the margin expansion here, I think you said -- it sounds like we're maybe a little bit more than halfway through your fulfillment plan. Just want to ask some of the next steps you intend to execute over the next, say, 12 to 18 months. I think you've taken a lot of manufacturing facilities, but what else is left there? Is it on the services side, on supply chain? Just kind of give us sort of a road map a little bit, if you wouldn't mind, just to what's left here in this performance.

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

Absolutely. Thanks for the question, David. Look, so on the fulfillment, this is a fairly herculean task, and it's really changing the footprint of the company that's evolved over 25 years. To a certain extent, what we call fulfillment, which is a combination of manufacturing, supply chain, our sourcing practices, our repair and maintenance, our logistics was never really designed for what Weatherford is today and that's what we are doing. So what's left really is still a little bit more work on manufacturing, making sure that our work transfers get completed. But you're right, that's been well underway for a couple of years. The next couple of big milestones for us really, first of all, on our supply chain. We've talked about on prior calls that we are looking to move more of our spend into lower-cost regions of the world. And this is something a lot of how the companies did several years ago. So we are a little bit behind. But what's exciting is we are still able to post the margins that we do today without that benefit. So that will actually be a much more positive impact for us. That's well underway. We've got a terrific manufacturing facility in India, and we are making sure that we are developing the supplier ecosystem around that. But also making sure we're complementing it with the right engineering support.

The other piece is on repair and maintenance. This is something that we're really focused. It's much more about improving cycle times and asset utilization than it is really about taking cost out. But that improvement in cycle times and asset utilization will help in more revenue, greater fall-throughs and a better return on invested capital. So that's really what we are doing there. We've brought in a terrific leader to drive that for us. And I'm excited about some of the gains that we are starting to see on that.

J. David Anderson - *Barclays Bank PLC, Research Division - Director and Senior North America Oilfield Services & Equipment Analyst*

That was great. And then if I could just move into kind of more of the businesses. You have 2 very unique product lines that are leveraged to deepwater activity in the TRS and MPD systems. And as we look out the next year or 2, I would think that those would both start to lead the top line growth and margin expansion considering both the rental businesses and the visibility we have on subsea and offshore rigs. So I was just wondering, do you think second half '24 could be the inflection on that based upon what you're having with your conversations with your customers and kind of the timing of this equipment?

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

Yes. Look, some of this, David, as you're well aware, is a little bit more dependent on logistics and mobilization, et cetera. We are very excited about both MPD and TRS and especially some of the new product launches that we have had in both. On TRS, we have talked about our String Guard solution, which I'm excited about, more deployment of the fully automated Vero solution. And then on MPD, we launched Modus, which really cracks this performance segment. That's likely to be a bit more of a 2025 inflection than a second half of '24, more based on availability of assets and getting that fully deployed throughout the world. So I think we'll probably see more of that in '25. But look, I think it's also really important to point out that while these 2 product lines are critical, it's a lot more time that we spend on talking to them, the rest of the portfolio is actually growing really well as well. And you see that, for example, in some of the WCC growth we've seen over the last couple of years, and especially also on DRE, our drilling services business, our wireline business, our completions business in WCC, all of those are also showing tremendous growth and actually helping that overall ecosystem. So one of the things we are seeing and we're excited about -- talk about the solution mindset is to pull through from different product lines.

J. David Anderson - *Barclays Bank PLC, Research Division - Director and Senior North America Oilfield Services & Equipment Analyst*

And just one final question there. I just come back to the capital -- the amount of CapEx that you're spending there. I would think TRS probably just judging from where the rig was before to where it is today, that you probably don't need to build out capacity in TRS. However, on the other side, MPD, you probably do because that seems to be on kind of pretty much every deepwater rig these days. Am I thinking about that right?

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

Yes. Look, it's a little bit of a mix, David. Some of these things in MPD, for example, as I talked about on Modus, that's certainly a lot more capital injection because you've got to actually build new packages, right? So that does take up. And of course, every new system that we deploy in deepwater, we build a new system, that is additional CapEx. TRS historically, we have had a lot more equipment. But when you think about things like Vero, again, our fully automated solution, we are building new systems of that, but the order of magnitude of that CapEx dollar investment is very different and much higher on the MPD side.

Operator

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

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

You talked about the early stages of the integration of the acquisitions that you made last quarter. You're seeing incremental opportunities. So maybe can you provide some color in terms of revenue synergies or cost synergies that you think we can actually get in that asset for the next couple of years here?

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

Yes. Again, as we talked about in the last quarter, these are kind of much smaller businesses. And so not things that will automatically and by directly by themselves move the needle on the total company. So it's all baked in. But look, we think about these as sort of smaller technology acquisitions that over the next few years, we really hope to build out into $100 million type of platforms. And that's kind of the goal that we see. And that will come from a combination of taking their products, their solutions, their services scaling them with our footprint, especially on the international side. But at the same time, also seeing, look, where does it give complementarity. So I'll give you a couple of examples. On the Ardyne business that we acquired, right, it was predominantly focused in the North Sea. And we continue to see a great opportunity in the North Sea growth, but also the ability to take that to the Middle East to North America to Latin America to Asia, that gives us scale and growth, and we hope to grow that significantly over the next few years. On the Probe and Impact Selector businesses, the wireline products businesses, right, now this really gives us an ability to have a comprehensive wireline portfolio and allows us to really become a partner of choice for other service companies to really provide wireline products and technology in places where we don't have a footprint, right? So that's the kind of thing that we're thinking about. So we'll give more color on that. But look, our hope is to really grow these businesses and that's what it's about. It's about growth and using our scale versus to say we're going to get cost synergies out of it.

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

Got it. Appreciate that. And then I think you spoke about just a little bit on the market penetration status for the MPD offering. Can you just give us any color on where it stands now and where the incremental room is to grow onshore maybe a little bit? And then it seems like there are some equipment manufacturers that are focused on MPD. Maybe also give us an update on what the competitive landscape is either on the equipment or the service side?

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

Sure. So look, I think the really good news with MPD is we see adoption growing. And we have highlighted a few examples before especially countries in the Middle East. We talked about an award with PDO in Oman. That's another great illustration of growing adoption. But in totality adoption on a global basis all in is still sort of order of magnitude around 10%, so -- which is where the excitement comes in. So as we talk about product launches like Modus, it really gets to that performance tier of the market that allows customers to now have a solution between kind of your basic MPD service and the very high end that we used to offer. So this is -- hits a sweet spot and opens up a new segment. As an example, on the offshore side, this really opens up a jack-up market that we are very excited about on the Modus side of it. So our goal will be over the next few years, yes, we can get adoption to, let's say, 12% and maybe eventually 15%, that's a tremendous growth for the business, and that's what we're excited about. It's also, from my standpoint, very heartening and very encouraging to see additional players come into the space and everyone's starting to talk about it. I think that's fantastic. We welcome the industry growing adoption, customers getting more news on this, more education on this because we think it's better for the industry as a whole to increase MPD adoption. This is a capital-intensive game. I've always said this is not about share. We are clearly the market leader in this product line. But for us, it's about growth and adoption. And so more people that come in, especially on some of the lower end side of it, we think it's great, and we remain focused on where we can capture the highest value.

Operator

And the next question comes from Kurt Hallead with Benchmark.

Kurt Kevin Hallead - *The Benchmark Company, LLC, Research Division - Head of Global Energy & Equity Research Analyst*

Girish, I'm curious, right? You -- obviously, the execution has been phenomenal as everybody has highlighted, yet the multiple still has a way to go to catch up to when the prior management team ran the company into the ground. So still a long way to go there. But my question for you really is on the margin progression. When you get out beyond 2024, I'm not looking for a specific data point. I'm just kind of trying to get inside your head a little bit, right? So when you think about the dynamics I'm curious as to what the drivers of that margin progression are going to be. Is it going to be flow-through of pricing on existing contracts? Is it going to be volume absorption? Is it going to be pricing power on new contracts, execution, internal initiatives, probably all of the above. But if you were to rank them, what do you think is going to be the key driver to incremental margin improvement from here?

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

Yes. Look, so it is most definitely a bit of an all of the above Kurt. But look, I will reiterate, look, for us, we are not going to count on incremental volumes coming through and revenue growth being the only driver. So I would actually put that a little bit lower. For us, we are also very cognizant that while pricing has been very positive and it's been a very good pricing environment, that's not going to last indefinitely, right? So we focus on the things that we can control. And to me, I think a couple of things that are going to be really important is, number one, us driving productivity within the organization, both from a manufacturing and fulfillment standpoint, but also in how we manage our support cost in the organization, how we get simpler, how we get leaner, and that's a combination of both cycle time and just pure cost. So that's going to be a significant factor. The second piece of it, and that's the thing I'm probably most excited about is the commercialization of the technology solutions that we've got.

Look, we pointed out our increase in engineering and technology spend. It is the highest increase across the company from a functional spend. And we've made sure that we have prioritized that. These things take a little bit of time, right? You can't engineer stuff overnight, but I'm tremendously excited about the improvements that our engineering teams have made our product line teams have made improving our on-time delivery, our cycle line reduction. But most importantly, the solutions that we are getting after and what we're bringing to market, and you see that in some of our technology announcements. What we're really trying to do with those is capture the white space of where customers have very clear needs that we can go attack versus just sort of providing a me-too kind of a solution, and we think that will lead to incremental and accretive margins.

Kurt Kevin Hallead - *The Benchmark Company, LLC, Research Division - Head of Global Energy & Equity Research Analyst*

All right. That's great. That's great color. I got one more follow-up, right? There's been a merging theme here about the need to -- for more power gen for AI data centers and that being natural gas fueled and obviously being sourced from the U.S. Obviously, a lot of your growth and a big piece of your business is international and offshore. I'm curious as to whether or not you've had an opportunity to assess the dynamics at play with respect to this surge in power demand and the opportunities that Weatherford may have to participate?

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

Yes. Look, I think it comes back to, again, what we talked a little bit about in our prepared remarks, which is we see energy demand continuing to grow. Whatever that source of that might be. And we've always maintained that gas is a really important part of the energy mix. So -- and we don't see that changing any point now even with depressed commodity prices, gas prices that you see in North America, we think that will eventually sort of resolve itself and get back to a healthier level. But across the world, we think this is going to be something that will drive both LNG growth as well as local infrastructure. And ultimately, it is going to drive more gas production. So gas continues to be an important focus for us. And a lot of the solutions that we are trying to drive from a technology standpoint are also focused around that. So it's certainly part of the thesis.

Operator

And our next question comes from Saurabh Pant with BOA.

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

Girish. I'll just start by echoing Luke and Jim's sentiment on just a tremendous turnaround that you continue to deliver quarter after quarter. So congratulations on that, Girish, Arun. Girish, can you still hear me?

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

Yes. Yes.

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

Okay. Awesome. I'll just start with one on the international side. Just overall, I'm thinking big picture, you did outgrow your big peers in 2023, first quarter international growth, again, fantastic. Is there something we should think about in terms of you should be growing beyond what the market offers you from an opportunity standpoint? Is it market share? Is it your product mix? How are we thinking about that? Because I know you're not focused on market share, right? But is there an element of just winning your normal market share and that allows for you to gain and outgrow the market? How would you characterize that your opportunity versus just the market as a whole?

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

Sure. Yes, look, it's a great question. So it's interesting because for the last -- we've actually talked about the fact that people should expect that we might be a little bit... We don't have that same extensive footprint. But what we are very, very focused on is having penetration where we've got critical mass and really performing where we have chosen to play. And I think that's where we are really aiming to do better. But look, I also think there is an element of us capturing or recapturing some of the share that we lost over the last 10 years. And finally, when you put it into our numbers were smaller. So an incremental win in share does have a greater impact on us that will allow us to grow faster. So I think what it clearly points to is that we have gained share in the markets that we play in over the last couple of years. That continues to be our focus. But look, more importantly, as you pointed out, we remain much more focused on where it is that we can grow profitability and cash versus share. And again, North America is actually a terrific example of that, even though the question was on international, right? But we're not going to chase volume, but we've actually improved our margins year after year.

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

Right. Right. Now that's very helpful. That's what I was thinking. Just getting to your normalized market share just relative to your history over the past 10, 15 years. And just a quick follow-up, Girish. I'm not thinking AI and data centers, but I'm just thinking about gas more broadly, and we heard one of the key Middle Eastern customers talk about potentially doing more things on the gas side versus the oil side, right? So maybe there's a little bit of mix shift going on in the Middle East in general and maybe the world more broadly, right? So if that's what we see over the medium to long term, right? Not in the short term, medium to long term, gas activity as a proportion of the total activity grows. How should we think that impacts the Weatherford? Is it net neutral? Is it net positive? Is it net negative? And why is that?

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

Yes. Look, I think it's going to come down to execution again. I think it's really going to be up to us to make sure that we can capture the market. I talked about on the February call that we actually see that gas as an opportunity for us to continue to grow the business. We've got a terrific portfolio that we play in several gas plays, but we think we've got an opportunity to do more than that. But that's going to come down then to our ability to make sure we've got the right product innovation. We've got the right commercialization but then most importantly, the operational execution to capture that. So ultimately, that's kind of what it is. But I would look at it as pretty much where the rest of the market is growing, and we'll continue to play in that.

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

Okay. Okay. Fantastic. And just one last quick one, if I may. Girish. In your prepared remarks, you gave your 2024 outlook. And then you said the biggest risk is geopolitics more than anything. Yes. Any update because there has been a lot of tension, especially in the Middle East. Any update, any impact you have seen to date to your operations?

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

No, we have not Saurabh, which is why we made sure that we clarified that we have kept our revenue outlook intact. There's no change. But I think it's just prudent to point out that the world is a volatile place and so we just want to be prepared for that. So that's really what it is, but no change at all.

Operator

Ladies and gentlemen, this concludes the question-and-answer session. I'd like to turn the conference back over to management for closing remarks.

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

Great. Thank you, Rocco. Thank you all for joining the call today. Hopefully, you've got a sense of our continued performance on execution. We will keep our focus on that, and we look forward to updating you again in July. Thank you again for calling in.

Operator

Thank you. 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.