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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 - Executive Vice President and Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

J. David Anderson *Barclays Services Corp - Analyst*

Scott Gruber *Citi Infrastructure Investments LLC - Analyst*

James West *Melius Research LLC - Analyst*

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

Derek Podhaizer *Piper Sandler - Analyst*

James Rollyson *Raymond James - Analyst*

Douglas Becker *Capital One Securities Inc - Analyst*

Phillip Jungwirth *Bank of Montreal - Analyst*

Keith Mackey *RBC Capital Markets Inc - Analyst*

Josh Silverstein *UBS AG - Analyst*

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 second-quarter 2026 results. (Operator Instructions) As a reminder, today's event is being recorded.

I would now like to turn the conference over to Luke Lemoine, Senior Vice President 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 second-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 up for questions. You may download a copy of the presentation slides corresponding to today's call from our website's Investor Relations section.

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

The underlying details and a reconciliation of GAAP to non-GAAP financial measures are included in our earnings press release or 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 second-quarter performance and short-term outlook, followed by a couple of key enterprise updates. 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 our focus areas before opening for Q&A.

To summarize our Q2 2026 performance, we delivered revenue of $1.105 billion, adjusted EBITDA of $223 million at a 20.2% margin, and adjusted free cash flow of $139 million, representing a 62.3% conversion on adjusted EBITDA. I would like to thank the One Weatherford team and especially our Middle East-based employees for their focus on customers safety and operational discipline as the region continues to work through a challenging operating environment due to the ongoing conflict.

I am especially pleased with Q2 margin and cash performance given the challenging environment. We were hampered by the Middle East activity profile, not returning to pre-conflict levels driven by the geopolitical events that everyone is well aware of. Further, we had activity declines in Indonesia pockets of pricing headwinds leading to volume declines and a union strike in Norway that put further pressure.

Despite those incremental pressures, our team rallied to deliver EBITDA margins north of 20% and essentially flat to Q1. Moreover, our adjusted free cash flow performance was excellent, driven by working capital execution, including strong payments from our largest customer in Mexico. I am again encouraged by progress on payments in Mexico and remain hopeful for the trend to continue in the second half.

The Middle East region were the most visible impact of the conflict in the second quarter. Activity suspensions, project deferrals, and logistical disruptions that began in March carried through much of the quarter, and freight and logistics costs remain elevated, peaking in May before beginning to moderate.

Throughout this period, our priority has remained the safety of our people and business continuity for our customers, and our teams have done an exceptional job on both while tightly managing costs. While the quarter ended with signs of recovery, the recent and ongoing incidents across the region create an environment of uncertainty in the short-term outlook. We do expect the recovery to continue, but it will take some time to fully normalize.

The financial impact in the first half was within the $30 million to $50 million profit range we outlined on our last call. And given the recent flare up, we expect that to increase over the course of the year and have incorporated that into our guidance. We did experience a revenue decline in Saudi Arabia due to the conclusion of our LSTK contract, and this will be further visible in the second half.

We continue to view the Kingdom as an opportunity for growth, but at the same time are comfortable with not having an LSTK contract given the pricing levels in the market. I am very proud of our team's execution on this contract for the past three years and grateful to Aramco for the opportunity. We have a very strong presence in Saudi and we'll continue our journey on adding value through technology differentiation.

In Oman, we also concluded our five-year integrated contract with PDO. It is a testament to the operating prowess of our team that we finished the original scope 14 months ahead of schedule. On the back of this execution, I am pleased that we have won the Marmul extension with PDO that will commence in the third quarter.

Latin America declined sequentially, driven predominantly by Mexico, where activity came in below our expectations. Several wells were deferred and our largest customer in the country continued to prioritize its spending. Collections from our largest customer in Mexico was strong through the quarter and supported our working capital performance. We have aligned our cost structure and footprint in Mexico to current activity levels, and we are positioned to respond quickly as activity increases.

I've also been pleasantly surprised with the progress in Venezuela, and now believe that Venezuela can provide a tangible contribution to revenue and margins in 2027. Our pipeline of opportunities with multiple customers is growing and we are anticipating closing on some of these in the second half.

In Europe, Sub-Saharan Africa, and Russia, revenue grew sequentially on higher activity despite the labor strike in Norway impacting activity late in the second quarter. This will remain a headwind into the third quarter and will weigh on the region's near-term results. Russia revenues as a percent of enterprise revenue increased, but this was driven more by the decline of the rest of the world and impacted significantly by the conflict result in decline in the Middle East.

Slide 7 through 9 lay out key highlights across our segments. WCC revenue declined 5% year over year, primarily for lower activity in MENA, partly offset by higher completions activity in Latin America. DRE revenue declined 13% year over year, primarily from lower wireline and drilling-related services activity in MENA, partly offset by higher managed pressure drilling activity in ESSR. PRI revenue declined 3% year-over-year, primarily from lower artificial lift activity in North America and Latin America.

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.

During the quarter, we continued to build momentum with new contract wins across our portfolio and key regions. I'm especially encouraged by the number and quality of deepwater awards this quarter. In Brazil, Constellation Oil Services awarded us two contracts for offshore well intervention and MPD in deepwater. Ventura Offshore awarded us a complete MPD solution for the SSV Victoria. And Valaris awarded us a two-year contract for MPD equipment and services offshore.

In West Africa, Noble Corporation awarded us multiple MPD contracts and a global aftermarket agreement in Nigeria. And Esso Exploration & Production Nigeria awarded us a deepwater integrated completions contract covering upper and lower completion solutions. And in Australia, Chevron awarded us a five-year framework contract for tubular running services, casing accessories, and other tools supporting a deepwater development project.

We will see some of these MPD awards get delivered in the fourth quarter, and that is part of the ramp we expect to see in the second half. Beyond deepwater, KOC awarded us two five-year contracts for cementation products and completion services in Kuwait. PTTEP awarded us a 22-month downhole deployment valve contract in Thailand.

And as I referenced earlier, PDO awarded us a three-year contract to provide integrated drilling services covering 247 wells in the Marmul field, supporting both production and injection operations following the successful completion of the 837 wells contract awarded in 2022.

Given all of the near-term market dynamics, we have adjusted our second-half guidance in what we believe is a realistic and responsible fashion. We do expect second half margins to be significantly higher than the first, but the quantum of improvement is slightly reduced versus our April expectations due to the ongoing nature of the Middle East conflict.

Our total year thesis on margins is generally intact but it is difficult to offset the impacts of operational disruptions due to the Iran conflict. At the same time, we have increased confidence in our adjusted free cash flow conversion and are, therefore, increasing guidance on that metric.

We have been clear that we will not chase revenue at the expense of returns and we would rather step away from lower margin work and concentrate on higher quality revenue that strengthens the business. The clearest evidence of that discipline is our second-quarter margins and our third-quarter guidance, where we expect adjusted EBITDA margins to be up at least 100 basis points despite the ongoing conflict in the Middle East and the loss of revenue from the Saudi LSTK contract.

Let me also provide an update on our proposed redomestication to the United States. At our shareholder meetings on June 11, the proposals to redomesticate to Texas received support from more than 60% of the votes cast, but fell short of the 75% approval threshold required under Irish law. The engagement we had with shareholders through that process reinforced our conviction in the value creation potential of the move back to the US, and taking that feedback into account, we introduced an updated proposal to redomesticate to Delaware.

The definitive proxy statement was recently filed and is being distributed to shareholders, and we will hold special shareholder meetings on September 3 to vote on the Delaware proposals. We continue to expect approximately $20 million to $30 million of annual cash savings beginning in 2027, with completion expected by the end of this year, subject to shareholder and Irish High Court approvals.

Importantly, the redomestication does not impact our global footprint, our customer commitments, or our ongoing operations, and our Board unanimously recommends that shareholders would vote for all of the related proposals.

During the quarter and as shown on slides 13 and 14, we also announced a definitive agreement to acquire NCS Multistage, which expands our completions portfolio and deepens our exposure to unconventional resources. It has been approved by the Boards of both companies and by NCS' controlling shareholder, and we expect it to close in the second half of 2026 subject to regulatory approvals and customary closing conditions.

The industrial logic of this transaction is compelling. NCS' technology spans completions design, execution production optimization and late-life intervention, which completes our coverage of the well life cycle and enhances the application fit of our Well Construction products portfolio.

It deepens our exposure to unconventional resources in North American basins and in the international unconventional markets, where we see the next leg of growth, including the Middle East and Argentina, along with the offshore opportunities such as the North Sea. And it is, at its core, a distribution play.

NCS has built a differentiated capital-light business with a concentrated footprint and Weatherford brings a customer base across six continents on which to scale them. The financial logic is equally clear. The consideration is structured predominantly in equity, preserving our balance sheet strength.

We expect at least $15 million of annual cost synergies within 18 months of closing. NCS's operationally levered capital-light model that supports both our EBITDA margins and our cash conversion, fully consistent with the M&A criteria and our capital allocation framework.

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

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

Thank you, Girish. Good morning, and thank you, everyone, for joining us on the call. Girish has already shared an overview of our second-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 23 for cash flows and liquidity. In the second quarter, we generated $139 million of adjusted free cash flow, representing a 62.3% adjusted free cash flow conversion. This compares favorably to the 31.1% conversion we delivered in the second quarter of 2025 and the 36.5% conversion we delivered in the first quarter of this year and was driven primarily by working capital relief, continued collections, including from our key customer in Mexico, and lower capital expenditures.

Our adjusted net working capital as a percentage of revenues was 27% in the second quarter, a sequential improvement of approximately 90 basis points despite the lower revenue base, driven largely by better receivables and payables management. This is the second consecutive quarter of improvement and it reflects the operational rigor we have put behind working capital across the organization. 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're continually optimizing our cost structure. We have seen the impact of these cost actions in the second quarter, and they have helped partially offset the impact of revenue decrementals, pricing pressure, and the geopolitical conflict in the Middle East, and they were a key factor in holding our adjusted EBITDA margins essentially flat sequentially.

During the second quarter, CapEx was $42 million or 3.8% of revenues, down approximately $12 million compared to the second quarter of 2025. We continue to remain in the 3% to 5% range across a 12- to 18-month cycle 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 second quarter of 2026, we returned $36 million to shareholders, comprising $20 million in dividends and $16 million in share repurchases. Since the inception of the shareholder return program, we have now returned more than $370 million to shareholders via share repurchases and dividends.

Our balance sheet remains very strong. At the end of the second quarter, we had approximately $1.14 billion of cash and restricted cash. Total liquidity was $1.7 billion, which includes total cash and credit facility. And our net leverage ratio declined to 0.34 times, despite the Middle East situation and resulting adjusted EBITDA declines, our leverage levels remain resilient and correspond to investment-grade equivalent ratios, demonstrating our commitment to prudent balance sheet management that provides us degrees of freedom.

Our focus on strengthening the capital structure over time has resulted in a stronger than ever fortress balance sheet, which provides a solid foundation to not just navigate business operations in a challenging environment, but also pursue strategic opportunities, as evidenced by the NCS Multistage acquisition.

Turning to the third-quarter 2026 guidance on slide 24. We expect revenues to be in the range of $1.105 billion to $1.155 billion, and adjusted EBITDA to be between $235 million and $265 million. The sequential improvement reflects the progressive recovery of activity in the Middle East and operational improvements driving productivity, which are partially offset by activity declines in a few geographies and the LSTK contract falloff we referenced earlier.

We expect adjusted free cash flow of more than $100 million in the third quarter. Collections from our largest customer in Mexico continue to be the biggest driver of variability in this regard, but we are encouraged by the past several months of consistent payments and transparent communication.

For the full-year 2026, we are updating our guidance with minimal changes to the midpoint of adjusted EBITDA despite the impacts from the Middle East, while raising our free cash flow conversion outlook on the strength of our first-half cash performance.

Revenues are now expected to be in the range of $4.54 billion to $4.80 billion, and adjusted EBITDA is expected to be in the range of $951 million to $1.046 billion. Adjusted free cash flow conversion is now expected to be in the mid- to high-40% range, an increase from our prior outlook. And our effective tax rate is expected to be in the low- to mid-20% range for 2026. As communicated across periods, our priorities are to drive margin and cash-based outcomes which we are confident will continue in the second half of 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 share how we see the environment evolving and what we are doing to position Weatherford for what comes next.

On our last call, I laid out why we believe the industry is entering a period of structural multiyear demand for our services anchored in energy security. One quarter later, that thesis remains intact. But clearly, the ongoing geopolitical issues and the impact of demand destruction requires a recalibration on timing and pace.

The rebuilding of supply capacity, redundancy and infrastructure across the Middle East and beyond is real, but it will not happen overnight. Tender cycles, rig availability, the normalization of logistics, and the sequencing of budgets all mean that the conversion of intent into activity and activity into revenue plays out over several months and quarters, not days and weeks. We saw that dynamic firsthand this quarter with the recovery beginning later and building more gradually than the headlines on a return to pre-conflict situations might suggest.

What has changed since April is that energy security has moved from rhetoric toward capital plans. Over the past quarter, I have visited customers in all of our geo zones, and it is very clear that across our customer base, national oil companies and their governments are explicitly anchoring investment programs in security of supply, both as exporters and importers.

This thematic is consistent and very visible in gas-focused programs in the Eastern Mediterranean, Southeast Asia, in deepwater expansion in India and South America, and in the renewed policy emphasis on domestic production in North America.

These are the building blocks of a durable multiyear cycle, but they build progressively. None of these programs converts to revenue in a single quarter, and we are managing the company on that basis. And although at times, it feels hard to change DNA across the sector, I am hopeful that the capacity discipline of the past few years in the sector translates into pricing discipline.

Against that backdrop, our job is to position Weatherford to convert this environment into cash flow and returns. And you saw the blueprint in our second-quarter results. There are three central teams that run through the company to deliver on that objective. The first element is staying true to our North Star of free cash flow, driving increased dollars, margins, and conversion.

We delivered $139 million of adjusted free cash flow at a 62.3% conversion and adjusted free cash flow margin of 13% of revenue in a quarter with meaningful operational disruption. That is not the product of one-time items. It is the product of structural improvements in working capital discipline, capital intensity, and asset utilization.

Our adjusted net working capital efficiency improved for the second consecutive quarter. Capital expenditures were 3.8% of revenue, and net leverage ended the quarter at 0.34 times despite relatively lower adjusted EBITDA base. We are institutionalizing this focus with an emphasis on further aligning and providing visibility to cash metrics across the company. And you can see this focus in our numbers.

We have raised our full-year 2026 free cash flow conversion outlook every quarter since we first provided it from the low- to mid-40% range in February, to the mid-40% range in April, and now to the mid- to high-40% range, all while absorbing the disruption of the conflict and each step closing the gap to our 50% through-cycle target.

The second element is portfolio enhancement with technology differentiation being our strategy. The NCS Multistage acquisition is a clear expression of that. We recognize the earnings volatility that comes with our scale in a cyclical market. However, we will never do M&A purely for the sake of scale. It will always be rooted in strategic intent and conviction in financial returns.

We have the balance sheet capacity, experience, and operational bandwidth to do more but will always be hyper focused on delivering shareholder value as our priority. More importantly, we are clear that organic innovation is critical, and our new product introductions are debated and decided on that dimension. The growth in our offshore MPD, well services, integrated completions, and digital offerings are all testament to the philosophy and set the stage for more in the coming quarters and years.

The third element is structural efficiency and effectiveness. Our investments in state-of-the-art ERP systems, a new structure to serve the offshore markets, the launch of our Managed Pressure Wells Center of Excellence, and several other initiatives are all aimed at state at taking us to the next level.

Not only do I expect them to improve our margin performance, I also expect them to serve as enablers to drive top line growth. So to conclude, the demand backdrop for our industry is strengthening on a structural multiyear basis anchored in energy security, but the recovery will be progressive, and we are managing the company accordingly.

Further elevating our focus on free cash flow generation, conversion and margin, driving technology differentiation in the portfolio through strategic M&A and organic innovation, and building out the next generation of structurally different and scalable company.

While all of this is future focused, we remain deeply committed to delivering in the short term. To put this in perspective, our total year adjusted EBITDA guidance is reduced by approximately 1% at the midpoint versus April, while increasing our free cash conversion. The stock has seen a significantly more exaggerated impact, but we will keep doing what we have done every quarter, tell you exactly what we see, deliver against it and let our investors judge the results.

Thank you for your time this morning. With that, operator, please open the floor for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) David Anderson, Barclays.

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

So operational and financial discipline has been a theme of yours for some time now. I just want to talk about kind of how you're thinking about revenue growth versus margin growth in this next up cycle. You mentioned you were fine not winning that Saudi LSTK contract because there's low-margin work.

At the same time, your margins are moving up nicely in the second half without a big move in revenue. So I was wondering, could you talk about how you're going to balance that out of kind of growth versus margins? And in your approach to what appears to be an expanding set of opportunities once this upcycle starts to pick up?

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

Yeah, Dave. Look, it's a really important and something we spent a fair amount of time on. Look, the reality is, let me start with, you always need to have top-line growth to ultimately have a bottom line come through, right? So we're not naive and ignorant of that fact. And we can't cost cut our way to growth in the longer term.

So we do need top-line growth. Having said that, look, there are contracts that we will be okay walking away from if it doesn't provide the right returns. On the Saudi LSTK piece you referenced, look, two things, I think, that are incredibly important.

First, I'm enormously grateful to Aramco for the opportunity, and I believe we added a lot of value in the past three years in executing the contract, and it truly helps strengthen our own capability. A lot of our capability in deep gas drilling in Aramco has come as a result of Aramco trusting us with that contract and allowing us to expand our capability.

I think, look, the second thing is I'm very, very proud of the team for how they executed. The market is going to be what the market is and people will do different things and we've got to react to that. So what we try to do is say, look, is there a strategic intent on capability addition sometimes on a contract to take lower margins like we did on this one. And if that no longer exists, we are okay walking away.

What we've got to then do is say how do we have the right technology differentiation and the cost out within the company to get the appropriate margins. What I'm supremely confident of is that we have a backlog right now as well as a pipeline in front of us that allows us to go get that higher margin. And again, you see the proof in the proverbial pudding. You see the margins holding up very, very resiliently in the second quarter and picking up with our guidance on the third.

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

Thank you.

Operator

Scott Gruber, Citigroup.

Scott Gruber - *Citi Infrastructure Investments LLC - Analyst*

Girish, you mentioned that the Mid-East headwind was largely in line with your $30 million to $50 million estimate in the first half and that the impact will obviously continue in the second half. But curious about that kind of monthly cadence, is that moderating as you go into 3Q as you adjust ops and logistics? Or does the recent flare-up maintain that pace? And you obviously have good breadth across the region.

So just curious, given the flare-up what you're seeing across the region today?

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

Yeah. Look, in terms of the impact of that -- the financial impact of the conflict, what I will start with saying is don't see it increasing right now, and I think that's positive. So let me be very clear about that. I do believe it's moderating, but that's always subject to what happens tomorrow, next week, next month, et cetera. So -- but our hope is that it continues to moderate.

It will unlikely go to 0 until we get to a firm and permanent resolution. And we have baked that into the guidance, but it is still a fairly significant number. So I think extrapolating what we talked about is prudent.

Look, from a region standpoint, it's very, very mixed. What we've seen over the past 10, 12 days is a very unfortunate played up once again, and that's created a significant amount of disruption. Prior to that, we had seen Saudi start returning to normalcy, resuming some of the offshore operations.

The UAE has kind of continued on that same pace and actually increased in a few areas. Oman has, by and large, stayed fairly consistent and normal through this period. Where we've seen probably the most amount of disruption and delay is really Bahrain, Qatar, Iraq, and Kuwait. And we have started to see a little bit of recovery in all of those.

I think now it's, again, a bit of uncertainty that's gotten introduced. But we remain hopeful in very close contact with our customers and making sure we're supporting them and our team through this period.

Scott Gruber - *Citi Infrastructure Investments LLC - Analyst*

Appreciate the color. Thank you.

Operator

James West, Melius Research.

James West - *Melius Research LLC - Analyst*

Girish. You again mentioned the multiyear cycle you see developing here. But you've also noted this will take some time. It's not just in one quarter, which is perfectly reasonable. Could you just address maybe the type of conversations and regions where you're having these discussions and help -- maybe help us frame the way to think about the -- a little bit early, but the '27 outlook.

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

Yeah, it is a bit early, James. But let me start with the first part of the question. So look, I would bucketize it into really sort of three elements. I will start with the most obvious one, which is our customers in the Middle East. And the conversations there are really focused around, first of all, the thematic business continuity and making sure that they can deliver to their plans, and we are an integral part of that.

The second is really hardening of infrastructure and making sure that as things come back to normalcy, the production can resume and so we are set up and well positioned for that. And I think the third is going to be a conversation on, hey, look, once all of this is behind us, how do you get back to getting production back to the levels it was then higher regaining share, et cetera. So I think there will be an activity uptick, and we are preparing for the -- from that standpoint.

If you then go to exporting countries around the rest of the world outside of the Middle East, I think several of them are looking at this opportunity saying, how do they position themselves as stable and resilient suppliers to countries that need their product.

And so they are looking at potential plans to expand, but they're being cautious, they're being prudent about it. I think the biggest manifestation of that is that thematic we've been talking about for a while, which is offshore. And so I think it really bolsters and strengthens this offshore cycle that we see coming upon us in the next few years. And again, we are very well positioned on that front.

The third is really countries that are in a position where they do have their own reserves, but they're still net importers, small or significant. And what they're really focused on is saying how do they get a little bit more security of supply and increased domestic production so that they are less dependent on that variability of geopolitical shock.

So I think there will be a bigger focus and investment on domestic production places like Thailand, Indonesia, India, think you've got several countries in this regard. And so we think we will see an activity uptick in that.

So look, you put it all together, I'm not going to give an outlook and guidance for '27 right now. But I think it's suffice to say that we are well positioned and '27 should definitely be a year of growth for us. And I think in the next few months, we'll be able to calibrate very specifically how much and the nature of that, but it's certainly shaping up to be a positive inflection.

James West - *Melius Research LLC - Analyst*

Got it. Thank you.

Operator

Saurabh Pant, BofA,

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

Girish, I think you briefly touched on this in your prepared remarks, but I want to touch on -- go back on Venezuela. I think you were talking about just getting more encouraged. I think you said you expect a more tangible contribution in both revenue and margins. Maybe Girish, if you can expand on this a little bit from a timing and ramp-up standpoint and then what product service lines that whether food could deploy in the country?

And then ultimately, from an investor standpoint, what's the size of the opportunity? How big could the market be for Weatherford?

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

Sure. Yeah, look, I'll reiterate, I've been very pleasantly surprised. I think there's a lot of people, including myself who, back in January, February, were a little skeptical of how fast this could move. And I think it has moved a lot faster than many people anticipated. Obviously, we've got customers like Chevron, who are well entrenched there and know the landscape very well.

So we continue to work with them on their plans. But we have seen a lot of other customers, not just announced plans, but there's a lot of conversation about further things. I'm encouraged as I travel around the world as to how many customers ask me about Venezuela.

So look, we are talking to several customers and the range of products and services really runs the gamut. A lot of it is the expected. We start with artificial lift and intervention services and well services as a means of increasing production. And again, that is the sort of sweet part of our portfolio.

But I think it's also important to recognize at its peak, Venezuela was about $0.5 billion for us, and we did pretty much everything in the country, including drilling services and wireline. We also still have assets in the country. We are starting to ramp up our workforce in the country in anticipation of awards as well as the conversations that we're having with customers.

So I think it's a bit premature to say what is the exact size of it. I think it would be naive for me to assume that we're going to get back to anywhere close to that what it was at its peak of $500 million in the next few years. But I do certainly think this is something that will build in a fairly non-linear fashion of going from a few million dollars to tens of millions of dollars to several more. And we'll provide more color on that as we get into guidance for 2027 and beyond.

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

Awesome. Thank you, Girish.

Operator

Derek Podhaizer, Piper Sandler.

Derek Podhaizer - *Piper Sandler - Analyst*

So Girish, in your opening comments, it sounded like maybe a little bit of slippage in the Pemex calendar. Could you maybe touch on that more in the outlook for Mexico as we work through the year? And then Anuj, you could hit on those Pemex collections. You struck a pretty confident tone in your remarks, so maybe provide some more detail on how these could progress through the rest of the year.

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

Sure. So I'll start, Derek. Look, I think Pemex , as we have talked about now multiple times, we really think they've gotten to a point of stability. I think there's been a lot of anticipation about growth and increased budgets, et cetera. I am hopeful about that, but we are not betting on that.

I also think, look, it's a bit of a function of the Pemex calendar is really there are well allocations, there's contract allocation. So it might be a tad bit more specific to us in the second quarter, but we see that normalizing over the second half, but I do think it will be more stable.

And like I've said previously, I think as we get into 2027 and beyond, we do think that activity levels will increase. They're probably not going to increase 30%, 50%, anything like that. But I think a reasonable mid- to high-single-digit level kind of increase is warranted. And we are very well positioned to be able to do that, and we think we can scale up quite quickly.

Anuj?

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

Sure. So on collections from Pemex. So Q2 did mark the third straight quarter where we did receive sizable collections from -- we've talked at length about some of the structural changes that have happened there in Mexico. And since then, the collections or the payments thereof have generally been consistent. Our team has done a remarkable job, a remarkable job of working with our largest customer there, Pemex in Mexico, to continue to invoice for future collections.

And so we are cautiously optimistic that it continues. And generally, once we do invoice Pemex, the collections start coming in a few months thereafter. And so for the second half of the year, again, we are cautiously optimistic that this trend continues.

Derek Podhaizer - *Piper Sandler - Analyst*

Great. Appreciate all the color.

Operator

James Rollyson, Raymond James.

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James Rollyson - *Raymond James - Analyst*

Girish, you've been kind of pushing free cash flow conversion and generation pretty much since you came on board at Weatherford. So maybe this is for Anuj. But could you talk about just kind of your revised outlook for free cash flow conversion, given what second quarter looked like, kind of the fact that you're now in this mid to upper 40s getting close to your 50% number is your long-term target kind of changing to the higher end now well beyond 50%.

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

Yeah. Happy to take that one. So I appreciate you pointing out the focus on free cash flow and free cash flow conversion and generation. So this has been a deliberate, deliberate target internally for us, and it's the result of actions across multiple years to get to where we are. And so I appreciate you noting that here at the onset -- so yes, we did increase our overall target from mid-40% to mid- to high-40%.

And this is really a function of the very strong free cash flow generation we've had here in the first half of the year. So if you look at Q1 plus Q2 combined, we are at around 49% of free cash flow conversion. And so this gives us the confidence to look at the second half of the year and revise higher our overall outlook.

We've talked at length about our MO here is to drive cash and margin-based outcomes. And there are numerous initiatives that are underway across every single working capital category, across looking at how do we optimize our interest expense, across -- we have an initiative out there, as you all know, about redomesticating the Delaware, which will further help drive the free cash flow number as it relates to our tax efficiency and management. And so the team is laser focused to hit and improve upon in all of these areas.

Free cash flow conversion has a -- other component of the formula, which is the CapEx component. We do run the business capital light, 3% to 5% is what we will continue to invest. But this piece here is key. The aim is not to singularly drive free cash flow conversion, the aim is to take that CapEx to high-grade EBITDA, to high-grade EBITDA margin, and then be vigilant in converting that to a 50% free cash flow number.

Our history has been to put a target out there and ensure we have the might of the entire company aligned to go hit that target. And that is what we will do with this 50% number. And in the spirit of always improving, being a continuous improvement organization in the future, as we structurally are able to continue to deliver at a 50% free cash flow conversion, then and only then may we potentially raise the bogey.

James Rollyson - *Raymond James - Analyst*

Appreciate that, Anuj. Thanks.

Operator

Doug Becker, Capital One.

Douglas Becker - *Capital One Securities Inc - Analyst*

Girish, I was hoping you'd expand on NCS some more. Is this a deliberate move to increase your exposure to North American unconventionals? And how do you see the opportunity to expand their products across your global footprint?

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

Yeah. Doug, I would say less about North America there a business that's very highly concentrated in North America, but that's really not the focus. It's really around what we can do with the technology. So to me, the unconventional parts, yes, is very, very interesting and exciting. And if you look at -- we've got a slide in the deck, page 14, I believe, which lays out the complementarity of the solution set, and it gives us now a full spectrum completion solution from heel to toe in the unconventional space.

And I think that's very powerful. So as we see unconventional growth in markets beyond North America, we see Argentina, we see the Middle East, we see other parts of the world. So we think that could be something that allows us to scale even more with our footprint. This is a business that operates very effectively in North America. So we -- obviously, we want to make sure we preserve and nurture and grow that. But the really exciting part is what we can do with our global footprint and scale this up.

Douglas Becker - *Capital One Securities Inc - Analyst*

Makes sense. Thank you.

Operator

Philip Jungwirth, BMO.

Phillip Jungwirth - *Bank of Montreal - Analyst*

Realizing NCS hasn't closed yet, but I was hoping you could elaborate a bit more on your M&A strategy, potential timing? And also just should we expect things more like NCS in the future?

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

Yeah. The crystal ball is always fascinating on this, Phil. So I appreciate the question. Look, what I'll start with is what I said earlier in my prepared remarks. For us, it's all about strategic intent, and that's rooted really in what that value proposition is. Does a target potentially give us something that significantly enhances our strategy or accelerates it versus just doing something for the sake of scale.

Beyond that, we look for businesses that are typically capital light, and there is a balance there, ultimately getting to greater amounts of free cash flow margins. So sometimes you have this business that are a little bit more capital intensive. We have some of those like our MPD and Drilling business. But as long as they're generating the right returns.

And then we look at -- look, does our global footprint give us an opportunity to scale up more significantly. And we've seen that in several of the acquisitions that we have done, whether it was a couple of years ago with the Probe and ISI businesses or Ardyne, or hopefully now once we close NCSM. So that's sort of what we are looking at.

So my hope is, look, as we look at the landscape in front of us, we think there's some very interesting opportunities for technologies that can, not just help, but enhance the overall portfolio, and we can scale up. At the same time, we will look at things that are potentially a tad bit larger. But again, the thesis is the same.

We will not go after stuff just for the sake of scale. It's all about does it give us strategic optionality. Does it create more value and are we convinced of the financial returns.

Phillip Jungwirth - *Bank of Montreal - Analyst*

Thank you.

Operator

Keith Mackey, RBC Capital Markets.

Keith Mackey - *RBC Capital Markets Inc - Analyst*

Girish, I don't think I've heard you talk about offshore as much as you did on today's call before, certainly, with several announced awards as well. Are these awards a true indication of the potential market inflection or are you gaining market share? Then could you also expand on your comment on how your offshore operations have been restructured?

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

Yeah. So Keith, I appreciate the question. Look, I think the short answer is yes to all of them, right? But look, different products, different services have different connotations. So if you look at the offshore space, first of all, I do believe that we are entering a -- or we're going through a period where that offshore cycle is strengthening.

And we've talked about MPD in the past. The MPD business model is changing on the offshore side, but we still think there is a lot of opportunity for us as there are still rigs out there that do not have MPD systems. But what we have is a more unique and interesting opportunity of transforming that business from a pure capital sales model into a longer-term service partnership model, and that's something that we are working on, and you've seen that reflected in some of the announcements.

Our tubular running service business, that's a direct correlation to the number of wells drilled. I think with MPD, we are very comfortable with our market position in those, and it's really more of growing with the cycle. Then you have a business like completions where I think we've made a lot of inroads.

We announced a very significant award with Total in Denmark. It was our first true fully Integrated offshore Completions award. We followed that up with the award with Exxon in Nigeria. And I'm optimistic about more. And this is a function of very deliberate targeted investment and building out the portfolio over the past few years.

So I think over the next several years as the offshore cycle strengthens, my hope is that we will continue to grow that completions business in a place that we haven't. So you couple that then with what we have with NCSM on the unconventional side, the completions and integrated completions offering, I'm very, very excited about.

Look, on the offshore operations piece, what this really is, is a response to the marketplace. We've always been focused on offshore. It's always been a strength for us. What we're doing now is two things really. The first is making sure we have an organization that can provide consistency of execution as well as normalization of commercialization across multiple geographies.

So as you have operators and drilling contractors operate in multiple geographies ensuring that we have that same consistency across the board, whether it is in West Africa or it is in Brazil or the Gulf of America or the Caribbean or Asia, making sure that we can look at that consistently across the company.

The second piece of it is coupling that with fundamental capability in centers of excellence and our Managed Pressure Well Center of Excellence is a great example of that. We've just inaugurated and launched that this year. We had a fabulous event during OTC week very, very well attended by operators and drilling contractors.

So where we can bring together engineering, manufacturing, repair and maintenance, and remote operations capability to really create a very unique value proposition for customers.

Keith Mackey - *RBC Capital Markets Inc - Analyst*

Awesome. Thanks for the color.

Operator

Josh Silverstein, UBS.

Josh Silverstein - *UBS AG - Analyst*

Girish, you mentioned some pockets of pricing weakness along with your disciplined approach. However, I'm sure a large number of your awards aren't just because you're dropping pricing. Can you talk about where you're seeing strength and what you're encouraged about?

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

Yeah. Look, let me start with we try really hard not to drop pricing and certainly don't showcase when you have to do that to win. So we are -- look, we are fundamentally, we believe, the way to offset the pricing weakness in the market is to have two things. The first is you have to have technology differentiation and the second is you have to have a competitive cost base.

So as we see the pricing weakness in the market, I remind myself that hopefully, everyone is motivated by the same concept of value creation and so we use it as a motivator for us to say, hey, if we are seeing pricing weakness, we've got to go figure out how to be more competitive versus anything else. So -- but the technology differentiation piece, that is really what is the driver for the bulk of our activity.

And look, we have tried very hard over the past several years to really get out of commodity businesses where the only differentiation is price. So we are very comfortable with that. We have always said we'd rather have much higher cash returns and profitability, even if it's on a slightly lower revenue base over time.

And so I think where we've got that, and you see that across the board, our managed pressure drilling offerings, tubular running services, in completions, in well services, and interventions and cementing products. Several of our businesses, we really don't have that as a significant issue.

Operator

Ati Modak, Goldman Sachs.

Ati Modak - *Goldman Sachs Group Inc - Analyst*

Girish, can you talk about the decline in North America revenue in the quarter? It seems like it was driven by Canada, but help us understand that better. And then you mentioned NCS is strategic for expanding globally, but curious how you think about the North America impact of having that in the portfolio.

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

Sure. So Ati, look, definitely, yes. So it is a seasonal business, and the spring breakup in Canada that we experience every year is the contributing factor for the North America decline. Look, US land actually did have a positive sequential quarter. So I'm encouraged by that. We've seen rig count going up, albeit slightly. So I think there's a little bit more of encouragement in North America right now.

Overall, with NCS, I think we get a much stronger business. Look, we've always talked about in North America especially in the land side of the business, we are much more of a product-driven business. I think with NCS, we get even more capability on that. And I'm looking forward once we close to saying, how do we harness the capability that we have in the NCS organization and use that as a shot of adrenaline to our own organization and do more.

And so while the proverbial one plus one may not get us to necessarily three, but I'm hoping it certainly gets us well over two.

Ati Modak - *Goldman Sachs Group Inc - Analyst*

Thank you.

Operator

Josh Jayne, Daniel Energy Partners.

Josh Jayne - *Daniel Energy Partners - Analyst*

We've magically gone almost an hour without talking substantially about AI or data. Things continue to move quickly and obviously, a number of operators are increasing investments. Maybe you could just update us on how quickly things are moving and update on some of the investments you've made in traction you're getting not only in AI, but a number of the investments you've made surrounding data and real-time monitoring please?

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

Yeah. Josh, I continue to remain very excited, and I think there is a lot of potential around it. I think a lot of people are still trying to figure out the exact monetization equation around this. Look, we've taken the approach of really deploying it in two dimensions. The first is in our portfolio and our offerings to customers.

And you see this manifested in things like production optimization, you see it in some of our drilling programs you've seen it in tubular running services, where we are building that in and essentially enabling customers to get better outcomes. And that is really what we think resonates with them versus I'm going to be the person that sells you an AI widget, which today everyone can start going and developing on their own.

The other piece that is really interesting is from an internal standpoint of productivity. How do we get not just personal productivity but large-scale organizational efficiency through that. So I think we're seeing some early signs of progress. The biggest manifestation of this ultimately for us will be in our ERP systems, which we are designing with an AI-first mentality of saying, how do we harness the massive amount of data that we have.

And then look, last but not least, I will point to in our digital portfolio. One of the things that I think we've got is a very unique capability of the ability to provide a unified data model to customers. So a lot of customers I talk to are struggling with this notion of they have a lot of data, and they have it from different vintages, they have it from different acquisitions, and they have a big data lake, and they're able to put it all together.

But to make sense of the data is the challenge, and that's where we have a very compelling offering with our UDM with PetroVisor that allows customers to say, okay, this is how I normalize things and harmonize them together, and we're starting to get more traction with that commercially as well.

Ati Modak - *Goldman Sachs Group Inc - Analyst*

Thanks. Appreciate it.

Operator

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

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

Great. Thank you all for joining the call today, and we look forward to updating you in 90 days on our third-quarter results. Thank you. Have a great day.

Operator

Thank you. That 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.
