

LSEG STREETEVENTS

EDITED TRANSCRIPT

WFRD.OQ - Q4 2025 Weatherford International PLC Earnings Call

EVENT DATE/TIME: FEBRUARY 04, 2026 / 1:30PM GMT

OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

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

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

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

CONFERENCE CALL PARTICIPANTS

J David Anderson *Barclays - Analyst*

Scott Gruber *Citi Group LLC - Analyst*

James West *Melius Research LLC - Analyst*

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

Doug Becker *Capital One Securities - Analyst*

James Rollyson *Raymond James - Analyst*

Derek Podhaizer *Piper Sandler - Senior Research Analyst*

Phillip Jungwirth *Bank of Montreal - Analyst*

Josh Silverstein *UBS AG - Analyst*

Ati Modak *Goldman Sachs Group Inc - Analyst*

Joshua Jayne *Daniel Energy Partners - Analyst*

PRESENTATION

Operator

Good day and welcome to the Weatherford fourth quarter 2025 results conference call. (Operator Instructions) Please also note today's event is being recorded.

I would now like to turn the conference over to Luke Lemoine, Senior Vice President, Corporate Development. Please go ahead.

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

Welcome everyone to the Weatherford International fourth quarter in full year 2025 earnings conference call. I'm joined today by Girish Saligram, President and CEO; and Anuj Dhruv, Executive Vice President and CFO. We'll start today with our prepared remarks and then open it up for questions. You may download a copy of the presentation slides corresponding 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 company slide deck, which will 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*

Thanks, Luke, and thank you all for joining our call. I'll start with an overview of our financial and operational performance, followed by our outlook on the markets. Anuj will then cover specifics on financial performance, balance sheet, detailed guidance and I will wrap up with some thoughts on Weatherford's strategic plans for 2026 and beyond before opening for Q&A.

I want to start by summarizing our Q4 2025 performance. We had sequential revenue, growth operating income that was higher sequentially and year-on-year, adjusted EBITDA margins well above 22% and free cash flow conversion of 76%.

Overall, I am very pleased with our team's execution, and I would like to thank everyone on our One Weatherford team for clearly demonstrating our ability to perform well even in a soft and challenging market environment. This performance builds on our confidence in the long-term prospects of the company, which is reflected in the significant increase of 10% on the dividend.

As illustrated on slide 3, we delivered 5% sequential revenue growth, driven by higher activity in Latin America, which grew 16% sequentially, led primarily by Mexico and Brazil. North America grew modestly supported by higher Canadian activity and US offshore that was partially offset by a decline in US land activity.

The Europe Sub-Sahara Africa and Russia region declined 2% sequentially, and this region continues to exhibit softness. I'm also very pleased with the continued strong performance in the Middle East. The Middle East, North Africa and Asia region delivered 4% sequential growth, led by Kuwait, Oman, the UAE and Indonesia.

Activity in Saudi Arabia remain muted, although we are hopeful of a healthy recovery in the back half of 2026. As we have been discussing for a while, 2025 was notably characterized by the significant activity decline in Mexico.

For the full year, Mexico revenues declined a little over 50% compared to the prior year. We believe the worst in Mexico is behind us, and the situation has stabilized as evidenced by steady activity levels and the resumption of payments in the second half of 2025.

From a segment perspective, WCC and PRI were the largest contributors to top line growth, driven by strong performance in completions and artificial lift, respectively. These product lines are a great example of the opportunity and execution in Weatherford.

Completions, a low capital intensity business has grown significantly on a year-on-year and quarter-on-quarter basis and over the past few years, has become our largest product line, fueled by technology advancements and manufacturing capabilities.

Artificial lift is the outcome of a very strong installed base, great customer relationships and leveraging our international footprint to take our North America expertise and scale it. Despite macro headwinds, our fourth quarter EBITDA margins came in at 22.6%, representing a sequential improvement of 74 basis points, showcasing our intense focus on operations and execution.

Our adjusted free cash flow for the quarter came in at \$222 million, which was significantly enhanced by collections from a key customer in Mexico. We received payments for 2025 operations as well as our older receivables, and we are more confident on payment streams with the new mechanisms in place.

As a result, our full year 2025 adjusted free cash flow totaled \$466 million, representing a 43.7% conversion ratio as seen on slide 4. This is a 576 basis points improvement over 2024, well over our initial view of an increase of 100 basis points to 200 basis points coming into the year. While we are cautiously optimistic about the visibility and cadence of payments, our 2026 outlook on free cash flow will continue to remain dependent on this important variable.

In addition to strong operational performance throughout the year, we also significantly fortified the balance sheet with improvements in leverage, interest costs, credit ratings and total liquidity with a net leverage that now stands at 0.42 times. This gives us a greater degree of financial flexibility to pursue long-term strategic objectives.

As shown on slide 7, 2025 was also our first full year of shareholder returns, and we returned \$173 million between dividends and share repurchases. Our conviction in the long-term prospects of the company is underpinned by our announcement last week to increase the dividend by 10%.

Slides 9 through 12 play out key highlights of our segments. During the quarter, we continued to build momentum with new contract wins across our portfolio and key regions. These wins are a clear testament to our operational and technical capabilities to deliver a diverse range of differentiated technology and cost-effective solutions for our customers.

I am especially encouraged by the wins in product lines like wireline in Romania, completions in Kuwait and operational milestones, such as more than 25 installations of plug-and-play liner systems in Norway. These highlights underscore the meaningful progress we are making in product lines that were not historically ranked number one or number two, reflecting the impact of sustained investment and focus over the past several years.

Now turning to our outlook. Overall, customer spending is expected to increase over the course of the year. And while we are encouraged about second half 2026 and beyond, legacy pricing variability will need to be mitigated with productivity and cost control in the first half of 2026. North America spending is expected to decline this year as operators continue to maintain tight budgets resulting in mid to high single-digit declines in activity levels throughout the year.

At the same time, the international outlook is a tale of two halves. We expect the first half to experience slightly greater than normal seasonal declines due to geopolitical conflicts, trade policy impacts, commodity price volatility and the market restraint deriving from a concern of global oil demand supply imbalance.

As we enter the second half, we are encouraged by a number of contract awards and project start-ups that should lead to noticeable second half growth over the first half, similar to what we saw in second half 2025 versus first half 2025. These include Saudi, Argentina, UAE, Brazil, Australia, Indonesia and Egypt.

Accounting for all these moving parts, we expect 2026 international activity levels to be flat to slightly down compared to the prior year. However, we are encouraged that second half 2026 international revenues could possibly be up year-on-year and lead to growth in 2027.

Furthermore, we are seeing early signs of improvement in offshore deepwater activity underpinned by rising service-related demands in core basins such as Gulf of America, Brazil, the Caribbean and the Caspian Sea. Speaking of potential opportunities, I'd like to briefly address the Venezuelan one. At its peak, Venezuela represented over \$500 million of revenues for Weatherford, and recent developments may begin to reopen a market that was once meaningful to us.

Assuming a stable governance and regulatory environment, operational stability and the approval of brownfield redevelopment with a strong payment plan, we see substantial potential for our intervention, well services and artificial portfolios over the mid to long term. We are closely monitoring the situation. And as we have done in the past, we will act swiftly and decisively as the opportunity materializes.

We remain optimistic about our stronger 2027 outlook where we expect activity levels to show year-on-year growth. We remain well positioned to benefit from stable or improving activity. And at the same time, we are taking proactive measures to strengthen margins should the market move sideways.

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

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

Thank you, Girish. Good morning, and thank you, everyone, for joining us on the call. Girish has already shared an overview of our fourth quarter and full year 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 cash flow, working capital, balance sheet, liquidity, capital allocation and guidance.

Turning to slide 27 for cash flows and liquidity. In the fourth quarter, we generated \$222 million of adjusted free cash flow representing a 76.3% adjusted free cash flow conversion, significantly boosted by collections from a key customer in Mexico that we originally expected to receive in 2026.

Although sizable collections remain outstanding, recent payment trends have become more consistent, improving our confidence to project continued strong free cash flow into 2026. For full year 2025, our outstanding collections in Mexico significantly impacted our net working capital efficiency.

Our net working capital as a percentage of revenue was 28.9% in 2025 versus 24.5% in 2024, an increase of approximately 450 basis points. However, this number is expected to improve as the pending collections materialize.

For context, on a sequential basis, the working capital efficiency improved by around 70 basis points. All things considered, we remain fully committed to our internal initiatives aimed at achieving the goal of 25% or better. As we stay agile and adapt to evolving market conditions, we continue to execute a series of cost improvement actions across the company.

In this context, we took an additional restructuring and severance charge of \$7 million in Q4 and bringing the total charge to \$58 million for full year 2025. Our cost optimization efforts are guided by two objectives. First, we are rightsizing elements of our cost structure including headcount, real estate and supply chain footprint to better align with activity levels with a clear focus on ensuring each incremental dollar invested supports profitability.

Second, we are maximizing the productivity of the current cost base by leveraging shared services, digital platforms and artificial intelligence to enhance efficiency and margin performance. We have seen the impact of these cost actions over the course of the year, and they have helped partially offset the impact of margin decrements, tariff-driven dilution and the divestiture impact.

During the fourth quarter, CapEx was \$51 million versus \$44 million in the third quarter. For the full year, CapEx was \$226 million, or 4.6% of revenues. As we align our budgets with the current market conditions, 2026 CapEx is expected to be \$190 million to \$230 million with the midpoint expected to decline relative to 2025.

Given our investment in our infrastructure programs, it is worth noting that the mix of our CapEx spend in 2026 will be noticeably different. Our CapEx on service tools will decline commensurate with market activity, but we will see an increase in IT-related spend on our ERP systems. However, we continue to remain very much in the 3% to 5% range that we have laid out and will make the appropriate and prudent trade-offs through the cycle.

For the full year 2025, shareholder returns totaled \$173 million, comprising \$72 million in dividends and \$101 million in share repurchases. This payout represents roughly 37% of our annual adjusted free cash flow. Since the inception of the shareholder return program about a year and half ago, we have returned roughly 38% of the corresponding adjusted free cash flow base to shareholders via share repurchases and dividends.

And we remain fully committed to returning approximately 50% of adjusted free cash flow over the course of the cycle. During the year, we successfully executed our debt restructuring plan including reducing gross debt by \$161 million, upsizing our revolving credit facility to \$1 billion and pursuing a refinancing exercise at attractive interest rates.

As a result of these actions, our net leverage ratio stands at approximately 0.42 times with roughly \$1 billion of cash and restricted cash and total liquidity of \$1.6 billion. To put our multiyear progress in context, the new Weatherford has sustainably brought down our net leverage from 3.3 times in the beginning of 2021 to today's 0.42 times. This outcome reflects our resilience in opportunistically strengthening the capital structure over time.

Our stronger-than-ever balance sheet provides a solid foundation to not just navigate business operations in a tough cycle but also pursue strategic opportunities. For 2025, when combining shareholder remuneration of \$173 million and paying down higher interest burden debt of \$161 million, 72% of our full year adjusted free cash flow was directed to these capital allocation initiatives.

Turning to the first quarter 2026 guidance on slide 28, we expect revenues to be in the range of \$1.125 billion to \$1.165 billion and adjusted EBITDA to be between \$230 million to \$240 million. The sequential decline is primarily a function of typical seasonality factors, along with some work that was pulled into Q4.

As a reminder, the year-on-year comparisons are also impacted by the Argentina divestiture, which has a full quarter of contribution in Q1 2025. We expect adjusted free cash flow in the first quarter to be slightly positive on account of a typical working capital build.

For full year 2026, revenues are expected to be in the range of \$4.6 billion to \$5.05 billion, consistent with the overall market outlook Girish laid out. Adjusted EBITDA is expected to be in the range of \$980 million to \$1.12 billion. For full year 2026, we expect adjusted free cash flow conversion to be in the low to mid-40% range, and this would have been higher had substantial collections not been pulled into Q4.

Importantly, it demonstrates our progress towards our 50% target. Our effective tax rate is expected to be in the low to mid-20% range for 2026. Overall, we expect 2026 to have slight revenue declines, but improving margins and strong free cash flow generation.

As Girish said, it will be a tale of two halves and the 5.2% revenue increase in the second half of 2025 over the first half of coupled with a commensurate 10% increase in adjusted EBITDA is a good precedent for confidence in the second half of our 2026 ramp. 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*

Thanks, Anuj. I remain highly optimistic about Weatherford's future over the next several years. While 2025 was a challenging year, marked by rapidly changing market conditions, it also represented a year to refine our operating model and demonstrated efficacy on a through-cycle basis.

Our margins proved resilient, and the expansion in the second half is a tangible proof point of our operating thesis. Most importantly, our cash flow generation not only remained strong, but conversion improved versus 2024.

As we move forward, our internal initiatives will build on the successes of the past, but will also incorporate fresh thinking and new ideas to drive our north star of generating greater free cash flow. For 2026, we are laser focused on driving cost and CapEx to be at optimal levels for the activity mix we have in front of us.

We drove over \$150 million of personnel expense reduction in 2025 and believe we have additional opportunities without impacting safety or performance. Concurrently, we have a heightened sense of focus on the performance of each business unit, which we consider to be the intersection of product line and country.

We are willing to make revenue trade-offs to ensure a higher quality mix of margin and cash performance. At the same time, we are driving transformational changes to set up the future of the company, and I am very excited about these. We look at this as our 4 Ps of people, portfolio, partnerships and performance. I won't belabor each of these, but will share a couple of highlights.

Our infrastructure program overhaul is well underway with promising benefits this will allow us to scale the company through cycles very efficiently and effectively. Product innovations like MARS or Mature Asset Rejuvenation through Surveillance.

A fiber optic enabled solution is providing real-time insights to create a significant opportunity in the production enhancement space with over 1 million wells in over 100 countries that could benefit from this. We rolled out our performance tier MPD solution, MODUS.

And in the first full year of commercial availability in 2025, we completed over 70 jobs in almost every geography we operate in. Recognizing that we cannot do everything ourselves. We have signed partnership agreements with leaders in their space on technology development, infrastructure provision, customer collaboration and new energy platforms.

We have seen over the past few years that Weatherford can deliver top-tier profitability and cash margins in different phases of the OFS cycle. As we look towards the next few years, we see a significant uptick in activity starting in 2027 and believe that our operating model, initiatives and people will propel the company forward to deliver stronger results than ever before.

With that, operator, please open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) David Anderson, Barclays.

J David Anderson - Barclays - Analyst

Thank you. Good morning. I was wondering if you could give us a little bit more detail on how you see Saudi playing out this year. Something like 40 rigs or so have been tendered to come back to work. How does that play in Weatherford's outlook for the year and in 2027. And secondarily, what are you seeing in terms of pricing in Saudi? Are there any product lines seeing increases or conversely under pressure? Thank you.

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

Sure, Saudi continues to be our most significant country internationally. It's our largest one internationally. So an incredibly important one. As I pointed out in our prepared remarks, we are very hopeful of a very healthy recovery going into the second half as these rigs come online. It will take a little bit of time.

So it's not going to be immediate, which is why I think we'll see the impact really more in the second half and then going into 2027. I've always maintained that we have a very strong opportunity in Saudi because we are still very underrepresented. Our team has done an outstanding job with just phenomenal support from Aramco, but it's still the onus is on us to continue to develop technology.

And I'm very excited about what we have in the pipeline, what we are working with Aramco on to drive that. So I'm hopeful that we can continue to have performance that exceeds the market and especially as the volume and activity levels increase, I think there's huge opportunity with some of the things that we are working on.

Regarding pricing, I think that is something that is always present and especially in an environment like this, there's a lot more competition, and there's a lot more focus around it. Cost inefficiency is one of the critical parameters for Aramco. So we are looking at every which way to really support and drive that, while continuing to maintain margins.

So I'm very confident in our ability to deliver a sort of total cost of ownership solution derived value versus just a straight-up discount. So it's been a very collaborative approach, and I look forward to this year because I think it will set us up really well going into '27.

Operator

Scott Gruber, Citigroup.

Scott Gruber - *Citi Group LLC - Analyst*

Yes, good morning. Following Dave's question, I want to ask about the broader Middle East and North Africa region. There seems to be more tailwinds than headwinds across the region. But briefly, if you can provide some more details on what you're seeing across the broader Middle East and North African market.

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

Sure, Scott. The Middle East, North Africa region has historically been a very strong one for us. It is our largest region. It is one where we have historically had the largest share relative to some of the other regions and have done really well, really have the entire portfolio of the company that comes to bear. So as I look at the region, over the last few years, our team has done an outstanding job.

Clearly, there's been a lot of market support and activity levels to support that. But we have had exaggerated performance. We've been able to go in and drive share through technology advancements and just outstanding operational execution. As I look at the rest of this year, I think there's a bit of variability in some of the countries, and that's very natural.

We see continued strong momentum in places like the UAE, to some extent, Kuwait, et cetera, but we will probably see a bit of a decline in countries like Qatar, and that's just a natural function of the life cycle of their development campaigns that they're going through as it relates to our products and services.

We have had tremendous growth in Oman over the last several years. I'm very excited about the opportunity set that we have in front of us in Oman, but we also have our large integrated service contract that is going to come to an end so we will likely see a little bit of variability based on that, but plenty of other stuff that comes in to offset that.

But that's a great example of just outstanding execution where we've been able to finish that well, well, well ahead of schedule. That's been a huge factor in driving customer satisfaction. I'm very encouraged by places like Egypt.

I think in the second half, we're going to see a lot more activity and opportunity there. So I've addressed Saudi already. So I think broadly speaking, this is the region that we continue to see as providing sort of the foundational base load for driving activity levels and growth in the coming years.

Operator

James West, Melius Research

James West - *Melius Research LLC - Analyst*

I wanted to touch on Mexico in particular. And a few items there. One, 2025, how did the business trend? It seems like you continue to build on activity in fourth quarter, probably your best quarter. Secondarily, collections obviously picked up pretty significantly.

How do you kind of feel about that going forward here? And then lastly, for '26, how do you see activity levels trending in one of that kind of key market for you?

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

Yeah, look, so maybe I'll start with the market a bit and ask Anuj to talk about payments and collections. We've seen three consecutive quarters now of sequential improvements in Mexico. So Q1 into Q2 into Q3 into Q4, so as we said earlier, we think the worst is certainly behind us, and we think we've reached a point of stability. That stability is likely going to result in a slight degree of growth year-on-year as we look at the total year.

And really, I think, sort of a rough order of magnitude sort of the second half amalgamated view is sort of what we expect. We don't expect there to be a dramatic increase this year, but I think that stability is really important, and that now allows us to have an operating cadence that is solid.

We're also continuing to do a lot more in Mexico outside of just one large customer. We announced some of the other awards, especially on the Trion deepwater development. So we're excited about that. Again, it's a country that has been very important for us.

We are very glad that activity levels have stabilized and we look to build on from here. So Anuj, on payments?

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

Yeah, so on the payments front, we did collect multiple payments throughout the course of 2025 and in Q4 of '25, we had multiple tranches that came in. And we had one tranche that came in, I believe, on the last day or the second to last day of December. And so some ambiguity there around timing of when within the quarter and the month we'll get the collections. However, we did get ample collections, if you will, in 2025.

And as we look through 2026, we're optimistic given the cadence that recently has been in place. Once there are the mechanisms and structure in place to make the payments, there's been clear communication. It's been transparent.

Generally, we get about a week heads up before we get the payments in our account, and it's been like clockwork. And so the mechanisms have been working well. And as we take a step back and we combine the recent collection activity with the overall structural reforms we're seeing with the government of Mexico supporting the capitalization thereof, we are even more confident in the ability or the continuation, if you will, of these collections into 2026.

Operator

Saurabh Pant, Bank of America.

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

Hi, good morning, Girish and Anuj. Girish, maybe let's touch on Venezuela a little bit, if you don't mind. You gave some color in your prepared remarks. I think you said at the peak, Venezuela was north of \$500 million for you. Now that's 10% of your 2025 revenue. I don't want anybody to get ahead of their skis, right?

So maybe Girish, just talk to us a little bit about -- what needs to happen on the ground for Weatherford for your customers to really start to move forward over there? And then how quickly can you move operationally, what product lines benefit? Maybe just a little walk through on what to expect?

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

Sure, so yeah, look, it's certainly not going to be overnight and to be very explicit and clear, we have not assumed any Venezuela uptick in the guidance that we have given. So that on top. I think the other thing that's important to just sort of note or of is, yes, at the peak, it was \$500 million. There will be a natural question.

The company was very different back then. But a lot of the technologies, a lot of the product lines that operate in Venezuela are things that we still have a very central to the company. So it's something that I think will actually fit in well with the portfolio. And as we pointed out, things like interventions, well services, artificial lift, et cetera, is where especially initially will be the biggest impact.

So look, what we need to see is pretty much what a lot of other people have been talking about and it's no different, right. It's a really clear view on governance, what are the laws, the rules that are going to be followed. How are we going to ensure the safety and security of our teams. What is really the regulatory environment, especially from a licensing standpoint, et cetera, how do we work with customers around that. And we've got to have a line of sight to payment.

So I think, look, this is stuff that is moving very rapidly. It's evolving in multiple different dimensions. We are staying very close to what is happening, trying to understand and making sure we have plans in place so that as we see the right opening and the right framework, we're ready to move on it. But again, I don't expect it to be overnight.

Operator

Doug Becker, Capital One.

Doug Becker - *Capital One Securities - Analyst*

Thank you. Girish, you've always been careful not to provide specific numbers for Weatherford's offshore-related revenue, but you did mention early signs of improvement in offshore deepwater activity and some of your larger product lines like TRS, MPD and completions have significant offshore applications. So with offshore activity, looking to be ramping later this year and into 2027, just expand on your offshore outlook for Weatherford.

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

Yeah, Doug, the MPD and TRS businesses are very natural, and I think that's an obvious thing. I'm especially excited about MPD from a standpoint of getting more rigs that are MPD enabled to actually have MPD packages on them. I think we've got multiple different opportunities. So that's something that we continue to focus on.

On TRS, for us, it's really about how do we continue to drive margins up, get more efficiency, more automation that's something that we're driving. In addition to that, though, look, I'm really excited about some of the other product lines.

We've made tremendous improvements and advancements in completions, for example. So having a much broader portfolio now few quarters ago, we announced part of the award with Petrobras and some of their cycle works. So that's something that's well underway. Things like that, that I think we will continue to see in basins across the world.

We've got the full gamut, everything from drilling to completions then, of course, MPD and TRS. Interventions is another really big focus area for us on the offshore space. So there's a lot of different things. And I think as the market really sort of fully rebounds and gets back into high gear, I think we're going to be very well positioned.

Operator

Jim Rollyson, Raymond James.

James Rollyson - *Raymond James - Analyst*

Good morning. Morning, guys. Girish, maybe circling back around on North America, I think you said the activity outlook you guys have, which kind of fits, I think, with most is down mid to high single digits in '26. Maybe just talk about how Weatherford is kind of positioned and how that has evolved over time. Your business model has evolved over time to maybe do better than a down mid to high single digits revenues relative today.

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

Yeah, Jim, look, we have talked about our North America business, especially US land being far more production-oriented, so that is something that actually helps us. Artificial lift is a very big product line for us in US land.

That's something we'll continue to exploit. Obviously, we do get impacted with rig count and well count on products like cementing products, our liners and completions business, et cetera. What we are really trying to do is a couple of things. First is to make sure that our footprint is optimized for the current environment, and we can be more efficient serving customers with the responsiveness that the North America market expects.

The second is really making sure that we are driving differentiation and innovation. That has always been our go-to for how do we combat market pressure. So I think, look, we will continue to see some of the decline, but our focus is on making sure that we keep our margins intact in the business.

And we have had several examples of where we've been able to drive growth through innovation, some of our well construction products is a great example. Our digital business is another really good example. Production optimization, for example, that really gets enabled through our digital business that's something that's a huge focus for us.

And we think will become even more important in this North America landscape, but we are not immune at all to the decline in activity, but our focus is how do we offset that by making sure we get higher quality revenue with better EBITDA contribution and cash contribution.

Operator

Derek Podhaizer, Piper Sandler.

Derek Podhaizer - *Piper Sandler - Senior Research Analyst*

Good morning, Girish and Anuj. Hoping you could just maybe dig into the first morning. Maybe dig into the first quarter guidance a bit more, implies the top line decline of about 11% quarter-over-quarter, 200 basis points margin contraction.

I know you've been hearing a lot about more pronounced seasonality from your peers, but could you maybe elaborate on some of the puts and takes, the different moving pieces that's impacting your guide?

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

Yes, yes, happy to. So I'll maybe break this down into a few parts. First, I'll answer your question around Q4 to Q1. And then I'll talk a bit about Q1 '25 versus Q1 '26 because I think that context is important. And so from Q4 to Q1, you alluded to the typical seasonality, we see that regardless of where we are in the cycle.

We're seeing that now from Q4 to Q1. The other piece though, however, that we're seeing is we had in Q4, a few of our orders from our customers pulled in from Q1 into Q4, particularly or specifically one in Brazil and the second in the Gulf of America. And so that combination of seasonality plus orders being pulled in is really some of the key drivers of the difference you're seeing.

And then lastly, there has been some weather impact here in Texas. Production has been down for a few days because of that. And so that does have a slight impact in our Q1 numbers. And now taking a step back and looking at the sequential year-over-year from a Q1'25 to Q1 2026.

In Q1 2025, we did have the benefit of having our Argentina divestiture fully baked into our numbers. And in Q1 of 2026, we have a slight impact of tariffs, which we did not have in Q1 2025. We do think our team has done an excellent job in managing the impact of the tariffs and has protected margin very well. However, if you combine those two and really focus on the divestiture and you normalize for that you look at top line, Q1 '25, the top line Q1 '26 are generally flat.

And the reason I bring this up is, if you look at the trend in Q1 through Q4 2025, we had a significant ramp-up in the second half of 2025. And this is our expectation for 2026 is as you start seeing some of these areas that Girish and I alluded to in our prepared remarks, hitting, if you will, in the second half of 2026, you'll see that sequential ramp up in our view and really create that solid foundation leading into 2027 and beyond.

Operator

Phillip Jungwirth, BMO.

Phillip Jungwirth - *Bank of Montreal - Analyst*

Thanks, good morning. You pointed to lower CapEx year-on-year despite the increased ERP spend. I was just hoping you could talk more about what product lines you're taking a harder look at and where CapEx will be focused now versus the past? And is business mix also helping like how you called out growth in lower capital-intensive businesses like completions and also divested higher capital-intensive businesses in Argentina last year.

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

Sure, I'll start with that. So we will continue to have CapEx within the 3% to 5% range. This will be true in 2026 as well. But we are taking a very hard look at where we are spending. For us -- in order for us to deploy that capital, there has to be tangible line of sight versus speculating.

And so we'll continue to evaluate our CapEx in that light. To that end, we are, as you alluded to doubling, if you will, to spend in 2026 versus 2025 on our ERP. Very excited as to the efficiencies we can gain from the ERP, it is a multiyear journey for us.

However, we have teams deployed and are confident and looking at driving further efficiencies kind of later in '27, 2028 as we fully implement this and it goes live. On our current asset base, we are looking at where we can improve our asset utilization and so how do we do more without spending more is absolutely key.

And then lastly, we're looking for areas where we can trade CapEx to OpEx or specifically leveraging our CapEx that we've spent to drive incremental business without the capital outlay. An example of this would be recently here in '24, '25-ish, we had some capital outlay with Petrobras for a large contract with them.

And here, we have incremental business that we will drive without that incremental capital outlay. And so the key for us is to look to see how we can optimize cash and margin on the capital we deploy, and we are heavily focused on the return on invested capital as we seek to deploy more CapEx.

Operator

Josh Silverstein, UBS.

Josh Silverstein - UBS AG - Analyst

Good, thanks. Good morning, everybody. It was a really nice year for cost cuts for you guys. I think it totaled around \$150 million and showed a really nice margin improvement. And then even for the outlook for 2026, you're showing still slight margin improvement despite some revenue headwinds.

Can you just talk about what the initiatives are that were driving this and then where you think margins could start to go longer term? Thanks.

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

Sure. Happy to take this one. So yes, we did right-size the ship, if you will, here in 2025. I tell the folks on the team, the hardest thing to do is to have a workforce reduction. And in our business, given the cyclical nature of the business, this is a necessity and something we need to do, and we did. We reduced around 2,000-plus of our workforce here in 2025. This resulted in about \$150 million of run rate if you will, purely on the margin standpoint.

And so we moved fast to avoid margin degradation. And I do believe that we were early to diagnose the environment and the market in 2025. We were the first ones to initially lower guidance in early 2025, and that enabled us internally to move with speed.

And those actions are reflected in our full 2025 full year margins, where we were able to protect here and landed at the 21-plus percent EBITDA margin for the full year. And so we will continue evaluating and rightsizing and matching activity with our footprint throughout the world, and we'll make those changes as we see.

And then second, on the structural side. And so on the structural side, I've alluded to this before, but we are a continuous improvement organization. There is no finish line. The finish line keeps getting pushed forward and forward. And so for us, it's evaluating how are we structured organizationally as a company.

What materials or what processes and people do we -- and tasks do we tackle in-house, versus what do we outsource and potentially move to a lower-cost jurisdiction. And so these organizational evaluations are constantly going on. I alluded to our ERP. Again, this is a multiyear journey that we have embarked on over the last year, and this will likely go into 2027, 2028.

But we are very excited at what this can do for us. This is not just a technology upgrade, where you come in, you click a button and you have a different version of a tool. This will change the way that we're looking at our supply chain, procurement, at how we go to market, managing our working capital, how much inventory we need, how easily it is for us to move our inventory around the world.

And so very excited about what the efficiencies that we can gain from all this will be -- as I take an even further step back, I do think in '25, we were able to show the market what Weatherford the company can do when the fees are choppy, and you have a large headwind.

And we've managed the boat, if you will, fairly well. And on top of that, we're making structural changes so that when we do get the tailwind, structural changes kick in and complement the tailwind, I am excited to see how fast this new boat can go when all those confluences come to fruition.

Operator

Ati Modak, Goldman Sachs and Company.

Ati Modak - Goldman Sachs Group Inc - Analyst

Good morning, Girish, you talked about transformational changes, gave some highlights also, but would love to hear more on the nature of the new initiatives? Is this something that could drive change in revenue mix, portfolio mix over time as well, if you can give any more color?

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

Yeah, sure, Ati. Look, I think transformation is almost sort of a consistent and constant theme for us, but the nature of what we are doing has changed. So as Anuj just talked about, look, one of the most significant changes is our new ERP system, and this is going to give us a degree of automation in our processes, AI enablement truly seamless integration that we have never had before in the company to data transparency, et cetera.

So I think that's going to allow us to navigate cycles dramatically differently and leverage best practices from around the world, share resources are a lot better. In addition, the portfolio changes that we have been making, the first few years or the last few years, if you will, our portfolio focus was really on, hey, what we have, how do we do better with it, where do we get more penetration.

Now it's all about the new products that we are developing, the new technologies that are coming at and those have been very specifically targeted towards where we think we have significant market opportunity, lower capital intensity businesses, things of that nature.

So I think, look, as we bring all of this together, what has also remained constant in the company is a focus on the operating model how do we just consistently get better on an everyday basis, kind of the basic blocking and tackling. We're not going to let go of that. So I look at it and look, our philosophy of saying -- we will always plan for a flat market.

And in that flat market, we want to get 25% to 75 basis points of margin improvement. And when we have activity increases, that actually just increases the amplitude when we have activity decreases that allows us to be more resilient on the margins. I think that's going to remain very true for us, and I think that will serve us really well as we get into the next few years.

Operator

Josh Jayne, Daniel Energy Partners.

Joshua Jayne - Daniel Energy Partners - Analyst

Thanks for taking my question. I just wanted to follow up on your MODUS managed pressure well solution. I think at the end of your prepared remarks, you highlighted 70 jobs in almost every geography. Maybe if you could talk about why you had the success you did in 2025 and how you're thinking about growth, not only in 2026, but beyond? Thanks.

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

Yeah, Josh, look, this is the technology I continue to be very, very excited about our team listening on the call probably chuckles as I speak because I'm constantly internally saying we need to do even more, but I think it's a tremendous breakthrough for us for a couple of reasons.

One is that it allows us to hit a tier of the market that we really didn't have access to before in that performance tier, where our high-end systems are too complex and potentially cost prohibitive for the kinds of wells. It gives us play into shallow water markets.

So there is a huge swath of opportunities. And then as we extend the concept of our managed pressure regime from just managed pressure drilling to this concept of managed pressure wells, different applications like cementing, like setting liner hangers, a lot of other things that you can do using this technology I think the growth is going to be even greater.

So now we've got a full complement of packages out there, so we have the tools in place in the different geographies. The customer interest has been very significant and very, very encouraging. So I'm really looking forward to a year where this becomes another very significant part of the overall product line.

Operator

That concludes the question-and-answer session. I'd like to turn the conference back over to the company for any closing remarks.

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

Great, thank you all again for joining our call. Again, I remain very excited about the prospects of the company. Thank you all for listening, and we'll be back in April to share our first quarter results. Operator, you may close the call. Thank you.

Operator

Thank you, sir. Everyone, this concludes today's conference call. We thank you all for attending today's presentation. You may now disconnect your lines and have a wonderful day.

DISCLAIMER

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

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

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

©2026, LSEG. All Rights Reserved.