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PRESENTATION

Operator

Good morning. My name is Lisa, and I will be your conference operator today. At this time, I would like to welcome everyone to the Weatherford International Third Quarter 2017 Earnings Conference Call. (Operator Instructions) As a reminder, ladies and gentlemen, today's call is being recorded. Thank you.

I would now like to turn the conference over to Ms. Karen David-Green, Vice President of Investor Relations. Ma'am, you may begin your conference.

Karen David-Green - *Weatherford International plc - VP of IR, Corporate Marketing & Communications*

Thank you, Lisa. Good morning, and welcome to the Weatherford International Third Quarter Conference Call. With me on today's call, we have Mark McCollum, President and Chief Executive Officer; and Christoph Bausch, Executive Vice President and Chief Financial Officer. Today's call is being recorded, and a replay will be available on Weatherford's website for 10 days.

Before we begin with our prepared statements, I'd like to remind our audience that some of today's comments may include forward-looking statements. These matters may involve risks and uncertainties that could cause our actual results to differ materially from our forward-looking statements.

Please refer to our latest Form 10-K and other SEC filings for risk factors and cautions regarding forward-looking statements. A reconciliation of GAAP to non-GAAP financial measures is included in our third quarter press release, which can be found on our website.

Christoph will now provide a financial update on the third quarter, followed by Mark's comments on our organizational structure and our roadmap going forward. Following these prepared statements, we welcome your questions.

And now, I'd like to turn the call over to Christoph.

Christoph Bausch - *Weatherford International plc - Executive VP & CFO*

Thank you, Karen. Third quarter revenue increased 7% sequentially. Segment operating income before R&D, corporate expenses and charges and credits improved by $73 million, with sequential operating income margins increasing 512 basis points to 2.3%, our first positive margin since the fourth quarter of 2015.

Excluding charges and credits, loss per share for the quarter was $0.22, a sequential improvement of 22%. We recorded $35 million of overall charges net of tax during the third quarter.

This included a noncash charge of $7 million related to the fair value adjustment of our outstanding warrants, $34 million in severance and restructuring charges and $6 million in credits from litigation accrual releases and other charges and credits.

In comparison, in the second quarter, we recorded a noncash credit of $127 million related to the fair value adjustment of our outstanding warrants, $29 million of severance and restructuring charges and $12 million in net credits.

North America revenue was up 13% sequentially, primarily due to the recovery of the Canadian spring break-up and an increase in Canadian and U.S. average rig count. Operating margins improved by 547 basis points sequentially, driven by a strong increase in our Completions and Well Well Construction business in Canada and the U.S., combined with an overall lower cost structure in the U.S. Moreover, the seasonal recovery from the spring break-up in Canada led to higher revenue in Artificial Lift and other product lines.

In the fourth quarter, we expect modest, low single-digit increases in revenue in North America, as the rig count in Canada and the U.S. recently started to level off and operators traditional reduced activity levels during the holiday season. Operating income margins are expected to remain in line with the third quarter.

International revenues were up 4% sequentially, and international segment operating income margins improved 465 basis points. In the Latin America regions, revenues were up 12%, and operating margins improved 1,463 basis points sequentially, primarily due to the $42 million negative impact in the previous quarter from the change in our accounting for revenue in Venezuela.

Excluding the out-of-period adjustment in Venezuela in the second quarter 2017, amounting to $31 million, sequential revenues were down $5 million, as a result of non-repeated product sales in Brazil in the previous quarter, several contracts in Colombia, Peru and Venezuela coming to an end as well as lower activity levels in Venezuela being negatively impacted by the difficult geopolitical situation.

We're closely monitoring the situation in Venezuela, particularly the impact of U.S. sanctions on our activities and our customer's ability to pay their outstanding receivables.

Excluding any further deterioration in Venezuela, we expect a low single-digit decrease in Latin America revenue in the fourth quarter, but we anticipate operating income margins to be modestly positive.

In the Europe, Caspian, Russia, Sub-Sahara, Africa region, revenues were up 4%, and operating margins improved 372 basis points sequentially, primarily due to the increased activity and the strong product line mix in the North Sea as well as an increase in completions-related activity in Russia, partially offset by a continued decline in Sub-Saharan Deepwater activity. We expect the fourth quarter revenue and operating income margins to be flat.

In the Middle East, North Africa, Asia-Pacific region, revenues were down 2% and operating margins decreased 43 basis points sequentially, primarily due to lower product sales and service activity in the Asia-Pacific markets.

Higher revenue in Kuwait, from product sales and service activity, was offset by lower activity in the United Arab Emirates as a contract for drilling services came to an end. In addition, in Pakistan, the absence of second quarter product deliveries also impacted the current quarter.

Middle East and Asia revenue is expected to increase by high single-digit margins in the fourth quarter. We have begun Artificial Lift product deliveries into Kuwait, and we're also seeing improved directional drilling and wireline activity in Kuwait, North Africa and Asia-Pacific. Sequential operating income incrementals are expected to be in the low 20% range.

In our land drilling rigs business, revenues were up 5% sequentially, primarily due to the increased operational efficiencies in Algeria, Kuwait and Saudi Arabia, and overall more chargeable days in the quarter.

Operating margins improved 579 basis points sequentially, primarily due to the continued improvements in rig utilization and the lower cost structure, as a result of improved operational processes and efficiencies implemented in the first half of this year.

We expect fourth quarter revenue to remain broadly flat, but we anticipate margins to increase by approximately 200 basis points from continued cost-reduction efforts.

R&D expenses increased by $6 million compared to the prior quarter, mainly as a result of increased field testing activities, while corporate expenses decreased $5 million sequentially. In the fourth quarter, R&D expenses and corporate expenses are expected to remain broadly in line with third quarter levels.

The third quarter tax expense of $25 million reflects the method of recording a discrete tax charge based on actual quarterly results. The tax charge is due to profits in certain jurisdictions, deemed profit countries and withholding taxes on intercompany charges, and is broadly in line with the cash taxes we paid during the quarter. Tax expenses in the fourth quarter are expected to remain in line with third quarter levels.

Net cash used in operating activities during the third quarter was $243 million, including cash payments of $183 million for debt interest, $76 million higher compared to the previous quarter, as higher semi-annual bond interest payments are due in the first and third quarter.

In addition, third quarter cash flow included payments of $46 million for severance and restructuring as well as $30 million for the final installment related to the legal settlement with the SEC.

Capital expenditures of $65 million increased by $23 million or 55% sequentially, and increased $3 million or 5% from the same period in the prior year.

Moving forward, we expect fourth quarter cash expenses related to capital expenditures of approximately $80 million.

Customer receivables increased slightly in the third quarter, while overall DSO decreased from 78 to 77 days as a result of higher activity in the U.S. and in Canada. Inventory levels increased by 24 million sequentially, primarily due to a buildup related to product sales destined for customers in the Middle East, which are anticipated to be sold during the fourth quarter.

In the fourth quarter, we are targeting improvements in cash flow to break-even levels, excluding restructuring and legal settlements, primarily as a result of lower cash interest, improved working capital and stronger operational results, partially offset by increased capital expenditures. This excludes any contributions from divestitures or other nonoperational exceptional items.

As announced last week, we fully expect to close the previously announced OneStim joint venture with Schlumberger before year-end. We have made substantial progress on the integration project, and we're now finalizing the contractually agreed price adjustments.

We've also progressed in our land drilling rigs divestiture process, and we're now in focused discussions with a small group of interested parties. We strongly believe that our drilling rig business has significant potential for improvements, and we're determined to pursue the best outcome for our shareholders.

As part of our transformation, we realigned and flattened our organization to drive increased accountabilities and efficiencies across the entire company. Our new geographical structure is now managed under Eastern and Western Hemisphere leadership, with a total of 14 geo zones that allows to move decision-making and resources closer to the point of delivery, while giving us the ability to significantly increase cross-product line synergies.

This shift in structure, and the subsequent impact on our reportable segments, which will likely result in 2 reporting segments, Eastern and Western Hemisphere, will be reflected in the fourth quarter 2017 results and in our 10-K.

This realignment and efficiency initiative will generate an initial $115 million in annualized cost savings, from a targeted headcount reduction of approximately 1,000 employees, and we expect to finalize this realignment by year-end. At the time of this call, we have completed approximately half of the reductions and realized about 50% of the targeted savings.

In addition to the cost savings achieved through this headcount reduction, we have clear line of sight of other additional margin improvements, which Mark will outline in greater detail.

In light of our new reorganization, we expect to incur incremental restructuring charges, which will be established following a thorough review of all of our geographical and manufacturing locations during the fourth quarter.

We remain in compliance with our financial covenants, as defined in our revolving and secured term loan credit facilities as of September 30, 2017. And based on our current financial projections, we expect to continue to remain in compliance.

With that, I'll turn the call over to Mark.

Mark A. McCollum - *Weatherford International plc - CEO, President & Director*

Thanks, Christoph, and good morning, everyone. We made a lot of progress this quarter in terms of evaluating our business and mapping out our path forward. We've taken the first steps towards building a strong and solid company, and I'm confident that the results of our efforts will be seen in the coming quarters.

I told you last quarter that I would be sharing more about our plans on this call, and I'm staying true to my word. Our road map forward involves more than just cutting cost. We are realigning the segments of our business and emphasizing process discipline, integration and collaboration across our organization.

We also have a huge potential to strengthen our sales efforts and capture additional market share. A dual focus on solution selling and operational excellence creates the opportunity to significantly reduce cost and profitably grow revenue.

Let me walk through some more specifics. Step 1 on the path forward is a revised organizational structure, which Christoph touched on in his remarks. These changes will unlock our ability to achieve standardization and drive process improvements.

The new structure integrates and aligns our product and service offerings into 4 focused business units, down from the previous 8 product lines.

Drilling and evaluation, which includes drilling services, managed pressure drilling, surface logging, wireline and our laboratories; completions, which includes our traditional Completions portfolio as well as liner hangers and cementation products; third is well construction, which includes tubular running services, fishing and reentry and drilling tools; and finally, production, which includes Artificial Lift, drilling fluids and pressure pumping.

This grouping enables us to leverage cross product line synergies and resembles to a large extent the organization and decision-making processes of our customers.

Each business unit is responsible for asset allocation, inventory management, technology development, talent and training and returns on employed capital.

Our new geographic structure is divided by Hemisphere, and then into 14 strategic geo zones that brings resources and decision-making closer to the point of delivery.

Each geo zone is responsible for monitoring the local market, including managing customer relationships, providing platforms through which to convey our products and services and assuring flawless execution in terms of compliance, safety and service quality. The geographies are also accountable for forecasting and achieving financial results.

We're also empowering our sales organization with a structure that reflects an increased focus on account management. An expanded group of seasoned account managers form the backbone of this initiative, to create an enhanced interface between key customers and our organization.

Technical sales representatives will support the account managers by providing the technical expertise, solution-based recommendations and commercial know-how that will enable Weatherford to exploit the opportunities that develop from our enhanced relationships with customers.

Finally, we are centralizing all support functions, including supply chain and manufacturing, to enhance process standardization and maximize efficiency.

This realigned structure will facilitate rapid change across the entire organization by allowing the support functions to manage their resources on a global basis. This structure will also help to ensure process consistency, which, over time, will lead to a more effective and efficient organization.

Overall, these changes deliver immediate impact by flattening the organizational structure, clarifying and simplifying responsibilities as well as accountabilities and accelerating decision-making processes. The changes we're making go far beyond headcount reductions. We've make cuts before. What's different this time is that we have removed an entire layer of the organization at a much higher level than in the past. We're not trying to become skinnier, we're making the organization flatter.

With the organizational realignment underway, we're now aggressively driving change as fast as we can, and you'll begin to see evidence of this work in our fourth quarter results. Some things will require longer time horizon, obviously. We're pushing for transformational change with a target of $1 billion in profit improvements over the next 18 to 24 months.

We have a clear line of sight and specific action plans on $300 million, which includes the $115 million mentioned by Christoph.

The remaining contributions will involve further lowering our support cost ratio to be more in line with peers, further rationalizing our manufacturing footprint, enabling more disciplined supplier management, realizing field efficiencies and gaining additional market share through a more intense focus on cross product line sales.

We're actively working with advisers to develop more specific plans around individual opportunities. But based on all the benchmarking and internal analysis we have done, we believe these targets can definitely be achieved. We know what we need to do. From this point forward, it's all about delivery.

Next, let me address plan divestitures. To correct misguided market speculation, we recently issued a press release confirming that we expect to close the OneStim joint venture in the fourth quarter. In connection with obtaining the necessary antitrust approvals to close, Weatherford and Schlumberger certify compliance with U.S. Department of Justice in September. We have good equipment and a lot of horsepower ready to get to work, and I believe OneStim will be a very welcome addition to the competitive North American land market.

Christoph already addressed the ongoing rigs sale process. With regard to other divestitures, I'm going to be straightforward and give you everything I have to say here in my prepared comments. We won't have anything to add to this during the Q&A session.

Our analysis has demonstrated that there's a lot more value to be gained by first fixing the businesses we have before putting any of them up for sale. The restructuring efforts we're putting in place will make a tremendous difference. There's a dramatic amount of value creation there. And quite frankly, you all know the current M&A environment is not very attractive from a seller's perspective. So we're going to work on improving the business and keep our options open with regard to larger potential transactions for the time being.

However, following our strategic review over the last 3 months, we've identified several businesses, which in addition to the already ongoing divestiture processes, are not critical to our strategy going forward, and we think we can create more value for other owners -- we think this business can create more value for other owners. Even though the market to sell is not immediately favorable, we're still getting prepared and we'll carefully watch and evaluate the timing. But based on our plan, we believe we can generate approximately $500 million of incremental divestiture proceeds over the next 12 months from selling these additional businesses.

We have no current intention to issue new equity securities in the near future. There are many things we can do to improve our business without going to the equity markets. We don't need to go there right now. We are confident that our direction and our strategy will drive improved results.

Our overall priority remains strengthening our balance sheet. An over-levered balance sheet, coupled with a lack of cash generation has been a weight around Weatherford's neck and we need to break free from it. Financially, our debt cost is a huge cash drain on everything we do and would like to do. Assuming no market recovery, our goal is to cut our debt-to-EBITDA ratios by more than half by the end of 2019. Ultimately, the long-term goal is to return to an investment grade rating.

So for me, the most urgent issue is to get the company on a path to sustainable free cash flow. We're going to achieve this by improving earnings, implementing further structural cost cuts and improving working capital to create free cash flow. This will provide us with the sustainability and flexibility we need.

As I mentioned earlier, our focus is on delivery above all else. I'm pleased to see that our strategic directive to focus on customer relationships and flawless execution has driven real improvements in operational quality and tender wins across Weatherford. You can see that clearly in the operational successes we achieved in the third quarter.

The stories of customer collaboration coming out of our Middle East, North Africa, Asia-Pacific region are nothing short of outstanding.

As one example, Weatherford worked collaboratively with a major Middle Eastern NOC to plan and drill a high build rate horizontal well. The job was executed safely and efficiently, and the well is now producing at a rate of 3,500 barrels per day with 0 water cut.

Contract wins in the Middle East/Asia region, included a $23 million contract for an offshore wireline units in a Gulf Cooperation Council country and a 5-year contract to provide tubular running services in Indonesia. The rigs business continues to focus on improved utilization, with 2 short-term projects starting in Q3, 1 in Colombia and 1 in Romania. We're continuing to gain market share in the North Sea, by consistently demonstrating our ability to execute jobs with high levels of efficiency and safety. We've replaced the incumbent service provider on a number of contracts for a major North Sea operator. This operator is seeing the quality of our work and awarded Weatherford contracts for tubular running services, directional drilling and managed pressure drilling in recognition of our strengths in these areas.

Directional drilling remains our leading product line in Russia. This past quarter, we delivered record-setting wells in several fields across the country. In 1 well, we drilled 1,125 meters per day while acquiring high quality formation evaluation data. This set a new record for rate of penetration and eliminated the need for an additional logging trip, saving our customer time and money.

In North America, we saw gains primarily from our Artificial Lift, well construction and completions business units. Several of our well construction and completions wins came offshore, in spite of an overall subdued offshore market.

Weatherford was also awarded a 2-year contract for managed pressure drilling services on rigs across the Gulf of Mexico, including operations in the U.S., Mexico and Trinidad and Tobago.

Additionally, we're continuing to develop and commercialize technologies that address the challenges operators are facing in the current market. Efficiency is king. And to achieve step changes in efficiency, we need to look beyond our standard solution set. We are challenging ourselves to explore new models, in some cases from different sectors. There's a real business case, for instance, for digital transformation. We can see its impact on other industries and we're now starting to grasp the benefits of these technologies in the oilfield.

Weatherford's digital portfolio is gaining traction, especially in the area of production optimization. We were recently awarded the contract to install the ForeSite production optimization platform on approximately 1,800 reciprocating rod-lift units in the United States.

Last month, we introduced the AutoTong system, the world's first technology to automate pipe makeup and to provide autonomous connection evaluation. We've seen a large amount of interest in this technology from operators and drilling contractors alike, because they can see the huge advantages of bringing automation to the Well Construction space.

By eliminating the element of human error from the connection makeup and validation processes, the AutoTong system sharply increases efficiency and reduces risk.

Now reducing risk is right up there with efficiency in terms of operator priorities. The ISO Extreme retrievable well barrier, also announced this quarter, addresses this need. It's qualified to the industry's highest standards for gas-tight isolation and works to reduce the loss-of-containment risk in extreme environments. This is a strong addition to our comprehensive Completions portfolio.

As an example of how we're tuning our technology development processes to the needs of the market, we responded to feedback from customers in North America by introducing a cost-effective solution for pressure control during land drilling operations.

The PressurePro control system is a fully integrated rotating control device and choke system that can be used for managed pressure drilling, under balanced drilling and foam drilling applications.

Commodity prices have continued to strengthen, and we've gotten some help from North American activity, but we still have a few headwinds in front of us.

For the near term, we expect oil prices to remain range bound, and we're gearing for a sideways market into 2018. Overall demand for oil is growing, but the pace at which it's increasing is lessening.

Growth in emerging markets has fallen short of expectations and is continuing to put pressure on crude demand. In addition, North American output remains the incremental barrel on the market today.

Over the long term, we expect commodity prices to improve. The natural decline of legacy reserves, coupled with our industry's increasing efficiencies, should provide great momentum as well as opportunity, benefiting all parties.

In the meantime, however, Weatherford uniquely has a significant amount of opportunity to improve its performance, regardless of what the market outlook suggests.

In closing, I want to remind you that I knew what I was getting into when I started this process, and we all knew it wasn't going to be easy.

I see Weatherford as a classic turnaround story. We have to integrate the business, drive policy standardization and process discipline, improve execution, drive out cost and realize greater revenue opportunity. It's going to be a lot of work.

To achieve that level of change, we need to have a clear direction and leadership who supports that direction. The realignment we put into action is about much more than changing up the org chart, it's about reforming the culture, changing how the organization thinks and works together. The right leadership team can instill a sense of unity and purpose to transform the organization's underlying culture. I think we've got that team.

We'll continue to work hard and deliver what the customer wants with the highest service quality and the lowest cost per barrel. We'll look across our -- when we look across our portfolio, we have a set of very good assets we believe in. We have solid technologies that customers want and value. We have a significant global footprint, a diverse workforce and effective customer relationships. This natural pull, combined with an improved ability to flawlessly perform in the field, will enable us to seize the tremendous opportunities in front of us.

With that, I'll turn the call back over to the operator for our Q&A session. Lisa?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Sean Meakim from JPMorgan.

Sean Christopher Meakim - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

Mark, maybe we start with the free cash. Just trying to get little more sense of some of the moving parts for the fourth quarter, as you laid out from the numbers, but also into next year. And I think back at the envelope implies that collections improvement is going to drive a good amount of the delta into 4Q, I think that's to be expected seasonally. Also looks like maybe CapEx spend pushed out a little bit from 3Q to 4Q, overall coming down a little bit. Maybe could you guys give us a sense of not only just for the fourth quarter but into next year what you think in a flattish activity environment, what -- how the business will get towards positive free cash over the next several quarters?

Christoph Bausch - *Weatherford International plc - Executive VP & CFO*

Sean, it's Christoph. So for the fourth quarter, I think one of the things to understand is a little bit the third quarter period in perspective. So on the third quarter, we had a working capital built, which you probably have seen, is about $140 million. Part of that capital built was for projects we're executing in the fourth quarter, and that is about $80 million broadly. We had a little bit of delay on customer collections because of Harvey, because our customers, people were flooded out and then payments were not made in time. So we're going to recover that and then go back to normal in the fourth quarter. And we also had, as I mentioned, an inventory built in the third quarter for some contracts, which are going to be delivered in the fourth quarter. So you'll see an improvement in the working capital. You also see a reduction in the interest payment. As I said, Q1, Q3 is usually higher in interest cash payments and fourth quarter will come down.

And from our perspective, we have no SEC payment, that was the last one we paid this quarter. So that's that big moving parts overall. If you look into next year, overall, we haven't finished our plan yet completely, so we're working on that as we speak. But we're targeting to go on a break-even cash flow level for 2018. And you look at the various pieces up and down, so we still have working capital to work out and our inventory levels are still pretty high, and we have some cash to get out of that. You have some cost improvements, which we'll see going in, and we look at capital efficiency overall to make sure that our CapEx remains very diligent. So I think that's all I can say about that.

Sean Christopher Meakim - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

Okay, fair enough. I guess just looking at some of the market share wins that you're highlighting, TRS specifically. I think you highlighted Indonesia as well as the North Sea. Has there been any bundling benefit? Or if you just think about you would later package MPD, along with directional drilling, into those wins and maybe just give us a sense of how pricing is as we're setting out some of these contracts as we're able to pick them up. Trying to get a better sense of what's driving some of these share gains?

Mark A. McCollum - *Weatherford International plc - CEO, President & Director*

Well, I think, obviously, on the share gains, we have good technologies, and I think we're sort of recognized leader in the TRS business, and clearly, market share leader in MPD. We had been running those businesses together for a while, and I think while it hadn't been for very long, they were

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beginning as an organization to get some traction to do some cross-selling opportunities in those particular areas and so -- again, our reorganization actually do further combination of our product lines are sort of in recognition of the significant opportunity in front of us. So some of cross-selling, more of our product lines beyond just TRS and MPD.

From a pricing perspective, I mean, the pricing environment out there continues to remain very competitive. There is spare capacity across the board. I would say that most of the pricing that we've seen on those are sideways in line. We're certainly not getting better pricing, but not necessarily seeing lower pricing either. But I think that the larger comment what we're trying to get to is that the synergistic opportunity is cross-selling product lines is a huge opportunity in front of Weatherford and we did our strategic analysis. What we found is that the structure itself had probably been getting in the way of the organization selling across the product lines and realizing or seeing the opportunities that probably we're out there to do so. And so this realignment, both on the sales side as well as in the product line side, was to facilitate not only the better identification of those opportunities, but the ability to deliver on those opportunities as well.

Sean Christopher Meakim - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

And so you say these wins are highlighting some of the changes already underway?

Mark A. McCollum - *Weatherford International plc - CEO, President & Director*

Yes. But this is just the very, very start of it. I mean, the opportunity in front of us is very big.

Operator

Our next question comes from the line of James West from Evercore ISI.

James Carlyle West - *Evercore ISI, Research Division - Senior MD and Fundamental Research Analyst*

Mark, I recognize that you don't want to talk about additional divestitures outside of a potential number, which is obviously a prudent move. What if we switch to the other side, so it's not a seller's market, but a buyer's market as you suggested in your prepared remarks. Are there certain products or businesses out there that are of interest to you that would bring you some near-term EBITDA, which you would be willing to transact on?

Mark A. McCollum - *Weatherford International plc - CEO, President & Director*

I think the answer is that there are some areas that, obviously over the long term, we look strategically could be helpful. We're not interested in going and buying things just for the sake of buying something. But I think everybody well recognizes that there are some holes in the portfolio that could be filled through the right acquisitions. But what's most important for me is that, really -- and I'm just being honest, right, that the only currency we have right now is our stock, stock's low. And also, if we're going to do -- if we do a transaction like that and adding EBITDA, I have to be able to walk forward and say synergistically, it's accretive to both current and new shareholders, right? I mean, I've got to be able to demonstrate an overall value-add from delevering as well as the synergies that, that business brings. And I would just say that right now we haven't been able to identify any of those opportunities in the market. So it's still out there, and we see that as a potential option as well, as we -- and so we will continue to look for those kind of things, but it's not an obvious answer today.

James Carlyle West - *Evercore ISI, Research Division - Senior MD and Fundamental Research Analyst*

Okay, got it. And then if we think about the outlook that you talked about the sideways market for '18, and I think it's prudent to manage your business to that but we obviously have a breakout underway in commodity prices currently. And certainly customers, I think, at least, the ones that I talked to, you would have a better feel for this but are a bit more optimistic about activity levels for '18. So could you maybe balance kind of where

Brent certainly stands today versus your view of a sideways kind of market going forward? I get, of course, not the American comment, but internationally, I mean, do you think perhaps it's a little bit conservative? Or is that how your customer conservations are today?

Mark A. McCollum - *Weatherford International plc - CEO, President & Director*

I think that while it probably is a little bit conservative, I think it also depends on what -- if you get very specific on certain markets, they're going to behave differently. As an example, my belief is that given -- at current commodity prices and the geopolitical situation, Latin America, for example, is going to continue to be under significant stress. And so I don't think -- as we look forward, you can't necessarily ignore what's happening there. The Middle East, we continue to be very, very optimistic about what's happening in the Middle East. We're preparing for new contracts. There are some new tender opportunities that are in front of us in this next quarter that we'll be participating in. And so we still have a good feeling about what's going to happen there, constructive there. North Sea, continued repair in the North Sea. Africa, Sub-Sahara and Africa looks to continue to be under some level of stress throughout 2018. So again, commodity prices while they're improving, we are not at this point in time, forecasting a dramatic improvement that all of a sudden restarts a number of different markets that have heretofore been languishing a bit. But I think at the margin, we continue to be very constructive about where we are, and that there is -- we're seeing consistent improvement, albeit, maybe at a slower pace that we had all hoped for back 9 to 12 months ago. And for us, what I'm trying to do is to make sure that we hold the range tightly on the organization from a capital perspective and other things to make sure that we're driving the highest level of efficiency as we can. What you saw on our cash flow, as an example, this quarter, is a tyranny of what -- when the business is improving, it requires an investment of working capital and we're happy to do that and that puts stress on cash flow. We're going to try to manage that as tight as we can, and of course, for me, the big opportunity for Weatherford is (inaudible) attack our structural cost and we just see some pretty big, through our analysis, some pretty big opportunities and supply chain and other areas that we can get regardless of what happens in the market. And so we make sure that, that sort of first priority is get the business leaned out as fast and as much as possible to position us for a more robust recovery as we go into 2019.

Operator

Our next question comes from the line of Jim Wicklund from Crédit Suisse.

James Knowlton Wicklund - *Crédit Suisse AG, Research Division - MD*

Chesapeake has done a debt deal, Transocean has done a debt deal. The debt people I talked to, said the window is still open. Is there any consideration of maybe pushing maturities out another couple of years if you don't raise your interest cost much and give you a little more breathing room to get to your $1 billion in savings more?

Christoph Bausch - *Weatherford International plc - Executive VP & CFO*

Jim, it's Christoph. We're looking at that, but it has to make economic sense. So you have to look at where the bonds trade, what the rates are you can get. So we're looking at that, and when it makes economic sense, we'll do that. But right now, based on our analysis, it's not the right timing. Maybe, going forward, but, we'll look at that.

James Knowlton Wicklund - *Crédit Suisse AG, Research Division - MD*

Okay, that's fine. I appreciate that, at least we got that out. And on the land rig sale, I know you're talking to a couple of focused parties. Clearly, the international rig count, especially where you guys have your rigs is not the most robust business out there. It hadn't been the coil spring that some people have hoped. Mark, is there some minimum? You had said a while back that you wouldn't fire sale anything. Is it possible that nobody gives you a bid that you're willing to take and you wait for a better time? Or -- and I realize announcing that on a conference call probably isn't a great idea, but is there some minimum you have in your mind that you'll take and anything below that you'll hold on and wait for a better point?

Mark A. McCollum - *Weatherford International plc - CEO, President & Director*

I think you are right, that it's probably not the right venue to talk about that kind of details. But I think the answer is, yes. I mean, internally for us, we -- as Christoph said in his remarks, right? We're proud of this business, right? I mean, it's a good business. We have good rigs and good contracts for those that are working and a lot of upside. And so we're -- there's a walkaway number. But right now I think where we are in the discussions, we have some interested parties who are at the table with us, who have -- who I think who have identified the value there. And so what we've got to try to do is just see if we can get some of these across the threshold.

Operator

Our next question comes from the line of Bill Herbert from Simmons & Company.

William Andrew Herbert - *Simmons & Company International, Research Division - MD, Head of Energy Research & Senior Research Analyst of Oil Service*

Mark, so back to the land rig sale and the asset sales just in general, I'm a little bit confused. So the divestitures that you're putting on ice, just based upon the fact that the feedback loop isn't great from the seller standpoint. And the $500 million in potential aspirational proceeds down the road, does that include or exclude the MENA land rigs?

Mark A. McCollum - *Weatherford International plc - CEO, President & Director*

That excludes. Those are separate.

William Andrew Herbert - *Simmons & Company International, Research Division - MD, Head of Energy Research & Senior Research Analyst of Oil Service*

Got it. And so we're still tracking towards the MENA land rig sale by year-end, assuming that the stars align. And that's partly a question. And then another question is that, given your optimism and everybody else's optimism about the Middle East and the tendering that's going on there, in the quality of your Middle Eastern land rig fleet, one would think that the feedback loop would be improving based upon the visibility of businesses coming down the road, Brent at $60, and the benefits from scaling up once regional presence. Can you comment on that?

Mark A. McCollum - *Weatherford International plc - CEO, President & Director*

So to answer the first question, yes, it's still our aspiration to try to get the land rig deal done by the end of the year. I mean, obviously, we have a lot of work to do, but it's possible, it's doable. And that's the pace that we're trying to keep the project on. I think that you're -- the point is right. I mean, I think that there is interest, particularly, where our rigs are working, concentrate in the Middle East, we have good solid contracts there. And so that's, I think, those parties who have been interested in the rigs have been most keenly interested in the market presence that we have in that region, and that's helping. What makes the process challenging is, you have to think of the entire universe, right? Those 2 parties that are involved, also have to go to the market to get financing if they don't have all the resources at hand, and the same ways that affects the equity markets affect the financing and other markets as well. So it's, again, trying to work with parties to move through this process has been interesting, and it would be great if everybody had sort of equivalent view of the market. But I don't think everybody does. Does it make sense?

William Andrew Herbert - *Simmons & Company International, Research Division - MD, Head of Energy Research & Senior Research Analyst of Oil Service*

Yes, it does. I think it's just a question of time in terms of people believing in the sustainability of the tape that we're seeing today and we'll see.

Mark A. McCollum - *Weatherford International plc - CEO, President & Director*

Exactly.

William Andrew Herbert - *Simmons & Company International, Research Division - MD, Head of Energy Research & Senior Research Analyst of Oil Service*

And then secondly, or thirdly or fourthly, on the incremental $700 million and what other bucket is cost reductions. I mean, you talked about the billing in stage 1 $300 million. Can you talk a little bit about the incremental $700 million? And you said next 18 to 24 months, is most of that in terms of the cycle time for that realization? Is that closer to the 18 months or the 24 months?

Mark A. McCollum - *Weatherford International plc - CEO, President & Director*

I think, pragmatically, I would say closer to the 24 months. But that doesn't mean that we're not going to be driving it much harder than that. Where the incremental plans are going to necessarily come from are going to be areas that require process change to achieve some of the savings. I mean, the $300 million or projects that -- we had the $115 million that was the organizational realignment. The incremental from there are projects that were already underway that we have essentially sanctioned to continue that will be -- hopefully on their way with a timeline to achieve those within, I think, the middle of next year. Beyond that, what we're going to try to do is, sort of set specific plans around process changes that need to happen and push those as fast as possible with the process change and facilitating more work. I'd just like to give you one example in supply chain and in procurement and supplier management. We have some level of category management, but we don't category manage as much as what we possibly could, because our systems and processes don't necessarily in the way that we've been organized haven't facilitated the gathering of data to be able to go in and negotiate well. The second thing is that we haven't had any ability to track and enforce on contract buying. We might have the right contract at place, but our on contract buy is a very low percentage, whereas benchmarking would tell you it should be a very, very high percentage. And we just take the difference there, the number start accumulating to be a fairly large number. I mean, my anecdote to the organization is this $1 billion is a thousand one-million dollar decisions and there is a lot of that that's happening across the organization that we're going to target and go after so supply chain, manufacturing, and consolidation of the manufacturing footprint that now by having the manufacturing organization together, we can get after. There will be continued structural changes in terms of how we look in the field as well as we think that the benefit of changing the way that the sales organization is going to provide some top line opportunity that heretofore we haven't necessarily explored it because of the way the sales organization was arranged. So we know where the buckets are. We've done a lot of benchmarking. We had a lot of people coming outside and look and give us -- and corroborated the data that we saw. The anecdotes are thick in terms of where the savings possibly lie. And when we add up all those opportunities, they're a lot larger. What we're trying to say is in the next 18 to 24 months, what can we get done that we believe can contribute towards getting us righted from a cash flow and operating perspective and begin to whittle away in our debt load. And that's what we're targeting with this $1 billion objective.

Operator

Our next question comes from the line of David Anderson from Barclays.

John David Anderson - *Barclays PLC, Research Division - Research Analyst*

Mark, considering you're back on North America and kind of the improvement we saw. They were, I think, kind of the first real tangible signs of improvement. You've just talked to this kind of big reorganizational change here. Is that -- I mean, has that impacted all North America. In other words, have you kind of started North America, is that kind of the beginning? And are we starting to see that already? Or may be can you just kind of of talk about the improvement in North America and what went to it this quarter?

Mark A. McCollum - *Weatherford International plc - CEO, President & Director*

The changes we made -- we call, "rip the Band-Aid off," right? I mean, we -- everything was done comprehensively across the world. And so the whole team has been working. And so we're going to see changes across the world. In North America, particularly, I would just sort of hats off to the team. I think that the leadership, I think, has gotten more focused around what they needed to do. I mean, obviously, my coming in we had challenged organization to really get very focused on where the opportunity lies and to push certain product lines that we felt like we're languishing a bit and not getting the fair share of the market opportunity that was showing itself. And so this has just been heavy lifting. I think trying to make better decisions along the way and pushing, and that's been the result that we've seen. And so the real opportunity from the reorganization itself and from other activities still all is in front of us.

John David Anderson - *Barclays PLC, Research Division - Research Analyst*

That's great. Maybe you could just hone in a little bit on Artificial Lift, arguably your most important business in North America. As you've been sitting back and evaluating this business, can you just kind of give us your perspective of kind of where that business is? Is this a business that needs to get fixed, I guess, is sort of my bigger question? Is it scaled properly? Is the cost structure where you wanted to be? Can you just talk about that? Because that's, obviously, going to be a big part of your North American business going forward.

Mark A. McCollum - *Weatherford International plc - CEO, President & Director*

It would be wrong to sort of single out Artificial Lift as being problematic. All of our businesses need to be leaned out and changed. But I would say, specifically for Artificial Lift, I think it is fair to say that the margins that we are achieving in that business currently are not acceptable, right? We need to do better. As we look at it, we believe that there's opportunity around consolidation of manufacturing locations. We think that there are opportunities to improve on the logistics side of that business that we really haven't exploited. We think that the changes in the sales organization are going to impact that organization probably as much as any other product line. And then, I think on the supply chain side, just managing that better will also help. We also believe that -- and I've mentioned this in my comments that the digital transformation there, we've got these great technologies, the ability to kind of -- sort of be unique in the market from rolling out the ForeSite and what it could do. And, our guess -- our conclusion was that we weren't probably working well together between our software group and our business unit to get that out, and we are -- that's one of the things you saw this quarter, as now we're beginning to get some traction there. We think that the opportunity there is significant and can create a lot of value as well. So each business unit will have its own specific business plans around -- not just addressing the market, but what technologies -- what their technology road map will be, what they need to do from a location and manufacturing location? But clearly, I think that as we have evaluated the business, there is significantly more value to create for the Weatherford shareholder by fixing the business, to lift business than it is to just give up, throwing the towel, sell the business and pay off debt. And so our view is, let's get it fixed and then -- and we'll continue to evaluate. I also think long-term, quite frankly, from the Lift side, if Wall Street gets traction in terms of holding customers more accountable to returns and cash flow, it's my fundamental belief that production is the highest return -- improving production is the highest return thing that a customer could spend their capital dollars on. And I think Weatherford is uniquely positioned to take advantage of helping customers improve their production. And so we're going to work hard to make sure that our product line portfolio is positioned well to help them do that.

Operator

Our next question comes from the line of Kurt Hallead from RBC.

Kurt Kevin Hallead - *RBC Capital Markets, LLC, Research Division - Co-Head of Global Energy Research and Analyst*

So Mark, great outline, appreciate all that color. Just a follow-up on the comment about game plan or goal to reduce your debt to EBITDA cut that in half. And as you guys think that through, how would you apportion the debt reduction versus the EBITDA improvement in cutting that debt to EBITDA in half as you go forward?

Mark A. McCollum - *Weatherford International plc - CEO, President & Director*

I took this question in the last conference call, and I paid dearly for it, Kurt. So I'm not necessarily going to go that route again and give specific percentages. But I think that -- let me just say that, right, we -- as I've said in our comments, right, we're anticipating, at least for the next 12 months, to have a relatively sideways market environment with which to deal with. And so in that context, it's going to be incumbent on us to really create our own success by working on our cost structure, by making sure that the portfolio we have is well positioned and not continuing to invest in certain businesses that I think don't have a strong place in our portfolio for the long term. The honest answer is that in the next 2 years, the cuts that we will do, the savings, the improved working capital, all that is not going to be sufficient to get us all the way to the goal that we're outlining. And so there will be, at some point in time, the need for us to address something in the portfolio that may be more significant. What could that be? I don't want to speculate on that point in time, and I also don't want to speculate on timing. Because I think what we're trying to do is work this project so that we have the luxury, and I use that word maybe a little loosely, right, but the luxury to -- we've got time. We have time to fix the businesses and to then go into the market when it will maximize value for our shareholders. The optionality is a word that we use a lot around here in terms of making sure that -- and our goal is not just about myopically reducing the debt, although that is the long-term goal, but reducing the debt ultimately with the goal of maximizing shareholder value. And so we're going to pick our times, we're going to pick our -- and we will come back to you when we have a better and more specific plan around the divestitures.

Kurt Kevin Hallead - *RBC Capital Markets, LLC, Research Division - Co-Head of Global Energy Research and Analyst*

All fair. And then, just quick follow-up on, you guys referenced free cash flow break-even in fourth quarter, and then I think I also heard free cash flow break-even on '18. I just want to make sure I understand semantics correctly, that free cash flow break-even would be after your capital expenditures, is that correct?

Mark A. McCollum - *Weatherford International plc - CEO, President & Director*

That is correct, Kurt.

Kurt Kevin Hallead - *RBC Capital Markets, LLC, Research Division - Co-Head of Global Energy Research and Analyst*

And then you think, I know it might be a little bit early, but your CapEx plan for next year, could we see that moving up year-on-year versus what it was in '17?

Christoph Bausch - *Weatherford International plc - Executive VP & CFO*

It's a bit early. We have been actually planning -- meetings coming up, and we're discussing that in the coming week. So we don't have a number yet.

Karen David-Green - *Weatherford International plc - VP of IR, Corporate Marketing & Communications*

And we're actually at the half hour, so we'd like to thank everyone for dialing in and joining us for our third quarter conference call. I'd like to turn the call back over to the operator for closing remarks.

Operator

Thank you. This concludes today's conference call. You may now disconnect.
