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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Weatherford International Second Quarter 2022 Earnings Call. (Operator Instructions) Please, as a reminder, this event is being recorded. I would now like to turn the conference over to Mohammed Topiwala, Director, Investor Relations and M&A. Sir, you may begin.

Mohammed Topiwala - *Weatherford International plc - Director of IR and M&A*

Welcome, everyone, to the Weatherford International Second Quarter 2022 Conference Call. I'm joined today by Girish Saligram, President and CEO; and Keith Jennings, Executive Vice President and CFO.

We will start today with prepared remarks and then open it up for questions. You may download a copy of the presentation slides that correspond with 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 materially differ 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 the reconciliation of GAAP to non-GAAP financial measures are included in our second quarter earnings press release, which can be found on our website.

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

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

Thanks, Mohammed, and thank you all for joining the call today. The One Weatherford team delivered another terrific quarter and my gratitude and appreciation go out to all of our 17,500 team members. Our results this quarter are a testament to our focus on creating value for our customers and delivering on our promise of margin expansion and cash generation to our investors. While the overall environment was headlined by headwinds on inflation, commodity price volatility, supply chain bottlenecks and geopolitical-driven disruptions, at a deeper level, fundamental activity levels in core oil and gas operations remain robust and buoyant. As a result, we seized opportunities, leverage the momentum of change in our operating paradigm and delivered well above expectations across our metrics.

Our second quarter 2022 revenue of $1.06 billion was up 13% sequentially, driven by international growth of 14% sequentially, showcasing the strength of our international franchise. I am particularly pleased with our EBITDA performance as we continue to focus on delivering margin expansion. Our EBITDA margins increased to 17.5%, improving 140 basis points sequentially and 240 basis points year-on-year.

We have previously highlighted our next year goal of achieving high-teens EBITDA margins over the next several years, and our results this quarter demonstrate the feasibility of that ambition. The work to drive this initiative is firmly underway, underpinned by our 4 key focus areas of fulfillment, directed growth, excellence in execution and simplification.

Finally, in a growth environment, with a natural build of working capital, our cash performance was terrific with the company generating $59 million in free cash flow. This achievement enabled us to pay down $50 million of 11% senior notes as we continue improving our capital structure. Simply put, I couldn't be more pleased with our results. In past calls, you've heard me talk about the new Weatherford and how we are building it to deliver growth, margin expansion and sustainable free cash flow.

Throughout that journey, we have always been conscious of the road ahead and the work we still have to do, and I will acknowledge that again. However, I think the context of that path forward is significantly different today. We have gone from seeing the road ahead as a journey towards relevance and the challenge is being somewhat existential to where the road ahead is to lead to higher multiples underpinned by the solid foundation of operational excellence we are building. We've been diligently planning and executing to evolve from a company operating in survival mode to one performing and thriving in the market. I have always said that our results will speak for our progress and the results from the second quarter serve as a solid scorecard of that progress.

Beyond the financial results, we were excited to release our first sustainability report in May. While sustainable operations have always been at the core of how we run our business, this reported highlighted our strategic ESG focus areas: number one, our use of existing technologies and contribution to new energy solutions to create a lower carbon economy; number two, our goal of achieving net 0 greenhouse gas emissions for Scope 1 and 2 by 2050; and number three, our never-ending commitment to operating sustainably with safety, quality and integrity.

Turning to our commercial successes during the quarter. We had several significant wins across our portfolio, showing that the combination of our broad-spectrum portfolio with specialty services, both differentiated by technology is a compelling value proposition for customers.

PTTEP in Thailand awarded us a 5-year contract to deliver high-temperature directional drilling, measurement-while-drilling and logging-while-drilling services. Our history of service excellence in the region and market-leading offerings made Weatherford a preferred choice for this contract award. Our real-time remote engineering support, coupled with MPD ability to execute against an exacting pressure management plan throughout the Well Construction phase, helped to drill the longest well in Canada at approximately 30,000 feet for a major operator, faster and with fewer trips.

Shell awarded us a 3-year contract this quarter to continue providing cementing products and casing accessories in the Gulf of Mexico because of our position as a leading provider of deepwater cementing systems. We also received a 5-year well services agreement from ADNOC Offshore for the provision of through tubing equipment and services. Our leading expertise in field-proven technology help customers consume fewer resources, reduce carbon footprint and maximize the economic life of existing infrastructure. And again, in Thailand, Chevron awarded us a 6-year commercial contract to deliver tubular running services. We credit this award to our 60 years of experience in TRS, our track record of incident-free operations in the region and our high level of operational efficiency.

We entered a 3-year commercial agreement with Hess Corporation to serve as the primary supplier of artificial lift equipment and services, including automation in Hess's Bakken operations. We received this award because of the field-proven application of our Rotaflex long-stroke pumping unit combined with Weatherford WellPilot and the ability to provide value-added services, support, engineering and quality. We also received a 3-year award to provide Santos with industry-leading sucker rods for their operations in Australia.

Our sucker-rod portfolio guarantees a match between customer needs, budget and production strategy to make the most of existing assets and unique well environments. Now let's turn to our view of the markets. In North America, we continue to capitalize on the current growth momentum by going after directed growth and margin expansion. On the production side, we see demand for artificial lift growing as E&P operators capitalize on sustained higher commodity prices and, in some cases, benefiting from the faster transition from ESP to conventional lift.

We have been talking about our PRI segment lagging rig count, and now we are seeing it come through with strong revenue growth as our PRI segment revenue increased by 21% sequentially, outpacing rig count growth. We continue to see strong performance from our international markets as well, with demand in Asia, Latin America and Middle East markets continuing to grow. We expect this to continue into the second half of the year and beyond. Additionally, tendering activity continues to be strong throughout with robust demand, coupled with the industry's resources becoming scarcer which will result in pricing uplift opportunities.

Our leading product lines, including TRS, Fishing & Intervention Services, MPD and completions continue to position Weatherford for differentiated growth. Overall, this quarter, our focus on pricing, directed growth strategies, operational improvements and cash culminated in strong revenue growth, margin expansion and free cash flow generation.

Before I hand it over to Keith for the financial and full year updates, I want to take a moment to express my gratitude for his leadership. As we have previously announced, Keith will leave the company at the end of the month. Keith's commitment and leadership over the last 2 years have been essential to building the new Weatherford. During his time with the company, we were able to return to a major public exchange, improve and stabilize our capital structure and strengthen our operational profile. At the same time, we have announced the Desmond Mills, our Chief Accounting Officer, will be stepping in as interim CFO. Desmond has been with us for over a year and done a great job in improving our accounting systems and reporting. Keith, we wish you the best. And with that, I'll turn it over to you.

H. Keith Jennings - *Weatherford International plc - Executive VP & CFO*

Thank you, Girish. Good morning, everyone, and thank you for joining us. Echoing Girish's comments, we had an outstanding quarter. We outperformed our forecast and guidance in most geographies and in aggregate across all segments. I'll begin with the total company results and then move into the segment details. Revenues for the second quarter of 2022 were $1.06 billion, an increase of 13% sequentially and 18% year-over-year.

Operating income was $104 million in the second quarter of compared to $18 million in the first quarter of 2022 and $25 million in the second quarter of 2021. The company's second quarter of 2022 net income was $6 million, compared to a net loss of $80 million in the first quarter of 2022 and a net loss of $78 million in the second quarter of 2021. Adjusted EBITDA was $186 million, an increase of 23% sequentially and 37% year-over-year. It is a significant milestone for the company to be net income positive.

Getting there this quarter was aided by the recognition of the benefit from certain -- previously uncertain tax positions. However, we firmly believe we will see more sustainable net income positive quarters in the near future. Turning to our segments during the quarter.

Drilling and Evaluation, or DRE revenues of $317 million increased by $25 million or 9% sequentially. Due to higher demand for all DRE product lines, driven by managed pressure drilling and drilling services, primarily in Latin America and the Middle East, North Africa, Asia regions. Segment adjusted EBITDA of $69 million increased by $10 million or 17% sequentially, largely due to higher fall-through for drilling services, primarily in Latin America. Well Construction and Completion or WCC revenues of $383 million increased by $39 million or 11% sequentially due to higher demand for all WCC product lines, driven by tubular running services and completions primarily in the Middle East, North Africa, Asia regions.

Segment adjusted EBITDA of $67 million was flat sequentially with volume improvement, primarily Latin America and the Middle East, North Africa, Asia region, partially offset by declines due to a change in revenue mix. Production and Intervention or PRI revenues of $345 million increased by $59 million or 21% sequentially due to a higher demand for all PRI product lines, driven by intervention services and our artificial lift, primarily in North America. Segment adjusted EBITDA of $68 million increased $29 million or 74% sequentially, mainly from increased revenues and a higher margin fall-through for intervention services and artificial lift, primarily in North America and the Middle East, North Africa, Asia region.

Turning to liquidity and cash flows. We closed the second quarter of 2022 with approximate -- with total cash of approximately $1.1 billion, up $34 million sequentially. Free cash flow of $59 million improved $123 million versus the first quarter of 2022. The sequential improvement was primarily driven by improved collections efficiency, delivering on our commitment to continue improving our debt profile and reduce interest payments from our operating results.

On July 11, we issued a notice of election to redeem $50 million by August 10, 2022, of our 11% senior unsecured notes, the exit notes. Once completed, this will reduce the outstanding principal for those notes to $250 million. As we look ahead to the third quarter and the remainder of the year, we are now more confident that as we continue to improve our operating performance, if the constructive backdrop for energy services persists, we will continue to capture continued margin expansion in this cycle.

For the third quarter versus our second quarter of 2022, we expect consolidated revenues to increase by low to mid-single digits in all segments, driven by higher demand. As a result, we are increasing guidance on adjusted EBITDA margins and expect to expand by a further 25 to 50 basis points. We're targeting free cash flow to be in line with Q2 and expect CapEx to be in the range of $30 million to $40 million in the third quarter. Full year 2022 consolidated revenues are expected to grow by mid-teens above 2021 levels. Across the segments, outlook for DRE and WCC have been revised upwards.

DRE is now forecasted to deliver mid- to high teens growth. WCC to now deliver low to mid-teens and PRI maintained its growth outlook in the mid- to high teens. Consolidated adjusted EBITDA margins are now expected to expand at least 100 basis points above 2021. We are revising our CapEx forecast for full year 2022 down to $120 million to $140 million because of 3 things: one, impact from having fully removed any further CapEx investments in Russia; two, supply chain delays; and most significantly, continuing to be more efficient with our asset base and resources as we continue to redefine how we fulfill our customers' expectations. Full year free cash flow is still expected to be positive at approximately $100 million but lower compared to 2021 as the upcycle drives increases in net working capital, cash taxes and CapEx with only a partial offset by lower cash interest payments for the year. This outlook reinforces the strength of our organization and our confidence in our operating strategy. This is my last earnings call as CFO of Weatherford. I have enjoyed my tenure at this great company. I wish to thank the Board, Girish, the executive team, my finance organization and the entire Weatherford family for the trust they place in me. I know that I'm leaving the organization in good hands. Thank you for your time today. I will now pass the call back to Girish for his closing comments.

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

Thanks, Keith. Our achievements from the second quarter indicate a strategy that is taking hold and beginning to yield results, specifically generating positive free cash flow, increasing EBITDA and growing revenue. We followed through on the plans we previously shared, and this quarter is a testament to our ability to execute. While our results in the second quarter were great, we are focused on the future and the work ahead. To get there, we will leverage our focus areas.

Today, I want to give an update on fulfillment and directed growth. In fulfillment, our key objective is to serve customers better with a more efficient cost base and network efficiencies globally. Doing so, we'll be crucial to expanding margins into 2023 and beyond. We are starting to hit important milestones that are prognosticators of future success. We have exited 28 facilities year-to-date and entered sales leaseback for 10 facilities in the second quarter, while further improving DSI by 5 days.

In the first year of top line growth in over 5 years, we have been intensely focused on directed growth and evolving the organization's DNA to that of a growth mindset. We believe we have significant growth potential, as demonstrated by our confidence to increase our full year outlook for revenue to now increase by mid-teens and margins to expand by at least 100 basis points over full year 2021.

Throughout the year, we have continued to gain commercial success, securing substantial contract wins and recapturing share in key markets. We expect this trend to continue in the second half of 2022 and into 2023. These results demonstrate the strength of our customer relationships and our ability to meet their needs. Additionally, based on our technical differentiation and the disproportionate equipment capacity tightening across markets, we are making inroads on improving pricing as we renew contracts and institute new agreements. Improved pricing, high utilization and significant operating leverage will deliver strong incrementals for us in this upcycle as we continue to execute our strategic imperatives and drive margin expansion and free cash flow for our shareholders.

As we close, I want to take a moment to talk about the renewed focus we have put in place to guide our organization as we continue to the next leg of our journey. We recently rolled out new core values to our global team. The One Weatherford spirit will always bind us all together. Our values of passion, accountability, innovation and value creation will be our focus in everything we do as we move forward with safety, quality and integrity as our foundational operating values. Thank you for joining us today. And now operator, let's open it up for questions, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Today's first question comes from Doug Becker at Benchmark Research.

Douglas Lee Becker - *The Benchmark Company, LLC, Research Division - Senior Equity Analyst*

Girish, I wanted to get a little more context what the lower CapEx means for the ability to hit expected growth in 2023. It was meaningfully lower than anticipated and just want to make sure you can actually capture a very robust market going forward.

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

Sure. Listen, great question. I think, look, we've been on a journey for a while, and we're learning a lot of things. Yes, I think it's important to once again reflect back that Weatherford just a couple of years ago, was a company with a much higher revenue base and therefore, also had a bigger asset base. As we are going through our journey of fulfillment and simplification, we're learning that we can actually do things better and get a lot more efficiency. So look, as Keith pointed out in his remarks, the CapEx reduction really came from, first of all, we've taken Russia fully out.

We were still working through all of that on the last call. So it's completely out. And we've also been able to redeploy and share now between the other regions in a more efficient fashion. Second is we are encountering some supply chain delays. And so we are managing through that and also gives an opportunity to reprioritize and figure out how to do things a bit more efficiently. And finally, the most important thing is the third piece of, look, how do we actually get better at executing. So look, to answer your question very directly, we don't believe it's going to have a material impact on us to be able to capture the revenue that we are going after, and we will get more efficient. But it is something that we look at, and it's still a meaningful improvement over 2021.

Douglas Lee Becker - *The Benchmark Company, LLC, Research Division - Senior Equity Analyst*

Okay. And so what I'm taking away from this, you would be able to meet low double-digit revenue growth next year even with the CapEx spend you're anticipating now for this year?

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

That is very well put, Doug. But as always, we have not given guidance for 2023 yet, but -- so I'm not going...

Douglas Lee Becker - *The Benchmark Company, LLC, Research Division - Senior Equity Analyst*

Understood.

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

Yes. But look, I think as the market continues to be robust, as we have pointed out in our prepared remarks, look, we think we are on a continued growth trajectory and hopefully, it continues in the same way.

Douglas Lee Becker - *The Benchmark Company, LLC, Research Division - Senior Equity Analyst*

Got it. Maybe a final question for Keith. Just want a little bit more detail around the reconciliation between the higher EBITDA guidance, good cost control, lower CapEx and then the collections efficiency, why free cash flow might not be a little bit higher? Just want to get a better understanding.

H. Keith Jennings - *Weatherford International plc - Executive VP & CFO*

Absolutely. Look, one of the things that we have recognized about this cycle and given the supply chain constraints out there and moving things around, it's really the investment in working capital as required. And if you look across H1, we effectively invested almost $100 million in working capital, which was the number that we probably would have thought when we started this year would have been a full year number. And so while we are not looking forward to the lower CapEx as a way of offsetting that, it is actually what's going to offset that because the second half, we're actually expecting to deliver almost 12% growth in terms of H2 versus H1. And if you do the math on the working capital requirement, that's going to be between $50 million and $75 million further.

Douglas Lee Becker - *The Benchmark Company, LLC, Research Division - Senior Equity Analyst*

Got it. And then one final general one. Just impressive growth, given Russia still being a headwind. How big is Russia today? And just what's the outlook in the second half of the year?

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

Yes. Look, really no change that we talked about in Russia relative to the Q1 call. Russia is still around 6% of revenue. And look, we still have the same view that we did in Q1. We've got sort of the challenges around currency volatility that we are navigating, and it is volatility being the key word there as well as, look, operational complexity. We continue to operate within total compliance of all the sanctions, but it is getting more complex, and we are transforming Russia into a bit more of the self-sustaining model just given the inability to get material in.

Operator

And our next question today comes from James Hubbard at Deutsche Bank.

James Richard Hubbard - *Deutsche Bank AG, Research Division - Research Analyst*

I just have 2. So we hear a lot about cost inflation pressures and clearly one result of that is you're able to exert some pricing power, and we see that in your margins. But I'm wondering what exactly -- or not exactly, what are the main cost inflation pressures you're seeing? And then when you go to your clients, the oil companies and say, we want to pass this through and then some more, how much pushback do you get now? I'm guessing with oil and gas prices where they are, not as much pushback as you would have got maybe 12 months ago. But I'm just wondering how that how that is panning out and if you're starting to get more resistance to that? And then secondly, again, on U.S. shale, I hear companies over here in Europe talking about a labor shortage, restricting the pace of growth you might have otherwise expected in onshore U.S. drilling. I'm wondering, is that an accurate understanding? Or is that just one of several issues that's holding back maybe a faster ramp-up in U.S. shale drilling?

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

Sure. Let me start with the first one, which is inflation. Look, clearly, we've been talking about inflation now for over a year. I think we started, I think, well before a lot of other people did. And it's certainly something that is impacting us. You're 100% right. We've been able to leverage pricing to a certain extent, improvement in activity with improved fall-throughs as well as recapturing some share but also all of the operational improvements that we are driving to offset that inflationary impact and actually deliver margin expansion. And our focus is to continue to keep driving it in that same way forward.

Look, specifically with respect to customer conversations, where we are seeing inflation, it's really pervasive and across the board. First of all, we have it on the wage side and it's especially impacting us, and we have third-party services when we contract labor out, et cetera, that's something that's a lot more transactional and comes in through a much higher rate. We're also seeing it on third-party rentals in some of our service product lines. And then, of course, on materials. Materials is a big impact, and that's been evolving depending upon the type of material, where it gets sourced. It got significantly exacerbated with the invasion in Ukraine and the inability of getting more supply out of some of those parts of the world.

And then further compounded by what's happening in China. And then the last piece of it is just logistics and freight, which with the increase in fuel as well as supply chain bottlenecks has been a dramatic hitch on the ability to move stuff and fees have gone up. So it's really across the board. Look, as we talk to customers, one thing that we are very cognizant of and we really try not to do it is in the context of saying, hey, oil prices are higher, so therefore, pricing goes up. This is really a well thought out, clearly constructed conversation on our costs having gone up, not because their commodity prices are going up and they're making more profit.

So we are being very transparent, and I think we're having very constructive conversations. Our customers recognize when costs go up, and they are, I think -- look, it's very heartening to hear them understand, recognize and support the fact that the overall industry needs to be healthy and for all of us to make sure that we are able to fulfill the expectations that we have with each other. So I think we're having constructive conversations with customers. Look, no customer is ever going to say, yes, come in and I'll accept anything.

So these conversations are always challenging, but they are, I think, thoughtful and they're constructive as the way I would put it. But we are trying to do it in a way that really is all about our cost pressures, what we are seeing and how do we pass them on. Look, as we also pointed out in our prepared remarks, it's not easy to just go back and put it across your entire contract base. So we really leverage these conversations more so on where it makes sense, where we've either seen dramatic cost increases, but especially on contracts that are for renewal and new discussions that are coming up.

On your second question on U.S. shale, look, I think there's 2 factors that are driving it in our opinion. Look, first of all, I think producers are being very returns conscious and are truly sticking to their word on ensuring that shareholders' returns are taking a priority. And so while there is capital available and they are generating free cash flow, they are making sure they prioritize that. And as a result, the amount of CapEx going back and is not as extreme as it has been in previous cases.

The second thing that is really compounding the issue is scarcity of supply, especially in a few key services. You've heard a lot of other companies in the sector talk about being sold out and having fleets that are not existent, et cetera. And I think that puts a lot of pressure on that as well. So we do expect North America to grow, but we think it will be a lot more muted and certainly not anywhere close to what we have seen in the past. And again, I will just remind you that, look, from our business perspective, we are much more production-oriented and a little bit more on the specialty services side in the U.S. We are not really exposed to direct rig count and direct drilling services because we don't play in that in North America and the U.S. specifically.

Operator

And our next question today comes from Neil Mehta with Goldman Sachs.

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

This is Ati on for Neil. Broadly, how do you think about capital allocation? Obviously, you were working on the balance sheet here. Maybe give us an update on the revolver, how you are thinking about the restricted cash and where if there's any appetite for repurchasing additional debt beyond the 11% stop? Or would you rather think about a buyback to offset equity overhang from the ownership mix?

H. Keith Jennings - *Weatherford International plc - Executive VP & CFO*

A few things. I know over the course of the last few calls, we've been speaking about the constructive tone that has changed with our banks and as we work on getting a revolver in place that we're comfortable with. I want to move that just a step forward in the dialogue from constructive tone to saying that we now have had clear conversations with all our leading banks, and we have a path to an RCF that we, Weatherford, will be happy that we can close. And so we're working on that and working through the final pieces of putting together something that we want to take to market. And so when it comes to the rest of capital allocation, I would say the following: our first focus continues to be the repayment of debt. We would love to get rid of the remaining stuff from the exit notes after the recent call notice of $50 million, we have $250 million of principal left on those notes at 11%. When we think about purchasing other debt at the moment, that's not really the focus over the next few years. We continue to drive and think about creating and generating free cash flow, taking out the near-term debt. And after that, thinking about reinvesting in the business and growing through the rest of the cycle.

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

Got it. And then can you walk us through your overall margin progression towards what a normalized margin expectation is for each of your segments? You updated revenue guidance for the full year, maybe also provide some color on the regional drivers of that increase, particularly internationally.

H. Keith Jennings - *Weatherford International plc - Executive VP & CFO*

So first, as you know, we don't give guidance at the margin level on our segments. We give it overall. We have come in and executed in Q2 fairly well. And if you think about what has happened to the margins across our businesses, we have benefited from volume leverage as our activity has stepped up. In terms of normalized levels of margins, I would say that right now the overall business is traveling in the 17% to 17.5% range fairly comfortably. We are working through the R&M initiatives and fulfillment changes to how we execute and deliver to our customers.

And over the course of 2023, those initiatives should also be improving margins. So if activity levels stay here, we could see further margin expansion just from further efficiency of what we do. And of course, if activity really picks up, then we will see less margin expansion from that. But even as we go into Q3, we've already called out that we expect to see 25 to 50 basis points on top of where we are just from having good cost control and taking more advantage of some of that volume leverage.

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

Yes. And Ati, this is Girish. If I could add a couple of things. Look, I think in terms of progression, we've always had a bit of a longer-term view. We've set these goals and still we are truly sustainable, we don't kind of set the next year. So we set high teens. We were at 16.1% in Q1, that's 17.5%. So we've seen that margin expansion. And as Keith said, we will see a little bit more as we get into the second half of this year, which is really why we increased it from saying at least 50 basis points improvement over '21 to at least 100 basis points improvement over '22 and then hopefully continue that into '23.

Look, pricing is going to be a big factor of our operational improvements. But we also have to offset the impact of inflation, which is very real that we have talked about. Look, on your point on the regional approach, it's really a couple of things. One is, I think we are seeing broad growth across the globe. There really isn't a region right now that we look at and say we've got a challenge beyond what we have talked about with Russia, obviously. The region that's probably the slowest right now is Europe, and that's understandable given some of the dynamics that are happening over there.

Look, I'll start with the segments on the Drilling and Evaluation side. We expect that to be probably spearheaded by the Middle East region. That's where we see a lot of activity coming in and that will really shepherd that in. But augmented again by Latin America and a little bit more in North America, especially in the Gulf of Mexico is where we expect to see a little bit of that. On the Well Construction and Completion, I think that's probably the most I'll call it secular, if you will, from a regional standpoint of all of our segments and it's really across the board.

On the Production and Intervention side, the PRI segment, it's probably going to be sort of highlighted by North America and Latin America. That's really where we see the majority of that thrust coming in from both on our artificial lift business as well as the rest of the product lines in that segment. But look, we think the important message here really is activity levels despite all of the sort of concerns on recession, et cetera, we do believe will remain reasonably good and continue to improve.

Operator

And our next question comes from Gregg Brody at Bank of America.

Gregg William Brody - *BofA Securities, Research Division - MD*

Just on Russia, just -- I might be a little confused here, but I'm seeing a lot of other companies talk about basically holding the asset for sale, talking about some time line to have to get out of Russia because of sanctions. But I'm not hearing that from you. So can you help me understand where I'm wrong on this? And is there any pressure for you to exit Russia?

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

Gregg, so look, I would not say you're wrong, but I think there is a mix of companies right now in our sector, some of whom have done exactly what you said, which is hold assets for sale, et cetera. And many others who have not. Look, our position has really not changed. So number one, we continue to operate in Russia, and we are in full compliance with all sanctions. So we've also highlighted in the past that the world of sanctions is a very evolving situation. It updates almost on a weekly basis, sometimes even more frequently. We are looking at sanctions from the U.S., the U.K. and the EU and ensuring that we are compliant with all of those. Now as those sanctions evolve, it is possible and possible that something might change, which would cause a fundamental issue that we can no longer operate for whatever reason. We can't predict that.

And if that happens, we will address it at that point in time. But as of today, while we do expect operational complexity, it's mostly driven by the inability to ship material into Russia, which is why we think, over time, Russia is going to not be a growth story for us for sure. But that business is becoming more self-sustaining, but we are operating, and we'll continue to honor all of our existing contracts. We are also, again, to reiterate not putting any new investments into Russia of any type, including any new technology going in.

Gregg William Brody - *BofA Securities, Research Division - MD*

Got it. You mentioned Russia is about 6% of revenue now. Do you have -- are you providing more color on how much of EBITDA represents and how much you expect it to become?

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

No, we have not. Look, we have said historically, it's been 5% to 7%, and there's always a little bit of seasonality based on the quarters, et cetera, but that 5% to 7% range has generally been fairly accurate, and that's kind of where it is right now. We have not given any further information beyond that.

Gregg William Brody - *BofA Securities, Research Division - MD*

Just to clarify, 5% to 7% range is what you've said previously for revenue, are you saying that's the same number for EBITDA?

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

No.

H. Keith Jennings - *Weatherford International plc - Executive VP & CFO*

No, no. We have not said what EBITDA is. And we also need to think about the operating complexity of operating in Russia today in terms of no new technology, no ability to ship our products in or no intent on our part. So the margins or EBITDA that we were earning anyway have already been shrinking. And so it's a different business. But as Girish has pointed out, we are operating within the sanctions. We are turning it into a self-sustaining contained business within Russia. And we'll leave it at that for now until the sanctions say that we have to do something else.

Gregg William Brody - *BofA Securities, Research Division - MD*

And then that $100 million free cash flow number that you talked about for the year. Is it -- is there some -- is there a possibility that some of that cash is trapped in Russia? Or is it not meaningful enough?

H. Keith Jennings - *Weatherford International plc - Executive VP & CFO*

It's not meaningful, and we've already adjusted for that in the -- in our plans. Russia does generate cash. However, currency is fairly convertible as we see on the international markets. It can make certain payments even though the number of payments that it can make are falling in terms of support or management and R&D and so forth. But we don't see it as a risk to our profile at this time.

Gregg William Brody - *BofA Securities, Research Division - MD*

Got it. And I know you haven't provided official guidance, but earlier, some -- another analyst asked about being able to grow double digit next year. That's -- you are taking into account your lower investment in Russia. Is that correct?

H. Keith Jennings - *Weatherford International plc - Executive VP & CFO*

We are taking into account the lower investment in Russia. And so, look, Russia is a very small business. It's not the focus at the moment. We've already proven that we have other parts of the world in geographies that have outgrown what we've lost there and step back. We are focused on the Middle East. We are focused right now on North America. As you can see from our PRI business that has performed so well. We're finally getting to deploy our products and services at the production end as people have started to stimulate more wells and do more things. So we have a very robust business that is performing well.

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

Yes. Yes. And look, just to echo that, Gregg, I think, look, for us really the focus is the rest of the world, and we are seeing very robust demand. Again, we're not providing guidance for '23 at this point in time. We will come back in a little while in a couple of quarters and give you guys all that view. But I think, look, the way activity is shaping up right now and with the focus on energy security with a lot of the commitments, especially in the Middle East to increase production capacity, we are excited about the prospects there.

In Latin America, we are seeing a lot of activity come back. The tendering is robust. So we're excited about what '23 holds.

Gregg William Brody - *BofA Securities, Research Division - MD*

Great. I appreciate you entertaining my questions here. I've just gotten a lot, so it's helpful. Just a few more here. So you've talked about inflation impacting your fuel cost. I'm curious, do you see -- are you concerned at all about some of these conversations about Europe conserving energy this winter. Is there a possibility -- how are you preparing for that in terms of your -- some of your manufacturing operations? Is there much that you're worried about in terms of being able to operate?

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

It's a great question, Gregg. And look, it's partially why this fulfillment initiative of ours becomes even more important in the context of what we are doing. So we are actually driving a lot more consolidation, which naturally already reduces rooftops. It reduces our energy consumption, et cetera. On a conservation of energy in Europe, specifically, we think it might actually create more activity levels for us, whether it's in the North Sea or in some of our land-based businesses in Europe. Give a little bit more impetus to that, so it will actually be a positive. In terms of actual manufacturing, look, Europe is not exactly the most critical aspects from Europe. So that's not we look at. But what it does say is right now getting supplies into Europe is critical, and we think activity in Europe and the rest of the world will have to go up to make sure that energy and gas, particularly can be supplied to Europe.

Gregg William Brody - *BofA Securities, Research Division - MD*

No, I appreciate that. And just FX exposure, is there any way -- anything that you are looking out for there that you just -- that folks should be thinking about if you have any significant exposure someplace?

H. Keith Jennings - *Weatherford International plc - Executive VP & CFO*

No, not at this time. I think we have a fairly balanced portfolio across the globe. And sometimes we are up in one area and sometimes we're down another. We have not seen the need to call that out in our forecast at this point in time. And so we continue to contract in dollars where we can and as the dollar strengthens and that seems to be good for everybody.

Gregg William Brody - *BofA Securities, Research Division - MD*

Great. And then you mentioned sort of my cash flow refinancing credit facility question. You mentioned that things are progressing well with some banks. Do you have a sense of timing that you could provide with us there? I know you've been reluctant to do that in the past but it sounds like you feel better about things.

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

Yes. Yes. Look, we do, Gregg. And look, we're not going to give a specific timing on this. We have always said we are going to make sure we get the right structure in place for the company. And when it is done, we will announce that. Look, as Keith pointed out, we are getting a little bit more specific on our commentary on that. And look, as soon as we have something real, everyone will know simultaneously, but we're not going to commit other than saying we want to make sure we get the right and the efficient structure in place for the company, and we think we're moving towards that.

Gregg William Brody - *BofA Securities, Research Division - MD*

And then just the usual cash flow items, have you -- just the restructuring charges for the year, what should we expect? Any changes there from previous guidance?

H. Keith Jennings - *Weatherford International plc - Executive VP & CFO*

No changes from previous guidance. We're still in the 20-40 range on that. We've always taken the charge for 20. I know our spending is roughly about, I think, 5-10 this quarter. So I think we're good there.

Gregg William Brody - *BofA Securities, Research Division - MD*

And then cash taxes, how should we think about that?

H. Keith Jennings - *Weatherford International plc - Executive VP & CFO*

Cash taxes should step up. We've been in the 80 to 90 range, but I think we could see it creep up as well with the building revenues.

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

Yes. And Gregg, look, we're happy to take detailed model questions offline if you want to go through that with us.

Gregg William Brody - *BofA Securities, Research Division - MD*

There's a couple more if you don't mind since when I hear feedback as people appreciate what I asked you because they put it in their model. So I may save Mohammed about 15 calls if I do this. Just -- and if you want, I can hop off but just 2 more. You told us working capital needs. I think you said they go up $50 million and $75 million this year in the second half. And then usually, you have some adjustment for E&D? How should I think about that?

H. Keith Jennings - *Weatherford International plc - Executive VP & CFO*

I mean for E&O?

Gregg William Brody - *BofA Securities, Research Division - MD*

E&O. Sorry, E&O inventory changes.

H. Keith Jennings - *Weatherford International plc - Executive VP & CFO*

Yes. That's going to be included in that number net, in the number I quoted, already adjusted for that.

Gregg William Brody - *BofA Securities, Research Division - MD*

Got it. And is there anything other free cash flow lines we should be aware of?

H. Keith Jennings - *Weatherford International plc - Executive VP & CFO*

No, I think we're running a fairly clean year this year in terms of items. We've been focusing on staying within the lanes. And so unless there's an event or surprise, I wouldn't expect anything else.

Operator

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

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

Great. Thanks, everyone. Appreciate you all joining in, and we look forward to updating you with our third quarter in October. Thanks.

Operator

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