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WFRD.OQ - Q3 2025 Weatherford International PLC Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Weatherford International third-quarter 2025 results. (Operator Instructions) As a reminder, today's event is being recorded. I would now like to turn the conference over to Luke Lemoine, Senior Vice President of Corporate Development. Please go ahead, sir.

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

Welcome, everyone, to the Weatherford International third-quarter 2025 earnings conference call. I'm joined today by Girish Saligram, President and CEO; and Anuj Dhruv, Executive Vice President and CFO.

We'll start today with our prepared remarks and then open it up for questions. You may download a copy of the presentation slides corresponding to today's call from our website's Investor Relations section.

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

Our comments today also include non-GAAP financial measures. The underlying details and a reconciliation of GAAP to non-GAAP financial measures are included in our earnings press release or accompanying slide deck, which can be found on our website.

As a reminder, today's call is being webcast and a recorded version will be available on our website's Investor Relations section following the conclusion of this call. With that, I'd like to turn the call over to Girish.

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

Thanks, Luke, and thank you all for joining our call. I'll start with an overview of our performance and key highlights and will then share our outlook on the markets. Anuj will then cover specifics on financial performance, balance sheet, detailed guidance. And I will wrap up with some thoughts on Weatherford's operating plans for this environment, before opening for Q&A.

As illustrated on slide 3, our third-quarter results were above the expectations that we outlined in July. Despite continued market headwinds and a soft macro environment, the One Weatherford team delivered strong performance, and I'm incredibly grateful for the team's unwavering spirit, customer focus, and operating intensity.

In Q3, North America was up slightly sequentially due to the seasonal Canadian rebound, along with a slight improvement in the North America offshore business. However, this was partially offset by a decline in US land.

After three quarters of declining revenue in Latin America, this geo market improved revenues by 10% sequentially, primarily due to an improvement in Mexico. Mexico revenues will still be down in the 60% range this year.

However, the past two quarters have seen sequential revenue improvements in the country. We believe they're now at a point of relative stability with cautious optimism for slight improvements into 2026.

The ESSR region was relatively flat quarter-on-quarter, with a number of countries helping to offset the continued weakness in the UK. I continue to be pleased with our performance in the broader MENA and Asia region as it posted another quarter of sequential growth, led by the UAE, Qatar, Australia, and Thailand.

We believe Saudi Arabia is in the process of bottoming, and I'm hopeful we can get back to year-on-year growth in the second half of next year. Despite overall market headwinds, I believe the MENA/Asia region can again show growth in Q4 for us.

We continue to see margin dilution from tariff cost pass-throughs but have managed to keep overall margin dollars reasonably intact. There is rising pricing pressure in several markets. And while that might create short-term issues, we are confident in our ability to drive differentiation as a means to offset.

We have previously talked about the acceleration of our cost initiatives, and despite the tariff and pricing pressures, this has helped significantly, evidenced by EBITDA margin expansion of over 70 bps. Our team did a terrific job of focusing on working capital and CapEx that enabled adjusted free cash flow of \$99 million, despite lack of payments from Mexico. We had mentioned that this was a timing concern back in July, but I'm very pleased with the way our team executed to offset this impact.

Since the end of the quarter, we have seen tangible progress in payments from Mexico as the new process begins to take effect. That said, there remains a possibility that some payments for 2024 receivables could be deferred into 2026, and we have taken that into account in our adjusted free cash flow projections.

As shown on slide 6, we have now paid four quarterly dividends of \$0.25 per share, and repurchased approximately \$193 million worth of shares over the past five quarters, which includes approximately \$7 million during Q3. While this amount may vary each quarter due to market conditions, we remain committed to our buyback program and still have sufficient capacity under our \$500 million authorization.

Now turning to our segment overview on slides 8 through 11. The operational and technical highlights showcase advancements in new market penetration, technology adoption, and continued innovation of our product and services portfolio. As noted in our earnings release, our continued success in securing high-impact contracts across key regions reflects the strength of our technology and the trust of our customers.

In deepwater Brazil, Petrobras awarded Weatherford a three-year \$147 million contract to deliver tubular running services. In Romania, Romgaz awarded Weatherford an eight-year contract to provide real-time monitoring services and transmission of dynamic parameters from the wellheads

of gas wells. In the Gulf of America, Talos Energy awarded Weatherford a contract to provide managed pressure drilling and tubular running services in their operations.

Finally, at our FWRD 2025 conference we demonstrated innovation as a catalyst for long-term value creation. This event is now a showcase of our technology capabilities, but more importantly, a thought leadership forum with several senior delegates from customer organizations.

We launched over 20 new products and extensions across our segments: from a more robust rotary steerable offering to our new Optimax well-controlled barrier valve, to MARS, which enables mature field rejuvenation with sophisticated fiber optic surveillance, we are driving the next phase of the company's growth based on innovation. I'm especially excited about Intelligent Completions and our digital launches, both of which have a very long runway of opportunity.

Now turning to our outlook. For the past couple of quarters, we have provided what we believe was a prudent view, and we continue to believe this outlook remains reasonable in today's market. While we've seen a positive impact from excellent operational execution, the overall market remains soft.

Customer spending trends for the next year remain uncertain, and we are seeing pricing pressure in certain pockets. Trade discussions continue to cause significant uncertainty and may lead to further demand destruction in the short to midterm.

We began to see larger tariff impacts in the third quarter with impacts on volumes, cost increases, and margin dilution in specific US product lines. Lastly, OPEC+ continues adding supply back to the market, increasing pressure on the global oil supply-demand balance.

We believe this softness will persist for the next several months, and coupled with seasonality, will result in year-on-year comparisons being down in the first half of 2026. However, we are hopeful that offshore activity as well as incremental onshore activity driven by the rebalancing of supply and demand will create improvement into the second half of 2026.

We also remain hopeful that the industry discipline of recent years will result in a milder global downturn than the last three cycles. We have continued to adapt our cost structure over the past four quarters, and this will further evolve as the market unfolds.

Since the third quarter of last year and excluding divestitures, we have reduced our head count by over 2,000 and lowered our annualized personnel expenses by more than \$145 million. While much of this is offset by revenue declines, our swift actions have positioned us to continue operating efficiently.

This ought to enable us to continue to deliver strong margins, such as we did as in Q3, while generating strong cash flows even when faced with revenue declines. We continue to believe we are very well positioned to capitalize on stable or improving activity levels, but we are also taking proactive steps to ensure we can respond swiftly in the event of a more pronounced slowdown.

I'd like to turn the call over to Anuj before I come back with closing comments.

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

Thank you, Girish. Good morning, and thank you, everyone, for joining us on the call. Girish has already shared an overview of our third quarter performance and an update on our capital return program. For a more detailed breakdown of the third quarter results, please refer to our press release and accompanying slide deck presentation. My comments today will center around our cash flow, working capital, balance sheet, liquidity and guidance.

Turning to slide 22 for cash flows and liquidity. For the third quarter, we generated \$99 million of adjusted free cash flow at a 36.8% adjusted free cash flow conversion, which doesn't include any payments from a key customer in Mexico. As you know, our free cash flow is generally weighted towards the second half of the year, and we expect fourth quarter adjusted free cash flow to be at or above third quarter levels. While this is still

contingent on receiving payments from our largest customer in Mexico, we are encouraged as we recently received a payment from them, their first since early 2025.

Net working capital efficiency, measured by net working capital as a percentage of revenues, increased from 26.7% in Q2 2025 to 29.6% in Q3 2025, due primarily to the lack of collections in Mexico as highlighted earlier. We expect this metric to improve in the fourth quarter. And regardless of the stage of the cycle, our goal remains to get to net working capital efficiency levels at 25% or better.

To this end, we have numerous internal initiatives underway to structurally improve working capital efficiency. We have continued to execute on a series of cost improvement actions across the company. In this context, we took an additional restructuring and severance charge of \$11 million in Q3, which was in line with Q2.

Several actions have already been completed and we expect to implement additional measures throughout the remainder of the year as we stay agile and adapt to evolving market conditions. While a lot of the actions are volume related, we are also using opportunity to leverage shared services, automation technology, and generative AI to drive productivity enhancements and bottom-line impact. A key element of this is our investment in infrastructure systems, and we continue to protect and drive those forward.

During the third quarter, CapEx was \$44 million, versus \$54 million in the second quarter, driven by adjustments to align with market conditions. We expect CapEx to decline further in the fourth quarter and be at the lower end of our 3% to 5% range.

In Q3, we repurchased approximately \$7 million worth of shares and paid a \$0.25 per share quarterly dividend. Year-to-date, we have returned approximately 60% of free cash flow to shareholders via share repurchases and dividends. Since inception of the capital return program, we have returned roughly 48% of free cash flow to shareholders via share repurchases and dividends.

During the quarter, we executed a number of steps to enhance our liquidity and balance sheet. First, we expanded our credit facility by \$280 million with commitments of \$1 billion, with an accordion to expand to \$1.15 billion. Second, we announced a private offering of \$1.2 billion of 6.75% senior notes due 2033, and we announced a tender offer for up to \$1.3 billion of our 2030 notes.

With these actions on our long-term debt, we've extended our maturity by three years and lowered our cash interest by approximately \$31 million per year. Concurrent with these actions, we received ratings upgrades from all three credit rating agencies.

Our net leverage ratio is approximately 0.5 times. We have approximately \$1 billion of cash and restricted cash, and our liquidity is approximately \$1.6 billion. With this, we feel very confident in the strength of our balance sheet and corresponding flexibility and optionality it provides to manage the company through the cycle.

Turning to the fourth quarter guidance on slide 23. We expect revenues to be up slightly with the Middle East, North Africa, Asia, and Latin America geo markets being the best performers. With this, we're expecting \$1.245 billion to \$1.28 billion in revenues. We believe Brazil, North America offshore, Kuwait, Oman, and Iraq will be the primary areas of growth.

Adjusted EBITDA for the fourth quarter is expected to be between \$274 million and \$287 million, improving upon our prior midpoint, and margins should move up from Q3 levels driven by cost stabilization, a better mix, and slight volume absorption. We expect adjusted free cash flow to be flat to slightly up from Q3 levels. However, this is still dependent on the levels of payments from Mexico.

Our effective tax rate can vary quarter to quarter depending on the geographic mix, and we still anticipate this will be similar to 2024, in the mid-20% range, for 2025. CapEx is expected to trend down over the course of the year and land in the range of 3% to 5% of revenues for the whole year.

Thank you for your time today. I will now pass the call back to Girish for his closing comments.

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

Thanks, Anuj. I remain highly optimistic about Weatherford's future over the next several years. Market conditions have changed and we have pivoted as needed. What hasn't changed is our commitment to evolve our operations along with focusing on margins and maximizing cash generation, versus chasing market share and unfavorable cash outcomes.

My confidence stems from three main factors. First, our balance sheet strength is now a source of advantage for us and gives us flexibility to manage the company with the right investment levels through the cycle. Second, our cost structure has dramatically transformed over the past few quarters. And what's exciting is that we still have a lot of room to improve this with that infrastructure modernization program. Third, we have a platform of differentiated technologies and services that we can leverage to grow on both an organic and inorganic basis.

I've talked about our cost optimization program a number of times, and this is being designed to reposition the company for the future operating environment. It's a multiyear program focused on achieving sustainable productivity gains through technology and lean processes, not just the traditional approach of flexing headcount due to market conditions.

Our new systems infrastructure is going to be state-of-the-art with built-in AI-driven workflows that will allow us to scale very efficiently. Also, working capital efficiency remains a core focus area to drive free cash flow conversion to a sustainable 50%, and we are tracking to demonstrate solid progress on that in 2026.

The transformation of the new Weatherford is an ongoing journey, and the initiatives we've already implemented position us to navigate this part of the cycle far better than in the past. While market conditions remain challenging, we are cautiously optimistic about a potential improvement in the second half of 2026.

Even if that doesn't materialize, we remain confident in our ability to manage through this phase. I have full confidence that our team will stay agile, adapt with focus, and emerge from this period stronger than before.

And now, operator, please open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) David Anderson, Barclays.

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

So you had mentioned some pricing pressure in certain pockets. I was wondering if you could expand on that a little bit more. Is this more on a regional basis? Like in the Middle East, we've seen Saudi slowing, the rest of the GCC is still growing? Or is this more about certain product lines are strongest? And maybe you could talk through that a little bit, please? Thank you.

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

Sure, Dave. Great question. And let me break it up into two parts maybe. I'll talk first about the market generically and then talk a little bit more about Weatherford specifically.

So look, what we are seeing is pricing pressure in a few places, a lot of which is in commodity-type services, a lot of non-differentiated activities that we actually don't even participate in. But it is an important thing for us to observe and monitor just because it signals the broader market trend.

I am a little bit concerned about some of the dramatic drops we are seeing, especially on truly undifferentiated things. And look, the Middle East tends to be the place where we see it the most. North America is more obvious, but the Middle East, we are certainly seeing that. Again, that's something that concerns us.

We're not seeing it quite as much on the truly differentiated product lines and specialty services, which is positive. So which leads me into the Weatherford angle. Look, we will not really follow the herd, so to speak, on this. We are very, very careful about our pricing. We are very committed to margins and margin expansion.

And we've got a very robust operating environment, which, look, the number of deals that come up to Anuj and myself is very significant. So we take a very granular look at all of these things and have the ability to monitor that.

So as we said in our prepared remarks, we are absolutely committed to not chasing market share at the expense of unfavorable cash outcome. But we believe we've got a portfolio that allows us to navigate this quite well.

Operator

Scott Gruber, Citigroup.

Scott Gruber - *Citibank Cameroon SA - Analyst*

Girish, you mentioned Saudi could be finding a bottom here with the potential for year-on-year growth in the second half, which is encouraging. But wanted to get some color on that improvement.

Obviously, Saudi has their long-term gas development strategy underway, but you also see recovery in oil activity in country, and if so, how meaningful could that be? And what does that mean for the outlook for Weatherford's revenue opportunity in the country?

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

Yeah. Scott, look, I think part of it is just a little bit of math initially, right? So Saudi has trended down over the course of the year, and everyone has seen that. So I think as you extrapolate that into the first half of next year, even if activity does rebound from Q4 levels in the first half, which we are cautiously optimistic that it will, just relative to the first half of 2025, it will be down. So I think that's part of it.

We think the improvements will be driven predominantly by gas, but there should be some oil activity as well. I think Aramco has done a great job in driving operational stability and getting contracting in place, et cetera. So I think that provides a platform for then further growth going into 2026.

So like I've said multiple times before, for us, Saudi remains the single largest opportunity, and we think it's a massive opportunity for us for growth in the long term. And that's something we are very focused on. So yeah, so the first half is likely to be down relative to this year but definitely see a rebound in the second half.

Operator

Saurabh Pant, Bank of America.

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

Girish, maybe I want to come back to the Mexico part of the discussion. You did say you are cautiously optimistic; I'm just trying to see if you're more optimistic or cautious. But it seems like things are crossing -- they're getting attached better on the margin, right? So maybe talk to that a little bit. What's going on? How should we think about '26?

And just related to that, the working capital side of things, right? You talked a little bit about getting some payments, I think you said earlier this month, last week, I missed that, right? But what's going on? What's the payment mechanism? What should we expect?

Because I heard, I think you said, that 2024 receivables, when do we get to '25%, right? So maybe just talk to that a little bit.

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

Yeah. So Saurabh, let me start with activity and I'll ask Anuj to cover the payments and working capital piece. So look, as we have been talking about for a while, we expected Mexico to start to stabilize, and we're starting to see that come through. So we have now seen two quarters of sequential improvement and that gives us a little bit of cause for optimism.

The caution part of it is really more around we don't want to assume that things are just going to go up from here. So we are pretty comfortable and confident that we have reached a point of stability and these activity levels should flow in. And the optimism part is that there might be a slight bit of an inflection positively from here on, but we're not counting on that.

So I think, look, it's taken a while, but everything has now gotten into place. The operational execution is starting to work through. The payment mechanisms are starting to come through. So I think we are getting back to a period of stability, a lot more clarity over the next several quarters as we look forward.

We've also seen some announcements from other players. So this whole notion of private partnerships, that's starting to take a little bit of fold. So ultimately, look, given the production impacts that the programs had, we think there will be a natural motivation to drive activity levels.

Anuj, you want to talk about the payments?

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

Yes, happy to. So I'd say there's some positive momentum on multiple fronts; Girish did allude to a few of them. The first and foremost is that, recently, the government of Mexico has come out and has made significant -- has announced significant steps to support our largest customer there in Mexico. And we believe this is materially different than prior and a significant positive development, including for them to be financially self-sufficient by 2027.

On the second aspect, there is positive momentum on the payments front. We did receive a collection just last week from our largest customer there in Mexico. And this is the first one that we've received in early 2025. And so when you combine both the items one and two together, we are now moderately optimistic around the speed of collections here as we get into -- further into Q4 and into 2026.

Now, as we think about working capital as a whole, we did say that we were at 29.6% working capital as relative to our last 12 months of revenue. As we do normalize for the impact of Mexico, we are within the 25% target that we have guided ourselves to in our structural target.

But let me be clear, the 29.6% is not good enough for us. There are numerous initiatives underway that are targeting our DPO or DIO, our days sales outstanding, in order for us to achieve this. And I do feel confident with the, one, component around the payments in Mexico; and two, the structural initiatives we have in place that we will hit our target and be at the 25% thereafter and stay there and potentially improve thereafter.

Operator

Phil Jungwirth, BMO.

Phillip Jungwirth - *Bank of Montreal - Analyst*

Thanks. Good morning. DRE margins saw a nice uptick in the quarter after being one of the hardest hit segments here in the first half. I was just wondering if you could talk about the improvements here, whether you're beyond the headwinds from earlier this year?

Just looking at year-on-year comparisons, top line was still down 20%, but you only gave up about 150 bps of margin. So wondering if you can talk to the improvements there in the segment?

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

Sure, Phil. Look, I think a lot of it has to do with the improvements in Latin America. So we had been really focused on our cost structure and getting that stabilized. So as Anuj alluded to in some of his prepared remarks, as we have gotten that volume absorption and we've seen an uptick in DRE activity, especially in Latin America, that certainly helped those margins improve.

We've also seen strong activity in other parts of the world, in the Middle East and in a couple of other places. So we feel good about those DRE margins. But this has always been a business segment that is very, very service-oriented. So as revenues improve on here, the fall-throughs here tend to be exaggerated and so giving higher impact around it versus the other two segments that have a varying mix of product and service.

Operator

James West, Melius Research.

James West - *Melius Research LLC - Equity Analyst*

Curious about the fourth quarter free cash flow guide, the \$100 million with plus mark on it. What are the puts and takes there? How important is the PEMEX receivables to that guide? And how should we think about what do we need to make sure we hit that number? I think there's going to be -- given the guidance out, there's going to be a lot of focus on that.

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

Hey, James. Sure. I'll take the question first and then I'll pass it on over to Girish. And so you're right, we did allude to \$100 million-plus in Q4. And to be candid, there is a decent amount of conservatism baked into these numbers. If we do continue to receive payments out of Mexico, we could be well above this.

However, it's not something we directly control. And so we do tend to be and err on the side of conservatism. But as mentioned, we could be well above this if we start seeing the momentum that we saw, as alluded to, getting recent payments out of Mexico.

And so before passing it on to Girish, just from a structural standpoint, we do target the 50%, and that's a level that we think we can hit. It is our North Star here at the company to focus on cash-based outcomes. And this is in the DNA, whether you're in the sales team, the IT team, HR, finance, operations, you name it, this is in our DNA to drive free cash flow and something we will continue to structurally do.

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

Yeah. Anuj, I think that's spot on. Look, James, as Anuj pointed out, we really don't have a crystal-clear line of sight. We are very encouraged by the payments coming out of Mexico. So we've set \$100 million as a floor really and the plus is meant to indicate that it is higher.

Now, we just got the payment a few days back, so that gives us a lot of comfort and confidence in hitting the \$100 million. And I think as we get additional payments, it moves up. If you take it just from a math standpoint, at the very bottom end of our estimates, so if you take the absolute floor, take that, and you look at the free cash flow conversion, it's very much in line with the third quarter.

And so anything incremental really starts to wrap up that free cash flow conversion and just a small amount of that has the effect of getting up several hundred bps on the free cash flow conversion. So I think there is a reasonable path to say we could be a lot higher.

But what we have never wanted to do on these calls is that -- if put something out there and then walk it down either later in the quarter or just say, Hey, we missed because of that. So we've always tried to provide guidance with something that we have line of sight to, and that's really what it is.

I think what is even more important, though, is to look at the longer-term or even the midterm around this, and you look at 2026, with everything that we have done here in the course of 2025 and as we go into 2026, our free cash flow conversion should improve significantly. The Mexico situation will normalize out.

And I think it is very reasonable to expect that we will have free cash flow conversion well north of 40% as we go into 2026. And that's really, I think, what is far more important to consider than just the timing around singular payments.

Operator

Jim Rollyson, Raymond James.

James Rollyson - *Raymond James - Analyst*

Hey. Good morning, everyone. Girish, you've had some of your peers give general '26 outlooks on spending or activity and you've touched on some of the key regions, and you made the comments around first half versus second half.

Maybe stepping back from a holistic view and for the full year, how are you thinking about overall spend levels and activity levels as you think about '26 at this point? Just as a maybe a North Star for us to think about for '26 before you guys give detailed guidance?

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

Yeah. So Jim, I think it's still a tad bit early to really get into a whole lot of specifics. A lot of customers are still in the budgeting process, figuring out their CapEx spends. And I think everyone is in a little bit of a wait-and-see or a wait-and-watch mode on where this whole supply-demand balance eventually shakes off, which is why we look at it as a tale of two halves, with the first half being fairly soft and the second half rebounding really driven by offshore markets and some of the key international markets.

But look, very broadly speaking, we think North America will continue to be flattish to down; don't really see a significant inflection there. And then on the international side, I've already touched upon Saudi. We think offshore will be positive in the second half. We think countries like Brazil, Norway, et cetera, will be positive.

We see also a lot of emphasis on production enhancement and mature field rejuvenation, both of which are sweet spots for us. So look, we'll come out in February with more specific guidance for the total year. But look, more than revenue, really, where we look at the whole business is our goal is going to be around making sure that the margins in the company stay healthy.

I think, look, this year, in a world where revenues have been down double digits, staying, keeping margins not just above 20%, but in the second half now, increasing and expanding margins, I think, is a positive. And that's the rhythm and the trend that we want to keep.

And then most importantly, as I alluded to earlier on free cash flow conversion, having that north of 40%, I think those are really the more important metrics. And then I think that sets us up extremely well for the second half of '26 and then going into '27 and '28, which we think will be very positive.

Operator

Derek Podhaizer, Piper Sandler.

Derek Podhaizer - Piper Sandler Companies - Analyst

So I wanted to ask about your comments around cost controls, optimizing the organization. Just in the context of your previously guided 25% to 75% margin expansion in a flat to up environment and given your commentary around the muted first half '26, but constructive on second half of '26 and beyond, how should we think about the interplay of this cost optimization and your prior margin guide? And are there any specific examples that are the most impactful from a cost optimization standpoint? Or is it just a number of initiatives that are adding up in order to generate the cost savings?

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

Sure. I'll take that one. So thanks for the question. So I'll break this out into two aspects. One will be the cyclical aspect and the second will be the structural aspect.

And so from a cyclical standpoint, in the earnings prepared remarks we made, we did allude to about 2,000 heads and corresponding \$145 million of incremental savings from support costs that we were able to achieve. I do believe we were generally fast to diagnose and move with speed and we were able to make many of these changes earlier on this year.

As a result, we were able to hold margins at a level that alleviated some of the degradation, given the headwinds we're seeing in the market. And this is something we'll continue to do, which is be laser-focused, be candid in terms of what we see, and move with speed where we do need to align activity with the corresponding head count footprint that we have.

Second, on the structural aspect, this is an ongoing continuous improvement environment. And so we do evaluate how are we structured organizationally today? How do we utilize our shared services? How do we think through what we in-source versus what we outsource and where? And then we look at ways of becoming more efficient: utilizing technology, AI to reduce costs as examples.

I do lead, in the continuous improvement mindset, I do lead a monthly and quarterly steering committee where we are focused on the details. We are rolling up our pants and wading into the muck to evaluate our targets and our spend on things like T&E, logistics, IT, telecom, supplies, third party.

And so we are consistently, with detail, looking through our cost structure to evaluate. And so all of these combined is really in support of the margin improvements you alluded to in a flat to stable market environment.

Operator

Doug Becker, Capital One.

Doug Becker - *Capital One Securities - Analyst*

Thank you. Girish, you mentioned your excitement for the Intelligent Completions and the introduction of Weatherford Intelligence. Just curious to get a little more context about how do you see these technology impacting financial results just over the next couple of years?

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

Yeah. Doug, look, I'm incredibly excited. I think a few things that really stand out. First, what we are starting to do is now we've got the -- a pump prime, so to speak, on the innovation engine, and now we are really starting to get a lot more acceleration in our ability to get products out. So we launched over 20 new things at our FWRD conference. And that just goes to show how fast we're moving, and that's just in the last one year.

What we're really trying to do first and foremost with everything that we launch is increase the value gap. So essentially, the notion being, you can come in at a higher price and a lower cost, either with what you are replacing or just relative to the rest of the portfolio. So first of all, margin accretion is what we get from a financial standpoint.

The second thing that is really important for us is all of these businesses are capital-light, so really allowing us to become a business that reduces its capital intensity and further enables us to get better cash outcomes. So that's really key.

The third thing that we are trying to do with all of our product launches, and the more digital we get, of course, that helps tremendously, is also have an improvement on working capital, specifically around inventory, right? So this really helps in the digital piece, is tremendous from that standpoint because we don't carry inventory around a lot of the software pieces.

So I think it -- ultimately, all of these things come together and just allow us to start growing margins at a slightly higher pace than what we would have naturally done, as well as improve the free cash flow conversion for the company.

Operator

Josh Jayne, Daniel Energy Partners.

Joshua Jayne - *Daniel Energy Partners - Managing Director*

Thanks for taking my question. I was curious, could you just go into a bit more detail on your ERP implementation, the benefits that it will provide, the timeline, and how it's ultimately impacting your business moving forward? Thanks.

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

Sure. Happy to. Thanks for the question. So we are undergoing a full-scale ERP cloud-based implementation. This is a two- to three-year journey, so think 2027, 2028. This will be funded within our cash flow. It will be funded within our general 3% to 5% CapEx guidance.

And this is something that we, as a company, are extremely excited about. This is not just a technological transformation. It's going to rethink how we do business with regards to managing our supply chain, our inventory, our procurement, all the processes we have in-house and more.

And so I've alluded to margins a handful of times here on the call. I do think the team was able to move with speed to protect our margin. And I'm excited, as we roll out the ERP and as we start realizing even more efficiencies related to it, the potential upside that we can complement our margins with, with the rollout of the ERP.

Operator

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

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

Great. Thanks, Rocco. Hey, thank you all for joining the call today. Look, as we have alluded to multiple times in the past 45 minutes, the market is soft. We have gone through a lot of volatility and we have repositioned the company to prepare for this operating environment.

I joined the company five years ago. This is my 21st earnings call. And I will tell you with absolute unequivocal conviction that I have never been more excited about the future of Weatherford. I think we're really firing on all cylinders. And despite the softness in the market, I feel very good about our ability to compete and to deliver the value we need for our customers and for our shareholders.

Thank you all for joining, and we'll update you again in early February for our total year results. Thank you.

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.

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