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WFTLF.PK - Q2 2020 Weatherford International PLC Earnings Call

EVENT DATE/TIME: AUGUST 05, 2020 / 12:30PM GMT

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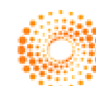

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Weatherford International Second Quarter 2020 Earnings Call. (Operator Instructions) As a reminder, today's call is being recorded. I would now like to turn the call over to Sebastian Pellizzer, Senior Director, Investor Relations. Sir, you may begin.

Sebastian Pellizzer - *Weatherford International plc - Senior Director of IR*

Welcome, everyone, to the Weatherford International Second Quarter 2020 Conference Call. I'm joined today by Karl Blanchard, Interim CEO and COO; and Christian Garcia, Executive Vice President and CFO. First, Karl and Christian will share their prepared remarks, and then we will open it up for questions. I'd like 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. And as noted in our press release, the company adopted fresh-start accounting in December 2019, and our comments today include a comparison of the results of our predecessor and successor companies. The underlying details and a reconciliation of GAAP to non-GAAP financial measures are included in our second quarter press release, which can be found on our website.

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

Karl Blanchard - *Weatherford International plc - Executive VP, COO & Interim CEO*

Thank you, Sebastian. Good morning and good afternoon, everyone. The second quarter has been unlike any other, even for a cyclical industry like ours that is used to regular change. The unprecedented reductions in customer spending due to supply-demand disruption of commodities and resulting price decline, along with constraints associated with the COVID-19 pandemic had a substantial impact on the industry, with significant declines in activity in both North America and international. But I am proud of how our [One Weatherford] team managed the many challenges faced during the quarter. Our team adapted quickly, executed well against our plans and increased our cost reduction efforts. Unlevered free cash flow exceeded $100 million in the quarter, a significant increase in both sequential and year-on-year. We also won important new work from our customers and continued to leverage our product and service portfolio. Notably, I am pleased to announce a new $500 million financing agreement, which, subject to closing conditions, will strengthen the company's liquidity as it continues to support customers during this challenging environment. Christian will cover this in his remarks.

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Most importantly, however, we continue to meet the needs of our customers with little to no disruption to their operations, while also maintaining our commitment to the health and safety of our employees. This required a number of changes to how we work, whether from home or from remote locations in the field, the Weatherford team's discipline, ingenuity and determination were energizing. We were able to execute remote operations amidst global travel restrictions with relative ease as we have embedded digital capabilities throughout the organization and across our portfolio. Let me give you a few examples. In both Asia and Russia, our liner hanger team created remote installation protocols that trained, enabled and guided the operator's representatives through the entire offshore liner installation process, delivering successful installations with 0 nonproductive time, with no Weatherford personnel on the rig. In the Middle East, the reliability of our quick casing-exit system and the precision of the AccuView system enabled us to remotely install a whipstock with 100% success in a single trip, again, with no Weatherford personnel on location. In Europe, we supported the installation of an annular gas-lift system remotely from onshore, reducing personnel required onboard the rig. These are a few of many examples, and we will continue to leverage our capabilities for remote operations going forward.

Now I want to cover 3 things with you today. I'll start by discussing our portfolio and how we continue to strengthen it; next, I'll turn to the market and our outlook for the remainder of the year; and finally, I'll close with the steps we're taking to preserve margin and maximize cash flow. We have a strong portfolio of technology, products and services. We've made strategic investments in new technology and digital solutions to maintain our market-leading position in several product lines and services, including production automation, managed pressure drilling, segmentation products and tubular running services. We are differentiating ourselves by offering solutions across our unique portfolio that not only provide value to our customers through their operating costs, they also help them reach their objectives to increase production, all while maintaining safety and sustainability. With the breadth of our portfolio, we deliver value to our customers across the entire operation and well life cycle.

But for this quarter, I want to focus on our tubular running services product line. We are the largest provider of tubular running services globally with a portfolio ranging from conventional equipment to advanced automated rig systems. We are also leaders from an innovation perspective. Our Vero automated connection integrity solution is the industry's only automated tubular running system. Rather than rely upon human judgment for connection, evaluation and integrity, we apply the full breadth of automation and artificial intelligence to eliminate errors or oversights that can lead to safety incidents, higher operating cost or costly remediation. Vero also delivers significant safety enhancements by taking personnel out of the red zone and reducing crew size. Since its launch in 2018, we've deployed the Vero system in 140 operations across 17 countries. In doing so, we've automated the makeup of nearly 40,000 connections and have saved more than 500 hours of rig time for our operators.

In the second quarter alone, we delivered Vero on 15 jobs. Using the Vero system and the benefits of digital technology, we enabled live streaming of completions running data for 4 different operations across 4 continents. By providing a digitization solution, we allowed our customers to take part in the operation and review data remotely, thereby eliminating travel and exposure for the client's personnel while continuing to deliver our best-in-class tubular running services.

In Egypt, Weatherford deployed the Vero system for a major international operator. In this case, the customer wanted to improve connection integrity, while simultaneously enhancing safety by removing personnel from the red zone and increasing efficiency. The system helped to reduce our personnel on board by 33% and reduce rig up and rig down times by 10%. Our clients recognize the value that Vero provides. And we are running it around the world with top tier customers, such as Chevron and Shell. And it's not just that we run tubulars with unmatched connection integrity and efficiency, we can provide what our customers need for everything that happens after reaching total debt.

One way we're doing that is integrating our Vero system with complete post-TD optimization. Complete combines every phase of the well completion, including tubular running, liner hangers, wellbore cleanup, fishing, slickline and well services. But unlike bundling services of discrete products, complete solutions drive real value and cost savings by providing a single-focused cross-functional team that bridges the gap between the operator and the contractor. Our thinking-like-an-operator approach improves efficiency and reduces interface costs by up to 40%. Our overarching strategy, therefore, is evolving the Weatherford organization from one that was aligned around individual technologies into one with market-focused teams that integrate our technologies and innovative ideas to provide value to our customers through market-leading wellbore and production solutions.

Now I mentioned earlier, our portfolio is strong. A testament to this is the recently announced integrated project we signed with a customer in Iraq. This contract includes drilling and completing 20 wells in Southern Iraq with the customer providing rigs, civil works and drilling services and Weatherford providing all other services, including project management. This contract establishes a critical relationship as a trusted business partner and illustrates the confidence our customers place and the strength and breadth of our portfolio. This project is just one of many examples

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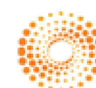

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of major successes during the quarter when every aspect of winning work was challenged. Other highlights include: in South America, our Victus managed pressure drilling solution was combined with directional drilling offering. This enabled the operator to drill ahead without nonproductive time caused by influxes or losses in the formation, eliminating 7 days of rig time. In Mexico, the Magnus rotary steerable system exceeded the target rate of penetration by 23% to finish the drilling phase of a project ahead of schedule and under budget. In Angola, we won a tender to deliver a package of its completions, cementation and well suspension solutions in deepwater applications. And finally, our ForeSite production optimization ecosystem is now installed on more than 100,000 wells worldwide. It combines production optimization, next-generation automation, reservoir monitoring and intelligent non-nuclear multiple flow measurement.

Now let me turn to the market and our outlook for the remainder of the year. The outlook remains cautious. While some concerns we were facing as an industry early in the quarter have eased, the global economy remains weak. This paired with concerns over rising COVID-19 cases and the potential further outbreaks as well as uncertainty around the effectiveness and timing of a potential vaccine are resulting in highly uncertain economic environments. Second quarter drilling activity reductions in North America were largely in line with our expectations for the quarter. In the U.S., average rig counts declined nearly 50% quarter-on-quarter. Shut-ins in production cuts were deeper than anticipated and resulted in greater disruption to our production business than we anticipated.

Across North America, activity appears to be (inaudible). We do not anticipate there to be meaningful recovery in the drilling activity during the second half of the year, given the current outlook for commodity pricing as well as customer spending plans. But on the production side, activity has stabilized in the U.S., and we expect to see a gradual recovery through the second half of the year as shut-ins are eased and workover activity increases.

Activity declines in certain international markets were faster and deeper than initially anticipated, driven largely by COVID-related shutdowns. Average international rig counts declined by 22% quarter-on-quarter, with activity in Latin America and parts of Europe and Africa disproportionately impacted due to COVID shutdowns. We expect international activity to be flat to modestly down during the second half of the year, bottoming in Q3. While we are expecting COVID-related impacts to ease modestly over the second half of the year, these will be more than offset by reduction in activity in selected geographies as a result of reduced customer spending. We expect the path to recovery to be uneven and protracted over multiple quarters with a challenging environment continuing in the near term.

During this time, we will be focused on the levers we can control. As outlined previously, going into the year, we were targeting cost savings of approximately $150 million to $200 million for 2020. In light of the material deterioration in the market environment, we have expanded our actions to mitigate margin degradation and maximize liquidity. We now anticipate realizing approximately $650 million of savings in 2020. And on an annualized basis, these actions are expected to yield over $800 million cost savings. We are addressing costs across 4 categories: North America operations, international, manufacturing and supply chain, and corporate and other support functions. Our objectives on our cost actions are to not only adjust our activity but they're also focused on improving internal processes and procedures to improve efficiency and enhance service quality for our customers.

In North America, we adjusted our structure and took significant action to reduce the size and cost of our footprint. We are optimizing our product and service offerings to best position the company as we enter this cycle. Our plans include personnel reductions of approximately 45%, and a 35% reduction in facility count with the majority of these actions having already been completed. As communicated previously, we are exiting a handful of international locations and are adjusting our go-to-market strategies and others. While we will not provide specifics on these for competitive reasons, we have and will continue to monitor current and expected activity levels and adjust as necessary.

In addition to this, we have taken steps to flatten our international organization through the consolidation of certain geo zones. We are reducing the size of our international organization by approximately 25%. In manufacturing and supply chain, our focus is on reducing the cost of the goods and services we procure externally as well as the products we manufacture internally. To de-layer and better serve internal and external clients, we have consolidated our manufacturing and supply chain groups into a single organization. In manufacturing, the footprint consolidations we undertook in 2018 and 2019 have enabled us to efficiently reduce our capacity and output alongside current market activity, and we are aggressively reducing our manufacturing overhead costs.

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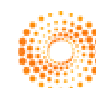

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In supply chain, we have worked with vendors to lower our third-party costs not only by negotiating more favorable rates and terms, but also by consolidating our supply base and establishing and expanding partnerships with key vendors. Now our final area of focus is on corporate and other functions. This is an area that we were focused on entering the year and have further augmented our plans. We consolidated our product line structure going from 4 product line organizations down to 2. We are standardizing processes and procedures so that we can move additional support activities into centralized support homes, and we are realigning our sales structure to more closely align with our customers' needs. Overall, our overhead and support costs are expected to be down 30% year-on-year. As I mentioned, we began taking action early in the year and have been focused on executing swiftly against our plans. To date, we have implemented actions to achieve approximately 85% of the total savings target. These changes have been very difficult for our organization, but I'm proud of how the team pulled together to execute these actions to address the market environment and position Weatherford for the future.

Before I pass it over to Christian, I'd like to speak briefly about our recent and pending leadership change. We are pleased to announce that Scott Weatherholt has joined the company as Executive Vice President, General Counsel and Chief Compliance Officer. I'd like to welcome him aboard and look forward to his perspective and insights as we continue guiding the organization forward. The Board is actively working to recruit a Chief Executive Officer and a Chief Financial Officer with both searches progressing well. While I can't provide specific time lines, the CFO search is further along, and we anticipate making an announcement in the near future.

I'll now turn it over to Christian to walk you through our results. But before I do, I want to thank him for his leadership during his tenure here at the company. Christian has been a valuable partner to me and to the Board, and we wish him the best of luck going forward. Christian?

Christian Garcia

Thank you, Karl, and good morning, everyone. This is my last earnings call with Weatherford. In my short tenure, I saw the company's potential for value creation. I want to thank the Board, Karl, and our employees for the support that they provided me during my time here.

Before I begin with a summary of the second quarter results, let me provide some details on the agreement that was recently signed. The proposed $500 million financing in the form of senior secured notes will carry a coupon rate of 8.75% and a maturity date of September 2024. Upon closing, the proceeds of these new notes are intended to replace the ABL credit agreement, which would eliminate the risk of noncompliance with associated financial covenants. This transaction is subject to documentation and certain closing conditions. A summary of the principal terms and conditions are more fully outlined in the Form 8-K filed this morning. As discussions are ongoing, we will not address any questions regarding this potential transaction on this call.

Now let me discuss the summary of the results of the second quarter of 2020, then provide comments on the progression of the company in the second half of 2020 and beyond. Revenues in the second quarter of 2020 were $821 million or 32% below the first quarter of 2020 and 37% below the same period in 2019. The sequential decline primarily resulted from the significant activity reductions in the United States and Latin America. In the second quarter of 2020, average rig count in the United States fell approximately by 50% sequentially, and oil production declined as operators shutting their wells as a response to lower commodity prices. Activity in Argentina, which had been the company's largest country exposure in Latin America, dropped by 94%. Colombia fell sharply as well by 87% due to lockdowns resulting from the pandemic.

Second quarter 2020 adjusted EBITDA was $79 million with adjusted EBITDA margins of 10%. Margins were flattish against the same period last year despite the steep reduction due to the cost actions that Karl mentioned in his remarks. As many of you know, the oilfield services industry is a high fixed cost business. And typically, incrementals or decrementals defined as change in adjusted EBITDA over the change in revenue run between 40% to 50%. However, due to the magnitude of the change the company has and continues to make to its cost structure, the company's year-over-year decrementals for the second quarter were approximately 10%.

Now let me provide a regional breakdown, starting with the Western Hemisphere. Western Hemisphere combined revenues of $310 million in the second quarter declined 47% sequentially and 57% versus last year. As mentioned, North America was down by 50% sequentially, which was better than the corresponding 57% decline in the average North American rig count. We saw revenue declines across most product lines, but particularly in artificial lift as producers shut in their wells due to low commodity prices. Notably, we saw lower declines in our production automation and software product lines as we continued to see a good level amount of take-up for our ForeSite production optimization platform. We also experienced

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sequential growth in wireline in the United States due to the change in our business model for this product line with improved profitability. Latin America second quarter revenues of $138 million declined 44% sequentially and 54% versus last year. The sequential decline was the result of the lockdowns in Argentina and Colombia, where activity essentially halted in April through May and by lower activity in Mexico. Our work in Argentina has a high fixed cost content as we support our customers in their conventional Vaca Muerta region. As such, we experienced sizable decrementals on the revenue loss. While we are hopeful that activity will recover in the medium term, we expect continued challenges in the coming year and are actively rightsizing our operations in the country.

Segment adjusted EBITDA for the Western Hemisphere was $6 million in the second quarter, which is a significant drop sequentially and versus last year due to a significant decline in revenues in both regions. Year-over-year decrementals for the hemisphere were 12% due to the amount of cost actions implemented.

Now let's move to the Eastern Hemisphere. Eastern Hemisphere revenues of $511 million in the second quarter reduced by 19% sequentially and were down 13% versus last year. Revenues in Europe, Sub Saharan Africa and Russia declined 24% sequentially due to the nonrecurrence of completion tool sales in the first quarter, COVID-19 related lockdowns in Central Europe, project delays with certain customers and the impact of unfavorable foreign exchange in Russia. Middle East, North Africa and Asia revenues of $341 million were down 15% sequentially due to lower activity across the region, with the exception of Saudi Arabia. Saudi Arabia revenues increased by single digits sequentially due to recognition of a deferred completion product sale and higher drilling services revenue. Segment EBITDA for the Eastern Hemisphere was $100 million in the second quarter and was down $27 million sequentially, but flat against last year, despite the lower revenues, translating to improved adjusted EBITDA margins on a year-over-year basis. Favorable product mix and savings from cost actions drove the margin improvement.

Now the company had breakeven free cash flow in the quarter, which is a significant improvement from last year's levels of negative $265 million. The second quarter's free cash flow was impacted by cash interest of $110 million and $58 million of severance and restructuring payments. Unlevered free cash flow or free cash flow, excluding cash interest was $108 million compared to approximately negative $200 million for the second quarter of 2019 as the company benefited from the unwinding of accounts receivable. Due to the strength of the company's free cash flow, Weatherford ended the second quarter with total cash of $756 million. Our results in 2020 included -- in second quarter of 2020 included several charges, totaling $463 million that were not included in our adjusted EBITDA, and I'd like to touch on the main ones. For the quarter, we had charges of -- for impairment of long-lived assets, including property, plant and equipment and intangibles of $178 million, goodwill impairment of $72 million, inventory write-down of $134 million and $79 million for severance and restructuring and other charges.

Now let me discuss our thoughts on the second half of 2020 and beyond. The industry was challenged in the second quarter with the impact of the pandemic and the significant decline in activity. The decline in global production in the quarter was not matched by the disruption in hydrocarbon consumption, leading to an oversupply situation. Even though storage capacity fears have dissipated, we believe that the oil prices will be range bound in the short to medium term until such time that there is a sustained balance between hydrocarbon supply and demand. We do not foresee any meaningful recovery in activity before the second half of 2021.

There is still significant economic and industry-specific uncertainty that precludes us from providing any numerical guidance. I would like to provide some qualitative comments on how we expect the business to progress for the second half 2020 and beyond. These comments do not take into account the extraneous risks of another round of pandemic-related lockdowns that may curtail oil and gas activity or disrupt the expected recovery of hydrocarbon consumption that is underway. Further, these comments do not consider a reoccurrence of sustained production increases by certain producers that may lead to commodity price weakness. Let me start my comments with our revenue progression. In North America, we project that Q3 and Q4 will be flattish as drilling-related products continued to decline, while production and completion-related products recovered slightly from Q2 levels. For 2021, we are projecting that North America revenues to decline by low double digit percentage, consistent with the industry spend reduction in 2021. For Latin America, we expect revenues for the region to continue to decline in the second half as certain countries like Argentina and Colombia start to recover from pandemic shutdowns, while revenue in other countries decrease from second quarter levels, in line with reductions in customer spending. Eastern Hemisphere is anticipated to be slightly down due to a decrease in the Middle East activity and the nonrecurrence of high-margin completion sales and drilling services that occurred in the second quarter. Overall, we expect Q3 and Q4 total company revenues to be lower by single-digit percentage from Q2 levels. Q4 typically benefits from year end sales, but we expect this to be more muted this year than in the past.

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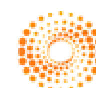

Beyond 2020, international revenues are expected to decline by low double-digit percentage in 2021 as markets begin a recovery from Q3 and Q4 activity levels. We continue to believe that next year, the Middle East and Russia will be relatively more resilient than other regions and Latin America to continue to be the weakest among the international regions. For adjusted EBITDA, as I mentioned, Q2 benefited significantly from cost action to achieve year-over-year decrementals of approximately 10%. Given the actions that have been implemented as well as those planned for the remainder of the year, year-over-year decrementals for total year 2020 and 2021 are expected to be in the 10% to 15% range.

For guidance on unlevered free cash flow, Q2 was strong despite lower profitability due to the unwinding of working capital driven by strong receivable collections. As revenue starts flattening in Q3 and Q4 versus Q2 levels, the company does not project significant contribution from lower receivables. We are seeing a lengthening of payment terms with some NOC customers such that any further benefit of the unwinding of working capital will be associated with modest reductions in inventory. For 2021, our view is that unlevered cash flow -- free cash flow is going to be about half of 2020 levels, as we do not expect the benefit from the unwinding of receivables in 2021 to be as significant as what we are projecting for 2020.

Now let me turn it over back to Karl for final comments.

Karl Blanchard - *Weatherford International plc - Executive VP, COO & Interim CEO*

Thank you, Christian. As we bring the call to a close today, I want to leave you with these takeaways. We are executing on our plan to preserve margin and maximize liquidity, and we will take additional actions as necessary. We have a strong, diverse portfolio that's well positioned to leverage our solutions-based approach to meet our customers' objectives. And Weatherford is well positioned to meet the challenges the industry is facing.

Thank you, again. Stay safe and be well. Operator, let's go ahead and open up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Today first question comes from Marc Bianchi with Cowen.

Marc Gregory Bianchi - *Cowen and Company, LLC, Research Division - MD & Lead Analyst*

I guess, first question has to do with the outlook here for the market. It looks like your revenue progression that you're talking about is pretty similar to what most are saying in terms of how the market is trending. But Weatherford is -- has this big cost reduction program and you're closing facilities around the world, which I would think would result in a loss of market share. Can you kind of talk through how you are able to perform kind of in line with what the market is doing yet closing facilities?

Karl Blanchard - *Weatherford International plc - Executive VP, COO & Interim CEO*

Yes. This is Karl. Christian may want to chime in here. But look, we feel very good about our position with our clients and the business that we have. And I will just tell you that we do not -- we -- I know that historically, the company has been perceived as losing share after the decline of 2014 and '15. But having said that, we feel very good about how we're positioned, our footprint. Where we're closing facilities is where there isn't work. And so as we look forward, we feel very comfortable that we've held share and in fact, in some cases, have been gaining share in certain product lines over the last few quarters. And so we're not concerned about losing share. We feel like we're making strategic cuts in locations that fit with where the activity will not occur going forward, and it is not projected to be an impact to market share.

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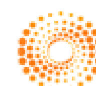

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Christian Garcia

Yes. So the only thing I would like to add, Mark, is that if you look at our peers that reported in the quarter, certainly, our total revenues are in line with them, in fact, better for 1 particular peer that we compare ourselves in. So that's one point. The second point is if you look at it by region, we did very well in North America and Eastern Hemisphere. The exception is Latin America, and we've pointed out that it is because of our exposure in Argentina, which had been the largest country that the company has. So except for those 2 -- for the Latin America -- for our Argentina exposure, we're pretty much in line with the peers.

The other point that I'd like to make is, as Karl mentioned, are -- there are some product lines that we're actually gaining share. One particular one is the tubular running services. Now that our peer -- that one of our competitors have reported, we have shown that we not only are leading, continue to lead in that product line, but we are actually expanding our lead. So I think we're not that worried about a loss of market share during this time.

Marc Gregory Bianchi - *Cowen and Company, LLC, Research Division - MD & Lead Analyst*

Yes. Okay. In terms of the outlook for cash generation, so $108 million of unlevered free cash in the second quarter. It looks like there was $130 million working capital release and the outlook doesn't really contemplate a lot of working capital benefit. So if I exclude that working capital release, it would appear you were consuming some cash in the second quarter. Revenue trending lower, albeit with tempered decrementals because of the cost-saving program. But if I just sort of put all that together, it would seem like you'd have negative unlevered free cash in the back half of the year. Am I right about that? And are there other levers that you've got where you can get that back into positive territory here?

Christian Garcia

Right. So we expect to be positive unlevered free cash flow in the second half of the year. So let me just walk you through how we think about the unwinding of the -- benefit of the unwinding of the working capital. So as you've mentioned, we saw $130 million of benefit from the unwinding of working capital in the second quarter. Of that amount, approximately $275 million came from receivables, a very small contribution from inventory, and the rest is negative outflow from payables. Now going forward in the second half, as revenues flatten out and the potential delays in customer payments, we expect that any contribution from receivables will be offset by lower payables and that the net working capital will be from inventory. At this point, we expect that the opportunity in inventory for the second half is maybe about $100 million. So which -- that $100 million is more weighted towards the fourth quarter. So we continue to believe that there is some benefit from working capital that we expect in the second half. So I hope that helps.

Marc Gregory Bianchi - *Cowen and Company, LLC, Research Division - MD & Lead Analyst*

That's helpful. I just have 1 more as it relates to kind of the new capital structure here. And unlevered free cash flow does exclude interest expense, but it is a cash cost. So when we do think about that interest expense, you will be consuming quite a bit of cash here. What level of revenue do you think the company needs to be at, given the capital structure going forward, assuming the deal is closed, to be comfortably generating free cash flow, including all obligations that you have?

Karl Blanchard - *Weatherford International plc - Executive VP, COO & Interim CEO*

Yes. So let me just -- clearly, that's just a projection that we're not willing to provide but what this capital raise does is 2 things. One is that it replaces the ABL credit facility, and eliminates the risk of noncompliance, which is a big issue for the company. The second is that it provides a liquidity runway for the company to meet its obligations and continue to address the challenges of this market. So with that, we believe that we actually believe that this is a good transaction for the company.

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Operator

And our next question comes from James West with Evercore.

James Carlyle West - *Evercore ISI Institutional Equities, Research Division - Senior MD*

Karl, with the -- you've had some pretty significant changes in parts of the management team and the Board here in recent months. Has there really been any change, though, to the strategic goals of the company?

Karl Blanchard - *Weatherford International plc - Executive VP, COO & Interim CEO*

James, a good question. Actually, that's a point that we have been very clear with our clients and with our employees that our strategic direction has not changed. We feel like we have set the company on the right strategic path and how we take our products and services to market and create value for the customer. And so that has been -- and that was reaffirmed by the Board after some of the changes that occurred in the quarter that we aren't changing strategy. We are just probably intensifying our focus and intensifying our cost management as we go into this market environment.

James Carlyle West - *Evercore ISI Institutional Equities, Research Division - Senior MD*

Okay. Got it. And then you talked a bit about digital in your prepared remarks. Do you have a baseline that we could talk to or think about as a percentage of maybe sales or the business is digital now? And what the goals are for digital going forward? You've had some pretty impressive -- quite frankly, very impressive digital wins this quarter. I'm just curious if we can find a starting point to figure out how that could flow out in the future.

Karl Blanchard - *Weatherford International plc - Executive VP, COO & Interim CEO*

Yes. James, I don't know how to easily quantify that. But a couple of data points. I mean if you look at -- when we exited 2019, for example, our production automation ForeSite architecture was deployed on about 50,000 wells. And quite frankly, that's on the back of our CygNet SCADA system that's deployed over several hundred thousand wells. But from the end of 2019, we've now more than doubled the number of wells that, that system are deployed on. On the other fronts, and I mentioned in my prepared remarks more around digital capability in some of our drilling services like tubular running services, I guess the way I would describe it, James, we're -- what we're doing is just designing and implementing that capability into our existing portfolio. And so as I mentioned, Vero is a great example of that. That didn't exist 2 years ago, right? So that was from no digital capability to today, that's a substantial portion of our capability, particularly offshore, where the value is highest. Again, not been able to provide a real clear benchmark. But rest assured, that concept goes across all of our product lines. And a lot of the remote capability that we talked about is actually delivered through our AccuView, which is a form of remote operations capability that we can apply to liner hangers, whipstocks, et cetera.

Operator

(Operator Instructions)

Today's next question comes from Connor Lynagh with Morgan Stanley.

Connor Joseph Lynagh - *Morgan Stanley, Research Division - Equity Analyst*

I appreciate you want to be a little guarded in some of this information for competitive reasons. But I was wondering if you could just couch for us the countries that you've exited? I mean how significant if we were looking at, say, your 2017, 2018, 2019 revenues, were those regions relative to your overall revenue or EBITDA? Basically, how should we think about how much you've scaled down relative to the prior cycle?

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Karl Blanchard - *Weatherford International plc - Executive VP, COO & Interim CEO*

So I'll take a shot at that. Christian may want to add. But I don't think -- to be honest with you, a lot of the locations that we've exited probably aren't as significant on the revenue side. It's just that residual infrastructure as those countries' market activity change that created negative costs that were impacting our margins. And so the way I look at it is it's more of a cost cleanup than it is retracting our revenue on the top line. And really just good business management, making decisions that those markets have fundamentally altered in the course of the market progression, we chose to go ahead and exit and clean it up on the cost side.

Christian Garcia

The other thing that we'd -- I'd like to point out is that the reduction in revenue, some of that obviously is activity related, but others are due to the divestitures that the company has entered into. They -- we -- as you know, we got out of labs, we got out of rigs and so forth that actually reduced the top line, but really not very much impactful on the bottom line. The second point is that we are not really -- as Karl mentioned, may not be exiting, but we are changing our go-to-market strategy for some of those countries where, instead of having a full-blown offering with both product and services, we are thinking about how to make sure that we get the returns from the investments that we're making for those countries. So again, those are the -- I think, the drivers for the reduction of revenue activity related, the divestitures and some changes to the way we go to market.

Connor Joseph Lynagh - *Morgan Stanley, Research Division - Equity Analyst*

Understood. That's helpful. Maybe sort of the same question but on the product line side of things. I mean, it seems a lot of your competitors are looking pretty closely at their portfolios and deciding what they want to be in for this coming cycle and what they don't. Are there any major areas that you think need strengthening or need you to scale back further? How do you feel about the portfolio now that we have at least some concept of what the bottom of the cycle looks like?

Karl Blanchard - *Weatherford International plc - Executive VP, COO & Interim CEO*

Yes. I think, Connor, we -- generally speaking, I think we are comfortable with the portfolio. There had been, as Christian pointed out, we had made a strategic review back in 2017, and that led and drove us to a number of divestitures prior to this year. What I will tell you is that I might say what we're doing is being more laser-focused on -- within the product lines that we have, making sure that the business that we accept and take is profitable. And so we may be trimming the edges of our services and what business we accept or take to improve profitability. But we're not fundamentally looking at major shifts in the portfolio offering that we have by product or service line.

Christian Garcia

Right. And yes, the only other thing that I would add to what Karl said is that if you look at it on a regional basis, we have very, very good EBITDA margins internationally. And the question that we always have and everybody's asking is, how do we create an offering in the United States that would provide good returns for the investment that we're making for the country, right? So that is not a Weatherford issue. Clearly, that's an industry issue. And much like our peers, we're trying to decide on how to approach that -- this market.

Operator

And ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect your lines.

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