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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Weatherford International Second Quarter 2023 Earnings Call.

(Operator Instructions)

As a reminder, this event is being recorded.

I would now like to turn the conference over to Mohammed Topiwala, Vice President, Investor Relations and M&A. Sir, you may begin.

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

Welcome, everyone, to the Weatherford International Second Quarter 2023 Conference Call.

I'm joined today by Girish Saligram, President and CEO; and Arun Mitra, Executive Vice President and CFO.

We will 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 second quarter earnings press release, 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 K. Saligram - *Weatherford International plc - President, CEO & Director*

Thanks, Mohammed, and thank you all for joining the call. Our second quarter results continue to build on the strong momentum of the first, and I'm enormously grateful to the entire One Weatherford team for delivering above expectations despite some headwinds.

Our performance in the second quarter is the 12th consecutive quarter of delivering on our enterprise commitments, demonstrating the progress we continue to make in operational execution and result in financial performance. We delivered solid financial performance in revenue, margins and most importantly, cash flow. While the North America market activity was weaker than anticipated and our business in Canada was impacted from the wildfires, our strength in the international market came through very clearly with 12% sequential growth and was up 27% over last year.

This enabled a sequential 7% total revenue growth to $1.27 billion and more than offset the 7% sequential decline in North America. A 20% increase year-over-year for Q2, we are now looking to deliver mid- to high-teens revenue growth for the year. We had several countries generating over 20% growth in the first half of the year compared to the first half of 2022, giving us tangible proof points of broad-based international traction.

This quarter, once again, had strong margin performance with adjusted EBITDA of $291 million or an adjusted EBITDA margin of 22.8%, which is not just a sequential improvement, but it's 536 basis points above the same period a year ago.

This performance also represents a significant milestone with the highest level of margin the company has generated in over 12 years. I am particularly pleased with our performance on adjusted free cash flow as we generated $172 million in the second quarter. I believe the strong cash number and EBITDA conversion speak for themselves on our operating focus.

Moving to some of our commercial highlights during the second quarter. We had notable wins in our intervention services portfolio with a 5-year contract win with Petrobras in offshore Brazil and a 3-year contract win with bp Azerbaijan to provide deepwater intervention services. Aramco awarded us a 3-year drilling services contract continuing to build on our focus in the region.

We were awarded a 5-year contract with a major IOC in Iraq to provide upper completions products and services. Kuwait Energy in Iraq has awarded us a 2-year well testing services contract extension. And in North America, Chord Energy awarded us a 1-year contract to provide reciprocating rod lift, long-stroke Rotaflex and conventional pumping unit technology for its Bakken assets.

This quarter also witnessed several noteworthy technology milestones. First, I would like to highlight our Vero offering in our Tubular Running Services, our TRS business. We have talked in prior quarters about this offering, which brings together automation, mechanization, software and artificial intelligence to provide unmatched connection integrity, while enhancing safety. We have now exceeded 650 jobs and 144,000 connections globally.

During the quarter, Transocean awarded us TRS Vero automated integrity contracts for the first ever deployments in Norway on 3 rigs, and ENI awarded us a 2-year contract for Vero(R) for deepwater operations in the Mediterranean. Continuing on the theme of technology advancements in TRS, we launched StringGuard, a unique technology that enhances safety and operational efficiency by mitigating the risk of dropped strings in TRS operations.

I am extremely excited about the value this will bring to our customers as we can now give them even more confidence in the reliability of our market-leading offering. In our production and intervention segment, we launched multiple technologies, including MultiCatch(TM) anchor and GhostReamer™ to improve borehole conditioning as part of our intervention services business.

In the Drilling and Evaluation segment, we noted in our first quarter call, the commercialization of our performance tier MPD offering, which we have now branded as Modus(TM). During the quarter, Modus™ was deployed for a customer in U.S. land, where we successfully demonstrated its ability to increase drilling efficiency. Following our Q1 contract announcement, we have now signed a joint development agreement with Eavor, a revolutionary geothermal company to develop whipstock and sidetrack technology for future projects in Germany and around the world.

This agreement is designed to further bolster our geothermal offering to provide liner hanger systems, cementation products and open hole and cased-hold wireline services to support the first commercial Eavor-loop(TM) in Germany.

Now let's turn to our view on the markets. As we see uneven economic recovery globally, paired with interest rate hikes by central banks, impacting near-term demand, we still expect a net favorable environment in the second half of 2023, and continued customer investments going into 2024. Broader themes such as energy security, regionalization and investment growth, especially in international and offshore markets further support meaningful incremental demand for Weatherford product and services across our footprint.

Though unforeseen events can certainly disrupt markets, we are constructive on the near to mid-term outlook and see healthy growth across market segments. In North America, rig count declines are poised to bottom near the levels we see today, and we expect them to hold steady as we move through the remainder of the year. As noted previously, our North America land mix is much more production-oriented with limited risk tied with reduced rig count activity.

As oversupply for both oil and gas is consumed and demand recalibrates, we would expect a slow, steady improvement in both rig and well counts into 2024 as new E&P CapEx plans kick off and operators transition from maintenance-level production. Simultaneously, we continue to consciously transition out of less profitable ancillary service lines, a recent example being Alaska.

While this might cause a relatively more modest comparison on the top line to others, we are seeing the positive impact of these actions on margins and cash generation, and we'll remain focused on maintaining a positive value gap in the North America region. Internationally, the activity outlook is robust in the near to midterm, led by the Middle East and Latin America with additional pockets of growth in Asia Pacific, Mediterranean and other regions.

In the Middle East, continued field development investment in Saudi Arabia, UAE, Kuwait and others, along with regional exploration projects set the stage for robust rig and well count growth that should enable double-digit growth in 2024. In Latin America, rig and well activity are showing steady growth in the high single digits, led by a significant step-up in offshore investment in Mexico, Guyana, Brazil, and in unconventionals in Argentina.

Broader indicators support the positive story we see unfolding for offshore. CapEx growth, a significant step-up in project sanctions, tightening rig utilization and rising activity validate our positive outlook for the next few years, especially for deepwater, where we expect market activity to grow around 10% in 2024 and continue into 2025.

As offshore activity ramps up and equipment capacity tightens, we expect to see pricing opportunity and a renewed focus on technology to optimize operational performance in these complex environments. This is constructive across our customer profile and product segments, including our offerings of MPD, TRS, completions and intervention solutions.

We also see growing demand for our intelligent and AI-driven solutions like Vero(R) and ForeSite(R) to support safe, efficient, profitable offshore operations. While we still expect customer project timing adjustments, supply tightness and FX impacts in certain markets. Our overall outlook for organic growth remains encouraging, and we believe we will continue to see double-digit revenue increases into 2024 with positive margin fall-throughs.

Looking ahead, we continue to make progress towards our goal of mid-20s EBITDA margins. We have exceeded expectations in the first half despite seasonality, mix changes, start-up costs on new projects, infrastructure investments and natural disasters. The strong operating performance has enabled us to continue to de-lever the balance sheet and our net leverage ratio at 1.1x is a far cry from the Weatherford of old.

As we look at our opportunity set in the second half of the year, we believe we are well positioned to take advantage of the strong international and offshore activity, while continuing to improve North America profitability. Coupled with the execution capability our team has demonstrated, we are increasing our guidance on revenue, margins and cash.

With that, I'd like to hand it over to Arun to walk us through financial performance and the detailed guidance for the Third Quarter and Full Year 2023.

Arunava Mitra - *Weatherford International plc - Executive VP & CFO*

Thank you, Girish. Good morning, and thank you, everyone, for joining us on the call. My apologies for the softness in my voice this morning. So please, bear with me as I describe the strong financial performance that the team delivered this quarter. I will begin with our consolidated results and then move on to our segment results, liquidity and cash flows.

As Girish mentioned, we had a strong quarter with revenues of $1.27 billion, which grew 7% sequentially and 20% year-over-year. He touched upon the relative North America and international dynamics. And it is important to note that while North America did decline sequentially, driven by Canada, we continue to see stability and strength in our offshore and U.S. land business, especially in the artificial lift business of the latter.

Our operating income was $201 million in the second quarter of 2023 compared to $185 million in the first quarter of 2023 and $104 million in the second quarter of 2022. Net income was $82 million compared to $72 million first quarter of 2023 and a $6 million second quarter of 2022. Adjusted EBITDA for the quarter was $291 million, which translated into a 22.8% adjusted EBITDA margin. This is the highest ever adjusted EBITDA margins that the company has generated in over 12 years, a clear testament that our ambition to sustainably expand margins continues to materialize.

If you will recollect the first quarter 2023 margins had some favorable bias on account of inflation-related cost recoveries, particularly in the DRE segment. And we had originally planned for those in the second quarter, leading to an expectation of lower Q2 margins, notwithstanding the second quarter margins are a sequential improvement over the first quarter 2023 margins, which was, in fact, even greater organically and a reflection of the excellent operating focus for our team.

Now moving on to our segment results. Drilling and Evaluation or DRE revenues of $394 million increased by $22 million or 6% sequentially, primarily due to increased activity for drilling-related services, partially offset by a decrease in North America revenues, mainly due to the negative impact from Canadian seasonality and wildfires.

DRE segment adjusted EBITDA of $106 million decreased by $2 million or 2% due to timing of cost inflation-related recoveries received in the prior quarter, partially offset by higher activity in managed pressure drilling. Well construction and completion or WCC revenues of $440 million increased by $19 million or 5% sequentially, primarily due to increased completions activity in the Latin America and Middle East, North Africa, Asia regions.

WCC segment adjusted EBITDA of $109 million increased by $13 million or 14% sequentially, mainly due to higher completions activity. Production and intervention or PRI revenues of $366 million increased by $17 million or 5% sequentially, primarily due to an increase in activity for artificial lifts in our North America and Latin America regions.

PRI segment adjusted EBITDA of $81 million increased by $13 million or 19% sequentially, primarily due to a higher fall-through for international pressure pumping and increased artificial lift activity in North America.

Turning to cash flows and liquidity. Our adjusted free cash flow was $172 million, a truly outstanding performance, mainly driven by improved working capital efficiency, higher collections and lower capital expenditures. We were able to manage our working capital effectively despite a growing revenue base, a testament to the team's dedication and commitment towards lean business operations.

We generated an operating cash flow of $201 million, an improvement of $117 million sequentially. CapEx was $36 million this quarter compared to $64 million in the first quarter of 2023. We closed the second quarter of 2023 with total cash of approximately $922 million, down $61 million sequentially. In the second quarter, we paid down $159 million of gross debt, which included the remaining $105 million of our 11% exit notes and repurchases of $54 million of the 6.5% senior secured notes.

As we continue to work on optimizing our balance sheet, we have now, in less than 24 months, paid down approximately $600 million of gross debt. Additionally, we repurchased $17 million of senior secured notes since the close of the second quarter. The refinancing transactions and reduction in total gross debt levels have helped reduce our interest costs by more than $100 million on an annualized basis.

Our total gross long-term debt is now less than $2 billion. During the second quarter of 2023, we also utilized an indirect foreign exchange mechanism called Blue Chip Swap(BCS) to remit $53 million from Argentina and recorded a loss of $57 million due to the BCS exchange rates at which the securities involved were purchased and sold. We remain focused on generating cash as our operating priority. This enables funding of our organic initiatives and balance sheet optimization.

We continue to bring down leverage levels and enhance accessible liquidity, which will support us to function in a cycle agnostic manner. As we have stated before and executed thus far, we will continue to use cash generated to address our debt and liquidity, which we believe will further unlock value for the enterprise. Turning to our outlook. We are again taking up our total year guidance meaningfully.

For the third quarter of 2023, we expect consolidated revenues to be flat to up low single digits sequentially. Across the segments, DRE revenue is expected to be flat to down by low single digits, mainly due to a shift in timing of certain activity.

WCC is expected to grow by low to mid-single digits and PRI is expected to grow by low to mid-single digits. While our third quarter is typically a high services quarter, the contract wins in the product-oriented portions of WCC as well as the greater contribution from integrated projects is contributing to some changes in the typical mix patterns. Overall, adjusted EBITDA margins are expected to be in line with the second quarter with a positive price, an increase by over 350 basis points over the third quarter of 2022.

CapEx is expected to be in the range of $35 million to $45 million, and adjusted free cash flow is expected to be greater than $100 million with continued net working capital investments to support increased activity in the future. Our full year 2023 consolidated revenues are now expected to grow by mid- to high teens compared to 2022. Across the segments, DRE is forecasted to deliver mid-teens growth, WCC to deliver mid- to high teens growth and PRI to deliver mid- to high single-digit growth.

As mentioned in our last earnings call, 2023 will be a year where we invest in the company for the longer term. Having said that, we have visibility to some significant opportunities and continue to execute in favor of our long-term strategic priorities.

This will enable us to offset the investments we are making and deliver another year of meaningful margin expansion. We are raising our guidance on full year consolidated adjusted EBITDA margins to expand by at least 350 basis points over 2022. As mentioned earlier, CapEx for the full year is expected to be 4% to 5% of revenue.

Notwithstanding, we are again materially increasing our adjusted free cash flow guidance. As we now expect 2023 adjusted free cash flow to be greater than $400 million, the fourth consecutive year of positive free cash flow on the back of increasing margins and better net working capital performance.

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, Arun. Before we open to questions, I want to provide some updates on the initiatives behind our strategic priorities. On fulfillment, which drives customer experience and the financial performance, we have now exited approximately 13% of our operating facilities since the beginning of 2021. We are backing these exits up with a rigorous transfer of work procedures to enable seamless transition. A key part of lean operations is working capital efficiency.

We have improved inventory efficiency as evidenced by a 10 days reduction in DSI year-over-year and an overall net working capital days improvement of 12 days, an impressive achievement in a growth environment.

Next, we are focused on delayering and driving more accountability across the organization, resulting in overhead costs as a percentage of revenue declining over 190 basis points on a year-on-year basis. And lastly, we are building a sustainability road map to ensure that we responsibly manage our ESG priorities. I am very proud of the efforts our team has made on sustainability, and we released our second Annual Sustainability Report in June that is available on our website.

I would be remiss if I didn't acknowledge the significant milestone of June 2, 2023, which marked the 2-year anniversary of our listing on NASDAQ. During this time, our organization has executed exceptionally well on behalf of all of our stakeholders, despite navigating through various challenges.

Over the last 2 years, we have also received increased analyst coverage, index inclusion and a significant evolution of our investor base. Our success is a testament to our well-defined strategy and internal drive to efficiently manage resources to deliver value. We have transformed our business strategy and operations to deliver sustained margin expansion and cash flow generation.

Over the past couple of years, we have driven portfolio enhancements, digital growth, capital structure efficiency, customer focus and talent development in the pursuit of our ambitions, and these have had meaningful impact in creating shareholder value.

While we have made tangible improvements thus far, we recognize that our journey is ongoing, and we intend to maintain our operating focus. This will further improve our ability to increase margins and generate cash, underpinning our belief that our company is still undervalued. We are intensely focused on unlocking that value with operating performance being our litmus test.

With that, operator, let's open it up for questions, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

And today's first question comes from Luke Lemoine with Piper Sandler.

Luke Michael Lemoine - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Girish, you've been growing revenues at a very nice rate, and margin has been expanding even with start-up costs. Can you maybe talk a little more about future project startups and your ability to keep continuing controlling cost as revenues inflect more?

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

Yes. Look, it's been a huge focus for us, and I am just incredibly pleased and proud of what our team has done, especially on these integrated projects. I was in the Middle East just a couple of weeks ago and actually had the opportunity to visit both of them. And look, there's a tremendous amount of focus going on.

Now right now, we don't have any new significant integrated projects that we're going to be starting up. So I think from a cost standpoint, that's a little bit behind us. However, we do have additional significant service contracts that come up. We've actually put in place some additional mechanisms within the company to make sure that we've got the quality focus, the planning focus and all of that is ramping up. So I actually think as we progress, we'll continuously get better on this and hopefully be in a position to continue to deliver margin expansion.

Luke Michael Lemoine - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Perfect. And then you talked a little bit about your factory rationalization. So I believe you said you've exited 13% since early '21. Could you just provide a little more detail on this, where you think this kind of ends up in a couple of years and refresh us on that?

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

Sure. Look, we've laid this out about a year or so ago. And -- it's not just our factories. It also includes our operating locations or repair and maintenance centers. And look, we are trying to get all of this done to really have an integrated model that supports all of our customers to the maximum extent, locally, but have the different tiers of expertise and the ability to serve those customers at a regional and then at a global level.

So we are harmonizing all of that getting our repair and maintenance facilities, even our factories to actually support multiple product lines versus be singular, so a lot of rooftop consolidation. We expect to continue to make progress on this. And eventually, look, I think -- I would say we are sort of halfway through that journey and in about another year to 18 months, we should be complete with that.

Operator

And our next question today comes from Doug Becker at Capital One.

Douglas Lee Becker - *Capital One Securities, Inc., Research Division - Research Analyst*

So I want to start with a return of capital question, which I'm sure you're getting a lot, net leverage is 1.1x. It's actually lower than some of the other larger peers. What's the thought process when a return of capital plan makes sense. Is there a metric and that leverage ratio or something else you can point to, to help us think about the timing.

Arunava Mitra - *Weatherford International plc - Executive VP & CFO*

Doug, this is Arun. As we've consistently maintained, our priorities remain debt reduction. So if you look at metrics on the debt side, our gross debt-to-EV ratio is still high, right? Our interest coverage amongst our peers is still high. So the priority has been and will remain, in the short to medium term, reduction of debt.

Having said that though, shareholder return is a topic which is always under consideration and will continue to be a focus of discussions going forward as well. But for the remainder of the year, we expect debt reduction to be continued as a priority.

Douglas Lee Becker - *Capital One Securities, Inc., Research Division - Research Analyst*

That makes sense. And then maybe a little more context on CapEx. 2Q took a little bit of a dip down. You're guiding to 4% to 5% of revenue. Does it make sense to kind of guide or shape toward the low end, the 4% level this year and then maybe toward the 5% next year, just given the growth opportunities you have?

Arunava Mitra - *Weatherford International plc - Executive VP & CFO*

Doug, yes, you are correct. We did go down to 2.8%. But cumulatively, for the first half, we are at 4.8%. So we are tracking to guidance. And at this point, we believe the guidance we've laid out there is what you should run with.

Douglas Lee Becker - *Capital One Securities, Inc., Research Division - Research Analyst*

Okay. And then just a last one on North America. Any quantification of the impact from the wildfires on the quarter and just how that might be recovered going forward?

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

Yes. Look, I think as we had laid out on our last call, Doug, we actually expected North America to grow slightly, and we came in sort of in the opposite direction. And really, all of that was really attributable to the North American wildfires in Canada. Look, we've got a terrific business up in Canada.

And given the extent of the damage, a lot of our customers had to shut down rigs and seize operations and our focus and our priority was, number one, keeping our employees safe and making sure that we were able to support our customers.

So not something that we are concerned about. We are back in full operation and expect to be back to our normal cadence on North America. But that's really what it was. It was a Canada effect over there. And look, we have pointed out even in our prepared remarks and mentioned earlier, our business in North America is far more production-oriented, that gives us a lot more stability along with our Gulf of Mexico offshore operation gives us a much more stable base.

Douglas Lee Becker - *Capital One Securities, Inc., Research Division - Research Analyst*

Got it. And do you anticipate growth in the third quarter versus second quarter?

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

Again, look, we don't break it out by geography, but I think as you look at the totality, I think we should hopefully see a positive quarter.

Operator

And our next question today comes from Ati Modak with Goldman Sachs.

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

Quickly on -- you mentioned some -- you would be investing in the company, and there's some opportunities out there. Can you provide more color around that and cash allocation as you think about this year and next?

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

Yes, Ati, look, I'll take that. First of all, everything that we have thought through and planned for is already captured within our guidance. So there's nothing that's extraneous to that. But I think, look, a couple of things that we have talked about in the past, first of all, modernization of our infrastructure. We've talked about investment into our systems. Last year, we talked about our new logistics system.

This year, we've talked about a human capital management program. So we are investing into that. we're also beefing up our capabilities in multiple different areas and investing into technology. That's really the big, big focus for us. From a customer standpoint, making sure that we are maintaining a leading edge on our market-leading offerings, but also in a few of the other ones, really driving differentiated technology. So those are the areas we're investing is really systems infrastructure capability and technology.

Arunava Mitra - *Weatherford International plc - Executive VP & CFO*

Yes. And Ati, just to quantify, as you know, our R&D allocation has gone up by 20% this year and our CapEx allocation by more than 60%.

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

Great. And then you mentioned the Modus(TM) managed pressure solution in U.S. land. I know that that's been an area of interest in terms of organic growth. Can you talk about the success and what customer conversations are like?

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

Yes. Look, very encouraging, Ati. This is -- we've always had a terrific managed pressure drilling portfolio, and it's been very successful on everything ranging from our basic sort of rotating control devices to our high-end Victus(TM) offering. What this really gives us is a performance tier offering sort of between the two of them, that enables customers who either found the cost a little bit too much or applications where you didn't need the entirety of the offering. This fits right in. So we are starting to gear up our production of systems so that they're available for the market.

We are discussing with customers in North America, but very significantly, customers in the Middle East and other regions as well. So we are very excited about this. And as we ramp up the scaling of this on the production side and get it deployed, we think it will be a significant addition to, as you said, organic growth as we head into '24.

Operator

And our next question today comes from Kurt Hallead with Benchmark.

Kurt Kevin Hallead - *The Benchmark Company, LLC, Research Division - Research Analyst*

I'm kind of curious, right, when you look at the contract awards that you continue to book on the international front, just kind of curious what -- give us some general range of what that dollar value of awards were for the new bookings that you had in the quarter?

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

Yes, look, Kurt, we don't -- our business the way it's set up is the dollar values are not really like capital goods business where they contribute to a backlog and you can explicitly then form a book-to-bill ratio or sort of execute. They are really more call-off type of contracts that over a period of time, we give them really more as a guidepost and then occasionally, we summarize all of it to give you a sense of the total commercial bookings. I think suffice to say, that we are keeping well in pace with two things.

One is the revenue growth that we are experiencing. So we're making sure we are refilling the bucket and the pipeline at a level greater. And second, we are keeping pace with the market. And I think that comes through in our revenue growth, especially on the international side vis-a-vis the rest of the industry.

Kurt Kevin Hallead - *The Benchmark Company, LLC, Research Division - Research Analyst*

Okay, fair enough. Now just as a follow-on to that dynamic, right? So you have 3-year, 5-year contracts, a 2-year contract that kind of adds on to what you did in the first quarter.

So how do you kind of -- I know it's not a backlog-oriented type of dynamic. But when you think about your revenue visibility, how much conviction and confidence do these contracts give you in revenue growth beyond 2025 because 5-year contract from now takes you into 2028.

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

Yes. Kurt, we've talked a little bit about 2024, which is actually pretty -- because I'm so far sitting 6 months going into 2024. So we've already indicated that '24, we expect to grow double digits. I think '25, '26, beyond that, it's really going to be a function of the overall market, customer investment. There's a lot of macroeconomic factors that will go into that. Having said all of that, what we continue to see is a very robust outlook, especially on the international side.

And our customer thesis going into the next 2 to 3 years is, one, positive investment, increasing focus on activity. And so we think it's a very positive outlook. And that's why, in our prepared remarks, we pointed to that near to mid-term positive outlook.

And these contracts will really underpin our ability to execute as we go into those years.

Kurt Kevin Hallead - *The Benchmark Company, LLC, Research Division - Research Analyst*

Okay. And then so my follow-up there would be on your EBITDA margin targets, right, the mid-20% range, given what you know about what you have booked and the outlook that you see for 2025, right, is it feasible to expect an EBITDA margin exit rate in 2024 of 25%.

And I'd say that in this context, right? Is that because the guidance you gave for 2023 kind of suggests a flattish progression on EBITDA margin in the second half of the year. So I'm just trying to get a sense as to how you're looking at this acceleration in EBITDA, what might be driving that as you go into '24?

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

Yes. So a few things, Kurt, that I think are important and relevant. First is, as we get growth. We have incremental revenue that should come in at higher fall-through. So that's a big positive contributor. Number two, we continue to expect to see pricing be an important factor, especially if there's scarcity of supply on highly differentiated products and services, we think pricing will be a positive contributor as it has been this year.

And there will certainly be inflation to offset it, but we think it will be a net positive contributor. Number three is new technology. So we talked about our investments in technology as that's coming in. That should give us the ability to get incremental margins as well.

Number four is all of our efforts around fulfillment. That's been a big factor that we have talked about, and we continue to make progress there. And that's why we laid it out as a multiyear journey. So that should give us incremental lift as well. And then last but not least is a continued focus on our overall overhead or support cost.

We still think there is still some opportunity for efficiency there, so we continue to drive that. So those, I think, are 5 very tangible, very clear things now. We're not going to break out each one of those and give a very specific number on that. But as we have indicated previously, in just a normal environment, if you get no revenue growth, we should be operating the business and getting somewhere between 25 and 75 basis points of margin expansion.

So that should get accelerated as you have incremental revenues come in. And that's what gives us confidence to talk about this mid-20s, and we have laid out a time frame of a couple of years on that. So I'm not going to give you specific guidance on the exit rate of '24. But I think hopefully, what I've just said gives you enough color to piece all of it together.

Operator

And our next question today comes from Connor Jensen at Raymond James.

Connor Patrick Jensen - *Raymond James & Associates, Inc., Research Division - Research Associate*

Just one question from me. You noted the charge, you talked for the Blue Chip Swap agreement in Argentina during the quarter. One of your peers highlighted a similar charge and provided the tax impact to adjusted out. Wondering if you guys can give us some additional color on that charge?

Arunava Mitra - *Weatherford International plc - Executive VP & CFO*

Yes. Sure. Connor, we did not tax effect it. We don't believe there is a potential offset from a tax perspective. So we took a valuation allowance on the potential tax benefit. So effectively, our numbers do not have a tax-effected BCS loss. One of our peers took a 21% tax effect.

Operator

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

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

Great. Thank you all for joining the call today. Hopefully, you've got a good sense of the continued strong performance the team is delivering, and we look forward to updating you again for the Third Quarter in October. Take care.

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.
