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Saurabh Pant:

Hey guys, we'll keep things moving. We are back to oilfield services. We got with us, Weatherford. Very glad to have with us. Girish, Girish Saligram, who's the CEO of Weatherford. Girish, you joined Weatherford in October of 2020 when the world was grappling with COVID, so you had your hands more than full at that point. And since then, I picked up coverage relatively late. But we know Weatherford is one of the best all time maybe turn around stories in the sector and maybe beyond the sector. But a lot of people know that. I think at least a few people would not know that when they hear Weatherford, they think about WFT. And it's a lot more than just a trigger that changes. So Girish, maybe let's start there. What have you changed since you joined the company? And then maybe we'll go from there.

Girish Saligram:

Sure. First of all, thanks so much for having me here. Appreciate the invitation. So, Weatherford's a very different company today. And really over the past few years, I think there's five key things that we have focused on and the teams that we've changed. The first one is the operating leadership of the company. We've got a team today that I would put head to head against any other team in the industry. And I feel very confident in the capability, the talent, and most importantly the moral fiber of the company. Look, one of the things that I'm fond of saying, a lot of CEOs will tell you that they want people who roll up their sleeves. I don't. I want people who roll up their pants and wade into the muck. And that's the kind of team that we've got.

The second is aligning the company from top to bottom around the North Star. And for us, that has been generating cash. So we've made sure that we've got clarity on goals, we've got clarity around expectations, and accountability towards driving cash.

The third thing has been an operating cadence. How do we bring the whole company together? How do we again, drive this notion of accountability? How do we make sure we make decisions really fast and keep the ball rolling? So, those three things have really transformed the culture of the company.

On an operational standpoint of the last two, the fourth piece is the portfolio, how we have driven the changes to the portfolio. Really positioning the company as a leader in several different product lines. But ensuring that whatever we do has got that element of differentiation.

So, we've got a portfolio today that has a broad-based set of product lines that allow us to go head-to-head with all of the major players and offer fully integrated contracts. But we're able to complement that with highly differentiated specialty services. And we're focused on the intersection of product line and country versus looking at it as a global monolith.

And the last piece has been the capital structure. So we've taken a lot of steps over the past few years. We've paid down about a billion dollars of debt. We've reduced our interest costs by well over a hundred million dollars. Gotten several ratings upgrades, and now gotten the balance sheet which has gone from unstable, to inefficient, to a fairly stable. We're not fully done yet, but dramatically different position than we used to be with net leverage today that is best in class. So, all of that's really transformed the culture of the company. It's transformed our positioning and led to the results that we've been able to generate.

Saurabh Pant:

Right, right. No, that's a fantastic way to start the discussion. And like you said, Girish, let's roll up our pants and dive into the muck. And I think the entire year, the sector has been driven by where the macro is going. So, maybe let's start with the macro. And if you take a 30,000-foot view of the world, what gives you the most optimism and what gets you concerned?

Girish Saligram:

So a couple of things on the macro. I think first is, as we look at on a mid to a longer term horizon, oil and gas is going to continue to remain a significant part of the energy mix. That is our belief. I think there will be continued growth and renewables, there'll be continued growth in a lot of alternative forms of energy. But the world is not going to significantly deviate off of oil and gas. So, I think that coupled with the fact that we are dealing with a fundamental law of nature here, which is reservoir decline, will require there to be continued activity in the sector. And so, we feel good. Now, there will be short-term perturbations, there will be volatility, there'll be all of those things. But that fundamental thing is what gives us confidence in the sector.

Secondly, look, for us, we think that the structural nature of the cyclical nature of this industry has changed a little bit. We're still very much a cyclical industry. We move up and down with oil price. My IQ is in direct correlation to oil prices. I've learned that in this industry. But the nature of that whipsaw has fundamentally shifted, a lot of it driven by North America. Multiple things, the consolidation of the industry, but also our customer's viewpoints and philosophy towards shareholder returns versus growth in capital and production growth. So, we think it'll be a much more of a down cycles that are much more driven by slower declines, plateaus versus this whipsaw effect that we have typically seen. So, that's what really gives us confidence.

And lastly, I would say, look, from a benefit standpoint, we believe we're very well positioned. For about 10 years or so, our strategy was get to tomorrow. It was a survival mode. And now, we're in a position where we can really think about the future with a much longer term horizon. We are positioning ourselves differently from a technology standpoint, from an operational capability standpoint, and from a balance sheet standpoint.

Saurabh Pant:

Right, right, right. And Girish, look, traditionally Weatherford has been a more production-oriented, more mature field-oriented company. Just given what you've said on the macro, how does that production leverage fit into that macro or the medium to long term?

Girish Saligram:

Yeah, I think it's actually a really good positioning for us and it's a big advantage. Given the fact that we are seeing oil prices hover in this range that we've got of 70-ish to maybe mid to high 70s, what we think is production is going to play a much more important role. And customers are going to be very focused

on whatever you want to call it, production enhancement, production optimization, mature field rejuvenation. There's a lot of different terms that encompass the same sphere. But fundamentally getting more out of existing wells, out of existing basins, existing developments versus drilling new just because the cost economics are fundamentally different.

So, we've got a very wide variety of portfolio of offerings that enable customers to do that. From the obvious, look, on our production orientation with artificial lift to very innovative technologies in our well services business. We have just launched something called MARS, which is Mature Assets Rejuvenation through Surveillance. We are leveraging fiber optic technology, a lot more state-of-the-art, digital measurements and controls sensing technology that allows us to do that. So we think this production space, which we are very well levered towards, will be a strength for us as we move forward.

Saurabh Pant:

Right, right, right. Maybe let's move to the broader international market and let's get a little deeper into that. And 80% of your revenue ballpark comes from the international markets. And those markets have had a very strong momentum over the past, call it two to three years. But now it seems that even though a lot of markets might grow, some might not grow, some might decline, overall, how should investors think about the international market in 2025? Should they be worried that '25 might be the peak?

Girish Saligram:

Yeah. Look, if I could predict that, I think I would've done a lot of different things with life. But I think we feel pretty good again about the mid to longer term. Like I said, there will be perturbations in the short term. But the international markets, I think it's important to recognize there's a lot more stability than we have typically seen in transactional markets like North America. And we saw that even during the years of COVID, right? So in 2020 and 2021, we did not see places like the Middle East decline to the extent that we saw rate counts drop in other parts of the world. So, that gives us optimism.

We think '25 is a little bit of a transition year. Clearly, the growth that we have seen in '22, '23 and '24, that's not going to play out the same way. Growth has moderated. We still think that our pockets of very significant growth. Broadly speaking, we think the international markets will be sort of flat to up a low single digit, but a very broad level. But there will be countries that actually grow mid single digits. There may be countries that actually grow high single digit. But on a blended basis, it's much more lower.

I think beyond that, it's going to be a function again, of the usual suspects, demand and survive. But when you take into consideration this notion of reservoir declines, and you see that U.S. customers, U.S. E&Ps, while they're growing production and we continue to hit new records, rig counts aren't. And at some point in time, that will likely taper out to a certain extent. But as we see that we see demand growth, still much maybe lower demand growth, we will see additional activity. So, we still think there is growth in the years to come. And I think that's borne out by what we are seeing in some of the offshore developments, the longer term backlogs for equipment providers, et cetera.

Saurabh Pant:

Right, right. No, we had TechnipFMC on the stage earlier today, and that's exactly what they were talking about, from an order visibility and a backlog standpoint. So clearly, things are a little softer than what they were, but it sounds like they remain healthy.

Just following up on that Girish, I want to touch on two of the geographical markets that are top of mind for investors, the Middle East, maybe let's start with that. We see a lot of headlines coming out of Saudi. Just talk to the Saudi market, the rest of the Middle East market. What are you seeing over there?

Girish Saligram:

Yeah. So, let's start with the easy ones, right? Look, it's been a turbulent year. It started in February with Saudi announcing its decision to go back to a 12 million barrel per day capacity, down from the ambition of 13. We have then seen subsequently in April, and then later on in summer, and now more recently, we've seen releases of rigs, we've seen maintenance schedules get prolonged, et cetera. So clearly, there has been a change in the market. And that's, I think very much a function of the oil prices that exist, the change in their the oil prices that exist, the change in their philosophy and ambition, plus just the fact that they have surplus capacity, and then given the moderation and demand and the excess supply that OPEC's had. So I think that's there. I think that'll continue for a little bit longer. There will likely be a bit more pressure. But again, longer term we think there's still a lot of opportunity for us. At Weatherford specifically, we actually have always viewed Saudi as a significant opportunity. It's been a fantastic market for us. Aramco is a fabulous customer. We've experienced some tremendous growth in that particular region, very, very high growth over the past few years. Our Saudi business has almost doubled in the past three years.

And so look, we are still very excited because we are still under-penetrated in gas. We are still under-penetrated in offshore. So we are certainly not immune to the decline in the market, but we are a little bit more insulated from it.

We've also just won, or we won about a year and a half ago, a long-term service contract, a LSTK contract with them on the intervention side. That gives us a nice base load of business. That contract team's doing an absolutely fantastic job of performing on that. And so we continue to focus on how do we deploy technology and grow our presence and get a little bit more of that share of wallet because we have that opportunity. And longer term, we still think it is one of the best markets in our sector.

But the rest of the Middle East has actually been a little bit of a different story this year. Continued positive momentum. We are not seeing any significant change. I just got back last week from ADIPEC. We had an opportunity to meet several customers there, not just in the region, but in different regions as well. And look, overall, they still have very robust investment theses, very strong plans. And we've seen that growth in places like Kuwait, in Oman, in Qatar, in the UAE. So lots of different opportunities. Last week we announced three contracts, one with KOC, one in Qatar, one with ADNOC in the UAE that represent further opportunity and growth for us. So very excited about the Middle East as a whole. We think regardless of what the overall market is, the majority of our growth will come from that broader area.

Saurabh Pant:

Right. And the other market, Girish, that I was thinking about was the Latin America market. And you call that a little bit of a wild card on your third quarter. Maybe let's talk about that a little bit. There are headlines coming out of Mexico, some headlines coming out of Colombia, Argentina. Maybe just step through some of the key markets in that area.

Girish Saligram:

So wild card, sometimes I do have a tendency to be subtle. So look, I think Latin America is going through an extremely challenging, very turbulent phase right now, and there is more uncertainty in Latin America than probably any other part of the world collectively, but even more so individually. So I'll work my way from bottom up top. Look, Argentina is a really interesting country. They've got a phenomenal asset in the Vaca Muerta, a lot of investment going in, and Argentina has poised a bit of an inflection point. I have been to Argentina several times over the past 15 years. I was there back two months ago, and I was probably more optimistic than I've ever been before, but it's still not done.

They're going through a lot of structural changes, a lot of reforms. They're getting closer and closer to an inflection point, but we have to see if they can actually inflect that.

So I think Argentina actually has a possibility of becoming a bigger growth driver, but at the same time still has a lot of issues. And until they get all of this behind them, especially on capital controls, I think it's going to be a bit of a question mark, but something that we are watching very closely and ready to move depending upon how the situation unfolds.

Then you've got Colombia, which has been a bit of a tough story with the new administration coming in about a year and a half or so ago, coupled with a lot of social unrest. So activity levels in Colombia have taken a very significant hit. Look, our team's done an outstanding job in Colombia. It was a very big growth area for us. We had positioned ourselves extremely well, and so as a result have felt a little bit more of that effect as things have deteriorated there. Longer term, we think there will be a little bit more clarity on the next election cycle, so we'll see. But for right now, it is not a place where we are looking at any sort of growth and just sort of maintaining status quo, which is significantly depressed levels from where it used to be.

Brazil continues to be very strong. We talked about the offshore play. We think Brazil will be a very stable business. We're very excited about all of the opportunities we've got on managed pressure drilling, tubular running services, completions, a lot of different things that we do, intervention services for Petrobras and for other operators. So fairly steady, decent business over the coming years.

And then you've got Mexico. Look, in Mexico, we've done really well over the past few years. Again, our team's executed extremely well and we were actually able to gain a significant amount of share over the past three years. Unfortunately, this year's been a lot more turbulent and a bit more than we anticipated owing to the presidential cycle, which is fairly normal, but it was a bit more exaggerated. And now with the new management team coming into Pemex, I think as one would naturally expect, they have taken the time, they want to understand and study the situation. So they've announced a significant cost reduction program.

So there's clearly short term activity slowdown in Mexico, specifically around Pemex. We see that likely continuing into the first quarter. But look longer term, they have reservoir declines. They're producing below what they've said is going to be their single 1.8 million barrels a day. So we think there's still an opportunity and we see a continued focus on tender cycles, et cetera. So longer term, we think it's still a market that has opportunity. We think the government is supportive of improving the balance sheet for Pemex. We feel Pemex is committed to making sure the balance of payments with suppliers is done correctly, but there is going to be a little bit more short-term variability and turbulence before we see a clear path forward.

Saurabh Pant:

Right. And as that market comes back, it's obviously one of the mature oil and gas regions of the world, so that plays to your advantage as and when it comes back. Okay. Let's switch gears. Maybe let's talk about North America a little bit. A lot of it is production oriented for you, artificial lift being a bigger product line. Maybe let's touch on North America, especially given your production exposure, and then maybe spend a little time on Canada. I know it operates more like an international markets than North America land market rate, but maybe let's spend a moment on that.

Girish Saligram:

Yeah, so I'll start off broadly speaking. When you think about our North America business, which is just under 20% of the company in totality, we really think of North America as three pieces. There's Canada, there's US land, and then there's Gulf of Mexico. So the Gulf of Mexico for us is a pretty stable, really good business, but a lot of growth in 2023 in the Gulf of Mexico, up about 20 odd percent. This year it's been a slightly different story, much more of a flattish just keeping in line with the rest of the sector. And probably a little bit too early to give specific guidance on that for '25, but it's a resilient business, very good for us. We do a lot of managed pressure drilling work, a lot of TRS, cementing products, and we still think we've got opportunities for growth and other product lines over there.

Then you've got US land, which as you pointed out, is predominantly a production- oriented business. And what that is, look, it's a very large artificial lift market for us. We've been a leader in this space for years. We've got a fantastic installed base and continue to do really well, even though we have been very focused on the higher end of the market, we really don't want to play in the commodity end of the market. And we've been very clear that we are not going to chase volume. So we've got certain margin thresholds and certain pricing points, and we are not going to sacrifice that for the sake of volume. So we could actually have a much bigger business. We have made a very conscious decision not to. So higher-end conventional pumping units, the long stroke pumping units, the Rotaflex®, which has been very successful, which also gives us a nice aftermarket stream in things like sucker rods and pumping services, et cetera.

But what artificial lift also does is gives us a very nice entry point into some of our digital products and solutions. So we're the only OFS company that has its own SCADA system – CygNet. Very, very successful set of customers in the US, very big install base. That then allows us to pull through production optimization platforms like Foresite®, et cetera. So a really big market for us in driving that digital space. And very excited about the acquisition we've just done on data creation, which allows us to now bring much more capability to customers with the capability to bring a unified data model. In my layman's terms, I describe it as kind of the universal plug adapter for the digital world. You can take disparate systems, disparate data structures, and seamlessly connect them in this unified data model that then we give customers the ability to visualize, to create dashboards, to run their algorithms through a very simple interface delivered seamlessly in a SaaS model.

We also do a lot of work in a few other places in US land around interventions, and we do have some degree of drilling exposure with completions, liner hangers and cementing products. But the bulk of it, as you pointed out, is production-oriented. So we've been a little bit more insulated again from the drop in rig count. And one of the things I'm most pleased about the overall North America performance is despite revenue decline in North America and market decline, the team's actually grown margins in this kind of an environment two years running. And for me, that is the ultimate litmus test of our ability to perform in a different type of a cycle.

Girish Saligram:

Off our ability to perform in a different type of a cycle. One of the biggest concerns about Weatherford historically was the variability, the volatility. One of the new concerns is, well, we've seen Weatherford in an up cycle. How does it perform in a down cycle? And to me, I point to the North America business and that gives me a lot of confidence that our goal of being able to grow margins, 25 to 75 bps in a flat activity environment is not just viable, but it's very, very achievable. Look, lastly, Canada, like you said, much more like our international businesses, we've got pretty much the entire portfolio. We serve a lot of different customers. It's a terrific franchise. We've got leadership positions in several different product lines. And look, that continues to be a market where we actually see growth happening.

Saurabh Pant:

Okay. Okay. No, that's a very good point you made that your focus has been more on driving margins higher versus chasing revenue. And by the way, you have grown your revenue faster than a lot of your peers while you have expanded margins. So let's touch on that a little bit. Your margins have come up, they're going to be at or above 25% this year. They were around 19% in 2022, and obviously way lower before that. But if we just take a step back, what has driven that margin expansion for you? Is it more pricing? Is it more operating leverage? Is it more mix in technology? What's been going on?

Girish Saligram:

Yeah, so there's really sort of, I think of it in three phases and they're all overlapping. There's not a clean break between the two. The first was the very low-hanging stuff, right?

Saurabh Pant:

Right.

Girish Saligram:

It was a combination of facility closures and consolidation, taking cost out, et cetera. And the second part of it was the portfolio actions I touched upon earlier. Really looking at this intersection of product line and geography and either exiting unprofitable product lines in specific countries or fixing them. There's this sort of romantic notion that you've got 10 different things you offer in a country. You've got one of them that doesn't make any money, but it's strategic because it's going to pull through. And so we've kind of taken this view that there's nothing strategic about losing money. And so every single product line in every single country has to stand on its own two feet. That then migrated into, really, pricing becoming a really big lever for us. As we then said, okay, we've got a portfolio that makes sense, how do we articulate the value of that portfolio to customers?

So pricing played a really big role. Like I've mentioned again in '22 and '23, that was a big lever, contributed significantly towards that. And then as that has continued, we are kind of at this third phase where there's really three things that are driving margins for us. The first is fulfillment initiative. We launched this a couple of years ago and we'll likely go on for a couple more. But it's everything from contemporizing, our manufacturing infrastructure to reworking our repair and maintenance network, changing the way do logistics in the company, how we think about supply chain and sourcing. So moving that in tandem with our factories. It's a massive Herculean lift. And to put this in context, about six and a half years ago, we had 150 factories in the company. Factories, not facilities, actual factories that manufactured. Today we've got less than 20.

So it's been a massive change for the organization. But moving supply chains takes time, it takes a lot of effort, it takes investment. So we've been doing all of that, and that's starting to now bear some fruit and pay off. We talked about that in April and, as I recalled, that some of those initiatives are finally now in place. We are seeing the benefits of that and we will continue to reap benefits of that in the years to come. We've targeted our supply chain to lower cost countries. Admittedly, we are 10 years behind the game on this. But to me the really good news is if we can generate 25% or slightly lower in the past years, with our current state, imagine what we could do when we've got the right network in place.

The second part is new technology. For a very long time, if you go back to 2014, when that cycle turned, et cetera, to a couple of years ago, our mode was survival. Our strategy was get to tomorrow. So at that point in time, there wasn't a whole lot of emphasis on technology investments. What are we going to develop five years out? What's the next big thing? Those kinds of things. We've put a lot of effort into that in the last four years. But as I again want to say, I cannot unfortunately bend the laws of

development on highly, highly technical projects. There is a space-time continuum that doesn't bend to my will. It takes a little bit of time, but we are now seeing as we have primed the pump, we are seeing technology innovations come out of the pipeline and they're getting really good traction in the marketplace. And our focus with those, is really increasing that value gap. So higher price, lower cost, and so we think that'll be accretive to margins. It'll be very small at the beginning, but over the course of time it'll become bigger and bigger.

The third part of it is actually still cost. We've taken well over a billion dollars of cost out of the company over the past five years. Weatherford was never actually designed to be what it is today. And so we've got an opportunity as we upgrade our infrastructure, our systems, our networks around the company, get better information flows, go to a state-of-the-art ERP system, et cetera, to really change the way workflows run across the company, the resource allocation across the company. And so we still think there's a little bit more cost to give, and that gives us confidence that even if we don't see a change in activity and revenues stay flat, we can still get 25 to 75 basis points of margin increase every year.

Saurabh Pant:

Right, right. And I want to dive into this topic that came up on your third quarter call, Girish, that you might have, disproportionately was the word used on the call, benefited from pricing. And obviously if you're getting pricing, and like I said, you're still growing faster than your competition, that means your pricing gains are being accepted. So as you said, you have driven differentiation. You are not just a me too company, you are focusing on differentiation. Does that lead us to think that the pricing gains you have had is more structural than just cyclical because you've changed the way you go to market now?

Girish Saligram:

Yeah, look, absolutely. This is the advantage of know just because you run up the mountain faster because you were resting at base camp for three months when everyone else got three days, doesn't mean you're going to topple off the mountain first. It is just that you were a heck of a lot behind. So we clearly got more advantage on pricing. I'll be the first to admit it. I say it with a lot of pride. Because we, look, when I came into the company at EBITDA, margins were 3%. We had all kinds of issues. But it doesn't mean that we are going to surrender them. It doesn't mean that they're just sort of fleeting, etc. To your point, they're very structural.

Look, one of the things that we've been very careful, and this is not just us, I think the whole industry's done this, is we have not tied pricing to commodity pricing. So we have not gone to customers and said, "Hey, you're making a lot of money because all prices have gone up, so give us a price increase." It's not a party where everyone just does it because of it's a socialistic thing to do, or we'll all make the hay when the sun shines till prices go down. So it's been what is the value that we are generating and what is the cost impact we are seeing from inflation. By the way, inflation is still very much a reality in our lives. It's not disappeared. And so we do not have a single conversation with customers where pricing doesn't come up. No customer opens up and says, "Yeah, please come in. Just take as much as you want." Right? Every conversation is very difficult. Every single PO is earned. And we've got to have a discussion on what is the value we can realize.

One of the things that we are clear about though is look, we are going to be very disciplined about it. We are not going to make decisions for the sake of scale or the sake of volume. And you've seen, we've had some softness in revenue in the second quarter, we've had some softness in revenue in the third quarter. The easiest thing in the world for us to do would be to open the floodgates and say, " Hey, let's stack price a little bit. Go get a bunch more volume." We are categorically not doing that. And look, we have taken a bit of flack on revenues coming in softer. That's okay, because back to your early one, our

focus is margins and cash. Margins are really just a proxy for cash. So that's what we are setting our expectations around.

Saurabh Pant:

Right, right, right. No, that's absolutely one of the hallmarks of the new Weatherford. Right? Stick to that! That's what investors would want. I want to go to your portfolio, Girish. You mentioned artificial lift in your discussion. You also talk about your four market leading product lines. We talked about Datagrator, one of your recent acquisitions. But if you talk about M&A as a whole, what's the most obvious hole in your portfolio that you can see, and how do you think about M&A as a way to plug whatever that hole is?

Girish Saligram:

Yeah, so one of the things that's happened to me with this job is I've gotten very Confucian. So my new philosophy is, if you can't have what you want, you want what you have. So look, I'm actually pretty happy with the portfolio that we've got. There isn't a gaping hole that I wake up every morning trying to fill the void with. But look, we look at it and we say we've got a very clear strategy that we have defined for every single one of our product lines. We've got some enterprise teams that we are trying to drive. And so we look at potential acquisitions and we say, "Do they help us accelerate that strategy? Do they fill a gap that we've got in that strategy?" And if so, we'll go look at it, et cetera. But there isn't anything that we feel inhibits us today from doing what we need to do and what we have laid out as our ambition of the next three years, we're going to grow EBITDA margins into the high twenties.

We will do that while getting free cash flow conversion to about 50% while maintaining a very high return on invested capital. So that we are very clear about. Look, I'll give you a couple of examples. In Wireline, we made a very conscious decision that we really can't go into every single country and have a service footprint. The Capex requirements for that are just too high for us, just too high. So we made a very conscious strategy decision that our strategy is going to be, we're going to focus on a small set of countries where we bring something unique to the market or have some fantastic relationship, but we will have a significant presence in Wireline. But at the same time, we will become a technology provider to service companies in the other countries where we don't have that presence. Now, to do that, we needed a complete portfolio and now, to do that we needed a complete portfolio and we had a bit of a gap. Probe filled that portfolio for us and now we've got a complete portfolio of open hole and case control tools and technology that we can offer. So it gives us the ability to go do those capital sales. And oh, by the way, it creates a much more defined model, low capital intensity, plus gives us an aftermarket chunk. So it's a very different wire-line business than historically or conventionally you think about a wire-line business. But that's our strategy. We're not going to see where the cycle goes up massive gains, but we will see a very steady return. We will see a lower capital intensity.

In intervention services, we wanted to pivot and have a much stronger presence in slot recovery and plug and abandonment, that becoming a bigger and bigger theme again, going back to production optimization for customers, especially on slot recovery. And there was this company, Ardyne that operated in the North Sea, had some very innovative technology, highly efficient single-trip pull and cut technology. And so we said, look, that seems like a great addition, but we are very concerned because it operates in the North Sea, does it really work anywhere else in the world? There's a lot of acquisitions in this sector that people do and then discover, well that worked there. So we actually created a partnership with them and we said it's an 18-month partnership where we are going to de-risk the technology.

So we took it to Asia, we took it to Latin America, we took it to the Middle East, we took it to North America, tried it out with customers, said, okay, great, there is a value proposition. And finished that ahead of schedule and then decided to exercise the option we built into the partnership to acquire the company. So that's how we think about M&A. Look, this is not the Weatherford, again, of old. We will never be a serial acquirer. But more importantly, every acquisition we do starts with, do we have the ability to integrate and does it actually create tangible shareholder value? Can we do something that we can grow in and make it a significant platform for us that will drive growth over the long term?

Saurabh Pant:

Right. Right. Right. Now I do get some calls from investors who are worried that you might do a bigger acquisition, lever up your balance sheet. But again, it sounds like investors should not be worried about anything like that.

Girish Saligram:

Yeah. And look-

Saurabh Pant:

You're very conscious of your balance sheet.

Girish Saligram:

Very, very. And leveraging up the balance sheet, it would have to be fascinating and incredibly compelling. I cannot think of a single, tangible, practical example that would make us want to go through that.

Saurabh Pant:

Right, right, right. And Arun is not in the room and behind his back we are not going to lever up.

Saurabh Pant:

Very quickly, Girish, on your next three-year outlook of getting margins to high 20%, importantly free cash flow to 50% of the EBITDA for conversion. Just give us the pathway to that. What are we doing and what we going to see?

Girish Saligram:

Yeah, look, I've talked about it on the margin side. It really comes up to fulfillment, new technology and then cost efficiency. On the free cash flow conversion side, it's a few different things. The first one is networking capital efficiencies. We are kind of getting... We're hovering around that 25% mark. We want to stabilize around that. But we have seen an increase in networking capital over the past few years as we have built up our revenue base. We've also done a lot of this movement on supply chains, et cetera, new contracts. So I think that'll start to normalize a little bit. So we should get some efficiencies out of that and have that contribute to a positive free cash flow conversion. Sort of commensurate with that, things that we can control, days to invoice, we've still got a huge opportunity still on networking capital DPO.

You know the thing that affects you most during bankruptcy turns out is not your employees, not your investors get affected, not your customers, but your suppliers. Your suppliers will not give you credit anymore. Everyone wants to get paid the moment they deliver or before. So now going back in and changing those terms. So if you look at our DPO, we are significantly... We pay our suppliers a lot better

than the rest of the industry. So we've got a huge opportunity there and that's a big focus for us to move those payment terms up. So all of that on networking capital, that's the biggest lever. Beyond that, interest, we've talked about reducing interest costs and we have 1.6 billion of gross debt. We still want to bring our gross leverage down a little bit by reducing some debt, but more importantly that cost of debt. We don't have an imminent cliff, so we've got a runway till 2030. So we've got a long time. We can be smart, prudent and sensible and have a little bit of patience around it. But that'll be part of the contribution at some point, getting that debt serviced at a lower cost.

And then lastly, there is a focus on cash taxes. That is the most challenging thing to drive. We live in a world where a lot of the countries we operate in are on deem profit taxes or stuff. But look how we structure the company, how we leverage more direct shipments, things like that, there's opportunities for us to do things differently. So all of that are things that have gone into our roadmap and so we think we can get pretty close to that 50%.

Saurabh Pant:

Okay. Okay. And then moving on to capital allocation, because you are pretty much doing everything right now. You are paying down some of your debt, you are investing organically in your business, you're doing some M&A, it's tuck-in M&A. You're doing M&A, announced a buyback program, announced a dividend, you're doing everything. But how do you prioritize things within that?

Girish Saligram:

Yeah, so look, the internal investment state priority, so we've been very clear about that. Investing in technology and in the infrastructure of the company, but that's never going to become a crutch for us to say that we cannot meet our margin or cash generation goals. We've been very, very clear. And so if you take a very simplistic view and just assume for a second that we don't do anything different and this year just repeats for the next three, which is nowhere close to reality, but just for illustration, that's a billion and a half dollars of cash. So even with the dividend, even with the buyback, that view and now, that still leaves us about a billion dollars of cash to do stuff that we can deploy to generate significant value, whether it is on M&A, on debt reduction, on stock, buyback, on whatever else we choose.

So we really look at all of those opportunities from a returns' lens. So what really do we believe gives us the best returns over a reasonable timeframe? We don't want to be extremely short-sighted about it in the next six to 12 months, but we also don't want to say, "Hey, let's look at 10 years." because you don't have that visibility. But we look at it sort of in that three to five year timeframe. What do we really think allows us to create the biggest bang for the buck, and that's where we deploy the capital. And that's why, look, we have been very clear that we will have a framework, we will have a rough guideline of returning 50% of our free cash flow to shareholders, but we are not going to get overly formulaic and prescriptive on a quarterly basis about it.

Saurabh Pant:

Right, right, right. I know we are running out of time, but one quick last one for you, Girish. Just in terms of returning cash to shareholders between dividend and buyback. How do you think about the two and what's the best way to do it? The most, bang for your bucks?

Girish Saligram:

Yeah, look, we looked at it and said the dividend was more of, we just wanted to make sure we had a small amount that was guaranteed. And this is very clearly a signal that no matter what the cycle, we are very confident that Weatherford will continue to generate cash. Plus also gives us entry into some

funds that require you to have a dividend to participate in that investment thesis. And the buyback, look, what we are very committed to is offsetting dilution, and then the rest of it really will be more on an opportunistic basis. But we want to make sure that we are very clear that anything that we do to create dilution for shareholders because of equity grants, et cetera, we will at least take that off the table. So it's going to be a net positive value creation story.

Saurabh Pant:

Right, right. Okay, that's fantastic. I think we'll draw to a close now, Girish, we are up on time, but this was a fantastic discussion.

Girish Saligram:

Thanks Saurabh.

Saurabh Pant:

Thank you.

Girish Saligram:

Appreciate you having me.

Saurabh Pant:

Yep. Thanks for your time Girish.
