

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

SLB.N - Q3 2025 Slb NV Earnings Call

EVENT DATE/TIME: OCTOBER 17, 2025 / 1:30PM GMT

OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

James McDonald *Slb NV - Senior Vice President of Investor Relations and Industry Affairs*

Olivier Le Peuch *Slb NV - Chief Executive Officer, Director*

Stephane Biguet *Slb NV - Chief Financial Officer, Executive Vice President*

CONFERENCE CALL PARTICIPANTS

J. David Anderson *Barclays Services Corp - Analyst*

James West *Melius Research LLC - Equity Analyst*

Scott Gruber *Citi Infrastructure Investments LLC - Analyst*

Josh Silverstein *UBS AG - Analyst*

Arun Jayaram *JPMorgan Chase & Co - Analyst*

Neil Mehta *Goldman Sachs Group Inc - Analyst*

Stephen Richardson *Evercore Inc - Analyst*

PRESENTATION

Operator

Good morning. My name is Meghan and I'll be your conference operator today. I would like to welcome everyone to the third-quarter SLB earnings call. (Operator Instructions)

As a reminder, this call is being recorded. I will now turn the call over to James R. McDonald, Senior Vice President of Investor Relations and Industry Affairs. Please go ahead.

James McDonald - *Slb NV - Senior Vice President of Investor Relations and Industry Affairs*

Thank you, Meghan. Good morning, and welcome to the SLB third-quarter 2025 earnings conference call. Today's call is being hosted from Houston following our Board meeting held earlier this week. Joining us on the call are Olivier Le Peuch, Chief Executive Officer; and Stephane Biguet, Chief Financial Officer.

Before we begin, I would like to remind all participants that some of the statements we will be making today are forward-looking. These matters involve risks and uncertainties that could cause our results to differ materially from those projected in these statements. For more information, please refer to our latest 10-K filing and other SEC filings, which can be found on our website.

Our comments today also include non-GAAP financial measures. Additional details and reconciliations to the most directly comparable GAAP financial measures can be found in our third-quarter earnings press release, which is on our website.

With that, I will turn the call over to Olivier.

Olivier Le Peuch - *Slb NV - Chief Executive Officer, Director*

Thank you, James. Ladies and gentlemen, thank you for joining us on the call.

I'll begin today by discussing our third-quarter performance, then I will describe the near-term outlook for oil and gas markets. And finally, I will share our guidance for the fourth quarter. Stephane will then provide more details on our financial results and the structure of our new Digital division. After that, we'll open the line for your questions.

Let's begin. Our third quarter unfolded in line with expectations as we achieved sequential revenue growth driven by the addition of two months of activity from ChampionX, our Digital business, and the resilient performance of our Core.

In the international markets, revenue rose 1% sequentially, with notable increases in several countries across the Middle East and Asia. Across this region, sequential growth was seen in Iraq, the United Arab Emirates, Oman, Egypt, China, East Asia, Indonesia, Australia, and India, alongside broader improvement in offshore activity across Guyana, Sub-Saharan Africa, and Scandinavia.

Meanwhile, revenue in North America grew 17% sequentially. This was driven mainly by the contribution of ChampionX, followed by higher offshore activity, which more than offset a decline in US land activity as US shale operators focus on further efficiency gains and cash preservation during the quarter.

We also experienced strong growth in our data center solution business, extending our reach with hyperscalers to a new market for SLB. This quarter marks the first time we have disclosed our data center revenue, which has more than doubled year on year. Looking ahead, we foresee expansion beyond the US, along with the onboarding of new customers.

Next, let me discuss the performance of our divisions. I'll begin with Digital. This is the first quarter we are reporting Digital as a standalone division. As you have seen in our release this morning, our Digital business is comprised of four categories where SLB offers solutions that help unlock productivity for geoscientists and engineers, drive a step change in efficiency and safety in operations, and help our customers in delivering better wells and higher producing assets. The solutions embedded in Platform & Applications, Digital Operations, Digital Exploration, and Professional Services, each of which Stephane will describe in more detail a little later in this morning's call.

Specific to the third quarter, Digital revenue increased 11% sequentially. This was driven by a 39% increase in Digital Operations, which enables digital services and automation capabilities, augmenting our offering from our Core divisions. Of note, automated drilling footage increased by more than 50% year on year. This was also supported by the addition of new connected assets from ChampionX.

Following the integration, we now have a combined total of more than 20,000 connected assets deployed in the field, providing additional digital insights and optimization for our customers. One of the reasons digital operations is such an exciting growth is because it presents the opportunity to enhance every service and piece of equipment that we deliver by embedding digital capabilities that enhance performance and unlock the power of autonomous operations — creating an adjacent and fast-growing digital market that strengthens our Core offering.

In the earnings release published this morning, you will have seen a broad range of examples of Platform & Applications being adopted by customers across all basins, customer types, and life cycles. These examples demonstrate global reach of our digital brand, the impact of our platform strategy and the emergence of AI as a transformative force in our industry.

This quarter, for example, we secured key contract awards for our OptiSite™ production suite, which enables customers to process comprehensive data streams through cloud-based applications to drive productivity and efficiency across assets and facilities in the field.

We've also announced a collaboration with AIQ to deploy its ENERGYai agentic AI solution for ADNOC, powered by SLB Lumi™ data and AI platform. These are meaningful milestones that speak to the momentum behind our Digital business, and you can expect to hear more announcements in the weeks ahead that further demonstrate the impact and scale of these solutions.

Turning to the financial performance of this business. We expect our Digital revenue to continue growing at a rate that visibly outperforms global upstream spending and that exceeds the growth rate of our Core business by double digits. At the same time, we expect Digital to continue delivering highly accretive margins to the company.

In the Core, I was very pleased with the resilient performance of this quarter, given the challenging macro environment. Excluding the impact of the ChampionX contribution, the Core divisions of Reservoir Performance, Well Construction, and Production Systems were essentially flat sequentially. This demonstrates how our global footprint and broad portfolio help us to navigate regional uncertainties and offset localized headwinds.

Specific to our Production Systems division, we are already benefiting from the addition of ChampionX, which delivered revenue growth and margin contribution ahead of expectations. We are very pleased with the integration so far. And in addition to the strong delivery of the team, we continue to receive positive feedback from our customers.

For example, we recently delivered a combined ESP run using a ChampionX pump with an SLB induction model for a main operator in the Permian Basin. By bringing together these two best-in-class technologies, we improved performance for unconventional wells and enabled faster installation, reducing downtime, and strengthening project economics for our customer.

And in the Middle East, we have received several contract awards for artificial lift, well testing, and production chemical technologies that leverage the combination of SLB and ChampionX solutions and engineering capabilities.

Moving forward, in the context of tighter industry economics and mounting pressure from production declines, our customers are placing greater emphasis on production and recovery solutions to unlock additional barrels at the lowest possible cost and with maximum capital efficiency. This presents an exciting growth opportunity for companies who can offer solutions and technology to optimize production and maximize recovery from maturing assets, and technology will be the key. This is where SLB has a distinct advantage and why we have made production and recovery a strategic focus for our business.

By combining our deep subsurface expertise, the industry's broadest lift, intervention, and chemical technology portfolio, with unique integration and digital capabilities, we offer a differentiated value proposition to our customers. This offering now includes ChampionX, which brings unique technical capabilities and strong track record of customer success, from production chemicals to artificial lift, enhanced with digital capabilities.

And we continue to develop our portfolio with strategic investments, including our recent acquisitions of RESMAN Energy Technology and Stimline Digital. Altogether, our production and recovery offering adds another level of growth to our business. With combined exposure to CapEx and OpEx spend, complementing our leadership in upstream exploration and development.

Now turning back to our quarterly results and considering the market conditions we faced during the past few months, I'm pleased with our performance. We achieved resilient results across the Core divisions, delivering early success with ChampionX and continuing the momentum in Digital, and there are several bright spots on the horizon.

Thank you to the entire SLB team, including our new colleagues from ChampionX for your excellent contribution this quarter.

Next, I will discuss the ongoing macro environment and the near-term outlook for oil and gas markets. In an environment with increasingly challenging commodity prices and uncertainty on the demand-supply balance, the industry has so far proven disciplined and most long-cycle and international activity demonstrating resilience. While it is difficult to predict the exact outcome of further production increases and ongoing geopolitical developments, the fundamentals for oil and gas remain constructive.

Global inventories still reside at multiyear lows and the need to offset natural production decline accounts for nearly 90% of annual upstream investment. These dynamics create a supportive environment for stable investment in near to midterm, barring a dramatic shift in commodity prices. Against this backdrop, with the exception of three to four well-known markets where activity has recessed, global activity has stabilized with many locations still on the rise.

To touch on international markets, many countries remain poised for investment growth tied to long-term capacity expansion plans and assurance of energy supply, particularly for gas. Notably, while OPEC+ production release are currently being filled using capacity behind the pipes, additional

release will eventually require new infill drilling or new development to meet the higher supply output from these countries. This presents a positive catalyst for activity in member countries and reinforces the potential for higher activity in 2026.

Specific to deepwater markets, the pipeline remains very healthy with favorable economics. We expect further investments in countries across the Atlantic, supported by oil; and in Asia, driven by gas. And while short-term scheduling uncertainties have resulted in white space, particularly in Sub-Saharan Africa, we expect this to progressively disappear as there are a number of FIDs planned for 2026 and early 2027.

Meanwhile, in North America, operators continue to prioritize production maintenance as a result of commodity prices, underpinned by efficiency improvements, leading to muted activity in the near to midterm. In this context, considering current industry dynamics and commodity price environment, we believe the conditions are set, when the supply-demand rebalances, for the international markets to lead the future activity rebound, and SLB is well positioned to benefit from such an event.

Now that we have discussed the market conditions, let me describe how we see the fourth quarter unfolding for our business. We expect that we'll achieve a sequential step up in results in the fourth quarter of high single-digit topline growth as we report a full quarter of ChampionX and generate seasonally higher year-end digital and product sales. With the third-quarter results behind us, we're now in a position to consider that second half revenue will be within the midpoint of our previous guidance range of \$18.2 billion to \$18.8 billion.

We also expect the fourth-quarter adjusted EBITDA margin to expand 50 to 150 bps sequentially. This was driven primarily by increased earnings contribution from both Digital and Production Systems end-of-year sales, including a full quarter of ChampionX results and fully restored operations on our APS Ecuador assets.

Specific to the Digital business, we expect a significant increase in the fourth quarter on seasonally higher sales across the portfolio. As a result, we believe our Digital division will be able to achieve double-digit growth year on year with EBITDA margin reaching 35% on a full-year basis.

Overall, SLB continues to demonstrate resilience in navigating the challenging market environment. And our strength in Digital, coupled with our growing presence in the production and recovery space, will expand our leadership in the sector and help us drive positive outcomes for customers.

I will now turn the call over to Stephane to discuss our financial results in more detail.

Stephane Biguet - *Slb NV - Chief Financial Officer, Executive Vice President*

Thank you, Olivier, and good morning, ladies and gentlemen.

Third-quarter earnings per share, excluding charges and credits, was \$0.69, which represents a decrease of \$0.05 sequentially and \$0.20 when compared to the third quarter of last year. We recorded \$0.19 of charges during the third quarter. This includes \$0.12 of merger and integration charges, largely related to the ChampionX acquisition that we closed during the quarter, as well as approximately \$0.04 related to workforce reductions and \$0.03 related to the impairment of an equity method investment.

Overall, our third-quarter revenue of \$8.9 billion increased \$382 million or 4% sequentially. I recognize that there are a lot of moving pieces this quarter. So let me bridge our Q3 revenue to Q2 at a high level. \$579 million of the sequential revenue increase comes from the two months of activity we recorded this quarter from the acquired ChampionX businesses.

This increase was partially offset by the loss of approximately \$100 million of APS revenue due to production interruptions arising from a pipeline disruption in Ecuador and the absence of approximately another \$100 million of revenue following the divestiture of our interest in the Palliser APS project in Canada at the end of the second quarter. In other words, after considering the revenue contribution from ChampionX and the impact of the lower APS revenue due to the two factors I just mentioned, revenue was essentially flat on a sequential basis.

Our pretax segment operating margin declined 32 basis points sequentially to 18.2%. The impact of the two months of ChampionX was accretive to these margins, as ChampionX contributed \$579 million of revenue and \$108 million of pretax income in the quarter.

Company-wide adjusted EBITDA margin for the third quarter was 23.1%, representing a sequential decrease of 92 basis points. The effect of the pipeline disruption in Ecuador negatively impacted our EBITDA margin by approximately 60 basis points. In addition, the divestiture of our interest in the Palliser project resulted in a further 30 basis points reduction.

I will now go through the quarterly results for each division. And let me begin by sharing more detail about our new Digital reporting structure. As Olivier described earlier, Digital is a fast-growing business, and SLB is at the forefront of this industry transformation. We expect our Digital business to grow faster than our Core business for the foreseeable future with margins visibly accretive to the rest of the company. As such, our intent is to increase transparency around our Digital business and better highlight its strategic value.

To do this, we are now reporting Digital as a standalone division. At the same time, our APS business is now being reported in the All Other category, together with our Data Center Solutions and SLB Capturi businesses.

To provide you with better insight into these reporting changes as well as the impact of ChampionX, we have included supplemental pro forma financial information going back to the first quarter of 2024 as an exhibit to the Form 8-K we filed this morning for our earnings press release.

Getting back to Digital. Revenue is captured and will be reported across four categories where SLB offers solutions for our customers: Platforms & Applications, Digital Operations, Digital Exploration, and Professional Services. Let me briefly describe each of these categories. Additional details can be found in Question 11 to the FAQs at the back of our earnings release.

The first category is Platforms & Applications. Platforms & Applications include SLB's cloud technologies, such as the Delfi™ and Lumi™ platforms, along with a suite of specialized domain-focused applications such as Petrel™ and Techlog™ offered as SaaS subscription or perpetual licenses. These platforms and applications automate complex models, unlock data and utilize AI and machine learning to reduce cycle time and improve efficiency of workflows. This allows our clients to make better, faster decisions to improve their project economics and reservoir performance.

With the exception of one-off license sales, revenue in this category is recurring in nature, underpinned by a globally installed software base built over four decades and complemented by growing adoption of cloud-based capabilities and IoT-enabled solutions. As a result, Platforms & Applications has high retention rates and very limited churn, as illustrated by the fact that the net revenue retention rate was 103% at the end of the third quarter. This represents the percentage of recurring revenue retained from our existing customer base over the last trailing 12 months, relative to the prior trailing 12 months.

The second category is Digital Operations, which combines the unique strength of SLB's core oilfield services and products with advanced digital technologies to deliver more reliable and more efficient field operations. By integrating connected solutions with Performance Live™ digital service delivery centers, customers gain real-time monitoring, remote decision making, and automated execution across their workflows from autonomous drilling to automated well intervention. Revenue in this category is generated from the same client base as our Core divisions and is, therefore, repeatable. Additionally, a portion of the revenue is recurring in nature.

To incentivize the three Core divisions — Well Construction, Reservoir Performance, and Production Systems — and Digital to develop and promote this offering, the resulting revenue is recognized in both the respective Core division as well as in the Digital division. This revenue is then eliminated in consolidation.

The third category is Digital Exploration. Digital exploration represents our exploration data business. Our differentiated library of seismic surveys and other subsurface data covers key exploration and producing basins worldwide. These licensed datasets are refreshed and reprocessed to benefit from the latest imaging algorithms and AI technologies enabled by high-performance cloud computing. Revenues are generated from one-time non-transferable license sales and are therefore non-recurring in nature.

Professional Services makes up the fourth revenue category. This includes consulting and other services required to support our clients' digital transformations. These services include transition support from on-prem to cloud-based digital solutions, data cleanup and migration, and workflow automation, including deployment of solutions built using our global network of Innovation Factories.

Professional Services revenue is largely project-based, and repetitive engagements with the same customers are common. These services generate pull-through opportunities across the other Digital revenue streams.

In addition to reporting revenue across each of these four categories, we will also share annual recurring revenue, or ARR, on a quarterly basis. ARR represents the annual value of recurring subscription and maintenance revenue from Platforms & Applications, along with the recurring portion of Digital Operations, providing a measure of predictable revenue over the next 12 months.

Now that I have described our Digital reporting structure in more detail, I will walk through our third-quarter Digital results. Third-quarter Digital revenue of \$658 million increased 11% sequentially, and adjusted EBITDA was \$215 million, reflecting a margin of 32.7%, up 123 basis points sequentially.

Third-quarter sequential revenue growth was driven by robust sales of digital exploration coupled with increased Digital Operations. It also reflects two months of activity from ChampionX, which contributed Digital revenue of \$20 million. Annual recurring revenue stood at \$926 million at the end of Q3, representing year-on-year growth of 7%, highlighting our ability to continuously expand our offerings in Platforms & Applications and Digital Operations as well as secure new customers.

Turning to the Core divisions, Reservoir Performance revenue of \$1.7 billion declined 1% sequentially as higher activity in Europe and Africa was more than offset by lower revenue in the Middle East and Asia, primarily in Saudi Arabia. Pretax operating margin of 18.5% was essentially flat sequentially.

Well Construction revenue of \$3 billion was flat sequentially as higher revenue in offshore Guyana and North America were offset by lower drilling activity in Saudi Arabia and Argentina. Margins of 18.8% were essentially flat sequentially.

Production Systems as-reported revenue of \$3.5 billion increased \$542 million or 18% sequentially. This reflects two months of activity from the acquired ChampionX production chemicals and artificial lift businesses, which contributed \$575 million of revenue. Pretax operating margin of 16.1% declined 66 basis points sequentially, driven by an unfavorable geographic mix in completions and lower subsea margins. This decline was partially offset by the accretive margin contribution from ChampionX.

On a pro forma basis, Production Systems revenue of \$3.8 billion was flat sequentially with lower completion sales, offset by increased sales of valves and production chemicals. While it is still early days, we are quite pleased with the performance of ChampionX, which recorded another quarter of year-on-year revenue and margin growth, demonstrating the resilient nature of this production and OpEx-based business.

Going forward, these results will be further enhanced by \$400 million of annual pretax synergies that we expect to generate within the first three years after closing. We will remain confident that we will be able to realize 70% to 80% of the synergies within the first 24 months of the transaction. As a result, we expect the transaction will be accretive to both margins and earnings per share on a full-year basis in 2026.

Now turning to our liquidity. During the quarter, we generated \$1.7 billion of cash flow from operations and \$1.1 billion of free cash flow. These amounts include the payments of \$153 million of acquisition-related items during the quarter.

Capital investments inclusive of CapEx and investments in APS projects and exploration data were \$581 million in the quarter. For the full year, we still expect capital investments, including the impact of ChampionX to be approximately \$2.4 billion.

We expect that following our historical patterns, free cash flow will increase in the fourth quarter on the back of lower inventory as a result of year-end product sales as well as higher customer collections. The extent of the sequential step-up in free cash flow will largely depend on cash collections in certain countries.

And finally, we repurchased \$114 million of our stock during the quarter, which brings our total stock repurchases to \$2.4 billion on a year-to-date basis. When combined with our \$1.6 billion dividend commitment for the year, this will result in us returning a total of \$4 billion to our shareholders for the full year.

I will now turn the call back to Olivier.

Olivier Le Peuch - *Slb NV - Chief Executive Officer, Director*

Thank you, Stephane. Meghan, I think we are ready to open the floor for the questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Dave Anderson, Barclays.

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

The IEA put out a report highlighting the increased global decline rates and the need to spend capital just to offset these barrels each year. You now have ChampionX in the fold and you've created really what is to be the largest production-focused business in services. When we think about chemicals, lift, subsea, something like 40%, 45% of your revenue.

Can you talk about how you see this part of your business growing? I'm a little confusing when I think about your Core business because this seems a little bit different, but how are you thinking about this part of your business growing particularly with deepwater development ramping up?

And I'm just wondering, are you thinking the production should outpace upstream-driven part of your portfolio through the end of the decade? Is that the right way to think about it in terms of the opportunity set?

Olivier Le Peuch - *Slb NV - Chief Executive Officer, Director*

I think the right way to think about it, first is what a customer is looking for. And I think as you pointed out, I think it's clear that the natural decline that are waiting on the industry that have to be offset not only by infill drilling and new development but increased recognition by the -- in the customer that production and recovery is a new theme that needs reinvestment, that needs technology, that needs innovation, that needs integration, and that needs capability to lift and increase production, enhanced recovery through technology, through disruptive solution, I think the industry needs.

So we are positioning ourselves with this acquisition of ChampionX to not only address both the OpEx and the CapEx market as a larger market and hence, as a larger share of the wallet of our customers, but also as a more resilient space as the OpEx is indeed growing as -- has been growing at a higher pace than CapEx lately, and we continue to do so.

But what is more important, I believe, is that we are able to unlock a new solution because we have the broadest portfolio with this addition. We have the broadest lift portfolio where we have the largest intervention portfolio in the market. And we have now science in chemistry and capability industry that not only touch the production from the well up to the process, but also the reservoir.

And I think when combining this established integration capability of Digital, I think we have something that I think the industry was looking for. And I think the customer feedback we are getting is actually extremely good because they're all focusing increasingly on production and recovery as a way to add to their production target.

And it's an "and," it's not an "or." The "and" of upstream exploration and development will be complemented by production recurring. It's a market that will expand long term and this market, we believe we have a leadership position that we have established.

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

And so shifting over to Digital. I'm thrilled to see a breakout here. I have a million questions here. I'm going to try to keep it to a handful of things to focus on.

Stephane, you talked that we have the four different segments here. I was wondering if you could kind of just talk a little bit about how we should be thinking about those four segments, how they should be trending and kind of what the drivers are for those four sites, I guess, the exploration part, but kind of the rest of it.

And then secondarily, you highlighted \$900 million in recurring revenue year to date, up 7% from last year. I'm just curious, are you expecting this to accelerate? Do you think it was going to grow more or less this year? And how should we think about that going forward?

Stephane Biguet - *Slb NV - Chief Financial Officer, Executive Vice President*

So the -- thanks for all the questions. Indeed, it's a lot of additional info. So the ARR above \$900 million already. Yes, it's growing, and we clearly anticipate this to continue growing as we not only offer more to our existing customers but also secure new customers. So probably going into Q4, we can be looking probably at a high-single-digit growth for ARR.

And -- and with the kind of number you see now, we are not too far, I believe, from getting into next year, getting to \$1 billion of ARR, which really provides a very good baseline of revenue. For the rest of your questions, I will pass it to Olivier.

Olivier Le Peuch - *Slb NV - Chief Executive Officer, Director*

Yeah. No, thank you, Stephane. No, Dave, clearly, I think, yes, there's a different dynamic for the four buckets. But I think if you have to look at the Platform & Application, these were the customer adoption and expansion of our offering will give us the opportunity to continue on our journey to accompany our customers from the -- across the subsurface, across production and drilling, and across their data and AI capability.

So the expansion of AI into that space, and you have seen several announcements during the -- in the earnings press release this morning, showing that this is the early innings will be a driving force for further growth.

The deployment of clouds, both hybrid and public cloud continuation of our platform transition that we have sent. And the continuing adoption of the capability we keep adding to our offering, the application you have seen. So this is all about customer adoption. They had a technology transition from desktop to cloud to AI.

Secondly, the Digital Operation is all driven by adoption of -- for every well we touch, for every product equipment we deliver, we'll continue to add digital services, automation, autonomous capability to complement this offering. So this will be added to the Core. It's jointly to the Core, but it's an exciting adjacent space to the Core that we grow and fast-paced growth ahead of the core. You have seen this quarter, you have seen the year on year, we're talking about 50% year-on-year growth. This is remarkable.

The Digital Exploration is linked to exploration market, but it's increasingly becoming digital because the customer recognized they need to use more digital insights before they drill the first well. Hence, it would believe and it will be up and down, highly variable from quarter to quarter, but yet trending in our opinion, positively.

And turning to service, Professional Services, I think, are here to support the three buckets and I hear the capability we put inside the customer office ahead of the large engagement or consulting engagements or doing transition of that data space into our offering. This is what drives this. So it's a different driver. But altogether, we believe over time, this will all be positive, leading to each other to create a sustainable growth going forward, as you say, outpacing the CapEx spend.

Operator

James West, Mellus Research.

James West - *Melius Research LLC - Equity Analyst*

So curious on two key markets here for you guys, where you have a nice dominant position. I'd love to get your thoughts on. First is deepwater. As we look out into '26, obviously, it's been very resilient although some white space, but it looks like we're going to hit a lot of campaigns next year. I just love to hear your thoughts on how we should think about that unfolding in Schlumberger's position or SLB's, excuse me, position.

Olivier Le Peuch - *Slb NV - Chief Executive Officer, Director*

No. First and foremost, I think deepwater remains easy to stay and easier to grow as a market. It has several economics, and it is seen as a place to invest to unlock new resource. You see its not only development, FID, but it's also exploration. Deepwater is going on and is steady and is growing.

So now if we look at the activity and the schedule of the rigs that we foresee going forward, actually, we are foreseeing that the white space that developed in the last 18 months are starting to dissipate. And we are at -- we believe from a rig activity -- drilling activity we may say that we are at bottom this quarter in Q4 of 2025.

We expect, although very gradual, we expect the strengthening of the rig activity to support this -- both exploration and development FID come in the pipeline with a gradual strengthening and uptick in the later part of the year that is currently scheduled and strengthening further in 2027.

And we see it from the call from our customers to prepare the subsea pipeline that correspond. We are happy with our subsea position. We'll be closing the year with growing both our booking and backlog to be ahead of last year, both, and to place us to a position where subsea should grow not in '26, but materially in 2027 as a consequence of this pipeline.

So we are confident that it's on the horizon. And I think we'll start to see the strengthening happening step by step.

James West - *Melius Research LLC - Equity Analyst*

Got it. Okay, that's great. Thanks for that, Olivier. And then the other market, the Kingdom of Saudi Arabia has gone through some gyrations here in recent quarters. But it seems to me like at least we may have found somewhat of a bottom and maybe looking to add activity next year. Is that consistent with what you're seeing in that market? I know it's a sizable market for yourself.

Olivier Le Peuch - *Slb NV - Chief Executive Officer, Director*

I would comment on the activity. I think it is our assessment indeed that we have reached a stabilized activity if not bottom in the current level of activity we see. And we are anticipating a likely rebound in near to midterm.

And directionally, we are anticipating that we should expect increased activity in the first half of 2026 for both gas and oil for different drivers. Gas to continue to support the expanded capacity commitment to 2030 and then unconventional reservoir and other assets in the country.

And for oil in relation with supporting the extra supply that is delivered to the market an assurance of supply to intervention and possibly to some additional oil drilling as well.

Operator

Scott Gruber, Citi Research.

Scott Gruber - *Citi Infrastructure Investments LLC - Analyst*

I want to ask about the data solutions business. So the data center solutions business, it's growing pretty quickly here. It's actually becoming really sizable. Can you talk about the strategy for the business? Is it in here to develop a skill set and take a global as data center construction goes global? And overall, how do we think about the growth of the data center solutions business in '26 and beyond?

Olivier Le Peuch - *Slb NV - Chief Executive Officer, Director*

Yeah, I think it's early days, and we're very pleased with the market position we gain in very fast pace. I think based on our first, our relationship and partnership that hyperscalers have given us the opportunity to step in into that market, building on our manufacturing engineering process technology and global supply and logistics that I think we have pulled to make it a reality.

Now going forward, yes, the ambition is to expand beyond the US footprint we have established, and we already have a pipeline of expansion here in Asia has been agreed and to also expand to more customers and diversify our hyperscalers and colocators, as we call them, to complement our offering.

But yes, we will add technology. We'll add the critical technology that make it unique to go beyond the first step we have. So yes, we have an ambition to grow it, to expand customers, to expand geography, to broaden our offering. And remember, this is clearly not driven by oil and gas customers. It's driven by hyperscalers partners that reach out to us to help them respond to this AI boom and data center growth that I think will last beyond these decades, clearly.

Scott Gruber - *Citi Infrastructure Investments LLC - Analyst*

Got it. No, very interesting. It's a bit of a different business. Is it fair to assume that there's little CapEx and balance sheet commitment with the business? Or is there an investment needed to grow this business?

Olivier Le Peuch - *Slb NV - Chief Executive Officer, Director*

Absolutely. Investment is competencies that I think we have at scale in the organization. It's technology, creating a repeatable, scalable modular solutions that differentiate us for fast deployment. And -- but it's not CapEx, no. I think we are not -- this is a very low CapEx intensity business that we have set up here.

Operator

Josh Silverstein, UBS.

Josh Silverstein - *UBS AG - Analyst*

Thanks for the new Digital details here. You have the 7% growth in the annual recurring revenue. Is this growth predominantly coming from new customers? Or growing the new customer base -- sorry, the existing customer base? Obviously, the 100% net retention rate shows how sticky the revenue is, but I'm curious about if you need to keep adding customers to drive that growth going forward.

Olivier Le Peuch - *Slb NV - Chief Executive Officer, Director*

I think we already have 1,500 customers, and I think we have a lot to grow with each customer we have. But yes, we are adding -- we're adding new customers in every new space where we develop technology. I think the Digital Operation, I think, is a discovery for many customers, and we are doing it every day.

The Platform & Application, I think the new offering, Lumi™ data and AI platform, I think, is being delivered fresh launch last Q4 to new customers and as adoption has been already more than 50 customers in less than a year, I think it's remarkable. So I think we are very proud of this.

So it's a combination of enhancing the adoption within customers, developing enterprise solutions, and enhancing the consumption and they bring more to an existing customer set and also expanding and broadening our customer access for part of our offering that we are more confined to a few customers in the past.

So I think we are broadening our offering with more access across all our customers, and we are strengthening for raising large customer, and you have seen announcements in the last and you will see more announcement coming soon on customer adoption, large customer adoption that reflect our success with those customers.

Josh Silverstein - *UBS AG - Analyst*

Great. And then just as a follow-up, I wanted to go back on the EBITDA margin comments that you guys have made. You highlighted it was around 32% for the first nine months, but the -- I think you said you expected to reach 35% for the full year, which implies a very large job towards 45% in the fourth quarter. So I wanted to just picture that was right. And then where you think margins can kind of go to if we look at 2026 versus '25?

Stephane Biguet - *Slb NV - Chief Financial Officer, Executive Vice President*

Yes, yes. We -- I confirm we did say that we think we can reach 35% EBITDA margin for the full year. And yes, it's a step up for the fourth quarter. If you look at actually at the pro forma statements we provided for the -- which includes the Digital division by quarter back to 2024, it's this variability and seasonality is quite common. Actually, we always start very low in the first quarter and margins as well as revenue by the way grow quarter after quarter.

So Q4 is always the best revenue quarter and is always the best EBITDA quarter as well. So we are pretty confident we can get there. And if you look into the future, 35% EBITDA margin is a good baseline to start from basically.

By the way, if I can add something we've not discussed before on the EBITDA margin, except for the -- sorry, Digital Exploration part of it, is a very good proxy for free cash flow. There's obviously no CapEx in the Digital business, again, excluding exploration data.

Operator

Arun Jayaram, JPMorgan.

Arun Jayaram - *JPMorgan Chase & Co - Analyst*

Yeah. That was my question on kind of Digital margins and kind of the capital intensity of that segment. So I was just wondering about as you think about longer-term growth from that segment, I mean you mentioned that you think that it could outstrip the Core business by double digits, I was wondering if you could maybe elaborate on that commentary on growth from Digital.

Olivier Le Peuch - *Slb NV - Chief Executive Officer, Director*

I think there are two components to it. One, as I said, is the adoption of our customers, existing and new customers, we developed in the last question. I think the market expansion itself, the digital is being seen as a critical — mission critical — for many customers to transform the way they operate to add productivity to add efficiency to their geoscientists, engineers, and asset team. And I think this trend is here to stay, and we are leveraging our market leadership to leverage and to continue to grow market position into that superior trend.

But secondly, and I think more importantly or equally importantly, our ability to continue to add digital operation capability, digital growth and hence, this one will outperform the Core because the principle we are sitting here is essentially for every service we provide, for every wellsite we touch, for every equipment we deliver, we will progressively add building on our platform and connecting to our live performance center will add a set of digital services that enhance this offering, that enhance the operation, the performance, and get differentiation, get the customer to create more value.

So this will ultimately and mechanically be growing at a higher rate than the Core because it will be a market penetration of Digital into our Core business. So you add this to the underlying trend of digital transformation with the early innings that we have been witnessing in AI, I think you get the combination that give us the confidence that we will clearly outperform the market growth of CapEx and outperform the Core as a combination.

Arun Jayaram - *JPMorgan Chase & Co - Analyst*

Great. One follow up, Olivier, I wanted to see if you could elaborate on your commentary on what would happen in the recovery. Your commentary suggest you expect that international would lead in a recovery. Historically, it's been North America. So I was wondering if you could maybe just elaborate on that thought behind that commentary.

Olivier Le Peuch - *Slb NV - Chief Executive Officer, Director*

Yeah. I think we believe that the tightened economics that we are under, and we believe we don't see them necessarily changing very much. We see them improving slightly as soon as the demand-supply rebalance. And under those conditions, I think we believe that the situation in North America is such that we don't anticipate significant gain of activity based on the efficiency, traffic curve based on the, I would say, the challenging economics of some basin and also of the continued consolidation happening in this market. By contrast, and international, you have several trends that are here to stay.

I think deepwater as a very solid pipeline that drives the international growth. You have gas and as a security of supply that has led to capacity deployment exploration capacity expansion and on unconventional development internationally. And you still have the commitment to oil capacity expansion. If not, the necessity to offset the decline in many international locations and aging pacing that combined to make international, I would say, getting a better outlook and the first leg for the rebound as activity strengthened.

Operator

Neil Mehta, Goldman Sachs.

Neil Mehta - *Goldman Sachs Group Inc - Analyst*

So sir, I just wanted your perspective on the oil macro and is more of a near-term question. Certainly, the market has flipped into oversupply. And I think with a lot of market participants are trying to figure out, which you have a unique perspective on, is what is the rebalancing mechanism to get the market back into balance? And there are a couple of different levers. Certainly, the US could be part of it and part of it could just be time and demand can grow into it. But how do you guys see the market rebalancing from this current period of oversupply?

Olivier Le Peuch - *Slb NV - Chief Executive Officer, Director*

Yeah. I think first, you have to assume that I think the release of supply that happen -- that have happened, I think will align and moderate and or be managed to not create a further, I think, I would say, further stretch, okay, to the demand supply to the oversupply market. You have to assume this first. And I think that's an assumption we're making.

Secondly, we are making the assumption that indeed, the demand will -- over time, and we are talking about -- we're not talking years, we're talking a months, okay, will catch up. And hence, we believe that with the buffer of supply being behind us or the decline of this excess of supply being behind us. We believe that sometime next year, I think that's one update is that demand-supply will be sufficiently rebalanced to allow the market to have the investment incentive to indeed consolidate from this steady -- steady solution or steady situation in which we are today to start to rebound.

So there are some plus and minus, obviously, increase, based on there is some China adding some silos of liquid inventory. There are some OPEC country that currently are not fulfilling their quota despite the raise, and I think there is some US shale production anticipation that could also be starting to create a deficit of supply on the horizon.

So you combine this and you get a situation where the demand-supply will rebalance itself in the future. And under those conditions, we believe that the drivers of activity will prompt reinvestments and rebound of activity first in the international market.

Neil Mehta - *Goldman Sachs Group Inc - Analyst*

Yeah. Thanks, Olivier. You have a unique perspective to what's going on in the oil market. The follow-up is just on M&A, ChampionX, I think in retrospect, really helped to balance out the portfolio on the production side. Just your extent we are in a period of softness, do you see an opportunity for SLB to continue to be a consolidator or given the softness in the equity, do you feel like a more organic approach is the right strategy?

Olivier Le Peuch - *Slb NV - Chief Executive Officer, Director*

I think the first, we are focusing on executing the strategy ChampionX, realizing the benefit of this unique addition to our portfolio to consolidate and execute a production and recovery strategy. And you have seen we have done two more add-on bolt-on strategic acquisition, RESMAN for the tracer technology and used chemistry actually, okay, to enhance and to help enhanced recovery development; and Stimline Digital, which is a technology, digital technology addition to our portfolio and application, cloud application, that helps to plan and execute well intervention for our customers.

So all this pertains to the production and recovery portfolio, and this is one focus that we have. And we believe that aside from bolt-on acquisition, we don't see any further need for consolidating this but executing through integration, through our unique capability set ,and expanding internationally, getting the full benefit of this -- that's our current focus.

Operator

Steve Richardson, Evercore ISI.

Stephen Richardson - *Evercore Inc - Analyst*

I was wondering if you could talk a little bit about the addressable market in Digital. I think you just talked about the longer-term growth. But how should we think about the addressable market? I mean, I think we've seen consultants talk about a mid-\$30 billion number for total revenues in 2030? Or should we think about it as a proportion of total upstream spend? How do we think about the total pie here? And I appreciate that it's various objectives in terms of how you define the -- what is Digital and what is --

Olivier Le Peuch - *Slb NV - Chief Executive Officer, Director*

It's very subjective, but I would consider it unconstrained. I will consider that I think the digital solution will create the space for their own. And I believe that the scale of our offering the capability and the opportunity we have, I don't see constraints into the market. So I believe that okay, the growth potential we have from both the digital operation today, if you compare the Digital Operation if you were to do the math, okay. We could say that this represents 1% of revenue of Core, why not 50% of revenue for Core in the future. So that's the way you could look into it, okay.

We have 1,500 customers, only a few portion of them have adopted the platform. We had an early innings of AI. I've seen a handful of announcements on Lumi and AI in this quarter. Why not 1,000 customer using Lumi and AI in the future and using Agentic AI to supplement and get companions to help them execute their workflows with digital capabilities. So this is okay. Digital is a new wireline, I could say, okay.

So I think I believe that you should consider is unconstrained for now, and it's only limited viability to create the right solution that I think the customers are keen to adopt because it has a net impact on their productivity for the geoscientists, has a net impact on the effectiveness and decision making, and it creates value and they recognize the value.

So one-on-one, we'll continue to work and partner with our customers, continue to develop and use our platform to both address the office workflow, the back-office workflow and the digital operation to expand the offering, and we will use the technology portfolio we have at our disposal, both on-premise to public cloud, hybrid cloud, edge, and obviously, accelerate genAI and agentic AI for the future.

So it's unconstrained, and I wouldn't want to put a constraint. I'm just willing to keep supporting our customers into their digital journey, and we believe we are the partner of choice in this regard, and we will continue to lead the industry for our technology, our solutions, and capability of it.

Stephen Richardson - *Evercore Inc - Analyst*

That's great, Olivier. I mean I think a quick follow-up, if I may. On the commercial push here, do you find that you are -- is it fair to assume that you're coming in to your customer and providing a new solution that's outsourcing or replacing something that they're doing internal. Are you finding that you're bidding against a competitor?

And then as a follow-up there, how much of Digital would you think right now is bundled with something that comes out of the Core? So does that create the commercial entry to then make the digital sale? Or should we think about them completely separately?

Olivier Le Peuch - *Slb NV - Chief Executive Officer, Director*

No, I think it's all in. I think we have -- we are the leader in the space and it's recognized with our customers. And I think they work with us, they desire to work with us and partner -- understand how they can get a better use of the product -- the new product they have, most of the product -- most of the customers have one of our products, one of our applications, and they are then sitting with us and we are partnering to see how we can expand and help them go along the journey to adopt more of our offering.

So it's sometimes it complements because you have taken an approach of an open strategy for our platform. It complements what they have, and we are able to preserve and build on what they have developed internally.

Sometimes it sits side by side with competitive offering that is an integral part of their workflows, and we are not here to push everything out to be perceived as a platform integrator in our industry. And yes, it builds on the Core because whenever we are delivering integrated drilling operations and we can offer autonomous geosteering as an option, I think it obviously have a mutual pull-through on the digital to sell this value-added geosteering capability and pull-through of hardware services that get the benefit of a better performance with digital services.

So it's all in. And I think that's the reason why we are optimistic that it will continue to grow at a faster pace than the industry global spend and hence, it's a bright future ahead of us.

Operator

Thank you. I will now turn the call over to SLB for closing comments.

Olivier Le Peuch - *Slb NV - Chief Executive Officer, Director*

Thank you, Meghan. Ladies and gentlemen, as we conclude today's call, I would like to leave you with the following takeaways.

First, upstream oil and gas remains investment remains resilient with pockets of growth in many international markets. SLB's unique global footprint and portfolio provide us with leading exposure to many of these regions and enable us to deliver steady financial results through all market conditions.

Second, the addition of ChampionX is already making a meaningful impact. As customers remain focused on increasing production from existing assets, our expanded portfolio positions us to capture a larger share of their spending and unlock greater value across the production life cycle, both in OpEx and CapEx spend categories.

And finally, our Digital business is a true differentiator for SLB. This is the fastest-growing part of our business, and I look forward to sharing the continued growth of this business through our new Digital Division.

With these strengths, SLB is exceptionally well positioned to continue delivering for our customers and our shareholders, and we look forward to delivering a strong fourth quarter to close the year. With this, I will conclude today's call. Thank you all for joining.

Operator

This concludes today's conference call. You may now disconnect.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2025, Refinitiv. All Rights Reserved.