SLB Second-Quarter 2026 Results Prepared Remarks

James R. McDonald — *SVP of Investor Relations and Industry Affairs*

Thank you, Sarah.

Good morning, and welcome to the SLB Second-Quarter 2026 Earnings Conference Call.

Today's call is being hosted from London, 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 second-quarter earnings press release, which is on our website.

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

Olivier Le Peuch — *CEO*

Thank you, James.

Good morning, ladies and gentlemen. Thank you for joining us.

Today, I will begin with our second-quarter performance. Then, I will discuss the evolving macro environment and strategic growth areas for SLB. And finally, I will close by sharing our outlook for the third quarter and how we will exit the year.

Stephane will then provide additional details on our financial results, and after that, we will open the line for your questions.

Let's begin.

Second Quarter Marked by Broad-Based International Growth

This was a solid quarter for SLB, marked by broad-based international growth and a rebound in North America.

Excluding the Middle East, revenue increased sequentially across all Divisions. This was supported by higher offshore activity in Latin America, including Brazil, Guyana and Mexico; in Europe & Africa, across Scandinavia and Nigeria; and in Asia including China, Indonesia, India, and Australia.

Additionally, we saw a rebound in U.S. land, with higher sales of production chemicals, artificial lift, and valves, driven by strong demand for production and recovery solutions.

In the Middle East, we continued to navigate the conflict during the second quarter while maintaining our focus on protecting our people and facilities across the region. Activity resumed in several countries, although operations in Iraq remained constrained by security challenges.

While uncertainty persists, we continue to work closely with our customers to gradually restore activity. That said, returning to full activity will take time, and the pace of recovery will vary by country, customer and operating environment.

Turning to the Divisions, I was very pleased with the continued momentum in Production Systems and Digital.

In Production Systems, growth was supported by higher demand in artificial lift, valves, surface production systems, and production chemicals, as well as stronger subsea activity, particularly in North America and Latin America. This reflects clear and durable customer priorities: improving production, enhancing recovery, and extending the life of existing assets — which are fully aligned with our increased focus in the Core toward production and recovery.

Production Systems adjusted EBITDA margin returned to above 20%, supported by strong execution. ChampionX also continued to provide accretive margins to Production Systems despite facing cost inflation in chemicals. Notably, ChampionX delivered sequential margin expansion for the third consecutive quarter.

Digital also delivered very strong results, supported by a favorable business mix. This included higher exploration data licenses and transfer fees in Brazil and Indonesia, which helped Digital adjusted EBITDA margin to reach approximately 35% for the quarter. Additionally, annual recurring revenue increased by 15% year over year.

As we shared during our Digital Investor Day last month, the future of our industry is digital. We are confident that the key growth drivers we described during the event — Digital Operations and AI — will continue to build strong momentum across the industry. You can see several examples of recent customer contracts and deployments in the quarterly highlights included in today's earnings press release.

Meanwhile, revenue in Well Construction and Reservoir Performance declined slightly as a result of activity disruptions in the Middle East. However, the impact was largely offset by stronger activity in North America and across other international markets.

Data Center Solutions also continued its strong growth trajectory, with revenue increasing 33% sequentially and 80% year on year. Growth was supported by the addition of new hyperscaler customers and a broader scope of offerings as we evolve beyond manufacturing into data center design, engineering and system integration as exemplified by the recent announcement with Meta.

All in all, this was a strong quarter against a difficult backdrop, with solid financial results and steady progress in our strategy execution.

I want to thank the entire SLB team for delivering these results in a very dynamic market. I continue to be impressed by your performance, your innovation and your commitment to our customers.

Structural Growth Drivers Underpin Upstream Investment

Now, let me turn to the macro environment which continues to evolve, following the disruption in the Middle East.

There are several structural drivers of upstream investment that have been heightened by the conflict in the Middle East. These include the replenishment of commercial inventories and strategic reserves that have been depleted during the conflict, increased efforts to diversify supply and the development of domestic resources to strengthen long-term energy security.

These priorities support a favorable investment backdrop across both short- and long-cycle markets, and they are bringing a renewed focus on exploration to unlock new reserves and on increasing production and recovery from existing assets.

In this context, we expect a range-bound commodity environment that is constructive for upstream investment. Indeed, inventory replenishment and the need to rebuild spare capacity should provide support at the lower end of the range. And at the same time, higher prices will encourage the development of new supply while unlocking new opportunities for our business.

Let me now turn to regional activity dynamics.

The market is starting to exhibit the characteristics of an upcycle. International and deepwater activity is growing, supported by the fundamentals that I have just discussed. Notably, according to third-party reports, final investment decisions for long-cycle projects are expected to increase by approximately 30% year on year in 2026.

This will support higher exploration spending and upstream capex growth across deepwater markets during the second half of 2026, led by Africa. And we expect a more meaningful impact in 2027, with growth extending to Latin America, the Mediterranean and Asia.

Meanwhile, North America land will remain tied to short-cycle market dynamics, including commodity prices, inventory levels and the pace of restocking. Our position in North America has been strengthened by ChampionX and by the increasing need for technology innovation in production and recovery.

In the Middle East, we view the impact as largely transitory. Restoring production to prior levels will require higher service intensity — particularly in well intervention — along with increased equipment demand, infrastructure repairs and realigned shipping logistics.

Based on these conditions and our exposure to international, deepwater, exploration, production and recovery and digital, our outlook for our business into 2027 is compelling.

Pursuing Growth Opportunities

Against this backdrop, SLB's strategy remains closely aligned with our customers' highest investment priorities. In the Core, these include restoring production capacity, developing advantaged resources — including deepwater — and improving capital efficiency.

Beyond the Core, Digital remains both a key enabler of performance and a powerful growth platform for SLB. Data and AI will increasingly touch every part of the upstream life cycle. Our advantage is that Digital is grounded in deep domain expertise and connected to real field operations. We are embedding intelligence into the workflows that matter most — from subsurface interpretation and well delivery to production optimization and autonomous operations.

Finally, we are accelerating our Data Center Solutions strategy around three priorities: diversifying our customer base, expanding internationally and increasing the scale and scope of our offerings.

This quarter we delivered on our strategic pathways, adding new hyperscaler customers to our portfolio, diversifying our end markets across Canada and Asia and expanding our capabilities to include design, engineering and system integration.

At the same time, we continue to leverage our off-site fabrication capabilities, to scale-up in response to accelerating demand and to compress delivery time for our customers.

Our differentiated capabilities have resulted in our backlog growing ahead of expectations, with new contract awards, strong customer engagement and international expansion. This momentum gives us confidence that we will finish the year strong as we have previously guided, and we now foresee that Data Center Solutions will exit 2027 at an annualized revenue run rate exceeding $2 billion.

But this is just the start. Our ambition is to become an industrial technology partner to the data center industry, and our expanding role in design and integration provides a platform to add adjacent capabilities, including decarbonized power and cooling solutions.

These are natural extensions of our domain expertise in process engineering and complex energy systems, and given the pace of market development, we can accelerate this strategy further through partnerships and acquisitions. Examples of this include our recent alliance with Liberty Energy that will combine SLB's modular infrastructure solutions and global market reach with Liberty's behind-the-meter power generation systems, in addition to our pilot with Ormat for next-generation geothermal power development, to support future Data Center demand.

These are exciting steps toward becoming a critical infrastructure partner for the AI economy.

Together, these strategic investments provide SLB a broader and more resilient growth profile for the future — anchored in the Core, accelerated by Digital and expanded through Data Center Solutions.

Third-Quarter and Fourth-Quarter Outlook

Let me now turn to our outlook for the third quarter, followed by our preliminary view of the fourth quarter.

Third Quarter

Turning to our third-quarter outlook, our base case assumes a gradual recovery in Middle East activity, consistent with the pace we observed toward the end of the second quarter as we continued to remobilize operations across the countries affected by the conflict. Based on this trajectory, we expect global sequential revenue growth between 3% and 4%, with adjusted EBITDA margin expansion of approximately 75 basis points.

At the Division level, we anticipate the revenues of the Core Divisions to increase sequentially in the low-to-mid single digits, while Digital revenue is expected to grow in the low single digits.

The heightened tensions recently observed in the Middle East have not had a material impact on current activity. However, we have developed a downside scenario to help model the potential impacts of the ongoing geopolitical volatility.

In the event of a significant re-escalation that disrupts ongoing remobilizations efforts — resulting in flat Middle East revenue — we estimate third-quarter revenue would be approximately $150 million lower than our base-case assumption. This would translate into an adjusted EBITDA headwind of approximately $75 million. The impact of this downside scenario would be concentrated primarily in the Well Construction and Reservoir Performance Divisions.

Fourth Quarter

Looking ahead to the fourth quarter, our preliminary outlook assumes that Middle East activity reaches between $2.1 billion and $2.2 billion, or approximately 95% of the revenue achieved in the fourth quarter of 2025.

Based on these assumptions and supported by the deepwater momentum and the typical year-end Digital and product sales, we would expect fourth-quarter revenue to surpass $10 billion, representing approximately 5% growth year over year.

We would also expect adjusted EBITDA margin to be approximately 24%, in line with the fourth quarter of last year.

While this outlook remains dependent on certain conditions, primarily related to the Middle East conflict, we view it as an encouraging indicator of the underlying strength of the business and believe it would position us well to deliver solid growth in 2027.

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

Stephane Biguet — *CFO*

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

Second-quarter earnings per share excluding charges and credits was 55 cents. This represents an increase of 3 cents sequentially and a decrease of 19 cents, when compared to the second quarter of last year.

During the quarter, we recorded 3 cents of merger and integration charges primarily related to the ChampionX transaction.

Overall, our second-quarter revenue of $9 billion increased 3% sequentially, despite severe disruptions in the Middle East. Strong performance in Latin America, Europe & Africa, U.S. land and Asia more than offset the decline in the Middle East where revenue fell 13% sequentially to $1.66 billion.

Despite the headwinds from the Middle East, our pretax segment operating margin increased 49 basis points sequentially, and our adjusted EBITDA margin increased 83 basis points sequentially.

As it relates specifically to the Middle East, while the revenue shortfall was close to our expectations, we took some temporary cost actions to alleviate the detrimental effect on our earnings. As a result, the sequential impact on our earnings per share was slightly below the low end of the 6-to-8-cents range that we originally indicated for the second quarter.

Let me now go through the second-quarter results for each Division.

Second-quarter Digital revenue of $697 million increased 9% sequentially, driven by higher digital exploration revenue and higher sales in Platforms & Applications.

Digital pretax operating margin of 27.8% expanded 683 basis points while adjusted EBITDA margin of 34.7% increased 860 basis points. These increases were due to higher sales of exploration data licenses and transfer fees as well as improved profitability in Digital Operations and Platforms & Applications.

Reservoir Performance revenue of $1.6 billion declined 2% sequentially while pretax operating margin of 14.9% decreased 121 basis points. These decreases were primarily due to operational disruptions related to the Middle East conflict.

Well Construction revenue of $2.7 billion decreased 2% sequentially, primarily as a result of the disruptions in the Middle East partially offset by higher drilling activity in Latin America.

Pretax operating margin of 15.2% was essentially flat sequentially, as lower profitability in the Middle East was offset by improved profitability in North America and Latin America.

Finally, Production Systems revenue of $3.8 billion increased 7% sequentially, driven by higher revenue from OneSubsea as well as increased sales of artificial lift, valves, surface production systems and completions.

Production systems pretax operating margin increased 138 basis points to 15.5% primarily due to improved profitability in OneSubsea and artificial lift. The margin also benefited from the accretive contribution of ChampionX's production chemicals and artificial lift businesses.

Now turning to our liquidity.

We ended the quarter with net debt of $8.7 billion.

We generated $1.4 billion of cash flow from operations and free cash flow of $716 million during the quarter. This represents a $739 million increase in free cash flow compared to the last quarter, which is largely due to seasonal improvements in working capital, including the absence of the annual employee incentive payouts in the first quarter.

Consistent with our historical trends, we expect our free cash flow in the second half of the year to be materially higher than in the first half on improved earnings, higher customer collections and lower inventories.

Capital investments, inclusive of capex and investments in APS projects and exploration data were $643 million in the second quarter.

For the full year, we still expect capital investments to be approximately $2.5 billion.

During the quarter, we repurchased $648 million of our stock and still expect to repurchase a minimum of $2.4 billion for the full year, in line with 2025.

Lastly, we are still targeting to return more than $4 billion to our shareholders in 2026 through a combination of dividends and stock buybacks.

I will now turn the conference call back to Olivier.

Olivier Le Peuch — *CEO*

Thank you, Stephane.

Ladies and gentlemen, we will now open the line for your questions.

Olivier Le Peuch — *CEO*

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

First, the market is beginning to exhibit the characteristics of an upcycle. The need to replenish inventories, diversify supply, develop domestic resources and rebuild spare capacity is supporting increased customer investment across both short- and long-cycle markets. This will drive higher activity — with deepwater, in particular, expected to accelerate into 2027. Combined with the increased activity that will be required to restore production capacity in the Middle East as conditions allow, these dynamics create a compelling outlook for our Core business.

Second, we continue to capture exciting growth beyond the Core. Our Digital and AI solutions are becoming increasingly critical to our customers' operations, while Data Center Solutions is expanding our reach into critical infrastructure for the AI economy. Both businesses are gaining momentum, extending our capabilities into new markets, and creating additional avenues for long-term growth.

And third, we are well positioned to capture the opportunities ahead. Our leadership in international and deepwater, combined with our expanded capabilities in production and recovery, align SLB with where our customers are directing investment. And as the cycle strengthens, we expect this position to translate into differentiated growth and performance.

With this, I will conclude today's call. Thank you all for joining.