SLB First-Quarter 2026 Results Prepared Remarks

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

Thank you, Meghan.

Good morning, and welcome to the SLB First-Quarter 2026 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 first-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.

Ladies and gentlemen, thank you for joining us.

Before we begin, I would like to acknowledge our people, customers and partners in the Middle East as they navigate this challenging and uncertain time.

Our strong presence in the region dates back more than 85 years, and I am proud of the resilience and unity demonstrated by our people as they work in lockstep with our customers to safeguard our teams and assets while preparing for the eventual resumption of operations. I want to commend the entire SLB team for their continued care, commitment and support for one another and for our customers.

Turning to today's call, I will start with our first-quarter performance, followed by an update on the evolving situation in the Middle East and our outlook in the mid- to long-term. I will then cover our strategic initiatives, including ChampionX, digital, and data centers, and provide our thoughts for the second quarter.

Stephane will then take you through the financials, and we will open the line for your questions.

Let's begin.

First Quarter Shaped by Geopolitical Developments

It was a challenging start to the year, marked by severe disruptions in the Middle East that impacted our first-quarter revenue and earnings.

At the onset of the conflict, customer decisions to safeguard personnel and assets led to an initial wave of operational shutdowns. As the conflict persisted, further activity curtailments followed as a result of production shut-ins.

The impact of these actions was most pronounced in Qatar, due to force majeure and the suspension of offshore operations, and in Iraq, due to security conditions. We also experienced a more gradual impact from offshore rig shutdowns in other countries in the region, driven by a combination of security concerns and export capacity disruptions.

In addition to the situation in Middle East, unfavorable activity mix and higher costs further weighed on the quarter, most notably in SLB OneSubsea™.

Looking across the Divisions, Productions Systems and Digital grew year-on-year, while Reservoir Performance and Well Construction declined mostly due to the impact of the conflict.

In Production Systems, year-on-year revenue increased 23%, due to the acquisition of ChampionX, which continues to deliver accretive growth. Additionally, we are on track to achieve our synergies target. On a pro forma basis, ChampionX also grew year on year, demonstrating the increasing demand in the production market.

Turning to Digital, revenue increased 9% year on year, driven by strong uptake in Digital Operations. Of note, automated footage drilled increased by 145% year on year as customers continue to adopt digital and AI-powered solutions to boost operational performance and efficiency.

Also, Data Center Solutions remained a bright spot, with 45% growth year on year. The momentum in this area continues, as you saw with our recent announcement to serve as the modular design partner for NVIDIA DSX AI factories. With our growing backlog, we remain on track to exit the year at a $1 billion run rate and expect the growth rate to accelerate in 2027.

Overall, despite the challenges of the quarter, I am pleased that the strategic decisions and portfolio actions we are taking in Digital, Data Center Solutions, and Production and Recovery are delivering results.

I would like to express a big thank you to our teams in the Middle East and across the world, who continue to deliver each day for our customers in this very dynamic environment.

Evolving Market Dynamics

Now, let me turn to how we expect the market to evolve as the conflict in the Middle East is resolved. Firstly, we anticipate that oil prices will settle at levels above the preconflict baseline. This reflects the new balance of liquid supply and demand, which has been significantly altered by more than 500 million barrels of lost production impact thus far.

In this environment, energy security will remain at the forefront. We expect many countries to accelerate efforts to diversify supply, strengthen domestic resource development, and rebuild strategic and commercial inventories that have been drawn down during the conflict. In short, the fragility of the global energy complex we are witnessing today demonstrates the strategic importance and long-term value of oil and gas.

Together, these dynamics are expected to support a constructive macro environment for upstream investment over the coming years.

In the near term, activity will be led by efforts to restore production capacity across the Middle East for both oil and gas. While some countries executed orderly shut-ins and should be able to resume production within days or weeks, other areas — particularly where disruptions were more abrupt — may require a more gradual ramp-up, including additional well intervention.

As a result, while the near-term recovery will be gradual and differ across countries, we see an upside in the outlook, barring demand destruction from a prolonged conflict. We are committed and ready to support our customers across the region.

Beyond the region, we expect a broad-based response across both short- and long-cycle investment.

Short-cycle activity is likely to strengthen first, particularly in North America and parts of Latin America, where operators can respond quickly to higher prices. In addition, well intervention activities that can yield additional production will get a natural boost across all basins.

At the same time, we expect renewed momentum in long-cycle developments, especially in offshore and deepwater markets, as customers look to secure durable, large-scale sources of supply. This is also likely to improve certainty of offshore FID approvals, while also supporting increased exploration activity.

As we can read in third-party reports, the FID pipeline in 2026 is strengthening and directionally heading over $100 billion total investment approval, visibly ahead of the last two years, and with another step-up expected in 2027, with deepwater resource getting a large portion of these investments.

Regionally, this presents opportunities in Africa, Asia and Latin America.

Africa represents one of the most compelling long-term opportunities, with a significant base of underdeveloped oil and gas resources. We expect portfolio allocation to shift more favorably toward this region over time.

Asia will continue to prioritize access to gas, both onshore and offshore, as it works to diversify supply through development of national resources.

And across Latin America — from Guyana to Brazil to Suriname — we see continued strength in deepwater developments, complemented by short-cycle growth in unconventionals in Argentina. Separately, Venezuela continues to represent an exciting growth opportunity where we can expand on our existing operations in country.

To conclude, in the context of energy security and the rebalancing of supply and demand, we see three primary drivers of increased investment over the coming years.

First, the replenishment of depleted commercial inventories and strategic reserves. Second, the diversification of supply, including greater redundancy in sourcing. And third, increased emphasis on developing local resources to enhance long-term resilience.

Our Core business will benefit from these dynamics, supporting a positive outlook for SLB into 2027 and 2028.

Strategic Initiatives

Let me now describe the additional strategic growth levers for SLB: production and recovery, digital and data centers.

Starting with production and recovery — this is becoming increasingly critical as the industry faces structural challenges in replacing reserves and sustaining production from existing assets. In this context, technologies that enhance recovery and extend the life of mature fields are no longer optional — they are essential.

Against the macro we just discussed, this is a defining moment for production and recovery. These technologies have the potential to shape the next stage of recovery in unconventional assets and to create a step-change in production enhancement in every basin and resource play, from deepwater to conventional and from gas to oil.

With ChampionX, we are uniquely positioned to lead in this space. By combining production chemistry, artificial lift, digital capabilities, and subsurface domain expertise, we are helping customers unlock additional barrels from existing reservoirs in a capital-efficient manner. This is particularly relevant as operators look to maximize recovery, improve returns and bring incremental supply to market in support of energy security.

We hosted our first production and recovery summit in Houston a couple of weeks ago and were very pleased with the engagement from our customers from every region around the world. They increasingly recognize the potential of this domain and the opportunities it presents to unlock growth for the industry.

Turning to digital, this business continues to build strong momentum and is a key driver of both differentiation and long-term value creation for SLB. While still a relatively small portion of our revenue today, its impact extends well beyond its size.

Our approach is grounded in domain expertise, where AI, data, and software are integrated into our platforms and workflows to deliver measurable performance outcomes. This is not about standalone tools — it is about embedding intelligence across the full life cycle of reservoir development and production.

Our teams continue to make exciting developments, particularly in agentic AI. And as the number of use cases increases and value of these technologies are proven in the field, we anticipate increased adoption.

Over time, we expect digital to become an increasingly important lever for growth, both as a standalone business and as an enabler across our broader portfolio, and we are excited to share more about this business during our Digital Investor Day in June.

Finally, data centers represent a new and rapidly expanding opportunity for SLB. Building on our core strengths in engineering, manufacturing, and project execution, we are extending our scope of modular infrastructure solutions to support the accelerating demand for AI and digital capacity.

In less than two years, we have established our right to play in this industry, proven by our manufacturing know-how and supply chain capabilities. We are building on this expertise to support design engineering and performance optimization of the data center buildout, and we are currently scaling the business through expanded capacity, deepening partnerships and selective international growth. While still at an early stage, this business is already demonstrating the characteristics we look for — capital-light growth, strong demand visibility and a clear path to becoming a meaningful contributor to earnings over time.

Looking ahead, we see additional upside through opportunities such as thermal management, decarbonized power and serving as a system integrator. These are areas where our capabilities can further differentiate our offering and expand our addressable market.

We also continue to assess potential opportunities to accelerate this trajectory through targeted M&A.

Taken together, these three areas – production and recovery, digital, and data center solutions – reflect how we are evolving our portfolio toward higher-return, technology-driven, and less cyclical growth. They are complementary, scalable and aligned with the long-term trends shaping both energy systems and digital infrastructure.

Second Quarter Scenario

Let me now share our view on how the second quarter may unfold.

First, it is uncertain how long geopolitical disruptions will last and how the recovery in the Middle East will unfold. At the same time, we are facing higher procurement and logistics costs driven by the conflict. As a result, it is challenging to provide precise guidance for this quarter.

However, there is a scenario where operational disruptions in the region persist through the middle of the second quarter and then begin to gradually ease. Under this assumption, we estimate that the sequential revenue and earnings decline in the Middle East will be fully offset by all other International markets combined, where we anticipate mid- to high-single-digit revenue growth, with improved margins. Meanwhile, North America revenue is expected to be flat sequentially.

By Division, under the Middle East scenario that I just highlighted, Digital and Production Systems will grow globally, while Reservoir Performance and Well Construction will decline globally.

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.

First-quarter earnings per share, excluding charges and credits, was 52 cents. This represents a decrease of 20 cents when compared to the first quarter of last year.

During the quarter, we recorded 2 cents of merger and integration charges primarily related to the ChampionX transaction.

Overall, our first-quarter global revenue of $8.7 billion increased 3% year on year. Excluding the impact of the ChampionX acquisition in the third quarter last year, revenue declined by $607 million, or 7% year on year.

When compared to the fourth quarter of last year, revenue fell by just over $1 billion, or 10.5%. This decline was approximately 200 basis points, or about $200 million, higher than we expected at the time of our last earnings call in January. This was primarily due to the impact of the conflict in the Middle East, as we experienced operational disruptions throughout the month of March.

Company-wide adjusted EBITDA margin for the first quarter was 20.3%, down 346 basis points year on year.

Margins were negatively affected by high decrementals on the Middle East revenue impact. We did not make any material adjustment to our cost base during the quarter as our immediate focus was the protection of our people and preserving operational capacity for the expected future rebound in activity. We also incurred additional logistics and materials costs as a result of supply chain disruptions due to the conflict.

Beyond the effects of the Middle East conflict, first-quarter margins were impacted year on year by increased tariffs, project mix and higher costs in OneSubsea as well as pricing headwinds in select markets, particularly in Well Construction.

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

First-quarter **Digital** revenue of $640 million increased 9% year on year primarily driven by 87% growth in Digital Operations. This was supported by increased digital services adoption and new technology introduction as well as the acquisition of ChampionX.

Notably, annual recuring revenue for the Division stood at $1.02 billion at the end of the first quarter, representing year-on-year growth of 15%.

Digital pretax operating margin of 20.9% was essentially flat year on year. However, adjusted EBITDA margin of 26.1% declined 473 basis points due to lower amortization relating to Exploration Data as a result of the mix of surveys sold during the quarter.

As you know, Digital margins are historically lowest in the first quarter due to seasonality and steadily increase throughout the year, reaching their highest level in the fourth quarter, as evidenced by last quarter's results. This trend will continue and, consequently, we expect to achieve full-year Digital adjusted EBITDA margin that is at least equivalent to last year's level of 35%.

Reservoir Performance revenue of $1.6 billion decreased 6% year on year while pretax operating margin of 16.1% decreased 47 basis points. These decreases were due to lower stimulation and intervention activity, primarily as a result of the disruptions in the Middle East.

Well Construction revenue of $2.8 billion decreased 6% year on year primarily from lower activity due to the disruptions in the Middle East, partially offset by higher offshore drilling activity in Europe & Africa, Latin America and North America.

Pretax operating margin of 15.2% contracted 463 basis points year on year due to lower profitability on account of the Middle East conflict as well as pricing headwinds in select markets.

Finally, Production Systems revenue of $3.5 billion increased 23% year on year. Excluding the impact of the ChampionX acquisition, first-quarter revenue decreased 6% year on year.

On a pro forma basis, revenue from the ChampionX production chemicals and artificial lift businesses grew 2% compared to the first quarter of 2025.

This strong ChampionX performance was offset by the impact of the Middle East conflict, lower OneSubsea revenue, and, independent of the conflict, lower product deliveries in Saudi Arabia.

Production Systems pretax operating margin of 14.2% declined 240 basis points year on year due to lower profitability in surface production systems, completions and OneSubsea.

As it specifically relates to OneSubsea, pretax margin in the first quarter was 14.4% compared to 18.1% in the first quarter of 2025. Margins were affected by the concurrent wind-down of several large programs and the initiation of new projects with high start-up costs. OneSubsea margins are expected to increase over the remainder of the year.

ChampionX partially offset those effects as we continued to make progress with our synergy realization. As a result, ChampionX's margins this quarter were higher than in both Q4 and Q1 of last year and were accretive to both Production Systems and total SLB margins.

Now, turning to our liquidity.

Our net debt increased $797 million sequentially to $8.2 billion.

During the quarter, we generated $487 million of cash flow from operations. Free cash flow was slightly negative at $23 million on account of the payment of annual employee incentives and the seasonal increase in working capital that we typically experience in the first quarter. This was compounded this year by delayed collections in the Middle East stemming from the conflict.

We expect our cash flow generation to follow our historical pattern with free cash flow gradually increasing throughout the year with the majority coming in the second half.

Capital investments, inclusive of capex and investments in APS projects and exploration data were $510 million in the first quarter. For the full year, we are still expecting capital investments to be approximately $2.5 billion.

During the quarter, we repurchased $451 million of our stock, and we still expect to repurchase a minimum of $2.4 billion for the full year, in line with 2025.

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

Before I wrap up, let me come back to our second-quarter outlook and more specifically to the Middle East. I would first like to clarify that the Middle East represented approximately 70% of our Middle East & Asia business in the first quarter. Under the specific scenario that Olivier highlighted earlier, where operational disruption in the region continues until the middle of the quarter and then starts to alleviate, we estimate that it would negatively impact our second quarter earnings per share by an incremental 6 to 8 cents when compared to the first quarter. This is the result of lost revenue as well as higher procurement and logistics costs associated with the conflict.

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, while recent events have created near-term disruption, they have also reinforced the need for secure and reliable energy, which will support oil prices above preconflict levels and create an enduring backdrop for oil and gas investment.

Second, production and recovery, digital and data center solutions are creating the foundation for accelerated growth.

Finally, I want to take a moment to recognize that this year marks 100 years of SLB. As we celebrate this milestone, I am proud that we are not only honoring an extraordinary legacy but also building the foundation for the next century of innovation, performance and leadership.

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