SLB Second-Quarter 2025 Results Prepared Remarks

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

Thank you, Meghan.

Good morning, and welcome to the SLB Second-Quarter 2025 Earnings Conference Call.

Today's call is being hosted from Paris, 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.

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

Before we begin, I would like to officially welcome the ChampionX team to SLB. Earlier this week, we shared the news that our transaction is now complete, and this is the start of an exciting new chapter for our company!

I could not be prouder to lead the company at this juncture, building on an unmatched talent pool and portfolio of technologies to serve our customers and create value for our shareholders.

Now, as we begin today's call, I'd like to start by walking you through our second-quarter performance. Then I'll share how we see the broader macro environment evolving, comment on our new chapter with ChampionX and describe what that means for our business in the second half of the year.

After that, Stephane will provide more details on our financial performance, and then we will open the line for your questions. Let's begin.

Steady Revenue and Strong Margins Demonstrate the Strength of SLB's Broad Portfolio

This was a solid quarter for SLB as we delivered steady revenue and slight EBITDA margin expansion despite the considerable macro headwinds and market volatility of the past few months. These results are a clear reflection of our broad operating footprint, our technology leadership and our strong execution.

In International markets, revenue grew by 2%, benefitting from pockets of growth in the Middle East, Asia, and North Africa, fully offsetting sequential headwinds in Saudi Arabia and certain offshore markets.

Specific to the Middle East & Asia, long-term fundamentals for oil remain strong, and both conventional and unconventional gas are providing an additional tailwind for activity across the region. During the quarter, we experienced strong growth in Iraq, the United Arab Emirates, Kuwait, East Asia, China and Australia.

Meanwhile, in North America, although revenue declined sequentially, we continued to outpace the market, led by increased sales across most of our business lines in Production Systems, and higher digital sales in U.S. land. The revenue decline stemmed mostly from the seasonal spring breakup in Canada and non-repeat of exploration data sales in U.S. offshore.

In the offshore market, certain projects have pushed to the right, most notably in Sub-Sahara Africa. However, we continue to maintain a steady backlog in OneSubsea, and there is a significant number of offshore projects preparing for FID. Altogether, these dynamics reinforce our confidence in the long-term growth for this market.

Next, let me discuss the performance of our divisions.

In the Core, Production Systems led the way again this quarter, benefitting from increased sales of artificial lift and midstream production systems. Overall, our service quality and reliability continue to differentiate our offering in this space, and we have been awarded several new projects during this quarter.

Meanwhile, in Well Construction, revenue was flattish sequentially with growth in Iraq, the United Arab Emirates, North Africa and Nigeria offset by lower activity in Namibia and North America. In Reservoir Performance, revenue declined slightly due to lower evaluation and stimulation activity, partially offset by solid intervention work.

Turning to Digital & Integration, our Digital revenue remained steady with double-digit growth across the combination of our platforms, applications and digital operations, offset by lower exploration data this quarter. We now have more than 7,800 users across the Delfi™ platform, representing double-digit growth year on year. This is a continued reflection of our customers' focus on unlocking, through digital, higher levels of performance and efficiency in their assets.

Finally, we continued to exhibit growth in CCS where we successfully executed several large-scale projects in the carbon markets this quarter. We are now participating in the entire value chain from point of capture with SLB Capturi™, to permanent storage with SLB Sequestri™. This combined offering is being successfully utilized at the Longship CCS project in Norway, and we believe this will continue to present new opportunities for our carbon solutions business.

All in all, this quarter was challenging with lots of moving parts, yet we produced solid results. Considering the uncertainty and market volatility, the entire SLB team has delivered remarkably well. And having met with many customers during the quarter, I am assured of our differentiated performance and the trust that our customers continue to place in us.

Next, I will discuss what we are seeing in the macro environment and how we expect this to evolve over the second half of the year.

An Evolving Macro Backdrop

During the first half of the year, the oil and gas industry demonstrated its strength and resilience, proving that it can operate through uncertainty without a significant drop in upstream spending, highlighting the different attributes of this cycle.

As we look to the second half of the year, the macro environment continues to be uncertain, particularly with the announcement of the new OPEC+ supply releases into a well-supplied market. For the moment, incremental barrels are being absorbed by peak summer demand, China re-stocking and the replenishment of global crude inventories that are sitting below five-year historical averages.

All in, while sustained releases could exert pressure on commodity prices in the near-term, the removal of the overhang of OPEC+ voluntary cuts will allow for market stabilization over time. While it is difficult to predict the outcome from the combination of further supply releases, persistent geopolitical risks and lingering tariff negotiations, it is fair to assume sustained resilience in the market outlook, absent of a dramatic shift in commodity prices.

Regionally, the Middle East and Asia will continue to display the most resilience in the short term, driven by lower break-evens and the sustained focus on energy security. Meanwhile, advantaged offshore projects will lend support to a steady market across Europe, Africa and the Americas. In contrast, land activity across North America and Latin America have the greatest downside risk due to short cycle spend. Globally, we expect operators to remain focused on critical in-flight development projects, and an acceleration of efficiency gains, with a heavier focus on production and recovery, and continued investments in digital and AI.

Next, let me describe this growing market and the opportunity that we see with ChampionX.

A New Chapter for Production and Recovery with the Addition of ChampionX

Today, customers are on a quest to unlock and optimize the full production potential of their assets while improving efficiency in the reservoir recovery phase of their operations. This is creating a less cyclical and growing market opportunity that is more OpEx-driven and is less sensitive to short-term commodity cycles. The addition of ChampionX enhances our portfolio by providing the capabilities we need to lead this effort.

ChampionX's strength in production chemicals and artificial lift enhances our portfolio in two essential and fast-growing segments that are critical to long-term asset performance.

In production chemicals, ChampionX adds scale, vertical integration and a strong global manufacturing footprint to deliver solutions to address the rising demand from aging infrastructure and complex wells. And our combined artificial lift portfolio has the breadth to optimize production across the full life cycle of the well.

Additionally, ChampionX brings a unique digital production technology portfolio that we will expand into new markets and new applications.

Integrating these capabilities into SLB's existing portfolio will allow for greater innovation and customer value creation, as we take a further step toward delivering a fully integrated service offering anywhere in the world, from reservoir to surface facility, from completion through decommissioning.

Geographically, this acquisition also extends our broad global reach. ChampionX's deep presence in North America pairs well with SLB's international leadership, enabling us to bring their technologies to new markets while also deepening our capabilities in the U.S.

Taken together, this is a highly complementary fit — one that strengthens our portfolio, accelerates our growth in resilient markets, and reinforces our ability to deliver value at every stage of the production life cycle.

And just as important, we are combining two organizations that share a strong culture of innovation, operational excellence, and customer focus. Overall, this will enable us to integrate the full production landscape — with the best people, the deepest domain expertise and most innovative technology solutions — guided by a shared passion for innovation and a commitment to delivering for customers in every basin around the world.

I'm truly excited to welcome the ChampionX team to SLB and look forward to what we will achieve together.

Now, before I hand over to Stephane, let me quickly share our guidance for the second half of the year.

Delivering in the Second Half of the Year

Starting August 2025, we will begin consolidating ChampionX into our results. Therefore, we expect second half revenue to be between $18.2 billion and $18.8 billion. This second half increase will be a result of the five-months contribution of ChampionX, combined with steady revenue in our legacy SLB business compared to the first half, driven by growth in Production Systems and Digital, fully offsetting the anticipated activity decline in the U.S. and certain deepwater markets.

Moreover, revenue will be backloaded in the fourth quarter, reflecting a full quarter of ChampionX as well as the seasonal uplift from year-end digital and product sales.

We also expect second half EBITDA margins to be flat compared to the second quarter, inclusive of the ChampionX contribution and inclusive of about 20 to 40 basis points of tariff impact.

I will now turn the call over to Stephane to discuss our financial results and the plan for ChampionX financial integration in more detail.

Stephane Biguet – *Executive Vice President and CFO*

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

Second-quarter earnings per share excluding charges and credits was 74 cents. This represents an increase of 2 cents sequentially and a decrease of 11 cents, when compared to the second quarter of last year.

While the net amount of charges and credits recorded during the quarter had no impact on our EPS, we did incur 9 cents of charges relating to headcount reductions and the impairment of an equity method investment as well as 2 cents of merger and integration charges related to the ChampionX and OneSubsea transactions. These charges were offset by an 11 cents gain relating to the sale of our interest in the Palliser APS project in Canada.

Overall, our second-quarter revenue of $8.5 billion increased 1% sequentially, driven by 2% growth in the international markets.

Our pretax segment operating margins increased 20 basis points sequentially to 18.5% as margins increased in three of our four Divisions.

Company-wide adjusted EBITDA margin for the second quarter was 24.0%, representing a sequential increase of 21 basis points.

Let me now provide you with more details for each Division.

Second-quarter **Digital & Integration** revenue of $1.0 billion decreased 1% sequentially.

Digital revenue was flat as double-digit sequential growth from the combined effects of platforms, applications and digital operations was offset by lower exploration data sales following a strong first quarter. Lower APS revenue in Canada drove the overall 1% revenue decrease for the Division.

Digital & Integration margins expanded 240 basis points to 32.8%, driven by greater digital adoption and efficiency gains.

We expect digital revenue growth and margin expansion to continue in the second half of the year, with a significant up-tick in the fourth quarter benefiting from year-end sales.

In order to provide you with increased visibility into this business as it continues to grow, I am pleased to announce that we will start reporting the results of our Digital business as a separate segment, beginning in the third quarter.

Turning to our **Reservoir Performance** division, revenue of $1.7 billion declined 1% sequentially due to a slowdown in evaluation and stimulation activity across international markets, partially offset by strong intervention activity.

Margins improved 203 basis points to 18.6% as a result of the higher intervention activity and the absence of startup costs that impacted the first quarter.

Well Construction revenue of $3.0 billion was essentially flat sequentially, while margins of 18.6% decreased 119 basis points primarily due to an unfavorable technology and geography mix internationally.

Finally, **Production Systems** revenue of $3 billion increased 3% sequentially driven by strong sales in artificial lift, midstream production systems and valves, as well as increased data center infrastructure solutions revenue.

Margins increased 28 basis points to 16.4% primarily due to continued growth and a favorable activity mix.

Now turning to our liquidity.

We generated $1.1 billion of cash flow from operations and free cash flow of $622 million during the quarter. This represents a $519 million increase in free cash flow compared to last quarter, which is largely due to seasonal improvements in working capital.

Consistent with our historical trends, we expect our free cash flow in the second half of this 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 $520 million in the second quarter. For the full year, we now expect capital investments to be approximately $2.4 billion, reflecting the impact of the ChampionX acquisition.

Regarding our M&A activity, as I mentioned earlier, we completed the sale of our Palliser asset in Canada near the end of the second quarter. As a result, we received $316 million of net cash proceeds in the second quarter, and an additional $22 million in the third quarter. For reference, we generated $215 million of revenue in the first half of the year from the Palliser asset, with EBITDA margin in the low fifties and pre-tax margin in the low thirties.

Let me now turn to the ChampionX acquisition and what it means for SLB's future financial performance.

First, from a financial reporting perspective, we will begin consolidating ChampionX effective August 1, 2025. This means we will consolidate two months of ChampionX results in the third quarter of 2025. The ChampionX activities will be reported under our Production Systems Division, which is where SLB's legacy production chemicals and artificial lift businesses currently sit. The only exception to this relates to ChampionX's digital activities, which will be reported under our new Digital Division.

It is worth mentioning that we will be aligning ChampionX with SLB's definition of "digital." As a result, the digital revenue that we will report coming from the ChampionX business will be lower than what was previously disclosed by ChampionX.

We will provide you with pro forma historical financial information to assist with modeling the combined businesses together with the additional granularity into our Digital business in our third-quarter earnings release.

As it relates to synergies, we spent the past twelve months refining our preliminary estimates and developing actionable plans. We are now even more comfortable with our initial assessment that we will be able to generate $400 million of annual pretax synergies within the first three years after closing.

The largest portion will come from cost synergies, which represent approximately 75% of the $400 million. Roughly half of these cost synergies will come from supply chain savings, which will be generated, not only from ChampionX operations, but also from SLB's existing cost base, including the chemical spend in our legacy businesses. The other half of the cost synergies will come from operating costs and G&A savings.

With regard to the expected annual revenue synergies of approximately $100 million when translated into incremental pretax income, we have only included opportunities with the highest probability of realization. These have been identified at the country and customer level.

Let me now conclude with the direct impact of the acquisition on our financial metrics. As it relates to margins, we have demonstrated this quarter the resiliency of SLB's margins despite a challenging macro environment. This resilience will be reinforced by the addition of ChampionX, which has delivered continuous margin expansion over the last few quarters.

For that matter, when excluding the Drilling Technology business that was disposed of concurrently with the closing of the SLB transaction, ChampionX finished the second quarter of 2025 with revenue of approximately $850 million and adjusted EBITDA of approximately $190 million, delivering visible margin expansion both sequentially and year over year.

We expect both the legacy SLB businesses and ChampionX to continue delivering strong margin performance in the second half of this year. This will, however, be partially offset by the impact of tariffs. Assuming no changes to the tariffs that are currently in place, we estimate that this will cost us between 20 and 40 basis points of margin in the second half. Altogether, this will result in our Company-wide adjusted EBITDA margin in the second half of the year being essentially flat when compared to the second quarter of the year. Said another way, our adjusted EBITDA margins, including the contribution of ChampionX, would have expanded by about 20 to 40 basis points in the second half if not for the impact of the tariffs.

Looking forward, our margins will be further enhanced by the $400 million in synergies that I previously discussed. With the detailed plans our integration team have developed, we believe that we will be able to realize at least half of the synergies within the first 18 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.

This reflects certain assumptions regarding the purchase accounting, which will be finalized in the coming months. Based on these assumptions, we have estimated the incremental annual recurring pretax intangible asset amortization expense to be approximately $80 million over and above

ChampionX's historical annual intangible asset amortization expense of approximately $50 million. This incremental amortization expense equates to approximately 4 cents of EPS on an after-tax basis.

The calculation also reflects the fact that we issued 141 million shares of SLB stock in connection with this transaction.

It is worth mentioning that, since the announcement of the ChampionX transaction in April 2024, we have been accelerating the repurchasing of our shares. To that end, since the announcement, we have reduced our total shares outstanding by 78 million. This represents 55% of the shares we just issued in this transaction.

Finally, I wanted to briefly come back to the second half guidance that Olivier shared earlier where we expect second half revenue to be between $18.2 to $18.8 billion. If we are to compare this H2 outlook to H1, by including ChampionX and excluding Palliser in H1, and considering ChampionX on a full six month basis in H2, this would result in second half revenue growth from flat to low single digits when compared to the first half, driven by both our legacy portfolio and ChampionX.

I will now turn the call back to Olivier.

Olivier Le Peuch – *CEO*

Thank you, Stephane.

I believe we are ready 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 takeaways.

First, SLB's diverse portfolio and broad operating footprint enable us to overcome regional headwinds and evolving macro dynamics to deliver solid results as we demonstrated this quarter.

Second, we are increasing our exposure to the growing production and recovery market with the addition of ChampionX. Our combined portfolio, technology capabilities and digital leadership will position SLB to unlock value for our customers while delivering best-in-class workflow integration across production chemicals and artificial lift.

And finally, global oil and gas markets have thus far proven resilient, and we are optimistic about the opportunities ahead and our ability to deliver steady growth in the second half of the year.

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