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SLB.N - Q3 2026 SLB N.V. Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning. My name is [Sarah], and I will 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 N.V. - Senior Vice President of Investor Relations and Industry Affairs*

Thank you, [Sarah]. Good morning, and welcome to the SLB Third Quarter 2026 Earnings Conference Call. Today's call is being hosted from New York City, 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 N.V. - Chief Executive Officer, Director*

Thank you, James, and good morning, ladies and gentlemen. Thank you for joining us. Today, I will begin with our third quarter performance. I will then discuss the evolving macro environment and the fundamentals supporting our outlook as we approach 2027. And finally, I will

share our expectations for the fourth quarter. Stephane will then provide additional details on our financial results. And after that, we'll open the line for your questions.

Let's begin. The third quarter was marked by broad-based sequential revenue growth across each of our geographical areas and Core divisions, with pretax segment operating margins expanding across all four divisions. This was driven by the gradual recovery in the Middle East, solid growth in North America, and continued momentum across the international offshore basins, including Latin America, Europe and Africa and Asia.

Within the Core divisions, Production Systems led the way, supported by higher OneSubsea revenue and strong sales of production chemicals and artificial lift in North America and the Middle East. Notably, ChampionX delivered its highest quarterly revenue since the acquisition with margins expanding sequentially for the fourth consecutive quarter.

Well Construction growth was driven by double-digit increases across Argentina, Guyana, Brazil and US land along with a seasonal recovery in Canada, complemented by strong offshore drilling in Asia. Sequential growth was also driven by higher drilling activity and fluids demand in the Middle East.

While the near-term pace of recovery in the Middle East remains uncertain, the longer-term outlook continues to strengthen. This is reflected by Saudi Aramco's recent award of four integrated well construction contracts to SLB, covering more than 450 wells over an initial three-year term.

These multi-year awards significantly improve our revenue visibility and expand our participation in development activity across the Kingdom by bringing together our digital drilling workflows, automated technologies and integrated well construction portfolio.

Reservoir Performance also delivered strong sequential growth, led by increased stimulation and intervention activity alongside an uptick in evaluation. This demonstrates that customers are investing in both restoration and production optimization of existing assets and evaluation of reservoirs to support new developments.

Our results this quarter continue to demonstrate the benefits of our strategic focus on production and recovery. Our production business, encompassing all Production Systems, and some of the offerings in Reservoir Performance, now represents more than 50% of our portfolio, leading position across every major basin, and the balance mix of short and long-cycle activity, including exposure to resilient OpEx spend.

This provides a durable foundation with greater revenue visibility and resilient performance across market cycles. Taken together, growth across all Core divisions reflect the characteristics of an inflecting upcycle with broad expansion of activity across exploration, development, and intervention, as operators ramp up efforts to restore production and bringing new capacity online.

In Digital, third quarter revenue was steady sequentially and margins remained strong, despite digital exploration sales declining following exceptional sales in the second quarter. Customers continue to recognize the benefit of AI and digital operations, and we delivered more than 750,000 feet of automated drilling this quarter, an increase of nearly 50% year-on-year.

Additionally, DrillOps Predictive analytics, our intelligent real-time monitoring and advisory system, is now monitoring more than 20% of active international rigs, representing year-on-year growth of more than 60%. As you can see, adoption continues to accelerate, and we are very pleased with the progress of our Digital business. Our revenue has grown 11% year-to-date, and we have clear visibility into higher sales in the fourth quarter.

As a result, we anticipate finishing the year with double-digit year-on-year growth, and adjusted EBITDA margins exceeding 35%. Finally, Data Center Solutions continued the strong growth trajectory, supported by the progression of existing projects.

During the quarter, we continued to invest in facilities and talents to expand our execution capacity, including a new manufacturing center in Canada to support the Meta data center project that are essential to meet surging customer demand.

Upon closing of our recently announced acquisition of Kelvion, the Kelvion portfolio will also benefit greatly from this momentum and will accelerate our ambition to become a leading industrial partner into the AI infrastructure build-out. In summary, I'm extremely proud of our third quarter performance, and I want to thank the entire SLB team for delivering these results.

Their focus on execution, innovation and our customer centricity continues to make the difference. Let me now turn to the macro environment and the fundamentals supporting our outlook as we approach 2027. Ongoing disruptions continue to reinforce the importance of energy security and the need of reliable, geographically diverse source of supply.

At the same time, the industry continues to face the structural challenge of offsetting natural decline and replacing reserves following several years of limited exploration. Collectively, these conditions are supporting a broader and increasingly diversified international opportunity.

In the near term, this will support production, intervention, and other short-cycle activity. Longer-term, this is providing a strong foundation for the progression of offshore developments, renewed exploration and new areas of investment emerging across several markets.

Let me briefly discuss how these long-cycle dynamics are evolving. Deepwater represents one of the industry's most advantaged source of new supply, combining attractive project economics, material resource development, and long-duration production. We continue to see this opportunity broaden across Latin America, Africa, the Eastern Mediterranean and Asia, with FIDs expected to increase more than 30% year-on-year in 2026 and many projects advancing from sanction into execution.

For SLB, this momentum is reflected into the continued flow of OneSubsea awards, further strengthening our backlog and increasing visibility into 2027 and beyond. One example is our recent award in Mozambique, where OneSubsea was selected to deliver subsea production systems for the first phase of ExxonMobil deepwater Rovuma LNG development.

This project will contribute to an important new source of global gas supply and further demonstrates the progression of large, long-cycle deepwater developments into execution. In addition, fundamentals for exploration are improving as operators seek to replace reserves, and diversify supply following several years of restrained investment.

We see this materializing through new licensing activity in Brazil, the Eastern Mediterranean and West Africa, growing interest in frontier basins such as Namibia, and preparations for future campaigns across deepwater markets, including Guyana and Suriname.

As exploration assumes a greater role in our customer portfolio, SLB's leading position across exploration data, subsurface modeling and evaluation technologies positioned us to capture this growing opportunity. So far this year, SLB has participated in the evaluation of approximately 80% of completed high-impact exploration wells globally, many of which are concentrated in frontier and deepwater basins.

Beyond deepwater and exploration, international markets are offering new pathway for growth, with opportunities broadening across conventional and unconventional resources in the Middle East, as well as key emerging markets. In this context, Venezuela represents a particularly significant growth driver for SLB.

Following more than a decade of limited investment, activity in the country is accelerating, led by international oil companies. For SLB, this is already translating into revenue growth. Our revenue in Venezuela is on track to more than double this year, with strong momentum among US and European E&Ps, supporting the potential for multifold growth in 2027.

At the same time, major US shale operators are expanding internationally, entering new countries and partnering with NOCs. This trend further broadens our addressable market, particularly in exploration and deepwater developments across Africa, Latin America, and Asia, as well as in conventional and unconventional resources in the Middle East.

Looking across these dynamics, long cycle offshore developments, renewed exploration, digital adoption, and U.S. operators expanding globally all confirm a durable, multi-year international investment cycle with clear visibility into 2027. With market-leading position across

our Core divisions, the recently established leadership position in global production, differentiated digital capabilities and an unmatched global footprint, SLB is uniquely positioned to capture this upside.

Now let me conclude with our expectations for the fourth quarter and our first view of the 2027 market outlook. Over the past several weeks, the Middle East has continued to experience heightened tensions. Given the ongoing uncertainty, our fourth quarter outlook assumes Middle East revenue remains flat, sequentially at approximately \$1.9 billion, representing about 83% of revenue generated in the fourth quarter of 2025.

Based on this assumption and supported by continued deepwater momentum as well as the typical year-end strength in Digital and product sales, we expect overall fourth-quarter revenue to reach approximately \$10 billion, representing an increase of 5% to 7% sequentially. As a result, when excluding the Middle East, global fourth-quarter revenue is expected to grow in the high-single digits year on year.

We also expect adjusted EBITDA margins to expand 100bps to 150bps. At the division level, we anticipate combined revenue from the Core division to sequentially increase by low single-digits, led by high single-digit growth in Production Systems and with Well Construction and Reservoir Performance essentially flat.

In Digital, revenue is expected to increase in line with fourth-quarter historical trends, led by a significant uptake in typical year-end digital exploration sales. This outlook provides clear evidence that the next phase of the upcycle is underway.

While our near-term outlook remains dependent on geopolitical developments, an eventual resolution of regional disruptions in the Middle East would unlock deferred activity and serve as a powerful catalyst for accelerated growth in 2027.

Looking ahead to 2027, assuming Middle East activity remains at second-half 2026 levels, and that the conflict doesn't materially escalate, we expect global OFSE market activity to grow in the mid-single-digits with normalization of activity in the Middle East, providing further upside.

Against this backdrop, we expect our Core divisions to visibly outperform the market, reflecting our differentiated exposure to the strongest areas of activity, including long-cycle offshore development, renewed exploration activity, production and recovery investments and the reactivation of Venezuela.

Beyond the Core, we expect Digital to continue its established growth trajectory, while our Data Center Solutions business will continue to accelerate as a meaningful growth engine for the company.

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

Stephane Biguet - SLB N.V. - Executive Vice President and Chief Financial Officer

Thank you, Olivier, and good morning, ladies and gentlemen. Third quarter earnings per share, excluding charges and credits, was \$0.64. This represents an increase of \$0.09 sequentially and a decrease of \$0.05 when compared to the third quarter of last year.

During the quarter, we recorded \$0.03 of merger and integration charges related to the ChampionX transaction as well as a \$0.12 or \$187 million non-cash pension settlement charge. This was the result of offering a lump-sum payment to certain former employees in one of our pension plans.

This transaction, which was funded directly by assets of the plan allowed us to de risk our largest pension plan by reducing both our pension obligations and plan assets by almost \$900 million. This will help us lower potential volatility as well as manage future pension costs.

Importantly, the plan remains very well-funded. Overall, our third quarter revenue of \$9.45 billion increased 5% sequentially. This performance was driven by the Middle East, growth in North America land and strong international deepwater activity, including upside in OneSubsea. In the Middle East, we experienced a gradual recovery as third quarter revenue of \$1.9 billion increased 13% from the previous quarter.

Sequentially, our pretax segment operating margin increased 104 basis points with margin expansion across all four divisions. Company-wide adjusted EBITDA margin for the third quarter was 21.9%, representing a sequential increase of 71 basis points.

Let me now go through the third quarter results for each division. Third-quarter Digital revenue of \$693 million was essentially flat sequentially, as strong Platforms & Applications sales and higher revenue from digital operations and professional services was offset by lower digital exploration revenue following a very strong second quarter.

Digital pretax operating margin of 28% increased 27 basis points as improved profitability in digital operations and Platforms & Applications more than offset the effects of lower sales of exploration data licenses and transfer fees.

We expect digital exploration revenue to increase significantly in the fourth quarter, which will result in strong year-on-year growth for the Digital division and adjusted EBITDA margin exceeding 35% for the full year. Reservoir Performance revenue of \$1.6 billion increased 5% sequentially, while pretax operating margin of 16.3% increased 140 basis points.

These increases were primarily driven by the gradual recovery in the Middle East. Well Construction revenue of \$2.9 billion increased 5% sequentially, primarily driven by higher drilling activity in the Middle East. Pretax operating margin of 16.4%, improved 122 basis points, mostly due to the Middle East activity rebound.

Production Systems revenue of \$4 billion increased 6% sequentially, driven by the recovery of Middle East activity, increased sales in North America, and strong OneSubsea activity. OneSubsea also recorded a steady flow of new contract awards, increasing backlog and further enhancing subsea revenue visibility into 2027.

Production Systems pretax operating margin of 16.1% increased 60 basis points, with broad-based growth in OneSubsea, artificial lift, completions, and production chemicals. Notably, the acquired ChampionX businesses delivered the highest quarterly revenue and margin since joining SLB.

Finally, in the all other category, revenue increased 8% sequentially, driven by strong growth in Data Center Solutions, while pretax operating income decreased slightly as a result of ramp-up costs associated with new data center projects.

With regard to our previously announced agreement to acquire Kelvion, things are progressing quite well. A dedicated integration team has been put in place that has kicked off its various work streams, and we are in the process of making all necessary filings in the relevant jurisdictions. We are very excited about the opportunities that this transaction will bring. And we remain on track for closing in the first half of 2027.

Now turning to our liquidity. We ended the quarter with net debt of \$9.2 billion, the same level as the third quarter of last year. We generated \$1.5 billion of cash flow from operations and \$828 million of free cash flow.

Looking ahead, consistent with our historical pattern, we expect a meaningful step-up in free cash flow in the fourth quarter, supported by lower inventory following year-end product sales and higher customer collections. The magnitude of the sequential increase in free cash flow will largely depend on the timing of collections in certain countries.

Capital investments inclusive of CapEx and investments in APS projects and exploration data were \$682 million in the third quarter. For the full year, we still expect capital investments to be approximately \$2.5 billion. During the quarter, we repurchased \$656 million of our stock and are on track to repurchase approximately \$2.4 billion for the full year, in line with 2025 levels.

This will bring our total returns to shareholders for 2026, slightly above \$4 billion, in line with the commitment we made earlier this year.

I will now turn the call back to Olivier.

Olivier Le Peuch - SLB N.V. - Chief Executive Officer, Director

Thank you, Stephane. I believe Sarah, that you are ready for taking questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

James West, Melius Research.

James West - Melius Research LLC - Analyst

So Olivier, I think in your prepared remarks, I mean, it seems like almost every part of your business, whether product line or region -- ex the Middle East, of course, which is -- still has uncertainty is inflecting higher. And I'm curious if you could parse that out a little bit further and let us know kind of which areas or maybe which products -- product lines or service lines you think will grow faster than others?

Olivier Le Peuch - SLB N.V. - Chief Executive Officer, Director

No. Thank you, James. We believe indeed that the cycle has started, and I think it has the characteristics of a very favorable to our footprint and to the composition of our business line. Indeed, I think we are seeing that the combination of deepwater exploration rebound for a long cycle. We see the investment flowing into production recovery to improve the production of our recovering assets.

And we see the development of new areas -- geographical areas that are attracting investments such as Venezuela, Argentina. And all this without the catalyst of resolution in the Middle East that will add growth. So I believe that, indeed, we are set for all divisions, and all basins to benefit for growth in 2027 and beyond.

And we believe that, again, it goes from digital to production recovery from deepwater to unconventional and with exploration being certainly an uptick that will match very well our footprint and match very well our portfolio of technology. So yes, it is, I would say, broadly an inflection that is characteristic of an upcycle with long duration.

James West - Melius Research LLC - Analyst

Great. That's very helpful. And then -- on the exploration side, I happen to speak to a group of explorations recently and spent some time with the heads at many of the major oil companies and then, of course, one of your senior people as well.

Capital is definitely flowing there for the first time in maybe a decade. They were happy about capital. Where are you seeing the most exciting exploration at this point?

Olivier Le Peuch - SLB N.V. - Chief Executive Officer, Director

I think we see several -- what is very good in this exploration cycle, I think it's a mix of infrastructure-led exploration in very well, no mature basins that still have pocket of oil or gas to be unlocked and to be connected to and with opportunity for sizable development in those. And I think that relates to the West Africa mature Basin as well as North Sea on both sides of the sector and then obviously, Gulf of America.

Now there is a lot of frontier basins and a lot of areas that are expanding. And I think this is particularly true in Americas. And Brazil, I think the Pelotas basin is attracting a lot of attention as well as the Atlantic margin or the margin on the north, I think, which is along with continued investment into Suriname and Guyana.

I think are clearly a spotlight for this, the same as in Namibia, in further the basin in Angola as well as of a part of Africa and East Med -- And then I could keep going east to East India, Indonesia that has attracted a lot of investment due to gas reserves and potential there. And two large discovery has been made and after entering subsea development going forward.

So it all combined, it's an exciting cycle for exploration. I think the combination of energy security heightened priority as well as depleting reserves and the pressure of declining production, adding and fueling this investment in exploration.

James West - Melius Research LLC - Analyst

Great. Thanks, Olivier.

Operator

Scott Gruber, Citi.

Scott Gruber - Citi Infrastructure Investments LLC - Analyst

So a number of growth drivers into '27 as you outlined. But I'm curious because this is a question we often get from investors. Should we see resolution in the Middle East in the not-too-distant future? And crude moderates back to \$65 or \$70, similar to what we saw back in June. How resilient do you think the growth drivers would prove to be -- obviously, the Middle East would improve.

But do you see much risk to the mid-single-digit growth outlook, excluding the Middle East, that have more mid-cycle crude prices? Or would the secular elements at play here sustain a healthy growth rate?

Olivier Le Peuch - SLB N.V. - Chief Executive Officer, Director

No, Scott, I believe that we should keep in mind that a lot of barrels have been lost to this crisis. A lot of pull on the strategic reserves and commercial inventory as inevitable inventory, to the point that I think it is clear that seeing additional investment needs to be flowing through activity into supply in the future.

Additionally, I think the realization of energy securities is vital to the future of economic growth is also adding a diversity of supply. So this will -- is getting the condition at the comment I made earlier on exploration to create the conditions that are not here for one year or six months.

But the upcycle is adding strong legs, both on long cycle, including exploration deepwater; on short cycle, including production and recovery activity that is materializing cost and that is very well registered into the growth that we are enjoying and that -- that will be the base for the 2027 outlook.

So we believe that we have set -- the market is set for mid-single-digit global activity growth, assuming Middle East being flat on 2026. But this means that we will visibly outperform this and the Middle East catalyst will become a catalyst on the peace deal going forward.

Scott Gruber - *Citi Infrastructure Investments LLC - Analyst*

I appreciate that. And I wanted to turn to Venezuela. Opportunity here certainly appears to be materializing more quickly than you anticipated initially. Can you provide some more color on what you're seeing in the market? And you mentioned that Venezuela could double this year with multi-fold growth in '27.

How large could Venezuela become for SLB in two to three years' time? I know you guys said \$1 billion back at peak, I'm curious kind of in the ballpark where you think the market could grow to here in the next two to three years?

Olivier Le Peuch - *SLB N.V. - Chief Executive Officer, Director*

No, we remain very excited about Venezuela. Every time we look into it. I think we realizing that the activity is set to increase further. And I think we are getting several catalysts for this. We are getting first and foremost in lockstep with our customer that we have been working on it with for the last two years.

We are seeing activity increase currently. And in the near future, and they have made an announcement for further increment of CapEx into the region. So it will be fully participating to this upside. But additionally, several of our international operators have committed have come to agreements in country, and we have benefited from this and by signing contracts, and we have already started with another large contract execution this quarter.

So we expect this to only continue going forward. So how big it can become? I think we have mentioned that the potential is for multiple-fold growth next year. And I think we see this trajectory to continue going forward. And I think we have mentioned before the historical level of \$1 billion of growth in the long term.

So we don't see why not this as a ceiling or there is no ceiling, why not as a target as an ambition going forward. So we are well prepared. We're adding resource, adding equipment and getting the trust because we have a unique capacity on the ground and ability to deliver.

Scott Gruber - *Citi Infrastructure Investments LLC - Analyst*

Great. I appreciate the color. Thank you.

Operator

Saurabh Pant, Bank of America.

Saurabh Pant - *Bank of America - Analyst*

Hi. Good morning, Olivier and Stephane.

Olivier Le Peuch - *SLB N.V. - Chief Executive Officer, Director*

Good morning, Saurabh.

Saurabh Pant - *Bank of America - Analyst*

Olivier, maybe I want to dig in on the Middle East to a little bit more because we saw you delivered strong 13% increase in the Middle East revenue, and that was despite some late quarter disruption, right? So that kind of tells me you were running ahead of expectations perhaps before the disruption. Can you maybe share some more color on the disruption?

And if these disruptions are continuing right now? And then what was driving this, I guess, stronger than maybe anticipated recovery before these disruptions. I know you talked about already some contracts including those integrated drilling contracts, maybe some color on all of that?

Olivier Le Peuch - *SLB N.V. - Chief Executive Officer, Director*

Yes. First, I think, indeed, several countries did participate a uplift of activity in the third quarter as the situation started to ease off in several countries. And I think this included the UAE, Kuwait, to a lesser extent, Qatar, and to a lesser extent, Saudi that at the beginning of the quarter, clearly, has an increase of activity, and this was consolidated on the -- on some intervention activity stimulation and drilling activity across the region.

Iraq by contrast was on the study getting the same uplift of activity but Oman was steady. And that's the situation that turned out to be slightly ahead of our expectation, indeed, at the run rate as well mid-quarter. Now at the end of the quarter, some adjustment of activity were done. And I think this has been fairly publicized. I don't want to come back on this.

We see things stabilizing, though. Hence, our expectation is that the fourth quarter will be at current level of disruption, I would say, and without further escalation conflict going into worst-case scenario. We are seeing that the fourth quarter will be in line with the third quarter, and that's our assumption.

And this is the assumptions we have made on our guidance for 2027 market outlook as well. So that's in a sense where we stand. Now we've related into relation with the integrated contract. We're very pleased with this award that touch both gas and oil assets.

And this is an activity that is definitively going forward and for which we are mobilizing in the fourth quarter and then will come to full good capacity in 2027 going forward. And I think that's not -- that's untouched and certainly a committed contract for which we are dedicating resource and gaining increased activity going forward.

Saurabh Pant - *Bank of America - Analyst*

Got it. No. That's very useful color, Olivier. And then for my follow-up, maybe I'll stick to the Middle East and focus on the margin side of things a little bit. I know there are lots of crosscurrents -- lots of uncertainty.

But just given everything that we have heard about disruptions and cost inflation and then some pricing pressure on larger tenders, how should we think about where margins can go in maybe 27, but I'm just thinking more broadly, if revenues normalize in the Middle East to, let's say, the pre-conflict level, can margins normalize to that level immediately? Or would it take more time because of everything that's going on the pricing and cost side of things?

Stephane Biguet - *SLB N.V. - Executive Vice President and Chief Financial Officer*

Yes. I mean you are using the Middle East as a swing factor to margins, and it's clearly a significant negative effect this year, if you look at the year-on-year performance. As we have indicated earlier, we have actually decided intentionally to adjust only partially the resources in the Middle East not to hamper our capacity to address the activity rebound. So we are keeping some resources in place.

When the conflict is resolved and activity rebounds, as a result, we'll have very strong operating leverage, very few additional costs to bring in. So that will increase margin. Now the overall level of margins of the company it's not just the Middle East. That will be a booster.

We will have likely less inflation effects going into '27 because this is already kind of baked in, if you want. We also hope that pricing pressure we have experienced in some of our Core divisions will also abate and are also baked into the current margins. But then you have all the mix of the divisions.

Digital is a booster, obviously, on margins, data center on its own as it grows very fast -- is, as you know, not accretive to the overall SLB margin. So it's a big equation, which we are not going to give you the answer today, we will provide more color on our '27 margins in January. But overall, yes, the Middle East will be a catalyst for margin expansion for sure.

Saurabh Pant - *Bank of America - Analyst*

Right. No, thanks, Stephane. And that equation is on us to solve in the meantime. But thank you. Thanks for all the moving pieces. Olivier, thank you.

Operator

Arun Jayaram, JPMorgan.

Arun Jayaram - *JPMorgan Chase & Co. - Analyst*

Good morning. Olivier, I was wondering if you could comment on some of the trends you're seeing at ChampionX. On a year-over-year basis, obviously, a partial quarter data from last year, but it looks like revenues were up in the mid-teens and margins are now pushing in the mid-20s.

So I just wanted to talk a little bit about some of the trends here? And how is the ability of SLB to scale that business internationally versus when you bought it?

Olivier Le Peuch - *SLB N.V. - Chief Executive Officer, Director*

No, as we have seen, we are very, very pleased with the performance of ChampionX. I think the result of the success of the integration team having landed this business to be having very resilient and as well as very successful in innovation and customer centricity, which we attribute to ChampionX in North America.

So you have seen that the quarter was remarkable in terms of topline growth and further margin expansion for the fourth consecutive quarter based on both Production Chemicals success and growth. And also the artificial lift both in North America and with more potential internationally.

So I think internationally, as we mentioned in the prepared remarks, I think it would have been even better without the conflict in Middle East as we have optionality for expanding the ChampionX portfolio internationally, particularly in the Middle East and across several offshore basins.

So this is progressing. And I think this will be certainly an upside into the ChampionX growth trajectory in 2027, both international and offshore. And as the conflict is getting to an end, we'll have a further catalyst for the ChampionX success. But yes, we are very pleased.

The thing it reflects again the ability we have to integrate and to leverage their technology and to leverage our global footprint and our customer engagements to make it successful. I think very pleased with the performance. Congratulations to all the ChampionX employees and to the integration team into the Production Systems portfolio.

I think the combination is attracting -- attractive for our customers and all the feedback we're receiving from customers, both in North America and abroad is that they like the combination. They like the power of production and recovery. They like the potential of unlocking further recovery and production performance to both production chemicals and lift technology, including Digital.

So very, very, very pleased with the performance so far.

Stephane Biguet - *SLB N.V. - Executive Vice President and Chief Financial Officer*

And as to the margin level, Arun, yes, you are right. We are ChampionX touched now the mid-20s on EBITDA, which is clearly accretive to the overall company. And this is despite inflation pressures, particularly on chemicals, so the synergies, including in G&A have been higher than we expected and have mostly offset was inflationary pressure to the point where margin continues to expand quarter-after-quarter.

So clearly, we are going to achieve our interim synergy target of about \$200 million after 18 months post-acquisition, which is basically the end of this year, and we are not going to stop there, and we are quite happy with the margins the businesses are generating.

Arun Jayaram - *JPMorgan Chase & Co. - Analyst*

Okay. And then my follow-up, I was wondering if you could just elaborate on OneSubsea visibility as we think about 2027. Obviously, you announced the Exxon Rovuma LNG award in Mozambique. But are you seeing 2027 as a year where there's going to be a lot of greenfield activity in terms of larger awards? And maybe just speak to the visibility you're seeing as we extend into this deepwater cycle.

Olivier Le Peuch - *SLB N.V. - Chief Executive Officer, Director*

No. Thank you, Arun. I think I will not restrict this to '27. OneSubsea awards typically are multiple -- multiyear revenue generation. So I mean whatever is earned in bookings in '25 and '26 reach out to '27 to '29 typically. So I think -- directionally, I think the success we have had in recent months and the booking projection that we are anticipating.

I think we believe that we will surpass the \$9 billion target booking that we have set across the two years. I believe this will translate into a visible growth on revenue in '27 and '28 and beyond. And as we believe that the technology portfolio we have, the deliverability of our capacity to the market, the multiple alliance we have created with joint FEED study with customers to secure FID and to participate the best economics and best recovery solution for the customer, are combining to make it very attractive, including the processing -- subsea processing technology, we are uniquely positioned to unlock recovery solutions for mature basins. So all in, we are quite confident into the outlook for subsea that is aligned with the deepwater cycle that has started.

And we believe that we'll benefit from it. And OneSubsea will be a growth driver for the company going forward.

Operator

Sebastian Erskine, Rothschild & Co Redburn.

Sebastian Erskine - *Rothschild & Co Redburn - Analyst*

Good morning, Olivier and Stephane. Congratulations on a strong North America quarter, obviously, 7% sequential growth. I mean maybe you can talk about some of the building blocks of that performance, how much of it came from that production-linked revenues, obviously, the ChampionX side and artificial lift rather than sort of activity linked to work?

And what are your expectations for North America next year outside of Data Center Solutions in the Core business?

Olivier Le Peuch - *SLB N.V. - Chief Executive Officer, Director*

No. We are indeed very pleased with the North America sequential growth. I think, beat sequentially or year-on-year. I think we believe we have been ahead of the market, and we believe that the factor that supports this is the combination of our market position in North America land, not only ChampionX and a production and recovery portfolio we have there, a combination of Production Chemicals and Artificial Lift solution, but also our drilling technology and our Digital portfolio that includes now the S&P Energy.

I think all factors that will continue to support outperformance in North America land, including Canada and U.S. And conversely, North America offshore and some of the activity we have in Alaska or in North America offshore in the Gulf of America. We'll continue to also support North America growth and with performance with digital exploration and contracts across drilling and Reservoir Performance that continue to give us give us growth.

And finally, as you know, Data Center Solutions will serve as a new leg of growth in North America growing at the rate that we have seen fairly impressive. And we are well on track for surpassing \$1 billion by the end of this year as a run rate. And we are still on track and very well on track to surpass \$2 billion in exit rate for 2027.

So you combine all of this differentiated portfolio and technology in North America land. Continued differentiation in North America offshore, including Alaska and Digital. And then an uptick and a new growth vector of growth in -- with Data Center Solutions and you get the North America market that is poised to growth despite the market condition that will qualify as a low growth environment going forward.

Sebastian Erskine - *Rothschild & Co Redburn - Analyst*

Appreciate the color Olivier. And just turning to Data Center Solutions. I noticed in the release you've expanded in Asia this quarter. I'm curious how long could the opportunity outside the U.S. become for your business? And also, how is the customer base kind of broadening beyond your sort of initial hyperscaler contacts?

Olivier Le Peuch - *SLB N.V. - Chief Executive Officer, Director*

I think we have potential to grow and replicate the setup we have put in Americas internationally. Now it's early days. And I think we are leveraging the hyperscaler contracts we have and delivering for -- and use, we say, for data center construction or data center development into Asia at this point and then replicating to some extent, some of the capability we have developed with our manufacturing hub in Louisiana and expanding it with some satellite capability of manufacturing integration that we have departed into Asia and then delivering our end customer into Asia market.

So this we believe will continue to happen. But I think the potential we see, as we -- you have heard from the Meta contract in Canada. And as we develop further hyperscaler contract in North America will still be centered in the short term with North America growth.

And we continue to diversify our customer base, and I think we'll be in a position next year to more develop and deploy and inform you about this, but this is certainly a multiple customer contracts that are being deployed and being logged in our backlog, and that will give us the support to grow. And additionally, obviously, the acquisition announcement we've made on Kelvion will only add to this.

And as -- and the feedback we are getting from our existing and prospective customers in this domain is that they love the combination of our manufacturing engineering technology capability and the Kelvion technology portfolio that supports thermal management and heat management in the data center space that is an equation that is difficult to resolve where a lot of efficiency, a lot of upside exists, hence a pool of technology, the pool of integration in which we will play as a partner for this infrastructure buildout.

Sebastian Erskine - *Rothschild & Co Redburn - Analyst*

Thank you very much. I'll turn the call back over now. Thank you.

Operator

Alexandra Bruno, Goldman Sachs.

Alexandra Bruno - *Goldman Sachs - Analyst*

Good morning, team, and thanks for taking our question. I'd love to dig into the '27 commentary a little more. Can you provide some color on the outlook there from a regional perspective? And then as you look across your global footprint, where are you seeing meaningful trends in customer spending?

Olivier Le Peuch - *SLB N.V. - Chief Executive Officer, Director*

I think I will not go into detail on the guidance for 2027. We provided color on the directional trends. And -- but yet, I will reaffirm that we see the market giving us the opportunity to grow in every basin across every division in 2027. -- and I think the combination of the portfolio we have, the contracts we have put in our backlog and differentiated technology portfolio give us an upside in each of the basin.

And other basin has a combination of deepwater for Latin America for North America, for Europe and Africa and for Asia, as a combination of conventional and unconventional for Middle East and Latin America. And all of these basins also have needs and an increased investment in production and recovery across all basins.

So now directionally, I believe that -- as we commented earlier, exploration will be very visible in Africa and Americas. Deepwater will be very visible in Americas, including North and Latin America, Africa and Asia. Unconventional will happen internationally in Argentina and Middle East region.

And the conventional part, across conventional developments or production recovery will occur in every basin. So again, we believe that it provides -- sort of this provides a tailwind across the entire portfolio and across all divisions, as we expect every basin to benefit.

Alexandra Bruno - *Goldman Sachs - Analyst*

Thank you. I really appreciate that color. And then maybe just a follow-up. Can you talk a little about the Digital offering and some of the opportunity set there from a customer perspective?

Olivier Le Peuch - *SLB N.V. - Chief Executive Officer, Director*

Yeah. I think we are very pleased with the progress we're making in Digital. I think as we commented earlier, I think digital operation, particularly and data and AI are the vectors of growth that I think we are the most excited about. Additionally, I think digital exploration is about to benefit from secular trends coming into exploration market.

So I think these are the three vectors of growth that we see will certainly support our growth ambitions for the next few years. Digital operation, as we commented before, relates to both drilling and production operation. It's a combination of platform applications and edge applications that allow us to provide automated solutions for our customers.

We have been commenting on the success we are getting into drilling automation and drilling optimization. The same thing applies to production optimization. So digital operation clearly will continue to be a factor of growth going forward. Now adding to it, digital exploration. As we have seen, is benefiting from a secular trend or a new up-cycle in exploration.

And every new frontier basin is getting the benefit of digital exploration to derisk the development of the risk, the exploration campaign. And I think we are seeing increasing interest from our customers to invest into data, to invest into reprocessing and to invest into digital AI capability to improve the imaging and improve the capability that we can provide to derisk this exploration and accelerate the success.

And finally, data and AI as a new vector of growth as a new disruptor for the industry. We believe with our offering, with our Lumi offering, with our AI Tela offering, we are seeing early adoption that I think indicates that this has a potential to disrupt and become a new vector, of course, for Digital in our company.

Alexandra Bruno - *Goldman Sachs - Analyst*

Thank you very much for the color. We'll turn it back.

Olivier Le Peuch - *SLB N.V. - Chief Executive Officer, Director*

Thank you very much, Alexa.

Operator

Marc Bianchi, TD Cowen.

Marc Bianchi - *TD Cowen - Analyst*

Thank you very much. I guess following up on the Digital, I know you didn't want to get into too many specifics on the drivers for '27. But just given the strong year that seems to be unfolding for that business. Do you anticipate that it can continue at double-digit growth in '27, just given all the exploration visibility that seems to be coming in?

Olivier Le Peuch - *SLB N.V. - Chief Executive Officer, Director*

I think are you talking about digital exploration specifically or Digital at large?

Marc Bianchi - *TD Cowen - Analyst*

Digital at large.

Olivier Le Peuch - *SLB N.V. - Chief Executive Officer, Director*

Yeah. Yes. I think Digital at large, the ambition we have is to continue to operate at the level of double digit or about or higher. And I think we have the attributes, as I said, combination of digital exploration cycle that is favorable as we turn into '27.

Digital operation that has started, as you have seen last year, this year, continue on a high growth rate cycle, and we believe that we continue to make progress as you have seen, the number of automated feet drilled this year-to-date. And production -- I think production digital portion and the production domain is where there is the most upside in our opinion as the most attractive opportunity that we have going forward.

So we believe this will play out in 2027 and beyond. And finally, as I said, AI is a disruptor that I think will play and support as a leg of growth going forward. So I think these three, in addition to our resilient platform portfolio, I think, should combine to the exploration data, the digital operation and the data and AI to combine to provide us with the lag of growth that we look for a double-digit gain in '27 and beyond.

Marc Bianchi - *TD Cowen - Analyst*

Very good, Olivier. The other question was on the data center business. And with Kelvion, you increase your content opportunity. I'm curious what your appetite is for further M&A to continue to increase the content opportunity? Or is it more likely what we'll see here as you increase that on an organic basis?

Olivier Le Peuch - *SLB N.V. - Chief Executive Officer, Director*

We are very pleased with what we have managed to get as an acquisition. And I think we'll be concentrated on closing this. We concentrated on fulfilling. I think the ambition and the strategic opportunity that we have unlocked with this. I think this indeed will give us an opportunity to increase our share of the wallet per gigawatt.

And I think we have significant backlog with a large number of -- an increasing number of customers, including hyperscalers that will give us a project to put it to work. And to participate into optimizing the thermal efficiency. And hence, to increase the share of the wallet to increase our participation into this market.

And to provide not only fit modular manufactured solutions but also integrate more and more into the engineered thermal and manufactured solution for the market. So I think this is where we will focus in the foreseeable future. And then depending on how the market develops, we'll see what could come next, but this is where we are putting our focus going forward.

Marc Bianchi - *TD Cowen - Analyst*

Thank you. I'll turn it back to you.

Operator

Derek Podhaizer, Piper Sandler.

Derek Podhaizer - *Piper Sandler - Analyst*

Hey. Good morning. I just wanted to ask about production -- you guided Production Systems up; I think it was high single digits for the fourth quarter. You mentioned throughout the call, production chemicals, Artificial Lift, which obviously ties into the ChampionX acquisition completions. We've talked to Venezuela, OneSubsea, a lot of the visibility there.

Maybe if you could just talk through the different levers for just fourth quarter specifically seeing that high single-digit outperformance. And how we should maybe thinking about this directionally as we work into 2027? I know we'll hear more in January, but just kind of early thoughts just these different lines within your Production Systems, which is obviously gaining some momentum here.

Olivier Le Peuch - SLB N.V. - Chief Executive Officer, Director

Yeah. I think we are very pleased with the performance of Production Systems. We're very pleased at large of our strategy, production recovery is taking shape. And I think that reflects into the Production Systems backlog and into the production potential going forward. Now the fourth quarter has an effect of end-of-year product sales and includes OneSubsea.

So I think as we come out every year, the product -- the year-end product sales is a factor that shapes the sequential performance of Production Systems, no different than any other year. I think in a year that is indicative of upcycle, this is magnified. But now going forward in 2027, we will not comment at this point directionally. But as I commented earlier, we anticipate every division to be experiencing growth in 2027.

And this one will be led by the combination of the portfolio that you mentioned, ChampionX, obviously, the completions, the OneSubsea, I think clearly, portfolio will benefit going forward from the deep water from the short and long cycle activity outlook that we believe we will participate fully and outperform going forward.

So I think Production Systems is resilient short cycle and long cycle and has a durable backlog, characterized OneSubsea that will give us legs of growth going forward in '27 and beyond.

Derek Podhaizer - Piper Sandler - Analyst

Great. That's helpful. And maybe just to wrap up, again, addressing the 2027 outlook. I know it assumes the Middle East stays flat from the second half of '26. You're calling for market growth in the mid-single-digit range.

I guess, help us walk through or frame the magnitude of the upside in this market here if we do see in Middle East recovery. I don't know if you want to talk through on a country-by-country level, but just help us understand where that mid-single digit can really ultimately go to we do see some form of resolution on recovery?

Olivier Le Peuch - SLB N.V. - Chief Executive Officer, Director

I think, first, I think to clarify, I think we have been commenting on the market outlook that we see at this point. And based on our early engagement of customers also based on reflecting on some third-party analysis on the 2027 outlook that the combination of North American International, including and assuming flat Middle East activity is set to be in the mid-single digit growth year-on-year.

We believe that we are set to visibly outperform this. And obviously, the Middle East resolution will only give a catalyst for additional growth into this. Now I will come sort of giving you exact guidance on this, okay? I think it will be internationally led up cycle going forward.

But you have seen the commentary that I provided earlier that we are very pleased our market position and performance in North America. So again, we have multiple legs of growth ahead of us in this cycle. You should only consider the Middle East, depending on the resolution of the conflict has the potential to come back.

If not, to exceed previous activity pre-conflict as some of the countries in the region will not only have to mobilize activity to restore the production capacity, but we also continue to accelerate on their capacity commitments, be it unconventional gas, gas, or oil in the region. So going forward, I think this is only serving as a catalyst going forward. But again, 2027 at this point, will witness international growth despite Middle East and this being only a catalyst going forward on top of it.

Derek Podhaizer - Piper Sandler - Analyst

Great. Very encouraging. Thank you, Olivier. I'll turn it back.

Operator

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

Olivier Le Peuch - SLB N.V. - Chief Executive Officer, Director

Thank you, ladies and gentlemen. As we conclude today's call, I would like to leave you with the following reflections. First, our third quarter performance demonstrates that momentum is broadening across SLB. Each geography and Core division grew sequentially, with a gradual recovery in the Middle East, complemented by solid growth in North America and continued strength across the international offshore markets.

Second, our Core portfolio is benefiting from increasing activity across development and production. The strength and resilience of our expanded production portfolio, together with growth in Well Construction and Reservoir Performance, position us to participate as customer optimize existing assets and develop future activities.

And third, the international outlook continues to strengthen. Long-cycle offshore projects are progressing. The foundation for renewed exploration are taking shape, and new opportunities are emerging across several markets. Combined with the continued progress in digital and accelerating momentum in Data Center Solutions, where reach will be further expanded through the acquisition of Kelvion.

We are well positioned to capture attractive growth opportunities across both energy and industrial markets. These dynamics reinforce our confidence in delivering differentiated growth and outperformance as we move into 2027. With this, I will conclude today's call. Thank you all for joining.

Operator

This concludes today's conference call. Thank you for joining. You may now disconnect.

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