

NOV Inc.

First Quarter 2025 Earnings Conference Call Remarks

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Director, Investor Relations

Welcome everyone to NOV's first quarter 2025 earnings conference call. With me today are Clay Williams, our Chairman and Chief Executive Officer, Jose Bayardo, our President and Chief Operating Officer, and Rodney Reed, our Senior Vice President and Chief Financial Officer.

Before we begin, I would like to remind you that some of today's comments are forward-looking statements, within the meaning of the federal securities laws. They involve risks and uncertainty, and actual results may differ materially. No one should assume these forward-looking statements remain valid later in the quarter, or later in the year. For a more detailed discussion of the major risk factors affecting our business, please refer to our latest Forms 10-K and 10-Q filed with the Securities and Exchange Commission. Our comments also include non-GAAP measures. Reconciliations to the nearest corresponding GAAP measures are in our earnings release available on our website.

On a U.S. GAAP basis for the first quarter of 2025, NOV reported revenues of \$2.10 billion and a net income of \$73 million or \$0.19 per fully diluted share. Our use of the term EBITDA throughout this morning's call corresponds with the term "Adjusted EBITDA" as defined in our earnings release.

Later in the call, we will host a question and answer session. Please limit yourself to one question and one follow-up to permit more participation. Now, let me turn the call over to Clay.



CLAY WILLIAMS
Chairman and Chief Executive Officer

Thank you, Amie.

For the first quarter of 2025, NOV reported net income of \$73 million, or \$0.19 per fully diluted share. Revenue was \$2.1B and EBITDA was \$252M, or 12.0% of sales, a margin increase of 80 basis points year-on-year.

Strong demand for deepwater production equipment and cost reductions enabled our Energy Equipment segment to achieve significant improvement, increasing margins by 430 basis points compared to the first quarter of 2024. Revenues for our shorter-cycle segment, Energy Products & Services, outperformed the 5% reduction in global drilling activity year-on-year as NOV's high-performance technologies continued to gain share, but these were offset by lower sales of drilling-related capital equipment, which drove segment margins lower. Both segments continue to take costs out – and their efforts are accelerating in view of the macroeconomic headwinds that are emerging.

Right now, our second quarter looks solid, with sequential revenues and EBITDA expected to grow modestly. But we expect things to get tougher after that, perhaps much tougher. The emerging trade war, its effect on the broad economy, and OPEC's decision to add barrels to a balanced market will almost certainly lead to lower oilfield activity, LNG demand and natural-gas-help notwithstanding. Accordingly, we continue to focus on operational efficiencies and careful cost management.

Lower commodity prices have North American E&Ps running more downside scenarios, and we believe activity here is most at risk, along with a few other markets like Mexico and Saudi Arabia conventional activity. On the other hand, so far we see most international and offshore customers pressing ahead with their strategic plans. These are typically long duration, requiring a longer view, and projects continue to move forward in places like the Arabian Gulf and Brazil, and in unconventional plays like Saudi Arabia's Jafurah gas field and Argentina's Vaca Muerta region, areas where NOV technologies play a critical role.



NOV is well positioned to weather this latest storm. Our teams have streamlined operations and improved working capital efficiency. We have a solid balance sheet and our cash flow has been strong. We have introduced dozens of new products that demonstrably improve the efficiency, safety and environmental impact of our customers' operations. These products have gained significant share. Our backlog of capital equipment and projects has grown steadily over the preceding four years, with margins that have moved up meaningfully.

Despite near-term macro challenges, NOV is well positioned for where the market is going longer-term. U.S. shale has been the most extraordinary phenomenon ever witnessed in this industry. It accounted for almost all incremental global production through the past decade, adding about 7 MMBOPD, and crowding out offshore investments along the way. If North American shale activity slows meaningfully in the second half of the year, it would exhibit high decline rates, just like it did during COVID. Either way, U.S. production will peak sooner or later, and in the coming decade we believe incremental production growth will come from a combination of deepwater and international shales. Both will need technologies and picks and shovels that NOV is uniquely positioned to supply.

I know many of you have questions about the impact of tariffs on our operations. Frankly, we do too, as the tariff regimes and trade negotiations evolve and shift daily. In a moment Jose will provide you more color, but the upshot is that we believe that this will be manageable for NOV and our teams will be able to significantly reduce, 80% or more, but probably not fully eliminate, the full effect of known tariffs. About half of NOV's manufacturing capacity is in the U.S. with the remainder spread out in various countries around the world, and we have a lot of options to adjust our supply chains. We are working closely with vendors and customers to mitigate the effects. More importantly, we have terrific supply chain managers who successfully navigated disruption from tariffs in 2017, and again during COVID. They are steely veterans of this kind of thing.

Before Rodney takes you through our first quarter results, let me say thank you to our employees. You did a great job during the first quarter, and I appreciate the way you take care of our customers and each



other. We expect business to be more challenging as the year progresses, but we will weather this storm. You are a part of a strong and critical team that the world's energy infrastructure counts on.

Rodney?

RODNEY REED

Senior Vice President and Chief Financial Officer

Thank you, Clay.

For the first quarter of 2025, NOV's consolidated revenue decreased 2 percent year-over-year and adjusted EBITDA was \$252 million, an increase of 5 percent. EBITDA margins expanded 80 basis points to 12.0 percent, resulting in our 14th straight quarter of year-over-year EBITDA margin improvement. Strong execution, improved pricing of projects in our backlog, growing adoption of our new higher-margin technologies, and focus on operational efficiency more than offset the impacts of reduced global activity.

Higher EBITDA and better working capital efficiency improved our operating cash flow and allowed us to generate positive free cash flow in the first quarter, which is typically a cash consumptive free cash flow quarter. NOV generated \$135 million in cash from operations during the first quarter and \$51 million in free cash flow when considering our capital expenditures of \$84 million.

During the first quarter, we repurchased 5.4 million shares for \$81 million and paid \$28 million in dividends.

Over the last twelve months, we have increased our cash balance by \$689 million, converted over 100 percent of our EBITDA to free cash flow and returned \$426 million to our shareholders through dividends and share repurchases.

As a reminder, through 2024, we returned 41 percent of Excess Free Cash Flow. Based on our return of capital framework, we expect to pay a supplemental dividend of around \$80 million to true-up our



returns to 50 percent of our 2024 Excess Free Cash Flow. Subject to the approval of our board of directors, we expect the timing of the supplemental dividend payment to be in mid-June.

Our first quarter consolidated net income of \$73 million or \$0.19 per fully diluted share was impacted by lower equity income, unfavorable discrete items to our tax rate, and an increase in unallocated corporate costs. During the second quarter of 2025, we expect eliminations and corporate costs to return to a range of \$45 million to \$55 million and we still expect our full-year tax rate to be between 26 and 28 percent for the year.

Moving on to segment results.

Energy Products and Services

Our Energy Products and Services segment generated revenue of \$992 million, a 2 percent decrease compared to the first quarter of 2024, due to lower global activity, partially offset by growing adoption of our new performance technologies. EBITDA declined \$29 million to \$145 million, or 14.6 percent of sales. The higher decrements were primarily the result of a decline in shorter-cycle capital equipment sales that contributed to a less favorable sales mix across our portfolio.

As Clay mentioned, our teams continue to execute a number of initiatives to reduce costs and improve operational efficiencies.

For the first quarter, the sales mix for Energy Products and Services was 52 percent services and rentals, 30 percent capital equipment, and 18 percent product sales.

Services and rentals improved 4 percent year-over-year due to a full quarter contribution from our artificial lift business and growing market share in our drill bit and downhole tool businesses. Excluding our 2024 acquisitions, revenues from services and rentals were flat, outpacing global drilling activities which declined 5 percent.



Our high-performance drill bits with our latest cutter technology continued to drive increased market penetration, resulting in revenue growth of over 20 percent year-over-year in the U.S. against a 6 percent rig count decline over the same period. Our Downhole business unit also continued to gain share with more customers recognizing the benefits of our Series 55 drilling motors, ERT power sections, and the latest generation of our friction reduction tools.

Revenue from product sales decreased 13 percent compared to the first quarter of 2024. The decline was primarily driven by lower activity in Saudi Arabia and Mexico, partially offset by a solid increase in sales of NOV's TK™ glass reinforced epoxy liners in the Middle East.

Turning to capital equipment, sales decreased 5 percent year-over-year, due to reduced drill pipe and managed pressure drilling equipment sales, partially offset by increased demand for offshore conductor pipe connections and continued strength in demand for composite pipe to build out infrastructure necessary for the development of unconventional resources in the Middle East. We also realized mid to upper single digit growth in sales of solids control equipment resulting from the continued market adoption of our Alpha™ shale shaker.

For the second quarter, we expect revenues for our Energy Products and Services segment to be down five to eight percent when compared to the second quarter of 2024, with EBITDA between \$140 million and \$160 million.

Energy Equipment

Moving to our Energy Equipment segment, revenue for the first quarter of 2025 was \$1.15 billion, down 3 percent from the first quarter of 2024. Despite the slight decline in revenue, EBITDA increased \$46 million to \$165 million, resulting in a 430 basis point increase in margins, or 14.4 percent of sales, driven by higher margin backlog and continued focus on operational efficiencies. This was the 11th straight quarter of year-over-year margin growth for the Energy Equipment segment.



Capital equipment sales accounted for 57 percent of the segment's revenues in the first quarter of 2025 with aftermarket sales and services accounting for the remaining 43 percent.

Starting with capital equipment, revenue grew mid-single digits year-over-year, led by growth in drilling equipment and subsea flexible pipe. Bookings for the first quarter were \$437 million, an increase of 12 percent year-over-year. Book-to-bill for the quarter was 80 percent. Backlog of \$4.41 billion increased 12 percent from the first quarter of 2024, supported by our trailing twelve-month book-to-bill of 122 percent. We continue to have constructive dialogue with customers who have given us line of site to opportunities that could lead to a book-to-bill of around 1.0X for the year. However, we would not be surprised to see projects push to the right given heightened uncertainty and deteriorating market conditions.

Our subsea flexible pipe business continues to have strong performance. Revenue grew year-over-year in the low teens percentage range, with significant margin improvement due to strong execution on higher margin backlog. Backlog for the business at the end of the current quarter has almost doubled since the end of the first quarter of 2024.

Our process systems business had another strong quarter, with revenue growing high single digits year-on-year, including the booking of a gas dehydration package for a National Oil Company in the Middle East. The outlook for offshore production remains robust, with 2025 showing potential to have more awards for FPSO's than 2023 or 2024, which drives demand for process systems, flexible pipe, turret and spread moored systems, cranes, chokes and boarding valves, and composite solutions.

Revenue for intervention and stimulation capital equipment improved high single-digits over the first quarter of 2024 led by sales of coiled tubing and wire line equipment, more than offsetting lower demand for pressure pumping equipment in North America. Internationally, Argentina, Brazil, and the Middle East remain bright spots, specifically for our advanced wireline and coiled tubing product lines.

Revenue from sales of drilling equipment increased in the mid-teens percent range year-over-year due to increased progress on both land and offshore projects, including initial work on the newbuild jackup



we announced previously. We delivered our 11th newbuild high-spec land rig in Saudi during the first quarter. We continue to have discussions with customers for certain capital equipment upgrades, including BOP's, increased hook-load capacities and robotics.

Our marine and construction business experienced a high single digit decrease in revenue compared to the first quarter of 2024, as higher revenue from pipe and cable lay vessels did not offset lower activity for wind turbine installation vessels. Given the macroeconomic uncertainty and unclear impact of tariffs, we may see a slow-down in project FIDs pushing the expected shortage of WTIVs out a year. However, we continue to have active dialogue with several customers and still see potential for up to two orders later in the year. The cable lay vessel market is continuing to show strength, as we booked an additional inter array cable equipment package during the first quarter of 2025. Additionally, the multipurpose support vessel market remains healthy driving additional demand for cranes and deck machinery.

Turning to Aftermarket, revenues declined 11 percent year-over-year. In our drilling equipment business, aftermarket revenues decreased by low double digits year-over-year, driven by lower spare parts bookings in the second half of 2024 compared to the first half of 2024. Spare parts bookings during the first quarter increased 17 percent sequentially, which is about flat to our average of the prior four quarters. Demand for recertifications and upgrades remains solid. We are seeing some delays to recertification projects in the Middle East due to announced suspensions of jack-ups, and we continue to anticipate a small decrease in the number of recertifications year-over-year. However, we expect the average scope of these projects to increase as the rig fleet ages which should partially offset those declines.

For the second quarter, we expect the Energy Equipment segment revenue to be flat to up one percent compared to the second quarter of 2024, with EBITDA in the range of \$155 million to \$175 million.

On a Consolidated basis, we expect revenue to be down 1 percent to 4 percent compared to the second quarter of 2024, with EBITDA in the range of \$250 million to \$280 million.

Jose?



JOSE BAYARDO

President and Chief Operating Officer

Thank you, Rodney.

NOV had a solid first quarter and continues to execute well in a highly complex environment. As we look forward, we expect geopolitical and macro-economic uncertainty to remain high, near-term. While there are conceivable scenarios for which there could be some upside for the industry related to the potential for Iranian, Venezuelan or Russian barrels to come off the market, our outlook is cautious and skewed to the downside. So, the obvious question is what are we doing about it?

As it pertains to tariffs, the situation remains fluid, with each of our businesses having different exposures, and we believe some will actually realize improved competitive positioning as a result. I'll highlight two representative examples that illustrate the impacts tariffs can have on our businesses.

Our Downhole Tools operation manufactures, rents, and sells a wide array of drilling technologies and has a wide base of global suppliers and manufacturing sites. Additionally, the operation has a book of business that is more skewed to North America given the business' emphasis on providing leading edge technologies that improve drilling efficiencies for extended lateral wells. Based on the tariff regimes that exist today, if we took no action, the business would realize a material reduction to its EBITDA margin.

But we have not been sitting idle. In fact, we began taking actions to diversify our supply chains away from higher risk markets beginning back in 2022 by finding new vendors and by pushing some existing suppliers to open manufacturing operations in lower risk countries. The majority of our Downhole business' manufactured parts are sourced from outside the U.S., so the sources of tariff exposures are (1) parts consumed to assemble products for sale and rental in the U.S., and (2) parts that are assembled into finished tools in the U.S. that are then exported for sales into international markets. Most of the businesses in our portfolio have the same types of supply chain exposure, so our playbook is pretty consistent and includes:



1. Leveraging NOV's substantial U.S. manufacturing footprint to re-shore as much content as possible for products destined for U.S. customers;
2. Utilizing the USMCA to the full extent to also leverage NOV's manufacturing capabilities in Mexico and Canada;
3. Rerouting manufacturing and assembly operations for products destined for non-North American markets to our international manufacturing plants;
4. Sourcing raw materials from the U.S., or from lower tariff countries, when possible; and
5. To the extent we can't yet find suitable alternate suppliers, negotiating discounts with vendors in higher tariff countries to share costs.

It takes substantial time and effort to incorporate new vendors into our supply chain. We must ensure they meet our quality specifications and remap scheduling to account for what may be longer lead times and shipping distances. In certain areas we've been able to work with vendors to have them stock inventory in the U.S. prior to tariffs coming into play, giving us a little more time to navigate through the significant changes. Our supply chain and compliance personnel have been working nights and weekends as we navigate through these changes efficiently and effectively for our customers, and for our shareholders. I'd like to extend my sincere gratitude to them for the great work they are doing.

We expect the actions that are currently in motion for our Downhole business should eliminate more than two-thirds of the currently known tariff costs. We are developing and implementing additional plans to further reduce the exposure. If we are unable to eliminate the higher costs, we expect to pass them on to our customers. Near-term, we will not be able to outrun the impact of tariffs on shipments that are in transit and there will be unanticipated second order effects, including the inflationary impact and extended lead times caused by all global manufacturers simultaneously trying to rewire their supply chains. We have already seen some U.S. vendors increase prices for steel and other components that now have reduced competition from foreign sources due to tariffs. Our best estimate is that NOV's consolidated results in the second quarter will include \$8-\$10 million in tariff expense that we may be unable to avoid. Beyond the second quarter, we estimate the tariff impact, net of our mitigation efforts,



will increase to approximately \$15 million per quarter. These estimates assume we are able to pass costs from the second order effects I just described onto our customers.

The actions we are taking that I've described so far are defensive, but there are areas where we expect to play offense, which brings me to the second example. In our drill pipe business, we've long resisted the temptation to offshore all of our operations and supply chain to low-cost countries, because we did not want to risk sacrificing the quality of our premium products. Our drill pipe manufacturing plant in Texas is the largest in the world, and produces the highest quality, most technically advanced drill pipe that has enabled super extended lateral and ultra deep-water drilling.

Our U.S. manufacturing along with our voestalpine Tubulars joint venture, which we believe provides the highest quality green tubes that we use as raw material, allows us to produce the best drill pipe on the planet. Today, we are the only provider of drill pipe in the U.S. that is not heavily dependent on supplies from China for any portion of our supply chain. If today's tariff regime remains in place, customers will be able to purchase our premium drill pipe, which offers superior technology and quality, at prices that are much more competitive. So, we're looking forward to having a more even playing field.

We aren't just working to mitigate tariff costs, we're using this as an opportunity to continue making NOV better as a whole. As we reorganize our supply chain, we are driving better coordination across our groups to mitigate tariff impacts and to better leverage NOV's consolidated spending power. We're also pushing even harder on other initiatives to lower costs and become more efficient. We're applying more automation and artificial intelligence (AI) technologies in our manufacturing operations as well as employing more traditional methods for driving efficiencies including:

1. Eliminating layers within parts of the organization, reducing costs and making the organization more agile;
2. Consolidating manufacturing operations, which allows us to improve utilization of our assets, increase throughput, and reduce overhead;
3. Pushing more of our back office processes into shared services; and



4. Focusing on continuous improvement with more frequent, good old-fashioned Kaizen walkthroughs, where we work to debottleneck, optimize and improve processes in our manufacturing operations.

We are focused on getting more efficient every day. The goal is to make sure we can provide our customers with the critical equipment they need at compelling value, while we improve returns for our shareholders. To provide that compelling value, cost is only one side of the equation. We are also relentlessly focused on making sure we have the right technology and offerings for our customers. We are in this for the long-haul. We position the Company to weather any storm and to invest in the future regardless of where we are in a cycle.

We don't know exactly how the current geopolitical and macroeconomic issues will play out over the near-term, but we are confident in and focused on the longer-term outlook and on three trends that we believe will drive the industry over the next decade:

1. Offshore production supplanting U.S. unconventional resources as the dominant incremental source of global oil supply;
2. Outsized demand for natural gas driving meaningful growth from global unconventional gas resources; and
3. The application of modern digital and AI technologies driving additional efficiencies in oilfield operations.

These trends will not only drive the business long-term, but will also be areas of strength near-term, regardless of the broader market environment. We've spent a good bit of time on our recent calls talking about our digital solutions and how we are supporting the rapid expansion of activity in international unconventional resources, so today I want to focus on the offshore.

As Clay noted, U.S. unconventional resources have accounted for almost all incremental oil production, but it is plateauing. It has been amazing, and while we aren't ready to call for a peak in U.S. production (don't ever discount what this industry can do), the declining number of remaining tier-1 drilling



locations, and firmly entrenched capital discipline, should prevent the type of growth we've seen over the past decade and a half. Our offshore operator customers share this view, which is giving them confidence to make significant, long-term bets in deepwater offshore projects.

Unlike investments in U.S. shale wells, which can deliver cashflow within a year of making an investment decision of \$5-10 million, deepwater developments can cost billions of dollars and typically have minimum investment horizons of 5-10 years. Where deepwater shares a common trait to shales is that technological advancements have delivered material improvements in drilling and production efficiencies. These advancements are allowing the industry to push into highly prolific frontiers that were unimaginable to produce from a couple decades ago. Today, we are drilling deeper wells, in deeper water, in harsher conditions, with higher pressures, through tighter pore pressure windows, and we are doing this with amazing efficiencies. Much of what the deepwater industry is developing today has break evens in the \$40/barrel range, the result of incredible technology and industrialization.

It doesn't get the attention it deserves, but deepwater drilling efficiency gains are not dissimilar to those realized in the U.S. land market. High-spec 7th generation rigs are drilling at rates 30-40% faster than they were a decade ago, thanks in large part to the equipment and technology that NOV has been delivering. Our control systems, automation, machine learning and AI algorithms, and now robotics, dramatically improve drilling efficiencies and safety. Today we have 22 automation upgrades in process and many other customers are evaluating such upgrades.

Our downhole broadband services that utilize wired drill pipe for high-speed data transmission along with our managed pressure drilling equipment allow operators to safely and efficiently navigate through high-risk zones with tight pore pressure windows. In these formations, operators are at high risk of unintentionally fracturing a zone, resulting in a well control or lost circulation issue, or ruining well economics by not being able to drill a sufficiently long lateral through a pay zone.



Our 20,000-psi blow out preventer, the only equipment of its kind in the market, has enabled safe development of the Paleogene in the U.S. Gulf and is driving exploration in similar, previously untouchable, extremely high-pressure reservoirs in other parts of the world.

Even our more basic-sounding lifting and handling upgrades for ultradeep water drilling have been critical to the industry's success. These upgrades are required to handle the intense stress of pushing or pulling a rotating string of high spec, drill pipe through over 7,000 feet of water, and another few miles below the sea floor. We've been extremely busy helping our customers upgrade hook load capacities up to 1,400 tons, replace cranes with our new ultra heavy lift electric active heave compensation units, and replace rotating machinery. All of which allow rigs to efficiently handle heavier pipe strings and drill deeper while leveraging the latest automation capabilities.

Operator demand for rigs with upgraded capabilities is high. Utilization of the highest spec 7th generation rigs is effectively at 100%. So, despite the transient "whitespace" our drilling contractor customers are contending with today, we are not only executing on existing projects but are having active dialogues with customers regarding additional upgrades.

Better technology, industrialization and standardization of production-related equipment have also led to improved offshore economics. Here we've also pioneered new technologies and have established leadership positions in providing gas and liquids processing capabilities, chokes and boarding valves, sophisticated turret mooring systems, deck machinery, subsea flexible pipe and other equipment. We continue to innovate and invest in R&D, and as highlighted in our press release, we were excited to sign an agreement with Petrobras to finish the development of a flexible pipe solution that will address the growing problem of stress corrosion cracking in high CO2 deepwater wells.

We've previously highlighted that the maximum revenue opportunity to NOV per FPSO is between \$100-700 million, depending on the size, scope and working environment of the vessel. Today we are following 14 potential FPSO opportunities, up to 12 of which could lead to awards for NOV during 2025.



As Rodney mentioned, we could see some project awards slip a bit to the right. However, if we are correct in assuming offshore production will supplant U.S. land as the provider of incremental supply to the global market, given the extremely long timeline for deepwater projects, the industry cannot afford to put these projects on a shelf for any extended period.

So, the outlook related to offshore and international unconventional resources remains bright, as does the central role that the people and technology from NOV bring to the industry to enable safe and efficient operations.

With that we'll open the call to questions.

