

NOV Inc.

Second Quarter 2025 Earnings Conference Call Remarks

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Director, Investor Relations

Welcome, everyone, to NOV's second 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 second quarter of 2025, NOV reported revenues of \$2.2 billion and net income of \$108 million or \$0.29 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 second quarter of 2025, revenue of \$2.2B was up four percent from the first quarter of 2025 and down one percent from the second quarter of 2024. EBITDA was \$252M, or 11.5 percent of sales.

Our Energy Equipment segment grew revenues five percent sequentially, as strong execution of capital equipment sales were able to more than offset a significant reduction in demand for aftermarket parts and services. However, the resulting unfavorable mix shift drove margins sequentially lower. Nevertheless, the segment delivered its twelfth straight quarter of year-over-year margin expansion.

Energy Products & Services' solid three percent sequential topline growth handily outperformed a six-percent decline in global drilling activity, buoyed by higher capital-equipment sales and greater penetration of our efficiency-enabling technologies in key markets. That strength was partially offset by sharply lower demand for quick-turn consumable drilling and completion products in North America, Saudi Arabia and Latin America, along with tariff-related and inflationary cost pressure, factors that together compressed segment margins.

Against this backdrop, both segments remain focused on structural cost reduction and process improvement. Jose will provide additional detail on these initiatives later in the call.

The six percent sequential decline in global drilling activity underscores market conditions that are growing more challenging. Macroeconomic uncertainty, the rapid unwinding of OPEC+ production quotas, and conflict in the Middle East have made customers more cautious.

In North America, exploration and production companies moved decisively to curtail short-cycle activity: the U.S. oil-directed rig count declined roughly nine percent since March, and modest gas-rig additions could not fully offset the drop. Pricing pressure is intensifying.

Internationally, conventional activity also eased. Saudi Arabia suspended additional onshore rigs, and Argentina operators shifted focus from mature Comodoro operations toward the unconventional Vaca Muerta play.

In offshore markets, tariffs and cost inflation are prompting some operators to slow walk certain projects which probably delays some final investment decisions. Importantly, we aren't seeing these projects cancel, and we are continuing to advance discussions and FEED studies on multiple deep-water programs. Our offshore drilling contractor customers expect their "whitespace" utilization challenges to ease in 2026.

On the whole, the remainder of 2025 will be tough. We expect North American shale activity to drift modestly lower through year-end, while Saudi conventional drilling may not re-accelerate before 2026. We think global drilling activity will slow further through the second half; nevertheless, we expect NOV's backlog and fourth quarter seasonal bulk tool purchases from international markets to support second-half sales that are flat to up modestly compared to the first half. For the third quarter we forecast year-over-year consolidated revenue to decline between one to three percent, with Adjusted EBITDA to land in the range of \$230 million to \$250 million.

Looking past near-term turbulence, NOV's opportunity landscape is compelling. We expect offshore activity to accelerate in 2026, and our healthy pipeline of prospective FPSO awards should drive demand for NOV's production technologies. Globally, the push for secure, affordable energy is accelerating investment in LNG and unconventional gas, areas where our composite pipe, high-pressure/high-temperature solutions, and gas-processing equipment excel. Our expanding digital-automation platform is delivering measurable efficiency gains for customers. Importantly, our significant backlog and a strong balance sheet give us the confidence and capacity to invest in these technologies.

Overall, growing offshore drilling and development activity, stabilizing rig counts in the Middle East, incremental growth in Middle Eastern and Latin American unconventional, set up a more favorable market for 2026, in our view, assuming commodity prices are reasonably well-behaved.

To all my fellow NOV employees listening today, I want to thank you for the terrific job you are doing. Our customers count on you and me every day to help them navigate tough market conditions, and Jose, Rodney, Amie and I appreciate all you do to support them and each other.



With that let me turn it over to Rodney to review the results of the second quarter.

RODNEY REED

Senior Vice President and Chief Financial Officer

Thank you, Clay.

Second quarter consolidated revenue increased four percent sequentially and decreased one percent year-on-year. These results reflect strong execution on our capital equipment backlog that was largely offset by lower aftermarket spare parts and consumable products sales due to softer oil and gas activity, all of which drove an unfavorable change in mix across our business.

Consolidated Adjusted EBITDA was \$252 million, or 11.5 percent of sales. Margins were pressured by this less-favorable sales mix, higher tariffs, inflation-driven cost headwinds, and certain charges in Latin America.

During the quarter, we generated free cash flow of \$108 million, resulting in our team converting 83 percent of EBITDA to free cash flow over the last twelve months. We continue to execute well on structural improvements to our working capital, including improved cash conversion cycle and inventory turns, which have resulted in a 300-basis point improvement year-over-year in working capital as a percentage of revenue.

Over the first half of 2025, we repurchased 10.9 million shares for \$150 million. Since we announced our share repurchase program during the second quarter of 2024, we have repurchased approximately 25 million shares. Also, during the quarter, we paid a quarterly base dividend of \$0.075 per share and a supplemental dividend of \$0.21 per share, resulting in dividends paid year to date of \$135 million. Between share buybacks and dividends, we have returned \$602 million to our shareholders, while increasing our cash balance by \$612 million since March 31, 2024. That's a total of over \$1.2 billion in free cash flow during the last five quarters.

Our tariff expense for the second quarter was approximately \$11 million. Since our April earnings call, there have been many announcements impacting trade policy, including a June increase in the rate of



Section 232 steel tariffs from 25 percent to 50 percent. We continue to leverage our supply chain experience, versatile manufacturing footprint, and opportunities to apply USMCA to further reduce our tariff expense. Assuming current tariff policies, we expect the impact of tariffs in the third quarter will rise to between \$20 and \$25 million, and then to between \$25 and \$30 million in the fourth quarter, where it should level out. Of course, the trade policy situation remains very fluid and the impact could be greater if tariffs go higher. Operationally, we are heavily engaged in rewiring our supply chain to whittle down the impact.

As a result of tariffs and persistent inflation in our supply chains, we are implementing cost reduction initiatives across the organization. Jose will cover specific actions we are taking. We expect the results of these initiatives will remove over \$100 million in annual costs by the end of 2026; however, increasing tariffs and inflation remain headwinds which will offset a portion of the savings.

During the quarter, our tax rate was positively impacted by certain discrete items. We expect our full-year tax rate to be between 26 percent and 28 percent. Also, we expect Eliminations and Corporate Costs during the third quarter to remain in-line with the second quarter of 2025.

Moving on to segment results.

Energy Products & Services

Our Energy Products & Services segment generated revenue of \$1.03 billion, a two percent decrease compared to the second quarter of 2024, due to lower global activity levels, which were partially offset by higher sales from the segment's capital equipment offerings. Adjusted EBITDA declined \$38 million to \$146 million, or 14.2 percent of sales. The higher decrements were primarily the result of a less favorable sales mix, tariffs and inflationary pressures along with certain charges in Latin America. Year-on-year product sales declined 20%, offset by improved sales of capital equipment.

Sequentially, segment revenues were 3 percent higher with strong results from capital equipment sales including our drill pipe and composite solutions businesses.



For the second quarter, the sales mix for Energy Products & Services was 50 percent services and rental, 34 percent capital equipment, and 16 percent product sales.

Revenue from services and rentals held flat year-over-year due to market share gains and new product expansion, offsetting the impact of reduced rig counts.

Our downhole tools business grew rental revenue low single digits compared to the prior year. Growing adoption of our high-performance drilling motors and our downhole setting tools in North America, along with increased rentals in international unconventional developments helped to overcome the effect of drilling activity declines in other markets. Similarly, rentals of our drill bits grew low double digits year-over-year as operators in the U.S. continue to achieve higher rates of penetration and longer runs per bit using our high-performance bit cutter technology. U.S. land drill bit revenues grew over 30 percent year-over-year compared to a U.S. rig count decline of 5 percent.

Tubular coating and inspection had a solid quarter, with service revenue up mid-single digits year-over-year. Increased tubular coating throughput and growing traction of NOV's high-temperature TK™-Drakon coating drove a low-double digit percent increase in North America coating revenue for Tuboscope year-over-year. The improvement in North America coating operations was partially offset by lower inspection revenue in Latin America.

Solids control and waste management services declined by mid-single digits versus the prior year primarily due to reduced activity in Mexico and Argentina's Comodoro conventional play. Higher solids control service and rental revenue in Africa and increased drilling activity in the UAE partially offset these declines.

Capital equipment sales increased low single digits year-over-year primarily due to strong growth in NOV's composite solutions business, which more than offset a managed pressure drilling capital sale in the prior year that did not repeat. Composite solutions for oilfield infrastructure in the Middle East and North America, FPSOs, and underground fuel handling tanks all realized robust sales. We expect



increased growth in our composite solutions business due to continued infrastructure buildout in international unconventional markets and fuel handling markets in North America.

Turning to product sales within Energy Products & Services, revenue decreased 20 percent compared to the second quarter of 2024, primarily driven by market uncertainty, which amplified the effects of the decline in global market activity with customers pumping the brakes on relatively quick-turn consumables purchases mostly related to drilling.

For the third quarter, we expect revenues from our Energy Products & Services segment to be flat to down two percent when compared to the third quarter of 2024, with EBITDA between \$130 million and \$150 million.

Energy Equipment

Moving to our Energy Equipment segment, revenue for the second quarter of 2025 was \$1.21 billion, nearly unchanged from the second quarter of 2024. Despite the flat revenue, EBITDA increased \$16 million to \$158 million, resulting in a 130-basis point increase in EBITDA margin to 13.1 percent of sales, driven by higher margin backlog and operational efficiencies that more than offset an unfavorable mix shift that resulted from a sharp decline in aftermarket sales. As Clay mentioned, this was the 12th straight quarter of year-over-year margin growth for the Energy Equipment segment.

Capital equipment sales accounted for approximately 62 percent of the segment's revenue mix in the second quarter of 2025, up nearly eight percentage points year-over-year driven by production and drilling equipment. Aftermarket sales and services accounted for the remaining 38 percent of Energy Equipment revenue in the second quarter.

In our drilling equipment business, aftermarket revenues were down sharply year-over-year due to customers' reducing spending in response to global trade uncertainty and lower oil prices. Spare parts bookings fell sharply during the quarter. We do not expect these levels of spare parts bookings are sufficient for the industry long-term despite the pullback we have seen in rig counts globally. Additionally, service utilization fell due to a slowdown of projects in China, but re-certifications and



upgrades remain active in Europe, Africa, the U.S., and Brazil. We are seeing automation upgrade opportunities which Jose will cover in more detail.

Revenue from aftermarket parts and services for intervention and stimulation equipment was down high-single digit percent year-over-year due to the decline in North America completion activity.

Turning to the capital equipment portion of the Energy Equipment segment, revenue grew low-double digits year-over-year, led by growth from our Process Systems, Subsea Flexible Pipe, and Marine Construction businesses. Bookings declined four percent sequentially to \$420 million. Customers are trying to assess longer-term impact of recent volatility in commodity prices, geopolitical conflicts, cost inflation, and trade policy uncertainty, which have resulted in certain projects pushing to the right. While uncertainty may continue to impact timing of investment decisions, currently, we are not seeing projects being canceled.

Second quarter revenue in our Subsea Flexible Pipe business reached an all-time high, growing significantly year-over-year, with robust EBITDA flow-through resulting from higher-margin projects. The capacity in the market remains tight, and the outlook for our subsea flexible pipe business remains constructive.

Our Process Systems business also achieved record-high revenues with significant year-over-year growth. Bookings were solid and included a monoethylene glycol unit for an operator in the Eastern Mediterranean in support of the global gas infrastructure build-out. While forecasts for FPSO FIDs in 2025 have moderated, the outlook remains encouraging. The onshore production market continues to be active for large international gas fields, and we are actively pursuing several projects that we expect to be awarded over the next twelve months. Our Process Systems and Subsea Flexible Pipe businesses combined have booked \$1.6 billion in orders over the last five quarters. Our Production and Midstream business also reached its highest quarterly revenue since 2019 due to growth in unconventional gas markets and strong execution. Targeted R&D and investments in our production related offerings has resulted in our Subsea Flexible Pipe, Process Systems and Production and Midstream businesses revenues increasing from less than 20% of Energy Equipment revenue in 2021 to approximately 30

percent of this segment's revenues in 2025, evidence that our innovation is driving growth and delivering solutions the industry depends on.

Capital equipment sales from our Intervention and Stimulation Equipment business decreased double-digits year-over-year due to a steep drop in demand for pressure pumping equipment in North America, partially offset by solid demand for coiled tubing and wire line equipment in international markets. We continue to see a growing number of opportunities for sales of completion equipment into international markets, particularly for the growing unconventional plays in the Middle East and Latin America.

Revenue from our drilling capital equipment increased in the mid-teens year-over-year due to greater progress on projects. The outlook for drilling capital equipment orders remains modest, given market uncertainties.

Our marine and construction business experienced a high single-digit increase in revenue compared to the second quarter of 2024, driven by greater progress on crane and cable lay projects. After booking an order for a cable lay vessel in the first quarter, we received an order for a wind turbine installation vessel (WTIV) in the second quarter. We continue to have active dialogue with customers for both cable lay vessels and WTIVs, and we see healthy demand for our electric cranes driven by newbuild multi-purpose supply vessels.

For the third quarter, we expect Energy Equipment segment revenue to decrease between one to three percent compared to the third quarter of 2024, with EBITDA in the range of \$145 million to \$160 million.

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

JOSE BAYARDO
President and Chief Operating Officer

Thank you, Rodney.

As we respond to a softening global marketplace, we remain focused on positioning the company to capitalize on three longer-term 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) Accelerating demand for natural gas driving meaningful growth from global unconventional gas resources; and
- 3) The application of modern technologies to drive additional efficiencies in oilfield operations.

Today, uncertainty is driving extreme fiscal austerity and a greater emphasis on operational efficiencies. Customers are pushing their procurement teams to negotiate better pricing, but are also looking to, and willing to, invest in solutions that improve recovery rates, lower costs, improve safety, and reduce environmental footprint.

In offshore markets, IOC and NOC customers remain confident in the mid-to-longer term outlook, due to plateauing North American production, offshore break-evens that are sub \$50 per barrel, and growing demand for cost-effective, secure, and reliable sources of energy. Existing projects continue to move forward at a healthy rate and, as Rodney mentioned, our businesses are executing exceptionally well on our healthy backlog of offshore production-related projects, driving a 9 percent sequential and 6 percent year-over-year increase in revenues from offshore markets.

Entering 2025, our customers had ambitious expectations regarding offshore FIDs and were planning to advance 13 FPSOs during the year. Supply constraints (including long lead times for gas turbines and compressors), congestion in shipyards, inflation, and macroeconomic uncertainties have caused customers to delay certain FIDs. We are collaboratively sharpening our pencils to help offset project costs that have increased 10 to 15 percent through more standardization and better coordination of order timing. These actions would allow us to build the same structures from multiple projects on one production run, improving efficiencies, throughput, and cost. While we've seen FIDs push to the right, to our knowledge, none have been canceled, and the mid-to-longer term outlook remains bright. Industry forecasts call for more offshore FIDs this year and see the potential for up to 50 FPSOs through the end of the decade. Additionally, demand related to LNG projects remains solid, as evidenced by a

sizeable award NOV received during the second quarter for a large, submerged swivel and yoke system for a floating LNG project in Argentina.

Delays of offshore production vessel deliveries continue to have knock-on effects in the drilling space, resulting in the near-term “whitespace” utilization challenge that our customers face over the next couple of quarters. As Rodney mentioned, our aftermarket business experienced a double-digit percent decrease in revenues driven by a sharp reduction in spare part bookings during the second quarter. Customers tapped the brakes while digesting the macroeconomic and geopolitical volatility, and after some of them gave themselves a little breathing room after making extra purchases in the first quarter to get in front of higher tariff costs. While this pullback was sharper than anticipated, we expect a slight rebound in the third and fourth quarters. For the full year, we now expect our drilling equipment aftermarket business’ revenue will decline in the mid-teens.

While near-term expectations have been tempered, our offshore drilling contractor customers remain confident in a meaningful recovery beginning in the second half of 2026, which would spur additional demand for spare parts, upgrades and other projects as rigs prepare to move onto new contracts. We are already seeing some signs of this through a growing number of projects we are planning to execute in the second half of this year. Consistent with the themes I previously mentioned, customers are investing in enhanced capabilities that drive operational efficiencies, such as increasing hookload capacity and automation. There is strong demand for deepwater rigs that have “7th Gen High-Spec” capabilities, including hookload capabilities of 1,400 tons or more and enhanced automation. We’ve had quite a few inquiries regarding additional hookload upgrades, and we recently commissioned four automation packages, including one with our robotic system that allows for completely hands-free tripping. We now have robotics systems active on four rigs with another eleven in the pipeline, and we continue to see growing interest from our customer base.

International land markets remain mixed. In the Middle East, growing activity in the UAE, Qatar, and Oman, along with demand for investments in infrastructure and capital equipment for the emerging unconventional basins, are offsetting a stronger than anticipated deceleration in Saudi Arabia. The

increasing number of rig suspensions in Saudi have led to a sharp decline in revenues for our shorter-cycle Energy Products & Services segment in the Kingdom.

Similar to other markets, customers across the Middle East are looking for ways to become more efficient. While procurement groups are pushing on pricing through competitive tenders, they are more open to direct awards related to differentiated solutions that drive operational efficiencies, such as the order we received for several surface automation systems that use our NOVOS multi-machine control system and Kaizen drilling optimizer. Additionally, while NOCs are increasingly leaning on major OFS companies for lump-sum turnkey work, those OFS companies are increasingly turning to NOV for access to our technology to lower their R&D expense and reduce investments in their asset base.

Demand for capital equipment in the Middle East remains resilient as customers continue to invest in upgrading and modernizing drilling and completion equipment needed to efficiently develop unconventional resources. Investment in production infrastructure needed for future development also remains strong, driving healthy demand for our composite pipes and our chokes. Despite the potential for additional rig suspensions, continued investments in equipment and infrastructure, along with some early discussions related to upcoming tendering, leave us optimistic for a potential rebound in activity by mid-2026.

Similar to the Middle East, conditions in Latin America are also mixed. Mexico, Columbia and Ecuador remain challenged. In Argentina we are seeing a slowdown in the mature, conventional Comodoro field and a shift to the unconventional resources of the Vaca Muerta in the Neuquen basin, which, as Rodney touched on, required us to incur some charges as we repositioned our operations in the country. While the slowdown in the Comodoro has had a negative effect on our business over the past year, the longer-term outlook in Argentina remains very promising. We continue to see solid demand for our completion equipment and our downhole tools that drive efficiencies in extended lateral wells, which recently enabled our customer to achieve multiple drilling and completion records in the Vaca Muerta.

In North America, operators have moved decisively to curtail oil directed activity, only partially offset by an increase in gas directed drilling. Our businesses outperformed changes in activity levels through continued market share gains, but the environment is becoming more challenging with many North American service companies and operators implementing restructuring and cost savings programs.

Land-focused oilfield service customers are limiting capital equipment purchases while running equipment extremely hard and cannibalizing stacked equipment as a source of spare parts, potentially setting up an inevitable replacement cycle. E&P's are shrinking capital plans and are seeking pricing concessions, but they continue to prefer best in class products that drive efficiencies. They are designing well construction plans to achieve the lowest possible cost per foot. We've recently seen a push by multiple operators to reduce hole sizes and clearances to optimize hydraulics, drill faster, lower material costs, and reduce environmental impact. This shift created opportunities for us to gain share with several customers who took time to reassess the effectiveness of the components in their bottom hole assemblies. They recognize the superior performance of NOV's offerings and ultimately standardized on our kit.

Customers are also looking to gain an edge through the use of better digital solutions. During the quarter, a major land drilling contractor decided to standardize on NOV's next-generation electronic drilling recorder and remote drilling monitoring applications powered by our Max Platform, which will enable the customer to reduce complexity and offer advanced digital capabilities to its customers.

As mentioned, the decline in oil activity in the U.S. has been partially offset by an increase in gas directed drilling. As operators target deeper, higher-pressure wells with higher bottom hole temperatures (particularly in the Haynesville and Eagle Ford), we are seeing increasing adoption of our Drakon thermal insulated pipe coating and our Tundra Max mud chillers, each of which significantly enhance performance and longevity of bottom hole assemblies.

While our latest generation of performance-enhancing technologies are commanding solid demand with accretive margins, the market environment has grown more price competitive. Over time, our better

technologies have taken share from competitors, and some are now using price concessions to try to win back work in a market where tariffs are increasing product costs.

Our team has done an outstanding job managing through the complexities of the continuously changing tariff policies, and we continue to do all we can to mitigate as much of the roughly \$300 million in annual tariff costs that we would incur if we sat still. As Rodney mentioned, we recognized a total of \$11MM in tariff expense during the second quarter, with roughly 70 percent of this expense hitting our Energy Products & Services segment. We expect tariff expense to step up over the next two quarters and level off between \$25 to \$30 million during the fourth quarter. We will continue to identify additional measures to mitigate these costs or pass them on to our customers but this will continue to be challenging given current market dynamics. In order to offset these margin pressures, we are ramping up efforts to drive internal efficiencies and reduce costs across NOV. We have identified over \$100MM of savings that we expect to capture by the end of 2026 through:

1. Simplifying, standardizing, and centralizing business processes. Since late last year, we have been developing plans to redesign certain business processes across NOV, with the goal of lowering costs, reducing time, and further improving our customers' experience doing business with NOV. This will be a multi-year effort, but we have begun executing process changes and expect to begin realizing savings from this initiative late this year.
2. Strategic sourcing. Tied into the efforts to standardize our processes, we are working to further leverage our spend across the organization to maximize our economies of scale through high-quality, low-cost sourcing, which is shifting under evolving trade policies.
3. Business and facility consolidations. During the second quarter we began consolidating our Completion Tools operation into our Downhole Tools business and we merged our Grant Prideco and XL Systems conductor pipe casing connector businesses into a new unit called Tubular Products. The consolidations allow us to better share resources between product lines and drive efficiencies and cost savings. Within other business units, we're consolidating facilities to unlock further efficiencies from lower overhead, rent, and utilities, and better utilization of our asset base.



4. Exiting product lines in certain markets. We are exiting product lines in markets in which we do not see a near-term path to generating an appropriate rate of return. While exiting markets will reduce total revenue and EBITDA, these actions will be accretive to NOV's margins and return on capital.

We also continue to work on plant-level operational efficiencies with a relentless focus on operational excellence. For example, in one of our plants, we are investing in an initiative where we expect to take our manufacturing cycle time down from 60 days to less than 20, which should lower our costs, free up working capital and allow us to be more responsive to demand.

Near-term, it will be difficult for these actions to outpace the effect of lower activity, higher tariffs, and other inflationary costs, but over time our efforts to better harness the power of NOV's platform will drive higher profitability, allow us to continue to generate significant levels of free cash flow, and further improve responsiveness to our customers.

Technology and innovation remain core to NOV, and the actions we are taking will increase collaboration across our businesses, enabling us to better leverage the unique combination of capabilities and data which reside under NOV's roof. I'm confident our efforts will accelerate innovation and pioneer technologies to address the most pressing needs of our customers.

As Clay mentioned, NOV's future is compelling. The incredibly smart, talented, and dedicated people of NOV are continuously driving improvements across the organization, positioning us exceptionally well to capitalize on longer-term trends that will require more of NOV's technology and services to develop affordable, secure, reliable, and cleaner sources of energy to power the world.

With that, we'll open the call to questions.

