

# NOV Inc.

## Fourth Quarter and Full Year 2024 Earnings Conference Call Remarks

**AMIE D'AMBROSIO**  
**Director, Investor Relations**

Welcome everyone to NOV's fourth quarter and full year 2024 earnings conference call. With me today are Clay Williams, our Chairman, President, and CEO, and Jose Bayardo, our Senior Vice President and CFO.

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 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 fourth quarter of 2024, NOV reported revenues of \$2.31 billion and a net income of \$160 million or \$0.41 per fully diluted share. For the full year 2024, revenues were \$8.87 billion and net income was \$635 million or \$1.60 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, President, and Chief Executive Officer**

Thank you, Amie, and good morning everyone.

NOV's fourth quarter marked a strong finish to a good year. Fourth quarter revenues grew 5 percent sequentially to \$2.3 billion, and net income was \$160 million resulting in fully diluted earnings of \$0.41 per share. EBITDA was \$302 million, or 13.1 percent of sales.

Fourth quarter book-to-bill was 121 percent on shipments out of backlog that were up 12 percent sequentially. NOV has achieved greater than one-to-one book-to-bill in 10 of its last 12 quarters, growing its backlog 22 percent through the past four years while quarterly shipments out of backlog have risen more than 60 percent through the same period. The Company continued to benefit from rising demand for its critical technologies through the fourth quarter, despite slowing momentum in E&P spending in several key markets.

For the full year 2024, in addition to growing backlog year-on-year, NOV increased revenue, improved profitability, and generated exceptionally strong free cash flow. Revenue for the full year increased 3 percent to \$8.9 billion, and EBITDA increased to \$1.1 billion, or 12.5 percent of sales. Incremental flowthrough for the year was strong at 38 percent. The Energy Equipment segment led the way, growing its revenue by five percent and expanding segment margins by 250 basis points. Recovery of supply chains and lower inflation, together with higher-margin contracts flowing out of backlog, helped the segment improve its performance significantly in 2024, and we expect further improvements in 2025.

Offshore investment continued to recover, fueled by deepwater exploration, and follow-on development prompting demand for floating vessels to produce, store and offload oil and to liquify natural gas. NOV has continued to secure large orders for gas- and produced-water processing equipment, subsea flexible pipe, chokes, offshore completion and other production equipment. In fact, nearly 60 percent of fourth quarter's reported orders were for production equipment NOV provides.



The balance of our Q4 orders included a complete drilling package for a newbuild jackup rig to be constructed in Saudi Arabia, which helped drive a 20 percent plus sequential improvement in orders for drilling equipment. For the full year, drilling capital equipment within the Energy Equipment segment totaled 8 percent of our consolidated NOV revenues.

Our shorter-cycle segment, Energy Products and Services, also grew revenue in 2024, though modestly. Margins fell 120 basis points year-over-year, due mostly to large declines in drillpipe demand and related pipe-coating services.

The segment's top line growth came despite lower global drilling activity, which was down five percent year-over-year. Sales growth was helped by increasing adoption of NOV's new organically-developed technologies, along with acquisitions in setting tools and artificial lift made during the year.

NOV's digital services continued to gain traction with users of our Max™ data aggregation, visualization, and analytics platform more than doubling through 2024. Our Max edge platform is a key component of the connected digital network we have developed, which spans high-speed data measured at the bit and transmitted through our proprietary wired drillpipe, to AI applications that work in conjunction with NOV's machine controls to optimize safety and performance, while feeding data real time into the cloud and into our customers' command centers. We are continuing to develop new digital products built on the Max edge platform for new areas of the development lifecycle, like well completions and production optimization. NOV's unique proprietary data transmission capability, along with its large installed base of equipment in chokes, separation, processing, completions and drilling, create a unique and interesting opportunity for our Company.

NOV's Energy Products and Services segment also benefitted from strong share gains with new downhole technologies. Continued innovations in cutter technology enabled NOV Reed Hycalog to capture the leading position in the supply of drill bits. Our new downhole drilling motors, friction reduction tools, and torsional vibration mitigation tools are proving critical to shale drillers pushing laterals out to three and even four miles, leading to 89 percent year-over-year growth for these



downhole technologies in the fourth quarter. And as operators invest in new unconventional shale opportunities in the Middle East and Latin America, we see further growth ahead.

Overall, share gains with organically-developed technologies and backlog resilience enabled NOV to post a solid 2024, despite headwinds which began to emerge in the second half of the year. Concerns regarding potential near-term oversupply are making everybody nervous, so many producers and service companies are more cautious in their near-term spending plans. Nevertheless, higher revenue, profit and improved working capital efficiency resulted in full year free cash flow of \$953 million, or 86 percent of EBITDA.

Energy demand continues to grow, as it has for the 166-year history of the oil and gas industry. Secure and reliable energy supports economic growth and improves the lives of people globally. While macroeconomic and geopolitical uncertainty persists, NOV enters 2025 with a strong foundation.

We expect North America activity to remain subdued, probably flat at best. Continued capital discipline among more consolidated E&P operators, together with some pretty astounding efficiency gains (due in no small part to NOV's technologies), will continue to be a headwind for short-cycle drilling and completion activity in the U.S. However, we expect NOV's technology leadership and strategic market positioning to continue to enable us to outperform activity levels in the region. We are actively increasing our fleet of proprietary drill bits and downhole tools in response to market demand, and we expect further share gains to offset the softness in NAM activity within Energy Products and Services. We also expect weak demand for pressure pumping and stimulation equipment for NAM, which will weigh on Energy Equipment results in 2025.

Looking to international markets, we believe activity will be flattish year-over-year. The Middle East will see declines in Saudi Arabia offset by increases in Kuwait, UAE and Oman. Latin America should remain strong, led by Brazil, and we continue to view unconventional development in the Vaca Muerta in Argentina, the Jafurah field in Saudi Arabia, and unconventional elsewhere in the Middle East as bright spots for future NOV demand. Unconventional shale plays need high-spec land rigs, coiled tubing and



completions kit, chokes, separators and corrosion-resistant flowlines — all categories where NOV provides global market leadership. And we continue to see signs of building demand from these emerging unconventional basins.

Turning to offshore, despite a pickup in contracting in December, our offshore drilling customers remain concerned about lower utilization or "whitespace" in their schedules in 2025. Nearly \$300B in offshore FID's in the past three years, up about 50 percent from the preceding three-year period, has led to the filling of Asian shipyards. About 60 new conversion or construction projects for floating production, storage, liquification and regasification vessels have resulted in higher congestion and costs, something we talked about last quarter. As the vessel supply chain has filled, delivery dates have elongated a bit, which has cooled the urgency by deepwater E&P operators to drill. Some of our drilling contractor customers are facing temporary gaps in utilization due to delayed production plans. They tell us, though, they expect contracting activity to pick up, possibly as early as the second half of 2025, in anticipation of higher deepwater drilling in 2026. Their view is supported by the emergence of offshore natural gas as an economic target for E&P operators, along with success in exploration in Latin America, West Africa, the Eastern Mediterranean, and the Paleogene in the Gulf of Mexico. Economics have been helped by greater industrialization and standardization throughout the subsea production and FPSO supply chains, which we believe will help normalize supply chains more quickly to facilitate higher levels of offshore drilling.

During the fourth quarter we saw further slowdowns in spare parts demand from offshore drillers as a result of the whitespace phenomenon; however, these were almost fully offset by higher service and repair revenues for NOV, resulting in a modest one percent sequential decline in Rig Aftermarket. (Rig Aftermarket within Energy Equipment totaled 18 percent of NOV's consolidated mix in 2024.) The number of offshore projects we are engaged in is roughly flat year-on-year, with a higher mix of longer-term, more revenue-intensive recertifications than last year, but offset by fewer rig reactivations. Despite several examples of offshore drillers using whitespace to upgrade and repair rigs for 2026 activity, we expect to see Rig Aftermarket activity down mid-to-upper single digits, and Rig Equipment



down low single digits in 2025. Notably, we may see a stronger recovery in the latter half of the year as I mentioned, as drillers prepare for a more robust 2026.

Our growing backlog within Energy Equipment reflects the high demand for NOV production equipment arising from the sharp expansion of deepwater FID's and developments I noted earlier, particularly in offshore production processing and subsea flexible pipe. We are well positioned to support the next phase of deepwater expansion, offering critical technologies in gas dehydration, produced water and CO2 handling, and emissions reduction. More complex offshore wells will continue to drive demand. Likewise, we foresee growing international onshore adoption of unconventional drilling and completion techniques creating additional avenues for growth across our comprehensive portfolio. Overall we expect Energy Equipment revenue to decline low-single-digits in 2025, as lower demand for offshore drilling support and NAM stimulation equipment, more than offset growth in production equipment. We expect modest growth in Energy Products and Services revenue to more-or-less offset these declines.

To summarize, our base case across the different markets points to a flattish environment in 2025. We acknowledge that OPEC excess supply, continued strong shale efficiency gains in the U.S., and growing non-OPEC offshore production (which appears to be supplanting U.S. shale as the swing source of oil supply), could unleash greater commodity-price-driven headwinds in 2025. Nevertheless, in the absence of a significant downturn in activity, we expect NOV's margins to improve further in 2025. Margin expansion will be driven by the improving quality of margins rolling out of our backlog, our focus on driving further efficiencies in our business, and continued markets gains of our new products that have gained adoption and pricing premiums.

As always, NOV remains committed to delivering value to our shareholders. Our disciplined capital allocation strategy—maintaining a strong balance sheet while balancing reinvestment in high-return opportunities with shareholder returns—will continue to guide our decisions. In 2024, we meaningfully increased our return of capital, accelerating share buybacks and increasing our dividend to return \$337 million to shareholders during the year. As we look forward, we remain steadfast in our approach to delivering consistent and sustainable financial performance.



In closing, 2024 was a year that demonstrated NOV's resilience and strategic strength. Despite market and macro headwinds that emerged through the year, we delivered strong operational execution, capitalized on offshore and international tailwinds, and maintained a disciplined approach to cost control and capital deployment.

As we move into 2025, NOV is well positioned to build on the momentum of this year, capitalize on the growing opportunities ahead, and drive stronger returns for our stakeholders.

I want to tell all of the NOV employees listening today "thank you". I appreciate you. Your strong commitment to innovation, execution, and service excellence is what drives NOV's success. Our customers count on you and me for the critical solutions that enhance efficiency, safety, and sustainability—and thanks to your hard work, NOV will continue to exceed their expectations in the coming years.

Jose?

**JOSE BAYARDO**

**Senior Vice President and Chief Financial Officer**

As Clay mentioned, NOV had a solid 2024. During a year when drilling activity was down nine percent in North America and flat in international markets, our full year revenue improved three percent, with 38 percent EBITDA flow through. We also generated \$953 million of free cash flow and achieved a book to bill of 122 percent. For the fourth quarter, NOV's consolidated revenue decreased one percent year-over-year, but EBITDA increased three percent to \$302 million, with margins increasing 60 basis points to 13.1 percent of sales. Steadily improving quality of our capital equipment backlog, market share gains from new, higher margin technologies and services, and operational efficiencies more than offset the effect of lower activity levels.

Cash flow from operations was robust and totaled \$591 million in the fourth quarter due to higher levels of profitability and improved working capital efficiencies. Capital expenditures totaled \$118 million,



resulting in \$473 million of free cash flow. For full-year 2024, NOV generated \$1.3 billion in cash flow from operations and invested \$351 million in capital expenditures, resulting in the \$953 million of free cash flow. We expect capital expenditures in 2025 to be in line with 2024.

We achieved an 86 percent conversion rate of EBITDA to free cash flow in 2024. While we do not expect the exceptional improvement in working capital to repeat this year, we still expect a healthy EBITDA to Free Cash Flow conversion rate of more than 50 percent in 2025.

During the fourth quarter, we repurchased 7.5 million shares for \$112 million and paid a \$29 million dividend, returning \$141 million to our shareholders. Our repurchases were heavily weighted toward the end of the quarter, so we exited the year with 384 million fully diluted shares outstanding, 6 million shares lower than the weighted average number of shares outstanding during the quarter. For the full year we returned a total of \$337 million to our shareholders, or 41 percent of our Excess Free Cash Flow. We remain committed to returning at least 50 percent of our Excess Free Cash Flow to our shareholders on an annual basis and therefore expect to true up to that threshold through a supplemental dividend in the first half of 2025.

Our exceptionally strong cash flow also allowed us to improve our cash balance by \$414 million during 2024. With our robust balance sheet, we now expect to return well over 50 percent of our Excess Free Cash Flow in 2025, excluding the supplemental dividend related to our 2024 return target.

Moving on to segment results.

### **Energy Products and Services**

During the fourth quarter of 2024, our Energy Products and Services segment generated revenue of \$1.06 billion, a modest decrease compared to the fourth quarter of 2023. EBITDA decreased \$20 million to \$173 million, or 16.3 percent of sales. The decrease in revenue and profitability was due to lower global drilling activity and the effect of heightened geopolitical and macro-economic uncertainty, which had a disproportionate effect on demand for the segment's shorter-cycle capital equipment offerings.



For the fourth quarter, the sales mix for Energy Products and Services was 49 percent services and rentals, 19 percent product sales, and 32 percent shorter-lived capital equipment.

Sales of capital equipment decreased 15 percent year-over-year, due to strong deliveries of drill pipe, managed pressure drilling equipment, and conductor casing connections in the fourth quarter of 2023, which did not repeat. While demand for these offerings decreased year-over-year, each product line has seen solid orders as of late. Partially offsetting the overall decline in capital equipment sales was a strong increase in revenue from the segment's composite pipes, fittings, and structures. We continue to experience robust demand for fiberglass pipes and tanks in support of production infrastructure for international developments, and recently, shipyards seem to have found a new sense of urgency in taking deliveries of composite piping, ducts, and ballast tanks for floating production, storage and offloading (FPSO) vessels.

The segment's revenue from services and rentals improved four percent year-over-year due primarily to contributions from our artificial lift and setting tool acquisitions. Excluding the acquisitions, service and rental revenue was up slightly year-over-year as market share gains offset lower drilling activity levels.

Despite steady declines in drilling activity, revenue from rentals of our drill bits in the U.S. has increased four straight quarters, a result of our industry-leading cutter technologies and close engineering coordination with operators to provide the optimal bit for the specific hole application.

Demand for our solids control services remained robust with year-over-year revenue up in the low double digit percent range led by demand for our latest generation of technologies. Over the past year, we've realized rapid market adoption of our Alpha Shakers, which can process twenty to thirty percent more cuttings than other shakers on the market, and our iNOVaTherm thermal desorption systems, which efficiently removes oil-based waste from cuttings, eliminating, or significantly decreasing, transport costs associated with waste disposal.

Our digital services operation, which includes our legacy MD Totco business, our Max Digital service offerings, and our wired drill pipe enabled Downhole Broadband Solutions (DBS), declined in the upper



single digit percent range, due to lower drilling activity levels impacting demand for electronic drilling data recorders and spud dates for DBS projects in the Middle East sliding to the right. Both of which more than offset contributions from the continued growth in the user base of our Max Digital solutions platform.

Revenue from our tubular coating and inspection services were flat year-over-year, with steady demand for coating services in North America offsetting declines in higher-margin coating services in the Eastern Hemisphere and Latin America. Revenue from inspection services was down slightly, due to lower activity in North America mostly offset by higher demand from Latin America.

We are realizing strong growth in downhole tool rentals from international markets by capitalizing on opportunities to expand the use of our leading-edge, extended lateral tools into unconventional fields in international markets including Saudi Arabia, the UAE, and Argentina. In the Middle East, we began executing on a contract to provide complete bottom hole assemblies (BHA's), including our advanced drill bits, motors, and measurement while drilling (MWD) tools for a large service provider drilling extended lateral wells in an unconventional field. We've already helped the customer set a rate of penetration record for the 16-inch section in the field. We are also seeing accelerated adoption of our friction reduction and torsional vibration mitigation tools in the Middle East and pushing those products along with our advanced drilling motors and power sections into the Vaca Muerta field in Argentina. The strong demand for our downhole tools in international markets and market share gains in the U.S. are mostly offsetting the decline in drilling activity and an increase in direct sales of our products to operators, more of whom are starting to build out their own fleet of high-spec drilling tools.

Revenue from product sales increased in the low double digits compared to the fourth quarter of 2023. Our artificial lift franchise continues to see healthy demand in the Permian while pursuing growth in additional regions. Excluding the acquisition of our artificial lift business, revenue from consumable products was down in the low-to-mid teen percent range. Strong shipments of downhole drilling and fishing tools to customers in India, Indonesia, and China were more than offset by lower shipments of

tubular liners and sleeves, MPD consumables, and a fall-off of drill bit sales in Saudi Arabia during the last couple months of the year.

For the first quarter of 2025 we expect our Energy Products and Services segment to realize a seasonal decline that is in-line with what the segment experienced last year, translating into revenue that is flat to down two percent year-over-year, with EBITDA between \$145 million and \$165 million.

### **Energy Equipment**

Moving to our Energy Equipment segment, revenue for the fourth quarter of 2024 was \$1.29 billion, down one percent from the fourth quarter of 2023. EBITDA increased, \$38 million to \$185 million, resulting in a 310 basis point increase in margin to 14.4 percent of sales. The fourth quarter of 2024 marked the tenth straight quarter of year-over-year margin growth for the segment, resulting from the continued improvement in the quality of our backlog and improvements in operational efficiencies.

During the fourth quarter, sales of capital equipment accounted for approximately 57 percent of the segment's revenues, unchanged from the fourth quarter of 2023, but up three percentage points from the third quarter of 2024 due to the typical seasonal pickup in year-end capital equipment deliveries. Aftermarket sales and service accounted for the remaining 43 percent of revenue in the fourth quarter of 2024, which declined three percent year-over-year due primarily to a mid-single-digit percent decrease in aftermarket support for intervention and stimulation equipment and a one percent decrease in our drilling equipment aftermarket operations.

Revenue from aftermarket parts and services for intervention and stimulation equipment in the U.S. decreased in the mid-teen percent range year-over-year, with the steady decline of completions activity causing customers to idle and stack frac spreads and other equipment. Partially offsetting the lower revenue from North America was a mid-teen percent increase in demand for aftermarket services in the Middle East where growing activity in unconventional resources is requiring more aftermarket support for a growing base of service equipment.



In our drilling equipment business, lower demand for spare parts was mostly offset by higher revenues from service and repair work. As Clay mentioned, we have started to experience softening demand for aftermarket parts and services as our offshore drilling contractor customers prepare to navigate through whitespace in 2025. We anticipate, and are beginning to see, a larger effect on demand for spare parts versus service and repair, with many customers taking advantage of the lull in activity to complete upgrades and recertifications. Despite a lower number of recertifications expected in 2025, the offshore rig fleet is getting older and we expect our average recertification project will have a larger scope than what we saw in 2024. Our expectation is that we will have fewer drillship reactivations and recertifications, but we should see a meaningful number of upgrades and larger scope per recertification project, resulting in aftermarket revenue that will decline in the mid to upper single digit percent range for the full year. With the expectation for significantly higher offshore activity in 2026, we expect aftermarket orders to bottom in the second quarter, and revenues to trough in the third quarter, before results improve in the fourth quarter of 2025.

Turning to the capital equipment portion of the Energy Equipment segment, higher sales of drilling, production, and completion equipment more than offset lower year-over-year revenue from Wind Turbine Installation Vessels (WTIVs).

Fourth quarter bookings remained strong, with the segment posting a book-to-bill of 121 percent. Backlog ended 2024 at \$4.43 billion, up seven percent from year-end 2023, despite the negative impact a strengthening U.S. dollar had on our heavily international market weighted backlog.

Revenue in our offshore production-oriented businesses, improved slightly year-over-year with higher progress on process system projects, partially offset by a decline in our subsea flexible pipe operation after an extraordinarily strong fourth quarter of 2023. Outlook for our offshore production offerings remains very strong. We secured new orders for equipment packages associated with three newbuild FPSOs that will operate in Brazil and West Africa. The scope includes advanced natural gas dehydration, CO<sub>2</sub> handling, and produced water treatment systems. Our subsea flexible pipe business had another strong bookings quarter and backlog is at a record high, up 62 percent from the end of last year.



Importantly, the backlog consists of projects with much improved pricing, which should drive meaningfully higher margins for the operation in 2025.

Sales of intervention and stimulation capital equipment improved high-single digits over the fourth quarter of 2023, with strong sales of coiled tubing and wireline equipment in the Middle East, more than offsetting a sharp decrease in demand for pressure pumping equipment in North America. As activity declines, and operators are doing more with less, we expect to see more attrition of the service equipment base over the next couple quarters before our customers will need to resume replacing worn-out assets with our latest generation of equipment, which offers greater operational efficiencies and a lower total cost of ownership. While rig curtailments in conventional Saudi fields are causing some cautiousness, we expect the Middle East region will continue to be a solid source of demand for completion equipment that is needed to feed the development of the service intensive unconventional plays that is now underway.

Revenue from drilling capital equipment grew mid-single digits year-over-year, due to increased progress on offshore projects, including a 20k psi BOP upgrade we announced in 2024, and we continue to execute well on our sizeable backlog of newbuild rigs in Saudi, where we recently delivered our 10th rig. Our operations remain busy building equipment for offshore upgrades, and we recently booked a drilling equipment package for a new jackup rig, but the outlook for rig equipment looks modest in 2025. As Clay mentioned, we expect revenues to decrease in the low single digit percent range in 2025 due to the offshore whitespace and macroeconomic uncertainties. Longer-term, we see building pent up demand for high-spec rigs in emerging international unconventional basins and more opportunities to upgrade offshore rigs with the latest capabilities.

Our marine and construction business experienced a steady decline in revenues through 2024 as higher revenue from pipe and cable lay vessels could not offset the completion of WTIV projects that occurred through the course of the year. While orders for WTIVs have been somewhat sparse over the last two years, our customers in Western Europe continue to project a shortage of vessels by 2028 and are beginning to initiate tenders with shipyards, giving us optimism that we could realize a couple orders



during 2025. We also see the potential for additional pipelay vessels and expect demand for cranes and deck machinery to remain solid.

With increasing macroeconomic and geopolitical uncertainty, we expect the Energy Equipment segment to realize a slightly larger than usual seasonal decline resulting in revenue that will be down three to five percent year-over-year with margins improving between 150 to 250 basis points to yield EBITDA in the range of \$135 million to \$150 million.

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