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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the SLB earnings conference call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the conference over to the Senior Vice President of Investor Relations & Industry Affairs, James R. McDonald. Please go ahead.

James R. McDonald - *Schlumberger Limited - SVP of IR and Industry Affairs*

Thank you, Leah. Good morning, and welcome to the SLB Fourth Quarter and Full Year 2023 Earnings Conference Call. Today's call is being hosted from Houston following our Board meeting held earlier this week. Joining us on the call are Olivier Le Peuch, Chief Executive Officer; and Stephane Biguet, Chief Financial Officer.

Before we begin, I would like to remind all participants that some of the statements we will be making today are forward-looking. These matters involve risks and uncertainties that could cause our results to differ materially from those projected in these statements. I, therefore, refer you to our latest 10-K filing and our other SEC filings.

Our comments today may also include non-GAAP financial measures. Additional details and reconciliation to the most directly comparable GAAP financial measures can be found in our fourth quarter press release, which is on our website.

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

Olivier Le Peuch - *Schlumberger Limited - CEO & Director*

Thank you, James. Ladies and gentlemen, thank you for joining us on the call today. In my prepared remarks, I will discuss our fourth quarter and full year results, highlight a number of achievements and share our thoughts on the outlook for 2024 and our financial ambitions. Stephane will then provide more detail on our financial results, and we'll open the line for your questions. Let's begin.

The fourth quarter was an impressive conclusion to the year's financial results. We grew revenue both sequentially and year-on-year, and we achieved cycle-high margins and cash flows during the quarter. Our strong performance was fueled by the international and offshore markets and was supported by robust sales in digital and integration of the acquired Aker subsea business.

Throughout the year, we witnessed continued growth in international and offshore markets, where customers are focused on enhanced production and capacity additions. We've also seen further investments in digital technologies for planning and operational efficiencies. This is driving growth today and presenting opportunities into the future.

The international shift in investment has accelerated during the year with fourth quarter revenue growth driven by the Middle East and Asia and Europe and Africa where we continue to benefit from long-cycle developments, capacity expansions and exploration and appraisal activities.

Specific to offshore, we delivered a very strong fourth quarter as we grew our legacy portfolio and harnessed a strong performance from our OneSubsea joint venture. On this note, I would like to extend my thanks to the entire Aker subsea team, who have joined us 3 months ago and have already contributed very well to our strong year-end results.

Exiting the year, our international revenue and margins reached new cycle highs, marking our 10th consecutive quarter of year-on-year double-digit revenue growth on the international front. And we delivered exceptional free cash flow of $2.3 billion in the quarter.

Next, let me reflect on our accomplishments for the full year. We fulfilled our full year financial ambitions, growing revenue by 18%, surpassing our revenue growth target for the year and achieving adjusted EBITDA growth in the mid-20s. Additionally, we generated $4 billion in free cash flow, our highest since 2015.

In the Core, across Production Systems, Reservoir Performance and Well Construction, we grew revenue by more than 20% and expanded pretax operating margins by almost 300 basis points. This was driven by strong activity internationally and offshore, new technology deployment and strong product sales. Notably, we achieved our highest-ever revenue in the Middle East, led by impressive growth in Saudi Arabia, the United Arab Emirates, Egypt and East Mediterranean.

Offshore also continued its positive momentum, led by remarkable growth in Brazil and Angola and very solid increases in the U.S. Gulf of Mexico, Guyana and Norway. This was supported by the contribution from the acquired Aker subsea business, which enabled us to expand in certain markets, mainly in Norway and Australia. Additionally, our fit-for-basin business model continued to deliver differentiated value in North America, resulting in revenue growth outperforming the rig count.

In digital, we continue to witness the adoption of our digital workflow and data/AI platform as customers work to enhance efficiency and returns by integrating our connected and autonomous drilling, data and AI solutions. We now have more than 6,000 DELFI users and have generated 125 million compute hours, both representing more than 40% growth year-on-year. As a result, we achieved full year digital revenue of more than $2 billion with our new technology platforms comprised of cloud, edge and AI growing at a CAGR of 60% since 2021.

In new energy, we forged new partnerships and made new investments in capture technology for carbon capture and storage. We are seeing very positive momentum in this space. And we are also -- we are actively participating in more than $400 million of CCS tenders globally. Additionally, in geothermal and geo-energy, we are partnering with government agencies in the Middle East on lower carbon electricity and in Europe on zero-carbon heating and cooling solutions.

As we advanced our three engines of growth, we also continued to deliver for our customers and stakeholders by achieving our lowest recordable injury rate and highest level of operational reliability on record. This is also reflected in industry surveys, where we are growing customer satisfaction through performance and value creation.

Finally, we reduced our emission intensity across Scope 1, 2 and 3 on the path to achieving our 2025 emissions reduction commitments. Moving forward, we are well positioned to capture further growth. And I look forward to building on this strong success in the year ahead. I want to thank the entire SLB team for delivering these impressive results.

Turning to the macro. The characteristics of breadth, resilience and durability that have defined this cycle remain fully in place. This continues to be supported by the imperative of energy security to meet rising global demand, confirming our belief in the longevity of the cycle. After a year of demand growth in 2023, we anticipate further growth in 2024 that will continue to support the ongoing multiyear investment cycle.

In international markets, growth momentum is set to continue with more than 2/3 of total investment taking place in the Middle East, offshore and gas resource plays. In the Middle East, growth will be led by Saudi Arabia and the United Arab Emirates, which continue to commit significant investments to increase production capacity in both oil and unconventional gas, followed by Iraq and Kuwait. Meanwhile, in Asia, countries such as China, Malaysia, Indonesia and India are leading new gas exploration and development. And across other international basins, we anticipate strong activity led by Brazil and followed by West Africa and Australia.

Looking across this wide baseload of activity, a significant portion is taking place offshore, where capital expenditures will continue their growth momentum in 2024. As a result, the rig count will continue to rise, mainly in the Middle East and Asia, responding to a strong FID pipeline in both shallow and deepwater. All in all, we see the potential for more than $100 billion in global offshore FIDs in both 2024 and 2025, underscoring the enduring strengths of the offshore markets and supporting a very favorable subsea outlook for years to come.

In this context, although geopolitical tensions persist in several regions, we do not expect any significant impact to activity in 2024, absent further escalation. Additionally, although we have witnessed short-term commodity prices fluctuate over the past few months, long-cycle investment in the Middle East, offshore and gas markets remain decoupled from short-term pricing, which will continue to support the resilience of these markets.

In North America, following a noticeable moderation of activity in the latter part of 2023, we anticipate capital discipline to continue. Consequently, investment levels will be sustained at 2023 exit rates with minimum -- minimal increase in activity as the region focuses on sustaining its record output from last year. This will drive further adoption of technology as operators aim to further improve efficiency and recovery rates.

Now let me explain how we expect these factors to drive our performance in 2024. In the international markets, we expect full year revenue growth reaching the mid-teens, led by the Middle East and Asia and Europe and Africa. This growth will take place both onshore and offshore with offshore benefiting from our newly formed OneSubsea joint venture, which enters the year with close to $4.5 billion of subsea production system backlog. We expect to deliver more than $4 billion in additional subsea bookings in 2024, representing an increase of more than 25% year-on-year as the market continues to expand.

For clarity, when excluding the impact of the Aker contribution and the expected decline in Russia, we expect double-digit international growth for the year. Meanwhile, in North America, although activity has moderated, we expect full year revenue growth reaching the mid-single digits, driven by our technology-leveraged portfolio in both U.S. land and the U.S. Gulf of Mexico.

Turning to the divisions. We expect all Core divisions to grow, led by Production Systems and Reservoir Performance. Digital & Integration is also expected to grow with digital growing in the high-teens, primarily driven by new technology platforms while APS remains flat. Directionally, we expect further margin expansion, driven by tight service capacity internationally, pricing and increased technology adoption. This will result in year-on-year EBITDA growth in the mid-teens.

With continued growth in earnings, our proven ability to generate cash and confidence in the long-term outlook, we are pleased to announce that the Board of Directors have approved a 10% increase in our quarterly dividend. And we'll also increase our share repurchase program in 2024. Combined, we are targeting a return -- to return more than $2.5 billion to shareholders in 2024, an increase of more than 25% compared to 2023.

Looking to the first quarter. We anticipate the typical pattern of activity, beginning with the combined effects of seasonality and the absence of year-end digital sales. As a result, on a year-on-year basis, we expect first quarter revenue growth in the low-teens and EBITDA growth in the mid-teens. This will be followed by an activity rebound in the second quarter and further acceleration of growth in the second half of the year, particularly in the international markets. This will support the ambitions we have set for the full year revenue and earnings growth.

I will now turn the call over to Stephane.

Stephane Biguet - *Schlumberger Limited - Executive VP & CFO*

Thank you, Olivier, and good morning, ladies and gentlemen. Fourth quarter earnings per share, excluding charges and credits, was $0.86. This represents an increase of $0.08 sequentially and an increase of $0.15 when compared to the same period of last year.

We recorded $0.09 of charges during the fourth quarter of this year, $0.06 related to the devaluation of the peso in Argentina and the remaining $0.03 related to merger and integration costs associated with our acquisition of the Aker subsea business, which closed at the beginning of the quarter. We anticipate that we will incur additional charges as integration activities continue over the course of 2024.

Our full year 2023 revenue of $33.1 billion grew 18% year-on-year. While this revenue is roughly the same as the pre-pandemic level of 2019, our adjusted EBITDA in 2023 in absolute dollars was 22% higher. As a result, our full year 2023 EBITDA margin of 24.5% has expanded 430 basis points over this period on a similar revenue base. This highlights the high grading of our portfolio over the last few years, our significantly improved operating leverage and our favorable market position, particularly internationally and offshore.

Fourth quarter revenue of $8.99 billion increased 8% sequentially with the acquired Aker subsea business accounting for approximately 70% of the increase. Fourth quarter pretax operating margin of 20.8% improved 52 basis points sequentially and 101 basis points year-on-year. Adjusted EBITDA margin for the fourth quarter of 25.3% was 95 basis points higher than the same period of last year.

I will now go through the fourth quarter results for each division. Fourth quarter Digital & Integration revenue of $1 billion increased 7% sequentially with pretax operating margin expanding 197 basis points to 34%. This growth was due to increased digital revenue across all areas, led by the Middle East and Asia and Europe and Africa.

Reservoir Performance revenue of $1.7 billion grew 3% sequentially, primarily due to increased activity internationally, mainly in the Middle East and Africa. Pretax operating margin increased 88 basis points to 21.4%, representing the highest level of this cycle, driven by higher activity and improved pricing.

Well Construction revenue of $3.4 billion was essentially flat sequentially as international growth of 2% was offset by a decline in North America revenue, resulting from lower U.S. land rig count. Pretax operating margin increased 35 basis points sequentially.

Lastly, Production Systems revenue of $2.9 billion increased 24% sequentially, largely due to the acquired Aker subsea business. Excluding this effect, revenue grew 4% sequentially due to strong international sales. Pretax operating margin expanded 153 basis points to 15%, its highest level this cycle on higher sales of midstream, artificial lift and subsea production systems.

Looking ahead to the full year of 2024. We expect continued margin expansion in our Core, driven by sustained operating leverage, a favorable geographic mix and pricing tailwinds. In our Digital & Integration division, we expect margins to remain approximately at the same level as 2023 as digital margins will increase due to the accelerated adoption of our new technology platforms while APS margins will decrease as a result of higher amortization expenses. All in all, as mentioned by Olivier, strong year-on-year revenue growth and continued margin expansion will result in adjusted EBITDA growth in the mid-teens in 2024 when compared to 2023.

Now turning to our liquidity. We generated $3 billion of cash flow from operations and $2.3 billion of free cash flow during the fourth quarter. This exceptional performance resulted in full year free cash flow of $4 billion, which is the highest level we have achieved since 2015. This was due to a combination of very strong year-end receivable cash collections, increased customer advances, improved inventory turns and the receipt of a prior year tax refund.

As a result of this exceptional free cash flow performance, we reduced our net debt by $1.4 billion during the quarter to $8 billion. This represents our lowest net debt level since the first quarter of 2016. Capital investments, including CapEx and investments in APS projects and exploration data, were $742 million in the fourth quarter and $2.6 billion for the full year. Looking ahead, we will continue to be disciplined as it relates to our capital investments. Despite the continued revenue growth, our 2024 capital investments will remain at approximately the same level as in 2023.

Finally, during the fourth quarter, we repurchased 1.8 million shares of our stock for a total purchase price of $100 million. For the full year, we returned a total of $2 billion to shareholders in the form of dividends and stock repurchases. Our continued capital discipline, combined with the confidence we have that 2024 will be another year of strong cash flow generation, will enable us to increase our returns to shareholders in 2024. In this regard, when combining the increased quarterly dividend that we announced today with increased share repurchases, we are targeting to return more than $2.5 billion to our shareholders in 2024.

I will now turn the conference call back to Olivier.

Olivier Le Peuch - *Schlumberger Limited - CEO & Director*

Thank you, Stephane. Ladies and gentlemen, I think we will start the Q&A. So Leah, back to you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And first, we go to the line of James West with Evercore ISI.

James Carlyle West - *Evercore ISI Institutional Equities, Research Division - Senior MD & Fundamental Research Analyst*

So Olivier, curious to hear your thoughts. Clearly, you're looking for another year of pretty strong growth in EBITDA and revenue. But it seems to me like we've got a lot of particularly deepwater rigs that are going to start turning to the right here very soon and particularly in the second half. And it's -- there should be an exit rate that's even higher than that type of growth as we go into '25. I think, is that a fair assumption? Or am I getting ahead of my skis here in terms of kind of what the overall market opportunity is going to be as we step through this year and get into the '25/'26 period?

Olivier Le Peuch - *Schlumberger Limited - CEO & Director*

No, that's correct. I think, James, thank you for laying out, I think, the theme of offshore. I think offshore is a distinct attribute of this cycle, has really already delivered in terms of total activity visibly beyond 2019 and includes both shallow and deepwater that have both grown visibly in the last 24 months, shallow, mainly driven by addition of rigs that we continue to see coming in the Middle East and Asia region and deepwater across all the deepwater basins.

And we anticipate, albeit at a more moderate rate for deepwater than shallow, the rig activity to continue to increase and the exit rate of '24 to be above in terms of rig count, offshore rig count, total offshore rig count exit rate of '23 as a benefit. I think both the offshore activity and the deepwater, where we have the benefit of the scale with our subsea venture, will benefit.

Hence, we continue to see growth, not only in '24 but running out to '25 and beyond. As I said, the total FID for offshore keeps being $100 billion for each of '24 and '25. And this is not only supporting activity next year and '25 but supports longevity of offshore investments beyond. So we are -- we remain very constructive on that environment. And yes, we see the exit rate to be above last December in 12 months from now.

James Carlyle West - *Evercore ISI Institutional Equities, Research Division - Senior MD & Fundamental Research Analyst*

Okay, okay, perfect. That's great to hear. And then maybe a quick follow-up in terms of CapEx. I don't know, Stephane, if you want to take this one. But CapEx seems to be -- it seems like you're going to keep it at the same type of level that it's been that wasn't in '23. But there's going to be a lot of -- a lot more activity. And so does that number eventually need to move higher? And when it does, if it does, do you still believe that you could maintain this 5% to 6% of revenue per CapEx dollars ratio?

Stephane Biguet - *Schlumberger Limited - Executive VP & CFO*

So look, James, yes, we are still growing going into '24 and beyond. But this level of CapEx we spent in '23, we think, remains adequate for this year as well. You have to think about the mix of activities as well amongst all divisions. So we think we can very well address the upcoming growth within this envelope without having to increase nominally throughout the year, unless growth is much more than expected. But we were comfortable with this and we will remain indeed within our guidance. And it's actually the low end of our guidance on the CapEx side.

Operator

Our next question is from David Anderson with Barclays.

J. David Anderson - *Barclays Bank PLC, Research Division - Director and Senior North America Oilfield Services & Equipment Analyst*

So maybe we could start off with the Middle East here. So another double-digit sequential quarter out of MENA, clearly an enormous runway of activity in front of you the next several years between unconventional gas and the number of capacity expansion projects underway.

My question is how you see top line versus margins evolving. Can you maintain this pace of growth in the region in '24? Or are we getting close to capacity in terms of the number of rigs available, service equipment, even E&P capacity is pretty tight over there?

And I guess, conversely, should we start seeing margins expand further as contracts reprice due to tightness? I noted that the tendering of Safaniya was delayed by 9 months. I'm wondering maybe that's some sticker shock from pricing. So perhaps it's already underway, but just a little bit more details in terms of capacity and pricing in the Middle East, please.

Olivier Le Peuch - *Schlumberger Limited - CEO & Director*

Yes. No, thank you, Dave. I think we have been very pleased with the activity and the way we have been able to turn this activity growth in the last 18 months and the last 12 months, particularly, into revenue, benefiting from our strength on the ground in the Middle East. I think I would characterize beyond the capacity expansion and unconventional gas, which is a dual benefit for activity, I will also characterize the activity in the Middle East to be very broad. It's not two countries leading this, it's almost every country in the region that we see further activity and we'll derive from it further revenue growth.

So we are not at capacity. We don't see an inflection down of our revenue growth potential in the region, benefiting from our technology, market position with each national company in the region and capability for integration to harness the power of our technology into performance for our customers, hence delivering higher revenue from rate of activity. So we are confident. When it comes to our capacity, yes, equipment capacity, and everybody has been disciplined in the region. And hence, we have been responding and benefiting from pricing in the last 18 months.

And as a consequence, our margins have expanded in the region and have supported what you have seen as our international margin expansion year-on-year have been a driver for margin expansion internationally. We expect this to continue as we execute 2024. But again, it's a long duration cycle, both by the nature of the investment decoupled from short-term pricing on commodities. So we remain very confident about our market position first and the market outlook and our ability to differentiate to performance, integration, technology and then continue this success in '24 and '25 and again well into the second half of the decade.

J. David Anderson - *Barclays Bank PLC, Research Division - Director and Senior North America Oilfield Services & Equipment Analyst*

Yes. A long way from the peak. That's pretty clear, at least in that part of the region. I was wondering if we could shift over on the digital side. I notice there are a number of comments in the release today regarding increasing digital adoption by your customers. I was hoping you could expand on that a little bit.

Is that simply about customers using DELFI more? Or as they get more comfortable with it, is there a certain application gaining traction? Is there any metrics you can give us in terms of year-over-year usage from your bigger customers? And I'm also just kind of curious, in order to grow digital revenue by essentially 50% over the next 2 years, is this primarily coming from an increased digital adoption of existing customers? Or do you also need new customers to get to that target?

Olivier Le Peuch - *Schlumberger Limited - CEO & Director*

Okay. Let me come back first on some metrics that I think we have highlighted into my opening remarks. And I think this relates to the adoption of DELFI, indeed, adoption of a number of users, use of cloud compute on our DELFI platform and use of additional edge or AI capability that we offer to our customers, the combination of which, as I said, has grown 60% in the last 2 years on a CAGR rate. And the adoption metrics that we shared, both the number of users and the number of hours of compute power that we serve to our customers on the cloud, have been growing by 40%.

So yes, the adoption is growing, both measured by, as always said, one customer at a time that transition from our legacy desktop offering to our cloud and by expansion of our workflows, data, AI capability that we offer to existing or new customers. So it's a combination of transition of the existing customers to the cloud and adoption of data and AI capability because we are offering our platform that the industry is recognizing and adopting. And finally and maybe one of the most exciting parts that adds a dimension of growth is the digital operation, both drilling and production digital operation.

You have seen some of the announcements that have been highlighted in recent weeks and months. And last week, a further alignment with a partner to accelerate doing automation and autonomous systems, so the drilling adoption on the operation production with our partner, Cognite. And this is supplementing, I would say, the core growth of transitioning our geoscience customers from desktop to the cloud.

So you have three dimensions. You have the cloud transition with existing customers and adoption of new customers coming to SaaS solution. You have the data and AI. It's a new market. It's a rebirth of the data management that scale into the cloud and AI, unlocking the power of data through AI in our industry. And finally, digital operation. These three trends are supporting our growth ambition, both this year and next year. And this spans all the customer segments across the globe. And you will keep seeing some announcements of customer adoption on our solutions.

Operator

Next, we go to Scott Gruber with Citigroup.

Scott Andrew Gruber - *Citigroup Inc., Research Division - Director, Head of Americas Energy Sector & Senior Analyst*

I want to touch on Transition Technologies, you noted over $1 billion in sales. And I realize a lot of these are new and focused on emissions reduction. And I believe that the bucket there is separate from new energy, correct me if I'm not accurate.

Olivier, I wanted to ask about the outlook for these technologies and the growth of sales of these technologies as the uptake by customers around the world seems pretty strong. Can you speak to the multiyear outlook? And is the cadence of growth for Transition Technologies additive to the growth rate from the Core?

Olivier Le Peuch - *Schlumberger Limited - CEO & Director*

No, I think you are correct first in stating that this is distinct from our focus on the five themes that we have in new energy and distinct from the CCS I mentioned, where we have a lot of success, and geothermal. And it represents a portfolio of technology that we have that we are developing, that we are promoting to our customers that have a distinct lower emission carbon intensity compared to existing or legacy technology and have net effect on our customer for their Scope 1 or their Scope 3, upstream, as we call it, emissions but also have the characteristic to bring efficiency.

So customer is looking for low-cost, low-carbon output and continue to adopt this technology by contrast with alternate technology that exists in the market as they deliver not only lower carbon but also deliver higher efficiency, which are the way we characterize this technology. So yes, we are very pleased with adoption. Some technology are very unique, like almost zero-carbon solution. Some solutions are really game-changing such as some of our processing -- subsea processing solution that's having a net impact on the carbon footprint of subsea operation. Some technology are disrupting for the future, such as electrical full -- subsea and electrical full completion technology. And hence, we are seeing accelerated adoption of this.

And finally, we say that we are also seeing, following the COP28, much more interest into our methane emission management solution. And you have had seen the announcement we made with Eni, supporting them as a global company to make an assessment and assessing their emission intensity from methane and proposing abatement solutions. So this mix of technology will continue to be growing in our technology mix and that supports our ambition for sustainable future and a balanced planet but also aligned with our customers on lower-carbon, lower-cost future.

Scott Andrew Gruber - *Citigroup Inc., Research Division - Director, Head of Americas Energy Sector & Senior Analyst*

Right. Got it. Appreciate that color. And then Stephane, one for you. Appreciate the cash return target for '24. Can you also provide some broader color on the cash conversion rate? The working capital release in 4Q was very impressive. So curious, thinking about the working capital outlook for '24, tax rate, et cetera.

Stephane Biguet - *Schlumberger Limited - Executive VP & CFO*

Scott, so look, yes, we were also very pleased with the fourth quarter and full year free cash flow. And indeed, in the fourth quarter, it's coming almost entirely from the working capital. So now we do expect, as I say, 2024, to be another very strong year of free cash flow. And it will show the same quarterly pattern we usually see.

So in the first quarter, the working capital will clearly increase. We have the payment of annual incentives to employees, as you may know. And then we'll have the reversal of certain exceptional items that occurred in the last quarter of 2023. So we'll see the effect in Q1 as usual. But then this will be followed by a gradual improvement in subsequent quarters, in line with what we observed this year. So hopefully, we can have another very strong finish of the year in 12 months from now and deliver a strong performance as well.

Operator

Next, we go to Luke Lemoine with Piper Sandler.

Luke Michael Lemoine - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Olivier, you noted the bookings and backlog at OneSubsea. And last call, you talked about some of the commercial and operational objectives. And I wanted to see if you could just talk about how customer engagement and dialogue has progressed with the enhanced offering you now have.

Olivier Le Peuch - *Schlumberger Limited - CEO & Director*

Thank you, Luke. I think we are very pleased first with the first quarter of the subsea joint venture we have with Aker and Subsea 7. I think the results speak for themselves. I think it was a direct contributor to the PS, the Production Systems, performance in the fourth quarter, both on the top line and the margins. So we are very pleased. And I think as I said, I could not be more pleased than this.

Now going forward, I think our objective continues to be to extract more value through synergy and to fully seize this deepwater offshore cycle that is in full fledge happening, where we see, as I said earlier, a strong outlook. So our priority is to benefit from integration capability. And as you have seen that we have announced some alliances, and one of them with bp, where I think customers are approaching us, organizing that subsea integration capability across the SPS and SURF are augmented by our ability to deliver and understand the reservoir as well as deliver well construction.

So hence, opportunity to have integrated asset development, integrated tieback delivery and more opportunity in the space that is a full integrated subsea and beyond to extract better economics and to extract more importantly -- equally importantly, a higher recovery, combining our reservoir subsurface domain expertise, our well placements and our subsea boosting and processing capability, all combined to extract and create a little bit of more value for the subsea market going forward from economics and from production recovery.

So that's where we see trends coming. And we have a portfolio that is unique with the portfolio particularly on the boosting and processing and tieback capability that is unmatched on the market. And we have digital reservoir technology in our Core portfolio that complements this and helps and will support this alliance integration capability. So I can only be pleased with the prospects ahead of us. And the feedback from our customers so far is very positive on our capability.

Operator

Our next question is from Saurabh Pant with Bank of America.

Saurabh Pant - *BofA Securities, Research Division - VP*

Olivier, maybe I want to touch on exploration a little bit. You talked about that on the call today. You highlighted Asia. I think you talked about China, Malaysia, India, some of the other countries exploring for gas. I know you've talked about exploration in the past.

So we are seeing at least a little bit of a tangible recovery happening on the exploration side. Maybe you can expand on that a little bit. What do you expect over the next couple of years on both the gas and the oil side and just maybe remind us how impactful that is for SLB?

Olivier Le Peuch - *Schlumberger Limited - CEO & Director*

Yes, thank you. I think, yes, we have commented before that we have seen resurgence and rebound of exploration activity [especially] in the last 2 or 3 years. This cycle has added exploration activity back to the cycle. And I think it has been driven by the desire to find new gas reserves to respond to the gas supply security concerns. And also, it has benefited from the continued exploration of oil around the existing offshore hubs in the form of infrastructure-led exploration.

And also, in new frontier, replicating the success that Exxon had in Guyana of their basins. So when you look at it from where it's happening, what is unique in this cycle, it's happening everywhere. We have exploration activity, mostly offshore. That's where I think the actual success of new reserves have been mostly and in all offshore basins, both shallow and deepwater, infrastructure-led exploration in existing mature or deepwater markets and in new frontier. So you have seen new frontier happening in Namibia. You have seen new frontier in Surinam, in upcoming Brazil equatorial margin. You have exploration in East -- West Colombia sides. You have furthermore in West Africa South.

And you have what is maybe a little bit new this cycle, more exploration coming back in Asia from India, as I said, Malaysia, China. And I think this is what constitutes a little bit of the unique cycle, it's broad. And it's here, in my opinion, to stay because the economics of offshore have improved significantly over the last couple of cycles. And attributes of reserves, both gas and oil, with low-carbon intensity and the ability to deliver a long plateau of production is unique. So access to offshore acreage, better economics, better quality of potential geological reserves have all driven this. And we have been pleased with the success.

And we have exposure in Reservoir Performance with Reservoir Performance evaluation segments that are benefiting from it and has introduced technology that are really in high demand like Ora. And we have a lot of exposure, obviously, as well in the digital segment with our seismic data capability processing and our digital geoscience offering that both benefit from this as a consumption. So we are pleased with the market position we have. And we believe that this exploration appraisal is here to stay because it's very broad, diverse and across many basins, particularly in offshore.

Saurabh Pant - *BofA Securities, Research Division - VP*

Fantastic, okay. I have one very quick follow-up, if I may, on the Middle East side. I know you talked about that on the prepared remarks and the Q&A early on. But just to go back to that, I think one thing you noted in the press release was that you expect the record Middle East growth to continue beyond 2025. If you can elaborate a little bit, Olivier, on what gives you the confidence, the line of sight beyond 2025. Maybe part of that is just on the gas side of things, not just oil, right? But elaborate a little bit on the line of sight you have beyond 2025 on the Middle East.

Olivier Le Peuch - *Schlumberger Limited - CEO & Director*

Yes. I think first, you have to realize that the capacity expansion program announced by the multiple countries that have met their commitments extend from '27 to '30-plus, 2035 or '40 from the last country that have expanded this. And hence, I think the capacity will be -- continue to be seeing addition both land and offshore to respond to that capacity expansion. Gas, I think, is here for the long in the Middle East for two reasons.

First, there are gas reserves that are really at a very good economic point, particularly in Qatar, and will continue to present an LNG feed to the global gas market. But also, unconventional reserves are seeing a significant investment. And we expect this to actually grow fast in the coming years in two or three countries that are focused on unconventional gas. So the combination of this is giving us the confidence that the record-ever investments that we have seen last year in Middle East will continue in '24, '25 and has potential to expand well into the second half of the decade.

Operator

And our next question is from Neil Mehta with Goldman Sachs.

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

A couple of questions for me. The first is on EBITDA margins. Congrats on crossing that 25% EBITDA margin mark. How should we think about the margin path in 2024? And as you think about the upside and downside factors that could drive you on that metric, how should we think about that?

Stephane Biguet - *Schlumberger Limited - Executive VP & CFO*

Clearly, we see upside in '24 and continued margin expansion as we expressed earlier. Really, the -- I'm sure you will back-calculate, but our guidance of mid-teens EBITDA growth in absolute dollars will be achieved with revenue growth but clearly with margin expansion across our Core and in digital, as I mentioned. So yes, we continue to see margin expansion. We have great operating leverage. We have pricing tailwinds in our backlog and new technology adoption. And this is pushing margins together with the favorable mix. As you well know, offshore is helping margins as well. So it's upside -- it's continued upside from now on.

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

Okay. It does sound like geo mix, operating leverage pricing, a lot of different factors there, that's helpful. And then in terms of North America, I recognize it's a smaller business for you. But you indicated in the comments, you expect in North America to grow in 2024 despite weaker rig count and activity. Can you talk about what's driving that and how you're able to outperform in the face of a tougher North America macro? And where are you seeing the technology adoption from a customer perspective?

Olivier Le Peuch - *Schlumberger Limited - CEO & Director*

No, we're very pleased with our performance in North America in retrospect in 2023 as we visibly outperformed the rig count and we were able to grow in NAM sequentially visibly. And we expect indeed to continue to outperform the market. And it comes from multiple factors, the mix factor of exposure we have with great exposure in Gulf of Mexico as well as East Canada and Alaska, where we see potential of technology adoption and giving us the benefits of our mix.

But also, in the U.S. land market, I think we had a transition to a fit-for-basin and a technology leveraged focused portfolio in U.S. land and, to some extent, in Canada. And we have seen this as a success with adoption of some really unique drilling technology, particularly digital, CCS giving us the tailwind to outperform the market in 2023, and we see this continuing.

Now the priorities for customers remain clearly efficiency and recovery in U.S. land market. And hence, more efficiency on the drilling well construction side, more recovery, use of digital, use of ESPs and also low carbon when it matters will continue to make the impact and serve us very well. And the U.S. Gulf of Mexico and other offshore markets performance through integration, performance through execution and reliability of our execution, I think, will continue to be paramount for our customers.

And as long as we continue to deliver at this level, we'll get rewarded with market position and contracts and pricing. And hence, we'll be able to outperform the rig count, hence our guidance up to or reaching the mid-single digit in 2024 against the market outlook.

Operator

Next, we'll go to Arun Jayaram with JPMorgan.

Arun Jayaram - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

I wanted to get your thoughts on what you're seeing in the international markets in terms -- perhaps you could compare and contrast the spending behavior you're seeing from the NOCs versus the IOCs?

Olivier Le Peuch - *Schlumberger Limited - CEO & Director*

Thank you, Arun. I think if I were to characterize at the highest level, I think that we have seen significant traction in the last 2 years and rebound of investment internationally by the international companies with a delay coming from the contractual nature and also from the investment execution decision from national companies. We anticipate national companies to actually grow faster in -- as we turn into 2024, led in particular by the Middle East region with leading NOCs clearly growing.

But I think the momentum we have gained, which was leading the pack to some extent in IOC in 2023, we expect due to the nature of our mix, offshore exposure still a very solid exploration appraisal for a few of them, will continue to give us momentum in the IOCs internationally. And I would not forget about international independents that have a market position, particularly in some offshore markets. And they are continuing to execute on their plan. And so we are pleased, and I think we are looking forward to the national companies accelerating collectively speaking their growth in 2024 compared to the IOCs.

Arun Jayaram - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

Great. And my follow-up, Olivier, at the Analyst Day in 2022, you highlighted a target of $3 billion in new energy revenue by the end of the decade. I was wondering if you could give us a sense of where you're at in terms of that path, that journey and maybe some of the areas where you're seeing the most traction today.

Olivier Le Peuch - *Schlumberger Limited - CEO & Director*

I think as you remember and just resetting the scene for everyone, I think we had identified five domains which we believe we have adjacency, we have potential and we have a technology portfolio, we believe, to bring to market and disrupt and participate in a larger scale, CCS, geothermal/geo-energy, energy storage, critical mineral and hydrogen that are both -- that all of them have different horizons of growth and different scale potential for us.

So we have been for the last 2 or 3 years seeding investments, developing organically and inorganically technology positions. We are very pleased with the momentum in CCS and geothermal going ahead of our expectation in terms of -- for CCS sequestration studies and participation to exploration in this market and geothermal by its growth potential going beyond the established basins. So we believe that our $3 billion target would be a combination of organic growth on these adjacent markets and inorganic development into the less adjacent markets.

And we believe that CCS is likely to be leading in terms of potential contributor to this ambition, followed by likely hydrogen starting to be in a position that will more impact later part of the cycle in the next decade. So we feel confident by the early investment we are making. And we feel confident about the development of the market, the support of the incentive across many regions and early stage of success in CCS particularly as we execute this.

Operator

We have time for one more question, that is from Roger Read with Wells Fargo.

Roger David Read - *Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Research Analyst*

Congratulations on the quarter. Olivier, I'd like to follow up a little bit on the last question on the spending, IOCs, NOCs, international E&P, which you mentioned. We generally want to, let's say, look at the oil strip or assume a flat oil price. If spending is going to increase second half '24, a fairly positive outlook as you showed kind of '25 and beyond, would you characterize overall reinvestment by the industry is still too low, in other words, we don't need a higher oil price to get higher spending and investment? Or would you say we are simply dependent on oil prices? I'm just kind of curious, the way you're looking at it from, I guess, productive capacity, these companies and countries need and where they sit on excess capacity today versus that oil price outlook.

Olivier Le Peuch - *Schlumberger Limited - CEO & Director*

I think I will turn it a little bit upside down and realize that, well, our operators are looking at it national companies, IOCs, they are looking at the demand that will continue to grow throughout the decade and realize that if they continue to execute on their capital discipline, they need to accelerate the supply coming from international market to fulfill this demand that will continue to grow and will put more pressure on the demand-supply balance.

So some of them are responding to capacity expansion programs. Some of them are responding by accelerating the exploration appraisal or their development of existing international acreage that they have and development. So that's what we see. It applies to both for oil and gas. And gas is being more driven by regional dynamics on either consumption or gas security access, be it Asia or be it East Mediterranean, to feed Europe, Asia for energy security and domestic consumption.

Both these factors are driven by demand. The economics at the current level, still favorable for long-cycle investment. The price of offshore international development and the economics have improved through the cycle. The benefits of efficiency, integration, technology have turned into making the offshore investment more attractive for the long run. Hence, it has re-attracted investments.

I will not try to comment on does the industry needs more or less. I think the industry is certainly having the incentive today and have put a program in place with the FID pipeline that confirms that it is attractive. It will be met with demand in the long outlook, hence our confidence into the longevity of the cycle internationally and into the breadth and resilience across oil and gas of the investment profile we are seeing from operators.

Roger David Read - *Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Research Analyst*

And then the follow-up question that kind of ties into that, obviously, a meaningful dividend raise here and a consistent increase in dividend from the COVID era. But as you look forward, recognizing it's the Board that decides the dividend, but how should we think about the dividend evolving back to the sort of 2014 to 2019 era, when it was substantially higher than today? I know there have been some changes, acquisitions and share count and all that. But whether it's an aggregate dollar dividend or a per share metric, how do you think about the dividend within the overall framework here?

Stephane Biguet - *Schlumberger Limited - Executive VP & CFO*

Thanks for the question, Roger. Really, the way we look at it is it goes beyond the dividend. We prefer looking at the total payout to shareholders, including buybacks. So the dividend itself, yes, 10%, we're happy. We can do this. We're happy it was approved by our Board. It's on the back, of course, of the strong free cash flow generation we had in '23 and our confidence we can replicate that in the future. But we want to go at the right pace so that it remains sustainable in the future, and we can do more dividend increases in the future as long as they are reasonable.

But again, total payout is what we are focusing on. We are increasing it from $2 billion in '23, including buybacks, to hopefully more than $2.5 billion in 2024. So if you back-calculate this, of course, with the new amount of dividend, that means a minimum of $1 billion of share buybacks. And as the year evolves, we will review that every quarter. And we'll address that potentially above the $1 billion minimum as reasonable.

Operator

And ladies and gentlemen, I'll turn the conference back to Olivier Le Peuch for closing comments. Please go ahead.

Olivier Le Peuch - *Schlumberger Limited - CEO & Director*

Thank you, Leah. Ladies and gentlemen, as we conclude today's call, I would like to leave you with the following takeaways. First, our fourth quarter and full year 2023 results underscore SLB's differentiated ability to general returns throughout the cycle. We delivered strong revenue growth and free cash flow above expectations and continue to expand EBITDA and operating margins. With momentum across our three engines of growth and our returns-focused strategy in place, we will continue to build on this success in the year ahead.

Second, the macro environment remains very compelling for our business with investment and activity predicated in international and offshore basins. Combined with tight service capacity and an emphasis on performance and digital, we are well positioned to expand our lead by delivering exceptional value to our customers.

Finally, I remain very confident in our strategy and impressed by the outstanding performance of our teams. I'm fully confident in our ability to deliver our 2024 financial targets and continue increasing shareholder returns. I look forward to sharing our progress with you throughout the year. With this, I will conclude today's call. Thank you all for joining.

Operator

Ladies and gentlemen, that does conclude your conference for today. Thank you for your participation. You may now disconnect.
