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SLB.N - SLB NV to Acquire Kelvion

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OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

James McDonald *SLB N.V. - Senior Vice President of Investor Relations and Industry Affairs*

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

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

CONFERENCE CALL PARTICIPANTS

James West *Melius Research LLC - Analyst*

Scott Gruber *Citi Infrastructure Investments LLC - Analyst*

Alexa Breno *Goldman Sachs - Analyst*

Carlos Escalante *Wolfe Research LLC - Equity Analyst*

Marc Bianchi *Cowen and Company LLC - Analyst*

Saurabh Pant *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

J. David Anderson *Barclays Services Corp - Analyst*

Keith Mackey *RBC Capital Markets Inc - Analyst*

PRESENTATION

Operator

Good morning. My name is Sarah and I will be your conference operator today. I would like to welcome everyone to the SLB Investor Call. (Operator Instructions) As a reminder, this call is being recorded.

I will now turn the call over to James R. McDonald, Senior Vice President of Investor Relations and Industry Affairs. Please go ahead.

James McDonald - *SLB N.V. - Senior Vice President of Investor Relations and Industry Affairs*

Thank you, Sarah. Good morning, and welcome to our conference call following SLB's announced agreement to acquire Kelvion earlier today. Joining us on the call are Olivier Le Peuch, Chief Executive Officer; and Stephane Biguet, Chief Financial Officer.

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

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

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

Thank you, James. Good morning, ladies and gentlemen. Thank you for joining us.

Earlier today, SLB announced an agreement to acquire Kelvion, a global provider of thermal management and heat exchange technologies. This transaction marks an important milestone for SLB and accelerates our ambition to become an industrial technology partner to the data center industry.

Kelvion adds scalable, energy-efficient, and reliable thermal-management technologies to our rapidly growing Data Center Solutions business, addressing critical heat dissipation challenges in next-generation infrastructure. The combination will deepen our technology portfolio, expand our addressable market, and strengthen our position across the physical infrastructure required to scale AI.

Over the next few minutes, I will discuss the market opportunity we are pursuing, how Kelvion advances our path toward more integrated data center infrastructure solutions, and how this acquisition will enable us to continue scaling both offerings and the global reach of this business. Stephane will then discuss the financial profile of the transaction, and we will open the line for your questions.

Let's begin. AI is driving the most significant infrastructure investment cycle in our lifetime. Demand for the computing capacity required to scale AI continues to accelerate with clear visibility to continue growth. This investment cycle is being fueled by hyperscalers, AI companies, cloud provider enterprises, and governments building sovereign AI capabilities. But converting this demand into operating capacity is increasingly shaped by the physical requirements of AI infrastructure.

As computing architectures become more powerful, they concentrate greater capacity within each rack, creating larger and more consolidated heat loads. Thermal management is therefore becoming a critical enabling technology for next-generation computing infrastructure, including high-density data center and AI factories.

Increasingly, the ability to bring new capacity online depends on cooling technologies and the broader systems required to move heat through and ultimately out of the facility. This has resulted in cooling technologies becoming one of the fastest-growing markets in the build-out of AI infrastructure. In this context, our customers require a partner who can integrate and optimize these critical infrastructure systems. By combining our specialized engineering with high-value manufacturing adjacencies, we can industrialize complex technology and deploy them reliably at scale. That is the strategic driver behind this acquisition.

Over the past few years, SLB has established a differentiated Data Center Solutions business by applying our strengths in engineering, modular manufacturing, supply chain execution, and project delivery. We initially entered this market by providing manufacturing services of site fabrication and modular infrastructure to hyperscale customers, building on relationships established through our Digital business.

Since then, we have expanded our offering into data center design, engineering, and system integration, and broadened both our customer base and geographic reach. A key element of our differentiation is our modular approach, which enables infrastructure to be manufactured, assembled, and tested before it reaches the customer site. This modular approach can reduce on-site construction complexity and accelerate time to operation by up to 40%.

In less than three years, we have established a right of play in this industry. Our cumulative deliveries are expected to exceed 2 gigawatts globally by the end of 2026, with revenue increasing at a compound annual growth rate, CAGR, exceeding 90% between 2024 and 2026. And this is only accelerating, with our Data Center Solutions business on track to exceed 2027 at an annualized revenue run rate exceeding $2 billion.

As we move forward, our expanded role in design and system integration creates a scalable modular platform for adding critical technologies and delivering more integrated infrastructure solutions. Thermal management is the natural next step on our path to being recognized as an industrial technology partner to the data center industry.

The acquisition of Kelvion significantly advances this strategy by adding critical thermal management technologies to our modular infrastructure offering, increasing our content per megawatt, and unlocking higher margin growth globally. This broadens our high-value portfolio, creates efficiency and integration capability for customers, and directly expands our total addressable market across this fast-growing infrastructure market.

For more than a century, Kelvion has developed heat exchange and thermal management technologies, which are key for modern energy and industrial applications. Its technologies perform critical functions across the data center cooling system, transferring heat through and ultimately out of the facility.

Importantly, Kelvion is already a leader in this area. Data centers are its largest and fastest-growing end market. Revenue expected to reach between $1.2 billion and $1.3 billion in 2026, representing more than half of the company's total revenue.

Beyond data centers, Kelvion has established positions in key energy and industrial markets, including heat pumps, renewables, carbon capture, and processing solutions, where thermal management plays an increasingly important role in efficiency, reliability, and performance. Underpinning these positions are scaled manufacturing capabilities, deep engineering and application expertise, and established customer relationships across Europe and the United States.

These capabilities are highly complementary to what SLB has already built. Together, they expand our addressable market, strengthen our position across the physical infrastructure required to scale AI, and advance our ability to deliver more integrated solutions to meet customers' needs across the data center infrastructure value chain.

This combined platform also creates a natural pathway into several attractive adjacencies. These include expanded access to the power market through partnerships for behind the meter generation, as well as opportunities across geothermal and decarbonized power, building on our established carbon solutions offering and digital asset management software capabilities. Ultimately, this positions SLB to participate in a total addressable market expected to exceed $150 billion by the end of the decade, representing more than 20% of the broader data center market, excluding IT and semiconductor.

Let me now describe four key areas of strategic fit that make this transaction compelling for our company and our customers. First, the acquisition expands our technology portfolio and strengthens our position across the data center infrastructure value chain. Kelvion's heat exchangers, air cooling equipment, and heat rejection technology give us a broader position across the data center cooling system. This critical technology works in tandem with both traditional and direct-to-chip liquid cooling to meet the increasing thermal management challenges of data centers.

Modern GPUs are already pushing high loads beyond 100 kilowatts, while recently announced chip architectures are expected to approach 1,000 kilowatts. These higher density workloads will require cooling technology at a greater scale, making thermal management a critical enabler of next generation AI infrastructure.

By combining Kelvion's thermal management expertise with SLB engineering and digital capabilities, we can deliver more integrated cooling solutions, accelerate innovation, and improve thermal efficiency across the facility, leading to higher throughput of compute cycles or tokens to be processed per unit of energy.

Second, this transaction gives us the ability to embed thermal management more directly into our modular infrastructure offering. Rather than treating cooling as a separate system to be added later, we can bring Kelvion's technology and application expertise into the design phase alongside SLB's engineering and modular manufacturing capabilities. This creates a more coherent infrastructure architecture with better alignment across performance requirements, configuration choices, and deployment timing.

For customers, that means faster execution, improved efficiency, and greater confidence in system reliability as AI workloads continue to scale. This is particularly relevant to engineering design work for next generation modular AI factory architectures.

A key example is our collaboration with NVIDIA, where SLB will serve as the modular design partner for NVIDIA DSX AI factories. Through this work, we are applying our engineering and industrialization capabilities at the design stage to improve quality and reliability, reduce cost and lead times, and enable rapid and flexible scaling.

Bringing Kelvion's thermal management technologies and application expertise into this process will allow us to optimize not only how the infrastructure is modularized and fabricated, but also how cooling is integrated into the architecture from the outset.

Third, this transaction creates significant opportunities to scale the combined offering globally and establish a larger and more durable growth platform to meet customers' evolving needs. Kelvion's proven technologies, capabilities, and market positions complement SLB's existing Data Center Solutions portfolio, strengthening our high-value technology stack in the AI infrastructure value chain and broadening our participation across customers and geographies. Strategically, Kelvion accelerates our organic growth, significantly expands our addressable market, and has the potential to more than double our revenue opportunity per gigawatt of delivered capacity.

Finally, Kelvion brings an established position across energy and industrial applications, which are benefiting from structural tailwinds and where thermal management is critical to performance, efficiency, and reliability. These markets provide a diversified earnings base while creating opportunity to expand Kelvion's technology through SLB’s global customer relationships and operating footprint.

Based on its strategic fits and capabilities, Kelvion will become part of our New Energy and Industrial business led by Gavin Rennick, President of New Energy and Industrial. This is where our Data Center Solutions business is managed, as well as other related offerings, including carbon capture and storage and geothermal solutions. Overall, this transaction represents an exciting and deliberate next step in our data center strategy, opening new growth opportunities for SLB and our stakeholders.

Before I hand the call to Stephane, I want to recognize the Kelvion team and what they have built. Kelvion's culture is built on technology and innovation, values that SLB shares. We look forward to welcoming our new team members to SLB following the completion of the transaction.

I will now turn the call over to Stephane, who will discuss the financial profile and transaction details.

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

Thank you, Olivier. And good morning, ladies and gentlemen.

As you have seen, SLB has entered into an agreement to acquire Kelvion from Apollo-managed funds, the majority owner, and funds advised by Triton, which holds a minority interest. Under the terms of the agreement, SLB will pay approximately $3.4 billion in cash and will assume approximately $0.7 billion of debt. The transaction is expected to close in the first half of 2027, subject to customary closing conditions and regulatory approvals. We intend to finance the transaction using existing cash balances and debt.

Today, I will cover four financial elements of the transaction. First, Kelvion's financial profile. Second, the synergies we expect to generate. Third, the impact on SLB's financials and growth profile. And fourth, our capital allocation priorities and continued commitment to returns to shareholders.

Let me begin with Kelvion's financial profile. Kelvion brings immediate scale, strong earnings, and a high growth trajectory. In 2026, Kelvion is expected to generate between $2.3 billion and $2.4 billion in revenue, with adjusted EBITDA expected to reach between $350 million and $400 million.

Kelvion's data center business, which consists of OEM products for heat exchange, heat rejection, and recovery, as well as modular data center infrastructure, is expected to account for approximately 55% of total revenue in 2026. This is Kelvion's most profitable and fastest-growing end market, with revenue expected to increase by more than 50% from 2025 to 2026.

The remainder of Kelvion's business consists of thermal management solutions, serving energy, power, and other diversified industrial end markets, as well as a growing and highly profitable services business. Demand visibility is strong across data center and industrial markets, highlighted by total H1 2026 bookings of $1.5 billion, a 43% year-over-year increase.

Moving now to expected synergies and our financial ambitions for the future. We expect to realize approximately $120 million in annual EBITDA synergies within three years following closing, with about 60% achieved in the second year. Approximately $70 million of these synergies are expected to come from cost savings, and the remainder from incremental revenue opportunities.

Cost synergies will come primarily from supply chain efficiencies, manufacturing optimization, G&A savings, and insourcing of supply for Kelvion equipment in SLB's process technologies and other existing business lines.

Revenue synergies will come primarily from expanding access to Kelvion's technologies across SLB's existing customer base and introducing them into new geographies, particularly in Asia and the Middle East.

We also see opportunities to incorporate Kelvion's technologies into SLB's modular infrastructure offering and to expand their application across adjacent energy and industrial markets. Both cost and revenue synergies will be enabled by combining Kelvion's thermal management expertise with SLB capabilities in modeling, advanced manufacturing methods, AI-assisted design, and digital twins.

With that in mind, we have laid out a roadmap to rapidly scale the combined data center business and have established some financial ambitions for the future. First, we expect the transaction to be accretive to both earnings per share and free cash flow per share in the first 12 months following closing. As a starting point, on a pro forma basis for 2026, SLB's and Kelvion’s data center businesses are expected to generate more than $2 billion in revenue and approximately $300 million in adjusted EBITDA.

Both businesses are seeing unprecedented levels of customer orders. Combined data center bookings in the first half of 2026 increased by more than 130% compared to the first half of 2025, resulting in a combined book-to-bill ratio of 1.8 times for the first half of 2026.

Considering this growth profile, visibility in bookings for the rest of 2026 and into 2027, and the anticipated impact of synergies, we expect the combined data center businesses to generate revenue of $4.5 billion to $5 billion and adjusted EBITDA of $700 million to $800 million in 2028.

To provide appropriate visibility into our progress towards these ambitions, we intend to combine Kelvion's data center results with those of SLB's existing Data Center Solutions business and report the consolidated financial results as soon as practically feasible following the close of the transaction. We will determine the appropriate timing for this reporting change as part of our integration planning activities.

Let me now move to the last item I want to discuss today, capital allocation. In short, this transaction does not change SLB's capital allocation priorities. We will continue to provide our Core divisions with the appropriate level of capital expenditures to support the underlying market growth we expect in 2027 and beyond. Likewise, we will continue to support the secular growth we see in our Digital business.

Investments in our Data Center Solutions business, now augmented by Kelvion, will be fully funded by cash flows generated by the business. These investments will not affect the capital allocated to our Core divisions or Digital.

Both SLB and Kelvion participate in the high-growth data center value chain through capital-light business models that deliver strong free cash flows and returns on capital employed. Capital expenditures are focused primarily on manufacturing capacity and associated equipment, while customer contracts typically include payment milestones aligned with cash expenditures.

Regarding the impact of the transaction on SLB's balance sheet, the associated debt financing and assumed debt will increase leverage. However, we will remain within our previously stated full-cycle target of up to 1.5 times net debt to EBITDA, consistent with maintaining a strong investment-grade profile.

And finally, this transaction does not change our commitment to deliver more than $4 billion in total returns to shareholders in 2026 between dividends and share repurchases. In addition, we are establishing $4 billion as a floor for total returns to shareholders in 2027. We will provide a more precise amount as we progress through our annual planning cycle for next year.

Together, these commitments reflect our confidence in SLB's cash flow outlook and our ability to invest in growth while maintaining a strong balance sheet and returning value to shareholders.

To conclude, this is a strategically compelling and financially attractive transaction for SLB. It significantly increases our participation in the fast-growing build-out of data center infrastructure and positions us to accelerate earnings growth over the next few years through a low capital intensity business model.

We expect the transaction to be accretive to both earnings per share and free cash flow per share in the first 12 months following closing and it is being completed at a valuation we believe is attractive, with a transaction multiple of approximately 11 times estimated 2026 adjusted EBITDA before synergies and 8.5 times after synergies.

I will now turn the conference call back to Olivier.

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

Thank you, Stephane. Ladies and gentlemen, I think we will be ready to open the floor for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) James West, Melius Research.

James West - *Melius Research LLC - Analyst*

First question from me, Olivier, it looks like you are adding more to your modular offering. It also looks to me like the modular offering is clearly taking off as a key driver or a key part of the strategy here, keeping things modular, making it more simplified for the customers, and then you are delivering more content yourself. Is that a fair statement, that the customers are looking for more of a one-stop shop?

Then secondarily, if I could, your agreements or partnerships with companies like Ormat and Liberty Energy and some others on the power side become also very interesting here because could there be some integration with those partners as you look to scale the data center offerings further as you work with them and ultimately data center owners?

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

No, thank you. Thanks, James. Quite a comprehensive set of questions here, so let me try to unfold it.

First and foremost, indeed. No, I got it. I think indeed the ability we have to design, to manufacture, to deliver, and to commission modular fabricated assembly, I think has been a cornerstone of our growth and I think has been distinctly differentiated. I think we are seeing this has been underpinning the significant growth that we have seen for SLB over the last three years, 90% CAGR and a very rich set of opportunities and design contract awards as well as a capacity committed contract in the future.

Nevertheless, I think adding thermal management, adding a set of technology that across not only the modular but also the non-modular solution for the data center of significantly expands our height of place. It can expand our plan in the market and help us to not only combine this cooling technology into the modular offering and then ride on this wave of adoption but also expand and give us opportunity to integrate and provide more system solutions that includes thermal management optimization, that includes fit engineering, that combines modular and cooling into a solution that will achieve significant impact for the customer. So that is what we see as the path forward.

And I think the feedback we are getting and the early engagement we have, I think indicates that this is where the customers are looking for value creation and is where they believe that SLB has differentiated engineering, technology, innovation capability, as well as combined with Kelvion's portfolio, unique ability to expand and create fit solutions for the market. Modular at first, but also expanded and optimized.

Now, when it comes to power behind the meter of decarbonized solutions through alliance like the one we have, Ormat, or decarbonized gas to power using carbon capture in the future, we see it as an adjacency that we believe we will be able to leverage, providing alliance capability to the hyperscalers and to the key customers that would want to secure a power provision, as well as integrated solution, modular solution, and cooling solution, at once. Hence, adding integrated partners that will provide end-to-end scope to our customers. So that, we believe is an opportunity for adjacency growth into and pulling through our core solution in geothermal, pulling through our carbon capture and diversifying of our customer base going forward.

Operator

Scott Gruber, Citigroup.

Scott Gruber - *Citi Infrastructure Investments LLC - Analyst*

Congrats on the deal. I'll echo the congrats on the deal. Obviously, Kelvion appears to be a good fit within your broader strategy. But in order to maximize your capture of this expanding TAM and data center infrastructure, are there still other pieces that you would like to add to the portfolio, and would you look to M&A to do so?

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

I think our focus in the -- I think this was a very big step that we took in our strategy, very deliberate, very intentional, and I think this is a step up into our TAM. I think we'll focus for the foreseeable future into planning the integration, successfully closing and leveraging the anticipated new expanded offering to offer our customers the combination of both. I think we believe that a combination of both, one plus one, will equal more than two for our customers going forward. So that's our focus going forward.

We have enough momentum, we have enough growth, enough roof line that we'll have access to substantiate a significant growth, as you have seen our financial targets announced this morning by Stephane.

Scott Gruber - *Citi Infrastructure Investments LLC - Analyst*

That's great. Then your commercial momentum appears very robust in this space especially after securing the Meta award, in Canada, and some work in Asia. And obviously, Kelvion can only help accelerate that effort. But I believe you're also piloting with another hyperscaler. Are you able to comment on that pilot and when you may be in a position to expand that into a full contract?

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

No, we don't comment on the hyperscaler contract unless and until they are ready to come out publicly with us. We have several engagements, indeed, and I think Kelvion also has a lot of hyperscaler, colocator, and the AI factory customers that have provided them with significant capacity commitments who are the same. So we'll continue to work with our customers, demonstrating not only our pre-fabrication modular solutions, but also our engineering design capability.

And when they are realizing that we are adding now a very broad portfolio of heat exchange and thermal management solutions from Kelvion, clearly, we will get more adoption, we'll get more time, we'll get more market penetration across this joint customer base between Kelvion and SLB.

Operator

Alexa Breno, Goldman Sachs.

Alexa Breno - *Goldman Sachs - Analyst*

We wanted to touch on the long-term revenue opportunities. Can you talk a little about how much of that $150 billion TAM you can capture? Then is there a recurring revenue component from this offering?

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

I think our ambition is clearly to establish ourselves as an industrial partner and as a market leader, and to integrate the thermal management and modular solution to the market. We believe indeed that the total cumulative TAM at that time in 2030 will be approximately or in excess of $150 billion. Our ambition will be to capture quite a part share of this.

As you can see, our rate of growth to date in SLB has been 90% CAGR, more than 50% for Kelvion. We are announcing our 2028 target is already at 50% or more. We believe this will continue to accelerate going forward, because I think we are seeing that the majority of our 2028 is already contracted. We have on top of it a rich opportunity set of pipeline with existing and future prospective customers.

I think this is a very exciting moment for us because I think the momentum we have gained will put us on a trajectory to indeed have a visible market share position on this TAM that we are commenting.

Alexa Breno - *Goldman Sachs - Analyst*

That's helpful. Maybe just a follow-up. As you think about the international opportunity set and the geographic footprint this adds, are there any regions you're seeing key opportunities that we should be keeping in mind?

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

I think the dynamic is obviously at this moment dominated by the US, which is investing at scale. This is where we started our business, is where we have established SLB modular manufacturing. But I think Kelvion has a very solid position in Europe where the market is tracking, and sovereign AI solutions are being developed.

More interestingly, I think the Asia market, I think has the ambition as well as the Middle East market, have the ambition to develop and have their sovereign solution or get additional AI capacity using the energy solution in the region. So we see the combination of US first, Europe as a foundation for the customer base of Kelvion and technology there, and Asia and Middle East being the area where we believe our footprint can compact at wherever we want that will start a business there in Asia. And Middle East will help us to develop and expand the reach of this solution. So it is in that order, I would say US, Europe, and then Asia and Middle East.

Operator

Carlos Escalante, Wolfe Research.

Carlos Escalante - *Wolfe Research LLC - Equity Analyst*

My question would be on, it looks like the deal is purely complementary to what you are already doing on the data center front. So it would seem almost as if the overlap with your current business line is not a ton. And I say that wanting to really understand what are the underlying assumptions that go into your synergy target where roughly $50 million on annual EBITDA coming from revenue. Roughly how much of that, or if you can state the inputs and assumptions to that number and maybe expanding on some of the prior questions, how you think that could benefit in the future with cross-selling opportunities.

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

Yeah, Carlos, thanks for highlighting revenue synergies. As usual, we do try to be a bit conservative on revenue synergies as we start the integration process because we unfold a bit later. We will start with cost synergies, and those cost synergies are procurement, indirect spend, logistics optimization, service centers footprint, and some G&A savings. So indeed, of the $120 million, $70 million of it is cost, but again, $50 million is revenues at least within the three years, and hopefully this will accelerate within that period or after that period where revenue synergies will become more important.

And Olivier, if you want to comment on the nature of those.

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

Yeah, I think, and you are correct in saying this is complementary, and complementary in many ways. I think the portfolio of customers of Kelvion is complementary to our customer portfolio. And as such, we create a pull-through of customers on both sides. We will be in a position to expand and explore opportunities with Kelvion's customers onto modular manufacturing and the modular solutions that we are providing to the market, as well as the other way around. That is us giving Kelvion the opportunity to expand into Asia or Middle East customer base where they are not so much operating today.

More importantly, I think the ability we have to co-engineer thermal management and cooling technology into the modular solution will not only reinforce and strengthen our modular solution offering, but also give the opportunity to accelerate the penetration of this as a fit solution to the market to create not only the impact of 40% lead time reduction, but also significant thermal efficiency, significant efficiency in deployment of this solution to the market.

So it is customer synergy. It is including region and cost across both SLB and Kelvion, and it is very importantly, ability to co-engineer, design, innovate the cooling technology integration into the modular fabrication offering that we are putting to the market. So this is where we will create revenue synergy going forward.

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

If I may add on this, quantifying that later piece of improved engineering, co-engineering as you will understand is quite difficult. So it is not really included in the synergy target we have laid out today, and hopefully it will crystallize as soon as possible.

Operator

Marc Bianchi, TD Cowen.

Marc Bianchi - *Cowen and Company LLC - Analyst*

Congratulations on the deal. I wanted to first ask on the margins here. It looks like they are a bit below where SLB's margins are. You mentioned the business is capital light, so maybe on a return basis that is still quite good. But just curious, how you see the margins playing out over time. Is this something that as the business expands and you have better cost absorption, we could see those approach SLB type margins?

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

Yes, Marc. As we highlighted actually last month on our own data center business, yes, this is not the business. The business model is different. Currently, the margins are not accretive to the overall SLB business. It is not something we want to compare with. It is totally different. And indeed, as you highlight, this is capital light. So in terms of free cash flow generation and returns on capital employed, this business is quite attractive.

For Kelvion, the margin profile is a bit different because there is a large portion of the data center business which has more technology content. So of course this brings higher margins. We have laid out the 2028 ambition. You can guess the level of margin. Is it our ultimate margin goal? No. Again, with engineering system integration potential, et cetera, of course, we want to participate or to bring up the margin profile in the value chain and capture more value. So it will be our intention through technology and system integration to improve the margin profile.

Marc Bianchi - *Cowen and Company LLC - Analyst*

Thank you, Stephane. The other question I have is just on Kelvion's competitive landscape. Maybe you could talk a little bit about what that competitive landscape looks like for the products that they sell? And to the extent that they may sell products to companies that are competing with SLB, what gives you confidence that you will be able to retain that business once the deal closes?

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

Well, suffice to say, Marc, what is unique about Kelvion is the broad nature of their technology portfolio and the broad application across various industry. Obviously, today here we are talking about data center, where I think it is all about heat exchange, heat extraction, and integration into the cooling system of the data center. I think they have a very relevant and very powerful offering there. That is the reason why and a key element of this strategic move.

But it is not only what they have, and I think they have different market application across energy, across industrial process application. I think the competitive landscape is not one set of customers. It is many competitors across each of these segments. That is a good thing, is that it is not the one single market and one dependency on the customer or a competitor landscape. It is very broad, and I think we aim at maintaining it that way.

We are not very concerned about competitors or solutions that will affect the profile of Kelvion going forward. There is enough momentum in data centers. There is enough momentum and structural tailwinds into energy, into application, into power application, in which they participate at scale, that we believe that all of this will consume and create a growth going forward. So we are very pleased and very interested into the portfolio, the very broad, very large and very diverse portfolio of Kelvion with this diverse set of market applications. It is not only data centers.

Operator

Saurabh Pant, Bank of America.

Saurabh Pant - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Olivier, or maybe Stephane, you would want to answer this, but I want to touch on your 2028 target a little bit, because clearly the growth is phenomenal on that side of the business. So $4.5 billion to $5 billion in revenues, $700 million to $800 million in EBITDA. First, just to clarify, that does not include the non-data center business of Kelvion, right?

And then second part of it is to achieve that kind of a growth over the next two years, how should we think about the CapEx requirement, maybe any R&D spending that you need to incur to fully realize that growth potential?

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

Saurabh, you are absolutely right. First, on your first statement, the $4.5 billion to $5 billion revenue in 2028 does not include Kelvion's so-called diversified industrial business, the non-data center. We have not laid out targets for this, but we fully intend to sustain this business and hopefully even grow it. So that is data center only.

Now to your second piece of the question, the CapEx, as we have highlighted, it is capitalized. Capitalized in the sense whereas a percentage of revenue, you have to think about CapEx between 2% to 3% of revenue if you want. And currently, it can get closer to 3% because Kelvion is adding capacity, which is a very good thing to be ready for the ongoing growth. The steady state is actually probably closer to 2% revenue.

Then you have some R&D, by the way, which is critical, especially to realize the revenue synergies that we discussed earlier and the industrial logic of this deal. But again, R&D are just part of the operating margins, and compared to other businesses, again, as a percentage of revenue, they are pretty low, even though we have room to increase it, and we will probably do that. This will be part of our margin objective anyway.

Saurabh Pant - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Fantastic. That is very helpful, Stephane. Then quickly, a little bit on the non-data center side of Kelvion's business. It is almost half, I think 45% or so of the company right now. How should we think about that business going forward? Maybe you can give us a little color about the geographical distribution of that business, product lines, end markets. And then just how should we think about that side of the business as we go forward?

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

I think first, we look at this as complementary to the data center. I think there is a lot of common ground of technology, heat exchange, and thermal management solutions that are shared across. So there is a body of knowledge, there is a body of capacity that I think is shared across both companies, both parts of that company.

I think that the second thing is that we are actually intrigued, if not excited, about the capability, the set that they have built there as it applies to energy, as it applies to process technology across the value chain of renewables, across the value chain of gas power. These are exciting prospects that I think we will aim to better understand as we review and during the integration phase to better understand how to position it and to be in a position to grow it going forward.

But very importantly, I think it's something that has a very good business today. And we believe that technologies that are being shared and developed there have application in data center, and hence we are very interested to retain it and to look into it in quite some detail.

Operator

David Anderson, Barclays.

J. David Anderson - *Barclays Services Corp - Analyst*

A quick question on the backlog. I think you said a 1.8 book-to-bill this year. What's the typical conversion rate on that to revenue? How long does that typically take to roll through?

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

Yeah. Thank you, David. Just to clarify, the 1.8 is the combined both SLB data center and Kelvion's data center book-to-bill ratio for the first six months of 2026. By the way, if you split it out, it's very similar, the book-to-bill.

It's a relatively short cycle process in bookings, meaning that you will see these orders convert into revenue in the next six to nine months. The way the work is contracted is a bit peculiar in this business. You get awarded a very large scope with certain volumes, which are pretty fixed. But the POs and the bookings come a bit gradually as you work through the contract.

J. David Anderson - *Barclays Services Corp - Analyst*

If I recall correctly, on your last call, you had talked about a $2 billion run rate in your existing data center business. I believe you had said most of that was already in backlog for 2028 revenue. Can you just talk about how much of your 2028 guide that you just talked about, this $4.5 billion to $5 billion, is in backlog today?

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

Likewise, in backlog, it comes gradually. It does not mean that the volumes are not committed by the customer. This $4.5 billion to $5 billion, it is either already secured in backlog, or it is projects which are already awarded with specific volumes committed by the customers. But the PO is not there yet because, again, POs are issued only gradually by the hyperscaler.

So bottom line, if you look at both '27 and into '28, a large portion is pretty secure. It is allocated by specific customers, specific projects with the corresponding capacity and volume. We are not just assuming taking a market growth. We are here doing it by customer and projects, and this is why we are pretty confident about the range of the combined business.

J. David Anderson - *Barclays Services Corp - Analyst*

All right. It sounds like a really good line of sight on '27 and '28.

Operator

Keith MacKey, RBC Capital Markets.

Keith Mackey - *RBC Capital Markets Inc - Analyst*

Maybe just to start out with the timeline to close the first half 2027 guidance. Can you just maybe talk about some of the required regulatory approvals and other things that might have to happen in order to get to that timeline? Is it truly a June 30 sort of timeline or is there likely some cushion built in there?

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

Well, look, we are not going to comment. We are quite well-versed into regulatory process. This is our estimate. Again, the overlap is, we believe, minimal. So we will go through the process, go as fast as possible, of course, and we cannot be sure whether it will be the beginning of the first half or the end, but it will be within the first half.

Keith Mackey - *RBC Capital Markets Inc - Analyst*

Yeah. Got it. Understood. Maybe just if we step back a little bit more broadly, what types of opportunities or potential might there be for some type of integration between the industrial and data center business and the Digital business? Certainly, Digital has been a very good enabler of your Core business. Is there some digital opportunity on the back end of your data center business that you're tracking currently? Or is it still too early to discuss that?

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

As you may have seen into one of the slides that we have shown earlier today, we see there's a potential adjacency and the ability we have to use some of our digital solution parts around our data production facilities and AI capability and to adjust it and to port it to apply to some of the integrated solutions we deploy to our customers is a reality. I think it's something that we are not only considering but working on it.

We see customers willing to explore what we could do into adding some value onto the optimization, but also into all the data and using the AI capability as well as our modeling capability, both across the boundary of the cooling system, but also the broader set. And as we engage in more and more integrated scope, we'll get the opportunity to bring this capability to the forefront and then develop, if we believe there is a market, develop a fit solution market or apply our Lumi solution and our solution for production data sets into this compact. We are, yes, actively looking into it, and we expect this to become an adjacent market opportunity in the future.

Operator

That is all the time we have for questions. I will now turn the call over to Olivier for closing remarks.

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

Thank you. Ladies and gentlemen, as we conclude today's call, I would like to leave you with three takeaways. First, this acquisition is the direct execution of the strategy we have already set in motion. It builds on our momentum in Data Center Solutions by integrating critical cooling technology, further strengthening our footprint across the physical infrastructure required to scale AI.

Second, the combination enhances our ability to deliver integrated modular solutions options for our customers. By bringing together Kelvion's thermal management technologies with SLB's design, engineering, and modular manufacturing capabilities, we will be positioned to integrate cooling from initial design through final deployment.

Third, the transaction creates significant opportunity to scale across customers and geographies, accelerate innovation, and deliver profitable growth. Looking ahead, as our pipeline of pending hyperscale opportunities converts into full commercial contracts, we expect this momentum to provide meaningful operational and financial lift, providing SLB's investors with direct exposure to the AI infrastructure build-out.

I am confident in the strategic and financial rationale for this transaction, and I look forward to welcoming the Kelvion team to SLB following closing.

With that, we will conclude our call this morning. Thank you all for joining us.

Operator

This concludes today's conference call. You may now disconnect.