

Company Participants

James McDonald - SVP of IR & Industry Affairs
Olivier Le Peuch - CEO
Stephane Biguet - EVP & CFO

Conference Call Participants

James West - Evercore ISI
David Anderson - Barclays
Scott Gruber - Citigroup
Arun Jayaram - JPMorgan
Neil Mehta - Goldman Sachs
Dan Kutz - Morgan Stanley
Luke Lemoine - Piper Sandler
Saurabh Pant - Bank of America
Marc Bianchi - TD Cowen
Kurt Hallead - Benchmark

Operator

Thank you everyone for standing by. Welcome to the SLB Second Quarter Earnings Conference Call. At this time, all participants are in a listen-only mode. [Operator Instructions] As a reminder, this conference is being recorded.

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

James McDonald

Thank you, Leah. Good morning, and welcome to the SLB second quarter 2024 earnings conference call. Today's call is being hosted from London 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'll 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.

Our comments today also include non-GAAP financial measures. Additional details and reconciliations to the most directly comparable GAAP financial measures can be found in our second quarter press release, which is on our website. And finally, in conjunction with our proposed acquisition, SLB and ChampionX have filed materials with the SEC, including the registration statement with the proxy statement and prospectuses. These materials can be found on the SEC's website or from the parties' websites.

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

Olivier Le Peuch

Thank you, James. Ladies and gentlemen, thank you for joining us on the call.

This was a very strong second quarter for SLB, showcasing our ability to harness the ongoing growth cycle while driving efficiencies throughout our business. During today's call, I will cover three topics.

First, I will review our second quarter results. Then I will describe the dynamics of the cycle and how we are positioning our business for further growth and margin expansion. Finally, I will share our updated outlook for

the full year and discuss our ongoing commitment to returns to shareholders. Stephane will then provide additional details on our financial results, and we will open the line for your questions.

Let's begin. I'm very pleased with our strong second quarter performance. Sequentially, revenue increased 5%. Adjusted EBITDA grew 11%. Adjusted EBITDA margin expanded 142 basis points, and we generated \$776 million of free cash flow. These results were driven by continued growth momentum in international markets, with more than half of our international geo units posting the highest revenue quarter of the cycle.

Overall, international revenue grew 6% sequentially, led by the Middle East and Asia, which continued to set new records with two-thirds, 8 out of 12, of the year units in the area posting record high quarterly revenue. This was fueled by capacity expansion projects, new gas developments and production and recovery investments across the region.

Additionally, the ongoing strength of the offshore markets supported further growth in Europe and Africa as well as Latin America. This was particularly pronounced in deepwater basins, including Brazil, West Africa and Norway, where we continued to benefit from strong backlog conversion in OneSubsea.

We also benefited from new project on land, notably in Argentina and North Africa. Meanwhile, in North America, revenue increased 3% sequentially. This was led by the Gulf of Mexico, where we saw increased running and higher digital revenue from sales of exploration data licenses. However, this sequential growth was partially offset by lower drilling in U.S. land as the market continues to be constrained by weaker gas prices, capital discipline and ongoing market consolidation.

Next, let me describe how this growth played out across the divisions. In our core divisions, we continue to harness this cycle, with revenue growing 4% sequentially and pretax segment operating margins expanding by 120 basis points. Growth was led by our Production Systems and Reservoir Performance divisions, which visibly expanded margins due to the favorable conversion of backlog as well as many business line operating and record activity levels.

Demand for our services and equipment is being further reinforced by the combination of long-cycle development activity and the acceleration of production recovery investments, particularly in the Middle East and Asia and Latin America. Well construction also grew sequentially, supported by offshore developments, although this was partially offset by weaker land activity in North America.

Overall, the core divisions continue to deliver margin expansion, combining to post their 14th consecutive quarter of year-on-year pretax segment operating margin expansion. Meanwhile, in Digital & Integration, I was very pleased to see highly accretive sequential growth, highlighted by our digital business, reaching a new quarterly high and supporting visible sequential margin expansion.

This puts us on track to achieve our full year ambition of digital revenue growth in the high-teens. We have opportunities to build on this momentum as customers are increasingly choosing to partner with SLB to modernize their digital infrastructure, as you have seen in a number of announcements included in today's release.

At the end of the second quarter, we had 6,900 users on the Delfi platform, an increase of 28% year-on-year. Additionally, the number of connected assets increased by 57%, and trailing 12-months compute hours increased by 43%.

Combined with our first quarter results, SLB first half adjusted EBITDA grew in mid-teens compared to the same period last year, in line with our full year ambition. Moving forward, we will remain focused on driving quality revenue growth and leveraging operational efficiency to grow EBITDA, expand operating margins, generate robust cash flows and meet our commitment to return to shareholders.

I'm here to clearly express my full gratitude to the entire SLB team for delivering such a strong second quarter and first half results.

Next, let me describe how the market is evolving and the steps we are taking to capture profitable growth across the business.

As the cycle continues, investments will increasingly be targeted to in the most resilient area of the market, including key international markets such as the Middle East and Asia and in offshore globally. In these areas, we are seeing long-cycle gas and deepwater projects, production and recovery activity to address natural decline and increased digital adoption to drive efficiency and performance. This is an optimal environment for our business, and we are seizing each of these opportunity.

In the Middle East, in addition to the exposure to the oil capacity expansion program across the region, we continue to benefit from the acceleration and scale of investments in gas development, both conventional and unconventional, leveraging our fit-for-basin technology and differentiated integration capability.

Offshore, we see the benefits of our OneSubsea JV as highlighted by the number of high value contracts awarded and partnership included in today's release. Through OneSubsea, we're helping customers unlock reserves and reduce cycle times through an extensive subsea production processing technology portfolio. And we are increasingly being offered the opportunity to partner with customers in early engineering phases to unlock the economics of the assets.

In production and recovery, we are seeing customers embrace our offerings as they work to offset natural decline, extend performance and maximize the value of their producing assets. We have many solutions to help customers access resource to our production system and reservoir performance division, and this is showing up in the strong results these divisions are achieving.

As this market continue to evolve, we expect to strengthen our portfolio to fully capture this growing opportunity through our pending acquisition of ChampionX.

Finally, underpinning nearly everything we do is the power of digital and AI. In today's market, accelerating the time to returns and extracting new level of efficiency are top of mind for our customers. And they are increasingly recognizing that upscaling their digital infrastructures is key, is a key enabler in these areas, presenting us with significant opportunities for high margin growth.

In summary, SLB is well-positioned across key resilient markets. We remain focused on expanding margins through quality revenue growth, and this is complemented by heightened focus on operating efficiency, support structure optimization and strategic resource allocation in certain markets to align with expected levels of activity going forward. To support these ongoing cost efficiency actions, we recorded a charge this quarter, and Stephane will share additional details on this topic later in the call.

Overall, the positive market dynamics and our continued focus on operating efficiency present a strong backlog for continued outperformance. We look forward to enhancing these dynamics to deliver further growth and margin expansion in the second half of 2024 and in 2025.

On that note, let me conclude my opening remarks by showing our updated outlook for the year. Based on our strong second quarter and first half results, we expect full year adjusted EBITDA growth in the range of 14% to 15% and full year adjusted EBITDA margins at or above 25%.

Specific to the third quarter, we expect sequential revenue growth in the low single-digits, enhanced by further margin expansion. This will accelerate as we move towards the end of the year, with visible increase in top-line growth and an uptick in margin expansion during the first quarter due to seasonally higher year end digital and product sets.

Lastly, we've returned \$1.5 billion to shareholders over the first quarter, through the combination of stock repurchase and dividends. In the second half of the year, we expect to generate higher EBITDA and strong cash flows, supporting our full year commitments. Directionally, we expect a strong exit of the year to position us for continued revenue growth, margin expansion and cash generation, reinforcing our commitment to continue returns to shareholders in 2025.

I will now turn the call over to Stephane.

Stephane Biguet

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

Overall, our second quarter revenue of \$9.1 billion, increased 5% sequentially, mostly driven by the international markets, led by the Middle East and Asia. Sequentially, our pre-tax segment operating margins expanded 135 basis points to 20.3%, as margins increased in each of our four divisions.

Company-wide adjusted EBITDA margin for the second quarter was 25%, representing a sequential increase of 142 basis points. In absolute dollars, adjusted EBITDA increased 11% sequentially and 17% year-on-year.

As a result, second quarter earnings per share, excluding charges and credits, was \$0.85. This represents an increase of \$0.10 sequentially and \$0.13 or 18%, when compared to the second quarter of last year.

During the quarter, we've recorded \$0.01 of merger and integration charges relating to the Aker subsea transaction and \$0.07 of charges in connection with a program that we have recently, started to realign and optimize the support and service delivery structure in certain parts of our organization.

This includes adjusting resources as a result of lower activity levels in North America, centralizing certain digital delivery services and improving efficiency in our support structure. This program, which will result in additional charges in the third quarter, will drive further margin expansion in the second half of the year and into 2025. The related actions will be completed by the end of the year.

Let me now go through the second quarter results for each division. Second quarter Digital & Integration revenue of \$1.1 billion increased 10% sequentially, with margins expanding 435 basis points to 31%. The sequential revenue growth was entirely due to higher digital sales, as APS revenue was flat. The strong margin performance was driven by improved digital profitability, as a result of robust exploration data sales and the higher uptake of digital solutions. APS margins were essentially flat.

We expect the digital revenue growth and margin expansion to continue in both Q3 and Q4. Reservoir performance revenue of \$1.8 billion increased 5% sequentially, while margins improved 98 basis points to 20.6%. These increases were primarily due to strong growth internationally, led by higher activity in the Middle East and Asia.

Well construction revenue of \$3.4 billion increased 1% sequentially, well margins of 21.7% increased 125 basis points, driven by strong measurements and fluids activity internationally.

Finally, production systems revenue of \$3 billion increased 7% sequentially, driven by the strong activity in the international markets led by Europe and Africa. Margins expanded 146 basis points to 15.6% on improved profitability in Subsea Production Systems and artificial lift.

Now turning to our liquidity. Our cash flow was strong, as we generated \$1.4 billion of cash flow from operations and free cash flow of \$776 million during the quarter. We expect our cash flow to continue to improve throughout the rest of the year. As a result, our free cash flow in the second half of this year will be materially higher than the first half.

Capital investments, inclusive of CapEx and investments in APS projects and exploration data, were \$666 million in the second quarter. For the full year, we are still expecting capital investments to be approximately \$2.6 billion.

As I mentioned last quarter, under the securities laws, we were prohibited from repurchasing our stock during the period between the mailing of the proxy in connection with the ChampionX acquisition and ChampionX's shareholders' vote. Following the shareholder vote in June, we have resumed our stock repurchase program. And during the quarter, we repurchased 9.9 million shares for a total purchase price of \$465 million.

During the first half of the year, total returns to shareholders in the form of stock repurchases and dividends were approximately \$1.5 billion, representing half of our \$3 billion commitment for all of 2024.

Finally, we issued \$1.5 billion of bonds during the second quarter. The proceeds either have been or will be used to refinance our debt obligations. We are pleased with our current capital structure, which allows us to prioritize returns to shareholders, as illustrated by our \$3 billion total returns commitment for 2024 and our \$4 billion commitment for 2025.

I will now turn the conference call back to Olivier.

Olivier Le Peuch

Thank you, Stephane. And ladies and gentlemen, I believe we will open the floor for your questions.

Question-and-Answer Session

Operator

[Operator Instructions] Our first question is from the line of James West with Evercore ISI.

James West

Good morning Olivier and Stephane. Olivier, I know in your guidance for the year, you didn't use the word or highlight raise, but it seems like there was a slight EBITDA guide raise. I guess, one is, am I correct in that? And two, is the guidance for '25 that you'd already laid out, I guess, now starting from a bit higher base, the numbers need to kind of move up across the board?

Olivier Le Peuch

No. That's a fair assessment and a fair reading of our guidance in the prepared remarks. We have originally been guiding the EBITDA growth year-on-year in the mid-teens and we have here confirmed that, as we have delivered the second quarter and foresee further margin expansion in the second half driven by the different factor we highlighted, we still foresee the EBITDA growth year-on-year to be now in the range of 14% to 15%.

Hence, I believe this is indeed a very solid outlook for EBITDA growth year-on-year and in line with our previous guidance, but certainly on the back of international margin expansion. The success we have had in the second quarter, we expect to carry on, as we continue to execute with greater revenue and favorable market position in the second half.

James West

And then maybe just a quick follow-up for me. It seems like international, we obviously know offshore looks great, but international land, particularly in the Middle East, across the Middle East, whether it's KSA or UAE, looks like expansion is going to be significantly or going to be strong. Maybe it's not much above your expectations, but very, very strong growth. Could you maybe highlight what you're seeing in the Middle East right now across the region? If there's any particular projects that make sense to highlight, I'd love to hear that.

Olivier Le Peuch

Yes. I think it's fair to say that, we see a large breadth of growth engine across the region, Middle East and also North Africa, driven by a combination of all capacity expansion program that I think you may know are still in full swing in many countries, including KSA, but most visibly the UAE, the Kuwait and Iraq are running after and Libya, are running after visible oil capacity expansion program and activity as such is indeed going up.

The addition of large conventional and unconventional gas projects that are being accelerated in several countries to respond to local demand and to desire to transition. I think we are seeing it obviously in Saudi and we commented a lot on this before. You may have seen into the earnings press release that, we have been awarded an extension and the large markets for our drilling services for the unconventional program in Saudi.

We continue to fully participate into the other country where this is very relevant including UAE committing to accelerate their own commercial, including Qatar that continue to expand and including Algeria that is starting to look back and clearly having a path forward to also activity increase. All across the Middle East, we see growth year-on-year. We see, as I said, the vast majority of the GeoUnit having record revenue for this cycle and for many record ever activity. Hence, we benefit from this very large growth and multiple levels of activity growth in the Middle East and we foresee it continuing going forward.

Operator

Next we go to the line of David Anderson with Barclays.

David Anderson

Hey, good morning, gentlemen. I want to talk about the key resilient markets that you mentioned a few times that are driving SLB's growth going forward. I was wondering if you could give us kind of your longer-term views on global natural gas markets, and how they're developing. And kind of maybe your demand assumptions through the end of the decade. Because I noticed that there was a number of contracts and awards that you're hiring were natural gas, so for unconventional Qatar, Egypt. So I'm just wondering, is your -- are you expecting your overall mix of business to shift towards natural gas in the coming years? Is that already happening?

Olivier Le Peuch

No. I will be -- I will say that more generically as we see resilience on 3 aspects, resilience on the steel oil capacity expansion and deepwater oil developments happening and having significant resilience. And you may foresee not an existing deepwater program in oil in the Latin Americas region, but you will see emerging new oil developments coming into Africa. So that's a strong resilient aspect of deepwater.

You see and you can anticipate a gas resilience in deepwater development more in the Isthmeb, Turkey and Asia region. And then you have the complex of indeed Middle East that is both reinforcing their oil capacity, as I mentioned. And gas so it's not only one market. I think gas, we have increased our share of gas activity in Middle East visibly. We are very well exposed. I would say we are long on gas in the Middle East region.

And we believe that it's a matter of offshore long cycle, both oil and gas, Middle East oil capacity and on commercial gas developments and Asia for gas security reason, offshore development for gas as well. So it's a mix that is favorable.

And then we should not forget about North America that I think has continued high intensity technology deployment to support sustained production growth for oil, particularly in the short term.

David Anderson

So if I could dig in a little bit more on the offshore. You had highlighted OneSubsea's performance this quarter, with the backlog conversion. We saw a number of announcements as well during the quarter on the OneSubsea. I was wondering, could you talk a little bit about the order book, how that's shaping up this year's date compared to last year? And just kind of overall your offshore portfolio, are you expecting growth to start to accelerate in the next couple of quarters and into 2025?

Olivier Le Peuch

I think we see the market of deepwater. I think you have two markets. You have the market offshore shallow that is highly concentrated in Middle East and to the States and in Asia. And then you have the deepwater market that is consolidated in Americas, Africa and some part of Asia and Isthmeb.

And I think what we see, if you look at more generically, we see three legs of activity developing for the future of deepwater, large and offshore, large, but deepwater in particular. There is a strong portfolio of projects underway from Guyana to Brazil, from Norway to part of Asia that we'll continue to complete and develop to the next two or three years and are part of the portfolio of subsea deployment that we have across.

Then you have an ongoing set of FID, and we expect that offshore FID this year will be reaching \$100 billion exceeding this and the same for 2025. And this FID is led by a combination of oil, a lot of oil FID being developed and being nearing decision in the coming months and some have just been approved and you have seen some of the announcements in Patria and Angola. We are very pleased with this because that would feed our pipeline of subsea going forward.

And lastly, we should not forget that there is a third leg. The third leg is coming from exploration and appraisal activity that is not only happening in Namibia or not only happening in Brazil or in Suriname or in Asia, but I think it's very strong across many basin in frontier region as well as in infrastructure led exploration.

We believe that, this third leg will certainly add quarters, if not years of growth to the deepwater outlook. Hence, we are very confident on our exposure to the deepwater market. To the offshore market at large, as we commented before that, offshore represent about 50% of our revenue exposure internationally and we see it extremely resilient and we see multiple legs in the deepwater market going forward.

Operator

Next we go to the line of Scott Gruber with Citigroup.

Scott Gruber

Good morning. Wanted to ask about how you think about segmenting the portfolio next year when ChampionX comes in. I guess the heart of the question is, you have this awesome digital business, it's growing rapidly, it's going to be \$3 billion or so in revenues next year. Does the ChampionX acquisition provide opportunity for you to think about re-segmenting the portfolio to further highlight the digital business?

Olivier Le Peuch

First, I cannot comment, obviously, as you understand, where we stand on the -- with regulatory process and usual process clearance on the ChampionX. But obviously, we are looking at the way we could at the time of the closing and restructure and get better exposure to the digital if we can do this in a way that will indeed expose and provide a little bit more direct measurement of our success and ambition going forward in digital. That's the integration team looking into it and we will make decision in due time and inform you.

Scott Gruber

Okay. We will wait for the details, but good to hear. And then you mentioned low single-digit revenue growth in 3Q and continued margin expansion, but it does sound like the margin expansion potential may be stronger into 4Q, with those year-end sales. Can you just provide a bit more color on how you see the margin expansion potential shaping up for 3Q? And then, if you want to, any additional color on 4Q?

Olivier Le Peuch

Yes. We would expect that, on the low single-digit global growth sequentially in the fourth quarter to still increase our margin expansion and not give more precise guidance. We expect an uptick in the fourth quarter, driven first by an acceleration of our top-line sequential growth in the fourth quarter, in part due to the year-end effect of product sales in both software, digital and in some of our equipment division.

This will lead to acceleration also our margin expansion, giving us a very good exit point if you like, as we enter 2025, an ambition to continue growth, as I mentioned and further expand the margin. That's setting the scene very well as we conclude the year with the guidance we have shared and preparing 2025 an overview of growth and margin expansion.

Operator

Next we go to Arun Jayaram with JPMorgan.

Arun Jayaram

Good morning, Olivier. You highlighted margin expansion for SLB through quality revenue growth, digital and efficiency gains. I was wondering if you could maybe elaborate on just the concept of quality revenue growth, what you're referring to there and just maybe some of the plans to boost efficiency. I assume there's some cost structure alignment going on at the company, maybe you can give us some more thoughts on that?

Olivier Le Peuch

Yeah. I think quality revenue growth is focusing selectively on we believe -- where we believe we have the most operational leverage, the most pressing upside and the most technology adoption potential to suit our growth with higher accretive margin and hence to support our margin ambition expansion going forward.

We have demonstrated this fairly well in the second quarter. We continue to focus on this selectively. The market internationally remains tight and it favors the best performer from execution and we'll use this to deploy technology, fit-for-basin technology, use our unique integration capability and spice it up, if I may, with digital capability to increase and improve our margin going forward. So that's where we look at what we call quality revenue growth.

And indeed, we have taken some measure to further support this by adjusting and relooking at our support structure and where we could and we should adjust to prepare for supporting our growth and adjusting our asset to fit where we see the most resilience going forward. So that has been also contributing and will continue to contribute to margin expansion going forward.

Arun Jayaram

That's helpful. Just a follow-up on D&I, your margins rebounded to 31%. You reiterated your high-teens growth outlook for digital. I was wondering if you could maybe give us a sense of D&I margin progression over the balance of the year and just how you're thinking about the APS business broadly in Canada in terms of SLB's broader portfolio.

Stephane Biguet

So yes, we were quite happy with the not only the top-line growth, but the margin expansion in the D&I division in the second quarter. And as I said earlier, it was all due to the digital business. So, APS was flat. And as it relates to the rest of the year, we do definitely expect the digital margins to continue improving in the second half. It will accelerate even more so in the fourth quarter on higher sales, but also on the effect of the changes we are making in the digital delivery and support organization to pull resources on a more global and regional basis to scale the business more efficiently.

So as it relates to the APS business, again, it's always it is mostly flat quarter-on-quarter. So all the upside is coming from digital. And your question on Canada, I think we have signaled before that we were looking at divesting the asset and it's very much the case. We have actually reached -- we have launched a formal process again. We are quite happy with the results. So we will move to the second phase of this process, which is that we had several offers.

We have shortlisted -- selected set of buyers and we are moving to negotiation with the selected set of buyers. It's so far so good. It's going well on this process and we'll update you later.

Operator

Next we go to Neil Mehta with Goldman Sachs.

Neil Mehta

Yes. Good morning, team. Olivier, I'd love your perspective on deepwater markets and offshores, particularly given some of the incremental investment in Subsea? And just how -- maybe you can characterize the different regions where deepwater is growing and what activity you're seeing and how that fits into your long-term strategy?

Olivier Le Peuch

It's a longer for better outlook first. It's a market that has multiple legs, as I said. Actually, if I start to list all the deepwater basins currently under production in future FID and future exploration, I think it would be a long list. What characterized this cycle, it is very broad in term of region of the world and deepwater basins that are being either explored and that are being redeveloped. I think there is there are two or three fundamental reasons for this.

First and foremost is that, the deepwater assets from be it oil or gas typically geologically very strong asset and advantaged assets. Hence, they received utmost focus and priority when the IOCs are high grade in our portfolio. They typically concentrate on some of these assets, followed by select international independents and some NOCs for which deepwater is their backyard and their center of expertise.

We see FID growth, we see exploration growth and we see existing deepwater basin very solid going forward, hence very resilient and multi finger and multi legs, I would say, outlook for deepwater. That's quite unique. It's not one basin. It's constrained by some rig capacity and it's shifting to the right to some extent, but it's longer for better. It's elongating if I would say, as a deepwater market and for the good, because it's -- we have new basins emerging like Namibia. We have basin being FID like Suriname.

We have a lot of explore activity in Asia, many parts of Asia with some gas success and discovery in Indonesia particularly. We still have the hot East Med or Turkey basin and we have new oil being explored in South Angola or in South of Brazil in the new Pelotas Basin. It's all hot and it's very diverse, and not forgetting about the deep formation into the Gulf of Mexico coming back and if not Mexico as well in the South of the Gulf. More work into the future, more bookings in the future, and I think a very key and regional market for us, as we are very exposed to that offshore deepwater.

Neil Mehta

Thank you. The follow-up is just around return of capital. Obviously, some of the dynamics around ChampionX precluded you from buying back as much stock as you probably wanted to in the last quarter, but seems like you're leaning into it. Just talk about your return of capital intentions and how you're thinking about taking advantage of any dislocation that might exist in the stock?

Stephane Biguet

Neil, we did try to take the most advantage of this by resuming very quickly our stock buybacks in June right after the shareholders vote. We were able to accelerate there and actually catch up on to the point where we go to just about half of our full year commitment. So the commitment remains the same for 2024 at this moment. It's a total of \$3 billion between dividends and buybacks. We will continue to monitor our cash flow, continue to look at our capital allocation. For example, potential cash proceeds from divestitures depending on their timing can be an upside to buybacks. But for the moment, the target for 2024 remains \$3 billion.

Operator

And our next question is from Dan Kutz with Morgan Stanley.

Dan Kutz

Hey, thanks. Good morning. I wanted to ask a question more generally on M&A. I'd love to get a sense of kind of your appetite as it stands today for incremental acquisitions, given that you guys have been pretty active recently?

And to the extent that that's still that M&A ranks high on your capital allocation priority list, would just love if you could talk about some of the characteristics that you would look for and potential targets. It seems like, the theme of the recent acquisitions was kind of stability, longevity and growth, given that they were kind of production or new energy related. Just hoping you could kind of give us your latest thoughts on your M&A appetite.

Stephane Biguet

Thanks, Dan. So you mentioned we've been quite active indeed. So at this stage, we are really focusing on making those acquisitions and various transactions from Aker Subsea to Aker Carbon Capture to the planned acquisition of ChampionX as a success. So we are the focus currently is more on integration than on new M&A. And really in terms of prioritization in for the capital allocation at this moment, we are really prioritizing returns to shareholders.

Dan Kutz

Great. That's helpful. And then that kind of is a good lead into my next question. So on Aker Carbon Capture specifically, I mean, we can see the financials of the standalone entity. I think the revenue growth has revenue has nearly doubled the last two years. I don't think folks are doubting the top-line growth story or growth potential for that business. But can you just talk about some opportunities to kind of drive margin improvement, given following the transaction and given the resources of SLB combined with Aker Carbon Capture?

Olivier Le Peuch

Thank you, Dan. So first, I would comment maybe stepping up on the CCS as a market. I think we see this as a very attractive market for us considering the adjacency on the sequestration and considering the integration capability we have acquired and the technology we have acquired through Aker Carbon Capture.

So the market independently and at this point, we see this market growing at more than 50% a year. And I'm very accretive to our growth. And we don't see this slowing down necessarily soon.

And obviously, the addition of Aker Carbon Capture give us an opportunity to participate at scaling market where Aker Carbon Capture was not exposed to, partly in North America, where we're getting a lot of inbound requests as we form this combination, unique combination with what we have invested into our own capture technology with carbon capture commercial technology, we are seeing a lot of inbound requests and we have been awarded and part of two DOE-funded projects in North America and another shipping ban request from a company that are exploring and/or pursuing some carbon capture in North America.

We see the same in Middle East. This will complement the strong pipeline that Aker Carbon Capture has already developed in Europe with three active projects and most likely more to come. We see that, we will combine our strengths in technology deployment at scale in every basin in the world, combining this with the subsurface sequestration technology leadership we have to offer customers an all in capability from sequestration design execution to carbon capture, combining our technology with the technology of our carbon capture.

We are very positive on this and we believe that, as this business will scale, as we will be in a position to add on many new innovation technology on it, this will result into margin expansion and into ability to extract a lot of value from this acquisition.

Operator

Next, we go to Luke Lemoine with Piper Sandler.

Luke Lemoine

Hi. Good morning. Arun touched on it a little earlier with his question, but you mentioned cost efficiency programs a couple of times in the release. It sounded like maybe these were primarily support costs. First, is that correct? Secondly, would it be possible to maybe frame the magnitude of these?

Stephane Biguet

Thanks for the question, Luke. Really this program is about extracting the most margin expansion and returns out of this growth cycle. It's not just support, even though it's one of the key element of it. You have three main components.

First, there's a more tactical adjustment, if you want, of our operational resources in mostly in U.S. land to account basically for the lower-than-expected rig count levels.

The second one relates to digital. We are centralizing or regionalizing a certain number of delivery services to improve resource utilization, so that we can better respond to the rapid adoption of our digital solutions.

Indeed the third one, not a small component, about half of it if you want, is increasing efficiency in our functional superstructure. It's something we do all the time. But here, we are completing the deployment of our new ERP system. We really want to extract the most out of this and it allows us to streamline some of the superstructure.

In terms of magnitude, you've seen the charge this quarter. It's slightly over \$100 million pretax. I don't expect that, this will exceed this amount in the third quarter. We are still in the process of finalizing all the plans. I cannot give you a number on that, but it should not be of a bigger magnitude. Then this will result in great savings and optimization of our cost lines, which you will see gradually towards the end of the year and of course in 2025.

Operator

Next we go to Saurabh Pant with Bank of America.

Saurabh Pant

Hi, good morning, Olivier and Stephane. I guess, I just want to go back to the OneSubsea joint venture, especially on the all-electric, the groundbreaking award you announced with Norway. That's a big deal, I think, from both a technical and a commercial opportunity standpoint. Olivier, if you don't mind spending a little time on that, how should we think about that opportunity unfolding? What are the constraint, especially on the regulatory side of that? Just talk to the opportunity on just that all electric subsea side of things.

Olivier Le Peuch

Yes. This is a great question, Saurabh. We are very excited. We are very excited because we believe this is one of the leg of technology deployment that could change the game in the long-term and in the subsea infrastructure deployment.

First, because it allows a lower footprint, a smaller footprint, reducing and eliminating hydraulics into the subsea and eliminate -- ultimately eliminating cost. And secondly, allowing full digital control of the subsea infrastructure. And last, obviously, having an impact onto the carbon footprint of this infrastructure.

So we believe that for recovery, cost and low carbon, we believe that there is a future for our deepwater all-electric bid on the subsurface. And as you have seen, we you might have seen that we have announced earlier in the year and last year that we have made progress and being awarded several contracts on a completion subsurface all-electric solution.

I will continue to lead in this domain and combine it with all-electric subsidiary or subsea infrastructure that then when combined together with the subsurface give us an opportunity to fully digitize and fully control and provide our customers and the operators the ability to optimize recovery and control and optimize the maintenance as well in this field.

So that's part of the future of deepwater is electric and we're very pleased to have been awarded this as a result of our consortium actually, [Indiscernible] for other operators. So this will take place in several basins we believe, in particular in Brazil and another place and we'll be ready to deploy this for our customers.

Saurabh Pant

Okay. That's fantastic color, Olivier. Maybe I have a quick unrelated follow-up on the D&I side of things. I think in the press release, you mentioned in a couple of places about just the second quarter being held by exploration data license sales. I know these tend to be lumpy, but is there anything to read into this on what's happening on the exploration side of things? It does sound there are more exploration around across the globe, but is it just lumpiness in the second quarter? Or is there anything we can read into on just where exploration is going?

Olivier Le Peuch

No. I think the trend has been up, and I think it has been contributing in line with our ambition for digital growth as the data exploration sales has been a success. And we foresee this to continue to grow going forward in the quarters to come. Sometime, it will be up and sometime it will be slightly down, but we foresee a growth and I think this is driven by the frontier exploration.

This is driven by infrastructure led exploration in natural basins and this is driven by new generation of software digital application that can relook an existing basin and extract more value for understanding and finding new hydrocarbon and or new gas finds into the existing basins.

So, we're very pleased to have a leading offering both in term of digital capability to repossess existing data sets and also to be able to enhance the vintage data sets and to be having this in the right basin and the right place and parts linked too many of these licensing rounds. You're right to say that, many licensing round expected this year, no less than actually 70 licensing rounds are being announced across many parts of the world and I think some of them have been highly successful.

Deepwater has been a success for critical finds and critical hydrocarbon, both oil and gas in the last few quarters and we expect this to continue. There's increased interest into the Apollo pass, which is the last hot spot South of Brazil. You have the Namibe Basin south of Angola, North of Namibia. You have Indonesia, India. You have Bangladesh, you have many, many spots that are being discovered and being explored with fresh data sets and

the opportunity to indeed boost and support our participation to this market going forward. I think we will continue to participate and maximize this, and this will be, on occasion, lumpy, but we believe this will continue to grow.

Saurabh Pant

Perfect. No, that's a very thorough answer, Olivier. I know you have made this business as an asset-light, so it's accretive to your returns to your margins. That's all very good to hear. Thank you. Olivier. I'll turn it back.

Operator

Next, we go to Marc Bianchi with TD Cowen.

Marc Bianchi

Thank you. I didn't catch if you said, but could you update us on your outlook for international and North America revenue growth in 2024?

Olivier Le Peuch

I think we have been guiding earlier this year. We remain fit on this guidance that, internationally, we foresee double-digit growth when excluding Aker and Russia. North America, we have been guiding originally positive up to mid-single growth and we have been realizing this down as the North America has been clearly impacted going forward.

But, we still have opportunity to grow in the second half and to improve our margin as well in this basin as we adjust our resource and get the most out of deepwater market in Gulf of Mexico as well as our participation with technology intensity in some part of the North American land market. No change international and lower growth in North America, compared to original guidance.

Marc Bianchi

Yes. Makes sense. Maybe for Stephane, back on the cost savings, you mentioned that another charge in 3Q not to exceed what we saw in second quarter for the actions you're taking. Can you help us with how much of a profit uplift or cost saving benefit you may get on a quarterly basis in the back half of the year and then once everything finally reaches its full implementation?

Stephane Biguet

Yes. Sure. As I said, we will really complete everything. All the actions will be taken by the end of the year. But you will see gradually the effect on our margins in the second half. By the way, this is of course why we are confident in the updated, more precise guidance we gave for the full year EBITDA. We will update you more precisely on the savings once we are done at the end of Q3. In general, as a rough rule of thumb, if you want, you can assume that, the payback on these actions is between 9 to 12 months.

Operator

Our final question comes from Kurt Hallead with Benchmark.

Kurt Hallead

Thanks for fitting me in here. Appreciate the insights as always. Olivier, I think from my standpoint, Olivier, I'm kind of curious, right? We've now had five or six months or so to kind of digest the shift in game plan by Saudi Arabia from offshore to ton of conventional gas. You kind of, referenced that very explicitly in your commentary about unconventional gas being a growth market for you.

But I guess from where I sit, right, we're five or six months into this process. What have you picked up incrementally with respect to that opportunity? And more importantly, what kind of legs do you see for that dynamic for you in Saudi in particular?

Olivier Le Peuch

I think you may have been reading and don't want to speak on behalf of Saudi Aramco, but I think their commitment to their program to increase gas production by 60% from 2020 is very clear. I think this touched both the conventional and unconventional gas reserve in Saudi. The most visible element of this is obviously the unconventional gas large Jafurah project. You may have seen they've also explored successfully new finds, both oil and gas, in the recent months.

So, the country is set to expand in gas to complement their oil capacity, sustained capacity and slight expansion. And we are -- as I said, favorably exposed, and we have reinforced this exposure, strengthened this exposure with our recent wins, as you may have seen in the earnings press release from this morning. So, we're very pleased. But the market is not only one project. The market is not only one aspect. The market is much more diversified in Saudi and furthermore in Middle East.

So, we are exposed to many aspects of the Saudi activity, both production and recovery, exploration, CCS, as well as, well construction and production equipment, both offshore and onshore. So we are very -- we have a very diversified exposure to this, and we benefit favorably to the exposure of the growth accelerated growth in Jafurah. So, we're very pleased to where we are. And we are one of the most beneficiary of the accelerated gas expansion as highlighted in our EPR highlights. So that's where we stand.

Kurt Hallead

Great. That's great color. Always appreciate it. Thank you.

Operator

And I'll now be turning the call back to Olivier for closing remarks.

Olivier Le Peuch

Thank you. Thank you, Leah. So ladies and gentlemen, as we conclude today's call, I would like to leave you with the following takeaways.

First, the growth momentum continues with many of our international [GeoUnits] reaching new cycle highs. Combined with the increased adoption of digital technologies, the stage is set for further growth and margin expansion throughout the rest of 2024 and into 2025.

Second, in this environment, no company is better positioned than SLB to capture quality growth. Our differentiated operating footprint, leading technical and digital offerings and sustained commitment to operating efficiency and value creation have set us apart throughout the cycle. Moving ahead, we remain favorably positioned in the highest quality area of the market, supported by our differentiated technology deployment, integration capabilities and performance.

And third, with a strong first half of the year behind us and full confidence in further international revenue growth, we are optimally positioned to continue our margin expansion journey to generate cash and to fulfill our commitment to return to shareholders both in 2024 and in 2025. This is an excellent environment for our business, and I'm confident that we will continue to deliver outstanding performance for our customers and our shareholders in the quarters ahead.

With that, I will conclude this morning's call. Thank you very much for joining.

Operator

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