First Quarter 2025 – Earnings Conference Call Prepared Remarks

Chase Mulvehill *Baker Hughes – VP of Investor Relations*

Good morning, everyone, and welcome to the Baker Hughes First-Quarter Earnings Conference Call. Here with me are our Chairman and CEO, Lorenzo Simonelli, and our CFO, Ahmed Moghal. The earnings release we issued yesterday evening can be found on our website at bakerhughes.com. We will also be using a presentation with our prepared remarks during this webcast, which can be found on our investor website.

As a reminder, we will provide forward-looking statements during this conference call. These statements are not guarantees of future performance and involve a number of risks and assumptions. Please review our SEC filings and website for the factors that could cause actual results to differ materially.

Reconciliations of Adjusted EBITDA and certain GAAP to non-GAAP measures can be found in our earnings release.

With that I will turn the call over to Lorenzo.

Lorenzo Simonelli *Baker Hughes – Chairman & CEO*

Thank you, Chase. Good morning, everyone, and thanks for joining us.

Before getting into the results, I would like to welcome Ahmed to the earnings call as our new CFO.

Ahmed brings extensive experience and a deep understanding of the Baker Hughes portfolio. He will collaborate with me and the broader executive team to advance our strategic priorities, with a clear focus on profitable growth and sustained margin improvement.

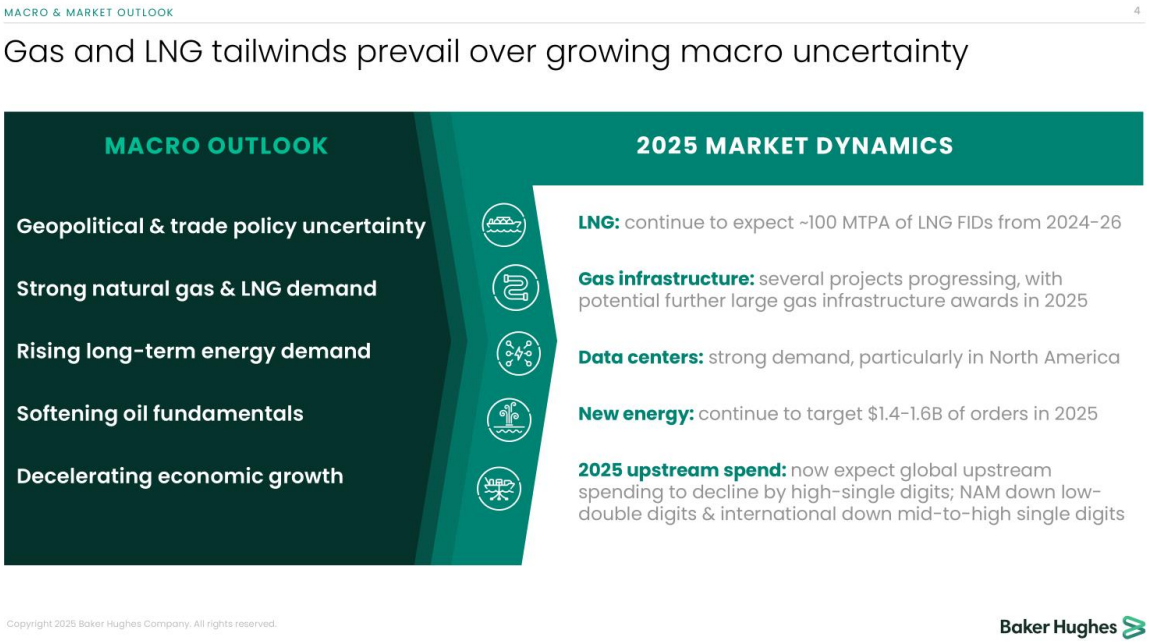
Now, let me start by providing a quick outline for today's call.

I will begin by providing our thoughts on the macro environment before discussing our strong first-quarter results. I will then highlight key awards and technology developments announced during the quarter.

After this, I will briefly speak to our outlook before handing the call over to Ahmed, who will provide more details on our financial performance, walk through the potential tariff impacts to our business and provide further detail around our outlook. Ahmed will then hand it back to me for a quick recap before we open the line for questions.

Now, let's turn to our macro outlook.

Slide 4.



Starting on slide 4. The global economy has started cautiously this year due to ongoing geopolitical tensions, uncertainty around trade policy and tariffs, China's slower growth rate, and lingering inflationary pressures.

Specifically for Baker Hughes, we continue to monitor the evolving landscape closely and are taking proactive steps to mitigate the potential impact of changes in trade policy, particularly tariff rates. Broadly speaking, our strong weighting to international markets – along with a diversified, localized supply chain and established competitive position – helps reduce our overall financial exposure. Later during the call, Ahmed will provide more detail on the potential implications for Baker Hughes.

Turning to oil markets, there are several factors driving downward pressure on oil prices. As announced earlier in the first quarter, OPEC+ has now begun executing its plan to return 2.2 million barrels per day of previously idled oil production to the market. Subsequently, oil prices saw increased volatility, stemming from elevated tariff uncertainty that is affecting global GDP and oil demand.

With the softening macro backdrop, we now expect global upstream spending to be down by high-single digits in 2025, including a mid-to-high single-digit decline internationally and a low-double digits decrease in North America. Excluding Mexico, international upstream spend is expected to fall in the low-to-mid single-digit range. These expectations assume a stabilization of oil prices around current levels and tariffs hold at the current 90-day pause rates. A sustained move lower in oil prices or worsening tariffs would introduce further downside risk to this outlook.

The prospects of an oversupplied oil market, rising tariffs, uncertainty in Mexico and activity weakness in Saudi Arabia are collectively constraining international upstream spending levels. Amid broader market softness, we see pockets of resilience in key international markets, like Brazil and several countries in the Middle East and Asia Pacific.

In North America, discretionary spending delays are extending into the second quarter, driven by ongoing uncertainty. Additionally, recent oil price volatility presents potential downside to second half activity, particularly in U.S. land. While second half visibility remains limited, we expect to outperform the broader North American market, supported by our production-weighted portfolio.

On natural gas, we see a more positive outlook. Long-cycle gas-levered projects in LNG, gas infrastructure and data centers continue to make progress towards FID. Rising gas-fired power demand underscores a long-term shift in market fundamentals, unaffected by near-term macroeconomic volatility.

To this point, natural gas demonstrated the strongest increase in demand among fossil fuels in 2024, led by a significant increase in power consumption. According to the IEA, gas demand increased by 115 bcm (billion cubic meters), or 2.7%, compared with an average of 75 bcm annually over the past decade.

Strong gas fundamentals remain positive for LNG contracting trends. Wood Mackenzie reports that 15.5 MTPA of long-term LNG offtake contracts were signed in the first quarter, following a record 81 MTPA last year. These statistics highlight consumer confidence in long-term global LNG and natural gas demand.

In the U.S., the repeal of the LNG permitting moratorium and the Administration's stated goal of increasing U.S. LNG exports has led to an improvement in orders for U.S. LNG projects. We have now booked around $1.7 billion of orders for U.S. LNG projects over the past two quarters.

Given this positive backdrop, several key LNG customers in the Gulf Coast are indicating plans to further expand capacity beyond 2030. This offers greater clarity regarding the potential increase in installed capacity above the anticipated 800 MTPA by the end of the decade.

I would now like to address our outlook given the current macroeconomic environment. We have a clear view of the near-term direct impacts that tariffs will have on our business – and are actively implementing a number of mitigation actions. However, the ongoing and dynamic trade negotiations between the U.S. and its trading partners, and the uncertainty regarding the eventual status of tariff rates and other trade policies across key markets, introduce a high degree of variability.

Given this backdrop, we are providing our second-quarter guidance along with a framework for our 2025 outlook, which Ahmed will cover in more detail later.

As we evaluate the path forward, it is important to recognize the differing dynamics across our segments.

OFSE is facing a wider range of potential outcomes, driven by reduced upstream spending, tariff-related cost inflation, and exposure to more cyclical markets – limiting visibility beyond the current quarter.

IET offers greater visibility and is well positioned in this environment, supported by a healthy equipment backlog, substantial recurring revenues, and strong operational performance – underscoring the strength and balance of our portfolio.

We remain confident in our strategy. Our focus is on the areas within our control – driving productivity, executing with discipline, and accelerating our efforts to be a leaner, more efficient company.

Slide 5.



Turning to our first-quarter operational performance on slide 5. We delivered strong results, maintaining the trend of meeting or exceeding the midpoint of our EBITDA guidance for the ninth consecutive quarter. We also set new first-quarter records for revenue and our adjusted measures of EPS, EBITDA, and EBITDA margin.

Adjusted EBITDA of $1.04 billion increased by 10% year-over-year, led by IET where EBITDA has increased by at least 30% for five consecutive quarters.

Industrial & Energy Technology (IET) experienced a solid start to the year, booking $3.2 billion of orders with segment backlog reaching another record level of $30.4 billion. Excluding LNG equipment, orders totaled a robust $2.7 billion.

During the quarter, we generated free cash flow of $454 million and returned a total of $417 million to shareholders.

Our strong first-quarter results reflect our commitment to profitable growth and continuous margin improvement. Solid operational execution and transformation progress are driving structural margin improvement, with our Adjusted EBITDA margin expanding by 140 basis points to 16.1% – including gains across both segments, even as a softer upstream market weighed on OFSE.

Slide 6.



Turning to slide 6, we are witnessing strong commercial momentum across new and existing markets.

This was reinforced by the record attendance at our recent Annual Meeting in Florence, Italy, which brought together over 2,300 customers and delegates from 85 countries. Importantly, we had representation across industrial and energy ecosystems, including participants from mining, steel, cement, industrial power generation and data center markets.

Following several customer engagements at this event, we booked multiple data center awards, marking our entrance into this market and further expanding IET's industrial reach. Of the 35 NovaLTs™ booked during the quarter, 22 will be utilized to power data centers. This amounts to more than 350 MW of power for this high-growth market.

In March, we signed an agreement with Frontier Infrastructure to develop large-scale CCS (carbon capture and storage) and power solutions for data centers, including the development of behind-the-meter gas-fired power generation that will utilize our NovaLT turbines. This partnership will leverage technologies and services across Baker Hughes by providing CO_2 compression, industrial gas turbines, digital monitoring solutions, well construction and completion services.

We also secured an order from Turbine-X Energy, one of Baker Hughes' network of authorized packagers in North America. The scope includes NovaLT gas turbines, gears and power generation technology for microgrid solutions to power data centers.

In gas infrastructure, we secured an award in North America for two pipeline compression stations, which will provide feedgas to a Gulf Coast LNG facility. This award includes a total of 10 gas turbines and 10 centrifugal compressors. Generally, we see growing opportunities in North America for gas infrastructure, driven by LNG capacity expansion along the Gulf Coast and AI-led demand for gas powered data centers.

We also received an award to supply a NovaLT gas turbine and a pipeline compressor for a gas boosting station in the U.K. This equipment order is part of National Gas Transmission's broader investment to enhance the U.K.'s gas infrastructure, ensuring energy security and reducing overall emissions.

In LNG, we secured an order for a liquefaction train in North America. We will provide four main refrigerant compressors driven by LM6000 gas turbines and four expander-compressors.

We also signed key strategic framework agreements with NextDecade and Argent LNG, growing our pipeline of potential orders. For NextDecade, the scope includes equipment for five additional trains, totaling 30 MTPA of liquefaction capacity at the Rio Grande LNG facility. This will be complemented by contractual services agreements for these equipment packages.

Argent LNG has selected Baker Hughes to provide liquefaction, power solutions and related aftermarket services for its proposed 24 MTPA LNG export facility in Louisiana. Importantly, the project will employ Baker Hughes' NMBL™ modularized LNG solution, driven by the LM9000 gas turbine, while also utilizing our iCenter™ and Cordant™ digital solutions.

Including NextDecade and Argent, we now have LNG supply agreements in place for over 120 MTPA. This provides visibility for potential LNG equipment orders into the latter part of this decade.

In Gas Tech Services, we experienced a record quarter for upgrade orders, increasing by 167% year-over-year as many operators look to drive efficiencies, reduce emissions and extend the life of their gas infrastructure projects. This was the largest order quarter for upgrades in the history of the company.

In the Middle East, we received a significant upgrade award to support one of the world's largest gas processing plants. The scope includes the upgrade of two existing gas turbines to drive new compressors and the supply of a third compression train to support production expansion. Separately, the team is partnering with SONATRACH to deliver an upgrade solution to support the modernization of a key compressor station in Algeria.

Turning to Oilfield Services & Equipment, we experienced sustained commercial momentum through market uncertainty during the first quarter.

Petrobras continues to leverage our innovative solutions to help unlock Brazil's vast energy supply. During the quarter, Baker Hughes received a major integrated completions systems order across multiple deepwater fields in Brazil.

In Mature Assets Solutions, OFSE received an award from SOCAR in Azerbaijan to expand deployment of Leucipa™ to all wells in the Absheron and Gunseli fields, including those with non-Baker Hughes electric submersible pumps. We also signed a multi-year frame agreement with Equinor to provide plugging services on the Norwegian Continental Shelf. As part of this agreement, Baker Hughes' Mature Assets Solutions team will lead the integrated plug and abandonment campaign, managing the planning and execution across the North Sea's Oseberg East field.

Across the Baker Hughes enterprise, we are capturing increasing commercial synergies between OFSE and IET through our early engagements on gas infrastructure, CCUS, geothermal, and data center projects. Looking out to Horizon 2, our pipeline of enterprise-wide opportunities continues to grow as customers seek solutions to address their energy efficiency and decarbonization needs.

In addition to the previously mentioned Frontier agreement, we booked two orders that highlight commercial synergies across the enterprise. OFSE was awarded a multi-year contract to provide integrated coiled-tubing drilling services on the Margham Gas Storage Project in Dubai. This award was facilitated by IET's existing customer relationship with Dubai Supply Authority, who previously ordered ICL (Integrated Compressor Line) compressors for the same project.

We are also observing this commercial trend offshore. In OFSE, we received a significant, multi-year award from ExxonMobil Guyana to provide specialty chemicals and related services for FPSOs, which complements our IET scope that includes power generation and compression equipment previously awarded.

Moving to new energy, we booked $238 million of orders and maintain our 2025 order target of $1.4 to $1.6 billion. During the quarter, we booked an award to supply three electric motor-driven CO_2 compression trains and gearboxes for a CCS project in Northwestern Europe.

We also made progress on several new energy technology developments. In geothermal, we have been selected by the U.S. Air Force and the Department of Defense to explore the development of utility-scale geothermal power.

During the quarter, we also announced a Joint Development and Collaboration Agreement with Hanwha for the development of a new, small-scale turbine for ammonia applications. The new ammonia turbine will be suitable across shipping, FPSO and gas infrastructure markets.

Overall, we had a positive start to the year from a commercial and technology engagement perspective and remain confident in our IET order guidance range this year. We are building strong order and technology pipelines that extend beyond our traditional oil and gas markets, providing additional lifecycle growth opportunities that further enhance our earnings durability.

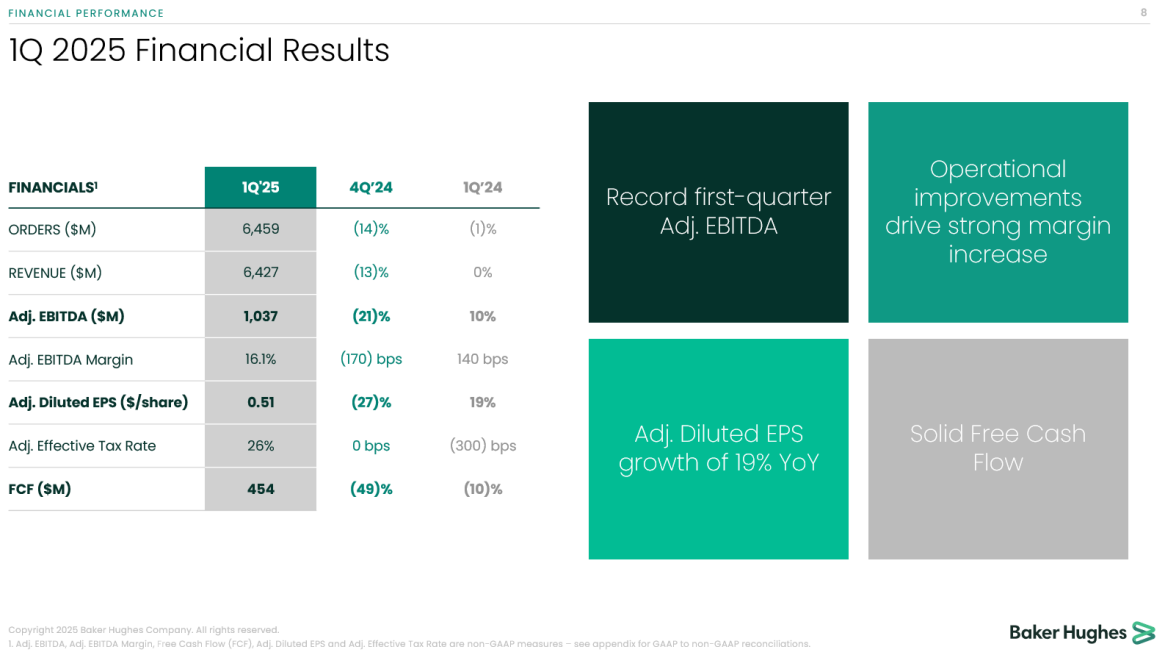
Baker Hughes is well positioned to deliver sustainable growth and long-term shareholder value, and we are excited about the future as we advance into the next phase of our journey.

With that, I will turn the call over to Ahmed, who will provide more details on our quarterly results, tariff exposure and guidance.

Ahmed Moghal *Baker Hughes – CFO*

Thanks, Lorenzo.

Slide 8.



I will begin on slide 8 with an overview of our consolidated results and then speak to segment performance before providing details of our exposure to evolving trade policy and tariffs. I will also provide a quick summary of our outlook before handing it back to Lorenzo for final comments.

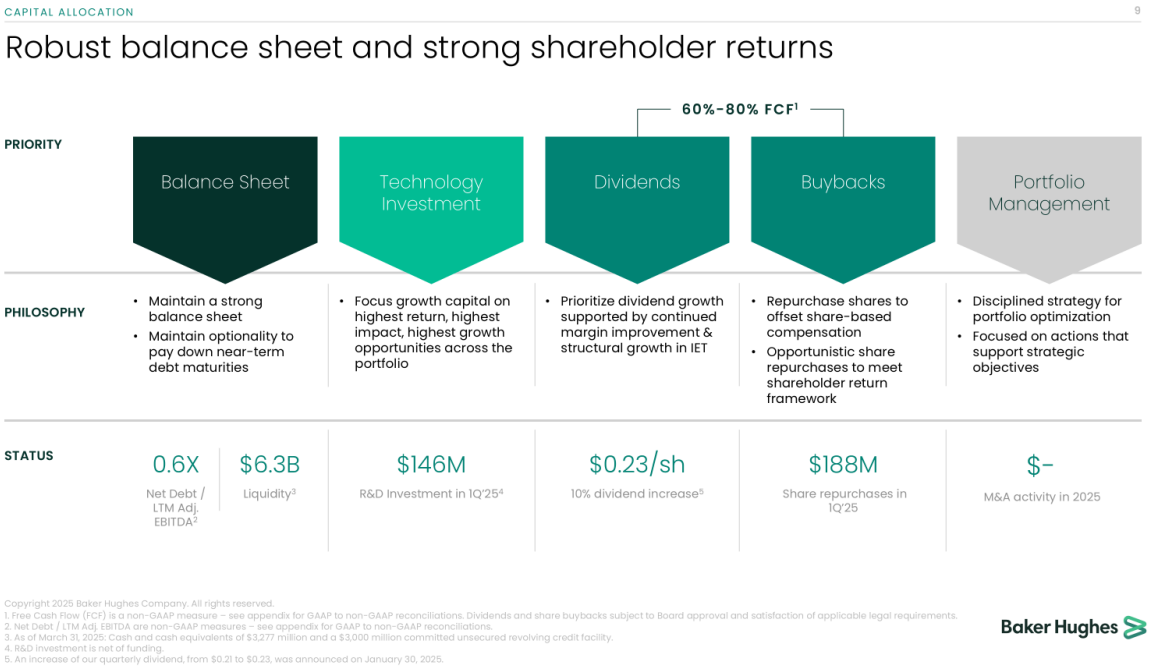
As Lorenzo mentioned, orders got off to a solid start to the year, booking $6.5 billion for the total company and included $3.2 billion in IET.

Adjusted EBITDA increased by 10% year-over-year to $1.04 billion, driven by strong IET revenue growth and continued margin expansion across both segments.

GAAP diluted earnings per share were 40 cents. Excluding adjusting items, earnings per share were 51 cents, an increase of 19% when compared to the same quarter last year.

We generated free cash flow of $454 million for the quarter. For the full year, we continue to target free cash flow conversion of 45% to 50%, with the normal weighting towards the second half of the year.

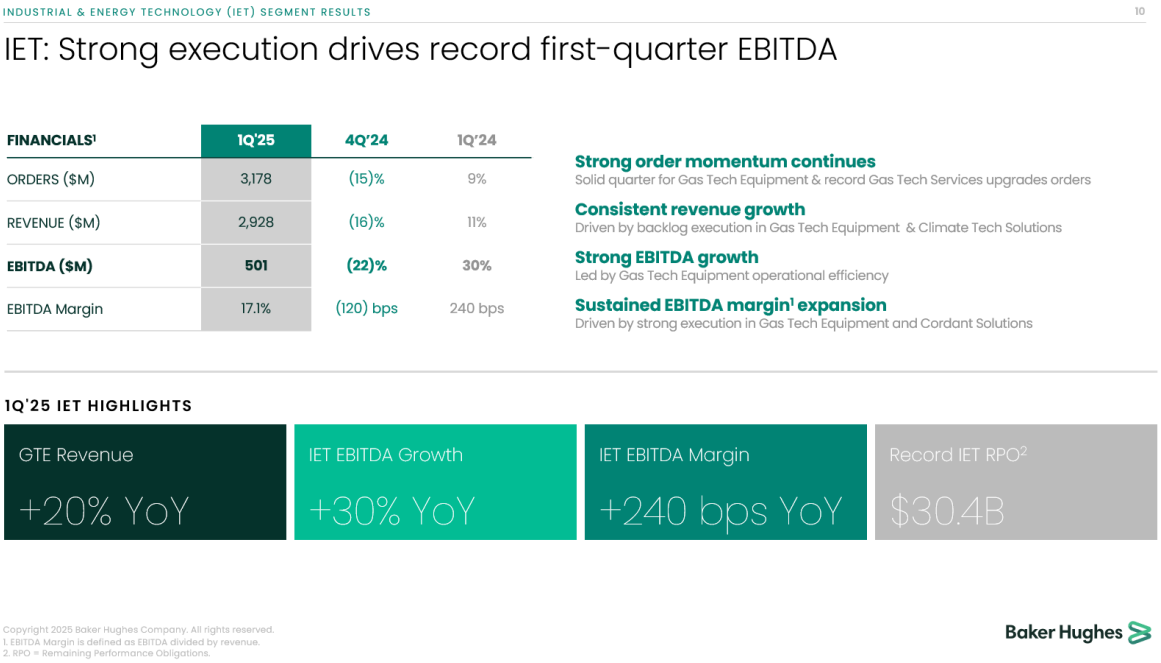
Slide 9.



Turning to capital allocation on slide 9. Our balance sheet remains in a very strong position, ending the first quarter with cash of $3.3 billion, a net debt to EBITDA ratio of 0.6 times, and liquidity of $6.3 billion. Our next debt maturity is not until December 2026, and S&P recently upgraded our long-term credit rating to A.

We returned $417 million to shareholders in the first quarter. This included $229 million of dividends and $188 million of share repurchases. We remain committed to returning 60% to 80% of free cash flow to shareholders.

Slide 10.



I will now highlight the results for both segments, starting with **IET** on slide 10.

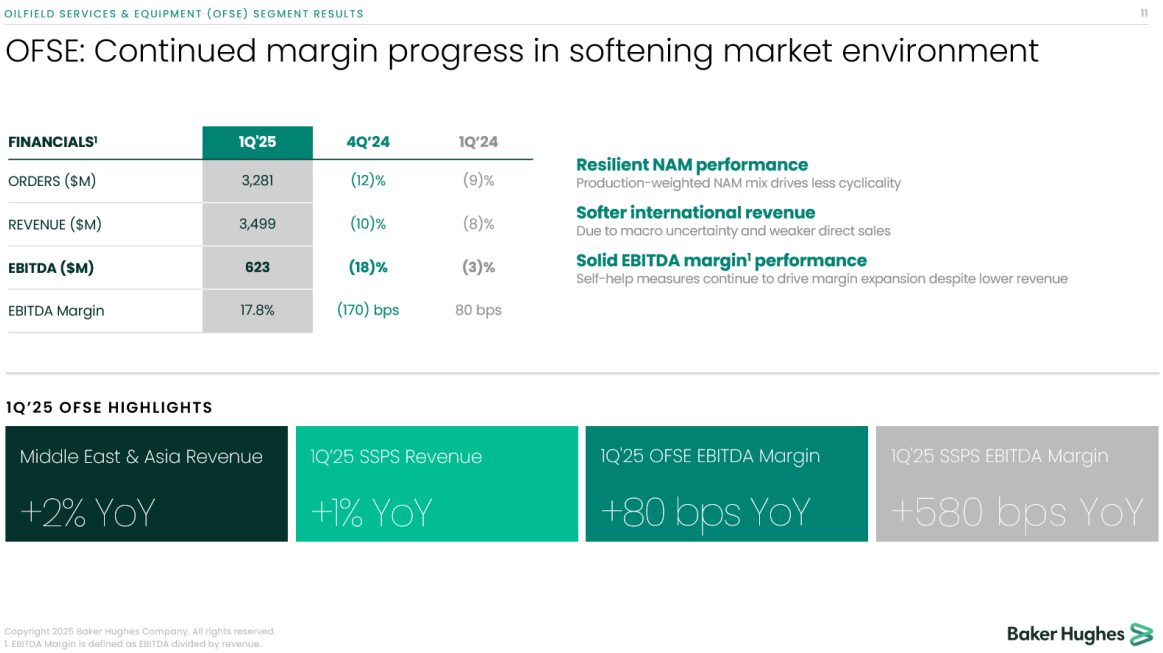
During the quarter, we booked solid IET orders of $3.2 billion. This included $510 million for LNG equipment, $104 million for data centers and record Gas Tech Services upgrades of $272 million.

Book-to-bill was 1.1 times, resulting in IET RPO of $30.4 billion that reached a new record. This RPO level – and a structural growing installed base – provide significant revenue visibility for IET over the coming years.

IET revenue increased by 11% year-over-year to $2.9 billion, led by a 20% increase in Gas Tech Equipment and 114% growth in Climate Tech Solutions, partially offset by Gas Tech Services.

EBITDA growth significantly outpaced segment revenue, increasing 30% year-over-year, as margins expanded by 240 basis points to 17.1% despite mix headwinds. This performance was driven by strong margin expansion in Gas Tech Equipment, supported by productivity from project closeouts. IET continues to benefit from the lean strategies being adopted across operations that are driving structural margin improvement.

Slide 11.



Turning to **OFSE** on slide 11.

OFSE revenue in the quarter was $3.5 billion, down 10% sequentially as we experienced enhanced seasonal weakness across many international markets. Economic and tariff uncertainty to start the year resulted in customers delaying discretionary spending, primarily impacting direct equipment sales.

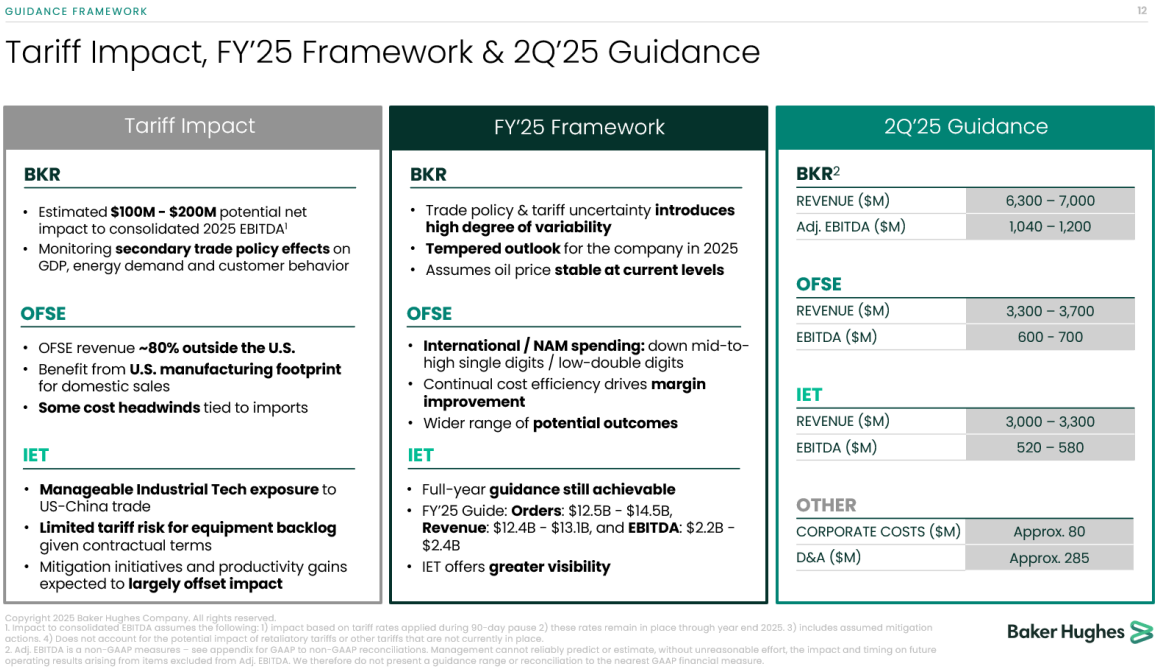
In international markets, revenue declined 11% sequentially, driven by a significant slowdown in activity in Mexico. Rig activity in Mexico declined sequentially by 52%, now down 72% from 2023's peak levels. Excluding Mexico and SSPS, international revenue was down 7% sequentially, more aligned with typical seasonal declines.

In North America, revenue declined 5% sequentially, driven by seasonal weakness in offshore. North American land was down 3%, as strength in drilling services and drill bits were offset by lower revenue across most other businesses.

OFSE EBITDA margin was 17.8%, improving 80 basis points year-over-year even with segment revenue declining by 8%. This is a testament to the team's hard work to structurally change the way we operate.

Due to the previously mentioned Mexico weakness and delays in discretionary customer spending, segment EBITDA of $623 million was between the low and mid-points of our guidance range.

Slide 12.



Turning to slide 12. I want to walk through our outlook and how the current environment could impact performance. I'll begin by outlining the potential tariff impacts to Baker Hughes, then walk through our full-year framework and conclude with detailed guidance for the second quarter.

While the situation remains fluid, we have been conducting comprehensive scenario planning exercises and continue to develop and implement mitigation strategies to manage through this period of volatility.

In our OFSE segment, our strong international presence provides us a degree of protection against tariff impacts since approximately 80% of segment revenue is derived from markets outside the U.S.

Domestically, we benefit from a broad U.S. manufacturing footprint and a resilient local supply chain. However, we do expect some cost headwinds tied to imports from China, Germany, and the U.K. We also source some oilfield components and chemicals from Canada and Mexico, a portion of which qualify under USMCA provisions.

To reduce reliance on these imports for OFSE, we have been working with U.S. supply chain partners to increase domestic sourcing. Additionally, we have engaged with customers on cost recovery initiatives, which have led to encouraging outcomes to date.

Within IET, we have identified three areas of tariff exposure. First, a portion of Industrial Tech's U.S. volumes exported to China may be impacted by new trade policies. Second, we supply critical equipment to U.S. projects from our facilities in Italy – although, this backlog has limited exposure due to existing contractual terms. Third, we anticipate modest impact from steel and aluminum tariffs, as well as U.S.-China trade activity.

Similar to OFSE, we are deploying several mitigation strategies within IET, including exploring domestic procurement alternatives to reduce input cost and optimizing our global manufacturing footprint. We expect these actions, combined with continued productivity gains, will largely offset the tariff-related impacts.

After accounting for these offsets across both segments, we estimate a net EBITDA impact in the range of $100 to $200 million. This assumes current tariff rates applied during the 90-day pause period continue for the remainder of 2025.

Beyond direct impacts, we are also monitoring secondary effects, such as more cautious customer behavior and the potential for broader economic weakness – factors that remain difficult to quantify. A further slowing of customer spending could affect our more economically sensitive areas—such as direct sales and transactional services in OFSE and Industrial Tech in IET.

Turning to our 2025 outlook. We use this tariff outline to help shape our framework for the full year. As visibility on trade policy and the broader market dynamics improve, we will provide further updates as we progress through the year.

In IET, we believe our diversified portfolio, substantial IET backlog, and sizable aftermarket services business provide earnings and cash flow stability during this period of uncertainty. In the current environment, IET's lean mindset and process-driven culture should continue to deliver structural margin improvement – even in the face of higher input costs.

As we balance our current view, we believe the IET EBITDA guidance range communicated in January remains achievable.

In OFSE, visibility beyond the second quarter remains limited. If oil prices and tariffs hold at current levels, we expect global upstream spending to decline in the high-single digit range for 2025. Under this scenario, we believe OFSE margins will still improve year-over-year – driven by cost efficiency and continued execution of transformation initiatives.

As this framework illustrates, our 2025 outlook reflects pressure from market-sensitive elements of OFSE, while IET is expected to deliver strong growth compared to last year.

Turning to second quarter, we expect total revenue of $6.3 to $7 billion and total EBITDA of approximately $1.04 to $1.2 billion. This guidance assumes we can partially offset tariff impacts through abatement opportunities, contractual pass-throughs, and other mitigation strategies. It also assumes tariff levels remain consistent when compared to the current 90-day pause scenario.

For IET, we forecast EBITDA of $520 to $580 million on revenue of $3.0 to $3.3 billion, led by growth in Gas Tech Services. The major factors driving this range will be the pace of backlog conversion in GTE, the impact of any aeroderivative supply chain tightness, and volume levels in Industrial Tech.

For OFSE, we forecast EBITDA of $600 to $700 million on revenue of $3.3 to $3.7 billion, implying further margin improvement on flat sequential revenue. We expect results to reflect a less pronounced seasonal recovery in both international and U.S. markets due to ongoing macro uncertainty and recent oil price weakness. Factors driving the range include execution of our SSPS backlog, the impact on near-term activity levels in North America and International markets, and the pace of activity in Mexico.

In summary, we are pleased with the Company's operational performance during the first quarter. OFSE margins remained resilient despite upstream market softness, while IET margins continued progressing towards 20%.

Although our outlook is tempered by macro and trade policy uncertainty, we remain focused on elements we can control – continuing to streamline operations and drive efficiencies that will benefit us well beyond this cycle.

With that, I'll turn the call back over to Lorenzo.

Lorenzo Simonelli *Baker Hughes – Chairman & CEO*

Our strong first-quarter results demonstrate the progress we have made in transforming our operations and streamlining the organization. This has created a solid foundation to further optimize margins and enhance returns, even in a challenging environment.

Looking beyond near-term macro uncertainty, we continue to believe in the structural growth of global energy demand – an outlook that underpins our strategy and anchors Baker Hughes' long-term value creation. The world needs more energy with fewer emissions, and we see natural gas playing a fundamental role in achieving this dual objective.

To conclude, thank you to the entire Baker Hughes team for yet again delivering outstanding results. As we continue our journey to take Baker Hughes and energy forward, we remain committed to our customers, shareholders, and employees.

With that, I will turn the call back over to Chase.

Chase Mulvehill *Baker Hughes – VP of Investor Relations*

Operator, we can now open up for questions.