subsea 7

First Quarter 2023 Earnings Presentation

Thursday, 27th April 2023

Introduction

Katherine Tonks

Head of Investor Relations

Operator's introduction

Good day and thank you for standing by. Welcome to the Subsea 7 Q1 2023 conference call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. To ask a question during the session, you will need to press star, one, one on your telephone. You will then hear an automated message advising your hand is raised. To withdraw your question, please press star, one, one again. Please be advised that today's conference is being recorded. I would now like to hand the conference over to your speaker today, Katherine Tonks. Please go ahead.

Introduction and speakers

Speakers

Welcome everyone. With me on the call today are John Evans, our CEO, Mark Foley, our CFO, and Stuart Fitzgerald, CEO of Seaway 7. The results press release is available to download on our website along with the presentation slides that we'll be referring to during today's call.

Forward-looking statements disclaimer

May I remind you that this call contains forward-looking statements that reflect our current views and are subject to risks, uncertainties and assumptions. Similar wording is also included in our press release. Now I'll turn the call over to John.

Review of the quarter

John Evans

Chief Executive Officer

First quarter 2023 – on track

Thank you, and good afternoon everyone. I'm joining you today from Copenhagen, where Stuart and I are attending WindEurope. I will start with a summary of the quarter before passing over to Mark to cover the financial results in more detail.

Turning to slide 3, the first quarter of 2023 was very much in line with our expectations, and we have reaffirmed our outlook for the full year. The quarter was, as usual, impacted by seasonality in the Northern hemisphere and this was compounded by an activity mix skewed to lower-margin contracts won in 2020.

Our guidance for the full year is unchanged, with a weighting to the second half as we have previously flagged. After a strong year for order intake in 2022, we've continued to grow the backlog in the first quarter, with a book to bill of 1.5 times. Bidding activity remains high, and pricing and contract terms continue to improve, supporting our view of a return to a through-cycle range of EBITDA margins between 15-20%.

Major projects – on track

Turning to slide 4, for an update on the progress of our largest projects in the first quarter. In Turkey, the fast-tracked Sakarya project reached 96% progress, up from 89% in Q4, and first gas was achieved last week.

In Senegal, Sangomar reached 77% completion, as Seven Vega, Seven Seas and Seven Sisters continued pipelay, whilst in Angola, Seven Borealis worked all quarter on SLGC before transiting to Saudi Arabia.

In Brazil, Seven Pacific was active on the Bacalhau project and at Mero 3 we received the first linepipe shipment in Rio and mobilised our new, chartered, heavy construction vessel, BOKA Sub C.

In renewables, cable-lay activities were completed on Hollandse Kust Zuid in the Netherlands.

Foundation installation activity was reduced in the first quarter due to the winter conditions in the North Sea but towards the end of the quarter, we restarted activity as planned on Seagreen and Dogger Bank A and B.

In mid-April, we installed the final jacket at Seagreen and the cable-lay due for completion with Seaway Aimery in Q2.

Backlog – continued growth

Turning to slide 5, order intake in the first quarter was $1.9 billion, including new awards of $1.2 billion and escalation of $0.7 billion. Our book-to-bill was 1.5 times, resulting in a backlog of $9.7 billion.

Revenue visibility continues to improve. Our backlog for the current year is 27% higher than the equivalent last year, whilst our firm workload for 2024 is up 16% since the last quarter.

And now I'll pass you over to Mark to run through the financial results.

Financial Results

Mark Foley

Chief Financial Officer

Group

Thank you, John and good afternoon, everyone. I'll begin the financial performance review with some details of group and business unit performance in the quarter, before returning to the group cash flow and financial guidance for 2023.

Slide 6 summarises the group's first quarter performance. As John has already discussed, we delivered solid order intake and backlog growth, driven by new awards of $1.2 billion and escalations of $700 million, which this quarter mainly comprised variation orders.

Revenue increased modestly to $1.2 billion compared to the first quarter of 2022, as we continue to execute large projects in subsea and fixed offshore wind.

Adjusted EBITDA of $107 million was up 24% compared with the prior year and the margin increased 140 basis points to 8.6% from 7.2%. As previously communicated, margin is expected to expand in the latter part of the year as the weighting of contracts in the portfolio, one of the cycle lows, further diminishes and backlog continues to be replenished with margin-accretive order intake.

Net finance costs were $8 million, primarily reflecting higher interest rates on borrowings.

Despite the loss before taxes, there was a $3 million taxation charge due to the jurisdictional profitability mix and the impact of irrecoverable withholding taxes. This resulted in a net loss of $29 million in the quarter.

I'll now discuss the drivers for the group performance in the next few slides.

Subsea and Conventional

Slide 7 presents the key metrics for subsea and conventional. Order intake was $1.3 billion, equating to a book-to-bill of 1.3 times, resulting in backlog growth of 4% to $8.4 billion. Key contract awards included Agogo in Angola and Irpa and Verdande in Norway.

Revenue was $1.1 billion, up 18% year on year, reflecting good progress on Sakarya, Sangomar and SLGC, as well as our other large EPCI projects. In the UK, against a backdrop of fiscal uncertainty, our fleet of diving support vessels had reduced utilisation due to the postponement of activities by clients.

Adjusted EBITDA was $97 million with a margin of 9.1%, up 74 basis points from the prior year. This reflects a continued solid operational performance on projects won at reduced margins during the downturn.

Renewables

Select renewables performance metrics are shown on slide 8. Order intake was around $540 million, equating to a book-to-bill of 3.3 times, resulting in backlog growth of 46% to $1.2 billion. The notable new award in the period was the Hai Long cable contract in Taiwan.

Revenue was $160 million, down sharply year on year, reflecting the phasing of the Seagreen project.

Adjusted EBITDA was $6 million, broadly flat year on year, resulting in an adjusted EBITDA margin of 3.8%. This performance was impacted by normal seasonality in the Northern hemisphere, with planned downtime on the foundation installation activities at Seagreen and Dogger Bank A and B. Projects outside of the North Sea, including Yunlin in Taiwan, made a good contribution to adjusted EBITDA in the quarter.

As planned

Slide 9 shows the cash flow waterfall for the first quarter. Net cash used in operating activities was $127 million, which included the expected and previously communicated built in working capital. This build is temporary in nature and is expected to unwind later this year and into 2024.

Net cash used in investing activities was $86 million, mainly attributable to purchases of property, plant and equipment, including vessel dry docks and upgrades.

Free cash flow in the period was a negative $219 million.

Net cash generated from financing activities was $256 million. This included utilising the remaining $300 million of the $500 million UK Export Finance facility entered into in 2021. The two-year availability period of this facility expired in February. There were also lease liability payments of $31 million, including principal and interest, mainly related to chartered vessels.

At the end of the quarter, cash and cash equivalents was $686 million and net debt was $419 million. This included lease liabilities of $456 million, which increased $199 million from the year-end position due to two new vessel charters: BOKA Sub C and Siem Stingray, and the extension of three existing vessel charters, namely Grant Candies, Normand Subsea and Seven Viking. These vessels have been chartered to meet the workload in Norway, Brazil and the Gulf of Mexico.

The group had liquidity of $1.4 billion at the end of the quarter, which included $700 million of committed, unutilised borrowing facilities.

Group financial guidance for 2023

To conclude, slide 10 shows our guidance for the full year. Guidance for all elements remains unchanged. We continue to expect revenue and adjusted EBITDA to be higher than 2022, while net operating income is still expected to be in line with last year.

There is also no change to our expectation for capital expenditure for the year.

As announced in March, we will pay approximately $110 million in dividends. That payment will be made tomorrow, 28th April, and the dividend represents NOK 4 per share, including NOC 1 of regular dividend.

I will now pass you back to John.

Business Highlights and Outlook

John Evans

Chief Executive Officer

Sakarya phase 1

Thank you, Mark. On slide 11, we take a brief look back at Sakarya project, which is now largely complete. In just 31 months from initial gas discovery by TPAO to first gas, Sakarya has had an ambitious schedule which required us to build up a new presence in Turkey. It also saw us working in a new consortium that brought Schlumberger Midstream into a partnership with a Subsea Integration Alliance for a fully integrated onshore to offshore offering.

Subsea 7’s scope worth $1.2 billion has drawn on expertise of our project managers and engineers in Istanbul, Paris, London, Kuala Lumpur and Perth. It created 1,000 days utilisation of our largest global enabling assets and over 4,000 days of vessel utilisation in total. The project's success is a testament to what can be achieved by our teams when we adopt an integrated approach and work in close collaboration with our clients.

This project was the first phase of Sakarya and represents ten out of what will ultimately be expected to be around 40 production wells. We are currently bidding for a role on the second phase.

Floating wind

On slide 12, we have a summary of our position in floating wind, which has seen several recent advances. In the first quarter, our Salamander development with Ørsted and Simply Blue off the coast of Scotland, was awarded an INTOG lease. The 100 MW project is decided to help develop Scotland's floating wind supply chain ahead of the large ScotWind development programme.

During the quarter, we launched a second initiative with Simply Blue, this time in Australia. The new consortium includes local partner Spark Renewables and will pursue projects off the coast of New South Wales. The first step will be the identification of the areas suitable for development and the launch of consultation with the various stakeholder groups.

Finally, earlier this year we announced a new partnership with Siemens Energy to develop a high-voltage subsea power hub that will enable valuable flexibility in the architecture, construction and operation of floating wind farms.

The demand outlook for floating wind is positive but the industry is not without its own challenges. Project economics are still to be proven and project execution and contracting models remain immature. From Subsea 7's perspective, we'll be looking to establish a favourable balance of risk and reward in any contract that we will undertake. We will take a cautious approach and the initiatives I've described today are part of our process of building an understanding of this developing market.

Seaway 7 new builds

Turning to slide 13 and the new builds under construction for fixed offshore wind. Starting with the *Seaway Alfa Lift.* During the first quarter, we continued commissioning, and testing of the crane and the vessel marine systems were nearly finished. The main crane load test was successfully completed last week, representing an important milestone.

As we have noted before, the construction and delivery of the mission equipment by our subcontractor has been a challenge and remains on the critical path for vessel delivery. We continue to follow the revised plan for the mission equipment we outlined in Q3 last year. Alfa Lift is due to sail from China in July and arrive in Europe in late 2023, where it will be completed before beginning work on Dogger Bank in 2024.

Turning to Seaway Ventus*,* the final legs have now been installed and the outfitting and commission activities are ongoing. The build is running to plan, and we expect the vessel to be delivered third quarter 2023.

Seaway7 – update on the offer

As you know, in February Subsea 7 made an offer to acquire the minority holding of Seaway 7. The voluntary offer period expired on 14th April and we own 99.5% of Seaway 7. We have now moved into the compulsory acquisition phase. As part of the process, we propose to pay NOK 6.15 cash per remaining outstanding share. We expect it to delist it from the Euronext Growth in early May.

The fixed offshore wind industry continues to evolve, with challenges relating to contractor risk and reward, but we are confident that Seaway 7 is well placed to create value for Subsea 7 shareholders in the longer term.

Outlook – subsea prospects

Moving on to our customary review of our tendering pipeline across the subsea and wind industries. Tendering remains active and we're optimistic that 2023 will be another year of solid order intake. The most active markets are Brazil, where we're hoping to win one major project this year as well as a new PLSV contract; the Gulf of Mexico, which remains an active tie-back market; and Turkey, we are bidding the second phase of Sakarya.

In the first quarter, we submitted our bid for the Bay du Nord project in Canada. This is the largest bid we have ever submitted and covers an integrated EPCI scope that would start in 2024 and involve vessel campaigns right up until 2032. We expect that this will be awarded to the industry in 2024.

Overall, we're confident that we have a robust tendering pipeline, that can support the continued momentum in subsea recovery.

Outlook – offshore wind prospects

On the next slide, we have our wind projects. As you know, we have the preferred bidder status on East Anglia THREE project which we hope to convert to full EPCI in the coming months. And Seagreen 1A, which we expect to convert in the longer term.

As you can see there are a number of projects that should be awarded to the industry in 2023 in the US, UK and Europe. Order flow in this industry remains lumpy but we are confident that we can grow this business and generate the appropriate margins and returns.

Approaching the inflection

To wrap up, we'll turn to our final slide, on page 17. Our first quarter has been about steady delivery in our two business units. Our major projects around the world made good progress, and projects in the Northern hemisphere restarted after the winter season as planned.

Overall, the first quarter has reconfirmed our expectations for the year, and we are on track to meet our 2023 guidance. Commodity markets have experienced some volatility in recent months, but our clients make their investment decisions based on long-term supply-demand forecast that remains supportive. New order flow has continued, and bidding activity has been sustained at a high level.

In both subsea and wind we are seeing a continued tightening of the market which is supporting improved pricing and risk allocation, and a positive margin outlook.

As we've noted before, we expect an inflection in EBITDA margins in the second half of 2023, and this, combined with a significant reduction in CAPEX from 2024, underpins our confidence in the ability of Subsea 7 to generate significant free cash. As always and as per our strategy, returning excess cash to our shareholders remains a priority.

And with that, we'll be happy to take your questions.

Q&A

Operator: Thank you. As a reminder, to ask a question, you will need to press star, one, one on your telephone and wait for your name to be announced. To withdraw your question, please press star, one, one again. Please stand by while we compile the Q&A roster.

Our first question comes from the line of James Winchester from Bank of America. James, your line is open.

James Winchester (Bank of America): Brilliant, thank you. I have two on the renewables and then just a quick one on the capital allocation. Firstly, can you talk a bit more about your expectations for order intake? There's been quite a lot of news flow regarding certain projects and the CFD terms. So, what's your kind of best guess for timing on, I guess, East Anglia THREE and Seagreen FID?

Secondly, could you talk a bit about the renewable margin outlook for the remainder of the year? And also, if you can now provide any colour on what is embedded into your medium-term guidance for the renewables?

And then finally, if you kind of include that payment for the JV this year, where do you think you'll land in terms of net debt at the end of the year and I guess for 2024, how are you going to think about capital allocation? Thank you.

John Evans: Thanks James. There are many questions in that one question you gave us. So what I suggest we do is we get Mark to answer the net debt question then Stuart will give you some guidance on the renewables business.

Stuart Fitzgerald (CEO, Seaway 7): Yes, so two projects that you referred to, East Anglia THREE and Seagreen 1A, where we have our preferred position. On East Anglia THREE, I would say that a number of commitments on that project have been made to the industry. We are one of the last contracts to be signed there and we're in an active discussion with the client, and as John said in his prepared remarks, we'd expect that to close within the coming months.

Seagreen 1A a little bit less certain I would say. Less commitments have been made to the market and we are supporting the client there to try and get a project that has sensible project economics from the developer's perspective. So, we see higher uncertainty and it would be for the client there to really make definitive comments on their timing, but higher uncertainty in relation to Seagreen 1A compared to East Anglia THREE.

In terms of margin outlook, I think not going to be too specific there, obviously, but we're in an environment where risk and reward profiles and pricing is improving. I think there is a collective realisation both amongst the contractor group and also from the clients that there's a need for our segment to move to a more sustainable financial return, and that process is ongoing and has been ongoing for some time. So, we see the margin in the new backlog that we're taking in progressively becoming stronger.

In terms of the renewables guidance, which I think was the third point that you had, no change from what's been communicated previously.

John Evans: Mark, if you could take the net debt, please?

Mark Foley: Sure. Thank you, James. As we have communicated previously, this year is a year of investment in the business, so we expected that to materialise in Q1 to start off the working capital build. In addition, we have capital expenditure required for both the Seaway Alfa Lift and the Seaway Ventus. And as you commented in your question, we do expect the first tranche of our investment in the new One Subsea joint venture with Aker Solutions.

So, as a calibration point, we exited Q1 with net debt including lease liabilities of $490 million. I would expect at year end it will be higher than that, so hopefully that provides colour or an answer to your question.

James Winchester: That's brilliant. Thank you very much for that.

Operator: Thank you. We will now take our next question. Please stand by. And our next question comes from the line of Guillaume Delaby from Societe Generale. Guillaume, your line is open.

Guillaume Delaby (Societe Generale): Yes, good afternoon. Two questions. First, if I may just on your net debt answer, did I understand correctly you expect net debt at the end of 2023 to be higher than at the end of Q1? Am I correct?

Mark Foley: Yes, Guillaume, you are correct.

Guillaume Delaby: Okay. Second questions, and you are not going to like it, it's rather project specific. To be honest, I would have expected a stronger contribution from the subsea business in Q1, because we are ending to the near completion of the Sakarya project. And the Sakarya project is an iconic project for you, it is an iconic project for SLB, and should we understand that the margin embedded in this project is lower than what you could have expected, or does it mean that most of the margin might be recognised next quarter?

John Evans: I'll answer that one, Guillaume. So, Sakarya, we achieved first gas, which is good, but we also have another number of wells to bring on, so we will be continuing to work there for a number of months with smaller, lighter construction vessels. The project has delivered exactly what we had in plan when we bid it, so we're very happy with the project. It's gone well for us; it's gone well for our clients. And again, we are working with our client to tidy up our account here in quarter two and into quarter three. So again, project's gone very well, no major concern.

The main challenge for us in quarter one has been, as we've discussed in the prepared remarks, it's the seasonality. A number of diving ships were not working in quarter one. We had a number of vessels under maintenance, we had a number of vessels moving in transit. So it's the vessel account that causes a challenge in quarter one, which is not unexpected and not uncommon for contractors like ourselves, and certainly has not been uncommon for us over the last decade to have that.

So, Sakarya has gone fine for us, thank you.

Guillaume Delaby: And second question, and sorry, once again on a major project, which is Bacalhau. There has been some press article regarding Bacalhau. Is everything well on track as well?

John Evans: For us it's on track. We do need an FPSO to be there for us to allow to hook up the risers at the end of the project, but at the moment we're on track. As the prepared remarks said, we had the [Seven] Pacific starting the pre-construction work and last week the *Vega* was in Ubu picking its first load of production lines to be installed. So we are on track there, we have no major concerns, but again, the final timing at which the FPSO arrives will – will work its way out in the next year or so.

Guillaume Delaby: Okay. I turn it over. Thank you, John.

John Evans: Thank you.

Operator: Thank you. We will now take our next question. Please stand by. Our next question comes from the line of Kévin Roger from Kepler Cheuvreux. Kévin, your line is open.

Kévin Roger (Kepler Cheuvreux): Yes, good afternoon. I would have mostly one question and it's related to the fact that if you have done a bit more optimistic on your top-line expectation for 2023 mostly, because, explaining myself, when I look at the level of variation orders that you had in Q1, it seems that a lot until for execution in 2023 and you still have something like $4 billion of revenue to be executed for this year. So I was wondering if it was expected on your side or if it has come as a positive surprise and so it leads you to be a bit more optimistic on your short-term forecast for 2023 top line, and if it impacts also a bit the guidance for the EBITDA, please?

John Evans: So, Kévin, as we've said in our prepared remarks, we reconfirm that we are comfortable with where we see this year and where the market sees this year for EBITDA.

Yeah, we have some lumpiness in our variation orders. We need to remember that a lot of our Brazilian contracts have annual escalation mechanism protections that kick in, which is how we protect ourselves from the higher inflation that that market exposes us to. So we got some lumpiness in terms of – and these get distributed back to us through a variation orders contractual mechanism allows us to do that. So again, I would not read across the higher level of escalations as yet to be anything to say that there's going to be a fundamental change in how we see this year.

So, at the moment, to recap, we see our EBITDA in line with how the market views it and, you know, the escalations aren't a surprise to us. They're mechanical protection mechanisms that are put into contracts to give us that coverage.

Kévin Roger: Okay, understood. Very clear. And maybe the second one, if I may, related to the, in a way, merger of Aker Solutions with SLB and the fact that you will take 10% of that entity that will be part of the Subsea Integration Alliance. Any update on the signing on that side? And also, maybe some feedback that you can share with us in terms of potential commercial opportunities that have emerged with that, notably getting access to a number of clients maybe from Aker Solutions or whatever?

John Evans: So, Kévin, as you correctly pointed out, the process is underway now, with anti-trust in many jurisdictions. That's going as per the plan that the three parties have put together when we crafted the deal together. We still expect in the second half of this year to get the final approvals, and until we get the final approvals, the two companies are running independently and so we haven't had any discussions as yet. And we can only have those discussions when the closure takes place.

So, I think that's more of a 2024 opportunity set for us. We know what the overall logic of the transaction is, as we shared with the market when we announced it, but at the moment we're in that closed period while the anti-trust bodies of different regions do what they need to do to assure themselves of the security of the deal.

Kévin Roger: Okay, thanks a lot for that.

Operator: Thank you. We will now take our next question. Please stand by. Our next question comes from the line of Mark Wilson from Jefferies. Mark, your line is open.

Mark Wilson (Jefferies): Okay, thank you. I'd like to ask regarding – most of my questions have been answered, by the way – so I'd like to ask on the fleet size, the 38 vessels in the active fleet, and given what we've spoken about in terms of the tightness in the market and the outlook, just if you could comment on the right-sizing of that fleet for the outlook you see? Incredible vessel activity you may potentially have at Bay du Nord, you spoke to there, John. So that would be interesting to hear how you think that fleet sets up for the outlook. Thank you.

John Evans: Yes, thank you, Mark. We, as you know, we have a philosophy of owning the key enabling assets and then chartering other tonnage in as we need it. This is the way we cycle through the good times and bad times of a cyclical industry, and that strategy is being played out at the moment. As you heard from Mark, we renewed three existing charters this quarter and we bought two new vessels into the fleet: one heavy construction vessel that's working for us, or will go to work for us, on Bacalhau, and then our remaining Brazilian work, which is the BOKA Sub C, and then a light construction vessel from the Siem fleet, that came in that will do our construction work in Europe for us.

So again, for us we are making sure that we have sufficient support assets to make sure our key enabling assets can work. And as we've discussed a number of times on these calls, for us the real inflection point in our EBITDA is when our enablers are working all year on only enabling work, so they're not trading down or doing slightly suboptimal work. So, we bring other tonnage in to do that.

So, our logic is always to make sure we protect that in our outlook and so we may continue to bring one or two other vessels that we need in to make sure that we are covered. Some of it is done on a project-by-project basis, some of these other vessels as we've named them in these prepared remarks are on multiyear charters to us to provide the coverage that we need.

So, it's something that we do, it's a part of our business, it's something that we are very tight to the market to understand the tightness in that market and how well it works. So, for us it's – we're in the right place and the message we need to give back is that we always make sure that we have sufficient support assets to make sure our enabling assets can support our outlook.

Mark Wilson: Okay, very good, thank you. I'll turn it over.

Operator: Thank you. We will now take our next question. Please stand by. Our next question comes from the line of Christopher Møllerløkken from SpareBank1 Markets. Christopher, your line is open.

Christopher Møllerløkken (SpareBank1 Markets): Thank you, good afternoon. I just have two questions. Regarding the $700 million in escalations booked in Q1, how do the margins work on such work? Are they similar to the contracts that were originally entered into or do escalation works have better margins than the historic work?

The second question is related to the charter agreements. So, you entered into two new charter agreements during first quarter and also extended three charters during the quarter. How did pricing for the chartered vessels change versus prior agreements? Was it unchanged or up or down? Thank you.

John Evans: Let's take the escalation question first then, Christopher. As I said earlier, there are a mix of different things driving these $700 million in terms of what it's made up of. There are some contractual protection mechanisms that exist to protect us from escalation in raw materials and supplier costs, and they're very much there to protect our cost base, not to either enhance or detract our profit base on the contracts that we have. So, we will be in a place where some of that passes straight back through to our supply chain. Then there is extra work and additional work, and generally that's at better margin than the underlying contract. So, you get a mix in there and that was the message I gave out earlier, that you shouldn't read across increase in revenue will automatically change our view of the year because of that mix.

In terms of the charter agreements, I think it's fair to say that we're seeing the cost of chartering moving incrementally year on year. You know, the market was very low two or three years ago but equally so was the workload two or three years ago. So, the market goes up and down and then we make sure that we have in our estimating models the correct pricings for what we see. A number of our bids have third-market vessel prices at cost to our clients plus a fee for managing those elements. So for us at the moment, we are seeing the pricing increase and that then is passed on to our clients.

Christopher Møllerløkken: Thank you.

Operator: Thank you. There are no further questions, so I'll now hand the call back to John Evans for closing remarks.

John Evans: Well, thank you very much for joining us for Q1. As I said, it was exactly what we expected the quarter to be. Quite straightforward, but we restarted our operations in the Northern hemisphere as planned, we've started our operations in Bacalhau, we've just concluded Sakarya. So, a lot of things have happened in the last two to three weeks which are instrumental to how we see the year playing out. I'm pleased with the quarter's book-to-bill, and we remain quite optimistic that we can continue that this year. Not necessarily every single quarter but we expect to see a good year in terms of order intake for us.

Stuart here is seeing a good year with the work ahead of him and a clear plan of how we're going to do that, and we have a plan on how we support our new assets and bring them into the fleet over the next year.

So, we look forward to talking to you again in Q2 and thanks for joining us today. Good afternoon.

Operator: This concludes today's conference call. Thank you for participating, you may now disconnect. [END OF TRANSCRIPT]