Subsea7 SA Q1 2024 Results

Thursday, 25th April 2024

Operator: Good day and thank you for standing by. Welcome to the Subsea7 First Quarter 2024 Results Conference Call. At this time, all participants are in listen-only mode. After the speaker's presentation, there will be the question and answer session. To ask a question during the session, you need to press star, one, one on your telephone. You will then hear an automatic 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.

[00:00:36]

Welcome

Katherine Tonks

Investor Relations Director, Subsea7

Welcome, everyone, and thank you for joining us on a busy day. 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 slides that we'll be using during today's call. Please note that some of the information discussed on the call today will include forward-looking statements that reflect our current views. These statements involve risks and uncertainties that may cause actual results or trends to differ materially from our forecast. For more information, please refer to the risk factors discussed in our Annual Report or at the bottom of today's quarterly press release.

I'll now turn the call over to John.

[00:01:17]

Overview

John Evans

CEO, Subsea7

Thank you, Katherine, and good afternoon, everyone. I will start with a summary of the first quarter before passing over to Mark for more details on the financial results.

First quarter 2024 – on track

Turning to slide three. Subsea7 delivered first quarter adjusted EBITDA of $162 million, up 52% year-on-year and with a margin of 12%. This is in line with our expectations for the quarter, and we're on track to meet the full year guidance.

During the quarter, we continued to win high quality projects, and our backlog remained robust at $10.4 billion. This portfolio of firm work supports our expectations for strong margin expansion this year and a goal to achieve an 18-20% adjusted EBITDA margin in 2025.

Our conversations with clients in both subsea and offshore wind remained very positive, and we are excited about the opportunities for both businesses near term and over the longer term.

Backlog – visibility remains high

Slide four shows the backlog by business units. With $4.8 billion of work for execution by the Group in 2024, comprising of $3.9 billion in Subsea and Conventional and $900 million in Renewables, we have very high visibility on the year ahead. Our firm work for 2025 continues to grow year-on-year with awards worth $4 billion already secured.

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

[00:02:51]

Financial Review

Mark Foley

CFO, Subsea7

Thank you, John, and good afternoon, everyone. I will 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 2024.

Group results – revenue growth and expanding margins

Slide five summarises the Group's first quarter results. Revenue increased to $1.4 billion, up 12% compared to the first quarter of 2023, driven by large projects in Subsea and Conventional.

Adjusted EBITDA of $162 million was up 52% compared with the prior year, and our margin increased by 300 basis points to 12%. This reflects a strong performance in Subsea and Conventional portfolio, partly offset by planned off-season vessel maintenance and heightened weather seasonality and the Renewables business unit.

Net finance costs of $14 million; a net foreign exchange gain of $49 million, driven by movements in non-cash embedded derivatives; and taxation of $26 million resulted in a net income of $29 million. This compares with a net loss of $29 million in the prior year period.

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

Subsea and Conventional

Slide six presents the key metrics for our Subsea and Conventional. Revenue was $1.2 billion, up 12% year-on-year, reflecting execution of the final hook-up scope at Sangomar in Senegal, good progress offshore in Bacalhau in Brazil and ongoing engineering and procurement for Yggdrasil in Norway.

Adjusted EBITDA was $160 million, equating to a margin of 13.4%, up 430 basis points from the prior year. These financials were underpinned by solid operational portfolio performance, the continued evolution of activity to higher margin contracts and a $9 million net income contribution from OneSubsea.

Net operating income was $47 million compared to $3 million in the same quarter last year.

Renewables

Selected Renewables performance metrics are shown on slide seven. Revenue was $179 million, up 12% year-on-year, reflecting high activity in Taiwan and Seaway Alfa Lift completing the installation of transition pieces at Dogger Bank A while Seaway Strashnov was mobilising for foundations installations at Dogger Bank B.

Adjusted EBITDA was $1 million, resulting in an adjusted EBITDA margin of 0.7%. The Yunlin project in Taiwan made a good contribution to adjusted EBITDA in the quarter, but the result was in part adversely impacted by planned off-season maintenance for each of the Seaway Aimery, Phoenix, Moxie and Strashnov, together with heightened weather seasonality.

Similar to 2023, we expect Renewables business unit to generate a double-digit adjusted EBITDA margin in the full year.

Cash flow

Slide eight shows the cash flow waterfall for the first quarter. Net cash used in operating activities was $13 million, which included a $157 million adverse movement in working capital. This build is temporary in nature, and movements of this magnitude are to be expected when executing our portfolio with such scale and complexity characteristics.

Net cash used in investing activities was $17 million, including capital expenditure of $83 million, partly offset by vessel disposal proceeds of $57 million. Net cash used in financing activities was $118 million, which included lease liability payments of $49 million, scheduled borrowing repayments of $31 million and share repurchases of $15 million.

At the end of the quarter, cash and cash equivalents was $604 million, and net debt was $782 million. This included lease liabilities of $572 million, which increased by $113 million from the year-end position due to two new vessel charters, Ross Candies and Edda Sphynx and the expansion of the existing Boka Sub C charter. These vessels have been chartered to meet the workload in Norway, Brazil and the Gulf of Mexico.

The Group had liquidity of $1.5 billion at the quarter end, which included $860 million of committed unutilised borrowing facilities.

Group financial guidance

To conclude, slide nine shows our guidance for the full year. Guidance for all elements remains unchanged. In 2024, we continue to expect revenue to be in a range of $6-6.5 billion while we also continue to expect adjusted EBITDA to be between $950 million and $1 billion.

As announced in February, we will pay approximately $170 million in dividends in 2024 and execute $80 million of share repurchases. The first of two equal dividend payments of SEK3 per share will be made on Tuesday, 14th May.

I will now pass you back to John.

[00:08:52]

Strategy

John Evans

CEO, Subsea7

Optimising the fleet to maximise returns

Thank you, Mark. One of the most regularly asked questions from analysts and investors, is how can we keep growing the business and maximising our opportunity set? I'll discuss this on slides 10 and 11.

Subsea7 has 28 owned assets and 12 chartered vessels. This is the strongest fleet in the Subsea industry and is one of our defining competitive advantages. Our high-spec pipelay vessels are capable of installing complex pipelines and structures in deep and ultra-deep water. These global enablers are vital to winning and executing, efficiently and safely, the biggest and most challenging projects in the industry.

Optimising our fleet is a key part of the strategy to unlock higher revenues and expanding our margins, enabling upward momentum in the Group's returns over the coming years. By focusing our global enabler vessels on the most demanding pipeline scopes and outsourcing more commoditised work to the chartered fleet, we will high-grade utilisation of our biggest assets and drive an increase in efficiency.

Of course, the other aspect to ensuring high returns is capital discipline. We will look at selective acquisition of quality capacity where it is clear economic sense, but we are committed to capital discipline. We have the right assets and the right people to enable us to seize the opportunities in front of us and are excited about the future of the Group.

Optimising the fleet in practice

On slide 11, we put this fleet strategy into practice, showing the selective capacity we're adding to the coming two years. Ross Candies joins our two other chartered Jones Act vessels that will support subsea and wind activities in the Gulf of Mexico and the US East Coast.

Edda Sphynx is another light construction charter that joined the fleet in Q1 and will be supporting our work for Aker BP in the Norwegian market. In Q1, we also extended the firm period on the Boka Sub C by an additional year. This complements our existing charter of the Skandi Acergy, which is due to join us in 2025.

Finally, in Q2 this year, Seaway Ventus joined our fleet of owned vessels and kicks off two years of firm work with turbine installation at the Gode Wind 3 field in Germany.

Subsea prospects

Now on to a review of our tendering pipeline on slide 12 and 13. Bidding for Subsea work remains very active, and our tenders in-house exceeds $20 billion. We continue to engage early with clients to help them realise the development plans and their discussions now extend well beyond 2026, in some cases, to the end of the decade.

As ever, a key market for us is Brazil. We are confident of securing the share of the upcoming Buzios phases, and negotiations to extend the long-term charters of our pipeline support vessels are in the final stages. Elsewhere, we have a large portfolio of tieback opportunities in the Gulf of Mexico and Europe, along with additional phases of work at

Sakarya in Turkey, new gas-focused LTA opportunities in Saudi Arabia, and a growing list of prospects in Africa and Asia.

We continue to see clients actively engaged with the Subsea Integration Alliance between Subsea7 and OneSubsea to access our array of integrated SURF and SPS solutions. Overall, we are confident that we have a strong tendering pipeline that can support continued momentum in our Subsea order intake.

Offshore wind prospects

On the next slide, we have our wind prospects. The European wind market remains active with prospects in Poland, Germany and the Netherlands. We remain selective in our bidding and will ensure that the risk/reward of new contracts sustains the improved underlying financial performance in our Renewables business.

We remain optimistic that the CfD Allocation Round in the UK this summer will unlock new awards in the world's largest offshore wind market. Although the US market is still in the process of adapting to higher input costs, longer term we expect the US tendering activity to rebound.

Delivering strong growth

To conclude, we'll turn to our final slide on page 14.

Subsea7 delivered a strong operational and financial performance in Q1, and we're on track to deliver 30% growth in adjusted EBITDA in 2024. This is underpinned by existing firm work, which also supports our expectations of continued margin expansion in 2025.

As I reflect on the positive outlook for the Group, I'm encouraged that tendering activity remains high. Given our strong track record of successful execution of complex deep water developments, and leveraging our differentiated fleet of modern and highly capable vessels, we're in pole position to secure a portfolio of high-quality awards in the coming year.

We expect this to drive significant growth in free cash flow, which, combined with our commitment to capital discipline, will enable us to return at least $1 billion to our shareholders in the coming four years.

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

[00:14:39]

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, you will need to press one, one again. We will now take our first question. Please stand by. And the first question comes from the line of Victoria McCulloch from RBC. Please go ahead. Your line is now open.

Victoria McCulloch (RBC): Good morning. Thanks very much for your commentary and answering questions. I'll limit then just to two questions. Decent another quarter of high level of escalations. Just on this one, I mean, maybe I should know the answer to this, so apologies, where do these escalations come from, and how imminent is the work that they are increasing? And is there a geographical, I guess, balance to these? Do they come from one region in particular?

And second of all, the colour on charter and vessels is really interesting. Do you see that market as being sufficient opportunities for you to grow as the market continues to grow? Is there a limit to the right – having the right number of charters and within your fleet and what they can do within the work that you've been awarded? Thanks very much.

John Evans: Thank you, Victoria. I'll take the charter and the vessel question, and Mark will talk about the escalations.

We've always spoken about our business model as a balance of strong owned capacity, which we call our global enablers, and additional chartered tonnage. And that balance is exactly what we're showing on our slides in this presentation.

There is ultimately a limit to any company in terms of size and scale with its global enablers. But at the moment, we are very comfortable that we can bid all the opportunity sets that are ahead of us and that we can execute the work that's ahead of us in the coming years. It's that balance between chartered and owned. A lot of our clients are very interested in the key enabling assets being owned rather than chartered. So again, we see that as a key important differentiator when we speak to clients.

So at the moment, we don't see any impediments to growth, and that was the purpose of showing these slides to everybody today… the plan is coming into action. And we're comfortable here that we have good capacity for the next three to four years.

Mark, maybe answer the question on escalations.

Mark Foley: Yeah. Sure, thank you. Good afternoon, Victoria. Escalations are primarily variation orders to the contracts that we have with our clients, generally manifests itself in terms of a change to the scope of the contract and/or the timing.

In terms of geographical dispersion, now we see variation of all those across our portfolio. And in terms of timing perspective, it's very difficult to put an average time in terms of when that – what would be executed.

Another attribute for us to consider as well is the success of our early engagement where clients have FEED contracts to start off with, and as we've successfully progressed through the FEED, then that is accompanied with the main contract. In some circumstances those may be recognised as variation orders.

So hopefully, that provides some colour in terms of shape and contour around the escalations generically that we've recognised in recent quarters.

Victoria McCulloch: Thanks very much.

Operator: Thank you. We will now take our next question. Please stand by. And the next question comes from the line of Richard Dawson from Berenberg. Please go ahead. Your line is now open.

Richard Dawson (Berenberg): Good afternoon and thank you for taking my questions. I'm interested in comments from the presentation that you're increasing utilisation by reducing vessel transit times. And presumably, this is managed already to an extent. So just interested to hear what additional steps being taken to reduce these times, and what that impact on utilisation means? We had, sort of, 77% in 2023. So can we [inaudible 0:18:56] high utilisation this year?

And then secondly, just a clarification on Renewables. You mentioned a return to more than 10% margins for the rest of the year in Renewables. Do you expect this margin level for the full year? Or is it just in the next three quarters? Thank you.

John Evans: So I'll take the transit questions, and then Stuart will come in and talk about the Renewables.

One thing that we've been trying to focus in on the last few years is to make sure that we are in a position where our assets aren't doing unnecessary transits. So you've seen that we're doing major projects in Australia. We're doing Scarborough closely followed by Barossa. In Brazil, we have Bacalhau, and then we have Mero-3, then we have Mero-4 and we have Buzios 8. And then in the North Sea, we have packages of work in Norway and in the UK that allows us to deploy assets and keep them in those locations.

So it's about maximising the assets in certain geographies so that we don't need to transit them around. And then that allows us to sell those additional days back on other projects, and then increase our profitability.

I'll ask Stuart to pick up on the Renewables margin.

Stuart Fitzgerald: Yeah. So that's a full year above 10%, to answer that question. I think that the Renewables is largely a Northern Hemisphere business. So quarter one with its worse weather conditions is often a period of lower activity as we get into the current quarter and the next. And Q3, things get very busy with the projects, and that tends to then drift also into Q4. And then in Q4, you obviously get to the closing phases of some of the projects.

So Q1, a weaker quarter, 10% anticipated for the full year – above 10%.

Richard Dawson: Thanks for the colour. And maybe just a follow-up, just on the transit time. So could that mean we could expect high utilisation this year?

John Evans: I think we're seeing the results of our plan come into play, Richard, I think that's the way to think about it. As I've said in my prepared remarks, we're reasonably comfortable that we have this year worked out. We've given the guidance to the market. The plan has been activated and working as we speak.

Richard Dawson: That's great. Thank you very much.

Operator: Thank you. We will now take our next question. Please stand by. And the next question comes from the line of Kevin Roger from Kepler Cheuvreux. Please go ahead. Your line is now open.

Kevin Roger (Kepler Cheuvreux): Yes, good afternoon. Thanks for the taking time. I have two questions, if I may. The first one is on the top line guidance. I was wondering if you can share with us what are the key elements for preventing us to upgrade the guidance. Because when I look at the Q1 top line plus the backlog that you have in hand, you are already at $6.2 billion of revenue that are made. And considering the variation orders, etc., it seems that you should be a little bit above that. So can you give us a bit of colour on why the top line is still sitting around $6 billion to $6.5 billion? That's the first question, please.

And the second question is, so you have just take a lease on the vessel that is Jones Act one, the Ross Candies. So can you share a bit of information on basically what kind of duration you have embarked on this charter, the workload that you have for the vessel? Because I guess it's not [inaudible 22:45] the offshore wind in the US as it's a Jones Act one, please?

John Evans: Well, good afternoon, Kevin. Thank you. On the guidance, we're comfortable where we are at the moment at this time of the year. One of the key challenges for us in this industry, as we all know, is the arrival of FPSO so that we can hook up the production risers. And this year, it's quite an intensive year for us, where we are bringing a number of large fields into play. And we just need to be sure that we achieve the percentage complete that we expect as a company.

So for us, we're comfortable with the guidance that we've got. Let's see how the next quarter develops. Let's see how the windows close down with our clients. But it's not been unheard of that FPSO is delayed and such like, and therefore, there we can't achieve the revenue and the percentage complete we expect on the projects. So at the moment, we're comfortable with the guidance, and we will work with you over the next two quarters, if there's anything to adjust in there.

In terms of the Jones Act, as you know, you require Jones Act for certain asset classes in the US. That work is two different types of work. We do a lot of inspection, repair and maintenance work for our key clients in the Gulf of Mexico. As you know, we do roughly 50% of the CAPEX work in the US, and that then follows on that we do quite a bit of inspection, repair and maintenance work.

Most of that work is in our backlog at the moment, or we have clarity of the drawdowns that will secure that. And Stuart's business has one project in the US that will use one of our Jones Act assets. In the call, and as we discussed, we have three of those assets to support its work this year.

Kevin Roger: Okay. Understood.

Operator: Thank you. We will now take our next question. Please stand by. The next question comes from the line of Kate Somerville from JP Morgan. Please go ahead. Your line is now open.

Kate Somerville (JP Morgan): Hi. Good afternoon. Thank you so much for taking the questions. I have two, please. The first is on the Renewables business. Previously, I believed you said that in the mid-term, you expect the market to grow well above the current capacity. I was just wondering if you're seeing, from your competitors, any more capacity come into the market. So, in other words, are you still anticipating a tight market in renewables over the next few years?

And then my second question is on you potentially being selective in terms of capacity acquisitions. Given the high level of utilisation globally, I'm just wondering where you see this potentially coming from, and I'm assuming that the favourable economics will be from higher margins offsetting potentially a higher price. Any colour around that would be great. Thank you.

John Evans: I'll ask Stuart to take the Renewables question. Stuart?

Stuart Fitzgerald: Yeah. So I think in terms of mid-term capacity and discipline amongst the current participants in terms of new assets, the answer is we are seeing the established players exercising capital discipline. I think that everyone recognises the need for this business to show sustainable profitability and is holding back on new investments.

I would say the turbine [installation] sector is a little bit different. There's a little bit more speculation in that sector. But in our main segments, which are foundations and cables, a very clear picture of capital discipline and restraint in terms of adding new capacity.

John Evans: And Kate, could I ask you just to repeat the second question, please?

Kate Somerville: Of course. So, in your prepared remarks, you talked about potentially selectively acquiring more capacity. I was just wondering, given the high level[? 26:52] utilisation of vessels globally, I'm just wondering where that could potentially be sourced from. And whatever price you pay, I imagine it will be probably richer than it was a few years ago, and I'm assuming that would be offset by higher margins. Yeah, that's it.

John Evans: Understood. Okay. Sorry, I understand the question now. Thank you. Yeah, for us, we – I think we've said this on a number of these calls, we track every single vessel in the industry, and there are all sorts of vessels tucked away in different countries with different clients. There's a number of vessels which are recently built – were well built, perhaps some financial distress associated with their owners or whatever.

It's those type of opportunities. We're seeing chartering – as we've discussed openly as an industry, charter rates have gone up quite significantly. And again, for us, it's about the economics of a three-year charter versus an acquisition if it made sense economically. But that's the only thing that we would look at.

For us, it's about chartering provides flexibility. It allows us to ride the cycles up and down. So it's all about just knowing where every single asset in the industry is and just keeping an eye on it, and at different times, some of that tonnage becomes available. And then how we may choose to contract for it, that we've taken on a case-by-case basis.

Kate Somerville: Understood. Thanks so much.

Operator: Thank you. We will now take our next question. Please stand by. The next question comes from the line of Kate O'Sullivan from Citi. Please go ahead. Your line is now open.

Kate O'Sullivan (Citigroup): Hello. Thank you for taking my questions. Your slide on Subsea prospects for the next 12 months, it shows a number of prospects offshore Africa, and initially further out in terms of time line. But how are you thinking about positive news flow coming out of Namibia and positioning yourselves for potential future opportunities in this region?

And then secondly, apologies if I missed it, but the PLSV tender in Brazil. Is there any source of update on that one? Thank you very much.

John Evans: Okay. We'll take the PLSV first. In my prepared remarks, Kate, I mentioned that we expect the process that Petrobras is running to conclude in the next few weeks. And we're reasonably comfortable here that the process should conclude with our assets being redeployed. So for us at the moment, that process is underway, but not yet concluded. But I would expect by the time we're here in Q2, that's all behind us.

Namibia, myself and our leadership team in Africa, a number of ExCom members went to Namibia in December, met the government, met the clients and met the energy ministry. A lot of us, a lot of excitement there. I think for us, we're seeing our opportunity set being towards the end of this decade as to when these projects will kick off probably 2028, 2029. But a very interesting visit for us. So I enjoyed the visit down there. And again, we are making our plans for that operation and how we're ready to support our clients and they put their development plans together.

Kate O'Sullivan: Brilliant. Thanks so much for the colour.

Operator: Thank you. We will now take our next question. Please stand by. The next question comes from the line of Christopher Mollerlokken from SpareBank 1 Markets. Please go ahead. Your line is now open.

Christopher Mollerlokken (SpareBank 1 Markets): Thank you. It's not an easy name. It’s Christopher Mollerlokken at SpareBank 1 Markets. Just one question regarding Petrobras. There are – especially around February, there were increased concerns in the market about increased political interference of the business in Petrobras, especially regarding its dividend announcement or lack of in February. Have you, as a key supplier, seen any change in the customer behaviour of Petrobras this year? Thank you.

John Evans: Christopher, good afternoon. No, we haven’t. Petrobras, I think it is public knowledge that Buzios 9, Buzios 10 and Buzios 11 FPSOs are already under order. And they need to bring heavy duty subsea contractors in to provide the work for their subsea packages associated with those three majors FPSOs.

The PLSVs again are growing at a planned rate. So we’ve seen no change in direction from Petrobras, and they’re very clear they have a large workload ahead of them. And they’re looking forward to engaging with the market and securing the right capacity and capabilities they need.

Christopher Mollerlokken: Thank you.

Operator: Thank you. We will now take our next question. Please stand by. And the next question comes from the line of Mark Wilson from Jefferies. Please go ahead. Your line is now open.

Mark Wilson (Jefferies): Yeah. Thank you for that. My first question is you've got a new category of super major contract in your outlook over $1.25 billion. I just wonder how much of a change is that? Have they always been there, it's just the manner of how you disclose it? And that would be the first question. Are there any in the portfolio at the moment at that level?

And I suppose the second follow-on question from that is, is there a new category of super margin contract? Thank you very much.

John Evans: So super-major was just us reviewing, are we providing the right information to the market in terms of categorisation and such like. We've seen some of these larger projects in Brazil, some of the projects such as Yggdrasil in Norway do meet the requirements. And our major project table at the back end of the package has been adjusted accordingly to show the categorisation of our current work in our portfolio.

We were finding that $750 million as a cut-off point on some of the very larger subsea projects is probably a bit low. So again, we felt it was important to give the market clarity that there are projects below $750 million, between $750 million and $1.25 billion. And now that we're seeing ones that go above that.

I'm sorry, Mark, you asked the second question.

Mark Wilson: Yeah. Second question was whether there's a category of super margin contracts in there?

John Evans: If only I could tell you. I think the main message that we've given consistently in all our quarterly results is the direction of travel is good. We've guided for this year. We told you we were in a range of 18-20% for next year. And I think the message that we're very clear on, and some of our clients are talking to us about work towards the end of the decade.

We're very enthusiastic about the direction of travel of the industry. But as you know, each new project gives us a different opportunity to set the margin and discussion with our clients. But we're here for the long term. We want the industry to succeed. We want the industry to be profitable long term. And so for us, we're comfortable that the direction of travel is good.

Mark Wilson: That's great. If I could, one follow-up question. You've – obviously, the market is very good and the awards coming, but you seemed quite immune from discussion regarding Aramco's pullback of work, even though you are part of the LTA work in the Gulf over there. Could you speak to any kind of impact you've seen there on the forward plan?

John Evans: Well, I think the important message that Saudi Aramco gave was that they were adjusting their oil production, and that was – that did lead to a number of projects that were under tender at the moment to being withdrawn. And that had certain impact for some drillers and some of the LTA players that were in the mix at the moment.

But equally, Saudi are currently in the market for some gas projects again. So again, they are – it's not all stop in Saudi in any way, shape or form. So again, we continue to bid our opportunity sets there. We have a business that's a certain size and certain scale in Saudi that we're comfortable with, and Saudi Aramco are comfortable with. And we expect that we'll get a share of our work to continue there.

It may be much more gas-focused than oil-focused, but that's the nature of decisions clients make strategically.

Mark Wilson: Thank you very much. I'll hand it over.

Operator: Thank you. As there are no further questions, I would like to hand back to John Evans for closing remarks. Please go ahead.

John Evans: Well, thank you very much for joining us on what is a very, very busy day for the industry. I hope that the messages were loud and clear. We've had a good solid start to the first quarter of this year. Direction of travel is very good, and we expect to continue along this path this year. And we look forward to talking to you again in Q2.

As you know, a number of you have said yes to joining us for a visit to our Vigra spoolbase in June. The idea is to spend a day together talking about our Subsea and Conventional business, where we can talk about the market, the scaling, our equipment, our technologies, our offering. And then in the afternoon, then walk through the Vigra spoolbase that is working on the Yggdrasil project of Aker BP. We've also been joined by a member of the Aker BP Executive to talk about what it feels like to work in an alliance with Subsea7 as a client. So again, we look forward to that day. A number of you would have said yes to joining that.

If you haven't been able to say, yes, please speak to Katherine. We look forward to hopefully meeting a number of you then. If not, we will talk to everybody [inaudible 37:03] market with our Q2 earnings.

And with that, thank you very much for joining us. Goodbye.

Operator: This concludes today's conference call. Thank you for participating. You may now disconnect.

[END OF TRANSCRIPT]