Subsea 7 SA
Q3 2002 Results
Conference Call

Thursday 17th, November 2022

Operator: Good day, and thank you for standing by.

Welcome to the Subsea 7 S.A. Q3 2022 Results Conference Call. At this time, all participants are in listen-only mode. After the speaker's presentation, there will be a question-and-answer session. To ask a question during this session, you will need to press star one and one on your telephone. You will then hear an automated message advising your hand is raised.

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

Katherine Tonks

Head of Investor Relations, Subsea 7 S.A.

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

May I remind you that this call includes 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. I'll now turn the call over to John.

Summary of the Third Quarter

John Evans

Chief Executive Officer, Subsea 7 SA.

Third Quarter 2022 – Summary

Thank you, Katherine, and good afternoon, everyone. I will start with a summary of the third quarter of 2022 before handing over to Mark to cover the financial results.

Turning to **slide three**. In the third quarter, Subsea 7 delivered a robust performance in Subsea and Conventional, whilst our performance in Renewables stabilised. We announced an important transaction for our Subsea business, the creation of a new joint venture with Schlumberger and Aker Solutions. We also announced an equity raise and new lending facilities for Seaway 7.

Turning to **slide four**. In the third quarter, we continue to make progress in decarbonising our fleet with a commitment to convert the 7 Arctic to hybrid power. Conversion will take place at the time of the vessel's class survey next year and we will reduce our CO2 emissions by around 5,000 tonnes per annum.

Turning to **slide five** for the customary update on our largest projects.

In Turkey, the fast-track Sakarya project has reached 73% progress, up from 50% at Q2. The main shallow water umbilical scope was completed during the quarter, and the 7 Artic sailed into the Bosphorus Straits, commencing installation activities in Q4. Sangomar reached 64%, complete with the spooling of the pipelines at our base in Viga in Norway, and mobilisation of the 7 Vega and 7 Oceans to Senegal, followed by pipelay activities in the field.

In Brazil, we continue to manage fabrication of the CRE pipeline for the Bacalhau project, and we are preparing the Ubu Spoolbase to commence welding operations. At Mero-3, procurement continued. Our vessels were also busy on TOPR project in Trinidad and Tobago, on the Kobra East Gekko project in Norway, and on Equinor's Northern Lights Carbon Capture Project.

In Renewables, we have installed 65 foundations and 43 cables of the Seagreen project by the end of September. All 114 jackets have been dispatched to the UK from yards in China and the Middle East, and we remain on track to complete the work around the year-end.

Finally, we commenced offshore activities on Dogger Bank A&B with the Seaway Strashnov and reached 29% completion at the end of September. The vessel will leave the field for the winter season as planned and will return in 2023 to continue the offshore phase.

Turning to **slide six**. In Q3, we rolled out Make Possible, a way of simplifying how we communicate our strategy to our stakeholders, both internally and externally. Our strategy continues to be built around our foundation of our six values. Wherever we operate in whatever sector of the energy landscape, these are the six principles that guide us.

On the right, we have the key enabling elements that make our strategy possible, namely: early engagement, collaboration, integrated services, sustainable delivery, digital solutions and enabling product. These apply across all the sectors in which we operate, whether we are addressing SURF, wind CCUS or hydrogen. Ultimately, our ambition is to support our clients by delivering energy transition solutions that will enable both the continuous evolution of a lower cost – lower-carbon oil and gas and the growth of Renewables and emerging energy.

Turning to **slide eight**, and our joint venture with Schlumberger and Aker Solutions. The Subsea Integration Alliance has been the cornerstone of our integrated offering in Subsea and has been a great success, with $4 billion of awards net to Subsea 7, since January 2020.

In September, we announced that Subsea 7 will be investing $306.5 million for a 10% stake in the new joint venture that will combine Schlumberger's One Subsea and Aker Solutions Subsea operations into one NewCo. Our payment will be made in two equal instalments post the completion of the deal in the second half of 2023 and in 2024. The joint venture will become Subsea 7's new partner in the Subsea Integration Alliance, replacing Schlumberger.

So what does this mean for Subsea 7? First and foremost, the aim of the transaction is to strengthen our long-term position in the Subsea market. We do this with a view to both the near-term opportunities that will result from the current upcycle, as well as the longer term, as Subsea continues to be a key part of the energy transition.

The transaction is part of the strategic jigsaw that will keep Subsea 7 at the forefront of the industry and ensure we maximise value creation and ultimately, free cash flow generation for our shareholders. By acquiring a 10% stake in the joint venture, Subsea 7 will be cementing its relationships with our partners in the SIA. We will take one of the six seats on the board, which will give us visibility over the Subsea hardware strategy as the industry evolves through the energy transition.

We will also become part-owner of an umbilical manufacturer, a key element in our supply chain. And of course, we will receive a dividend from NewCo.

Turning to **slide ten**, and the funding of Seaway 7. In recent weeks, a $200 million equity raise has been completed, as well as the finalisation of debt facilities of $450 million to give a total liquidity of $650 million. This is sufficient to cover the upcoming CAPEX commitment related to Seaway 7's new-build programme, as well as minor vessel upgrades and dry docks. It leaves Seaway 7 fully funded and two state-of-the-art offshore installation vessels due for delivery by the end of 2023.

Reflecting the strong outlook for offshore wind and reaffirming our belief that Seaway 7 shares are materially undervalued, Subsea 7 subscribed to 72% of the equity raise, maintaining our shareholding. This was mirrored by the two other large major shareholders in Seaway 7 Songa Offshore and Lotus Marine. The two steps in Subsea and wind together strengthen our position across the energy landscape at a time when demand for both traditional and new energy resources continues to grow.

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

Financial Results

Mark Foley

Chief Financial Officer, Subsea 7 S.A.

Thank you, John, and good afternoon, everyone. I will begin the financial results review with some details of group performance in the third quarter before turning to the business units. **Slide 11** summarises the backlog position at the end of the third quarter.

Order intake was $1 billion, bringing the year-to-date book-to-bill to 1.1x, resulting in a Group backlog at the end of the quarter of $7.1 billion. Order intake included $600 million of new awards, including gas to energy in Guyana, Trell & Trine in Norway and the Moray West offshore wind project in the UK.

The Renewables backlog of $600 million excludes projects for which Seaway 7 has been selected as a preferred bidder. Escalations of approximately $400 million comprising variation orders and contractual price escalations across several projects were partially offset by unfavourable foreign exchange movements of the Norwegian krona, Brazilian real, sterling and the euro against the dollar of approximately $200 million. $1.3 billion in backlog is expected to be executed in the fourth quarter and $3.2 billion in 2023.

Turning to **slide 12,** and the headline results for the group. Revenue was $1.4 billion, broadly flat year-on-year, as we continue to execute our large EPCI project in both Subsea and Conventional and Renewables. Adjusted EBITDA of $171 million was down 7% compared with the prior year period, and the margin decreased to 12.2% from 12.8%, reflecting the high level of contract close-outs in the prior year quarter.

Other gains and losses with -$23 million, driven in part by non-cash embedded derivative foreign exchange movements. This, together with a high effective tax rate due to a shift in operational profitability towards high tax jurisdictions and the impact of irrecoverable withholding taxes combined to impact net income, which was breakeven in the quarter.

I will now discuss the drivers for the group results in the next few slides.

Slide 13 presents the key metrics of Subsea and Conventional. Order intake was $700, equating to a third-quarter book-to-bill of 0.7x, resulting in a slight sequential dip in backlog to $6.5 billion. Revenue was $1 billion, broadly flat year-on-year, reflecting good progress on the fast-track Sakarya project as well as our other large EPCI projects. Adjusted EBITDA was $142 million, with a margin of 14.3%, down from the 15% in the third quarter of 2021. This reflects a continued strong underlying performance in the quarter, but with a lower contribution from project close-outs year-on-year.

Selected Renewable performance metrics are shown on **slide 14.** Order intake in Renewables was around $200 Million, taking the backlog to $600 million. As I mentioned earlier, Seaway 7 has been awarded preferred supplier status on several projects, and these should rebuild the backlog over the coming months.

Revenue from Renewables was $374 million, flat year-on-year, reflecting continued high activity on the Seagreen project. During the quarter Formosa 2 and the foundation scope of Hollandse Kust Zuid (HKZ) were completed. Adjusted EBITDA was $21 million, up slightly year-on-year, resulting in an adjusted EBITDA margin of 5.5%.

Slide 15 shows the cash flow waterfall for the third quarter. Net cash generated from operating activities was $210 million, including an $87 million improvement in working capital. Year-to-date the build of working capital has been just $9 million, as a result of projects re-phasing into 2023, notably, procurement related to Mero-3 and Marjan 2, as well as management's further efforts to optimise cash.

Cash conversion, measured in the conversion of adjusted EBITDA into adjusted operating cash, was 1.4x. Net cash used and financing activities was $76 million, mainly attributable to purchases of property and plant and equipment associated with vessel dry docks and upgrades.

Free cash flow in the period was $131 million. Net cash used in financing activities was $60 million, this included $27 million of lease liability payments, mainly related to charter vessels and $21 million of share repurchases. At the end of the quarter, cash and cash equivalents was $533 million, and net debt was $43 million, which included lease liabilities of $204 million. The Group's liquidity includes $1 billion of committed undrawn borrowing facilities.

In March, as part of our commitment to return excess cash to shareholders, we announced a share repurchase programme of approximately $70 million. As of market closing yesterday, $45 million or 64% of the $70 million had been utilised.

To conclude the financial review, **slide 16** shows our expectations for the full-year 2022, as well as some preliminary guidance for 2023.

Consistent with our update In July, revenue and adjusted EBITDA in 2022 are expected to be broadly in line with 2021. We now also expect net operating income to be to be broadly in line with 2021. We have updated our guidance regarding taxation. We expect taxation to be between $80-90 million, adjusted upwards from between $50-$60 million. The revision is driven by a shift in forecast profitability towards higher tax jurisdictions, together with an increase in forecast withholding taxes. In some instances, these withholding taxes will be recoverable under the contractual terms of our clients. There have been no other changes to the financial guidance since the second quarter 2022 earnings presentation.

Turning to our preliminary guidance for 2023, we expect revenue and adjusted EBITDA to be higher than 2022 and we are comfortable with the current 2023 adjusted EBITDA consensus of $663 million. We expect improved capital expenditure to be within a range from $480-500 million, including $310-330 million associated with Seaway 7.

I will now pass you back to John.

Outlook

John Evans

Chief Executive Officer, Subsea 7 SA.

Thank you, Mark.

On **slide 17,** we have a reminder of our capital allocation framework. On the left, we have Subsea and Conventional, which benefits from the industry's youngest and most capable fleet of vessels, requiring little growth CAPEX. The investment in the Subsea joint venture gives us an even stronger base from which to generate cash flow during this up-cycle and beyond.

On the right, we have Seaway 7, which as a result of the Q3 funding plan, now has a firm foundation from which to become financially independent.

On **slide 18,** we have a reminder of our track record of dividends and buybacks over the past 11 years, which has seen over $2.2 billion returned to shareholders. We were amongst the first of our viewers to reintroduce returns after the oil price shock of 2020, with a regular NOK 1.00 per share dividend and a buyback of $70 million, which, as Mark said, we aim to execute before the Q4 results announcement in March.

And now we'll move on to our outlook slides, starting with the prospects for Subsea Market on **slide 19**.

Tendering activities remain high, with a tender pipeline of around $16 billion, up 20% on the prior year, and discussions with our clients remain positive despite uncertainties in the global political and economic environment. Regionally, the story remains consistent with customer spending focused on three hotspots – Norway, Gulf of Mexico and Brazil. We have also seen an uptick in opportunities in the UK and Saudi Arabia.

As we near the end of the year and the cut-off for the Norwegian Government tax relief scheme, we anticipate the conversion of feed studies to further EPCI projects.

In Brazil, Petrobras continues to move ahead with its planned FPSOs. Having remained focused on the delivery of its ambitious plans, we do not expect any material changes to this strategy under a Lula presidency. Finally, in the US, the Subsea tieback remains active, whilst in Guyana, the award of our first substantial project bodes well for our future in this new region.

Overall, we're encouraged by the way the recovery is progressing and remain confident in the outlook for Subsea and Conventional. Availability of our vessels is tight for 2024 and tightening for 2025 and beyond, which is driving improved pricing of our EPCI services.

On the next slide, we have our wind prospects. As we noted before, Seaway 7 is the preferred supplier on East Anglia Three, Seagreen 1A, He Dreiht in Germany, and the US wind project. We expect this pre-backlog to convert to thermal walls during the end of the year and early next year, adding visibility to our fleet utilisation into 2025. In addition to the pre-backlog, we are currently tendering the fixed offshore wind projects worth around $7 million.

To wrap up, we turn to **slide 21**. In Subsea, demand is underpinned by a drive for energy security after a prolonged period of under-investment by the industry. Meanwhile, we see little risk of new vessel additions in our core subsea market, suggesting the potential for a sustained upturn. With a fleet of young vessels requiring only maintenance levels of reinvestment, we believe the subsea business is poised to generate strong cash flows from 2024 onwards.

In Renewables, Seaway 7 is well placed to capture a share of the growing fixed offshore wind market with a fully-funded new-build programme. Delivery of new vessels should coincide with a step change in the pricing and risk allocation of new projects, including those in our pre-backlog. We continue to believe this business has the building blocks in place to generate EBITDA margins of 10% or more. In new energies, we have strong positions in floating wind and carbon capture. This strategy leaves us well-positioned to generate returns for our shareholders over the long term as the energy transition unfolds.

And now 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 and one on your telephone and wait for your name to be announced. Please stand by while we compile the Q&A roster.

And your first question comes from the line of Kevin Roger from Kepler Cheuvreux. Please ask your question.

Kevin Roger (Kepler Cheuvreux): Yes. Good afternoon. Thanks for taking the question. The first one will be related to subsea, and notably, the wording that you had in the press release saying that the markets start to be very tight for 2024-25, and so the condition on which you secure projects are today much better than before. I was wondering if you can provide us more colour on what kind of margin you can expect on the new orders that you get in the subsea business for the coming year.

And one question also was on a specific project related to the pricing power of the industry. It has been said that the discussion on a project that is Mero-4 in Brazil, I think, and indeed in the past between Saipem and Petrobras. So, is it the kind of work that you can do in 2024-25 if you can give us also some elements on that side?

And the last question on my side. You have a pre-backlog that is quite large, something like $1 billion in subsea if I'm correct and $1 billion in wind. Do you have more visibility on the timing for those – for this pre-backlog to get the offshore FID and to coming into another, please?

John Evans: Okay. Thank you, Kevin. Let me work backwards and take the questions in reverse order. In oil and gas, we have positions in a number of projects, for example, in Norway, which we do expect to turn into further work at the end of Q4 or early Q1 next year.

As I mentioned in our prepared remarks, that's associated with supporting both Equinor and AkerBP in their work, which is associated with the Norwegian tax break that requires PDO submission by the 31 December. So, the oil and gas work, we would expect that to turn into [firm] work, hopefully, latest Q1 next year. So that has a path for us.

In terms of the wind, the wind prospects are primarily related to UK projects. The contract-for-difference awards were done earlier this year and are now going through their own internal FID reviews. And again, we expect those to be back-end of this year, early part of next year. The only slight [caveat] is any potential tax changes that may come out of today's budget in the UK.

So, we can see a path. But most of this pre-backlog should be in our books by the end of Q1 next year, all things being equal. And on Mero-4, I can't speak on behalf of Saipem. We know that they had bid that package. We did not bid that package as we had no availability in the original windows, but we have availability slightly later if the windows were adjusted in the new bidding process. We've been asked by Petrobras for our availability, so we've told them what our availability is. So, we'll see how they engage with the market if they want to adjust their windows to a slightly different availability period later than we could originally offer on Mero-4.

In terms of margins, Kevin, I think I'll give you the usual answer, that every project is a step-by-step adjustment. So, as each project goes in the backlog, it generally has a slightly better margin than others. It is not a huge step change that we are seeing, but it works its way upwards. We're at that lowest point in the cycle, you know, in the double-digit EBITDA margin, but not much higher than that at the moment. We are building up the way, and we expect our margins to be heading towards the high EBITDA teens as this margin accretion works its way through.

So, I think just keep thinking of it as incremental movements quarter-on-quarter.

Of course, we've talked to the market before, 2023 has been about liquidating the last of the lower-margin work. And I think in our prepared remarks we talked about our inflection in our profitability in the second half of 2023. So hopefully that gives you a bit of a flavour how to think about it.

Kevin Roger: Perfect. Thanks a lot.

Operator: Thank you. We will take our next question. The question comes from the line of Nikhil Gupta from Citi. Please ask your question.

Nikhil Gupta (Citi): Hi. When you say capacity for the vessels is quite tight in 2023-24, how much is already booked for 2023-24, for Subsea 7 and for the industry. So, just comparing like Subsea 7 and the industry. That's my first question.

John Evans: I think, the way to look at it at the moment is this is about the key enabling assets. We have a large pool of assets but we are very clear that our big rigid pipelay and our very largest heavy construction vessels are the key enablers. Generally, those assets then spin-off work in a sort of fixed ratio down towards our smaller asset base.

As we sit here today, going into 2023, we're comfortable with our backlog in terms of what we've got. And as I discussed earlier on Kevin's question, we can see a path for more awards to come into 2023 and 2024. We know where our key competitor's assets are and what work they have awarded themselves. So it's tightening, that's the message we've given. It's definitely tightening not just for us, it's tightening for everybody in that market. And I think for us, it's the tightening that allows the pricing to adjust. And as that tightening gets closer there, as Kevin said, projects like Mero-4, though, obviously, one of our competitors bid pushed the pricing up to a point where probably, our clients thought that they would look at the schedule and the timing and the constraints of that project. So that's the dynamics of the market on the upward tick, and that's the way we need to think about it, I think.

Nikhil Gupta: Okay, thanks. That's clear. And if I could, just on 2023 guidance, when you say EBITDA higher than 2022, consensus is already 30% higher so, a bit more colour around there would be helpful.

Mark Foley: As I remarked in my prepared statement, we are comfortable with the current 2023 adjusted EBITDA of $663 million. So that gives you an indication of the movement from 2022 into 2023 around our EBITDA expansion.

Nikhil Gupta: Okay. Thanks. I will turn it over.

Jorgen Opheim (Pareto): Hi guys. Thanks for taking my question. Just a quick one on the funding. Is the committed funding from Subsea 7 to Seaway 7 in addition to the already drawn $195 million unsecured working capital facility, or will the new facilities replace that facility? Thanks.

Mark Foley: Thank you for your question. So as part of the new funding arrangement for Seaway 7, Seaway 7 will pay back the amount drawn from the Subsea 7 working capital arrangement and will utilise the $300 million RCF. There is a $150 million shareholder loan RCF facility in place as well. However, the firm expectation for that bridge financing is that it will not be drawn but instead replaced by other sources of core debt. So the idea, through the financing of Subsea 7, through the packages which we've announced, both debt and equity, is that the amounts drawn from the Subsea 7 working capital will be paid back.

Jorgen Opheim Thanks.

Christopher Møllerløkken (SpareBank1 Markets): Yes. Good afternoon. This is Christopher Møllerløkken from SpareBank1 Markets. The backlog for the Renewable business remains low in 2023. But as you alluded to in your prepared remarks, there are some potential contracts here, which are expected to be awarded relatively shortly. But could you just remind us how that will impact 2023, or will those contracts mainly come for execution in 2024 and thereafter? Thank you.

John Evans: Yeah. Thank you, Christopher. I think I gave part of the answer to Kevin, but again, I can just reiterate here. So, we have declared publicly before this call and in this call what the pre-backlog is. There is a project in Germany called He Dreiht, which goes through its usual sanctioning work, which is a T&I-type project. So that will not have a material impact to 2023. We also have a project in the US which we cannot declare at the moment. But again, that will not be material for 2023.

The main areas for 2023 will be East Anglia Three and Seagreen 1A, and they will be the ones that will have an impact there, as well as continuing to liquidate the work we're doing, as we discussed earlier on Dogger Bank A&B, as well as the portfolio of Taiwanese cable project contracts there.

As I said in Kevin's question, those projects will go through their final investment decisions with their operators in the next few months. And the only thing that we're all keeping an eye on is what will happen in parallel to this call with the UK Chancellor's decision about his taxation plans; if there are any major changes in people's views on taxation and things that may or may not speed up or slow down the award of those contracts.

So for us, we are reasonably comfortable that we have a clear plan for next year as to how things fit together. And we're in dialogue with all our key clients. And it's one where, again, the exact timing of which this turns into an award – is it January? Is it February? March? But we're pretty clear that we have a plan.

Christopher Møllerløkken: Thank you.

Guillaume Delaby (SG): Yes. Good afternoon. Two questions on the tightening, once again. So, if I'm listening carefully to you and if I'm listening carefully to your peers, I then I got the impression that there is a step change between what we've been saying and what your peers have been saying in Q2 and what you are saying now regarding tightening in 2024. So am I correct to assume that over the last three or four months, there has been basically some massive acceleration of securing assets? This is my first question.

And the second related question, I understood from your answer to Kevin's question that at this stage this tightening is not yet really translating into future higher margin. Should we understand that this ramp-up in tightening should nonetheless translate in a higher margin by 2025 or 2026? Thank you very much.

John Evans: Guillaume, let me take the second question. The point is all about the blended set of projects that we have running through each year. And my answer has been pretty consistent over the last three quarters is that each project has better margin than the other. It's about the blend. So directionally, absolutely, we're heading to higher margins. We're pretty comfortable here that we can see good higher margins for the business in 2024 and 2025.

I think we've quoted the last two quarters that we can see our vessels are tightening for 2024 and 2025. So, I don't think it's a massive acceleration, but it's exactly what we thought would happen between us and our peers. Projects one by one are getting awarded, which is tightening the vessels.

When we come back to the question on Mero-4. What happened on Mero-4? Well, we couldn't bid Mero-4 because we had no vessels available in the window that was originally offered. So, which again means there's a tightening happening there. So I think it's not a massive tightening, but it's the logical conclusion as different awards get made to the market, whether it's to us or to our two main competitors, it takes capacity out, which then means that the amount of spare capacity is tighter.

So, I think the message has been pretty consistent from our side, and I think it mirrors what our peers are saying. But the effect of the tightening is now real. Projects are now awarded quarter-on-quarter, which takes spare capacity out.

Guillaume Delaby: Okay. To be – just maybe to be more correct, it is more your peers where I noticed a change in the tone, to be honest here.

John Evans: Yeah. I don't think we're misaligned, by the way. It's just the fact that we said for the last two quarters – previous two quarters that we could see a tightening coming in 2024 and 2025. I think everybody has now seen it. It's there. And then I think everybody as an industry sees the same situation.

Guillaume Delaby: Thank you very much.

John Evans: It's a good question. Thank you.

James Thompson (JP Morgan): Great. Thanks so much for your answers so far. James here. Just firstly, John, just in terms of sort of progress through projects, and I'm sure it varies quarter by quarter, but it didn't seem like you made an awful lot of progress on things like Mero-3 and Bacalhau, particularly versus, Sakarya was obviously a relatively fast project anyway. But maybe could you give us some views there? I mean, obviously, a lot of political change happening right now. You know, is there a bit of a risk to the rate at which Petrobras does things here?

John Evans: Yeah, James, I think like all these things, a project like Sangomar and Sakarya make progress because we've got a whole raft of assets working on them all at the same time. So you know, we ramp up through very quickly. As we said in the prepared remarks, Mero-3 is about procurement, Bacalhau is more advanced than that. So those two projects are going exactly as per the plan. We're not slowing down; we're not speeding up. Bacalhau is getting ready to start the Ubu spoolbase phase to weld up all the material that we've done into continuous streams for us then to install in a couple of quarters' time.

So, we're not seeing any change in any pace in Brazil. And in our prepared remarks, I made the comment that we don't think that a Lula presidency should interrupt the progress, although you'll have the usual review of chief executives of Petrobras, etc., that will take place. One reflection that I've got is you know, we've been through many changes politically, but the machine has kept moving in terms of its plans, and we see no wavering in terms of their ambitious plans.

So, I think at the moment we're pretty comfortable here that the key projects that we're working on are all moving to plan. And yeah, there are a lot of challenges in the world politically and economically, but certainly, it's more about acceleration than slowing down is what we're seeing at the moment.

James Thompson: Okay, thanks. And then maybe just in terms of capital allocation, John, I mean, what do you think about potential to kind of increase distributions one way or another over the next couple of years? I mean, obviously, you've committed funds to Seaway 7 this year and you're going to commit significant funds over 2023 and 2024 to the new Subsea JV.

You know, maybe, what could you say really about whether that limits or not ability to kind of grow distributions to shareholders?

Maybe following on from that, actually, I'll kind of ask these questions together. I just wondered, obviously a lot of questions about a tight market in 2024-25. Clearly, upstream companies have remained relatively capital-disciplined now for some time. And actually, both yourselves and other services, too. I just wondered, do you see any kind of ambition to build new kind of enabling assets within, yourselves, your peer group, and does this kind of commitment to the Subsea JV maybe restrict your ability to do that if it is getting very tight?

John Evans: Okay, many, many questions but they're all appropriate there, James. Okay, new assets, as I said in my prepared remarks, we see no building of new assets in the oil and gas space, and we don't see any plans for anybody to do so. That's okay by us – just keeps tightening the market. We've seen from the last cycle a lot of people learned the hard way that building one ship doesn't mean you become one of the big three players in this industry.

So, I think people understood after that, that the entry ticket into this dance is very expensive. It's not just the assets; it's the quality of the offshore and onshore people and the whole systems and approach you take. I think the joint venture on the subsea hardware will just strengthen our position in that, and the entry barriers will be higher.

So, [we're] pretty comfortable that at the moment we've got some very good years ahead of us there. Capital discipline from operators, absolutely. But we've been through many cycles in the past where again, they will try to remain as capital-disciplined as they can. Ultimately, today, the world is trying to solve problems here about energy supply and energy demand and there are many choices. Do they need more wind or more oil and gas? We're pretty sure the world needs a bit of everything that's on offer.

James Thompson: And secondly, when you carve out the Seaway7 portion of your 2023 guided CAPEX, it looks like the running maintenance CAPEX is a little bit up on Subsea 7 level. Is that just inflation, or is there any special elements to that? Thank you.

Mark Foley: Yeah, so let me answer the working capital piece first. Firstly, yes, we are pleased with the results of our many efforts so far this year to optimise cash, particularly working capital. What we have seen was the primary driver is a displacement of the working capital outflows that we expected in 2022 into 2023. And primarily that relates to the Mero-3 project in Brazil and Marjan 2 project in Saudi Arabia.

What I can assure you, that management and everyone in Subsea 7 is very focused on improving working capital because we want to convert as much profitability in a period to cash as possible.

In terms of your second question, yes, there has been an uptick in the non-Seaway 7 capital expenditure. Partly, that has to do with inflation. But more importantly, it's to do with a number of strategic initiatives that we have ongoing within the organisation. So that could be the hybridisation of certain assets within the fleet, our commitment to digitalisation, as well as our investment in a new SAP system. So that is contributing to slightly higher underlying CAPEX than you saw this year.

Speaker: Okay.Thank you.

Mark Wilson (Jefferies): Good morning, gents or good afternoon, even. I'd just like to ask a second question on CAPEX, please. And that is the guidance for this year is unchanged at just over $400 million. Should we expect that CAPEX to come through in Q4? The delta versus what you spent, that's the first question.

And then the second one, you mentioned how the working capital facility for Seaway 7 is going to be repaid. Is that also something that will happen in Q4? Thank you.

Mark Foley: Okay. So, Mark, we have – so in the period, discrete cash CAPEX payments in Q4. Our current view is that our cash will meet the organisation. However, as you know, these items could slip into Q1. So the guidance that we've given at the moment is our best view. However, some of that could slip into early next year.

If we then move on to your second question, I would expect the working capital facility from Seaway 7 to be reduced over time. So, I wouldn't expect an immediate readjustment in quarter four. Some of that will drift into 2023.

Mark Wilson: All right. Thank you. Maybe then, if that – on the CAPEX point, if that could slip? Because it stayed very consistent all through the year, but you've only spent less than half of it. So maybe you could just say how much of the spend so far this year of CAPEX has been Renewables, then?

Mark Foley: Yeah. So in terms of Q4, the majority of that will be Renewables in terms of payments that we have for the Alfa Lift, and to a lesser extent the Ventus. Those are the primary material items that I referred to some moments ago, Mark.

Mark Wilson: All right. Thank you. I'll hand it over.

Joe Charuy (Bank of America): Thank you, guys. I won't keep you waiting. All of my questions have been asked already. Thank you very much.

John Evans: Thanks, Joe.

Okay. Well, thank you very much, everybody, for joining us on this call. Hopefully, we've been able to give you the answers to your various different questions. As ever, Katherine is available to support offline any other questions or comments you may have on Subsea 7. Thank you very much and we look forward to talking to you about our Q4 results early in 2023. So thank you very much. All the best.

Mark Foley: Thank you. Goodbye.

Operator: This concludes today's conference call. Thank you for participating. You may now disconnect. Speakers, please stand by.

[END OF TRANSCRIPT]