Q3 2023 Results

Thursday, 16th November 2023

[00:00:36]

Introduction

Katherine Tonks

Head of Investor Relations

Welcome

Welcome, everyone, and thank you for joining us. 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.

Disclaimer

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 Subsea 7's 2022 Annual Report or today's quarterly press release.

I'll now turn the call over to John.

[00:01:20]

Overview

John Evans

CEO, Subsea 7

Agenda

Thank you, and good afternoon, everyone. I will start with a summary of the quarter before passing over to Mark to cover the financial results in more detail.

Third quarter 2023 – delivering in the upcycle

Turning to slide 3. Subsea 7 reported solid results for the third quarter with a Group adjusted EBITDA of $201 million and a margin of 13%. Free cash flow generation was strong at $223 million, which reduced net debt to $606 million. We continue to grow our backlog with $2.1 billion of work booked this quarter taking it to $10.8 billion, up 52% in the last 12 months. Tendering activities remained high and we're seeing continued improvement in pricing.

Overall, we're on track to meet adjusted EBITDA consensus for 2023 and remain confident in our longer-term expectation to return to a margin range of 15% to 20%. We expect to reach the upper end of this range in the full year 2025.

Third quarter 2023 – major projects on track

Turning to slide 4 for an update on key projects in the quarter. In Brazil, Seven Vega and Seven Pacific remained active on the Bacalhau project. Engineering is underway on Búzios 8. And after the award of Mero 4, the combined Mero 3 and Mero 4 project is 20% complete.

In Saudi Arabia, Seven Borealis completed the first campaign for Marjan 2, which reached 53% completion.

We remain very active in Norway on several developments, including the large Yggdrasil field. In Senegal, a large proportion of our scope on Sangomar is now complete.

In Renewables, Seaway Strashnov completed the installation of all 95 monopiles on Dogger Bank A and is scheduled to install 95 monopiles on Dogger Bank B in 2024 and the final 87 monopiles on Dogger Bank C following in 2025.

Seaway Alfa Lift joined the active fleet in October, installing transition pieces at Dogger Bank A and the client recently celebrated first power on the developments. When complete, this 3.6-gigawatt, 277 turbine developments will supply enough clean energy to power six million homes.

Third quarter 2023 – continued momentum in order intake

Turning to slide 5. Order intake in the third quarter was $2.1 billion, including new awards of $1.4 billion and escalations of $700 million. Our book-to-bill was 1.3 times.

Third quarter 2023 – backlog increased to $10.8 billion

Overall, our Group backlog increased to $10.8 billion, giving us a high degree of visibility on both the remainder of this year and next year. Our Subsea order book increased 40% year-on-year to $9.1 billion, including $4.2 billion to be executed in 2024 up 39% on the equivalent position in September 2022.

Our Renewables order book is $1.7 billion, of which $700 million is due to be executed in 2024.

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

[00:04:40]

Financial Review

Mark Foley

CFO, Subsea 7

Introduction

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 2023 and 2024.

Q3 2023 Performance

Group

Slide 7 summarises the Group's third quarter performance in the context of the prior three years. Revenue in the third quarter increased 12% to $1.6 billion compared to the third quarter of 2022, driven by increased activity on our major Subsea projects.

Adjusted EBITDA of $201 million was up 18% compared with the prior year and the margin improved to 12.8%. Net income was $36 million after net finance cost of $12 million, and net foreign exchange loss of $7 million and an effective tax rate of 22%. I will now discuss the drivers for the Group's performance in the next few slides.

Subsea and Conventional

Slide 8 presents the key metrics for Subsea and Conventional. Revenue in the third quarter was $1.3 billion, up 30% year-on-year, reflecting good progress on Bacalhau and Marjan 2 in Brazil and Saudi Arabia, respectively, as well as Sangomar, SLGC and CLOV 3 in West Africa.

Adjusted EBITDA was $182 million with a margin of 14.2%, a significant sequential uplift as the mix of work shifts towards contracts won in an improved pricing environment. Net operating income in Subsea and Conventional was $76 million.

Renewables

The performance of the Renewables business unit is summarised on slide nine. Revenue in the third quarter was $269 million, down 28% year-on-year, reflecting the phasing of major projects as well as good performance on Dogger Bank A and Changfang and Xidao.

Adjusted EBITDA was $31 million, resulting in an adjusted EBITDA margin of 11.7%, marking the second consecutive quarter of double-digit margins. We believe this margin level is sustainable for the remainder of the year. Net operating income in Renewables was $4 million.

Cash flow

Slide 10 shows the cash flow waterfall for the third quarter. Net cash flow from operating activities was $289 million, which included an expected favourable working capital movement of $88 million. This working capital unwind is expected to further continue in Q4 and 2024.

Net cash used in investing activities was $61 million, mainly relating to milestone payments for the newbuild wind vessel, Seaway Ventus. Free cash flow in the period was strong at $223 million.

Net cash used in financing activities was $94 million. This included net repayment of borrowings of $31 million as well as lease liability payments of $45 million, mainly related to chartered vessels.

Cash and cash equivalents increased to $530 million, and net debt was $606 million at the end of the quarter. This included lease liabilities of $410 million.

In July, additional core debt funding of $450 million was secured through a syndicate of five international banks, which has an 80% guarantee provided by UK Export Finance. This is a five-year amortising loan facility with a two-year availability period. The lenders have classified the facility as a green loan as the funds are for use within the Renewables business unit to primarily finance Seaway Alfa Lift and Seaway Ventus vessel builds.

The Group had liquidity of $1.5 billion at 30th September.

Group Financial Guidance

To conclude, slide 11 shows our guidance for the full year of 2023 and 2024. In 2023, we continue to expect revenue and adjusted EBITDA to be higher than 2022. Net operating income is still expected to be in line with last year.

Our expectation for capital expenditure in 2023 has reduced slightly to $580 million to $610 million.

In 2024, we expect revenue to be in a range between $6 billion and $6.5 billion, while adjusted EBITDA is expected to increase to between $950 million and $1 billion.

Capital expenditure is expected to be in a range between $280 million and $320 million, reflecting a return to a run and maintain level.

I will now pass it back to John.

[00:10:02]

John Evans

CEO, Subsea 7

Spotlight

Collaboration and partnerships

Thank you, Mark. On slide 12, we take a look at the recent agreement signed between BP and the Subsea Integration Alliance.

Collaborations and partnerships are a core component of our Make Possible strategy, and the latest alliance formed with BP is another strategic success for Subsea 7. In September, we signed a multiyear agreement to work together on integrated subsea developments that will see Subsea 7 and OneSubsea involvement from the first days of concept selection through to the full life of field.

The agreement and the endorsement you can see at the top of this slide are testament to the successes we've had with BP, including Mad Dog 2 and Manuel in the Gulf of Mexico, TOPR and Cypre in Trinidad and Tobago and several large developments in the West Nile Delta in Egypt.

By coming together in this way, the alliance will optimise capability and supply chain resources to ensure delivery of BP's portfolio. As we have seen in our alliance with Aker BP, this arrangement is a win-win, creating value for all stakeholders involved.

Mero 3 and 4

On slide 13, we review our recent award in Brazil. In September, we announced the award of Mero 4, Subsea 7's fifth major presalt greenfield in Brazil. This project will be combined with Mero 3 to create synergies and optimise the development of a total of 24 production and water-alternating gas injection wells.

Subsea 7 will install a combined 156km of rigid risers and flow lines using Seven Vega, Seven Oceans and Seven Sisters. Fabrication will take place at our spoolbase in Ubu with a supply chain that reaches across the world to China and Australia.

Finally, last month, we were proud to have received Petrobras' Best Contractor of the Year award for both installation of flexibles and EPCI Subsea Projects. And we look forward to continuing our long-standing relationship on both PLSVs and greenfield EPCI work.

Outlook

Subsea prospects

Now on to a review of our tendering pipeline on slides 14 and 15. Bidding for subsea work remains very active, and our portfolio of tenders in-house stands at $21 billion. Conversation with clients about vessel availability now extend into 2026 and 2027.

The most active markets continue to be Brazil, where despite recent awards, there remains a long list of major prospects, and the Gulf of Mexico, which remains a very active tieback market. In addition, the number of prospects in Africa has grown, and we expect further phases of the Sakarya project in Turkey.

As you can see, many of these projects are being tendered on an integrated basis with our partners in the Subsea Integration Alliance. There is a strong sense of excitement about the new OneSubsea joint venture, which will bring new levels of technology and partnership to the market.

Overall, we are confident 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. Despite the challenges faced by the industry in the UK and the US, we believe there is political will to unlock the large pipeline of wind opportunities in both of these key markets. In the UK, after the frustrations of the last CfD allocation round, the next round in 2024 should see improved terms for our clients, driving a new wave of projects.

In the US, challenging economics on existing projects is driving reduced industry activity near-term, but the recent PPA awards in New York with improved offtake agreements should reinvigorate this market. Our own exposure to the US is currently limited to Revolution cable lay project, which was very recently FID-ed and is pushing ahead. Meanwhile, we have good near-term prospects in Europe, including in the Netherlands, Germany and the new market from Poland.

Summary – Good Years Ahead

To wrap up, we'll turn to our final slide on page 16. Subsea 7 delivered a good performance in the third quarter, and we're optimistic for the years ahead.

In Subsea, our backlog provides us excellent visibility in 2024 and 2025 while our active tendering pipeline shows our view that we can continue to grow our order backlog. In Renewables, our foundation installation vessels are very high utilisation into 2026, and our selective tendering process should ensure this business continues to generate good results.

Overall, we are confident that the Group can deliver strong margin expansion in the coming years, reaching the upper end of our 15% to 20% range in full year 2025. With a significant reduction in CapEx in 2024, the Group is poised to generate strong free cash flow with a continued commitment to shareholder returns.

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

[00:15:17]

Q&A

Operator: Thank you. To ask a question, you will need to press star one and one on your telephone and wait for your name to be announced. And to withdraw your question, please press star one and one again. Please standby, while we compile the Q&A queue. One moment please. Your first question comes from the line of Victoria McCulloch from RBC. Please go ahead.

Victoria McCulloch (RBC): Good morning. Thanks very much for the call today, and for taking questions. Can we maybe start with a discussion a bit about the pricing environment you're seeing in Subsea. How is the competitive environment? And is there any colour that you can provide heading into next year?

And then secondly, could you provide us a reminder of where the new vessels are? What the remaining CapEx related to in 2024? And when the Ventus is expected to join the fleet? Thank you very much.

John Evans: Thank you, Victoria. I'll take the first question on pricing, and then I'll ask Mark to give you a bit more detail on the CapEx and newbuild vessel arrivals.

In terms of pricing, we are seeing pricing improve on each piece of new business that we bring in to the subsea market and a pretty stable competitive environment with the three big players each getting a reasonable share of the market. We are comfortable with where the pricing is, and we believe there is room for growth in that.

We're also very pleased though that we are doing more work now in these alliance-type structures, such as the BP alliance we announced in the last quarter. That allows the clients and ourselves to plan long-term over multiple geographies working on a consistent basis for our clients. We have some very interesting commercial models in those with the ability to get some good performance upside sharing with the clients if we deliver those projects well. So for us, we have the general underlying profitability of the new work and the direction of travel there.

And secondly, the fact that a number of these contracts are in different formats and structures that allow us to hopefully improve the overall returns longer term through good performance for our clients.

And maybe, Mark, you can talk about the CapEx.

Mark Foley: Yes, sure. So year-to-date, Victoria, we have incurred across the Group, 400 – sorry, $340 million of CapEx. As you will have noted, we reduced our forecast for the year to a range of $580 million to $610 million. So the delta there will give you our expectation for the fourth quarter.

In terms of the new vessel build, you may be aware that we are in possession of the Alfa Lift. It has been recently deployed to install transition pieces on the Dogger Bank A project. This week, we will receive the Seaway Ventus from the shipyard in China. And in the coming two weeks, it will make preparations to transit to Europe. So we're very pleased that we can share that information on the two newbuild vessels for Seaway 7.

Victoria McCulloch: Thanks very much. I'll hand the call back over.

Operator: Thank you. We'll now take our next question. Please stand by. And this question is from Haakon Amundsen from ABG Sundal Collier. Please go ahead.

Haakon Amundsen (ABG Sundal Collier): Yes, hello, guys. Two questions from me. First of all, if you can talk a little bit about vessel capacity. I see you have 38 vessels in your active fleet at the end of the quarter. And I just wondered what your plans are for adding new vessels, primarily through leases, I would assume. And if you can also then indicate what kind of lease liabilities we should expect going forward? So that's my first question.

And secondly, just a clarification on the CapEx, Mark. I think you said that you have above $300 million in CapEx guidance for '24. Is that pure maintenance and the run rate we should expect going forward? Thanks.

John Evans: Okay, Haakon. Good afternoon. So on the vessels, we will be seeking to expand the fleet through chartering. You might have seen an announcement yesterday that we made the Skandi Acergy back into the fleet in '25 and part of '26 to give us that capacity. We will continue to bring charter tonnage in and install our equipment on our chartered tonnage to provide the capacity we need. So we expect to see a number of further chartered vessels joining the fleet in the coming months.

And then in the out years, when we get exceptionally busy in Norway, the Skandi Acergy comes and supports us there. Maybe, Mark, you could take the '24 CapEx question?

Mark Foley: Yes, indeed. So we see a notable reduction in 2024 after the peak growth investment we have made this year to build out the fleet for Seaway 7, Haakon. So within the $300 million or thereabouts that we provided guidance to the market, there are other elements outside of maintenance for vessels. So we have amounts in there for digitalisation projects and implementation of a new SAP system.

However, I think taken all together at a Group level, something in the region of $300 million would represent a run-and-maintain level for the near-term.

In terms of lease liabilities, yes, we're taking on more chartered tonnage, so you'll expect naturally for 2024 to see an uptick in the cash out associated with lease liability repayments. So that's probably something in the region of $50 million compared to this year.

Haakon Amundsen: All right. Thanks. That's all from me.

Operator: Thank you. We'll now take our next question. And this is from Guilherme Levy from Morgan Stanley. Please go ahead.

Guilherme Levy (Morgan Stanley): Hi. Hello, everyone. Thank you for taking my question. I have two, please. The first one on near-term leverage. If you can just share any thoughts on what do you expect in terms of net debt into the end of the year? Any thoughts on working capital in 4Q, it would be great.

And then the second one, also on leverage. Considering the current point of the cycle we are at with robust backlog, strong pipeline of new opportunities, margin increasing, is there a specific leverage level that the company would be more comfortable to be at, if that is more consistent with these positive scenario? And also your appetite to take on additional leverage to further grow at this point? Thank you very much.

Mark Foley: Okay. So in terms of net debt, there are three drivers that I would call out in terms of expectations for Q4. Firstly, we expect a continued favourable movement in working capital that we have signalled to the market in recent quarters, but that will be counteracted by two notable events. One in October, we paid the first tranche of our 10% investment in the OneSubsea joint venture. So that was $153 million cash out, as well as we will have a significant milestone payment to make for the Seaway Ventus as well.

So net debt at the end of the year will be somewhere between the Q2 and Q3 position. So lower than Q2, but higher than what we just reported for Q3.

In terms of leverage, yeah, again, we factor in having access to sufficient liquidity and all booked together as the comfort that we need to run the business, but we don't have a target in terms of leverage levels to set. So what we want to do is to make sure that we have access to ample liquidity. And as I stated some moments ago, we exited Q3 with $1.5 billion of liquidity.

Guilherme Levy: Perfect. Thank you very much.

Operator: Thank you. We'll now take our next question. This is from the line of Lukas Daul from Arctic Securities. Please go ahead.

Lukas Daul (Arctic Securities): Thank you. Good afternoon. Happy to see the 2025 guidance. It highlights the visibility –

John Evans: Excuse me, Lukas.

Lukas Daul: Yeah.

John Evans: Lukas, Could you speak up, please? It's quite a bad line.

Lukas Daul: Yeah. Is it better now?

John Evans: Yes. Thank you.

Lukas Daul: Yes. Again, thanks for the 2025 guidance. It's good to see that you have both the visibility and confidence to put it out there. But I was wondering, what kind of OneSubsea contribution is embedded in that margin guidance you are providing for 2025?

John Evans: Hi, Lukas. Yeah, our share of the new OneSubsea joint venture, our 10% share is in our view 2024 and 2025. At this stage, there's no further information on that. Our major shareholder, SLB, will talk to that in due course.

Lukas Daul: Okay. And then on 2024, you have – you are guiding for around $6.3 billion in revenue, which is the midpoint of the guidance. $4.8 billion is already in your backlog as we speak. So it's about $1.5 billion to secure through the rest of the year in '24. Is that sort of implicating that there is not that much work which is left for starting up in 2024, and we need to move beyond into 2025, 2026?

John Evans: I think we're at a place, where, historically, we have a larger percentage of work for the future years and we've had for a number of years here this year, which is good. It's positive in that sense.

As we know, some of these very, very large projects though take quite some time to be able to progress through the percentage completes in terms of liquidating work. So we foresee that we should be able to bring the revenue in the range that we've guided to in next year, and we have the capacity to deliver that, and there is work out there.

So I think we have all the features of that. The larger projects take 18 months or two years to really get into the bulk construction work and the bulk offshore activity that we do later on. But we're pretty comfortable with the ranges that we've given you there. The work is out there and we have capacity to do it. We feel pretty comfortable that, that's a reasonably good guide for next year.

Lukas Daul: Okay. And sort of anticipating that you now have 39 vessel fleet. You are adding in some more vessels on TC in. As you look towards 2026, 2027, obviously, you have the tender pipeline of $21 billion. How do you sort of balance that towards what you have and what you would need to kind of reach your internal targets beyond 2025?

John Evans: The way we've always looked at it is the Subsea 7 owns and controls the enabling assets, and we've got the largest fleet in the industry for that. So that puts us in a very good position. And all that enabling fleet, we plan to have it working in '26 and '27. We bring additional tonnage in as we need to. But the main equipment, the vertical lay towers, the tensioning equipment and all the high-end technology that we need to install is owned by Subsea 7, and we place it on chartered tonnage.

So for ourselves, we have a very clear plan of how we can do that. There is tonnage in the market for us to take to support that model. So at the moment, we have a pretty clear five years ahead of us in terms of tonnage and how we achieve it. I think you will see that we will continue to bring in chartered tonnage on a case-by-case basis at the right time. And it might come in for like 18 months, like we do in the Skandi Acergy. Some assets may be there for longer, some assets maybe there shorter.

But we have the capacity to bid the key projects that we're very interested in and to support our alliance clients, such as Aker BP and BP and others, where we do all their work for them in any case. So we see a way forward here that's reasonably clear.

Lukas Daul: Okay. And you are confident that the TC in rates that you need to pay for that chartering capacity can be sort of incorporated into pricing the projects towards your end clients?

John Evans: Yeah. Our end clients are part of the market that we're in, and the market is – the supply and demand position that we're in our own assets are priced at today's market pricing, as does chartered tonnage as well.

Lukas Daul: All right. Thank you.

Operator: Thank you. We'll now take our next question. Please stand by. This is from the line of Richard Dawson from Berenberg. Please go ahead.

Richard Dawson (Berenberg): Hi. Thank you for taking my questions. My first question is on renewables and whether any of the recent issues facing offshore wind developers could impact your ability to obtain more favourable contracting terms of new awards. This is just in the context that some developers are facing pretty significant impairments themselves.

And then this is maybe more hypothetically. But on the two new Seaway 7 vessels, I appreciate they've been built for offshore wind projects, but could they be used on oil and gas projects if they are underutilised or if margins were potentially higher in the future?

And finally, just one more quick one, if I may. I appreciate it's relatively small, but in the corporate net operating income for this quarter, it's flipped to a loss versus a positive for H1. What's driving this change? And do you expect it to continue into Q4? Thank you.

John Evans: Okay, Richard, thank you. So three questions here. I will let Stuart talk about what we're seeing in Seaway 7's market of wind and the developers.

In terms of the two assets for Seaway 7, one is a very specialised jack-up for the wind business, the Ventus. The Seaway Alfa Lift is more adaptable. It is a large heavy construction vessel with a significantly large crane on it, that has capacity to switch backwards and forwards. But we need to consider more that the Ventus is aligned towards the market in renewables.

But as you know, we developed that vessel to be able to do foundation work as well as turbine installation activity. And as you know, at our East Anglia project, we'll have that working on foundations, whilst next year it's doing turbine work.

But let me hand over to Stuart to handle the developers, and then Mark will give you an update on the corporate line.

Stuart Fitzgerald: Thanks, John. So the two key geographies, where the developers have had their challenges, as you know are the UK and the US. The primary challenge that these developers have had has really been their income line with the PPA levels that they secured those projects at being out of sync, if you like, with the current cost base of the market.

As you've seen today in the UK, with the updated CfD announcement, where CFD levels have increased by 66% compared to the AR 5 round of last year. And also, as we've seen in the US with the latest New York PPA announcements, where the levels of those PPAs were essentially in line with the levels that the developers had requested for existing projects.

We think the revenue line for the developers has reached a more sustainable position, which then also is transferred through to better economics and better risk profiles for the supply chain.

So in general, we are confident with how the market is evolving in the US and the UK. And we believe the ability for us to get acceptable risk profiles and acceptable pricing is moving into place.

Mark Foley: Thank you, Stuart. Yes, Richard, you're correct. In the third quarter, we had a net operating loss in corporate. As a recap, the corporate business unit includes the corporate head office costs together with Xodus and 4Subsea, our independent subsidiaries.

The aim is to recover the corporate costs incurred by allocating them out to the two business units – Subsea and Conventional and the Renewables. Year-to-date, corporate had been over recovering the costs that had been incurred, so we had to reset in Q3.

In terms of Q4, the NOI for corporate should be broadly similar to what was reported in Q2 for corporate.

Richard Dawson: That’s very clear. Thanks very much.

Operator: Thank you. We'll now take our next question. Please stand by. This is from Christopher Møllerløkken from Sparebank 1 Markets. Please go ahead.

Christopher Møllerløkken (Sparebank 1 Markets): Good afternoon, gentlemen. Could you give us a bit more colour on how terms are changing in terms of risk sharing with your clients, both within oil and gas and renewables? Thank you.

John Evans: Thank you, Christopher. I think we're seeing that both in oil and gas and in wind, that our clients are very keen to make sure they have access to capacity and capability to help them bring these very large projects online.

As we discussed earlier in the Subsea business, that remains three major players that have the capability and capacity to do so. So we're having good, structured discussions about risk and reward balance and we are finding that the contracting terms are improving. Slowly but surely, they are improving.

If we look at wind, I think one of the things that we've certainly seen in the last year is a realignment between developers, governments and contractors as to what we need to make this business work. The new figures that Stuart talked about in the UK indicates that the governments picked up on the fact that developers need to have an economic return on where they're at and the risk share that goes with that.

And similarly, for ourselves, as service providers, we need to have the right risk/reward and the right commercial reward for doing the work that we do. So it's been interesting that in the last few months, the direction of travel is more about alignment than misalignment on these areas and the recognition that the wind model that was running two years ago was not sustainable for anybody. And we're pleased to see that, at the UK today this morning, the litmus test was from government through to developers through to contractors, come out and come together. So that's the way I think you should think about terms and conditions at this stage.

Christopher Mollerlokken: Thank you.

Operator: Thank you. As a reminder, if you would like to ask a question, you can press star one and one on your telephone and wait for your name to be announced. And to withdraw your question, you can press star one and one again. Thank you. We'll now take our next question. This is from the line of Kevin Roger from Kepler Cheuvreux. Please go ahead.

Kévin Roger (Kepler Cheuvreux): Yes. Good afternoon. Thanks for taking the question. My question is maybe more on the phasing of the top line growth because your backlog coverage right now is much stronger than what it was last year, for example. But the top line growth based on your guidance in 2024 will be relatively limited. So I was wondering for '25, I know it's still very early, but you now have quite a good visibility on the margin because you have just in a way, improved the margin guidance. But with the backlog coverage that you have and the [inaudible] commercial dynamic, what kind of dynamic on the top line we should expect? A limited growth like we have in 2024 versus 2023, or you expect an uptick, notably, driven by the offshore wind business in 2025, please?

John Evans: Well, good afternoon, Kévin, and thank you. I guess for the first time, we've given you far more colour on 2024, and here we are straight into 2025, I think. I guess for us at the moment, we see that we're on a good trajectory. We're in a good position in the market. The backlog is coming in.

We expect that backlog to continue to grow as we go into next year. So we would hope to see that in 2025, the revenue will pick up. I'm not going to give any guidance as to what range that's going to be. But we do expect to see that the full capacity of everything that we've got, including Stuart's two new assets working at full tilt, will be fully baked into our business in 2024 and very much into 2025. So we can see the direction of travel in both businesses.

And I think it's important to re-emphasise as well that we have our near-term Renewables work already secured for 2024 and 2025. So despite the turbulence in the industry, we know who we're working for, where we're working for, what we have to do and what margin is in that. So we feel comfortable. And I think we also see now, we used the term unlocking in my prepared remarks.

We're starting to see these very important markets for the world unlocking. So we go into the new year in a bullish and positive mode about where the markets can be for us. The pieces of the jigsaw are starting to fit together.

In the UK though, the government still needs to declare how much capacity they're prepared to put into the auction, which again will also help us understand that side of our business as well. So we do expect the revenue line to be picking up in 2025. But hopefully, this time next year, I can give you a much better view of how we’re fixing it.

Kevin Roger: Perfect. Thanks for the colour.

Operator: Thank you. We'll now take our next question. This is from the line of Daniel Thomson from BNP Paribas. Please go ahead.

Daniel Thomson (Exane BNP Paribas): Hi. Good afternoon. Just one on the subsea market. A few new opportunities added again this quarter, and the tendering value is pretty robust. I was wondering just for 2024, do you think orders could be flattish year-on-year or maybe up? And when do you think the bid pipeline starts to slow, given how much capacity is sort of getting taken out the market? I mean, do you think operators are still going to be willing to pull forward projects like they have been doing? Or are you seeing any signs of that slowing? Thank you.

John Evans: Yeah. Thank you, Daniel. Well, at the moment, we see – as I mentioned in my prepared remarks, as we see something like Mero 4 come off the list. We see something like Búzios 11 going on to the list. So we know that Saudi Aramco and Petrobras have very clear plans and their systems keep producing opportunities and that growth. As always, we see the Gulf of Mexico providing opportunities for us, and that doesn't appear to be changing.

As I also mentioned, Africa slowly but surely, we're seeing very much movement in some of the African locations. I think the areas that we do know is some of our clients have recycled projects. We know that Equinor recycled Wisting. They recycled Bay du Nord. And as we bid projects like Browse, of course, the challenge of getting environmental permits in Australia.

So we think there are some external factors that may slow down the process. We know what they are. We can't really control those elements as clients make their choices as to where they deploy their capital. But the direction of travel at the moment doesn't show any sign of weakening or slowing down. So we are reasonably comfortable there.

In terms of Stuart's business, I think it's fair to say we can see the pieces unlocking. We're comfortable that Holland and Germany and Poland have pre-invested into their electrical systems, so their grid connections and such like for the outer part of this decade. We've seen the big investment that TenneT and other people have made. So that workload should have a path to sanction and move ahead.

We believe from – looking at the information from the UK government this morning, that the UK government is pretty determined to put a number down there, which they've done, which will get people interested. So we think that pipeline should rebuild. And the US, yeah, there will be some slowdown in the US wind business, but it will re-sort itself and head the right way, as Stuart commented on, the recent PPA awards that have been made.

As I said earlier, our clients are talking to us, whether they work in alliance with us or work in a more traditional way, about capacity, capability and how they do it.

And the new OneSubsea has also really created a lot of energy in the business. We worked with OneSubsea when it was 100% SLB-owned since 2015. Got a very strong track record of integrated projects, really being there on all the key greenfield projects around the globe. And so the energy coming out of the new OneSubsea is very strong, a lot of client engagement and some clients looking to see for the first time, can they with us in a more integrated way?

So the direction of travel on work at the moment is not changing, and that's what we're seeing at the moment in the market.

Daniel Thomson: That's helpful. Thank you.

Operator: Thank you. We'll now take our next question. And this is from the line of Victoria McCulloch from RBC. Please go ahead.

Victoria McCulloch: Hi. Just a quick follow-up from me. Thanks very much. So just in terms of your guidance for next year. Can you confirm that this includes your 10% net income share within your EBITDA number from the Subsea JV? And do you have any comments or guidance for us and what that might be?

John Evans: The answer to the question – I think I was asked that question earlier. The answer is yes. It includes the figures for our share of the OneSubsea joint venture. And at this stage, it's too early to comment on that. And any major commentary on that will be given by the majority shareholder, SLB.

Victoria McCulloch: Okay, thanks. Sorry for missing that. Thank you.

Operator: Thank you. And there are no further questions at this time. So I will hand the conference back to John for any closing remarks. Thank you.

John Evans: Well, thank you very much, everybody, for joining us for our Q3 earnings report. We look forward to talking to you in the early part of the new year when we report on Q4. I think that we're very pleased. We've got a solid set of results here in Q3.

The momentum in new work coming in is strong. We've achieved a number of major milestones in this quarter. We have our new OneSubsea JV, as we've discussed earlier, is up and running. We have secured our BP alliance, multiyear alliance that will give us a path to the future with one of our most important clients. And Stuart has both his new ships, one working and one coming out of the shipyard in the next week. So we're very pleased with the direction of travel here, and we do look forward to meeting you and talking with you in the coming few weeks. Thank you very much. Goodbye.

Operator: Thank you. That does conclude today's conference. Thank you for your participation. And you may now disconnect.

[END OF TRANSCRIPT]