Transcript

EXPRO Group Holdings N.V. First Quarter Earnings 2022 Thursday, 05 May 2022

Operator: Hello, everybody, and a warm welcome to today's Expro Q1 2022 Conference Call. My name is Melissa and I'll be your operator. If you would like to ask a question following the prepared remarks, please press star followed by the number one on your telephone keypad. I now have the pleasure of handing over to Karen David-Green to begin. Karen, over to you.

Karen David-Green: Welcome, everyone, to Expro's First Quarter 2022 Conference Call. I'm joined today by Mike Jardon, CEO and Quinn Fanning, CFO. First, Mike and Quinn will share their prepared remarks and then we will open it up for questions. We have an accompanying presentation on our first quarter results that is posted on the Expo website, expro.com, under the investor section. In addition, the first quarter financials are downloadable on the Expro website under the investor section. The downloadable financials include historical, Frank's, and legacy Expro financials, along with the combined company pro forma historical results.

I'd like to remind everyone that some of today's comments may refer to or contain forward looking statements. Such remarks are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Such statements speak only as of today's date date, and the company assumes no responsibility to update any forward-looking statements as of any future date. The company has included in its SEC filings, cautionary language, identifying important factors that could cause actual results to be materially different from those set forth in any forward-looking statements. A more complete discussion of these risks is included in the company's SEC filings, which may be accessed on the SEC website, or on our website at Expro.com. Please note that any non-GAAP financial measures discussed during this call are defined and reconciled to the most directly comparable GAAP financial measure in our first quarter 2022 earnings release, which can be found on our website. With that, I'd like to turn the call over to Mike.

Mike Jardon: Thank you, Karen. Good morning and good afternoon, everyone. The first quarter was a solid start to 2022, as we saw improving fundamentals across our business and the industry. Prior to the merger, which was completed last October, Expro and Frank's were market leaders, each with strong reputations for safety, service quality and innovation. The combined company now has the scale, scope and financial profiles required to compete and win in what is probably the most attractive and most dynamic energy services market that I have observed in the 30 years that I've been in the business.

Our results in the first quarter and our outlook for 2022 and beyond underscore the benefit of Expro's balanced portfolio of services and solutions that spans the entire well lifecycle. As we have previously shared, we believe true cycle resilience is a significant advantage and competitive differentiator for Expro. We have also never been better positioned to capture cyclical recovery upside, and that recovery is beginning to happen now.

In addition to our current portfolio of services and solutions, Expro has a global operating footprint with established positions in key growth markets. As a result, we are poised to capitalize on increased spending and activity. We also continue to have a best-in-class innovation platform and technology portfolio that enable us to support our customer's efficiency and emissions related goals, capture market share, capitalize on industry trends, and lead the next chapter of our industry.

Finally, our strong balance sheet and merger related synergies also provide us with a significant financial, operational and strategic flexibility that will allow us to accelerate growth and create long-term stakeholder value. On today's call, I'm going to touch on three main topics. I'll walk you through our first quarter performance. I'll give you an update on our integration process, and finally, I'll provide some perspective on the trends that we are seeing in the broader industry environment.

For the first quarter, we delivered revenue of $280 million and adjusted EBITDA $37 million. On a combined company pro-forma basis, first quarter revenue and adjusted EBITDA were up year over year by 12% and 54%, respectively. Sequentially, revenue and adjusted EBITDA were down approximately 5% and 27%, respectively. Sequential financial results were driven by lower activity across our Europe and Sub-Saharan Africa and Asia Pacific regions, offset by higher activities in North and Latin America and Middle East North Africa regions.

Well construction was relatively flat quarter over quarter, and well management, which includes our well-flow management, subsea well assess and well intervention integrity businesses was down approximately 8% quarter over quarter. First quarter results were generally consistent with our expectations for the quarter. We made good progress on integration initiatives during the quarter, and the fundamental backdrop for energy and energy services continues to trend in a strongly positive direction. Capacity constraints

and residual effects of COVID, however, resulted in several projects flipping to the right and what we expect will be transitory pressure on margins.

Importantly, we saw the significant benefit of our diversified portfolio as we enhanced our business mix and our team continued to capitalize on improving industry fundamentals, and our broad suite of innovative solutions to a new business and expanded relationships with existing customers. We achieved contract wins and extensions, totaling $364 million, which demonstrates the breadth and depth of our customer relationships and attraction that our solutions are gaining in the market. On a regional basis, in North and Latin America we were awarded contracts across Brazil and the U.S. for slickline operations, and the provision of tubulars, hammer services, double joining services, and tubular running services.

During the quarter, we also continue to expand Centrify implementation, with our first operation for an operator in the Gulf of Mexico. We received great customer feedback on the safety and efficiency of the Centrify system while we are racking back standards of tubulars. Our Centrify system represents another step forward to reducing the risk of injuries on the rig floor while optimizing operations by enabling the consolidated control of tubular running equipment and reducing the number of personnel required.

In the Europe and Sub-Saharan Africa region, our team secured contracts across our four product line groups in Norway, Azerbaijan, Mozambique, Ivory Coast and in the UK, all as a result of our continued focus on service delivery and mobilization efficiency. Work included exploration and appraisal and decommissioning related activity. In the first quarter, we conducted a well integrity surveillance program in Norway using our Octopoda system to deploy a unique set of survey technologies, including a powerful suite of annual monitoring services, together with a downhole camera. The survey results enable the customer to define its late life production strategy. This is truly a unique service offering for the first time in our industry and enables operators to proactively monitor and manage wellbore annular integrity.

In the Middle East and North Africa region, we secured a significant contract to provide production packages, including early production facilities, mercury removal and gas compression packages. We have deep relationships and a proven track record of excellent service quality in the region, which allowed us to also secure our first tubular running services contract in a market in which legacy Expro had a strong presence, but in which legacy Frank's was not historically active.

In the Asia Pacific region, the team secured contracts in Malaysia, Thailand and Indonesia for the provision of subsea landing string, and well tested bleed off packages for deep water campaign, wireline intervention and fluid turn handling and desalination services. Across the Asia Pacific region, the average job performance score for the first quarter was 94%, which is a testament to our continued high standard of service quality.

This week at the Offshore Technology Conference, we are honored to be recognized with a spotlight on New Technology Award for our autonomous well intervention system or Galea. This prestigious award highlights the latest and most innovative global technologies that are advancing and revolutionizing the energy industry. Galea was selected on its innovative autonomous technology, and significant environmental cost and HSE impact compared to existing technologies. The system replaces larger, conventional and more labor-intensive wireline rig-ups for a range of slickline operations. The system also reduces the impact of operations on the environment around the wellsite.

A small, self-contained intervention package located at the wellsite year-round eliminates the need for repetitive environmentally disruptive wireline unit or truck operations that are required for traditional approaches. During the quarter, we also continue to advance our innovation platform to develop a next generation of solutions that will serve as incremental differentiators for Expro and which we believe will help bring on board even more new customers. In addition to our robust in-house innovation pipeline, we also continue to selectively pursue external growth opportunities. More specifically, during the quarter Expro required Distribute Fiber Optic Sensing (DFOS) company, *SolaSense*.

Access to representative well diagnostic data is key for making informed well performance and integrity decisions. This acquisition allows us to build on our existing well intervention integrity portfolio, leveraging the expertise of both legacy companies to extend our customers well lifespan while reducing time and costs. Led by a highly skilled and dedicated team with extensive industry experience, we are pleased to deepen the Expro family and look forward to building on our digital solutions.

We have been partnering with SolaSense for the past 18 months. During the first quarter, we successfully completed a high temperature production profiling survey in the UK using our DFOS technology. Among other significant benefits, unlike conventional well logging, data acquisition can be captured at standard production rates, enabling a fuller understanding of reservoir performance. This could not have been achieved using conventional well logging technology.

Additionally, in the quarter, we deployed the latest generation CoilHose from a light well intervention vessel to provide nitrogen the services for a customer in Norway. The service further demonstrates Expro's CoilHose capabilities, enabling deployment at higher pressure and greater depth. This advanced hose design not only enables open water subsea intervention, but also increases the operating envelope for conventional operations, significantly increasing the applicability of this exciting and potentially disruptive technology.

Another key highlight during the first quarter was the provision of downhole fluid capture services for a customer using our recently developed nonreactive sampling system. This unique technology provides an inert environment from sample capture through to final analysis. This provides the most accurate assessment of the hydrocarbons under investigation with no absorption of trace elements. This is critical to understand and to ensure that the design of production filled facilities and pipelines are optimized for the produced fluids.

We are successfully implementing our integration plans to enhance the coordination and collaboration of our legacy Frank's and Expro teams to work as one seamless organization. We have already made significant progress executing on the comprehensive plan we developed prior to close. In the first quarter, we consolidated more of our facilities together, including facilities in Abu Dhabi, Baku and Cairo. As we have worked through this process, we have continued to see the true power of our new team.

As outlined previously and prior to the closing of the transaction, we are targeting cost and revenue synergies between $80 to $100 million within 24 to 36 months. Six months into the integration, we have identified an actioned approximately 80% of the expected $55 million in cost savings, and we are confident in our ability to deliver this total $55 million in annual run rate cost synergies within the first 12 months following close, but the opportunity to deliver 70 million of total cost savings in 24 to 36 months. We also expect to realize revenue synergies of $10 to $30 million in EBITA through our expanded customer relationships and operating footprints, increased time on rig and greater exposure to the full life of field. We are on track to achieve the full targeted synergies as we work to continue strengthening our operating model while lowering our cost structure and significantly expanding margins.

A number of factors bolster our confidence that Expro's uniquely positioned to capture the full synergies, plus deliver on incremental revenue and margin expansion. These factors would include: our progress to date realizing the near-term synergies in the transaction, improving market fundamentals, indicating that a multiyear industry and global economic recovery are already underway, and finally, significant potential upside relative to prior periods of the cycle, especially given the years of underinvestment in the sector.

Also of note, we recently published our inaugural environmental, social and governance or ESG report, which provides transparency on our performance and establishes Expro's near and long term ESG priorities. Expro's ESG report combines both legacy Expro and Frank's efforts by outlining the significant steps we are taking to create a more sustainable business and better future for our employees, customers and communities, including our work to reach net zero carbon emissions by 2050.

Demonstrating our progress, Expro has been supporting geothermal wells service project since 1986 and is recognized as a safe and high-quality provider. We are seeing increased potential geothermal and recently won two major geothermal well contracts, strengthening our position as an integrated service provider to the growing and increasingly important geothermal sector. As part of our environmental commitments, during the first quarter, we also installed a water recycling system at our manufacturing facility in Egypt. The recycled water is being used for pressure testing to significantly reduce the amount of water used for yard operations. This overall demonstrates our dedication efforts in environmental improvements.

As we shared previously, we expect to allocate about 50% of our research and development capital in 2022, to carbon reduction initiatives. In doing so, we're developing and advancing solutions that will play a critical role in enabling our customers to achieve their own emission reduction goals, while also EXPRO to achieve its goals. Before I turn the call over to Quinn, I want to provide some perspective on trends we're observing in the market.

Despite increased market volatility as a result of the Russian war in Ukraine, where extra has traditionally had very minimal activity, i.e. less than 1% of our revenue, commodity prices are expected to remain constructive for energy services activity due to tight supply and global demand recovery. We continue to see strengthening signals of a multiyear recovery and believe the outlook for energy services is the best that it has been in at least a decade. We expect demand for our services and solutions to increase throughout 2022 and beyond, as operators look to both increase production from existing assets and to develop new fields.

Already, we are experiencing some acceleration of deep-water and offshore activity. We're confident that the pipeline of projects we're seeing will support multiyear growth for the energy services sector, with a particularly strong potential for a number of the geo markets within North and Latin America, Middle East, North Africa, Sub-Saharan Africa and Asia. As we said last quarter, while many of our customers near term focus will likely remain on maximizing their investments in existing well stock, we believe the significant under investment in new oil supply in recent years will result in new final investment decisions or FIDs, and that we will see sustained growth in all of our businesses and across all geo markets.

In addition, natural gas demand remains strong both in the U.S. and internationally due to a combination of rising economic activity as the effects of the COVID pandemic start to diminish, lower inventory and storage, extreme weather events at the beginning of the quarter, and concerns of supply curtailment for Russia, which are causing most European countries to renew their focus on energy security and domestic or at least non-Russian supply alternatives. This demand, coupled with supply constraint, is forecast to drive new infrastructure development and further increases in activity levels. There is also a trend for the IOCs to increase the natural gas share of the overall production and thereby better balance their gas liquids portfolio.

In parallel National Oil Companies are focused on accelerating field development efforts to stimulate their country's economic recoveries, and in some countries, especially in Europe, to strengthen domestic energy security with some previously cancelled projects now being reevaluated. Internationally, the IOCs are increasingly focused on lower risk phase development. In addition, they are increasing efforts to reduce emission, and more broadly, to position themselves for the energy energy transition, where we believe we can play a key role. We continue to believe international expiration activity will become more near field and infrastructure lead in the near term.

The outlook for the remainder of 2022 indicates that continuing recovery and E&P expenditures, albeit at different rates and individual countries. In the medium term, with final investment decision approvals anticipated to continue growing, nearly 60% of the commitments are expected to be offshore. Despite a slight slowdown in demand growth in the first quarter, we believe oil and gas demand will recover to 2019 levels sometime next year. And as a result, operators will need to, again, focus on replacing produced reserves following a multiyear period of underinvestment and lower volume of discoveries.

For now, operators are largely maximizing the investments they have made previously. Consistent with past recoveries, incremental OPEX spending and brownfield enhancement programs are expected to be an initial area of customer focus. And in select markets, we are seeing some signs of a recovery in well intervention and integrity project, execution of which is a traditional strength of Expro. More broadly, we believe offshore deep-water activity and shale / tight oil projects will be the largest growth areas, which should support sustained growth for Expro, given our capabilities, and subsea well access services, complex well construction services, and production optimization.

Bolstered by constructive commodity pricing, we continue to experience increased activity, which we expect to gain further momentum as we progress through 2022 and beyond. Expro is well positioned to help our customers in the current market environment. We anticipate increased demand for our existing services, and more opportunities to provide new solutions from our enhanced portfolio. We are differentiating ourselves in the market as well as experts across the full lifecycle with a focus on integrity in all its forms. Whether that means ensuring connection integrity, integrity in the provision of the services to our customers, or our ability to enhance well management integrity.

As I noted earlier, we remain committed to spending roughly 50% of our research and development spend on energy transition and environmental improvements, which will become increasingly important as customers around the world look to accelerate their carbon reduction strategies. Combined with technology and know-how, prioritizing safety and service quality allows the company to give absolute focus on advancing the company and delivering maximum value to our customers, shareholders and other stakeholders. With that, I'll hand the call over to Quinn to discuss our financial results.

Quinn Fanning: Thank you, Mike. Good morning, and good afternoon to everyone on the call. As Mike noted, I will cover the results for the quarter ended March 31st, 2022 and will primarily highlight our sequential performance compared to the quarter ended December 31st, 2021.

To recap, we reported revenue of $280 million for the March quarter, which was up $29 million, or approximately 12% relative to the combined revenue of Expo and Frank's in Q1 2021 and was down $16 million or approximately 5% relative to the December quarter. The sequential decrease in revenues was driven by lower activity across our Europe and Sub-Saharan Africa, or ESSA, and Asia Pacific or APAC segments, partially offset by higher activity in North and Latin America, or NLA, and Middle East in North Africa, or MENA segments.

Adjusted EBITDA for Q1 2022 was approximately $37 million, representing a $13 million or 54% increase year over year, relative to the combined adjusted EBITDA of Expro and Frank's in Q1 2021, and a sequential decrease of approximately $14 million, or 27%, relative to the December quarter. Adjusted EBITDA margin in Q1 was 13% as compared to 17% in Q4 2021. The sequential decrease in revenue and Adjusted EBITDA was driven by a combination of seasonally lower activity, particularly in Europe, and as Mike noted, some projects that we expected to begin in Q1 slipping to the right. Our activity mix was less favorable in Q1, and we also recognized a couple of million dollars in mobilization and in other startup costs on projects that are scheduled to begin in Q2. Partially offsetting these items was lower support costs.

As highlighted in our press release, adjusted net income for the first quarter of 2022 was one cent per diluted share, compared to an adjusted net loss for the fourth quarter of 2021, of three cents per diluted share. I'll also note that we have reclassified approximately $10 million of quarterly support costs as direct costs in order to conform the presentation of legacy Frank's costs with that of legacy Expro. There is no impact on segment EBITDA or Adjusted EBITDA. However, historical and prospective contribution, contribution margin and support costs that we include or will include in our press releases, conference call slides, and the investor section of our website have been or will be updated to reflect this reclassification.

In this context, Q1 contribution margin at 37% was down approximately one percentage point year over year, and approximately three percentage points sequentially. Again, reflecting negative follow through on lower revenue, and less favorable and a less favorable activity mix, as well as transitory costs associated with new projects. Q1 support costs at $71 million dollars totaled 25% of group revenue, and we're down approximately $5 million relative to the combined support costs of Expro and Frank's in Q1 2021 and down approximate $1 million relative to the December quarter.

With synergies and operating leverage associated with an expected rebound and quarterly revenue, our intent is to manage total support costs to 22% of group revenue or less. Total liquidity at quarter end was approximately $348 million. Cash and cash equivalents, including restricted cash was $218 million as of March 31st. Total liquidity also includes $130 million, which is available to the company for drawdowns as loans on our $200 million revolving credit facility. The balance of the facility is available for bonds and guarantees. Expro had no interest-bearing debt at the end of Q1 2022 and the company has no interest-bearing debt today.

During the quarter ended March 31st, 2022, cash used in operating activities net was $14 million, as compared to cash provided by operating activities of $16 million in Q4 2021. Q1 Adjusted Operating Cash Flow, reflecting cashews and operations before cash paid for interest, severance and other expenses, emerging integration expenses was negative $1 million, compared to positive $41 million in Q4 of 2021. Trade A/R was relatively flat quarter over quarter, but DSO was up a couple of days quarter over quarter, reflecting lower revenue in the quarter, and payment delays on undisputed amounts due from a number of our NOC customers, somewhat consistent with the comments from a number of the other public energy services companies.

Accrued liabilities were also down quarter over quarter, largely as a result of Q1 payments of annual incentives, and inventory was up approximately $6 million quarter over quarter, reflecting growth in order backlog in our desire to make critical spares in order to efficiently execute on a higher anticipated activity in H222 despite the currently challenging supply chain environment. Capital expenditures totaled $11 million in the first quarter, compared to $28 million in the fourth quarter. In addition, we used $8 million of cash during the first quarter to acquire well intervention and integrity related technology that Mike referenced in his prepared remarks.

Core CapEx as a percentage of revenues continues to trend downwards, with management focused on maximizing utilization of existing assets and, where practical, limiting new capital expenditures. The company continues to plan for 2022 capital expenditures

in the range of approximately $90 million to $100 million or approximately 7 to 8% of expected revenue. We also continue to expect to be free cash flow generative for 2022, but expect that free cash flow will be heavily weighted to the second half of the year.

Now moving into the details by operating segment, NLA revenue for the first quarter of 2022 was $104 million, an increase of $4 million quarter over quarter. The increase was primarily driven by well construction services in the U.S. and Mexico, as a result of higher customer activity and equipment sales, partially offset by lower subsea well access and well full management revenues in the U.S. due to both lower activity and subsea equipment sales during the December quarter that did not reoccur during the just completed March quarter. NLA segment EBITDA for the three months ended March 31st, 2022 was $22 million or approximately 21% of segment revenue and was up approximately a million dollars quarter over quarter. For Q4 2021, NLA segment EBITDA was also 21% of segment revenue.

As I mentioned on our last earnings conference call, legacy Frank's has a particularly strong position in NLA, and we expect that MLA finance results for the combined company will continue to benefit from the incremental scale and complementary operating footprints and customer relationships who were made possible by the merger. For the ESSA segment, revenue in Q1 was $82 million, which was down $12 million, or approximately 13% quarter over quarter. Sequential decrease was primarily driven by lower well flow management and well construction services revenue in the UK, Azerbaijan, and Angola due to a combination of seasonally lower customer activity levels and project delays, as well as due to non-recurring equipment sales in Norway that occurred in the December quarter.

ESSA segment EBITDA for the March quarter was $12 million dollars, or approximately 14% of segment revenue, a decrease of approximately $8 million quarter over quarter. The decrease in segment EBITDA was primarily attributable to lower activity levels, and a less favorable activity mix during the March quarter. The MENA segment, revenue in the first quarter was $51 million, an increase of approximately $2 million or about 4% quarter over quarter. The sequential increase in revenue was driven by well flow management, equipment sales in the United Arab Emirates, as well as in Saudi Arabia in the first quarter.

MENA segment a baton the March quarter was approximately $15 million or about 30% of segment revenue, a decrease of about $1 million, or about three percentage points quarter over quarter. The decrease was primarily due to lower activity and higher margin contracts and a less favorable activity mix. The MENA region is one of the regions which legacy EXPRO has a strong historical position. We expect good growth in our MENA business over the next couple of years, as our main base customers look to expand production capacity and we continue to expand our MENA base relationships by both supporting our customers and dissipated increases in activity and by leveraging a broader services and solution portfolio of the combined company.

For APAC, revenue in the third quarter was approximately $44 million, which was a decrease of about $8 million or approximately 15% sequentially. The decrease in revenue was primarily due to a combination of lower customer activity levels, non-recurring equipment sales and the completion of certain projects during the previous quarter in Thailand, Malaysia and Indonesia, which was partially offset by hire subsea well excess revenues in Australia. APAC segment EBITDA for the March quarter was $5 million or about 12% of segment revenue, a decrease approximately $7 million for about 12 percentage points quarter over quarter. The decrease was primarily due to lower activity and higher margin contracts, a less favorable activity mix and mobilization costs and project startup delays, a portion of which was COVID related with a new subsea project in the region.

As Mike mentioned, our integration plans are progressing well, and we are already starting to realize the significant synergy benefits we anticipated when we first announced our business combination. As discussed in our last earnings conference call during the fourth quarter, we identified an action cost savings representing more than 50% of our previously stated $55 million of run rate cost synergies within the first 12 months following the merger close. As Mike mentioned, through the first quarter of 2022 we have identified and actioned approximately 80% of our synergies capture plan, both in regard to headcount and annualized value in dollars. We also completed the consolidation of a number of international facilities.

Also of note, we expect that we'll complete our migration to a single ERP platform by late summer, early fall, which should allow us both to streamline a number of key business processes and to enhance decision making in the currently dynamic operating environment. It will take a quarter or two for financial results to reflect a number of our synergies initiatives, but we remain confident that we are on track, if not a bit ahead of our integration plan. As to our near-term outlook, we expect that Q2 2020 to revenue be up sequentially by plus or minus 10%, reflecting elevated commodity prices, a seasonal rebound in activity and a

potential uptick in our national and international short cycle investments, which we expect will gain traction as we move into the second half of the year.

Adjusted EBITDA margin in Q2 should again, be in the area of 12 to 14% of consolidated revenue. Looking a couple of quarters out, we continue to expect that our revenue run rate will approach that of the pre-pandemic 2019 revenues of legacy Expro and legacy Frank's on a combined basis, implying quarterly revenue of approximately $325 to $350 million. With the benefit of fall through incremental revenue, and more favorable activity mix and synergies, we expect that Adjusted EBITDA margins will be in the area of 20% of revenue as we exit the year. As always, our objective is to enhance long-term value for our shareholders, employees, partners, and the communities in which we operate.

With that, I will turn the call back over to Mike for a few closing comments.

Mike Jardon: Thank you, Quinn. We started 2022 with solid first quarter operating performance that drove significant growth on a top and bottom line and demonstrated the potential of our resilient flexible business model. Our broad portfolio of services and solutions continue to create opportunities in the growth markets that will be key to Expro's long-term sustained success. Our innovative platform, next generation technology and solutions, and ESG focus are differentiators that continue to rapidly advance our reputation and outstanding track record with customers as a leading well expert.

We are incredibly excited about strength and positioning of Expro and our ability to capitalize on the favorable outlook for our business. Our great momentum can only be achieved the focus of our team, which has maintained through the merger and our ongoing integration process. Our talented group of global team members are supportive of each other and that translate to high levels of service and support for our customers. Their work drives our success day in and day out as we accelerate growth, improve profitability, and enhance value for shareholders, employees, customers, and partners. Thank you again. Operator, let's go ahead and open it up for a few questions.

Operator: Thank you. If you would like to ask a question, please press star followed by one on your telephone keypads. If you change your mind or feel your question has already been answered, please press star followed by two. And please ensure that you are unmuted locally when preparing to ask your question. That is star followed by one to ask a question. We'll take our first question today from Taylor Zurcher of Tudor, Pickering, Holt & Company. Taylor, over to you.

Taylor Zurcher: Hey, Mike and Quinn, thanks for taking my question. My first one is just on pricing. So you operate in a number of different sort of end markets, but a lot of them have really good industry structure that results in a more stable pricing through the cycle. But at this point, I mean, you talked a little bit about capacity constraints impacting the Q1 numbers. You've also got inflationary pressures blowing pretty strong in the background. So curious if you could just give us an update on any sort of pricing indicators you're seeing across the portfolio? And if you're having any success or think you might have success pushing pricing over the back half of 2022?

Mike Jardon: Okay. No, thanks, Taylor. It's a good question. I guess what I would say is that--you know, ultimately, the conditions are really becoming favorable for us to get pricing traction, both across product lines, as well as geographies. And yes, we are starting to see some net pricing improvements. Geographically, overall, net pricing momentum is most prevalent today in the U.S. That's where we're really starting to see that. And--you know, our expectation is that we'll continue to see those net pricing gains. They'll kind of move eastward or move internationally over the next couple of quarters.

And ultimately, for us, we're much better positioned internationally, so I do think we'll start to see some some some pricing lever, some pricing traction in the back half of the year. But ultimately for us, we are seeing some pricing improvements today. We are seeking price increases, in particular around personnel rates. And then also for some of our assets that we're really loading up, we're getting good utilization of, things like subsea well access--you know, particularly with some of our higher end landing strings. But also around well construction, especially in deep-water and some of the complex activities, we're starting to see the ability to get some pricing traction there.

So good signs, good indicators that we're going to see more of this as we move forward. And I think we'll really start to see the most amount of leverage and pricing traction in the second half of this year, which fundamentally, I think really sets us up well for--you know, continued activity growth, but also better pricing as we go into 2023.

Taylor Zurcher: Yeah, good to hear. Thanks for that follow-up just on on kind of the demand outlook. Mike, I think you said in the prepared remarks that you're seeing some acceleration in deep-water and offshore activity. Those are pretty similar comments to what a lot of your offshore oriented peers have talked about in prior weeks. And it feels like Latin America is a strong market. West Africa, increasingly a strong market into the back half of the year. And guess I'm just curious if you could flesh out those comment a little bit more? Where are you seeing the most improved demand? And--you know, is it a function of this Russia Ukraine situation, forcing operators to think long and hard about accelerating investments? Or just a mix of everything?

Mike Jardon: Sure. No, I think it's a really good question. I guess what I would say is--you know, ultimately, internationally, the short cycle OpEx type investments, that's what we're really starting to see strength in. And I think that'll be very much be the case in the second half of the year. So--you know, production optimization, production enhancement, intervention, those type activities, I think we'll continue to see that. And that really allows, that kind of short cycle OpEx type activity, that's the international operators version of going out and completing more wells in U.S. land.

But I think ultimately--you know, offshore activity, I think it's well positioned to grow, both in shallow and deep water. I think particularly as operators starting to increase their infield drilling, as well as their tie back type activity, so I think that's going to be strong. You touched on those areas. Latin America, I think is going to be is going to be quite a strong area--you know, Brazil, in particular. And we're starting to see more technical inquiries and more discussions around some of the deep-water plays in West Africa. And I think as operators continue to kind of firm up their plans--and yes, I think the ongoing challenges in the Ukraine are are starting to drive some of the decisions.

So fundamentally, I said to begin with that this is probably the most constructive environment we've seen in my 30 years in the industry, and everything we see. And I think it's why you hear some common, consistent comments from all of the service providers or peers--you know, as well as ourselves. Everybody's kind of seeing the same indicators from--you know, customer momentum and customer inquiries and--you know, order backlog building and those type things.

Taylor Zurcher: Yeah. Good to hear. Thanks for the answers.

Mike Jardon: Great. Thanks, Taylor.

Operator: Thank you, Taylor. As a reminder, if you would like to ask a question, please press star followed by one on your telephone keypad now. That is star followed by one. We don't have any further questions registered at this time. So I'd now like to thank you all for joining.