

Y 2021 Earnings Call

Company Participants

- Bard Stenberg, VP of IR & Corporate Communication
- Gottfred Langseth, CFO & EVP
- Rune Olav Pedersen, President & CEO

Presentation

Bard Stenberg {BIO 19147078 <GO>}

Good morning. Welcome to this audiocast presenting PGS' Fourth Quarter and Preliminary Full Year 2021 Results.

My name is Bard Stenberg, Vice President, Investor Relations and Corporate Communications in PGS.

With us from management today are Rune Olav Pedersen, President and CEO; and Gottfred Langseth, CFO.

Before we start, I would like to give some practical information. Participants on this audiocast can submit their questions via the audiocast platform.

I would also like to draw your attention to the cautionary statement in today's earnings release and the presentation and the risk factors disclosed in our 2020 annual report and in the Q4 2021 earnings release.

The agenda for today is summarized on this slide. Rune Olav will start by giving a review of 2021, followed by our outlook for 2022. Then Gottfred will give a status update of our financial position before he goes through the Q4 and preliminary full year 2021 results.

So with that I give the word to you, Rune Olav.

Rune Olav Pedersen {BIO 16158611 <GO>}

Thank you, Bard. Good morning, everyone.

As Bard indicated, I will start with a brief summary of the 2021 highlights and then I will move to our market view. I will go a little bit into the macro and then move more towards the seismic side of things and try to give you a holistic view of how we see the market going forward. Thereafter, I will go into the PGS revised strategy and explain how we have

positioned the company for what we see coming forward before finishing off with guidance and summary.

As you see on this slide, the full year 2021 takeaways is that we will show that we have improved our competitive position in what we regard as gradually improving market. We did deliver higher revenues compared to 2020 when adjusted for Covid-19-related government grants. This was driven by a 42% increase in contract revenues where we spent an overweight of our capacity. We also experienced a significant rate increase from the first half to the second half in 2021. And we benefited from more near-field exploration and increasing 4D demand, which I will come back to.

On the MultiClient side, the market in 2021 was more mixed. We saw an overall reduced industry revenues and investments versus 2020. We -- although reducing our MultiClient revenues in 2021 (sic - 2020) versus 2021, we did increase our market share, particularly driven by fairly or relatively strong late sales and adequate refunding on the reduced MultiClient investments we had in the year.

During 2021, we also established our new energy business unit, and we are already generating meaningful CCS MultiClient revenues, and you will have seen that we have been awarded two contract jobs for 2022.

The winter season in the -- or the fourth quarter of 2021 and also unfortunately, the first quarter of 2022, namely this winter season, has become more challenging than we had expected with only four of our six vessels in operations. We are seeing a healthy book position for the summer season coming. And so Q2 -- Q3 '22 looks better.

In 2021, we did return to positive net cash flow generation in what was a weak market. We also have experienced slower market recovery than we had assumed in our business plan for the 2020 debt rescheduling, and we will have to address this in the coming quarters. Gottfred will return to this in his section.

I will be brief on the financial summary. As you can see, we had similar revenues in Q4 '21 versus Q4 '20, obviously, on -- we had some government grants in there in '20. What you can see on similar revenues, we had lower EBITDA and lower EBIT, and this is down to the mix. When we do more contract versus MultiClient, the EBITDA and EBIT is reduced for more technical reasons.

On the fleet summary, if I just start on the bottom right, you see Ramform Sovereign currently doing a large MultiClient in Malaysia, which will continue for some months yet. Moving westwards, you see Ramform Atlas currently steaming to Nigeria, where she will be starting up shortly. And in South America, we currently have two vessels -- the Ramform Tethys, currently doing work in Suriname; and the Ramform Titan, which is just done in the Dominican Republic and will soon be steaming up to the Gulf of Mexico.

Moving North, you see Ramform Vanguard is currently sitting in Istanbul. We had to break off early from our work in the Ukrainian part of the Black Sea due to the escalating security situation in Ukraine. And therefore, we expect the Vanguard to be starting work again

when the North Sea season starts. And finally, Ramform Hyperion has been warm stacked in Floro for the winter season.

Now changing gear a little bit. As I said, I will go into how we view the market going forward, and I will start with a few slides on the macro picture. We believe that hydrocarbon will be an important energy source going forward, an important part of the energy mix going forward. We have seen oil demand recover to levels, which is very close to post-Covid-19 levels, and we expect oil demand to continue to grow over the next years. You can see that on the top-left graph.

On the bottom-left graph, also both from EA, you see different scenarios from EA going forward. It is important to note that oil and, in particular, natural gas is an important part of the energy mix regardless of the scenario you pick. And I think more and more people are seeing that it looks like oil and gas in the coming years, we'll have an even greater importance on the energy mix than a lot of people believed only a short while back. However, we have a problem. The world has underinvestment in conventional oil and gas reserves over the last years, and decline rates will create an energy challenge for us.

Global E&P spending has declined approximately 55% from 2014 to 2020, reduced approximately 30% from 2019 to 2020 and flattish into 2021. In 2021, the global annual discoveries were heading for its lowest levels in 75 years. This is a statement from it towards the end of last year. And we've also included a statement from Total in their -- Total Energies in their latest outlook. To compensate for annual conventional oil decline, there is a need for 3 million to 5 million barrels per day of new greenfield conventional capacity to be sanctioned by end of '22 to meet 2025 demand, pointing again to a potential shortfall of energy in 2025.

We believe that the energy companies will step up to this challenge and that this is becoming more and more evident to everyone that there is a near- to medium-term problem with energy. You can see it in the gas prices in Europe currently and also in the current very high oil price. However, that does not mean that the energy transition is not happening. The energy transition is very much upon us, and it is impacting the operations of PGS and the seismic market in at least two ways.

First, it impacts our traditional market, namely the search for hydrocarbons. We believe there is a structural drive towards more 4D seismic, more near-field exploration, more infrastructure-led exploration, more exploration in proven hydrocarbon basins away from more frontier exploration. There is this structural demand, which points in the direction of the arrow here. However, we also -- there is also a cyclical element going on. So this -- in the next years, all of these may come up. But structurally, we believe there is a drive towards near-field and 4D. That is one significant effect on the seismic market.

The other one is obviously that the energy transition opens up for new business opportunities for companies like PGS. It is not possible to go through and deliver the net zero ambition of the world without significant geophysical expertise. And PGS, we have pointed out carbon capture and storage and obviously, the storage part of it as an important part where we can contribute. Also offshore wind. When you build out large

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wind parks, you need to know what's going on in the underground and when -- where you're going to mount these windmills and marine -- offshore marine minerals. So the energy transition does change the focus of our clients in our core market, and it opens up for new business opportunities for PGS.

Now if we take a look -- a closer look at the seismic market where it is now and where it will move in the next years. What you see here is the change from 2020 to '21. What you can see is that the overall seismic market, the total revenues were down 6% in '21 versus 2020. This is based on the combined revenues of PGS, CGG and TGS, which are the three largest seismic companies in the world and which are public. We believe they are a good -- a reasonably good proxy for what is going on in the seismic market.

So we see a flattish even a slight reduction from '20 to '21, in line with what I have just said on where we have seen the market go. But energy companies are increasingly focused on near-field exploration and 4D. And therefore, you can see PGS. We have an increase of 5% of market-based revenues when you remove the government grants. This is driven by, as I said, an increase in contract market, which is again driven by an increase in 4D and near-field exploration. And also we have, in our MultiClient business, fallen much less than our competitors because we have a diversified MultiClient library in mostly mature basins, which holds up better in this new world.

So what do we think will happen as we move into 2022? It is clear, we believe that the energy companies will have to step up to the plate, increase their investments to meet the challenge we have talked about. What you see here is the actual E&P spending growth forecast of -- and first 2020 to '21, which is virtually nothing. And you saw what happened to seismic revenues on the previous slide. And then you see an estimate from SEB, Barclays, Arctic and Morgan Stanley, a percentage change from '21 to '22 of an increase of between 16% and 17%. So a fairly large increase in E&P investments are expected in '22. We believe the same will happen in the seismic market. We are hearing the same from our clients. Most of our clients or a large majority of our clients are communicating that they are increasing their seismic budgets into 2022.

And if we move even closer to home, how does that look as we look at the contract market right now? This is our bids and leads curve, which most of you have seen before. The dark blue line represents the dollar value of the in-house bids. And the light blue line represents the dark blue line plus the in-house value of our leads. We see that bidding activity is currently higher than what we saw in the second half of 2021, pointing to a more healthy later part of this year. We also see that the leads and bids curves are now at pre-Covid-19 levels, which is obviously quite important and a good indication of what is going on in the contract market right now. This is also driven by a fairly large increase in 4D activity, which I will show on the next slide.

So what you see here, we expect 4D activity to increase quite dramatically into 2022. We are now counting more than 30 4D streamer projects planned for 2022. The previous record was 24, which we set in 2012. This is obviously for the entire industry. We know project planning is well advanced with 26 of these surveys as they are either in as active bids or they are already awarded. And the others are indications we have received from

clients on particular field. So every one of these, more than 30, has a concrete project behind it.

We're seeing this activity mostly in Europe and Africa, but it is clear that 4D is spreading out to the rest of the world. There are several opportunities and bids out in Asia Pacific. There will be 4D activity for streamer also in the Gulf of Mexico. And there are several 4Ds planned for South America, both on the equatorial margin and the countries there and further south in Brazil.

We could, of course, see an increase even in this number as we are at this stage only in January, and it is early days for 2022. But 4D is driving the increase in the contract activity, very much in line with how we see the market structurally developing.

If we then move to the order book, the order book is at what I would call healthy levels, currently sitting at \$239 million -- or not currently, but as of 31 December '21. \$32 million of those is related to MultiClient. So as you can see, the contract order book is above \$200 million for PGS.

Vessel booking. Q1 '22, 10 vessel months, which I will comment on is weak. Q2, more healthy with 11 months. And Q3, already at this stage, nine vessel months booked. And there are a lot of activity related to the available months, both in Q2 and Q3. So we expect to run six vessels fully utilized through Q2 and Q3.

So as you can understand, demand side, we believe will pick up healthy in '22. So if we turn then to the supply side, we decided this time to include a slide, which goes -- or shows the development on the supply side for the last 15 years with a number of players and available streamers in -- for operation. And as you can see, in 2021, the market has never been more consolidated than what it is now. And in this period, we have never had less streamers available for operation. So a condensed and -- consolidated and condensed supply side, which is also shown in this graph here, which you've seen so the historic low supply of streamers to the market. And we haven't seen this kind of level since the early '90s.

So to sum up the market section, we believe that the world needs more energy. It needs more energy from oil and gas in the near to medium term. We believe the energy companies will step up their activities. And therefore, we believe demand will increase going forward and that 2022 should be stronger for the seismic industry than 2021. And this is on the back of a supply side, which has never been more consolidated or lower.

So with that, I will change gear and say a little bit about how we and PGS are positioning ourselves for this market and the way we see the market going forward. On the financial side, a little has changed from previous strategy. We need to continue to focus on cash flow, and we need to establish a sustainable capital structure over the next years.

On the business side, there are some things you will remember from before and something that has changed. We will continue to leverage the integration across the PGS value chain. As you know, we own vessels. We operate both in the MultiClient and in the

contract business model. We offer imaging services to the market, and we image what we do in MultiClient. And we fuel all of this with an R&D department. We will continue that. We believe that has served us well over these last very weak years.

We are the leading provider of near-field exploration and production for the seismic. We will continue to strengthen our position in this area, and we believe the market is moving in this direction. We will develop new energy into a significant business unit over time. And as I have shown, we are already delivering revenues from it. We will increase speed and penetration from digitalization, which we believe is absolutely vital both to be able to develop new business models, increasing our revenues and to reduce operational costs and increase efficiency, which is the next goal. We will also reduce environmental footprint from our operations going forward.

I will touch upon a few of these goals in the next slides. First, leveraging integration through the PGS value chain. We believe that offering both MultiClient services and contract services benefits us as a vessel-owning company. One example of this is the Egypt campaign, which we finished off in Q2 of 2021 of last year. We were able to secure 15 vessel months with Titan-class acquisition from July 2020 to mid-March 2021, so in the midst of the weakest part of the market we have seen in recent time. We did this because we have MultiClient permits in country. And we were able to offer to start in a MultiClient business model shooting blocks that were just ratified and just awarded so that clients could avoid lengthy tendering process and receive data much sooner than what they had otherwise been able to do.

We were able to secure multiple programs, which were more contract-like programs under the MultiClient model and one large survey, which we acquired as a contract job. So multiple work using both models, and we don't obviously care which model we use as long as it makes financial sense to PGS. And this is one way of how we are leveraging the integration of operating in both these two segments.

If we move to our position as a leading provider of the near-field exploration and production for the seismic. What you see here on the top-left graph is the total revenues of PGS, TGS and CGG, our two main MultiClient competitors. And what we've done is we've just taken the revenues, the MultiClient revenues of these three companies. And what you see is last 12 months, and it starts when the pandemic starts, Q2 2020. At that stage, we were the smallest MultiClient company by -- measured by total revenues.

And then as you see the development through the pandemic and you see that the focus on near-field exploration, proven hydrocarbon basins takes its toll because the energy transition is coming into our markets and changing the behaviors of our clients, you see that PGS improves its relative position and we have now for quite a while been the largest MultiClient company in terms of pure revenues. And this is not because we have invested more than the others. In fact, we have invested less. This is because we have a diverse MultiClient library, which is positioned in mature and in producing basins, proving our leading position as a near-field exploration company.

The bottom-left graph shows the increase in contract revenues, which has been driven by, to a large extent, the increase in 4D activity and we will see this increase continue into 2022, as I talked about.

If we then move to new energy, we have here shown what has happened in CCS in the -- on the far left. We've made several MultiClient sales to CCS only players during 2021 and delivered revenues of way beyond \$5 million in 2021.

In 2022, we have also been awarded two contract acquisition jobs, the Northern Endurance Partnership and the Northern Light partnership, both in the North Sea -- or Norwegian and U.K. sector is probably more correct. So we're already delivering significant revenues from this segment.

What we are showing on the right is -- or in the middle graph is different scenarios of how much CO2 that needs to be stored by the different institutions. And then on the far right, we have tried to equate that to how many vessel years would development, as predicted by these institutions, lead to. We have taken the best of our knowledge on 4D streamer acquisition and try to equate it into vessel years. And you can see that if these predictions come through, it is likely to be a fairly large market -- seismic market for the activity for us going forward. However, I think it's important now is to say that, for us, the energy transition is real business already this year and last year.

On the digitalization side, I will be fairly brief. But I will say that we have developed a digital factory that continues to come up with improvement projects for our fleet, resulting in our fleet going faster than it has ever done and also resulting in us being able to prolong the life of our streamers and many other business use cases developed by the digital factory.

We have taken our MultiClient data library, the entire library, and moved it on to the Google Cloud, enabling us to start selling our MultiClient library and leveraging our MultiClient library in different ways and also allowing us to develop new revenue lines as data management as a service, which we have sold to one client and -- developed last year and sold to one client, and we will continue to push that out to clients.

Lastly on the imaging side, we are moving all our processing capacity onto the cloud away from the very expensive supercomputers we have to buy in the past. This allows for more cost-efficient operations and also allows for a much more scalable capacity as the cloud has almost unlimited capacity, not fully, but almost unlimited capacity. During 2022, the goal is to move 80% of our processing capacity on to the cloud.

So this is how we have positioned the company to meet where we see the market going over the next years. So in summary, we believe the market is moving towards 4D, more near-field exploration structurally. We believe there is a cyclical upturn coming in terms of increasing activity. And over time, we believe the opportunities from the energy transition will create new opportunities from -- for PGS, and we position the company now to take advantage of this development.

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So the '22 guidance. Group cash cost, approximately \$450 million. Gottfred will come back to more details on the cash cost. MultiClient cash investments, approximately \$125 million. Active 3D vessel time allocated to contract, approximately 65%. And CapEx, approximately \$60 million number that Gottfred will also come back to and comment more upon.

So then it only remains for me to summarize my part of this. The overall seismic market is weaker or was weaker in 2021 than in 2020. The contract market is in clear recovery. And the position of the PGS MultiClient library in mature basins has benefited us relative to our peers. We have revised and updated our strategy to meet the development we see both cyclically and structurally going forward. We currently have a healthy order book, but the winter season has become more challenging than what we expected. The order book primarily points to a good outlook for the summer season of 2022. And we do expect an improving seismic market in 2022, in line with what, I would say, most analysts expect from the overall E&P investments.

And with that, I will give the word to Gottfred Langseth, our CFO.

Gottfred Langseth {BIO 5277539 <GO>}

Thank you, Rune. I will, this time around, start with balance sheet, cash flow and financing.

Balance sheet first. Cash and cash equivalents of \$170 million. Net interest-bearing debt, including lease liabilities, of \$1.51 billion year-end. That's a reduction of \$44.9 million in the year. The book value of the library year-end, \$415 million based on IFRS and \$450 million based on segment reporting.

Moving then to cash flow. We are generating cash flow in a still weak market. The graph on this slide shows the breakdown of the full year cash flow. We had a cash flow before financing activities or, if you wish, after investing activities of \$155 million. And this is more than enough to cover the \$81 million of interest and interest payments and \$40 million of these repayments we had in 2021, leaving a net cash flow after debt servicing of \$33 million for the full year.

Then moving to financing status as of today. Our debt rescheduling in 2020 extended near-term maturity and amortization profile by two years. The resulting maturity profile can be seen at the top-left graph on this slide. As already covered by Rune, the market is recovering, but this recovery is slower than the base plan we used in the debt rescheduling. It is, therefore, a risk that we will not generate enough cash flow to repay the 2022 maturities while, at the same time, maintaining an adequate liquidity reserve.

In addition, there is a risk that the maximum total leverage -- net leverage ratio covenant will not be met at end Q1 or the leverage ratio. This ratio has increased over the last couple of quarters, primarily due to a change of activity mix with less capitalized MultiClient investment, which relates to how EBITDA is impacted by prefunded MultiClient surveys. So the mix change is negative for measuring the ratio.

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In addition, as can be seen from the graph -- middle graph to the left here, the covenant steps down from 4.25x to 3.25x in Q1. We have started preparations for assessing alternative ways to address the upcoming debt maturities, including engaging advisers. The market and cash flow improvement that we are experiencing should be supported to this process. We are generating net cash flow after -- net positive cash flow after interest and these payments. And as shown in the lower graph on the left-hand side, our cash flow before financing activities is increasing from \$112 million in 2020 to \$156 million in 2021. And our net interest-bearing debt, including lease obligations, is reducing from \$1.096 billion start of '21 to \$1.051 billion end of '21.

On the key financial numbers, I will be short on this. Segment revenues and other income, \$174 million in Q4 compared to \$172 million, the fourth quarter 2020. There was an impact of receiving government grants in the Q4 2020. So adjusting for that, we had a revenue growth of 9% Q4 to Q4 based on revenues generated from our operations. On a full year basis, \$590 million of revenues and other income compared to \$595 million in 2020. Similarly here, we had \$39 million of full year government grants in 2020. We also had \$6 million in the first quarter of 2021. Adjusting for both of these, of course, we achieved a 5% growth of revenues generated by our business.

EBITDA in Q4, \$96 million compared to \$129 million in Q4 2020. And segment EBIT \$3 million compared to \$20 million in Q4 2020.

Last comment is on the IFRS numbers. And you would see that IFRS or as reported revenues are materially higher than the segment revenues in the 2021, particularly for the full year, not so much for the fourth quarter. And this relates to completion and delivery of several significant projects -- final data to clients on several projects. And these projects primarily were acquired before 2021, which is a timing issue with us reporting numbers.

I will move on to Q4 operational highlights. Contract revenues to the left there, progressing reasonably well in the second half, albeit obviously impacted by or hurt by the low utilization we managed to achieve in the fourth quarter. Contract revenues were \$64.3 million, and we used 76% of our active vessel time on contract acquisition.

Moving to the right on this slide. Total MultiClient revenues, \$104.8 million. For late sales, we had a significant seasonal increase in the fourth quarter, which gave us for the full year '21 at 32% increase compared to 2020. Prefunding, stable throughout the year.

Yes. We already moved on. So I will move on with my commentary as well. That's okay.

MultiClient revenues by region. In Q4, prefunding revenues were primarily from Asia Pacific, where we have had an acquisition project for more than the full quarter. Late sales were primarily from Europe and North America.

Utilization of our vessels. We had low vessel utilization in the fourth quarter, 58% active time. The Q4 low utilization and the current vessel utilization is impacted by project-specific events. We have been affected by a delay of a contract award where we had expectation it would be possible to mobilize during the fourth quarter. And the reality is

that we are now really mobilizing for that survey for start in February. And we had an acquisition program scheduled for Q4 '21, which during the course of getting closer, which was postponed to second half '22. And lastly, we had to terminate a project in the Black Sea quite a bit earlier than planned due to the escalating security situation.

For the coming quarter, we will have an overweight on contracts. We have one MultiClient survey ongoing. The rest will be contract. They expect to get four of our vessels operating, and this will increase to six vessels early second quarter.

Moving then to costs on the next slide. Costs, as you can see, substantially down from pre-Covid levels, a gradual increased activity driven for the first three quarters of the year. And also there is a gradual impact of higher fuel prices as the oil price has increased quite a bit since the start of the year.

For the full year, also I would want to mention that we have had approximately \$12 million of extra costs directly related to Covid prevention measures for our fleet operations. So that is a part of this picture. For the fourth quarter specifically, we have a sequential decline of gross cash cost, that is down to the reduced activity and lower project-related costs.

Looking then to 2022, we expect our gross cash cost to be approximately \$450 million. So that is an increase from 2021, driven by higher expected activity level and also impacted by an estimated \$20 million fuel cost increase. This is related to the higher crude price.

When it comes to Covid and costs relating to managing that, we -- as of today, we expect around same level as in 2021. In a way, if we are lucky, it could taper down earlier, but this is very difficult to predict. It is clear that cost and cost management remains a key priority for us.

Then capital expenditures. The '22 CapEx plan is approximately \$60 million. Close to half of that relates to streamer investments, including building new GeoStreamer. Our depreciation cost will continue to go down also for 2022, and we expect approximately \$125 million of gross depreciation.

Then I actually was at my -- the last slide of this section and summing up. We deliver higher revenues compared to 2020 when we adjust for government grants. We have a significant increase in contract revenues. Mixed development of MultiClient, market-driven. Strong late sales growth, 32% better than the rest of the industry. And adequate prefunding level of 103%, but on materially or significantly lower activity or investment levels.

We will have higher cost and capital expenditures in 2022. This is driven by activity. Cost and CapEx discipline remains a key priority. We have returned to positive net cash flow generation in a market which is still challenging, but in recovery. But as we spend time on explaining, the market recovery is slower than what we based our 2020 debt rescheduling on, and we will have to address this in the coming quarters.

I will stop there and give the word back to you, Bard, for the Q&A session.

Bard Stenberg {BIO 19147078 <GO>}

Yes. Thank you, Gottfred.

Questions And Answers

A - Bard Stenberg {BIO 19147078 <GO>}

We have our first question from Kim Andre Uggedal in SEB. How confident are you that you will take out the September debt maturity with cash flow from operations?

A - Rune Olav Pedersen {BIO 16158611 <GO>}

Well, as we say, the market has become more challenging than what we thought. And obviously, we had not anticipated running four vessels in the fourth quarter and in the first quarter. So when we now communicate that there is a risk of not generating sufficient cash flow to repay those maturities, that is exactly what it means. There is a risk that we will not be able to do that. That depends on the development in first quarter and second quarter in particular. And as we know, MultiClient sales is a key factor here. So we may still manage that or we may have to do something else.

A - Bard Stenberg {BIO 19147078 <GO>}

Now we have a question from Mick Pickup in Barclays. You talked of demand increasing, but your Q4 booked months or booked positions is down. What concerns do you have that it does not materialize into firm projects when you look at the sales leads versus the bids in the market?

A - Rune Olav Pedersen {BIO 16158611 <GO>}

I'm not very concerned on that. As normal at this stage, we are in several processes, which will land either our way or someone else's -- or in someone else's lap over the next months. This is quite normal, and there are some big programs that have to land. And with the current book position of 11 and 9, we feel fairly confident that the summer season will be busy for us and for our main competitor in the vessel market.

A - Bard Stenberg {BIO 19147078 <GO>}

Then I also ask, can you talk to working capital expectations in Q1 and how that factor into your risk of covenant breach, et cetera, in the quarter?

A - Gottfred Langseth {BIO 5277539 <GO>}

We expect, in a way, we come down to a better level. With respect to TSO, time to collect our revenues. So we expect that stay on that level or improve that. We would likely see after a revenue-driven increase of working capital in Q4, more likely to see a reduction of working capital in Q1. I don't see that as important with respect to leverage ratio

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measurement, and it impacts the debt measurement. But anyway, it is the last 12-month EBITDA, that is the primary factor impacting the leverage ratio.

A - Bard Stenberg {BIO 19147078 <GO>}

We also have a somewhat related question from Oystein Vaagen in Fearnley Securities. Is there anything you can guide on expected working capital movements for the full year 2022?

A - Gottfred Langseth {BIO 5277539 <GO>}

I think it's fair to say that, as I said, we are at a fairly -- close to fairly natural DSO level now at in '21. It goes from what we say that we expect higher revenues in 2022 and maybe not primarily from the very first part of the year. So if we're right, we should have an increase in a way. Working capital for us is not investing money in a project and collecting later. We have our cost base, and it's a question of generating revenues, and we should have more accounts receivables to collect year-end 2022 than we have year-end 2021. So most likely, we'll see an increase in working capital in the second half of the year.

A - Bard Stenberg {BIO 19147078 <GO>}

I have a question from John Olaisen in ABG. Could raising new equity be one option to address the debt maturities? Would you consider selling the MultiClient library in order to address the debt maturities? And lastly, if you had to choose, would you rather raise new equity or sell the MultiClient library?

A - Rune Olav Pedersen {BIO 16158611 <GO>}

We will assess every opportunity, and I don't think it's time to start to talk about different alternatives here. However, I guess I don't think it's very likely that we'll sell the MultiClient library if that's the question. But in terms of what we will do to address these majorities remains for us to see. I mean we have done this many times, unfortunately, and we have done it in a way which has been beneficial both to shareholders and to creditors and our goal. And we are confident that we will also find this time a suitable solution, which should be acceptable for all stakeholders. We are generating positive cash flow as time goes by, and the underlying business is quite healthy.

A - Bard Stenberg {BIO 19147078 <GO>}

Next question is from Jon Masdal in DNB Markets. In Q3, you were highly confident that the two idle vessels would get to work by year-end. With three vessels idle now, what failed in the market intelligence then? And why should we trust you now?

A - Rune Olav Pedersen {BIO 16158611 <GO>}

What failed is what Gottfred explained. We had one project, which we are starting. We're starting it now instead of in Q4, so that was delayed. It was not about market intelligence. It was about our negotiations with the client, and the client didn't turn out to be ready, et cetera. Then we had another project where we were very close to a contract signature when the client pulled the plug and decided to do it in the second half of this year instead.

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And lastly, we had to cut short the Ramform Vanguard in the Ukraine, which should have been operating until -- at least until now, maybe even a little bit further. But because of the escalating security situation in Ukraine, we had to cut that short before Christmas. So these were the three main events that took place, which changed the situation for us in the fourth quarter and also impacting us into the first quarter.

A - Bard Stenberg {BIO 19147078 <GO>}

Then Masdal also asked a question on cash flow. How much of cash flow in 2021 relate to government grants booked in 2020 and collected in 2021?

A - Gottfred Langseth {BIO 5277539 <GO>}

That, I don't have the answer in it from the top of my head. I don't think it is too material. But it could be -- the cash flow collected in '21, there is -- somebody is limited. That would be my answer for now.

A - Bard Stenberg {BIO 19147078 <GO>}

Next question is from Kevin Roger in Kepler Chevreux. Can you comment on the pricing evolution on vessels, the expectations for 2022, as you said in the press release that supply will be limited?

A - Rune Olav Pedersen {BIO 16158611 <GO>}

We obviously currently are experiencing much higher pricing in the market than what we did a year ago. That's kind of number one, which we showed on the graph in -- on our third quarter release. We expect prices to continue to rise into the summer season. And what happens in the fourth quarter, it's too early to say.

A - Bard Stenberg {BIO 19147078 <GO>}

We have a question from Jzrgen Lande in Danske Bank. On the \$25 million of CapEx for new streamers, how many sets or vessels does that cover?

A - Rune Olav Pedersen {BIO 16158611 <GO>}

It is -- maybe it is not necessarily. Full set is the start -- it includes both repair and includes new streamer sections, which will be replacing warm streamers on several vessels and the start of producing a new set. So it's a bit difficult to kind of answer the question in terms of sets to put it that way.

A - Bard Stenberg {BIO 19147078 <GO>}

Then we have a follow-up question from Mick Pickup in Barclays. Canceling a project for security reasons is not in your control. Is there any compensation available from the clients?

A - Rune Olav Pedersen {BIO 16158611 <GO>}

Not on that, unfortunately.

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A - Bard Stenberg {BIO 19147078 <GO>}

Then we have another one from John Olaisen, ABG. You are basically guiding on flat MultiClient investments year-over-year in 2022 despite the positive market outlook. Is this a consequence of more positive view on the contract than the MultiClient market? Is it difficult to secure prefunding?

A - Rune Olav Pedersen {BIO 16158611 <GO>}

I guess it's a combination. I mean it is clear that we are seeing more opportunities in the contract market, which is quite strong than we are in the MultiClient market. So it's a little bit of a consequence of that. And then obviously, it's an estimation of all the unsold part of the year. We have to make some sort of an estimation based on what we're seeing and in estimation.

A - Bard Stenberg {BIO 19147078 <GO>}

Then he also asks, could you give some comments about your expectations for late sales in 2022?

A - Rune Olav Pedersen {BIO 16158611 <GO>}

I think other than stating that, we believe the market will go up. That will also impact late sales. We believe that we will have higher net sales in '22 than '21. Other than that, I don't think I will comment further on that.

A - Bard Stenberg {BIO 19147078 <GO>}

We have another question from Kim Andre Uggedal in SEB. You highlight to establish a sustainable capital structure as a part of your financial strategy. In your opinion, what is a sustainable leverage level for your business?

A - Gottfred Langseth {BIO 5277539 <GO>}

It is -- that is unchanged in a way. We believe what we need to work towards over time is to get to a net interest-bearing debt level, which doesn't exceed \$500 million to \$600 million based on any way how our current size of business and assets.

A - Bard Stenberg {BIO 19147078 <GO>}

Then we have a question from Baptiste Lebacq in ODDO. At this stage, with oil price increase, are you able to preserve your margins?

A - Rune Olav Pedersen {BIO 16158611 <GO>}

We expect the margins to go up. I assume it relates to the fact that it also impacts our cost. We expect our revenues to increase more than our cost, so the margins will increase with higher oil price.

A - Bard Stenberg {BIO 19147078 <GO>}

Then we have some questions from a private investor. When you say 4D, how do you know that the customer wants streamer 4D or nodes as 4D?

A - Rune Olav Pedersen {BIO 16158611 <GO>}

That is -- either -- or in this case, 26 of these are other tendered or awarded. And obviously, then it's tendered or awarded as a streamer 4D. So for 26 of them is fairly easy. For the remaining number of 4Ds, it's based on what they tell us combined with what they have done before on that field. So yes, we have a fairly good indication of that. It's seldom that we are uncertain whether the client wants a node or streamer 4D. It could happen on new field -- on a new baseline in certain areas, but that is quite seldom.

A - Bard Stenberg {BIO 19147078 <GO>}

And then he ask as a follow-up question. What do you think of the competition from the OBN players in the 4D market? And he also asks why is PGS ignoring the OBN market?

A - Rune Olav Pedersen {BIO 16158611 <GO>}

Well, the 4D -- there are some 4Ds shot with nodes. And what -- so far still the large majority is shot with streamers. That's kind of number one. We don't see any, let's say, formerly shot with streamers now shot with 4D. We don't -- I don't think I have any examples of that happening. And when it comes to new fields, it depends. As I said, some fields would choose nodes. But still, I would say a majority to streamers still.

To say that we ignore the market is not correct. We have actually entered into a strategic collaboration with MagSeis for addressing the combined node and streamer market because we do believe that, over time, there should be room to grow the market where you do a combined survey with some nodes and some streamer acquisition and put that together and get an image of the surface, which is even better than only streamer and cheaper than on the node.

A - Bard Stenberg {BIO 19147078 <GO>}

Very good. Last question from the private investor. Are you planning to sell any of your vessels?

A - Rune Olav Pedersen {BIO 16158611 <GO>}

No. We're not planning to sell any of our vessels.

A - Bard Stenberg {BIO 19147078 <GO>}

We don't have any more questions at this time from the audience. So I will pause for a moment to allow anybody to type in their last questions.

Okay. As there seems to be no further questions from the audience, we thank you all for participating. Have a nice day.

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