



# **CGG Q4 & Full Year 2021 Results**

Thursday, 3<sup>rd</sup> March 2022

## **Introduction**

Christophe Barnini

*Head-Group Communications & Investor Relations, CGG SA*

### **Welcome**

Thank you. Good afternoon or good evening, ladies and gentlemen. Good morning as well. Welcome to this presentation of CGG Fourth Quarter and Full Year 2021 Financial Results. The call today is hosted from Paris, where Mrs Sophie Zurquiyah, our Chief Executive Officer, and Mr Yuri Baidoukov, our Chief Financial Officer, will provide an overview of the fourth quarter results, as well as provide comments on our outlook.

So let me remind you that some of the information contains forward-looking statement subject to risks and uncertainties that may change at any time, and therefore the actual results may differ materially from those that were expected. Following the overview of the fourth quarter and full year and of the 2022 market trends and financial guidance, we will be pleased to take your questions.

And now, I turn the call over to Sophie.

## **Q4 & FY2021 Review**

Sophie Zurquiyah

*CEO, CGG SA*

### **Welcome**

Thank you, Christophe, and good morning, good afternoon, good evening, ladies and gentlemen. Thank you for participating in this Q4 and full year 2021 conference call.

### **Q4 & FY2021 business overview**

Starting with slide five. First, I want to say, I am deeply concerned about the crisis unfolding in Ukraine and the consequences of it on people and their family and that what they will suffer from. CGG has no employee, no business with Ukraine and we have around 70 Russian employees in Russia, which we are doing our best to support.

We have a small processing centre that works locally and a sales office for our equipment business. CGG will comply with the regulations and we are monitoring the evolution of the sanctions against Russia and their implications. So let me start now with some general comments on our market environment.

We operate today in a favourable macro environment as Brent oil price is now well above the 90 mark. We are entering a favourable cycle that was created by sustained underinvestment in exploration and production, combined with a solid rebound in demand. Overall, as expected during the fourth quarter, our markets continue to recover and that was signalled by more client engagement and clearer perspective.

While national oil companies and independents drive our activities, we are starting to see regained interest in imaging and Multi-client data from the international oil companies.

Our strong Q4 performance and particularly in Multi-client gives us confidence that our clients are planning to increase their activities and are contemplating a longer time frame to bringing new oil and gas on stream to compensate the depletion.

In 2021, we extended our leadership and technology differentiation and increased our market share. For all our clients' activities that are focused on optimising production from their current reservoirs to meet the growing demand for hydrocarbons, CGG's high-end technology is the clear choice and an important element of the value chain.

#### **Q4/FY2021 key segment financial highlights**

Moving on to slide six. Our Q4 revenue of \$301 million was up 7% year-on-year and up 12% sequentially. Segment EBITDA was \$154 million, a high 51% margin that was driven by the business mix and increased revenue on the strengthening market.

Segment free cash flow was \$81 million, mainly due to the positive impact of \$95 million in proceeds from the sale of our GeoSoftware and physical data storage businesses. For the full year, net cash flow was positive at \$19 million, before \$40 million refinancing cash costs. We did strengthen our balance sheet in a difficult environment.

#### **CGG ESG 2021 Achievements**

Slide seven. We have summarised here some of the key ESG achievements for 2021. There are a lot more details in the URD that will be coming out shortly.

On the environmental dimension, beyond the absolute Scope 1 and 2 numbers, we are looking at the carbon intensity of our operations through two numbers. The Scope 1 and 2 of our GGR operations per petaflop and the Scope 1 and 2 of equipment per \$1 million of revenue, both have reduced since we started to track those numbers in 2019.

On the social responsibility dimension, we track our health and safety performance. Our LTI, lost-time injury, is well below the benchmarks for each of our three businesses. And the percentage of women in our most senior position has increased to 24%.

And finally, on the third dimension regarding the corporate governance, we can be very proud for having a very engaged, diverse and independent Board.

#### **GGR key financial indicators**

Moving on to slide nine. GGR segment revenue was very strong this quarter at \$207 million, up 17% year-on-year, thanks to solid Q4 in Geoscience and good Multi-client sales in Q4. As a result, adjusted segment EBITDA margin improved to 69%.

Looking at the full year, the overall adjusted EBITDA margin of GGR was down year-on-year because of the mix between Geoscience and Multi-client, offset by significant savings from our cost reduction plans launched in 2020. However, adjusted OP margin significantly improved.

#### **Geoscience key business indicators**

On slide 10 now. Geoscience external revenue was \$93 million in Q4, up 24% year-on-year, sustained by increased demand for sophisticated seismic imaging, as well as the sale from a large multiyear Geovation imaging software and support contract.

Pro forma segment revenue, excluding GeoSoftware and the physical data storage business of Smart Data Solutions, was \$88 million up 19% year-on-year. Year-on-year backlog is stable despite stronger market outlook perspective. And this is due to the size of the contracts

becoming smaller, while the volume is increasing, and therefore providing slightly reduced long-term forward coverage.

We're quite confident that demand for our imaging business is in fact increasing. The total production per head KPI has significantly improved year-on-year, thanks to the full impact of the cost saving plan.

Our high-performance computing capacity is now around 300 petaflops. This large and cost effective HPC capacity is today a key technology enabler for our Geoscience business that requires more compute power to run the advanced algorithms needed to provide ever clearer images of the subsurface. This expertise in HPC, which has been developed for our internal users, and is well in advance of competitive metrics, is now being offered to our clients, both in and outside the oil and gas business that are considering outsourcing the specialised HPC requirements.

### **Geoscience operational highlights**

Slide 11. Strong Q4 revenues were driven by global increase in demand for best resolution imaging of the subsurface, especially in geologically complex basins such as the Gulf of Mexico, North Sea and Brazil, where application of our time-lag full waveform inversion and elastic time-lag full waveform inversion technology provides step improvements in the resolution of layers and boundaries.

Until recently, it was not possible to commercially run an elastic full waveform inversion algorithm because it demanded too much compute power and would have taken too much time as well as cost too much. We are the first company to be able to offer this solution commercially, thanks to our unique and specialised HPC capabilities.

Geoscience market remain solid worldwide, driven by our differentiated technology and our excellent service. As marine nodes take the largest share of the total data acquired, this benefits us as these data density requires the most advanced technology to ensure value from the investment.

I mentioned earlier our large Geovation contract that further enhance Geoscience's performance. We see a favourable trend of clients wanting to procure our imaging software as a complement to their internal solutions, which should continue through 2022.

Beyond the core, Geoscience has been busy in the energy transition space with the release of our North Sea CCUS screening tool and the launch of TailingPulse for mine sites' tailing facilities monitoring and risk management.

With the increasing interest in renewables, we are also involved with several global assessments for geothermal and geothermal lithium. In environmental science, we successfully completed a project to characterise micropollutants and microplastics captured by domestic and industrial filters. On a side note, CGG was invited to participate in a recent episode of the BBC Countryfile based on a microplastic study that we completed on Mount Snowdon in the UK.

### **Multi-Client key business indicators**

Moving on to slide 12. Multi-client revenue was \$114 million, up 13% year-on-year. Multi-client cash CapEx of \$37 million this quarter was dedicated to the Nebula area B and C marine multi-client project offshore Brazil along with five reprocessing projects. A pre-funding

revenue of \$59 million for our new projects allowed us to end the year with an 89% pre-funding, in line with our expectation.

Multi-client after sales were much stronger this quarter at \$55 million, up 77% year-on-year. Our client mix in 2021 included more national oil companies and small independents than we saw historically, and towards the end of the year we started to see IOCs modestly regain interest in data.

The cash-on-cash ratio, which is sales over CapEx, was 1.6 times at the end of 2021, a significant improvement compared to the 1.4 the prior year.

### **Multi-Client operational highlights**

Slide 13 now. In Brazil, we completed our very successful Nebula programme and started a new survey, Antares. Antares is designed to extend and enhance our data library in the South Santos Basin of Brazil and will improve existing imaging over challenging geology by providing a second azimuth with longer offsets.

This area is highly prospective but underexplored and there is substantial interest in the pre-salt blocks that should be offered in the next bid run later this year. US land activity this quarter was supported by clients' growing interest in US onshore gas assets and by M&A. We also made some sales for CCUS applications.

In the Gulf of Mexico, our re-imaging projects continue to draw interest, given the uplift of the data and the drive for near field exploration.

And finally, we are making significant progress with our data platform. Versal was launched to provide clients with a single point of access to seismic data across vendors and our GeoVerse geology and well data library is now accessible as a service.

### **Equipment key financial indicators**

Moving on to equipment on slide 15. Equipment segment revenue was \$94 million in Q4, down 12% year-on-year, but still very solid giving us an overall 23% growth in 2021 year-on-year. This growth is mainly coming from marine node sales, which we see remaining very active throughout 2022 and beyond. At this level of activity, the equipment business delivered a 16% adjusted EBITDA margin in Q4.

### **Equipment operational highlights**

Now on slide 16. This quarter we delivered land equipment to Russia and North Africa. Within the sales mix, we see a strong take-up of our land wireless node WiNG. Marine equipment sales were supported by the remaining deliveries of the GPR300 nodes to the UAE. Marine nodes are in high demand as E&P companies focus on their reservoirs and want to have precise baselines to engineer field development and optimise recovery.

Beyond our core businesses, in infrastructure monitoring, we are making progress in piloting our solutions to address the very large North American structural health monitoring market.

I will now give the floor to Yuri for more financial highlights.

## Financial Review

Yuri Baidoukov

*CFO, CGG SA*

### Q4/FY 2021 Income Statement

Thank you, Sophie. Good morning, good afternoon and good evening, ladies and gentlemen. I will comment the Q4 and full year 2021 financial results. Slide 18, Q4 and full year 2021 income statement.

Let me first comment on the overall 2021 activity. 2021 was a year of contrast. First half of the year revenue was lower at \$370 million, while H2 revenue was strong at \$571 million, up 54% sequentially. EBITDA increased by more than 3 times between H2 and H1 and adjusted operating income margin was at 19% in the second half of the year.

We have also successfully strengthened our balance sheet by refinancing our debt, normalising capital structure and securing \$100 million RCF in March last year, capitalising on a favourable market window.

Looking at the consolidated P&L for Q4 2021. CGG's segment revenue was \$301 million, up 7% year-on-year. It was a very solid quarter and the best quarter of the year for CGG as the gradual market recovery started to manifest itself during the second half of the year. In Q4, Geoscience performed very well. Multi-client sales were strong, driven by high pre-funding and increased level of after-sales and equipment sales were solid.

GGR segment's revenue was \$207 million, up 17% year-on-year. Geoscience segment's revenue was \$93 million, up 24% year-on-year. Multi-client segment's revenue was \$114 million, up 13% year-on-year. Pre-funding revenue of our Multi-client projects was \$59 million, down 16% year-on-year, primarily on lower CapEx at \$37 million, which was well pre-funded and client after sales were at \$55 million this quarter, up 78% year-on-year.

Equipment segment's revenue was \$94 million, down 12% year-on-year. The respective contributions from the Group businesses were 31% from Geoscience; 38% from Multi-client; 69% for the GGR segment and 31% for equipment.

Segment EBITDA was \$154 million this quarter, up 33% year-on-year, a high 51% margin. Adjusted segment EBITDA was \$150 million at 50% margin. Segment operating loss was \$57 million. It included \$23 million fair value adjustments of one multi-client survey in the UK North Sea, where market conditions for exploration have changed in 2021, as well as \$102 million impairment of the Multi-client goodwill where we revised downwards the near-term cash flow forecast after two years of lower than expected Multi-client after sales in 2020 and 2021. And therefore, with the ongoing recovery starting from a lower base.

Adjusted segment operating income was at \$78 million, up \$62 million year-on-year with 26% margin. After cost of debt of \$26 million, tax credit of \$22 million and net loss from discontinuing operations of \$1 million, Group net loss was \$28 million this quarter.

Looking at the full year 2021, our segment revenue amounted to \$941 million, down 1% year-on-year with a 62% contribution from GGR and 38% from Equipment. 2021 segment EBITDA was \$344 million at 37% margin and adjusted segment EBITDA was \$337 million, at 36% margin.

2021 segment operating loss was \$49 million and adjusted segment operating income was at \$78 million, up 56% year-on-year with 8% margin. Group net loss was \$180 million, a reduction of 2.4 times compared to 2020.

#### **Q4/FY 2021 Simplified Cash Flow**

Moving to slide 19, simplified cash flow. Q4 segment free cash flow was \$142 million, up to \$46 million negative change in working capital on strong Q4 revenues, \$55 million CapEx and \$95 million of proceeds from the sale of GeoSoftware and physical data storage businesses.

Q4 CapEx was flat year-on-year and included industrial CapEx of \$12 million, research and development CapEx of \$6 million and Multi-client cash CapEx of \$37 million. Q4 net cash flow was \$81 million after \$13 million lease repayments, \$53 million paid cost of debt, \$8 million CGG 2021 plan cash cost and \$13 million positive free cash flow from discontinued operations.

For the full year 2021, segment free cash flow was \$201 million after \$2 million negative change in working capital, \$227 million CapEx and \$91 million net proceeds from disposals. 2021 CapEx was down 25% year-on-year and included industrial CapEx of \$29 million, research and development CapEx of \$30 million and Multi-client cash CapEx of \$168 million.

Net cash flow for 2021 was positive at \$19 million before \$40 million refinancing cash costs and included \$57 million lease repayments, \$90 million paid cost of debt, \$33 million CGG 2021 plan cash costs and \$2 million negative free cash flow from discontinued operations. This was a very significant improvement compared with \$247 million negative net cash flow in 2020.

#### **Balance Sheet at December 31, 2021**

Moving on to slide 20, Group balance sheet and capital structure. At the end of December 2021, Group liquidity amounted to \$419 million, including \$319 million cash liquidity and \$100 million undrawn RCF.

Group gross debt before IFRS 16 was \$1.18 billion, and net debt was \$866 million. Group gross debt after IFRS 16 was \$1.3 billion and net debt was \$989 million. Our gross debt included \$1.16 billion of senior secured notes due in 2027, \$22 million other items mainly accrued interest and \$123 million lease liabilities. Capital employed was at \$2 billion, down \$172 million from the end of December 2020.

Net working capital after IFRS 15 was at \$229 million, slightly up from \$212 million at the end of December 2020, primarily driven by a reduction in net accounts receivable, inventories and current provisions, partially offset by significantly lower deferred revenue liability from IFRS 15.

Goodwill was down at \$1.1 billion corresponding to 54% of total capital employed. Multi-client library net book value after IFRS 15 was down at \$393 million, including \$357 million of marine and \$36 million of land net book value. Non-current assets were at \$386 million with \$212 million of property, plant and equipment, down \$56 million from year-end 2020 and included \$119 million of IFRS 16 right of use assets, as well as \$90 million of other intangible assets, down \$26 million from year-end 2020.

Non-current liabilities were at \$100 million, down \$49 million from year-end 2020 and shareholder equity was at \$1 billion, including \$44 million of minority interest, mainly related to stamp duty.

Now I hand the floor back to Sophie for an outlook for 2022 market environment and presentation of CGG new beyond the core businesses, business perspectives and 2022 financial guidance.

## **2022 Business Outlook & Financial Objectives**

Sophie Zurquiyah

*CEO, CGG SA*

### **E&P trends: a growth cycle driven by economic recovery and under-investment**

Thank you, Yuri. We are now on slide 22. Looking forward at the macro environment level, we see the effects of several years of reduced and delayed E&P investments, which are translating into high commodity prices. Yet the correlation between oil prices and E&P investments is different than in the past, as some of our clients, especially the IOCs remain particularly cautious when considering longer term opportunities to replace reserves and maintain production.

I think the void left by the IOCs will be taken by national oil companies and independent companies who continue to be more focused on oil and gas. We see this clearly in the new mix of our clients buying data. However, IOCs will also have to reload the exploration portfolios and accelerate field developments in order to meet their future production targets.

As a result, we anticipate the period of 2022 to 2025 a continued increase of E&P spending, starting with production and steadily progressing into exploration. At current, we expect oil companies will increase their offshore E&P spending by around 11%.

### **CGG Continuing transformation into a technology company**

On slide 23. Over our 90 years of existence, we have developed unique technologies and long-time leading capabilities in high-performance computing, digital and geoscience technologies, sophisticated algorithms, earth data library and sensor solutions.

In 2021, we pursued our efforts to leverage this portfolio and find new areas of growth beyond the core aligning with current global market trends. The growth markets we identified are related to energy transition, digital and environmental sciences and infrastructure monitoring.

We made substantial progress organically growing to around 150 engineers. And in 2021, these new businesses represented approximately 5% of CGG's Group revenue, a solid foundation for accelerated growth.

### **A new differentiated offering in rapidly growing markets**

On slide 24. As we continue to transform the CGG business profile into a technology company, we have the ambition to become a leader in specialised digital sciences, energy transition technologies and services and observation and monitoring solution. Each of these markets is expected to see significant growth rates over the medium and long term.



The Digital Sciences market includes the hardware, middleware and software services that are required to cost effectively support specialised high performance computing workflows and data transformation services. We plan to leverage our specialised cost-effective, high-performance computing solution of around 300 petaflops and associated cloud offerings to first serve the oil and gas market and then expand into other domains.

Today, we have multiple projects active in oil and gas as well as renewables. In data transformation, we have already performed several pilot projects and we see significant client interest to move to full scale projects.

The Energy Transition market includes carbon capture utilisation and storage, CCUS, geothermal, environmental sciences and minerals and mining amongst others. CCUS will in particular see significant growth, given the focus from governments and IOCs as the only method to decarbonise high emitting industries in the short and medium term. We made several sales of Multi-client data in 2021 for CCUS applications, and I am confident that this trend will accelerate.

The Monitoring & Observation market includes advance sensor technology and acquisition solutions designed to gather massive amounts of data, analyse these data sets, and through our cloud computing capability, deliver key insights directly to the engineer's desk in near real-time. We already know about our structural health monitoring offering for bridges, dams or large critical structures, our earthworks monitoring offerings for railway stability for example, but we also have other offerings such as underwater acoustic solutions for the defence sector.

**Beyond the Core (BTC) business expected to represent organically more than 20% of total revenues by 2025**

Moving on to slide 25. We believe that we can deliver a differentiated offering in a rapidly growing markets of Digital Sciences, Monitoring & Observation and Energy Transition with the ambition to represent above 20% of CGG's revenues in 2025. Obviously, several of the markets we are targeting are not mature and some could take longer to accelerate than we have planned.

However, we believe our assumptions are fairly conservative and are comfortable with our ambition.

**Digital Sciences: CGG HPC Cloud Ecosystem**

Slide 26. Let me spend a few minutes on CGG HPC cloud ecosystem. With the growing size of data available and the need for modelling across all industries, many industries, including oil and gas, want access to HPC on the cloud either for additional capacity or for their entire needs.

Not only can we provide the infrastructure layer with the environment and the compute power, but we can also provide the support and the services to design the right infrastructure and run the code optimally. We can provide this on the cloud or on the client's own systems.

Our traditional clients are faced with having to reinvest in their HPC infrastructure at high dollars or turn to external providers. Today, the large cloud players are not set up to provide these specialised services, and this is where our opportunity lies. We are positioning CGG as

a customised cloud solution provider that offers its high-performance computing as a service along with professional services and software to energy company and to other industries.

### **2022 Business trends**

Moving on to slide 27. I would like to wrap up with our 2022 perspective, starting with the business outlook.

Geoscience should continue its recovery sustained by a global need to better understand complex subsurface and reservoir for near field exploration and production optimisation. Multi-client projects in key basins should continue attracting interest, while new licensing rounds, activity and M&A should trigger higher after-sales.

In Equipment, land activity is expected to remain solid driven by increased onshore seismic activity in our traditional market such as the Middle East and North Africa. Marine and land nodes are also expected to be in demand. Supply chain continues to be challenging, but so far has not disrupted our plans and deliveries to clients.

Beyond The Core new businesses will be mainly driven by Digital Sciences and Infrastructure Monitoring. Energy Transition markets are still relatively immature and we expect those to further materialise further down the road.

### **2022 Financial Guidance: Accelerating business initiatives to capture rebound in core markets and rapid development of beyond the core businesses**

Slide 28. In conclusion, we strongly believe that we are entering a very favourable positive cycle and that CGG has a unique opportunity to continue expanding in its core domain, while developing new businesses.

Therefore in 2022, we will accelerate our business initiatives and cash investment plans to accelerate the repositioning of CGG to a technology company. In 2022, CGG segment revenue is expected to increase by around 10%, sustained by around 18% GGR growth and stable equipment.

First quarter revenue will be slow due to lower equipment sales year-on-year and the usual seasonality in Multi-client. We are closely monitoring the implications of sanctions on Russia. We have around 4% of our revenue at stake coming mainly from the equipment sales to Russia.

CGG 2022 segment EBITDA margin is expected to increase to around 39% to 40% on full impact of cost savings, revenue growth and favourable business mix. We are expanding our hiring programme to support the development of our Beyond The Core businesses.

CGG's 2022 CapEx will increase to capture the favourable cycle and accelerate the development of our Beyond The Core businesses. Multi-Client cash CapEx is anticipated to be around \$200 million, including new offshore programmes in Latin America and the North Sea. Industrial and R&D cash investment is anticipated to be around \$70 million, including notably up to 100 petaflop of additional cloud high performance computing capacity.

I am very excited by the range of opportunities that are in front of us, thanks to our unique and differentiated technologies. We will capture the growth of our core markets, while developing meaningfully our Beyond The Core businesses.

The next couple of years will be transformational for our company and we are very well positioned to benefit from current global trends. We hope, you will join us on this journey.

Thank you very much for your interest, and we are now ready to take your questions.

## Q&A

**Mick Pickup (Barclays):** Sophie, can I just ask you about the library and sale in [inaudible] those are showing up. What are the conversations you are having with the IOCs? It was historically been a big portion of sales, and clearly [inaudible] Do you think [inaudible] purchasing [inaudible]?

**Sophie Zurquiyah:** Mike, nice to talk to you. Your line is slightly breaking up. But I think I understood your question, which is about the conversation we are having with IOCs on the data library.

You are absolutely right that historically IOCs represented somewhere, I would say, around 40% of our revenue mix. Actually, you have to remember that because of our positioning in Brazil and Norway, maybe we have been historically more skewed towards other client types than perhaps other competitors that are more geared towards frontier.

Anyways, definitely they have dropped in the last couple of years. And I definitely think they are getting ready to reload the exploration portfolio, and eventually they will need fresh data to do that. But if you think about it, they have come through a phase of refocusing, so they are refocusing. They are starting to prioritise and I think, they are just getting in order, everything in the house in order to restart and re-load that exploration portfolio.

So clearly, they are interested in those hot basins, right? The Equatorial Margin in Brazil, wherever they already have positions.

**Mick Pickup:** Okay. And a question for Yuri, if I may. Obviously, a big chunk of this year's cash was on the disposals. Can you remind me what else you have got disposals wise to come in, in 2022?

**Yuri Baidoukov:** Yes, Mick. Good evening. So basically in 2022 and you will see it in the press release, it is only one remaining element, and this is Galileo headquarter building sale and leaseback. We already signed a binding offer and we expect it to close at the end of this month or April, basically I would say. So the net proceeds from that is about \$32 million.

**Kévin Roger (Kepler Cheuvreux):** The first one is related to the guidance that you gave in the GGR business. I was wondering what kind of Multi-client late sales you have on [inaudible], because when I look at your communication and the message is basically it seems that you increased the CapEx by 20%. So assuming that the funding rates remains equal, you will have a plus 20% in pre-funding. If you look at Geoscience just multiplying the Q4 by four, you have a growth embarked of something like 15%. And so I was wondering what kind of late sales you have embarked in this guidance? Because late sales were very low in 2021. It seems that level of discussion are improving, etc. So if you can give us some information on that, please, Sophie?

**Sophie Zurquiyah:** Yeah, you are trying to fit perhaps making it too exact. But first of all, the Q4 times four on Geoscience, it does not work exactly that way. There is some

seasonality to the Geoscience and I pointed you to look to a significant software sales contract that happened in Q4, and that is not going to be necessarily recurring.

So as I mentioned through the downturn and now the kind of the moving up, Geoscience does not move slower. It does not have the amplitudes that you would see in Equipment and in the Multi-client side. So yeah, first of all that Geoscience calculation you are making is probably not quite exact.

When we do our budgets, typically we do not necessarily always plan that high of a pre-funding which we end up achieving. So when we kind of look at our guidance and budget, we always want to shoot above that 75% mark, which is our floor. We end up doing more. And so we did build in our budget higher after-sales. So perhaps the way you are doing it, you are looking at historical pre-funding ratios, but when we build our budget and we provide our guidance, we do not build such a high number. We just always go back to the floor because that is the minimum we commit to.

**Kévin Roger:** Okay. And maybe a tricky one. Probably you have worked on the business plan several weeks ago. Now that you look at the situation with the International Energy Agency that have revised up the baseline in terms of construction that you have now the war in Ukraine-Russia and oil price, etc., are going up strongly. Would you consider that it is very likely at the end that those oil and gas company that Mick was just mentioning will maybe push a bit more on the data, meaning that for them maybe \$15 million, \$20 million in that environment is nothing, but that for you, it would be a big change?

**Sophie Zurquiyah:** I mean, you would think, it is logical, right? And so when I gave you my projection that certainly what is going to have the priority is that sort of developments and you are seeing it clearly with the companies the likes TechnipFMC that are really loading their backlog into development of new fields.

So probably the CapEx will be going first to that. But eventually, it has to go towards exploration and data. And keep in mind that the data that we are selling as well is not just for exploration. And that is the beauty of our position compared to others is that we are in those mature basin.

So, for example, the survey that we are going to start this summer, and we have pre-commitment already. It is going to be a good survey in Norway. I am quite excited. We are going to do a second azimuth to our North Viking Graben survey to the southern part and then we are adding some sparse nodes to define velocity model. So it will be a combination of production, optimisation and step-out exploration. And I think that is going to be where clients will be focusing first.

Now if you look at the recent announcement of all of our clients, they are still talking about dividend, share buybacks, kind of returning money to shareholders and they are saying sort of CapEx comes after that. Eventually, as you know, production goes down, commodity prices stay up, naturally they will have to turn to more exploration. I think so. I mean, at the very senior level, this is the kind of conversations we have. It has to come back.

The question is when? I would say, certainly H2, maybe again starting the year with, for example, I could say that the first quarter is going to be slow kind of seasonality, and then we

are guiding you to slow first quarter. But yeah, I do expect the second half of the year could be stronger than even what we have planned.

Yeah, it is difficult to say because they are so disciplined and still the message is around basically returning cash to shareholders, deleveraging. But the exploration department is still there and still very active.

**Kévin Roger:** So if there is no additional question, I would maybe follow with one trailing to the cash flow generation that would probably be a key focus from investors for 2022. You do not provide guidance for the cash in 2022. Can you give us the key elements for the cash flow generation in 2022 please, Yuri?

**Yuri Baidoukov:** Yes, Kevin. Good evening. So first and foremost, our objective and target, as always, is to be as a minimum cash breakeven, right? So that is the starting point.

Now if we look at the guidance for 2022, so obviously you have the key elements like EBITDA, right? EBITDA dollars as well as the guidance for CapEx. Within that, when it comes to working capital, it depends again on the sequencing of our revenue throughout the year, right? And as Sophie was just mentioning, if we have a strong Q4 at the end of the year, then like always, we might finish the full year with, say, somewhat negative change in working capital on the back of the growing business.

But of course, it will be good news because it means like always that we will be collecting those receivables in the first quarter of the following year.

In terms of other elements, obviously cash cost of debt is well known and fixed, it is around \$100 million depending on the euro exchange rate. And by the P&L and cash cost of debt following refinancing is the same because we no longer carry the peak component in our debt. And our discontinued operations should be close to zero. We still have idle vessel compensation, which is about \$20 million per year.

But on the other hand, we continue to negotiate with ONGC in reaching settlement for those very old receivables as well. So basically, the net impact or the net discontinued operations should be around zero and then tax line in terms of cash, we are looking at probably \$10 million to \$15 million in terms of net cash flow. I think I covered the main elements.

**Kévin Roger:** But Yuri, if I look at the situation basically taking implicitly your guidance in terms of top line and EBITDA margin, it will mean that EBITDA would probably be, let us say, slightly above \$400 million. Then you have \$270 million of CapEx, \$100 million of debt cost and taking the tax plus the potential vessel compensation to be present, it means that with all of that you are net zero, right?

**Yuri Baidoukov:** Yes, I already mentioned the answering to Mick that we also have \$32 million of net proceeds from Galileo sale and leaseback, which we will close end of this quarter, early Q2.

**Mike Pickup:** Can you just talk [inaudible] service. Obviously, you are investing in it at the moment. Will that need continued investments if the business takes off?

**Sophie Zurquiyah:** So Mick, I think you broke up. Are you asking the question of our investment in Beyond The Core business?

**Mick Pickup:** No, investments in the HPC cloud. Clearly, as that takes off, will you need to keep investing in it if it matures as a business?

**Sophie Zurquiyah:** Definitely the answer is yes. So right now, what we are doing, we have to replace our aging data centre in the UK. So we are making an investment to be able to double the size. Of course, we are not committing to the doubling right now. We are just putting ourselves in marching orders to be able to do it once we get the contracts and the orders.

So that is one thing we are doing right now, and it is part of our normal cost of operation because we needed to do it anyways for our core business but preparing for a potential expansion. And that is an area where it would be relatively easy once we have a long-term contract. Usually those HPC contracts, we would expect, they will be multi-year contract with recurring revenue, that it would be very easy to finance.

So basically, we are not too concerned about the cash side of the equation, because once we have the contract, we have been able by the way over the years to get leasing for our GPUs and CPUs and for our hardware. So I would expect that would be the case. So once we have the contract that we would be able to find the financing for it.

I think we have covered a lot. Thank you very much and I look forward to following up with you. And I am sure you have more questions that come up and look forward to seeing you soon. Thanks a lot.

**Yuri Baidoukov:** Thank you everybody. Have a good evening.

**Sophie Zurquiyah:** Bye. Have a good evening.

[END OF TRANSCRIPT]