NOV, Inc.
First Quarter 2021 Earnings Conference Call Remarks

BLAKE MCCARTHY
Vice President, Corporate Development & Investor Relations

Welcome everyone to NOV's first quarter 2021 earnings conference call. With me today are Clay Williams, our Chairman, President, and CEO, and Jose Bayardo, our Senior Vice President and CFO.

Before we begin, I would like to remind you that some of today's comments are forward-looking statements, within the meaning of the federal securities laws. They involve risks and uncertainty, and actual results may differ materially. No one should assume these forward-looking statements remain valid later in the quarter, or later in the year. For a more detailed discussion of the major risk factors affecting our business, please refer to our latest Forms 10-K and 10-Q filed with the Securities and Exchange Commission. Our comments also include non-GAAP measures. Reconciliations to the nearest corresponding GAAP measures are in our earnings release available on our website.

On a U.S. GAAP basis for the first quarter of 2021, NOV reported revenues of $1.25 billion and a net loss of $115 million. Our use of the term EBITDA throughout this morning's call corresponds with the term "Adjusted EBITDA" as defined in our earnings release. Later in the call, we will host a question and answer session. Please limit yourself to one question and one follow-up to permit more participation. Now, let me turn the call over to Clay.

CLAY WILLIAMS
Chairman, President, and Chief Executive Officer

Thank you, Blake.

2020's one-two punch of an oil-supply price war, followed closely by an oil-demand-crushing global pandemic, led to a sharp decline in demand for oilfield equipment and consumables through the year. NOV's results for its first quarter of 2021 reflect the full impact of the shockwave emanating from the combination of these events that led to this historically painful downturn in an industry noted for painful downturns.

As we reported in our operational update on March 16th, the quarter was further impacted by other factors. Severe winter weather and power outages in Texas and Oklahoma led to 63 NOV facilities being shuttered for a week or more. Additionally, new pandemic control measures flared up overseas which shut down another couple of large plants and disrupted our supply chains for certain raw materials, notably fiberglass and resin. And as if that weren't enough, the quarter also ended up being impacted by higher costs on two projects related to poor execution on our part. In one case, a new pipe design has proven more expensive to manufacture than expected; in another, an offshore platform component was delayed because our engineering took longer than expected. Both have been corrected.

Despite these, the final quarterly result slightly exceeded our March forecast, due to better progress on cost reductions overall, as well as—and this is important—more and more greenshoots emerging in the oilfield, particularly in Wellbore Technologies and particularly in North America. Although we still face headwinds in many markets, our confidence continues to mount that the worst is behind us.

North American oilfield activity continued its recovery during the quarter, with March revenues up sharply from January for certain of our earlier-cycle domestic businesses, while international results began to point to early signs of a recovery as well. Nevertheless, the first quarter sequential decline in capital equipment revenues reflects the pummeling our backlog took in 2020, which led to a consolidated revenue decline of 6%. EBITDA fell to break-even, which is unacceptable and is prompting further cost reductions.

As a provider of capital equipment and spares to the oilfield, our results lag those of our customers, generally speaking. Q1 2021 reflects the preceding nine months of crashing oil demand and virtual cessation of capital spending, offset by substantial downsizing and cost reductions. We believe this down-cycle is the worst our industry has ever seen. Oil prices went negative in April. In August, the U.S. rig count hit its lowest level since records began in World War II. North American frac fleet utilization hit single digits. By year end, more than 100 North American oil and gas companies had filed for Chapter 11 bankruptcy protection with a combined debt of over $100 billion. Were it not for a couple of large projects that were awarded before the lockdown, FIDs for offshore projects for 2020 would have marked the lowest since 1960. Although the recovery has begun taking hold in many markets, average Q1 2021 rig counts were down 46% for NAM land, 36% for international land, and 31% for offshore year-over-year. When I say that it has been a historically bad downturn, what I mean is that it has been a measurably, provably historically bad downturn.

In this environment, our oilfield service customers are sticking to the tried-and-true survivor playbook of: cannibalizing equipment, spares and consumables; deferring maintenance; reducing spending to bare subsistence levels; and hoarding precious cash.

NOV's largest competitor in this environment is idled equipment. By fall, every stacked rig had become an incremental source of drill pipe, shaker screens, handling tools, etc. That same dynamic applies across all categories of oilfield equipment when utilization collapses and service companies fight to keep the lights on. A year ago, dayrates began racing to find bottom, at daily cash costs which were insufficient to cover long-term maintenance cash costs, much less the capital consumption costs represented by depreciation. For many sectors, year-end 2020 dayrates reflected desperation—companies discounting to keep some assets and crews working, and spending cash only as a last resort. Consequently, NOV's oilfield backlogs fell throughout the year and Q1 annualized revenue run-rate is down 45% from just five quarters ago.

Here's the good news: 160 years of oilfield history demonstrate that this dynamic is always temporary. The amount of idled equipment available to be parted out falls as activity resumes, and dwindling spares and consumables must be re-stocked as utilization improves. We are beginning to see the early signs of this in certain areas as rigs and frac fleets go back to work. Idled, stripped drilling rigs must have cannibalized pumps and handling tools replaced to go back into service. And this rebuilding, re-stocking and reactivation phenomenon occurs at a time when service company desperation is evaporating and optimism is growing with rising oilfield activity. We know because NOV has lived it through recovery cycles like this in the past.

As the oilfield goes back to work, customers will soon start to worry about the non-trivial cash investment required to reactivate rigs and equipment. Think about the courage required to put your precious cash into the business that almost killed you last year- that's what these customers face when it comes to reactivations. We believe our customers will <u>require</u> higher pricing on their incremental assets going back to work in order to mitigate risk by achieving quicker paybacks on their reactivation investments. Plus, they'll need to cover rising wage pressures and other inflationary forces, and more on that in a moment. And if oil prices remain constructive, pricing momentum will lift margins and returns significantly. Such is the nature of the cyclical business we serve. NOV will be a key recipient of this unit reactivation investment. As various basins and categories of oilfield equipment pass through the inflection to emerge into higher dayrate regimes, their orders for capital equipment will accelerate. This is the "sweetspot" of our business model.

The historical oilfield events of 2020 have led, predictably, to an enormous disassembly of well construction capability by the oilfield services industry, the "tried-and-true playbook" I referred to earlier. Every surviving OFS company on the planet has made it this far <u>by downsizing extraordinarily well.</u> Collectively, our surviving customers are the dream team of cost cutters, and they had been hard at it for several years before tripling their cost-cutting ferocity in 2020. It stands to reason that the aggregate capacity to construct wells has been materially diminished, in our view. If the global economies continue to recover out of COVID and demand more oil, the oilfield services industry will be tested to get back to normalized levels of wellbore construction sufficient to meet rising oil demand.

We think that's more likely than not. First, governments around the world responded to the economic turmoil of the pandemic with unprecedented stimulus packages—for instance, the G10 plus China passed more than $20 trillion of stimulus in the aggregate. This has led to stunning money supply growth: the U.S. M2 is up 27% year-over-year as an example. Generally, money supply growth and low interest rates inflate asset prices, including commodity prices like oil.

Next, drug companies invented a vaccine (several, actually). While there are fits and starts, global vaccination efforts are progressing, positioning the world to emerge from the pandemic lockdown. Huge economic stimulus and a powerful catalyst—vaccines—to more or less simultaneously open economies, coupled with sharply improved household balance sheets and a widespread desire to get our lives back to normal—well, I cannot conceptualize a more compelling recipe for a synchronized global economic recovery of a size that we have not seen since the 1950's post-war boom. We believe this synchronized recovery will lead to rising oil consumption. In fact, leading demand indicators for crude oil, gasoline, and distillate already point to a stronger recovery than many economists expected, and global inventory levels appear to be normalizing ahead of schedule. On the whole, this is a highly constructive backdrop for oil prices for the next few years in our view.

Key risks to this thesis include excess Saudi and OPEC capacity, which is scheduled to trickle in over the next several months, and the possibility of the return of Iranian crude production. We acknowledge that these both remain prominent unknowns; however, record levels of crude inventories achieved through the first half of 2020 have, to the extent we have visibility into them, largely dissipated. That only happens because withdrawals have exceeded additions. So, supply, held artificially low by OPEC, has been less than demand, held artificially low by the pandemic lockdown, and the key question is what will the picture look like as artificial constraints on both ease.

Another risk is the productivity of U.S. shales, which achieved extraordinary levels of growth off-and-on throughout the past decade. Simulfracs and other advancements point to the relentless march of the domestic E&P industry toward greater efficiencies. But, to be fair, the domestic E&P industry was helped in the prior era by 1.) gobs of cheap capital that fueled drilling programs seeking production growth, and 2.) duress in oilfield services that held pricing below that required to replace, let alone earn a return on, the capital consumed in the construction of these wellbores. Things have changed. Capital, when they can get it, is far, far more expensive now, and feels like it is becoming even more so as ESG factors play a more prominent role in investment decisions. And the incremental investments that will be required to restore OFS well construction capabilities will also demand higher returns. Layer in on top of that the consolidation among domestic E&P operators, the higher costs of attracting labor back to the oilfield all while a major economic expansion is underway giving workers a lot of other high-paying options, and, well, you get the picture. A return to material production growth from U.S. shales will be more challenging this time around from where we sit.

Behind the artificial production constraints imposed by OPEC, Russia and Saudi Arabia, and the artificial consumption restraints imposed by COVID economic lockdowns, lies oppressive depletion math. All oil wells decline. To what level has the aggregate natural decline of oil wells been obscured by these artificial constraints? We can debate about what the true supply demand picture looks like, but one thing we can all agree on is that both are far more opaque in 2021 than any prior year. After all, we've never had an economic shutdown like this before.

My point is this: when the industry materially cuts its exploration, its development, its steady construction of the platforms, projects and wells that produce the oil that our global economy relies on, and, further, eviscerates the tools of the oilfield services industry that actually do the work, there will be a day of reckoning.

Throughout this historic period, NOV has been steadfast in: 1.) reducing our costs, which are down $12.6B since 2014, including approximately $2B in annual fixed cost reductions; 2.) improving our cash flow, which has de-levered our balance sheet; and 3.) investing in the next generation of technologies, both for the oilfield as well as emerging renewables opportunities.

Whether it's the next generation of rig floor technology like our robotic pipe handling system controlled in our NOVOS digital environment; our Ideal eFrac fleet outfitted with our Quicklatch system and FlexConnect Frac Hose system to remove both emissions and manpower from the completion process; or NOV Max, our digital platform that brings all the disparate data sources together for the operator to utilize as he or she sees fit, NOV remains at the forefront of the next generation of oilfield technology.

Our push into supporting the energy transition focuses on areas where we believe we can carve out significant competitive advantages while delivering superior economic returns for our customers in wind, solar, geothermal and other emerging energy sources.

Finally, before I turn it over to Jose to go through our segments in detail, let me share some specific examples of the recovery that we believe is just getting started in the oilfield, beginning with Wellbore Technologies. Seven out of eight Wellbore Technologies business units posted sequential growth in Q1, reflecting surging demand for certain products. Consequently, we began to add shifts to manufacturing, and we achieved the highest level of absorption we've seen since Q1 2020. NOV witnessed share gains for Reed Hycalog bits in West Texas and Saudi Arabia, despite increased pricing, due to strong performance and rising activity. Drilling motor demand is also increasing, and downhole friction reduction tools were completely sold out in certain North American markets as revenues were up more than 30%. We've pushed drilling motor pricing up, double digits in some areas. North American rig instrumentation and solids control services pricing is up double digits on new work, back to pre-COVID levels and poised to rise further.

In international markets, we expect our wired drillpipe jobs to increase over 25% in Q2, as operators become increasingly convinced of the value of real-time, high-bandwidth data from the bottom of their drillstrings- something that's only available through our proprietary IntelliServ wired drillpipe technology. Global OCTG demand appears to be picking up, which led to double-digit sequential growth in NOV Tuboscope's pipe inspection services worldwide. And despite continuing dayrate pressure on drilling contractors, Grant Prideco posted a book-to-bill of greater than 100% as operators are requiring larger 5 1/2 inch drillpipe to accommodate better hydraulic performance, leading drilling contractors to purchase this pipe with our proprietary Delta premium connections. On the whole, higher oil prices and higher rig counts, particularly in NAM, place Wellbore Technologies at the forefront of the oilfield recovery.

On the other hand, the Completion & Production Solutions and the Rig Technology segments continued to battle through low capital equipment backlogs and stingy customer spending. However, the CAPS segment saw its book-to-bill for new capital equipment orders above 100% for the first time since Q4 2019, an indication of better results to come. The group's

NAM quick-turn businesses began to see improvement: NAM production chokes backlog popped 30%, and our reciprocating pump backlog grew 69% sequentially. We won another Tier 4 dual-fuel fleet upgrade for a domestic pressure pumping service provider, and demand for coiled tubing strings tripled from its low point in Q2 of last year. While we lost a large project in Alaska, we did win another large project for Brazil, and both projects are evidence that perhaps operators are moving forward with some decisions after a protracted COVID-related malaise.

Rig Technologies sees challenging conditions for rig capex in the near term, but it did see double-digit growth in spare parts orders, following two record-low spare parts order quarters in a row. It has also seen rising inquiries for rig engineering around offshore drilling rig reactivations.

So, while our Q1 results were terrible, I am growing increasingly confident that results will improve significantly as the year progresses. Our spare parts, consumables and services businesses tied to activity are seeing it already, and our salesforce is wasting no time in repairing pricing to acceptable levels. And healing for our capital businesses always begins with rising orders, which we started to see in many businesses for the first time in a year-and-a-half.

To NOV employees listening, I again want to thank you for your perseverance and professionalism. You've skillfully positioned the company to support our customers and to capitalize on opportunities to serve them better. Most importantly, through a year that has thrown a lot at our team, you've taken care of each other. I am incredibly proud to serve with you, and I appreciate all that you do. Jose, Blake, and I look forward to better days with you as things improve through 2021.

With that let me turn it over to Jose…

JOSE BAYARDO
Senior Vice President and Chief Financial Officer

Thank you, Clay.

NOV's consolidated revenue fell $78 million, or 6% sequentially, to $1.25 billion during the first quarter of 2021. The sequential decline was the result of ongoing austerity from our customer base, operational disruptions from severe weather, and COVID-19 challenges, which continue to plague global supply chains. A simple way to summarize the quarter is that January was extremely slow, February was a frozen disaster, and, in March, orders began to pour in and we made up a lot of lost ground, giving us confidence that our results will improve through the rest of the year.

Ongoing cost-out initiatives, a higher-margin revenue mix, and better pricing limited sequential decremental margins to 22%. However, we take no comfort in this performance given that we are at break-even EBITDA, which is unacceptable in any market environment. We continue to challenge our organization to look for new ways to drive incremental efficiencies. During Q1, we realized $52 million in annualized cost savings and identified an additional $31 million in opportunities, bringing the total we expect to achieve in 2021 to $106 million.

During the first quarter, our operations used $27 million in cash and capital expenditures totaled $49 million. It is typical for the organization to consume cash in the first quarter and we expect to be free cash flow positive for the year.

We ended the first quarter with $1.61 billion in cash and $1.85 billion in gross debt, or net debt of $244 million. Following the end of the quarter, we fully redeemed the remaining $183 million of our senior notes due in December 2022 with cash on hand. As a result, our next bond maturity does not occur until December of 2029 and interest expense should decline roughly $1 million per quarter.

Moving to our segment results.

Wellbore Technologies

Our Wellbore Technologies segment generated $413 million in revenue during the first quarter, an increase of $40 million or 11% sequentially. Cost-cutting, improved absorption in our manufacturing plants, a more favorable sales mix, and better pricing drove 55% incremental margins and a $22 million increase in EBITDA to $34 million, or 8.2% of sales.

Our ReedHycalog drill bit business achieved 20% revenue growth with strong improvements across the Western Hemisphere. ReedHycalog's technology leadership is driving market share gains in most markets and the gains helped drive modest revenue growth in the Eastern Hemisphere during a quarter in which we typically see a seasonal slowdown. Share gains, improved absorption, better pricing, and cost cutting drove incremental margins of almost 50%. We expect our ReedHycalog business to post another solid sequential improvement in Q2, led by growing activity in the Middle East and Asia-Pacific markets.

Our Downhole tool business realized a 13% sequential improvement in revenue, led by sales growth that meaningfully outpaced the increase in drilling activity in the Western Hemisphere partially offset by seasonal declines in the Eastern Hemisphere. Operators working to reduce trips, maximize hydraulic flow, and reduce friction are driving improved demand for our SelectShift™ drilling motor, Fluid Hammer, Impulse axial pulse technology, and Agitator tools. A more favorable sales mix, higher volumes, improved operational efficiencies and better pricing allowed the business to deliver 50% incremental margins during the quarter.

Our Wellsite Services business realized a 16% sequential increase in revenue primarily from improving results in its solids control operations. The business unit has steadily recaptured market share in North America from desperate competitors that have fallen out of the market over the last several quarters and is now starting to claw back pricing.

Our MD Totco™ business realized low single-digit revenue growth in the first quarter. Revenue from surface sensor and data acquisition offerings in the Western Hemisphere improved in line with drilling activity but was partially offset by the seasonal fall-off in capital equipment sales to the Eastern Hemisphere. The business unit's eVolve wired drill pipe optimization services achieved record rental service revenue and, as Clay mentioned, picked up additional jobs for Q2. Our track record of improving drilling efficiencies for operators is driving an increasing rate of adoption; however, the relatively high cost of wired drill pipe in a capital constrained market has mostly restricted this service offering to operators that have complex wells with tight drilling parameters. We believe our new, low-cost, next-generation wired drill pipe technology could significantly expand the market and accelerate the adoption of our wired drill-pipe enabled services.

Our Tuboscope pipe coating and inspection business posted a 10% sequential increase in revenue. Demand for inspection services improved globally and was particularly strong in the U.S., where piece counts from steel mills and outside processors improved 43%. Revenue from coating operations fell due to seasonal declines in the Eastern Hemisphere, which more than offset improving demand in North America.

Our Grant Prideco drill pipe business achieved a high single-digit sequential increase in revenue. A higher proportion of larger diameter premium pipe in our sales mix drove outsized incremental margins despite meaningful costs associated with the winter storm, which included facility repairs, overtime pay and scrapping cost resulting from power outages that occurred during sensitive heat-treating operations. The busines unit achieved a 104% book-to-bill, which should allow for another sequential improvement in Q2. 31% of our orders came from North America, the highest percentage in quite a while. As Clay mentioned, we saw strong demand for 5.5-inch pipe driven by operators seeking greater hydraulic efficiencies – consistent with the driver we're seeing for our high flow rate drilling tools – at a time when there continues to be ample supplies of 4.5 and 5-inch customer-owned drill pipe in the U.S.

For our Wellbore Technologies segment, we expect activity gains in the U.S. and Latin America to moderate and activity in the Eastern Hemisphere to recover resulting in sequential revenue growth of eight to ten percent during the second quarter. We also expect continued improvement in the segment's cost structure and better pricing, which should allow incremental EBITDA margins near 50 percent.

Completion & Production Solutions

Our Completion & Production Solutions segment generated $439 million in revenue during the first quarter, a decrease of $107 million or 20% sequentially. The sharp decline was primarily due to depleted backlogs, severe weather-related disruptions, and supply chain challenges. Efforts to reduce costs and improve operational efficiencies limited decremental margins to 30%, and EBITDA declined $32 million, to a loss of $4 million.

Orders for the segment improved 57% sequentially to $338 million, resulting in a book to bill of 127%, the segment's first book-to-bill greater than 100% since the fourth quarter of 2019. During the quarter, we began including orders for subsurface fiberglass fuel storage tanks in our capital equipment backlog. Excluding this addition, our book to bill would have been 115%.

Our Fiberglass Systems business realized a 25% sequential decline in revenue. Difficulties faced by the unit were emblematic of what we saw in most of our capital equipment businesses during the first quarter. We anticipated absorption challenges resulting from five straight quarters with a book-to-bill below one, but severe COVID-19 and weather-related disruptions also impacted operations. COVID-19 outbreaks shutdown our two large manufacturing facilities in Malaysia for three weeks, and the pandemic's impact on global supply chains resulted in shortages of epoxy resin and glass fiber, which limited manufacturing output at our facilities. Severe winter weather further hampered operations and caused customers to defer deliveries due to transportation constraints and difficulties installing large subsurface storage tanks in frozen soil. Despite demonstrating the near perfect case study for Murphy's law, our team did everything within reason to protect the bottom line and was able to maintain positive EBITDA margins. While ongoing supply challenges may not be fully resolved until August, the outlook for this business seems to be improving with each passing day. A significant pickup in orders in March for our fuel handling products allowed the unit to post a book to bill north of 100%. We are also seeing demand return for marine scrubbers in Asia and fiberglass pipe in the Middle East, providing us with confidence that the business should realize steady improvement in its results throughout the remainder of 2021.

Our Intervention & Stimulation Equipment business realized a mid-single digit sequential decline in the first quarter, its fifth straight quarter of declining revenue. Despite continued weakness in the North American market, the segment achieved its second straight quarter with a book to bill greater than one. Demand for wireline equipment, particularly in the Middle East, Europe, and Africa has been a bright spot, and, while our coiled tubing business experienced a sharp fall-off in Q1, quoting activity from international markets remains healthy and improving completions activity in the U.S. is driving greater demand for consumables.

In the pressure pumping space, activity levels have increased significantly, but pricing for our customers' services remains well below pre-COVID levels, forcing cannibalization and low-cost purchases of distressed equipment to sustain operations. Opportunities to cannibalize are limited, and, while equipment auctions continue, the quality of iron on the auction block is quickly deteriorating. As a result, we're seeing a significant increase in quotes, albeit off extremely low levels, for new equipment. Our Q1 cementing equipment orders were double the amount we received the entire second half of 2020, and we're also seeing increasing demand for stimulation equipment with enhanced capabilities and reduced emissions. During Q1, we booked an order to convert 16 Tier-2 frac pumps to new Tier-4 DGB (dual fuel) units that can run on a combination of diesel fuel and natural gas, lowering operating costs and emissions. Additionally, we're seeing growing interest in our Ideal™ eFrac stimulation equipment, which recently finished its first field trial where our pump completed more than 200 stages at rates up to 22 BPM, nearly three times that of a traditional 2,500-horsepower unit. With improved bookings and growing demand for aftermarket services, we expect our Intervention and Stimulation Equipment business unit will realize a meaningful pickup in revenue during the second quarter.

Our XL Systems conductor pipe business experienced a sharp sequential decline in revenue during the quarter, resulting from a backlog that was depleted after eight straight quarters with a book to bill of less than one. Our team limited decremental margins to only 17%, and we achieved a 143% book to bill, indicative of improving market conditions. Interestingly, we've seen certain customers award work, then delay deliveries, while other customers are scrambling hard with urgent orders for newly established, near-term spud dates. So, sentiment remains mixed, if not a little unusual, but we take the current dynamics as a net positive. Meanwhile, competition remains fierce with desperate competitors offering pricing and payment terms that we will not match. Fortunately, our technological and quality differentiation allows us to win a sufficient number of projects that are not entirely driven by pricing, such as the award we received associated with the industry's first 20,000-psi well development project.

Our Subsea flexible pipe business realized a low double-digit sequential revenue decline with outsized decremental margins resulting from lower volumes, a less favorable product mix, and the manufacturing challenges associated with a new pipe design that Clay mentioned. While bookings remained light, customer dialogue and order outlook has improved, particularly in Brazil where we expect large projects to advance later this year. However, exact timing remains somewhat uncertain as extreme COVID-19 related challenges in the country make it difficult to coordinate efforts and complete essential engineering work required to advance projects.

We believe the offshore production-oriented components of our CAPS segment are at or near a bottom. On our last several calls, we've mentioned how we have been pursuing a large number of offshore production-related projects that continued to push out quarter after quarter. We've finally started to see some of these projects shake loose and remain hopeful that stronger oil prices could support more FIDs through the year.

For the second quarter of 2021, we anticipate revenue from our Completion & Production Solutions segment will improve between 15-25% sequentially with incremental margins in the mid-twenty percent range.

Rig Technologies

Our Rig Technologies segment generated revenues of $431 million in the first quarter, a decrease of $6 million or 1% sequentially. A small increase in capital equipment sales related to offshore wind was more than offset by the seasonal fall-off in aftermarket services. A less favorable revenue mix and weather-related disruptions resulted in a $6 million decline in EBITDA to $13 million, or 3% of sales.

Orders for the segment declined $78 million sequentially to $112 million, yielding a book-to-bill of 59%, the segment's sixth quarter out of the last seven with a book to bill of less than one. Orders for rig capital equipment remained weak as drilling contractors continued to cannibalize idle equipment and minimize spend. Despite improving activity and dialogue, there remains a distinct lack of urgency from our customers. Quotation levels increased 25% sequentially, and the conversion of quotes to orders also improved; however, only quotes for small orders converted to bookings. We aren't losing larger orders to competitors, and customers are not canceling projects. There is simply just a lack of urgency, and potential orders keep sliding to the right. Ongoing waves of COVID-19 outbreaks in international markets do not inspire confidence, and neither does uncertainty around the timing of when several of our offshore drilling contractor customers will exit bankruptcy. While customers in the Middle East and Asia continue to express the need for newbuild rigs and offshore customers require meaningful upgrades for reactivations, we expect the lack of urgency will keep the book-to-bill for our traditional rig equipment business below 1x; however, we are optimistic that a few additional quarters of stability in commodity prices and improving activity levels will do quite a bit to move projects forward.

On a more positive note, we began manufacturing the first two rigs from our new manufacturing plant in Saudi Arabia. Near-term revenue from these projects will help offset the expected weakness in our rig equipment order book. As a reminder, the plant has a commitment for 50 drilling rigs over the next 10 years and accounted for $1.8 billion in backlog. We expect to deliver the first rig at the end of this year, a rig in each quarter during 2022, and 5 rigs per year beginning in 2023.

In our aftermarket business, spare part bookings increased 22%, led by demand from the Middle East and U.S. land markets as the ability to cannibalize stacked rigs has nearly run its course. While the improvement is extremely welcome, spare part bookings are down 36% year-over-year, and demand from our offshore customers was 43% lower than it was in Q1 2020. As previously mentioned, several of our larger offshore customers are in the late stages of restructuring processes, and we currently have a large amount of their equipment sitting in our shops. We are optimistic that once capital structures are reset, and more FIDs advance, we will realize a meaningful pickup in service, repair, and re-certification related work.

Our renewables business has a completely different feel than our traditional rig business. During the quarter, we booked an order for the design, jacking systems, and crane for a European wind turbine installation vessel. Our Q1 offshore wind order intake was modest relative to the opportunities we are pursuing, which include over $400 million in potential projects that could be awarded before the end of the year.

Looking ahead, to the second quarter we expect growth in our renewables business, improving aftermarket activity, and progress on the rigs in Saudi Arabia to offset the impact of weak orders from our rig capital equipment business, which should lead to results for our Rig Technologies segment that are in-line with the first quarter.

With that, we will now open the call up to questions.