# National Oilwell Varco, Inc.
# Fourth Quarter and Full Year 2016 Earnings Conference Call Remarks

LOREN SINGLETARY
Vice President, Investor and Industry Relations
Thank you and welcome, everyone, to National Oilwell Varco's Fourth Quarter and Full-Year 2016 Earnings Conference Call. With me today are Clay Williams, President, CEO and Chairman of National Oilwell Varco and Jose Bayardo, Senior Vice President and Chief Financial Officer.

Before we begin this discussion of National Oilwell Varco's financial results for its fourth quarter and fiscal year ended on December 31, 2016, please note that some of the statements we make during this call may contain forecasts, projections and estimates, including but not limited to comments about our outlook for the Company's business. These are forward-looking statements within the meaning of the federal securities laws, based on limited information as of today, which is subject to change. They are subject to risks and uncertainties, and actual results may differ materially. No one should assume that these forward-looking statements remain valid later in the quarter or later in the year. I refer you to the latest Forms 10-K and 10-Q National Oilwell Varco filed with the Securities and Exchange Commission for a more detailed discussion of the major risk factors affecting our business. Further information regarding these as well as supplemental financial and operating information may be found within our press release, on our website at www.nov.com or in our filings with the SEC.

On a U.S. GAAP basis, for the fourth quarter of 2016, NOV reported revenues of $1.69B and a net loss of $714MM, or ($1.90) per share; for the full year 2016, NOV reported revenues of $7.25B and a net loss of $2.41B, or ($6.41) per share.

Please be aware that our use of the term EBITDA throughout the call this morning will correspond with the term "Adjusted EBITDA" as defined in our press release. We also use other non-GAAP measures as described in our press release.

Later on this call, we will answer your questions, which we ask you to limit to two, in order to permit more participation. Now, let me turn the call over to Clay.

CLAY WILLIAMS
Chairman, President, and Chief Executive Officer
Thank you, Loren. For the first time in two years National Oilwell Varco posted a sequential improvement in revenues, which rose 3% in the fourth quarter as compared to the third quarter of 2016. The Company did an excellent job driving incremental profitability on this increase, posting 74% incrementals, which lifted our Adjusted EBITDA for the second quarter in a row. Adjusted EBITDA (ex-charges) totaled $102MM, or 6% of revenues, in the fourth quarter, enabled by the many cost reduction initiatives undertaken by our seasoned managers and helped by rising rig counts in certain areas.

As we note in the press release, NOV achieved another important milestone in Q4, in that we saw our global sales into land markets exceed our global sales into offshore markets, for the first time since our 2005 merger. Our Q4 mix was roughly 52% land-related, 48% offshore.

Frankly, I'm glad 2016 is behind us. In Q4 we benefitted from rising momentum in NAM shale plays in particular, which we expect to accelerate. Our international markets still face headwinds for a quarter or two, and offshore markets continue to trend down, so we still have challenges ahead. Nevertheless, $50 oil has been a welcomed relief.

I attribute my grey hair to the many previous downturns I've been through- 1986, 1991, 1999, 2002, and 2009. They all required difficult decisions and cost reductions, but this one has been unusually grim and painful. E&P customers cut spending two years in a row, and current capex is just half the levels seen just two years ago. Last year, global exploration discoveries were the lowest they have been since 1947. In May of 2016, U.S. land rig count dropped to the lowest numbers ever recorded.

The industry responded as we always do- teams have gotten smaller and facilities have been shuttered as purchase orders evaporated. I'm not the only one here with grey hair, though- our tough, seasoned leaders suffered through the same industry cycles of the past, and they have executed superbly through this one. There is no better team in oilfield services, and I'm grateful for each and every one of you every day.

Like me they recognize that, as hard as they are, downturns are an opportunity to become better. Great companies like NOV use downturns to reexamine how we do things and then take action to drive better efficiencies. Action like taking costs out of manufacturing processes, actions like streamlining supply chains and collapsing cycle times so that we can deliver NOV's technologies to our customers when they need it.

Great companies like NOV use downturns to innovate, like developing the industry's first and only commercial predictive analytics tool for blowout preventers, RIGSENTRY™, to warn customers of component fatigue before failure occurs. Last year, for example, we avoided nearly a dozen expensive BOP downtime events for our customers with this exciting technology, which we introduced in early 2016, and which we are expanding into other drilling components like top drives, draw works and mud pumps in 2017.

Great companies like NOV help E&P customers improve their economics and lower their cost-per-barrel in a downturn. That's why we've continued to invest in promising closed loop drilling automation, which employs machine learning capabilities to control the drilling process, making it more efficient using Rigs That Learn.

Great companies like NOV bring new ideas to our E&P customers, like aligning with key industry partners to develop a catalog of fully-costed FPSOs that reduce the time to first production, to help make deepwater development more economic.

Necessity is the mother of invention. In a low-oil-price world, accomplishing lower costs per barrel becomes a necessity for our customers. At great companies like NOV, invention follows.

I started in an industry very different than today's. In the early 1980's almost all drilling was done vertically, with mechanical rigs (or occasionally DC electric rigs) using a kelly to turn roller cone bits. Wells took months to drill. US production was declining following its peak more than a decade earlier. A generation later we drill horizontal wells with PDC bits turned by downhole drilling motors and drill pipe turned by top drives. And doing it with fit-for-purpose AC rigs and massive frac spreads to execute dozens of stages.

The downturn of 1980's was particularly severe. E&P operators faced the very same challenges they always do when oil prices plummet- how to improve costs per barrel. Again, a necessity to survive. And, again, invention followed. I credit the downturn of the 1980's with the inventions of: Measurement While Drilling systems; Logging While Drilling systems; top drives; rotary steerables; horizontal drilling technologies; and PDC bits- technologies that, frankly, enabled the shale revolution. It's not a stretch to say that the seeds of this amazing new source of oil and gas are a direct result of the downturn of the 1980's.

NOV helped lead the way. In 1982 we introduced the Top Drive, and since then, our NOV brand name has become synonymous with a technology used on most rigs worldwide. We invented breakthrough technology for fixed cutter bits used by most every PDC bit today. We introduced coiled tubing injector technology that improved the reliability of this important well completion tool. We retooled the NAM land rig fleet.

As a result, from 2011 to 2014, the US became the world's fastest-growing oil producer, increasing production by four million barrels a day. The ingenuity of our industry coming out of an extended downturn enabled profitable production out of marginal rock, where permeability is measured on a nano-scale. And what has happened in the US is not lost on the rest of the world. In my visits with customers elsewhere around the globe lately I find all onshore producers seem to have the same thought- that they need to learn a lot more about shale technology. Oil production matters in many places around the world. Many economies and governments rely on oil revenues to fuel economic development, peace and prosperity. They are all suffering under low oil prices. And I believe most, if not all, are thinking "Ignore shale technology at your peril."

But let me also clarify a bit. While the actual development of geologic shale is promising, that's not precisely what I'm referring to. It's the shale technologies- specifically, horizontal drilling and hydraulic fracture stimulation- that matters, because these can be used to enhance the economics of not just shales but also of other tight reservoirs and even conventional reservoir rocks- rocks found in every basin globally. The opportunity in front of NOV is to bring these promising technologies to the rest of the world.

Our most accomplished E&P customers tell us that landing a long horizontal lateral in the sweet spot within a shale section, without a lot of the twists and turns known as doglegs, is a key success factor. This requires modern AC rigs with lots of mud pump and pressure capacity, premium drill pipe able to handle demanding downhole conditions, downhole drilling motors, PDC bits, solids control kit, drilling waste management technologies, and MWD systems. Rotary steerable tools also have a lot of potential to reduce doglegs, which are created on every slide using conventional bent-sub techniques that build cumulatively throughout longer laterals. These doglegs increase vibration, torque and drag, which present future drilling and production challenges.

Sophisticated E&P customers tell us that efficient hydraulic stimulation operations, with ever-higher proppant loadings and more and more stages, are a key success factor. This requires reliable coiled tubing units, frac spreads, pumps and treating iron that are continually being pushed to higher pressures and asked to pump greater loads of abrasive sand. It also requires more completion tools and production processing equipment. The good news for NOV shareholders is that we sell all of this kit.

The big picture here is that shale technologies are extremely consumptive of even the most reliably built equipment. Shale is insatiable. It wears out rigs and frac iron. It consumes drill pipe, bits, drilling motors, frac spreads, treating iron and a whole host of expendables like valves, seats, coiled tubing and shaker screens. It's like feeding a Labrador. As the worldwide leader in the manufacture of all of these, I like NOV's competitive position.

Prior downturns teach us that marginal cost positioning across the range of productive basins continually evolves. I'm convinced that the many smart E&P engineers and scientists engaged in the offshore will whittle down the costs of developing the billions of barrels of known volumes already discovered there. NOV continues to invent to improve drilling efficiencies, reduce the time to first oil and, ultimately, drive compelling deepwater economics. Technologies like our Seabox injection water treatment system hold great promise to improve offshore recovery factors, and our initiatives in floating production systems can reduce the cost, risk and time of offshore facility construction by 20% or more and accelerate first oil. After a very slow 2016 we are hopeful that the industry will begin to see many more FIDs over the next couple of years, as costs are taken out of development plans.

NOV has a long and proud history of invention to improve our industry. Consider drill pipe for a moment. In the 1980's drill pipe was largely a commodity- dumb iron used to transmit torque and mud downhole. As the industry migrated towards horizontal drilling, extraordinary new demands were placed on drill pipe. It is now required to bend 90 degrees and extend thousands of feet horizontally, which places immense stress on drill pipe. NOV invented premium threads to facilitate higher torque transmission, engineered larger internal diameters to maximize hydraulic power transmission and engineered higher slip-crush strengths to handle higher axial loads. And our innovation continues- just last quarter we introduced our newest premium connection, Delta™, which makes up 25% faster without the need for stabbing guides and reduces total-cost-of-ownership by greatly reducing thread galling. It is designed specifically for land operations. Last year we began installing RFID chips in drill pipe that enable tracking of each individual joint, its in-service life, and its inspection history. RFID chips also enable drillers to automatically tally the pipe in and out of the hole, eliminating a time-consuming and error-prone manual process. We wire drill pipe with coaxial cables that "turns the lights on" downhole through instantaneous bi-directional transmission of downhole data at 57,000 bits per second, compared to 10 bits per second for mud pulse MWD and LWD. Today's drill pipe is a highly engineered drilling instrument and a far cry from yesterday's dumb iron.

Individually, our technologies deliver discrete value, but, when combined, they become more powerful still. We've now combined our high-tech wired drill pipe with our new rig NOVOS™ operating system, and downhole drilling mechanics subs, to permit software applications drive the rig on a microsecond basis- far faster than a human driller can work the brake handle. The result: Rigs That Learn, and faster, safer drilling, and better understanding of the challenging downhole conditions.

Earlier I spoke to technologies coming out of the 1980's downturn that have dramatically improved today's industry. I look at the present downturn and ask "what inventions will come out of this cycle that will transform tomorrow's industry?" That's our challenge, but that's also our opportunity.

As NOV has navigated through a particularly painful downturn, we've done what we said we will do- controlled what we can control, reduced costs nearly $3B to match activity levels, retrenched to our most efficient locations, while preserving our core competencies and capabilities so that we continue to serve our customers' needs, wherever they are in the world, land or offshore.

But most importantly we've continued to invent for tomorrow's industry. At the start of this downturn, I said that, as the leading provider of technology and equipment to the critical oil and gas industry, NOV would play a key role in helping the industry drive improved economic efficiency. We've stuck to this plan and executed well.

As we close an extraordinarily challenging year and begin another one, with, we believe, greater promise, I am thankful for the efforts our employees around the world. You have risen to the challenge, and I am proud of you. Keep pushing, and keep innovating. Better times lay ahead.

Jose?

JOSE BAYARDO
Senior Vice President and Chief Financial Officer
Thank you, Clay.

For the full year 2016, NOV reported net loss of $2.41B, or $(6.41) per share, on a GAAP basis. Excluding $2.08B in net pre-tax other items, net loss was $320MM, or $(0.84) per share. Consolidated revenues were $7.3B for the year, down 51% versus the prior year and Adjusted EBITDA was $322MM. Full-year decremental EBITDA leverage was limited to 27% on a revenue decline of $7.5B.

For the fourth quarter of 2016, NOV posted a net loss of $714MM or $(1.90) per fully diluted share. Excluding other items, net loss for the quarter was $57MM, or $(0.15) per share. Other items totaled $706MM, pretax, and consisted of $582MM of inventory charges and $124MM of other charges primarily associated with severance, facility closures and write-offs of certain assets.

Consolidated revenues were $1.7B in the fourth quarter, up 3% versus Q3, with three of our four reporting Segments generated higher sequential revenues. Adjusted EBITDA increased $34MM, or 50% to $102MM or 6.0% of sales. Incremental sales and sustained efforts to reduce costs and improve efficiencies contributed to the 74% incremental EBITDA leverage quarter-over-quarter. Operating loss excluding other items was $72MM, representing a 33% improvement over Q3.

Working capital, excluding cash and debt, decreased $665MM sequentially to $3.9B at December 31, 2016.

As previously noted, we recorded an inventory charge of $582MM, which was the result of a comprehensive review of our inventories completed during the fourth quarter. Recent activity gains and customer conversations provided us with clear data from which we were able to determine which products across our portfolio were less likely to see demand from our customers in the future, resulting in the charge.

Excluding the impact of non-cash inventory charges, we realized $254MM in cash flow from our inventory during the quarter.

One other significant change in working capital worth noting is that our net AR position increased $275MM, primarily attributable to a $229 increase in tax receivables. Excluding the impact of the tax receivables net AR balances increased $46MM.

For the quarter, we generated $153MM in cash flow from operations. Capital expenditures were $63MM, providing us with $90MM in free cash flow.

We also spent $170MM for acquisitions, including the Fjords transaction we highlighted last quarter, and $19MM in dividends. In total, the company used approximately $100MM in cash, resulting in an increase in net debt to $1.8B.

Earlier, Clay described how NOV benefits from the highly capital intensive nature of today's oil and gas operations. I would like to add that also benefit from a capital light business model relative to others in the space, which provides us with an inherent advantage to leverage a higher portion of every dollar generated into free cash flow.

Full-year cash flow from operations was $960MM and capital expenditures for the year totaled $284MM. So, for the full year we generated $676MM in free cash flow, defined as cash flow from operations less capex. Looking at free cash flow as a percent of revenue, we believe NOV posted a higher free cash flow margin than any other large cap OFS&E company in 2016.

*NOV Rig Systems*

In the fourth quarter, revenues for Rig Systems were $426MM, down 9% from the $470MM earned last quarter. EBITDA for the segment was $57MM or 13.4% of sales, a 280bps improvement from the third quarter. Excluding other items, the segment earned $40MM in operating profit for a 9.4% operating margin.

During the quarter, we deleted $63MM in orders from our backlog in exchange for payments negotiated with these customers. The net result was a modest unwinding of revenue and an increase in EBITDA.

Excluding the impact of the order deletions, the segment achieved decremental EBITDA margins of approximately 20% as our team continues to demonstrate its ability to scale our cost structure to the needs of the marketplace.

Earlier, Clay mentioned that NOV generated more revenues from land than offshore in the fourth quarter. Though our Rig businesses are the two reporting Segments that derive more of their revenues from offshore than land, they too are becoming more balanced. Offshore newbuilds increasingly represent a smaller amount of Rig Systems's revenues, on both a percentage and an absolute basis. In Q4, major offshore newbuilds represented ~9% of NOV's consolidated revenues, down from ~12% in Q3.

Based on recent bookings and expectations for future orders, we anticipate the land business will underpin much of Rig Systems's growth going forward. In the fourth quarter, we booked $115MM in new orders, nearly $50MM, or 44%, of which were for land markets. Included in the quarter's bookings were one AC 1,500HP land rig, nine mobile rigs, a large crane package, an offshore drilling rig equipment upgrade, and a mix of discrete capital components, including top drives, drawworks and jacking systems.

During the quarter we recognized $324MM in revenue from backlog, 11% lower than last quarter's $363MM, as we continued to work through our existing backlog while managing customer-requested project delays and low order volumes.

Rig Systems's book-to-bill was 35%, and year-ending backlog was $2.5B.

In 2016, 49% of our ~$475MM Rig Systems bookings were for land. In 2017, we think that this mix could shift more sharply as land rig orders recover more rapidly than offshore.

We suspect the near-term opportunities still lie with smaller independent contractors adding more modern rigs to their fleets and larger contractors investing in upgrades to their existing rig fleets' pressure and torque capabilities, and control systems. Customer dialogue around newbuild land rig opportunities in the U.S. and international markets are expanding; however, we believe it will be the second half of 2017 before many of these conversations turn into orders. As Clay described earlier, the role drilling technology played in U.S. shale development is not lost on international operators keenly interested in improving efficiencies and driving economic production from more challenging resources.

For the first quarter, we expect Rig Systems Segment revenues to decline ten to twelve percent, as the amount of revenue generated from backlog slows to about $270MM. We plan to continue our aggressive cost management, which, after adjusting for the order deletions from the fourth quarter, should lead to decremental margins comparable to what we experienced in the fourth quarter.

*NOV Rig Aftermarket*

Our Rig Aftermarket Segment generated $339MM in revenue during the fourth quarter of 2016, an increase of $17MM, or 5% versus the prior quarter. EBITDA for the segment was $80MM or 23.6% of sales, down $1MM sequentially.

Revenues improved sequentially due to higher-than-anticipated levels of service and repair work that exceeded the traditional seasonal uptick seen in these areas, partially offset by lower spare part sales at high decrementals, an unfavorable mix shift.

While spare part sales fell in Q4, a slowing rate of decline in the offshore market and two quarters of 20+% increases in U.S. land rig counts contribute to a constructive outlook for Rig Aftermarket spare parts demand as North America rigs reactivate and go back to work.

One of the first actions our drilling contractor customers took at the start of this downturn was to eliminate nearly all non-essential spending on spare parts. Many chose to consolidate inventories across their fleets, rationing out spares required for safe, efficient rig operations. Now, rising levels of U.S. land drilling activity are forcing active drilling contractors to rapidly deplete their existing stockpiles of rig spares and expendables, contributing to rising demand for spares.

In fact, the fourth quarter marks the first time quarterly bookings for spares increased sequentially since Q314, led by land-oriented demand.

Rig Aftermarket, like Rig Systems, remains more heavily weighted to offshore than land; however, the segment is clearly pivoting more towards land to match available market demand.

While prospects are improving, we are not yet ready to call bottom for the segment. For the first quarter, we expect revenue to fall in the mid-single digit percent range and margins to remain stable due to a more favorable mix.

*NOV Wellbore Technologies*
For the fourth quarter of 2016, Wellbore Technologies generated $531MM in revenues, an increase of 1% sequentially.

The modest sequential improvement in revenue was the result of an accelerating recovery in North America land, driving strong incremental demand for the segment's short-cycle products and services, mostly offset by continuing declines in international and offshore markets and an anticipated unfavorable mix shift in our drill pipe business.

EBITDA for the segment was $20MM or 3.8% of sales, down $6MM and 110 bps from the previous quarter. The mix shift in our drill pipe business, which drove double-digit revenue declines at high decrementals, and approximately $9MM in reserves taken against aging Chinese A/R balances and other items, negatively impacted Segment margins.

Across the Segment, cross-currents persist as continued challenges in offshore and international markets remain, and capital equipment sales remain sparse; however, most businesses may have reached the critical escape velocity in the fourth quarter necessary to drive overall results higher. Green shoots have emerged and, in many areas, business is starting to get fun again.

Within the Segment we are seeing a growing number of pockets where demand is rebounding sharply.

During the quarter, global piece count for new pipe inspection at mills and processors by our Tuboscope Group was up 20%. Rentals of our BRANDT solids control and waste management equipment were up 20%. Demand for drilling fluids was up 21%. And, the volume of screen boxes, the consumable element of our large installed base of shale shakers, sold was up 37%.

The increases cited here are for our global operations, so you can imagine those numbers are even greater when looking at North America alone. Improving market conditions are beginning to create opportunities to claw back some pricing. Specifically, we are achieving some success on getting paid for trucking and standby on rental items, and setting price increases on new motor and bit technologies. We are also realizing more success with our recent product introductions.

Momentum continues to build for our drilling automation and optimization products and services where we recently secured a project in the Anadarko basin that will use our full complement of wired downhole tools to feed real-time data to our NOVOS process automation drilling control system, the brain behind "Rigs That Learn".

We are gaining significant traction with our latest drill pipe technologies, including the Delta connections and our TracID™ RFID asset control system. Clay mentioned these earlier, and I would like to offer some additional detail.

US land drilling applications increasingly demand larger sizes, higher-torque connections, and increased levels of technology. Consistent with that premise, we have already sold multiple strings of drill pipe with our new Grant Prideco™ Delta connection as customers have been eager to realize the improvements the product provides for horizontal drilling operations. Many E&P's are requiring new drill pipe strings, often larger diameter 5-1/2" drill pipe, on rigs going back to work.

Additionally, we installed a complete TracID system on a rig owned by a major national drilling company in the Middle East, providing them with the ability to create an accurate drill string tally in real time and calculate bending forces and fatigue development, which should result in more effective use of their pipe and a lower cost of ownership for the customer.

We are also having success leveraging NOV's global distribution capabilities by pushing our recently developed or acquired technologies into new markets.

In our release, we announced that our new rotating control device for managed pressure drilling we launched last quarter has already qualified for an operation in the North Sea.

We also recently sold our first Tolteq™ iSeries measurement-while-drilling (MWD) tools into India and Nigeria, and qualified for a tender in the Asia-Pacific region following a successful customer demonstration running the tool in 12-1/2" and 8-1/2" sections of a well.

And while the word "growth" has finally re-entered our vocabulary, we remain focused on implementing systems and processes to streamline and optimize our operations.

For example, our Tuboscope machine shop in New Iberia, Louisiana recently installed non-touch production racks to feed the CNC lathes on production lines, reducing the manpower required and increasing the amount of tubing connections by up to 25%. This is yet another example of our businesses seeking smarter ways to operate that reduce our costs and improve our production efficiencies.

"Working smarter" remains critically important as we expect cross-currents to persist. The accelerating recovery in the North American land market should allow the mostly short-cycle, activity driven businesses within the Wellbore Technologies Segment to more than offset continuing headwinds in offshore and certain international markets. Drill pipe and international markets should begin to recover in the second half of the year, while offshore will remain more challenged. As a result, we expect revenue to increase in the mid-single digit range with outsized incremental margins as we do not expect the A/R reserves to repeat in Q1.

*NOV Completion & Production Solutions*
NOV Completion & Production Solutions generated revenues of $602MM in the fourth quarter of 2016, up $59MM, or 11%, sequentially. EBITDA for the segment was $69MM, or 11.5% of sales, which represented a $26MM, or 360bps, increase from the previous quarter.

Nearly all business units reported double-digit percentage increases in revenue.

Our Fiber Glass Systems Business Unit realized sequential revenue growth in excess of 20% resulting from increasing global demand for our Fiberspar™ spoolable pipe and an unexpected boost in orders from certain North American operators who wanted to exhaust their capital budgets before year end, the first time we have heard this from customers in a while. We are also seeing distributors begin to re-stock these products for the first time in two years.

Our Process and Flow Technologies business continued to realize strong sales growth in pumps and chokes, as well as growing demand for artificial lift technologies, like progressive cavity pumps. Two weeks of contribution from our recently-closed Fjords acquisition also bolstered Segment revenues.

Our Subsea flexible pipe business posted double-digit revenue growth driving strong sequential margin improvement as a result of higher throughput in our plant in Brazil.

Although Q4 revenue for our Intervention and Stimulation Equipment business was relatively flat, we are seeing indications of a faster than originally anticipated recovery for completions-related capital equipment in North America. During the quarter, demand rapidly increased for certain consumables, including valves and seats, fluid ends and flow iron. Longer laterals and bigger frac jobs are necessitating spreads to grow from 20k HP a few years ago to 40k or more, with beefier transmissions and higher capabilities.

We are also seeing significant increases in equipment repairs and rebuilds for wireline units, nitrogen pumps, coiled tubing units, frac pumps and other support equipment that is coming off the fence line and getting prepared to go back to work. In Q4 we received orders for 12 Coiled Tubing injectors, compared to only 6 injector orders through the first nine months of 2016.

Customer dialogue regarding new orders of capital equipment has continued to increase and is beginning to translate into orders including the 75k HP frac spread we highlighted in our earnings release.

In Q4, total new orders for the Completion and Production Solutions segment were $370MM, up $186MM or 101% sequentially. Book-to-bill was 103% as we recognized $358MM in revenue from backlog, and backlog at year-end was $818MM.

Cross-currents also continue in this segment due to the offshore-oriented components of the business.

We believe our Subsea plant in Brazil will remain busy through 2017 as demand for our flexible pipe has remained strong in this region; however, our remaining backlog outside of Brazil continues to shrink with only a limited number of additional projects entering the market, driving fierce competition and challenged pricing.

Our other offshore-oriented businesses within the segment face similar dynamics. Like Subsea, Floating Production and XL Systems all posted stronger sequential results in Q4, but the backlog for these offshore businesses continue to wind down, although XL Systems has seen quotations rise in recent weeks.

Notwithstanding the challenges we face in our offshore businesses, we expect a stronger than originally anticipated recovery for completions-related equipment along with continued growth in our Fiberglass and PFT businesses to drive overall segment results higher.

For the first quarter of 2017 we anticipate revenues to increase a couple hundred basis points with strong incremental margins.

While we are all glad 2016 is behind us, and the last two years haven't been much fun, all the stakeholders of NOV should take great pride in what we've accomplished and in how well positioned we are moving into 2017.