National Oilwell Varco, Inc.
First Quarter 2018 Earnings Conference Call Remarks

LOREN SINGLETARY
Vice President, Investor and Industry Relations

Welcome everyone to National Oilwell Varco's first quarter 2018 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 2018, NOV reported revenues of $1.80 billion and a net loss of $68 million or $(0.18) per share.

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, Loren.

In the first quarter of 2018, NOV generated $1.80B in revenue, a decrease of 9% sequentially and an increase of 3% year on year. EBITDA was $160MM, down $37MM sequentially, representing 21% decremental leverage to our fourth quarter 2017 results. Our performance was disappointing and less than we expected, leading us to announce preliminary results several days ago, specifically calling out some of the challenges we faced in the quarter. While some of these were outside our control, many were not. We are focused intently on improving execution, and this morning I'm going to go straight into operations to explain what we're seeing and doing in more detail, and, more importantly, show why, despite the slow start, we believe 2018 is shaping up to be a much stronger year.

Wellbore Technologies revenues declined a little less than 1% sequentially in the first quarter, down $4MM to $711MM, but strong Western Hemisphere growth, up 7% sequentially, was obscured by lower drill pipe sales and lower sales in the Eastern Hemisphere. Customers continue to deploy excess drill pipe from stacked rigs to working rigs, which has kept demand low and contributed to drill pipe revenues declining 12% sequentially. However, that may be changing, as our

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first quarter drill pipe book-to-bill exceeded 200%, reaching the highest volumes we've seen since Q3 2015 helped by our new Delta proprietary thread design. With more than 1,000 rigs operating in the U.S., diminishing excess drill pipe inventories, and E&P companies beginning to spec in our sophisticated thread design, the outlook for drill pipe has begun to brighten.

Excluding drill pipe, Wellbore Technologies' NAM revenues increased 7% sequentially, and Latin America revenues increased 6% sequentially, driven by stronger demand and share gains for downhole tools, including bits, MWD kits, drilling motors and related equipment. As we've discussed before, NOV has directed M&A and organic development investments into tools to enable our customers to geosteer their wellbores to the sweet spot within the reservoir, and to drill straighter, lower dog-leg wells that encounter less vibration, torque, and drag. To this end we are seeing more uptake on our three rotary steerable systems product lines. Our MWD kits, which offer three different types of telemetry, are also seeing sharply rising demand. In the second quarter we expect to run our patented Select Shift adjustable downhole bent motor, which may prove to be the next generation of directional drilling technology beyond rotary steerables. This new technology targets the cost-effective delivery of the perfect wellbore- precisely placed, and geosteered to the right spot in the formation. The first quarter saw bits and downhole tools post strong double-digit gains in the Western Hemisphere, where we are benefitting from pricing improvements on certain products. NOV continues to enhance a downhole tool portfolio that can provide higher wellbore quality and more precise wellbore placement, which we see as key differentiators and profit drivers for E&P companies.

We are also seeing steadily rising demand for closed-loop automated drilling optimization services employing heuristic algorithms and our proprietary wired drill pipe. We expect to have seven jobs running simultaneously soon, in the Permian, Oklahoma, Alaska, Norway, and Saudi Arabia. Higher levels of demand broadly for Wellbore Technologies in the strong North America market were largely offset by lower international sales sequentially, reflecting hesitancy by some Middle Eastern customers on spending money, seasonal challenges in Russia, and labor and currency devaluation issues in certain other markets. Nevertheless, with oil prices marching upwards, we believe we are seeing international markets slowly recover, and we are very enthusiastic about continued strong growth in the US, at higher margins.

So, to summarize, through the downturn NOV has assembled a differentiated portfolio of the most effective downhole directional drilling tools; strong first quarter uptake in the busiest, most sophisticated directional drilling markets indicates we are on the right track.

Turning to the Completion & Production Solutions segment, revenues declined 3% from the fourth quarter to the first quarter to $670MM, but decremental EBITDA leverage was held to only 5% due to cost cutting and the resolution of the subsea flexible pipe issues we discussed last quarter. The segment faced a number of unexpected challenges in the quarter, including the cancellation of a large order for the Ca Rong Do project due to a territorial dispute between China and Vietnam. Ex- this cancellation, book-to-bill for the segment was 90%, with most businesses reporting strong book-to-bills exceeding 100%, offset by very weak flexible pipe demand. Consequently, our flexible pipe revenues declined sequentially, partly due to sluggish orders, and partly because we ended up with pipe on the quayside that our customer didn't pick up by the end of the quarter, thereby deferring revenue into the second quarter. Importantly, the business successfully solved the technical torsion challenges that we described to you last quarter. Nevertheless, the offshore products across the Completion & Production Solutions segment generally remain challenged, but higher oil prices and significant re-engineering and cost reductions set the stage, we believe, for offshore FID's to creep higher in 2018, which should lead to higher demand for our offshore products.

Q1 revenue for stimulation and fracking equipment declined as well, due to the lull we mentioned last quarter, of customers slowing buying on the change in environmental standards related to Tier 4 emissions, and to customers not taking delivery of equipment by the end of the quarter. The logistical challenges in certain shale basins around labor, trucking, rail, proppant, and general congestion are well-documented. We believe some of our customers are slow-rolling equipment deliveries because they may not have the crews and logistical infrastructure fully in-place to launch these new assets just yet. This is transitory- much of this equipment has already been delivered during the first few weeks of the second quarter, and our outlook remains strong as the business posted a book-to-bill well north of 100%, underpinned by very strong demand for coiled tubing equipment.

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The segment's fiberglass pipe business also declined sequentially, as a large shipment into West Texas did not quite make it there before the end of the quarter, but is there now, so will be recognized as revenue in Q2. Again, this business unit is seeing strong demand, transitory factors like the West Texas order notwithstanding, and it benefitted from a book-to-bill well north of 100% in the first quarter, too, leading it to its highest backlog ever, eclipsing the previous high set in 2014.

So, to sum up, the Completion & Production Solutions segment continues to struggle with lower offshore demand, but we believe we will begin to see modest increases in offshore FID's this year, which will be additive to the strong demand we continue to see in composite pipe, frack equipment, coiled tubing and stimulation equipment.

Finally, our Rig Technologies segment declined 21% sequentially, at 19% decremental leverage. Decrementals were limited by continued cost reductions that the segment has underway. Although we guided last quarter down for low double-digit declines for the segment, following 20% sequential growth in the fourth quarter, the first quarter results declined even more than we expected, for a couple of reasons.

First, progress on new offshore rig construction was less than we forecasted. As the offshore newbuild rig market has deteriorated, the execution of certain projects has become more challenging, because we rely on our shipyard customers and others to supply key functions to support our own operations- functions such as riggers, welders, crane support, etc. With shipyards under stress, near the bottom of the market, we find that sometimes it is more challenging to get the resources that we need. Our business has become lumpier and more difficult to forecast accurately as a result. We've seen this effect throughout the downturn, so this is nothing really new, it's just that we missed the forecast this quarter. Second, like our other businesses, we also saw customers not pick up equipment by the end of the quarter, on items like mobile rigs, which we suspect is related to, again, not yet having crews and logistical support in place to initiate operations with these new assets.

Like our other segments, though, we see an awful lot to be encouraged about in Rig Technologies, and, while not calling bottom yet, I am convinced the segment is finding firmer footing in a new mix of business that reflects market demands in the next upturn. For the first time since the downturn began we saw a book-to-bill above 100%, with nearly 60% of new orders for land markets, including two rigs for the Middle East, and excellent uptake on a new organically-developed drawworks product that targets the upgrade of NAM land rigs. After a couple of head fakes earlier in the downturn some key Middle Eastern tenders are moving forward now. And, since the close of the quarter we've sold two more land rigs into Latin America, where we see more interest for high-spec AC rigs from drillers pursuing unconventional drilling programs. We are also seeing a rising level of demand for upgrade equipment and, potentially, for new super-spec rigs for the NAM market, which is seeing higher day rates of late.

Like our other segments, Rig Technologies has used the downturn to enhance its technologies and products, including introductions like our NOVOS control system, which is being specified by several major oil companies now, and provides a platform for our Wellbore Technologies segment's closed-loop drilling optimization service. The NOVOS system's open architecture facilitated the 15 different third-party apps now available for drilling contractors on NOVOS, and more are being written as we speak. We have finalized agreements with offshore drillers for more total-cost-of-ownership contracts built on big data predictive analytics, to improve their operational efficiency, and we saw a sharp increase in spare parts orders, which may be signaling that contractors are diminishing their stocks of inventories and their cannibalization of idle equipment. Again, I'm not prepared to call bottom, but a 22% sequential increase in spares orders is pretty stout. We are also encouraged that the number of special purpose surveys we are engaged in is growing in the second quarter, we think because the offshore contract velocity is rising as average contract duration has declined. Contractors want to be in the mix to win new contracts and must have their rig certifications up to date in order to bid.

Overall, with land rig demand beginning to grow in NAM underpinned by stronger day rates; with new incremental land demand emerging in Latin America and the Middle East; with higher spares and aftermarket order levels offshore; and with new technologies like NOVOS and actionable predictive analytics products in the field, the Rig Technologies segment continues to pivot steadily toward greater levels of prosperity.

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On a consolidated basis NOV's first quarter of 2018 was not strong. The first quarter is historically slow for E&P capex and this year's budgeting cycle felt especially tentative. We completed equipment that we didn't get off our loading dock by quarter end, but, I want to be clear, every quarter we complete equipment that doesn't ship on time, so that's not an excuse. We expect NOV to execute better, and we will, as we, for example, make additional cost adjustments like the closure of 32 more locations in addition to the 376 we have closed so far during the downturn. But my key message this morning is that we made good progress during the first quarter of 2018, just like we've made good progress throughout an extraordinarily challenging downturn, to reposition NOV for the inevitable upturn. Within all three segments there is a great deal to be encouraged about.

We still have a long way to go, and the first quarter results were a reminder that this industry is not yet healed. But with stronger, synchronized global economic growth; with oil inventory levels normalized and still declining; with customers running out of spares and consumables; and with technology proving, demonstrably, that horizontal drilling and hydraulic fracture stimulation can change the energy equation for the world, NOV is positioned well for the coming upturn, and stronger performance as this year progresses. I am confident our second quarter results will be much better.

To our hard-working employees listening, thank you for going the extra mile to take care of our customers. You make NOV special and Loren, Jose and I appreciate you. Now let me turn it over to Jose for more operational color.

Jose?

JOSE BAYARDO
Senior Vice President and Chief Financial Officer

Thank you, Clay.

To quickly recap the quarter, NOV consolidated revenue was $1.80B, a decrease of 9% or $174MM sequentially. EBITDA declined $37MM to $160MM as decrementals were limited to 21%.

Looking at select line items of the P&L, as anticipated, SG&A increased $10MM sequentially, due primarily to the nonrecurrence of certain credits realized in Q4. Interest expense decreased $1MM, due to a full-quarter impact from the retirement of our $500MM 1.35% Sr. Note in December.

Equity income increased $3MM, primarily due to rapidly improving results in our voestaalpine joint venture, which realized 14% revenue growth sequentially. Other expenses increased $40MM, primarily due to losses associated with FX and certain assets. We reported a GAAP loss before income taxes of $63MM and tax expense of $3MM.

The negative tax rate was the result of valuation allowances applied to foreign tax credits and an increase in non-deductible expenses associated with the recent tax reform legislation, which prevented our tax benefits from fully offsetting income realized in a number of foreign countries.

While we operate at near break-even income levels, relatively small changes in income by jurisdiction, or discrete items, will result in significant volatility in our effective tax rates from quarter to quarter.

We anticipated that incentive compensation and income and property tax payments would meaningfully reduce cash flow from operations in the first quarter; however, delayed orders and deferred deliveries further contributed to our increase in working capital, resulting in a $129MM net use of cash from operations. As Clay mentioned, inventory that was expected to ship and translate into revenue by quarter-end did not make it out the door, and remained on our balance sheet in greater quantity than expected.

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We also invested $75MM in capital expenditures and acquisitions resulting in cash balances decreasing by $201MM during the first quarter.

While we are not pleased with the increase in working capital, we remain confident in our ability to convert our Inventory and AR to cash through the course of 2018 and expect our future cash flow generation to better reflect our market-leading positions and capital-light business model.

Last quarter we described our philosophy regarding capital allocation, with the expectation that we will generate cash flow that meaningfully exceeds our near-term organic investment requirements. We highlighted that we would likely return excess capital to shareholders in the event that attractive investment opportunities did not materialize; however, we felt that the M&A environment was constructive, which we still feel is the case today. We expect to close several transactions during the second quarter, and we continue to see other attractive M&A targets in the market. These potential high-return M&A opportunities likely defer an increase in return of capital to shareholders, but we will closely monitor cash flow generation and future cash needs.

Turning back to results of our operations.

Wellbore Technologies
For the first quarter of 2018, our Wellbore Technologies segment generated $711MM in revenue, a decrease of $4MM. EBITDA also decreased $4MM to $103MM, or 14.5% of sales.

Strong momentum—resulting from our technologies that help customers more efficiently and precisely place low-tortuosity horizontal wellbores—carried forward in the Western Hemisphere during Q1, but this growth was more than offset by a very slow start to the year across the Eastern Hemisphere and the 12% fall-off in revenue from our drill pipe business.

Segment growth in the U.S. continued to outpace industry activity levels, and we also realized strong improvements in certain Latin American operations, particularly in Argentina, which more than offset slowing activity in Brazil and Mexico. Overall, segment revenue increased almost 7% in the Western Hemisphere, led by strong demand for products from our ReedHycalog and Downhole business units.

No operation highlights the dichotomy in demand from the two hemispheres better than our downhole tools business, which realized 14% revenue growth in the Western Hemisphere and a 10% decline in the East but delivered 8% sequential growth overall with strong incrementals. Robust demand continued through Q1 for our drilling motors and agitator tools, and we saw a 20% step change increase in demand for coiled tubing tools as customers replenished depleted inventories and prepared to ramp completion related activities.

Demand for our drilling motors increased 8% sequentially, driven by the enhanced drilling performance provided by our products. We continue to see customers break drilling records when they utilize our latest drilling technologies found in products like our Vector™ Series 50 drilling motor and ERT Power Section. These products, working in tandem recently helped an operator deliver a 223 ft/hr average rate of penetration on a 10,000-ft horizontal run in the Williston Basin.

We also experienced a 10% improvement in demand for our Agitator tools, driven in large part by our new AgitatorHE product, which continues to gain greater adoption due to its exceptional performance. We’ve seen the tool enable operators to reduce weight on bit by up to 50% while delivering 35% improvements in rate of penetration versus offset wells. Less wear and increased speeds contribute to meaningfully reduce the cost of drilling operations.

Our ReedHycalog business also demonstrated strong performance, realizing a 4% sequential improvement that was led by our bits and borehole enlargement operation in the U.S., which realized 11% sequential growth.

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We continue to achieve market share gains with our fixed-cutter bits as a result of our ION shaped-cutter technology, which provides superior impact and thermal resistance for greater durability. Additionally, our proprietary shaped-cutter designs increase formation fracture propagation by concentrating more force on a defined point, improving drilling efficiency in tough formations. The designs have also been proven to meaningfully decrease the average size of drill cutting particles, significantly improving fluid dynamics, rate of penetration, bit life, and the bit's ability to evacuate cuttings from the wellbore.

Our downhole measurement tool offering is also realizing market share gains and posted a 12% sequential increase in worldwide sales. Orders included one sale for 16 Tolteq MWD strings for the U.S. as well as orders for our newly introduced iSeries near-bit sub system and NXT directional module. The near-bit sub system places the MWD tool between the drill bit and mud motor to provide near real-time data that originates inches from the bit, significantly improving response time and enhancing the ability to stay within a formation's target area. The NXT module provides the ability to capture continuous inclination and azimuth readings, real-time measurement of annular and internal bore pressure while drilling, and stick-slip detection, enabling better drilling performance via real-time optimization.

Our eVolve automation and optimization services continued to notch strong, 8% sequential growth and received several project bookings, which should drive even stronger growth from Q1 to Q2.

The performance of our ReedHycalog and downhole tools businesses is indicative of the success we are realizing from our strategy to provide customers with better physical and digital solutions to more precisely and accurately place low-tortuosity horizontal wellbores at lower costs.

Our legacy WellSite Services businesses posted a 1% sequential increase in revenue. Strong demand for solids-control equipment and services from increasing activity in the Permian and Oklahoma resulted in a 6% top-line improvement in our U.S. operation. This robust growth creates opportunities to begin regaining some pricing power in the U.S.

WellSite Services also realized robust sequential improvement in Latin America from increased activity in Argentina as well as from new projects in other countries, which included a pipeline tunneling job that is using Brandt solids-control equipment and our Portable Power generators to drill a 3-m diameter, 2.5-km long gas pipeline tunnel in Northern Mexico.

Like our other businesses in this segment, strong results in the Western Hemisphere were mostly offset by challenging conditions in the Eastern Hemisphere and offshore markets, with Africa and Asia realizing the largest sequential declines.

Our Tuboscope operation also experienced similar market conditions as the other businesses within this segment, but challenges were further compounded by lost productivity in the U.S. due to weather-related disruptions in January as well as maintenance shutdowns that impacted our coating plant in Midland, Texas.

As previously described, our drill pipe business experienced another sharp sequential fall-off in revenue, but bookings exceeded our expectations, reaching levels not seen since 2015. While customers remain capital constrained, we are growing more confident regarding the rapidly improving fundamentals for this business and expect to see a material improvement in revenue during the second quarter.

Improved prospects for our drill pipe business will amplify overall segment results, which should also benefit from strong momentum in the U.S. and a rebound within certain Eastern Hemisphere countries. As a result, we expect to realize high single digit percent top-line growth with strong (40 to 50%) incrementals.

Completion & Production Solutions

Our Completion & Production Solutions segment generated $670MM in revenue in the first quarter, a decrease of 3% or $20MM sequentially. EBITDA decrementals were limited to 5% due to cost-reduction initiatives and the resolution of manufacturing challenges that impacted our Subsea Production Systems business unit in the fourth quarter. As a result, EBITDA fell by $1MM to $73MM.

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As Clay mentioned, bookings were generally solid for the segment, with most businesses reporting book-to-bills in excess of 100%, but weak demand for subsea flexible pipe and the cancelation of the Ca Rong Do project resulted in total net bookings of $324MM, or an 84% book-to-bill. Total backlog remained above $1B at the end of the quarter.

Our Process and Flow Technologies business unit realized a 3% sequential topline improvement and recorded its second quarter in a row with a book-to-bill greater than 100%. The business is seeing increasing demand for reciprocating pumps and midstream products, including closures and LACT pumps for North America. Additionally, we are seeing growing demand for industrial pumps and mixers.

Notwithstanding solid bookings for produced water, sand handling, and gas-dehydration packages associated with the Johan Castberg and Johan Sverdrup developments, the more offshore-oriented wellstream processing area of this business unit remains challenged.

While we are generally seeing improving market fundamentals and an increasing number of FIDs, offshore markets remain challenging and we therefore continue to see significant cross currents across this segment.

As Clay mentioned, our Subsea Production Systems business unit saw a sequential decline in revenues and soft orders as projects remain limited and competition is fierce for the limited opportunities that do emerge. A bright spot within this business unit is the success we are seeing with the recent commercialization of our proprietary Seabox™ subsea seawater treatment system. The initial unit was deployed in Q1 and its performance has exceeded all expectations, garnering additional interest from other potential customers. The system also recently won an Offshore Technology Conference (OTC) 2018 Spotlight on New Technology® award, which recognizes the industry's most advanced technologies—ones that are poised to dramatically change offshore exploration and help the industry operate more efficiently, safely and sustainably.

Another bright spot among our offshore focused operations was our XL Systems conductor pipe connector business unit. The operation delivered strong sequential revenue growth and solid bookings, driven in large part by ramping activity in Guyana.

Our Fiber Glass Systems business unit posted a sequential decline in revenue, primarily due to the delayed delivery mentioned earlier as well as limited market demand in the marine and offshore markets. Notwithstanding the challenges in the offshore area, we anticipate growing demand in the North American and Middle Eastern marketplaces for our corrosion-proof piping systems will more than offset stagnant offshore demand into the foreseeable future.

In the first quarter, Fiber Glass Systems posted its third straight quarter of bookings over $100MM and a book-to-bill over 100%. The bookings included an order from a customer in West Texas—for whom we will have provided over 70 miles of corrosion-proof pipe—for a salt water gathering and disposal system.

As unconventional production rises, so too does the production of brine, enhancing the importance of saltwater gathering and disposal systems. Our corrosion-proof composite piping offers a compelling long-term cost advantage over steel tubing, and we see the oil and gas market steadily converting conventional steel installations to composite pipe for its longer life span and higher corrosion resistance.

As previously noted, our Intervention and Stimulation Equipment business unit saw a sequential decline in revenue, primarily due to deferred deliveries of pressure pumping equipment as well as large wireline equipment deliveries that occurred in Q4 but did not repeat in the first quarter. Regardless of the softness in revenue during the quarter, we remain optimistic regarding the future performance of this business unit after realizing $120MM in bookings, making Q1 the fifth quarter out of the last six in which we have posted a book-to-bill in excess of 100%.

Notable in the order book was a substantial increase in orders for coiled tubing equipment as well as a resumption of orders for pressure pumping equipment after taking a bit of a pause in Q4.

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Looking at the second quarter, we expect to see a four to five percent sequential improvement in segment revenues. Cross currents will continue through at least the first half of the year and we anticipate our pure-play offshore business units will partially offset the recovery in our land-oriented operations, limiting operating leverage to around 30%.

Rig Technologies

Our Rig Technologies segment generated $483MM in revenue, a decrease of $131MM or 21%. EBITDA declined $25MM to $45MM, or 9.3% of sales.

Revenues from capital equipment fell by $110MM. In addition to slower-than-anticipated progress on offshore rig construction and deferred deliveries of equipment, we also saw a $23MM net reduction in revenue associated with the new revenue recognition standard, which slightly alters the timing of when certain revenue streams are recognized. The changes in timing also resulted in a $110MM upward adjustment to the segment's backlog in Q1.

Bookings for the quarter were strong, coming in at $201MM, the highest level achieved since the third quarter of 2015 and the first time we exceeded a 100% book-to-bill since the second quarter of 2014. Clay touched on several specific highlights from the order book, but I will provide some additional color on what we're seeing from our customer base.

Pent-up demand for more modern land drilling technology is bubbling to the surface with greater frequency. We've seen it in North America over the past year and a half in the form of equipment and technology upgrades to achieve Tier I super-spec capabilities. This opportunity continues to evolve and the average project scope is increasing for NOV as the easy-to-upgrade rigs have mostly been converted. We now see increasingly complex upgrades, including DC to AC conversions and upgrades that incorporate our newly introduced DSGD-425 drawworks. This Dual-Speed Gear-Driven 425-ton, 2,000-horsepower system was specifically designed for extended-reach drilling applications in North America. We believe that steadily improving activity levels—and the corresponding increase in day rates—support these more elaborate upgrades and will eventually support more newbuild opportunities in North America.

More importantly, we also believe we are beginning to see the early stages of a larger upgrade cycle in the international markets, particularly in certain Middle Eastern and Latin American countries. Capabilities of the drilling fleets in these markets are one to two decades behind those commonly found throughout the active rig fleet in North America. As a result, we believe the cycle in the international market will be better characterized by newbuild rigs rather than equipment upgrades. We have long believed there is building, pent-up demand for high-spec land rigs in the international markets and that our agreement with Aramco to build 50 high-spec rigs for the Saudi Arabian marketplace would be the first of many international new build opportunities, but such projects have been slow to materialize. While we are not prepared to say that we are at a tipping point, we are seeing more opportunities emerge in the form of tenders and spot rig purchases. As Clay mentioned, we sold two rigs destined for the Middle East during Q1 and booked sales, early in Q2, for two rigs destined for Latin America. We could also see several additional land rig sales over the remainder of the second quarter.

In our aftermarket operations, the seasonal fall-off in service- and repair-related revenue more than offset a $12MM increase in spare part sales, resulting in a $20MM overall decrease in aftermarket revenues. We are encouraged by what we are seeing in demand for spare part bookings, which increased 22% sequentially and reached levels not seen since Q3 2015. While indications are that we'll see another sequential increase in spare part bookings in Q2 we are hesitant to call bottom due to the head fake that we saw in 2017.

Near-term, we expect:

- The volatility in this segment to continue as we bounce along the bottom of the cycle;
- The booking-to-revenue conversion cycle to shorten as we continue to hold ample inventory for land rigs and equipment; and
- Limited operating leverage as we reward first mover customers with discounts and convert to cash the inventory that has been slow to move during this prolonged downturn.

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Specifically, for Q2, we anticipate top-line growth of roughly 20%, with incremental margins in the low-to-mid teens for our Rig Technologies segment.

So, while we were a little slow getting off the blocks in 2018, this organization has a long history of executing extremely well and we know we will perform better. While challenges persist, broader market fundamentals continue to improve, creating additional demand for our critical enabling technologies. We are also seeing more and more signs of a nascent recovery in international markets and in more of our longer-cycle product lines, including drill pipe and land rigs. Our ability to execute and improving markets give us confidence that we will get back to our prior trajectory during the second quarter.

With that, we'll open it up for questions.

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