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NOV - Q4 2012 National Oilwell Varco Earnings Conference Call

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OVERVIEW:

NOV reported 2012 revenues of $20b and net income (excluding transaction charges and tax benefit) of $2.5b or $5.91 per share. 4Q12 revenues were $5.7b and net income (excluding impact from $51m in pretax transaction charges and net $69m tax benefit related to certain foreign tax credit) was $638m or $1.49 per fully-diluted share.

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PRESENTATION

Operator

Welcome to the National Oilwell Varco 2012 fourth quarter and full year earnings. My name is Dawn, and I will be your operator for today's call. At this time, all participants are in a listen-only mode. Later we will conduct a question and answer session. Please note that the conference is being recorded. I will now turn the call over to Loren Singletary, Vice President of Investor and Industry Relations. Mr Singletary, you may begin.

Loren Singletary - *National Oilwell Varco Inc - VP IR*

Thank you, Dawn, and welcome, everyone to the National Oilwell Varco fourth quarter and full-year 2012 earnings conference call. With me today is Pete Miller, Chairman and CEO of National Oilwell Varco; Clay Williams, President and Chief Operating Officer; and Jeremy Thigpen, 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 December 31, 2012, 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 business -- 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 risk 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 National Oilwell Varco has on file 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. Later on this call, we will answer your questions, which we ask you to limit to two in order to permit more participation. Now I will turn the call over to Pete for his opening comments.

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

Thanks, Loren, and welcome everyone to our year end 2012 earnings conference call. Earlier today we announced fourth quarter earnings of $1.56 per share on revenues of $5.7 billion. After excluding a $51 million in transaction charges and a $69 million tax benefit, earnings were $1.49 per share. For the year, we earned $5.91 per share, excluding transaction charges and the tax benefit on revenues of $20 billion. Our earnings per share in 2012 increased 24% from 2011. We are very pleased with these record revenues and profits, and believe they are the direct result of our outstanding employees delivering great products with the exemplary execution. Jeremy and Clay will expand on these results in a moment.

Additionally, we announced new capital equipment orders for the quarter of $2.42 billion, or a 1.1 to 1 book-to-bill ratio. This equates to a quarter ending backlog of $11.9 billion, a record for us. This exceeds our prior record that we achieved in the third quarter of 2008. We will provide more color on this backlog later in the call. I would like to thank all of the wonderful employees of National Oilwell Varco for producing these record-breaking results by measures. Thanks for all you do. Now, I will turn the call over to Clay.

Clay Williams - *National Oilwell Varco Inc - President & COO*

Thank you, Pete. As Pete mentioned we did generate record earnings, $5.91 per share for 2012, up 24% year-over-year, and up 17% from our prior peak back in 2008, a very strong result. We also generated record EBITDA of $4.3 billion in the year, and record operating profit of $3.7 billion in the year. And as Pete mentioned, we finished the year with a Rig Technology backlog of a record level of $11.9 billion, after having added $9.4 billion in orders through the year. NOV's results are a credit to the hard work and dedication of our 60,000 terrific employees, and I am grateful for the work that they do, and congratulate them on a terrific year.

As we entered 2013, we see cross-currents in the markets we serve. Demand for offshore floating rigs and equipment is strong and constructive, but markets for land equipment and services across North America remain hesitant. Underpinned by new build floating rig demand, Rig Technology's book-to-bill order ratio remained above 1 every quarter this year, successfully surpassing rising revenue out of backlog that totaled a record $7.7 billion for the year. Offshore drilling contractors steadily committed capital through 2012 to expand their deepwater fleets, and we believe that this will continue through 2013. Our outlook for continued, strong deepwater orders is a view that appears to be out of step with Wall Street's conventional wisdom, which seems lately to have convinced itself the deepwater rig ordering will slow.

Candidly, we don't understand why. Why, when unlevered after-tax returns are in the high teens for new rig construction projects? Why, when delivery times have shrunk by year or more, bringing the first dollar project revenue closer and enhancing IRRs? Why, when recent payment terms offered by shipyards, particularly Chinese yards entering the fray, are extraordinarily attractive like 10% down and 90% upon delivery? Why, when the risk of cost overruns and late deliveries for established suppliers like NOV have diminished to near zero?

Why when oilfield entrepreneurs are now pursuing new build rig opportunities? Why, when Brazil has been steadily demonstrating its commitment to order and build rigs in-country? Why when 2012 saw a record number of deepwater field discoveries announced, and successful application of subsalt exploration techniques to West Africa? Why when the utilization and day rates for scarce deepwater rig assets remain high, and with many IOCs and NOC's gradually migrating to development drilling, following very successful exploration efforts over the past decade?

A world view that foresees deepwater orders going down against this backdrop, apparently employs some calculus that I just don't get. We believe $100 plus BRENT and 50% success rates are sufficient to lure the industry into deepwater to discover and capture billions of dollars of petroleum wealth. We also believe this will take a lot of deepwater rigs. Nevertheless, our above consensus deepwater rig order view does not mean our Rig Technology segment is without its challenges.

Specifically, despite strong demand, new drilling equipment package pricing has been stubbornly stuck 8% to 10% below levels of 2007, 2008 as new competitors have joined the mix, and as contractors proceed with less urgency than before. Faster hull construction times out of 50% full Asian shipyards have tightened delivery schedules around NOV components, diminishing manufacturing efficiency somewhat, as deliveries of many major components like draw works, mud pumps and pipe handling equipment jumped 50% from 2011 levels.

Additionally, we are encouraging -- or incurring start-up costs associated with strategic expansions. Outside of deepwater, we also see softer demand. Jack up orders have slowed and most recent interest arises from lower tier contractors. Our competition seems determined to offset NOV's considerable technical and operational advantages with price, sometimes partnering with Chinese shipyards to offer rigs at 10% to 20% discount to established yards.

On the land front, demand for rigs and pressure pumping equipment in North America is very weak, as major drilling contractors and pressure pumpers have signaled substantial year-over-year reductions in CapEx. Demand will ultimately return, high-pressure around-the-clock frac jobs are very, very tough on pressure pumping equipment, and E&P operators continue to push drillers to retool their rig fleets. But we expect 2013 to continue to be slow as we face significant pricing pressure.

International land markets are far more promising. Numerous tenders are at work for IPM projects throughout Latin America, the Middle East and the Far East which will require new, modern rigs and frac spreads. Interestingly, we see many international land markets finally burning through their rig overhang from the 1970s, and beginning to retool much like their North American counterparts did several years ago with horizontal well-capable high-technology drilling assets.

Orders for FPSOs and other subsea development projects totaled over $150 million in the fourth quarter, heavily weighted towards flexible pipe, as orders for turret mooring systems for FPSO's have remained a little sluggish. However, lately we have seen significant increases in bidding activity for turret mooring systems which are complementary to the flexible pipe we sell. In fact, we have a couple of signed contracts awaiting only down payments. And in the meantime, we are conducting an extraordinarily high number of feed studies on potential --subsea FPSO developments while we migrate our business from a project organization to a product organization.

Turning to our petroleum services and supplies group, a strong start to 2012 gave way to sliding North American market conditions over the summer, that have persisted through today. Slowing orders for petroleum services and supplies consumables has led to pricing pressure across several product lines, that resulted in lower sequential margins, and a general reluctance by drilling and pressure pumping contractors to spend either CapEx or OpEx. Differentiated products and technologies like certain specialized downhole drilling tools have fared better in land markets while offshore markets have generally done well helped by, for example, the US Gulf of Mexico recovery.

Several product lines within PS&S enjoyed a strong year in shipments, but have seen slowing orders through the back half of 2012, and are therefore braced for a more challenging 2013. For example, in our drill pipe business we benefited from strong year-end shipments and orders from new build rigs, while simultaneously watching demand for high volume shale strings for North America slow sharply. Although we have heard others cite Canadian seasonal upturns in Q1, or E&P budget replenishment entering the new year or potential uplifts in North American gas prices and various other causes for hope in 2013 that rig activity will rebound, we don't yet see a rebound happening, and certainly don't see it soon. And we are taking measures to reduce costs and improve efficiencies in the meantime.

As our segment is most heavily weighted to North America, our Distribution & Transmission group face a similarly challenging year, but our recent acquisitions of Wilson, CE Franklin and Engco permit us more latitude to aggressively tackle cost and improve margins. The group is performing very well, and sees many of the same market trends as the other two, namely strong international prospects and soft North American demand in traditional upstream areas. Wilson brought more midstream and downstream exposure. Strength in these is partly offsetting sluggish drilling and production demand.

Although we face a difficult market in North America in the short run, we remain absolutely committed to enhancing National Oilwell Varco for the long run. We have expanded our aftermarket footprint, our manufacturing capabilities for numerous products, and our new plant and machinery. Likewise, we continue to invest in new technologies and products. As market leader, we recognize our commitment to the industry to continually push the bar higher, to strive to grow and improve.

2012 was an extraordinarily busy year for acquisitions. We spent $2.9 billion on 17 transactions, and we expect to close our previously announced acquisition of Robbins & Myers in just a few weeks. As a group, these acquisitions bring us opportunities to affect efficiency gains in our operations, to add new geographic coverage, to complete product offerings. All good things for our customers, our employees and our shareholders, as they help build and grow our business for the long haul. Despite near-term headwinds, I could not be more excited about the future that lay before us. NOV is an unequaled organization, made up of wonderful dedicated professionals, of whom I could not be more proud. Jeremy?

Jeremy Thigpen - *National Oilwell Varco Inc - SVP CFO*

Thanks, Clay. As Clay and Pete just mentioned, it was a record-breaking quarter and year. For the quarter, National Oilwell Varco earned $668 million or $1.56 per fully diluted share on $5.7 billion in revenue. Excluding the impact from $51 million in pretax transaction charges and a net $69 million tax benefit related to certain foreign tax credits, we earned net income of $638 million or $1.49 per fully diluted share.

Operating profit for the quarter was $903 million, up $14 million from the third quarter, and up $55 million from the fourth quarter of last year on a GAAP basis. Excluding transaction charges from all periods, Q4 operating profit was $954 million, up 1% from the third quarter, and up 11% from the fourth quarter last year. Operating margins on this basis were 16.8% in the fourth quarter of 2012, compared to 17.8% in the third quarter, and 20.2% in the fourth quarter of last year.

And sequential operating flow-through leverage was 2%, on a 7% increase in sales which was lower than we typically see for three reasons. First and probably most important was product mix in our Rig Tech business The second factor which we referenced in Q3 conference call, and Clay reinforced in his opening comments, was the degradation of pricing in a number of our PS&S businesses in the US. And the final factor was the incremental expense associated with various growth initiatives that are underway throughout the organization, including the costs associated with integrating numerous acquisitions. I will provide more color on each of these areas as I the recap the quarter and each of the segments

Despite this lower than typical flow-through, Q4 marked a record finish to a record year for NOV. 2012 saw National Oilwell Varco generate record net income of $2.5 billion, on record revenues of $20 billion, which excluding transaction charges from both years represented a 37% increase in year-over-year revenue at 13% operating leverage.

Turning to operations, NOV's Rig Technology segment generated record revenues of $2.896 billion in the fourth quarter, up 14% sequentially, and up 25% compared to the fourth quarter of 2011. Operating profit, which was also a record, was $648 million, yielding operating margins for the group of 22.4%, a decline of 150 basis points from the third quarter, and 360 basis points from the fourth quarter of 2011. Incremental operating leverage was 11% of the sequential sales improvement of $349 million, and incremental leverage was 8% from the fourth quarter of 2011 on the $580 million revenue improvement.

As previously referenced, the sequential flow-through was less than we typically expect, due to product mix and incremental expense to support several strategic growth initiatives. In the fourth quarter we posted strong revenue growth in coil tubing units, wireline units and land rigs. Unfortunately the growth in all three product lines was primarily driven by large end of year international projects, that were secured at below average margin. Additionally Q4 brought a double-digit percentage increase in our FPSO-related revenues, which as we have communicated on previous calls, is currently dilutive to overall Rig Tech margins.

In addition to the unfavorable shift in mix, we also incurred considerable start-up costs associated with the NOV Flexibles plant in Brazil, and the opening of a technical college in Korea. These long-term investments, while detrimental to current operating margins, are expected to benefit future operating results for many years to come. And finally, since in 2013 we are scheduled to deliver twice as many offshore projects to the market than we delivered in 2012, we heightened our efforts to hire and train the additional installation and commissioning personnel required to manage this incremental workload. The combination of these factors negatively impacted our flow-through, however, this segment still posted exceptional results.

Revenue out of backlog increased 60% sequentially to $2.211 billion. This marked yet another record for our Rig Tech business and validated all those investments we have made facilities, training and continuous process improvement. Our fourth quarter orders for Rig Technology were $2.417 billion, and included three semis and four drillships. And before you ask, of those seven new floaters we secured the BOP stacks and risers on six of those vessels. We also sold three spare BOP stacks in the quarter as offshore drillers continue to recognize the benefits, in both safety and operational efficiency of owning and maintaining a backup stack.

On land we continue to see demand for new rigs in international arena, however, demand in North American land market was limited to individual pieces of equipment, such as iron roughnecks and top drives, as some of our larger contractors are ordering to enhance the performance and value of their existing rigs. For the year, orders totaled almost $9.350 billion, giving us a year-end backlog of $11.862 billion which is up 2% from September 30. Of that total, we expect about $7.4 billion to flow out as revenue during 2013, and the remaining $4.5 billion to flow out in 2014 and beyond.

As a final note on the backlog, at the end of the quarter, the composition of our backlog was 91% offshore, with 94% of that being destined for international markets.

As we look at potential order flow for 2013, we are hoping for recovery in North America that will drive demand for new land rigs, coil tubing units, pressure pumping units and other frac-related equipment. However, as Clay said, we have yet to see it. Therefore, demand for such new equipment will likely be limited to the international markets, with only select upgrade opportunities in North America. Still, we believe demand for pressure pumping equipment ultimately return. Land drillers will continue with their programs to retool and upgrade their fleets, and the industry will continue to upgrade an aging jack up fleet, while simultaneously building out its worldwide deepwater and shale infrastructure.

Non-backlog revenue for the group improved 8% sequentially to $685 million, driven by across the board increases in spare parts, service and repair. For the year, non-backlog revenue increased 17% to almost $2.455 billion. And as we move into next year, we expect that our aftermarket revenues will continue to improve for three reasons, an ever-growing install base, some of which is due for a mandatory five-year survey, a heightened focus around drilling safety and product lifecycle analysis, and capacity additions such as the acquisition that we made in Q4 of Algoa, to provide improved aftermarket support our customers in sub-Sahara Africa.

For the full-year, Rig Tech generated $10.107 billion in revenues, and $2.380 million in operating profit or 23.5%, compared to $7.788 billion in revenues and $2.770 billion in operating profit at 26.6% in 2011. While year-over-year operating margins were down do to product mix and the investments associated with various growth initiatives, the segment continued to produce exceptional results, posting returns on capital of greater than 25%. And with a record backlog, strong and growing aftermarket sales and a positive outlook for future offshore orders, we believe that Rig Technology is well-positioned for the future.

As we look into the first quarter of 2013, we expect Rig Technology revenues to be down in the 10% range following flush year-end shipments, and virtually nonexistent demand for pressure pumping equipment. And we expect that margins could tick up slightly from Q4 '12, however, pricing pressures in North America coupled with a continuing shift in product mix that includes a growing percentage of Brazil and FPSO-related revenue remain challenges.

The petroleum services and supplies segment generated total sales of $1.770 billion in the fourth quarter of 2012, up 3% from the third quarter, and up13% year-over-year. Operating profit was $355 million or 20.1% of sales. As expected, margins fell from the 22.3% level that the segment recognized in the third quarter, as pricing pressures across a number of products in the North American land market coupled with a shift in product mix led to lower margins. Most notably, the continued reduction of North American land activities led to pricing pressures and an overall reduction in volume for our downhole tools, our fiberglass pipe, our coil tubing, and our Floyd fluid and expendables businesses.

While revenue declines in these products were offset by sequential growth in our drill pipe, XL Systems and Tuboscope businesses, overall margins still declined. For the full-year 2012 PS&S generated a record $6.967 billion in revenue, up 23% from 2011. The segment generated $1.519 billion in operating profit, representing 32% leverage on the year-over-year sales growth. Operating margins of 21.8% for the year were up from 19.4% in 2011.

Looking into the first quarter of 2013, we expect PS&S segment sales to decline in the low to mid single-digit percentage range, as several of our business have entered the year with diminished backlogs, and US-based drilling contractors and well service firms have been hesitant to release new orders. Due to the expected reduction in volumes and the continued pressures on pricing, we believe that operating margins could tick down into the high teens in Q1.

Turning to Distribution & Transmission, for the quarter the group generated $1.268 billion in sales and $78 million in operating profit, or 6.2% of sales. Compared to the third quarter, sales declined 4% with both the legacy distribution business and the transmission business contributing equally to the $47 million decline. For distribution, gains associated with the start of the winter drilling season in Canada were not enough to compensate for the significant declines in the US. And in the transmission business, the Mono artificial lift and industrial pump business remained fairly strong, however, the decline in tubular demand in the US coupled with the shutdown of our wind towers business in Q4 led to a sequential decline.

Despite the overall 4% reduction in D&T revenue operating profit for the segment was essentially flat with Q3, as the group continue to recognize cost savings across several acquisitions. These fourth quarter results cap another strong year for the segment overall, with a record $3.927 billion in sales and a record $253 million in operating profit, and 6.4% operating margins. Year-over-year revenues were up 110% due primarily to the mid-year acquisitions of Wilson and CE Franklin, and flow-through was 6% for the year. For the first quarter of 2013 we expect Distribution & Transmission revenues to be up in the low single-digit percentage range at slightly lower margins.

So overall, as you think about Q1 and the full-year for 2013 we entered the year with a record backlog in Rig Tech, with an estimated $7.4 billion expected to flow out over 2013. The outlook for new offshore rigs, floaters and even jack ups, is encouraging as is the demand for FPSOs. However, we are facing some near-term headwinds in the North American land market that will significantly limit opportunities for land rigs, as well as pressure pumping, coil tubing and other frac-related equipment.

Rig Tech margins, while still best-in-class will continue to be challenged by compressed delivery times at the shipyards, a shifting mix that includes a higher percentage of Brazil and FPSO-related revenues, and pricing pressures in North American land. Our PS&S businesses are excited about growth opportunities in international markets. But we enter the year with depleted backlogs, declining demand in North America which represented 63% of the segment's revenue in the first half of 2012, and pricing pressures across a number products.

Our D&T business will certainly benefit from a full year of Wilson and CE Franklin and the consolidation benefits that will continue to be realized throughout 2013. But it is important to remember that 84% of the segment's revenues are derived from the US and Canada. In short, we are excited about our backlog, the prospect for new orders, growth in international markets, and the considerable benefits already recognized by the integration of Wilson and CE Franklin. But we need activity in North America to pick up, in order to meaningfully expand margins.

Going to the income statement. National Oilwell Varco's consolidated fourth-quarter income statement saw SG&A decrease $9 million sequentially, as an increase in our incentive compensation accrual, coupled with the addition of four new acquisitions in the quarter were more than offset by the reclassification of a portion of Wilson's SG&A expense to cost of goods sold, to be more consistent with NOV's past practices. SG&A as a percentage of sales was 8% in the fourth quarter, down from 8.7% percent in third quarter, and 10% from the fourth quarter of last year. Transaction costs for the quarter were $51 million, driven primarily by integration efforts to consolidate facilities from recently acquired companies.

Equity income in our Voest-Alpine JV was $15 million, up considerably from the third quarter as there was a two-week shutdown in Q3 for mill maintenance that resulted in much lower Q3 volumes. We expect profitability from the JV to be down slightly in the first quarter 2013, as demand for drill pipe in the US continues to wane, and therefore demand for green tube continues to wane. Interest expense essentially doubled from Q3 to Q4 to $21 million, as we issued $3 billion of senior notes in November. Other expense increased $14 million from the third quarter, primarily due to unfavorable FX moves.

As you undoubtedly noticed, our fourth-quarter tax rate was 23.3% giving us an effective tax rate on the year of 29.2% which is far lower than our historic rate of 32%, 33%. During the fourth quarter, the Company recorded a net $69 million tax benefit resulting from a strategic reorganization of certain foreign operations, to more fully integrate recently acquired business groups. Excluding this impact effective tax rate for the quarter would have been 31.3%, and the tax rate for the year would have been 31.6%. We expect the effective tax rate for 2013 to be at or near historic levels.

Unallocated expenses and eliminations on our supplemental segment schedule was $127 million in the fourth quarter, up $2 million from the third quarter. Depreciation and amortization was up $9 million from Q3 to $166 million. And for the fourth consecutive quarter, EBITDA excluding other costs was a record, at $1.109 billion for the quarter, and $4.332 billion for the year.

To the balance sheet, National Oilwell Varco's December 31, 2012 balance sheet employed working capital excluding cash and debt of $6.7 billion or 29.5% of annualized sales, up $73 million from the third quarter, with higher accounts receivable which were tied to revenue growth, being substantially offset by reductions in inventory and accrued taxes and liabilities -- and higher accrued taxes and liabilities. Total customer financing on projects in the former prepayments and billings in excess of cost, less cost in excess of billings was $569 million at December 31, down only $8 million from September 30.

Cash flow from operations was an impressive $800 million for the fourth quarter. CapEx increased $72 million sequentially in the quarter to $201 million, bringing full-year capital expenditures to $583 million, versus $482 million in 2011. We expect CapEx in 2013 to move up into the $600 million range as we pursue a number of expansion opportunities that we launched last year, including the completion of our new flexibles plant in Brazil. Cash spent on 4 acquisitions in the quarter totaled $575 million. For the year, cash spent on 17 acquisitions totaled $2.880 billion. And for the year, NOV paid $209 million in dividends to our shareholders, leaving us with a cash balance of $3.319 billion at December 31, 2012. Of that balance, approximately 40% of the cash resides in the US, and will be used to help fund the acquisition of Robbins & Myers.

Our total debt at the end of 2012 was $3.149 billion, with $3 billion of that related to the successful bond offering that I previously referenced. We are very proud that our effective yield on the $3 billion of bonds issued was 2.92%, with $500 million due in 5 years, $1.4 billion due in 10 years, and $1.1 billion due in 30 years, a truly outstanding job by our Treasury Department in getting this done. Net of current and long-term debt, cash at the end of the year was $170 million. And now, let me turn it back to Pete.

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

Great. Thanks, Jeremy. And I would like to talk a little bit about some of the themes that we have discussed in the past, because they all seem to remain intact right now. And basically that is the shales, the deepwater, the best-in-class technology that we offer, and our international presence. I think all of these things continue to dictate the strategy of the Company. I think the shales, in particular, when you see the oily shales, whether it is up in the Bakken or down in the Eagle Ford, I think they will continue to give us a great presence, and especially with our PS&S type of businesses, they go in there, and our distribution businesses that really can parlay good things in there. More interestingly, I really do think you are going to see an escalation of shale drilling internationally.

It has gone slow. I think a lot of people are of the opinion that maybe it is not going to ramp up as rapidly as you think, but I think that will change. To just to give you an example, I was in China earlier this week, visiting with some shipyards that have just committed on some semis and jack ups to us. And at the same time the pollution in Beijing was just unbelievable. I mean, people couldn't even go to work, it was so bad.

China, as we all know, will move very rapidly at fixing things, and the quick fix on pollution like that is pretty simple, and it is called natural gas. And their natural gas they have in the shales in the China, I think you will start to see a real escalation of things like that in international arena. The reality is that natural gas is very clean burning, and I think you are going to see more demand of that around the world. And we are prepared to be able to help in there. And I think that is going to really be an advantageous situation for us.

And as I talk about the international arena, we have referenced on this call things like Russia, we are expanding vary dramatically in Russia. We think that is going to be a great market over the next 5 or 10 years, and we are also building a new facility there that will be able to build both rigs and our downhole tools. That is something I am excited about. I think Russia really needs the technology that we have, and this plays into a couple of things. It plays in international shales, and it also plays into best-in-class technology.

In China, I mentioned that earlier, I was there this past week, to kind of take a look at things. I think the Chinese shipyards are going to be much more active. I think they are really going to jump into this situation on deepwater, and we are situated very, very well with them, to be able to take advantage of the products that we service. And it is really interesting, because when you look at a Chinese shipyard, we are producing equipment all over the world and shipping it to China, to be able to put on the semi submersibles that those guys are doing.

In, Brazil, we mentioned it, this quarter we did not have on the floaters that we got, none of them were Brazil. We expect that to occur in the first quarter. We are excited about that. There is some real opportunity down there, and I think Brazil will continue to be quite a nice place for us. In the Middle East right now, it is improving for us on land rigs. We talk about the lack of land rig demand in North America, but in other parts of the world it is picking up. I think you will see it pick up -- I will come back to Russia. And also you will see it pick up in the Middle East, and we are situated very well to be able to take advantage of it right there.

Our backlog is off to a good start in the first quarter. We have had a lot of things come into it already. We are excited about the prospects of what we are going to see, when it comes to the more deepwater, and more demand for our technologically advanced equipment. And then finally, I would like to talk a little bit about technology. That really is going to be the differentiation between us and many of the people that we work with. To give you a good example, look at our 20,000 psi BOP we are going to be coming out with very quickly.

The neat thing though, is not only do we have a 20,000 psi BOP, but we also, because of everything else that we manufacture, we are able to size the rig appropriately. We are able to do things to the derrick. We are able to do things to the piping system, we are able to do things to the top drive to be able to handle the bigger and heavier BOPs that are associated with that. So when you get -- when you buy from NOV, and get our technology, you get the fully integrated product. And that is going to really dictate well into the future of what the businesses we are going to be getting.

So we feel very good about where we are. We are going to continue to invest heavily in training. We are going to continue to grow organically. And we think while there is some near-term costs, there is going to be some great longer-term returns based upon this type of thing, and I am really excited about. And finally, I would just like to give a shout-out to our distribution folks. They have done a phenomenal job this year on being able to integrate both Wilson and CE Franklin. You saw the margins here, above 6% after less than about six months of those companies being together. And I am very excited about everything that those folks are doing. So, that is just some brief comments on what we are trying to do strategically, and some things that we are seeing. And Dawn, at this point, I would like to turn it over for any questions that our listeners might have.

QUESTIONS AND ANSWERS

Operator

Thank you.

(Operator Instructions)

Our first question comes from Brian Uhlmer from Global Hunter. Please go ahead.

Brian Uhlmer - *Global Hunter Securities, LLC - Analyst*

Good morning, gentlemen.

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

Hi, Brian.

Brian Uhlmer - *Global Hunter Securities, LLC - Analyst*

I had a whole list of questions. And I will start with one and one follow-up though. (Laughter). But I wanted to -- and I got to say first off, Jeremy, great job of your first time on the call keeping up with Pete and Clay, and your alacrity in providing those guidance details.

Jeremy Thigpen - *National Oilwell Varco Inc - SVP CFO*

Thank you, appreciate that. (Laughter).

Brian Uhlmer - *Global Hunter Securities, LLC - Analyst*

I wanted to start off with something that is material here to your comments on the RBN and your confidence in closing that acquisition in the next several weeks, because the arm spread is definitely wide, and I was curious are there going to be any stipulations to that closing of the deal that will require you to sell any portions of RBN? Or, what gives you that confidence that this going to close in a couple of weeks? Because clearly, it looks like the market thinks otherwise right now.

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

Well, Brian, we continue to provide answers to any questions that the government might have, and we continue to push to a close here in about two or three weeks. I think Robbins & Myers has issued a press release giving the date of the closing, and we continue to push to that and believe that is what is going to occur.

Brian Uhlmer - *Global Hunter Securities, LLC - Analyst*

And there will be no -- you are going to get RBN in its entirety, correct?

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

That is -- we're -- that's where we are right now.

Brian Uhlmer - *Global Hunter Securities, LLC - Analyst*

Beautiful. Thank you. And as my follow-up, completely unrelated, you say that Rig Tech margins might tick up in Q1? I was curious, maybe the progression as you go through the year, and the statement might -- does that have more to do with a mix issue, or more to do with closing out these start ups and getting everything done like you said in Brazil and South -- and Korea? Or are there some costs still waiting on that, and what makes it a might, to a will, and how does that progress as we get through 2013?

Jeremy Thigpen - *National Oilwell Varco Inc - SVP CFO*

Yes, I think -- this is Jeremy -- I think the might is really related to all those things that we talked about on the call. There has been a significant impact to all of our pressure pumping equipment, the coil tubing unit, land rig in North America, that is going to weigh heavily on margins. And then we do have a lot of start up costs associated with the flexibles plant in Brazil, again the product mix with more FPSO related revenues flowing in, more Brazil related revenues flowing in. We just think all of those are going to present some challenges for us, and how those work through the system throughout the year kind of remains to be seen.

Clay Williams - *National Oilwell Varco Inc - President & COO*

Yes. On the positive side, Brian, aftermarket in that space is doing terrific, particularly wrapped around offshore rigs coming in for their five-year surveys. And so there is -- and we kind of covered these in our opening comments. There is lots of puts and takes there, but as Jeremy mentioned, lots of negatives, and we are hopeful though that the offset will be the aftermarket side of that business which is very accretive to the margins.

Brian Uhlmer - *Global Hunter Securities, LLC - Analyst*

Thanks, and for my third question -- (Laughter). I am just kidding, Loren, I will turn it back over.

Operator

Thank you. Our next question comes from Jim Crandell from Dahlman Rose. Please go ahead.

James Crandell - *Dahlman Rose & Co. - Analyst*

Good morning,

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

Good morning, Jim.

James Crandell - *Dahlman Rose & Co. - Analyst*

Pete, I know you like to look at your sort of order picture on a more than one quarter basis. And looking forward, let's say 12 months out by the end of '13, do you think there is an excellent chance that your backlog could be higher than it is today? And also, could you address it in a little more detail, what you are seeing with some granularity in the FPSO market that makes you optimistic today?

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

Jim, I -- we are very optimistic that 2013 is going to see a good order year. And I think that, obviously the way we do backlog as I have told you many times, we kind of cut it off on a day specific. But I would expect 2013 to really be an excellent year. And I would certainly expect over a 1 to 1 book-to-bill on it. And I think as we take look at the FPSO market, we are getting pretty excited about it. It is not just dissimilar to when you look at a lot of the people that are in subsea production, and they kind of keep of moving out to the right, in many of the same ways, the FPSO business is moving a little bit to the right. But it is still something that is pretty exciting. We are starting to see, as Clay mentioned in his comments earlier, we have done a lot of feed studies but we are also starting to kind of see a lot of the stuff develop into orders. We have received some orders on some products in first quarter. They are not included in the backlog currently, but the fact of the matter is, if you kind of take a look at it's almost inescapable. You look at all these deepwater rigs that we are putting out there, and they are drilling, and they are not drilling for practice. They are drilling to discover oil and gas, and the proved solution when they discover that oil and gas in most cases is going to be the FPSOs. And we think with what we have with NKT, and what we have with our APL business that we are going to be positioned to be able to take advantage of that. So we are still pretty bullish on it, and we think as you go more into this year, you will see a lot more materialization of orders.

James Crandell - *Dahlman Rose & Co. - Analyst*

Okay. Thank you, Pete. And my follow-up is, I guess, Clay, to address some of your comments about ultra deepwater market. I think one of the things that would maybe limit the ordering from large US or formerly US-based contractors is the pressure at least they feel to return cash to shareholders, even making large dividend payments, MLP's and the like, and that sort of slowing down the process. Do you see actually a difference at this point, Pete or Clay, in the likelihood of the US companies ordering more ultra deepwater rigs versus some of your European companies like Seadrill Pacific, Ocean Rig, Odfjel and those kinds of companies?

Clay Williams - *National Oilwell Varco Inc - President & COO*

Jim, it really varies by company. I know that many of them are wrestling with the decision of allocating capital into new growth prospects versus returning to shareholders, and they are all taking that question very, very seriously. And I would also add, a lot of them have a lot of projects underway currently that they're very busy with. But I got to tell you as a group, the US-base publicly traded companies are in as good of mood as I have ever seen them. They see a lot of prospects out there in the marketplace, lots of opportunities to grow their businesses. And candidly, I think if you go back five, six years ago, the market demonstrated this, if they don't act on those opportunities, somebody will. And you have recently seen a lot of entrepreneurs now getting back into this space as well. So, there are big returns to be had out there, something like 300 deepwater fields that have been announced that haven't been developed. 2012 was a record year in terms of announcement of discoveries in the deepwater. As Pete said, there is a lot of drilling and FPSO development to come and that takes a lot of deepwater rigs. So I think whether or not it's the US-based organizations or their European counterparts, or others around the globe getting into the fray, I think somebody is going to continue to build a lot of deepwater rigs.

James Crandell - *Dahlman Rose & Co. - Analyst*

Okay. And Pete, just as a clarification, were you saying that based on your trip to China, you think now that the -- will major contract drillers order ultra deepwater drillships from Chinese yards now going forward?

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

Well, I think they're going to be in the mix, Jim. But I think that a lot of them will be some of the Chinese drillers. You are starting to see people like [Cossel] and some of the bigger Chinese folks try to be major players. I think you will see some of the Norwegian-type companies that will be looking at the Chinese shipyards. But I think the Chinese shipyards are clearly going to be a player. They are going -- they are getting in the mix, and I think they are getting better at what they do.

James Crandell - *Dahlman Rose & Co. - Analyst*

So you think your customer mix in new ultra deepwater rig orders could change at fair amount going forward from what it is, what it has been over the last couple of years?

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

Yes, Jim, it has been a cyclical deal. If you go back to '06 and '07, you have a lot of what were called kind of speculators. And we said at the time, they weren't speculators, that they were people that were going to really develop into quite good operations. And you see people like Seadrill and Ocean Rig and Odfjel and Pacific today. And then we kind of went into the more traditional folks, the Transoceans, the Nobles, the Atwoods and the Rowans. And then I think you start to have some other people coming back into the marketplace today. So it is really kind of a shift in customer base, but it is one that we are positioned with very well and we like where we are.

James Crandell - *Dahlman Rose & Co. - Analyst*

Okay, great. Thank you very much.

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

Thanks, Jim.

Operator

Thank you. Our next questions comes from Bill Herbert with Simmons & Company. Please go ahead.

William Herbert - *Simmons & Company International - Analyst*

Thanks. Good morning,

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

Good morning, Bill.

William Herbert - *Simmons & Company International - Analyst*

Great, thank you. Continuing with the mix question, Pete and Clay, with regard to the type of floaters that you are seeing from an inquiry standpoint. Is it still mostly drillships or are you getting more semi submersible's in the mix?

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

Bill, we are starting to see more semis come into the mix. I think as you take a look that a lot of the drillships are really exploratory, and when you start going into exploration of fields, the semi submersibles offer a few advantages there. But we are still seen a lot of drillships as well. But we are starting to pick up a lot on the semi submersible. And, of course, we are in a great position either way. I mean, our DEP, our drilling equipment package fits quite well on either way, and so we kind of like where we are in that But it is a little bit of a shifting mix in that.

William Herbert - *Simmons & Company International - Analyst*

And when you talk about a book-to-bill meeting or exceeding 1 times this year, what is going to be the mix of the inbound on a year-over-year basis, in terms of relative to 2012, do you expect your deepwater DEPs to match the numbers in 2012? Call it 24, 25 packages or is that a significant ramp in FPSOs? It sounds like North American capital equipment is going to be lower. International possibly higher in terms of onshore, how does that mix configure with regard to reaching A book-to-bill of 1 times?

Clay Williams - *National Oilwell Varco Inc - President & COO*

Bill, you described it pretty well, actually.

William Herbert - *Simmons & Company International - Analyst*

Okay.

Clay Williams - *National Oilwell Varco Inc - President & COO*

I think you covered all the bases. Yes, pressure in North American land obviously year-over-year, continued interest in the deepwater. As Pete said, more -- we have got high expectations for Brazil to contribute TO more deepwater orders, as well broad ordering around the globe in deepwater. So kind of a -- broadly speaking a shift away from land towards more deepwater.

William Herbert - *Simmons & Company International - Analyst*

Okay. And then last one for me, Jeremy, with regard to the road map For Rig Tech margins for the balance of the year, sounds like flat to up in the first quarter, so let's call that whatever, 23%, but how does that evolve over the course of 2013? Do we exit at a higher rate, or do we kind of average sort of a sub 25% margin for the year, and it's pretty flat for the balance of 2013?

Jeremy Thigpen - *National Oilwell Varco Inc - SVP CFO*

Yes, I think pretty flat for the balance of 2013.

William Herbert - *Simmons & Company International - Analyst*

Okay. Great. Thank you very much.

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

Thank you.

Operator

Our next question comes from Ed Muztafago from Societe Generale. Please go ahead.

Ed Muztafago - *Societe Generale - Analyst*

Hi.

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

Hi, Ed.

Ed Muztafago - *Societe Generale - Analyst*

I was wondering if you could maybe talk a little bit more about the FPSO dilution side in Rig Tech? And I guess what I am trying to understand there is that just an issue of restructuring those businesses to get them up to the core Rig Tech margin? Or is that business just somewhat price-challenged right now, given the activity levels that are going on in ordering?

Clay Williams - *National Oilwell Varco Inc - President & COO*

Actually, Ed, it is not only price challenged, it's more volume challenged at this point. It had a big -- downturn in [surf] equipment 2010, 2011. And we have been gradually trying to creep out of that, and I would say volume has been an issue, number one, number two. And Jeremy spoke to this quite a bit in his comments, about the fact that we are building a big plant for flexible pipe in Brazil so that the specific project-driven drag with start up costs in Brazil, and those are going to continue for some time getting that going in our flexible pipe business. But I think the main thing we need there, are volumes to pick up, because the pricing we have been getting particularly for flexible pipe lately is really pretty good, incremental margins on a project by project are pretty good. So, it's much more kind of -- we are -- I think well-positioned for when the market really comes on strong. And as Pete said a moment ago, we believe the market is going to come on strong. It is just a matter of when.

Ed Muztafago - *Societe Generale - Analyst*

And so, I mean it sounds to me, that absent any further pricing improvements, you can probably get there if volume picks up -- which your sort of I guess predicting this year. But if we get a pretty big upsurge in ordering, what do you think can happen there on pricing?

Clay Williams - *National Oilwell Varco Inc - President & COO*

I think the outlook for pricing improvement, obviously rises with demand. And as volumes rise, those two things kind of go hand-in-hand. And so, we are -- we always try to be thoughtful about pricing, and try to make sure we are getting paid for the good value that we deliver. So certainly as those opportunities present themselves, we are going to act on them. But at this point, it is really more of -- right now we need more loading in our infrastructure and our plants and that would help.

Ed Muztafago - *Societe Generale - Analyst*

Okay. And I guess just as a second question, on the M&A side of the business, can you talk to sort of what you are seeing in terms of the potential for more large-scale M&A and really how that might sort of dovetail into what your use of cash might be post closing the RBN acquisition?

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

As you take a look at M&A, we have always been very opportunistic, Ed. And when, especially when you are talking about larger deals, it really is a question of just time and patience. We talked about this a lot. When you are doing those deals, the moon and the stars have to align appropriately. You have to make sure that the stock prices are there, both ours and theirs, if you are talking some of the larger deals. So we will continue to be opportunistic and take a look at whatever is out there. There is a lot of things that strategically we still want to do, and so we are going to continue to be active in the market. On the other side though, and especially on some of the smaller deals, it has always been our experience that it really is advantageous to be able to take advantage of that in down markets. There is a lot of folks that when things are good, they think they are never going to get bad. And when they are bad, they think they are never going to get good. And so, we like to kind of pounce and be able to do some things when we need to, when things are a little softer. So, we will continue to be, be very aggressive in the M&A area. And we will continue to look at a lot of different things that fit with our strategic plan that we have got, and to fit into the things that we want to do.

Ed Muztafago - *Societe Generale - Analyst*

Yes, sure. I mean, $500 million in Q4 is not exactly a small amount.

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

No. (Laughter).

Ed Muztafago - *Societe Generale - Analyst*

Okay. Thanks a lot. I really appreciate it.

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

Thanks.

Operator

Thank you. Our next question comes from Kurt Hallead from RBC Capital Markets. Please go ahead.

Kurt Hallead - *RBC Capital Markets - Analyst*

Great, thank you. Hi, good morning -- excuse me -- good morning, how is everybody?

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

Good.

Kurt Hallead - *RBC Capital Markets - Analyst*

Excellent, excellent. So, you did a great job outlining the prospects. And I know you are -- no one is better in tune with the market then you are. I just wanted dig a little bit further on outlook here, as you indicated for Rig Tech and Rig Tech orders, and you identified some opportunities sets. And Clay, you mentioned a number of entrepreneurs coming into the market. Last time the entrepreneurs were basically headquartered out of Norway. Where do you see this next round of entrepreneurs emerging from?

Clay Williams - *National Oilwell Varco Inc - President & COO*

Some are Norwegian. (Laughter). But Kurt, we have inquiries from lots of places around the globe. And so, we are happy to work with whoever we find credit worthy and willing to -- and understands the value that we can provide their opportunities so. But suffice to say, the strong returns that are possible in deepwater rig building haven't gone unnoticed by lots of entrepreneurs around the globe.

Kurt Hallead - *RBC Capital Markets - Analyst*

And then I want to follow up too. And Pete you mentioned you were in China I guess earlier in the week, and you mentioned a number of Chinese yards getting very aggressive in trying to fill their business backlog. And I am sure you're finding every way possible to help them in that process, a mutually beneficial operation, I'm sure. But I know that there has been a number of questions over the years about the quality and the timeliness of what comes out of the Chinese yards. So, what in your mind, Pete, what do you think is changing? What has changed? And what gives you the kind of confidence that you have that China is going to be able to improve on their quality and delivery times?

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

Yes, Kurt, that is a great question. And I think I can answer it pretty simply, and it is called the learning curve. And if you take a look, even if you go back to the Korean yards, it took the Korean yards of period of time to learn and figure out this -- what's going on. I mean, if you go back to the mid-90s, there were some issues in all yards about getting this stuff done appropriately. I think in China -- there is a couple of things that give me a little bit more confidence. I think some of the yards have changed management. They brought different people in, they brought people in from Korea. They brought people in from Singapore. They brought folks in that kind of understand the way to do things.

I like the professionalism that I am seeing out of these yards. In particular, I met with the Chairman of a couple of yards while I was there this past weekend, and I like what I am seeing. I am seeing a lot more of -- very much of a western-style management, a very good understanding of safety, a very good understanding of quality, and they also know that they need NOV to help them. And that is what I liked most about them. And the fact of the matter is, that they know that having us there, we can help them scale some of those challenges that they have. So, I feel pretty good. And I think, again from what I started with, it comes back to really the learning curve. And I think they have gotten on that learning curve, and they are going to do better in the future.

Kurt Hallead - *RBC Capital Markets - Analyst*

Great. And I don't want to leave Jeremy out of the mix, so I am going to bend the rules here a little bit. So, Jeremy, you were kind enough to answer the question on rig, the prospects for Rig Technology margins throughout the course of year. So, I'm going to ask you about PSS, how do you see PSS margins evolving?

Jeremy Thigpen - *National Oilwell Varco Inc - SVP CFO*

I think -- I think to start the year, we will probably see a slight dip, as we referenced earlier in the comments. And then really it is going to be dependent on return of activity in North America. All those businesses in PS&S are heavily tied to North America land. And as that market goes, so goes the PS&S group in terms of margin. There are companies out there who have speculated on their calls, that rig counts will increase in Q1 into Q2, we are not yet seeing that. But we are definitely looking for. And as you see those rig counts start to tick up and drilling contractors and well service firms start to work again, they will start buying products and services from us, and so go our margins.

Kurt Hallead - *RBC Capital Markets - Analyst*

That's great. Appreciate it, thanks.

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

Thanks, Kurt.

Operator

Thank you. Our last question comes from Marshall Atkins from Raymond James. Please go ahead.

Marshall Adkins - *Raymond James & Associates - Analyst*

Morning.

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

Good morning, Marshall

Marshall Adkins - *Raymond James & Associates - Analyst*

After Clay's diatribe, I feel like I really need to start my question with the word why? (Laughter). So, why are those PS&S margins holding up, I guess better than most of us thought? I mean, using a lot of the North American take a hit with the lower rig count last quarter. But you seem to be remarkably resilient. Is it offshore side? Is it [inter]? Help me understand what is going on there?

Clay Williams - *National Oilwell Varco Inc - President & COO*

Sure. Offshore and international certainly help. But the real issue is a lot of people don't understand that we do have backlog in the PS&S businesses. It is not backlog that we recognize, when we report to you, but it is backlog that kind of two, three, four months out. And when you see rig activity decline, and you see the drilling contractors and well service firms start to slow down, we still have backlog that we are working off of the last three or four months. And so, you won't see it really impact us until three or four month after you see activity decline. And, that's kind of where we are hitting right now in Q1. And, so we worked off those backlogs in Q4. And we are now in that - kind of in that day-to-day business. And, now when you can kind of start to expect revenues to decline a little bit and margins to erode a little bit.

Marshall Adkins - *Raymond James & Associates - Analyst*

Okay, good, helpful. On the Rig Tech site, again, very helpful guidance there. The pricing in the backlog though, is that -- it seems like some of the other guys are starting to see the backlog pricing or expect the pricing to move up over the course of the year. In the flat margin you foresee for Rig Tech, are we seeing better pricing in that, and that being offset by other things out there? Or is it just flat pricing?

Clay Williams - *National Oilwell Varco Inc - President & COO*

No, so bear in mind, our Rig Tech backlog is heavily dominated by long-term projects. And so, the margins move slowly. But Marshall, I will -- and I kind of touched on this in my comments, the pricing we are seeing out there selling rig equipment, continues to bump up against ceilings and competitive forces and so forth. It has never gotten back to where it was in '07 and '08. So I would say pricing -- it's good. This is -- I don't want to give you the wrong impression. These are good pieces of work, good projects, and we are excited about them. But they -- I don't think they are going to be to the kind of margins that we saw a couple of years ago, and that's the constraint that we are facing out there. So I would say here in the near-term in the recent near-term, pricing has been pretty stable across most products in rig offshore. Land is definitely under pressure, frac fleets, well service rigs, those sorts of things, land rigs definitely under pressure with this downturn in North America.

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

But I will also add too, Marshall. When you buy NOV, you are not buying necessarily on price either. We are selling quality, and we are not going to equal the low bidder ever. And we tell all of our customers if it is about the lowest bid, then don't worry about us, because we are not going to be there. We are here to make money, but we are also here to provide outstanding products, and that's what we do. And so, I think that is why we continue to have, even though sometimes we have margin erosion, we continue to still have pretty darn solid margins for manufactured products. So we are going to continue to price aggressively. We have to keep our eye on the competition, but we think we provide value and that value has got some margin behind are.

Marshall Adkins - *Raymond James & Associates - Analyst*

You mentioned long lead times in that backlog. If you get more out of Brazil, does that stretch out the lead times even longer?

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

Probably will. I mean, I think as you are taking a look at some of the Brazilian shipyards, that comes back to what I was just mentioning earlier on the Chinese, that there is a learning curve there. And our guess is the first couple of drill ships that some of these yards do will take longer than what traditionally we have seen out of the Korean shipyards.

Marshall Adkins - *Raymond James & Associates - Analyst*

Makes sense. Thanks.

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

Okay. Thanks, Marshall.

Operator

Thank you. I will now turn the call back to Mr. Miller for closing comments.

Pete Miller - *National Oilwell Varco Inc - Chairman & CEO*

Thank you all very much for listening in, and we look forward to talking to you again on our first quarter 2013 conference call. Thank you very much.

Operator

Thank you, ladies and gentlemen. A digital replay is available of this call today. You may dial [1-888-843-7419] or 1-630-652-3042. The passcode for the replay is 33821804. This concludes today's conference, thank you are participating. You may now disconnect.