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NOV - Q3 2014 National Oilwell Varco Inc Earnings Call

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OVERVIEW:

NOV reported 3Q14 consolidated continuing revenues of $5.6b and fully diluted EPS of $1.62.

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PRESENTATION

Operator

Welcome to the National Oilwell Varco third-quarter earnings conference call. My name is Christine and I will be the operator for today's call.

(Operator Instructions)

Please note that this conference is being recorded. I will now turn the call over to Mr. Loren Singletary, VP of Investor and Industry Relations. Mr. Singletary, you may begin.

Loren Singletary - *National Oilwell Varco, Inc. - VP of Investor and Industry Relations*

Thank you, Christine, and welcome everyone to the National Oilwell Varco third-quarter 2014 earnings conference call. With me today is Clay Williams, President, CEO, and Chairman of National Oilwell Varco; and Jeremy Thigpen, Senior Vice President and Chief Financial Officer.

Before we begin this discussion of National Oilwell Varco's financial results for its third quarter ended September 30, 2014, please note that some of these statements we make during this call may contain forecasts, projections, and estimates including but not limited to comments about our outlook for the Company's business. These are forward-looking statements within the meaning of the federal securities laws based on limited information as of today, which is subject to change.

They are subject to risks and uncertainties and actual results may differ materially. No one should assume that these forward-looking statements remain valid later in the quarter or later in the year. I refer you to the latest Forms 10-K and 10-Q National Oilwell Varco 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 let me turn the call over to Clay.

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

Thank you, Loren. And welcome, everyone, to our third-quarter 2014 earnings conference call. This morning, we are pleased to announce that National Oilwell Varco earned $1.62 per fully diluted share in its third quarter ended September 30, 2014.

Earnings from continuing operations improved 15% sequentially and 17% year over year on higher revenues and a lower tax rate. Consolidated continuing revenues were $5.6 billion, up 6% sequentially and up 17% year over year. Operating profit, excluding $1 million in transaction cost, was $989 million or 17.7 % of sales. Operating leverage was 13% sequentially and 24% year over year.

EBITDA, excluding transaction costs, was $1.2 billion or 21.6% of sales. Operating non-GAAP earnings per fully diluted share, which excludes $0.14 per share in intangible amortization and transaction charges, were $1.76 per share, up 9% sequentially and up 28% year over year. Our Company delivered solid performance for it's third quarter of 2014.

Thanks to, once again, outstanding execution by our hard working employees, NOV set new records for operating profit, EBITDA, and earnings per share during the third quarter on solid revenue gains from our continuing operations. North America helped a lot. Consolidated revenues from North America improved 12% sequentially.

Our third quarter saw very strong bookings from coil tubing units and other pressure pumping and well stimulation equipment within our Completion & Production Solutions segment. Rising North American rig counts and efficiency gains are leading to higher well counts, each with more frac stages, and these drive steady and growing consumption of frac equipment and consumables. This has depleted much of the inventory of well intervention equipment and our customers are back to replacing worn out equipment within their fleets as well as investing in expansion opportunities.

Bidding activity from domestic pressure pumpers remains very brisk. The third quarter saw strong North American demand for modern AC land rigs within our Rig Systems system segment. Rising well counts per rig and footage per rig offer strong testament to the power and capability of these rigs, and rising land rig orders signal we believe increased driller conviction around the need to offer new modern AC rigs to satisfy market demand in unconventional shales.

The capital investment in just one of these rigs is significant, and we believe that most of the 300 drilling contractors throughout the US will struggle to make this technology and capital lead. This means that the retooling in the US land rig fleet AC technology will probably continue to be led by larger well-capitalized drilling contractors and can ultimately serve to consolidate the US land contract drilling industry into a smaller group of larger well-capitalized participants.

We see strong interest among domestic drilling contractors in more land rig build programs as opposed to individual rig orders with some buying complete rigs and series from us and others assembling their own supply chains, including NOV supply kit, to build rigs on their own in series. We think both signify their need to systematically evolve their fleets to modern technology in an orderly fashion.

As managers this makes sense to us, to systematically train rig crews, to systematically train mechanics and technicians to systematically build and market and spud these new rigs with standardized rig designs and layouts as they steadily upgrade their fleet in an orderly process-based way. We also continue to see strong AC land rig demand for Middle Eastern markets and for certain Latin America markets through the third quarter signaling the steady adoption of modern AC rig technology in these areas as well.

Energy reforms in Argentina and Mexico, coupled with high interest in modern rig technology, make for a solid outlook for these markets in 2015. Our Wellbore Technologies segment posted a new record level of drill pipe orders during the third quarter to support these new land rigs and new offshore rigs, as well as to replace drill pipe being consumed by ever more efficient rig fleets, drilling more footage more quickly in more horizontal applications, all of which shorten the functional life of drill pipe.

We benefited from North American demand for downhole tools as recent drilling activity increases have dented our customers' inventory of drilling motors, bits, and other bottom hole assembly components, driving record downhole tool results for NOV. Broadly speaking, the rate of drill pipe and downhole tool consumption rises linearly with footage drilled so rig efficiency is a positive factor in demand for these.

Despite record orders for drill pipe though, revenues for drill pipe actually declined due to unplanned maintenance shutting down one of our major production lines. We expect drill pipe revenues to rebound in the fourth quarter as this line is now back up and running. During our third quarter, our Wellbore Technologies segment also saw drilling fluids and waste management services benefit from rising North American activity, which continues to migrate to higher levels of technology to manage drill cuttings at the rig site.

Our Completion & Production Solutions segment posted solid revenue gains, both sequentially and year over year, led by sharply rising demand for well intervention equipment, as noted earlier. Pressure pumping customers are back to buying following a two-year cyclical downturn. Offshore orders for floating production equipment and flexible pipe were down significantly in the third quarter as we expected, offsetting the pressure pumping order gains and leading to an overall book-to-bill for the group of 91%.

We are pursuing several larger deepwater floating production projects and expect the fourth quarter order levels to improve even though the market for deepwater production equipment overall remains a little choppy. As we enter the final couple of months of 2014 and begin to develop our budgets for 2015, we see lots of opportunities ahead: very strong backlogs for offshore rig equipment, rising demand for land rigs, steady growth in Rig Aftermarket results, and growing demand for pressure pumping demand equipment.

However, we also see lots of challenges. Oil prices dropped $20 since the beginning of the third quarter. We have not yet heard of any rigs being laid down due to lower oil prices nor have we heard from any of our E&P customers about their plans to curtail drilling, but it's far too early for this to be the final word on 2015 activity but will continue to monitor activity closely.

Historically, the impact from lower oil prices doesn't show up in reduced activity until three or four months or more have passed as operators drill out the rig contracts and programs and budgets. We are cautious right now because it is difficult for us to envision $20 lower oil prices not taking at least a modest toll on activity. Perhaps this just means that rig counts won't increase as much as we expected before but we would not be surprised to see North American rig counts begin to fall modestly in 2015 given how much oil prices have moved down.

We believe major North American shales exhibit breakevens below the $80 level, some substantially below the $80 per barrel level, and these breakevens continue to move down gradually but nevertheless $80 a barrel for West Texas intermediate probably begins to approach inflection points for a lot of field development and lower oil prices certainly reduce wellhead cash flows for all producers. We believe some will find themselves underwater.

We believe established drilling programs within the major shales can weather these lower oil prices because their economics have been steadily improving due to drilling and completions efficiencies but also because the learning curve effect should make them stickier. E&P operators should hesitate to shut down a rig that has been operating for a while because it's finely tuned efficiencies learned during the first several wells so critical to capital returns could be lost.

So if 2015 sees lower oil prices, we would expect the activity downturn to be moderated and to hit the older rigs drilling vertical wells and the more marginal shale plays the hardest. And in the meantime, our strong backlogs and our diverse product and service offering have us as busy as we can be across almost all of our businesses with at least several more months of the same. As we move into 2016 and beyond, we are very optimistic.

Shale technologies are one of the key drivers for National Oilwell Varco that we've highlighted many times before and in fact, much of the recent weakness in oil price has been attributed to growing North American shale oil production and even a speculated Saudi attempt to win back market share from unconventional shales in the US, which all speak to the power of this exciting technology.

The recent developments highlight number one, shales work, and two, shales will likely continue to grow overseas. And let me add number three, shales require a lot of NOV kit to develop, which is consumed at a high rate. And number four, we anticipate that when shale drilling slows from time to time, shale production will decline rapidly, making commodity price dips driven by shale supply relatively short-lived, in our view, as shale supply rebalances are more quickly -- as shale supply rebalances more quickly than other conventional production.

And when oil prices bounce back, North America has an enormous inventory of attractive shale plays to drill which offer excellent returns to oil companies. Returns which will continue to improve with drilling and completion efficiencies, and we believe an oil price recovery will be particularly strong if it coincides with a global economic recovery driving more oil demand.

Turning to the offshore, rig demand faces headwinds in 2015 too, and we expect that orders for new builds will continue to slow offset somewhat by rising demand for land rigs. After a decade of building new offshore rigs and record levels of orders in 2013, new supply is coming in with high transparency, day rates have moved down, and the appetite for offshore new builds has declined. Importantly, we expect it will not evaporate entirely.

We see concrete demand for special purpose 20,000 psi rigs for Arctic rigs for harsh environments jackups for national oil companies and for midwater floater rig replacements. We will continue to win offshore new build orders in 2015 but the pace will be down. Helping the supply demand picture will be rising rig retirements, some of which have been announced in just the past few days, along with repurposing of older jackups to things like well servicing activities.

The downturn in offshore day rates, specifically deepwater, coincides with a period of some IOC retrenchment and focus on capital discipline. We believe that international oil companies, or IOCs, are attempting to shift some incremental capital towards onshore unconventional shales and are proceeding more slowly and cautiously on deepwater opportunities, rethinking projects to improve capital returns.

Ultimately though, we expect IOCs to resume deepwater investment with more vigor as they begin to feel pressure to replace declining production and reserves. The strengths of the IOCs fit the deepwater exceptionally well. Engineering capability to handle technically challenging developments and finance and risk management capability to handle large expensive projects from the Gulf of Mexico to far-flung corners of the globe.

Countries with extensive deepwater frontiers need their help, meaning IOCs are more likely to find cooperative host governments and lots of available unexplored acreage. Finally, the reserves that they will encounter are the long-tailed variety with comparatively shallow decline curves, the kinds that IOCs like. We believe the lower deepwater day rates we've seen lately will reduce the cost of deepwater development and enhance the capital returns for the IOCs.

The challenge has been the size and the complexity of developments but they will continue to innovate and improve around project execution leading to deepwater recovery at some point, maybe 2016 or 2017 in our view. In the meantime, we will continue to hone better supply chain ideas for deepwater floating development projects that use NOV's considerable shipyard expertise and project management skills to improve their capital returns around this important resource.

So on the whole, we're cautious about oil price impact on 2015 but we're very enthusiastic for 2016 and beyond. And if oil prices stay down entering 2015, we believe one, the strength of our backlogs and two, the diversity of our product offering, will enable NOV to thrive during a market downturn, which we will spend positioning our business to create more long-term value.

Specifically, we expect to continue to invest in production technologies required to produce the 150 plus discoveries made in the deepwater over the past seven years, according to ODS-Petrodata, to invest in new technologies that have opened up unconventional shales and deepwater provinces and to invest in operational excellence to one, continue superb execution of our extraordinary backlog of orders on the books today and two, support our ever-growing install base of equipment with industry-leading global aftermarket support.

Our operational excellence initiatives helped a lot during the third quarter. Supply chain optimization, de-bottlenecking, and capacity enhancements through the past several quarters enabled NOV to deliver sequentially higher volumes of products and equipment in the third quarter. I am pleased to report that NOV set new records on the deliveries of top drives, subsea BOP stacks, and composite pipe during the third quarter, and we expect to set new records again next quarter. The actions our team have taken serve to enhance NOV's reputation as a reliable partner to customers whose needs change quickly.

This flexibility is an important element of our strategy. When the oilfield heats up, our customers want equipment urgently and will suddenly corral through the door to join production queues that will double and triple virtually overnight. The capability of a manufacturer to deliver quickly with a high level of reliability and a low risk of being late becomes a critical dimension on which to compete.

That's why we have positioned NOV to one, be more vertically integrated than most of our competitors so that we can control more of our destiny and be more responsive to the quickly changing demands of the marketplace; and two, maintain carefully managed build for stock programs of selected higher volume products to respond to upturns. We're more vertically integrated than most but were are not 100% self-sufficient so we still rely on vendor partners in our supply chain but NOV, nevertheless, tends to have more internal capacity and squeeze more out of our capacity than our competitors, thanks to our many NOV manufacturing experts.

As I noted earlier, in the third quarter we saw demand for coil tubing, drill pipe, and land rigs move up sharply while demand for offshore drilling equipment declined. Even though most all products we provide are related to oil and gas, demand for our products don't necessarily move in tandem because our products aren't necessarily on the same cycle. The third quarter illustrated that. Participating in multiple product lines with different cyclical characteristics enables us to redirect our manufacturing resources to where they are most needed.

Our CNC machine tools can cut different kinds of NOV parts and our weld shops can fabricate different kinds of NOV products. As demand for one product falls, the diversity of our product portfolio frequently enables us to redeploy manufacturing assets and personnels to areas of rising demand. This is a competitive advantage of being a large scale manufacturer.

A second competitive advantage of our market leadership is our capability to build to plan to enable us to shorten lead times and command favorable pricing for certain products our customers are in a hurry to get. As market leader, we provide products with higher day-to-day demand which reduces our risk in investment. We find we are able to consistently carve out higher margins from product sales out of inventory on hand as compared to items built to a purchase order.

We also benefit from manufacturing efficiencies arising from longer production runs of certain items. I note this characteristic of our business this morning because once again, we are seeing crosscurrents in the markets we serve and different products on different cyclical trajectories. It's because of this balance that we are both confident and excited about NOV's future prospects. And it's because of this confidence that we announced during the third quarter an authorization to buy back $3 billion of our stock.

NOV is a special and unique enterprise with market-leading positions across almost everything we do. We are pleased to be in a financial position to be able to return capital to our shareholders through share buybacks, as well as paying an attractive dividend while still being able to invest in growth opportunities. With that, let me turn it over to Jeremy who will tell you more about our third quarter.

Jeremy Thigpen - *National Oilwell Varco, Inc. - SVP & CFO*

Thanks, Clay. Since Clay already thoroughly covered the consolidated results, I'll just dive straight into our segment operating performance. The Rig Systems segment generated record quarterly revenues of $2.7 billion in the third quarter. That's at 12% sequentially driven by a continued increase in land related sales, which improved 9% sequentially, and greater progress on offshore projects, which improved 13% sequentially.

Compared to the third quarter of 2013, Rig Systems revenues were up 29%. That's due to heightened demand for high spec land rigs and equipment and our recent capacity additions which have enabled us to convert 34% more revenue out of backlog over the prior year. In total for the third quarter, offshore new build projects accounted for $1.6 billion in revenue with land rigs and other capital equipment, both land and offshore, accounting for the balance of approximately $1.1 billion. Said another way, for the quarter, offshore and new build revenue totaled roughly 28% of NOV's consolidated revenue.

Operating profit for this segment was $533 million and operating margins were right at 20%, which represented 110 basis point decline from the previous quarter but 100 basis point improvement over the prior year. Sequentially, the 110 basis point decline was driven by higher installation and commissioning costs as we expedited and completed five jackups and 7 drill ships in the quarter.

During the quarter, we also struggled with some lower margin projects, including three highly customized one-off land rigs that were ordered last year that presented some unexpected cost challenges as well as a higher percentage of Brazil related work. EBITDA for this segment was $554 million or 20.8% of sales. As we move into the fourth quarter, we believe that Rig Systems' revenues could remain relatively flat as recent bookings of land rigs and land related equipment ship out and convert into revenue and as we continue to execute against our offshore new build backlog.

And as stated on previous calls, we expect that operating margins will continue to remain in that 20% to 21% range for the quarter. Now let's transition to the capital equipment orders for our Rig Systems segment for the third quarter of 2014 and our resulting backlog. In the quarter, we recognized $2.4 billion of revenue out of backlog and captured $1.3 billion in new orders, which resulted in a 0.6 times book-to-bill and still very healthy quarter-ending backlog of $14.3 billion.

In the quarter, we secured nine drilling equipment packages for jackups as well as some discrete offshore components including cranes, jacking systems, and spare BOP stacks. We also continue to see very strong demand for complete land rigs, land rig equipment packages, and discrete components that are going into new land rigs and/or serving as upgrades to existing land rigs. Overall, of the $1.3 billion in new Rig Systems orders, 26% was driven by new build offshore construction, while sales of land rigs, land rig components, and replacement and upgrade components to support existing offshore rigs accounted for the balance of the new bookings.

Of the total $14.3 billion in quarter ending backlog, approximately 90% is offshore and 90% is destined for international markets. Looking into the fourth quarter of 2014, we believe that orders for new floaters will once again be limited and that opportunities for jackups could be halved. Still, demand for complete land rigs, land equipment packages, and individual land components should remain strong in the US, Latin America, and the Middle East.

The Rig Aftermarket segment posted revenues of $837 million in the third quarter of 2014. That's up 7% sequentially and up almost 18% over the third quarter of 2013 as our large and growing installed base of equipment, combined with the investments that we've made in additional personnel, in training, and our global infrastructure and in inventory, have resulted in mid-teens percentage growth for the past few years.

Operating profit for this segment was $229 million or 27.4% of revenue. That's down 20 basis points sequentially and down 100 basis points from the prior year, and that's really due to a slightly unfavorable mix with a lower percentage of high-margin spare parts sales and a higher percentage of slightly lower margin repair work. EBITDA for the segment was $236 million or 28.2% of revenue.

As we move into the fourth quarter, we feel that aftermarket revenues could continue to improve in the mid-single-digit percentage range. However, given historical trend and a large pipeline of somewhat lower margin repair work that will likely be executed in the fourth quarter, we could experience a slight decline in operating margins.

The Wellbore Technologies segment posted revenues of $1.5 billion, up 2% sequentially and up 14% compared to the third quarter of 2013. As previously stated, the Wellbore Technologies business is driven by activity. More rigs drilling more wells and more footage require more of our rig instrumentation and monitoring, more solid control equipment, more fluids, more drill pipe, more inspection and coating of that drill pipe, more downhole drilling tools, and more drill bits.

So the seasonal rebound in Canada, combined with a strong US market, led to another quarter of strong demand for this segment. On this $1.5 billion in revenue, the Wellbore Technologies segment generated $278 million in operating profit or 18.9% of revenues, which represented a 30-basis-point improvement over the second quarter of 2014 or 39% flow-through to leverage. On a year-over-year basis, operating margins improved 300 basis points or 41% flow-through to leverage on the 14% increase in revenue. And EBITDA for the segment was $390 million or 26.5% of revenue.

Looking into the fourth quarter of 2014, we believe that Wellbore Technologies segment revenues could be flat to slightly up as the strengthening Canadian market could be at least partially offset by a reduction in billing days due to the holidays. And as a direct result of those holidays, we believe that margins could decline slightly as we experience some seasonal under absorption in some of our manufacturing and service facilities.

The Completion & Production Solutions segment generated revenues $1.2 billion, up 6% sequentially and up 9% from the third quarter of 2013. On a sequential basis, the revenue growth was driven primarily by strong deliveries of well intervention and stimulation equipment including coil tubing units, coil tubing, pressure pumping equipment, well service pumps, fluid and expendables, and flow line. We also enjoyed record shipments of fiberglass pipe.

On a year-over-year basis, the growth was driven by improved demand for well intervention and stimulation equipment, fiberglass pipe, and continued growth in both our floating production and subsea businesses. Operating profit for this segment was $184 million or 15.4% of revenues, which was up 140 basis points from the second quarter of 2014 and down 70 basis points from the third quarter of 2013. As mentioned on the last call, changes in product mix can have a fairly substantial impact on the margins of this segment.

Generally speaking, margins for completions related equipment, such as coil tubing units, coil tubing, pressure pumpers, frac sanders, fluid and expendables, and flow line, are accretive to segment margins whereas margins for production related equipment such as tanks and vessels and mooring systems and flexibles, while improving, are currently dilutive to segment margins. Third quarter EBITDA for this segment was $242 million or 20.3% of sales.

For the fourth quarter, we believe that revenues for our Completion & Production Solutions segment could improve in the low to mid-single digit percentage range as we continue to see increasing demand for our well intervention and stimulation equipment. And for the fourth quarter, much like our Wellbore Technologies segment, we believe that margins could drift slightly lower as the holidays could lead to under absorption in our manufacturing facilities.

Now let's transition to the capital equipment orders for our Completion & Production Solutions segment for the third quarter of 2014. During the quarter, the segment secured $609 million in new orders, which were primarily driven by increasing demand for our well intervention and stimulation equipment to support a pressure pumping market as well as growing demand for our fiberglass pipe. The $609 million in bookings was more than offset by $667 million in shipments out of backlog resulting in a 0.9 times book-to-bill and a healthy quarter ending backlog of $2.1 billion for the segment.

As a move into the fourth quarter, we believe that new orders for coil tubing units and pressure pumping equipment should continue to be strong and that orders for production related equipment could improve resulting in a book-to-bill for the Completion & Production Solutions segment that could approach if not exceed 1 to 1. So if you look at it overall, we believe that the segment operating results for the fourth quarter could look fairly similar to, if that slightly better than, the segment operating results for the third quarter. However, as there were some anomalies in some of our below the line items in the third quarter that will obviously be need to considered.

So with that, let's turn to some of our remaining elements of National Oilwell Varco's consolidated third-quarter 2014 income statement. Gross margins declined 40 basis points sequentially but increased 100 basis points year over year to 27.3%. SG&A increased $24 million sequentially and $73 million year over year. However, as a percentage of revenue, it actually declined slightly to 9.6%. Other items were immaterial at $1 million in the quarter.

Interest expense decreased $1 million sequentially to $26 million. Interest income also decreased $1 million to $4 million. Equity income in our Voest-Alpine JV declined $14 million or 61% sequentially as the plant was shut down for two weeks for its annually scheduled maintenance. We would expect this to rebound in the fourth quarter and return to more historical levels.

Other income for the quarter was $9 million versus an expense of $21 million in the second quarter. During the quarter, we benefited from favorable movements in exchange rates and we also booked a gain on the sale of the industrial aggregates business in Hawaii in the quarter. For the fourth quarter, we believe that this, too, will return to historical levels and be a net expense. The effective tax rate for the third quarter was 28.8% which was 300 basis points lower than the 31.8% rate that we posted in the second quarter of 2014 as we recognized a much higher percentage of foreign sourced income in the quarter primarily attributable to the progress we made on offshore rig construction projects.

Additionally, we benefited from a deduction in the US for manufacturing activities. As we move into the fourth quarter, we believe that our effective tax rate could return to a more normalized range of plus or minus 31%. If you now quickly turn to the first supplemental schedule, you'll see that eliminations were $569 million for the quarter, up from $475 million in the second quarter of 2014.

As stated on the last call, these eliminations arise from inter-segment sales such as Rig Systems selling spare parts to Rig Aftermarket, and Wellbore Technologies selling solids control equipment for new drilling equipment packages to Rig Systems, and Rig Systems selling cranes to offshore production installation to Completion & Production Solutions. While our reorganization better aligned our various business, we still conduct substantial transaction between segments.

Unallocated expenses and eliminations were $235 million in the third quarter, up $35 million sequentially on the higher inter-segment revenues. And finally, if you turn to the last supplemental schedule, you'll see that depreciation and amortization were $198 million, up $8 million from the second quarter. And EBITDA, excluding transaction charges, was a record $1.2 billion or 21.2% of sales.

Finally turning to the balance sheet, our September 30, 2014, balance sheet employed working capital excluding cash and debt of $5.5 billion, up over $300 million sequentially but down $800 million from 2013 year end. Looking more closely at working capital, accounts receivable only increased $55 million or 1% sequentially despite the $332 million sequential increase in revenue.

Inventory was up $266 million or 5% sequentially, primarily driven by our Rig Systems segment as it continues to execute against a near record backlog. It also went up because of our drill pipe business which had several large shipments push into the fourth quarter. And due to the sequential decline of bookings for offshore new builds, costs incurred on major projects significantly outpaced milestone invoicing, which resulted in a $415 million sequential decline in customer financing.

These various uses of cash were partially offset by increases in payables and accrued liabilities. Capital spending for the third quarter was $168 million due to several significant ongoing operational expansion efforts as well as continued investments in the rental fleets of our Wellbore Technologies segment to support strong global demand. This resulted in free cash flow, as defined as operating cash flow less capital expenditures, of $351 million for the quarter.

In the quarter, we received cash for the sale of the aggregates business in Hawaii, which more than offset the $79 million that we invested in three acquisitions during the third quarter. And finally, we made dividend payments of $198 million, representing $0.46 per share. As a result, we ended the third quarter of 2014 with a cash balance of $4.1 billion and a net cash position of almost $1 billion.

On the $4.1 billion in cash, most is still overseas but we are pursuing mechanisms within our current structure that will permit us to return more to the US in the coming months. Now let me turn it back to Clay.

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

Thank you, Jeremy. With that Christine, I think we're ready to open up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Jim Wicklund, Credit Suisse.

Jim Wicklund - *Credit Suisse - Analyst*

Good morning, guys.

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

Good morning.

Jim Wicklund - *Credit Suisse - Analyst*

I thought that was a very cogent and rational presentation, Clay. I really did. You talk about investing in production technologies for deepwater, invest in shale technologies for the US. Everybody wants to invest in technologies these days. Where do you find the technologies? Are they going to be in small Canadian companies with technology that you can globalize or are these going to be in big companies that are pieces of other companies? Where is this technology going to come from?

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

It's all the above, plus we have a lot of smart people here working at NOV.

Jim Wicklund - *Credit Suisse - Analyst*

I've met one of them. It's hey, a smart guy. (laughter)

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

We're very fortunate. We put together a collection of products and technologies across NOV that I'm not sure the industry's really ever seen in its history. And so one of the real values that we find from that is getting people from different parts of our organization talking about bringing together their collective experience and capabilities to think of new ways to improve drilling performance.

And so there's a lot of exciting things going on with that, things like drilling automation, for instance, that use IntelliServ wire drill pipe, downhole tools that we manufacture to make measurements at the bottom of the hole then transmit microsecond level data to the rig to actually control the machinery. That's something that we have been investing in and are very, very excited about.

And so we're fortunate to have a terrific group of engineers and scientists here at NOV that every day are thinking of new and better ways to improve drilling safety and efficiency and reducing environmental impact and just a lot going on. And then in addition to that as you know, we've been very transactional.

So we have bought a lot of Canadian companies and a lot of Norwegian companies and a lot of companies from Singapore and elsewhere and find that we can really supercharge the market acceptance of those technologies as we introduce them to the very extensive global footprint that NOV offers. So we're not so proud to pass technologies because they are not invented here and so we really try to avail ourselves of all those technologies.

Jim Wicklund - *Credit Suisse - Analyst*

Okay. I appreciate that. FPSOs, if I could. It's not really a follow-up but the second question. FPSO orders, we have seen a slowdown in Latin America and marginal fields get pushed to the right. One of the complaints that we hear is that your turn systems are the smaller types and most of these

FPSOs being put out larger types, and the question has been what parts of an FPSO can truly be standardized. Can you just spend a minute or two talking about that perception in the market?

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

You bet. Specifically on the turrets that we provide, the turrets and the swivel stacks, even within the APL business that we acquired a few years ago in Norway, we've been standardizing dimensions. We've been standardizing a lot of the turrets that we're delivering, and what we find is it's a little lumpy, but we have seen fairly steady demand for both new turrets and swivel stacks, as well as aftermarket support of the installed base of APL swivel stacks and turrets that are out there.

And with regards to the technology that we offer, I believe we're the only provider that can offer disconnectable turret mooring system, and that's actually have one of those at work with the Petrobras FPSO at work in the Gulf of Mexico. The Cascade FPSO, the first one to move into the Gulf of Mexico, the capability to disconnect the turret from the vessel and move the vessel out of harms way has effectively opened up that market.

There's other benefits from that technology as well. If you think about putting a vessel out in service in the ocean for 10 or 15 years, if you are not disconnectable, the capability of the owner of that vessel to bring it back to drydock from time to time to inspect it, to repair it is limited, and so we think this disconnectable turret capability makes good sense for a lot of FPSOs out there, and we are pretty excited about that.

More broadly speaking, our plan with our investment in turret mooring systems and in the FPSO space is to bring a lot of NOV's considerable shipyard experience, our project management capability, that has really proven itself with the building of drilling rigs in shipyards, which today happens with very low risk, very, very predictable results, and very favorable results for all parties involved.

We think that we can bring a more -- I don't like the word standardized, but a more configurable approach to the supply chain for FPSOs and do some good there. And very pleased to report, although there's not a lot of spending or POs being placed right now, we've had some great conversations with both NOCs and IOCs around that idea.

Operator

James Crandell, Cowen.

Jim Crandell - *Cowen Securities LLC - Analyst*

Good morning, guys.

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

Good morning, Jim.

Jim Crandell - *Cowen Securities LLC - Analyst*

First question is about Brazil. First of all, I think you've had a new facility that came on. How is that performing? And then secondly on Brazil, could you talk a little bit to -- you won my recollection is over 20 rig equipment packages to be built at Brazilian yards. Can you talk about how those are coming and what is the risk that significant portion of those may never be built?

Jeremy Thigpen - *National Oilwell Varco, Inc. - SVP & CFO*

Hi, Jim. This is Jeremy. Thanks for the question. The flexibles plant in Brazil, I think, is the plant you are referring to. We are up and running. We are experiencing some challenges, some with the machinery and some with just consistent power supply. We're addressing both now.

We hope to get that really fully operational as we move through the beginning and middle part of 2015. So we are producing. We are generating revenue, but it's not nearly where we wanted it to be at this stage but we're working through some of the Brazilian related problems associated with establishing a new manufacturing footprint.

So that's proceeding. And on the Brazil related floaters, we booked 22 of the 29 total awarded, and we're making good progress on those. In fact, I think we're probably going about as we expected.

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

We're working at four different shipyards. I think each of the four is working on two vessels right now. We're going to have the very first vessel delivered about a year from now.

So next year, early next year, we'll be going into installation and commissioning activities in Brazil for the first time, and then the first half of 2016, I think you'll see the other three shipyards deliver their first vessels and that's kind of the leading edge of that. We also have other facilities we're investing in in Brazil in addition to the flexibles plant. So I think Q1 next year, we'll have our riser manufacturing facility opening up and start building riser for those rigs.

So that whole program is moving along pretty much as expected. It is a little bit late, but candidly, I think that probably everybody expected that going in to it. But I would say so far so good. From an NOV perspective quarter by quarter, and once again in the third quarter, we're seeing revenue contribution from Brazil continue to grow.

Jim Crandell - *Cowen Securities LLC - Analyst*

That's great to hear, Clay. And just as a follow-up, could you talk to your Russian business? You have a new facility in Russia. How that facility is performing and how your business overall is affected by the sanctions.

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

Yes, I would say with regards to the sanctions, we're very, very careful to make sure we are complying with those. And we have been impacted somewhat but much that we ship into Russia doesn't go into the prohibited activities which are Arctic drilling, shale drilling, that sort of thing, and so we've enabled to secure export licenses to cover off those shipments.

The facility that you are referring to is a new facility that we are still building. And we've continued on with that. Our business in Russia is, even with the sanctions, still is fairly firm and so we've elected to continue to move forward with that plant. It will probably be completed summer of next year, let's say, and we will definitely have work for it to do that will comply with the sanctions, both EU and [the US].

Operator

Jeff Tillery, Tudor, Pickering, Holt

THOMSON REUTERS

Jeff Tillery - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Hi, good morning.

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

Hi, Jeff.

Jeff Tillery - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Could you just talk about how you guys see the rig aftermarket business as we see more of the older assets idled? Obviously, there's more new builds in the fleet as well. Just what the net of that is and how that looks over the next 6 to 12 months from where you stand today?

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

Yes, we think Rig Aftermarket will continue on its trajectory of kind of that low to mid teens percentage growth year on year. The newer technology actually requires more aftermarket support because there's more robotics, there's more electronics, all of that requires a little more TLC. The more rigs that we introduce to the market and we're putting a lot in the market this year and a lot in the market next year and the following year. All of those rigs are going to require -- their more aftermarket intensive than some of the older rigs. Certainly we would like to have both, but we recognize that some of these older rigs are going to be stacked and maybe chopped up over time. But still, we think the opportunities for the new rigs are going to be fantastic.

Jeremy Thigpen - *National Oilwell Varco, Inc. - SVP & CFO*

And even within the category of new rigs, as we look at over next couple of years as we referenced before, we see the five-year SBS is kind of coming on strong and so we think that will also continue to provide a good foundation for growth in that business.

Jeff Tillery - *Tudor, Pickering, Holt & Co. Securities - Analyst*

That goes to my second question just on the SBS opportunity. Help us understand how that flows through. You guys are given a revenue range historically that you guys have seen, but how much of that is going to hit the aftermarket segment versus the new rig segment? How should we think about that?

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

You raise a great point, Jeff. It will be spread between Rig Aftermarket and Rig Systems, and both segments will benefit from that. The reason for that is, as you know, rigs come into the shipyard every five years for class certifications which are required by most of the major customers and operators and required in a lot of areas around the world.

Not every place and not every customer, but I think most contractors really perform this and will continue to do so. These rigs come in, they go up, [they right], they spend a week or two or five or 15 in a shipyard, and that's a great opportunity for those going contractors to inspect their drilling equipment as the hull is also being inspected. And so we work closely on those projects with those customers, and so the range of revenue can be quite variable.

I would say on the low end, it's probably a $5 million to $10 million per rig exercise but can in some cases can exceed $80 million or $100 million if it's a major upgrade or replacement of drilling packages, which we do see. And so it's kind of everything within that. We have in fact, in the third quarter, we saw a higher level of budgetary quotes for engineering work around rig upgrades and SPSs, and we look at the demographics.

Over the next few years, we see a lot of rigs that are going to have to come in. So that's kind of the basis for our outlook in that business, but the split between the segments comes from the fact that Rig Aftermarket really focuses on the technicians, the repair work, the smaller spare parts to go in and fix things whereas Rig Systems sells complete units.

So if we replace a part on a draw works, it will show up in Rig Aftermarket. If we replace the entire draw works or we upgrade the draw works, then that will show up in Rig Systems.

Operator

Bill Herbert, Simmons & Company.

Bill Herbert - *Simmons & Company International - Analyst*

Thank you. Good morning. Back to Brazil. What is the dollar amount in backlog that we have today? And it sounds like you guys are working on eight floaters currently, 14 remaining. What's the roadmap for processing those 14 remaining floaters?

Jeremy Thigpen - *National Oilwell Varco, Inc. - SVP & CFO*

Hi, Bill. It's about $3.7 billion in remaining backlog out of Brazil, and it will obviously flow out at a much slower pace than we typically see from our Korean shipyards to the point that we expect the tail to be pretty long on this. So the revenue conversion out of backlog as we move into 2015 and beyond will be a little slower than you've seen here recently.

Bill Herbert - *Simmons & Company International - Analyst*

Okay. And then with regard to your working on eight floaters today, when do we start working on the next rig?

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

Well, they all kind of feather in as rigs ship out, so the first rig that ships out in late 2015. By then and in that same yard we'll be working on a second rig. So you imagine it on an aggregated basis, it's a very broad sort of bell curve of revenue for NOV. Does that make sense?

Operator

Marshall Adkins, Raymond James.

Marshall Adkins - *Raymond James & Associates, Inc. - Analyst*

Good morning, guys. So Rig Systems, obviously margins have bounced down a little bit here and you gave some explanation. I think I heard the installation costs were a little higher, Brazil, some specialized land rigs. Is -- you know, you've been seeing a pretty nice ramp in margins in that area. Should we expect that to level off now for the next year in that 21% range?

Jeremy Thigpen - *National Oilwell Varco, Inc. - SVP & CFO*

Yes, I think that's fair. We have a lot of -- it's a big business, a lot of moving parts, and that's why we always kind of provide the range. I think you could see some slight margin improvement next year, but I think it's going to be in that 20% to 21% range for the next few quarters.

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

The challenge we had there in Q3 kind of illustrates it. The building of the individual components we have a lot of control over, so for the top drives, the rackers, the draw works that go into these rigs are made in our plants. We know our costs, we know pretty precisely.

The very last thing that you do on a package is that you actually install that equipment on the rig in the shipyard and then you tune it and program it to make all these components work together to actually perform drilling operations. That's where the uncertainty is in costs, and that's where we faced some cost headwinds during Q3 that were a little unexpected.

Part of the reason for that, we've talked about this before, the very rapid pace that these rigs are being built at, the fact that we've shaved more than a year off the building of a drill ship has put a lot of pressure on the shipyards. A lot of these rigs are running late and once we get -- once NOV shows up to do the I&C work, and so we're dealing with sometimes rig floors that aren't yet completely built. They don't have power to them yet. We're trying to work around shipyards that are trying to complete their construction activities.

And so that was the basis for a few negative cost surprises in Q3 in the I&C space. And some of that came from our Chinese shipyards that were building some of these jackups in that we haven't worked in before contributed to it. As we look into 2015, the number of offshore rigs that we're going to be doing installation commissioning work on goes up, and given that that's where our uncertainty is, I think that's probably going to limit our ability to increase margins.

Jeremy Thigpen - *National Oilwell Varco, Inc. - SVP & CFO*

It not only goes up, but we have a much higher percentage of Chinese related work in the new Chinese shipyards which we expect to be a little bit challenging when it gets to inflation and commissioning.

Marshall Adkins - *Raymond James & Associates, Inc. - Analyst*

Perfect, and a follow-up. I want to make sure I heard this right. It sounded like you said 26% of your new orders were offshore but 90% of your backlog was offshore, so help explain that, reconcile that. And I guess if that was correct, does that mean that the backlog over the next year moves more onshore?

Jeremy Thigpen - *National Oilwell Varco, Inc. - SVP & CFO*

Yes. So one slight correction to your statement. It's 26% offshore new build construction, so going into a new offshore rig package, we did have some offshore components that were not part of that 26% that were for upgrades or replacement. So just that one point of clarification. Otherwise you were spot on.

Yes, in terms of why you see that 90/10 split, it's just that a much larger piece of offshore that converts over a longer period of time where is land related components can come in and out in a pretty short period of time. But yes, as we move into next year, you will see that land percentage increase as a percentage of the total.

Marshall Adkins - *Raymond James & Associates, Inc. - Analyst*

Thanks, guys.

Jeremy Thigpen - *National Oilwell Varco, Inc. - SVP & CFO*

Thanks, Marshall.

Operator

Tom Curran, FBR Capital Markets.

Tom Curran - *FBR Capital Markets - Analyst*

Good morning, guys.

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

Good morning Tom

Tom Curran - *FBR Capital Markets - Analyst*

So continuing with that line of questioning, on the onshore side, whenever we see one of the big four US land drillers announce an incremental new build award, when it comes to the total construction cost for that rig, what should we assume is your total accessible market? Whether it's Helmerich and Payne or Nabors, Patterson?

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

It varies between 0% and 100%. Well, it's never zero. We probably sell something on every one of those rigs, but let's say a low percentage to 100%. The major North American drilling contractors all have some level of rig repair capability, rig up capability, rig yards with welders with sandblast capability, with painting capability, and so one of the trends that we have been targeting in the land rig space is to persuade them to let NOV build complete rig packages as opposed to some of the major land drilling contractors across North America really want to utilize their own infrastructure to build rigs.

And so it's kind of a mixed bag out there in terms of who buys solely from NOV complete land rig packages versus who puts together kind of their own design with their own components. Importantly, in even the ones that do put together their own rigs that use their own personnel to put together the rigs. Like I said, we are selling components to all of them and pleased to participate in those.

But we build rigs for a living, and we think we have value to add in terms of building complete rigs for those operators. And so we're talking to them about taking over more of their manufacturing activities and bringing it to NOV where they can benefit from our scale, from our consistent rig designs and layouts and we can help bring standardization across their fleets.

I would also add to that, Tom, this is kind of a North American phenomenon. When we talk about international markets like the Middle East, which has been very strong, Latin America which has been very strong, they are the default for most of our customers is to buy complete rig packages from us. So there's kind of a difference between the North American market and the international markets that we serve.

Jeremy Thigpen - *National Oilwell Varco, Inc. - SVP & CFO*

Just one other point on the North American market and the big four. Some of them have announced build programs that exceed their ability to provide those rigs internally with their own capacity, and so when Clay mentioned we're going to try to persuade them to allow us to build the entire rig, we're starting to get some traction in that area.

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

Yes, yes. Some are doing both. Some are building rigs on their own but also outsourcing complete rig packages to NOV.

Tom Curran - *FBR Capital Markets - Analyst*

Thanks. So on the North American front, are there any specific drillers that you've therefore announced alliance or frame agreements with or where the percentage that you are winning of their new builds is clearly moving up? And then on the international side, could you just refresh us on the average revenue value per land rig order and which markets looked the strongest heading into 2015?

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

Well, first we don't typically talk about any specific customer account or make announcements like that. We're here to serve all the customers out there and try to remain valued suppliers to all of them and work closely with them. And like I said, we are pleased to participate in just about everybody's build program at some level.

Internationally, I think we touched on these but the Middle East has seen strong demand for rigs, and they can vary from a kind of a fairly standard ideal rig for us which is a 1500 horsepower offering, which would be in the low $20 million range and can go up very quickly from there due to modifications required for high ambient temperatures encountered in the Middle East along with extra power generation capabilities, the drill pipe that they order whether they order walking rigs versus skittable rigs versus kind of other configurations.

So that's kind of the low end of the range but it can go on up to $40 million, $50 million, $60 million or more for some very, very highly capable rigs that we sell into some of the international markets. And so it's quite variable outside North America whereas in North America, I think the 1500 horsepower rig, our ideal rig, others have various other names that they use for theirs, is kind of the workhorse rig that we see most commonly.

Tom Curran - *FBR Capital Markets - Analyst*

And then last one for me. On the rig aftermarket front, when it comes to the six and seven gen rigs out there that are dual BOP stack capable but have yet to actually order the backup BOP, what is your current outlook for the kind of run rate we should see on a quarterly basis for those orders?

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

Hard to quantify that on a run rate other than to say, and I think Jeremy mentioned this in his comments earlier, that we saw pretty good demand for fleet spares for discrete pieces of equipment to support the offshore fleet. And for us, that's pretty typical so fleet spares going into dual BOP rigs or even a spare BOP to support multiple rigs that only have a single BOP.

Sometimes our customers will want to have a stack on the beach ready to go in case something happens with one of theirs. For us, that's kind of ordinary course of business and tends to exist sort of separate and apart from the new build appetite. And so we would given the downturn in new builds, we would expect that business to remain relatively healthy going forward.

Tom Curran - *FBR Capital Markets - Analyst*

Thanks, guys.

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

Thanks, Tom.

Operator

Kurt Hallead, RBC.

Kurt Hallead - *RBC Capital Markets - Analyst*

How about that. Last but not least. How are you guys doing?

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

Hi, Kurt.

Kurt Hallead - *RBC Capital Markets - Analyst*

Hey, I'm going to ask kind of a slightly different question related to one of the comments you made earlier, Clay, in the context of you talked about how shale related production volumes would come down once you see some reduced level of activity.

I'm just wondering if you can maybe kind of put that into a context as it relates to natural gas because in some basins we've seen a reduction in natural gas, but in aggregate, we haven't so what do you think is different about the oil dynamic vis-a-vis the gas dynamic?

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

The associated gas, Kurt. So natural gas drilling plummeted a couple years ago when gas prices fell off the cliff. So drilling slowed down to almost nothing. The difference is, is that oil drilling and oil production have picked up, and I think there's a lot of associated gas with that that comes with that oil and so I think that's probably a key difference here.

Kurt Hallead - *RBC Capital Markets - Analyst*

Okay. And then a follow-up question with respect to the use of cash dynamic and you guys announced a share repurchase program. When you go through the process you get a lot of cash international, you have the share repurchase program, which helped you finance with cash you create here in the US some way, some how.

Can you just kind of walk us through that dynamic again because my understanding was essentially all the free cash flow you generate in the US was going toward CapEx and dividends.

Jeremy Thigpen - *National Oilwell Varco, Inc. - SVP & CFO*

It is largely, Kurt, and if you read the press release, I'm sure you did, on our announced buyback we said we would fund it with US cash. Cash that we were able to repatriate from foreign jurisdictions and we wouldn't be opposed to potentially from time to time financing the transaction as well. So we've taken an all of the above approach.

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

We do find we're able to bring back cash from overseas from time to time.

Jeremy Thigpen - *National Oilwell Varco, Inc. - SVP & CFO*

Yes, in a tax efficient manner.

Kurt Hallead - *RBC Capital Markets - Analyst*

And then just lastly, given the drop in oil prices that we've seen, has it been a long enough duration or a sharp enough drop to motivate some sellers and how do you view the M&A opportunity set right now?

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

Not unless they've got a really distressed balance sheet themselves. I don't think anyone is panicking right now. Everybody knows this is a cyclical business. Everybody knows commodity prices are going to move down from time to time. So I would not expect sellers to really change their outlook yet. Six months from now, if rigs count does move down more sharply, let's say, than we expect then maybe we get sellers that are a little more motivated. But it takes a while for this to sort of settle into people psyches.

Jeremy Thigpen - *National Oilwell Varco, Inc. - SVP & CFO*

Having said that, we've got a pretty full pipeline of opportunities, and I've described most of them -- all of them as more bolt-on acquisitions that are based mostly overseas. So really good opportunities that we're working and have been working for a couple months, and as you know, these all have a life of their own and can sometimes last months if not years, but got some really good opportunities out there.

Kurt Hallead - *RBC Capital Markets - Analyst*

Okay, and then Clay, on the deepwater commentary you guys had earlier, do you expect the -- it sounds like you expect an improvement in 2016 and 2017. So you're really thinking at that juncture you'll see a reacceleration in deepwater rig orders, so I guess you are essentially saying this cycle downturn is going to look a lot like what happened from 2002 to 2004. Is that fair?

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

At this point, yes. We think there's a growing backlog of discoveries that need development. We think that deepwater demand for rigs to do development drilling is going to continue to mount. We think the IOCs will eventually come under pressure to replace reserves and production.

We think -- to just take a stab at it, we think 2018, 2019 demand for deepwater drilling starts to look pretty good if you want a rig to go to work in 2018, you kind of need to get an order in late 2015. So we're looking at where we think supply and demand may come in balance and supply may fall short of demand and back it up three years and saying that's maybe where we start to see some of the more forward-looking contractors step up and place orders.

Let me add, too, I've said this clearly in the comments, we're going to continue to win rigs in 2015. We've got very serious conversations under way so it's not going to zero in 2015 it's just going to be down from where it's been.

Kurt Hallead - *RBC Capital Markets - Analyst*

Great. I appreciate it. Thank you.

Operator

I will now turn the call back to Mr. Clay Williams for closing remarks.

Clay Williams - *National Oilwell Varco, Inc. - President, CEO, & Chairman*

Thank you, Christine, and thanks to everyone joining us this morning. We look over to reporting our year-end and fourth-quarter results in about three months. Have a great day. Thank you.

Operator

Thank you, ladies and gentlemen. This concludes today's conference. Thank you for participating.
