NOV, Inc.
Third Quarter 2022 Earnings
Conference Call Remarks

BLAKE MCCARTHY
Vice President, Corporate Development & Investor Relations

Welcome everyone to NOV's third quarter 2022 earnings conference call. With me today are Clay Williams, our Chairman, President, and CEO, and Jose Bayardo, our Senior Vice President and CFO.

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

On a U.S. GAAP basis for the third quarter of 2022, NOV reported revenues of $1.89 billion and net income of $32 million. Our use of the term EBITDA throughout this morning's call corresponds with the term "Adjusted EBITDA" as defined in our earnings release. Later in the call, we will host a question and answer session. Please limit yourself to one question and one follow-up to permit more participation. Now, let me turn the call over to Clay.

CLAY WILLIAMS
Chairman, President, and Chief Executive Officer

Thanks, Blake.

For the third quarter of 2022, NOV's consolidated revenues grew 9% sequentially and 41% YOY, with all three segments posting solid double-digit YOY growth. Despite continuing supply chain friction and increased turmoil in the global economy, our teams were once again able to drive higher sequential EBITDA, at 28% leverage, on top-line gains.

The results demonstrate international and offshore markets that are starting to gather momentum. Our early-cycle, rig-count activity-driven businesses continued to trend positively on rising volumes and pricing recovery in North America and, increasingly, in international and offshore markets.

So far, despite fears of recessionary demand destruction, commodity prices have remained strong, which I think is appropriate —the world faces a significant and scary energy shortfall after years of underinvestment, and our outlook is very constructive as a result.

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However, this constructive dynamic has not yet translated into the big uplift in capital equipment orders we expect. Our overall book-to-bill for Q3 slipped slightly below one, 98% to be exact. While we saw strong orders and 116% book-to-bill in Completion & Production Solutions, Rig Technologies' book-to-bill came in below one, and our combined reported backlog for capital equipment declined slightly, less than 1%.

We believe this is transitory, and we expect orders to grow in coming quarters. Let me explain why, starting with the observation that the third quarter book-to-bill is off-trend for us. Helped by solid orders in renewables technologies, NOV's consolidated book-to-bill for the trailing twelve months through the third quarter has been 116%.

Our customers share our optimistic outlook, but they face some near-term constraints that are delaying capital equipment orders, especially for U.S. and European oilfield participants. First, the availability and cost of capital to the oilfield has emerged as a material limitation. Debt lending from banks and institutions, and public and private equity investment capital have been greatly diminished for oil and gas, at least in the West, meaning investments for many must be funded entirely from cash flows from operations. Cashflow for service companies is only now recovering, given pricing leverage has emerged in only the past quarter or two, and mostly in North America.

Second, companies in the U.S. and Europe are highly focused on returning capital to shareholders, rather than re-investing in their businesses despite extraordinary well- and project-level return economics. This trend started with E&P's (and management teams incentivized on cash flow returns to shareholders) and is now taking root with oilfield service customers as well. And for the many oilfield service providers and drillers that have emerged from bankruptcy in the past year or two, they find themselves with their former debt holders as new owners who are insistent on recouping their losses in cash as quickly as possible.

Third, the misguided Energy Transition timeframe narrative — specifically, the move away from oil and gas within a few years, rather than the far-more-realistic decades timeframe — has diminished the appetite for long-lived projects in some markets. Even when there is clear line-of-sight to exceptional well and project returns, many struggle to pull the trigger on long-term projects. Of course the notion that oil and natural gas will be obsolete in the next five to ten years is complete nonsense, but it does make decisions on 20-year capital projects a little more anxiety-ridden. Additionally, the supply chain challenges of the past two years have eroded confidence in schedules and delivery times, injecting additional transient execution anxiety into these decisions.

Importantly, these constraints to capital investment are mostly confined to North American and European participants who, historically, were the fastest to react to higher commodity prices. In contrast, the views held by NOC's and sovereign wealth funds in the Middle East, Asia, Africa and Latin America today leave participants far more financial freedom to respond to commodity price signaling. That is why we were not surprised to see growth starting to accelerate in international markets,

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and frankly would not be surprised to see it surpass North America, where, in addition to free cash flow reinvestment constraints, the market is facing some short-term ceilings on crew and equipment availability (which, by the way, is translating into the higher rig rates and OFS pricing our customers in North America have seen the past couple of quarters). We think incremental E&P spending in 2023 in North America will be required just to hold rig and completion activity flat. In contrast, we see the rest of the world gearing up for more activity in 2023, as OPEC invests to grow production, and recapture its swing producer status from the U.S.

That's not to say there aren't challenges in international markets. The Middle East has been tough on OFS providers for many years, as oversupply through the past decade and large, competitive tenders locked many into long-term contracts at low margins, pre-COVID. However, these are steadily expiring, and NOC's are calling for more and better equipment, paving the way for better OFS pricing leverage and returns, and rising demand for better technologies.

Despite concerns of recession and the near-term headwinds to higher oilfield activity, we are confident they can't last and when the trend breaks the other way, it's going to break hard.

Oil and gas is still the industry that powers all other industries, and price elasticity is low (which the world will learn once again as it moves through this recession; rarely has oil consumption fallen, even during recessions). The development of oil and gas production has always been one of the most capital-intensive industrial pursuits. Wells require highly-specialized, expensive, fit-for-purpose assets and consumables to construct. Oilfield activity is consumptive of oilfield equipment and this tiger can't change its stripes despite earnest capital pledges and adoption of "capital light" business models that don't quite square with the reality of constructing wellbores.

You can cannibalize idle equipment and deplete your stores of consummables and kick the can down the road for a little while, but rigs, drill pipe, pumps, coiled tubing units, you name it — all of the things NOV makes are essential to the getting the commodities out of the ground. The installed base of equipment across the industry is being run harder and harder, quarter by quarter, and the under-investment in maintenance and replacement equipment over several years is beginning to impact the industry's ability to respond to the price signals currently being sent by the commodities. And while commodity prices have pulled back from the highs we saw earlier in the year, I worry that this pullback is concealing a looming supply shortfall.

Leading voices in both the industry and the commodity markets have been ringing alarm bells for weeks. Global shortages of middle distillates, such as diesel, gas oil, and heating oil are intensifying rather than easing. For example, U.S. distillate inventories at the beginning of this month were at the lowest levels since the government began collecting weekly data in 1982, and European and East Asian inventories are the lowest since the mid-2000s. U.S. crude stocks, including the strategic

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petroleum reserve, have fallen to the lowest level since 2002, according to the EIA. And while U.S. production has grown off recent lows, it has been less than expected.

So as U.S. supply growth continues to disappoint to the downside, even as we've drawn down half our inventory of DUC wells; with SPR releases of 1 MBOPD set to wind down soon; with Russian oil supply in decline following sanctions; with OPEC underproducing its quotas even before its recently announced cuts; with Europe poised to see more gas-to-oil switching this winter; and with global demand generally still suppressed from "normalized" levels due to continuing COVID restrictions in China, it feels like we (and by that I mean mankind) are hurtling towards a catastrophe, a very painful and damaging energy crisis. We'll look back and ask how we ended up in energy bankruptcy. "Two ways. Gradually, then suddenly," to quote Hemmingway's *The Sun Also Rises*. Prepare for a hard lesson on the importance of fossil fuels to our way of life.

Throughout the downturn of the past 7 years, a key question we have been asking ourselves at NOV has been "when the oilfield picks up and orders resume, what will our customers need?" This question has steered our R&D efforts, and I'm proud of our team's developments. During the last super cycle, 2004-2014, the industry bought equipment that could develop increasingly challenging reservoirs as quickly as possible — that meant bigger, tougher, and stronger equipment because operators were focused on drilling longer laterals and drilling in deeper waters. As we look to this next up-cycle, we believe our customers will place greater focus on maximizing recoveries from existing fields, along with more efficient development of new fields, improving safety performance, and reducing greenhouse gas emissions — all with a close eye on project capital returns. We expect new digital technologies to shape that future.

Historically, operators' wells developed only a fraction of hydrocarbons in place. Our customers, who employ the world's finest reservoir engineers, know we can all do better. They know where they need to place a well to maximize production, but current industry offerings like the latest in rotary steerable technology, while allowing the type of control that would enable precise well placement, have not enabled the downhole visibility needed for precision well placement. It's like driving a Ferrari on the highway at night and only being able to turn on your headlights once every 10 seconds. You may have a beautiful, powerful piece of machinery, but you're simply not going to be going very fast, and, if you do, you might end up off the road and in a ditch.

That's where NOV's newest technology comes into the equation. Starting with our proprietary eVolve IntelliServ wired drill pipe, operators can have uninterrupted high-speed data flowing from the bit to the surface, like keeping the headlights on bright 24/7. Uninterrupted data feeds the digital drilling solutions we've developed, including the Kaizen Intelligent Drilling Optimizer and NOVOS Automation, which in turn digest, visualize, and interpret the data to help guide the driller in optimal well placement, reservoir development, rig efficiency and crew safety. And customers have begun pairing our NOVOS reflexive drilling system with our MPowerD managed pressure drilling offerings to allow even greater control, complete

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downhole pressure control in the most challenging drilling environments. Recently, one of the world's largest oil companies tested this combined package for the first time, and its downhole engineering department became our biggest proponents across its organization.

That same operator is using NOV's new MAX Edge technology to gather and contextualize real-time well data into the cloud. Our new Ideal eFrac technology, which lowers greenhouse gas emissions and operating costs for pressure pumping companies, continues to generate a lot of buzz in the industry, while our new Ecobooster and Powerblade are doing the same for offshore drillers. Reed Hycalog's investments in drill bit technologies are enabling it to gain share in conventional oil and gas operations by lowering drilling costs and time, thereby reducing emissions associated with wellbore construction. Reed Hycalog has also carved out a market-leading position in geothermal drilling with its hard-rock drilling challenges.

And while we believe the transition to renewable energy will take decades, we also continue to invest in renewable energy solutions to build on our market-leading position in the supply of offshore wind installation technology.

In short, in a world faced with serious, complex and shifting energy challenges, NOV's developments in both traditional oil and gas and in renewables technologies are the toolkits our customers will employ to ensure safe and reliable energy continues to lift mankind out of poverty. We expect the combination of NOV's wired drill pipe, artificial intelligence, digital solutions, edge computing, and managed pressure drilling systems to become standard kit on wellsites around the globe, just like our top drives and drilling equipment packages are; and just like our wind turbine installation technology has become standard kit on offshore construction vessels; And just like generations of talented NOV engineers and scientists have transformed energy production, through upcycles and downcycles, across our 160-year history.

So, for those talented engineers and scientists listening today, and to all my NOV teammates, thank you for all that you do. You're simply the best.

With that, I will turn it back to Jose.

JOSE BAYARDO
Senior Vice President and Chief Financial Officer

Thank you, Clay.

NOV's consolidated revenue in the third quarter of 2022 was $1.89 billion, up 9% sequentially and up 41% year-over-year. All three segments posted another quarter of strong growth and improved profitability and achieved or exceeded the 2022 exit margin targets we provided at the beginning of the year.

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During the third quarter, we completed the sale of our operation in Belarus and classified our Russian operations as assets held for sale, which collectively resulted in $76 million in impairment charges, most of which was related to foreign currency translation adjustment losses, and which increased SG&A. These charges were partially offset by credits related to gains on sales of previously reserved inventory resulting in total adjustments, or Other Items, of $63 million. We do not expect additional charges in the fourth quarter.

Cash flow used by operations during the third quarter was $106 million, primarily due to working capital builds needed to support our rapid top-line growth and to mitigate continued supply chain risks. Capital expenditures in the quarter totaled $59 million and we ended the third quarter with $1.73 billion in debt and $1.0 billion in cash. For the fourth quarter, we expect to generate between one to two hundred million in free cash flow, and we expect free cash flow conversion to improve significantly in 2023.

Moving on to segment results.

Wellbore Technologies

Our Wellbore Technologies segment generated $741 million in revenue during the third quarter, an increase of $75 million, or 11% compared to the second quarter, and 46% compared to the third quarter of 2021. The segment realized its eighth straight quarter of revenue growth by capitalizing on improving global drilling activity levels and better execution against ongoing supply chain challenges. While activity in North America may be reaching a temporary plateau, the segment continues to benefit from pent-up demand for its proprietary drilling tools, and we are now starting to see a sharp increase in demand from the Middle East as the industry prepares to ramp activity in 2023. EBITDA flow-through was 31%, resulting in a $23 million sequential increase to $145 million, or 19.6% of revenue. Compared to the third quarter of 2021, EBITDA improved $68 million, representing 29% EBITDA flow-through.

Our MD Totco™ business posted solid double-digit sequential growth from both its legacy surface data acquisition system operations and its eVolve wired drill pipe optimization services, despite continued challenges related to procuring the specialized electronics and circuits used by the business. Revenue from the unit's surface data acquisition operations realized a strong improvement in sales into Africa and Latin America, with revenue in most other major regions generally moving in line with drilling activity levels. After a modest pullback in Q2 due to a few rigs in the North Sea completing wells and moving to new locations, our eVolve services continued to gain greater market adoption and realized a sharp recovery in the third quarter. In addition to new jobs in the North Sea, the business also secured two new wired drill pipe optimization projects in the Middle East, one from a major integrated oil company and another from a large national oil company, as well as a project supporting drilling operations on two carbon sequestration wells that will be used to inject CO_2 from onshore sources 1,000 – 2,000 meters below the seabed for permanent storage. Our unique ability to pair full

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downhole visibility with market-leading software analytics drives value for customers through more efficient and productive wellbores, which should make this offering a key growth driver for this business moving forward.

Our Downhole business reported revenue growth in the upper teens with solid EBITDA flow-through. Improved execution against supply chain related challenges that limited the availability of special elastomers and certain grades of steel used in the business' high-spec products allowed the unit to better meet robust demand for its proprietary tools which drive improved drilling efficiencies for oil and gas operators.

Our ReedHycalog drill bit business posted a low-double digit sequential increase in revenue, led by strong growth in the Western Hemisphere resulting from market share gains in the U.S., a pickup in projects in the Gulf of Mexico, and the seasonal rebound of Canadian activity. Eastern Hemisphere revenues were mostly flat, with solid growth in Asia offsetting sizeable Q2 shipments into Northern Africa that did not repeat, and continued supply chain challenges affecting deliveries in the Middle East. Looking ahead, we expect increasing demand from Eastern Hemisphere markets, particularly the Middle East, to drive the next leg of growth for this unit.

Our Wellsite Services business posted mid-teens sequential revenue growth with strong incremental margins. Revenue for the business' solids control product line was up in both the Western and Eastern Hemispheres with particular strength in the offshore markets and in the Middle East. Our new iNOVaTHERM™ portable solids treatment unit is beginning to gain wider adoption, winning its first offshore contract with a major operator in the North Sea off the back of a successful trial completed in the second quarter. By enabling the disposal of drill cuttings at the wellsite, iNOVaTHERM enables significant reductions in transportation costs and carbon emissions. As this business continues to see volume growth, our team is continuing to push pricing to offset continued inflationary and supply chain challenges and to garner appropriate returns for the advantages provided by NOV technology.

Our Grant Prideco drill pipe business posted relatively flat results as delayed deliveries of green tubes negatively impacted our ability to deliver on the business' backlog during the quarter. Delayed vessels, rail transportation bottlenecks, and downtime in one of our vendor's steel mills limited plant throughput during the quarter. Despite these difficulties, a favorable mix from the strength in premium large diameter orders from international and offshore markets over the past two quarters allowed the unit to mostly offset the cost of the disruptions. Orders remained healthy in Q3 with North American drilling contractors representing the bulk of the orders, a notable reversal from Q2 where orders primarily originated from international markets. Additionally, the recent orders reflect a step back in 5.5-inch pipe demand, which suggests that there are a limited number of rigs equipped with the necessary high-torque packages and setbacks needed to run the larger O.D. pipe that most operators want. Looking ahead to the fourth quarter, revenue is expected to improve but flow-through will be limited due to a less favorable product mix.

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Our Tuboscope business posted a high-single digit sequential revenue improvement with strong incremental margins. The solid performance was led by our coating operations, which achieved its fourth straight quarter of double-digit growth and benefited from improved availability of key resins and polymers, building demand in the Eastern Hemisphere, and a full quarter contribution from the reopening of our Amelia, Louisiana coating plant. Our Inspection operations also delivered solid results, mainly driven by strong demand for inspection and threading services in the U.S. and Latin America. Looking forward, we expect flattish results for the business in Q4 due to holidays and scheduled maintenance at certain facilities.

For our Wellbore Technologies segment, we expect building momentum in the Eastern Hemisphere and pent-up demand for our products to be partially offset by plateauing North American drilling activity, resulting in revenue growth of two to six percent with EBITDA flow-through in the 30% range in the fourth quarter.

Completion & Production Solutions

Our Completion and Production Solutions segment generated revenues of $681 million in the third quarter of 2022, an increase of 7% from the second quarter, and an increase of 42% compared to the third quarter of 2021. Adjusted EBITDA for the third quarter was $56 million, or 8.2% of sales, an increase of $24 million from the second quarter. The 57% EBITDA flow-through was primarily the result of much-improved execution on offshore projects and the easing of supply chain constraints, which allowed for an acceleration of pent-up deliveries and, in some instances, a pull-forward of planned Q4 shipments.

Book-to-bill was 116%, the seventh straight quarter of a book-to-bill north of one. Quarter-ending backlog increased to $1.48 billion, reaching its highest level since Q1 of 2015. Despite capital constraints on our customers, sticker shock from inflation's impact on pricing, and stretched supply chains, strong orders reflect the industry's increasing need to refresh its asset base and provide us with more confidence in the outlook for the order flow in our capital equipment businesses.

Our Process and Flow Technologies business posted sequential revenue growth in the upper single digits with a strong rebound in profitability. The business unit significantly improved execution, with progress accelerating as supply chains normalize and COVID restrictions ease. Order intake for the business was soft, but we believe we will see growing confidence in market outlook, project economics, and the ability for the industry to clear shipyard bottlenecks, all of which are needed to move new projects forward. During the quarter we saw an increase in FEED studies, which we expect to convert into new project awards in future quarters.

Our XL conductor pipe connections business, which posted a book to bill of 187% in the third quarter, further supports our growing optimism for offshore projects. As we've mentioned many times before, demand for conductor pipe tends

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to be a leading indicator of offshore activity, and the business is starting to see an increase in FIDs for projects, many of which had been pushing to the right for over five years, finally advance.

We are also seeing more signs of life in our subsea flexible pipe business, which has now posted a book-to-bill greater than 100% in four of the last five quarters. During the third quarter the business also saw a substantial improvement in its operating results and posted sequential revenue growth in the mid-teens with outsized EBTIDA flow-through. The strong results came from significant improvements in the availability of raw materials, which enabled efficient progress and early deliveries on certain projects. While supply chain challenges appear to be easing, we anticipate a slower fourth quarter as the strong results in Q3 were due in part to pulling forward work from Q4. Despite the anticipated fall-off in the fourth quarter, we expect new orders will remain strong, which should set the stage for continued pricing improvements in 2023.

Our pump and mixer operations also realized outsized revenue growth with solid incrementals. The lifting of COVID lockdowns in Shanghai allowed the operation to finally ship pent-up deliveries to customers. While orders increased sequentially, the large increase in shipments prevented the business from achieving what would have been the business unit's eighth straight quarter with a book to bill greater than one.

Our Intervention & Stimulation Equipment business realized a mid-single digit sequential decrease in revenue. Last quarter, we noted that the completion of large aftermarket reactivation projects, along with extended lead times for newbuild deliveries, would result in a sequential decline in revenues. However, growing demand for orders continued, marking the fourth quarter in a row of growing backlog. Bookings included 67,500 horsepower of new pressure pumping equipment along with orders to rebuild an additional 30,000 horsepower of pumping units. We also saw a pickup in demand for coiled tubing equipment due to rapidly tightening capacity in North America. Orders included sales of injectors, pumps, nitrogen units and other support equipment, along with the sale of the first new unit for the U.S. market that we've had in three years. Noteworthy, and somewhat unsurprisingly, the purchase of the new unit came from a private service company that didn't have to worry about public investors and had capital to invest in what should be a high-return opportunity. Despite activity in North America that appears to be arriving at a temporary plateau, and public oilfield service companies that are reluctant to spend capital, there is a pent-up need to replace and upgrade aging equipment, and we think E&P operators will reward those who provide the most efficient services by using the latest technology. Similarly, in international markets, service providers that signed low-rate multi-year contracts during the depths of the pandemic have been reluctant to invest in assets; however, our quoting activity improved materially in Q3 as customers prepare for upcoming tenders.

Our Fiberglass Systems business unit posted a solid sequential revenue increase resulting from improved deliveries into chemical and industrial markets in Southeast Asia and Brazil and from improving demand from oil and gas markets, with

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large shipments into Latin America and the Middle East. This growth was partially offset by our Fuel Handling business, which experienced a slight fall-off when compared to the record levels it saw during the second quarter. Sales into the marine and offshore markets were mostly flat, but we are now seeing a notable increase in interest for marine scrubbers. While shipping companies were trying to capitalize on a once-in-a-lifetime market dynamic and its associated pricing, we understandably saw no demand for new scrubbers despite a large spread between low and high sulfur diesel prices due to the high opportunity costs of taking vessels out of service for shipyard modifications. Now that shipping rates are beginning to normalize, customers are once again planning to bring vessels to port and install scrubbers so that they can capitalize on the spread in fuel prices. Looking ahead to the fourth quarter, we expect to see a modest pull back in operational results for our fiberglass business due to several large deliveries in the third quarter that will not repeat and due to normal seasonality in our Fuel Handling product sales as we move into colder weather months.

For the fourth quarter, we expect growing opportunities associated with our Completion & Production Solutions segment's backlog to be mostly offset by certain projects that were pulled forward into the third quarter and supply chains that remain elongated, resulting in revenue that should be relatively flat. We also expect a less favorable sales mix will compress EBITDA margins between 50 and 100 basis points.

Rig Technologies

Our Rig Technologies segment generated revenues of $511 million in the third quarter of 2022, an increase of $49 million or 11% sequentially, and an increase of 31% compared to the third quarter of 2021. Sequential revenue growth was driven primarily by continued improvement in our aftermarket business and a higher rate of progress on offshore wind and Saudi rig projects. Adjusted EBITDA improved $11 million sequentially to $52 million, or 10.2% of sales.

New orders totaled $119 million, representing a book-to-bill of 59%, and total backlog for the segment at quarter end was $2.78 billion.

While the day rate environment for both land and offshore rigs continues to improve, recessionary fears combined with the industry's memories of the past eight years has public boards and management teams reticent to make large capital equipment investments. However, we remain encouraged by what we are seeing in both the land and offshore markets.

In the U.S., the extraordinary rate of change in day rates we saw during the first six months of the year slowed in the third quarter, but they continue to climb and are now pushing $40,000. Current rates are certainly getting customers more interested in reinvesting in their existing asset bases. Similar to what we saw in our Intervention & Stimulation Equipment business and to what has happened in the E&P space, it is not surprising to see private companies be the first movers to capitalize on the high rate of return investment opportunities associated with new build assets. During the third quarter,

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we booked an order for a new high-spec land rig for a private drilling contractor who was supported by a term contract from a large West Texas operator.

In offshore markets, activity continues to climb higher with the utilization of marketed drill ships reaching 78%, leaving only 5 ultradeep water drill ships currently available to go to work. Additionally, we continue to see our customers book contracts with dramatically improved pricing and extended duration compared to what we saw a year ago. We are now routinely seeing ultradeep water drill ships commanding $400,000+ day rates, and Saudi Aramco alone has awarded 184 years' worth of contracts for jackups since August of 2021.

While the capital constraints on drilling contractors limit our capital equipment order intake, the improving environment and associated cash flows for our customers are driving a growing sense of urgency from drilling contractors to increase investments in maintenance and reactivations, which is reflected in the surge in demand we've seen within our aftermarket operations.

Our aftermarket operations posted 11% sequential growth in the third quarter. Revenue from spare part sales increased double digits as we improved execution against continued supply chain constraints in the face of growing demand; however, the rate of order intake continues to outpace our ability to ramp our operations. While the supply chain is slowly improving, availability and lead times for certain grades of high-alloy steels, castings, PLC drives and switch gear remain challenged. Nevertheless, we are continuing to ramp throughput and our customers are working with us to better plan and schedule aftermarket projects and other needs.

We posted another quarter of strong spare part bookings, our best since Q1 2020, and our current aftermarket backlog is approximately double what it was at this point last year. Our field engineering group is continuing to see an increase in quoting activity related to reactivation and recertification projects, pressure control upgrades and enhanced automation, with the heaviest concentration of inquiries coming from Brazil, Norway, the Middle East, and the U.S. Gulf of Mexico.

While we did not book a wind vessel this quarter, revenue recognized from our healthy backlog continues to ramp and the outlook for this sector remains very encouraging, with orders for new vessels becoming increasingly likely in the near-term.

Looking ahead, market fundamentals continue to improve for our core markets, giving us confidence that our order book will improve over the next few quarters. Additionally, our current backlog for both capital equipment and aftermarket parts and services provides us with ample opportunity to grow revenue and profitability in this segment. Specifically, for the fourth quarter, we expect revenue in Rig Technologies to grow between five to ten percent sequentially with incremental margins between 20 and 25 percent.

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With that, we'll now open the call to questions.

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