NOV, Inc.
Fourth Quarter 2021 Earnings
Conference Call Remarks

BLAKE MCCARTHY
Vice President, Corporate Development & Investor Relations

Welcome everyone to NOV's fourth quarter 2021 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 fourth quarter of 2021, NOV reported revenues of $1.52 billion and a net loss of $40 million. For the full year 2021, revenues were $5.52 billion and a net loss of $250 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

Thank you, Blake.

For the fourth quarter 2021, NOV's revenue grew 13% sequentially and 14% YOY. These results mark the first quarter in which our revenue has increased YOY since our revenues bottomed in early 2021 and our backlog bottomed in late 2020. The Company continued to build its backlog, which increased for the fourth quarter in a row. Book-to-bill was 137%.

For the full year 2021 NOV generated $229MM in EBITDA or 4.1% on $5.5B in revenue. Revenues declined 9% from the prior year, at 21% decremental EBITDA leverage YOY.

While we are pleased with the slow but steady recovery of demand and activity in the oilfield, and our continued revenue and backlog growth, we are disappointed with our low sequential operational leverage and margins in the fourth quarter. Consolidated EBITDA leverage was only 7% sequentially, nearly 20% lower than we expected at the time of our call. All three segments struggled this quarter with supply chain challenges that we did not foresee, along with mix issues and COVID disruptions related to the emergence of the Omicron variant during Q4. And while we expect these to subside longer term, we now expect supply chain headwinds to continue to persist through the first half of 2022, as our vendors continue to push out their delivery commitments to us.

In addition to COVID-related charges of $11MM on projects that the Completion & Production Solutions segment is executing in Asia, our productivity and efficiency was broadly encumbered by two significant factors.

First, the tightening labor market we face in the U.S. was exacerbated by COVID outbreaks in certain plants during the fourth quarter. As skilled workers recuperated safely at home, their work was performed by less experienced, less efficient crews, or by other skilled workers working overtime. Labor shortages led to higher product costs and scheduling headaches. We had the same issue at plants in the Middle East and elsewhere overseas, and we saw pockets of Omicron COVID affecting our field personnel in a few areas around the globe. These COVID disruptions intensified greatly with the emergence of the Omicron variant in the fourth quarter and are continuing into the first quarter of 2022.

Second, our manufacturing scheduling headaches were compounded by component and raw material shortages and late deliveries from our vendors, who are facing the same sorts of challenges that we are. Late deliveries and short shipments of raw materials and subassemblies led to further inefficiencies, under-absorption, and higher product costs in certain areas, as our creative workforce scrambled to make do with the raw materials and components that they had on hand. Indicative of supply chain inflation, all three segments saw negative purchase price variances. And where we were unable to access raw materials, where possible, we substituted different, more expensive components into our bills of materials. These substitutions frequently required additional labor to conform the parts to our standards, which further increased the cost. All three segments experienced this to a greater or lesser degree.

Some businesses report supply chain challenges are getting a little better, but most see these disruptions persisting or getting more challenging in the near term. Specifically, freight, steel, and certain epoxies appear to be stabilizing (resin prices are falling in Asia but rising in the U.S., for example), but electronic components, motors, touch screens, certain polymers, etc. appear to be getting tighter. The reliability of raw material deliveries is frankly poor, as ports and trucks shut down unexpectedly due to COVID outbreaks.

Some of our industrial customers in the CAPS segment are delaying purchases of fuel handling piping and industrial pumps because they can't get construction crews to do the installs or they're still missing other complementary items like electronic controllers from other vendors.

Importantly, NOV continues to take extraordinary measures to get our products and equipment into the hands of our customers to support their critical operations, so, despite the challenges, we were able to put up double-digit sequential sales growth across all three segments. I'm proud of the job our manufacturing team has done getting products out the door. However, we need to do a better job on pricing in anticipation of more inflation that we know is coming.

As we enter 2022, we are operating in the most constrained and inflationary environment the world has seen in at least a generation, where labor and materials are tight, and the money supply has ballooned across major economies due to COVID relief efforts. Even though we have been trying to push our pricing higher to defend our margins, we have been less successful so far than we need to be. On prior quarters, we've spoken of select price increases that we were able to achieve, including many double-digit moves. Nevertheless, our fourth quarter results point to the need to re-double our efforts to get to acceptable margins.

We believe the margins embedded in our backlog are solid, and the future costs within our contracts are generally protected against inflation through either indexing or contracts with our vendors. However, inflation protection is never perfect. Headwinds, like a quadrupling of freight, higher labor costs, workforce disruptions, or vendor delays, can still impact our margins on these, as they did in the fourth quarter. We are fortunate in that we were able to secure sufficient backlog to carry our plants through the depths of the downturn. However, looking ahead, it is incumbent on our team to win incremental orders at improved pricing and margins to get back to an acceptable return on capital.

In the near term, pricing remains challenging for many of our products, owing to our position in the oilfield food chain. High commodity prices are leading to abundant prosperity for the E&P's. For products that we sell directly to E&P's, our transactions have room to achieve a fairer split of the economic pie; meaning we are better able to move prices up.

However, prosperity rolls downhill in the oilfield and it hasn't fully showed up yet with oilfield service companies, who make up the majority of our customer base. As a group, most are still working through depressed pricing for their services. For example, leading edge super-spec land drilling rig rates for NAM have only this quarter returned to the mid-$20K/day levels seen before the pandemic lockdown, but contractors have most of their fleets contracted for the next few quarters at much lower rates. Leading-edge coiled tubing and pressure pumping rates have bounced off 2020 lows but remain below 2019 levels. Offshore drillers are seeing dayrates rising for drillships, with leading edge discussions above $300K/day and some closer to $400K/day, but most rigs remain contracted at very depressed dayrates, far below levels seen a decade ago. Our customers report that things are definitely going the right way, but more healing is needed before oilfield service contractors can open their pocketbooks to spend more freely with NOV. And in the meantime, our competition in many instances remains desperate for work to cover their fixed costs.

The good news for NOV is that the stage is set for prosperity to trickle down soon to our level. The world is facing a tightening supply and demand gap for energy after years of under-investment, and current global activity levels are insufficient to bridge that gap. Commodity markets are waking up to the fact that the world consumed a billion-barrel inventory overhang we generated during the lockdown of 2020 in less than 15 months. NOV is very well positioned to benefit from the investments which are required and are expected to flow in our traditional oil and gas markets over the next few years.

In addition to operating in one of the most constructive commodity price environments I've seen in my career, which should lead to a multi-year upcycle, NOV has a lot of things going well. Wellbore Technologies, our earliest cycle segment and closest to the prosperity the oil companies are currently enjoying, posted its fourth quarter in a row of double-digit top-line growth, propelled by the continued recovery of U.S. drilling and emerging Eastern Hemisphere activity. Given its proximity to E&Ps in the oilfield ecosystem and its activity-driven product portfolio, Wellbore Technologies is best positioned to benefit from pricing early in an upcycle. Notwithstanding its own supply chain challenges, it has in fact achieved the greatest pricing gains, mostly on quick-turn, high-impact items like bits, downhole tools and rig instrumentation specified by E&P's. Unfortunately, the fourth quarter saw some of these pricing gains offset by COVID and labor shortages in our labor-intensive tubular services businesses, higher resin and steel costs, and a lower-margin mix of drillpipe than we expected. Jose will go into this more in just a moment.

Owing to extensive supply lines and operations in Asia and acute raw materials supply challenges across a couple of its business units, our Completion & Production Solutions segment has been our most challenged with respect to achieving an acceptable margin. Most of its project charges stemmed from a COVID outbreak in our vendor's operation in a southeast Asian shipyard, which led to inefficiencies, higher costs and rework. We currently expect this project to be completed late this summer, barring further disruptions. Our Fiberglass Systems and Subsea Flexibles business units also continue to fight for raw materials and are experiencing significant challenges with their respective supply chains, which will impact first quarter 2022 results.

Despite these issues, customer demand is strong and rising, evidenced by the $495 million of orders booked by the segment during the quarter, translating to a book-to-bill of 159%. Our internal list of expected project tenders is large, and we are optimistic that 2022 will be a strong year for CAPS orders. While most CAPS orders are E&P offshore project-related, most represent years of cost iteration and negotiation undertaken during lean times to make the economics work for the E&P. We are pushing pricing and escalation where we can, but it remains challenging, so, equally, we are focused on ensuring we have mitigated inflation and execution risks as much as possible. I think the outlook here is brightening, as EPC's, manufacturers and shipyards replenish their backlogs, like we have been doing, and utilization rises, congestion builds, and constraints emerge. Urgency will also emerge among the E&Ps to rush to the front of the queue, which would provide for a stronger pricing backdrop for us.

Finally, our Rig Technologies segment also posted a solid quarter of orders. Rig's order book has been helped enormously by its strong position in renewable energy, which once again helped lift its book-to-bill north of one this quarter (renewable wind energy bookings exceeded $400MM in 2021). Despite rising dayrates in many categories of drilling rigs, orders for the segment's traditional iron remains low, as drilling contractors repair balance sheets and continue to cannibalize units idled during the pandemic lockdown. We are hearing reports now of drilling contractors buying old land rigs on the cheap at auction, solely for parts, having cannibalized all of their existing idled fleets.

A couple of observations around near-term demand here: First, the nature of our business has pivoted from iron to smart iron. Interest is very high in emission reduction technologies we've introduced: like our Ecoboost and Powerblade products; in our robotics automation upgrade offering, which will be in the field in Q2; and in our digital offerings around the NOVOS operating system coupled with IntelliServ high speed data transmission through the drillpipe. Second, things are getting better very quickly in the offshore, particularly for drillships. The rising dayrates I mentioned earlier are leading to reactivation discussions on more than a dozen stacked floating rigs. Underpinned by high oil and gas prices, the increasing likelihood of offshore project FIDs by oil companies, steadily rising land rig activity around the world, and sustained high demand for offshore wind turbine installation vessels all point to continued growth in demand for Rig Technologies.

Rig Technology's fourth quarter saw margins fall short of our expectations, despite revenues landing where we expected, owing to a poorer mix of aftermarket and capital equipment sales. Again, supply chain issues took a toll on operations and COVID affected some of our service hands. Despite these challenges, though, we were able to complete our first land drilling rig manufactured by our new JV facility in Saudi Arabia, and we have many more to come. This state-of-the-art technology will play a key role in the Kingdom's ambitious development of unconventional gas.

Given the challenges of the drilling contractor space over the past few years (which saw the majority of offshore drilling contractors go through bankruptcy reorganization), it has been difficult for the segment to raise prices. Nevertheless, as drilling contractors eventually find success in lifting their dayrates, which will be required to overcome the higher wage and operating costs they are now facing, we are confident that our pricing will improve commensurately with the high value our smart iron will provide.

Despite the supply chain challenges facing NOV and all global manufacturers currently, I remain decidedly positive about the longer term. Strong commodity prices and E&P prosperity are beginning to flow to the greater oilfield services industry, which was decimated by severe downsizing to survive these past few years. Oil and gas is still the industry that fuels all other industries. The urgency to address lack of investment in this space will grow from here, and, once again, NOV and its oilfield service customers will be called upon to construct the wellbores needed to ensure the globe safe, reliable, affordable energy.

NOV is emerging from the downturn with: a strong balance sheet, an investment grade rating, and ample financial resources; exciting new products that can retrofit our customers' oilfield assets to reduce emissions, gather critical data, automate processes, drive better safety and improve efficiency; and a terrific portfolio of energy transition technologies, with hundreds of millions of dollars of energy transition-related revenue. All this has been made possible by our extraordinary teams who have had the excruciating challenge of consolidating operations by reducing from more than 1,200 facilities to just over 550 facilities and reducing our costs by billions of dollars annually to navigate one of the worst downturns ever experienced in this 163-year-old industry. We are lean and mean and ready for the challenge ahead.

To the employees of NOV who have been on this journey with us, thank you for your creativity, flexibility, and your extraordinary efforts over the past two years, to take great care of our customers, through all kinds of unexpected challenges. You've positioned this organization for a great run, and I'm looking forward to sharing better days ahead with you. Thank you.

With that, I will turn it over to Jose.

JOSE BAYARDO
Senior Vice President and Chief Financial Officer

Thank you, Clay.

NOV's consolidated revenue in the fourth quarter of 2021 was $1.52 billion, a 13% sequential increase compared to the third quarter, with both North American and international revenues achieving double-digit growth. Adjusted EBITDA for the fourth quarter was $69 million, or 4.5 percent of sales. As Clay mentioned, our fourth quarter results include $11 million in charges related to ongoing operational challenges on projects in Asian shipyards.

Reported SG&A decreased $11 million sequentially due primarily to lower third party expenses, a reduction in bad debt expense and a small reclass between SG&A and cost of goods sold, partially offset by increasing wage rates. Looking forward, we expect the reinstatement of certain employee benefit programs and continued labor pressures will result in reported SG&A increasing modestly in 2022.

Despite Q4 revenue increasing 14% over the prior year, working capital decreased $244 million during 2021 as we achieved good success turning working capital into cash and reducing working capital intensity across the organization. Through 2021, we generated $291 million in cash flow from operations, with capital expenditures totaling $201 million, resulting in $90 million of free cash flow.

In 2022, we expect capital expenditures to total $255 million, with $20 million of the capital budget dedicated to the completion of our new rig manufacturing facility in Saudi Arabia.

During the fourth quarter, we re-instated our quarterly dividend at 5 cents per share, representing approximately $20 million per quarter, and we also used $41 million in cash to acquire a leading provider of managed pressure drilling equipment that is highly complementary to our existing operations.

We ended the fourth quarter with net debt of $122 million, comprised of $1.71 billion in debt netted against $1.59 billion in cash.

Moving on to segment results.

Wellbore Technologies

Our Wellbore Technologies segment capitalized on broad-based activity improvement and market share gains to generate $576 million in revenue during the fourth quarter, an increase of $69 million or 14% sequentially. Through share gains and the need for customers to restock depleted inventories, the segment continued to outpace the growth in global drilling activity levels. We've achieved this growth despite ongoing operational and logistical challenges. While EBITDA improved $11 million to $88 million, or 15.3% of sales, the operational and logistical related challenges, along with a less favorable product mix, limited incremental margins to 16%.

Our ReedHycalog drill bit business posted revenue growth in the mid-teens with strong incremental margins. The business unit realized 24% sequential revenue growth in North America, significantly outpacing drilling activity levels due to market share gains, net pricing improvements, and an increasing number of projects in the Gulf of Mexico. Revenue in international markets grew 8%, also exceeding the growth in drilling activity. ReedHycalog's cutter technology leadership is allowing us to steadily gain share in many markets, including the Middle East, an impressive feat considering we are not able to directly participate in the growing share of lump-sum turnkey projects.

Our Downhole business reported double-digit revenue growth resulting from strong sales across the western hemisphere, Asia and the North Sea, partially offset by lower sales in the Middle East resulting from a large delivery of drilling tools during the third quarter that did not repeat. Unfortunately, shortages of key product components and in labor within certain regions led to higher costs, including overtime, as our teams scrambled to find substitute vendors and materials, at higher costs, in order to take care of our customers. We, and other global manufacturers, provide plenty of examples of supply chain challenges in the current environment, but I would like to provide some color on the challenges we and others are facing with labor.

One of our global business units in Wellbore Technologies has seen its revenue increase 49% year-on-year, while our labor force has only increased 2%. Some of this disparity is due to cost savings and efficiency improvements we've made within the business. However, many of our operations are simply shorthanded, resulting in cost inefficiencies primarily in the form of wage escalation and overtime (for instance, in this case, overtime is up 109% year over year), and in the form of operational disruptions and shutdowns, which have resulted when several machinists within a plant came down with COVID simultaneously. While these are transitory issues and our team is doing a fantastic job of dealing with the unprecedented challenges, we know that our sales team needs to push pricing to offset inflationary pressures and preserve the type of margin profile warranted by the value our technology portfolio provides our customers.

Our Grant Prideco drill pipe business delivered double-digit revenue growth, driven by strong volumes in drill pipe sales for the U.S. land market. As anticipated, EBITDA flow-through was hampered by continued inflationary pressures and a less favorable, smaller diameter, land-oriented sales mix. Early this year, certain of our higher-volume land customers recognized that extended lead-times for 5.5-inch green tubes, which we use to make drill pipe, would not allow us to meet their near-term needs. Despite their preference for larger diameter pipe, they could not wait and placed sizeable orders for 4.5- and 5-inch strings which we were able to turn and deliver in Q4 and into Q1 of 2022 because we had access to those sizes of green tubes. Despite the temporary unfavorable mix shift, as customers begin to better understand lead times in this new world, we are seeing a meaningful pick-up in both land and offshore tendering activity for larger, premium pipe. As a result, Q4 bookings improved 39% and were characterized by more favorable pricing and a greater mix of large-diameter, premium pipe, leaving the business well positioned for significantly improved results as we progress through 2022.

Our Tuboscope business experienced a sequential revenue increase in the high-single digits with strong incremental margins, a meaningful recovery from the third quarter that was plagued by the inability to access resin for its coating operations and operational disruptions caused by hurricanes and COVID outbreaks. While performance improved considerably, labor costs and availability, along with ongoing shortages of resins, remain a drag on the business unit's results. Looking ahead, we expect continued slow, but steady, improvements in our ability to access key raw materials and expect pricing improvements to offset inflationary pressures.

Our Wellsite Services business saw mid-teens revenue growth with modest incremental margins. Revenue in our North American solids control operations improved 10% with limited EBITDA flow-through, the result of a transitory decline in higher-margin offshore projects, offset by increased revenue in lower margin U.S. land-based work. International revenues increased 18% sequentially, with outsized incrementals, led by increasing project awards in the Middle East and Latin America. As the nascent recovery in international markets advances, we anticipate continued growth from the Middle East and an acceleration in demand from the Far East.

Our MD Totco™ business realized a mid-single digit sequential improvement in revenue with solid incremental margins. Revenues from our surface sensor data acquisition systems in North America increased 15% sequentially on higher drilling activity levels, market share gains and improved pricing. In international markets, continued growth in our eVolve™ wired drill pipe optimization services was mostly offset by a decline in capital sales of surface sensor data acquisition systems, which resulted from strong shipments to the Middle East and Far East in Q3 that did not repeat, and challenges procuring electrical components, which deferred deliveries into 2022.

While we believe we are in the early phase of a multi-year recovery for the oilfield, we expect supply chain and inflationary challenges to continue into 2022. For our Wellbore Technologies segment, we expect increasing global activity levels to be partially offset by seasonal declines in certain geo-markets and continued supply chain disruptions, to result in sequential revenues that will range from flat to up 5 percent during the first quarter. We also expect Q1 margins to be in-line with Q4 as inflationary costs and the resumption of our benefit programs will offset pricing gains. We expect Wellbore Technologies to return to normalized incremental margins of 35+% after the first quarter. Assuming a normalization of supply chain related challenges, we believe EBITDA margins for our Wellbore Technologies segment will move into the high teens by year end.

Completion & Production Solutions

Our Completion & Production Solutions segment generated $549 million in revenue during the fourth quarter, an increase of $71 million, or 15% sequentially. While all global capital equipment businesses are suffering from unprecedented supply chain disruptions, this segment has been disproportionately challenged due to the heavy concentration of its business taking place in Asian shipyards. After taking $12 million in charges during the third quarter, we were disappointed that our pandemic-related challenges continued into the fourth quarter and affected two additional projects. As Clay mentioned, operational shutdowns, supply chain challenges and spiraling costs resulted in an additional $11 million in expense. Additionally, our subsea flexible pipe business struggled with the availability of certain raw materials and extraordinary freight charges that were required to meet certain deadlines. The additional expenses in our Process and Flow Technologies and Subsea Flexible pipe businesses limited incremental margins to 10%, and EBITDA totaled $2 million for the quarter.

Notwithstanding the extreme difficulties the segment encountered in 2021, the outlook for each of our businesses within Completion & Production Solutions is rapidly improving and is reflected in our bookings. The segment achieved its fourth straight quarter with a book-to-bill of above 100%. Order intake in Q4 reached the highest level since 2019, and every business unit within the segment posted a book-to-bill greater than one. Fourth quarter orders for the segment totaled $495 million, resulting in a book-to-bill of 159%. Backlog at the end of the year was $1.3 billion, an 85% increase over year-end 2020.

Our Fiberglass business unit posted a mid-single digit percentage sequential increase in revenue. Higher sales to midstream oil and gas markets, which recovered from near-record lows, and improved deliveries into the marine and offshore markets were partially offset by lower fuel handling revenue. While our backlog for fuel handling equipment is healthy, as Clay mentioned, customers are struggling to obtain peripheral equipment, often sourced from Asia, and cannot hire the construction crews required to provide installation, resulting in customer deferrals. We, like others, are struggling with labor challenges. Specific to our Fiberglass business, wage inflation and three plant shutdowns, which occurred when lines couldn't be staffed after several employees contracted COVID, limited incremental margins to the low single digits. Notwithstanding the ongoing operational challenges, which we expect to ease by mid-2022, demand for our Fiberglass products is strong. The unit posted its fourth straight quarter with a book to bill greater than one and its 2021 year-end backlog improved 184% over 2020.

Our Intervention and Stimulation Equipment business achieved sequential revenue growth in the mid-teens on higher deliveries of coiled tubing equipment and improving aftermarket revenue. Incremental margins were limited by low margin sales of prior-generation capital equipment and higher costs of raw materials and subcontracted components. While pricing and cash flows for our pressure pumping customers are improving, difficulties associated with staffing incremental crews and pricing that is still below what is required to achieve an appropriate return on capital are resulting in minimal capacity additions by our customers. As a result, over 80% of our pressure pumping revenues, which have more than tripled from Q4 of 2020, came from aftermarket sales in the fourth quarter. We are busy upgrading tier-2 fleets to tier-4 dual fuel fleets that can utilize up to 85% natural gas, and we expect the pursuit of ESG-friendly operations, efficiency gains and the industry's existing, tired fleet of equipment will lead to continued demand for such rebuilds.

Coiled tubing continues to be the main driver for capital equipment sales as we continue to see strong demand from international markets for new units, support pumps and nitrogen equipment, which helped drive a 48% sequential increase in orders for the business unit.

Our Subsea flexible pipe business realized mid-single digit sequential revenue growth, as growing backlog and increasing throughput in our Brazilian operation more than offset lower volumes from our Denmark plant that resulted from significant raw material shortages that will continue into the first quarter. Bookings remained a bright spot with orders during the fourth quarter reaching their highest level since 2019.

Our Process and Flow Technologies business posted a double-digit sequential increase in revenue. However, as previously discussed, profitability was challenged due to the ongoing operational disruptions on projects in Asia. Despite these near-term challenges, the market outlook is improving rapidly as operators become more confident in a multi-year upturn in commodity prices. We are beginning to see a greater number of the offshore project tenders that we've been tracking shake loose resulting in orders during the fourth quarter that more than doubled our Q3 total achieving a book-to-bill exceeding 200%.

For the first quarter of 2022, we anticipate that ongoing supply chain disruptions will limit our ability to capitalize on our rapidly improving backlog. As a result of acute raw material shortages, we expect financial results for our Completion & Production Solutions segment in the first quarter to remain more or less flat with Q4. The COVID-affected project that drove most of our charges in the fourth quarter and prior quarter is approximately 80% complete and should finish in the third quarter of 2022. Assuming this project and the broader global supply chain challenges normalize during the first half of 2022, we believe our Completion and Production Solutions segment should achieve a mid-to upper single digit EBITDA margin by year-end.

Rig Technologies

Our Rig Technologies segment generated revenues of $431 million in the fourth quarter, an increase of $41 million or 11% sequentially. Accelerating progress on our growing backlog of offshore wind installation vessels, increasing revenue from our rig manufacturing plant in Saudi Arabia, and a seasonal improvement in service and repair work drove the sequential growth. Adjusted EBITDA declined $4 million to $21 million, or 4.9% of sales, primarily due to a less favorable sales mix in our aftermarket operations. The lower margin contribution from a higher volume of service and repair work was more than offset by a decrease in higher-margin sales of spare parts. Despite continued healthy order intake and a growing backlog, spare part sales declined due to growing production lead times and shipping challenges. Inflationary forces and start-up costs in Saudi Arabia also weighed down margins.

Orders for the segment totaled $191 million, yielding a book-to-bill of 102%. Bookings in our Marine and Offshore operations remained robust, with two pedestal crane orders for floating production vessels and another order for a design license and jacking system for a wind installation vessel. During 2021, NOV booked wind installation equipment orders of more than $400 million, and we exceeded our annualized revenue run-rate target of $200 million during the quarter.

Of equal, if not greater importance, is that we are seeing growing interest for rig equipment. Orders for rig equipment in the second half of 2021 achieved a level almost two times the pace of what we realized in the second half of 2020. We are encouraged that the composition of the orders we are now receiving are representative of the type of bookings we would expect in the early days of a market recovery. We are seeing rising inquires for top drives, high-torque handling equipment and pressure control gear. Additionally, as Clay mentioned, we are realizing growing demand for our digital products and received an order for 30 NOVOS™ packages from a single US rig contractor. Following the installation of these packages, this contractor will have its entire active fleet outfitted with NOVOS technology.

The underlying macro conditions for our base rig business have improved significantly over the past year. As Clay mentioned, in the U.S. land market, day rates have steadily improved and are now in the mid-$20 thousand a day range. While we still see a few old rigs getting parted out, the opportunity to cannibalize assets diminishes as more rigs go back to work. Customer balance sheets are beginning to improve and, while we don't expect to see near-term demand for new rigs in the U.S. land market, we're having more conversations regarding rig upgrades that provide larger setbacks and higher torque handling equipment.

International land markets are also showing more signs of life. We've previously stated that there is significant pent-up demand in international markets for leading-edge drilling technology, with a large disparity between the capability of an average rig in international markets and the average rig in the U.S. The improvement in commodity prices is resulting in customers reengaging in discussions regarding rig tenders in the Middle East and Far East, several of which we believe will advance this year.

Similarly, in offshore markets, NOCs are beginning to respond to the markedly improved commodity price environment with renewed interest in previously deferred offshore projects. We've seen backlogs for our offshore drilling contractor customers increase 33% over the past year, and they are finally realizing improvements in day rates. Additionally, during the fourth quarter, offshore rig utilization exceeded 70% for the first time since 2015 due to a combination of slowly increasing activity levels and rig retirements. As a result of the improving dynamics, our opportunity set is shifting from small scale projects associated with reactivating warm-stacked rigs to large projects that will involve upgrading and reactivating cold-stacked rigs.

Despite the near-term headwinds posed by the current supply chain turmoil, the outlook for our Rig Technologies segment is improving. The combination of our growing renewables footprint and a recovery in reactivation spending for our legacy rig business should lead to solid top-line growth with an improving margin profile. However, looking ahead to the first quarter for our Rig Technologies segment, typical seasonal declines and continued supply chain challenges should lead to results that are expected to be flat with the fourth quarter. Assuming pandemic related inefficiencies ease as we move through 2022, we believe EBITDA margins for our Rig Technologies segment will move into the 10% range by year-end.

Throughout 2021 the people of NOV overcame numerous obstacles to deliver critical products for our customers while continuing to make great strides in improving our operational efficiencies and advancing our portfolio of conventional, digital and renewable technologies.   Although there continues to be much uncertainty in the near-term outlook, and we expect pandemic induced supply chain challenges to continue to affect all global manufactures through the first half of 2022, we are seeing dramatic improvements in the macro environment, which is setting the stage for what we believe will be a multi-year recovery for our industry and for much improved results for all the stakeholders of NOV.

With that, we will now open the call up to questions.