NOV, Inc.
Fourth Quarter and Full Year 2022 Earnings Conference Call Remarks

BLAKE MCCARTHY
Vice President, Corporate Development & Investor Relations

Welcome everyone to NOV's fourth quarter and full year 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 fourth quarter of 2022, NOV reported revenues of $2.07 billion and net income of $104 million. For the full year 2022, revenues were $7.24 billion and net income was $155 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 fourth quarter of 2022, NOV's revenues grew a solid 10% sequentially, and fully diluted earnings were $0.26 per share. EBITDA increased to $231MM or 11.1% of revenue, with sequential flowthrough somewhat impacted by continuing supply chain challenges, incremental costs to expedite key orders, and less desirable mix. Consolidated book-to-bill was 111% on 16% higher sequential shipments out of backlog. Compared to the fourth quarter of 2021, incremental EBITDA flow-through was 29% on very strong 37% year-over-year revenue growth.

For the full year 2022, NOV generated $679MM in EBITDA on $7.2B in revenue, which included $332MM in renewable energy related revenue. Incremental flow through was 26%, on 31% year-over-year topline growth.

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2022 was a good year for NOV. Our team executed well in the face of continuing extraordinary challenges. We introduced new products that we developed through the downturn that improve the efficiency, safety, and environmental impact of our customer's operations, including several GHG emissions-reducing technologies and an edge computing platform that is the foundation for several new digital products.

EBITDA marched up steadily, quarter-by-quarter, as revenue grew, and we benefitted from the cost reductions of prior years. We pushed prices higher, more successfully in some product lines than others. While EBITDA margins improved, frankly, we are disappointed in the magnitude of our price-driven margin expansion so far. Our marketplace remains competitive, as our competitors seek to load plants after the pandemic lockdown decimated volumes, but, nevertheless, we have been successful in clawing back discounts and achieving significant pricing increases. However, the rampant inflation we saw throughout the year has driven our costs up materially. While we still have a way to go, we are much, much closer to earning acceptable returns on capital, and it is still early days in what we are confident will be an extended upcycle.

For the world, 2022 was an eventful year in a string of eventful years. It was a year of learning about constraints. We learned that when economies re-open after being closed due to a pandemic, knock-on effects and unforeseen constraints are created which reverberate far into the future.

We started the year hopeful that 2022 would see an end to the chaos of the pandemic and the wrecking ball that the economic shutdowns brought to our industry in 2020 and 2021 (remember negative oil prices and the lowest rig counts on record?). Following hundreds of oil-patch bankruptcies and downsizing that saw tens of thousands of years of valuable experience leave the oilfield, we were hopeful that 2022 would finally bring our industry a respite to heal and rebuild.

Unfortunately, the fragility of our energy situation blew up on us with the outbreak of hostilities in Ukraine, which spiked energy prices and prompted renewed urgency in an oilfield recovery. That's what exposed the maddening obstacle course of constraints through which the industry must navigate in order to ramp production.

The industry's constraints underpin our long-term bullish outlook. We foresee further growth ahead in demand for NOV's products and services ahead for the next several years. But we also see some near-term challenges, as more healing and rebuilding is needed.

The downturn eroded a great deal of offshore drilling capacity. Many desperate offshore drilling contractors cut maintenance to preserve cash, laid off experienced workers, and cold stacked rigs. Collectively, the industry scrapped 386 offshore drilling rigs since 2011. Sadly, it didn't work; almost all offshore drilling contractors still went through bankruptcy, and many today are owned by frustrated ex-bond holders forced to become equity owners. They want their money back, and the sooner the better.

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So, when E&P companies, eyeing higher commodity prices, decided to re-enter the offshore drilling market to finally develop their blocks after an absence of several years, they discovered *en masse* what a daunting challenge we face to restart long-idled offshore drilling assets, particularly when the asset owners have limited capital and limited appetite to invest it. There is seemingly no lack of demand for these assets – rising development activity in Brazil and West Africa; new basin development in Guyana; shallow water activity in Mexico, the Arabian Gulf, and India; brownfield tie-backs in the Gulf of Mexico and North Sea; and promising exploration areas emerging in Namibia, Suriname, and the Eastern Mediterranean present a great deal of offshore drilling need. There's plenty of demand for years to come.

But right now, there are two key constraints: money and supply chain. The freshly restructured offshore drilling contractor industry has little access to or appetite for external capital to rebuild itself. Despite 30% headline project cost increases since 2020, E&Ps are becoming more confident in their economics in the energy-security-challenged new reality we are living in. But they are finding one more cost they need to dial in, and that's a way to finance the refurbishment of offshore drilling rigs, through both higher day rates and mobilization fees. National oil companies and the integrated majors, supplemented by shipyards offering bareboat charters and, importantly, Eastern Hemisphere sovereign wealth funds, are the emerging sources of capital that we foresee underwriting the Big Offshore Drilling Restart.

The second constraint is supply chain, broadly. COVID-driven workforce disruptions, lack of critical components, and expensive, unreliable freight have injected new execution risk into all shipyard projects in Asia and elsewhere. And not just for offshore rigs - FPSO's also face higher execution costs and risks, as we hear from our CAPS customers.

Despite these challenges, our Rig Technologies team successfully completed 15 offshore rig reactivation projects in Q4, mostly jackups, and we were pleased to launch 23 new reactivation/recertification/upgrade projects on offshore rigs during the quarter. We are seeing rising interest in more floater activity, which is not surprising with drillship day rates squarely in the mid-$400K/day range. While a long way from anything approaching new-build economics, it is clear that high demand is driving the industry steadily towards recovery. Early projects are the bare minimum, but as industry demand rises and capital sources solidify, we expect contractors to use the reactivation time spent in shipyards to upgrade with items like a second subsea blowout preventer stack to comply with BSEE regulations, for instance. Rig Technologies' revenues from the offshore grew 22% sequentially, and CAPS' revenues also grew 22% sequentially from offshore customers. Wellbore Technologies' offshore revenues were up 5% as well, enabling NOV to post a consolidated 18% sequential increase from all its offshore customers.

Turning to international land, for the first time in a dozen years, day rates and oilfield service pricing are on the rise. Unlike North America, most international land markets did not retool themselves up to higher levels of technology in the super-cycle of 2004-2014. Phase one of the U.S. shale revolution was the replacement of the land drilling rig fleet with higher capability AC rigs and the buildout of fit-for-purpose frac spreads. International markets never took that step, relying

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instead on older technology and used equipment. That's beginning to change in places like the Middle East and Argentina, where national oil companies are frustrated with materially lower efficiencies compared to North America. I'm pleased to report that the first two high-spec rigs delivered by our new plant in Saudi Arabia are performing very well there, and interest is growing from other land drilling contractors in the region. We also see rising demand for newer coiled tubing equipment, as well as the directional drilling kit, bits, and drilling motors that we offer in key international land markets. While Chinese competition in these markets can be fierce, NOV's product offerings are head-and-shoulders better, and national oil company bureaucracies are waking up to the idea of buying on value and service, as opposed to strictly buying on price.

So, to summarize, we are bullish on international land markets and offshore for 2023. Consolidated international land revenues increased 13% sequentially for NOV, with all three segments showing strong growth.

But now, let's talk about North America. Our consolidated revenues from North American land customers increased only 1% sequentially. After rising sharply in the first part of the year, the U.S. rig count has now found a near-term ceiling a touch below 800 rigs, constrained by, among other things, the availability of labor. North America E&P's are citing "service availability" as the biggest risk to the achievement of their production targets, but our oilfield service customers tell us **crew** availability is the real root cause. U.S. oilfield wages in West Texas and North Dakota are up 20% to 50%, along with higher per diems, higher oil-based mud bonuses, and higher overtime as the crews are chronically shorthanded and work extra hours to cover the unfilled positions. But new hires are hard to find. And the crews that are successful in hiring new green hands are less safe and demonstrably less efficient.

$4,000/ton casing is another constraint, and it's contributing to 40% higher costs per foot for E&P's. Dwindling tier-one drilling location inventory and the reversal of double-digit well productivity gains (in terms of barrels per foot of lateral) that fueled the rapid runup in U.S. shale production several years ago are also emerging constraints to production growth. And, like the international markets, capital is scarce and expensive. Even though rising equipment utilization across North America in 2022 brought mercifully higher pricing, enabling land drilling contractors and pressure pumpers to begin earning much improved returns on capital, the industry is hesitant to invest. For instance, U.S. high-spec land rig day rates around $40 thousand can generate 20% capital returns on newbuild rigs for efficient contractors. However, new capacity additions so far have been scarce, owing to capital, labor, and supply chain constraints. On the other hand, pressure pumpers are cautiously investing in frac fleets, given the higher wear-and-tear that simul-fracs and 24/7 operations are placing on their spreads. They see the need to replace the equipment they are consuming every day, at accelerating rates. It doesn't hurt either that returns on new frac fleets are approaching 40%. Importantly, though, they are self-funding these investments, as external capital is very difficult to access.

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Given the myriad of constraints 2022 has exposed, it's no surprise that year-over-year U.S. production growth fell well short of the 2016-2019 era, and even fell short of greatly reduced expectations despite a massive drawdown on DUC inventory. Now, add to the constraints I mentioned the emerging North America gas oversupply, caused by constrained LNG export capacity out of the U.S. and rising gas-to-oil ratios in the shale basins as they mature, and we foresee additional pressure on E&P economics and diminishing urgency to drill in North America. Higher pricing across the board will likely still lead to an overall increase in year-over-year E&P spending, but our outlook for 2023 North America land remains a little cautious, in contrast to offshore and international land markets where investment, urgency, utilization, and pricing are rising. Longer term, we're bullish on **all** producing basins, including North America, as the serious global structural shortfall in production becomes more evident.

This brings me back to where I started. Constraints are everywhere in this industry. Years of limited exploration and reserve replacement now restrain the industry's ability to ramp production quickly, as the pipeline of developments has dwindled. FID's in 2020 and 2021 were down 80% from 2009 peaks.

Nevertheless, this is beginning to change. The events of 2022 taught us just how crucial the capital-intensive industry we serve is. Oil and gas is the industry that powers all other industries. Our way of life would not exist without it.

Every upcycle shares some common traits. The cutting of maintenance expenditures and laying-off of hard-working oilfield employees during the downcycles create the urgent need to rebuild capabilities and teams and iron as we first enter an upcycle. But never before has this industry faced the constraints we face today. From raw materials to finished components to workforce to freight to availability of capital to higher interest rates to hostile political pressure and tightening regulations, pivoting back to growth will be as daunting as it ever has been throughout the industry's 164-year history.

I am convinced that these extraordinary constraints will elongate this upcycle. They will take many years to overcome. But we simply must overcome them to restore the critical energy security required for economic growth and improving standards of living, particularly for those living in energy poverty.

That's why I am so very proud of the NOV team. Our employees are smart and hard working. They know the world is counting on them. They innovate and create solutions. They hustle and work the problems. They get it done. And Jose, Blake, and I are grateful to each and every one of them.

Jose?

JOSE BAYARDO
Senior Vice President and Chief Financial Officer

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Thank you, Clay.

To quickly recap the quarter, NOV's consolidated revenue grew 10% sequentially, and 37% year over year with all three segments posting their highest revenues since the fourth quarter of 2019. While North America drove most of the growth during 2022, as Clay noted, momentum in international markets has been building throughout the year and outpaced North America in the fourth quarter, resulting in 14% sequential revenue growth in international markets and 4% in North America, which included strong growth in offshore Gulf of Mexico. Adjusted EBITDA for the fourth quarter totaled $231 million, or 11.1 percent of sales, representing an incremental flowthrough of 20 percent sequentially, and 29 percent compared to the fourth quarter of 2021.

We recorded a credit of $8 million in Other Items during the fourth quarter, primarily related to positive margins realized on previously reserved inventory, which we deducted from Q4 EBITDA. With the improving market environment, we may continue to recognize such credits and EBITDA adjustments in 2023. Additionally, we expect to complete the termination of our U.S. defined benefit pension plans in the first quarter, for which we expect to recognize a pre-tax, non-cash charge for the recognition of all actuarial losses in accumulated other comprehensive loss, which was $8 million as of December 31, 2022.

During the fourth quarter, eliminations and corporate costs at the EBITDA level increased $11 million due to higher levels of intercompany transactions, expenses associated with the buyout of a JV partner and year-end true-ups to employee benefits and other accounts. We expect eliminations and corporate costs to return to the $60 million range in the first quarter.

Despite the increase in working capital, arising from strong revenue growth, cash flow from operations was $154 million in the fourth quarter. Capital expenditures totaled $66 million, resulting in free cash flow of $88 million. As is often the case, we expect a meaningful seasonal use of cash from operations in the first quarter, but we expect to be free cash flow positive for 2023, the magnitude of which will be mostly determined by the rate of revenue growth during the year.

We have a strong track record and remain committed to returning capital to our shareholders while maintaining a bullet proof capital structure. Since mid-2014, we have returned $4.7B of capital to our shareholders through share repurchases and dividends, and since mid-2015, we have reduced our gross debt by $2.6B.

As a reminder of our capital allocation hierarchy, we first and foremost seek compelling organic investment opportunities, which historically have provided us the greatest risk-weighted returns as we can appropriately leverage our installed base of equipment, existing manufacturing capacity, global distribution infrastructure, digital platforms, and world-class R&D facilities. With the improving market environment and the progress we have made in new product development over the

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last several years, we see an increasing number of attractive organic opportunities and are therefore increasing our capital expenditures to approximately $275 million in 2023.

Next on the list of prioritizations is M&A, where we employ a disciplined, returns-focused process. We approach M&A as an opportunistic means to accelerate already-defined organic growth initiatives. This means that we avoid being in a position where we are pressured to complete an acquisition, reducing the likelihood that we overpay.

We prioritize high rate of return, sustainable, long-term growth opportunities that leverage our core competencies, but as previously noted, we are committed to returning excess capital to our shareholders, whether it is through increasing our dividend or a share repurchase program.

While our balance sheet remains solid, the recent and anticipated near-term uses of cash to fund meaningful growth in our businesses, along with an M&A environment that is looking a bit more constructive means that we are not ready to increase return of capital to our shareholders at this time. We will continue to closely monitor sources and uses of cash as the year evolves and maintain a regular dialogue on this topic.

Moving on to segment results.

Wellbore Technologies

Our Wellbore Technologies segment generated $762 million in revenue during the fourth quarter, an increase of $21 million or 3% compared to the third quarter and 32% compared to the fourth quarter of 2021. Revenue growth was driven primarily by the second straight quarter of solid improvements in demand for our key drilling technologies in the Middle East, partially offset by a North American market that has plateaued and lingering supply chain challenges that delayed deliveries of drill pipe and motors. EBITDA grew to $146 million, or 19.2% of revenue, with soft flow-through due to a less favorable mix, lingering supply chain difficulties, and associated costs required to expedite critical customer orders.

Our Grant Prideco drill pipe business realized modest top-line growth that was limited by supply chain disruptions, including delays in receiving steel and coating materials, which resulted in customer deliveries slipping from Q4 to Q1. Incremental flow-through was also limited due to a significantly less favorable product mix. Despite these challenges, Grant Prideco posted its highest revenue quarter in three years and received its greatest volume of orders for any year since 2014. Orders improved 25% sequentially with strong demand from the Middle East and a notable pickup from offshore markets.

Our ReedHycalog drill bit business saw a meaningful decline in revenue during the quarter, driven primarily by a large Q3 shipment to Asia that did not repeat, a drop-off in Canadian activity, and weather-related delays in the U.S. Despite supply

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chain challenges that are restricting deliveries of roller cone bits, the business continued to realize solid growth in the Middle East and in geothermal markets as is highlighted under the Significant Achievements in our earnings release.

Our Downhole tools business reported revenue growth in the low teens led by a significant pickup of fishing tool sales into the Middle East and Asia Pacific. After realizing significant improvements during the third quarter, the operation had challenges procuring certain high-grade steel and elastomers needed for its high-spec stators, adversely affecting sales and rentals of the business unit's drilling motors. Despite the supply chain challenges and the resulting less favorable product mix, pricing increases instituted earlier in the year allowed the business to maintain respectable EBITDA flow-through.

Our Wellsite Services business posted a small sequential decrease in revenue, primarily due to strong shipments of managed pressure drilling equipment in Q3 that did not repeat. The decline in managed pressure drilling sales was mostly offset by solid results from the business unit's legacy operations, and we are seeing growing opportunities for both our solids control and managed pressure drilling offerings in offshore markets, including Mexico, Brazil, West Africa, and Guyana, and growing momentum in key land markets in the Middle East. This improving outlook was reflected in strong bookings for managed pressure drilling capital equipment orders, which should serve as a growth catalyst for this business during 2023.

Our Tuboscope business delivered a solid increase in revenue, driven by the operation's fifth straight quarter of double-digit growth in its coating operations. The business realized strong demand for pipe coating services in the Middle East and Asia, for its Thru-Kote™ pipe sleeves in the Middle East, and for glass-reinforced epoxy TK™-Liners in Latin America and Europe. The business also continues to realize growing demand for its TK-Liner systems in geothermal applications and recently secured contracts for two new geothermal projects in Denmark, which will add to our total of more than 28 miles (48 km) of large-diameter TK-Lined pipe that we have delivered for geothermal applications since 2020.

Our MD Totco™ business posted another quarter of solid growth with outsized incrementals, led by a strong improvement in the unit's surface data acquisition operations in the Middle East, North America, and Europe. This growth was partially offset by a small decrease in revenues from our eVolve wired drill pipe optimization services, resulting from capital sales in the third quarter that did not repeat. Outlook for our eVolve services remains bright with several customers signing new contracts and with demand for this service building in the Middle East. The unit is also realizing greater adoption of its latest Max digital product offerings, which are currently installed on over 150 rigs utilizing over 800 of our Max Edge devices to simultaneously provide real time data analytics in the field and at the operator's office. Additionally, we recently launched our Max Completions offering, which is remotely monitoring a frac job in the Williston basin for a large independent operator. While we are in the infancy of providing digital solutions, which drive higher levels of efficiencies for both drilling, and now completion operations, MD Totco's success in developing industry leading digital solutions

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beyond its legacy data acquisition systems has already allowed the business to achieve its highest revenues and EBITDA in eight years, and the outlook remains bright.

For our Wellbore Technologies segment, we expect demand for our key enabling drilling technologies to be supported by improving global oilfield activity, driving continued growth for the segment in 2023. However, we do expect seasonality to serve as a headwind to Q1 results, resulting in revenue and EBITDA for our Wellbore Technologies segment in the first quarter to be roughly in-line with fourth quarter results.

Completion & Production Solutions

Our Completion and Production Solutions segment generated revenues of $738 million in the fourth quarter, an increase of eight percent from the third quarter and an increase of 34 percent from the fourth quarter of 2021. Adjusted EBITDA increased $10 million sequentially and $64 million from the prior year to $66 million, or 8.9 percent of sales. Sequential EBITDA flowthrough of 18% was negatively impacted by a lower margin product mix. Relative to the fourth quarter of 2021, flowthrough was 34% resulting from improved execution against supply chain challenges, better absorption in our manufacturing facilities, and improved pricing.

Orders increased 13 percent to $557 million, the highest quarterly bookings the segment has achieved since 2014. Also of note is that this was the segment’s eighth straight quarter with a book-to-bill over 100 percent. Completion and Production Solutions backlog at the end of the fourth quarter was $1.60 billion, up 8% sequentially and 24% year over year.

Our Intervention & Stimulation Equipment business posted a strong increase in revenue, achieving its highest level since Q4 2019. The business is seeing a notable transition in demand from reactivations and refurbishment-related aftermarket work to new capital equipment sales resulting from our customers’ need to replace tired equipment with more efficient assets. As Clay mentioned, access to capital remains difficult for the industry, but the good news is that many of our customers are now generating healthy cashflows, their confidence in a sustained recovery is increasing, and many are now looking to lock in limited delivery slots that require substantial lead times. These factors combined to drive another solid quarter of order intake and the fifth straight quarter in which the business grew its backlog. Asset replacements, new technology to improve efficiencies and economics, lower emissions, and longer laterals drove our order book in the fourth quarter. After selling our first new coiled tubing unit into the US in three years during the third quarter, we received orders for six new coiled units, three of which are destined for service in North America. We also saw a notable increase in demand for 30,000-ft. large diameter pipe with 0.276-in. wall thickness to support completions of ultra-long lateral wells in West Texas. As noted in the press release, we booked 20,000 hydraulic horsepower of our eFrac pressure pumping equipment, and we also sold six hybrid electric i-Maxx wireline trucks as more customers see the opportunity to not only

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reduce emissions, but to also lower their total cost of ownership by using our latest technologies. Also encouraging is that we are beginning to see higher demand from international markets, particularly from the Middle East.

Our Subsea flexible pipe business posted a mid-single digit increase in sequential revenue. Margins compressed slightly as the effects of improving throughput were offset by a less favorable mix of projects. Orders for the quarter remained strong and resulted in the unit's sixth straight quarter with a book-to-bill greater than one. Equally important, we are realizing increasing pricing power as much of the spare capacity in the market has been absorbed or committed and customer demand continues to rebound.

Our XL conductor pipe connection business experienced a significant sequential increase in revenue driven by strong execution and product deliveries to support several large projects in Latin America and the Gulf of Mexico. While we expect the typical seasonal pull back in deliveries during Q1, strong orders and steadily improving offshore activity should support a solid year for this operation.

Our Process and Flow Technologies business posted a slight sequential increase in revenue. EBITDA was mostly flat after a strong rebound in the third quarter. While the effects of supply chain difficulties, shipyard constraints, and inflation continue to pressure margins and push bookings to the right, as operators recalibrate cost assumptions, recent customer conversations give us confidence in increased FIDs, which should result in a much stronger 2023 for this business.

Our pump and mixer operations experienced a sequential decrease in revenue due to outsized shipments of pent-up orders from the lifting of COVID lockdowns in China during the third quarter that did not repeat. Bookings improved 55% sequentially and included a large equipment package for a pepper processing plant in New Mexico that will be able to process 30 million pounds of cayenne pepper mash per year. NOV will provide 120 fiberglass storage vessels, each equipped with Chemineer™ agitators to achieve optimal mixing; 13 Moyno™ Progressive Cavity Pumps to handle transfer, loading, and unloading; and our GoConnect™ digital monitoring and control system to provide the customer with real-time equipment and process data to fine-tune operations, maintain quality, and ensure equipment reliability. The unit also won an award to provide 24 Moyno progressive cavity pumps for sludge transfer and polymer pumping applications at a wastewater facility that will treat over 450 million gallons of wastewater per day. Despite the strong industrial orders in Q4, we are sensing that our non-oil and gas customers are growing more cautious due to uncertainty in the macro-economic environment.

Our Fiberglass business posted flat revenue but delivered more than a 300-basis point improvement in EBITDA margin due to a healthy increase in higher margin offshore scrubber deliveries that more than offset the effect of the seasonal decline in fuel handling equipment sales. Orders remained strong, and in addition to the previously mentioned tanks for the pepper processing plant, the unit booked a large order for a semi-conductor manufacturing facility in Texas. The

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strong order intake resulted in the business delivering its eighth straight quarter with a book-to-bill over one and an all-time high backlog going into 2023.

For our Completion & Production Solutions segment, we expect seasonality and several large projects that are nearing completion to result in a mid-single digit decrease in revenue with decremental margins in the 30% range.

Rig Technologies

Our Rig Technologies segment generated revenues of $620 million in the fourth quarter, an increase of $109 million or 21% compared to the third quarter and 44% compared to the fourth quarter of 2021. The strong sequential growth was led by our aftermarket operations. Four straight quarters of growing spare part bookings combined with improving global supply chains led to a sizeable increase in shipments. The segment also posted a solid increase in capital equipment sales, which benefitted from the delivery of a new land rig to a private drilling contractor in the U.S. and from a higher rate of progress on rig projects in Saudi Arabia. Adjusted EBITDA improved $36 million sequentially to $88 million, or 14.2% of sales.

New capital equipment orders increased $135 million, or 113%, sequentially and totaled $254 million. Book to bill was just below 1.0x, a result of the 27% increase in revenue out of backlog during the fourth quarter. Total backlog for the segment at year end was $2.79 billion, an increase of $26 million over the prior year. Fourth quarter orders were highlighted by bookings for the designs and jacking systems for two Wind Turbine Installation Vessels and a new blowout preventer stack for a harsh environment semi-submersible rig.

While demand for conventional rig equipment has improved three straight quarters, bookings remain subdued as contractors are still reticent to make large capital commitments. Encouragingly, both utilization and dayrates for all major classes of rigs continue to improve. Land rig counts increased by 43 or 3% sequentially, almost all in international markets, and average day rates continued to improve, up another 11 percent on average in the U.S. during Q4 as contracts roll off and rigs reprice to leading edge rates. Contracted offshore rig count improved 4% sequentially, with jackup rig utilization reaching 80% and drillships 78%, resulting in higher dayrates and longer duration contracts. These improvements should translate into better cash flow and growing confidence in outlook for our customers over time. While equipment orders remain modest, demand for our products and services is heading in the right direction, and the industry cycle is going through its normal progression at a very measured pace. It starts with simple reactivations of highly capable, warm-stacked rigs, then moves to less capable, cold-stacked rigs, which require more effort to reactivate and often need upgrades to compete for work. Then, once fleets reach sufficiently high levels of utilization and day rates, and operators seek higher productivity through newer and more advanced technology, demand for newbuilds will eventually take hold.

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We are moving through this natural cycle in both the land and offshore markets and that progression is reflected in our results.

Revenue from land customers in our aftermarket operations bottomed in Q3 2021 and has increased 92% from the trough. With leading-edge dayrates for top-tier land rigs north of $40k in the North American land market, returns are now at a level well above newbuild economics. While we delivered a new land rig to a private U.S. contractor in Q4, capital discipline remains strong, particularly among public drillers who still have stacked rigs to reactivate, and we are not expecting many more orders for new builds in North America this year. Customers remain focused on being disciplined and on driving efficiencies in their operations. However, we are increasingly fielding calls inquiring about our new technologies that can potentially alleviate some of their pain points, including our Atom RTX fully automated robotics system and our Maestro drilling power management system, which allows contractors to optimize power and fuel consumption during drilling operations and minimize emissions. In international land markets, the availability of modern rigs that can be cost-effectively upgraded is significantly more limited. As a result, we have recently seen a meaningful improvement in the number of discussions we are having with customers regarding new rigs, particularly in the Middle East, Latin America, and Asia.

Aftermarket revenue from our offshore drilling contractor customers bottomed in the fourth quarter of 2021 and have increased 58% since that time. While we are not yet having discussions related to new floaters, reflecting the longer-cycle nature of the deep-water market, we are having discussions related to orders for new jackups. Additionally, there are meaningful opportunities for customers to continue reactivating and upgrading stacked rigs, and to complete the 14 drillships that have been stranded at shipyards in Asia since 2015. We believe these rigs can be acquired and fully kitted out for between $300-350 million, a price which should produce a strong return for contractors in a $400k+ day rate environment. We estimate NOV's addressable opportunity to properly equip and finish these rigs ranges anywhere from $20 to $125MM per rig. While access to, and cost of, capital for rig contractors remains challenged, it is improving, and a customer recently acquired one of these stacked rigs. All these opportunities may take some time to materialize but will eventually come. In the meantime, our volume of work from reactivations, recertifications, and upgrades of the existing fleet continues to grow. As Clay touched on, we completed 15 such projects in the fourth quarter, including the reactivation of 9 previously stacked jackups. Additionally, we received awards for another 23 leaving us with a current backlog of 83 projects.

In our wind business, the market for installation vessels remained strong as evidenced by the two orders for NOV's proprietary NG-20000X vessel designs and jacking systems we received during the fourth quarter. We expect to see a decrease in demand for new wind orders in 2023, but we still expect a few orders this year and see a significant shortfall in available vessels needed to meet the forecasted demand for turbine installations in the 2026-2027 timeframe. If this forecast holds, it should translate into nearly a dozen additional opportunities over the next several years for NOV.

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While 2023 is expected to be a year of growth and improved profitability for our Rig Technologies business, we expect seasonality and the timing of projects to result in first quarter revenues contracting 10 to 15 percent with decremental margins in the 30 percent range.

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

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