Second Quarter 2024 – Earnings Conference Call Prepared Remarks

Chase Mulvehill *Baker Hughes – VP of Investor Relations*

Good morning everyone, and welcome to the Baker Hughes Second Quarter Earnings Conference Call. Here with me are our Chairman and CEO, Lorenzo Simonelli, and our CFO, Nancy Buese. The earnings release we issued yesterday evening can be found on our website at bakerhughes.com. We will also be using a presentation with our prepared remarks during this webcast, which can be found on our investor website.

As a reminder, during the course of this conference call we will provide forward-looking statements. These statements are not guarantees of future performance and involve a number of risks and assumptions. Please review our SEC filings and website for the factors that could cause actual results to differ materially.

Reconciliations of operating income and other GAAP to non-GAAP measures can be found in our earnings release.

With that I will turn the call over to Lorenzo.

Lorenzo Simonelli *Baker Hughes – Chairman & CEO*

Thank you, Chase. Good morning everyone, and thanks for joining us.

We delivered outstanding second-quarter results, highlighted by strong operational performance across the company. Our IET performance benefited from excellent execution of its robust backlog. In OFSE, results were supported by a solid seasonal recovery in the Eastern Hemisphere, portfolio resilience in North America and added success in driving enhanced cost efficiencies across the business. We continue to improve our operational consistency, as this marks the sixth-consecutive quarter of meeting or exceeding the midpoint of our quarterly EBITDA guidance.

As highlighted on slide 4, we had another strong quarter for orders. This is particularly evident in IET, where we booked $3.5 billion during the quarter, including a large SONATRACH award for gas-boosting in Algeria's Hassi R'Mel gas field. This marks the highest level of non-LNG equipment quarterly bookings in the company's history and again underscores the breadth and versatility of our IET portfolio.

We also secured two major offshore topside contracts to provide power generation systems for innovative, all-electric FPSO units, which will be installed offshore in Latin America. These awards further build on IET's positive momentum in the offshore market.

On the digital front, Baker Hughes secured a multimillion-dollar Global Frame Agreement with bp, covering all of their upstream and downstream assets. This provides an enterprise subscription for Cordant™ Asset Health, enabling bp to deliver reliable, efficient condition monitoring and supporting its digital optimization strategy.

We also saw continued traction in our Gas Tech Services business, booking to backlog three multi-year service awards that totaled $500 million. This included a 25-year service agreement to support a customer's offshore operations in Latin America. Our services backlog uniquely differentiates Baker Hughes, adding recurring, long-term and profitable revenue streams.

In new energy, we continue to see solid order momentum. We booked record new energy orders of $445 million during the quarter, taking year-to-date orders to $684 million and already approaching the $750 million we booked in 2023. Considering this strong first-half performance, we are trending toward the high end of this year's new energy guidance range of $800 million to $1 billion. This is another reflection of our technology differentiation and the versatility of our portfolio to provide new energy customers with innovative solutions.

In Asia Pacific, we secured a major Gas Tech and Climate Tech Solutions contract to supply electric-driven compression and power generation to a global energy operator. This will enhance gas operations and power CO_2 capture to reduce the carbon intensity at the customer's LNG facility.

We also continue to build on our strategic collaboration with Air Products. In the second quarter, CTS was awarded a contract for CO_2 and hydrogen compressors, as well as pumps for one of Air Products' hydrogen projects in North America.

In Germany, CTS also secured an award to provide Gasunie Deutschland with zero-emission integrated compressors, providing increased compression capacity to handle the large volumes of gas entering the network from new LNG regasification terminals.

In July, we signed a long-term agreement to be a preferred equipment and service supplier for Wabash Valley Resources' ammonia and carbon sequestration plant in Indiana. The project will capture and sequester 1.6 MTPA of CO_2, making it one of the largest carbon-sequestration projects in the U.S. Importantly, the EPA issued Wabash Class VI permits in January of this year.

Once this project is FID'd, we have the potential to book a wide range of orders that could span across both OFSE and IET. These include compression, pumps, valves, digital hardware and software, and NovaLT turbines in IET, and sequestration analysis, CO_2 flexible pipe, well construction and surface & subsurface monitoring in OFSE. This is one example of how we realize synergies between IET and OFSE, a theme we believe will become a common thread for new energy projects at Baker Hughes.

In OFSE, we received another significant Petrobras award for workover and plug and abandonment services in pre-salt and post-salt fields offshore Brazil. The multi-year project will leverage Baker Hughes' integrated solutions portfolio to optimize performance for Petrobras.

Turning to our operational performance, we delivered strong second-quarter results, highlighted by 46% year-over-year EPS growth and 25% increase in EBITDA. Importantly, we again exceeded our EBITDA margin guidance, driven by outstanding execution and continued cost productivity improvements across the company.

Our efforts to structurally change the way we operate are evident in our margin performance. Overall, EBITDA margins increased almost 150 basis points year-over-year to 15.8%.

In OFSE, margins came in above our guidance, driven by strong performance in SSPS and the acceleration of our cost-optimization initiatives announced earlier this year. Notably, OFSE's year-over-year incremental margins were approximately 60%, highlighting the team's persistent focus on cost productivity.

In IET, margins also exceeded our guidance. Gas Tech Equipment posted another strong quarter, with margins significantly increasing from the same period last year as we convert higher-margin backlog. In addition, Industrial Products and Solutions benefited from higher volumes and improved supply chain efficiency, with both contributing to IET's better margin performance.

Turning to the macro view on slide 5. On the back of softer global demand and continued economic uncertainty, oil prices experienced some volatility during the second quarter. Yet, Brent prices still averaged $85 per barrel with support from the extension of OPEC+ production cuts, rising geopolitical risks and firming oil demand in June.

The trajectory of global economic activity, the persistence of inflation, and geopolitical risks will be key factors in determining the oil price path for the remainder of this year. Next year, the pace of OPEC+ barrels returning to the market will likely be the major determinant of oil prices.

Our global upstream spending outlook for the year is revised slightly lower due to North American softness.

In North America, we previously expected the market to decline in the low-to-mid single-digit range compared to last year. Due to lower-than-expected first-half rig activity and tempered second-half expectations, we now expect year-over-year declines in North America spending to be down in the mid-single digits. With our Gulf of Mexico exposure, which is expected to demonstrate another year of solid growth, and our portfolio mix that is more tied to production, we believe that our North American revenues will outperform the market.

Across international markets, we maintain our expectations for high-single-digit growth compared to last year. The market outlook already contemplated the extension of OPEC+ cuts through the end of the year, as well as any potential timing differences between the transitioning of rigs from oil to gas in Saudi Arabia.

Looking out beyond 2024, we expect global upstream growth to be led by Latin America and West Africa offshore markets and the Middle East – albeit at a decelerated pace. As the cycle matures, we expect our customers to increasingly focus on optimizing production from existing assets, providing significant growth opportunities for our mature assets solutions. This leverages our decades of experience, deep domain knowledge and industry-leading technologies, including Leucipa™ and coveted franchises in both upstream chemicals and artificial lift.

Turning to global natural gas and LNG on slide 6. We reiterate our positive outlook for global gas markets. Earlier this year, the IEA updated its projections for electricity consumption, noting that global demand for data centers, driven by cryptocurrency and AI, could double by 2026. This robust data center growth implies its annual electricity consumption could account for 4% of global energy demand. To put this in perspective, this would equal roughly the same amount of electricity used by the entire country of Japan.

We believe natural gas will be essential to meet this growing power demand, which will be additive to the growth required for new energy sources in the future. Therefore, the notable rise in generative AI could provide upside to our current expectations for natural gas demand to increase by almost 20% between now and 2040.

We are confident that strong underlying natural gas demand will lead to robust and sustainable growth in LNG. Through the end of this decade, we maintain our expectations for LNG demand to increase by mid-single digits annually, requiring an installed nameplate capacity of 800 MTPA by 2030.

As we highlight on the slide, year-to-date offtake contracting for LNG is 42% higher than the same period last year. With recent contracting of Middle East capacity from Asian buyers and portfolio players, we expect a record-breaking year for contracting offtake volumes.

Contracting of offtake capacity is a key factor in many LNG projects reaching FID. Therefore, these recent trends only increase our confidence in the pipeline of potential projects progressing. We continue to expect global LNG FIDs of about 100 MTPA over the next three years, which would result in our installed capacity increasing by 70%. Importantly, our growing installed base of equipment brings significant aftermarket service opportunities for Baker Hughes across the lifecycle of the equipment.

Turning to slide 7, I want to take a moment to reflect on the strong tailwinds outside of LNG that we are experiencing within IET's Gas Technology Equipment portfolio.

The versatility of Gas Tech's equipment uniquely sets Baker Hughes apart from our peers. This enables us to sell our equipment into numerous end markets outside of LNG, where we often compete and win against a diverse group of industrial companies.

In the first half of this year, we have booked $6.4 billion of orders with about 85% associated with non-LNG equipment and services. This strength has been most notable in Gas Tech Equipment, where we booked almost $1.4 billion of non-LNG orders during the quarter. On the back of a robust first half, we now expect Gas Tech Equipment orders outside of LNG to exceed $3 billion for the full year, which is almost double last year's level.

Looking beyond 2024, we see an opportunity for our GTE business to capture increasing share of the addressable non-LNG market, which we expect to total $100 to $120 billion through 2030. This significant opportunity includes a broad set of growing end markets, including gas processing and pipeline infrastructure, onshore and offshore production, downstream and industrial.

This year, we have experienced a notable increase in gas infrastructure orders. In the first quarter, we announced the Master Gas System 3 award with Aramco, and during the second quarter, we booked the Hassi R'Mel pipeline expansion project in Algeria that will bring gas to Europe. In total, these two projects accounted for more than $1 billion of equipment bookings.

Looking over the next few years, we see continued strength in gas infrastructure opportunities across the Middle East, U.S., Latin America, and Sub-Saharan Africa due to secular growth in global natural gas and LNG demand through at least 2040.

This will drive further momentum in gas infrastructure equipment orders well beyond this year and provides opportunities for Gas Tech Services, condition monitoring and pipeline inspection. A key strength of our business model is to monetize equipment cycles and leverage our growing installed base for sustainable and profitable revenue growth.

Beyond gas infrastructure markets, we also expect continued strength in Onshore & Offshore Production orders, led by the FPSO market. Over the next few years, we anticipate the market awards 7 to 9 FPSOs per year driven by growth in Brazil and Guyana. Longer term, recent discoveries in Namibia's Orange Basin provide growing confidence in FPSO orders outside the strong momentum we see over the next couple of years.

In onshore production, we are optimistic about associated processing opportunities as global gas production increases, particularly in the Middle East. One example is the Jafurah gas field where we have been previously awarded compression trains, stabilizer compressors, valves, and condition monitoring for this strategic gas basin in Saudi Arabia. As this basin is set to significantly increase production, we see opportunity to book additional IET orders in the future.

In refining and petrochemicals, we are also experiencing positive momentum. We see growing opportunities for refinery conversion to bio-feedstock, as well as growth in ethylene and ammonia markets driven by rising fuel, fertilizer, and plastics demand.

We are seeing increasing power demand led by data center and electric vehicle growth. This dynamic, coupled with renewables' intermittency and planned reduction in coal-fired generation capacity, is expected to result in power shortages across the U.S. grid network.

For example, ERCOT, Texas' power grid operator, has forecasted that 2030 peak summer load demand will exceed generation capacity by 33 gigawatts. This is equivalent to the energy needed to power 25 million homes, which amounts to 10 times the number of homes in Houston.

Due to these grid reliability and availability concerns, we are experiencing increased interest in our turbomachinery technology for behind-the-meter and off-grid solutions across data centers, transportation sectors such as airports and seaports, and oil & gas markets.

Our NovaLT turbines, which can run either on natural gas or hydrogen, are the core technology for our microgrid offering. We will also benefit from increased demand for utility-scale power solutions through our partnership with NET Power, as well as our steam turbine generators and supercritical CO_2 technology that enable power generation through small modular reactor solutions.

Lastly, we have experienced solid growth across our Brush portfolio, which includes solutions to meet the most challenging requirements for power generation, grid stabilization, and decarbonization with its electric motors, synchronous generators, and condensers. As additional intermittent renewable power capacity and electrification-driven demand are added to the grid, we expect that grid stabilization will be an area of significant growth for IET.

In summary, we are very excited by the strong tailwinds that we are seeing across our energy and industrial end markets. We remain confident in our ability to deliver \$11.5 to \$13.5 billion of IET orders this year.

Before I turn the call over to Nancy, I wanted to briefly provide some highlights around the progress we are making on our emissions and the success we are having in helping our customers reduce their own emissions' intensity.

Baker Hughes was one of the first companies in our industry to make a public commitment to a reduction in our operational emissions by 2030 and achieve net-zero by 2050. As detailed in our corporate sustainability report published in May, we remain on track to achieve these goals, and we continue to provide products and services that help our customers reduce their emissions' intensity.

In IET, we have sold a number of zero-emission integrated compressors, or ICLs. Also, customers are increasingly interested in our more efficient turbines, highlighted by increasing NovaLT order flow. Our Panametrics' flare.IQ technology is also seeing increased customer adoption. It helps to monitor, reduce, and control emissions associated with flaring and covers a wide range of assets, including assisted flares associated with downstream, petrochemical, refinery and upstream operations.

In OFSE, our artificial lift product line deploys more efficient permanent magnet motors at well sites, replacing older, more emissive technology. Combining permanent magnet motor technology with Baker Hughes' electric submersible pump capabilities creates differentiated solutions, providing advantages for our customers and producing fewer emissions.

Across both segments, we have developed digital and condition monitoring solutions that enable our customers to efficiently monitor their equipment performance, highlighting any inefficiencies that drive emissions up.

Our customers are clearly focused on reducing their emissions, and we have a broad suite of products to help them on this journey.

With that, I will turn the call over to Nancy.

Nancy Buese *Baker Hughes – CFO*

Thanks, Lorenzo. I will begin on slide 9 with an overview of our consolidated results and then speak to segment details before summarizing our outlook.

We are extremely pleased with our second-quarter results. Our operational discipline and rigor are gaining traction, highlighted by our consistent improvement in EBITDA margins and returns. In just two years, our margins are up almost 300 basis points, a credit to our team's dedication and hard work.

We are pleased with the strong margin performance in both OFSE and IET, resulting in adjusted EBITDA of $1.13 billion – a 25% year-over-year increase. This was driven by strong backlog conversion in both SSPS & IET, effective management of our aeroderivative supply chain tightness in Gas Tech Services, and realization of efficiency gains and productivity improvements across the business.

GAAP operating income was $833 million. Adjusted operating income was $847 million.

GAAP diluted earnings per share were 58 cents. Excluding adjusting items, earnings per share were 57 cents, an increase of 46% compared to the same quarter last year.

Our continued discipline resulted in corporate costs for the quarter of $83 million, down more than 20% since our transformation effort began in 2022, a testament to our multi-year focus on driving productivity and efficiency gains. Our adjusted tax rate was down slightly year-over-year to approximately 30% as we continue to execute our tax optimization program. We have line of sight to additional tax rate improvement opportunities and will execute on these in the coming quarters.

As Lorenzo mentioned, we had another quarter of strong order momentum, with total company orders of $7.5 billion, including $3.5 billion from IET. The diversity of IET's end markets continue to support a healthy order book, which was led by the Hassi R'Mel gas pipeline boosting project and two FPSO awards booked during the quarter.

Alongside a strong order book, IET RPO ended the quarter at $30.2 billion, up 10% year-over-year and setting a new record for the company as IET RPO is now up 50% over the last five years. In OFSE, RPO remained at a healthy $3.3 billion.

Free cash flow came in at $106 million for the quarter, bringing our first-half total to $608 million. As we have previously highlighted, we expect free cash flow to be more weighted towards the back half of the year. For the full year, we continue to target free cash flow conversion of 45% to 50%.

Turning to slide 10, our balance sheet remains strong, as we ended the second quarter with cash of $2.3 billion, net debt to EBITDA ratio of 0.9 times, and liquidity of $5.3 billion.

Let's turn to capital allocation on slide 11. In the second quarter, we returned $375 million to shareholders. This included $209 million of dividends and $166 million of shares repurchased during the second quarter. In total for the first half of the year, we have returned $743 million to investors.

For the full year, we remain committed to returning 60% to 80% of free cash flow to shareholders. Our primary focus is to continue growing our dividend, with increases aligned with the structural growth in the company's earnings power. We will continue to utilize buybacks to reach the target range – and we remain opportunistic.

Now I will walk you through the business segment results in more detail and provide our outlook, starting with **Industrial & Energy Technology** on slide 12.

For the second consecutive quarter, IET outperformed our EBITDA guidance, mostly attributed to excellent conversion of Gas Tech Equipment backlog that drove revenue and margin upside.

IET orders were strong at $3.5 billion, with non-LNG Gas Tech Equipment accounting for 97% of the total. Year-to-date, we have now booked $6.4 billion of IET orders, and we remain on track to achieve our guidance range of $11.5 billion to $13.5 billion. The versatility and differentiation of the IET portfolio across industrial and energy segments remain a significant competitive advantage for Baker Hughes, allowing us to profitably grow with new customers and applications.

CTS orders were $392 million in the second quarter, led by solid order activity in both carbon capture and hydrogen-related projects. This puts CTS orders for the first half of 2024 at $585 million, supporting robust year-to-date new energy orders of $684 million.

IET RPO ended the quarter at $30.2 billion, a record level and up 10% year-on-year. This level of backlog provides exceptional revenue and earnings visibility over the coming years. As we execute our robust equipment backlog, this will significantly increase our installed base, which will then drive structural growth in our aftermarket service business well beyond 2030.

Turning to slide 13, IET revenue for the quarter was $3.1 billion, up 28% versus the prior year, led by a 59% increase in Gas Tech Equipment revenues as we continue to execute our record levels of backlog. We also experienced outstanding performance in Cordant. Gas Tech Services revenues progressed in line with expectations, increasing 5% versus the prior year.

IET EBITDA was $497 million, up 37% year-over-year. EBITDA margin increased about 100 basis points year-over-year to 15.9%.

I want to specifically highlight the progress in Gas Tech Equipment margins, which are up about 500 basis points compared to prior year levels due to conversion of higher margin backlog, cost efficiency improvement, and strong productivity gains. We also continued to see good margin expansion in our Industrial Tech business, led by Cordant, where we are benefitting from improved output due to process enhancements and a return to normalization of our supply chain.

Now turning to **Oilfield Services & Equipment** on slide 14. The segment maintained its strong margin trajectory, keeping us on track to achieve our 20% margin target for next year. This is a testament to the work the OFSE team has done to drive cost efficiencies and maintain commercial discipline, as they remain focused on profitable growth.

Continued strength in flexibles helped to drive SSPS orders of $888 million, up 40% on a sequential basis. We expect the offshore market to remain strong and anticipate an increased order contribution from subsea tree awards in the second half of the year.

OFSE revenue in the quarter was $4 billion, up 6% quarter-over-quarter.

International revenue was up 7% sequentially. We experienced continued growth across all Middle Eastern markets and a strong seasonal recovery in the North Sea, where rigs returned from maintenance following the prior quarter's delays. In Latin America, we continued to experience rig reactivation delays in Mexico.

In North America, 3% sequential growth was entirely attributed to the Gulf of Mexico, where a sharp increase in project-related activities benefited results. North America land revenues remained relatively stable compared to first quarter, outperforming the decline in rig activity due to our weighting toward production businesses.

OFSE EBITDA in the quarter was $716 million, up 13% year-over-year. This was led by solid performance on both revenues and margins.

OFSE EBITDA margin rate was 17.8%, increasing 144 basis points year-over-year. This strong margin improvement was led by cost efficiency and productivity enhancements that we have been executing across the business. We are particularly pleased with the continued improvement in SSPS margin performance, which is now approaching low teens.

More broadly, we are clearly seeing the benefits of our transformation efforts initiated in late 2022, which are having a positive impact on our financial performance across both segments.

Turning to slide 15, I want to take a moment to provide more details on the actions we are taking to drive sustainable margin improvement across the company.

In IET, the team has adopted a process mindset that is driving a culture of improved efficiency and productivity. We are on a journey to create an efficient organization that emphasizes the elimination of waste, continuous improvement, and delivers more value to our customers. As highlighted by strong margin outperformance so far this year, these continued optimization efforts are gaining traction across IET and are a key part of the strategy to reach our 20% margins by 2026.

In OFSE, we are focused on improving our cost competitiveness and enhancing our execution. Supply chain optimization and service delivery improvements are key strategic priorities to achieve our 20% margin targets. Commercially, we remain disciplined, ensuring we are maximizing returns and focusing on profitable growth. Combined with our leading technologies and solutions, we are now demonstrating a sustainable uplift in our OFSE margins.

In our corporate functions, we are driving structurally lower corporate costs as we execute several projects to streamline activities, remove duplication and modernize management systems. This is improving clarity, transparency and the pace of decision making.

We are making significant progress in changing the way we operate. What excites me the most is what lies ahead. We still have a lot of opportunity to drive margins higher, and the market tailwinds for our unique portfolio of technologies and solutions are only strengthening.

Next, I would like to update you on our outlook. The details of our third-quarter and full-year 2024 guidance are found on slide 16. The ranges for revenue, EBITDA, and D&A are shown on this slide, and I will focus on the midpoint of our guidance.

Overall, we are increasingly bullish on the outlook for the company, in particular our IET business. As Lorenzo highlighted, this segment is benefiting from strength in multiple cycles, including LNG, gas infrastructure, offshore and new energy. Our portfolio is well-suited to capitalize on the positive momentum in each of these areas.

Given these tailwinds and our continued operational improvement, we expect third-quarter company EBITDA of $1.2 billion at the midpoint of our guidance range.

For IET, we expect third-quarter results to benefit from continued productivity enhancements and process improvements, as well as strong revenue conversion of the segment’s record backlog. Overall, we expect third-quarter IET EBITDA of $525 million at the midpoint of our guidance range.

The major factors driving this range will be the pace of backlog conversion in Gas Tech Equipment, the impact of any aeroderivative supply chain tightness in Gas Tech, and operational execution in Industrial Tech and Climate Tech Solutions.

For OFSE, we expect third-quarter results to reflect typical seasonal growth in international and flattish activity in North America. We expect third-quarter OFSE EBITDA of $760 million at the midpoint of our guidance range.

Factors impacting this range include the phasing of 2024 E&P budgets, SSPS backlog conversion, realization of further cost-out initiatives, and execution on larger international projects.

Turning to our full-year guidance, we are increasing the midpoint of the EBITDA range by 5%, entirely attributed to strong IET performance as our OFSE EBITDA midpoint remains unchanged.

For the full-year 2024, we now expect Baker Hughes EBITDA of $4.525 billion at the midpoint of our guidance range.

Given the strength in first half new energy orders, we now expect to end the year towards the high end of our $800 million to $1 billion range.

We expect IET orders to remain at robust levels this year and maintain the guidance range between $11.5 to $13.5 billion, driven by strong momentum across all aspects of the IET portfolio.

As a result of robust backlog conversion and strong margin performance, we are increasing our full-year outlook for IET EBITDA to $1.965 billion at the midpoint of our guidance range. Compared to our prior guidance, this amounts to a 12% increase.

For OFSE, we maintain our EBITDA midpoint at $2.9 billion for our guidance range as we expect margin upside to offset lower revenue expectations in North America.

In summary for Baker Hughes, we now expect the company to generate at least 20% EBITDA growth for the second consecutive year. We remain focused on execution, driving further operational improvements, and capitalizing on market tailwinds with our differentiated portfolio of products and services.

Overall, we are very pleased with the progress demonstrated by our second-quarter results. The structural changes we are making to our business are increasingly visible in our financial performance and provide a clear path to our upgraded guidance range. We are intensely focused on driving sustainable margin improvements and remain on track to deliver 20% EBITDA margins in OFSE and IET. We are excited about the continued improvement of our business and about the future of Baker Hughes.

I'll turn the call back over to Lorenzo.

Lorenzo Simonelli *Baker Hughes – Chairman & CEO*

Thank you, Nancy.

Turning to slide 18. We are exceptionally proud of the progress we have demonstrated on the margin front. EBITDA margins are expected to be in the high-teens range during the second half of this year, and 2024 is anticipated to produce Baker Hughes' highest margin rate. Our transformation efforts are clearly driving structural improvement in underlying margins. Our progress is clear, and we are confident in our plan to achieve 20% margins for OFSE in 2025 and IET in 2026.

The story today of Baker Hughes is more than just improving operational performance. As I highlighted earlier, we have growth tailwinds in IET that span across multiple end markets, including gas infrastructure, LNG, FPSOs, distributed power, and new energy. Orders from these key growth markets have been major drivers of our record equipment backlog.

Throughout our transformation, we have taken steps to reinforce our culture as One Baker Hughes. Our people are the driving force behind our success. We put people first and take energy forward.

I'd like to conclude by thanking the Baker Hughes team for yet again delivering very strong operating results. It is a testament to the strength of our people, the culture we are building, the portfolio we have created, and the value of the Baker Hughes enterprise.

With that, I will turn the call back over to Chase.

Chase Mulvehill *Baker Hughes – VP of Investor Relations*

Thanks, Lorenzo.

Operator, let's open the call for questions.