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CORPORATE PARTICIPANTS

Francesco Racheli *Saipem S.p.A. - COO of the E&C Offshore Division*

Maurizio Coratella *Saipem S.p.A. - COO of the On-shore Engineering & Construction Division*

Mauro Piasere *Saipem S.p.A. - Digital Innovation Director & COO of XSIGHT Division*

Stefano Cao *Saipem S.p.A. - CEO & Director*

Stefano Cavacini *Saipem S.p.A. - CFO*

Stefano Porcari *Saipem S.p.A. - Head of Drilling Onshore Division*

CONFERENCE CALL PARTICIPANTS

Alessandro Pozzi *Mediobanca - Banca di credito finanziario S.p.A., Research Division - Research Analyst*

Guillaume Delaby *Societe Generale Cross Asset Research - Equity Analyst*

James Matthew Evans *Exane BNP Paribas, Research Division - Analyst of Oil and Gas*

Lillian Starke *Morgan Stanley, Research Division - Research Associate*

Mark Wilson *Jefferies LLC, Research Division - Oil and Gas Equity Analyst*

Michael Brennan Pickup *Barclays Bank PLC, Research Division - MD & Senior European Oilfield Services Analyst*

Michael J Alsford *Citigroup Inc, Research Division - Director*

Sahar Islam *Goldman Sachs Group Inc., Research Division - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the 2019 Full Year Results Presentation Conference Call. (Operator Instructions) I must advise you that this conference is being recorded today, Wednesday, the 26th of February 2020, and I'd like to turn the conference over to your speaker today, Mr. Stefano Cao, CEO. Please go ahead, sir.

Stefano Cao - *Saipem S.p.A. - CEO & Director*

Good morning. And welcome to our full year 2019 results presentation. I'm joined today by Stefano Cavacini, our CFO; and our heads of division, Francesco Racheli for Offshore E&C; Maurizio Coratella for Onshore E&C; Marco Toninelli for Drilling Offshore; Stefano Porcari for Onshore Drilling, Mauro Piasere for XSIGHT; together with our General Accountant, Mario Colombo; and our Head of Investor Relations, Max Cominelli, in simple terms, the core team of the company.

2019 was indeed a very good year with Saipem meeting its financial and operational targets. We closed the year with revenues of EUR 9.1 billion, up over 6% year-on-year. Adjusted EBITDA pre-IFRS 16 was over EUR 1 billion with a margin of 11.7% and in line with 2018.

At the divisional level, E&C Offshore posted revenue broadly in line with 2018, with EBITDA margin close to 14% and growing year-on-year. This growth was the factor of the impact in Q4 2018 of the South Stream amicable settlement. Without this effect, margin would have slightly diluted due to higher weight on E&C Onshore in 2019 and the phasing out of some projects in E&C Offshore in the second half.

A pickup in new awards in Q4 meant the division delivered a solid book-to-bill above 1x. The first award in 2020 in the near-term pipeline gives us good momentum into the year. In the E&C Onshore, revenues and the adjusted EBITDA margin grew significantly as the turnaround of the business continued. The division remains on track for our midterm margin target of mid-single digits.

In Drilling, volume and revenue has increased and margins are still healthy. During the last quarter of 2019, our positive momentum in terms of order intake continued.

For E&C Offshore, the most significant announcement was the award of the subsea project in Guyana for ExxonMobil and 2 wind farm projects in the U.K. and Taiwan, totaling around EUR 1.5 billion. Drilling as well posted a positive fourth quarter with awards worth EUR 1.5 billion, the majority of which from Drilling Onshore related to contract renewals in Saudi Arabia.

These awards underpin a very successful full year with EUR 17.6 billion and a solid book-to-bill of 1.9x. We ended the year with a record backlog of EUR 25 billion. This includes significant work in LNG and renewables, strengthening our position in the energy transition. I will expand on this later on.

In 2019, we were back to profit against a sizable loss in 2018. Stefano will comment on this later.

Strong cash generation supported by favorable CapEx and advance payments phasing in Q4 has resulted in a substantial net debt reduction, ending the year below EUR 500 million and outperforming our guidance of below EUR 800 million. In January, we announced the early redemption of EUR 500 million bonds expiring in 2021.

Finally, the Board proposed to the Annual General Meeting a dividend of EUR 0.01 per share for ordinary and saving shares. This dividend, although limited in amount, marks a return to a remuneration as a sign of confidence in the prospective evolution of our business.

Let me spend some time on market evolution in 2019 and on how we see the forthcoming future. Recent public health issues are currently carefully monitored and addressed. For now, we are assuming that the long-term market trend should not be affected by the current situation. Despite the continued volatility last year, average Brent price ranged between USD 60 and USD 65 per barrel. On one hand, the pace of recovery in offshore, final investment decisions on drilling remained lower than expected. While on the other hand, we did see a weight of investment in new LNG projects, in line with [bright] expectations.

Our internal planning assumptions for the long-term energy supply mix are shown in the central chart, based on the analysis of select resources. The evolution of the energy mix is expected to be driven by gas and renewables while oil and especially, coal will play an increasingly reduced role. The perception is that the transition will take several decades, although policy initiatives will probably accelerate the trend. This would require, however, the coordination of a number of environmental and energy policies at global level.

We are addressing the reduction of global carbon emissions in energy production and construction by gradually building a suite of low-carbon solutions. We expect (inaudible) that on one side this is on floating wind farms and carbon capture and utilization will play an important role in unlocking the potential of decarbonization.

Digitalization is another important element in the transition to increase efficiency and reduce energy intensity of our operations. In 2020, we expect global E&C investments to increase in some segments, providing further opportunities for Saipem, while other segment scenarios are expected to be more stable.

In E&C Offshore, we expect to see good commercial opportunities in the Middle East and in deepwater, especially in Africa. In E&C Onshore, we do not expect recent gas price holds to hinder new investments, though it may slow the pace of project awards.

Visibility on downstream remains sound, and we see opportunity in Asia Pacific and Middle East and Europe. In Drilling, the offshore harsh environment shows signs of recoveries, whilst for onshore, we expect the Middle East and parts of Latin America to offer some attractive opportunities.

Allow me for a minute to go back to 2015, when we established our 5 strategic priorities, to update you on our progress against them today, in Slide 8. Starting with our first priority, refocusing the business portfolio. In 2018, we created 5 divisions, each with a refreshed and solid management team at the helm. This has allowed the teams to focus on diversification and provide new solutions to support the energy transition. We continue to evaluate our strategic options for the Drilling business.

Second, we have derisked our business model, becoming more selective in our tendering. And we are offering early engagement to our clients through XSIGHT, our cross-divisional innovation engine. These derisking efforts has reduced the current level of unbilled revenues under litigation to 0.

We are also pleased to note the Italian Court of Appeal acquitted Saipem in January in the Algeria case. We have also improved the efficiency of our operations through the market -- through -- during this market downturn. This is visible in our E&C Offshore turnaround, while our asset base has been strengthened and rationalized to compete in the future environment. Bottom line, these efforts account into cash flow. Our business is further supported by a solid financial structure, with an average ratio well below 2.5x EBITDA and liquidity of over EUR 2.8 billion.

Lastly, the bread and butter of engineering company, technology and innovation. While we have not held back on investing in R&D, we have become more disciplined. This discipline has allowed us to focus on delivering to our customers new digital solutions and more cost-effective services.

Our next slide shows our pivotal intensity in the energy transition. On the left-hand side, you can see that for us, energy transition is not just a buzzword, it's already driving our business. At the end of 2019, almost 70% of our backlog, including projects in JVs, was not oil-related, driven by LNG and renewables. We have shown [the entire contracts] mentioned earlier represent 17% of E&C Offshore acquisitions last year.

Moving on to the chart, you can see how our solutions play a role in the energy transition. The more we move to the right-hand side of the chart, the more we show solutions that we have to capture future needs. In gas, we are innovating for our clients, for example, with our scalable and modular small-scale LNG, called Liqueflex. We are also working on hydrogen solutions. In the renewables, proprietary solutions such as HexaFloat and floating wind farm are very promising.

Looking further ahead, we are already scouting on developing advanced solutions in marine energy and high-altitude wind. Today, we are already offering hybrid solution for offshore fields and onshore downstream plants.

Last but not least, we are developing our skill sets in CO2 management and recently made a bolt-on acquisition of a Canadian company that specializes in the field of enzyme-enabled carbon capture, adding over 90 patents to our intellectual property portfolio.

So from this slide, on the energy transition, let me move to ESG. Sustainability remains a focal part of our strategy, overseen directly by me and the Board. Top managers' performance and remuneration indeed is also measured against ESG targets. We fully recognize the importance of climate change and its potential impact on the businesses like ours. We have published in 2019 our second report detailing the steps we are taking in response -- this is titled Climate: From Strategy to Action.

Stefano will now take you through the financial review.

Stefano Cavacini - *Saipem S.p.A. - CFO*

Okay. Thank you, Stefano, and good morning, everyone. Let's start by commenting on Slide #12.

Group performance in full year '19 was good. Revenues, as you can see, were EUR 9.1 billion, up over 6% on 2018 and meeting guidance. Today, we are presenting our profit and loss account results for the last time, both before and after IFRS 16.

As a reminder, for both EBITDA and net results, what we label with adjusted excludes special items, which I will comment on later. Adjusted EBITDA pre-IFRS 16 was above EUR 1 billion, up 3.4% year-on-year, mainly due to the improvement in E&C Onshore, we'll see later on.

Adjusted EBITDA margin pre-IFRS 16 was 11.7%, in line with last year as a result of, I would say, an easier comparison, since you might remember, in Q4 2018, we factored the impact of South Stream amicable settlement. Without this favorable comparison, the higher weighting of E&C Onshore in our earnings mix in 2019 and the phasing out of some projects in the second half, would have diluted the margin year-on-year. The same dynamic explains the improvement of Q4.

Adjusted EBITDA post-IFRS 16 was EUR 1.2 billion. Adjusted net income pre-IFRS 16 was EUR 179 million, as you can see, 7x higher than 2018. This is driven by, for sure, good operational performance, lower losses from equity participation and lower taxes year-on-year.

Regarding the tax rate, I would like to add that the tax rate on adjusted profit improved significantly, ending the full year at around 34% from, you should remember, 69% in 2018. For full year 2020, we expect an adjusted rate of mid-30%.

Now looking at divisional performance, beginning with Engineering & Construction from Slide 13. E&C Offshore revenue is broadly flat year-on-year, at minus 0.4%, reflecting higher volumes in North Africa and Latin America, offset by lower volumes in Sub-Saharan Africa.

The sequential slowdown of Q4, as planned and expected, related to the phasing out of high-margin projects. Despite the Q4 revenues slowdown, we closed the full year with an adjusted EBITDA pre-IFRS 16 of EUR 523 million and the margin at 13.9%, slightly higher than last year.

The EBITDA and margin growth were driven by the impact of Q4 2018 from the amicable settlement I just mentioned and by some positive contribution coming from current projects in Q4 2019.

And finally, in Q4 2019, we announced a contract in the subsea segment and Offshore wind, and you'll see later on that our visibility of near-term opportunity is still good.

So the good commercial momentum allowed our book-to-bill to recover in Q4, ending at over 1x for the full year.

Currently, we expect 2020 margin to reflect the mix change due to the phasing out in 2019 of certain projects and the higher engagement in conventional activities and renewables. Just you notice that the adjusted EBITDA post-IFRS 16 was EUR 645 million.

Now let's move on to E&C Onshore. Revenue growth in the 9 months was over 10% year-on-year on higher volumes in Middle and Far East. But I would say that the positive contribution from Mozambique was offset by West Africa, specifically in the Floater segment.

Our adjusted EBITDA margin rose to 4.5%, up from the previous 3.1% in 2018. As usual, let me remind you that in line with international accounting standards, the EBITDA margin doesn't reflect JV results.

Finally, adjusted EBITDA post-IFRS 16 was EUR 227 million.

Turning to our Drilling performance. Slide #14. In the offshore, our top line grew by over 19% versus 2018 due to higher activity of Scarabeo 8 and Saipem 12000, both idle for part of 2018 as well as activities of the Pioneer jack-up this year. This was partly offset by the idle state of Tangguh and the lower activity of Scarabeo 9 and 7.

Increased fleet utilization during the year saw, you can see, really a strong Q4 revenue growth. And currently, we expect 2020 to see some decrease year-on-year in terms of revenue due to the shift into 2021 of some fleet engagement, although at good rates and idling of Scarabeo 7, which you will see later on in the fleet engagement chart.

Adjusted EBITDA pre-IFRS 16 was slightly lower compared to the previous year, at EUR 220 million, but let me say with a robust adjusted margin of almost 40%. The margin dilution year-on-year is a function of the contract portfolio evolution. New contracts are awarded at market rates, which, as I told you in the past, are lower than the ones attached to contracts negotiated before the downturn.

Moving on to Drilling Onshore. Revenues increased over 7%, driven by increased activity in Saudi Arabia and Latin America, more than offsetting lower activity in the Caspian area. Latin America was mixed with increased activity in countries such as Colombia and Bolivia, partly offset by a slowdown in Argentina. On the positive note, in Argentina, we started our operation with a new high-spec rig for unconventional market. And speaking about numbers, adjusted EBITDA margin pre-IFRS 16, as you can see, in 2019, was close to 23% and factored in the reduction of activity of some areas.

The most relevant news of the fourth quarter, for sure, is our announcement of contract renewals, primary -- primarily, sorry, in the Middle East, which happened by year-end. This great achievement has secured future visibility on revenue and margin for our division. And mainly thanks to these Middle East renewals, in 2020, we expect broadly stable revenue and margin improvement for the division. Finally, adjusted EBITDA, post-IFRS 16, was EUR 226 million for Drilling Offshore and EUR 128 million for Drilling Onshore.

Now in Slide 15, you will have a look at our reconciliation from adjusted and reported net result. Adjusted net income was EUR 179 million or EUR 165 million post-IFRS 16, which is the starting bar on the left-hand side. We made a provision of EUR 48 million for redundancies across the organization. The second impact, as you can see, is for EUR 22 million already booked in H1 related to the write-down of the Perro Negro 5 jack-up in Drilling Offshore and its associated working capital.

Finally, the third element of EUR 25 million is the net impact between 2 different items. On one side, following the positive decision of the Court of Appeal of Milan, which acquitted Saipem in the Algerian proceeding, we released a provision made in the past. On the other side, the outcome of some pending litigation, and with this, I can say that these revenues in our balance sheet are now irrelevant and I would say [billed towards 0] as shown for those of you who are interested in Slide 47 in the appendix.

So we closed the full year with a positive net income before the impairment of EUR 70 million. We ran an impairment test at year-end, which has triggered a noncash impairment of EUR 58 million, as you can see, and this is totally related to the Drilling Offshore due, on one hand, to the weighted average cost of capital slight increase and on the other hand, due to a reduction of long-term daily rate expectation on some vessels. After specialized items and the impairment, at the end, we closed the year with a reported net profit of EUR 12 million compared, you should remember, to a net loss of EUR 472 million in 2018.

The good operational progress and the return to profit, along with deleveraging and strong liquidity, allowed the Board of Directors to propose a dividend of EUR 0.01 per share to the Annual General Meeting due in April.

Now looking at Slide #16, net debt evolution. As usual, on the right and left of the chart, you'll have a look at the impact of IFRS 16 in 2019, end of 2019 and end of 2019 -- sorry, 2018 and 2019. The light blue shaded area shows the deleverage from EUR 1.2 billion, down to EUR 500 million at the end of December, successfully delivering on our guidance of below EUR 800 million on a pre-IFRS 16 basis. And I would like to add, resulting in a leverage ratio pre-IFRS 16 of below 0.5x.

As you can see in the chart, CapEx -- so the cash flow, first of all, positively contributed around EUR 650 million and more than offset capital expenditure, which had been, as you can see, at EUR 336 million, below revised guidance that we gave half of this year of 2019. The main reason being a rephasing of our investments. This will result, for sure, in higher capital expenditures planned in 2020.

The second item in the chart called -- named Others, including delta working capital, was positive by around EUR 380 million in 2019. Main reasons are: first, the positive temporary effect from net advance payments awarded before July -- on contract before July, which we commented in Q2 and Q3 result calls, along with new advance payments or new contracts award in Q4. The positive impact of advance payments related to these projects will be partly reabsorbed when the construction phase begin in 2020.

Second, for sure, the contribution of cash settlement from arbitrations that we had in the first quarter and third quarter of this year.

And third, in Q4, we benefited from a major commercial effort to cash-in overdue trading receivables.

These positive effects were partially offset by various items, including a natural increase in working capital related to the growth of our business, related to dividends paid to minorities and the acquisition of stake in some, for us, strategical joint ventures.

Just to give you more color about net financial position, I would like to point out that the positive Q4 performance was also supported, helped by a CapEx rephasing with around EUR 150 million shifting from 2019 to 2020; around EUR 100 million in net advance payments on E&C Offshore Q4 awards, which were previously expected in the first quarter of 2020; and finally, an additional EUR 100 million related to the working capital management efforts to collect some of the due receivables. But these 3 elements, we are speaking of around EUR 350 million, explain the performance of this year, but probably, you'll have more color in the next slide, which will further clarify these effects. Finally, net debt post-IFRS 16, at the end of December was EUR 1,100 million approximately.

Now Slide #17. In this slide, we analyze the net debt trend since year-end '16. As you can see, after the capital increase performed in 2016, net debt at year-end '16 was close to EUR 1.5 billion. And a healthy net cash generation over 2017 and 2018 led up to a full year 2018 net debt of EUR 1.2 billion. In 2019, you should remember, we started the year with a guidance regarding net debt pre-IFRS 16 of approximately EUR 1 billion. And in the first half, we revised this guidance down to below EUR 800 million due to the improvement driven by net advance payments and some milestones held in our sizable contracts awarded to Saipem in the first 7 months of 2019.

We closed at below EUR 500 million, outperforming our net debt targets due to the favorable phasing in Q4 of capital expenditures, cash advances, worth together around EUR 250 million, and I would say, in addition to our positive usual activity in managing our working capital. Without the favorable impact from the phasing on CapEx and advanced payments, just to be fair, we would have still closed the year at around EUR 750 million, in any case, I would say, ahead of our guidance.

Now for 2020, our guidance is for net debt pre-IFRS 16 below EUR 700 million. This level is broadly in line with what we see as sell-side consensus and reflects the shifting of CapEx into 2020 and bringing forward of advance payments into 2019. Now when we say debt, I would like just to say a few words on our expected quarterly evolution of 2020 net debt. We expect the first 2 quarters of this year to post an increase of net debt compared to the year-end 2019, mainly due to a higher cash out for capital expenditures during the first 2 quarters and some natural cash absorption from projects awarded in 2019, which will enter into the procurement and construction phase.

And net debt is then expected to decrease in the second half of 2020, mainly driven by new net advance payments on target projects within our short-term opportunities and secondly, the additional contribution from existing projects in the second half, resulting in a cash-in upon delivery. Third, lower CapEx in the second half of 2020 compare for the time being for our assumption in the first half.

Now my final slide, Slide #18, just a recap on capital structure. On the left-hand side, you can see our healthy liquidity situation at the year-end '19, as you can see, with undrawn facility and cash, totaling approximately EUR 2.8 billion. Our strong liquidity position allowed us to announce in January the repurchase of EUR 500 million of 2021 bonds. This transaction reduces gross debt by EUR 500 million, further, I would say derisking the capital structure and increasing the average debt maturity.

So I would like to conclude saying that deleveraging and gross debt reduction remain a priority for the company. Now I will hand back to our CEO for the next session of the representation.

Stefano Cao - *Saipem S.p.A. - CEO & Director*

Thank you, Stefano. Let's open the divisional section of the E&C Offshore. Our expectation was to get to a book-to-bill around 1x for full year 2019, and this target was more than achieved, thanks to a good momentum of new contracts in the fourth quarter. In turn, we have been awarded [another] technological project in Guyana, where Exxon had already assigned to us 2 previous phases of the development of the Stabroek block.

In offshore wind, we won the full EPCI of the large NNG project in Scotland, an offshore wind development that will produce 450 megawatts. And the fabrication activities for the Formosa Group offshore wind farm in Taiwan. The total order intake has been approximately EUR 4.5 billion during the year.

In terms of strategy for the division, E&C Offshore is our core business. On the left side of the slide, you can see the traditional segment of the Offshore value chain, on which we intend to further consolidate our position through innovation, research and development of new and more efficient solutions.

Moving to the right, the same skills and assets are projecting us into new segments, which are at the core of the energy transition. The recent large wind farm awarded in U.K. will be performed by our flagship vessel, Saipem 7000. This heavy-lift vessel, one of the few of such size available in the market, is a distinct asset for us. Most of the supporting Offshore structure for these developments, including the current one in U.K., will leverage on our yards, such as the one in Indonesia, Karimun.

On the right hand of the slide, we look at developing and creating new products and services to support our current and new client base. In particular, we are developing -- we propose more comprehensive solutions along the life cycle of the offshore fields, such as our patented, Hydrone ROV deployed in the Njord Field development, offshore Norway for Equinor, first ever worldwide service contract for subsea drones.

The 3 business areas that you see in the slide are mirrored in the new organizational structure of the E&C Offshore division. Our vision for the future, the E&C Offshore business is to leverage our continuous innovation, which is our DNA. In appendix, you can find the slide which displays part of our E&C Offshore performance.

2019 has been an extraordinary year in terms of new awards for E&C Onshore. We won major projects for major clients. After several years of negotiation and engineering studies, we were awarded LNG Area 1 in Mozambique, formerly for Anadarko, now for Total, establishing Saipem as a key player in the LNG segment.

We have been assigned a portion of the Arctic LNG 2 topside project, on top of the contract for the gravity-based structure we won at the end of 2018. We also had a letter of intent naming us the preferred bidder for the EPC of the LNG Train 7 project in Nigeria.

The record order intake of 2019 of EUR 11 billion, reaching EUR 13 billion including nonconsolidated projects, gives us exceptional visibility for the next few years with a book-to-bill of 2.6 in 2019.

Slide 23. Here, we define the E&C Onshore strategy as a title D. First, we are diversifying our presence in core markets and products, especially in downstream. We aim to grow, targeting selective segments in highly strategic geographies, primarily the Middle East, in Saudi Arabia and expand in Kuwait and UAE.

Going forward, we also aim to improve our position in downstream, Southeast Asia, both in refining and petrochemical. Secondly is decarbonize. We want to be the partner of choice of our clients through the transition to a low-carbon economy. Gas will remain at the heart as a bridging fuel. Technology will be key, allowing a modular and scalable lower breakeven solution. In this respect, we developed Liqueflex, our propriety resolution for the liquefaction and regasification of natural gas on a small scale.

In order to decarbonize our clients' operations as a system integrator, we will bring renewable energy sources into the oil and gas value chain, develop a sustainable hybrid solution for traditional operations in onshore upstream and downstream. We are pursuing numerous activities linked to CO2 management via portfolio of technology that we already own. And as I said earlier, we are enforcing our position through partnerships and bolt-on M&As.

We have been dealing with carbon management for a long time, and we aim at helping clients manage the entire chain of carbon capture and storage.

In hydrogen, we will focus on both the production of blue hydrogen, utilizing energy from decarbonized fossil fuel and green hydrogen from renewables. In the space of renewables and biotechnologies, we will try and explore-- exploit fields such as the conversion of biomasses, solar and geothermal power.

Finally, the third D pillar is digitalization. We want to develop a new operational model, supported by digital technologies. An example is EPC digital platform, a collaborative digital and data-centric methodology for the management of the entire project life cycle.

LNG is a major focus for E&C Onshore. In Indonesia, the Tangguh expansion is now swiftly progressing. On the Arctic LNG 2 project, activity is progressing in line with schedule. Finally, for Area 1 LNG project in Mozambique, we are the leader partner in the Milan and (inaudible) JV, with direct responsibility for core activities, which are progressing as planned. Our engineering capabilities and capacity gives us the scale and confidence to our clients that we can manage multiple sizable projects and execute them.

XSIGHT division is recognized as a key player in early engagements, providing high-value consultancy services for the [definition] stage of a project. XSIGHT is an important innovation engine, and [in fact], leads our thinking on the energy transition and decarbonization process. The mission of XSIGHT to broker opportunities for the E&C divisions, saw the first achievement in 2019, for the first time, the award of 3 contracts, (inaudible) came as a result of a [feed] carried out by XSIGHT. Other achievements in 2019 were revenue and order intake double-digit growth, although this is still [subscale] compared to the 2 E&C divisions.

Looking ahead, XSIGHT will focus on technological disruptive solutions and work to apply new digital technology to traditional EPC model to make it more efficient.

Let's now move to Drilling, starting with Q4 awards. In the last quarter of 2019, we announced new contracts and extension of existing contracts in the Onshore Drilling for 19 land rigs located in Saudi Arabia, with a duration from 3 to 10 years.

We added contracts in Bolivia, Peru and Romania. These contracts allow us to significantly improve the visibility on future fleet utilization. We also announced a new commitment in Offshore Drilling for 2 semisubs, Scarabeo 8 in Norway, a contract for 5 firm wells for VarEnergi, plus 2 optional wells and for Scarabeo 5 in Angola. We've finalized the Scarabeo 5 contract for 1-year firm and option for 1.5 years. The overall combined order intake is EUR 2.3 billion in Drilling, with the vast majority coming from onshore.

Now let's move on to the Drilling Offshore fleet contract -- contractual engagements. Saipem 12000, the unit is part of operation in Mozambique, for Rovuma drilling campaign in September 2019, following upgrading works conducted in South Africa. 10000, the vessel in Egypt for Eni, will go through some class work in 2020, resulting in a shift of activity into early 2021, as you can see from the bar.

Scarabeo 9, the semisub, has completed the work in the Black Sea and is approaching the [demob] phase. The rig is currently marketed, and we are working on to secure further business opportunities. Scarabeo 8, as I just said, the rig is executing the contract with Wintershall, after which the rig will be assigned to the works for Var Energi. Scarabeo 7, we are currently marketing the rig after the completion of the work in Indonesia. The rig has been put in stacking mode. Scarabeo 5, the rig arrived in Angola where it's performing as production support vessel currently. Perro Negro 8, the jack-up is currently engaged with ADNOC drilling in the Emirates under a long-term contract. Perro Negro 7 is working on the long-term contract awarded by Saudi Aramco in Q1. As I've said before, in the current market, we are taking advantage of lower rates to lease assets to help modernize our fleet without taking on large-scale capital commitments. These are the Pioneer, Sea Lion 7 and Perro Negro 9, all of which are, as you have seen, under contract.

In Onshore Drilling, Slide 28. There is no change in the overall weight of utilization rate, which in the full year averaged around 68%, in line with the first 9 months. There has been a slight decrease of utilization rate in Latin America with lower activity in Argentina. The decrease will be partially compensated by the new high-spec rig for conventional market, which is now operating in Argentina. Bolivia will continue to perform well with our new high-spec 3,000 horsepower rig, and we have 2 3,000 rigs in Colombia, reinforcing our presence there.

Rest of the world has experienced lower activity in the Caspian area [carried] towards the end of the year.

In terms of strategy, during the year, the downturn, we managed to keep our Offshore Drilling fleet and capability intact, continued to provide quality drilling services to our clients. We went through a comprehensive efficiency plan for the division. And even if today, our cost base is fit for the current market, we keep on focusing on additional improvements.

Our digitization program is progressing as planned, and we have developed plans for the reduction of GHG, such as [hybrid solution -- decarbonization].

In summary, after the downturn, we are well positioned to benefit from the long effective recovery in this sector. We have been opportunistic in leveraging on the asset-light strategy, ramping our successes to extend our business with risk come with discretionary options for us to buy them.

Finally, we are continuing to assess strategic options for the offshore drilling to ensure we are fully recognizing the value of the drilling via, for example, potential partnership.

Strategy on onshore drilling. As with Offshore, we stayed resilient in the [downturn], focusing on operational excellence. We streamlined our organization, which makes us very agile. We continue to look at technology to improve fleet performance via pilot projects such as the one in Kuwait for the digitalization of our operations, and we are evaluating expansions to other rigs in Middle East.

Asset optimization is another focal area, through automation and standardization, also supporting efficiency and reducing the impact on the environment.

Looking at the geographies. Middle East, we will continue to build up our presence, while Latin America, we will remain selective. Going forward, we will target new geographies where we see scalable opportunities in new market segments such as artificial islands, especially in the Caspian and the Middle East; lump-sum turnkey market-tenant conventional drilling, which will allow us to diversify our offerings in strategic areas, such as Saudi Arabia. As with Offshore, we continue to assess strategic options in the Onshore Drilling segment to make sure we are realizing full value.

Backlog. Looking at the backlog on Slide 31. We closed 2019 with a consolidated backlog higher than EUR 21 billion or around EUR 25 billion including EUR 3.6 billion of nonconsolidated projects.

Looking at the backlog by the year of expected execution. It is worth observing that coverage of 2020 at EUR 7.5 billion is at 75%. 2021 is strong, with EUR 6 billion of -- or EUR 7.1 billion, including nonconsolidated backlog. 2022 onward has a high visibility of EUR 7.7 billion or EUR 9.3 billion including nonconsolidated, a level that describes the issue about the future. We have a lot of work to do in the next few years.

Looking at the most recent news flow. We closed 2019 with a good set of awards in E&C Offshore and then began 2020 with good momentum, under the Cabaca and Agogo subsea project in Angola; a carbon steel pipeline in Saudi Arabia; and another 70-kilometer gas pipeline in Equitorial Guinea. We also won decommissioning offshore in the North Sea to be performed by 7000.

Let's look at the commercial opportunities for the E&C division on Slide 34. As you can see, we now have better visibility with a total of around EUR 20 billion, of which EUR 11 billion in Onshore and EUR 9 billion in Offshore. We see opportunities across geographies and in all key segments, ranging from subsea and pipeline down to fixed facilities, renewables and downstream. On renewables, Offshore in particular, we expect to increase our engagement in wind farm during 2020 in Northern Europe.

Moving to the final part before opening to Q&A. As I said in my opening remarks, we had a very good year and delivered on our targets, as you can see on Slide 36.

2020 guidance. Our expectation is for EUR 10 billion revenue. We guided an adjusted EBITDA, now post the IFRS 16, higher than EUR 1.1 billion. CapEx, partly due to phasing as presented earlier, is expected to be around EUR 600 million. This amount will also cover the new vessel and class renewals. Net debt pre-IFRS 16 is expected at below EUR 700 million, a level which factors the phasing versus 2019 that Stefano explained earlier.

Finally, while our results for the year have been very good, I've been particularly pleased about the progress we have made as a business in 2019. When we set out our new strategy, we knew the world was changing and that we would have to change path as well. This was not just about lower and more versatile -- volatile oil price, it was also about the need for a structural shift in the energy services business, a shift that would reorient the sector and with deeper engineering expertise to meet the future needs.

In response, we worked hard to reshape our business, adding a dedicated renewables site with a mandate to develop the new technological innovation our clients will need to meet the challenges in the energy transition. Through this process, we will also improve our cost efficiency, and this approach is now bringing its fruits. Our improvement has strengthened the balance sheet, allowing the Board to propose a dividend, which marks the return to a remuneration, giving confidence in the perspective evolution of our business.

What really underpins our performance of 2019 is the significant order intake for the year, which takes our book-to-bill ratio to 1.9 and leaves our total backlog at a record level of EUR 25 billion, and 68% of this backlog is made up of non-oil-related projects.

Looking ahead, there is a very good visibility on near-term projects in E&C worth EUR 20 billion.

So as 2020 progresses, a new Saipem is consolidating its position as a key partner for companies working to make the energy transition happen. We bring the skills and expertise built up over decades of energy large-scale projects in often hostile environment in new energy solution. Saipem is leading today and ready for tomorrow.

Thank you very much. And now we open the session for question-and-answer.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Alessandro Pozzi from Mediobanca.

Alessandro Pozzi - *Mediobanca - Banca di credito finanziario S.p.A., Research Division - Research Analyst*

So we've seen a marked drop in oil and gas prices since the start of the year. I've seen that your commercial pipeline remains quite strong. But I was wondering whether do you think this is going to change the propensity of your clients to go ahead and sanction projects in 2020?

And also, I was wondering, clearly, you're coming off from a strong year in terms of order intake. What do you expect in -- as a book-to-bill for 2020 in the E&C?

Stefano Cao - *Saipem S.p.A. - CEO & Director*

The issue of the oil price vagaries, it's a issue which is consistent in our presentation and in the conversations, like the one we are having right now. The more we go ahead and the more we try to convince the -- like yourself, that going forward, the success and the [appeal of] Saipem will progress and continue, this connect to oil price. Then obviously, there is result of proxy between oil price and the performance of the share, this is something which, all the time, we hope to see fading away progressively. Now our planning, obviously, we cannot take into account the sudden changes in the oil price. From the composition of portfolio projects, you see that gas is taking a more important role and also all the products which are aimed at driving the energy transition at large.

In terms of order intake, 2019 has been exceptional as we openly define it. At this stage, it's obviously very difficult to predict what is going to be the book-to-bill in 2020. I think as has done in the past, we show the overall value of the opportunities, then we'll see which one will be ready to materialize. So we like to look at the evolution of the year.

Alessandro Pozzi - *Mediobanca - Banca di credito finanziario S.p.A., Research Division - Research Analyst*

Okay. Just a follow-up on the Offshore E&C. I think your share on renewables is around 17% in terms of order intake. How do you expect this to evolve this year?

Stefano Cao - *Saipem S.p.A. - CEO & Director*

Francesco?

Francesco Racheli - *Saipem S.p.A. - COO of the E&C Offshore Division*

I just -- last year, we -- there's been a sanction of 2 [Payara] projects in the same quarter. As we -- as Stefano just mentioned, we will -- we see, in an encouraging way, our prospects, and we may be able to announce something in the next couple of quarters. I'm not sure we are in the position to say what sort of percent of our order intake we see of renewables for this year.

Operator

Your next question comes from the line of Sahar Islam from Goldman Sachs.

Sahar Islam - *Goldman Sachs Group Inc., Research Division - Analyst*

The first one was, could you help us out with the list of the key projects which are closing in 2019, or closed in 2019 and are closing early 2020, and then which key projects are ramping up this year?

Stefano Cao - *Saipem S.p.A. - CEO & Director*

Okay. I think you are referring to, in general terms, to E&C.

Sahar Islam - *Goldman Sachs Group Inc., Research Division - Analyst*

Yes.

Stefano Cao - *Saipem S.p.A. - CEO & Director*

The major projects, which are going to an end in 2019, I think we can split Offshore and Onshore. So Francesco for the Offshore and then Maurizio for the Onshore.

Francesco Racheli - *Saipem S.p.A. - COO of the E&C Offshore Division*

Yes. For Offshore, we're seeing clearly approaches such as the [Edina] approaching an end last year. And also, as Stefano mentioned, we clearly had an impact in the last couple of years as well as Zohr that is approaching its final end. So those were the key major projects for Offshore that are phasing out.

Stefano Cao - *Saipem S.p.A. - CEO & Director*

And then 2020 picking up -- we finally see it picking up in 2020.

Francesco Racheli - *Saipem S.p.A. - COO of the E&C Offshore Division*

Other projects that are picking up really as well, we mentioned, well, definitely the projects in Latin America; some projects in the Middle East that have been announced with Aramco; of course, the renewable projects. So those will be the major projects picking up and filling back the projects that phased out.

Stefano Cao - *Saipem S.p.A. - CEO & Director*

Onshore?

Maurizio Coratella - *Saipem S.p.A. - COO of the On-shore Engineering & Construction Division*

Onshore, well, definitely we are seeing the closure of the projects like the STAR refinery that have achieved [PHC.] We have seen the closure of Kaombo, that has deployed a big number of resources in the previous years. We are seeing projects like -- major projects like [giganta] impacted too, heading to the end. So this will definitely allow us to free resources for the projects which will pick up in 2020, as definitely the Mozambique LNG project and the Arctic LNG on top of the Marjan package in Saudi Arabia and the Berri development program.

Sahar Islam - *Goldman Sachs Group Inc., Research Division - Analyst*

And then my second question was just on CapEx. How should we expect the shape of your CapEx budget to be this year, particularly as you move towards areas like offshore wind increasingly?

Stefano Cao - *Saipem S.p.A. - CEO & Director*

The major, let me say, change in the CapEx profile is related to the fact that after more than 40 years of life, we have decided to end one of our very successful (inaudible) with a new unit. Originally, we were expecting this to happen in 2019 and now have been shifting in 2020.

And to answer your question in terms of wind farm CapEx, Francesco, if you will...

Francesco Racheli - *Saipem S.p.A. - COO of the E&C Offshore Division*

Sure. I think -- look, as Stefan mentioned, we are replacing one solar vessel with a new one, but that's more related to our [shore] contributional core business. So with respect to wind, we have at large utilizing our existing fleet of vessels, maybe adding bolt-on select CapEx investments to upgrade some toolings that we have on our vessels or maybe one of our yards. But this is not necessarily, of course, the same order of magnitude of adding a new ship.

Operator

Your next question comes from the line of Michael Alsford from Citi.

Michael J Alsford - *Citigroup Inc, Research Division - Director*

I've got a couple of questions if I could, please. Firstly, on Mozambique, obviously, we've seen the financial difficulties of your partner. I just wondered if you could talk a bit about whether there's been any disruption. I know it's early days on the project, but is there any disruption in the way that, that project has been moving forward? That was my first question.

And secondly, just on the energy transition, you've clearly done a bit of inorganic bolt-on opportunities to broaden out your portfolio. I'm just wondering whether you feel now you have the capabilities to really go and target the new opportunities you see in the energy transition area? Or should we expect more of the bolt-on new services to be added to the portfolio over the next 12 months?

And then just finally on the dividend. It's clearly great to see the dividend now being proposed after a few years of no dividend. I'm just wondering if you could talk a little bit about the rationale as to why that level? What's the reason for this, the current level that you've proposed, why not more? And maybe a little bit about your future sort of expectations around the dividend would be great.

Stefano Cao - *Saipem S.p.A. - CEO & Director*

Okay. So Mozambique and potential disruption related to our partner. Maurizio?

Maurizio Coratella - *Saipem S.p.A. - COO of the On-shore Engineering & Construction Division*

Well, we -- as you might know, we are running the Mozambique project from Milan, where the joint venture with Russia is based, and Saipem controls over 75%. So despite the ongoing situation of McDermott that we believe will settle down in months with -- we are not experiencing any disruption, the joint venture is properly staffed. The project is on track. Cash flow of the joint venture is positive, and we are not anticipating any impact coming from the situation of McDermott.

If your question was considering also the coronavirus impacts, well, to date we are not anticipating anything. Of course, contracts are protected by clauses that in case will allow us to notify the clients of any impact. So far, we are not at this stage.

Stefano Cao - *Saipem S.p.A. - CEO & Director*

Okay. And about the inorganic growth, quite frankly, I mean, it's a bit opportunistic. So there is no defined -- predefined rationale behind the fact that we grow our technology capacity on bolt-on acquisition or internal growth. There is a result of continuous scanning, which we do on opportunity including analysis of start-ups and small outfits. So we decide on a case-by-case basis what is the best way.

In terms of dividends, I mean, to tell you quite frankly, we realize that this year, the -- our liquidity profile, our debt level, our operational performance and the return to profit was convincing enough for the Board to consider this, to propose to the AGM a dividend. Let me say that this initial dividend is not a proxy of future payments or a formal policy. These elements will be obviously analyzed in due course, taking into account also the future evolution of the business. I think as a general principle, I would say that what is essential is that the shareholder remuneration will have to be sustainable. So these are basically the premises for us, for the Board to decide to propose the dividend.

Operator

Your next question comes from the line of Lillian Starke from Morgan Stanley.

Lillian Starke - *Morgan Stanley, Research Division - Research Associate*

I just have 2 questions. The first one is on the diversifying strategy on Onshore E&C that you mentioned new geographies and potentially some new end markets. I was just wondering how are you approaching the risks that these might entail in terms of how you decide to enter these new markets?

And then the second question I had was, you mentioned on onshore drilling, your ambition to potentially enter into lump-sum turnkey. Given the challenges that other contractors have faced, particularly in the Middle East with these type of contracts, what are the measures that you're taking to potentially avoid these sort of challenges as well as you go into LSTK contracts in the Middle East?

Stefano Cao - *Saipem S.p.A. - CEO & Director*

How do we decide the diversification of geography and which market to target in Onshore?

Maurizio Coratella - *Saipem S.p.A. - COO of the On-shore Engineering & Construction Division*

Well, it's -- that's part of the turnaround. The turnaround, once we review what were to us the pillars on which we should get based the new strategy of the Onshore, and we found out that the 2 strengths of site, and we could think like where definitely the geographical footprint and the competence. So we said let's reorganize in order to be more close to clients. And we decided to establish 6 different regions, which will definitely close the distance with clients because they're based in countries and geographies where we were not present before in most of the cases.

And we targeted a number of projects which would capitalize on the competence that Saipem had and had developed in its history. To many new geographies like Northern Africa, where after the events in Nigeria, we were absent, now it's definitely a focus. We -- Southeast Asia that have seen us more aggressive in the last 1.5 years will see us [more excitement] definitely. And West Africa, historically (inaudible) there and Mozambique is another example of a new geography that is opening up.

Stefano Cao - *Saipem S.p.A. - CEO & Director*

Okay. And as far as turnkey onshore, just wish to remind that we are a turnkey contract by definition. So I think we know the risk of turnkey, and we wish to take it as an opportunity.

Then Stefano Porcari, if you wish to comment?

Stefano Porcari - *Saipem S.p.A. - Head of Drilling Onshore Division*

Stefano Porcari speaking. I think that this first phase in which we are moving towards the kind of segment, we are going to be a partner of a major oil [field player] company, then the new contract of this kind of project. So we start (inaudible) commercial facilities.

Operator

Your next question comes from the line of Mark Wilson from Jefferies.

Mark Wilson - *Jefferies LLC, Research Division - Oil and Gas Equity Analyst*

I'd actually like to ask about some of the XSIGHT strategies, certainly with a view to renewables. In particular, carbon capture would appear to be -- could have a very important role in the future. Is there any particularly new technologies you're developing with regard to that?

Mauro Piasere - *Saipem S.p.A. - Digital Innovation Director & COO of XSIGHT Division*

Good morning. Mauro Piasere, I am from XSIGHT. Consider a number of innovative technologies that we are scouting throughout the [assortments] of the these services that we are offering at Saipem, of course, fully aligned with the strategies of our E&C divisions. So for sure, the carbonization in all these aspects, whether it's designed for low-carbon or it's through technology, is our primary objectives. You have already heard about the technologies, so like the CO2 solution for carbon capturing. There are other technologies that we are partnering with in terms of exclusive use to go further into the development of the technology bringing the market to, say, industrial level. There are a lot of technologies they are still exploring. We have mentioned and announced that the oxy-combustion as a particular technology for treating a plasmic steel providing a CO2 solution clearly identified. And there are other technology that were still in a lower development, which are part of the number of start-ups that we are engaging with, which will develop through the year, hopefully, and subject to specific announcement when we believe are at the right moment of time.

Operator

Your next question comes from the line of (inaudible) from Millennium.

Unidentified Analyst

Stefano, I want to ask you about the interview you gave a few weeks back regarding consolidation in the industry. I mean when I look through this industry right now, obviously fundamentals are also pointing in the right direction. But because of, again, energy transition and all those challenges, the equity valuations keep going in the wrong direction. So I just want to understand, firstly, from a pure sort of business fit point of view, you've taken out costs and your competitor have taken out costs. So at what level do you now feel consolidation is required? And also what is Saipem's role with regards to consolidation, not just in drilling but also in offshore and in onshore? That would be sort of my first question.

And the second question really is around onshore. If you could just give us some color on -- obviously, you're very strong in Saudi Arabia. So how much benefit will you get from some of the sort of off-the-cuff work that you would have done in the second half last year and maybe even now in [upkeep] with your key client?

Stefano Cao - *Saipem S.p.A. - CEO & Director*

Okay. In terms of consolidation, I think consistent with what you've probably heard me saying already a number of times, already this crisis which occurred a few years, maybe in 2015 or '16, by itself was, in a way, indication that consolidation was certainly an answer. If you then add to the prices, the fact that we are moving forward a different paradigm, energy paradigm, I would say that consolidation, I mean, as a process, indeed, it makes a lot of sense.

Then, of course, it is a matter of attitude. You have to be always looking at what happens in the market. You have to keep a small but valuable part of the team, looking at opportunities. I'm referring to E&C as well as drilling. And then at the right time, when we think that an opportunity is the one which is attractive, you have to pursue it to the best of your capabilities. And obviously, in terms of announcement, we announce what we do within -- gives the indication of the fact that your target are indeed -- [that are the fields] where you're looking at consolidation. Onshore?

Maurizio Coratella - *Saipem S.p.A. - COO of the On-shore Engineering & Construction Division*

Can you repeat your question on Saudi Arabia for the onshore?

Unidentified Analyst

Yes. I was just wondering if there was a lot of sort of work that you did for Saudi Aramco post the attacks? And was that all captured last year? Or is that -- first of all, if there was a lot of work? And if there was, was that all captured last year? Or is there some work that's going to be done this year as well, which could help you on the order intake and margins?

Maurizio Coratella - *Saipem S.p.A. - COO of the On-shore Engineering & Construction Division*

Well, yes, we have been asked by Aramco to restore the production of the site of Kuwait after the drone attack. And this was something that we achieved on, I would say, a temporary basis to allow the client to resume production in a very short time, in less than a couple of weeks, and we've got a formal recognition from Aramco. Now we are engaged in the final restoration. So the replacement of equipment that have been damaged and the temporary solutions were bypassed. And this is an ongoing project that we are doing in accordance with the time and schedule agreed with the client, of course. So we have seen that as an [actual].

Then in Saudi Arabia, we have recently announced also a joint venture that is set up with an important industrial player. This joint venture is aiming at improving our ability of deliver in the country in order to beat fierce competition that you can imagine is there in the market of Saudi Arabia, and increasing our local content and then benefit of the regulation, which allows a premium for those that have the higher content that was performed locally.

Operator

Your next question comes from the line of Mike Pickup from Barclays.

Michael Brennan Pickup - *Barclays Bank PLC, Research Division - MD & Senior European Oilfield Services Analyst*

It's good to see share price actually up for 1 day. A couple of questions, if I may. Can I ask about market dynamics, if I may? So onshore, you've obviously had a lot of success. Others have had success this year. Can you talk about what the pricing is and the outlook on Onshore for starters?

In the Offshore, there was a story in one of the trade journals that you put in a surprisingly low bid on the project. So can you talk about the competitive nature in offshore?

And in renewables, everybody is trying to get into wind and move that direction. Does the 7000 give you an advantage when it comes to pricing on contracts?

Stefano Cao - *Saipem S.p.A. - CEO & Director*

Okay. Before going into details on a business by business, let me say that we wish to have a view on the market dynamics but what I proposed to give you is a view on what our processes are and how we view the bid opportunities. So I think we reinforced all our processes and increased the rigidity of approval for our bid before going right now. So we set in effect very stringent rules and also a process through which, depending on size, complexity and difficulties of technology of the project, the level of approval comes all the way up until a committee where we -- where I sit personally with the CFO and indeed with [a new guy] in charge for the risk assessment and valuation. This is an overall comment. And then in terms of the specific, I think you made reference for Brazil, then Francesco and Maurizio will comment.

Francesco Racheli - *Saipem S.p.A. - COO of the E&C Offshore Division*

I think for the bids of Brazil, truly we're not going to provide that much of a specific comment. Because obviously in hindsight, it's always easier to second-guess any action. But what I can tell you is that evidently for that specific project, we probably had a competitive advantage on both procurement and the availability of one of our vessels in the area.

Michael Brennan Pickup - *Barclays Bank PLC, Research Division - MD & Senior European Oilfield Services Analyst*

Okay. Yes. And the Onshore, the market dynamics?

Maurizio Coratella - *Saipem S.p.A. - COO of the On-shore Engineering & Construction Division*

Well, the market dynamics, we are seeing the market moving more midstream and downstream. Definitely with barrel in the neighborhood of $55, $58, it's becoming a cheap (inaudible). Same applies to gas. And therefore, we are targeting these markets where the demographic growth is building demand on the -- on products of the petrochemicals and refining industry. We are seeing this happening, as we speak.

The downstream applies to more technology and technological content. That's why competence of growth in our strategy, and we are still positioned in terms of competence as well for [providing] clients hybridized solutions, and more complex -- having more complex role within the projects. The (inaudible) refinery is the first example. Then we can add to that, that in the gas market and given the backlog that we have, we have a sort of scale effect in procurement that we consider an advantage. We go to the market with enormous volumes and these definitely are an enabler of -- between the competitors in certain markets and so forth.

Michael Brennan Pickup - *Barclays Bank PLC, Research Division - MD & Senior European Oilfield Services Analyst*

Yes. I was just thinking that obviously, you've got a record onshore backlog. I'm pretty sure some of your competitors, peers are going to print numbers, which are pretty good as well. Have other people talking about being selective. You've got McDermott in financial difficulties. There's troubles elsewhere. Is there a stage where terms and conditions are coming in your favor? Or you could start being a bit more optimistic in terms of expectations on those contracts?

Maurizio Coratella - *Saipem S.p.A. - COO of the On-shore Engineering & Construction Division*

Well, we are -- these contracts have been -- the backlog has been taken, especially at Mozambique after -- since starting in 2014. So it was really that engineering ward that was developed during the year. So we are pretty confident about the [cost of sheet].

As I said, the flagship McDermott has reduced its share to 25% due to financial restructuring or initial distress allowed Saipem to gain more important role within the joint venture. Today, all the activities are led by Saipem staff and engineers, which allows us the benefit to the economy of scale that the organization is capable to deliver, right? I don't know whether I answered your question.

Stefano Cao - *Saipem S.p.A. - CEO & Director*

Maybe what I could add is the fact that more and more going forward, we will concentrate on commercial opportunities where the entry barrier is higher. In other terms, we should not end up competing in a sort of a simple [cost in the middle of the debt] where there may be 10, 15 competitors, and probably most of them more competitive in terms of cost structure and indeed the governance structure as well. We know what we are. We know that we have the control, but also indeed we have the advantage of being quite advanced company. And we know that we have to select those opportunities where we can compete amongst peers of ours. And these are mostly related to LNG, for instance, or complex and sophisticated downstream project.

Operator

Your next question comes from the line of James Evans from Exane BNP Paribas.

James Matthew Evans - *Exane BNP Paribas, Research Division - Analyst of Oil and Gas*

I just wondered if you could be a little bit more specific on where we are in terms of the drilling deals. Do you sort of foresee anything being completed in the next 6 to 9 months? I think it's been quite a while since you talked about strategic activities. So that'll be my first question.

The second, maybe a little bit more housekeeping. I just wondered if you could split on CapEx. The EUR 600 million, how much is going into the E&C divisions versus drilling?

Stefano Cao - *Saipem S.p.A. - CEO & Director*

In terms of drilling option, yes, you would be right. I think last year had been completely taking of opportunities, [opportunities] for both onshore and offshore drilling, with the aim of creating value without losing the benefit of the presence in that market. As I'm sure you know, the both drilling markets are very complex and they are difficult at times. So these are not a profit which can be easily defined and planned.

What I can tell you is that we continue working. I think I've already given the indication that onshore drilling, as a result of the structure of the business, is the one where we see more opportunities in that respect. But all in all, we'll continue working on these options that obviously will make the market aware whenever we are ready.

In terms of split of the CapEx, I don't know whether we provide the split of the CapEx normally.

Stefano Cavacini - *Saipem S.p.A. - CFO*

No. Usually, we do not provide the split of the CapEx. But as you can imagine, considering that we are capital intensive, the vast majority is related to the E&C Offshore and the Drilling Offshore, where Drilling Offshore is mostly related to class renewal rather than -- there is no increase in capacity. While in the Offshore E&C, as you heard, we are substituting one of the [vessels], and we are investing in some assets which we need for the renewable market.

James Matthew Evans - *Exane BNP Paribas, Research Division - Analyst of Oil and Gas*

Okay. And I'd just like to follow-up on Mick's question around Brazil and your answer, and thank you for that. I mean, I understand what you said about the procurement savings and the vessel availability. What I don't get -- and obviously with less technical knowledge, I wondered if you could help me here, how does that translate into kind of a 30% difference versus a market -- versus quite a number of competitors in the market, which is seeing a little bit of improvement but we're not exactly back to bull times yet?

Francesco Racheli - *Saipem S.p.A. - COO of the E&C Offshore Division*

I think -- look, it really depends, once again as I mentioned earlier, on the specifics of the Brazilian projects. It depends on the technical specs, materials for the, let me say, morphology of that specific project. So again, I don't think we can comment on those specifics. But rather mention, as I said, that for us, winning in that specific way, like it happened in the past in other circumstances, it's once again a combination of several factors. Maybe the other competitors were not that interested in the project. Maybe they didn't have the availability of some of the vessels or a specific advantage on the procurement of the materials.

Stefano Cao - *Saipem S.p.A. - CEO & Director*

Just a take on clarity. I think that Brazil is very [high]. Based on my experience, I think it's absolutely fair, the approach we are taking. I personally reviewed the offer which has been presented. I can tell you that it's absolutely in line with the principle which we felt.

Then, of course, there are a number of site considerations like those Francesco mentioned, in terms of CapEx (inaudible) there is the supply chain optimization, availability of vessels. Don't underestimate the fact that you need to play with the tools which you have at your disposal. And for that particular window, we had a vessel available and that is definitely a good reason for us to be more competitive. All in all, we would have not [touched] the threshold of our requirement if it was not coherent with the philosophy and strategy, which we have been consistently applying over the past few years.

Francesco Racheli - *Saipem S.p.A. - COO of the E&C Offshore Division*

And I would also add, it's a very interesting foothold for us in the country, but it's important for offshore construction.

Operator

And our final question comes from the line of Guillaume Delaby from Societe Generale.

Guillaume Delaby - *Societe Generale Cross Asset Research - Equity Analyst*

Maybe a very general question for Stefano Cao. Stefano, basically you arrived at the [end of Saipem] basically 5 years ago. It has been just a fantastic journey over the last 5 years. Maybe could you sum up in, I would say, one sentence, how would you have been defined Saipem back in summer 2015 and how would you define Saipem today in 2020, just for us to -- in very simple terms, to see how Saipem has changed?

Stefano Cao - *Saipem S.p.A. - CEO & Director*

It's a challenging question. I'll try to answer. When I came back to Saipem, Saipem was a target of acquisition. 5 years later, I guess, we are looking for targets to grow. Is that simple enough?

Guillaume Delaby - *Societe Generale Cross Asset Research - Equity Analyst*

Yes.

Operator

I now hand to the operator for closing remarks.

Stefano Cao - *Saipem S.p.A. - CEO & Director*

Thank you very much for your participation, and I look forward to, again, getting in touch with you. Thank you, and have a good day.

Operator

That does conclude our conference for today. Thank you for participating. You may all now disconnect.
