Saipem

Saipem Capital Markets Day

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List of MAIN speakers	Company	Job title
Max Cominelli	Saipem	Head of Investor Relations
Francesco Caio	Saipem	CEO
Antonio Paccioretti	Saipem	CFO

TODAY'S SPEAKERS

Max Cominelli
Head of Investor Relations

Good morning everyone and welcome to our virtual Capital Markets Day. My name is Max Cominelli, and I'm Head of Investor Relations at Saipem Group. Our speakers for today are Mr. Francesco Caio, our CEO, and Mr. Antonio Paccioretti, our CFO. We are also joined at the venue by the Heads of Divisions, our General Counsel, Mario Colombo, and Colleagues of Financial Planning and Reporting.

We will open today's session with a review of the nine months 2021 results by our CFO, followed by the presentation of a new strategic plan by our CEO and financial targets by the CFO. Today's presentation is available on our corporate website.

After the presentation we will have ample time to answer your questions in a Q&A session. We will take questions by phone first and after that we will also go through a selection of questions received from the webcast. Finally, let me remind you that this event is scheduled to end by 11:45 Italian time. And now let's begin.

Video Speaker

Experienced. Innovative. Responsible. Resilient. The new Saipem: Sustainable energies, infrastructures and services. We are building, today, a bridge to the future, generating value over time for all. Saipem is an advanced engineering platform with a leading role in the new low carbon energy and industrial ecosystem, both in Italy and in the world. An Italian rooted, multicultural company of different, open, and inclusive people; talented, innovative, skilled, reliable, resilient. We are engineers for a sustainable future.

Low carbon, high tech. We design and build technologically advanced sustainable plants and infrastructures, helping our clients in the journey to net zero. Firmly technology and digitally oriented, we imagine the new and deliver it profitably.

We make things happen day after day with care and respect. We step into tomorrow, engaged on the frontier of energy transition with our partners, our clients, in a trustworthy, solid relationship. Always committed to protect the environment and ensure well-being to all the people. We create value for communities all over the world. We design, today, the dreams of next generations. Saipem: Because tomorrow is built today.

AGENDA

Antonio Paccioretti
CFO

Good morning everyone and welcome to our Capital Markets Day from me as well. After a first half, weak first half, we start seeing some signs of improvement during Q3 across the board, leading to a quarter on quarter revenue increase of 18% and an EBITDA improvement of €329 million compared to the second quarter.

9M 2021 HIGHLIGHTS

Unfortunately, in E&C [ph 00:04:35] Offshore, we still had some impact from wind farm projects, leaving Group Q3 EBIDA adjusted slightly negative by €25 million. In particular, drilling continues showing signs of recovery. Our offshore drilling fleet is almost fully under contract, which is historically a leading indicator of a new investment cycle in the traditional oil and gas business.

Drilling onshore, as anticipated, gradually improved utilisation from Q3 in particularly in the Middle East, where some suspended rigs restarting the quarter while some other will restart between Q4 and the beginning of next year. These positive signals were visible in Q3 with EBITDA adjusted for both drilling divisions combined of €54 million, trading better than expected.

In the first nine months, Group revenues were down by 6% and adjusted EBITDA was negative at €291 million. Business environment was still conditioned by pandemic reflecting our delays and cost overrun, which adds to challenges in offshore wind.

In onshore, the energy project in Mozambique was suspended and has not restarted yet. In the first nine months [? 00:06:01], COVID-19 not allocated to projects are around €60 million. For the full year, we confirmed the expectation of €100 million for this item.

In this scenario we also saw some positive developments. In fact, our commercial activity brought good awards in the nine months, mostly concentrated in the first half. Order intake was €4.9 billion which led to a book-to-bill ratio at around 1x. Total backlog as a result was €24.5 billion in September. €20 billion in September.

Despite weak operation performance, cash flow remained under control. In fact, despite the cash out of around €100 million related to the settlement of litigation in Q3 for one project completed some years ago, net debt closed at around €1.7 billion, trending in line with our comments made during last first half call. The amount of the settlement has already been fully provisioned at the end of June 2021. For the full year and factoring in this settlement, we expect a net debt stable versus Q3 at around €1.7 billion.

9M 2021 RESULTS
YOY COMPARISON (M€)

Moving to the Group financials for the nine month. Decreasing revenue mainly came from the two E&C [ph 00:07:35] divisions, which were also the main contributor to adjusted EBITDA decrease. In nine months, E&C Offshore EBITDA decreased by over €600 million versus last year to minus €378 million with the largest component of the decrease being the offshore wind project in the North Sea, which during Q3 incurred some additional issues causing higher estimated costs.

In relation to our offshore wind activities, during Q3 we had to further reassess our expected costs due to technical issues during offshore operations, bottlenecks in fabrication from the [? 00:08:18], delays in vessel operations of circa [ph 00:08:20] 3,000, suspended for 40 days [ph 00:08:25] due to the pandemic outbreak on board, and also some pricing pressure from vendors on specific offshore services. Let me remind you that revenues related to these activities are estimated to no longer produce margins going forward for the residual life of the project.

Other Offshore E&C [ph 00:08:48] projects in traditional oil and gas are progressing well and are expected to contribute in the Q3 with a positive EBITDA of around €70 million. The E&C offshore EBITDA decreased year on year was also caused by the [? 00:09:05] nine month 2020 results of projects in completion and releasing positive contribution upon finalisation which were not substituted by similar volumes in the last 12 months.

For the E&C Onshore, the year on year adjusted EBITDA decreased by €160 million down to minus €42 million. In line with our comment on the first half [? 00:09:33] project contribution was lower than initially planned since also in the Q3, the bulk of revenues of the project mainly came from suspension and security costs on a reimbursable basis.

The second element is the absence this year of the high margin projects in completion during [? 00:051] 2020, and not substituted by new ones. The third element is related to delays in projects in the Middle East due to restrictions related to COVID-19. Lastly, we had items related to a legal case with the supplier on an ongoing project and bad debts provision which were fully booked in the first half.

9M 2021 RESULTS
P&L YOY (M€)

Looking at below EBITDA, D&A decreased year on year by €74 million due to the termination of contracts on a lease E&C vessel.

Sorry. I'm struggling with the slide. Is it the right one? Sorry. I believe it doesn't work the evolution of the slide. If they see the one over there. Anyway, let's hope the slide that you can see is the right one.

D&A decreased year on year by €74 million due to the termination of contract on a leased E&C vessel last year and to 2020 impairments of offshore drilling assets. Lower financial expenses by €45 million are due to the costs incurred last year in half one for the bond buyback of around €20 million and to the lower expenses this year for the foreign exchange derivatives and leasing, partially offset by the cost of new notes issued this spring.

For the full year, we confirmed our expectation of a lower figure than 2020 with Q4 in line with Q3. Results from equity investments were negative by €10 million, improving from half one, supported by project progress. We expect this line to remain positive in Q4 following the execution of this project.

Taxes for the period were €90 million, consisting of corporate tax income and withholding applied to gross revenue in specific countries. The year on year decrease is due to lower taxable income. We confirm our expectation of a full year taxes of around €120 million.

9M 2021 NET RESULTS
RECONCILIATION ADJUSTED VS REPORTED

Let's take now a look at a special items on the next slide. Moving on to the special items, special items in the nine months were €259 million, of which €161 million at EBITDA level and €95 million at D&A

level. These special items came from direct cash costs related to COVID-19 of €61 million and others of €85 million, which are the combination of provision for redundancies for €23 million and for the litigation of a project already completed for the reminder €62 million

We booked €113 million of write-downs of which €18 million of inventories which impacted the EBIDA and €95 million related to assets which impact on EBITDA level mainly related to the E&C Offshore vessels and yachts [ph 00:13:38] plan to be scrapped and closed in the next years as a consequence of the implementation of the first actions of our competitive programme.

9M 2021 NET DEBT EVOLUTION
(B€)

You will have in your pack details by division, but in the interest of time, I prefer to move straight to the cash flow analysis. The cash flow evolution is highlighted in the light blue shaded area. Net cash flow from operations was negative by €180 million due to weak operational performance, some cash special items related COVID-19, and some working capital absorption in Q3 driven by the progress of the project and the cash settlement of the litigation.

CapEx was €195 million in the nine months and were mostly related to vessel maintenance ahead of upcoming project activities. All these elements lead to a net debt of around €1.7 billion at the end of September, in line with our indication of an increase versus Q2. For year end, factoring the cash settlement of litigation in Q3, which brought a step up, we expect net debt to stay in the region of €1.7 billion.

2H 2021 OUTLOOK

Moving on to outlook 2021. I have already shared some of these elements earlier. For the second half 2021, we expect revenue at around €4.5 billion. Fleet class renewals and project progress should lead to CapEx at around €250 million. We confirm our outlook of a positive adjusted EBITDA in the second half.

Finally on net debt, as said earlier, we are now projecting the year end at around €1.7 billion.

Thank you for the attention. Francesco, the floors is yours to present our strategy.

TOWARDS THE NEW SAIPEM…WHAT TO LEVERAGE…WHAT TO CHANGE

Francesco Caio
CEO

Thank you very much, Antonio. I want just to make sure that people in the audience can see my slides, which I think is always important.

Good morning and welcome to this day. It is an important day for us. You may remember that when we announced first half results, I said a few weeks into my new position as CEO that I was convinced that Saipem has all the elements and the requirements to compete successfully in the future.

After three months of work since that date, I can only confirm I am even more convinced than I was at that time that Saipem has an enormous potential, value creation potential, that we can build on.

But today I must also tell you that contracts projects risk needs to be managed in a simpler, more effective, cohesive way. And a tight alignment and a tight, I would say, alignment in a tight alignment to just one set of clear objectives.

This has not always been done in the past and a new model is needed to drive the company and lead it to where it needs to be, which is a profitable, resilient player in the energy transition.

Today is an opportunity to share my vision for the new Saipem and actually the changes that we are embarking upon to deliver this strategy.

BUILDING A GROWING PROFITABLE AND CASH GENERATION SAIPEM

So, the strategy at the core is a simple one. We want to build a growing, profitable, cash-generating Saipem that captures in the short term the profitable growth opportunities coming from the investment cycle that we're all seeing - we're already seeing in our books, by the way, as you've seen in our results - in the core business, but also is capable of acting as a profitable enabler of the energy transition for our customers, for a wider range of customers, as we will see.

The key priority for us is a strategic priority. It is reducing costs and de-risking our portfolio. And it's not just the exercise that what we need lower the cost. We need to fundamentally lower the breakeven because with a lower breakeven we will have an opportunity to be more resilient and de-risking our activity in general. So that's a fundamental priority of this strategy. We also obviously need to foster the green supply chain we are contracting. The energy sector people will look at us to guarantee that what’s behind us is sustainable, is compliant, with the strict ESG targets that we have, and we've shared since a while.

SAIPEM HAS ALWAYS BEEN THE “PARTNER OF CHOICE” FOR THE MOST COMPLEX TECHNOLOGY CHALLENGES OF ENERGY INDUSTRY…

And that will enable us to partner with our clients in their journey to net zero in a context of very rapidly accelerating technology innovation.

Now, innovation and technology is not new for Saipem. People, particularly in this audience who have followed the company for a while, know very well that Saipem is not new to technology and innovation. We've been often the guys who made the difference in a project and talking to the people within the company you feel the sense of pride about having the Blue Stream Pipeline, the ultra-deep-water projects, the largest gasification plant in Jazan, the robotics in subsea, and even today the energy transition is not new to the initiatives that Saipem has already taken in this space.

…AND IS ALREADY PIONEERING TECHNOLOGIES FOR THE ENERGY TRANSITION

I'm not going to go through each one of them, but these things relate to experimenting and piloting and hydrogen and carbon capture. We have been working with large and smaller clients in, for instance, designing recycling plants for plastics. There is already a good level of activity in that sector.

…BUT A RADICALLY NEW ENERGY ECO-SYSTEM CALLS FOR A DISCONTINUITY…

But today is not - I'm not saying today in terms of the Capital Markets Day - in general terms, at the moment, it is not just an issue of technology and innovation. The way we see the energy transition is a much more radical change in the energy ecosystem as a whole.

We are moving from a world of carbon intensive, centralised big plants, hardly digitised, hardware based where in order to win you needed vessels, international logistics, engineering and construction capability, and was fundamentally done of tailored one-off plans. That's not disappearing overnight, but on top of that there is a fundamental shift to a new world of lower carbon, but that’s fine; we all know that's going from carbon to low carbon, but what I think is important to emphasise from our perspectives is that we’ve seen and understood that we're going from a centralised to distributed ecosystem, much lighter, digitised, more flexible, service-orientated, where the capability to compete is much more rooted into intellectual property, talents, the software capability, the ability and technology to monitor the technology evolution, understand what's winning and what’s losing, scaling it up, and engineer it in a consistent, robust, reliable way.

OIL COMPANIES ARE EXECUTING DIFFERENT AND POLARIZED STRATEGIES

It is not just tailored one-off, but it's often the case of repeating standard modular plants [ph 00:21:43]. And that is driving an interesting change, a variety of, some level of dynamism in the sector, even starting on our larger accounts - the traditional energy companies - we are seeing a wider range of demands coming to us. There are companies that are focusing on their core and decarbonising those processes and there are companies that are setting the pace in changing and they are now investing themselves in other companies and they're talking to us; “How do we decarbonize what we've got? And how can we engineer the new?” And therefore we are kind of facing a wider spectrum of requests coming our way.

THE DEPTH OF STRUCTURAL CHANGES IN MARKET DYNAMICS ARE REDEFINING THE CONTENT AND THE BORDERS OF OUR INDUSTRY

And even I think more importantly there is a new profile emerging of what we used to call the energy industry; it has now become an energy ecosystem. We all read about the emerging technology or new energy carriers. But actually when you look into that, there are still a lot of challenges and engineering and capabilities of how you translate a specific idea or a technology pilot into something that can pump energy out on a daily basis with the level of resilience that we used to build.

And therefore we are now talking interestingly for small companies that say, “How can we scale it up?” to larger companies saying, “How can we make it reliable?” But also in the client base, this company, and I think many of the players in this industry, were used to talk just one set of constituencies which was the big energy companies. But now there is a disintermediation [ph 00:23:16] going on. The pressure to go to low carbon footprint activities is having steelmakers, hard to [? 00:23:26] cement factories, coming and talking to us, trying to understand what kind of technology they need to adopt to go and implement and make it happen; that strategy of low carbon.

So, we have a new set of customers, appearing often with demands that are technologically driven, but a smaller, repeatable smaller plant. And I don't have to tell you because you're in the business of observing what this space is doing. There is a very strong demand from large plants and infrastructure owners to develop better maintenance and monitoring systems. They want to decrease the cost of ownership, they want to decrease their carbon footprint and predictive maintenance, artificial intelligence, data driven systems are in great demand these days and we have to take care of that specific set of demands.

And lastly, but obviously not last, really, this new ecosystem is bringing into the equation a new look at the sustainable infrastructure, at how can governments and communities get to where we need to be - and we will hear shortly from COP26 - without taking into consideration a new way of managing, developing infrastructure that is not just concrete and iron, but much more interconnection, systems integration, which is actually not that different from what Saipem has been doing in another field, but the engineering and standardisation of complex, reliable systems.

WE NEED TO CLEARLY ADDRESS OUR CORE BUSINESS THROUGH A DUAL STRATEGY…

And that's why we need to adopt what we defined as a dual strategy. It is kind of being the technical co-designer of the energy transition journey for big plants - and there is, believe me, a huge need for that - but at the same time get ready to deliver modular, scalable solutions and digitally enabled service to a much wider range of customers. And think of the consortium developed as municipalities hard to obey [ph 00:25:43]. Obviously, in doing that, inevitably we will have to become, what we actually already asked somehow, an integrator of sustainable, infrastructural systems.

…EVOLVING ACCORDINGLY OUR BUSINESS MODEL AROUND FOUR PILLARS

That is at the core of how we want to look at our business going forward; organising it and shaping it around four fundamental pillars that reflect each specific characteristics, specific strategic challenges, more importantly, operating priorities, how to make it happen.

And therefore the first one is what we call in this document, in this time, in this presentation, the asset base offer. Drilling vessels, fabrication yards; that's the place where you need to optimise the yield of those assets, the utilisation of those assets that need to be managed in a new present, but come from the core expertise of Saipem.

Then you have what we define as energy carriers which I'm sure you have a sense of fairly wide range of domains but where we want to be the powerhouse for large complex projects along the lines I was referring to just a minute ago.

And then the third one, which is a new way of organising kind of [ph 00:27:07] what we already have, which is the offer for the new future. It’s robotics, it’s digital services, and importantly industrialised, repeatable solutions for the new world.

And then infrastructures. I know we have been, and we are operating as an infrastructure player in the high speed rail system in Italy, where we look at that as a platform to go forward and over time build out as a growth engine for that kind of sustainable infrastructure that we refer.

Now let me be very clear. We're not going to be changing the organisation tonight. It’s the beginning of a change. We will continue to be reporting our numbers along the lines that you are familiar with, but starting next year we will obviously come back with opportunities to explain how the business is going to be bolder. Broadly speaking, all of drilling is in one, most of what we today called E&C Onshore is in two, and the Offshore EPC is going to be partially in one, partially in EPC carriers, depending on the relevance of the various activities, whether it’s engineering one-off large projects or fixed facilities that then are going to be installed, or they tend to be more kind of conventional capabilities in pipes or subsea.

The robotics, for instance, will capture the activity that we have today in [? 00:28:44], but that's the view of how we're going to be thinking - the business of Saipem - getting it ready for the future while capturing today the short term profitable opportunities that are coming from the revival of a new investment cycle that we're very encouraged by. And across the board, it is not the left is old and the right is new. Innovation is something that's going to be cutting across. Energy transition technology will be part of all areas of our business.

ASSET BASED OFFER (1/2)

So, let me just quickly go through some of the elements that will drive the operations and the generation of cash in each of these areas. Starting from the asset base, we are in a very good position. We have an historical, very close relationship with key accounts in geographies that are clearly moving into investment mode and that has helped us already translating the new investment cycle in numbers and will continue to drive growth and cash generation in the short term throughout the plan.

This will also be based on optimising on one hand the leased versus own assets. You know that we already have leased drilling ships in our fleet. That is something that I would like to thank our colleagues about, because it's their capability, understanding, and technology and know-how that has allowed us to take new vessels and shape them the way we want without buying them, but operating with limited - in fact, with very limited - CapEx.

But also in order to maximise the yield, we've decided to gradually exit the fabrication model that Saipem has been working with for a while, while strengthening our offering through the partnership we've announced today. We're very pleased to announce the agreement with TechnipFMC in areas of subsea.

And obviously, the notion of reducing and the priority of reducing the fleet's carbon footprint is part of the plan, and we've allocated, if I remember correctly, something between around 3% of CapEx in years to come to that end.

ASSET BASED OFFER (2/2)

Some numbers to give you a bit of more concrete sense of what that means. It means that in '22 to '25 more than 90% in this area are generated in three top geographies. It's the notion of focus. It's the notion of leveraging position we already have. We plan to scrap five vessels out of the normal asset rotation exercise, and if we need capacity, we will lease it [ph 00:31:58]. We a have detailed plan for closing three fabrication yards.

All that together means that if you take [? 00:32:06] cost of drilling and vessels, we see that [? 00:32:11] cost decrease 85% '25 over '20 for drilling, about 50% from other vessels that are linked or associated with other offshore activities. So, that's a very important block in our plan. We drive cash, we drive growth, we drive profits out of that.

ENERGY CARRIERS (1/2)

On energy carriers, which I remind you is the large projects, we have, and we face, very sizeable opportunities. I think it might be useful to remind us all that Saipem has built more than 300 big plants in refining Pet-Chem and fertilisers around the world. That's an important install base that needs refurbishing, needs hybridisation. Obviously the various owners will pick alternative choices. Some of them will be reconditioning those plants, and we're doing some of that work. Some others will go for new plants. But it's important to understand that we have visibility of what we've done around the world, and that's an important base.

But also looking forward thanks to the effort that the company has successfully made in LNG and regasification, we now see you over the course of the next years a commercial opportunity to target a total addressable market of about €100 billion and we already have more than 50 in discussions initiatives on different stages of maturity to address that market.

ENERGY CARRIERS (2/2)

But I think it's important to emphasise one element here; that the focus for us is going to be on disciplined execution of backlog but with the same discipline, the discipline of cost and risk, we want, and we need, to apply to order acquisition and new project acquisitions. We're not in the business of chasing projects to cover our fixed costs. We are in the business of lowering our fixed costs and be selective on the projects we go and compete for because we know that in those project that we've got something to say, some value [ph 00:34:40] to deliver, which means a shift in the focus and an acceleration of a paradigm that I've already seen but needs to be strengthened.

We need to do a better job in proactive marketing, in understanding the segmentation of the customers there, and how can we push forward our idea and push the value proposition. And to do that we need to accelerate innovation through a range of initiatives around building and leveraging our own patterns; some venture capital initiatives to understand, scout, and scale initiatives; and obviously in acceleration and digitisation of not just our processes but also the way we conceive plants.

You've seen recently an agreement with Honeywell to develop 3D models, 3D digital twins of our urea plants. It's an interesting example. We have our patents. We can have differentiation in the way we offer and build the plants. We are now digitising the process because we see that as a platform of extending the relationship with clients, of creating the platform that enables us to have a bit more recurring revenues going forward as we not only just deliver the plant, but we - together with the clients - find ways of helping and delivering maintenance, the running, or the monitoring of the plant.

It's an important shift; something that we have the capability of doing and where we will be seeing our activity focused. And again, I just want to maybe mention that later, but you see, for instance, we refer to the CO2 solutions. We are not spending millions to do that. It is the ability to identify the patents we need and going chase them, buy them, and we bought about 90 patent, if I'm remember, for less than 1 million and all of a sudden we have something to say because we put that specific knowledge in the context of Saipem's scale and Saipem's engineering capabilities.

ROBOTICS, DIGITAL AND INDUSTRIALIZED SOLUTIONS (1/4)

This is the bit where we see the opportunity to develop the offer for the new world. Just let me check how long it's taking. I think it's fine and hopefully you are patient enough to go through that, but it's important for us to explain as concretely as possible what I want to do here.

Let me start here from emphasising the notion of the new kind of demand. If I go across the board of the projects I'm seeing, my colleagues are dealing with, from floating wind, piloting, experimenting to solar power, to green hydrogen plan packages, to small scale CCS, they all come with the same profile. They tend to be relatively small, small relative to the plants we used to deliver, something in between the 30, 50 to the few hundred million, but equally, more importantly, they tend to be modular. It is how many of those pieces put together determine the size and the power and the mission of a given plant.

ROBOTICS, DIGITAL AND INDUSTRIALIZED SOLUTIONS (2/4)

And we will need to address that market. We're addressing it already, but we can't address it with the cost structure, the capabilities, and the processes that we have to deliver more large, complex, LNG plans, for instance.

So, the idea is to devote a group of engineers to think about how can we industrialise, modularise, if you wish, multi-soft [ph 00:38:35] technologies will already have and think of a new value chain to deliver them reliably for the customers and for us, lowering the level of risk, and making sure that once we develop the solution, it can be repeated and scaled.

At the same time, having the opportunity of looking at what we've got already in-house - think robotics and undersea robotics - people look at that thing and say, “This is a robot.” I look at that thing and say, “That's a metre. I want that thing to go around the water and generate recurring revenues for maintenance monitoring services.” And we are already doing that. It's an issue of getting it, scaling it up, and pushing it on a marketing exercise that will bring revenues and margins our way, potentially, and that’s part of the strategy, starting to create a recurring revenue model which stabilises our business and margins going forward and helps us build a more resilient Saipem going forward.

We're not starting from scratch here. If I look around, there are, for instance, more than 70 CO2 capture removal plants designed and built worldwide.

ROBOTICS, DIGITAL AND INDUSTRIALIZED SOLUTIONS (3/4)

And again I think I want to just go back to what I was saying before. The CO2 solution is about a few hundred thousand that allow us to be competitive on a €70 million project. That's kind of - the numbers compute in that way.

We have 150 engineers that have been already engaged in some of the projects I showed you before. We have already €200 million plus of service revenues. Now I want to be very honest. In there, there is a very wide range of things, but it's there. And I was referring to subsea. It's impressive to see what Saipem does in terms of ROV [ph 00:40:37] and now with this hydrone [ph 00:40:40] where we already have signed contracts and where I, more importantly, have seen the ability to manage the data architecture and the artificial intelligent platform to drive. And once you have that you can apply to different levels of services and different levels of terminals and sensors.

ROBOTICS, DIGITAL AND INDUSTRIALIZED SOLUTIONS (4/4)

The import thing of the value and the scalability is in the platform. And in fact if I look forward to how one could conceive an offshore floating wind in this model, I see that much more suitable and much more valuable than the way we've been approaching wind thus far, frankly. You would have the Naval Energies acquisition. You've seen it, but I think it was back in July. Once again, not a big number, but a lot of competencies that enable us to think of our own patented base for floating wind. You would have a much more tactical mix between make or buy in terms of manufacturing and installations. Once you have the reference design it then is a matter of convenience. It is a matter of practical economics and risk management if you want to make it, or you just let anybody, or somebody do it in some funny places.

But then once you've built that, you also have the opportunity to discharge your ability or monitoring through digital solutions because obviously I wouldn't expect to have the hydrones of today managing an installed base which is different nature, but I am planning to build that kind of service in the same artificial intelligence and digital platform architecture that we've developed, and we will continue to develop. So, that I think is an important proof that we are seeing in terms of a new model for the kind of new demand that we need to serve.

SUSTAINABLE INFRASTRUCTURES (1/2)

On sustainable infrastructure, I've already mentioned to you what the vision is here. I think it's important to mention that we in Italy and in most European countries face an opportunity. We have the recovery funds that Europe is developing. That will give us a solid platform to accelerate and push development in that area.

The focus will not be, as I was saying, just on iron and concrete, but on digitised infrastructure that I like to define as kind of smart, safe, sustainable, secure, that will give us an opportunity to differentiate and where we could build on a wide range of capabilities because building infrastructure today means going to the clients and saying, “We can do it in a safe way.” With our attention to health and safety, which remains the underlying pinning of whatever we do, this is something I'm not saying we can sell, but it’s clearly something that we will have to play as a differentiating element in our strategy.

SUSTAINABLE INFRASTRUCTURES (2/2)

As well as many other things we are doing already in terms of system integration and with the relevance of the carbon footprint implications of all this stuff, we come to the fore and say, “We know how to manage carbon footprint and we know how to apply carbon footprint management to the infrastructures going forward.”

In the plan, we have slightly more than €25 billion of addressable between transportation infrastructure, primarily high speed rail and energy transition, and we expect an order intake of about €3 billion in the period of the plan, and we're already having discussion with potential partners to operate in that space.

NEW SAIPEM STRATEGY WILL CAPTURE ST CASH GENERATING GROWTH, WHILE CREATING VALUE IN THE LT ADDRESSING THE ENERGY TRANSITION OPPORTUNITIES

So, if I step back and look at the overall picture, I see a growth in asset base, a growth in asset based businesses, both in terms of revenue and in terms of margins and cash flow generation. In energy carriers, I would like to emphasise the shift of value over volume and the de-risking of what we do. We see there more stable revenues, but with a remix, with an improvement of margins. In robotics and digital and standardised solutions, it is clearly all about growth and resilience. It is developing modular solutions. It is building on the base of high end recurring service revenues that we have, and we see growth there and quality revenues, particularly at the end of the plan but starting already towards the middle of this plan. And the growth in sustainable infrastructure is starting from the Italian PNRR - the recovery fund -and go about it with the mindset that I was sharing with you, the integrated system, and the platform to over time create a bit of diversification and growth drivers.

So, we are going, as a result of delivering this strategy, towards a more resilient portfolio with a higher value revenue mix. That’s the focus.

EVOLUTIONARY PATH TOWARDS THE NEW SAIPEM: HOW WE GET THERE

How do we move from that strategy into execution? We are starting. We are embarking upon a change. We’ve started already. There are five levers here on this slide. We started already on competitive cost structure in terms of reduction costs. We've identified - Antonio will be more specific about it - we said we had identified about €100 million when we last came to the market. We now saying that the potential for that, the target for that, is get to €300 million and we're already talking very, very concrete. If I remember correctly it is already about 274 initiatives with a name, with an objective, with a timetable.

The cost fraction, the competitive cost fraction [ph 00:47:03]; I repeat, it is not an accounting exercise. It is a strategic enabler for a resilient [? 00:47:10], because it would lower the anxiety and getting volume through the door for the sake of covering our fixed costs.

Obviously, to keep an active business portfolio strategy, there might be businesses that are going out, businesses that are coming in. I'm sure there might be some questions and I already give you the answer; you comment on these things when you do them. But it's important for me to tell you that we are aware that there might be opportunities, in full compliance with strict shareholder value creation criteria that we have, to adjust the portfolio in such a transition.

And when we come to the operating model, I was telling you before; we need more a cohesive, simple, less bureaucratic organisation with a more clear central set of directions and a tighter alignment between everything we do with a more strategic direction in terms of commercial, risk assessment, marketing, and value proposition, I've done it before in other circumstances. I know very well that is not a walk in the park. But we have decided to start that change and I have the intention to kind of put the new organisation in place at the beginning of next year and obviously we will inform the market of our progress.

But that's a very important element of the change we are bringing about to ensure that the strategy is delivered. And it's all about people. It's all about diversity, inclusion, dialogue, openness, constructive debate, maybe robust debate. But debate that happens at the right time with the right energy and the right level of engagement, always aimed at finding constructive solutions in the interest of all stakeholders of the company.

And ESG leadership is not, in the case of Saipem, just a few words on a slide. This is one of the things that I've observed in the company; a very strong culture of compliance, an interesting kind of heartfelt need to drive the company in that fundamental direction. And I don't want to elaborate too much on that, but if you think about the level of engagement of local communities with local communities we have around the world, there is something to be learned. And actually something that we can leverage once again in the infrastructure gain. Inclusion of community is becoming increasingly an important element of the business proposition.

SAIPEM STRATEGY ON ONE PAGE

So, this is my strategy on one page. It's four business pillars that will drive towards the growing, profitable, cash-generating Saipem that I want to realise and build. There obviously will be an orchestration of it all and that will appear when we talk about organisation. But today is about strategy, Today is about giving the market, giving investors, giving you the sense of how we think about the future, how we act about the future, and what we've already begun doing to create something valuable. And the contest of a new investment cycle in the core business and the prospect of a massive investment coming to the industry for the energy transitions, creates a framework, a context within which we are confident that this thing, with challenges, can be delivered in the next few years, starting from 2022.

FROM A CHALLENGING PRESENT TO A RESILIENT FUTURE

With that I will leave the floor to Antonio for giving you some more kind of granular implication of what we've presented here in terms of numbers for the next five years. Antonio.

Antonio Paccioretti
CFO

Thank you, Francesco. Now let me check the slide. The strategy we have just presented is going to drive our company from a challenging present and a receiving future. The main drivers will be revenues growth and cost reduction, allowing us to recoup pre-pandemic profitability levels over the planned horizon.

Revenues will be driven by a recovery of drilling, both offshore and onshore, which will leverage on the existing backlog and the significant growth we expect coming from the future contracts we are already discussing with clients. We expect drilling to reach around €1 billion revenues in the last year of the plan.

As far as the E&C Offshore is concerned, revenue growth is expected to be driven by the important backlog of future awards for which we foresee significant opportunities in Western Africa, even from next year.

In relation to onshore activity, revenues will also depend from the restart of the Mozambique project, which we expect to restart at some points in the first half of next year. Our new strategy framework is now reflected in the reporting we comment, which today is well-structured by division. We will change reporting next year. We intend to capture growth, allocating significant CapEx both for technology and our traditional core business, to enable our new strategy. We will keep a strict focus on how we allocate our capital, aiming at strengthening our balance sheet while supporting our business developments. Significant and sustainable cash generation is expected in the plan period beyond 2022.

CURRENT BACKLOG PROVIDES HIGH FUTURE REVENUE COVERAGE…

Our backlog provides strong revenue coverage already from next year. We do have almost €9 billion of backlog to be executed; a very good starting point. In 2022 we consider a restarting of Mozambique, as we already said, resulting in a step-up of revenue versus 2021 for the E&C Onshore. Revenues are later expected to normalise after 2022.

For E&C Offshore we want to remind that €3.6 billion backlog to be executed in 2022 includes around €600 million of contribution from wind farms. Beyond 2023 we expect further recovery of our offshore segment, which along with drilling will support the revenues growth.

…COMPLEMENTED WITH 23 €B OF SELECTED COMMERCIAL OPPORTUNITIES

Moving on to the next slide, we can see how our sizeable backlog can be further complemented by a commercial pipeline of €23 billion of selected opportunities across our E&C businesses. The overall pipeline size has improved compared to €21 billion we presented in the first half.

This map shows many opportunities in the key areas we are focusing, but doesn't show the full picture. In fact, timing matters. As we speak, we are see activity regarding momentum after a muted queue free, which we expect to turn soon in awards. Timing of awards is always up to clients, but we see an acceleration ahead of us, in particular in Western Africa offshore.

In the medium term, we expect more business from modular services and new activities which could represent around 20% of our top line in 2025. Bottom line, we expect an average annual growth from 2021 base to ‘25 of 15%.

OVERVIEW OF COST COMPETITIVENESS PROGRAM

Moving on to cost reduction. From our competitiveness programme we have identified specific actions to reduce our operating leverage. The three clusters of action are assets, operating models, and G&A.

On assets we plan to scrap five vessels, A&C vessels [ph 00:56:10], over the planned horizon, and three of these will be scrapped 2022. We do also plan to close three yards, of which two are expected to close operation next year. As we are reviewing how we operate, we plan to focus our engineering in fewer places and to reorganise our engineering hubs.

Finally, G&A will be reduced also thanks to actions such as non-strategic international office closures, streamlining, and process simplification. Net of implementation costs, the programme is expected to bring savings of €100 million next year, leading to a run rate of around €300 million by 2025.

STRATEGY ENABLED BY NEW CAPEX PLAN WITH EXPECTED DELEVERAGE TOWARDS 2025

Moving now to the cash flow evolution [ph 00:57:07], and one of its key components - CapEx. We do expect to invest from 2022 to 2025 around €1.5 billion cumulative, which means an average annual investment close to €400 million. We consider this amount fit to fund our strategy in relation to our traditional core activity. Starting from this strategic plan, we also consider over €200 million cumulative CapEx to position Saipem as a technology owner, [? 00:57:46], consistent with our strategy focused on R&D to develop and acquire new cutting-edge technologies that will be integrated and scaled up in our processes and offerings.

As far as net debt is concerned, in 2022, we expect operating cash flow to be neutralised by the working capital expansion as projects progress with the absorption associated with the reversal of significant advance payment received up to now and by the cash out related to the extra cost provision on wind farm projects. This should result in a net debt increase up to €2.2 billion next year, considering CapEx of €400 million and increasing lease liabilities of 100 million.

We consider 2022 the year of inflection, since from 2023 we expect to significantly de-leverage thanks to a sound cash flow generation.

Starting from our current expectation on net debt, at the end of 2021 of around €1.7 billion, over the next four years, we project more than €800 million of cumulative free cash flow generation, which should support the diverging towards a net debt position below €1 billion in 2025.

BALANCE SHEET AND LIQUIDITY: STRONG LIQUIDITY AND WELL-BALANCE DEBT STRUCTURE

Moving to our debt structure. Let's see the maturity profile ahead of us. The profile is well balanced over the planned horizon, with the first maturity in 2022 of around €700 million, the largest part of which is represented by the €500 million bonds expiring next spring, as you know, which has been already pre-funded with the bond issue we made in March. The remainder is covered by existing liquidity.

End of September 2021, our total liquidity was around €2 billion, including funds available in the consolidated perimeter and cash in joint ventures. In addition, we have the fully undrawn committed revolving credit facilities of €1 billion. Our attitude is to proactively manage our balance sheet and for this purpose we are monitoring that capital market.

Going forward, we will leverage on the new strategy, which positions us further as a key player in the energy transition to explore, in addition to the traditional debt capital market and bank facilities, new and more efficient sources such as sustainability-link financial instruments.

In relation to the financial covenant on our banking facilities, we started the process to reach new agreements with the lenders just last July. Some of the lenders have already formalised their waiver. We plan to present the new strategic plan to the rest of the lenders just after today’s presentation. We are confident that our new financial planning [ph 01:01:11] strategy will be duly considered by our lenders, allowing us to reach an outcome by the year end.

TOWARDS A RESILIENT PROFITABLE FUTURE

All the targets I've just mentioned are reported on my final slide. Revenues annual growth of around 15%. Ambitious efficiency plan with €100 million cost reduction expected next year. And €300 million annual run rate from 2025. Revenues growth, disciplined execution of backlog, and [? 01:01:43] risk management along with the cost efficiency, should support our EBITDA improvement. We target to be nearing to the pre-pandemic situation adjusted EBITDA levels from 2023. In this respect, we see a 2022 adjusted EBITDA on the trajectory towards our 2023 target, with levels depending on challenges related to the evolution of our current portfolio. In the medium term, we expect to be back to a double digit profitability by 2024. Our net debt, we expect to go below €1 billion in 2025.

Francesco, the floor is yours for the final remarks.

SAIPEM CAPITAL MARKETS DAY
NINE MONTHS 2021 RESULTS AND NEW STRATEGIC PLAN

Francesco Caio
CEO

Thank you very much, Antonio. We will come to the conclusion of this part of the presentation and before we get into the Q&A session, just let me summarise what the key message is here.

The growing profitable cash generating syphon that we want to build is based on a positive view of the industry. We are facing two - one short term and one longer term - growth cycles. We are already seeing as we look in our drilling rigs and drilling ships, the impact of this cycle coming our way.

SAIPEM STRATEGIC PLAN DELIVERED THROUGH A NEW OPERATING MODEL

You've seen the quarter on quarter revenue increase on the EPC Offshore. That's all signs of investments getting restarted, and we are there to capture that growth.

But we also see a fundamental shift that the energy transition will translate into. CapEx in the industry of new plants, new technologies is technology that is going to be solving the energy transition equation and we know that technology space. We want to capture that.

The new operating model will allow us to put the strength of Saipem, the customer relationship, our technology capabilities, the assets we have, the engineering skills, to drive them to deliver EBITDA growth, strong cash flow generation, and the de-leveraging that we all know is needed to unlock the value of this platform. But the platform is there. The ideas are there. The will to compete is there. And I'm very confident that we will be together delivering this strategy.

With that, I would close the presentation here and will leave the floor to you for your questions. Thank you very much.

QUESTIONS AND ANSWERS

Operator: Please press star and two. Please [? 01:04:57] when asking questions. Anyone who has a question may press star and one at this time.

The first question is Alessandro Pozzi with Mediobanca. Please go ahead.

Alessandro Pozzi (Mediobanca): Good morning all. Thank you for taking my question. But first of all let me say that I think it's refreshing to see Saipem taking this size of action and I'm sure that investors will eventually appreciate the efforts to steady the boat and prepare the company for the new paradigm change in energy.

With this in mind, I think the first question that comes to mind is about the rationalisation and the exit or the integrated [ph 01:05:45] model, the closing of the yards, the scrapping of the vessels, you will give up some capacity to service your existing client base in the oil and gas. And especially now that potentially the CapEx could go up in 2022. So, I was wondering if you can give a sense of how your potential revenue generation capacity in the traditional oil and gas business could be impacted by this new rationalisation plan?

And as a follow on from this. Your, I think, 15% revenue growth target every year to 2025. It seems very ambitious, and I was wondering if you can maybe point as to what specific division you think is going to support this revenue growth? Whether you see subsea also contributing to this growth as well.

Francesco Caio (Saipem): Thank you very much. Let me start from your last part of the question. The growth shaping the plan moves starting from the asset based business. The bulk of the growth in the first part of the plan is coming from drilling and the offshore activities that we can see coming our way. Obviously as you move towards the end of the plan, there is also a material contribution of growth coming from the new services and the new modules.

But obviously getting back to the first part of your question, the capacity we have in place and the restructuring or if you wish the cost reduction initiatives that we have are thoroughly aligned with the projections we see in terms of revenues and services.

[inaudible 01:07:55] We are seeing funny places in the slide where we see the written version of a question. Apologies.

So, let's go back to your question. I referred to the complement to capacity in terms idleness of our assets in one of my slides. You might want to get back to that. It is about, if I remember correctly, 85% reduction in idleness in drilling and 50% reduction in idleness in other vessels.

And when it comes to yards, it's not a case of [? 01:08:29] cliff, because we will be completing the projects that we are doing in the various yards. But the scenario is very different from when Saipem decided to open its own yards. We have capacity in the world and as the attention of the company gradually shifts to more value-added capacity, capability, services, products, there might be a better way of using our capital than keeping it tied to yards, whilst in fact we can rely on some more specialised players that could help us in that respect.

CapEx, growth, capital, capacity - they're all linked. I was referring to the fact that, if I remember correctly, four of our twelve drilling ships are already leased. if you look at the Santorini, which is a last generation ship, we are not buying it. We are leasing it. We pulled a few millions of CapEx in kind of refurbishing it an getting it ready to make sure that it works along our standards. The quality is not a compromise. Safety is not compromised. We know exactly what we - not personally. I have very good people in drilling in the company. They know what they're doing. They know how to shape the value-added layer of that ship, and that's an effective way of generating cash with a new way of deploying CapEx. So, I hope that helps.

Alessandro Pozzi (Mediobanca): Can you give us granularity on which [? 01:10:05] are likely to be scrapped?

Francesco Caio (Saipem): We would love to do that. I don't think it would be particularly commercially helpful at this stage, but we will inform you as we do it. They are not in Italy.

Alessandro Pozzi (Mediobanca): Thanks. Just a final one for me, if I can. So, as you move into new markets and segments, as we've seen in the offshore wind, I mean sometimes it can be [? 01:10:28]. And I think in Q3, there's been some additional extra costs on the offshore wind project in the UK. Can you tell us what are the lessons learned that prevents from having [? 01:10:45] as the one we've seen that in the UK outside the traditional oil and gas business?

Francesco Caio (Saipem): Thank you very much for your questions. There are many lessons learned. It's kind of difficult to summarise it. Let me try. First of all, better understand the customers you in front of [ph 01:10:59]. These are not oil companies. These are not companies that have a genuine burning interest to getting to the project working. You know better than I do. There are consortiums, there are lenders. I'm not saying private equity guys, but kind of nearing that. They have an IRR in mind. They don’t a flow of energy carriers to deliver. So, the first one is taking good, good measure or what you have in front.

The second one is what I was referring to before. What is the cost base, the value chain, the business system you have in place to serve this project? These are not the kind of projects that you could serve as if you were developing a subsea exploration well 2,000 metres under the ocean. These are poles [ph 01:12:02], turbines to be disciplined and pulled one after the other. And it’s not because we know how to put an installation that we necessarily know what are the kind of soils [ph 01:12:22] tricks of a certain location.

So, we learnt our lesson. The reference I was making in projecting, going forward, a possible participation scheme in the floating offshore is something that we feel more comfortable with. Technologies, make or buy installations, view to have a kind of an extended life cycle type of contracts in terms of maintenance and managing. So, yes there are lessons to be learned. There are risks to be managed.

Alessandro Pozzi (Mediobanca): Thank you.

Operator: The next question is from James Thompson with JP Morgan. Please go ahead.

James Thompson (JP Morgan): Good morning, gentlemen. Thanks very much for your presentation so far. I’ve got several questions. Just, I guess, in the interest of time and to give other people some time as well, just three then.

First of all, could you talk a little bit about the depth of the agreement you also announced today with TechnipFMC. I mean, I think we've been wanting to see material kind of consolidation in the subsea arena for sometimes, so perhaps you could just talk about how expensive that is. That’s the first question.

Francesco Caio (Saipem): Sure, we're very pleased about this agreement. I have observed a very close cultural profile between the two companies. But let me be very clear; this is a commercial agreement. And one way of thinking about it is it's an opportunity. Obviously, in full compliance with the market rules of the game, an opportunity to look at some selected projects together and deliver better value to our customers.

So there is no kind of – how can I put it - equity strategic. For now it is a commercial agreement. We want to see it working. I've learnt and I've observed other agreements that have not been particularly fruitful. I have confidence that this one can be delivering good results for both companies. But again, I repeat it; We are very happy, we're very pleased. That strengthens our capabilities, strengthens our commercial strength and value proposition. But it's just that; a commercial agreement.

James Thompson (JP Morgan): Okay, thanks. Second question is, can you just give us a bit more help to kind of bridge to the €2.2 billion net debt number by the end of 2022? I mean, I think that's clearly raised a few eyebrows this morning. I mean, I was expecting CapEx to be quite high in 2022 in part of this this plan. But it looks pretty much flat through the plan. So maybe you could give us some more detail on kind of the costs that you expect to complete the reorganisation. And what does this imply for kind of margins in the businesses next year?

Francesco Caio (Saipem): Sure, before leaving the floor to Antonio for more details, I think as a key driver, as Antonio was mentioning before, it's kind of the unfolding of things from the past that have an impact on working capital. It is down payments from previous projects that have been particularly peaking on one year, and so we will be generating revenue without [ph 01:15:47] the cash component there, that at the same time we have incurred costs that we will paying out next year.

But the one point I want just to make sure and emphasise. The CapEx we have is the CapEx we need to deliver this, the strategy. Again I made a couple of references before. It is not to say that we could transform the company with less than €1 million investment. Don't get me wrong. But there is a very high value added in our ability to scout and understanding where to invest to make our CapEx very, very efficient.

But having said that, Antonio, you might want to elaborate a bit further.

Antonio Paccioretti (Saipem): Yes, for sure. In 2022, the [? 01:16:28] working capital is, I would say, quite simple. First of all, we have to consider this significant amounts that we have anticipated as advanced payments. Today we do have - better to say at the end of this year - we will have around €650 million to €700 million of the advance payment, which will be gradually [? 01:16:51] during the plan and a significant amount of debt is in parallel with the phasing of the project, the progress of the project, will occur 2022.

We do also have to consider the amount of cost that we have already accounted for so far for the offshore wind activities, as several times discussed, that will have the relative disbursement in the next two years. So those are the two important elements that we have to take into account on that.

So in a nutshell, the operating cash flow generating by our business will be mainly absorbed by these two components on the working capital. And therefore what remains is €400 million CapEx that leads to the bridge between the current situation and the €2.2 billion at the end of 2022. You have also to consider that we expect and in this projection we have considered an increase of the effect of the IFRS 16 for an additional €100 million. So, operating cash flow absorbed by the working capital for the two main elements I discussed, CapEx €400 million, and additional IFRS 16 elements for €100 million. This is the bridge between our €1.7 billion at the end of the year and the €2.2 billion at the end of 2022.

James Thompson (JP Morgan): Okay, great, thanks, Antonio. Last one from me. I'll just go back to the first question on this revenue CAGR of 15%. It is pretty lofty. Is the base 2021 so off the kind of €7.5 billion/€10.7 billion that you expect this year? Or is it off 2022 figure where obviously you've got €9 billion in hand? And then put to one side the kind of what [? 01:19:04] of that 15% but more through the presentation you talked about focusing more on value versus volume. You talked a lot about recurring revenue streams, maintenance and modifications. That to me seems like lower through cycle revenue more than lumpier, but very large projects revenue. So, how do you sort of square those two together, please?

Francesco Caio (Saipem): I understand the question very well. I'll go back to the same answer I think. The drilling and the offshore vessels that we have planned to work much heavily than we have in the recent past. I would point to that part of the business. The asset driven business is an important component to push the company forward in this transformation.

We obviously are looking for new large projects. They're not going to go away. We don't want them to go away. We want to serve them more effectively though, and having a tighter framework. And once we have built that kind of base towards the end of the plan, the growth will kick in from the recurring revenue and the modular plants that we have.

But in the short term, the jump, the push, the drive is going to be coming from the restart of the investment cycle. Now, the forecasts we have in this year. There is the Mozambique. '21 to '22 which will drive the first step in growth. And as we said, and we repeat, we expect that to happen around mid-next year, but that's the sequencing of the growth engine of the plan.

James Thompson (JP Morgan): So, base that off 2021? Is that the base that we should consider this 15% CAGR?

Antonio Paccioretti (Saipem): Yes, I would add to the elements said by Francesco. I would add the mix of revenues that pro forma we can have in mind in 2021 [ph 01:21:24] and at the end of the plan with the different pillars of our strategy. First of all, for 2021 [ph 01:21:29], I would say that something more than 50% is represented by energy. More than 35% is represented by the asset base in which you have to consider drilling, I remember. 10% by the digital and robotics where we consider also the contribution of wind. And the rest is infrastructure. This is for today.

For tomorrow, end of '25. 25% is energy. The reduction is compensated by the strong increase we expect on the what we call the digital robotics which we expect to have a weight on the revenues at the end of the plan of around 35%. You have to consider also in this element the contribution for the construction of the small scale plants we expect to have. 35% is related to the asset base pillar, let me say, and the rest around 5% by the infrastructure.

James Thompson (JP Morgan): Okay, great. Thanks so much.

Operator: The next question is from [? 01:22:52] with Exane. Please go ahead.

Speaker 1 (Exane): Good morning guys. Thank you for a comprehensive presentation. A lot of things to think about. I have a few questions, both short term and long term, if you don't mind. Starting with the long term ones. The nature of your business means that mistakes from the past can take a while to get out. How do you think about the profitability of the backlog execution and ongoing projects, the risk profile of the business. I'm asking particularly because I'm seeing the [? 01:23:21] equity affiliate which relates to Arctic [ph 01:23:25] now being negative or being at zero your current rate at the half year results [ph 01:23:28]. There's market concerns around some contracts in Brazil, so any colour you have around that would be very helpful.

I noticed also in the long term that you are no longer talking about an exit drilling division. I get that there is a cyclical rebound. Is that a conscious strategic decision not to exit this? Or is it just a function of the market conditions?

And then if I could just talk about the short term please in a third question. I'm sorry. I didn't see any notice or any comment around the covenants situation given where the market is at about 680 EBTIDA for next year, €2.2 billion projection of the net debt. It feels to me like you're still hovering between 3 and 3.5x. Can you just give us some colour on discussion with your lenders and how that's going and if there's any colour you can add. Thank you.

Francesco Caio (Saipem): Okay, thank you very much for your questions. Let me start from the portfolio one. I repeat it; we have the portfolio management, the active portfolio management, as one of our tools going forward in the plan. And as I was saying before, you talk about it when you have something to say. We are very encouraged by what we've seen in the economics of drilling. But its value that is going to be the driver here. Value is going to be to driver. The value creation is going to be the driver. So, I will leave it at that.

In terms of the risk of backlog and the challenges, we're very aware of that. Obviously what we present today, and the costing is based on the best of our knowledge and understanding of what the inherent risks are, but the risking and cost reduction is the key short term element of the plan. And we are very aware of how the mechanics of this business work, and that's why when talking about 2022, we prefer to give you the sense of the trajectory having 2023 more a kind of clear view. We're confident about the short term future, but equally aware of the challenges of managing that backlog.

I will leave it to Antonio for the covenants.

Antonio Paccioretti (Saipem): Before that I understood the request of having some colour in terms of contribution of not consolidated projects companies. I would say that the result we had at the beginning of the year was negative. But as commented, things are going better. We expect such a result increasing quarter after quarter. And I would say that in the four years plan, we are quite positive on that. We do have the result, we expected the result of such two main projects in line with our expectation, and we expect the contribution in terms of income from associates [ph 01:26:47], so below EBITDA, of close to €100 million. This is the contribution for the entire four years plan.

As far as the discussion with the lenders, the story is quite simple. We started immediately after our call in July. So, end of July/beginning of August. We have started immediately not the negotiation; the conversation with our lenders in order to accomplish this situation because I just want to remember that we do not have any bridge today. We are just managing the situation as it will be assessed at the end of this year.

We formalised our request and the proposal mid last month and we already have received four positive answers. For the rest of the banks we are discussing with them and in particular some of them have requested to discuss the financials of the business plan that we would have presented to the market.

So the next days will be the ones in which we will arrange all the meetings with them. We are quite positive in terms of expectation. I believe that on the basis of the number we have in mind in the plan, we are in the position to explain them the sustainability, the solidity of our business plan and sustainability on our debts. So, we are positive on that.

Speaker 1 (Exane): And I'm sorry, if I may just follow up. How do you guys define value in the context of is this a free cash flow reference? Is it a return on capital employed? Just so I can understand because it's been mentioned a few times and it's definitely the right mantra. Just how do you define the value of volume in your minds, in your KPIs, in your scorecard, whatever you want?

Francesco Caio (Saipem): Thank you very much. The simplest straight, most straightforward way is a robust assessment of the margins associated to any given project, taking into account the magnitude, the type of contract, the risk that you would assume. We would like to ensure that the projects that come through the door are projects that have a robust, resilient capability of generating a margin that covers well above the fixed costs of the projects and of corporate [ph 01:29:33].

That, I think, is the most honest, direct, straight, simple question. Obviously, at a more general level there would be different KPIs that we have in mind, and particularly when it comes to the portfolio management, I don’t need to tell you what are the KPIs that we would be using, but the ones that you will be using to assess the validity of our moves.

Speaker 1 (Exane): Thank you.

Operator: The next question is from Kévin Roger with Kepler Cheuvreux. Please go ahead.

Kévin Roger (Kepler Cheuvreux): Yes, good morning. Thanks for taking the questions. The first one would be related to the CapEx. [? 01:30:29] quite high compared to what you did over the past five years. You were closer to €300 [ph 01:30:3] million. So I was wondering if you can explain us in terms of split, what you need to do with those €400 million. Does it mean that you need to win in this new vessel in offshore wind, for example? And just if you can give us some colour on the €400 million CapEx per year.

The second question is related to offshore wind. Sorry to come back on that. So the wind project in your backlog already generation something like €250 [ph 01:31:04] million lots before this quarter, [? 01:31:09]. So when should we expect the loss to be over on this project? And I see you mentioned the fact that you have $600 million of backlog from offshore wind for 2022. And what should we assume in terms of profitability on that?

And the last one, if I may, is coming back on the 15% growth that you mentioned in your business plan. [? 01:31:37] on the backlog. Basically, you have close to 20% already guaranteed for 2022 versus 2021 and also a quite nice growth revenue for 2022 compared to 2023 compared to 2022. So, that 15% growth - is it correct to assume that a large part of that will be concentrated in 2022 and 2023?

Francesco Caio (Saipem): Okay, thank you very much for your questions. There is quite a long list. I will leave most of them to Antonio. Go ahead.

Antonio Paccioretti (Saipem): As far as the CapEx, I would say that the level of the CapEx I’ve already commented is consistent with our strategy, is consistent with, in particular, the specific project we have in our pipeline because you know that part of the CapEx are related and sometimes are related to some specific project and for other times are related to some renewable assets which are requested for this project but can be used also for the following one. So, I would say a significant part related to the projects, a significant part of related to the maintenance of our fleet. The cyclical maintenance of our fleet is one of the main elements of this bulk. And the third but more important for the future is the, I would say again, more than €200 million of investment which we have allocated to the technology, to the growth we need for reaching our portfolio of technology.

The other one was in relation to the offshore wind project. As you know, first of all, let me start from this element. The order of magnitude of these changes is due to the fact that we consider this project with cost equal to revenues so the additional cost that we have estimated this quarter due to the evolution of the situation with respect to the ones we have assessed at the end of June has been completely accounted and recognised in our profit and losses. So, this is the technical reason for the important volatility.

The additional around €130 million that we have accounted to the more important project we are talking about on the onshore wind is the result of a different situation in terms of execution, I would say, more and from the effect of the COVID that poses a problem in terms of execution in the original schedule. So most of the costs are due to the longer timing that we now expect needed for completing the project.

Just for giving you the example, the fleet was not operating for more than 40 days due to the COVID pandemic attack, let me say, we had. For each day of not using this fleet, this vessel and the spread around the fleet, around the vessel, the cost is close to €400,000, so you can now estimate the impact in having weeks of additional works for completing this project.

I don't remember the other point. [inaudible 01:35:43].

For 2002 [ph 01:35:48], we do have around €650 million of revenues. I remember we consider revenues and costs aligned.

Francesco Caio (Saipem): Just if I can complete, if I may. The question is very relevant. As you can imagine, it is something that we've been very focused on. Obviously what we have today is the best estimate for the cost to finish and complete the thing. Antonio explained some of the drivers. I was going back to that. There is there is a fundamental structure that the company had decided to take to deliver this project that comes with the risk.

Going forward, the projects would be done in a different way, but we have to complete this and we have to complete that in the frame of asset utilisation and procedures that were agreed a few years ago. So, we're working on that. We've put forward best estimate to complete the work but the project, the contract, the specifics are there to be executed. That's the best answer we could give you today.

Kévin Roger (Kepler Cheuvreux): Okay, thanks a lot. And just maybe if you can come to the question relating to 15% growth [? 01:37:05] large part will be concentrated in the first two years.

Antonio Paccioretti (Saipem): Yeah, sorry. First of all there was also a question from one of your colleagues about the [? 01:37:18] starting from 2021. So yes there is a bit of a jump there but that is leading to the 15% growth therefore in the first part. You’re right when you point to that direction.

Kévin Roger (Kepler Cheuvreux): Okay. Thanks a lot. Have a good day.

Operator: The next question is from a Michael Alsford with Citi Group. Please go ahead.

Michael Alsford (Citi Group): Hi. Good morning. Thanks for taking my questions. I've just got a couple, please. Thanks for the presentation. I was wondering whether you could talk a little bit about uses of cash. It feels to me that clearly with the step-up in net debt next year, the investments that you plan, there's not much room for payments out from distribution to shareholders. So I just wondered if you could talk a bit about how the dividends fit into the broader plan over the next four years?

And then secondly, a specific question on the backlog. Just on the onshore E&C backlog for 2022. €4.5 billion. Could you just confirm how much you're assuming will be Mozambique in that number please?

And then I just wanted to go back on the revenue CAGR of 15%. As you say, I think for the credibility of the plan I think would be helpful for the market to understand what do you see as the addressable market perhaps over that period of the plan and maybe what market share you think Saipem will generate? It's just very difficult, I think, to really give confidence to the market on a 2025 number of 15% CAGR without a bit more colour as to how big the market opportunity could be for you. Thank you.

Francesco Caio (Saipem): Thank you very much. Sorry, just the first question was about –

Michael Alsford (Citi Group): Shareholder distribution.

Francesco Caio (Saipem): Okay, sorry. Apologies. Absolutely. I think it's a bit premature today to talk about it. What we are putting forward here is fundamentally a description of a growth story that hopefully will build value over time. We will get back when we are ready, having discussed with our board these things, but today we don't have any particular viewer information on that point to share with the market.

On the backlog, for Mozambique, Antonio.

Antonio Paccioretti (Saipem): 3.6, yes. For the Mozambique the backlog is the one we have already confirmed [? 01:40:01] billion euros. I would add a comment on the assumption that we had in terms which is the market we have considered for this kind of growth. Let me say that on this side; that the assumption we made in terms of wind rate is consistent with our strategy of having a higher focus on discipline in terms of risk and discipline, therefore, in terms of increasing the resilience of our portfolio. It means that we have used a lower wind rate than in the past, than the experienced ones. And therefore I would say that on this side, the resilience of our plan is quite solid.

We have maintained an appropriate combination between the strategy of reducing our risk and the growth of our revenues and portfolio.

Francesco Caio (Saipem): And let me first of all thank you for your question about the addressable market in years to come. is a difficult question because it's a kind of a moving target. I can give you some colour, as you would say.

First point is that, fortunately or unfortunately, the reference market is not just any longer the oil and gas market. If you take for example infrastructure, we are trying to make an effort to pinpoint - the addressable market we see in that bit is the about €25 billion of just Italian side of an investment wave in sustainable infrastructure that is coming. That's one bit. It's a tiny bit.

But for instance, when we talk about carbon capture plan of the size of 100 to 150, the market we have to look at is the CapEx of steel mills in Europe or around the world. It's the CapEx of cement manufacturers. It's the CapEx of municipalities that needs to be recycling plastics. It's a difficult exercise. It's something that we have to project going forward, triangulating information we have in our shop, for instance, when we talk about robotics and maintenance services. The maintenance budget of this industry is relevant to the growth in that part of the market.

And as we speak today - today, not tomorrow, today - if I put on a piece of paper the sum of potential kind of annual revenues of the contrast we are discussing potentially with people interested in the robotics, it comes to €70 million/€80 million. When is that going to be turned into revenues? I don't know, but it will be turning into revenue. But for the time being next few quarters, next 18 months, there is an engine pumping that we have today.

Literally today we're kind of reopening activities of rigs in Saudi Arabia. We’re kind of having ships moving to Angola, to the Ivory Coast, to kind of in Brazil. The things that we know. And I understand, in order to put it all together, it is not that this. It is not easy for us. But I am absolutely convinced that we have a new market opening up ahead of us and I need to take the company in that direction with a bit of courage. But obviously credibility is of essence.

And I gain some comfort in this trajectory from the capability that the company has A, in delivering short term growth because of our vessels, because of our customer relationship, because of our contracts, and B, when I look at the competences of our engineers, of the efforts of the projects that I look with our onshore team today, and the robotics team here in Trieste. These guys are talking real customers. They're talking real projects. They're talking real concrete stuff. They show me how an investment in CO2 solution can deliver millions of revenues. It's not the €2 billion but it’s the €70 million.

I know it's difficult, but it's something that we will together have to come to terms with and I can't ask for kind of a white piece of paper or cheque from you, and I'm not going to be asking that, but I'm saying, “Look, the strategy is built about a solid foundation of a business that has historical customer relationships and locations in areas that are now beginning to grow and a common space that can deliver against the needs that we see very clearly for why the set of customers in the energy transition space.”

Michael Alsford (Citi Group): Thank you, Francesco. That was very helpful. And maybe just to clarify what Antonio said. [? 01:45:39] the total project, but should we just assume a third is the number for 2022 for the work in Mozambique? Thanks.

Antonio Paccioretti (Saipem): In 2022, the impact on the current portfolio is the €8.8 million we have disclosed, or we had described in the presentation. In order to bridge, to expect, to make your estimation for our revenues next year, you have to consider this contribution first of all on which you know a part is related to Mozambique and so it doesn't depend to us. But anyway, it is very solid for the rest. On top of that, you have to consider two main elements that we consider reality, concrete.

The first one is the important growth we see in our current contractual arrangement for the drilling. So it is a reality. And the second one is the concrete conversation, more than conversation, let's say, that we are having with our clients and for which we expect good news in terms of new contracts starting from next week. So, it is the combination of the current portfolio plus the growth for the drilling, which is again a reality based on the current contracts and the positive situation we expect in the next month for the offshore, boosting our revenues for next year.

You are right and also your colleagues are right. The 15% average growth is an average for the plan for next year. Even if we have maintained a very prudent approach, we expect a growth which is higher than the average.

Michael Alsford (Citi Group): Okay, many thanks to both.

Operator: Ladies and gentlemen, our time is up, and the Q&A session is closed. Mr Caio, back to you for any closing remarks.

Francesco Caio (Saipem): Well, just for me to say thank you very much for your attention. We hope this was a helpful presentation to start a new dialogue with you. I hope that there will be opportunities to meet in person. We all love technology, but I prefer face to face meetings, and I'm sure there will be opportunities in the coming months to keep you posted on the steps, the very concrete step, that we will be taking to deliver the new strategic plan for the new Saipem. Thank you very much.

Video Speaker

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