

# **Saipem SpA (SAPMF) Q2 2024 Earnings Call Transcript**

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**Body**

Saipem SpA (SAPMF)

Q2 2024 Earnings Conference Call

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Company Participants

Alessandro Puliti - CEO

Paolo Calcagnini - CFO

Conference Call Participants

Alessandro Pozzi - Mediobanca

Guilherme Levy - Morgan Stanley

Massimo Bonisoli - Equita

Daniel Thomson - BNP Paribas Exane

Kevin Roger - Kepler Cheuvreux

Kate O'Sullivan - Citi

Victoria McCulloch - RBC

Richard Dawson - Berenberg

Jamie Franklin - Jefferies

Christopher Kuplent - Bank of America

Presentation

Operator

Good morning. This is the Chorus Call conference operator. Welcome, and thank you for joining the Saipem First Half 2024 Results Conference Call. [Operator Instructions].

At this time, I would like to turn the conference over to Alessandro Puliti, CEO of Saipem. Please go ahead.

Alessandro Puliti

Good morning, and welcome to the presentation of Saipem results for first half for 2024. And here with Paolo Calcagnini, our CFO and the rest of the management team. I will start with the key highlights, and then Paulo will cover the financial results in more details. I will then wrap up with my closing remarks before starting the Q&A session. Let's start with the key highlights.

I'm pleased to report that in the second quarter of 2024, Saipem recorded an acceleration on both order intake and cash flow generation. We also posted the highest quarterly EBITDA since Q4 2019.

Revenue stood at €3.4 billion, growing by 22% year-on-year and 11% quarter-on-quarter, largely driven by the contribution of our offshore activity. EBITDA stood at €297 million, growing by 36% year-on-year and 11% quarter-on-quarter. EBITDA margin stood at 8.8%, in line with the level of the first quarter of the year.

In the second quarter, we generated €110 million of net cash flow, an acceleration compared to the €68 million recorded in the first quarter. Net debt has decreased both on a pre- and post-IFRS basis, notwithstanding a net increase on lease liabilities of about €49 million.

The deleveraging process is part of our overall derisking strategy, coupled with specific actions related to the EPC model which we will cover in more details later in the presentation. The order intake in the second quarter was very strong at €5.1 billion, implying a book-to-bill of 1.5x. Our backlog currently stands at more than €30 billion and remains at record levels.

We are on track to achieve our 2024 guidance. In particular, in the second part of the year, we expect a further acceleration in the performance of the asset-based services. Let me now give you an update on our commercial activity. Since the beginning of the year, new awards stood at more than €7 billion with a good level of diversification between clients, geographies and type of projects. This reflects both strong market conditions and also our ability to capture opportunities.

In Angola, Saipem has been awarded an offshore contract by Azule Energy for the development of the Ndungu Field located 180 kilometers of the coast. Our scope of work entice the engineering, fabrication, transportation and installation of 60 kilometers of rigid pipelines as well as subsea facilities at the water depth of more than 1,000 meters.

In addition, we will transport and install flexible flow lines, jumpers and 17 kilometers of umbilicals. Still in Angola, Total awarded us the Kaminho project we consist of three integrated contracts for the development of Cameia and Golfinho oilfields which are located 100 kilometers of the coast. The first contract refers to the EPC transportation and commissioning of the Kaminho FPSO vessel.

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The second contract is for the operation and maintenance of the FPSO for at least 12 years. The third contract relates to the EPC plus installation, recommissioning and a system of a SURF package, which includes 30 kilometers of subsea flow lines, risers and umbilicals. The Kaminho award confirms the competitiveness of our integrated business model.

We have a strong presence in Angola where we already operate three FPSOs and where we own and manage a yard in the city of Ambriz. For the offshore campaigns, of both Ndungu and Kaminho, we will deploy our FDS vessel, which will be operating in Angola in 2026, 2027 and 2028.

Moving to the Middle East. We have been awarded two offshore projects by Saudi Aramco. The first one is the EPC of 50 kilometers crude trunk line for the Abu Sa'fah Field. The second one is related to the production optimization programs of the Berri and Manifa fields. As we already mentioned in the Q1 call, we expect activity in the Middle East to further pick up in the second part of the year.

While the awards in Angola and in Saudi Arabia are traditional oil and gas projects, we are also making full progress on our low-carbon offering. In July, we have been awarded an EPC contract in Northern Europe for a large-scale green ammonia storage tank.

This tank will be part of a new green energy import terminal, where the stored green ammonia will then be processed to produce green hydrogen. This project further consolidates Saipem's track record in the energy transition. Let me now deep dive on the derisking of our EPC business.

While we are confident in our strategic positioning in gas contractor the world we live in has become more complex and volatile than ever. In this light, we have proactively decided to lower the level of risk associated with a traditional EPC scheme.

We are doing this by moving away from the traditional lump sum model by increasing the portion of our contracts being covered by the risk provisions. This is something we have talked extensively, but today, we are pleased to share with you some our numbers. The derisk portion of our EPC contract grew from 6% for the pre-2022 awards to the 22% for 2022 and 2023 and 36% for the contract signed so far in 2024.

Some of these derisking provisions cover the procurement side of the contract, while others cover the construction and fabrication activities. In particular, on the procurement side, we typically include price adjustments closes. We have clients purchase in directly long-lead items or we enter into pre-agreements with vendors.

On the construction and fabrication side, we typically include reimbursable or remeasurable scope of work price adjustment clauses and pre-agreements with our contractors. Please bear in mind that a portion of the typical EPC contract value related to our engineering services and our fleet utilization.

These are portions for which we take full risk while the derisking provision relates to areas where we cannot control risk directly such as procurement and construction. In addition, we are increasing the number of competitive FEED that can evolve into EPC contracts as well as increasing our project management consultancy activity, focused specifically on the onshore E&C.

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In summary, we shifted significantly our approach to EPC, and we remain commitment to continue to apply a significant degree of derisking to all new EPC awards going forward. Together with the derisking of the EPC model, we continue to focus on reducing financial risk and lower our debt. I'm pleased to report our net financial position continues to improve at a steady pace.

At the end of the second quarter, we recorded a net cash position pre-IFRS of €394 million, which is supported by €1.3 billion of available cash. We now reported four consecutive quarters of positive net cash flow generation for a total reduction in net debt of €360 million.

Cash flow generation has accelerated since the end of June last year. due to the reduction of the weight of the legacy projects and thanks to the growth of our offshore E&C business. The market for both financing and guarantees is wide open for Saipem.

In the last two years, we have built the largest backlog ever for Saipem, which currently stands at €30 billion. The offshore E&C portion has more than doubled in the last 24 months and currently stands at €16 billion. In particular, the weight of the offshore E&C backlog has grown from 33% to more than 50% of total backlog.

In addition, more than 80% of the current backlog relates to projects won from 2022 onwards. These are projects with a much better condition compared to previous vintages, both in terms of pricing and risk profile as demonstrated by the increasing portion of the derisking incorporated in recent contracts.

The size and the quality of our current backlog grant us very good visibility on our strategic plan targets. Visibility is also high when it comes to the utilization rate of our fleet. As you can see from chart on Slide 9, the expected level of utilization of our E&C vessels has increased materially in the last 18 months. We are currently fully booked for both 2024 and 2025, and we have a substantial level of expected utilization for 2026. We are also starting to allocate vessels to project for both '27 and '28.

This is the result of a very strong market condition for offshore development, both conventional and deepwater and a sign of market tightness when it comes to our ability of vessels. As a reminder, our focus is to utilize as much as possible our own E&C vessels and meet an extra demand with chartered vessel such as the JSD 6000, which has joined our fleet at the beginning of Q3. Let me now spend some time on Courseulles. The project will allow Saipem to complete its current track log in wind offshore foundation. So far, we have mainly performed project based on jackets, while this time, we are installing monopiles.

As you know, we completed the construction and assembling of the drilling system in Q1, all the 64 monopiles and transition piece are ready. The drilling system is now mobilized on the Volovan jackup vessel and is currently on location.

In these very hours, we are doing commissioning of the drilling system on the testing location assigned to us by EDF Courseulles in order to be ready to drill the first foundation socket. All support vessels are mobilized and ready to start the operation. I am confident that we will complete the project successfully by mid-2025.

Let me now hand over to Paolo to cover the financials in more details.

Paolo Calcagnini

Alessandro, thank you, and good morning to everyone.

We will begin from Slide 12 with a summary of the financial results for the first half of 2024. Group revenues increased by 20% year-on-year and our EBITDA increased by 38%. Mainly driven by the performance of our offshore business, both E&C and Drilling. In the first half, we also experienced a significant improvement in EBITDA margin compared to the last year with EBITDA margin reaching the level of 8.8%.

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The higher EBITDA margin is the outcome of a more favorable mix, given the growing relevance of our offshore E&C business. The net result was €118 million compared to €40 million in the first half of 2023.

Operating cash flow was positive for €455 million, more than 3x the level achieved in the first half of 2023. This is the proof of the progress made in terms of cash flow conversion as well as a significantly lower impact from the legacy projects compared to the previous years. Let's now go through the different businesses, and let's start from the asset-based services.

The division had revenues of €3.4 billion in the first half of this year, up 32% from last year, thanks to the performance of the traditional and subsea oil and gas projects. which more than made up for the reduction in wind offshore activity and backlog.

EBITDA was at €391 million, up 50% from last year. with EBITDA margin at 11.3%, increasing by more than 140 basis points from the first half of the last year. The main reason for the higher EBITDA margin was a better project mix especially the lower share of the wind offshore projects.

For the second half of this year, we expect the division to have a higher revenues and EBITDA than the first half, driven by the schedules of some key large projects in the Middle East, West Africa, Europe and Latin America, only partially offset by the completion of mature projects. Let's have a look at the Drilling Offshore at Page 14 of the presentation. The division reported revenue of €446 million, 24% increase from the same period of the last year, while the EBITDA went up by 18% to €166 million.

The main drivers of the top line growth in the first half were the expansion of the fleet and the higher average day rates, partially offset by the start-up costs of -- for jackup in Saudi Arabia. Growth was supported by the beginning of the operations of the DVD and the Perro Negro 12 by the higher number of operating days for the Perro Negro 11 and by the day rate increase of one of our deepwater floaters.

The strong operating performance was partially offset by the downtime for the Scarabeo 9 that underwent maintenance by the start-up cost for the Perro Negro 13 and by the impact of the temporary suspensions in Saudi, especially on the Perro Negro 9.

As a reminder, the temporary suspension from Saudi Aramco affect three jackups, two of them started during the second quarter, while the suspension for the third one will begin in the fourth quarter of this year. Our plan for the three jackups remains the one we discussed in April. One jack-up will be returned to the owner in the second part of this year. A second jackup will go through plant maintenance works.

And the third jackup will most likely replace another unit in a different geographical area and the replaced unit will be returned to the owner. For the second part of this year, we expect Drilling offshore revenue to remain stable and EBITDA to slightly decrease compared to the first half.

This is mainly due to the Saudi suspensions of the three jackups as well as the maintenance activity already planned for the second half of this year, partially offset by the positive contribution to the top line of Perro Negro 13 and Scarabeo 9. Let's go through the energy carriers on Page 15. The revenues increased by 7% year-on-year at €2.5 billion.

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EBITDA in the second quarter of 2024 reflected an extra potential loss on the Thai Oil project, which was balanced by the one-off positive effects from other projects in our portfolio. As we said before, the division's main goal is to complete the remaining legacy backlog, while we remain very selective when taking on new projects. Completing all legacy and difficult projects is key for improving the division's profitability.

I also want to point out that our sustainable infrastructure business continues to perform well in terms of growth, profitability and cash flow generation. The full income statement for the group is shown on Page 16, and we can highlight some items below the EBITDA.

D&A stood at €310 million. This is an increase by €92 million compared to the last year, mainly driven by the higher leases paid on the vessels that we added to our fleet on a capital-light basis. For the full year 2024, we expect D&A in the range of €710 million, €720 million. And as such, €400 million, €410 million for the second half of 2024. The increase from the level of the first half mainly reflects the growth of the fleet on a chartered basis.

Financial expenses stood at €73 million, decreasing slightly by €14 million compared to last year, mainly due to the lower hedging cost, while financing costs, including net interest expenses and leases were stable compared to last year.

For the full year 2024, we have budgeted a level of financial expenses in the range of €190 million, €195 million. As such, approximately €120 million are expected for the second half of 2024. While the financial expenses will largely depend on the hedging cost on certain currencies, our budget on financial expenses might actually prove to be conservative at the end of the year.

The results from equity investments was stable year-on-year, while income taxes decreased slightly by €4 million compared to the last year to €74 million, implying a tax rate of 39%. Finally, the net result was positive for €118 million, increasing by €78 million from the level reported in the first half of 2023.

Let's now have a look at the net debt evolution. The company remains very focused on generating cash flow with the goal of reducing our debt and supporting dividend payments to shareholders. The cash flow we generated in the first half of this year improved our net financial position by €178 million on a pre-IFRS basis.

This is from a net cash of €216 million to €394 million and by €113 million on a post-IFRS basis. This is from a net debt for IFRS of €261 million to a net debt of €148 million. We achieved these results by generating €455 million of operating cash flow and €271 million of free cash flow. In the second quarter alone, we recorded a net cash flow of €110 million. This is an increase from the €68 million that we had in the first quarter of this year.

In the second half of the year, we expect a net increase in lease liabilities of about €80 million considering that the fleet is expanding on a charter basis and the JSD 6000 has officially entered the fleet in the third quarter of this year.

On Page 18, you can see the breakdown of our net financial position. As you can see, we had a comfortable level of liquidity on our balance sheet, which is -- which was €3.1 billion at the end of June, including €470 million of unused RCF and almost €1.3 billion of available cash. Available cash grew by more than €200 million only in the second quarter of this year. Our current level of available liquidity fully cover our gross debt maturities up to the full year 2028.

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Lowering gross debt and extending maturity remain a key priority for Saipem with the aim of further derisking the company and facilitating future credit rating upgrades. Moving to Page 19, I would like to give you an overview of the liability management exercise we did in May.

During the month of May, we took advantage of the favorable market conditions to issue a six-year bond for €500 million. At the same time, we bought back part of the 2025 and 2026 bonds for a total of approximately €360 million. The liability management exercise was very successful and it allowed us to reduce materially our short-term maturities and to increase the average tenor of our debt by more than one year.

The tender offer also allowed us to book €3 million of capital gains as the bonds were repurchased below par. As already mentioned, our available cash position currently covers our debt maturities up to the full year 2028. We obviously remain active in looking for opportunities to further optimize our capital structure.

I will now hand over to Alessandro for his closing remarks.

Alessandro Puliti

Thank you, Paolo.

Let's put our second quarter in the context of the results achieved in the last two years. The consolidation of Saipem's performance continues at a steady piece. We are achieving steady revenues, growth and increasing profitability as our activity shift in favor of the offshore E&C projects. In addition, profitable growth is turning into strong cash flow generation.

Last four quarters, we converted more than 80% of our EBITDA in operating cash flow, a material improvement compared to the last few years. And now I'll wrap up before starting the Q&A session. The entire organization is fully focused on cash flow generation and debt reduction.

The order intake to date is materially derisked and is progressively shifting to our offshore activities and integrated projects. We are making steady progress in executing legacy projects, and we are on track to meet our 2024 guidance, and we are very positive on our medium-term targets, considering the visibility granted by our current backlog and our strong commercial pipeline.

Thank you for your attention, and we can now move on to the Q&A session.

Question-and-Answer Session

Operator

[Operator Instructions] The first question is from Alessandro Pozzi from Mediobanca. Please go ahead.

Alessandro Pozzi

Good morning. Thank you for taking my questions. The first one is on the order intake, clearly was very strong in the first half of the year. If we look at the full year, can we multiply it by 2? Or should we be more conservative given the big order that you won in the second quarter? And maybe that's an opportunity to talk about your commercial pipeline from what we see a lot of opportunities up for grabs in Middle East, Qatar and the Emirates in Saudi Arabia as well. The second question is on the fleet utilization, full capacity, as you mentioned.

As we look at 2026, it's about 60%. In order to get to more than 70%, what sort of profitability you have in mind to achieve on the next acquisitions to get the -- above the 70%, 75% that you mentioned. And maybe just an update on the clean fuel project in Thailand and how the profit -- the margin profitability of the project basically is going.

Alessandro Puliti

Okay. Thank you. I hope to record all the questions. So the first one on order intake, conservative versus aggressive -- the future. Certainly, the market is positive, but you never know whether you will win tender or you will know win tender. So I will stay in a normal approach. This is what -- this is my suggestion. I tend to be always prudent in a way or in another. Nevertheless, it's true that the market is strong. And that's a fact.

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That's a fact. Opportunities are there, and we are actively participating. Whether we will win it or not, this is independent on us but also depending on competition. Fleet utilization, 70%, what can we do to achieve 70% more in 2026 onwards? Now, you saw the slide, 70% has to be understood as really in a commercial way, almost 100%.

Why? Because the vessel cannot be utilized normally more than 70% of the time in a year because then we are always to take some contingencies because we cannot run projects really back-to-back without any float between one project and the others. So the 70% is -- 70%, 75% is considered a sort of optimal utilization of the vessel fleet.

So when we are at that level, we are really fully satisfied. So this is just to clarify the slide, meaning in 2026, we are not yet there, but we are confident we will be there in the next six to 12 months because, as I said before, market opportunities are there, market for shore vessel is pretty tight.

So I do not see a reason why we should not be able to come in the next 12 -- from six to 12 months to a full booking of the fleet also in 2026. As I -- as I explained during the call, for example, FDS is already fully booked for 2026 and is also almost fully booked even 2027 and 2028. So we do expect almost in the next from six to 12 years to come to the same on the other vessel of the fleet. Thai Oil...

Alessandro Pozzi

On the question of the utilization. My question was you're probably going to be very selective on the type of projects that you will acquire to get to 70% plus. What sort of profitability you can afford basically to achieve to get to that level on new projects?

Paolo Calcagnini

As we said a few times, I mean, the target margins for SURF activity are in the high double-digit area. And therefore, the conventional activity they are in the say, mid-double-digit area. Obviously, I mean, when the schedule of our vessels become so tight, it is also a matter of finding the job that fits into the schedules, not only picking the best rate. If you have tight schedule and then you have to send your vessel from East Asia to South America, it's probably not the best option rather than working close to the previous project.

So it's a mix of these two factors. When the schedule is very tight you keep up those projects that are limiting the idleness of the vessels moving around the world rather than picking the best, best price just for the sake of making a 0.5% additional margin. But the targets remain what I said before, high double digit for SURF activity, mid-double digit for conventional.

Alessandro Puliti

Okay. So we move to the Thai Oil. Yes, in this quarter, as Paolo explained, we have taken a full provision that covers what we currently believe are expected extra cost on the project. We are doing this in full alignment with our co-venturer in the project. And we are also in -- we have also opened the table with the client to get a relief for the extra cost that we are incurring. This is the status of the oil projects.

Alessandro Pozzi

Thank you.

Operator

The next question is from Guilherme Levy from Morgan Stanley. Please go ahead.

Guilherme Levy

Hi, good morning. Thank you for taking my questions. The first one on Mozambique LNG. I understand that revenue guidance provided in the beginning of the year between €12.7 billion and €13.3 billion. It included the restart of Mozambique LNG from the middle of this year. And from previous conversations, I understand that, that was almost €0.5 billion. So I was just wondering if with the projects not restarted so far, what has given the company confidence to not change the guidance?

Is it in anticipation of other onshore projects that were maybe expected to be done later on? Or is it just related to the strength in the offshore business? And then on the second question, just thinking about new vessels that the company could potentially lease. Could you just say a few words on your ability to get new vessels at the market at the moment. And also looking at the ideal duration of your leases, you have a slide there that you're showing an increase. Is there a target that you would like to have in terms of duration? Thank you.

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Alessandro Puliti

You recall correctly. We have expected revenues of around €500 million in the project in the second half. What I would like to clarify that out of that for €500 million, €400 million were related to the suspension contract that are still ongoing and is still ahead and it will go ahead until the project will be restarted. And only €100 million were related to the actual project to be restarted.

So basically, the effect of the actual start date in the second half of the year is not material in our revenues and the EBITDA generated by the project. So really, we do not need to compensate with other projects, the expected EBITDA. So you may say that we were pretty prudent while booking Mozambique in our accounts. Vessel lease, which is the idea, but in the current -- very difficult to say what it is ideal. I will tell you what it is, JSD 6000, the vessel that has just entered last week in our fleet.

This is leased on a 5-year firm period plus two year options at our choice. So you can immediately imagine, which is the life span we see ahead of us for the utilization of this -- for this vessel. But this vessel is pretty peculiar because it is a multipurpose, you can do J-lay, S-lay, pipelines as well as working on SURF projects. And that there's also a 5,000 tons lifting capacity. So this is really multipurpose.

Maybe other kind of vessel more specialized, we may look for a shorter period of leases but this is evaluated case by case. We are looking for -- what I can say now that we are looking also for another vessel more specialized to be leased, but I cannot disclose more at this stage.

Guilherme Levy

Understood. Thank you.

Operator

The next question is from Massimo Bonisoli from Equita. Please go ahead.

Massimo Bonisoli

Good morning and thank you for the presentation. I have two questions, one regarding the implied step-up in margin in the second half implied in your guidance? It should move from the 9% to about 11% to mature guidance. So if you can give us some color on a divisional basis, you already highlighted some development for the second half, but just to understand if it's mainly coming from offshore or let's say, also onshore will help to increase that margin level. And the second question on the slide on Page 6, you give us some color on the risk portion of the new contracts. And what about the lump-sum portion. I imagine you have better contingencies there versus the reducer contracts. So what about the contingencies you have there and the difference versus the former period. Thank you.

Alessandro Puliti

You pointed rightly, in the second half, we do expect margin rise [indiscernible] clearly to our offshore division. As you recall, beginning of the year, we had some difficulties at the very beginning of the year with a project of Scarborough with CastorOne. Now the project is going nicely. We completed almost 65% of the line.

And so we do expect a better contribution also for more fleet utilization in the second part of the year rather than in the first part of the year. You know that this business is always characterized by a certain seasonality other than the problem I highlighted before.

So second half, certainly, we will see a greater contribution of the offshore and also some, let's say, extra provision, for example, the one I was mentioning before Thai Oil that affected the Q2 of our anchor, hopefully will not be replicated. So we should see also some improvement also on the anchor business. So if you combine the 2, this is what is giving us the possibility to grow in the second half.

Regarding the lump sum and contingencies in the derisking. We already did a very -- a huge effort in moving from a mere 6% of the risk portion on our EPC lump sum let's say, the one that we are delivering and coming from the period from 2018 to 2021. We're now in the new awards standing at 36% and this is also a very big move because the reimbursable portion and remeasurable portion, they are really pointing the portion of the lump sum that are more risky. So it's not linear, the percentage. The percentage really is affecting the most risky part of the project.

Nevertheless, it's not that the lump sum portion is not -- is not getting the right attention. As I said before, part of this portion are cost and risk that are directly under our control. So there is a derisking on its own. I mean, engineering activity when it comes to activity that we've done directly with our fleet, those are risks that are fully under control. Then there are remaining part of risk that our activity does by our subcontractors.

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And that's rightly you said, and we can cover that only by having the right level of contingency in our activity. So that's the third-party goods and services that represents a residual risk that we cover with contingencies.

Massimo Bonisoli

Thank you very much.

Operator

The next question is from Daniel Thomson from BNP Paribas Exane. Please go ahead.

Daniel Thomson

Hi, good morning. Yes. So I just wanted to follow up from the comments you made last quarter on the remaining legacy backlog. I think it was €1.4 billion last quarter. Could you let us know what the updated number is now? And then just following up on the derisked model versus traditionally a more fully lump sum risk model. Is there any margin sacrifice under this new model. I mean, obviously, through cycle, I think this is probably due to a better outcome. But under normal market conditions, can you put any numbers around the margin differential on an average project under a full EPC risk approach versus an increased reimbursable portion. Thank you.

Alessandro Puliti

Okay. So the first one, we reply Paolo and the second one, I will do myself.

Paolo Calcagnini

Yes. So the €1.4 billion say, €950 million as the remaining value of the contracts that were underlying the profit earnings. So it's down an additional €0.5 billion compared to the last data point that we shared.

Alessandro Puliti

Okay. So regarding [technical difficulty] is imposing a margin sacrifice. I would say no. In principle, no, there is no margin sacrifices. The -- and I would like to recall you also that anyway, the risks that were associated in the past to cost escalation and to let's say, also not remeasurable quantities, there were other magnitudes that were greater than the margin we could do in the project.

So now for us, it's definitely much more important to control the risk. So then we can -- by controlling the risk, we sure we can make margins because before, unfortunately, and not having the possibility to control the risk. It was very quickly eroding any margin we projected when the project was awarded. So I believe that this is derisking of the margins. And this is what we can really say about the strategy.

Daniel Thomson

Okay. Thank you.

Operator

The next question is from Kevin Roger of Kepler Cheuvreux. Please go ahead.

Kevin Roger

Yes, good morning. I have one follow-up, please, on Thai Oil. Is there any possibility for you please to give us the provision that you have taken on this project? And basically, the scope of work, the duration, et cetera, that remains to be done on this Thai Oil project. And if I'm not mistaken, in the comments, you said that you have offsetted this provision by exceptional on some of our projects. Also, if you can give us a bit of color on those ones, please.

Paolo Calcagnini

Thanks, Kevin, for the question. So unfortunately, we cannot share the numbers on single projects, especially when we are in JV with other partners. I mean those are numbers protected by confidentiality agreements. I mean, the provisions we made, as Alessandro said before, are material, and they are what's our best estimate of the -- of the losses to the entire life of the project. So it's the amount of money necessary to get the project done.

This is -- this is what we can share on Thai Oil. And then, yes, I said one-off. When you get to completion, you can free up contingencies and margins. And there is a number of projects in the Middle East that went very close to the completion and then -- and therefore, they gave us a positive contribution in terms of what we use is project is getting close to the end, and therefore, releasing the contingencies and that turn into margin in the divisional P&L.

And obviously, then there is a number of other projects that are producing positive margins, especially those that were acquired in the last two years. And as they are kicking in, in terms of revenues and margins, they obviously push up the margin for the division, compensating the write-off that we made on Thai.

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Kevin Roger

Okay. Thanks.

Operator

Hi. Thanks for taking my questions. The next question is from Kate O'Sullivan of Citi. Please go ahead.

Kate O'Sullivan

Just a follow-up there, again, on the energy carriers. We saw 0% EBITDA this quarter, down from last quarter, and you've provided some helpful comments that it was harbored by the Thai project. But I know you don't guide on a segment basis, but how are you expecting overall energy carriers potentially to trend in the second half margin-wise? Secondly, I just guess on offshore capacity. One of your competitors purchased an offshore vessel this month as they determine the price was competitive versus multiyear charter rates. I know you've been quite clear you're operating a leasing model and looking for more vessels to lease. But interested to hear your view on opportunistic M&A like this. Thank you.

Paolo Calcagnini

Yes. I'll take the first question. The margins on onshore, as we said a few times, I mean, our business plan target is to get to a mid-single-digit margin for the E&C Onshore division with a path that was kind of -- so -- if not leaner, very smooth. So moving from close to 0% to the 5% over the next three to four years. And this is what we can share.

So we were projecting a positive margin this year as the first step towards the, let's say, 4%, 5% margin medium term. It could be from one quarter to the other, a bit bumpy because it depends on where we make revenues and what projects contribute the most or the least. So for the rest of 2024, we expect a positive margin from -- for the energy carriers division as we were originally planning.

Alessandro Puliti

Okay. Regarding stand fleet strategy, I would like to confirm that at Saipem will stay with our asset-light strategy. That means that we will, let's say, offer to match the demand in the market, primarily with our own fleet. And secondarily to match the peak of the market with, let's say, leased vessel. This is what we did -- we did for both our main offshore activities, I would say, both drilling and E&C fleet.

And that's where we see us going -- really going ahead, finding and having, as we do have today the right balance between owned and leased fleet. The leased fleet gives us the ability to catch the peak of the market without having the burden of a new vessel that then has to take -- to take the job for a very long period.

This gives us the ability to match literally the market in the best way. And I believe it's pretty successful because our vessel are really appreciated by the market. Even the new coming as lease vessel, they are a very -- or they have already a pretty interesting backlog being built around. So the market in a way or another is proving the strategy as a rationale.

Kate O'Sullivan

Thank you.

Operator

The next question is from Victoria McCulloch from RBC. Please go ahead.

Victoria McCulloch

Could you provide some guidance for when you expect the first drilling to happen? And then on Mozambique, obviously, there's been some headlines this week about a higher cost estimate. Could you give us an update, could you've been clear that you are in negotiations with Total and what we can expect on the higher cost estimate and what you're expecting margin wise in terms of where you expect to change in margin based on the enlarged work scope? Thank you very much.

Alessandro Puliti

Sorry. Problems -- we couldn't hear properly.

Victoria McCulloch

Sorry can you hear better now.

Alessandro Puliti

Yes.

Victoria McCulloch

Thanks very much. Great I'll repeat my question. So on Courseulles, if you could try to give the guidance when first drilling is supposed to happen maybe? And then on Mozambique, there's been public information this week that the budget on this project has increased the higher cost. Could you give us an update on the negotiations with Total and your expectations in terms of margin profile versus the initial tender? Thanks very much.

Alessandro Puliti

Okay. On the drilling on Courseulles, the first drilling, we expect it in the next -- in the next two quarters -- in the next weeks because as I said before, we are currently on the testing location. Today, we are -- we started to test actually the drilling machine in the water. So that's the plan is matter of next week's now in the coming weeks, the time to complete the testing and then move in to the first location. Regarding Mozambique, we really do not have any negotiation ongoing.

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Things are very -- have been already set up in the previous quarters. So there is already a plan. I will say there is a plan ready to action that when the JV, the Mozambique JV, they decided to go ahead, everything is already set up. There is no impact on margins. And as I said, in many situations, until we come to the actual start-up, we are working on a reimbursable basis on all the preparation activities and that are helping us to keep the project in a sort of standby.

Victoria McCulloch

If I could just ask a follow-up on that. Are you happy that, that margin is competitive amongst the other work that you're seeing in the market you could tender on?

Alessandro Puliti

And the margin is in line with the other similar projects we are getting in the margin -- in the market.

Victoria McCulloch

Thanks very much.

Operator

The next question is from Richard Dawson from Berenberg. Please go ahead.

Richard Dawson

Hi, good morning and thank you for taking my questions. My first one is just a follow-up on a previous question on the revenue guidance. So just looking at sales this year and for the first half of this year and then expected backlog execution across the second half, but already around the sort of midpoint of guidance. And I appreciate vessel utilization is already very high. But my question is, is it potentially that guidance conservative? And is there any scope to increase that going forward? And then second question, one of your competitors in the onshore engineering space recently flagged the shortage of engineers as a key risk. Are you seeing any issues with this when you look at sort of availability for workers and particularly just given the 60% of the new awards in this quarter were done in the onshore space? Thank you.

Alessandro Puliti

Sure. We're currently not revised the guidance as 2024 backlog is estimated on the basis of the expected work that is planning. And I would like and that has been lapsed since then. So that's the -- that's really the situation. So we see -- we see, as I said before, a good second half coming from offshore and our -- on our guidance.

Our ability of workers and human resource generally speaking, for our onshore activity -- clearly, those activities are very much dependent on geography. So we cannot state -- we cannot have a general statement. If I would say, regarding our ability of engineers in the quarter and in our engineering centers, I would say we are okay. I say also that compared to the last five years, I would say that this kind of industry has returned to be attractive for new graduates and this is a good news. So we don't have difficulties in attracting new talent to the industry.

Regarding the blue collars, it's very much geography dependent. And it's true that there is a certain tightness in the Middle East, there are so many projects going on for the construction that's the situation. But I don't see any criticalities that could impair our ability to progress the projects we are doing.

Operator

The next question is from Jamie Franklin of Jefferies. Please go ahead.

Jamie Franklin

Hi there, thanks for taking the question. So just one from me on offshore winds. So thanks a lot for all the clarity on the Courseulles offshore wind project. just wondering if you could talk about where you currently stand on new projects in offshore wind. Are you looking at anything at the moment? Does your bidding pipeline include any projects in offshore wind and maybe over what time frame you might considering entering some new offshore wind projects?

Alessandro Puliti

Okay. So on offshore wind, as you know, we're always looking at this market. This market is very promising in terms of volume in the next years. So it's a market that we do -- to which we do we give attention. Unfortunately, in the very moment now there are no many bidding going around.

Clearly, we should well understand that the industry is coming from a period in which the price clients that we're willing to pay was much lower than the actual cost. Now clients are in the, let's say, in the process to review their budgets to align their cost expectation to the actual cost. And also regulators are doing the same.

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And we know that in the last bid in the last bid for capacity the offer price were much higher than in the past just to cover the extra cost. So, we may not see something coming in the next months, but I would say that starting from 2025 and then 2026, picking up again the offer for tendering in this segment, and we will certainly very active and very keen to participate.

In the meantime, we are developing our concept for the floating offshore wind that is maybe a few years ahead than the opportunity on fixed wind -- of fixed wind but this will come as well because without floating offshore wind, there is no way governments that can match, especially in Europe, they can match their ambition to cover the expectation of new power being generated by renewables. So market very interesting. We developed all sort of technology to serve this market in terms to ability to make foundation for fixed wing -- wind, we are preparing for the floating and we just wait clients to launch tenders to apply for them.

Jamie Franklin

Great. Thank you very much.

Operator

The next question is from Christopher Kuplent from Bank of America. Please go ahead.

Christopher Kuplent

Thank you very much. Just one more from me, please. I appreciate you've given us quite a bit of new guidance on things like financial expenses, depreciation, and you've just commented on revenue as well. Would you mind completing the list and maybe comment a little bit about where you see CapEx and cash flows for the full year. Thank you very much.

Paolo Calcagnini

Well, as long as the cash flows are concerned, we confirm that our target is to make a €300 million of cash flows, which is the guidance we shared -- we shared a few months back. If you run some simple numbers, we are a bit ahead of the target. We said the cash flow that we made in the first six months is a bit higher than the 50% that we have been dividing by two the target for the entire 2024. So we are confident that the €300 million is -- we are on track to make it. And that would be a big -- a large improvement compared to 2023.

Then your second question was on the CapEx. Well, the CapEx will be in the range of around €460 million -- €450 million to €460 million, which is in line with what we shared in our guidance, and we made about €200 million in the first half of this year. So you can expect €250 million, €260 million in the next six months.

Christopher Kuplent

Thank you very much. I appreciate that.

Operator

[Operator Instructions] Alessandro Puliti, there are no more questions registered at this time.

Alessandro Puliti

Okay. Thank you for participating to the first half 2024 results call and see you next quarter.

Operator

Ladies and gentlemen, thank you for joining. The conference is now over. You may disconnect your telephone.

**Load-Date:** July 27, 2024

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