

# **Vallourec S.A. (VLOUF) Q1 2024 Earnings Call Transcript**

Seeking Alpha - Earnings Call Transcripts

May 16, 2024 Thursday

Copyright 2024 Seeking Alpha Provided by Syndigate Media Inc. All Rights Reserved

**Length:** 5584 words

**Byline:** SA Transcripts

**Body**

Vallourec S.A. (VLOUF)

Q1 2024 Earnings Conference Call

May 16, 2024 03:30 AM ET

Company Participants

Connor Lynagh - VP, IR

Philippe Guillemot - Chairman and CEO

Sascha Bibert - CFO

Conference Call Participants

Mick Pickup - Barclays

Kevin Roger - Kepler Cheuvreux

Jamie Franklin - Jefferies

Joe Charuy - Bank of America Securities

Daniel Thomson - BNP Paribas

Baptiste Lebacq - ODDO BHF

Presentation

Operator

Hello and welcome to the Vallourec Q1 2024 Results Release Call. Please note this call is being recorded and for the duration of the call, your lines will be on listen-only. However, you will have the opportunity to ask questions at the end of the call. [Operator Instructions]

I will now hand you over to Vallourec to begin today's conference. Thank you.

Connor Lynagh

Thank you. Good morning ladies and gentlemen and thank you for joining us for Vallourec's first quarter 2024 results presentation. I'm Connor Lynagh, Vice President of Investor Relations at Vallourec. I'm joined today by Vallourec's Chairman and Chief Executive Officer, Philippe Guillemot; and Vallourec's Chief Financial Officer, Sascha Bibert.

Before we begin our presentation, I would like to note that this conference call will be recorded and a replay will be available following the call. You can find the audio webcast on our Investor Relations' website. The presentation slides referred to during this call are available for download here as well.

Today's call will contain forward-looking statements. Future results may differ materially from statements or projections made on today's call. The forward-looking statements and risk factors that could affect those statements are referenced at the beginning of our slide presentation.

These are also included in our Universal Registration Document filed with the French financial markets regulator, the AMF. This presentation will be followed by a Q&A session.

I will now turn the call over to Philippe Guillemot.

Philippe Guillemot

Thank you, Connor. Welcome ladies and gentlemen and thank you for joining us to discuss Vallourec's first quarter 2024 results. Before proceeding, let me draw your attention to Slide 2 where you can consult our Safe Harbor statement.

Today's agenda is on Slide 3. I will start with the highlights of the first quarter of 2024 followed by an update on the market and commercial environment. Sascha will then take you through our first quarter numbers, and I will finish with our outlook for the second quarter and full year 2024.

First, let's look at the highlights of the first quarter of 2024 on Slide 5. Our results demonstrated the clear benefits of the New Vallourec plan and our Value over Volume strategy. Despite the lower U.S. pricing, our group EBITDA margin expanded 177 basis points sequentially and our tubes EBITDA margin was up 277 basis points sequentially.

Our tubes EBITDA per tonne at €751 expanded by €100 sequentially and year-over-year to the second highest level we have seen in the past 15 years. This was only surpassed by our results in the second quarter 2023.

Overall, our group EBITDA in the first quarter was €235 million. As per the evidence of the progress we have made in reshaping Vallourec, we generated €172 million of adjusted free cash flow and reduced our net debt for the sixth quarter in a row. Our net debt now stands at €485 million, which is €515 million lower year-over-year.

Subscribe to Seeking Alpha for more content like this

Looking ahead, we expect our second quarter EBITDA to moderately decline versus the first quarter due to sequentially weaker market dynamics in the United States. However, despite this lower EBITDA, we expect to further reduce our net debt in the second quarter.

Moving to our commercial and operational updates. The international OCTG market remained strong. Pricing remains very healthy and we have a robust pipeline of potential demand across multiple geographies.

In the U.S., demand has been stable for the past several months. However, market pricing has decreased in March and April as compared to the start of the year. Market expectations have reset lower due to pressure on gas-directed drilling activity, though we continue to see OCTG supply and demand as balanced.

We continue to see strong momentum in our New Energies business and particularly in our Delphy vertical storage solution. In early April, we signed a partnership agreement with NextChem through which we will integrate our vertical hydrogen storage solution, Delphy into global hydrogen and green ammonia production projects where NextChem is a technology provider.

We continue to target the first commercial Delphy system deployment in 2025. We will update you on this and more at our Aulnoye ONE research and development and new energy site visit on June 4th.

In April, we completed a significant step in our New Vallourec journey by executing a comprehensive balance sheet refinancing. We have decreased our cost of debt, extended the maturities of our senior notes and liquidity facilities, and preserved significant flexibility for our future capital allocation. This finalizes a major step in crisis proofing our business.

We're well ahead of our plans to reach net debt zero by year end 2025 and expect to meaningfully reduce our debt from the Q1 2024 level by year end 2024. Accordingly, we now target the initiation of returns to shareholders in 2025 at the latest.

Now, let's discuss the commercial environment on Slide 7. We focus on the U.S. OCTG market. The horizontal rig count, a proxy for our demand, remains stable. It has been effectively flat since last October. We continue to expect it to remain at a similar level for the next several months.

While not shown here, imports took a step higher in January and February, but have decreased again in both March and April. Accordingly, industry inventories are now slightly above five months of demand, below the long-term historical average.

However, many market participants started the year expecting demand to increase. As gas directed activity has weakened, we have seen decreases in spot market pricing in March and April. That said, we continue to see OCTG supply and demand as balanced and remain disciplined in our pricing strategy.

Subscribe to Seeking Alpha for more content like this

On Slide 8, we turn to the international OCTG market. Drilling activity has remained stable at strong levels for the past several quarters. Our leading technology offering positions us extremely well in the current market environment.

In the Middle East, some of our largest customers are focusing on developing their gas resources. Our suite of premium gas type connections are the preferred solution for developing these fields. Global investments in offshore fields are also at the highest level they have been in years and are likely to continue to grow.

There have been several high profile exploration successes and project development activity remains high. This is stimulating strong demand for our high end premium tubes that assure the safe development of complex offshore fields.

At the market level, pricing has remained relatively flat at healthy level. We continue to see a favorable booking price relative to our invoice price in international OCTG markets indicating a tailwind to future results.

Let me wrap-up to comment on our tubes business on Slide 9. Our first quarter results demonstrated the power of the New Vallourec plan. In spite of lower U.S. pricing and volumes, we saw EBITDA per tonne improve again in the first quarter of 2024 to the second highest level we have seen in more than 15 years. This reflects the cost reductions we have executed as well as the mix shift we have implemented with the Value over Volume strategy.

As I discussed in the previous slide, the international OCTG market remained strong. We continue to see a robust demand pipeline across several geographies, including the Middle East, Africa, and the North Sea.

I would also reiterate that our gas-oriented product portfolio in the Middle East is well-positioned for our top customers' investment strategy. In other words, we have seen no change in demand resulting from the well-publicized oil rig suspension in Saudi Arabia.

In North America, we continue to align ourselves with some of the largest independent E&P and distribution partners. We remain committed to our Value over Volume strategy and are staying disciplined on pricing despite the recent spot market evolution.

Let's turn to our Mine and Forest segment on Slide 10. Iron ore production was 1.4 million tonnes in the first quarter, in line with our expectations. As anticipated, the favorable iron ore price environment has been supportive to our EBITDA, which was slightly above the €100 million annualized run rate we guided at our Capital Markets Day.

With iron ore prices down marginally versus the first quarter level, we expect EBITDA will return closer to that €100 million annualized level in the second quarter. We continue to advance our Phase 1 and Phase 2 extension and we'll update you on this as we progress through the year.

Subscribe to Seeking Alpha for more content like this

I will now hand the call over to Sascha to comment on our financial results.

Sascha Bibert

Thank you, Philippe and good morning everybody. Thank you for joining. Starting on Page 12. We reported the sixth straight quarter of positive cash generation and subsequent net debt reduction to now below €500 million.

For the group, year-over-year results are impacted by 139 kilotons of lower tubes volumes, of which close to half relate to the closure of Germany. Furthermore, in this time period, we have seen a substantial reduction in U.S. prices, decreasing our invoice prices in that region by around $1,500 per tonne year-over-year.

Sequentially, we have lost some EBITDA, which we have recorded in the last quarter of operation in Germany in Q4 and also now have slightly lower EBITDA in the U.S. as well as in the Mine and Forest business. On the positive side, international tubes earnings continued on their upward trajectory and increased quarter-over-quarter.

Please also note that in our Q1 2024 EBITDA, we have €10 million of non-cash expenses compared to a minor non-cash benefit in Q4 2023 as you can see in our cash flow bridge.

Over to Page 13. We performed strongly once again in our pricing with the average selling price up year-over-year and sequentially despite lower prices in the U.S., a region which constitute almost half of the Tubes revenues.

The sequential reduction in tonnage is due to a mix of factors with Germany contributing about 20% to the quarter-over-quarter reduction in tonnage. The rest is largely timing and I would expect the volumes to pick up again in coming quarters.

On Page 14; profitability has increased both year-over-year and sequentially, which is remarkable given the change in market circumstances in the U.S. So, you clearly see the impact of both our Value over Volume strategy, but also the general strength of the international tubes market.

With a pickup in volumes in the coming quarters and a further decline in invoice prices in the U.S., I would expect the margin to reduce somewhat in Q2 and then in Q3 remain roughly stable.

On to Page 15. Year-over-year volumes and prices declined slightly and in addition, we are now mining lower quality ore, which is why we have embarked on a two-phase expansion.

Next to the aforementioned factors, EBITDA is furthermore impacted by the non-cash revaluation of the forest. In Q1 2024, the revaluation effect was minus €4 million while plus €1 million a year ago. In the coming quarters, we expect the EBITDA to be aligned with the €100 million annual run rate guided for during the Capital Markets Day.

Subscribe to Seeking Alpha for more content like this

On to Page 16. Similar to our cash performance, we are now building a track record of positive net income generation. In Q1, there was nothing major to mention. With respect to financial income or loss, I'm just reminding you that in Q4 2023 we had a €40 million extraordinary gain.

In Q1 2024, financial income is not yet impacted by the refinancing. Refinancing will have effects on the P&L, balance sheet, and cash flow; but I will explain those effects with real numbers in the next quarter. Not surprisingly, the effects are generally positive.

On Page 17, overall we report €102 million of cash generation, then offset by €17 million non-cash items mostly accrued interest for an €85 million reduction of net debt.

As indicated in my opening remarks, cash effective EBITDA was actually €10 million higher than reported EBITDA. Behind those non-cash items, we have the fair value movements of our biological assets, i.e. the forest as well as expenses for our management equity plan following IFRS 2.

On to Page 18, I can be quick here as we have further slides explaining the way forward. Key message is that we expect net debt to continue to decline meaningfully until year end, while we should also see a trend reversal in gross debt and total liquidity, which will also decline following our refinancing. Specifically, we will use cash on balance sheet to reduce gross debt thereby save on the spreads.

So, on Page 19. With our refinancing, we have a new bond with a longer tenure, but lower volume as well as upsized liquidity facilities with reset maturities. On a full year basis, we calculate that the benefit of this overall refinancing is about €30 million to €35 million per year.

A broad range of international financial institutions participated in this refinancing, clearly giving evidence that Vallourec now has become an attractive counterparty once again leaving the financial restructuring behind us.

This is also visible in our ratings. Standard & Poor gave us the fourth upgrade within 18 months and both Fitch and Moody's have us on a positive outlook with Fitch being one notch below investment-grade.

With respect to the bonds, we have issued in dollar, but swapped into euro. This means that we have created a synthetic euro bond in our financials with a euro coupon of around 5.8%. FX gains or losses from the dollar bond will be offset by an equivalent loss or gain from the swap.

On Page 20, you see the pro forma effects of the refinancing on the balance sheet. Over the course of the year, we will reduce gross debt by more than €550 million to below €1 billion with a state subsidized loan PGE to be reduced in two steps. In addition to the new bond, these transactions will be financed by cash on hand though total liquidity will benefit from our upsized RCF and ABL facilities.

Subscribe to Seeking Alpha for more content like this

Overall liquidity should be sufficient to support the company in any market conditions, thereby contributing to making Vallourec a robust and reliable counterparty, while the cash on balance sheet gives us sufficient operational flexibility.

Let me now hand back to Philippe for the outlook.

Philippe Guillemot

Thank you, Sascha. Let's turn to Slide 22 to discuss our outlook for the second quarter and full year 2024. Starting with our tubes business. In the second quarter, we expect that our volumes will increase sequentially due to higher international shipments. However, our EBITDA per tonne will decline, primarily due to the lower U.S. pricing.

For the full year, we expect the strong international market environment will persist with our results benefiting from favorable pricing for orders that are already in our backlog.

In our Mine and Forest business, we expect Q2 production sold to be slightly higher than Q1 due to the rainy season impact in the first quarter. Full year production sold is expected to be 6 million tonnes.

At the group level, we expect EBITDA will moderately decline in the second quarter, largely due to the U.S. market dynamics discussed previously. We expect EBITDA margin to remain strong through 2024 due to robust international tubes pricing and further operational improvements.

Finally, we expect to meaningfully reduce our net debt through the full year 2024, including a reduction in the second quarter.

To conclude on Slide 23. Our successful balance sheet refinancing has established a sustainable capital structure aligned with the New Vallourec footprint. The durable strength in the premium tubes market will contribute to another year of robust results in 2024.

Finally, our ongoing deleveraging -- with our ongoing deleveraging, we can clearly say we are ahead of plan in reducing our net debt. We expect to begin returning capital to shareholders in 2025 at the latest.

Thank you for your attention. Sascha and I are now ready to take your questions.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions]

We will take our first question from Mick Pickup from Barclays. Your line is open, please go ahead.

Subscribe to Seeking Alpha for more content like this

Mick Pickup

Good morning everybody. Thank you for the presentation. A couple of questions, if I may. Firstly, you talk about the U.S. market being in balance. Can you just talk about what you're seeing on the leading edge on those pricing of that at the moment?

And secondly, in your press release you talk about Middle East and gas. Now clearly, Middle East has brought some conventionals into the mix. Can you talk about the opportunity set that Saudi and Abu Dhabi unconventionals could pose for you?

Philippe Guillemot

Yes. So, U.S. market; when you look at the drivers of prices and volume in the U.S., they are rather positive. I think oil production in the U.S. is still expected to be around 30 million barrel of oil. Rig count has been stable for a long period of time. Uncompleted wells are at a low point in 10 years. Imports are at low level. Inventory is at low level.

So, there is expectation that market will stabilize and, as we said, we see no imbalance between demand and offer. So, I think we remain positive on the U.S. market in the next few quarters.

As far as the Middle East is concerned, you're right. I think the recent announcements are rather positive for us as switching from oil to gas means the need of more premium products, gas type connections, which is our sweet spot. So, for us so far, as I said in my comments, we see no impact on our demand even the opposite as it is demand for more premium products.

Mick Pickup

And that's even premium products in unconventional work in the Middle East?

Philippe Guillemot

Yes, for sure.

Mick Pickup

Okay. Thank you.

Operator

Thank you. We will take our next question from Kevin Roger from Kepler Cheuvreux. Your line is open, please go ahead.

Kevin Roger

Yes, good morning. Thanks. Just maybe a follow-up on the U.S. The last call that we had with you, you said that the pricing stabilization was imminent. Now, clearly it seems that it's a bit postponed with the comment that you have said. So, what's your view right now on the pricing dynamics? Do you expect the price to continue to go down for few months, few weeks, few quarters? So, when do you expect now the pricing stabilization, please?

And the second question you have changed a bit the tone on the shareholder remuneration because you were potentially anticipating shareholder remuneration in 2025 and now you said that it will be at the latest.

I was wondering if you also think about the potential way you will remunerate the shareholders and if you think about the dividend, the buyback, or also if you think a bit more on that side, please?

Philippe Guillemot

Yes, it's clear that there was a few months ago consensus that price would stabilize imminently and we are not the only one saying it. There has been a reset. It's clear that the gas-directed activity has had an impact, but for us it's a temporary impact.

Subscribe to Seeking Alpha for more content like this

Now, I would not bet anymore on how prices will go, but again when I look at the drivers behind volume and pricing in the U.S., what I mentioned earlier, I see no reason to be overly worried.

And again we have short-term visibility in the U.S., but going to be crucial, we don't know. But for the time being all the drivers behind prices and volume are rather positive.

As far as the expectation for the return, yes, we have improved in fact in our communication on return because now we said the latest. So, it's clear that it is directly driven by our deleveraging. You've seen that we are ahead of plan on our objective of net debt zero by end of 2025 at the latest and as we said, this will continue throughout the year.

As far as under which form the return could be, I think you have named the options; to be discussed with the Board and it will be put to AGM in due time, but it's clearly becoming more and more obviously a priority on our agenda. And maybe Sascha can complement my answer.

Sascha Bibert

Kevin, just as an addition, next to the actual deleveraging that we have had respectively, the net debt reduction that we are now expecting for the coming quarters. What also has helped that we now have the refinancing behind us that clearly gives us visibility going forward also on the financial structure.

When it comes to the form of shareholder return, I mean you know that in principle we are agnostic. We will look at both dividends, share buybacks, warrants included. That said, dividends will commence after the AGM of 2025. We don't have a dividend resolution for the AGM 2024. That means any shareholder return prior to the AGM 2025 will be in the form of share buyback/warrant purchases.

Kevin Roger

Okay, very clear. Thanks guys.

Operator

Thank you. Our next question comes from Jamie Franklin from Jefferies. Your line is open, please go ahead.

Jamie Franklin

Hi there. Thanks for taking my questions and thanks for the clear guidance on 2Q. I was just wondering if you could give us any steer on volumes in the third quarter and at least maybe directionally if you expect volumes to step-up again after a step-up in 2Q?

And then secondly, I just wanted to check on the moving parts of the cash flow. You did previously guide €200 million restructuring cash outflow. So, just checking that remains and what the phasing of that will be through the year? Thanks.

Philippe Guillemot

Yes, as I said in my comments, we expect volume to increase in Q2 versus Q1 and we have very robust backlog of orders, as we said, on the international market that we will obviously invoice in Q2 and Q4. So, volume will remain at a high level in the rest of the year. As far as restructuring cash out is concerned, I hand over to Sascha.

Subscribe to Seeking Alpha for more content like this

Sascha Bibert

Jamie, thanks for the question. You may recall that in Q4 we had a page where we tried to give some support in estimating the various cash outflows for the year, restructuring included. I'll come back to that in one second.

We also had CapEx on the slide full year around €200 million, I would reiterate that. We had financial cash out on that slide for the full year of around €100 million, I would reiterate that.

The refinancing effect on cash flow will be predominantly in the year 2025 onwards, that is different in the P&L and balance sheet. And there's also no change when it comes to the indication regarding tax cash out, i.e., use a mid to high 20%s rate on pretax income.

Restructuring cash out, we guided for at around €200 million. The message was that the year 2023 with around €360 million restructuring cash out was clearly the peak. This is now coming down even though it is still substantial in the year 2024. You can somewhat approximate the number in that year or any year thereafter by looking at the provisions on the balance sheet, restructuring provisions being one of them.

I think at the time of December 2023, the restructuring provision was standing at €270 million and obviously has declined a bit at end of Q1 given that we have utilized some of those provisions.

So, long winded answer to say yes, directionally it is still true. There might be some movements between line items, but directionally not a bad indication. What we have not guided for is change in working capital. That is also a difficult one to forecast, but I would be marginally more optimistic versus a quarter ago or so when it comes to the potential release of working capital in the full year.

Jamie Franklin

That's great. Thank you.

Operator

Thank you. We will take our next question from Joe Charuy from Bank of America Securities. Your line is open, please go ahead.

Joe Charuy

Good morning gents. This quarter marks the second successive quarter on a kind of 12-month trailing basis that your net debt to EBITDA has been within that 0.5 times corridor. I was just wondering whether you could -- given that on a technicality you've reached zero net debt, whether you could guide us to a kind of nominal net debt figure that you feel comfortable with when assessing potentially the restart of cash returns? Thank you.

Philippe Guillemot

Yes. Well, first before I hand over to Sascha, we are committed to remain very disciplined as far as net debt is concerned. So, any return of capital to shareholders should be viewed obviously within the limit of what we consider our max leverage. And now I hand over to Sascha to give you more color on how we see the management of this limit.

Sascha Bibert

Yes. Joe, once again message today is we are ahead of plan. We feel pretty confident, which is why we have made a number of wording changes to both the net debt outlook as well as to the timing of shareholder return.

Subscribe to Seeking Alpha for more content like this

You're right. If you use that trailing perspective, we are well within the 0.5 times leverage, which is one of the indicators. But if you go down that route maybe next to looking at a nominal level, as you have requested, also keep in mind that whenever we do return money to shareholders in whichever shape and form, that in itself is also a cash outflow. So, you want to take that into account when you run your math.

Joe Charuy

Sure. And then perhaps just one more on the potential for repurchasing warrants. The short interest held by warrant holders has not really budged since the last time that we spoke at the end -- in the fourth quarter.

Given that you're going to have a pretty significant cash outflow with the refinancing, how do you look at the potential for repurchasing those warrants given you're now lower just gross cash on the balance sheet?

Philippe Guillemot

I will let Sascha answer. Our net debt trajectory give us more and more room to maneuver. Still being very disciplined and remaining within the limit we have set for our leverage. But I will hand over to Sascha.

Sascha Bibert

It's technically true and it was actually intended that we are using some of our cash on balance sheet, which has surpassed €1 billion, if I got that right, to also finance the refinancing next to the inflow of the new bond.

So, technically speaking post refinancing, cash on balance sheet is lower. It's still at a very healthy level. But when I combine that with expected cash generation in periods to come, I think we have sufficient flexibility to act be it on warrants or be it on something else.

With respect to the warrants or short interest, yes, I think we're looking at the same market data, i.e., short interest possibly related to the warrants hasn't really changed that much. But still there would be the opportunity to engage with individual warrant holders to see if we do agree on value and then act accordingly going forward.

Joe Charuy

Very clear. Thank you very much.

Operator

Thank you. [Operator Instructions]

We will take our next question from Daniel Thomson from BNP Paribas. Your line is open, please go ahead.

Daniel Thomson

Hi, good morning. Just two questions, please. I was wondering if you could tell us what you're assuming for the direction of U.S. pricing and volumes in the second half of this year from the end Q2 level given in your outlook?

And then secondly, just coming back to the Saudi Arabia MSC 12 announcement and you've said this could be a sort of net benefit particularly on the profitability side. But in relation to your mid-cycle volume number that you gave last year I think 1.7 million tonnes, is this a significant enough change from a very significant country or does that sort of 1.7 million tonnes stay valid regardless? Thank you.

Subscribe to Seeking Alpha for more content like this

Philippe Guillemot

Okay. As far as the volume and prices in the U.S., we expect them to be lower in Q2 and offset, as we said, by our LC backlog and invoicing in the rest of world not fully, partially. So, just confirm what I've said earlier. As far as the new drilling plans for key customers we have in the list, this is covered by our long-term agreements.

So, I think we are already in a position to supply the technology that will be needed for their renewed focus on gas-directed investments. As far as 1.7 million tonnes, I will hand over to Sascha.

Sascha Bibert

Maybe one additional on the U.S. pricing, just reminding the technicality, i.e., that we should differentiate between booking prices and invoice prices generally. Now, specifically for the U.S., the time lag between the two is reasonably short, i.e., three months.

So, given the market pricing, as we speak, we do know that we will have a negative impact on the invoice prices in Q3. The subsequent question there is and that was asked prior when will market prices stabilize. To that, I have no further comment on top of what Philippe said.

On the overall volumes in this year or any other in relation to the 1.7 million tonne assumption used in our mid-cycle, I think for the time being you will see two developments relative to the mid-cycle developments -- mid-cycle assumptions. Number one, we are continuously outperforming and I would say significantly outperforming on the margin side or specifically EBITDA per tonne.

I remind you that in that mid-cycle simulation, we have used a tubes EBITDA per tonne of €450 per tonne, so we are significantly above that. One of the reasons being our Value over Volume strategy, including adequate pricing for the products that we have.

On the flip side, we are on a lower volume trajectory for the time being compared to that 1.7 million tonnes. I mean one way to look at it is the tonnage that we actually reported in 2023, which was 1.5 million tonnes. You will then acknowledge that in that 2023 tonnage, we did have volumes related to Germany, which we will no longer produce.

So, you do have a step down from that 1.5 million tonnes in 2024 at first. Once we are sufficiently comfortable that Value over Volume is really applied in all of our jurisdictions, then in years further out I can also see that volumes will pick up somewhat. But in 2024, they will be lower.

Philippe Guillemot

Yes, I would add that, as you understand, volume is not the primary focus of our way of managing Vallourec. So, we pay careful attention to address markets which value the technology we are selling. And as I have commented earlier, I think the market is becoming more and more favorable for us in the international trade.

Second, obviously, we continue to improve our cost structure to further improve our margin, which obviously translates in the numbers that Sascha just commented.

Subscribe to Seeking Alpha for more content like this

Daniel Thomson

All right. Thanks for the color.

Operator

Thank you. We'll take our next question from Baptiste Lebacq from ODDO BHF. Your line is open, please go ahead.

Baptiste Lebacq

Yes, good morning everybody. I have just one question regarding your land in Dusseldorf. Can we have an update regarding the situation? Is it evolving or is it on a pause if you can say like that? Can we have an update on this situation? Thank you.

Philippe Guillemot

Yes, you're right. I think this asset is still not sold. We have received unsolicited offers so we are clearly contemplating launching a new sale process. Obviously, first, we have to align with the City of Dusseldorf to be sure that the requirements for such sale and project are compatible with the research process. But yes, definitely we are still working on it.

Baptiste Lebacq

It could be, let's say, concluded by year end?

Philippe Guillemot

I won't commit to any timing. But obviously the sooner the better provided we can secure the price that makes sense.

Baptiste Lebacq

Thank you very much.

Operator

Thank you. [Operator Instructions]

We will take our next question from Kevin Roger from Kepler Cheuvreux. Your line is open, please go ahead.

Kevin Roger

Yes, sorry, it was a follow-up on the land in Germany. So the question has been asked and answered. So, all fine for me. Thanks.

Philippe Guillemot

Okay.

Operator

It appears there are no further questions. I would now like to hand over back to our host for any closing or additional remarks. Please go ahead.

Philippe Guillemot

Okay. Thank you very much. Thank you again for joining us for today's call. I would like to leave you with the following thoughts. First, with our successful balance sheet refinancing, we have completed a major step in crisis proofing our business.

With our extended maturities, ample liquidity, and reduced cash costs, we are well-positioned for the next several years. We expect 2024 will mark another strong year in the New Vallourec journey and we are looking forward to initiating our returns to shareholders, which we target in 2025 at the latest.

Thank you again. Operator, you may close the call.

Operator

Thank you. This concludes today's call. Thank you for your participation. You may now disconnect.

Subscribe to Seeking Alpha for more content like this

**Load-Date:** May 16, 2024

**End of Document**