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CGG.PA - Full Year 2019 CGG SA Earnings Call

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MARCH 06, 2020 / 7:00AM, CGG.PA - Full Year 2019 CGG SA Earnings Call

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PRESENTATION

Operator

Thank you, ladies and gentlemen, thank you all for standing by, and welcome to today's 2019 full year results conference call. (Operator Instructions) I must advise you all that this conference is being recorded today, Friday, the 6th of March 2020.

And without any further delay, I would like to hand the conference over to your speakers today. Please go ahead, sir.

Christophe Barnini - CGG - Head of Group Communications & IR

Yes. Thank you. Thank you. Good morning, ladies and gentlemen. Welcome to this presentation of CGG's fourth quarter 2019 results. The call today is hosted from Houston, where Mrs. Sophie Zurquiyah, our CEO; and Mr. Yuri Baidoukov, our CFO, will provide an overview of the fourth quarter and full year 2019 results as well as provide comments on our outlook.

As a reminder, some of the information contains forward-looking statements, including, without limitation, statements about CGG plans, strategies and prospects. These forward-looking statements are subject to risks and uncertainties that may change at any time, and therefore, the actual results may differ materially from those that were expected.

Following the overview of the quarter, we will be pleased to take your questions. And now I'll turn the call over to Sophie.

Sophie Zurquiyah-Rousset - CGG - CEO & Director

Good morning, ladies and gentlemen, and thank you for participating in this Q4 2019 conference call. A presentation will cover our fourth quarter, full year 2019 operational and financial results and 2020 perspective.

Before I begin the presentation, I'd like to make a couple of comments on the coronavirus. Our direct exposure so far has been relatively modest. Our Sercel manufacturing plant in China closed for a week, but has been back to normal production since mid-February.

However, the situation remains quite fluid. We are closely monitoring its evolution and preparing and testing mitigation plans. For example, we are in the process of ensuring that all of our geoscience centers can remain fully functional with most employees working from home for an extended period.



MARCH 06, 2020 / 7:00AM, CGG.PA - Full Year 2019 CGG SA Earnings Call

We also have adopted vigorous antiviral cleaning protocols within our offices and are limiting travel to that, which is critical to our business. Ignoring the short-term upset from the virus, looking at our market in more detail, trends and client behavior remain the same. Increased investor pressure on capital discipline and shareholder returns and low commodity prices are pushing our client E&P companies to remain conservative.

In general, they continue to focus on portfolio optimization and to limit exploration efforts to a few geographies and new field step-outs. I believe CGG is uniquely situated with the right technology to profit from these market conditions, and I will discuss this technology in a little detail later.

Moving on to Slide 5. We made significant progress in 2019 and early 2020 towards our strategic objective to become an asset-light, people, data and technology company. We successfully exited the Seabed Geosolutions joint venture with Fugro on December 30, 2019. We exited Marine acquisition with the closing of the Shearwater deal on January 8, 2020. We see the Land acquisition operations on February 15, 2020. And we are finalizing a deal for the sale of the Multi-Physics acquisition business and expect this to close mid-2020.

We are now fully focused on our differentiated businesses of Geoscience, Multi-Client and Equipment, where our people, our data and our technology allow us to compete successfully in the profitable high end of the market and better manage through market volatility.

Moving on to Slide 7. We delivered a good Q4 2019 with solid business performance across our 3 businesses of Geoscience, Multi-Client and Equipment. Our revenue in Q4 increased sequentially 4%, but was down 9% year-on-year compared to a very high Q4 2019. You will remember that 2019 presented an unusual cyclicity with large equipment sales in H1 and very high Multi-Client sales in Q3. With this, full year comparisons will be more representative of underlying trends than quarter-to-quarter comparisons. The group net income for the quarter was positive at \$25 million and included a positive \$62 million income from the new profile.

Now on Slide 8. I'm very pleased with what CGG has achieved in 2019. It demonstrates the discipline of our organization to deliver on our goals, and I would like to recognize all the CGG employees with hard work and focus through the transition contributed to our very good results.

I believe the best way to put that in relative context is to refer back to the road map we established during 2018 and presented to you at the Capital Market Day in November of that year. So 2 years ahead of schedule, we are very close or better than our targets with the new profile of CGG. This performance demonstrates the relevance of our strategy and that the company is now well configured to deliver excellent financial performance based on our 3 differentiated businesses.

Our yearly revenue increased by 14% year-on-year to \$1.4 billion and EBITDA was up 30% to \$721 million representing a 51% margin. More importantly, segment free cash flow was higher at \$434 million after \$75 million of R&D and industrial CapEx and lower-than-expected Multi-Client cash CapEx of \$186 million.

In 2019, thanks to a favorable pattern in seasonality, we benefited from a \$58 million positive change in working capital and provisions. As a result, our net cash flow was high at \$186 million in 2019 with a net debt-to-equity leverage ratio below 1 at 0.9x. These operational results clearly demonstrates the strength of CGG and its reduced exposure to the cycle under its new profile.

I will now cover our full year 2019 operational achievements by reporting segment. So to ensure we have time to address the full year results, I will skip over our Q4 operational results, but we'll be happy to respond to questions during the Q&A session.

Now on Slide 9. In today's moderate oil price environment, Multi-Clients are prioritizing existing assets in their portfolios. I spent time with clients and I have seen demand continuing to shift towards reservoir assessment, development and management. In addition, the importance of our Geoscience technologies and services are becoming more and more obvious to the heads of the reservoir management as we offer insights and value that is directly linked to reserves and production. Overall GGR has grown 5%, very much in line with E&P CapEx.

Now on Slide 10. Market demand for our Geoscience technology and service remained solid across all regions, as very high-resolution images of the reservoir are required for near-field exploration and reservoir management. Geoscience activity is picking up in Europe and Africa, and more recently, in the Middle East, especially in Abu Dhabi and Kuwait. External backlog was \$287 million at year-end, up 10% sequentially and 20% year-on-year.



MARCH 06, 2020 / 7:00AM, CGG.PA - Full Year 2019 CGG SA Earnings Call

Our top priority in Geoscience is to focus on high value-add projects that very few service companies, if any, can actually deliver. As an example, CGG is by far the #1 processor of OBN data worldwide due to our unique technology and commitment to delivering the very best images possible.

Recently, we received a letter of recognition for outstanding performance on a 3D processing project from a client that was able to significantly increase reserves in that field.

Now on Slide 11. Geoscience total production was \$137 million in Q4 is stable year-over-year and was \$522 million for the full year of 2019, also stable year-on-year. Backlog at \$287 million was up 10% year-on-year.

Our continued acceleration of HPC computing capacity enables us to apply new and unique CGG technology in algorithms, which substantially improve the resulting images of the subsurface and enable our clients to improve their understanding of geological details.

So on Slide 12. This quarter, we were active onshore U.S. and offshore in Brazil. Our 15,000 square kilometer Nebula program in the Santos Basin has attracted high interest from clients. Overall, in 2019, we spent \$186 million in Multi-Client cash CapEx, less than our original plan, mainly due to weather and permitting delays.

Looking at 2020, we are starting the year with a strong portfolio of ongoing and committed projects like our node survey in the U.K. sector of the North Sea. We are currently acquiring data offshore Brazil, Australia and onshore U.S. With this, I have a high degree of confidence that we will be able to deploy around \$275 million to \$300 million of Multi-Client CapEx in 2020.

At year-end, our library represented over 1.2 million square kilometers of 3D seismic data as well as complementary geologic data and studies, positioned in key producing sedimentary basins offshore globally and onshore in the U.S.

On Slide 13 now. For the full year 2019, total Multi-Client sales were \$575 million, up 11% year-on-year, including high one-off transfer fees in Q3. For the year, we also achieved a very high prefunding rate of 116% due to project mix. As I have said in the past, I would rather invest more CapEx which might lead to lower prefunding rates but would increase future revenue streams.

Increasing our pipeline of opportunities has been one of our priorities in 2019 and has translated into much richer portfolio of projects for 2020.

Moving on to equipment with the Slide 14. Demand for Sercel land equipment remains strong. During the quarter, Equipment delivered over 100,000 508 X-Tech land data acquisition channels, mainly in Russia. The land market remains active and 3 mega-crews were tended recently in the Middle East.

The amount of equipment that we will ultimately sell depends on which geophysical contractor wins the work. During the quarter, we also received strong client interest in our 2 new Sercel products. The WiNG, the new and fully integrated wireless cable-free and cost-effective nodal land acquisition system; and the GPR, a new ocean bottom node that leverages the self-proven QuietSeis high-performance digital sensor technology.

In our non-oil and gas segment, fuel tests continue to progress well for Sercel's new node prototypes which are designed for the growing high-end infrastructure monitoring market.

On Slide 15 now. The segment revenue in Q4 2019 was \$123 million, up 15% year-on-year. Land equipment represented around 71% of total sales.

Looking at the full year 2019, total equipment sales were up 29% year-on-year. The number of channels delivered in 2019 was up 40%, and the number of sensors was up 80% year-on-year.

The Marine equipment market remained depressed in 2019 with less Marine sections delivered in 2019 than in 2018. 2019 Equipment segment EBITDA was \$96 million, up 128% year-on-year, a margin of 21%, driven by the strong land volumes.



MARCH 06, 2020 / 7:00AM, CGG.PA - Full Year 2019 CGG SA Earnings Call

Equipment segment operating income significantly increased to \$66 million with a margin of 15%, which resulted from the better absorption of manufacturing costs with the higher volumes.

Now on Slide 16, before turning the floor to Yuri for a financial overview, I would like to summarize the technologies launched by CGG in 2019. During the Capital Market Day, we said we would invest in increasing the differentiation of our value-add products and services. We also said we would leverage our strong base to profitably and organically grow by developing our capabilities and presence in adjacent businesses.

This slide gives you a list of key technology that we developed and that will generate future revenue and profits. Let me comment on a few. In Geoscience, one of our strengths is the ability to deploy new algorithms real-time into client projects, thanks to an integrated research and delivery model. New versions of our full waveform inversion deliver improved subsurface images, accelerate interpretation and ensure more accurate reservoir modules.

Along with our proprietary processing projects, we believe this unique CGG technology also creates an opportunity to refresh our library, adding further value to our past investments. We also drive new value in Multi-Client through new types of acquisitions. We shot our first Multi-Client ocean bottom nodes program in July of 2019 in the U.S. Gulf of Mexico.

We received excellent feedback from our clients as it provides additional important reservoir description information for their future field development plans. We already announced a Multi-Client OBN program of 2,500 square kilometer in the North Sea and are currently working on other OBN Multi-Client program opportunities.

I would like to talk for a minute about a few examples where we are making progress in digitalization and machine learning. We have now digitalized much of our geologic library, allowing clients easy access to an enormous amount of data from around the world. We are continuously adding to that library new information. We introduced a Multi-Client cloud-based portal that allows clients to view our data products, along with their own licenses. We have embedded machine learning into our algorithms in seismic processing and into our seismic reservoir characterization software.

Over the last year, we have been measuring the percentage of revenue from these recent technologies. In 2019, our new technology accounted for close to 30% of our revenue.

I will now give the floor to Yuri for more financial highlights.

Yuri Baidoukov - CGG - Senior EVP & Group CFO

Thank you, Sophie. Good morning, ladies and gentlemen. Looking at the consolidated P&L for 2019. Segment revenue from our new profile amounted to \$1.4 billion, up 14% year-on-year or 10% excluding unusually high part of transfer fees. This growth was fueled by solid Multi-Client after sales and high demand for land equipment in Sercel.

GGR contribution was \$960 million, a 5% increase year-on-year with 69% weight compared to 74% weight in 2018. Geoscience revenue was \$385 million, a 3% decrease from last year and Multi-Client sales were at \$575 million, increasing 11% year-on-year, mainly driven by one-off transfer fees. The Equipment revenue contribution was \$441 million, a strong 40% increase year-on-year with 31% weight versus 26% weight last year.

Segment EBITDA was \$721 million, up 30% year-on-year with a strong 51% margin. EBITDA of both GGR and Equipment segments increased significantly compared to last year. GGR EBITDA margin was high at 68% and Equipment EBITDA margin was at 21%. Both segments demonstrated strong year-on-year improvements.

At operating income level, group performance was positive at \$247 million, up 74% year-on-year with a strong 18% margins for the new profile versus 12% a year ago as significant year-on-year improvement despite the \$86 million impact from the application of 4 years straight-line amortization in Multi-Client.

MARCH 06, 2020 / 7:00AM, CGG.PA - Full Year 2019 CGG SA Earnings Call

GGR contribution was \$211 million, a 22% margin, up from \$176 million at 19% margin last year, and Equipment contribution was \$67 million, a 15% margin, increasing significantly from \$12 million at 3% margin a year ago.

Looking at our OpEx costs, R&D net costs were \$24 million, lower by \$7 million; G&A costs were \$66 million, lower by \$15 million on cost reductions and favorable euro-dollar exchange rate. And marketing and sales costs were stable at \$47 million year-on-year.

Net cost of financial debt amounted to \$132 million with a big noncash component of \$42 million and negative impact from IFRS 16 of \$9 million. Group net loss was at \$61 million, including net income from continuing operations of \$131 million, offset by net loss from discontinued operations of \$189 million.

Moving on to Slide 19 and looking at our cash flow statement. In 2019, our segment net cash flow generation increased significantly to \$434 million compared to \$128 million in 2018. A substantial improvement year-on-year, driven by our excellent operational performance, as our EBITDA increased by \$165 million versus last year and compounded by \$58 million positive change in working capital and provisions.

Our 2019 Multi-Client cash CapEx of \$186 million was 17% lower than 2018 and below what we planned, mainly due to project shifts and delays. 2019 cash prefunding rate was 118% compared to 97% in 2018. Industrial cash CapEx and R&D costs in our Geoscience and Equipment businesses were stable year-on-year at \$78 million.

Cash cost of debt slightly increased year-on-year to \$81 million. Net cash flow from discontinued operations was negative by \$32 million, a significant improvement from last year. 2019 cash costs related to the implementation of CGG 2021 plan were at \$136 million. They included severance costs as well as costs related to our exit from Marine acquisition business and SBGS joint venture and wind-down of land seismic acquisition business.

Moving on to Slide 20 and looking at group balance sheet. At the end of December 2019, our capital employed was at \$2.3 billion, down \$84 million from the end of last year. Net working capital after IFRS 15 was down to \$148 million, driven by an \$84 million decrease in receivables at \$436 million on the back of strong Q4 collections and lower Q4 revenue year-on-year.

Goodwill remain flat at \$1.2 billion corresponding to 52% of capital employed and 35% of shareholders' equity. Our Multi-Client library net book value after IFRS 15 at \$531 million, with segment NBV at \$376 million was down from \$633 million at the end of 2018.

The NBV split was \$462 million for Marine and \$68 million for Land. Multi-Client segment amortization rate was 61% in 2019 versus 69% a year ago. Other assets at \$491 million were stable year-on-year with property, plant and equipment net book value increasing to \$297 million, including IFRS 16 right of use. Other intangible assets at \$160 million, down from \$266 million and other noncurrent assets stable at \$30 million.

Shareholder equity and minority interest increased to \$1.61 billion, including \$46 million minority interest mainly related to JunFeng JV. On the back of our strong financial performance, net debt reduced to \$716 million, or \$584 million before IFRS 16. Cash and cash equivalents significantly increased year-on-year to \$611 million.

Looking at our debt structure on Slide 21, at the end of December 2019, our gross debt was at \$1,326 million or \$1,194 million before IFRS 16 with the following breakdown. \$615 million of first lien U.S. dollar and euro bonds maturing in 2023; \$521 million of second lien U.S. dollar and euro bonds maturing in 2024; \$15 million of other items, mainly accrued interest; and \$175 million of lease liabilities under IFRS 16.

Our financial leverage improved significantly this quarter with net debt to shareholder equity ratio decreasing to 46% or 37% before IFRS 16, and segment leverage or net debt to LTM EBITDA, excluding the impact of IFRS 16, staying below 1x at 0.9x. We remain focused on generating cash and were net cash flow positive in 2019 for the first time since 2012, reaching an important milestone on our journey to sustainable profitability and return generation. While we have plans for potential debt refinancing and improvement of our capital structure by bringing back an RCF in 2020, their implementation will depend on the normalization of market conditions.

As we're under no pressure to refinance, we'll come to the market at the time of our choosing with the objective of maximizing this additional contribution to the value creation for our shareholders and all stakeholders.



MARCH 06, 2020 / 7:00AM, CGG.PA - Full Year 2019 CGG SA Earnings Call

And now I hand the floor back to Sophie for an update on our business outlook and our 2020 objectives.

Sophie Zurquiyah-Rousset - CGG - CEO & Director

Thank you, Yuri. We'll be on Slide 23 now. CGG has historically had a strong focus on ESG with social responsibility initiatives in the countries and communities where we work. We also have a strong history of health, safety and environmental protection leadership. Some examples include actions such as innovating and implementing novel equipment to monitor the safety of mammals in the sea, all the way to active -- activities such as planting trees in Singapore and globally enabling our staff to support micro credit in developing countries.

More and more, we are incorporating ESG in our daily activities and business decisions and our AA ESG rating by MSCI Agency is a testimony of our commitment.

Within our ESG agenda, the environmental dimension has risen as even more critical for our sustainability. We have taken the time to reflect on our strategies and the objectives that we can take to play our part. As an asset-light company, our direct greenhouse gas emissions have drastically been reduced by more than 90% to a very low 2.2 kilotons per year. However, we will do more by determining how best to address our indirect emissions and support our clients in their agendas. We'll set short-term and medium-term quantifiable objectives to improve from our already good position. One of our obvious targets is the continued improvement of power usage efficiency in our data centers, along with a continued increase in the usage of green energy.

Now on Slide 24. Looking at 2020 and the business outlook by activity. Geoscience is starting the year with improved visibility. As a reminder, in Geoscience, we focus on the most profitable segments of the market. Multi-Client should benefit from a solid pipeline of well-identified and prefunded programs. And Equipment growth is expected to be, again, driven by solid demand, especially in Land.

We remain cautious on the Marine streamer replacement market, but I'm more optimistic on our OBN offering, which we anticipate will become a new revenue stream for our Equipment business starting in 2020.

Now on Slide 24. And -- sorry, Slide 25. You will see us investing more in 2020 based on a larger pipeline of good Multi-Client projects, increased compute power for Geoscience and industrial CapEx to manufacture new products. Assuming a limited impact of the coronavirus, we anticipate mid-single-digit segment revenue growth, excluding one-off transfer fees of \$50 million in 2019. EBITDA margin stable at around 50%, excluding positive impact of one-off transfer fees.

OPINC margin stable at around 15% compared to 2019, excluding positive impact of one-off transfer fees and including high Multi-Client amortization of around \$350 million.

Investments of \$365 million to \$400 million, \$100 million to \$125 million increase year-on-year. Solid cash generation with segment free cash flow in the range of \$175 million to \$200 million, including \$100 million increase in investment and negative change in working capital of around \$80 million, reflecting return to usual seasonality profile with strong Q4 Multi-Client and Equipment sales. Positive net cash flow, including \$75 million of CGG 2021 cash plan cost and cash cost of debt.

As a conclusion, and again, assuming the current volatility doesn't translate into unforeseen drastic actions from our clients. We are currently on track to achieving our 2021 targets. Cash generation and shareholder value creation remain our priority. So thank you very much for your interest, and we are now ready to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our next question comes from the line of Jean-Luc.



MARCH 06, 2020 / 7:00AM, CGG.PA - Full Year 2019 CGG SA Earnings Call

Jean-Luc Romain - *CIC Market Solutions, Research Division - Analyst*

Two questions, if that's possible. In the last few weeks, mainly oil majors outlined their plans for the future and their plans to be compliant with the Paris agreement. And some mentioned a potential reduction in their exploration, while some of companies like ExxonMobil yesterday emphasized the importance of Geoscience in their reservoir management practice. Do you see a potential -- risk for gas exploration? And how could it play on your future growth? And how does it balance to (inaudible) reservoir management?

Sophie Zurquiyah-Rousset - *CGG - CEO & Director*

Okay. So thank you, Jean-Luc. The -- Right now, what we see -- keep in mind, we work with a handful of clients. So we know them quite well, and we stay in touch with them. So -- and we play mostly if you look at Geoscience in the sort of offshore deepwater environment. And in that space, we see clients very focused, but sort of keeping their investment sort of flattish. So we don't see any really necessarily increases, but we don't see any drop either. But what we see is the importance -- increasing importance of Geoscience in what they're doing. Perhaps in the ESG agenda, it becomes more important to not to optimize the drilling in the sense of avoiding drilling dry holes and things like that. And if that's what you want to do, you need the better images. And the technology is advancing in such a way that they can have access to those images for a relatively low price compared to the stakes of drilling wells that cost anywhere, you say, \$100 to \$300 depending on where it is. So I think the -- if you want, in the last few years, the payback on the cost benefit of Geoscience, I think, has improved, if anything. And so perhaps even whatever happens to that budget within that, the Geoscience component becomes more and more protected. But in general, I don't see any significant movements, either up or down of those exploration budget, knowing that they're very focused to certain areas. Or again remain around those sort of existing infrastructure. And then the second element of it is that a large -- a much larger portion of our total revenue is coming now from fuel development and appraisals and development and production area. So we're definitely -- and you see it in our results, we're less exposed to that. Higher cyclicality coming from exploration.

Operator

Our next question comes from the line of Kevin Roger.

Kevin Roger - *Kepler Cheuvreux, Research Division - Research Analyst*

The first one is related to the Geoscience business unit also. You mentioned in the comments that the external backlog is up by something like 20% year-on-year. And does it mean basically that we can expect a double-digit growth at Geoscience this year?

And the second question is related to the group's EBITDA margin. So you achieved 51% this year. You are guiding for 50% in 2020. But in your business plan, 2021, you mentioned 45% plus or minus, 3 basis points -- 300 basis point. I was wondering what are the key element for keeping you more cautious on the margin for '21?

And the last question is regarding the cash. So clearly, you are ahead of expectation in terms of net debt position already in terms of leverage already in line with your 2021 target. So I was wondering what's your current mindset regarding the payment of dividend. And what could be the key catalyst for having a dividend to shareholders maybe in 2021, please?

Sophie Zurquiyah-Rousset - *CGG - CEO & Director*

So I'll take the first question and I'll leave the others to Yuri. But in terms of the Geoscience business, the backlog has increased 10% year-on-year. It doesn't -- it will. I mean I would like it for it to translate immediately in an increase of the same amount in revenue. But it's not -- some of this backlog is a multiyear backlog. So it will eventually -- it's a positive signal that things are improving, but it doesn't translate immediately into increased revenue in that given year just because some of the work is spread a longer certain period of time.



MARCH 06, 2020 / 7:00AM, CGG.PA - Full Year 2019 CGG SA Earnings Call

Yuri Baidoukov - CGG - Senior EVP & Group CFO

Yes, Kevin. So answering your second question about EBITDA margins. You might recall that when we presented our targets at the Capital Market Day back in 2018. And you're correct, it was 45% plus/minus, 300 basis points. These numbers were excluding the impact of IFRS 16. And obviously, with the application of IFRS 16 starting in 2019, we see the positive impact to our EBITDA of about \$45 million to \$49 million per year. So if you -- kind of in other words, if we adjust for our EBITDA doors and, therefore, EBITDA margin for that and compare it again to the guidance or objectives of Capital Market Day, we're running at the high end of our guidance, excluding application of IFRS 16. I hope I was able to answer your question on that point.

Kevin Roger - Kepler Cheuvreux, Research Division - Research Analyst

So yes, clearly, that's very clear. Yes.

Yuri Baidoukov - CGG - Senior EVP & Group CFO

Yes. And now moving to the -- your last question. Obviously, in production of dividend -- meaningful dividend policy remains an important objective to us. But -- and again, I have to kind of give a bit of a cautious -- caution given the current environment. But if this current environment kind of comes back to normal fairly quickly in terms of oil prices, and we will not see the impact kind of on our business from our client-side. We should be in a position, and we're striving to be in a position to introduce a meaningful dividend policy as early as 2021. Now this year is still the kind of the tail end of our transition. As you know, we still have a few things to do. One of our objectives this year as was discussed, and as I mentioned during this call, is to refinance, but obviously, again, subject to markets returning to normal condition. And following that, we hope that we will -- with a better capital structure and lower cost of debt, we will be in even better position just to reduce that.

Sophie Zurquiyah-Rousset - CGG - CEO & Director

So Kevin, yes, it's something that definitely will come to the Board for discussion actually as soon as things -- definitely, we -- we definitely put behind us all of this CGG '21 plan sort of restructuring. But I think it will definitely be a conversation that will start happening sometime later this year and next year. But it depends a little bit what happened with the current volatility.

Operator

(Operator Instructions) Our next question comes from the line of Sahar Islam.

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

I had a couple on CapEx, if that's okay, please. So for the Multi-Client CapEx, how much of the increase in spend is increasing volumes versus price inflation? And how much of the spend is going towards ocean bottom node 4D? As you mentioned, some of that spend being more focused on existing production and getting better pictures, where the IOCs already have infrastructure?

Sophie Zurquiyah-Rousset - CGG - CEO & Director

Thank you, Sahar. I would say the -- I do know that I don't have the granularity on top of my head. But I would say a good chunk of our investment is going and we do actually -- if I look back, we have done relatively little investment in, what I would call, the frontier explorations. Most of our areas of investment have been in sort of around mature areas, producing areas. Or in the case of Brazil, I would call them they're not quite frontier, right? The known areas. There is oil, we know it's there. So regardless of whether it's nodes or streamer acquisition, this we've actually consciously positioned all of our investments in areas that we know are of interest to clients, which is more the sort of known areas and step-out production.



MARCH 06, 2020 / 7:00AM, CGG.PA - Full Year 2019 CGG SA Earnings Call

So in terms of the nodes, I'm trying to think in terms of our investment. It would be somewhere around probably 20-ish percent of the total investment. That's what we have currently in the pipe. I mean that Multi-Client node survey that we're going to be doing in the North Sea. But again, don't think about it as nodes versus streamer because you could do certainly and what we've done in Norway has been around producing areas for the last many years, and that's what's been working. And currently, we have a vessel in Australia in the Gippsland basin and that Gippsland basin is one of the most mature basins in the country.

Does that answer your question? Oh, sorry, you had the question, sorry, about is volume versus price.

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

Yes, please.

Sophie Zurquiyah-Rousset - CGG - CEO & Director

We've not seen price inflation, to be honest. I would say, it's been neutral from that standpoint.

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

And just for the Shearwater deal, if there is a bigger macro impact from the coronavirus? Is the pricing for this year and maybe next year fixed? Or is there a downside -- is there downside risk to the pricing, so you get that cost deflation if the market is weaker this year, in general?

Sophie Zurquiyah-Rousset - CGG - CEO & Director

Yes. The commercial agreement that we have with Shearwater is fixed. So we have agreed on prices for, I think, 3 years.

Operator

Our next question comes from the line of Christopher.

Christopher Møllerløkken - Carnegie Investment Bank AB, Research Division - Research Analyst

This is Christopher Møllerløkken from Carnegie. Just 2 quick questions. This COVID-19 situations, of course, I understand that it limits travel activity for CGG. But have you seen any change in the clients' behavior?

Sophie Zurquiyah-Rousset - CGG - CEO & Director

Yes, Christopher, the -- I haven't. So certainly, we're all more or less grounded, and we're using more video conferencing. Certainly, on the sort of the regular meetings and the few to few meetings that those continue happening. Of course, there are certain rules that are in place, but whether you've been traveling to certain places and things like that. But I did ask the question to some of the clients I have met recently, whether they would be changing substantially their budgets or making -- or delaying projects or doing -- taking action as of now. And the answer has been no because most of -- there is enough inertia in the system that most of the commitment, there is lots of things that are already committed, and they can't really change and the investment decisions they're making, they're making as a long term. So they're not going to change drastically anything based on a few months' concern. Now, of course, if the oil price was going to stabilize below that Brent, below \$50, that would certainly create some nervousness, and you might start seeing some shifting around. But so far, the conversation has been that things have been maintained.



MARCH 06, 2020 / 7:00AM, CGG.PA - Full Year 2019 CGG SA Earnings Call

Christopher Møllerlækken - *Carnegie Investment Bank AB, Research Division - Research Analyst*

And I guess, Yuri, you perhaps experienced this volatility a bit more in the financial market. And you said it was really fair to assume you wouldn't approach the market now in the current conditions. But is it fair to assume that it would be unlikely for CGG to refinance during second quarter given the current market volatility?

Yuri Baidoukov - *CGG - Senior EVP & Group CFO*

Christopher, obviously, as I mentioned in my remarks, we're not going to go to the closed market or the market with unfavorable conditions. So it still remains to be seen. The way we're preparing ourselves is that we will be ready. And then if the markets are there, we will come to the markets. If the markets are still shut down, we will wait. So -- but our objective internally is to get ready for that and be ready to come to the markets at the right time.

Operator

(Operator Instructions) The next question comes from the line of James Evans.

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

It's James Evans from Exane BNP Paribas. I've got a couple. Sophie, I wonder if I could push you a little bit on the Multi-Client prefunding number for this year. I think you've given over 70% in previous years, you did 120% last year, and I should say you've got a survey program that's very weighted towards appraisal-type work or even development. So why shouldn't we expect a number closer to 100%, again, for the full year. Is there any particular reason on what you're doing to be a bit more conservative on our side?

And secondly, I just wonder if you can give us an update on the Marine streamer joint venture and timing and percentage share that you'll have?

Sophie Zurquiyah-Rousset - *CGG - CEO & Director*

Yes. So on the first one, James, on the prefunding ratio, I recognize that year-over-year, I give you a number, which is around 70% to 75% as the guidance and we always achieve, we've achieved a lot more. And it is a reflection of us becoming more and more selective on our projects, but also the fact that we haven't spent more money in a way. So it's a -- we're selective. But then I would like to do our projects, for example, where typically, you would start with very little prefunding, and then it builds up over the life of the project. And it doesn't mean it's not as good of a project. So it's -- you could have a very, very good project that starts with very low prefunding. But we haven't had, and I'd like to have more of those projects, but we haven't had some of those more recently. So it's -- if I look at my ideal portfolio of projects, my aim would be to be around that sort of 80% prefunding ratio, which would be a good ratio of more risky, less risky, higher prefunding, lower prefunding projects. And more recently, it just happened that way. We've gone for a project that had better prefunding. And some of it is the result of a lot of investment in Brazil, which has been very attractive. And so we've got a lot of prefunding from that. But I keep -- I think for this year, again, we're sticking back to that lower number than we've actually achieved last year, again, because we're spending more money. And in that portfolio of projects, some of it might be -- might have a lower prefunding initially if you want. Just keep in mind that the -- when you start a project, you build up the prefunding to the sort of the initial stages of the project. So if any given year, you have more projects that are started sort of by nature, you'll have a lower prefunding. If most of your projects are sort of in the tail end, then you tend to get more prefunding.

Oh, the second question -- so that's on the prefunding. The second question is on the NewCo. It is progressing very well. The -- it's -- as I had mentioned in the past, it's a complex deal because it's something new for us, and we want to make sure we do it right. So there is a lot of details to be worked through. I do expect that we should sign the sort of the agreements, I would say, in the next couple of months, and then we'll just have some regulatory approvals to get to, which will take us to sometime in Q3, I would imagine. But in terms of the -- how much we both have, it's a 60-40 agreement. So 60% for us and 40% for Shearwater. And we are both committed to doing it. It's just that it just takes time to get it right.



MARCH 06, 2020 / 7:00AM, CGG.PA - Full Year 2019 CGG SA Earnings Call

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

Okay. Understood. On the -- I guess on the lag effect, I suppose in prefunding. And unless we should interpret your language around the late sales of being solid as being flattish, excluding the \$50 million one-off from last year?

Sophie Zurquiyah-Rousset - *CGG - CEO & Director*

I think that's -- yes, it's probably fair.

Operator

(Operator Instructions) No further questions at this time. Please continue.

Sophie Zurquiyah-Rousset - *CGG - CEO & Director*

All right. Well, thank you very much. I appreciate you attending the call, and I look forward to seeing you in our roadshows in the upcoming weeks. So thank you very much, again, and goodbye.

Operator

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

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