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EDITED TRANSCRIPT

CGG.PA - Q1 2018 CGG SA Earnings Call

EVENT DATE/TIME: MAY 17, 2018 / 7:00AM GMT

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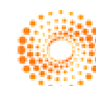

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PRESENTATION

Operator

Good day, and welcome to the first quarter 2018 conference call. Today's conference is being recorded.

At this time, I would like to turn the conference over to Ms. Catherine Leveau. Please go ahead.

Catherine Leveau - *CGG - SVP of IR*

Good morning, and welcome to this presentation of CGG first quarter 2018 results. My name is Catherine Leveau, Head of Investor Relation. The quarterly financial information, including the press release, the presentation and the streaming audio webcast of this call are available on our website at www.cgg.com. Some of the information contains forward-looking statements, including, without limitation, statements about CGG plans, strategy and prospect. These forward-looking statements are subject to risk and uncertainties that may change at any time, and therefore, the actual results may differ materially from those that were expected.

The call today is being hosted from Paris, where Sophie Zurquiyah, CEO; and Stephane-Paul Frydman, Group CFO, will provide an overview of the first quarter as well as provide comments on our outlook. Following the overview of the quarter, we would be pleased to take your questions.

And now I turn the call over to our CEO Sophie Zurquiyah.

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

Good morning, ladies and gentlemen. I took the role of CEO at the end of April, and I look forward to engaging with the investor community in the coming month. I have a deep sense of responsibility for the position. And I am fully mobilized to deliver the improved performance that the recent financial restructuring enables focusing on what we control. We have a new governance in place with 6 new board members recently appointed, the new Chairman Philippe Salle and myself as your new CEO. We work very closely and very well together. We are in the process of revisiting the strategy and future plans with the focus on maximizing CGG's performance and future growth potential. I look forward to discussing these at the Capital Market Day later in the year.

In the meantime, in a market that is showing signs of gradual recovery, my priorities are on the performance of our businesses with the focus on efficiencies and cash generation as well as capitalizing on our strong positions in GGR and Equipment. The future can be bright. Geoscience is the first step in finding and producing oil and gas [right] clients. And CGG enjoys a leading position. Geoscience is also critical for optimizing reservoir

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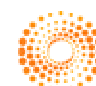

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development and production, and I intend to increase CGG's exposure to these market segment. We will unlock CGG's full potential moving forward and develop the group into strong growing and sustainably performing business.

Now let's go back to our Q1 results. I'll start with the business update and Stephane-Paul will comment on our financial results. I'll then make some completing comments before opening the call to Q&As. Now I'm on Slide 4. To start with, it's worth to mention that the figures are well present and comments are based on our segment reporting, meaning the ones used for company's management purposes. The IFRS numbers based on the transitory first-time application of IFRS 15 will be detailed later by Stephane-Paul.

Let me first summarize our Q1 results. We posted overall year-on-year revenue growth which strengthened segment EBITDA margin. Our segment revenue was up at $295 million, up 18% compared to Q1 2017. GGR segment revenue was boosted mainly by multi-client sales performance. Equipment revenue growth was driven by a solid land volume increase and contractual data acquisition remained impacted by the continued challenging market environment. Segment EBITDA was $53 million, up 85% year-on-year and 18% margin compared to 11% last year. Segment operating income was negative at minus $22 million. IFRS net income of $647 million reflects the positive $759 million impact from the financial restructuring. And I'll go into more detail by business segment.

Slide 5. GGR's segment revenue was up 17% year-on-year at $185 million driven by multi-client sales and solid SIR performance. Multi-client was up 17% at $84 million with goods sales coming from Brazil, Norway as well as U.S. land. Prefunding was at $49 million, slightly down from last year and after-sales were up 85% at $35 million. The cash prefunding rate was 79% this quarter in line with our target. 44% of the fleet was dedicated to multi-client programs, the high exposure compared to last year at 29%. Going forward, we expect 40% of our fleet to be allocated to multi-client surveys in Q2 2018 and roughly 50% in Q3 2018.

Our library is well placed for upcoming license runs in Brazil and Norway. We have several sales pending signature or other ratification by governmental bodies in Africa and Brazil that should come to fruition during the year. With this, I remain confident in the outlook for the year for multi-client. Subsurface Imaging & Reservoir revenue was up 17% year-on-year at $101 million with strong performance across all businesses. Business is picking up for development projects related to the recently announced FIDs by our clients as well as production management. We're also seeing more exploration projects around existing infrastructure.

GGR reached a segment EBITDA of $97 million and a 21% operational profitability with an operating income at $38 million. The margin increase year-on-year was mainly driven by a higher number of sales of fully depreciated multi-client survey. The multi-client depreciation rate went down from 66% in 2017 to 53% in 2018.

On Slide 6 now. I think it is important to give you color on some of our key achievements during the quarter and why they bring value. In Subsurface Imaging, we delivered excellent results on our TopSeis innovative acquisition methodology enabling the client to image shallow exploration targets with precision. The comments were enthusiastic and the Subsurface Imaging was substantially helped [during] exploration. We continue to innovate in Imaging where our deblending and denoise technologies which prove to be highly effective for ocean bottom cable processing delivering excellent results.

Landed acquisition were [dative] from multiple sources is acquired simultaneously brings overall cost efficiencies that also increases processing complexity which plays to our strength. Subsurface Imaging technical differentiation continues to drive business opportunities around the globe. Competition is fierce, so we continue to succeed. In multi-client, we have been very active strengthening our unique coverage in Brazil. We recently launched the acquisition of an 8,000 square kilometer 3D multi-client survey in the pre-salt area of the deepwater Santos Basin. This new Santos survey will be merged with the 44,000 square kilometer reprocessing survey that we completed in 2017. The fast track image will be delivered this year in Q4 and the final products in Q2 2019.

Brazil is attractive large interests from client across the globe as it presents a unique offshore long-term growth opportunity that competes with U.S. unconventionally. ANP, Brazil's National Agency of Petroleum announced last week that the record number of companies have registered for the fourth tender of pre-salt blocks to be held beginning of June. In addition, CGG's multi-client data library is well positioned globally through a number of key licensing rounds expected in 2018.

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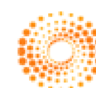

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I'm on Slide 7 now. The Equipment business shows sign of recovery. Equipment segment revenue reached $66 million this quarter, up 103% year-on-year driven by a solid land growth. Land represented this quarter 78% of our sales, well above our 60% average and Marine 22%. External sales were up 92% at $49 million posting a robust strengthening from a very low point in 2017. Overall volumes remain low with an unfavorable mix leading to still slightly negative segment EBITDA at minus $3 million. The segment operating income was at minus $10 million.

Slide 8. In Algeria, we delivered a large 508XT acquisition system, our newest technology which is [still] proven in a toughest desert condition. In Land, we see large standards coming from Middle East which will eventually translate into sales of equipment. In technology, we saw the new Sentinel high-resolution solid streamer to a German Research Foundation specializing in polar research. The streamer will provide highly detailed images of the shallow sediment layers in one of the most challenging environments in the world.

Slide 9. Contractual data acquisition continues to suffer from challenging market conditions. Segment contractual data acquisition revenue was down 8% at $61 million from reduced marine activity and continued poor pricing. Marine revenue was $29 million, down 35%, mainly driven by higher dedication to multi-client surveys with 44% of the fleet dedicated to multi-client programs versus 29% in Q1 2017. Last year, we were performing a large proprietary contract for PEMEX.

Operational performance was strong with a 96% production rate this quarter. Looking forward, our fleet coverage is currently at 100% for Q2 and 90% for Q3. Land & Multi-Physics revenue was at $32 million, up 48% year-on-year driven by improved land and mining market. Segment operating income contribution from contractual data acquisition was negative at minus $34 million impacted by continued low prices in marine and delayed operations in Land & Multi-Physics. The strength and timing for the recovery in the marine contract market remains uncertain.

Moving to Slide 10. Marine contractual data acquisition performed a proprietary multi-sensor streamer survey in Asia which conferred uplift brought by the new multi-sensor technology. As announced earlier, we will restart one of our vessels located in the GSS joint venture. Caribbean has returned from sea trials, and the seismic rigging is ongoing. Endeavour will be returned to her owner end of July when she finishes the ongoing survey in Mozambique. The restart cost I included in the non-operated resources EBITDA.

Land was quite active with cruise on the ground in North Africa and PNG. Our [crucial] procedures enabled us to safely manage through a major earthquake in PNG without injury, despite significant damages to our camp. Multi-Physics continues to see some improvement related to mining activity as demonstrated by the high order intake.

This complete this business segment review. I'll now handover to Stephane-Paul Frydman to comment in more detail on our financial figures.

Stephane-Paul Frydman - *CGG - CFO and Senior Executive Vice-President of Finance & Strategy*

Thanks, Sophie. I'm on Slide 12. And we'll first start spending some time on IFRS 15, which is not an easy matter needed to address nor to understand. We are supposed to implement as you know the new accounting norm this year with this at January 1. The impact of IFRS 15 on our revenue recognition policy is minimal on [there] for all our businesses, good for what we call the multi-client pre-commitments, meaning the sales we are performing during the presenting phase of the multi-client survey before the delivery of the final corresponding license.

Last year's [feeding] discussion with our auditors to see is that could be an accounting practice that in the meantime would be compliant with the IFRS 15 norm and would provide timely a fair view of the performance and value creation of our multi-client business. That would be the case, could we be allowed under IFRS 15 to notify your service component within our pertaining contract and to allocate most of the contract [tool] economies typically 90% to such component. The corresponding revenue would be then recognized along the percentage of completion as we are doing up to now.

Could we not be allowed under IFRS 15 to do show, we would be then forced to postpone the recognition of revenues related to those multi-client pre-commitments at the final delivery date of the service data with material impacts respectively on the group top line and the group bottom line differing of our multi-edition. And then certain balance sheet items such as the value of the net book value of the multi-client library and the net working capital.

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Being a pure accounting matter, it would however have no impact on the cash flow side. In such context and in the absence of a finalized IFRS 15 accounting parties for pre-commitments, CGG decided to present for its Q1 results a dual approach. As mentioned by Sophie, the figures used for internal management reporting purpose, but this of course segment figures which shall produce and they commence with the group historical methods in the percentage of completion from multi-client pre-commitments and before any non-recurring charges related to (inaudible) on financial restructuring.

And b, a segment set of figures so called as reported IFRS figures doing in line with the accounting parties adopted by some other seismic players with pre-commitments revenue recognizing full value for (inaudible) the final data and including on top of it all the non-recurring charges and financial items. We aims to fix the definitive accounting parties with our auditors and with our stock exchange regulators prior to the H1 2018 accounts release.

So I think you look on Slide 13, what does that mean in terms of impact on the figure themselves and the discrepancy with our segment for years. We put here the bridge on the segment to IFRS. So as you remind, IFRS is not implemented in 2017. But as we had this 2017 $144 million of revenue that we are recognize a [real time] survey which we have not completed by year on 2017. We have to adjust the 2018 opening balance sheet. We are then to revise the detailed revenue within the current liabilities by $131 million. And due to the lack of multi-client amortization, we have to revise them, the multi-client's library net book value by $119 million to raise it up to $951 million.

Looking at the flow, and so in Q1 2018, the multi-client revenue to (inaudible) in addition amounted to $49 million leading to IFRS quarterly revenue at $246 million instead $295 million. And IFRS income including all sort of maintenance $34 million non-recurring charges. So IFRS OPINC income at minus $67 million. For the cash (inaudible), the minus $49 million revenue adjustment comes later directly at the EBITDA level is balanced obviously by a corresponding increase in the change in working capital letting eventually pensions, the segment cash flow collaboration when seen before and then recurring charges related to transformation plan and transfer restructuring.

At the balance sheet level by March end 2018, the combination of those adjustment led to a $158 million gap between segment and IFRS at currently EBIT levels. That's mainly detailed revenues. And with multi-client library netbook value at $1,012 million instead of $854 million in the segment approach.

So moving now to the P&L, based on the segment revenue down to the net income. I'm on Slide 14. As highlighted by Sophie, over the quarter, based on a segments reporting the group revenue amounted to $295 million, up 18% compared to 2017. And with a business mix quite in line with our target as GGR waits for 63% of the revenues but Equipment only for 17% at contractual data for 20%. And the segment is being level. The group performance was minus at minus $22 million corresponding to a significant year-on-year improvement.

The non-recurring charges at OPINC level amounted to minus $44 million. And we are made by minus $21 million for complement of additional adaptation cost and minus $13 million of a tail of the financial [as well as trading] fees. The IFRS adjustment at the OPINC level at minus $11 million is [notable] from 20% of the $49 million of difference of revenue into the segment and IFRS, leading eventually to an IFRS OPINC of minus $67 million for Q1.

Below EBIT, the current net financial cost amounted to minus $40 million reflecting the P&L cost cash and non-cash attached to the brochures are showing that structure, while the non-recurring financial elements amounted globally to plus $760 million, so that's not a surprise. We warned the market early March on the fact that there will be a very significant positive impact related to the completion of the financial restructuring on February 21, and this $760 million is coming from $770 million which is directly the positive impact of the completion financial of restructuring. And this $770 million is the combination of plus $1,060 million is coming from the unsecured debt equitization.

We are the principal of $2 billion and we deferred value of the share we should was only $930 million. And that amount of $1,060 million which is a plus is reduced by the IFRS cost of the penny warrant which is around $250 million and the placement fee for minus $40 million. So that's a plus $770 million. Balance by minus $10 million dollars which is corresponding to the (inaudible) portion of variable to (inaudible) financing fees, meaning the collection we made in the board to refinance the first thing, the $63 million the first thing. And that's cost as to be seen as a part of the counterpart of the 3% (inaudible) fee.

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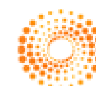

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So all in all, first minus $19 million non-cash tax, the net income amounted this quarter a $647 million and compassing a $759 million positive net impact of the completion of financial restructuring.

Moving on Slide 15, on the cash indicator, and the full year free cash flow. As already indicated by Sophie, the Q1 segment EBITDA up $53 million as well as up 85% year-on-year, boosted by our multi-client sales showing an 18% margin. Total CapEx at $94 million were up 37% year-on-year in line with our expectations. Multi-client cash CapEx at 62%, 79% prefunded and in line with our full year target of 70%. Industrial CapEx at $24 million and R&D CapEx at $8 million.

The combination of the segment of (inaudible) cash flow, the global CapEx and $14 million of net interest paid led to segment free cash flow of minus $40 million. All in all, taking offshore into account the minus $56 million of non-recurring charges which we are mainly made of the financial retail -- financial restructuring cost for minus $48 million as already announced in our Q4 results. The IFRS free cash flows stood at minus $96 million.

I will now glance on the debt structure, post restructuring on Slide 16. You can see the debt between year-end 2017 and March-end 2018, meaning the structure of the group prior restructuring which was a gross financial debt at $3 billion, liquidity at $315 million and with debt time financial leverage above 7x. So the financial restructuring completed on February 21 triggered the reduction of the gross that down to $1.2 billion, and the liquidity improved plus of $265 million taking into account the cost of the restructuring fees [paid in] Q1 I was mentioning before.

So capital with Q1 year-end free cash flow declared by end of March to $538 million of liquidity and a $659 million of net debt corresponding to 1.7x financial leverage and a 26% gearing ratio net debt to account equity. As a matter of fact, the debt matter is forced to remind that thanks to the financial restructuring, the accounting liquidity of the group was restored at $2.5 billion by March-end 2018, a [$6.5] billion by year-end 2017. These $2 billion of increase coming mainly from the (inaudible) for $1.3 billion and from the $759 million of (inaudible) I was talking about before.

Looking more in detail of the debt structure, we are now basically from debt insurance with a long-term maturity, i.e. respectively 2020 free for the first in component and 2024 for the second in component. As you know, we took advantage of good credit markets conditions to optimize the post-recession debt structure, fully accelerated refinancing of our first [lean] debt. This is a comeback as shown which was successfully completed in April that load us boost to switch to fixed rate and to use significant research interest rate at 8.4% in average. The cumulated corresponding savings overall the ocean (inaudible) meaning up to February 2021 amount to around $70 million, and while offshore benefiting for shortening of the search in cool period from February 2021 back to May 2020.

I now hand the floor back to Sophie for our completing remarks.

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

Thank you, Stephane-Paul. To conclude, I'm on Slide 18. Our first quarter performance was in line with expectations with solid revenue growth and an improvement in our EBITDA margin compared to the first quarter of 2017. These results confirm the gradual upward trend initiated in 2017 based on strengthening oil price that is bringing improved volumes to GGR and Equipment.

Fundamentals are improving for our clients, with their costs down, oil prices up and strong free cash flow, but we must stay cautious. Although oil prices today are ranging upwards around above $70 benchmark, most international oil companies are still using a $50 brand as a planning price and remain focused on disciplined capital spending. In this environment, our revenue growth and EBITDA margin targets for 2018 remain in line.

The restructuring of CGG was successfully completed at the end of February and our financial position is restored with solid liquidity. My ambition as new CEO and with the commitment of all our team, is to return CGG to sustainable and profitable growth with a strong emphasis on cash generation, paving a new path of performance and success for all of our stakeholders. I will be back to you with a 3 year plan at the Capital Market Day later in the year, which will lay out the strategy and plan forward.

Thank you very much, and we are now ready to answer your questions.

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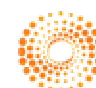

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QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question today comes from Mick Pickup from Barclays.

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

Question if I may, you talked about Capital Markets Day and revisiting your strategy of future plans, can I just confirm that you endorse that medium-term view of where you expect profitability to go to and this is additional (inaudible) may come up for that?

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

I'd say yes is the short answer.

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

Okay. Thank you. And second question then, you talk of a gradual improvement, if I look at the contract business, obviously pricing was what I'd say low point similar to Q4 of last year. You fully booked for Q2 and Q3 as it stands. Is there any indication that the pricing was embedded into that is showing some form of strength over something like we saw last year?

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

So let me remind you one thing is that first of all our exposure to contract data acquisition is limited. In practice, we have 5 vessels. 3 of them are dedicated to market clients. So we really see the marine acquisition through 2 vessels. I think we -- one thing we've been trying to do and some of our competition too is to [test] higher pricing. But I have to say that right now there is still a situation of overcapacity, and I'm not seeing any significant tension or improvement in pricing.

Operator

Our next question comes from Gregory Brown from Credit Suisse.

Gregory Lewis Brown - *Crédit Suisse AG, Research Division - Research Analyst*

Perhaps you could help us understand what needs to happen in order for you to turn free cash positive. Is there any further restructuring required to get that? That's the first question. And my second question, how should we think about the timing for the potential recovery for marine equipment sales?

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

So thank you very much for your question. I think the plan that we have is constructed on the growth of GGR and Equipment, which unreasonable growth for those 2 engines if you want, which by the likes of the improving macro environment is actually a reasonable assumption. Now obviously, as an operational person, we are looking at where the difficulties are, and then we'll take any actions as required to make sure we contain the cash losses in if any in any part of the organization, and then do the actions as we go to make sure we maximize our profitability. Now the question on the marine equipment sales is a very interesting one. We seem to be coming to the end of the -- if you want the equipment bubble meaning that the companies have been using their used equipment from the vessels that were stacked. However, those clients are not necessarily in a strong financial conditions to be spending lots of money. And they lack I would say some maybe trust and comfort what the future looks like in terms of

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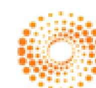

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the marine pricing, the previous question that we have. However we are -- we could start to see signs that there is a need for more equipment, but associated well that there will be a need for financing that equipment which we are aware of and are looking at ways to address.

Operator

Our next question today is from Lillian Starke from Morgan Stanley.

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

The first one is regarding when I look at how much was delivered this quarter versus the guidance unchanged. I was wondering if you could share a bit more color and how do you see that recovery towards mid ranged guidance or even at the low end of the guidance? And what sort of I mean, usually first quarter tends to be seasonally stronger, but do you see any other sort of path to that recovery in addition to the normal seasonality? And then my second question is a bit of a follow up to the previous one. You mentioned that you're looking at financing for the equipment on the marine side. Is this something that you're also considering on land equipment or the dynamics there are a bit different?

Stephane-Paul Frydman - *CGG - CFO and Senior Executive Vice-President of Finance & Strategy*

Okay. I'm taking the first question. The Q1 positionally will depend, but there is a seasonality. And in general, at least on [CG side], it's conditionally a low quarter, not a high quarter, so that's not a surprise. And then after looking at the global outlook, I guess the reason is [ancient. We retained the division] which is long story short, just to say that the gross in 2018 compared to 2017 should be at least occupy above to the one we benefited from between 2017 to 2016, meaning plus 10%. And one of the driver on that is clearly on as cited by Sophie on [surveys] side, which is ongoing recovery under land dimension, under the land segment probably driven by (inaudible) and so that's the key driver for the year.

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

So I'll add something on the land equipment. The mix of clients there is totally different. So you have I mean the clients are generally financial strength to purchase equipment. So but like in the Marine side, there's been a usage of older and used equipment on the market which is now coming to an end with a very strong -- a lot of the bidding activity in Middle East which requires newer equipment, so there's the reasons to think that the land market will pick up for equipment.

Operator

(Operator Instructions) And our next question comes from Jean-Francois Granjon from ODDO.

Jean-Francois Granjon - *ODDO BHF Corporate & Markets, Research Division - Analyst*

This is Jean-Francois Granjon from ODDO BHF. Three questions, please. The first one, looking into guidance for the full year, could you give us some guidance taking into account the new norm IFRS 15? What would be the impact for the full year expectation? The second question, what about pricing, so during the previous press release, you mentioned that probably you submit some test to increase pricing. So what the situation at that time? Could you probably increase or not surprising the future (inaudible) the future of quarter, the next quarter? And the last question, if I what I remember you made your guidance, your plan. And your plan is based on price for the barrel between $60 to $65, so today we have a pricing high often that, nearly $70 or $78 to $80 per barrel. So [taking] this new point, why did you not improve the guidance for the group for full year?

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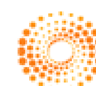

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Stephane-Paul Frydman - *CGG - CFO and Senior Executive Vice-President of Finance & Strategy*

Jean, I will take the first question on the IFRS 15 which is okay, the answer is quite simple. We are not able and no one will be really able to pull a guidance, any guidance based on IFRS 3 years. And that's the reason why we shift like the others seismic player on and their stable accounts, meaning I mean the management accounts segment where we recorded the segment for U.S. where we can and (inaudible) seeing a -- and just label for the street. That being meaning IFRS 15 will introduce a significant volatility quarter-to-quarter. Second, surely probably [defer some] revenue from 2018 to 2019, where we will see an idea of which amounted could be maybe $50 million or plus. But the difficulty we have is clearly that you see that it impact negatively Q1. It will probably impact negatively Q2 because just depending on the way we are delivering the final license of our ongoing meeting on survey, and then we will have probably a very strong Q3. The [locality], the business seasonality is not this one. The business seasonality is we dedicated as mentioned by Sophie. 44% of our fleet to mitigate pollution. According to IFRS, there's no impact in our initial performance. Well, if you see the [other impact on the R&D] initial performance which are graspable in the segment for U.S. Same thing for Q2, meaning a long IFRS 15 to be exactly as if there would be no pollution of multi-client survey all along H1. So it's not meaning a fair view of that this level of financial performance. And that shows and why we are trying to advocate you, I'm discussing really with the -- also with the other seismic players. There's some fixed their position like PGS, although they are still thinking to another position which is the case of PGS or meaning, (inaudible) to name it take the position that it's okay, that's full service. So we are trying to clearly land on under stable position. And obviously, we'll keep on communicating on the guidance. But that today we'll the issue -- and you wanted to replace a segment for U.S. and that's what we rated for 2018, when talking about the vision in terms of volumes and revenues, that's obviously based on segments approach and that IFRS 15 approach.

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

So let me take the question on pricing. So one thing that we must remember is we're coming out of probably one of the longest downturn in the industry. So the downturn for us actually started in 2013. We could see that '16 was probably the low point, and we've seen gradual improvement in 2017 and we're seeing in '18. Not all of our businesses see actually quite the same cycle, but in general, I mean we're coming out as a low point. But it's been a dramatic experience across the industry. And I would say that as it is now, the service sector, it's more of a general statement doesn't have -- hasn't recovered the pricing power. And probably because there isn't yet enough tension on the demand and then the (inaudible) tension on the capacity. So I'd say not yet. There is a new share in the system. There will eventually be tension, and so that we could start looking at increasing pricing. Some of that has happened already on the rig side for example, but not on our side. Now your third question on the barrel price. Now there's a translation, if you want you've got the barrel of oil, you've got clients going better, and then clients deciding what they do as a result on their exploration and production CapEx. Now that's next translation from the oil price through the exploration and production CapEx hasn't happened, so it feels today very similar to like it was at $60 and I explained that in my comments, clients are sometime using as internal dollar barrel, they using anywhere between 40 and 50. So we will only start feeling the difference when that internal number goes up closer to the real price.

Operator

Our next question is from (inaudible) from Goldman Sachs. Pardon the interruption. We now have the Jean-Luc Romain from CM-CIC Market Solutions.

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

You mentioned during the introductory remarks, your willingness to increase upper revenue from share and reservoir performance and management during the production phase. What are the main gross revenues you see there? And maybe one other question, how could unconventional production use more (inaudible) which doesn't seem to be very much the case so far.

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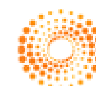

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Sophie Zurquiyah-Rousset - *CGG - CEO & Director*

Thank you very much. Those are excellent questions. So the shift towards more getting closer if you want in what we do to reservoir management and production is already started because obviously, even during the downturn, those budgets have been more protected than the pure frontier exploration budget. So clearly what we do is about positioning our multi-client surveys in more mature basins and areas where there is production. As you know, a lot of the exploration that is happening is around mature areas. So combining both in terms of the positioning, the exploration and production has been our strategy. We're doing more of reprocessing projects very successfully, where in the reprocessing project, you are accessing already short data in some of the mature areas, but you are bringing the uplift to that technology, with technology to create if you want a homogeneous coverage in a matured basin. So this has been very successful and we'll continue to do that. So positioning multi-client. And the second angle is really being the leaders into all those technologies in the geoscience side that are used in the reservoir management. So of course, you know about the 4D which is coming back into a reservoir and then looking at the differences over time, but it is also the nodes being the leaders in the nodes processing. Those technology requires more precision because you're trying to image changes and what is happening to reservoir that's producing. And this is where we can leverage our unique technologies in particular in processing to do that. Now, of course, we accompany that with some of our software technology where we're trying to point that towards more reservoir development and reservoir management technologies. On the second question in unconventional, it is actually something we've been trying. We all know that a lot of the clients CapEx has been growing in a priority towards unconventional. So we play there through our multi-clients. So every year, we been through even through the downturn investing in our multi-client library in the U.S. land which is essentially been driven by the unconventionals. Because it's multi-client, it allows us to test different things what we're trying to do. I have to admit we haven't found yet the civil bullet that makes geoscience indispensable in that business environment. But we are getting reasonable successes here and there, where clients are coming to us for technology. And one other things we're trying to do is to increase the density of the data that is required to see if we can provide better images and really improve value for our clients. If you look at what is being acquired today in North America compared to say Middle East, there's no nothing in common, really it is quite basic what is being done in North America. Now the question is will client be willing to paid for more quality and will there be value in that? And that is what we're trying to find out.

Operator

Our next question comes from (inaudible) from Goldman Sachs.

Unidentified Analyst

Can you guys hear me?

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

Yes.

Stephane-Paul Frydman - *CGG - CFO and Senior Executive Vice-President of Finance & Strategy*

Yes.

Unidentified Analyst

Just a quick question on data acquisition on cash generation there. You guys burned around $40 million in the quarter. I don't know if that's seasonal or if you can give us a little bit of guidance on what you would expect on cash generation from that division this year?

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Stephane-Paul Frydman - *CGG - CFO and Senior Executive Vice-President of Finance & Strategy*

On the division, certainly not. But again on the cash matter, you remind that at the group level, I mean the cash generation is mainly all about volumes. There was -- that the breakeven for the cash is probably around 1.6, meaning that's (inaudible) meaning more volumes lead to more EBITDA margin and facing CapEx that are -- meaning stable for given business portfolio. We have -- the cash generation will be highly dependent on volumes. So we know that 1.5 -- it would be tough to be cash generator and the breakeven is roughly at 1.6.

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

So I'll give some qualitative answer here. So lot of the cash consumption around the acquisition is the result of 2 surveys that we locked in last year at very low prices. And I don't expect we'll see similar -- we will not accept to be working at similar prices for the rest of the year and so we'll be taking actions to make sure we minimize that cash consumption.

Operator

We have no further questions at this time. I'll hand back over to you for any closing remarks.

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

Well, thank you very much. Exciting times especially with the oil price, so hopefully this will translate into further improved outlook for us. And thank you very much for your attention and we'll be in touch.

Stephane-Paul Frydman - *CGG - CFO and Senior Executive Vice-President of Finance & Strategy*

Thank you. Bye-bye.

Catherine Leveau - *CGG - SVP of IR*

Bye.

Operator

Ladies and gentlemen, that will conclude today's conference call. Thank you for your participation today. You may now disconnect.

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