Core Laboratories LP [CLB]
Q1 2024 Earnings Conference Call
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Company Participants:
Gwen Gresham, Senior Vice President, Head, Investor Relations
Larry Bruno, Chairman, Chief Executive Officer, President
Chris Hill, Chief Financial Officer

Analysts
Stephen Gengaro, Stifel

Presentation

Operator: Good morning, and welcome to the Core Lab Quarter 1 2024 Earnings Call. (Operator Instructions). After today's presentation, there will be an opportunity to ask questions. (Operator Instructions). Please note this event is being recorded.

I would now like to turn the conference over to Larry Bruno, Chairman and CEO. Please go ahead.

Larry Bruno: Thanks, Nick. Good morning in the Americas, good afternoon in Europe, Africa and the Middle East, and good evening in Asia-Pacific. We'd like to welcome all of our shareholders, analysts and most importantly, our employees, to Core Laboratories first quarter 2024 earnings call. This morning, I'm joined by Chris Hill, Core's Chief Financial Officer, and Gwen Gresham, Core's Senior Vice President and Head of Investor Relations.

The call will be divided into six segments. Gwen will start by making remarks regarding forward-looking statements. We'll then have some opening comments, including a high-level review of important factors in Core's Q1 performance. In addition, we'll review Core's strategies and the three financial tenets that the company employs to build long-term shareholder value. Chris will then give a detailed financial overview, and have additional comments regarding shareholder value. Following Chris, Gwen will provide some comments on the company's outlook and guidance.

I'll then review Core's two operating segments, detailing our progress and discussing the continued successful introduction and deployment of Core Lab's technologies, as well as highlighting some of Core's operations and major projects worldwide. Then we'll open the phones for a Q&A session.

I'll now turn the call over to Gwen for remarks on forward-looking statements.

Gwen Gresham: Before we start the conference this morning, I'll mention that some of the statements that we make during this call may include projections, estimates and other forward-looking information. This would include any discussion of the company's business outlook. These types of forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to materially differ from our forward-looking statements.

These risks and uncertainties are discussed in our most recent annual report on Form 10-K, as well as other reports and registration statements filed by us with the SEC. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Our comments also include non-GAAP financial measures. Reconciliation to the most directly-comparable GAAP financial measures is included in the press release announcing our first quarter results. Those non-GAAP measures can also be found on our website.

With that said, I'll pass the discussion back to Larry.

Larry Bruno: Thanks, Gwen. Moving now to some high-level comments about the first quarter of 2024, Core continued to build on the operational momentum established over the past few quarters. Revenue was up 1% compared to Q4 of 2023, outperforming the seasonal decline of 4% to 7% that often occurs for Core Lab between Q4 and Q1.

For the full company, ex-items, operating income for the first quarter was $14.9 million and operating margins were 12%, flat to Q4 of 2023, and again, overcoming the typical seasonality that has historically impacted Core's business at the start of a new calendar year.

First quarter 2024 U.S. land completion activity was down approximately 11% compared to Q4. However, Core's U.S. completion diagnostic services increased quarter-over-quarter as operators continued to see the benefit of evaluating various ever-more-complex completion designs. In addition, U.S. product sales also outpaced completion activity, growing 7% sequentially, reflecting improved market penetration.

Production Enhancement revenue, operating income, and operating margins all improved sequentially, despite lower U.S. land completion activity compared to Q4. For Q1, operating margins Production Enhancement, ex-items. were 8%, up from 6% in Q4.

Over in Reservoir Description, revenue was flat sequentially. Here again, this performance overcame the seasonality that typically occurs between Q4 and Q1. Disruptions to crude oil transportation tied to the Middle East and Russia-Ukraine conflicts persisted in the first quarter of 2024. These produced some headwinds for assay work on crude oil and derived products in the affected regions.

First quarter 2024 operating margins, ex-items, for Reservoir Description were 14%, down slightly from Q4.

As noted, demand for rock and fluid analysis across our global client base continues to rise, and more projects are progressing from the planned and committed phase and into the early stages of execution.

In line with our stated financial goals and after paying our quarterly dividend, Core dedicated its free cash to reducing debt by $3 million in the first quarter. We will continue to focus. free cash on reducing debt and strengthening our balance sheet.

Lastly, for the full company, ex items, EPS was $0.19 per share, flat to Q4 of 2023.

As we look ahead, Core will continue to execute on its key strategic objectives by, one, introducing new problem-solving product and service offerings in key geographic markets; two, maintaining a lean and focused organization; and three, maintaining our commitment to delever the company.

At the end of Q1, our debt leverage ratio was 1.76. We will continue to strengthen our balance sheet and advance to our stated goal of achieving a leverage ratio of 1.5x or lower. As we continue to reduce debt, Core will also review various options for returning value to our shareholders through the use of excess free cash.

Now to review Core Lab's strategies and the financial tenets that Core has used to build shareholder value over our 28-year history as a publicly-traded company. The interests of our shareholders, clients and employees will always be well served by Core Lab's resilient culture, which relies on innovation, leveraging technology to solve problems, and dedicated customer service.

I'll talk more about some of our latest innovations in the operational review section of this call. While we navigate through the current challenges and pursue growth opportunities, the company will remain focused on its three longstanding long-term financial tenets, those being to maximize free cash flow, maximize return on invested capital and returning excess free cash to our shareholders.

Before we move on, I want to thank our employees for their dedication, loyalty and adaptability in meeting all of our client needs, and for the commitment that many have shown as we progress into a more active global market.

I'll now turn it over to Chris for the detailed financial review.

Chris Hill: Thanks, Larry. Before we review the financial performance for the quarter, the guidance we gave on our last call and past calls, specifically excluded the impact of any FX gains or losses, and assumed an effective tax rate of 20%. So accordingly, our discussion today excludes any foreign exchange gain or loss for current and prior periods.

Additionally, the financial results for the first quarter of 2024 include a charge of $3.5 million for noncash stock compensation expense, associated with the future vesting of performance shares for certain employees who have reached eligible retirement.

We also recorded $2.6 million of costs associated with exiting and consolidating some of our facilities and employee severance. These items have also been excluded from the discussion of our financial results.

So looking at the income statement, revenue was $129.6 million in the first quarter, a slight increase from $128.2 million in the prior quarter and $128.4 million in prior-years' first quarter. We would normally experience a seasonal decline in revenue moving from the fourth quarter into the first quarter. However, increased demand in both the U.S. and certain international regions for Reservoir Rock and Fluid Analytical Programs and completion diagnostic services offset the seasonal decline.

Of this revenue, service revenue, which is more international, was $96.5 million for the quarter, up 2% sequentially and up 6% from last year.

Demand for our laboratory-based Reservoir Rock and Fluid Analytical Programs continues to improve, and is expected to continue growing globally with stronger growth in certain international regions. Some of this sequential growth in the first quarter is also associated with several large well completion diagnostic projects, which were completed during the quarter.

However, our crude assay services in some international regions continue to be impacted and disrupted due to the ongoing geopolitical conflicts in the Middle East and between Russia and Ukraine.

Product sales, which are more equally tied to North America and international activity, were $33.1 million for the quarter, flat sequentially, but down 11% from last year.

Sequentially, the U.S. land market activity was softer. However, we saw improved market penetration, which increased our product sales in this market by 6%. This sequential growth in product sales in the U.S. was offset by a lower volume from bulk product sales to international markets, which can fluctuate from one quarter to another.

Moving on to cost of services, ex-items, for the quarter was approximately 77% of service revenue, up from 75% in the prior quarter and a slight improvement from 78% last year. The sequential increase is primarily due to continued disruptions in certain regions caused by these ongoing conflicts and a slightly different mix of services in the first quarter compared to the fourth quarter.

Additionally, in February, a fire damaged a portion of one building on the campus of our Advanced Technology Center in Aberdeen. Although our insurance programs are reimbursing us for operating costs and the additional costs associated with remediation of the equipment and the facility, the associated insurance is recorded as other income and not reflected in cost of services for revenue. We do not expect any material financial impact from this incident. However, some project revenue will be delayed until the facility is fully operational.

For the remainder of 2024, we project service revenue to continue growing with strong incremental margins.

Cost of sales, ex-items, in the first quarter was 93% of revenue compared to 91% last quarter. The increase this quarter is a combination of lower international sales and a higher level of product sales to the U.S. market at lower gross margins.

Onshore completion activities in the U.S. picked up nicely as we exited the first quarter, and we anticipate activity to remain at similar levels for the remainder of the year. As discussed in our last call, we continue to finalize and implement plans to gain efficiencies and improve profitability as we progress through 2024.

G&A, ex-items for the quarter, was $8.3 million, a slight decrease from prior quarter, which was $8.7 million. For 2024, we expect G&A, ex-items, to be approximately $40 million to $42 million.

Depreciation and amortization for the quarter was $3.8 million, flat compared to $3.9 million last quarter.

EBIT, ex-items for the quarter, was $14.9 million, relatively flat compared to $15 million last quarter, yielding an EBIT margin of approximately 12%. Year-over-year EBIT margins are up slightly from 11%.

Our operating income for the quarter on a GAAP basis was $8.6 million.

Interest expense of $3.4 million decreased from $3.6 million last quarter. The decrease was primarily due to lower average borrowings on the credit facility.

Income tax expense and an effective tax rate of 20%, and ex-items, was $2.3 million for the quarter. On a GAAP, basis we recorded a tax expense of $3.4 million for the quarter. The effective tax rate will continue to be somewhat sensitive to the geographic mix of earnings across the globe, and the impact of items discrete to each quarter. We continue to project the company's effective tax rate to be approximately 20%.

Net income, ex-items for the quarter, was $8.9 million, relatively flat from last quarter and a slight increase from $8.8 million in the first quarter of last year. On a GAAP basis, we recorded net income net income of $3.2 million for the quarter.

Earnings per diluted per diluted share, ex-items, was $0.19 for the quarter flat compared to prior quarter and last year. On a GAAP basis, earnings per diluted share with $0.07 for the quarter.

Turning to the balance sheet, receivables were at $115.1 million and increased approximately $5.7 million from the prior quarter. Our DSOs for the first quarter were at 74 days, up slightly from 71 days last quarter. The increase was primarily driven by the timing of billings in the U.S. during the quarter, which started out slow and finished strong. We anticipate that our DSO will improve in future quarters.

Inventory at March 31, 2024, was $70.7 million, down approximately $1 million from last quarter-end.

Inventory turns for the quarter were 1.7, consistent with last quarter. With continued focus and a more predictable and consistent market expected in the U.S. We anticipate inventory turns will gradually improve and inventory levels to decline as we progress through the remainder of 2024.

And now on the liability side of the balance sheet, our long-term debt was $163 million at the end of the first quarter of 2024, and considering cash of $14.9 million, net debt was $148.1 million, which decreased $2.8 million from last quarter.

Free cash flow generated during the quarter was primarily used to reduce debt.

Our leverage ratio of 1.76 remain unchanged from last quarter. However, we anticipate the leverage ratio will continue to decrease during the remainder of 2024.

Our debt is currently comprised of our senior notes at $110 million and $53 million outstanding under our bank credit facility. Our credit facility has a borrowing capacity of $135 million, of which approximately $72 million was still available as of March 31, 2024. The company will continue applying free cash towards reducing debt until the company reaches its target leverage ratio of 1.5x or lower.

Looking at cash flow for the first quarter of 2024, cash flow from operating activities was approximately $5.5 million. And after paying $3 million of CapEx for the quarter, our free cash flow for the quarter was $2.5 million. As we indicated in our last call, we expect CapEx to modestly expand in 2024 compared to 2023. And we will continue to manage investment working capital during a period of growth.

Additionally, we expect CapEx to remain aligned with activity levels and for the full year 2024, we expect capital expenditures to be in the range of $14 million to $16 million.

Core will continue its strict capital discipline and asset-light business model with capital expenditures primarily targeted at growth opportunities. Core Labs operational leverage continues to provide the ability to grow revenue and profitability with minimal capital requirements. Capital expenditures have historically ranged from 2.5% to 4% of revenue even during periods of significant growth. That same level of laboratory infrastructure, intellectual property and leverage exists in the business today.

We believe evaluating a company's ability to generate free cash flow and free cash flow yield is an important metric for shareholders when comparing and projecting companies' financial results, particularly for those shareholders who utilize discounted cash flow models to assess valuations.

I will now turn it over to Gwen for an update on our guidance and outlook.

Gwen Gresham: Thank you, Chris. As 2024 unfolds, we will continue to execute our strategic plan of technology investments targeted to both solve client problems, and capitalize on Core's growth opportunities. We will also remain focused on maximizing return on invested capital, generating free cash and reducing debt.

Core Lab maintained its constructive outlook on international upstream projects for 2024, and anticipate sustainable activity growth in the years ahead to support crude oil demand and energy security concerns. Year-to-date, crude oil demand is performing as expected, with an increase in demand during the first 3 months of the year. For the short and long term, increased investment in the development of onshore and offshore crude oil fields will be required to maintain and grow hydrocarbon production.

In the near term, crude oil markets remain volatile due to global recession fears and uncertainties related to ongoing conflicts in Russia-Ukraine and parts of the Middle East. As international activity continues to expand, committed long-term upstream projects from the Middle East, South Atlantic margin, certain areas of Asia Pacific and West Africa support year-over-year growth for Core Lab.

International growth tied to areas related to the two geopolitical conflicts will be limited. However, we are achieving double-digit growth in other key regions, and expect this to continue in future quarters. As such, we anticipate Reservoir Description second quarter 2024 revenue to continue growing. However, as discussed, the geopolitical situations in Russia-Ukraine and parts of the Middle East continue to create volatility with respect to trading patterns and maritime transportation of crude oil and derived products, potentially impacting demand for the lab services Core provides to these markets.

Turning to the U.S., frac spread activity peaked in the Fall of 2022. However, the declines experienced in the completion activity since 2023 appear to have stabilized. Core Lab continues to project completion activity in 2024 to remain relatively flat compared to last year. However, market penetration of Core's proprietary energetics system and completion diagnostic service technologies are projected to outperform activity levels.

Reservoir Description second quarter 2024 revenue is projected to range from $85.5 million to $88.5 million, with operating income of $12.7 million to $14.4 million.

Core's production enhancement segment second quarter revenue is estimated to range from $44.5 million to $47.5 million, with operating income of $1.6 million to $2.6 million.

In summary, the company's second quarter 2024 revenue is projected to range from $130 million to $136 million, with operating income of $14.5 million to $17.3 million, yielding operating margins of approximately 12%.

EPS for the second quarter is expected to range from $0.19 to $0.23.

The company's guidance is based on projections for underlying operations, and excludes gains and losses in foreign exchange. Our second quarter guidance also assumes an effective tax rate of 20%.

With that said, I'll pass the discussion back to Larry.

Larry Bruno: Thanks, Gwen. First, I'd like to thank our global team of employees for providing innovative solutions, integrity and superior service to our clients. The team's collective dedication to servicing our clients is the foundation of Core Lab's success.

Looking at the macro outlook, the IEA recently updated its forecast for crude oil demand for 2024 to average a record high 103.5 million barrels per day. That's up by approximately 1.3 million barrels per day from 2023, even after assessing current global financial forecasts. This continued continues to bode well for increasing demand for the Reservoir Description services that will be required to grow production, and replace the natural decline of existing producing fields.

As we look ahead, we see the long-term improvement in the international rig count over the past 2 years as a harbinger of an improving landscape for Reservoir Description, a trend that we project will play out for the next several years, particularly in the Middle East, North and South America, as well as well as most other regions.

Production Enhancement, in addition to its exposure to the U.S. land market, also has expanding opportunities in international areas, such as with unconventional plays in the Middle East and emerging conventional plays in a number of regions. Furthermore, Core continues to expand its line of innovative offerings for plug and abandonment programs in mature offshore basins around the globe.

Now let's review the first quarter performance of our two business segments. Turning first to Reservoir Description, for the first quarter of 2024, revenue came in at $84.2 million, flat compared to Q4 of 2023. Operating income for Reservoir Description, ex-items, was $11.4 million and operating margins were 14%, down fractionally from Q4. The slight decrease in operating margins reflected the operational inefficiencies caused by the ongoing geopolitical conflicts in the Middle East and Russia, Ukraine, as well as a marginally less favorable mix of client services.

Now for some operational highlights for Reservoir Description. During the first quarter of 2024, Core Lab's carbon capture and sequestration consortium held its second annual meeting to present results and interpretations from the 2023 analytical program. Representatives from each of the 13 member companies participated in the meeting and discussions. A full day of presentations were delivered by Core Lab's multidisciplinary technical team and our consortium partners from the University of Houston.

The 2023 testing program provided extensive data on the effects of CO_2 exposure to various rock types, and also examined fluid flow behavior in geologic formations with a variety of reservoir properties. The project will continue during 2024 with a focus on upscaling results from the laboratory to the reservoir level, as well as addressing considerations when performing reservoir modeling and CO_2 sequestration applications.

Also in Q1, Core Laboratories Abu Dhabi Advanced Technology Center conducted a thorough investigation into the impact of pressure depletion on Asphaltenes for a Middle East national oil company. Asphaltenes are complex, naturally-occurring organic compounds found in some crude oils. As hydrocarbon reservoirs are produced, pressure depletion can disrupt the chemical and physical balance of the crude oil's properties. This can lead to Asphaltenes population and deposition. These phenomena often result in reduced production rates and equipment plugging, which can increase operating costs and complicate reservoir management.

To address this issue, Core Lab developed and implemented a comprehensive laboratory testing protocol, utilizing its proprietary pressurized Fluid Imaging System. This cutting-edge technology allows for detailed observation of crude oils and the changes in their properties that occur at various elevated temperatures and pressures.

The system deploys two methods to assess Asphaltenes population, a high-resolution microscope and a near-infrared spectrophotometer. Together, these tools provide insight into the onset conditions, size and shape of the flock-related Asphaltenes particles under various temperature and pressure conditions.

Moving now to Production Enhancement, where Core Lab technologies continue to help our clients optimize their well completions and improved production. Revenue for Production Enhancement came in at $45.4 million, up approximately 4% sequentially. Operating income, ex-items, was $3.4 million and operating margins were 8% for the first quarter of 2024, up from 6% in Q4 of 2023.

Sequential incremental margins were over 55%. These quarter-over-quarter improvements reflect higher U.S. and international demand for Completion Diagnostics, along with a rebound in product sales, including improved penetration of Energetics into the U.S. land market.

Now for some operational highlights. In the first quarter of 2024, Core Lab's Production Enhancement engineers introduced new capabilities for its proprietary down-hole metal anomaly tool technology. Core Lab's metal anomaly tool is used when preferential alignment of perforating guns are required to ensure that casing clamps, data lines, such as fiber optic cables, and control lines are not cut during the perforating process.

The metal anomaly technology measures magnetic fields generated by any currents that are induced during fluid flow around the irregularities created by the hardware that surrounds the casing. However, certain (inaudible) applications require high chromium content casing to mitigate pipe corrosion; where CO2 or hydrogen sulfide are present in high concentrations, high chromium content casing is often required. This type of high chromium content casing has historically created limitations for the metal anomaly tool technology, as the metallurgy attenuates the magnetic field peripheral to the casing.

Core's production enhancement engineers developed a new proprietary solution that now allows the metal anomaly tool technology to identify clamps and lines behind the high chromium content casing. This reduces risk in real-time, even when operating in challenging reservoirs.

Also in the first quarter, Core's diagnostic services were employed on both land and offshore wells to help operators assess their completions. Trends in U.S. land completions continued to point toward ongoing experimentation and completion design, even in mature basins.

In the Eagle Ford, an operator enlisted Core to run its SpectraChem water traces to confirm frac fluid placement and fluid flow-back from each of the 21 treatment stages on a re-frac operation. After stimulation, produced water samples indicated effective treatment placement and flow-back from each re-frac stage except in the toe of the well. This outermost stage demonstrated a steep production drop compared to the other 20 stages in the refract lateral.

Further analysis revealed that there was an obstruction in the last stage of the well. The operator decided to perform a remedial procedure to remove the obstruction, after which the toe stage achieved a level of contribution commensurate with the remainder of the well.

Also in Q1, in an offshore project for a deepwater Gulf of Mexico well, an operator utilized Core's SPECTRASTIM proppant tracers and SPECTRASCAN, spectral gamma ray logging technologies, to evaluate the effectiveness of a deep tertiary frac pack completion. One of the goals of a successful frac pack completion involves the placement of ample proppant reserve above the top of the screen to accommodate annular voids and proppant settling.

The SPECTRASCAN logging run after the placement of the frac pack revealed fracture height growth, as predicted in the model, but also showed an unexpected uncovered interval screen. Core's engineering staff proposed that the annual pact may have been over-pressured, and that a portion of the sand pack had been pumped away. Even though top-of-screen coverage is less critical for a well consolidated deep tertiary strata, as compared to less consolidated miocene sands, it is still desirable to ensure long-term borehole stability and production. In discussion with Core's engineering staff, the operator chose to incorporate a proppant top-off contingency in the go-forward planning for this well.

That concludes our operational review. We appreciate your participation. And Nick, we'll now open the call for questions.

Questions and Answers

Operator: We will now begin the question-and-answer session. (Operator Instructions). Stephen Gengaro with Stifel.

Stephen Gengaro: So I guess a couple of things for me. The first would just kind of be to think about the R&D business, and just think about the longer-term trends. And we're hearing a lot about strong offshore activity and international growth. What are you seeing there as far as sort of a multi-quarter outlook? And how should we think about your performance in that environment?

Larry Bruno: Yes, so we're certainly aligned with the folks that see a multiyear cycle unfolding. As we've talked about before, we tend to be a little bit not front of the cycle, like that people involved in well construction. Our wheelhouse is really as we move into appraisal, development and production, rather than exploration activity. And so we see that the growth opportunities for international have got us aimed at low-double-digit growth across most of the world.

Unfortunately, we do have to dial in some of the difficulties we're encountering with the geopolitical conflicts on the planet, with a Reuters story fairly recently early this month. It said that 14% of Russian refining infrastructure was shut down. Now we've got our own information from our folks on the ground there, and so we dialed that in as well. But it is impacting crude oil trading, and the assay work that goes with that trading and transportation. And so that's a bit of a headwind for us on the growth rate that we might expect for Reservoir descriptions for the full year.

Chris Hill: I think that's right, Larry, there are definitely pockets that we've highlighted that are seeing very nice growth. But then there are other regions internationally, where we're still expecting growth, but it may not be double-digit year-over-year.

Stephen Gengaro: Great, thank you. And then from like a bigger-picture perspective, and looking at the company over a long period of time, the cash generation historically versus today, just kind of comparing the differences, do you think is it just macro market-driven that's the problem, or is there something else that's kind of going on that is harder to put a finger on, that has an impact on sort of cash generation relative to kind of historical levels?

Larry Bruno: Yes, I think it's simple activity level and sort of our base operating costs that we need to maintain the global footprint and the expertise that our clients rely on Core Lab to be able to deliver. And so that's why we generate such nice incremental margins, particularly on the service side of the business. It's just an activity level sort of threshold, and as that grows, will produce nice incrementals. I think for all of 2023, incrementals in Reservoir Description were over 60% and maybe quite a bit better than that for the full year.

And so give us additional work that we see coming, that we're engaged in conversations with our clients on, that we know we've got samples coming into the facilities around the world. And we're going to turn that into nice profitability, and with that will come the cash flow.

Chris Hill: Right. And the only thing I would add to that, Stephen, is like Larry is saying, Reservoir Description margin expansion should fall to the bottom line and cash flow. There's not a lot of working capital other than accounts receivable. But as that mix gets a little bit stronger on international, typically, we collect receivables overseas, that takes longer than what you might see in the U.S.

And then on our Production Enhancement business, we definitely don't turn our inventory at the same level as we used to. We carry more than we used to, still managing through longer lead times and things like that. But we're hoping that that will continue to improve, and as we turn inventory more and carry less, I think some of that cash that's tied up in working capital will fall through

Stephen Gengaro: Thanks. And if you don't mind, I'll slide in one more. One of the things that has clearly been talked about by one of your competitors on the production enhancement side, has been kind of a divestiture of a business, of their perforating business. I was just curious what you see in the market on that perforating gun side? And a divestiture like that, how you think that impacts the competitive landscape?

Larry Bruno: Yes, well, I guess I'd sum it up with a colloquialism here. It's a pretty tough dog park in the product side of the U.S. land market specifically, but in completion products overall, it's crowded space. I think technological advantages that we bring to the market, with our knowledge of the rocks, allows us to innovate. I think it's generally a crowded capacity from a capacity perspective in terms of the products that are available out there. And so we like where we're going. I think it's going to be a challenging market in terms of margin progression for many people in that space.

Stephen Gengaro: Thank you for the color, everybody.

Operator: (Operator Instructions). This concludes our question and answer session. I would like to turn the conference back over to Larry Bruno for any closing remarks.

Larry Bruno: Okay. We'll wrap up here. In summary, Core's operational leadership continues to position the company for improving client activity levels for 2024 and beyond. We have never been better operationally or technologically positioned to help our global client base optimize their reservoirs, and to address their evolving needs. We remain uniquely focused and are the most technologically advanced, client-focused reservoir optimization company in the oilfield service sector. The company will remain focused on maximizing free cash and returns on invested capital.

In addition to our quarterly dividends, we'll bring value to our shareholders via growth opportunities driven by both the introduction of problem-solving technologies and new market penetration. In the near term, Core will continue to use free cash to strengthen its balance sheet, while always investing in growth opportunities.

So in closing, we thank and appreciate all of our shareholders and the analysts that cover Core Lab. The executive management team and the Board of Core Laboratories give a special thanks to our worldwide employees that have made these results possible. We're proud to be associated with their continuing achievements. So thanks for spending time with us, and we look forward to our next update. Goodbye for now.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.