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## PRESENTATION

**Operator**

Good day, and thank you for standing by. Welcome to the TechnipFMC First Quarter 2020 Earnings Conference Call. (Operator Instructions) I would now like to hand the conference over to your speaker today, Matt Seinsheimer. Please go ahead.

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**Matt Seinsheimer** - *TechnipFMC plc - VP of IR*

Good morning and good afternoon, and welcome to TechnipFMC's First Quarter 2021 Earnings Conference Call. Our news release and financial statements issued yesterday can be found on our website. I'd like to caution you with respect to any forward-looking statements made during this call.

Although these forward-looking statements are based on our current expectations, beliefs and assumptions regarding future developments and business conditions, they are subject to certain risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by these statements.

Known material factors that could cause our actual results to differ from our projected results are described in our most recent 10-K, most recent 10-Q and other periodic filings with the U.S. Securities and Exchange Commission and the French AMF.

We wish to caution you not to place undue reliance on any forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any of our forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

I will now turn the call over to Doug Pferdehirt, TechnipFMC's Chairman and Chief Executive Officer.

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**Douglas J. Pferdehirt** - *TechnipFMC plc - Executive Chairman & CEO*

Thank you, Matt. Our first quarter as a leading pure-play technology and services provider to both traditional and new energy industries began with solid financial results, with notable achievements that uniquely position us in the growing markets we serve.

This was reflected through strong operational execution and improving market backdrop that is poised to be even stronger for longer and continued development of real and material opportunities for TechnipFMC in the energy transition.

Starting with the operational performance. We had an exceptional quarter in both operating segments. In Subsea, revenue grew sequentially in the period, driven by particularly strong execution of project backlog that offset the seasonal reduction in installation activity.

In Surface Technologies, our international operations represented nearly 70% of total segment revenue, and we remain focused on delivering profitable results, supported by strong execution, both in the international and U.S. markets.

In the U.S., we experienced sequential revenue growth despite the severe winter weather. Adjusted EBITDA from continuing operations totaled $165 million. Free cash flow from continuing operations totaled $137 million. We ended the quarter with net debt of $1.8 billion. And earlier this week, we announced the partial sale of our stake in Technip Energies for approximately $360 million.

Inbound orders from continuing operations improved sequentially to $1.7 billion. Subsea inbound more than doubled sequentially to $1.5 billion, reflecting solid order momentum and a book-to-bill of 1.1. Integrated projects comprise nearly 40% of our Subsea order inbound in the quarter with particular strength in iEPCI orders and increased adoption of 2.0 technologies.

During the quarter, we announced 2 separate iEPCI projects with Energean, building upon our previous experience with the Karish development and leveraging our iFEED capabilities to further extend our collaborative relationship to additional opportunities.

We also received an iEPCI contract for the Petronas Limbayong project in Malaysia, their first deepwater development, awarded based on our Subsea 2.0 technology and integrated execution.

Other projects awards in the period included a contract for manifolds for the Petrobras Marlim and Voador fields offshore Brazil. The manifolds will utilize our next-generation all-electric robotic technology that replaces traditional subsea hydraulics as well as thousands of mechanical parts, while providing real-time data and analysis on performance.

The use of digital automation and control allows for a more compact unit that is smaller, less complex and less costly with a significantly reduced carbon footprint. And the robotic software can be remotely upgraded increasing the overall reliability and availability of the Subsea systems.

Turning to the market outlook. Client conversations remain constructive, suggesting a further increase in activity. Additionally, the external conditions that have driven oil and gas prices higher could provide greater price stability over the intermediate term.

These include expansion in economic activity, driven by strong fiscal stimulus, COVID vaccinations and expanded reopenings of local economies and more constrained supply, a function of disciplined capital spend, particularly for OPEC+, whose actions appear focused on realizing a price that supports economic growth and continued energy investment.

In Surface Technologies, international revenue continued to expand and represented nearly 70% of the segment in the quarter driven by strength in the Middle East, North Sea and Asia Pacific.

These markets demand higher specification equipment, global services and local capabilities, areas where we continue to further differentiate our offering.

In the Kingdom of Saudi Arabia, we are nearing completion and start-up of a new facility that will significantly increase our local manufacturing capabilities.

And in the North Sea, our extensive experience and high-pressure, high-temperature technologies provide us significant opportunities in a region where activity remains robust and well supported by government incentives. We believe our unique capabilities will allow us to extend our leadership positions in these more resilient geographies.

In Subsea, we are confident in our 2021 outlook of more than $4 billion in inbound orders. And we are well on our way to meeting this commitment just 3 months into the year. We expect continued benefit from our differentiated market strategy as well as favorable market fundamentals. More specifically, we believe that integrated project awards have the potential to more than double versus the prior year. And the combination of direct awards and our service-related orders could represent 50% of total inbound for the full year.

We also believe that we will see order growth again in 2022, supported in part by an expanding list of opportunities on our opportunities map, where total project revenue or value grew 10% sequentially at the midpoint despite the award of 3 projects during the period.

In summary, we see potential for a recovery in global activity that is longer and more sustainable than what has been experienced in previous cycles, allowing for continued investment in traditional markets while providing incremental capital for the development of new energy resources.

With regard to new energy resources, we believe that renewable energy will be increasingly sourced and stored offshore for both environmental and scalability reasons. The momentum has clearly shifted for offshore wind, in particular, which has attracted considerable attention in recent months.

There was significant interest in the recent auction for seabed leases in the U.K., with sites auctioned for more than 10x prices paid in the previous auction.

Norway is also moving forward with North Sea Wind Power, awarding its first development licenses for both fixed and floating wind developments. And the United States has unveiled a growth -- a goal to expand offshore wind energy in the coming decade by opening new areas for development, accelerating permits and increasing public project financing.

We believe that an increasing share of this investment will be made in deeper waters, where winds are stronger and more consistent. It is estimated that nearly 80% of the world's offshore wind resource potential is in waters deeper than 60 meters. This will require floating and seabed infrastructure for energy generation, storage and transmission, all of which can be enabled by our Deep Purple technology.

During the quarter, we announced 2 strategic partnerships, both of which are focused on generating renewable energy from novel wind and wave resources. First, we announced a partnership with Magnora to jointly pursue offshore wind project development opportunities. Magnora holds a strategic position within the renewable energy sector as an owner in wind project development. The partnership has already commenced operations and is focused on opportunities in Scotland and Norway and will consider entering new markets in the coming months.

Additionally, we announced a strategic partnership with Bombora to bring together both wind and wave power, utilizing Bombora's mWave technology, coupled with proprietary technologies from TechnipFMC to convert wave energy into electricity. By combining both wind and wave, we believe we can generate even higher yields from floating turbines when compared to fixed projects, further lowering project development costs.

Importantly, we will look to further differentiate ourselves in the marketplace by utilizing the very same playbook that led to the successful transformation of our Subsea business and extended our technological differentiation, increased project economics and improved our market positioning. And to be clear, we are playing the long game built around our differentiated technologies and integration capabilities and focused on selecting the right partners and the right projects.

Remember, the benefits of this path were not obvious at the time we initiated iEPCI. Integrated project execution was a fundamental change in the approach to subsea project delivery, and its tremendous success gives us absolute confidence that we are taking the right steps to create a sustainable and high returns business to address the market demand for a renewable future.

I will now turn the call over to Alf Melin.

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**Alf T. Melin** - *TechnipFMC plc - Executive VP & CFO*

Thank you, Doug. Total company revenue in the quarter was $1.6 billion, with adjusted EBITDA of $165 million. Inbound orders were $1.7 billion. Total company backlog was largely unchanged sequentially and stood at $7.2 billion at the end of the period.

Backlog for subsea was $6.9 billion, of which $3.9 billion is scheduled for execution beyond 2021. We ended the quarter with cash and cash equivalents of $753 million and net debt of $1.8 billion. During the quarter, we recognized a gain of $470 million related to our equity ownership in Technip Energies. This relates primarily to the change in the fair market value of our remaining stake, which for this initial period reflects the difference between book value at the time of separation and the market value at quarter end.

Income per share from continuing operations was $0.95 per diluted share in the quarter. When excluding the impact of the change in fair market value of Technip Energies and other charges that netted to an after-tax credit of $0.99, the adjusted loss from continuing operations per share was $0.03.

With the partial spin-off of Technip Energies completed during the quarter, financial results for Technip Energies are now reported as discontinued operations in our financial statements. For the 3 months ended March 31, 2021, the results of discontinued operations on the income statement include the historical results of Technip Energies prior to its spin-off on February 16, 2021, and all separation-related costs incurred for the transaction.

Additionally, there were no assets or liabilities classified as discontinued operations on the balance sheet at the end of the quarter. Our investment in Technip Energies is now reflected in current assets at market value as of March 31, 2021.

Now let me turn to the segment results. I will focus on our sequential performance with the first quarter compared to our fourth quarter 2020 segment results. In Subsea, inbound orders were $1.5 billion in the quarter, providing us with a very strong start to the year. Revenue of $1.4 billion increased approximately 4%, benefiting from strong project execution of backlog.

The geographic mix of projects mitigated the seasonal decline in activity. Subsea adjusted EBITDA margin of 9.7% improved sequentially by 100 basis points as the increased manufacturing productivity more than offset the decline in services activity.

In Surface Technologies, first quarter revenue of $245 million decreased 6% sequentially, driven by the seasonal decline in customer activity and the timing of backlog conversion in international markets. Revenue in North America declined due in part to the company's exit from certain underperforming markets, partially offset by growth in the U.S., where we benefited from further adoption of the iComplete ecosystem. Adjusted EBITDA margin of 11% declined 80 basis points versus the fourth quarter, primarily due to lower volumes, partially offset by continued improvement in operational performance and a lower cost structure.

Turning to cash flow. Cash from continuing operations was $182 million in the period. Capital expenditures were $44 million. This resulted in free cash flow of $137 million.

During the quarter, Bpifrance acquired $100 million in Technip Energies' shares from our retained stake as part of the share purchase agreement related to the spin-off. Bpifrance had previously provided funding to us for up to $200 million of shares. As a result of their revised level of investment, we refunded $100 million to Bpifrance earlier this month. Neither of these items impact our free cash flow as the activities related to disposition of Technip Energies' shares are reported in the investment section of our cash flow statement.

Turning to corporate items. Our corporate expense was $29 million in the period. Excluding charges totaling $3 million, the expense was $26 million. During the quarter, we experienced a $28 million gain on foreign exchange. We also incurred a $24 million loss on the early extinguishment of debt related to the refinancing of our debt structure at the time of the spin. Tax expense for the quarter was $25 million.

Now let me provide you with an update on our financial guidance for 2021. Our strong start to the year gives us further confidence in our outlook, and we reiterate our full year segment guidance. As a reminder, guidance is based on continuing operations and thus excludes the impact of Technip Energies, which is reported as discontinued operations.

Separation-related tax items and costs were also reported in discontinued operations during the first quarter. And as a result of this change in where these expenses are recorded, we have removed the anticipated impacts from our guidance. Our full year guidance for the tax provision has been revised lower to a range of $70 million to $80 million, which now excludes separation-related tax items of approximately $40 million, while free cash flow guidance for the full year has been revised higher to a range of $120 million to $220 million, which now excludes the separation-related tax items and costs of approximately $70 million. The estimated separation-related expenses remain in line with our expectations but are now included in discontinued operations. These expenses were incurred during the first quarter, and we do not anticipate calling out any further material separation-related items in our financial statements.

And finally, this week, we announced the sale of 26.8 million shares of our ownership stake in Technip Energies for proceeds of approximately $360 million to TechnipFMC. There is no tax liability associated with the sale of our shares. The share sale will reduce our ownership stake to 55.5 million shares or approximately 31% of Technip Energies' outstanding shares. As we have previously stated, we do not intend to remain a long-term shareholder of Technip Energies, and this transaction clearly demonstrates our commitment to exit our holdings in a timely and orderly manner.

I will close by highlighting the key takeaways regarding our cash-related items. We ended the first quarter with cash and cash equivalents of $753 million and net debt of $1.8 billion. Free cash flow in the period was $137 million, and we expect that our performance over the remainder of the year will meet guidance.

And lastly, after adjusting for the $100 million refund to Bpifrance, net debt in the second quarter will benefit from approximately $260 million in proceeds related to the announced block sale transaction. This leaves us with increased liquidity and greater financial flexibility, while demonstrating solid progress towards our commitment to return to investment-grade status.

I will now turn the call back over to Doug for his closing remarks.

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**Douglas J. Pferdehirt** - *TechnipFMC plc - Executive Chairman & CEO*

Thank you, Alf. In closing, our first quarter results provide us with a very strong start to the year in support of our 2021 commitments. Our strong order inbound clearly demonstrates that we continue to solidify our leadership position in conventional energy. Looking ahead, we expect robust and sustained activity across our businesses, supported by improving market fundamentals and our competitive differentiation.

Our work to develop novel wind and wave energy and subsea hydrogen technologies through our Deep Purple project is progressing well. Strategic partnerships, such as Magnora and Bombora, will further advance and accelerate our efforts.

We remain committed to delivering a 50% reduction in greenhouse gas emissions by 2030. To help achieve this goal, we have converted an existing vessel, the Deep Arctic, into the world's first hybrid dive support vessel. And we will continue to leverage our core strengths to create a unique position for TechnipFMC in the development of new energy sources, as we have done successfully in our conventional business.

We are also very excited to announce that we will host an Analyst Day scheduled for the 16th of November where we will showcase our strategic priorities and initiatives that support them.

Operator, you may now open the line for questions.

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## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) Your first question comes from David Anderson with Barclays.

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**John David Anderson** - *Barclays Bank PLC, Research Division - Director and Senior North America Oilfield Services & Equipment Analyst*

Let me start off with a kind of a big-picture question for you. With the business lines you're in, I think you probably have more insight into global offshore production trends than just about anybody. Sorry to relive this with you, but subsea trees peaked at 550 in 2014, floating rigs at 260. And we've been at less than half those levels for several years now. Yet the forecast I see say, for instance, show global offshore production staying flat after 2025 and only have decline rates of about 5% in their models and a surprising 4 million barrels of incremental new capacity coming on by '25.

I mean I get it. These are long-cycle projects that take years to complete, but shouldn't the huge drop in rigs and trees start manifesting in production soon? I'm really having trouble tying the two together. And really like to get your opinion how you're thinking about kind of global offshore production over the next, let's say, 5 years.

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**Douglas J. Pferdehirt** - *TechnipFMC plc - Executive Chairman & CEO*

Sure. And David, when you say manifest in -- you're speaking of increased activity, you said production but activity...

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**John David Anderson** - *Barclays Bank PLC, Research Division - Director and Senior North America Oilfield Services & Equipment Analyst*

Well, I'm just looking at the production. I'm just tying together -- yes, I'm just tying together the two of your activity and the production and why they're not really -- why we're not seeing that kind of showing up in the numbers and when you do start seeing up the numbers and when is really kind of offshore really starts to come down.

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**Douglas J. Pferdehirt** - *TechnipFMC plc - Executive Chairman & CEO*

Sure. And I just emphasize that because of the point that you made in your question, which was these are long-cycle projects, so there is a time lag between the activity and the actual increase in production. So look, let's just kind of break it down a little bit. Obviously, our company has experienced not only the benefit of an increase in activity but a significant increase in our market position, if you will. That's a result of bringing to the market something new, something innovative, both in terms of technology, Subsea 2.0, as well as in terms of a unique commercial model, iEPCI, or the integrated project, where we're the only single entity that can provide such a combination.

This was manifested in the recent Petronas Limbayong award. This is Petronas' first deepwater. They do a lot of offshore, but this was their first deepwater project, and they saw the benefit of both Subsea 2.0 and iEPCI, and if you will, combined into an iEPCI 2.0 award that went to our company. So we're seeing certain activity that, let's say, the rest of the market is not experiencing. We're very privileged and very grateful for that.

In addition to that, as I mentioned in my prepared remarks, we do see an increased level -- I mentioned back in 2019 that we were seeing an increased level of front-end engineering work or iFEED studies, as well as traditional feed studies, front-end engineering and design. And then again, last year, in 2020, I emphasized how we were seeing a further increase in iEPCI studies.

As mentioned at the time, they're 9 to 18 months, depending upon the project and the customer at what time they can move forward to the FID phase. So we're kind of seeing that manifest itself right now, which is why back in October of 2019 -- 2020, excuse me, I was able to give guidance in terms of our potential inbound for this year, which at the time, let's face it, there still wasn't a lot of visibility into the market at the time, but it's that proprietary set of opportunities that we have that just gave us a completely different view of the market. And that's why we were able to provide the guidance we gave around -- the indication around inbound orders for this year and again, off to a very strong start.

So David, we're seeing it happen. I think you have to look at TechnipFMC through a slightly different lens than, if you will, the rest of the market, just understanding that we have access to a market that is quite significant. Again, I mentioned this year, 50% of our inbound could be direct awarded to our company. So yes, we're seeing it, and it's what gives us the confidence. And David, it's been a long time, I think, since anybody in this industry has talked about 2022 inbound in first quarter of 2021 or, if you will, that far ahead. And as I said in my prepared remarks, we definitely are looking at a 2022 inbound.

Now obviously, things can happen. But barring extension of the pandemic or some other global economic crisis, we see 2022 as a further inflection point in our inbound orders and activity that will then translate to production as those projects come online.

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**John David Anderson** - *Barclays Bank PLC, Research Division - Director and Senior North America Oilfield Services & Equipment Analyst*

Got you. And then -- so it was -- obviously impressive subsea orders this quarter. We've also heard some rather positive comments from some of the service guys. And as you're starting to kind of ramp up -- obviously, your iEPCI model seemed just perfectly suited for this kind of market.

I guess if you're looking out, I mean, -- I give you a lot of credit for having the confidence kind of looking out to '22. But kind of looking out the next several years, I guess the question is, do you think there's enough opportunities out there in this type of business? If we kind of stay on this level and maybe even ignoring some of the bigger projects, do you think that the subsea business overall can kind of get back to those double-digit year-on-year growth?

And do you think that's enough or -- I'm talking in the next couple of years here. I'm not pushing it on near-term guidance. But do you think that's enough to get Subsea margins back into that kind of 13%-ish range of kind of where they were before that whole peak that we saw in the 13s, 14s?

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**Douglas J. Pferdehirt** - *TechnipFMC plc - Executive Chairman & CEO*

Yes. Well, we provided our guidance for this year, and we obviously started off with a very good first quarter in our Subsea margins. Obviously, Subsea revenue was very strong, so we would expect as we continue to move forward with the increased level of activity that we -- that you should expect and we expect that we would deliver an increasing margin as well.

So if you look at our margin guidance right now, we're not far from your target, so I think that when you put that target out there for the next 2 or 3 years is I think how you framed it, I don't think that, that's an unrealistic expectation at all.

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**Operator**

Your next question comes from Guillaume Delaby with Societe Generale.

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**Guillaume Delaby** - *Societe Generale Cross Asset Research - Equity Analyst*

One question for Alf. Following the disposal of at least a partial spin-off, how should we think about your working capital? How should we model? Can you provide us maybe 1, 2 or 3, I would say, guidelines, which would make sense for us?

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**Alf T. Melin** - *TechnipFMC plc - Executive VP & CFO*

Yes. Thank you for the question. So when we think about working capital, obviously, first of all, we acknowledge that we had some working capital inflow in this first quarter. And it's not unusual that we're going to have some quarters that have some inflow and some outflow that varies. Over the period of a year, we'd like to think that it nets out to some degree.

But if we specifically look at the forecast for the rest of the year, we are confident in that we will be close to working capital neutral. So I mean I would always start with a starting point to working capital neutral. And then from that point, we will advise and forecast if there are unusual items that impacts beyond that. So when you look out for the full year this year, we expect to basically keep the working capital favorability we recognized so far in this first quarter, be more neutral for the rest of the year and end up with a free cash flow that is in line with our guidance.

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**Operator**

Your next question comes from Marc Bianchi with Cowen.

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**Marc Gregory Bianchi** - *Cowen and Company, LLC, Research Division - MD & Lead Analyst*

So Doug, you mentioned the Subsea performance in the first quarter was strong, and it sounded like there was some manufacturing throughput that helped there. And certainly, as we progress from here, I would suspect that, that stays at a similar level or improves, and then you get a seasonal recovery in service. So just based on that understanding, I would think that your margins would be biased higher in the second and third quarter from where you were in the first. Just curious if you have any commentary around that.

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**Douglas J. Pferdehirt** - *TechnipFMC plc - Executive Chairman & CEO*

Sure, Marc. As you know, we give annual guidance. We try to avoid getting into the quarterly guidance routine, but I would not disagree with your thought in terms of there is certain efficiencies that we're seeing, obviously recovery from everything that we went through and our supply chain went through in 2020. We obviously have some very good, solid backlog. I mentioned this last quarter, maybe even the quarter before, and we'll reemphasize it because it's really quite important and I think unique to our company, our margins and backlog are improving. So it's quality, not quantity or quality and quantity in our case. So that's very, very important as well as we continue to look forward.

That being said, we did -- these are -- this is a projects type business. So when you have increased performance and execution performance or cadence, that accelerates some milestones, but it doesn't necessarily repeat every quarter because you achieve those milestones. Those milestones happen on an intermittent basis. So I just want to caution that we just don't draw a straight line from south to north, but understand that the business is performing very, very well. I'm very proud of the work that the women and men are doing and have done throughout a very difficult 2021 and now really seeing the potential of this company as we move forward as a stand-alone pure-play.

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**Marc Gregory Bianchi** - *Cowen and Company, LLC, Research Division - MD & Lead Analyst*

Great. The next question I had was a bit longer-term and related to Deep Purple. You mentioned technology there. And my understanding of Deep Purple is it's perhaps more of a concept at this stage than actual technology development. I'd suspect you'd disagree with that. And I'm curious on your -- on sort of what tangible technology you have that's being developed towards that project. And then also, if you could comment on the agreement with Magnora and sort of why Magnora versus perhaps some other offshore developers that could be out there.

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**Douglas J. Pferdehirt** - *TechnipFMC plc - Executive Chairman & CEO*

Sure. Two great questions. On the first, I'm going to -- it's not that I disagree with you. Certainly, it's a unique concept. And secondly, yes, we do have technology to support it. Bear in mind that we're talking about a substance, if you will, that is very difficult to handle, both from a corrosive point of view but also from a stability point of view. So there's a tremendous amount of technology development that has been going on for 4 years, Marc.

We didn't talk about this 4 years ago because we like to have something real that before we start talking about and, if you will, marketing things. And it was important for us to develop this. It's been a long process. Yes, it started as a concept over 4 years ago, but we've been well into the technology that's called the TRL process, where you're actually qualifying your products, where you're qualifying their capabilities, sealing surfaces, containment, et cetera, to be able to operate not only with a particularly challenging substance, hydrogen, but also to do it in a particularly challenging environment, which we know very, very well, which is subsea.

So if you'll allow me to kind of throw out a little marketing opportunity here, we hope that you'll participate in November in our Analyst Day because that will give us the opportunity to really showcase the technology, and that will be a big portion of that Analyst Day. So I'll leave that where that is for now, but progressing quite well. And, we're well into multiple phases on the Deep Purple project.

Magnora, thank you for asking. Look, we're very pleased to partner with Magnora. We felt it was -- for us, it's finding the right relationship where we can work well together, collaborate well together. That's what our company does. We build deep intimate client relationships. We work with clients for 20-25 years on an exclusive basis in our traditional business, and we would expect to do the same as we move into the new energies.

So we spend a lot of time in building that relationship before just jumping into a partnership. That being said, we are likely to have other partners in offshore wind as well. So we felt Magnora was the right partner at this time with a good opportunity set that we're very proud to be part of and to work with, but it doesn't mean that there won't be other partners, just like in our traditional business, where we have multiple partners and multiple relationships.

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**Operator**

Your next question comes from Amy Wong with UBS.

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**Amy Wong** - *UBS Investment Bank, Research Division - Head of European Oil Services, Executive Director & Analyst*

A couple of questions from me. The first question is -- I think one of the kind of notable data points for this quarter is in your Subsea backlog. It seems to have had a pretty decent increase of inbound converting into 2021 execution. So is that a fair observation? And if yes, is there any kind of trend to call out in terms of the types of projects your clients are moving forward with? Maybe there's a bit of pent-up demand that seems to mean the inbound is converting to revenue in a slightly shorter time frame than usual.

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**Alf T. Melin** - *TechnipFMC plc - Executive VP & CFO*

Yes. This is Alf here. I can take that one. Let's say this -- every quarter, there is some movement in the backlog scheduling, and in this case, you are absolutely right that there is some accelerated demand in our execution so we are able to capitalize on that, and that overall is driving us in terms of our look now at the full year guidance for our revenue to trend a little bit more towards the high end of the guidance range for revenue in Subsea. So overall, that's a positive picture.

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**Douglas J. Pferdehirt** - *TechnipFMC plc - Executive Chairman & CEO*

And Amy, I'll add to that. In terms of -- you were asking, was there any change in, if you will, the client mix or the project mix. Clearly, as clients move to optimizing the utilization of their installed offshore infrastructure, in other words, doing more tiebacks or more brownfield opportunities, iEPCI and Subsea 2.0 is just the right thing at the right time.

So we've already demonstrated now, for years, our ability to be able to take a 20-month project and deliver it in 14 months, installed commission on the seabed. We were working all through 2020. During the pandemic, we were working very closely with almost all of our major -- all of the major subsea players, almost all of them, had programs underway to really study what additional resource could be tied back to their infrastructure, potentially their own or potentially that of another oil company.

And we've been part of that discussion. We've been, in some ways, part of -- in working with multiple different oil companies to bring that to a reality because we have this unique solution where we can go out and deliver installed commission on the seabed in half the time as the conventional market or the competition. And that will drive, if you will, a quicker acceleration or conversion between the inbound and the revenue and the profitability as we see a greater mix of those type of projects in our backlog.

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**Amy Wong** - *UBS Investment Bank, Research Division - Head of European Oil Services, Executive Director & Analyst*

Got you. Okay. My second question just relates to your announcement to host an Analyst Day in November. Now quite a far -- quite a long way away, but I just wanted to understand is FTI, post the spinning off Energies, are you guys pursuing a bit more like branch review of the strategy? And should we expect some big strategic update in November? Or are you characterizing this slightly differently is only just -- or rather more focused on just looking at the technology?

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**Douglas J. Pferdehirt** - *TechnipFMC plc - Executive Chairman & CEO*

Well, Amy, let me start by saying we know you all are under a high demand and hugely popular, and that is a busy time of the year both in terms of conferences as well as in terms of potentially other people having Capital Markets Days or Analyst Days. So we just wanted to get on your calendar early, and we certainly hope that you'll be able to join us.

In terms of the structure, sure, you should expect that we'll be talking strategy as well as technology. We're a company that drives change, we're a company of innovation. I think we continue to surprise to the upside and not only surprise to the upside but to deliver against what we state, so we're certainly excited for it. We think it will be time well spent, and we hope that you'll be able to join us.

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**Operator**

Your next question comes from George O'Leary with TPH & Co.

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**George Michael O'Leary** - *Tudor, Pickering, Holt & Co. Securities, LLC, Research Division - MD of Oil Service Research*

Free cash flow guidance increase was very nice to see. I was just wondering if you could frame the low end and the high end, what drives kind of the low end and the high end of that range?

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**Alf T. Melin** - *TechnipFMC plc - Executive VP & CFO*

Sure. So first of all, free cash flow guidance increased, and as we -- I was trying to be very clear in my prepared remarks, this is a direct result of the separation-related expenses that we had previously assumed would be in our continuing operations that are now in our -- were recorded in discontinued operations in the first quarter.

But overall, mostly the variations will be around working capital timing. So for the most part, even though we are confident in that we can deliver around a neutral working capital for the remainder of the year, there is still some risk there.

Can we manage other pieces of the free cash flow, such as capital expenditures? Yes, possibly. So there are some dynamics in that. We're obviously demonstrating here some of our belief in that our guidance in terms of the revenue potential in Subsea and, even to some degree, the margin potential in Surface so far can drive some favorability. So overall, we're looking favorably at our ability to deliver the full year free cash flow forecast as we have guided to.

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**George Michael O'Leary** - *Tudor, Pickering, Holt & Co. Securities, LLC, Research Division - MD of Oil Service Research*

All right. Very helpful. And then just a bigger picture question with respect to the renewables or energy transition side of the equation. Just curious if you could frame the pathway or glide path to that side of the business becoming a material portion of revenue. And then maybe what's the nearest-term opportunities are comprised of, whether it's offshore wind, floating solar, tidal wave plus wind, all 3. Just any color on the glide path and the composition.

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**Douglas J. Pferdehirt** - *TechnipFMC plc - Executive Chairman & CEO*

Yes. George, a very good question, one that we spend a lot of time on and one that we -- I alluded to or spoke to in the prepared remarks because I think it's really, really critical.

One, we'll certainly be talking more about it in November at our Analyst Day, but just to foreshadow it a little bit, first and foremost, our new energy strategy is around 4 pillars. That's offshore wind, particularly floating wind, and again, we believe that will comprise 80% of the total offshore wind. So we're not really chasing the fixed wind, it's very fragmented. There is no integration, and there is very little technology other than the turbine -- provided by the turbine manufacturer.

So just to chase that, to get short-term vessel utilization and to call that new energy or renewables revenue, I'm not really doing anything, right? I'm just using my boat for a different application. So we're not looking at it that way. We're looking at it as what can we bring -- just like we do in the conventional energy, what can we bring to differentiate our company from a technology and from an integrated offering.

So we'll approach this very differently. We believe it will allow us to generate the type of returns that would be acceptable to you and to our shareholders versus what is available in, if you will, just selling a vessel at a lower day rate in the renewables market -- fixed -- I'm sorry, fixed wind market today. So that's what we mean about playing the long game.

We did the same thing, if you remember, in our traditional business. Back in '17 -- or '18 and '19, we were very disciplined, and we didn't just chase activity. We said iEPCI, we believe, was going to work, and we were going to have our capacity of our floating assets available to us to deliver those iEPCI projects. And that's what we're seeing today. And that's why we're having the success and differentiating success today. So we're doing the same thing in wind.

In wave, it's very clear, we're going to focus on the technology and the integration of the technology with wind. We believe if you put wind -- we've demonstrated, if you put wind and wave together, we believe we can increase the output by as much as 30%. That's significant.

In addition to that, the ability to be able to store and/or convert offshore will be critical. That's our Deep Purple project. So we could be converting -- generating to hydrogen and storing hydrogen. We could be storing in other forms of energy storage, wind and wave power as well and then the ability to be able to potentially distribute that offshore versus having to do everything at a nearshore port, we could do this type of transfer offshore.

So that covers kind of wind, wave, hydrogen. And then in addition to that would be carbon, transportation and storage. I find it difficult to believe that to get to the levels required, which we all support that you will be sequestering that carbon -- I'm sorry, you will be storing that carbon on land, so therefore, a lot of the sequestration will happen near the coast. We will -- we are and again, there'll be more to come on this subject, we will be announcing very novel technology that will allow us to safely transport and store that carbon -- the $CO_2$ that is sequestered subsea or offshore, if you will.

So that's kind of our mentality. That's the way we go about it. There's those 3 pillars, they're not mutually exclusive. From our perspective, we will try to integrate as many of those together as possible. Bear in mind, 50% of the world subsea infrastructure is ours, sitting on the sea floor today.

Our ability to be able to use that potentially as distribution hubs, storage hubs or injection hubs could be a very unique application. It will require some very sophisticated technology, as we talked about earlier when I was answering the Deep Purple question to Marc, that this isn't just using the same equipment, it's a very different type of equipment, and we'll be talking about that as we announce some technology -- new technologies in the coming quarters. So you put all of that together, and it's a very exciting roadmap for us.

Now specifically to your question is -- okay, when? When do we see it? And how big is the potential? Well, the potential is obvious. I mean I think the potential is as big as our conventional business, the question is when and is there a crossover, for how long do they -- does one grow while the other is growing. We just got done saying that the conventional business is growing, and we see growth now through 2022 and potentially beyond. I'm just not going to go past 2022 for right now.

So with that, starting to see some growth in the renewables and maybe carbon happens and wind happens maybe before hydrogen, I don't know, it's kind of a combination. A lot of it has to do with local support. Legislation, other things will help drive, which one gets ahead of the other. We just want to be well positioned to be the offshore company, the offshore company as we are today in subsea for conventional hydrocarbon for the renewables and whatever one takes off first, we'll be well positioned to benefit from that. But again, we're going to track our renewable revenue as that sustainable revenue that can generate high returns versus just chasing utilization with our existing assets today.

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**Operator**

Your next question comes from Michael Alsford with Citigroup.

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**Michael James Alsford** - *Citigroup Inc., Research Division - Director*

I've got a couple, please. Firstly, if I could just lead off, you've done a great job driving greater efficiency through the business. But I guess following separation, are there any significant areas, Doug, where you see the ability to reduce costs further across the organization?

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**Douglas J. Pferdehirt** - *TechnipFMC plc - Executive Chairman & CEO*

Well, Michael, as you know, this management team, there's a relentless pursuit for operational improvement. And I can't say enough about the leadership throughout our organization, of our engineering, manufacturing and supply chain as well as in the operating segments and just across the organization.

The word we use in this organization is simplicity. Let's remove the complexity. Obviously, we benefited from that now as a stand-alone pure-play company to remove some of the complexity and really be focused, and we're driving that through everything that we do.

So Michael, I'm not going to announce a big massive cost-reduction program or something like that. But you should rest assured, every single day, we're looking to make the organization more efficient, which creates, by the way, a better work environment for our employees by removing complexity and costs.

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**Michael James Alsford** - *Citigroup Inc., Research Division - Director*

Okay. And just a quick follow-up on the cash flow. I'm just wondering, was there any specific inflows within the quarter such as unwinding provisions or, say, tax rebates that help drive the good free cash flow result? Or was it simply just the flow of milestone payments on contracts during the quarter?

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**Alf T. Melin** - *TechnipFMC plc - Executive VP & CFO*

Yes. So you're talking about the first quarter impact here?

**Michael James Alsford** - *Citigroup Inc., Research Division - Director*

Exactly. Yes. I was just wondering whether there's anything specific in that quarterly working capital inflow that helped drive free cash flow higher?

**Alf T. Melin** - *TechnipFMC plc - Executive VP & CFO*

Yes. Yes. Yes. So thanks for the question. Yes, there was some items in the first quarter that were beneficial. We had a settlement that went into the first quarter. We did have some other negative items as well, but overall, that settlement benefited the free cash flow for the quarter.

**Michael James Alsford** - *Citigroup Inc., Research Division - Director*

And just roughly how much was that?

**Douglas J. Pferdehirt** - *TechnipFMC plc - Executive Chairman & CEO*

Yes. Michael, let me just add to that. This was -- there's always -- there's what's contributed from operations, and there's always other things that come in and out of the cash flow, but these were all part of our forecasted cash flow. So nothing out of the ordinary or unexpected that created the positive momentum, just good, solid execution on the cash flow side.

**Operator**

Your next question comes from Waqar Syed with ATB Capital Markets.

**Waqar Mustafa Syed** - *ATB Capital Markets Inc., Research Division - MD of North American Energy Services & Head of U.S. Institutional Equity Research*

Two questions. First one, you've made a comment that you see a sustainable, long-term kind of growth activity offshore. And we've seen in the industry a lot of rationalization of employee base, and the average employee that you need for Subsea is a lot more sophisticated and trained. Do you have the right people and the right number of people to be able to efficiently manage that growth that could be a multiyear kind of upcycle?

**Douglas J. Pferdehirt** - *TechnipFMC plc - Executive Chairman & CEO*

Thank you, Waqar. Look, we all have biases. There's unconscious and conscious biases. I'm going to be very clear, this is a conscious bias. I believe we have the best people, and I mean that from my heart. What they have demonstrated and what they have delivered on a consistent basis, particularly during the last year is just nothing short of inspiring. So look, we -- as we've made adjustments and the adjustments we had to make were unfortunate, we have done everything we can to protect the talent in the organization. And not only to protect, but to continue to provide them opportunities for development and to further progress their career within our company.

You raised a very valid point, though. The further you go into the supply chain, you sometimes find smaller companies and you sometimes find companies that are more codependent on 1 or 2 customers. In this case, we would be a customer versus a contractor. And so we also work very closely with our key suppliers. And we shifted work around, just as our customers did for us. Some of our customers sat down and took work from the competition and gave it to us because they said they knew who they wanted to work with when it was all said and done, and they wanted to make sure that we had the volume that would help us through a difficult year last year.

So we did the same with our suppliers. That being said, as we -- any growth cycle does create pinch points, but we're doing our best to go in eyes wide open. And we've done a lot of work to protect and not only protect but to motivate and make sure that our workforce is well prepared to deliver.

I will put in a plug, if you will, for the way that we do our business. iEPCI is a much more efficient way to do business in terms of assets, particularly human assets as well as Subsea 2.0 in terms of the manufacturing roof line and the individuals required.

So it's not just an upturn. We're going into this upturn very different. We're going in with the next-generation of subsea equipment that now represents, as I said, a significant portion of our total work now. So it's a very different recovery for us that we believe we are well prepared for, Waqar, but most definitely, eyes wide open and acknowledge that there will be pinch points as the growth continues.

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**Waqar Mustafa Syed** - *ATB Capital Markets Inc., Research Division - MD of North American Energy Services & Head of U.S. Institutional Equity Research*

If I may squeeze in another question. Before you -- before the separation of Technip Energies happened, you had a set of assumptions about how the interaction with your customers and employees and with investors change following the separation, and not just interaction, but their behavior and how it would help FTI. Now the separation has happened, how is the reality being compared to your set of assumptions going into the separation?

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**Douglas J. Pferdehirt** - *TechnipFMC plc - Executive Chairman & CEO*

In regard to customer relations, customer relationships?

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**Waqar Mustafa Syed** - *ATB Capital Markets Inc., Research Division - MD of North American Energy Services & Head of U.S. Institutional Equity Research*

That's -- yes, obviously, all 3 kind of customers, employees and investors; starting with customers, you had a view that you could maybe get better, maybe there will be some uptick in kind of revenues, either for Technip Energies or for you, following the separation. And if that kind of -- are you seeing some of that?

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**Douglas J. Pferdehirt** - *TechnipFMC plc - Executive Chairman & CEO*

Yes. What's clear, Waqar, is -- and I kind of alluded to that just a minute ago, so I won't go back through it, but our customers -- we have -- we're honored to have the deep, intimate relationships that we have with many of our customers. They work with us differently than they work with many of the others in their supply chain. That's not a given. That's earned over time based upon performance and trust and transparency. And it's obviously stronger as a pure-play only because you had 2 -- the WholeCo had 2 very different models with very -- 2 very different contractual approaches.

So this, if you will, allows that increase in the intimacy, and I do believe that we are benefiting from that. And it's not just what I believe, it's -- we've announced new -- many -- several new relationships over the past year, and we'll be announcing even new relationships this year, most of which are exclusive to our company.

In terms of the employees, we obviously have an opportunity now to be more focused, spend more time, be more visible. Some of the bigger projects that we were doing in the past required an enormous amount of management bandwidth, focus and attention. And we now can spread that more equitably across the organization, which I think is the right thing to do. And in terms of shareholders, I hope we demonstrated in Q1 the value of an independent company.

**Operator**

And our last question comes from Bertrand Hodee with Kepler Cheuvreux.

**Bertrand Hodee** - *Kepler Cheuvreux, Research Division - Head of Oil and Gas Sector Research*

One on Mozambique. Back in 2019, you won a substantial contract, $1.1 billion, for the subsidies of Mozambique LNG. Can you give us an update, obviously, following the force majeure? Do you see any direct impact? And if you can share any color or especially what is left in the backlog from this contract?

**Douglas J. Pferdehirt** - *TechnipFMC plc - Executive Chairman & CEO*

Sure, Bertrand. Thank you very much for the question because I think it's important, and I want to clarify some of the things that have been written that were incorrect.

So bear in mind that, yes, we announced this as a substantial award, meaning plus $1 billion. The recognition, a typical project of that size would -- the revenue would be recognized over plus or minus a 5-year period. So you can kind of do the math, if you will, assuming it was linear, it's not linear, but you can get an idea of kind of the annual impact, plus or minus.

I will tell you right now, we are only beginning to have discussions with Total. Total is a very serious customer. Total is a serious partner of ours. We have the deepest respect for Total, and the fact that Total was making decisions based upon the health and well-being and security of their personnel and their contractors' personnel, including us, we deeply respect.

Second point, this -- we are an offshore company. Our scope is offshore, we have no in-country exposure. All the work that we're doing at this point is the manufacturing. We are well into the manufacturing of the subsea equipment, so that will continue to go on for some time. We are progressing on plan, on schedule, and everything is going quite well. And it's being done thousands of -- hundred, well -- yes, tens of thousands whatever -- thousands -- a long way from Mozambique, I haven't done the calculation.

So yes, just realize, we're not doing any onshore infrastructure, if you will. We're an offshore company, and the work that we're doing right now is in the manufacturing phase, which is being done a far way away. It's progressing very, very well, and we continue to work on that. That being said, we deeply respect Total's position on this, and we're going to work closely with Total, as Total, I'm sure, wants to do the best for their people and for our contractors. And, we're confident that we'll continue to move forward.

Let me make sure that I'm very clear on this next point: if something was to occur or impact our revenue or profit from that project this year, just to be very clear, it would not lead us to revise our guidance, both in terms of the guidance on the revenue or the EBITDA range.

What am I emphasizing by that? An important project -- but we have many, many projects. We're a large company. We're a global company, and we're very well diversified. So there should be no concern that if, and I repeat if, because we are working very closely and it's in the very early discussions, and again, we're not exposed to the issues that are -- the potential security issues about working in-country, we are doing this work outside. But if, and repeating if there is an impact, it would not lead us to revise our guidance for 2021. I think I said 2020, I meant 2021, excuse me.

**Bertrand Hodee** - *Kepler Cheuvreux, Research Division - Head of Oil and Gas Sector Research*

Okay. Crystal clear, Doug. So to summarize, the only risk we can see is a delay in the offshore campaign installation down the road and in terms of schedule of the contract?

**Douglas J. Pferdehirt** - *TechnipFMC plc - Executive Chairman & CEO*

Yes, that potential exists. But again, we've been given no -- there's been no decision made at this time, we're working closely with Total.

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**Bertrand Hodee** - *Kepler Cheuvreux, Research Division - Head of Oil and Gas Sector Research*

I'll squeeze another one, another region. Can you give us a feel of what you see in terms of activity in the U.S. Gulf of Mexico after, I would say, the election of Joe Biden? Do you see less traction? Do you see -- and do you see into your iFEED, I would say, package of project, do you still see a traction in this region?

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**Douglas J. Pferdehirt** - *TechnipFMC plc - Executive Chairman & CEO*

Yes. Like in many mature markets, the Gulf of Mexico being a very mature market for subsea, there's a significant amount of infrastructure -- operator-owned infrastructure that is not operating at capacity today. Kind of globally -- a rough figure globally is most offshore infrastructure on average is only operating at about 60% of nameplate capacity.

So therefore, there's an opportunity to bring additional hydrocarbon into that facility to be processed without any significant increase in capital costs in terms of infrastructure. So hence, brownfield, tieback opportunities, as I was talking to Amy, we're uniquely positioned. We've been working with many operators in the Gulf Coast, same idea, let's look at your infrastructure, what assets you have around, what leases you have around your infrastructure, what other leases could potentially be tied back.

We have new technologies out there including pipe and pipe electric, trace-heating pipe that allows us to significantly increase the tieback radius by up to 4x greater, so the circle that you would have drawn just 2 years ago around the infrastructure is the radius is now 4x larger.

And so there's a lot of things that we're going to be able to do. It will drive our subsea processing business as well in terms of subsea boosting, so it's exciting opportunities for us. And yes, the Gulf of Mexico, there's lots of activity going on. I would not be surprised to also see potentially a greenfield project, a new greenfield hub being announced in the Gulf of Mexico this year as well.

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**Operator**

I would now like to turn the call back over to Matthew Seinsheimer.

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**Matt Seinsheimer** - *TechnipFMC plc - VP of IR*

This concludes our first quarter conference call. A replay of the call will be available on our website beginning at approximately 8 p.m. British Summer Time today. If you have any further questions, please feel free to contact the Investor Relations team. Thank you for joining us. Operator, you may now end the call.

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**Operator**

This concludes today's conference call. Thank you for participating. You may now disconnect.

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