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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and 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, Matthew Seinsheimer. Thank you. Please go ahead, sir.

Matt Seinsheimer - *TechnipFMC plc - VP of IR*

Good afternoon, and welcome to TechnipFMC's first Quarter 2020 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, the French AMF and the U.K. Financial Conduct Authority. 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.

Doug Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Thank you, Matt. Good morning, and good afternoon. Thank you for participating in our first quarter earnings call.

With me today are Maryann Mannen, Chief Financial Officer; and Catherine MacGregor, President of Technip Energies. I also note that we have dialed in from different locations across the globe, another sign of the impact that COVID-19 continues to have on our daily lives.

Two months ago, we provided our initial view of 2020. Over those 2 months, much about the world has changed, including the spread of COVID-19, the shift in OPEC policy and the sharp sell-off in equity markets. Most of these effects will normalize, while others will lead to real lasting change. Today, I want to share with you some of the specific actions we are taking in direct response to the market environment and how these actions will further reshape TechnipFMC as we transition to the new energy landscape.

Over the short term, we are taking immediate actions to protect our people, reduce costs and preserve liquidity.

First, amongst these, is the responsibility we all have to protect the health and safety of our employees, contractors and customers we serve. And we are taking a number of specific actions in this effort. These include on-site prevention measures such as social distancing, staggered shifts and health screening to ensure safe work requirement and strict self-isolation procedures for employees who may have been exposed to the virus that extend beyond recommended guidelines. We are also maintaining business continuity by providing our employees with the appropriate equipment and services to work remotely when possible, establishing protocols that allow for remote inspection of manufacturing processes and leveraging our global footprint by transferring lessons learned.

Collectively, these actions have allowed most of our vessels, manufacturing and service locations to operate throughout this period, providing us with the ability to advance many projects and meet customer requirements, albeit at a reduced productivity.

Second, on April 1, we announced a series of cost-reduction initiatives that will result in an annualized savings of at least $130 million from our Surface Technologies segment and corporate. And we have now identified actions that will result in additional savings of more than $220 million that will extend across the entire company. The total annualized savings are now estimated to exceed $350 million, and we anticipate achieving the targeted run rate by the end of this year.

Additionally, we have announced the revision to executive compensation, which includes a 30% reduction to my salary and a 20% reduction to the executive leadership team through the end of the year. Our directors are also reducing their cash retainer by 30%.

And the third measure we are taking is intended to further preserve our cash and liquidity. The Company's Board of Directors announced earlier this week that it has chosen to lower the annual dividend by 75% to $0.13 per share, reducing the annual cash outflow by $175 million when compared to the previous year's distribution.

Back in March, we also announced our decision to postpone the Company's separation into 2 diversified pure plays. This was a very difficult decision, particularly given the late-stage of separation activities, however, the strategic rationale remains unchanged, and we are fully committed to completing the transaction over the medium term. And to further emphasize this point, we have renamed the Onshore/Offshore segment to Technip Energies and have completed nearly all of the work required to ensure that the 2 companies are ready for separation when the markets sufficiently recover.

Looking longer term, it is clear that the energy industry must continue to evolve. The challenges we face will not resolve themselves. Things will be different and companies must adapt. TechnipFMC has been an agent of change from the beginning. And in the current environment, we will look to accelerate our own agenda for change by protecting our core competencies, investing in new technologies and expanding our digital platforms, and we will continue to play a key role in the energy transition. Importantly, we will further strengthen our partner relationships and more closely aligned with those clients that demonstrate a willingness to embrace the new commercial models and new technologies that are critical to success.

The change will be most profound for us in subsea. We are taking additional actions to further streamline our organization in support of our vision towards simplification, standardization and reduced cycle times. We are playing to our strengths. Our success is evident by the strong order growth in 2019 and the clear adoption of our integrated model, iEPCI. We anticipate as much as 40% of new equipment orders will come from Subsea 2.0 and with nearly half of our customers now focused on 2.0 as their system of choice. And our Subsea Studio digital platform will host 70% of our front-end and system-engineering studies, transforming conventional concept, FEED and tender phases into ultrafast digital development.

iEPCI. Subsea 2.0. Subsea Studio. These are not conventional solutions. Only those that adopt to stay ahead in the new energy landscape, meeting the needs of individual customers in a bespoke fashion requires too many resources, introduces too much cost and project risk and creates too much organizational complexity. Our recognition of the need for change resulted in the creation of TechnipFMC and our pioneering culture will ensure that we remain an industry leader. Looking ahead, we will accelerate change where possible and we will align with those clients and partners that see the shared benefits of our way forward.

TechnipFMC is well positioned to manage the unprecedented uncertainty due to our strong foundation, one built on the strength of our backlog and balance sheet.

$22 billion. That's the amount of total Company backlog in hand today. We are not immune to the impacts of reduced capital spending. However, the effects have been largely limited to changes in project scheduling, not project cancellations. This has reduced our near-term revenue from backlog, but it also extends the backlog duration. We have over $8 billion in backlog scheduled for execution over the remainder of 2020. With the remaining $14 billion scheduled for 2021 and beyond.

The size and duration of our backlog, in addition to net liquidity of $5.6 billion, which Maryann will cover in more detail, provide us with the flexibility to take aggressive and bold actions that will better position our company for the future.

Turning to the market outlook. For Technip Energies, LNG accounts for more than 50% of our current backlog and provides us with very good visibility that extends over several years.

Today, we have 3 LNG projects that are contributing to our financial results. Yamal LNG, which is largely complete and is successfully progressing through the warranty phase; Coral floating LNG, which is now more than 2 years into project delivery and over 60% complete; and Arctic LNG 2, our largest project currently under the way, whose revenue contribution will grow in 2020 and extend well beyond.

While the near-term outlook for new LNG prospects to reach final investment decision has changed because of COVID-19 and the challenging macro backdrop, the long-term fundamentals for natural gas and LNG, in particular, remain strong, given its critical role as a transition fuel.

We continue to be engaged in a range of additional LNG projects. These include Sempra's Coastal Azul, which the customers indicated will be sanctioned in the near term. Rovuma remains an important project for Technip Energies, and despite ExxonMobil's recent decision to delay the project's FID, we continue to engage with the customer to further optimize the project development, and we are continuing with our scope under limited notice to proceed. In addition to these projects, we are involved in the commercial process for a major LNG prospect in the Middle East, and we have recently secured FEED rules on several new prospects. Whether the ultimate project count stays at 3 or grows to 4, TechnipFMC remains a partner of choice with project selectivity foremost in our mind as we consider future opportunities.

Turning to downstream. This sector typically proves to be more resilient through a downturn. Over the course of 2018 and 2019, we secured nearly $9 billion of refining and petrochemical inbound and we remain laser-focused on executing these projects. We see potential for additional prospects to be awarded to us during 2020, one of which could exceed $1 billion. And our strong foothold in energy transition markets beyond LNG continues to increase. In the first quarter, we announced an alliance with Neste to provide front-end loading services for future NEXBTL projects, which also covers our participation during the execution phase. We are proud to be Neste's partner of choice for renewable diesel projects. We have also had notable recent success in the area of recycling, including an extension to our long-held alliance with BP to include the Infinia Technology that enables circularity for difficult-to-recycle plastic waste.

Moving to Surface Technologies. In North America, the quick and significant cuts to industry capital expenditures have impacted the services across the board. Market expectations now call for the rig count for the second quarter to be down by approximately 50% from year-end.

Outside North America, investment continues to move forward, but it has been constrained mainly due to logistics, in light of recent events additional deferrals are likely. We also expect to benefit from our differentiated capabilities, our high level of vertical integration provides us with more control over our manufacturing and product deliveries and less dependency on external supply chains. This differentiation has helped mitigate delivery disruptions and afforded us new opportunities where industry supply has been challenged. We, therefore, anticipate that international revenues in 2020 will prove to be far more resilient than North America.

Moving to Subsea. We believe that deep water will become an even more prevalent piece of the energy mix as project economics remain attractive, particularly for brownfield developments. In the near term, we continue to assess the likely impacts of lower capital spending on major project FIDs. Many of our clients are still reviewing their plans and prioritizing their projects. Based on currently available information, we believe that approximately 50% of the nearly $15 billion of total project value reflected on our subsea opportunities list is still likely to move forward over the next 24 months. All other projects remain active but potentially extending beyond this 24-month time frame.

When we think about the next 12 months, we believe as much as 20% of the project value is likely to reach FID and we are well positioned for many of these opportunities. We will provide updates to the list as we gain greater clarity from our clients over the coming months.

In addition, as we have demonstrated, TechnipFMC has access to a proprietary set of opportunities. These come from our alliance partners or from our unique integrated FEED capabilities, which often lead to direct iEPCI Project awards. And beyond project activity, we generated additional revenue from Subsea Services activity where we benefit from the industry's largest installed base of Subsea equipment in operation today. We anticipate resiliency in services activity as a result of the expected shift by some clients from greenfield developments to brownfield intervention.

In our earnings release yesterday, we provided an updated view on guidance for 2020. Although market uncertainty remains and clarification around client capital expenditures is ongoing, I want to offer some additional thoughts in support of these updates at this time.

All of the guidance items we have provided assume no further material degradation from the impacts of COVID-19 on our current ability to execute on our project portfolio.

In Subsea, where we are benefiting from near record levels of inbound, a strong backlog and our resilient Subsea Services business, we have a solid foundation to navigate through the near term. We continue to engage with our alliance partners and customers in order to align on project scheduling and new capital expenditures. Given this dynamic situation in lieu of traditional guiding's, we have provided our expectations for the major inputs that continue to influence our outlook for Subsea revenue and margin.

Turning to revenue first. Our current estimate for backlog to be converted into revenue for the remainder of the year is $3.1 billion. We are still in discussion with many of our customers over project scheduling and there remains risk that some of this backlog could still be rescheduled for execution in future periods. However, the strong inbound booked in 2019 provides us with much greater flexibility to manage our business through this challenging period. If we had not generated directed inbound last year, the planning scenario would look very different for us. It is also clear that the change in backlog scheduling will only defer revenues to future periods providing more revenue coverage in 2021 and beyond.

In Subsea Services, we provide aftermarket services on over 50% of the subsea-installed base, generating a resilient revenue stream of approximately $1 billion for the full year. This incorporates our expectation for some modest level of activity deferral, a decrease from our prior expectation for growth. And lastly, with respect to book and turn revenue, our current view is that inbound orders, which serve as the basis for this revenue source could be down as much as 50% versus full year 2019.

Next the factors impacting Subsea margin include our revised expectation for less inbound and therefore less book and turn revenue for 2020, which we will not be able to fully offset through cost reductions. Several of our manufacturing plants have been running at high utilization. COVID-19 presents real challenges to both the supply chain and our manufacturing workflows. Our prior margin expectation also assumed increased fleet utilization as we progress through the year. We have several installation campaigns that are increasingly at risk of deferment to 2021 due to the impact of travel restrictions, leaving us with limited flexibility to mitigate costs or find replacement work for these fixed assets over the very near term.

Looking at the second quarter, we do anticipate a sequential decline in adjusted EBITDA margin when compared to the first quarter, largely due to more significant impact from COVID-19. However, in order to navigate through these headwinds, we are advancing our restructuring plans in Subsea, and we will begin to recognize the benefit of these actions in the second half of the year.

In summary, having greater clarity on the duration of COVID-19 and the ultimate scheduling of our backlog will provide us the ability to more fully assess our Subsea outlook for the remainder of the year.

Moving to guidance for Technip Energies. We are relatively insulated in the current period due to the long cycle nature of the business. The resilience and maturity of the projects in backlog and our diversified global footprint. To date, we have been able to mitigate a very significant portion of COVID-19 operational impacts, where the effects relate more to operational efficiencies and timing issues, but not the stoppage of projects.

However, the revenue outlook for the year has been impacted by first, the delay in a few key project FIDs and the impact of the slower inbound for execution in 2020, much of which we believe has simply shifted beyond the current year. And second, revised schedules on some of our projects within backlog where certain scopes of work originally planned for 2020 have partly shifted into 2021. Due to these effects, we are revising our revenue guidance to a range of $6.3 billion to $6.8 billion, which still remains at or above our 2019 results. Guidance for adjusted EBITDA margin is unchanged from our prior view of at least 10%. The resilience in margin, even with the reduction in revenue is driven by the continued strength in project execution in this exceptional environment and some benefit from project mix.

And finally, Surface Technologies, our shortest-cycle business has been most impacted by recent events. Outside of North America, our Surface business is much less impacted by the global spending reductions. International markets are typically more resilient in a downturn, and we expect to benefit from the flight to quality associated with our higher tier products as we have experienced during recent -- during previous cycles. We anticipate our business mix outside of North America will now represent as much as 60% of total segment revenue in 2020.

In North America, the actions taken by our clients in response to the sharp decline in commodity prices are almost unprecedented. We are responding aggressively as evidenced by the prior announcement of our intent to deliver more than $100 million in annualized cost savings most of this will occur in North America, where the industry spending reductions have been particularly severe. With these actions, we believe that we can be modestly profitable in North America for the full year, when excluding charges based on our current outlook.

Moving beyond the operating segments, we have also provided updates to several other items that were included in our earnings press release and presentation deck. We will provide additional segment guidance and updates as we gain more clarity over the coming months.

Without question, this is the most challenging business environment that our industry has ever faced. We are not simply responding to a health crisis or a commodity crisis or an economic crisis, we are responding to all 3 on a global stage at the same time.

In the face of such extreme uncertainty, we are focusing on what we can control. We are taking steps to ensure that all of our employees and contractors remain safe. We are spending more time with clients than ever before, working with them to better understand their priorities and working together to solve our collective issues, strengthening the relationships we have and building new ones for the road ahead. And we are focused on ensuring business continuity, working diligently and innovatively to solve problems and better anticipate new complexities that may arise from the unforeseen challenges of COVID-19.

We are also taking swift and decisive actions in response to the near-term challenges. We are preserving our liquidity with the Board's decision to revise the dividend policy. We have significantly increased our annualized savings target to more than $350 million. This includes additional cost reductions from all of our business segments, our support functions and Executive and Director compensation. We are uniquely positioned with our strong balance sheet and backlog. This includes $5.6 billion in cash and liquidity and nearly $22 billion in total company backlog that extends out for several years. And we are doing all of these things with the support, dedication and commitment of the exceptional women and men of TechnipFMC. Through everything we have faced, they have shown a level of strength and resiliency that is nothing short of inspiring in these most difficult times.

I will now turn the call over to Maryann to briefly discuss a few highlights of the first quarter and provide you with an update on our cash and liquidity position. Maryann --

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Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Thank you, Doug. Total company revenue was $3.1 billion in the quarter, an increase of 8% versus the prior year, driven by solid growth in Technip Energies as well as modest growth in Subsea.

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Adjusted EBITDA was $220 million. First quarter cash flow from operations was $28 million. Adjusted loss per share was $0.11 in the quarter when excluding after-tax charges and credits of $7.17 per diluted share. The total after-tax charges and credits of $3.2 billion largely reflect noncash charges for goodwill impairments in the Subsea and Surface Technologies segments. These impairments were due to significant decline in the Company's market capitalization since our last measurement period.

We have also identified direct COVID-19 expenses totaling $9 million in the quarter. It is important to note that these expenses do not capture the disruption related to overhead absorption, utilization and other operational impacts, which are not specifically called out, but included in our adjusted results. Also included in our adjusted earnings are items for which we do not provide guidance, including an expense resulting from increased liability to the joint venture partners of $0.08 per diluted share and foreign exchange losses of $0.10 per diluted share. These 2 items impacted EPS by $0.18 in the period, and if excluded, our adjusted earnings would have been $0.07 per diluted share.

We are responding to the current environment by taking a series of actions in an effort to further reduce costs and preserve liquidity. Doug spoke earlier to the significant increase in our cost reduction target, which now totals $350 million in annualized savings, and we expect this run rate by the end of the year. I also want to reiterate our previously announced reduction to capital expenditures, where we have reduced our prior guidance by $150 million to approximately $300 million for the full year. And this week, our Board, revised the dividend policy to $0.13 per share on an annualized basis. The 75% reduction to our annual payout will preserve $175 million in liquidity when compared to the prior year.

Turning to liquidity. We had $5.6 billion in cash and net liquidity at the end of the quarter.

In a recent filing, we provided further transparency to our cash position, which we have updated with our first quarter results. Cash and cash equivalents totaled $5 billion as of March 31. We had just over $3 billion held in project joint ventures. This cash is readily available to us to execute the remaining liabilities on our JV projects. Of this total, approximately $1.8 billion was related to Yamal LNG. This cash is held in support of $1.2 billion in outstanding contract liabilities, from what's just over 50% of any future profitability should remain with TechnipFMC. Operating cash and cash equivalents was approximately $1.8 billion, a significant portion of which is readily available for corporate use.

We also have a $2.5 billion senior secured revolving credit facility. At the end of the quarter, our net borrowing capacity under the facility was approximately $600 million, reflecting $1.4 billion of commercial paper outstanding and $500 million of direct borrowing under the revolver.

Taken together, this brings our net liquidity to $5.6 billion and provides us with sufficient funds to cover our net project liabilities, near-term debt maturities and any distributions to joint venture partners.

Operator, you may now open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from the line of Sean Meakim from JPMorgan.

Sean Meakim - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

So I appreciate you making the best efforts here to fill in parameters for 2020, where you have visibility over, just pulling all of it. It's very helpful. And I certainly appreciate the uncertainty given COVID and the shifting plans on -- for your customers on their projects. Given the outlook, there's also an emphasis in the market on balance sheet strength and maximizing free cash, minimizing cash burn. You reduced the dividend. You cut CapEx, you're taking cost out, but there are also likely to be some cash drag in 2020 to affect that. Perhaps pre-pays are less than this year than you would have thought coming into it, particularly with the reduction in the Energy's revenue guidance. So if I put all that together, how should investors be thinking about your cash balance and liquidity? Where those could be when we exit this year and head into 2021?

Doug Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Sean, thank you very much for the question, and I think you framed it very well. I think you've hit on many of the key elements and the parameters that we are dealing with as a company and more broadly that the industry is currently dealing with. And as you pointed out, we've taken very swift and decisive steps to ensure that our utmost focus is -- always has been and remains on the liquidity and the strength of our company. As you know, we have a very strong balance sheet, and we have a very strong backlog. Those provide the key foundations on which for us to continue to operate. At the same time, we'll move forward with aggressive cost-reduction activities and some of the other items that you noted. I'll hand it over to Maryann to add some additional details around the subject. Maryann?

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Thanks, Doug. Yes, thanks, Sean. So look, based on the outline of our segment performance and the views that Doug has provided, and that incorporates all of that. We expect cash flow from operations to be positive, but it will be below the $1 billion that we previously provided or we previously guided. Our guidance assumed then that certain inbound projects, along with their corresponding milestones, as you've outlined, and payments we would receive in 2020. And as we shared, we are seeing some deferrals of those project awards and therefore, obviously, some cash flow impact of those deferrals. A good example is one that Doug talked about, that's the ExxonMobil's Rovuma project being delayed into 2021. But as we further develop the segment views and have greater clarity on the range of outcomes, we'll update our cash flow projection. But again, we continue to expect cash flow from operations to be positive this year, but it will be below the $1 billion previously guided.

Sean Meakim - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

Got it. I appreciate that, thanks for all that feedback. And then in the opening comments, I thought the ones around digital with Subsea Studio were interesting, it's becoming a consistent theme this earnings season. These initiatives aren't new, but they're getting highlighted given the pressure your customers are facing. Could you maybe elaborate on the impact of these types of initiatives around further reducing FEED cycle times, manufacturing cycle times, ultimately, time to first oil for customers. Is there any more you can elaborate around how that can help drive project economics?

Doug Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

With pleasure, Sean. Thank you for the question. So we have been systematically attacking the cycle time of subsea since the creation of TechnipFMC. It was one of the fundamental reasons for creating the Company. We've done that very successfully in the execution phase. We're now able to execute projects with a 50% reduction in the normal -- in the time that it would take to do those projects and using a traditional approach. And we've done that on a consistent basis. Hence, the reason we have received repeat awards in almost all cases from the clients that we have served with our new iEPCI model. At the same time, we realized that we need to attack the front end, and we also need to reduce the cycle time associated with the front end. And there's actually 2 ways to do that, Sean. There's the digital platform, which we call Subsea Studio, which is very exciting and dramatically reduces that cycle time. And will begin to also include machine learning, which will allow us to even further improve the field design, the optimization and the cycle time. In addition to that, it is the importance of the ability to be able to deliver technology. And that new technology, coupled with the Subsea Studio digital platform, will dramatically decrease the cycle time of the front end. As we do that, we'll be able to further reduce the cycle time of Subsea projects and vastly improve the project returns, which will become even more critical as we move forward.

Operator

Our next question comes from the line of Michael Alsford from Citigroup.

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

So firstly, Doug, I was just hoping you could elaborate a little bit more on your comments around the Subsea business. EBITDA margin was, what, about 400 basis points down quarter-on-quarter. And I'm just wondering if you could perhaps give a bit more granularity as to what was driving that decline between seasonality, I guess, the backlog mix and clearly, the challenges that you're facing around the COVID-19 situation? And really the reason for the question was to try and quantify and understand how big the sequential decline would be into 2Q?

Doug Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Now, Michael, thank you very much for the question. It needs to be clarified. It's obviously been a topic of discussion over the last 12 hours, and I think it's important that we clarify. When we provided the 2020 guidance, we specifically stated that Q1, as always, would be the seasonal low point for our company, which was our view at the time. And that seasonal impact really has to do with the ability or the inability for our vessels to operate in certain geographies due to the weather conditions, which always leads to the first quarter being the softest quarter. The consensus number, I have to say, did not take that into account, even though that, that was clearly articulated. So that's point number one. Point number two is the COVID-19 impacts are real and they are meaningful. And I just want to share with you a little bit of what's happening and what we are -- how we're addressing it as a company. I spoke about in my prepared remarks that we're going in above and beyond recommended guidelines. What does that mean? Michael, what that means is that we will never put a price on employee health and well-being. So we are taking extraordinary efforts to ensure that especially in confined environments like operating on our vessels or operating offshore, we don't put other employees at risk or other -- or contractors and clients that we're working with. So we actually had a situation on a vessel where we identified symptoms, potential COVID-related symptoms with an individual. We didn't just remove that individual and continued business as normal. We went above and beyond. We took the extraordinary decision to shut down operations on that vessel for 14 days to test all employees on that vessel. As a result of that, we now know we prevented -- what could have had a much more significant impact on the health and well-being of our employees. We're now doing that across the entire fleet. We are testing all individuals prior to them going into service and we're finding a number of positive cases and being able to prevent that. In addition, we had 2 vessels that were unable to operate for a period of time, simply due to crew availability due to travel restrictions that were in place and imparted in different parts of the world. If you take all of that into account, it almost had 100 basis point impact on the adjusted EBITDA margin for the business. So these are real, and these are meaningful. In addition to that, we continue to manage a very complex supply chain in terms of impact on delivery and our ability to achieve certain milestones of delivery of finished product or finished goods. But it's not just the supply chain, it's also the logistics. We work very hard to keep most of our manufacturing footprint open and to be able to continue to advance progress on projects. But often, it comes down to the inability to be able to ship or transport due to local regulatory constraints in terms of the closure of ports, airports, marine ports, et cetera. So these are all the type of things that we're dealing with. So I'm going to just recap by saying, Michael, the seasonal impact needed was there and needed to be taken into account and wasn't. On top of that, we had a significant impact on the utilization of our fleet, some of which was simply imposed by ourselves. We weren't going to just keep working in an environment that we thought can put the health and well-being of our people at risk. We won't do that. So instead, we took that additional impact to our operating margin, but I will always make that decision. And then finally, the ongoing challenges and constraints in the supply chain and logistics and shipping that we'll continue to face and will face additional constraints in the second quarter. So looking towards the second quarter, as stated in my prepared remarks, we won't just have the 30 to 40 days of the COVID impact, we will obviously have even more. So as we've said, that we expect further margin degradation in the second quarter. That being said, we are taking very swift and decisive action, and we are busy. Let's not forget, Subsea has an incredible foundation built upon a proven winning strategy with our alliance partners, our technology and our differentiated offering of iEPCI, has clearly proven to be the winning combination. We have the strength of our backlog, almost $8 billion of backlog, $3.1 billion remaining to be delivered in the remaining quarters of 2020. We have not had any cancellations. Yes, we're in discussions about potential deferrals on backlog, and we'll continue to work closely with our clients to achieve what's best for our company and to achieve what's best for their company. And we have this on the foundation of a resilient Subsea Services business. We have reaffirmed we'll deliver over $1 billion in additional book and term backlog or revenue for our company in 2020. Thank you, Michael.

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

That was really helpful. And if you don't mind, a quick follow-up actually on the previous question around the balance sheet and Maryann -- or the cash flow, sorry, on Maryann's comments. And could maybe say whether you think you'll be free cash flow positive, i.e., after CapEx in 2020, given

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the lower CapEx guidance that you provided? And maybe just to sort of cover off the payments around the redeemable liability. It was 4 million, I think, in the quarter, 300 million is on the balance sheet. How much do you think you'll pay this year?

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Yes, sure, Michael. Thank you. So we expect to make another payment to partners in the second quarter. That will further reduce that $300 million MRL liability. And then we'll evaluate that in the back half of the year. It will not be all of that MRL in Q2, however. So you may want to assume maybe half of that in the second quarter, if that's helpful. And we continue to expect to see full year for Yamal in a range of $400 million to $500 million in incremental revenues in total, as we have explained before, and that guidance remains. To your first question, again, still a little bit in a range of outcomes to talk about. You're absolutely right. We have reduced CapEx, and that will certainly be contributing, as you heard, $175 million in further benefit coming from the dividend reduction. We do expect cash flow from operations to be positive, but that's in a range of outcomes. And as we continue to get the feedback from our clients and further refine our guidance, we'll be able to give you some clarity. But certainly, all of the things that we're doing truly help us improve that position. But at this time, a little too soon to call free cash flow.

Operator

Our next question comes from the line of Angie Sedita from Goldman Sachs.

Angie Sedita - *Goldman Sachs Group Inc., Research Division - Research Analyst*

So Doug, maybe you could talk a little bit about the separation and the conditions that you would need to see to move forward again on that separation. And if you think about it could factors change around what was originally planned, such as Technip Energies having a U.S. ADR? And is there a scenario where you believe it should not move forward as far as the separation? Could you give us a little more color.

Doug Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Yes, Angie, thanks for the question. Look, we still consider to be -- we still consider the transaction to have a very strong strategic rationale. That has not changed. And we do believe that it is a way to create shareholder value. Our intent is to continue to track and complete the transaction in a time frame that would be conducive. There's a variety of different factors that we are considering. But clearly, the current market environment and the dynamics in the market would not be an appropriate time. So it's unlikely to be in the near term. But in the medium term, we would intend to move forward. I appreciate you asking the question specifically about potential ADR listings for Technip Energies as we would move forward as a separate company. That is very much a consideration and very much part of the workflow and the processes that we have ongoing that we would be communicating further as we move forward to advance our decisions. I want to make it very clear so that there's not a sense of, let's say, uncertainty in the -- how the transaction would move forward, when the market conditions would prevail. We will be able to move very swiftly. We believe that we will be able to complete from announcement to the completion of the transaction in a 90-day window. That's really important because we don't want to create this period of information vacuum. So we'll -- we now have advanced all of the critical steps both internally and with the regulators to be able to, from announcement very quickly, provide things like prospectus Capital Markets Day, ADR listing requirements, things like that in a very swift manner, removing that uncertainty that was created through the process initially. So I appreciate you asking me that question so I could clarify that.

Angie Sedita - *Goldman Sachs Group Inc., Research Division - Research Analyst*

That's very, very helpful, Doug. I appreciate that. And then maybe we could go to Maryann on the Subsea margins. And I know it's challenging to give a lot of color here. But is it fair or maybe not to think that Q2 could be the trough for the year? Or the installation campaigns and the push out of that, how does that play in the second half, coupled with the cost reduction program that you clearly have underway? And do we move back on track to where the original path was as we go into '21? Or is it linger as we go into '21?

Doug Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Yes. I'll go ahead and take that, Angie. I think that's -- I really -- again, I think it's a key question. At this time, and again, none of us fully understand the duration or the ultimate impact of COVID-19. But from what we know at this time about the virus, what we know at this time about the business, et cetera, looking forward, indeed, we would expect Q2 to be the trough. We would expect the recovery in the second half. Again, it's important to note TechnipFMC and our Subsea business, we're very active. We are very busy. We had record inbound in 2019. We had $8 billion of inbound. We had a book-to-bill of 1.45, over almost 50% of that was enabled by the creation of TechnipFMC and the iEPCI model. In Q1 alone, we booked this year $1.2 billion, almost a 1.0 book-to-bill and 2 new iEPCI awards this quarter. So we continue to have a lot of activity that we have to execute and a lot of milestones that we have to deliver upon. As the COVID-19 issues mitigate, which we all hope will occur in the second quarter, we would expect that to be the trough and a more resilient second half of the year. And keep in mind, whatever the ultimate results for 2020 may be, they will include the clear challenges and disruptions of vivid and a very swift shift in the market demand. It in no way reflects a normalized operating environment for our company and will not be indicative of what we may be able to deliver in 2021. So again, I think it has to be looked in the context of this very unique environment, not as an indication or a re-baselining of what we're able to deliver as a company.

Operator

And our next question comes from the line of Mick Pickup from Barclays.

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

A couple of questions, if I may. A bit of a follow-on first from Angie. On the slippage of projects, I can understand onshore, you slowed down engineering, you slowed down procurement and your crews and your staff on-site to reduced numbers. But in the offshore, you have vessels that are involved these days. I'm just wondering if the slippage of projects into '21, given that you already had a pretty healthy '21 already wind up is starting to cause issues and whether there will be availability issues middle of next summer, if this year's low starts move on top of next year as well?

Doug Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Yes. Thank you, Mick. Indeed, the offshore installation activity in subsea was ramping up in second half of 2021 and ultimately to '22. That being said, we're working very closely with our customers, aligning schedules, still fluid. As Maryann pointed out, and I want to reemphasize, our clients have not made their decisions yet. We're working very closely with them in a very collaborative way. And they are only -- they are now working on and re-working their project schedules. And in some cases, we don't expect to have that final deliverable from our clients, which is, if you will, the input for our plans until the middle of this upcoming month, if not the end of May, is the schedule that they are on and the decisions that are being made by our clients. That being said, from what we can see at this point, and we have a fair amount of visibility in terms of the vessel requirements. We're confident, Mick, that we'll be able to deliver upon those needs. Although, yes, it will create a bit of a stacking effect, but we think it's manageable at this time.

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

Okay. And a follow-up from that is, can you just talk about the conversations you're having with clients? Clearly, you have some solutions which would unlock the subsea going forward. Can you just talk about the early conversations you have? And whether they're coming to you and talking about things they haven't previously talked about, what sort of changes they are making?

Doug Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Yes. Yes. So obviously all of the conversations I am having with clients right now are under the strictest confidentiality because they're making very serious decisions about their plans and the scheduling of their projects, and that is impact on their partners. And it is impacts on local governments and other key stakeholders. So I'll just speak at a very high level, and I have to be a bit opaque here. The good news is we're having those conversations across our company. That's the benefit of having these deep intimate client relationships that we have built up over many many years. We're in a very unique position. They are telling us they are speaking to us. They are not talking to others. They consider us to be a trusted partner. They are trying to work with us to mitigate the impact on our company. There will be an impact on our company, but to mitigate the impact on our company versus some others. Our customers are becoming very aware that not everyone will make it through this cycle, Mick. So they are reaching out and trying to ensure that they are shifting their spend and shoring up, if you will, who they believe will be the winners. I don't want to say survivors, it's more than surviving, who will be the winners when we get through this period. There could be up to a 50% reduction in available capacity in the market place both in terms of people and assets -- in terms of companies and assets, excuse me, when this is all said and done. I would say that's biggest realization in this cycle. It's not just about squeezing and hammering and trying to enforce changes of commercial terms, there's a real serious discussion, at least going on with our company. I can only speak for our company, and I believe, at least from what our clients are saying, it is somewhat unique to the discussions they're having with us versus others, it's really about ensuring that we're going to be there and we're going to be strong for them when this is all said and done.

Operator

Our next question comes from the line of Kurt Hallead from RBC.

Kurt Hallead - *RBC Capital Markets, Research Division - Co-Head of Global Energy Research & Analyst*

Doug and Maryann and Catherine, hope everybody is healthy on your front.

Doug Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Likewise, same to you.

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Thank you.

Catherine MacGregor - *TechnipFMC plc - President of Technip Energies*

Thank you.

Kurt Hallead - *RBC Capital Markets, Research Division - Co-Head of Global Energy Research & Analyst*

Yes. So Doug, as you did mention, your company is in a very unique position with $22 billion of total backlog. And obviously, for anybody key here is look beyond 2020. So I'm hoping you can provide some insights as to kind of the margin and backlog for Subsea and Energies. And what can be done above and beyond what you've already discussed this morning to protect or maximize those margins, any insights on that would be fantastic.

Doug Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Sure. So I'll start with Subsea and then I'll pass it over to Catherine to talk about Technip Energies. Look, Kurt, an important question. We've emphasized a couple of times in the script, and again, verbally here, and I want to just do it one last time. We have not had cancellations from our backlog. We are talking to our customers about deferrals, which is us all working and sharing and trying to reach the same objective, which is preservation of cash and et cetera. But they're working with us again in an open and collaborative way, which is allowing us to mitigate some of the impact that it would have on our company. And in some cases, more than some, in several cases, where they're actually shifting work to us from others for reasons that I mentioned earlier when I was talking to Mick. So we consider ourselves to be privileged and humbled. And we'll continue to do everything we can to help and support our customers, so it hasn't affected the margin in the backlog, if you will, which is to getting to your question, and that margin has been improving. We went through the period where the margin in the backlog was declining as we were working through some higher-margin backlog from the past. It was replaced with some less favorable backlog, and it's now being more influenced by iEPCI, including almost 50% of the record inbound last year of $8 billion for Subsea where almost $4 billion of that came from iEPCI, and that's good, high-quality gross margin. So yes, the gross margin and backlog is something that's very important to us. Now it comes down to execution. The challenge we'll have this quarter is the ability to execute. And I think that was the comment I was making to Angie. And I think it's really important. You can't look at the Company in the lens of today and say, this is their ability to execute. We are extremely, extremely restrained in our ability to execute from the delivery of materials to the transportation of finished products, to restrictions on our ability to be able to work in certain geographies, to the -- our -- what we think is aggressive and the highest standard of the managing of the health and well-being of our employees, including the examples I gave, the offshore vessel example that I gave earlier where we're going to put the health and well-being of our people first and foremost, always have and always will, and we're demonstrating that today in these most challenging times. You have to set that aside then, Kurt, and you have to look forward, and you have to say this company still is $22 billion of backlog, total, it still has $8 billion in Subsea. That backlog will still be executed. It was under good terms and conditions, and our ability to execute, I think we've demonstrated repeatedly the high-quality ability to be able to execute. So therefore, when you look past this COVID scenario, and it doesn't end when the COVID virus is addressed, it obviously will have some lingering effects, but it doesn't -- it should not be a reflection or a re-baselining of our ability and what we will be able to deliver in 2021 and beyond and I thank you for the question. Catherine?

Catherine MacGregor - *TechnipFMC plc - President of Technip Energies*

Yes. Thank you. Thanks for the question, Kurt and everybody. So I think very much along the lines of what Doug was saying on the Technip Energies side, we have first very very strong backlog. We have USD 13.8 billion. And if you look at what that means in terms of calendarization, that gives us a very nice perspective since 65% of that roughly will be delivered in '21 and beyond. Now if I look at the underlying margins of this backlog, it's very similar because it's the result of a well-advertised selective approach to prospects that we've adopted now for quite a while. The backlog is about 50% of LNG, and the rest is downstream. And in the downstream portfolio, we typically engage in prospects where we have either direct customer engagement, technology, earlier engagement, prior experience, incumbency and also, and it's a combination of all that, which helps us protect the margins and more importantly, the T&C's under which we will deliver the project, which, as you know, in the EPC world, the T&C's are quite critical. So really, when I look at our backlog, I'm really comfortable. Obviously, you will always have to normalize for the Yamal winding down, but I think the rest of the project is indeed very healthy. And this is underpinned by our ability to execute, which, again, is something we always put forward. Technip Energies, we like to remind the market that we have been able to execute projects and it is the conditions needed to protect margins, and almost more importantly than the absolute number, is the consistency of these margins over time, and at this stage I am very very comfortable on where we stand, and I hand it back to you.

Operator

And our last question today will come from the line of James Evans from Exane BNP Paribas.

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

One question. Doug, I wanted to ask about the Subsea order outlook. You said it could be down as much as 50%. Frankly feels a little bit bullish to me given the fact that customers seem to have brought everything to a halt, but I know you spend a lot of time with them. So maybe you can give us a little bit more detail, pardon me, around geographically or by theme, just where you maybe do see some additional commitments being made by the customer base through the back 9 months of this year?

Doug Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Thank you, James. Clearly, we're sharing our view with you of the information that we have available to us at this time. As stated earlier, our customers are still working through their plans. And final decisions have not been made with internally nor have they been shared with our company, but we have had a series of decisions or discussions. Those discussions that have led to the information that we provided was based upon those, I'd say, real-time discussions that we're having. Clearly, if you look at the opportunity outlook map that we shared with you, the large greenfield projects, all but maybe 1 or 2 are likely to be shifted maybe even outside of the 24-month time frame. There are a few midsized greenfield projects that we expect to continue to move forward. Again, they may have a deferral from the original time frame, which we anticipated in 2020 to 2021. But for a variety of different reasons, which are obviously, first and foremost, economic, but there's also other things that our clients consider in terms of lease rights, in terms of other stakeholders, including local governments, et cetera. And in some cases, and we're seeing more of it, not less of it, incentives to actually move projects forward. So when we look at South America, when we look at the North Sea, when we look at brownfield opportunities globally is what allows us to be able to give you the confidence that we have. At this time, again, based on the information that's available to us, which is not complete. I'm sharing with you as openly and transparently as possible at this time versus just saying we're pulling guidance or no guidance. We're going a bit above and beyond, and I understand the risk associated with that, James. But that's the spirit of how we've always operated, and we will continue to operate. So that's our view at this time. That's kind of where we see the activity in both in terms of geographically as well as in terms of the type of projects. Bearing in mind, when you put together the combination of now Subsea Studio with the integrated execution model, iEPCI with Subsea 2.0 technology, you can achieve some pretty significant project economics both in terms of the acceleration of time and reduction in capital, whilst at the same time, the portion of the Subsea development that we don't directly influence, i.e., the drilling, those costs are likely to be even reduced even further than where they are today, making the Subsea project economics even more attractive.

Operator

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

Matt Seinsheimer - *TechnipFMC plc - VP of IR*

Thank you. This concludes our first quarter conference call. A replay of our call will be available on our website beginning at approximately 8:00 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. Lisa, you may now end the call.

Operator

Thank you, ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.