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PRESENTATION

Operator

Ladies and gentlemen, thanks you for standing by, and welcome to the TechnipFMC Fourth Quarter 2020 Earnings Conference Call. (Operator Instructions)

I would now like to hand the conference over to your first speaker today, Mr. Matthew Seinsheimer. Thank you, please go ahead, sir.

Matt Seinsheimer - *TechnipFMC plc - VP of IR*

Thank you, Anika. Good morning, and good afternoon, and welcome to TechnipFMC's Fourth Quarter 2020 Earnings Conference Call. Our news release and financial statements issued yesterday can be found on our website. I would 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.

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Thank you, Matt. Good morning and good afternoon. Thank you for participating in our fourth quarter earnings call. I am delighted to be joined by Alf Melin, our Chief Financial Officer. Today, I'll start by highlighting the tremendous successes of our company over the course of 2020 in the face of one of the most challenging years on record.

First, we protected our people. Our success has always been the result of the tireless efforts and unwavering commitment of the women and men of TechnipFMC. What they accomplished in 2020 was nothing short of exceptional, given the hardship and difficulties that occurred across the globe. Health and safety is our top priority and drives every decision we make. We took the steps necessary to protect our workforce as well as our fellow employees of our customers, contractors and suppliers. And these actions won praise from clients and ensured that their projects moved forward safely.

Second, the initial outlook we provided last February was clearly impacted by a multitude of events, but our teams quickly responded with a revised view that we provided in July. Our aggressive cost reduction plan, focus on project execution and resilient backlog provided us the confidence and visibility to issue guidance at a time when few others in the energy sector were willing to guide for the next quarter. And we delivered on our revised plan, with full year revenue and adjusted EBITDA margin meeting or exceeding guidance for all operating segments.

And third, we protected our backlog. Importantly, this speaks more to the relationships we share than the contractual terms of any one project. We all face challenges, our suppliers, our customers and TechnipFMC. By working together, we found solutions that helped mitigate, if not eliminate, many of the obstacles we face together. While no projects were canceled from backlog, the more enduring impact to our company will be the strength and relationships that have resulted from the collaborative engagements with our partners during this unpredictable operating environment.

And beyond these successes were many other notable achievements with regards to our ongoing business transformation. First was our separation. Throughout 2020, we continued to work to separate TechnipFMC into two industry-leading pure-play companies with the transaction now completed through the partial spin-off of Technip Energies. We took specific actions in response to investor feedback that were incorporated in the final spin process. We accelerated the spin time line, closing the transaction just 40 days after announcement.

We added an ADR that will trade over-the-counter in the U.S., broadening the base of eligible shareholders for Technip Energies, while also creating additional liquidity. And we addressed investor concerns regarding share flowback and capital structure with the addition of Bpifrance as a long-term reference shareholder and our near-term retention of a minority stake in the new company. February 16th marked day one for an independent Technip Energies, but its real significance is the expanded opportunities and enhanced focus of management, resources and capital that will serve to benefit stakeholders of both organizations.

Beyond the separation, we also accelerated our cost reduction efforts across the entire company in 2020. We announced targeted cost savings of more than $350 million, which we achieved on an annualized run rate basis well before the end of the year. Additionally, we delivered on our commitment to reduce capital expenditures for the full year by one-third versus our original plan, with the current spend at a level that is sustainable over the middle term.

In November, we provided a comprehensive overview of our efforts around ESG. TechnipFMC was created with the vision to drive real and sustainable change in the energy industry. This included the introduction of a three-year sustainability road map that has resulted in a number of successes for our company. We have progressed well in reducing our own emissions of greenhouse gases, and are committed to helping our customers reduce their carbon footprint with innovative solutions and technologies like Subsea 2.0 and iProduction.

We are driving inclusion in the workplace, as demonstrated by our initiatives, advancing fair and diverse representation and ensuring equity of our rewards. We are supporting the development of the local communities in which we live and work through educational programs focused on science, technology, engineering and mathematics. And we will continue to ensure that our actions are aligned with shareholders through executive compensation programs that are focused on driving behavior that creates sustainable shareholder value.

We also established an extensive set of new commitments to be realized through 2023 that will have real impacts and will be measured using an annual scorecard to provide transparency on our progress. At the core of our environmental initiatives is 50 by 30, a bold commitment to realize a 50% reduction in Scope 1 and 2 equivalent emissions by 2030. That's a 50% reduction before the end of this decade. Over this very same time period, we will continue to deliver real solutions for the energy transition, including lower carbon alternatives such as our all-electric production system for Subsea and iProduction for surface markets, both of which are available today. We will also introduce zero carbon alternatives, such as our Deep Purple initiative, which I will discuss shortly.

TechnipFMC has a strong history of challenging industry convention to develop, design and integrate new innovations, and digital is a key enabler for continued success. We introduced elements of our digital transformation over the course of 2020, with a particular focus on Subsea Studio. Subsea Studio was initially developed solely for Subsea system design. But we have since extended the platform beyond the front end to incorporate the execution and field management phases of a project. Once fully implemented, we'll have a seamless digital thread from concept design to tendering, manufacturing and delivery and continuing all the way through the life of the field.

These digital initiatives improve economics, enhanced performance and reduce emissions, driving sustainable change that makes us the partner of choice for our customers. And once again, we are leveraging our Subsea expertise by bringing digital innovation into the surface arena that enhance the customer experience for both iComplete and iProduction.

iComplete is a fully integrated, digitally enabled well site operations and control system. It creates a seamless digital experience with fully autonomous maintenance and remote data access, initially from the completions phase and ultimately extending through the production phase. iComplete significantly improves efficiency with 50% faster rig up and rig downtimes, a 66% reduction in the personnel required on site and cost savings that exceed 30% for our traditional work scope. More importantly, it also increases safety by eliminating thousands of red zone interventions on a typical completions pad by using automation and control to engineer out risks and hazards.

iComplete has already achieved significant market penetration since its introduction in the third quarter, with 10 customers utilizing the new integrated system. iComplete is a real example of business transformation, and its early success supports our expectations for growth in our completions revenue in 2021 to outperform the overall market.

Turning to the key drivers of our 2021 outlook for Surface Technologies. International revenue has grown to become an even more significant portion of our business mix. For the current year, we expect a gradual and steady recovery in well count to drive modest international market growth with spending increases led by national oil companies, particularly in the Middle East. Our unique capabilities in this market, which demands higher specification equipment, global services and local content provides a platform for us to extend our leadership positions.

For North America, we anticipate full year revenue will likely be flat to down modestly versus 2020. Overall, Surface Technologies continues to benefit from the adoption of our digital solutions and the broader market recovery. We remain levered to more resilient international markets where we expect to source approximately 65% of our full year revenue.

Moving to the Subsea outlook. The Subsea opportunity list has expanded since our last update, reflecting our view of renewed customer confidence, given the improved economic outlook, lower market volatility and higher oil price. Four new projects were added in the period, increasing the total estimated value of the opportunity list by more than 15%. Two of the projects came back on the list after being extended beyond our 24-month view during the height of the pandemic.

We experienced strong momentum in front-end activity in the second half of last year, and we expect this to continue throughout 2021, creating an environment for a more sustainable deepwater recovery. Additionally, we expect at least 60% of the projects undergoing FEED studies in the current year to include an iEPCI solution, many of which will be direct awarded to our company.

As we have said before, we are increasingly less dependent on the larger publicly tendered projects. In 2020, just over 25% of our inbound came from projects on the opportunity list, and in 2021, that number will likely be lower. Much of our 2021 inbound sits beyond the opportunity list. We expect we will be awarded more iEPCI and more Subsea services. And we expect we will see more direct awards to our company than in the prior year. This will include project work from our newest alliance partner, Repsol Sinopec, where we have recently formed an exclusive five-year alliance to support oil and gas development in the United Kingdom, deploying both iFEED and iEPCI and leveraging our extensive installed base across the region.

For 2021, we are very confident that orders will exceed the $4 billion achieved in 2020. We anticipate Brazil will be the most active region of the world for new projects, driven by continued investment, and we see additional market growth potential coming from the North Sea, Asia Pacific and Africa. The strong front-end activity we are experiencing today should support a multiyear outlook, driving our expectation for continued Subsea order growth in 2022.

Looking beyond the near-term Subsea outlook, we are excited for the role TechnipFMC will play in the energy transition with significant opportunities, including novel wind, wave energy, carbon storage and green hydrogen. With over 70% of the world's surface covered by water, we view offshore and more specifically subsea as the next frontier for the energy transition. Offshore opportunities will require more technology innovation, involve an expanding list of players and necessitate a higher level of collaboration. Our core competencies allow us to transform new technologies into commercially viable renewables projects. We are well positioned to serve as system architect from technology development to project delivery and life-of-field services for these large-scale renewables ventures.

Last year, we introduced Deep Purple. Deep Purple is a collaborative effort between TechnipFMC, our clients and partners. Our common goal is to integrate offshore renewable electricity and subsea hydrogen storage to provide power to subsea infrastructure and win at scale to provide clean energy to consumers. We have made significant progress with the conceptual and technical phases of this project. This includes the optimization of a hydrogen flexible flowline and riser qualification.

We have secured an innovation grant in Norway for a three year pilot project where we will lead the efforts to develop and optimize offshore wind, hydrogen and advanced energy management. And we will also develop a dynamic model and digital twin, further contributing to our overall digital strategy. And Deep Purple is just the beginning for us.

Further success in the energy transition will come from collaboration. Partnerships will be instrumental in this transformation. We have recently partnered with Floating Power Plant, a clean-technology company, for an EU green deal application to fund an offshore green hydrogen pilot for the Canary Islands. And we have also partnered with EDP, Energias de Portugal, on the BEYHOND hydrogen project study offshore Portugal.

The ultimate path to commercialization for these and other opportunities will be driven by our ability to provide innovative and proprietary technologies that are unique to TechnipFMC, partner with our clients as the architect and integrator of the new energy system and build new partner alliances that leverage our expertise and integrated project execution. Importantly, these are the same core capabilities that have driven our success in the traditional energy markets. And we will also invest in early phase projects and solutions that accelerate the role of our technologies in the energy transition as we continue to redefine offshore energy.

I will now turn the call over to Alf to discuss our financial results in more detail and provide you with our outlook for 2021.

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

Thanks, Doug. Total company revenue was $3.4 billion in the quarter with adjusted EBITDA of $301 million. Total company inbound orders were $4.2 billion in the quarter with Subsea meeting our expectation of approximately $4 billion in orders for the full year. Backlog increased sequentially to $21.4 billion. Backlog for Subsea was $6.9 billion of which $3.6 billion is scheduled for execution in 2021.

Cash flow from operations was $555 million in the quarter. Capital expenditures were $41 million resulting in free cash flow of $514 million. Net cash more than doubled sequentially to $854 million. Adjusted earnings per share were $0.05 in the quarter when excluding after-tax charges and credits of $0.14 per diluted share.

Let me now discuss the segment highlights. Fourth quarter Subsea revenue decreased 10% versus the prior year to $1.3 billion, primarily driven by lower project activity in the North Sea and Brazil. The revenue decrease was partially offset by increased activity in the Gulf of Mexico, Africa and Asia Pacific. Subsea services revenue was largely unchanged from prior year quarter. Subsea-adjusted EBITDA margins of 8.7% decreased 370 basis points, driven by lower activity and COVID-19 related impacts.

Adjusted EBITDA for all operating segments included direct COVID-19 expenses in the current quarter. As a reminder, these expenses were excluded from adjusted results in previous quarters in 2020.

In Technip Energies, revenue of $1.8 billion remained largely unchanged versus the prior year quarter and benefited from the continued ramp-up of Arctic LNG and higher activity on projects in Africa and Asia Pacific, which largely offset the decline in revenue from Yamal LNG and lower activity on projects in the Middle East and North America. Adjusted EBITDA margin of 10.6% declined 360 basis points versus the prior year quarter due to a reduced contribution from Yamal LNG, partially offset by continued strong project execution.

And in Surface Technologies, I will focus on our sequential performance to demonstrate the underlying improvements in the quarter. Surface reported fourth quarter revenue of $262 million, a 16% sequential increase, driven by an expanded services offering and strong international backlog conversion as well as increased drilling and completion activity in the United States. In the quarter, international represented more than 65% of total segment revenue. Surface Technologies reported adjusted EBITDA margin of 11.8%, a 410 basis points increase versus the third quarter, with North America posting a positive contribution for both the quarter and the full year. The significant improvement was driven by higher activity and the benefit of our cost reduction activities throughout 2020.

Turning to cash flow. Operating cash flow improved sequentially to $555 million, driven by a significant improvement in working capital. Capital expenditures were $41 million in the period. For the full year, capital expenditures of $292 million were within our guidance of approximately $300 million. Free cash flow for the period was $514 million, with full year free cash flow of $365 million, exceeding the high end of our guidance. Free cash flow in the quarter benefited favorably from timing of targeted collections and expenditures, including advances from recently awarded projects. We ended the period with cash and cash equivalents of $4.8 billion. Net cash improved $470 million sequentially to $854 million.

And finally, let me provide you with our 2021 outlook. Our guidance is based on continuing operations and thus excludes the impact of Technip Energies, which will be reported as discontinued operations. In Subsea, we are guiding full year revenue to be in the range of $5 billion to $5.4 billion. Backlog scheduled for execution in the current year is $3.6 billion. Subsea services revenue is expected to exceed $1 billion, the vast majority of which is not included in backlog today.

Taken together, close to 90% of revenue at the midpoint of our guidance range is fully supported by services and scheduled backlog. We expect adjusted EBITDA margin to improve to a range of 10% to 11%, driven by the execution of higher margin backlog, improving vessel utilization and the benefits of cost reduction activities.

For Surface Technologies, we expect revenue in the range of $1.05 billion to $1.25 billion with international revenue representing around 65% of total segment revenue for the year. We expect adjusted EBITDA margin to improve to a range of 8% to 11%, driven by the benefits of a lower operating cost base and a favorable revenue mix.

Turning to the other guidance items. We expect corporate expense of $105 million to $115 million, which includes depreciation and amortization of approximately $15 million. We expect net interest expense of $130 million to $135 million. We expect our reported tax provision for the full year to be between $110 million and $120 million. The tax provision is impacted in the year by approximately $40 million of separation-related items and approximately $20 million of withholding taxes, which are taxes paid on revenue. We expect capital expenditures of approximately $250 million.

Free cash flow, which we define as cash flow from operations less capital expenditures, is expected to be between $50 million and $150 million for the full year. Importantly, I want to highlight that approximately $70 million of nonrecurring separation-related expenses are included in this outlook, and this figure includes the $40 million in tax-related items just mentioned.

Lastly, I want to provide further comments regarding the capital structure of TechnipFMC. In our filing made at the time of separation on February 16, we indicated that our pro forma capital structure consisted of approximately $2.2 billion of net debt. Looking to the remainder of this year, we expect a reduction in net debt to be driven by the following: $200 million in proceeds from the sale of shares in Technip Energies to Bpifrance, which we now have received. In early March, we will receive approximately $80 million in settlements associated with foreign exchange hedges related to debt repayments made at the time of the spin and free cash flow of approximately $200 million to be generated post separation when assuming the midpoint of free cash flow guidance for the year.

Additionally, at the time of separation and prior to the sale of shares to Bpifrance, we hold a 49.9% stake in Technip Energies that is currently valued at approximately $1.2 billion, which we intend to monetize subsequent to the 60-day lockup period and continuing over the next 18 months.

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Thank you, Alf. Before we move to Q&A, I just want to close by expressing once again how much excitement has been generated by the creation of both Technip Energies and TechnipFMC. We are very optimistic about the future for TechnipFMC and uniquely positioned as an international company with over 90% of revenue generated outside North America; an industry pure-play, highly levered to the subsea market, which we believe is poised for a multiyear recovery; a fully integrated technology and services provider, supporting both the traditional and renewable energy industries; and a company that is focused on providing innovative solutions to meet the world's demand for energy, with innovative low carbon offerings, like iProduction and all-electric subsea; as the partner of choice, leveraging our extensive references as an architect and integrator as our customers look offshore and subsea to achieve the scale required for the new energy system; and through investment in early phase projects and solutions that accelerate the role of our technologies in the energy transition.

And we will maintain an intense focus on capital discipline and cash flow generation to accelerate the improvement in our capital structure as we continue to drive material and sustainable change in the markets we serve.

Operator, you may now open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Your first question comes from the line of George O'Leary from TPH & Co.

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

I just wanted to start off with the competitive landscape in the subsea space and the acceleration you guys have seen in awards as of late. You speak to it in the press release and the presentation. You guys have clearly kind of changed the game in the subsea space, taking cost way down, adding in more digital and kind of automated technologies. And it seems like the competitors have stagnated a bit there. So was just curious if truly mostly the international paradigm that led to you guys taking share in that market, a changing paradigm there or the competitors have just kind of dropped the ball. How do you view that competitive landscape overall on the subsea side?

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Thanks, George, for the question. No, look, I'm not going to comment on the competitors and their strategy. I think it's just important to reflect back on our strategy. We had a very clear vision and what you're seeing is the manifestation of that vision. First and foremost, it begins with our people, looking out for the health and well-being, providing the tools necessary to do their job and letting them execute in just a phenomenal way. Secondarily, it's our partners. And you noticed -- I'm not saying clients, I'm saying partners. Many of our clients are partners in either alliance agreements or frame agreements that give us a unique capacity in the marketplace that others simply don't have access to.

And then again, it's really just seeing the vision become a reality. This started with Forsys Subsea quite some time ago when we first launched the concept of an integrated FEED study, then the transition to create the company on the 17th of January 2017, allowing us to actually to deliver integrated projects, the only company that can deliver an integrated project as a single company, having all the levers within their own control, and we call that iEPCI.

Keeping in mind, this whole time, we were developing the next-generation of subsea equipment, Subsea 2.0. And I gave updates in the many quarters preceding this that talked about how we were progressing and how much of the FEED studies were integrated, how the increase in the integrated projects and the delivery of those projects, how Subsea 2.0 was beginning to saturate and become a large portion of our backlog.

So with all that in hand and a whole lot of discipline, because let's not forget, in 2018, I was having to defend why we weren't chasing market share for vessel utilization. And we made it very clear at that time we believed in our vision, we believed in our model, it would show up, and we did not want to load our backlog with a low priced -- no profit or very low profit backlog as a result of chasing market share, particularly on vessel-only contracts where vessel day rates were at an unacceptable level in our opinion. So we suffered for a short period of time lower utilization. But now we're beginning to see all that manifest into the margins of the company and our ability to set ourselves up for continuous outperformance, as you have indicated earlier.

And that's really it. It sounds simple, but this was a multiyear journey. It was difficult at times, but we could not be more thrilled in the position we have put our company. And right now we also believe and, obviously, outside of our control, but certainly welcome, an inflection point for the offshore and subsea market that we believe will have a multiyear runway ahead of us.

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

Great. Doug. And then just thinking about the Surface business. You guys provided the margin target to range for the 2021 time frame. I assume through time, even the top end of the range, you want to get EBITDA margins above those levels. What's the long-term target from an EBITDA margin perspective for that business? And what's kind of the road map in your mind to get you all there?

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Yes. Very good question. Again, as I always talk about when I talk about the Surface business and the surface market, it's really a tale of two cities, international and North America. As we've indicated, we continue to progress our differentiation, market share and presence in the international market. We actually added two key markets in the Middle East, and our presence in the Middle East through two very strategic contracts, and continue to benefit from the activity going on in the kingdom, where we have a very important long-established relationship footprint and local content. So if you will, that side of the equation is doing well.

And when we look forward, it's always been quite stable, much less cyclical, much higher margins. Why is that? The equipment we provide is just at a much higher standard than the equipment we supply in the North American market. And that's just due to the demands of the market, the demands of the types of reservoirs, flow rates, et cetera, are very different between the international -- most of the international market and the U.S. market, and much less competitive, we have much further differentiation.

The North America market, as we pointed out in the prepared remarks, we see the market having some signs of recovery. We are transforming the market with our iComplete offering, which is having significant market penetration and continue to drive our iProduction initiative in the North America market as well.

When we look forward and our ambition around the margins, we'll continue to do the right things and expand the margins in the international market. But in the U.S. market, we're going to need a whole lot of help in terms of higher level of activities, absorption of capacity, et cetera, before we see any real expansion in the North America market.

Operator

Our next question comes from the line of Amy Wong from UBS.

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

I had a few questions about the all-electric subsea production systems. Firstly, I'd like to understand from a pricing perspective or kind of more discussions with your clients, how different is the pricing of using an electric system versus your more conventional traditional systems? When you're discussing with your clients, what are some of the key kind of pressure points of getting them to adopt an electric subsea production system.

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Look, we're super excited. I think I said this last quarter or maybe two quarters ago, we think this transformation could and should happen very quickly. First and foremost -- we'll come to pricing, I'll answer your question. But first and foremost, the discussion with the client is around greenhouse gas emissions. And it's not just greenhouse gas emissions, but there are other emissions associated when you're using hydraulic power versus electric power. There's a lot more generation on the top side in terms of greenhouse gas emissions. And then there's also the reality of using a hydraulic fluid versus electric and associated risks of such.

Operationally, it's preferred because you remove the latency that you have with hydraulically operated systems. And from our point of view, where it gets really exciting, Amy, is we can increase a tieback distance up to four times, four times. So imagine the opportunity set when we have over 50% of the world's infrastructure on the seabed today and growing, as our market share continues to grow, imagine the capacity that brings to our company for very high-return projects for our clients to tie back satellite fields, their own or others, like in the recently announced alliance we formed with Repsol Sinopec back to their producing platform.

So again, the discussion is around helping them reach their ambitions around the energy transition. This is a key enabler, allowing us to move forward and expand the opportunity in the market set, leveraging our installed base and helping our customers improve their returns, and then finally pricing. When you put it all together, you would expect that we would receive a higher level of pricing on these type of our projects because our customers are receiving significant benefit. So it's a win-win situation.

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

Very clear. Just a quick related follow-up. Care to take a stab at, let's say, by 2025 or some time frame you pick, what's your penetration is going to be in terms of new systems sold, what's going to be electric versus nonelectric?

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

You'll hear about some awards for sure in that time frame. I won't go too far. I don't want to get too far ahead of myself here, but you will definitely hear from us. We have the most -- let me back up just one second, Amy. We have electric in subsea today. We have electrically operated in controls in subsea today. And we have, by far, by far, more than the rest of the industry combined times a multiplier, the number of all-electric activated controls in subsea today. And, one that we've talked about before that we continue to be very excited about is not just all-electric and not just replacing the hydraulic with the electric controls, but the inclusion of robotics and using robotics for actuation much further simplifying the infrastructure as well. We call that our Subsea Robotic Manifold.

They are on the seabed operating today in Brazil for Petrobras, and we're excited to say we just received another award to build more Subsea Robotic Manifolds, which are just -- we're talking Subsea 4.0 now, Amy. This is just well ahead of 2.0 as we continue to expand and develop. So you'll hear more awards. We'll call them out. And what's the level of penetration, there's a large installed base out there. So it's not something that you can just flip overnight. But I think anybody looking at greenfield projects today or any sort of long distance tiebacks today would be well served. And certainly, our clients and our partners are looking at all-electric as an option.

Operator

Your next question comes from the line of Sean Meakim from JPMorgan.

Sean Christopher Meakim - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

Congrats on getting the spin completed.

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Sean, thank you very much. We're excited for ourselves, and we're excited for our friends at Technip Energies.

Sean Christopher Meakim - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

So maybe just to start on the guidance. One of the biggest investor pushbacks coming into this release was margin progression in '21 after the challenges in '20. So I think there's been a lot of skepticism regarding your ability to improve margins, if revenue is down year-on-year. And so there are a lot of moving parts. We've got cost has been taken out. COVID impacts are hopefully receding as the year goes on. Subsea services, mix can be a help. Vessel calendar has been a challenge. So can you maybe just help us unpack those pieces that drive the margin guidance, including the upside and downside of that range.

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Sure, Sean. I won't repeat everything that I mentioned when I was responding to George's question a bit earlier. The same playbook applies, right? This is the manifestation of the vision and our steadfast determination to deliver it. So you heard in Alf's prepared remarks, I don't think you've heard that from us before or certainly from anyone else, that our margins in backlog are improving. So this has to do with the fact of an intense amount of discipline, not chasing projects at any cost, walking away from the table, you see this on the large public tenders that are made public, the results are made public, you see where we typically fall.

When you have almost 50% of your revenue being direct awarded to your company through your alliance partners, subsea services, or the conversion of integrated FEED studies to direct award iEPCI, both of which we said will grow in 2021, that's a very different environment than being out there bidding competitive day rates for vessels in a market that has too much capacity in the market today. As I mentioned earlier, we took some hard comments back in 2018 because of our SURF market share, which was shrinking at the time. We said we were doing that because we believed in our vision.

We believed that we would get the iFEED studies converted to the iEPCI projects, which would flow through and provide a higher margin and higher returns. But to do that, we needed to maintain the capacity of the fleet and not fill it up with these low day rate, no-margin or zero-margin contracts. So we passed on those. And now what you're seeing is the benefit of that.

So look, I appreciate what you said, Sean. It's the secret sauce. It shows that we're doing something. We're not sitting back on waiting for revenue to recover, for margins to recover. We're a company that is extremely disciplined, that has a vision, that has an absolutely unique operating model, an incredibly favorable client and partner base that we respect and honor and cherish and support every single day.

Sean Christopher Meakim - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

Yes. I appreciate that. And I think it's certainly good to see the turn unfolding. Maybe just turning to cash flow. Some onetime cash out items are impacting free cash flow this year. But the CapEx guidance is 4% of revenue. Is that a good run rate for capital intensity for the business now? And how do we think about normalized free cash flow for this business? I mean it could be a free cash flow margin of sales, it could be conversion of EBITDA. Are there some type of metrics that you'd point us to, to think about what this business can look like when we get through the transition period here?

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

This is Alf here. So let me start with, I think, the capital expenditure question, as you mentioned. I think it's a fair level that you're seeing it at $250 million right now where we can sustain our business model as we see it. And you don't expect significant growth CapEx above that as we go forward. In terms of cash flow, I don't know that I can commit to a certain level as a ratio. But clearly, what we are embarking on as a company, given our profile of our balance sheet, et cetera, is that we are going to be committed to generating cash. So as you see us operating from this year and onwards, we are going to be intensely focused on generating the cash. And in that, we obviously expect to drive up these ratios over time as we progress.

Operator

Our next question comes from the line of Marc Bianchi from Cowen.

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

Sticking with cash. The bridge from the old, the pro forma capital structure to what was most recently announced. You talked about now you've got an expectation for $200 million of free cash flow post close. And I'm just wondering if you could square that with the guidance for the year of $50 million to $100 million or $150 million -- excuse me, $50 million to $150 million for the year.

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

Yes. So let me try to keep it pretty simple in this. So first of all, without going through maybe all the details of what I said before, getting from the current capital structure that we had, now with the Bpifrance in hand and then with some of the proceeds from the foreign exchange hedges that were mentioned, the reality is that we have had about $100 million of outflow in the first period here in the year, and we're going to get $200 million in the back half of the year, and that's the way we get back to the capital structure.

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

Got it. Got it. That's very helpful. And then the other question relates to Surface and the margin that you're guiding to here. It's down from fourth quarter -- or the range is down from where you were in the fourth quarter. And Doug, I know your commentary about international being better margin, and it looks like international is going to be a higher mix for you in 2021. So I'm just curious I would have expected that margin to be improving from where you were. So maybe you could provide some commentary around that.

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Sure. So look, in the fourth quarter, particularly in our international business, we had some very favorable settlements. We reached some favorable milestones and, therefore, was able to recognize that in the fourth quarter. But really nothing to add beside the earlier comments. We're well positioned. We have the right -- we believe we're in the right locations, at least that's, I think, playing out very well. We have very long-term relationships where we have very high levels of local content and expanding some of that local content in some of those key countries.

And again, it is really important to emphasize a surface tree is not a surface tree. And you can have a surface tree in West Texas, you can have one in the Kingdom of Saudi Arabia, and you can have one offshore on top of a platform. And they are very different, very different in terms of their technical content, in terms of the qualified companies that are able to bid on those type of projects.

And the fact that in the international business for our Surface Technologies, we are almost entirely vertically integrated. Everything flows through our manufacturing facility in Singapore. We're not relying so much on third-party and certainly, we're out of the commoditized market that we face in a lot of North America.

So consider Q4 an exceptional quarter. I don't think you can take Q4 times four and could have expected us to deliver that versus the full year of 2020. It's already a substantial step-up, full year versus full year. We're real proud of the work that our team is doing in Surface Technologies, not only around the international market, but as I said, really beginning to imply digital solutions and transform the North America market at the same time.

Operator

Your next question comes from the line of Waqar Syed from ATB Capital market.

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

Doug, congrats on a successful spin-off. So my first question is with respect to Brazil, it looks like in the Subsea side, in new orders, Brazil is going to be a big part of the new orders. So as you look forward over the next 12 to 18 months, do you think that if you win some awards there, would that be dilutive to overall Subsea kind of margins Brazil or neutral or additive. How do you think about that?

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Great question, Waqar. And let me just start by saying, yes, Brazil is a country, but it's really South America. And I've said this in prior calls. For the next decade, it's very much going for us, and this is unique to us, it's very much going to be about Brazil, Guyana and Suriname and other countries in South America. And why do I say unique to us? I think you know our position in Brazil. I think you know our position in Guyana, which we're very proud of. And again, makes some of it differentially beneficial to our company.

We have a phenomenal capacity in Brazil, phenomenal capacity. We've manufactured and installed more subsea equipment for Petrobras than the competition. We have an incredible services team that supports that. And we have manufacturing for subsea equipment as well as for rigid and flexible flowlines that is best-in-class in the country. So we're well positioned. We understand the market. We understand the client. We have deep long-term relationships with Petrobras. Petrobras has been a leading adopter of our technology.

I talked about subsea, compact, robotic actuated, all-electric manifolds earlier. They've done some really amazing things. We're working on subsea seabed CO2 separation reinjection, which will really be a key enabler for the future production, and we're working on our hybrid flexible pipe, which is advancing very well in terms of the qualification along with Petrobras to address the stress corrosion issues that the industry has faced.

So all that being said, I think they deeply respect us. They understand that we have a certain expectation that we need to deliver to our shareholders, and it has not created an issue for us to be able to do that.

Now beyond Petrobras, we also have two other tiers of customers in Brazil. We have the IOCs who have invested heavily, heavily into assets, subsurface assets in Brazil. They're moving pretty aggressively towards plans to develop those. And I think you know this, or I might have stated this in the past, but we've pretty much done all the IOC subsea projects to date. So we have a track record really across the board with all of them and experiences with all of them in Brazil. And that is obviously beneficial when you move from the pre-salt to the post-salt now with those same clients.

And then finally, the third tier is a group of -- a group and a fast-growing group of independents, both Brazilian independents and non-Brazilian independents that are beginning to look at deepwater developments in Brazil. We're really the partner of choice for them. Some have extensive footprints in Brazil, some do not; some have extensive experience in deepwater, some do not. So when they know they can come to TechnipFMC as the only company who can provide them a fully integrated end-to-end solution from concept to pre-FEED, all the way through to the life-of-field and support of their assets, positions us very well. So I know a long answer to your question, so I'll stop there, and I apologize.

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

No, that was a great answer. And then just like a follow-up. On the services side Subsea, how do you think of revenue opportunity in 2021 versus 2020 in terms of directionally. What the magnitude of the change could be?

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

So you're referring to Subsea services, correct, Waqar?

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

That is correct, yes.

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Yes. Look, we certainly expect that to grow, not only in '21, but in '22, that's being driven by, let's just face it, our installed base is growing. If you just look at the market share that we have gained since the creation of TechnipFMC and the only company offering a true integrated offering, I mean, it's been substantial. As you know, back in '19, it was 50% of our inbound or $4 billion of just integrated projects. And so all these projects come along with most, I should say most, if not all of these projects, come along with a very long-term service contract associated. We are installing more, and certainly, we'll be installing more in '22, '23. So that goes up.

We are servicing more of the installed base because it's growing. Our installed base is growing plus it's aging. And on top of that, we expect to see a lot more subsea well intervention, wellbore, I should say, subsea wellbore intervention. There's a lot of subsea wells that are offline today because something has failed in the wellbore.

As you know, we don't do wellbores. That's not our scope. But something down there under the ground, something happened and the way that the customer accesses that is to -- we go out with them either on the rig or on one of our vessels to be able to retrieve the subsea tree, put in place the controls, so that they can enter into the wellbore, perform the remedy that's required and then reinstall our equipment. And that's a very important part of our Subsea services. So kind of what I'm alluding to is a lot of OpEx growth followed by CapEx growth driving our Subsea services growth.

Operator

Our last caller comes from the line of Chris Voie from Wells Fargo.

Christopher F. Voie - *Wells Fargo Securities, LLC, Research Division - Senior Equity Analyst*

Maybe just to try a little bit on cash flow one more time. So excluding the separation cost of $70 million, I think guidance suggests about 20% to 40% of EBITDA conversion in 2021. If I think about lower interest expense and probably an opportunity for cost efficiency and maybe tax efficiency, should future years gravitate higher compared to that 20% to 40%? Or are there any kind of onetime benefits this year that maybe aren't visible that could be headwind?

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

So let me start and say, there aren't any material onetime benefits really to this year, first of all. I think you're right about that we have certain costs that are detracting a little bit from our current ability to generate the cash flow that we would like. So if you look at things like interest expense, as you mentioned, if we can continue with our plan to deleverage our balance sheet, get the interest expense down, that's an important component. I think we have to work on optimizing our tax positions a little bit more. Those are a couple of items that are detractors at this point. But there is no reason that we could grow cash flow generation after considering those items as an example. And then, of course, on the back of where we think the markets could be going in the long-term and generating further EBITDA would set us up for future cash flow generations.

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

And Alf, you said it earlier, but I know how pleased we are that we've received the $200 million payment from Bpifrance and the $80 million on the reversal or the benefit from the hedges will be coming, as you said, in early March. So look, it's not something in the distance, it's right in front of us, it's happening today. It's exactly what we said. There was some near-term -- short-term capacities due to the fact that we accelerated the spin schedule from 90 days to 40 days, but we are getting back to exactly the levels that we had discussed earlier, and I couldn't be more proud of the work that is being done. So thank you, Alf.

Christopher F. Voie - *Wells Fargo Securities, LLC, Research Division - Senior Equity Analyst*

Okay. That's helpful. And maybe just specifically on corporate expense, I guess it's tracking about $90 million to $100 million ex D&A this year. How do we think about the opportunity to streamline those costs as you normalize in 2022 plus?

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

Yes. So first of all, of course, if you look at the corporate expense for 2021, obviously, we have streamlined them a little bit already from the removal of incremental expense associated with Technip Energies. We also further have had some cost reductions as part of our programs in 2020. We also have some headwinds in the 2021 corporate expense that is not as visible maybe, but that includes some increase in pension liability expense that actually is driving up the expense. So when you kind of look at that, there are going to be continued opportunities to look at driving down this cost. I'm not going to give you an exact number, but clearly, it's a number that we're looking at to make sure we continue to streamline as we run this business.

Operator

At this time, I will turn it over to Mr. Seinsheimer for any closing remarks.

Matt Seinsheimer - *TechnipFMC plc - VP of IR*

This concludes our fourth quarter conference call. A replay of the call will be available on our website beginning at approximately 8:00 p.m. Greenwich Mean Time today. If you have any further questions, please feel free to contact the Investor Relations team. Thanks for joining us. Operator, you may now end the call.
