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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good day and welcome to the TechnipFMC third quarter 2024 earnings conference call.

(Operator instructions)

And finally, I would like to advise all participants that this call is being recorded. Thank you. I'd now like to welcome Matt Seinsheimer, Senior Vice President, Investor Relations and Corporate Development. Matt, over to you.

Matthew Seinsheimer - *TechnipFMC PLC - Vice President - Investor Relations*

Thank you, Pauly. Good morning and good afternoon and welcome to TechnipFMC's third quarter 2024 earnings conference call. Our news release and financial statements issued earlier today can be found on our website. I'd like to caution you with respect to any forward-looking statements made during today's 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 projected results are described in our most recent 10-K, most recent 10-Q, and other periodic filings with the US Securities and Exchange Commission. 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 Chair and Chief Executive Officer.

Douglas Pferdehirt - *TechnipFMC PLC - Chairman of the Board, Chief Executive Officer*

Thank you, Matt. Good morning and good afternoon. Thank you for participating in our third quarter earnings call. The TechnipFMC team continues to demonstrate solid execution, which is reflected in our quarterly results. Adjusted EBITDA and margin improved sequentially for both subsea and surface technologies. These results were supported by a relentless focus on industrialization and standardization, as well as integrated business models, all of which are allowing us to execute more efficiently with greater certainty of outcome and repeatability of success.

Revenue in the third quarter was $2.3 billion. Adjusted EBITDA was $389 million with an adjusted EBITDA margin of 16.6% when excluding foreign exchange impacts. Total company inbound was $2.8 billion, driving backlog to a new record level of $14.7 billion. Subsea inbound orders were $2.5 billion, a book-to-bill of $1.2, with subsea backlog also reaching a new record of $13.7 billion.

Subsea inbound continues to be supported by our differentiated orders, with this quarter particularly driven by our unique iEPCI offering, technology leadership, and extensive subsea services capabilities. More specifically, we announced awards from Petrobras for flexible pipe and subsea production systems and an iEPCI for BP's Kaskida project in the Gulf of Mexico, a 20K development in the Paleogene.

The Kaskida Award represents our second iEPCI to utilize a 20K production system. This marks our fourth overall award for 20K production equipment, and we are confident that high-pressure, high-temperature reservoirs remain an important opportunity set going forward as clients look to produce from deeper waters and reservoirs.

In Brazil, we were awarded scope for both subsea production systems and flexibles from Petrobras. Our nearly 70-year legacy in Brazil reflects our deep commitment to the region and highlights our continuing support of Petrobras's strategic vision. We will draw on our extensive in-country operations to deliver on these contracts. Notably, the flexibles inbound further builds on our global leadership position in flexible technology for which we've been awarded nearly 250 kilometers this year.

We also believe this technology is likely to be a key enabler in new frontiers where we see continued momentum. Beyond announced awards, orders also included a large iEPCI and another strong quarter of inbound for subsea services, driven by installation and life afield opportunities on our growing install base.

Moving to surface technologies, solid execution on key customer projects in the Middle East, particularly in the UAE and Saudi Arabia, was a major contributor to the quarterly results. We expect to continue benefiting from our exposure to these markets driven by our client's continued investment and long-term production growth.

The completion of our new state-of-the-art facility in Saudi Arabia and the qualification of our product portfolio are favorably impacting our company today and represent a differentiated growth opportunity for TechnipFMC.

Turning to our outlook. We remain very confident in the sustainability of the market backdrop, particularly for subsea. As a reminder, our subsea opportunities list highlights sizable projects with the potential for award over the next two years. When using this midpoint value of these subsea developments, the list grew sequentially to a record $25 billion.

And while these projects are typically available to the broader market, the strength of our outlook is predicated on our unique view into the subsea market, much of which is not reflected on the opportunities list. Often these opportunities involve an iFEED study which converts to a direct award to our company.

When we think about 2025, we see an even more diversified mix of opportunities than what we expect to inbound in the current year. Said another way, we see a more extensive list of clients, a broader range of geographies, more projects that utilize our unique technologies, more subsea 2.0, and more iEPCI. And when you also factor in the continued growth we expect from subsea services, it is clear why we remain so confident in achieving our guidance of $30 billion of orders over the three-year period ending 2025.

Looking beyond 2025, I would highlight the significant presence of projects on the subsea opportunities list that serves as a strong baseline for projects likely to be sanctioned in 2026, which notably includes New Frontiers. Additionally, the feed pipeline for subsea developments remains at a record level, many of which are for projects advancing towards FID in the latter half of the decade.

It's this combination of factors that gives us increased visibility and, more importantly, greater confidence in the project pipeline in 2025, 2026, and beyond. In closing, we are clearly demonstrating our ability to execute on our expanding backlog, as evidenced by our year-to-date results and increased guidance for subsea in 2025.

Importantly, our backlog has been built by a differentiated set of inbound orders, driven by iEPCI, innovative technologies, and subsea services, all strengths of TechnipFMC that deliver value for our customers and higher and more sustainable returns for our company. These factors, along with our robust market outlook, support a strong capital allocation policy.

Yesterday, we increased our share repurchase authorization by an additional $1 billion, providing us with nearly $1.2 billion of current authorization. At the same time, we increased our distribution target for 2024 with a goal to nearly double shareholder distributions versus the prior year. We will continue to drive TechnipFMC forward with conviction in both our execution and outlook, validated by the uniqueness of our business, intimacy of our customer relationships, and strength of our backlog.

I will now turn the call over to Alf to discuss our financial results.

Alf Melin - *TechnipFMC PLC - Chief Financial Officer, Executive Vice President*

Thanks, Doug. Inbound in the quarter was $2.8 billion, driven by $2.5 billion of subsea orders. Total company backlog increased sequentially to $14.7 billion. Revenue in the quarter was $2.3 billion. EBITDA was $389 million when excluding restructuring, impairment and other charges, totaling $4 million, and a foreign exchange loss of $3 million.

Turning to the segment results, in subsea, revenue of $2 billion increased modestly versus the second quarter. The revenue increase was driven by higher project activity in Asia Pacific, Latin America, and Canada, largely offset by lower activity in the Gulf of Mexico and Norway, following completion of significant project milestones in the second quarter.

The increased project activity included higher revenue from flexible pipe in Brazil. Subsea services activity improved modestly in the period. Adjusted EBITDA was $371 million, with a margin of 18.3%, up 60 basis points from the second quarter. The sequential increase was due to improved earnings mix from backlog and strong project execution in the quarter.

In surface technologies, revenue was $320 million, a modest increase sequentially. The revenue improvement was primarily driven by increased project and services activity in the Middle East, partially offset by lower wellhead equipment sales in North America. Adjusted EBITDA was $49 million, up 7% versus the second quarter. The improvement was due to the higher activity in the Middle East and improved execution, partially offset by the lower activity in North America. Adjusted EBITDA margin was 15.3%, up 80 basis points versus the second quarter.

Turning to corporate and other items in the period. Corporate expense was $31 million, net interest expense was $16 million, and income tax in the quarter was a benefit of $6 million. Tax expense was significantly below plan due in large part to a net $61 million positive benefit from the release of a valuation allowance. The release of the valuation allowance resulted from a reassessment of the carrying value of deferred tax assets driven by our improving profitability. These tax assets are now expected to benefit future periods.

Cash flow from operating activities was $278 million. Capital expenditures were $53 million. This resulted in free cash flow of $225 million. Total shareholder distributions in the quarter were $101 million, including $80 million of share repurchases. This brings year-to-date distributions to $395 million, putting us on a path to nearly double distributions versus last year.

As Doug mentioned in his prepared remarks, we now have nearly $1.2 billion of remaining authorization following the increase to our share repurchase authorization announced yesterday. We ended the period with cash and cash equivalents of $837 million. Net debt declined sequentially to $129 million.

Moving to our guidance. For subsea, we expect seasonal impacts to our fourth quarter results, with revenue declining low single digits sequentially, and adjusted EBITDA margin of approximately 16.5%. This implies full-year adjusted EBITDA for subsea should approach $1.3 billion. For surface technologies, we expect revenue in the fourth quarter to increase low single digits sequentially, driven by growth in our international business, with incremental margins of approximately 30%. And finally, we expect corporate expense to be modestly above third quarter results.

Now moving to full year guidance, we are increasing our expectations for total company-adjusted EBITDA to approximately $1.37 billion when excluding foreign exchange. We now expect net interest expense of $65 to $70 million, down from the previous guidance range of $70 million to $80 million. And moving to tax, this year we have had a favorable earnings mix that is allowing us to benefit from our tax positions, reducing our expectations for tax expense even with our improved profitability.

When also including the release of the valuation allowance, we have revised our reported tax provision guidance for 2024 to a range of $170 million to $180 million. This is down from the previous guidance range of $280 million to $290 million. Going forward, as we have previously communicated, we are focused on achieving a normalized effective tax rate of 30%. All other guidance items remain unchanged.

Let me now address our outlook for subsea in 2025. We are guiding subsea revenue to a range of $8.3 billion to $8.7 billion, an increase from the previous outlook of approximately $8 billion. We are guiding subsea adjusted EBITDA margin to a range of 18.5% to 20%, also an increase from the previous outlook of approximately 18%. The midpoint of the range implies growth in adjusted subsea EBITDA of more than 25% when compared to our updated guidance for 2024. We will provide the remainder of our 2025 financial guidance with our fourth quarter earnings.

In closing, our third quarter results demonstrate solid financial performance with adjusted EBITDA margin for subsea increasing to 18.3% and surface technologies improving to 15.3%. With these strong quarterly results, we have also increased our full-year expectations for total company-adjusted EBITDA to $1.37 billion.

The continued strength in execution, combined with our confidence in the market backdrop, has led to a material increase in our 2025 subsea financial outlook, with the upper end of our EBITDA margin guidance now at 20%. Lastly, returning cash to shareholders remains a top priority, and we now expect to nearly double distributions versus the prior year. Importantly, the increase of $1 billion to our existing share repurchase authorization supports our expectations for further growth in shareholder distributions.

Operator, you may now open the line for questions.

QUESTIONS AND ANSWERS

Operator

Thank you. And as noted, the floor is open for questions.

(Operator instructions)

Arun Jayaram, JP Morgan.

Arun Jayaram - *JPMorgan Chase & Co - Analyst*

Yes, good morning. My first question is just on the 2025 subsea outlook which you raised. At the midpoint of the range, your margin guidance implies 250 basis points of margin expansion year over year and over 300 at the top end of the range. I was wondering if you could discuss some of the drivers of the higher margins? In particular, I was wondering if you could provide some insights on the mix of Subsea 2.0, direct awards, integrated projects '25, how that mix changes in '25 versus 24.

Douglas Pferdehirt - *TechnipFMC PLC - Chairman of the Board, Chief Executive Officer*

SPEAKER_08^ Good morning, Arun. Thank you for the question, and more importantly, thank you for acknowledging the 250 basis point uplift in our guidance. It is quite significant given the performance that we've had already in 2024 versus 2023, and clearly demonstrates the path that we're on and the success that we're having. So thank you very much for that.

I'll handle the second part of your question first, and then I'll pass it over to Alf to add some additional color. Simply stated, there will be more iEPCI and more 2.0 in 2025, and that certainly helps with the quality of the of the performance of the conversion of those orders from backlog into revenue and profitability.

Alf Melin - *TechnipFMC PLC - Chief Financial Officer, Executive Vice President*

Thank you, Doug. And clearly, 250 basis points, we're very pleased, obviously excited about this upgrade to our financial outlook. So a few factors, of course, we remain extremely confident in our inbound order guidance that we have given, the $30 billion over a three-year period ending in 2025. With this quarter and with prior quarters demonstrating our ability to convert a higher quality backlog and they are resulting in stronger operating margins.

Our execution has been strong and we maintain a relentless focus on industrialization of our business, which I think is reflected in our 2024 performance where clearly we are exceeding the initial guidance. If you look commercially, we have been able to continue to increase our backlog margins on the back of our unique iEPCI capabilities and the 2.0 technology that clearly Doug referenced as well being a favorable mix to us.

And with shorter cycle times that we're demonstrating for ourselves as well, we're demonstrating value to our clients as well as this translating into improved financial performance for us. So all in all, I think these factors really gives us the greater confidence and thus putting forward this revised 2025 subsea outlook at this point.

Arun Jayaram - *JPMorgan Chase & Co - Analyst*

Great. My follow-up is, judging by some of the commentary and earnings seasons thus far from SLB, Baker, as well as your results, SURF appears to be one of the strongest parts of the OFS food chain, but this will include obviously a tightening market for vessels. Doug, I was wondering if you could talk about, your thoughts on just managing through a tighter vessel market, because this is one of the recent concerns I've heard from the buy side is how is FTI going to execute some of these projects, given the sense that the vessel market is quite tight today. I was wondering if you could elaborate on that.

Douglas Pferdehirt - *TechnipFMC PLC - Chairman of the Board, Chief Executive Officer*

Arun, a fair concern by the buy side. If we were still operating the company as we had historically or others in this space as they still are operating as they were historically, there will be limitations. It's just, there's no doubt about it, as you're stating the concern that you're hearing from some of your clients and our shareholders. In 2019, 2019, we recognized this. And we recognized that business needed to be done differently.

And we went from building and relying on our own internal capacity by building out relationships and moving into what we call the vessel ecosystem. This allows us to work together with partners' vessels to deliver our iEPCI projects. As you know, iEPCI projects are the premium in the market today and quickly becoming the model of choice for our clients, many of which we have converted to go 100% iEPCI which, for us is obviously flattering because it means 100% direct awards.

So as a result of that, we can continue to grow that iEPCI offering, as Alf pointed out, creating value for our customers, by shortening cycle time or accelerating time to first oil by up to one year versus the conventional hardware versus installation contracts being bid and tendered separately.

So on those projects, we look at our capacity, we look at the capacity of our partners, we have conversations and we make commitments. And as a result of that, we can continue to grow and have confidence in our ability and our outlook to continue to grow the iEPCI market through our own utilization of our own assets, as well as through the ecosystem and our partners within the ecosystem.

Operator

Scott Gruber, Citigroup.

Scott Gruber - *Citigroup Inc - Analyst*

Good morning. I wanted to start off, I was looking at your subsea opportunities list. I couldn't help but notice that there's four Petrobras projects that were increased in their scope. So I just want to get some color, those projects getting bigger from a well count perspective or is there more scope being added from a technology perspective? Just some color on what's driving the award value potential upsizing would be great.

Douglas Pferdehirt - *TechnipFMC PLC - Chairman of the Board, Chief Executive Officer*

Sure, Scott. A little bit of all of the above. This is the challenge of having, you know, kind of ranges, and if something's near the top end of the range, by the time the feed work is done, it may very well go higher or lower. In this case, they obviously ticked higher. I would say there was indeed some changes to scope. Maybe not as much on the well count, but more so on the infrastructure and the layout of the field. And this is driven to higher values. And then some of them are just projects that are out in 2026, where we're just learning more from the feed activity that's being conducted today. But indeed, those have grown in value.

Scott Gruber - *Citigroup Inc - Analyst*

That's great. Just a question on what we're hearing from the offshore drillers. A lot of questions we're getting today is around this white space issue for the offshore drillers. And if there's any read-through for FTI and the order cadence that you guys are looking at in 2025. Doug, you reiterated confidence in that $30 billion over three years. I guess, can you just kind of provide some color on what you're seeing on the market and why it's different from the offshore drillers the white space issues that they're having?

Douglas Pferdehirt - *TechnipFMC PLC - Chairman of the Board, Chief Executive Officer*

Scott, thank you for bringing this up. This clearly has been a somewhat recent topic within the community. The short answer is no, but let me add a little more color to that. Just got done doing a tour around three quarters of the world anyways, visiting with all of our top customers, understanding what they needed from us, you know, as they look at their portfolio for 2025 and 2026.

Simply did not, it did not come up one time. I mean, it is simply a non-issue in regards to their expectations from us and for their project FIDs to continue to move forward at, I would say, as an accelerated cadence. In no way has it been a slowing or a deferral. And look, I also want to point out, at the risk of being a bit contentious, but this was started by one or two companies.

It was never endorsed broadly by not only the drilling community, but certainly the rest of the industry. This is a company-specific issue. It is not an industry issue.

Scott Gruber - *Citigroup Inc - Analyst*

Part of the issue that the offshore rigs are drilling faster, we've heard about that, to be honest. Is that part kind of what bridges the gap?

Douglas Pferdehirt - *TechnipFMC PLC - Chairman of the Board, Chief Executive Officer*

Can you repeat that one more time, Scott?

Scott Gruber - *Citigroup Inc - Analyst*

Offshore rig efficiency seems to be improving in certain locations. Is that part of what bridges the gap between some extra white space for a few offshore drillers versus the well count and project count that you execute on?

Douglas Pferdehirt - *TechnipFMC PLC - Chairman of the Board, Chief Executive Officer*

Again, Scott, it is not an issue that's being raised by our clients. It is not a concern in terms of the project timing for FID or for the execution of existing projects. And, you know, pleased to hear that the drilling efficiency is improving because that fits very well with our strategy, which is reducing cycle time for our clients. So we certainly encourage that greater efficiency and we would all mutually benefit from that.

Operator

Kurt Hallead, Benchmark.

Kurt Hallead - *Benchmark Energy Corp - Analyst*

Hey, good morning, Doug, everybody. So Doug, I'm glad you brought up the dynamics at play where you've traveled around the globe and met with varying customers. I want to extend upon that dynamic, right? So there seems to be a disconnect between some short-term concerns about maybe oil demand vis-a-vis oil supply, yet the customer base that you're talking to and you're dealing with seems to have a more constructive outlook relative to the investor base.

So with that as a backdrop, when you're having your conversations with these executives and they're going through their thought process on executing on their programs, what are you learning from that dynamic in terms of how they're viewing the demand prospects, supply demand balances, and what's giving them the conviction to continue to push forward?

Douglas Pferdehirt - *TechnipFMC PLC - Chairman of the Board, Chief Executive Officer*

So, Kurt, and again this is a generalization, which is always difficult to do because each company, each of our clients has its own specific portfolio, its own opportunities, its own risk profile, et cetera. But I'm going to generalize if you'll allow me, although again you can't apply it across the board to every client. At a high level generalization, there is the understanding that their highest quality reservoirs lie offshore.

There is an understanding and strong belief and conviction in what we have delivered to the industry, meaning iEPCI and 2.0 will continue to reduce cycle time. The combination of a quality reservoir and improved efficiency at a broad level, let's call it efficiency, improved efficiency or accelerated time to first oil, very quickly, very quickly makes those project economics extremely attractive.

Therefore, the primary conversation we're having today is our choice, our preference is iEPCI 2.0 direct award to TechnipFMC. It's humbling, but that is the conversation. And therefore, we're working with our clients and our partners, and certainly those who are prepared to direct award iEPCI 2.0, knowing that that's going to be the most favorable for the project economics going forward to ensure that we will make commitments to them to assure them that they will have our capacity to be able to deliver on those projects.

At the end of the day, We want every subsea project to be extremely successful. That's what differentiates our company and creates the sustainability for our company is the sustainability of offshore. We don't think of it as a cycle. We think of it as how do we continuously drive that project economics, subsea project economics, towards continuous improvement.

The good thing is, it's embarrassing to say, but the good thing is we have a lot of runway. We have a lot yet to be done on our side of the equation versus some of the other areas that our clients have access to in terms to using their capital in other reservoirs outside of subsea that are quite mature and quite highly efficient already. So I think that's what gives them the confidence and the understanding.

Also, keep in mind these are longer cycle projects. Although we're trying to shorten them every day by a day, by a day, a week, and a month, The reality of the situation is they are making a bit of a longer-term bet, and I think that takes out some of the short-term noise that we're hearing in the macro market today.

Kurt Hallead - *Benchmark Energy Corp - Analyst*

Yes, no, that's good context, and I appreciate that. So the second thing maybe to follow up here, and for either you or Alf, is on the increased share repurchase, right? And obviously you mentioned you're going to double the distribution of shareholders this year. So how do you guys think about the timing of that dynamic? Are you thinking programmatic, share repo, opportunistic? And do you have a sense that given what you expect to generate in terms of free cash flow into 2025 that, the bulk of that billion-dollar share repo will be exhausted in 2025?

Alf Melin - *TechnipFMC PLC - Chief Financial Officer, Executive Vice President*

Yes, thank you. Thanks for the question. I'll try to tackle this one. You know, so first of all, really, the business outlook, the strong cash generation we see ahead is really foundational for this. I mean, obviously, we announced this additional $1 billion authorization this quarter. And again, as you said, we have announced that we nearly will double this year.

And when you kind of put that in context also of the fact that we have said that we will always distribute, or not always, but we will distribute at least 60% of our free cash flow to shareholders, but I just want to put the $1 billion maybe in context. With this year, with the nearly doubling, we're implying that we would be buying back shares of around $400 million maybe. Again, our commitment that we also stated very clearly is that we will be growing this going forward.

So I think when you look at that authorization and think about growth, clearly we look to increase this during the upcoming year.

Operator

Waqar Syed, ATB Capital Markets.

Waqar Syed - *ATB Capital Markets - Analyst*

Thank you. First of all, congrats on a great quarter and for raising guidance. Thank you very much. Doug, my question relates to the surface business. Some of your larger peers have guided the Street to low single digits to mid-single digits type upstream spending increase in international markets in 2025. Now, for your surface business, do you think that it could grow next year in the same kind of range, or do you have any opportunities for market share gains in Saudi Arabia because of your new manufacturing setup there?

Douglas Pferdehirt - *TechnipFMC PLC - Chairman of the Board, Chief Executive Officer*

So Waqar, thank you very much for acknowledging the performance in the quarter. It's a reflection of the 22,000 women and men which we're simply humbled and honored here to represent, so thank you for that. And also, thank you for asking around the surface business. So as far as the international portion of our surface business, which, you know, is the largest portion and very differentiated. We are very differentiated in that marketplace and a very different business than the North American market.

We remain optimistic, and you summarized it well, so I'll just try to repeat what you said. There's the overall market activity. And then there's the result of our investment and the ramp up of our activity within the region, both within Saudi Arabia as well as in the United Arab Emirates. So we remain very confident in the performance of our international business for those reasons.

Waqar Syed - *ATB Capital Markets - Analyst*

And on the same topic, as they move towards unconventional gas, does that provide any opportunity for unit price improvement, or things like that in the Middle East?

Douglas Pferdehirt - *TechnipFMC PLC - Chairman of the Board, Chief Executive Officer*

Indeed, more wells and, from our equipment's perspective, a much higher specification, a much higher specification. So indeed, it is a positive trend for the business, for the products and services that we provide in the Kingdom.

Operator

Marc Bianchi, TD Cowen.

Marc Bianchi - *TD Cowen - Analyst*

Hey, thanks. So it looks like 50% of the backlog in subsea is scheduled to ship beyond 2025. And I think you said you expect a higher proportion of direct awards during '25. So can you help us understand how representative the 2025 margin outlook is for margins in 2026 and beyond?

Douglas Pferdehirt - *TechnipFMC PLC - Chairman of the Board, Chief Executive Officer*

Sure, Mark. Obviously, when we're looking at opportunities today, as indicated on one of the earlier questions, you know, we do have options, and we are quite selective in supporting those projects that we believe can be the most successful and create the greatest success for our clients. And when we think about, you know, direct awards and iEPCI 2.0, we're creating a lot of value for our clients, so they have no problem sharing that value with us. I'll let Alf add a little additional color.

Alf Melin - *TechnipFMC PLC - Chief Financial Officer, Executive Vice President*

I just want to maybe remind you of a couple of things. First, as we look at what we are still taking in in terms of quality of orders in 2024, pretty much all orders that we're taking in are accretive to our backlog. So that is setting up for future growth in margins as well. I think we've talked about that we have a portion of legacy projects in our backlog.

We have said that that's around 10%, 11% at the end of 2025. And clearly as we execute, that portion of the backlog keeps getting smaller. So overall, just that relative mix is going to help overall margins going forward.

Marc Bianchi - *TD Cowen - Analyst*

Right. Okay. Thanks, Alf. Maybe while you've got the mic, on cash conversion, so you've got this, tax assets that's releasing and you've got some better EBITDA outlook for '25, I'm just curious how we should be thinking about conversion of EBITDA to free cash in light of these upticks.

Alf Melin - *TechnipFMC PLC - Chief Financial Officer, Executive Vice President*

'We're not going to give free cash flow. Will give that guidance for '25 with our fourth quarter earnings call. But I will of course admit that we are expecting growth in free cash flow based on first of all the earnings as you point out, but we stand by the 50% free cash flow conversion at this point and any variability due to tax or anything else we'll come back to that at the fourth quarter call in February.

Operator

Saurabh Pant, Bank of America.

Saurabh Pant - *Bank of America - Analyst*

Hi, good morning, Doug and Alf. Doug, if you don't mind, maybe I would like to start on the flexible side of things. The orders, the project, the opportunity is pretty strong. And we saw that for you, we saw that for a couple of your peers. Maybe, Doug, spend a little time on the flexible market. We know Petrobras is a big opportunity, but other than that, what are the key drivers for that flexible market over the next couple of years?

Douglas Pferdehirt - *TechnipFMC PLC - Chairman of the Board, Chief Executive Officer*

Good morning and thank you. An important question and a very important technology for our company. This is a technology that we've been a leader in for a very long time. There's just a few players who participate in this space. Historically, it's been split between, let's call it Tier 1 or the high end, and then the commodity. We've almost exclusively played in the tier one side. And we've had a very significant market presence in the Tier 1 side and that's really driven by continuous investment in R&D and not only product technology development. But more importantly now very much focusing on the industrialization, just like with this Subsea 2.0 equipment where we've doubled the cadence through the facility that's still an opportunity on the flexible side of the business where we're seeing some improvement but we have additional opportunity which obviously drives much higher returns because without capital expenditure we can't increase capacity.

When I think about markets outside of Brazil, and let me pause and say Brazil is a very important market and a market that we've been the leader and will remain the leader and continue to serve Petrobras and are humbled and privileged and proud to serve Petrobras, but there's actually a significant market outside of Brazil. And that's being driven by iEPCI.

So we are, you know, we have iEPCI and we have flexible pipe. And therefore one could conclude that we have a unique ability to be able to design subsea architecture like no one else has in the industry. And our ability to do that can vastly, vastly simplify the architecture, improve the flexibility, no pun intended, of the layout of the field. And all this results in acceleration of first oil and much, much greater certainty in the project delivery.

When you are welding pipes together and deploying them real time, there is simply risk associated and there is simply a limit to the efficiency that one can ascertain. It's just, there's just limitations. We break that. We break that issue by being able to change the architecture. So in the past, I've referred to it as the secret ingredient. But this was why the combination of FMC and Technip occurred in the first place. And this is why we created TechnipFMC, because having access to the flexible pipe is clearly the differentiator.

So that market outside of Brazil is growing and largely attributed to our iEPCI offering because keep in mind on an iEPCI project we're the field architect so we're doing the design years ahead. That's what we're working on right now. That's why we have visibility through the end of the decade because we're working on those projects right now and obviously our ability to be able to leverage that flexible technology in the architecture is a game changer.

Saurabh Pant - *Bank of America - Analyst*

Right. Right. No, that's fantastic. And if I can continue with that point on visibility and switching to the overall backlog in subsea that you have, obviously a record backlog. But if I just zero in on how you staged that backlog, you give those numbers in the press release. 2025 backlog staging went up by $1 billion, which is very impressive. And if you do the numbers, it gives you a lot better backlog coverage for next year versus at least the prior two to three years.

So if we just talk about everything other than that's your backlog for the implied revenue, guidance, and subsea, how should we think about the book and turn business, the shorter cycle business that you would book and deliver in 2025? How should we think about that in light of the macro uncertainty and any risk associated with that?

Douglas Pferdehirt - *TechnipFMC PLC - Chairman of the Board, Chief Executive Officer*

Great observation. It's one we are obviously observing too and very proud and excited. As you're saying, we're de-risking our ability to be able to forecast. Here we are today giving 2025 guidance. I don't think other companies are in a position to do that or most are not in a position to do that because of that visibility that we have in that backlog coverage, as you're referring to, that we have.

Look, the backlog's growing. You know, the book to bills, we've been above a 1.0 for a long time now. So you're growing that backlog, which obviously is the first variable in the equation. And then it's also the quality of the backlog. And then the third is we're growing our services business. So when you kind of put those altogether, it's what gives us the greater coverage and maybe earlier coverage and greater visibility and coverage than we've had historically.

You know, this is why we give, we've now given you a revenue range for 2025. So we're trying to take the mystery out of converting backlog to revenue. We'll just go ahead and we'll give you the number so that you can have the certainty. And you know, if we're giving the numbers, we certainly expect to be able to deliver, or we will deliver against those numbers as well. So, but good observation.

Operator

Thank you all for your questions. I will conclude the Q&A session at this time and hand back over to Matt for closing remarks.

Matthew Seinsheimer - *TechnipFMC PLC - Vice President - Investor Relations*

This concludes our conference call. A replay of the call will be available on our website beginning at approximately 3:00 PM New York time today. If you have any further questions, please feel free to reach out to the Investor Relations team. Thank you for joining us. Pauly, you may now end the call.

Operator

Thank you. This does conclude today's conference call. Thank you all for joining us. You may now disconnect.
