

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

FTI.N - Q3 2025 TechnipFMC PLC Earnings Call

EVENT DATE/TIME: OCTOBER 23, 2025 / 12:30PM GMT

OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Matthew Seinsheimer *TechnipFMC PLC - Senior Vice President of Investor Relations and Corporate Development*

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

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

CONFERENCE CALL PARTICIPANTS

Scott Gruber *Citigroup - Analyst*

Victoria McCulloch *RBC Capital Markets Inc - Analyst*

David Anderson *Barclays - Analyst*

Arun Jayaram *JPMorgan Chase & Co - Analyst*

Derek Podhaizer *Piper Sandler - Analyst*

Ati Modak *Goldman Sachs - Analyst*

Sebastian Erskine *Rothschild - Analyst*

Marc Bianchi *TD Cowen - Analyst*

Saurabh Pant *Bank of America - Analyst*

Mark Wilson *Jefferies LLC - Analyst*

PRESENTATION

Operator

Hello, and thank you for standing by. My name is Regina, and I will be your conference operator today. At this time, I'd like to welcome everyone to the TechnipFMC third quarter 2025 earnings conference call. (Operator Instructions)

I'd now like to turn the conference over to Matt Seinsheimer, Senior Vice President of Investor Relations and Corporate Development. Please go ahead.

Matthew Seinsheimer - *TechnipFMC PLC - Senior Vice President of Investor Relations and Corporate Development*

Thank you, Regina. Good morning, and good afternoon, and welcome to TechnipFMC's third quarter 2025 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 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 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. Total company revenue in the period was \$2.6 billion, adjusted EBITDA was \$531 million, with a margin of 20.1% when excluding foreign exchange impacts.

I am very proud of the continued strength in our execution and the delivery of another quarter of high-quality inbound. With total company orders of more than \$2.6 billion in the period, 15 of the past 16 quarters have achieved a book-to-bill above 1.

We generated free cash flow of \$448 million and distributed \$271 million through dividends and share repurchases, continuing to deliver on our commitment to return a significant portion of free cash flow to shareholders.

Subsea realized quarterly inbound orders of \$2.4 billion. This commercial success is the cornerstone of our ability to deliver growth in both revenue and profitability. In the quarter, we announced four awards driven by continued strength in South America.

We received multiple flexible pipe contracts from Petrobras, which included the direct award of a high-pressure gas injection risers for pre-salt projects. We were also awarded a contract to supply Subsea production systems to be deployed in an array of greenfield developments, brownfield expansions and asset revitalizations across Petrobras' extensive portfolio.

In Guyana, we were awarded the Hammerhead project from ExxonMobil, where we leveraged our in-country experience and solid track record for providing schedule certainty. This award represents the seventh greenfield development on the Stabroek Block and will utilize our Subsea 2.0 technology. TechnipFMC has supplied all of the Subsea production systems for ExxonMobil in Guyana, since the first contract award in 2017.

Our commercial success year-to-date reinforces our confidence in delivering more than \$10 billion of Subsea orders in 2025 as well as achieving \$30 billion of inbound over the last three years. Beyond the current year, we believe that offshore projects will continue to receive an increasing share of capital investment.

This change in spending allocation is due in part to the significant improvements made in developing the large, high-quality and prolific reservoirs found offshore. These strong attributes were always known and the resource quality was always there, but cost overruns and schedule delays in the past would ultimately challenge project economics.

In today's offshore market, much has changed, driven by a number of factors, including improvements in the quality and interpretation of seismic data, shortened delivery times for large production infrastructure, significant reductions in the time required for drilling and completion activities, and as reflected in our inbound awards, the introduction of new commercial models and innovative technologies.

At TechnipFMC, we wake up every day with a single purpose, the relentless pursuit of cycle time reduction. This mindset led to the development of our pre-engineered configure-to-order product platform, Subsea 2.0 as well as the creation of the industry's only fully integrated execution model, iEPCI.

These innovations provide the elements to shorten cycle times and improve project returns. But even more importantly, to help provide our customers with greater schedule certainty in our project execution. It is this combination of higher economic returns and greater project certainty that is providing sustainability to current activity levels, underpinning our outlook and securing \$10 billion of Subsea inbound in 2026 and our confidence that activity will remain strong through the end of the decade.

In closing, the continued strength in our Subsea inbound orders reflects the confidence our customers have today and our ability to successfully execute their projects on time and on budget. This is making the offshore resurgence more durable as evidenced by the shift in spending to these markets.

TechnipFMC is also driving this change in behavior. With iEPCI and Subsea 2.0, both having a profound impact on investment decisions by derisking and accelerating Subsea projects. The success of these unique offerings has also contributed to the notable increase in the level of direct awards to our company.

With greater project certainty, we now see the execution phase of Subsea developments as an opportunity to further leverage lean operating principles. In doing so, we can learn, refine and enhance our own processes, driving a culture of continuous improvement to further shorten cycle times and improve project returns.

While focusing on the customer is always a top priority, we also believe that our shareholders should share in our success. Yesterday, we announced our Board of Directors authorized additional share repurchases of up to \$2 billion. This significant increase to our share authorization exemplifies our confidence in the outlook as well as our commitment to maximize shareholder value.

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 \$2.6 billion, driven by \$2.4 billion of Subsea orders. Total company backlog ended the period at \$16.8 billion. Revenue in the quarter was \$2.6 billion. Adjusted EBITDA was \$531 million when excluding a foreign exchange loss of \$12 million.

Turning to segment results. In Subsea, revenue of \$2.3 billion increased 5% versus the second quarter. The sequential improvement was largely driven by increased project activity, particularly iEPCI projects in Africa, Australia and the Americas. This was partially offset by reduced project activity in Norway. Adjusted EBITDA was \$506 million, up 5% sequentially due to higher project activity. Adjusted EBITDA margin was 21.8%.

In Surface Technologies, revenue was \$328 million, an increase of 3% from the second quarter. The sequential increase was primarily driven by higher activity in the North Sea and Asia Pacific, partially offset by lower activity in North America. Adjusted EBITDA was \$54 million, an increase of 3% sequentially due to higher activity in international markets. Adjusted EBITDA margin was 16.4%, in line with the second quarter results.

Turning to corporate and other items in the period. Corporate expense was \$28 million. Net interest expense was \$11 million, and tax expense in the quarter was \$76 million. Cash flow from operating activities was \$525 million, and capital expenditures were \$77 million. This resulted in free cash flow of \$448 million.

We repurchased \$250 million of stock in the third quarter. When including \$20 million of dividends, total shareholder distributions were \$271 million. We have also increased our share repurchase authorization by an additional \$2 billion, providing us with \$2.3 billion of current authorization.

Since the time of our initial authorization in 2022, we have distributed more than \$1.6 billion through buybacks and dividends, representing nearly 60% of free cash flow generated over the period. During the quarter, we reduced debt by \$258 million, including early repayment of the 6.5% senior notes maturing in February 2026.

We ended the period with \$438 million of gross debt, largely comprised of private placement notes that extend out to 2033, with interest rates of 4% and below. Cash and cash equivalents was \$877 million. Our net cash position increased to \$439 million.

Moving to our guidance. For Subsea, we expect seasonal impacts to our fourth quarter results, with revenue declining mid-single digits sequentially. Adjusted EBITDA margin is expected to decline approximately 300 basis points to 18.8%.

For Surface Technologies, we anticipate revenue to decline low single digits sequentially, with an adjusted EBITDA margin similar to the 16.4% reported in the third quarter. Lastly, we expect corporate expense to approximate \$35 million.

Moving to our full year outlook. I'm going to highlight a few items. Most notably, the updates we have made to our guidance ranges. For Surface Technologies, we now expect adjusted EBITDA margin to be in the range of 16% to 16.5%, above our prior full year view.

And for total company, we are increasing our guidance for adjusted EBITDA by \$30 million, which we now expect to approximate \$1.83 billion for the full year when excluding foreign exchange. Lastly, with the continued strength in our cash conversion, we are also increasing free cash flow guidance for the year to a range of \$1.3 billion to \$1.45 billion. All other guidance items for the current year remains same.

Before I move to my closing remarks, I want to recognize the tremendous progress the team has accomplished so far. The consistency in execution and further adoption of lean operating principles make us well positioned for continued improvement in most everything we do.

Additionally, our commercial differentiation and the relative stability of offshore markets give us unique visibility, allowing us to provide an early view for Subsea for the upcoming year. For 2026, we are guiding Subsea revenue to a range of \$9.1 billion to \$9.5 billion, with adjusted EBITDA margin in the range of 20.5% to 22%. We will provide the remainder of our 2026 financial guidance with our fourth quarter earnings.

In closing, the continued momentum in operational performance drove another solid quarter for TechnipFMC. The strong execution was also reflected in robust free cash flow generation, leading us to increase our full year expectation to \$1.375 billion at the midpoint of the guidance range.

We are on pace to return more than 70% of free cash flow to shareholders in 2025 through dividends and share buybacks. And with our increased free cash flow guidance, shareholder distributions now have the potential to double versus the prior year.

Yet even with this substantial increase in distributions, we have maintained the flexibility to further strengthen our balance sheet by reducing gross debt almost \$450 million since the beginning of the year, including the opportunistic prepayment of our highest cost debt.

And finally, as we look further ahead to 2026, we have provided our outlook for Subsea, which at the midpoint of the guidance implies double-digit growth in adjusted EBITDA. Importantly, this level of EBITDA growth in Subsea is essentially double the anticipated growth in revenue, further expanding margins, improving returns while providing strong support for robust shareholder distributions.

Operator, you may now open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Scott Gruber, Citigroup.

Scott Gruber - Citigroup - Analyst

Yes, good morning.

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

Good morning, Scott.

Scott Gruber - Citigroup - Analyst

Good morning. I wanted to start on the share repurchase authorization. It's going to be another good year of free cash this year, strong returns to shareholders above 70%. With the increase in the repurchase authorization and what should be a strong free cash year next year, how are you guys thinking about the right level of cash return in '26?

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

Sure, Scott. So obviously, we are very pleased with the year we've had with free cash flow generation this year, really supported by our strong commercial and operational execution that we had all year. This execution is foundational because the operational delivery uncertainty around that is really leading to the consistent achievement of milestones that then trigger billings and associated cash collections.

So that's really, again, the fundamental strength in the cash flow conversion out of EBITDA clearly has increased significantly this year. However, when you exclude maybe working capital benefits and a few one-time benefits that we have seen in 2025, our free cash flow conversion from EBITDA may not be able to stay at that level.

But if you think about what we have said historically, we said that we're going to be around 50% of free cash flow conversion from EBITDA, and we think we're now approaching more like 55% when you're normalizing for working capital to a more neutral position.

Scott Gruber - *Citigroup - Analyst*

That's great. And how to think about the kind of level of return to shareholders from the free cash flow for next year kind of what's the framework you guys are thinking about?

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

Yeah. So we are just recommitting that we will have at least 70% of free cash flow returned to shareholders. So that's -- we will continue at that level, at the same level as we've had in '25.

Scott Gruber - *Citigroup - Analyst*

Great, I appreciate the color.

Operator

Victoria McCulloch, RBC. Please go ahead.

Victoria McCulloch - *RBC Capital Markets Inc - Analyst*

Morning. Thanks very much for taking questions this morning and for the results. Just on the Subsea award intake, when we were speaking last quarter, you mentioned that there were some awards that haven't been announced to the market that we would see in the coming weeks.

I think there was one from Equinor in July. Has there been anything that possibly still yet to be announced from of the order intake. Certainly, it seems your -- the order intake is obviously very strong and running ahead for -- of others in the market. It's very strong by TechnipFMC.

And then as a follow-up, not totally linked, what are your working capital expectations for this year within the new free cash flow guidance? Thank you very much.

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

Sure. Thank you for the question, and happy to clarify. First of all, thank you for pointing out another solid quarter of inbound. We are differentiated in that. And I think that's very much a result of what we've done to create the company that we have, and it shows up in the level of direct awards it comes to our company.

So in other words, the total available market that's accessible by the rest is shrinking every day as our direct awards continue to increase. So if you think about it that way, that's what gives us the confidence, the reassurance and the ability to continue to outperform.

In terms of those specific, the comment around potential future announcements, there are actually still more to come. That really is governed by our clients. It typically has to do with their conversations with the local governments or their partners.

And when they give us the green light, then we go ahead and make those announcements. But nothing -- there's no surprises there. There's no -- it's just a normal part of the process. It's struck out a little bit longer than we had anticipated when I made that comment.

But again, thank you for pointing out the strength and resiliency of our outlook and our ability to win and secure the highest quality projects, realizing that we are being very selective in what we focus on.

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

Yes. And this is Alf. Regarding the free cash flow and the working capital assumptions. As you clearly point out, we have had a very exceptional year this year and a very strong year in terms of working capital performance.

So whatever you can kind of gauge from the year-to-date numbers now is kind of one way to see the upside this year. When we guide for going forward, we will typically put ourselves with a neutral position. That's the right starting point.

Victoria McCulloch - *RBC Capital Markets Inc - Analyst*

Super, thanks both for your color. Appreciate it today.

Operator

David Anderson, Barclays.

David Anderson - *Barclays - Analyst*

Hey, good morning, Doug. How are you?

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

Great, Dave, and yourself?

David Anderson - *Barclays - Analyst*

Well, doing well. I was hoping you could unpack the '26 Subsea guide a little bit for us in relation to kind of what I'm hearing from the rest of the market. Recognizing the midpoint of the guide, the revenue guide on Subsea is in line of consensus.

I'm assuming the service component is up roughly cut 10%, like we've been seeing in the past years. So if as backlog conversion looks pretty steady for next year. We keep hearing about offshore picking up the late '26 building into '27.

I'm just curious if that's a trend that you think should also play out in your Subsea revenue. You mentioned shortened cycle times. I guess does that imply backlog conversion should start to accelerate in the second half of next year? And does Subsea 2.0 convert faster in the mix?

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

Sure, Dave. I think you dropped off there at the end. You might have to bring me back. There were quite a few a few things packed in there, year back, Dave. So if I don't catch everything, just you can ask me a follow-up.

So first of all, thank you for asking us about 2026. I think we're the only ones talking about 2026, to be very clear, which again says a lot about who we are as a company, the unique visibility that we have, our position within the market and the confidence that our clients have in us to be able to award us projects far earlier than they have done historically or that they would do with the competition.

So again, it's a privilege for us to be able to talk about 2026. When you -- as you said, as we kind of unpack that guidance, you're right, backlog coverage is strong. And it's not just the quantity of backlog coverage, it's the quality of backlog coverage, and that was both in my prepared remarks as well as in Alf's, it's that ability to have confidence in increasing not just revenue, but also margin and margin at a faster rate than revenue growth.

So this isn't just about volume. This is about higher-quality inbound and just, quite frankly, exemplary execution, which I'm extremely proud of our team and all of our employees for what they've been able to deliver.

So those things set us up very well and give us the confidence to be able to go out now and no one else is talking about 2026, and we're able to go out with guidance for 2026, with a high level of confidence that we will be able to achieve that.

You asked a question about Subsea services and kind of its growth rate, like in 2025, I would think of it as in line with the growth of the overall business. So in other words, we gave you the revenue forecast. So you can look at that top line growth and reflect something similar for Subsea services.

In terms of cycle time reduction and how that helps the conversion from backlog, indeed, it does, and that's a big part of the secret sauce is in terms of our ability to grow, whilst retaining a modest CapEx investment, meaning we don't have to invest to grow. We decided to do more with less.

So we're not about building and spending capital and adding assets. The smart way to do it is to do more with less, which quite simply shows up in returns have not been achievable historically that we are demonstrating, and we'll continue to demonstrate as we go forward.

So that's -- now we're not -- everything is tied to that accelerated cycle time, still the offshore installation side where there's work to be done. And it's an area we're focusing on how we can make that as efficient as we have the configure to order Subsea 2.0 product architecture.

And there's not everything in the Subsea 2.0, not every of our product architecture has achieved the level of Subsea 2.0 if you will, customization. So there's a lot of upside here left in the company, and those are all of the things that we're focusing on that we'll benefit from as we go forward. If I didn't cover everything you had hoped, please feel free to follow up.

David Anderson - *Barclays - Analyst*

Pretty close, pretty close. Let's hope I don't drop out here. So my second question is just about the Subsea margin guide for next year. What percentage of revenue are you expecting to be Subsea 2.0? And can you tell us how much -- what percentage of the inbound year-to-date has been Subsea 2.0?

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

Sure. So I think the easier way to think about it and maybe how it creates leverage for the company, is how much of it is actually flowing through the facilities. So we are right now -- let's say, when we exit 2025, exit this year, we'll be approaching about 40% on of our capacity, we'll be working on Subsea 2.0.

Now the inbound levels of Subsea 2.0 have exceeded the 50% mark and continue to grow, and we would expect Subsea 2.0 orders to grow as a percentage of total orders also next year as well as iEPCI orders as a percent of our total orders will grow substantially.

So these are big, big leverages -- these create a lot of leverage for us as we continue to move forward in ensuring that we continue to grow, expand our margin, increase our leverage and drive returns.

David Anderson - *Barclays - Analyst*

Great, thanks a lot, Doug.

Operator

Arun Jayaram, JPMorgan Securities.

Arun Jayaram - *JPMorgan Chase & Co - Analyst*

Yeah, good morning. My first question is regarding your 2026 Subsea guidance. Doug, at the midpoint of the guide, it implies 175 basis point improvement in margins. I was wondering if you could help us understand how you think about the drivers of the margin expansion between Subsea 2.0 mix -- Subsea services mix and maybe pricing improvement?

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

Sure, and good morning, Arun. So clearly, all of those factor in. I'm going to really focus on the first two because to me, those are the ones that are sustainable. I think too many companies for too long, have just focused on the last one, and that is never a long-term strategy. So we have redesigned our company.

We changed our operating model to create that leverage that we can have that sustainable leverage regardless of the level of activity that there is in the marketplace. So when you think about it, there's really the three components.

There's -- we do have some legacy backlog, some legacy projects still in our backlog, and those will be working off. And we're getting down now to below the 10% mark of what is left in our backlog. So there'll be some of that remaining in 2026.

And then -- but there will also be more Subsea 2.0, as I just responded to Dave, and more iEPCI execution going through. All of that is -- those are the things that are like, let's say, very tangible. But what you have to keep in mind is the entire organization, it's not just the manufacturing part of the organization.

The entire organization is on this industrialization journey, and it's real, it's real. And many of you have had the opportunity to visit and see how we operate today versus how we used to operate and the rest of the industry still operates, and it's very different.

And it creates that what we call simplification, standardization and industrialization. And it goes across everything that we do, including the functions and every activity we have in the company. This is what creates that leverage.

So when you get over 20,000 women and men working together every single day, finding those incremental improvements and being rewarded and celebrating those successes, that creates that momentum that gives us just a high level of confidence, Arun, that we're going to be able to continue to accelerate and grow the performance of the company.

Arun Jayaram - JPMorgan Chase & Co - Analyst

Great. Maybe one for Alf. Your net cash position has grown to just under the \$500 million, I think it's like \$439 million. You highlighted plans to return at least 70% of free cash flow. I just wanted to talk about what you think about the balance sheet and future uses of free cash flow because you have a very underlevered balance sheet.

And I guess the ultimate question is could we see you returning essentially all of your free cash flow, just given how strong the balance sheet sits today.

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

Thanks, Arun. Thanks for the question. I think it's well placed. Yeah, for sure. I mean we have taken care of a lot of things on the balance sheet, pointed out in my prepared remarks, \$450 million of reduction of debt this year in addition to delivering on our commitment to at least 70% to shareholders.

This debt reduction really reflects more than 50% of debt reduction since the beginning of the year. And clearly, our balance sheet needless to say, is just in great shape. We don't see any major change to our capital allocation, meaning we intend to continue to be a capital-light company.

We have guided in the past that we will have CapEx in the range of 3.5% to 4.5%, and we continue to intend to stay at the low end of that range. So given also that we have taken care of most of our debt obligation, and we have really -- we like the maturities that we have out there for the rest of our debt, and we really don't see work in the debt structure significantly at this point.

So it certainly leaves opportunity to -- when we say at least 70%, we clearly are focused on minimum that amount, but any excess cash, clearly, shareholder distributions will be one of the areas where we go to.

Arun Jayaram - JPMorgan Chase & Co - Analyst

Great, thanks for your commentary.

Operator

Derek Podhaizer, Piper Sandler.

Derek Podhaizer - Piper Sandler - Analyst

Hey, good morning. Just to kind of keep going on Dave and Arun's comments about just the catalyst within the backlog improvement and the margin outlook. You talk about the industrialization, you have the Subsea 2.0.

But Doug, can you maybe talk to us about what 2.0 could mean for the SURF side or the installation side of things? Just thinking about those continued catalysts as we work towards the year, just the continued improvement of the business.

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

Sure. Good morning, Derek. I don't want to say too much, but I think there is a significant opportunity to further industrialize the full iEPCI scope. So remember, back in history, we were running them in parallel. We were working on the Subsea 2.0 configure to order for the SPS or the Subsea equipment portion of the -- of our activity.

And then as a result of the merger, we now have the ability as a single entity, and you cannot do this if you are not a single entity because it has, let's say, conflicting behaviors between a traditional surf company and a traditional equipment provider.

So as a single entity, now for eight years. It's been eight years ago that we actually merged. It gives us the opportunity to expand that across the whole portfolio. So I am sure you all will have an opportunity to hear much more about that in the future. But I'm going to be a little bit quiet today, which I know is not my normal behavior, but there is a -- it's an incredible opportunity, but I am going to stop there. We're working hard at it.

Derek Podhaizer - *Piper Sandler - Analyst*

Got it. Fair enough. I appreciate that. Second on the Subsea opportunities list, it's pretty noticeable and evident that scope of over \$1 billion is meaningfully increasing really since the middle. Could you talk about the drivers behind that? I'm assuming the certainty that you guys bring to the table. But where could this ultimately go from a project scope perspective as we continue to see that wedge just increase over time?

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

Thank you. I didn't think of it as a wedge, but I'll take that. It's certainly been an ever-increasing wedge. And we've talked a lot about that, including the prepared remarks and that's really being driven by the fact that the best reservoirs are offshore, at least the best reservoirs that are accessible to the marketplace. So the capital is going to flow in that direction.

It was always -- there was always some hesitation by our customers in the past, again, because of the unpredictability of the execution of offshore projects. What we have brought back to the industry, we've given our customers their mojo back, we have our mojo, and it's simply a fact of being -- performing well every single day, giving our client confidence by providing certainty.

We have to reduce cycle time every single day, whilst providing certainty. If we can do that, and we will do that, we have done that, and we'll continue to do that. That will give our customers great -- ever greater confidence to invest more and more of their capital allocation to the offshore. It just makes economic sense.

The breakevens of the projects, the returns on the projects the reserve base of very minimal decline rates compared to other areas that they can invest in. It just makes sense. So look, the opportunity list continues to strengthen.

As you pointed out, Interestingly, the three new projects that are on the list are all gas. I wouldn't overreact to that. I think -- but I do think there is something to be said about that. I do think gas is a bigger portion of the future of the hydrocarbon mix, in particular, in the offshore. And again, a lot of these offshore gas as LNG.

So we often think about LNG in a terrestrial way because LNG is the physical thing that you see is often on the key side. But a lot of the supply of that gas is coming from offshore gas, particularly outside of the US. So anyways, it's an interesting combination of projects that were added, but here's something -- maybe here's just a little teaser for you. The list you don't get to see, which is our proprietary opportunity list, which drives our direct awards, that list has grown at an even faster rate.

Derek Podhaizer - *Piper Sandler - Analyst*

Great. Thank you, Doug. I'll turn it back.

Operator

Ati Modok, Goldman Sachs.

Ati Modak - Goldman Sachs - Analyst

Hey, good morning, Doug. How are you?

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

Wonderful, and yourself?

Ati Modak - Goldman Sachs - Analyst

Good. Can you talk directionally about the outlook for Surface Technologies for '26 given the Saudi activity potential? And then you also raised the margin guide for '25. So maybe help us understand the drivers there as well.

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

Sure. So we talked a bit about it last quarter. I'm super proud of the team. They've taken the necessary actions to ensure that they can provide adequate returns to the company and to our shareholders. We've focused where and what we do.

And as a result of that, they're able to deliver quite exceptional results and actually improving results when others in this realm, I think, are going the other direction. So I will tell you the outlook is less certain. It is why we did not include that in our early guidance.

We were able to for Subsea, but the Surface or the Onshore business remains much less predictable. Certainly, the -- historically, the level of continuity in our international business or non-North America business, it's much more predictable. It has less, less downside swings to it, if you will. But it's still very early. And we are talking to our clients now. We're working through that on a budgetary work. There they're doing it themselves.

So there's not a lot of information to be exchanged. But we positioned ourselves with the right customers, in the right basins, providing the right technology. And we've had very good success with our iComplete offering, which is the digitalization of the entire frac pad, not just the pressure pumpers digitalizing their work or the wireline company digitalizing their work, but we put an overlay interface, where we can control the whole well site, allowing record performance in terms of continuous pumping.

So we're going to continue to bring those high-end solutions as well as continue to benefit from the in-country investments that we've made in local manufacturing in the Middle East, where we are very well positioned with those clients, and we'll continue to succeed on a relative basis because of those investments that we've made.

So just a little less clear at this point, and I think we will provide that guidance along with our -- the full company guidance and with our Q4 results as we do historically. It's just a different business than our Subsea business.

Ati Modak - Goldman Sachs - Analyst

Got it. That's helpful. And then can you give us an update on the electric Subsea infrastructure opportunity, where that stands as of now, I've seen some announcements from some of your peers earlier this year as well. Just wondering if that is starting to become a little bit more topical and what that could mean in terms of orders and margins for you?

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

Sure. It's progressing. What you've seen is to greenfield, all electric awards. TechnipFMC received the first-ever All-Electric Subsea award and that was for the BP Northern Endurance partnership project we announced a few quarters ago. And then more recently, there was an award in the North Sea.

We have said this, and I'll repeat it. I think the level of transition in terms of greenfield developments, to all electric are not going to be as strong as I originally had anticipated. But there are three areas that are most definitely going to benefit from all electric.

And the third one being actually very, very interesting and very new. So those three areas are carbon capture and storage. We believe they will go -- they have gone all electric, and we'll continue to go all electric.

So all of those opportunities that we're working on or we have secured are based on an all-electric infrastructure. And we have the industry's only certified all electric CO2 injection tree, and that's important. The second area is in the area of brownfield tiebacks. We've talked about this before.

It increases the radius from the host facility by about 4 times and potentially even greater than that. And that has a lot of implications and positive implications in terms of customers being able to tie back to existing infrastructure, very low -- at a very low breakeven or very high returns.

It helps us not only in the fact that we have the old electric solution, but we have other solutions like flexible pipe and Subsea processing that all kind of come together to create that opportunity. And then the third area is where we're actually now able to retrofit hydraulic trees with electric actuation, if hydraulic actuation was to be deteriorating, there's always redundancy, so it doesn't fail.

I don't want to say -- I don't want to put the wrong impression in your mind, but when it starts to deteriorate its performance over time, the customer would have to retrieve that tree, bring it back to the surface, take it back to the shore and retrofit, reinstalling, that is certainly months and can be quarters before that production is put back online.

We have developed a novel solution to be able to go into a -- in situ on the sea floor with the use of remote-operated vehicles and swap out hydraulic actuation controller for electric actuation. It is really interesting. And obviously, you don't lose that multiple months, multiple quarters of production. So it has a lot of upside for our clients, too.

So I just think the original focus of electric as well, all new projects will go all electric. I just don't think that's the case anymore, but we are finding by having invested and developed the technology, we're finding these other applications that could be quite exciting as well.

Ati Modak - *Goldman Sachs - Analyst*

Thank you, Doug. I appreciate that.

Operator

Sebastian Erskine, Rothschild.

Sebastian Erskine - *Rothschild - Analyst*

Can you hear me now?

Operator

We can hear you.

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

Yes, we can.

Sebastian Erskine - *Rothschild - Analyst*

Can you hear me? Yes, thanks very much. Apologies about that. Yeah, thanks for taking my question. The first one, just a bolt-on, it's a very strong year for TechnipFMC on order intake. But I think a theme that has emerged perhaps is that some operators have kind of chosen a bit, they're going to slow walk deepwater FIDs.

Some competitors have called Sub-Saharan Africa is a good example of that. And I also saw an estimate that was putting company tree awards down mid-teens percentage year-over-year in '25. So it would be great to kind of get your perspective on how the cycles evolve year-to-date versus your expectations at the beginning of the year? And I guess, looking forward, perhaps, what are the specific key basins that are going to drive '26 for you?

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

Sure. So look, I just have to be candid. We're not experiencing that. And I think that's clear. I mean, three years ago, we called the market and we said that the market was going to be resilient. We were going to be able to secure \$30 billion worth of awards over a three year period, and we're well on track to do that.

So -- and as far as our expectations for this year, they're right in line with original expectations, which is we said would be in that \$10 billion range. And now we're saying we'll be more than \$10 billion. So I'm not sure what others are experiencing, but our results, I think, speak for themselves.

Now let me maybe explain why. Remember, 80% of our business is direct awarded to our company never goes out to competitive tender. So just think about what that does to the total available market. The total available market that's left is very small compared to what we have privileged access to because of the trust and the confidence that customers have in us, our unique offering and our ability to be able to reduce cycle time, improve their project returns, hence leading to those direct awards.

And that's why when I say that proprietary data set that we work on our opportunity set that we're working on, which is not on our public list. Even though that public list is growing, those other projects are only accessible by our company.

And keep in mind, we are at the table very early because these are direct awards. We are doing the concept study. We're doing the pre-FEED study. We're doing the FEED study, and we're going straight into an iEPCI 2.0 execution. So I guess we just have greater visibility.

Sebastian Erskine - *Rothschild - Analyst*

Really appreciate that. And a follow-up on that. I mean, looking at your backlog at a very large level, I'd like to get your perspective on kind of resourcing to execute that level of work. And I read somewhere that had increased staffing at your manufacturing facilities in Brazil, Malaysia and the UK by some 20% to 40% in 2024 versus a kind of base of '21, so post-pandemic.

Are you happy with the resourcing at the moment? I guess looking at it, given the tightness is, are there some concerns in the industry around potential bottlenecks or capacity constraints? And how are you positioning to execute that work?

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

Well, first of all, I can't confirm those numbers. Those are new numbers to me, but I'm not sure where they came from or what you heard, but let me just answer the question more broadly. First and foremost, and this is a commitment I make to every single customer, we do not take on any work that we can't execute.

And so look, we no-bid work. I mean there's work out there with our competitors, we're no-bidding it. It's very clear if it doesn't meet our threshold in terms of the quality of the work or the type of execution that is expected or where it is expected or the currency in which we're going to be paid or the risk that we're asked to take on, and we will just no-bid that work.

So first of all, it's -- what we inbound, we have a commitment to deliver and it's important, deliver on time, on budget. I mean the reason why we get repeat awards is only because we're performing at a very high level. We have never not gotten a repeat award. We often replace the competition.

I mean it is a very different scenario in terms of how we are operating versus how we used to operate, which is all the industry -- the rest of the industry still operates. So I really can't say much more than that other than we just have a different operating model. It took a lot to get here. Thankfully, we did it 10 years ago. And so now we're singularly focused on execution.

We're not focused on anything else than delivering to our clients and meeting their expectations. So long answer to your question is we are very confident in our staffing levels. We're very confident in the resource levels. The whole strategy of the company and reducing cycle time is the ability to do more with the same. So it's not about staffing levels. It's about being more efficient.

Sebastian Erskine - *Rothschild - Analyst*

I really appreciate that. You can see that in the material improvements in project economics. Appreciate the color. I'll turn it back now. Thank you.

Operator

Marc Bianchi, TD Cowen.

Marc Bianchi - *TD Cowen - Analyst*

Hey, thanks. I wanted to start with some more questions on services. So Doug, can you remind us what the mix of services between like installation versus servicing your installed base is in the business like roughly? And the reason I ask is the comments earlier about kind of '26 and a service growth rate looking like the overall Subsea, I would have thought that services could be doing a better growth rate than sort of decelerating, so maybe you could unpack that a little bit for us?

And then the second part of it is like if you look longer term, is there anything we should be thinking about how the integrated awards that you've taken in the past several years affect the servicing opportunity and then anything with like the vintaging of your installed base as we come up on maybe some anniversaries of more service opportunity?

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

Sure. And thanks, Marc, for bringing us back to service, it's important. The only thing I would disagree with in your statement, I think you said deceleration. There certainly hasn't been a deceleration. Look, you do get a compounding effect.

The larger the installed base, the more opportunity set there is, and certainly, the higher the volume, the longer the tail and the more opportunities you have. So let's talk a little bit about the mix of services. So yes, you have the original installation activity.

And then you have all of the activity around the inspection, maintenance and repair of the installed infrastructure. And then you have another bucket that's all around refurbishment of equipment. And then you have that final bucket that's all around intervention services.

And what is very beneficial, not just driven by iEPCI, but just probably driven by the market presence that we have is that whenever the wellbore needs to be intervened on or in which happens at a much higher frequency than the equipment because the equipment is built to last for 25 to 35 years.

We come out -- we provide the services associated with giving the client access to the wellbore. So that's what I mean by that intermittent work. So -- and wellbores can fail within the first year, wellbores can fail within five years.

The more intelligence and all that, that are put in the wellbores, it's just more opportunities for things to potentially need to be replaced or repaired, which means we are involved. So look, there is no doubt that we have -- the Subsea services business has grown substantially.

We I gave some prior guidance for this year at about \$1.8 billion. As you know, that's almost double where we were not too long ago. So yes, very proud of our Subsea services business. It is a business that's going to -- it's not just the quality of the earnings associated with it, but it's having that leverage in that footprint and that sustainability and continuity.

So perhaps my remark about it being growing in line with the core business, which is also growing at a good rate, maybe made it seem understated, but that wasn't the intent.

Marc Bianchi - *TD Cowen - Analyst*

Got it. Great, thanks for that. And my second question is just around fourth quarter. And if I sort of look at what the revenue guide is here for Subsea, it would look like you're highly covered with backlog like more than usual.

But I think there were some conversations during the quarter about some extra vessel downtime beyond normal seasonality. Maybe you could just unpack a little bit what's going on there, and maybe how we should think about how that progresses through the -- into the first quarter?

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

Sure, Marc, Alf here. So yes, you are right. First of all, we are well covered on the backlog. We did have a strong Q3, and -- but we are, as you point out, guiding Q4 down versus Q3. And that revenue is declining largely through the utilization of vessels.

We have this seasonal activity levels pretty much every year, where we see that decline, particularly in the North Sea. But overall, it's affecting our ability to go offshore and generate revenue. So that's there. And then we talked about the revenue -- the associated EBITDA decline.

However, when you look at the big picture of where our guidance was in terms of revenue, we were at \$8.6 billion of midpoint. And if you kind of take this all together between the Q3 and the Q4 performance, you'll see that there is an uptick and an expectation that we will be above midpoint for the full year when it's all said and done.

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

Yes. All right, thanks, Alf. I'll turn it back.

Operator

Saurabh Pant, Bank of America.

Saurabh Pant - Bank of America - Analyst

Hi, good morning, Doug.

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

Good morning.

Saurabh Pant - Bank of America - Analyst

Doug, you gave some good color on 2026, and you gave that color early, a lot of good questions, but your revenue is still below the orders you have been booking for several years now, right? So there should be upside going forward. What I want to focus on bags as you enter deeper into the execution phase of this backlog, right? What are you focused on?

What are you looking at, especially among wondering both the installation, the side of things, the vessel side of the market, especially given some consolidation out there. Just maybe talk to the execution side of things as you execute on the backlog and orders you're booking.

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

Sure. I think the biggest thing to focus on, and we've talked about this previously on calls was just if leads the quality of the inbound, which obviously goes into the backlog, which then has to be executed. And what we know is we know there's more iEPCI, we know there's more 2.0, and that creates a significant level of confidence in our ability to be able to execute those projects. I said earlier, it came out on a couple of the earlier questions, it's all about relentless pursuit of the reduction of cycle time.

Sure. That makes sense. It means our customers get a higher project return. It means they're happy for us to share a greater portion of the economic value that we create, but it also has to do with our internal efficiency.

And again, being able to do more with the same or the same with the less, whatever scenario you might be in. But that's how we're able to ensure that we can deliver this backlog successfully for our clients and maintain that reputation and the honor position that we have with our client base today.

Saurabh Pant - Bank of America - Analyst

Right, right. No, that makes sense, Doug. As maybe a quick one for you or maybe correct me if I'm wrong on this. I think I heard you talk about 55% normalized free cash flow conversion, right? And I think you were assuming neutral working capital in that, correct me if I'm wrong.

And then how does the order exceeding your revenue dynamic play into it, right, as long as orders are above your revenue, should we think that working capital should continue to be a tailwind? Maybe just spend a couple of minutes on that, Alf, please.

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

Sure. So first of all, maybe the clarification maybe I made around our normalized working capital -- normalized free cash flow conversion. Again, I said that before, we have talked about it being 50%. And now as a guide at this point in time, we say that if you think about our EBITDA, we think we will be getting around 55% conversion from that EBITDA number if you assume working capital neutral. You're right about the dynamics of working capital being a variable to our business.

And clearly, in a period of significant growth in inbound, providing that you can get the high-quality backlog that we've been able to do that gives us the ability to achieve early milestones and ongoing milestones in the projects and allowing us a consistent execution.

We have the ability to stay neutral or better which is always the ambition we have as we execute the incremental Subsea work. When you now look maybe a little bit at the inbound picture year-over-year as we kind of have similar inbound year after year.

We may see some diminishing opportunities to incrementally build on that, but that's certainly always our ambition. But at this point, if I'm looking ahead, I wouldn't go much about neutral working capital at this point if you're looking ahead but that's certainly something to -- that we will come back and guide further on when we come back in February.

Saurabh Pant - *Bank of America - Analyst*

I got it. I got it. No, that's good. Okay, yeah guys, thank you. I'll send it back.

Operator

Mark Wilson, Jefferies.

Mark Wilson - *Jefferies LLC - Analyst*

Thank you all for your patience, for getting to me. Obviously, the adoption and the resilience of what you put in place here just jumps off the page yet again. And I'd say the ExxonMobil Hammerhead Subsea 2.0 awards seems to be the ultimate validation of that.

However, one part, Doug, I'd say that we haven't touched on is the question about installation capacity out there in the market, still essential for all clients. And obviously, you work with Saipem in Guyana at Hammerhead as well.

So could you just update us on TechnipFMC's view on that merger that's going on to Saipem7 in the market, and whether you see any impact from that regarding the vessel infrastructure you've spoken to in the past and indeed, if anything, worth commenting on your submissions regarding that process? Thank you.

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

Sure, Mark, and thank you for your patience. So just a clarification. So well, first of all, thank you for the comments. Those are well received. Yes, the seventh project in Guyana was critical. The fact that 2.0 shows that evolution, that continued market adoption and with obviously a very important client to us.

The only thing I need to clarify is we don't work with Saipem in Guyana. So we do and our scope is our scope and then the installation scope is bid separately. So that question would really need to be answered by ExxonMobil, not by ourselves.

In regards to the merger, look, the regulators will make their decision. Our customers will make their decision. So they ever the regulator decides and then there's whatever behavior the clients decide on how they want to react.

We are in a position where when asked or encouraged by our clients or the regulators to comment. We have a responsibility to comment, and we're just providing clarifications on market, market segmentation and the way that the market operates, but it will be what it will be.

Keep in mind that we have this relentless pursuit of reduction of cycle time, meaning if we can now deliver a Subsea project in two years versus three years, I've created 33% more capacity with my existing fleet. So this is about being more efficient, having higher returns, not having more assets.

Mark Wilson - Jefferies LLC - Analyst

Appreciate the color, Doug. Thank you. I'll hand it back.

Operator

And I'll now turn the call back over to Matt Seinsheimer for any closing comments.

Matthew Seinsheimer - TechnipFMC PLC - Senior Vice President of Investor Relations and Corporate Development

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.

Regina, you may now end the call.

Operator

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

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2025, Refinitiv. All Rights Reserved.