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OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

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

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

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

CONFERENCE CALL PARTICIPANTS

Arun Jayaram *JPMorgan - Analyst*

Scott Gruber *Citi - Analyst*

John David Anderson *Barclays Capital Inc. - Analyst*

Mark Wilson *Jefferies - Analyst*

Marc Bianchi *TD Cowen - Analyst*

Kurt Hallead *Benchmark - Analyst*

Victoria McCulloch *RBC Capital Markets - Analyst*

Atidrip Modak *Goldman Sachs - 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 would like to welcome everyone to the TechnipFMC fourth-quarter 2024 earnings conference call. (Operator Instructions)

I would 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 - Vice President - Investor Relations*

Thank you, Regina. Good afternoon and good morning, and welcome to TechnipFMC's fourth-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 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 fourth-quarter earnings call. I am very proud to report our strong quarterly and full-year results as 2024 was another year of tremendous success for the TechnipFMC team. For the full year, we achieved total company inbound of $11.6 billion driving year-over-year growth in backlog to $14.4 billion.

Subsea inbound orders increased to $10.4 billion, representing our fourth consecutive year with a book-to-bill greater than 1. This inbound was best characterized by growth. Growth in iEPCI, growth in Subsea 2.0, and growth in Subsea Services. These strong commercial results also benefited from a significant level of direct awards.

Total company revenue for the year grew 16% to $9.1 billion. Adjusted EBITDA improved to nearly $1.4 billion an increase of 47% when compared to the prior year. Full-year free cash flow grew 45% to $679 million of which we returned $486 million to shareholders, nearly double what we distributed in the prior year.

Now highlighting our commercial achievements, our integrated model, iEPCI and our configurable product architecture, Subsea 2.0 are unique to TechnipFMC and are the fundamental tools we created to drive sustainable change in Subsea economics.

In 2024, iEPCI orders grew nearly 25% year-over-year reaching an all-time high and came from a diverse set of clients across six offshore basins. Our ability to continue growing this model stems from our strengthened offering that expands the market for integrated opportunities, which was evident during the year.

For example, in the fourth quarter, we were awarded an iEPCI contract from TotalEnergies for the GranMorgu project, the first oil and gas development offshore Suriname. During the year, we were also awarded iEPCI projects for the Shell Sparta and BP Kaskida developments, both of which will utilize our 20,000 high-pressure technology helping unlock the most economically attractive opportunities in the Paleogene in the US Gulf.

Our ability to expand the iEPCI market is not limited to traditional energy resources, with several major milestones achieved in 2024, including the Mero 3 HISEP project in Brazil, representing the first iEPCI for Petrobras and the first to utilize subsea processing to capture CO_2 directly from the well stream for injection back into the reservoir, all of this done on the sea floor.

We also announced the industry's first subsea all-electric system for carbon transportation and storage for the Northern Endurance partnership in the United Kingdom. And more importantly, we formalized a new partnership with Prysmian that will combine our subsea expertise and dynamic offshore applications with Prysmian's leading cabling solutions. Together, this unique combination creates iEPCI for offshore floating wind.

Inbound in 2024 was further supported by growth in our configurable product architecture, Subsea 2.0. Our ability to generate significant product volume allows us to leverage the full benefits of the configure-to-order model, creating incremental manufacturing capacity without the need for additional capital expenditures. In fact, we have already demonstrated the ability to more than double manufacturing output from our existing capacity for this product portfolio.

And from our client standpoint, by eliminating product engineering hours and streamlining the supply chain, we can accelerate equipment delivery by up to nine months. It is really no surprise to us that we saw continued adoption of our Subsea 2.0 platform. With Subsea 2.0 tree orders in 2024, significantly outpacing the more than 50% growth of our total subsea tree awards versus the prior year.

The clear benefits of iEPCI and Subsea 2.0 are further enhanced by our relentless focus on execution where we see continuous improvement using the lean principles of simplification, standardization and industrialization, or SSI.

As part of our SSI journey, we have made a bold decision to approach every process in TechnipFMC from a fundamentally different perspective, one focus on visual management, allowing our teams to identify and solve challenges much earlier than before. Across the hundreds of projects we execute, our teams map out every step and every project deliverable is identified as green or red, meaning it is either on track or it is not.

We then focus our efforts on things that are not on track and we use this approach for every function in the company, not just manufacturing. Adopting this methodology was a cultural shift that did not happen overnight. It require transparency and trust and adopting a mindset throughout the organization that fosters asking for help.

It is transforming how we operate by achieving seamless coordination and client-centric improvements. Key drivers of our robust execution that help deliver greater value for our customers and higher and more sustainable returns for our company.

During the year, Surface Technologies benefited from the proactive steps we have taken to refocus the business. We are capturing the benefits of targeted actions, including the sale of our Measurement Solutions business, and optimization of our Americas portfolio. And we expect our actions to drive further improvements in financial performance as evidenced by the guidance we have now provided for the coming year.

In the Middle East, the growth we anticipated is materializing, driven by the ramp-up in activity in the United Arab Emirates and the Kingdom of Saudi Arabia. This represents a differentiated growth opportunity for our company. More broadly, we remain positive on the outlook for energy. We anticipate further growth in demand with affordability and security of supply, now also major considerations.

We continue to believe that both offshore and the Middle East markets will remain the preferred investment of operators with deepwater attracting a growing share of capital flows, driven by much improved economic returns and broad access to these resources.

In offshore markets, we are seeing this today with both an expansion of new regions for development and a growing list of clients. We have secured $20.2 billion of subsea orders in the past two years, and our strong market visibility gives us confidence we will exceed $10 billion of inbound in the current year, delivering on our guidance of $30 billion over the three years ending 2025.

And as we look beyond the current year, we have increased visibility into the pipeline of longer-term opportunities supported by a growing list of name projects that extend beyond the historical planning horizon. This gives us even greater confidence that activity will remain robust through the end of the decade.

In closing, I am very proud of what we accomplished this year and the momentum we have built to create a truly unique company in an industry that was ready for a better way forward. The success of our strategy was clearly on display this year, and we continue to lay the groundwork for further improvement ahead with multiple levers to drive business performance, some of which are less visible to our external stakeholders, yet are very much within our control.

Our unique combination of direct awards, iEPCI and Subsea Services, continues to represent an even greater share of our business, growing to more than 80% of total Subsea inbound in 2024 and underpins the quality of our expanding backlog. Importantly, the actions we have taken on our transformational journey to further simplify, standardize and industrialize the organization are changing how our company operates and gives us confidence that we will successfully execute for our customers.

And finally, we are committed to sharing our growing cash flow with increasing shareholder distributions to at least 70% of free cash flow in 2025, which would result in growth in distributions of at least 30%. 2024 was indeed a major milestone for TechnipFMC on our more ambitious journey.

I will now turn the call over to Alf.

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

Thanks, Doug. Inbound in the quarter was $2.9 billion, driven by $2.7 billion of subsea orders with total company backlog ending the period at $14.4 billion. Revenue in the quarter was $2.4 billion. EBITDA was $354 million when excluding $19 million primarily related to restructuring, impairment and other charges. And a foreign exchange loss of $3 million.

Turning to segment results. In Subsea, revenue of $2 billion was up modestly versus the third quarter. The increase was driven by higher activity in the US Gulf and Africa, largely offset by lower activity in Latin America and Asia Pacific following the completion of project milestones in the third quarter.

Adjusted EBITDA was $339 million, with a margin of 16.5%, down 180 basis points from the third quarter. The sequential decrease was primarily due to seasonally lower vessel-based activity and the mix of projects executed from backlog in the period.

For the full year, Subsea revenue grew 22% versus the prior year, with the Subsea adjusted EBITDA margin up 340 basis points to 16.7%. In Surface Technologies, revenue of $319 million was essentially unchanged versus the prior quarter. Lower activity in North America was offset by increased project activity in international markets, particularly in the Middle East. Adjusted EBITDA was $54 million, up 9% versus the third quarter. The improvement was due to the higher project activity in international markets, partially offset by the lower volumes in North America.

Adjusted EBITDA margin was 16.8%, up 150 basis points versus the third quarter. For the full year, Surface Technologies revenue decreased 9% versus the prior year. However, when excluding the impact of the sale of the Measurement Solutions business, which closed in the first quarter, revenue increased 1%. Adjusted EBITDA margin increased 140 basis points to 15%.

Turning to corporate and other items in the period. Corporate expense was $38 million. Net interest expense was $13 million, and tax expense in the quarter was a benefit of $18 million. Tax expense was significantly below plan due in large part to a net $54 million positive benefit from the release of valuation allowances which resulted from the company's assessment of the carrying value of its deferred tax assets and future projections of income.

Cash flow from operating activities was $579 million, and capital expenditures were $126 million. This resulted in free cash flow of $453 million. Free cash flow for the full year was $679 million, with free cash flow conversion of 50%. Total shareholder distributions were $91 million in the quarter, and $486 million for the full year. We ended the period with cash and cash equivalents of $1.2 billion, bringing us to a net cash position of $272 million.

In January, we received an upgrade to investment grade from Moody's with a positive outlook on the company's credit metrics following the change. With this upgrade, we are now rated investment grade by all three rating agencies. Moving to our financial outlook. We have provided detailed guidance for the current fiscal year in our earnings release. I will now provide additional color on the guidance and our first quarter outlook.

Starting with Subsea, we are updating our previous guidance provided in October. We now expect revenue of $8.6 billion with adjusted EBITDA margin of 19.5% at the midpoint of the full year range. This implies revenue growth of 10% and adjusted EBITDA growth of 28% when compared to 2024. For the first quarter, we anticipate Subsea revenue to decline low to mid-single digits. -- sequentially due to normal seasonality, while adjusted EBITDA margin is expected to improve modestly from the 16.5% reported in the fourth quarter.

Moving to Surface Technologies. We are guiding to revenue of $1.275 billion with adjusted EBITDA margin of 15.5% at the midpoint of the full year guidance range. This would represent mid-single-digit growth in adjusted EBITDA when compared to the prior year. For the first quarter, we anticipate Surface Technologies revenue to decline approximately 10% when compared to fourth quarter results with an adjusted EBITDA margin of approximately 14.5%.

Lastly, we anticipate total company capital expenditures of approximately $340 million for the full year, which is below our long-term guidance range of 3.5% to 4.5% of revenue. When all of these items are taken together, we expect to drive our full year free cash flow higher to a range of $850 million to $1 billion.

In closing, the team delivered on what we believe to be among the key drivers of value creation in 2024, either meeting or exceeding our commitment for segment profitability free cash flow and shareholder distributions. And looking ahead, we anticipate further growth in each of these metrics in 2025 when compared to the prior year. We expect total company revenue to increase high single digits and adjusted EBITDA to improve to approximately $1.76 billion for the full year when taking the midpoint of our guidance items.

We expect to convert over 50% of adjusted EBITDA into free cash flow. And I will reiterate that we expect this to translate into further growth in shareholder distributions in 2025, where we now plan to distribute at least 70% of free cash flow. Said another way, we expect this to be another strong year for TechnipFMC, with adjusted EBITDA growth of more than 25%, excluding foreign exchange. Growth in free cash flow of more than 35% and growth in shareholder distributions of more than 30%.

Operator, you may now open the line for questions.

QUESTIONS AND ANSWERS

Operator

Arun Jayaram, JPMorgan Securities.

Arun Jayaram - *JPMorgan - Analyst*

Doug, my first question, Doug, is I wondered if you could talk about kind of the margin journey. At the midpoint of the range, you're now pushing close to 20% margins in Subsea. And I wondered if you could talk about between the favorable mix -- and you mentioned in the release some of the multiple drivers to boost business performance, but give us a sense of where do you think we can move across in this margin journey as we think about '26 and beyond?

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

Thank you, Arun. Great question, one that we continue to monitor ourselves. And as we have ended every call now for quite a while with the statement a major milestone in a more ambitious journey. So it is true that 20% seemed like maybe a peak margin to -- for this sector in the past. And in fairness, it probably was. And certainly, the historical data would support that. But remember, that was when the company and the industry was working in a very different operating model than we're operating in today.

TechnipFMC chose to take a different path. We started that journey in 2015, and we're reaping the benefits of it today. And as highlighted in the script, the combination of the Subsea 2.0 configure to order in the iEPCI integrated model, showing our customers real tangible value by reduction of cycle time. By doing that, we're able to extract our fair economic benefit from that. And that's why we're able to have the margin progression that we have experienced.

And as clearly stated, we are not calling this a peak margin or a midpoint margin or we're not classifying it in any way. because we continue to expect to deliver higher margins as we have higher quality backlog being executed and this operating model, we really see the benefits of this new operating model. So Arun, I guess I would just say it's a new way of doing business. It didn't come easily. It took a lot of hard work, but that's all behind us now, and we're focused on delivering these results and better.

Arun Jayaram - *JPMorgan - Analyst*

Great. My follow-up, Doug, obviously, the Saipem Subsea merger announcement earlier this week has attracted a lot of buy-side attention. In fact, FTI was mentioned a number of times on that conference call. Saipem did mention they're going to honor their surf agreement with FTI until expiration.

But I was wondering if you could give us your bigger picture thoughts on the implications of this merger in your business and maybe we've been getting a lot of questions on if you could go through some of the specifics of your Surf agreement with Saipem and maybe the go forward, what happens on exploration, et cetera.

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

Okay, sure. Obviously, we have a lot of really exciting things to talk about here at TechnipFMC. But let's take a moment here. I do appreciate the opportunity to share our views on the proposed merger. So look, Arun, in these type of strategic transactions, there's one of two paths you can take.

You can take the path to consolidation or you can take the path of integration. Many choose the path of consolidation. As a matter of fact, we saw this recently on the equipment side or the SPS side of the industry as well. What is the result of this? More of the same.

Clearly, a bigger company but doing the same thing. It does not fundamentally alter the market dynamic. Indeed, it does impact the market structure, but it doesn't change the way that the market operates. -- we chose to go through a very different path, and I would say it's the less travel path for sure, which was integration.

So we chose to put together an offering that we believe could create real sustainable change to drive improvement in subsea economics that were never able to be achieved in the past, by significantly reducing cycle time. And this was why we brought together FMC and Technip to create the new company. Much more disruptive, I would say, higher risk, -- but the good news is we did it in 2017.

So it was eight years ago. So we are well beyond all of the pain, and we are enjoying the game. Our strategy continues to be focused very much on creating client success. The way we create client success is to reduce cycle time and ensure schedule certainty. These are the two drivers that our customers are making their decisions based upon today. So we're going to continue to focus on that because this creates a sustainable new way of working and if you will, a better way forward for the industry.

Our focus is to be asset-light. We're going to do more with the same or more with less. As we've identified and I talked about in our script in terms of the manufacturing capacity as well as the fleet capacity by shortening cycle times.

The integration has proven to improve project economics, we benefit from a reduction in cycle time, and therefore, we can do more with less or if you will, a reduction of capital spend and our clients, and we benefit together because of this type of a model. And therefore, the results speak for themselves over 80% and of our business is direct awarded to our company because of this truly unique offering.

Now you mentioned the relationship with other vessel operators, and we have several -- and these are in what we call the vessel ecosystem. The vessel ecosystem simply gives us optionality. We have multiple different partners. We have a very open architecture. We welcome anyone to work in our ecosystem. The benefit to us is optionality.

The benefit to our partners is they gain access to an expanding and exclusive iEPCI market. if you will, it gives them an ability to address a portion of the total available market that they otherwise would not have access to. Our focus remains very much on iEPCI or the integrated projects. This is how we can deliver the greatest value versus installation-only contracts.

So we're going to continue to do that, and we believe it's going to create the greatest benefit for our clients. We have many people interested in working with us in the ecosystem, and we would expect others to continue to or to work with us in the future. And just to maybe summarize the impact of the company. The proposed merger does not have any impact on our ability to meet our inbound expectations for 2025 and and there is no change to our view of our inbound outlook over a multiyear planning horizon.

Operator

Scott Gruber, Citigroup.

Scott Gruber - *Citi - Analyst*

Yes. Great to see the cash return target going to over 70%, which I think is very leading -- my question is how you think about managing the balance sheet, now that your net cash, we'll see how much more cash you put on the balance sheet this year, maybe it's north of $200 million, which kind of could take you towards $500 million. But is there a level where you think you have enough cash on the balance sheet, would you cap it around $500 million and kind of move to return basically all cash to shareholders? How do you think about managing the cash on the balance sheet?

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

Fair. I'll take this one. So first of all, maybe some numbers. Currently, we have less than $900 million of gross debt on our balance sheet, and our gross leverage ratio is clearly well below 1 times EBITDA. And as we noted, we have achieved investment-grade ratings with all three agencies.

Most recently with Moody's, who is now also holding a positive outlook on us. So all of those things makes us feel really good about the strength of our balance sheet, to be honest. So then you kind of pointed out we have strong fourth quarter cash flow performance here that drives us to a net cash position of $272 million at the end of the year.

And looking ahead, we have also strong free cash flow generation in 2025. So near term, first of all, we think about this as an interim, we'll take down the debt as debt mature. So we have a debt maturity in June, and we'll take care of that one. And then we obviously are not looking to build a cash balance, okay?

But we do think, for our type of business, it makes sense to have a small net cash position. And obviously, when you say small net position and the strength of what we have in the free cash flow outlook, we are being very clear of committing that we will distribute at least 70% of our free cash flow to our shareholders in 2025.

Scott Gruber - *Citi - Analyst*

Great. Appreciate the color. And then turning to the Subsea revenue mix. In terms of the revenue contribution from Subsea 2.0 projects in '25, kind of roughly where would that stand? And how much will services contribute? Just thinking about the kind of higher margin contributors here impacting the mix?

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

Scott, I'll start and then Alf can add any additional color. So on the Subsea 2.0, thank you for asking. It was a big highlight of the quarter. We talked about the fact of the significant number of orders being over 50% of our orders coming from Subsea 2.0.

Clearly, we're past the inflection point in terms of market adoption and as you correctly point out, the exciting part is, as we see that convert through the backlog into revenue or, if you will, as it goes through the execution phase.

Myself and the Chief Technology Officer who are just in Malaysia and looking at some of the progress that we've been making in terms of the manufacturing cadence associated with Subsea 2.0. It's a real-time learning curve. In other words, it's getting better and better.

And we've yet to really see what the full potential is going back to the original question from Arun at the beginning of the conversation. This is why we have further confidence in a lot of the internal things that we're doing in terms of driving our overall performance for the company.

But I would say, in the neighborhood of about a third of our activity that's going on in manufacturing today is associated with the new Subsea 2.0 configure-to-order product family or product platform. We know the orders are well above that as we've stated. So that will continue to grow.

And as that continues to grow, it will make the results through our many -- I think the REIT the efficiency of our manufacturing process even that much greater. And ALF I'll open add some additional color.

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

Just maybe add a couple of comments. So first of all, it's clear that we have built our success and continue to build our success on the high-quality backlog that we have achieved -- as noted, it has an increase in share of iEPCI and Subsea 2.0, which becomes an enabler for our business overall. And then you kind of look at our track record. We have demonstrated the ability that we can execute on this backlog, and we've been driving margin improvement consistently over the last several periods.

And disability also is now further enhanced by what Doug said in his prepared remarks about our business industrialization and including visual management systems, which allow us to have earlier identification of any potential problem which helps us secure our execution even further. And then -- but at the end of the day, it always starts with what you onboard also.

So we're going to be very, very focused on the awards that we are continuing to onboard, meaning the right quality for us and meaning the right fit for our industrialization, which actually -- which would be translating into more iEPCI, more Subsea 2.0 and more services. That's where we're focused.

So when you look at whether you look at '25 or you look beyond, -- these are the ingredients that are going to continue to drive us. The strength of our backlog in inbound that drives revenue growth and the quality of our backlog that results in the expanding margins for the reasons mentioned.

Scott Gruber - *Citi - Analyst*

It's great. Do you have a rough figure for the service portion of it, too?

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

Yes. Was there a question about the service volume? Yes. So.

Scott Gruber - *Citi - Analyst*

Service, first of all.

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

Yes, the service revenue. So if you take services overall, though, we grow the service business roughly in line with the rest of the overall growth of Subsea. And we estimate or we're projecting that, that will be around a $1.8 billion revenue business in 2025.

Scott Gruber - *Citi - Analyst*

Great. I appreciate all the color. I'll turn it back.

Operator

David Anderson, Barclays.

John David Anderson - *Barclays Capital Inc. - Analyst*

I just want to ask you kind of kind of a bigger offshore question. So we've seen some mixed use in offshore markets are expected to play out over the next 12 to 18 months. On the 1 hand, we have the offshore drillers that aren't seeing many new tenders that seem to be suggesting projects might be getting pushed out a bit.

On the other hand, we have service companies that are expecting '26 to be a market improvement in offshore development activity. Just want to know if you can kind of give us what you're seeing from your standpoint in terms of installations and backlog conversion. Do you think 2026 could be a step-up in that? Or it will be similar as far as you can tell, standing here today?

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

Thank you, David, and we've talked about this on a couple of the other calls in terms of some of the impact that's happening to the drillers. As I've said before, I think these things are company specific. They're not industry-specific, and I stand by that. And I think that's a more widely accepted view for many at this point in time.

So look, what we see is a significant amount of activity, a significant -- obviously, we have the strength of the backlog, which largely will be covering '25 and most of '26 already to your question.

But in addition to that, the amount of tendering that is going on right now is significant. I've been on the road now. I think this is either 3.5 or 4.5 weeks, and it's almost all been associated with meeting clients on very significant projects that are wanting to secure high-quality capacity. They want our iEPCI, they want our 2.0 and they're looking to get a commitment and these are for projects that go well beyond the 2026 time frame.

So no, David, I don't see any -- if you ask me what do I think of '[26 versus '25 million] I think it's going to be a more significant year. We won't put numbers to that at this stage. But clearly, 2026 is going to be a -- there's no -- we're not reaching a plateau on the horizon.

John David Anderson - *Barclays Capital Inc. - Analyst*

That was actually my follow-up question was on the tendering activity. I was just kind of curious if maybe you can provide a little color around that of kind of what you're seeing out there. You said a growing list of name projects, but I assume there's a lot of exploration happening. Maybe talking about the gas demand? Are you starting to see more on that side of the business? I know some projects were sort of pushed off to the side on the gas side continue to develop.

Can you maybe just add a little bit more color in terms of those conversations and where do you think we're going to start seeing more of these orders? And I don't know if you want to go there, but I mean it's $10 billion annually. Is that a number you think you can kind of keep consistently beyond '25.

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

So David, let's break it down a couple of different ways. I think the drivers continue to be the mature markets. We're not seeing any pullback in any of those, be it the US Gulf, be it the North Sea, you're going to see some good tendering activity again this year. Brazil continues to remain quite strong. I think some of the mature basins will be coming back and we're actually surprised people to the upside. I would use West Africa as an example of that, possibly parts of Asia as well.

And then when you look at some of the new horizons within the existing basins, the Paleogene is spectacular, the amount of tendering activity, and it will -- actually, it's more direct award activity, if I'm being honest, to our company is humbling, and we will continue to do everything we can to maintain our clients' confidence there as well.

Guyana, I would put in the same category. So then when you start to look at some of the emerging basins, obviously, we had the award in Suriname that we just announced in the past quarter. We are seeing other potential tendering activity in Suriname. You're beginning to see tendering activity happen in Namibia, return to Mozambique in terms of tendering activity.

So actually quite strong in the emerging basins as well. And then finally, and it's always important that we don't forget there is a very solid underlying core business of buybacks or brownfield activity where the capital expenditure for the host facility, it's already been -- that has already been spent, so that the returns on these projects are extremely attractive and having the largest installed base allows us to really leverage that in that area as well. In terms of what does it look like beyond 2025, let me be clear. It's not a plateau.

And let me be clear, there is no cliff. We are talking about projects again well towards the end of the decade and we would expect to continue to build a very healthy backlog.

Operator

Mark Wilson, Jefferies.

Mark Wilson - *Jefferies - Analyst*

Doug, your own global opportunity slide shows the highest number of really large awards, over $1 billion that I think you've ever shown before, now in double figures of $10 million. Could you speak to, Doug, the reasons behind these project sizes getting larger? Is it the complexity of the projects and the equipment required or the depth or indeed, is it simple pricing? That's the first question. And the second then is you also spoke to how cycle time is so important for clients.

And earlier this year, I believe you spoke about being able to deliver your equipment still a year quicker than the competition. I just like to confirm that to be the case and whether there's anything to update on that? Those are two questions.

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

Good afternoon, Mark. So let's take the first one first. It's a good observation, one we have obviously also observed. Obviously, there's an economic element of it, but that's not what's driving it. I mean, we've talked about this for some time.

The quality of the rock offshore is truly phenomenal. We kind of got away from that a little bit as an industry, and we started focusing on other opportunities because these big projects do require a lot of upfront commitment from our clients, and they do carry the execution risk.

I believe the reason you're seeing so many of these larger projects are the clients are migrating back towards the highest quality reservoir or the highest quality rock, which is why these projects are the size that they are.

And they're also migrating towards back to the offshore and towards our offering because we have been able to consistently demonstrate that we can deliver these very large projects and not only on time and on budget, but in many cases, we'll get to the second part of your question, at a reduced cycle time. So it's about scheduled security that's what they're looking at. That's what they expect from us and that's what we have been delivering to them.

So this is really just the quality of the rock, which is obviously makes the returns on the projects very attractive but they want to be confident that they're working with a company, a company, not multiple companies, a company that can deliver these projects for them with a high level of confidence. And that's why we talked about earlier, 80% direct awards that doesn't happen if they don't have the confidence in you.

In terms of cycle time in one year, absolutely, Mark. But we're not done yet. We will continue as we are not done with our journey. So as others continue in the 1.0 world and we're in the 2.0 world, and we now have the experience, the knowledge, all of our heavy lifting is behind us. We're fully focused on execution.

We would expect to continue to shorten the cycle time and that is absolutely the relentless pursuit of everybody within our company. Every decision we make every investment we make, we don't invest for scale. We invest to reduce cycle time.

Operator

Marc Bianchi, TD Cowen.

Marc Bianchi - *TD Cowen - Analyst*

I first want to ask about the surface outlook here. So for first quarter, I know it's typically seasonally down from fourth quarter, but it looks like a bit more pronounced here and then what I need to assume to get to the revenue for the year reflects a pretty sharp snapback. So maybe you could just sort of walk us through how you see that unfolding?

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

Yes. Thank you for the question. Yes, certainly, your observation is correct that Q1 is weaker than not only in Q4 but also weaker on average than any other quarter. So if you look at the dynamics of that quarter, so it's really two things. You think about the uncertain outlook and a little bit of the weakness we've seen in North America.

And then there is really a timing aspect to project and service activity in the rest of the world and in particular in Middle East. So we clearly, as we go through the year, we anticipate to continue to have a stronger international markets in particular, Middle East.

So you think about the revenue growth, think about for the year, think about maybe high single-digit revenue growth in the Middle East and think about in North America being a headwind or maybe similar offsetting revenue decline. And we will continue to improve the throughput of our production capabilities in country in the Middle East as we further ramp up the volume there.

So those things will help expand the margins as you go through the year, not only revenue but also margins as you go through the year. And also, as you may have noted from our prior year's activities and even now in this past year, we have been rationalizing our North American footprint, and that is also helping us sustain profitability in the North America.

Marc Bianchi - *TD Cowen - Analyst*

Got it. Got it. Okay. Alf Maybe this next one is probably for you as well. The CapEx guidance for the year is looking like, I think it's about a 20% increase from what we saw in '24 and it looks like revenues guided up about 9% at the midpoint. So suggests a bit more capital intensity, but maybe you could sort of talk through where that CapEx is going and kind of how to think about it beyond.

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

Yes. Yes. So I'll make this fairly simple in one way. So first of all, there isn't anything very different going on with our business. But there is actually such that we have -- we embarked a little bit more than a year ago now.

We embarked on an ERP upgrade program for our company. And this year is actually the first year where you will have some substantial CapEx associated with that upgrade program. And that's really driving call it, the majority of the year-over-year increase. So it's really something that we'll be payer in '25. It will continue in '26, but start tailing off in -- so it won't be with us through all the cycles.

And I just want to note also that even with this, are still maintaining capital expenditure below our long-term guidance of 3.5% to 4.5% of revenue, so we can actually accommodate that program within that same commitment that we have made for the long term.

Marc Bianchi - *TD Cowen - Analyst*

Got it. Okay. And then just on that, is there any impact to EBITDA margin in the current period and next year from this? Or is it all kind of flowing through CapEx and ultimately, D&A?

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

There is a little bit of an operating expense that is contained within our corporate expense bucket of our guidance, but most of it, the biggest expenditure is actually going through CapEx.

Operator

[Kurt Hallead, Benchmark].

Kurt Hallead - *Benchmark - Analyst*

So Doug, thanks for all that insight and helping us see kind of what you see in your conversations with your varying customer base. So I guess my question is you've seen a pretty remarkable increase in the inbound being 80% of iEPCI and Subsea 2.0. Look, I guess, theoretically, you can see that go to 100%, but I also have to imagine that there's probably some limit to that. But I'd like to get your insight and your perspective on where you think that percentage could ultimately land.

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

Sure. And great question, and thank you for the observation because, again, two very important drivers to our business and our strategy. And we always said there are kind of three things to focus on in terms of if our strategy was going to be successful. It was the percentage of iEPCI, the percentage of Subsea 2.0 and the percentage of direct awards, all of which new benchmarks in 2024.

Let's break down the iEPCI first. We're at 50% of our inbound, that's substantial. I -- this was a new operating model that a new commercial model that had never been applied before. It takes a very high level of trust from our customers to take that amount of scope and provide and hand over that responsibility to any company. We are deeply humbled and honored that they choose to do so with TechnipFMC.

Obviously, there was heavy lifting to get here, including the merger and the integration and all those things, it can take four or five years of distraction, again, well behind us as we're 8 years into it, but important, all the same.

The iEPCI inbound, not only reaching the 50% was important. But if you look at the mix of the iEPCI awards that we had, representing almost 100% of the market for integrated projects in 2024. We had 2 that were in new frontiers. So that was very exciting. We had two.

So if you will, think about that. You have a new frontier. We've never operated here before, and we're going to go with this iEPCI model. We had two in emerging frontiers within existing basins, for instance, the Paleogene. We had two in mature basins because it continues to be the model of choice in mature basins and then we actually had two in nontraditional oil and gas developments, the Mero 3 Hisep project for Petrobras and the Northern Endurance partnership project, CCS project for BP.

So it's really not just the growth within our traditional customers or our traditional markets, it's really becoming the model of choice. Why is that? Because of the proven success -- and then -- so where does it go from 50%. There's no reason that, that becomes a limit.

I think there will always be some level of activity, either because the customer procures the product separate from the installation of the product. This happens in Brazil as an example with flexible pipe. We provide flexible pipe. We also have vessels on long-term charter that in that installed a flexible pipe, but they use those vessels for our flexible pipe or flexible pipe from our competitors. So they separate those two work packages, perhaps in the future, they won't do that, but that's the way they operate today.

So I do think there's an upper limit, if you will, to the total market for iEPCI. Moving to Subsea 2.0. Again, the significance of it was our overall tree order was up 50%, which is tremendous growth year on year, but the Subsea 2.0 percentage of that was up even more. So you can speculate on that. That's just absolutely phenomenal. That drives the future performance of the company. that drives the manufacturing cadence.

It goes back to Mark's question in terms of cycle time and our ability to be able to maintain the significant advantage that we have on cycle time in terms of delivery. So here, I think we could get into a debate. I do with my own team that it couldn't -- why couldn't it get to 10%? And I haven't given up on that ambition, but okay, maybe it will be a bit shy of 100%, but the Subsea 2.0 is now clearly well above the 50% mark. So very exciting for the company.

Operator

Victoria McCulloch, RBC.

Victoria McCulloch - *RBC Capital Markets - Analyst*

Firstly, if I could ask, you talked about the standardization and industrializing of internal processes. When you spoke in your initial comments. Could you provide some color as to how much of these actions are already reflected in these financial results you're seeing?

And another follow-on, but maybe a slightly different topic. Brazil doesn't meet your -- not all projects in Brazil sort of integrated strategy and the appetite that you have in the business. Can you talk about your desire to maintain active in this market to the same degree and what you're seeing as attractive bidding opportunities in the next 12 months?

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

Well, thank you, Victoria, and I want to welcome you to our call. We're excited to have you on the call. Both questions are very important. So let's cover them one at a time. In terms of some of the internal initiatives, we tried to highlight that in the script. This is our focus on simplification, standardization and industrialization, or -- and many companies do lean, but they do lean in manufacturing. What we're trying to emphasize as we do lean across our organization.

Alf has now become a black belt in Lean. He fully is indoctrinated and the finance organization is now very much on the same journey as well as every other function and every other business within our portfolio. And that's the big difference. Few companies take it beyond manufacturing. We sold -- we're a manufacturing company.

We've understood this for some time. We've we've seen the benefits in manufacturing, but it takes a real mindset change to take it beyond manufacturing and not just a mindset of the people doing the work, but also the people managing the work. In other words, myself, -- this has been a real journey for myself. I've had to change my behaviors. We talk about it's okay to be red.

It's not okay to stay red. -- most managers don't like to see problems. We live -- we enjoy problems because if we see a problem early enough, we can correct that problem before it has any impact. any impact financially or any impact on our client schedule. So it's getting everybody in the organization to feel very comfortable to bring those -- bring anything forward early, ask for help.

We call it pull the help chain, so that we can respond immediately, and that's what we do, that's my job, is to support those that are doing the work, not for them to make Powerpoint presentations to me that are all green. So yeah, it's a big change, it's very early in the process, to your question, and it will--and will continue to impact our financial results. Again, going all the way back to the first question of Arun, it's why we can't really say what is the best we can do, or you know, what is—what should we expect. We are learning, you know, we talked a lot about Subsea 2.0 and the impact on the manufacturing, we talked about the fact that if we can deliver projects 33% sooner, that gives us 33% more capacity with our fixed assets. So, you are creating, you are creating capacity, or creating leverage that we didn't previously have. And then finally all these internal initiatives are—allow us—are going to allow us to continue to be a better company. So, I would say, very early stage, to your question. Brazil, that-- I don't want to—I could go quite some time on Brazil, I will just try to touch on a couple of big topics. Brazil is an extremely important market for us. We have been and will continue to be Petrobras' supplier of choice. We have the largest installed base in Brazil, -- we continue to have the largest and most significant local content in Brazil, not just on traditional products or vessels -- but in terms of new technology and technology development, we are proud to say Subsea 2.0 was developed in Brazil.

We have a very close R&D relationship with Petrobras, and we will continue to do so. Today, we're developing a brand-new generation of flexible pipe that will address the stress corrosion cracking challenges of the industry in Brazil. We are working towards qualification and that will have a significant impact on the type of work and the type of completions that are done in Brazil in the future, if you will, reverting back to flexible pipe from what is a rigid pipe market today.

The rigid pipe market today on a stand-alone installation type contract are not a priority for us, and I will explain that by saying we believe the greatest way to create value is through iEPCI versus the stand-alone installation contracts. That being said, we have and we are executing some of those projects for Petrobras today. you might be referring to a recent tender. There was a recent tender.

We analyzed the tender. We wanted to be sure that we understood what were the challenges and there were actually several challenges in terms of the scope that was being shifted from the company to the contractor. We identified that, and we realized that, that had to be accounted for commercially, and that's what we did.

And we will always make sure we thoroughly understand any challenges or risks associated with the contract. Going forward, we are performing traditional installation work with rigid pipe for Petrobras today.

We are also doing iEPCI projects for others in Brazil in terms of subsea projects, and we're also doing iEPCI for Petrobras in regards to our high set CCS subsea processing project that we developed the technology jointly with them.

So maybe a long answer, but a lot to say about Brazil. You may have also read that Petrobras is thinking about putting their own rigid pipe vessel to install rigid pipe in the market. I think that's a brilliant decision by Petrobras. I think it's the right decision. If I was them, I would certainly pursue that.

Victoria McCulloch - *RBC Capital Markets - Analyst*

Doug. Look forward to an even deeper Brazil deep dive at some point.

Operator

Ati Modak, Goldman Sachs.

Atidrip Modak - *Goldman Sachs - Analyst*

Doug, I'm curious about the potential for free cash flow conversion improvement over time. It sounded like could see some improvement as the ERP CapEx comes off. But is there a directional color you can provide on how you see the free cash flow conversion potential of the business over time?

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

Sure, Ati. Thank you very much for the question. I think -- we've demonstrated that, right, over the past several years, and we just put out a new target where we continue to make improvement on that along those objectives. I think if you look at the fundamentals of the business and the company and the way that we're operating the company, it is not an unreasonable expectation, and I'll pass it to Alf to add some additional color.

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

Yes, just maybe a little bit more mechanical on this. So obviously, you will hear our commitment to driving profitability higher. So as we drive earnings higher, that obviously will be the foundation for any improvement as we drop more earnings down to the free cash flow line. We continue to operate our business largely on a target of being neutral in working capital on a long-term basis, even in the face of growth. So that's another important factor for the long term.

But really, then you come down to other items, we clearly don't expect to have other items in the cash flow statements such as corporate expense, interest expense or even CapEx to be growing in any way at the same rate as the EBITDA would expand. So really dropping the EBITDA down to free cash flow is an opportunity and can incrementally drive with conversion or free cash flow conversion from EBITDA.

Atidrip Modak - *Goldman Sachs - Analyst*

That's super helpful. And then the last one, I guess, you guys gave us a lot of color on tendering and order expectations over the next few years. But I'm curious how those conversations are going with the regional customers, the ones that are just a little bit more difficult for us to track and how that plays into the order expectations for the out years? Any color you can provide around that?

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

Referencing the NOCs?

Atidrip Modak - *Goldman Sachs - Analyst*

I think there are smaller players that might have a few fields here and there that are farmed out that could be potential.

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

Understood, Ati. Thank you for clarifying. Understood. Actually, this is -- when we talk about an expanding customer base, historically, our revenue has come from no more than 12. Well, on an average of about 12 clients, normally not more than that for many, many years. In any particular quarter, it's now anywhere between 30 and 40 different clients.

So actually, those smaller regional or independent companies are seeing great opportunities offshore. They may not have the subsea infrastructure within their company or competency within their company to take on such a project, but we're delivering $1 billion-plus offshore subsea developments for clients who just place their trust in us to be able to develop it because we start, remember, as an architect.

So we're starting at the architectural phase, and we can provide everything. There's nothing missing from our portfolio in terms of the products or the capabilities to go all the way from the engineering manufacturing and the final installation and commissioning of a subsea field. So that's a part of our client portfolio that we're very excited about, and we have very strong relationships and is almost exclusively direct award iEPCI 2.0.

Operator

I will now turn the call back over to Matt Seinsheimer for closing remarks.

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

Thank you. 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. If you have any further questions, please feel free to contact the Investor Relations team.

Thanks. You may now end the call. Thank you.

Operator

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