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OVERVIEW:

Company Summary

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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 first-quarter 2025 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 morning and good afternoon, and welcome to TechnipFMC's first-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 risk 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 first-quarter earnings call. I'm pleased to share with you another strong set of financial results. Total company revenue in the period was $2.2 billion. Adjusted EBITDA was $356 million, an increase of 38%

when compared to the prior year with a margin of 15.9% when excluding foreign exchange impacts. Free cash flow was $380 million, a notable achievement in light of our typical seasonality.

I want to recognize the fantastic execution of the global team. These results clearly demonstrate the substantial impact of our transformation driven by actions we have taken to simplify, standardize, and industrialize. And we have only scratched the surface of what is possible within the organization. While our actions position us well for continued success for both our clients and stakeholders, we also recognize that this high level of performance starts with high-quality inbound orders.

First-quarter subsea inbound was $2.8 billion with a book to bill of 1.4. I would also highlight that orders have now exceeded revenue in eight of the last nine quarters. These results were supported by strong orders for both iEPCI and Subsea 2.0, including two announced projects. An iEPCI award from Equinor for the Johan Sverdrup Phase 3 project where we have supplied the subsea production systems in both previous phases, and an iEPCI award from Shell that will include our Subsea 2.0 technology on the greenfield Gato do Mato development offshore Brazil.

In our effort to further advance the growth of our integrated portfolio, we announced a strategic alliance with Cairn Oil & Gas to deliver future deepwater developments offshore India using our iEPCI model. This collaboration agreement lays the foundation for early engagement, which will result in direct award iEPCI projects utilizing Subsea 2.0, allowing us to deliver Cairn's bold deepwater development vision faster and with greater project certainty.

Taking a broader view of the offshore market, I'll start with our Subsea Opportunities List, which now highlights more than $26 billion of opportunities when using the midpoint of project values. Putting this into perspective, the value of this list has grown nearly 20% over the last 12 months, and more importantly, represents the third consecutive quarterly increase.

I'd also highlight the pervasiveness of new frontiers amongst these opportunities. Guyana, which some might consider mature, continues to be an emerging market in growth mode.

Suriname where the first offshore oil and gas development in the region was recently awarded as an iEPCI to TechnipFMC utilizing Subsea 2.0.

And Namibia, Mozambique and Cyprus, while in early stages, all represent long-term opportunities as the development life cycle of these regions will extend well beyond the end of the decade. Keep in mind, our Subsea opportunity list only represents a 24-month view and does not represent the full opportunity set for our company. We also have access to a proprietary set of opportunities that extend well beyond this list, many of which will result in direct awards to our company.

When taken together, iEPCI direct awards and subsea services, another key element of our commercial differentiation, constituted more than 80% of our inbound in 2024 and this trend has continued in the current year. This level of success is supported by the growing number of clients that are adopting integrated execution and Subsea 2.0, which I mentioned at the outset is indicative of our high-quality inbound that has many positive benefits for our clients and our company. This makes us uniquely positioned for an expanding offshore market, one that is being driven by an increasing number of clients that are allocating a greater share of capital budgets to deepwater developments.

We also expect another year of growth in subsea services, driven by our large and expanding installed base, the repair and maintenance needs of aging infrastructure and the development of enhanced services. One of our new offerings is riserless coiled tubing, which has expanded our well intervention offering. This award-winning breakthrough solution was developed through our technology alliance with Halliburton and creates measurable value for our clients. Technology innovation like this allows us to challenge industry norms and create tangible benefits for our customers by reducing cycle time and lowering the overall cost of life of field services.

Before I conclude my remarks, I want to acknowledge 2 topics that are currently top of mind: commodity prices and tariffs. Commodity prices are a primary variable in our clients' decisions to move forward on a development. But the impact they have on economic feasibility of a project can differ significantly by region and resource.

Starting with the offshore. We continue to believe that offshore will remain a 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. This gives us continued confidence and delivering more than $10 billion of Subsea inbound in 2025.

Turning to US land. This is amongst the most susceptible regions to lower commodity prices, given its relatively high cost of development. The majority of our Surface 'Technologies revenues comes from less cyclical international markets, where projects are undertaken by national oil companies with long-term investment horizons and a materially lower cost of development. Here, we have already secured a significant portion of the inbound needed to support our full year guidance.

Importantly, we estimate that 95% of our total company revenue in 2025 will be generated from activity outside of the US land market. Now moving to the second topic, it is important to understand TechnipFMC's limited exposure to the recently announced tariffs. Our revenue is derived from diverse sources, which includes not just products, but also installation and services activities.

When thinking about our potential exposure, this is confined to product-related revenue from our operations across US land and the US Gulf. And given our mitigation efforts, we anticipate the impact to total company adjusted EBITDA to be less than $20 million for the full year. So you can clearly see that TechnipFMC has limited exposure to regions most impacted by commodity prices and tariffs.

To close, this was another quarter that clearly demonstrates how TechnipFMC truly stands out. In a dynamic environment, we have differentiated ourselves with a strong backlog totaling nearly $16 billion, providing revenue that extends through the end of the decade; exceptional execution, driving robust cash generation; and increased shareholder distributions allowing for even more share repurchase at a time when our equity offers a very compelling investment opportunity.

Our unique commercial model and product differentiation is providing real value and greater project certainty to our customers. And our high-quality backlog and growing pipeline of services opportunities can provide stability through the near-term uncertainty. Importantly, our outlook for both Subsea inbound orders and total company adjusted EBITDA for 2025 remains unchanged. We are excited about what lies ahead for us, and our opportunity set is deep and diverse. And at the same time, our execution is strong and accelerating, and our business transformation is creating even more value for our clients, our company and our shareholders.

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 $3.1 billion, driven by $2.8 billion of Subsea orders. Total company backlog increased 10% sequentially to $15.8 billion. Revenue in the quarter was $2.2 billion. Adjusted EBITDA was $356 million when excluding a foreign exchange loss of $12 million and restructuring, impairment and other charges totaling $1 million.

Turning to segment results. In Subsea, revenue of $1.9 billion decreased 5% versus the fourth quarter. These results were driven by lower activity in Africa, the North Sea and the Gulf of America as well as reduced services activity due to typical offshore seasonality. This was partially offset by higher project activity in Asia Pacific and Brazil.

Adjusted EBITDA was $335 million, a modest sequential decline, driven by lower services activity and reduced fleet availability due to scheduled maintenance in the period. This was largely offset by strong project execution. Adjusted EBITDA margin was 17.3%, up 80 basis points from the fourth quarter.

In Surface Technologies, revenue was $297 million, a decrease of 7% from the fourth quarter. These results were driven by project timing in the Middle East as well as lower project activity in Africa and Asia Pacific. This was partially offset by higher activity in North America.

Adjusted EBITDA was $47 million, a decrease of 13% sequentially due to lower activity in international markets, partially offset by higher activity in North America. Adjusted EBITDA margin was 15.7%, down 110 basis points versus the fourth quarter.

Turning to corporate and other items in the period. Corporate expense was $26 million. Net interest expense was $10 million. And tax expense in the quarter was $87 million.

Cash flow from operating activities was $442 million, and capital expenditures were $62 million. This resulted in free cash flow of $380 million.

Our strong start to the year reflects the solid operating performance in the quarter driven in part by strong customer collections.

We repurchased $250 million of stock in the first quarter. When including $21 million of dividends, total shareholder distributions were $271 million. We ended the period with cash and cash equivalents of $1.2 billion. Net cash improved to $282 million.

We remain focused on shareholder distributions and reiterate our intent to distribute at least 70% of free cash flow this year. And even at this high level of distributions, we will have the flexibility to pay down EUR 200 million of private placement notes that mature at the end of June.

Given our limited exposure to the US land market and potential tariffs, we have confidence in providing thoughts around our outlook. For the second quarter, we anticipate subsea revenue to grow low double digits sequentially with an increase in adjusted EBITDA margin of approximately 400 basis points.

For Surface Technologies, we anticipate revenue to increase approximately 5% sequentially, with an adjusted EBITDA margin of approximately 15.5%.

For the full year outlook, we remain confident in our prior expectation for total company adjusted EBITDA of approximately $1.76 billion when excluding foreign exchange. This guidance is supported by our substantial backlog and continued strength in our execution and also includes the potential of incremental tariffs.

Considering our first quarter cash performance, we are increasing our full year expectations for free cash flow to a range of $1 billion to $1.15 billion.

In closing, we appreciate the market concerns regarding the commodity price and tariffs, and Doug addressed these potential exposures in his prepared remarks. That said, we have not let the external environment distract us, and this was evident in our solid first quarter results. The team is intently focused on execution and continues to build up on our strong operational momentum. Additionally, we delivered exceptional free cash flow in the period, yet another tangible benefit of the changes we have made to the operating model. Importantly, these changes are structural, bring us confidence in our ability to convert even more of our EBITDA into cash in 2025. They also provide us with considerable flexibility as evidenced by our continued commitment to return at least 70% of free cash flow to shareholders in the current year. Our unique operating model supports it. Our robust backlog supports it and our strong balance sheet supports it.

Operator, you may now open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) David Anderson, Barclays.

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

US Gulf is a fairly small component of your Subsea opportunities chart. But just wondering if you think that is pushed out because of some of the higher development costs, either with tariffs or wellheads or whatnot?On the other hand could Petrobras push forward even faster with that growing project list? Intuitively I was thinking some of these orders could get pushed out to ’26 but you don’t seem very concerned.

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

It's a fair question and one that obviously everyone is putting a lot of attention on. We tried to address it in the prepared remarks. And as you pointed out, our exposure is very limited. But let me just maybe turn to the conversations with the clients. We are not hearing and being requested to defer, push out project activity.

I would say the conversations have remained fairly consistent and maybe even a little bit accelerated. And what do I mean by accelerated, our clients have a phenomenal set of opportunities as reflected in our Subsea Opportunity List, but more importantly, within their own organizations in the offshore domains in the US Gulf, but also internationally. And they're seeing the need to secure the best capacity from the industry to deliver these projects.

The whole key in offshore developments is the certainty of the project delivery. This is what has been an issue in the past is companies that had not -- that were all operating in the same kind of bespoke manner. we would inevitably run into execution issues as activity increased.

What we have demonstrated, and I'm proud to say only we have demonstrated, is the ability to significantly increase our volume while not sacrificing certainty. So the reason our clients are coming to us to secure our capacity earlier than normal is they see the benefits of iEPCI and the Subsea 2.0 and of our operating model. This gives them the certainty and confidence to move these projects forward which as stated in my prepared remarks, still have some of the best project economics. Speaking specifically to the Gulf which was your question, I do not see a slowing in the cadence of the developments of some of the newer greenfield opportunities like the Paleogene. As you know, it's very active right now. There are likely to be subsequent projects that will come from the Paleogene.

Beyond the Paleogene, when you look at the economics associated with the brownfield opportunities, they're some of the best and it's simply because there's not the capital required for the floating structure that would be required in a greenfield development. So then when you look at the US Gulf, you realize there's a significant amount of installed base in terms of floating structures, which would allow for greater brownfield opportunities.

So what inevitably you could see in a low commodity price environment is potentially a slowing of greenfield developments in a place like the Gulf, but I think you would see an acceleration in brownfield developments because the economics of those projects are just exceptional, again, given the fact that you don't have the capital allocated to the floating structure.

So I think the US Gulf is a little bit in a special zone because it has the mature field, so it has the opportunity for the brownfield tiebacks, but it also has a very prolific and very exciting new greenfield region, the Paleogene, which we would expect our customers to continue to prioritize amongst their opportunity set.

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

Appreciate the color. We are facing another downturn, you've been here before, we've all been here before, but you haven't had this iEPCI model really as fully comprehensive and this is today. I'm just curious what, if anything your customers are asking of you and what you're trying to do for them? I mean, we're clearly -- if you -- you're clearly not talking pricing concessions considering the current market structure.

But with most of your orders point from direct awards, is there anything you could do to push forward those environments? Or is it just simply about projects certainty like you talked about and customers just need to look through the oil market uncertainty? Is there anything you can kind of do here, I'm just I'm curious about.

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

Sure. And Dave, I'm just going to maybe key in on one word you said and maybe it's unfair. But in offshore, we are not seeing a market downturn, so let me just start with that. We are not seeing any slowing of the opportunity set. I can tell you the tendering activity when I look at my calendar and how my time is being spent, there is certainly no slowdown in terms of tendering or discussions. And as a matter of fact, in some cases, there's actually an opportunity -- there's opportunities to accelerate.

In terms of our -- where we are as a company, and I appreciate you pointing that out, look, in a period of uncertainty, and we don't deny that this is a period of uncertainty, but in a period of uncertainty, we have never gone into it with a backlog as large, or more importantly, as high quality that we have today. So keep in mind, we're sitting on a substantial backlog that covers multiple years that provides -- that really takes out that short-term uncertainty risk that you would have in the very short-cycle book-to-bill markets like the US land and therein lies the challenge.

But for the offshore market and for our position in the offshore market, which as you know, has improved substantially over the last several years, puts us in a very strong position to weather any uncertainty.

Operator

Arun Jayaram, JPMorgan Securities.

Arun Jayaram - *J.P. Morgan Securities LLC - Analyst*

Doug, last quarter, you mentioned how you thought 2026 would be kind of a significant year for Subsea orders with further margin expansion potential. I think you just mentioned in response to Dave's question that the tenor of your conversations with customers really hasn't changed too much.

So my question is, how do you -- how would you gauge the order outlook for 2026? And when do you think you'd be in a position maybe to provide maybe even a soft outlook for 2026 relative to the $10 billion per annum orders you've been clipping over the last 3 years, including 2025?

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

I knew I wasn't going to get very far into this conference call without talking about 2026, and I guess we're privileged to be in a position to do so.

But let me just reinforce that we just came out with confidence in stating that our 2025 total company EBITDA target is unchanged. That's really important because as you know, this is an earnings cycle where many are not able to confirm their Q2 guidance, let alone provide 2025 full year guidance or commit to unchanged given everything that's going on. So I do want to start with that, I think that's important.

And then, of course, once one does that, it kind of begs, well, what could 2026 do? So I don't blame you for asking. Arun, I would tell you my opinion of 2026, as you correctly summarized, it remains unchanged. As you know, most of the conversations we're having with our clients now are really 2028 and beyond. So the order flow in 2026 is really going to be a function of the timing of FIDs.

I'm not concerned about the probability of the FIDs. Again, the opportunity set is very rich. When we talked about could it also be in the $10 billion range, does it look very solid? Yes and yes. Again, it will just come down to the process and the timing of the FIDs.

But the quality of the advanced stage of the commercial discussions on those projects is very real, increases the probability. Many will again be direct awarded to our company. It's just a very humbling and unique position to be in.

Arun Jayaram - *J.P. Morgan Securities LLC - Analyst*

Great. That's super helpful. Maybe my follow-up, we were pleasantly surprised the tariff impact is very, very minor, call it, less than $20 million.

So maybe just if you could dig down a little bit, is this a function of FTI? Obviously, a lot of local content. Is the relatively low number a function of your ability to adjust the supply chain? Or is this maybe embedded in some of your contractual agreements with customers where you were not taking on this risk?

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

Sure. And I'm going to get that, I'll provide some color on this one. But let me start, Arun, with just -- I want to reiterate a number that I had in my prepared remarks, which is 95%. 95% of our revenue comes outside of the US land market, and that's really, really important.

So when you think about our company, and yes, we're global, yes, we have presence in the US and it's important to us, but we really are the international company. We have the broadest international footprint. And as a result of that, in the scenario that we're talking about here today, it's certainly just from, right off the top, it just dramatically reduces mathematically our exposure. But I'm going to have Alf provide some additional color around that.

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

Yes. So in addition to the limitation just of the overall footprint and we said that the exposure is really limited to the US land and the US Gulf, and when you think about what all we do in these areas, not everything is related to products, right? We talked a lot about that we are doing installation and services activities and those obviously have no foreign content. So that's important. So it's really narrowed down to certain products that are being sold in the US.

Now, based on what we know now and some of the mitigation actions that we do have in process, we talked about that we see no less -- no more than $20 million of impact to the financials this year. And I want to point out another thing that this is spread pretty evenly between the two segments. So when you think about that in the context of our guidance -- but most importantly in the context of our guidance, you should know that it's contained within the guidance ranges that we have given.

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

Maybe, Arun, I'll just close on that one. This is -- we have very deep and intimate relationships with our customers. When something like this happens, we sit down with them and we work together. And it could result in some changes in the way that things flow. There are solutions if you are willing to work and your client, more importantly, is willing to work in a collaborative way with you and we're in a strong position to do so.

Operator

Ati Modak, Goldman Sachs.

Ati Modak - *Goldman Sachs & Company, Inc. - Analyst*

Doug, you mentioned that most of your conversations are for 2028 and beyond. I'm just curious what those customers are saying with respect to those long-dated projects. Has the current environment affected that at all versus what you were hearing earlier or is it steady?

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

Well, first of all, they're looking at a very different commodity outlook when they're looking at that period of time. So that's obviously proprietary to them. But I can assure you, they're not looking at the very recent fluctuations in the commodity price. They're looking at a much longer-term strip. As you can imagine, they're looking at projects for the latter part of the decade that will be delivered in 3 to 5 years. So that's a very different outlook.

The other thing I would say is they're also looking more at gas. So it is more gassy than oily in that time frame and that's what makes areas like East Africa, the Mediterranean, Asia start to gain a lot of attention as well. So it also kind of expands the opportunity set. But I would say more gas-focused and oil focused in that latter part of the time frame that we're discussing.

Ati Modak - *Goldman Sachs & Company, Inc. - Analyst*

That's very helpful. And then on the Surface Technologies side, just wondering if there's any sensitivity around that in the current environment?

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

So good question. And again, it's really a tale of 2 stories here. We'll start with the international. As you know, the bulk of our international earnings come from the Middle East and the bulk of that comes from Saudi Aramco and ADNOC. These are customers that have very strategic and long-term views.

They tend to react less to short-term commodity prices. And they also have very different breakevens than other areas around the world.

So as a result of that, I would say, greater stability, an area that you know we've invested heavily in, in terms of our Surface Technologies business to ensure that we have world-class industry-leading capabilities in both the Kingdom as well as in the Emirates. And as a result of that, we are being -- we are receiving preferential treatment because of the investment that we made. So that remains very positive. And that retains a very positive outlook and much less susceptible to short-term fluctuations.

The other side is the US land market, and clearly, this is where there is the greatest exposure. Again, I'll emphasize that, that's a very small percentage of the total company's revenue. In an area that one of the earlier questions that we've seen cycles before, I've seen a lot of cycles in North America, and it's one that we know how to manage and we will manage proactively.

That being said, it's also important to point out in the US land market, we really work for some of the largest clients. The bulk of our revenue, a significant amount of our revenue comes from a limited set of clients, so we're not working broadly and extensively for the independents and the privates. We're really working for the majors.

There, you're going to have greater stability than you're going to have on some of these smaller companies that don't quite have the same balance sheet as the very large companies that we work for in the US land market. But look, we're in active conversations, very transparent conversations with our customers and we will take the actions that are necessary to ensure that we retain the integrity of our business across the globe.

Operator

Mark Wilson, Jefferies.

Mark Wilson - *Jefferies - Analyst*

I'd like to ask Doug regarding which, if any of those subsea markets that you show, you're seeing competition to your offering? And here, I'm speaking specifically to not only the iEPCI, but the Subsea 2.0 setup because clearly that's been adopted by pretty much all the major deepwater companies, Exxon, Shell, Total, et cetera.

But I note that all six of the opportunities in Brazil are with Petrobras, which obviously has its own standard setup and that works for it, but you've seen a Subsea 2.0 into Brazil now with Shell. What is the potential for take-up on a broader scale in Brazil? And what broader competition are you seeing in other areas?

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

Sure, Mark. So Brazil had -- Petrobras has their own standard, so they have a standard tree design that gets bid out to the subsea community and it's built to a similar to their standard. It is not Subsea 2.0. It is built because they're trying to build it to have, let's call it, a universal adaptability. It's got some additional configuration that makes it not as efficient as Subsea 2.0.

We have -- we certainly have and continue to have talks with Petrobras about that. And I remain optimistic that Petrobras does see the value and will potentially embrace Subsea 2.0. In the meantime, they continue to tender their standard. And it's interesting to us. We have the largest installed base in Brazil.

We have a very strong subsea services business in Brazil, and it benefits obviously from having the installed base. So you'll see tenders come out on occasion. And we do tend to participate in those tenders for Petrobras.

It's also important, as you noted, in Brazil, although Petrobras is clearly a significant portion of the market, there are other operators and we are now offering Subsea 2.0 for multiple operators in Brazil. You pointed out shell, with the Gato do Mato project, but we're also doing the [Hyatt] project for Equinor. This was another iEPCI 2.0, and we also delivered a project for [Karun Energy], which was an iEPCI 2.0. So 2.0 is in the Brazil market. Petrobras has not tendered a 2.0 they are trying to tender their standard product that can be manufactured by multiple companies.

So that's just kind of the lay of the land, but it remains an important market for us and obviously targeting iEPCI 2.0 opportunities is important.

The opportunity set that you see on the Subsea Opportunity Outlook List, those are installation projects, so those are not equipment projects, so that's just a different set of opportunities that you see there. But you will probably be hearing about a Petrobras standard for equipment if you haven't relatively soon if you haven't already heard about it. And beyond that there's a standard in the North Sea there's a NORSOK standard, which we have a standard tree for the NORSOK-- to be NORSOK compliant, and we continue to deliver that in that market. But beyond that, Subsea 2.0, as you point out, is really proliferated the market and we would expect it to continue to grow. We're in a unique position in that we are the only ones that have a Subsea 2.0, and as a result of that there has been a significant amount of direct awards. It's not something that we expect to be emulated by the competition, they have chosen to consolidate and build scale around 1.0 offering, and that's just a different strategy. But we continue to invest in 2.0 and beyond, which will continue to give us the competitive advantage.

Saurabh Pant - *BofA Global Research - Analyst*

We talked about tariff, Arun commented it's a pleasant surprise. The impact is pretty minimal, right? But if we just talk about execution more broadly. Maybe talk through your project selection process, improvement in T&Cs, projects in your backlog, give us a little more color on how you manage to execute in these uncertain times?

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

Sure. Thank you, Saurabh. It's actually a great follow-up after Mark's question because the difference for us is executing an iEPCI 2.0 project has significantly lower risk than executing a non-iEPCI non-2.0 project. So again, that's why we are in a very different world right now in terms of execution.

By the way, it showed up in our free cash flow this quarter because of our ability to be able to really do things in a unique way and often in a very -- in a way that rewards both our clients in terms of project certainty, but also rewards us as well.

So there is no doubt, Saurabh, that we think about execution every single day. We actually had our board meeting on Tuesday, and our Board spent 1 hour in our subsea Obeya looking at the execution work that we're doing today. And we're very -- we make things very visible, things that are going well, but also areas that we need to improve upon.

But I can assure you that our execution, given the new model, the new operating model, allows us much greater transparency, the ability to be able to address issues much earlier in the process, which leads to greater project certainty. This is measured by the direct awards. A client would not give you a repeat direct award order if you did not deliver on time.

So what you see from us is I cannot think of an instance we have not gotten a subsequent direct award from a project if went -- if it was a multiple phase project as an example because they experienced a success, and hence, we've had the opportunity to repeat that success.

And I guess the best example of that would be in Guyana, which we are very, very happy to be part of and thankful to Exxon Mobil.

But if you look at other -- some of the other work that's going on out there, where they're attempting to do integrated projects, but they're not going so well, you're seeing those clients tender the follow-up phase. That says that maybe that the execution that they're experiencing in the first phase was not as good as they had hoped it would be. And then sometimes we'll agree to tender and sometimes we won't agree to tender on the subsequent phase if we're asked to because of the performance of others.

So look, I think it's very visible. The success is very visible. It's not me saying it, it's what the market is saying in the way that they're awarding us with the repeat direct awards and 80% of our business being direct awarded to our company. We can't maintain that or we would not have achieved that and we can't maintain that if we're not executing at the very highest level. And I'll repeat just one more time, certainty is what matters to our customers.

Sure, there's the economic valuation, but a big portion of that economic evaluation is the certainty of the delivery and we have been doing an exemplary job and put a shout-out to the 22,000 women amended the company who are executing these projects every single day.

Saurabh Pant - *BofA Global Research - Analyst*

Yes. No, absolutely. That's fantastic to see and it's visible in our numbers, right, that you report every quarter. So that's very helpful.

And then a quick one, maybe also you on the free cash flow guide. Obviously, it's fantastic to see the free cash flow guide for the full year of being and first quarter was super strong, right? Also part of that was working capital. Maybe spend a little time on working capital and just talk to how much is that part of your higher free cash flow guide for the full year?

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

Yes. Thank you, first of all, for recognizing the free cash flow performance. We're really pleased with the $380 million that we generated. And I think just piggybacking on what Doug mentioned -- touched on already in his prior comment here, it's really the strength of our business model overall that drives the free cash flow.

So when you think about it first, when you look at something like the first quarter or going forward, foundational for us is the milestone payment terms that we have embedded in our backlog. So it's fairly simple in a way, if you perform then we achieve the milestones there. Not only is -- are those milestones important to our clients and they get what they need, but we get cash. So that is really how we structure the contracts and everything that we do and what's embedded in our high-quality backlog.

I will also point out that both Subsea and Surface had very strong cash flow in the first quarter. So again, very pleased with the results.

If you kind of then look at the rest of the year to some degree and think about what we typically have had is a little bit weaker Q1, a little bit stronger Q4, we see a more balanced performance this year. So it will probably be fairly evenly balanced to get to, call it, the midpoint of the new guidance. And clearly, it implies that for the full year, we'll have a little bit of a working capital net inflow that affects the financials. Obviously, again, with what we just experienced in Q1 and looking out, we are really confident in the free cash flow and raised our guidance by $150 million. So now sitting at $150 million above the prior guidance range.

And maybe last comment on this. You think about the underlying free cash flow conversion that we have, even if you do not consider any, call it, variation in working capital, we are continuously trending well above 50% of conversion of free cash flow from EBITDA.

Saurabh Pant - *BofA Global Research - Analyst*

Yes. No, that's a very good point. So I'll turn it back.

Marc Bianchi - *TD Cowen - Analyst*

I guess we're seeing building evidence every quarter from you guys that you've got something that's differentiated here and value added for the customer. You did mention in the press release that commodity price is a primary variable for the customer. So I'm just kind of curious at what level does commodity price weakness start to enter the conversation or maybe reduce the urgency for some of the customers?

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

Sure, Marc. Important question. As stated earlier, that has not entered into the conversation at this point. Again, keeping in mind that these are longer-cycle projects and projects that once they are awarded, we've actually never had a project cancelled or deferred, that was in our backlog including during COVID. There’s a lot of stability actually in this business due to the long-term nature of the investments that the clients are making.

Also keep in mind, we come at the very tail end and that's not a bad thing in this case. In other words, they've invested a tremendous amount of cash and capital in terms of acquiring the lease, doing the seismic, doing the exploration drilling, delineation drilling, et cetera. It's really the only thing that stands between us and them generating revenue or first oil or first gas is putting in place the production system which is what we are delivering to them. So because of that we are in kind of a unique position. I don’t really want to speak on behalf of our customers, but I think you will find these numbers really across our customers -- numbers they use across our customer base -- but honestly, it’s up to them to answer the question, but they will typically say their offshore portfolios have a sub-$40 breakeven. And in some of the more prolific basins, it is sub-$30. And then when you get into the brownfield tiebacks, it's sub-$30 and in some cases it can be in the very low 20s. So it’s a very different setup than other areas and other investment opportunities that they have, which is why we continue to see a greater shift of the capital expenditures investment for future developments to be preferentially treated, or if you will, guided to the offshore versus the onshore the land market.

So that's kind of the setup. That's what we're seeing. Look, I am sure we're talking about it, they're talking about it. And our clients are phenomenal and world-class in what they do. So no suggestion that they're not talking about it, but certainly not showing up in any of their -- in any of the conversations that we're having.

And again, they do have a breakeven that is much preferred to other investment opportunities that they had -- that they would have in their offshore opportunity set.

Marc Bianchi - *TD Cowen - Analyst*

Maybe there's some commodity price sensitivity there around just some of the discretionary services that you might do. Has your outlook for subsea services changed at all in the last 90 days?

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

That's a good question. Actually, it's one of the more resilient parts of our portfolio, and again I hate to reference it a second time, but even during COVID our subsea services revenue was the most stable of any of our revenue streams within the company. There's not a lot of discretionary services that they do. Typically, we're involved because it's a normal inspection maintenance repair schedule or it may be something that happens in the wellbore itself. More often or not the issues occur in the wellbore and that's just because over time the geochemistry changes. It may start to scale up.

They may start to get sand intrusion. They may have a sensor or a valve or a screen fail downhole, and then they have to go in and do an intervention.

That's why -- that was one of the exciting things when we talked about riserless coiled tubing intervention, because that's kind of been a holy grail the industry has been working on for multiple decades actually, and we addressed that along with our technology partner Halliburton for the first time. So no, it's actually fairly stable our outlook hasn't changed -- there's just not a lot of discretionary. It's not like maintenance of, I don't know, onshore equipment or when it -- this equipment is sitting on the seabed, it's up to a mile two miles deep in the water, its something you don't really defer maintenance on. It's not really discretionary, it's something our clients are really good at maintaining. And as re result of that, it's proved to be quite resilient, again even in the 2021 time frame.

Operator

Scott Gruber, Citigroup.

Scott Gruber - *Citi Investment Research - Analyst*

Yes. On the project outlook list, there's a large award for Petrobras simply as revitalization of field. Is it a bunch of step-outs? Is there intervention component? Just what does that refer to?

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

Sure, Scott. Look, Petrobras is a very sophisticated client. They've been operating in the subsea, one of the longest operators in the subsea. And they're very, very good at what they do and they'll look at their asset base, and if they see an opportunity to reconfigure the architecture which would allow them to improve the recoverable from the reservoir, then that's something they are willing to invest in. So I would say what you're seeing there is a very sophisticated, very mature subsea customer.

Scott Gruber - *Citi Investment Research - Analyst*

And does it involve new technology that they're looking at applying? Or just to kind of feel the configuration.

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

So it could. And you know we are deploying some new technologies in Brazil right now. So those type of projects could include subsea processing technology, but not necessarily.

Scott Gruber - *Citi Investment Research - Analyst*

Okay. We'll continue to watch. I had another kind of execution or efficiency question. As you've shifted towards Subsea 2.0, you've been reconfiguring the plants, and based on past comments you have been finding some surprising gains as you do so. Where do you stand on that process, does the plant reconfiguration in tandem with product flow, does it happen in anticipation of greater Subsea 2.0 load? Just some color on kind of how you're reconsidering the plants and the efficiency gains you're finding would be great.

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

And just to be clear, you're asking about the physical manufacturing plants or the plans?

Scott Gruber - *Citi Investment Research - Analyst*

The flow through the [plant], yes, the flow through the plants -- means previous one, you had some kind of at each station like targets with gains and you're beating that and just some of that color, I think it's interesting.

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

Yes. Got it. Thank you, Scott, I just didn't -- I just want to make sure I had heard clearly. No, this is a key element of the Subsea 2.0 and configure to order, and some of which is showing up in the operating results of the company now, as we see more flow of the Subsea 2.0 in the manufacturing facilities, we have a significant increase in the cadence or a shorter delivery time because of the increased cadence through the manufacturing facilities.

And look, it continues to impress. I will even say to surprise me. We are learning as we go. It is having a profound impact. Just got back from a trip through Brazil, Suriname, and Guyana, and in our Brazil plant, we are building a lot of 2.0 equipment. And when you see the flow in the cadence going through 2.0 that's now being delivered to Guyana as well as projects in Brazil and in the future to Surname, it really is fascinating compared to some of the non-2.0, as I talked about earlier, for instance the Petrobras standard which is not a 2.0 configuration, doesn't have the same flow or cadence that the Subsea 2.0 has. That shows up in many different ways. It obviously allows us to do more with less, i.e., expand our capacity without spending capital on manufacturing infrastructure. But it's even beyond that now. I was super impressed by the team. They are finding ways -- even within the Subsea 2.0 architecture -- to improve the efficiency of manufacturing, by manufacturing features if you will instead of product. So they will do multiple features on multiple parts with the same profile, which means there's no stopping and rejigging the machine tool in between the various -- in between the various products that go through or across that machine.

So look, we're just learning so much. We're honored to have some really smart people who are willing to do things differently and every day look for ways to improve. And as a result of that, with only a small portion of 2.0 actually consuming our total manufacturing hours – it will increase because our orders have increased -- but today, it's still maybe only a third of our total manufacturing hours. The future remains very exciting and bright for our company and our customers.

Operator

Victoria McCullough, RBC.

Victoria McCulloch - *RBC Capital Markets - Analyst*

Just one question remaining from me today. We saw quite a wide range of pricing from the Petrobras awards at the start of the year. Obviously the macro changed a quite a lot from that time. Any read across we can take from that? Is that a reflection of some of the capacity constraints that you are dealing with in sort of 25-26, or risk appetite you approach these contracts with?

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

(audio in progress) Look, you should all -- look, there's a very – the market structure is very different than it used to be historically. You have very mature, disciplined companies that are left, therefore you should expect to see a very disciplined approach. And as a result of that –I can assure you, you will always see a disciplined approach from TechnipFMC. We do look at the project in its totality, we don't look at it in terms of absorbing capacity, we look at it in terms of generating the returns that are required for our company. These are returns not just because we want these returns, it's returns that continue to allow us to invest in technology, continue to improve our performance, but also to improve subsea project economics. Our customers respect that. Our customers understand that. We win, but they also win because they get projects delivered on time and on budget. And they're not getting that from the rest of the industry, and they certainly weren't getting that historically. So as long as we continue to generate a return that will allow us to reinvest, we will continue to innovate, continue to improve, reduce cycle time, which is the main component to improving subsea project economics. They win, we win, and that will continue to be our focus, which is a returns focus.

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

This concludes our conference call. A replay of the call will be available on our website beginning at approximately 3:00 PM New York time today.

Operator

Thank you all for joining. You may now disconnect.
