LSEG STREETEVENTS

EDITED TRANSCRIPT

FTI.N - Q2 2026 TechnipFMC PLC Earnings Call

EVENT DATE/TIME: JULY 30, 2026 / 12:30PM GMT

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

Derek Podhaizer *Piper Sandler - Analyst*

Arun Jayaram *JPMorgan Chase & Co - Analyst*

Victoria McCulloch *RBC Capital Markets Inc - Analyst*

J. David Anderson *Barclays Services Corp - Analyst*

Mark Wilson *Jefferies LLC - Analyst*

Marc Bianchi *Cowen and Company LLC - Analyst*

Scott Gruber *Citi Infrastructure Investments LLC - Analyst*

Caitlin Donohue *Goldman Sachs - Analyst*

Saurabh Pant *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

PRESENTATION

Operator

Hello, everyone. Thank you for joining us and welcome to the TechnipFMC second-quarter 2026 earnings conference call. After today's prepared remarks, we will host a question-and-answer session. (Operator Instructions)

I will now hand the conference over to Matthew Seinsheimer, Senior Vice President in and Corporate Development. Matthew, please go ahead.

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

Thank you, Warren, good morning and welcome to TechnipFMC's second-quarter 2026 earnings conference call. Our news releases and financial statements issued earlier today can be found on our website. I'd like to caution you with respect to forward-looking statements made during this call. Although these forward-looking statements are based on our current expectations, beliefs, and assumptions regarding future development and business conditions, they are subject to certain risk and uncertainty 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 second-quarter earnings call. I'm pleased to share with you another strong set of financial results driven by robust execution across the entire organization. Total company revenue in the period was $2.8 billion.

Adjusted EBITDA was $601 million with a margin of 21.8% when excluding foreign exchange impacts. We generated free cash flow of $488 million and distributed $440 million through dividends and share repurchase, delivering on our commitment to return the majority of free cash flow to shareholders.

Now moving to Subsea orders. We achieved $2.5 billion of inbound in the quarter, including four announced awards. Much like greenfield developments, clients are now applying a portfolio approach to brownfield expansion opportunities to improve outcomes across multiple projects. These projects leverage the significant infrastructure investment already in place as clients look to prioritize their most economic opportunities.

By developing projects utilizing a consistent methodology and standardized solutions, TechnipFMC can help reduce cycle time across the portfolio of assets, significantly improving overall economics and helping clients advance projects more quickly. VåR Energi's recent iEPCI awards for the Ofelia and Gjøa Nord projects in the North Sea is a great example of this approach. We will utilize our integrated model across multiple fields through coordinated portfolio execution to help deliver first oil within two years.

In the quarter, we were also awarded Subsea production systems by Equinor for a portfolio of subsea tiebacks. Leveraging our standardized solutions, we can deliver these projects with scheduled certainty and lower cost for Equinor, which has plans to develop a total of 75 subsea projects on the Norwegian continental shelf over the next nine years.

Looking ahead, we will continue to benefit from a resilient and expanding offshore market. We see a strengthening order trend in the second half of the year, providing us with confidence in achieving $10 billion of Subsea inbound in 2026. Our Subsea opportunities list once again stands at a record level, providing a robust pipeline of opportunities for projects that will extend beyond the end of the decade.

Our visibility is further enhanced by deeper client collaboration and earlier engagement that bring TechnipFMC into the project development process much earlier than ever before. In the quarter, we signed an integrated global collaboration agreement with a long-standing partner, which builds on the principles that have made our iEPCI integrated commercial model successful, combining early engagement, field optimization, and execution capabilities within a single framework.

The expanded collaboration engages TechnipFMC up to a year earlier in the project development cycle before critical subsea architecture and investment decisions are made. The global model will extend beyond individual projects, enabling optimization at the portfolio level but also providing greater visibility into future development opportunities.

In Subsea, we consistently demonstrate our ability to execute at a very high level. This has brought certainty back into subsea projects, giving our clients greater confidence in moving forward with final investment decisions. We expect this will drive further strength in capital flows to offshore markets.

In Surface Technologies, our execution continues to support margin improvement in 2026 despite lower revenue versus the prior year. Here, our strategy has been to focus on the right customers in the right geographies and with differentiated technologies where we can achieve higher returns.

In the Middle East, our Surface Technologies team was recently recognized by ADNOC for our significant role as a local manufacturer and partner within their in-country value program. This program is central to the UAE's plan to redirect significant investment into the local economy in the years ahead.

Being a recognized partner positions TechnipFMC well as the program expands and reinforces our commitment to growing alongside ADNOC, and the UAE's industrial ambitions. This is a visible endorsement of the investment we have made in the country and the trust they have placed in our people and local operations.

Let me close on a few points. I'm extremely pleased with our second-quarter results. The strong financial performance in the period clearly demonstrates the solid momentum in our execution, thanks to the dedication of the 22,000 women and men of TechnipFMC. This gives us the confidence to raise our full-year expectations for total company EBITDA.

Our order outlook for Subsea remains robust. And with a book-to-bill above 1 in the quarter, we see a strengthening trend in order activity in the second half of the year. We also reiterate our expectation for a step-up in inbound orders in 2027 and extending through the end of the decade.

This growth will be supported by iEPCI, Subsea 2.0 and Subsea services, much of which will be direct awarded to our company. And as our clients move toward more collaborative approaches to develop their offshore portfolios, we will leverage our iEPCI execution model and our configurable solutions to drive further efficiencies and higher capital returns for both our customers and TechnipFMC.

I will now turn the call over to Alf to discuss our financial results and importantly, our strengthened financial outlook for the balance of the year

---

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

Thanks, Doug. Inbound in the quarter was $2.7 billion, driven by $2.5 billion of Subsea orders. Revenue in the quarter was $2.8 billion. Adjusted EBITDA was $601 million when excluding a foreign exchange loss of $19 million.

Turning to segment results. In Subsea, revenue was $2.5 billion, a 13% increase versus the first quarter. The sequential revenue improvement was driven by increased project activity, particularly iEPCI projects in the North Sea and the Mediterranean, partially offset by lower activity in Africa and the US Gulf. Adjusted EBITDA was $577 million, up 31% sequentially, due to strong execution and higher project activity. Adjusted EBITDA margin improved to 23.2%.

In Surface Technologies, revenue was $276 million, a decrease of 3% from the first quarter. The decrease was driven by reduced activity in the Middle East due to the ongoing conflict, and lower activity in North America. This was partially offset by strength in other international markets.

Adjusted EBITDA was $50 million, an increase of 1% sequentially. Adjusted EBITDA improved sequentially due to strength in international markets despite the revenue decline in the Middle East. Adjusted EBITDA margin was 18.1%, up 70 basis points from the first quarter.

Turning to corporate and other items. Corporate expense was $26 million Net interest expense was $4 million and tax expense was $114 million. Cash flow from operating activities was $548 million, with capital expenditures totaling $60 million in the quarter. This resulted in free cash flow of $488 million.

We repurchased $420 million of stock in the second quarter. When including $20 million of dividends, total shareholder distributions were $440 million. Cash and cash equivalents was $992 million. We ended the quarter with a net cash position of $590 million.

Moving to third-quarter guidance. For Subsea, we expect revenue and adjusted EBITDA margin to be in line with the second quarter. For Surface Technologies, we anticipate revenue to increase mid- to high-single digits sequentially with an adjusted EBITDA margin of approximately 17.5%.

Moving to our full-year outlook. Beginning with Subsea, we now expect both revenue and adjusted EBITDA margin near the top end of their respective guidance ranges. For Surface Technologies, we now see revenue closer to the low end of the guidance range with adjusted EBITDA margin just above the midpoint.

We continue to expect corporate expense of approximately $120 million. With these updates, we are increasing our expectation for total company adjusted EBITDA to approximately $2.19 billion for the full year when excluding foreign exchange. And finally, we now see full-year free cash flow tracking towards $1.45 billion, which is the high end of our guidance range.

In summary, we delivered strong second quarter financial results with Subsea margins exceeding 23%, helping drive total company adjusted EBITDA to $601 million, excluding foreign exchange and free cash flow expanding to $488 million. We returned $725 million in total shareholder distributions in the first six months of the year, which equates to 95% of free cash flow.

Given our long-term expectations for the company's financial performance, we continue to see share repurchase as an attractive use of free cash flow. We have increased our expectations for total company EBITDA for 2026. And lastly, we remain confident that in 2027, we will grow Subsea inbound revenue and adjusted EBITDA margin.

Operator, you may now open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Derek Podhaizer, Piper Sandler.

Derek Podhaizer - *Piper Sandler - Analyst*

I guess maybe, Doug, let's start with your opening comments around the brownfield opportunities that you're seeing. You talked about delivery of first oil in two years brownfield or step-outs. I know previously, you've talked about electrification of the brownfield being able to step out that radius 4 times more than typical hydraulics.

So is that what you're seeing now? Or is that still an opportunity in the future? Maybe just some more comments around the brownfield step out and potentially electrifying these operations as you move forward.

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

Thank you, Derek. So in these particular cases, they're not necessarily enabled by the all-electric solution, but what we are seeing is our customers scour their portfolios, looking for marginal fields or brownfield or tiebacks, all somewhat synonymous opportunities because in this case, the host facility exists, which allows them to really, through a single contract with us because of our fully integrated offering, be able to deliver a very short cycle project and accelerate time to first oil.

What's exciting is and where the behavior has changed is in the portfolio approach. We saw this and talked about this in prior quarters in greenfield activity where customers are coming to us through discussions, working with us not only on a current project, but on future projects, tying in and leveraging that consistency of approach and our unique iEPCI and 2.0 capabilities.

So we're now seeing that spill into the behavior in the brownfield markets, and we gave two examples of that, both with Vår Energi, which is a great example, as well as with Equinor that are looking at a portfolio approach. So multiple projects under a single portfolio approach.

That will allow consistency, greater certainty in scheduled delivery and shorter cycle times that has a vast improvement to the clients' project returns and economics and obviously benefits us as well. So that's very exciting.

The opportunity that lies ahead is exactly what you said, growing the brownfield market. How do we grow the brownfield market is by being able to, in an efficient, short cycle and economic way, tie back from further distances from the host facility.

And with the all-electric solution, we now can go and increase that radius around the host facility by 4 times and hence, reach a much greater feel -- a much greater opportunity set in terms of marginal fields and tieback opportunities. In that case, we've done a lot of work with the all-electric system.

We have many electric systems deployed around the world, and we're really now working with our clients to look for those greater opportunity set. But as you said, that is a future opportunity for us and one that will further grow the brownfield market.

Derek Podhaizer - *Piper Sandler - Analyst*

Great. That's very helpful, Doug. Thank you. And then I guess, next, you've talked about collaboration with your customers, starting in the development life cycle. A year earlier, obviously, it helps your visibility, which you've already went over in your prepared remarks.

But maybe operationally, could you help maybe expand on that comment? I mean what's the benefit for you operationally the benefit for the customer operationally? And how does this translate whether it's in time to first oil or overall earnings profile, the power there? Just maybe some more color around now moving up in the development cycle by a year with your customers.

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

Derek, this is an all of the above. And the reason why it is, is being at that table because when we say a year earlier, we're now -- in the prepared remarks, I referenced -- this is well be for -- any traditional contractor would be invited into the discussion well before even decisions around which type of subsea architecture might be used.

So we're going in as a trusted consultant or a trusted adviser, trusted partner. They're inviting us to the table because they see the value that we bring. They want us to be part of that conversation. And by being part of that conversation, the objective for the client is to be able to further accelerate time to FID, so faster time, shorter cycle time to FID.

And then from our point of view, it's not only securing that project and having the visibility and in many cases, as a direct award because of that proprietary nature of our relationship, but it also means delivering a shorter cycle time projects.

So within the company, we have the saying that we all live by every single day, which is the relentless pursuit of reduction of cycle time. That's the unique capability that allows us to win while at the same time, our customer wins. So this increased earlier engagement is really, really critical and is giving us a level of visibility and insight that we've never had as a company.

Operator

Arun Jayaram, JPMorgan.

Arun Jayaram - *JPMorgan Chase & Co - Analyst*

Doug, I was wondering if you could talk a little bit about the trajectory of orders that you expect this year and how you see the inflection point in orders playing out in 2027? On a year-to-date basis, you've booked $4.4 billion of subsea orders book-to-bill of just below 1. So wondering if you could discuss expectations for the back half and perhaps give us some insights on your pipeline of direct awards that may not be on the Subsea opportunity list.

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

Sure. So clearly, there's momentum, as you pointed out from the first quarter into the second quarter and further momentum expected in the second half of the year. We see a clear line of sight to the $10 billion target for 2026.

What we're seeing is a lot of smaller projects. If you recall, even in the first quarter, very few announced projects, we did have four announced projects this quarter, but it's a lot of smaller projects.

What you see in 2027 is the inflection and the return of some very large greenfield opportunities, which will not only drive the total opportunity -- the opportunity set as we published and we pointed out in the prepared remarks, is now achieved another record level and increased again this quarter, largely driven again by those greenfield-type projects.

So that will just get further strength and confidence in 2027 and what we have referred to and are fully committed to a step up of orders in 2027. So it's a bit of a mix question in terms of the type of projects in '26 versus the type of projects in 2027.

2027 will be larger projects, more greenfield opportunities. 2026 being more of these marginal field tieback brownfield opportunities, some greenfield opportunities as well, but customers are really, really focusing on getting these shorter-cycle projects out the door as fast as they can. And that's where we have the natural ability to be able to help them do that.

And that's why I can confirm that our proprietary list of opportunities that result in direct awards to our companies, to our company, some of which we obviously announced this quarter is growing and is a very healthy set of opportunities, and one we will continue to benefit from as the company moves forward.

Arun Jayaram - *JPMorgan Chase & Co - Analyst*

Great. My follow-up, I was wondering if you could give us any breadcrumbs on your SURF 2.0 initiatives. Where are you in terms of your efforts to industrialize the other two-thirds of the subsea project, the installation, the water column? Any breadcrumbs you could share today?

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

Sure. So just for the entire audience, Arun, I'm going to maybe reference it slightly differently. When we talk about Subsea 2.0, so far, we've been talking about -- that's the industrialization of all the equipment that sits on the seabed. And that's something that happened many years ago in our company and that we're benefiting from today.

So if you look at what is currently called Subsea 2.0, which is again the equipment on the seabed, about 80% of our new orders are coming -- are now Subsea 2.0. So the market has entirely embraced this new architecture, and it represents about 50% of our revenue. So you can obviously see the upside that we have from the further conversion of that 80% of orders into revenue.

When we talk about what's left, I'm going to ask all of you, we're going to try to deviate the gaming architecture a little bit. It's really about industrializing the iEPCI. So it's really about making the iEPCI 2.0 because remember, the iEPCI has three components.

It has -- which sits on the seabed. It has all the things that are in the water column, the umbilical risers flow lines, fiber optics, telecommunications, electric -- all -- everything that's within the water column. And then it's the installation of all of that kit. So it's really three different elements.

So if you think about it that way, as we go from the Subsea 2.0 seabed, configure-to-order architecture and we move to a fully industrialized iEPCI 2.0, the upside is significant because those last two-thirds, the water column and the installation, have yet to be industrialized. So think about it as going from Subsea 2.0 to iEPCI 2.0, and that is where we will get.

And that will be another major, major change to not only our company, but to the way that the industry operates. I will tell you this, I spent most of the quarter working on this. And we are getting some very, very exciting results.

We continue to -- I'm trying to give you the breadcrumbs you asked for without saying too much but know that it's a major focus of mine. We've made quite a bit of progress in our understanding of some of these disruptive technologies and processes that will become part of iEPCI 2.0 in the future.

Operator

Victoria McCulloch, RBC.

Victoria McCulloch - *RBC Capital Markets Inc - Analyst*

So if we could start on the Subsea EBITDA margin. As we look into the second half of the year, I guess, in the context of what you've delivered this quarter, can you give us a bit of an understanding how the split comes from delivery on project phasing versus fundamentally a structural step-up in higher quality contracts and the proportion of the entire I guess, revenue and the EBITDA that you're seeing being delivered from the business right now?

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

It's a great question. And obviously, there's a lot of market momentum out there. We are in a unique position as we have discussed before in terms of the relationships with our clients. But I will tell you this, we focus a lot more on those, as you would say, as you mentioned, those structural changes because we don't want to do this for today.

We want to do this for a very long time, and we want to continue to be very successful -- and again, when I say successful, it's our clients and TechnipFMC. And I think we're kind of unique in that manner. We're not selling fixed assets. We're not a commodity. We are a technology company.

So we're looking for ways to ensure that our customers are successful while we continue to be successful at the same time. So what we put most of our focus on are those internal changes to both our operating model as well as what we just talked about going from Subsea 2.0 to iEPCI 2.0, continuing to benefit from the better, the greater efficiencies we have in our manufacturing, the shorter cycle time, which frees up more assets, which is why you don't need to be building or buying assets right now.

You need to be becoming much more efficient. That's how you're going to drive higher returns and create a sustainable model going forward. So we very much focus on those internal elements that are really changing who we are as a company and the way that we operate.

I'll pass it over to Alf to add some more color.

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

No, just to complement what Doug said. So in all what he just said, when you specifically look over the evolution of first half, second half and onwards, it is very much a gradual improvement, right? Because these things are realized as we keep on taking on new backlog with iEPCI and 2.0 but also starting to mature all of our industrialization processes.

So it's really hard to kind of pinpoint that it's a step up in any one quarter. It's a gradual improvement that we're seeing through our backlog as we're experiencing really in demonstrating strong execution.

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

Sure. I'll just add to Alf and say, it's not only a gradual improvement in the second half. But as Al said in his prepared remarks, we're already committing to 2027 improvement.

Victoria McCulloch - *RBC Capital Markets Inc - Analyst*

Yeah. That's really helpful color. Just on the tender pipeline, it's great to see it grow every quarter and the color that you gave on the projects added and have been awarded. We don't know there are some sticky projects. These are not -- your projects -- but sticky projects that whether it's the economics or the offtake that become challenging to see sanctioned and reach that FID for the company.

When you look at your addressable contracts that you see in the second half of this year and into next year, how much of that $30.5 billion is still kind of sticky and dragging a bit, and maybe could you use the iEPCI? Let's put it that way.

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

Well, thank you for that endorsement. I'm looking at the opportunity list as you just mentioned, we -- let me use a different word for sticky. We certainly know that some of these projects have lived on this list a bit longer than anyone originally anticipated.

I will tell you, I think everyone will be surprised that we'll start to see some momentum in some of those projects. Some of those projects indeed, the economics will be solved by iEPCI 2.0. We certainly would be proud to be -- if we could do that for our clients.

But of course, there's always local challenges or reservoir challenges or partnership -- or partner challenges between different operators. So it's very hard to predict exactly when projects will FID, but I actually think the probability on this list over the next 24 months is greater than it's ever been.

Operator

David Anderson, Barclays.

J. David Anderson - *Barclays Services Corp - Analyst*

So you were talking about how the orders are sort of shifting in from '26 to '27 shorter -- more brownfield, shorter-cycle projection towards larger greenfield projects next year. Does that imply that we should see -- I would assume that means we've seen more -- many fewer direct awards, and it should be a lot more competitive tenders.

Can you talk about the dynamics a little bit of that? I know a lot of the margin expansion has been structural, but there's obviously pricing is a critical factor here. Can you sort of talk about that? We haven't really seen this type of market in quite some time, so how are you approaching this? Obviously, some of your competitors have been pretty aggressive on certain projects we've seen lately.

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

Sure, Dave, and thanks for the question. So first of all, I wouldn't necessarily draw the conclusion that it would be -- well, almost -- I will say this. I would not draw the conclusion that it will be less direct awards in 2027. And remember, we've already announced some pretty substantial greenfield direct awards throughout the history of a number of our iEPCI projects and our direct awards. So I wouldn't draw that conclusion.

But just speaking more broadly to the 20% of our business that does -- we do compete in competitive tendering, remembering that 80% of our business is direct awarded to our company. So on that 20%, I think, Dave, the right approach is discipline. Keep in mind that we have certain obligations and making sure that those obligations are met and achieved.

You all know the competitive landscape. It's rather concentrated. I think is maybe the word to use. So look, I think I set a very matured, disciplined companies in a market that's growing. And so we will be selective. We will focus on those projects where we believe, to Victoria's question earlier, where we can use our magic and our differentiation to help unlock the potential.

So then if it's a competitive tender, it kind of really doesn't matter if we're tendering something that is uniquely different than what the competition has because of their lack of capability or technology differentiation. So yeah, the market will be what the market will be, Dave.

Again, as I said earlier to an earlier question, we very much focus on what we can do to create value for our clients and ourselves at the same time. And often that will lead to a direct award because of the differentiated nature of our offering.

J. David Anderson - *Barclays Services Corp - Analyst*

So Doug, maybe we could take a little bit of a step back. I'm just curious how you're your customer conversations that go on. I'm particularly wondering about how do your customers make capital allocation decisions in this kind of market with all this volatility and obviously, the conflict going on?

Where does offshore fit? Is offshore now becoming a bigger part of that? Do you think the shift capital allocation towards more offshore for a variety of reasons? Is that part of the reason why you're seeing '27 looking -- seeing a step up there?

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

So Dave, I don't want to speak on behalf of my customers. So I'm just going to give you my observations based on behaviors that I'm seeing in the industry. I would absolutely say that Subsea is becoming a more strategic consideration for our clients because of the geographical diversity that it offers, i.e., if you want geographical diversification, there's only one way to get it.

There's the two poles, which is North America and the Middle East, and then there's offshore. And so I think, clearly, countries, NOCs as well as independents and IOCs are looking at their exposure in their portfolio. And when they look at their risk analysis, I do believe that geographical diversification has always been part of that, but it may be a greater consideration. And as it's a greater consideration, it will most likely drive increased levels of focus on offshore assets.

Keeping in mind that the reservoirs are exemplary. It's never been an issue of the quality of the rock. It was an issue of economics, and it was an issue of project certainty. Our clients demand certainty. The offshore industry, for decades, did not deliver certainty.

TechnipFMC has brought certainty back into our clients. It's given them the confidence as they move forward and look at their offshore, their broad offshore portfolios where they can actually move, diversify their project opportunities around the world.

At the same time, and we've talked about this on prior calls, it's not just the traditional customers. We are seeing new entrants in the offshore at a rate that I had never experienced in my career. So many, many new offshore operators taking on deepwater subsea projects.

Humbly, I will say, they make only one phone call. because there's only one company that can deliver them everything from the architectural phase or the front-end engineering through the manufacturing, delivery, installation, commissioning and life-of-field service contracts of up to 30 years through a single entity and a single contract, and that's TechnipFMC.

Operator

Mark Wilson, Jefferies.

Mark Wilson - *Jefferies LLC - Analyst*

Doug, your comments about industrializing iEPCI and iEPCI 2.0 is fascinating with the water column and then the installation side of things. My question, therefore, would be that in terms of the water column installation, a big variable in that is whether we've got flex pipe or there is welded rigid pipe. Is there, therefore, an iEPCI 2.0 vision that covers both of those? Or does it require one of those two technologies to really outweigh the other to deliver that vision of iEPCI 2.0?

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

Sure, Mark, and thanks for switching over to the new nomenclature as quickly as you did. I honestly appreciate that. So look, when we look at iEPCI 2.0, it will solve the vast majority of the market's requirements and it will not be dependent upon one specific type of pipe or installation, i.e., flexible or rigid, but it will be a game changer.

Let me explain. It will be something that has never been done before. And it will be very unique. And I simply can't say more, Mark, because it would not be to my benefit to do so at this stage. But what we have under development is substantial. It's the most excited I've been in my career.

And again, it will change the industry. So yes, it will be agnostic to the type of -- to rigid versus flexible as we have historically thought and we'll cover both, but in a very differentiated way.

Mark Wilson - *Jefferies LLC - Analyst*

We look forward to it. Thank you. My follow-up would be to ask regarding the margin. I think 2Q is the highest group margin since the demerger. You guided to the second half and unchanged broader EBITDA. But you've spoken before to they're still being levers that can be pulled within EBITDA. And we note Subsea now over 23% margin. So just if you could just speak to the outlook there versus the projects and the backlog you have.

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

Well, we've consistently improved the opportunity set in our backlog by obviously working off some of the old legacy backlog; very little remains. We continue to replenish it with higher quality backlog, not just in terms of necessarily the margin associated, but with the quality of the work that we will be performing, i.e., the ability to be able to consistently deliver ever better projects as we move forward because of the quality of the backlog.

I do want to take this opportunity just to emphasize because I know it didn't come across in all of the early reports, but we're raising guidance. So I want to make sure everybody acknowledges that. We had a substantial beat this quarter, and we raised well beyond the value of the beat. So it is -- so total company EBITDA, we took to $2.19. That's a substantial increase.

So I just want to make sure that that comes across to the audience so that that gets accounted for appropriately. In terms of the margin in Q2, Alf's already referenced that he expects a similar margin for Subsea in Q3, and I don't know, Alf, is there anything else you want to tell --?

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

Just overall, to make sure to understand that for both segments, we expect EBITDA generation to be stronger in the second half than in the first half.

Operator

Marc Bianchi, TD Cowen.

Marc Bianchi - *Cowen and Company LLC - Analyst*

On the iEPCI 2.0, how long do you think it will take before we start to see this becoming a meaningful part of your inbound and of your backlog?

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

Thanks, Marc. And again, thanks for picking up on the new nomenclature, I'm loving it. So we're just being a little bit -- it's not that we're not telling you the answer. We are still going through concept select. We are doing experimentation as we speak. I will tell you that was a big part, again, a big part of my focus on this past quarter, and I'm excited is -- I don't want to say too much.

But if you put the two together, it gives you a little bit of an indicator. The exact timing, I don't want to put a stake in the ground yet. That will come in time. But we wouldn't be talking about it now if it was in the distant future.

Marc Bianchi - *Cowen and Company LLC - Analyst*

Okay. On the order outlook for the remainder of the year, you mentioned the smaller projects or maybe the difference in smaller projects this year, greenfield projects next year. Does that translate into maybe fewer press releases as we sort of track the performance over the back half of the year? These are smaller things that might not qualify. Or is that not the right takeaway?

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

No, I think that's fair, Marc, and I appreciate you making that observation because I wouldn't want people to be concerned, if you will, about a lack of press releases or announcements. We saw what we've delivered in the first half, and there really wasn't a significant amount.

So it is a lot of smaller projects. But again, these are very meaningful projects for our customers. and very meaningful projects for ourselves. But yeah, that's a fair point. I wouldn't focus too much on just a number of press releases. We remain confident in delivering the $10 billion to be inbound.

Operator

Scott Gruber, Citigroup.

Scott Gruber - *Citi Infrastructure Investments LLC - Analyst*

Maybe coming back to the macro, Africa has received a lot of attention in terms of the development pipeline. I've been thinking more recently about Asia Pacific just because the region has been hard hit by the energy crisis. And even before that, there seemed to be an interest in picking up activity. Maybe if you can dig into the region a bit more from India to Southeast Asia, down in Australia.

What are you seeing in terms of the development pipeline there? Has that taken a step higher with oil prices? And what's the outlook for gas development across the region? I just imagine that that's progressing in a positive fashion kind of given the power demand growth trends. Just some more color on Asia Pacific will be great.

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

Sure, Scott. And I absolutely believe your intuition is validated. We're seeing that both in the behavior from the governments as well as clients within the Asia Pac region. One, at a government level, they are looking to secure capacity beyond their traditional sources. And that doesn't mean there's anything other than that. They are out, going around the world, negotiating contracts to diversify their supply.

At the same time, they are taking a second look at their own resources or resources within the region that they could invest in. And I think it's a combination of both. So it's maybe not necessarily in their territorial waters, but it's in the region.

So from a gas -- you mentioned gas from a gas point of view, the best example of that would be Indonesia. We see a significant amount of activity for our company as well as tendering activity more broadly in Indonesia. We see more and more neighboring countries, wanting to be part of those projects, those developments.

\We know there's large gas project opportunities in Australia. And Woodside is obviously doing everything they can to move those projects forward, and we would be delighted and honored to continue as a partner with them on future projects.

And then in Malaysia. Malaysia continues to look at deepwater opportunities. Again, it's mainly been a shallow water developments in Malaysia, and they're looking more and more at deepwater developments, an area that we have partnered closely with Petrobras --Petronas -- in the past in that region.

So -- and there's other activity in other countries within Asia, but I would say those are the highlights and absolutely tie into your thoughts as far as increased activity, both because of gas and supply of gas, but also potentially because of wanting to have a little more control over their future.

Scott Gruber - *Citi Infrastructure Investments LLC - Analyst*

I appreciate that color. And then just turning to the surface business. Orders downtick during the quarter, the $220 million. A little bit more color just beyond that? Anything to read into it? And then kind of outlook for orders in the second half of the year?

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

Sure. So when you look at surface and you look at their orders -- well, let's just look at the business. Where the orders really come from that feed the backlog are really from the Middle East, right? So the North America business, more or less a book and turn business. So that kind of resolves itself on a quarterly basis.

So when you look at things like backlog or inbound, it is really about the Middle East. An important thing to remember, we signed a 10-year contract with ADNOC several years ago. I think Q4 2021, if I recall? Yeah, Alf's confirming.

So it's been quite some time ago, and we're working that off, right? So that doesn't get replaced because you work it off over time, until the next big contract. So that's just a natural dynamic that you're going to see in the surface backlog.

And in terms of -- but the activity remains very strong and in the UAE. And as indicated earlier, we just received the recognition and award from ADNOC that we were very proud to talk about.

In terms of our work with Saudi Aramco in the Kingdom, we continue to be very active in terms of our manufacturing. There's been some modification and some service activity from time to time, but we remain very active and full utilization of our manufacturing plant in the Kingdom. We do anticipate additional orders from Aramco in the second half of the year.

Operator

Caitlin Donohue, Goldman Sachs.

Caitlin Donohue - *Goldman Sachs - Analyst*

I just wanted to touch on the services business within Subsea. What are your expectations for that business over the next couple of years, especially as we are seeing a little bit more of this order step-up into 2027. What are your expectations around the growth that we could see there?

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

Sure, Caitlin, I'm happy to take your question. And thank you for asking. It is absolutely a crown jewel of the company. It is an important business. It is probably the most consistent business. I think of it kind of as an OEM model. The assets that we deploy are very high end.

They almost always use automation and control and robotics. These things are very, very deep in the ocean, obviously, cannot be intervened with by man. And therefore, it's very, very advanced automation and control and robotics, some of the most sophisticated, quite frankly, in any industry.

So these things do require inspection, maintenance, and repair. From time to time, our customers do have to intervene, not because of our equipment, but because of the wellbore. The wellbore is dynamic, right? So the flow is always changing. The type of fluid is always changing. Day one, it may be oil, and day whatever it may be, 90% water.

Or you may have gas breakthrough, or you may have asphaltine scale buildup. All sorts of things happen down hole. It's a very dynamic environment. And whenever they need to intervene, they will call us and we will typically help them with the intervention either by performing the intervention from one of our intervention vessels or if necessary, and they need to actually pull the completion because there's a downhole failure of one of the pieces of the downhole equipment, which we don't provide, then they would require a rig to do that, but we would still need to come out and help them be able to access and remove our equipment from the wellhead.

So it's -- I guess what I'm trying to explain is this is a business that from the time you receive the work and from the time you deploy the assets on the seabed, you've now got a 20-, 25-, 30-year life-of-field services contract that is very predictable that, because of the nature of it, it's very accretive to our company, and it's something that we put a lot of time and focus on ensuring that we have the ability to continue to grow and expand that business.

The best way to grow and expand the business is to grow and expand your installed base on the seabed. As I explained, it's an OEM model. I think it's well established that TechnipFMC has been successful and continues to be successful. And so when we talk about direct awards, they all come with these life of field services contracts associated with them.

So up until now, the growth rate of the Subsea Services business has somewhat been in line with the growth rate of projects. And that's very much a result of just how fast the company is growing on the project side. But there is a point in time, and I'm not suggesting it's anytime soon. But theoretically, there's a point in time to where the growth of the project revenue will slow down.

But the services revenue will not slow down as a result of that because, one, you have a larger installed base; two, you'll have equipment that's continuing to age and that will just drive more and more activity for our services business. So it's a business we're very proud of. It's a business we put a lot of focus and attention into and one that we expect to continue to grow and make a stronger contribution to the company going forward.

Caitlin Donohue - *Goldman Sachs - Analyst*

That's helpful. And then just my follow-up, I wanted to touch on -- seeing these larger greenfield orders coming in in 2027 relative to 2026. I know FTI has pretty high line of visibility into the latter years of the decade. Interested on if this is a trend that you expect to continue seeing some of these larger orders coming in post 2027? Or if this is more of just a 2027 call right now?

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

No. Thank you for clarifying. It is absolutely post 2027 through the end of the decade.

Operator

Saurabh Pant, Bank of America.

Saurabh Pant - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

I wanted to quickly follow up on something that we touched on, I think Scott was asking the question on gas and Asia. I want to focus just on the gas part of it, more, Doug. I think I'm seeing more and more gas projects show up in the pre-FID pipeline. And of course, Asia is part of it, but we saw the first fiber project in the East and that get to FID, the [Kronos] project, right?

So just big picture, what does more gas in the mix been for SPI? And then related to that, what does that mean for your subsea processing opportunity? I'm thinking separation and boosting. Is that something that would probably see higher demand on the back of just more gas projects?

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

Interesting question. Let's first talk about the gas demand. So I will tell -- if you look at the subsea FIDs, the liquids demand has actually remained quite strong. That doesn't mean that the gas demand is not -- gas opportunities are not growing, as you pointed out. and I'll get to that in a minute. But the liquids remains very, very strong, and but a lot of that is being driven by the activity that's going on in South America.

As we look at gas, yes, we talked about Indonesia. We talked about Asia more generally, Indonesia, Australia, just to name a couple. But you're right to point out also the Eastern Med, a significant large projects ongoing and future opportunities in the Eastern Med.

There's also a significant amount of gas activity going on in the Norwegian sector of the North Sea, which will continue to be a key -- from an energy security, a key reliable source of gas into Continental Europe. And then we see other gas developments and gas opportunities as we look around the world, some in the northern part of South America and elsewhere. So yes, I see a shift. It has not been as pronounced as I would have expected at this point in time, but it is continuing to move in that direction.

And then your question about gas versus oil to TechnipFMC, we're somewhat agnostic. Here's probably the biggest difference on it, let's just say, on a per unit cost gas is better for us. Gas equipment is -- tends to be much more demanding. The velocities that these wells -- the velocity of the gas flowing through our equipment is staggering for anyone to even imagine.

And you always have to realize, it's not just dry gas that comes out of the reservoir. And again, it could have some liquids. It could have some solids and at a very high velocity, it requires some very sophisticated equipment. So I would say it really differentiates those who can and cannot provide that type of equipment.

But over the life of the field of the project, I would say oil reservoirs tend to lead to more services activity. So it's a little bit of a trade-off and a bit of a wash over the life of the field, but probably more upfront in terms of the upfront capital cost when it's associated with the gas development on a per unit basis.

Saurabh Pant - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Right. No, that's a fantastic color, Doug. Then just a quick -- I know Arun was talking about giving some breadcrumbs on SURF 2.0, which became iEPCI 2.0, right? I want to go back to that line of thinking. I'm just trying to think from an operator perspective, Doug, because like you said, your aim is to reduce the cycle time, improve the economics of the deepwater projects, and that's how everybody succeeds, right?

So if I think about it from an operator perspective, as you partner with them, what are they trying to solve for in your effort to industrialize the water column, the installation part of it. What is their biggest pain point? And what would they love for you to do? And how will they benefit there?

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

Quite simply, the relentless pursuit of the reduction of cycle time. It gives them certainty. It allows them to do more projects. And at an ever-improving economic rate because of their project returns improve, because of the accelerated time to first oil. And obviously, all of those things benefit TechnipFMC as well.

Operator

We have reached the end of the question-and-answer session. I will now turn the call back to Matthew Seinsheimer for closing remarks.

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

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

Operator

This concludes today's call. Thank you for attending. You may now disconnect.
