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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 fourth 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 afternoon, and good morning, and welcome to TechnipFMC's fourth 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 the call. Although these forward-looking statements are based on our current expectations, beliefs and assumptions regarding future developments and business conditions, they are subject to certain risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by these statements.

Known material factors that could cause our actual results to differ from our projected results are described in our most recent 10-K, most recent 10-Q and other periodic filings with the US Securities and Exchange Commission. We wish to caution you not to place undue reliance on any forward-looking statements, which speak only as of the date hereof.

We undertake no obligation to publicly update or revise any of our forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

I would now like to 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 afternoon and good morning to all. Thank you for participating in our fourth quarter earnings call. I am very proud to report our strong quarterly and full year results as we closed 2025 with solid operational momentum.

Total company inbound for the year was $11.2 billion. Backlog ended the year at $16.6 billion. Total company revenue for the year grew 9% to $9.9 billion with adjusted EBITDA improving to $1.8 billion, an increase of 33% when compared to the prior year. Full year free cash flow increased to $1.4 billion and shareholder distributions grew to $1 billion, both more than double the levels achieved in the prior year.

Turning to Subsea. Orders in the quarter were $2.3 billion, resulting in $10.1 billion of inbound for the full year with iEPCI projects being the largest contributor of inbound in 2025. There was also continued momentum for new opportunities within existing basins with bp Tiber being our most recent iEPCI contract in the Paleogene. Notably, TechnipFMC has been awarded five of the six 20K projects sanctioned thus far.

The widespread adoption of our differentiated offering has clearly been a catalyst for our commercial success. Over the last three years, we delivered on our goal to inbound more than $30 billion of subsea orders. This has driven Subsea backlog to $15.9 billion with legacy projects now representing less than 10% of backlog. Given our expectation for $10 billion of Subsea inbound in the current year, we anticipate further growth in backlog.

Direct awards, iEPCI and Subsea Services represent an increasing share of our inbound. In fact, this combination accounted for more than 80% of our total Subsea inbound in 2025. We continue to be selective in the work that we pursue. We prioritize projects that utilize our iEPCI and Subsea 2.0 configure-to-order offerings. And our services business has been a clear source of differentiation, leveraging the industry's largest installed base.

Most importantly, this high-quality inbound derisks project execution, enabling accelerated project timelines and increased schedule certainty. The inbound secured in 2025 also speaks to a change in customer behavior with more clients adopting a portfolio approach to offshore development.

Instead of focusing on the next project exclusively, operators are taking a broader portfolio view of their opportunities, executing a vision for their entire asset base. An example of this mindset is simultaneous development of greenfield assets where operators execute multiple projects in parallel, industrializing the entire field.

Bp's approach to the Paleogene is an excellent example, where TechnipFMC is executing the Tiber and Kaskida projects at the same time, utilizing a consistent project methodology focused on our 20K equipment and integrated delivery.

To be clear, this is not business as usual. Historically, operators would wait for the completion of the first project to incorporate learnings into subsequent phases. Today, those benefits are seen as incremental to the more substantive improvements gained from a portfolio approach.

By executing as a single unit, operators benefit from integration and standardization that enable them to reach target production more quickly and economically than would be possible as stand-alone projects. This shift in customer focus from a single project to a more comprehensive portfolio view clearly benefits from our differentiation with TechnipFMC's iEPCI model and Subsea 2.0 solutions serving as key enablers of this change in behavior.

The increased collaboration that comes with a portfolio approach also provides us with greater visibility into the project pipeline. Importantly, this early engagement provides us the greatest opportunity to help our customers more efficiently design and develop their entire program.

Today, our clients are much more confident that they can build cost and schedule certainty into their expectations, and that is creating additional opportunities for our company.

This change in customer behavior also has a positive impact on the outlook for Subsea. We expect a greater share of capital spending to move offshore, where reservoirs are prolific, high-quality and accessible to many operators with attractive project economics that continue to improve. And we are seeing the impact of this change on our Subsea Opportunities list, with the latest update reflecting the sixth consecutive quarterly increase in value.

The list now highlights approximately $29 billion of opportunities for future development when using the midpoint of project values. This is the highest level ever recorded, and it was achieved even with a significant level of projects awarded in the period. And keep in mind, this only reflects a 24-month view and is not indicative of the full opportunity set for our company.

There are multiple new frontiers under consideration for greenfield development, more than at any time I can remember. Greenfields are unique in that they provide a blank slate. They have no preexisting field infrastructure where legacy architecture and technologies can limit flexibility in future enhancements. This makes a portfolio approach very effective for accelerating development in new frontiers, reinforcing our confidence and continued strength in offshore activity through the end of the decade and beyond.

I now want to close on a few key messages. First, 2025 was another year of exceptional performance for TechnipFMC. And I want to acknowledge the efforts of the 22,000 women and men across the globe. They take great pride in the company and are passionate about what they do. This is evident in our full year results, where continued strength in order inbound drove growth in high-quality backlog and continued strength in execution elevated the expansion in both EBITDA and free cash flow. This team has a strong desire to win and is unwavering in its commitment to deliver.

The second point I want to convey is that 2025 was another major milestone for TechnipFMC, but we are far from achieving optimal performance. We had great commercial, operational and financial success in the year, but the groundwork for these results was set in motion many years ago with our introduction of new commercial models and configure-to-order product architecture and our internal focus on the principles of simplification, standardization and industrialization.

While the impact of these changes is real and sustainable, we are confident that considerable upside remains. And much like our current success, it won't be dependent upon any one driver. We are confident that we will deliver further advancements in integrated execution.

We will benefit from an expansion in configure-to-order offerings as we adopt them across more product platforms, and we will deliver greater operating leverage than what has historically been achieved in our industry.

Finally, I want to reiterate our commitment to the relentless pursuit of the reduction of cycle time. The actions we have taken, which are ultimately focused on driving project returns higher, clearly demonstrate our ability to create sustainable value for our customers and real differentiation for our company.

We know that our work is not complete. We know that more value can be created. And with a culture focused on continuous improvement in everything we do, we also know that we have the right strategic mindset in place to make offshore investment an even bigger and more sustainable opportunity.

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

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

Thanks, Doug. Revenue in the quarter was $2.5 billion. Adjusted EBITDA was $440 million when excluding $52 million of restructuring, impairment and other charges and a foreign exchange gain of $1 million.

Turning to segment results. In Subsea, revenue of $2.2 billion decreased 5% versus the third quarter. The sequential decline was primarily due to lower activity in the North Sea and Latin America, offset in part by higher activity in Asia Pacific.

Adjusted EBITDA was $416 million, down 18% sequentially, primarily driven by seasonally lower vessel-based activity and reduced fleet availability due to higher scheduled maintenance in the period. Adjusted EBITDA margin was 18.9%.

For the full year, Subsea revenue grew 11% versus the prior period with Subsea adjusted EBITDA margin up 340 basis points to 20.1%.

In Surface Technologies, revenue was $323 million, a decrease of 2% from the third quarter. The sequential decrease was driven by lower activity in North America and timing of project-related activity in the Middle East, partially offset by higher activity in Asia Pacific.

Adjusted EBITDA was $58 million, an increase of 8% sequentially, due to higher services activity in the Middle East and operational efficiencies related to business transformation initiatives. Adjusted EBITDA margin was 18%, up 160 basis points from the third quarter. For the full year, adjusted EBITDA margin improved 170 basis points to 16.7% even with revenue essentially flat when compared to the prior period.

Turning to Corporate and Other items. Corporate expense was $35 million. Net interest expense was $5 million and tax expense was $33 million. Cash flow from operating activities was $454 million with capital expenditures totaling $94 million in the quarter. This resulted in free cash flow of $359 million. Free cash flow for the full year was $1.45 billion.

We repurchased $168 million of stock in the fourth quarter. When including $20 million of dividends, total shareholder distributions were $188 million. For the full year, total shareholder distributions more than doubled versus the prior year to $1 billion. Cash and cash equivalents ended the year at $1 billion. Our net cash position increased to $602 million.

Moving to our financial outlook. We have provided detailed guidance for the year in our earnings release. I will now provide additional color on the guidance and our first quarter outlook.

Starting with Subsea. During the fourth quarter, we incurred restructuring charges related to simplification and industrialization actions being taken to further improve operating efficiency. As Doug indicated, our financial results and operating momentum remains strong, but we know we can achieve even more. These actions will deliver sustainable improvements in 2026 with additional benefits to be realized beyond the current year.

With that in mind, we are updating our previous Subsea guidance provided in October. We now expect revenue of $9.4 billion with adjusted EBITDA margin of 21.5% at the midpoint of the full year range. This implies growth in Subsea adjusted EBITDA of 16% when compared to 2025.

For the first quarter, we anticipate subsea revenue to increase low single digits sequentially, while adjusted EBITDA margin is expected to improve approximately 50 basis points from the 18.9% reported in the fourth quarter.

Moving to Surface Technologies. We are guiding to full year revenue of just over $1.2 billion with adjusted EBITDA margin improving to 17.25% at the midpoint of the guidance range. For the first quarter, we anticipate Surface Technologies revenue to decline approximately 10% when compared to fourth quarter results with an adjusted EBITDA margin of approximately 16.5%.

And turning to Corporate. We are guiding to full year expense of $120 million with an expectation that we will incur approximately $40 million in the first quarter.

Lastly, I want to comment on our free cash flow guidance. We remain committed to a very disciplined asset-light approach to capital management. We anticipate capital expenditures to approximate $340 million for the full year, representing just over 3% of revenue. Additionally, we expect full year free cash flow to be in a range of $1.3 billion to $1.45 billion. This would imply free cash flow conversion of approximately 65% at the midpoint of guidance.

And as previously indicated, we expect to return at least 70% of free cash flow to shareholders in 2026 through dividends and share repurchases.

In closing, I am very proud that we delivered on our financial targets in 2025. When excluding foreign exchange, we increased total company adjusted EBITDA to $1.8 billion, an increase of 33% versus 9% growth in revenue.

We drove strong improvement in adjusted EBITDA margin for Subsea and Surface Technologies with increases of 340 and 170 basis points, respectively. And we delivered growth in total company backlog to $16.6 billion, up 15% from the prior year.

I'm also proud to share our full year guidance for 2026, which reflects continued operational momentum with total company adjusted EBITDA expected to exceed $2.1 billion at the midpoint of our guidance items. This represents growth in adjusted EBITDA of 15% versus 2025 when excluding foreign exchange with margin expansion in both segments.

Lastly, we expect strong cash conversion from our growing EBITDA. And given the flexibility provided by our strong balance sheet, you should expect us to return the majority of this free cash flow to our shareholders.

Operator, you may now open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Arun Jayaram, JPMorgan Securities.

Arun Jayaram - *JPMorgan Chase & Co - Analyst*

Doug, I wanted to see if you could elaborate on your thoughts on margin expansion potential from industrializing the SURF process. And you talked about this morning in your prepared remarks about delivering further advancements in your integrated project execution. So just wondering if you could maybe shed some light on your thoughts on industrializing the SURF process to drive margins higher.

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

Thank you, Arun. Look, I'd be happy to. As I noted in, I think, a prior quarter, when we started down the path of industrialization and the configure-to-order product architecture, which we call Subsea 2.0, that was prior to the merger. So we're obviously focused on the assets that reside on the seabed because that what was within the scope of FMC Technologies at the time. As a fully integrated company, we now have access to not only the seabed but the water column in addition.

So that is where our focus is now, is to expanding that configure-to-order applications and all the efficiency gains and all the improvements in terms of reduction of cycle time for our clients and improved project certainty in terms of the delivery of the projects, which our clients benefit from, to the remainder of the subsea environment you're referring to the SURF or, if you will, the water column.

I will say this. I think that the opportunities there are as substantial as the opportunities we are experiencing now from the Subsea 2.0 architecture on the seabed.

Arun Jayaram - *JPMorgan Chase & Co - Analyst*

Great, great. And just my follow-up, Doug, is you mentioned how 10% of your backlog is legacy, call it, maybe lower margin kind of backlog from a few years ago. But as you look at the margins that you're booking in backlog today relative to your Subsea 2026 guide of 21.5% for EBITDA.

Can you talk about how much visibility do you have on further margin expansion Subsea? How many years of margin expansion do you see when you think about that backlog versus what you've guided to this morning?

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

Sure. So let me start by confirming that we are inbounding at a level that is accretive to our backlog margin. And that's important. And that will obviously flow through revenue and then ultimately through EBITDA, EBITDA margin. So you will see that. And as you know, we have a substantial backlog already, which is very high quality, and we're adding additional quality to that.

Look, I've said this publicly, I want our clients to win. And if our clients win, they like us to win as well. So this isn't about pricing or this isn't about margin. This is about the relentless pursuit of reduction of cycle time and certainty.

If I can sit down with a client and show them that we have the unique capability and the only ones who can deliver them a project on a significantly shorter time frame, accelerating their time to first hydrocarbon and giving them certainty in that outcome, then I share a greater economic value that I create.

So we feel that we have a long way to go in terms of the reduction of cycle time. Remember, this industry, we just started this with the creation of TechnipFMC. We have a long way to go. We talked about it in response to the first part of your question. There's even more scope within our own remit, let alone further innovation that we are working on today as well.

So that is our focus. That's what we think about every single day. That's why we make our customers win. And that's why we win as well.

Operator

Scott Gruber, Citigroup.

Scott Gruber - *Citi Infrastructure Investments LLC - Analyst*

Doug, you mentioned the renewed interest in greenfield developments. Just wanted to see if you could unpack that a bit more for us. Obviously, hearing exploration mentioned on some customer calls, but just how widespread is the renewed interest in exploration across your customer base and across geographies?

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

Yes, Scott. I'm going to parse the question just a little bit, right? Because there's greenfield developments and then there's exploration. And you're right to point out, exploration leads to future greenfield developments. But I want to make sure everybody recognizes or appreciates that there are substantial greenfield developments where the exploration has already been done.

These projects didn't move forward for a variety of reasons, including take everything I said to Arun's question in the inverse. The industry wasn't good about reducing cycle time. The industry was not good about certainty in terms of delivery.

And because of that, the economics didn't necessarily support those projects to move forward. So we're seeing quite a few greenfield developments that the exploration has been done, that, if you will, have been in the queue.

In addition to that, you're hearing about increases in exploration budgets. You're hearing about new emerging basins being identified, be it the equatorial margin in Brazil. We're hearing about Colombia now. I mean, almost every day, we wake up hearing new news of new opportunities in the offshore environment. We would humbly like to think that's because we've given our customers the confidence and the ability to go back and really scrub that portion of their portfolio or their reserve base and look for those opportunities.

So really, Scott, they're quite global in nature. And I'm only parsing the fact that this isn't about waiting on seismic and waiting on exploration drilling. That's happening and that's good because that will continue to feed the hopper, if you will, and I kind of referred to that when I talked about through the end of the decade and beyond. But as importantly, there are opportunities out there that are being accelerated right now, and we have the tools and the kit and the ability necessary to accelerate those developments for our customers.

Scott Gruber - *Citi Infrastructure Investments LLC - Analyst*

I appreciate that. And then a quick follow-up on Arun's question around the SURF standardization. It sounds like there's a big opportunity here, and I remember having a detailed discussion with you maybe a year ago or so about it. And I know this takes a while to execute on. But where do you stand in that process?

And kind of how much more is there to go?

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

Yes. I thought I was going to get away without committing to it, Scott, so thanks for circling back.

Scott Gruber - *Citi Infrastructure Investments LLC - Analyst*

Well, I wasn't going to let you.

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

That's fair. Look, we've been working on it for a bit. We're impatient. Our customers are impatient, and that's a good thing. But we want to make sure we do it right.

But look, there will be more to come and we'll be excited to share that news with the industry.

Operator

Mark Wilson, Jefferies.

Mark Wilson - *Jefferies LLC - Analyst*

I'd like to ask, Doug, about the point you make about you see considerable upside still. And just to check how clearly returns have been coming through. Margin has been improving three years now of $10 billion inbound in Subsea and another $1 billion to come and more opportunities in greenfield than you've ever seen.

So could I ask regarding the volume you see able to continue to do going forward, considering that CapEx also remaining just 3% of revenue?

You spoke in the past about no expansion to roofline was a key element of previous years. In terms of the capacity that's within this business, should there be more of a response beyond, I don't know, the $10 billion level? How much volume capacity do you think there is within your existing setup? And I think I particularly speak to the Subsea 2.0, if that's done at two of your three facilities.

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

Thank you, Mark. I definitely knew I wasn't going to get away with this one. So it's a fair question, and let me give you a direct response. So as you pointed out, we've had a healthy rate of inbound. We've had $30 billion over three years.

We just now reaffirmed the $10 billion for 2026 but we're also showing a Subsea Opportunity list that is really expanding at a rate that we have not seen before.

If you look at the number of projects that were awarded in this quarter, i.e., they came out of the Subsea Opportunity list, we're talking about the net increase. But if you look at the gross increase, it was quite substantial and there's others to come.

So as we look forward, and you're right, you're hearing this from our clients, which is more important. We're just basically gathering that information and sharing that with you. Their focus is on offshore. Their focus is on developing offshore reserves. Their focus is on adding reserves by focusing on offshore opportunities. And again, we're seeing that happen around the world across our client set.

And as we've talked about before, our client set has expanded quite dramatically 3 times to 4 times what it was historically. There's many new companies that are operating and performing offshore subsea developments enabled by the simplicity and the ability to work with one company, TechnipFMC, in an iEPCI 2.0 direct award manner.

But if I really kind of encapsulate your whole question and, to me, what it really comes down to is, is this $10 billion a magic number? Or where do we go from here? And I want to be very, very clear that the Subsea Opportunity list is both growing and accelerating, and we fully expect that this will be reflected in inbound order growth in 2027 and beyond

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Operator

Derek Podhaizer, Piper Sandler.

Derek Podhaizer - *Piper Sandler - Analyst*

Doug, I wanted to go back to your comments around your portfolio approach, specifically bp's Tiber and Kaskida. Maybe could you help provide us with tangible examples of how Tiber is leveraging the engineering and equipment progress with Kaskida to help drive down cost and increase your efficiencies?

Ultimately, just trying to understand more what this means for your earnings power and margins moving forward, if you have more of this portfolio approach from your customers.

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

Sure, Derek. And look, all the credit goes to bp. We're humbled in order to be their partner in the Paleogene. I want to start with that. Working together in many, many discussions, we came to the conclusion that there was a different way of working than the historical way of working together.

And when we looked at it, we knew we wanted to go towards standardization. We knew we wanted to have repeatability, the old saying, design one, build many.

But when you have large gaps of time and distance in between projects, when you introduce new project directors on both sides, our side, their side, when you introduce new engineering teams, both sides, our side, their side, et cetera, et cetera.

And then you get into the supply chain and you're dealing with the supply chain that you turn on, you turn off, you turn on, you turn off, you're never going to get those efficiencies.

So bp decided to take a very different approach. We are extremely humbled and honored to be part of it. I don't want to get into, if you will, the dollar savings because I think that would be not appropriate for me to do. That's more bp's business. But they clearly are benefiting.

We clearly are benefiting as a result of the ability to be able to have continuity, visibility and continuity into our own manufacturing, also being able to have one single project team instead of sending up two teams and in the supply chain because our suppliers benefit from that visibility and that continuity as well.

So again, I don't like to talk about margin. I'd like to talk about improving Subsea project returns, which benefits our customer and also benefits us.

Derek Podhaizer - *Piper Sandler - Analyst*

Got it. No, that's very helpful. I appreciate that. And then maybe on Subsea Services, clearly a differentiator for the company. I think you previously guided that it should grow in line with your top line growth, which we have the guidance on.

But maybe could you touch upon what your expectations are for the Subsea Services side of things? Is this an expectation around $1.92 billion for the year? Just maybe some more color and help on how we should think about services as we look into 2026.

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

So again, in line with revenue, so let's call it $2 billion.

Operator

Victoria McCulloch, RBC.

Victoria McCulloch - *RBC Capital Markets Inc - Analyst*

Just one for me on Surface Technologies, I guess, to slightly discussion, but a similar theme. You've seen a material increase in the margin over the past 12 months in Surface Technologies. You attribute it in the presentation to operational efficiencies. This is what you spoke to us about a year ago. But can you give us an idea of how this compares to your expectation and how this was delivered?

And again, on that, on Surface Technologies, how much more is there to achieve there?

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

Look, very proud of the segment. As we talked about in a prior call, we took a decision to really look at that business, make some tough decisions, really focus on the right customers in the right geographies utilizing the right technologies, so if you will, high grading our portfolio.

That isn't a business, when you focus on market share, that ends up very well. So we took a different approach, and we said, look, we're going to focus on quality, not quantity, and we're going to high grade our portfolio.

We've done that. It's performing very well, as you can see as a result of that. There were some incremental benefits in Q4. But as we move forward, we expect this segment to continue to operate at a very high level. It's now 65% of our business in Surface Technologies is in our international portfolio.

We continue to benefit from the investments that we've made both in Saudi Arabia as well as in Abu Dhabi in terms of local content, local manufacturing. And so yes, that's how I would summarize.

The outlook remains difficult because of the North America market. But we obviously benefit from the strength of having the majority of our portfolio outside of the North American market.

Victoria McCulloch - *RBC Capital Markets Inc - Analyst*

And maybe just a follow-up to look at Subsea. Can you talk to us a bit about how your discussions with customers have been in a very choppy macro environment, but then reflecting how there is greater CapEx moving offshore? And we are seeing pressure certainly, and discussion points around resources and reserves alike.

Those are conflicting, I guess, points but more is being added to the Subsea. Do you think that potentially the market is more caught up in the stock pricing than your customers are when they have discussions with you? And how much does that benefit TechnipFMC from a, I guess, pricing perspective?

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

Sure. I would describe it this way. One of the benefits of being in the offshore market is our customers -- some of that near-term choppiness, if you will, is smoothed out. They understand, these are prolific reserves. These are prolific reserves.

So when they're going after these, they have a denominator that's much different than any other investment opportunity they have in their portfolio.

So all that they're looking for is obviously a forward view of the commodity price and a confidence in the ability to execute the project both from their team as well as from the industry. And this has been the biggest change that has occurred in the last several years, is they have regained their confidence because of what we have created with TechnipFMC with the Subsea 2.0 configure-to-order product line and with our commitment to them and to the investment community of our relentless pursuit of the reduction of cycle time.

So we don't talk about price. We talk about improving project returns, which benefit our clients. As I said earlier, if it benefits our clients, it benefits us. And once you get that mindset and you get out of a fixed asset mindset of day rate utilization and pricing, you can really change your conversation with the clients.

We have a seat at the table far earlier than anyone else, and they give us visibility, now as they look and take a project approach, that is unprecedented because they like what we're doing and they want to make sure that they have the access to our iEPCI 2.0 solution, which leads to this level of direct awards that is now over 80% of our business is direct awarded to our customer and never goes out to a competitive tender.

Operator

Dave Anderson, Barclays.

Eddie Kim - *Barclays - Analyst*

This is [Eddie] who came on for Dave who had a prior commitment this morning. Doug, you mentioned operators are increasingly taking a portfolio approach to their opportunities. Of course, this provides you with greater visibility on Subsea orders. But does this also maybe result in more content with this approach, where developing two projects simultaneously results in more content for you than if developed one after the other?

And do you expect more companies to start to adopt this portfolio approach going forward? Or is this really limited to a few select majors?

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

Sure, Eddie. Thank you. In regards to the approach, you're on to something. Very astute. Remember, we're the architects.

So when we're talking about either a portfolio approach or an integrated FEED study leading to an integrated EPCI study, we are the architects. Now we will always design the field to ensure the best suitability for the reservoir, the best in terms of the relentless pursuit of reduction of cycle time.

But clearly, we are going to make sure that if we have any technologies that are applicable that are going to help meet those objectives, that we're going to incorporate those into the architecture. So the benefit of being the architect and the builder, if you will, it's pretty clear that there are benefits of being able to do both. And we're uniquely positioned as the only company that has the capability to do both. So that's the position we're in. So yes, to your point, it does create opportunities.

Now in terms of the portfolio approach, look, you have to have the asset base, right? So not all clients have a reservoir that has a clear line of sight to doing multiple greenfield developments. Sometimes it's a one-off development. And that's absolutely fine. That's absolutely normal.

But where clients have the ability to do multiple greenfield developments within a area, if you will, it's certainly applicable to any client. And bp is not the only one. I thought it was appropriate to pass the message about bp and what they're doing to Paleogene because it was a recent award, and I do think it's appropriate to do so. But others are looking at the same approach.

Eddie Kim - *Barclays - Analyst*

Got it. So a number of signs pointing to a 2027 inflection in offshore activity that seems to be reflected in your growing Subsea Opportunity list. But could you talk to customer behavior and what you're seeing from them? You've consistently mentioned sort of this growing shift of capital into offshore. I guess what innings do you think we're in, in terms of operators shifting capital to offshore?

Just wanted to get your sense of if most operators are already there at this point or if we're still in the early stages of this capital shift into offshore.

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

Good question. And I don't want to answer on behalf of my clients. That would be inappropriate. I'm a service guy, I always have been. I know where I am in the food chain.

I would just look at their behavior. And I think what you're seeing in their behavior is they are in the very early stages and they see a long runway ahead.

Operator

Caitlin Donohue, Goldman Sachs.

Caitlin Donohue - *Goldman Sachs Group Inc - Analyst*

Doug, you mentioned the iEPCI and Subsea 2.0, representing a good portion of total Subsea in orders in 2025. Can you speak to your long-term expectations for this continued adoption? How do you see this flowing through to further margin expansion over the next few years?

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

Great question, Caitlin. We've identified -- we said that the iEPCI was the majority of our inbound orders this past year, which is really quite substantial. A new product architecture like Subsea 2.0 figure-to-order, introducing that into the market is one challenge. An even greater challenge is when you change the commercial model. So look, there was a point in time -- it was a few years ago admittedly.

But there was a point in time where I said if we could achieve one third of our orders from iEPCI or the integrated approach, that would be substantial. We're obviously well beyond that. And when you look at the different applications around the world, neither iEPCI or Subsea 2.0 have any sort of a technical limit or commercial limit that they both couldn't go to 100%. What I did allude to in my prepared remarks, though, is in legacy fields, is Subsea 2.0 backwards compatible? Yes.

Is iEPCI applicable in brownfield, greenfield, emerging markets, mature markets? Yes. But sometimes you will find customers who just want to either repeat the past because it's a small tieback and maybe the last activity in that field or that region for them.

So I think there's always going to be a percentage. But Caitlin, it's a fair challenge. And I think that we certainly approach every opportunity as iEPCI 2.0 until proven otherwise. And you will see and continue to see both iEPCI and 2.0.

As a result of that, you'll see iEPCI 2.0 continue to grow in our inbound.

Caitlin Donohue - *Goldman Sachs Group Inc - Analyst*

That's helpful. And then just one more question on the Subsea 1Q revenue guide. I know it's the increase sequentially of low single digits. Is that just more of a comment on a little bit less of that muted seasonality we're seeing in 1Q as a result of some of these macro factors? Or there are certain regions that you can call out that you're really looking out for some of this increased activity through 2026?

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

Sure. I'm going to give that to Alf and he'll get into that detail. But if you don't mind, I'd like them just to first kind of summarize the revision to the 2026 guidance because I don't want that to get lost on the call. It was an important element.

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

Thanks for the question. So first of all, just to summarize, we did raise Subsea guidance, as you probably all noted. It's an important piece of reaching company EBITDA for the year. The adjusted EBITDA, we expect to be -- adjusted EBITDA, about $2.1 billion. So that is built on a lot of the things that Doug talked about already.

We clearly achieved our inbound objective in 2025. We have a growing opportunity list. We are committed to $10 billion and have a solid path to that. The high-quality backlog, all of those things come together and gives us confidence. And then the Subsea Services revenue and growth on top is giving us a $2 billion business.

So we thought it was important, as we were overall initiating guidance for the company, to update this. If you look at the margin profile of Subsea, and again, I want to point out that we are introducing through the restructuring charges we've taken this quarter, we're initiating actions, and we are further taking actions in 2026 to further boost our margin expansion, not only in '26 but also beyond. And I think with what Doug said, we are very focused on driving revenue and margin expansion into the years beyond 2026.

Regarding the Q1, it is definitely what you were talking about. There is nothing big happening or anything structural that you should think about more than the seasonality. We continue to have two quarters a year, where several of our vessels in our fleet is either drydocked.

They might be in for maintenance or some sort of upgrade and taking advantage of the slower period, in particular in the North Sea area. And that's what you see pronounced, and you will continue to see some of that in the first quarter.

But there is nothing really otherwise. The underlying run rate of our Subsea business is very strong. And then coupled with all the things that we already said about our outlook and our ability to expand margins, we're confident in the overall guidance that we have given for Subsea.

Operator

Marc Bianchi, TD Cowen.

Marc Bianchi - *Cowen and Company LLC - Analyst*

Doug, I'm going to ask you if you could to quantify two things to the extent you're able to. So first, on this portfolio approach that you're talking about and working with the customers, can you maybe help us understand how much of the sales funnel of opportunities that you're looking at? And I realize we've got the Subsea opportunity slide and then there's like all these other discussions that you're having that might not be on the slide.

So if you sort of take that together, is there a percentage of the stuff that you're discussing with customers that would be part of a portfolio approach? And then as we think about $10 billion of orders this year, more than $10 billion in '27 and beyond, what proportion of those orders would be coming from the portfolio approach?

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

Yes. Mark, hard to put a hard number on it only because, as I said earlier, it depends on the client and it depends upon their portfolio in that particular geography, if you will, because when you do the portfolio approach, it's more focused around a particular reservoir or a particular geography.

So I would say today, it's a smaller portion, but it's something that our customers are responding well to and, I think, looking at their own future developments,and seeing where and how it could be applied within their own opportunity list.

So I guess that's the big difference, Mark, is we're sitting down looking at their opportunity list instead of, as we were in the past, sitting around waiting to receive a request for tender. So very different seat at the table than we used to have.

Marc Bianchi - *Cowen and Company LLC - Analyst*

Yes. Okay. That's helpful. And then the other thing to quantify, and this is really just to maybe level set and understand. You talked about 80% of the orders being direct awarded, right, so with services and iEPCI and so forth.

How much of revenue is coming from direct awarded projects maybe in '25, '26 and '27? Just so we can get a sense of the progression on the revenue side and maybe versus what the order percentage is.

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

Sure, Marc. So I think if you go back just a couple of years, we used to talk about 50%. I think two years ago, maybe one year ago, we started talking about 70%, this year, 80%. Projects take two to three years to flow through. So I think that gave a pretty good road map, and that's obviously going to benefit us going forward.

Operator

Saurabh Pant, Bank of America.

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

Doug, maybe I'll just dig into the whole Subsea Opportunity list discussion. The one thing that I'm noticing, Doug, is that there are more and more projects that are gas-directed versus just oil-directed, right? We remember a decade back, anybody struck a big gas reservoir, it used to be a disappointing moment, right? But we are more and more developing these bigger reservoirs that are part of the opportunity list.

But for you as the subsea architect, how much difference does it make if a project is oil versus gas? Is there any revenue intensity impact? Anything we should read into the complexity and, by extension, margin impact potentially down the road from just the whole oil versus gas dynamic in subsea?

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

No, it's a great observation. It actually is something we internally had anticipated would happen a bit sooner than it has happened. But we are seeing a shift towards gas, and that's partly driven by there was quite an expansion in terms of LNG capacity around the world.

That's slowing down but you got to feed that. And I guess, the dots that people don't necessarily connect is other than in the US and Russia, almost all LNG is fed by offshore reservoirs, not onshore reservoirs. That's a generalization but it's directionally correct.

So okay, two things happen. One, you have to develop the offshore assets therefore to feed gas. But then over time, you now have a massive investment in an LNG facility. You have to continue to feed that with gas. So you almost commit yourself to continuing doing subsea developments offshore once you build that LNG facility.

So we see that happening around the world and we're obviously a beneficiary of that. In terms of gas versus oil, we love everybody equally. That being said, a gas tree tends to be as a higher unit cost than oil tree, and it typically has to do with a more corrosive environment and the velocities that we need to be able to control and operate safely in a subsea environment.

So net-net, a gas equipment tends to be more complex. It's better for us because it's more differentiated, and that's who we are. It fits better. It just creates even greater differentiation versus the rest of the industry. But either way, we'll take either one. We're just here to help our customers reach their objective.

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

Got it. Right. Okay, okay. That's fantastic color, Doug. And then Alf, maybe one for you on the whole free cash flow discussion.

Like you said, '26 guidance implies 65% conversion out of EBITDA at the midpoint. But we were talking about orders. Working capital is a big part of it, right? So if orders start to inflect again from that $10 billion annualized run rate in '27 and beyond, working capital should be a tailwind, again, just how you get paid from a timing perspective, right?

So are we looking at a prolonged period, two to three years, where so free cash flow conversion out of EBITDA is going to be higher than that 55% working capital neutral number we were talking about on the last call?

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

Thanks for the question. So first of all, your observation is correct. We've had, first of all, a really strong and exceptionally strong free cash flow generation this past year, I think our cash conversion is actually mathematic close to 80%.

And it is, in terms of the foundation for this, is always going to be both commercial and operational execution towards your goals. And that is the foundation of improving our working capital.

Now we are setting ourselves up for another strong year. We are clearly improving working capital once again from the same variables that I talked about, the commercials and operational side. And as well, we couldn't forget that our CapEx is being kept at a 3.2% level. However, having said that, looking out several years, there's always a mix of orders, et cetera, so you can never fully predict.

But in general, if we are able to continue to have good commercial success in terms of how work is falling into where we have commercial strengths to realize and, as well, we need to execute on this because it's not just commercial we'll be setting up, we need to execute on this. There is opportunity to continue this.

But I would caution against just assuming that you can in perpetuity keep putting up better and better working capital numbers. Because every year, you start at a better position, and you need to improve from there.

And there are still, from some of the cash that you're collecting, you still need to execute, and that creates timing of where outflows could be higher. So I won't speculate out more, more than say that '26 is going to be a really, really good year where we improve working capital again. But I still think we need to focus on the neutral when we look in the very long term.

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

Yes. No, that makes sense, Alf, right? I mean, the whole point is that yours a very low capital intensity business, right? So on a through-cycle basis, your free cash flow power would be really strong. That's what I wanted to just get into.

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

Yes. Thank you. Clearly confirmed.

Operator

Paul Redman, BNP Paribas.

Paul Redman - *Exane Bnp Paribas - Analyst*

You mentioned earlier that you are the only company that is an architect and a developer. But I also wanted to ask, what are the risks about replication on iEPCI or Subsea 2.0 with your competitors? Because a company generating such fantastic margins growth, growth in backlog, you'd assume that companies would like to pick up and think about how, we could possibly challenge this. Are you seeing any actions by customers to copy what you're doing? Is it copyable?

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

Sure, Paul. The short answer is it's difficult. Many years ago, back in 2017, I said it took us four years, so kind of an idea of how much detailed engineering program it requires. Look, can others do it? Yes.

We have never said we're the only ones that can do it. We were the only ones who chose to do it. We chose the path of integration while either our others have chosen a path of consolidation. Just a difference in strategy. We're going to stick with our strategy.

Operator

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

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

Thank you. This concludes today's conference call. A replay of the call will be available on our website beginning at approximately 3 PM New York time today. If you have any further questions, please feel free to reach out to the Investor Relations team.

Thank you for joining us. Regina, you may now end the call.

Operator

This does conclude our call today. Thank you again for joining. You may now disconnect.