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CORPORATE PARTICIPANTS

Alf T. Melin *TechnipFMC plc - Executive VP & CFO*

Douglas J. Pferdehirt *TechnipFMC plc - Executive Chairman & CEO*

Matt Seinsheimer *TechnipFMC plc - VP of IR*

CONFERENCE CALL PARTICIPANTS

Arun Jayaram *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

Bertrand Hodee *Kepler Cheuvreux, Research Division - Head of Oil and Gas Sector Research*

Ian MacPherson *Piper Sandler & Co., Research Division - Senior Research Analyst*

John David Anderson *Barclays Bank PLC, Research Division - Director and Senior North America Oilfield Services & Equipment Analyst*

Marc Gregory Bianchi *Cowen and Company, LLC, Research Division - MD & Lead Analyst*

Nikolaos Konstantakis *Exane BNP Paribas, Research Division - Analyst of Oil and Gas*

Vaibhav D. Vaishnav *Coker Palmer Institutional, Research Division - Oilfield Services and Energy Transition Analyst*

Waqar Mustafa Syed *ATB Capital Markets Inc., Research Division - MD of North American Energy Services & Head of U.S. Institutional Equity Research*

PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the TechnipFMC Second Quarter 2021 Earnings Conference. (Operator Instructions)

I would now like to hand the conference over to your speaker today, Matt Seinsheimer. Please go ahead.

Matt Seinsheimer - *TechnipFMC plc - VP of IR*

Good morning and good afternoon, and welcome to TechnipFMC's Second Quarter 2021 Earnings Conference Call. Our news release and financial statements issued yesterday can be found on our website. I'd like to caution you with respect to any forward-looking statements made during this call. Although these forward-looking statements are based on our current expectations, beliefs and assumptions regarding future developments and business conditions, they are subject to certain risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by these statements.

Known material factors that could cause our actual results to differ from our projected results are described in our most recent 10-K, most recent 10-Q and other periodic filings with the U.S. Securities and Exchange Commission and the French AMF. 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 Executive Officer.

Douglas J. Pferdehirt - *TechnipFMC plc - Executive Chairman & CEO*

Thank you, Matt. Good afternoon. Thank you all for participating in today's call. Joining me today is Alf Melin, our Chief Financial Officer. Second quarter results reflect another strong quarter for our company. Total company revenue improved sequentially to $1.7 billion. Adjusted EBITDA for the quarter was $144 million, with both Subsea and Surface Technologies reporting and adjusted EBITDA margin of 11%. Total company inbound orders were $1.6 billion. In Subsea, we demonstrated our ability to continue winning with inbound totaling $1.3 billion for the quarter.

The strength in the first half of the year has been indicative of the continued market progression we outlined last year. This includes 10 announced awards, 50% of which will be executed as integrated or iEPCI projects. The strong start to 2021 is clear evidence of our leadership position and is highlighted by significant milestones achieved in the second quarter. These include the addition of 2 new iEPCI clients, Karoon, where we will execute our first iEPCI in Brazil for the Patola field, and Tullow, where we utilized our Subsea Studio digital solution to optimize field layout for the Jubilee development in Ghana.

Also in the quarter, we announced an award from Equinor for the Kristin Sør Field, where we leveraged our early engagement capabilities and will utilize the Deep Arctic, which is equipped with a hybrid battery solution that reduces greenhouse gas emissions. And an award from Petrobras for the supply of production equipment, installation services and intervention support for field 6 through 9 of the Buzios project.

Importantly, the SURF opportunities for these fields remain on our Subsea opportunity list each of which have been identified with values in a range of $500 million to $1 billion. Our long history of partnerships and collaboration continues to benefit our inbound orders. Direct awards in the quarter were nearly 60% of inbound orders, which came from iEPCI, direct awards and Subsea Services.

In Surface Technologies, inbound orders were $268 million, up 32% from the first quarter. By region, international orders increased by more than 50%, as well completion activity continued to recover from the prior year decline. Growth was led by the Middle East, including Saudi Arabia, the United Arab Emirates, Bahrain, Qatar as well as the North Sea and China. Orders in the Americas increased by approximately 10%, reflecting continued momentum in drilling and completion activity and the success of our iComplete offering. Our 2021 revenue guidance for Surface Technologies anticipates further order growth in the second half of the year when compared to the first half, fueled by increased market activity, new customer alliances, expansion of our manufacturing capabilities in Saudi Arabia and the continued market penetration of new technologies.

In total, our second quarter results demonstrate that our businesses and end markets continue to improve. Subsea inbound orders of $2.8 billion in the first half of the year were very strong. We continue to see a healthy list of prospects and remain very confident in our full year guidance of more than $4 billion. Furthermore, growth in 2022 is supported by an increasing set of opportunities. When using the midpoint value of our Subsea opportunity list, the project award potential has increased by nearly 20% to $17 billion over the next 24 months.

Looking beyond the strengthening of the traditional market, we believe that offshore will play a meaningful role in the new energy mix. Last quarter, I introduced the 4 pillars underpinning our approach toward new and novel energies, wind, wave, hydrogen and carbon transportation and storage. As we look at them today, we are making steady progress in our partnerships focused on wind and wave opportunities. The market momentum for wind development continues to support increased investment in this abundant source of renewable energy. And when combined with wave technology, we can generate even greater energy output and reduced intermittency, utilizing the integrated offshore solutions. Our Deep Purple solution is centered around technology development and integration capabilities that convert this renewable energy into hydrogen, enabling economies of scale that were previously unattainable by offshore renewables projects. Our client conversations are now centered on commercial projects utilizing Deep Purple technologies.

Last week, we announced our partnership with Portuguese Energy Utility, EDP as well as several notable research partners in a concept study for the development of a new offshore system for green hydrogen production from offshore wind power. This project is called BEHYOND. Working with our consortium partners, we will leverage our extensive experience in Subsea engineering, technologies developed on Deep Purple and essential integration capabilities with a goal to develop a standardized solution that can be implemented worldwide, allowing for a large-scale hydrogen production from renewable wind resources.

Lastly, while the energy industry is devoting significant attention to carbon reduction, there is still much work to be done. Importantly, the carbon has to be stored somewhere. We believe one of the safest and most efficient locations for the storage can be found offshore, where it can be maintained in naturally occurring reservoirs that exist in many regions around the world. We are well positioned to be the leading provider in subsea carbon transportation and storage. We have been investing in this space for some time and have also partnered with others in the development of new technologies.

We look forward to further showcasing our progress, including several of the technologies and integration capabilities being utilized across the new energy space at our upcoming investor event scheduled for November 16.

With the development of new energy solutions, we are still -- while the development of new energy solutions are still in their infancy, our fundamental belief is that clean energy will be increasingly sourced and stored offshore given the anticipated volume and scale required to meet future energy demand.

As the Subsea architect, we are building partnerships in support of new energy, leveraging our differentiated technologies and capitalizing on subsea expertise and integrated project execution. Our 4 pillars are not mutually exclusive. And yet it is not clear which single pillar or combination will prove to be the market's preferred choice in the energy transition. Regardless, TechnipFMC is well positioned to play a material and successful role in their development, driven by our core competencies, collaboration, innovation and integration. I will now turn the call over to Alf to discuss our financial results and to provide an update to our full year financial guidance.

Alf T. Melin - *TechnipFMC plc - Executive VP & CFO*

Thank you, Doug. We had another solid quarter as total company inbound orders were $1.6 billion. Revenue in the quarter was $1.7 billion with adjusted EBITDA of $144 million. Total company backlog increased sequentially to $7.3 billion at the end of the period. Backlog for Subsea stands at $7 billion, of which close to $5 billion is scheduled for execution beyond 2021. We ended the quarter with cash and cash equivalents of $855 million and net debt of $1.6 billion.

During the quarter, we recognized a loss of $147 million related to our equity ownership in Technip Energies. This primarily relates to the change in market value during the period. Loss per share from continuing operations was $0.39 per diluted share in the quarter, when excluding the impact of the change in fair market value of our Technip Energies stake and other charges that netted to an after-tax charge of $0.33. The adjusted loss from continuing operations per share was $0.06. We also reported income from discontinued operations of $0.02 in the quarter. The income is due to a tax benefit related to the spin-off of Technip Energies.

Now let me turn to the segment results. I will focus on our sequential performance comparing the second quarter to our first quarter results. In Subsea, revenue of $1.4 billion was unchanged when compared to the first quarter with a seasonal improvement in installation and services, largely offset by lower project activity in the period. Subsea adjusted EBITDA margin of 11.1% improved sequentially by 140 basis points, benefiting from higher margins in backlog and increased installation and services activity. Inbound orders were $1.3 billion in the period, demonstrating a second consecutive quarter of order strength.

In Surface Technologies, second quarter revenue of $275 million increased 12% from the first quarter. The increase was primarily driven by higher activity in North America, increased international services and strong project execution. The segment also benefited from further adoption of the iComplete ecosystem. Adjusted EBITDA margin of 11% was unchanged from the first quarter. Inbound orders for the quarter were $268 million, an increase of 32% sequentially, driven by strength in the Middle East, the North Sea and North America.

Turning to corporate and other items in the period. Our corporate expense was $30 million. We incurred an $11 million loss on foreign exchange and tax expense totaled $35 million.

Moving to cash flow. Cash required by activities from continuing operations was $86 million in the period. Capital expenditures were $40 million. This resulted in a free cash flow consumption of to $126 million in the second quarter. Importantly, the Q2 outflows were expected, and we remain on track to meet our full year free cash flow guidance of $120 million to $220 million, with subsequent quarters to benefit from strong working capital inflows.

More specifically, these Q2 outflows included the scheduled and concluding payment of $53 million related to our previous settlement with the DOJ and Brazilian authorities, primarily related to legacy activities where we no longer participate and that occurred over a decade ago, as well as typical quarterly variation in working capital resulting from our predominantly projects-based business. CapEx for the second half of the year will include spending related to previously announced project awards, and we do see potential for full year expenditures to come in below our guidance of approximately $250 million.

Other items favorably impacting our net debt in the period included a net inflow of $258 million related to the sale transactions of a portion of our ownership stake in Technip Energies. Proceeds from assets totaling $84 million, including a further rationalization of our fleet with the sale of the G1200 vessel. And the full repayment of the $200 million outstanding balance on our revolving credit facility. Taken together, net debt was reduced by $155 million to $1.6 billion when compared to the first quarter.

Before I discuss the changes made to our expectations, let me first share with you how we intend to communicate our guidance and updates with you in the future. As most of you know, we do not give quarterly guidance. In keeping with historical practice, we will continue to give our initial guidance for the upcoming year with our fourth quarter earnings release. Moving forward, we will also provide a midyear update to this guidance with our second quarter financial results. We believe that this modified approach will provided you with greater transparency and clarity of our projected results as we progress through each calendar year. Turning to the midyear updates to our 2021 financial guidance. As a reminder, guidance is based on continuing operations and thus excludes the impact of Technip Energies, which is reported as discontinued operations.

Our full year guidance for Subsea revenue has been increased to a range of $5.2 billion to $5.5 billion. Our full year guidance for adjusted EBITDA for Surface Technologies has been increased to a range of 10% to 12%. Net interest expense has been increased to a range of $135 million to $140 million for the full year, and our reported tax provision has been revised higher to a range of $85 million to $95 million.

I will close by highlighting a few key takeaways. Our updated guidance capturing the strength of the first half and further refines our view of the second half. Free cash flow for the first half year was slightly positive, and we remain on track to meet our full year commitment of $120 million to $220 million as working capital improves in the back half of the year. We ended the period with an improved balance position sheet position with cash and cash equivalents of $855 million and net debt of $1.6 billion. And lastly, we will continue to monetize our remaining 31% stake in Technip Energies and utilize the proceeds to reduce our outstanding debt over the coming quarters.

I will now turn the call back over to Doug for his closing remarks.

Douglas J. Pferdehirt - *TechnipFMC plc - Executive Chairman & CEO*

Thank you, Alf. Before we move to Q&A, I would like to close with a few remarks. Our solid first half results were driven by our unique positioning as an industry pure play, levered to Subsea and international land markets. We see continued improvement in the broader market outlook as evidenced by the growing value of our Subsea opportunity list as well as proprietary iFEED and iEPCI opportunities. And these support our full year financial guidance, where we have increased our expectations for both operating segments.

Our success is driven by our core competencies, having pioneered and delivered next-generation Subsea Technologies and the industry's only fully integrated commercial model, and we are demonstrating that these unique capabilities are 100% transferable to the renewables energy space, giving us confidence in our ability to extend our leadership in subsea to the development of new and novel energy resources offshore.

Operator you may now open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Our first question comes from the David Anderson from Barclays.

John David Anderson - *Barclays Bank PLC, Research Division - Director and Senior North America Oilfield Services & Equipment Analyst*

So a few contracts announced on Brazil. Brazil has been kind of one of the few areas where we're starting to see some signs of life there recently. I was just wondering if you could just kind of bring us up to speed on the contract situation now with Petrobras around Subsea trees. If I'm not mistaken, there was -- you were kind of working down a pretty big contract. Is that still the case? Are you expecting to see any tenders soon? And I guess, also sort of the same question on the flexible pipe would you be expected to see tenders announced with development, it looks like it's starting to pick up down there?

Douglas J. Pferdehirt - *TechnipFMC plc - Executive Chairman & CEO*

Yes. Thank you, David. It gives me a great opportunity to let you know that we had a celebration this past quarter in Brazil, where we delivered our 700th tree. 700 trees out of Brazil. So yes, we've been here a long time. And as you said, we've been the leading provider to Petrobras and involved in many of the very large and significant tree orders in the past. Those are largely behind us now, David, and we're really working on new orders. I had in the prepared remarks about the Buzios project, which was very interesting because it was for multiple phases and also provided where we'll be doing installation services for quite some time, which is very important to us as well in our Subsea Services business. Going forward, the tree orders are more focused around projects, and in some cases, multiple phases of projects like our recent announcement for the Buzios 6 through 9 fields, but not just a large lump sum tree orders, if you will, that we had seen previously. So we think there'll be again, more associated with specific projects or multiple phases of a project. Flexibles are a little bit different. We're still seeing more, let's say, volume-based orders and the flexibles are being used in multiple different applications on different fields and different projects. We certainly have seen and anticipate further large flexible awards in Brazil, where, as you know, a very important differentiated product line for us and a very strong position in Brazil.

John David Anderson - *Barclays Bank PLC, Research Division - Director and Senior North America Oilfield Services & Equipment Analyst*

So that's a different contracting method on Petrobras, I -- because I know they did use to those big tenders before. I'm just kind of thinking about like why they made that change? Or is it just sort of just, I guess, their visibility? What do you think is behind that?

Douglas J. Pferdehirt - *TechnipFMC plc - Executive Chairman & CEO*

I think a lot of it exactly has to do with the visibility. They've got a relatively long queue of projects. You can see that on the Subsea opportunity list and I think their ability to be able to tie the awards to the specific projects is -- their preferred path at this time versus just ordering 100 or 200 trees, if you will, in a single tranche.

John David Anderson - *Barclays Bank PLC, Research Division - Director and Senior North America Oilfield Services & Equipment Analyst*

Yes, that makes sense. That makes sense. A separate question on the Surface business. Doug, if you could just remind us how much of that business is international. Maybe it was in the release, I'm sorry, I might have missed it. But also if you could just talk about how you see the next 6 to 12 months playing out there? I think a big chunk of that is in the Middle East, so kind of when do you start to see that inflect with the chatter we're hearing out of the NOCs over there?

Douglas J. Pferdehirt - *TechnipFMC plc - Executive Chairman & CEO*

Yes, approximately 60% to 70% depending upon the quarter of the Surface business is -- Surface international as opposed to Surface Americas. And spot on, it's the Middle East that's really driving the activity. That's important for us. The type of product or trees -- production trees that we deliver in the Middle East are approximately 10x the value of which you would deliver in the U.S., much more sophisticated from a technology point of view. We have significant differentiation, both in the technology, but we also have differentiation as we're fully integrated, and we have the ability to be able to deliver the products more or less entirely in-house, not relying on third parties, which, again, allows us to capture more of the knowledge, the know-how and the differentiation. The activities picked up. We -- in the prepared remarks, I mentioned that we had a 50% increase in inbound activity, and we expect another strong Q3 for Middle East awards that are materializing this quarter.

Operator

Next question comes from Arun Jayaram of JPMorgan.

Arun Jayaram - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

Yes. Doug and team. Half of your Subsea orders this year have been integrated in nature, and I was just trying to think about some of the margin implications on a go-forward basis given the mix? Because clearly, with the integrated awards, you'll have more control over the project, ideally enabling some synergies and lower cost, I'd suspect.

Douglas J. Pferdehirt - *TechnipFMC plc - Executive Chairman & CEO*

Sure. Thank you, Arun. Let me just kind of go through a typical integrated project. And why, yes, they tend to have preferable financial economics for our company. First and foremost, we don't start at the project bidding stage, if you will. There is no bidding stage in most cases. We start at an integrated FEED study. So we're sitting at the table with the client talking about an integrated full field Subsea development, which we're the only company that's capable of providing such a service to our clients. At that point, we look at the project economics, and we are completely aligned in our objectives, which is to develop the most economical Subsea infrastructure or architecture that can maximize the value of the asset or of the reservoir that's in place for our client.

So our objective, again, is around the project economics, not bidding a particular product or product line or a delineated kind of a bidding schedule. So we work around those project economics once we achieve those project economics we then the integrated execution phase. And as you correctly pointed out, there's a lot of leverage for us in that phase because we're now responsible for the engineering, the manufacturing, the delivery, the installation and the commissioning of the Subsea field -- We can do it all at once, we can do it in multiple phases. We can utilize the cadence of our manufacturing versus the availability of the fleet, as an example. We have a targeted date to achieve the final installation and commissioning, but the nature of how we actually go through the workflow and the process of doing so is within our control. That has worked well again for everyone involved because in most cases, by doing an iFEED direct award iEPCI, we've been able to reduce or reduce delivery times or accelerate time to first oil from a project economics perspective between 12 and 14 months acceleration of first oil, which has a dramatic improvement in the overall project economics. So the client -- our partner, our client is winning, and we're winning and it's most definitely our preferred model. As you point out, it's an advantage because these are direct awards, also avoiding a competitive tendering situation.

Arun Jayaram - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

That's helpful. My follow-up is you guys have delivered very, very solid margins and you raised your surface margin expectations for the year. So -- but my broader question, I was wondering, Doug, if you could kind of comment on the state of your supply chain, given some of the COVID impacts and just kind of tightness in raw materials and just your confidence in dealing some of these, call it, headwinds without harming the margin profile. Kind of in the market where we're seeing shortages of things like chips and things like that when you think about the automakers, but just wanted to see if you could comment the supply chain.

Douglas J. Pferdehirt - *TechnipFMC plc - Executive Chairman & CEO*

Sure. I'll cover it at a high level, and then I'm going to have Alf kind of walk through what is the -- what is the typical contracting methodology that we use and therefore, what is the exposure or lack of exposure to some of the inflationary pressures. Look, first and foremost, from the beginning, we decided as a company that we were not only going to look out for the health and well-being of our employees throughout COVID, which, of course, everybody was dedicated to, but also by working with our clients and with our suppliers. It was clear that what we went -- what we were going through was going to have a dramatic impact, and we've seen that in terms of those companies that came out strong and several who did not come out at all. So we've been working from the beginning being very open and transparent with our suppliers trying to understand what were their concerns.

I'm really proud of our supply chain and procurement team. They were ahead of it. We have a reputation in the industry of being very collaborative, being very transparent and being easy to work with. So we sat with our suppliers just as we do with our clients, but in this case, understanding from them kind of what were their issues. In some cases, we concentrated our spend in order to help them. And in some cases, we had to actually spread out our spend because we knew that they were facing certain challenges, be it with the access to transportation and logistics or being able to get people into their facilities, whatever it may be.

So the lesson learned there was treat people like you want to be treated yourself. It's the way our customers treated us because of our reputation and our relationship with our customers, we did the same with the supply chain. As a result of that, we feel we have a healthy supply chain. That being said, we still work with them as COVID and the impacts of COVID are different in different locations around the world. We are a global company. We have the ability to be able to shift activity where there are concerns. We are also addressing probably the bigger issue right now, which is around transportation and logistics, and we're doing some really creative things there, too; using long rail as opposed to ocean freight and using shorter ocean freight, which has really been helpful. And our team has done a great job of really getting ahead of it and building up the -- some of the more challenging materials that have become quite challenged in terms of access and availability we've been able to secure those in bulk ahead of time, which is a benefit of our Subsea 2.0 technology offering, where we're not building bespoke equipment and we're able to buy materials in bulk ahead of time.

I'm going to pass it to Alf and he'll go through kind of the contracting model.

Alf T. Melin - *TechnipFMC plc - Executive VP & CFO*

Yes. Just thank you, Doug, to add a couple of comments around how we manage inflation in general in our contracts. First of all, already at the bidding stage we always make sure that we secure back-to-back agreements with our suppliers. Meaning we know the pricing and we know the terms already for the vast majority of what we will undertake at the time of the bid. So further for whatever portion that we do not necessarily lock in at the time of the bid, we really have a process to engage in early procurement to minimize the volatility in the pricing and delivery of any procurement undertaking that we have as part of the projects.

Additionally, when you look at the client contracts, we do have inflation index clauses embedded in our contracts and those clauses, they allow us to escalate contract price as raw materials, labor or other factors put pressure on the inflation. So overall, we've had this contracting mechanism in place for several years, and it has worked very well for us, and it continues to work well for us. So from -- so in a general view, we think we're pretty well protected in both backlog and new awards from inflationary pressures.

Operator

Next question comes from Nikolaos Konstantakis from Exane.

Nikolaos Konstantakis - *Exane BNP Paribas, Research Division - Analyst of Oil and Gas*

I've got a couple. Doug, you guys are arguably in a unique position in the industry with the partnerships and integrated model shop-- appreciate you're getting a lot more direct awards. One of your competitors spoke yesterday about the medium term as hard to get to the 2019 level of trees and sustain that.

So I'd be kind of interested in understanding what is your view of the mid cycle of your position after the next couple of years, hopefully, this a cyclical rebound. And then secondly, on Brazil again, and the article, there was on the industry press around a cladding issue. I mean very few companies can manage supply chain better in Brazil with the local contractors then you and your long presence there. So can you just give us a bit of a color on what's been happening with these risers at Mero and what are the mitigations and what you're doing basically to mitigate the issue if that is an issue?

Douglas J. Pferdehirt - *TechnipFMC plc - Executive Chairman & CEO*

Sure. So I guess I'll take them in the order that you asked the questions. Just if you could clarify, you said there was-- somebody provided guidance that in the near term or midterm? Did not it return to....

Nikolaos Konstantakis - *Exane BNP Paribas, Research Division - Analyst of Oil and Gas*

I think it's a midterm basically, yes. It would be hard to sustain the same level of the 2019 number of trees average.

Douglas J. Pferdehirt - *TechnipFMC plc - Executive Chairman & CEO*

Clearly, that's not how we see the Subsea market, not sure of the analysis, but we talk a lot -- as you mentioned earlier, that our success in creating alliances, which result in direct awards, the success of our iEPCI our integrated offering, the majority of which are direct awarded to our company, perhaps it's the difference of seeing the view of the total market, if you will, the available market plus our proprietary market, but I can assure you we do not share the view that we will not return in the near or midterm to the 2019 levels of tree count. That's -- we don't share that view.

Moving on to your second question around the Mero project. Yes, I'm aware of the article. I guess at this time, it's probably best if we provide the facts, which will allow everyone to understand what is happening on the Mero 1 project. So first and foremost, there is no impact to our forecast or the guidance. And as stated by Petrobras, there's no impact to first oil. So those are the facts. What is also true is that there is a very challenging pipeline system that includes what's called mechanically line pipe or MLP being used on this project. That's a result of the known industry phenomenon called stress corrosion cracking as a result of the high CO2 content of many of the pre-salt reservoirs in Brazil. So much like we had experienced as an industry around flexible pipe the exact same phenomenon happens with rigid pipe. Therefore, you run a liner inside of the carbon steel pipe to protect the carbon steel from the corrosive environment that is inherent in a high CO2 environment. That mechanically line pipe, think of it as running a stent inside of your -- an artery in your heart, that needs to be secured to be held in place.

So the way that it's secured to be held in place, not with a few sutures, but in this case, it's through clad welding. So it's a technique to add a stainless steel welding material to take that stainless steel liner and make it adhere to the carbon steel pipe or the riser. The process of doing that weld is very sophisticated. It's largely a manual process and it requires a very high level of quality control. What is true is that we had identified that in some cases, the quality or -- and more so the depth of the weld that was the resulting weld did not meet our quality standards or the quality standard we had agreed with Petrobras. So we are going through a process of rework on some of the welds to be able to ensure that we have the proper welding -- the proper finer weld in place, which would therefore result in a very stable riser system for the project. This is not specific to the Mero 1 project. This is specific to all of the projects that are using rigid risers, which require mechanical line pipe and clad welding. So this is not common to a specific project.

We are well advanced. We understand it. We're the most experienced in the mechanically lined pipe. We are experts in clad welding.

In this case, we are using a subcontractor to do the work just due to the nature of the diameter of the pipe that's being clad welded, and we're working with them to resolve the problem. And again, it's just an issue of rework. No impact again, to our forecast or our guidance, no impact to first oil as stated by Petrobras. So always good to have the facts, I guess, and those are the facts.

I will point out that ultimately, let's engineer out this potential quality concern. And the way that we're going to do that is by going with hybrid flexible pipe. Hybrid flexible pipe will not require welding, aligner to be welded. And it will be a permanent solution and a sustainable solution, and it also benefits Petrobras in the Brazilian market as we can then use the ecosystem of the vessels and technology and plants that are in place in Brazil to permanently remove this risk.

So again, it's known, it's well under control. We are actually sharing our learning with others because others will -- are or will be faced with the same challenge. But ultimately, this is about engineering out the problem moving from rigid risers back to flexible risers, which will be done -- which we'll be able to do when we have our hybrid flexible pipe fully qualified and using it for these applications in Brazil, and it's advancing quite well.

Operator

Next question is from Ian MacPherson of Piper Sandler.

Ian MacPherson - *Piper Sandler & Co., Research Division - Senior Research Analyst*

I was intrigued by the BEHYOND project that you announced with EDP last week. And I was curious if you could talk about the genesis of that project and really how you see it matriculating from concept study to a practical application or a pilot and how you see the time frame of that type of technology coming into the market over the course of this decade?

Douglas J. Pferdehirt - *TechnipFMC plc - Executive Chairman & CEO*

We're pretty excited. We're very excited as well. Look to partner will EDP is really a privilege and an honor. We've got a great group of other constituents that we're also studying this with. Kind of where are we in the process? When we talk about a concept study, in this case, it's not like meaning it's not an academic concept study, I should say. This is a -- this is now a project. So it's a project that starts at the concept phase, just like an oil and gas project. Then it moves to the front-end engineering phase, where you're really now starting to put in place material volumes and really starting to understand what would it take what would it take to complete a final project. And then it would go into the actual project sanctioning and execution phase.

Our approach is to design one and build many. So the idea would be to really study this and understand how we can put in place a unique -- very unique system that would leverage the knowledge and experience of us as a subsea company and our development and technologies of Deep Purple along with EDP and their vast experience and knowledge of energy, energy infrastructure and energy transmission to really put in place an overall unique scope of activity that could be deployed again in many different applications. So you ask about timing and that's fair and that's always the question when we talk about new energies. And it's hard to say specific timing at this point, although I would say there's a -- all of the partners are very incentivized and very motivated and understand the opportunity, and we're going to work through this in a collaborative way. When you do these things, you'll-- some ideas will succeed and some ideas will fail, and then they'll be filtered out and you'll bring in new ideas until you come up with that final front-end engineering design, and we're working through that process right now. But again, couldn't be more pleased to partner up with EDP and the other research consortiums that are involved with us.

Ian MacPherson - *Piper Sandler & Co., Research Division - Senior Research Analyst*

Great. Separate unrelated one, I'm surprised this hasn't come up yet already. Your outlook for Subsea inbound this year greater than $4 billion, you're way ahead of pace in the first half. Are there scenarios -- I imagine there are, but maybe you should back me off if I need to, scenarios in which the second half orders could be comparable to the first half at this point?

Douglas J. Pferdehirt - *TechnipFMC plc - Executive Chairman & CEO*

Sure Ian. look, there's always scenarios, and there is no doubt we are extremely pleased with the cadence that we've started off the first half of the year and the strength of the first half of the year inbound. I think it speaks again volumes to the differentiated position that we have in the industry. Again, keeping in mind that our -- we just announced our Q2 inbound, but no Subsea opportunities were removed from the Subsea opportunity list. So basically, direct awards or proprietary work that came to our company, which is I guess, makes us really, really proud of what we've accomplished. At the same time, the Subsea opportunity list has grown by 20% and now has a value of $17 billion with the potential to be awarded over the next 24 months. There is no doubt, there is no doubt the cycle is setting up very well. We started talking about this one year ago, one year ago, when it was not at all I guess, viewed by most that we would be entering into this type of an environment. That's because of, again, the proprietary access, the information that we have, the relationships that we have with our clients gave us that confidence to provide that outlook over a year ago.

When we look at what's out there right now, the consensus number on inbound is more in that $4.5 billion to $4.7 billion range. We're getting into that tricky part of the year, Ian, where are orders going to happen on December 31? Or are they going to happen on January 3? And I don't mean that sarcastically, we actually see that quite often, where, in some cases, clients will want to accelerate spend into the current year, perhaps for budgetary reasons, and in other cases, they want to defer the investment decision until the beginning of the following year. I don't have a clear line of sight on that. The team is working on that right now. We're really trying to sit down and understand from our clients kind of what is the most likely outcome. But clearly, with the timing of some of those awards coming into the fourth quarter, we would anticipate our inbound to be trending much closer to the consensus number that's out there than the greater than $4 billion we are today.

Operator

Next question is from Mark Bianchi of Cowen.

Marc Gregory Bianchi - *Cowen and Company, LLC, Research Division - MD & Lead Analyst*

Perhaps continuing with the scenario discussion. If I look at the Subsea opportunities going up 20%. I know those are awards that are going to backlog and take years to convert. But it is an indication that things are looking better, right? I would think that maybe services has some better momentum now and also maybe some of your book in turn. So I was a bit surprised that the revenue guide for Subsea didn't really increase a lot. I think things if you hold things flat from the first half, you kind of hit the high end of guidance and you're down 13% to hit the low end of guidance. So that would seem like a pretty conservative outlook there. Maybe talk to us about how you built that guidance up, what scenario would need to happen to get to the low end and maybe thoughts on upside?

Douglas J. Pferdehirt - *TechnipFMC plc - Executive Chairman & CEO*

Yes. Look, I don't want to spend too much time on the subject, not that it's not critically important. But no, we're not trying to -- there's no hidden message here. Keep in mind a couple of things. As you pointed out, there's very little book and turn in our Subsea business. That's the advantage. I mean you can already start to look at how much backlog we have for next year and beyond as we provide the backlog scheduling, which gives a lot of confidence, and that's the benefit of having this business as a primary business in the portfolio.

So there's not a lot of opportunity to really ramp. You can ramp inbound, but you don't get a lot of that in the current year, you get some, but you don't get very much of that converted in the current year. In addition to that, keep in mind, the Q4 seasonality, it occurs every year, and we would expect to have some Q4 seasonality this year as well.

Marc Gregory Bianchi - *Cowen and Company, LLC, Research Division - MD & Lead Analyst*

Okay. The next question is a bit 2 part and it relates to CapEx. So in the prepared remarks you talked about potential for maybe the full year to be below the $250 [million] (added by the company after the call) guide. I'm curious if you could help us with some more color around that? And then thinking about '22 and beyond. Previously, I think you said sort of that $250 million level is the right number. Is it possible that we could be tracking below that? And then as you start building out this new energy capability, how does the capital intensity change, if at all?

Douglas J. Pferdehirt - *TechnipFMC plc - Executive Chairman & CEO*

Sure. So I'm going to pass it to Alf and he'll share with you kind of where we are on CapEx and what we see happening in the second half of the year because it's actually quite exciting. And then he'll talk about kind of the beyond. You were asking about also the capital intensity of the new energies. Did I hear that correctly? Was that the last question?

Marc Gregory Bianchi - *Cowen and Company, LLC, Research Division - MD & Lead Analyst*

That's right. Yes.

Douglas J. Pferdehirt - *TechnipFMC plc - Executive Chairman & CEO*

Okay. Why don't I take that one up front. Look, our approach as it is in traditional energy is to be a technology provider. And as long as we're a technology provider, we feel we can do it without significant capital investment. Now that doesn't mean there won't be some capital investment. But are we going to build the mother of all vessels to go out and install structures? No, that's not what we're going to do. Are we going to engineer solutions that might not require the mother of all structures that could be really unique and not require a big capital-intensive asset base. That's the way we approach everything we do. I'm going to pass it to Alf to talk about the specific question around CapEx.

Alf T. Melin - *TechnipFMC plc - Executive VP & CFO*

Yes, no, thank you for the question. And first of all, commenting on the first half. It is true that it's light in the first half. And we have -- definitely had some timing with relation to some of the typical drivers for our CapEx profile, which is the planning of around vessel dry docks as an example, drove some capital more towards the second half versus the first half. We also have the timing of when we need service tools and manufacturing tools into our various -- to support our various project awards. And that's really the key driver for the second half. You look at the project awards coming and the backlog that we have. We are investing for -- in both Offshore service tooling as well as manufacturing tooling, to support those backlogs, and that includes the higher activity that we're seeing in Brazil, where we are also investing in service installation tooling that will drive our service business in Brazil.

So definitely, there is a little bit of anomaly of first half to second half. I will still stand behind the comment I made in the initial remarks that we have an opportunity to come in below $250 million for the year. And maybe I also want to emphasize that this new -- this run rate for the second half is not really a new normal that you should consider as we are going to be at a higher level. I think you can continue to use the $250 million as a good indicator for the moment as you look ahead.

Operator

Next question is from Bertrand Hodee of Kepler Cheuvreux.

Bertrand Hodee - *Kepler Cheuvreux, Research Division - Head of Oil and Gas Sector Research*

Yes. I have two, if I may. The first one relates to Brazil. when I see the list, I really see a very strong list of opportunities. We still get available-- probably some massive SURF contract. Do you believe those contracts on Buzios could be awarded, not all of them, obviously, but before year-end. And the second question also relates to Brazil. You've talked about your new hybrid flexible riser solution that will be fit for, I would say, heavy CO_2 content fluid -- when do you think this new solution will be fully qualified?

Douglas J. Pferdehirt - *TechnipFMC plc - Executive Chairman & CEO*

Sure. Thank you very much for the questions. Regarding the SURF awards in Brazil, yes, on the opportunity list, it's projects that are likely to be sanctioned in the next 24 months. So no, not all of those would be awarded, but we would not be surprised to see a SURF award or potentially 2 SURF awards in Brazil between now and the end of the year. Obviously, that's up to our client to decide the exact timing of the award, but just looking at where we are in the tendering phases of some of those projects, it would not be a surprise.

Regarding HFP qualification, this is really important and kind of confidential to Petrobras. So I don't want to say anything out of context. Other than to say, we are very pleased with the progress that we are making around the HFP qualification and Petrobras, working hand-in-hand with Petrobras every step of the way. And we are quite advanced and they are very pleased with where we are in the process, but I need to stop there because the rest is really Petrobras has asked us to maintain the confidentiality of the actual schedule.

Operator

Next question is from Waqar Syed of ATB Capital Markets.

Waqar Mustafa Syed - *ATB Capital Markets Inc., Research Division - MD of North American Energy Services & Head of U.S. Institutional Equity Research*

Yes. I believe that was my name. Just Doug, a question on -- The surface inbound orders, you gave some year-over-year comparisons for North American/ International growth comparisons. Could you provide some context on sequential growth that you saw in inbounds for surface business in North America and international?

Douglas J. Pferdehirt - *TechnipFMC plc - Executive Chairman & CEO*

Sure, Waqar. I don't have the exact numbers in front of me, but the -- there was a rather material increase sequentially Q1 to Q2 and our international orders, and I would say, much less pronounced in the North America orders from Q1 to Q2. But clearly, Q2 was a strong order level for Subsea International. And also, just bear in mind, when we talk about inbound and when we talk about backlog, it's almost exclusively in our international business. Almost everything we do in the North America business falls under book in turn.

Waqar Mustafa Syed - *ATB Capital Markets Inc., Research Division - MD of North American Energy Services & Head of U.S. Institutional Equity Research*

Okay. And then the momentum that you've seen in second quarter in terms of sequential growth, do you see the same kind of momentum carry on into the second half as well?

Douglas J. Pferdehirt - *TechnipFMC plc - Executive Chairman & CEO*

For International, we expect continued progression into the third quarter. Most of the orders typically come in, in Q3 and Q4. There's a couple of geographies, particularly in North Africa that tend to do large year-end orders based upon inventory levels. Too early to comment on those, but we would expect incremental Middle East orders in Q3 versus Q2. And again, in terms of North America, we see somewhat of a -- we're forecasting at least somewhat of a steady progression. But the North America market always remains the most cyclical and the most difficult to forecast and a very small portion of our business.

Waqar Mustafa Syed - *ATB Capital Markets Inc., Research Division - MD of North American Energy Services & Head of U.S. Institutional Equity Research*

Okay. Just one final question to the extent that you can -- you're able to answer. For next year, given your outlook of this revenue opportunity of about $17 billion of opportunity set. Do you see the book to bill for next year in Subsea to be well above 1?

Douglas J. Pferdehirt - *TechnipFMC plc - Executive Chairman & CEO*

So I'm excited to say the book-to-bill this year is 1 year-to-date. So that's important to note. I probably should have emphasized that earlier on in the discussion, just to make sure that that's recognized, and I think we're in a unique position in that scenario. Do I see the book-to-bill improving in 2022 versus 2021? The answer would be yes.

Operator

And our last question will come from the line of Vaibhav Vaishnav from Coker & Palmer.

Vaibhav D. Vaishnav - *Coker Palmer Institutional, Research Division - Oilfield Services and Energy Transition Analyst*

Maybe can you speak about how should we think about longer-term free cash flow from business?

Douglas J. Pferdehirt - *TechnipFMC plc - Executive Chairman & CEO*

Sure. I think Alf will take that question.

Alf T. Melin - *TechnipFMC plc - Executive VP & CFO*

You asked about the longer-term cash flow?

Vaibhav D. Vaishnav - *Coker Palmer Institutional, Research Division - Oilfield Services and Energy Transition Analyst*

Yes.

Alf T. Melin - *TechnipFMC plc - Executive VP & CFO*

Yes. So obviously, let me just start. We obviously had a somewhat soft quarter this quarter. It's not representative of what would typically happen in a quarter. And as I mentioned in my remarks, we have some variability from quarter-to-quarter due to the Subsea projects business that we're carrying. I also commented on a specific item in Brazil. But if you take it to the longer term, clearly, I do not see 2021 as being reflective of the long-term free cash flow performance that we envisioned. I think there are a couple of things that we would definitely need to manage differently and its first interest expense is an obvious item where we are committed to debt reduction. That has been part of what we've been saying all along, and we expect that to help reduce the interest expense as we go forward. I think we also have some room to significantly optimize our tax position and get a better ratio of tax expense relative to cash flow overall.

And then lastly, of course, I mean we have been talking in this review here-- a lot about the prospects for Subsea in particular, and the upturn that we're seeing. So we clearly are expecting to see a growing EBITDA profitability profile and continue to convert a larger portion of that into cash as we go forward.

Vaibhav D. Vaishnav - *Coker Palmer Institutional, Research Division - Oilfield Services and Energy Transition Analyst*

So I guess like maybe if there's a way you can help us think about longer-term free cash flow margins. Can we go back to what we saw in 2013-2014 levels or how should we think about that?

Alf T. Melin - *TechnipFMC plc - Executive VP & CFO*

I wouldn't go back to 2013 and '14, we were a little bit different business also at that time. So overall, I wouldn't comment on any specific ratios at this time. We will come back with more information on this also as we get into our Investor Day that happens in November. And we will definitely cash flow and other relative to net debt structures, et cetera, will be a topic at that time.

Vaibhav D. Vaishnav - *Coker Palmer Institutional, Research Division - Oilfield Services and Energy Transition Analyst*

And maybe if I can squeeze in one last question. Just when we think about $250 million of CapEx. Can you help us think about like is it more driven by Subsea services? Because I'm -- maybe I'm naive thinking that the Subsea trees business wouldn't require that much CapEx. So is it more driven by the Subsea services?

Douglas J. Pferdehirt - *TechnipFMC plc - Executive Chairman & CEO*

Combination of subsea services and the fleet.

Operator

Thank you. I would now like to turn the call back to Matt Seinsheimer for any closing remarks. Please go ahead.

Matt Seinsheimer - *TechnipFMC plc - VP of IR*

Thank you. This concludes our second quarter conference call. A replay of the call will be available on our website beginning at approximately 8 p.m. British Summer Time today. If you have any further questions, please feel free to reach out to the Investor Relations team. Thanks for joining us. Lisa, you may end the call.

Operator

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