



## CORPORATE PARTICIPANTS

**Matthew Seinsheimer** *TechnipFMC PLC - Senior Vice President - Investor Relations and Corporate Development*

**Doug Pferdehirt** *TechnipFMC PLC - Chairman and Chief Executive Officer*

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

## CONFERENCE CALL PARTICIPANTS

**David Anderson** *Barclays Capital - Analyst*

**Arun Jayaram** *JPMorgan Chase & Co - Analyst*

**Luke Lemoine** *Piper Sandler Companies - Analyst*

**James West** *Evercore Inc - Analyst*

**Sherif Elmaghrabi** *BTIG - Analyst*

**Kurt Hallead** *The Benchmark Company, LLC - Analyst*

## PRESENTATION

### Operator

Thank you for standing by and welcome to the TechnipFMC second quarter 2024 earnings conference call. (Operator Instructions) Thank you. I'd now like to turn the call over to Matt Seinsheimer, Senior Vice President of Investor Relations and Corporate Development. Please go ahead.

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**Matthew Seinsheimer** - *TechnipFMC PLC - Senior Vice President - Investor Relations and Corporate Development*

Thank you, [Rochelle] Good morning and good afternoon, and welcome to TechnipFMC's second quarter 2024 earnings conference call. Our news release and financial statements issued earlier today can be found on our website.

I'd like to caution you with respect to any forward-looking statements made during this call. Although these forward-looking statements are based on our current expectations, beliefs and assumptions regarding future developments and business conditions, they are subject to certain risk and uncertainties that could cause actual results to differ materially from those expressed in or implied by these statements.

Known material factors that could cause our actual results to differ from our projected results are described in our most recent 10-K, most recent 10-Q, and other periodic filings with the US Securities and Exchange Commission. We wish to caution you not to place undue reliance on any forward-looking statements which speak only as of the date hereof. We undertake no obligation to publicly update or revise any of our forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

I will now turn the call over to Doug Pferdehirt, TechnipFMC's Chair and Chief Executive Officer.

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**Doug Pferdehirt** - *TechnipFMC PLC - Chairman and Chief Executive Officer*

Thank you, Matt. Good morning and good afternoon. Thank you for participating in our second-quarter earnings call. Our quarterly results reflect strong operational performance throughout the company. Subsea inbound orders were a robust \$2.8 billion with a book-to-bill of 1.4. Adjusted EBITDA improved sequentially for both Subsea and Surface Technologies.

Results were particularly strong in Subsea, where adjusted EBITDA margin improved 370 basis points sequentially to 17.7%, which is a level of performance we expect to continue in the third quarter. With these results, Subsea is now trending above the high end of our prior full-year guidance range, and Alf will provide further details on guidance in his prepared remarks.

As highlighted in our earnings release earlier today, we now expect Subsea EBITDA -- adjusted EBITDA margin to exceed 16.5% in the current year. Let me put that number in context. In our Analyst Day in 2021, we provided a longer-term outlook that included the potential for a 450-basis point improvement in our Subsea EBITDA margin over the next four years.

Delivering on our updated guidance for 2024 will represent an improvement of at least 600 basis points in just three years. The much-improved performance has resulted from the bold steps we took to create a new business model that reshaped the subsea industry and to deliver innovative technologies such as Subsea 2.0 that further improve project economics. And today, those actions continue to provide sustainable differentiation for TechnipFMC, driving results higher than what could be achieved through a market recovery alone.

Continuing with total company financial highlights in the quarter. Revenue was \$2.3 billion. Adjusted EBITDA was \$379 million, with an adjusted EBITDA margin of 16.3% when excluding foreign exchange impacts. Total company inbound was \$3.1 billion.

Subsea orders in the quarter were driven by partner collaboration and long-standing partnerships. Inbound included iEPCI projects for Woodside Xena Phase 3 and Energean's Katlan development, both repeat clients of the integrated model. We were also awarded over 100 kilometers of flexible pipe from Petrobras, which is incremental to the volume associated with our existing frame agreements.

Further expansion in Guyana also contributed significantly to quarterly inbound with the award of ExxonMobil's Whiptail project, which will utilize Subsea 2.0's systems and manifolds. Importantly, Whiptail represents more than just another sizable project in the period. It is the sixth project sanctioned in the Stabroek Block in just seven years.

Given the importance of Guyana to TechnipFMC, I would like to share how we established our presence in country, focusing on the development of partnerships and our people. In 2016, before the start of any tendering activity, we partnered with ExxonMobil to demonstrate the value of collaboration and innovation. That same year, we began hiring our first class of engineers from the University of Guyana and created training programs to support the further development of local employees.

We continue to invest in our people, and as of today, approximately 80% of our workforce is local Guyanese with nearly half of management positions held by local talent. This team has been highly successful in establishing our business in country, including the completion of our state-of-the-art services facility in Georgetown, which is also staged to support further expansion.

We are honored to be the premier supplier of subsea systems and services in Guyana. Based on our delivery track record, ExxonMobil has awarded TechnipFMC the subsea production systems for all six developments, and we have already delivered more than 100 subsea trees for these projects with a similar number in our backlog.

In addition to these production-related projects, we were also awarded scope for ExxonMobil's gas to energy project, which will help the country utilize its natural gas resources for domestic power generation and other industrial uses.

Our success in the region has allowed us to establish a strong reputation for meeting the accelerated schedule requirements of an emerging basin. Importantly, our commitment, collaboration, and innovation have created a winning playbook for local development.

One, we also exported to Mozambique for the execution of the region's first offshore project, Eni's Corel South development. And we will utilize this very same approach in the emerging basins that follow with strong potential for countries like Suriname and Namibia. This playbook leverages our know-how and capabilities to support our customers globally and doing so in the right way.

For TechnipFMC, it's not about building capacity and growing headcount, it's about developing people and creating an advantaged ecosystem that provides growth and opportunities for decades to come. Successes like Guyana have also driven growth in our backlog. At quarter-end, total

company backlog was \$13.9 billion, a record level for TechnipFMC, driven by a book-to-bill above 1 in 10 of the last 11 quarters. We are well

In June, we received an investment grade rating of BBB- from Fitch. This announcement follows a ratings upgrade to investment grade from S&P in early March. With investment grade ratings from two agencies, the company will now benefit from lower interest rates and fees, and the elimination of all collateral requirements for both our \$1.25 billion revolving credit facility and \$500 million letter of credit facility. Importantly, we now have access to lower cost investment grade bond market for any future term debt needs.

Moving to our guidance. For the third quarter, we expect revenue and adjusted EBITDA margin for both Subsea and Surface Technologies to be in line with the second quarter. For the full-year outlook, we are providing several updates to our guidance. In Subsea, we are increasing our

**David Anderson** - *Barclays Capital - Analyst*

I'm well. So steady stream of announcements and FIDs going on during the quarter. Clearly, you're very confident in the \$30 billion in orders for the 2025 target with Guyana and Brazil at the core. But I want to ask you about the sustainability of this market beyond that. You touched on that a little bit, but I'm just kind of curious how you see subsea evolving beyond just kind of what you can see in front of you.

You mentioned new frontiers, Namibia, Suriname, maybe kind of what other basins are you eyeing for that next leg? Is it Gulf of Mexico, Mediterranean, something else? And kind of related to that, where do you see electric trees and kind of electrifying the subsea fitting in that and creating new opportunities for you, either certain markets or maybe certain applications that are best suited for electric? So just sort of thinking beyond kind of how long this market can kind of go on for you in terms of subsea.

**Doug Pferdehirt** - *TechnipFMC PLC - Chairman and Chief Executive Officer*

Thank you, Dave. Let me kind of walk through a few growth opportunities in the subsea market as we see them playing out. You have the new horizons within the existing basins. So last quarter, we talked about the Paleogene and the strength of the Paleogene, not only in our current orders, but potentially in upcoming orders as well. And you'll see that more and more where, within an existing basin, operators will look for other opportunities, other horizons, other reservoirs to develop. And in this case, a great example of that is the Paleogene in the Gulf of Mexico, which continues to be quite attractive.

The second area is really, as you start to look at growth opportunities within existing basins, but relatively new to the mix, and Guyana is obviously the leading example of that, but also Mozambique. There's been a successful project completed in Mozambique. We will anticipate additional activity in Mozambique. And as that unlocks, I think Mozambique could surprise to the upside in terms of activity.

And then you get into the emerging basins, and now realize you're now getting towards 2028 and beyond. This is what keeps the durability of the cycle. That's when you start -- I should have -- let me add Suriname in the second bucket. It's likely to come a bit earlier than the others, but also a very prolific opportunity.

And then you start to look at the other basins, and that's where you -- obviously, Namibia is one everyone's talking about. South Africa, Tanzania, Colombia, Mexico, Eastern Mediterranean. There's a lot of activity out there and a lot of gas-focused activity out there that will likely continue to occur towards the latter part of the decade and into the beginning of the next decade.

So, lots of activity, lots of durability of the cycle, largely enabled by improved project economics. We support that through our iEPCI and Subsea 2.0 offering by accelerating the time to first oil and significantly de-risking the execution. That's the customer's primary focus today.

Let's say most are opportunity-rich. Certainly, the offshore space is opportunity-rich today. So, what they're really looking for is to partner and collaborate with companies that they are confident in the -- that they can deliver per schedule to ensure that the project economics remain very favorable. I'm humbled to say our track record there has been exceptional, which has led to 70% of our business being direct awarded, but also multiple direct -- multiple repeat orders from existing clients on both the iEPCI and the 2.0.

The All-Electric, as you mentioned, is also extremely exciting. We've actually seen two awards now. We announced the first award in the first quarter and there was an award also announced here this quarter as well. Both are great examples of how All-Electric will create additional opportunities.

The first is in the CCS market. We believe that will be the primary market for the All-Electric subsea system. The reason why is just the long-extended reach that's required. The project that we're excited to be working on is the BP Northern Endurance Partnership Project, where we'll be -- the gas will be -- the CO2 will be sequestered from the emitter onshore, and we'll be taking that 145 kilometers offshore and storing it permanently and safely for the future. So to be able to achieve 145 kilometer distance could only be done with an All-Electric system.



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

Sure, Arun. This is Alf here. I'll start. So first of all, very piece of the quarter. Sequentially, Subsea revenue up 16% and not only from seasonal factors, but also from very strong operational performance. If you look at the revenue increase, majority of the revenue increase is really due to our iEPCI revenue coming through, in particular in North Sea and Gulf of Mexico.

And when you consider that, this is really us demonstrating our ability to convert this higher quality backlog that we've been talking about and really realizing the financial benefits that also includes the fact that we are going for shorter cycle times in our operating model, and meaning we are demonstrating our ability to convert revenue at a faster pace as well.

Then if you look at kind of the 370 basis points sequentially up, again, it's just a pull-through from these improved efficiencies as well as subsea services business that's continued to be solidly strong. So all in all, when you look at the raise, it's the first-half strong performance demonstrating





**Doug Pferdehirt** - *TechnipFMC PLC - Chairman and Chief Executive Officer*

Good morning, James.

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**James West** - *Evercore Inc - Analyst*

Doug I wanted to dig in again on a topic that we -- I know we've discussed before, but as this backlog just continues to grow and you guys bring in all these, especially the direct awards, capacity, I'd love it if you could elaborate a bit on the capacity, both your capacity, but also as you're talking with your partners and suppliers on their capacity because there is -- it seems to me there could be a pinch point at some point, not soon, but at some point. And I know you guys are probably actively planning to work your way around that.

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**Doug Pferdehirt** - *TechnipFMC PLC - Chairman and Chief Executive Officer*

No, look, great question and a very fair question. And I will say if we had not reinvented the company, i.e. iEPCI and 2.0, that would be a real issue today. And I don't say that lightly. We've had two customers reach out to us in the past quarter to ask us to support others, competitors if you will, who aren't performing. So it's real. James, your question is real.

So why is it that it's not happening to TechnipFMC? And we get that question often. When we went to a configure-to-order from an engineer-to-order, which we're the only ones who have this platform, it allowed us to really work closely with our supply chain and change the way that we operate.

**Operator**

Sherif Elmaghrabi.

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**Sherif Elmaghrabi - BTIG - Analyst**

Hi. Good morning. Thanks for taking my question. You added a new customer to your configure to order platform in Q2. And Subsea has been

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**Doug Pferdehirt** - *TechnipFMC PLC - Chairman and Chief Executive Officer*

Thank you, Kurt. Most definitely. I would say the difference between now and a year ago is not so much in the duration of the projects that they're looking at. I mean, they continue to look indeed 2028, 2030 and beyond. They continue to really focus on new opportunities in some of the emerging basins.

I would say the thing that has maybe changed the most between then and now is the level of commitment that they are prepared to make in order to secure quality capacity. And so that realization that the capacity is not infinite is leading to our clients making us earlier commitments, longer -- commitments for future projects.

Obviously, this is all in the direct award category, signing up for long-term partnerships exclusively with us to be able to use our proprietary Subsea 2.0 and iEPCI offering. So it's more about really getting things secured, not only for the next project, but for the future projects or for the emerging basins.

So we are in discussions today about you know, they want to work with us. They've seen the success that we've had in Guyana. They've seen the success we've had in Mozambique. They like the way we do business. And by the way, our customers stand for the same values that we do, and so they want to work with companies that share those same values.

That's the -- I'd say that's the biggest change, which is obviously a positive change for the industry, but specifically for our company, Kurt.

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**Kurt Hallead** - *The Benchmark Company, LLC - Analyst*

That's great. I really appreciate it. And if you don't mind, I might put you on the spot with this last one, but you referenced a goal to have a higher through-cycle margins than at any point in time in FTI's history. So, I figured I'd be the first one to ask you what you think that sustainable margin could be.

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**Doug Pferdehirt** - *TechnipFMC PLC - Chairman and Chief Executive Officer*

Well, Kurt, if we keep bringing in these high-quality orders and keep executing at the rate that we are, which goes to the 22,000 women and men of the company performing every single day, we're creating a lot of value for our clients by giving them first production, up to one year earlier than what others are able to do.

They're happy to share some of that economic value with us. That's what we're going to stay focused on and we'll let the numbers speak for themselves as they materialize. But as we've said all along, any numbers that we've ever put out there are simply major milestones on a more ambitious journey.

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**Kurt Hallead** - *The Benchmark Company, LLC - Analyst*

That's great. All right. Thanks, Doug. Appreciate it.

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**Operator**

That concludes our Q&A session. I will now turn the conference back over to Matt Seinsheimer for the closing remarks.

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**Matthew Seinsheimer** - *TechnipFMC PLC - Senior Vice President - Investor Relations and Corporate Development*

This concludes our 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. Thanks for joining us. Rochelle, you may end the call.

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**Operator**

Thank you. Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.

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