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PRESENTATION

Christopher F. Voie - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

All right. That's probably long enough. So welcome, everyone. Today, we have TechnipFMC with Maryann Mannen and Matt Seinsheimer joining us. Before we start, I need to read a little comment. So please note that Wells Fargo Securities Research events are by invitation-only. Members of the press or media are not permitted to join. If you are a member of the press or media or you -- excuse me, or you or your firm were not explicitly invited to this event, please disconnect at this time. Also, please be advised that today's session with TechnipFMC is being recorded. Thank you.

All right. Maryann, welcome, and thanks for joining us. First, I just wanted to check if you have any open remarks you'd like to make?

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Thanks, Chris, and hope you're doing well, good to be able to see you virtually, and thanks for the invitation today. I'll just make a couple of opening comments and then you can -- we can take it to questions. So first and foremost, hope everyone is taken good care and safe and remaining healthy. We've had -- the last few months, quite a bit of learning within our organization and the company.

As we think about where we were in Q1 versus Q2, we certainly have seen quite a bit of important learnings from our clients. We've spent a lot of time, particularly on the Subsea side. We've been able to gain greater clarity and understanding of how our clients are thinking about some of the things as we've shared with you. So I look forward to sharing some of that today.

We've also done some good work as we look at continuing to shore up the balance sheet and look at the liquidity position, and we've taken some, we think, some pretty important steps in moving along our path. And again, we can spend some time talking about that today.

It feels like as we step forward and head into the end of the quarter, we're learning more and more and being able to have some greater visibility into way the things are operating within the company, most of our facilities up and running, which is good to see. We're repopulating our facilities across the globe. As you can see, we're here in the Houston offices and doing so across the globe. So good to feel that things are beginning to return to some sense of a new normal.

QUESTIONS AND ANSWERS

Christopher F. Voie - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

Okay. Good. All right. So I'll kick it off. I guess the most near-term pressing issue is related to COVID. So I think on the call, you commented that the impact in the second quarter could be stronger just because it's a full quarter impact from these disruptions. So I'm curious if you found any solutions that weren't expected to mitigate this, that could drive better outcomes compared to the second quarter commentary on the call?

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Yes. Sure. Thanks. I think, as I mentioned here, we have learned a lot about how to operate in this environment. First and foremost, we've really tried to ensure the safety and the health of all of our employees and families as well, and that's always taken precedent. As I mentioned in sort of my opening comments, most of our facilities are operating and we've learned a lot in the last several weeks, if you will, in terms of how we need to operate to keep them safe, and obviously to maintain some level of good productivity across all of our facilities.

I would say it this way. When we think about what happened in the first quarter and largely the month of March, there was a lot of learning going on, many challenges, multiples, every day, new learnings, new things happening. As we sit here today kind of approaching the end of the quarter, there's still a bit of uncertainty. There's still a lot of changes. But I'd say the variability of the frequency have dramatically reduced. So really gaining some clarity there. We do have 3 months of it, though, right? I mean we certainly have 3 months of it, but we've learned a lot in those 3 months.

I think when we look at the quarter, highly likely as we thought that we will see the -- particularly as we're talking about Subsea, that we will see a sequential decline in the quarter as we projected.

But the good news is, as I mentioned, we have really reduced, I'd say, the variability around that. So the clarity at which we are understanding how we operate is much, much greater than before. So in general, I'd say we feel much more confident in our operations, the decisions that we're making, and as you can see, it's the repopulation.

Christopher F. Voie - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

All right. How is engagement tracking on the opportunity list? I think on the call, you suggested as much as 20% of the $15 billion from the opportunity list with FID over the next 12 months. Just based on conversations and a feel for how things are going, is that still intact?

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Yes. I think, look, there's -- we still have, I would say, the same degree of belief and conviction around that opportunity set. Things are moving around a bit. As you can imagine, client decisions are happening. When we think about the way that, that might unfold one of the pieces of clarity, and we continue to feel good about that is our Subsea Services business. As we shared with you before, we feel fairly confident in our ability to deliver those services. And that, certainly from an inbound perspective, will happen.

We often talk about brownfield and greenfield and sort of what that looks like. I think we're probably going to need to think about changing the definition of what that means because I think there's a lot of greenfield opportunities that don't necessarily have to have all new infrastructure for them to go forward. I think one of the other things that we're likely to see is these mega projects, while they will still go forward, they're likely not to go forward in the same manner in which they have in the past. So we'll see them phased, and we'll see them happening.

We look at that list over the next 24 months, that 20%, we still think that there's FIDs that will happen. We continue to feel positive about, and frankly probably more positive over the long-term, about the role of deepwater as we think about the next coming years, the role that deepwater will play in terms of hydrocarbon replacement.

So good news. We continue to see some projects out there. Brazil remains an important geography for us. As you can imagine, some conversations going on there beyond as well. Norwegian Continental shelf, probably critical geographies for us going forward. But that view still feels like it's the right view for us to have. No real change there.

Christopher F. Voie - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

Okay. And I think I gather from your commentary that the $3.1 billion from backlog probably still remains intact. If we switch to the margin commentary for Subsea, I think the previous iteration of commentary, a higher-margin outlook, kind of dependent on the idea that you have some installation campaigns in the second half of '20 that would be contributing to those margins and withdrawing the guidance probably reflected some risk of that slipping into '21, in addition to the COVID impact.

So first of all, has there been any additional clarity on the slippage of those exploration campaigns? And secondly, could 2021 have much higher vessel utilization just based on catching up to that activity?

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Yes. So I think an important piece to understand is we have not had continued -- we have not had any cancellations in our backlog. Our backlog remains intact. That's consistent with what we shared on Q1. We've been having really good conversation with the client base, trying to understand what they need, looking at how to make that.

How would I say, a mutually agreeable resolution for us and for the clients. We had very low visibility as we headed into the end of Q1 and we're really moving down a path with our client base, probably more than 50% now, where we have much greater clarity around that path forward, kind of point one.

We also haven't had any request for pricing concessions in the backlog. And so in prior cycles, we've often seen that where they've come to us and say, we'll leave it there, but we need pricing concessions. That's not to say there aren't negotiated commercial solutions, et cetera, but margins in the backlog, holding good, backlog holding good.

Your question though is sort of what do we see? And that is clearly a shifting to the right. Many of our clients are slowing or pushing those installations. So where we saw the back half of '20 with a greater concentration really beginning to see that utilization, we are shifting into '21.

The second part of your question is, does that bode well for '21? The answer is yes, of course. We certainly see better performance, if you will, from the fleet. What we need to be sure that we are managing well is, right, it's not a zero-sum game, if you will. We need to be sure that we've got the right vessels for the right job, et cetera.

The good news is we also have some clients who are saying, "Hey, and this opportunities are any way you can accelerate for us." So I would say, in general, it has been a very good, fruitful dialogue with our client base to help those who need to move to the right and those who may want to accelerate. But it's clear that the utilization at the back half of '20 will not be where we thought it would have been as we stay here or earlier.

Christopher F. Voie - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

Okay. Thanks. Switching to...

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Good news, it doesn't go away though. I apologize. Good news is it's not going away. It's just shifting. Sorry. All right.

Christopher F. Voie - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

Yes. Switching to Technip Energies. So I believe you expect to be able to execute on a separation in about 90 days from any announcement, whenever you want to make that call. Can you describe the conditions that you would be looking for in order to make that decision to commence the separation again?

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Yes. Sure. Look, let's talk probably qualitatively around what's important there. We continue to believe very strongly in the strategic rationale for the separation of Technip Energies and TechnipFMC. There's all of the reasons and the rationale, the client base that drive the LNG opportunity set that continues to be there. So we are firmly committed in the strategic rationale for that spin.

No, it's not us. It's not 1 or 2 things, right? There is certainly a series of things we set out in the very beginning to establish 2 investment-grade companies. That's an important piece of the conversation that we've had. We stand ready to, if you will, be prepared for 90 days. I think the thing that's important to understand there is from the point in time in which we feel like the markets are recovered appropriately, there will be less time from when we say we're ready to go and the actual implementation.

We didn't provide -- we haven't gotten to the point where we've given you some of the details on the structure around capital structure, et cetera. So that will be important for us to put forward. But we'll watch all the things that are important in terms of the markets and provide that clarity as soon as we feel like we are in a position to be ready to move quickly.

Christopher F. Voie - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

Okay. And then in terms of awards, you've highlighted Costa Azul and Rovuma as some of the more likely near-term opportunities. Has there been any shift in that view? And do you think these could be awarded as soon as like mid this year? Or are they likely pushed off longer term?

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Yes. No. I mean look, from Technip Energies, really solid story, as you've seen. While we have had to reduce our expectations for inbound, that's partly been driven by public client decisions to shift some of the major projects that we were anticipating in 2020 out to '21. Rovuma would be a good example of that project.

We do have some backlog attributed to that. But as we know, our client has said, that will be a 2021. And so that's tempered a bit of our expectations for inbound. But as you've seen, we've given you clarity on the top line, and that comes from a very solid backlog to be executed both in '20 and '21.

You mentioned Costa Azul, an important project for us. We're anxiously awaiting our client. They have announced -- as you know, they have announced their intent to go forward, and we would expect FID to happen in 2020. That's a very important project for us, a very important client relationships with Sempra Energy, very strong, and we're very excited and very proud and honored to be able to work on that project. We are very hopeful that, that will continue to be a 2020 event.

Christopher F. Voie - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

Okay. And then very strong backlog currently for that business. Beyond LNG, can you comment on the award opportunities for other areas like downstream? I mean do you expect the mix to shift over time compared to roughly 50% LNG currently?

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Yes. Today, as you know, LNG is, as you just mentioned, 50%. There are clearly some opportunities. I mentioned one. There's another LNG opportunity that we've talked about, Qatar LNG, that's certainly -- we don't expect that to be inbound in 2020, but we do believe that we are in a very solid position.

So we think LNG is an important piece of the Technip Energies portfolio, an important part of LNG, an important part of the transition. And we think we'll continue, given our diversified position there in our strength, be an important part of the portfolio for Technip Energies going forward.

As we look at other opportunities, clearly some downstream opportunities. We've talked about one in a range of about $1 billion. That opportunity continues to look good, and we're continuing to have a positive outlook on that as well. China, also an important market for us as we look at some of the activity that's happening there in some of the initiatives going forward.

So we see opportunities beyond LNG. We continue to think LNG will be important on a go-forward basis. There's clearly areas that Technip Energies participates very strongly, and we would expect that to be the case going forward.

Christopher F. Voie - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

All right. Maybe switching to Surface. So within Surface, there's clearly been a lot of stronger pressure in North America in the near-term but still, you guys had expectations for modestly positive adjusted margins in '20. How have orders trended for North America thus far? And does that margin goal still seem achievable?

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Yes. So I'd say, look, we took as much as we could, the information that we knew about the North American market when we provided our view there on the first quarter. I'll say it this way. I don't think there's much about North America that's getting any better. We have taken very strong initiatives. We talked about it in the fourth quarter of 2019.

And then again, we announced early prior to our earnings call, our intent to take out about $100 million worth of cost in that North American business. Most of those actions, and I say that, unfortunately, because they are -- obviously a lot of those actions are people-related. And certainly, not an easy thing to do in this environment, but those actions largely took place in the month of April.

So we think we have done, I think, a very good job of quickly reacting to the market environment. Back half of the year certainly doesn't look like it's improving. But that backdrop was what we assume to be the case as we turned into that. The international business for us has remained fairly resilient. Today, it's in excess of 60% of the portfolio and probably growing as we look at the opportunity set, and that continues to be strong.

We have opportunities here where we can really focus on using more of an integrated model, taking a lot of the lessons learned that we have from Subsea and really driving that performance.

In North America, we are trying to stay very firmly focused on our client base. Those had have been, how would I say, long-term players with us. And really concentrate our efforts there to support that North American market.

Christopher F. Voie - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

Okay. And what about pricing? Is pricing pressure a big factor for Surface in either North America, international? Or is it more just on the volume side?

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Well, I'd say right now, volume is driving the pricing. Clearly in North America, it's largely a volume issue. On the international side obviously volume is fairly strong. We're not seeing quite the pricing implications on the international side that we see in North America.

Christopher F. Voie - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

Okay. In terms of cash flow on the balance sheet, I guess you guys made major steps to improve costs, that includes $350 million cost reductions, cutting CapEx of $300 million, probably expect positive CFO in 2020. Can you give any kind of update on expectations for any of the other moving pieces for cash flow, including maybe working capital, prepayments and restructuring costs?

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Yes. Of course. So yes, thanks for that. If I might, we've had, I would say, a short-term and a midterm plan that we have been executing very steadily as soon as we've sort of recognized and begin to feel the effects of COVID and other implications from a market standpoint. You mentioned a few of those already.

Obviously the dividend reduction in 2020, that saves about $175 million, over $350 million in cost reduction initiatives that we intend to be completed in 2020 to have full benefit as we head into '21. We'll obviously continue to assess and take any other necessary actions that we need to -- should we need to.

And then you also talked about CapEx, which we announced. So really some important things to shore up cash flow and liquidity. There's also some things that we've done on the balance sheet with respect to liquidity. One, you've seen we just recently announced 2 different facilities. One, incremental undrawn, uncommitted, I'll call it, a security blanket, if you will, in the event that it would be needed, not expected, but $500 million facility for us that we just announced in the event we should need that.

We also took advantage of a program with the Bank of England, GBP 600 million, commercial paper. And this allows us several things. Obviously better pricing. As you know, very early on as we were headed in this, the North American or, say, the U.S. commercial paper market, very challenged. We wanted to be sure that we had an alternative in the short-term.

One of the other steps that we needed to do obviously was ensure that we went back to the rating agencies, once we announce that our transaction was being paused to ensure that we had our credit ratings reissued. And as you see, both Moody's and S&P have done that. So we have put in place several areas, both short-term and longer term.

One of the other elements, we've had some conversation on recently is the change in the ratio or our debt-to-cap covenant. We saw that increase due to the unfortunate market cap challenge. We've taken goodwill impairment for the last few years, and we've seen that covenant increment.

We're taking steps while we sit here today, and we're not really concerned about that covenant. We're taking steps right now to ensure that we can relieve any concerns about that and avoid, if you will, any concern around that covenant. We hope to be able to talk more about that soon.

So now that we have all of those pieces in place, our last step would really be to take some of the short-term maturities out and there's a very active market in investment grade. And so we really look to try to take some of those short-term maturities out and push them further, really shoring up and giving, if you will, quite a bit of visibility and strength to the balance sheet going forward.

So multiple step plan. We're through most of it, really headed to that. I think, yes, the question you are asking me is whether or not given all of that, we can give you some greater visibility as we head into the second quarter. Obviously we know a bit more in terms of what we think the current view will look like. We've got clarity around CapEx. And one of the variables obviously would be in terms of distributions for our Yamal partner.

So as we head into the second quarter, again, we're narrowing, I would say, the range of outcomes. We've got clarity on a lot more of the variables. And we hope that when we come to that second quarter, there'll be a lot more that we can give you to help you around understanding more about those cash flows.

Christopher F. Voie - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

Okay. So clearly, a lot of moves in the short-term to shore up the balance sheet, get a fortress built around that. And then the next step, as you think about your portfolio, is probably the separation of Technip Energies. But eventually as things settle down, are there other areas in the portfolio where you think you might be wanting to either reduce or increase exposure just based on the shifting landscape (inaudible) at large?

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Yes. So look, I think in today's world, we're continuing to look for opportunities to reinvest. It's an important piece of what we need to do. Obviously the services space around Subsea, critically important for us. It's a growth platform, it's an opportunity. When you look at the installed base that TechnipFMC has sitting on the ocean floor, we think that continues to be a very solid base for growth.

And so Services would be one. Another one, when we think about digital and automation. Certainly, some things that could be of critical importance. One of the things that we've seen, as I mentioned very early on when we talk about things that could have permanent change and improve, we've gone to a visual inspection of our operations.

And so our clients, where they would normally come to our facilities, take the time to do that. They're using visual inspection now to be able to do that. It accelerates the process,.it's favorable for the client, it's favorable for us. And so platforms around digital and automation would be an extremely valuable piece of the Subsea portfolio as well. So they would be areas where we would look to invest.

Christopher F. Voie - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

Okay. Great. And maybe one last one, a little short on time, but if we think back to Subsea, could you touch on maybe your strengths in terms of iEPCI, Subsea 2.0 and Subsea Studio? I mean given a probably more cost-conscious customer going forward, how much of a competitive advantage is it to have kind of that package to put together projects and put those in front of the customer?

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

We think it's an extremely important and a very solid competitive position for us. When we think about the FEED capability of putting Technip and FMC Technologies together and giving us that early read, that FEED study, it has given us, I would say, an exclusive set of projects and it has given us the ability to reduce lead time to first oil.

It's critically important and it will continue to be in a very important piece and a differentiator for TechnipFMC. As we move to Subsea Studio, if you think about what we've been able to do in terms of being able to shrink lead time, Subsea Studio then, with the same logic, can actually reduce the amount of time in that FEED study period.

And so it further improves the overall lead time to first oil, reducing cost for our client and shrinking that overall cost base, allowing for the acceleration and allowing for the improvement of margins as well.

We think we're uniquely positioned, and we think both Subsea Studio and what we have done with the FEED study capability of TechnipFMC are 2 critical components that actually maintain and solidify and improve the differentiation strategy. And look, we think we're the only ones really capable of providing that full iEPCI capability today and going forward.

Christopher F. Voie - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

Great. Well, that's it for my list. So Maryann, thank you very much for joining, and I hope you have a great day.

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Thank you very much. Thanks for your time.