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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the TechnipFMC Third Quarter 2020 Earnings Conference Call.

(Operator Instructions) I would now like to hand the conference over to your speaker today, Matt Seinsheimer. Thank you. Please go ahead.

Matt Seinsheimer - *TechnipFMC plc - VP of IR*

Thank you, Lisa. Good morning, and good afternoon, and welcome to TechnipFMC's Third Quarter 2020 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, the French AMF and the U.K. Financial Conduct Authority.

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 Chairman and Chief Executive Officer.

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Thank you, Matt. Good afternoon, and good morning. Thank you for participating in our third quarter earning call. On the call with me today are Maryann Mannen, Chief Financial Officer; and Arnaud Pieton, President and CEO elect of Technip Energies.

We delivered solid operational results in the third quarter, just months after the start of one of the most challenging periods the global community has ever faced. I want to once again thank our entire workforce for the resilience and dedication that they have shown throughout these unprecedented times.

Our success is evident in our ability to continue winning, to continue executing and to continue accelerating our business transformation, while remaining steadfast on our focus on health and safety.

In the quarter, inbound orders exceeded $2.2 billion, largely driven by Subsea. This was our strongest quarter thus far in 2020 and represented a sequential increase of 45%. Our strong results stem from the success of working collaboratively with our clients, where our innovative solutions, demonstrated excellence in execution and financial health, provide our customers with confidence to move forward projects during such challenging times.

Total company adjusted EBITDA was $321 million with a margin of 9.6%. Importantly, all three segments showed sequential margin improvement as the execution momentum continued across the portfolio.

And looking at our business transformation, we continue to accelerate our cost reduction efforts and have already achieved the full targeted run rate savings of more than $350 million.

As we leverage our new business models, innovative technologies and digital solutions, we will continue to drive further cost reduction and efficiency gains across the organization.

Taken together, our inbound orders, our operational results and our cost reduction initiatives provide us the confidence to reaffirm our full year guidance for 2020.

As our clients continue to reprioritize their portfolio of investments, we have seen an improvement in our award activity. Having announced six projects globally since July, totaling $2.8 billion in aggregate contract value. While most of these projects are already in our backlog, the EPC contract for the Assiut Hydrocracking Complex, a Technip Energies award that exceeds $1 billion, is anticipated to be inbound in the fourth quarter.

We also announced an award from Shell for the revamp of their Moerdijk plant, where we will provide proprietary equipment and related services for eight ethylene furnaces. This award further demonstrates our leadership in ethylene technology and helps drive a reduction in CO_2 emissions.

In addition, our LNG opportunity set remains strong, as we have been awarded two major projects which will inbound upon FID by the client. For one of these projects, Sempra's Energy at Costa Azul, the client has indicated a likely FID by year-end.

And we are actively tendering a major project in Qatar, a prospect with good momentum as evidenced by recent award announcements for several project work scopes. While we believe TechnipFMC is well positioned for this opportunity, the EPC contract is being competitively tendered.

In Surface Technologies, we continue to leverage the strength and resilience of our leading international franchise with two important growth opportunities captured in the quarter, both in the Middle East.

In Kuwait, we received an award for high-pressure gas equipment and in-country services. And in Oman, we secured a 5-year frame agreement with Petrogas, an operator that has significant drilling plants in the country.

We believe these awards provide us the opportunity to further expand our market share across the region.

And in Subsea, we were awarded our latest iEPCI project with Shell in Malaysia. It incorporates our Subsea 2.0 technology as well as a diverse set of other projects in some of the most active basins in the world.

In Brazil, the Petrobras Mero 2 project; in Norway, the Breidablikk project for Equinor; and the ExxonMobil Payara project in Guyana.

50% of these projects were the result of a direct award to our company due to our unique capabilities, our competitiveness and our technology leadership. These awards clearly demonstrate the resilience of strategic offshore basins, where through-cycle economics are highly competitive within our clients' investment portfolios.

We remain on track to secure approximately $4 billion of Subsea inbound for the full year.

Looking ahead, we see a healthy set of Subsea opportunities. And we continue to grow our proprietary market opportunities by focusing on long-term strategic relationships with our partners to optimize project economics and returns, utilizing our unique and proven iFEED, iEPCI and iLoF capabilities. Therefore, I am pleased to announce another exclusive alliance with an operator in the U.K. North Sea, leveraging our integrated subsea business model, iEPCI, to support and optimize future development opportunities from the early concept phase through production and Life of Field services.

Additionally, our front-end engineering teams remain very active. In fact, we have seen an acceleration in study awards in recent months, with double-digit growth now expected above our prior expectation. And half of our study today are integrated, which leverage the benefits of our digital Subsea Studio offering and positions us well for future iEPCI awards.

Digital is another key enabler of our business transformation, and our digital strategy is focused on three pillars: becoming a data-centric company, developing intelligent products and assets and driving towards autonomous operations.

Subsea Studio and our recently introduced iComplete offering are 2 solutions that exemplify these pillars and further expand our leadership position.

Let me start with Subsea Studio. This solution is transforming the conventional concept, FEED and tendering phases of Subsea projects. Working with our clients, we are now able to develop ultra-fast digital field architectures, that brings together decades of engineering knowledge with artificial intelligence and machine learning to optimize product configurations, accelerate execution and maximize value. Subsea Studio has an open architecture that allows integration with other engineering and manufacturing systems, eliminating the need for multiple hand-offs and resulting in as much as a 50% reduction in the time required for front-end engineering. And we are extending the platform beyond Subsea system design to incorporate the execution and field management phases of a project. Once fully implemented, we'll have a complete digital thread from concept design all the way through to the life of the field. And we are taking our learnings in Subsea and applying those on land.

IComplete is a revolutionary approach to shale completions. And we're the only company to focus on making a completions pad that is truly integrated, efficient and simplified with digital automation and control. iComplete has 50% fewer components and reduces operating expenditures by 30%. The integrated system also removes 80% of connections across the well site, improving efficiency while reducing risk.

Digital integration is a key element of the iComplete package. All of the data gathered at the site is available in real time. It is actionable information that enables operators to make evidence-based decisions at every step of the process. And when combined with the automation features, it reduces personnel required on site, by up to two-thirds. iComplete is experiencing broad market acceptance with awards secured from operators in all major U.S. basins, leading to increased market share.

Earlier this month, we announced that Arnaud Pieton will assume the role of President and CEO elect of Technip Energies, and I would like to welcome him to the call with us today.

Arnaud has been with the company for over 15 years and a valued member of our executive leadership team since the formation of TechnipFMC. He has extensive project-related experience. He most recently led our Subsea business, taking it to new levels of commercial and technological success. Simply put, he is a seasoned professional and an integral part of the foundation of the company we know today. While Arnaud will undoubtedly bring new energy and new ideas to his new role, he and I are fully aligned on business strategy and committed to realizing a successful future for Technip Energies.

And what an exciting start to his new role, just last week, we announced a strategic partnership and investment in the green hydrogen arena with McPhy, a leading manufacturer of equipment used in the production and distribution of green hydrogen. We are already a leader in hydrogen today. And with McPhy, we will leverage our established brand and customer relationships as well as our core competencies in engineering, technology integration and project execution, to develop large-scale and competitive green hydrogen solutions from production all the way to liquefication, storage and distribution.

We are also joined by Chart Industries whose expertise and equipment development is complementary to our process technology and project capabilities. We firmly believe that both innovative technologies and partner collaboration will be needed for the world to achieve net zero carbon targets. And this collaboration between the McPhy, Chart Industries and ourselves stands as a real example of the many ways in which TechnipFMC will play a material role in the energy transition.

I will now turn the call over to Maryann to discuss our financial results in more detail.

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

Thanks, Doug. Total company revenue was $3.3 billion in the quarter, with adjusted EBITDA of $321 million. Backlog at the end of the period was $19.6 billion, with $12.2 billion scheduled for execution through the end of 2021. The size and duration of our backlog have remained resilient throughout the current downturn and provide us with strong visibility over the next several years.

I will focus my comments today on our sequential performance. In this environment, it is important for us to more clearly demonstrate the underlying improvements in the quarter. Total company revenue increased 6% sequentially, driven by higher activity in Subsea. Adjusted EBITDA improved more than 30% versus the second quarter, driven by strong project execution, higher asset utilization and increased benefit from our cost reduction activities.

As Doug discussed earlier, we completed our targeted run-rate cost savings of more than $350 million, ahead of schedule. We see the benefits of this in our indirect costs, including corporate functions.

Cash flow from operations was $168 million in the quarter. Capital expenditures were $73 million, resulting in free cash flow of $95 million.

Net cash improved sequentially to $384 million and benefited from significant debt reduction activities during the period. Net liquidity stood at $6.6 billion.

Adjusted earnings per share was $0.16 in the quarter, when excluding after-tax charges and credits of $0.17 per diluted share.

In the period, we identified direct COVID-19 expenses totaling $36 million, down 35% sequentially. Over the course of this year, we have adapted quickly to mitigate the incremental cost impacts of the virus on our business. Included in our reported results were foreign exchange gains of $6 million, or $0.02 per diluted share. And the expense resulting from increased liability to joint venture partners of $62 million, or $0.14 per diluted share. These two items impacted earnings per share by $0.12 in the period, and if excluded, our adjusted earnings would have been $0.28 per diluted share.

Let me turn to the segment highlights. The information in the accompanying slide on segment results provides operating highlights when comparing to the third quarter of 2019. But here again, I will focus my comments on our sequential performance.

Third quarter Subsea revenue increased 9% sequentially to $1.5 billion due to continued improvement in operational performance. We experienced increased project activity in the U.S., Asia and Africa as well as increased activity in Subsea services. Sequentially, Subsea adjusted EBITDA margin of 9.7% increased 250 basis points, driven by project completions, improved asset utilization and increased efficiency.

In Technip Energies, revenue of $1.6 billion increased 5%, primarily driven by the improvement in operational efficiency within our supply chain and construction sites. Importantly, our projects are progressing well. These same factors as well as the continued strength in execution across our portfolio of projects also benefited adjusted EBITDA, which increased 7% sequentially to $175 million with a margin of 10.9%.

In Surface Technologies, revenue of $226 million declined sequentially due to lower market activity in North America. However, revenue outside North America was largely unchanged and accounted for nearly 70% of our total segment revenue.

Despite the decline in segment revenue, adjusted EBITDA margin of 7.7% increased 430 basis points sequentially. The significant improvement was primarily due to a favorable product mix, the benefit of our accelerated cost reduction initiatives and improved manufacturing execution in our international business.

Adjusted corporate expense in the period was $24 million, driven by the acceleration of our cost reduction initiatives. Year-to-date corporate expense stands at $89 million. We revised our corporate expense guidance last quarter, to a range of $130 million to $150 million for the full year. Given the actions we have taken, we continue to trend towards the low end of this range.

Our financial guidance is unchanged from our second quarter update. We remain confident in achieving our full year outlook in each of our business segments, assuming no further material degradation from COVID-19-related impacts.

Turning to cash flow. Capital expenditures were $73 million and now totaled $250 million in the first 9 months of this year. We remain committed to disciplined capital investment, and are confident in our full year capital spend of approximately $300 million.

The improved operational momentum experienced throughout the quarter supports our confidence in achieving our free cash flow guidance of neutral to $150 million for the full year.

In the quarter, we reduced debt by $647 million with net reductions in both commercial paper and fixed maturity debt. These actions have reduced our absolute funding cost, while lowering our blended interest rate.

We ended the period with cash and cash equivalents of $4.2 billion. Net cash improved $81 million sequentially to $384 million.

In summary, we delivered solid operational results, with all segments showing sequential improvement in adjusted EBITDA margin. We continued winning new awards despite the very challenging market backdrop with a sequential increase in Subsea backlog. And we have achieved our targeted run rate savings of more than $350 million, ahead of schedule. Beyond the operating line, we significantly reduced debt in the period, and we remain intently focused on managing the balance sheet. Sequentially, our net cash position increased, and we expect further improvement in the fourth quarter, as implied by our full year cash flow commitment. All of these successes give us confidence that we will deliver on our financial guidance for 2020.

Operator, you may now open up the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from the line of Sean Meakim from JPMorgan.

Sean Christopher Meakim - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

So maybe we could start with a little more on the free cash flow guide. That seems to be really the critical piece, reiterating that guide for the fourth quarter. Could you maybe just walk through a couple of the moving pieces as you see it?

And then just thinking about working capital implications. And if we think about free cash flow and the mandatory redeemable liability, what could cash look like as we exit 2020?

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

Sure, Sean. Thank you, and thanks for the question. So with one quarter remaining, obviously we have strength and conviction in operating performance. So that will deliver, obviously increased cash flow. As you've seen, working capital is improving from our middle of the year, and we expect to see continued working capital improvement in the back half of the year.

I think as we discussed maybe last quarter, we've identified a range of outcomes that would potentially deliver the neutral to our $150 million, and we still see a clear path given the opportunity for performance in the back -- or sorry, in the fourth quarter.

I think your second question was around the payment for the Yamal redeemable liability and we continue to expect in the fourth quarter, that will have approximately $100 million payable. As you know, that's below the working capital line and below that free cash flow from operations.

So we do expect, as we head into 2021, that obviously we will see that free cash flow improvement. And net cash, as I mentioned in my comments, we will see improvement as well.

Sean Christopher Meakim - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

Got it. I appreciate the explanation. And then I think the other really critical piece for the stock today is getting to a resolution on Technip Energies. And so clearly, Doug, your commitment to the spin has been unwavering.

Can we maybe just get a little more transparency around the gating items to executing the spin? And are there any other dual tracks that you're running around value creation with this business? Just looking to really, I guess, get as much granularity as we can on how we get to the finish line on that piece.

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Certainly, Sean, thank you for the question. You're absolutely right. I remain steadfast in my conviction to the creation of Technip Energies as an independent company. The strategic rationale remains unchanged. And I would say, if anything, it has become clearer in the importance of moving forward with such a transaction.

I think it's important, though, when we think about your question around what could be triggers, et cetera, is to reflect back on what led to the decision, a difficult decision at the time to defer the transaction.

And to me, there was really 3 factors that weighed into that decision. One was complete panic in the financial markets, driven by both the pandemic as well as the commodity price. There was a lot of -- secondly, there was a lot of uncertainty in our clients' plans at the time. And then finally, it really came down to ensuring that we had an environment that was conducive to, what I'd like to say, us leaning in versus us leaning out in terms of our position within the industry.

So when we fast forward to today, certainly, there's still anxiety and uncertainty in the market, and there always will be, but I think we've come past that point of just a complete fear and panic and a concern about where the bottom could actually be.

In terms of the industry, I think it's been quite remarkable. And as evidenced in our Q3 results here and the inbound numbers that we just shared with you for Subsea, if anyone's done them, had an opportunity to look at the math, it's a 1.1 book-to-bill for the third quarter for Subsea, which was quite a substantial win. And winning very important and strategic projects and 50% of those being direct awarded to our company, we're in a really unique position.

And that really takes us to the third part, which is we're leaning in. We're winning. So when you kind of put those 3 together, I would say, we feel we're in a very different environment than we were in at the time that we suspended, where we didn't know what our customers' plans were going to be.

For instance, we weren't sure what impact it was going to have on our backlog. I can reaffirm today, there have been no cancellations in our backlog. We didn't know what impact it was going to have on our supply chain and our ability to be able to execute and deliver some of the world's most complex and strategic projects.

And as our financial results indicated across all 3 of our business segments, we continue to execute very well. So we're in a different situation now, Sean. We'll continue to look at what is the right timing and what is the right scenario and structure to move this transaction forward, but it would be our intent to continue to move in that direction.

Operator

Our next question comes from the line of Amy Wong from UBS.

Amy Wong - *UBS Investment Bank, Research Division - Head of European Oil Services, Executive Director & Analyst*

Couple of questions from me. The first one relates to just some news flow recently that the French government is proposing to end export guarantees for the oil and gas industry. And if I -- as far as I understand, it's not overnight, but if there's going to be like, kind of, other oil projects from 2025 and gas projects from 2035.

So just wondering, like how that might impact TechnipFMC in terms of maybe your clients that may rely on French export credit? Or furthermore, maybe when you guys try to help clients arrange export credit facilities, how that could impact your ability to win some of these projects?

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Yes, interesting question. And I think you really used the keyword there, which was help or assist. We don't do project financing. But it is true that from time to time, we are in a position that we can try to, if you will, link the 2 parties together. But that -- we do nothing more than that, and that's the only role that we play in project financing.

It is true. We're reading the same things that you're reading, and we're not privy to any additional facts or time line than you are. But I think it's also realistic to assume if the project has good returns for the client, the project will source funding. And in any single project, there tends to be multiple sources of funding. It doesn't rely on any particular single source of funding. So my assumption, Amy, and we don't have -- none of us can predict the future on this, but I feel quite certain, as we've seen over time that the funding has evolved on these major projects from different sources that a project with good economics would be able -- would source funding in whichever way it deemed most appropriate.

So we'll wait and we'll see how things play out, and we'll continue to play our role, which is nothing more than to help or assist, which we normally don't do. But when asked, we certainly do what we can to support or assist. But again, we're not in the project financing game.

Amy Wong - *UBS Investment Bank, Research Division - Head of European Oil Services, Executive Director & Analyst*

Great. That's helpful to get your thoughts on that. Just a follow-up, and it's still along the lines of understanding your order intake, potential order intake pipeline. I mean I think your conversion of orders in the second half has been pretty good, particularly for both Subsea and for Energies.

But to what degree some of those projects, kind of, were initiated from or converted from projects that were -- you were already in discussions pre the COVID pandemic. And the [context] of the question here is really trying to understand maybe some early thoughts on 2021, what projects. And have you started new negotiations with clients? Or is it becoming more difficult in a pandemic environment? Just to understand your thoughts on directionally how 2021 is going to look like.

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Sure, Amy. I knew we were going to get to 2021 quickly. We got there on the second question. So thank you. Or no, thank you, maybe.

No. Look, Amy, we'll give you as much -- I'll give you some, kind of, qualitative thoughts, obviously quantitative thoughts at this time would be premature. Our customers are still developing their budgets, their plans for 2021. So to do anything quantitative, I think, would be a bit premature. But in the spirit of your question, I'll be willing to give you some qualitative outlook.

I'm going to cover Subsea and Surface international, and then I'm going to ask Arnaud to make some comments on his thoughts on the subject regarding Technip Energies.

So let's start with Surface international. Look, we are continuing to see very strong momentum in our order outlook for Surface International. And I keep emphasizing International only because in North America, as you know, it's a Book & Turn business. So the inbound that we expect to come from the Surface international will continue to pick up. I know that's a little bit contrarian to some of the other comments that may have been made about the international market, but I think it's important to understand our position in Surface International. It's actually quite unique.

The level and the specifications and technology required for that equipment far exceeds that that's used in, for instance, the North America market. There's really us and maybe one other supplier of that high-spec equipment. It's totally -- it's vertically integrated. We do it all in-house. It's not outsourced to China or anywhere else, as it is in the North American market. And it requires very, very sophisticated machine tooling and materials to be able to provide that equipment, very similar to Subsea. Hence, the reason we're so successful.

So we see that continuing to expand. I mentioned in my prepared remarks, we've always had a strong position in the Middle East, North Africa. We just extended our leadership position in the Middle East. I announced a couple of new awards. And we continue to work very, very closely with all of the key players in the region and expect continued success and in growing success in 2021.

In terms of Subsea orders, what I would say at this point, Amy, is it seems like forever, but it was just a few months ago, a few quarters ago, I mentioned that I felt we could achieve $4 billion of order inbound for Subsea in 2020. I think for the largest part, it was discounted and there's a lot of skepticism around that. Obviously, we've come a long way to achieving that already, and we have 1 quarter left to complete, and we remain committed to that.

And I think as I, at this point, look towards 2021, I could see kind of a similar -- I could see 2021 resemble 2020. Again, it's a bit early. There's some moving pieces still we're trying to lock down with our customers to really understand the timing and as always, Amy, one large project shifting from Q4 of 2021 to Q1 of 2022 could change things. And that's why I'm saying, we just don't have that level of granularity yet from our clients. But when I look at the success of our execution, when I look at our growing activity in our FEED, which I mentioned in my prepared remarks, it's now -- it's grown double digit. The majority of that being iFEEDs, the majority of our iFEEDs are direct awarded to our company, this is that proprietary opportunity set that the rest of the market does not have access to. Again, why we were able to do $4 billion this year, which is the majority of the Subsea market. We expect that to continue on next year, again, with probably more iEPCI projects and more direct awards.

And then finally, it's important not to forget the strength and resilience of our Subsea Services business. That continues to be a strong foundation that we continue to build from.

So when you put all that together, again, we have to really understand what projects are going to move forward and the timing of those projects. But I expect that to -- I expect 2021 to resemble 2020.

And just maybe one last thought. You may have picked up in my prepared remarks, but if you didn't, we signed another exclusive alliance for Subsea. So we're really proud of the progress we're making. Arnaud?

Arnaud Pieton - *TechnipFMC plc - President & CEO of Technip Energies*

Yes. Thank you, Doug, and thank you, Amy. So for Technip Energies, I would add that, as expressed by Doug in his previous -- by Doug in his prepared remarks, there is a potential to inbound for Technip Energies to projects or prospects, exceeding $1 billion each before the end of the quarter, before the end of the year. So it's -- I think this alone is giving you a good idea of what the year can and will look like for Technip Energies inbound full year.

And also maybe something that I'd like to share is that for Technip Energies, the LNG wave isn't over yet for us. And there is a very solid pipeline of opportunities into next year as well. And all building blocks are in place, I would say, for Technip Energies to have another solid year in terms of inbound next year.

And one part of your question was also about how we are having new conversations or new types of conversations? And/or are we just relying on the past conversations pre-COVID and converting the opportunities?

But in actual fact, yes, we are having new types of conversations and new conversations about new prospects and opportunities. And very interestingly, including in the traditional markets, or what I'm going to call traditional markets in a position to, I don't know, blue hydrogen and green hydrogen, but there is an energy transition perspective in every of the conversation we are having with our customers, including in the more traditional markets with quite a huge emphasis on being placed on decarbonization by our customers.

So there's a real opportunity set here for us in a green as well as brownfield activity set for Technip Energies. So a nice mix of conversation, if I may say, for Technip Energies going forward.

Operator

Our next question comes from the line of Marc Bianchi from Cowen.

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

I feel like we always end up in this situation with the way you guys put the guidance out where we've got an annual target, and we can kind of solve for fourth quarter. And I know you don't want to get into too much detail, but it would be great to hear just any kind of thoughts on the progression from third quarter across the 3 segments. Particularly in Subsea, how much of help was realized in the third quarter related to the project closeout? And what do we think seasonality could do in the fourth quarter?

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Sure, Mark. I'll cover Subsea. As indicated, we had a very solid third quarter. We provide annual guidance. It's not necessarily quarterly guidance, and therefore, one can imply the fourth quarter. The fourth quarter will be a bit softer in Subsea. This is the way it always is. The fourth quarter with the exception of maybe 1 or 2 instances, is always a bit later for us, and this has to do with the reduced amount of activity, particularly in the North Sea related to our vessel activity and our project activity in the North Sea.

But the way that I would maybe summarize it is that we remain very confident in our full year guidance. And Marc, I'd add to that, that keep in mind that we're saying at least 8.5%, and we are very confident in that.

And did you want more than that, Marc, on the other?

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

Yes. No, certainly. I mean to the extent you can talk about the other businesses. I mean, for example, Surface, I would suspect that there's potential for some revenue improvement from third to fourth, just kind of given the momentum that we're seeing in North America. But perhaps the international exposure is something that could offset?

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Marc, Surface North America is a bit hard. As you know, a lot of times, they run in the budgetary constraints at the end of the year. And you actually see a bit of softening in North America in terms of the revenue trend in the fourth quarter. But right now, I would say it's a very fluid situation, but we're very proud of our international franchise and the strength of our international franchise.

And Arnaud, do you want to make a comment on Technip Energies?

Arnaud Pieton - *TechnipFMC plc - President & CEO of Technip Energies*

Yes. Thank you, Doug. I mean, not really much to add other than we remain confident in delivering the guidance for the year. So you have 3 quarters in hands now. So it's -- yes, and just confident for the rest of the year.

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

Okay. Well, maybe if I could just ask a follow-on to '21 is we just think about the progression of Subsea margin. I think last time we talked, there was some expectation that you wouldn't quite be to the level of utilization where we could really see a nice uptick in margins, but you did mention here in the third quarter, you had some nice utilization.

Just kind of curious how that factor plays out in '21 just based on what you know right now?

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Yes, Marc. Industry-wide, vessel utilization next year will not be good. So don't anticipate that there's going to be a big uptick in the utilization, and I'm talking across industry, still way too much capacity. Projects had gotten deferred as a result of the pandemic. That's pushed some things to the right. That's pushed maybe some of the utilization recovery for the industry to the right.

Now as you know, we've been selling vessels, we'll continue to pursue that path. And it may be cold stacking, it may be selling. It just depends upon what the opportunities present. And we're not building new vessels. And I would encourage the industry to quit building new vessels. We need to learn to work together, and we're going to be the leader in that. And we're going to lead by example, and we're going to continue to form strategic alliances and work with others and make sure that we can feed our very healthy integrated projects and ensure that we have the capability to deliver and continue to grow those integrated projects. And we're very happy to do that through collaboration versus through direct ownership and adding capacity into the market.

So this is a big change. We're leading that change. It's the right thing to do for the industry, and it's certainly the right thing to do for our company. And it's most definitely the right thing to do for our investors.

Operator

Our next question comes from the line of Jean-Luc Romain from CIBC (sic) [CIC] Market Solutions.

Jean-Luc Romain - *CIC Market Solutions (ESN), Research Division - Analyst*

It seems that ExxonMobil is asking for a price reduction for its Mozambique LNG project before it sanctions it definitively. Could you give more your thoughts about it?

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Sorry, we were having a bit of trouble here. We had some audio issues here. I believe you were asking regarding some of the recent media coverage and discussions around the Rovuma project. Is that correct?

Jean-Luc Romain - *CIC Market Solutions (ESN), Research Division - Analyst*

That's correct.

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Sorry. Thank you very much. Look, as you know, we remain very -- in very close collaboration and working very closely with ExxonMobil on this project, an important project for us and for our partners. We remain very excited about this project, and our singular focus is to work with ExxonMobil, along with our partners to ensure that we can reach the best project economics for the project.

That's been the way since the very beginning. It's why we were selected, and our consortium was selected, and we should expect that we would continue to do so. I don't think there's much more to read into some of the media coverage than just good, normal project practice and project engineering.

Operator

And our next question comes from the line of Kurt Hallead from RBC.

Kurt Kevin Hallead - *RBC Capital Markets, Research Division - Co-Head of Global Energy Research & Analyst*

So Doug, I'm really curious with the push here that's going on from the industry on reducing decarbonizing, not just the energy industry, but other industries, a lot of hype around the hydrogen opportunity and your participation now with McPhy.

So I'm curious about what do you see is the potential addressable market opportunity for both Technip Energies and for FTI, the Subsea piece of the business, if there is one that exists. So just looking for some additional context, insight, anything you provide on that would be very helpful.

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Sure, Kurt. You can't see me, but I have a big smile on my face, but you're not going to fully like my answer, I know that. We have the answer, but I have a keynote presentation in, I think, 2 weeks' time, a little less than 2 weeks' time. And I really don't want to steal my thunder or the thunder for the company.

But Kurt, I think what we're going to have to say will be very, very compelling. The opportunities are most definitely applied across the portfolio. And what we're going to show, Kurt, and it's just our style, I'm not suggesting it's the best, but it's what we do. We tend to really build our -- build up and have some real credible examples, we say, making it real versus just kind of going out, let's say, with pure ambition and belief. And you've heard us do more and more of that. You've heard me talk about iProduction, reducing future to greenhouse gas emissions by 50%. You've heard me talk about Subsea 2.0, reducing greenhouse gases by 47%, and you saw us make our strategic investment in green hydrogen with the recent investment we made to McPhy, which I'm going to ask Arnaud to tell you a bit more about the hydrogen market.

But Kurt, I apologize to you, but I promise the -- it's a very compelling message. I'd like to deliver that message in the proper setting. And the work has been done. We actually -- we'll talk about what we have done, where we've been investing because in some of these areas we've been investing for over 5 years. This isn't anything new. We're going to talk about the fact that we're doing it because we believe it's the right thing to do, not because it's because of popular demand, you have to believe in what you're doing. And we're going to show real examples of the impact that we're having. We're going to set forth the ambition, but we're all -- going to also set forth a 3-year measurable plan and a scorecard that our progress can be judged against.

And we're going to focus on those markets where we can actually generate good returns. So we're going to be selective. And you've heard me say that before. There's some very popular offshore markets right now that people are pursuing. But when you really look at it, and it doesn't take long to analyze it, there's just not enough left for the installation company to make a decent return. So these packages are being split upwards of 8 contractors, which would typically be done between 1 or 2 contractors. So if you're the 8th on the list, if you don't have the technology, if you're not bringing together the integration, if you're not the -- if you're just doing the installation, that we don't believe we can generate the type of returns that our shareholders expect from us.

So we're looking at other things. And you're going to hear me talk about some things in a couple of weeks that I think will really be surprising, but they'll be backed up by facts, they'll be backed up by real examples of what we're doing, and it will be an ambition that is -- will be very, very compelling.

I'd like to let Arnaud talk a bit about the hydrogen market. This is a market we've been in for quite a while. And we were very excited about our recent investment in green hydrogen. Arnaud?

Arnaud Pieton - *TechnipFMC plc - President & CEO of Technip Energies*

Yes. Thank you, Doug, and thank you, Kurt, for the question. So as Doug stated, we do have -- as TechnipFMC and Technip Energy has a very rich history in hydrogen, we -- basically we have an installed base that is 270 plants utilizing our proprietary technology. And when you combine that with our leading CO_2 management capabilities, one can say that we have pretty much everything we need to be a very credible player in the blue hydrogen industry space as it evolves. So blue is going to mature. Green is not totally mature, but will mature as well.

And this investment in McPhy is basically a way for us to position Technip Energies to be or to continue to be a leader on large-scale hydrogen market, including the green. So of course, this is the beginning with McPhy, and there might be other opportunities going forward. But partnering with McPhy is partnering with a Tier 1 electrolyzer supplier, and we will help with the IP development, help to scale and accelerate the technology. And we are super excited about it because it's a way to be forward-looking and continue on that hydrogen journey that we started many decades ago and where we do have a leadership position. So it's about preparing for the future already.

Kurt Kevin Hallead - *RBC Capital Markets, Research Division - Co-Head of Global Energy Research & Analyst*

Great. And Doug, that teaser alone should probably be worth about 4 to 5 multiple points on the stock. So looking forward to that presentation.

Operator

Our next question comes from the line of Mark Wilson from Jefferies.

Mark Wilson - *Jefferies LLC, Research Division - Oil and Gas Equity Analyst*

I was going to ask on energy transition, but I think you've answered that very clearly, and we look forward to that presentation. So maybe I'll just cover off on that. Firstly, is that the alliance you announced in the North Sea, did you give a name for that new alliance partner?

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

They most definitely have a name. It is a very well-known name, but they would like to, let's say, have a bit more -- they want to wait for an event. And the event is when we will announce our first integrated project with them. We're right now in the integrated FEED phase on their portfolio. And we would expect that to become -- to come and to be one of those -- at least one of those to convert into an integrated project, which is when we would then, let's say, formally announce along with the -- our client and partners' name at the same time. We've done that a few times. Again, for us, we like that as well. Again, it makes it more real. It's not about marketing. It's about reality. And I think, once again, the industry will be surprised at projects that are moving forward and the economics that are move -- and it's enabled by the economics because of our unique integrated offering.

So we're working on these on a proprietary basis. All we have to do is to move them from the iFEED to the iEPCI. If they convert, then ours is a direct award in this exclusive relationship, long-term relationship with yet another Subsea operator. We could not be more proud.

Mark Wilson - *Jefferies LLC, Research Division - Oil and Gas Equity Analyst*

Excellent. Okay. And Mayann, then to cover up on Yamal, could I ask what is the profile we should expect those remaining contract liabilities to roll off over? Is that a 2-year period or shorter than that?

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

Thank you for the question, Mark. So I would say, certainly no more than 2 years as we are in the warranty phase. And as you know, those trends had multiple warranty periods. This year, you saw a fairly significant unwind. We've had multiple successive quarters of project improvement. We continue to have a high degree of confidence in the execution, excellence and the ability to avoid risk. And therefore, that unwind should be no more than 2 years, but certainly are quite successful, as we see the project progression. So we expect that to be a positive result, Mark.

Mark Wilson - *Jefferies LLC, Research Division - Oil and Gas Equity Analyst*

Okay. And those revenues will still pass through the top line and the MRL as you work off the warranty?

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

That's correct. They will. They will come through as revenue just as you've seen. Absolutely correct, and unwind the contract liability, yes.

Operator

Our next question comes from the line of George O'Leary from TPH & Company.

George Michael O'Leary - *Tudor, Pickering, Holt & Co. Securities, Inc., Research Division - MD of Oil Service Research*

On -- I know you guys have historically had a position on the biodiesel front, but renewable diesel seems to be catching more headlines these days. I wondered if you could lay out for us if there's any opportunity for TechnipFMC on that renewable diesel side of the equation and what you guys are kind of seeing in that end market.

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

So you're right, there's been a lot of focus both on biodiesel as well as renewable diesel. I think the renewable diesel market, we all -- it's still very early stages. I think we all need to spend just a little more time before we make too strong of any comments regarding the renewable diesel market.

But as you know, the biodiesel market is an area of strength for our company. We couldn't be more proud of the relationship that we have with Neste, the continued projects that we have with Neste and this very strong execution that we've had along the way.

So I'd like to turn it over to Arnaud to add a few of his own comments regarding the subject.

Arnaud Pieton - *TechnipFMC plc - President & CEO of Technip Energies*

Yes. Thank you, Doug, and thank you, George. So yes, I'm just -- it's going to be a short addition to Doug's comments, but -- Doug's answer, but yes, we do have -- we are enjoying a very strong market position today in biodiesel. We have the technology, the know-how and we have that long history with Neste. And we are their preferred partners on the projects with many references in biodiesel, bioethanol, biojet, and there is our technology and that partnership continues to bear fruit, if I may say. So yes, I don't have much to add other than just -- we are very, very pleased and very happy about that collaboration, and it is deep. And it is a recurring win -- a recurring one, which we are enjoying and that when we can have this type of relationship and making us a leader in biodiesel and biofuels.

We're happy and we're going to -- we are nurturing it because it's an important one for us. But we have many references, as you may know, and we continue to work with them on scaling each and every time we can with them.

George Michael O'Leary - *Tudor, Pickering, Holt & Co. Securities, Inc., Research Division - MD of Oil Service Research*

Great. Appreciate the color there. And then, Doug, you mentioned the iComplete system earlier, and I appreciate the 50% reduction in equipment. And I realize that probably helps from a connections point and having to have less people out on the well site just by the virtue of having less equipment.

But I wondered if you could explain the offering just a little bit more to better help us conceptualize how and why it reduces labor on-site and some of the efficiencies that drives even if at a high level, just to kind of help us better understand the offering and how it's differentiated versus the competition in the market? It sounds like you're making good headway, getting those systems into every major U.S. basin. So any color there would be extremely helpful.

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

Sure. And it will be -- I'm going to maybe use an analogy, it might not be a great analogy, but I think it helps visualize. If one hasn't been on one of these multi-stage 24/7, kind of, operating environments that is happening in most of the U.S. shale today, it's kind of hard to appreciate. So I'll try to visualize it for you.

There's just a scurry of activity. And then there's the actual execution or, if you will, the pumping of the stage, at which point everybody goes back and it's highly automated, and it's really managed quite efficiently. But it's -- what happens between those stages, that is at best orchestrated and at worst chaotic, I describe it as a bunch of ants just scurrying around a bunch of simultaneous operations. You're dealing with high-pressure regions, you're dealing with very trip hazards. It's just -- it's very complicated, but it's the way that the industry has been doing it forever, right. I say forever since I've been around.

But what is -- we looked at it, and we consider ourselves to be an integrated architect. And it's what we do in the Subsea. Everything in Subsea uses automation and control. You don't have people running around in between operations because, obviously, they're unable to because it's at the bottom of the ocean.

So we said, well, why can't we do that on surface? And of course, initially, people say, "Oh, it's not possible, it's not applicable, et cetera. But when you put really smart people on it, and we have a tremendous amount of really smart people and talented people and give them the challenge, it's amazing what they're able to do.

And what they were able to do was to look at it and take that part of the activity that nobody owns, it's owned by many different contractors. And say, why doesn't somebody kind of take charge here and really find a way to make most of this activity automated, removing that interface, removing all of those activities and at the same time, accelerating and improving the overall efficiency and most importantly, the safe environment in which to operate.

And it's really quite amazing. And I don't know if I'm giving it justice the way that I'm describing it to you, but we went from a best orchestrated worst chaos to now something that's remotely operated. The client controls everything from an iPad. All of those activities that have to happen in between are now fully automated, and it's quite meaningful. And the market acceptance, it was barely introduced.

I know it's the first time we're talking about iComplete on an earnings call, it's really because it's relatively new. We've been working on it for a while, but it's just amazing how quickly it's spread because, again, it's just one of these things. If you come up with the right solution that makes sense that the customer can get real upfront benefit from that, we get tremendous benefit from in terms of our operating efficiency. And in this case our market share, these things tend to be very successful. So don't make them overly complex, focus on the things that matter and deliver real results. That's our company.

Operator

And our final question today will come from the line of Guillaume Delaby from Societe Generale.

Guillaume Delaby - *Societe Generale Cross Asset Research - Equity Analyst*

Yes. The final question, basically, if we go back to the last 6 months, what is the main or the 2 main lessons you would draw from the last 6 months. And from that lesson, how those lessons are currently reshaping vision of the company for the next 2 to 4 years. What is different now? How do you see now TechnipFMC in 2 to 4 years? Versus how you used to see it 6 months ago?

Douglas J. Pferdehirt - *TechnipFMC plc - Chairman of the Board & CEO*

That's a -- It's a great question. It's hard to get it down to 2 lessons learned. But for the sake of time, I will do my best. There's quite a few lessons that have been learned over the last 6 months.

If I just try -- if I just try to pick 2, the first one is do what is right, do what is right. It's got to feel right in the mind, and it's got to feel right in the heart. So what do I mean by that? Be it the way that we reacted to the pandemic, by putting 100% of focus on the health and well-being of our employees, our partners and our contractors, trusting them, giving them the tools that they need, helping them through this very difficult period and then allowing them to perform.

And it's just amazing to me what was done during this period of time when many, many other companies failed, when many other companies struggled because the complexity of adapting to the number of changes that were being thrown at us on a weekly, daily and in some cases, hourly basis and our project directors and project teams and our manufacturing staff and our crews that were out on the vessels, I just -- I can't say enough. So if there's a lesson learned there, take care of them, keep them healthy, give them the tools they need to do the job and have faith and trust and confidence, and it's amazing. It's amazing what people will do.

The second one is really around the change of behaviors. Becoming too internally focused, not staying close to your customer, I think, has really hurt a lot of companies. We remain very close to our customers. We weren't pestering them. They obviously had to work through their own challenges that were coming at them, but letting them know that we were there. We would support them in whatever way that we could, and we did in some very unique ways, in terms of helping them mobilize people, in terms of helping them with some early COVID testing kits, whatever that -- whatever was required, just built so much loyalty and so much trust. And they also are now extending to us even greater, let's say, latitude to operate.

So I see in the future where we've always wanted to get. But when it comes to remote inspections versus on-site inspections, when it comes to more integration versus less integration, look I think this is the new reality. It is proven. It is creating value. And I think that this very terrible crisis that we went through, in some cases, probably accelerated some of this adaption (sic) adaptation and adoption by the industry, I would argue by, maybe, as much as 5 years.

And I think -- I do think it's here to stay. I don't think it will revert. We are talking to clients very seriously now about how they're going to operate their major projects going forward, both in Technip Energies as well as in Subsea. And I think you'll find our company playing a much more prominent role than we have historically.

Operator

I would now like to turn the call back over to Matt Seinsheimer for closing remarks.

Matt Seinsheimer - *TechnipFMC plc - VP of IR*

This concludes our third quarter conference call. A replay of the call will be available on our website beginning at approximately 8:00 p.m. British Summer Time today.

If you have any further questions, please feel free to contact any member of the Investor Relations team. Thank you so much for joining us. Operator, Lisa, you may end the call.

Operator

Thank you. Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.