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PRESENTATION

Operator

Thank you for holding, and welcome everyone to the TechnipFMC First Quarter 2023 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions)

I will now turn the call over to Matt Seinsheimer, Senior Vice President, Investor Relations and Corporate Development. Mr. Seinsheimer, please go ahead.

Matt Seinsheimer - *TechnipFMC plc - VP of IR and Corporate Development*

Thank you, Jack. Good morning and good afternoon, and welcome to TechnipFMC's First Quarter 2023 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 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, 10-Q and other periodic filings with the U.S. 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.

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

Thank you, Matt. Good morning and good afternoon. Thank you for participating in our first quarter earnings call. I am pleased with the solid performance in the quarter as we successfully delivered on the commitments we made in February. Total company revenue in the period was $1.7 billion. Total company adjusted EBITDA was $155 million, with an adjusted EBITDA margin of 9% when excluding foreign exchange impacts.

Total company inbound orders in the quarter were $2.9 billion, driving sequential growth in backlog to $10.6 billion. In Subsea, we had a very strong start to the year with inbound orders of $2.5 billion, representing a book-to-bill of 1.8. This included 4 announced awards in the period, as well as a large iEPCI project that received FID in the first quarter. iEPCI accounted for more than 50% of orders in the period.

Importantly, the combination of iEPCI, Subsea services and all other direct awards totaled 70% of awards. This is a result of our unique commercial model, iEPCI, our demonstrated technology leadership, which includes Subsea 2.0 and our long-standing client relationships, which together provide our customers with confidence in the execution capabilities of TechnipFMC.

Given the high quality of the work we are pursuing today and the strength of the broader market, we are confident that Q1 is not the quarterly peak for iEPCI inbound in 2023. We continue to expect iEPCI to post record inbound in 2023. This is enabled by a record level of iFEED activity, which often leads to a direct award for the iEPCI phase of the project. This provides further confidence in our outlook for Subsea orders of more than $8 billion for the full year.

Since the creation of TechnipFMC, we have taken bold steps to fundamentally change the way we operate our business. These include the introduction of our integrated commercial model, iEPCI, the development of Subsea 2.0 and the formation of our vessel ecosystem, which together enable a differentiated approach to project execution that will allow us to successfully capitalize on this period of significant growth.

Our integrated commercial model begins with iFEED. This early client engagement allows for the highest degree of integration, innovation and cost savings. iEPCI then delivers the optimized architecture and solution leading to an acceleration in time to first production.

We recently delivered the very first integrated project in Brazil. Our client, Karoon Energy, has emphasized that the project would not have been economically feasible without our iEPCI execution model. This differentiated outcome underscores our rationale to focus our people and assets on those opportunities, which benefit from integration and technology, enabling shorter cycle times as well as risk mitigation.

We've also reduced complexity and cost with our Subsea 2.0 product portfolio. Delivery schedules for a subsea tree have been shortened more than 50% when utilizing Subsea 2.0 by leveraging our configure to order model. CTO allows us to industrialize our solutions while still addressing the unique requirements of individual projects. This gives us incremental manufacturing capacity without the need for additional capital expenditures. This also eliminates design engineering and redefines our sourcing strategy by utilizing pre-approved suppliers and standard configurations, reducing supply chain risk during the manufacturing process.

We have also made strategic decisions in support of our fleet through the creation of our pipelay vessel ecosystem. Here, we have extended our capabilities through alliances with Allseas and Saipem providing us the industry's most comprehensive suite of pipelay solutions. This ecosystem expands our iEPCI opportunities while providing greater capital efficiency through collaboration.

iEPCI, Subsea 2.0 and the vessel ecosystem are all transformational elements that have reshaped our company. They have fundamentally changed the way we do business, and provide real and sustainable differentiation for TechnipFMC.

In closing, we are confident in continued market strength. We are confident in our ability to execute in this period of growth as the simplification and standardization of our integrated products and services, reduce project complexity and execution risk.

And our improved commercial success is a direct result of our customers' confidence in our ability to successfully deliver their projects. Our journey is not predicated on the market recovery. It reflects the changes we have made to our business that are already providing tangible benefits today through unique market visibility, improved commercial success and enhanced operational insight, and I am confident these changes will continue to drive improved results for our company.

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

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

Thanks, Doug. Total company inbound orders were $2.9 billion in the quarter. with Subsea inbound of $2.5 billion and Surface Technologies of $322 million. Total company backlog increased 13% sequentially to $10.6 billion. Revenue in the quarter was $1.7 billion. Adjusted EBITDA was 155 million, excluding a foreign exchange gain of $2 million. When excluding the impact of charges and credits, our adjusted income from continuing operations was $1 million.

Now turning to our sequential results. In Subsea, operating results were similar to the fourth quarter as we suggested back in February. Revenue of 1.4 billion increased 3% with higher project activity in Brazil and the Gulf of Mexico, partially offset by lower activity in Asia Pacific. Our services activity continued to be impacted by seasonal factors.

Adjusted EBITDA increased modestly to $142 million with a margin of 10.2%.

In Surface Technologies, revenue was $330 million, down 6% from the fourth quarter. Revenue decreased primarily due to lower international activity. Which was impacted by the timing of backlog conversion. Adjusted EBITDA was 40 million, a 9% decrease primarily due to the lower international activity, partially offset by cost savings. Adjusted EBITDA margin was 12.2%, approximately 150 basis points ahead of our expectations.

Turning to corporate and other items in the period. Corporate expense was $27 million. Net interest expense was $19 million and is currently trending to the low end of our full year guide of $100 million to $110 million. I expect the remaining interest expense to be fairly evenly distributed over the rest of the year.

And lastly, tax expense in the quarter was $37 million. Cash required by operating activities was $386 million. Capital expenditures were $57 million. This resulted in free cash flow consumption of $444 million in the quarter. The outflow follows the typical seasonal pattern of our business, driven by working capital consumption of $485 million related to the timing of project milestones and the payment of annual incentives. We ended the period with cash and cash equivalents of $522 million. Net debt was $868 million. In the quarter, we also repurchased 3.4 million shares amounting to $50 million.

Lastly, let me provide some thoughts on the second quarter. For Subsea, we expect to benefit from the typical seasonal uplift as well as improved margins in backlog with sequential revenue growth of approximately 15%, driving margin expansion of approximately 400 basis points. For Surface Technologies, we expect similar revenue through the first quarter with a sequential improvement in EBITDA margin of approximately 50 basis points, which will largely be driven by our international business.

I would now like to make a few additional comments with respect to our confidence in 2023 guidance, cash conversion and shareholder distributions.

Let me first speak to guidance. In the quarter, our segments delivered on our financial objectives with adjusted EBITDA of $155 million when excluding foreign exchange. And as indicated by our second quarter and full year outlook, we expect to capitalize on our momentum.

In Subsea, our full year outlook is supported by $3.3 billion of backlog scheduled for execution in 2023. When combined with our anticipated Subsea services inbound for the remainder of the year, we have more than 90% coverage of our full year revenue at the midpoint of guidance.

In Surface Technologies, we started the year modestly above plan, and we continue to anticipate all of our growth in the year to come from international markets, much of which currently sits in backlog today.

Our confidence in this outlook serves as support for my second takeaway, which is the confidence we have in our cash conversion. In the first quarter, we saw the typical seasonal outflow in working capital. Again, following historical patterns, we should see a material improvement in Q2 before we move into a much stronger second half. We remain committed to our free cash flow guidance for the full year, which at the midpoint is $300 million.

And this leads to my final takeaway, which is our commitment to shareholder distributions. I want to highlight that even with the anticipated cash outflow experienced in the first quarter, we continue to execute on our share repurchase program.

We have now bought back $150 million of our $400 million repurchase authorization, representing nearly 40% of the total. We continue to believe that our stock is one of the most attractive investments we can make today.

We expect that the structural changes we have made to our business will drive sustainable improvements in our profitability, providing further support to continued buyback activity and future dividend distributions.

Operator, you may now open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Arun Jayaram with JPMorgan, your line is open.

Marc Bianchi from TD Cowen your line is open.

Marc Bianchi - *TD Cowen, Research Division - MD & Senior Energy Analyst*

I first wanted to ask about this guidance here for the second quarter, nice improvement reflected in Subsea. And I know there can be some lumpiness with project timing and closeouts. I'm just kind of curious how you see second quarter relative to the remainder of the year, should we assume some modest increase from there and then the typical seasonality down in fourth quarter?

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

Yes. Thank you, Marc, for the question. So first of all, as mentioned in my prepared remarks, certainly, we expect the Q2 performance to be up significantly due to the seasonality talked about 15% revenue increase and 400 basis points uplift in the EBITDA margin. And this is obviously coming out of the winter season that primarily is affecting our North Sea operations. And really the Q2 will lead to higher offshore services and vessel activity. And also, our results continue to be supported by our improving margins in backlog. So we remain, overall, as I said, confident in the full year. And to your question, yes, you should expect the normal seasonal pattern, where you see a stronger Q2 and Q3, and then you see it moderating in the fourth quarter.

Marc Bianchi - *TD Cowen, Research Division - MD & Senior Energy Analyst*

Okay. Great. The other one I had relates to kind of the subsea opportunities. And I saw some news this week about Brazil delaying some platform start-ups and kind of look at the subsea opportunities and about 1/3 of them are in Brazil. So I'm just kind of curious how we should interpret the risk there if that's already kind of baked in to what you're looking for in orders? Or is that a potential risk?

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

Thanks, Marc. So certainly, all information that we have as soon as we have it, is kind of baked into our outlook in the outlook slide that we provide for the industry. So yes, you should assume any knowns are built into that. Obviously, there's always unknowns, but right now, Marc, net-net, there is a stronger pull to the left, if you will, than a push to the right. And right now, there is a significant amount of volume and a significant amount of opportunities and clients are competing for availability, and it's one of the reasons why we're seeing such an uplift in our integrated work, where we can work with the client early on shorten the cycle time, and they have a much greater certainty of project delivery relying upon our proven execution and our proven execution model. So really, things are looking very, very bright.

Marc Bianchi - *TD Cowen, Research Division - MD & Senior Energy Analyst*

Great. Thanks so much, Doug. I'll turn it back.

Operator

Chase Mulvehill with Bank of America.

Chase Mulvehill - *BofA Securities, Research Division - Research Analyst*

Good morning, everybody. So I guess, first, obviously, strong orders, and we continue to kind of hear from your peers about higher margins and strength along the pricing side. So could you talk a little bit about pricing momentum on recent awards in tenders and kind of what you're seeing out there in the market, if you're able to kind of continue to push pricing even though that you've seen a little bit of oil price volatility of recent.

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

Sure, Chase. As you know, I don't really talk about pricing or pricing momentum. Is it real? Yes. Is it there? Yes. Is it improving? Yes. But when you are a company that has 70% of your work direct awarded to your company because of your relationships, your technology lead, your unique integrated commercial model, what we like to talk to our customers about the project economics, and we show them how we can improve the project economics principally by accelerating time to first oil, which really drives the project returns. In that, we share a greater portion of that economic value that we create.

So again, very positive, very positive trend. But if you're only speaking to price, then you're just playing the supply and demand cycle, we built this company to be different. We built this company to be resilient and deliver through cycle returns, and it has fundamentally changed the way that we operate the company and quite frankly, our position within the sector as a result of that.

So when we talk about things like iEPCI, when we talk about Subsea 2.0, when we talk about the vessel ecosystem, all of these things are in place, we've been operating in this mode for up to 7 years, in some cases, with Subsea 2.0, 5 to 6 years for the integrated model and more recently with the vessel ecosystem, these are all ways that we are demonstrating that we are not reliant upon the market recovery or the pricing momentum.

Do we benefit from that? Absolutely. But it's not a singular trick.

We built a much more sustainable business and a much more sustainable operating model to deliver attractive through-cycle returns.

Chase Mulvehill - *BofA Securities, Research Division - Research Analyst*

All right. That makes sense. I appreciate all the color there. And questions that we get because order momentum is so strong, not only for you, but across the board for your competitors and across the industry. There's always questions around the supply chain and the ability for the supply chain to deliver on all of the orders and the continued momentum that we continue to see on the subsea side.

So could you talk about the supply chain a little bit and shipyard tightness or anything could delay FPSOs? And if that could impact anything on your subsea side?

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

Sure. So let me first maybe address the supply chain in which we engage with, which is not shipyards and such. But I will answer that as you're right, that's part of the equation. So speaking specifically to our company, I'll be real blunt here.

If I was a company that didn't have Subsea 2.0, I'd be really, really worried. You would be feeling a lot - you'd be cracking already.

And quite frankly, it's why our customers are coming to us. Subsea 2.0 has fundamentally not just changed the way that we operate and the throughput capacity, as I said in my prepared remarks, where we have incremental capacity without incremental capital expenditure. We've done the same for our supply chain. We're privileged to have a set of very special clients who have been with us, in some cases, for almost 3 decades now, working with us on an exclusive basis.

We have some very intimate relationships with our supply chain as well, where they now have the visibility and the certainty of what type of activity and more importantly, not just the demand, but also what it is that we will be demanding of them.

What do I mean by that? If you're not selling 2.0, which as you know, is exclusive to our company, then every single order is a bespoke order.

Every single order starts with product engineering, product engineering can take 9 to 12 months, at which time you place an order with the supply chain asking them to build something they've never built before. This creates lots and lots of issues.

We've seen it ourselves in prior cycles before we had Subsea 2.0. What we're seeing now is a much more resilient supply chain and a supply chain that we're quite frankly, privileged to have and is why we're not seeing the constraints that I think are being seen more broadly across the industry. You mentioned Shipyards, FPSO, absolutely. Keep in mind, Chase doesn't affect brownfield. So there's not that impact on the brownfield work.

There's not that impact on the CCUS work. But on greenfield projects, large greenfield projects that require an FPSO, that tends to be the long lead item. So far, as you know, we've been working with some really phenomenal projects where our clients have really moved projects year after year after year, expanding their footprint, and they've been very successful in doing so. And we'll keep monitoring that, and that's all built into our projections. And as we stated last quarter, we have a line of sight of $25 billion of inbound over the next 3 years.

Operator

Scott Gruber with Citigroup.

Scott Gruber - *Citigroup Inc., Research Division - Director, Head of Americas Energy Sector & Senior Analyst*

How should we think about the cadence of vessel utilization improvement this cycle versus past cycles? I imagine it's ramping faster given the shorter cycle time on tieback work and just given the volume of tieback work that's out there. I'm just curious about your perspective on the cadence of vessel utilization improvement.

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

Scott, interesting question. One we talk about regularly, and the benefit of the shorter cycle time is you do more with less, right? So the demand picks up, but you're also able to complete more projects.

And again, we're not a vessel company. We don't talk about day rate or utilization, and we're in the business of delivering subsea projects. We're in the business is delivering the most economic -- the projects with the best returns, which is mainly driven by being able to deliver them on time, on budget in the shorter cycle time.

That's what's driving our success. That's what's driving the subsea industry success, and that's what's driving our clients' success.

So what we're looking at right now is how can we maximize that? How can we ensure so that every single day, every month, every week, we take out of the budget cycle time, is beneficial to our company. When all you do is own boats, you don't want short-cycle projects. That is counterintuitive. You're on a day rate basis. You want to be slow and steady. We're about getting things done quickly. We're about delivering very successful projects to our clients.

Now at some point, as successful as we are, have been and continue to be and hope to be in the future, there is a finite capacity.

There's only so we can only shorten the cycle time so much on the vessel delivery side. This is why we created the vessel ecosystem. And brought in partners like Allseas and Saipem, where we can continue to expand the iEPCI market, they can benefit by being part of that market.

And we do that in a very capital efficient way for our company. So that's kind of the secret sauce, and it's something we're very, very proud of, and it has never been done in the industry before.

And by the way, that club is open to any and all participants we would welcome, and we're open to working with anyone.

Scott Gruber - *Citigroup Inc., Research Division - Director, Head of Americas Energy Sector & Senior Analyst*

That's great. I appreciate all the color. I probably didn't ask the question in the right manner because I just meant from the perspective of kind of getting into the installation phase faster this cycle.

It seems to be happening, which I would imagine is good for margins.

Just a follow-up on cash conversion. It is good to hear that no change in the free cash flow forecast for the year. I'm just curious, some of the -- obviously, the Ts and Cs on contracts can change as the cycle progresses.

I'm just curious whether there is any material change in cash conversion on projects you're signing today versus projects you signed earlier in the cycle? Or is that all fairly consistent?

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

Sure, Scott. And let me circle back to the first question. You didn't ask the question wrong. I just answered it wrong. But obviously, it's something I'm quite passionate about. But yes, I agree with the premise that you put out as well.

Look, when we talk about quality of inbound that can be interpreted broadly as the commercial terms, but it's also the contractual terms. And one of those very important one of those is how we are paid, if you will, the cash flow curve and that's very important to us. And I will say, in some cases, it has changed favorably in a material way, and it's one that we continue to work on very closely with our clients.

Our clients also understand that by securing certain items or prepay, if you will, it also helps them secure slots. It also helps them secure long lead raw. It also helps them ensure that we are able to mitigate potential inflationary impacts through the life of the project.

So for all of those reasons, it's actually a win-win on both sides.

Operator

Arun Jayaram with JPMorgan.

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

I had some technical issues a few minutes ago. Doug, 70% of your awards were direct awards, Subsea services or iEPCI. I was wondering if you could help us think about the margin benefits as more and more of your order book comes towards some of these direct awards and integrated projects.

I'm trying to think about that under the lens of -- you've guided kind of on this march from, call it, 13% Subsea margins this year, up to 18%, I believe, in 2025.

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

Sure, Arun. So just on the margin growth, just to be clear, it was 650 basis points, which gets us up to 18% in 2025, as you indicated. Again, you can understand the sensitivity when 70% is direct awarded, when you've had client relationships exclusively for over 30 years. Why I don't go on the mic and hammer price and all that. We don't take advantage of our clients. We work with our clients. You can only develop lasting relationships if you treat each other with respect.

And that is what we've done. That's how we built this company. That's the reputation of this company and we have just further enhanced that with the integrated model. Now is it true that we prefer a direct award, yes. Is it true that we prefer to be engaged with the client early in the process through our integrated front-end engineering or iFEED, yes. Do we require the customer in that case to direct award us the project? Of course, because we're showing them a unique integrated approach that others don't have the ability to do. So of course, we would expect that to result in a direct award.

At the end of the day, as I said earlier, we are a projects company. We're not about boats or trees or anything else. We're about delivering very successful offshore projects. We had been talking about the offshore coming back for quite a while before the rest of the industry kind of let's say, acknowledged it. That's because we knew what we were doing was making the offshore economics quite attractive.

And all of the things in the past that made the offshore projects unattractive are what we have addressed with the iEPCI model and Subsea 2.0. And we've done that. It's been a multi-year journey. It's been now going on a 10-year journey. We made very bold moves. They're all behind us.

We're 100% in execution mode now. And it's about delivering those successful projects to our company. So when we're looking at a 650 basis point margin expansion, and as we said back in the prior quarter, and again, in my prepared remarks, it's not reliant upon a market recovery. We're not betting on the market coming back.

We're not betting on pricing coming back. Do we believe the market is going to remain strong? Absolutely. But the strategy of the company is not based on the cyclicality of the industry. We fundamentally changed that we are going to deliver that type of a margin uplift largely through these internal initiatives, which we are already beginning to enjoy today.

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

Great. And I was just comparing Doug, your Subsea EBITDA margin guide for this year at 13% midpoint, just to be clear. Just my follow-up, Doug, I heard the word vessel ecosystem quite a bit on this call. So I was wondering if you could maybe elaborate on this -- on the competitive advantage of the ecosystem for FTI.

And what is -- what do you think some of the tangible benefits of that ecosystem that you highlighted at your Analyst Day back a couple of years ago?

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

Yes. So you're right, we kind of announced it a few years back, initially with Allseas. More recently, we've added Saipem to the club. And again, would welcome others any and all others, by the way. We don't view it as competitors. We view it as a collaborators or if you will, to collaborate together. Why is that? Everybody building additional capacity, everybody building capital, we've seen what that has done to other sectors of the industry.

It hasn't fared well. We chose to take a different approach. And the approach we took means we don't have to consolidate. We don't have to do M&A and just consolidate to get to scale. We will work openly and collaboratively with others, and we have the iEPCI market. And as a result of having that market, which is now a significant portion of the total market. So the total available market has shrunk to those who don't have iEPCI. So roughly called out 1/3 of the total market is now largely ours, and you see that in where we are in the marketplace today.

Now we can continue to grow that by going out and building multi-hundreds of millions of dollars of vessels or we can use the very same vessels that exist today in the marketplace with similar capability of the vessels that we would build in this case and work collaboratively with those companies. We both mutually benefit because the others in the club have access to the iEPCI market, and we continue to grow the iEPCI market.

It's just you don't think that way when you're an asset-only company because, again, all you're thinking about is day rate utilization, day rate utilization, and I have to have more. I have to have bigger, I have to have the most, we don't think that way.

We think about how do we make Subsea project economics, the most attractive investment for our customers. By the way, be it hydrocarbon-based or be it renewable energy base.

Operator

Guillaume Delaby with Societe Generale.

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

Yes. One question, if I may. One of your competitors, let's say, not really a competitor, Halliburton your partner basically mentioned the progress on the alliance regarding all-electric completions.

And seem to be basically quite excited regarding the potential of those technologies to change subsea infrastructure.

So I would like to have your take on that. Could all-electric completion be a genuine game changer going forward?

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

Guillaume, good afternoon to you. Thank you very much for the question. So the short answer is it is absolutely an exciting opportunity. We are privileged to work with Halliburton on this project. Halliburton brings the market leadership in downhole completions.

And in this case, specifically, in all-electric subsurface safety valves.

That's important because if we electrify the subsea, but the wellbore itself still requires hydraulic actuation, like Halliburton's competitors, that doesn't allow us to go all-electric, if you will, or to really simplify, you'd still have to run an umbilical subsea hydraulic distribution, we still have to have hydraulic throughput through our tree to be able to control the subsurface safety valve and downhole sleeves, sliding sleeves and valves downhole.

So Halliburton has worked really hard on this. They've got the leadership role. We obviously have the leadership role in subsea. So it's a great combination when we go out and look at the all-electric market.

I do think it's important, though, to put the electrification of Subsea, if you will, into context. Guillaume 22 years ago, TechnipFMC installed the first subsea electric actuator.

Since then, we've installed over 600 -- so our -- and when we launched our 2.0 platform, we designed that platform to be configurable to either electric over hydraulic or all-electric, giving our customers the choice of which way they want to go and demonstrating our continued relentless innovation and technical leadership.

And we've talked about in the past, exciting opportunities for greenfield developments where it will improve the total system cost and uptime performance. And we've also talked about brownfield opportunities because it's going to dramatically increase the tieback radius up to 4x around the existing host.

But more recently, and quite frankly, most exciting for us is we now realize that all-electric subsea will most likely be the base case. And in many cases, the only case for CCUS. That's new.

And this provides us an exciting market opportunity for our CO2.0 fit-for-purpose CO2 injection tree, which is built on our 2.0 platform and is electrified. So for all of those reasons, yes, we're very excited.

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

Okay. great. And I think I will not succeed in trying to get some numbers on that -- at this stage. Thank you very much, Doug. I'll turn it over.

Operator

David Anderson with Barclays.

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

Doug, sorry, I joined a little late today. A question kind of bigger picture of subsea market - it's really undergone a massive structural change about 5, 10 years between integration, consolidation and now capacity being taken out of the market by some of your competitors.

I'm wondering if this has created a sense of urgency among your customers out there about getting into the queue. Is this translating either into higher prices for non-iEPCI work that you're going after? Or are you seeing -- or maybe is this one of the reasons why we're seeing more on the iEPCI side, I was just wondering if you could talk about that -- the market...

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

Sure, David. And we know it's a busy day. So thank you for joining the call. So completely agree. As a matter of fact, there was a recent publication that I think really emphasized this that was very well done. So thank you for that. And I think, clearly, the market is as strong as it has been in a very, very long time. I won't say that -- I forget these words you -- the descriptor -- I won't call our clients anxious because I don't think they would want me to -- they would reflect that.

But look, are they concerned about capacity? Absolutely. Are they concerned about quality capacity, most definitely. So there's one thing about getting capacity. There's another thing about getting quality capacity. And again, I'm not saying this to say anything about anyone else. I'm just saying this is the fact that has hurt the subsea industry in every other cycle.

Is when you run out of quality capacity, then you start having people that are using kind of bespoke kind of manufacturing, and it leads to, as in the past, projects being delivered in many cases, up to 1 year late. Well, what they're seeing with the iEPCI model and what their experiencing from us and our repeat order rate on iEPCI is exemplary.

It's because we're delivering these projects ahead of schedule.

And they're seeing that there's a lot that goes on behind the scenes that is not obvious when you just think about integrating 2 major work packages but the thousands and thousands of interfaces that we have either eliminated and you can't do that through a relationship, you can only do that, and that's why we consummated our relationship and created TechnipFMC, it is a serious engineering technical effort to be able to do that.

And then you can give your customers the confidence that they need maybe now more than ever. It's not anxiety, but they do realize it's now more than ever. And to the earlier question that was asked, by Chase around the supply chain, it's just as important because if you're the bottleneck or your supply chain is the bottleneck, it doesn't matter the customer still loses.

And in the past, as an industry, we would talk about variation orders. We don't talk about variation orders. Variation orders means I'm having a problem. The customer is going to pay me more for my problem. That's a terrible, terrible model. And it doesn't build trust. It doesn't build confidence. It doesn't build repeat orders. So this is really -- I mean it has structurally changed the way that our customers think and the way that we're operating.

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

Great. A follow-up there, just looking at your orders and as you talked about the next 3 years. I'm just trying of curious based on what you have coming over the transom over the next I don't know, 12, 18 months, could you reach close to full capacity in your own business?

Or does Subsea 2.0 sort of change that definition of capacity and give you more flexibility?

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

Thank you, David. We are learning -- we are realizing, I guess, I should say, the benefits of Subsea 2.0 every single day. Just last night, I was spending time with our Head of Research, engineering, manufacturing and supply chain. And we're getting more out of the plants today than we thought was possible.

And not meaning that demonstrated capacity or technical capacity, I just mean the efficiency of Subsea 2.0, we're learning ourselves, the efficiency of the configure to order, the ability to be able to redeploy our engineers from doing product engineering and coming up with relentless numbers of new item codes that can go into a bid document and doing real exciting engineering like changing the architecture of the subsea environment.

I mean our engineers are as excited as they've ever been. We've talked about the supply chain before. And yes, on the manufacturing side, we continue to get more out of less. And we're learning as we go, and we certainly are not -- and we have no concern about that affecting our capacity. Just as importantly on the iEPCI projects is the vessel ecosystem.

So the two come together to give us that scalability that quite frankly, never existed in this business before. And if you don't have 2.0 and you're not an integrated company and you don't have access via a vessel ecosystem, which means you collaborate well with others. You're not going to get scalability and then you run into the capacity constraints and concerns that you mentioned.

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

So your kind of capacity number is sort of changing, you don't really know what the upper limits are. You're not adding obviously, adding roof line, but you don't really necessarily know. You're squeezing more out of this, I guess, in other words, and the capacity numbers kind of growing for you anyway.

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

That's exactly right. That's why you don't see our CapEx number going up, but yet our growth is going up.

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

Great. Thanks, Doug. Appreciate it.

Operator

Our final question will come from the line of Kurt Hallead with Benchmark.

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

Excellent. Doug, as always great color. So I'm kind of curious here first on Subsea, right? You talked about 70% of your business now being iEPCI and you kind of referenced broadly that potentially 70% of the total addressable market is, iEPCI. But my question is this, right? So is there a limit to what percentage iEPCI can represent of your specific business.

And I say that in the context that we know not all customers necessarily want to do business the way that you would like to do that. So does it give you an opportunity now to focus just on the customers that kind of share your vision? Or do you think you're going to keep some capacity available just to do some of this other work that may not fit into iEPCI? Kind of a longer-term question, but kind of curious on how you see it evolving.

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

A good fair question and an interesting strategic question, Kurt. If -- and I say if, I mean, it's what we do. But if you're -- if the assumption is that we are in business to generate the best economic -- to make Subsea projects the most economical investment for our customer and to deliver the greatest project returns, then by definition, iEPCI could go and quite frankly, should go to 100%. We know it works. Our customers know it works.

We announced -- almost every quarter, we're announcing a new customer and in many, many quarters, repeat customers. So it's expanding rapidly. I don't believe there is necessarily an upper limit in terms of a client or a geography. We just talked about delivering the very first iEPCI project very successfully in Brazil. So I think it's some adopt more quickly than others.

But over time, I -- quite frankly, I believe that the subsea industry, not just ourselves, will go integrated. So in the future, we'll have a fully integrated iEPCI-like competitor.

I mean that would be logical if that's where the market is going. So no, I guess I don't see any reason why there would be a technical limit to the growth of iEPCI or for that matter for the adoption rate of Subsea 2.0.

To your point, in the meantime, are we very honest with our clients. If they want us to go out and bid day rate on a vessel, it's less attractive to us.

In certain situations, in certain conditions, it's something we will pursue for the right returns and for the best economic outcome.

But in general, yes, we've been very clear that we will prioritize all of our resources, not just our vessel and manufacturing, but most valuably, our subsea engineering capability on those -- on alliance partners that lead to direct awards, iEPCI or integrated feeds that lead to direct awards of iEPCI and the application of Subsea 2.0.

And often, when we announce projects, you'll see it's a combination of those three.

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

Great. Awesome. Now a follow-up question I have is on surface. So as you've referenced many times in the past, all the growth is coming from international. You have very strong exposure in the Middle East market.

So I'm curious here as to -- as you look at that surface business, you look at the success that you've had in the Subsea business. Do you see an opportunity to establish a similar level of intimacy with your customers that you have in Subsea, where that surface business can become a direct award business as well? Kind of curious of how you think about that?

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

Kurt, great question. I just got back from Saudi Arabia, and thank you for bringing up surface and thank you for bringing up the Middle East. Both are important to our company. Just at a high level, reminding everyone, 90% of our revenue comes from international. We define international as offshore and principally, the Middle East to drive the bulk of our business, that's 90%. And the surface international business indeed benefits from direct award, indeed benefits from a similar because it's more of a project-based business whereas North America is a product-based business, and that product has become commoditized, hence, 20-plus competitors in the North America market.

Internationally, there's -- most countries, there's only two of us. In some countries, there's three of us. It's a very different playing field.

It tends to be project, it tends to be longer lead orders, larger orders, which is why we have backlog built up in our international business.

And I will tell you the activity and the relationship with our customers in the Middle East is exemplary.

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

I squeeze in just one more on capital allocation. In the context of the reference that you find your stock to be very much undervalued and share repurchase seems to be where you're going to put the capital.

I think in the past, you indicated that you would revisit your dividend policy at some point. Is that still on the table for this year?

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

Yes, that's correct. So first of all, we remain very committed to shareholder distributions overall as we -- as I said in the prepared remarks, we spent 37.5% of our $400 million authorized share buyback program. We achieved this based on successfully deleveraging our balance sheet last year, and we were able to accelerate the initiation of this program.

And clearly, we believe still that our shares remain undervalued. And you've seen it from this quarter's activity, and I believe you'll see us remain active in our share buyback program.

And also, of course, as our financial results continue to strengthen, we really believe it's appropriate to initiate a dividend to further really demonstrate our commitment to our shareholders. So you'll hear more about that in the second half of this year.

Operator

We have one final question from Bertrand Hodee with Kepler Keppler Cheuvreux.

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

Yes. Thank you for taking my question. So Doug, I had a question on Mozambique. Back in 2019, TechnipFMC won another $1 billion plus contract subsea. Can you update on the status and the remaining portion on the backlog? And if TotalEnergies were to restart the project this year, is this will be a straightforward restart? Or do we -- do you have to renegotiate some terms on the contract?

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

Thank you for the question. Indeed, a very large contract at the time of the award. As you may recall, it was the largest iEPCI project that was ever awarded at that point. Subsequently, we've actually received larger ones and potentially more in the future. So -- but an important project, one that we have worked tirelessly actually on the subsea equipment portion. And as I have previously mentioned on the call, that is largely done.

So what is really left is the installation of that equipment and the tie-ins, et cetera. Out of respect for Monsieur Pouyanné and the TotalEnergies organization, I'm going to let them comment on the timing of the restart of the project. But if that opportunity and when that opportunity presents itself, we will be excited to move forward.

Operator

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

Matt Seinsheimer - *TechnipFMC plc - VP of IR and Corporate Development*

Thank you, Jack. This concludes our first 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 reach out to any of the members of the Investor Relations team. Thanks for joining us.

Jack you can end the call.

Operator

This concludes today's call. We thank you for your participation. You may now disconnect.
