

TechnipFMC Plc.

4Q20 Earnings First Take – Modest Positive

Quick Take: FTI reported 4Q20 revs. and adj. EBITDA modestly above Street est., +2%/+4% respectively. We est. 1Q21 EBITDA could be about \$120M. FTI's guidance implies ~\$550M EBITDA for 2021. Strong Subsea margins guide of 10-11% for 2021 vs earlier soft indication of modest improvement y/y from ~8.5% for 2020. FCF yield guide implies only ~3% or ~5% on adj. basis.

Earnings Reaction: Neutral. FTI reported adj. EBITDA of \$301M, modestly above Street's \$290M est., but the beat was driven by Energies while Subsea miss was offset by Surface beat. Revs of \$3,426M were modestly above, +2%, Street's \$3,368M est. FCF was strong at ~\$515M for 4Q, but we think likely was driven by strong Energies orders.

1Q21 Potential Earnings: We estimate about \$120M EBITDA for 1Q21 now assuming ~3% q/q Subsea revs. decline and 8.5% EBITDA margins, ~10% q/q Surface revs. increase and ~12.5% EBITDA margins and \$25-30M Corp. Exp.

Stock Reaction: Modest positive given strong Subsea orders and margins guide for 2021.

Positives

- Adj. EBITDA of \$301M was above Street's \$290M est., but beat was driven by Energies while Subsea miss was offset by Surface beat.
- Subsea EBITDA margin guidance of 10-11% for 2021 vs prior soft indication of modest y/y margin improvement from ~8.5% in 2020.
- FTI reiterated over \$4B of Subsea orders for 2021, i.e. up y/y.
- FCF of 4Q20 was ~\$515M and for 2020 of \$365M vs guidance of up to \$150M. High Energies bookings could be the driver for 4Q20, in our view.

Negatives

- Subsea EBITDA margins of 8.7% for 4Q20 was below Street's ~9.5% estimate.
- FCF guidance of \$100M at mid-point (\$50-150M range) for 2021 implies only ~3% FCF yield. Even adding back \$70M separation related costs, it implies only ~5% FCF yield.
- Interest expense guidance of \$130-135M likely driven by credit ratings downgrade

Questions to Ask

- What is driving significant improvement in Subsea EBITDA margins to 10-11% in 2021. COVID-19 impacts going away?
- What is driving the mid-point of the guidance for Surface margins for 2021 of 9.5% vs 11.8% in 4Q20 despite quarterly revenues expected to be up ~10%?
- What's the walk down from EBITDA to FCF for 2021? \$550M EBITDA, \$135M interest, \$115M taxes, \$250M capex, \$170M fine, \$25M stock comp and about \$200M from working capital?
- Timing of dividend reinstatement?

OILFIELD SERVICES & ENERGY TRANSITION

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Exhibit 1: Variance vs Street and Q/Q Changes (US\$M)

	Actual 4Q20	CPI 4Q20	Consensus	Actual 3Q20	Var. vs Street		Q/Q Chg		EPS Var.	
					\$	%	%	\$	\$	\$
Orders and Backlog										
Subsea Orders	712	500	779	1,607	-9%	(67)	-56%	(895)		(0.05)
Subsea Backlog	6,876	6,291	6,800	7,218	1%	76	-5%	(342)		0.06
Energies Orders	3,192	3,500	2,340	413	36%	852	673%	2,779		0.69
Energies Backlog	14,099	13,710	12,810	12,059	10%	1,289	17%	2,040		1.04
Surface Orders	300	222	228	208	32%	73	45%	93		0.06
Surface Backlog	414	341	367	369	13%	47	12%	45		0.04
Income Results										
Segment Revenues (\$M)										
Subsea	1,338	1,427	1,380	1,502	-3%	(42)	-11%	(164)		(0.03)
Energies	1,826	1,849	1,780	1,608	3%	46	14%	218		0.04
Surface	262	249	228	226	15%	34	16%	37		0.03
Total	3,426	3,525	3,368	3,336	2%	58	3%	90		0.05
Segment EBITDA (\$M)										
Subsea	117	120	129	127	-10%	(13)	-8%	(11)		(0.01)
Energies	194	188	173	159	12%	21	22%	35		0.02
Surface	31	21	15	15	110%	16	107%	16		0.01
Corp Exp	(45)	(40)		(18)			148%	(27)		(0.04)
Bottoms-Up Total	296	288	290	283	2%	6	5%	13		0.01
Segment EBITDA Margins (%)										
Subsea	8.7%	8.4%	9.4%	8.5%	-0.7%		0.2%			
Energies	10.6%	10.2%	9.7%	9.9%	0.9%		0.7%			
Surface	11.8%	8.3%	6.4%	6.6%	5.3%		5.2%			
Total	8.8%	8.2%		8.5%	8.8%		0.2%			
Segment Incremental EBITDA Margins (%)										
Subsea	7%	10%	-2%	45%						
Energies	16%	11%	8%	31%						
Surface	44%	25%	-8%	-68%						
Summary Metrics										
Revenues	3,426	3,525	3,368	3,336	2%	58	3%	90		0.05
Other Income	-	-	-	-						0.00
Corporate Expenses	(45)	(40)		(18)			148%	(27)		(0.03)
Other Recurring	(3)	-	-	-						0.00
EBIT	189	182		176			7%	13		0.15
D&A	112	107		109			3%	3		0.09
EBITDA	301	288	290	285	4%	11	6%	16		(0.00)
Interest Expense, net	(55)	(14)		(92)			-41%	37		(0.01)
Other	-	-		-						0.00
EBT	135	167		85			59%	50		0.13
Tax	(86)	(15)		(31)			181%	(55)		
Tax Rate	64%	9%		36%						
Minority Interest	(25.4)	-		(10)						
Clean Net Income	23	152	98	44	-76%	(75)	-46%	(20)		
Other	(62.2)	-		(48)						
GAAP Net Income	(38.8)	152.2		(3.9)			895%	(35)		
Diluted Shares	449	449		449						
Clean EPS	\$0.05	\$0.34	\$0.22	\$0.10	-77%	(0.17)	-46%	(0.05)		
FCF	514	222	226	95	128%	288	441%	419		

Source: Bloomberg; Company reports; CPI est.

Appendix A – Required Disclosures

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Appendix A – Required Disclosures Contd.

These shorter term views are based upon catalysts or events that may have a shorter-term impact on the market price of the equity securities discussed in research reports, including but not limited to the inherent volatility of the marketplace. Any such shorter-term views expressed in research report are distinct from and do not affect the Research Analyst's 12-month view and are clearly noted as such.

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Category	Count	Percent
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Total	9	100%

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Appendix A – Required Disclosures Contd.

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