

TechnipFMC Plc.

3Q21 Earnings First Take –Modest Negative

Quick Take: Modest Negative. FTI reported 3Q21 adj. EBITDA of \$141M, 9% below Street est. Guidance for 2021 was unchanged but we wonder if Street est. for 2021 that are above mid-point of guidance decline to the low end of the range. FCF was strong at \$89M for 3Q21. Focus will be on analyst day and 2022 guide on 4Q21 call. Subsea revenues up 5% y/y in '22 could imply ~10% upside to Street EBITDA est.

Earnings Reaction: Negative. FTI reported 3Q21 revenues of \$1,580M, 6% below Street est. and adj. EBITDA of \$141M, 9% below Street est. FCF was strong at \$89M, more than half of targeted \$170M for 2021 (\$120-220M). Subsea orders at \$1.1B were above Street's \$1.0B est.

2021 Guidance Unchanged: However, Street expectations were for a flat q/q Subsea revenues and modestly higher Surface revenues in 3Q. Given 3Q21 results, Surface revenues would need to be up ~35% q/q and Subsea revenues decline of only ~5% in 4Q21 to achieve mid-point. FTI talked about significant Surface award in 4Q21, however, we wonder if Street estimates move down from above mid-point to the low-end of guide range. Street 2021 EBITDA est. of ~\$605M is above FTI's implied mid-point guidance of ~\$575M. Subsea orders are on pace for a solid double digit growth y/y in 2021 vs. \$4B in 2020. Orders growth expected in 2022 as well.

Stock Reaction: Modest negative. In recent past FCF has been a big driver where the company delivered on 3Q21 however a ~10% EBITDA miss is hard to ignore. Options implied stock price move is about ~10%.

Positives

- Expect significant increase in Surface activity internationally in 4Q21 driven by several multi-year awards.
- FTI expects flexible orders could exceed 700km/year over the next three years in Brazil.
- FTI acquired the remaining 75% of interest in Magma Global to advance flexible pipe solutions

Negatives

- Subsea revenues declined 6% q/q in 3Q21 though margins improved 10bps.
- Surface revenues declined 3% q/q in 3Q21 due to timing of large, multi-year international awards

Questions to Ask

- What are longer term FCF targets? Steps and timeline.
- How much debt bought back so far vs. Energies sale and future expectations?
- Is it fair to assume Subsea revenues can be up ~5% y/y in 2022? Backlog already is at \$3.3B for 2022 which should increase to \$3.5B in 4Q21 plus \$1.2B Subsea Services and \$800M book and turn (vs. ~\$700M in 2021) implies \$5.6B Subsea revenues in 2022? It could imply about 10% upside to Street '22 EBITDA est. assuming 100bps margins improvement.

OILFIELD SERVICES & GREEN ENERGY

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Appendix A – Required Disclosures

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Appendix A – Required Disclosures Contd.

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Appendix A – Required Disclosures Contd.

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