

TechnipFMC Plc.

4Q21 Earnings First Take –Modest Positive

Quick Take: Modest Positive. FTI missed 4Q21 EBITDA est. by 8%, but FCF was strong at \$423M, handily beating ~\$50M Street est. FTI's 2022 EBITDA guide of ~\$665M is in line with Street est. The company expects up to 30% increase in Subsea orders y/y. The mid-point of FCF guidance of \$175M for 2022 though is below ~\$195M Street est. We wonder if it's a timing issue and look for color. We think 4Q21 FCF beat and 2022 in-line EBITDA guide could be enough given stock at the current level.

Earnings Reaction: Negative. FTI reported 4Q21 revenues of \$1,523M, 4% below Street est. and adj. EBITDA of \$130M, 8% below Street est. FCF was strong at \$423M, handily beating ~\$50M Street est. Subsea orders at \$1,035M were strong, though below our \$1.25B est.

2022 Guidance: Neutral. FTI's 2022 EBITDA at mid-point implies ~\$665M EBITDA vs. \$658M Street est. The company expects up to 30% increase in Subsea orders y/y i.e., ~\$6.5B. The mid-point of FCF guidance of \$175M (\$100-250M) for 2022 though is below ~\$195M Street est. We wonder if it's a timing issue given \$423M FCF in 4Q21, i.e., down payment on orders were received early. Else, in 2022, y/y higher EBITDA, lower interest expense, flattish cash taxes and upfront payment on 30% higher orders implies FCF should be higher too.

Stock Reaction: Modest positive. A 4Q21 EBITDA miss does not bode well but investors focus in on FCF, where the company handily beat expectations. EBITDA guide for 2022 is in-line with Street est. with 100bps y/y improvement in Subsea margins. FCF guidance for 2022 is below Street est. but could be an timing issue. We look for color.

Positives

- FCF was strong at \$423M, handily beating ~\$50M Street est.
- Expects ~30% increase in Subsea orders y/y in 2022 with industry tree count of ~130.
- Reiterated \$1B New Energy orders and doubling of Subsea EBITDA by 2025.

Negatives

- Reported 4Q21 revenues of \$1,523M, 4% below Street est. and adj. EBITDA of \$130M, 8% below Street est. Subsea and Surface revenues and margins missed our expectations.

2022 Guidance

- Subsea revenues of \$5.2-5.6B; 11-12% EBITDA margins
- Surface revenues of \$1,150-1,300M; 11-13% EBITDA margins
- Corp. Exp. \$100-110M; net int. exp. \$105-115M; taxes \$100-110M
- Capex ~\$230M; FCF \$100-250M

Questions to Ask

- What drove FCF in 4Q21? What's driving FCF guidance of \$175M for 2022 despite y/y higher EBITDA, lower interest expense and higher orders.

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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