TechnipFMC Announces Third Quarter 2018 Results

October 24, 2018

- **Net income of $136.9 million and adjusted EBITDA of $430.5 million**
- **Inbound orders of $3.6 billion; Subsea orders exceeded revenue for the fourth consecutive quarter**
- **Backlog increased year-over-year in all segments**
- **Updated 2018 guidance reflects strong execution in Onshore/Offshore and revised market outlook for Surface Technologies**

LONDON & PARIS & HOUSTON--(BUSINESS WIRE)--Oct. 24, 2018-- Regulatory News:

TechnipFMC plc (NYSE:FTI) (Paris:FTI) today reported third quarter 2018 results.

Total Company revenue was $3,143.8 million. Net income was $136.9 million, or $0.30 per diluted share. These results included after-tax charges and credits of $2.9 million, or $0.01 per diluted share; adjusted diluted earnings per share were $0.31.

Adjusted EBITDA, which excludes charges and credits, was $430.5 million; adjusted EBITDA margin was 13.7 percent. After-tax charges and credits are detailed in the financial schedules.

Other significant pre-tax items impacting the quarter, for which we do not provide guidance, included the following:

- $34.4 million, or $0.05 per diluted share, of foreign exchange losses included in corporate expense; and
- $93.2 million, or $0.20 per diluted share, of increased liability payable to joint venture partners included in interest expense.

Summary Financial Statements

Reconciliation of U.S. GAAP to non-GAAP financial measures are detailed below and in the financial schedules.

(In millions, except per share amounts)	**Three Months Ended September 30, 2018**	**Three Months Ended September 30, 2017**	**Change**
Revenue	$3,143.8	$4,140.9	(24.1%)
Net income	$136.9	$121.0	13.1%
Diluted EPS	$0.30	$0.26	15.4%
Adjusted EBITDA	$430.5	$536.2	(19.7%)
Adjusted EBITDA margin	13.7%	12.9%	74 bps
Net income, excluding charges and credits	$139.8	$183.6	(23.9%)
Diluted EPS, excluding charges and credits	$0.31	$0.39	(20.5%)
Inbound orders	$3,647.2	$2,461.9	48.1%
Backlog	$15,178.0	$13,902.4	9.2%

Doug Pferdehirt, CEO of TechnipFMC, stated, “Our third quarter results illustrate the benefit of structural cost savings and strong project delivery. This was most notable within Onshore/Offshore, where execution on key projects such as Yamal LNG has remained robust, leading to further improvement in adjusted EBITDA margin. Subsea continued to display strong operational performance. Surface Technologies results increased modestly versus the prior year despite softening completions activity in North America.”

“Total Company orders once again exceeded revenues, supporting a return to year-over-year growth in backlog. Total Company backlog of $15.2 billion increased 9 percent when compared to the prior-year quarter, with growth occurring in all business segments.”

Pferdehirt continued, “During the quarter, we successfully delivered Train 2 of the Yamal LNG project, approximately six months ahead of schedule. LNG volume shipped to date now exceeds 5 million metric tons, a result achieved due to the project’s accelerated delivery. Construction and commissioning of Train 3 is progressing well and is on track for another early delivery.”

“We also successfully delivered two additional iEPCI™ projects in the third quarter – Trestakk and Visund Nord – both withEquinor on the Norwegian Continental Shelf. On Trestakk, our first awarded 0 0 -1 6 695.i0 0 -1 6 1 projec,dwhe successfully deliverek sfullycrmmVistioredsu se slsrtm fntelz ig, ı for Equinor. An important factor in the success of these projects was the strong collaboration with our partner, Equinor, and the integrated capabilities of TechnipFMC."

Pferdehirt concluded, "The outlook for our three growth pillars – subsea, unconventionals, and LNG – remains favorable."

"In Subsea, the recovery that began nearly two years ago continues. Our Subsea book-to-bill has exceeded 1.0 in five of the last six quarters. Final Investment Decisions (FIDs) for large projects continue to increase, supported by considerable improvement in project economics and operator cash flows. The continued increase in FEED activity further supports our favorable outlook. With the industry's most comprehensive offering and the ability to leverage next generation technologies such as Subsea 2.0™, TechnipFMC is capitalizing on the market evolution towards integrated subsea developments."

"For U.S. unconventionals, the near-term uncertainty in completion activity will likely prove transitory. We believe that growth in hydrocarbon demand will continue, and the market will ultimately resolve takeaway capacity constraints. In the meantime, growth in drilled but uncompleted wells (DUCs) continues; the required completions will soon follow."

"LNG remains one of the fastest growing markets in the oil and gas sector. Demand growth suggests a new wave of LNG projects will need to be sanctioned in 2019 and beyond. Our 50+ years of experience has resulted in the delivery of over 20 percent of the world's operating capacity. We are well-positioned for this growth opportunity."

Operational and Financial Highlights – Third Quarter 2018

Subsea

Financial Highlights

Reconciliation of U.S. GAAP to non-GAAP financial measures are detailed below and in the financial schedules.

(In millions)	**Three Months Ended September 30, 2018**

Estimated Backlog Scheduling as of September 30, 2018
(In millions)

		backlog**
2018 (3 months)	$1,102.7	$23.4
2019	$2,798.2	$179.7
2020 and beyond	$2,442.5	$792.8
Total	**$6,343.4**	**$995.9**

***** *Backlog does not capture all revenue potential for subsea services.*

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2018 (3 months)	$1,602.0	$63.3
2019	$4,194.7	$718.5
2020 and beyond	$2,582.1	$1,142.4
Total	**$8,378.8**	**$1,924.2**

***** *Non-consolidated backlog reflects the proportional share of backlog related to joint ventures that is not consolidated due to our minority ownership position.*

Surface Technologies

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TechnipFMC
Corporate expense, net $40 – 45 million per quarter (excluding the impact of foreign currency fluctuations)
Net interest expense* approximately $10 – 12 million per quarter (excluding the impact of revaluation of partners' redeemable financial liability)
Tax rate 28 – 32% for the full year (excluding the impact of discrete items)
Capital expenditures approximately $300 million for the full year
Merger integration and restructuring costs approximately $100 million for the full year
Cost synergies $450 million annual savings ($200 million exit run-rate 12/31/17, $400 million exit run-rate 12/31/18, $450 million exit run-rate 12/31/19)

Updates to the Company's full-year guidance for 2018 are detailed below:

- *the remedial measures to address our material weaknesses could be insufficient or additional issues relating to disclosure controls and procedures or internal control over financial reporting could be identified;*
- *unanticipated changes relating to competitive factors in our industry;*
- *demand for our products and services, which is affected by changes in the price of, and demand for, crude oil and natural gas in domestic and international markets;*
- *our ability to develop and implement new technologies and services, as well as our ability to protect and maintain critical intellectual property assets;*
- *potential liabilities arising out of the installation or use of our products;*
- *cost overruns related to our fixed price contracts or asset construction projects that may affect revenues;*
- *our ability to timely deliver our backlog and its effect on our future sales, profitability, and our relationships with our customers;*
- *our reliance on subcontractors, suppliers and joint venture partners in the performance of our contracts;*
- *our ability to hire and retain key personnel;*
- *piracy risks for our maritime employees and assets;*
- *the potential impacts of seasonal and weather conditions;*
- *the cumulative loss of major contracts or alliances;*
- *U.S. and international laws and regulations, including environmental laws and regulations, that may increase our costs, limit the demand for our products and services or restrict our operations;*
- *disruptions in the political, regulatory, economic and social conditions of the countries in which we conduct business;*
- *risks associated with The Depository Trust Company and Euroclear for clearance services for shares traded on the NYSE and Euronext Paris, respectively;*
- *results of the United Kingdom's referendum on withdrawal from the European Union;*
- *risks associated with being an English public limited company, including the need for court approval of "distributable profits" and stockholder approval of certain capital structure decisions;*
- *our ability to pay dividends or repurchase shares in accordance with our announced capital allocation plan;*
- *compliance with covenants under our debt instruments and conditions in the credit markets;*
- *downgrade in the ratings of our debt could restrict our ability to access the debt capital markets;*
- *the outcome of uninsured claims and litigation against us;*
- *the risks of currency exchange rate fluctuations associated with our international operations;*
- *risks that the legacy businesses of FMC Technologies, Inc. and Technip S.A. will not be integrated successfully or that the combined company will not realize estimated cost savings, value of certain tax assets, synergies and growth or that such benefits may take longer to realize than expected;*
- *unanticipated merger-related costs;*
- *failure of our information technology infrastructure or any significant breach of security, including related to cyber attacks;*
- *risks associated with tax liabilities, changes in U.S. federal or international tax laws or interpretations to which they are subject; and*
- *such other risk factors set forth in our filings with the United States Securities and Exchange Commission and in our filings with the Autorité des marchés financiers or the U.K. Financial Conduct Authority.*

We 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, except to the extent required by law.

TECHNIPFMC plc AND CONSOLIDATED SUBSIDIARIES

Contract assets	1,394.6	1,755.5
Inventories, net	1,171.0	987.0
Other current assets	1,472.7	2,012.8
Total current assets	11,670.9	12,977.1
Property, plant and equipment, net	3,670.5	3,871.5
Goodwill	9,003.4	8,929.8
Intangible assets, net	1,223.1	1,333.8
Other assets	1,199.8	1,151.5
Total assets	$ 26,767.7	$ 28,263.7
Short-term debt and current portion of long-term debt	$ 78.4	$ 77.1
Accounts payable, trade	2,800.9	3,958.7
Contract liabilities	3,819.6	3,314.2
Other current liabilities	2,111.6	2,479.4
Total current liabilities	8,810.5	9,829.4
Long-term debt, less current portion	4,017.1	3,777.9
Other liabilities	1,076.1	1,247.0
Redeemable noncontrolling interest	39.7	—
TechnipFMC plc stockholders’ equity	12,804.8	13,387.9
Noncontrolling interests	19.5	21.5
Total liabilities and equity	$ 26,767.7	$ 28,263.7

TECHNIPFMC PLC AND CONSOLIDATED SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	(Unaudited) Nine Months Ended September 30,	
	2018	**2017**
Cash provided (required) by operating activities		
Net income	$ 335.7	$ 261.7
Adjustments to reconcile net income (loss) to cash provided (required) by operating activities		
Depreciation	276.3	276.8
Amortization	136.2	184.9
Employee benefit plan and share-based compensation costs	27.1	30.5
Deferred income tax provision, net	(44.6)	3.5
Unrealized gain on derivative instruments and foreign exchange	19.0	(70.5)
Impairments	14.1	9.0
Income from equity affiliates, net of dividends received	(67.3)	(36.3)
Other	58.9	20.9
Changes in operating assets and liabilities, net of effects of acquisitions		
Trade receivables, net and contract assets	(25.9)	225.8
Inventories, net	(259.6)	198.0
Accounts payable, trade	(938.2)	150.2
Contract liabilities	(18.6)	(1,195.3)
Income taxes payable (receivable), net	(91.8)	(88.1)
Other current assets and liabilities, net	416.6	217.3
Other noncurrent assets and liabilities, net	(182.6)	90.6
Cash provided (required) by operating activities	(344.7)	279.0
Cash provided (required) by investing activities		
Capital expenditures	(255.2)	(170.4)
Cash acquired in merger of FMC Technologies, Inc. and Technip S.A.	—	1,479.2
Acquisitions, net of cash acquired	(103.4)	—
Cash divested from deconsolidation	(7.5)	—
Proceeds from sale of assets	7.9	13.6
Other	—	12.0
Cash provided (required) by investing activities	(358.2)	1,334.4

Cash required by financing activities		
Net decrease in short-term debt	(29.5)	(28.4)
Net increase (decrease) in commercial paper	309.3	(363.0)
Proceeds from issuance of long-term debt	2.5	7.3
Repayments of long-term debt	—	(547.2)
Payments related to taxes withheld on share-based compensation	—	(46.6)
Purchase of treasury shares	(384.2)	(1.3)
Dividend t (d) 6		

Change in accounting estimate (5)	—	—	—	16
Purchase price accounting adjustments (6)	16	24	51	142
Total	3	63	65	246
Adjusted net income attributable to TechnipFMC plc	$ 140	$ 184	$ 403	$ 513
Earnings (loss) per diluted EPS attributable to TechnipFMC plc, as reported	$ 0.30	$ 0.26	$ 0.73	$ 0.57
Adjusted diluted EPS attributable to TechnipFMC plc	$ 0.31	$ 0.39	$ 0.87	$ 1.10

(1) Tax effect of $1 million and $3 million during the three months ended September 30, 2018 and 2017, respectively, and $5 million and $4 million during the nine months ended September 30, 2018 and 2017, respectively.

(2) Tax effect of $3 million and $20 million during the three months ended September 30, 2018 and 2017, respectively, and $6 million

Adjusted EBITDA margin	15.3 %	13.8 %	16.6 %	12.9 %

	Nine Months Ended September 30, 2017				
	Subsea				

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