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PRESENTATION

Operator

Good morning. My name is Shelley, and I will be your conference operator today. At this time, I would like to welcome everyone to the TechnipFMC Fourth Quarter 2018 Earnings Conference Call. (Operator Instructions)

Matt Seinsheimer, you may begin your conference.

Matt Seinsheimer - *TechnipFMC plc - VP of IR*

Thank you. Good afternoon, and welcome to TechnipFMC's Fourth Quarter 2018 Earnings Conference Call. Our news release and financial statements issued yesterday 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, most recent 10-Q and other periodic filings with the U.S. Securities and Exchange Commission, the French AMF and the U.K. Financial Conduct Authority. 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 Chief Executive Officer.

Douglas J. Pferdehirt - *TechnipFMC plc - CEO & Director*

Thank you, Matt. Good afternoon and good morning. Thank you for participating in our Fourth Quarter Earnings Call.

Let me start by providing an update on our ongoing efforts and cooperation with authorities to resolve investigations involving legacy projects. These matters have progressed to a point where we have made a provision of the probable estimate for an aggregate settlement with all authorities. Let me be clear. These historical individual actions are unacceptable. Since our first day as TechnipFMC, integrity has been a foundational belief that drives the behaviors of the 37,000 women and men of our company. How we do business is as important as why we do business and helps us to recognize and address the ethical dimensions to our everyday decisions. Our strong compliance program promotes a culture of accountability that gives me confidence in how TechnipFMC will always conduct business.

Now turning our attention to the market and our operational performance. Market adoption of the new commercial model that we pioneered is accelerating. And in many cases, the integrated model has become the industry standard for subsea projects. We have also restored growth in total company backlog with a continued focus on project selectivity, positioning our company for future profitable growth. This provides us with a strong foundation for 2019 and beyond. Total company orders exceeded $14 billion for the year, a 40% increase compared to the prior year.

Orders exceeded revenues in all segments, with Onshore/Offshore particularly successful in securing several key downstream and petrochemical awards. In Subsea, book-to-bill was above 1.1, with considerable growth in iEPCI project inbound, including our largest most comprehensive integrated award to date for Energean's Karish field development. In Surface Technologies, orders grew 36% when compared to the prior year, driven by nearly 70% growth outside of the Americas. The impressive order intake for the total company drove a double-digit increase in backlog to $14.6 billion.

We exceeded total company financial objectives for a second consecutive year. Total company adjusted EBITDA margin of 12.2% declined just 93 basis points from the prior year despite the revenue decline of 17%. This outperformance was largely driven by continued strength in Onshore/Offshore execution as evidenced by the early delivery of Trains 2 and 3 on Yamal LNG. In fact, the third train on Yamal was delivered more than 12 months ahead of the original schedule, a feat unprecedented in the LNG industry. Notable execution milestones in Subsea included the delivery of the industry's first 3 full-cycle iEPCI projects. Our results were further supported by the delivery of merger and other cost-saving initiatives. And we remain on track to generate $450 million in annualized merger savings by the end of 2019.

And finally, collaboration with our customers and partners led to the development of several strategic growth initiatives during 2018, which seek to strengthen and differentiate our competitive position and further expand our market opportunity set. Let me highlight a few of these initiatives.

In Surface Technologies, we announced a frame agreement with Chevron that leverages the value we can create through our integrated drilling and completion offering. This preferred supplier agreement enables us to further support Chevron's development program across the U.S. and Canada through the provision of surface wellheads, production trees and related services well into the next decade.

In Subsea, I want to highlight 2 achievements. First, we signed a global strategic collaboration agreement with Equinor, which further expands upon our recent iEPCI successes. The agreement emphasizes collaboration from early engagement through the full project life cycle on Equinor's global offshore portfolio. It also encompasses our full scope of products and services, the most comprehensive in the industry, including integrated project execution, next-generation technology and digitalization. Second, our subsea services business was awarded a Master Services Agreement by Petrobras. This represents the industry's first integrated services agreement in Brazil, a market where we have the largest install base of subsea trees, manifolds and flexible pipelines. It also reinforces our long-term commitment to Petrobras as well as supporting the growth in outlook for our subsea services business.

Collaboration is essential to the success of our strategy, and we are working to secure additional agreements to further strengthen and differentiate our market position. With the subsea market recovery entering its third year, we are rebuilding our backlog in a disciplined way. The market for smaller awards, including brownfield and tieback projects, remains very active. TechnipFMC has the industry's largest install base, which uniquely positions us to capture a high share of this expanding market. In addition, many of these awards come through our alliance relationships and are often the result of a direct award. Since the formation of TechnipFMC in January of 2017, we have secured over $10 billion of subsea order inbound.

The majority of this reflects smaller awards in subsea services work, demonstrating that we are not overly reliant on large competitive tenders to support our business.

Subsea services returned to growth in 2018. We anticipate double-digit growth this year, driven by an improving subsea market as well as strategic investments we have made in this business.

TechnipFMC pioneered the integrated model and has delivered the industry's only full-cycle projects. The savings in both cost and time are now being realized. This gives us confidence we will see further market growth and integrated projects in 2019.

This year, we have already secured new projects from BP and Lundin, both first-time iEPCI customers. Our expanding list of project references, when combined with our unique breadth and differentiation of our integrated offering, positions us well for continued growth in iEPCI backlog in the coming year. This will be driven in part by a further broadening of iEPCI alliance partners.

Now let me provide a quick update on the Subsea outlook. As evidenced by our recent awards, the deepwater market has moved into 2019 with strong momentum. We continue to anticipate another year of activity growth, with integrated awards becoming an even larger component of the Subsea mix for both TechnipFMC and the broader market. In our updated Subsea opportunities list, we have made several project additions that are reflective of more recent activity trends. With continued project sanctioning and expanding opportunities in Asia Pacific and Brazil as well as growing momentum across Africa, we have added 4 new projects to the list. As previously discussed, there is a substantial market beyond large competitive tenders, including work in the brownfield and tieback markets, subsea service and other strategic project opportunities for TechnipFMC. Our comprehensive capabilities positions us well to capitalize on all of these market opportunities. It is also important to note that several projects on the list will serve to feed existing LNG infrastructure, while others will create new opportunities for large-scale gas monetization.

Turning to Onshore/Offshore. I want to reemphasize some of the strategic differentiators that we believe distinguishes us and drives our industry-leading returns. We take a selective approach, targeting projects where we have a real competitive advantage or the ability to create one. We do this through early customer engagement, with our demonstrated engineering competencies and proprietary technologies, through strong client relationships and local presence and with robust project execution.

Now let me illustrate how these strategic differentiators contributed to our success in 2018. Inbound orders of $7.4 billion nearly doubled when compared to the prior year, and backlog grew 27%. Over the last decade, this is the second-highest inbound level for Onshore/Offshore. And perhaps most importantly, we have sustained the same level of anticipated profitability from our non-Yamal LNG backlog during this period of significant inbound growth, a testament to our ability to both replace and further grow backlog without compromising project selectivity. We will use this same strategy to successfully navigate the LNG market, where projects are often large, requiring highly complex logistics. These project characteristics play to our strengths, and we will remain disciplined and selective.

Stronger-than-expected demand for LNG is being driven by Asia Pacific, with China notably importing over 40% more LNG in 2018 than in 2017. This has re-energized the LNG market, and momentum on Final Investment Decisions is now stronger then we envisioned during 2018. When assessing the future opportunity set, we are currently tracking more than 20 projects in the LNG space globally. While we do not expect all these prospects to move forward, we see potential for significant new capacity to be sanctioned over the next 18 to 24 months. This near-term potential was well above historical growth rates and provides us with a unique portfolio of opportunities. We will leverage our most extensive reference projects, incumbent positions and global client relationships toward those projects that are most strategic to TechnipFMC and offer the highest probability of successful execution.

In summary, 2018 was a year of many successful milestones for our company, and we acknowledge and appreciate the steadfast commitment of the women and men of TechnipFMC and their achievements. We enter 2019 with an improved backlog and even greater visibility on inbound activity than we had a year ago, driven by the strengthening momentum we see in international surface activity, the next wave of LNG projects and the accelerated pace of Subsea project sanctioning.

I will now turn the call over to Maryann to discuss the financial results in more detail.

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Thanks, Doug. Let me start by addressing several special items we incurred in the quarter. I'll walk you through these items individually to provide some clarity to the strength of the underlying results.

Impacting the quarter were after-tax charges and credits totaling $2.2 billion, which included the following items of note.

First, impairment. In our Subsea business, we recorded noncash impairment charges of $1.7 billion, consisting of $1.4 billion for goodwill and the remainder related to the carrying value of certain vessels within our fleet. This is a result of our normal annual impairment testing. We carried $5.4 billion of Subsea goodwill as of the end of 2017, with less than half of that a result of our merger. The Subsea recovery was slower to evolve than we had envisioned at the time of the merger. The impairment test also coincided with a period of very high market volatility, which impacted both the discount rate and the market valuations used in the test. The resulting impairment does not change our longer view of the subsea market, our leading position in subsea or the demonstrated strength of our integrated strategy.

Also in the quarter, we took a provision of $280 million, representing the probable estimate for the aggregate settlement of outstanding investigations. We have been informed that the U.S., Brazilian and French authorities have been coordinating their investigations, which could result in a global resolution. As we move closer to final resolution on our legal matters, we will provide further clarity on this estimated charge and the potential timing of any payment.

And finally, we incurred charges and credits totaling $37.3 million for restructuring and other severance charges, business combination charges and purchase price accounting adjustment. These are similar to what we have incurred in prior quarters.

Beyond the operating segments, we also had special items impacting our tax provision in the quarter, including a $12 million true-up for U.S. tax reform and $202 million of valuation allowances. The valuation allowances reflect the probability that, in certain jurisdictions, deferred tax assets may not generate a tax benefit in future periods. As certain geographic markets recover, our views of these deferred tax assets could change. There is no cash impact of this charge.

Excluding these items, we reported an adjusted net loss of $39 million or $0.09 per share. Exhibits 8 and 9 in our release detail all charges and credits taken in the quarter both on a pre-tax an after-tax basis. As we have communicated in the past, other pre-tax items of significance impacting the quarter for which we do not provide guidance included the following: $39 million or $0.05 per diluted share of foreign exchange losses included in corporate expense, largely reflecting currency effects; and $109 million or $0.24 per diluted share related to an increase in the liability payable to joint venture partners that is included in interest expense; full year interest expense of $361 million includes $322 million for the increase in the liability to joint venture partners in 2018, the underlying interest expense was $39 million.

Turning to operational highlights in the fourth quarter. Total company revenue was $3.3 billion. Adjusted EBITDA was $342 million with a margin of 10.3%.

Let's look at the performance by segment. Subsea activity was largely as we anticipated in the quarter, although the strengthening of the U.S. dollar versus the Brazilian Real provided a headwind to revenue in the quarter. Execution continues to be strong, while margin was impacted by more competitively priced backlog, consistent with our previous comments regarding the outlook. Onshore/Offshore delivered robust performance. A higher revenue mix of lower-margin work was largely offset by strong project execution and a bonus for completion of further milestones on Yamal LNG. And in Surface Technologies, the margin decrease versus the prior year was primarily due to the rapid decline in completions activity, resulting in an unfavorable product mix. However, this was partially offset by increased activity levels and market share gains in North America.

Turning to cash flow. We generated positive operating cash flow in the period of $159 million. As anticipated, in the second half of the year, we generated $300 million in cash from operations, significantly offsetting the $485 million cash outflow experienced in the first half, largely related to accelerated project delivery on Yamal LNG. Beyond the operating line, capital expenditures were $113 million in the quarter, bringing full year expenditures to $368 million, primarily due to the acquisition of a dive support vessel.

Looking at the other major discretionary items in the period, we distributed a total of $118 million to shareholders via share repurchase and dividends. Also in the quarter, we made cash distributions of $102 million to joint venture partners in the Yamal LNG project, taking the full year distributions to $226 million.

The balance sheet remained very strong at quarter end. Cash was essentially unchanged at $5.5 billion. We ended the period with a net cash balance of $1.3 billion.

Focusing further on capital allocation. In December, we provided our 2019 forecast for capital expenditures of $400 million. We are now revising that guidance lower to $350 million.

Let me discuss a few of the key growth initiatives planned for this year. In Subsea, we remain committed to sustaining the competitive advantage the fleet provides us as a critical element of project delivery. As part of our fleet optimization strategy, we had the opportunity to acquire a new dive support vessel to replace the vessel we retired. The acquisition was somewhat opportunistic, but allowed us to obtain a high-quality, top-tier vessel significantly below newbuild cost and without a protracted delivery schedule. The vessel will operate primarily in the dive construction, inspection, maintenance and repair markets in the North Sea and can also support our iEPCI initiative in the region. In fact, we have already secured significant backlog for the vessel and see strong potential to add more in the near term.

In Brazil, we're investing in a spoolbase to build upon the significant local content we have today in-country and to support and differentiate our current and future bidding strategy. And in Surface Technologies, we have ongoing capital commitments for a new facility in Saudi Arabia to support an expansion of our product lines in the Kingdom. These strategic initiatives will allow us to expand and support the growth activities we see in these particular end-markets.

I also want to highlight the completion of our previous $500 million share repurchase program that was implemented in September of 2017. Our Board of Directors approved an additional $300 million share repurchase program in early December.

In summary, while the fourth quarter was impacted by several special items, we are pleased with our overall operational performance in 2018. We exceeded total company financial objectives for a second consecutive year. Despite a revenue decline of 17% from prior year, our EBITDA margins were resilient, losing only 93 basis points over the prior year. Our solid project execution and risk management, combined with synergies and cost reductions, supported our financial performance. Total company order inbound increased by 40%, with growth in all 3 segments, driving backlog improvement of 12% over 2018. Operating cash flow performance in the second half of the year of $300 million was much improved from the first half despite the working capital headwinds of major projects nearing completions. And we returned $681 million to shareholders through quarterly dividend and share repurchase activity.

We begin 2019 with good business momentum. Order inbound year-to-date has been strong, notably in Subsea, and we have improved visibility on near-term award potential, including additional iEPCI awards. The LNG outlook has further improved and several LNG projects we are tracking are making good progress toward Final Investment Decisions. And Surface Technology activity continues to strengthen outside the Americas, as evidenced by growth in our backlog.

With our company integration now largely complete, we are resolutely focused on initiative to drive growth as well as disciplined capital allocation to drive returns. We have reduced our capital spending intentions while still allowing growth investments to continue. We reaffirm the remaining items of our 2019 financial guidance and remain very confident in the outlook for our company.

Operator, you may now open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Sean Meakim from JPMorgan. Your line is now open.

Sean Meakim - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

Thank you. Starting out maybe in Subsea. Is there anything else to highlight in terms of the revenue shortfall in the quarter relative to guidance? Maryann, I think, mentioned something about FX in Brazil. But just curious if there's any project deliveries worth mentioning that slipped into the next quarter in thinking about how that influenced margins in 4Q. And then just thinking about the implication for that 11% full year margin floor in '19. Is that manageable baseline quarter-to-quarter? Or is it still too early to say?

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Hey, thanks, Sean. So let me try to address the topic around the revenue numbers. From an activity standpoint, our expectations in terms of how we provided guidance for full year '18, and including our margins, were largely consistent. As you know, certain milestones get achieved, certain milestones may slip to a different quarter. But overall, our activity levels in the fourth quarter were largely as expected. I think you know there was strength in the dollar. I call out the Brazilian Real because we certainly have quite a bit of activity. You know, the dollar strengthened against the NOK as well. So we certainly saw a bit of a headwind with respect to revenue, obviously, didn't change the margin percent. As we think about 2019, no change here. You know there's always some seasonality and some sequential change in the revenue profile of Subsea. We don't expect that to be any different than we've seen in prior years, frankly. And no change to our guidance for 2019 with respect to those margins. We still see margins of at least 11% for Subsea for all of 2019. So nothing in particular to call out that gives rise to any change for 2019.

Sean Meakim - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

Okay. Fair enough. Thank you for that feedback. Just curious, if we could just switch over to On/Off, just how we should think about future potential Yamal JV partner liability revaluations and the settlement payments. Now we've had a third train delivery, I'm not sure that changes anything. Last quarter, you quantified the expected impact of Yamal on cash from ops. How do we think about payouts on the mandatory renewable liability impacting cash from financing in '19?

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Yes. Sure, Sean. Thank you. We will come back in the first quarter and give you a better look throughout the full year of 2019. Having said that, you should expect that, in 2019, given where we are against the completion of the project, that we would expect to make additional payments to cover partner liability. So we will -- you should expect that 2019 will see further payments. I'll come back in the first quarter and give you a little more clarity around how that will that unfold for the balance of 2019.

Operator

Your next question comes from the line of James Evans from Exane BNP Paribas.

James Evans - *Exane BNP Paribas, Research Division - Analyst of Oil and Gas*

Hey. Good afternoon. Thanks for taking my questions. First one is on Subsea. Following the wins on Mero and hopefully on -- confirmed on Golfinho fairly soon, it looks like you're pretty busy from '21 to '23 on some large base load projects. So is that enough now to lift your expectations or pricing or discipline further on SURF work? Or do we need to see some further wins, I guess, to lift things a bit further?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO & Director*

Thank you, James, for the question. Rest assured, we have remained very disciplined throughout this period. In prior quarters, I had described how we are confident because of the success that we have and the base load that we have already because of our install base with our subsea services activity; direct award for many alliance partners; and more importantly, the iEPCI opportunity set that is proprietary to our company because of the integrated FEED work that we have been doing. So whereas we have had the opportunity to add some additional awards and we're excited about those awards, the real question is how does it stack up for the rest of the market and for our competitors? And will that reduce some of the level of predatory pricing going forward, particularly in the area of the installation contracts? And as there have been a series of awards that have been won by us but as well as by our competition, we think that does indeed set up well, and we would expect to see that normalization of pricing. But again, I just want to conclude by ensuring that we have had a strategy all along to maintain our assets, to be able to use them where we can create the greatest value for our clients and the greatest differentiation for TechnipFMC, and that is on the iEPCI projects. And that is why we have been patient and we have been very, very disciplined along the way.

James Evans - *Exane BNP Paribas, Research Division - Analyst of Oil and Gas*

Okay. And if I could switch gears on to Onshore/Offshore and talk a little bit about LNG. I mean, obviously, it's a great pipeline, but are you seeing any additional LNG intake opportunities arise because of financial distress elsewhere in the sector? Or is that not likely to have an influence on you directly?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO & Director*

James, interesting question. It certainly is a benefit. And we have always been quite disciplined from a financial point of view to maintain that, the strength of our balance sheet. And that certainly plays to our competitive advantage. That being said, we have maintained our process of selectivity that we have done throughout our portfolio, including on our downstream portfolio, in petrochemicals, our refining and fertilizers that you saw us secure very successfully in 2018. So in regards to LNG, we think we are well positioned. We are tracking over 20 projects globally. We have focused on 5 strategic projects. Interestingly there, over 5 different countries, we have 7 different partners or potential partnerships across those projects. And that's the way that we will make sure that our portfolio is properly represented and carries the right opportunity and risk profile as we move forward.

Operator

Your next question comes from James West from Evercore ISI.

James West - *Evercore ISI Institutional Equities, Research Division - Senior MD*

Doug, when looking at the LNG opportunity set, as we've done our work on LNG, we're looking at some 100 million tons per annum receiving FID this year, so a record year clearly for LNG in our minds. I'm curious as to -- as you guys look at the opportunity set, are we too high, too low? How do you guys see or size the market opportunity? And maybe you might want to take it longer term, 18, 24 months.

Douglas J. Pferdehirt - *TechnipFMC plc - CEO & Director*

Yes, if you go 18 to 24 months, I think it's a realistic expectation, James. I was going to make the comment, if you look at it over any 12-month period or even the 10 months remaining in 2019, as you know, these are big, big projects. They will move around. Predicting the actual timing of a project, I don't think, is beneficial in this -- or any environment just because of the size of the project. So we remain a bit prudent. We have a strategic list of projects. We work those very diligently. We have a very strong level of front-end engineering activity and detailed engineering, which, as you know, is -- meaning we're getting close to moving -- potentially moving forward with project FIDs. And we monitor those very closely.

And we have a very dynamic approach to our -- and selective approach to the way that we look at the opportunities. So always difficult because of the potential timing, but I could concur that there is certainly an opportunity set out there that could meet the metric that you've laid out.

James West - *Evercore ISI Institutional Equities, Research Division - Senior MD*

Okay. Great. And then just switching gears here. On the Subsea side, with the volatility we saw in commodity prices late last year, any pause in the activity set or your work on that side in tendering and project progression? Or has really the train kind of left the station here on subsea and offshore and deepwater, and we're pretty much all systems go?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO & Director*

Well, this will be interesting to see how it plays out. I can only relay to you what we're seeing in our activity. We have not seen any change in the momentum. If anything, we have seen an acceleration. You may note we have already announced several projects in the first quarter. The value of those projects exceeds the total value inbounded in the fourth quarter of 2018 already in the first quarter of 2019, of just of the announced projects. And as you know, we always have a very strong foundation of subsea services and other activity that's direct-awarded, mainly in the brownfield and tieback arena. We are very confident in the level of iEPCI awards, will be accelerating. Why is that, James? We have a unique proprietary set of projects that we only have exposure to because of the activity that we've been doing over the last years with the integrated FEED projects which are then converted to a direct iEPCI award. We've already announced 3 iEPCI awards in 2019 to date, 2 for Lundin and 1 for BP, both new customers to the iEPCI model. So we remain quite enthusiastic about 2019 and the opportunities that will be presented. And we think the first half is setting up to be a really strong performance for our company.

Operator

Your next question comes from the line of Rob Pulleyn, your line -- for Morgan Stanley.

Robert Pulleyn - *Morgan Stanley, Research Division - Analyst*

If I can just ask regarding the exposure to Russia, not so much Yamal-related, but as we think ahead to Arctic LNG 2, which I believe you're interested in being involved in. Do you foresee any challenges relating to this proposed Bill in the U.S. Senate regarding additional sanctions on Russia, and Russian energy, in particular? And secondly, just a very quick one for Maryann. Does the impact on the non-goodwill assets lead to a lower depreciation charge?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO & Director*

Thank you for the question, Rob. Indeed, Arctic LNG 2 is a strategic opportunity for our company. We have been performing the FEED study, and we are now in the detailed engineering phase of that project. We think we have a significant amount to contribute to that project, following the very successful Yamal LNG project. As we did in the Yamal LNG project, we will continue to move forward whilst respecting and acknowledging the sanctions that are in place or potential sanctions that could be in place. But at this time, we continue to actively engage and would be very proud to be part of the Arctic LNG 2 project and have another successful project as we did on Yamal LNG.

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Hey, Rob. Maryann here. So no change to depreciation on goodwill because there isn't any. But certain on the portion of the asset impairment regarding fleet, we will see some lower results there for 2019 [and].

Operator

Your next question comes from the line of Bill Herbert from Simmons.

Bill Herbert - *Simmons & Company International, Research Division - MD & Senior Research Analyst*

Question for Maryann and Doug. Seems like you've upgraded your outlook for subsea services, which carries a significantly higher margin than Subsea as a whole, yet you maintained your overall Subsea margin guidance. Maryann, can you talk about the interplay between those 2?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO & Director*

Yes. Let me start, Bill, then I'll turn it over to Maryann. We have said -- we had anticipated an increase in our subsea services activity when we did our forecasting. We are obviously just validating that and providing some additional color around that at this time. So I just want to make sure that, that's clear. But we -- indeed, you are correct. It is very important portion of our portfolio and a real differentiator for our company as we have the largest install base of subsea equipment and flexible pipes in the industry.

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Bill, Maryann here. So with respect to margins, certainly, as we look at the subsea services piece, it typically carries a much stronger margin, as you know, than the project portfolio for several reasons. As we look at our 2019 guidance, we have reflected that growth, as Doug said, into our margin assumptions. So that would be currently a part of our 2019 guidance around margins.

Bill Herbert - *Simmons & Company International, Research Division - MD & Senior Research Analyst*

Okay. And then the second question, Maryann. We haven't discussed the outlook for free cash flow in 2019. Would you expect to be generating free cash this year?

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Yes, Bill, let me try to address it in a couple of parts. As you know, as we talked about 2019 on our December call, we offered what we believe to be the view from an operating cash flow level, and that is positive. If you allow me to exclude the impact from Yamal here, as we talked about, what I shared with all of you is $400 million to $500 million of the non-Yamal businesses, meaning the subsea, surface, the remaining Onshore/Offshore and corporate. As we look at 2019, we can talk about the pieces here as well. We just declared CapEx in and around $350 million now for 2019. We just announced our dividend for the last quarter. It would be our expectation that we would see similar dividend payments throughout the year. And as I said, we also announced the $300 million buyback. One of the things that we haven't been, as I would say -- we haven't given you detail on is how we would expect that $300 million to be repurchased. And part of that is, as I mentioned in my remarks as well, we are highly focused on improving our returns. And we will use our ability here, our cash flow, to be sure that we are optimistic in where we can put that to work. The last thing to keep in mind, and I'll give you some more color in the first quarter, as we are completing the Yamal project, one of the outflows that we will see is the beginning of the payment associated with that MRL. And we will have more cash flow for the MRL as well.

Operator

Your next question comes from the line of Amy Wong from UBS.

Amy Wong - *UBS Investment Bank, Research Division - Executive Director and Analyst*

I have a couple of questions, please. The first one is in the Onshore/Offshore, the order intake was actually quite strong. So I understand there was some good FEED and reimbursables in there. But could you give us a more color into what you think some of these contracts can lead to, into further follow-on work, kind of -- maybe outside just LNG, what it could lead to? And my second question is a bit more housekeeping. Just if you could talk a bit about the IFRS 16 adjustments to your financial statements.

Douglas J. Pferdehirt - *TechnipFMC plc - CEO & Director*

Sure. So I'll take the Onshore/Offshore, Amy, thank you for the question. Indeed, we had strong reimbursable activity associated with the some of our ongoing projects. Keep in mind what I said earlier on some of our LNG activity, we've had very strong activity, including moving into the detailed engineering phase, which would mean additional activity and additional revenues associated with it. And we also had previously announced that we continue to increase the work that we're doing on a reimbursable basis on the Exxon Mobil Blade project in the U.S. So actually, quite a bit of activity, as you pointed out, that was not, if you will, named projects. But very strong level of activity based on our existing portfolio of projects, plus a couple of new reimbursable projects, as pointed out, and more activity moving from FEED to detailed engineering on our LNG opportunity list.

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Amy, your second question around lease accounting IFRS 16 adjustments, I think we'll give you the detail as we come out on the first quarter. We're largely through a lot of that work, but not yet complete. I'll give you a couple of high-level comments here. At this juncture, based on the work we've done, we don't see any significant impact on the P&L, just given the way that our leases are structured. Obviously, we'll have a bit of a balance sheet impact as we put some of that in PP&E. But we are not expecting, at this juncture, any significant P&L impact from that. We'll come back in the first quarter and give you much more color as we complete that exercise.

Operator

Our next question comes from Dave Anderson from Barclays.

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

Doug, you do a great job of kind of highlight all the projects and the sizes in the subsea market. And now we're talking about these 20 LNG projects. Could you just kind of help us understand kind of the sizes, how the scope of these projects range? I don't know if you could put them, like, a small, medium, large, like you do on the subsea side. But just give us a sense as to kind of how -- the size of these awards and what they could potentially be.

Douglas J. Pferdehirt - *TechnipFMC plc - CEO & Director*

Sure, David. Thank you for the question. I guess you'd have to say medium to large. There is no real opportunity to set in LNG that would be small. And you can look at that based upon the projects that we're currently operating or that we have delivered in the past. But let's put it in size of number of potential trains, right? So there is a project we're looking at right now that we're working with our partner, KBR, to deliver the FEED study, and that will be through the Nigeria LNG Train 7. In that case, it's a brownfield project. There are 6 existing trains, so this would be the addition of 1 train. In several of the other greenfield projects that we're looking at, we're looking at up to 3 to 4 trains on those projects. And then you take a brownfield project like Qatar Gas Expansion, which, because of the size of the trains and the number of trains in the expansion, could actually be as large as any of the greenfield projects that are being investigated at this time.

What you further should consider when you think about it from how it impacts, if you will, our profile going forward, is, as I said earlier, on those 5 strategic projects that we're following, we're looking at 7-plus different partners, sometimes multiple partners on a project or one other partner on a project. And that's a good way for us to also ensure that we can use our resources or we can create the greatest value in each and every one of those projects while partnering with very competent partners to provide other portions of the scope. It also allows us to further diversify our portfolio and our exposure to any one of those projects. If you want to try to put it into dollar terms, you're looking at -- it's billions of dollars, up to 10s of billions of dollars, realizing, again, that we would -- it would be unlikely that we would take the scope of full $10-plus billion project without a partner.

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

But I couldn't imagine any of this turns into revenue in '19, right? This is revenue that starts in 2020 and beyond.

Douglas J. Pferdehirt - *TechnipFMC plc - CEO & Director*

Depending upon the timing of the sanctioning. Again, we tend to be a bit conservative, back to the earlier question of LNG opportunities. But there are some projects that could move forward earlier in the year, and we could see some benefit from that. Keep in mind, to the earlier comment or question from Amy, we're doing on some of these projects, we've moved from the FEED to the detailed engineering, which can bring a very sizable engineering contract of -- in the hundreds of millions of dollars of detailed engineering work. So they're sizable opportunities for our company that come just prior to a potential project FID. So if it came early enough, it's possible. But lots of detailed engineering, additional detailed engineering we could be doing for the -- throughout the remainder of the year. And with a potential sanctioning, if it happened earlier in the year, there could be some revenue from the project. But you are correct in saying that, that would likely come over a period of years.

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

And Doug, one final question here. On the $280 million global settlement you talked about here, that you announced, what you think the sum could be. Is there any talk about a compliance monitor here in place? Or are you confident that this is simply going to be a fine, and we could all just kind of move on from this?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO & Director*

So we're still early in the discussions. And as you know, in these types of things, when a settlement is reached, there's multiple aspects to a settlement. And it's very early for us to comment on it at this time. And yes, there could be other elements to the settlement. Although I have to say we're very pleased with the level of cooperation and discussion that we're having, and we will continue to work in a very collaborative way to resolve these historical issues.

Operator

Our next question comes from the line of Jean-Luc Romain from CM-CIC Market Solutions.

Jean-Luc Romain - *CM-CIC Market Solutions, Research Division - Analyst*

I have 2 question about the impairment. The first is, how much is the change in discounting rates you used? Explain how much did the discounted rate impact the impairment? Secondly is for -- you are saying that you have the long-term outlook for business is unchanged and your position is unchanged, and that justifies deleting about one third or one quarter of your goodwill. Is that a very big chunk of your goodwill that you erased for just a few months of volatility?

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Thanks for the question, Jean-Luc. So let me try to answer. You've got a couple of questions there, so let me try to take them in pieces, and hopefully, I can address everything that you're asking me. So first and foremost, obviously, the timing of impairment is critical. Most of the change that we saw was largely in the discount rate. We certainly have impact from the discount rate. When we talk about the fact that our view is unchanged, if you remember, when we did our merger, we had a view of the market back a few years ago. And frankly, what has happened is the view over the long term has not changed, but certainly, our ability to deliver in the short term is different. We sat here a few years ago and would have thought, as I shared earlier, that 2018 was a year of recovery.

And just if I might, as we think about the value you said, it's roughly a little bit more than 20% of the value in the goodwill in Subsea, some of that goodwill was original goodwill, if you will. And not much of that goodwill was added as a result of the merger. Just a few things to keep in mind. So let me try to summarize again. Yes, there is certainly a significant piece of our impairment that has to do with discount rates. Look at the timing of that and look at the market conditions as well. Long-term view, we still have a very similar view as we look at the margins in our profile as we think about Subsea over the long term.

Jean-Luc Romain - *CM-CIC Market Solutions, Research Division - Analyst*

Can you tell what the discount rate was this time?

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Yes. For Subsea, we'll actually be including that in our K. So if you will allow us to issue the K, we'll provide you that discount rate in the K.

Operator

Your next question comes from the of Kurt Hallead from RBC.

Kurt Hallead - *RBC Capital Markets, LLC, Research Division - Co-Head of Global Energy Research and Analyst*

So Doug, if I may, on the first question here. I wanted to come back around to some commentary, I think, that was provided coming out of the Analyst Day and shortly thereafter that, yes, either a line of sight or target or otherwise. I don't want to put words in your mouth, so feel free to correct, of iEPC orders making up roughly 25% of inbound. Just want to get maybe an update on that and how you think that could progress in 2019. And within the confines of that, I think the other dynamic that you discussed at varying times was, by utilizing, by launching the Subsea 2.0 and then the iEPCI dynamic around it, that there could be a number of projects that would not have been deemed economic that would be pulled off the shelf. I wonder if you might be able to comment on how successful that's been as well.

Douglas J. Pferdehirt - *TechnipFMC plc - CEO & Director*

Kurt, thank you very much. On the first one on the iEPCI as a percentage of revenue, I'll tell you what, I got that one wrong. The good news is I got it wrong in the right way, Kurt. We feel quite strongly that within 2019, iEPCI will exceed that 25% target. And in terms of the Subsea 2.0, we talked about it earlier. Most -- the highest percentage of our FEED studies now include Subsea 2.0 technology in those FEED studies. They're now beginning to be converted into projects, which gives us increased confidence in the ability to be able to have more demonstrated success of that technology in the marketplace. When you commercialize a platform, the change in a platform like we did in Subsea 2.0, you have to go through a series of qualifications with your clients before they're made to be part of their standard procedures going forward. We've now accomplished that with the majority -- the vast majority of the major subsea operators, who are actually quite excited about the progress that we made. And as I said, it's in the FEED studies now and now being included into the tenders. Thank you.

Kurt Hallead - *RBC Capital Markets, LLC, Research Division - Co-Head of Global Energy Research and Analyst*

Yes, great. And I have more follow-up on all the conversation around the growth in LNG opportunities. Wonder if you can give us a refresher on 2 things, the first being what's typically the revenue recognition period for LNG projects? And then secondarily, can you give us some general sense as to what the margin differential is on LNG projects relative to, let's say, the average downstream Onshore/Offshore type of project?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO & Director*

Kurt, again, it really depends. As I said, when you're looking at a 1-train expansion of a brownfield site, you can obviously accelerate that because a lot of the utilities is already in place; and a lot of the permitting and infrastructure, including some potentially some foundation activity, is already in place. When you're looking at a pure greenfield site, there is certainly -- it's spread over a longer period of time. Typically, if you look at the pure greenfield remote site, it can be 5 to 7 years. If you look at an FLNG opportunity, it tends to be in the range of 60 months. And if you look at some of these brownfield activities, could potentially be in that 60-month range as well. So that would be -- it's pretty broad because, again, the opportunity set that we're looking at goes across all of those categories just mentioned. So I guess if you wanted to summarize it, you'd say around 4 to 7 years, depending upon the project type.

Kurt Hallead - *RBC Capital Markets, LLC, Research Division - Co-Head of Global Energy Research and Analyst*

And any margin differential on those projects relative to, say, your typical downstream Onshore/Offshore project?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO & Director*

Yes, clearly, there's a -- those at least that have demonstrated the ability to be able to deliver these projects and to deliver these projects not only on schedule, but in some cases, ahead of schedule, it's a list of a few companies. And we're very, very proud to be on that list. And I recognize the women and men of our Onshore/Offshore global business unit who have been able to achieve such an outstanding performance. So because of that, we would expect, on these very large projects, that the customer would recognize that and we would be rewarded accordingly. What does that mean, if it's couple of hundred basis points or something in that range? That's probably realistic to assume.

Operator

Your next question comes from the line of Michael Alsford from Citi London.

Michael J Alsford - *Citigroup Inc, Research Division - Director*

I've just got a couple as well, please. So just firstly, on the fleet, and I guess, the long-term investment requirements of the business. You mentioned obviously the CapEx has come down to $350 million for 2019. I'm just wondering if you could talk a little bit about how you see the fleet in terms of the outlook versus your pipeline of projects that you potentially could be awarded. And I guess where you see the longer-term investment levels for the business, for my first question.

Douglas J. Pferdehirt - *TechnipFMC plc - CEO & Director*

Sure. So as you would expect, Michael, we have an ongoing fleet strategy. It's important for us, as you say, to understand what is our opportunity set versus our capacity and our capabilities. We've been very conservative in not chasing work that would tie up our fleet, that we could not leverage in our iEPCI opportunities, and I think that's playing out very well in our favor. And we will see the benefit from that for the years to come. So that's point number one. Point number two, we continue to invest in our existing fleet, where we have opportunities and long-term contracts. Like we recently announced in Brazil, we were able to add a vessel under a long-term contract with our partner, DOF, under our JV. And we were able to replace one of our existing dive support vessels with a vessel with much higher capabilities at an opportunistic commercial model and bring in a new dive support vessel into our fleet. I think looking forward though, the whole industry has to reflect upon what we have -- the situation that we have created for ourselves. As long as we focus on having the biggest, the largest and the highest quantity of large fixed assets, regardless if it's vessels, rigs or frac units for that matter, we'll continue to underperform the level of returns that is expected from our investors. We are prepared to step up, take leadership in this area much as we have across the subsea space, certainly with the creation of the integrated model that we have now created and has been adopted broadly across the industry. We will do the same thing in regards to our fleet. So you should expect us to be very prudent, to work well with others, to be willing to collaborate with others in order to be able to ensure that there is an overall level of capital and assets in the industry that can deliver reasonable and acceptable returns to the investment community through the cycle.

Michael J Alsford - *Citigroup Inc, Research Division - Director*

And then just a follow-up just on -- to Maryann on working capital. So maybe I missed this earlier, but Maryann, could just give a bit of color as to the sort of phasing of working capital outflow through '19, if you could?

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

Yes. Hey, Michael. Maryann here. So I think when we talked about our cash flow from operations at the end of 2018, I didn't specifically give working capital color, but rather colors around cash flow from operations. I would expect that throughout the year, we will see, and probably particularly more front-end loaded, given at the completion around Yamal, those outflows happening earlier in the year rather than later in the year. So that would be the way that I would characterize cash flow from operations, meaning the working capital impact would be more heavily weighted in the first half of the year than the back half.

Michael J Alsford - *Citigroup Inc, Research Division - Director*

So like a similar profile therefore to sort of '18 then, would you say, on operating cash flow.

Maryann T. Mannen - *TechnipFMC plc - Executive VP & CFO*

That would be fair, Michael, yes.

Operator

Your final question comes from the line of Mike Urban from Seaport Global.

Michael Urban - *Seaport Global Securities LLC, Research Division - MD & Senior Analyst*

I wanted to follow up a little bit on, I think it was Kurt's question. I think everybody agrees you guys have done a good job in bringing in the business, executing the business. And one of the pushbacks I get is just understanding the long-term margin profile for Onshore/Offshore. And so definitely helpful on the color in terms of the margin uplift you get from LNG. But is there anything you've done through the merger, better execution, project selection which you talked about in terms of a structural uplift in the normalized margin for the mid and downstream, the traditional E&C work? I think the concern is that, over time, the margin just kind of migrates back to that kind of mid-single-digit EBITDA that you've been at -- that you were at historically.

Douglas J. Pferdehirt - *TechnipFMC plc - CEO & Director*

Michael, thank you for the question. Look, I think what we've done as a result of the merger is support the Onshore/Offshore GBU and continue to provide the tools and resources that they need to execute their work. This is a high-performing part of the business, it has been for a long time. So humbly, I would say what we've done is continue to support them. We have some of the very best project managers in the industry. We have the best leadership in the industry, and they've proven themselves year-after-year by performing some of the world's most complex projects and delivering financial performance that outperforms their peer group.

Michael Urban - *Seaport Global Securities LLC, Research Division - MD & Senior Analyst*

Okay. And so I guess, given that performance versus peers, hopefully that means better margins. And I guess, unrelated follow-up, bit of a housekeeping question. Good to hear the improved outlook for Subsea Services. So is the baseline for that double-digit growth -- you talked about kind of roughly $1 billion in revenue in '18, is that about where you came in?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO & Director*

That's a reasonable assumption, yes.

Operator

There are no further questions at this time. I would like to turn the call back over to Matt Seinsheimer.

Matt Seinsheimer - *TechnipFMC plc - VP of IR*

This concludes our Fourth Quarter Conference Call. A replay of the call will be available on our website beginning at approximately 8 p.m. Greenwich Mean Time today. If you have any further questions, please feel free to contact the Investor Relations team. Thank you for joining us.

Shelley, you may end the call.

Operator

This concludes today's conference call. You may now disconnect.
