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PRESENTATION

Operator

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

Matt Seinsheimer, you may begin your conference.

Matthew Seinsheimer - *TechnipFMC plc - VP of Investor Relations*

Good afternoon, and welcome to TechnipFMC's Fourth Quarter 2017 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 obligations 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.

Because this is the fourth quarter of operation following our merger, we have prepared pro forma financial statements for 2016 as if the merger had been completed on January 1, 2016. All prior year quarter comparisons are to these pro forma results.

I will now turn the call over to Doug Pferdehirt, TechnipFMC's Chief Executive Officer.

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

Thank you, Matt. Good morning, and good afternoon. Thank you for participating in our fourth quarter earnings call.

We delivered another quarter of solid results, further demonstrating our commitment to strong operational execution, the realization of merger synergies and a commercial focus that's driven to take a completely new business model to market and win. Q4 serves as another important milestone in our brief history that further validates our commitment to deliver results for all of our stakeholders.

Total company revenues were $3.7 billion in the fourth quarter, with all segments delivering strong performance in the period. Total adjusted EBITDA was $573 million, demonstrating strong growth over the prior year period, with margins up 360 basis points to 15.6% on a pro forma basis. Total company orders were $3 billion and year-end backlog stands at $13 billion. And in Subsea, we achieved a full year book-to-bill of just under 1 on the strength of a solid Q4 inbound.

2017 proved to be a strong start to our first year as TechnipFMC. The women and men of our new company stepped up to the challenge in this time of significant change, achieving early and important success for our company. Executing and winning, that's how we drove our success in 2017, and we see even more opportunity ahead given the strength of our market positions and our advantages in both new business models and new technologies. Solid execution led to our strong financial results. Operationally, we have relentlessly focused on project execution. And despite the usual distractions of merger integration, our operational performance was both ahead of plan and market expectations.

We have been delivering some of the most complex and challenging projects across the globe. Importantly, we have executed without losing focus on the most important element, the health and wellbeing of our employees and partners.

I would also like to reiterate that we're delivering on our merger synergies and doing so ahead of plan, and we are well on track to generate $450 million in annualized savings by the end of 2019.

In addition to executing on our large backlog of projects, we also secured several new awards over the course of the year. 2017 marked the inflection in Subsea order activity, with operators moving forward on final investment decisions for several major developments. This resulted in a significant step-up in our full year Subsea inbound to $5.1 billion, a 27% increase year-over-year.

Our integrated business model is expanding the deepwater opportunity set with new Subsea projects, many of which would have never moved forward without the significant benefits we can bring to the market. And our differentiation extends beyond iEPCI™, with a continued focus on developing the next generation of technology.

In November, we announced the launch of a completely new suite of products we call Subsea 2.0. This technology portfolio significantly reduces the size, weight and part count of the equipment installed on the seabed. The market reception has been highly encouraging, with strong operator interest. We also continue to make substantial progress with new offerings in the LNG, FLNG and Surface markets.

Now let me discuss the market outlook. When we consider the Subsea market over our longer-term time horizon, 3 themes are very evident to us. Smaller projects and direct awards are becoming a much more meaningful portion of our order mix. In 2017, these awards represented just over half of our total inbound, with the remainder being named projects and Subsea services. Subsea tiebacks are often part of this mix. These shorter-cycle brownfield expansions provide operators with faster paybacks and higher returns. We also see a growing trend towards independents and new entrants undertaking subsea developments. TechnipFMC is the natural partner for this customer group. And natural gas developments are growing in prominence. By early next decade, we could see more than half of offshore capex directed at gas developments.

Looking more broadly to the natural gas markets. Natural gas continues to take share of global energy demand. This trend is structural, driven by market preference for cleaner energy sources and the need to satisfy growing domestic demand in markets such as the Middle East. To meet this demand, large gas projects will need to be sanctioned between now and 2020 and more beyond that.

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TechnipFMC is very well suited to this market dynamic, and we are seeing a resurgence of prospects in this market. For example, we recently were shortlisted on the LNG Canada project, and we have further opportunities in the Arctic region and the Middle East in the medium term. Genesis, TechnipFMC's agnostic engineering services provider, is very active on concept studies across the globe. FEED activity has also picked up more broadly. For example, we are currently active on the Dalma FEED, which is part of the United Arab Emirates' desire to become energy independent. And we're also working on several brownfield projects in Asia Pacific that will be required to supply existing LNG infrastructure. Furthermore, discoveries offshore East Africa, West Africa and the Mediterranean Sea continue to provide multiple opportunities for our company.

In the downstream sector, we continue to see a good level of project activity in the near term, where we are pursuing several refining, petrochemical and fertilizer projects. We have previously discussed near-term prospects with an aggregate inbound value to TechnipFMC of over $5 billion. In December, we announced the signing of the BAPCO Sitra Refinery award in Bahrain, one of the projects contemplated in this list. The remaining prospects are progressing well, and we are confident of further awards during 2018.

We continue to track LNG and downstream projects that amount to additional revenue potential in the coming years. Our involvement in any of the mentioned LNG projects could provide considerable incremental inbound value. Our early involvement in these projects is critical to our success. We do not chase volumes in this market. Our differentiated model is supported by strong process technology portfolio, our involvement and front-end capabilities, robust risk management process and our 60-year track record of project delivery.

With respect to the outlook for Surface Technologies, we expect global activity levels to continue to improve in 2018. In our business, we anticipate that most of the improvement will occur in North America, while the Middle East, Asia Pacific and Europe are best poised for international growth, although pricing remains challenged. In North America, we believe that we will see further market improvements, primarily driven by increased unconventional activity.

And while the rig count has recovered off the cycle lows, the number of active rigs today is still over 40% below the 2014 peak. In products that are highly correlated to rig count such as wellheads, the effect on sales is fairly easy to quantify. But not everything is tied to the rig count. In fact, the most accretive portion of our North America portfolio is driven by the hydraulic fracturing market, where activity has benefited from the trend towards longer laterals and a higher number of frac stages per well. The frac stage count per well has moved steadily higher through this down-cycle, owing to increased frac intensity per well. This translates into more activity, more product sales and more services on each individual well. For us, this benefits several of our key consumable product and service lines, particularly flowlines, fluid ends and our frac rental services.

To put this recovery into perspective, we believe that revenues in 2018 for our North America Surface business will begin to approach the levels we achieved at the cycle peak in 2014. This is despite materially lower prices and rig count and reduced product and service pricing. While our expectations for commodity prices are largely in line with current levels, we do expect a modest increase in rig count throughout the year.

Now let me close the outlook with a deeper look at the Subsea project landscape. Back in 2016, we called the inflection point in Subsea orders. What transpired was even greater than we had anticipated, with our Subsea orders increasing by 27% year-over-year.

I'd now like to share with you some of the key opportunities we see in our updated Subsea opportunity slide. The changes from the previous update demonstrate that the industry continues to move forward. 5 projects from the prior list where approved for development and have now been removed. We have also added 5 new projects to this update. In total, we now show 18 large projects that could be sanctioned over the next 24 months. This list represents both Subsea production systems and SURF scope, a significant opportunity set for us given the breadth of our product, service and unique commercial offering.

At our Analyst Day, I stated our confidence in a further step-up in Subsea inbound orders in 2018. With the momentum in FEED and tendering activity for both traditional and integrated EPCI projects, we continue to expect that we will see an increase in overall market activity. We remain confident that our inbound orders will grow year-over-year, and that as much as 25% of these new orders will come from our new iEPCI™ integrated model in 2018.

In closing, the fourth quarter marked another period of strong performance for TechnipFMC, providing a powerful reminder of the many successes we shared throughout the year. We are executing, and we are winning, and we continue to take further actions around costs, new business models

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and new technologies to further improve our competitive position. Despite near-term revenue pressure in our 2 largest businesses, the markets in which we operate continue to improve. We expect to benefit from continued operational momentum and further progression of our synergy savings. And our 2017 performance gives us greater confidence in 2018.

I will now turn the call over to Maryann.

Maryann T. Mannen - *TechnipFMC plc - CFO and EVP*

Thanks, Doug. While our discussions today focus on fourth quarter results, we are pleased with our full year results as well, which demonstrated solid execution in all of our business segments throughout the entire year. Our previous restructuring activities, the merger synergies we have captured and the further plans we have for sustainable cost reductions should all be supportive of achieving 2018 expected results.

Let me now focus on the quarter. As Doug said, and I will reiterate given its importance, total company adjusted EBITDA was $573 million in the quarter. Quarter-over-quarter adjusted EBITDA margin increased to 360 basis points to 15.6% despite a revenue decline of 16%. This is the result of good project execution and incremental cost savings. Our execution both in our Onshore/Offshore and Subsea projects supported the margin performance in the quarter and full year. Improving activity levels in Surface Americas and the benefit of the restructuring initiative and client-focused actions demonstrated the leverage in our North American land business. We believe these quarterly results are another example of our improving operational performance.

Adjusted diluted earnings per share from continuing operations in the quarter were $0.20 when excluding after-tax charges and credits of $0.53 per diluted share. These charges and credits totaled $245 million, including the impact of tax reform. We have provided more detail for these items in the accompanying schedules to our release. We incurred $138 million of charges related to tax reform in the quarter, most of which was related to U.S. tax reform. When you exclude these charges and other discrete items, the effective tax rate in Q4 was approximately 33%. Also recorded in the quarter was $91 million of additional liability related to our joint venture partners that was recorded within net interest expense. We ended the quarter with net cash of $2.9 billion.

Looking more closely at the segment highlights. Subsea EBITDA margins showed resilience against a significant top line reduction, declining just 70 basis points with revenue down 36%. The strength in margins reflect strong project execution and the cost-reduction initiative that helped mitigate the negative impact of the reduced project activity. Subsea backlog increased sequentially to $6.2 billion, achieving our strongest book-to-bill of the recovery cycle so far at over 1.3. And $3.4 billion of this backlog can be executed in 2018.

Onshore/Offshore posted very strong adjusted EBITDA margin performance of 14.6%, benefiting from the realization of key milestones on several major projects and from projects with net favorable commercial closeouts. This also reduces risks looking forward.

In the quarter, we announced the award for the BAPCO Refinery Expansion project. This award will be reflected in our first quarter inbound. Similar to the treatment of the Coral FLNG project award, we will not fully consolidate the financial results as we are not the majority owner of the joint venture. However, this project has significant economic value for our Onshore/Offshore operations.

Inbound orders of nearly $900 million in the period were mostly made up of a collection of smaller awards. As we foreshadowed last quarter, we saw the potential for large project inbound in the coming quarters.

Moving to Surface Technologies. Margins increased more than 1,400 basis points to 20.4%. Revenues increased nearly 23% from the prior year period. The significant year-over-year improvement in surface reflects the sharp recovery in the North American land market, strong operational leverage on a restructured cost base, and some pricing improvements. We expect that our product offering and integrated model will further improve the top line in 2018. In comparison, international markets were largely stable with continued pricing pressures in some regions.

Turning to guidance. We provided preliminary segment guidance for our 2018 with our Q3 results in October. Today, we are confirming segment guidance for Subsea and Surface Technologies while raising Onshore/Offshore EBITDA margin guidance. Please note that this guidance includes the effect of merger synergies expected to be realized in 2018 and excludes all charges and credits.

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Let me now provide some additional thoughts on a few of the new and updated guidance items. First, in Onshore/Offshore, we are raising EBITDA margin guidance to at least 10.5% from at least 9.5%. Adjusted EBITDA margins improved sequentially throughout 2017, with notable strength in Q4 that was driven by strong execution as well as favorable completion on several projects in the quarter. While it may be difficult to match this performance throughout 2018, we are further adjusting our margin expectations higher on the continued strength of our operational performance. Our revenue expectations for Onshore/Offshore remain the same and incorporate a lower contribution from Yamal LNG. We remain confident in the execution of our backlog.

Turning to corporate expense. We are seeing the benefit of corporate synergies, and therefore, expect corporate cost in a range of $40 million to $45 million per quarter, excluding the impact of foreign currency fluctuations. While much of our merger integration work is complete, the majority of the expected $100 million in spending is for further restructuring efforts in 2018. With respect to our guidance for tax, we now expect our tax rate for 2018 to fall in the range of 28% to 32%. Earnings mix should revert to lower rate tax jurisdictions as a result of both business mix and an anticipated reduction in project cost in lower tax regions, where such losses have no offsetting tax benefit.

Much of the tax-related restructuring work initiated since the merger close has now been completed. While the benefits of this work are reflected within our guidance, we do anticipate some additional improvement in 2019 before contemplating the effects of any change in earnings mix. The remaining guidance items are all outlined on slide 12 of the earnings call presentation and in the earnings release.

The fourth quarter concluded a successful first year of TechnipFMC. While our focus is clearly on the opportunity for 2018 and beyond, some of the accomplishments made in our first year should serve as catalyst to our longer-term plans. Our risk management discipline contributed to strong project execution in both Subsea and Onshore/Offshore segments. All of our operations performed well, meeting or exceeding operational margin performance while identifying cost-reduction opportunities for the benefit of future periods. This remains a focus for us today. And our organization delivered synergies ahead of our plan for $200 million in 2017, and we have raised the total savings target to $450 million in annualized savings by the end of 2018. We commenced our capital allocation plan, taking a disciplined and balanced approach toward business investment and shareholder distributions. We remain committed to repurchasing the full authorization of up to $500 million in ordinary shares no later than the end of 2018. In addition, the company's Board of Directors has once again authorized and declared a quarterly cash dividend of $0.13. We focus our actions in 2018 with confidence in the objective we control, confidence in future market penetration of our commercial models and new technologies and confidence on our execution and project delivery performance, plus the achievement of synergies and cost targets with sustainable cost benefit. We think these items form the major building blocks from which we will create shareholder value.

Operator, you may open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Bill Herbert from Simmons.

Bill Herbert - *Simmons & Company International, Research Division - MD, Head of Energy Research & Senior Research Analyst of Oil Service*

So Maryann, I was curious with regard to the components of Subsea revenue in 2017, especially Book & Turn and service and what you expect those to be in 2018.

Maryann T. Mannen - *TechnipFMC plc - CFO and EVP*

Yes, thanks, Bill. So as we have previously mentioned, our service revenue from 2017 and 2018, we really don't expect much change. We've talked about that being in the range of about $1.4 billion services. So the lion's share of the change from 2017 revenues to 2018 is driven by our project revenues.

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Bill Herbert - *Simmons & Company International, Research Division - MD, Head of Energy Research & Senior Research Analyst of Oil Service*

Okay. And with regard to Book & Turn?

Maryann T. Mannen - *TechnipFMC plc - CFO and EVP*

So as you see, we've got about $3.4 billion in our backlog that is executable for 2018. And then if you will assume roughly another $1 billion in services, that would say we need about $800 million in what we would consider Book & Turn or revenues that will come from new inbound in 2018.

Bill Herbert - *Simmons & Company International, Research Division - MD, Head of Energy Research & Senior Research Analyst of Oil Service*

Okay. And secondly for me, Doug, with regard to LNG FIDs. What are you tracking now in terms of numbers? And how many industry awards, roughly speaking, would you expect for each, 2018 and 2019, with the backdrop of less than a handful effectively have been awarded over the last 2 years?

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

Thank you for the question, Bill. So let's go from the beginning. In terms of the concept work that we're doing through our Genesis team, as noted in my prepared remarks, their activity level has really accelerated and is quite high right now. I'd prefer not to give out exact counts, but it has certainly seen a significant recovery from where we were over the last couple of years. In terms of active LNG FEED studies, some, as we've -- I talked about in my prepared remarks, I did not mention the Arctic LNG 2 FEED study that we have previously discussed on the earnings call as that continues to progress right well -- quite well, as well as we've talked about the potential on some of our existing terrestrial LNG facilities, the opportunity to add additional trains. So that work is going on, on the, let's say, on the Onshore portion. On the Offshore portion, there's actually a few FEED studies going on. Some of them are around some of the big new discoveries. I'd rather let the operators comment than myself. But there's some associated gas on some of these larger new oil discoveries in these new regions. And one option to address the associated gas would be to introduce FLNG into those projects. In terms of the timing of projects in 2018/2019, Bill, I think you represented it well. We have been in a period of oversupply in LNG. There are, by most expectations, that should come into balance around 2025, which would mean if you want a FID and FLNG, which is a 60-month delivery or terrestrial project, which is closer to 7 years, it puts you into that time frame of '18, '19, '20, I'm needing to start to see some FIDs move forward. So we're seeing it on the concept. We're seeing it flow through to the FEED. And as I highlighted in my prepared remarks, we see some of the larger projects now being discussed and actually shortlisting the amount of companies that are going to be participating in those going forward. The actual timing to the award though, as you know, these are large projects. The timing tends to be a bit fluid, so I'd hate to predict if it's going to be '18 or '19 or how many are actually going to occur. But we do see a ramp-up in activity and do expect to see some additional LNG awards in the coming years.

Operator

Your next question comes from the line of Gregory Brown from Crédit Suisse.

Gregory Brown - *Crédit Suisse AG, Research Division - Research Analyst*

Firstly then, in the LNG market, you mentioned LNG Canada and the operator group has suggested that yourselves in partnership with KBR and another consortium have been invited to bid for lump sum EPC contract. It was obviously a very large opportunity, but you've also mentioned the risk management. I was wondering if you'd be able to comment on your appetite to take on such a project on a lump-sum basis and how you would intend to assess the risk involved? That's the first question. And on the second one, perhaps on Subsea. Are you seeing any sort of a trend whereby aftermarket or services work is bundled into an additional order? I guess that's part of your integrated life of field offering. So are you seeing any positive momentum there?

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

Thank you, Gregory, for the questions. So I'll take them in the order that you presented them. So we have a very robust process in terms of the selectivity around the types of projects, the projects and the types of commercial models that we will accept on projects. And you'll see over a period of time, as we've demonstrated at our Analyst [Day] event just back in November, that we moved our portfolio from being predominantly lump sum, turnkey projects to really introducing a much more robust reimbursable or services component to our Onshore/Offshore portfolio. And we're really quite proud of that, really supported by the strength of our process technologies group and the differentiation that, that brings as well as our project management consulting, both of which drive a large portion of our service or our reimbursable activities. The contract that you mentioned, the LNG Canada, indeed, we've been shortlisted. We're very excited about the project. We're working closely with the customer, and we believe that there's a lot of learnings that we could bring to make that project successful both in the use of the fabrication of mega modules and a lot of the work that we've done on other recent LNG terrestrial projects that we're currently working on. So we think we have a lot to bring to that project. I will maybe correct you on the lump-sum turnkey portion of that. This is a contract that's still under discussion. There's still discussions between us and the customer in terms of which portion of the contract, if any, would be taken as a lump-sum turnkey portion. It would be reasonable to expect that a portion of the contract would be lump-sum turnkey. It is not reasonable to expect that the full contract would be lump-sum turnkey, but that's a discussion, an ongoing discussion we're having with the client. In terms of some Subsea and Subsea services and the bundling, there's really 2 components. Typically, the activity you're associated with the project, or if you will, the installation of the equipment, the initial installation of the equipment indeed tends to be part of the initial project and part of the scope of that project. But it's important to understand that we have over 50% of the installed base of all Subsea equipment in the world as TechnipFMCs. It requires ongoing inspection maintenance and repair, upgrading, et cetera. There's automation and control systems that naturally need to have firmware and software upgrades. All of these types of things are on a reoccurring basis and not normally part of that original contract. So it really depends how you look at the Subsea services. Again, the initial phase, the installation is typically part of it. But as we continue to grow and expand our offerings around Subsea services, some of them would -- could be bundled as part of the initial integrated offering, but many of them will end up being call-up services. For instance, if the Subsea well is in need of intervention, nothing to do with the Subsea equipment, the wellbore itself, maybe there's a failure in the sand screen or maybe there's some other problem with the downhole, part of the downhole completion, the only way to access those Subsea wells is by using a company like ourselves. And we're the market leader in Subsea well intervention, to be able to go out and be able to provide those services so that you can reenter those Subsea wells.

Operator

Your next question comes from the line of Sean Meakim from JPMorgan.

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

So Doug, just to start, I think we talked about the Subsea margin trajectory, just considering the strong performance in the fourth quarter, we've talked before about expectations for some lumpiness quarter-to-quarter. But how should that 4Q result guide investor expectations for the trajectory between first half and second half '18? Then I guess the other thing I was thinking about in that context is how should we think about the margin outlook relative to the guidance band for revenue that you've offered? I mean, effectively, higher end of the revenue, should we think about at being positively correlated with the margin or negatively correlated? Just can you say anything about that flex within the guidance band?

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

Okay, Sean, thank you. So indeed, we're very proud of the performance in -- of our Subsea -- across all 3 operating segments, but as you pointed out specifically in subsea in the fourth quarter. And I realized that in the context of the guidance of our 2018 even made it more -- even put more focus on it. But it is important to point out, and we've said it before, there are headwinds as we transition and start to move from the existing backlog in the inbound. We're very happy with the inbound in 2017. We'll start to see some of that flow through in 2018. We need to maintain the competencies and the capabilities to continue to deliver world-class projects to our customers. And therefore, we will continue to ensure that we have the right workforce and assets to be able to manage that going into 2018 and beyond. We've talked a bit about the utilization of our fleet,

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and there will be some softness as we transition into a greater SURF activity, which tends to come late -- at a later stage in the life cycle of the project. You see the equipment side first and then the SURF-side a little bit later. So those are some of the headwinds that we face and why we think that the margin guidance that we provided for 2018 is the appropriate margin guidance. In terms of the sequencing of it, I'd rather not get into attempting to do quarterly guidance because so much of it really comes down to projects and project milestones. And when we achieve and close out certain projects in a successful manner, that can have an impact as it did, by the way, in the fourth quarter of 2017. It is important to note though and has been historical, the first quarter is always a soft quarter, and that mainly has to do with the weather associated with many of the areas that we operate our fleet. And therefore, we'll see less activity in our Riserless Light Well Intervention activity that I was referring to earlier on Gregory's question, indeed is very soft in the first quarter as is historical. It picks up and hits its stride in Q2 and Q3. So indeed, we would expect a step-down in the first quarter. And in terms of the band relative to the revenue, I was going to let Maryann add some additional color on that comment.

Maryann T. Mannen - *TechnipFMC plc - CFO and EVP*

Sean, thank you. So maybe just a few other comments to add to Doug. Keep in mind, we -- as Doug said earlier, we had planned for the inflection point in 2016 to see the recovery of Subsea, and timing has a critical element attached to our margin performance. Obviously, the sooner we get inbound in, the faster we can execute. The later we get it, obviously the bit of a challenge to get it executed in a given year. One of the things that we've said is that we want to be sure that we retain all of the core competencies of our ongoing project management and our engineering organization. So we see that backlog growing. As Doug reiterated on his comments here this morning, we expect '18 to be another positive year with respect to Subsea inbound. So the timing of that, the sooner we get inbound, our ability to leverage that inbound improves, we could see some positive momentum around the margins. And the other thing is we also talked about our investment in R&D to maintain our technology development, and that's certainly a part of our 2018 guidance as well.

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

Great. Just one more on Subsea, if I could. Just thinking about the Subsea 2.0 customer reception and plans for commercialization this quarter. Can you maybe give us an update on getting the first set of equipment wet, how that's progressing and what we should expect going forward beyond that?

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

Thank you, Sean. And it's important to note, when we talk about the next generation of Subsea equipment, as we had a chance to demonstrate first hand at our Analyst [Day] event in November, it's about making it real. Everybody can talk about things that they're doing. Ours is real. It has been -- as we talked about at the Analyst [Day] event, it was there live and in person. And most importantly, we have already begun to receive orders. As we indicated at the Analyst Day, we had not put the full suite of offering to the market. I'm very happy to say today that I can report that we received our first order for our automation and control, our new automation and controls, our next-generation automation and control system. We had previously informed the group that we had the first orders on the trees, and I don't remember if we said 8, 9 or 10, but it's in -- it continues to grow our orders for our new compact robotic manifold. So we're now able to actively bid that entire suite to your point, Sean, and we're very excited about the impact that, that will have on the tenders that we're currently submitting. Up until now, we have not been able to tender that entire offering because we were still going through qualification and -- well, just, yes, qualification and testing. That's now complete. We're in the process, the manifolds, as we discussed back in November. Or there, the tree will be installed very soon. And now we have the commitment on the next-generation automation and control. And we always said it's as much about time as it is about cost, and it's just stunning. The next-generation automation and control system, we're going to be able to do this in terms of months, not in terms of years in terms of being able to respond to the customer. And the customer need really making a long-cycle business, a short-cycle business.

Operator

Your next question comes from the line of Rob Pulleyn from Morgan Stanley.

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

Three questions, if I may. The first one is, if we look at what's happening in the Subsea installation market, whereby, including yourselves, the industry is installing projects, which were sanctioned at the tail end of the last cycle. And yet we also hear that the new raft of projects essentially are becoming much shorter in lead time, shorter from FID to first oil. Surely, that also means that the time between FID and when the vessels are needed also will be a lot faster. Is that leading to any bunching effect whereby key-enabling vessels, both in your fleets and your competitors, are busy, and yet actually these inbound orders and the projects you see require these vessels, and that's creating actually some tightness maybe ahead of expectations and the installation market? The second and third questions, please, to Maryann are a little bit on the housekeeping side. Could you possibly give us a bit of a steer on the working capital move to 2018, which will clearly be a key driver of free cash flow? And finally, in terms of the U.S. tax reform, obviously, we saw the charge. Given you're already planning a significant improvement in the tax effect and that seems to be captured in 2018 guidance, should we expect any further improvements in the tax range beyond 2018?

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

Okay, Rob, I'll take the first one then. Actually, quite an intriguing insight. Clearly, if you make a long-cycle business short-cycle, if you are able to deliver the Subsea equipment as we described, in some cases, in 10 months versus 24 months, and now as TechnipFMC, the only Subsea company that can deliver the equipment installed and commissioned on the seafloor, what you are describing is indeed a new reality in the business. The good news is we have that visibility because we're the ones doing the integrated FEED studies. So we have an idea where are those shorter-cycle opportunities. We build that into our roadmap. Clearly, we will prioritize the iEPCI™ opportunities that we have to where we can do the fully integrated Subsea system installed on the seafloor. Speaking more broadly for the market, I don't think that the market is necessarily tight at this point, to be blunt. I think that what's your pointing out is that the tightness could occur sooner than most people anticipate, and I think that's a fair statement.

Maryann T. Mannen - *TechnipFMC plc - CFO and EVP*

And rob, Maryann here. So first question, working capital. For 2018, we do not expect to see the same level of working capital use as we did in 2017, in part because many of our projects are obviously coming to significant completion, but also because of the inbound that we're expecting. We're also assuming that we will see incremental milestones in advance payments. So I would estimate somewhere in the range of about 50% of the working capital use that we saw in 2017. Your second question was around U.S. tax reform, and I will tell you, for TechnipFMC, the U.S. tax reform is a net benefit. It's a plus. First and foremost, as you saw in the release, our charge is a noncash charge. Much of the restructuring work that we've been sharing with you was completed by the end of October, and so our tax adjustment that was reported is really a noncash charge. We were able to benefit from most of the work that we'd done with the restructuring or what we call the "out from under" net operating losses in the U.S. as well as foreign tax credits. So as we increase the amount of North American income, Doug talked about the strength in the North American market recovering to similar peaks of '14 and the leverage that we're seeing, this will be a net benefit. So in other words, what we normally would pay only on U.S. income at a 35% tax rate, we'll now pay a 21%. So as that North American income improves, we would expect to see incremental benefit going forward.

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

That's extremely helpful. And just one follow-up, if I may, very quickly. When we think about the Yamal project and the cost-plus component, which is not entirely called into backlog, I was just wondering whether you could quantify how much of that is still outstanding given the progress that's actually been made on the construction of the second and third trains, if possible.

Maryann T. Mannen - *TechnipFMC plc - CFO and EVP*

Sure. So we are through Phase 1, which includes obviously all the modularization as well as the first train. And as you know, we're happy to announce, of course, the successful start-up of first -- of Train 1 and first cargo. So what's remaining is Train 2 and Train 3. In the backlog that you see reported

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for the Onshore/Offshore business, a total of about $6,369 million at the end of 12/31/2017, you can see a big portion of that, about $4.2 billion, is recognizable in '18. And obviously, there is much of that backlog that is associated with Yamal. Having said that, there's still portions of reimbursable scope associated with Yamal that could help influence revenue in 2018. Because Train 2 and Train 3 are left, we still have revenues in the backlog both for 2019 and a portion for 2020 currently in our $6.4 billion backlog.

Operator

Your next question comes from the line of from Bertrand Hodée from Kepler Cheuvreux.

Bertrand Hodée - *Kepler Cheuvreux, Research Division - Head of Oil and Gas Sector Research*

Two questions, if I may. The first is on the next generation of LNG, FLNG technologies that you're putting in place. Can you give us a flavor of what is at stake here and what are the potential benefits for the clients? And second question relates to iEPCI™ momentum. Can you disclose what was the amount of order intake that was linked to iEPCI™ in 2017? So out of the $5.1 billion Subsea order intake, how much related to iEPCI™?

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

Bertrand, thank you for the questions. So in terms of the next-generation LNG, FLNG, obviously, different applications, being offshore and terrestrial, but the objective remains the same, which is to achieve, as we are in the rest of our 2.0 portfolio and the vision for our company, to drive the project economics by driving towards simplification, more system integration as well as new technologies that will result in a 50% reduction. So here, we're talking about really driving towards being able to deliver LNG projects at a much lower cost, and therefore, a much more improved project economics, be it from 2,000 metric ton down to 1,000 metric ton, which will bring LNG, particularly FLNG, into a completely new market, one that I inferred earlier, which we market where there's associated gas with oil developments, which today would not bear the cost because of the reserve capacity for the current scale of FLNG. So that's one example of what we're working on there. In terms of iEPCI™ in 2017, it was not a material portion. Again, it was -- the company was created in 2017. We were early in the conversion of integrated FEEDs to integrated EPCI. We didn't have that many opportunities. What we have said though is that by our second year of operation, which is this year 2018, we expect that to approach 25% of our total inbound will come from this new integrated model. Why is that important? These are direct awards, so we're not in the competitive marketplace. And it's also our ability to get engaged early through the integrated FEED, demonstrate to our customer the value of our integrated business model as well as our new technologies and then go into direct award for the execution phase of the project. This is unique to us and creates an opportunity set that others do not have access to.

Operator

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

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

So I want to just maybe follow up a little bit on the -- you mentioned earlier in your prepared commentary, Doug, about high degree of enthusiasm for the Subsea 2.0. Just wondering, post your Analyst Day that you had in November to where we are now, is there some additional color or commentary that you may provide around potential timing of, well, additional awards for the projects that relate specifically to Subsea 2.0?

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

Okay, I'll try to be brief, but you know this, I can get pretty excited on this question, so and I'm going to do my best. Understand that prior to the Analyst Day, we had taken every major Subsea client, and in many cases, their Executive team through the technology demonstration area that you were able to see back at the Analyst [Day] event. So we -- they've been aware of it for some time. They've been looking at it. We've been,

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therefore, setting up qualification programs with different clients or collectively with groups of clients, which is certainly the more efficient way to go about it, and we're past that. And that's a challenging Subsea, it takes quite a bit of time to go from the concept and the idea to really having something qualified to be able to use in the Subsea environment. As we stated at the Analyst Day, the manifold was completed. The tree was near completion, and we had, had our first order and we're looking forward to actually the installation of that in short order. Indeed, that's moving forward and will happen in the coming quarters. What is new from the Analyst Day was that the next-generation automation, which is actually a significant step change, it really changes our entire operating model and makes it much more efficient for us as well, has now been -- we've now received that award, and we'll be going to what's called TR level 4 and 5 as a result of that very soon. That now allows us to take that complete package, including the access now to the flexible jumpers to be able to move towards our vision as we demonstrated at the Analyst Day.

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

That's great color. I appreciate that, Doug. And then maybe one follow-up I have for Maryann. So I appreciate the transparency on all the guidance provided. And we look at the Onshore/Offshore business, obviously that went up. But I think -- just wanted to get a general sense like longer term, do you think that there is going to be outside of the Yamal project and the benefit that's providing? Are you guys kind of thinking about the longer-term margin dynamics in that business? I think historically, you guys just don't think about 10%, think about more like 5% or 6% kind of margins. But I'm just wondering if execution, your excellence in execution really kind of alters your view on how you can drive margins in that business.

Maryann T. Mannen - *TechnipFMC plc - CFO and EVP*

Yes, thanks, Kurt. Over the next couple of years, we -- as I mentioned, we've got work left to do on Yamal. But when we think about beyond that time period, we are really trying to continue to capitalize on the strengths of the risk management approach. If you look historically, even in the prior years, without as much revenue coming from Yamal, the execution has been good and the margins really better than -- are competitive -- better than the competitive landscape. When we think about going forward, our approach is really to try to continue to change the amount of lump sum and focus more on reimbursable scope. You saw from Analyst Day how we've already become that movement. Second, we are really looking for that opportunity to improve margins beyond that time period. We've said that we think margins in the range of 5% to 6% EBITDA are clearly a target, and we'll continue to work diligently to ensure that that's sustainable beyond that time period. But we feel good about our ability to deliver that, post the completion of Yamal.

Operator

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

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

Two questions for me, please. First one is, one of your Subsea competitors just acquired a majority stake in early energy consulting business and all in the name of providing -- getting in early to engagement with their clients. So kind of just get -- can we have some of your thoughts in terms of TechnipFMC's position in terms of providing that integrated solution? How do you differentiate your offering, please? And do you see a threat of your competitors trying to replicate your offering? How would you react with -- to that, please?

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

Thank you for the question, Amy. So I'll do this, the second one, and then I'll go back to the first one. To be very blunt, I would be quite surprised if our competitors did not try to emulate what has been created with TechnipFMC. We've talked about 25% of our inbound in 2018 coming from this new integrated model. It's clearly having a level of market acceptance that I think far exceeded anyone's expectation because it's delivering real substantive and sustainable change needed in the industry. So actually, I would be surprised to the opposite if someone did not react. In terms of the actual transaction that you referenced, it's important to note that we have Genesis. Genesis is our agnostic front-end concept and front-end

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engineering organization. It is extremely well known in the market. We have a phenomenal group of people within our Genesis team, and we are an industry leader. So just to put it in perspective, our Genesis organization is twice the size of the other organization that you were referencing. So again, no surprise that others are trying to emulate, but it's going to be very difficult. What was created with TechnipFMC by just bringing together 2 companies will not be possible by the combination of any other 2 companies. So we're a year into it. Second year of operation, we're seeing 25% of our revenue come from this new integrated model. Integrations take time and integrations have challenges, and we're well on our way in operating and continue to maintain a strong focus both on execution as well as the safety and wellbeing of our workforce. So I couldn't be more proud of where we were, and I'm awful glad we went first.

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

Could I just -- I just have a quick follow-up also on your Subsea business, and this time just focusing a little bit on your flexible pipes business because we're really losing any kind of granularity in that. And I know you guys are always reluctant to give any specific metric, but could you give some indication on activity levels in 2018 versus 2017 on your flexible pipes business? How loaded up are your manufacturing plants, please?

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

Yes, the -- it's one of the interesting parts of our business that's may be a little countercyclical to some of the other parts of our business, in that the activity level will actually be up in 2018 versus 2017. That's a result of several key project awards from our largest customer, which is Petrobras, but also due to other awards that we're receiving and the influence that iEPCI™ has on our flexibles business. The flexibles and the application of flexibles is very intricate and integral to our integrated offering. So when you hear us talking about integrated EPCI, indeed, we're creating additional market for our flexibles offering as well. There's a lot of we can do on the technology side, and you should expect to hear more from us through 2018 and what we're going to do to drive to a future of flexibles 2.0.

Your last question comes from the line of Byron Pope from Tudor, Pickering, Holt.

Byron Pope - *Tudor, Pickering, Holt & Co. Securities, Inc., Research Division - MD of Oil Service Research*

Doug, I was wondering if could -- needed you to provide some additional color on one of the Subsea industry trends that you touched on, which is the growing prominence of independents. And naturally, the Gulf of Mexico, North Sea come to mind as 2 of those markets where you might be seeing that trend. But as you look out on the horizon over the next couple of years, could you speak to some of the Subsea areas, regions where you see that growing prominence of independents?

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

Sure. Thank you, Byron, and I appreciate your patience. So clearly, we have seen the first movement. If you go back in time, it really first occurred in the Gulf of Mexico, and we have some very strong long-term relationships with independents in the Gulf of Mexico, more -- and I would say and also the U.K. sector, the North Sea. More recently, we're seeing the Norwegian sector of the North Sea where we have been very successful at aligning with the new operators, who we think -- and we're just a natural -- we're a natural partner for those type of projects because of our ability to be able to provide the full integrated Subsea system. We're also seeing from a private equity point of view and from other small independents movement in other parts of the world, be it the Mediterranean or be it in Asia Pacific. And there, it's very interesting. And again, we -- because of our relationship, because of the way that we have, we always form deep intimate relationships with our customers, very transparent and very -- with a high track record of success in terms of delivering on the projects that we say we'll deliver on at the price we say we'll deliver on. I think we just built -- the brand is quite strong and quite important in that area. Going forward, I think we'll see more of those types of awards. I would expect those type of awards to also influence our iEPCI™ in a very positive way as well as you could see awards where we may be offer even beyond just the traditional integrated Subsea and include the FPSO or additional production capability because of the unique footprint of TechnipFMC.

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Operator

I now turn the call back to Matt Seinsheimer. Your line is open.

Matthew Seinsheimer - *TechnipFMC plc - VP of Investor Relations*

This concludes our fourth quarter conference call. A replay of our 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. Thanks for joining us. Operator, you may end the call.

Operator

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

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