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PRESENTATION

Operator

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

I would like to turn the call over to Matt Seinsheimer. Please go ahead. You may begin.

Matthew W. Seinsheimer ***VP Investor Relations***

Good afternoon, and welcome to TechnipFMC's First Quarter 2017 Earnings Conference Call. Our news release and financial statements issued yesterday can be found on our website.

I would 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. Nonmaterial 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.

Because this is the first 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. Our prior year quarter comparisons are to these pro forma results. In addition, because our merger did not close until January 16, 2017, we have a 16-day stub period for FMC Technologies, Inc. that has been excluded from this quarter.

I will now turn the call over to Thierry Pilenko, TechnipFMC's Executive Chairman.

Thierry Pilenko ***TechnipFMC plc - Executive Chairman***

Thank you, Matt. Good morning, and good afternoon. I'm Thierry Pilenko, TechnipFMC Executive Chairman. And as an introduction, I'd like to say that I'm very pleased with this first quarterly results and that I am particularly impressed with the progress and the speed of the integration since the creation of TechnipFMC on January 16. The combined businesses were fully operational on day one, thanks to very detailed preparation and planning prior to closing. In addition, there is no doubt that the creation of TechnipFMC occurred at the right time. Our customers are showing great interest in integrated solutions that only companies with a broad portfolio like TechnipFMC can offer. I will let Doug and Maryann talk about the market and about our first quarter results. But before I do that, I have a special message to our shareholders, clients, partners, employees and to the financial community. On January 17, Doug Pferdehirt became the CEO of TechnipFMC and I became Executive Chairman. Therefore, this earnings call will be my last one. Doug and I and our great teams have created a very unique company, TechnipFMC. I have known Doug for more than 20 years, and he has all my confidence and respect. We are now working together, engaging with customers, reviewing projects and visiting sites of important projects around the world and have turned around the clock. We are also building the future, focusing on customers, targeting the right project in a market that remain challenging but in which we know how to differentiate ourselves.

On a lighter note, sorry, on a lighter note, I don't believe much in coincidence. But today, 27th of April is actually the tenth anniversary of my career at TechnipFMC. In fact, I became Chairman and CEO of Technip at the Annual Meeting exactly 10 years ago. It has been an incredible journey, and it's not finished. So I wanted to thank all investment community for the confidence but also for challenging me all these years.

With that, I will hand you over to Doug. Doug?

Douglas J. Pferdehirt *TechnipFMC plc - CEO*

Thank you, Thierry, and congratulations on this tenth anniversary. I deeply appreciate your support, your friendship and your significant contributions that make TechnipFMC a success. On today's call, I will give a brief overview of our operational results and then share my thoughts on the new company, market outlook and a few of our key value drivers. Maryann Mannen will then review our financial performance in more detail and discuss our outlook for 2017 before opening the call for questions.

I am pleased to announce a terrific start for our new company. We generated $3.4 billion in total company revenue. Order intake of $1.6 billion was reflective of lower oil and gas expenditures, and we ended the quarter with $16.1 billion in backlog. Our balance sheet remains strong. We have a net cash of $3.5 billion. And today, we are going to discuss how we intend to deploy a portion of our cash balances.

Our segment results included $427 million of total EBITDA across Subsea, Onshore/Offshore and Surface Technologies. We delivered 17.3% EBITDA margins in Subsea. Onshore/Offshore EBITDA margins increased to 8.6% on strong project execution. And EBITDA margins increased to 14.5% for Surface Technologies.

Moving beyond the financials, I want to talk more about what it really means for us to become one company. As TechnipFMC, we are now uniquely able to leverage our industry-leading, front-end engineering capabilities, our culture of innovation that is bringing to market next-generation solutions and our reputation of superior project management, all necessary to drive the change required to deliver real sustainable improvement in project economics. We are well-positioned from upstream through downstream, providing exposure to both short-cycle businesses and long-cycle businesses. And now our Subsea footprint extends throughout the entire water column, creating the opportunity set to drive a step-change in project economics. We are confident this unique and flexible offering will create significant additional value both on land and offshore, from concept to project delivery and beyond for both our clients and shareholders alike. The foundation of our success lies within our over 40,000 employees who are driven by a mindset of challenging convention and leveraging our broad expertise and R&D capabilities, which encompasses a comprehensive technology opportunity set within TechnipFMC, allowing us to maintain a competitive advantage.

Turning to the market. The recovery in oil prices has fueled the resurgence in North American land activity. Our North American Surface Technologies activity has shown the greatest near-term improvement. We believe that a further increase in the rig count, coupled with additional hydraulic fracturing fleet reactivations, will drive improved results in our North American business. In addition, we continue to benefit from the increased market acceptance of our integrated pad offering, which creates value for our customers through both technology and process improvement. We are now exploring ways to extend or further integrate our offering by leveraging the project management and EPC capabilities within our new company.

Activity in our international Surface Technologies business remains generally stable, although pricing headwinds experienced in 2016 are impacting near-term results. Onshore activity continues to provide the most diverse opportunity set, driven by natural gas, refining and petrochemical projects. We are actively engaged in and pursuing several front-end engineering studies, which provide the platform for early engagement, which can significantly derisk project execution.

We also continue to experience market acceptance of our project management consulting business, a mostly reimbursable activity, driven by our industry-recognized expertise and track record.

Globally, fleet activity in both LNG and petrochemicals is fueled by the potential for sustained, modest natural gas pricing. These results -- this represents an important opportunity set for TechnipFMC by leveraging our process and technologies portfolio and our proven track record. We are tracking several significant onshore projects in the Middle East, Africa and Asia markets both in LNG and refining. We continue to closely monitor ENI Coral floating LNG and both the MIDOR and BAPCO refinery expansion projects.

Moving to Subsea. We can see that the industry's efforts are having a significant impact on project economics with a clear downward trend in project breakeven levels. Recent analysis indicates the breakeven levels have fallen more than 30% since 2014. We believe that most operators have projects that can move forward to current oil prices, with some notable projects having been publicly identified as viable even below $40 breakeven. This is increasing the competitiveness of deepwater assets versus unconventional plays. We are confident our integrated model and continuous innovation will allow us to further this downward trend, helping unlock additional offshore projects.

Our end-to-end capability now translates into the complete Subsea package from wellhead to topside. Using this broader definition of scope, we have identified 19 Subsea projects over the next 24 months that are in various stages of active discussion, each having a potential value that exceeds $250 million. In addition to the project shown here, our partners focus on shorter cycle, less capital-intensive Subsea tiebacks remains robust. Since the time of our last earnings call, we have remained confident that 2017 will represent the inflection in inbound order activity.

Last month, we announced the award of the Shell Kaikias development in the Gulf of Mexico, our third integrated EPCI award, demonstrating the success of this unique fully integrated model. Working with our long-term partner Shell, we significantly simplified the field architecture and equipment packages while accelerating time to first oil. Kaikias serves its further confirmation of market acceptance of our unique offering. We continue to expect that the current pace of integrated FEED studies will lead to direct project awards in the future, expanding both the customer base and geographical footprint for integrated projects. And as another sign that we have seen the inflection in Subsea order activity, we are excited about our recently announced award for the Subsea production system for the ExxonMobil Liza project. This award also serves as further endorsement of one of our newest technologies, the compact manifold, which will be deployed on this project, creating significant value. While we remain focused on our client success, we continue to look for additional ways to create value for our shareholders. We are focused on delivering synergies and capital allocation that we believe will generate improved financial returns, delivering further value to our shareholders. Our value drivers are focused on 4 key areas: cost synergies, revenue synergies, tax synergies and capital allocation. We have a series of actions in place around each that we believe will deliver at least 300 basis points of incremental returns by 2019. Importantly, these internal initiatives are largely within our control and not predicated on a market recovery. The most significant component of this plan is our cost synergies. We expect these savings will represent as much as 1/2 of the targeted improvement. We have already taken actions that will remove $40 million of cost from the combined company. We remain confident that we will realize the full $400 million of targeted synergies in our 2019 results.

Revenue synergies are also progressing well, and we continue to identify areas where we can achieve tangible synergies. Importantly, these benefits are incremental to any previously announced synergies. We're also realizing benefits from our new domicile. We have identified structural savings that we believe will result in a reduction in our normalized tax rate over the next several years. Given the current strength of the balance sheet, today, we're announcing a plan to return some of this capital to our shareholders. First, our Board of Directors has announced a $500 million share buyback authorization, and we are committed to completing this authorization by the end of 2018. Additionally, we are reaffirming our intent to make dividend distributions. We are planning for a quarterly dividend following our third quarter results, targeting an initial dividend rate that will be sustainable through the business cycle while allowing for growth in the coming years. We are confident that this combination of value drivers can deliver incremental returns of at least 300 basis points by 2019.

In closing, we are just over 3 months into our merger. Because our teams knew each other well, they have hit the ground running. The progress to date has been remarkable. The employee focus has been striking, both on day-to-day business and on capitalizing on the potential of the merger. We posted solid results in our first quarter earnings report. We have started to deliver some of the cost savings to the bottom line and have increased confidence in reaching the targeted savings. Project execution remains a differentiation for TechnipFMC. And the market's enthusiastic adoption of both integrated FEED work and direct project awards for integrated EPCI is a trend we expect to accelerate.

Finally, we see a clear path to improved financial returns, driven by a series of identified value drivers, including the shareholder distributions we announced today. We look forward to the future as we continue executing on our new strategy, driving change and unlocking the tremendous potential of TechnipFMC. I am confident in our ability due to the women and men of TechnipFMC who together provide the unparalleled ability and determination to drive the real change required in our industry.

I will now turn the call over to Maryann.

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

Thanks, Doug. I am pleased to report the results of TechnipFMC's first quarter results. Overall, our operational performance across our 3 segments was improved over prior-period pro forma result. While revenue overall on the pro forma basis is below the prior year quarter, on an adjusted EBITDA basis, we saw overall margin improvement of 190 basis points over 2016 from our 3 operating segments. We reported net income of $191 million in the first quarter. Included in these quarterly results are the after-tax costs associated with our merger transaction and integration, our estimated purchase price accounting charges and some minor restructuring and other severance costs, totaling $140 million on an after-tax basis. Our first quarter diluted earnings per share from continuing operations were $0.71, when excluding these after-tax charges were $0.30 per diluted share. The $194 million pre-tax impact of these charges in our reported results include purchase price accounting adjustment of $86 million for inventory step-up and other impacts, which will not be included in long-term amortization; and purchase price accounting adjustment of $43 million that are included in amortization expense associated with intangible assets, including the amortization of acquired backlog; merger transaction and integration cost of $55 million; and restructuring and other severance costs and impairment charges of $10 million. We reported $379.7 million of operating profit. When considering these charges of $194 million, our adjusted operating profit was $573.2 million. We have provided a schedule in our release filed last evening, which reconciles the reported result to adjusted operating profit.

We will have additional charges in 2017 as we complete our restructuring efforts and integration activities. We'll continue to report them accordingly. We reported $154 million of depreciation and amortization expense, which includes $43 million in amortization-related purchase price accounting adjustment. When these amortization-related charges and credits are excluded, adjusted EBITDA was $684.4 million. Our purchase price adjustment charges recorded in the first quarter are based upon a significant field to fair value analysis completed to date. We expect to complete our analysis in the coming months. These preliminary purchase price accounting adjustments related to the merger were noncash charges. Also included in our quarterly result is a foreign exchange gain of $307 million reported in corporate income and expense net. This result is largely due to the exchange rate of the Russian ruble to the U.S. dollar. We apply a natural hedge approach for the measurement of these gains or losses. It is possible that we will record gains or losses in future periods.

In the fourth quarter of 2016, we increased our ownership stake in the Yamal joint venture and we now hold the controlling stake. This change does impact comparability of the current financial results to prior periods. All of the joint venture revenues and operating profit are recorded in the Onshore/Offshore segment results. Our partner share of profitability is recorded as a future liability with periodic impact recorded in net interest expense. We have constructed the pro forma 2016 results as if the company had maintained the same controlling stake throughout 2016 to make quarter-over-quarter comparisons more meaningful.

Moving to segment results. Subsea reported $1.4 billion in the period. On a pro forma basis, quarter-over-quarter revenue comparisons were negatively impacted by lower project activity due to reduced inbound in previous years, resulting in a lower project backlog coming into the current year. Adjusted Subsea EBITDA was $239 million in the quarter with a margin of 17.3% when excluding charges of $97 million. Segment backlog exiting this quarter was $6.6 billion, which compares to prior year backlog of $7 billion.

Moving to our Onshore/Offshore results. Onshore/Offshore revenues for the quarter were $1.8 billion, down 19% on a pro forma basis quarter-over-quarter. Revenues were lower as a result of lower project activity, most notably in the Middle East and Americas. Onshore/Offshore adjusted EBITDA for the first quarter was $152 million with margins of 8.6%. The period benefited from strong project execution and the achievement of key project construction milestones. EBITDA margins improved 390 basis points from prior year quarter. Segment backlog exiting the quarter stands at $9.1 billion, which compares to the prior year backlog of $9.4 billion.

Moving to our Surface Technologies result. Revenue for the quarter was $248 million, about 29% below prior year on a pro forma basis due to lower activity in North America -- in our North America business and the impact of pricing on the international business. Surface Technologies adjusted EBITDA for the quarter was $36 million when excluding restructuring and purchase price accounting charges of $46 million. EBITDA margins, excluding charges, increased from 8.3% to 14.5%, primarily driven by our lower-cost structure and the beginning of the recovery in the pressure pumping business. Our surface international business began recognizing some lower-priced backlog that was booked during 2016. While pricing has begun to stabilize, we have yet to see a pricing recovery in these international markets. Pro forma operating results in our North American business have begun to improve from the bottom following late 2016. Daily orders from pressure pumping activity has significantly increased as customer demand has increased due to fleet reactivation.

Let's turn to the corporate items. Corporate adjusted operating profit in the quarter was $255 million when excluding charges and credit for $51 million. Included in the quarter were net gains of $307 million, mainly due to foreign exchange gain previously discussed. Net interest expense was an expense of $82 million in the quarter, which includes the charge of $68 million due to the remeasurement of a liability payable to joint venture partners. Our first quarter tax rate of 28.4% when excluding the effects of liability remeasurement within net interest expense, which received no tax benefit. Capital spending this quarter was $51 million. Depreciation and amortization for the quarter was $154 million. Of the total, $43 million was related to purchase price accounting for the merger and was included in total charges and credit. We will continue to identify D&A related to purchase price accounting as such in future periods. At the end of the first quarter, we had net cash of $3.5 billion. It is comprised of $7 billion of cash and $3.5 billion of debt.

Looking forward. Full year revenue for Subsea is expected to be at least $6.1 billion. We could see further improvements of this revenue subject to the timing of our project award inbound and backlog project timing. We expect to deliver EBITDA margins, excluding charges, of at least 17% for the full year 2017.

Looking at the Onshore/Offshore business. Full year revenue is expected to be at least $7.3 billion. We anticipate that with continued strength in project execution, EBITDA margins, excluding charges, should exceed 6.5% for the full year in 2017.

In Surface Technologies, revenue is expected to be at least $1.4 billion. The North America recovery is well underway, and we are seeing the greatest impact in our business. Customer acceptance of our integrated surface offering should also deliver incremental sales in the year. However, improved revenues in North America will see some offset from the international segment, driven largely by the effects of more competitive pricing. In Surface Technologies, we currently expect to realize EBITDA margins, excluding charges, of at least 13% for the full year in 2017. As Doug said, we remain on track to deliver at least $400 million of pretax synergies. As a reminder, our objective is to deliver run rate savings of $200 million by the end of the year and a full $400 million run rate by the end of 2018. For all these savings post to merger are fully in line with our overall targets. We have already taken action on $40 million of quick wins. These include corporate costs, real estate, as we have already combined many facilities where we shared same location footprint and other indirect cost. For the remaining quarters of 2017, we expect that corporate expense will be between $50 million and $55 million. The estimate for corporate expense remains subject to foreign currency fluctuation on the cash flow hedging. This is not included in our estimate. We're estimating that other merger and integration cost and restructuring costs will be approximately $150 million in the remaining 3 quarters of 2017. We will continue to identify these costs as we have this quarter. We estimate interest expense to be approximately $22 million to $25 million per quarter. We now anticipate our 2017 tax rate to be between 26% and 28% for the full year. One element of our return on invested capital objective is the benefit of a lower tax rate from our planned entity restructuring. Our domicile resulting from the completion of our cross-border merger gives us the ability to reduce the worldwide effective tax rate. We estimate that on a comparable set of earnings, we can initially realize at least 300 basis points of tax savings as our restructuring is completed by year-end. We now expect capital spending in 2017 to be approximately $300 million.

In closing, the first quarter reflects our ability to drive strong financial returns while we continue to execute on our integration strategy and realize synergies, as we have been communicating. We believe we are well positioned to capitalize on new market opportunities and stabilize our business through increasing margin -- market uncertainty. Our solid execution and our previous cost-reduction initiative as well as the opportunities we see for further product cost reduction and technology development are critical elements of our differentiated business models. We are encouraged by the level of project activity we are seeing, but we recognize the pace of order conversion continues to be challenging. We remain ready to respond to the market and manage our businesses to deliver improving returns.

Operator, you may now open up the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from Jud Bailey from Wells Fargo.

Judson Edwin Bailey *Wells Fargo Securities, LLC, Research Division - MD and Senior Equity Research Analyst*

Maryann, just a follow-up on, excuse me, some of the guidance. Could you maybe walk us through what the combination, kind of what you're assuming or kind of what's implied in terms of, I don't know, order cadence I'm trying to think about margins? What needs to happen for the Subsea guidance to -- what do you see implied in that number, I guess, when order and kind of revenue progression standpoint?

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

Sure. Maybe let me try to take it to the 2 major segments. So from a Subsea perspective, in terms of our order guidance, we've got largely about 75% of our revenues secured in backlog. And then you know there's a portion of that revenue that's recurring. They're more like service revenues, et cetera. So there's just a small portion of our 2017 revenue estimate today that is not secured. So we feel very confident in the at least $6.1 billion with respect to Subsea. Most of the margin, obviously, in our backlog is solid. Our execution will continue. So for Subsea, not much that we need to see. On the Onshore/Offshore business, we've got probably 85-plus percent of the revenue included in our backlog to deliver those revenues. And as you can see from the quarter, our performance on the Onshore/Offshore segment from a margin perspective was very strong. So again, we think for those 2 segment, we've got the good portion of that for 2017 in hand. Surface, as you know, is a bit different. We've got a little over $400 million in backlog. That business will respond in North America, and we're pretty confident in the recovery there. But obviously, that's not in backlog, and we'll need to see that backlog continue -- or excuse me, that inbound continue throughout the next couple of quarters.

Judson Edwin Bailey *Wells Fargo Securities, LLC, Research Division - MD and Senior Equity Research Analyst*

That's helpful. And I guess just a follow-up on that, the surface guidance, I think is for EBITDA margin to 13%, which is below, I believe, what you did in the first quarter. Is that just being conservative? Or is there something over the course of the year that we need to be aware of from a margin standpoint?

Douglas J. Pferdehirt *TechnipFMC plc - CEO*

Hey, Jud, thank you for asking. It is important to note, in the first quarter, due to the resurgence of activity of fleet reactivations that we have heard reported for many of the pressure pumping companies, that is our shortest cycle business and we benefited significantly from that resurgence of activity. When they reactivate these frac fleets because of the extended downturn that we just experienced in the North American market, not only does the equipment being maintenance and repaired, but in many cases, it was cannibalized for spare parts, for other ongoing capacity that they had in their active fleet. So this has resulted in what would be similar to new capital orders for us versus just the normal level of maintenance, repairs, inspection and replacement of the high-pressure components of the hydraulic fracturing fleet. So we got that surge. We think that surge will continue into part of Q2 but then we'll go back to a more normalized rate of revenue and margins in that particular business.

Judson Edwin Bailey *Wells Fargo Securities, LLC, Research Division - MD and Senior Equity Research Analyst*

Okay. And then my second question is, Doug, I may have missed it, but did you comment on kind of your expectations for Subsea orders this year in terms of just relative to what you did on a pro forma basis in 2016?

Douglas J. Pferdehirt *TechnipFMC plc - CEO*

Yes, we certainly -- we mentioned that we reaffirm that we believe that 2017 will be an inflection off of 2016, so we expect orders to be up. As a matter of fact, I would call it more of a step-up. And the way that I would construct that step-up is, as demonstrated -- is illustrated earlier on the slide, we showed 19 projects that have a value of $250 million or greater that are in various levels of active negotiation at this time. Of those 19 projects, we would expect several of those to move forward in the next 12 months. In addition to those projects, by working closely and having the intimate relationship and the unique position that we have with our partners, we've been able to work with them to help identify short-cycle Subsea tieback opportunities. And then by leveraging the standard products across TechnipFMC and now the fully integrated capability, we can deliver the full Subsea tieback system installed on the seafloor in approximately 1/2 the time of the normal market. So if you put together a few large projects, in addition to the ones we've already announced, a robust Subsea tieback market and a continued resilience in our Subsea services business, net-net we would expect to step up in 2017 versus 2016.

Operator

Your next question comes from Michael Rae from Redburn.

Michael Rae ***Redburn (Europe) Limited, Research Division - Research Analyst***

Just to be clear on the guidance for the corporate line, so that's $50 million to $55 million per quarter for the rest of the year presumably, so including $255 million positive that you recorded in 1Q? The outturn for the corporate line will be positive this year, I think is about what you're saying?

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

That's correct, the $50 million to $55 million is for the remaining portion of 2017. You're absolutely correct.

Michael Rae ***Redburn (Europe) Limited, Research Division - Research Analyst***

Okay, that's great. And then sticking with the guidance some of that got two more, on the Subsea side of the business, the margins just looked a little bit lower than I was expecting there. Can you talk about the scope for any kind of margins surprise there and just give us a little bit steer on the cost control where you might surprise positively within that business?

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

Sure. It's important to recognize that although we're seeing an inflection in our inbound orders, we're still faced with a very challenging market. This will likely translate into lower vessel utilization this year versus last year. And we also have to be -- and we also recognize some underabsorption in our manufacturing facilities. This is somewhat offset by the ongoing cost restructuring that we have been doing and we will continue to do. And this has taken -- all of these effects are taken into account into the guidance that we indicated to be at least 17% EBITDA for the full years. Certainly, the timing of inbound will have an impact. But as we see it right now, that is our ambition and expectation, and then we'll continue to track the market very closely and make any other additional adjustments that are necessary.

Michael Rae ***Redburn (Europe) Limited, Research Division - Research Analyst***

Okay. And then just the final one. I see you've announced the Liza awards yesterday. Can you just give us a bit of color on why that was not an integrated package and whether you still consider yourself to be in the running for the installation there?

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

Sure, Michael. So, yes, we're really excited. Matter of fact, we're honored to have been awarded to be the Subsea provider to ExxonMobil for the Liza project in Ghana. As many of you are aware, this is significant and vast discovery by ExxonMobil and their partners Hess and others, and we're just really proud to be part of the team that's going to bring this project forward. Most importantly, this was an opportunity to deploy one of our latest, new technologies and next generation called the Compact Manifold. This Compact Manifold creates significant reduction in scope and allowed us to reduce the time and accelerate and help ExxonMobil have confidence in the project delivery. For them, the most important driver -- or one of the most important drivers was schedule and schedule certainty. This is a fast-track project, and by being able to bring new technology and other benefits that we've had due to our long-term collaboration with ExxonMobil, we were able to help them derisk the project. This created significant value both for ExxonMobil as well as for TechnipFMC and allows us to differentiate versus our competition. Regarding the additional scope, which is the EPC 3 package that includes the umbilical risers flowlines and installation, that award is not being communicated yet by ExxonMobil.

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 that is very, I think, very clear guidance and you provided very optimistic outlook especially for the Subsea business coming off a pretty sharp downturn. So the dynamics, as you look at the perspective margins in the next wave of this order book and backlog, can you help us think that through, Doug, given a lot of the integrated dynamics that are going on with Technip and FTI? How should we think about the next wave of order and the margins that could come through vis- a-vis what you're going to experience coming through 15 and 16? Are margins going to get better because of the integrated dynamic, do you think? I guess that's what I'm trying to get to.

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

Okay, Kurt, so I think there's a few things we need to consider. Again, first of all, it is going to be a very challenging market. The timing of the recovery and when the inbound converts into revenue is really critical for us. And what I'm trying to -- what I tried to demonstrate in the prior question was that there's a certain level of confidence in capability that we're going to retained within the organization to be able to respond to our customers' needs and be able to deliver exceptional project performance. We don't know yet how the timing is going to work out. We see the projects. We have confidence in the projects. When those projects are actually sanctioned that will certainly have an impact. In the meantime, there are things that we have been and we'll continue to do to ensure we have the most cost-effective structure to support our current projects, and as I indicated, our future projects. It is true that by working together with our projects and engaging early in integrated FEED and being able to introduce new technology like we did on the ExxonMobil Liza project with the Compact Manifold that we can create great value both for our customers as well as for ourselves. Certainly, that is an advantage that we have. And in addition, the last thing that needs to be considered is just the opportunity now to have our organization work together as one organization. There's a significant amount not only in terms of cost synergies but just in operating efficiency that we gain by looking at a project holistically from one planning system all the way through one delivery system.

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

Great. I appreciate that additional color. And just maybe a follow-up here on the return of capital dynamics that you guys outlined here. So $500 million, if I completely understand that, you expect to execute that by the end of the year. And then should we assume, I would imagine, assume that there's going to be a re-up on the perspective share repurchase program going out into 2018 if there is a general sense of what kind of magnitude you might be looking at?

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

Thanks, Kurt, for asking for clarification. So the $500 million authorization from our board is to be executed through the end of next year 2018. We would do that opportunistically. And at that point, as you indicated, it is most likely that our board will authorize an additional share repurchase, but that will be the decision by the board at that point. But the USD 500 million share authorization is through the end of 2018.

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

Okay, great, great. Well, I see that your stocks trading down overseas. I don't really get it given that your EBITDA guidance was about $600 million higher than the count we had. So I'm assuming that will get your share price will get corrected here over the near-term, but good call.

Operator

Your next question comes from the line -- I'm sorry, your next question comes from the line of Phillip Lindsay from Credit Suisse.

Phillip Anthony Lindsay ***Credit Suisse AG, Research Division - Research Analyst***

Two, please. On Liza, the Compact Manifold, presumably this is something that you'll be looking to market quite extensively on the back of this award. So perhaps you can help us to understand the vessel capabilities required to install this type of equipment relative to more traditional manifolds. Does the sophistication of the vessel become less relevant with this new technology? That's the first question.

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

A very interesting question. Thank you very much. So this is our third order for our Compact Manifold family. It's also being deployed on the Shell Kaikias project, and our initial award was for several for Petrobras in Brazil. So the market acceptance continues to accelerate. And, yes, we certainly expect future awards of this nature. It's a very interesting question because it's not just the Compact Manifold. It's the entire Subsea production system. In the past, equipment providers didn't think about installability. Installability wasn't in their scope. They weren't rewarded for thinking about -- commercially rewarded for thinking about installability, so often the structures that were built lead to very difficult and costly installation campaigns. As one company and the only company that now has the entire water column and installation under one roof, we think very differently. And we now understand that there are significant changes that we can make to the Subsea architecture that will allow the installation to be done in a much more efficient manner and will be able to be done off a more diverse vessel platform. So in other words, we will -- it would naturally work to our benefit if we were able to design equipment that partnered very well with our vessel capabilities going forward.

Phillip Anthony Lindsay ***Credit Suisse AG, Research Division - Research Analyst***

Okay. Great. And second question, I think in the release you mentioned a reduction of project activity in Africa. But clearly, you still got some big projects with Offshore campaigns in the region such as Kaombo. Could you just help us understand whether the scheduling of any of these projects has changed? And if so, why?

Thierry Pilenko ***TechnipFMC plc - Executive Chairman***

I'll take that question. Good afternoon, or good morning. Kaombo is actually started the Offshore campaign quite some time ago. We have several of our flagship vessels involved. In particular, the Deep Blue has been there since February. And most of the year will be offshore work, I mean, throughout the year. And Kaombo is the largest Subsea project, SURF project ever awarded and is going to last most of this year a little bit of tail into 2018. It's a very significant project for 2018. The other projects that were very important in '15 and '16 are now either completed or close to completion.

Operator

Your next question comes from the line of Rob MacKenzie from Iberia Capital.

Robert James MacKenzie ***Iberia Capital Partners, LLC, Research Division - MD of Equity Research***

Maryann, I guess I wanted to talk to you about how we can think about as analysts here, the variability we might expect from foreign exchange moving parts going forward? Obviously, a very big number this quarter. Should we expect to see volatility of that nature going forward? How do we forecast that?

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

Hi, Rob. So sure, understand, it is a difficult number to forecast obviously. I'm not giving you an estimate on it for the balance of the year. A bit of a difference. We've got some fairly large cash balances, and we've got historically a couple of different methods. And unfortunately, as we go forward, given the U.S. GAAP requirements where this variability would normally have not reached the P&L, we'll see a little more variability going forward. As we complete projects and reduce those balances, we'll see that volatility minimize. But for the next couple of quarters, it is likely that we could see a bit more. It all depends on the -- in this particular case, the exchange that we see largely on the Russian ruble and the U.S. dollar. So that would be one place that we can look. We'll call it out for you every quarter. Obviously, we're not asking to exclude it because it is part of our normal operations as we go forward, but a difficult number for us to estimate for those reasons.

Robert James MacKenzie ***Iberia Capital Partners, LLC, Research Division - MD of Equity Research***

Sure. And then, Doug, I wanted to come back to your comments a little bit on the surface business, specifically not expecting the frac equipment orders to repeat the same way they did in the first quarter. What's that based on? Because everything I'm hearing from other equipment providers in this space seems to indicate that, that business reactivation of equipment should, if anything, accelerate not decelerate.

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

Yes, Rob. Thanks for the question. I think you know we're the leading provider of this type of equipment to the oil and gas industry. And I think you know from our past experience that we have a strong position in that business. Therefore, we would naturally get the very first orders. It's the best product in the market, and we saw that flush order of activity. There's been an enormous amount of hydraulic horsepower reactivations that have been going on. And remember, we're placing -- when we're taking orders, some of them are booking and turning very quickly. Some of them may be up to 90 days out. So when you think about what you're hearing about some of the fleet reactivations and when they expect to be completed by, which is you're hearing the third quarter, that's why I'm just saying we'll expect those flush orders to go kind of through our system as we did in the first quarter and through the second quarter. But Rob, we will stabilize at a very high level of activity. It's not that we're not going to have a high level of activity. It's just we won't -- it's just like somebody ordering brand-new frac capacity from our perspective. From their perspective, there's other parts that are not new capital orders. But from our perspective, all of the high-pressure components of the frac system are basically being ordered as if it's a brand-new capital quarter. So logically, that can't continue. That has to stabilize at some point. But the level of activity given the amount of horsepower that will be active in the industry, that business will be at a very high level. So I'm not saying the whole business is going to come down. I'm just saying we'll see the majority of those flush orders come through the system in the first and second quarter.

Robert James MacKenzie ***Iberia Capital Partners, LLC, Research Division - MD of Equity Research***

And then one big picture question, if I may, Doug. It seems like today in the Subsea business the only projects being approved or sanctioned are world-class projects like Liza or tiebacks, smaller tieback opportunities. What do you think it takes either from commodity price or from cost -- further cost reductions to kick off a more broad recovery in the Subsea business?

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

Well, as indicated, we're tracking 19 projects. Some would fit into the classification, as you're saying, world-class. But many would be, I guess, in the middle tier because we don't have the tiebacks on that project list of 19 because we're talking about $250 million or more. Most of the tiebacks fall below that. I think it's a combination of the 2 things clearly. Our position, Rob, is we can help focus on helping improve project economics. And it's not just cost, it's also schedule. So things we can do like I described earlier, we're able to cut costs significantly on a large project on large greenfield project 9 to 15 months. On a small tieback, we can cut it 50% of the time. That's the advantage of having the relationships, of having the install base, of having the service infrastructure to be able to support it and now being able to offer it as one integrated package. The time to first oil is what ultimately drives the project economics on those projects. Clearly, they want to see commodity prices and have confidence in commodity prices. But you saw the breakeven numbers that we included in the presentation earlier today. We now collectively, as TechnipFMC, represent up to 1/3 of the deepwater development cost. And we have a lot more that we can bring in terms of lowering breakevens even further.

Operator

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

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

First question, really, if we can talk about the competition you're seeing in the Subsea space. Obviously, there's been a lot of columns written about the likes of Mad Dog and of Liza and then obviously, you guys have won Liza. Could you maybe give your thoughts, Doug and team, around how you see that competition with Schlumberger OneSubsea obviously with our alliance with Subsea 7? And maybe add to that, are we all missing something that we focused on, SLB versus FTI, where is actually there are other players here who are may be losing market share to both of you?

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

Rob, thank you for the question. I think it's important to note that there's different types of integrated models. We are the only ones to put together an integrated offering that goes from the wellhead to the topside. So we have that unique capability to be able to look at how we design our equipment for installability, how we focus on serviceability, how we can leverage the industry's largest install base. We have over 2,000 Subsea trees operating. We have over 11,000 kilometers of flexible pipe out in the industry today. So there's an enormous platform that we can work from together now as one single company. When you're not together as a single entity and you don't have the same commercial incentive, matter of fact, you can argue that in the regular style, there's actually a disincentive to work together because of the commercial model. So it's just a very different offering than the other offerings that are in the market today. Some projects will continue to go forward in the traditional way where work packages will be split up in 2 ways or sometimes in many ways. Just one point I'd like to mention to your question. We actually won part of Leviathan. We won several of the packages. The Leviathan project was split into many packages. So we are one of the Subsea providers on Leviathan. We are still bidding a package for BP Mad Dog. So when these projects are split up, because of the breadth of our company, we're likely to be involved in the project in one form or another. It may not be the traditional split between SURF and SPS. It may be split in multiple components. And when it is, we'll continue to approach that. We'll remain flexible with our commercial offering. Ultimately, what we want to be able to provide to our customer is the very best solution. And if we can get involved early and work through an integrated FEED and convert that into an integrated EPCI, accelerate to time to first oil at the best project economics, we think we have a winning combination and a unique opportunity to do that. In other cases, we'll bid the package separately and individually if that's what the customers chooses to do. And we'll bid at a level that we think is in the best interest of our company and our shareholders, and that's what we'll do as well. But at the end of the day, what we bring to the market and what we bring to our customers is the widest range of commercial solutions that anybody has to offer. So we believe with the success and the proven success that we've had both on the FEED side now converting in an integrated EPCI as well as the continued success on the a la carte type approach that we're the best position to market, and we're really excited to have everybody together now working as one company.

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

Okay, sounds like compelling offering. And one just follow-up, if I may, very specific on the Subsea vessel utilization. I was a little bit surprised to see that down quarter-over-quarter given there were some vessel downtime in the fourth quarter ahead of the installation campaigns in West Africa. I was just wondering whether in terms of the progress we can see in terms of that quarterly going forward, should we expect reasonably good utilization as you execute the type of projects at Kaombo, SURF and Moho throughout the year?

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

So we did have the impact the North Sea activity and the lower utilization of the North Sea in the first quarter. But looking forward, and I mentioned it earlier and I think it's worth repeating, we are in a challenging market. So we are actively working. We have some open days on the schedule right now. But it will certainly be a more challenging year than 2016 in terms of vessel utilization.

Operator

Our final question comes from the line of Byron Pope from Tudor, Pickering & Holt.

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

In the earnings release, Doug, you make mention in the Subsea markets seeing an acceleration of FEED studies, and it seems as though that queue of FEED studies is already starting to accelerate back when you all were on the road last November. So I was hoping you could frame what you're seeing today in terms of Subsea FEED studies and then maybe tie that to some of the 19 projects that are in the queue over the next 18 months?

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

Thanks, Byron. So I want to broaden it just for a minute and talk a little bit -- a little broader about the portfolio of TechnipFMC. First of all, we have the leading agnostic front-end engineering capability under our Genesis group. On top of that, we have the front end and the FEED studies that we're doing on our On/Off business as well as in Subsea. And the only reason I wanted to back that up a little bit, Byron, is to really understand the capacity and the competency that is now together in one organization. So we're doing quite a bit of FEED work on Onshore/Offshore. That's important because when we get in early on those projects, we can better understand the project and, quite frankly, what commercial model we want to use on the project to ensure that we derisk the project and ensure success both for our clients and ourselves. In terms of Subsea, yes, it continues to accelerate both integrated and nonintegrated FEED studies, but it's one of the reasons we have confidence. So it's a little bit like following drilling permits in the U.S. land business. When we see this level of FEED activity, not all convert, most certainly not all convert, but many of them do end up being sanctioned. In terms of versus the project list, I'm going to -- I'm not going to answer that directly just because, Byron, that's a significant competitive and unique competitive advantage that we have. But I will tell you that on that list of projects, there is integrated FEED activity going on. I certainly don't want to say how many or point to them. That's a significant competitive advantage of ours.

Operator

I would now like to turn the call back over to Matthew Seinsheimer. Please go ahead.

Matthew W. Seinsheimer ***VP Investor Relations***

This concludes our First Quarter Conference Call. A replay of our call will be available on our website beginning at approximately 8 p.m. British Summer Time today. If you have any further questions, please feel free to contact me. Thank you for joining us. Operator, you may and the call.

Operator

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