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PRESENTATION

Operator

Good morning, and welcome to the TechnipFMC First Quarter 2019 Earnings Conference. My name is Carolyn. I'll be your conference operator today. (Operator Instructions) Thank you. And I'm turning the call over to Matt Seinsheimer. Go ahead, sir.

Matt Seinsheimer - *TechnipFMC plc - VP of IR*

Good afternoon, and welcome to TechnipFMC's First Quarter 2019 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 upon 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, our most recent 10-Q and other periodic filings with the U.S. Securities and Exchange Commission, the French AMF and the U.K. Financial Conduct Authority. We wish to caution you not to place undue reliance on any forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any of our forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

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

Doug Pferdehirt - *TechnipFMC plc - CEO & Director*

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

Total company revenue in the first quarter was $2.9 billion with adjusted EBITDA of $296 million. Inbound orders were very strong in Q1 with total company orders of $6.2 billion. This represents our highest level of quarterly inbound since the fourth quarter of 2014. And with book-to-bill above 2, we had sequential growth in total company backlog of 22%.

Subsea orders of $2.7 billion, which resulted in a book-to-bill of 2.3x reflect the increasing trend towards integration with 4 new iEPCI projects awarded in the period. In addition to these integrated orders, we were awarded an equipment and installation contract for the second phase of Equinor's Johan Sverdrup project in the North Sea and Petrobras' Mero 1 project in Brazil.

While this level of order of success will be difficult to replicate for the full year, the timing of these recently announced awards supports our revenue outlook for the current year.

In Surface Technologies, weaker-than-expected activity in North America significantly impacted our quarterly results and has led to a change in our business outlook. We no longer anticipate recovery in North America completions activity, we had originally forecasted back in December. We now expect completions to be down modestly versus the prior year. Outside of the Americas, our expectations remain unchanged for high single-digit to low double-digit activity growth. Following a near record year of inbound orders in 2018, Onshore/Offshore delivered another strong quarterly inbound of $3.1 billion. Orders were more than double the revenues booked in the quarter. We inbounded 3 major Onshore/Offshore projects in the quarter, demonstrating the breadth of our capabilities in downstream and gas monetization as well as our geographic reach. This includes a reimbursable contract with ExxonMobil for the Beaumont refinery expansion in the United States as well as large offshore gas FPSO award for BP's Greater Tortue project in West Africa.

First quarter inbound also included the MIDOR refinery project in Egypt that we announced late last year. In addition to these projects, we have engaged in a number of agreements and investments in Saudi Arabia to support the growth we anticipate in both our Onshore/Offshore and Surface Technology segments. With strategic collaboration and local content development, we can further improve our competitive position and expand the market opportunity for TechnipFMC.

Moving to one of the largest market opportunities, the outlook for LNG remain strong for our company. The need for additional LNG infrastructure is well understood driven primarily by increasing demand for natural gas from Asia Pacific. With the next wave of LNG upon us, we will leverage our experience gained from our extensive list of reference projects, our incumbent positions in fright and engineering design activities and our global client relationships. When assessing the future opportunity set, we are tracking more than 20 projects in the global LNG market and see potential for significant new capacity to be sanctioned over the next 18 to 24 months. Of these, we are prioritizing 5 projects that are more strategic to TechnipFMC and offer the highest probability of successful execution. These 5 projects are with 5 different customers across 5 different countries with a minimum of 7 potential project partners.

TechnipFMC is among the small number of contractors that can deliver these critical liquefaction facilities across the globe. We are well positioned to participate in this next wave.

Turning to Subsea. Our integrated FEED capability in pipeline is a key differentiator for us and has been instrumental in securing the majority of our iEPCI awards. We have been working on iFEED studies now for nearly 4 years and have developed an extensive diversified set of project opportunities. In 2018, we sold a number of new iFEED studies, nearly double from the prior year with continued growth in 2019. Many of these are proprietary providing an exclusive opportunity set to TechnipFMC.

The portfolio of iFEED studies continues to mature and we anticipate further conversion of iFEED studies into iEPCI project awards. Taking a closer look at our portfolio of iEPCI projects, the strength and breadth of our customer -- of customer adoption has far exceeded our initial expectations. We have developed the largest and most diversified portfolio of integrated projects in the industry. In the first 4 months of 2019, we have secured 7 new iEPCI projects; 4 in the first quarter and 3 in the month of April with additional awards anticipated very soon. We are proud to have further expanded our integrated portfolio with new projects from BP, Lundin, ENI and ConocoPhillips, all first-time iEPCI adopters.

We are now forming new iEPCI alliances with the next generation of deepwater operators, including Lundin, Hurricane, Neptune and Energean, and we are working to secure additional agreements to further strengthen and differentiate our market position. These iEPCI alliances are incremental to our extensive list of more traditional alliance relationships, some of which date back more than 2 decades and set the foundation for much of the Subsea work we are executing today.

Let's now consider how transformative the integrated model has been. We pioneered this commercial model and it is having a profound impact on our company and the broader Subsea landscape. It has clearly been disruptive and has challenged the industry to think and act differently. As the industry's only fully integrated service provider -- integrated provider of Subsea solutions, we are well positioned to capitalize on this trend towards greater project integration.

In 2018, iEPCI represented approximately 25% of our Subsea orders. And in 2019, we are confident that iEPCI will exceed 25%, which would also indicate a higher absolute level of integrated projects given our expectations for further order growth. Another benefit of iEPCI projects is the ability to leverage our assets, most notably, our people, our manufacturing operations and our fleet. This will accelerate the recovery of our fleet utilization. In fact, the majority of iEPCI awards announced this year will have offshore campaigns beginning in 2020. Our innovative Subsea 2.0 platform brings further differentiation and continues to experience growing market acceptance. Since the beginning of 2018, 60% of our Subsea FEED studies have included Subsea 2.0 technology. We are tendering full Subsea 2.0 production systems and have already deployed Subsea 2.0 equipment. The outlook for the Subsea industry continues to improve. We are encouraged by the increased level of client engagement and project tendering. In the quarter, the majority of our awards came from a diversified mix of iEPCI projects as well as subsea services and alliance partner direct awards further highlighting our competitive differentiation.

Our updated Subsea opportunity slide reflects the positive trend for the broader deepwater market with growing -- with growth in both the volume and value of Subsea projects. We are well positioned to capitalize on these market opportunities. Our company has returned to growth and our portfolio is well positioned to benefit from the continuing improvements we are experiencing in many of our key end markets. But in this cycle, we intend to do more than just position ourselves for a market recovery. As an industry, the oilfield services sector has displayed a similar pattern of behavior across many cycles. Overinvesting for a peak cycle scenario, deploying too much capital in undifferentiated assets and often depressing shareholder returns creating little, if any, shareholder value. Our industry needs to prove to the investment community that it can invest in a disciplined manner, while offering the prospect of financial returns that exceed our cost of capital on a through cycle basis.

For TechnipFMC, capital discipline starts with the balance sheet. We will ensure that we have sufficient capital to grow the business either through investment, new business awards or strategic M&A. We will continue to return excess capital to shareholders. Our quarterly dividend currently yields over 2% and our strong balance sheet provides us with a flexibility for opportunistic share repurchase. And when these actions are combined with our strong operational execution, we can drive our capital returns higher over time.

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

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

Thanks, Doug. Strong order momentum throughout 2018 has accelerated in the first quarter. Total company backlog is now up 27% year-over-year to nearly $18 billion. The first quarter added more than $4 billion to our backlog for execution in 2020 and beyond, supporting our medium term growth outlook.

In the quarter, total company adjusted EBITDA was $296 million in the quarter and compares to $387 million in the prior year quarter. Adjusted EBITDA margin declined versus the prior year quarter to 10.2%. Adjusted diluted earnings per share from continuing operations in the quarter were $0.06 when excluding after-tax charges and credits of $0.01 per diluted share. Other pretax items impacting the quarter for which we do not provide guidance include the following: $85 million or $0.19 per diluted share related to an increase in the liability payable to joint venture partners that is included in interest expense. $12 million or $0.02 per diluted share of foreign exchange loss included in corporate expense. We reported corporate expense of $72.6 million in the quarter excluding charges and credits. This also included the $12 million of foreign exchange losses.

Full year guidance excluding FX remains unchanged. We reported $14.5 million of income tax expense in the quarter. Adjusted net income was negatively impacted by the reversal of a $40 million noncash valuation allowance, which will benefit tax expense in future periods. We continue to estimate our full year tax rate in the range of 28% to 32%.

Turning to our operational performance by segment. Subsea delivered first quarter revenues in line with prior year quarter. Modest growth in Subsea services more than offset the forecasted decline in project revenues. Adjusted EBITDA margin of 11.8% is supportive of our full year guidance of at least 11%. The revenue decline in Onshore/Offshore versus the prior year quarter is a result of lower activity on major projects moving closer to completion most notably Yamal LNG. Several key projects awarded in recent quarters are in the early stages of completion and are expected to contribute more significantly to revenue in subsequent quarters as projects mature. We delivered robust margin performance of 14.6% as a result of strong project execution. And in Surface Technologies, the margin decline was driven by lower completions related activity, onetime charges related to new product introduction and unfavorable product line mix in North America. Operating profit outside the Americas was negatively impacted by delays in shipments of backlog orders, now expected to be delivered throughout 2019.

In December, we provided our 2019 financial guidance for each of our business segments. At that time, our assumptions for Surface Technologies were predicated on sequential improvement in completions-related activity into North America over the course of 2019. However, North American activity declined further in the first quarter of 2019. Our completions related revenue experienced a sequential decline in the mid-single digits. We now expect completions-related activity for the remainder of the year to remain largely unchanged from current level. The reduced operator spending in North America has also negatively impacted pricing as the market adjusts to the excess product and service supply created by lower activity. This led to a revision in our business outlook for the North American market. Outside the Americas, our expectations remain unchanged. We anticipate high single-digit to low-double digit activity growth.

Given this updated market outlook, we are decreasing our 2019 revenue and margin guidance for Surface Technologies. We now anticipate revenue between $1.6 billion and $1.7 billion and EBITDA margin of at least 12%. We are increasing our revenue and margin guidance in Onshore/Offshore, given the strong first quarter inbound, we now forecast revenue in a range of $6 billion to $6.3 billion in 2019. We are also raising Onshore/Offshore EBITDA margin guidance from at least 12% to at least 14% to reflect the good performance in the first quarter as well as our expectations for continued strength in project execution as we approach additional milestones on projects nearing completion. In Subsea, our 2019 financial guidance remains unchanged and it is well supported by the growth in backlog.

Turning to cash flow. We generated positive operating cash flow in the period of $121 million. The quarter benefited from the receipt of customer prepayment on key project awards. Yamal was a modest use of our operating cash flow in the period. We continue to expect cash flow from operations to be positive in 2019. And when excluding the impact of Yamal, cash flow from operations will approximate $400 million to $500 million. Beyond the operating line, we remain committed to disciplined capital investment and intend to meet our full year capital spend guidance of approximately $350 million. Included in the quarter was the closing of the dive support vessel transaction for $80 million. Since this was a sale leaseback transaction, we have netted the CapEx against the debt financing and the all other category as we have shown on our cash flow walk in Slide 13. We do not own the vessel, but it is consolidated within our financial statement as we retain control of the asset through remainder of the lease term.

Other uses of cash in the quarter included share repurchase totaling $50 million in the quarter of which $33 million was settled in the period. I will also note that we declared another quarterly dividend of $0.13 in the period. A reduction in our net debt position of $336 million excluding the vessel financing and a cash distribution of $175 million to our joint venture partners in the Yamal LNG project. In total, cash decreased modestly to $5 billion. We ended the period with net cash of $1 billion.

In closing, Subsea inbound further improved revenue coverage for the year before considering the addition of revenue for subsea services. Unannounced, Subsea awards were consistent with the strong orders posted in Q4. And the success of our integrated model is increasingly evident as demonstrated by our 4 new iEPCI awards in the quarter. We raised 2019 revenue and margin guidance in Onshore/Offshore to reflect solid execution in inbound, while lowering Surface Technologies guidance on a revised outlook for North American activity.

Total company backlog is now up 27% year-over-year. With this growth in backlog, we are preparing for broad-based improvement across the portfolio. We will remain disciplined in the spend to support this growth while leveraging our differentiated strategy and superior execution to deliver profitable growth and higher returns for all of our stakeholders.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is from the line of Jud Bailey from Wells Fargo.

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

A question starting off with Subsea. You are still guiding to a minimum of 11% margins. You started off above that in the first quarter. Maryann, could you maybe talk about how to think about margin progression going forward? Does that mean we're going to dip below 11% in the next couple of quarters? Or is that still you being a little bit conservative? Do you think margins can kind of hold out in this level over the next couple of quarters? Just help us think about that, please.

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

Thanks, Jud. So as you know, our first quarter is typically our softest quarter just given the seasonality, and so we typically see that top line declining. As we look at the inbound that we have seen in the revenue coverage, we certainly feel like our revenue guidance could trend toward the high end of that. As we talk about the EBITDA margin guidance strong performance, we would certainly expect to see a little bit of volatility as the projects move up and down, but we're highly confident of EBITDA margins of at least 11% in the period.

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

Okay. I guess, my follow-up is going to be kind of addressing the cash flow kind of progression going forward. Could you give us any additional color on how to think about timing for either the MRL or some of -- how Yamal will kind of flow through the cash flow statement? From a pacing standpoint, you've been pretty clear to somewhat -- some degree on the annual amount, can you help us think about how things progress from a quarter-to-quarter basis at all?

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

Sure, Jud. So in the quarter, you may have seen we actually did make a payment of approximately $175 million to our JV partners in the quarter. At this juncture, we do not have a planned payment for the balance of the year, but certainly the partners have the ability to request that, and so that is certainly a possibility for the balance of this year. As it relates to cash flow from operations, as I've shared with you before, on a full year basis, we continue to expect cash flow from operations to be positive. Having said that we expected probably the front end of our cash flow, the first half of the year, to be weaker than the back half of the year. And that's probably no different than what we are expecting again. So Q2, Q3 probably a little bit weaker and then obviously back half of the year stronger. So a similar pattern, if you will, to what we saw last year.

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

Okay. So first quarter came in, from an operating cash flow perspective, was pretty good. So you still think that the front half of the year little more front-end loaded in terms of Yamal kind of working capital movements, so that's still the case?

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

Yes, we were quite successful. As you can imagine, working capital efficiency is a critical component and we had good success in the quarter. Obviously, some of the new inbound orders carried advance payments. We made good progress on the receivables, et cetera. But just given the progress on Yamal, as we have talked about continuing to progress, that is probably still the case that we see.

Operator

Our next question is coming from the line of Rob Pulleyn from Morgan Stanley.

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

A question to Doug, please, picking up on return on capital point that you made in the prepared remarks. Can we think about a little bit, the capital intensity of the recovery from TechnipFMC side given obviously the strength in order intake? We know the emphasis on capital discipline, but ultimately, the question is how much leverage can your returns have? Or do you really need to refresh the asset base anytime soon? I think that would help understanding quite where return on capital can go as the cycle leads up.

Doug Pferdehirt - *TechnipFMC plc - CEO & Director*

Thank you, Rob, and thank you to all of you that are on the phone today. We know today is a particularly heavy day in terms of companies that are reporting. So thank you for your interest in our company. Rob, you bring -- you raised a very interesting point. One of the real benefits we have as an integrated company and the only integrated company is we have an opportunity to leverage the timing, the utilization of our fleet, which is the heaviest part or, if you will, the most capital intensive part of our business. So in other words, the manufacturing cadence feeds the installation, and we can also do things that are quite unique as in, let's say, doing -- installing a tubing hanger and later coming back and installing the tree or the tubing hanger around the tree and later coming back and installing the manifold. When we operate under an iEPCI project, we manage that schedule, we manage that scope, we manage that cadence and, therefore, we create much greater leverage than we had historically or that our peers do when they operate as independent companies or through an alliance. So this is a real benefit that we have already -- we have begun to experience in the projects that we've delivered, 3 of those full cycle to date. We see that benefit within the way that we operate. In addition to that, as we move more towards the deployment -- further deployment of our new Subsea 2.0 technology, this technology, we have a much greater throughput through the same manufacturing capacity because of the way and the simplification and the way that the equipment was designed for manufacturability that allows us to really drive an improved performance to our facilities, so we do indeed anticipate increased leverage.

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

And if I can just follow-up on the same theme, you mentioned many of awards in Subsea are filling out utilization for 2020 and I understand that 2021 and maybe even beyond are also filling. Could you maybe talk a little bit to how you're load out, if that's the right way to think about it for both the equipment and the vessel side is looking for these outer years as we stand today?

Doug Pferdehirt - *TechnipFMC plc - CEO & Director*

Thanks, Rob. So 2 things. One, when we do an iEPCI project and we use Subsea 2.0 technology, we're able to accelerate the time to first oil throughout the entire schedule. So if we can do that, we can bring the installation portion of the contract earlier than it would normally be done under a conventional contract. So that's one benefit and that's why on these iEPCI projects, we begin to see early inbound award in the first quarter as was clearly stated, we had an absolutely spectacular first quarter. And we're saying, we'll see some of that, not all of that, but some of that installation activity begin to occur in 2020. Typically, that would not have occur until 2021 on a conventional Subsea project. So that's the benefit of the iEPCI is that we can bring some of that forward. Indeed, when you get to 2021, you start to see -- from an industry point of view, you start to see the level of utilization of assets start to improve -- start to increase quite significantly. We have and we will continue to partner very well and work well with others as a way to ensure that we prioritize first and foremost our iEPCI activity, but then to ensure that we have access to the right capability to be able to ensure our continued success.

Operator

Our next question is from the line of James West from Evercore ISI.

Doug Pferdehirt - *TechnipFMC plc - CEO & Director*

James, it's possible, you could be muted.

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

Sorry about that, guys. Can you hear me now?

Doug Pferdehirt - *TechnipFMC plc - CEO & Director*

Very well. Thank you, James.

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

Okay. Perfect. So Doug, great comments from both of you around corporate governance, return on -- focus on returns. Curious though, one of the things that we can't glean from proxies and other things is you say you pushed this down to the business levels, which we totally agree with. They are necessary to drive this type of whole company. Can you maybe go in a little more detail on exactly how that's done? If they're ranked against the same performance metrics that we see in your disclosures?

Doug Pferdehirt - *TechnipFMC plc - CEO & Director*

Sure, James. Thank you for the question. So you're right. You see the NEOs in the commentary that we made. In the UK remuneration report, there are some additional detail, but let me provide some additional granularity for you. We take all of the top leaders of the company, so everybody that's basically operating a P&L statement down to the business unit level. So that's quite a few people share the same objective as we share when it comes to driving returns and improving returns in the company. I think that's quite critical because if it's only the corporate team or the executive team, you begin to get a disconnect in the organization and it actually can create a bit of confusion and it doesn't allow you to achieve the optimum results. So we felt quite strong when we created TechnipFMC that we would instill that culture and that behavior all the way through all those responsible for not only improving the returns and returns on our assets, but also as they look at investment, ensuring that we are making the right decisions. So indeed, it is shared and it goes quite deep within our organization.

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

Perfect. I 100% agree with that strategy. And then, I guess, the follow-up here, unrelated to the returns question, but for the subsea business, obviously, a huge quarter this quarter, more to come in subsea this year, perhaps not the same types of massive levels, but how is the overall margin profile roll into the backlog? And at this point, is the behavior in the market still fairly disciplined? Is there some maybe some pricing leverage coming through? I understand, of course, the iEPCI awards probably come in at a better margin because it's much more of a partnership, but -- and that's growing, so hopefully that is, but maybe with the other more competitive projects, so what are you guys seeing on pricing?

Doug Pferdehirt - *TechnipFMC plc - CEO & Director*

Yes, James. So -- and indeed, you summarized it quite accurately and I'm going to answer the -- if you will, the second part first. In terms of our strategy, clearly being able to work as we have through an early engagement, through an integrated FEED study with our clients and often on an exclusive basis where we have a shared objective on project returns. And when we meet that threshold, that the project is then direct awarded to our company is obviously a favorable position to be in. Now why is that important?

In 2019, we have secured 100% of all iEPCI awards, 100%. Of those awards that we've received, approximately 90% have been direct awarded to our company or said a different way, there was only 1 that was not a direct award. So clearly, James, that's the way -- that gives us a huge advantage as opposed to being exposed 100% to the competitive market. Those iEPCI awards are coming close to over 40% to 50% of our total award value coming from iEPCIs thus far in the year. So it's quite a huge impact. Now as I indicated in my prepared remarks, we did have a couple of other announced -- we did have 2 announced awards that were competitively tendered that were not iEPCI projects and then there's the unannounced awards, again, many of those being direct awarded by our alliance partners. But those are the 2 awards, I mean, it is still quite competitive. Although looking forward, as was asked earlier by Rob, we all do the same planning for our assets, people and project managers as well as capital assets, manufacturing capability to ensure that we can deliver the most successful projects to our customers. And as you start to look forward you see where that is becoming, if you will, the utilization rates are improving or the under absorption is decreasing depending upon how do you look at it. So there is a behavioral shift that is occurring and we are glad to see that. We said we would be patient. We would not load up our capacity on those more competitive -- competitively priced tenders and we did just that. I'll be candid with you. It made 2018 a little lighter at times than what we were seeing from some of our peers, but we knew we had this proprietary opportunity set. We kept saying, all we had to do was to convert that and you're seeing us do that. That's a timing issue because you have to get through the FEED study. The project has to be then sanctioned by the client before it's direct awarded as an iEPCI, but it was a huge advantage of us. And when we took that strategic direction, we stood firm and we are now seeing the benefit of it. So that will continue to be our strategy. There is going to be more iEPCI awards that we'll be announcing.

Operator

Our next question is coming from the line of James Evans from Exane Paribas.

Doug Pferdehirt - *TechnipFMC plc - CEO & Director*

James, perhaps on mute.

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

Apologies, apologies. Second James -- James Evans from Exane BNP Paribas. I've got a couple. Firstly, just -- this must be going for the detail, I mean, I noticed a big reorganization charge in Onshore/Offshore. It seems a bit surprising to me given great margin performance, the growth that was coming through. So can you talk a little bit about what you're doing there in that business? And then secondly, on Surface, I think, one of the things that you've mentioned as being an impact in Q1 was the cost of introducing a new product there. Could you just give a bit more detail about what it is that you're introducing? Is this just going to be significant to you on a more positive slant going forward?

Doug Pferdehirt - *TechnipFMC plc - CEO & Director*

Thanks, James. Let me start with the Surface question and because I think it is really important that we address this. Look, I take full responsibility, the results in the first quarter related to our surface business were unacceptable. It was 3 distinct things that came together. One was the market, the lack of a market recovery. As you may recall, when we provided our guidance, we actually provided a graph that showed our expectations of the completions-related activity that we had built into our forecast and therefore, our planning related to the market. That has not occurred. And as a matter of fact, we do not expect that to occur now for the remainder of the year. So we're making the necessary adjustments as a result of that, but that was a very material impact. The second area that impacted us in the quarter was the behavior by our pressure pumping customers. As you have heard many of those already report so far this season and probably a consistent theme throughout has been the fact that they are either idling our assets or removing assets from the fleet. It is true that, that affects the product mix, if you will, for us. We are a leading provider of the high-pressure consumables for the hydraulic fracturing industry and our clients are the pressure pumping customers. So as their behavior modified quite dramatically just within a period of couple of months, that had a very significant impact on our business. One thing we know is that, that's a cyclical business and that, that will -- that will be -- those assets will need to be replenished. That equipment is consumable. It needs to be inspected, maintained, repaired and replaced. And as the activity recovers that business, which is a very strong business for us will recover as well.

And then finally, we had an issue with a new product. It was actually an upgrade to an existing product that we were introducing into the market. And we got ahead of ourselves and we allowed our cost to get ahead of ourselves on that market introduction. We're now addressing that, but that had an impact in the quarter, in the later stages of the quarter that required us to be able to make some adjustments. So it was really those 3 things coming together, James, that really led to the results. We're making the adjustments that are required and we will -- and as we identified in our guidance, we will certainly see an improvement from where we are. If you back off those kind of one-off items, as I've indicated, particularly the ones around the product introduction, it had a significant impact in the quarter. So we'll get the margins back up, but we did have to lower the full year guidance and that was lowered as a result of the market activity.

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

James, Maryann here. I think your question was what was the charge and the adjustment in Onshore/Offshore for reorganization. So in the period, we completed a change in the business model, in the business partnership that we were using to access a particular market in Onshore/Offshore, and so we closed out that business model and there were final payments to complete that structure so that we can now enter this jurisdiction with a different manner. That also will lead us to be able to have greater opportunity and growth in that particular region as well. So all in all, really a positive business restructuring for Onshore/Offshore to allow them to more effectively compete in a particular jurisdiction.

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

Okay. And at the risk of sneaking an extra one here, I just want to ask Rob's question in a slightly different way about returns, and I guess the question will be CapEx, say $350 million to $400 million, is that a sustainable level even with the growth that you see over the next 2 to 3 years in your end markets?

Doug Pferdehirt - *TechnipFMC plc - CEO & Director*

Obviously, James, it's a function of the growth rate and it's something that we're monitoring and forecasting, but we are going to continue to be very prudent stewards in terms of the way that we address both CapEx and just overall the way that we address our capital across the company. We are quite, again, pleased with this new business model. It gives us just an enormous amount of capability in terms of the timing, the utilization, the phasing of the utilization. It's a very different world we live in and we're liking it very much and we're learning from it. And the more we learn from it, the more we realize how much leverage that we have. That being said, we will always ensure that we have the highest level of assets available for our people to perform their activities in the most safe and efficient manner to create success for our clients.

Operator

The next question is from the line of Sean Meakim from JP Morgan.

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

Doug, how should we think about the cadence of revenue in on-off as we go through the year? I mean in the first quarter, revenue came up short versus our model. As you noted in Yamal and other legacy projects starting to wind down, but you also moved up the guidance for the full year. And so I think point of concern for investors has been trying to model that wind down of Yamal and evaluating how much a new inbound can backfill some of that revenue EBITDA. So with the new guidance, how should we interpret that with respect to the interplay of Yamal wind down, typical seasonality in the business and then the replenishment of the new project revenue?

Doug Pferdehirt - *TechnipFMC plc - CEO & Director*

Thanks, Sean. I appreciate the question. I want to just take -- put it -- frame it a little bit. In the past 5 quarters, in that business, we have strategically targeted and inbounded over $10 billion of new opportunities, $10.5 billion to be exact. And if you take the BAPCO project and you actually take the full value of the BAPCO project, you're closer to $12 billion in 5 quarters. That was really important and we worked really, really hard and I'm really proud of the team. We stayed focused. We stayed strategic. We only focused on those projects that we had laid out, that we had shared with you and your colleagues quite a while ago, I guess, 2 years ago now. And we delivered on that, and actually, exceeded our original expectation. So that's what we're seeing. Sean, we now have the opportunity, the first big award of that $10.5 billion excluding the fully consolidated BAPCO, which gets you closer to $12 billion was back in the -- even in the first quarter of last year. So we're seeing that now turn to revenue and we're seeing the projects that we secured throughout the quarters last year turn into revenue. And even our most recent major award that we announced, which was MIDOR, as you know, we started activity on that actually in the fourth quarter. So that's what you're seeing. You're seeing us strategically ensure that we were providing that continuity and that bridge, if you will, to the next wave of LNG. So all of that $10.5 billion-plus that I've referred to was ex LNG. That was all a function of downstream, particularly petrochemical refining as well as fertilizer. And we went after those projects. We got them. We were strategically positioned, most being direct awards or projects where we had done the FEED study and had a significant advantage in terms of de-risking the project and that's what we are out there executing today. In the meantime, our commercial team is active looking at other opportunities. I remind you, in the prepared remarks, we talked about the ExxonMobil Blade project in the U.S., a fully reimbursable downstream project and they are also out there looking to grow our next opportunities in LNG. We're not -- we're going to be remain very focused. We're going to target those projects that we believe we can be most successful on, and we think we have a really high-quality list of projects that were working and maturing as we speak.

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

That's very helpful. In a somewhat related topic, net contract liability look pretty flat sequentially in the quarter. So at the bottom of the cycle, we've seen cash outflows, some closing out projects and as you pointed out, you booked some very large projects here and there are more coming. How would you characterize the interplay between payouts of legacy projects versus progress payments on new projects in terms of how has the interplay impacted the numbers that we've seen so far? And how should that trend in the next few quarters and years?

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

Sure, thanks. It's Maryann. So yes, you're right. We saw a bit of leveling on the contract liabilities even with some new inbounds coming in. Keep in mind that some of the larger projects, in particular, Yamal LNG as they come to closure, those contract liabilities will be extinguished, right? So we would see a reduction of those contract liabilities happening as we reach closer and closer to completion. One of the things that we know as we reach project completion on many projects, our ability to avoid risk is a positive because those contract liabilities will get extinguished either 1 of 2 ways. We either going to pay a third-party or a vendor in terms of cost or if we are able to mitigate that risk and not incur it, then that will remain as incremental profitability. If you take the Yamal project as an example, if we are able to do that going forward, 50% of that extinguishment of that liability will actually wind up as profitability to TechnipFMC. So you can expect some unwinding of that liabilities this year particularly as some of these projects close to completion move along to their completion curve.

Operator

The next question is coming from the line of Guillaume Delaby from Societe Generale.

Guillaume Delaby - *Societe Generale Cross Asset Research - Equity Analyst*

Maybe, I would say, nearly a chronological follow-up on the previous question. I just like to come back to the old debate I had with another analyst about the Yamal cliff. Basically, could you give us what might be your most recent steer regarding the end of the Yamal project. Is it planned, I would say, by mid H1 2020? Could you provide some more color on that, please?

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

Sure. So as you know, we certainly have some work to do in the balance of 2019. As we reach 2020, we will be headed towards project completion. But keep in mind, we do have a bit of warranty left on that project. So for 2020, I think, you can assume that we will still have some work to complete on Yamal, not quite done, but most of the project completion should happen largely in 2019 with the exception of warranty later in that project.

Operator

The next question comes from Kurt Hallead with RBC.

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

Doug, you guys have done a great job laying out the outlook and the business dynamics and how you guys are differentiating your efforts on a number of different fronts. And what I would like to do is maybe circle back on the Subsea 2.0, the iEPCI dynamics. And I know in prior discussions, we have had over the course of the past 12 months, 15 months, as you've been rolling out the strategies, some of the challenges that you may have been facing in having discussions with customers and saying, okay, look, this is a very significant value proposition that we're providing to you and I'm sure the pushback was, yes, that's great, but I can go across the street to company XYZ and get this at X prize. So now that you've been able to penetrate the market further that you've been able to demonstrate the value proposition and book more awards with a broader number of customers, is it becoming easier to get better pricing on these iEPCI contracts and basically, breaking this glass ceiling that you traditionally maybe had to deal with on kind of a 3 Bid and a Buy process. Any insights on that would be really helpful.

Doug Pferdehirt - *TechnipFMC plc - CEO & Director*

Kurt, thank you. I agree with everything you said and trying to be not overly dramatic, but I believe we shattered the glass ceiling this quarter and this was the quarter that we were really waiting for to demonstrate that to you and to your colleagues. It does take some time, but success breeds success. And what we were able to do on the first 3 fully integrated projects that were delivered full cycle and the feedback from our clients to the community, to their shareholders and to the broader industry has really created a significant amount of momentum. Likewise, we had to mature some of these FEED studies that we've been working on and that's why you just can't replicate it overnight. It's not just about forming a relationship. You have to be working on -- these things take quite a period of time to actually do the work, but we had to move from the theoretical. And it is true, Kurt, we were living in a theoretical world for quite some time, where we were demonstrating on paper through FEED studies or other vehicles that there should be and could be and would be value in the project delivery. But now that we have moved past that and actually have the actual case studies and have been able to show that and have 2 of our clients are calling their first projects that were done with this model, their most successful Subsea projects done to date, builds a tremendous amount of credibility. They'd come back as repeat clients. Just this quarter, we announced 4 new clients. We are moving clients from existing traditional alliance relationships, which is another word of saying they were really around the Subsea equipment as many people know to now making them and converting them to full iEPCI alliances and with many of the next generation of Subsea clients coming in, they are going directly into iEPCI alliances and that's something that I think is really important. I talked about it on my prepared remarks, but we now have Lundin, Hurricane, Energean and Neptune, just in a quarter's time and there is going to be more of those iEPCI alliances that we're going to be announcing going forward. That makes a big difference and this gives us a tremendous amount of momentum, Kurt. We think it's important and it's not just important for the success of our company. It's important for the success of our industry and we're proud when we see other people follow this direction because it's what's going to make Subsea a sustainable investment for our clients going forward.

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

Great. I think that's awesome. Now with the context and with the value proposition that it is providing to the oil companies, I was also curious as to how you think this has reduced their, let's say, their threshold -- their economic threshold on a Brent price, let's say, and I know as well when you guys launched this business dynamic that you suggested that it could even wind up pulling some projects off the shelf because of the value proposition. So I was wondering if you give us some insights on that as well?

Doug Pferdehirt - *TechnipFMC plc - CEO & Director*

Sure, Kurt, and indeed, it has. Some of the projects that we've announced. We often get the phone call from other people in the industry or from people in the investment community saying, we hadn't had that one on our tracking list, where did that one come from. Well, it often came from a bucket of projects that our clients have that they had a strategic interest in moving forward, but they didn't have an economic -- a viable economic model in which to move it forward. And when you put the combination of Subsea 2.0 technology and our iEPCI-integrated offering together, we can help unlock that potential. So it makes a big difference and it creates both momentum in the order rate and it also creates, if you will, some additional opportunities that would not have been there otherwise. So again, it's a tremendous amount of hard work being done by many, many dedicated women and men that's creating these opportunities. It's early engagement. It's intimate relationships. We are building on a really solid foundation as we move this forward.

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

Great. And, if I may, just have a housekeeping question, maybe for you Maryann, on the financials. You mentioned that the corporate expense and guidance doesn't change for the full year. If you do back out that FX from the corporate expense number, the first quarter would be about $16 million, which would mean the run rate for the rest of the year, we'd have to probably take it down to get you that $160 million to $170 million kind of full year. Is that -- am I thinking about that the right way vis-à-vis the first quarter and the guidance for the full year?

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

Yes, Kurt, you are. When we gave our guidance, as we always have, for corporate $160 million to $170 million on a full year basis. We always exclude FX. So yes, you're absolutely right. That's the way that we would expect to see things unfold for the balance of the year.

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

And then on CapEx, the $350 million, does that exclude the vessel?

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

It does, Kurt. And maybe, Kurt, if I can give you a little bit of color on that, just to be sure that you're clear on the way that it's handled. If you take it to the cash flow, you can obviously see the vessel included in the CapEx. There was no cash outflow associated with the vessel in the period. So we are trying to show you, if you will, kind of what that pro forma looks like. It's a sale leaseback and so because we have control over that vessel, we have to consolidate that. So just wanted to be sure that, that was clear. Hopefully, that answers your question but feel free to come back to me.

Operator

Our next question is from the line of Mark Wilson from Jefferies.

Mark Wilson - *Jefferies LLC, Research Division - Oil and Gas Equity Analyst*

In fact, my question on CapEx has actually just answered straightaway there, but I will just check on that if you see any other additions to the fleet required in the medium term. And then the second point and you may not have given this, but I just wanted to check if you said, Doug, what are those 5 targeted projects you're looking at in Onshore/Offshore. If you haven't given that guidance, that's fine obviously.

Doug Pferdehirt - *TechnipFMC plc - CEO & Director*

Okay, Mark, and I'm glad we were able to answer the first part of your CapEx question. The second part, look, within that $350 million capital budget, there are certain upgrades that we'll be doing to the fleet. Again I repeat what I said earlier. We're always going to ensure that our dedicated women and men have the best assets in the industry in which to work with and work from and to deliver our projects. Our requirement for additional CapEx beyond the CapEx to maintain and enhance and improve and upgrade the fleet, again, will be a function of our opportunity list as we look forward and our preferred path to be able to work very closely and work well with the rest of the industry. This goes a little bit back to my comment, I made, at the end of my prepared remarks. The industry needs to start thinking and acting differently. And if we all build CapEx or capacity or be it the vessel fleet or manufacturing capacity or anything else, all based on individually peak capacity of the peak cycle of the market, we know what will happen. It will destroy returns once again through another cycle. We're going to step forward and we're going to act differently and that's what we are demonstrating in our behavior. And we think it's the right thing to do and we trust that it will be recognized and will be rewarded accordingly. We partner really, really well with people, both with our clients, with other providers as well as with our suppliers. That's the type of company we are and we believe that's a way to create leverage and create success.

I have not named -- to your second question, I have not named in the 5 strategic LNG projects. We do obviously have strategic projects in downstream that we're also pursuing. But what I've said is that of the 20 that we are actively engaged in on LNG prospects, 5 of those, we have considered to be strategic. I have not named those 5 and would prefer not to, but let me tell you this, those 5, they're pretty well known because either we're the incumbent and it's a direct negotiation or we're doing the FEED study today. Only in 1 case are we not the incumbent or doing the FEED study and we're working with a very good set of others partners to be able to pursue that project and it's a very key project for us. We'll see how it plays out. Obviously, we're looking at the other 15 as well, 15-plus, but we have 5 that we are prioritizing and that we have made strategic, we have put on our strategic list, and we hope to see and expect to see some of those projects begin to move forward.

Operator

Our last question comes from the line of Bertrand Hodee from Kepler Cheuvreux.

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

Two, if I may. The first one, on the 5 LNG projects. Doug, I know that you're not going to list the 5, but they, I guess, are pretty obvious to us. Can you share with us not the name, but what could be the total value you are looking at? And also, would you have the capabilities internally to execute those 5? Because on my thinking, those 5 are very well advanced, most of them have completed the FEED and all the partners are really trying to go ahead and to finalize the offtake as soon as possible to be able to sanction them.

And my second question will relate more to the Subsea and the comment you earlier made on utilization rates, given your success in iEPCI. Can you -- do you believe that going back to 65% next year is achievable, if you're able to continue to secure orders given that, I guess, the trough you guided for utilization rate in '19 would be around 55%?

Doug Pferdehirt - *TechnipFMC plc - CEO & Director*

Thank you, Bertrand. Let's start with the LNG question. So I have not given the total value for the 5 projects. I did that when we were targeting some LNG or some downstream projects, but with LNG projects, as you know, it depends, which scope we provide as a company versus the total scope. And that's one of the ways to your second question that we manage our capacity. So in certain cases we may be the lead, in other cases, we may be -- we may not be the lead on a project. We may do the trains. We may do the utilities and infrastructure. It just depends how we actually manage our resources to be able to ensure that our contribution to the project and the overall project will be a success.

In general, though, you're talking about, it depends on the number of trains, but you're looking in the range of $3 billion to $10 billion per project. Some of them are smaller. As you know, one of the projects that's being contemplated right now is an expansion project to add a single train and others are greenfield projects to add to -- that would start off with 2 or 3 trains. So it really just depends on those projects. And again, the way we manage our capacity is to manage the scope. We have demonstrated historically, the ability to be able to cover, and not only just cover, but successfully deliver 2 to 3 LNG projects simultaneously. I remind you that's what we're delivering now is 3 simultaneous LNG projects that we're currently engaged in as we speak. So I think that's a good rule of thumb. I would agree and we have no intention of stretching our resources in order to try to cover more than we feel we are capable of doing. That is probably one of the biggest mistakes that companies make and that the industry has made in the past and we will not allow us to do that. The leadership of the GBU has been steadfast and focused on ensuring around selectivity that we have the right projects and the right resources, which starts with a right project manager and the right project director office to ensure that we can deliver the most successful projects. So we'll continue to do that and we'll make sure that we don't overextend ourselves. Always better to have more opportunities and not less opportunities and, therefore, one can be more selective. Moving on to your Subsea question, the short answer is yes. It's not a slam dunk. Certain things need to work in our favor and the timing needs to be sequenced, but as we look forward, we could see getting back to 65% utilization of our fleet in 2020.

Operator

Thank you. And now I'm turning the call back over to Matt Seinsheimer. Go ahead sir.

Matt Seinsheimer - *TechnipFMC plc - VP of IR*

This concludes our first quarter conference call. A replay of our call will be available on our website beginning at approximately 8:00 p.m. British Summer Time today. If you have any further questions, please feel free to contact the Investor Relations team. Thank you for joining us. Operator, you may end the call.

Operator

This concludes today's conference call. Thank you all for attending. You may now disconnect.
