Technip Energies
9M 2021 Results

Thursday, 21 October 2021

Operator's introduction
Operator

Good day, and thank you for standing by, and welcome to the Technip Energies Third Quarter 2021 Results Conference Call.

I would now like to hand the conference over to your speaker today, Phil Lindsay, VP, Head of Investor Relations. Please go ahead, sir.

Welcome & disclaimer
Phillip Lindsay
Vice President of Investor Relations, Technip Energies

Thank you, Lee Ann. Hello to everyone and welcome to Technip Energies results for the first 9 months of 2021. Today, on the call, our CEO, Arnaud Pieton, and our CFO, Bruno Vibert, will present our business and financial highlights as well as the outlook. And this will be followed by Q&A. Before we start, I would urge you to take note of the disclaimer and language on forward-looking statements on Slide 2.

And I'll now pass over the call to Arnaud.

Business Highlights
Arnaud Pieton
CEO, Technip Energies

Thank you, Phil, and welcome, everyone, to our financial results presentation for the first 9 months of 2021.

Looking at the highlights. Operationally, our execution remains strong against the challenging backdrop, and we continue to achieve key milestones across our portfolio. In particular, we successfully loaded, shipped and delivered the first modules to Russia for the Arctic LNG 2 project, a notable achievement with modules shipped in a record time despite the COVID difficulties. We continue to deliver on today's energy market needs while positioning for the future.

We established several partnerships to advance our technology and regional positioning for the energy transition. Our shareholder register continues to develop well post spin. We are delighted to welcome HAL as a major shareholder of Technip Energies, a reputable investor with a long-term strategy for value creation. Bruno will elaborate on this later.

In terms of headline adjusted numbers for the first 9 months, we generated revenues of EUR 4.9 billion, demonstrating double-digit year-over-year growth. Recurring EBIT margin was 6.3%, up 70 basis points on the prior year, reflecting strong operational performance and backlog at the end of the period stood at EUR 16.5 billion, up about 40% year-on-year providing us with excellent multiyear visibility.

Turning to our execution. I will focus on accomplishments in the third quarter, where we delivered revenue growth of nearly 20% year-over-year as activity ramped up following the growth in backlog.

In project delivery, beyond the already mentioned Arctic LNG 2, our LNG portfolio is at different maturities but overall making good progress. For Qatar NFE, which was awarded in Q1. We have begun early works and have signed a subcontract for construction of the process trait. And on Coral Floating LNG for ENI, the mooring system is now in place, offshore Mozambique, and the sail away operation from Korea to Mozambique is planned for next month.

In downstream, despite challenges around labor restrictions in Bahrain, key milestones were achieved on the Bapco refinery expansion with over 75% of the equipment installed and construction progress close to 50%.

And in technology, products & services, or TPS, we reached performance guarantees on the Bora LyondellBasell ethylene plant, where we provided the process technology as well as process design. And we mobilized our teams for the latest FEED for KOC, building on a long-term PMC relationship that has yielded over 3 million man hours to Technip Energies to date.

In summary. As evidenced by our revenue and margin performance year-to-date, our teams are overcoming challenges and continue to execute well.

I have often stated our belief that cooperation across industries is needed to achieve the world's climate goals. Technip Energies is a trusted partner for technology development, scale-up and integration, and we collaborate with clients and industrial partners, to deliver decarbonization and help achieve their net goals.

In the third quarter, we established several strategic partnerships to develop technology for low-carbon solutions to drive energy transition in strategic regions for the company and to diversify our offering into adjacent markets. For example, we have joined forces with TotalEnergies to advance the decarbonization agenda for LNG, offshore facilities and other areas. We will work intimately with TotalEnergies to co-develop IP, and decarbonization solutions at scale for existing and future projects. And jointly promote the solutions that we will develop.

In many regions where we operate, there is a strong push for local content to bring in-country value around the energy transition themes. In this period, I would like to highlight 2 important partnerships. At the Gastech Conference in September, we signed an agreement to create a joint venture with Abu Dhabi based NPCC, a company we know extremely well through 3 decades of collaboration including work on several megaprojects. This partnership brings together complementary skills around technology know-how, and integration expertise with important project management and EPC capability, and we are already actively positioning for concrete opportunities in the country, including carbon capture as well as hydrogen and ammonia, both blue and green.

In addition, earlier this year in Russia, we announced the creation of NOVA Energies, a joint venture with NIPIGAS, with the intent to generate a best-in-class engineering and technology company in Russia dedicated to decarbonization. NOVA Energies has now been awarded concept studies to decarbonize the largest petrochemical complex in Russia and main production asset of Sibur.

And finally, as part of our strategy to grow and diversify our services offering, we have signed a 5-year strategic alliance with TÜV Rheinland, one of the world's leading testing service providers to expand our project management consultancy or PMC, into new markets. This includes infrastructure, chemicals, and mining and metals industries.

In summary, what we have announced, not only reinforces our position as a partner of choice to deliver low carbon solutions but we will also deliver business opportunities in the coming years.

As I discussed with our half year results, we have a vast array of creativity and innovation at Technip Energies. And we have a proven track record in developing first-of-a-kind process technologies and commercializing new technologies. Again, with this slide, I want to share with you a few examples of how innovation and technology approach is making a positive impact for our clients in terms of project viability and the environment.

Within CO2 management, we have a joint development program that we shared to optimize their Cansolv technology. We're strengthening our collaboration with Shell to drive continuous improvement in affordability and efficiency of capture with the latest improvements, currently being tested through a pilot at a waste-to-energy facility in Norway.

Equally, we are cultivating access to other carbon capture technologies in order to deploy the most appropriate solution for any given project. Earlier this month, we announced an exclusive agreement with Siemens Energy to jointly develop and decarbonize Rotating Olefins Cracker or ROC technology. ROC has everything to be a game changer, in the ethylene market through employing a dynamic reactor system to eliminate conventional furnaces used for pyrolysis, providing a clear path to decarbonize.

We have already validated the fundamentals of the reactor technology in laboratory testing, and we intend for the first turbomachinery prototype to enter factory testing in the first half of 2022. This technology has also been selected for a demonstration unit by the cracker of the future consortium made up of major industry players.

Turning now to innovation within the plastic circularity domain. For over 60 years, Technip Energies has been a leading provider of styrene monomer technology. Recently, we have been working on our joint development agreement with Agilyx to develop a downstream purification technology, which when combined with their process technology will allow polystyrene, one of the most widely used plastic in the world to be recycled back into its chemical form.

And finally, we were delighted to utilize our process design and technology industrialization expertise to help Carbios to launch their first, showcase their first plant, showcasing its enzymatic recycling technology.

I will now turn the call over to Bruno to discuss our financial performance in more detail.

Financial Highlights
Bruno Vibert
CFO, Technip Energies

Thank you, Arnaud, and good afternoon, everyone. So, turning to the highlights of our performance for the first 9 months. Year-to-date, revenues have grown by 11% year-over-year to EUR 4.9 billion, with both project delivery and technology, products and services, TPS, growing at a double-digit rate. Adjusted recurring EBIT was EUR 308 million, equating to a margin of 6.3%. That's a 70 basis point improvement year-on-year, benefiting from strong execution on projects heading towards completion as well as a reduction in SG&A costs.

I will reflect on how these factors contribute to our updated guidance on the next slide. Adjusted order intake was EUR 8.4 billion, a significant improvement versus the EUR 1.6 billion in 2020. Third quarter intake benefited from a steady flow of services and studies, notably in the decarbonization domain. Net cash at period end was EUR 2.9 billion, following a very strong cash flow performance this quarter.

Turning to guidance. 2 aspects to discuss here. Firstly, within the previous guidance for revenues, we are narrowing the range to EUR 6.5 billion to EUR 6.8 billion. This reflects the performance through the first 9 months of the year with double-digit growth versus 2020. The financial year 2021 has provided many operational challenges to the teams to deliver projects in the world still impacted by COVID and unforeseen logistical challenges affecting the industry.

The most optimistic scenario of ramp-up for new projects is now unlikely to materialize this year, and we have accordingly removed the upper end of the range. Nonetheless, we still expect to grow at or close to double digits for the full year, which is testament to the operational resilience of our teams and outstanding performance given the challenges of the last 2 years.

Secondly, on margins. where the trend has been consistently strong year-to-date. We are effectively putting a floor under the full year guide. We now expect adjusted recurring EBIT margin of at least 6% compared to the prior range of 5.8% to 6.2%. The flow of 2021 is slightly above the full year 2020 EBIT which is consistent with the trajectory we laid out during the Capital Markets Day. All other guidance items remain unchanged.

Turning to our segment reporting and starting with project delivery. It achieved revenue of EUR 4 billion, up 11% year-over-year. This growth was achieved despite a challenging backdrop relating both to the pandemic, including local restriction in jurisdictions where we are currently operating projects. As well as constraints around logistics, notably shipping freight.

The continued progress on Arctic LNG 2, combined with the ramp-up of recently awarded LNG projects than more offset lower contributions from maturing downstream and petrochemical projects. Adjusted EBIT for the segment was EUR 255 million, equating to a margin of 6.4%, and with that segment now demonstrating growth in profit year-over-year. We were able to hold margins broadly flat driven by solid executions across the portfolio, even with the full absorption of COVID costs in the 2021 numbers.

In line with our expectations, order intake in the quarter was below the run rate achieved in the first half. However, the year-to-date trend in backlog remains very positive with nearly 45% growth, benefiting from major awards in the prior quarters. In the last 12 months, project delivery has achieved a book-to-bill of 1.9%.

Turning to TPS. Building on momentum established in the first half, we delivered double-digit revenue growth in the first 9 months to over EUR 910 million. Growth was broad-based with contributions from key components within TPS, namely process technology, PMC services, and Loading systems, and we expect to broadly sustain this level of activity in the fourth quarter. EBIT margins improved by over 100 basis points year-on-year to 8.6%, benefiting from higher activity levels overall and favorable mix, including process technology and loading systems.

The latter is also benefiting from growth in aftermarket services, including repair and revamp work. Thanks to strong revenue and margin performance year-to-date. EBIT in absolute terms has increased by nearly 30% year-on-year. Trailing 12 months book-to-bill for TPS was 1.1%, leading to a backlog of over EUR 1.1 billion, up 6% year-over-year.

Turning to the other key performance items across our financial statements and beginning with income statement. Corporate costs of EUR 26 million represent a continuation of the year-to-date trend, and we've made significant progress on our target to reduce indirect costs by 20% versus the 2019 cost base. At 34%, effective tax rate remained consistent with our full-year guidance range of 30% to 35%, although towards to the upper end of it.

And the major element impacting the net financial expense of EUR 18.5 million relates to the mark-to-market impact of investment we have in traded securities such as (inaudible). This inherently will bring some volatility into this line item, whereas the net interest on our cash balance and debt facilities will be far more consistent and predictable.

Turning to balance sheet. Our gross debt position is stable compared to the half year. Net cash on our balance sheet, at the end of September was EUR 2.9 billion, up substantially from the EUR 2.2 billion year-end position, supported by solid free cash flow year-to-date, which I will discuss on the next slide.

Finally, net contract liability stood at EUR 3.1 billion at the end of the third quarter. This has increased year-to-date associated with project progress and associated billings.

So let's now look at cash flows. It is again a very strong quarter. Free cash flow for the first 9 months reached EUR 778 million. Three main factors at play here. Firstly, a strong operational or underlying level of cash flow generation as we execute across our portfolio. Secondly, we've seen a significant working capital inflow of EUR 534 million, which relates to prior period awards as well as the achievement of key milestones on other large projects.

Capital expenditure of EUR 28 million, again reflects the asset-light nature of our business model with free cash flow equivalent to over 95% of our operating cash flow. While third quarter cash flows were stronger than anticipated, largely due to some milestones or cutoffs. We do not expect to sustain this level of cash generation moving forward, and we see some reversal in the fourth quarter.

Looking below free cash flow, there is nothing incrementally material to what was disclosed for the first half, and we end the period with nearly EUR 3.6 billion of cash and cash equivalents.

Before turning back to Arnaud, let's consider the progression in our shareholder structure. In September, we were delighted to welcome HAL Investments as a Technip Energies shareholder with a commitment to acquire a 9.9% stake from TechnipFMC. When combined with the stakes already held by Bpifrance and IFP Energies Nouvelles. We would have around 18% of the share register with strategic or anchor shareholders. The TechnipFMC over hang has reduced substantially from 49.9% at the time of the spin transaction in February to just 12% once the HAL transaction completes, which is expected this month.

Finally, we are pleased with the trend in our global shareholder register, which is well balanced, long-only orientated and well dispersed across key geographies in Europe and North America.

I will now pass back to Arnaud for the outlook.

Outlook

Arnaud Pieton
CEO, Technip Energies

Thanks, Bruno. Turning to the outlook. Let me begin by discussing our views on the LNG market. We continue to view LNG as a key transition fuel, and recent volatility in global commodity markets only serves to highlight the need for continued investment in the lowest carbon traditional fuels, while alternative energy sources are being developed in scale.

Our long-term outlook for LNG has not changed since our Capital Markets Day in January, and we continue to estimate a gap in nameplate capacity of well over 100 million tons per annum or Mtpa by 2035. Today, together with our partners, we are responsible for nearly half of all capacity under construction. Over 55 Mtpa spread across Qatar NFE, Arctic LNG 2, Energia Costa Azul and Coral Floating LNG. This reflects our status in the industry and excellent track record across a diverse range of projects by technology, location and scale. And looking ahead, we believe future capacity will be sanctioned in regions where Technip Energies has a strong presence.

Furthermore, the majority of these prospects will be modularized, an area where we bring significant expertise. And momentum towards low to 0 emitting liquefaction plants is real.

Looking ahead, we would expect LNG projects to proceed with a significant decarbonization scope integrated into our design through hydrogen, carbon capture or electrification. And while decarbonization will clearly be easier when designed in from inception, we anticipate the current LNG installed base may attract investment in customized emission reduction programs.

In summary, as I have stated previously, the LNG wave is not over for Technip Energies, and we believe the future market plays to our strength.

Turning to hydrogen. Last quarter, we presented our blue hydrogen offering, BlueH2 by T.EN and outlined the market opportunity. Today, I would like to address the green hydrogen market where momentum is also accelerating. We are leveraging our technology scale-up, and integration skills, and our expertise in modular solutions to develop our position in this market.

The pace of technological change is rapid with electrolyzer technologies competing for position based on stack capacity, stack efficiency and footprint. Today, there is no clear technology winner, and this is why it is important that Technip Energies rapidly develops its expertise and a credible offering that will remain technology-agnostic while the industry matures.

The strategic investment and technology development agreement with McPhy means very important to Technip Energies, and provides us with an understanding of the technical requirements of electrolyzer technology, and we are actively pursuing commercial opportunities alongside McPhy, notably in Europe. But equally, on many other green hydrogen opportunities around the world, we are engaging with other electrolyzer suppliers.

To emphasize my point earlier this month, we announced our first award based on the PEM electrolyzer technology, an EPCC contract for a 5-megawatt plant in India for NTPC. And we are confident that we will build on this further award in the coming quarters, deploying a variety of electrolyzer technologies.

The market is moving fast, and we have observed a step change in customer engagement for green hydrogen project that has led to a sevenfold increase in accessible market opportunities with an aggregate capacity of more than 20 gigawatts. And today, we have engaged in over 15 green hydrogen studies, some completed, some ongoing.

In summary, we believe we have the right combination of technical know-how, modular capability, and global footprint to position us well for an extremely active and fast-growing green hydrogen market.

Moving on to ESG. I am pleased to confirm that we are on track with a major deliverable for 2021, our ESG road map, which will be presented as planned early next year. During the third quarter, we concluded our extensive stakeholder engagement and materiality assessment. The assessment identified 12 priority topics for both our business and our stakeholders, and we have now assembled multiple working groups across the company to define our ambitions and corresponding action plan for each priority topic.

At the same time, we rolled out several initiatives to promote inclusion, including a mandatory global inclusion course and manager-led talks on unconscious bias decision-making. Also, we continue with the evolution of our workspace across the company globally, and we recently opened our new eco-responsible headquarters in Paris, providing our workforce with an environment that will boost well-being, collaboration, and performance, as well as offering improved environment friendly working conditions. We will continue to implement all the necessary actions needed to foster a culture of inclusion, fair representation, and diversity across the company worldwide.

In summary, with our results in the first 9 month, we are delivering strong year-over-year growth in revenues, margins and free cash flows. We have seen further diversification of our shareholder base, and we are well -- we welcome HAL and many other new investors into our register, and thank you for the trust and support that you are showing to Technip Energies.

Strategically, we continue to position Technip Energies to be able to capitalize on the huge opportunity that the energy transition represents. And we set a new floor for 2021 margin guidance, and look confidently to the future supported by strength in backlog and an improving macro outlook. And with that, let's open the line for questions.

Q&A

Sasikanth Chilukuru (Morgan Stanley): I had 2 questions, please. The first was related to the near-term cash flow expectations, particularly working capital, which, of course, provided inflows of EUR 534 million so far this year. When you look at 4Q 2021 or potentially 1Q 2022, I was just wondering what your guidance was for working capital? Are we likely to see any major reversal here or otherwise lay extension of the trend that we have seen so far?

For the second, I was wondering if it was possible to provide more color on the opportunity set that you're currently looking at or negotiating in the near term over the next 6 months, especially some color within the downstream segment would be appreciated.

Arnaud Pieton: Maybe Bruno will start, and I'll take the second part of the question.

Bruno Vibert: Yes. Thank you for the question, Sasi. So on cash flow, and obviously, we won't go into the difficulty of providing quarterly guidance for cash flow that would be a bit horrendous exercise. As you point out, very strong year-to-date performance, very, very strong quarter performance, which I had kind of flagged at the end of H1 with the ramp-up of receivable. So from where we see today, this strong cash flows was on the projects but also due to cutoff items.

So we would expect -- I would expect in the fourth quarter to have some reversal of this position as we close the year. But of course, still having H2 as a positive free cash flow or cash flow from operations.

So some reversal, but limited versus Q3. And in terms of forward-looking beyond 2021, early days to provide some visibility. But again, I think I would go back to what I suggested given the pipeline that we see in front of us, given our backlog, whether it's through cash or net contract liabilities, we do not see a cliff from the position that we were at the end of June or that we will be at the end of the year.

Arnaud Pieton: Thank Bruno. And Sasi, on your question related to providing more on the opportunity set and notably in downstream, I will refrain myself from naming the opportunities, but nonetheless, provide some color.

In downstream, in particular, I think we have -- we are still very active on live opportunities around the around (inaudible) in particular. Which -- for which we are waiting for decisions and FIDs by the clients. We see a significant opportunity set in -- within P&C, in particular, but in sustainable chemistry, if I want to concentrate on downstream into 2022.

And this is complementing, I would say, quite a potentially rich pipeline of opportunities in LNG and low-carbon LNG for us in the basins and with the customers with whom we are already currently engaged. Then I don't know where to fit carbon capture and pure decarbonization topics, whether it's downstream or in another category. But from, I would say, an engineering and FEED study standpoint, there is a very large potential around carbon capture studies at scale and at large scale.

And I think that is a clear indication of what our backlog will be made of going forward in 2023 and beyond. So all this to say that we have many very tangible building blocks to build, I would say, a successful 2022 in terms of order intake.

Nikolaos Konstantakis (Exane BNP Paribas): Clearly, a very good outlook on LNG. Can you remind us what's your capacity to take on mega projects stands working on, as Arnaud just pointing out, at least to trench in Qatar on the feed side, you have all of the existing products. So can you just remind us what's happening there?

And I guess if you could make a comment on Rovuma seems to be a bit out of the picture. It was not on your guidance despite having won it. What do you think could be accelerated to fill that gap?

Then on Russia, which I'm assuming will be part of the answer. Can you give us a little more color on what happened to Baltic LNG? I think you were executing the FEED, but the EPC seems to have gone somewhere else?

Then I apologize I have 2 more that should be quick. I was hoping you could give us a little more color on the decarbonization of LNG. How should we be thinking about the sizes of these awards?

And look, lastly, can you remind us what you have said on dividends? What are the steps you need to do to actually initiate the program?

Cash flow has been above your expectations. So I'm just trying to understand if you could have a positive surprise for us in the coming quarter?

Arnaud Pieton: Thank you, Nick. Well, that's the fireworks. Thank you for -- I will start. And so the -- I guess the first 1 was about our capacity and our ability to take on more LNG projects. So if you -- and I think you've listened to the call. So if you look at what is it that we are currently executing. We are executing Coral Floating LNG. We're executing Qatar NFE. We're executing in Mexico, and we're executing in Russia. So that's, I would say, 4 sizable projects. But as you know, our portfolio, you will notice because and we shared again today that Coral Floating LNG is coming to an end for us with the floating LNG selling away next month to Mozambique.

So the current portfolio of projects under execution is phased in a way that some are towards the end of their life, I would say, execution, some are early such as NFE and Costa Azul. And some are, I would say, in a teenage age, if I may say, such as Arctic LNG 2, where we are well, well progressed.

So I think this phasing is playing in our favor to take on more large-sized LNG projects. We have, I would say, a capacity that is around running 5 mega LNG projects at any point in time consecutively. But first of all, first observation, we're not at the 5 threshold. And we have a portfolio, like I said, that is phased in such a way that there is by, I would say, no reservation on our end with regard to our capacity to handle 1 or 2 more large LNG project.

When it comes to Rovuma, well, Nick, sorry, you very rightly pointed out the fact that it never was part of our backlog. It is still not part of our backlog, and it is also not part of our forecast for order intake into 2022. So I think Exxon has communicated that they had pushed FID into 2023 or around that time.

Well, let's wait and see, but there is more than enough out there for us, I would say, to compensate for the absence of Rovuma in the meantime. You know the basins were reactive. You know our customers. And I'm sure you read about them, and you know that they are actively preparing for the next phase of their development and next phase of a large LNG project. A word on decarbonization because I stated earlier that we believe that going forward, our LNG design, and our LNG projects will have an element of decarbonization and it can be partially carbonized or fully decarbonized.

And decarbonization will take place sometimes from inception during the design of FEED stage, which is happening, I would say, at the moment, on 100% of the LNG facility for which we are working on early phases or concept studies and FEED work. Decarbonization is in there.

So I'm not going to segregate what is, I would say, the decarbonization scope from the rest of the LNG facility scope because it's really now built into, I would say, the architecture of the plant or from inception. For the rest, for what might be more brownfield, well, it will be a mix of studies and equipment upgrade. And we are not necessarily the equipment provider.

So for example, if you want to adapt a turbine to electrification or for accepting a very large quantity of hydrogen into the mix to power the turbine. Then it's a question more for the equipment provider. But for us, on the brownfield, it's going to be many studies, and I would say services around the retrofit and the implementation of the solutions. There could be a bit of EPC. But I would say probably a larger volume of services and ponies over pure EPC work. The importance of the decarbonization for us being really into the design of -- I mean, our design of the future plan.

On Baltic LNG, yes. Well, we indeed did execute the FEED and the EPC was awarded to someone else. I don't have much comment to make on the matter. That happens. We are not, I would say, only weaker in Russia because of that.

On the contrary, it's confirming capacity for future projects for the customer and potential more customers that we have in Russia. So absolutely not, I would say, I mean we are -- we like to compete. So it's always disappointments too, but there is more than enough for us to fill the order book going forward in 2022 in that part of the year.

On dividend, lastly, I think we have already communicated on the way we would intend to allocate our capital and use our capital, cash is available, you know that, but I will hand over to Bruno for maybe more, I would say, granularity on the matter and more information, but no big change compared to what we communicated in the past.

Bruno Vibert: Thanks, Arnaud. And Nick. So no, as you point out, very strong cash flow. So obviously, this puts us in a very good position to implement the capital allocation policy.

So the first layer of dividend, which will be approved by the next shareholder assembly as part of the approval of the 2021 financial results, will be really the milestone to initiate that.

Cash flow also enables us to look at the other 2 pillars, which will be for investments beyond the traditional LNG or CapEx, and also balance sheet strengthening. And I think these 3, let's say, complementary pillars are important as we consider the future potential and growth within the transition, and also the growth and the strong strength of Technip Energies as it was outlined by S&P earlier this morning, will change their BBB negative outlook to a stable outlook this morning after our Q3 earnings.

So I think it shows the importance of a well-balanced capital allocation and for sure, our strong year-to-date cash flow and our ability to generate cash flow in the future as I was highlighting in the first question. I think, will enable us to sustain this capital allocation policy over the future.

Nikolaos Konstantaki: And I'm sorry for the number of questions, guys. I'll frame myself next time.

Jean-Luc Romain (CIC Market Solutions): There are 2. The first is on LNG. Qatar, this year launched NFE projects. And it is known that we are studying possible NFS. When would you expect this really to be launched, next year or maybe after that?

Second question relates to your margin guidance, with no longer ceiling; if you had to put 1, what would it be?

Arnaud Pieton: Thank you, Jean-Luc. I will start before -- or maybe I could. I will hand that one to Bruno, but even though I would put a ceiling myself. But -- on LNG, Qatar NFE, so indeed, Qatar is very active on growing its LNG production capacity. NFE was signed, as you know, in February. By the way, to your question and Nick's question earlier, it has to be understood that when Technip Energies is engaging going forward on LNG projects, it will be because they have a low carbon agenda to them and a decarbonization agenda to the facility. So that has to be understood by everyone on the call.

Indeed, Qatar Energy because they renamed themselves have already signaled an NFS, so an extension to 2 additional mega trains to the 4 that we signed in February this year. I mean, I would not speculate on the timing of the award, all I can say is that we have -- I mean the design of the NFS additional to trains is currently ongoing with Technip Energies and our partner, (inaudible). The work is progressing well. There is an appetite for making sure that the pace of the delivery of the study and the pricing of this facility is actually high, confirming the interest by Qatar to proceed with an the NFS. The FID date is in their hands really, and we will obviously support them throughout this process. But you're right, they do have an ambition for additional capacity there. Bruno.

Bruno Vibert: Thank you, Arnaud.

Arnaud Pieton: On the market guidance.

Bruno Vibert: Thank you, So as you rightly point out, I think we've put the floor to 6% which is basically higher than the floor was the top range of the initial guidance that we laid out in January, which was 5.5% to 6%. So of course, some moving elements and some mix. So difficult to put a precise figure. But I think what, for us, what's more important is we are on the trajectory that we laid out during Capital Market Day, to have a low SG&A cost base, to execute projects, and then to have a focus on growing TPS, which is accretive basically to our bottom line.

So I think we are making good progress on that. We guided that we aim -- we were targeting to go from 100 basis points or more to our initial guidance, which was 5.5% to 6%. So I'm not sure whether in the medium term to be above 6.5%. So this may and will come later. So that's, let's say, the maximum ceiling that we put for today. But I think year-to-date, 6.3%, quite exceptional in the current circumstances, a 70 basis point upside motion last ye ar. So making good progress on all the bricks and the pillars that will sustain long-term growth into our margin profile.

Arnaud Pieton: And for us, setting a floor was actually a way to reassure everyone around the expected performance towards the year-end. So it is -- it was done in a very positive I would say spirit and to signal something positive for the full year.

Michael James Alsford (Citi): I've got a couple, please. Firstly, if you could talk maybe a little bit about the margin profile of some of the new opportunities and I know you talked a bit about the opportunity in hydrogen, but I was wondering whether you could talk a little bit about where you see the margins and those projects relative to your existing core base?

And then just secondly, if I could, I was just wondering if you could talk a little bit about the fact that you mentioned, Bruno, on the use of cash, and it's clearly very much a capital-light business, but I'm just wondering if you could give some sense as to the quantum of appetite maybe to pick up investment as you look to position in new end markets?

Arnaud Pieton: Yes, Michael, thank you for the 2 questions. So about the margin profile for new opportunities. I think, when you look at Technip Energies, we have project delivery on one side and TPS on the other side. We are not obsessed. I are not obsessed by growing the size of project delivery. The importance in the project delivery portfolio is the selectivity and the quality of the portfolio.

So the selectivity principles that we apply to ourselves and which are guiding us in selecting the type of ventures we engage into, will continue to guide us in the new energy domain. Is it going to be challenging? Yes, it could be in a sense. And -- but it's -- I take it as a very good challenge and equation to solve. Because at the end of the day, in order to be profitable in any market, and it's true in today's market as well, we have to find ways to differentiate.

So for us to say, yes, there is a fantastic opportunity set and growing visibility in green hydrogen or blue hydrogen, even though blue hydrogen is probably closer to, I would say, what we know with LNG size, LNG profitability, et cetera, or LNG project profitability. But therefore, what is more in the green hydrogen space, it is down to us and together with the of rest the teams, obviously, to find a way to differentiate. So that when that we embark a project into our project delivery portfolio, it is compatible with 1 study, the quality that we are looking for in this portfolio, and the type of margins that we want the portfolio to return.

So we haven't secured any large green hydrogen projects at the moment. We are tendering on many of them. But the key is that if and when we embark them, they will be, I would say, compatible with the performance that we expect from the project delivery part of our business, and it will happen again through differentiation.

Hence, why it's important for us to get and acquire the knowledge of all the electrolyzer technologies, get to know them, work on, I would say, the scalability with the suppliers and the providers, and that's key. And I think we are well positioned because we are doing that very early in the game through the projects that we have already signed, all the commitments and the investments that we've made into some electrolyzer manufacturers.

So I think we're well positioned. There's a challenge around differentiation. But it's a challenge that we've had to overcome for other opportunities like LNG in the past. And I see no reason why we wouldn't be able to overcome that challenge around differentiation for hydrogen potential projects going forward.

Bruno, on the use of cash.

Bruno Vibert: Sure, Michael. So on the use of cash, as you say, very strong cash flow positioning, which leaves us some opportunity to invest the way and we've seen it and it was developed by Arnaud as part of our positioning and our alliances for us to position ourselves on this new market.

We will consider any type, and we will always be good stewards of the capital. So we will make investments. We have the room to make investments, a smaller investment any kind of investments such as in alliances, joint developments. So we have a spectrum of avenues to invest and develop, and some of them may be a bit more capital intensive. But as we are selective and we apply very strict selectivity principles for projects for what we endeavor.

We will apply the same selectivity for any investment we will consider to make sure that it fits within our portfolio. And then it has, let's say, good returns so that our capital is well put to use.

Arnaud Pieton: But Michael, we are ambitious, okay? And we are going through the first year of existence of this new company, even though we have a 60-year, I would say, lifespan or history, but we're ambitious and quite, I would say, optimistic about the future potential of the company. And yes, so we will continue to invest into more R&D.

There are technology additions that we are targeting. And there are areas where, in particular, on carbon capture, it will be important for us to continue to invest so that we have access to, I would say, a very credible range of technologies. So that those technologies can be deployed, I would say, in the environment that is the most appropriate. I think carbon capture is -- has a huge potential going forward as a market but not a single technology will be enough to address the carbon capture challenges in our industry or in other industries like [Siemens], for example.

And it will be extremely key for us to have, I would say, in the bank or in the store, access to this range or spectrum of technologies that can be deployed depending or be the right solution, depending on the circumstances and the ecosystem that we will face when someone will call us for -- with a chance to decarbonize their asset or their infrastructure.

So absolutely, we will, I would say, put the cash at use for certainly more investment, in particular into technologies.

Vladimir Maximovich Sergievskii (Bank of America): Those will be on the Yamal projects and the profitability contribution. Firstly, I'm wondering if you could update guidance on Yamal related contract liability reduction in 2021. So far this year, if I'm not mistaken, it's about EUR 142 million. You originally guided for EUR 150 million to EUR 200 million. Can you comment on whether you expect an upper and the lower end of this range this year, similarly to what you did to margins?

Secondly, is it fair to assume Yamal revenues to be broadly equaling Yamal-related contract liability reduction? Because I think based on your disclosure for the first half of this year, the revenue was slightly higher than that?

And lastly, if I may, would it be possible to, at least, indicate what the margin of the business, excluding the contribution of Yamal? And maybe if you can confirm or deny where the Yamal was the biggest contributor to EBIT this quarter? I'll stop here.

Bruno Vibert: Thank you, Vlad. So on Yamal, as you point out, and we'll continue to keep this disclosure on the NCL you -- and you're correct. So over the 9 first months, the reduction in NCL has been by EUR 140 million, which is getting relatively close to the, let's say, low range of the full year guidance of EUR 150 million to EUR 200 million. So here, and I said that we all remain guidance items remain unchanged.

So we're not changing our guidance. And the way we were projecting Yamal earlier this year in January still is the way we look at it today. So no change. But of course, as we are close to the low range, probably we may end up to the higher end of the range versus the lower end. Then in terms of proxy, it's not apples-to-apples because you have some FX conversion. So you don't have a direct one-to-one link of net contract liabilities to revenues, it is still relatively good as a proxy. So that's why we have used it and flagged it and that's a reasonable assumption, although it's not exactly that the way the accounting would work.

Now in terms of contribution, as we said, 2021 would still have Yamal contribution, very minor in terms of top line. EUR 150 million to EUR 200 million out of the EUR 6.5 billion as a floor. So very minor. As you also know, we do not recognize margin on a linear basis. And Yamal would have been a very good and performing project in this warranty phase is yielding more margins than early-stage projects.

So in this case, the profile or the margin profile of Yamal is higher than the projects in their very early stage which would be for Arctic, Qatar and all the projects in their early phase of execution.

Which, of course, as they are derisked we'll be able to generate more margin then going in the future. And when we talk about long-term projections for -- in the medium term, our target and our trajectory is independent on Yamal.

So really the upside that we've had on the guidance this year is not due to Yamal. And the trajectory that we laid out during the Capital Markets Day is independent on Yamal because at this stage, Yamal will no longer be contributing, both from a top and bottom-line perspective.

So we are very confident that we will continue to deliver those margins as we are able to deliver on those projects. And this will be achieved without Yamal, as Yamal goes beyond, let's say, the warranty phase of execution.

Bertrand Hodee (Kepler Cheuvreux): I have 2 questions. First, congratulations on a very strong cash conversion as this quarter. But can you clarify your comment on your free cash flow in Q4? My understanding is that you will have a working capital outflow obviously, after a very strong Q3. But can you confirm that the free cash flow ex working capital in Q4, will still be positive. So that is my first question.

My second question, you are talking about a fully electrified LNG train. There is potentially a project in Oman, LNG bunkering with that concept, do you expect this project to be sanctioned in 2022?

Arnaud Pieton: Maybe I'll start -- Bertrand, thanks for the question. I will start with your second question and the LNG project in Oman.

Obviously, and as you pointed out, fully electrified design for mid-scale or small-scale LNG which is the proof that technology can actually allow to get there for as long as you've got the supply of green electricity attached to it, which would be the case in this -- on this project, then you have a net 0 production of LNG.

So at least you take care of the upstream in terms of decarbonizing the liquefaction, and the production of LNG. So I think it's obviously an opportunity of a strong interest for us. I can't -- your question is more for Total than for us. And yes, we remain confident around it, but it's -- I will not speculate on the date of an FID.

We -- I will stick with or stick to what Total Energies are communicating on the matter, but certainly something that is on our radar.

Bruno Vibert: Bertrand, so on the cash conversion, I think you do see it correctly. So a very strong quarter including some working capital positive inflow. So due to cutoff items, as I mentioned, we would expect to have some reversal in those aspects. -- the trajectory and the basically cash generation of the business remains intact.

So Q4 will not be an exception. And as we're able to continue to deliver and execute the project, although we may have negative in working capital to reverse some of the position. The rest of the cash generation from the business would basically remain and constant.

James Thompson (JP Morgan): A few questions from me, if I may, please, just Bruno, following up on Bertrand's comment on Yamal, sort of performing in line. When I look at the JV contribution overall, revenue in the adjustments is kind of running a little bit behind where I thought it was going to be. Is it within the JVs, where is the main driver effectively of the reduction in the upper end of your revenue guidance? And are there any projects specifically?

Secondly, you obviously flagged a number of opportunities in terms of decarbonizing LNG in the presentation there, it would be great to get a little bit more color about within the kind of installed base, how many customers are engaging with you at the moment of potential projects in the brownfield? And is that something that could really step up in 2022 or into 2023?

And then perhaps more generally, you talked a little bit about the opportunity set 4Q and into 2022 for the business. Obviously, it's a much, much stronger commodity backdrop, whether it's gas, oil, or whatever. How is that sort of changing discussions with a number of your customers?

Do you think like activity has the potential to ramp up and deliver a pretty strong book-to-bill in 2022?

Bruno Vibert: So maybe -- thanks, James. I'll start for the first 1 and then back to Arnaud to conclude.

So in terms of joint venture and operations, whether it's a joint venture, whether it's a project which is fully run by Technip Energies or by any peers, I think all of the projects when you reach in terms of some of the supply, logistics, the fact that delta variant had a successive waves more in Asia than in Europe, or in other parts of the world is impacting projects that projects need to deal with it.

So I think all the projects have had to face some challenges. And whether it's in JV or traditional projects that will be consolidated. So not specific 1 area or 1 contract that would be flagged. But of course, some of the projects which are more relying on some supply chain, which are in the peak of the supply chain, or that faced some constraints in terms of access to site and to labor to basically make progress on some construction sites. May have had some impact versus what we could have planned early in the year in January when we set the guidance.

Arnaud Pieton: James, thanks for the questions on the, I would say, the pipeline of opportunities in decarbonizing existing LNG infrastructure. I will refrain myself from giving you a list of opportunities because some of them are obviously, I would say, I would -- they are, the conversations can be intimate with some of the customers that are ours where we operate in the basins in the countries that you know.

So but I will nonetheless share with you the fact that I don't think there is that all customers operating LNG facilities at the moment are in a way or another, contemplating, discussing, studying a way to lower the carbon intensity of their LNG production.

So it's from our standpoint, at least, it's happening a kind of across the board. And there is, I would say, a large spectrum of solutions or large. There's more than 1 solution to address decarbonizing LNG brownfield. And I think it's a very reassuring sign. It's a sign of our customers acting responsibly and facing a certain reality.

So all I'd say is that it's always a mix of, like I've mentioned, engineering, EPC, but also sometimes equipment upgrade. So those conversations are taking place, including with the equipment providers. And I would say, is in the making and could form part of a -- I mean, more meaningfully of an inflow of orders I would say, from 2022, 2023 onwards because we are not the only party, I would say, in this case. It's -- i would say, it's a 3-way conversation between us the client, of course, and some of the equipment providers.

So the good or very positive sign is around the fact that a lot of these conversations are happening. And this was actually this formed the basis for the technology or the TCA that we have with total Energies. It is about low carbon solutions for new infrastructure, but it is also about studying, I would say, master plans around specific existing infrastructure and deciding on what solution to deploy and/or on developing solutions and NIP that comes with it because it can be a combination of solutions.

When it comes to commodity prices and volatility. I mean what we're observing at the moment around gas price, in particular, is just a reminder of the risk for shortage of investment in some of the traditional energies and we will advocate and I will advocate the fact that continuing to invest into the lowest carbon traditional energy sources for some time is quite important to prevent the type of situation that we are in at the moment with the gas in particular. So the -- and the importance of the low carbon solutions for LNG and carbon capture and so forth.

We -- LNG projects have -- I mean, a cycle, and it's difficult to compress them. So we haven't seen LNG developers calling us overnight and say, "okay, I want an line project, and please can you give it to me tomorrow". We haven't seen that. Nonetheless, for those customers with whom we have already concepts, I mean, not concept studies but FEED study is ongoing for the development of their future LNG capacity. So where we were already in the making.

Yes, the conversations are taking place. to look at whether there is a possibility accelerate by assigning more resources, et cetera, I would say, the delivery and the completion of the studies that will lead to FID.

Phillip Lindsay: That concludes today's call for any follow-up, please contact the IR team. Thank you very much, and goodbye.