Technip Energies
Q1 2021 Results

Thursday, 22nd April 2021

Operator's Introduction

Operator

Good day and thank you for standing by. Welcome to the Technip Energies first quarter 2021 results conference call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. To ask a question during the session, you will need to press star and one on your telephone. Please be advised that today's conference is being recorded.

If you require any further assistance, please press star zero. I would now like to hand the conference over to your speaker today, Phillip Lindsay, please go ahead.

Welcome and Disclaimer

Phillip Lindsay

Vice President of Investor Relations, Technip Energies

Thank you, Sarah. Hello to everyone and welcome to Technip Energies' first quarter 2021 results. We are delighted that you can join us today, with our CEO, Arnaud Pieton, and our CFO, Bruno Vibert, who will present our business and financial highlights, as well as the outlook. 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 two. I will now pass the call over to Arnaud.

Business Highlights

Arnaud Pieton

CEO, Technip Energies

A leading engineering and technology company for the energy transition

Thank you, Phil. We are delighted to be here with you today to present our very first quarterly results. Let me begin with a brief introduction on what makes us a leading engineering and technology company for the energy transition.

First, our strong positioning. We are a clear leader in LNG, with exceptional references and notable recent awards. We also have leading positions and proprietary technologies in fast-growing markets and we are building our positions across the key energy transition growth areas of blue power, green hydrogen, sustainable chemistry and CO2 management.

Second, our core capabilities. We have smart energy engineers to drive innovation and pioneer technologies, solutions and projects. We bring trusted execution on a global and local scale and we have leading and proven expertise to integrate, scale up and industrialise technologies.

And third, our financial robustness. We have an extensive backlog of opportunity sets, providing long-term revenue visibility and together with our asset-light business model, margin improvement potential and strong balance sheet, we have all the ingredients to deliver high returns and to sustain dividends.

If you are looking for a deep reference investment platform for the energy transition, you have that with Technip Energies.

Forming Technip Energies

Now, let me turn to the key milestones that led to the formation of Technip Energies as an independent company.

Following the announcement that transaction activities were resuming on 7th January, we worked on an accelerated timeframe, delivered a capital markets day three weeks later and closed the deal in less than six weeks. The reaction of our people has been truly incredible. The motivation and passion for our new company and strategy gives me great confidence in our future.

Shares in Technip Energies began trading on the Euronext Paris on 16th February, with the start of trading in our ADR programme about a week later and we also provided an update on full-year 2020 results on 26th February.

And just prior to quarter end, we were delighted to see Bpifrance increase their shareholding in our newly listed company to approximately 7%. This builds on the trustful and long-lasting relationship and is a clear endorsement of our operational robustness and vision to accelerate the journey to a low-carbon society.

Q1 2021 key highlights

Turning now to the key highlights for the quarter, operationally, we continued to execute well across our portfolio of projects, despite the obvious ongoing challenges in the external environment, a reflection of the quality and commitment of our teams. We secured a major LNG project with the North Field Expansion in Qatar. And we bolstered our position in sustainable chemistry with several new initiatives that position us well for future business. I will revisit each of these themes later in my presentation.

Now, in terms of headline adjusted numbers, we generated revenues of €1.6 billion, broadly flat year over year. Recurring EBIT margin was around 6%, up year on year and in line with our expectations and backlog at the end of Q1 stood at €18 billion, equivalent to three times our 2020 revenues.

Key operational highlights

Let's turn to our execution. Despite the pandemic and the highly-challenging operating conditions that we and the industry have faced, we continue to make strong progress on delivering project milestones, de-risking execution and closing out projects.

While the situation has remained frozen during this first quarter of this year, our project teams continue to show a level of commitment and adaptability to overcome challenges and keep projects moving forward.

LNG/FLNG

In project delivery, our LNG projects are progressing well. Module construction for the first train of Arctic LNG 2 has reached 50% completion and is on schedule for module sail away to Russia later this year.

And we are well advanced on Coral floating LNG for Eni, having installed the turret mooring modules, as well as the first gas turbine generator.

Offshore

We achieved notable milestones in offshore, firstly on BP Tortue, where we successfully installed the hull and installed the living quarters. And on Energean carriage, we successfully completed the last of the heavy lifts.

Downstream

In downstream, we have completed all the heavy lift work across the Bapco Refinery and we achieved project completion on ENOC Jebel Ali.

TPS

Turning to technology, products and services, or TPS, we have further advanced the renewable biofuels expansion project for Neste. All heavy lift activities are now complete and the piping works are well advanced.

And on the Hengli plant in China, where we have deployed our ethylene technology, we successfully completed the performance test run, which has been accepted by the client.

As you can see, a very active quarter, delivering solid progress in both project delivery and TPS activities.

Spotlight on recent major awards

Now let's take a look at the recent awards. We've had a very strong start of the year, which built on a solid fourth quarter 2020, where we were awarded the Assiut hydrocracking complex in Egypt and the Energia Costa Azul LNG project in Mexico, both of which benefit from our early engagement strategy.

Project Delivery

Turning to this quarter, in February we were awarded the prestigious North Field Expansion project in Qatar, the project adding four mega trains, each of 8Mtpa capacity. Following early engagement, this award demonstrates the continuity and strength of our joint venture in Qatar, which also delivered the previous six mega trains. And with its large CCS scope and other energy management solutions, it reflects our ability to integrate technologies towards low-carbon LNG.

Close to the end of the quarter, we were awarded a significant upgrade project for the Barauni Refinery, which consolidates our position in high operating pressure projects in India, an important market for us.

TPS

In TPS, we were awarded a multi-year PMC contract in the Middle East covering various projects, a key award in our ambition to double the size of our PMC business.

And good award momentum, as well, in loading systems continued, with a contract to supply five LNG marine loading arms for the Nangang LNG storage project in Tianjin.

A strengthened backlog

Now let's take a look at our backlog. Since the end of 2018, our backlog has grown by 2.5 times, to around €18 billion, providing us with a significant revenue visibility. Clearly, we have benefited from the inclusion of a few mega projects, but overall growth has been well spread, geographically and no single region accounts for more than one third of backlog. In addition, as part of our selectivity criteria, all of our major projects benefits from early engagement, which speaks to the quality of our backlog.

Another key attribute of our backlog is its maturity. The overwhelming majority, around 90%, has been awarded over the last two years. In other words, we remain early in the execution phases of the majority of our backlog. As the newer generation of projects advance, good execution should lead to future upside, which is very similar to what we experienced in 2018 and 2019.

Finally, over 70% of our backlog is within the energy transition domain which, for us, includes LNG.

I will now pass to Bruno to discuss our financial highlights.

Financial Highlights

Bruno Vibert

CFO, Technip Energies

Robust start to 2021; confirming full year guidance

Thanks Arnaud. Good afternoon everyone.

So, turning to the highlights of our first quarter performance, revenues of €1.6 billion were broadly in line with the first quarter of 2020, with good activity levels overall, despite the ongoing external challenges due to the COVID pandemic.

Adjusted recurring EBIT was €91 million, equating to a margin of 5.9%, a 160-basis-point improvement year on year, benefiting from strong execution and a reduction in indirect costs. When we combine our Q1 performance with our backlog schedule for the remaining nine months of the year, we are clearly on track to deliver our full year guidance, which is unchanged.

Adjusted net profit was €44 million, a significant improvement year on year. Adjusted order intake was €6.5 billion, with a book-to-bill for the quarter of over four, favourably, of course, impacted by the major awards of the Qatar NFE project. Trailing 12 months book-to-bill for the total company is 1.7.

Net cash, at the period end, was €2.5 billion. This compares to €2.2 billion at 2020 year end, after the impact of the separation and distribution agreement with TechnipFMC.

Project Delivery

Turning to our segment reporting and first, Project Delivery. It delivered revenue of just under €1.3 billion, broadly flat year over year. The continued progress of Arctic LNG 2 and activity in downstream projects in the Middle East and in India were somewhat offset by lower activity on offshore projects.

For the remainder of 2021, as indicated by our backlog scheduling, we anticipate a ramp up of activity on major projects, including the early contributions from projects recently inbounded.

Adjusted EBIT for the segment was €76 million, equating to a margin of 6.1%. As anticipated, margins were down year over year compared to Q1 2020. Where a high proportion of the backlog remains at an early stage of phasing this year, the first quarter of 2020 benefited from a higher number of projects in completion phase. This was partly offset by lower indirect costs.

Backlog has increased substantially, year over year, to €16.6 billion, benefiting from the major awards in the fourth quarter, including the Assiut hydrocracking complex and the Energia Costa Azul LNG project in Mexico. And in Q1 2021, we signed the North Field Expansion project in Qatar. In aggregate, these three awards amount to well over €7 billion of order intake for Project Delivery.

Technology, Products & Services

In Technology, Products & Services, or TPS, we experienced a 9% year-over-year increase in revenues to €305 million. This was primarily due to growth in our PMC business, as well as benefiting from the strong order intake for loading systems during 2020. TPS should see a good level of activity throughout the remainder of the year.

EBIT margins significantly improved, year on year, at 8.5%, although the comparable period was specifically weak, due to the lesser activity in loading systems and process technology, as well as the true-up of some allocated costs.

The back end of 2020 for TPS was much better and more in line with Q1 2021 levels. TPS backlog was resilient year over year and slightly up, at €1.2 billion.

Solid foundation for future returns

Turning to other income statement items and to key balance sheet components, items of note within the income statement first. Corporate costs were €10 million, slightly lower than the anticipated quarterly run rate for 2021. The first quarter for Technip Energies was obviously not yet fully normalised with a stable overhead structure. However, as this shapes up, we will continue to focus on global SG&A spend and we do expect to have progressed significantly on the 20% reduction target which we indicated during our capital markets day, by the end of the year.

At 33.7%, the effective tax rate is within our full-year guidance range of 30–35%. And non-recurring items were €27 million, the large majority of which related to the spin-off costs.

For the balance sheet, our first as an independent company, net cash was €2.5 billion, benefiting from strong free cash flows in the quarter, which I will come back to on the next slide. Net cash is stated after deducting €728 million of short-term debt. The debt largely reflects the bridge-to-bond term facility, which was drawn at the time of completion of the spin off from TechnipFMC. Our intent is to refine this through a bond takeout in the coming quarters.

As a reminder, Technip Energies operates with negative working capital due to the specific nature of our business and contracts, where we receive payments ahead of us physically performing the work. This is translated into the net contract liability, which stands at €2.7 billion at quarter end and largely unchanged from 2020 year-end levels. While this position can vary from one quarter to the next, given the current backlog and our strong opportunity set, we see no reason for it to change by any material degree in the medium term.

Shareholders' equity for our starting balance sheet is approximately €1.3 billion, which is stated after the contribution to TechnipFMC.

Strong cash flow generation

Looking now at cash flow, let me start by explaining the starting point to be used, which is after the separation and distribution agreement relating to the spin. As such, the cash flow bridge begins adjusted for this net contribution, with the gross cash position of €2.9 billion at the beginning of the period. From here, free cash flow over the quarter was very strong, at €272 million.

As a reminder, our cash flows are not linear from one quarter to the next. This quarter in particular benefited from working capital inflows relating to order intake and project progress. And our – as our capital expenditures are limited, just €8 million in the quarter, due to our asset-light business model, our free cash flow is only slightly below our operating cash flow. While, obviously, this is a very robust start to the year, we do not expect to sustain this amount quarter after quarter and we should have the first part of the year stronger than the back half of 2021. Movements beyond free cash flow were small and had, largely, a neutral impact. Gross cash at the end of the period stood at €3.2 billion. And I will now pass it back to Arnaud for the outlook.

Outlook

Arnaud Pieton

CEO, Technip Energies

Rising to the decarbonisation challenge

Thanks Bruno. Turning now to our outlook, today I would like to focus on the topical theme of decarbonisation, where we are seeing an acceleration in activity. The decarbonisation of our traditional markets is of increasing importance. The majority of our customers are actively assessing ways to reduce the environmental impact of both existing assets, as well as new assets and we are poised to capitalise on this theme. Given our technology integration skills and the breadth of our scope, we have the capabilities to be at the heart of many of the solutions. This includes expertise in multiple domains, including hydrogen, CO2 management and renewables.

For example, these skills can effectively be used to help the industry succeed in decarbonising LNG, a topic you will hear more about from us in the future. Blue hydrogen, electrification and CCS solutions continue to evolve and are being considered by many of our customers as ways to significantly reduce emissions from their plants. We are already benefiting from this trend, for example the award by Shell in Q3 last year of the significant contract for their mobile facility in the Netherlands. The overriding rationale for this modernisation project was decarbonisation, supported by our low emission technology. Today we have many other such initiatives that are in the study phase and we are confident we will begin to see projects and services flow from this opportunity set in the coming years.

Another key area for us is sustainable chemistry. Here we have a technology-driven approach through our technology integration capabilities and our technology development, scale-up and commercialisation expertise. In biofuels, our proprietary Hummingbird ethanol to ethylene technology has application within the sustainable aviation fuels domain and it was recently selected by LanzaTech for deployment on a demonstration scale, integrated biorefinery in the US.

Looking at biochemistry, we have an engineering and procurement services role on the largest biorefinery in Europe, UPM's biochemicals plant in Germany.

And in circular economy, building on our partnership-based model for chemical recycling, we have created several exciting partnerships in this first quarter. This includes our joint venture with IBM and Under Armour. This partnership will build and commercialise a new recycling framework and circular economy for PET. We believe that working with such household brands should send a clear signal about our positioning in circular economy.

Positioning in energy transition

Now let’s turn to our activity and positioning for energy transition. From an industry maturity perspective, LNG is the most advanced today in terms of technology, economics and investment and also capacity to decarbonise. Our other energy transition pillars, sustainable chemistry, decarbonisation and carbon-free energies, today account for a smaller proportion of our backlog, primarily due to less mature project phasing. But the interest from our customers is real. Since the beginning of 2020, we have been awarded over 100 contracts of various sizes across the energy transition domain. About 80% of these are currently in the concept study or FEED phase.

This early positioning, combined with our R&D and other business development initiatives, will be critical in establishing a sustainable business in these areas over the medium to long term. And around 20% of these contracts are in execution phase as EPC or services, most notably in biofuels, LNG, as well as other, smaller pilot projects.

Importantly, our contract portfolio is well diversified, which clearly demonstrates strong engagement across major growth markets, notably in decarbonisation and sustainable chemistry.

Now, it is fair to say that these prospects are not currently at a level that would compete in CAPEX dollars with larger projects in our traditional markets. And some of these prospects may require subsidies to mature and reach industrial scale. That said, the momentum is strong and real. These projects will become a more mature part of our business over time.

ESG in action during Q1 2021

Turning to ESG, we have already made encouraging progress on our journey. We have launched our ESG roadmap and materiality assessment to define the sustainability issues that matter most to our business and our stakeholders. Our inclusion policies are in force and we are on target to recruit 50% of our graduate hires as women in 2021. And we have launched a dedicated compliance programme that all employees will complete in 2021.

As mentioned in our capital markets day, we will return to the market with our ESG strategy, including details of an annual scorecard within our first full year as a company.

Key takeaways

So, in closing, we have delivered a solid quarter, our first as a listed company. We concluded a successful spin-off transaction, launching the company on the Euronext Paris. We secured €6.5 billion of orders and Bpifrance made a €100 million investment, increasing its stake in our company. Our first quarter results provide a solid platform to deliver on our full year guidance. We have delivered EBIT margins consistent with guidance. Our backlog scheduling essentially secures the full year revenue outlook and our first independent balance sheet is strong, with net cash of €2.5 billion.

And we look to the future with confidence: our backlog provides tremendous visibility and our energy transition prospects and positioning continues to materialise.

And with that, let's open the line for questions.

Q&A

Michael Alsford (Citi): Hi, good afternoon. Thanks for taking my question. My first one would be just around the cash flow. Thank you for your comments earlier but clearly there was a strong inflow in the working capital in Q1. Could you give a bit more colour as to how you see working capital evolve through the remainder of the year? Do you expect, I guess, working capital to be a positive inflow for the full year 2021? That would be my first question. Thanks.

Bruno Vibert: Hi Michael and thanks for the question. So, as you know, our disciplined – very disciplined contractual and commercial model puts cash on our balance sheet and we operate with a negative working capital position.

Our cash flows will not be linear from one quarter to the next and there is clearly an element of lumpiness to it. And obviously Q1 was a very robust start and we benefited from first payments on the projects which we recently inbounded but beyond that, I think the cash flow generation was good.

If we go beyond quarter one, naturally, no, we don't expect to sustain this amount quarter after quarter in 2021 and we should have a first half of the year stronger than the back half of the year.

So, even if there may be a quarter in the back half where we would have a lower free cash flow, due to project phasing or kind of awards not kind of there in one given quarter, but that's not a concern, I think on the full-year basis we will have a good cash flow generation, building up from this Q1 and this cash will be fully available for our capital allocation policy that we laid down during the CMD. So we know that the net income which will be delivered this year will be 100% available on the balance sheet and this will be able to be used for the capital allocation that we laid out.

Michael Alsford: Thanks Bruno. And maybe an unrelated follow-up, just bringing together the comments you made at the capital markets day a few months ago now, you outlined an addressable market of around €100 billion, but could you maybe talk a little bit more specifically about the near-term tendering pipeline over the next 12 months? What's the market opportunity that you see ahead of you over that period? Thanks.

Arnaud Pieton: Yeah, Michael, thank you and thank you for following us since the capital markets day. So, the pipeline of opportunity is real for us in the coming 12 months.

First, I will start with, I would say, kind of the obvious, but the LNG wave for us, or the wave of potential LNG awards, is not over for Technip Energies. So, we do have and we are actively – we are active on several opportunities around LNG. And you know LNG are always a source of, I would say, sizeable awards and they are an important theme for Technip Energies. So, LNG is one. You do know of the basins where we are active. One of our customers has made public the fact that they were already studying and basically had the ambition for a minimum of an additional two trains or two mega trains. You may imagine that a similar type of conversation is taking place in other basins with other LNG producers.

Now, outside of LNG, or I should say related to LNG, because together with LNG comes the LNG infrastructure, namely bunkering, and we stated that we were active on the Sohar LNG for Total, which is a bunkering facility in Oman. And beyond LNG, you know, it's interesting to observe that in the first quarter of this year, so this Q1, if we put aside the Qatar LNG project, there's, you know, about €1.1 billion of awards in our more traditional market, if I may say, around pet-chem, refining and beyond. And we do see an interesting level of activity in these areas as well. And you know, they are – they might be smaller names, if I may say – you know, they might not be making headlines every day – but they are important, they are sizeable and they are significant, and it's an important pipeline that we have there.

In addition to that, I mean, I will also say that they are driven by, I would say, decarbonisation themes or cleaner energy, and including in refining. It's all about having cleaner fuels, you know, from Euro 2 or Euro 3 standard to Euro 5 or Euro 6 in some countries, which for those countries is a big improvement. And beyond that, obviously the pipeline is influenced by energy transition themes and we are actively tendering, including green hydrogen opportunity, in Europe and beyond. So, it's a very diverse opportunity set.

Michael Alsford: Thanks Arnaud for the extra colour. I'll hand it back, thanks.

Nikolaos Konstantakis (Exane BNP Paribas): Morning, guys. I want to stay with the LNG for a little bit. I mean, I heard you kind of teased us there with Qatar, and could you just give us a bit more colour on other specific projects? For example, Rovuma, now the operator talks about 2023. We heard some lines about renegotiation. Is that still a project that you are, you know – for you, basically? And then, a few quarters ago you also had a FEED study ongoing for Far East LNG for Exxon. Can you just tell us tell us how is that progressing? I'm just trying to understand, I guess, you know, the remaining of the year or early 2022, what is kind of the price, the near term, if you would? I'll save the second one.

Arnaud Pieton: Yes, Nik, thank you. So, difficult. I would not probably name all of the opportunities, because some of them are, I would say, you know, ours in a sense and where we have privileged access to a particular customer or basin. But I mean, just to give you a bit of colour, and starting with Rovuma, I don't have much more to say than what Exxon have already conveyed, which is, you know, a decision for an FID is postponed to 2023.

But beyond that, I've mentioned, you know, the future trends in Qatar and QP went public with that, so you would be aware of their statement around a minimum of an additional two trains beyond the award that we've had, I mean last quarter. So, we are currently active on this FEED and there are other FEEDs on which we are, you know, active in other of the LNG basins, but I would like to – I would rather, you know, come back to you in the near term where either we decide to make that public or we decide to move ahead with our customers. But we are very active on several FEEDs on LNG, including, onshore and floating.

Nikolaos Konstantakis: Okay, fair enough. And then on the low-carbon LNG, it seems that it's picking up as a trend, decent premiums for those cargoes. Are you in active discussions with more of your customers about retrofitting? Can you just remind us why you're particularly well placed for that?

And sorry, I will squeeze in a third one. I think it's a very fair point that you made on energy transition dollar amount, you know, not necessarily comparing with the core. Can you give us a rough idea, you know, in 2025 or 2030, how much would you like that to be or what is a realistic target for us to think about? Is it 5%, is it 10% in those non-LNG kind of energy transition types? Thank you.

Arnaud Pieton: Well Nik, I wish I had a crystal ball for 2025, but for sure, you know, the momentum is there. So, I'll come back to that in a minute. But to start with low-carbon LNG, it's obviously a theme of importance for our customers. Now, it's fair to say that there are multiple ways to decarbonise LNG on new trains. You can basically electrify the whole infrastructure and end up with basically a net-zero LNG plant. And this is, you know, part of what, we are discussing with our customers, as we are the architect of their future facility. Those are – you know – very active conversations. So, you know, fully electrified infrastructure.

I mean, you can also use hydrogen in order to partially decarbonise the LNG production. So, you use hydrogen as fuel, rather than the feed gas. And there, it's available for retrofit or for new infrastructure. It is less ambitious in a way, because, you know, it's not a full electrification, but you can decarbonise probably around 30% of your LNG production simply by – or simply – yeah, simply by using hydrogen as the fuel gas, rather than using the feed gas on site. And there is a very interesting proximity between, you know, obviously, the LNG producers and the ability to produce large quantities of blue hydrogen. And we have a technology suite, or a suite of technologies or technology sequence, that allows us to bring the carbon intensity of blue hydrogen very, very, very close to that of the green while making the blue hydrogen, I would say, nearly as economical as grey hydrogen, which, when you take that into perspective and also with the proximity of hydrogen and LNG producers, opens the door to, I would say, an interesting opportunity set for, you know, the trends that we are observing at the moment around Power 2X, etc. So, it's – it's an interesting momentum on this front.

So, you see that there are several ways to decarbonise LNG, and all those conversations are taking place. All the LNG producer, or producers, are interested by finding out how to decarbonise their existing or future plants.

Now, as for 2025, you know, we're seeing the momentum being real through our studies. I will not take the risk on betting on, you know, what the proportion of our business will be in the energy transition themes in 2025. I think the world is facing a very interesting challenge, so on a personal note, I hope that, you know, we will see a significant acceleration. There's an urgency for capturing carbon and emitting a lot less, and also, you know, favouring, including negative carbon solutions. So, difficult to completely assess and to give you a number today, but clearly a trend that is translating into an increased number of studies.

Nikolaos Konstantakis: Thank you.

Guillaume Delaby (Societe Generale): Yes, good afternoon. Thank you for taking my two housekeeping, very down-to-earth questions, which are for Bruno. First question is regarding future cash flows. So, basically, you highlighted that H2 cash flow may not be as strong as H1 cash flow, and thank you for that. But did I understand correctly when you said that net profit for the year would be – this is my understanding – a good metric, a good proxy for full-year cash flow? So, just would like a confirmation of that.

And my second question is regarding project delivery margin in Q2, Q3, Q4. Given the fact that you are going to start to recognise revenue from the big – the large three projects you have been awarded since the end of November, I think it's reasonable to assess or assume that project delivery margin should be lower in Q2, Q3 and Q4. I just wanted to be sure on those two elements. Thank you.

Bruno Vibert: Hello Guillaume. Thank you for the housekeeping questions. So, in terms of cash flow for the remainder of the year, as I said to Michael, you know, very good cash flow for Q1. It is somewhat non-linear from one quarter to another, and obviously, you know, we don't think that maybe we will have the three major projects that we inbounded over the last kind of four months, or you know, in the next four months. So, this would have an impact on the sequence. So, with less kind of new inbound, you won't have exactly the same pattern.

Having said that, you know, the cash flow of the quarter was not about only these couple of projects. I think the cash flow generation from the rest of the portfolio is there. So, that's why, you know, on the full year, even if there is one quarter which may be lighter for any specific kind of milestones or sequence, we see a positive trend, and building up from this kind of Q1 position. So of course, you know, this would be probably incremental for which net income is there and will be there on the balance sheet, but in terms of pure cash flow movement, we see a potential for a continuous good cash flow projection for the end of the year.

Maybe second part of your question: in terms of margin, you know, Q1 for sure, you know, the target is we will ramp up as we will have the new contribution from these projects that will be growing. They won't be plateau of course, you know, within the next months, but they will start to ramp up. Also, you know, our revenues can be kind of volatile from one quarter to the next. We don't have seasonality per se, but you know, we can have, you know, in some geographies, depending on the scope, you can have the monsoon. In other geographies, you can have Chinese New Year, which makes – which, you know, by the consequence, you make a bit less progress during the Chinese New Year on some yards. But this is all factored in.

So, in terms of margin sequence, you know, the quality of the backlog is there, so the portfolio, you know, that was taken on this is not different, it is not dilutive basically to the ones that, you know, were obtained in 2020. So basically, you should not expect a very significant variance of margins and spreads for the remainder of the year if you have basically this slight reduction and dilutive effect. We also will continue to work on the SG&A, being of course, you know, keeping a clear cost focus. So of course, that will also help to maintain the cost base with higher revenues, so protecting the margin in terms of percentage.

Guillaume Delaby: Okay. Thank you. Very useful, Bruno. I'll turn it over.

Sasikanth Chilukuru (Morgan Stanley): Hi. Good afternoon. Thanks for taking my questions. The first one is a relatively small one. I just wanted to understand what the impact of COVID was in Q1. I was just wondering if it was possible to quantify that.

And a small follow-up for my understanding as well, this is regarding the charge that you have presented on Slide 20, on energy transition. I was just wondering what contracts were included in decarbonisation that made up 37% of the contracts by end market, which is other than sustainable chemistry, LNG and carbon-free energies. Thanks.

Arnaud Pieton: Yes, thank you. Bruno will start on the impact of COVID on Q1 and I'll take the second half of the question.

Bruno Vibert: So, yes, good afternoon Sasi. So, it's kind of funny because last year we were being told that, you know, it was not good to isolate the COVID costs, and now that we've taken them back and included in the performance, you would like us to take them out and to isolate. No, but, you know, more seriously, I think the teams throughout the year – well of course, we're still impacted, we can't travel from, you know, one country to another, some yards or some cities are kind of in lockdown, some are opening, so it's a very fluid situation. But all credit to the teams, we've been able, you know, since Q1 2020 to adapt to this situation. So of course, we're working with clients, we are working with the supply chain, to do that.

So, it's not business as usual, for sure. But now, we've integrated that, because we need to be able to operate and to live with COVID. So, it's always trying to find new solutions, working with a client, working with supply chain, trying how to best manage the schedule, and basically we've integrated that in the future projections, so that our results and our income, you know, includes this and to be able to deliver the project from what we see of the COVID situation today and how we can execute and deliver these contracts. And me, I will pass it to Arnaud for the second part of your question.

Arnaud Pieton: Yes. So, about, you know, decarbonisation and I would say CO^2 management, so, what is very interesting for us is that CO^2 management is really a theme that is reaching across the whole portfolio and CO^2 management component is becoming, is turning basically into a topic in everything we do today across our portfolio. This is how quickly, you know, the topic is accelerating.

So, you know, as such – and here again, on this slide, we are talking about the number of contracts. So, we don't have a big headline project, you know, to showcase here with you today, but we are engaged on several opportunities currently, which you know, for most of them are translated into paid studies, FEED and commercialisation studies and realisation studies. And this is what, you know, this pipeline of opportunity is made of – or pipeline of contracts – is made of for the moment, because it's beyond opportunities, do the real contracts and studies that we are being paid for and for which our customers are calling us.

But it's – you know, it's a very important theme and one that really reaches across our entire portfolio at the moment. It's part of every conversation.

Sasikanth Chilukuru: Thank you.

Jean-Luc Romain (CIC Market Solutions): Hello. My questions relate to Qatar LNG. In 2005, 2008, you had very big contracts there and their execution was kind of difficult. Have you provisions or have you learned all the lessons for that not to happen again? That's the first question.

The second question relates to, well, the second phase of the current expansion of Qatar capacity, namely the two trains you mentioned answering one question. What do you believe would be the best time for Qatargas to award these contracts to benefit from the best possible effect of economies of scale of learning curve that you will have after building the first four trains for the North Field Expansion?

Arnaud Pieton: Yes, thank you, Jean-Luc. So, on the first part of your question, on Qatar LNG and about the past versus the current or future, obviously we've learned a lot through the six trains that we've delivered in Qatar over a decade ago with the same partner. And those lessons learned have been implemented and included, I would say, in the execution plan that we've laid out for the contract we've been awarded this quarter. And you know, those lessons learned include, you know, there are some very pragmatic things around working, you know, at the peak of the day when there is the peak of heat, to, you know, manpower availability, to selecting contractors and construction companies that we know and we can rely on.

And basically, you know, all those lessons have been integrated and built into today's execution plan, which by the way, you know, those lessons, even though we are talking about two different hemispheres, but if you take a very successful project like Yamal LNG, even though it's very different, I would say, in terms of the morphotype of the project, you know, every project – every LNG project brings its learnings and they all benefit from the learnings of the past. So, I would say that a successful Yamal also benefited from some of the lessons learned that we had from Qatar in, you know, 10, 15 years ago. So, yeah, absolutely, you know, those lessons learned have been taken into consideration and are part of our execution plan, both operationally and contractually for the phase to come.

When it comes to the two additional trains, well, it's more a question for QP than a question for Technip Energies, Jean-Luc. I mean, Qatar Petroleum are in the driving seat. I can only say that we are actively engaged together with our partner and that, you know, in an ideal world – and I don't know, I'm not, we're not in the driving seat, it's really for QP to decide – but in an ideal world, in order to be able to take full advantage of the volume effects, you know, with the supply chain, etc, which is real – which by the way positions us well, because you know, they have the freedom to decide to go to who they want, but it's positioning us well in terms of the advantage we can provide – I think, you know, it's a matter of within 12 to 18 months. And that is when the procurement phase on the project really is ramping up and this is where we have, I would say, more leverage.

Jean-Luc Romain: Thank you very much.

Mick Pickup (Barclays): Good afternoon, everyone. It's Mick here. Just a bit of a follow-on, if I may, first, from Jean-Luc there. Obviously, you had a very successful quarter for order intake, but obviously, the steel price was going up every day while that project was being finalised on the bid stage and you're talking about procurement in 12 to 18 months. So, can you just talk about protections you've got from raw materials and what impact you think any supply chain or raw material inflation is going to have on the bidding pipeline?

Arnaud Pieton: Yes, Mick, thank you. Good question. So, you know, I mean, inflation risk is always – I mean, inflation is always a risk, but you know, as part of our contracting best practices and risk management, we really seek to protect Technip Energies from those fluctuations in raw material prices and I think we have a very robust procurement department that has done what is necessary to protect us – to provide protection in those fronts. So, you know, from lockdown prices to escalation clauses, in a very transparent manner with a customer, you know, this is all part of our contracting structure. And we've also – you know, it's not to be under-estimated, in order to protect not only the financial performance but also the execution of the project, it's about relying on local supply. And you know, we've done that, you know, with local or supplies from the area. That's what we intend to implement on this project in particular. So, it's a combination of things.

Mick Pickup: And obviously, costs rising, is that having an impact on bids you're working on at the moment?

Arnaud Pieton: A cost rising can have an impact on the bids, absolutely, that we are working on at the moment, absolutely can, yes.

Mick Pickup: Okay. And can I follow up on the competitive landscape? A couple of your peers in your core area are undergoing pretty radical cost-saving programmes to make them more efficient. One of your competitors has talked about margins under pressure on the core business. Can you just talk what you see on that competitive landscape please?

Arnaud Pieton: Yes, Mick. So, first, I will, you know, make reference to our selectivity and commercial discipline. And regardless of the competitive landscape, what is important – and I stated it in the past and certainly on the capital markets day – what is important is for Technip Energies to remain disciplined in the choices we make and to find a way to differentiate that is not simply through cutting margins. So, we will not engage into this type of, I would say, battle. And for a project to find its way into our backlog, the project needs to deserve to be in the backlog and therefore to be presented with a level of profitability, contingencies, etc, that is such that it can fit in our portfolio and in our backlog. So, that's I would say, you know, element number one. The key is always, always – and I know you hear that a lot, but it's finding a way to differentiate that is beyond the temptation of cutting margin and margin erosion. So, that's point number one.

Point number two, I would say the – yeah, the landscape has taken – I mean, it's taking care of itself kind of, you know? Some people have left the LNG field in particular and therefore, you know, there are less players able to seriously tackle the type of projects that we are tackling as a company. And I think the quality of our delivery is also a way to differentiate.

So yes, and finally, I will just say that, you know, without going into, embarking into, a massive cost-cutting exercise, you've heard from Bruno about margin improvement opportunities, and yes, that is certainly about cost adjustment and sizing up the company, or continue to size up the company structure in a way that we have a structure that is the one we need and we deserve, and not beyond.

Mick Pickup: Okay, thank you. Cheers.

Arnaud Pickup: Sure, thank you.

Victoria McCulloch (RBC Capital Markets): Thanks very much for your time today. Over the course, you've signed a number of partnerships. Is there any planned or required investment that you think you need to grow your bidding opportunity set beyond just partnerships, in either the near or the medium term?

And secondly, maybe following slightly from what Mick was talking about, I know you've focused on your core environments there. As you're entering into new markets, particularly sustainable chemistry and the carbon-free, or certainly in some of the decarbonisation opportunities, how does the competitive environment in these markets compare? You know, I think we're hearing that these are very competitive across the sector. And how do these impact the margins when you look at it in terms of balancing the business longer term in order to seek to grow the margins? Thanks very much.

Arnaud Pieton: So, thank you. So yes, Victoria, I mean, we've had a very exciting quarter in terms of sustain – I mean, our – the partnerships that we've formed around sustainable chemistry in particular, and we are working really hard to position Technip Energies as a highly credible and capable player in sustainable chemistry. I mean, biofuels are the most advanced, but we show very good momentum in biochemicals and circular economy or plastic circularity. So, we – our approach is, you know, always through technologies. Here we decided to form several joint ventures and partnerships.

Now, beyond, yes, we – when we look at, you know, what – I mean, the trends and where the market is heading broadly speaking, not only in sustainable chemistry but beyond, and I will – you know, I will use a combination of words that is maybe a theme for the future, you know, in the areas of Power 2X, there are probably technologies that are adjacent to those that we currently have that might be or would be of interest to us. So, we continue to explore and investigate and, you know, in addition to that there's also – I mean, something a bit – I can't say more, I think, but you know, we signed or need to complete the acquisition of Inocean in order to, you know, take advantage, if I may say, or to own the full IP around a floater, a very capable floater for offshore floating wind, which is a theme for the future.

So, you know, as you see, we do continue to enrich our portfolio and our technological breadth in order to address the future. So, it's kind of a yes to your question. That would have been the short answer.

And as for the new markets, you know, again, I think we're going to have to remain extremely, extremely disciplined in the way we tackle these new markets. We are still testing the environment. No doubt that it is competitive. And just like I told Mick, I think it is our challenge to find ways to be differentiated, including in the new markets, so that we can sustain the level of margins that are such that those projects deserve to be part of our portfolio. And this differentiation is key to our future. We have many ways to differentiate from technology integrations, which we've mastered more maybe than anyone average, to modularisation, to any type of other solutions that we are able to deploy with the very smart energy engineers we have in the company.

Victoria McCulloch: Super, thanks very much.

James Thompson (JP Morgan): Great. Thank you very much. Thanks for the presentation, guys. I just wanted to ask a first question really around hydrogen. You know, I think the market's trying to understand the potential, you know, momentum that can be drawn in this business, which is a clearly a focus, you know, for yourself and, you know, the whole of the world by the looks of things. So maybe Arnaud could you perhaps key us into the opportunity set near term? I mean, is there a chance that we can see you guys winning something on the kind of EOT[?] side of things in green hydrogen this year? So, some sort of award in 2021.

And obviously, in your prospectus you talked about, you know, a number of opportunities within, you know, your very significant market position in grey hydrogen around converting to blue. You know, could you perhaps talk about whether that list of companies is expanding and whether any of those projects are looking likely to go ahead in the near term? Thanks.

Arnaud Pieton: Thank you, James. So, starting with maybe green hydrogen, obviously, an important theme for us and for the world, and as you know we've taken a stake in McPhy a few months ago in order to have a credible offering and one that can be commercialised immediately to answer to some of the tenders and prospects that we see coming our way.

So, I don't know if we will see an award to Technip Energies around green hydrogen in 2021, but what I know is that we will have submitted firm offers to more than one green hydrogen opportunity in Europe and outside of Europe. So, after that, really the pace is basically the – you know, we are depending on the pace of the FID that is in the end of our client. You know, that's the case with Shell, it's the case with Engie, and so if FID and – you know, most of those projects are subsidised, so I guess if they manage to secure and confirm the subsidies, those projects are likely to go ahead and then, you know, it will be a good test to see whether we are the successful bidder and we have a credible offering and solution. But it's not totally in our hands. Yes, we will have submitted, you know, multiple offers for multiple projects for green hydrogen before the middle of this year. But then, it's really – FID is in the hands of our customer.

Turning to blue hydrogen, listen, here it's a very interesting topic that is, like I said, adjacent kind of to that of the gas producers. And I will just simply say that we are engaged into not only conversations but FEED studies with some of them on, you know, what can be done to combine or to take advantage of the proximity between, you know, having the feed gas and the ability to produce at large scale blue hydrogen or other blue sources of energy or, you know, molecule transport. So, it's a very diverse opportunity set. What is for sure, it is also a very large scale, even when it was to unlock, it would be, you know, not micro plants but rather large scale.

James Thompson: Okay, okay. That's pretty helpful. Just going back to the green piece – the green hydrogen answer there, in terms of McPhy, I mean, when you spoke it about before, you said, you know, you might broaden that horizon. Is it a case of you're just working exclusively with McPhy at this point in time?

Arnaud Pieton: No, we are not working exclusively with McPhy. It's all a matter of, you know, what's the best solution for the customer and what makes the most economical sense for them. So, we do have, I would say, a privileged situation with them, but it's not an exclusive one. So, we deploy all the solutions, or we offer all those solutions on, you know, some projects.

James Thompson: Okay, thanks. Yeah, thanks for that. I mean, just one final one, small one really. You know, obviously, in terms of the recurring costs in the quarter – the €27 million – I think you guided previously to €30 million. I was just wondering whether that €30 million had changed at all, you know, whether €27 million is it or whether we should expect more in terms of the recurring costs in the second quarter? Thanks.

Bruno Vibert: Okay then. I – so, of course the spin-off has occurred. You know, the bulk of the €30 million which we projected has been incurred and is, you know, isolated and presented in these non-recurring. We continue to have a bit of some set-up, so we will continue to have that. So, from where we stand today, probably we will be close to the €30 million. Is it kind of slightly below? Is it slightly up? Depends on the pace and some of the final costs to structure and to set us up.

James Thompson: Okay, thanks Bruno. So no major change. That's great. I will hand over. Thanks guys. Well done on first results.

Arnaud Pieton: Thank you.

Phillip Lindsay: That concludes today's call. Do please contact the IR team if you have any follow-up questions. Thank you and goodbye.

[END OF TRANSCRIPT]