TECHNIP ENERGIES FIRST QUARTER 2023 FINANCIAL RESULTS – TRANSCRIPT

Technip Energies N.V. Corporate Participants :
- **Arnaud Pieton** Technip Energies N.V. – Chief Executive Officer & Non-Independent Executive Director
- **Bruno Vibert** Technip Energies N.V. – Chief Financial Officer
- **Phillip Lindsay** Technip Energies N.V. – Vice President of Investor Relations

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Operator's Introduction

Operator

Good afternoon. This is the conference operator. Welcome, and thank you for joining the Technip Energy's first quarter 2023 Financial Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions (Operator Instructions). At this time, I would like to turn the conference over to Philip Lindsey, Head of Investor Relations. Please go ahead, sir.

Welcome and Disclaimer

Phillip Lindsay

Thank you, Judith.

Hello to everyone, and welcome to Technip Energies' first quarter, 2023, financial results.

On the call today, our CEO – Arnaud Pieton – and our CFO – Bruno Vibert – 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 forward-looking statements on slide 2.

I will now pass the call over to Arnaud.

Business Highlights

Arnaud Pieton

Q1 2023 – Key Highlights

Thank you, Phil,

Welcome to our financial results presentation for the first quarter, where we have delivered solid operational progress that puts us firmly on track to deliver our full year objectives.

Revenues of €1.4 billion are in line with our expectations and reflect continued strong momentum in TPS, and lower Project Delivery activity resulting from the maturity of the portfolio and our ongoing exit from Russia.

Our execution remained strong, and we delivered 100 basis points of margin improvement year-over-year.

We also benefited from sustained commercial strength in Technology, Products & Services with awards in ethylene, renewable fuels, and carbon capture. This builds on the strong momentum established in 2022. In addition, we are executing our strategy to prepare our future core and I am delighted to announce the creation of Rely – a new company to drive green hydrogen industrialization through standardised and integrated solutions. I will return to this later in my presentation.

Finally, orders of €713 million were broadly in line with our expectations for the quarter, leaving period end backlog at €12.0 billion, equivalent to approximately two times our expected revenue for 2023.

Q1 2023 key operational highlights

Turning to our execution,

I am pleased to report that we continue to make strong progress delivering important milestones, de-risking execution, and completing projects.

Margins remain at robust levels, demonstrating the strength of our delivery and a favourable mix, including the growing contribution from TPS.

Overall, a very solid start to 2023, and I want to express my gratitude to our teams that continue to drive our leading performance.

Q1 awards, front-end positioning and partnerships

Now let's look at recent awards, market trends and partnerships.

As previously communicated, momentum in ethylene markets has continued into 2023 and we have secured a significant contract to supply proprietary cracking furnaces for a mega plant in Qatar, as well as an important technology award for a low carbon plant in China.

Also in China, we secured a reference award for low-carbon LNG with an engineering design and key equipment supply contract for a liquefaction unit to be fully electrically driven....This highlights the market trend towards modularized and electrified mid-scale LNG.

Our carbon capture presence in the US continues to expand with an important FEED for Calpine at their Baytown Energy Centre. The unit will be designed to capture 2Mtpa of CO2, equivalent to 95% of the plant's emissions; and this award is further evidence of the strength of our solutions for carbon capture, which we continue to invest in.

In clean fuels, we were awarded several front-end studies, including the latest with Lanzatech, for what would be the U.K's largest sustainable aviation fuel production facility. The plant will utilize our proprietary Hummingbird technology, a vital technology brick in the production of SAF. Hummingbird is also the focus of R&D investment and I look forward to talking with you in the future about a product launch based on this technology.

Finally, for blue hydrogen, we have announced an important partnership with Casale to jointly licence ATR technology, as well as providing front-end services, proprietary equipment, and entire plants. With a potential carbon capture rate of up to 99%, this technology complements T.EN's proprietary SMR-based solutions to give us the most comprehensive suite of blue hydrogen solutions in the market today. And as I'll discuss later in my outlook, this will be complemented by a leading green H2 offering.

I'll now pass over to Bruno to discuss financial highlights.

Financial Highlights

Bruno Vibert

Solid Q1 Performance

Thanks Arnaud, good afternoon everyone.

Turning to the highlights of our financial performance for the first quarter:

Adjusted revenues were down 13% year-over-year to €1.4 billion - impacted by the maturity of the Project Delivery portfolio and the ongoing exit from the Arctic LNG 2 contract, partially offset by very strong TPS growth of more than 35%.

Adjusted recurring EBIT was exactly flat year-over-year, despite the lower revenues, owing to strength in margins, which increased by 100 basis points year-over-year to 7.6%, and benefiting from strong project execution and growth in TPS.

Adjusted diluted EPS grew by 10% year-over-year, benefiting from the strong operational performance and higher interest income.

Adjusted order intake was €713 million, slightly higher year-over-year thanks to sustained momentum in TPS orders.

Net cash at period-end was €2.8 billion.

In summary – thanks to the performance of our teams in Q1, we are on track to meet full year guidance.

Project Delivery - Sustained excellence in execution in our long cycle segment

Turning to our segment reporting, starting with Project Delivery,

Revenues are materially down year-over-year reflecting the absence of Yamal LNG and the ongoing exit from the Arctic LNG 2 contract. As a reminder, the Arctic LNG2 project contributed a significant proportion of revenue in the first quarter of 2022.

Execution remains strong and projects experienced notable strength in margins at 8.1%, up 110 basis points year-over-year. The absence of major new awards, which are dilutive in their early phases due to conservative recognition, was a benefit to margins in the period. As new awards materialize in the coming quarters, the portfolio maturity will become a more balanced blend of early and later stage projects, bringing margins to a more normalized level.

Turning to orders, the strong commercial outlook we see ahead of us should drive a considerable improvement in book-to-bill trends in the coming quarters, driving backlog higher.

TPS - Substantial backlog increase reinforces revenue growth trajectory

Turning to Technology, Products & Services, where our investment and commercial strategy to grow this segment is yielding very positive results.

Financials are robust with revenue growth of 37% year-over-year, boosted by the strong order momentum we achieved through 2022, and notable improvement in several areas including: Consultancy and engineering services; Licensing and proprietary equipment, notably for ethylene; and growth in renewable fuels work.

These higher volumes, combined with an improving mix of higher technology and product revenues, enabled EBIT margins to reach the double-digit threshold at 10.2%, up 100 basis points year-over-year. As a result, EBIT has improved more than 50% versus the prior year period.

Commercially, we have sustained a positive trend in orders as demonstrated by the trailing 12-month book-to-bill edging up to 1.6, which has driven a substantial 84% expansion in segment backlog versus Q1 last year.

In summary, TPS is building strong momentum and we continue to invest and explore growth opportunities to fuel this remarkable trajectory.

Other key metrics and balance sheet

Turning to other key performance items across our financial statements, beginning with the income statement.

Corporate costs of €16.0 million represent an increase compared to the underlying run rate for 2022 reflecting costs of strategic projects and pre-development initiatives, which will likely continue in the coming periods.

When contemplating the full year-outlook for Corporate, these incremental investment costs as well as the recently announced ESOP 2023 program should be taken into consideration. This program is an employee share offering with the objective of sharing long-term value creation with employees.

These two factors will likely drive corporate costs for 2023 towards a range of €60 – 65 million. In subsequent years, we'd expect these costs to normalize at a lower rate closer to €50m.

For net financial income, the Central Bank decisions and increase in global interest rates through 2022 are now positively impacting this line and the €20 million net benefit clearly boosted our earnings per share in the period.

To conclude on the P&L, we incurred a non-recuring cost of €11.5 million – this represents a technical accounting and non-cash charge associated with our orderly exit from Russia and the sale of our main Russian operating entity.

Turning to balance sheet where our structure remains solid - net cash and net contract liability trended slightly down year-on-year reflecting portfolio maturity and the absence of awards.

Strong underlying cash flows

Before passing back to Arnaud, let's take a closer look at cash flows, where there has been a continuation of many of the trends seen in 2022.

Free cash flow on an underlying basis or excluding working capital was €122 million and consistently strong as we executed across our portfolio.

Cash conversion from EBIT on this basis is very high at more than 100%, and above what we would consider a normalized conversion owing to the positive impact of interest income.

As we had indicated with our full year results presentation, working capital was an outflow in the period, reflecting portfolio maturity, the absence of large awards in recent quarters, as well as our orderly exit of Russia, but we anticipate this trend will reverse as the order momentum improves across the balance of the year, notably in the second half.

We end the period with more than €3.5 billion of cash and cash equivalents.

I'll now turn the call back to Arnaud for the outlook.

Outlook

Arnaud Pieton

T.EN & John Cockerill to create Rely

Thanks Bruno.

Achieving the world's net zero targets requires significant investment to develop and scale decarbonization solutions. Emerging stimulus packages from global policy makers will serve to break initial cost barriers, and, although full alignment across the ecosystem is taking time, global ambitions demand that affordable solutions and sustainable products for industries and consumers alike must be developed.

Technip Energies is committed to meeting this challenge. At our FY results in March, we discussed how we would prepare our future core through positioning for leadership in fast-growth markets, which are fully aligned with our net zero goals.

Creating Rely is one key component of our strategy – and today, I am delighted to present to you a new company which will accelerate industrialization in the emerging market for green hydrogen and its derivatives such as green ammonia and e-fuels.

Rely is a highly complementary partnership of: Technip Energies – an engineering, project delivery and integration leader for the hydrogen industry; and John Cockerill – the leading provider of pressurised alkaline electrolyzer technology and equipment.

Rely will have robust foundations and from day 1 with access to over 200 hydrogen specialists and more than 50 hydrogen technology patents. Headquartered in Belgium, the company will have global reach with entities across four continents – and in countries spearheading green hydrogen market development.

The combination will create a technology and project delivery company providing integrated green hydrogen and power-to-X solutions. Rely will be asset light with preferential rights for electrolyzer stack supply with an offering that spans the full value chain from front-end engagement through to operations and maintenance. And, unlike other commercial partnerships that have been announced in this space, what clearly differentiates Rely is T.EN and John Cockerill's combined R&D platform that will deliver technology enhancements, develop new products and accelerate improvement in economics for green hydrogen projects.

Integrated green H_2 solutions for decarbonization

Looking at Rely's scope and market positioning in more detail.

Green H2 and power-to-X are highly promising markets which could ultimately deliver decarbonization across many industries including traditional downstream industries, steel and other hard-to-abate industries, as well as transport and power storage and production.

Leveraging T.EN's process technology integration and molecule transformation capabilities with John Cockerill's extensive manufacturing and aftermarket expertise, Rely will provide a highly differentiated offering to the green hydrogen market. This will cover electrolysis, optimisation of balance of plant, molecule transformation, and O&M.... , Digital services and the intermittency management system will also form an integral part of Rely's offering. Currently, of course, there are cost hurdles for green hydrogen but in the long-run, this industry - like any - will need to stand on its own two feet.

Today, the electricity represents about two thirds of the cost of green hydrogen projects. In other words, through optimization of the electrolyzer stack, balance of plant and the opex, Rely has the ability to influence about one third of the costs, but as the market matures to utility scale projects, this picture reverses and the cost components that Rely can impact will form the majority of the economics of a green hydrogen project.

Put simply - Rely's potential to positively impact projects will increase as this industry scales up.

Rely, Bridging green electrons to molecules

Finally, on Rely - let's consider the value proposition.

T.EN's front runner spirit has often seen us delivering many world firsts and finding solutions for the industry's most complex engineering challenges.

By combining the partners' technology and engineering resources, Rely will provide: Integrated end-to-end solutions for plants at industrial scale; and an optimized and standardized "off-the-shelf" blueprint offering for the green hydrogen market, and when combined with T.EN's ability to effectively structure projects through technical and financial advisory, we can accelerate the development of our customers and their projects.

This is why R&D and standardization are critical – Rely's innovation platform will be instrumental in driving better project economics through lowering the levelized cost of hydrogen and shortening time to first molecule. Through this platform, we expect to develop technologies that we can licence, and proprietary products we can sell. We will develop the technologies of the future – not simply the electrolyzer, but everything around it:

The balance of plant, and the energy & molecule management system; and Technologies around the derivatives required to transport and transform the green hydrogen to molecule. In the long-run this will enable gigawatt scale projects while addressing intermittency and Power-to-X innovation.

We truly believe that Rely has the necessary ingredients and financial ambitions to be the market leader in green hydrogen: We are targeting a €1 billion-plus revenue company by 2030 that can generate margins at least in line with our TPS trajectory, supported by proprietary technology and product development.

In summary, through Rely, T.EN is bridging green electrons to molecules.

Our path to net zero 2050

Before closing, let's turn to ESG.

In our Sustainability Report published in March, we strengthened our commitments and re-centred our focus on impact-driven targets to accelerate our sustainability journey.

As part of this, we revealed that we are on track to be net zero by 2030 for Scope 1 and 2 emissions; and we reported - for the first time - our scope 3 "upstream" emissions – in other words the emissions from our footprint as a project delivery company, and in 2023, our scope 3 "downstream" targets - or the emissions from our client's plant operations - will be refined and published with means to decarbonize.

We will also report on "avoided emissions", sometimes referred to as Scope 4 – this is measuring the emission reductions of our clients achieved through our "sustainable by design" solutions. For scope 4, we are targeting to avoid 15 million tonnes of CO2 equivalent by 2025….

As evidenced by Rely – our strategy to offer decarbonized solutions at the heart of our future core is in action – and delivering on our long-term strategy will be critical on our path to net zero by 2050.

Key takeaways

In closing,

With our solid first quarter performance, we are on track to deliver on our full year guidance, we have made a significant move in preparing our future core - Rely is one of the key initiatives that we will be launching this year, and we are focused on securing the right Project Delivery prospects with strong potential for a material improvement in orders in the coming quarters.

With that, let's open the line for questions.

Question and Answer

Sasikanth Chilukuru Morgan Stanley, Research Division - Equity Analyst

- *Two questions, please. The first, I was just wondering if you could talk more about the strong 10.2% EBIT margin in the TPS segment. If you could highlight what the key drivers were behind this, particularly this quarter or in 1Q? And how much of that likely be replicable in the future quarters of 2023 as well as just trying to understand the sustainability of these margins in the segments at double-digit levels.*
- *The second was that I was just wondering if you could provide more clarity on the EUR4.5 billion revenue backlog that is expected to be executed for the remainder of this year. Again, how much of that kind of comes from the TPS segment? And if you could talk about the risks associated with executing this backlog, it seems like a strong backlog cover for me for 2023.*

Arnaud Pieton

First of all, regarding TPS margins, let me reiterate what we emphasized during the full year earnings call and last year as we were building up the TPS backlog, TPS has become a key part of our company's strategy. What you are observing here with the margin level for TPS is the realization of choices that we've been making over the past 18 months, and emphasis that we have decided to put through the commercial model through the commercial teams and through our offering towards TPS in order to accelerate this hybrid model that is, I would say, T.EN's signature in terms of the business of the company, the long-cycle project delivery and the shorter-cycle TPS with higher margins. This is a key example of why we have decided to accelerate TPS, which as you know, is a blend of services, products, technology. The more T&P we find into the TPS blend, the higher the margins, and we have been fairly successful last year, in particular in the domain of ethylene, selling more products vs services and more technology than services.. This mix is favorable. I'll hand over to Bruno, who may want to add a little bit of color, but it is important to me to highlight that this healthy level of margin is a result of choices that we've made as a company in terms of the strategic orientation to pivot towards more TPS without abandoning project delivery. But it speaks to the strength of the choices that we've imposed to ourselves and the ability of the commercial teams to pivot together with the message.

Bruno Vibert

Sure. No, I think Arnaud cover most of it. Basically, across the portfolio of TPS that was quite strong, reaching double-digit margin is something we had in mind, we had in sight, and we communicated on that at the last earnings call. Now it should have benefited from a couple of tail-end projects, that had a bit more positive contribution this quarter. As we continue to grow this segment, beginning from the top line growth, we are able to sustainably realize close to or beyond double-digit, and this is what we want to continue to do - continue to invest and differentiate across the portfolio from technology, product, services, from PMC, advisory to engineering services, we have the capacity to deliver it and then deliver high-value services to the client.

If I switch now to the second part of your question around backlog. It's true that on, both segments, we have a great visibility of the year. We started the year at EUR1.4 billion, slightly on the lower side of the projected range. However, we have the capacity to step up as new awards will come in. We are confirming our guidance for the full year of EUR5.7 billion to EUR6.2 billion. As we roll out, we anticipate being positioned in this range. Now you could have projects and product accelerating or slipping to the right, it's the nature of our work. But overall, we are well on track to meet the guidance we released a couple of months ago.

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

- *I have two, if I may. The first one is on Hail & Ghasha. There was some press report that ADNOC changes, I would say, is bidding a strategy. You were awarded earlier this year a pre-agreement contract, and there was some press report that it was canceled. So I hope if you can give us some color on that. And the second question relates to your net financial income, it was very strong this quarter, EUR20 million. Can you provide us with the guidance for the full year?*

Arnaud Pieton

Regarding Hail & Ghasha, so I will start with an important reminder: While we have been awarded a pre-agreement, Hail & Ghasha never made it into Technip Energies' backlog. Therefore, the recent announcements you've read about earlier this week will not result in any cancellation of backlog for Technip Energies. Hail & Ghasha is a very large project, with multiple packages and our scope was only one part of the total scope for Hail & Ghasha. We've heard from the client that the price point for investment has not been reached and as a result FID has not been reached, explaining, their decision to change tact. I am unable to say whether it is about the combination of the packages or one package in particular. Now this is a very good reminder of something that I've been repeating, and we have been discussing on these calls in the past. Contractors like Technip Energies can partially influence final investment decisions by finding solutions and doing value engineering to make projects viable for our clients. Our duty is obviously to be profitable on our projects and the projects that we execute. But it is also on the prospects to find solution to bring the project to a price point that is acceptable for the clients to take final investment decision. And this has not been the case overall on Hail & Ghasha, we are in dialogue with ADNOC, there is no breakdown in communication. We will assess what that means for us in the coming weeks. this is a very good reminder of the importance of what we do in terms of making the projects of our clients fly. We do exist through our clients' projects. And it's an important reminder of that, while remaining disciplined in the margin levels and the execution and the choices we make, our duty and the contractor duties are to find solutions to bring the price points where the product can fly for the client.

Bruno Vibert

There was a positive impact from the net financial income for the quarter, close to EUR20 million. It is difficult for me to forecast the reactions or future steps of the European Central Bank or the Fed, so I can not provide any firm guidance, it's not really in our hands. What I can say is that the main impact is related to deposits and the interest we have. The amount that we've been able to recognize in Q1 is probably not very different to the one we could project for the next quarters. Obviously, within the global mix of the net income interest revenue or expense, you have other components: mark-to-market revaluation of some investments...... it is not just limited to interest. But if things remain the same, and we don't control that, we can continue to incur a bit of double-digit revenue items as we execute across the remainder of the year.

Mick Pickup Barclays Bank PLC, Research Division - MD & Senior European Oilfield Services Analyst

- *Quick question on your hydrogen Rely coming through, obviously, teams up with Cockerill now. You previously teamed up and invested in McPhy two or three ago. So can you just talk to the difference between what those two offerings are? I thought McPhy was going to be developed to industrial scale as well?*

Arnaud Pieton

T.EN has indeed a small minority investment in McPhy. This investment - we are holding 2% - was made for us to learn faster about electrolyzer technology. The nature of the relationship that we have been developing with McPhy is not to be compared with what we are doing and will be doing through Rely. It's a much different ambition. The ambition through the creation of Rely is to unlock something, unlock barriers to an affordable green hydrogen and derivatives. In order to get there, you need to unlock scale, and you need to think industrial scale. It happens that John Cockerill electrolyzer solution is probably more advanced, certainly, larger per unit and per stack units. So, their base case is 5 megawatts per stack, which is significantly higher than what Mc Phy is able to deliver today. And there's potential for a lot more beyond the 5 megawatts. Hence, we have gotten closer to John Cockerill and have decided to enter into this venture with them, it's really about accelerating scale.

When I look at why sustainable aviation fuels are being adopted so easily, it's because they're easy to use. It's still expensive, but it's very easy to use. And there's no question about how to store, use or transport them. If we believe that there is a net zero ambition for the world, we have to bring hydrogen and derivatives to a level of ease of use and price level that is similar to what is happening with SAF (sustainable aviation fuels) for the time being, SAF, are being blended with other fuels. to make the cost more acceptable for the consumers. Similarly, hydrogen and derivatives may be blended tomorrow into other fuels or sources of energy, to accelerate adoption while ramping up the volume. Through Rely, we are trying to unlock or to break down some of the barriers. Some of them will be broken down, thanks to subsidies. But beyond that, we absolutely must accelerate the industrialization of the green hydrogen platforms and solutions. The appetite that we found at John Cockerill and the cultural fit that we find at John Cockerill, to put in a common R&D, which will be an essential part of Rely. This innovation platform is absolutely essential in order to break down barriers, accelerate technologies and invent an affordable balance of plant and balance the site. We trust the technology and have found an appetite to put things in common and to think differently in order to accelerate scale. And this is why we decided to team up with John Cockerill and to form this innovation platform, which brings together their innovation teams and our innovation teams in a joint company to accelerate in H2.

Mick Pickup Barclays Bank PLC, Research Division - MD & Senior European Oilfield Services Analyst

- *Okay. And can I ask a follow-up on the other partnership you announced during the quarter, Casale and on the ATR. Now you mentioned in that potential 99% carbon capture rate on that. What does that say about the future of your SMR business?*

Arnaud Pieton

The ATR and the SMR will continue to be complementary. We have seen projects where our SMR technology has been selected by our clients for blue hydrogen in Australia recently. Basically, there was a gap in our blue H2 matrix. We couldn't totally tackle very large scale blue H2 through our SMRs. We have to say that ATRs are more cost efficient for super large-scale blue H2, and we needed to complete the puzzle. And now that the picture is complete through the partnership with Casale, the ATR and SMR should not be seen as contradicting one another. On the contrary, they are complementary. when we combine SMR plus some of our solutions such as the EARTH solution technology or ATR plus with Earth we can decarbonize blue H_2 up to 99%. This is a very serious number. Therefore, we are pleased that we now have the complete picture and there is no more gap in the metrics. We can confidently tackle medium and extra large-sized blue H_2 projects.

Jean-Luc Romain – CIC Market Solutions, Research Division – Financial Analyst

- *My question relates to NFS. It appears according to the press that you have had the best of -- you have done the best proposal. In case that couldn't participate with you to this project because of the financial difficulties, is this something you would take a lot given the big size of this project?*

Arnaud Pieton

You're reading the press like we do. NFS is a very important prospect for us because LNG continues to be a big part of our equity story, and we continue to believe in LNG. Considering the nature of the prospects and where we are, I'd rather not comment further on what has been published in the press, which may or may not be accurate. As Technip Energies, we will continue to tackle those large projects through partnerships that are of a quality and predictability in terms of the delivery and that are compatible with the principles that we've applied to ourselves for selectivity and discipline in execution. So, partnerships will continue to exist. Partnerships will remain a necessity when approaching big projects, and the quality of these partnerships is what really matters. I won't comment more on NFS as we don't like to comment on prospects, as you may imagine. So that's all I'll say on the matter for today.

Nikhil N Gupta Citigroup Inc. Exchange Research - Research Analyst

- *Two questions. The first one is on the carbon capture project in Norway. So, there were press articles that the waste-to-energy plant in Oslo was halted due to probably higher cost expectations and things like that. So, how does this impact Technip Energies and CCUS as a whole, given the negative backdrop for this project? So that's the first one. Second one is, can you just give some more colors around the bidding pipeline by geography, especially given 2022 and 1Q has not been that great in terms of award intake. So what should we -- what are the areas from where we can expect larger awards? Those 2 questions, please.*

Arnaud Pieton

Regarding Celsio and Carbon Capture, we have read the news about the delay in the Celsio carbon capture project, and we can confirm it. However, it's important to understand why the client is taking the project into a cost-reducing phase. It may not necessarily be due to the carbon capture solution itself, as the project involves more than just carbon capture. It includes logistics such as liquefaction of the CO2 and a port facility. The reason the client is taking the project into a cost-reducing phase is due to changes in the plot plant and some of the initial choices made by the client, as well as the local environment, rather than the carbon capture solution or module itself.

For us, the delay is not material. We are working with the client to find solutions for cost reduction given the new constraints defined by the client locally in Norway. This involves looking beyond carbon capture and the carbon capture module and focusing on the new power plant and options selected by the municipalities and the environment to bring costs down. Although there are factors such as an unfavorable exchange rate between NOK and euro, the project is still in its early phase, and we are confident that we can find a way forward.

We believe in the carbon capture market in Europe, particularly for waste-to-energy, and see it ramping up like green hydrogen and other markets. However, it is not a mature market just yet, and we may face surprises until things settle. Nonetheless, we continue to support our clients and their decarbonization projects.

Moving on to the bidding pipeline by geography, the commercial pipeline for T.EN is extremely robust and vast, with the Middle East being an area of focus for LNG and other gas projects. East Africa also has potential in LNG for 2023, but we do not control the FID calendar, which is more in the hands of our clients. North America is also an attractive area for us, with potential FID in 2023 in the LNG space.

Although we have not announced any projects this quarter, we are confident in the quality of our pipeline. We prioritize quality over quantity and strive to continue delivering strong margin performance while preserving and generating shareholder value. Therefore, being able to announce a project means that we would have been happy with the conditions under which we signed the contract and that it is good news for us and our shareholders.

Guillaume Delaby Societe Generale Cross Asset Research - Equity Analyst

- *Yes. To be honest, all my questions have been answered. So, I leave the floor to someone else.*

James Winchester - Bank of America Equity research associate

- *Just a quick 2 from me. Firstly, could you just provide an update on Arctic LNG 2? Is everything on track to be closed out this quarter? And then, secondly, should we expect a similar working capital outflow in the second quarter, kind of i.e., around the ballpark of EUR250 million?*

Arnaud Pieton

On Arctic LNG 2, we are on track to execute the full exit as we had previously communicated within H1 2023. Therefore, within this quarter, everything is on track. A lot of hard work by all the teams, and we are happy to report that so far everything looks favorable for delivering as per what we had indicated previously.

Bruno Vibert

Regarding working capital, as you know, it's not linear. The impact of the first quarter, which was largely in line with the same trend versus 2022. Without major new awards, you have the impact of the tail-end projects, which are providing some negative working capital outflow, plus obviously the exit of Arctic LNG 2, which, as was communicated day 1, was expected to have no net exposure, but as we close out there is associated working capital. So, this is what has largely driven the Q1 evolution – maturity of the portfolio and orderly exit from Russia. So, as we look forward, no quarter will be exactly the same. You would have always different patterns. When basically the new award or larger awards will come, this will tend to replenish the working capital. So, up to the point we get large awards, we will have some outflows and then some replenishment when these large awards come in. So, if this is Q3, is this Q4, obviously, then the timing and the sequence and the cut-off may have a lot of impact, but the trend is there. And basically, from this kind of low point of working capital, new awards, backlog increase will replenish the working capital position to where we were probably earlier this year.

Baptiste Lebacq ODDO BHF Corporate & Markets, Research Division - Research Analyst

- *Just 1 quick question, trying to better understand why you keep your guidance, whereas you are doing some math aiding Q1 plus what is already in your backlog? We are already in the middle of the range. And at the same time, you say that you were expecting an improvement in order, a significant improvement in order intake. So, clearly, should we estimate that you are cautious at this stage regarding, let's say, the guidance for top line?*

Bruno Vibert

As always, I would like to be prudent. We'd prefer to under-promise and over-deliver. And we, as Arnaud mentioned earlier, are not obsessed by top line. So, being in Q1 and having a lot of moving parts obviously, and we find that it's too early to change the guidance, whether it's from the top-line or the bottom-line perspective. What I was mentioning earlier, obviously increase in order intake and this momentum. Here, we will be talking more about project delivery, which is obviously longer term, longer cycle, the contribution maybe in the given year would be a bit less significant versus an order intake in TPS, which would be shorter cycle.

But if I take this aside, the order book is there to be delivered within the guidance. We can see the calendar realization, some progress we see, Arnaud was mentioning, Celsio in Norway. So, you can have some acceleration, you can have some re-baseline. So, obviously, just in April or early May, we have a lot of road to go before the end of the year. So, we can adjust and we can get to this endpoint. Today, we feel that keeping the guidance, we are on track to be there. Now we will adjust accordingly depending on the new inflow order intake timing and obviously what happens on the project orders and delivery.

Arnaud Pieton

Regarding the topic of our communication. we believe that it is prudent to under-promise and over-deliver. Speaking of Rely, We have signaled that the company would be or will be EUR1 billion revenue company by 2030, even that may be a bit conservative considering the world's net zero ambition by 2050. We can argue the date, but if that ambition is there., and actually, I think, we have to believe, considering all we are experiencing and seeing. I was in Ostend last week at the North Sea Summit. When we look at the commitment that the European countries are making towards a tenfold production of green electricity from wind in the North Sea, whether it's 300 gigawatts or even only half of that, there is a massive amount of investment that goes into renewable electricity and renewable power and hydrogen and its derivatives, whether they are mainstream to the public or only dedicated to industries only, there's a massive need. And if there's ambition about decarbonization, hydrogen and derivatives are pretty much the only way for some industries to reach net zero. We believe that there is an ambition to be delivered to be net zero to the world by 2050. And therefore, I don't see any reason why Rely wouldn't be at least a EUR1 billion company by 2030. Back to the conservatism, if I may say, the prudence we like to apply to ourselves. This is a little bit of our trademark - probably for the better, and that's our opinion.

James Thompson JPMorgan Chase & Co, Research Division – Analyst

- *I just wanted to follow-on really on the guidance point, first of all, I mean, obviously, very strong margin performance in the first quarter. When I think about the projects business, limited order intake for a little while now suggests to me that you should have a similar sort of outturn over the next couple of quarters in sort of lower revenues, more completion margins, more milestones been hitting. Obviously, TPS, very strong margin to start of the year. Is the reason for not upgrading EBIT guidance in terms of -- for the full year '23 really because we're sort of very early in the year? Or should I actually be thinking that when we come to 2Q, 3Q, there's perhaps less in terms of some sort of major project milestones that will be hit over the next couple of quarters? So, it could stay more kind of normalized as we sort of progress in terms of project delivery, would be the sort of very first rather long-winded question. Secondly, just in terms of kind of renewables backlog, there's always been some discussion around projects, et cetera, on this call. But last year, you talked about a very confident kind of $1 billion type order intake number for renewables. Just interested in your or low carbon, I should say, as well. Interested in your thoughts on how it may well progress into 2023 or into the end of 2023. I know, do you think you can grow at sort of EUR1.5 billion by the end of the year, EUR2 billion? Are you prepared to sort of put a number there yet? That would be great.*

Arnaud Pieton

I'll start by answering your second question, on the renewable or low carbon solutions, we continue to see strong momentum in the order intake for FEED, for example. What we're observing, nonetheless, at the moment is a slowdown or slowing down compared to 2022. I've used the expression, the train has left the station. We are yet to find out whether it's a high-speed train with no stops or a slower train with a few stops here and there as the market is shaping up and people understand and can probably navigate this environment around clean fuels investment decision, carbon capture and the rest. So, I'm not going to call it a pause. I don't think that - and we're not guiding on a specific number for order intake on low carbon solutions. We continue to see momentum. I told you as well, indeed times fly from 2021 to 2022 from EUR200 million to EUR1 billion. I told you that we are certainly not planning on a times five from 2022 to 2023. We are doing a lot of feeds for our clients. And the FID might be more into 2024 for some of those projects as they continue to navigate and to discover this new world. There is uncertainty around sometimes what is considered as being green and not green. Some of the delegated acts by the EU need to be clearer for the clients as they prefer to wait for clarification before they decide to invest further. That's what we're experiencing. it's not a no lack of interest, but a pause in terms of new orders. That may resume into 2024. We don't see a massive influx or beating EUR1 billion massively in 2023.

Bruno Vibert

In terms of guidance, it's still early to update as we're only in Q1, with three quarters left in the year. New projects may come in project delivery, and they tend to have lower margins at the start. Overall, the increment in project delivery revenue will be slightly dilutive as these projects will start to contribute. The performance of a non-mature portfolio is not always linear and cannot be extrapolated exactly to the next quarter. At present, we are happy to confirm the guidance. We performed strongly in Q1, which puts us on track to deliver this guidance, particularly in terms of the bottom line. We have the potential to increase revenues, and these dilutive revenues will be able to lower the margins of project delivery business to a more normative level, which is what I guided in the midterm outlook at the end of Q4. The year is off to a good start, but it's too early to revise guidan ce at this stage.

So, in terms of guidance, I think it's early to update it -- we're still in just Q1 with three quarters left in the year. As you know potentially new projects will come in project delivery, they will have a lower margin at the start due to conservative recognition. So, overall, the increment in project delivery revenue will be slightly dilutive as these projects come and start to contribute. As you close out a project with a non-mature portfolio, its performance is not always linear and cannot be extrapolated exactly to the next quarter. For the time being, we are very happy to confirm the guidance. We've obviously performed strongly in Q1 , which puts us on track to deliver this guidance, notably in terms of bottom line. We clearly have the potential to increase revenues and these, initially dilutive revenues, will be able to lower the margins of project delivery business, notably to a more normalized level, which is what I guided basically in the midterm outlook at the end of Q4. So, I think the year is off to a good start, but it's too early to really revise guidance at this stage.

Phillip Lindsay

That concludes today's call; please contact the IR team with any follow-up questions.

Thank you and goodbye.