# TECHNIP ENERGIES FINANCIAL RESULTS FOR FULL YEAR 2022 – 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 Full Year 2022 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 financial results for full year 2022. 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'll now pass the call over to Arnaud.*

## Business Highlights

### Arnaud Pieton

#### FY 2022 – Key Highlights

*Thank you, Phil.*

*Welcome to our full year results presentation.*

*2022 was a year where our differentiated hybrid model - with its complementary long and short cycle business segments – continued to yield strong results, and I want to express my deep gratitude for the extraordinary commitment of our teams to deliver excellence in execution and a robust operational performance.*

*Turning to the highlights, our financial performance is very strong with EPS growth of nearly 30% year-over-year, and notable strength in margins which increased by 50 basis points.*

*We also achieved substantial commercial successes; With over 60% segment backlog growth for Technology, Products & Services; which reinforces the growth outlook of our highest margin segment; and we booked more than €1 billion of awards in Energy Transition domains, demonstrating our emerging leadership in carbon capture, clean hydrogen, and sustainable chemistry. Based on the strength of these results, and in line with our stated dividend policy to pay a dividend annually that is sustainable with potential for growth over time, we are pleased to announce a 16% increase in dividend to 52 cents a share, which is subject to approval at our annual shareholder meeting in May.*

*The dividend reflects both our commitment to shareholders and confidence in our business outlook.*

## Q4 2022 key operational highlights

*Turning to the operational highlights.*

*As reflected in our strong fourth quarter financial performance, our teams continue to demonstrate their resolve and robust business execution.*

*The strength in margins clearly reflects; The overall quality of our projects portfolio; A good level of project close-out activity and de-risking of ongoing work; and a growing revenue contribution from TPS*

*So, overall, we continue to make good progress in Project Delivery and TPS activities, and we expect resilience in our future margin performance, as Bruno will address later in the guidance section.*

## 2022 - A milestone for energy transition awards

*Before turning to the commercial highlights of the quarter, I would like to reflect on a significant achievement.*

*During 2022, we extended our early leadership in energy transition markets with €1 billion of secured orders across carbon capture, clean hydrogen, sustainable chemistry, and floating offshore wind. This is not a one-off. The five-fold increase over the prior year is a clear indication of our growing maturity in new targeted markets, and we are confident that our backlog will be increasingly populated by these domains in the future.*

*In fact, we believe the current energy agenda and recent government policy announcements create further incentive for our customers – and therefore Technip Energies – to invest in new energy markets and the development of low carbon solutions. And this is confirmed by our very high level of front-end engagement with customers. As I will discuss later in my outlook, we are developing leading positions with differentiation through technology, products and solutions. And we are implementing our strategy towards building our future core.*

## Q4 key awards, front-end positioning & partnerships

*Now let's take a look at key recent awards, front-end engagement and exciting partnerships that position us well for future success.*

*We benefited from a series of awards in the Middle East including : PMC services with KOC; and An early works contract with ADNOC for its Hail & Ghasha project.*

*Momentum in ethylene markets continued as we booked an award for the Golden Triangle project in the US, incorporating our latest emission reduction solutions.*

*Our pertinence in the clean hydrogen market continues to be evidenced by notable successes in the fourth quarter. These include: A FEED for the world's largest low-carbon hydrogen project at Baytown for ExxonMobil, where the planned facility will capture 7 million tons per year of associated $CO_2$ emissions; as well as FEED awards for industrial-scale green hydrogen projects for Engie and Uniper. Both projects are in the Netherlands -; and have significant expansion plans into the 2030s well in excess of their initial 100MW capacities.*

*Also in the quarter, we announced several strategic partnerships, including one with Baker Hughes – that will see two industry leaders join hands to accelerate the delivery of mid-scale LNG to enable faster time to market, respond to scarcity of construction resources, and lower emissions through electrification.*

*In summary, a positive quarter for orders, front-end positioning and partnerships across several exciting markets.*

## Technip Energies differentiated hybrid model

*Before handing over to Bruno, I will take a moment to highlight the advantages of our differentiated hybrid model.*

*The combination of world class execution within a long cycle Project Delivery business alongside a short-cycle, margin accretive TPS segment provides an ideal blend to deliver strong financial performance across energy cycles. And this has clearly been evidenced since the creation of Technip Energies, where despite facing various stress tests including the global pandemic, supply chain inflation, and the war in Ukraine, we have continued to deliver sector-leading financial performance, supported by commercial astuteness, robust project execution and a resolute focus on cash management.*

*Furthermore, our asset-light business model has enabled us to pivot towards new energy markets that are gathering momentum, and the strength of our balance sheet will allow us to invest and convert our frontrunner positions in exciting growth areas.*

*All this means that Technip Energies is set to thrive in the energy transition, while we continue to generate high returns for our shareholders and a sustainable dividend.*

*With that I'll pass on to Bruno to discuss the financial highlights.*

# Financial Highlights

## Bruno Vibert

### Robust FY22 performance

*Thanks Arnaud, good afternoon everyone.*

*Turning to the highlights of our financial performance for 2022; Adjusted revenues were slightly down year-over-year at €6.4 billion. While the significantly lower activity on Arctic LNG 2 had an impact on the revenue trajectory in 2022, the underlying Project Delivery portfolio delivered significant growth, supported by higher volumes in LNG and downstream projects, and high single digit growth in TPS.*

*Profitability improved in absolute terms, despite the lower revenues, and adjusted recurring EBIT margins are up 50 basis points year-over-year to 7%, benefiting from strong project execution and TPS growth.*

*Adjusted diluted EPS grew strongly, up nearly 30% year-over-year; I will discuss the mechanics of this improvement later.*

*Adjusted order intake was €3.8 billion, significantly lower year-over-year given the absence of major project delivery awards. In contrast, TPS achieved its strongest ever order intake, which at €2.2 billion accounted for more than 55% of total orders.*

*Period end backlog of €12.8 billion continues to provide us with excellent visibility at the equivalent of two times 2022 revenues.*

*Net cash at year-end was €3.1 billion and stable vs the prior year; again, I will come back to this later.*

*In summary, the collective performance of our teams has delivered a very strong outcome in 2022.*

### Project Delivery - Sustained excellence in execution

*Turning to our segment reporting, starting with Project Delivery, where our 2022 performance demonstrates sustained excellence in business execution.*

*Revenues were modestly down year-over-year impacted by lower activity on Arctic LNG 2 but largely offset by the ramp up of major LNG and downstream projects.*

*Notable strength in margins at 7.9%, up 150 basis points year-over-year, benefited from a high level of latter stage LNG and downstream contracts, with several projects commissioned and handed over to customers, as well as the final contribution from Yamal LNG.*

*Turning to orders, the 12-month book-to-bill of 0.3 reflects an absence of major awards. However, it is important to acknowledge the duration of our longer cycle project work. LNG projects, for example, can be multi-billions of Euros in value and contribute to our financial performance for four, five years, or even longer. Therefore, monitoring book-to-bill over a longer time horizon, as we do internally, gives a better representation of the commercial dynamics and underlying growth. At a ratio of 1, our book-to-bill for the last two years clearly demonstrates that we have been able to replace the revenue recognized by new awards.*

*Finally, Project backlog has declined 29% year-over-year to €10.7 billion reflecting the low volume of orders in 2022, as well as a significant cancellation of Arctic LNG2 backlog. Based on the strength of our early engagement and commercial pipeline, we anticipate an improved new order trajectory in the coming quarters.*

### TPS - Substantial backlog increase reinforces revenue growth trajectory

*Turning to Technology, Products & Services.*

*TPS continues to deliver strong financials with revenue growth of 8% year-over-year and EBIT improving by 9%. The growth was broad based, with; Higher PMC and engineering services activity; Strong activity in sustainable chemistry; and growth in licensing and proprietary equipment, notably for ethylene.*

*EBIT margins improved slightly to 9.3%, on higher volumes and positive mix, despite the higher selling and tendering expenses required to deliver our ambitions in future growth markets.*

*As Arnaud mentioned earlier, we achieved significant commercial success in TPS with a book-to-bill of 1.5 driving a remarkable 63% expansion in segment backlog year-over-year. And this underscores the positive momentum driving our higher margin segment.*

### Other key metrics, balance sheet, and returns

*Turning to other key performance items across our financial statements, and the attractive returns we are generating for our shareholders.*

*R&D spend at €50 million is 28% higher year-over-year and consistent with our strategy for targeted investment to enhance our energy transition positioning – in fact well over 80% was spent on energy transition, and, as part of our ESG roadmap, we intend to reach 100% in 2025.*

*Beyond the growth in EBIT, net income and EPS benefited from several factors including; Significant growth in interest income; Lower effective tax rate and the absence of the transaction costs that impacted last year's result. This drove significant net income growth of 27% year-over-year.*

*The strength of our earnings in relation to our equity - which has also increased significantly since the creation of the company - is driving a 20% return on equity, which is comfortably amongst best-in-class.*

*Finally, the balance sheet structure remains largely unchanged with net cash in line with the prior year, which I will discuss in more detail on the next slide.*

### Delivering strong underlying cash flows

*So indeed making now a deep dive in the cash flows. Free cash flow for 2022 was €86 million, including a €330 million working capital outflow, which reflects the absence of major awards through 2022. As I discussed in relation to Project Delivery, the timing of large awards and associated upfront and milestone payments can be lumpy – and monitoring longer cycle trends is more important when analyzing this segment. In aggregate, 2021 and 2022 working capital had a positive impact of nearly €300m.*

*Because of the specific nature of our cash flows, our preferred metric to monitor underlying cash flow generation is to look at free cash flow, net of working capital. On this basis, free cash flow was €420 million in 2022, with over 90% conversion from EBIT as we executed across our portfolio and benefited from lower tax rates. Our future expectations for free cash conversion – net of working capital – remains very strong and we expect to be in the 75%-plus range through cycle.*

*We end the period with €3.8 billion of cash and cash equivalents, in line with our 2021 year-end position.*

### Initiate full company guidance for 2023

*Before handing back to Arnaud to discuss the outlook, I will address financial guidance for 2023 and provide a medium-term framework. For 2023, we are confirming expectations for EBIT margins in the 6.7% - 7.2% range. The low-end of the range is consistent with the framework we outlined at our capital markets day, just prior to the creation of the company, and clearly offers some upside potential. The consistency and quality of our portfolio and strength in execution fully supports our margin outlook.*

*For revenue, we are projecting a range of €5.7 to 6.2 billion, which is well underpinned by our backlog schedule for 2023.*

*Regarding the effective tax rate, we see a range of 26% - 30%, which is below the 2022 guided range, benefiting from a more favorable mix of earnings from lower tax jurisdictions, as well as a reduction in French corporation tax.*

### Medium-term financial framework

*To conclude, I will present a new medium-term framework where we see a positive financial outlook based on the strength of our backlog, a rich and diverse commercial opportunity set and the active deployment of our strategy.*

*For Project Delivery, we anticipate revenues in the €5 – 6bn range. While customer final investment decisions are not wholly in our control, notably timing wise, we nonetheless have confidence in improving order intake trends based on the maturity of our front-end engagement pipeline, particularly in LNG and energy transition. We also expect to sustain best-in-class profitability due to the quality of our backlog, our discipline and selectivity when targeting new awards, and our excellence in execution.*

*Turning to TPS, which is a strategic growth segment for Technip Energies. Here we are targeting to reach €2 billion of revenues in the medium-term. While the growth in segment backlog provides some natural support to our trajectory, we have additional levers to drive the growth: This includes investment, where we are targeting to spend 1% of total company revenues on R&D to expand our range of technologies and enable new commercial offerings to be launched. Arnaud will elaborate on this in his outlook section, but this will support greater penetration of fast-growing energy transition markets. We are also targeting improving profitability with adjusted recurring EBIT margin of more than 10% as the revenue mix evolves towards higher value, accretive activities.*

*Overall, our medium-term framework confirms the revenue growth and attractive margin potential at Technip Energies.*

*Et voila; I will now pass back to Arnaud to discuss the outlook.*

# Outlook

## Arnaud Pieton

### Macro outlook: more energy, less carbon

*Thanks Bruno.*

*Turning now to the outlook, where I will first address the macro. As we discussed last quarter, the world requires an energy system that balances availability, affordability, and sustainability. As well as the critical need to decarbonize traditional industries, there is an urgent need for increased investment and accelerated project development, with particular emphasis on LNG, and low-to-zero carbon solutions.*

*And the world is stepping up; Our customers are playing their role through their commitments to increase capital expenditures, grow production capacities and decarbonize; while Government policies are creating the conditions for capital to be deployed in the pursuit of net zero goals.*

*We are already seeing the benefits of these macro tailwinds; First, through TPS with a 60%-plus increase in segment backlog; and also through a significant expansion in both front-end engagement and commercial pipeline supporting a future acceleration in Project Delivery orders.*

*The breadth of our market offering and leadership in decarbonization and low carbon energies means that today, Technip Energies is more relevant than ever to make a difference in tackling the energy trilemma.*

### Emerging leadership in energy transition

*Focusing now on our positioning and early leadership in energy transition markets. We have leveraged our core expertise to position Technip Energies to capture future growth opportunities in the energy transition, and these markets now form a major part of our front-end engagement and project portfolios.*

*Firstly, on the rapidly growing market for CCUS, where Technip Energies has developed a leading position with projects and studies that seek to capture or avoid more than 30 million tons per annum of $CO_2$. Through collaborating and co-investing with technology partners, we are driving highly competitive levelized cost of captured $CO_2$, low energy usage and up to 99% $CO_2$ recovery; and we are particularly excited about the traction we are seeing in $CO_2$ capture to decarbonize gas-to-power and waste-to-power sectors.*

*We are also making considerable progress in other exciting areas. For example, in Clean Hydrogen and Power to X, our portfolio now exceeds 3 gigawatts with several industrial scale projects in Europe and beyond; In Sustainable Fuels, we are partnering with market leaders and have proprietary technologies with applications in Sustainable Aviation Fuel; and in the nascent Floating offshore wind market, our solutions are achieving a high level of adoption having been chosen for over 4 gigawatts of future potential projects in South Korea and Europe.*

*In summary, as our active portfolio of secured work confirms, Technip Energies is leading from the front in the growth markets of the future.*

### 2023 – Actively deploying our strategy

*Before turning to ESG, I will address the key components of our strategy for 2023, which we are actively deploying to be ready for the future.*

*Firstly, we expect global gas and LNG markets to remain strong in 2023 and beyond, supported by further demand growth in Europe and recovering demand from China. Our very active early engagement portfolio – consisting of close to 10 FEEDs across the Middle East, the Americas and Africa – confirms our leadership position. And we will retain our discipline and selectivity as we look to secure the right prospects in the coming quarters. Furthermore, we are strengthening our leadership through the development of mid-scale offerings, including SnapLNG, as well as the solution under development with Baker Hughes. These solutions enable accelerated time-to-market and decarbonized production, and are totally relevant as we expect mid-scale to account for as much as 30-40% of the future LNG market.*

*Secondly, we intend to sustain growth in our accretive TPS business segment. While the substantial growth in backlog through 2022 provides natural support to our trajectory, we will reinforce our ambition by; Expanding our labs and investing into new technology centres; Deploying ethylene of the future, and piloting new circularity technologies; and expanding our range of services through digital, advisory and consultancy.*

*And finally - this increased investment and development is enabling us to prepare our future core. In the next few quarters, we will introduce; A proprietary range of solutions and products for CCUS from pilot to large scale; and in the Power-to-X market, we are developing more integrated solutions to overcome some of the challenges related to green hydrogen, green ammonia and e-fuels markets.*

*And as we look ahead, we believe that T.EN is uniquely positioned to be the bridge between electron and molecule.*

### Accelerating impact-driven ESG

*Turning to ESG, where our roadmap and scorecard have evolved towards impact-driven targets. During 2022, we delivered strong progress on our sustainability ambitions. This includes diversity and inclusion with a notable increase in women in leadership positions, and we continue to achieve equality in new graduates' intake. By consistently maintaining entry level equality and providing learning and development opportunities, we will retain our talent and succeed in our ambition to have 35% of women in the permanent workforce by 2030.*

*We reduced our own carbon footprint while making huge progress enabling our customers to avoid $CO_2$ emissions through our blueprints, technologies and solutions; and we have also invested in our people through upskilling, ensuring fair salary inflation adjustments, and through the award of an exceptional bonus to all employees excluding senior levels of management.*

*And finally, we are thankful that our progress to date is being recognized through improved ESG ratings, including a "triple A" MSCI rating, and we are committed to continuous improvement on our sustainability path.*

### Key takeaways

*In closing, the strength of our hybrid model is clearly demonstrated by our robust performance in 2022, with significant earnings growth supporting an attractive 16% dividend raise.*

*We set 2023 guidance and provide a medium-term framework that confirm our growth potential and sustainable margin trajectory.*

*And the strength of our energy transition portfolio confirms our emerging leadership in fast growing markets, and we continue to invest and innovate to prepare our future core.*

*With that, let's open the call for questions.*

# Question and Answer

## Bertrand Hodee – Kepler Cheuvreux, Research Division – Head of Oil & Gas Sector Research

- *Thank you for taking my question and congratulation for the very strong Q4 delivery and robust outlook. Two questions, if I may. So, the first one regarding LNG. You are involved in multiple FEED studies. How do you see those studies evolving and maturing in 2023? And can you give us an update on where you see the strongest possible conversion into EPC for Technip Energies in 2023?*
- *And the second question is on the carbon capture opportunities. You mentioned 30 million tonnes of potential studies ongoing. It looks to me that obviously, the Inflation Reduction Act is a no-brainer and should support massive investment in particular in blue hydrogen, but can you update us on your thoughts on the carbon capture opportunities and also trying to convert how these 30 million tonnes per annum of carbon capture could translate into revenues or order intake going forward?*

## Arnaud Pieton

*Thank you, Bertrand. Let's start with your first question and LNG. So indeed, we have about 10 active FEEDs on LNG which is a very rich pipeline. And when I say active FEED, it is FEED for which work we have been paid for by our various clients and across 3 main geographies: the Middle East, Africa and the Americas. I will start with a bit of a disclaimer. Obviously, we don't fully control the timing of the FID by our customers. It's always helpful when we give them a price that they like and it's an encouragement for them to take a faster FID. But having said that, there is a high level of likelihood that LNG will convert from FEED to project delivery orders within 2023. We have about 60 MTPA worth of LNG under preparation through the 10 FEED. I think that we shall see in this year, about 20 MTPA worth of LNG, reaching FID. I think it should be a reasonable assumption. Having said so, once again, I repeat, we don't control the timing of it. But it's no secret. We are actively bidding in Qatar and the offers are with our clients now. So, we are now depending on the celerity and the pace at which they will review and challenge us for sure and the time of the negotiation and then reaching FID by them. All the building blocks are there for multiple awards. The number of awards will depend on, the volume or the number of MTPA per award. If very large projects are reach FID, the number of awards may be smaller, even though the number of MTPAs is higher. So, let's see how this will develop, but that's, as you know, the reality of our market. It remains competitive - we're not alone in this market. This is why you will always hear that we are a little bit cautious when it comes to disclosing timing of FID and chances of success.*

*When it comes to carbon capture. Yes, we've identified north of 30 million tonnes per annum of $CO_2$ to be captured through the various FEEDs that we are currently executing. So, the front-end engineering studies or pre-FEED to concept studies. It ranges from a FEED to product execution because we have won a very large project ongoing, the Celsio project in Norway. Indeed, we've had successes in the past few weeks through being selected by ExxonMobil for the Baytown facility. You're right to say that the IRA is going to act as an accelerator towards blue hydrogen in particular, as blue is advantageous for as long as you have the $CO_2$ sequestration infrastructure, you are simply depending on gas, which gas is available, less dependence on rare earth less water consumption, etc. So, blue hydrogen, will see its own market, clearly, in the U.S. initially. And as always, clearly for people who know what to do with the hydrogen. So, where there's no question about the market or the offtake, which is the case when it is for the likes of ExxonMobil, who are going to use the clean hydrogen to decarbonize their own asset base, but it's also the case for other players around the world. The pertinence of blue is a very natural fit for us and a natural solution for decarbonization. How to convert a number of millions of tonnes of $CO_2$ being captured into revenue. A little bit difficult for me to give an answer because Bertrand, not all the projects will be true lumpsum EPC. We will decide that it's probably better for us to tackle some of those projects through open book or EPCM, partly reimbursable, etc. There will be different types of strong contracts for carbon capture. Now the Oslo Celsio project when we announced it, I believe I stated that we were not in the micro size of projects, but in the multiple hundreds of millions, and that's for 0.5 million tonnes of $CO_2$. It all depends on the environment. And it all depends on the type of contracting model we decide to select for the opportunities. Not all of them will be full EPC. We may go through EPCM like it's the case for the projects with Neste (not related to carbon capture) on renewable fuels. For the client, it's a multibillion investment. For us because it's a service contract, it's about 10% to 15% of their CAPEX. So, it will depend. If the conditions are right, as always, we will go for more EPC and more top line, but always will remain very selective and prudent.*

## James Thompson – JPMorgan Chase & Co, Research Division – Analyst

- *Good afternoon, thanks very much for taking my question. Firstly, in terms of medium-term guidance, you're obviously being quite a bit more constructive or bullish on the TPS business in terms of the scale and the margin potential in that business, you obviously talked about double-digit previously. But could you help us understand maybe a little bit about where backlog needs to get to? I mean it's been very much a kind of book and turn business, but targeting EUR 2 billion of revenues, does that mean it's going to get slightly longer cycle and we should expect it to the backlog meter to actually be more like a 1.4, 1.5x to deliver that sort of revenue number? That will be the first question.*

## Arnaud Pieton

*Thanks James. In terms of TPS, the reason for providing a medium-term guidance is to set an achievable ambition, and to clearly signal that our level of investment and the focus of our commercial teams will be towards growing the TPS segment. TPS is technology, products and services - the services are usually smaller orders, very short book and turn. Then it's about products like it's the case for ethylene when we sell a license plus the associated proprietary equipment, where the time for fabrication of the equipment etc is slightly longer cycle - more into the 18-month cycle than the 6 months. So, the product component of TPS indeed provides somewhat of a longer cycle component to this short-cycle segment. And we were selling an ambition also because beyond ethylene in the areas of carbon capture and also power-to-X, the secret will be in the ability to integrate technologies. In power-to-X, for example, if we want to solve the challenges related to green hydrogen or ammonia and methane and natural gas – yes the electrolyzer is a key component, but you need to look at the periphery of the electrolyzer.*

*There's a lot to be optimized and a lot to be developed in terms of potentially proprietary equipment that will make a difference in turning power-to-X and green molecules into something more competitive, in addition, of course, to benefiting from low-cost electricity or clean electricity. But if I exclude the cost of electricity, there's a lot to be achieved in designing products and solutions that I think we will naturally be put on the market and hopefully, we will be selected going forward to 2025 and beyond, hence the medium-term framework. And it's really in all spaces within TPS - ethylene is not over, and then it's carbon capture, it's Petchem, it's circularity. It includes services - so it's pure studies, and I'll tell you, we have services related to floating LNG as well.. It's a very vast array of scopes that you find within TPS.*

### James Thompson – JPMorgan Chase & Co, Research Division – Analyst

- *That's very helpful. Maybe I missed this, but Arnaud, Arctic, about 800 to go last quarter. How much have you processed there and what's left to work through in the first half of 2023?*

### Bruno Vibert

*Thanks, James. I will take that. So yes, we had disclosed at the end of Q3, the remaining backlog on Arctic, progressing on the exit framework agreement. Obviously, as you know, we fully demobilized all the operational teams over the summer and now all the work is about handing over and exiting from the projects. So, this is ongoing. This backlog is decreasing as we execute our exit framework agreement.*

*We said that we thought that the exit framework will be completed by the first half of 2023. This is still very much the case and ongoing. So, this backlog will be decreasing as we progress.*

### Guillaume Delaby – Société Générale Cross Asset Research – Equity Analyst

- *Yes. Two questions, if I may. I'm going to try to push a little bit more on the LNG front. Congratulations for your partnership with Baker Hughes. When I listen to Baker Hughes, I had the impression that basically energy sanctioning notably in North America might be pushed a little bit to the right, i.e., rather end of 2023 to beginning 2024. So I know you don't want to comment, but could you maybe elaborate a little bit again on that?*
- *And second point is about Abu Dhabi. You have a good contract for the Ghasha Gas Project. It's a massive project for ADNOC. Could we expect some more packages to be awarded by Technip Energies over the next 2 to 3 years on that one?*

### Arnaud Pieton

*Thank you, Guillaume, and thank you for pressing us on LNG. Yes, we don't like to talk about FIDs because we don't control them. Now I will try to characterize LNG in the Americas. LNG in the Americas, and that's where Baker Hughes and I converged. For Technip Energies, we are tackling this market through our modularized design - the Snap concept and the ones we are co-developing with Baker Hughes. Because we will not take the construction risk in the U.S. I think that again, the pace of FID in the Americas could be indeed more towards the back end of 2023. In my remarks, we are mentioning very clearly that it is about the next 12 to 24 months - there's a lot to be awarded; over 100 MTPA and it's not going to be all awarded in 2023. And once again, the number of the awards may depend on the actual volume that is being awarded. If the Middle East are the first out of the block awarding very large quantities or very large trains, we may see a bit of a slowdown for the smaller ones because they might not come on stream any sooner than the large volumes from Qatar, which would be awarded in 2023 and therefore, starting to produce in 2028 and 2029. So, this could indeed somewhat affect the pace of the award in some geographies. Now such is the variety of FEEDs and geographies, from land to floating, that there's plenty to be awarded out there. Hence, a reasonable level of confidence in our ability to secure and grasp some of these opportunities.*

*In terms of Hail & Ghasha Project, massive project, indeed, we have been awarded a FEED. We have a team mobilized in the UAE. We're working with our clients. It's a reimbursable scope, it's open book. We are working alongside ADNOC on the design and on the pricing of the infrastructure. I think it's only the beginning of the road for Hail & Ghasha, the importance, and I will put a caveat there. The importance is to be able to reach, again, a design or a solution that has a cost base that is compatible with the one that the client and its partners can sustain. And this is the work that is currently being undertaken. So, we don't have the conclusion of that. It's live and it's active. So, we need to be a little bit patient before finding out whether we have the right solutions at the right price point for the project.*

### Daniel Thomson – BNP Paribas Exane, Research Division – Research Analyst

- *Good afternoon gentlemen, two for me, please. So firstly, maybe for Bruno. Is there any risk of margins dipping below the lower end of your medium-term guide of 6.5% in the event of unexpectedly high order intake in project delivery, just given the sanctioning environment you're expecting over the next year? Or has this been factored into the guided range already?*

- *And secondly, margins in project delivery in the fourth quarter were obviously quite elevated versus expectations with a few nonrepeating items in there. Could you quantify the impact of these or point us to what the ballpark underlying margin was in project delivery in the fourth quarter?*

### Bruno Vibert

*Hi Dan, So yes, you're right. We gave in the medium framework, the range for EBIT margin for project delivery. We also gave a range of revenues. And your question is correct because you know that in the early phase of projects, we do not account for margins on a linear basis. Overall, if we were having a conjunction of a huge spike of orders, if we were stepping out on the higher end of this revenue range then to some extent, yes, maybe from relative terms we would see in the very early phase, it could be lower. But with a range of EUR 5 billion to EUR 6 billion or in this vicinity in a portfolio, which is much more blended versus history, when we look back at 2017, '18, '19, today, we feel quite confident with the medium-term outlook. So, it's really the quality of the backlog, what we have on hand, what is being executed, kind of more mid phase, what we are pricing today and what we see unfolding in the next 24 months. So, this gives us this visibility through a full cycle. So, this gives us the ability to see that new orders will help to sustain increased revenues in project delivery. The new project, yes, will be slightly dilutive or will be dilutive at first. But we will have the contribution from the more mature projects in our portfolio. And then you will have the sequence. But as long as you remain in this vicinity of revenues through cycle, we think we are quite comfortable with the margin trajectory 6.5 to 7.5 for Project Delivery. Now in terms of contribution in the latter part of 2022. First, obviously, we've always said that it would be the final contribution from Yamal. We received the final acceptance certificate. So we've had some contribution in that. Obviously, 2023 and beyond no contribution at all is to be expected from Yamal. And it's right also beyond that, with some progress on Arctic, but also the rest of the portfolio. Start-up production on coral, progress on Longson where we have close to 95% progress and then handing over HURL, fertilizer projects in India. So quite good progress on quite a few of the projects in the portfolio that also helped sustain this good level of activity.*

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

- *My question also relates to LNG. One of your competitors noted that it was preparing to remobilize in Mozambique in case the situation was getting better and was renegotiating the price of the contract to take it into account. What would be the order of magnitude for inflation between when projects were postponed and today?*

### Arnaud Pieton

*Hi Jean-Luc, good afternoon and thanks for the question. That's really a question for the company who has made the statement. We are not ourselves in a position or we're not facing a situation whereby we're having to remobilize on the project that has been stopped or interrupted. So, now maybe I can help provide some color on the situation with regards to inflation and the evolution of the cost base that may be helpful. And again, we don't have the details of what orders or what purchase orders have been placed on this Mozambique LNG project. We're not the right company to ask. Now inflation is out there. It's not everywhere, but for sure, it's impacting some of the charters when you look at the cost base on the project. Some of the lines clearly are being affected in particular around construction, for example, when we've seen wages growing around the world in all countries pretty much. So, you just need to pay your workers on the construction crew more than you would have maybe some 2, 3, 4 years ago. So, that's definitely true. Some costs of materials still haven't come back to the pre-war level. Now we've seen also some normalization in some areas. For example, for bulk material and steel shipping it's coming back to more reasonable levels. And so, it deserves to be looked into in detail. It's difficult to give a blended aggregate percentage of increase for a typical LNG project. We will not be doing that and certainly not for Mozambique LNG, which I don't know how much has been procured already, and that's really a question for the company in question..*

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

*Actually, I thought you might also be concerned. Even if I was saying TotalEnergies might be willing at some time to restart its project. That's why I was asking the question. But thank you very much*

### Jamie Franklin – Jefferies LLC, Research Division – Equity Analyst

- *Hi guy, thank you for taking my questions, so first question is for Bruno. I just wanted to get a sense of the working capital profile through 2023?*
- *And then the second question I had was a follow-up on this PCSA agreement you have with ADNOC. So you talked about preparing the open book cost estimate. I think that's the first time I've seen that specifically mentioned in award announcements. I'm just wondering, are we likely to see more of that contracting model going forward? And how is clients' willingness to enter under that model increase?*

## Bruno Vibert

*Thanks, Jamie. I'll take the first part. On the cash flow, as you know and as always, we will remain very disciplined so that each project has a positive cash flow profile. For some time, maybe we were not seeing the benefit from interest rates and so on, but we mostly do it from a risk perspective. And what we've seen from Russia last year is just a very, very good reminder as to why we should be doing it. So, the way it works is, as you have new projects down payments, first milestones, you build up a bit of a working cap position and then you have a more neutral plateau period and at the tail end of the project, you have some unwind. What you're seeing in 2022 with that and with the absence of major awards, we've seen more of the impact of the tail end, plus obviously, the impact of exit and unwind of Russia, which has explained some negative working capital trend. If I look at 2023, in the first part of the year, before the new awards come in, you will have a continuation of this trend. And then you will have the positive contribution coming from larger awards when they're awarded and booked and come into our backlog. And, this will really contribute to the working capital position of the company. Without working capital - that's why we try to communicate on an ex working capital basis, our EBIT to free cash flow is expected to remain considerably strong in the 75%-plus range. So, the cash conversion of our business is very strong and will remain very strong. Concerning working capital, within a continuous more negative first part of the year, then positive contribution from the new awards, probably something around neutral. So, you could have a plus or a minus. But overall, around more neutral in the year versus 2022. And, if I take a bit of a step back, long term, what I've also said previously, is our balance sheet structure was sustainable. I would not expect any major or material changes in our balance sheet structure in the medium term.*

## Arnaud Pieton

*Thanks for about your question related to the model open book or reimbursable. When you think about Technip Energies, we're really here to design and deliver our clients' projects. We do exist through our clients' projects. This is why we're here. And our duty is really to manage to find the price point at which their projects are viable and can fly and we can make money and they can make money on a long-term basis. Our duty is really to try to differentiate through the solutions that we can develop, make them more cost efficient, more inventive in the sense of what they bring, how much they contribute and how our cost can be lower versus others. And that's our duty to bring the cost point to an acceptable level. So, in the context of inflation, for example, beyond differentiation or once we've designed, we have a solution that is being adopted, a way for us to de-risk and for them maybe to take advantage of the future deflationary market environment with prices going down is indeed to go into an open book mindset. And we always put it on the table - some of the clients like it, and they want to contemplate this way of contracting. Some don't like it and really want to be attached to a form of EPC. Okay, in this case, ADNOC has adopted this contracting strategy. It's a way for us to de-risk, but also a way for them to go probably faster because you save time on the bidding phase. And to play a little bit, the upside from the supply chain that you may be receiving or may be benefiting from in 2024. So, it's always there. As you know, we have various contracting models in the portfolio. And you will always find some of our projects using this model, some don't, but it's very much a matter of our preference together with our clients' preference. But in this case, this is what's happening. And yes, we will see more of that in some other areas. But it's not so different from what we currently have in the portfolio in terms of the mix. So, this is a big one-off. It's notable because it's a big one under this format, but we have plenty of that already in the portfolio.*

## Baptiste Lebacq – Oddo BHF Corporate & Markets, Research Division – Research Analyst

- *One quick question from my side. Regarding your 10 active FEEDs for LNG projects last year, is there some projects which are offshore or LNG projects in this active FEEDs?*

## Arnaud Pieton

*Baptiste, yes, there are - a bit less than half of them.*

## Phillip Lindsay

*That concludes today's call. Please contact the IR team with any follow-up questions. Thank you very much, and goodbye.*