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PRESENTATION

Operator

Good morning. My Name is Jacqueline, I will be your conference operator today. At this time, I would like to welcome everyone to the TechnipFMC Third Quarter Earnings Call -- Conference Call. (Operator Instructions) Thank you.

Matthew Seinsheimer, you may begin your conference.

Matthew Seinsheimer - *TechnipFMC plc - VP, Investor Relations*

Good afternoon, and welcome to TechnipFMC's Third Quarter 2017 Earnings Conference Call. Our news release and financial statements issued yesterday can be found on our website.

I'd like to caution you with respect to any forward-looking statements made during this call. Although these forward-looking statements are based on our current expectations, beliefs and assumptions regarding future developments and business conditions, they are subject to certain risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by these statements.

Nonmaterial factors that could cause our actual results to differ from our projected results are described in our most recent 10-K, most recent 10-Q and other periodic filings with the U.S. Securities and Exchange Commission, the French AMF and the U.K. Financial Conduct Authority. We wish to caution you not to place undue reliance on any forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any of our forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

Because this is the third quarter of operation following our merger, we have prepared pro forma financial statements for 2016 as if the merger had been completed on January 1, 2016. All prior year quarter comparisons are to these pro forma results.

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

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

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

I will give a brief overview of our operational results, provide an update on our capital allocation strategy and discuss market outlook. Maryann will then review our third quarter financial performance in more detail and provide an update to 2017 guidance. She will also introduce preliminary segment guidance for 2018 before opening the call for questions.

Third quarter results demonstrated another solid operational performance across all segments. We continue to execute well on the backlog of our long-cycle businesses while capitalizing on market opportunities in our short-cycle businesses, particularly in North America. Total revenues for the quarter exceeded $4.1 billion, with an adjusted EBITDA of $536 million. Total company adjusted EBITDA margin was 12.9%.

Looking at the individual segments. Subsea adjusted EBITDA margin was 17.6%, Onshore/Offshore was 10.6% and Surface Technologies was 20.1%. These results demonstrate strong margin performance across-the-board with continued operational momentum in several of our largest projects.

With Yamal LNG, we delivered all 142 modules to the project site and continued to progress well on the commissioning of Train 1. And with Prelude FLNG, the floating unit was successfully moored on August 24, with the Subsea hookup underway utilizing a complete TechnipFMC subsea offering. Total company orders for the quarter were $2.5 billion, and we ended the quarter with $13.9 billion of backlog. As a reminder, our backlog does not capture the reimbursable activity within our Onshore/Offshore business or the reoccurring revenue from Subsea services. Our balance sheet remains strong with net cash of $3.3 billion.

We previously outlined the drivers of our capital allocation strategy, with investment for growth as the priority, followed by shareholder distributions, both cash dividends and share repurchases.

With respect to capital growth, we recently announced an agreement to acquire Plexus' exploration-drilling products and services business, extending our Surface Technologies offering. We've also increased our investment in the development of next-generation subsea systems and integrated technologies. We are pleased to announce that our Board of Directors has authorized a quarterly dividend of $0.13 per share. And we recently implemented our share repurchase program, putting in motion our plan to repurchase up to $500 million of ordinary shares no later than the end of 2018. This combination of disciplined investment and an ongoing commitment to return cash to shareholders keeps proper focus on our capital base. It also ensures that we can offer competitive distribution while maintaining flexibility to manage the business for the long term.

Moving to the market outlook. In North America, unconventional resource development continues to lead short-cycle activity. The pace of improvement is likely to slow with our expectation of a more moderate rig count growth. We also anticipate reduced levels of hydraulic fracturing fleet reactivations, partially offset by higher levels of inspection, maintenance and repair work that is needed to support the larger install base.

Our surface activity outside of North America has been resilient, and the pricing environment has stabilized. The Middle East, North Africa and the North Sea offer the best near-term activity outlook for our international surface business. And we are encouraged to see several longer-term projects moving forward in these regions.

Moving to longer-cycle businesses. There is little debate over the long-term need for incremental natural gas supply. Natural gas continues to take an increasing share of the global energy demand, and the industry is finding ways to further reduce the total cost of delivery. LNG will continue to provide sizable project opportunities over the long term. In the near term, we see project activity coming from the downstream sector, where we are pursuing several refining and petrochemical projects with an aggregate inbound value of over $5 billion. We know these projects well. We are actively working as the FEED provider or served as the original contractor, which is a very important distinction. This upfront involvement gives us a much better understanding of the project and puts us in a stronger competitive position. We're also pursuing new opportunities where we can compete on our technical strengths in both our Project Management Consultancy and Process Technology businesses.

Turning to Subsea. FEED and tendering activity demonstrates that the Subsea recovery is underway. We continue to believe that most major projects can move forward at current oil prices, although we recognize the pace of recovery has been tempered more by near-term price uncertainty than project returns. We've updated our Subsea opportunity list and now show 18 large projects that could be sanctioned over the next 24 months. This project list represents approximately $14 billion of Subsea scope, a significant market opportunity set for us given the breadth of our product and service offering.

For the remainder of 2017, we believe that it's still possible for 1 or 2 major projects to move forward. There's also the potential for one to be a direct integrated award. Regardless of timing at major project awards, though, we remain confident in a step-up in inbound order activity in 2017 versus the prior year. We also believe the continued momentum in project bid activity will lead to another year of order growth in 2018.

While the Subsea project list does provide insight into the market's most visible projects, it does not reflect the entire set of opportunities that we are pursuing. We have a list of integrated opportunities that continues to expand, as evidenced by strong growth in integrated FEED activity. Last fall, we disclosed the award of 16 integrated FEED studies, or iFEED™, since we first offered an integrated approach. This was compelling evidence that the market was embracing this new approach to fuel development. Over the last 12 months, we have more than doubled the number of iFEED awards, increasing the set of near- and intermediate-term opportunities for integrated project awards.

In the third quarter, we announced the conversion of Hurricane Lancaster into an integrated EPCI project, our fifth such award. This is a great example of how early customer engagement through an integrated FEED uniquely positions TechnipFMC to address challenged project economics leading to direct, integrated EPCI project awards. But more importantly, the integrated projects we have today were not sitting on the Subsea project list. These projects were not being actively pursued by the market. They came from this unique portfolio of integrated FEED studies, and they give us a growth platform that is proprietary to TechnipFMC.

Looking to 2018. We think the pace of integrated awards will accelerate. We believe these future integrated projects will be larger than those awarded thus far. They represent a diversified mix of operators, some of which would be repeat customers at the integrated model. And they expand the regional diversity of the integrated approach. In total, we see a greater proportion of our inbound orders coming from direct awards, driven by our alliance partners, our Subsea services business and integrated projects.

In closing, we continue to execute well across the portfolio, with third quarter results particularly strong in our Onshore/Offshore and Surface Technologies segments. We benefited from continued operational momentum with several of our largest projects. Our North American Surface business benefited from the continued resurgence in land activity, supporting growth in the industry's install base and providing near-term investment opportunities for our integrated surface offering.

And in Subsea, we remain confident in a step-up for full year inbound in 2017. With our quarterly results, we have also provided new guidance, both in terms of updates to 2017 as well as a preliminary look into 2018. For 2017, our updates capture the strength of the third quarter as well as the operational momentum we carry into year-end, particularly in the Onshore/Offshore segment. In total, the changes imply an increase in our full year estimate of total segment adjusted EBITDA.

As we look into 2018, we are managing revenue declines against the strategic investments needed to maintain the core competencies of our organization, ensuring that we can sustain our operational performance through the recovery. We see significant opportunities ahead, and these will be driven by internal initiatives as well as market fundamentals. We will generate further integration savings and operational efficiencies. And we will continue to deliver real, differentiated and sustainable change through integrated business models that will generate benefits for our customers and for our company. I remain optimistic about the recovery of Subsea, and I am even more confident in the future of TechnipFMC than ever before. We are executing well as one global entity, and we are winning in areas where we can provide true differentiation.

I will now turn the call over to Maryann.

Maryann T. Mannen - *TechnipFMC plc - CFO and EVP*

Thanks, Doug. We delivered solid operating results in the quarter. These were in line or above our expectations. Adjusted diluted earnings per share from continuing operations were $0.39 when excluding after-tax charges and credits of $0.13 per diluted share. Charges and credits in the quarter totaled $101 million on a pretax basis. Included were pretax charges of $10.9 million related to the impact of Hurricane Harvey. We have provided more detail for these items in the accompanying schedules to our release, but the majority relate to cost associated with our merger as well as restructuring costs and severance costs.

Total company adjusted EBITDA was $536 million in the quarter. Year-over-year adjusted EBITDA margins decreased 100 basis points to 12.9% despite revenue declines. This is the result of good project execution in our Onshore/Offshore and Subsea projects and the improving activity levels in Surface Americas. Doug has shared with you segment operational highlights.

Let's take a look at the corporate items in the quarter. Reported corporate expense was $42 million. Included in the quarterly results is $19 million of net gains associated with foreign currency. When excluding charges and credits, the adjusted expense was $41 million. Net interest expense was $86 million. This includes $73 million of additional liability to joint venture partners. Our reported tax provision for the quarter was $112 million, resulting in a reported tax rate of 48.6%. However, our effective tax rate in the quarter was 30.3% when excluding the impact of certain discrete items. In the final week of the quarter, we began our share repurchase program. Since that time, we have repurchased approximately 730,000 shares at a total cost of $19.6 million as of yesterday's close of business.

Looking ahead, we have made updates to our full year guidance for 2017. For Subsea, our 2017 guidance remains the same, with revenues of at least $6.1 billion and EBITDA margins of at least 17%, excluding charges and credits. For Onshore/Offshore, we are raising full year guidance for both revenue and adjusted EBITDA margin. Due to the improved performance expected in the second half of the year, we now anticipate revenue to be at least $7.7 billion and EBITDA margins to be at least 9.5%, excluding charges and credits. For Surface Technologies, we now expect full year revenue to be at least $1.3 billion. We are increasing adjusted EBITDA margin guidance by 350 basis points to be at least 16.5%, excluding charges and credit. These changes reflect our strong performance and higher expectations for North America.

Outside of our operating segments, we have updated guidance for the following items. Net interest expense is expected to be approximately $15 million in the fourth quarter and does not assume any future liability increases to the joint venture partners. Tax rate is expected to be between 30% and 32% for the full year, excluding discrete items. Capital expenditures are now expected to be $250 million for the full year. And we now expect to spend approximately $75 million for merger and integration costs in the fourth quarter.

Let me provide you an update on our merger integration synergies. We remain confident that we will achieve $200 million in run rate savings by the end of this year and a total of $400 million in run rate savings by the end of 2018. These actions will generate savings across the portfolio, as shown in recent disclosures we have made, highlighting the allocation of savings by reporting segment. The greatest impacts will be realized in our Subsea and Onshore/Offshore segments. The anticipated savings to be realized for 2018 are included in the preliminary segment guidance we provided in our earnings release.

We believe it is important to provide a preliminary view to the market with the intention of furthering the understanding of inbound synergies, pricing and cost structure impact on our 2018 expected performance.

While early to provide a total company view for 2018, we are still completing our planning and actions for next year. We have a good understanding of many of the key operational drivers of our business, and this is reflected in the current outlook for next year.

For Subsea, we expect revenues to be in a range of $5 billion to $5.3 billion, with an EBITDA margin of at least 14%. For Onshore/Offshore, we expect revenues to be in a range of $5.3 billion to $5.7 billion, with an EBIT margin of at least 9.5%. For Surface Technologies, we expect revenues to be in a range of $1.5 billion to $1.6 billion, with an EBIT margin of at least 17.5%. Please note, the margin guidance excludes all charges and credits. We will provide updated and complete guidance for 2018 with the release of our fourth quarter earnings.

Turning to Subsea first. As Doug commented earlier, we remain confident that the Subsea recovery is underway and that 2018 should be another year of order growth. However, the inflection point for revenues will lag the order recovery. For 2018, we're guiding to Subsea revenue in a range of $5 billion to $5.3 billion. This forecast includes $2.6 billion of secured backlog. Also included is an estimated $1 billion of Subsea services revenue, the majority of which does not get booked in our backlog. We have confidence in realizing these combined revenue streams, and together, they comprise approximately 70% of guidance at the midpoint of our range. We expect Subsea EBITDA margins next year to be at least 14%. This will be down from our 2017 guidance of at least 17%.

Let me walk you through the primary drivers. Based on 2017 guidance, revenues are anticipated to decline approximately 16% if we assume the midpoint of our 2018 guidance. Lower revenue will negatively impact margins due to the effects of reduced activity across our fixed asset base. One example of this will be our fleet. We cited fleet utilization in the third quarter of 70%. This will be lower in 2018, although secured backlog for 2019 and beyond should benefit utilization looking further out. Beyond the revenue impact, near-term investment will be a headwind on margins. Our investment in new technologies should yield strategic, long-term benefits, and these costs will impact 2018. These investments are critically important and enable us to deliver the differentiation in our business model. Additionally, we are investing in our people. These costs relate to the retention of core competencies, both in engineering and project management that are critical to successful project delivery beyond the cycle trough. This is supported by our confidence in the inbound recovery of Subsea. 2018 will also be impacted by the more competitive market conditions of the current cycle trough. It is evident that the market has encountered more competitive pricing for large project tenders where open bidding takes place. These effects will have a greater impact on 2018 results as some of our older projects advance to completion and contribute less towards 2018 profitability.

While we continue to participate in open tenders, we are also focused on bidding where we have a competitive advantage. These opportunities would include projects where either proprietary technology or an integrated approach can provide a differentiated offering that can deliver significant savings in both time and cost. Providing some offset to the expected margin headwinds will be the merger-related savings. We may also look to undertake further restructuring actions based on market conditions. While 2018 for Subsea will be down both in revenues and EBITDA, we remain confident that the order inflection should ultimately translate into higher revenues and margins in our Subsea segment in the coming years.

Moving to Onshore/Offshore. We expect full year revenues to be in the range of $5.3 billion to $5.7 billion. While revenues are declining, our EBITDA margin guidance of at least 9.5% remains at higher levels, consistent with 2017. Our revenue expectation incorporates a lower contribution from Yamal LNG as the project moves towards completion in 2019. EBITDA margin reflects continued strong project execution.

For our Surface Technologies segment, we expect full year revenues to be in the range of $1.5 billion to $1.6 billion with an EBITDA margin of at least 17.5%. Revenue guidance is based on the following expectations. First, we are using current North America rig count to support these assumptions, and volatility in this rig count may require changes to our full year assumptions. Next, that increased hydraulic fracturing intensity will lead to higher demand for pressure control equipment. Last, initiatives are in place to expand our integrated offering in North America.

So in summary, we expect for the combined company that our strong operational performance, cost-reduction initiatives and actions we have taken with regard to cash distribution should demonstrate our focus on creating shareholder value.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And your first question comes from the line of Sean Meakim from JPMorgan.

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

I was looking to -- maybe start off with -- let me start with Subsea. I recognize, Doug, you may not be ready to commit to quarterly margin guidance for '18 at this point. But does the '18 guidance, coupled with the implication of the 4Q guidance up from the 3Q result, does that suggest that the next quarter could represent the bottom for Subsea margin? Or I guess, how would you suggest that we view the potential for identifying a bottom in the margins from here?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

Sean, I think the guidance that we're providing for 2018 of an average EBITDA margin for Subsea of 14%, we have confidence in the way that, that will play out on a quarterly basis throughout the year. As it did this year, there will be some quarters that will be stronger than other quarters. But we do have confidence in the overall average EBITDA margin for 2018. A bit early to get into discrete quarterly guidance or quarterly updates, but as we see the year play out, we will certainly continue to provide an update at that time.

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

Okay. That seems entirely fair. And then -- so then just thinking about the order progression, it sounds like -- continue to be building confidence in terms of the queue of FEED awards and the ability to convert those. You noted in the prepared remarks that some of -- that you expect some of the incremental wins to be larger in scale compared to what you've been awarded so far in the integrated projects. Could you give us a little bit more color just on how -- on what those types of projects could look like? Or how that progression could look in terms of scaling some of those awards you expect to get the next several quarters?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

Yes. The integrated EPCI awards are really quite critical for our company. And as I pointed out, it gives us a unique view into the marketplace. And in many cases, we're working on projects on an exclusive basis with our customers. So these, if you will, are not projects that are being pursued by our competition. The advantage of having worked together now for almost 3 years, initially in the alliance and joint venture and more importantly now as a single entity, TechnipFMC, allows us to take that work that we've been doing as it matures through the FEED stage, which typically takes 12 to 15 months and then into the FID stage, which typically takes 6 months. We now have this backlog of integrated FEED activity that has the opportunity to convert into integrated EPCI projects. So we're looking at both the visible open tenders and participating where we think we can create value for ourselves and for our customers, where the economical limit -- by setting economical limits. But on these integrated projects, we have that unique opportunity because of the early engagement to introduce new proprietary technologies, to deliver Subsea architecture that is unique and differentiated and to be in a situation where we can help our customers meet their economic hurdle rate while benefiting ourselves as well. So it's simply the majority of that FEED, the maturation of that FEED backlog that now gives us the unique ability to be able to convert an increasing number in 2018 to integrated EPCI projects. In that list of maturing projects, we see some projects that are larger in size than some of the awards we have received thus far, and hence, the comment in the prepared remarks.

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

And then just to put a button on that, is it fair to say that those types of projects will be accretive relative to, say, the legacy procurement style projects out there?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

Certainly, in today's environment, that would be correct.

Operator

Your next question comes from Fiona Maclean from Merrill Lynch.

Fiona Margaret Maclean - *BofA Merrill Lynch, Research Division - European Oil Services Analyst*

It's Fiona Maclean from Merrill Lynch. My first question relates to the fact that you published guidance for 2018 earlier today. I just want to get an understanding of why you felt the need to do that now and not keep it for the Capital Markets Day that you're going to have at the end of November? And could you maybe give us a flavor what we should be expecting at that event later in the quarter?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

Look, we have so many exciting and important things that we need to talk about at our Capital Markets Day and showing how we are making this -- how we are impacting the industry in a real, substantial way that we wanted to have plenty of opportunity on that day to really focus on the future and to focus on how we're driving real, sustainable change for our industry. So lots of exciting things to talk about on that day, so we thought we'd take the opportunity today, as we have now our first look into 2018. Our 2018 planning cycle, we thought we'd share that with you, also giving you the opportunity to digest that and then we can have even more deeper discussion at our Capital Markets Day.

Fiona Margaret Maclean - *BofA Merrill Lynch, Research Division - European Oil Services Analyst*

Okay. And then my second question is about Yamal LNG. Could you give us a bit of a road map for how that project is going to progress over 2018, '19 and '20, and whether there are any other big milestones that we should be looking at for on that project?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

So the Yamal project continues to execute extremely well. As I stated in the prepared remarks, we're very excited to state that all of the modules of that have now arrived on site in Sabetta, Russia. That's a very critical milestone. Our focus right now and the focus of our team is on the commissioning of Train 1 in 2017. That is the commitment that was made to our customer, and that is our primary focus. Clearly, we have additional work to be done in the commissioning of Train 2 and Train 3 in the subsequent years of '18 and '19. Along with that will come a reimbursable scope or reimbursable activity to support the further commissioning of the remaining Trains as well as ongoing support for the LNG facility.

Fiona Margaret Maclean - *BofA Merrill Lynch, Research Division - European Oil Services Analyst*

Okay. And are you willing to give us a breakdown of contribution for either revenue or profitability for '17 or '18 on Yamal?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

I mean, it's been a very successful project. We continue to execute very well. And as with other projects, we don't breakdown that scheduling as that would be not in the best interest of our customer or relative to our competition.

Operator

Your next question comes from Jud Bailey from Wells Fargo.

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

First question is on the margin guidance for 2018, at least 18%. It looks like, and you highlighted it Maryann, that the biggest variable is the lower fleet utilization. Couple of questions on that is, is there a scenario where that could be better than you think? Or is the work kind of lined up already? Could you give us a sense of how variable that component of the margin guidance could be, depending on obviously work scope going forward? And as we move into 2019, is it unreasonable to think that you could recapture some of that lost margin, obviously depending on projects moving toward? Just trying to get a sense of how variable that component of the margin component could be.

Maryann T. Mannen - *TechnipFMC plc - CFO and EVP*

Sure. Thanks, Jud. So in our guidance for 2018 for Subsea of at least 14%, you're right, we are making an assumption right now that we will see a lower utilization on our vessels. Now clearly, to your point, we do think there is some potential improvement to that as we look at the inbound that comes in, there is the opportunity to take on some additional work, and we could see improvement. So yes, there is opportunity for us to further improve. As I mentioned, it is early. We are 4 months ahead. But again, we thought it was important to give you a good view, a good view of that. Your second question I think is about '19. And it is a bit early really for us to be commenting on '19, so we'll hold off on some further communications around '19. But we've got a lot of things obviously in play that we are working on. We're talking about synergies. We'll have another $200 million worth of synergies total company, of which a portion of that applies to Subsea. We'll see the benefit of all of our initiatives as well. And we will be able to give you some better clarity around '19 soon, but we are a little bit early for 2019.

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

Okay. And my follow up is, Doug, you mentioned integrated EPCI opportunities that the scope of those are starting to increase. But I wanted to clarify, are any of the projects you've listed in your presentation, are any of those a candidate for an integrated type of award? Are those going to be the -- are all those pretty much traditional model?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

Yes, there is the possibility for some of the projects on the project list to be awarded as an integrated EPCI.

Operator

Your next question comes from Rob Pulleyn from Morgan Stanley.

Robert John Pulleyn - *Morgan Stanley, Research Division - Analyst*

So a couple of questions, if I may. So firstly, a bit high level. You're 10 months into this merger. As you mentioned, Doug, you've been working together for 3 years now. May I ask how is the integration going? What is pleasing the management team? And maybe what has been a bit more frustrating, to give us all a bit of color what's going on underneath the hood? And just to sort of skip the follow up later. But just as a second question, given the headwind, the huge and consolidated Yamal contract creates for group book-to-bill, could you have a stab of when do you think that you envisage the backlog at a group level growing again?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

So thanks, Rob. I'll take the first question and give the second question to Maryann. I think what's going well is exactly what we're here today communicating. The operational results of the company have been exceptional since we created TechnipFMC. So what does that mean? At the project level, the level of collaboration, the level of co-location has been quite significant. We have continued to perform well both financially, but more importantly, from an HSES perspective, or Health, Safety, Environment and Sustainability -- Security perspective. That's, first and foremost, what's most important. So I'm quite pleased with the fact that in a very challenging market, so the backdrop or the environment being extremely challenging, coupled by the fact that we're going through a merger and bringing together 2 industry leaders into a new, unique company that is truly differentiated within the industry, that can create distractions. Those distractions can show up in operational performance. They can show up in safety incidents, et cetera. And that simply is not the case. We are executing extremely well in that area. As a new company, we continue to develop the culture and the practices in the way that we will operate as a new company. That simply takes a bit more time. So that's where we're putting the majority of our focus now is on developing that unique culture of TechnipFMC and continuing to deliver to you the results that we have since we closed earlier this year. Maryann?

Maryann T. Mannen - *TechnipFMC plc - CFO and EVP*

Yes. Hey, Rob. Around the backlog, so a couple of things with respect to Onshore/Offshore. As you can see, we're sitting on just about $7.6 billion worth of backlog. And as we share with you, what we have in backlog right now scheduled for '18 is somewhere in a range of about $3.7 billion. And of course, you know that doesn't include a portion of reimbursables. We are tracking $5 billion worth of major projects in Onshore/Offshore. They will have obviously good contribution into the backlog and obviously the revenue. In addition to that, there are several midsized projects, E&P prospects that we're looking at as well. And our FEED activity, FEED and engineering activity remained resilient. In the quarter, we had just over $1 billion worth of inbounds. And as you know, we didn't announce any major projects. I think that speaks to the strength of our P&T business and our project business as well. So we're quite hopeful on the inbound. Timing, as you know, is critical. But we're quite hopeful that we will see an uptick in 2018.

Operator

Your next question comes from Waqar Syed from Goldman Sachs.

Waqar Mustafa Syed - *Goldman Sachs Group Inc., Research Division - VP*

Doug, are reimbursables from Yamal included in any of the guidance or no?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

Waqar, they're not in the guidance that we provided. That is `a reoccurring stream that is not booked into the guidance.

Waqar Mustafa Syed - *Goldman Sachs Group Inc., Research Division - VP*

Okay. And then just in terms of Onshore/Offshore, do you expect '18 to be the bottom for revenue and margins? So do you see the bottom kind of lengthening into '19 or so?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

That's a very good question. And again, it's going to be a function of the inbound opportunities that we have in 2018. I did mention in my prepared remarks that we're tracking a few projects that have an aggregate inbound value of over $5 billion. We feel we are very well positioned on these projects. It's not so much a question of if we would be awarded the projects, if we would be the winning entity on the projects. It's more a question of when the projects will actually be sanctioned. These are big, massive petrochemical and refinery developments that some have been on our list for a period of time and are held up for one reason or another beyond that of the contribution that we're making to the project. So we feel very strongly about the projects. It's just a question of the timing of the projects and when they're actually sanctioned. If they come in 2018 as we are anticipating, that will certainly benefit 2019.

Waqar Mustafa Syed - *Goldman Sachs Group Inc., Research Division - VP*

But even without these any big project awards, you think $1.2 billion of inbounds in Onshore/Offshore without major project awards, is that a sustainable number? Or there were still some -- something unique about this quarter?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

I wouldn't say necessarily unique, but it was a strong quarter. I mean, as you're pointing out, without a major project, so that's obviously a high level of reimbursable and service activity associated with our Project Management Consultancy business, which is very important. But I would consider this to be a bit of a higher number than what you could necessarily anticipate. Again, the level of reimbursable does vary from quarter-to-quarter.

Waqar Mustafa Syed - *Goldman Sachs Group Inc., Research Division - VP*

And just one last question. Maryann, you mentioned on the -- in the Subsea, the service revenues could be about $1 billion in '18. What it is the number likely to be in '17?

Maryann T. Mannen - *TechnipFMC plc - CFO and EVP*

Yes. So our '17 number is relatively consistent with what we are forecasting this early for 2018, so roughly about the same. No significant change year-on-year.

Operator

Your next question comes from Mick Pickup from Barclays.

Mick Pickup - *Barclays PLC, Research Division - MD*

Just first to clarify, did you just say that Yamal reimbursable is not in your guidance?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

That is correct.

Mick Pickup - *Barclays PLC, Research Division - MD*

In the revenue guidance?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

Correct.

Mick Pickup - *Barclays PLC, Research Division - MD*

Okay. That's the starting point. Right, then secondly, thanks for the chart on margins. You obviously don't want to talk about '19. Can you just help us a bit and talk about that skewed backlog in Subsea and the vintage of it? Is there any way you can break that down into when that was awarded so we can think about going forward?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

Subsea projects, typically the burn rate happens over 2 to 3 years. So if you look at the vintage of it, there's obviously a portion of it that would go back to the -- a point of the last cycle where there was higher margin activity and but the last 2 years being in a different environment. So it's really a blend of the 2 that you're now beginning to see a blend of margins that have been secured over the last 1 to 2 years. And remind you, that our inbound in 2017, we're projecting to be a step-up from 2016.

Mick Pickup - *Barclays PLC, Research Division - MD*

And the merger synergies within there, if I look at what you're going to deliver this year and next year then multiply it by Subsea, it's hard to see the merger synergies or the merger benefits next year shouldn't be significantly more than you seem to be implying in that chart. What am I missing?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

No, I don't believe you're missing anything. I -- the merger synergies, as we indicated, are not all going to Subsea. They're distributed across the various business segments as well as corporate, and we've indicated that as well. And if you break that down by, which should be expected, $200 million, about $200 million by the end of 2017, the remainder by 2018, I think that you'll see it comes out quite in line with what we have on that chart.

Mick Pickup - *Barclays PLC, Research Division - MD*

Yes. I'm just thinking that the average of those 2 and 1/2 of it, give or take the Subsea, is more than -- less than 1% of that chart seems to be showing on the base of $500 billion.

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

No, sir, it's exactly as we have indicated.

Operator

Your next question is from Kurt Hallead from RBC.

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

So I appreciate the guidance and the effort to kind of set the bar and the tone for '18. I guess I was curious in the context of -- you talked about a growing percentage of your Subsea business being the integrated kind of direct negotiation FEED work, at least that's what I thought I heard. And if I didn't, you can feel free to correct me. And in that context, I guess I would be under the impression then that you wouldn't be subject to the same elements of open bid competitive pricing power, which then could set you up for potentially even better margins than that 14% dynamic that you provided for '18. So hoping you can just give a little bit of context around that. Does the direct bid versus the open negotiation and -- shouldn't we think that direct negotiation and integrated FEED work carries a higher margin along with it?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

So Kurt, that is correct, but not 100% of our business will fall into those categories. But it is important to point out that we are uniquely positioned, that we have a portion of our tendering or inbound activity that is not exposed to the very competitive open market that we have today. That's our Subsea services business. That's the direct award from our alliance partners, which we have always had. But now in addition to that, we have the integrated EPCI awards, particularly those that are a direct result of our integrated FEED activity. So as you indicated, that is improving. And therefore, that is why we gave the margin guidance that we did for 2018 taking that into account. The rest of the portfolio that is exposed to the open market that would be generating a lower gross margin as you indicate.

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

Okay. Great. I appreciate that. And one thing I'm still trying to get a better understanding and feel for is the Onshore/Offshore piece of the business and understanding that Yamal is a very significant piece of that overall dynamic. So is it, I guess, safe to assume and may be obvious to others that the decline in revenue, expected revenue in '18 versus '17 is effectively because of the delivery of the first train on Yamal? Is that really the primary differential in revenue progression year-on-year?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

Well, it's the overall activity on the project, part of that being the delivery of Train 1. But again, recall that I mentioned that all of the Yamal modules for Train 1, 2 and 3 have now been delivered onsite to Sabetta. And we're now moving into a reimbursable phase of the project.

Operator

Your next question comes from Jean-Luc Romain from CIC Market.

Jean-Luc Romain - *CM-CIC Market Solutions, Research Division - Analyst*

My question relates to Yamal LNG or so. Novatek has announced its intention to build the fourth LNG Train. How could that translate in your inbound and revenues in the next couple of years?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

Thank you, Jean-luc. Clearly, our focus remains on delivering and commissioning Train 1 in 2017. The success of doing that and the continued success of the project could lead to future opportunities. Any decision around a fourth train, we would leave to the discretion of our customer in order to make such an announcement.

Operator

Your next question comes from Marc Bianchi from Cowen.

Marc Gregory Bianchi - *Cowen and Company, LLC, Research Division - MD*

I guess the first question, going back to Subsea. If I look at the guidance for '18, $2.5 billion of revenue that's already spoken for backlog, another $1 billion of Subsea service, so it kind of implies about $1.5 billion of other Book & Turn orders. What would the growth rate for that component of the guidance look like just for '18 over '17?

Maryann T. Mannen - *TechnipFMC plc - CFO and EVP*

Yes. You're right. As you can see on that 2018 guidance chart, we're certainly looking at something in a range of about 10% to 15% over our prior year for that portion of the inbound. As Doug mentioned earlier, we've got a high degree of confidence in the level of activities. And depending on the timing of those projects and whether they are -- we call them Book & Turn, but whether they're those smaller-type awards, we can turn those pretty quickly.

Marc Gregory Bianchi - *Cowen and Company, LLC, Research Division - MD*

Okay. Great. I guess that would also kind of imply that you get to a book-to-bill that's around 1 for 2018 as well. Is that -- did I get my math correct here?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

That is in the range of possibilities, yes.

Marc Gregory Bianchi - *Cowen and Company, LLC, Research Division - MD*

Okay. Nice, Doug. And just last one on On/Off, with these Yamal reimbursables, as you move into that, can you help us think about the margin there relative to the rest of the On/Off business guiding a 9.5%? If you're getting some reimbursable, is it going to be above that level?

Maryann T. Mannen - *TechnipFMC plc - CFO and EVP*

So as we look at our margins going into 2018 and the Onshore/Offshore, as you know, we are managing more projects than just Yamal. We are reaching critical milestones in several of our key projects and obviously Yamal being one of those as well. When we talk about our reimbursable scope, we do quite well with our performance on reimbursable scope, we have in prior years. And it would be our expectation as well for 2018 that we would be able to do that. We do have, as you have seen from the backlog scheduling, a high degree of our 2018 revenue for the Onshore/Offshore segment sitting in backlog. And there is a big portion of that, that is Yamal as well. So I think the question was asked a little bit earlier around the portion that is reimbursable scope, et cetera, and just want to be sure that we provide good color and clarity around that. So again, you can see that backlog that is sitting in our scheduling for 2018, and a nice piece of that is coming from our Yamal project. So we have a high degree of confidence. Again, when you look at our performance in 2017, we continue to execute well. We're reaching milestones well. We're achieving the cost in our project portfolios as we expected. And we see clear line of sight to be able to continue that for 2018.

Operator

Your next question comes from Michael Rae from Redburn.

Michael Rae - *Redburn (Europe) Limited, Research Division - Research Analyst*

I'm very sorry. It's, as well, on Yamal. But I just want to get this right. So with the reimbursable, I understand it's not on the backlog. But when I look at the $5.3 billion to $5.7 billion of onshore revenue guidance for 2018, for modeling purposes, are you saying that you want people to take a view on that range and then, on top, to add a portion of Yamal reimbursable? That's the first question.

Maryann T. Mannen - *TechnipFMC plc - CFO and EVP*

So, yes, a lot of the revenue for 2018 is -- with Yamal is associated with Train 2. And we do have a lot of that, as I mentioned earlier, currently in our backlog. So to the extent that there is continued activity around that reimbursable scope piece, we would see that as potential improvement to 2018. But a lot of the work associated with Train 2 is in our backlog today.

Michael Rae - *Redburn (Europe) Limited, Research Division - Research Analyst*

Okay, that's clear. And then the second question also for you, Maryann, is just that I can see below the line you're taking these charges through interest, which I assume also relates to Yamal. So my question is when you guide to $15 million of interest in Q4, presumably that excludes any further revaluation of Yamal. And so I'm just wondering can you give us any steer on what any additional charge might be in Q4? And what could it be in 2018?

Maryann T. Mannen - *TechnipFMC plc - CFO and EVP*

You're absolutely correct. When I guide to the fourth quarter for interest expense, I am excluding any additional interest associated with the movement of the Yamal contract. And at this point in time, we are not -- we have no guidance with respect to Q4 on that. And just for the sake of clarity, when we talk about 2018 as well, I mean, obviously, we haven't provided that. But we are not forecasting, at this juncture, any incremental. That would not be included in our guidance.

Michael Rae - *Redburn (Europe) Limited, Research Division - Research Analyst*

Okay, okay. But it could happen, obviously. It's just that you don't -- presenting that information to the market yet?

Maryann T. Mannen - *TechnipFMC plc - CFO and EVP*

Yes, that's correct. If you go back in any one of our 3 quarters, I should say, any prior 2 quarters, we have not provided a forecast on that. We provided interest expense to be what our normal interest expense, net interest expense would be. Correct.

Operator

Your next question comes from Michael LaMotte from Guggenheim.

Michael Kirk LaMotte - *Guggenheim Securities, LLC, Research Division - Senior MD and Oilfield Services Analyst*

Doug, the average scope, the 18 large projects $14 billion averages, call it, $750 million a project. For the 30 or so that are in the high FEED pipeline, how much bigger are they relative to these 18 that you called out?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

Yes. Michael, the -- just as you would expect in the integrated EPCI just from the integrated FEED list, there's quite a wide range. Some are on the smaller side. Some could be in that average kind of range. But this is a -- the important take away is that the integrated EPCI model is completely scalable. So it is applicable to a 1-well Subsea tieback as it is to a greenfield expansion. And we have previously shown the breakdown of our integrated FEED activity. And it's right now, about 50% greenfield, 50% brownfield. And we also showed it on by relative size, and that information is available, and we could provide that to you. So you'll see it's quite applicable and can be appropriately distributed across the broad range. Clearly, in 2017, there was more brownfield tieback activity than greenfield project sanctioning. That being said, we were very excited to be part of many of the greenfield projects that were sanctioned in 2017. Looking forward to 2018, we're signaling that there's a possibility for additional large projects to be sanctioned, both from the opportunity list as well as iEPCI projects, some of which lie on that Subsea opportunity list that we shared.

Michael Kirk LaMotte - *Guggenheim Securities, LLC, Research Division - Senior MD and Oilfield Services Analyst*

And then just quickly on the dividend strategy. Do you anticipate following more of a European variable model? Or a U.S. fixed with steady growth model?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

So thank you for -- very much for the question on shareholder distribution. We were excited today to announce the commencement of the share repurchase that we commenced right at the end of last quarter. And Maryann gave an update on that, that $500 million of share repurchase that we expect to be -- to complete no later than the end of 2018 as well as the initiation of our cash dividend of $0.13. So thank you very much. It's an important part of our total strategy. We've said we would deliver 300 basis points improvement on ROIC. That's obviously by delivering on the cost synergy side as well as some of the tax synergy savings and then our shareholder distribution policy. We have said previously that we would initiate a dividend that we felt was sustainable through the cycle. And that's -- and so that is the type of model that we have implemented at this time.

Operator

Your next question comes from Robert MacKenzie from Iberia Capital.

Robert James MacKenzie - *Iberia Capital Partners, LLC, Research Division - MD of Equity Research*

Doug, I wanted to dig into, perhaps, what you talk about in the press release and your prepared comments about investing in the development of next-generation subsea systems, hoping that I'm not trying to front run your analyst event, but can you give us any color on how that -- how you see that scope, the technology changing? And how that might relate to recent developments like your compact manifold?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

So Rob, we're all smiling here. And if you don't mind, we'd really like to showcase that. It's less than 30 days away. It's extremely meaningful. We're seeing significant market penetration and adoption, and we have a lot more to go. Yes, we've talked about the compact manifold. We talked about the compact robotic manifold. We've talked about the expansion of the compact manifold family, and there's much more. And we're going to be highlighting that and showing that. This is real tangible evidence of the change that we're driving in the subsea industry. And we have a lot more to go, and we're going to share that vision with you and let you actually see the equipment and see the next generation of Offshore developments that we're going to be able to deliver now as an integrated company, TechnipFMC.

Robert James MacKenzie - *Iberia Capital Partners, LLC, Research Division - MD of Equity Research*

Okay, I'll respect that. And then I don't think Surface has been asked much about yet, so maybe I'll dig into that a little bit. In terms of your guidance, Maryann, for Surface Technologies revenue of $1.5 billion, $1.6 billion next year, how much of that would you attribute to kind of the North American land pressure pumping business versus the other side of that segment?

Maryann T. Mannen - *TechnipFMC plc - CFO and EVP*

Yes. Rob, so I'd say, look, the majority of the growth year-on-year, as I mentioned in my comments, we're relying on a fairly stable rig count within -- kind of looking at that current rig count. We're assuming that we're going to see increased requirements associated with hydraulic fracturing.

So as you know, a big piece of that coming from our fluid control business as well on the international side. We're talking about kind of stable pricing, of course. But most of that improvement we're relying on the strength of that fluid control piece. Obviously, there is growth in the Surface wellhead North America. But a good piece of that is, as you suggest, coming from fluid.

Operator

And your last question comes from Ole Slorer from Morgan Stanley.

Ole Henry Slorer - *Morgan Stanley, Research Division - Global Head of Energy Research, MD, and Oil Service and Shipping Analyst*

Doug, there's a lot of debate still in the U.S. about the viability of offshore relative to shale. And a lot of pressure on big oil companies Hess, Chevron, Oxy, Apache, Anadarko to mention a few to kind of dispose some Offshore assets and reinvest in Shale. Although I sense that the tide is turning a little bit. So I wonder whether you could -- just in summary, give us your view on how competitive the offshore markets have become as a result of the cost reductions that are happening because of drilling efficiencies, but also those that you are driving, and particularly sort of with respect to what you mentioned on technology and architecture that you can now facilitate in terms of both cost reductions and, of course, time to first oil. So could you just give us a high level of the extent that breakevens now have been lowered. You're sitting there with a whole bunch of studies that you're doing? But how competitive have this become relative to other investment alternatives?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

Well, thank you very much for the question. And I'll try to be brief, but it is a very important question. So we have been working diligently for the past 3 years to look at ways to put together a unique value proposition that could sustainably improve project economics. And as you point out, the acceleration of first oil is actually more important than the actual cost of the development. So the ability to be able to do both is what's really driving the improvement of project economics for our customers. So we've given examples of the past. We are taking a subsea architecture that typically took 36 months to deliver at the peak of the activity, and I'd say about 28 to 36 months on average. And we can now deliver in 15 months. Further to that, we're now working with customers where they're working towards our industry specifications and using our standards and using our new integrated delivery model that we can deliver on the seabed installed and commissioned in less than 12 months, almost becoming a short-cycle business. That is a major, major distinction from the way that Subsea has been viewed in the past. On top of that, some of the reservoirs offshore remains some of the most prolific reservoirs that we have. So you couple the prolific reservoirs with a much reduced delivery time and lower total cost by removing unnecessary capital investment in terms of interfaces, et cetera, that's used today by going to an integrated approach with early involvement, with new technology and with a single company that can deliver an integrated model installed on the seabed, it's really driving change. We've seen that. We've seen the success that we had in 2017, and we anticipate greater success in 2018. As you point out, the overall breakeven on these projects have come down significantly. You heard our customers talk about breakevens on these projects below $40 a barrel. We certainly believe that at $50 a barrel, we can remain competitive with other alternative investment choices. One last area that's really -- that's unique and that's really developing, we're seeing an emerging trend of independent operators backed by private equity money, moving into the development of these assets. So there's always -- the reservoirs will always be developed. They may be developed by different customers at different times in the cycle, but we're seeing very interesting trends develop. And we're at the forefront of that because of the unique offering of TechnipFMC.

Ole Henry Slorer - *Morgan Stanley, Research Division - Global Head of Energy Research, MD, and Oil Service and Shipping Analyst*

That's an interesting last point you made there actually, Doug, because the push back I get is, who's going to do this? Because again -- Hess, Chevron, Oxy, Apache, Anadarko, we talked to all of them, and these have been -- we're going to de-emphasize so offshore. Saw what happened with Hess, right? I mean, they sold Norwegian assets to Aker BP, Hess fell. Aker BP rose 10%, so this is clearly a diversion here in views. And I think your last point was very interesting because strikes me that we need a new set of hands or new set of ownership for a lot of this -- a lot of these assets that the incumbents seemed very reluctant to do anything within this kind of chase for this holy grail called shale. But so could you elaborate a little bit on that very last point you made because I think that's quite important in terms of who are the new customers that you're talking to?

Douglas J. Pferdehirt - *TechnipFMC plc - CEO*

Well, first and foremost, the incumbents are also moving forward developments, right? So I want to be careful. I mean, as we've announced major awards this year from the likes of Eni, with the likes of ExxonMobil and others and Shell, there's going to continue to be the development. It is meaningful part of their portfolio, the project economics and the project and schedule certainty is what was driving the overruns and driving the returns on those projects down. We are now showing in our integrated model that we can really improve not only the schedule but the certainty in the economics behind the project. But there is a transition happening. And it's happened in other parts of our industry, including onshore in the past. And we talked today about the finalization of the Hurricane Lancaster project as an example of that. We will have several more examples like that, that we anticipate inbounding and being able to announce in 2018, as we expand our customer base with the evolution of the Deepwater and the Subsea market.

Operator

There are no further questions. I'll turn the call back over to the presenters.

Matthew Seinsheimer - *TechnipFMC plc - VP, Investor Relations*

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

Operator

This concludes today's conference call. You may now disconnect.