



Second Quarter 2022 Results

Thursday, 28 July 2022

Stian Lysaker – Treasury and Investor Relations

Welcome, everyone. This is Stian Lysaker and I'm the Head of Treasury and Investor Relations at the Seaway 7. For the first part of this call, all participants will be in listen only mode, and afterwards there will be a Q&A session. With me on the call today are Stuart Fitzgerald, our CEO, and Mark Hodgkinson, our CFO. The second quarter 2022 results press release is available to download on our website, along with the presentation slides that we will be referring to during today's call. May I remind you that this call includes forward-looking statements that reflect our current views and are subject to risks, uncertainties and assumptions. Similar wording is also included in our press release. I'll now turn the call over to Stuart.

Stuart Fitzgerald – CEO of Seaway 7

Thank you, Stian, and good afternoon, all. The agenda for this call is on slide three. First I will talk to the highlights for the second quarter. This will be followed by an update of ongoing operations across our project portfolio and new build vessel program, before I hand over to Mark who will run us through the financial performance for Q2 2022. I will then talk to the market outlook and tender pipeline before we open for Q&A.

Turning then to Slide four.

Our revenue for the second quarter was \$260 million, with an adjusted EBITDA loss of \$16 million representing an adjusted EBITDA margin of negative 6%. Operating cash outflow was \$11 million giving an net debt, excluding lease liabilities, of \$109 million. Order intake in the quarter was \$49 million and we close at \$0.8 billion of backlog at the end of the quarter. A trading update was issued by Seaway 7 on the 13th of June 2022, highlighting challenges and financial impacts on several ongoing projects. These challenges are reflected in the Seaway 7 results for the quarter, with the loss provision on the Hollandse Kust Zuid project being the primary driver. With regards to operational highlights, we see good progress on the Seagreen project with the jacket foundation fabrication nearing completion and offshore installation activities restarted for both jacket foundations and inner-array cables. As highlighted in the June trading update, weather and breakdowns resulted in slower than planned progress on monopile installation on the Hollandse Kust Zuid project, with the *Seaway Strashnov* operating in the Netherlands. And on pin pile installation with the *Seaway Yudin* operating on the Formosa 2 project in Taiwan. Since the mid-June trading update, both of these projects

have progressed, according to the revised forecasts made at the time. The active vessel fleet utilisation in the quarter was 77%, with planned dry dockings on two of our heavy transportation vessels being a factor over an otherwise busy period. From a strategic perspective, we are pleased to have signed a long-term charter with purchase options on a new build submersible heavy transportation vessel, the *Seaway Swan*, and she joined the fleet on the 8th of July. We see a strong business case for the asset driven by a strengthening transportation segment and heavy transportation as an enabler for certain integrated offshore wind projects. During June, we signed preferred supplier positions which have been announced to the market for two very large contracts. For *Seaway 7* very large contracts implies a value between \$500 million and \$750 million. The prospects in question are Seagreen 1A offshore wind farm and the East Anglia THREE offshore wind farm, both in the UK. The projects will not be recognised in *Seaway 7* backlog until final contractual terms have been agreed and final investment decisions have been declared. We continue to see a strong bidding environment with prospects for both near-term vessel utilisation, as well as clients seeking to secure capacity for projects beyond 2025. We are approaching this market with a strong focus on improved risk and pricing profiles for our services. Moving to slide five.

An update on Seagreen, being our largest ongoing project. Fabrication at yards is reaching the concluding stages. We have 94 of the total 114 jackets delivered to the UK at the end of Q2, compared to 60 at the end of Q1. Where we sit today, 18 jackets are ready awaiting transport in China and the final two jackets of the project are near completion of fabrication. Heavy transportation vessels will arrive during the first half of August with the final load outs. The *S7000*'s return to the field on the 1st of June 2022 and installed a further nine jacket foundations before she left the field for another commitment. Returning in mid-July to continue to install the remaining Seagreen jacket foundations, we now have a total of 36 jackets installed and this critical activity on the project is on track for completion during 2022. *Seaway Phoenix* also remobilised during the quarter to continue inner/array cable lay. Turning then to slide six.

And *Seaway Alfa Lift* newbuild progress. The schedule for the delivery of the vessel is a primary focus for our management team, alongside the mitigation actions for the timely execution of the Dogger Bank project, which is the first project committed for the vessel. The repairs of the Liebherr crane A-frame after the incident of October 2021, which we have covered in previous calls, continue to progress with a clear plan from yard and

crane manufacturer for completion later this year. The vessel is then expected to sell it to Europe at that time. As advised in the June 2022 trading update, the mission equipment for the upending and lowering of monopiles, which you see on the deck of the vessel in the figure on the lower right, is the critical path to the vessel's readiness for operations. This scope is significantly delayed compared to the original planning at the start of the project. This has been driven by engineering and procurement delays within our key supplier. To improve our confidence in timely delivery of the mission equipment package, changes have been implemented within the Seaway 7 project organisation and leadership responsible for the delivery of the *Seaway Alfa Lift*, primarily adding personnel from Subsea 7 with experience in complex mission equipment deliveries. Mission equipment readiness is now expected in the second half of 2023, and to provide a more robust planning basis, we are assuming the first use of the *Seaway Alfa Lift* installing monopiles on the Dogger Bank project at the end of Q1 2024. The significant delay in the vessel delivery has required mitigations and alternative vessels for the execution of Dogger Bank A and B project, and we have implemented a number of these mitigations. I will talk to some of these on the following slide. Moving then to slide seven.

As also presented in the last quarter. On this slide, we provide a short update on other projects ongoing. The installation of foundations for the Dogger Bank A and B project has commenced during July 2022, initially with a third party vessel, the *DEME Innovation*. A significant operational milestone has been achieved over the last week with the successful installation of the first monopile and transition pieces on the project. Due to *Seaway Alfa Lift's* delivery delay, *Seaway Strashnov* will become a primary vessel on the project and will now be deployed to the project for the full 2023 campaign. We have held back capacity on the *Seaway Strashnov* to have this contingency available. Hollandse Kust Zuid for Vattenfall is an integrated monopile foundations and cables installation project for 140 foundation units, 34 of which were installed last year. Slower progress during the early phase of the project was flagged in the June trading update, along with the associated impact. Since the start of June, we have made good progress. 95 of the total 140 units are now installed, and we expect to complete foundation installations in September in line with the June trading update position. Inner-array cable installation is ongoing with the *Seaway Aimery* and the *Seaway Moxie*. *Seaway Yudin* is working on the Formosa 2 project in Taiwan with installation of pin-piles. This project was also covered in the June trading update. Progress since the

update has been on plan and there are four sites remaining of the total 32 to be installed in 2022 to complete the project, employing six separate pin-piles to be installed as there are four pin-piles per foundation location. We have a portfolio, three cable projects in Taiwan at different stages of their execution on shore crossings, export lines and inner array cable operations. Operations are ongoing on each of these projects. The *Maersk Connector* commenced her operations in-country during the quarter. The heavy transportation vessels maintain good utilisation despite two planned dry dockings for the *Seaway Falcon* and the *Seaway Hawk*. And we saw another improvement in the time charter equivalent day rates in the second quarter. Overall, we have high activity and continue to liquidate significant volume of work. Moving to slide eight and other new vessel asset related matters.

We covered the *Seaway Alfa Lift* earlier. Our other new build, the *Seaway Ventus*, will install turbines and will also have capabilities towards monopile foundation installation. The keel laying occurred during the quarter and we see good progress at the yard and with other key suppliers. The vessel remains on course for delivery mid-2023. We see materially less risk with this vessel compared to the *Seaway Alfa Lift* due to the relatively standard nature of the vessel and equipment packages and the significant yard experience with Gusto designed jack-up vessels. During Q2 2022, Seaway 7 entered into a five year bare boat charter agreement with purchase options for a new heavy transportation vessel. The vessel was renamed *Seaway Swan* and was delivered to Seaway 7 in good order in Busan, South Korea, on the 8th of July. This charter of a state of the art newbuild vessel reinforces our strategic position in this segment, both towards standalone transportation activities, where we see market conditions steadily improving, as well as towards broader integrated renewable projects, where heavy transportation increasingly represents a critical and, we believe, undersupplied element of the value chain. With that, I hand over to Mark to run through the financials.

Mark Hodgkinson – CFO of Seaway 7

Thank you, Stuart. And welcome, everyone. Turning to slide nine. Here we show our Income Statement summary for the second quarter of 2022 compared to the second quarter in 2021. Please note that the second quarter of 2022 represents the financial performance of Seaway 7 ASA and its subsidiaries, whereas the second quarter of 2021 reflects the performance of the Subsea 7 Renewables business unit only. Revenue for the second quarter was \$260 million, which is 17% lower than the second

quarter of 2021 at \$315 million. This reflects the higher activity levels on the Seagreen project in the comparable period in 2021. Adjusted EBITDA for Q2 2022 was a loss of \$16 million, which is up from the \$8 million EBITDA loss reported in the same quarter in 2021. This Q2 2022 result, represents an adjusted EBITDA margin of negative 6%, which is the same margin as recorded for Q2 2021. The net loss was \$67 million for the quarter, equivalent to a diluted loss per share of less than \$0.01.

On slide ten, we show some supplementary details for the quarter. These additional Income Statement related details include administrative expenses, which in the second quarter were \$10 million. This is in line with the guidance we gave in the Q4 2021 earnings call. We also showed that the quarterly depreciation and amortisation increased by \$8 million, compared to Q1 2021. And this reflects the addition of the heavy transport fleet in the fourth quarter 2021, and the addition of the charter of the cable lay vessel, the *Maersk Connector*. The second quarter tax charge is \$21 million USD. Bringing the net first half, 2022 tax charge to \$16 million, after taking into account the credit in the first quarter of 2022. This brings to the first half tax charge in line with the full year effective tax rate that's been adjusted for the guidance updated in June 2022.

On Slide 11, we highlight the Seaway 7 consolidated balance sheet as at 30th of June 2022. You will see that the non-current assets totaled \$1 billion, of which \$924 million related to property, plant and equipment, with majority of that balance reflecting the vessel values. Total borrowings at the end of the quarter were \$120 million, which was provided by our major shareholder. Current assets of \$379 million includes trade and other receivables of \$218 million, and unbilled work under construction contracts totaling \$113 million. The movement from unbilled to billed reflects the progress on commercial negotiations with clients. Some of these balances relate to work undertaken prior to combination. The current liabilities exclusive of borrowings are \$456 million, and this includes \$45 million payable to Subsea 7 relating to work done on projects prior to the combination date. Cash and cash equivalents at quarter-end were \$11 million. Cash flow from operating activities for the first half year to 30th June 2022 was \$9 million, which includes a positive contribution from project related net working capital of \$23 million. Our capital expenditure the first half year was \$29 million. Our net funding for the half year was \$8 million, representing \$57 million of support from Subsea 7, offset

by the repayment of the \$37 million external revolving credit facility, and \$11 million of payments under lease liabilities. So I will now pass you back to Stuart.

Stuart Fitzgerald – CEO of Seaway 7

Thank you, Mark, and then on to slide 12. On the 7th of July 2022, the UK Government announced contracts for difference for approximately six gigawatts of offshore wind farm projects for 2026 and 2027 deliveries. With the earlier delays to the CFD round, these awards are clearly a strong reinforcement of activity levels in the UK market, and we expect to be a participant in a number of these projects. On the right hand side, is our ongoing tendering activity showing good volume and healthy demand across all our segments. As we have been bidding this future portfolio over the last six months, we have sharply increased our focus on risk, particularly around supply chain and entry into new geographies and the overall risk and reward balance which will make up our future portfolio. Moving to slide 13.

Q2 of 2022 saw order intake into the backlog of \$49 million coming from escalations and our shorter term heavy transportation voyages. Not included in the order intake are a number of pre-backlog awards where Seaway 7 is selected contractor, but the projects remain subject to contract finalisation and/or client FIDs. As mentioned previously, this included during Q2 2022, two potential very large contracts for which we have made separate press releases to the market. We have been awarded preferred supplier status for Seagreen 1A offshore wind farm. This would be an EPCI project and a potential continuation with SSE and Total under a similar commercial framework to the ongoing Seagreen project. We see the award as a testament to the strong relationship we have developed with SSE over many years, and the value we are able to provide as a full balance of plant supplier. We have also signed a letter of exclusivity for the East Anglia THREE offshore wind farm. This would be an integrated project. Post-quarter end, we were awarded a contract for inner-array cable installation on a US wind farm project, which again remains subject to clients financial close. This project would see offshore activity in 2023 and 2024.

On slide 14, you see our normal snapshot of the main upcoming prospects. Based on the prospect list as well as the already awarded projects, we expect certain segments will be undersupplied as we approach 2025 and 2026 for not providing an opportunity

for an increasingly selective approach in our bidding and for improving improved terms and pricing.

Moving to Slide 15 and a summary of this Q2 earnings presentation. As part of the June trading update, Seaway 7 updated revenue and adjusted EBITA margin guidance for the full year as shown. Based on our current execution status, this guidance is maintained. We have seen good progress on Seagreen, particularly with jacket foundation fabrication, and will now move to a busy second half of the year operationally offshore, with all required assets mobilised and working. Performance of this project will clearly be a key factor to the financial performance in the second half of the year for Seaway 7. Whilst the initial challenges of the HKZ and Formosa 2 offshore campaigns was disappointing during June and July, we have seen steady progress in line with the revised plans which formed the basis for our June trading update. We expect to complete foundation installation on both of these projects during Q3 2022. Delays relating to mission equipment have impacted the *Seaway Alfa Lift* readiness for operations on the Dogger Bank. We have revised our planning bases and made changes to the forward execution plan and team to shore up the vessel delivery. Mitigations are being implemented to progress the contracted work on Dogger Bank, and we anticipate to continue to work with our client to optimise this further. We saw positive developments on the commercial side with a number of preferred contractor positions and the UK CFD awards in early July support strong future activity in our most significant market. Whilst we see a strong market in recent years, a significant number of major players in the renewable sector have seen challenged and unsustainable financial performance. We have been in the process of reevaluating and reallocating risk and pricing, and our strong focus is and has been towards reflecting this into the ongoing tenders and awards. With that, I will end the presentation. Thank you for your time and interest. And we will now move to the Q&A.

Q&A

Operator Ladies and gentlemen, to ask a question, please press five star on your telephone keypad. To withdraw your question, please press five star on your telephone keypad again. You will have a brief pause while questions are being registered.

As there are no questions, I will now hand it back to the speakers for any closing remarks.

Stuart Fitzgerald – CEO of Seaway 7

Well, thank you very much everybody for joining today. We look forward to talking to you again on our Q3 2022 earnings call. Goodbye.