

Gathering momentum



John Evans Chief Executive Officer

Our Subsea and Conventional business experienced continued positive momentum in 2022. High tendering activity resulted in another year of strong order intake, and tightening vessel availability supported an improvement in pricing over the course of the year.

In our Renewables business, the pricing and risk-sharing of new offshore wind contracts improved during the year, driven by high forecast demand for our services and a shortage of installation vessel capacity.

A good performance in a volatile macro environment

Overall, Group revenue increased 3% to \$5.1 billion, driven by growth in Subsea and Conventional, partially offset by a decline in Renewables. Revenue in Subsea and Conventional increased 6% and the Adjusted EBITDA margin improved slightly from last year to 13.6% as we continued to execute contracts awarded prior to the market recovery. Good progress was made on the fast-track Sakarya project in Türkiye, as well as Bacalhau and Mero 3 in Brazil. Revenue in Renewables fell 11%, driven by the phasing of the major Seagreen project, which neared completion at the year end. The Renewables margin remained low at 0.4% and was adversely impacted by challenging projects in Taiwan and Europe. Overall, the Group's Adjusted EBITDA increased 7% to \$559 million.

Cash generated by the Group benefited from a better-than-expected reduction in working capital of \$28 million due to a shift in scheduling of certain projects with extended payment terms, as well as active cash management. Capital expenditure of \$231 million related mainly to our two new build offshore wind vessels. Net cash was \$33 million, including lease liabilities of \$257 million, an improvement from a net debt position of \$55 million in the prior year.

Our tendering teams were very active in 2022 and new order intake reached \$7.1 billion, equivalent to a book-to-bill of 1.4. This resulted in a backlog of over \$9 billion, the highest level since 2014, and a tightening of vessel availability for 2024 onwards, allowing an increase in pricing. Significant new awards during the year included Búzios 8 in Brazil, the Yggdrasil (formerly NOAKA) project in Norway, and selection as preferred supplier for the East Anglia THREE offshore wind project in the UK.

Reaffirming our market-leading capabilities

In 2022, we enhanced our subsea strategy with the announcement of an agreement to invest in a new subsea hardware joint venture between SLB (formerly named Schlumberger) and Aker Solutions. Upon completion of the transaction in 2023, the joint venture will replace SLB as our partner in Subsea Integration Alliance, which will be extended to 2033. The planned investment by Subsea7 of \$306.5 million for a 10% stake in the joint venture will strengthen the relationship with our partners in the alliance as well as yielding an attractive expected return on investment on a standalone basis.

Integrated solutions, offered through Subsea Integration Alliance, have been a cornerstone of our subsea strategy, yielding contract awards worth \$4 billion since January 2020, and our investment will ensure this remains a durable source of competitive differentiation. Alongside our strategies to digitalise and hybridise our fleet, and the continual investment in product innovation, the evolution of our integrated offering will ensure that Subsea7 remains a market leader in the subsea sector, positioned to deliver strong cash flow and returns for shareholders.

Our renewables business experienced a hiatus in new awards for much of 2022, largely due to the delay to the UK contract for difference allocation round, but underlying interest in our services remained strong. Tendering activity remained high and we were selected as preferred supplier for two major UK EPCI projects, together worth over \$1 billion – SSE’s Seagreen 1A and ScottishPower Renewables’ East Anglia THREE. These are expected to convert to firm EPCI awards upon client sanction in 2023. In 2022, we continued to demonstrate the benefits of our EPCI contracting model to our clients with progress on the first phase of the Seagreen project running on time and to budget. The adoption of this mode of contracting for Seagreen 1A and for the East Anglia THREE development further validates this strategy that allows us greater visibility and control in the delivery of these complex projects.

A positive market outlook

With established positions in the traditional oil and gas, maturing fixed offshore wind and emerging floating wind markets, Subsea7 is well-positioned for both near-term and long-term growth. In 2023 we expect revenue and Adjusted EBITDA margins to be higher than 2022. We expect the growth and cash generation of both the subsea and wind businesses to accelerate from 2024 onwards.

In Subsea and Conventional we are focused on capitalising on the current upturn in the oil and gas industry to maximise cash generation and increase returns to shareholders. This has been enabled by our investment over the past decade in the industry’s most capable and modern fleet of vessels that can address the full subsea installation market, including carbon capture, with a low requirement for ongoing investment. Bidding activity in the subsea market remains high, with a tender pipeline of around \$15 billion, up 20% on the prior year. Availability of installation capacity is already tight for 2024, and tightening for 2025, resulting in improved margins on contracts recently awarded and under negotiation.

In Renewables we saw a positive move in the pricing and risk profile of contracts during 2022 and I am confident that recent awards will drive an improvement in our margins and returns in fixed offshore wind. The delivery in the next year of two new build state-of-the-art installation vessels will enable us to capture a leading share of this high-growth market over the coming decade. This will be augmented by our involvement in the nascent markets for emerging energies.

Overall, I am pleased with the progress that Subsea7 made in 2022 and confident that the Group is well-positioned to capture both near-term and longer-term opportunities as we deliver the infrastructure required to move molecules and electrons across the energy landscape.

John Evans
Chief Executive Officer

Make Possible

In 2022 we launched Make Possible, a new way of defining our strategy and our energy transition journey. The dual elements of ‘Lower-Carbon Oil and Gas’ and ‘Renewables and Emerging Energy’ are illustrated on pages 10 and 11 and discussed on pages 12 to 15.

Stronger together

Collaborations and partnerships are firmly part of our DNA and strategic priorities. They enable us to form deep relationships with clients, manage a large and complex supply chain and work with local stakeholders, communities and industry bodies. Through collaborations, partnerships and alliances the energy industry will more effectively meet the challenge of climate change and the energy transition.

Aker BP Subsea Alliance

In December 2022, Aker BP sanctioned the development of its Yggdrasil (formerly NOAKA), Skarv and Valhall PWP-Ferries projects with a strong focus on low emissions. Through early engagement with Aker BP, and subsea alliance partner Aker Solutions, together we optimised field economics against the backdrop of above-normal cost inflation while minimising the development’s carbon footprint including the use of power from shore.

The awards, worth approximately \$1.8 billion to Subsea7, are testament to the benefits of a collaboration that enriches the engineering and design process with the alliance’s collective experiences and know-how built up over decades of successful operations in the subsea industry.

Siemens Energy

In January 2023, we announced a new partnership with Siemens Energy to develop innovative technology for the floating wind market. The technology will enable the connection of multiple wind turbines into one subsea hub, allowing for more flexibility in floating wind farm architecture and construction. The flexibility offered will contribute to lowering the cost of developments, while also delivering higher power availability by enabling efficient maintenance of floating wind systems.

Integrating the skills and capabilities of two industry leaders allows us to accelerate innovation and provide the industry with the next generation of enabling products to unlock the potential of floating wind energy.