Seabed Geosolutions Impacted by Project Postponement and Cancellation

The COVID-19 pandemic and the current low oil price environment will strongly impact Seabed Geosolutions’ activity levels and results this year. A significant ongoing project in the Middle East has been cancelled and another project that was scheduled to start imminently in Brazil has been postponed. In response, Seabed will implement rigorous cost and capex reduction measures. A deepwater project in Brazil, which was due to start shortly, was postponed by the client in relation to the COVID-19 situation. The commercial terms of the postponement have been mutually agreed.

The Middle East project, which was planned to last until March 2021 has, in light of the COVID-19 pandemic, been affected by a deteriorated operating environment and increasing operational complexities. As a result, the client and Seabed’s local partner have decided to terminate the contract with immediate effect. This will trigger one-off project-related charges currently estimated at around EUR 20–30 million, to be recognized in the first quarter of 2020 with a related cash impact of around 50% of this range.

Reducing Operational Footprint

It may also result in an earlier than anticipated buy-back of Manta nodes, pre-financed by Seabed Geosolutions' partner for the duration of the project. Seabed believes that the contract termination was not in line with the contractual terms and Seabed will seek indemnification and/or compensation in order to protect its interest. In addition, depending on market and backlog developments, an additional non-cash impairment might have to be recognized in the second quarter in relation to the valuation of Seabed Geosolutions.

In the first quarter, a project was successfully completed in the Gulf of Mexico, and another project is expected to be completed early May, also with good execution. Although the company is actively pursuing opportunities, backlog is currently limited. Therefore, Seabed is reducing its operational footprint. SG&A expenses will be reduced by around 40%. The company will also apply for available governmental schemes in the countries in which it operates. Additionally, capex is to be strongly reduced.