



**Borr Drilling Limited**

**Q4 2019 results presentation**

**28 February 2019**

# Important information and disclaimer

This presentation (the “Presentation”) has been prepared by Borr Drilling Limited (the “Company”) and sets forth general background information about the Company’s activities current as at the date hereof. Information in this Presentation, including forecast financial information, should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities or other financial products or instruments and does not take into account your particular investment objectives, financial situation or needs. Before acting on any information you should consider the appropriateness of the information having regard to these matters, any relevant offer document and in particular, you should seek independent financial advice. All transactions in securities and financial product or instrument involve risks, such risks include (among others) the risk of adverse or unanticipated market, financial or political developments and, in international transactions, currency risk.

No representation, warranty, or undertaking, express or implied, is made by the Company, its affiliates or representatives, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or the opinions contained herein, for any purpose whatsoever. Neither the Company nor any of their advisors or representatives shall have any responsibility or liability whatsoever (for negligence or otherwise) for any loss howsoever arising from any use of this Presentation or its contents or otherwise arising in connection herewith. All information in this Presentation is subject to updating, revision, verification, correction, completion, amendment and may change materially and without notice. Neither the Company or its affiliates or agents undertake any obligation to provide the recipient with access to any additional information or to update this Presentation or any information or to correct any inaccuracies in any such information. The information contained in this Presentation should be considered in the context of the circumstances prevailing at the time and has not been, and will not be, updated to reflect material developments which may occur after the date hereof.

Matters discussed in this Presentation and any materials distributed in connection herewith may constitute or include forward-looking statements. Forward-looking statements are statements that are not historical facts and may be identified by words such as “believes”, “expects”, “anticipates”, “intends”, “estimates”, “will”, “may”, “continues”, “should” and similar expressions. These forward-looking statements reflect the Company’s beliefs, intentions and current expectations concerning, among other things, the Company’s results of operations, financial condition, liquidity, prospects, growth and strategies. Forward-looking statements include statements regarding: objectives, goals, strategies, outlook and growth prospects; future plans, events or performance and potential for future growth; liquidity, capital resources and capital expenditures; economic outlook and industry trends; developments of the Company’s markets; the impact of regulatory initiatives; and the strength of the Company’s competitors. Forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The forward-looking statements in this Presentation are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management’s examination of historical operating trends, data contained in the Company’s records and other data available from third parties. Although the Company believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and are beyond its control. Forward-looking statements are not guarantees of future performance and such risks, uncertainties, contingencies and other important factors could cause the actual results of operations, financial condition and liquidity of the Company or the industry to differ materially from those results expressed or implied in this Presentation by such forward-looking statements. No representation is made that any of these forward-looking statements or forecasts will come to pass or that any forecast result will be achieved and you are cautioned not to place any undue influence on any forward-looking statement.

This Presentation and the information contained herein does not constitute or form a part of, and should not be construed as, an offer for sale or subscription of or solicitation or invitation of any offer to subscribe for or purchase any securities of the Company and neither this Presentation nor anything contained herein shall form the basis of, or be relied on in connection with, any offer or commitment whatsoever. By reviewing this Presentation, you acknowledge that you will be solely responsible for your own assessment of the market position of the Company and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of the Company’s business.

By reviewing this Presentation, you are deemed to have represented and agreed that you and any persons you represent are located outside of the United States. This Presentation is only addressed to and directed at persons in member states of the European Economic Area who are “qualified investors” as defined in the Prospectus Directive (Directive 2003/71/EC) (“Qualified Investors”). In addition, in the United Kingdom, this Presentation is being distributed only to, and is directed only at (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the “Order”) or (ii) high net worth entities and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together as amended being referred to as “Relevant Persons”). This Presentation must not be acted on or relied on (i) in the United Kingdom, by persons who are not Relevant Persons, and (ii) in any member state of the European Economic Area other than the United Kingdom, by persons who are not Qualified Investors. Any investment or investment activity to which this document relates is available only to Relevant Persons or Qualified Investors or will be engaged in only with Relevant Persons or Qualified Investors.

The information in this Presentation is given in confidence and the recipients of this Presentation should not base any behaviour in relation to qualifying investments or relevant products, as defined in the Financial Services and Markets Act 2000 (“FSMA”) and the Code of Market Conduct, made pursuant to the FSMA, which would amount to market abuse for the purposes of the FSMA on the information in this Presentation until after the information has been made generally available. Nor should the recipient use the information in this Presentation in any way that would constitute “market abuse”.

Neither this document nor any copy of it may be taken, released, published, transmitted or distributed, directly or indirectly, in or into the United States, Canada, Australia or Japan. Any failure to comply with this restriction may constitute a violation of United States, Canadian, Australian or Japanese 4C Securities laws. This document is also not for publication, release or distribution in any other jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction nor should it be taken or transmitted into such jurisdiction and persons into whose possession this document comes should inform themselves about and observe any such relevant laws. No money, securities or other consideration is being solicited, and, if sent in response to this Presentation or the information contained herein, will not be accepted.

## Highlights Q4 and full year 2019

---

- Total operating revenues of \$92.9 million, net loss of \$69.3 million and Adjusted EBITDA of \$1.8 million for the fourth quarter of 2019
- Total operating revenues of \$334.1 million, net loss of \$308.1 million and Adjusted EBITDA of \$(2.6) million for the full year 2019
- Net loss includes includes \$16.4 million accounting loss in equity method investments.
- Sold marketable securities, resulting a total realised loss of \$15.4 million, and improving the liquidity position by \$27.1 million
- Agreed amendments in bank loan covenants to adjust minimum book equity ratio from 40% to 33.3% and the minimum free liquidity covenant from 4.0% to 3.0% of net interest bearing debt
- Entered into a new \$100 million financing arrangement for the newbuild jack-up rig Tivar, scheduled to be delivered from the yard in July 2020, maturing December 31, 2021.
- As part of the Tivar agreement, the delivery of the rigs Vale and Var are expected in Q1 2022

---

The Company uses certain financial information calculated on a basis other than in accordance with accounting principles generally accepted in the United States (US GAAP) including Adjusted EBITDA. Adjusted EBITDA as used herein represent net loss less: depreciation and impairment of non-current assets, amortisation of contract backlog, net financials, gain from bargain purchase and income tax expense. Adjusted EBITDA is included as a supplemental disclosure because the Company believes that the measure provides useful information regarding the Company's operational performance.

# Key Financials Q4 2019

## Income Statement

| USDm                                       | FY 2019        | Q4 2019        | Q3 2019        |
|--|----------------|----------------|----------------|
| <b>Operating revenues</b>                  | <b>334.1</b>   | <b>92.9</b>    | <b>102.7</b>   |
| Gain on disposals                          | 6.4            | 2.6            | -              |
| Rig operating and maintenance expenses     | (307.9)        | (81.6)         | (87.9)         |
| Depreciation                               | (101.4)        | (27.1)         | (25.8)         |
| Impairment                                 | (11.4)         | -              | -              |
| Amortisation of contract backlog           | (20.2)         | (1.6)          | (4.1)          |
| G&A  | (50.4)         | (15.4)         | (10.9)         |
| <b>Total operating expenses</b>            | <b>(491.2)</b> | <b>(125.7)</b> | <b>(128.7)</b> |
| <b>Operating loss</b>                      | <b>(150.7)</b> | <b>(30.2)</b>  | <b>(26.0)</b>  |
| <b>Loss from equity method investments</b> | <b>(18.0)</b>  | <b>(16.4)</b>  | <b>(1.6)</b>   |
| Financial income (expenses)                | (128.1)        | (18.0)         | (47.8)         |
| <b>Loss before income taxes</b>            | <b>(296.9)</b> | <b>(64.6)</b>  | <b>(75.4)</b>  |
| Tax  | (11.2)         | (4.7)          | (3.8)          |
| <b>Net loss</b>                            | <b>(308.1)</b> | <b>(69.3)</b>  | <b>(79.2)</b>  |

## Comments Q4 2019

- **Revenues** decreased quarter on quarter mainly due to less operating days
- **Rig operating and maintenance expenses** decreased due to:
  - Lower amortisation of mobilisation costs of \$4.1million
- **Amortization of contract backlog** relates to acquired contracts from the Paragon transaction
- **G&A** increased by \$4.5 million mainly due to one-off fees
- **Loss from equity method investments** related mainly to an unplanned geological event in our IWS joint venture in Mexico
- **Total financial expenses, main items**
  - Net interest expense of \$23.6 million
  - Mark-to-market gains of \$7.5 million on forward contracts
  - Realised loss from sale of debt securities of \$15.4 million since purchase, loss during the quarter was \$3.4 million
  - Mark-to-market gain of \$1.9 million on the Call Spread derivative related to the convertible bonds

# Key Financials Q4 2019

## Balance Sheet Key Numbers

| USDm                      | Q4 2019 | Q3 2019 | Q4 2018 |
|---------------------------|---------|---------|---------|
| Total assets              | 3,280.0 | 3,199.5 | 2,913.7 |
| Total liabilities         | 1,994.9 | 1,848.6 | 1,380.2 |
| Total equity              | 1,285.1 | 1,350.9 | 1,533.5 |
| Cash and cash equivalents | 59.1    | 39.5    | 27.9    |
| Restricted cash           | 69.4    | 77.1    | 63.4    |

## Comments Q4 2019

- Total assets increased by US\$80.5 million due to delivery of one newbuild, “Hermod”, offset by depreciation
- Total liabilities increased by US\$146.3 million, mainly attributable to
  - \$90.1 million in long-term debt for the delivery of Hermod
  - \$30.0 million drawdown in bank debt
  - \$12.7 million in liabilities from equity method investments
- Total available free liquidity (excluding restricted cash) was \$94.1 million, including undrawn amounts under credit facilities of \$35.0 million.

# Fleet Status Report February 2020

## Contractual Developments

|                    |    | Operating / Committed | Available | Cold Stack | Under Construction |
|--------------------|----|-----------------------|-----------|------------|--------------------|
| Premium Jack-Ups   | 30 | 16                    | 6         | 2          | 6                  |
| Standard Jack-Ups  | 4  | 2                     | 1         | 1*         |                    |
| Total Jack-Ups     | 34 |                       |           |            |                    |
| Semi - Submersible | 1  | 1                     |           |            |                    |
| Total Fleet        | 35 | 19                    | 7         | 3          | 6                  |

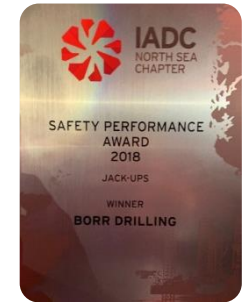
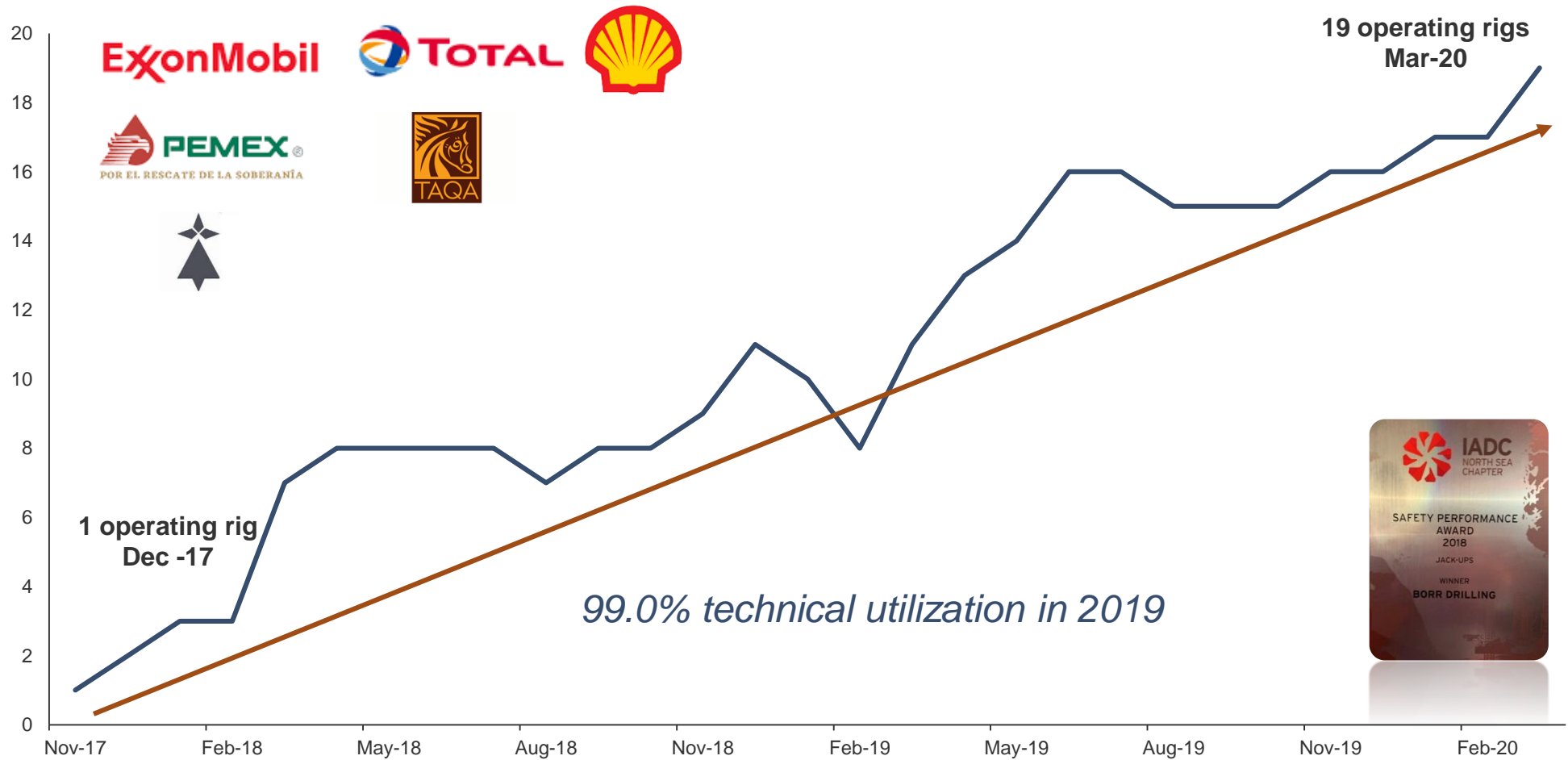
## Other Fleet Updates

| Time   | Rig          | Client     | Contract Status                         |
|--------|--------------|------------|---|
| Oct-19 | Galar        | Pemex      | Contract: Q1 2020 to Q2 2021            |
| Oct-19 | Njord        | Pemex      | Contract: Q1 2020 to Q2 2021            |
| Nov-19 | Saga         | Eni        | Contract: Q1 2020 to Q2 2020            |
| Nov-19 | B152         | ADOC/ADNOC | 9 Months Contract Extension from Nov 30 |
| Dec-19 | Prospector 5 | CNOOC      | Contract: Q3 2020 to Q3 2021            |
| Jan-20 | Idun         | JVPC       | Contract: Q1 2020 to Q3 2020            |
| Dec-19 | Prospector 5 | Neptune    | 2 Months Contract Extension from Dec 31 |
| Jan-20 | Prospector 5 | Perenco    | Contract: Q1 2020 to Q3 2020            |
| Jan-20 | Mist         | ROC Oil    | LOA: Q2 2020 to Q4 2020                 |

\* Includes Eir, which is under sales agreement, expected to be concluded early 2020, subject to conditions

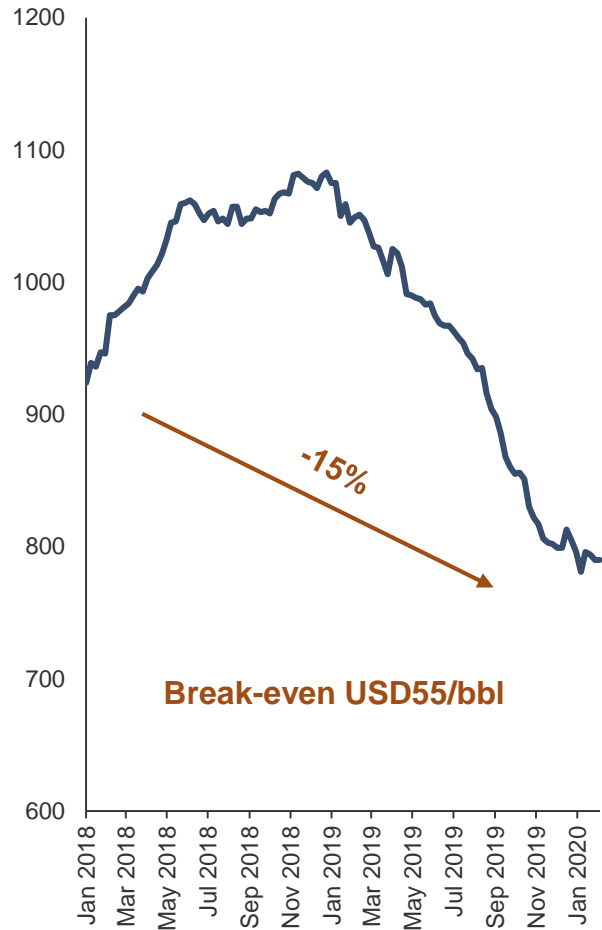
# From 0 to 19 rigs in operations – achieved critical mass in all regions

Growth from 1 to 19 rigs after 26 months in operations

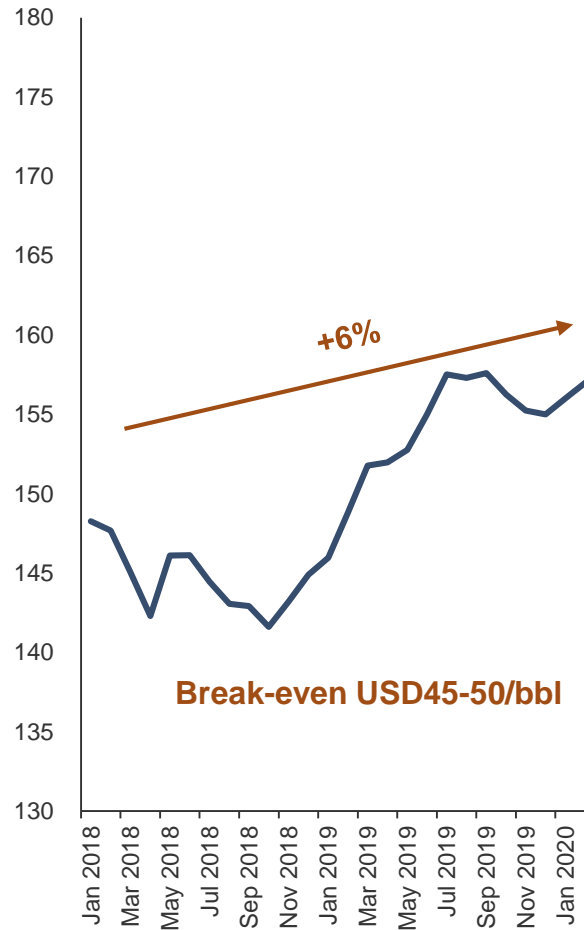


# Jack-up demand growing – shallow water has lowest break even cost

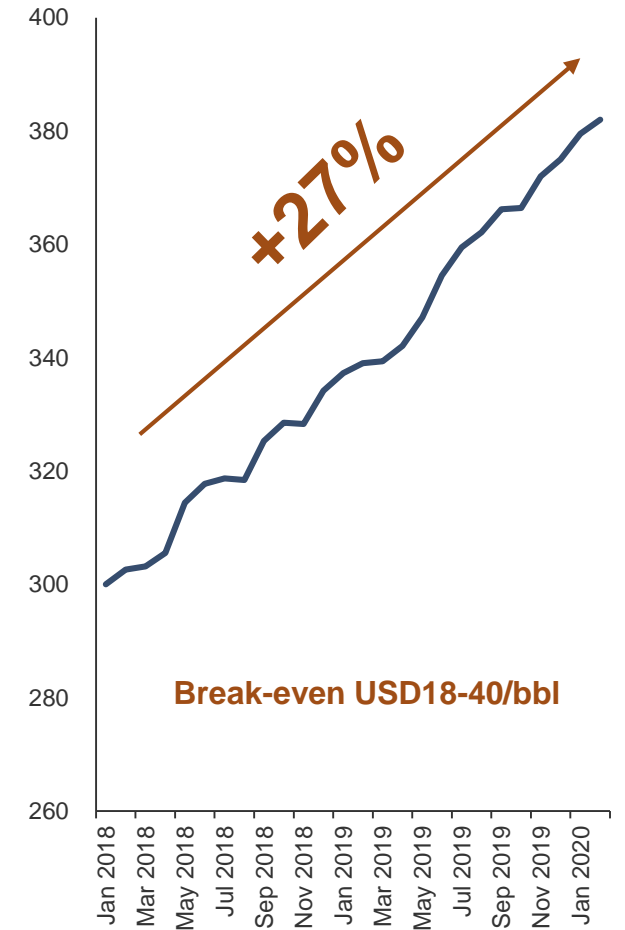
### US onshore rig count



### Floater rig count



### Jack-up rig count

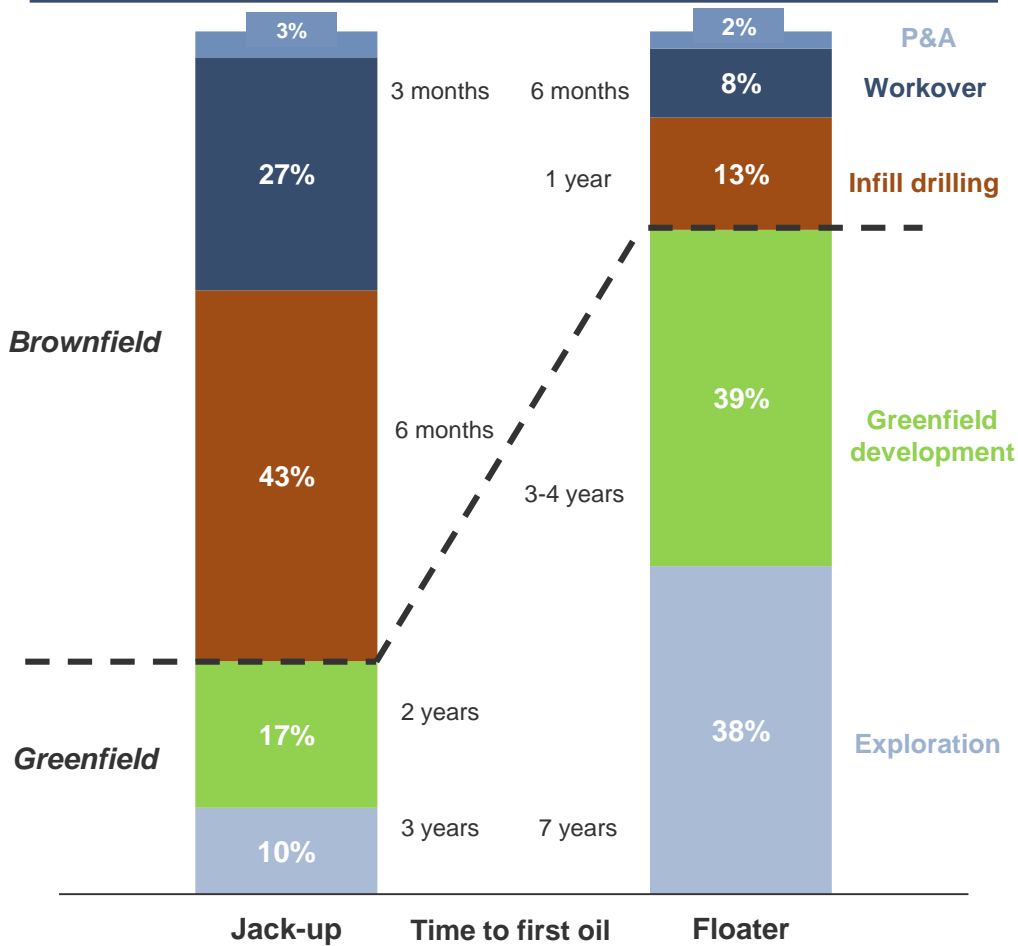


Source: Bloomberg and IHS, Rystad

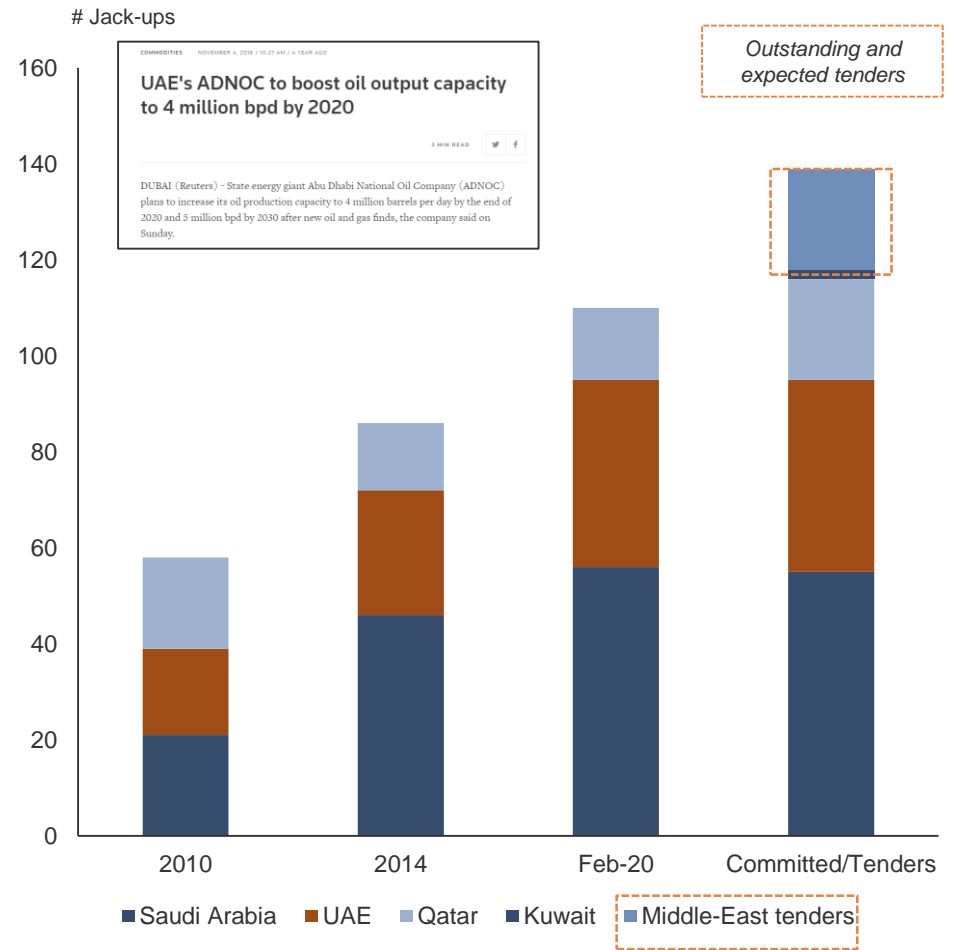


# Jack-up demand growing – shallow water has faster payback

Jack-up demand is mainly brownfield



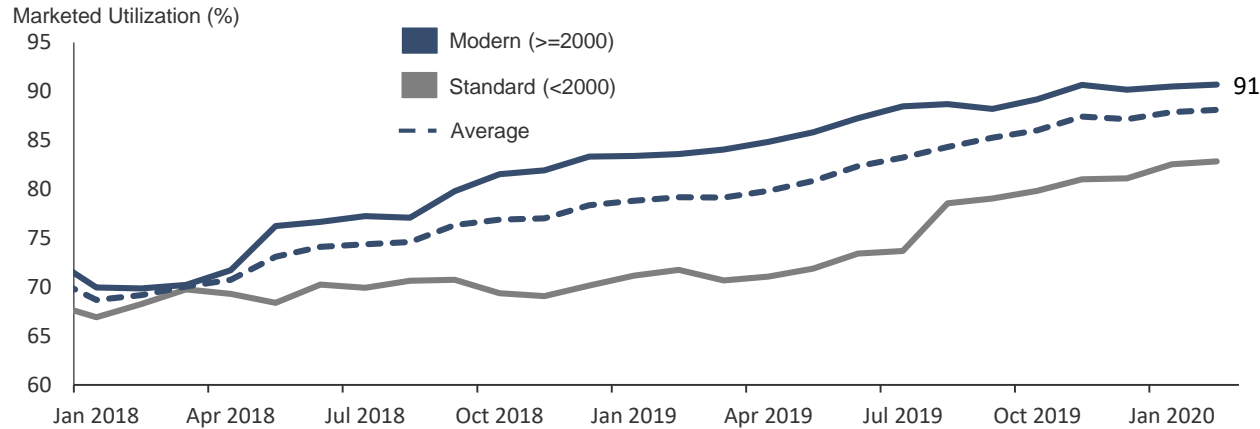
Core countries are drilling significantly more today



Source: IHS Petrodata, DNB Markets, Borr Drilling

# Modern replacing standard rigs – Borr very well positioned

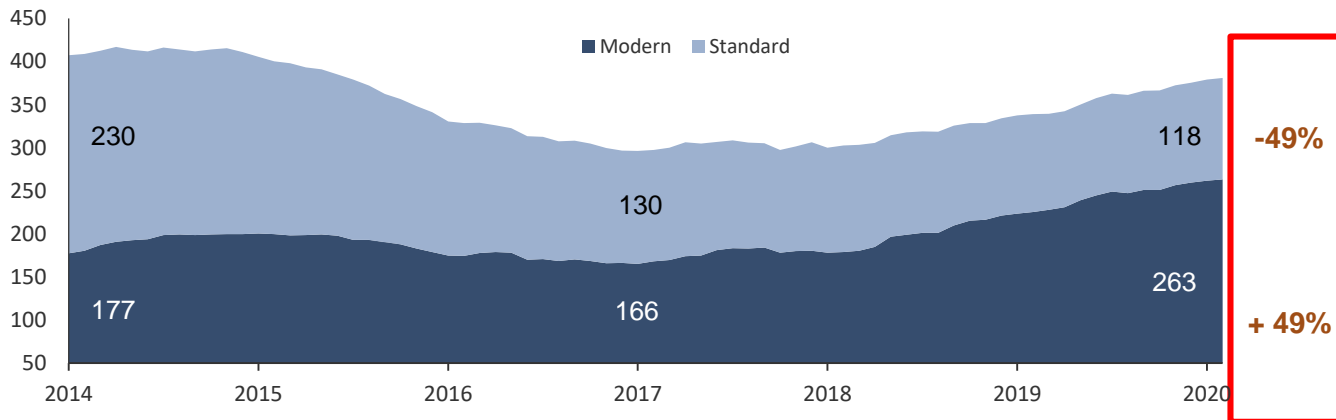
## Marketed Utilization continues to trend upwards...



## Modern JU availability is tight

| Supply and Demand matrix<br>Modern rigs | # of rigs |
|---|-----------|
| Total fleet                             | 305       |
| Not marketed                            | 16        |
| Marketed fleet                          | 289       |
| Marketed utilisation                    | 91%       |
| Contracted fleet                        | 263       |

## ... while market bifurcation continues to play out



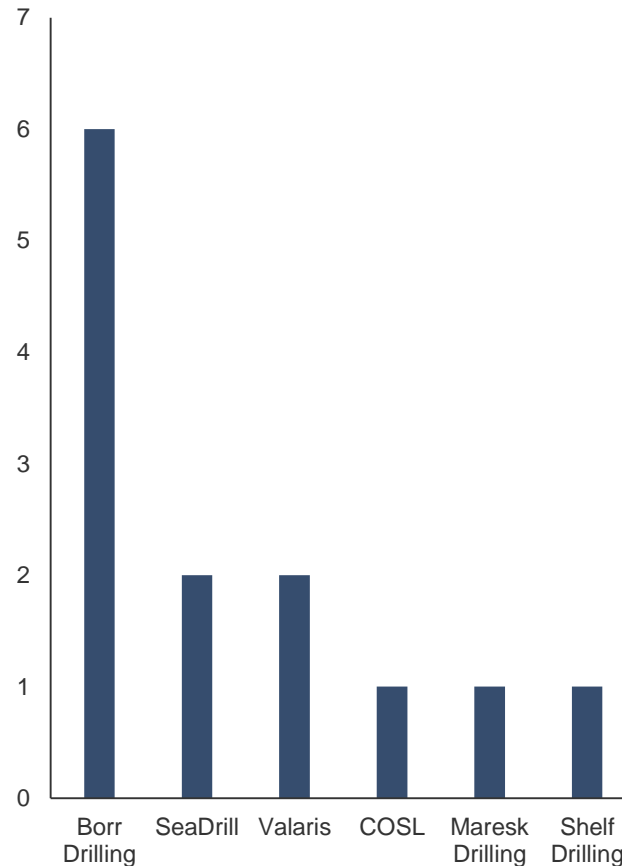
Source: IHS, Borr Drilling

# Available modern rig capacity largely depleted – Borr very well positioned

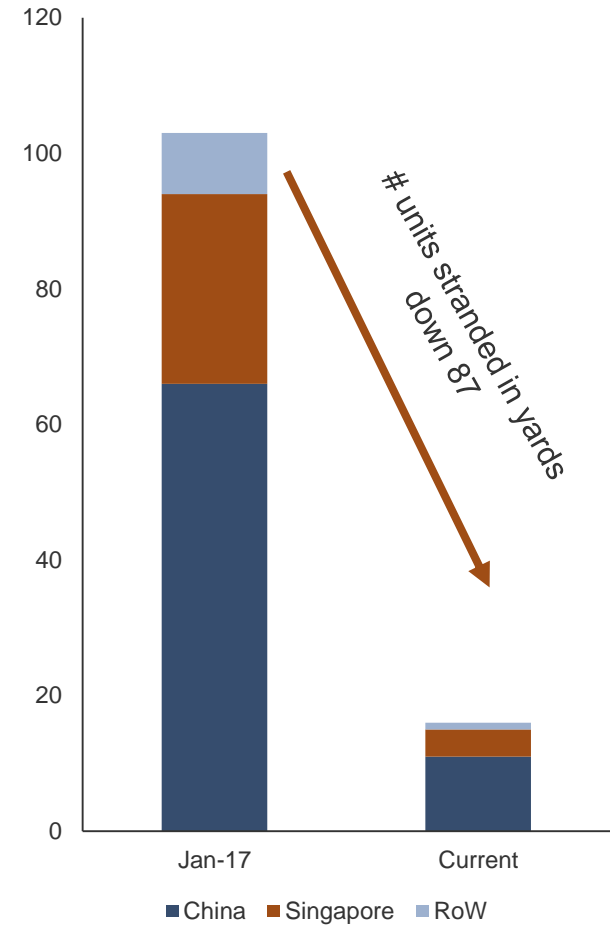
**Visible incremental demand**

|                   |               |
|-------------------|---------------|
| Middle East       | 19            |
| Mexico            | 10            |
| South-east Asia   | 7             |
| West Africa       | 3             |
| India             | 2             |
| Rest of the world | ?             |
| <b>Total</b>      | <b>&gt;41</b> |

**Borr controls > 1/3 of available capacity**



**Only 12 rigs with same standard as the Borr rigs left**



# Industry backlog and contract length increasing – dayrate increases to continue

## Trailing 12 months contracted days back at 2013 peak

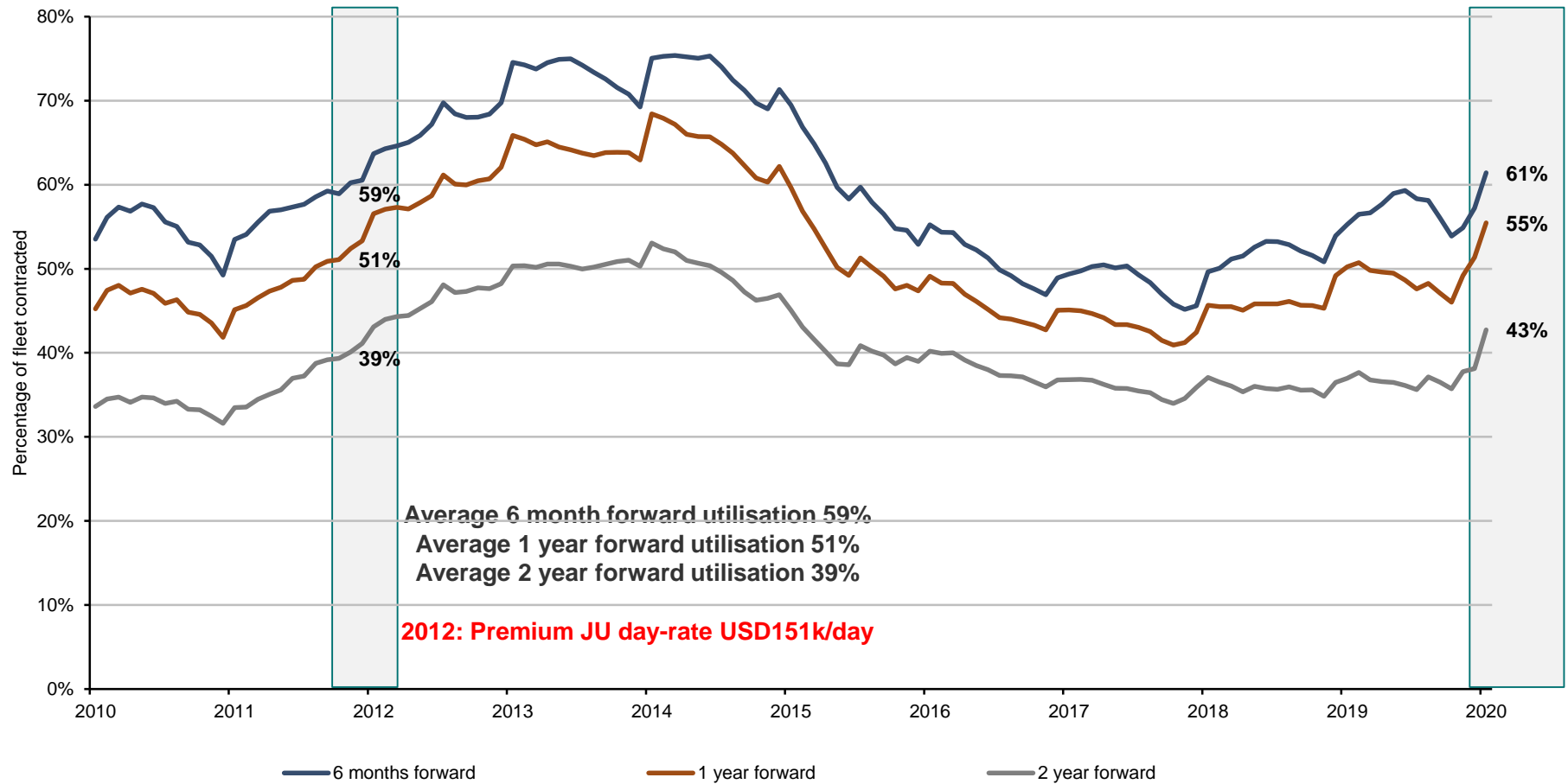


## Average contract length past 2013 peak



# Forward utilisation now at 2012 levels

## Forward utilisation all jack-ups



# Summary

---

- **Jack-up market approaching inflection point of utilisation and dayrates**
- **Borr very well positioned in all key operating regions**
- **2020 focus on strengthening balance sheet and cashflow building on:**
  - Activity having reached critical mass
  - Stringent rig activation criteria
  - Tight control on cost and working capital
  - Strategic and opportunistic asset sales
- **Aiming for positive operating income and operating cashflow for 2020**

