Borr Drilling Limited

Q2 2019 results presentation
29 August 2019

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Highlights

- Operating revenues of $86.6 million, net loss of $103.2 million and Adjusted EBITDA of negative $4.9 million for the second quarter of 2019
- Technical utilization for the operating rigs was 98.8% in the second quarter and 99.0% for the first six months of 2019
- The results include $31.5 million in mark to market losses related to Valaris forward contracts
- Total accumulated backlog awarded in 2019 of $300 million and 3600 days
- Completed loan financing in a total amount of $645 million and thereby the existing fleet is fully financed with no final maturity until 2022.
- Completed the successful activation/reactivations and commencement of contracts for five premium jack-up rigs in the second quarter, and three after quarter end
- Completed the initial public offering on New York Stock Exchange under the ticker BORR, issuing 5,750,000 shares at a price of $9.30 per share

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 Q2 2019

Income Statement

USDm	YTD 2019	Q2 2019	Q1 2019
Operating revenues	**138.5**	**86.6**	**51.9**
Gain on disposals	3.9	3.9	-
Rig operating and maintenance expenses	(138.5)	(81.4)	(57.1)
Depreciation	(48.5)	(24.6)	(23.9)
Impairment	(11.4)	-	(11.4)
Amortisation of contract backlog	(14.5)	(7.1)	(7.4)
G&A	(24.1)	(14.0)	(10.1)
Total operating expenses	**(237.0)**	**(127.1)**	**(109.9)**
Operating loss	**(94.6)**	**(36.6)**	**(58.0)**
Total financial income (expenses), net	(62.3)	(64.1)	1.8
Loss before income taxes	**(156.9)**	**(100.7)**	**(56.2)**
Tax	(2.7)	(2.5)	(0.2)
Net loss	**(159.6)**	**(103.2)**	**(56.4)**
Basic loss per share ($/share)	(1.52)	(0.98)	(0.52)

Comments Q2 2019

- Operating revenues increase was mainly due to the commencement of contracts for five rigs in the quarter and improved rates on MSS1
- Gain on disposals related to sale of the standard rigs “Baug” and “C20051”
- Rig operating and maintenance expenses increase was primarily driven by five more rigs in operation in the second quarter as compared to the first quarter of 2019, partly offset by lower reactivation costs as
- Impairment in Q1 2019 relates to the anticipated sale of the cold stacked, standard jack-up rig “Eir”, sale to be completed early in 2020 for $3 million with subjects.
- Amortization of contract related to acquired contracts from the Paragon transaction. We expect the remaining $5.6 million will be fully amortised by the end of 2019.
- G&A includes $1.0 million non-cash charges linked to long-term share option program, in addition to higher legal costs and professional fees in the quarter
- Total financial income (expenses), net includes
  - mark-to-market losses on forward contracts relating for shares in Valaris of $31.5 million,
  - other financial expenses of $8.3 million, mainly consisting of the expensing of previously capitalised costs related to refinanced debt;
  - a mark-to-market loss on the Call Spread derivative related to the Company’s convertible bonds of $5.2 million
  - interest expense of $20.1 million (additionally, interest of $4.~~54~~ million was capitalised in the quarter)

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Key Financials Q2 2019

Balance Sheet Key Numbers

USDm	Q2 2019	Q1 2019	Q4 2018
Total assets	3,196.0	3,098.4	2,913.7
Total liabilities	1,823.1	1,626.6	1,380.2
Total equity	1,372.9	1,471.8	1,533.5
Cash and cash equivalents	44.8	29.4	27.9
Restricted cash	62.0	29.4	63.4

Movements in 2019

- Total assets increased by US$282.3 million primarily due to
  - Acquisition of "Thor" at the end of March 2019
  - Delivery of the newbuilding "Njord" in January

  Offset by:
  - Ordinary depreciation
  - Impairment of US$11 million for sale of standard Jack-up drilling "Eir" rig in Q1 2019

- Total liabilities increased by US$442.9 million, mainly attributable to
  - US$398.6 million in long-term debt
  - Increase in current liabilities

- Total available free liquidity (cash and cash equivalents excluding restricted cash, plus available amounts under available credit facilities) at the end of the second quarter was $119.8 million, including undrawn amounts under credit facilities of $75.0 million.

Fleet Status Report August 2019

Contractual Developments

		Operating / Committed	Available	Cold Stack	Under Construction
Premium Jack-Ups	30	12	8	2	8
Standard Jack-Ups	4	2	1	1 *	
Total Jack-Ups	34				
Semi - Submersible	1	1			
Total Fleet	35	15	9	3	8

Other Fleet Updates

Time	Rig	Client	Contract status
Apr-19	Odin	PanAmerican	Commenced contract
Apr-19	Gerd	Exxon	Commenced contract
Apr-19	Natt	First E&P	Commenced contract
Apr-19	Ran	Spirit Energy	Commenced contract
May-19	Groa	Exxon	Commenced contract
May-19	Prospector 5	Neptune	Commenced contract
May-19	Mist	Vestigo	Commenced contract
Jul-19	Dhabi II	ADNOC	3 Years Extension from July 19
Aug-19	Grid	Pemex	Commenced contract
Aug-19	Gersemi	Pemex	Commenced contract
Aug-19	Odin	Pemex	Contract: Q3 2019 to Q2 2021
Aug-19	Prospector 1	Undisclosed	LOA: Q4 2019 to Q1 2020
Aug-19	Prospector 5	Undisclosed	LOA: Q3 2020 to Q3 2021

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

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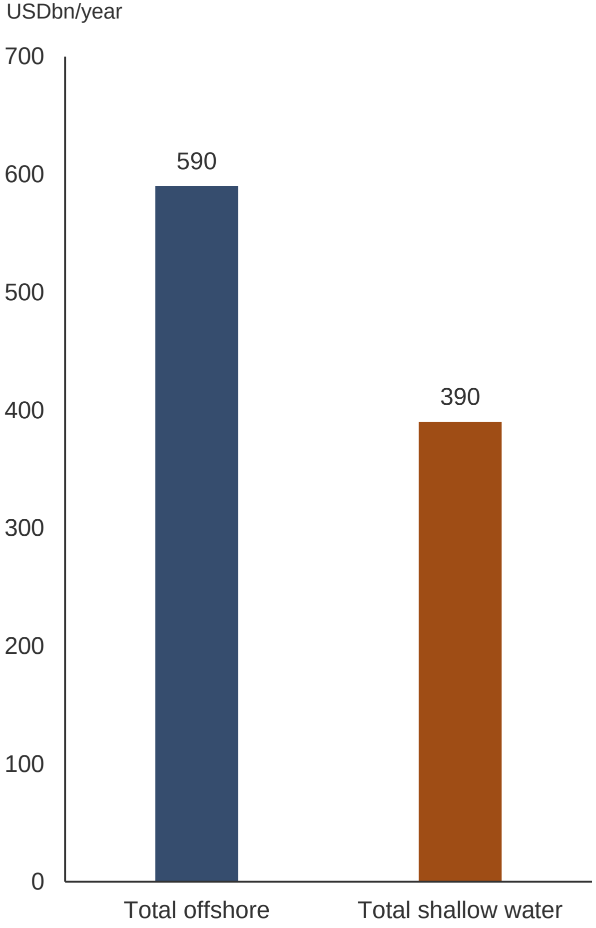
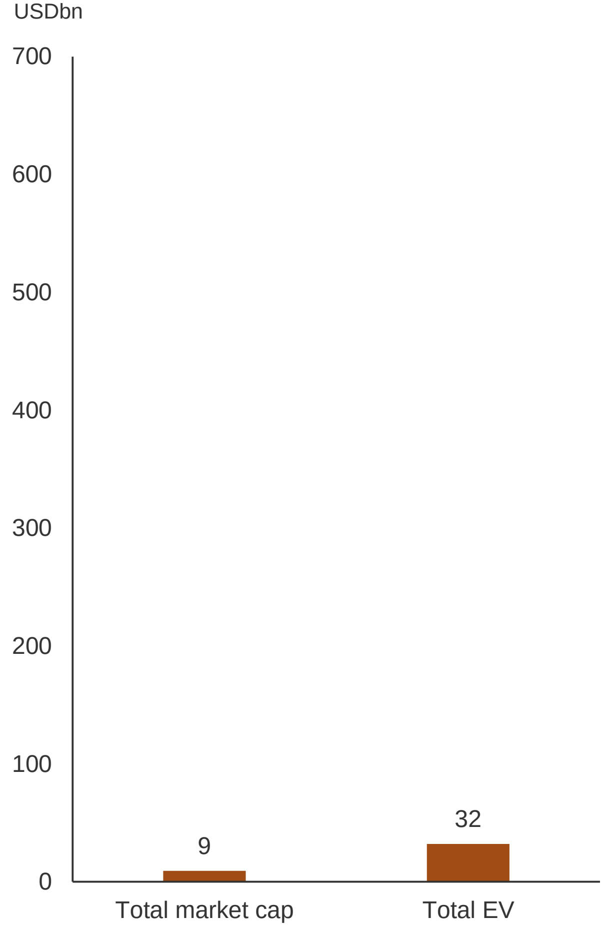
Is offshore drilling obsolete?

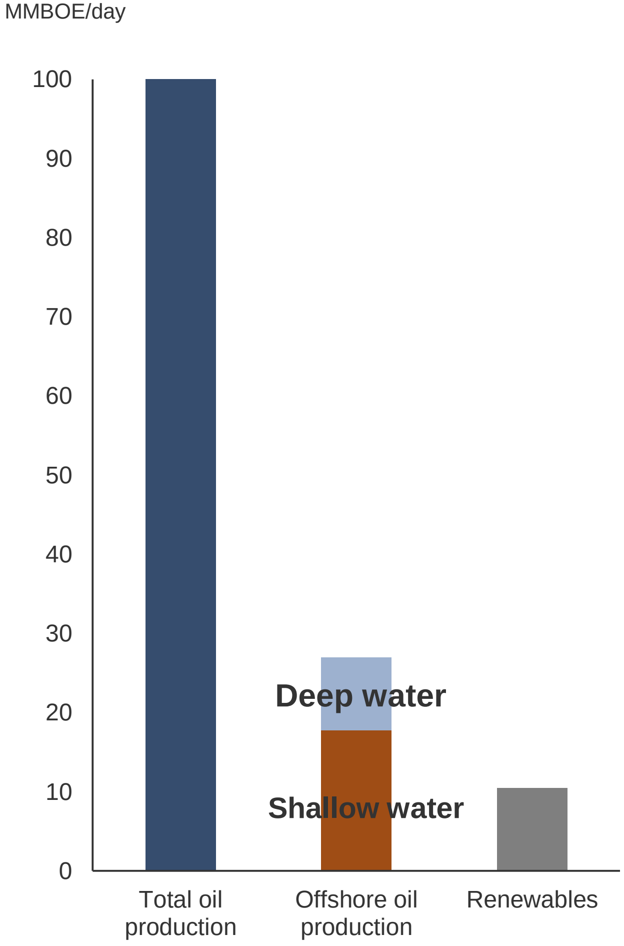
Value of oil produced offshore per year[1]



Value public offshore drilling industry



Offshore is ~3x size of renewables



1) Based on USD60/brl – total offshore oil production 27m

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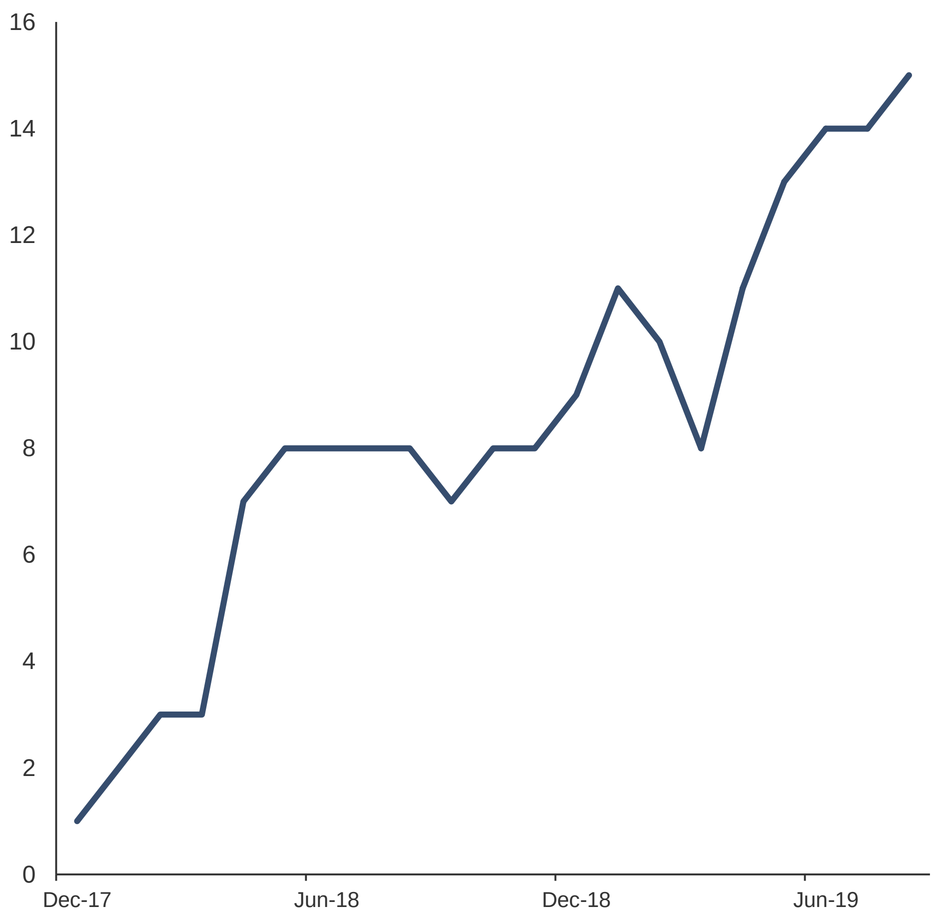
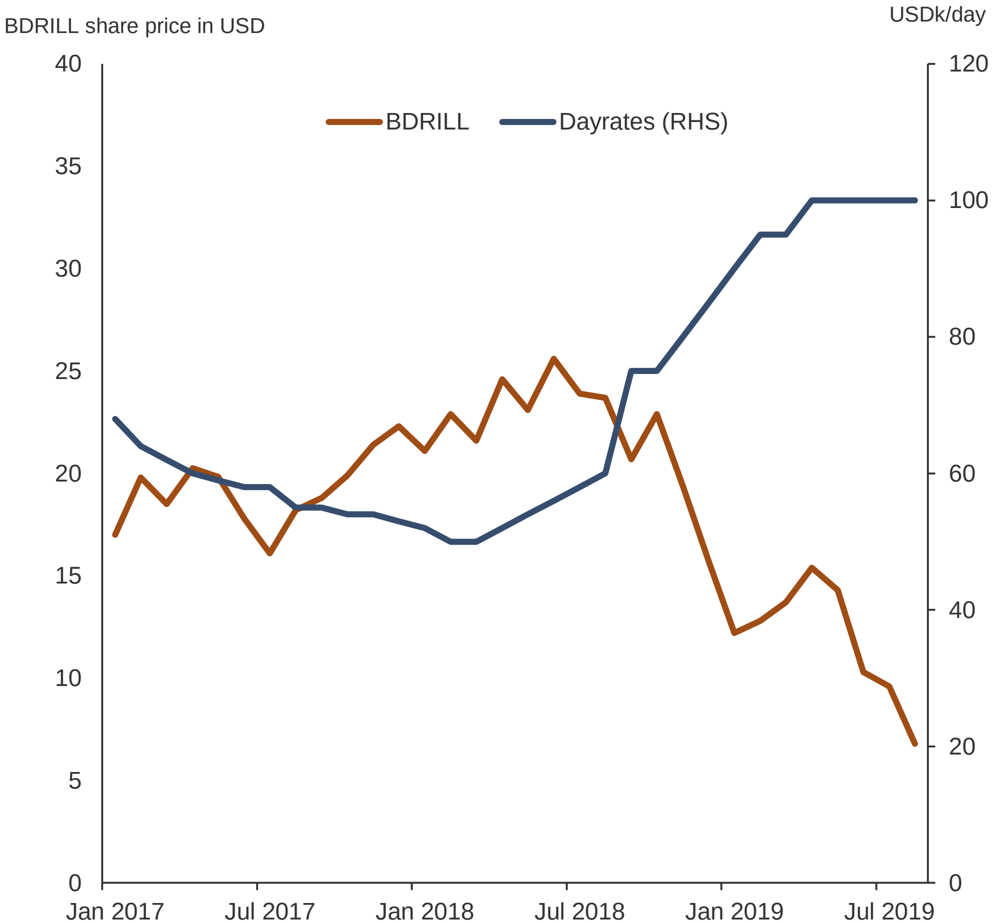
Day-rates up – share price down

Borr Drilling # rigs operating



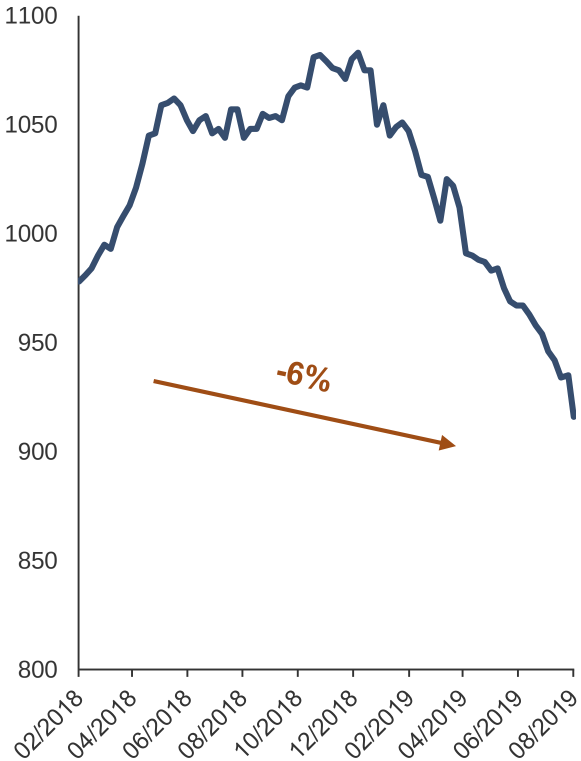
Day-rates up – share price down



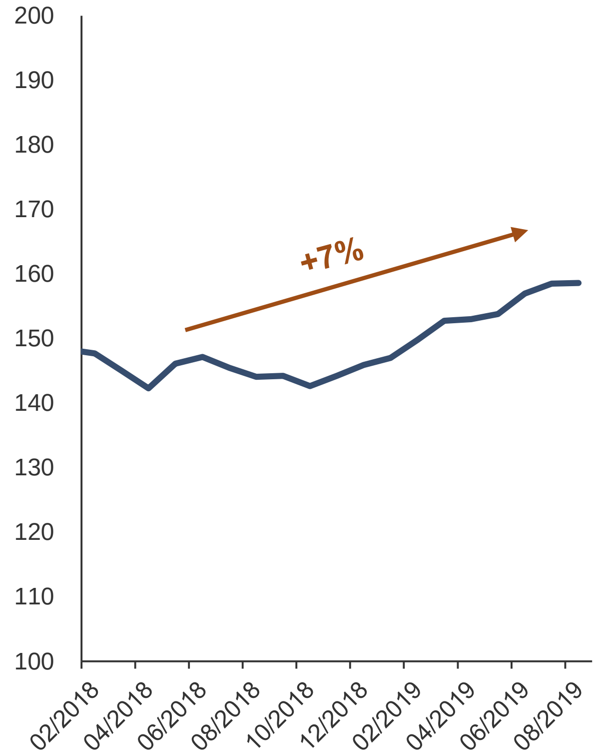
Source: Borr Drilling, DNB Markets

Jack-up market is a growth market – shallow water the place to be

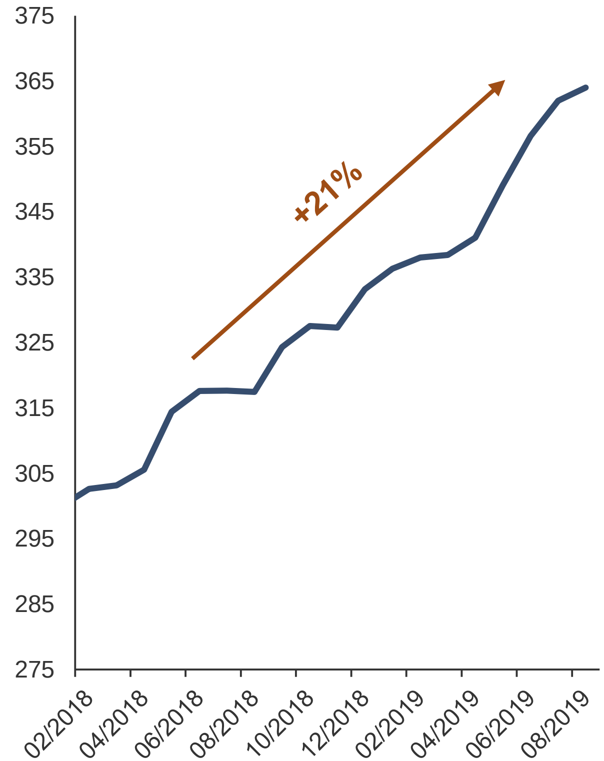
US onshore rig count



Floater rig count



Jack-up rig count



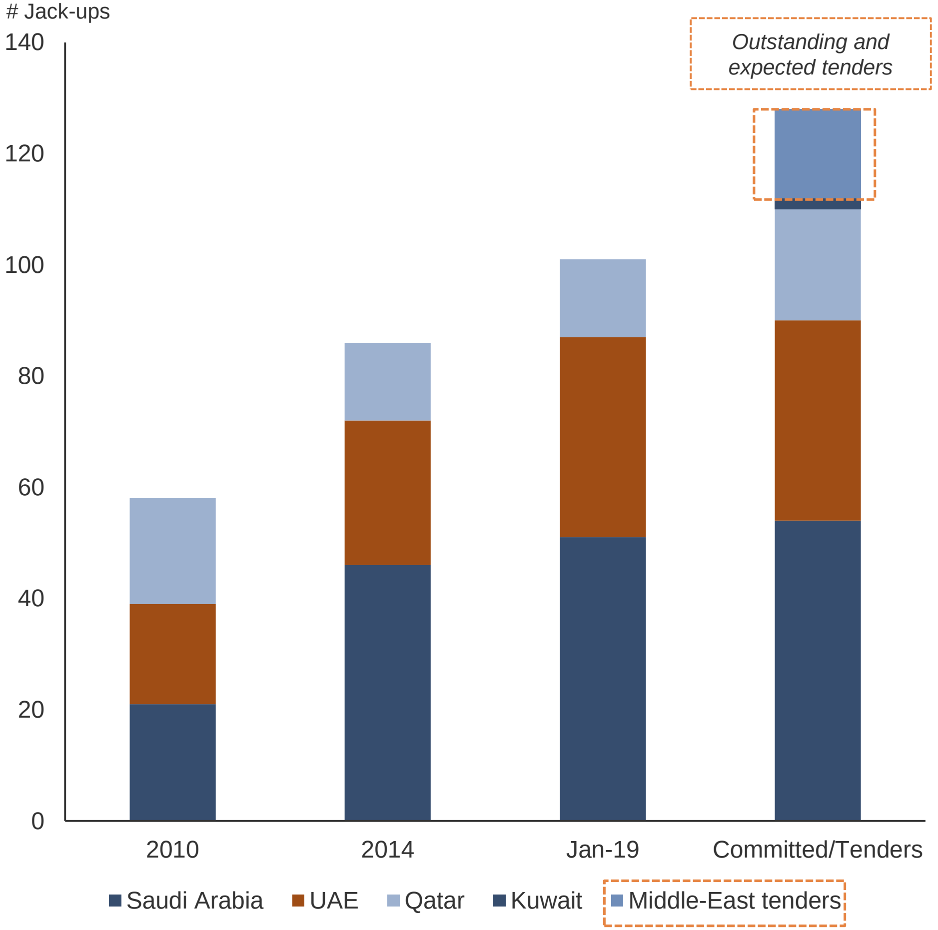
"As offshore momentum builds, shallow water rig activity grew by 14% in the first half…" - "offshore exploration is up more than 30% y/y"
– Schlumberger Q2 conference call

I'm excited by what I see internationally, a continue broad–based recovery across multiple geographies, primarily driven by land and shallow water"
– Halliburton CEO Q2 conference call

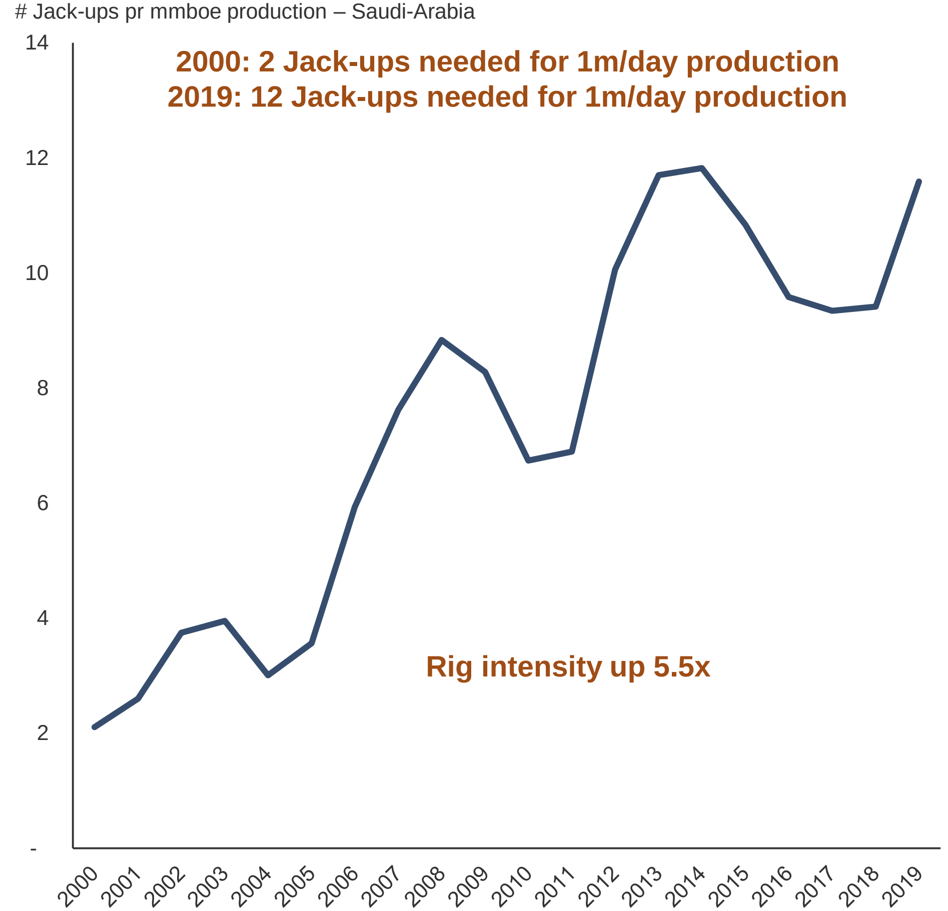
Source: Bloomberg and IHS

The jack-up market is growing

Core countries are drilling significantly more today



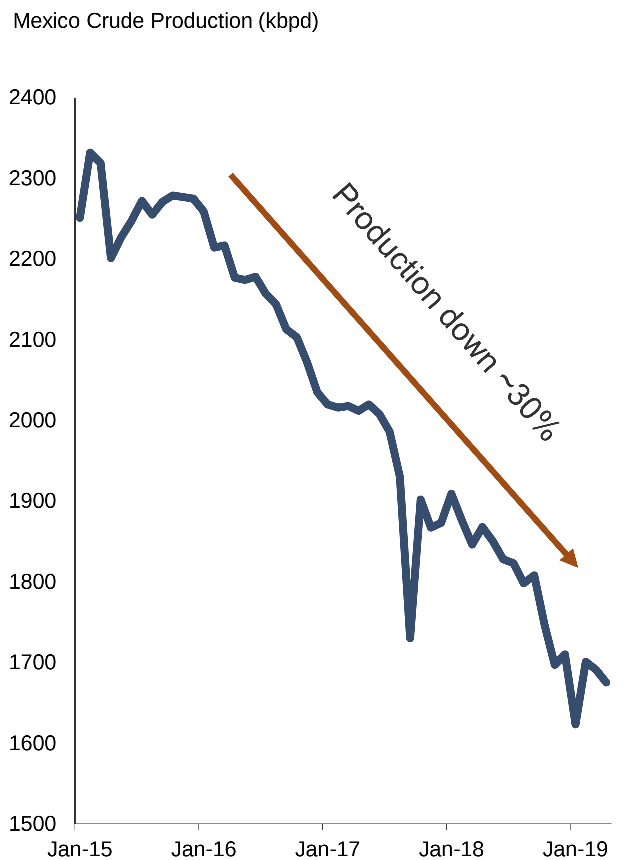
Rig intensity going up



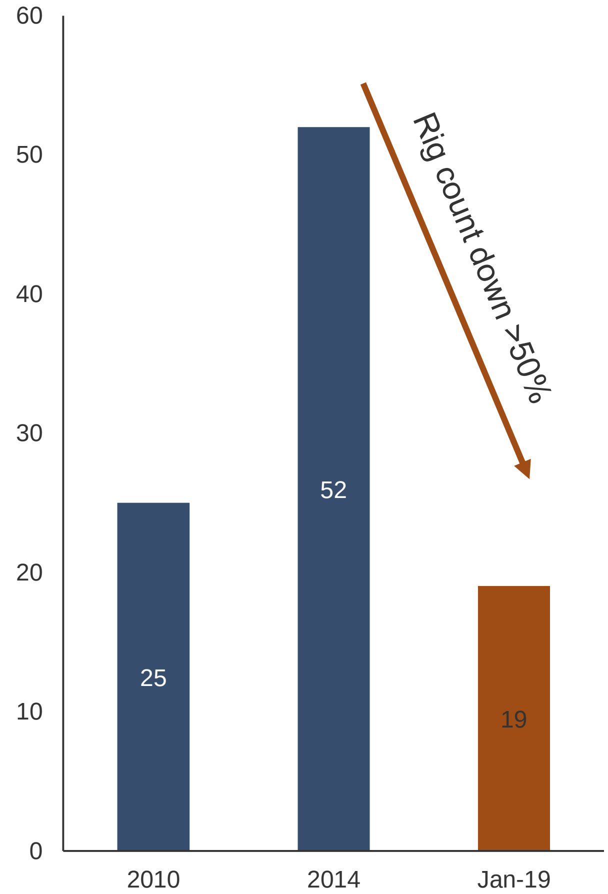
Source: IHS Petrodata, DNB Markets, Borr Drilling

You need to drill to get oil – Mexico activity coming back

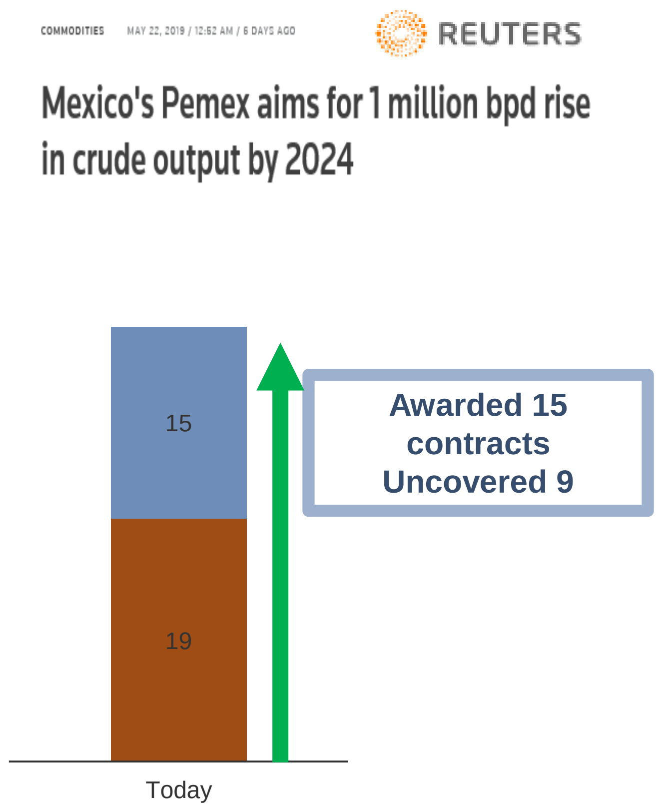
Mexican production is dropping



due to less drilling



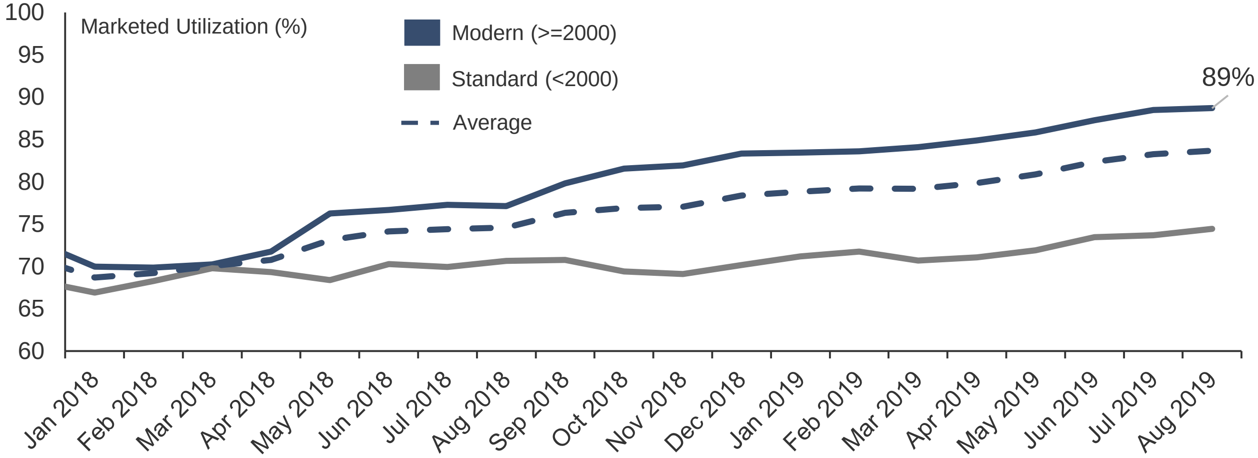
Activity is coming back now



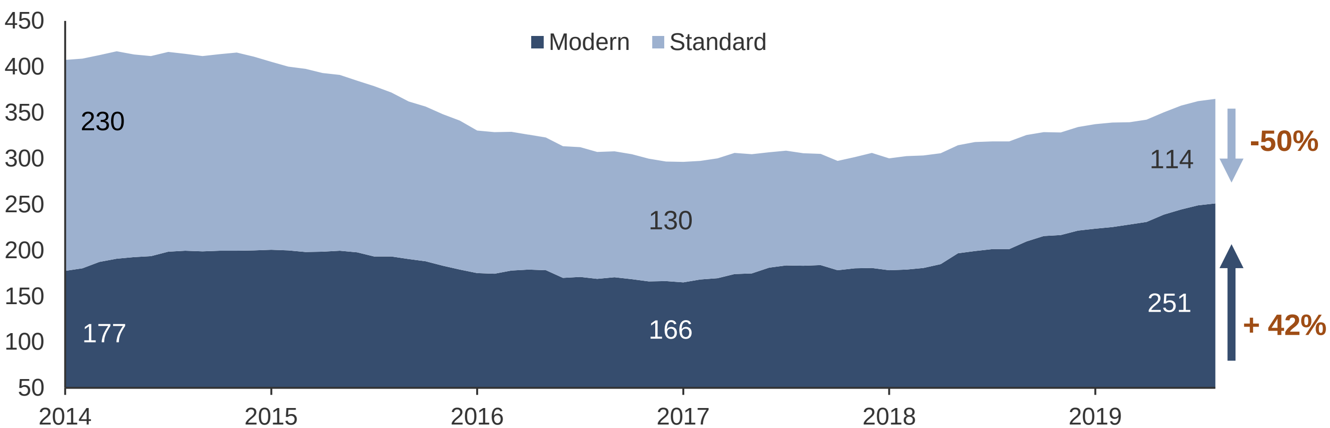
Source: Rystad Energy, Borr Drilling

Market trends confirming the modern rig strategy

Marketed Utilization continues to trend upwards…



… while market bifurcation continues to play out



Modern JU availability is tight

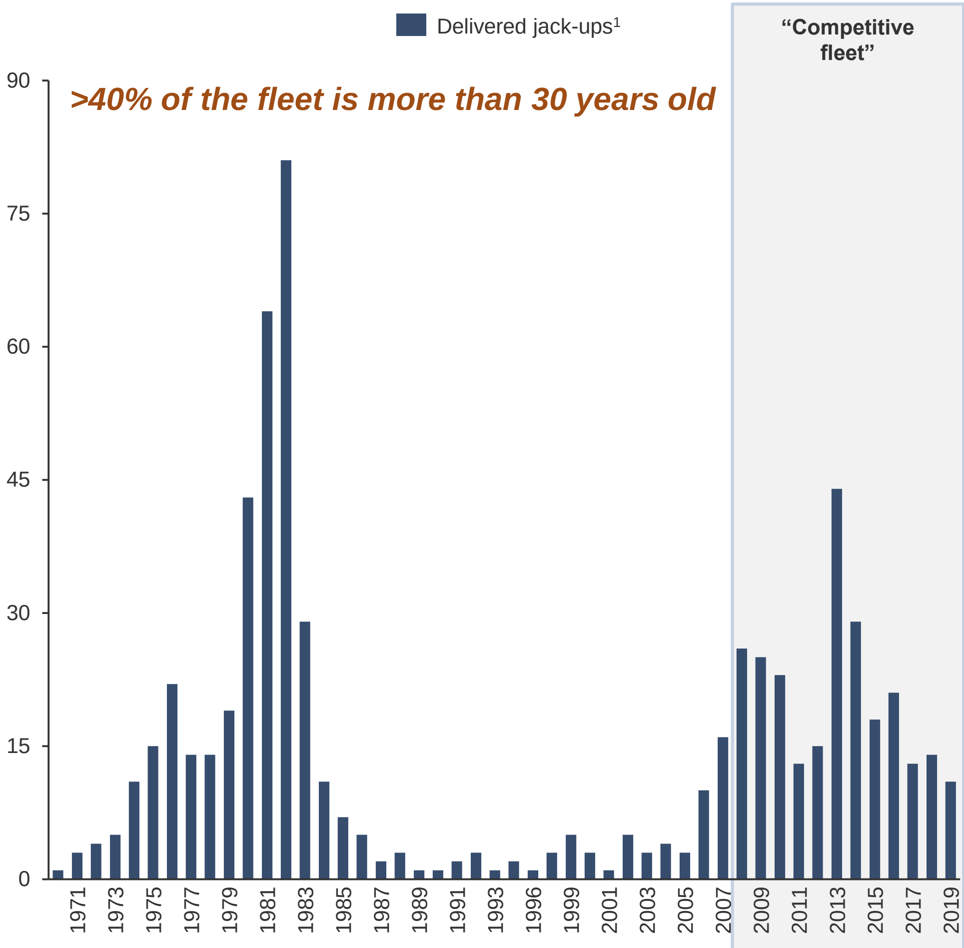
Supply and Demand matrix Modern rigs	# of rigs
Total fleet	295
Not marketed	12
Marketed fleet	283
Marketed utilisation	89%
Contracted fleet	251

Utilization competitive modern jackups	Mar 2019	Jun 2019	Aug 2019
North Sea	96%	97%	97%
Middle East	88%	92%	94%
West Africa	91%	100%	100%

Source: IHS, Borr Drilling

Why modern jack-ups?

Large part of the fleet is old



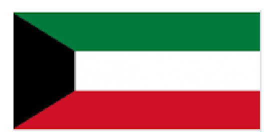
Old rigs are not qualified for key tenders

NOC 2018 tender (1 – 2 Rigs)
Age requirement: 2008 or newer
QatarGas 2019 tender (6 – 8 rigs)
Age requirement: 2011 or newer

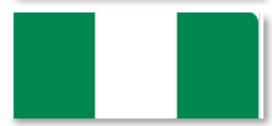
Pemex 2019 tender (6 – 8 Rigs)
Age requirement: 2008 or newer
ENI 2019 tender (1 Rig)
Age requirement: 2008 or newer
Hochki 2019 tender (1 Rig)
Age requirement: 2003 or newer

ADNOC 2017 tender (8-10 Rigs)
Age requirement: 2011 or newer

Chevron 2018 tender (3 Rigs)
Age requirement: 2008 or newer
PTTEP 2019 Tender (1 Rig)
Age requirement: 2008 or newer



KOC 2018 tender (2 Rigs)
Age requirement: 2008 or newer



Chevron 2019 tender (1 Rig)
Age requirement: 2003 or newer

Source: Rystad Energy and Management data
Note (1): As of 12 June, 11 jack-up rigs have been delivered in 2019

Jack-up rig count set to surpass 400

Current contract rig count of 365 units set to increase by at least another 40

	Visible incremental demand
Middle-East	16
South East Asia	10
Mexico	11
West Africa	5
India	3
Rest of the world	?
Total	**>40**

Source:

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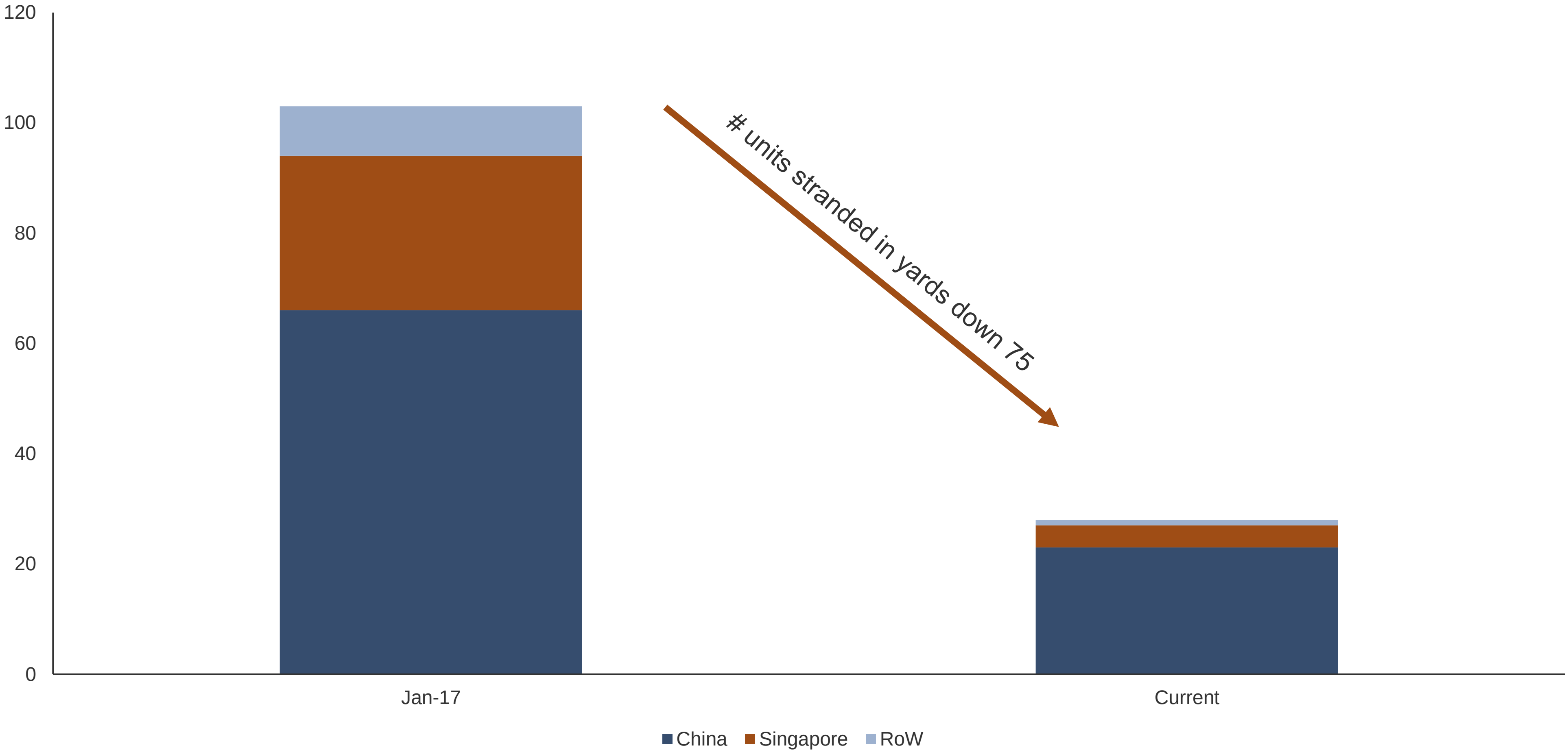
Yard supply quickly diminishing

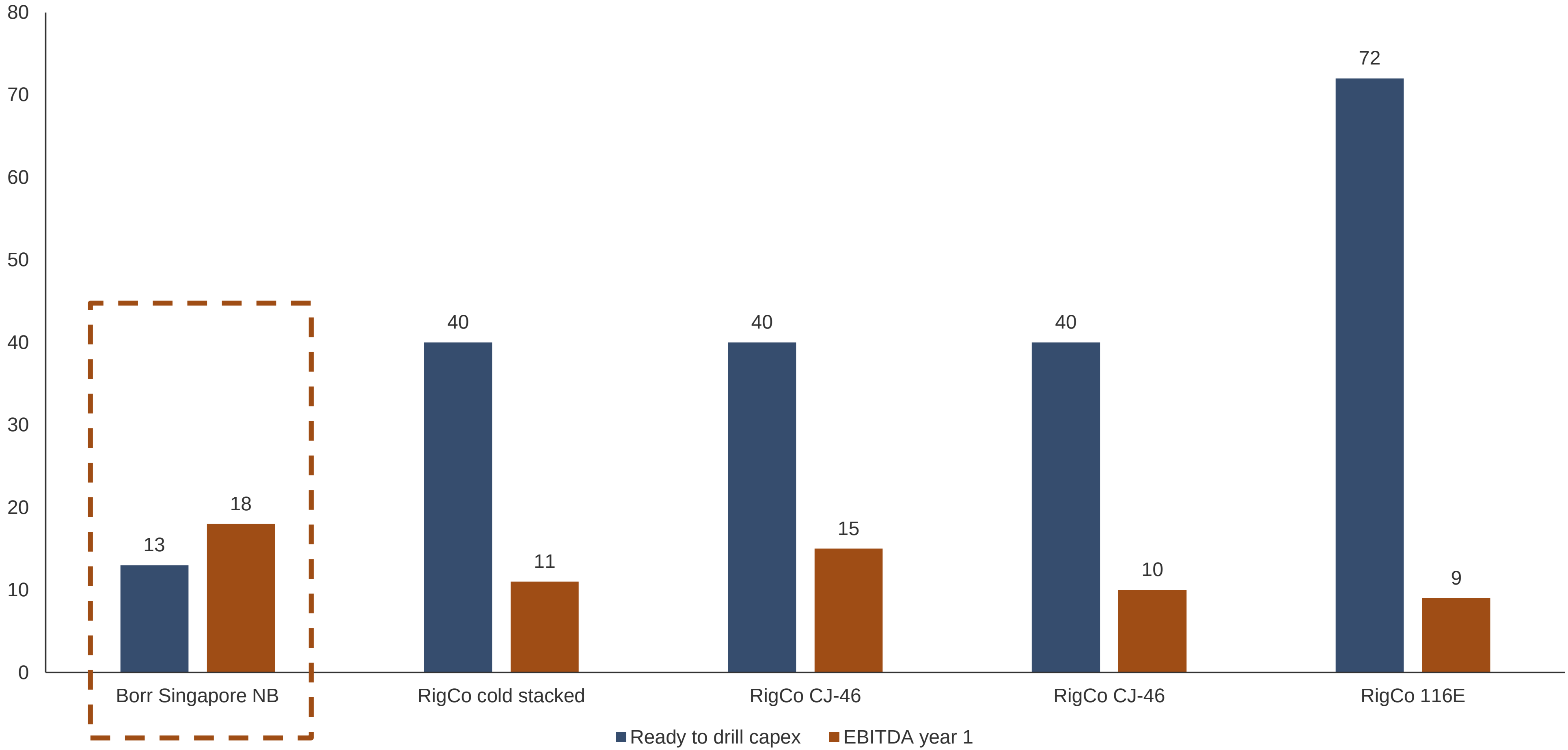
Only 21 rigs with same standard as the Borr rigs left – 7 smaller units



Source: IHS

Singapore newbuilds premium day-rates – low activation cost

Borr Drilling is generating year 1 EBITDA > capex – the others struggle to cover capex over contract period



Source: Borr Drilling –competitors' costs Includes significant contract specific upgrades

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Significant cash-flow potential

Run-rate illustrative EBITDA and cash-flow

Day rate scenario		Current market	Average 10y	Last 10y peak
Day-rate	USD/day	100,000	145,000	250,000
Utilisation	Pct	98%	98%	98%
Opex and G&A	USD/day	50,000	50,000	50,000
# rigs working		30	30	30
Revenue	USDm	1,073	1,556	2,683
Revenue tax	"	-43	-62	-107
Costs	"	-548	-548	-548
EBITDA	**"**	**483**	**946**	**2,028**
Interest cost	"	-120	-120	-120
Free cash flow	**"**	**363**	**826**	**1,908**

1 incremental rig contracted improves free cash flow to equity by ~USD20m/year*
Borr Drilling still has16 units left to contract – market cap is ~USD550m

*Excluding possible activation cost and contract preparation

Summary

Jack-up rig count increased from 296 to 365 since 2017 - 89% utilization of marketed modern rigs

Stranded rigs in shipyards down from 103 to 28

Visible demand for at least 40 incremental rigs

Borr has commenced contracts for 8 modern units from March to August 2019

Currently positive free-cash flow from operations after financing cost

1 incremental rig fixed at current rates of USD100k/day gives ~USD20m/year in FCF – 4% vs market cap

Strong increase in EBITDA expected the coming quarters – financing completed

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