



# Borr Drilling – The waiting game is over, rates are rising and contracts are coming

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# Busy first 20 months – the acquisition phase is (mostly) over

## 1 Hercules Offshore



## 2 Transocean



## 3 PPL Shipyard



## 4 Paragon Offshore<sup>1</sup>



## 5 Keppel FELS



## World-leading fleet



2 premium jack-ups



11 premium jack-ups



9 premium jack-ups



2 premium jack-ups



5 premium jack-ups



29 premium jack-ups

Note (1): Paragon fleet prior to the transaction, excluding non-core semi-sub (MSS1)

Description:

NCW = Non-core, rigs with contract / LOI received

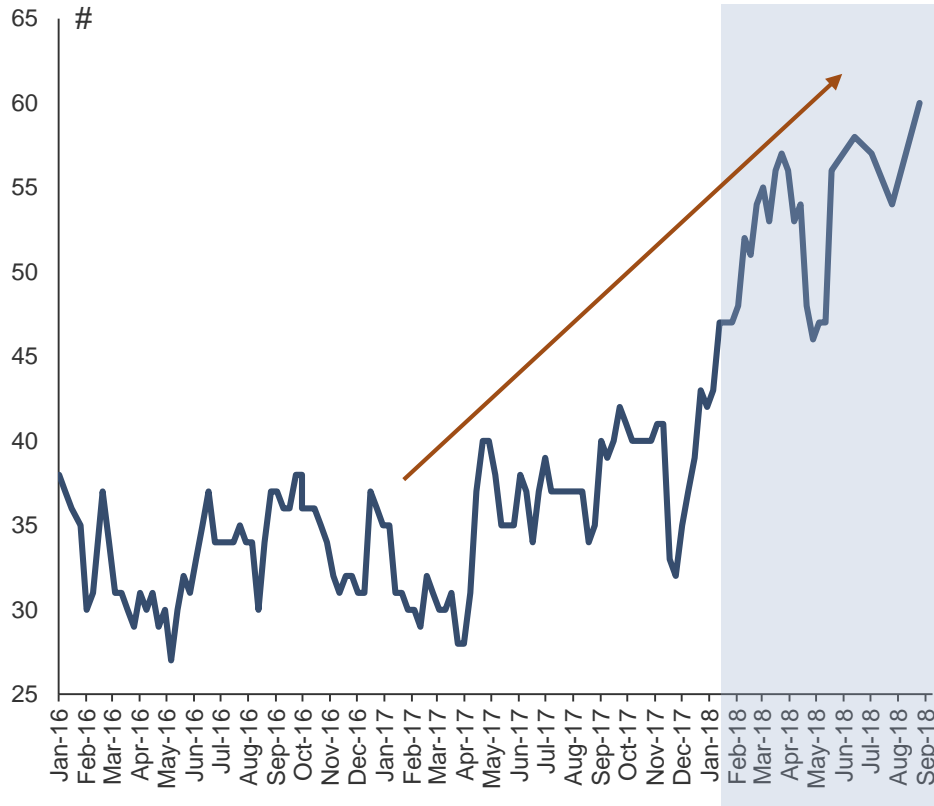
NC = Non-core

NCS = Non-core, sold

8 non-core units incl 1 floater

# Tender activity increasing sharply – indicates strong recovery

**Tenders up ~50% YTD**



**Average contract term also up significantly**

**Long list of significant tenders**

Operator	Description	Region	Country	Total Backlog
Saudi Aramco	5+ rigs - 3 to 5 years + options	Middle East	Saudi Arabia	Up to 25 years + option
QatarGas	6 rigs - 2 to 4 years + options	Middle East	Qatar	Up to 24 years + option
ADNOC Offshore	5 rigs - 3 years + 2 x 1-year options	Middle East	UAE	Up to 15 years + option
Al-Khafji Joint Operations	2 rigs - 3 to 5 years	Middle East	Neutral Zone	Up to 10 years + options
KOC	2 rigs - 3 years + options	Middle East	Kuwait	Up to 6 years + option
North Oil Company	Up to 2 rigs - 2 years + options	Middle East	Qatar	Up to 4 years + option
Chevron Thailand	Up to 3 rigs - 3 to 5 years + options	SE Asia	Thailand	Up to 15 years + option
Premier	3 rigs - 200 to 300 days + options	NW Europe	UK	Up to 2.5 years + option
Fieldwood Energy	2 rigs - 1 to 1.5 year + options	Mexico	Mexico	Up to 2.5 years + option

**~50% of activity are not included in tenders (infill drilling and direct negotiations)**

**For 2019 the premium jackup utilisation is already closing in on 80%**

# The waiting is paying off – contracts are coming

Rig Name	Location	2018				2019				2020				
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
<b>Premium Jack-Ups</b>														
Mist	Thailand	Chevron <sup>1</sup>												
Frigg <sup>2</sup>	Nigeria	Total				Options up to one year								
Prospector 5 <sup>2</sup>	Netherlands	Available - Warm Stacked		Nexen										
Prospector 1 <sup>2</sup>	United Kingdom	Oranje-Nassau Energie			Tulip									
Norve	Gabon / Cameroon	BW Energy Dussafu		Perenco				(undisclosed) - LOI						
<b>Standard Jack-Ups</b>														
C20051	United Kingdom		Perenco		Total									
L1112	India	ONGC <sup>3</sup>												
Dhabi II	United Arab Emirates	NDC (ADOC)												
B152	United Arab Emirates	NDC (ADOC)												
B391	United Kingdom		Spirit Energy								Up to 13 option wells (425 days)		→	
<b>Semi-Submersible</b>														
MSS1	United Kingdom		TAQA								Up to 5 option wells (375 days)			
<b>Premium Jack-Up LOIs</b>														
Undisclosed Premium Jack-up	TBC					LOA 4 wells								
Undisclosed Premium Jack-up	TBC					LOI 2 year +1 +1 year options								
Undisclosed Premium Jack-up	TBC					LOI 2 year +1 +1 year options								
Undisclosed Premium Jack-up	TBC					LOA 2 year +1 year option								
Undisclosed Premium Jack-up	TBC					Negotiations ~1 year contract								

***We are increasingly comfortable that we will exceed the contracting target stated in the Q2 2018 report***

# Available fleet and newbuildings to be delivered

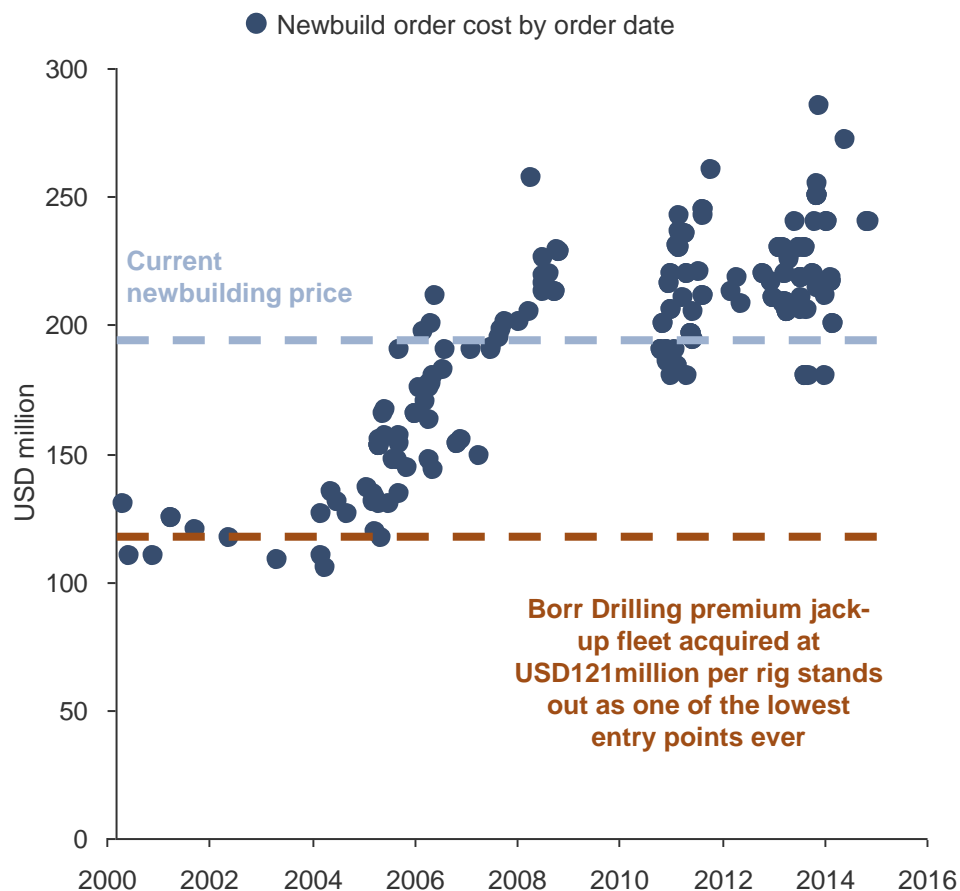
## 4 warm stacked units are now under LOI – 9 units remains uncommitted

Rig Name	Location	2018				2019				2020			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Premium Jack-Ups</b>													
Balder	Cameroon	Available - Warm Stacked											
Galar	Singapore	Available - Warm Stacked											
Gerd	Singapore	Available - Warm Stacked											
Gersemi	Singapore	Available - Warm Stacked											
Grid	Singapore	Available - Warm Stacked											
Groa	Singapore	Available - Warm Stacked											
Gunnlod	Singapore	Available - Warm Stacked											
Idun	Singapore	Available - Warm Stacked											
Odin	Singapore	Available - Warm Stacked											
Ran	Netherlands	Available - Warm Stacked											
Saga	Singapore	Available - Warm Stacked											
Skald	Singapore	Available - Warm Stacked											
Gyme	Singapore	Available - Warm Stacked											
<b>Jack-Ups Under Construction</b>													
Natt	PPL shipyard, Singapore	Rig Delivery in October - 2018											
Njord	PPL shipyard, Singapore	Rig Delivery in January - 2019											
Heimdal (B360)	KFELS shipyard, Singapore	Rig Delivery in October - 2019											
Hermod (B361)	KFELS shipyard, Singapore	Rig Delivery in January - 2020											
Hild (B358)	KFELS shipyard, Singapore	Rig Delivery in April - 2020											
Huldra (B380)	KFELS shipyard, Singapore	Rig Delivery in July - 2020											
Tivar	KFELS shipyard, Singapore	Rig Delivery in July - 2020											
Heidrun (B381)	KFELS shipyard, Singapore	Rig Delivery in October - 2020											
Vale	KFELS shipyard, Singapore	Rig Delivery in October - 2020											
Var	KFELS shipyard, Singapore	Rig Delivery in December - 2020											

**Recent activations of newbuildings are already covered by LOIs.  
The company will start activation of further newbuildings to meet the growing demand**

# Markets improving – with the right purchase price its already a good business

## Attractive entry point

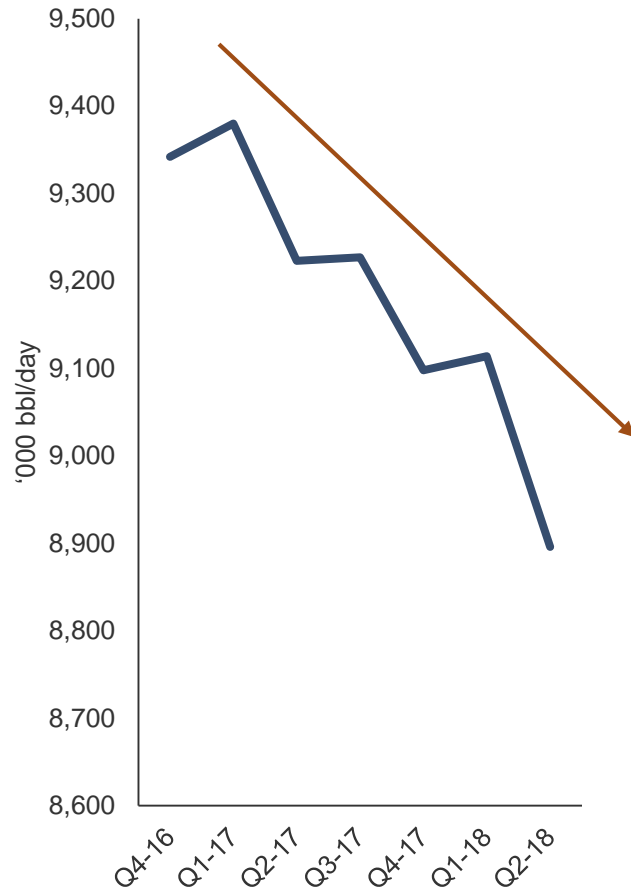


## ... and returns already healthy

Day rate scenario		Current market
Dayrate		90,000
Earnings utilisation		98%
Opex and G&A		49,000
Expected NIBD pr rig	USDm	65
Revenue	USDm	32
Opex	"	-17
G&A	"	-1
<b>EBITDA</b>	"	<b>14</b>
Interest cost	"	-4
Tax	"	-1
<b>Free cash flow</b>	"	<b>9</b>
Average purchase price	USDm	121
<b>EV/EBITDA</b>		<b>8.5</b>
<b>Free cash flow to equity</b>		<b>16.6%</b>

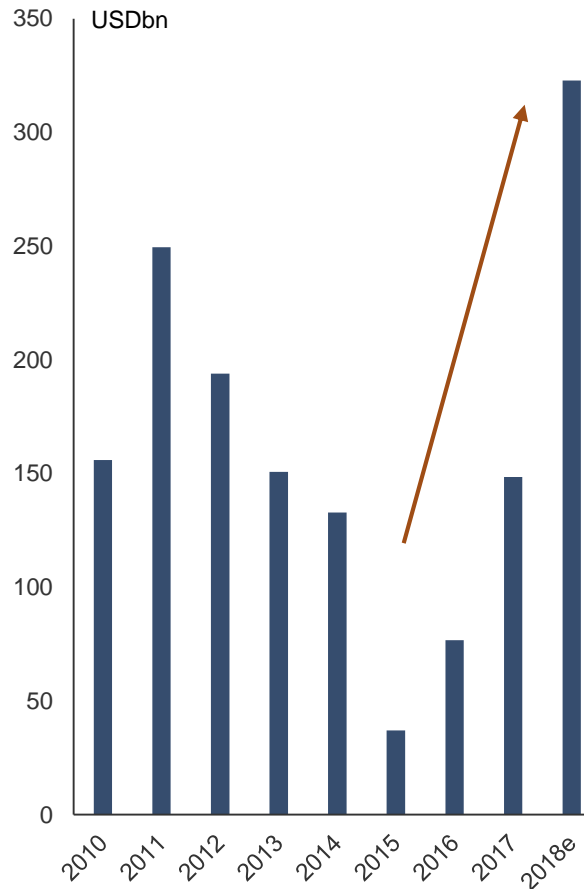
# The oil companies are coming back to drill

**Falling production for majors...**



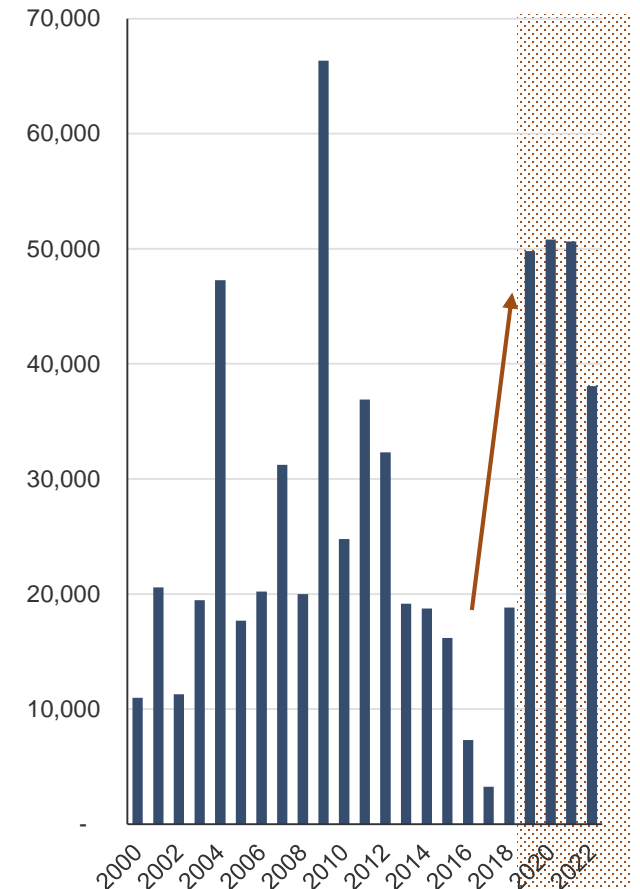
**Run-rate declines of ~3% p.a.**

**...but cash-flows are great...**



**Record high free cash-flow**

**... means Shallow water FIDs coming back**



**FIDs set to improve 2.8x '18 vs '20**

Sources:

Graph 1: Bloomberg, consisting liquid production for Exxon, BP, Equinor, Chevron and Shell

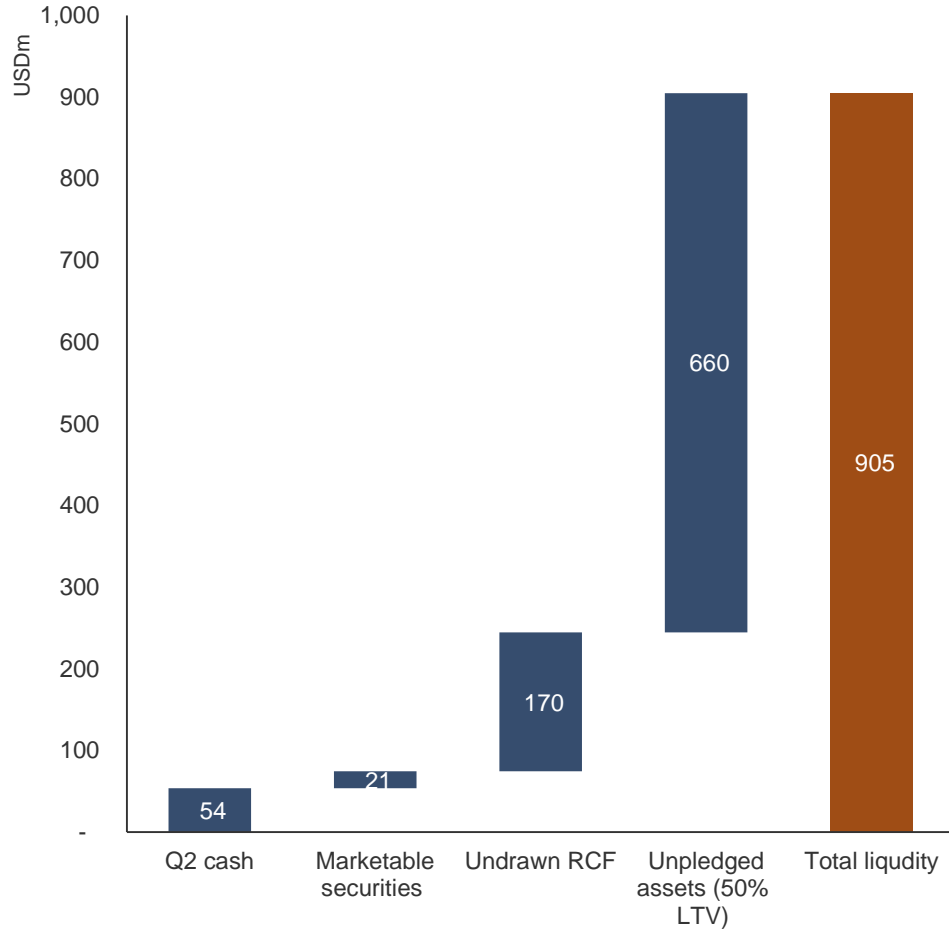
Graph 2: Rystad Energy

Graph 3: Rystad FID data base shallow water 0 – 125 m.

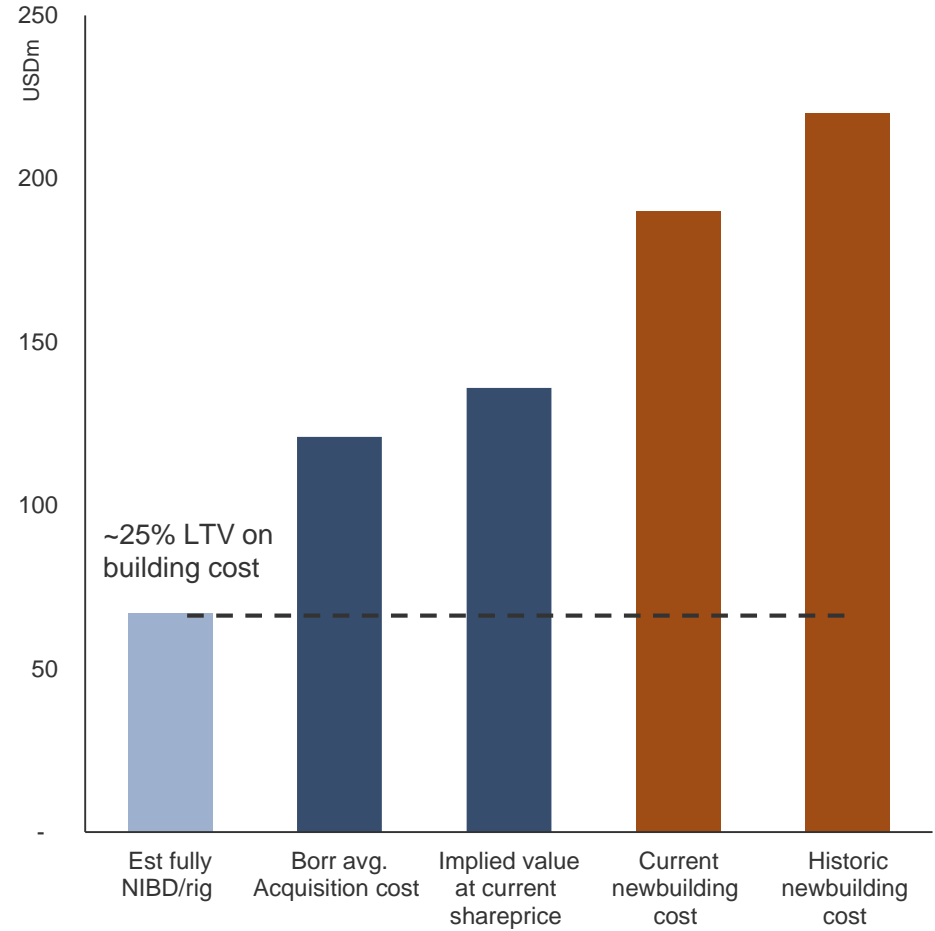


# Built to last

## Solid balance sheet gives flexibility for liquidity...




## ... and refinancing



Graph 1; Unpledged assets assumes USD140m for 8 unpledged premium assets. LTV 50% and USD100m of value for legacy fleet

Graph 2: Fully invested NIBD of ~USD65m. Current newbuilding cost USD190m. Historic newbuilding cost USD220m

A photograph of an offshore oil rig at sunset. The rig's complex metal structure is visible on the left side of the frame. The sun is low on the horizon, casting a warm, golden glow over the sea and sky. In the foreground, a circular helipad is visible on the rig's deck, with a person standing in the center. The overall scene is serene and industrial.

# Borr Drilling – Reflections on operations, assets and timing

*Pareto Securities Oil & Offshore Conference 2018  
12 September 2018*

*Tor Olav Troim, Chairman Borr Drilling*

# We have put together a team that delivers safe and efficient drilling

## Utilisation per rig

	MTD	YTD
Rig 1	100.0%	97.1%
Rig 2	100.0%	99.1%
Rig 3	100.0%	99.5%
Rig 4	100.0%	99.2%
Rig 5	100.0%	100.0%
Rig 6	100.0%	99.4%
Rig 7	100.0%	99.7%
Rig 8	100.0%	99.7%
Rig 9	100.0%	98.0%
Rig 10	100.0%	99.8%
<b>Overall Fleet</b>	<b>100.0%</b>	<b>99.1%</b>

Utilisation from date of take-over of Paragon  
Utilisation rates as of September 10

We have acquired the best jack-up fleet in the industry with a unique standardisation of rigs and equipment


Average building year 2016



*“Nobody competed with us for any of the rigs, but now the “big boys” are coming to the table”*

# We have done it in a market that is according to others “About to Explode”

RESEARCH



**RBC Capital Markets**

August 23, 2018  
**Noble Corp plc**

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**EVERCORE ISI**  
Energy | Oilfield Services, Equipment & Drilling

**ENSCO PLC**  
ESV | \$6.42  
OUTPERFORM | TARGET PRICE: \$8.00  
Commentary

September 7, 2018


**Company Statistics**

Market Capitalization (M)	\$2,807
Shares Outstanding (M)	434
P/E (M)	434
Average 10-Day Volume (2018)	12,428
Enterprise Value (M)	\$7,122
52-Week Range	\$4.10 - \$5.00
Float Year End	0%

**Earnings Summary**

	2018E	2019E	2020E	
Revenue (M)	\$1,298.9	\$1,588.5	\$2,079.4	
EBITDA (M)	10	172.5A	111.5	1,177.0
	30	194.1A	114.0	1,171.0
	30	171.5	115.8	1,169.9
	40	175.9	118.1	1,193.0
FF	\$314.0	\$524.5	\$628.9	
EPS	10	(0.32)A	(0.16)	(0.15)
	20	(0.30)A	(0.11)	(0.26)
	30	(0.35)	(0.08)	(0.23)
	40	(0.23)	(0.15)	(0.23)
FF	(0.13)	(0.16)	(0.25)	

**1 Year Price History**



Source: FactSet

**Jackup Upcycle Confirmed; Deepwater Urgency Increasing**

**Putting a Stake in the Ground on Offshore.** If the fact that we rate every offshore driller we cover Overweight wasn't enough of a signal then let me be clear – we are very bullish on the offshore market. The jackup business in all areas of the world except SE Asia has reflected and dayrates are up 30-40% in some cases, lending urgency in deepwater has surged in recent weeks as oil companies are beginning to anticipate a late 2019/early 2020 short squeeze on high spec assets. FID's are raring to go, the need to replace reserves is becoming a major concern, and oil prices are highly supportive. As I laid to a question on our webinar Tuesday, "offshore drillers are where the doubles, triples and more can be found". Yes the recovery will be somewhat choppy as they always are but the path to higher dayrates, higher cash flow and higher NAV's is clear. **Our favorites remain DORR, ESRV and RIG.**

**Another Bullish Offshore Dinner.** Last night we had dinner with several members of Enesco's senior management team including President and CEO Carl Truvel, EUP and COO Carey Lowe, and SVP and CFO Jon Bakshi. The management team was clear the jackup recovery is unfolding, high spec deepwater is next, and they have been very proactive during the downturn. **ESV remains one of our favorite offshore drillers and is the one most likely to experience EPS revisions higher in the near term relative to many peers due to their high spec jackup fleet and the unfolding upcycle NOW underway for that segment.**

**A Silent Jackup Recovery About to Explode.** Enesco is experiencing positive trends in all major jackup markets globally with the exception of SE Asia. In many cases dayrates are up 30-40% off the bottom and as some of these rates are unveiled we expect the dayrates momentum to increase. Demand for jackups is typically understated as ~50% of the fleet at any time is working on infield drilling/development work or is subject to direct negotiations rather than tenders. Supply is also overstated as at least half of the rigs built in China can't compete and customers only want the newest, most efficient, and best technology.

**Deepwater Urgency Up: Bids for 2020 Work at Dayrates 50%+ Today's Market Rate.** Deepwater tendering activity has surged in recent months and even in recent weeks. In prior periods Enesco would have three-to-six months visibility on when tenders would be released – recently they've received tenders they didn't realize were in process. The oil companies are becoming increasingly concerned about 1) out year production, 2) replacing reserves, and are 3) becoming cash heavy. All signs point to a strong recovery for deepwater which is backed up by heavy offshore FID decisions. The company is bidding 50%+ higher dayrates for 2020 start dates compared to current market rates – and pushback is minimal. A flurry of awards for projects bid 6-9 months ago is about to unfold.

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**Sector Perform**  
NYSE: NE; USD 6.14  
Price Target USD 7.00

**WHAT'S INSIDE**

<input type="checkbox"/> Rating/Risk Change	<input type="checkbox"/> Price Target Change
<input type="checkbox"/> In-Depth Report	<input type="checkbox"/> Est. Change
<input type="checkbox"/> Preview	<input type="checkbox"/> Earnings Analysis

**Scenario Analysis\***

Downside Scenario	Current Price	Price Target	Upside Scenario
3.0	6.14	7.00	23.00
4.5%		↑ 14%	↑ 275%

**Key Statistics**

Shares O/S (MM)	265.7	Market Cap (MM)	1,155
Dividend	0.00	Yield	0.0%
Debt to Cap	47%	Avg. Daily Volume	4,448,554

**RBC Estimates**

FY Dec	2017A	2018E	2019E		
EPS, Ops Diluted	(1.14)	(1.70)	(0.93)		
P/E	NM	NM	NM		
EBITDA	\$10.2	\$51.3	\$20.8		
EPS, Ops Diluted	Q1	Q2	Q3	Q4	
2017	(0.27)A	(0.32)A	(0.35)A	(0.29)A	
2018	(0.52)A	(0.49)A	(0.42)E	(0.24)E	
2019	(0.22)E	(0.25)E	(0.23)E	(0.22)E	
EBITDA	2017	181.6A	107.2A	96.3A	115.0A
	2018	71.9A	76.9A	76.4E	124.5E
	2019	133.8E	127.0E	129.3E	130.4E

All values in USD unless otherwise noted.

“A Silent Jackup Recovery About to Explode. Enesco is experiencing positive trends in all major jackup markets globally with the exception of SE Asia. In many cases dayrates are up 30-40% off the bottom and as some of these rates are unveiled we expect the dayrates momentum to increase. Demand for jackups is typically understated as ~50% of the fleet at any time is working on infield drilling/development work or is subject to direct negotiations rather than tenders. Supply is also overstated as at least half of the rigs built in China can't compete and customers only want the newest, most efficient, and best technology.” – Evercore ISI report on Enesco

“Leading edge North Sea rates are now \$90k/d+, up from \$60k/d. Mid East leading edge at \$80k/d+, up from \$50k/d” - RBC report on Noble

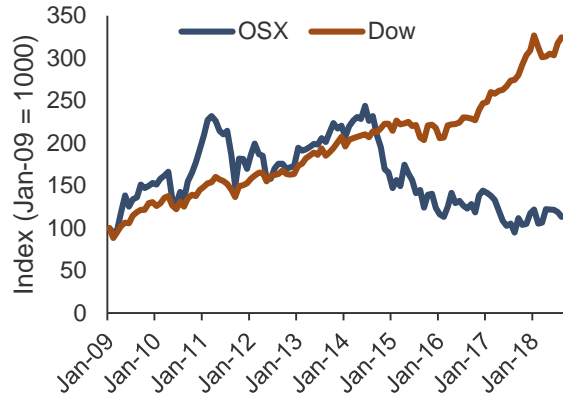
“that we don't have enough – we don't have any spare capacity right now on jack-ups” - Rowan Q2 conference call

“We have seen, first of all, the jackup market globally enter recovery phase and now we think that is pretty broad based... after three or four years of very low activity, the actual tendering activity is now what would be pretty normal for a cycle.” – Enesco at Barclays conf

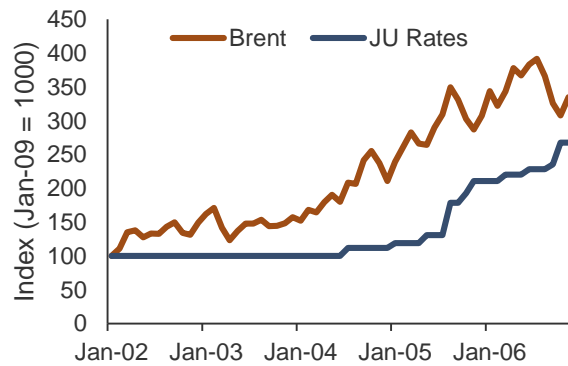
“The industry is known for first forgetting and then repeating the same mistakes” – Patrick Pouyanné, Total CEO, 5 Sep 2018

# Investing at the trough has historically paid off

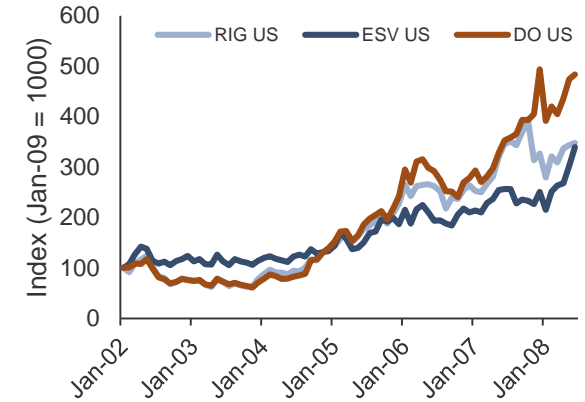
**Not all markets are frothy**



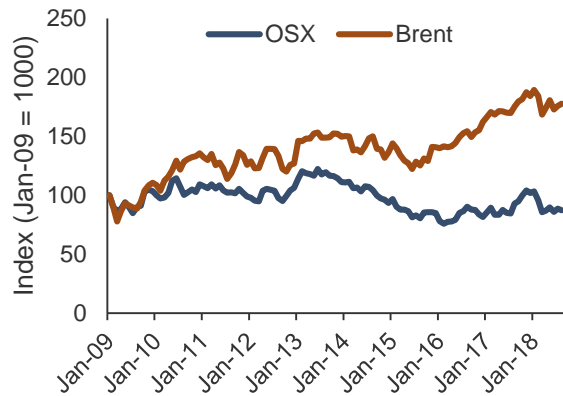
**Rig recovery take time...**



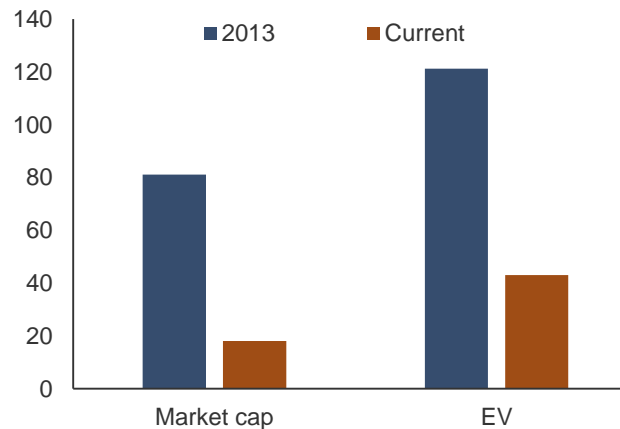
**...but it pays off handsomely**



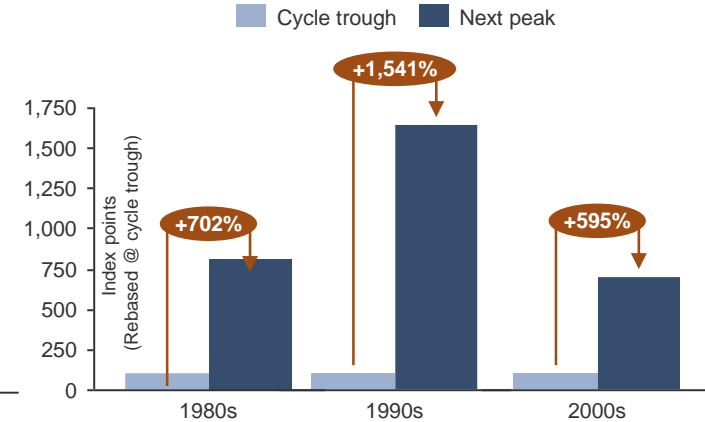
**Oilservice stocks lags oil price**



**EV and Market cap down 65-77%**



**This is what happened the last times**



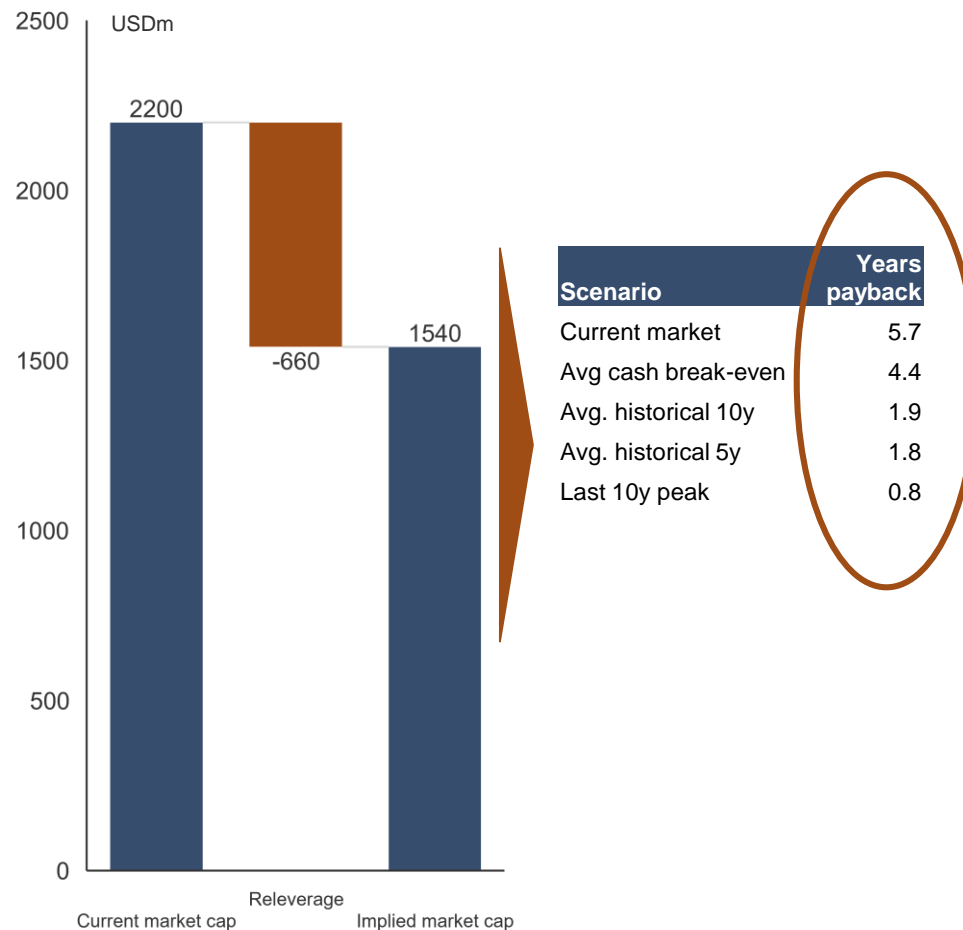
**Our prediction: The offshore values will represent a significantly larger share of your portfolios in two years time**

# Lessons learned: in cyclical industries you need to time investments at the trough and pay dividends as the market improves

## Key assumptions - 29 premium jack-ups in operation

Dayrate scenario		Current market	Avg. cash break-even for peers	Avg. historical 10yrs	Avg. historical 5yrs	Last 10 year peak
Historical day rates	USD/day	90,000	98,000	145,000	150,000	250,000
Earnings utilisation	Pct.	98 %	98 %	98 %	98 %	98 %
Opex & G&A <sup>1</sup>	"	49,000	49,000	49,000	49,000	49,000
Number of rigs		29	29	29	29	29
<b>P&amp;L</b>						
Revenue	USD million	934	1,017	1,504	1,556	2,593
Opex	"	-487	-487	-487	-487	-487
G&A	"	-32	-32	-32	-32	-32
<b>EBITDA</b>	"	<b>415</b>	<b>498</b>	<b>985</b>	<b>1,037</b>	<b>2,075</b>
Interest <sup>2</sup>	"	-108	-108	-108	-108	-108
Tax <sup>1</sup>	"	-37	-41	-60	-62	-104
<b>Free cash flow</b>	"	<b>270</b>	<b>349</b>	<b>817</b>	<b>867</b>	<b>1,863</b>

## Equity can be repaid in <2 years at mid-cycle rates and refinancing\*



Note (1): Illustrative - 4% tax on revenue

Note (2): Assumed total debt of USD 1.8bn at LIBOR (3m avg. per 3 Sep 2018) + 350bps with no amortization

