Borr Drilling Limited

Q3 2019 results presentation

26 November 2019

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Highlights

- Operating revenues of $102.7 million, net loss of $79.2 million and Adjusted EBITDA of $13.8 million for the third quarter of 2019 vs $1.5 million in second quarter for 2019
- Technical utilisation for the operating rigs was 99.1% in the third quarter and 99.0% for the first nine months of 2019
- In October, Paal Kibsgaard, the former Chairman and CEO of Schlumberger, was appointed as new Chairman of the Board, replacing Tor Olav Trøim, who continues to serve on the Board as Deputy Chairman. Mr Kibsgaard will in his initial year, serve as executive Chairman, focused on strengthening the Company’s organization, operating processes and its integrated service offering
- Since the previous quarterly results, the Company has been awarded contracts, LOAs and extensions for 6 rigs with a combined revenue backlog of approximately $169 million. Total additional backlog added year to date is approximately $465 million
- On October 15, the company took delivery of the new build jack-up rig Hermod from the Keppel FELS shipyard in Singapore
- In November 2019, the Company sold marketable securities, resulting an estimated total realised loss of $16.4 million, and improving the liquidity position by $20.2 million

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 above represents our periodic net loss adjusted for: depreciation and impairment of non-current assets, amortization of contract backlog, loss from equity method investments, total financial income (expenses) net, income tax expense and amortisation of deferred mobilisation costs. Adjusted EBITDA is included here by the Company because the Company believes that the measure provides useful information regarding the Company’s operational performance.

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Key Financials Q3 2019

Income Statement

USDm	YTD 2019	Q3 2019	Q2 2019
Operating revenues	**241.2**	**102.7**	**86.6**
Gain on disposals	3.9	-	3.9
Rig operating and maintenance expenses	(226.4)	(87.9)	(81.4)
Depreciation	(74.3)	(25.8)	(24.6)
Impairment	(11.4)	-	-
Amortisation of contract backlog	(18.6)	(4.1)	(7.1)
G&A	(35.0)	(10.9)	(14.0)
Total operating expenses	**(365.7)**	**(128.7)**	**(127.1)**
Operating loss	**(120.6)**	**(26.0)**	**(36.6)**
Loss from equity method investments	**(1.6)**	**(1.6)**	-
Total financial income (expenses), net	(110.1)	(47.8)	(64.1)
Loss before income taxes	**(232.3)**	**(75.4)**	**(100.7)**
Tax	(6.5)	(3.8)	(2.5)
Net loss	**(238.8)**	**(79.2)**	**(103.2)**
Basic loss per share ($/share)	(2.21)	(0.72)	(0.98)

Comments Q3 2019

- **Revenues** increased quarter on quarter mainly due to a full quarter of operations for four additional rigs
- **Rig operating and maintenance expenses** increased due to:
  - four additional rigs with a full quarter of operation
  - increase in amortisation of mobilisation costs of $4.0 million
  - $3.0 million in non-cash accrual for legal expenses
- **G&A** reduction due to lower legal costs and professional fees than in second quarter related to IPO and refinancing
- **Total financial expenses, main items**
  - mark-to-market losses on forward contracts relating for shares in Valaris of $16.7 million,
  - Recycled unrealised loss on marketable securities of $12.0 million related to Oro Negro reclassified from OCI
  - Net interest expense of $13.1 million (additionally, interest of $4.5 million was capitalised in the quarter)

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Key Financials Q3 2019

Balance Sheet Key Numbers

USDm	Q3 2019	Q2 2019	Q4 2018
Total assets	3,199.5	3,196.0	2,913.7
Total liabilities	1,848.6	1,823.1	1,380.2
Total equity	1,350.9	1,372.9	1,533.5
Cash and cash equivalents	39.5	44.8	27.9
Restricted cash	77.1	62.0	63.4

Movements in Q3 2019

- Total assets flat quarter on quarter
- Total liabilities increased by US$25.5 million, mainly attributable to
  - US$10.0 million in long-term debt
  - Increased unrealized loss position on forward contracts of $16.7 million.
- On July 31, 2019, the Company completed the initial public offering on NYSE. A total number of 5,750,000 shares were sold in the offering, providing additional net equity of around $50 million.

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Fleet Status Report November 2019

Contractual Developments

		Operating / Committed	Available	Cold Stack	Under Construction
Premium Jack-Ups	30	16	5	2	7
Standard Jack-Ups	4	2	1	1*	
Total Jack-Ups	34				
Semi - Submersible	1	1			
Total Fleet	35	19	6	3	7

Other Fleet Updates

Time	Rig	Client	Contract Status
Jul-19	Dhabi II	ADNOC	3 Years Extension from July 19
Aug-19	Norve	BW Energy	Commenced Contract
Aug-19	Grid	Pemex	Commenced Contract
Aug-19	Gersemi	Pemex	Commenced Contract
Aug-19	Prospector 1	Total	Commenced Contract
Aug-19	Prospector 5	Undisclosed	LOA: Q3 2020 to Q3 2021
Aug-19	Odin	Pemex	Contract: Q4 2019 to Q2 2021
Oct-19	Frigg	Undisclosed	1 Year extension from December 2019
Oct-19	Galar	Pemex	Contract: Q1 2020 to Q2 2021
Oct-19	Njord	Pemex	Contract: Q1 2020 to Q2 2021
Nov-19	Mist	Vestigo	Contract Extension Q1 2020
Nov-19	Idun	HLJOC	Commenced Contract
Nov-19	Idun	JVPC	LOA: Q2 2020 to Q3 2020
Nov-19	Saga	Undisclosed	LOI: Q1 2020 to Q2 2020

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

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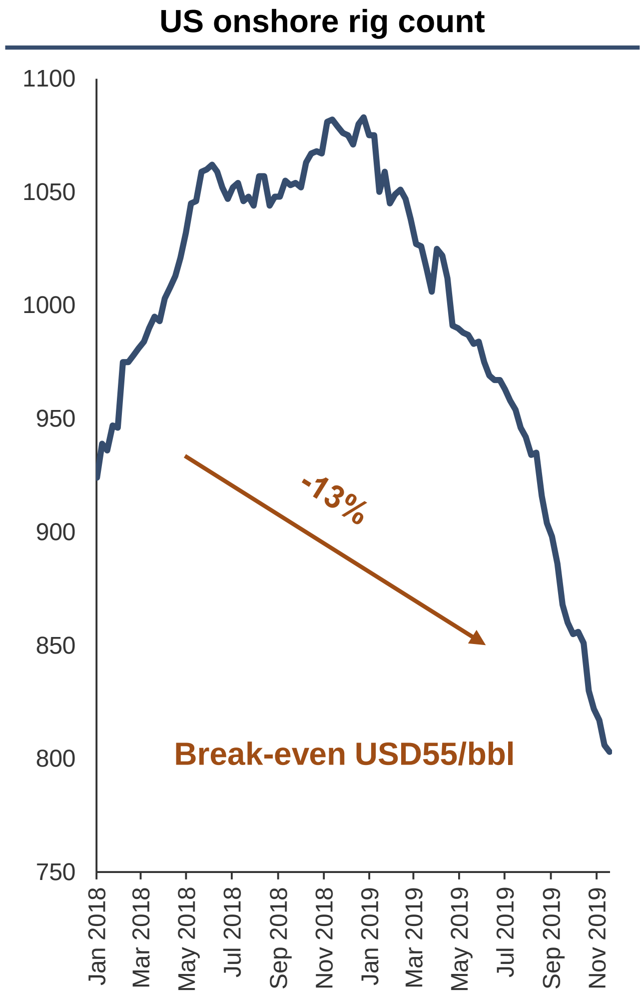
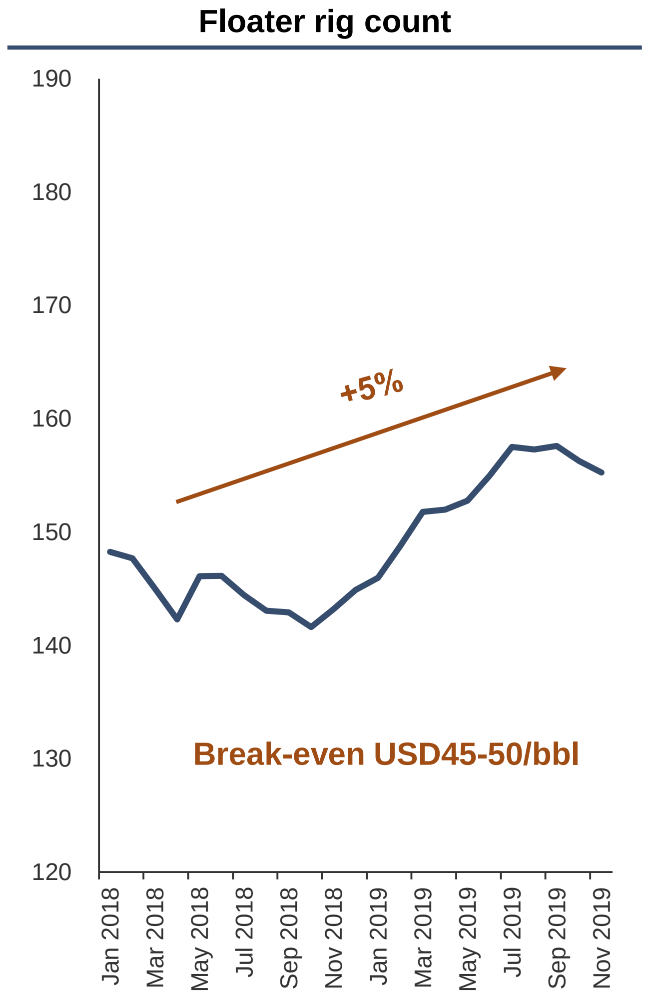
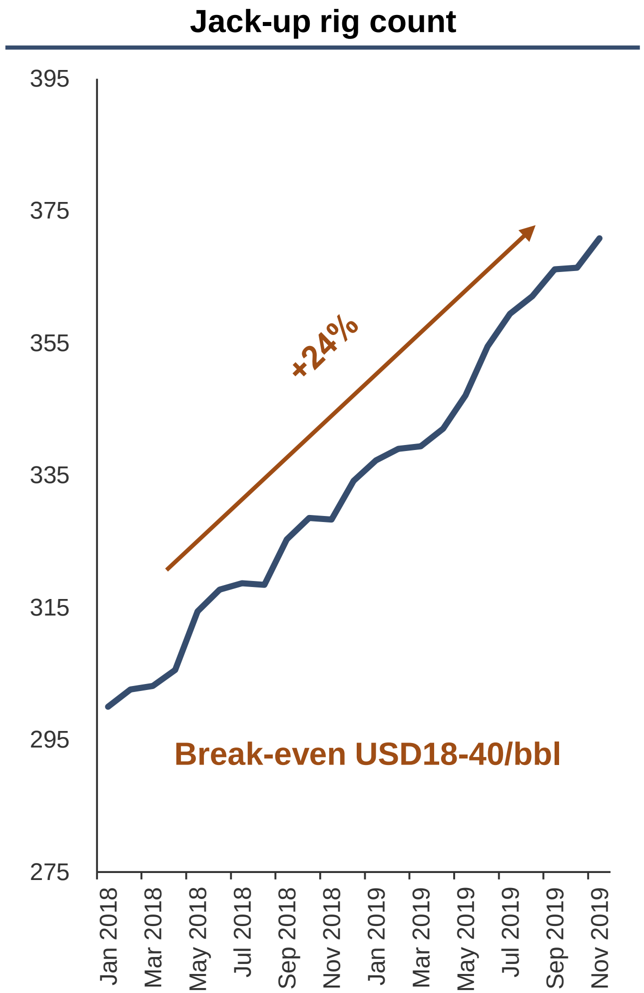
Jack-up demand growing – shallow water is low cost







Source: Bloomberg and IHS, Rystad

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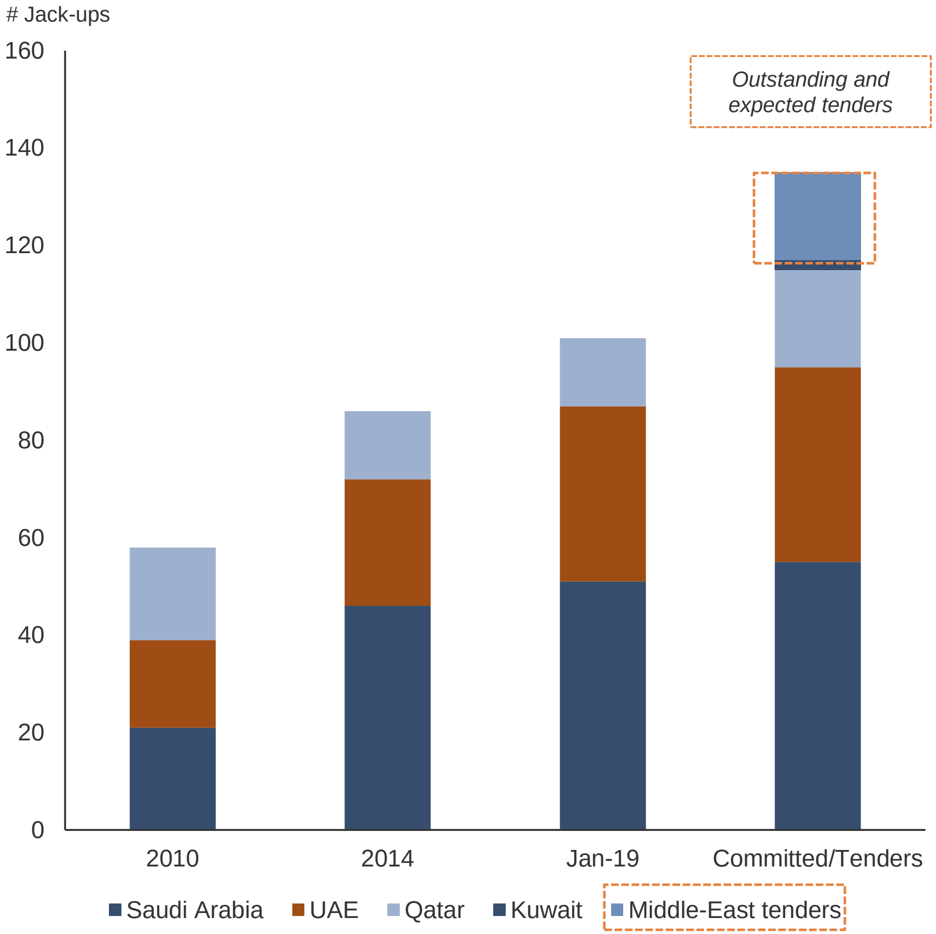
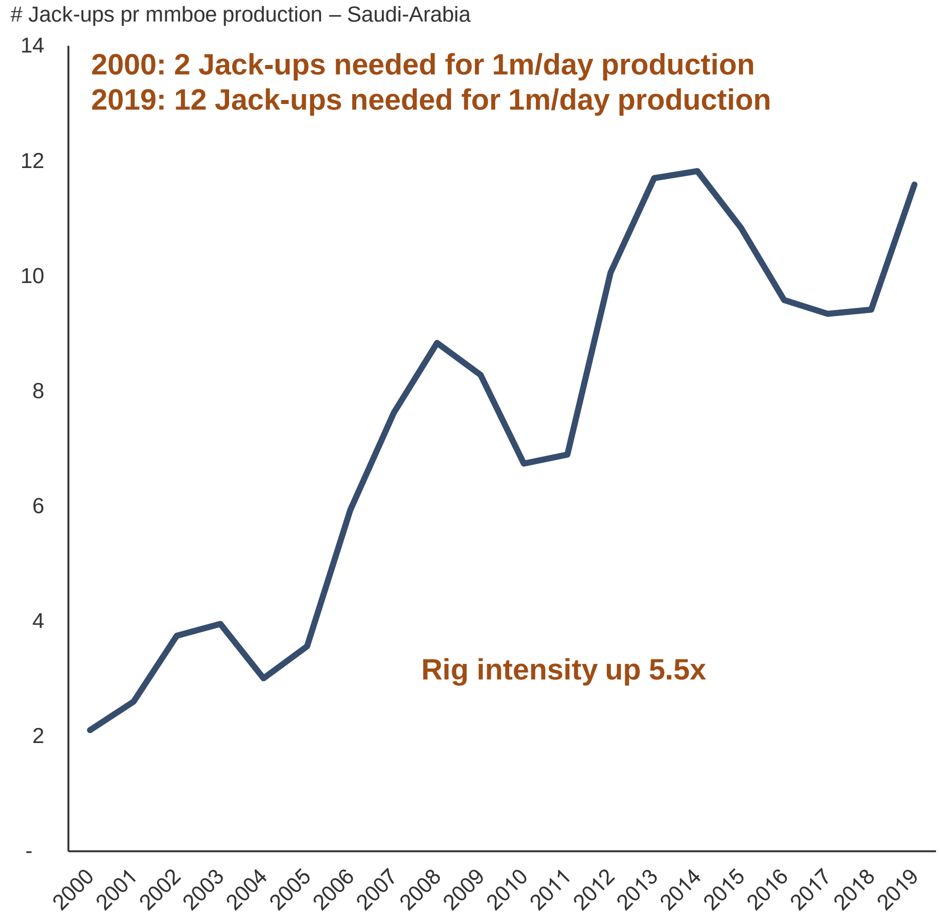
The jack-up market is growing

Core countries are drilling significantly more today



Rig intensity going up



Source: IHS Petrodata, DNB Markets, Borr Drilling

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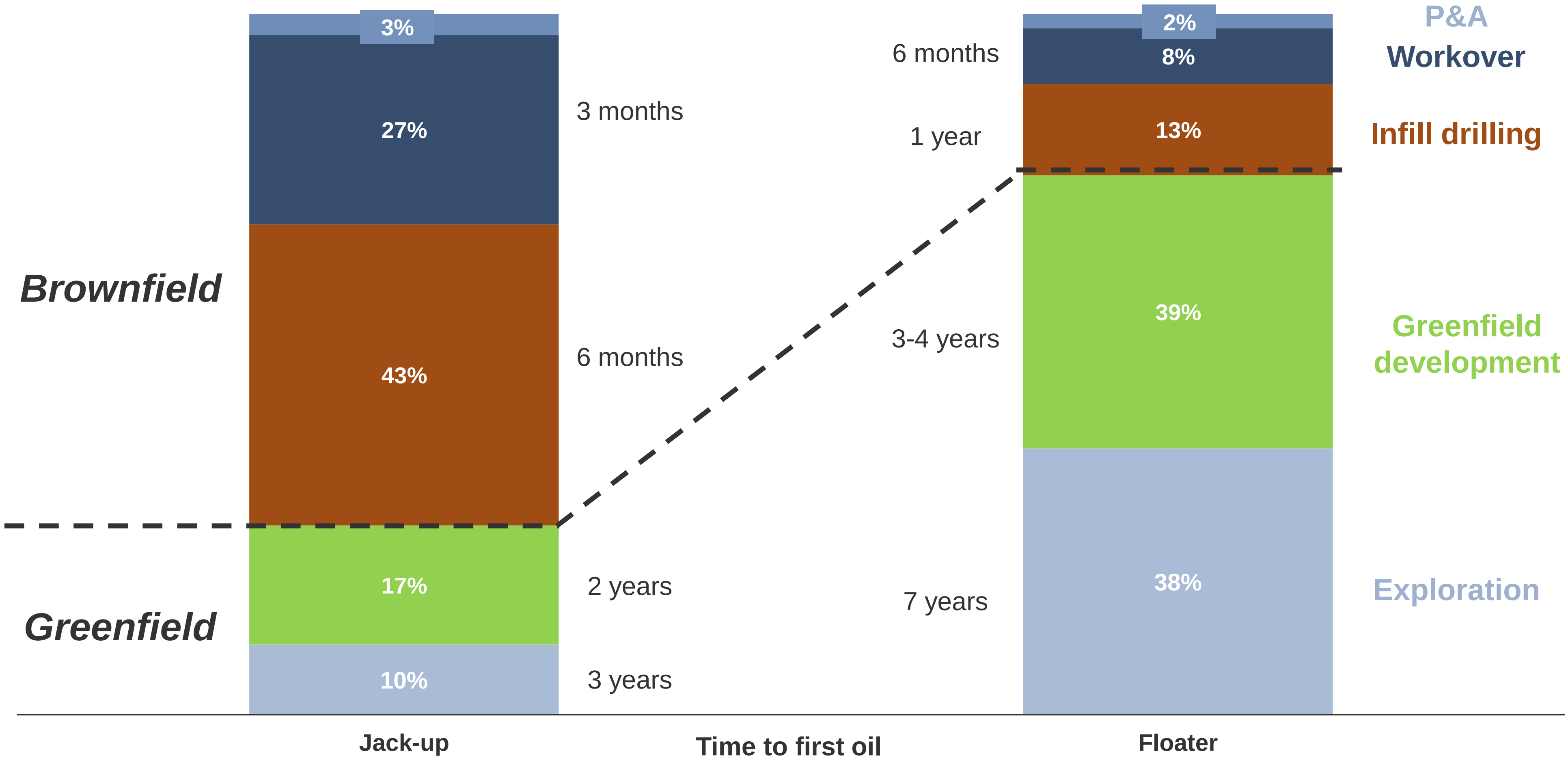
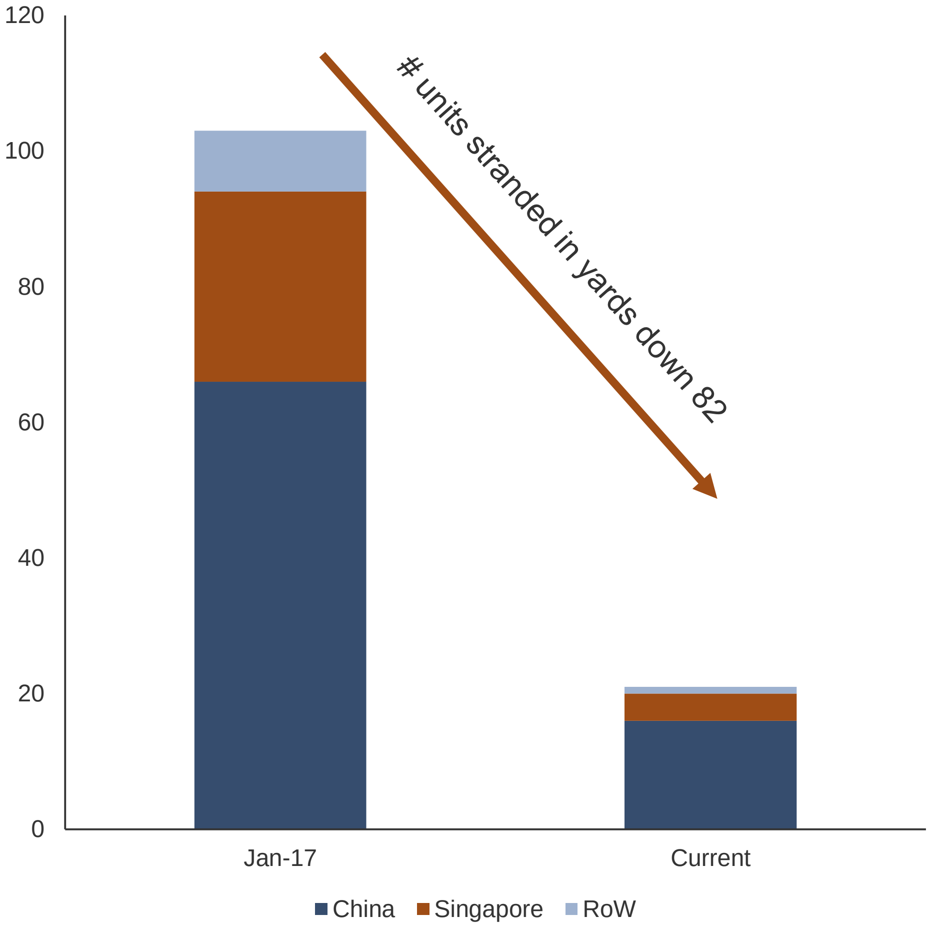
Jack-up demand is mainly brownfield



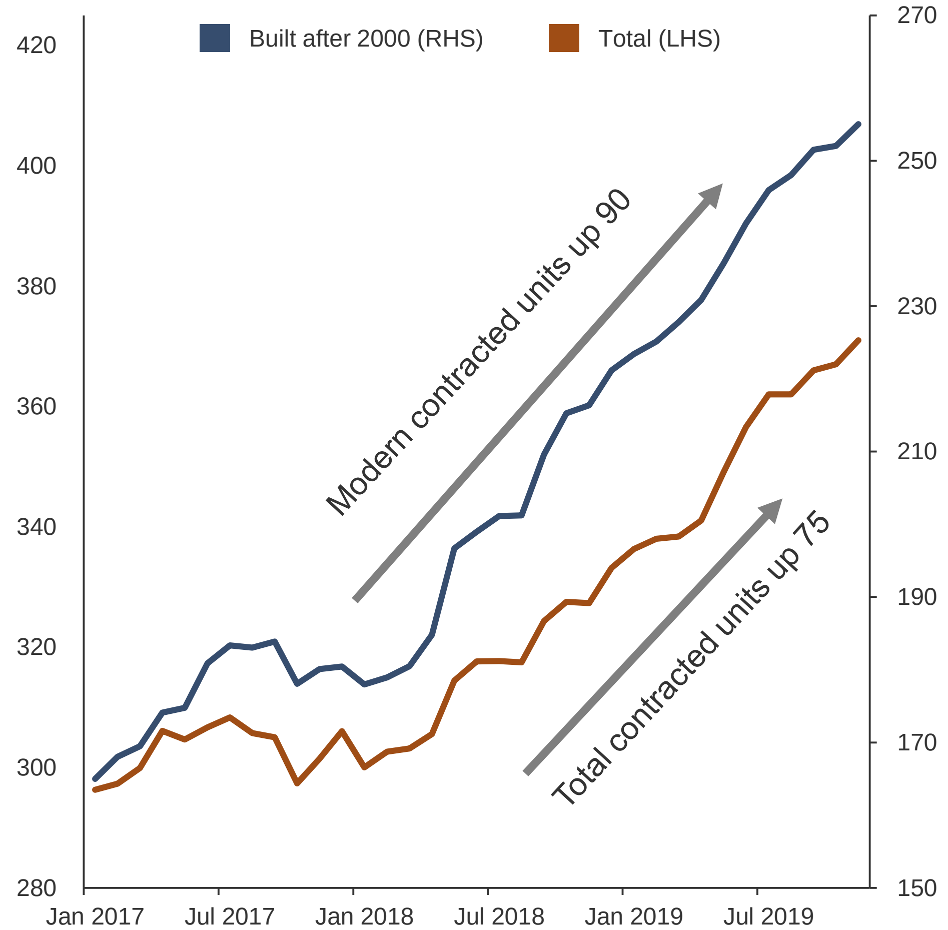
Source: Borr Drilling

Yard overhang quickly diminishing

Only 17 rigs with same standard as the Borr rigs left



Contracted jack-ups



Source: Borr Drilling and IHS

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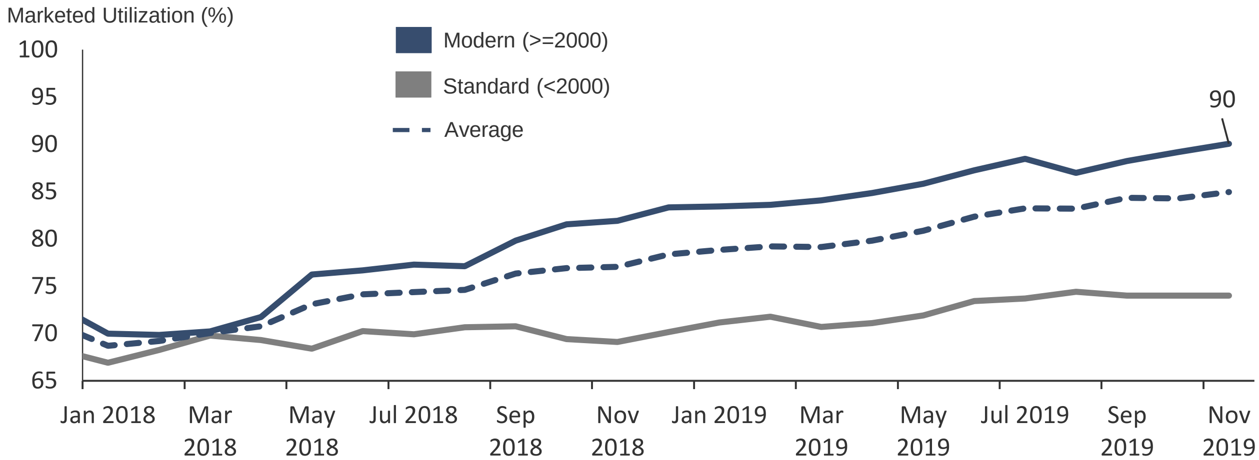
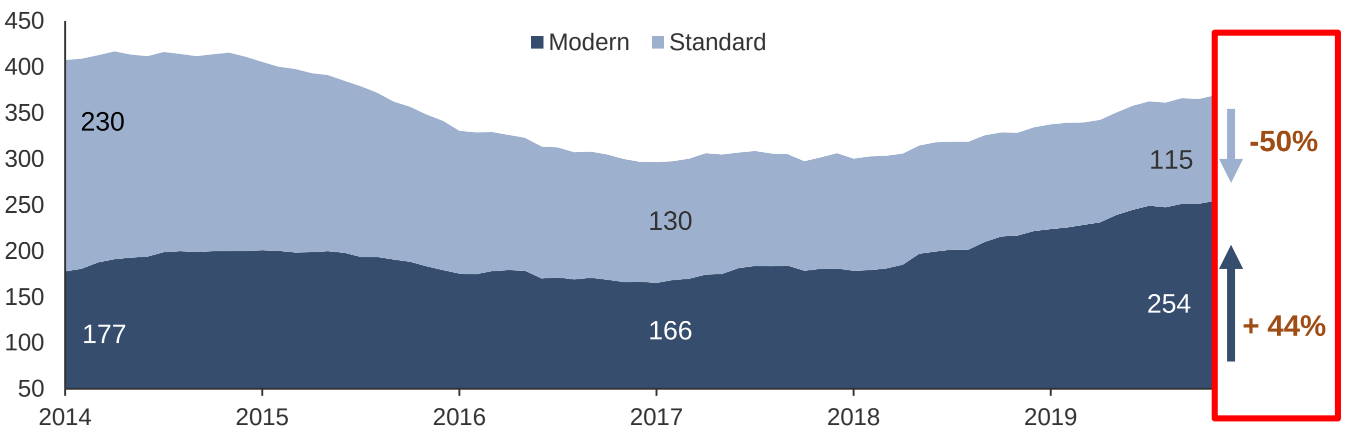
Market trends confirms Borr's modern rig strategy

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	299
Not marketed	17
Marketed fleet	282
Marketed utilisation	90%
Contracted fleet	254

Utilization competitive modern jackups	Jun 2019	Aug 2019	Nov 2019
Middle East	92%	**94%**	**94%**
West Africa	100%	**100%**	**100%**
Total	86%	**87%**	**90%**

Source: IHS, Borr Drilling

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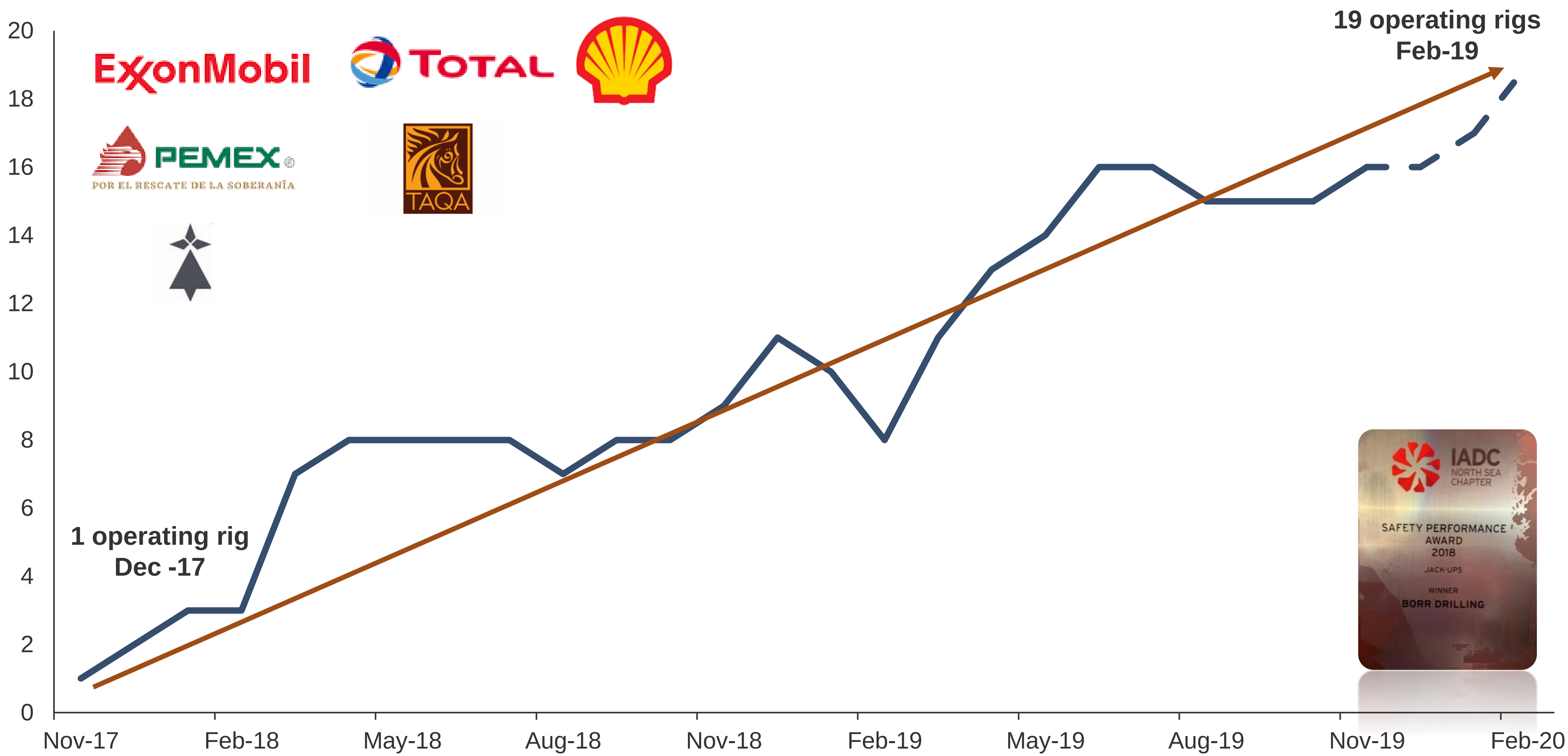
From 0 to 19 rigs in operations – 99.1% technical utilization YTD

Growth from 0 to 19 rigs since end 2017



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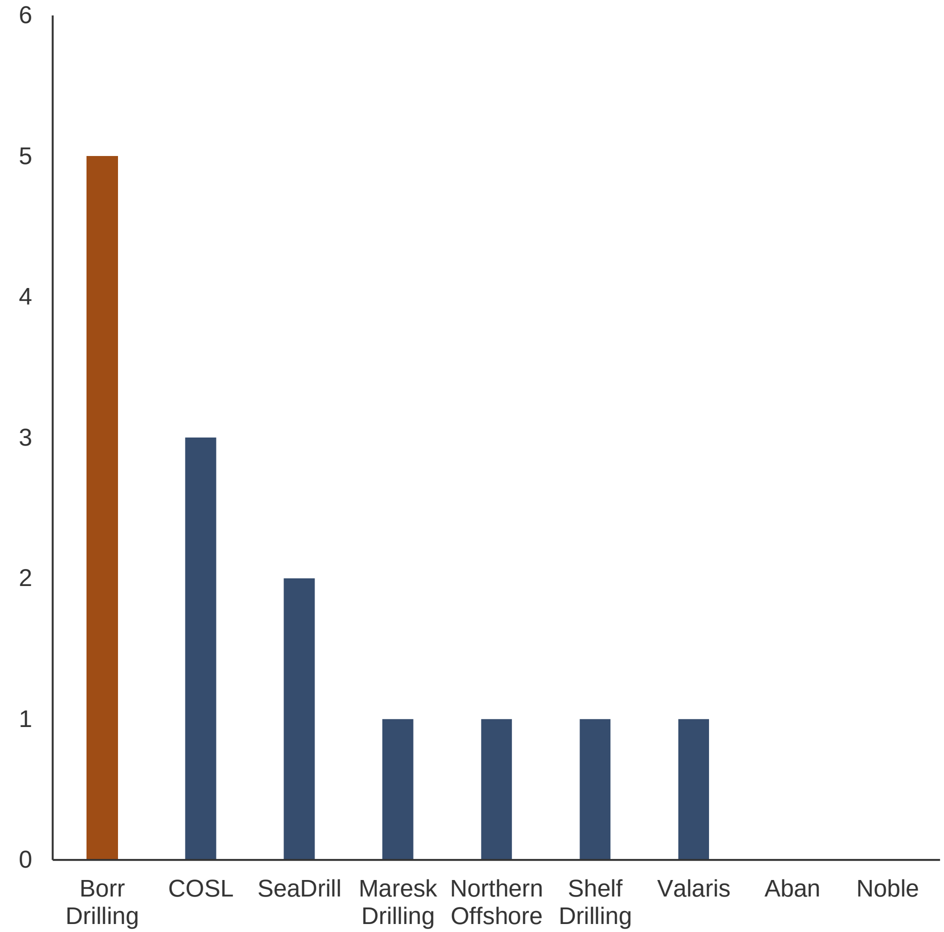
Limited number of available rigs

	Visible incremental demand
Middle East	19
Mexico	12
South-east Asia	9
West Africa	8
India	3
Rest of the world	?
Total	**>50**

Only 14 warm stacked units left – Borr controls > 1/3



Source: Borr Drilling and IHS

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		28	28	28
Revenue	USDm	1002	1452	2504
Costs	"	-511	-511	-511
EBITDA	**"**	**491**	**941**	**1993**
Revenue tax	"	-40	-58	-100
Interest cost	"	-120	-120	-120
Free cash flow	**"**	**330**	**763**	**1773**

1 incremental rig contracted improves free cash flow to equity by ~USD20m/year*
Borr Drilling has 12 units left to contract

*Excluding possible activation cost and contract preparation

Summary

Market has reached 90% utilization for modern assets – first time in this cycle

Only 14 modern warm stacked units – 17 stranded units in the ship yard

Visible demand for more than 50 units – rig count expected to surpass 400 within next 12 months

Borr has 19 contracted rigs – with another 12 to fix (5 rigs available and 7 to be delivered)

Currently positive cash generation from operations after financing cost

1 incremental rig fixed at current rates of USD100k/day gives ~USD20m/year in FCF

Strong increase in EBITDA expected in 2020