



**SHELF  
DRILLING**



# Shelf Drilling Investor Presentation

January 2020

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# Shelf Drilling is Market Leader in Core Jack-up Regions

## COMPANY OVERVIEW

International “pure-play” jack-up drilling company with 35<sup>(1)</sup> ILC jack-up rigs

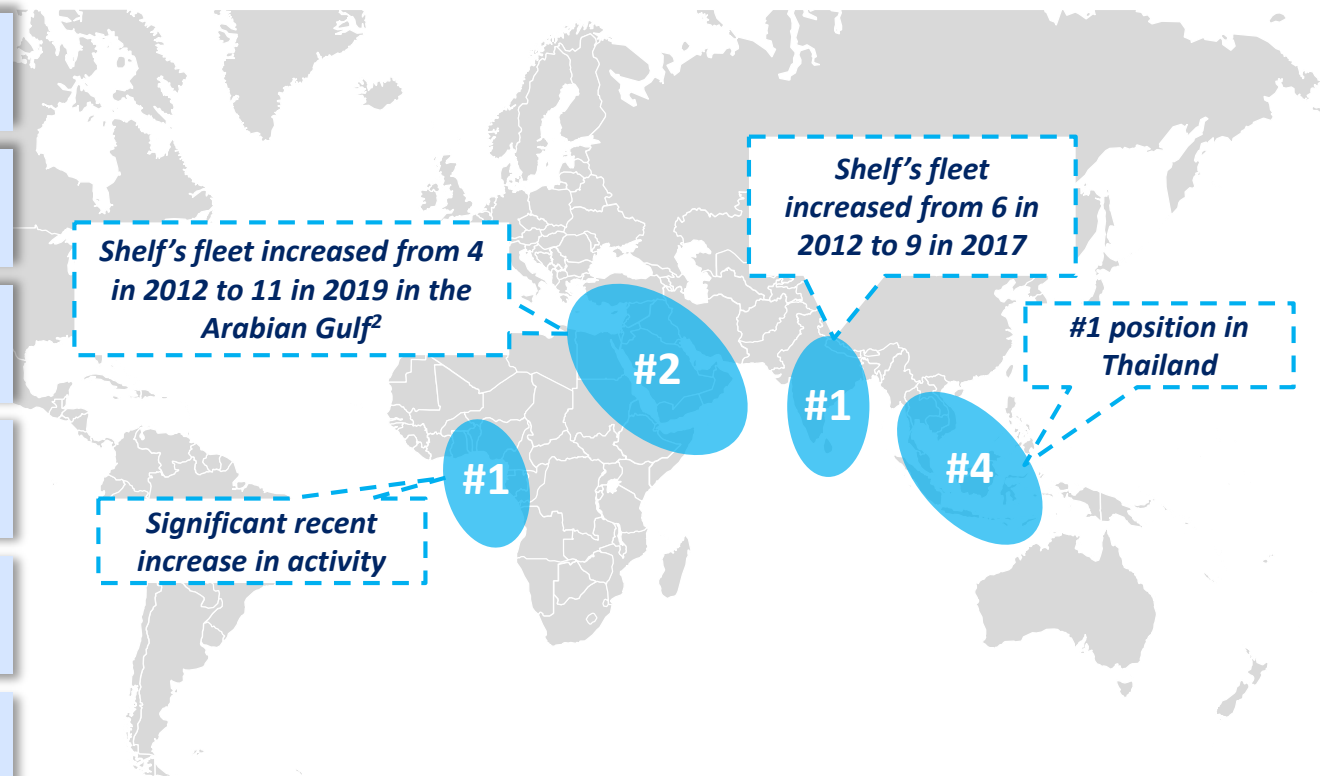
Fit-for-purpose operations with sole focus on shallow water

Headquarters centrally located in Dubai

Top tier safety and operational performance

Industry leading cost structure

Robust full cycle financial results



**Operating with scale in the most attractive shallow water markets**

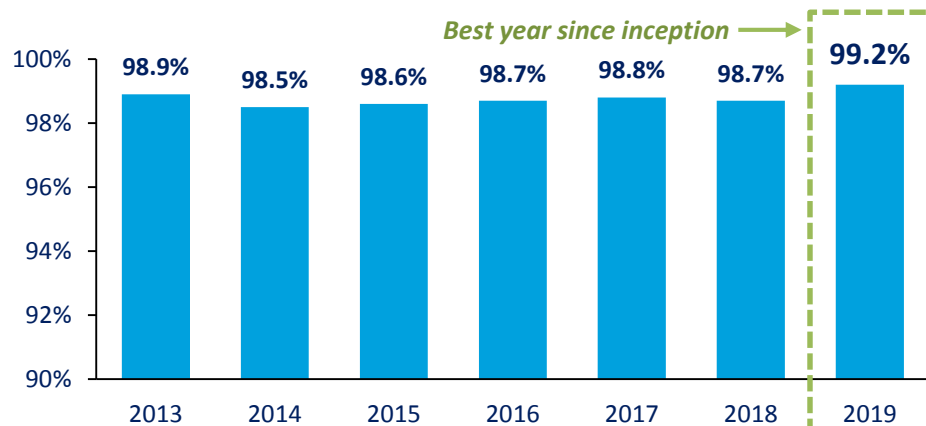
*Number (#) represents Shelf Drilling's operating position*

Note (1): Excludes 2x stacked jack-ups (held for sale) and 2x newbuild rigs under bareboat charter with China Merchants

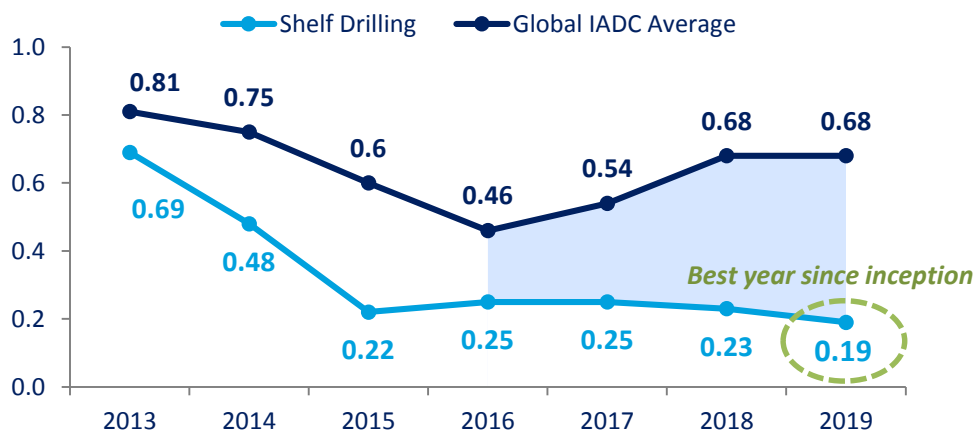
Note (2): Arabian Gulf defined as Bahrain, Qatar, Saudi Arabia and UAE

# Our Operating Platform Creates Differentiation

## Average Fleet Uptime Track Record



## Safety Track Record (TRIR<sup>1</sup>)



## Operational excellence made possible through

1 High national content – 84% across fleet

2 Centralized organization and oversight

3 Fit-for-purpose processes and systems

4 Lean and flat management structure

*Customers are increasingly prioritizing consistent performance*

Source: International Association of Drilling Contractors (IADC) as of 30 September 2019, SHLF data as of 31 December 2019

Note (1): Total recordable incident rate (incidents per 200,000 man-hours)

## Capitalizing on Opportunities in the Downturn

- **From 2017 to 2019, Shelf Drilling acquired 6 premium jack-up rigs at historically low prices**

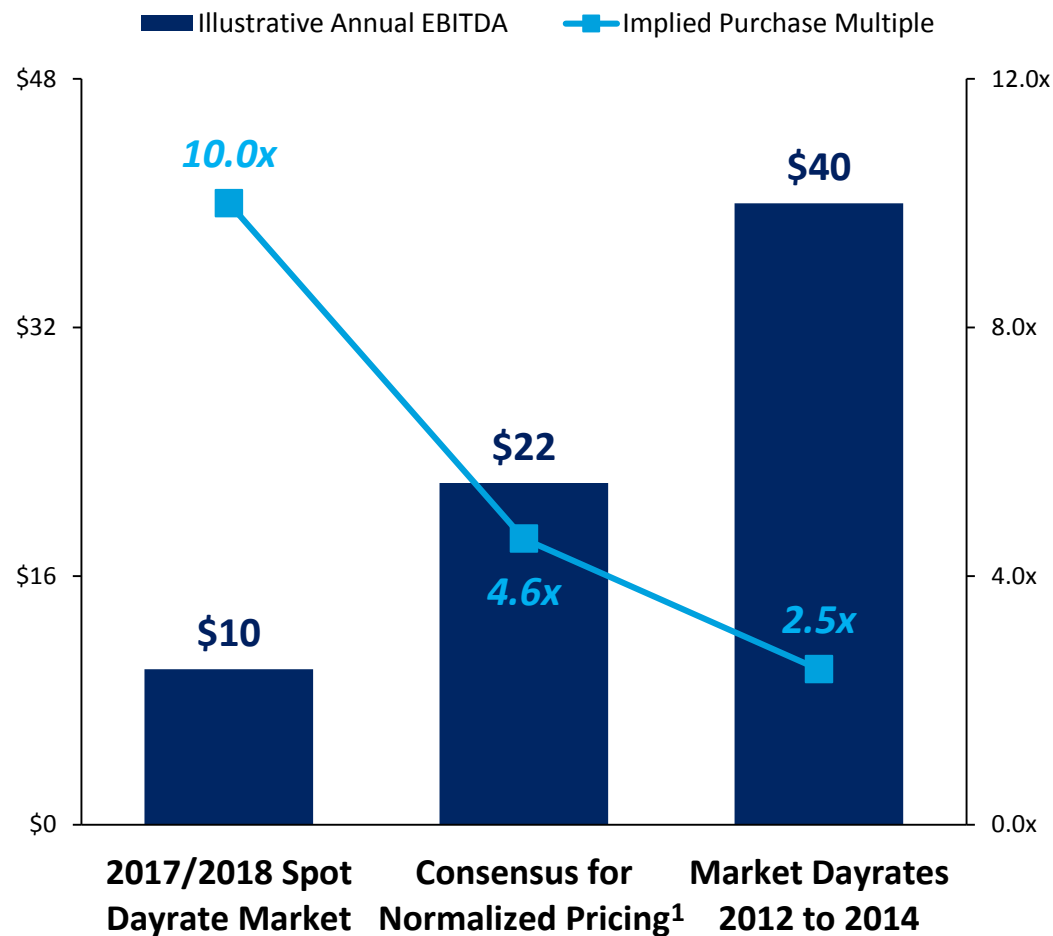
- All-in investment of ~\$100 million per rig
- ~50% of replacement cost (~\$1.2 billion of assets added for ~\$600 million)
- Average age of 6 years
- Proven, reputable rig designs
- First 5 contracted with top tier NOCs and IOCs – advanced discussions on Shelf Drilling Journey

- Reasonable estimated cash on cash return at trough of the cycle
- Significant upside potential in improving dayrate environment

- ***Latest transaction most compelling to date***

- Shelf Drilling Enterprise (7<sup>th</sup> acquired rig)
- Purchased for specific contract with key customer

### Illustrative Acquisition Economics (\$100MM Per Rig Investment)



Note (1): Assumes \$60k/d of EBITDA margin



# Strategic Evolution and Positioning of Jack-Up Fleet

## 91% Marketed Utilization Across Fleet

### 9 x Premium<sup>(1)</sup>

**89% Utilization**

*Demonstrated ability to invest and deploy*

- Newbuilds: 2 (2014)<sup>(4)</sup>
- Acquired Rigs: 5 (2017-2020)
- Newbuilds CJ46 : 2 (2019)

### 3 x Major Upgrades

**100% Utilization**

*"Smart upgrades" to premium specification at fraction of cost*

- Baltic (2015)
- Key Singapore (2015)
- Adriatic I (2014)

### 6 x Shallow Draft

**100% Utilization**

*Uniquely positioned to meet niche demand*

- Arabian Gulf: 5
- Nigeria: 1

### 17 x Standard<sup>(2)</sup>

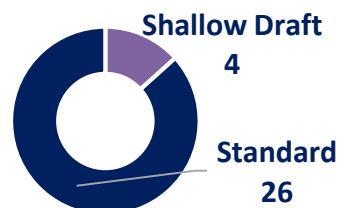
**88% Utilization**

*Cost efficient and well suited for brownfield activity*

- India & Egypt: 10
- Other Areas: 7

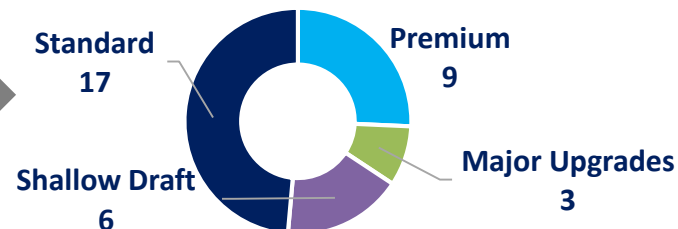
**2012**

Total Active = 30



**2020**

Total Active = 35<sup>(3)</sup>



**"Right Assets in Right Locations"**

*Blend of premium & standard jack-ups provides ideal match to customer requirements across our regions*

Note (1): Excludes 2x newbuild rigs under bareboat charter with China Merchants

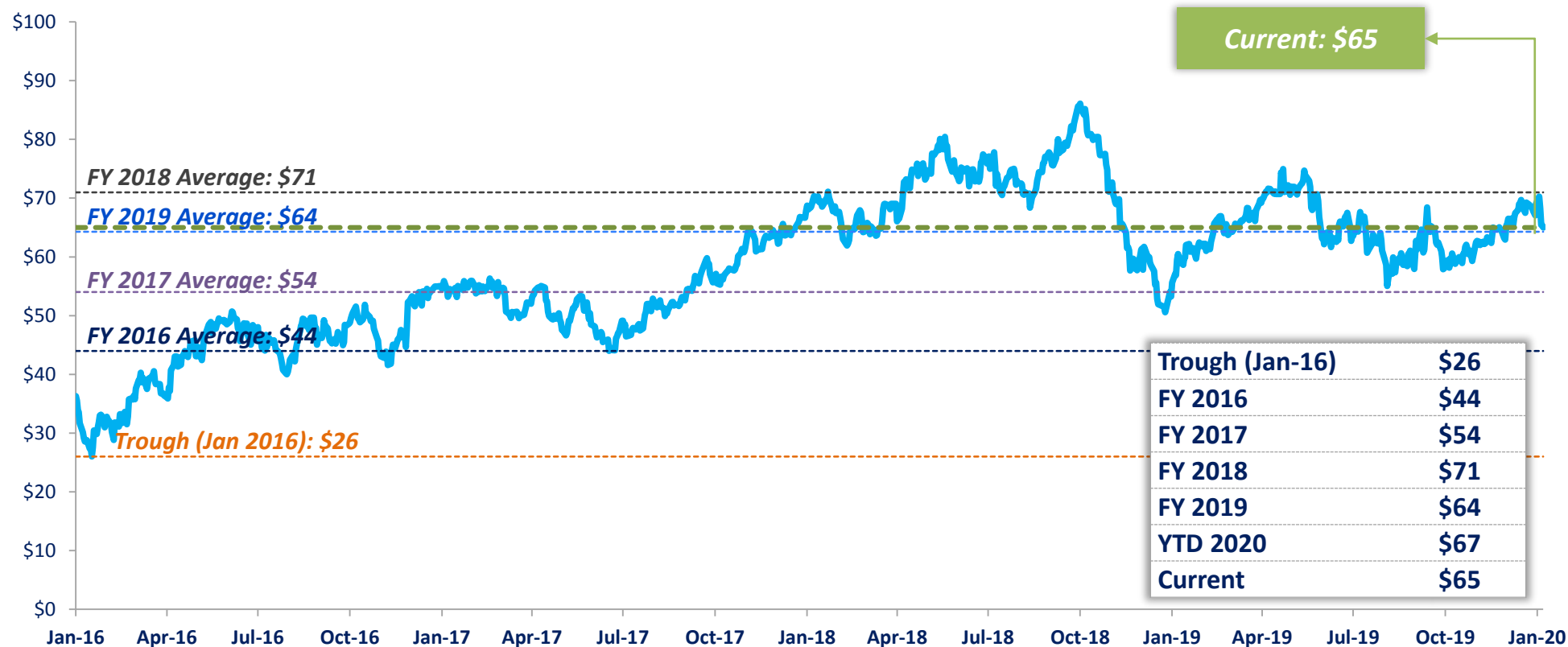
Note (2): Excludes 2x stacked jack-ups (held for sale)

Note (3): Excludes 2x stacked jack-ups (held for sale) and 2x newbuild rigs under bareboat charter with China Merchants

Note (4): Delivered in 2016 and 2017

# Oil Price Development

## Brent Oil Price (\$/bbl)

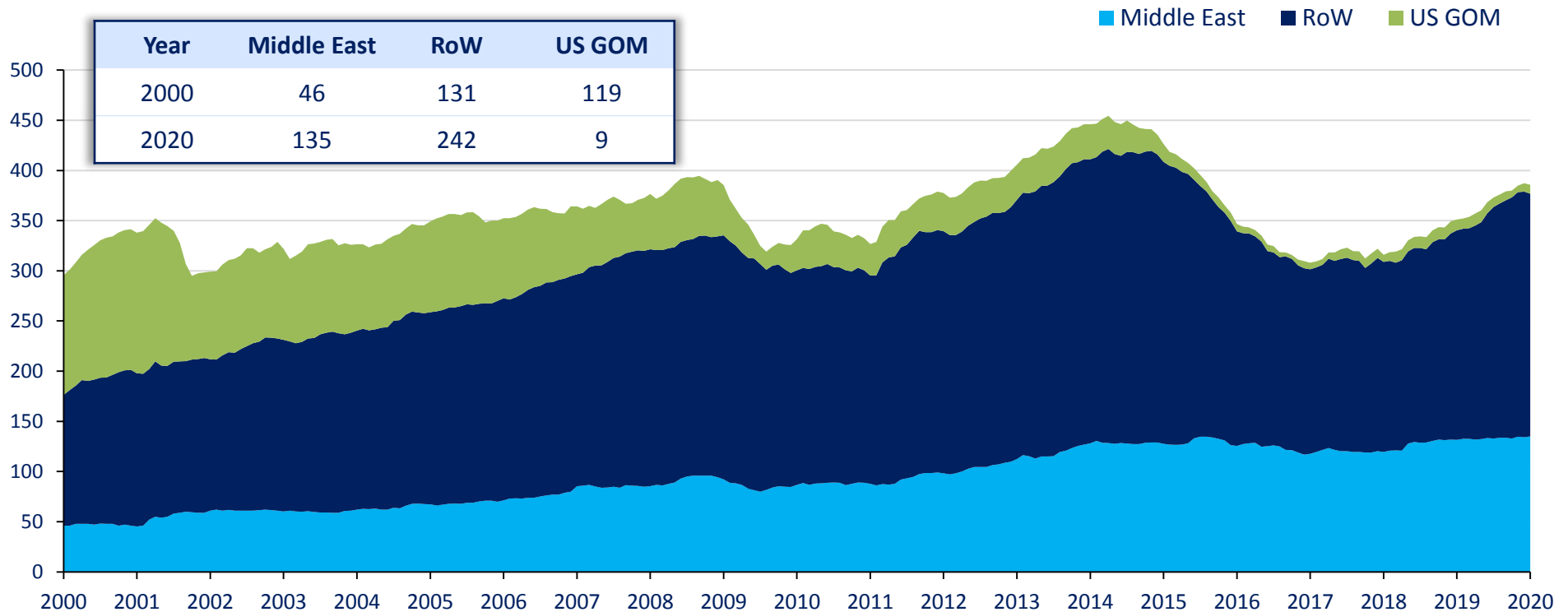


Despite volatility over the last year, Brent price level in the \$60-70/bbl range provides constructive backdrop for shallow water market

Source: Bloomberg, EIA website, as of 12 January 2020

# Middle East NOCs Steadily Increasing Activity

## Total Number of Contracted Jack-Ups Globally



- Middle East increased from <15% of global total in 2000 to ~35% today
- Further rig count growth expected in Saudi, UAE, Qatar and Kuwait in years ahead

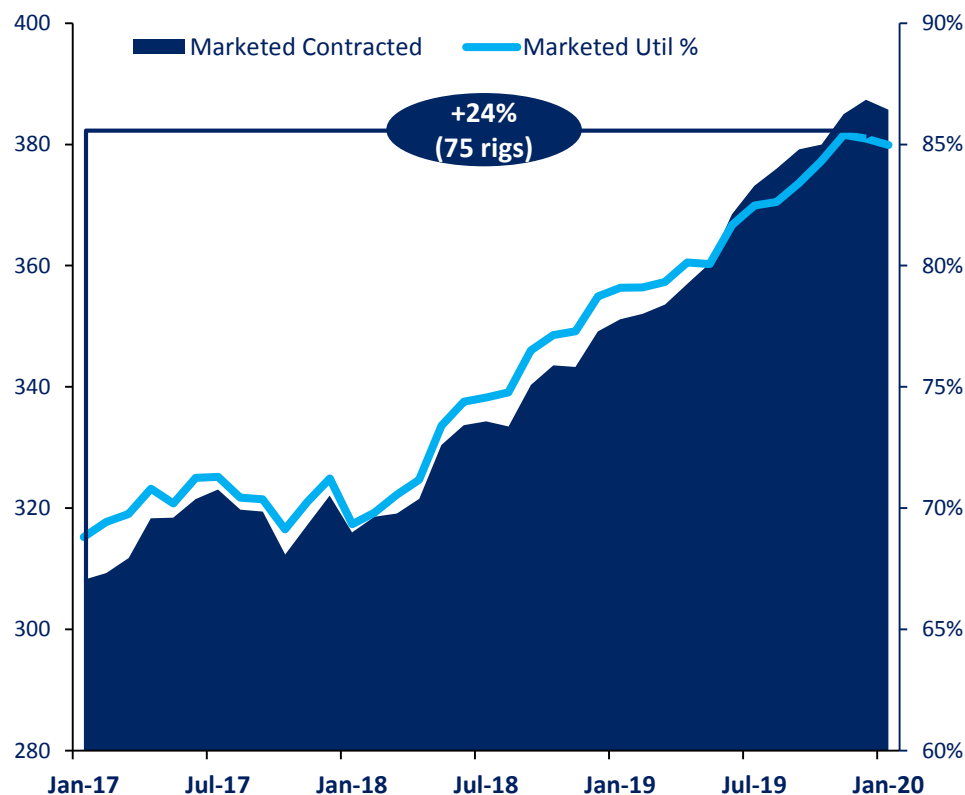
Source: DNB Markets, IHS-Petrodata as of 09 January 2020



# Recovery in Jack-Up Utilization and Dayrates is Accelerating

## # of Contracted Jack-ups

**Peak (April 2014)** 457 jack-ups  
**Average 2006-2015** 381 jack-ups  
**Minimum since 2006 (Jan 2017)** 311 jack-ups  
**Current (Jan 2020)** 386 jack-ups



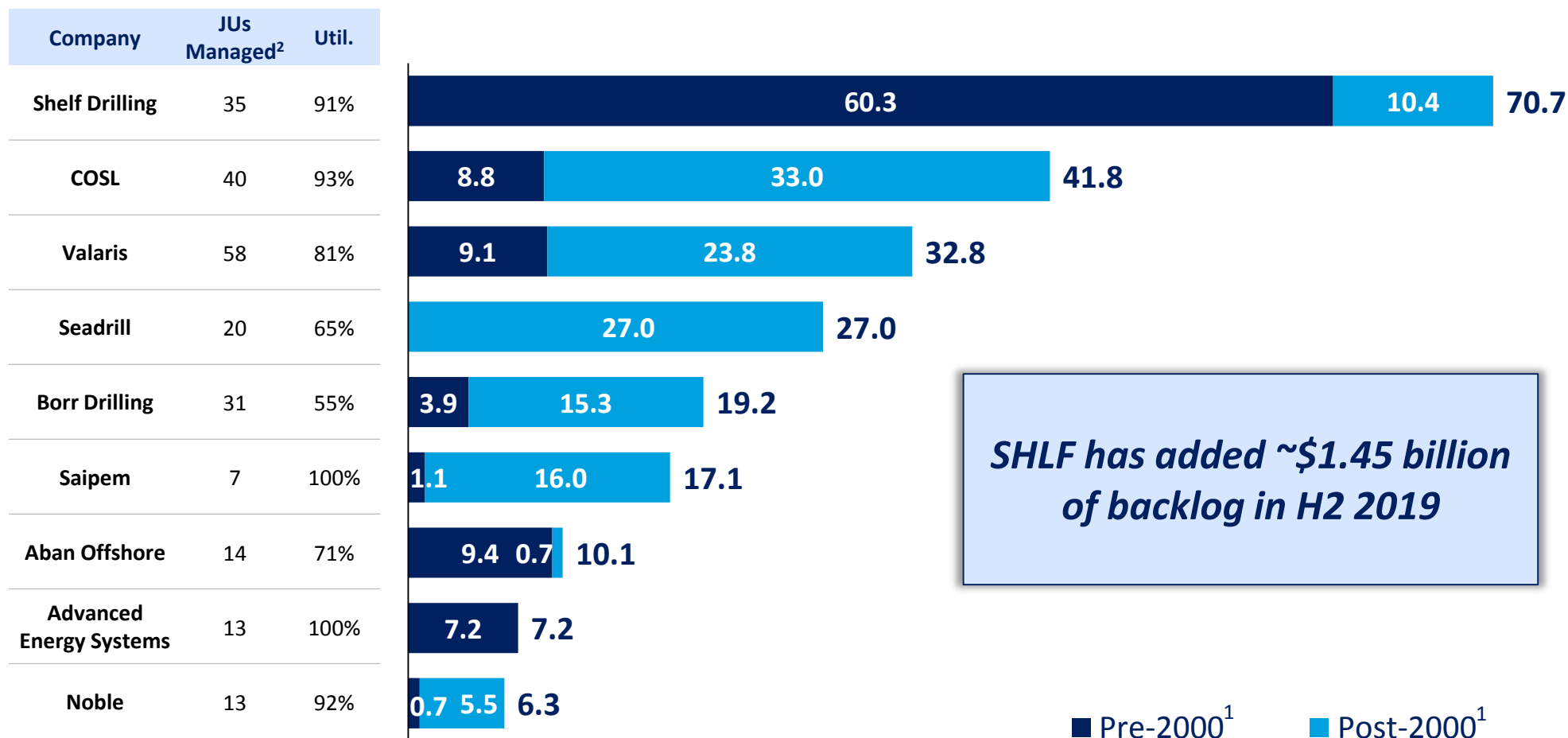
## Indicative Spot Dayrates

Region	Mid 2018	Late 2019	% Change
Middle East	\$40-70k	\$65-95k	~45%
West Africa	\$60-75k	\$75-95k	~25%
SE Asia	\$45-60k	\$70-90k	~50%
India	\$25-30k	\$40-50k	~60%
Average	\$45-60k	\$65-80k	~40%

Source: Bloomberg, IHS Petrodata, as of 09 January 2020

# Contracting Outperformance Across Regions and Asset Classes

## Jack-up Backlog Added 2019 (Rig-Years)



Source: IHS Petrodata as of 06 January 2020

Note (1): Original delivery year

Note (2): Source: IHS Petrodata as of 12 January 2020 and latest fleet status reports from various company websites. Jack-ups managed count excludes pre-2005 built and cold stacked/held for sale rigs for all companies in addition to the following adjustments. Shelf Drilling excludes 2x newbuild rigs under BBC. Valaris includes 16x ARO JUs. Seadrill includes 5x SeaMex JUs; excludes 3x newbuild JUs for Qatar (GulfDrill).

# Proven Track Record of Securing Contracts and Building Backlog

## Backlog Quality and Diversity<sup>1</sup>

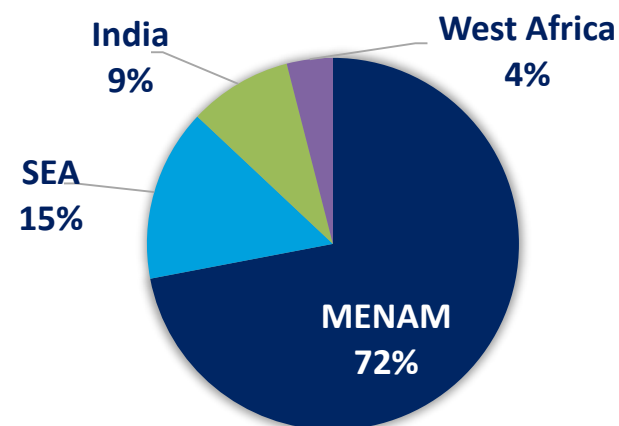


- 99% of backlog with NOCs and IOCs
- 32 contracted rigs with on average ~2.5 years of remaining contract term

## Fleet Status Summary

	Contracted	Available	Total <sup>2</sup>	% Cont.
MENAM	15	3	18	83%
India	8	0	8	100%
West Africa	5	0	5	100%
SE Asia	4	0	4	100%
Total	32	3	35	91%

**Total Backlog<sup>(3)</sup> – \$2,005 million (As of 31 December 2019)**



Note (1): Customer logos include current and prior customers.

Note (2): Total excludes 3 stacked rigs (2 jack-ups and 1 swamp barge).

Note (3): Backlog excludes Shelf Drilling Enterprise contract executed in January 2020.

# Sustained Performance Leads to Major Contract Extensions

## 35 Rig-Years

- High Island II, High Island IV, Main Pass I – 10 years each
- Main Pass IV – 5 years

## ~\$1Bn Backlog

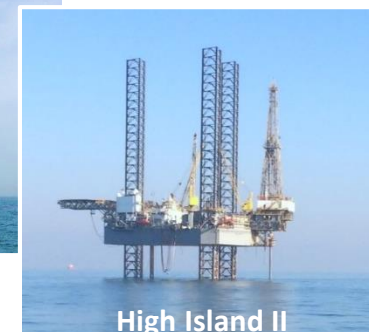
- Dayrates consistent with current rates
- Annual rate adjustments based on Brent crude oil price beginning Q1 2021

## “Age is Just a Number”<sup>(1)</sup>

- All four rigs have ~15 years of operating history with Aramco
- Contract extensions testament to the quality and performance of the rigs and crews



High Island IV



High Island II

## Saudi Arabia – 100% Utilization | Long-Term Relationship With World’s Largest Oil & Gas Company

- » Pursued strategic initiative to expand Saudi footprint since inception
- » Saudi fleet grown from 4 to 7 JUs since 2012
- » Good mix of shallow draft (HI2/HI4/HI5/HI9) and standard rigs (MP1/MP4) with smart upgrades provide long-term competitive advantage in the region
- » Recently added premium JU SD Achiever to Saudi fleet

	Year 2020												Year 2021											
Rig Name	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
High Island IX	Aramco, Jun-21																		2-year option					
High Island V	Aramco, Mar-22																							
High Island II									Aramco, Mar-30															
High Island IV											Aramco, Feb-30													
Main Pass I											Aramco, Feb-30													
Main Pass IV															Aramco, Mar-25									
SD Achiever	Aramco, Nov-22																							

Note(1): Source: Clarksons Platou Securities research report as of 1/8/20.

# Shelf Drilling Enterprise Acquisition & Concurrent Contract Award



## \$81m Total Rig Cost

- Reactivation scope includes 5-year overhaul of all major equipment
- Contract preparation includes significant upgrades to pipe-handling system, cranes, BOPs, living quarters & lifeboat capacity plus new rapid preload system and selected tubular, handling and fishing tools

## \$59m Contract Value

- 21-month contract + options with Chevron Thailand
- Operations expected to commence in August 2020

## ~4.5x EBITDA Multiple

- Significant cash flow generation from current contract
- Well-positioned for future area work
- Focus on disciplined approach to capital spending and generating returns for investors

Rig Specifications	Design	Baker Pacific Class 375
	Delivery Year	2007
	Water Depth	375 ft.
	Hook Load	1500klbs
	Cantilever Reach	70ft. x 30ft.
	VDL	3,400 MT
Total Rig Cost	Operating History	10 years for Shell Brunei
	Purchase price	\$38
	Reactivation	\$25
	Contract Prep	\$13
	Other (Crew Ramp-Up, etc.)	\$5
	Sub-Total	\$43
	Total	\$81

## Thailand – 100% Utilization | Long-Term Business with Leading IOC

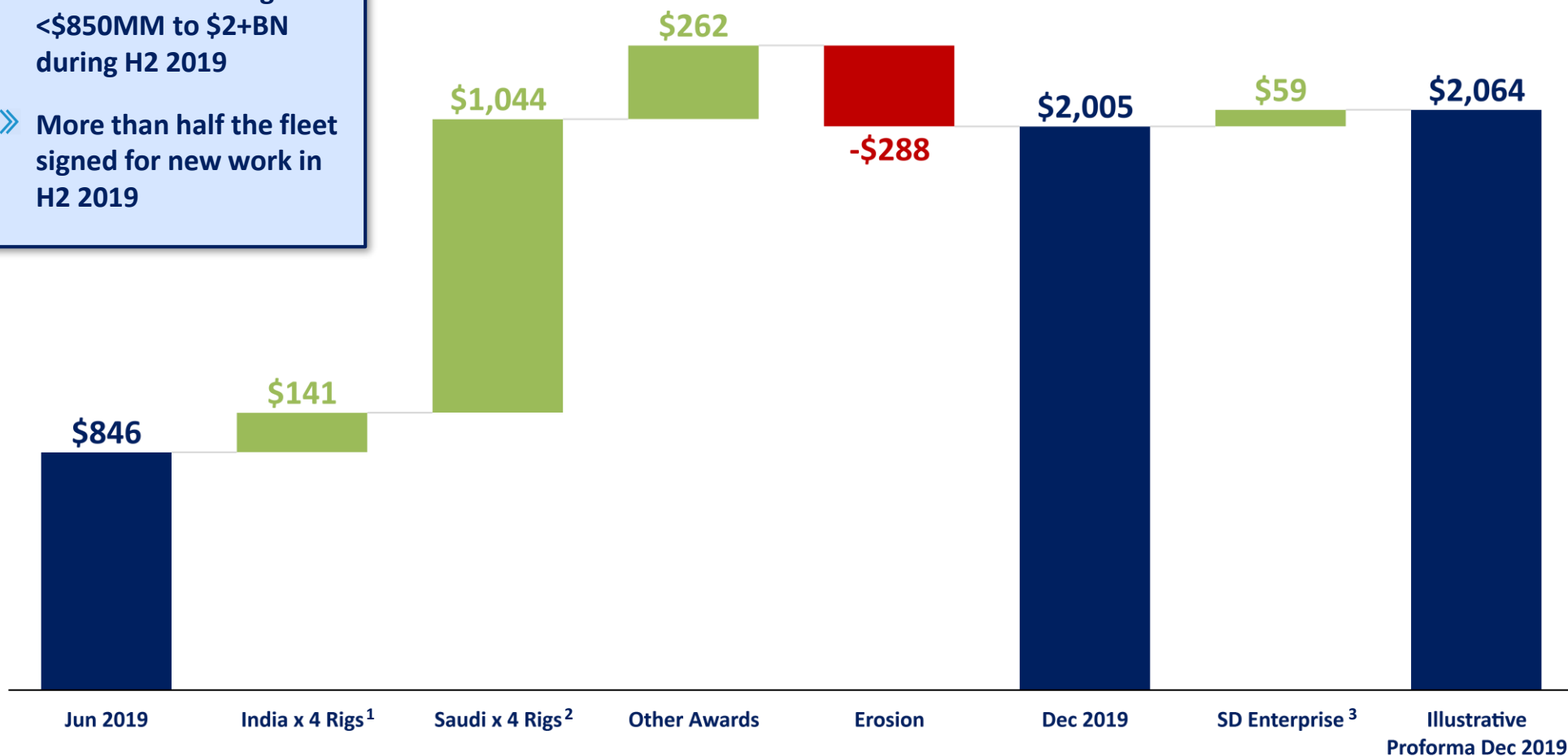
- » Contract award in 2014 covering 10 rig-years for two highly customized, fit-for-purpose newbuild jack-ups
- » 2 acquired premium jack-ups contracted in GOT in 2019/20
- » Extensive experience in factory type drilling and offline operations
- » Large proportion of lower-risk, short-cycle P&A work

Rig Name	Year 2020												Year 2021											
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
SD Chaophraya																								
SD Krathong																								
SD Scepter																								
SD Enterprise																								

## Backlog Evolution in Recent Months

» ~140% Growth in contracted backlog from <\$850MM to \$2+BN during H2 2019

» More than half the fleet signed for new work in H2 2019



Note (1): 3 rigs awarded 3-year contract each; 1 rig awarded 3-month contract

Note (2): Includes short-term and long-term extensions on 4 rigs

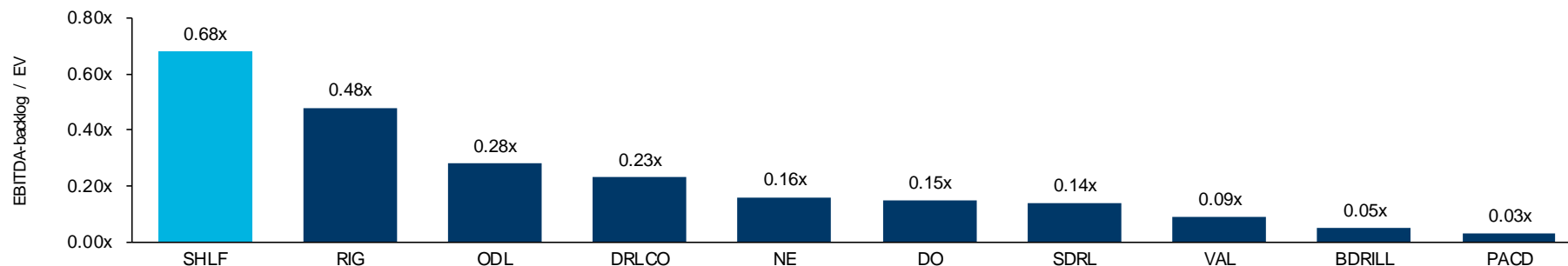
Note (3): Includes mobilization revenue



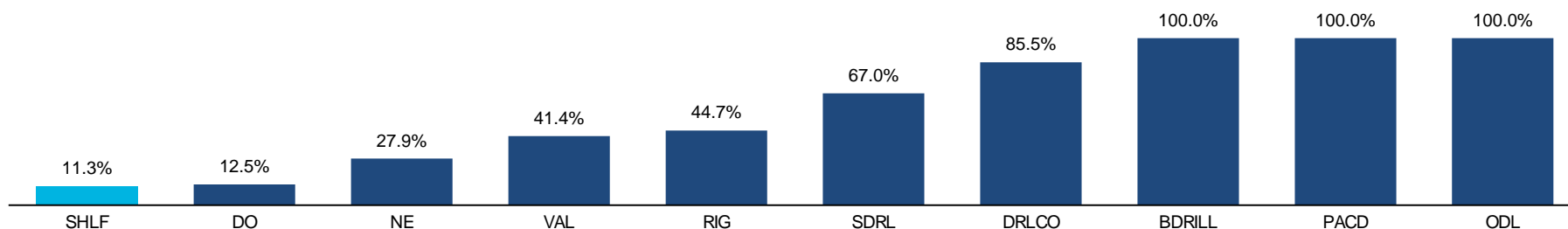
# Shelf Continues to have Peer Leading Corporate Credit Profile



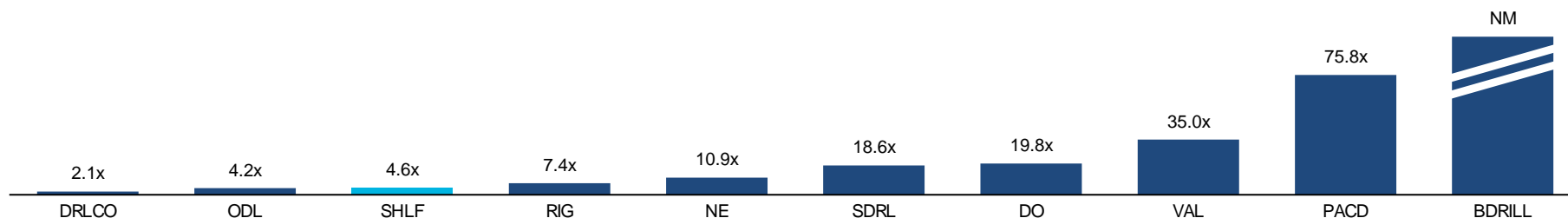
## EBITDA-Backlog / EV<sup>(1)</sup>



## Percentage of Total Debt Maturing Within the Next 5 Years



## Net Debt / LTM EBITDA<sup>(2)</sup>



Note: Debt maturities exclude amounts due under capital leases. SHLF reflects 12/31/2019 RCF balance of \$35mm and pro forma for Maersk Completer (renamed Shelf Drilling Enterprise) acquisition and associated contemplated financing. RIG pro forma for \$750mm notes offering. DRLCO pro forma for sale of Maersk Completer for \$38mm. VAL pro forma for recent arbitration payment and excludes ARO.

Note (1): Chart from Clarkson's Platou Securities research report as of 1/8/20; Shelf not pro forma for Maersk Completer acquisition and associated contemplated financing.

Note (2): LTM EBITDA as of 9/30/2019, for all companies other than DRLCO, which is LTM as of 6/30/19. Shelf Drilling LTM EBITDA adjusted to include \$18mm of incremental expected annualized EBITDA associated with newly acquired rig and \$27mm of annualized EBITDA associated with contracts for two other acquired rigs that recently commenced multi-year contracts.

### Industry Leading Backlog

- ~140% growth since June 2019 to \$2+ billion
- Significant revenue and free cash flow visibility in coming years

### Well-Capitalized

- Scepter + Achiever/Journey – activation projects substantially complete by YE 2019
- Shelf Drilling Enterprise – multiple financing options ahead of Q3 2020 start
- No debt maturities before 2023

### Near-Term Momentum

- Guidance for Q4 2019 provided in November 2019 implies 20% sequential revenue growth
  - 7 new contracts commenced during Q4 (average length ~2 years)
  - Further step up in revenue expected in Q1 2020

## Fit for Purpose Strategy

- Right Assets in the Right Locations | Right-Sized Organization | High National Content

## Leading Position in Key Markets

- Critical mass and significant market share in all core geographic regions
- Middle East, West Africa and Southeast Asia activity poised for growth while India remains comparatively steady

## World Class Jack-up Contractor

- Best-in-class operating platform and low-cost structure
- Sustained performance creates differentiation

## Solid Financial Run-way

- Minimal debt maturities until 2025 and strong current liquidity position
- Backlog provides revenue and margin visibility

## Returns Focus

- Track record of resilient margins, free cash flow generation and capital return
- Fleet transformation in recent years through creative, cost-effective transactions
- Significant cash flow potential in improving dayrate environment

# Appendix

Shelf Drilling Investor Presentation (January 2020)



## Global Jack-up Fleet Summary

Regions	Contracted Jack-ups			% of Peak	Change since Trough
	Apr-14	Jan-17	Jan-20		
Middle East	129	118	135	105%	17
India	34	38	34	99%	-4
West Africa	20	7	18	90%	11
SE Asia	68	27	43	63%	16
North Sea	47	29	35	74%	6
China	30	27	51	168%	24
US GOM	33	7	9	27%	2
Mexico	53	28	32	59%	4
Sub-Total	414	281	356	86%	75
Total	457	311	386	84%	75
% of Total	91%	90%	92%		100%

Rig Status	Total
Under Contract	386
Available	68
Active Jack-ups	454
% Marketed Utilization	85%
Under Construction	51
Sub-total	505
Cold Stacked	70
Total Fleet	575

- Activity levels in the 8 largest jack-up regions globally have increased over the last year
- Middle East rig count at all-time high with recent awards in Q4 2019/H1 2020
- Increase in Mexico from 17 in early 2018 to 32 contracted rigs today
- Modest rig count recovery in India in 2019 after drop in 2018 – further rise likely in 2020
- Chinese market continues to absorb significant new rig capacity from domestic shipyards (all-time high)

Source: IHS Petrodata as of 09 January 2020

## Capital Structure Summary

<i>(In millions USD)</i>	<b>YE 2017</b>	<b>YE 2018</b>	<b>Jun-19</b>	<b>Sep-19</b>
Cash	\$84.6	\$91.2	\$71.3	\$45.7
Total Long-lived Assets	\$1,405.9	\$1,354.8	\$1,465.9	\$1,487.5
Total Assets	1,683.0	1,645.9	1,740.2	1,730.9
Senior secured notes due 2018/2020	526.7	-	-	-
Senior unsecured notes due 2025 <sup>1</sup>	-	887.8	888.7	889.1
RCF Drawdown				20.0
Obligations under sale and leaseback	313.9	-	-	-
Total Debt	\$840.6	\$887.8	\$888.7	\$909.1
Net Debt	\$756.0	\$796.6	\$817.4	\$863.4
Mezzanine Equity	166.0	-	-	-
Total Equity	\$509.2	\$591.3	\$669.4	\$633.3

- Total liquidity, including availability under RCF, of approximately \$241.8 million as of September 30, 2019
- LTM Adjusted EBITDA of \$171.3 million (Sep-19). Net Leverage of 5.0x (Sep-19) <sup>2</sup>
- Total shares outstanding of 137.7 million as of September 30, 2019
  - 285k shares repurchased in September 2019 at average price of \$2.45 per share
  - Free float of 57.3 million or 41.6%
  - Large shareholders with board representation: 80.3 million or 58.3%
    - China Merchants: 26.8 million (19.4%)
    - Lime Rock: 17.2 million (12.5%)
    - Castle Harlan: 17.2 million (12.5%)
    - CPE Capital (formerly CHAMP): 17.2 million (12.5%)

Note (1) Reflects carrying value. Principal value is \$900.0 million

Note (2) TNLR for covenant compliance purposes under RCF of 3.9x at Sep 30, 2019



## Q4 2019 Guidance Summary<sup>(1)</sup>

US\$ millions	Q3 2019 (Actual)	Q4 2019 (Guidance)
<b>Revenue</b>	\$132	\$156 – 161
<b>Capital Expenditures &amp; Deferred Costs</b>	\$64	\$45 – 55
• <b>Rig Acquisitions</b>	\$33	\$27 – 32
• <b>Other</b>	\$31	\$18 – 23

- We believe that Q3 2019 represents an inflection point for the business
  - Revenue and EBITDA have declined sequentially for multiple quarters
  - Following the series of contract awards during 2019 and recent investments in the fleet, we expect this trend to significantly change beginning in Q4 2019, as a total of 7 new rig contracts are scheduled to commence during the period
  - In addition, the capital projects associated with our recently acquired rigs (Scepter, Achiever, Journey) will be substantially complete by YE 2019
- Therefore, the company is providing guidance on certain financial metrics for Q4 2019, but we will not necessarily provide such guidance each subsequent quarter going forward

*Note (1): Provided in Q3 2019 reporting.*

