

# Q1 2023 Earnings Call

**16 May 2023**

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# The Presenting Team



**Ghassan Mirdad**  
*Chief Executive Officer*



**Hubert Lafeuille**  
*Chief Financial Officer*

# Today's Agenda

- 1 / Q1'23 Highlights
- 2 / Business Landscape
- 3 / Operational Highlights
- 4 / Financial Performance
- 5 / Forward-Looking Guidance







## Q1'23 Highlights

# Q1'23 At A Glance

## Operational Highlights

- Utilization Rate **94%** (44 active rigs)
- Quarterly Non-Productive Time **1.05%**
- 36-month rolling REI **93.7%**
- Total **41 Rig Moves** in Q1'23, with **0.2 days saved** per rig move (average)

## HSE & Sustainability

- Total Recordable Incident Frequency Rate (TRIF) **0.84** vs. 0.33 in Q4'22
- Launched a **Safe Practice Centre**, a manned control room to capture real-time unsafe acts/conditions on the rig
- **Zero environmental spills / incidents** in Q1'23



## Financials (SAR)

- Q1'23 Revenue **779M**, +4% vs. Q4'22
- EBITDA of **41.5%**, +40 bps
- Adjusted Net Profit **141M**, +5%
- Net Cash from Operations **472M**, +22%
- Cash & STI **1,979M**, +8%
- Net Debt/EBITDA **0.6x**, -20 bps

## AD's Execution in 2023

- **Deliver 3 JUs safely, on time and on budget** to start their 5Y Saudi Aramco contract
- **Win & execute on our growth strategy** (Unconventional in KSA and/or regional expansion)



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# Business Landscape

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# 16% Total Market Share, Largest Fleet Size

## Contract Awards / Termination / Extensions



1

- No backlog addition in Q1'23
- Negotiating extensions for rigs rolling off contract in 2023
- 1 Land Rig (AD29) released in Q1'23, to be used as a training facility for new rig crews

## Recent Developments



2

## Rig Startups

- 1 Land Rig (AD63) started a contract with Baker Hughes (contract signed in 2022)

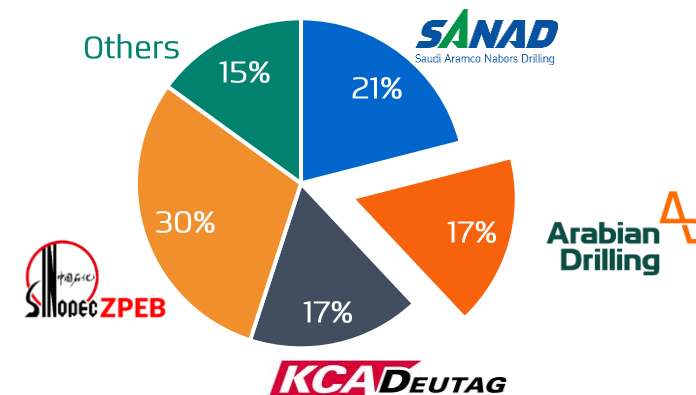


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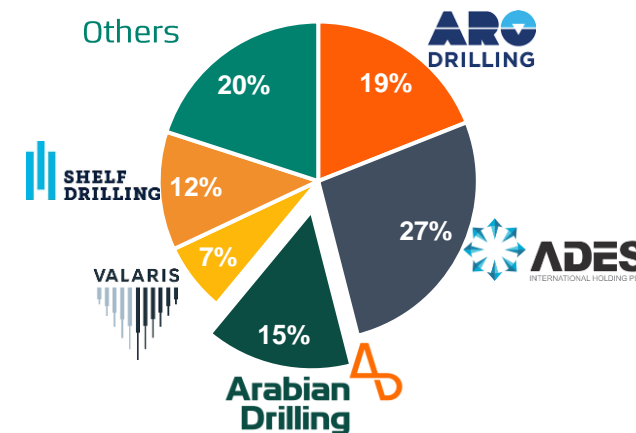
## Market Outlook

- Global JU availability continues to dry-up, resulting in historical high utilization and day rates since last cycle peak
- Next phase of growth will be in Unconventional land

## Market Share Land – EoP Q1'23



## Market Share Offshore – EoP Q1'23



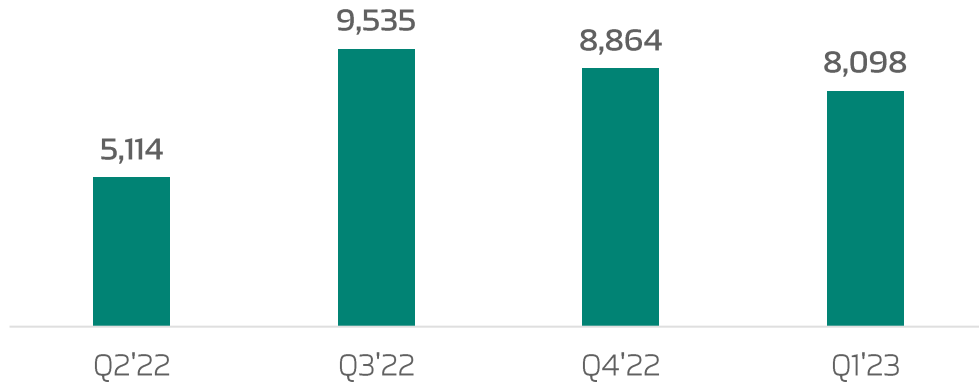




## Operational Highlights

# Strong Backlog with 2.8x Book-to-Bill ratio

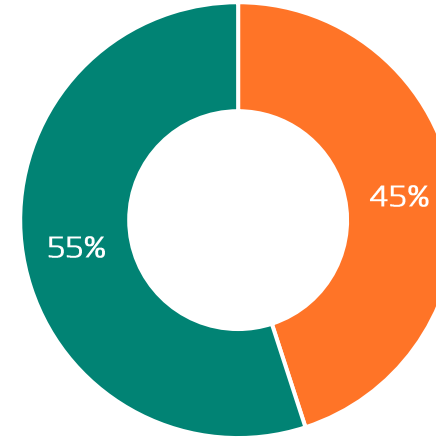
Backlog Trend (SAR M)



Backlog by Segment – EoP Q1'23 (%)

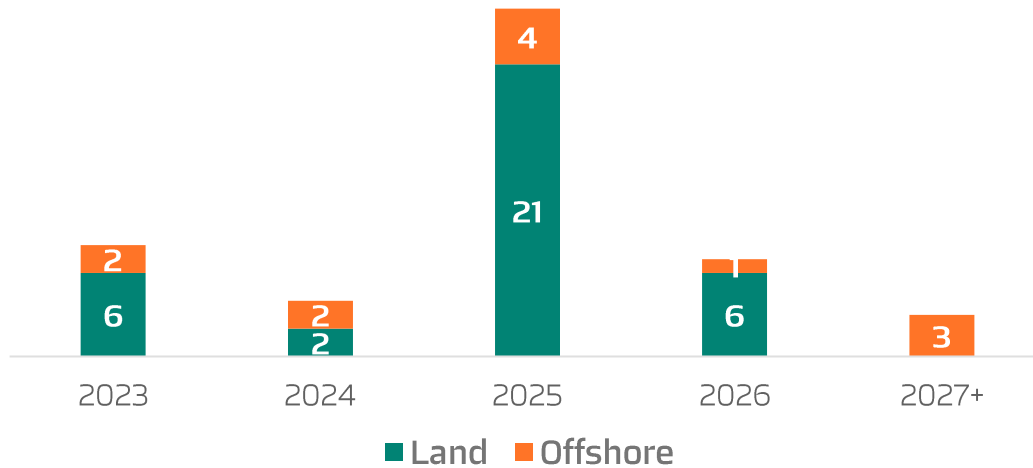


Offshore

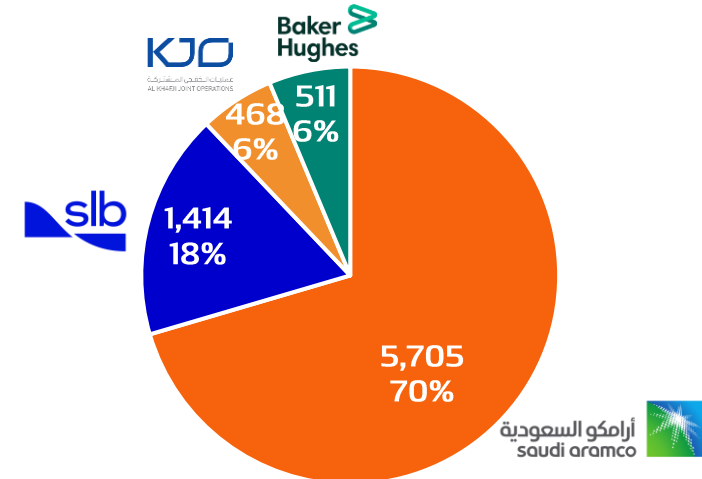


Land

Contract Ending Date by Year (number of rigs)



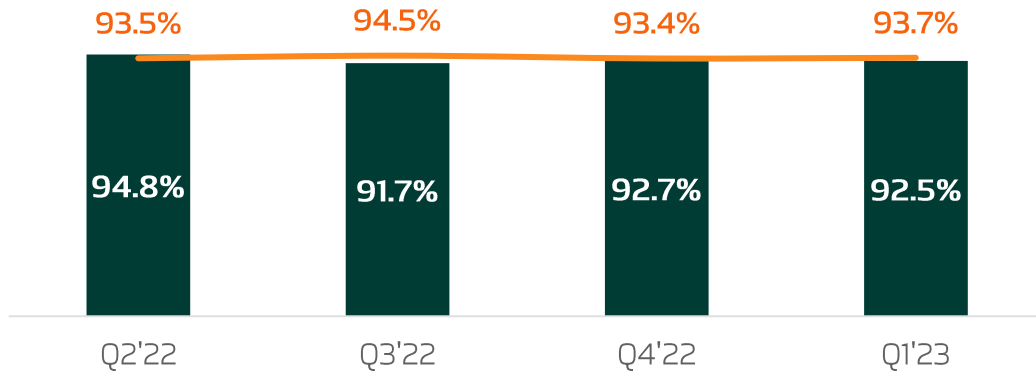
Backlog by Customer – EoP Q1'23 (SAR M and %)



# Sustained Performance and Rig Utilization

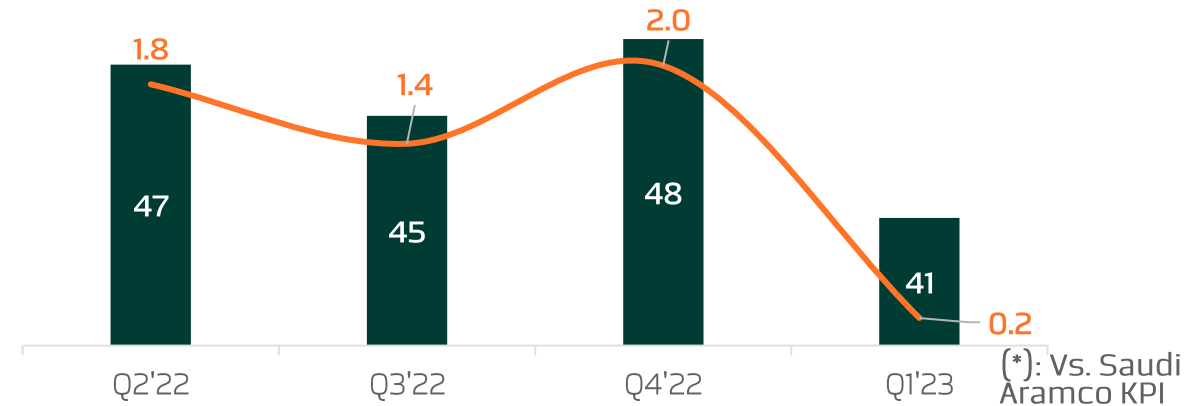
## Aramco Rig Efficiency Index ('REI')

■ Average REI (Quarterly)    — Average REI (36-months Rolling)

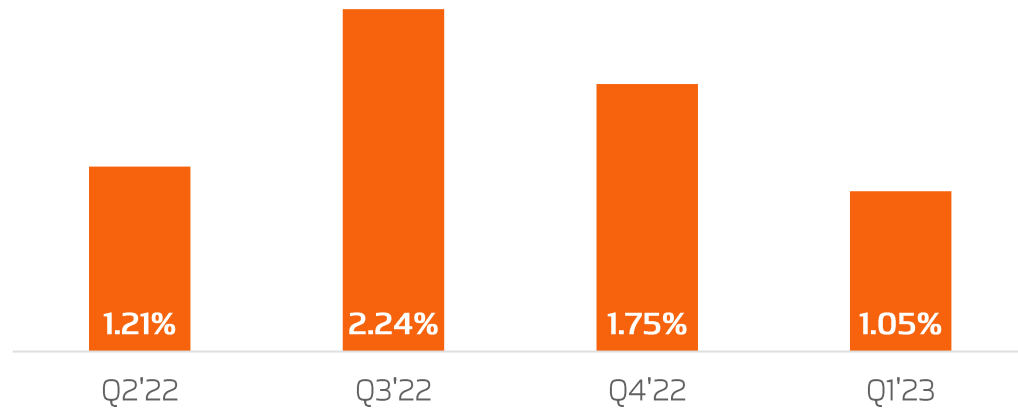


## Number of Rig Move & Days Saved (\*)

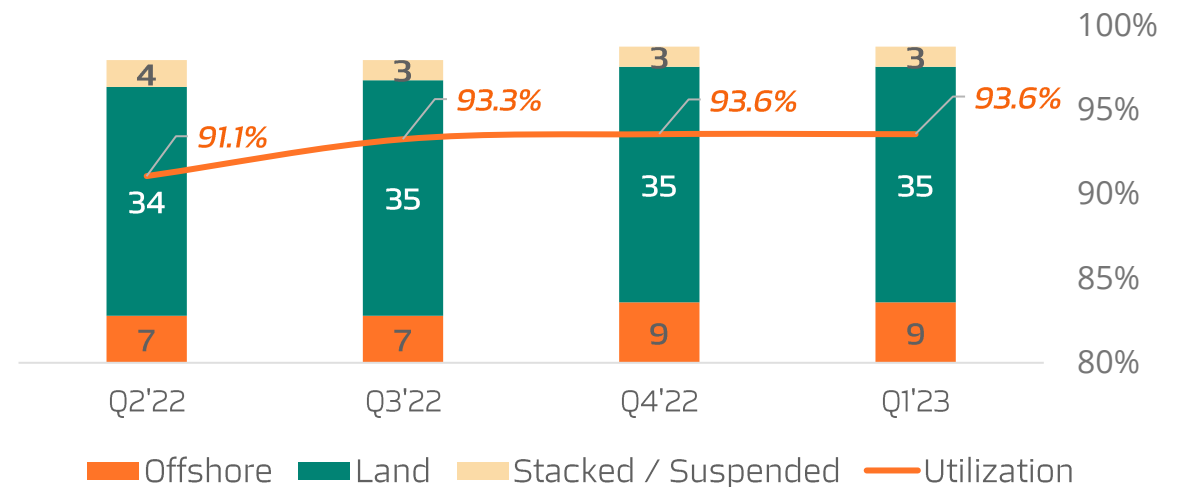
■ Rig Moves Completed    — Average Net Days Saved / Rig Move



## Non-Productive Time ('NPT')



## Rig Activity & Utilization Rate (%) – EoP





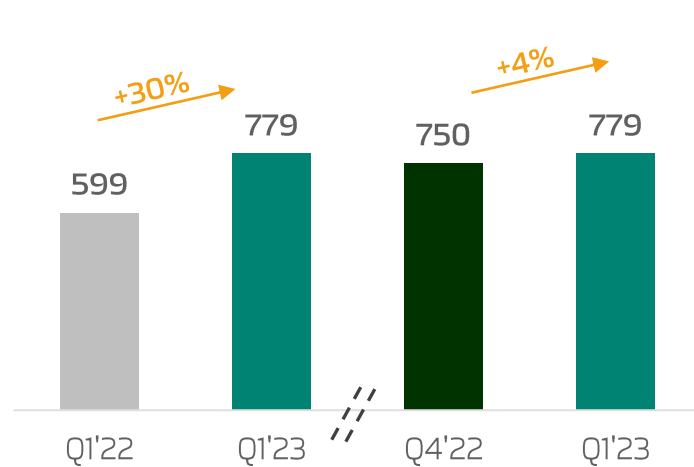


## Financial Performance

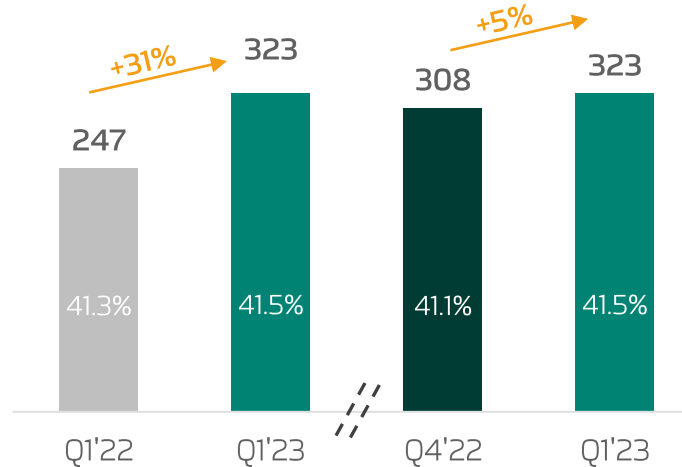


# Improved Margins Quarter on Quarter

## Revenue (SAR M)



## EBITDA (SAR M & % of Revenue)



## Commentary

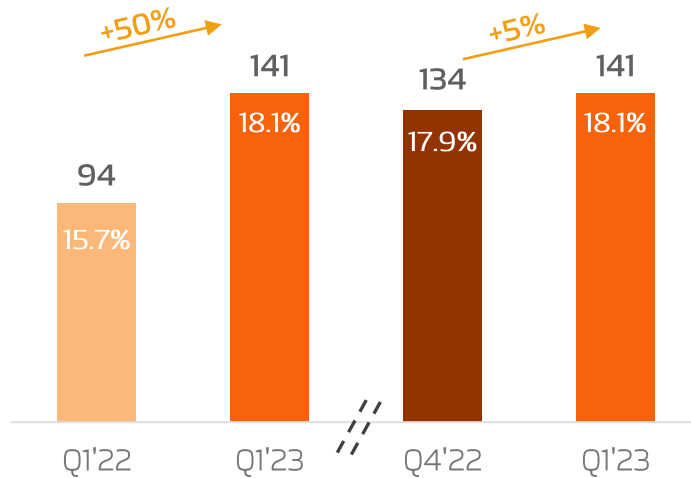
Revenue of 779M, up +4% vs. Q4'22

- Full quarter impact of 2 new offshore JUs (AD110/120)

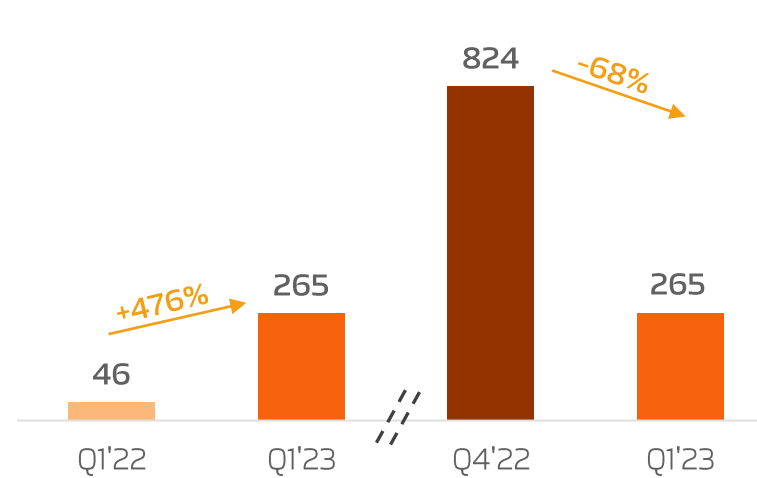
41.5% EBITDA, up +40 bps increase vs. Q4'22:

- AD110/120 addition with accretive EBITDA
- Partially offset by higher cost basis

## Adj. Net Income (SAR M & % of Revenue)



## CAPEX (SAR M)



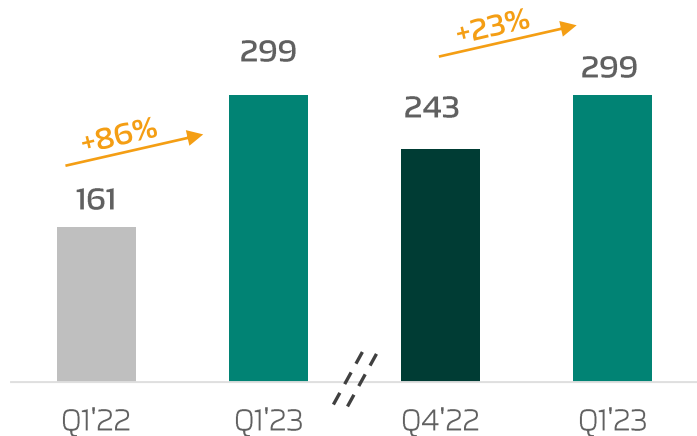
Adjusted Net Income of 141M, +5% vs. Q4'22

Capex of 265M, down -68% vs. Q4'22:

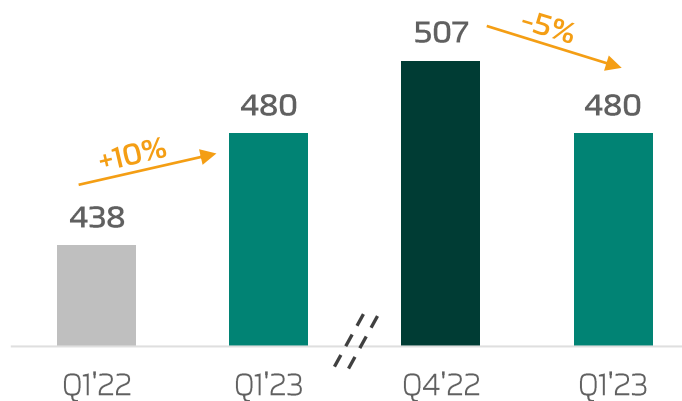
- Q4'22 included purchase of AD150
- Q1'23 driven by ongoing shipyard activities for 3 new offshore JUs (AD130/140/150)

# Offshore Confirmed Strong Performance

## Revenue – Offshore (SAR M)



## Revenue – Land (SAR M)

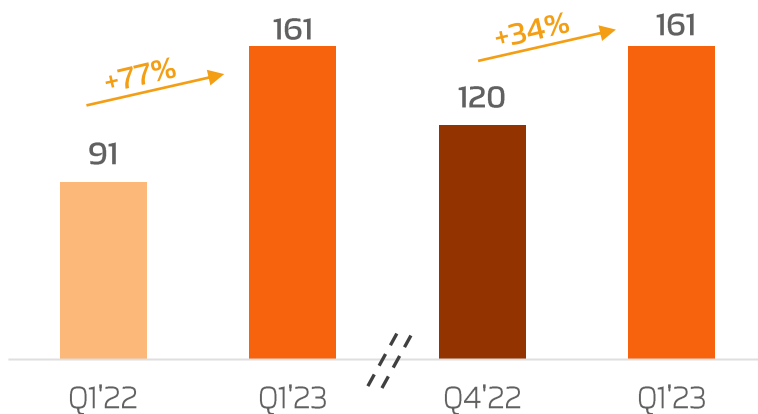


## Commentary

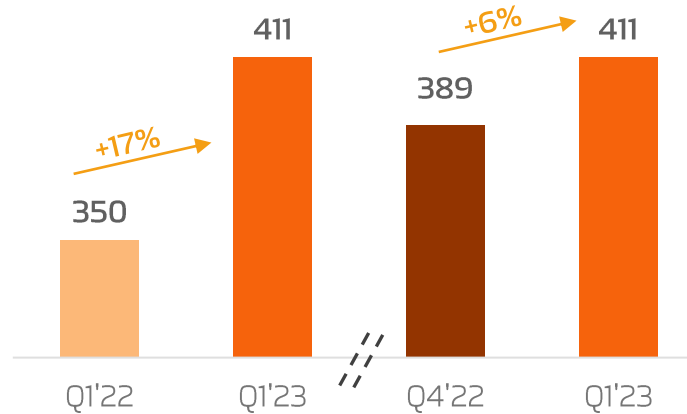
### Offshore Segment:

- Higher revenue Vs. Q4'22 due to full impact of 2 new JUs (AD110/120)
- Our MPSV Unit (AD20) was out of service 2 months in Q1'23 for a planned shipyard (5Y certification)
- Higher cost basis driven by rental and accelerated depreciation on leased rigs (AD110/120) and offshore premium

## Cost of Revenue – Offshore (SAR M)



## Cost of Revenue – Land (SAR M)

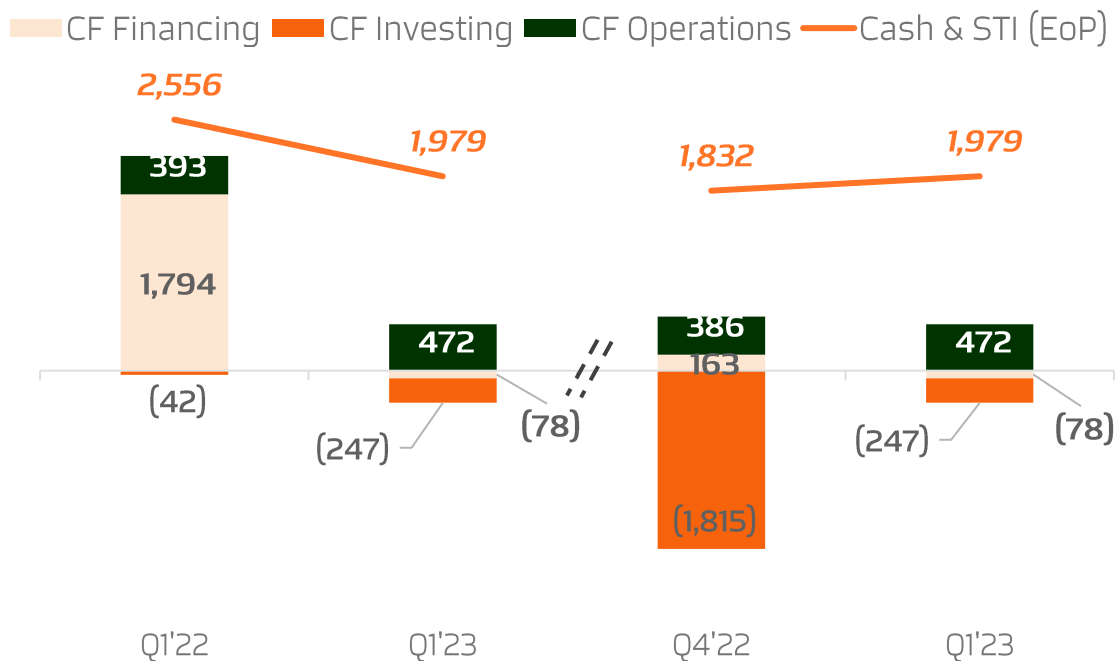


### Land Segment:

- Lower revenue and higher costs vs. Q4'22, mainly driven by higher-than-expected maintenance activities carried out in Q1'23

# CFO Outweighed Capex & Normalized NWC

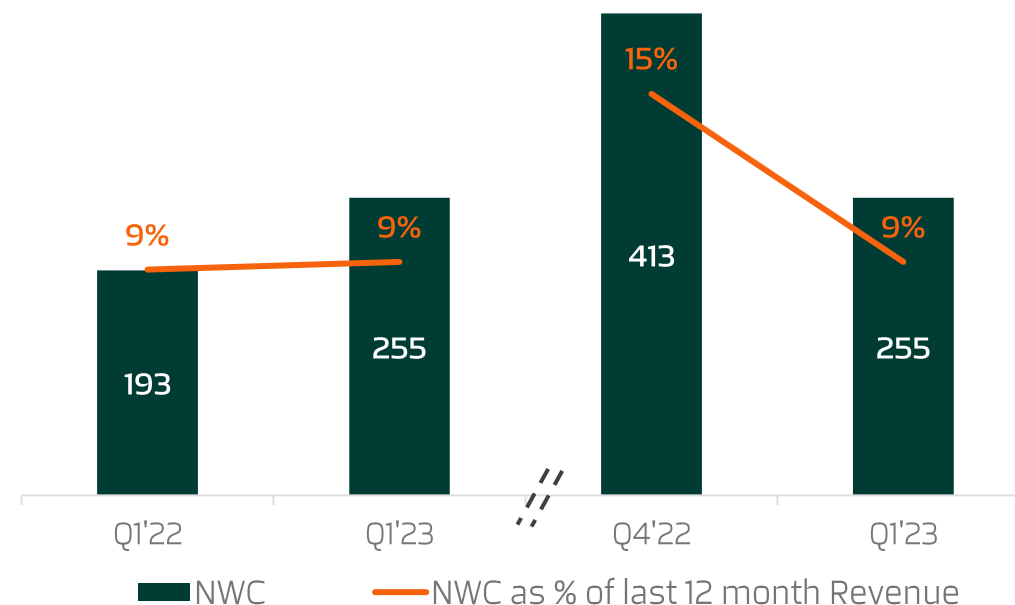
## Quarterly Cash Flow, EoP Cash & STI Balance (SAR M)



### Commentary

- Q1'22 CF from Financing includes Sukuk proceeds
- Q1'23 CF from Operations covers 1.9x Capex spendings
- Q4'22 CF from Investing includes AD150 acquisition + Short-Term Investment (SAR 1B)

## Net Working Capital (SAR M & in % of Revenue)

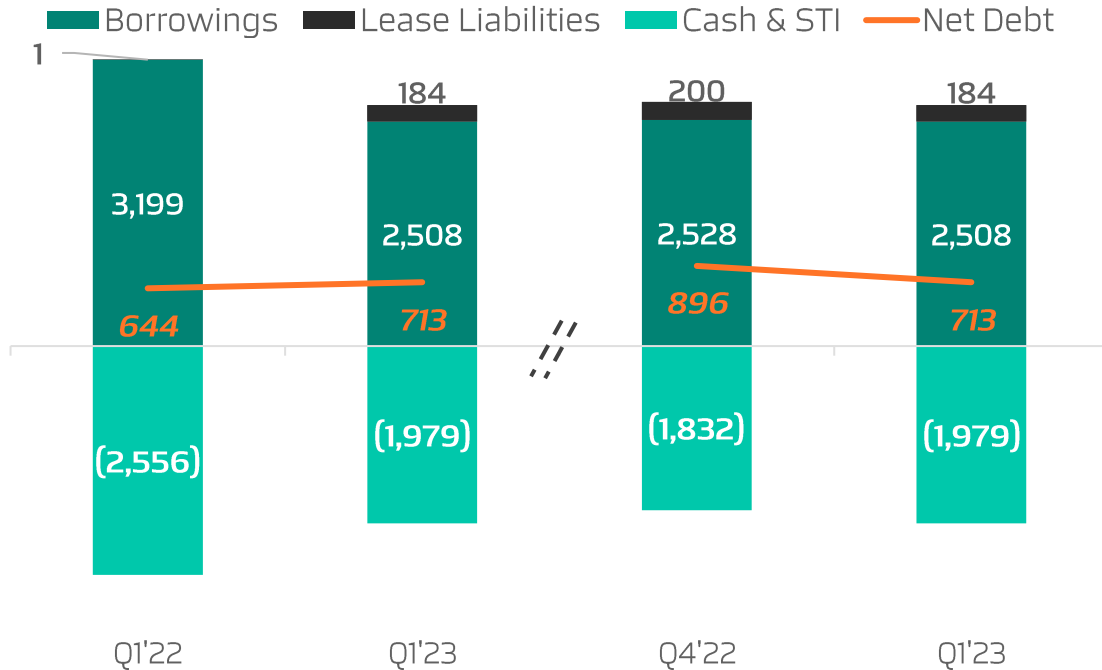


### Commentary

- Q1'23 Net Working Capital improvements vs. Q4'22 relate to collecting AD110/120 Mobilization Fee
- Net Working Capital normalizing at 9% of 12M trailing Revenue

# Well Built Balance Sheet, Poised for Growth

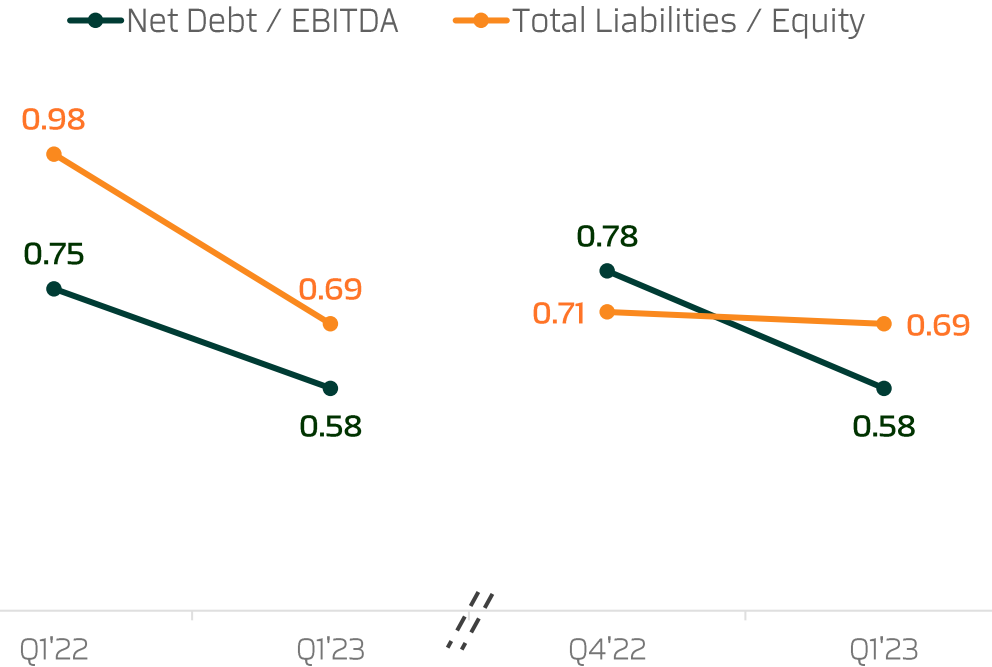
## Net Debt (SAR M)



### Commentary

- Change in Borrowings: repay outstanding banks loans with Sukuk proceeds and drew a new 500M line in Q4'22.
- Change in Lease Liabilities: mainly relate to AD110/120 Charter payments
- Net Debt decreased by c. SAR 200M

## Leverage Ratios



### Commentary

- Improved Net Debt / EBITDA at 0.6x, below our upper limit of 1.75x (on a steady-state business)
- Total Liabilities / Equity of 0.7x, below Sukuk covenant of 2.5x





## Forward-Looking Guidance

# Forward-Looking Guidance

## Revenue



FY'23 Revenue guidance remains unchanged and expected to be in the range of **SAR 3.3 billion to SAR 3.5 billion**

## CAPEX



FY'23 Capital Expenditure remains unchanged and is expected to be in the range of **SAR 1.2 billion to 1.4 billion**, related to the current fleet

## Dividend



Expected cash dividend distribution remains unchanged with **first payment planned in 4Q'23**, based on half-yearly results ending on June 30, 2023

*Note: Guidance does not include the impact of potential growth opportunities and/or potential contract awards*

# Thank You Q&A Session

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# Glossary

Glossary	Description
Backlog	Future contracted revenue yet to be recognized.
Book-to-Bill Ratio	Calculated as Backlog divided by LTM Revenue
c.	Circa / approximately
CFF	Net cash generated from Financing activity
CFI	Net cash used in Investing activity
CFO	Net Cash generated from Operating activities.
DSO	Days Sales Outstanding measures how many days it takes for a Company to collect payment for its invoices.
EBITDA	Earnings before interest, Tax, Depreciation, and Amortization.
EoP	End of Period
ERM	Enterprise Risk Management
GHG	Green House Gases
HSE	Health, Safety and Environment
IFRS	International Financial Reporting Standards
JUs	Jackups (a type of offshore drilling rig)
LTIF Rate	The total number of lost time injuries per one million man-hours worked.
LTM	Last twelve months
MPSV	Multi Purpose Service Vessel
Net Debt	Total debt including borrowings and lease liabilities less cash and cash equivalent.
Non-Productive time (NPT)	Non-operational time (downtime) due to machinery breakdown, major overhauling, incident etc.
NWC	Net Working Capital
Rig efficiency index (REI)	KPI used by Saudi Aramco and includes Safety Performance, IKTVA Local Content, Drilling Performance, and Non-Productive Time (NPT).
Rig Move Days Saved	Time saved during rig move in comparison with Saudi Aramco KPI.
Rig Reactivation	Putting back to work a stacked rig.
Stacked Rig	A rig that has been demobilized and is not generating revenue.
STI	Short Term Investment
TRIF Rate	Total number of Recordable injuries per one million man-hours worked.
Utilization Rate	Ratio of active rigs Vs. total available fleet.