

# Q3 2023 Earnings Call

6 November 2023

Driving Value.  
Delivering Excellence.



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# The Presenting Team



**Ghassan Mirdad**  
*Chief Executive Officer*

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**Hubert Lafeuille**  
*Chief Financial Officer*

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# Agenda

- 1 Q3'23 Highlights
- 2 Business & Operations
- 3 Financial Performance
- 4 Closing Remarks
- 5 Q&A Session







## Q3'23 Highlights

# Q3'23 At A Glance

## Operational Highlights

- Utilization Rate **94%** (47 active rigs)
- Quarterly Non-Productive Time **1.74%**
- 36-month rolling REI **93.5%**
- Total **49 Rig Moves** in Q3'23, with **0.7 days saved** per rig move (average)

## HSE & Sustainability

- TRIF of **0.91** vs. 0.75 in Q2'23
- One land rig deployed **for geothermal drilling** and sustainable energy project
- **Zero** environmental spills/incidents



## Financials (SAR) – Q3'23 Vs. Q2'23

- Q3'23 Revenue **920M, +16%**
- EBITDA **392M, + 17%**
- Net Income **140M, +0%**
- Cash & STI **1,274M, -31%**
- Net Debt/LTM EBITDA **1.0x, up 0.3x**

## Growth Strategy Execution

- **All-time record backlog** of SAR 12.7B
- **3 new offshore rigs** deployed in the Quarter
- **IPO growth story delivered** and preparing for next phase





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# Business & Operations

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# Contract Awards Spur Backlog Increase



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## Contract Awards & Extensions

- Secured SAR 6B of firm backlog in Q3'23
  - SAR 3B for award of 10 new unconventional rigs
  - SAR 3B for extensions including notable 10-year for one offshore rig

## Rig Startups

- 3 offshore rigs started their 5-year contracts in July
- Investments for the construction and get-ready for the 10 new unconventional rigs were initiated

## Recent Developments



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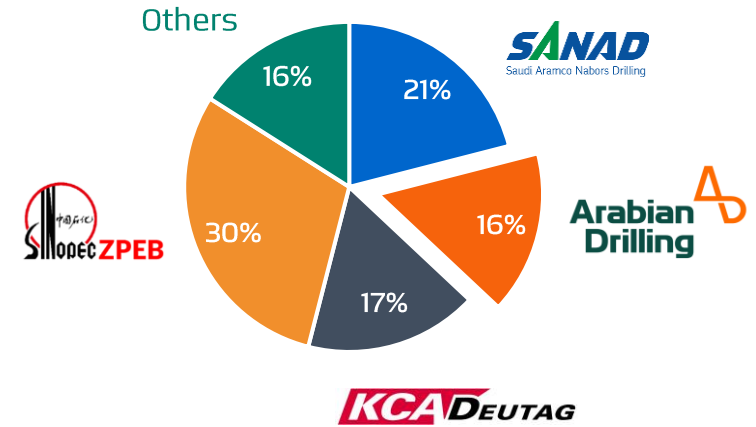


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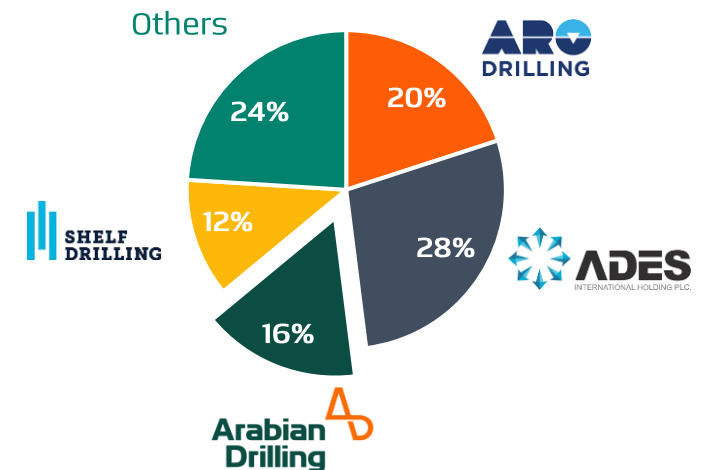
## Market Outlook

- Aramco expansion plans to reach MSC of 13.0 mmbpd by 2027 are progressing
- Development of Jafurah unconventional gas field is ramping up with production to start in 2025 and reach sustainable rate of 2.0 bscfd by 2030

## Market Share Land – EoP Q3'23



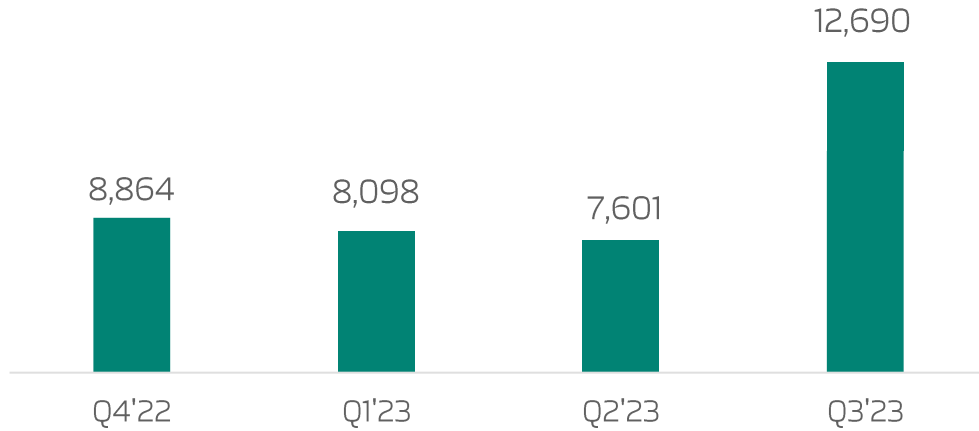
## Market Share Offshore – EoP Q3'23



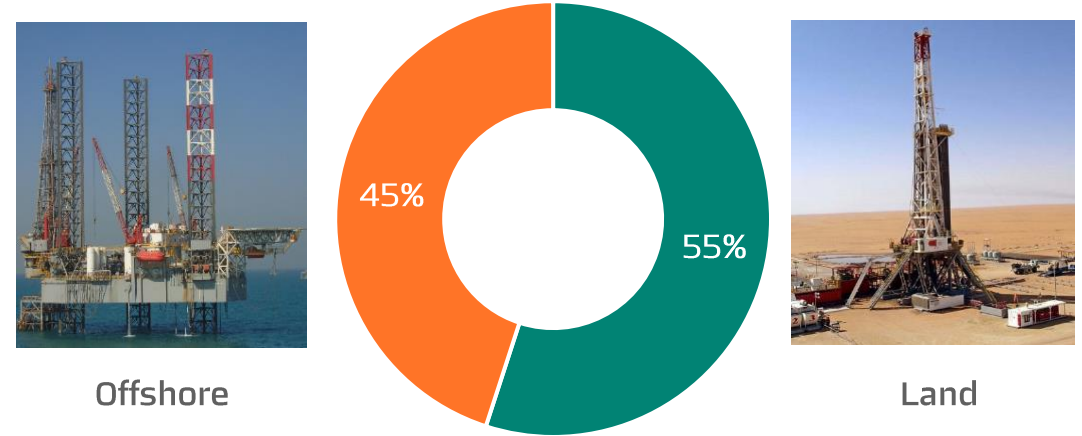


# Record Backlog Position

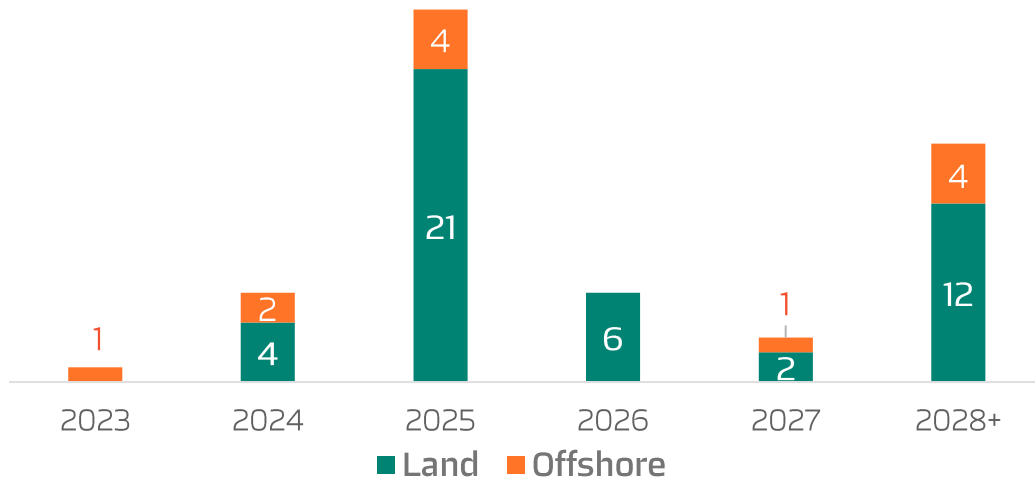
Backlog Trend (SAR M) – EoP



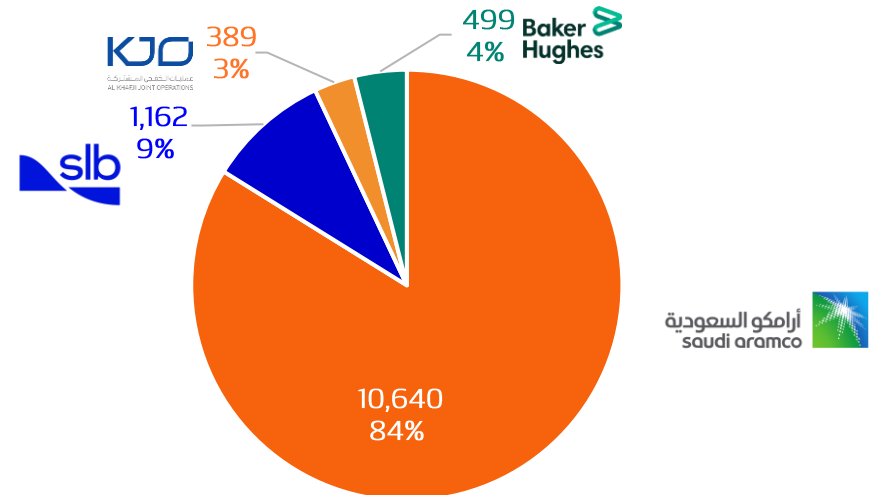
Backlog by Segment – EoP Q3'23 (%)



Contract Ending Date by Year (number of rigs)



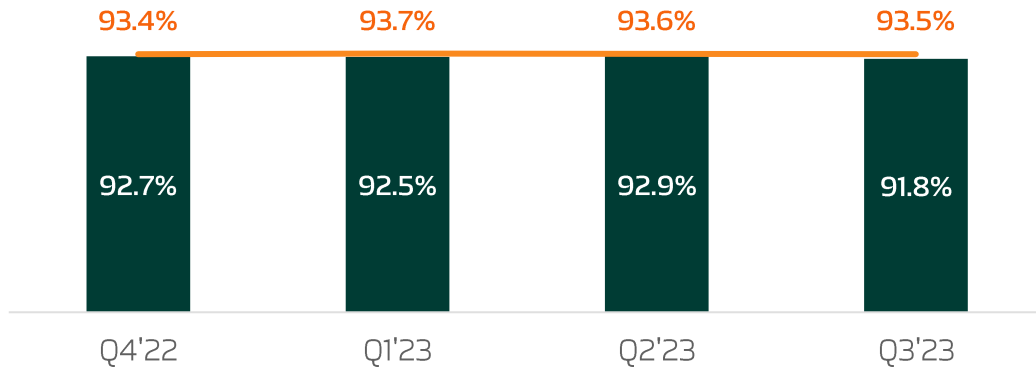
Backlog by Customer – EoP Q3'23 (SAR M and %)



# Sustained Efficiencies

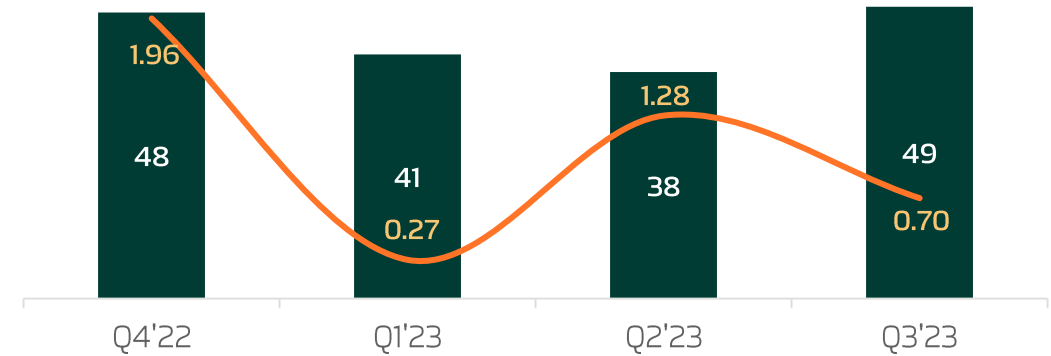
## Aramco Rig Efficiency Index ('REI')

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

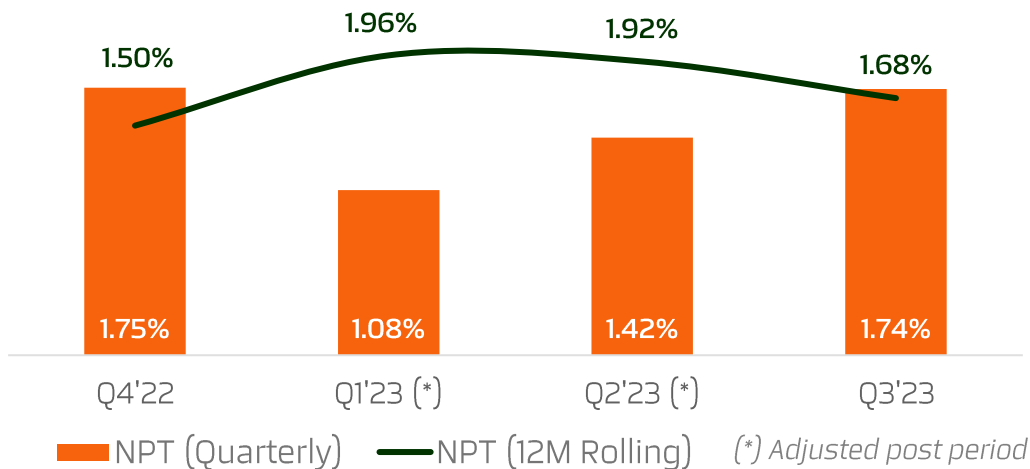


## Number of Rig Move & Days Saved (\*)

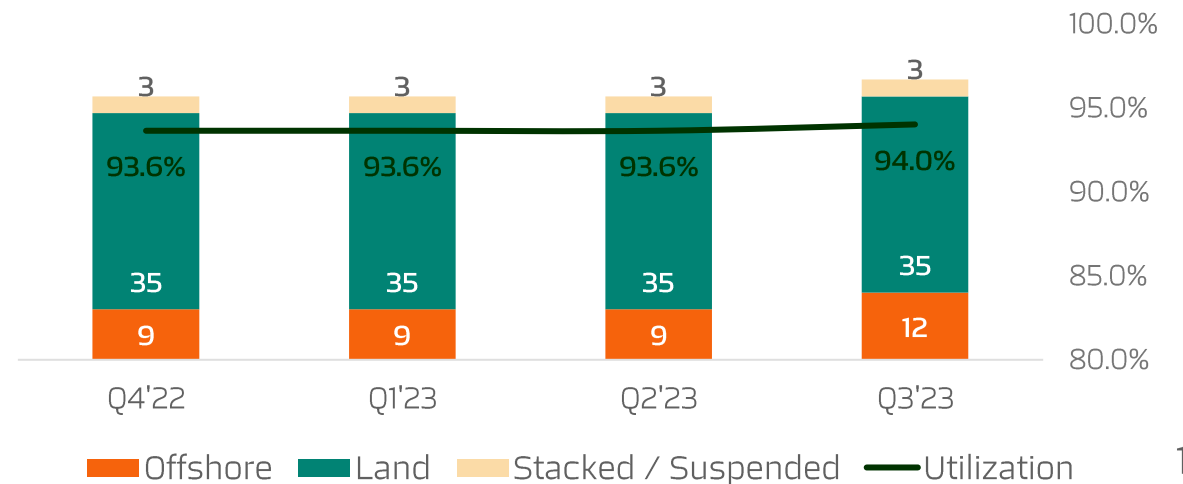
■ Rig Moves Completed    — Average Net Days Saved / Rig Move  
(\*) : Vs Aramco KPI



## Non-Productive Time ('NPT')



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



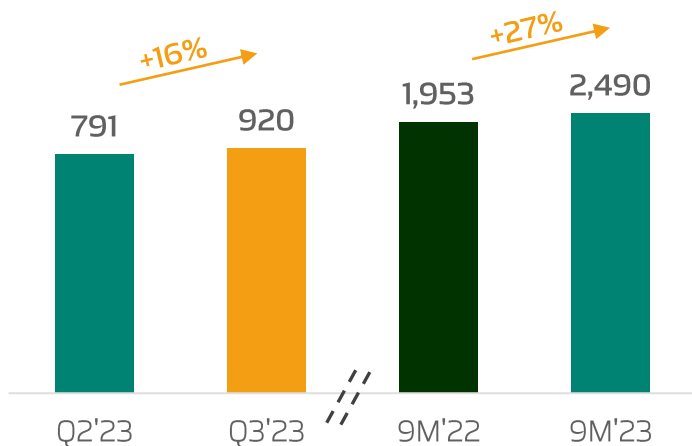


# Financial Performance

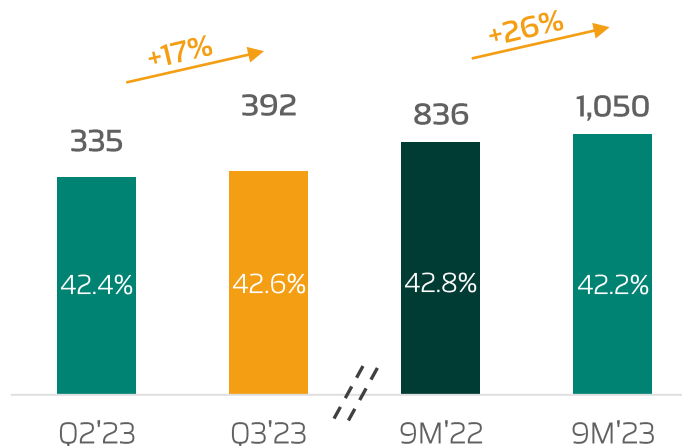


# Continued Revenue Growth

## Revenue (SAR M)



## EBITDA (SAR M & % Revenue)



## Commentary

Q3'23 Revenue up +16%, due to startup of new 3 offshore rigs

YTD Revenue +27% increase on higher rig activity and improved day rates

Improved EBITDA, up +17%

- New offshore rigs contribution, partially offset by start up cost, staff costs and other discretionary support costs

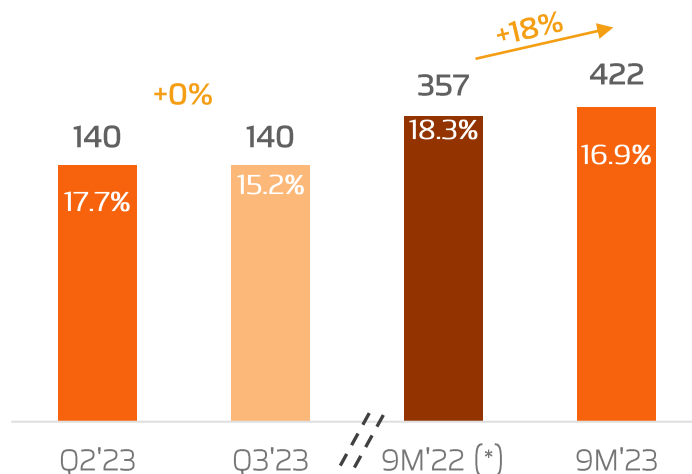
Stable Net Income

- SAR 20M of interest costs capitalized in Q2'23 that did not repeat in Q3'23

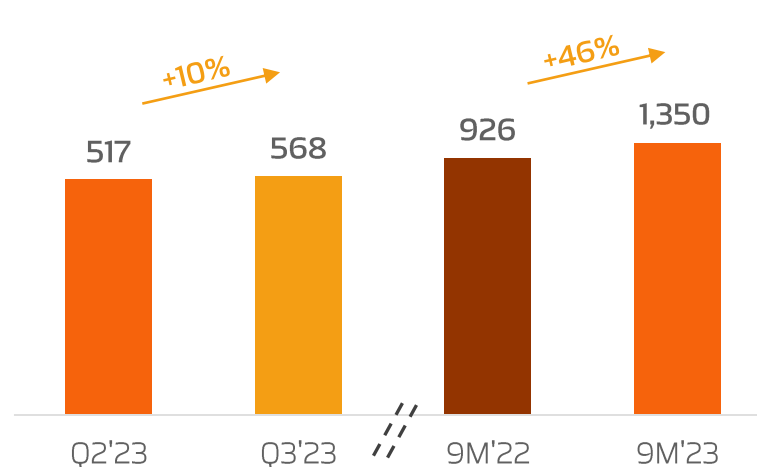
Capex Acceleration

- Q3'23 included SAR 375M related to the building of the 10 new unconventional rigs
- 9M'22 Capex mainly included acquisition of 2 offshore rigs for c. SAR 570M.

## Net Income (SAR M & % Revenue)



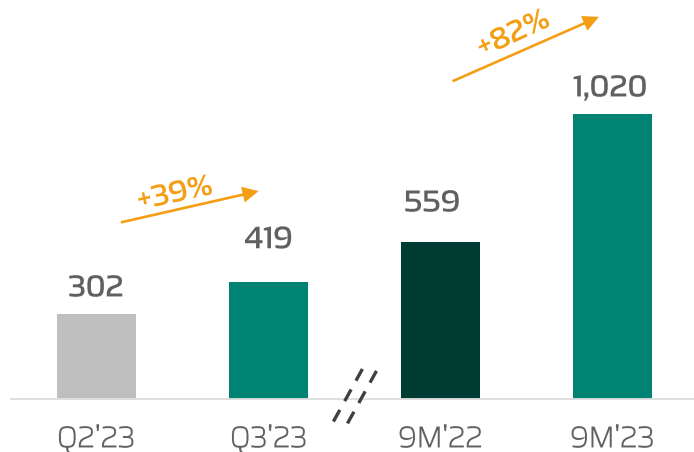
## CAPEX (SAR M)



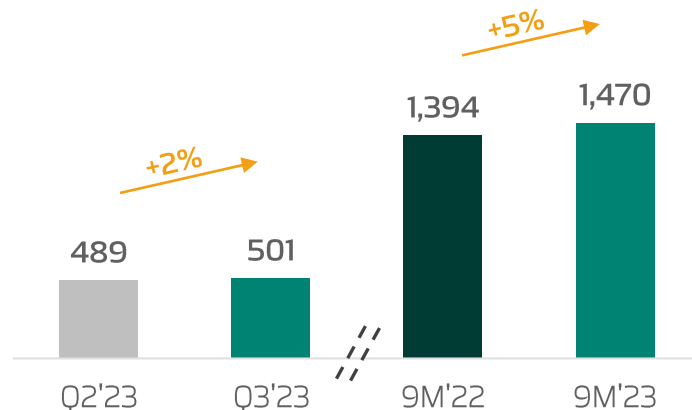
(\*) Adjusted for one off deferred tax credit of SAR 64M

# Offshore Segment Benefitting From New Rigs

## Revenue – Offshore (SAR M)



## Revenue – Land (SAR M)



## Commentary

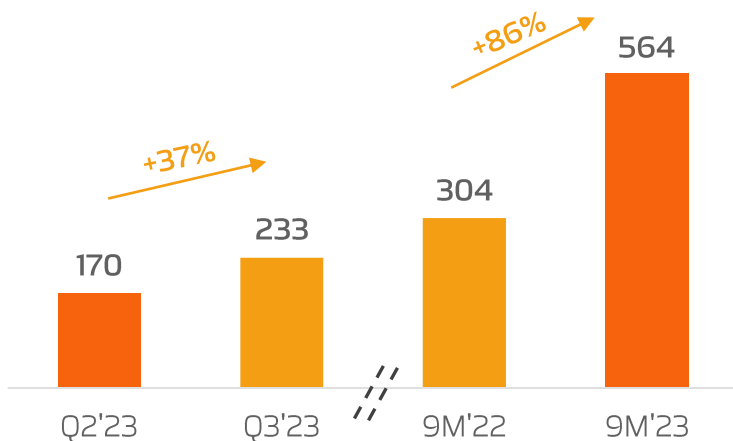
### Offshore Segment:

- Revenue and Cost of Revenue increase reflecting the 3 new offshore rigs starting in July
- Steady state rig revenue partially offset by additional employee related costs and shared cost

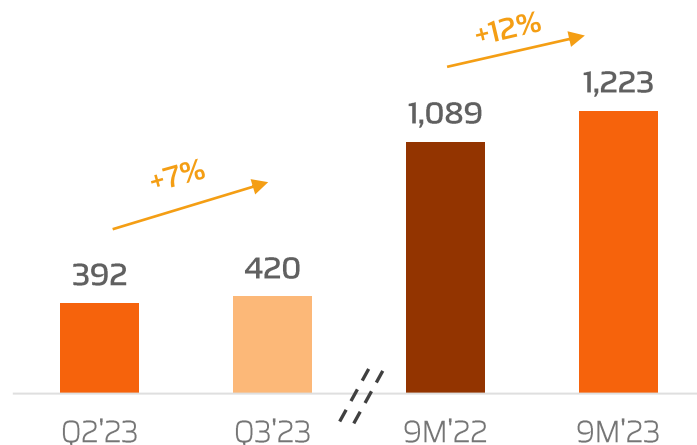
### Land Segment:

- Q3'23 Revenue slight increase mainly due to higher rig move activity
- Q3'23 Gross Profit impacted by start up cost as well as additional employee related cost and shared cost
- Startup cost for the 10 new unconventional rigs will continue to impact Segment profitability, ahead of any revenue contribution

## Cost of Revenue – Offshore (SAR M)

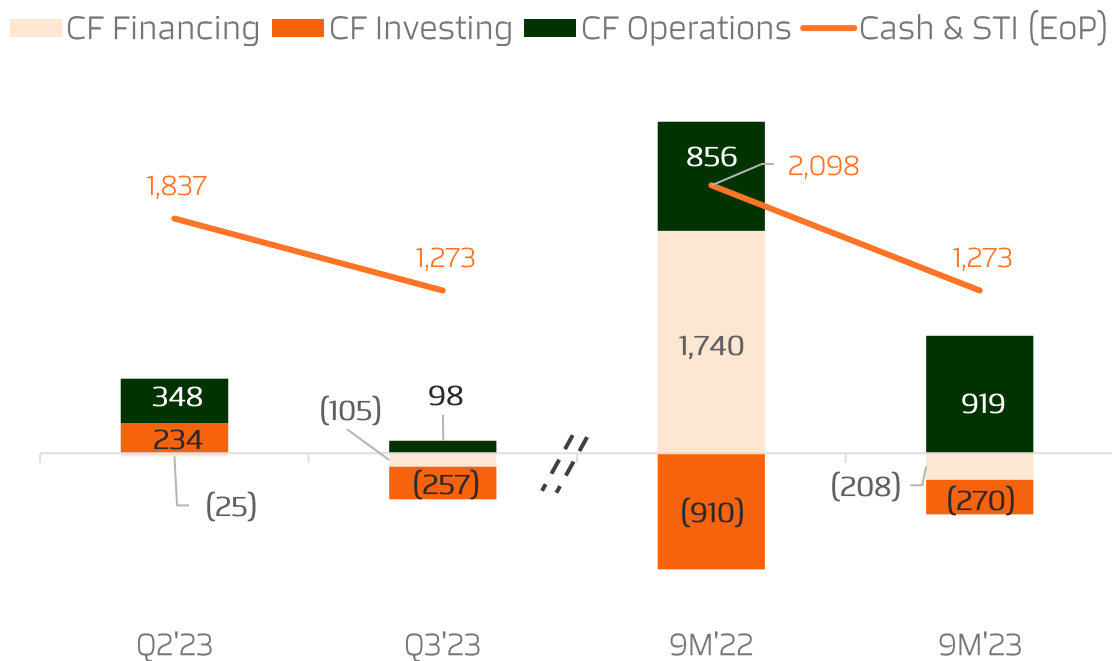


## Cost of Revenue – Land (SAR M)



# Cash Flow Changes to Fuel Fleet Expansion

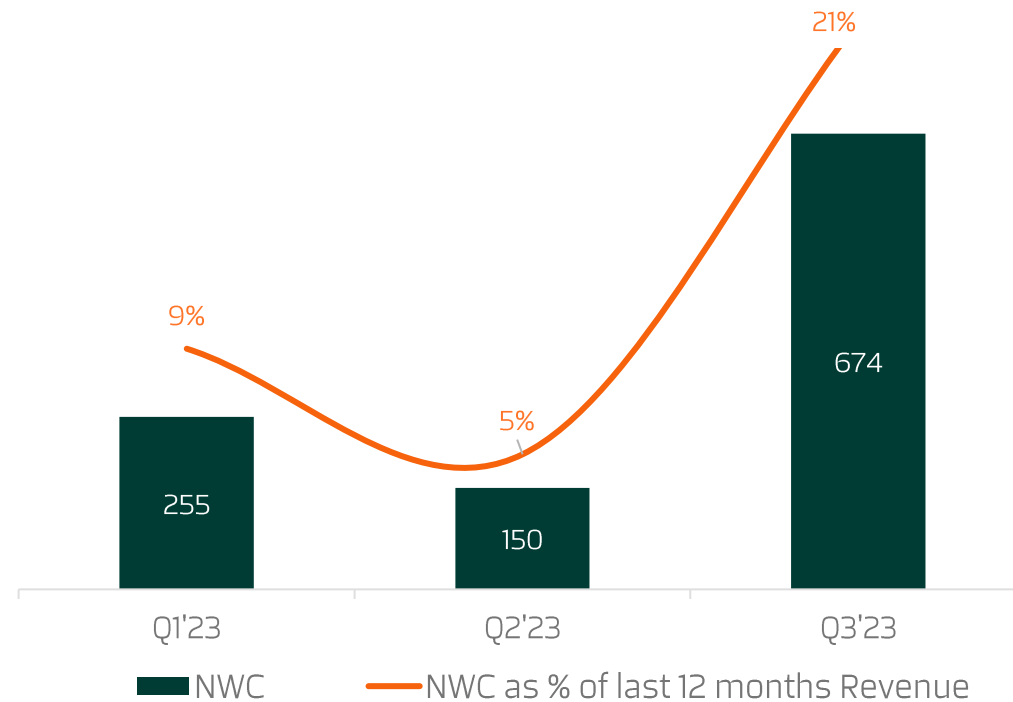
## Quarterly Cash Flow, EoP Cash & STI Balance (SAR M)



### Commentary

- Q3'23 CFO incl. unfavorable NWC change, offset by mob fees collection, total net impact of c. SAR 260M
- Q3'23 CFI incl. SAR 568M Capex less SAR 300M redemption on ST deposits
- Q3'23 CFF incl. SAR 88M finance cost and SAR 17M of lease liabilities

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



### Commentary

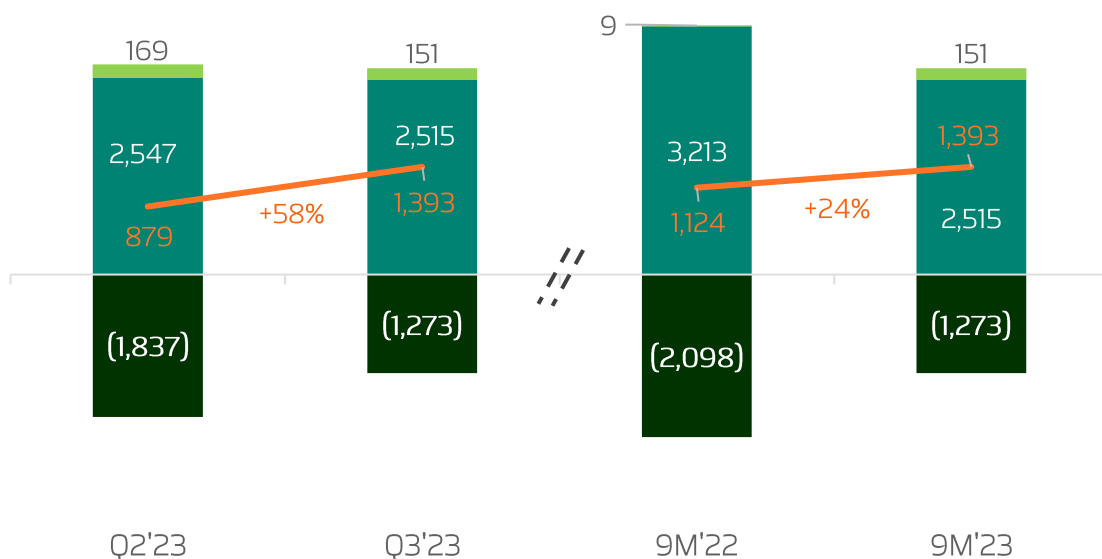
- Q3'23 Net Working Capital unusually high due to timing difference in customers' collection spilling over into Q4'23.
- No collectability / credit risk exposure



# Growth Plans Set Off Changes in Net Debt

## Net Debt (SAR M)

■ Borrowings ■ Lease Liabilities ■ Cash & STI — Net Debt

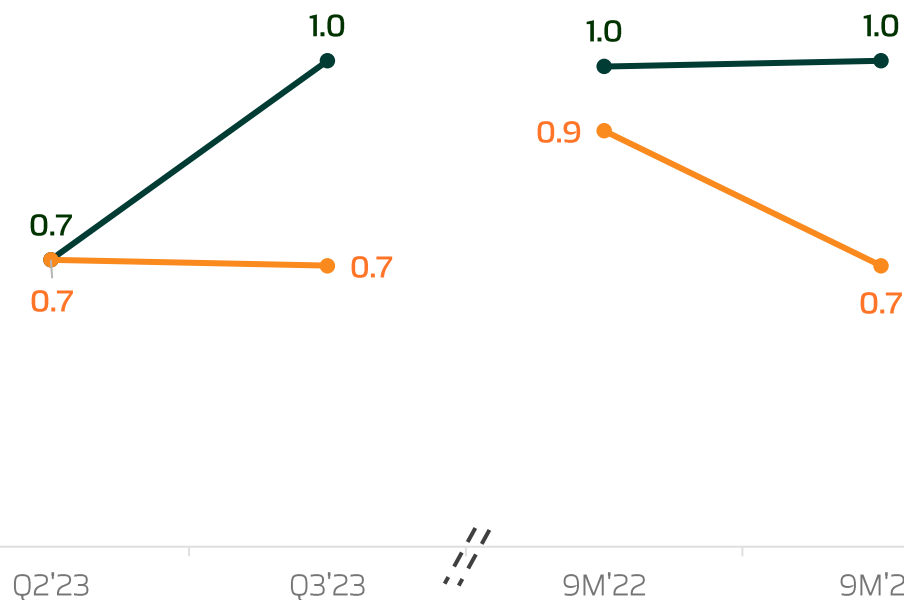


### Commentary

- QoQ Borrowings: No change in principal amount
- YoY Borrowing: SAR 1.2B of bank loans redemption and new SAR 500M credit line drawn in Q4'23
- Cash & STI: Q3'23 includes SAR 875M in ST deposits

## Leverage Ratios

— Net Debt / EBITDA — Total Liabilities / Equity



### Commentary

- Net Debt / EBITDA: 1.0x, increase by 0.3x QoQ, mainly due to combined impact of SAR 570M Capex and NWC unfavorable change
- Total Liabilities / Equity: 0.7x, stable QoQ

# Forward-Looking Guidance

## Revenue



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

## CAPEX



FY'23 Capex guidance remains unchanged and expected to be in the range of **SAR 2.2B to SAR 2.4B.**

## Dividend



Dividend payout of **SAR 225M, or SAR 2.53 per Share**, following Shareholders' approval on November 1<sup>st</sup>, 2023.



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# Closing Remarks

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# Arabian Drilling Value Proposition



## Saudi's national drilling champion

- Leadership position in an attractive market
- Tapping into unconventional and other sustainability initiatives in line with Vision 2030
- Continuous fleet expansion plans



## Operational excellence

- Solid leadership team
- Robust technical performance and rig move optimization
- Excellent QHSE
- Experienced industry shareholders



## Disciplined growth strategy

- Focused expansion across Saudi Arabia
- Ongoing optimization and improvement programs
- Clear medium-term visibility
- New revenue streams



## Clear path to shareholder returns

- Healthy cash flows and financial discipline
- Semi annual dividend payout subject to leverage thresholds
- Long-term leverage (Net Debt / EBITDA) target levels below 1.75x

# 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.