



**AWILCO DRILLING**

**Pareto Oil & Offshore Conference**

Oslo, 13<sup>th</sup> September, 2017

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# AGENDA

1. Awilco Drilling Fundamentals
2. Market Outlook
3. Awilco Drilling Future
4. Summary
5. Q&A



# **1. AWILCO DRILLING FUNDAMENTALS**

# AWILCO DRILLING FUNDAMENTALS

- A Simple Story
- Entrepreneurial & Opportunistic
- Proven Operational Performance
- Proven Financial Performance
- Returned Cash to Shareholders
- Cost Focused with Low Debt
- Survived the Down-Cycle Through Planning
- Positioned For Further Success



*Staying Fit*



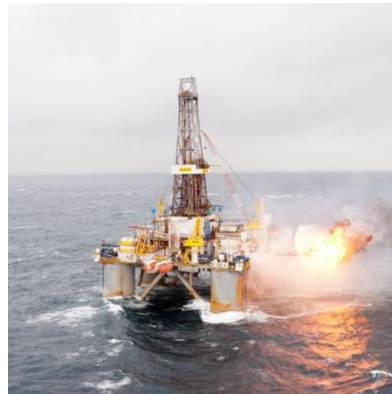
# AWILCO DRILLING BASICS

- **Aberdeen-based** drilling contractor, established in December 2009
- Owning and operating two refurbished **mid-water semi submersibles** in the UK North Sea
- **Listed** on the Oslo Stock Exchange (Oslo Axess)
- Market cap' approx. **USD 100** million
- Fully financed with senior **secured bond** listed at Oslo ABM
  - Outstanding amount USD 95 million
  - Coupon rate 7%
  - Maturity April 2019



## WilPhoenix

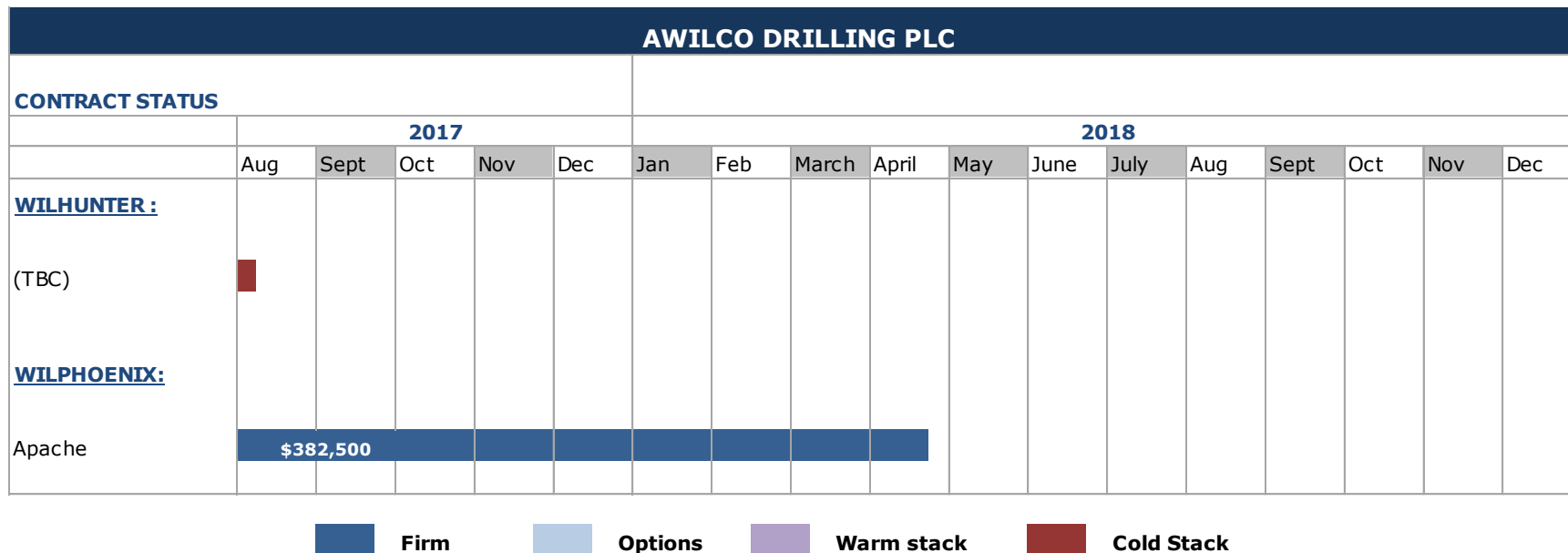
- Friede & Goldman L-907 Enhanced Pacesetter
- Built in 1982
- Upgraded in 2011 and 2016



## WilHunter

- Friede & Goldman L-907 Enhanced Pacesetter
- Built in 1983
- Upgraded in 1999 and 2011

# CONTRACT STATUS – CURRENT BACKLOG USD 84 MILL\*



\*as of 12 September 2017



# BEST IN CLASS PERFORMANCE

## Performance

Awilco Drilling 2014	<b>Operational Uptime = 99.2%</b>
Awilco Drilling 2015	<b>Operational Uptime = 96.6%</b>
Awilco Drilling 2016	<b>Operational Uptime = 99.5 %</b>
Awilco Drilling 2017(H1)	<b>Operational Uptime = 96.5 %</b>

## Achievements



- ISO **9001** Quality
- ISO **14001** Environmental
- OSHAS **18001** Safety
- DNV Accredited 2014/15
- Applicable Onshore & Offshore

- Sector High Scoring
- Recently re-audited



## Industry Recognition



- 2014 **Winner** “Best Safety Performance” – Awilco Drilling
- 2014 **Chairman's Award** for “Best Semi in North Sea” – WilHunter
- 2015 **Chairman's Award** for “Best Semi in North Sea” Runner Up – WilHunter
- 2016 **Winner - Safety Award** – Awilco Drilling Floating Rigs under 500,000 man-hours



Customer Recognition  
“**HESS 2014 Rig of the Year**”  
Award for WilHunter





# CAPITAL PROJECT SUCCESS

- 2010/11 – WilHunter and WilPhoenix SPS & Upgrade Project delivered for USD 97.5 million versus budget of USD 90 million (**including additional scope**)
- 2016 – WilPhoenix SPS delivered **under budget** at USD 16 million versus USD 20 million
- 2016 – WilPhoenix Upgrade Project (BOP) delivered **on budget** at USD 22.5 million
- WilPhoenix **now working successfully** following on from its SPS & Upgrade Project Yard-Stay
- In-house project team – **3 years of planning** for 2016 WilPhoenix SPS & Upgrade Project
- Success delivered through Awilco Drilling’s **unique culture of ownership and cost focus**
- **Planning complete** for WilHunter reactivation (Currently cold stacked)



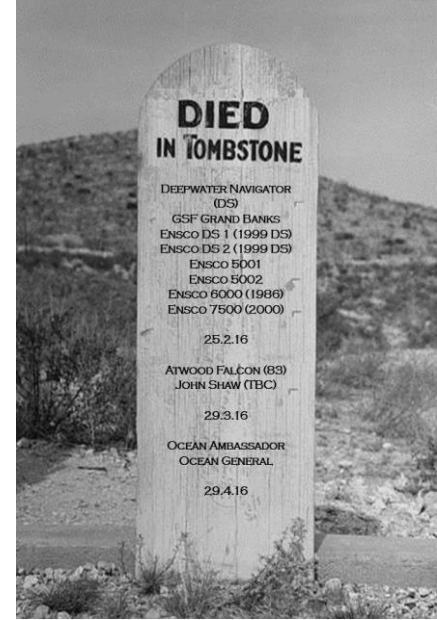
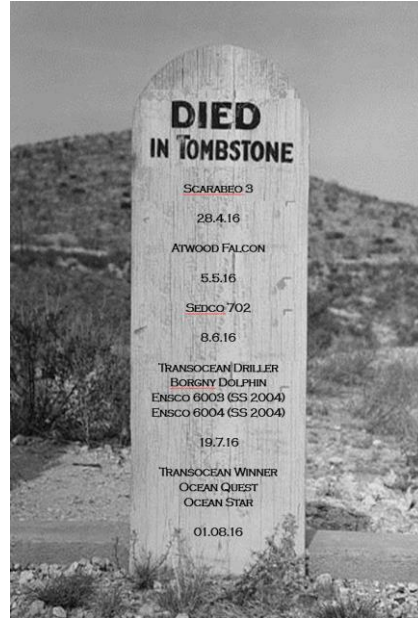
# ABILITY TO RETURN CASH TO SHAREHOLDERS

- Continued high operational performance in H1 2017, with revenue efficiency of 94.2%
- Cost cutting measures implemented in 2014, 2015 and 2016, including WilHunter Capex freeze, ultimately cold stacking the WilHunter, SG&A reductions and WilPhoenix Opex reductions
- Extensive planning and strict financial discipline, delivering WilPhoenix SPS project below budget
- 1H 2017 WilPhoenix Opex at circa USD 67,100/day, guidance of USD 80,000/day (compared with USD 78,800/day in H1 2016). H1 2017 WilHunter Cold stack Opex at USD 1,700/day, guidance of USD 3,000/day
- Dividend distribution of USD 0.20 per share for Q1 and Q2 2017; dividends paid since 2013 totalling USD 342 million; dividend policy remains unchanged
- Cash in bank USD 120 million – Bond outstanding USD 95 million



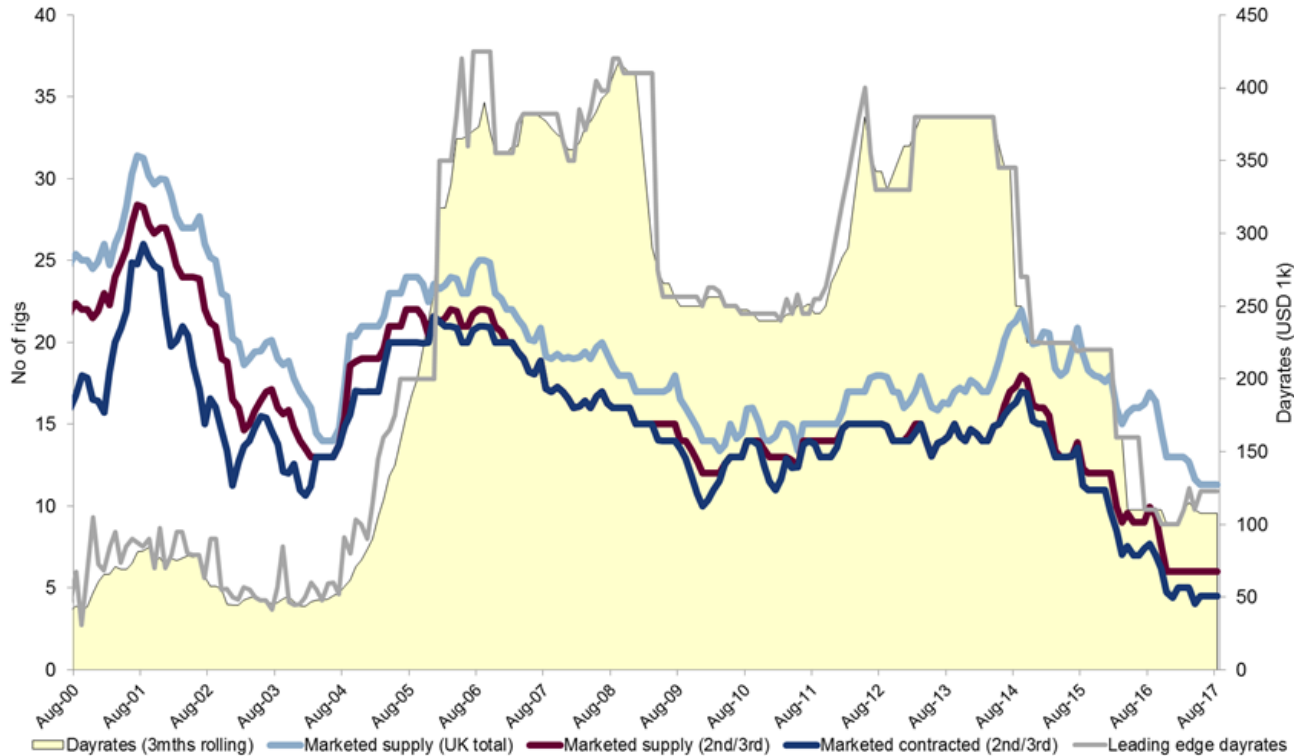
## **2. MARKET OUTLOOK**

# THE GLOBAL SEMI SUBMERSIBLE RIG FLEET HAS REDUCED MORE THAN 50% LAST 3 YEARS





# UK SEMI SUBMERSIBLE DAYRATES “BOTTOMED” IN 2016



# SUPPLY SIDE – SEMI SUBMERSIBLE RIG OWNERS

## Recent Challenges

- Dramatically reduced fleet utilizations and reduced dayrates / terms
- Increased Idle Rig Exposure leading to Reduced Revenue, Reduced EBITDA, Reduced EPS, Reduced Dividends
- Reduced Cash Reserves, Reduced Market Capitalization, Debt Covenant Challenges, Re-Finance Challenges
- After 3 years of pain, Restructures, Debt for Equity Plays and Chapter 11s have been seen

## Survival & The Immediate Future

- Cash, Low Debt and Contract Backlog have been the key factors for survival during the last 3 years
- Confidence has returned to the Capital Markets, with respect to the rig space and “the right investment story”
- H1 2017 - Capital Markets have engaged with the Drilling Industry funding acquisitions
- H2 2017 - Merger activity is now being seen in the Drilling Industry, closely associated with a recovering market



# DEMAND SIDE – UK OPERATORS

## Operator Rig Demand for Drilling

- Underinvestment in the Global Oil System is leading to Depleted Production Levels
- Underinvestment in the North Sea Basin will drive an increase in drilling activity at a stable economic level
- Many UK Production Prospects Close To Existing Infrastructure, Resulting in Short Investment Window
- Many UK Operators now “Fit for Fifty”
- New Entrants being Encouraged & Supported by UK Government (Specifically the recently established OGA)
- Funding for New Entrants now “finally” available for Many. Some on a very creative mould-breaking basis

## Operator Rig Decommissioning Demand

- Increased Operator, Regulator and Press Focus on this Sector
- Increased Visibility of Demand in this Sector





# THE CYCLE APPEARS TO BE TURNING

## **Semi Submersible Rig Supply**

- The past three years has seen a seismic reduction in the global semi submersible fleet
- There has been virtually no recent rig investment. New capacity is 3 years in the making
- Unlike jack-ups & Deepwater/Ultra Deepwater Floaters, the Mid-Water Space will Rebalance

## **Semi Submersible Rig Demand**

- The “conventional oil” industry has slashed costs and can survive at lower levels
- Crude has stabilised when compared to the past three years
- Conventional production levels are depleting in many areas due to underinvestment
- Harsh Environment semi submersible areas, such as the UK, offer relatively quick production gains and short investment windows

## **Funding**

- Rig Owners – Access to Capital now available (for the right story), where it wasn't before
- Customers – Access to Capital also now available



### **3. AWILCO DRILLING FUTURE**

# THE FUTURE?

- Awilco Drilling was built on a unique acquisition opportunity which took advantage of the last downturn. More of the same ahead...?
- **Ideal platform for growth**
- **Small and manoeuvrable**
- **Not constrained by debt**
- Growth focus within the harsh environment semi submersible space
- New / Newer rigs would complement with Awilco Drilling's existing 3rd generation fleet
- Long term entrepreneurial shareholders



## **4. SUMMARY**

# SUMMARY

- Awilco Drilling's Fundamentals are Good
- Best in Class Operational and Financial Performance
- Lean & Cost-Focused Operation
- Returning Cash to Shareholders
- Small, Manoeuvrable & Entrepreneurial
- Ideal Platform for Growth
- The Market is Improving
- Opportunities Abound



*In Good Shape For The Future*



**Q&A**