# VALARIS (NYSE: VAL)
# Investor Presentation

FOCUSED | VALUE DRIVEN | RESPONSIBLE

September 2022

# Forward-Looking Statements

Statements contained in this investor presentation that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include words or phrases such as "anticipate," "believe," "estimate," "expect," "intend," "likely," "plan," "project," "could," "may," "might," "should," "will" and similar words and specifically include statements regarding expected financial performance; expected utilization, day rates, revenues, operating expenses, rig commitments and availability, cash flows, contract status, terms and duration, contract backlog, capital expenditures, insurance, financing and funding; the effect, impact, potential duration and other implications of the COVID-19 pandemic; impact of our emergence from bankruptcy; the offshore drilling market, including supply and demand, customer drilling programs, stacking of rigs, effects of new rigs on the market and effect of the volatility of commodity prices; expected work commitments, awards and contracts; letters of intent; scheduled delivery dates for rigs; performance of our joint venture with Saudi Aramco; the timing of delivery, mobilization, contract commencement, availability, relocation or other movement of rigs; future rig reactivations; expected divestitures of assets; general economic, market, business and industry conditions, including inflation and recessions, trends and outlook; general political conditions, including political tensions, conflicts and war (such as the ongoing conflict in Ukraine); future operations; increasing regulatory complexity; the outcome of tax disputes; assessments and settlements; and expense management. The forward-looking statements contained in this investor presentation are subject to numerous risks, uncertainties and assumptions that may cause actual results to vary materially from those indicated, including the COVID-19 outbreak and global pandemic and the related public health measures implemented by governments worldwide, which may, among other things, impact our ability to staff rigs and rotate crews; cancellation, suspension, renegotiation or termination of drilling contracts and programs, including drilling contracts which grant the customer termination right if FID is not received with respect to projects for which the drilling rig is contracted; potential additional asset impairments; failure to satisfy our debt obligations; our ability to obtain financing, service our debt, fund capital expenditures and pursue other business opportunities; adequacy of sources of liquidity for us and our customers; the effects of our emergence from bankruptcy on the Company's business, relationships, comparability of our financial results and ability to access financing sources; actions by regulatory authorities, or other third parties; actions by our security holders; commodity price fluctuations and volatility, customer demand, new rig supply, downtime and other risks associated with offshore rig operations; severe weather or hurricanes; changes in worldwide rig supply and demand, competition and technology; consumer preferences for alternative fuels; increased scrutiny of our Environmental, Social and Governance practices and reporting responsibilities; changes in customer strategy; future levels of offshore drilling activity; governmental action, civil unrest and political and economic uncertainties; terrorism, piracy and military action; risks inherent to shipyard rig reactivation, upgrade, repair, maintenance or enhancement; our ability to enter into, and the terms of, future drilling contracts; suitability of rigs for future contracts; the cancellation of letters of intent or letters of award or any failure to execute definitive contracts following announcements of letters of intent, letters of award or other expected work commitments; the outcome of litigation, legal proceedings, investigations or other claims or contract disputes; governmental regulatory, legislative and permitting requirements affecting drilling operations; our ability to attract and retain skilled personnel on commercially reasonable terms; environmental or other liabilities, risks or losses; debt restrictions that may limit our liquidity and flexibility; and cybersecurity risks and threats. In addition to the numerous factors described above, you should also carefully read and consider "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent annual report on Form 10-K, and our subsequently filed quarterly reports on Form 10-Q, which are available on the SEC's website at www.sec.gov or on the Investor Relations section of our website at www.valaris.com. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to update or revise any forward-looking statements, except as required by law.

# Valaris Overview

# Valaris is the industry leader in offshore drilling with unmatched scale and financial strength

## Fleet

11 drillships
5 semisubmersibles
36 jackups

- High-quality modern fleet with a gross asset value of > $7 billion[1]
- ARO Drilling
  - Unconsolidated 50/50 joint venture with Saudi Aramco
  - 15 rigs operating and 20-rig newbuild program planned
  - $443 million shareholder note due from ARO

## Operational

- Demonstrated track record of safety and operational excellence
  - Rated No. 1 offshore driller in EnergyPoint Research's 2022 customer satisfaction survey
  - 98% revenue efficiency in 1H 2022 and 2021
- Presence and scale in nearly all key offshore basins
- Strong customer relationships with major IOCs, NOCs & independents

## Financial

- Strong balance sheet with net cash of $32 million as of June 30, 2022
- $2.3 billion of contract backlog as of July 28, 2022
- Significant operating leverage in an improving market
- Industry-leading cost structure that is easily scalable



1 Gross asset value per research reports by Fearnley Securities and SpareBank Markets

# We are focused, value driven and responsible in our decision making

**Purpose**

To
Provide Responsible
Solutions That Deliver Energy to the World

**Strategy**

| FOCUSED | VALUE DRIVEN | RESPONSIBLE |
|---|---|---|
| **Building enduring presence and long-term relationships** | **Exercising financial discipline and driving efficiency** | **Advancing our sustainability program** |
| • Operate a high spec jackup and floater fleet<br>• Build deep customer and partner relationships<br>• Identify and commit to priority basins | • Deliver Operational Excellence (Safe, Reliable & Efficient)<br>• Operate an efficient and scalable cost structure<br>• Exercise disciplined capital allocation / be returns focused | • Decarbonize our operations<br>• Be transparent on our ESG progress<br>• Partner with customers on their energy transition efforts<br>• Monitor compatible opportunities within the energy transition |

**Values**

INTEGRITY | SAFETY | EXCELLENCE | RESPECT | INGENUITY | STEWARDSHIP

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# Largest fleet of modern offshore drilling rigs in the industry

## 11 Drillships[1]

Average age 8 years

## 5 Semisubmersibles

Average age 10 years

## 12 HD Ultra-Harsh & Harsh Jackups[2]

Average age 14 years

## 21 HD & SD Modern Jackups[2]

Average age 13 years

## 3 SD Legacy Jackups[2]

Average age 40 years

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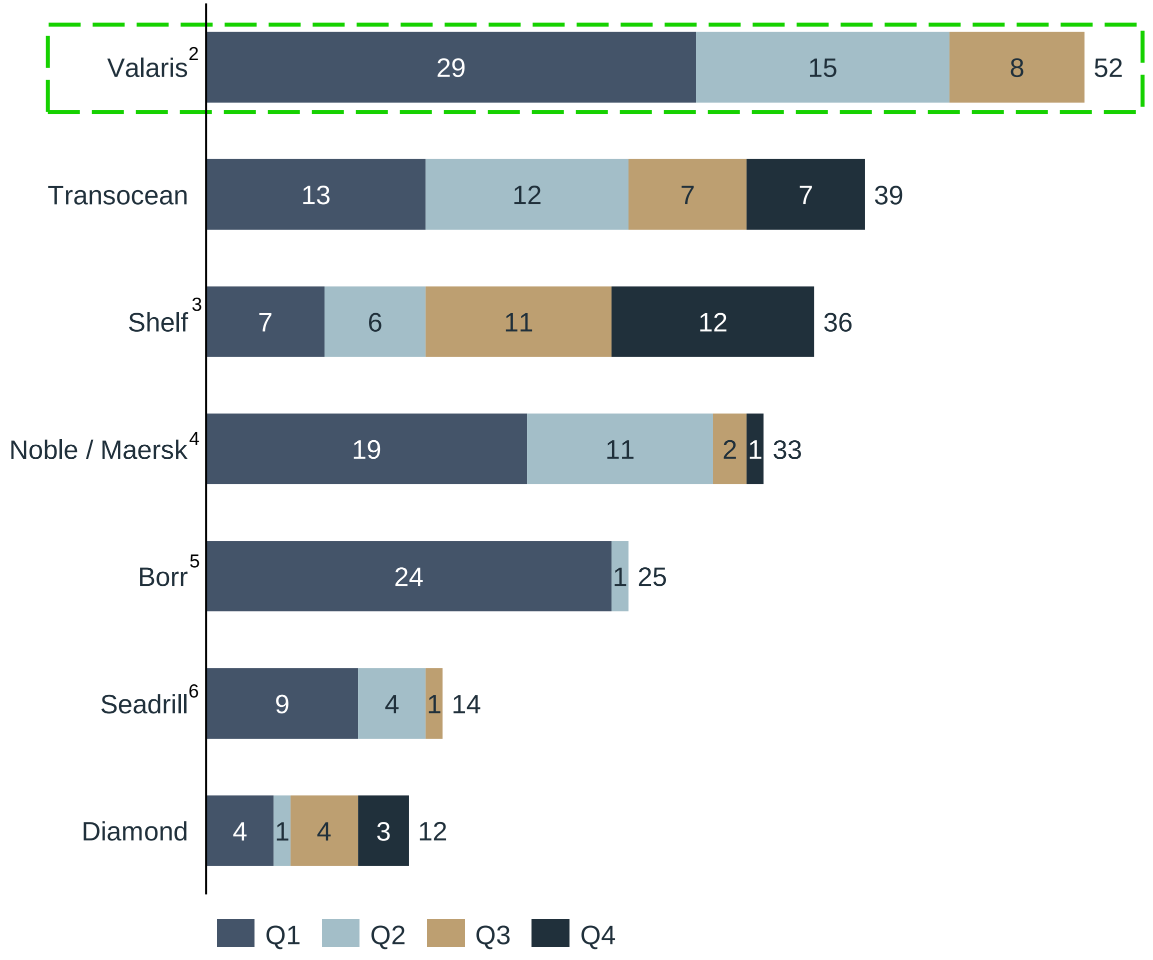
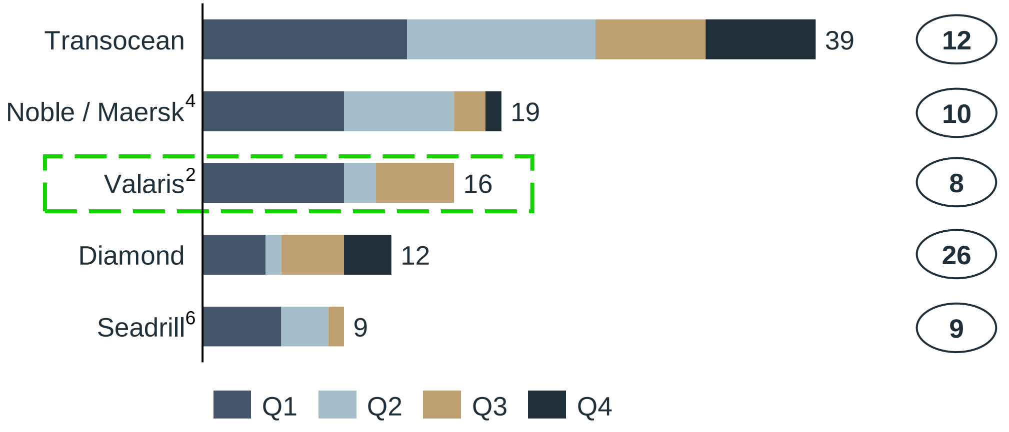
1 Excludes newbuild drillships, VALARIS DS-13 and DS-14, which Valaris has the option to purchase before year-end 2023
2 HD = Heavy Duty; SD = Standard Duty. Heavy duty jackups are well-suited for operations in tropical revolving storm areas

# Largest fleet of high-specification assets

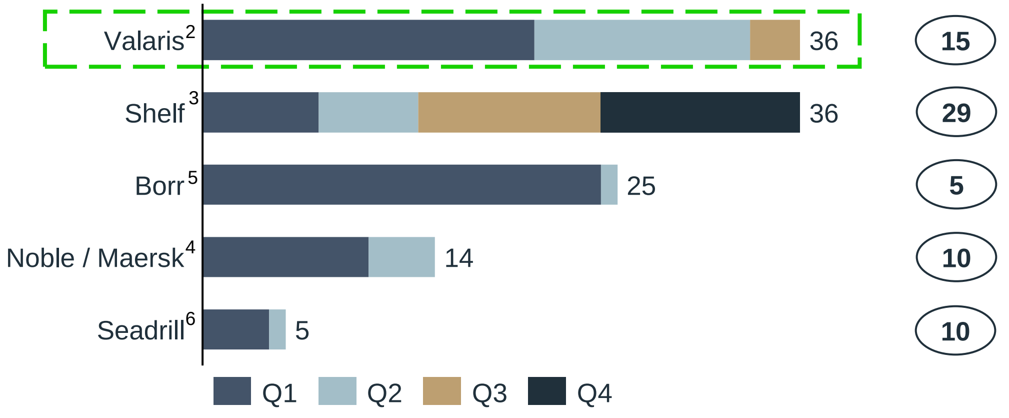
### Fleet Quality of Major International Offshore Drillers




### Floaters




### Jackups

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Source: S&P Global Petrodata as of August 2022; Rystad Energy. Rigs ranked into quartiles using Rystad Rig Score (Q1 = top quartile). Floaters and jackups ranked separately.
1 Average age includes delivered rigs only; 2 Excludes two drillships that Valaris has the option to purchase before year-end 2023. Includes seven jackup rigs leased to ARO Drilling;
3 Shelf fleet shown pro forma for purchase of Noble “remedy rigs”; 4 Noble fleet shown pro forma for merger with Maersk Drilling and for sale of “remedy rigs”;
5 Borr fleet shown pro forma for announced sale of three newbuild rigs; 6 Includes rigs owned by Seadrill Ltd. Pro forma for sale of seven jackups to ADES.

# Strong customer relationships with major IOCs, NOCs and independents

## Majors [1]

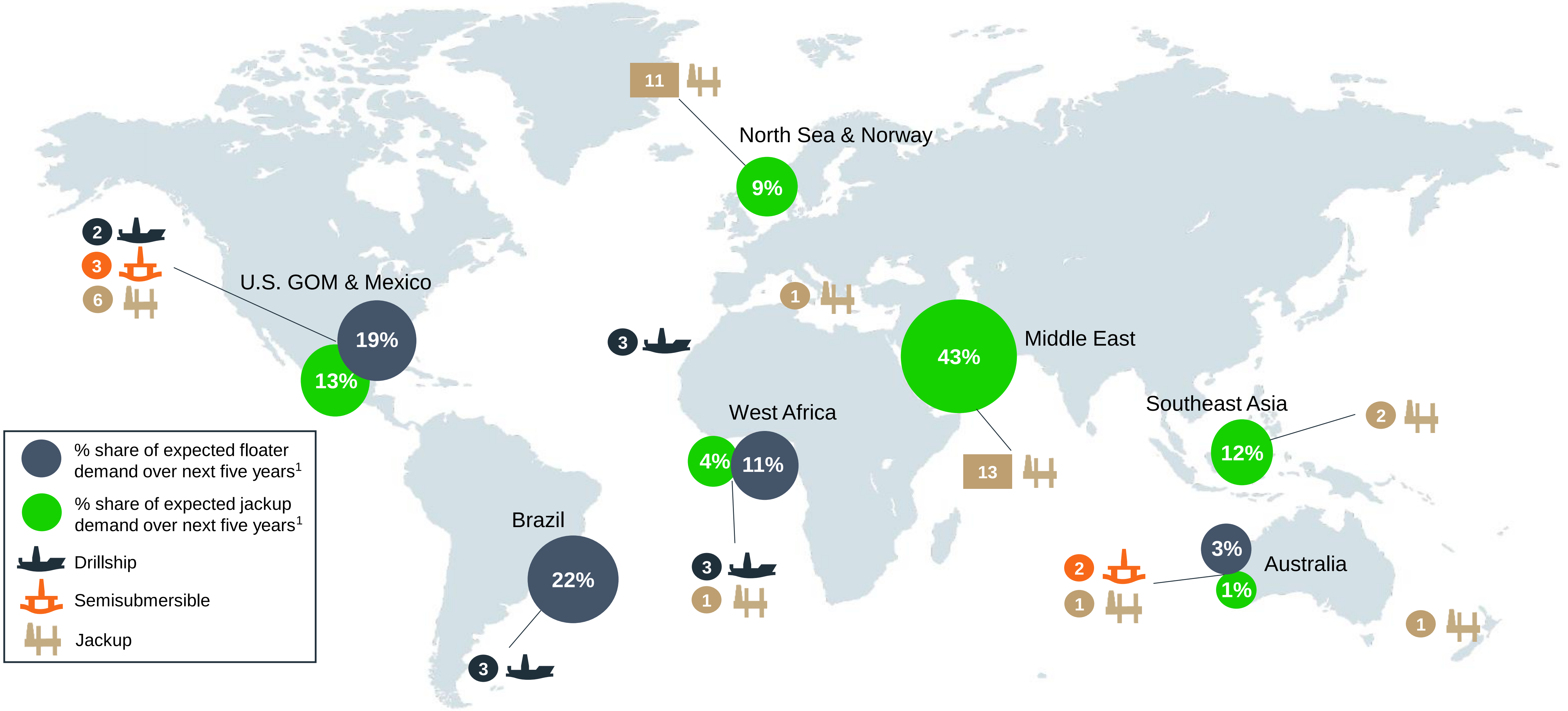
| | Floaters | Jackups | Locations |
|---|---|---|---|
| bp | ✓ | ✓ | Latin America, North Sea, Southeast Asia, West Africa |
| Chevron | ✓ | ✓ | U.S. GOM, West Africa |
| eni | ✓ | ✓ | Mexico, North Sea |
| Exxon | ✓ | | West Africa |
| Shell | ✓ | ✓ | North Sea, Southeast Asia, West Africa |
| TotalEnergies | ✓ | | Brazil |

## National Oil Companies and Other Select Customers [1]

| | Floaters | Jackups | Locations |
|---|---|---|---|
| أرامكو السعودية saudi aramco | | ✓ | Middle East |
| equinor | ✓ | ✓ | Brazil, Norway |
| Harbour Energy | | ✓ | North Sea |
| OXY Occidental | ✓ | | U.S. GOM |
| BR PETROBRAS | ✓ | | Brazil |
| Woodside | ✓ | | Australia |

1 All customers listed are within the top 15 customers within contract backlog as of July 28, 2022. Locations represent where rigs are currently contracted for each customer.

# Operations focused on key basins expected to drive a large share of future demand

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1 Demand by country/region represents rig years as a % of total rig years for floaters and jackups, excluding China and Iran, per Rystad Cube Dashboards as of August 2022
Note: Rigs that are currently stacked with a future contract are shown in the location of the future contract. Includes eight jackup rigs owned by Valaris that are leased to ARO Drilling in Saudi Arabia. Excludes nine jackup rigs owned by ARO Drilling (operating and under construction), two rigs that Valaris manages on behalf of a customer and two drillships that Valaris has the option to purchase by year-end 2023.

# Delivering safe, reliable and efficient operations is our primary focus

## Safety

### Objectives
- Control Process Safety Risk
- Reduce Personal Safety Exposure
- Minimize Environmental Impact

### Tools
- License to Drill Program
- Well Control Training Center
- Safe Systems of Work
- Operational Assurance & Audit Program
- BOLD Offshore Supervisor Training

## Reliability

### Objectives
- Maximize Rig Uptime Performance
- 98% Revenue Efficiency in 1H 2022 and 2021

### Tools
- Valaris Asset Management System (VAMS)
- Technical Support Center (TSC)
- Valaris Intelligence Platform (VIP)

## Efficiency

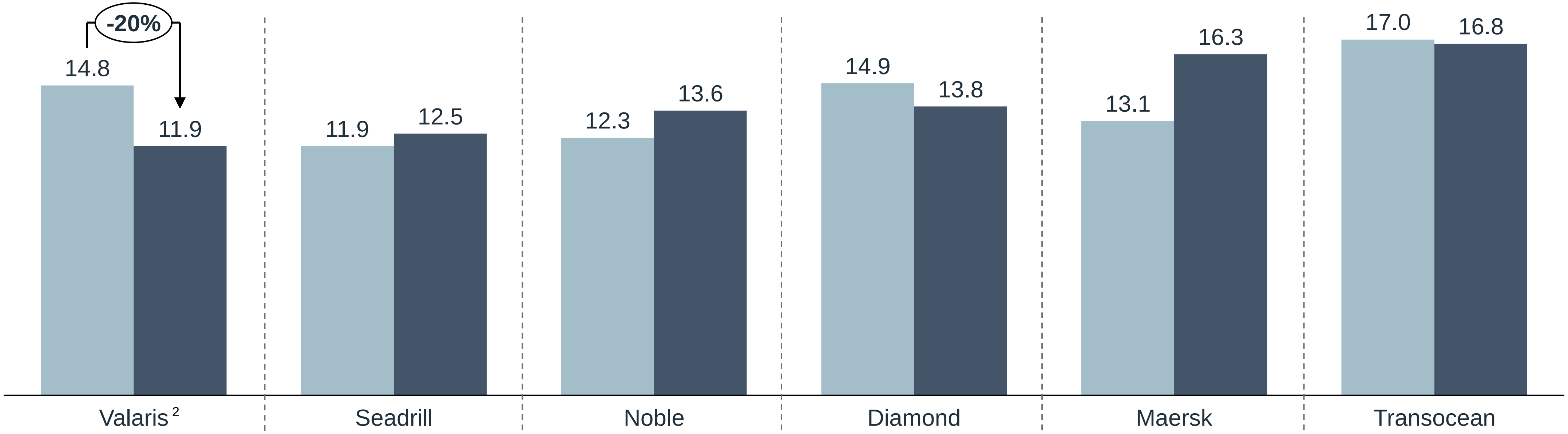
### Objectives
- Maximize Productivity of Well Construction

### Tools
- Valaris Intelligence Platform (VIP)
- Micro KPIs, e.g., Tripping and Slip-to-Slip Connection

## OPERATIONAL EXCELLENCE

# Industry-leading cost structure

## Operating, Support and G&A Costs per Weighted Active Rig ($M)[1]



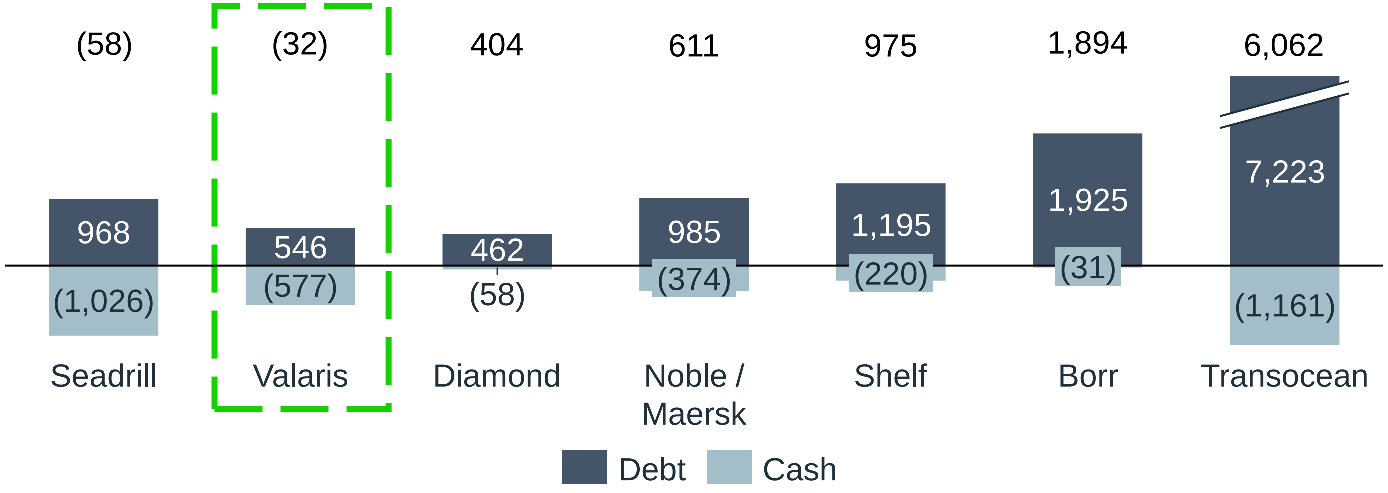

| | Valaris[2] 2020 | Valaris[2] 2021 | Seadrill 2020 | Seadrill 2021 | Noble 2020 | Noble 2021 | Diamond 2020 | Diamond 2021 | Maersk 2020 | Maersk 2021 | Transocean 2020 | Transocean 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Active Floaters | 10 | 8 | 16 | 13 | 9 | 9 | 11 | 11 | 7 | 8 | 29 | 26 |
| Active Jackups | 28 | 25 | 11 | 7 | 12 | 10 | 0 | 0 | 12 | 12 | 0 | 0 |
| # of Countries with Active Rigs | 15 | 16 | 14 | 10 | 10 | 10 | 5 | 6 | 12 | 13 | 11 | 11 |

2020 2021

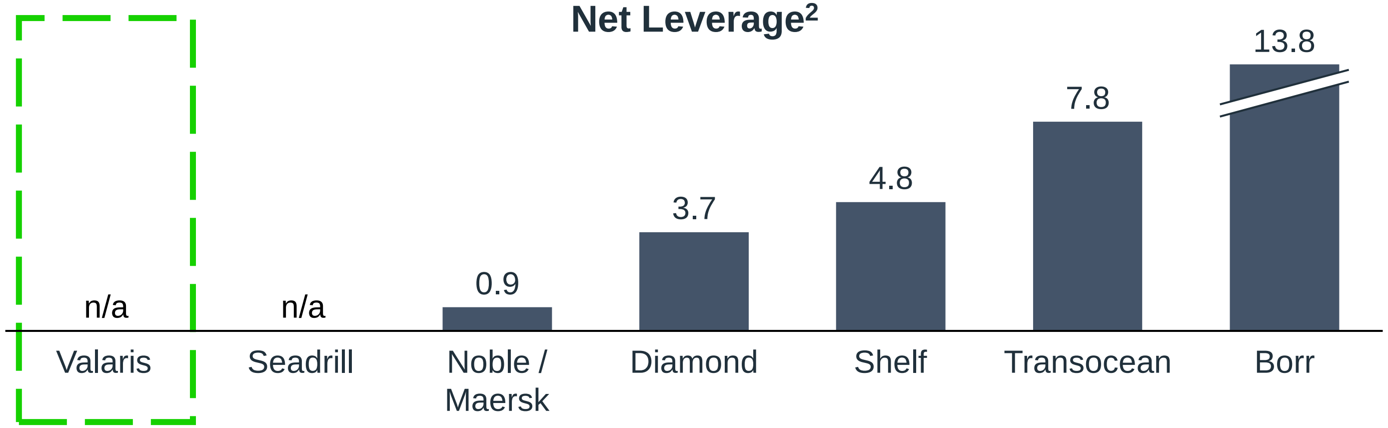
Source: Company filings; S&P Global Petrodata
1 Contract drilling expense (excluding reimbursable items) and general and administrative expense for each available period divided by weighted average rig count. Active rig weighting determined by cost complexity for discrete asset types:1.0 for drillships, 1.3 for North Sea/Australia semisubmersibles, 0.9 for benign environment semisubmersibles, 0.9 for jackups active in Norway and 0.5 for all other jackups. Active rigs defined as rigs that are not cold stacked or under construction. Active rigs and countries per S&P Global Petrodata Current Activity Report. Represents an average of each quarter end in the given period. 2 Valaris operating costs exclude costs related to two rigs managed on behalf of a customer as they are not included in the active rig count.

# Strongest balance sheet in the offshore drilling sector

**Net Debt[1] ($M)**




**Net Leverage[2]**




- Valaris is one of only two major offshore drillers with a net cash position
- $577M[3] cash balance provides liquidity to fund operations and support rig reactivations
- Only tranche of debt is $550M senior secured notes due 2028
  - First call in April 2023
  - Recently amended indenture to increase flexibility
- Annual cash interest expense of $45M[4]
- No newbuild capital commitments

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1 Debt and cash per most recent quarterly filings; Noble net debt and net leverage shown pro forma for merger with Maersk Drilling. Seadrill net debt and net leverage shown pro forma for sale of seven jackups; 2 Net leverage calculated using 2022 mean EBITDA estimate per FactSet as of August 29, 2022. Noble 2022 EBITDA adjusted to reflect 75% of the $125 million estimated full run rate synergies from planned merger with Maersk Drilling; 3 Includes restricted cash balance of approximately $24 million as of June 30, 2022; 4 Assumes interest paid in cash at 8.25% coupon;

# Disciplined fleet management strategy focused on driving long term shareholder value

## Optimization

- Priority is to ensure that the active fleet remains highly utilized
- Portfolio approach to contracting with a mix of longer and shorter duration contracts and staggered rollovers
- Aim to have a critical mass of rigs in priority basins to benefit from economies of scale

## Reactivations

- Only reactivate rigs for opportunities that provide meaningful returns
- Proven ability to win work for preservation stacked assets, with five long-term floater contracts awarded since mid-2021
- Demonstrated track record of reactivating rigs on time and within our cost guidance

## Divestitures

- Regular assessment of fleet for retirement and divestiture candidates
- Jackups VALARIS 113 and 114, each of which had been stacked for more than six years, were sold in 2022 for a combined total of $125 million

# Strong framework in place for advancing our sustainability program

## Board and Executive Management Oversight

- Board of Directors has a dedicated Environmental, Social and Governance (ESG) Committee
- New executive management position focused on Sustainability and New Energy
- Green Sustainability Committee – cross-functional working group that identifies and evaluates opportunities to promote sustainable business practices

## Monitoring and Reporting

- Annual Sustainability Report published in accordance with the Sustainability Accounting Standards Board (SASB)
- ESG Position Statement, which outlines the values and commitments supporting our purpose
- Valaris Intelligence Platform (VIP) enables near real-time data of fuel consumption and GHG emissions across the fleet


## VALARIS ESG POSITION STATEMENT

**Our Purpose** is to provide responsible solutions that deliver energy to the world.

**Our Responsibility** is to optimally balance environmental, social, economic and energy needs of our society.

**Our ESG Position Statement** outlines the Values and Commitments that support our Purpose

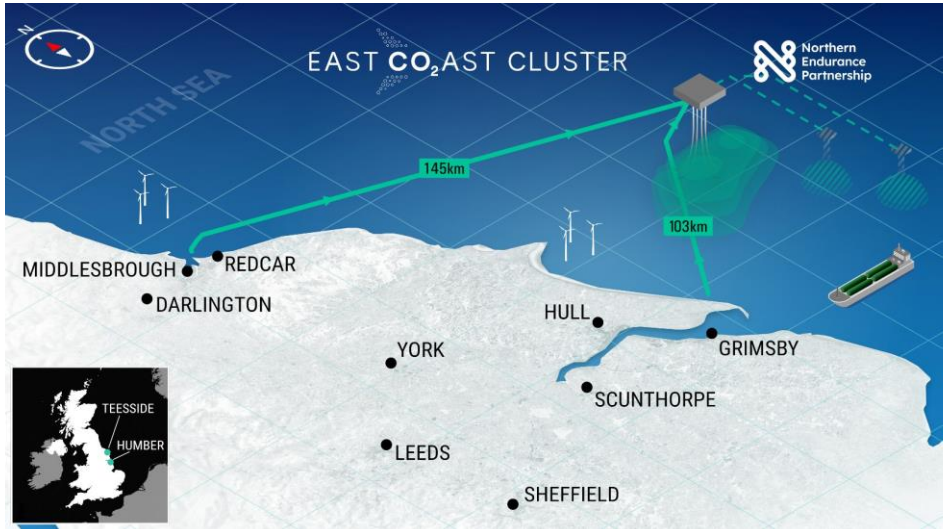
# Reduce emissions from our own operations and partner with customers

## Reduce Emissions from our own Operations

- Engine optimization to lower $SO_X$ and $CO_2$ emissions
  - Completed on VALARIS DS-12 – the first vessel globally to achieve ABS Enhanced Electrical System Notation EHS-E
  - Planned for VALARIS DS-17
- Selective Catalytic Reduction (SCR) systems reduce $NO_X$ emissions by up to 90%
  - SCR implemented on four drillships and one jackup

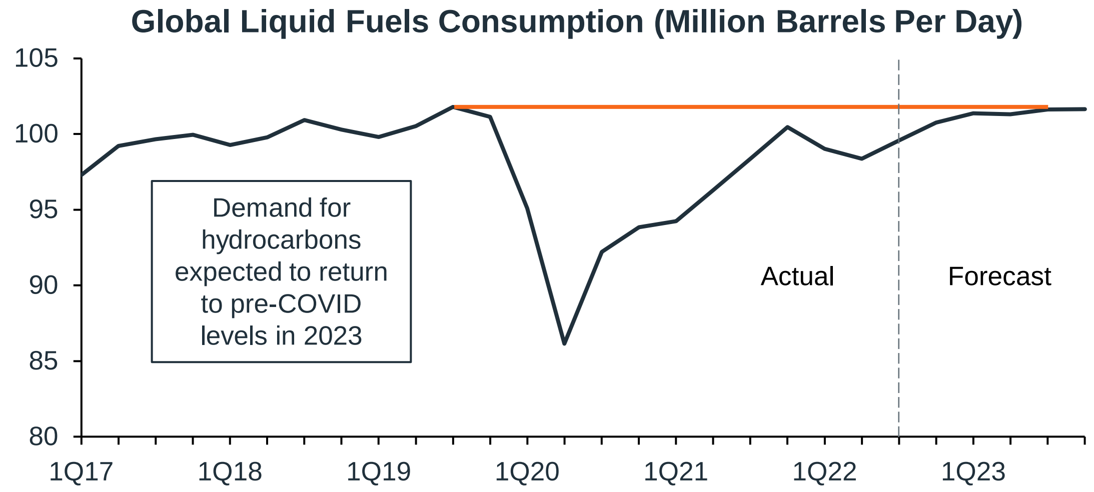

## Partner with Customers on their Energy Transition Efforts

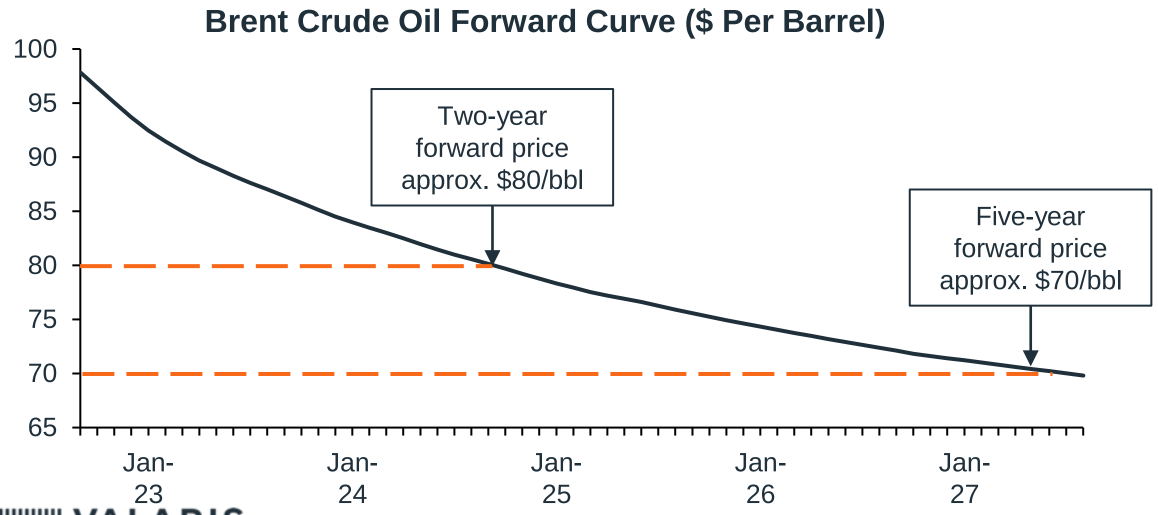
- Carbon capture and storage
  - Drilled carbon capture pilot wells for two customers in the North Sea – Porthos project in the Netherlands and Northern Endurance Partnership in the UK
  - Future projects planned offshore Australia and in the U.S. Gulf
- Performance based incentives for fuel savings
  - Engine optimization and enhanced monitoring resulted in 14% fuel savings vs. baseline target for contract offshore Norway

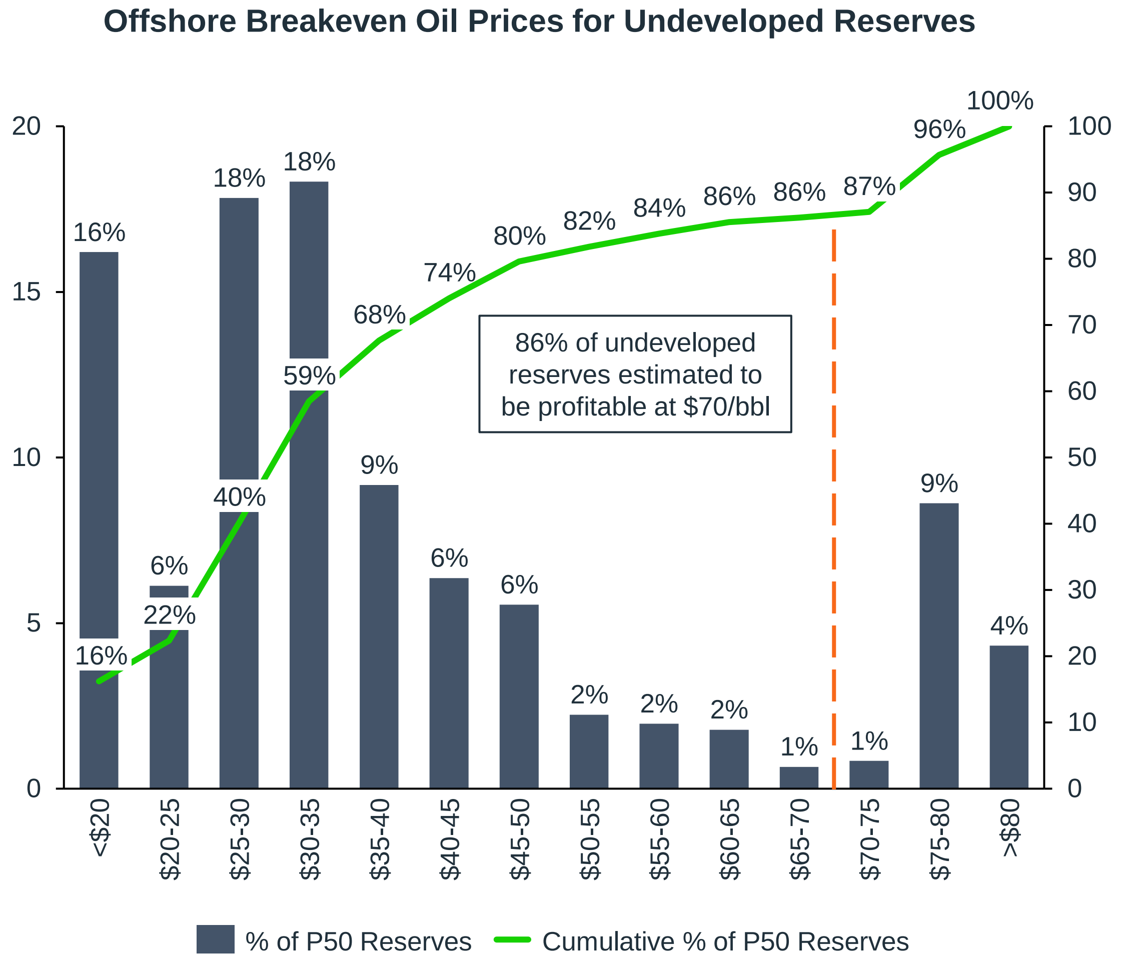


# Offshore Market Overview

# Commodity supply and demand is constructive for our industry



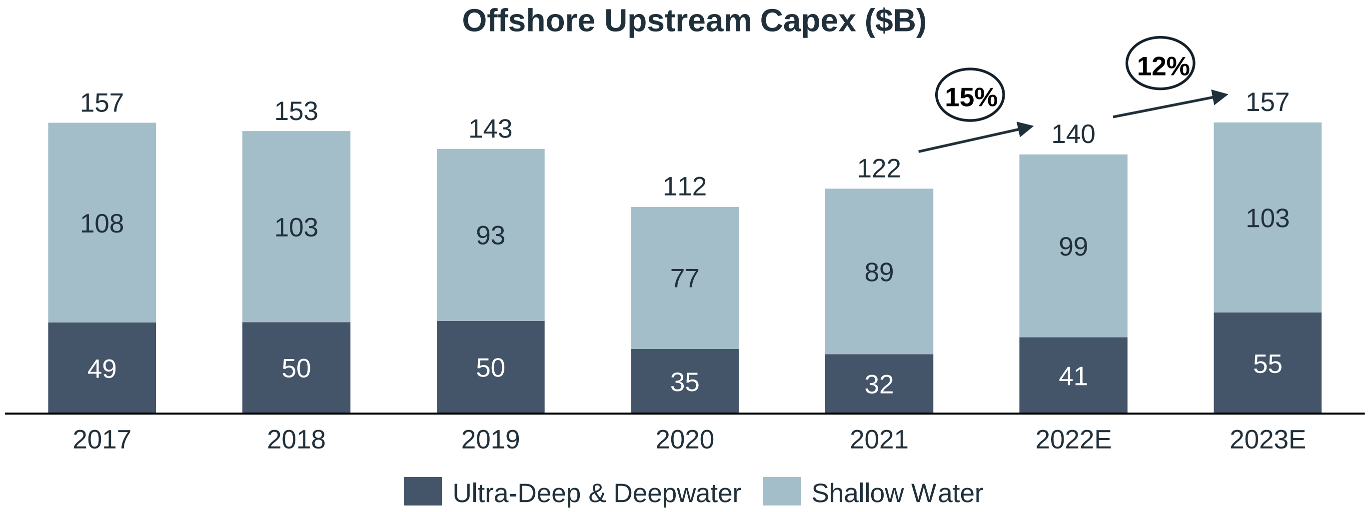



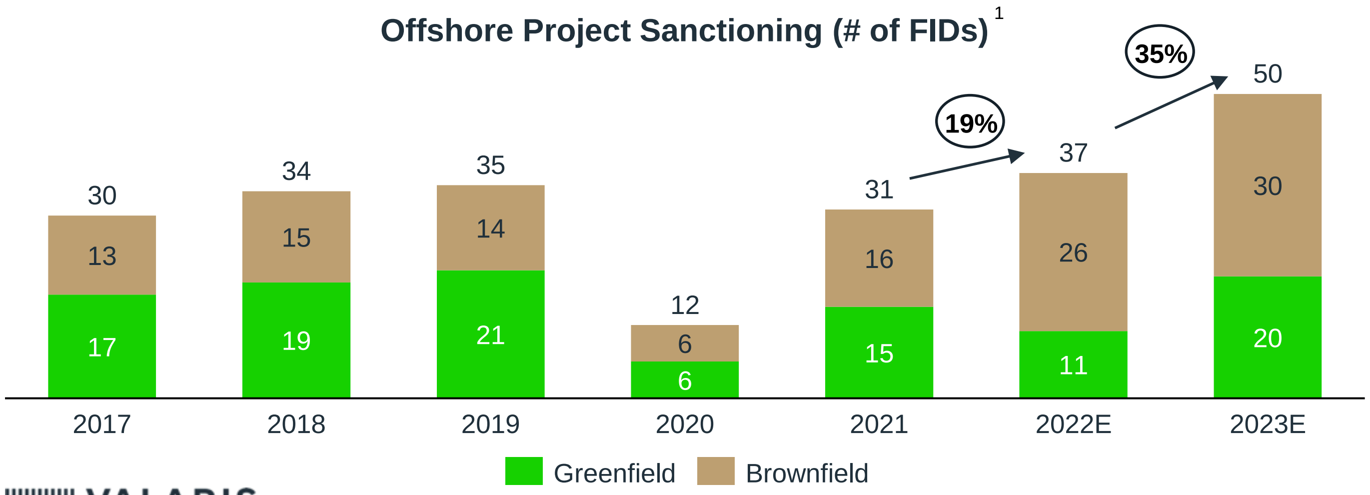

P50 reserves: reserves volume with a probability of recovery of between 50% and 90%



Source: EIA Short-Term Energy Outlook, August 2022; FactSet as of August 30, 2022; Rystad U Cube, August 2022

# Offshore upstream capex and new project sanctioning are expected to increase




- Offshore upstream capex is expected to increase by 12% in 2023
- This growth in offshore spending is primarily expected to come from investments in ultra-deep and deepwater projects
- Shallow water remains approximately two-thirds of expected spending with steady growth projected
- Offshore project sanctioning is also expected to increase meaningfully in 2023, with more final investment decisions (FIDs) expected than any other year since the start of the industry downturn

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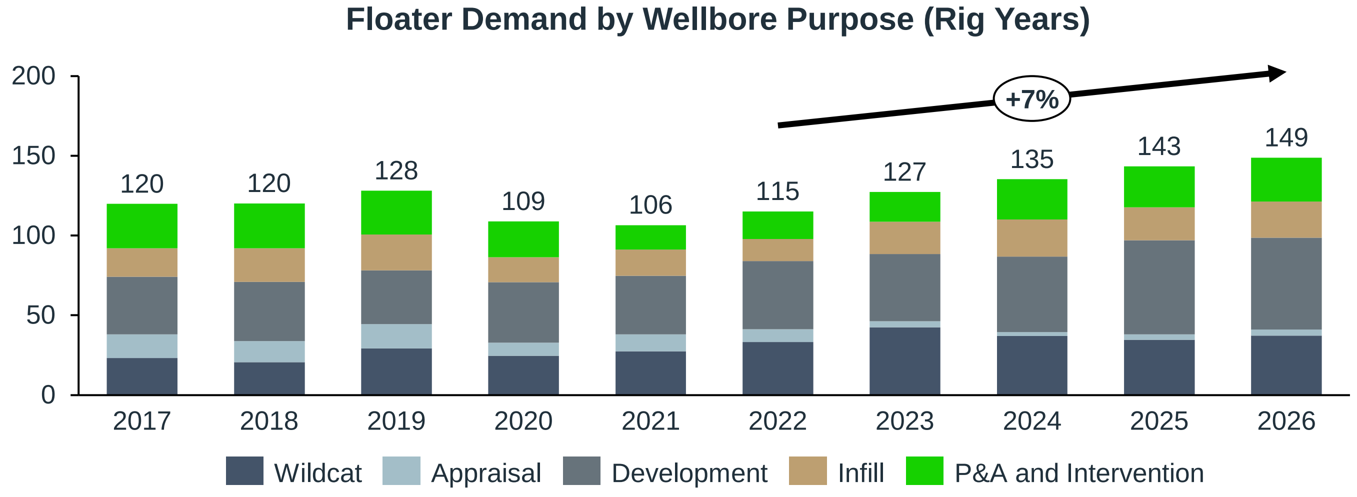
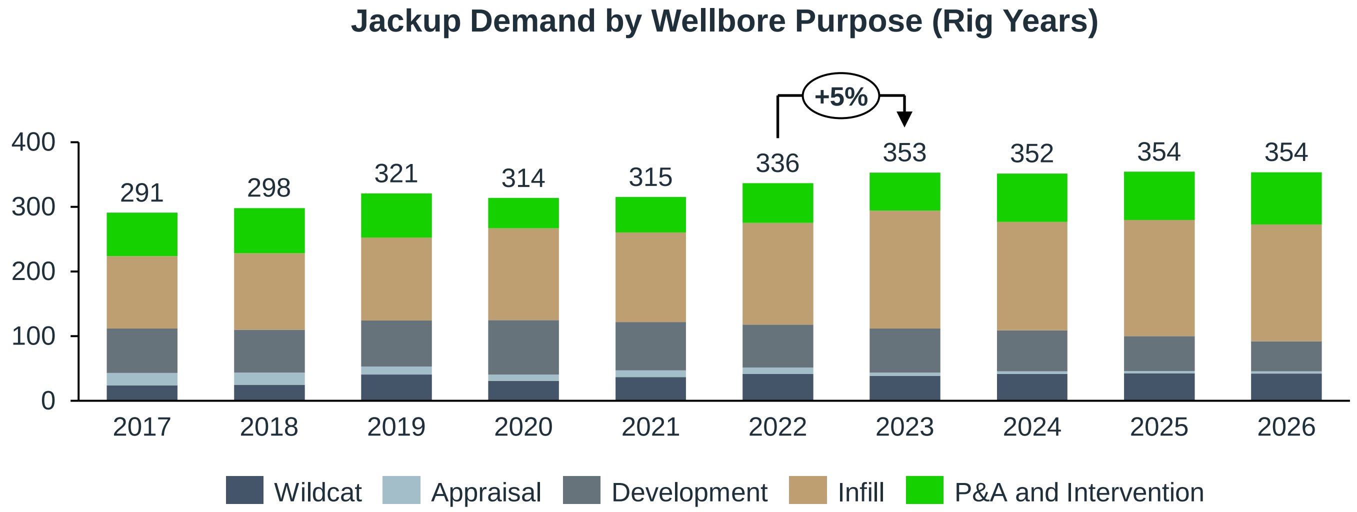
Source: Wood Mackenzie; Fearnley Securities
1 Includes projects with 50 million barrels of oil equivalent or greater

# Demand for offshore drilling is expected to increase over the next several years




- Floater demand is expected to increase at a compound annual growth rate (CAGR) of 7% between 2022 and 2026
- Floater demand growth is primarily expected to be driven by development and wildcat (exploration) drilling
- This is a strong signal of customers' conviction on the economics for deepwater projects and is positive for longer-term demand for these rigs
- Jackup demand is anticipated to increase further in 2023 as operators with exposure to shorter cycle barrels are expected to ramp up production to benefit from high commodity prices
- The primary driver of jackup demand is different than for floaters, with ~50% of all demand from 2022 to 2026 expected to come from infill drilling

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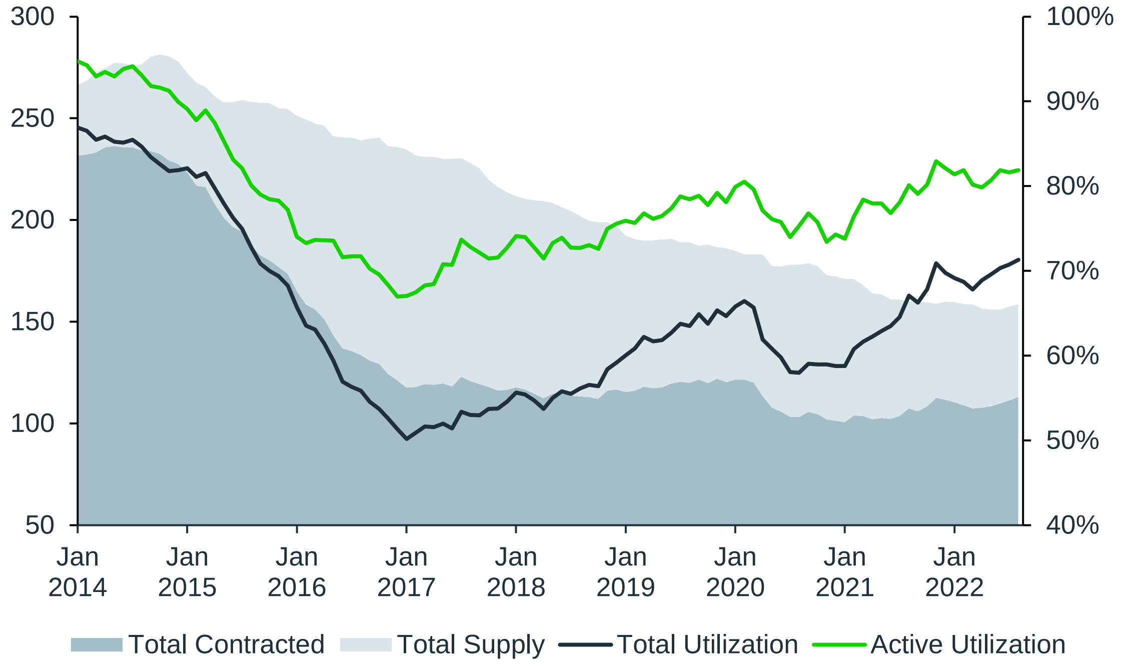
Source: Rystad Cube Dashboards as of August 2022

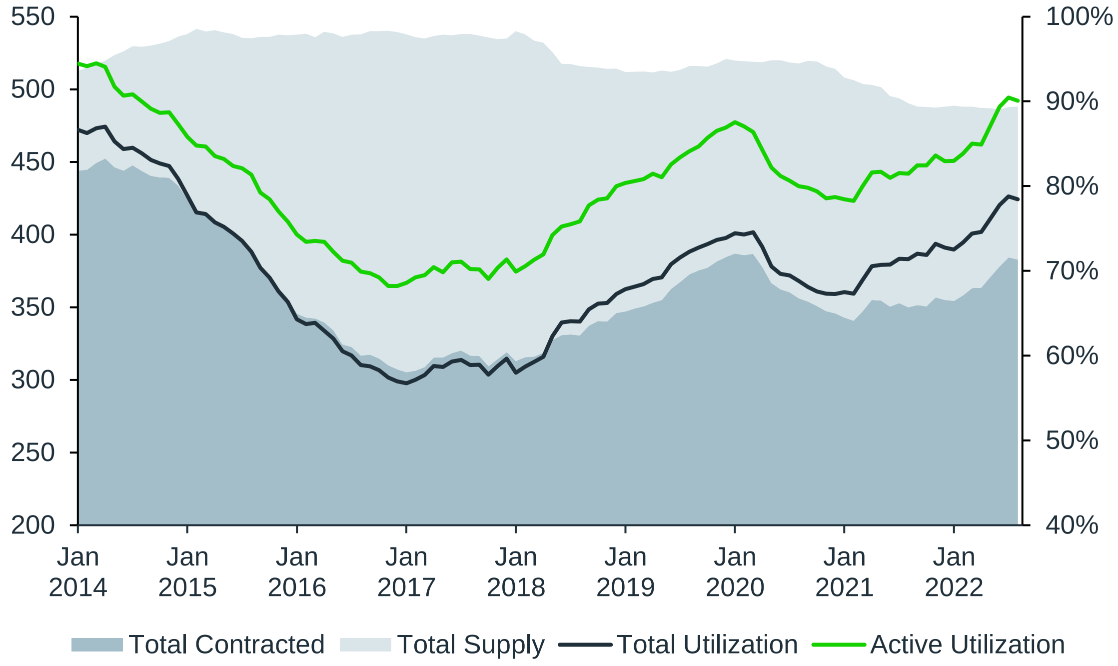
# Significant supply rationalization over the past several years has improved market balance

## Benign Environment Floater Supply and Utilization




- Benign environment floater supply has declined by 43% to 159 from a peak of 281 in late 2014
- Majority of current supply are modern assets. Only 17% of current supply is > 20 years of age

## Jackup Supply and Utilization




- Jackup supply has declined by 10% to 488 from a peak of 542 in early 2015
- 33% of current supply is > 30 years of age with limited useful lives remaining

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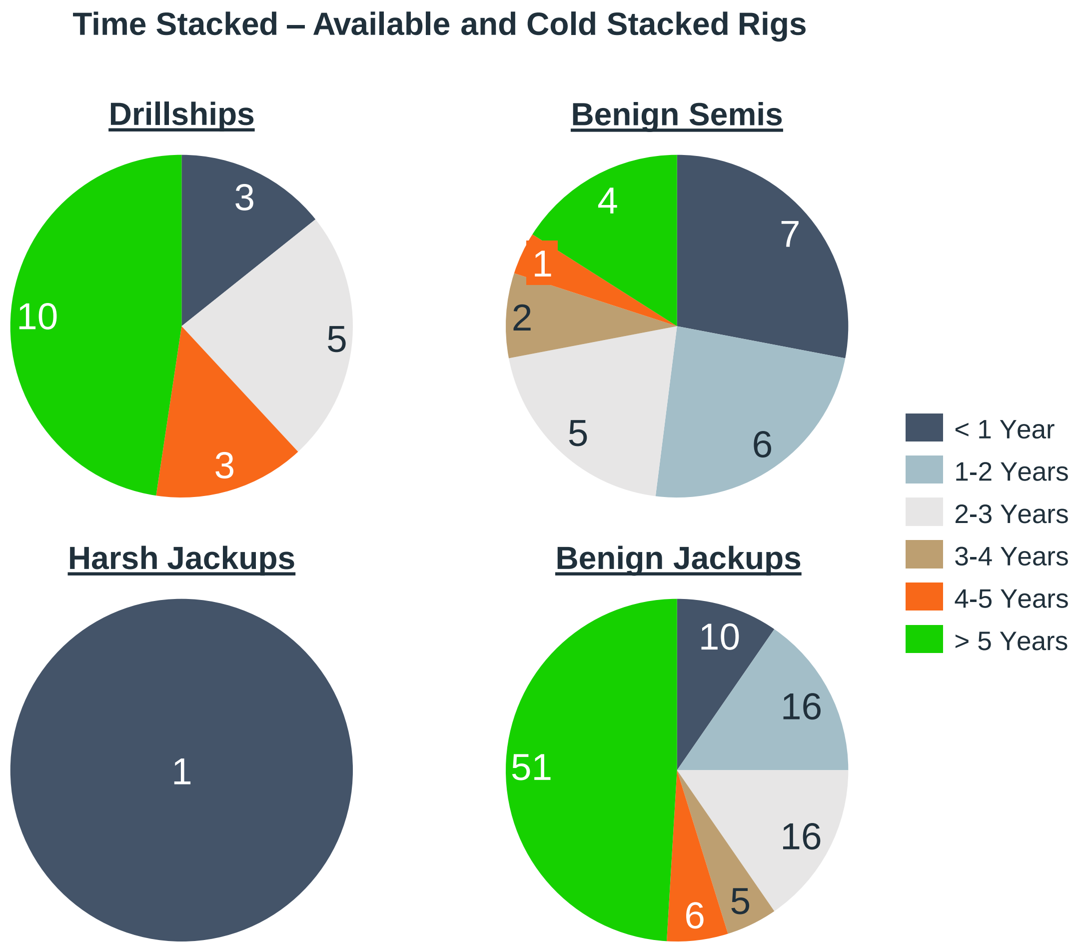
Source: S&P Global Petrodata as of August 2022. Market category field used to categorize rigs as benign or harsh environment.

# Current rig fleet will form the basis of supply for the foreseeable future

*Current active utilization 90%+ for most asset classes*
*Some of the rigs that have been stacked for prolonged periods likely never to return to the active fleet*

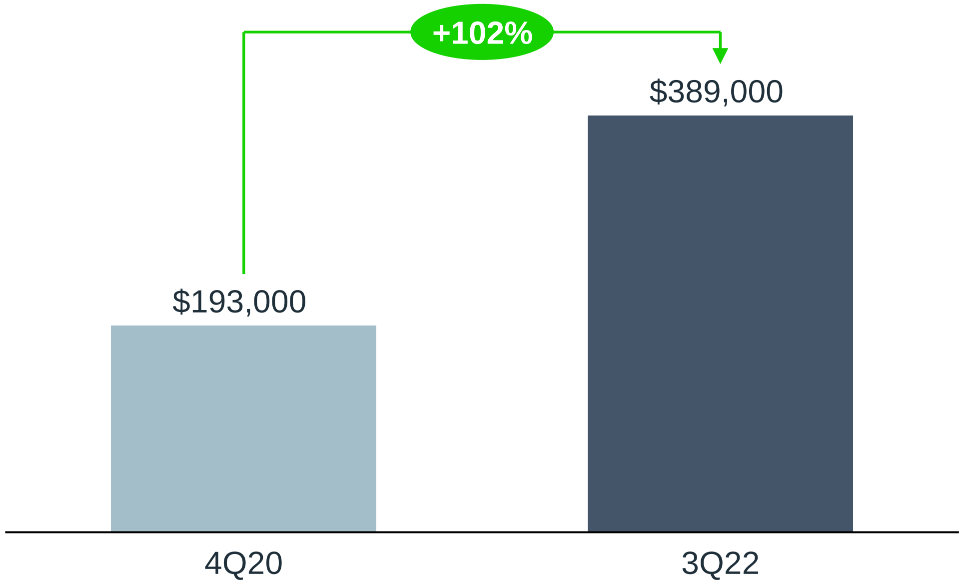
| Delivered Rigs | Drillships | Benign Semis[1] | Harsh Jackups[1] | Benign Jackups[1] |
|---|---|---|---|---|
| Contracted | 75 | 38 | 33 | 351 |
| Available | 8 | 18 | 1 | 41 |
| Active Fleet | 83 | 56 | 34 | 392 |
| Cold Stacked | 13 | 7 | - | 63 |
| Total Fleet | 96 | 63 | 34 | 455 |
| Active Utilization | 90% | 68% | 97% | 90% |
| Total Utilization | 78% | 60% | 97% | 77% |
| Newbuilds | 15 | 3 | 5 | 21 |




Source: S&P Global Petrodata, August 2022
1 Market category field used to categorize rigs as harsh or benign environment

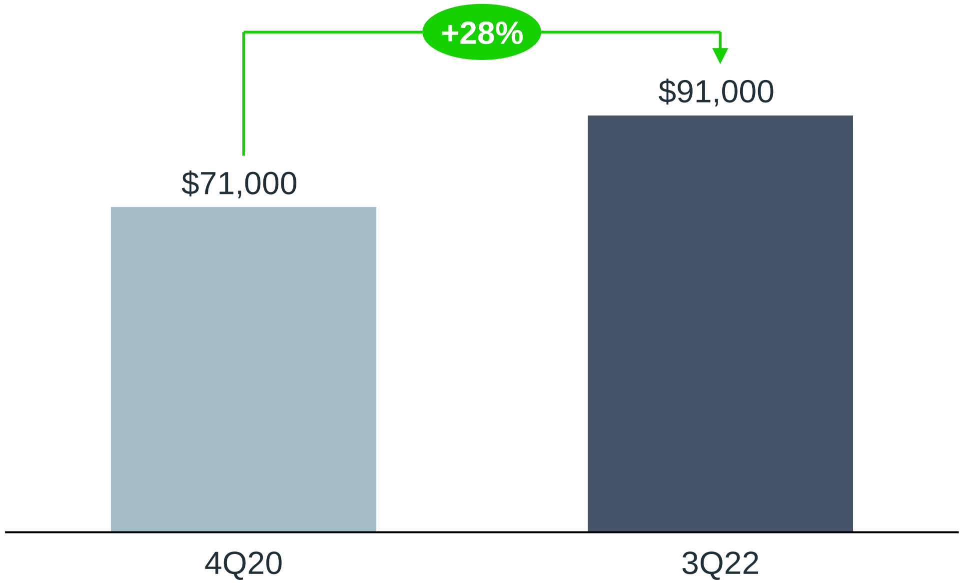
# Day rates have increased meaningfully since late 2020

## Average Day Rates for Drillship Fixtures Signed [1]




- Average day rates for drillship fixtures signed in 3Q22 have more than doubled since 4Q20
- Recently, some fixtures have been awarded at above $400K/day
- Active utilization for drillships is approximately 90%

## Average Day Rates for Benign Environment Jackup Fixtures Signed [1]




- Average day rates for benign jackup fixtures signed in 3Q22 are nearly 30% higher than 4Q20
- Recently, some fixtures have been awarded at above $100K/day
- Active utilization for benign jackups is approximately 90%

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Source: S&P Global Petrodata as of August 2022; Valaris analysis. Market category field used to categorize rigs as benign or harsh environment.
1 Represents the average day rate for fixtures signed in each quarter, excluding priced options. Excludes fixtures awarded for work in India.

# Value Proposition

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# Valaris has a compelling value proposition built on four key elements

## 1 Active Fleet

- 33 rigs including drillship VALARIS DS-17 that is currently being reactivated
- Active fleet generated adjusted operating margin (excluding one-time reactivation costs) of $344 million in 2021[1,2]
- Earnings power from the active fleet expected to increase meaningfully due to improving utilization and day rates

## 2 Stacked Fleet and Newbuild Drillship Options

- 11 high-quality modern assets and two newbuild drillship options
- Significant operating leverage in an improving market environment
- Proven ability to win work for preservation stacked assets, with five long-term floater contracts awarded since mid-2021

## 3 Leased and Managed Rigs

- Eight rigs owned by Valaris currently leased to ARO Drilling under bareboat charter agreements, provide high levels of utilization and stable cash flows
- Two managed rigs, which Valaris operates on behalf of a customer
- 2021 operating margin was $85 million[1]

## 4 ARO Drilling

- Unconsolidated 50/50 joint venture with Saudi Aramco, the largest customer for jackups in the world
- ARO 2021 EBITDA was $91 million and ARO had cash of $293 million as of June 30, 2022
- 20-rig newbuild program provides future growth with guaranteed contracts at attractive economics
- Recent asset sales in Middle East highlight value inherent in ARO



1 Operating margin for active fleet and leased and managed rigs excludes onshore support costs and general and administrative expense
2 Active fleet included 32 rigs on average in 2021

# Stacked rigs and newbuild options provide operating leverage in an improving market

## Stacked Fleet Overview

- Stacked fleet includes 11 high-quality modern assets with a total build cost of ~$4.0B and significant useful lives remaining
- Proven ability to win work for preservation stacked assets, with five long-term floater contracts awarded since mid-2021
- Three uncontracted high-specification drillships provide operating leverage
- Disciplined approach to reactivations – economics are attractive at current day rates
- Capitalizing incremental EBITDA at market mutliples offers substantial uplift
- Additional exposure to drillship market from purchase options on two newbuilds with purchase price of ~$119M and ~$218M[1,2]
  - Recent transactions and broker NAVs range from high $200M to low $300M

## Asset Value

| Illustrative Asset Value of Stacked Fleet | | | | As Built Cost |
|---|---|---|---|---|
| Value per Floater (5 Rigs) | $100M | $200M | $300M | ~$600M |
| Value per Jackup (6 Rigs) | $25M | $50M | $75M | ~$150M |
| **Total Asset Value** | **$650M** | **$1,300M** | **$1,950M** | **~$4,000M** |

## Reactivation Economics

| Illustrative Drillship Example | 3Q21 | 3Q22 |
|---|---|---|
| Reactivation Costs | $40-45M | $65-75M |
| Customer Contribution | $– | ~$20M |
| Net Investment | $40-45M | $45-50M |
| Average Day Rate[3] | $239,000 | $389,000 |
| Annualized Rig-Level EBITDA[4] | ~$40M | ~$95M |
| **Payback Period** | **~13 Months** | **~6 Months** |

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Source: S&P Global Petrodata as of August 2022; Valaris analysis.
1 Valaris has the option to purchase newbuild drillships VALARIS DS-13 and DS-14 before year-end 2023. 2 Purchase prices for VALARIS DS-13 and DS-14 exclude reactivation and mobilization costs.
3 Represents the average day rate for fixtures signed in each quarter, excluding priced options. Excludes fixtures awarded for work in India. 4 Assumes current average daily operating costs for a drillship

# Significant earnings potential in a market recovery scenario

| Total Rigs | Rigs Under Contract or with Future Contract | Illustrative Annual EBITDA from Valaris Fleet[1] | | | | 2014[2] |
|---|---|---|---|---|---|---|
| 11 | 8 | Drillship Day Rates | $350K | $400K | $450K | ~$500K |
| 5 | 3 | Benign Semisubmersible Day Rates | $250K | $300K | $350K | ~$400K |
| 12 | 11 | HD Ultra-Harsh & Harsh Jackup Day Rates[3] | $125K | $150K | $175K | ~$220K |
| 21 | 16 | Modern HD & SD Jackup Day Rates[3] | $75K | $100K | $125K | ~$160K |
| | | Fleet Utilization | 70% | 75% | 80% | 85% |
| | | **Illustrative Operating Margin[4]** | **~$880M** | **~$1,440M** | **~$2,060M** | **~$2,800M** |
| | | Total Onshore Costs (2021) | ~$200M | ~$200M | ~$200M | ~$200M |
| | | **Illustrative EBITDA[4]** | **~$680M** | **~$1,240M** | **~$1,860M** | **~$2,600M** |

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1 Calculations based on total number of rigs in each asset category. Excludes standard duty legacy jackups on the basis that most of these rigs will likely be retired upon completion of current contracts.
2 Average earned operating day rate and utilization for global fleet in 2014 per S&P Global Petrodata
3 HD = Heavy Duty; SD = Standard Duty. Heavy duty jackups are well-suited for operations in tropical revolving storm areas.
4 Daily operating cost assumptions are based on current operating costs for the fleet. Assumes full operating cost for 50% of idle periods and preservation stack cost for 50% of idle periods.

# ARO Drilling joint venture provides strong presence in the largest jackup market in the world

## ARO Drilling Overview

- ARO Drilling ("ARO") is an unconsolidated 50/50 joint venture with Saudi Aramco that owns and operates jackup rigs in Saudi Arabia
- Strategic partnership with the largest global customer for jackups
- ARO owns seven jackup rigs operating under contracts with Saudi Aramco with contract backlog of **$935M** as of July 28, 2022
- ARO leases eight jackup rigs from Valaris, each operating under contracts with Saudi Aramco
- ARO is scheduled to purchase 20 newbuild jackup rigs over the next decade, backed by long-term contracts with Saudi Aramco, which are expected to be financed by third-party financing non-recourse to Valaris[1] and cash from ARO operations
- Valaris has shareholder notes receivable with a principal balance of **$443M** from ARO
- Recent asset sales in Middle East highlight value inherent in ARO

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### Income Statement Highlights

| | 2021 |
|---|---|
| Revenue | $471M |
| **EBITDA** | **$91M** |

### Balance Sheet Highlights

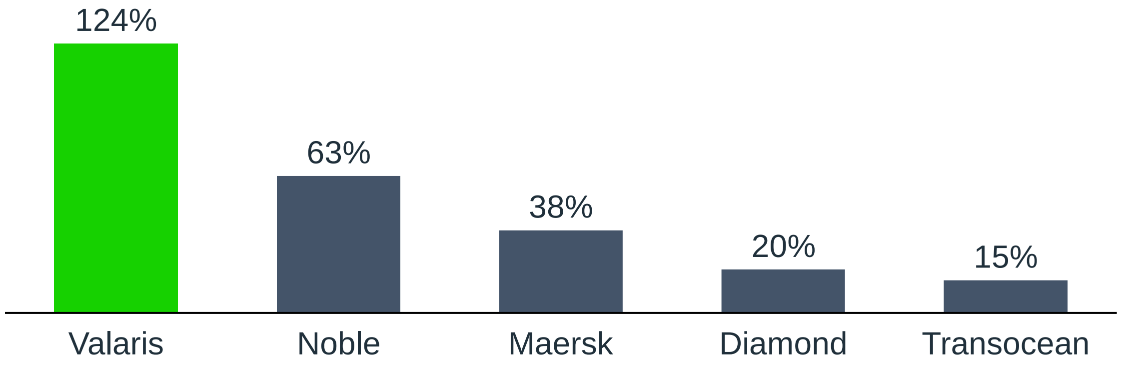
| | June 30, 2022 |
|---|---|
| Cash | $293M |
| Shareholder Notes | ~$900M |
| Third-Party Debt | Zero |



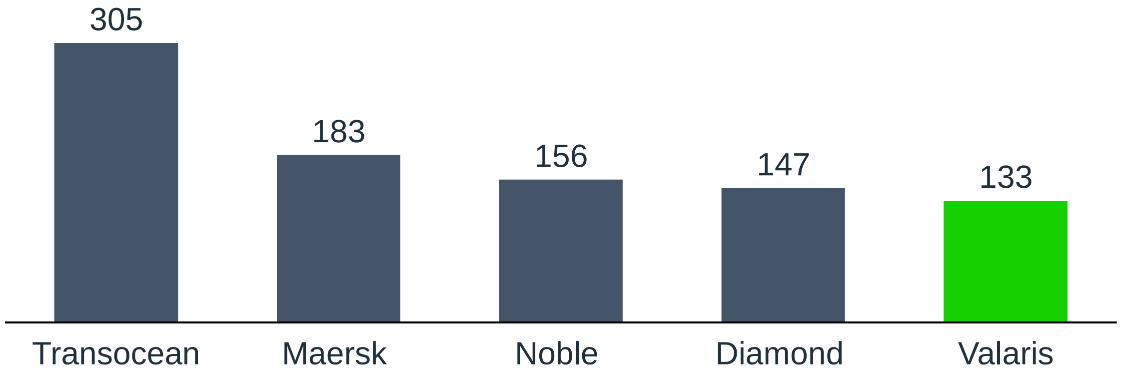
1 ARO paid a 25% down payment from cash on hand for each of the newbuilds ordered in January 2020 and is actively exploring financing options for the remaining payments due upon delivery.

# Equity trades at a significant discount to major peers and recent market transactions

### Equity Performance Since Valaris Listing[1]




### Implied Steel Value per Ultra-Deepwater Equivalent Rig ($M)[2,3,4]




### Recent Market Transactions for Drillships

| Rig Name | Buyer | Seller | Price |
|---|---|---|---|
| Crete | Stena Drilling (CARE, INNOVATION & PERFORMANCE) | SAMSUNG HEAVY INDUSTRIES | $295 million |
| Santorini | SAIPEM | SAMSUNG HEAVY INDUSTRIES | $280 million[5] |
| Cobalt Explorer | TÜRKİYE PETROLLERİ ANONİM ORTAKLIĞI | DSME | $230 million |

- Three recent market transactions for drillships have averaged ~$270 million (including an estimated $50 million of reactivation costs per rig) – approx. 2.0x the implied steel value Valaris is currently trading at for similar assets

Source: FactSet as of August 26, 2022; Fearnley Securities; Company filings
1 Equity performance since Valaris listing on May 3, 2021, except for Diamond, which relisted on March 29, 2022
2 Steel values calculated using market value of equity, book value of debt, underfunded pension liabilities, newbuild capital commitments and NPV of reactivation costs, less cash and NPV of backlog
3 Valaris steel value per UDW equivalent rig attributes $443M to ARO Drilling based on the principal value of the shareholder note receivable
4 Number of ultra-deepwater equivalent rigs per Fearnley Securities research report dated August 23, 2022; 5 Purchase price calculated as 2 x $15M lease payments, plus $200M purchase option price

# Disciplined approach to capital allocation and focus on free cash flow generation

## Disciplined

- Exercise operational leverage in a disciplined manner
- Rigs only reactivated for opportunities that provide meaningful returns on reactivation costs
- Three high-specification uncontracted drillships remaining
- Purchase options on newbuild drillships VALARIS DS-13 and DS-14

## Opportunistic

- Regularly assess fleet for divestiture candidates
- Recent sale of stacked jackups VALARIS 113 and 114 for a total of $125 million was highly accretive
- Continual evaluation of strategic opportunities to create shareholder value with Board, including Strategy Committee

## Returns Focused

- Investments in our fleet in the near-term will help to maximize future earnings and free cash flow
- Strong balance sheet provides capital allocation flexibility
- Recent consent solicitation on senior notes increases flexibility to return capital to shareholders

# Key takeaways

| | |
|---|---|
| 1 | Largest fleet of high-specification rigs with a significant presence in all key offshore basins |
| 2 | Strong customer relationships with major IOCs, NOCs and independents |
| 3 | Industry leading cost structure and balance sheet |
| 4 | Improved rig supply and demand dynamics driving day rates higher |
| 5 | Significant operating leverage in an improving market |
| 6 | Advantaged position in the world's largest jackup market through ARO Drilling joint venture |
| 7 | Disciplined approach to fleet management and capital allocation with a focus on free cash flow |

# Appendix

Appendix

# 2022 Guidance as of August 2, 2022[1]

| Income Statement Guidance | 2022E |
|---|---|
| Revenues | $1,570-1,600M |
| Contract Drilling Expense[2] | $1,350-1,380M |
| G&A Expense | $80-85M |
| **Adjusted EBITDA[3]** | **$130-150M** |
| Reactivation Costs (One-Time Expense) | $105–110M |
| **Adjusted EBITDAR[3]** | **$240-260M** |
| Preservation and Stacking Costs | ~$45M |

| Other Guidance | 2H22E |
|---|---|
| Capital Expenditures | $100-110M |
| Customer Reimbursements[4] | ~$90M |

| Operating Margin by Value Drivers | 2022E |
|---|---|
| Active Fleet | $300-320M |
| Reactivation Costs | $105-110M |
| Active Fleet Adjusted for One-Time Reactivation Costs | $410-430M |
| Leased & Managed | $75-80M |
| | **$490-510M** |
| Stacked Fleet | ~$(45M) |
| **Adjusted Operating Margin[5]** | **$445-465M** |
| G&A and Support Costs | $(200-210)M |
| **Adjusted EBITDAR** | **$240-260M** |
| **ARO EBITDA** | **$85-95M** |

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1 The guidance on this slide speaks only as of August 2, 2022, and has not been updated since such date, including to reflect changes in assumptions, market conditions, operations or other matters. The inclusion herein should not be construed as, and is not, confirmation of prior guidance. We undertake no obligation to update or review any such guidance, except as required by law.
2 Includes $120-125M of onshore support costs. 3 Excludes transaction, transformation and restructuring costs. The Company is not able to provide a reconciliation of the Company's forward-looking Adjusted EBITDA to the most directly comparable GAAP measure without unreasonable effort because of the inherent difficulty in forecasting and quantifying certain amounts necessary for such a reconciliation, including forward looking tax expense and other income or expense. 4 Upfront payments for capital upgrades and mobilization fees. 5 Adjusted operating margin = operating margin, plus reactivation costs

# Contract Backlog as of July 28, 2022

| Contract Backlog (1) (2) ($ millions) | 2022 | 2023 | 2024+ | Total |
|---|---|---|---|---|
| Drillships (3) | $ 228.1 | $ 472.7 | $ 389.5 | $ 1,090.3 |
| Semis | 90.2 | 159.2 | 110.2 | 359.6 |
| **Floaters** | **$ 318.3** | **$ 631.9** | **$ 499.7** | **$ 1,449.9** |
| | | | | |
| HD - Ultra-Harsh & Harsh | $ 129.4 | $ 62.6 | $ - | $ 192.0 |
| HD & SD - Modern | 94.3 | 134.2 | 149.1 | 377.6 |
| SD - Legacy | 20.8 | 44.6 | 6.9 | 72.3 |
| **Jackups** | **$ 244.5** | **$ 241.4** | **$ 156.0** | **$ 641.9** |
| | | | | |
| Leased Rigs | $ 26.0 | $ 57.0 | $ 61.1 | $ 144.1 |
| Managed Rigs | 32.3 | 75.7 | 5.4 | 113.4 |
| **Other (4)** | **$ 58.3** | **$ 132.7** | **$ 66.5** | **$ 257.5** |
| | | | | |
| **Total** | **$ 621.1** | **$ 1,006.0** | **$ 722.2** | **$ 2,349.3** |

| ARO Drilling (5) | 2022 | 2023 | 2024+ | Total |
|---|---|---|---|---|
| Owned Rigs | $ 105.4 | $ 246.6 | $ 582.9 | $ 934.9 |
| Leased Rigs | 97.3 | 202.9 | 224.1 | 524.3 |
| **Total** | **$ 202.7** | **$ 449.5** | **$ 807.0** | **$ 1,459.2** |
| | | | | |
| Valaris 50% Share of ARO Owned Rigs | $ 52.7 | $ 123.3 | $ 291.5 | $ 467.5 |
| **Adjusted Total (6)** | **$ 673.8** | **$ 1,129.3** | **$ 1,013.7** | **$ 2,816.8** |

| Contracted Days (1) (2) | 2022 | 2023 | 2024+ |
|---|---|---|---|
| Drillships (3) | 1,076 | 1,935 | 1,288 |
| Semis | 447 | 730 | 485 |
| **Floaters** | **1,523** | **2,665** | **1,773** |
| | | | |
| HD - Ultra-Harsh & Harsh | 1,161 | 628 | - |
| HD & SD - Modern | 1,156 | 1,616 | 1,488 |
| SD - Legacy | 300 | 626 | 106 |
| **Jackups** | **2,617** | **2,870** | **1,594** |
| | | | |
| Leased Rigs | 1,075 | 2,190 | 2,465 |
| Managed Rigs | 312 | 730 | 52 |
| **Other (4)** | **1,387** | **2,920** | **2,517** |
| | | | |
| **Total** | **5,527** | **8,455** | **5,884** |

| Average Day Rates (1) (2) | 2022 | 2023 | 2024+ |
|---|---|---|---|
| Drillships (3) | $ 212,000 | $ 244,000 | $ 302,000 |
| Semis | 202,000 | 218,000 | 227,000 |
| **Floaters** | **$ 209,000** | **$ 237,000** | **$ 282,000** |
| | | | |
| HD - Ultra-Harsh & Harsh | $ 111,000 | $ 100,000 | $ - |
| HD & SD - Modern | 82,000 | 83,000 | 100,000 |
| SD - Legacy | 69,000 | 71,000 | 65,000 |
| **Jackups** | **$ 93,000** | **$ 84,000** | **$ 98,000** |

(1) Contract backlog, contracted days and average day rates as of July 28, 2022. (2) Contract backlog and average day rates exclude certain types of non-recurring revenues such as lump sum mobilization payments. Contract backlog and contracted days include backlog and days when a rig is under suspension. Average day rates are adjusted to exclude suspension backlog and days. (3) The previously disclosed contract awarded to VALARIS DS-11 was terminated with effect at the end of June. Our total contract backlog as of May 2, 2022, included approximately $428 million related to this contract. (4) Other represents contract backlog and contracted days related to bareboat charter agreements and management services contracts. (5) ARO Drilling contract backlog as of July 28, 2022. (6) Adjusted total is Valaris consolidated total plus 50% share of ARO owned rigs; HD = Heavy Duty; SD = Standard Duty. Heavy duty jackups are well-suited for operations in tropical revolving storm areas

# Valaris owns 50% of joint venture with Saudi Aramco, the world's largest jackup customer

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Valaris operates three jackups offshore Saudi Arabia outside of ARO Drilling joint venture

**50% Ownership**

**~$440M Shareholder Notes Receivable**

أرامكو السعودية
saudi aramco

**50% Ownership**

**~$460M Shareholder Notes Receivable**

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### Leased Jackups (8)

- Day rates set by an agreed pricing mechanism
- Valaris receives bareboat charter fee based on % of rig-level EBITDA

### Owned Jackups (7)

- Rigs contracted for three or five-year terms for at least an aggregate of 15 years from JV inception
- Rigs contribute to ARO Drilling results, of which Valaris recognizes 50% of net income

### Newbuild Jackups (20)

- Initial 8-year contracts; day rate based on 6-year EBITDA payback mechanism[1]
- Further 8-year contracts; day rate set by market pricing mechanism and re-priced every 3 years
- Rigs 1 and 2 expected to be delivered in 1H23
- Rigs 3 and 4 expected to be ordered in 2022
- Rigs contribute to ARO Drilling results, of which Valaris recognizes 50% of net income

1 Down payment on each newbuild rig is no more than 25% before delivery

# Non-GAAP Reconciliations

(In millions)

| ACTIVE FLEET | | Year-Ended December 31, 2021 |
|---|---|---|
| Operating income (loss) | $ | (410.5) |
| Add (subtract): | | |
| Depreciation and amortization, net | | 132.6 |
| Loss on impairment | | 419.2 |
| Support and other costs | | 110.6 |
| Operating margin | $ | 251.9 |
| Add (subtract): | | |
| Reactivation costs | | 91.6 |
| Adjusted operating margin | $ | 343.5 |

(In millions)

| LEASED & MANAGED RIGS | | Year-Ended December 31, 2021 |
|---|---|---|
| Operating income (loss) | $ | 55.6 |
| Add (subtract): | | |
| Depreciation and amortization, net | | 19.5 |
| Loss on impairment | | - |
| Support and other costs | | 10.1 |
| Operating margin | $ | 85.2 |

(In millions)

| ARO | | Year-Ended December 31, 2021 |
|---|---|---|
| Net income | $ | 4.0 |
| Add (subtract): | | |
| Income tax expense | | 7.9 |
| Other expense, net | | 13.4 |
| Operating income | $ | 25.3 |
| Add (subtract): | | |
| Depreciation expense | | 65.2 |
| EBITDA | $ | 90.5 |


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