

# Seadrill's Acquisition of Aquadrill

22 December, 2022



Seadrill 

# Disclaimer

We have prepared this document solely for informational purposes. You should not definitively rely upon it or use it to form the basis for any decision, contract, commitment or action whatsoever, with respect to any proposed transaction or otherwise.

This announcement includes forward-looking statements. Such statements are generally not historical in nature, and specifically include statements about completion of the merger transaction and the timing and amount of synergies realized from the combination of Aquadrill and Seadrill, future cash flows and liquidity of the Company, timing of closing the transaction, and Seadrill's and Aquadrill's plans, strategies, business prospects, changes, and trends in their businesses and the markets in which they operate. These statements are based on Seadrill's and Aquadrill's respective management teams' current plans, expectations, assumptions and beliefs concerning future events impacting each of Seadrill and Aquadrill, and the combined company should the merger occur, and, therefore, involve a number of risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed or implied in the forward-looking statements, which speak only as of the date of this news release. Important factors that could impact our ability to complete the merger transaction, recognize the benefits from the combination of Seadrill and Aquadrill that Seadrill and Aquadrill envision, such as synergies, or otherwise cause actual results to differ materially from those in the forward-looking statements include, but are not limited to applicable regulatory approvals of the merger transaction or requirements or conditions of such approvals, the ability of the combined company to man and operate the Aquadrill rigs outside of the current management agreement structure employed by Aquadrill, offshore drilling market conditions including supply and demand, day rates, customer drilling programs and effects of new rigs on the market, contract awards and rig mobilizations, contract backlog, dry-docking and other costs of maintenance of the drilling rigs in Seadrill's and Aquadrill's fleets, the cost and timing of shipyard and other capital projects, the performance of the drilling rigs in Seadrill's and Aquadrill's fleets, delay in payment or disputes with customers, Seadrill's and Aquadrill's ability to successfully employ their drilling units, procure or have access to financing, ability to comply with loan covenants, liquidity and adequacy of cash flow from operations, fluctuations in the international price of oil, international financial market conditions, changes in governmental regulations that affect Seadrill, Aquadrill or the operations of their fleets, increased competition in the offshore drilling industry, the impact of global economic conditions and global health threats, Seadrill's and Aquadrill's ability to maintain relationships with suppliers, customers, employees and other third parties and each of Seadrill's and Aquadrill's ability to maintain adequate financing to support their business plans following emergence from their respective Chapter 11 proceedings, factors related to the offshore drilling market, the impact of global economic conditions, Seadrill's and Aquadrill's liquidity and the adequacy of cash flows for their obligations, political and other uncertainties, the concentration of Seadrill's and Aquadrill's revenues in certain geographical jurisdictions, limitations on insurance coverage, Seadrill's and Aquadrill's ability to attract and retain skilled personnel on commercially reasonable terms, the level of expected capital expenditures, Seadrill's and Aquadrill's expected financing of such capital expenditures, and the timing and cost of completion of capital projects, fluctuations in interest rates or exchange rates and currency devaluations relating to foreign or U.S. monetary policy, tax matters, changes in tax laws, treaties and regulations, tax assessments and liabilities for tax issues, legal and regulatory matters, customs and environmental matters, the potential impacts on Seadrill's and Aquadrill's businesses resulting from climate-change or greenhouse gas legislation or regulations, the impact on Seadrill's and Aquadrill's businesses from climate-change related physical changes or changes in weather pattern, and the occurrence of cybersecurity incidents, attacks or other breaches to Seadrill's and Aquadrill's information technology systems, including their rig operating systems. Consequently, no forward-looking statement can be guaranteed. When considering these forward-looking statements, you should also keep in mind the risks described from time to time in Seadrill's filings with the SEC, including its Annual Report on Form 20-F for the year ended December 31, 2021, filed with the SEC on April 29, 2022 (File No. 001-39327).

Seadrill and Aquadrill undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for Seadrill and Aquadrill to predict all of these factors. Further, Seadrill and Aquadrill cannot assess the impact of each such factors on their businesses or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement.

## Important Additional Information

This communication relates to a proposed business combination transaction (the "Transaction") between Seadrill Limited and Aquadrill LLC. This communication is for informational purposes only and does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval, in any jurisdiction, pursuant to the Transaction or otherwise, nor shall there be any sale, issuance, exchange or transfer of the securities referred to in this document in any jurisdiction in contravention of applicable law.

In connection with the Transaction, Seadrill will file with the SEC a registration statement on Form F-4 that will include a prospectus of Seadrill, as well as other relevant documents concerning the Transaction. HOLDERS OF AQUADRILL UNITS AND EQUITY AWARDS ARE URGED TO READ THE REGISTRATION STATEMENT AND THE PROSPECTUS REGARDING THE TRANSACTION WHEN IT BECOMES AVAILABLE AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THOSE DOCUMENTS, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Access to the registration statement and the prospectus, as well as other filings containing information about Seadrill and Aquadrill, are available without charge at the SEC's website (<http://www.sec.gov>). Copies of the documents filed with the SEC can also be obtained, without charge, by directing a request to Seadrill.

# Overview of the Transaction

<b>Transaction Consideration</b>	<ul style="list-style-type: none"> <li>100% acquisition of Aquadrill membership units</li> <li>Aquadrill unitholders and equity award holders to receive stock consideration comprising an aggregate of 30.645 million common shares in Seadrill</li> </ul>
<b>Combined Ownership</b>	<ul style="list-style-type: none"> <li>Aquadrill unitholders and equity award holders to own 38% of the combined company's common shares on a non diluted basis (Seadrill shareholders 62%)</li> </ul>
<b>Implied Value of Aquadrill</b>	<ul style="list-style-type: none"> <li>Implied Aquadrill equity value of approximately \$958 million, based on Seadrill's 30-day volume-weighted average share price on the NYSE of \$31.25 as of 22 December 2022</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>Domiciled in Hamilton, Bermuda, with Julie Robertson as the Chair of the Board of Directors, and Simon Johnson as the President and CEO</li> </ul>
<b>Key Conditions to Completion</b>	<ul style="list-style-type: none"> <li>Approval from Aquadrill unitholders representing more than two-thirds of Aquadrill common units             <ul style="list-style-type: none"> <li>Certain of Aquadrill's unitholders, which collectively own more than 75% of Aquadrill's common units, have agreed to approve the transaction</li> </ul> </li> <li>Regulatory approvals and other customary closing conditions</li> </ul>
<b>Timeline to Closing</b>	<ul style="list-style-type: none"> <li>Targeted transaction closing in mid 2023</li> </ul>
<b>Synergies</b>	<ul style="list-style-type: none"> <li>At least \$70m estimated annual synergies, expected to be fully realized within two years of closing</li> </ul>

**The transaction is highly attractive and affirms Seadrill's position as a leading offshore driller**

# A Highly Attractive Transaction for All Stakeholders

Seadrill<sup>★</sup>



## Compatible Fleets and Seamless Integration

*The Aquadrill rigs have a long-standing operational and management history with Seadrill*

## Improved Capacity to Deploy in a Rising Market

## Substantial Synergies to be Realized

## Significant Credit and Liquidity Improvements

# Acquisition of High-Quality, Ultra Deepwater Capacity



## DRILLSHIPS

### AURIGA

Drillship, 7<sup>th</sup> Gen (Dual BOP and MPD)  
Built 2013



Recent Clients Include



### VELA

Drillship, 7<sup>th</sup> Gen (Dual BOP and MPD)  
Built 2013



Recent Clients Include



### CAPELLA

Drillship, 6<sup>th</sup> Gen (MPD)  
Built 2008



Recent Clients Include



### POLARIS

Drillship, 6<sup>th</sup> Gen  
Built 2008



Recent Clients Include



## SEMI-SUBS / TENDERS

### AQUARIUS

Semi-submersible, 6<sup>th</sup> Gen  
Harsh Environment  
Built 2009



### T-15

Tender Assist Unit  
Built 2013



### T-16

Tender Assist Unit  
Built 2013



### VENCEDOR

Tender Assist Unit  
Built 2009



# Strategic Rationale

## 1 Enhanced Fleet and Scale

- ✓ Global portfolio of 29 rigs, 22 owned and 7 managed
- ✓ One of the youngest, high-specification fleets amongst peers
- ✓ Ability to capitalize on near-term opportunities given active fleet with limited reactivation requirements

## 2 Strengthened Position in Key Strategic Basins

- ✓ Enhances fleet in the US GOM with 3 high-specification 7G drillships and 1 6G semi-submersible
- ✓ Potential to deploy additional rigs across the Golden Triangle (US GOM, Latin America and West Africa)
- ✓ Further drives economies of scale

## 3 Strong Cash Flow Generation Potential

- ✓ Increased supply of rigs in the attractive UDW segment in a rising market environment
- ✓ Enhanced and streamlined cost structure
- ✓ Complementary to Seadrill's existing contract coverage, with a combined backlog of \$2.8b

## 4 Highly Synergistic and Integrated Platform






- ✓ Ease and speed of integration resulting from historical long-standing management of Aquadrill rigs
- ✓ Fleet commonality optimizes capital allocation and critical inventory
- ✓ High confidence in ability to deliver substantial synergies<sup>1</sup> of at least \$70m p.a.

## 5 Strengthened Balance Sheet

- ✓ Improved liquidity and enhanced credit profile
- ✓ Improved access to lower cost debt
- ✓ Provides the Board with greater flexibility to focus on shareholder returns

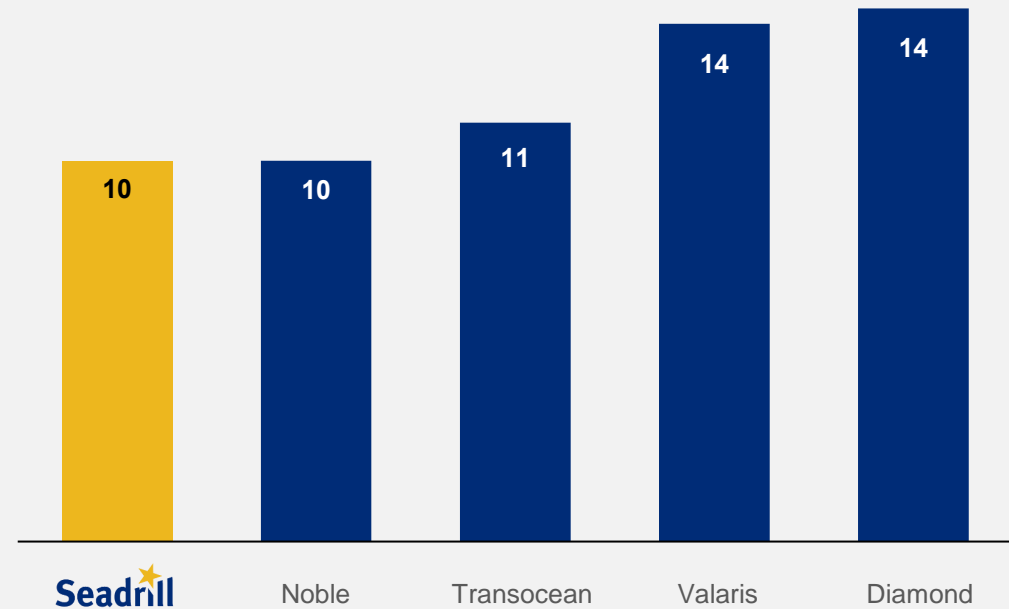
# 1 Enhanced Fleet and Scale

## GLOBALLY DIVERSIFIED AND MODERN PORTFOLIO

Pro Forma Fleet				
	Active Rigs	Active Fleet	Average Age	Idle Rigs
<b>Floaters</b> 	11	10 dual-activity drillships (7x 7G and 3x 6G) and one 6G semi-submersible	10 years	1
<b>Harsh env.</b> 	2	One 6G semi and one jack-up	14 years	1
<b>Jack-ups</b> 	3	All premium 350ft jack-ups	11 years	1
<b>Tender Assist Units</b> 	1	Three tender assist units, one active	10 years	2
<b>Managed rigs</b> 	7	Two drillships and five jack-ups	10 years	-

## ONE OF THE YOUNGEST FLEETS IN THE INDUSTRY

Pro Forma Average Fleet Age (Years)<sup>1</sup>



Among the most technologically advanced UDW fleets worldwide

Note: 1) Average age includes owned fleet only  
 Source: IHS Rigpoint, as of 13 December 2022 (underlying data), Company disclosures

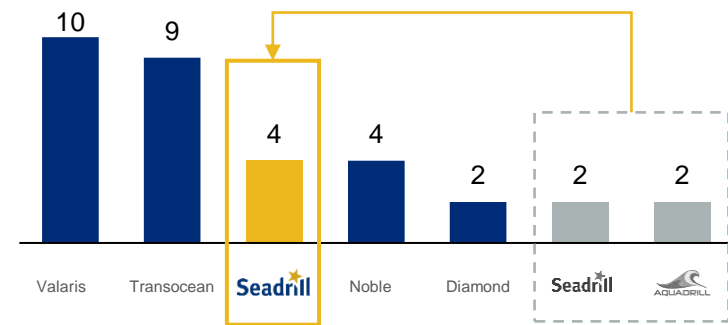
## 2 Strengthened Position in Key Strategic Basins

### US GOM Growing Position



- ✓ Long-standing track record
- ✓ Excellent relationship with local operators
- ✓ Upside from short term contracts / spot market in an increasing dayrate environment

Pro Forma Number of Rigs<sup>1</sup> per International Driller



### BRAZIL Among Market-leading International Drillers

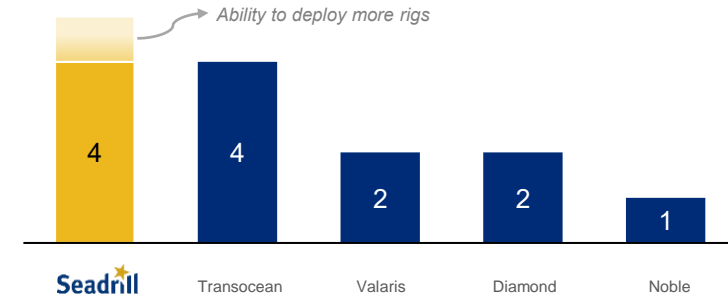


**25%**

Seadrill share of benign UDW rig years awarded since 2012

- ✓ Well-positioned for recontracting / extensions with Petrobras and IOCs
- ✓ Brazil expected to be at the forefront of rig demand
- ✓ Ability to leverage existing footprint for future growth

Pro Forma Number of Rigs<sup>1</sup> per International Driller



### ANGOLA Strong Market Footprint

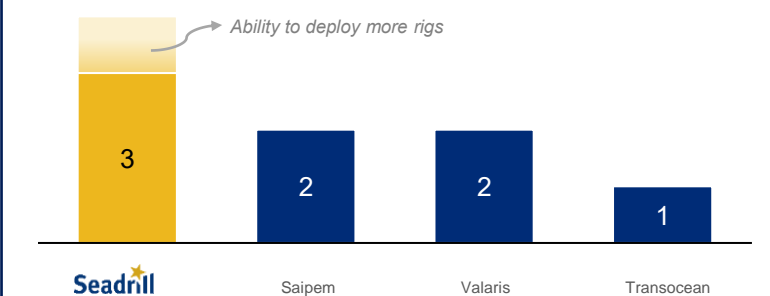


**26%**

Seadrill share of benign UDW rig years awarded since 2012

- ✓ Significant presence
- ✓ Attractive strategic partnership with Sonangol
- ✓ Strong recontracting outlook

Pro Forma Number of Rigs<sup>1</sup> per International Driller



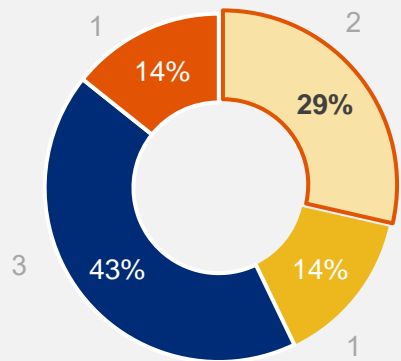
**Potential to deploy additional UDW rigs across the Golden Triangle**



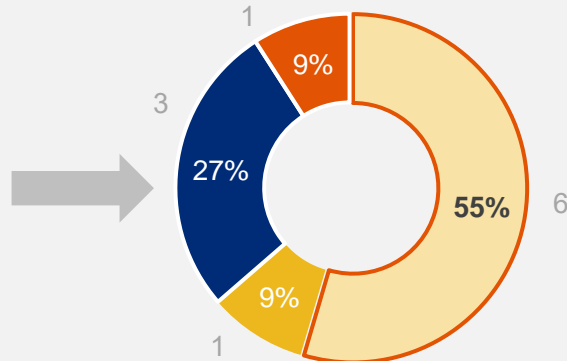
# 3 Strong Cash Flow Generation Potential

## ADDITIONAL FLOATER CAPACITY TO BE DEPLOYED

Seadrill Standalone Floater Fleet Breakdown<sup>1</sup>



Combined Floater Fleet Breakdown<sup>1</sup>

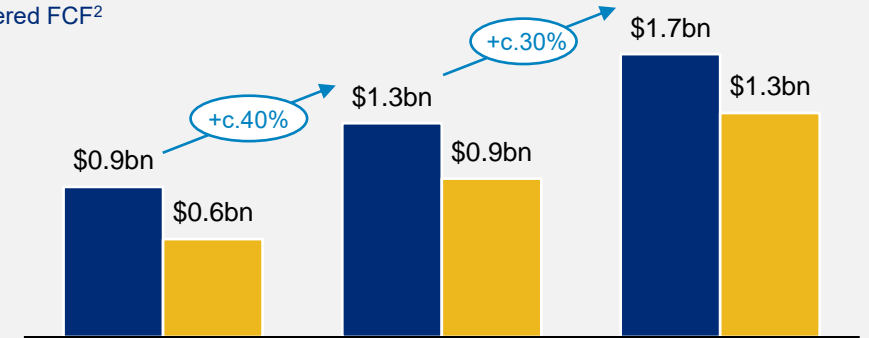


- Active rigs with remaining firm contract length < 18 months
- 18 – 24 months
- 24 – 36 months
- Greater than 36 months

**Ability to recontract in rising market given active fleet without lengthy and costly reactivations**

## SIGNIFICANT EARNINGS POTENTIAL IN A MARKET RECOVERY

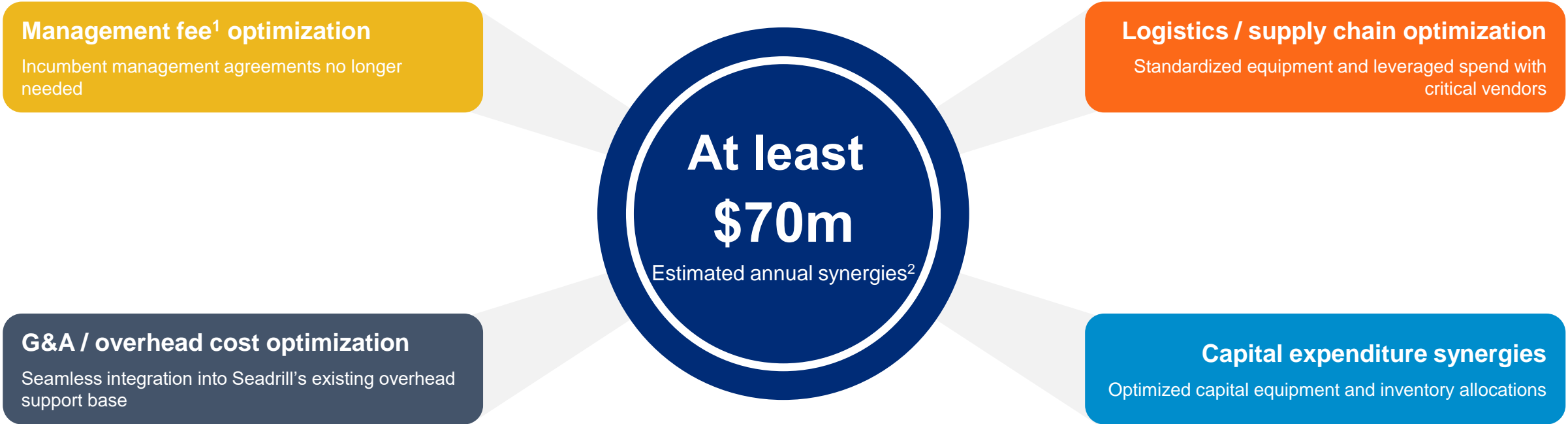
- Illustrative EBITDA<sup>2</sup>
- Illustrative Unlevered FCF<sup>2</sup>



Illustrative scenario	A	B	C
Floaters	\$400 k/d	\$450 k/d	\$500 k/d
Harsh Environment	\$300 k/d	\$350 k/d	\$400 k/d
Jackups	\$100 k/d	\$125 k/d	\$150 k/d
Tender Assist Units	\$75 k/d	\$85 k/d	\$95 k/d
Fleet utilisation	80%	85%	90%

**Significant EBITDA and unlevered FCF potential in an increasing dayrate scenario**

# 4 Highly Synergistic and Easy-to-Integrate Platform



- ▶ High confidence on realization of synergies
  - ▶ Achievable within two years of closing
- 
- ▶ Potential for significant further synergies from improved access to capital

**Seadrill's intimate knowledge of the Aquadrill fleet facilitates integration**

Note: (1) Monthly fee paid by Aquadrill to rig managers (Diamond, Vantage or Energy Drilling) for the management, marketing, and operation of Aquadrill's rigs through a series of management service agreements. (2) Expected to be fully realized within two years post closing, including management fee optimization and G&A

# 5 Strengthened Balance Sheet

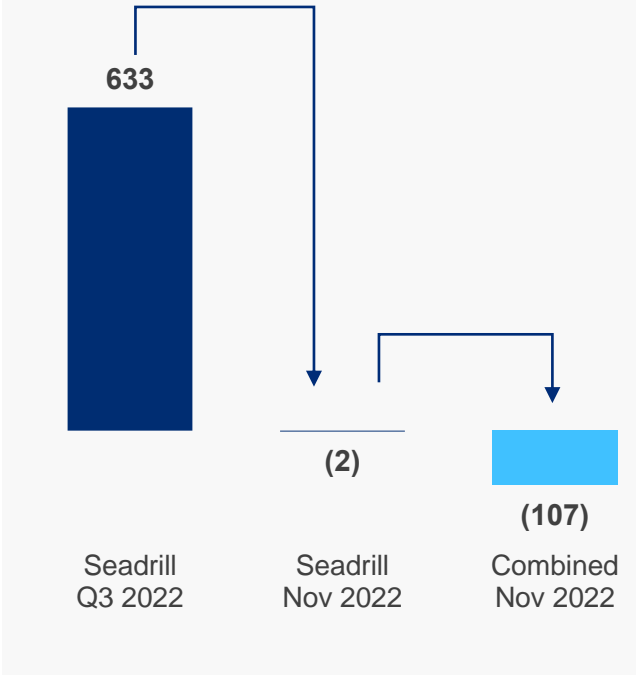
## STRONGER LIQUIDITY AND CREDIT PROFILE

As of 30 November 2022. Unaudited figures, based on Management estimates

All values in US\$ millions

	Seadrill	Aquadrill	Combined
1 <sup>st</sup> Lien Loan	175	-	175
2 <sup>nd</sup> Lien Loan	271	-	271
Convertible Bonds	50	-	50
Exit Fees and Debt Premium	26	-	26
<b>Total Debt</b>	<b>521</b>	<b>-</b>	<b>521</b>
Unrestricted Cash	(402)	(93)	(495)
Restricted Cash	(121)	(12)	(133)
<b>Total Cash</b>	<b>(523)</b>	<b>(105)</b>	<b>(628)</b>
<b>Adj. Net Debt <sup>(1)</sup></b>	<b>(2)</b>	<b>(105)</b>	<b>(107)</b>

From Adj. Net Debt <sup>(1)</sup> to a Net Cash Position  
US\$ millions



## HIGHLY ACCRETIVE TRANSACTION

Transaction significantly accretive for credit and liquidity profile, earnings and cash flow metrics

Increases scale with significant free cash flow generation

Improves opportunities to refinance remaining debt

- Establish a more traditional capital structure
- Improved access to lower cost debt

Provides the Board with greater flexibility to focus on shareholder returns

**Significant credit and liquidity improvements**

# Conclusion: A Highly Attractive Transaction for All Stakeholders



Seadrill



## Compatible Fleets and Seamless Integration

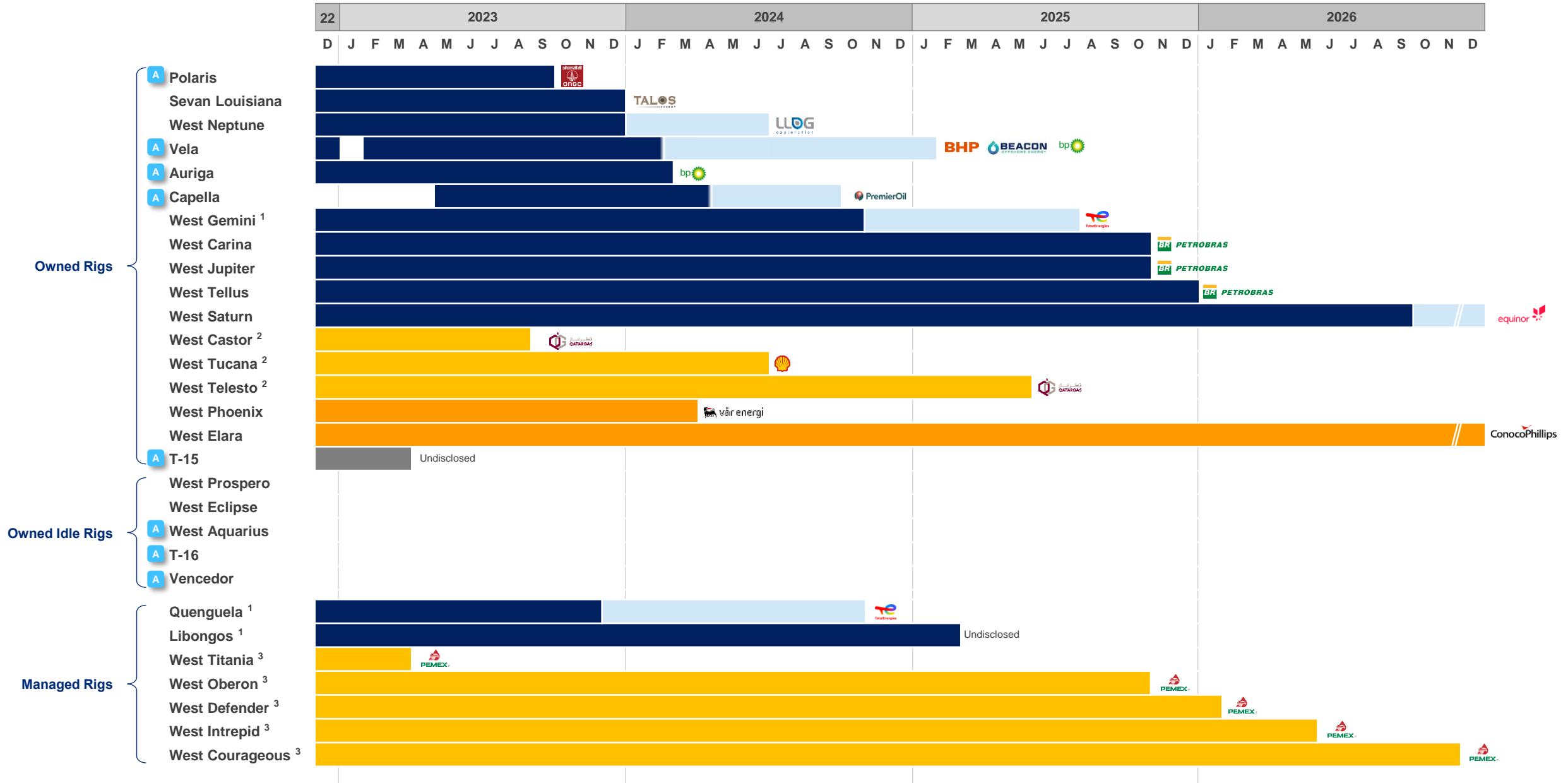
*The Aquadrill rigs have a long-standing operational and management history with Seadrill*

## Improved Capacity to Deploy in a Rising Market

## Substantial Synergies to be Realized

## Significant Credit and Liquidity Improvements

# Contract Coverage



Note: Excludes mutually agreed options; (1) Contracted through Sonadrill; (2) Contracted through Gulfdriill. (3) Rigs forming part of Seamex