

OFFSHORE DRILLING SEMINAR



January 11th, 2024

Disclaimer



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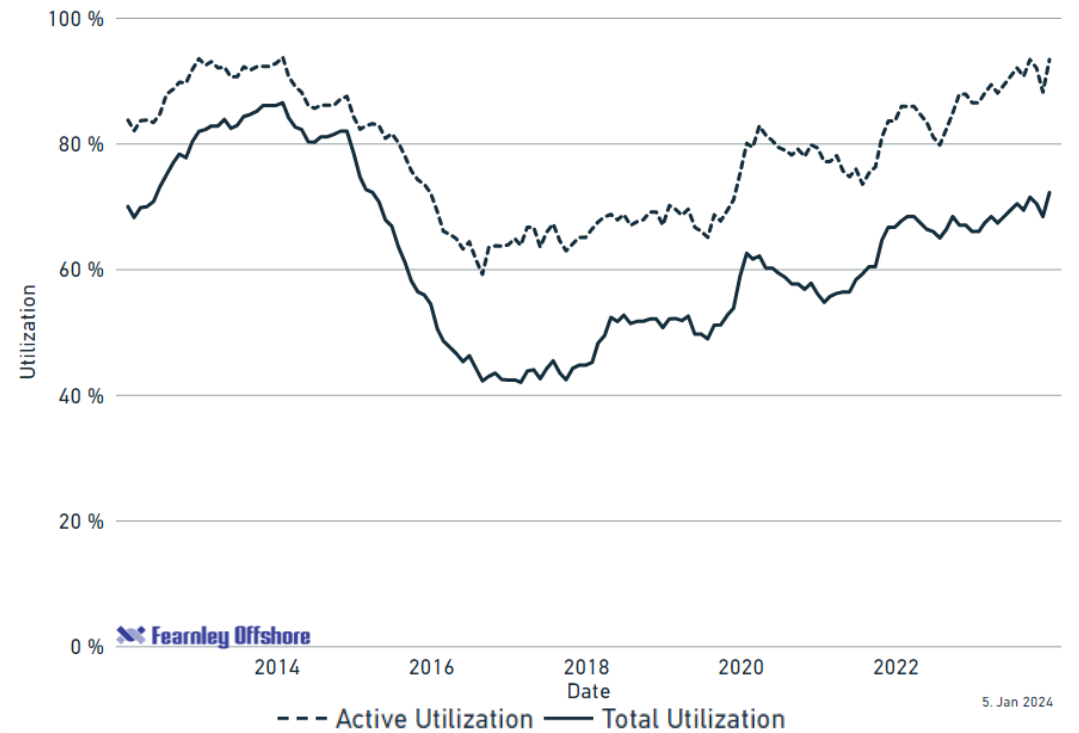
JACKUPS

Undersupply on the Horizon

Jackups – Market Overview

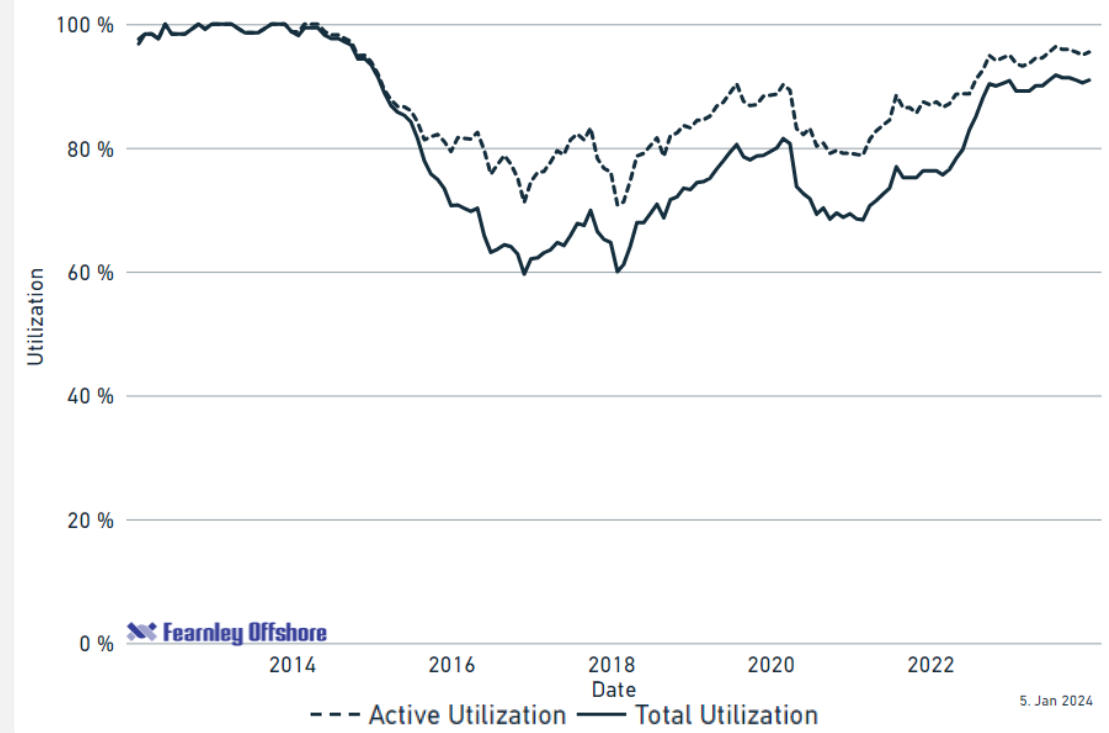


Utilization – Standard Jackups (≥250ft)



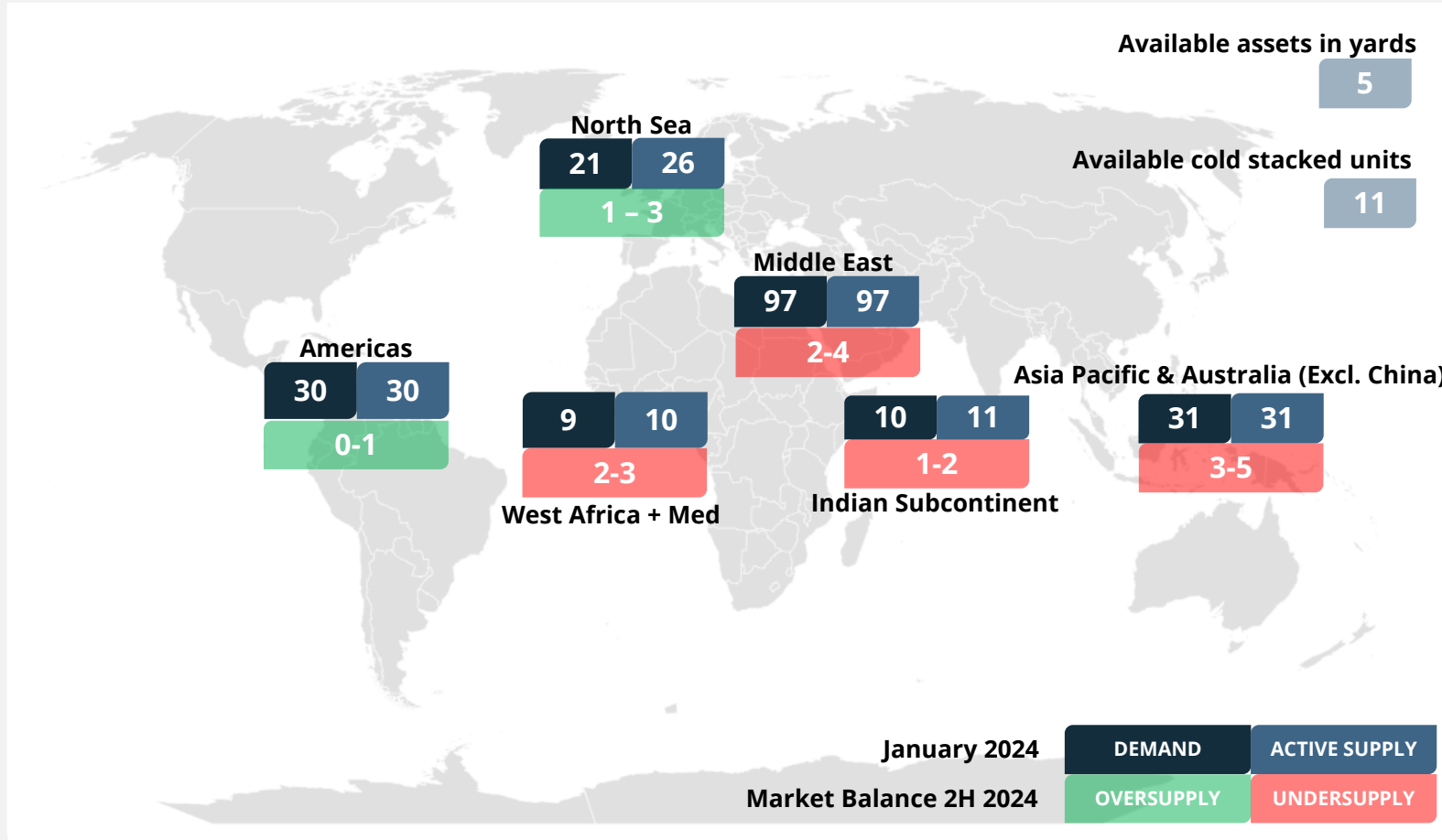
- Active Utilization ~93%, Total Utilization ~72%
- 15 cold stacked units that would require USD 25-40m in reactivation
- Active Utilization above 90% for the last 7 months – Pricing power recently with the contractors

Utilization – Modern Jackups



- Active Utilization ~96%, Total Utilization ~91%
- 11 cold stacked units that would require USD 30-60m in reactivation
- Active Utilization above 90% for the last 18 months – Pricing power environment established for the contractors

Modern Jackups – Regional Distribution Today vs 2H-2024 (Projected)



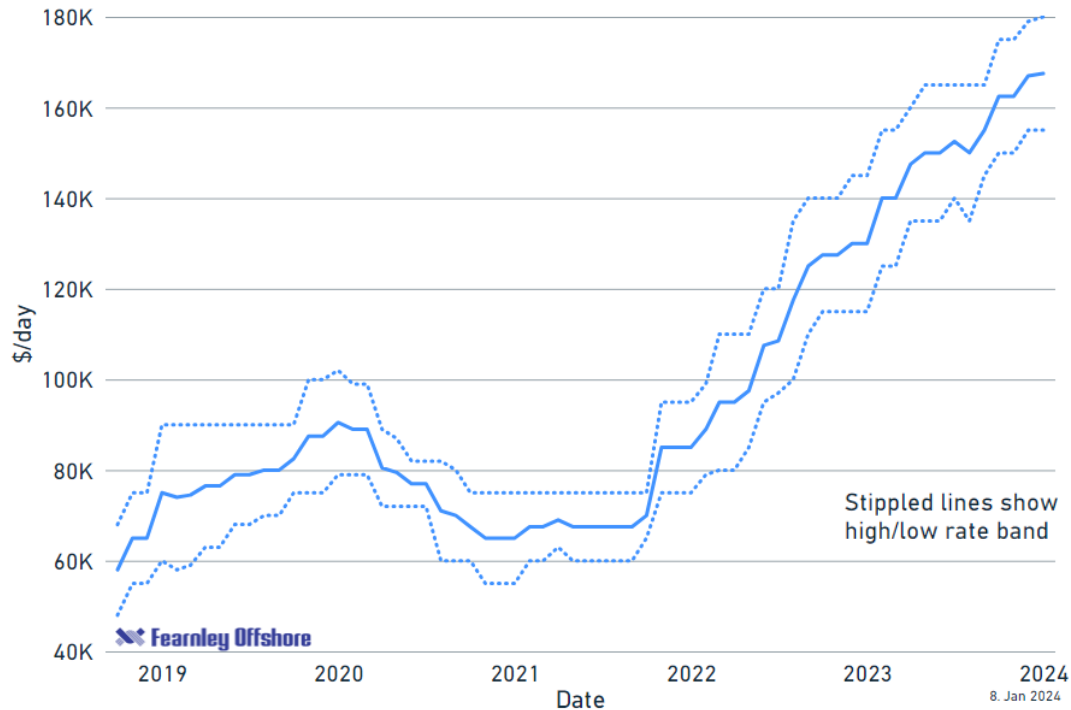
- 2024 looking strong and we foresee the main regions to be undersupplied.
- Harsh Environment units are normally less suitable for Non-Harsh applications outside the North Sea.
- Lead time to reactivate any of the cold stacked units are expected to be 9-15 months.
- Rates will continue to climb.

* We have counted current North Sea Jackups, Noble Regina Allen and Shelf Drilling Perseverance, in Americas and Asia Pacific & Australia, respectively.

Modern Jackups – Day Rate Assessment



Current Market Pricing Trend



Name	Rate Assessment	Trend	1 Month	3 Months	6 Months	12 Months
Modern Jackups	\$155K - \$180K	↗	0%	+3%	+10%	+29%

The day rate assessment is representative of where we see current pricing.

- Day rates for Non-Harsh Jackups have more than doubled over the past three years.
- Day rates have reached a healthy level and will continue to increase during 2024.
- Still a large spread in day rates being offered as we are seeing different pricing behaviors between different contractors.
- In the end, the contractors continue to maintain the pricing power.

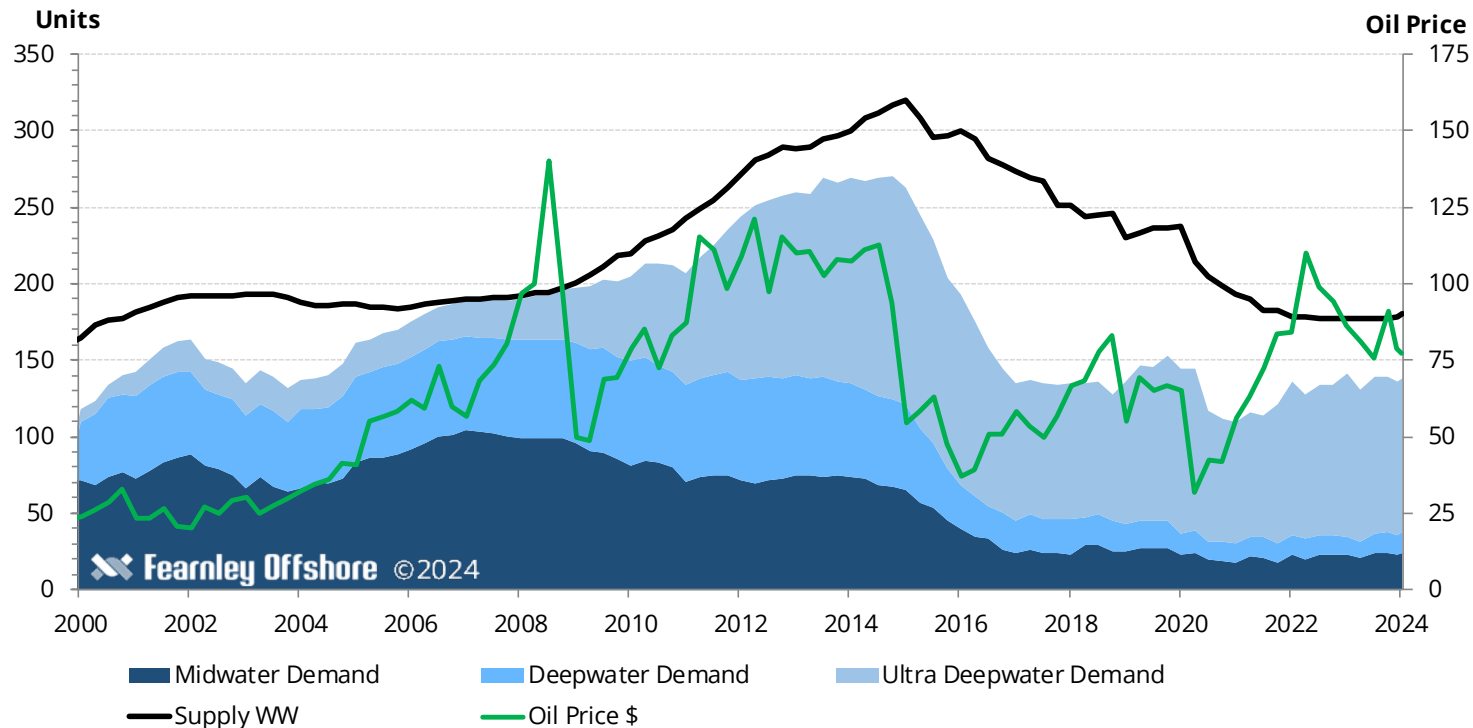
FLOATERS

Finely Balanced Market

Floater Market Overview



Midwater, Deepwater and Ultra Deepwater Floaters



- Following steady demand since 2021, in the golden triangle, particularly for drill ships, the market is now well balanced.
- Short-term availability expected in H1 2024, particularly in the semi-submersible and lower-technically capable drillship segments.
- The semisubmersible market has been the most fragile with several units warm stacked.
- 73% of all 2023 fixtures were drillship awards.
- Regardless, active utilization maintained a healthy level, reaching a low of 92% in 2023.
- We anticipate further growth in overall rig utilization in the latter half of 2024.

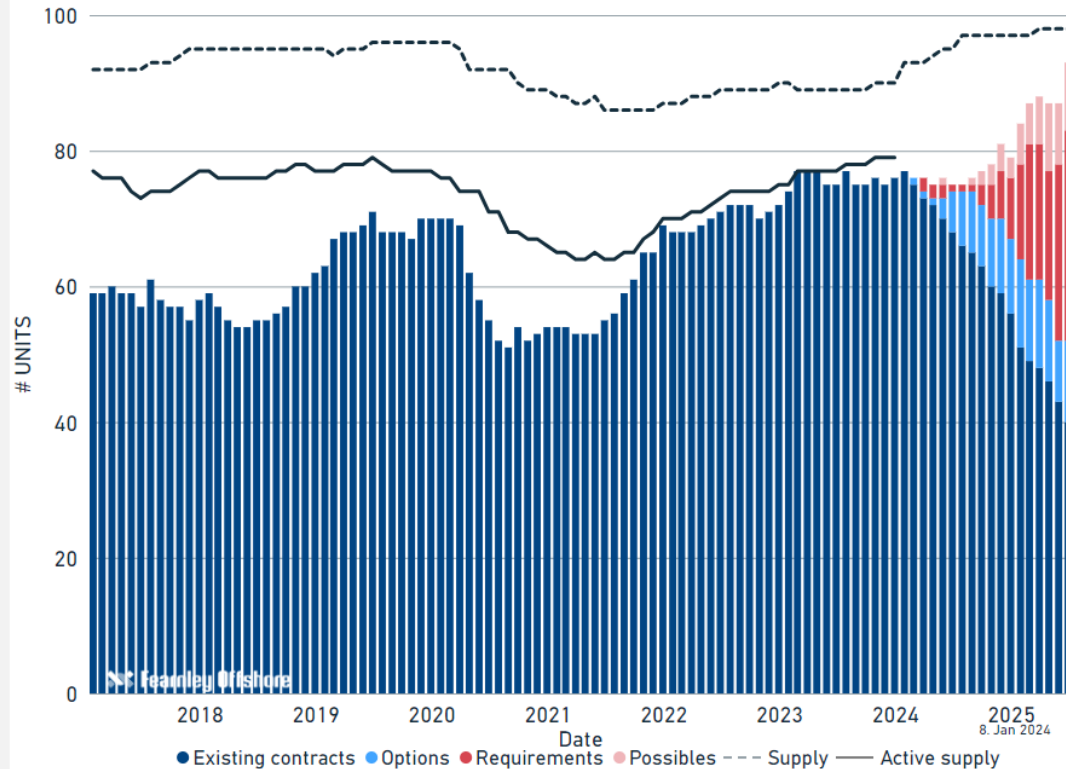
6th & 7th GENERATION DRILLSHIPS

The Calm Before the Storm

6th & 7th Generation Drillships – Market Overview



Supply & Demand Forecast

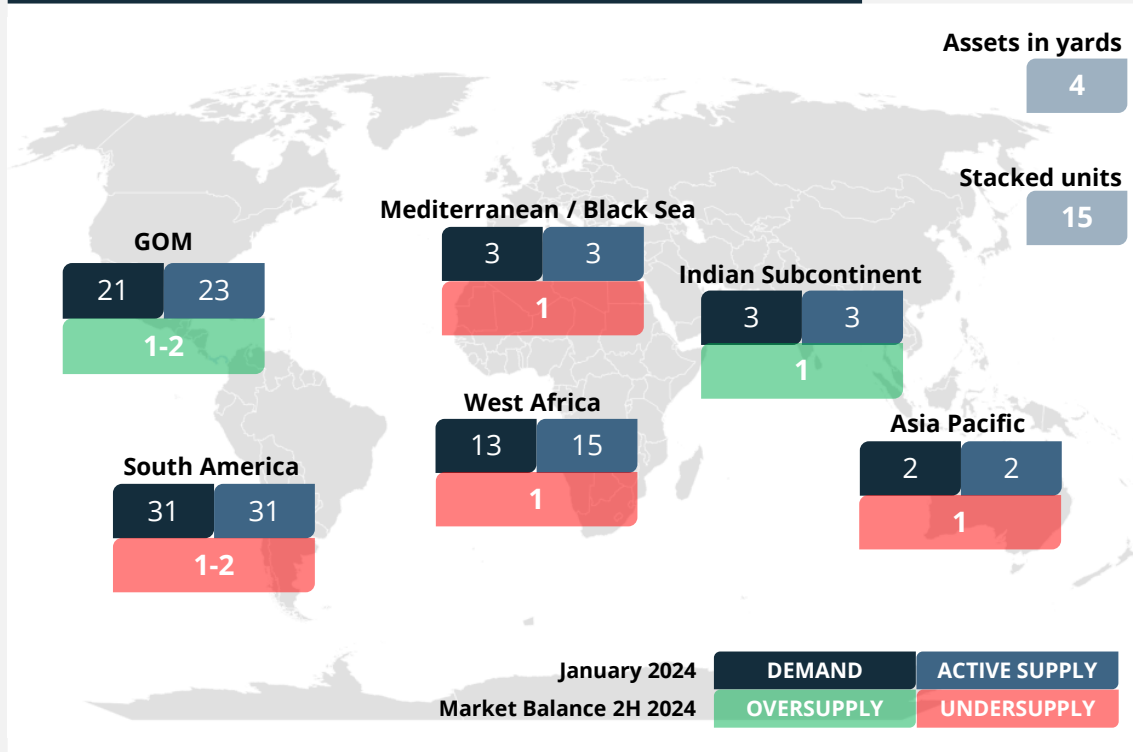


- A delicate market balance is anticipated in 2024, with utilization nearing 100% in the latter half of the year.
- Demand is primarily fuelled by established markets, particularly for higher-end drill ships.
- The current temporary market softness is expected to persist in 1H 2024, mainly due to the misalignment of demand entering the market.
- The average lead time has extended to 9-12 months, and the average contract term has increased to 1 year.
- We anticipate over 20 tenders in 2024, with terms extending beyond one year, and several operators have already issued tenders for contracts ranging from 3-5 years.

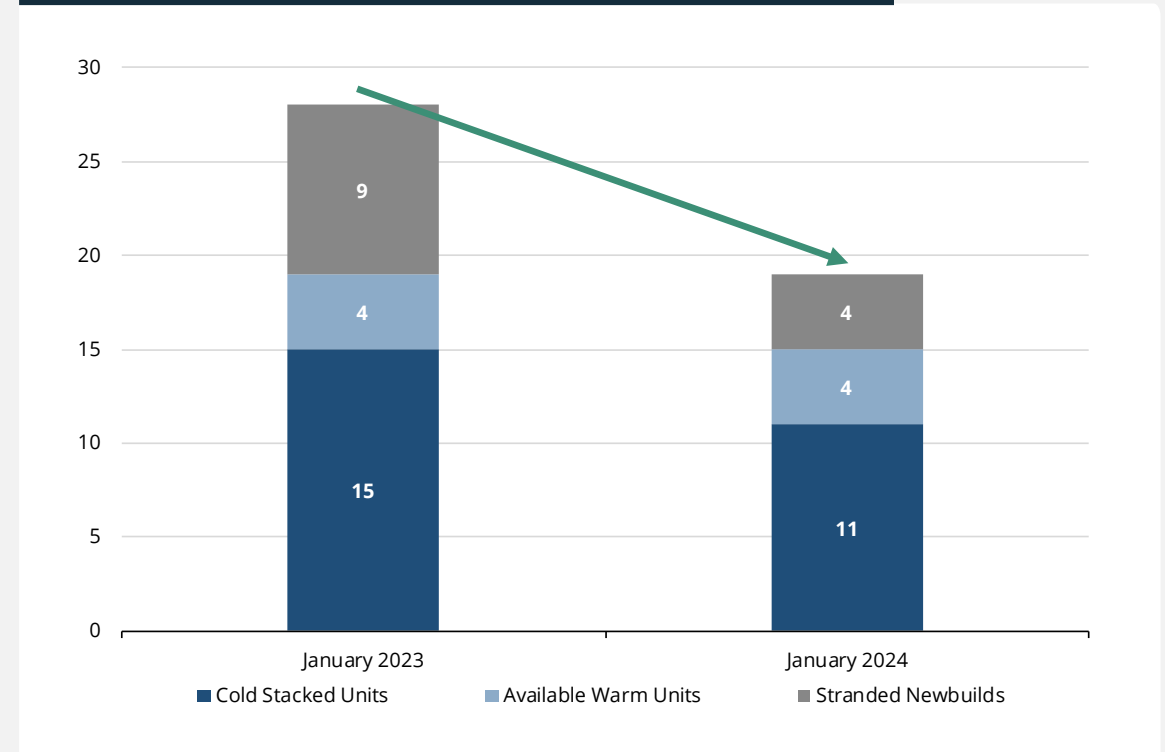
A Fairly Balanced Market – for now



Regional Distribution Active Floaters – Forecast for 2H 2024



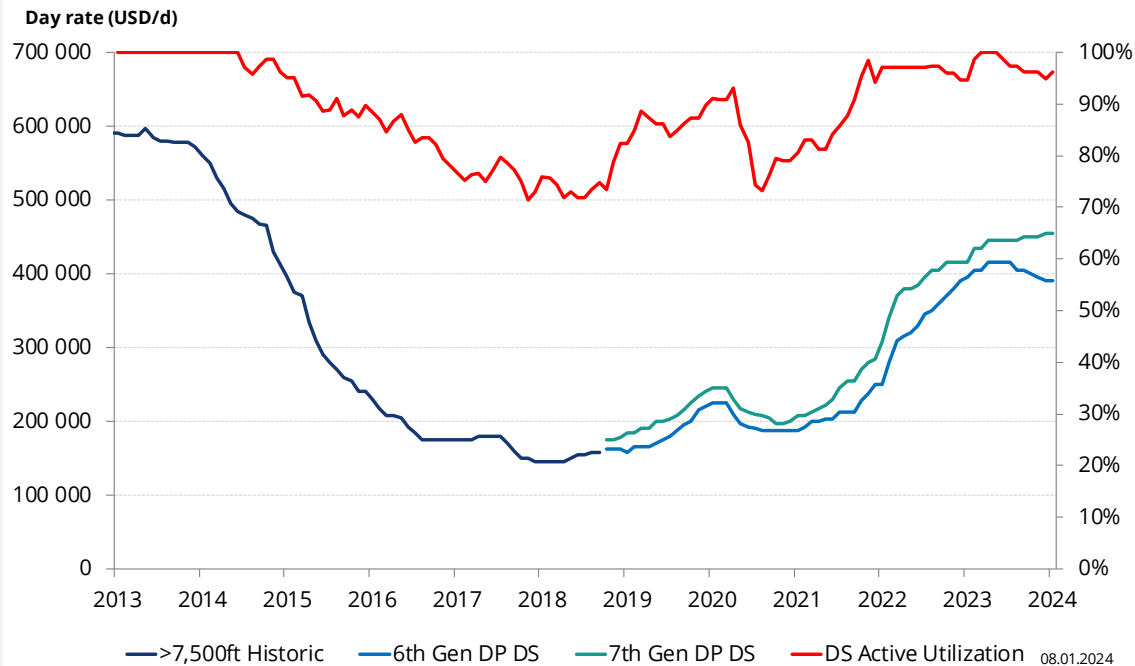
“Non-Contracted” 6th & 7th Gen Drillships – Now vs. A Year Ago



- West Africa and South America are anticipated to be undersupplied by the end of 2024. The GOM currently looks to be oversupplied, however this could change quickly
- Idle capacity has significantly reduced by 32% in 2023 all while maintaining utilization rates at 94% or above in 2023
- Long lead times and high cost for reactivations translate into longer reactivation rig to 12+ months
- The expected rise in undersupply is projected to go up from 2 units in the Q4 2024 to 3-5 units by 1H 2025.



6th & 7th Generation Drillship – Market Rate Assessment



- 2023 saw a similar amount of backlog added as in 2022. However, we have seen a bifurcation in the market and rates
- High specification rigs have continued to move rates forward pushing averages toward \$500k mark
- On the flipside, drillers have had to price competitively their lower specification units to ensure utilization.
- Overall, drillers in general have maintained disciplined in their approach to pricing, which has allowed rates to move upwards

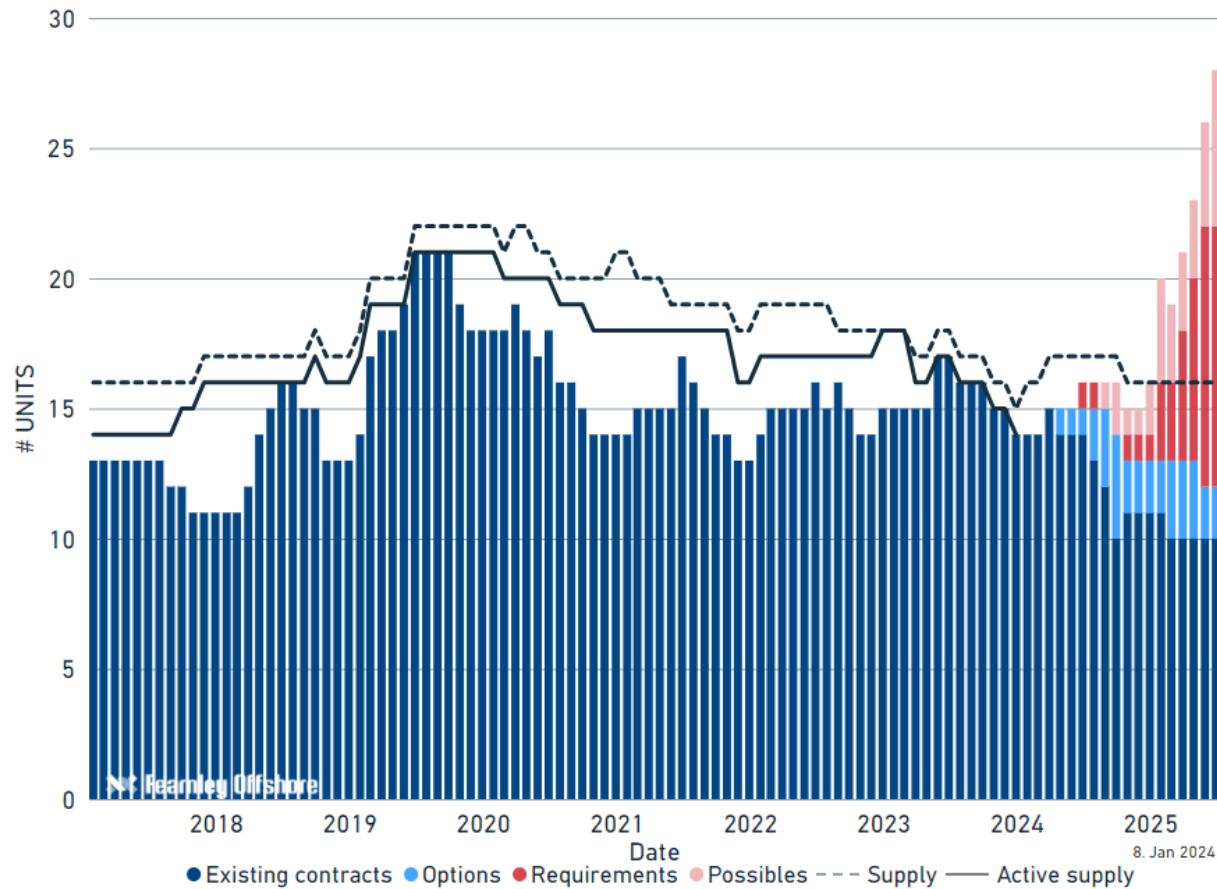
HARSH ENVIRONMENT FLOATERS

On the Brink of a Comeback

Contract Status & Expected Demand – Harsh Environment Floaters




Supply & Demand – 5th & 6th Gen Semisubmersibles – North Sea + Canada



- Active supply has witnessed a reduction of 7 units since peak in 2019. Most of the units have left for Namibia and Australia.
- Anticipating a relatively stable demand/supply balance in 2024 with a projected tightening in 2025.
- Shortage of high-spec semisubmersibles expected in Norway and Canada by 2025.
- Demand is in recovery mode, and the ability of the supply to meet all excess demand remains uncertain.
- Some of these requirements will be covered by lower spec units.

Summary

- Jackup market intensifying and is anticipated to be undersupplied in 2024, thus we remain extremely positive in this segment.
- Floater market remains delicately balanced in 2024, with temporary availability in the early part of the year.
- Increased drilling activity in key regions is anticipated to drive demand in late 2024 pushing utilization and rates.
- Idle capacity requires significant investment and has a long lead time, thus will at the earliest impact 2H 2025 supply.
- **Strong fundamentals persist across all market segments, setting the stage for an exciting second half of 2024.**

-  Investment Banking | Direct Investments
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-  Aquaculture
-  Shipping
-  Offshore Rig
-  Offshore Supply
-  Energy Broking



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The Astrup Fearnley Global Network