Seadrill

First Quarter 2026 Earnings Call

Prepared Remarks

Kevin Smith

Vice President – Corporate Finance and Investor Relations

Hello and welcome to Seadrill's first quarter 2026 earnings call. I'm Kevin Smith, Vice President of Corporate Finance and Investor Relations and I'm joined today by Samir Ali, President and Chief Executive Officer; Grant Creed, Executive Vice President and Chief Financial Officer; and Jacob Taylor, Vice President - Commercial.

Our call will include forward-looking statements that involve risks and uncertainty; actual results may differ materially. No one should assume these forward-looking statements remain valid later in the quarter or year, and we assume no obligation to update them except as required by securities laws. Our filings with the U.S. Securities and Exchange Commission provide a more detailed discussion of our forward-looking statements and the risk factors affecting our business.

During the call, we will also reference non-GAAP measures. Our earnings release, furnished to the SEC and available on our website, includes reconciliations with the nearest corresponding GAAP measures. Our use of the term EBITDA on today's call corresponds with the term "Adjusted EBITDA" as defined in our earnings release.

I'll now turn the call over to Samir.

Samir Ali

President and Chief Executive Officer

Thanks, Kevin. Welcome, everyone, and thank you for joining us. I'll begin with Seadrill's key priorities, followed by first-quarter highlights, including recent contract awards, and a brief market update. Grant will then review our financial results and speak to our improved full-year 2026 guidance, before I close with final remarks.

Seadrill's priorities continue to be driven by our motto of 'Focus on the Drill Bit'. It reflects the fundamentals of our business and the standards we hold ourselves to every day.

First and foremost, operational discipline underpins everything we do. Our goal is to deliver safe, efficient, and reliable operations across our fleet, with a focus on zero incidents while maximizing uptime. This is supported by adherence to our procedures, disciplined risk management, and systematically learning from our experience. By identifying issues early, closing gaps quickly, and applying lessons learned across the fleet, we seek to strengthen Seadrill's performance quarter over quarter.

Next, we're sharpening our focus on free cash flow. That means winning the right contracts - and then effectively converting that backlog into cash. It also means delivering projects on time and on budget, while continuing to simplify our onshore organization so every dollar spent supports value creation.

Third, we are committed to capturing the upside ahead of us. Three legacy day-rate contracts roll off in 2026, and we have already re-contracted two of the associated rigs, an important milestone that strengthens our earnings and cash flow profile this year. As we look ahead, we believe the opportunity to reprice the *West Carina* at current market rates, combined with our contracting leverage in an improving market, positions us for meaningful earnings and free cash flow growth in 2027.

Executing against these priorities is reflected in our first-quarter performance. Both the *West Tellus* reacceptance and the *West Capella* reactivation projects were completed ahead of schedule and on-budget, enabling early start-up and revenue generation. We delivered a solid quarter both financially and operationally, with EBITDA of $97 million and strong economic utilization. As a result of this performance, we are raising full-year revenue and EBITDA guidance, which Grant will cover in more detail. Importantly, we remain on track for meaningful free cash flow generation starting in the second half of 2026.

I want to extend a special thank you to our offshore crews for the tremendous work delivered this quarter. Our performance is driven by your collaboration and operational discipline, and your continued efforts strengthen Seadrill's position as a leader in deepwater drilling.

Turning to our contract awards, since our last call, we have added approximately $860 million to our backlog.

In the U.S. Gulf, industry-leading performance continues to translate into follow-on work.
In April, the *West Neptune* and *West Vela* each secured new contracts with LLOG, adding approximately $260 million to our backlog. We are pleased to expand our relationship with LLOG, now a subsidiary of Harbour Energy, and look forward to supporting their ambitions to establish a leading position in the U.S. Gulf with a second drillship now unlocking valuable resources.

Last quarter, we noted that seven drillships were expected to roll off contract in the U.S. Gulf before year-end. Removing white space for both of our drillships in the region significantly improves revenue visibility and reduces idle-time in 2026 for Seadrill. Both rigs are now positioned to capitalize on improving supply/demand fundamentals in 2027 as other assets find work or leave the region. Ultimately, we believe improving marketed utilization will drive the potential for upward dayrate momentum.

In Angola, the *Sonangol Quenguela* had a seven-well priced option exercised, committing the rig into mid-2028.

Lastly, in Brazil, the *West Polaris* was awarded a three-year extension with Petrobras in direct continuation of the current program, extending a 6th generation drillship into the next decade. Consistent with our focus on free cash flow, this extension has no additional capex requirements and does not require lengthy acceptance testing normally found in Petrobras contracts. In addition, we now anticipate the *West Carina* will remain on contract until mid-June.

We continue to see a strong demand pipeline, driven by growing deepwater exploration as operators intensify efforts to secure future growth. There’s a clear shift among majors and large independents toward allocating incremental capital to deepwater - addressing the exploration underinvestment of the past decade and offsetting production declines.

At an industry conference in March, the largest operators in the world highlighted the reality of production declines and the maturation of onshore plays. Chevron’s CEO noted the natural decline of existing fields as a growing supply challenge – he described the loss as the equivalent to five Saudi Arabias over the next decade. Similarly, ConocoPhillips’ CEO noted that the peak in shale output has helped shape their strategy of targeting major new conventional discoveries.

This decline, coupled with recent exploration successes from ENI in Indonesia, Egypt, and Libya; Petrobras in Brazil and Colombia; and Oxy in the U.S. Gulf, to name just a few, further strengthen our thesis that a new exploration cycle is emerging.

At the start of the year, geopolitical tensions pushed import-dependent economies to prioritize energy security, with examples such as India's initiative to drill approximately 150 wells over seven years amid sanctions on Russian crude. The Iran conflict has further intensified this focus, reinforcing the need for domestically anchored supply - where deepwater will be the beneficiary. With production shortfalls already in the hundreds of millions of barrels and pressure to rebuild strategic reserves, deepwater resources are becoming increasingly attractive and even better positioned for development. Energy security is back in vogue.

In summary, sentiment has improved since our last call. Demand in Brazil has crystalized, with several multi-year extensions recently awarded. Despite a softer 2026 in the U.S. Gulf, we've contracted both of our drillships in a highly competitive environment. Going forward, we expect available capacity to be redeployed across the Atlantic basin towards the Eastern hemisphere where demand continues to strengthen.

Taken together, rising demand from deepwater exploration and a renewed focus on energy security increases our confidence in an improving 2027, and a firmer commodity backdrop provides an additional tailwind for offshore project economics.

With that, I'll turn the call over to Grant.

Grant Creed

Executive Vice President and Chief Financial Officer

Thanks, Samir.

I'll now walk through our first quarter 2026 financial results, before providing an update on our outlook for the balance of the year.

First quarter results surpassed expectations due to early contract commencements, solid economic utilization, and the timing of operating expenditures. During the quarter, the *West Jupiter* underwent reacceptance testing and began its new Petrobras contract in late March. The *West Capella* was successfully reactivated and commenced operations late in the quarter. And the *West Tellus* entered reacceptance testing following the completion of its contract in mid-March.

Contract drilling revenues were $277 million, up $4 million quarter on quarter. The key drivers were:

- More operating days and a higher dayrate for the *West Vela*,
- And higher economic utilization across the fleet, with increased uptime driven by strong operational execution.

This offset the impact of:

- Fewer operating days for the *West Jupiter*,

- And fewer operating days for the *Sevan Louisiana* which had a short gap between programs.

Reimbursable revenues decreased, offset by a corresponding movement in reimbursable expenses.

Management contract revenues decreased by $2 million, to $63 million, due to the timing of add-on services which can fluctuate quarter on quarter. Leasing revenues were consistent with the prior quarter at $8 million.

Now moving to total operating expenses, which were $334 million in the first quarter, down $10 million from the prior quarter.

The movement was mainly attributable to:

- A reduction in vessel and rig operating expenses relating to the capitalization of mobilization costs for the *West Jupiter*, with the costs to be amortized over the three year contract term,
- Partially offset by higher costs related to the preparation and commencement of the *West Capella* contract.

Resulting EBITDA was $97 million, a sequential increase of $9 million compared to the prior quarter.

Turning to the balance sheet and cash flow statement. We ended the quarter with total cash of $329 million. The $35 million use of cash in the first quarter included $13 million of capital expenditures, captured in investing activities, and $38 million of long-term maintenance, recorded in operating activities. As anticipated, our cash position was largely impacted by the reactivation and contract preparations for *West Capella*, the reacceptance testing for *West Jupiter,* as well as timing of working capital.

We are increasingly confident in a return to strong cash flow generation in the middle of 2026. We expect cash receipts totaling approximately $70 million over the next two quarters relating to lump sum mobilization revenues from Petrobras as reimbursement for reacceptance projects for both the *West Jupiter* and *West Tellus*. These receipts, as well as benefiting from incremental dayrate revenues from the *West Jupiter*, *West Capella* and *West Tellus* contracts, will mark the inflection point in our cash profile this year.

Overall, our capital structure remains robust. Gross principal debt was $625 million at quarter end, with maturities extending through 2030, and we have access to $482 million of total liquidity when including available borrowing capacity on our revolving credit facility.

Now, turning to our outlook for the remainder of the year. First-quarter EBITDA was stronger than anticipated, with a portion of the outperformance attributable to the timing of repair and maintenance expenses that are expected to occur later in the year. We are updating our revenue and EBITDA guidance ranges to reflect project execution, as demonstrated by the early commencements of the *West Jupiter* and *West Capella* contracts in the first quarter and additional operating days for the *West Carina*, which is now expected to work through mid-June.

For the full year 2026, we are updating our guidance for operating revenues to $1.43 to $1.48 billion, which excludes $50 million of reimbursable revenues, and EBITDA to $370 to $420 million. Our EBITDA guidance includes a non-cash net expense of $26 million related to the amortization of mobilization costs and revenues, of which $7 million has been recognized at the end of the first quarter.

Full year capital expenditure guidance range is maintained at $200 to $240 million.

I'll now hand the call back to Samir for his closing remarks.

Samir Ali

President and Chief Executive Officer

Thanks, Grant.

In closing, I'd like to reiterate our priorities: safe reliable operations, free cash flow generation, and capturing the upside. We're proud of our performance to start 2026 - executing key projects ahead of schedule, adding meaningful backlog, delivering first-quarter EBITDA that exceeded expectations, and raising our full-year revenue and EBITDA guidance. Collectively, these achievements enhance our line of sight to higher earnings and free cash flow in the second half of 2026 and into 2027.

With that I will now hand the call over for questions. Operator?