

Q4 2019 Results

February 27, 2020

Seadrill

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Agenda

1. Highlights & Market Outlook
2. Financial Performance
3. Q&A



Q4 2019 Highlights

FINANCIALS

- Technical utilization of 97% [1] and Economic utilization[2] of 93%
- Adjusted EBITDA of $39 million due to lower activity levels from rigs completing contracts
- Total cash of $1.4 billion

COMMERCIAL

- Added over $1 billion in backlog and active fleet 2020 contract coverage of 77%
- Average new fixture dayrates for the fleet up 45% year over year
- We continue to add industry leading fixtures in key markets

OPERATIONS

- Industry leading cost efficiency base
- Carbon Disclosure Project – Ranked “B” in 2019
- Continued industry recognition for performance and technology

(1) Technical utilization is calculated as the total hours available for work, excluding planned maintenance, divided by the total number of hours in the period.
(2) Economic utilization is calculated as total contract revenue excluding bonuses for the period as a proportion of the full operating dayrate multiplied by the number of days in the period.

Commercial

$1 billion of backlog secured in Q4 2019



Benign UDW **+$221m**

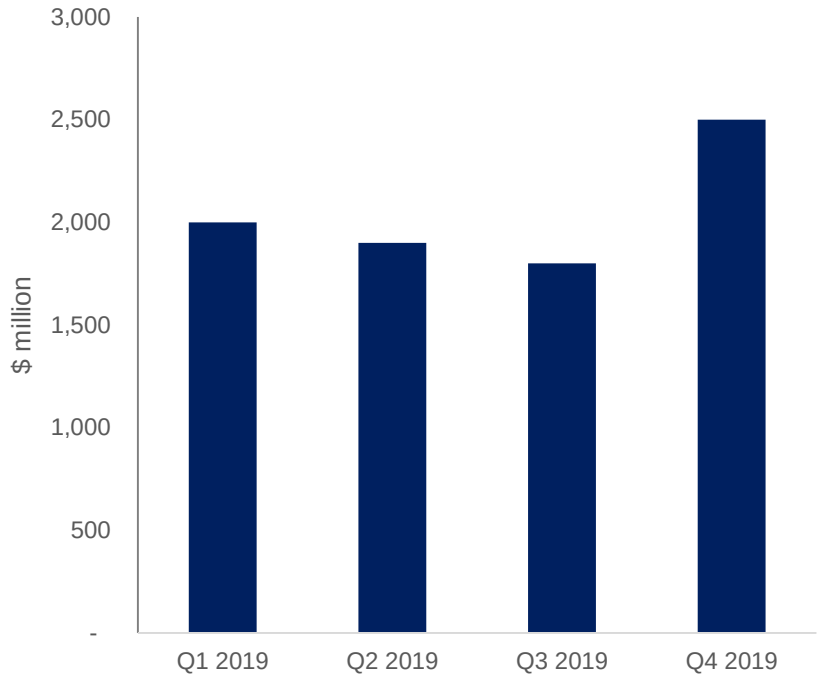


Harsh Environment **+$502m**



Benign Jack-ups **+$307m**

Increased total backlog

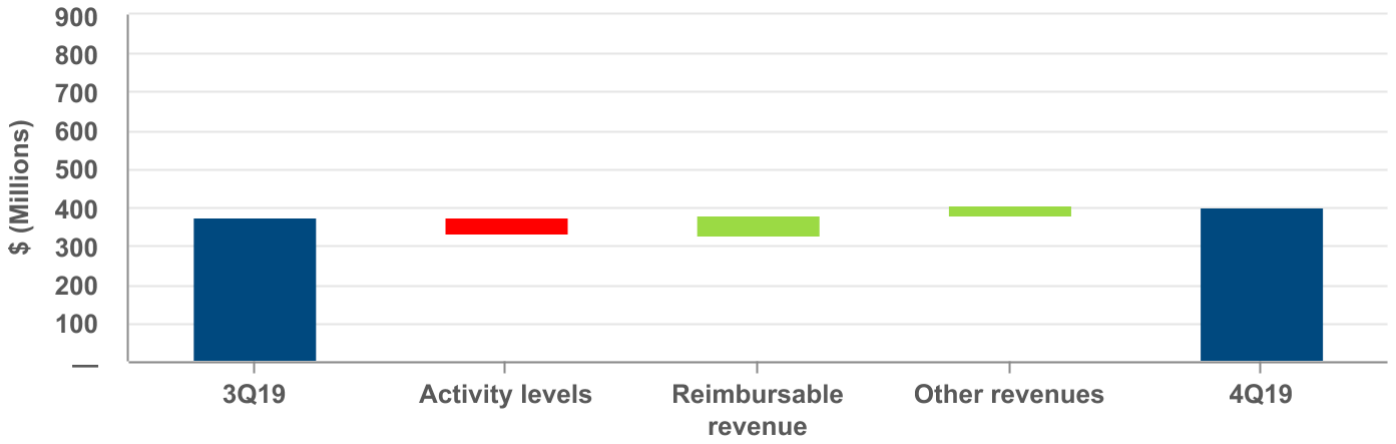


- Industry leading backlog additions for Q4
- Added more backlog than consumed in 2019

(1)We define contract backlog as the maximum contractual operating dayrate multiplied by the number of days remaining in the firm contract period, excluding revenues for mobilization, demobilization and contract preparation or other incentive provisions. For contracts which include a market indexed rate mechanism we utilize the current applicable dayrate multiplied by the number of days remaining in the firm contract period.

Revenue and EBITDA Bridge

Revenue:



Adjusted EBITDA:



Revenue: $398m (3Q19:$367m)

- 8% increase primarily driven by an increase in reimbursable costs for Northern Drilling.
- 5% lower operating days due to certain floaters being idle between contracts or completing their contracts in the quarter.
- Other revenue increased due to management fees received from Sonadrill as the Libongos commenced operations.

EBITDA: $39m (3Q19:$85m)

- c.50% lower due to lower activity levels from rigs completing their contracts.
- Higher costs due to the Libongos commencing operations.
- Settlement of Sevan Louisiana loss of hire insurance claim in Q3 not repeated in Q4
- EBITDA margin was 10% (3Q19:23%) due to higher reimbursables in the period.

Results from Associated Companies

Despite strong operational performance, at a net contribution level our investments are still loss making

Joint Ventures and drilling investments - $(17)million (3Q19: $(33)million) P&L Impact

Seadrill Partners LLC	~65%	8 floaters 3 tenders	▪ 95% utilization delivering $77 million EBITDA in the quarter
Seamex	50 %	5 jack-ups	▪ 91% utilization following downtime on the West Titania ▪ Delivered $32 million EBITDA in the quarter ▪ RCF drawn in Q4 for working capital purposes; significant Pemex receivables build-up
Sonadrill	50 %	4 floaters	▪ Sonangol Libongos now operational ▪ 96% utilization for the quarter
Gulfdrill	50 %	5 jack-ups	▪ West Castor is mobilizing to Qatar and ZPMC newbuild jack-up is currently in Qatar preparing for operations.

Non-drilling investments

Archer The well company	~16%	Well services & land/platform drilling	▪ $23 million EBITDA delivered in the quarter ▪ Impairment of convertible bond from $50m to $35 million
Seabras	50 %	6 PLSVs	▪ 98% utilization delivering $56 million EBITDA in the quarter ▪ Spot work won for Diamante running through to June 2020 ▪ Received $5 million of shareholder loan repayments

Abbreviated Income Statement

$millions	4Q19	3Q19
Adjusted EBITDA	39	85
Depreciation and amortization	(132)	(143)
Operating loss	**(93)**	**(58)**
Share in results from associated companies	(17)	(33)
Loss on impairment of investments	—	(302)
Impairment of convertible bond from related party	(11)	—
Other financial items	(108)	(125)
Loss before income taxes	**(229)**	**(518)**
Income tax benefit/(expense)	30	(3)
Net loss	**(199)**	**(521)**

- Q3 impairment relates to the write-down of Seadrill Partners investment
- Tax credit due to deferred tax benefit associated with the completion of the West Jupiter contract.

Abbreviated Cash Flow

$millions	4Q19	3Q19
Net Loss	**(199)**	**(521)**
Adjustments to reconcile net loss to net cash provided by operating activities	145	494
Distributions received from associated company	-	9
Payments for long-term maintenance	(41)	(36)
Changes in operating assets and liabilities	39	38
Total operating cash flows	**(56)**	**(16)**
Total investing activities	(23)	8
Total financing activities	(12)	(12)
Effect of exchange rate changes on cash	3	(4)
Net movement in total cash	**(88)**	**(24)**

- LTM spend increased due to classing costs for the West Gemini, West Tellus and West Neptune
- Investing activities relate to a capital contribution to our Sonadrill joint venture
- Financing activities relate to repayment of bank debt from our Ship Finance Variable Interest Entities

Abbreviated Balance Sheet

$millions	4Q19	3Q19
Cash and restricted cash	1,357	1,445
Other current assets	523	605
Other non-current assets	7,399	7,441
Total assets	**9,279**	**9,491**
Current liabilities	770	711
Non-current liabilities	6,659	6,735
Equity and redeemable non-controlling interest	1,850	2,045
Total liabilities, redeemable non-controlling interest and equity	**9,279**	**9,491**

- Restricted cash of $242 million increased due to payments received from the Seabras JV
- Current liabilities increased because classification of debt liabilities with a corresponding offset in Non-current liabilities.

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Q&A



Appendix - Non-GAAP Financial Measures

***Adjusted EBITDA** represents operating income before depreciation, amortization and similar non-cash charges. Additionally, in any given period we may have significant, unusual or non-recurring items which we may exclude from Adjusted EBITDA for that period. When applicable, these items are fully disclosed and incorporated into the reconciliation provided below. Adjusted EBITDA is a non-GAAP financial measure used by investors to measure our ongoing financial and operating strength. We believe that Adjusted EBITDA assists investors by excluding the potentially disparate effects between periods of interest, other financial items, taxes and depreciation and amortization, which are affected by various and possibly changing financing methods, capital structure and historical cost basis and which may significantly affect operating income between periods. Adjusted EBITDA should not be considered as an alternative to operating income or any other indicator of Seadrill's performance calculated in accordance with the US GAAP.

Unaudited accounts in USD millions	1Q20 Guidance	4Q19	3Q19
Net operating loss	(73)	(93)	(58)
Depreciation	107	108	106
Amortization of intangibles	1	24	37
Adjusted EBITDA	**35**	**39**	**85**

Adjustments to reconcile net loss to net cash used in operating activities includes depreciation, amortization of favorable and unfavorable contracts, share of results of joint ventures and associates, impairment loss on associated companies, unrealized gains and losses on derivatives, unrealized gains and losses on marketable securities, deferred tax expense and other non-cash items shown under the sub-heading "adjustments to reconcile net loss to net cash provided by operating activities" in the Consolidated Statements of Cash Flows presented in the Consolidated Financial Statements included in this report. considered as an alternative to operating income or any other indicator of Seadrill's performance calculated in accordance with the US GAAP.