Arabian Drilling

FY 2024 EARNINGS CALL

13 March 2024

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In today's presentation

Ghassan Mirdad

Chief Executive Officer

With over 25 years of experience in the oil & gas sector, Ghassan brings expertise in drilling, M&A, and operations. A Sloan Fellow, he holds a master's from London Business School and a chemical engineering degree from KFUPM.

Hubert Lafeuille

Chief Financial Officer

CFO of Arabian Drilling since 2020, he brings a wealth of experience in oilfield services and offshore drilling. He has occupied leadership positions at Subsea 7, Ocean Rig, and Transocean. Holds a master's degree in Management and Finance from NEOMA Business School.

Bassem ElShawy

IR & Communications Director

Boasting over 24 years of experience in financial communications and investor relations, Bassem has occupied senior roles at leading companies across various sectors and countries. Holds an MBA from the Maastricht School of Management.

2024 Achievements

Record Revenue and EBITDA

FY 2024 revenue of SAR 3.6 billion and EBITDA of SAR 1.5 billion mark the highest recorded in AD's history since inception.

Successful deployment of 13 unconventional gas rigs in record time

Thirteen unconventional land rigs swiftly constructed and mobilized to support Saudi Arabia's dynamic energy needs as it advances to increase the share of natural gas in the energy mix.

Largest drilling operator in KSA by fleet size

With the addition of 13 new unconventional rigs, AD is the largest drilling contractor is KSA by fleet size.

Moderately leveraged, despite CAPEX cycle

AD's optimal use of financing resources coupled by enhanced cash flow resulted in a favorable gearing position and a stronger balance sheet relative to peers.

Total Dividends of SAR 240 million for FY 2024

H2 2024 dividend of SAR 1.35 / share, same as H1 2024.

Winner of Aramco Excellence Award

Arabian Drilling won an Excellence Award for Best in Saudization at the IKTVA forum.

Revenue in line with guidance, strong EBITDA margin maintained

FY 2024 financial highlights (SAR, versus FY 2023)

ALL-TIME RECORD HIGH **3,619M** **REVENUE** (+4% YoY)	ALL-TIME RECORD HIGH **1,508M** **EBITDA** (+2% YoY)	DESPITE SUSPENSIONS **41.7%** **EBITDA Margin** (-1.0 pp YoY)
426M **ADJ. NET INCOME** (-30% YoY)	IMPROVED W/C **1,750M** **Operating CF** (+29% YoY)	AFTER SAR 1.9 Bn CAPEX **1.6x** **NET DEBT / EBITDA**

Showcasing excellence: solid operational highlights

Operational Highlights

13
UNCONVENTIONAL RIGS DEPLOYED

- Thirteen unconventional land rigs swiftly constructed and deployed in 2024.
- Total land fleet size at 47 rigs by end of 2024.

83.1%
UTILIZATION RATE

- 49 active rigs out of total fleet of 59
- Land 87.2% (41 active rigs out of 47)
- Offshore 66.7% (8 active rigs out of 12)

1.67%
Non-Productive Time (NPT)

Non- Productive Time, based on full year 2024

0.59
Total Recordable Incident Frq. (TRIF)

- Based over 1,000,000 manhours
- 4x lower than Industry average

130
Total Days Saved in Rig Moves (*)

- 160 rig moves realized in 2024
- Averages 0.8 days saved per rig move (*)
- Resulted in additional revenue of approx. SAR 18M

94.3%
REI
(2024 Average)

- Rig Efficiency Index ('REI') based on 36-month rolling average
- 89% of the rigs scoring in Superior Performance

Note (*): compared to Aramco 's KPI

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Contract & **Backlog Update**

Backlog & utilization rate

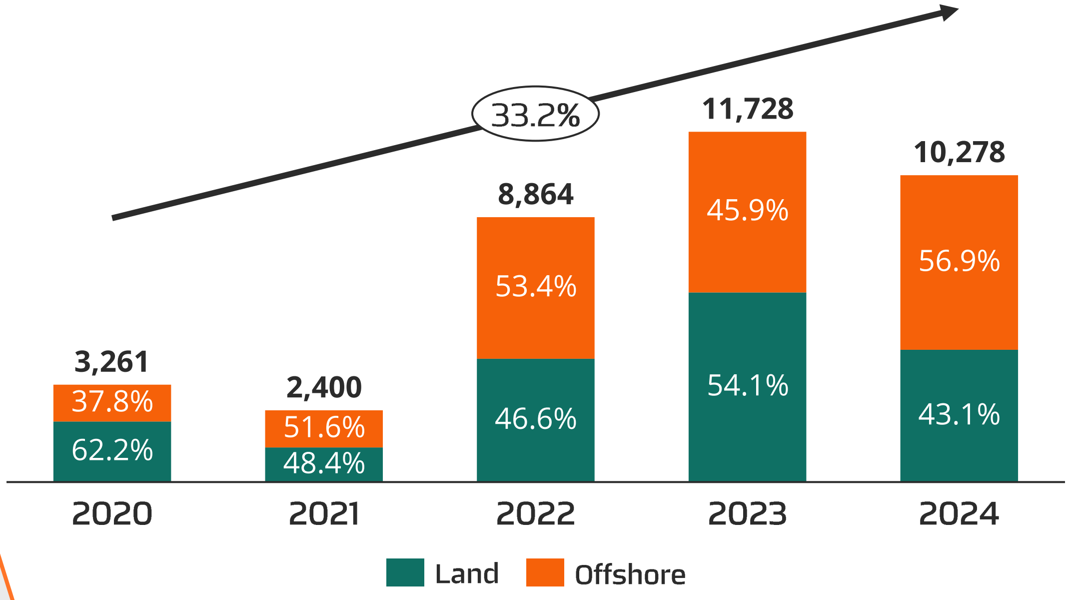
Backlog of SAR 10.3 Bn

- **Total backlog of SAR 10.3 Bn** by end of 2024
- **Net backlog addition of SAR 795 million** with 17 rig year extension secured in Q4 2024 (1 Offshore + 2 Land)
- **Significant CAGR of 33.2%** over the 2020 to 2024 period
- Average remaining tenure of **2.2 years per rig**

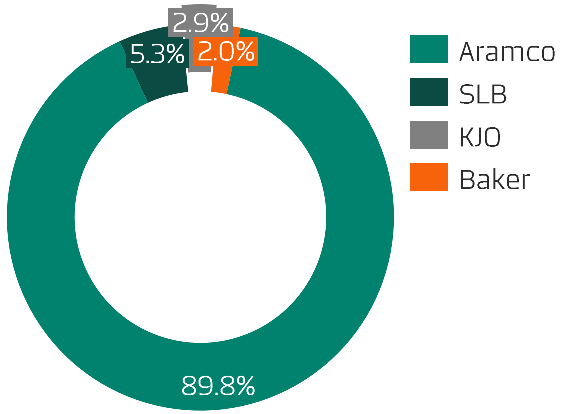
Rig Utilization

- Rig **utilization rate at 83.1%** by end of 2024
- **49 active rigs** out of 59 fleet size, 8 Offshore and 41 Land
- Total of **6 rigs suspended**, including 3 Land Rigs suspended in Q4
- **4 rigs without a contract**, including one offshore rig under a sale process
- **Additional 3 Unconventional Land Rigs** started up in Q4

5-year Backlog by Segment (EoP)



2024 Backlog by Customer (EoP)



Rig contract renewal

All contracts expiring in 2024 were successfully renewed

- **1 Offshore and 2 land rigs contract extensions**, as previously announced in Q4 2024

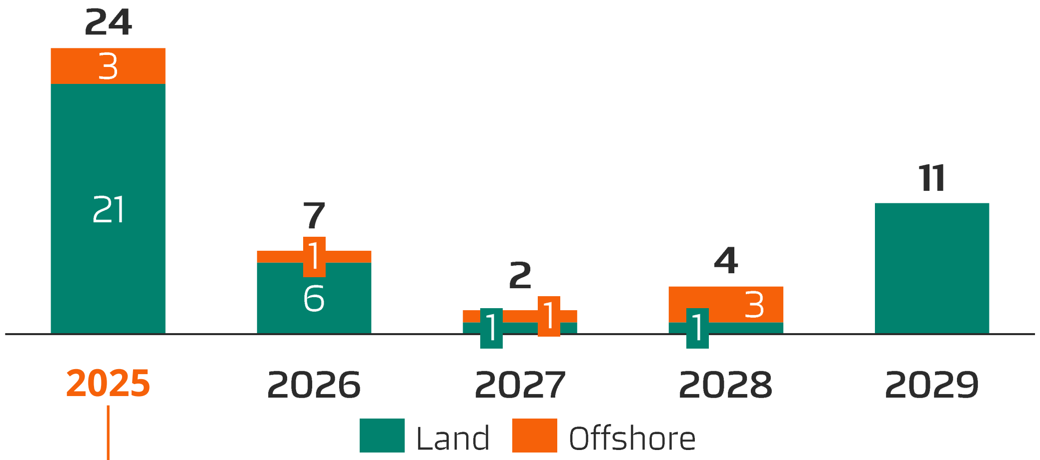
Land Contracts expiring in 2025

- **11 rigs contracted with SLB** on Gas LSTK project which included a 1Y option, likely to be exercised to support decarbonization of Kingdom's electricity production.
- **7 rigs contracted with Aramco**, all gas rigs, negotiations for extensions are ongoing
- **2 rigs contracted with Baker** on Oil LSTK Project, with a 2Y option until April 2027
- **1 rig contracted with KJO**, contract ended in Q1'25, rig on standby for a potential new contract

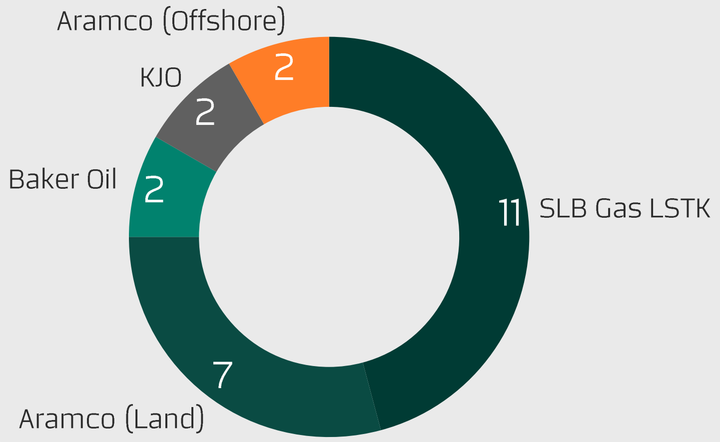
Offshore Contracts expiring in 2025

- **1 rig contracted with KJO**, negotiations for extension is ongoing
- **2 rigs contracted with Aramco**, including one suspended and one active leased rig with a 1-year option and back-to-back lease extension option. Flexibility to extend or terminate the lease based on renewal status.
- The 2 other suspended rig with Aramco rolled over into a 2026 expiration date, after adding the suspension period

5-year Rig Contract Renewal

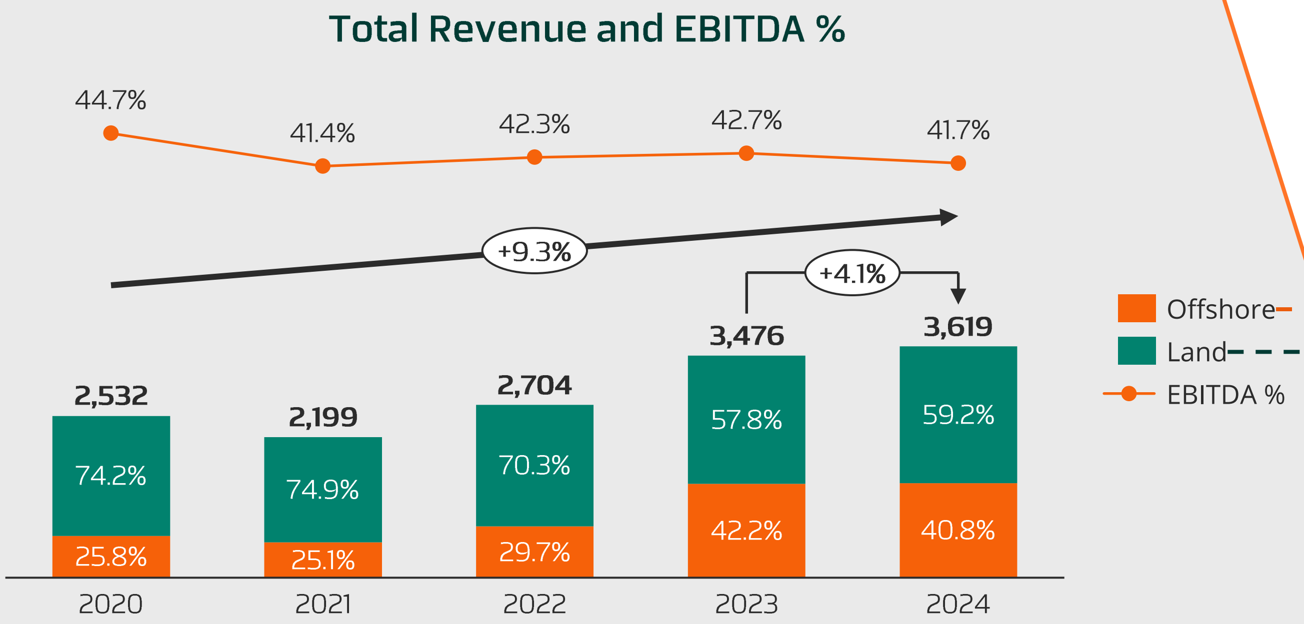


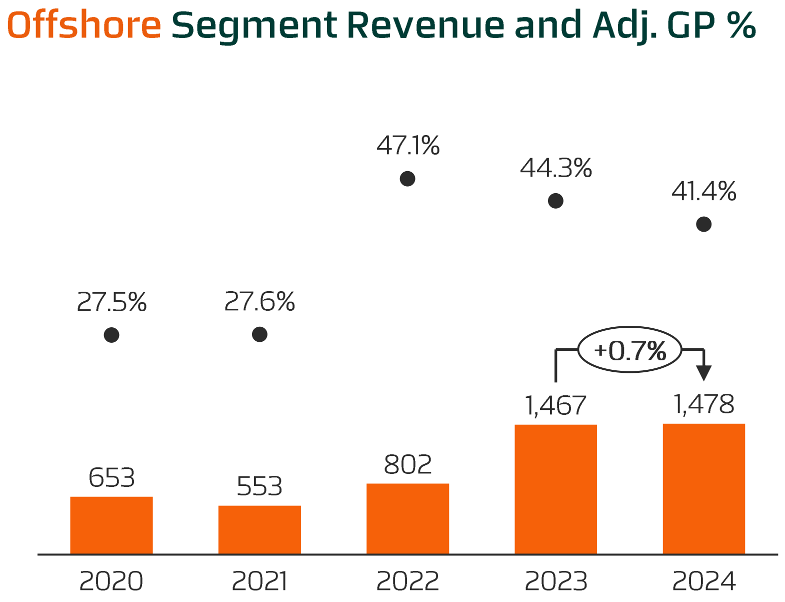
2025 Rig Contract Renewal

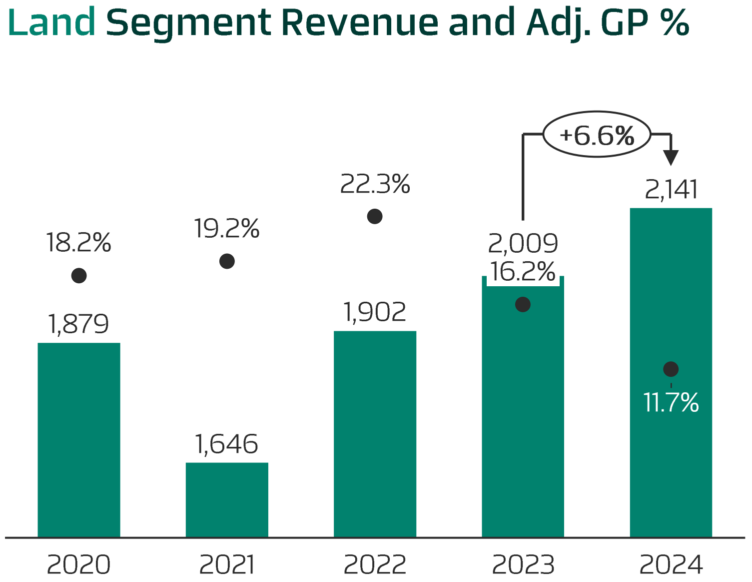


3 Financial **Performance**

Revenue, EBITDA and adj. gross profit – A solid trend

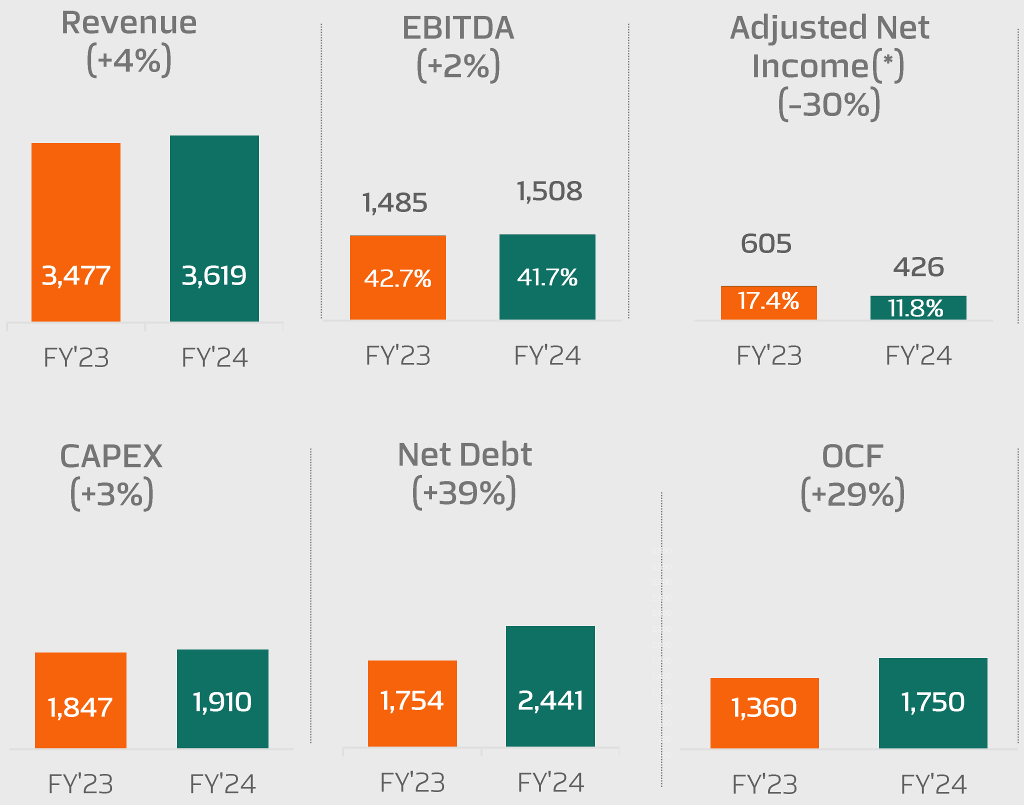






- A 5-year total **revenue CAGR of 9.3%** reflecting fleet expansion from 45 to 59 rigs
- **Consistent low-to-mid 40% total EBITDA margin profile** throughout the 5-year period
- Stable offshore segment revenue with rig start up in H2'23 offset by rig suspension in H2'24. Expanded asset base with increased depreciation negatively impacted gross profit margin by 3 percentage point (pp)
- Stabilized land segment revenue with 11 unconventional rigs operational in 2024 counterbalancing 6 idle rigs.
- Q4 '24 GP decrease of 5 pp coming from added depreciation (3 pp) and UC rigs start-up cost (2 pp)

Focused Execution, Resilient Growth (SAR M)



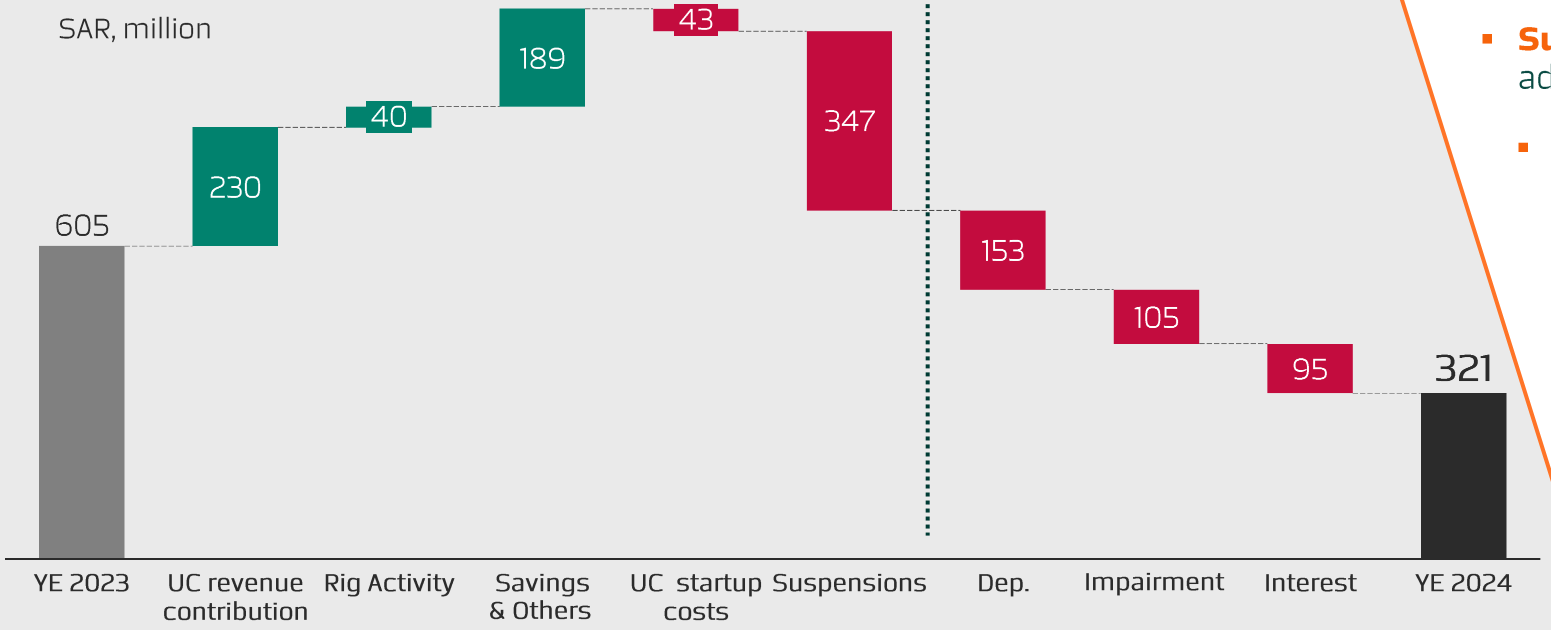
Note (*): excludes asset impairment cost of 105M

- **Revenue (+4%):** 142M increase despite Aramco rig count decrease of 15%, helped with contribution from UC land rigs (230M)
- **EBITDA (+2%):** 23M increase reflecting stable performance despite offshore suspensions and start up cost from unconventional rig deployments (43M). Margin profile maintained due to savings from cost optimization initiatives plan. Normalized EBITDA margin at 42.8% (excl. start up cost)
- **Adjusted Net Income (-30%):** 179M decrease attributed to increased depreciation on fleet expansion (153M) and higher finance costs (95M).
- **CAPEX (+3%):** mainly driven by unconventional land rigs (1,352M), rig upgrade (65M), facilities, ERP & well control equipment (90M) and OFSAT (62M). Sustaining Capex of 341M, equivalent to c. 7M/rig/year
- **Net Debt (+39%):** increase mainly driven by utilization of excess cash to finance Unconventional land rigs. No new debt contracted in 2024
- **OCF (+29%):** increase mainly driven by improved Net Working Capital on reduced DSO

Net Income Drop Explained

While Revenue and EBITDA were stable YoY, the net income decrease was mainly coming from non-cash items (depreciation and impairment) as well as the cost of servicing the debt used to support the capex growth.

2023 – 2024 Net Income Bridge

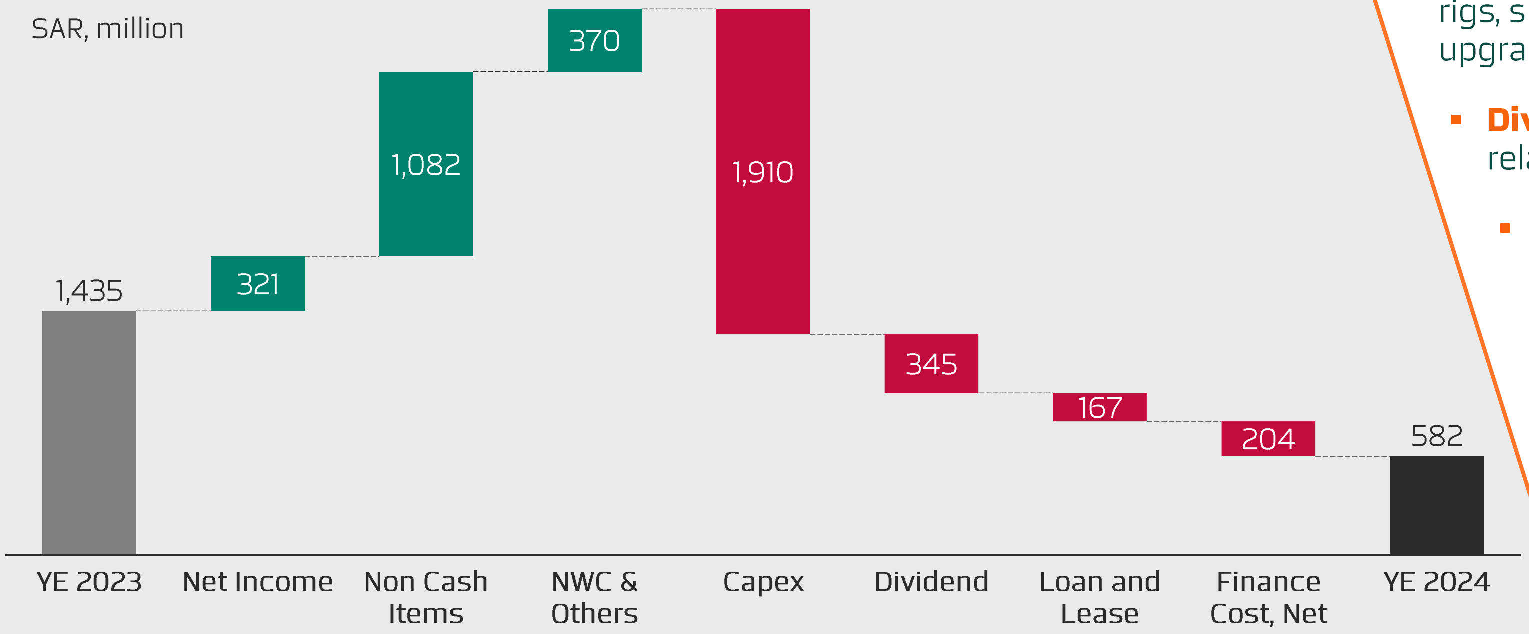


- **Revenue contribution of unconventional rigs**: 11 rigs started in 2024 (4 in Q2, 4 in Q3 and 3 in Q4). Remaining 2 started in Q1'25. All 13 new unconventional rigs are currently operational and are expected to add c. 800M to total revenues
- **Rig Activity**: one land rig idle in 2023 and started new contract early 2024
- **Savings & Others**: mainly reduced OPEX on suspended rigs, cost savings initiatives, lower tax on reduced net income
- **Unconventional rigs' start-up cost**: recruiting & training of new rig crew ahead of contract start
- **Suspension:** 4 offshore rigs were suspended mid 2024 in addition to 3 land rigs in Q4'24
- **Depreciation**: full year impact of the depreciation cost for 3 offshore rigs that started in Q3'23 plus additional depreciation cost for the 11 unconventional rigs that started in 2024
- **Impairment**: one-time cost recognized in Q2'24
- **Interest:** increase due to higher gross nominal debt value (500M drawn down in Q4'23), capitalized interest in 2023, and lower interest income on lower excess cash to invest on short term deposits

End of Current Capex Cycle

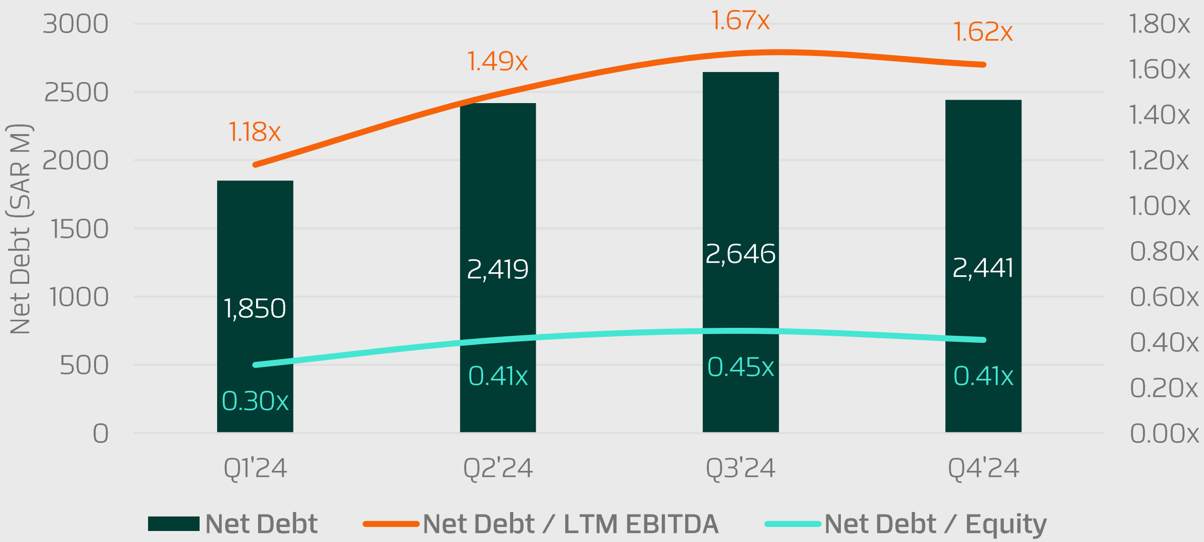
In the last few years, we had witnessed intense capex cycles with spending of around 1.8Bn annually. This represents c. 3x the capex we would normally spend on a steady-state business without any capex growth. Going back to more normalized capex levels will significantly improve our free cash flow for future growth

2023 – 2024 Cash at Hand Bridge

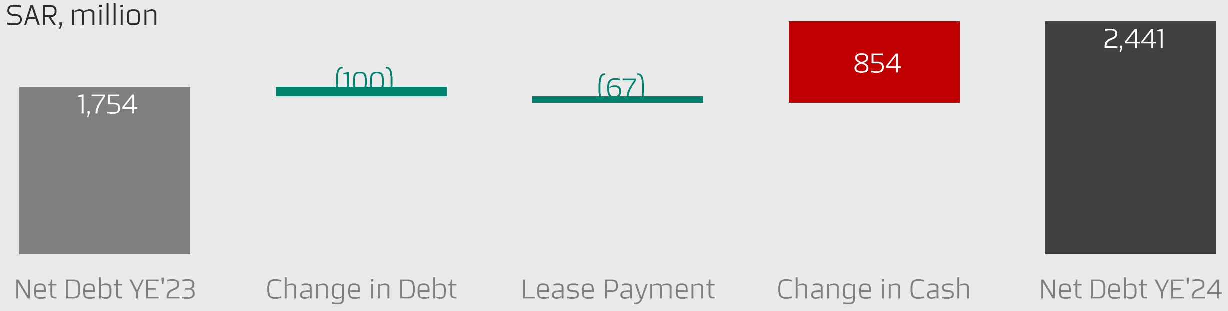


- **Non-Cash Items**: mainly depreciation and amortization, also includes a one-time asset impairment cost amounting to SAR 105 million
- **Net Working Capital & Other**: the improved year end position due to a lower DSO compared to YE '23
- **Capex**: includes SAR 1.3 billion investment in unconventional rigs, sustaining CAPEX of 340M, OFSAT and other discretionary upgrades / projects
- **Dividends:** includes a total payout of 225M (2.53 per share) related to H2 '23, and 120M (1.35 per share) related to H1 '24
- **Loan and Lease**: principal loan repayment of 100M, and rig lease payments of 67M. No further draw-downs in 2024
- **Finance cost**: of 228M, net of interest income of 24M

Maintaining financial power in a high CAPEX cycle



2023 – 2024 Net Debt Bridge



- **Gross Debt:** 2,955M (YE'24), made of a Sukuk (2Bn) and 2 bank loans (500M each), plus accrued interests, net of 100M of loan repayment in 2024. No new debt drawn in 2024.
- **Cash Position:** YE'24 cash balance of 582M, mainly due to improved Working Capital and remaining capex spending to complete UC rigs that shifted to 2025.
- **Leverage Ratio**: slight improvement due to higher cash balance (+200M QoQ). Maintaining stable and moderately leveraged ratio during capex cycle peak
- **Financing:** 1.25Bn of available and undrawn facilities available for further capex growth opportunities

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2025 Strategic Priorities and **Guidance**

Strategic Priorities for 2025

1. Commit to Significant Enhancements in HSE
2. Increase Fleet Utilization
3. Support KSA’s Energy Transition
4. Expand Internationally

Revenue Guidance

In response to the dynamic conditions in the oil and gas industry, the management team has revised the financial guidance strategy to better align with the current market landscape.

Here, we outline the changes we've made, the reasons behind these adjustments, and our financial outlook for the upcoming quarter.

What Has Changed?

Shift from annual to quarterly financial guidance.

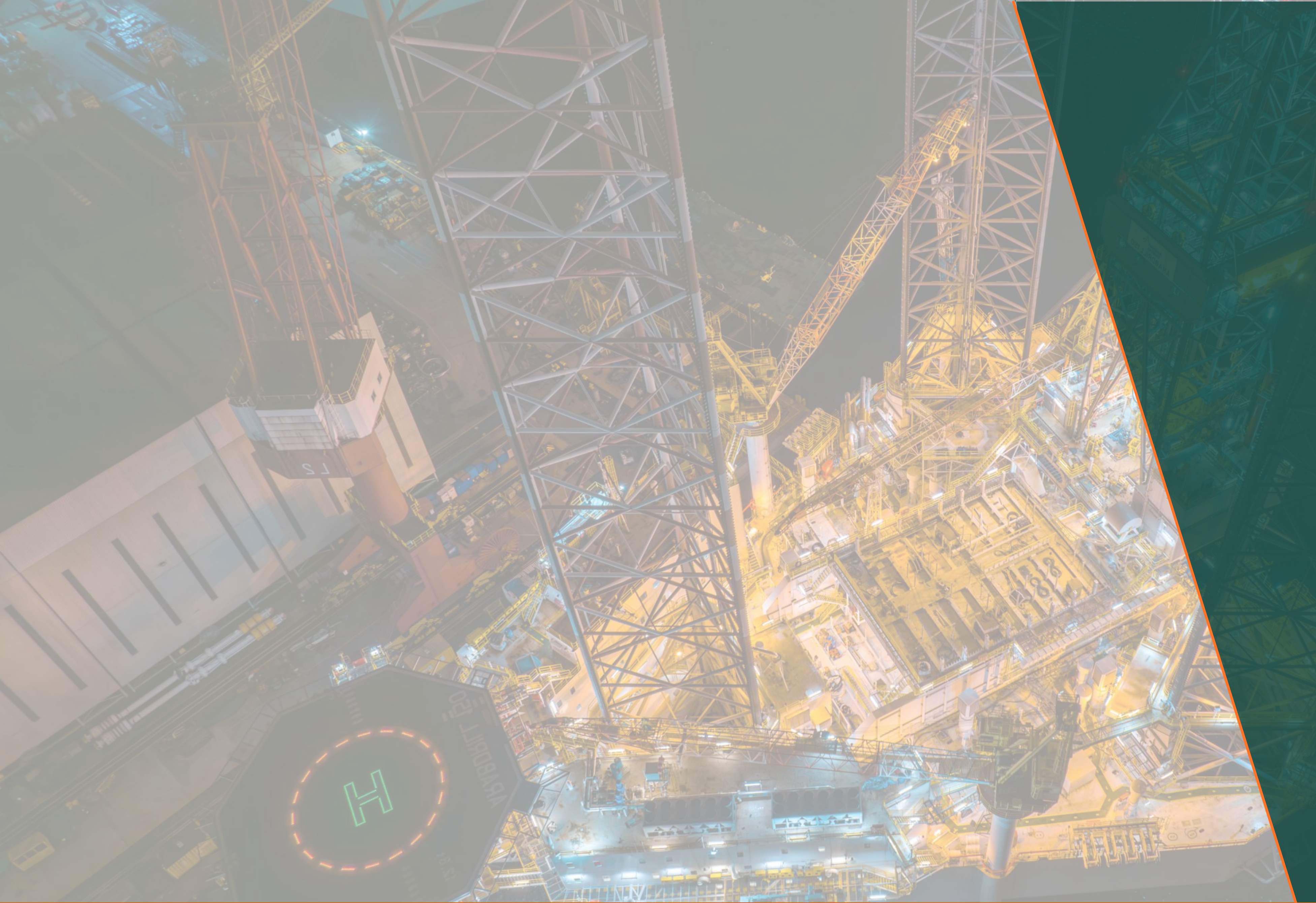
Rationale for Change

Addressing market uncertainties and ensuring realistic, timely updates that align with current geopolitical and economic conditions.

Q1 2025 Outlook

For Q1 2025 revenue, we expect to maintain the same level compared to Q4 2024 with a 5% upside potential. Our guidance reflects a cautious outlook in an unpredictable, but evolving market environment.

Q&A Session



Appendix

Net Income & EBITDA Reconciliation

In SAR Million

	Q1'24	Q2'24	Q3'24	Q4'24	FY'24
Revenue	**967**	**939**	**863**	**850**	**3,619**
Net Income	**146**	**20**	**85**	**70**	**321**
ADD BACK: Asset impairment charge		105			105
Adjusted Net Income	**146**	**125**	**85**	**70**	**426**
ADD BACK:					
Finance costs - net	46	53	53	55	208
Zakat and Income Tax	22	2	5	7	36
Depreciation	191	206	215	226	838
EBITDA	**405**	**386**	**358**	**358**	**1,508**
EBITDA Margin	*41.9%*	*41.1%*	*41.5%*	*42.1%*	*41.7%*

Glossary

Glossary	Description
Active Rig Month	Annual number of months where rigs generate revenue
Backlog	Future contracted revenue yet to be recognized.
Book-to-Bill Ratio	Calculated as Backlog divided by LTM Revenue
c.	Circa / approximately
CFF	Net cash generated from Financing activity
CFI	Net cash used in Investing activity
CFO	Net Cash generated from Operating activities.
DSO	Days Sales Outstanding, measures days form revenue recognition to Customers collections
EBITDA	Earnings before interest, Tax, Depreciation, and Amortization.
EoP	End of Period
GHG	Green House Gases
Free Cash Flow	Net Cash Generated from Operating Activities less Capex
HSE	Health, Safety and Environment
IFRS	International Financial Reporting Standards
JUs	Jackups (a type of offshore drilling rig)
LTIF Rate	The total number of lost time injuries per one million man-hours worked.

Glossary	Description
LTM	Last twelve months
MPSV	Multi Purpose Service Vessel
Net Debt	Total debt including borrowings and lease liabilities less cash and cash equivalent.
Non-Productive time (NPT)	Non-operational time (downtime) due to machinery breakdown, major overhauling, incident etc.
NWC	Net Working Capital
Rig efficiency index (REI)	KPI used by Saudi Aramco and includes Safety Performance, IKTVA Local Content, Drilling Performance, and Non-Productive Time (NPT).
Rig Move Days Saved	Time saved during rig move in comparison with Saudi Aramco KPI.
Rig Reactivation	Putting back to work a stacked rig.
Stacked Rig	A rig that has been demobilized and is not generating revenue.
STI	Short Term Investment
TRIF Rate	Total number of Recordable injuries per one million man-hours worked.
Utilization Rate	Ratio of active rigs Vs. total available fleet.