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Valaris Ltd. (VAL)

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the Valaris Second Quarter 2025 Results Conference Call. All participants will be in a listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note that this event is being recorded.

I would now like to turn the conference over to Nick Georgas, Vice President, Treasurer and Investor Relations. Please go ahead.

Nick Georgas

Vice President - Treasurer & Investor Relations, Valaris Ltd.

Welcome everyone to the Valaris second quarter 2025 conference call. With me today are President and CEO Anton Dibowitz; Senior Vice President and CFO, Chris Weber; Senior Vice President and CCO, Matt Lyne and other members of our executive management team. We issued our press release, which is available on our website at valaris.com. Any comments we make today about expectations are forward-looking statements and are subject to risks and uncertainties.

Many factors could cause actual results to differ materially from our expectations. Please refer to our press release and SEC filings on our website that define forward-looking statements and list risk factors and other events that could impact future results. Also, please note that the company undertakes no duty to update forward-looking statements. During this call, we refer to GAAP and non-GAAP financial measures. Please see the press release on our website for additional information and required reconciliations. Last week we issued our most recent fleet status report, which provides details on our rig fleet, including new contract awards.

Now I'll turn the call over to Anton Dibowitz, president and CEO.

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

Thanks, Nick, and good morning and afternoon, everyone. During today's call, I'll begin with a review of our performance for the quarter and highlight some of our recent contract awards. I'll then provide an update on the offshore drilling market and conclude by outlining how our strategic focus on delivering outstanding operational performance, executing our commercial strategy, and maintaining disciplined cost and fleet management is driving long-term value for shareholders.

Then I'll hand the call over to Matt, who'll provide a more detailed perspective on our recent contracting success and the broader floater and jackup markets. After that, Chris will walk through our financial results and guidance, and I'll finish with some closing remarks.

To begin, I want to highlight a few key points. First, I am very proud of the entire Valaris team for delivering another quarter of strong operational and financial performance with revenue efficiency of 96%, contributing to meaningful EBITDA and free cash flow for the quarter.

Second, we are successfully executing our commercial strategy by securing attractive long-term contracts for our high specification fleet. Since reporting first quarter results, we've added more than \$1 billion in new contract backlog, increasing our total backlog to approximately \$4.7 billion. Third, as expected, the pipeline of floater opportunities that we have discussed in recent quarters are converting into contracts. We anticipate additional awards across the industry in the coming months and Valaris is well positioned to capitalize on these opportunities and deliver long term value for our shareholders.

Safe and efficient operations are at the heart of everything we do. They keep our people safe and build trust with our customers. We delivered fleet wide revenue efficiency of 96% in the second quarter, continuing our track record of providing safe and efficient operations to our customers. This solid operational performance contributed to strong financial results, including adjusted EBITDA of \$201 million and adjusted free cash flow of \$63 million.

As always, delivering safe operations is our top priority and I'm pleased to report that we completed the first half of the year without a single lost time incident, a testament to our safety culture and commitment to eliminating workplace injuries. We also had several rigs achieve notable safety milestones, with VALARIS DS-10 reaching two years without a recordable incident, while VALARIS 107, VALARIS 118 and VALARIS 248 each marked one year recordable free.

On prior conference calls, we've discussed our focus on bookending the whitespace across our drillship fleet by securing attractive long-term contracts for our high spec seventh generation assets. We've made great progress on this objective this year, having now contracted three of our four drill ships with near-term availability, as well as extending the DS-16, which was previously scheduled to roll off contract mid-next year to the end of 2028.

Since reporting first quarter results, we've added \$860 million in drillship backlog with average day rates above \$400,000. These awards have helped us to increase our contract backlog to \$4.7 billion, the highest it has been this decade, and reflect the strength of our customer relationships, our operational track record and the value customers place on our high specification fleet.

Turning now to the broader offshore drilling market, the long-term fundamentals for offshore activity remain strong, and we continue to believe that offshore production will play a vital role in helping to meet global energy needs. Offshore production, particularly deepwater, offers large excessive resource potential, compelling project economics and comparatively lower carbon emissions.

Consequently, we are seeing our customers prioritize long cycle offshore developments over shorter cycle activity such as US land and we anticipate meaningful growth in deepwater project sanctioning of both greenfield developments and exploration projects in 2026 and 2027.

The majority of these projects are expected to be economically viable, well below current commodity prices. According to Rystad, over 75% of deepwater spending expected to be sanctioned in the next three years is tied to programs with breakeven prices below \$50 per barrel compared to a five year forward price above \$65 per barrel. This supports our view that the floater opportunities we've been tracking will continue converting to contracts. And as expected, the pace of this contracting has picked up in recent months.

Based on our ongoing conversations with customers, we anticipate additional awards across the industry in the coming months and there remains a healthy pipeline of more than 30 floater opportunities with planned start dates in 2026 or 2027 and durations of at least one year. We continue to see a clear customer preference for the most technically capable assets, which aligns well with our high specification drillship fleet.

As 12 of our 13 ships are seventh generation units, the highest concentration in the industry. On average, seventh generation drillships have achieved day rates that are approximately 25% higher and marketed utilization that is nearly 10 percentage points better than sixth generation units over the past 12 months.

We expect this differentiation to continue, particularly for longer term development programs as the combination of technical specifications such as dual derricks with high hookload capacity, high capacity thrusters and two blowout preventers offer efficiencies that are amplified over multi-well programs. As a result, while we still anticipate overall drillship utilization to trough in the first half of 2026, we expect 7th generation drillships will lead the recovery and exit 2026 with utilization levels above 90%.

Moving to jackups, shallow water demand remains resilient, with global utilization of 90%, driven primarily by national oil companies prioritizing energy security and infrastructure funding. We have robust contract coverage on our jackup fleet, with more than 70% of available days for our active rigs already contracted in 2026 and 60% contracted in 2027.

Our versatile jackup fleet continues to be a strong contributor to our financial performance and we expect year-over-year growth in EBITDA from this segment in 2025, driven by more operating days and higher average day rates. Against this positive backdrop, at Valaris, we remain focused on delivering outstanding operational performance, executing our commercial strategy, and prudently managing our fleet and costs.

As I mentioned earlier, the team has performed excellently over the first half of the year and we remain laser focused on operating safely and efficiently for our customers. We're well positioned to continue executing our commercial strategy by winning attractive floater contracts supported by global scale and high spec fleet.

With three of our four 7th generation drillships with near-term availability now contracted, our focus is on securing work for the DS-12 and we are actively engaged in discussions with multiple customers for opportunities starting in 2026. We're also starting to see some customers consider short-term programs in the first half of 2026, which aligns well with our strategy of first securing attractive long-term contracts and then targeting potential gapfill opportunities.

In terms of our broader fleet strategy spanning both floaters and jackups, we remain focused on maintaining a high quality and efficient fleet. We will continue to actively manage our rigs in response to evolving market

conditions, including tightly controlling costs between contracts and quickly reducing expenses during extended idle periods. Prudent fleet management also extends to our decisions to retire rigs when their expected economic benefit no longer justifies their associated costs.

Earlier this year, we completed the sale for recycling of three benign environment semisubmersibles, reflecting the challenged global market for this asset class, and we continue to closely monitor market conditions and opportunities for our two remaining semis. We also regularly evaluate divestitures and will sell rigs when we can secure attractive prices, as demonstrated by the announced sale of jackup VALARIS 247 for \$108 million in cash.

Before handing over to Matt, I'd like to briefly recap a few key points about the market and our strategy. As we anticipated, the flow to pipeline is converting into contracts and we expect more awards across the industry in the months ahead. Customers continue to prioritize long cycle offshore projects, and we believe offshore production will remain essential to meet global energy demand and an increasingly important part of their portfolios.

We are laser focused on operational excellence and commercial execution. Given our high quality fleet and operational performance, we're well-positioned to secure additional contracts which, combined with our prudent approach to fleet management, will further support our earnings and cash flow.

With that, I'll now hand the call over to Matt.

Matthew Lyne

Senior Vice President & Chief Commercial Officer, Valaris Ltd.

Thanks, Anton, and good morning and afternoon, everyone. I'll begin with a summary of our recent contracting success before providing updates on the major floater and jackup markets where we operate. Since our first quarter call, we've secured new contracts and extensions that have increased our total backlog to \$4.7 billion.

These awards added more than \$1 billion in new backlog, including approximately \$860 million for floaters and \$145 million for jackups. Starting with floaters, we recently secured multi-year programs for drillships VALARIS DS-16 and VALARIS DS-18 with Oxy in the US Gulf, adding a combined five years of term and approximately \$760 million of backlog.

The VALARIS DS-16 award extends the rig's contract with Oxy into late 2028 while the VALARIS DS-18 was awarded a new contract that is expected to keep the rig busy from late 2026, to early 2029. We also secured a 250 day contract for VALARIS DS-15 offshore West Africa, which could extend to nearly one year if customer options are exercised.

As part of this contract, the rig will be upgraded with an enhanced managed pressure drilling system, reflecting growing customer preference for contractors that can deliver technically complex drilling programs using high spec, 7th generation drillships. This upgrade is being funded upfront by the customer, providing for an effective day rate of \$540,000 over the firm term of the contract.

Including these awards and the VALARIS DS-10 contract announced last quarter at a day rate in the high 400s, we've now secured work for three of our four drillships with near-term availability at average rates above \$400,000 per day.

Turning to jackups, we recently secured a four year extension for VALARIS-110 offshore Qatar, along with more work in the North Sea for VALARIS Norway and VALARIS-122, increasing our contract coverage in the region

through the remainder of 2025 and into 2026. Year-to-date, we've added more than \$2 billion in contracted revenue backlog, significantly enhancing our contract coverage in 2026 and beyond.

Turning now to the major floater and jackup regions where we operate. As Anton mentioned, the pipeline of floater opportunities is converting into contracts. Following these recent contract awards, we've seen a replenishment of the pipeline of longer term floater opportunities and are currently tracking more than 30 opportunities with planned start dates in 2026 or 2027 and durations of a year or more.

With long-term contracts typically awarded at least nine months before their planned commencement, we anticipate additional contract awards across the industry over the remainder of the year. Offshore Africa, including West Africa, Mozambique and the Mediterranean, remains the most active region for future floater demand, representing roughly half of the long-term opportunities in our pipeline.

In West Africa, we expect to see growth offshore Nigeria with two multi-year programs with IOCs presently in the tendering phase. And offshore Ivory Coast, where a two rig requirement starting in 2027 is expected to come to market later this year. Similarly, we expect incremental demand from Namibia with TotalEnergies progressing a long term development for its Venus project that could lead to several years of work for multiple rigs.

In Ghana, a new discovery at the Eban-Akoma Field, the country's first major offshore find in several years may generate future demand that would be incremental to the pipeline of opportunities we are tracking. In Mozambique, Eni's currently tendering for a drillship with work starting in the second half of 2026 and further tenders from TotalEnergies and Exxon are expected to follow later this year for programs starting in 2027.

VALARIS DS-9 is returning to Angola with Exxon following a successful exploration campaign offshore Cyprus, which may lead to future development activity as the country seeks to increase offshore production. Also in the Mediterranean, BP has a tender out for development work starting in mid 2026 following exploration success offshore Egypt with the DS-12.

Valaris has a long and successful track record offshore Africa and we anticipate that development activity around the continent will be the main driver of incremental floater demand over the next few years. To this end, we are in active discussions with customers for several opportunities that DS-12 is well suited for, and both DS-9 and the DS-7 have had strong operational performance with their customers that positions them well for follow on work when their current contracts expire in the second half of 2026.

Moving to Brazil, which is the largest market for benign environment floaters, we expect Petrobras's rig count will remain stable in the near to medium term as they seek to recontract existing rig capacity through active and upcoming tenders. These include the recent tender for the Buzios field, a tender covering the Mero and Tupi fields that came to market last week and a third tender anticipated later this year.

These tenders provide opportunities for potential follow on work for the VALARIS DS-8, which is scheduled to complete its current contract with Petrobras at the end of next year. Beyond Petrobras, we have also seen increased demand from IOCs for multiyear terms, with Equinor looking to add a third rig offshore Brazil and Shell issuing a tender for its Gato do Mato project.

In the US Gulf, Customer demand remains healthy, as evidenced by our recent long term contracts with Oxy, and we expect the market to remain balanced with demand largely met by existing supply of rigs in the region.

Outside of the Golden Triangle, we're tracking requirements for seven drillships offshore India, Southeast Asia and Australia, representing more than 10 years of expected firm term. This demand could draw supply away from the Golden Triangle, since there are just five drillships that are working or warm stacked in these regions today.

As Anton mentioned, we're also starting to see some customers consider short-term programs in the first half of 2026. This is a positive development since our last conference call with increased interest across the Golden Triangle that could help us mitigate some idle time between contracts.

While many deepwater regions show encouraging signs of growth, the semi-submersible market offshore Australia remains challenged and we expect idle time from both MS1 and DPS-1 once their current contracts end later this year. We are actively engaging with customers on potential opportunities for 2026 and 2027 and we'll manage our fleet in line with demand.

Turning to jackups, global marketed utilization ended the second quarter at 90%, marking three straight years with utilization at or above this level. Our jackup fleet is concentrated in basins where we have strong positions, such as our rigs leased to ARO in Saudi Arabia, our market leading position in North Sea and niche markets that require high specification assets like Trinidad and Australia.

In benign environments, we have strong contract coverage and accounting for one customer option, we expect to be exercised, we have open availability in 2026 for just two rigs; VALARIS-106 in Indonesia and VALARIS-107 in Australia. We remain confident in the outlook for both rigs. The VALARIS-106 is well-placed for domestic work as an Indonesian flagged vessel and the VALARIS-107 is expected to be the only jackup offshore Australia with 2026 availability that could meet multiple opportunities we are tracking.

In the North Sea, we anticipate increased competition for upcoming work, particularly toward the end of the year, driven by an uptick in available units as two operators have chosen to prioritize activity in other basins. We have solid contract coverage for most of our active fleet into mid-next year.

We are currently tracking approximately 20 programs expected to commence by year end 2026 across the UK, Danish and Dutch sectors. These include gas drilling, plug and abandonment work and new energy projects, and we believe our rigs are well-positioned to meet this demand. The Dutch sector stands out as a particular bright spot with three programs of at least one year in duration, expected to start by early next year.

In summary, we are successfully executing our commercial strategy and have secured over \$2 billion in backlog from new contracts this year. We continue to have constructive engagement with our customers around their future programs and our focus remains on building backlog by winning attractive long-term contracts to further support our earnings and cash flow.

I'll now hand the call over to Chris, who will take you through the financials.

Christopher T. Weber

Chief Financial Officer & Senior Vice President, Valaris Ltd.

Thanks, Matt, and good morning and afternoon, everyone. In my prepared remarks today, I'll begin with an overview of our second quarter results. Then I'll walk you through our outlook for the third quarter, followed by an update on our full year guidance for 2025.

Starting with our second quarter results, total revenues were \$615 million compared to \$621 million in the prior quarter, primarily due to VALARIS DS-12 completing a contract late in the first quarter without follow-on work,

which is partially offset by a full quarter of operations for VALARIS-144 and several jackups starting New contracts at higher day rates than those earned in the prior quarter.

Adjusted EBITDA was \$201 million compared to \$181 million in the prior quarter. Adjusted EBITDA was up on lower revenue, primarily due to a favorable arbitration outcome related to a previously disclosed patent license litigation that provided a total benefit of \$24 million in the second quarter. \$17 million of this benefit was recognized in contract drilling expense and the remaining \$7 million in G&A expense.

Second quarter adjusted EBITDA exceeded our guidance range of \$140 million to \$160 million. Approximately half of the beat was due to strong operating results driven by higher revenues from ARO leased rigs, certain contracts running longer than expected and lower support costs, and the other half was due to the favorable arbitration outcome.

Second quarter CapEx totaled \$67 million coming in below guidance due to timing as certain project spend shifted to later in the year. During the quarter, we generated \$120 million of cash flow from operations and received \$10 million in proceeds from the sale for recycling of semi-submersible DPS-3, DPS-5 and DPS-6.

This was partially offset by capital expenditures, resulting in \$63 million of adjusted free cash flow. Cash and cash equivalents were \$516 million at quarter end, and a revolving credit facility remains fully available, which together provides us with total liquidity of nearly \$900 million.

Moving now to our third quarter outlook. We expect total revenues in the range of \$555 million to \$575 million, down from \$615 million in the second quarter. The anticipated decrease is primarily due to idle time for VALARIS DS-15 and DS-18, both of which are expected to complete their contracts during the quarter and fewer operating days for VALARIS 247, which is scheduled to finish its contract offshore Australia during the quarter ahead of its planned sale later this year.

These items are expected to be partially offset by more operating days for VALARIS-106, which returned to work late in the second quarter following out-of-service time for its 20-year survey. We expect contract drilling expense of \$400 million to \$415 million compared to \$396 million in the second quarter. This increase is primarily due to the \$17 million benefit from the favorable arbitration outcome in the second quarter that I mentioned earlier.

Both revenue and contract drilling expense for the third quarter are expected to include \$30 million to \$35 million of reimbursable items. We anticipate that G&A expense will be approximately \$28 million and adjusted EBITDA is expected to be \$120 million to \$140 million. Total CapEx is expected to be \$100 million to \$110 million, including ongoing fleet maintenance spend, 20 year survey costs for VALARIS-106, and VALARIS-248 and contract specific upgrades for several rigs.

Turning to our financial guidance for full year 2025. We now expect adjusted EBITDA in the range of \$565 million to \$605 million, up from our prior guidance range of \$500 million to \$560 million. This increases the midpoint of our adjusted EBITDA guidance by \$55 million, taking it up to \$585 million, primarily due to our outperformance in the second quarter.

In terms of our guidance for specific line items, we now forecast total revenues of \$2.25 billion to \$2.3 billion, which is fully contracted at the midpoint, contract drilling expense of \$1.57 billion to \$1.6 billion and G&A expense of \$100 million to \$105 million. Our full year 2025 CapEx guidance remains unchanged at \$375 million to \$415 million and we expect approximately \$70 million in upfront customer payments this year, which will help offset contract specific upgrades.

This concludes my review of our financial results and guidance. I'll now hand the call back to Anton for some closing remarks.

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

Thanks, Chris. Before we open the line for questions, I'd like to recap a few key points from today's prepared remarks. First, I'm very proud of the entire Valaris team delivering another quarter of strong operational and financial performance with revenue efficiency of 96%, contributing to meaningful EBITDA and free cash flow for the quarter. Second, we are successfully executing commercially, securing attractive long term contracts for our high specification ocean fleet.

Since reporting first quarter results, we've added more than \$1 billion in new contract backlog, increasing our total backlog to approximately \$4.7 billion. Third, as expected, the pipeline of floater opportunities that we have discussed in recent quarters is converting into contracts and we anticipate additional awards across the industry in the coming months.

Given our high specification fleet, proven operating track record and continued focus on execution cost discipline, Valaris is well-positioned to capitalize on these opportunities and deliver long-term value for our shareholders. We thank our employees for their focus and dedication and our customers and investors for their continued support.

That concludes our prepared remarks. Operator, please open the line for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] At this time we will pause momentarily to assemble our roster. And your first question today will come from Fredrik Stene with Clarkson Securities. Please go ahead.

Fredrik Stene

Analyst, Clarkson Securities AS

Hey, Anton and team, I hope you're all well and congratulations with a very strong quarter, so.

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

Thanks, Fredrik.

Fredrik Stene

Analyst, Clarkson Securities AS

So great, great to see and obviously great to see good string off of drillship contracts coming in as well. And I think that's kind of, you know partially what I want to touch on. And also these contracts are starting in the latter part of 2026 as you mentioned, but you said at one of the developments from the first quarter call until today that you're now actually seeing more activity for -- for shorter term work in the first part of 2026 as well.

So I was wondering if you could, you know share maybe a bit more color on what this could potentially entail for the likes of the DS-10, the DS-15 and the DS-18? What kind of length are we talking about for these short term or potentially short-term contracts? Are there any rigs that are able to, of these three that are able to do any of this work or, you know any -- any additional color you could give in terms of how to think about the first -- first half of next year?

Matthew Lyne

Senior Vice President & Chief Commercial Officer, Valaris Ltd.

A

Sure. Thanks, Fredrik. Matt here. Just, I guess some, some more detailed color. The average duration varies, as you would expect based on whether it's a one well or a couple of wells. Location wise, it's scattered across the Golden Triangle. So -- so you know the, the different rigs that we have whitespace on that could potentially utilize the gapfill, we're well positioned to service them in different locations.

So they, I think the benefit we have obviously with our, with the spec of our fleet is the ability to provide services like MPD on our rigs that that in short term, customers may not be able to fill with other alternatives. So puts us in a strong position. There's still some work to do in a competitive environment.

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

A

Fredrik, I think that you two really important things to focus on here when we talk about that, you know, shorter term opportunities are starting to -- to pop up. The one is that we had a clear strategy and our strategy and contracting our fleet is to bookend the white space and secure our assets on those long-term programs and then to see if there was shorter term gap fill work that that butts up against that because we want to keep costs low while we have extended idle periods.

And the mere fact that, you know we are having discussions across the market that there are these opportunities, you know, increasingly popping up from a very low base, you know, the last couple of quarters is a good sign for us about where the market is going. Now, you know, where those opportunities are and whether we can execute on them and if they make sense for us, you know, remains to be seen, but just the fact that they are developing and are showing up I think is a very good sign for the market.

Fredrik Stene

Analyst, Clarksons Securities AS

Q

And I guess kind of that we'll see, what's the essence of what I was wondering about there, since there is a tradeoff between having some sort of stacking lower cost on the rigs versus having a higher costs and then trying to get that paid for by shorter term contracts, it's not necessarily always the best idea, so.

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

A

I -- I'll be clear, our strategy has not changed. We said we were going to secure the bookend the whitespace, that long term opportunity. And if we're going to add gapfill, that is going to be at the end of the current contract or likely, you know just before in the start up to the next contract.

We are not going to be keeping high operating costs on our rigs during those -- those idle periods and chasing, you know, where we have to ramp up activity on a rig, do a well and then ramp back down again. That is -- that is not good economics. It's -- it's not -- it's not beneficial to the business. And it doesn't lead to good operations. So it doesn't make sense economically. It doesn't make sense operationally.

That's how we view it. If we can find something, you know that well, that starts a couple of months before, you know when we're going to be on one of these long term programs and we can make it work, then that's what we'll be focused on.

Fredrik Stene

Analyst, Clarksons Securities AS

Q

All right. That was exactly what I wanted to hear. Just a quick follow up on the -- on these rigs and the new contracts. Any out of the ordinary type of CapEx that we should be -- that we should think about to prep these rigs for work or nothing out of the regular?

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

A

No. I mean, I think it's fair to say, you know, most contracts have some kind of, you know, Capex requirement. Everybody wants something a little different, but, you know, amongst these contracts that we've signed, I would not characterize anything here as out of the ordinary or exceptional.

Fredrik Stene

Analyst, Clarksons Securities AS

Q

All right. Thank you so much. That's all from me. Have a good day.

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

A

Thanks. Thanks.

Operator: Your next question today will come from Greg Lewis with BTIG. Please go ahead.

Gregory Lewis

Analyst, BTIG LLC

Q

Yeah, hi, thank you and good morning, everybody. And thanks for taking my question. I was hoping for a little bit more color or describe it how you want around those 30 planned potential floater opportunities. And kind of what I've been wondering is, and I think some investors are clearly concerned is, you know, of those 30 planned potential opportunities, any sense for how many of those have kind of just continued to push right?

I mean, there's a couple in West Africa that I think at one point were expected to be done in 2025 with the rigs working and then it shifted to 2026. We're hearing at least one of those is now in 2027. I guess maybe I'll ask it this way. You know, of those 30 planned start dates, you know, maybe how many of them kind of came into the -- into the opportunity set maybe in this calendar year?

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

A

Let me -- let me start with this one and then maybe Matt can add on if he has a comment. When we talk about 30 opportunities, okay, let's -- let's roll back to a year ago, we were -- we were tracking about 30 opportunities and there was clearly a whitespace challenge where everything got -- got, you know, kind of pushed forward by a year. We said that we expected contracts to start getting awarded and accelerate as we go into this year, and we've seen that.

So there are awards happening, but the pipeline still remains about 30 opportunities because it is being replenished or refilled with new work that is coming to market. So this work that we, you know, this is not the same 30 opportunities that we were talking about a year ago. There are awards coming out of the pipeline probably around back end and there's new work coming in on the frontend.

You know what gives us confidence, what we're -- is the discussions we're having with our customers and what we're seeing with them awarding contracts, you know, gives us confidence that -- that these -- that these contracts will continue to be awarded.

Yes, stuff may move around within the windows that they are -- that they are, you know targeting to have a rig start up. And some of these windows can be quite broad, but we are seeing an increasing consistency in our -- in our customers delivering on the programs that that they have been planning for.

Matthew Lyne

Senior Vice President & Chief Commercial Officer, Valaris Ltd.

A

I -- see, the -- the last comment to leave you with as well, while we have seen some delays and I think they're moving less than they had previously, which is more likely timing related to delivery of equipment. So they're narrowing that. We're not seeing them cancelled.

They're -- they're just shifting a little bit, which I think is extremely positive. So we've moved past that if to more of a win. And so I think that's -- that's something really positive takeaway from the whole point.

Gregory Lewis

Analyst, BTIG LLC

Q

Okay. And that's super helpful. Thanks. And then just following up on that is kind of you know you look at the landscape of opportunities out there and then I would be curious on the -- on those kind of shorter term opportunities that that may pop up for a well here or well there.

Any sense that -- any sense in realizing that a long term contract probably includes some exploration and some development? Any kind of sense for the mix between development work and exploration work of kind of the broader -- you know the broader potential contracting opportunities that you're looking out in the market over the next couple of years?

Matthew Lyne

Senior Vice President & Chief Commercial Officer, Valaris Ltd.

A

I think rule of thumb is, you know longer term, traditionally development to put together work streams, options that sit within those are often future exploration on new blocks, planning ahead as customers try to -- to retain some -- some capacity seeing a market tightening in 2027 and 2028 and onward.

So I think and I don't have the statistics off the top of my head with respect to the difference between exploration and development, but we are seeing a growth in exploration. They do have a tendency to be the shorter duration programs because they're multi-country, so.

Gregory Lewis

Analyst, BTIG LLC

Q

Great. Super helpful. Thanks.

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

A

I think what you're hearing is, I think what you're hearing is these -- these shorter term programs have a tendency to be, you know, slot in an exploration well before we go to a development or you know, let's see if we can do some exploration versus the kind of more telegraphed longer term programs which generally tend to be the more development focused. So this -- this opportunistic short term work trends towards exploration more than the -- more than the average.

Operator: And your next question today will come from Eddie Kim with Barclays. Please go ahead.

Edward Kim

Analyst, Barclays Capital, Inc.

Q

Hi. Good morning. So we've seen some pretty nice multi-year contracts here over the past three months from -- from you and one of your peers, but leading edge day rates do seem to have come down now into the low four hundreds versus sort of mid to high four hundreds previously. You noted your expectation for drillship utilization to trough sometime in the first half of 2026, but at the same time provided a very constructive sort of medium term outlook, particularly in West Africa.

So against that backdrop, just -- just curious, your thoughts on the trend of leading edge day rates on some of these upcoming contract announcements? You noted that they'll be -- will be coming off over the next several months. Do you think day rates on those remain kind of in the low four hundreds or even on multi-year programs or could we see some further softening perhaps into the high three hundreds? Any thoughts there would be appreciated.

Matthew Lyne

Senior Vice President & Chief Commercial Officer, Valaris Ltd.

A

Hey Eddie. So -- so I mean, I think the positive aspects we see 7th gen utilizations potentially exiting 2026 in the 90s. That's really positive. And as that -- as that utilization grows or increases, I think you'll see day rates following suit on a similar trend. The pace will be obviously determined by the availability and the number of tenders and the duration with availabilities, but -- but on the -- on the specific point where we're talking about the next round of fixtures that we see to be released.

I mean I wouldn't speculate on where I think some of those day rates are going to be, but you'll probably be in the band where -- where we've been seeing. For us having recently secured contracts all in the fours, I think is indicative of how we feel about the resilience of the market.

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

A

I think, let me just reiterate a couple of things, Matt, that I mean, this is at some measure simple supply demand, economics 101. You know, when -- when utilization tightens, there's more pressure on day rates. And day rates have a tendency to go up. When there is availability in the market there -- there tends to be some pressure on day rates. And we -- we do expect, you know, as we go through -- through 2025 with -- with rigs being released and utilization troughing kind of first half of 2026 there to be, you know, some -- some pressure on -- on -- on floater day rates.

What I can tell you is how we view the market and our high spec fleet. We fixed, you know, three of our four rigs with near-term availability north of 400. We expect 7th gen rigs which have a clear differentiation both in terms of rates historically and you know, kind of 25% and utilization over 6th gen to lead that recovery. And as Matt said, you know, exit 2026 at 90%. And as the market tightens, we expect, you know there to be that commensurate pressure on -- on day rates.

Edward Kim

Analyst, Barclays Capital, Inc.

Q

Great. That's very helpful. Thank you. But my follow up is just on your, your three cold stacked drillships. Obviously, you have two warm stacked rigs currently and in the DS-10 and DS-12, but the DS-10 is future contracted for a long term program. And if you can secure a contract for that DS-12, I mean, essentially we're looking at a scenario where all your drillships are effectively sold out.

So -- so I just wanted to ask for your updated thoughts on -- on when you think one of your cold stacked drillships could -- could be reactivated and actually start working? Could that be sometime in in 2027 or is that more likely in the in 2028 or potentially even later?

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

A

I'm not going to get into speculation or prognostication. What I can tell you is I think we've been very clear what our near-term focus is, and that's the bookend the whitespace on our attractive fleet that we have active right now. We've done three out of four. We're very focused on the DS-12 with the remaining.

We have good opportunities for it in 2026 and we expect the market to tighten. And in a market that's tightening going forward in the next couple of years, having the three most attractive 7th gen, two BOP rigs sitting on the sidelines is going to be a great option for us to bring to market, but we will be patient. We're focused on -- on the near-term and we will bring those rigs to market when -- when the market is ready for them.

Edward Kim

Analyst, Barclays Capital, Inc.

Q

Great. Thanks, Anton. I'll turn it back.

Operator: And your next question today will come from Doug Becker with Capital One. Please go ahead.

Douglas L. Becker

Analyst, Capital One Securities, Inc.

Q

Thank you. Anton and Matt, I wanted to get some sense for the expected timing of announcements related to Buzios and Mero and just any color on how many rigs or expected duration that might come from a third Petrobras tender this year?

Matthew Lyne

Senior Vice President & Chief Commercial Officer, Valaris Ltd.

A

So positive that we see Petrobras back in the market. I think, you know, the view amongst us and our peers and the analysts remains that Petrobras will keep their, their fleet largely flat out through the end of the decade. So I think that kind of gives you an idea of their tendering schedule to pick up existing rigs and keep their -- keep their

fleet working. So each one of their tenders, the way they sort of put them out there is that they will take at least one. And then it comes down to sort of our intel.

Our view, you know, it's likely to be more than one for the current tender, which is Buzios is under evaluation, but nothing is public. Could be three, could be four, but positive on the on the outlook of number of rigs they intend to contract. The follow-on one could be very similar but of course you know it starts with one but -- but depends on where rigs come in and against their budget but for the third tender still -- still a bit of information to be captured on that one, but as I said earlier, it's positive that we -- that we hear that there's already talk about a third opportunity entering the market.

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

A

I think what's -- what's important to -- to view is that Petrobras is a really important part. Petrobras demand for high spec and for ships is an important part of the overall floater demand. And the fact that Petrobras, you know, whether they take it in the Mero tender or the Tupi tender is going to -- there's going to be an opportunity for the rigs that are operating in Brazil for Petrobras to be rolled over.

They're going to keep the rig count flat. And we'll -- what's interesting in Brazil to -- to add to that is, is what's happening with the IOCs. You know, we've already seen Equinor doing their program, Shell now looking at that Gato do Mato and there is, you know, quite a bit of exploration work going on from other IOCs. So beyond, you know, with a solid rig count from -- from Petrobras, which is important for the market plus, you know, some -- some fines and some increased activity for -- for IOCs, as you can see, you know, a very productive market in Brazil next few years.

Douglas L. Becker

Analyst, Capital One Securities, Inc.

Q

Then switching gears, just are there any other steps on the dual activity arbitration that benefited the second quarter or is it finally put to rest?

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

A

Well, you know, the details of it, there -- there is a right to appeal, either party has the right to appeal an arbitration, but what I will say, you know, there's -- there's a pretty high bar on -- on that appeal. It's for kind of procedural matters. You can't just appeal to a court based on kind of the facts and circumstances and that -- and the legal finding of the arbitration panel. So we're obviously very happy with the -- the outcome of that favorable outcome for us. And, you know, we'll just have to see how it plays out.

Douglas L. Becker

Analyst, Capital One Securities, Inc.

Q

Got it. Thank you.

Operator: And your next question today will come from Josh Jayne with Daniel Energy Partners. Please go ahead.

Josh Jayne

Analyst, Daniel Energy Partners

Q

Thanks. Good morning. I don't want to ask too short term of a question, but it was pretty busy second quarter from a macro standpoint, just with Liberation Day and then a number of macro events that yielded a lot of volatility in oil prices. So maybe you could just speak to customer mindset today. And if your customer base is generally more comfortable with the environment today than they were, let's say, in late March, maybe some color would be helpful?

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

A

Absolutely. I mean, I don't think they lost confidence. And what's important, if you look at the macro here, is, one, the absolute, you know, demand for -- for offshore, you know. These are all about large resource basis, you know, highly economic. I think we cited the stat from Rystad. You know, if you look at what's expected to be FIDed or sanctioned over the next couple years, you know, more, three quarters of that is below \$50 a barrel.

And, you know, if you'd asked me, you know, kind of six months ago, when you see what OPEC+ adding 400,000 barrels a month back to the market, plus kind of some geopolitical and tariff uncertainty, whether, you know, oil would still be trading in, you know, in the -- in the mid-60s.

You know, I think a lot of people would have doubted that. So our customers feel really good about, you know, they're contracting rigs. They're going ahead with their developments, they see the resources as being needed. So, you know, we definitely see a more positive outlook from our customers about going ahead with programs than we did, let's call it six months ago.

Josh Jayne

Analyst, Daniel Energy Partners

Q

That's helpful. Thanks. And then just on the jackup side, and you guys have obviously a lot better insight into Saudi than most. Could you just update us on your thoughts on how you believe their rig count progresses over the next couple of years, I think would be helpful.

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

A

I think right now, Saudi sitting with the rig count in the mid-50s, you know, they're marginally above where they were before they started, you know, the ramp up in 2022, 2023. So it's kind of ramped up and kind of back down to basically the same level. I mean, they're always going to be, you know, changes in what customers -- any customer around the world needs as far as their rig fleet, but as far as we're concerned, and -- and ARO, you know, we did the extensions last quarter.

So, you know, our fleet is -- it's contracted from the Valaris side through -- through mostly the end of the decade with one rig rolling in 2027. So we feel, you know really good about our position in Saudi.

Josh Jayne

Analyst, Daniel Energy Partners

Q

And then maybe just to sneak one more in, if I may, since we're towards the end, could you just highlight your thoughts on the buyback moving forward, just given that the free cash flow continues to be strong for the company and Chris highlighted the \$900 million of liquidity that you have available.

So I'm just curious your thoughts on it moving forward. Is this something where you look at the environment and think, you know, we're told maybe things turn around after one-half 2026 or just how you're thinking about it moving forward over the next 12 months to 24 months given your liquidity position? Thanks.

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

A

I'll let Chris start with that one and see if I have, you know maybe cover after.

Christopher T. Weber

Chief Financial Officer & Senior Vice President, Valaris Ltd.

A

Yeah. No, like, I mean, we remain committed to returning capital to shareholders. You know, what we said before is may not be a linear line and, you know, we're going you see how this year progresses and what flexibility that provides from return of capital perspectives, but, you know obviously we've had strong operational financial performance this year.

You know, Matt and team are making great progress on the commercial front and the V247 rig sale is expected to close later this year. That'll provide sale proceeds for over \$100 million. And you know, in particular with that -- with that rig sale and those proceeds coming in, you know, that will increase our flexibility for returning capital to shareholders.

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

A

Yeah, I'll just reiterate what Chris said. I mean, we've been pretty clear about our capital return philosophy. Second, that it may not necessarily be -- be linear, but the business is executing extremely well and it gives us good opportunities going forward to return capital.

Josh Jayne

Analyst, Daniel Energy Partners

Q

Thanks. I'll turn it back.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Nick Georgas for any closing remarks.

Nick Georgas

Vice President - Treasurer & Investor Relations, Valaris Ltd.

Yes, thanks Nick, and thank you to everyone on today's call for your interest in Valaris. We look forward to speaking with you again when we report our third quarter 2025 results. Have a great rest of your day.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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