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Valaris Ltd. (VAL)

Q3 2025 Earnings Call

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Edward Kim

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, everyone, and welcome to the Valaris Third Quarter 2025 Results Conference Call. All participants will be in a listen-only mode. [Operator Instructions] Please also note today's event is being recorded.

At this time, I would like to turn the conference call over to Nick Georgas, President, Treasurer and Investor Relations. Please go ahead.

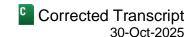
Nick Georgas

Treasurer & Vice President-Investor Relations, Valaris Ltd.

Welcome, everyone to the Valaris third 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 will 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 to everyone. I'll begin today's call with a summary of our third quarter performance and highlight our recent commercial achievements. I'll then provide an update on the offshore drilling market before discussing how our continued focus on operational excellence, commercial execution and disciplined cost and fleet management is driving long-term value for shareholders.

I'll then turn the call over to Matt, who'll provide additional detail on our contracting activity and the broader floater and jackup markets. After that, Chris will walk through our financial results and guidance, and I'll finish with a few closing remarks.

To begin, I want to highlight a few key points. First, I want to thank the entire Valaris team for continuing to deliver safe and efficient operations. This solid operational performance contributed to another strong quarter of financial results with meaningful EBITDA and free cash flow generation.

Second, we continue to execute our commercial strategy, having recently secured an attractive contract for VALARIS DS-12 with BP offshore Egypt. With this award, all four of our drillships with near-term availability are now contracted for work beginning next year. Third, despite near-term commodity price uncertainty, demand for offshore drilling services is developing as we expected. We continue to see a robust pipeline of deepwater opportunities for our high specification fleet, and we're in advanced customer discussions for our drillships scheduled to complete contracts in the second half of 2026.

In summary, we remain focused on delivering outstanding operational performance, executing on our commercial strategy and prudently managing our costs and fleet. By staying disciplined and focused on these priorities, Valaris is well-positioned to deliver long-term value for our shareholders.

Moving to operations, delivering safe and efficient operations is always our top priority. It protects our people, strengthens relationships with our customers, and serves as the foundation for everything we do. Our teams once again delivered solid operational performance, achieving fleet-wide revenue efficiency of 95% in the third quarter. This execution helped deliver another quarter of strong financial results, including adjusted EBITDA of \$163 million and adjusted free cash flow of \$237 million. In addition, we repurchased \$75 million of shares during the quarter, demonstrating our commitment to returning capital to shareholders.

Several rigs reached notable safety milestones during the quarter. VALARIS Stavanger marked an impressive four years recordable free, a remarkable achievement that reflects the crew's commitment to safety and the strength of their leadership. In addition, seven other rigs floaters VALARIS DS-12, VALARIS DS-18 and DPS-1 along with jackups VALARIS 92, VALARIS 123, VALARIS 247 and VALARIS 249 each achieved one year recordable free. Congratulations to all involved on these outstanding results.

We were also proud to be recognized by the Center for Offshore Safety for the third consecutive year. Most recently for our Video after Action Review Initiative, reflecting both the strength of our safety culture and our commitment to continuous improvement through innovation.

We continue to execute our commercial strategy. This is supported by our solid operational performance, since many of our recent contract awards have come from existing customers, reflecting the strength of our relationships and the confidence they place in us to deliver safe and efficient operations. A great example is our



recent contract for VALARIS DS-12, which will return to Egypt with BP building on our previous campaign that included drilling the successful El King-2 and El Fayoum-5 exploration wells earlier this year.

Egypt continues to make meaningful progress in attracting investment from IOCs, with several majors awarded offshore acreage in a licensing round earlier this year. Valaris has a long and successful history operating offshore Egypt, spanning roughly two decades of drilling programs, including seven years for BP. We're excited about this upcoming campaign and the prospect for continued activity offshore Egypt in the years ahead.

At the start of the year, we outlined our commercial focus on securing attractive contracts to bookend the whitespace for our drillships with near-term availability. And we have accomplished this objective as these four rigs are now contracted for work beginning next year. This is a fantastic achievement by our commercial team and everyone across the organization who played a role in making it happen.

Turning now to the broader macro environment and the offshore drilling market. The long-term outlook for our industry is becoming increasingly constructive. There is a growing consensus that today's near-term oil supply surplus will give way to a structurally tighter market leader in the decade as a result of historic underinvestment and slowing non-OPEC production growth. Our customers continue to emphasize the need for sustained investment in oil and gas, particularly in offshore developments that provide secure, reliable and affordable energy supply.

The IEA recently highlighted that nearly 90% of global upstream spending is required just to offset natural field declines, underscoring how much investment is needed to simply maintain existing production. Without continued investment, the IEA estimates global oil production would fall by 8% per year on average over the next decade, equivalent to losing more than the annual output of Brazil and Norway each year over the same timeframe.

Demand for offshore drilling continues to unfold, as we expected, with customers increasingly looking to offshore projects, particularly deepwater, which offers large accessible resource potential, compelling project economics and comparatively lower carbon emissions to meet future energy needs.

Even with some near-term commodity price uncertainty, customers are moving forward with long cycle offshore developments, and we anticipate meaningful growth in deepwater project sanctioning over the next few years as customers pursue greenfield and brownfield developments, as well as exploration. Importantly, most of these projects are expected to be economically viable well below current oil prices. According to Rystad, approximately 70% of deepwater spending expected to be sanctioned over 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 reinforces our expectation that the floater opportunities we've been tracking will continue converting to contracts. And based on our ongoing conversations with customers, we anticipate additional awards for Valaris and the broader industry in the coming months.

We continue to expect that utilization for the global drillship fleet will trough late this year or early next year before improving in the second half of 2026 as rigs begin new contracts. And we anticipate seventh generation drillships will exit 2026 with utilization levels around 90%. Customers continue to prefer the most technically capable and efficient assets, which aligns well with our high specification drillship fleet with 12 of our 13 ships being seventh generation units, the highest concentration in the industry. Seventh generation drillships have historically enjoyed a utilization and day rate advantage, and we expect this trend will continue. We have strategically positioned our assets with customers in basins where we see sustained long-term demand, and we believe that this targeted commercial approach will allow us to maintain more consistent utilization over time.



Turning to jackups, shallow water demand remains robust, with global utilization around 90%, driven primarily by national oil companies focused on energy security and infrastructure development. Recently, Saudi Aramco has issued notices calling back several suspended rigs to resume operations next year, which we expect will further support the supply and demand balance of the global jackup fleet.

Our versatile jackup fleet continues to be a significant and reliable driver of earnings, with EBITDA from the segment increasing year-over-year, driven by more operating days and higher average day rates. This reflects our strategic focus on markets, where we hold strong positions such as our market-leading position in the North Sea, in Saudi Arabia through our rigs leased to ARO and in niche markets that require high specification assets like Trinidad and Australia.

Turning to our broader fleet management strategy. We remain focused on maintaining our high quality and efficient asset base while prudently managing our costs and fleet. This includes tightly managing expenses between contracts, selling assets when we can achieve attractive prices and retiring rigs when their expected future economic benefit no longer justifies their associated costs. This focus was recently demonstrated by the highly accretive sale of 27-year-old jackup VALARIS 247, which we closed during the quarter for \$108 million in cash. Consistent with our disciplined approach to cost management following completion of their current programs, we plan to mobilize VALARIS MS-1 and DPS-1 to Malaysia, where we will quickly reduce costs by warm stacking both rigs while we evaluate future opportunities.

Before handing over to Matt, I'd like to briefly recap a few key points about the market and our strategy. Our customers continue to highlight the need for ongoing investment in oil and gas, particularly in offshore developments that offer secure, reliable and affordable energy supply. Demand for offshore drilling is developing as we expected, and customers are increasingly turning to offshore projects to support future energy demand.

We're well-positioned to continue executing our commercial strategy by securing attractive floater contracts supported by our global scale and high spec fleet. We're in advanced discussions with customers regarding opportunities for rigs scheduled to complete contracts in the second half of 2026, and we will continue to pursue gapfill programs in the first half of next year. Against this positive backdrop, we remain focused on three strategic priorities: delivering outstanding operational performance, executing our commercial strategy, and prudently managing our costs and fleet. By staying disciplined and focused on these priorities, Valaris is well-positioned to deliver long-term value for shareholders.

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

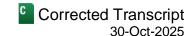
Matthew Lyne

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 contract awards before providing updates on the major floater and jackup markets where we operate.

Since our second quarter call, we've secured new contracts and extensions, adding nearly \$200 million to our contract backlog. And we are in advanced customer discussions on several contract opportunities for both drillships and jackups that we expect to conclude before year end.

Starting with drillships, year-to-date, we've added approximately \$1.4 billion of backlog for our drillship fleet, representing nine years of total contract duration. Most recently, we've secured a five well contract for VALARIS DS-12 with BP offshore Egypt. The contract is expected to commence in mid second guarter 2026 with an



estimated duration of 350 days and a total contract value of approximately \$140 million. The contract also includes three option wells, which could extend the program to more than two years in total duration.

Turning to jackups. We have secured more than 500 days of additional work in the North Sea, including contract extensions for the Valaris Norway, VALARIS 121 and VALARIS 122, as well as a four-month program for the VALARIS 248, which helps bridge most of the gap between the SPS and the start of the next program in 2026. Fleet wide, we've added over \$2.2 billion in contracted revenue backlog year to date, significantly enhancing our contract coverage for 2026 and beyond, and current total backlog stands at \$4.5 billion.

Turning now to the major floater and jackup regions where we operate. Consistent with last quarter, we are tracking more than 30 longer term floater opportunities with planned start dates in 2026 and 2027, each with durations of a year or more. We continue to see programs we are tracking progress through the commercial process, with long-term contracts typically awarded at least nine months before their planned commencement. We expect to see further awards both for Valaris and our peers before year end.

Offshore Africa, including West Africa, East Africa and the Mediterranean, remains the most active region for future floater demand, representing roughly half of the long-term opportunities in our pipeline.

Starting with Egypt, the country is experiencing declining output from mature fields and views new offshore exploration and development as key to satisfy growing domestic demand. The government has made meaningful progress attracting IOC investment, with several majors awarded offshore blocks in a licensing round earlier this year. And we look forward to continuing our long history of operations offshore Egypt in the years ahead.

Elsewhere in the Mediterranean, Cyprus is a potential bright spot with exploration and development programs anticipated in 2026 and 2027. Angola is facing a similar situation to Egypt, with production from mature fields declining, resulting in total production recently dropping below 1 million barrels per day for only the second time this decade.

The Angolan government is focused on stabilizing production above this level by incentivizing both new exploration and brownfield development. We currently have the VALARIS DS-7 and VALARIS DS-9 working offshore Angola with the VALARIS DS-7 currently drilling an exploration well in block 47 for Azule. Both rigs have delivered strong operational performance, positioning them well for follow on work when their current contracts expire in the second half of 2026.

Elsewhere in West Africa, we expect to see growth offshore Nigeria with two multi-year programs with IOCs presently in the tendering phase, one of which is expected to be awarded soon. Offshore Ivory Coast, ENI has issued a request for information for a long-term development program at the Baleine Field that is expected to commence in 2027. Similarly, we anticipate incremental demand from Namibia, where TotalEnergies is expected to tender soon for a long-term development for its Venus project, potentially leading to several years of work for multiple rigs. Other operators are advancing plans for further exploration and potential development programs that could begin within the next couple of years.

In Mozambique, ENI recently reached FID on its Coral North project and is tendering for a drillship to start work in the second half of 2026. Additional tenders for program starting in 2027 with TotalEnergies and Exxon are expected in the coming months. Valaris has a long and successful track record offshore Africa and we expect development activity around the continent will be the main driver of incremental floater demand over the next few years. With five of our high specification drillships now contracted around the continent, we are well-positioned to benefit from this growth.



Moving to Brazil, we continue to expect that Petrobras' rig count remains stable. Petrobras also recently received an environmental license to drill an exploration well in the equatorial margin, an important step toward potential future development activity in this region, which lies adjacent to the prolific offshore basins of Guyana and Suriname.

Beyond Petrobras, we also see opportunities with IOCs in Brazil, including Shell's Orca project, formerly known as Gato do Mato, which is nearing award. In addition, we expect that BP's Bumerangue discovery, which was drilled by VALARIS DS-15, will lead to future appraisal and development activity. Overall, we continue to see solid floater demand offshore Brazil and expect it remains the largest market for deepwater rigs.

In the US Gulf, customer demand remains healthy, with several term extensions announced by our peers following the long-term Oxy contracts for VALARIS DS-16 and VALARIS DS-18 that we announced in July. We were pleased to have secured these contracts as they provided five years of backlog, solidified our presence in the region, and deepened our relationship with Oxy, who is a major leaseholder in the US Gulf. We expect this market to remain fairly balanced, with demand largely met by the existing supply of the rigs in the region.

Outside of the Golden Triangle, we are tracking requirements for seven drillships offshore India, Southeast Asia and Australia, representing more than 10 years of firm demand. This activity could draw additional supply away from the Golden Triangle as recently occurred, with a drillship mobilizing to Indonesia after completing work offshore West Africa.

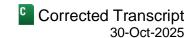
VALARIS MS-1 and VALARIS DPS-1 are scheduled to complete contracts offshore Australia during the fourth quarter. We currently see no new work for these rigs in 2026 but continue to have discussions about potential opportunities in 2027 and beyond. In line with our disciplined fleet management approach, we plan to mobilize both rigs to Malaysia to be warm stacked while we evaluate these opportunities.

Turning to jackups. Current global marketed utilization remains steady at around 90%. We have a strong and focused presence in strategic, shallow water markets. This has helped us to achieve industry-leading contract coverage on our jackup fleet, with nearly 80% of available days of our active rigs contracted for 2026 and more than 60% contracted for 2027. In benign environments, we have open availability in 2026 for just two rigs: VALARIS 106 in Indonesia and VALARIS 107 in Australia. We are in advanced customer discussions for both rigs and expect to secure additional work soon.

In the North Sea, recent awards have enhanced our contract coverage. We now have availability on just two of our jackups in the region during the first half of next year, and we are tracking a number of short-term opportunities that line up well with our limited availability during this time.

Looking further ahead, we anticipate demand improves across the region in the second half of 2026 and into 2027. In the UK, we see a range of opportunities that include gas drilling, plug and abandonment work, new energy and infrastructure projects. And we anticipate supply will largely meet demand. We expect activity in the Dutch sector will remain steady, keeping four rigs busy. And we see opportunities in Denmark for up to two rigs during 2026 representing an uptick in activity given no rigs are currently operating there.

Our strong operational track record and longstanding customer relationships have supported our best-in-class utilization in the region over the past few years and we continue to see multiple opportunities well-suited for our rigs with availability in 2026.



In summary, we are successfully executing our commercial strategy, having secured more than \$2.2 billion in new backlog so far this year. We continue to engage constructively with customers on future programs and our focus remains on building backlog through attractive contracts that will further strengthen our earnings and cash flow.

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

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Christopher T. Weber

Senior Vice President & Chief Financial Officer, Valaris Ltd.

Thanks, Matt, and good morning and afternoon, everyone. In my prepared remarks today, I'll begin with an overview of our third quarter results followed by our outlook for the fourth quarter.

Starting with our third quarter results, total revenues were \$596 million compared to \$615 million in the prior quarter, primarily due to fewer operating days for a floater fleet as drillships VALARIS DS-15 and VALARIS DS-18 completed contracts midway through the third quarter without immediate follow-on work. In addition, jackup VALARIS 247 completed its contract in late July and was sold in August. These items are partially offset by more operating days for several rigs in the jackup fleet.

Adjusted EBITDA was \$163 million compared to \$201 million in the prior quarter. The decrease was primarily due to fewer operating days for our floater fleet and the \$24 million non-recurring benefit we recognized in the second quarter from a previously disclosed favorable arbitration outcome. Third quarter adjusted EBITDA exceeded our guidance range of a \$120 million to \$140 million, primarily due to certain contracts running longer than previously anticipated, higher revenues from ARO leased rigs and lower support costs. Third quarter CapEx totaled \$70 million coming in below guidance due to timing as certain project spend has shifted to the fourth quarter.

During the quarter we generated \$198 million of cash flow from operations and received just over \$100 million in net proceeds from the sale of VALARIS 247. After deducting capital expenditures, this resulted in \$237 million of adjusted free cash flow. We repurchased \$75 million of shares in the third quarter at an average price of \$49 per share. We ended the quarter with \$676 million of cash and cash equivalents.

Moving now to our fourth quarter outlook. We expect total revenues in the range of \$495 million to \$515 million, down from \$596 million in the third quarter. The anticipated decrease is primarily due to fewer operating days across the fleet. Within our floater fleet, drillships, VALARIS DS-15 and VALARIS DS-18 are currently idle after completing contracts during the third quarter. And semisubmersibles, VALARIS DPS-1 and VALARIS MS-1 are both expected to complete contracts offshore Australia before year end.

For our jackup fleet, VALARIS 247 was sold during the third quarter and VALARIS 120 and VALARIS 248 are expected to have fewer operating days due to a mobilization between jobs for VALARIS 120 and out-of-service time for VALARIS 248 SPS. We also expect lower revenues from ARO leased rigs as VALARIS 116 and VALARIS 250 begin shipyard projects. We expect contract drilling expense of \$390 million to \$405 million compared to \$406 million in the third quarter. The decrease is primarily due to cost reduction on rigs that have completed contracts without immediate follow-on work.

Both revenue and contract drilling expense in the fourth quarter are expected to include \$25 million to \$30 million of reimbursable items. We anticipate G&A expense will be approximately \$27 million in line with the prior quarter as we continue to prudently manage our cost structure. Fourth quarter adjusted EBITDA is expected to be \$70 million to \$90 million.



Finally, we expect CapEx of a \$145 million to \$165 million, which is higher than prior quarters due to certain project spend shifting from earlier in the year. The midpoint of our fourth quarter guidance implies expected full year adjusted EBITDA of approximately \$625 million, which is roughly \$40 million above the midpoint of guidance we provided on our second quarter call. This increase is primarily due to our outperformance in the third quarter as well as an expected improvement in our fourth quarter outlook, mostly driven by more operating days for the jackup fleet. The midpoint of our fourth quarter CapEx guidance implies expected full year CapEx of approximately \$390 million, roughly in line with the midpoint of our prior guidance. As a reminder, we expect to receive approximately \$70 million in upfront payments from customers this year to reimburse certain 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 want to reiterate my appreciation to the entire Valaris team for continuing to deliver safe and efficient operations, which contributed to another strong quarter of financial results with meaningful EBITDA and free cash flow generation.

Second, we continue to execute our commercial strategy and as a result, all four of our drillships with near-term availability are now contracted for work beginning next year.

Third, demand for offshore drilling services is developing as we expected. We continue to see a robust pipeline of deepwater opportunities for our high specification fleet, and we're in advanced customer discussions for our drillships scheduled to complete contracts in the second half of 2026.

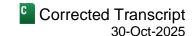
In summary, we continue to focus on delivering outstanding operational performance, executing our commercial strategy and prudently managing our costs and fleet. By staying disciplined and focused on these priorities, Valaris is well-positioned to deliver long-term value for shareholders.

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: Ladies and gentlemen, we'll now begin the question-and-answer session. [Operator Instructions] And our first question today comes from Scott Gruber from Citigroup. Please go ahead with your question. Scott A. Gruber Analyst, Citigroup Global Markets, Inc. Yes, good morning. Anton Dibowitz President, Chief Executive Officer & Director, Valaris Ltd. Good morning, Scott. Scott A. Gruber Analyst, Citigroup Global Markets, Inc. Good morning. So good to see the repurchases this quarter. I'm curious about your appetite moving forward, looking at consensus, there isn't a forecast for much free cash next year as we transition to better times. We do have \$660 million of cash on the balance sheet. Can you speak to an appetite to use that cash, to buyback additional shares now ahead of the potential recovery in late 2026 and 2027? Christopher T. Weber Senior Vice President & Chief Financial Officer, Valaris Ltd. Yes. Scott, this is Chris. One, we remain committed to returning capital to shareholders. We executed the \$75 million of repurchases in the quarter. Excited about that, reflects our confidence in the market and the outlook, but we've always said that our repurchases aren't necessarily to be linear, not in a straight line and we're going to be opportunistic, and that's what you saw this quarter. You know, as we move forward, we'll see how the year progresses, the flexibility that provides for additional share repurchases but you know, excited what we were able to execute this quarter. Scott A. Gruber Analyst, Citigroup Global Markets, Inc. What's your level of cash that you need to run the business? What's kind of a minimum cash balance for working capital purposes? Christopher T. Weber Senior Vice President & Chief Financial Officer, Valaris Ltd. Yeah. I mean, from a minimum cash perspective, I would say around \$200 million to run the business. And where we hold cash in excess of that is just really with regards to kind of what are we seeing in the market. You know, what's the cash flow profile of our business going forward and those sort of things. Scott A. Gruber Analyst, Citigroup Global Markets, Inc. Great. I could sneak one more in. There's been a discussion around a renewed appetite for exploration at various

conference calls this quarter. Just wondering in your perspective, in your conversations with customers, is there a



tangible desire to increase exploration activity here in the years ahead of those conversations materials? Is it kind of a side conversation at this point?

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

This is Anton. I'll take it. Look, there's always some exploration going on, you know, even in a lot of development programs that we've been drilling historically, customer was locked in an exploration well here or there, but, you know, we do see an increase in exploration discussions and that's based on necessity. The consensus is that we're going to need additional developments in order to meet the world's energy needs as we head towards the end of the decade, and in order to get those developments, our customers need to explore. So I think it's a simple cause and effect. I think it's great for the market that there is additional exploration or increase in exploration activity expected from the various prognosticators in the market, also from the discussions we're having with our customers. And I think it portends well for where the market's going.

Scott A. Gruber

Analyst, Citigroup Global Markets, Inc.

That's great. Appreciate the color, Anton. I'll turn it back.

Operator: Our next question comes from Greg Lewis from BTIG. Please go ahead with your question.

Gregory Lewis

Analyst, BTIG LLC

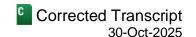
Yeah, hi. Thank you. And good morning, everybody. And thanks for taking my question. Anton, I was hoping you could elaborate maybe a little bit more on Scott's question about shareholder returns. You know, we saw that the sale of the rig that was an obviously nice profit. Cash flow was pretty good, or really good. Is there any kind of way to think about, you know, you're going to have opportunities to sell rigs, some of the non-core rigs in the future? You know, balance sheets are obviously strong. Is that kind of a mech – should we think about asset sales as a mechanism to drive some of this return of cash to shareholders? Or is it, you know, going to be more focused on the operations of the business, or maybe a little bit of both?

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

Look, I'd start. It's going to be focused on the operations of the business. I mean, I want to first take a step back and say we are committed to returning our free cash flow, sustained free cash flow to shareholders unless there's clearly a better or more accretive use for it. I think we've demonstrated that. You know, part of cost and discipline and fleet management comes to when there are opportunities like we had with the VALARIS 247, a 27-year-old rig, and we can get up, you know, a highly attractive price for it, it makes sense for us to divest that asset. And that obviously increases our financial flexibility.

But at its base, our capital return needs to be driven by delivering operational cash flow. We're all working through this whitespace period. So, you know, Chris was asked the question before, when we understand and have these rigs and we fully expect that our 10 active ships will be all working exiting 2026 under contract that will again underwrite our ability and flexibility as far as it comes to capital return. So in summary, let me take a step back and just summarize. You know, it needs to be driven by operational delivery of operations and sustained earnings and, you know, the ability to sell assets when there are attractive opportunity is just opportunistic over and above that.



Gregory Lewis

Analyst, BTIG LLC

Okay, great. And then the other question I had was around, you know, some of the recent term deals you did that have that MPD additional services, kind of curious, it seems like the market ebbs and flows between, you know, MPD being built into the price versus MPD being kind of like a menu item.

In the event that it's a menu item, is there any way to kind of knowing that, you know, every well is different, every customer is different? Is there any kind of rough estimate how we should be thinking about how much of the time maybe if there is MPD as an add on service and how much of the time should we be thinking about that service being used?

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

It's very – I'd love to give you an easy answer, but it is very, very customer dependent. It depends what sort of drilling they're doing. So it is, you know, contract specific, you know, well specific, it is a development. So it's hard to – Matt, I don't know if you want to...

Matthew Lyne

Senior Vice President & Chief Commercial Officer, Valaris Ltd.

Yeah, I think Anton hit the nail on the head that each customer is so different. So there's no large rule. But I think you can assume if you're just running general analysis somewhere between 40% to 50% utilization.

Gregory Lewis

Analyst, BTIG LLC

Perfect. Super helpful. Thank you very much.

Operator: Our next question comes from Eddie Kim from Barclays. Please go ahead with your question.

Edward Kim

Analyst, Barclays Capital, Inc.

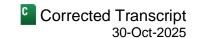
Hi. Good morning. Just a bigger picture question here. You reiterated your expectation for 7th gen drillships exiting 2026 at utilization around 90%. At the same time, we have seen a few day rates below 400,000 a day that the VALARIS DS-12 included in that though I know that Egypt is the lower OpEx environment for you guys, but some investor concern around maybe some more day rate prints below 400,000.

First, do you think those are coming? And second, how is that impacting your view on activity inflection higher in the back part of next year? It seems that it isn't, but I just wanted to get your thoughts and your confidence level around that.

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

Okay. A few questions in there. I think this is how I'd describe it. We believe the market is playing out as we expected. I think that day rates for high spec ships have largely troughed in the high 300s, kind of low to mid-400 range. As an industry, we're walking through a period of whitespace and then there are a number of tenders that are in progress right now, and you'll probably see some additional prints, contract awards in that range as those contracts work through the tender process. But we continue to expect that utilization will trough towards the end of



this year, early next year and then a recovery beyond that exiting as an industry, you know, high spec ships at or above 90% at the end of 2026, and inevitably day rates follow utilization. But, you know, for now, I think day rates have dropped as we see it for the cycle in the kind of high 300, low to mid-400 range.

Edward Kim

Analyst, Barclays Capital, Inc.

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Great. Great. Thanks for that. My follow up is just on your rigs coming off contract next year, you have absorbed a lot of whitespace with your recent contract award, but the VALARIS DS-9 and VALARIS DS-7 far off contract midto-late next year both in Angola and based on your constructive outlook in Angola and West Africa in general, it feels like, it's likely that those could get extended without any idle time between contracts. Just any thoughts there?

And then separately, VALARIS DS-15, VALARIS DS-18 have long-term contracts starting end of next year, but are idle today. What's the likelihood that you'll be able to secure some short-term gapfill work for those before long-term contracts commence? Thank you.

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

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Matt, you want to start on the gapfill, and then I'll come across as how we view the...

Matthew Lyne

Senior Vice President & Chief Commercial Officer, Valaris Ltd.



Sure. I mean, I think – well, first off, Angola. On the – Angola on the 9 and the 7, as I mentioned in my prepared remarks, you're seeing a decrease in production. So I think the government is working closely with the IOC to incentivize drilling. So I think your read is right that we see positive discussions regarding the future contracting opportunities for those rigs and equally they have performed extremely well which just further benefits the likelihood that they'll have strong potential for extensions.

From a gapfill perspective, you know we've done a great job of bookending the near-term availability on our assets. And while there are some short-term opportunities available in the market, probably not enough to fill all the rigs that have white space right now, but we continue to chase work that fits the longer term opportunities that we've secured.

Anton Dibowitz



President, Chief Executive Officer & Director, Valaris Ltd.

I think Matt covered it well. You know, our expectation is that high spec rigs will exit 2026, you know, 90% plus utilization. Our team has done a fantastic job of delivering our commercial strategy to date, and I expect them to continue to do that. No pressure, Matt, but we expect that all 10 of our active drillships will exit 2026 on contract and working.

Edward Kim

Analyst, Barclays Capital, Inc.

Great. Great to hear. Thank you both. I'll turn it back.

Operator: Our next question comes from Doug Becker from Capital One. Please go ahead with your question.

Douglas L. Becker

Analyst, Capital One Securities, Inc.

Thank you. Valaris has a couple of rigs with Petrobras in Brazil, I want to get a sense for the focus of recent discussions with them to help reduce cost?

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

Matt, do you want to...

Matthew Lyne

Senior Vice President & Chief Commercial Officer, Valaris Ltd.

Sure. I mean, I think it's been widely reported that Petrobras are looking across their entire value supply chain for potential savings in 2026. So while it's early days in discussions amongst all of their services, we've seen these discussions materialize before. So I think what's important is recognizing that they want to maintain their production targets, which means they are likely to maintain a fleet of similar size over the long term, which is positive for us. And so while constructive discussions continue, it's too soon to kind of discuss the specifics around it.

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

I think Matt said it really well. We expect Petrobras' rig fleet to remain stable. They have clear goals on what their production and that's going to mean they need to maintain a significant and the most significant drillship fleet in the world. And the discussions are very early days and very, very constructive. So we'll just have to see how it plays out across the industry.

Douglas L. Becker

Analyst, Capital One Securities, Inc.

Definitely sounds encouraging. Maybe switching to Saudi Arabia. You mentioned Aramco has issued notices calling back several suspended rigs. It sounds like there's also been a recent tender. Do you think Saudi Arabia is a source of incremental demand, incremental work for Valaris next year?

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

Really positive to see Saudi Aramco reactivating and calling back suspended rigs. So I think, you know, when you look at a global utilization, the jackup market hovering around 90%, it just adds further benefit to that market. So we see that as a really positive data point. On incremental demand, there is potential for that. And with some idle capacity sitting over in the Middle East, we continue to monitor that closely together with our joint venture, which operates in Saudi Arabia.

Douglas L. Becker

Analyst, Capital One Securities, Inc.

Thank you.

Operator: And our next question comes from Josh Jayne from Daniel Energy Partners. Please go ahead with your question.

Josh Jayne

Analyst, Daniel Energy Partners

Thanks. Good morning. Those in the market generally seem in unison with respect to a recovery in deepwater in the second half of 2026, and I think the recent contract announcements largely support that, maybe you could just talk a bit more about where geographically do you have the most confidence that rig counts will hold or increase, and which regions do you see as having potential risk for an uncertain crude environment?

Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

Matt, do you want to give Josh [ph] anything there (00:52:29)?

Matthew Lyne

Senior Vice President & Chief Commercial Officer, Valaris Ltd.

Sure. I mean, we've touched a few of these and some of the answers already given in the prepared remarks. But I think we largely see South America, Brazil, holding flat, maintaining their fleet size, which is also the largest floater market. So that's a very positive sign.

Incremental demand in Africa, we've mentioned, you know, the FID of ENI's project in Mozambique and then, you know, there's some strong signs of that force majeure being lifted for two other major IOCs with Exxon and Total. So some positive work in East Africa and obviously announcing some work in Egypt with decreasing production there trying to turn that around is showing some other – some unique opportunities in the Med and West Africa.

So what we have seen, though, is, is some rig shifting locations as well, with Asia carrying a number of opportunities without sufficient supply sitting over there and customers really continuing the trend of focusing on higher spec assets. You could see some migration from the Golden Triangle to service some of the opportunities in Asia.

Josh Jayne

Analyst, Daniel Energy Partners

Okay, thanks. And then...

Anton Dibowitz

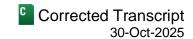
President, Chief Executive Officer & Director, Valaris Ltd.

We hopefully have that incremental – sorry, let me just go – well, roughly we have to take a step back from that roughly half that incremental amount, big driver of incremental demand be Africa and Africa in general. There is about 25% of that were coming from beyond the Golden Triangle and fairly stable in the US Gulf and South America. Yeah.

Josh Jayne

Analyst, Daniel Energy Partners

Great. Thanks. And then I wanted to pride just a little bit on Aramco. And Doug hit it with his last question, but with – I guess, what's changed a little bit over the last 18 months is I feel like Saudi has definitely gotten a bit more aggressive with respect to their production goals that they're talking about hitting over the next 6, 12, 24 months. Maybe you could just offer a little bit more insight and maybe not into 2026, but just longer term, how many rigs you feel like they ultimately could be adding back over the next three years, just given the volatility that we've seen and ultimately meet their lofty production goals? Thanks.



Anton Dibowitz

President, Chief Executive Officer & Director, Valaris Ltd.

I think what I would what I'd focus on in the recent news out at – people talking about rigs going back to Saudi Aramco, Saudi Aramco's desire to bring rigs back into production is the fact that in the global fleet, high spec jackup utilization is 90% above, you know, 90% and above. So the market has held in there, you know, the talk is in the near term kind of mid- to high-single digits, plus potential for additional tenders beyond that. And every rig that goes back into their fleet is further supportive of the global market. So overall, you know that the jackup market, the high spec jackup market is fairly healthy. And I think just, you know, to the extent they choose to bring rigs back in order to their production targets, it's just further support for a market that's already attractive.

Josh Jayne

Analyst, Daniel Energy Partners

Understood. Thanks. I'll turn it back.

Operator: And ladies and gentlemen, at this time, we'll be ending today's question-and-answer session. I'd like to turn the floor back over to Nick Georgas for any closing remarks.

Nick Georgas

Treasurer & Vice President-Investor Relations, Valaris Ltd.

Thanks, Jamie. 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 fourth guarter 2025 results. Have a great rest of your day.

Operator: And with that, we'll be concluding today's conference call and presentation. We thank you for joining. You may now disconnect your lines.

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