VALARIS

# VALARIS (NYSE: VAL)
# Investor Presentation

FOCUSED || VALUE DRIVEN || RESPONSIBLE

March 2023

# Forward-Looking Statements

Statements contained in this investor presentation that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include words or phrases such as "anticipate," "believe," "estimate," "expect," "intend," "likely," "plan," "project," "could," "may," "might," "should," "will" and similar words and specifically include statements regarding expected financial performance; expected utilization, day rates, revenues, operating expenses, cash flows, contract status, terms and duration, contract backlog, capital expenditures, insurance, financing and funding; the offshore drilling market, including supply and demand, customer drilling programs, stacking of rigs, effects of new rigs on the market and effect of the volatility of commodity prices; expected work commitments, awards, contracts and letters of intent; performance of our joint ventures, including our joint venture with Saudi Aramco; the availability, delivery, mobilization, contract commencement, availability, relocation or other movement of rigs and the timing thereof; rig reactivations; suitability of rigs for future contracts; divestitures of assets; general economic, market, business and industry conditions, including inflation and recessions, trends and outlook; general political conditions, including political tensions, conflicts and war (such as the ongoing conflict in Ukraine); cybersecurity attacks and threats; the effect, impact, potential duration and other implications of COVID-19; future operations; increasing regulatory complexity; the outcome of tax disputes; assessments and settlements; and expense management. The forward-looking statements contained in this investor presentation are subject to numerous risks, uncertainties and assumptions that may cause actual results to vary materially from those indicated, including cancellation, suspension, renegotiation or termination of drilling contracts and programs; our ability to obtain financing, service our debt, fund capital expenditures and pursue other business opportunities; adequacy of sources of liquidity for us and our customers; actions by regulatory authorities, or other third parties; actions by our security holders; internal control risk; commodity price fluctuations and volatility, customer demand, loss of a significant customer or customer contract; downtime and other risks associated with offshore rig operations; adverse weather, including hurricanes; changes in worldwide rig supply, including as a result of reactivations and newbuilds, and demand, competition and technology; supply chain and logistics challenges; consumer preferences for alternative fuels; increased scrutiny of our Environmental, Social and Governance practices, initiatives and reporting responsibilities; changes in customer strategy, including increased focus on renewable energy projects; future levels of offshore drilling activity; governmental action, civil unrest and political and economic uncertainties; terrorism, piracy and military action; risks inherent to shipyard rig reactivation, upgrade, repair, maintenance or enhancement; our ability to enter into, and the terms of, future drilling contracts; the outcome of litigation, legal proceedings, investigations or other claims or contract disputes; governmental regulatory, legislative and permitting requirements affecting drilling operations; our ability to attract and retain skilled personnel on commercially reasonable terms; environmental or other liabilities, risks or losses; debt restrictions that may limit our liquidity and flexibility; and changes in foreign currency exchange rates. In addition to the numerous factors described above, you should also carefully read and consider "Item 1A. Risk Factors" in Part I and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of our most recent annual report on Form 10-K, which is available on the SEC's website at www.sec.gov or on the Investor Relations section of our website at www.valaris.com. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to update or revise any forward-looking statements, except as required by law.

# Valaris Overview

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# Valaris is the industry leader in offshore drilling with unmatched scale and financial strength

## Fleet

11 drillships
5 semisubmersibles
36 jackups

- High-quality modern fleet with a gross asset value of > $8 billion[1]
- ARO Drilling
  - Unconsolidated 50/50 joint venture with Saudi Aramco
  - 15 rigs operating and 20-rig newbuild program planned
  - $403 million shareholder notes due from ARO

## Operational

- Demonstrated track record of safety and operational excellence
  - Rated No. 1 offshore driller in EnergyPoint Research's 2022 customer satisfaction survey
  - 97% revenue efficiency in 2022 and 98% in 2021
- Presence and scale in nearly all key offshore basins
- Strong customer relationships with major IOCs, NOCs & independents

## Financial

- Strong balance sheet with net cash of $206 million[2] as of December 31, 2022
- $2.5 billion of contract backlog as of February 21, 2023
- Significant operating leverage in an improving market
- Industry-leading cost structure that is easily scalable

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1 Gross asset value per research reports by Fearnley Securities and Morgan Stanley (January 2023)
2 Net cash includes $24 million of restricted cash

# We are focused, value driven and responsible in our decision making

**Purpose**

**To Provide Responsible Solutions That Deliver Energy to the World**

**Strategy**

| Focused | Value Driven | Responsible |
|---|---|---|
| **Building enduring presence and long-term relationships** | **Exercising financial discipline and driving efficiency** | **Advancing our sustainability program** |
| • Operate a high spec jackup and floater fleet<br>• Build deep customer and partner relationships<br>• Identify and commit to priority basins | • Deliver operational excellence (Safe, Reliable & Efficient)<br>• Operate an efficient and scalable cost structure<br>• Exercise disciplined capital allocation / be returns focused | • Decarbonize our operations<br>• Be transparent on our ESG progress<br>• Partner with customers on their energy transition efforts<br>• Monitor compatible opportunities within the energy transition |

**Values**

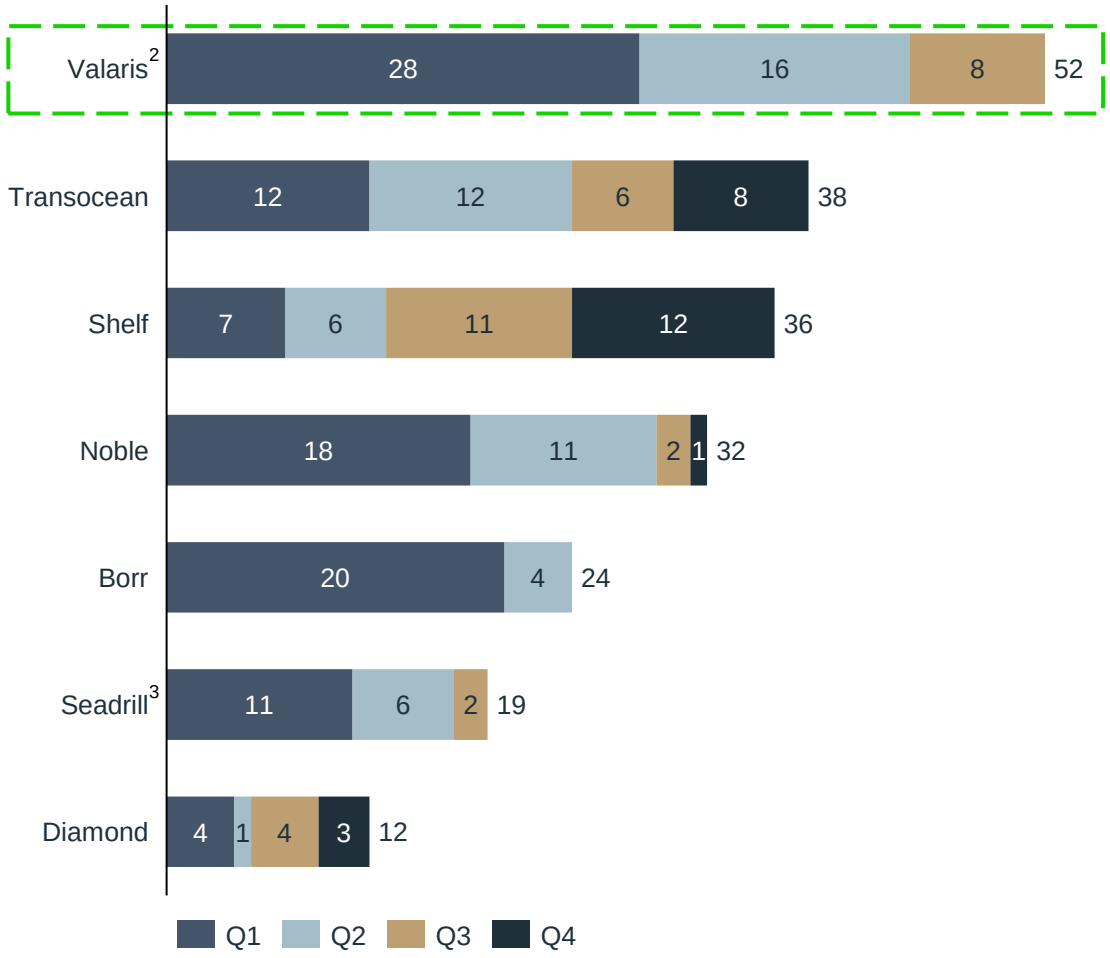
**INTEGRITY || SAFETY || EXCELLENCE || RESPECT || INGENUITY || STEWARDSHIP**

# Largest fleet of modern offshore drilling rigs in the industry

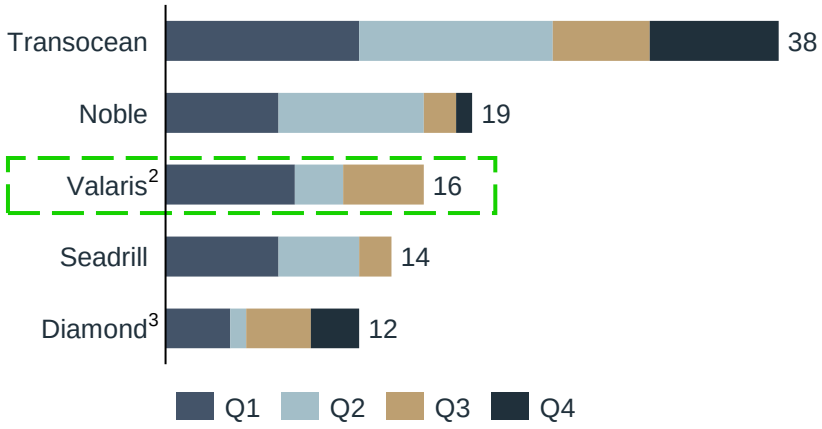
1 Excludes newbuild drillships, VALARIS DS-13 and DS-14, which Valaris has the option to purchase before year-end 2023
2 HD = Heavy Duty; SD = Standard Duty. Heavy duty jackups are well-suited for operations in tropical revolving storm areas

# Largest fleet of high-specification assets

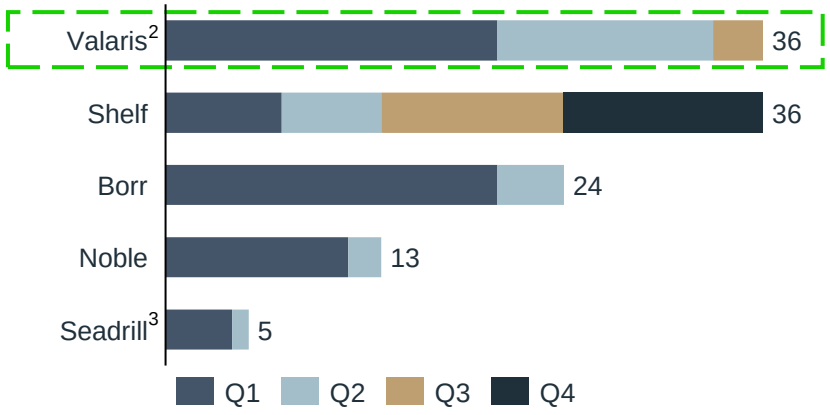
## Fleet Quality of Major International Offshore Drillers




## Floaters




## Jackups




## Avg. Age[1]

| | |
|---|---|
| Transocean | 12 |
| Noble | 10 |
| Valaris[2] | 9 |
| Seadrill | 11 |
| Diamond[3] | 26 |
| Valaris[2] (Jackups) | 16 |
| Shelf (Jackups) | 29 |
| Borr (Jackups) | 5 |
| Noble (Jackups) | 11 |
| Seadrill[3] (Jackups) | 11 |

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Source: S&P Global Petrodata as of March 2023; Rystad Energy. Rigs ranked into quartiles using Rystad Rig Score (Q1 = top quartile). Floaters and jackups ranked separately.
1 Average age includes delivered rigs only; 2 Excludes two drillships that Valaris has the option to purchase before year-end 2023. Includes eight jackup rigs leased to ARO Drilling;
3 Includes rigs owned by Seadrill Ltd and pro forma for Aquadrill acquisition announced in December 2022

# Strong customer relationships with major IOCs, NOCs and independents

## Majors [1]

| | Floaters | Jackups | Locations |
|---|---|---|---|
| bp | ✓ | ✓ | Latin America, Southeast Asia, West Africa |
| Chevron | ✓ | ✓ | U.S. GOM, West Africa |
| eni | ✓ | ✓ | Australia, Mexico, North Sea |
| Exxon | ✓ | | West Africa |
| | ✓ | ✓ | North Sea, Southeast Asia, West Africa |
| TotalEnergies | ✓ | | Brazil |

## National Oil Companies and Other Select Customers [1]

| | Floaters | Jackups | Locations |
|---|---|---|---|
| أرامكو السعودية saudi aramco | | ✓ | Middle East |
| equinor | ✓ | ✓ | Brazil |
| Harbour Energy | | ✓ | North Sea |
| OXY Occidental | ✓ | | U.S. GOM |
| BR PETROBRAS | ✓ | | Brazil |
| Woodside | ✓ | | Australia |

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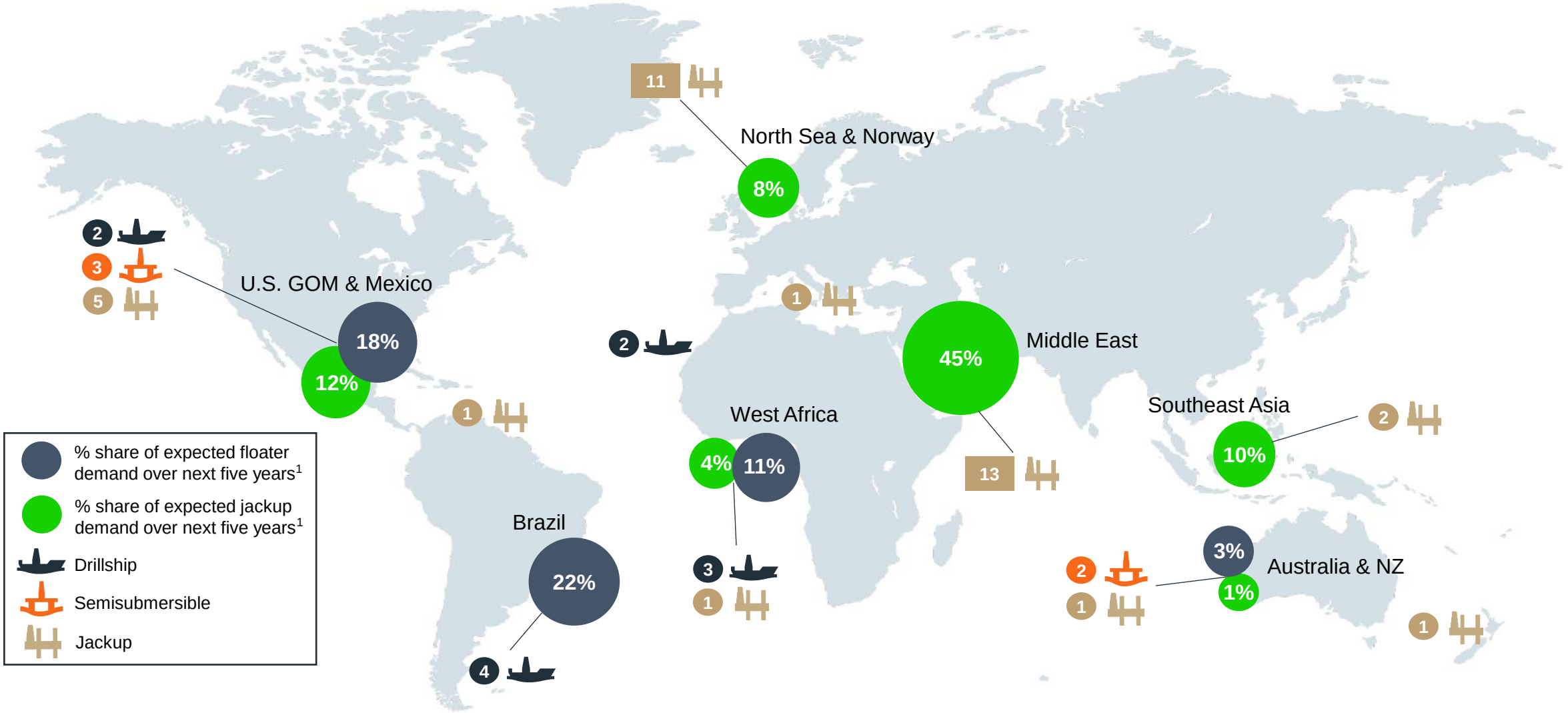
1 All customers listed are within the top 15 customers within contract backlog as of February 21, 2023. Locations represent where rigs are currently contracted for each customer.

# Focused on key basins expected to drive a large share of future demand




1 Demand by country/region represents rig years as a % of total rig years for floaters and jackups, excluding China and Iran, per Rystad Cube Dashboards as of February 2023
Note: Rigs that are currently stacked with a future contract are shown in the location of the future contract. Includes eight jackup rigs owned by Valaris that are leased to ARO Drilling in Saudi Arabia. Excludes nine jackup rigs owned by ARO Drilling (operating and under construction), two rigs that Valaris manages on behalf of a customer and two drillships that Valaris has the option to purchase by year-end 2023.

# Delivering safe, reliable and efficient operations is our primary focus

## Safety

### Objectives

- Control Process Safety Risk
- Reduce Personal Safety Exposure
- Minimize Environmental Impact

### Tools

- License to Drill Program
- Well Control Training Center
- Safe Systems of Work
- Operational Assurance & Audit Program
- BOLD Offshore Supervisor Training

## Reliability

### Objectives

- Maximize Rig Uptime Performance
- 97% Revenue Efficiency in 2022 and 98% in 2021

### Tools

- Valaris Asset Management System (VAMS)
- Technical Support Center (TSC)
- Valaris Intelligence Platform (VIP)

## Efficiency

### Objectives

- Maximize Productivity of Well Construction

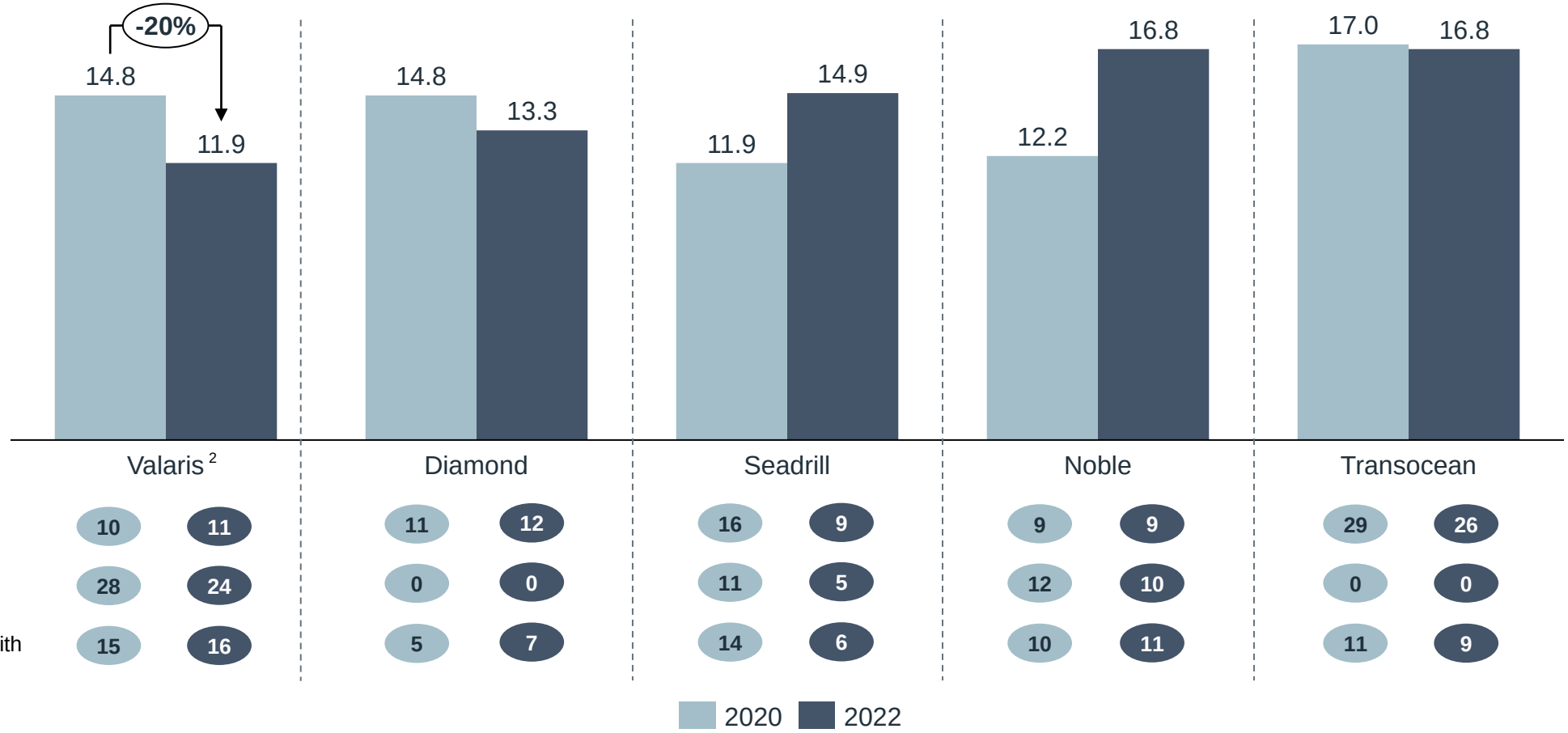
### Tools

- Valaris Intelligence Platform (VIP)
- Micro KPIs, e.g., Tripping and Slip-to-Slip Connection

**OPERATIONAL EXCELLENCE**

# Industry-leading cost structure

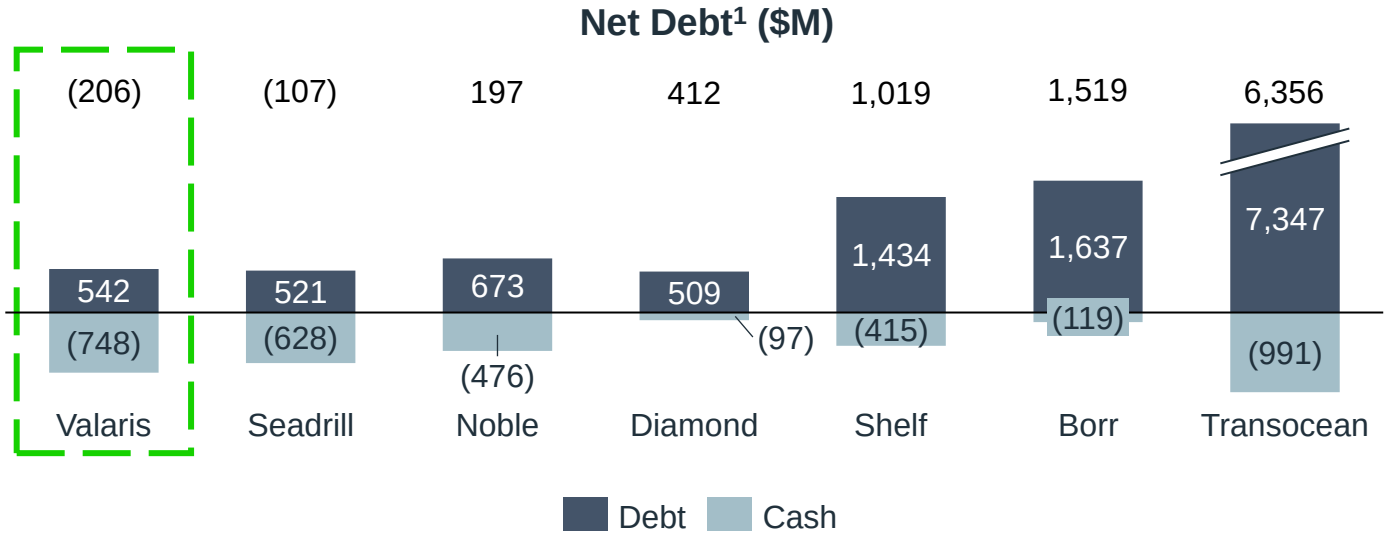
## Operating, Support and G&A Costs per Weighted Active Rig ($M)[1]

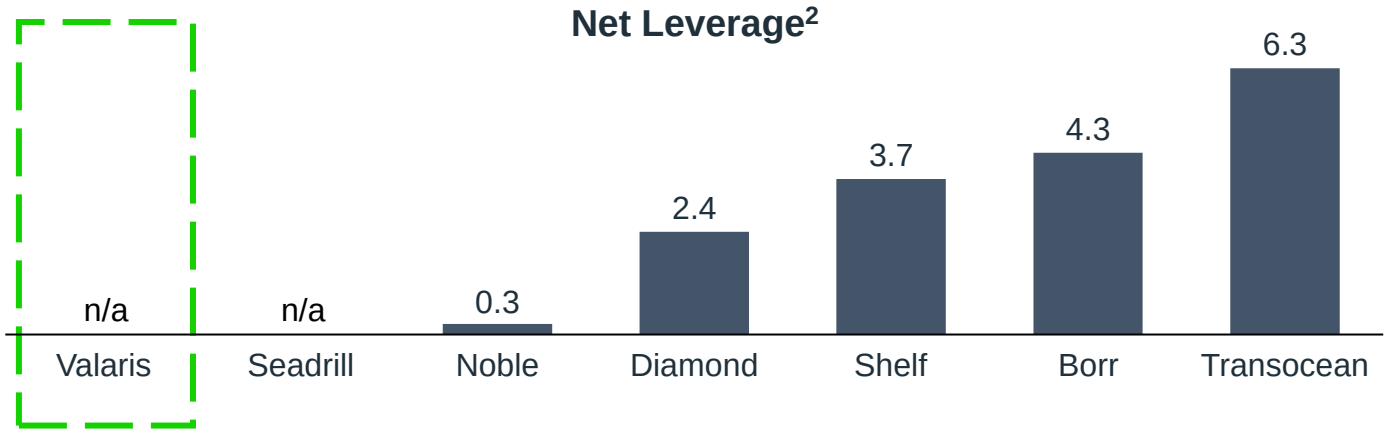



Source: Company filings; S&P Global Petrodata

1 Contract drilling expense (excluding reimbursable items and reactivation costs) and general and administrative expense for each available period divided by weighted average rig count. Active rig weighting determined by cost complexity for discrete asset types:1.0 for drillships, 1.3 for North Sea/Australia semisubmersibles, 0.9 for benign environment semisubmersibles, 0.9 for jackups active in Norway and 0.5 for all other jackups. Active rigs defined as rigs that are not cold stacked or under construction. Active rigs and countries per S&P Global Petrodata Current Activity Report. Represents an average of each quarter end in the given period. 2 Valaris operating costs exclude costs related to two rigs managed on behalf of a customer as they are not included in the active rig count.

# Strongest balance sheet in the offshore drilling sector




- Valaris is one of only two major offshore drillers with a net cash position
- $748M[3] total liquidity to fund operations and support rig reactivations
- Only tranche of debt is $550M senior secured notes due 2028
  - First call in April 2023
  - Amended indenture in 2022 to increase flexibility
- Annual cash interest expense of $45M[4]
- No newbuild capital commitments

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1 Debt and cash per most recent quarterly filings; Seadrill net debt shown pro forma for announced acquisition of Aquadrill;
2 Net leverage calculated using 2023 mean EBITDA estimate per FactSet as of March 2, 2023;
3 Includes restricted cash balance of $24 million as of December 31, 2022;
4 Assumes interest paid in cash at 8.25% coupon;

# Disciplined fleet management strategy focused on driving long term shareholder value

## Optimization

- Priority is to ensure that the active fleet remains highly utilized
- Portfolio approach to contracting with a mix of longer and shorter duration contracts and staggered rollovers
- Aim to have a critical mass of rigs in priority basins to benefit from economies of scale

## Reactivations

- Only reactivate rigs for opportunities that provide meaningful returns
- Proven ability to win work for preservation stacked assets, with six long-term floater contracts awarded since mid-2021
- Demonstrated track record of reactivating rigs on time and within our cost guidance

## Divestitures

- Rational and economic approach to asset ownership, including opportunistic divestitures if value accretive
  - Jackups VALARIS 113 and 114, each of which had been stacked for more than six years, were sold in 2022 for a combined total of $125 million
  - Agreed to sell 40-year old jackup VALARIS 54 following its current contract for $28.5 million

# Strong framework in place for advancing our sustainability program

## Board and Executive Management Oversight

- Board of Directors has a dedicated Environmental, Social and Governance (ESG) Committee
- New executive management position focused on Sustainability and New Energy
- Green Sustainability Committee – cross-functional working group that identifies and evaluates opportunities to promote sustainable business practices

## Monitoring and Reporting

- Annual Sustainability Report published in accordance with the Sustainability Accounting Standards Board (SASB)
- Valaris Intelligence Platform (VIP) enables near real-time data of fuel consumption and GHG emissions across the fleet

## Recent ESG Rating Upgrade

- Sustainalytics and MSCI recently upgraded Valaris' ESG Company Rating. We have the highest ESG score among all major international offshore drillers with these two leading ESG rating agencies

**2021 Sustainability Report**
Aligned to SASB framework

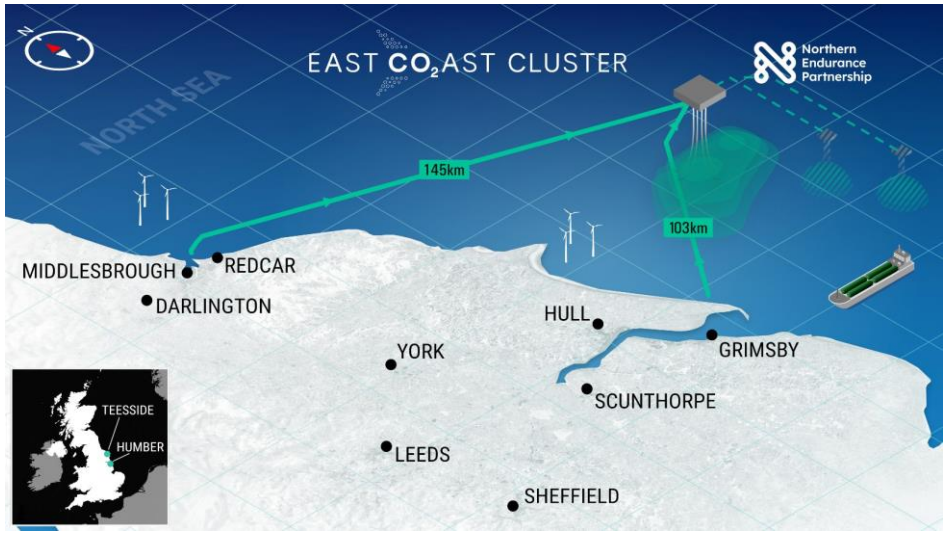
# Reduce emissions from our own operations and partner with customers

## Reduce Emissions from our own Operations

- Engine optimization to lower $SO_X$ and $CO_2$ emissions
  - Completed on VALARIS DS-12 – the first vessel globally to achieve ABS Enhanced Electrical System Notation EHS-E
  - Planned for VALARIS DS-17
- Selective Catalytic Reduction (SCR) systems reduce $NO_X$ emissions by up to 90%
  - SCR implemented on four drillships and one jackup

## Partner with Customers on their Energy Transition Efforts

- Carbon capture and storage
  - Drilled carbon capture pilot wells for two customers in the North Sea (Porthos project in the Netherlands and Northern Endurance in Partnership in the UK)
  - Future projects planned offshore Australia and in the U.S. Gulf
- Performance based incentives for fuel savings
  - Engine optimization and enhanced monitoring resulted in 14% fuel savings vs. baseline target for contract offshore Norway



# Offshore Market Overview

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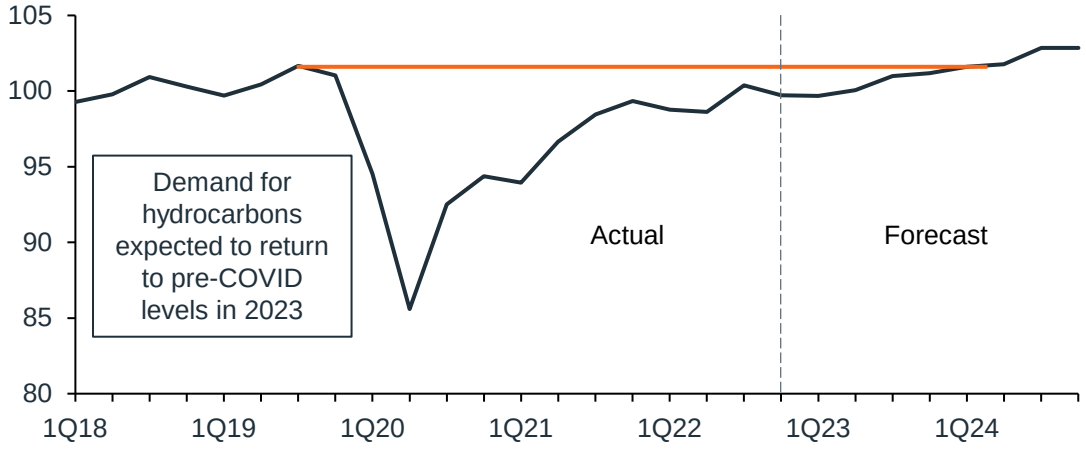
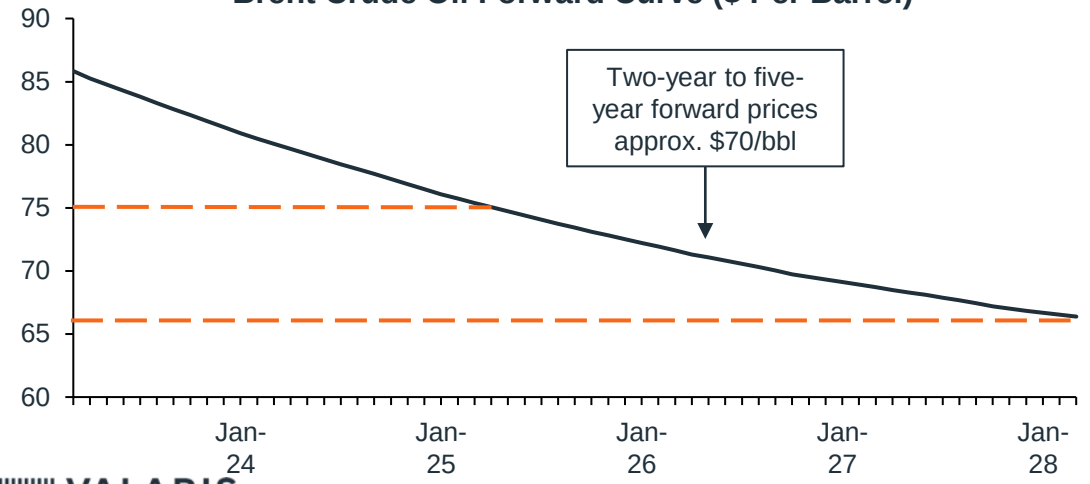
# Commodity supply and demand is constructive for our industry

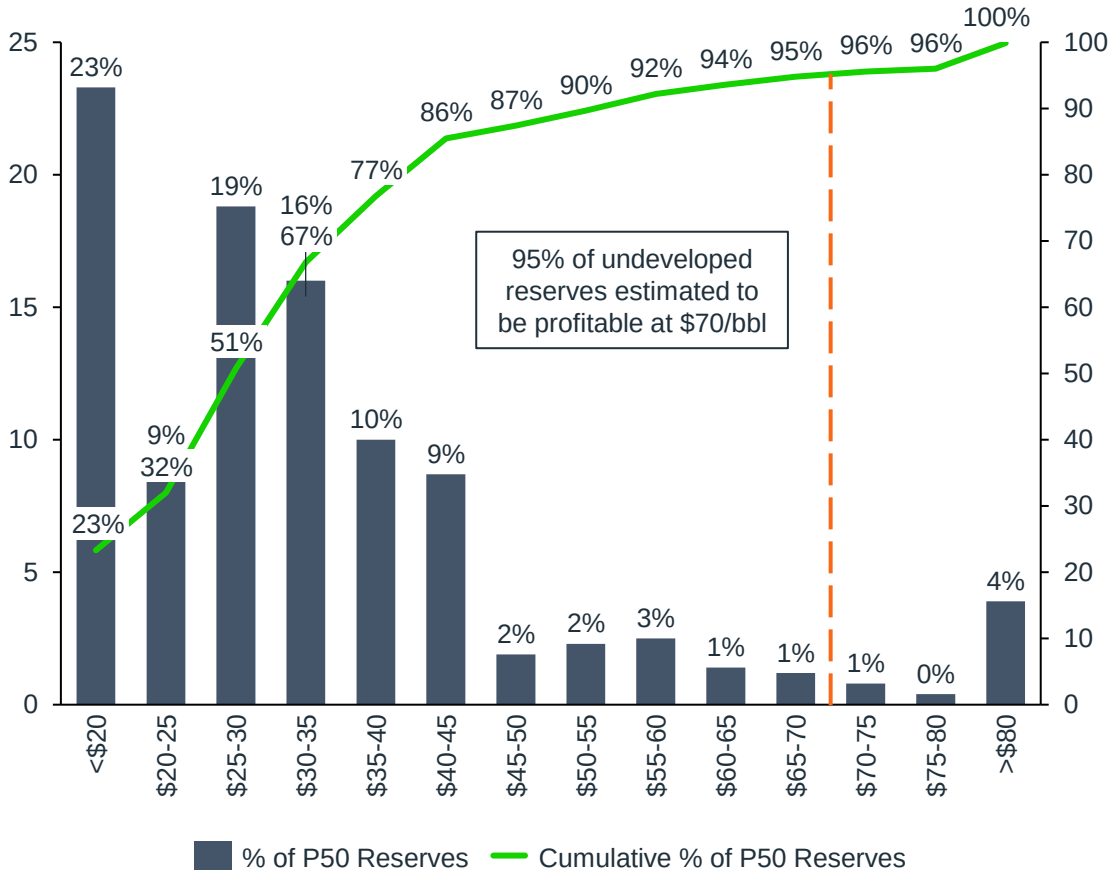
## Global Liquid Fuels Consumption (Million Barrels Per Day)




## Brent Crude Oil Forward Curve ($ Per Barrel)




## Offshore Breakeven Oil Prices for Undeveloped Reserves




P50 reserves: reserves volume with a probability of recovery of between 50% and 90%

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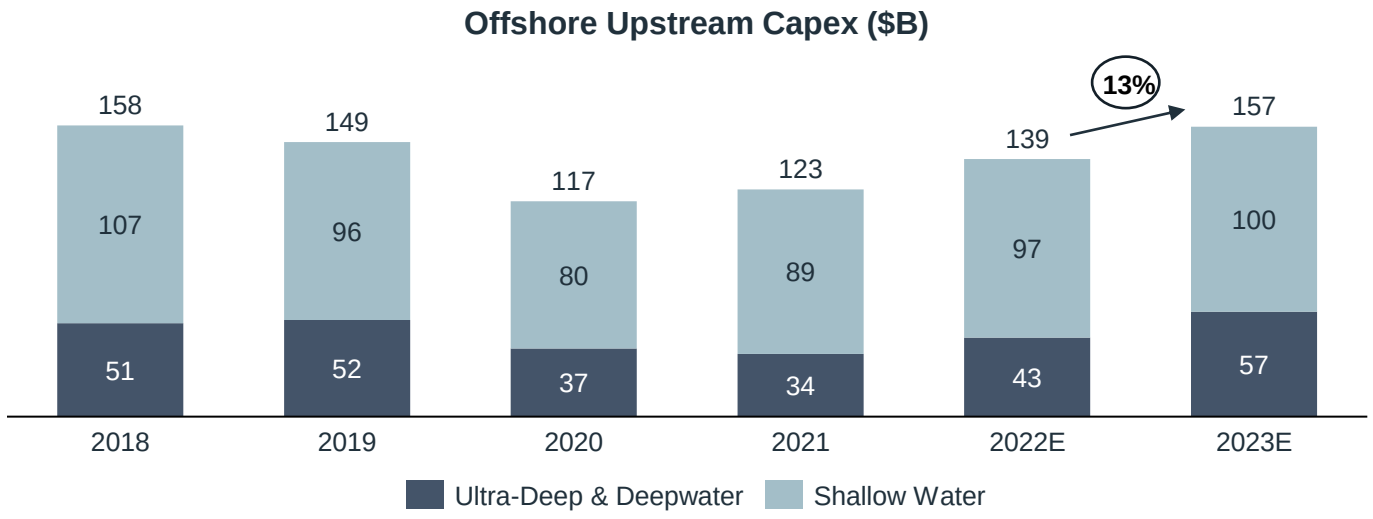
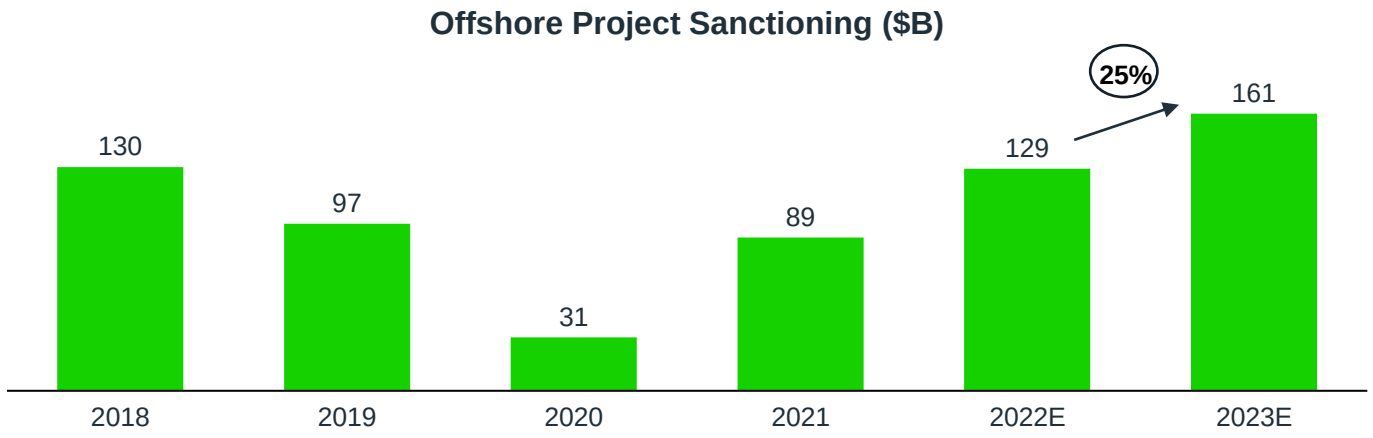
Source: EIA Short-Term Energy Outlook, February 2023; FactSet as of March 2, 2023; Rystad U Cube, February 2023

# Offshore upstream capex and new project sanctioning are expected to increase




- Offshore upstream capex is expected to increase by 13% in 2023
- This growth in offshore spending is primarily expected to come from investments in ultra-deep and deepwater projects
- Shallow water remains more than 60% of expected spending but growth is expected to slow in 2023 as compared to 2022
- Offshore project approvals are also expected to increase meaningfully in 2023, and are anticipated to be at their highest levels in more than a decade

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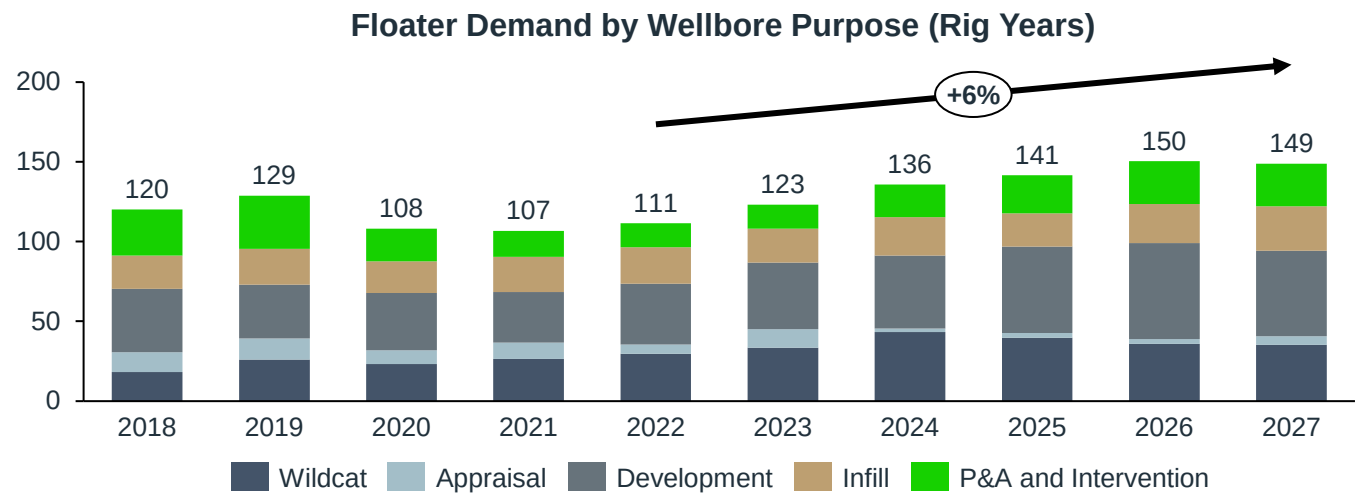
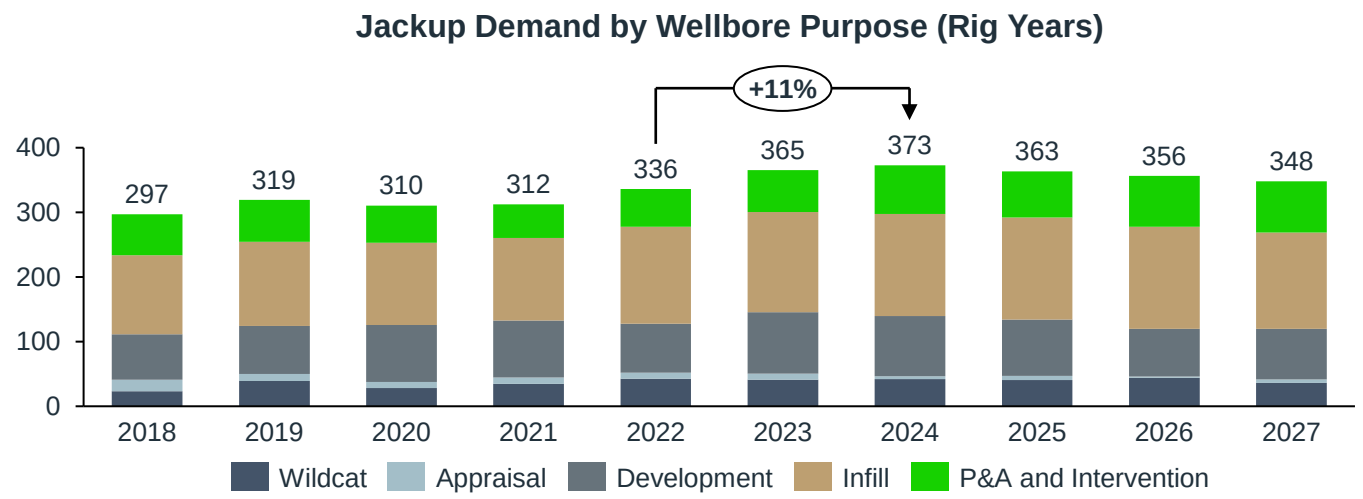
Source: Wood Mackenzie; Fearnley Securities; Barclays

# Demand for offshore drilling is expected to increase over the next several years




- Floater demand is expected to increase at a compound annual growth rate (CAGR) of 6% over the next five years
- Approximately two-thirds of floater demand over the next five years is expected to be for exploration (wildcat), appraisal and development drilling
- This is a strong signal of customers' conviction on the economics for deepwater projects and is positive for longer-term demand for these rigs
- Jackup demand is anticipated to increase further in 2023 and 2024 as operators with exposure to shorter cycle barrels are expected to ramp up production to benefit from high commodity prices
- The primary driver of jackup demand is different than for floaters, with more than 40% of all demand over the next five years expected to come from infill drilling

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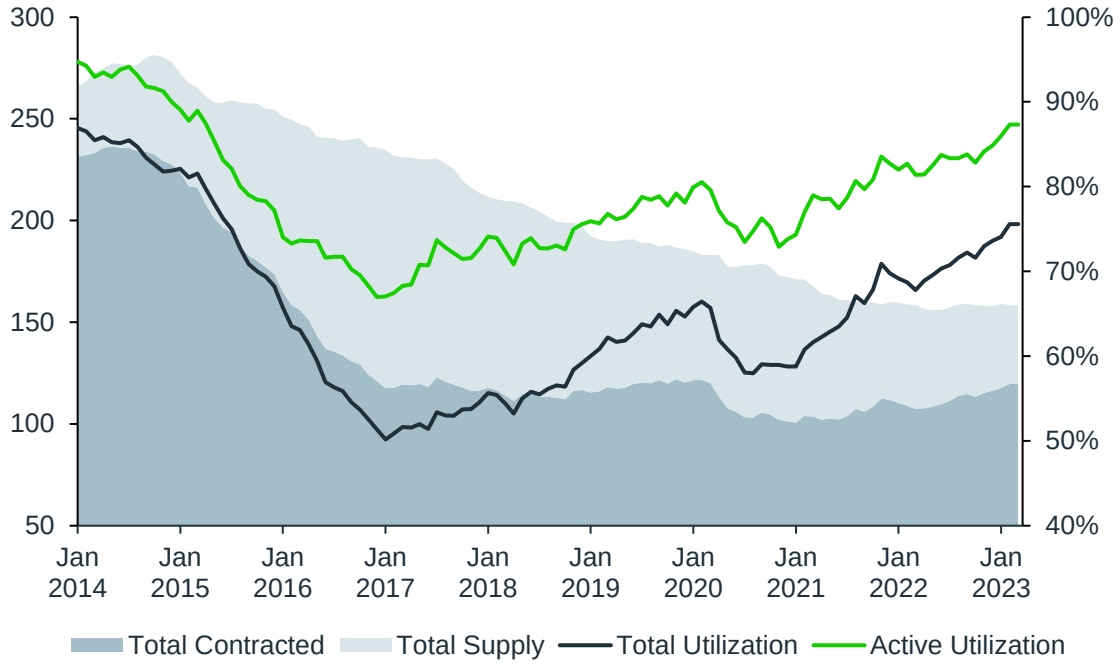
Source: Rystad Cube Dashboards as of February 2023

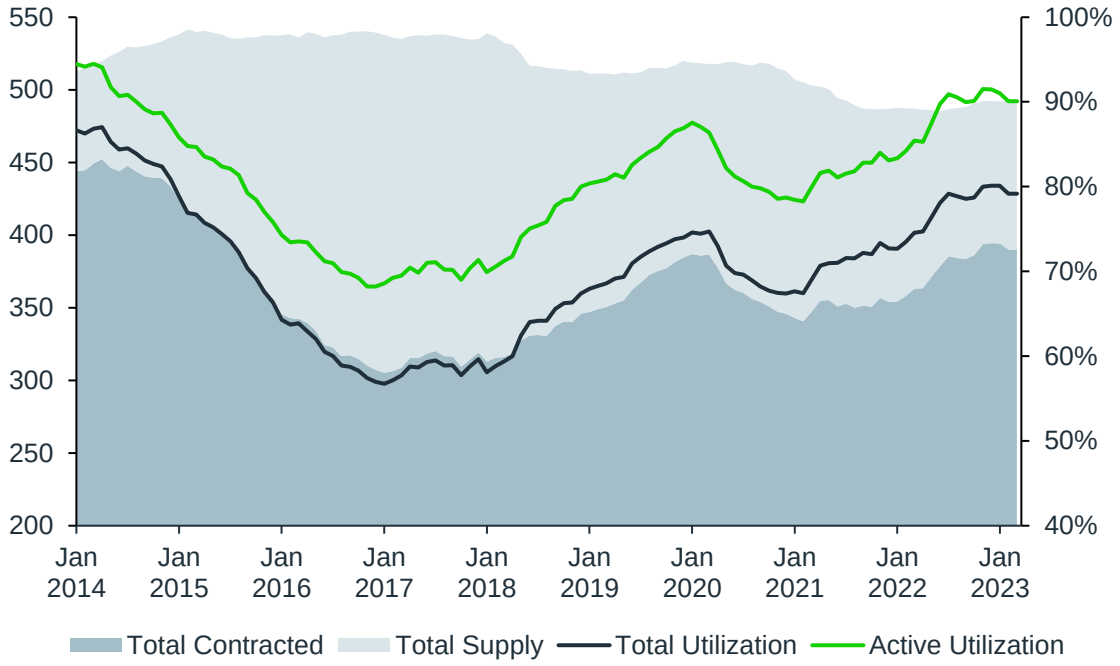
# Significant supply rationalization over the past several years has improved market balance

**Benign Environment Floater Supply and Utilization**




- Benign environment floater supply has declined by 44% to 158 from a peak of 281 in late 2014
- Majority of current supply are modern assets. Only 16% of current supply is > 20 years of age

**Jackup Supply and Utilization**




- Jackup supply has declined by 9% to 493 from a peak of 542 in early 2015
- 33% of current supply is > 30 years of age with limited useful lives remaining

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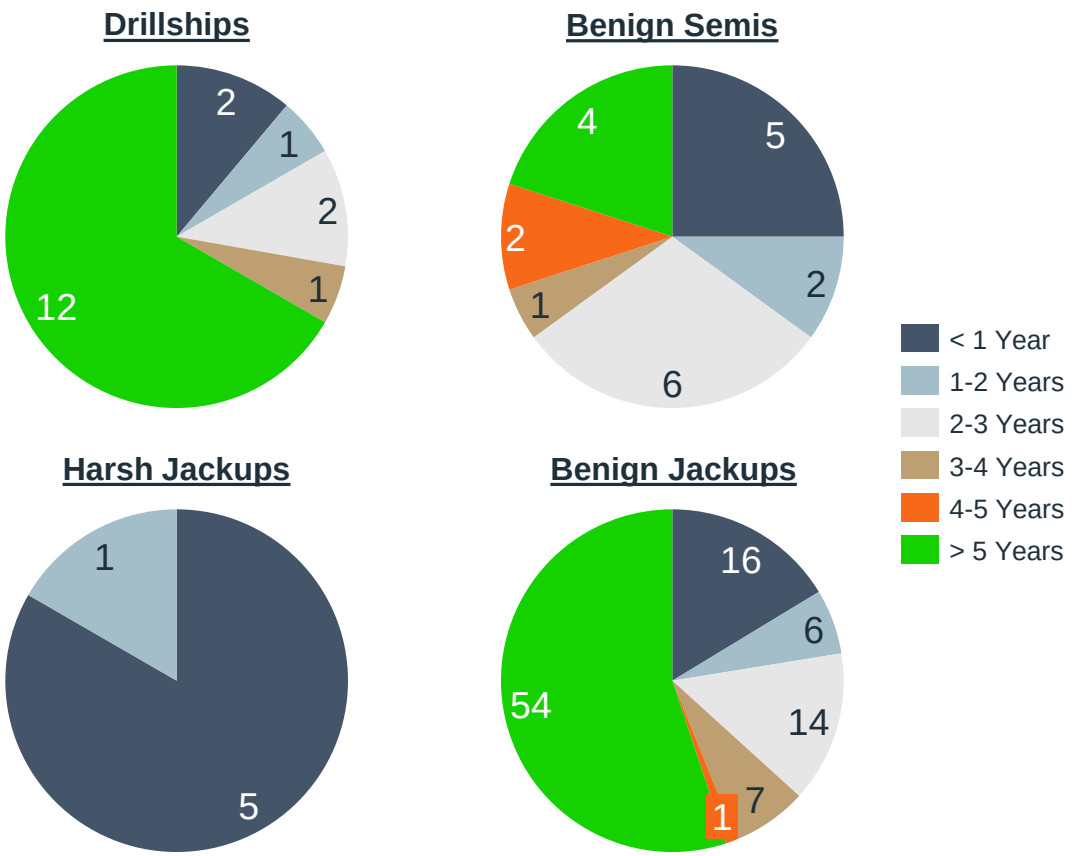
Source: S&P Global Petrodata as of March 2023. Market category field used to categorize rigs as benign or harsh environment.

# Active utilization currently >90% for drillships and benign environment jackups

| Delivered Rigs | Drillships | Benign[1] Semis | Harsh[1] Jackups | Benign[1] Jackups |
|---|---|---|---|---|
| Contracted | 78 | 42 | 27 | 362 |
| Available | 6 | 11 | 6 | 38 |
| Active Fleet | 84 | 53 | 33 | 400 |
| Cold Stacked | 12 | 9 | - | 60 |
| Total Fleet | 96 | 62 | 33 | 460 |
| Active Utilization | 93% | 79% | 82% | 91% |
| Total Utilization | 81% | 68% | 82% | 79% |
| Newbuilds | 14 | 3 | 5 | 15 |

**Time Stacked – Available and Cold Stacked Rigs**




Source: S&P Global Petrodata, March 2023
1 Market category field used to categorize rigs as harsh or benign environment

# Supply dynamics are supportive of a sustained upcycle

## Floaters

- Benign environment floater supply has declined by 44% to 158 from a peak of 281 in late 2014
- Over 90% of the competitive[1] warm or cold stacked drillships are held by Valaris and two other major offshore drillers – anticipate continued disciplined approach to reactivations
- Valaris has a demonstrated track record of successfully reactivating stacked rigs
- Only eight newbuild drillships remaining in South Korean shipyards, including VALARIS DS-13 and DS-14
- Expect these rigs to come to market in a staged manner when demand supports incremental supply
- Given expected costs and lack of shipyard capacity, it is unlikely there will be another newbuild cycle – current rig fleet will form basis of supply for foreseeable future

## Jackups

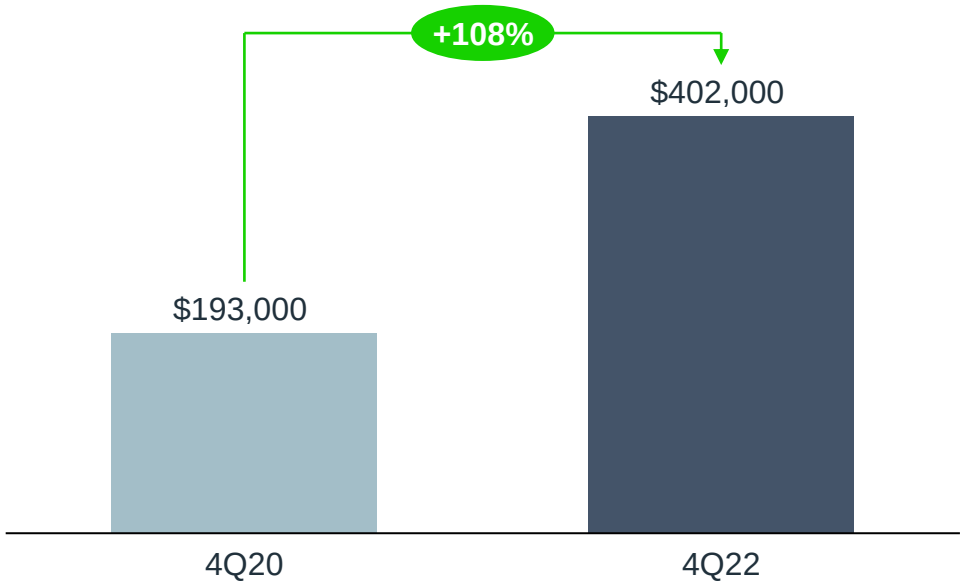
- Jackup supply has declined by 9% to 493 from a peak of 542 in early 2015
- 33% of current supply is > 30 years of age with limited useful lives remaining
- Many of the ~100 warm or cold stacked jackups are not competitive:
  - 62 are > 30 years of age
  - 72 are in the bottom half of global fleet rankings
  - 61 have been stacked > three years
- Excluding the ARO newbuild program, there are only 18 newbuild jackups at shipyards. 13 of these rigs are at Chinese shipyards, many of which may only enter the local supply in China



1 Competitive drillships includes drillships in the top half of global fleet rankings. Includes 13 of the 18 total warm or cold stacked drillships.

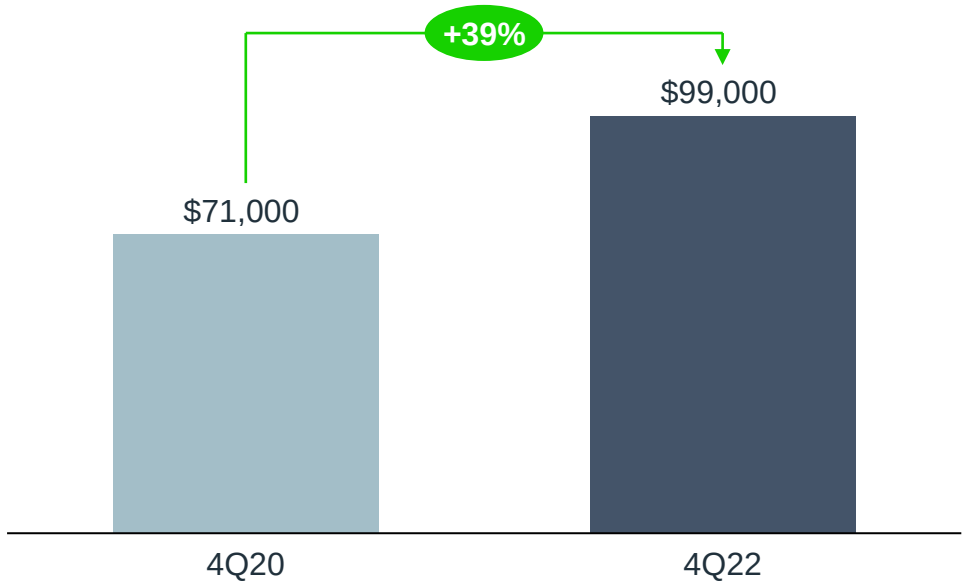
# Day rates have increased meaningfully since late 2020

## Average Day Rates for Drillship Fixtures Signed [1]




- Average day rates for drillship fixtures signed in 4Q22 have more than doubled since 4Q20
- Recently, some fixtures have been awarded at above $425K/day
- Active utilization for drillships is approximately 90%

## Average Day Rates for Benign Environment Jackup Fixtures Signed [2]




- Average day rates for benign jackup fixtures signed in 4Q22 are nearly 40% higher than 4Q20
- Recently, some fixtures have been awarded at above $120K/day
- Active utilization for benign jackups is approximately 90%

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Source: S&P Global Petrodata as of February 2023; Valaris analysis.
1 Represents the average day rate for fixtures signed in each quarter, excluding priced options. Only includes fixtures awarded to international drilling contractors. Excludes fixtures awarded for work in India.
2 Represents the average day rate for fixtures signed in each quarter, excluding priced options. Excludes fixtures awarded for work in India and harsh environment locations, e.g., Norway and the North Sea.

# Value Proposition

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# Valaris has a compelling value proposition built on four key elements

## 1 Active Fleet

- 33 rigs including drillships VALARIS DS-8 and DS-17 that are currently being reactivated
- Active fleet generated adjusted EBITDAR (excluding one-time reactivation costs) of $412 million in 2022[1]
- Earnings power from the active fleet expected to increase meaningfully due to improving utilization and day rates

## 2 Stacked Fleet and Newbuild Drillship Options

- 11 high-quality modern assets and two newbuild drillship options
- Significant operating leverage in an improving market environment
- Proven ability to win work for preservation stacked assets, with six long-term floater contracts awarded since mid-2021

## 3 Leased and Managed Rigs

- Eight rigs owned by Valaris currently leased to ARO Drilling under bareboat charter agreements, provide high levels of utilization and stable cash flows[2]
- Two managed rigs, which Valaris operates on behalf of a customer
- 2022 adjusted EBITDAR was $82 million[1]

## 4 ARO Drilling

- Unconsolidated 50/50 joint venture with Saudi Aramco, the largest customer for jackups in the world
- ARO 2022 EBITDA was $99 million and ARO had cash of $176 million as of December 31, 2022
- 20-rig newbuild program provides future growth with guaranteed contracts at attractive economics
- Asset sales and attractive public company valuations in Middle East highlight value inherent in ARO

VALARIS

1 Adjusted EBITDAR for active fleet and leased and managed rigs excludes onshore support costs and general and administrative expense
2 Excludes VALARIS 76 and 108, which will be leased to ARO upon completion of their existing contracts

# Stacked rigs and newbuild options provide operating leverage in an improving market

## Stacked Fleet Overview

- Stacked fleet includes 11 high-quality modern assets with a total build cost of ~$3.5B and significant useful lives remaining
- Proven ability to win work for preservation stacked assets, with six long-term floater contracts awarded since mid-2021
- Two uncontracted high-specification drillships provide operating leverage
- Disciplined approach to reactivations – economics are attractive at current day rates
- Capitalizing incremental EBITDA at market multiples offers substantial uplift
- Additional exposure to drillship market from purchase options on two newbuilds with purchase price of ~$119M and ~$218M[1,2]
  - Recent transactions and broker NAVs range from high $200M to mid $300M

## Asset Value

| Illustrative Asset Value of Stacked Fleet | | | | As Built Cost |
|---|---|---|---|---|
| Value per Floater (4 Rigs) | $100M | $200M | $300M | ~$600M |
| Value per Jackup (7 Rigs) | $25M | $50M | $75M | ~$150M |
| **Total Asset Value** | **$575M** | **$1,150M** | **$1,725M** | **~$3,500M** |

## Reactivation Economics

| Illustrative Drillship Example | 3Q21 | 4Q22 |
|---|---|---|
| Reactivation Costs | $40-45M | $70-80M |
| Customer Contribution | $– | ~$20M |
| Net Investment | $40-45M | $50-60M |
| Average Day Rate[3] | $239,000 | $402,000 |
| Annualized Rig-Level EBITDA[4] | ~$40M | ~$95M |
| **EBITDA Payback Period** | **~13 Months** | **~7 Months** |

VALARIS

Source: S&P Global Petrodata as of February 2023; Valaris analysis.
1 Valaris has the option to purchase newbuild drillships VALARIS DS-13 and DS-14 before year-end 2023. 2 Purchase prices for VALARIS DS-13 and DS-14 exclude reactivation and mobilization costs.
3 Represents the average day rate for fixtures signed in each quarter, excluding priced options. Only includes fixtures awarded to international drilling contractors. Excludes fixtures awarded for work in India.
4 Assumes current average daily operating costs for a drillship excluding additional services

# Significant earnings potential in a market recovery scenario

| Total Rigs | Rigs Under Contract or with Future Contract | Illustrative Annual EBITDA from Valaris Fleet[1] | | | | 2014[2] |
|---|---|---|---|---|---|---|
| 11 | 9 | Drillship Day Rates | $350K | $400K | $450K | ~$500K |
| 5 | 3 | Benign Semisubmersible Day Rates | $250K | $300K | $350K | ~$400K |
| 12 | 9 | HD Ultra-Harsh & Harsh Jackup Day Rates[3] | $125K | $150K | $175K | ~$220K |
| 21 | 16 | Modern HD & SD Jackup Day Rates[3] | $75K | $100K | $125K | ~$160K |
| | | Fleet Utilization | 70% | 75% | 80% | 85% |
| | | **Illustrative Operating Margin[4]** | **~$830M** | **~$1,390M** | **~$2,010M** | **~$2,750M** |
| | | Illustrative Total Onshore Costs | ~$240M | ~$240M | ~$240M | ~$240M |
| | | **Illustrative EBITDA[4]** | **~$590M** | **~$1,150M** | **~$1,770M** | **~$2,510M** |

VALARIS

1 Calculations based on total number of rigs in each asset category. Excludes standard duty legacy jackups on the basis that most of these rigs will likely be retired upon completion of current contracts.
2 Average earned operating day rate and utilization for global fleet in 2014 per S&P Global Petrodata
3 HD = Heavy Duty; SD = Standard Duty. Heavy duty jackups are well-suited for operations in tropical revolving storm areas.
4 Daily operating costs are based on current handrail operating costs for the fleet excluding additional services. Assumes full operating cost for 50% of idle periods and preservation stack cost for 50% of idle periods.

# ARO Drilling joint venture provides strong presence in the largest jackup market in the world

## ARO Drilling Overview

- ARO Drilling ("ARO") is an unconsolidated 50/50 joint venture with Saudi Aramco that owns and operates jackup rigs in Saudi Arabia
- Strategic partnership with the largest global customer for jackups
- ARO owns seven jackup rigs operating under contracts with Saudi Aramco with contract backlog of **$794M** as of February 21, 2023
- ARO leases eight jackup rigs from Valaris, each operating under contracts with Saudi Aramco[1]
- ARO is scheduled to purchase 20 newbuild jackup rigs over the next decade, backed by long-term contracts with Saudi Aramco, which are expected to be financed by third-party financing non-recourse to Valaris[2] and cash from ARO operations
- Valaris has shareholder notes receivable with a principal balance of **$403M** from ARO as of December 31, 2022
- Asset sales and attractive public company valuations in Middle East highlight value inherent in ARO

ARO DRILLING
أرامكو روان للحفر

### Income Statement Highlights

| | 2022 |
|---|---|
| Revenue | $460M |
| **EBITDA** | **$99M** |

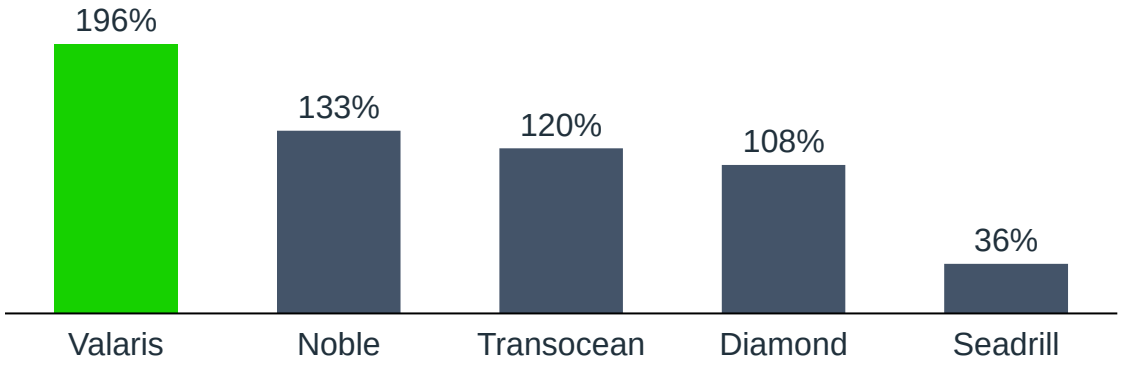
### Balance Sheet Highlights

| | Dec 31, 2022 |
|---|---|
| Cash | $176M |
| Shareholder Notes | $822M |
| Third-Party Debt | Zero |

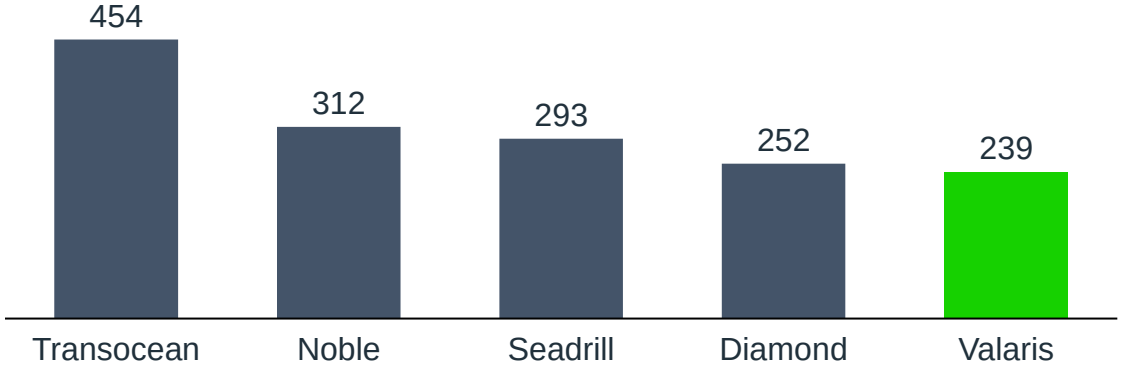
1 Excludes VALARIS 76 and 108, which will be leased to ARO upon completion of their existing contracts
2 ARO paid a 25% down payment from cash on hand for each of the newbuilds ordered in January 2020 and is actively exploring financing options for the remaining payments due upon delivery.

# Equity trades at a discount to largest peers and recent market transactions

### Equity Performance Since Valaris Listing[1]




### Implied Steel Value per Ultra-Deepwater Equivalent Rig ($M)[2,3,4]




### Recent Market Transactions for Drillships

| Rig Name | Buyer | Seller | Price |
|---|---|---|---|
| Crete | Stena Drilling | Samsung Heavy Industries | $320 million |
| Santorini | Saipem | Samsung Heavy Industries | $305 million[5] |
| Aquila | Liquila Ventures | DSME | $275 million |
| Cobalt Explorer | Türkiye Petrolleri Anonim Ortaklığı | DSME | $255 million |

- Recent market transactions for drillships have averaged ~$290 million (including an estimated $75 million of reactivation costs per rig) – approx. 1.2x the implied steel value Valaris is currently trading at for similar assets

Source: FactSet as of March 2, 2023; Fearnley Securities; Company filings
1 Equity performance since Valaris listing on May 3, 2021, except for Diamond and Seadrill, which relisted on March 29, 2022, and April 28, 2022, respectively.
2 Steel values calculated using market value of equity, book value of debt, underfunded pension liabilities, newbuild capital commitments and NPV of reactivation costs, less cash and NPV of backlog
3 Valaris steel value per UDW equivalent rig attributes $403M to ARO Drilling based on the principal value of the shareholder note receivable
4 Number of ultra-deepwater equivalent rigs per Fearnley Securities research report dated February 14, 2023; 5 Purchase price calculated as 2 x $15M lease payments, plus $200M purchase option price

# Disciplined approach to capital allocation and focus on free cash flow generation

## Disciplined

- Exercise operational leverage in a disciplined manner
- Rigs only reactivated for opportunities that provide meaningful returns on reactivation costs over the initial contract period
- Two high-specification uncontracted drillships remaining
- Purchase options on newbuild drillships VALARIS DS-13 and DS-14

## Opportunistic

- Rational and economic approach to fleet management, including opportunistic divestitures if value accretive
  - Jackups VALARIS 113 and 114, each of which had been stacked for more than six years, were sold in 2022 for a combined total of $125 million
  - Agreed to sell 40-year old jackup VALARIS 54 following its current contract for $28.5 million
- Continual evaluation of strategic opportunities to create shareholder value with Board, including Strategy Committee

## Returns Focused

- Investments in our fleet in the near-term will help to maximize future earnings and free cash flow
- Strong balance sheet provides capital allocation flexibility
- Actions taken in 2022 increase flexibility to return capital to shareholders over time
  - Consent solicitation on senior notes
  - $100 million share repurchase authorization

# Key takeaways

| | |
|---|---|
| 1 | Largest fleet of high-specification rigs with a significant presence in all key offshore basins |
| 2 | Strong customer relationships with major IOCs, NOCs and independents |
| 3 | Industry leading cost structure and balance sheet |
| 4 | Improved rig supply and demand dynamics driving day rates higher |
| 5 | Significant operating leverage in an improving market |
| 6 | Advantaged position in the world’s largest jackup market through ARO Drilling joint venture |
| 7 | Disciplined approach to fleet management and capital allocation with a focus on free cash flow |

# Appendix

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# Contract Backlog as of February 21, 2023

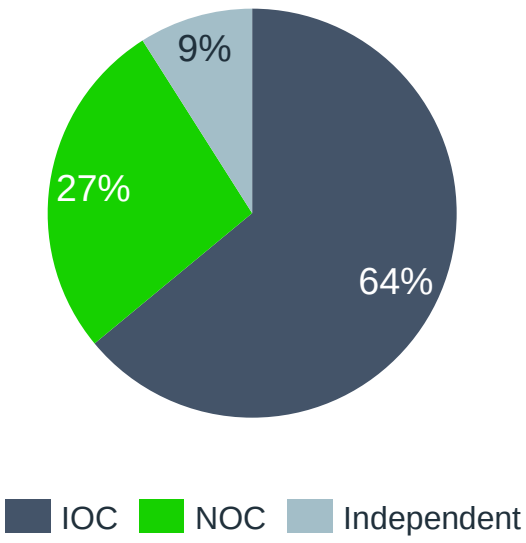
| Contract Backlog [1] [2] ($ millions) | 2023 | 2024 | 2025+ | Total |
|---|---|---|---|---|
| Drillships | $ 554.5 | $ 446.7 | $ 61.1 | $ 1,062.3 |
| Semis | 199.1 | 115.5 | - | 314.6 |
| **Floaters** | **$ 753.6** | **$ 562.2** | **$ 61.1** | **$ 1,376.9** |
| HD - Ultra-Harsh & Harsh | $ 196.7 | $ 125.2 | $ 26.4 | $ 348.3 |
| HD & SD - Modern | 189.7 | 58.7 | 92.7 | 341.1 |
| SD - Legacy | 41.6 | 11.3 | - | 52.9 |
| **Jackups** | **$ 428.0** | **$ 195.2** | **$ 119.1** | **$ 742.3** |
| **Other [3]** | **$ 141.9** | **$ 112.8** | **$ 89.3** | **$ 344.0** |
| **Total** | **$ 1,323.5** | **$ 870.2** | **$ 269.5** | **$ 2,463.2** |

| ARO Drilling [4] | 2022 | 2023 | 2024+ | Total |
|---|---|---|---|---|
| Owned Rigs | $ 211.4 | $ 246.6 | $ 336.3 | $ 794.3 |
| Leased Rigs | 259.1 | 352.2 | 326.2 | 937.5 |
| **Total** | **$ 470.5** | **$ 598.8** | **$ 662.5** | **$ 1,731.8** |

| Contracted Days [1] [2] | 2023 | 2024 | 2025+ |
|---|---|---|---|
| Drillships | 2,210 | 1,412 | 219 |
| Semis | 825 | 508 | - |
| **Floaters** | **3,035** | **1,920** | **219** |
| HD - Ultra-Harsh & Harsh | 1,871 | 986 | 203 |
| HD & SD - Modern | 2,126 | 684 | 823 |
| SD - Legacy | 560 | 174 | - |
| **Jackups** | **4,557** | **1,844** | **1,026** |
| **Other [3]** | **3,344** | **3,700** | **2,661** |
| **Total** | **10,936** | **7,464** | **3,906** |

| Average Day Rates [1] [2] | 2023 | 2024 | 2025+ |
|---|---|---|---|
| Drillships | $ 251,000 | $ 316,000 | $ 279,000 |
| Semis | 241,000 | 227,000 | - |
| **Floaters** | **$ 248,000** | **$ 293,000** | **$ 279,000** |
| HD - Ultra-Harsh & Harsh | $ 105,000 | $ 127,000 | $ 130,000 |
| HD & SD - Modern | 89,000 | 86,000 | 113,000 |
| SD - Legacy | 74,000 | 65,000 | - |
| **Jackups** | **$ 94,000** | **$ 106,000** | **$ 116,000** |

**Contract Backlog by Customer Type**




(1) Contract backlog, contracted days and average day rates as of February 21, 2023. (2) Contract backlog and average day rates exclude certain types of non-recurring revenues such as lump sum mobilization payments. Contract backlog and contracted days include backlog and days when a rig is under suspension. Average day rates are adjusted to exclude suspension backlog and days. (3) Other represents contract backlog and contracted days related to bareboat charter agreements and management services contracts. (4) ARO Drilling contract backlog as of February 21, 2023. HD = Heavy Duty; SD = Standard Duty. Heavy duty jackups are well-suited for operations in tropical revolving storm areas

# Valaris owns 50% of joint venture with Saudi Aramco, the world's largest jackup customer

VALARIS

Valaris operates three jackups offshore Saudi Arabia outside of ARO Drilling joint venture[1]

50% Ownership

$403M Shareholder Notes Receivable

50% Ownership

$419M Shareholder Notes Receivable

أرامكو السعودية saudi aramco

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## Leased Jackups (8)

- Day rates set by an agreed pricing mechanism
- Valaris receives bareboat charter fee based on % of rig-level EBITDA

## Owned Jackups (7)

- Rigs contracted for three or five-year terms for at least an aggregate of 15 years from JV inception
- Rigs contribute to ARO Drilling results, of which Valaris recognizes 50% of net income

## Newbuild Jackups (20)

- Initial 8-year contracts; day rate based on 6-year EBITDA payback mechanism[2]
- Further 8-year contracts; day rate set by market pricing mechanism and re-priced every 3 years
- Rigs 1 and 2 expected to be delivered in 2023
- Rigs contribute to ARO Drilling results, of which Valaris recognizes 50% of net income

1 Two of these rigs, VALARIS 76 and 108, will be leased to ARO upon completion of their existing contracts
2 Down payment on each newbuild rig is no more than 25% before delivery

# Non-GAAP Reconciliations

(In millions)

| ACTIVE FLEET | | Year-Ended December 31, 2022 |
|---|---|---|
| Net income (loss) | $ | 232.2 |
| Add (subtract): | | |
| Reactivation costs | | 124.3 |
| Depreciation and amortization, net | | 64.8 |
| Other | | (9.0) |
| Adjusted EBITDAR[1] | $ | 412.3 |

(In millions)

| LEASED & MANAGED RIGS | | Year-Ended December 31, 2022 |
|---|---|---|
| Net income (loss) | $ | 76.8 |
| Add (subtract): | | |
| Reactivation costs | | - |
| Depreciation and amortization, net | | 5.3 |
| Other | | (0.1) |
| Adjusted EBITDAR[1] | $ | 82.0 |

(In millions)

| ARO | | Year-Ended December 31, 2022 |
|---|---|---|
| Net income | $ | 20.7 |
| Add (subtract): | | |
| Income tax expense | | 3.8 |
| Other expense, net | | 11.1 |
| Operating income | $ | 35.6 |
| Add (subtract): | | |
| Depreciation expense | | 63.4 |
| EBITDA | $ | 99.0 |

1 Adjusted EBITDAR for active fleet and leased and managed rigs excludes onshore support costs and general and administrative expense

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