



ADNOC Drilling



# THIRD QUARTER AND NINE-MONTHS 2022 RESULTS PRESENTATION

14 NOVEMBER 2022



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# AGENDA & PRESENTERS

- 1 3Q22 Highlights
- 2 Strategic Progress
- 3 Operational Highlights
- 4 Financial Performance
- 5 Guidance
- 6 Summary
- 7 Appendix



**Abdulrahman Abdullah Al Seiari**  
*Chief Executive Officer*



**Esa Ikaheimonen**  
*Chief Financial Officer*



**Emri Zeineldin**  
*Senior Vice President, Oilfield Services*

# STRONG FINANCIAL PERFORMANCE WITH ACCELERATING RIG FLEET EXPANSION



## Safety & environment

**36,170**

GJ/Rig energy intensity in 3Q22 vs. target of 52,539 GJ/Rig

**384**

ktCO<sub>2</sub>eq GHG absolute emissions in 3Q22, vs. target of 661.5 ktCO<sub>2</sub>eq

**0.58 TRIR**

Improvement from 0.82 at the end of FY21



## Financial

**17%**

YoY revenue increase in 3Q22 to \$670 million

**31%**

Increase in 3Q22 Capex vs. 3Q21

**\$189m**

Net profit in 3Q22, up 6% YoY



## Operational

**9**

New rigs added to the ADNOC Drilling fleet in 9M22

**96%**

Rig utilization in 9M22

**\$3.4bn**

Contract awarded for eight offshore jack-ups to ADNOC Offshore

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# STRATEGIC PROGRESS

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# STRATEGIC PARTNER AT THE HEART OF ADNOC UPSTREAM

*Our value creation profile*



## High return, limited risk proposition

- Integral position to ADNOC operations driving bespoke contractual position
- Attractive returns, high visibility and strong downside protection
- Compelling IRRs generated over a long time, driving significant cash generation



## Delivering superior financial results

- Undisputed returns leadership throughout the cycle
- Strong cash conversion, robust capital stewardship and solid balance sheet
- Attractive cash return focused dividend policy



## Significant leverage to growth

- Key enabler to ADNOC's delivery on its long-term upstream targets
- Strong in-house capability set drives accelerated growth into oilfield services (OFS)
- Further potential for disciplined domestic and regional expansion



# WE ARE EXECUTING ON OUR STRATEGY

Our long-term strategy for growth is focused on four areas



## Capitalize on ADNOC Increasing Production

**Capitalize on ADNOC's** plans to increase production capacity to 5 million barrels per day and 1bcf of gas.

▶ **Added 9 rigs** to fleet in 9M22



## Unconventional Development

Become a Middle East regional leader in **unconventional** development. Market share in 3Q22 increased to 100% from 58% in prior quarter.

▶ **42 FRAC'd stages** in 9M22



## Integrated Drilling Services Ramp-up

Launch a major **rig fleet expansion** program to support **upstream growth** plans.

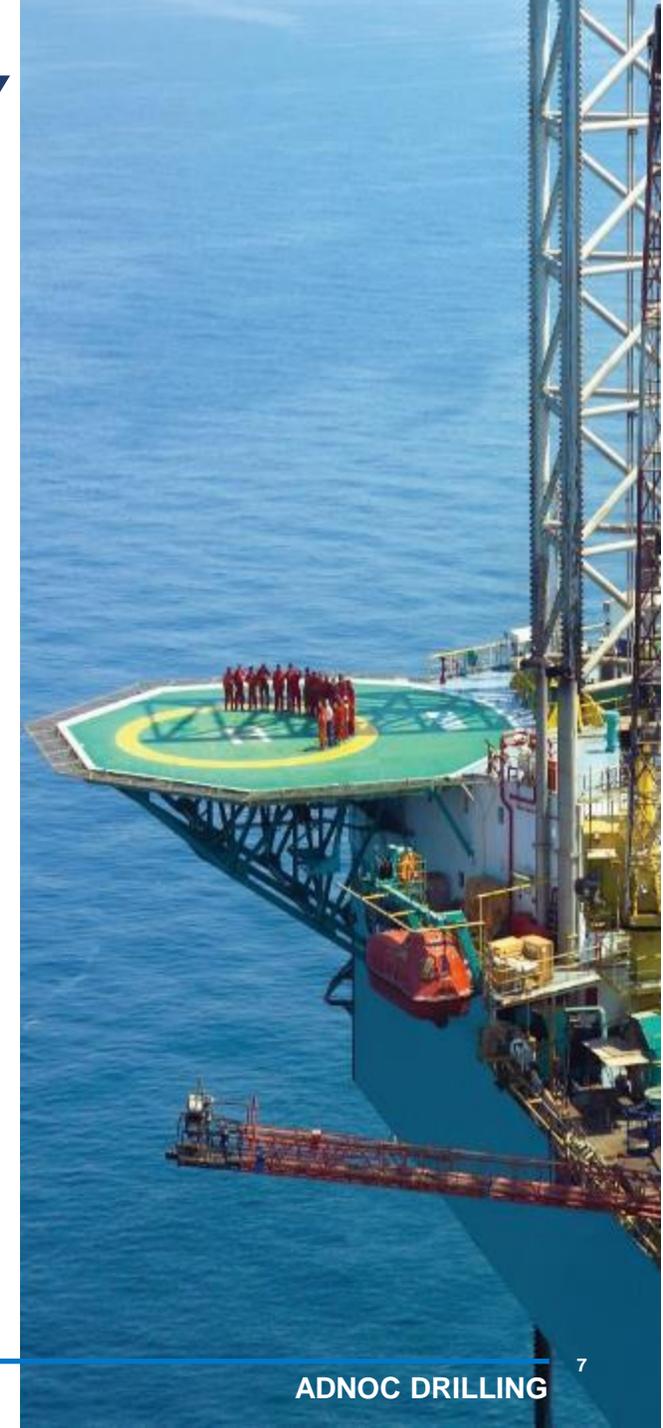
▶ **Performed IDS on 37 rigs** in 9M22



## New Revenue Streams

Pursue new business **inside and outside of Abu Dhabi** for **rigs, services and technology**

▶ **Regional expansion** being explored



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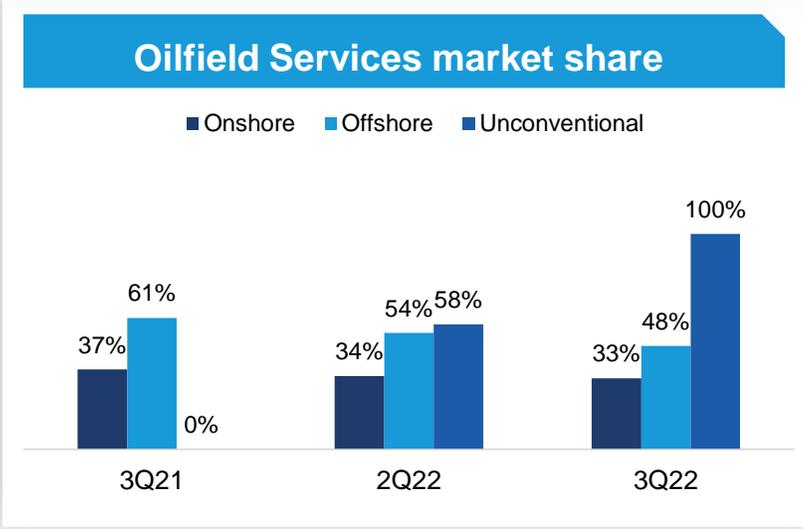
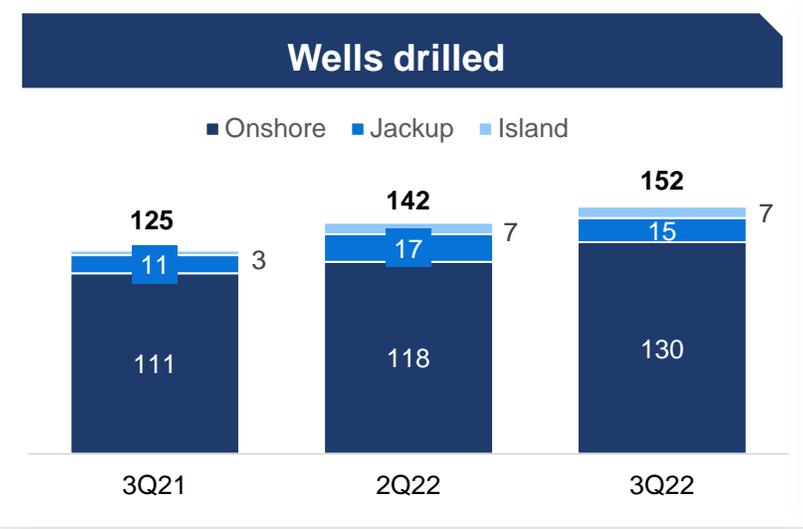
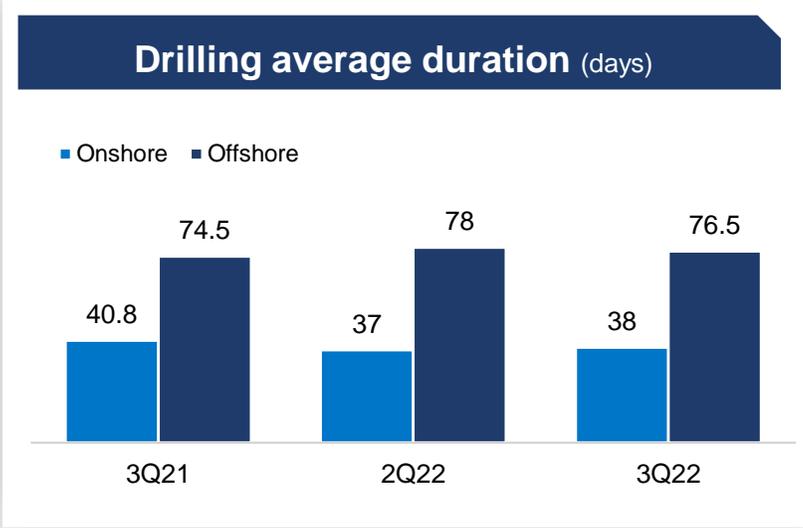
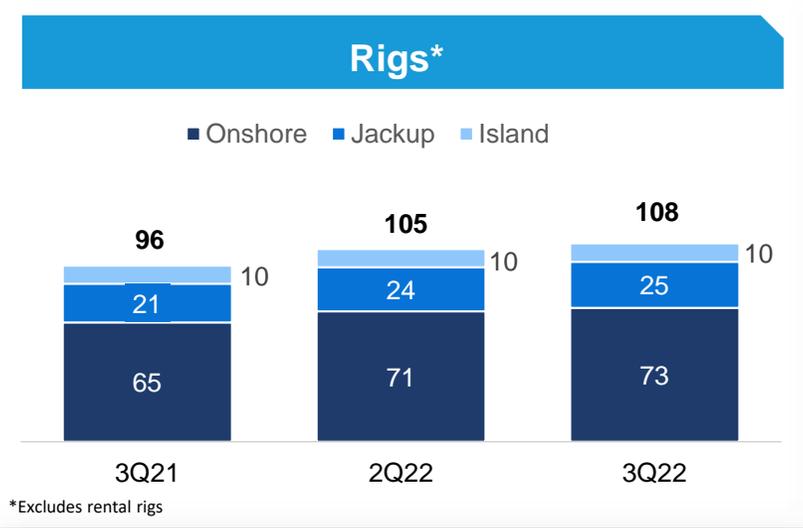


# OPERATIONAL HIGHLIGHTS



# GROWING FLEET IS DRILLING MORE WELLS

Key operational highlights



## Commentary



- 6 Onshore H&P FlexRigs integrated into operations in the first nine months of 2022
- 441 wells drilled in 9M22 compared to 396 wells drilled in 9M21
- Awarded **two contracts** at a combined **value of \$3.4 billion** to provide 8 jackup rigs to ADNOC Offshore
- Awarded a **\$700 million contract** for the provision of four Island Drilling Units for up to **10 years** for ADNOC's Hail and Ghasha Development Project
- OFS performed **IDS on 37 rigs** (37% market share) in 9M22
- 15.1% YoY improvement in **drilling efficiency** for 9M22 vs. 2021 client benchmark
- Awarded contracts **totalling \$1.3 billion** for the Hail and Ghasha Development Project for the provision of IDS and fluids for up to ten years



# ONSHORE AND OFS DRIVE PERFORMANCE

## Segmental operating highlights

### Onshore



- **95% Rig Availability** for Onshore operations in 9M22 (vs. 94% in 9M21)
- **92% Rig Efficiency** for Onshore operations in 9M22 (vs. 94% in 9M21)
- Land rig AD-22 ran smart completion within 7 days in the longest horizontal section, **the first attempt in the MENA region**

### Offshore Jackup and Offshore Islands



- **91% Rig Availability** for **Offshore Jackup** and **100%** for **Offshore Island** rigs in 9M22 (vs. 99% and 100% in 9M21)
- **94% Rig Efficiency** for **Offshore Jackup** and **93%** for **Offshore Island** rigs in 9M22 (vs. 93% and 90% in 9M21)
- **Awarded two contracts** at a combined value of **\$3.4 billion** to provide 8 jackup rigs to ADNOC Offshore

### Oilfield Services



- **151 wells delivered** in 9M22 with 56 benchmarked wells delivered, of which 45 wells ahead of schedule and budget
- **FRAC'd 12 stages in 3Q22, 13 stages in 2Q22, and 17 stages in 1Q22**
- **Awarded \$1.3 billion** in contracts by ADNOC for the Hail and Ghasha Development Project, to provide IDS and fluids for up to 10 years

# WE CONTINUE TO PURSUE AMBITIOUS ESG GOALS

Our ESG framework and 3Q22 performance highlights



## Climate, emissions and energy

- Support ADNOC's target to decrease GHG intensity by **25% by 2030 and 50% by 2050**
- Energy intensity at a target of 52,539 GJ/Rig vs. the current actual of 36,170 GJ/Rig (3Q22)



## Economic and social contribution

- **In-country value (ICV)** at 90.4% 3Q22 vs. a target of 60%



## Health, safety and security

- **Zero recordable incidents** in Offshore and OFS
- **TRIR at 0.58** versus target of 1.0 for 2022



## Local environment

- Minimizing impacts through **best-in-class** environmental management system
- **Zero spill incidents** in 3Q22



## Workforce diversity and development

- **Women Empowerment established**, with 9\* female employees at leadership level
- 79 nationalities across the workforce

\*managers and above



## Business sustainability

- Integrate risk management across operations & business planning
- Strengthen collaboration in environmental protection, conservation and sustainable development



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# FINANCIAL PERFORMANCE





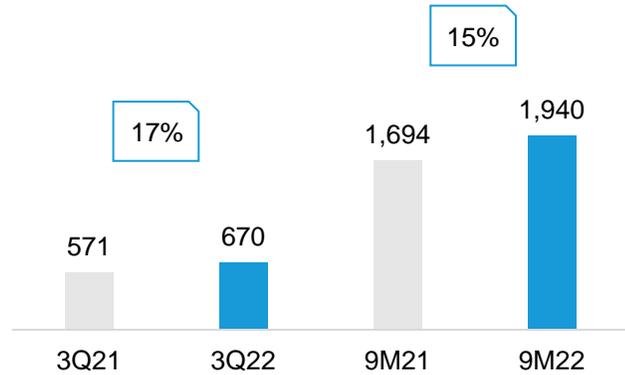
# FINANCIAL HIGHLIGHTS

Strong 3Q and 9M performance with healthy revenue growth and industry-leading EBITDA margins

\$ millions

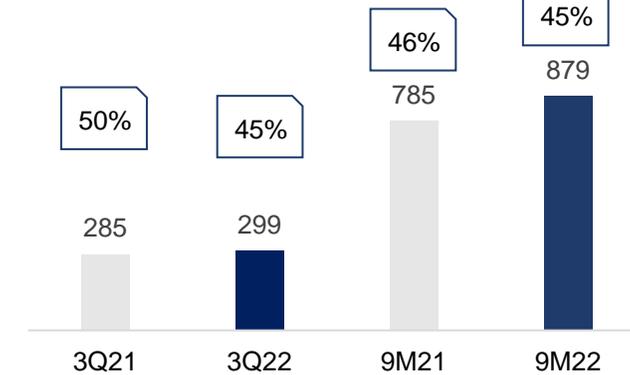
## Revenue

% growth



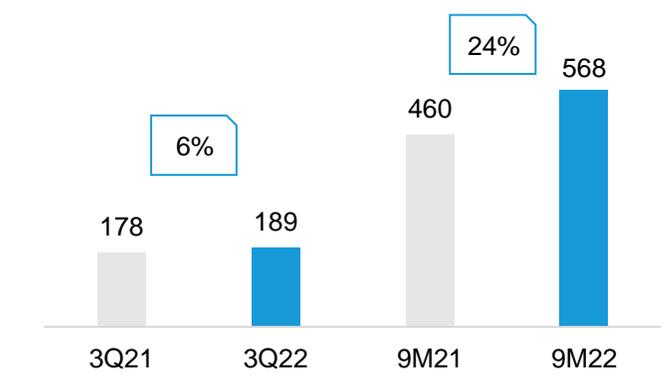
## EBITDA

% EBITDA margin



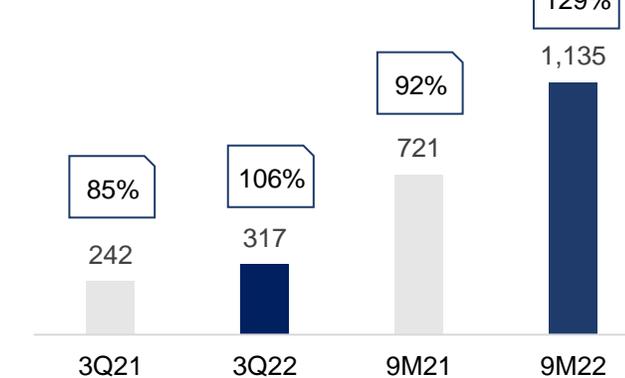
## Net income

% growth



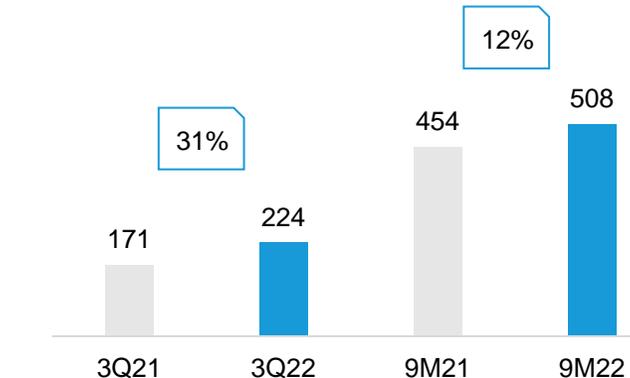
## Cash from operations

% of EBITDA



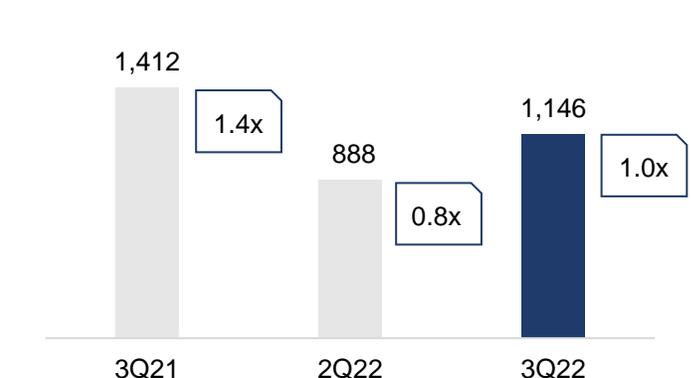
## Capex

% growth



## Net debt

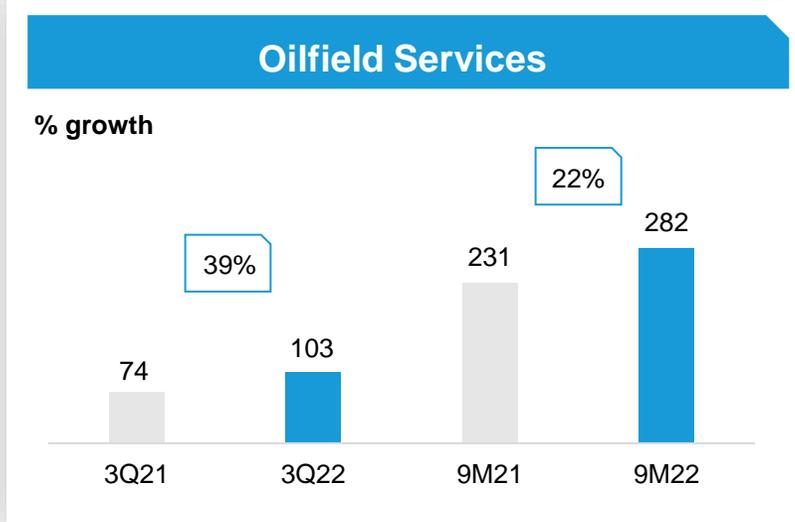
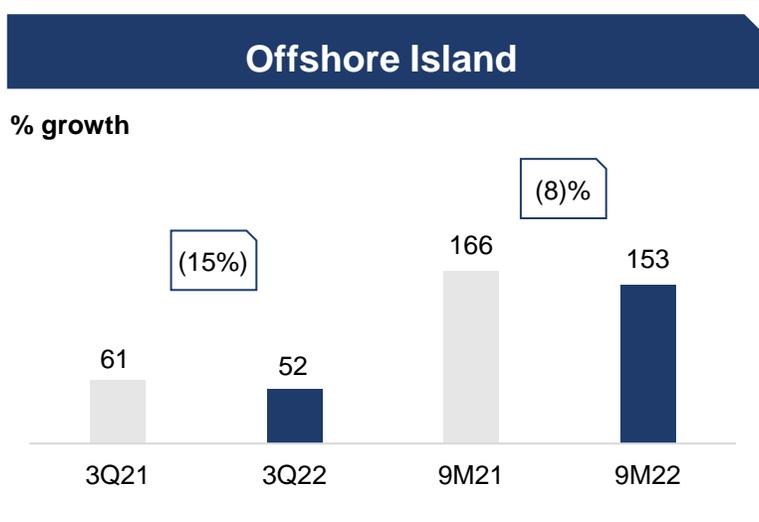
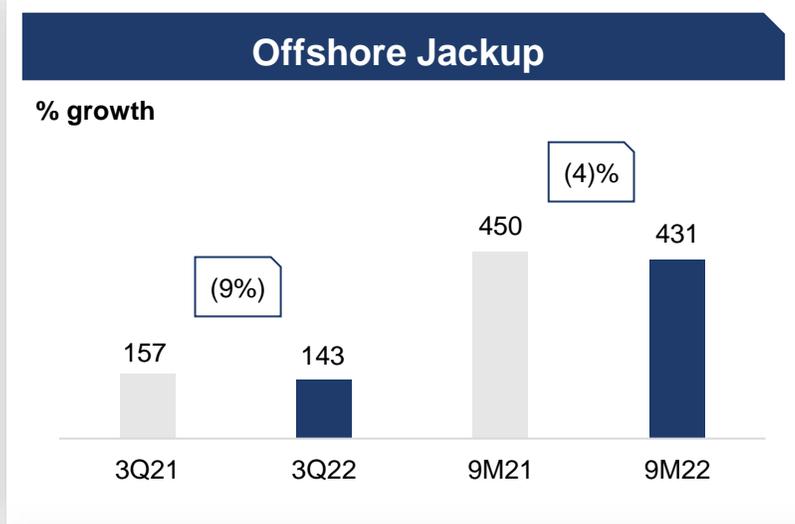
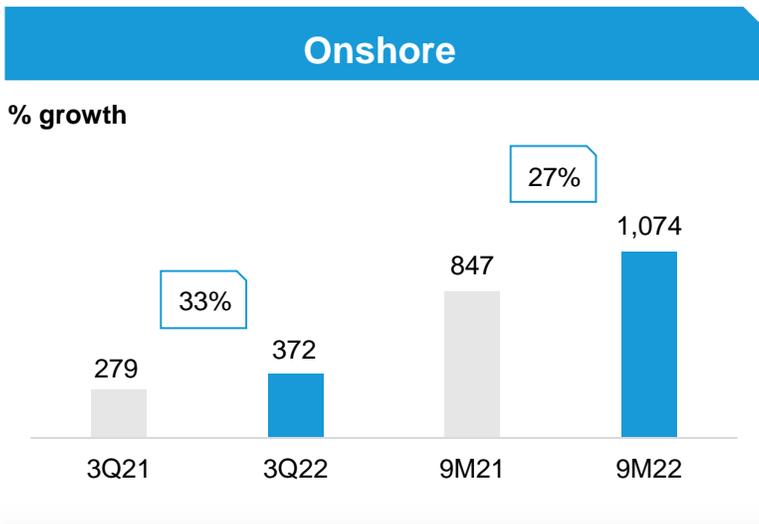
x Net Debt / LTM EBITDA



# SEGMENTAL REVENUE

Onshore and OFS powering top-line growth for 3Q and 9M periods

\$ millions



## Commentary

Onshore and Oilfield Services drove overall 9M22 revenues to \$1.94 billion, up 15% year-on-year



**Onshore:** 3Q22 revenue increased 33% YoY, primarily due to additional rigs being added to the fleet



**Offshore Jackup:** 3Q22 revenue decreased 9% YoY, mainly due to planned maintenance of certain rigs, partially offset by 3 new rigs commencing operations



**Offshore Island:** 3Q22 revenue declined 15% YoY, driven by one-off contractual claims concluded and recognised in 3Q21

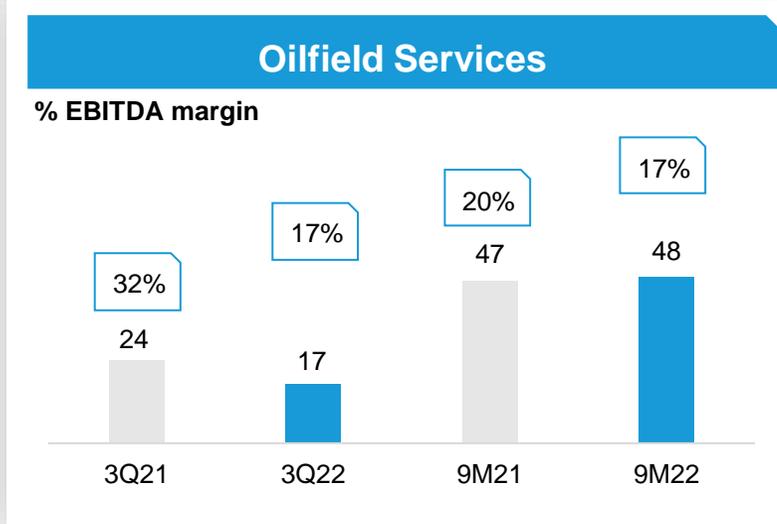
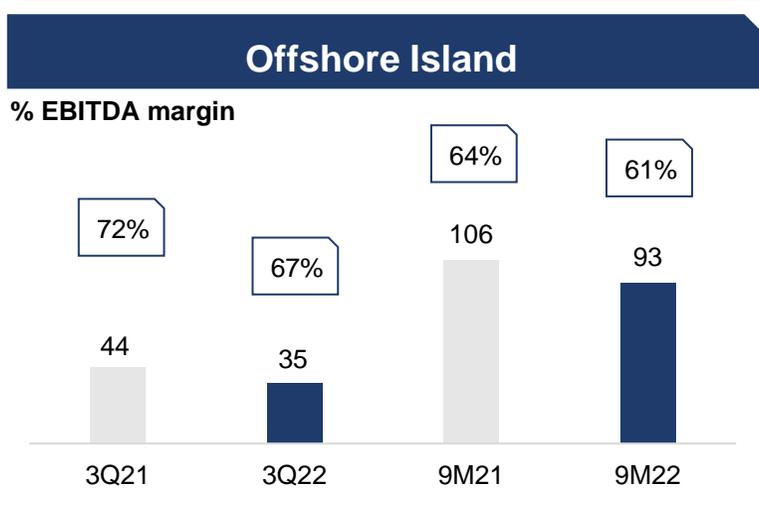
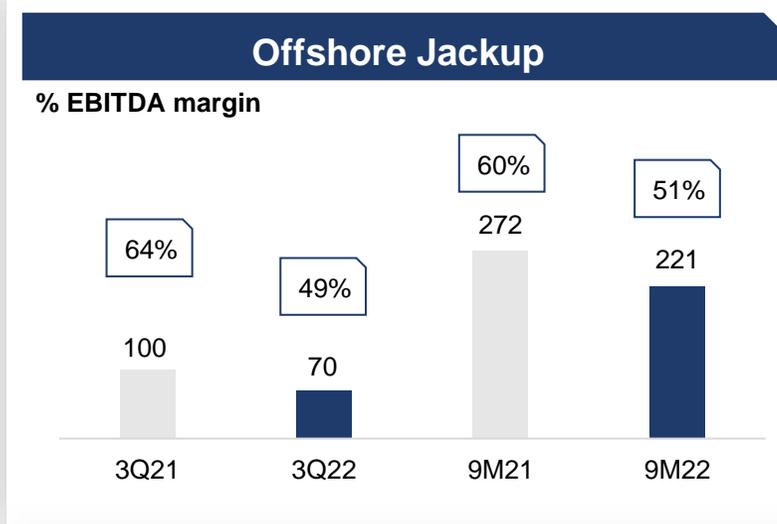
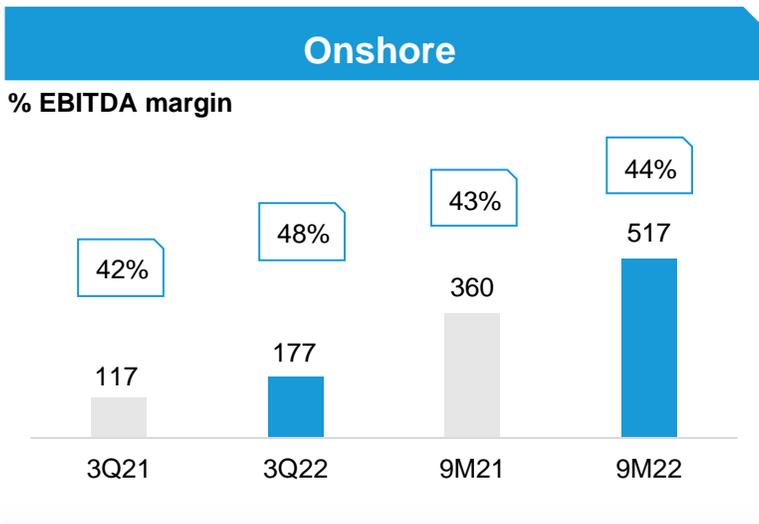


**OFS:** 3Q22 revenue up 39% YoY, driven by increased activity across the portfolio

# EBITDA GENERATION

Onshore leads EBITDA growth as lower revenue impacts Offshore performance

\$ millions



## Commentary

9M22 EBITDA up 12% at an industry-leading margin of 45%. 3Q22 EBITDA increased by 5% year-on-year



**Onshore:** 3Q22 EBITDA up 51%, YoY due to increased drilling activity for the segment



**Offshore Jackup:** 3Q22 EBITDA decreased 30% YoY, due to consumables cost inflation and planned maintenance



**Offshore Island:** 3Q22 EBITDA decreased 20% YoY, due to one-off contractual claims concluded and recognised in 3Q21



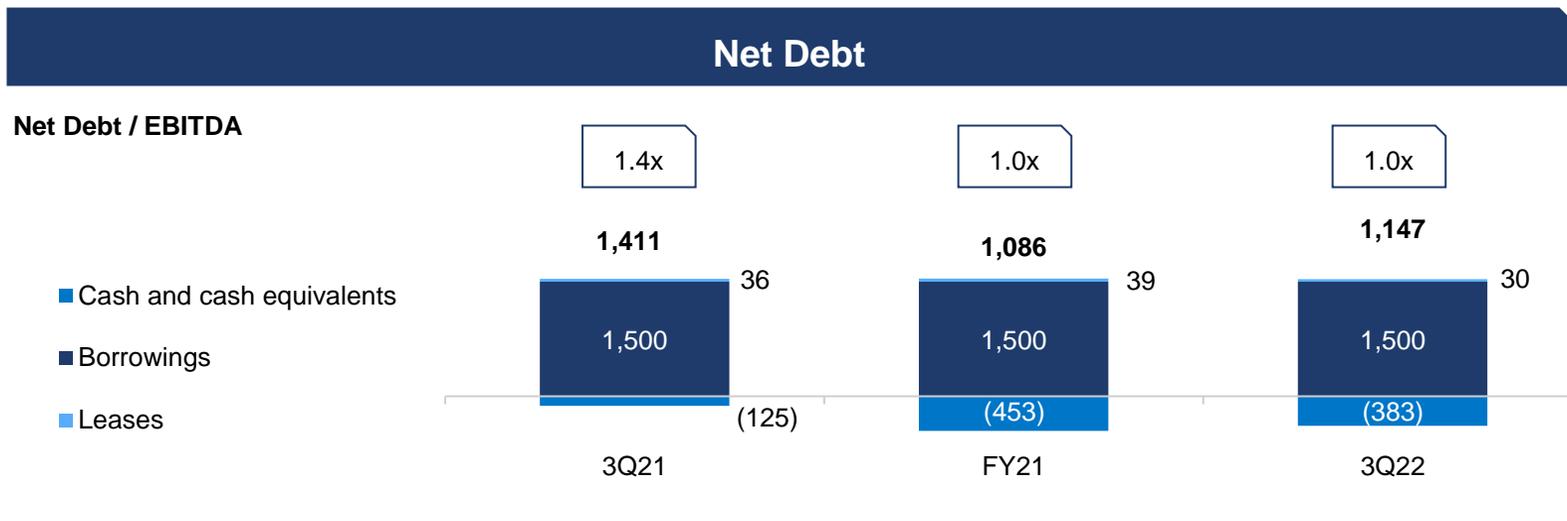
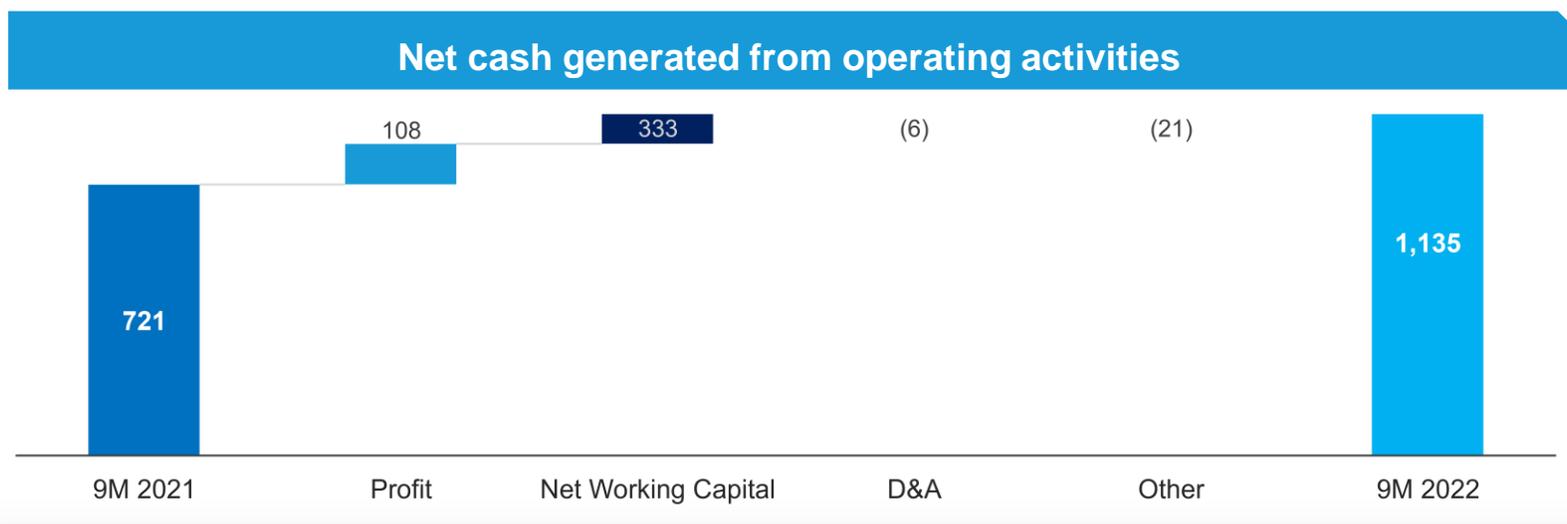
**OFS:** 3Q22 EBITDA decreased 29% YoY. 3Q21 EBITDA was exceptionally high due to a one-off accounting adjustment in Opex. When adjusted, incremental activity in 3Q22 drove steady EBITDA, slightly offset by cost inflation



# STRONG CASHFLOW AND BALANCE SHEET

Healthy cash position to enable growth

\$ millions



## Commentary

### Net cash from operating activities

3Q22 cash generated from operating activity was \$317 million, driven by growth in OFS and Onshore.

The Company continues to reinvest cash to fund CapEx in support of the rig fleet expansion program.

### Net Debt

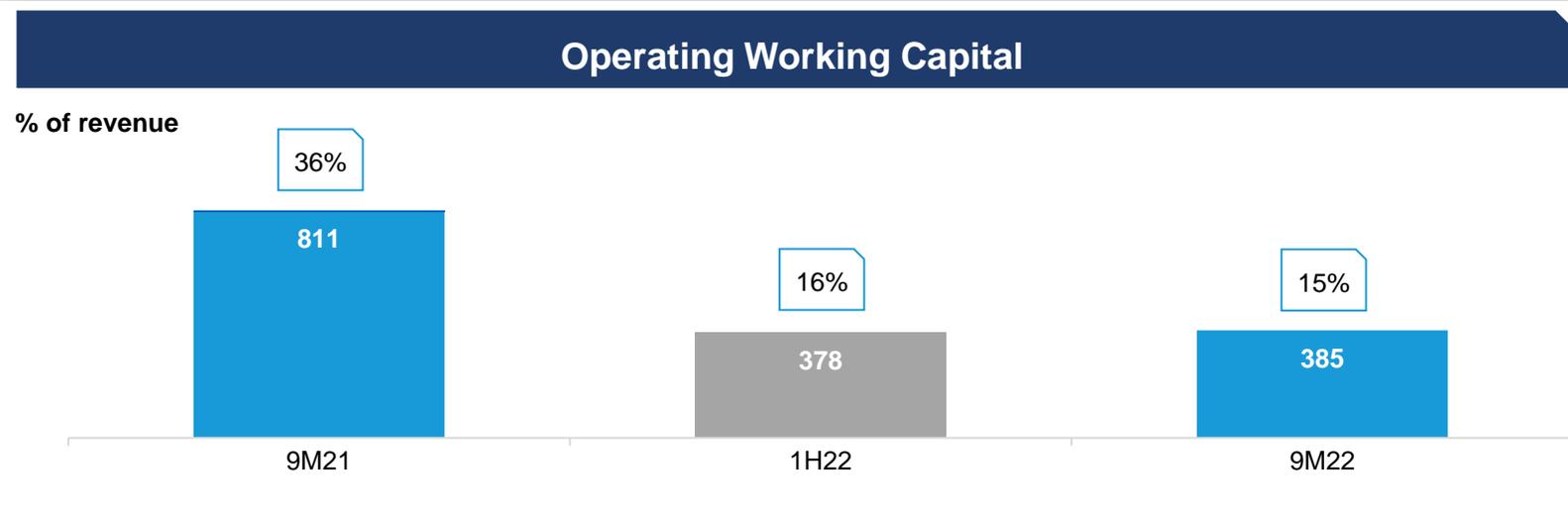
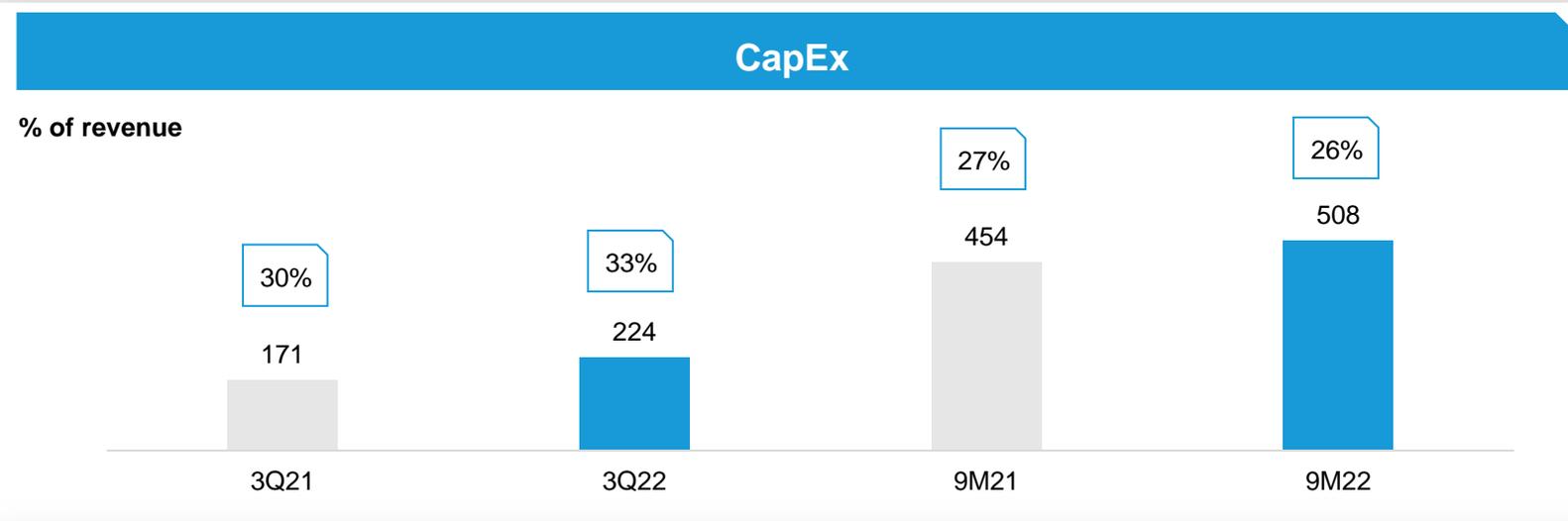
Net Debt / EBITDA ratio decreased to 1.0x for 3Q22, mostly due to improved EBITDA performance.

Cash balance was \$383 million with total liquidity (including unutilized syndicated term and revolving facilities) of \$1.63 billion.

# WORKING CAPITAL OPTIMIZED, CAPEX RAMPS UP

Working capital improves with aggressive targets set; Capex is accelerating into year-end

\$ millions



## Commentary

### CapEx

During 9M22, increased CapEx of \$508 million supported the rig fleet expansion.

Accelerated rig fleet expansion program is progressing well, with a total of nine new rigs added to the fleet during 9M22.

Increased capex is expected for further rig acquisitions in 4Q22 and 2023.

### Operating Working Capital

Improvement of 53% in 9M22 over the year-ago period reflecting strong collections, whilst business is growing.

Our guidance of achieving net working capital between 10-11% of annualized revenue remains intact.



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# GUIDANCE



# TARGETING GROWTH AND COMPETITIVE RETURNS

*Forward-looking guidance confirmed and unchanged*



## Performance

### Revenue

**CAGR in low teens for medium term vs 2021**

- Drilling revenues high single digit CAGR
- OFS revenues low 20%*s* CAGR

### EBITDA

**Drilling margin**

- High-40%*s* medium term

**OFS margin**

- Low-mid-20%*s* medium term

Ongoing cost savings to further enhance margin profile

### Working Capital

**ADNOC OpCos payment terms 30-60 days**

- Strong positive cash inflow by 2022
- Targeting net working capital 10-11% of revenue



## Growth

### Rig Requirement

**122 rigs** by end of **2024** (56 focused on IDS)

**127 rigs** by end of **2030** (64 focused on IDS)

### Capex

**Elevated capex 2021-2023 - \$2.5-3.0bn**

**Lower capex post-2023 - \$150-200m p.a.**



## Financial

### Dividend Policy

**5-for-5 dividend growth**

- Annual growth of 5% p.a. on DPS 2022-2026
- 5% increase for interim dividend in 2022, at 7.83 fils per share or **\$341 million**

### Capital Structure

**Conservative long-term leverage target of up to 2.0x net debt / EBITDA**

- For short periods target may be exceeded during high expansionary Capex



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# SUMMARY

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# STRONG AND SUSTAINED MOMENTUM



**Robust  
financials  
supported by  
industry-  
leading fleet  
utilization**



**Onshore and  
OFS segments  
enabling  
powerful top-  
line growth**



**Over \$13 billion  
in contract  
backlog  
achieved since  
IPO**



**Key enabler of  
ADNOC's  
ambitious  
production  
capacity targets**



**Compelling  
returns to  
shareholders,  
delivering TSR  
of 53.7% as at  
3Q22**

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# APPENDIX

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# FINANCIAL SUMMARY 3Q22 & 9M22

| 3Q22       | 2Q22       | QoQ %      | 3Q21       | YoY %     | USD Million                                  | 9M22       | 9M21       | YoY %      |
|------------|------------|------------|------------|-----------|--|------------|------------|------------|
| 670        | 669        | 0%         | 571        | 17%       | Revenue                                      | 1,940      | 1,694      | 15%        |
| -371       | -369       | 1%         | -286       | 30%       | Opex <sup>1</sup>                            | -1,061     | -909       | 17%        |
| <b>299</b> | <b>300</b> | <b>0%</b>  | <b>285</b> | <b>5%</b> | <b>EBITDA<sup>2</sup></b>                    | <b>879</b> | <b>785</b> | <b>12%</b> |
| <b>189</b> | <b>205</b> | <b>-8%</b> | <b>178</b> | <b>6%</b> | <b>Net Profit</b>                            | <b>568</b> | <b>460</b> | <b>24%</b> |
| 45%        | 45%        |            | 50%        |           | EBITDA Margin                                | 45%        | 46%        |            |
| 28%        | 31%        |            | 31%        |           | Net Profit Margin                            | 29%        | 27%        |            |
| 317        | 205        | 55%        | 242        | 31%       | Net cash generated from operating activities | 1,135      | 721        | 57%        |
| -224       | -207       | 8%         | -171       | 31%       | Capital Expenditure <sup>4</sup>             | -508       | -454       | 12%        |
| 96         | -2         | NM         | 71         | 35%       | Free Cash Flow                               | 629        | 268        | 135%       |
| 2,697      | 2,850      | -5%        | 2,652      | 2%        | Total Equity                                 | 2,697      | 2,652      | 2%         |
| 1,146      | 888        | 29%        | 1,412      | -19%      | Net debt <sup>5</sup>                        | 1,146      | 1,412      | -19%       |
| 0.012      | 0.013      | -9%        | 0.011      | 5%        | Earnings per Share (\$) <sup>6</sup>         | 0.0118     | 0.029      | -59%       |
| 4,353      | 4,477      | -3%        | 4,278      | 2%        | Capital employed                             | 4,353      | 4,278      | 2%         |
| 17%        | 15%        |            | 15%        |           | Return on capital employed                   | 17%        | 15%        |            |
| 1          | 0.8        |            | 1.4        |           | Net debt to LTM EBITDA                       | 1          | 1.4        |            |
| 30%        | 24%        |            | 35%        |           | Leverage ratio                               | 30%        | 35%        |            |
| 26%        | 25%        |            | 23%        |           | Return on equity                             | 26%        | 23%        |            |

NM: Not meaningful

(1) Opex includes allocation of G&A expenses and other income

(2) EBITDA represents Earnings Before Interest, Tax, Depreciation and Amortization

(3) Depreciation which is directly related to the operations is included in the direct cost. Indirect depreciation is part of G&A.

(4) Payments for purchase of property and equipment

(5) Interest bearing liabilities less cash and cash equivalents

(6) Number of shares for earnings per Share calculation in the comparatives are adjusted as if the share split and capitalization had taken place as at 1 Jan 2021.



# SEGMENTAL RESULTS 3Q22 & 9M22

| USD Millions            | 3Q22        | 2Q22        | QoQ %      | 3Q21        | YoY %      | 9M22          | 9M21         | YoY %      |
|-------------------------|-------------|-------------|------------|-------------|------------|---------------|--------------|------------|
| <b>Revenue</b>          | <b>670</b>  | <b>669</b>  | <b>0%</b>  | <b>571</b>  | <b>17%</b> | <b>1,940</b>  | <b>1,694</b> | <b>15%</b> |
| Onshore                 | 372         | 383         | -3%        | 279         | 33%        | 1,074         | 847          | 27%        |
| Offshore Jackup         | 143         | 144         | -1%        | 157         | -9%        | 431           | 450          | -4%        |
| Offshore Island         | 52          | 51          | 2%         | 61          | -15%       | 153           | 166          | -8%        |
| Oilfield Services (OFS) | 103         | 91          | 13%        | 74          | 39%        | 282           | 231          | 22%        |
| <b>Total OPEX</b>       | <b>-371</b> | <b>-369</b> | <b>1%</b>  | <b>-286</b> | <b>30%</b> | <b>-1,061</b> | <b>-909</b>  | <b>17%</b> |
| Onshore                 | -195        | -195        | 0%         | -162        | 20%        | -557          | -487         | 14%        |
| Offshore Jackup         | -73         | -78         | -6%        | -57         | 28%        | -210          | -178         | 18%        |
| Offshore Island         | -17         | -22         | -23%       | -17         | -          | -60           | -60          | -          |
| Oilfield Services (OFS) | -86         | -74         | 16%        | -50         | 72%        | -234          | -184         | 27%        |
| <b>EBITDA</b>           | <b>299</b>  | <b>300</b>  | <b>0%</b>  | <b>285</b>  | <b>5%</b>  | <b>879</b>    | <b>785</b>   | <b>12%</b> |
| Onshore                 | 177         | 187         | -6%        | 117         | 51%        | 517           | 360          | 44%        |
| Offshore Jackup         | 70          | 66          | 6%         | 100         | -30%       | 221           | 272          | -19%       |
| Offshore Island         | 35          | 29          | 21%        | 44          | -20%       | 93            | 106          | -12%       |
| Oilfield Services (OFS) | 17          | 17          | 0%         | 24          | -29%       | 48            | 47           | 2%         |
| <b>Net Profit</b>       | <b>189</b>  | <b>205</b>  | <b>-8%</b> | <b>178</b>  | <b>6%</b>  | <b>568</b>    | <b>460</b>   | <b>24%</b> |
| Onshore                 | 130         | 149         | -13%       | 72          | 82%        | 392           | 216          | 81%        |
| Offshore Jackup         | 32          | 32          | 0%         | 64          | -50%       | 108           | 160          | -33%       |
| Offshore Island         | 23          | 19          | 21%        | 31          | -26%       | 58            | 68           | -15%       |
| Oilfield Services (OFS) | 4           | 4           | 0%         | 11          | -64%       | 10            | 16           | -38%       |

(1) Operational expenses including allocated G&A  
(2) Underlying EBITDA includes other income





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# THANK YOU

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