



## **Archer Fourth Quarter 2018**

**John Lechner CEO**

**Dag Skindlo CFO**

27 February 2019

# **Archer**

# Disclaimer – forward looking statements

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## Cautionary Statement Regarding Forward-Looking Statements

In addition to historical information, this press release contains statements relating to our future business and/or results. These statements include certain projections and business trends that are “forward-looking.” All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements, including statements preceded by, followed by or that include the words “estimate,” pro forma numbers, “plan,” project,” “forecast,” “intend,” “expect,” “predict,” “anticipate,” “believe,” “think,” “view,” “seek,” “target,” “goal” or similar expressions; any projections of earnings, revenues, expenses, synergies, margins or other financial items; any statements of the plans, strategies and objectives of management for future operations, including integration and any potential restructuring plans; any statements concerning proposed new products, services, developments or industry rankings; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements do not guarantee future performance and involve risks and uncertainties. Actual results may differ materially from projected results/pro forma results as a result of certain risks and uncertainties. Further information about these risks and uncertainties are set forth in our most recent annual report for the Year ending December 31, 2017. These forward-looking statements are made only as of the date of this press release. We do not undertake any obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

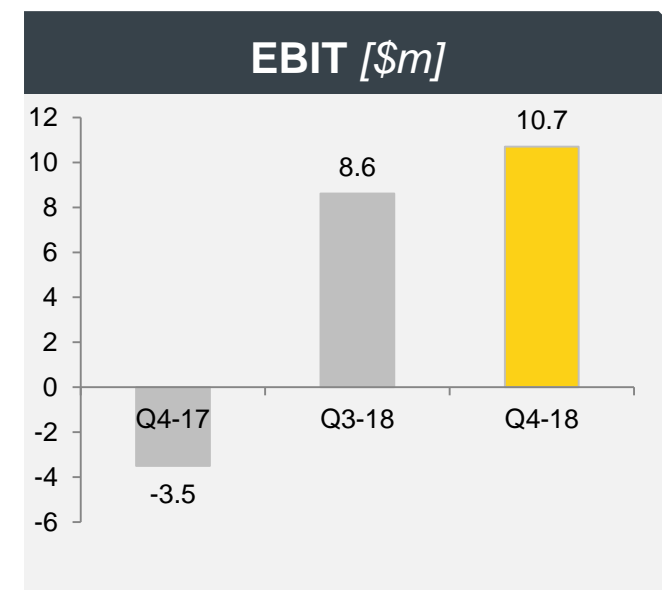
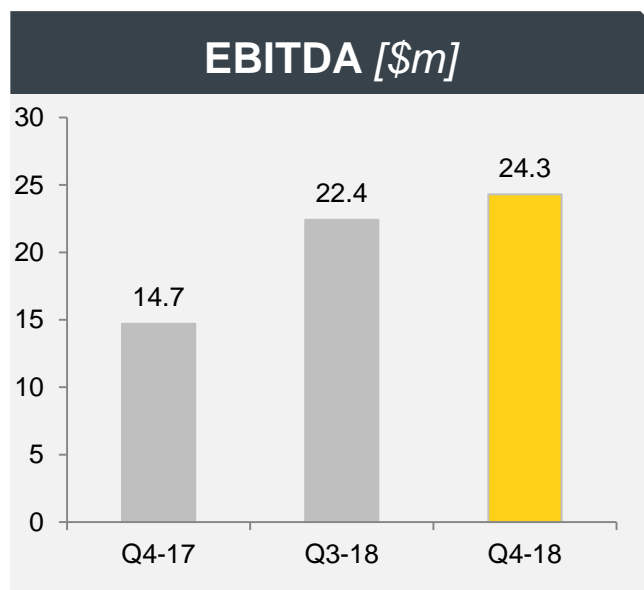
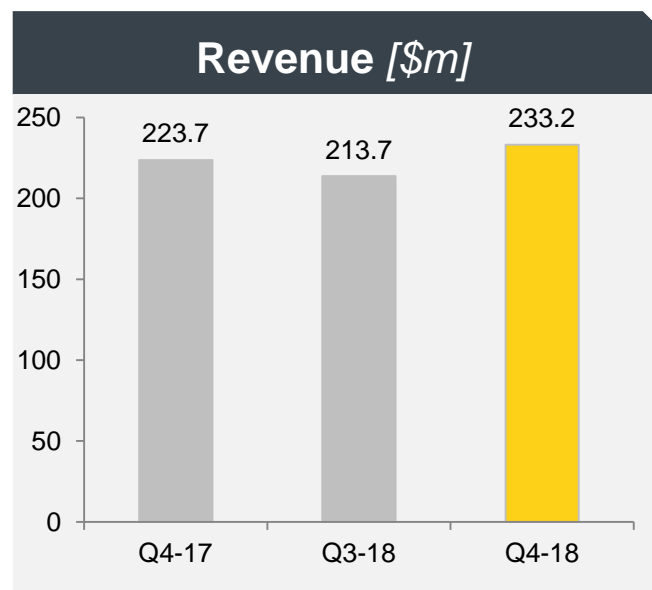
The forward-looking statements in this report are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management’s examination of historical operating trends, data contained in our records and other data available from Fourth parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies, which are impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

- Well Services revenue up 38% compared to same quarter last year
- Platform Drilling and Engineering increased revenue by 20% from third quarter
- Land Drilling has delivered two consecutive quarters with EBITDA margin above 13%








# Archer – Fourth quarter highlights 2018

- Revenue of \$233.2 million, an increase of 9% from third quarter.
- EBITDA before exceptional items of \$26.9 million, an increase of 63% from Q4 2017.
- EBITDA of \$24.3 million, an increase of 65% from Q4 2017.
- EBIT of \$10.7 million or 4.6% of revenue.
- Net Interest Bearing Debt reduced to \$585.8 million.



# We delivered on our promises for 2018

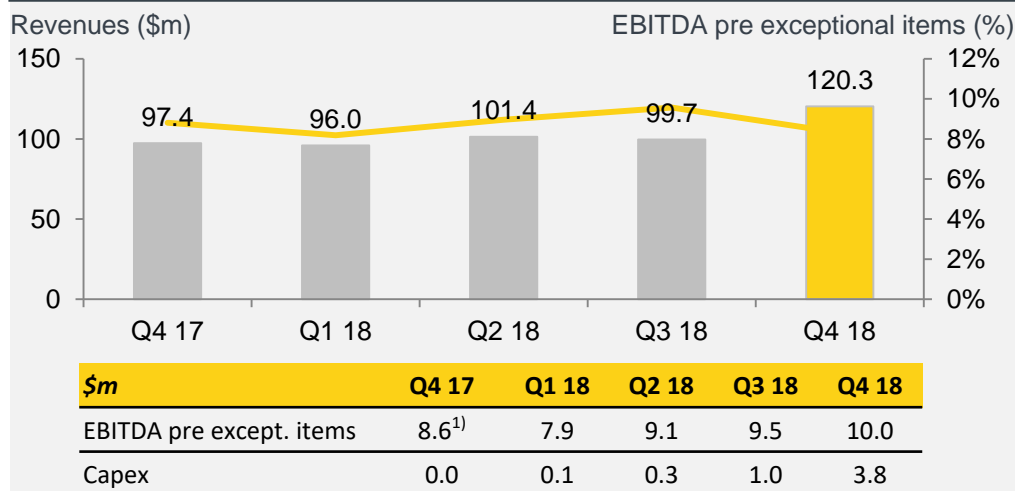
## Status

1	All business units in the Eastern Hemisphere experiencing increased demand with combined expected revenue growth of 15% over 2017.	 18% above
2	Average EBITDA margin before restructuring expected to improve 1-2% points over 2017.	 2% points improvement
3	Improved EBITDA in second half of year on the back of higher activity, reduced cost and incentive terms in Land Drilling.	 46% higher
4	Capex below 3% of revenue.	 2.7% of revenue
5	Strategic process for onshore US ongoing.	 Completed

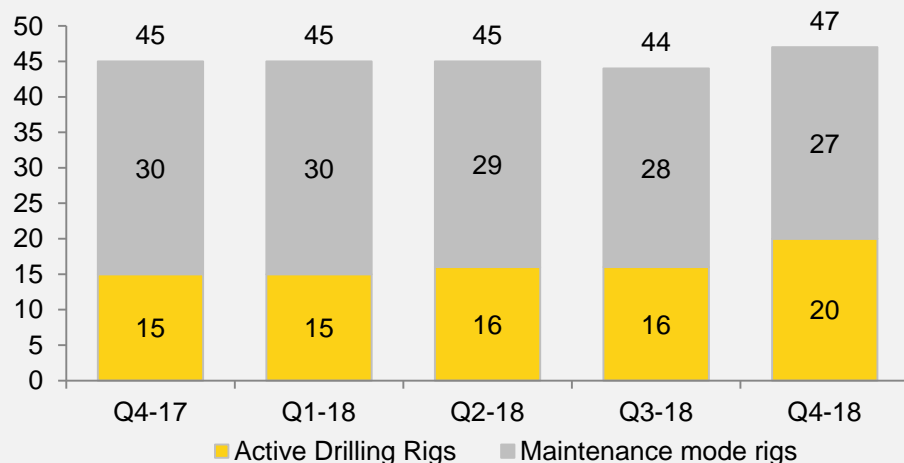


## Increase in revenue driven by additional active rigs in portfolio

### Revenue and EBITDA [\$m and %]



### Platform Drilling contracted rigs [nr of rigs]



### Platform Drilling

- Successful October operational start up of Gullfaks A, B, C and Grane platforms as part of new Equinor contract.
- Number of active rigs increased by four during the quarter.
- Two platforms in the UK wound down during Q4 2018 and will provide minimal revenue going forward until permanently de-commissioned.
- Have received three separate expressions of interest for projects with possible deployment of Modular Drilling Rigs in 2020.
- EBITDA in the quarter negatively impacted by one-off costs of \$1.2 million.

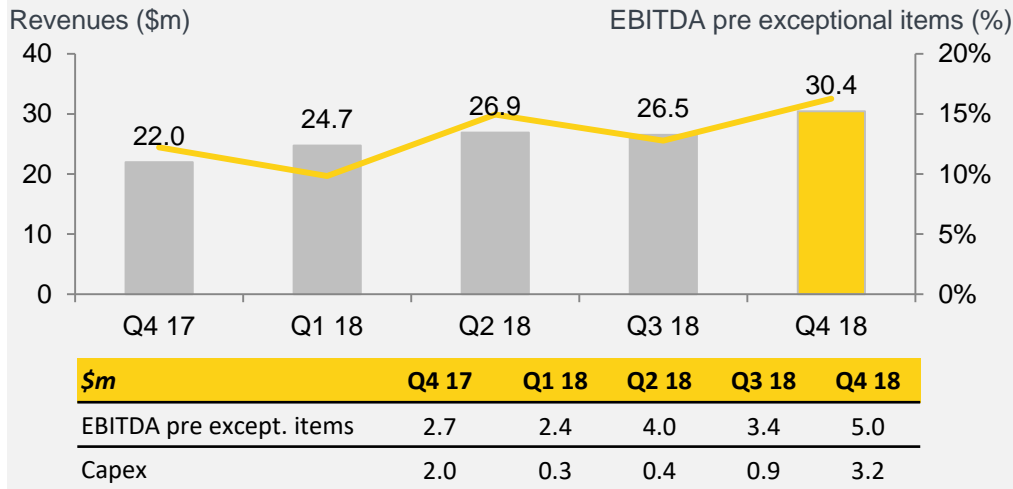
### Engineering

- Flat quarter, but with good profitability on quality project execution.

1) Less addition of internal allocation of group costs of \$2.3m in Q4-17 previously reported

Revenue growth of 38% over same quarter last year

## Revenue and EBITDA [\$m and %]



**“Archer completes record breaking horizontal perforation job with ComTrac carbon composite rod”**

## Oiltools

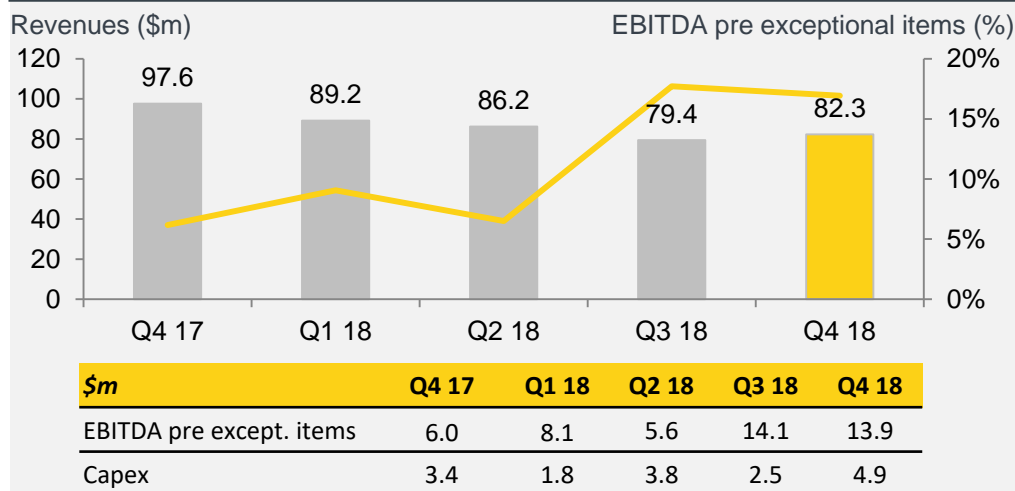
- Q4 with highest number of runs in 2018. New activity record for plugs & plugs solutions in 2018.
- Core products (Plugs and Cflex) continued stronger momentum internationally as well programs picked up in key regions.
- New MCAP tool initially designed for onshore market is attracting interest in offshore market.

## Wireline

- Temporary slow down on Mechanical wireline in Norway in November. Picked up again in December.
- Record breaking horizontal perforation job with ComTrac carbon composite rod on Gullfaks.
- Final settlement from TAQA JV in Saudi, with a net payout of \$5.4 million to Archer.
- Capex for Q4 related to new logging tools and upgrade of auxiliary equipment.

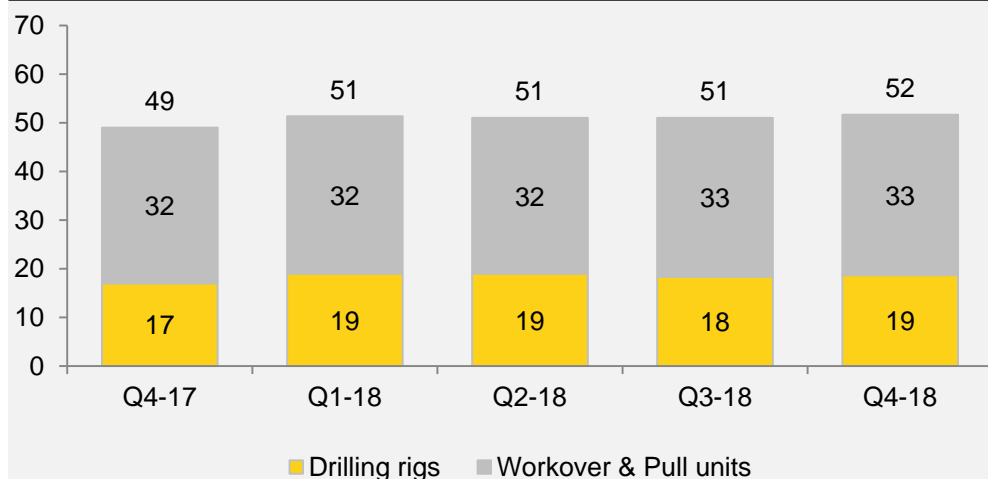
## Another strong quarter with EBITDA margins above 13%

### Revenue and EBITDA [\$m and %]



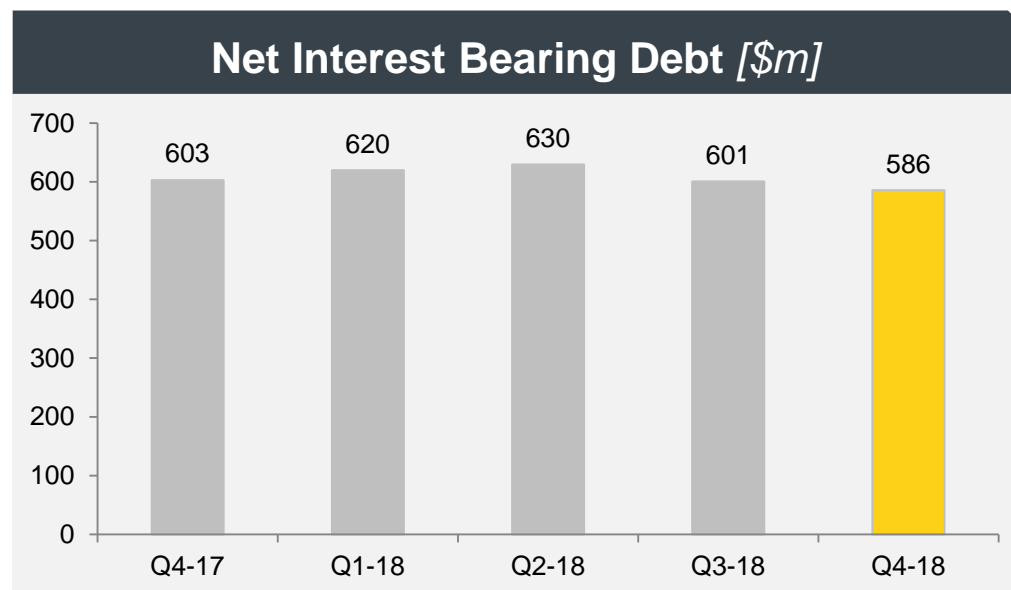
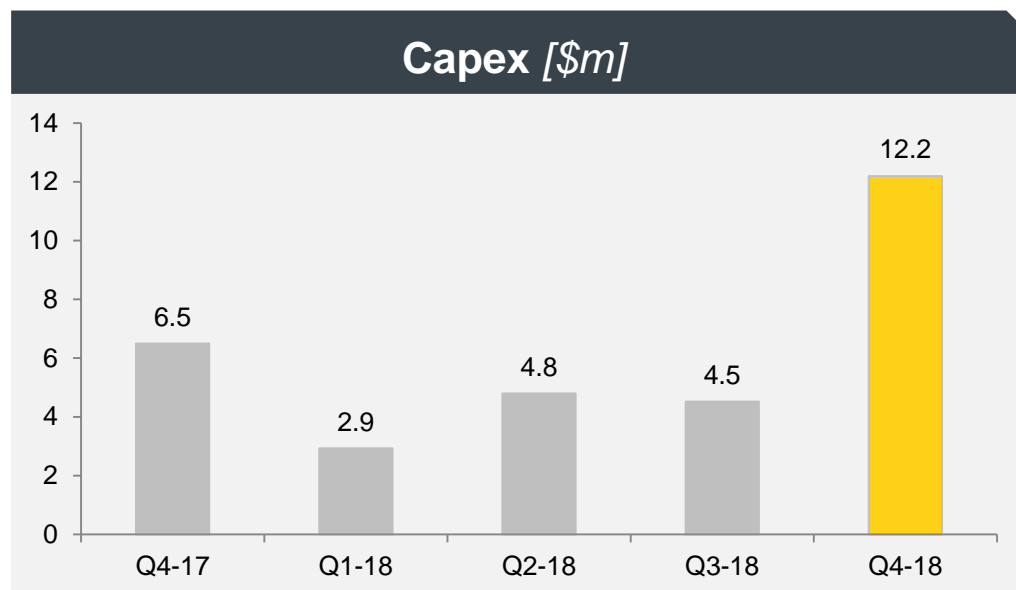
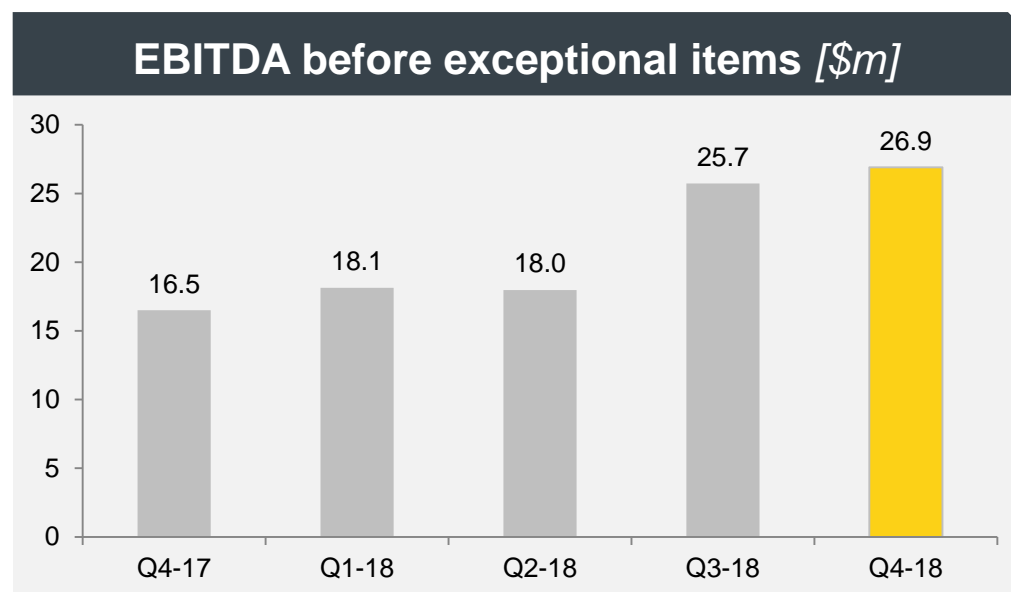
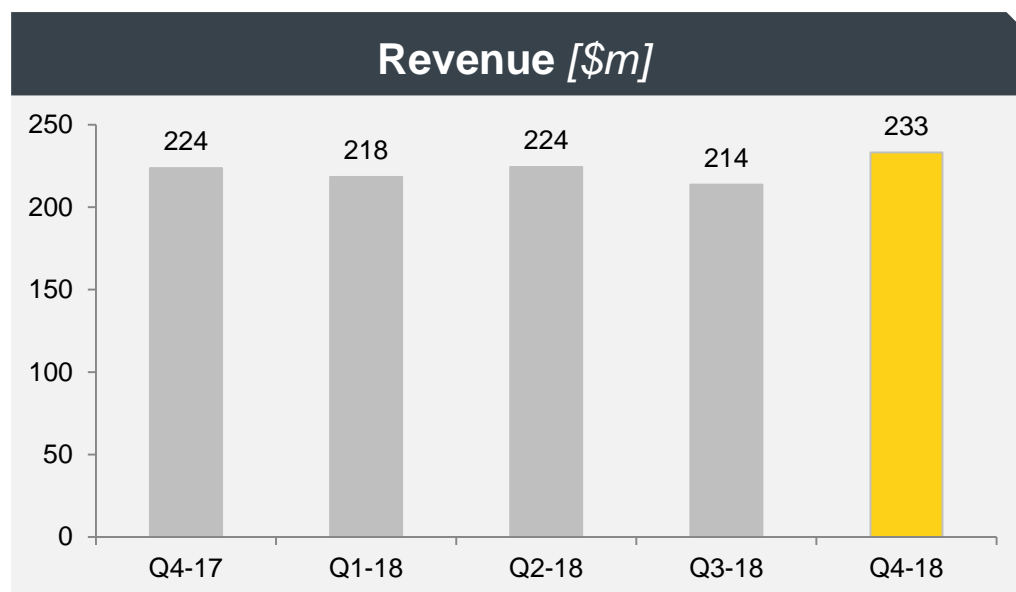
- All business units with positive EBITDA.
- Operational improvement initiatives implemented during 2018 yielding positive results in Q4 2018.
  - For the full year 2018, Argentina headcount was reduced by approximately 8%.
  - In the South of Argentina, we delivered 18% more wells drilled per rig in 2018 vs. 2017.
- Oil price drop during Q4 2018 had no immediate impact on drilling activity levels.
- Uncertainty around application of gas subsidies in Vaca Muerta is reducing visibility for certain operators.
- The Argentinian Peso stabilized during the quarter.
- Additional rig mobilized in Bolivia in Q4 2018, increasing the total active units to 52 in the quarter.

### Archer active rigs [nr of rigs]





# Archer Group – financial highlights fourth quarter 2018



# Condensed profit and loss statement



<i>(Figures in \$ million)</i>	Q3 18	Q4 18	2017	2018
Operating revenues	192.9	212.7	789.7	811.2
Reimbursable revenue	20.8	20.5	57.1	78.4
<b>Total Revenues</b>	<b>213.7</b>	<b>233.2</b>	<b>846.8</b>	<b>889.6</b>
<b>EBITDA before exceptional items</b>	<b>25.7</b>	<b>26.9</b>	<b>67.5</b>	<b>88.7</b>
Exceptional items	(3.3)	(2.5)	(12.0)	(16.4)
<b>EBITDA after exceptional items</b>	<b>22.4</b>	<b>24.3</b>	<b>55.5</b>	<b>72.3</b>
Deprecation, amortization, impairments, other	(13.8)	(13.6)	(66.2)	(56.8)
<b>EBIT</b>	<b>8.6</b>	<b>10.7</b>	<b>(10.7)</b>	<b>15.5</b>
Result from associated entities	0.2	(9.4)	(14.9)	(12.9)
Interest rate expensed	(9.3)	(10.0)	(43.0)	(38.2)
Other financial costs	1.8	(14.1)	121.7	(5.5)
<b>Net financial items</b>	<b>(7.3)</b>	<b>(33.5)</b>	<b>63.8</b>	<b>(56.6)</b>
<b>Net result before tax</b>	<b>1.3</b>	<b>(22.8)</b>	<b>53.1</b>	<b>(41.1)</b>
Tax benefit / (expense)	5.6	(7.6)	10.2	14.6
<b>Net result</b>	<b>6.9</b>	<b>(30.4)</b>	<b>63.3</b>	<b>(26.5)</b>
Net loss from discontinued operations	-	-	(2.2)	-

- Fourth quarter revenue of \$233.2 million was up 9% or \$19.5 million from third quarter:
  - Land Drilling revenue increased by 4%.
  - Eastern Hemisphere revenue up 19%, mainly on more active strings with Equinor and strong Oiltools activity
- EBITDA before exceptional items of \$26.9 million, or 11.5% of revenue, is up 4.5% compared with previous quarter.
- Exceptional items are primarily restructuring cost in Land Drilling. The organization is now largely in line with current and expected activity.
- Fourth quarter reported EBITDA was \$24.3 million, or 10.4% of revenue, which is up 8% compared with the third quarter.
- Positive EBIT of \$10.7 million, or 4.6% of revenue.
- Net financial items was negatively impacted by accounting adjustments
  - Adjusting carrying value by \$10.3 million for our shares in QES to analyst consensus price target for the shares.
  - Other financial costs of \$14.1 million relates predominantly to unrealized foreign exchange loss on internal loans.

# Condensed balance sheet



(Figures in \$ million)	31/12/17	30/09/18	31/12/18
<b>ASSETS</b>			
Cash, cash equivalents & restricted cash	67.7	27.3	31.5
Accounts receivables	140.4	124.4	137.0
Inventories	58.0	51.8	51.9
Other current assets	35.9	32.1	23.5
<b>Total current assets</b>	<b>302.0</b>	<b>235.6</b>	<b>243.8</b>
Investments and loans in associates	100.2	110.1	93.1
Property, plant and equipment, net	432.2	397.6	392.5
Goodwill	181.9	182.7	172.6
Other non-current assets	26.6	36.9	35.1
<b>Total non-current assets</b>	<b>740.9</b>	<b>727.3</b>	<b>693.3</b>
<b>Total assets</b>	<b>1042.9</b>	<b>962.9</b>	<b>937.1</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current portion of interest-bearing debt	7.2	8.0	4.7
Accounts payable	53.6	45.3	45.5
Other current liabilities	117.0	89.4	108.1
<b>Total current liabilities</b>	<b>177.8</b>	<b>142.7</b>	<b>158.3</b>
Long-term interest-bearing debt	596.7	555.1	543.0
Subordinated related party loan	58.3	58.3	58.3
Deferred taxes	7.3	3.4	2.8
Other non-current liabilities	2.4	1.5	1.0
<b>Total non-current liabilities</b>	<b>664.7</b>	<b>618.3</b>	<b>605.0</b>
<b>Shareholder's equity</b>	<b>200.4</b>	<b>201.9</b>	<b>173.7</b>
<b>Total liabilities and shareholders' equity</b>	<b>1042.9</b>	<b>962.9</b>	<b>937.1</b>

## Assets

- Accounts receivables increased by \$12.6 million in fourth quarter as a result of the start-up of the new Equinor contract in Norway.
- The increase in accounts receivables is offset by reduction in investments in associated companies. Our investment in QES was reduced by \$10.3 million and the final dissolution of TAQA reduced the balance by \$8.1 million.
- Goodwill reduced by \$10.1 million as a result of foreign exchange movements for USD vs NOK and GBP.

## Liabilities

- Other current liabilities increased by \$18.7 million in fourth quarter as a consequence of increased activity in all divisions, but driven by increased activity for Equinor.
- NIBD decreased by \$14.8 million over the fourth quarter, ending at \$585.8 million. Short term borrowing was \$4.7 million (decreased from \$8.0 million previous quarter) and long term interest bearing debt was \$601.3 million (down \$12.1 million).
- The reduction in NIBD relates to strong cash flow generation in fourth quarter 2018.

## Equity

- Total equity of \$173.7 million decreased by \$28.2 million compared to the previous quarter as a result of net reported loss of \$30.4 million and currency translation differences.

- Solid quarter on the back of sustained operational improvements and increased activity during 2018
- Significant improvement in EBITDA for the full year 2018, with a 30% increase relative to 2017
- Recent oil price volatility creates uncertainty regarding operator 2019 budgets, but Archer expects continued growth in 2019 with strong backlog:
  - Revenue set to increase 4-6% over 2018
    - Eastern Hemisphere set to further increase 15-20% from 2018
  - EBITDA margin about 10-12%
  - Capex 3-4% of revenue
  - Robust liquidity and strong operational cash flow





# Appendices

**Archer**  
The well company

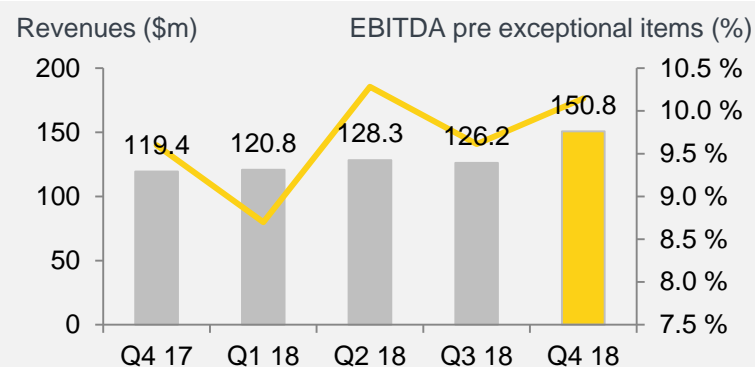


# Segment key financials

## Eastern Hemisphere

Platform drilling & Engineering

Well Services

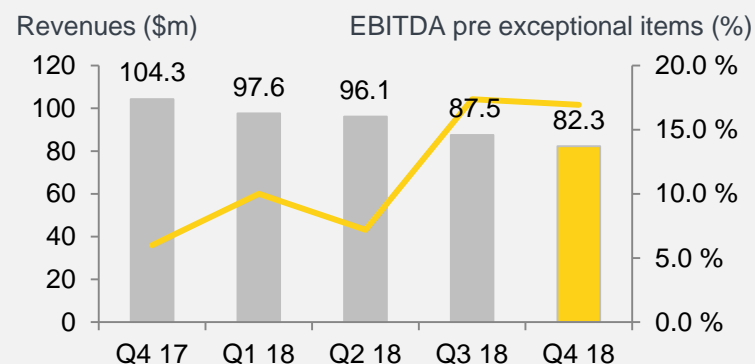


\$m	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18
Revenues	119.4	120.8	128.3	126.2	150.8
EBITDA pre except. items	11.4	10.6	13.2	12.1	15.3
Capex	2.3	1.0	1.0	2.0	7.3

## Western Hemisphere

Land drilling

Note:  
Financials pre Q4-18 include US Onshore



\$m	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18
Revenues	104.3	97.6	96.1	87.5	82.3
EBITDA pre except. items	6.7	9.3	6.9	15.2	13.9
Capex	4.2	1.9	3.8	2.5	4.9

# Condensed profit and loss statement – last 5 quarters

(Figures in \$ million)	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18	2017	2018
Operating revenues	204.0	201.6	204.0	192.9	212.7	789.7	811.2
Reimbursable revenue	19.7	16.7	20.4	20.8	20.5	57.1	78.4
<b>Total Revenues</b>	<b>223.7</b>	<b>218.3</b>	<b>224.4</b>	<b>213.7</b>	<b>233.2</b>	<b>846.8</b>	<b>889.6</b>
<b>EBITDA before exceptional items</b>	<b>16.5</b>	<b>18.1</b>	<b>18.0</b>	<b>25.7</b>	<b>26.9</b>	<b>67.5</b>	<b>88.7</b>
Severance payments	(1.2)	(2.5)	(4.5)	(2.5)	(2.4)	(5.5)	(11.9)
Idle personnel costs	(0.6)	(2.1)	(1.1)	(0.8)	(0.1)	(4.3)	(4.1)
Office costs	-	(0.4)				(2.2)	(0.4)
<b>Total Exceptional items</b>	<b>(1.8)</b>	<b>(4.9)</b>	<b>(5.6)</b>	<b>(3.3)</b>	<b>(2.5)</b>	<b>(12.0)</b>	<b>(16.4)</b>
<b>EBITDA after exceptional items</b>	<b>14.7</b>	<b>13.2</b>	<b>12.3</b>	<b>22.4</b>	<b>24.3</b>	<b>55.5</b>	<b>72.3</b>
Deprecation, amortization, impairments, other	(18.2)	(14.7)	(14.6)	(13.8)	(13.6)	(66.2)	(56.8)
<b>EBIT</b>	<b>(3.5)</b>	<b>(1.5)</b>	<b>(2.3)</b>	<b>8.6</b>	<b>10.7</b>	<b>(10.7)</b>	<b>15.5</b>
Result from associated entities	0.2	(4.0)	0.3	0.2	(9.4)	(14.9)	(12.9)
Interest rate expensed	(8.9)	(8.9)	(10.0)	(9.3)	(10.0)	(43.0)	(38.2)
Other financial costs	(11.1)	16.9	(10.1)	1.8	(14.1)	121.7	(14.3)
<b>Net financial items</b>	<b>(19.8)</b>	<b>4.0</b>	<b>(19.8)</b>	<b>(7.3)</b>	<b>(33.5)</b>	<b>63.8</b>	<b>(56.6)</b>
<b>Net result before tax</b>	<b>(23.3)</b>	<b>2.5</b>	<b>(22.1)</b>	<b>1.3</b>	<b>(22.8)</b>	<b>53.1</b>	<b>(41.1)</b>
Tax benefit / (expense)	0.6	1.9	14.7	5.6	(7.6)	10.2	14.6
<b>Net result</b>	<b>(22.7)</b>	<b>4.4</b>	<b>(7.4)</b>	<b>6.9</b>	<b>(30.4)</b>	<b>63.3</b>	<b>(26.5)</b>
Net loss from discontinued operations	-	-				(2.2)	

# Condensed balance sheet – last 5 quarters

<i>(Figures in \$ million)</i>	31/12/17	31/03/18	30/06/18	30/09/18	31/12/18
<b>ASSETS</b>					
Cash, cash equivalents & restricted cash	67.7	50.8	33.2	27.3	31.5
Accounts receivables	140.4	145.6	140.0	124.4	137.0
Inventories	58.0	58.9	57.7	51.8	51.9
Other current assets	35.9	39.1	31.2	32.1	23.5
<b>Total current assets</b>	<b>302.0</b>	<b>294.4</b>	<b>262.1</b>	<b>235.6</b>	<b>243.8</b>
Investments and loans in associates	100.2	109.2	110.0	110.1	93.1
Property, plant and equipment, net	432.2	424.4	411.6	397.6	392.5
Goodwill	181.9	192.8	183.0	182.7	172.6
Other non current assets	26.6	30.0	35.3	36.9	35.1
<b>Total noncurrent assets</b>	<b>740.9</b>	<b>756.4</b>	<b>739.9</b>	<b>727.3</b>	<b>693.3</b>
<b>Total assets</b>	<b>1042.9</b>	<b>1050.8</b>	<b>1002.0</b>	<b>962.9</b>	<b>937.1</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Current portion of interest-bearing debt	7.2	8.9	8.9	8.0	4.7
Accounts payable	53.6	55.0	51.8	45.3	45.5
Other current liabilities	117.0	115.3	100.8	89.4	108.1
<b>Total current liabilities</b>	<b>177.8</b>	<b>179.2</b>	<b>161.5</b>	<b>142.7</b>	<b>158.3</b>
Long-term interest-bearing debt	596.7	597.1	584.4	555.1	543.0
Subordinated related party loan	58.3	58.3	58.3	58.3	58.3
Deferred taxes	7.3	7.8	3.1	3.4	2.8
Other noncurrent liabilities	2.4	2.0	1.7	1.5	1.0
<b>Total noncurrent liabilities</b>	<b>664.7</b>	<b>665.2</b>	<b>647.5</b>	<b>618.3</b>	<b>605.0</b>
<b>Shareholder's equity</b>	<b>200.4</b>	<b>206.4</b>	<b>193.0</b>	<b>201.9</b>	<b>173.7</b>
<b>Total liabilities and shareholders' equity</b>	<b>1042.9</b>	<b>1050.8</b>	<b>1002.0</b>	<b>962.9</b>	<b>937.1</b>

# Condensed cash flow statement – last 5 quarters

<i>(Figures in \$ million)</i>	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18	2017	2018
Operating activities	32.4	(2.6)	4.9	(1.5)	36.1	13.4	36.9
Investing activities	(8.9)	(10.5)	(10.6)	30.1	(14.0)	(19.8)	(5.0)
Financing activities	(7.6)	0.8	(11.4)	(30.3)	(15.2)	23.3	(56.1)
FX effect	(1.5)	(2.4)	(5.4)	0.7	(7.5)	14.8	(14.6)
<b>Total</b>	<b>14.4</b>	<b>(14.7)</b>	<b>(22.5)</b>	<b>(1.0)</b>	<b>(0.6)</b>	<b>31.7</b>	<b>(38.8)</b>