

Archer

Q2 2024 results

Dag Skindlo
Chief Executive Officer

Espen Joranger
Chief Financial Officer

16 August 2024

Archer



Disclaimer – forward looking statements

Cautionary Statement Regarding Forward-Looking Statements

In addition to historical information, this presentation 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. Financials figures presented for 2024 are unaudited.

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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.



At a glance

Archer

The Well Company



\$1.2 – 1.3bn
2024 guided revenue



\$134 - 140m
2024 guided EBITDA



\$2.5bn
Contract backlog



50 years
Operational experience



40
Locations globally

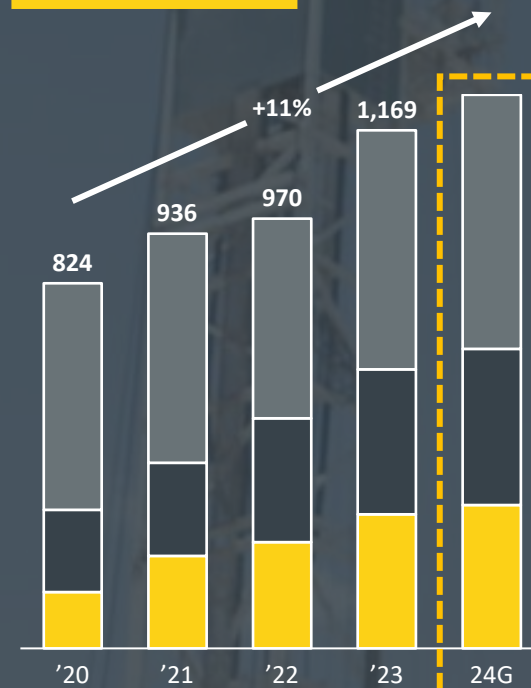


4,900+
Global personnel

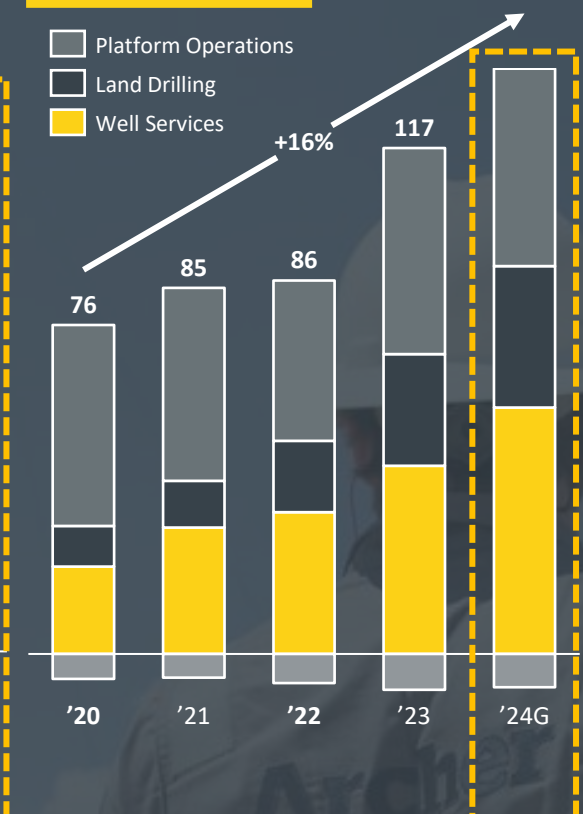


Carbon neutral since '22
Scope 1 & 2 outside Argentina and Bolivia

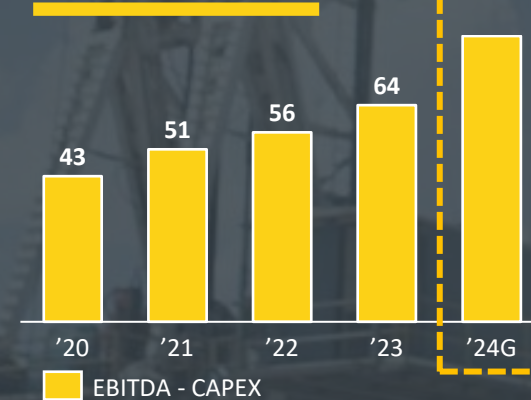
Revenue (\$m)



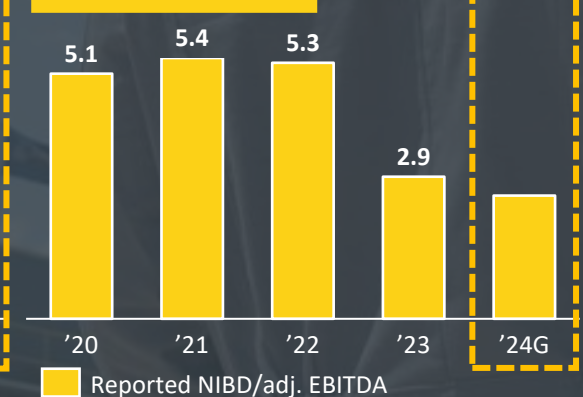
EBITDA (\$m)



Cash contribution



Deleveraging



Midpoint 2024 guidance



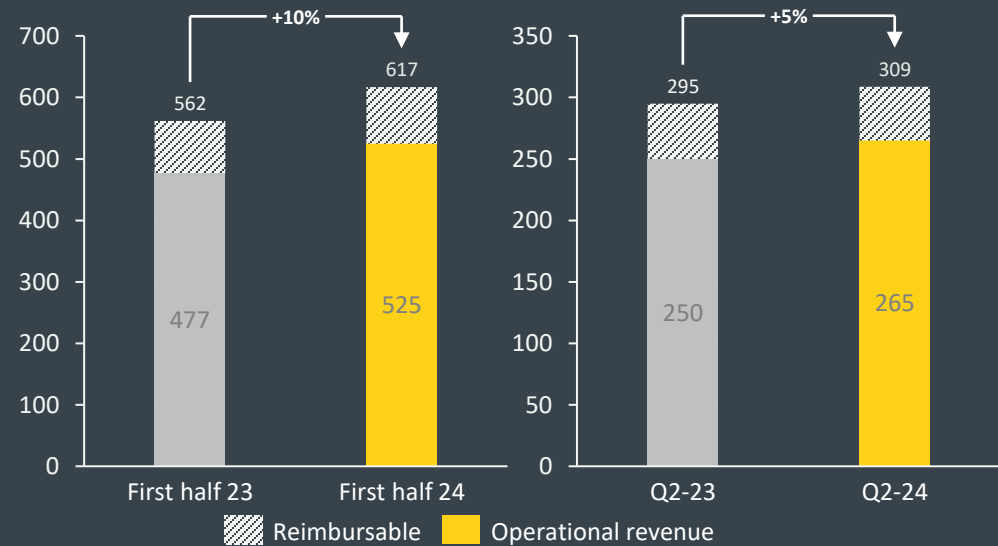
Continued strong 2024 outlook confirmed by solid Q2

- ✓ Q2 Revenue of \$309 million; up 5% YOY
- ✓ Q2 EBITDA of \$32.8 million, up 9% YOY
- ✓ H1 EBITDA of \$63.7 million, up 15% YOY
- ✓ Positive net income in Q2 of \$1.0 million
- ✓ Strong firm backlog at \$2.5 billion, and \$4 billion including options
- ✓ Reiterate 2024 guidance

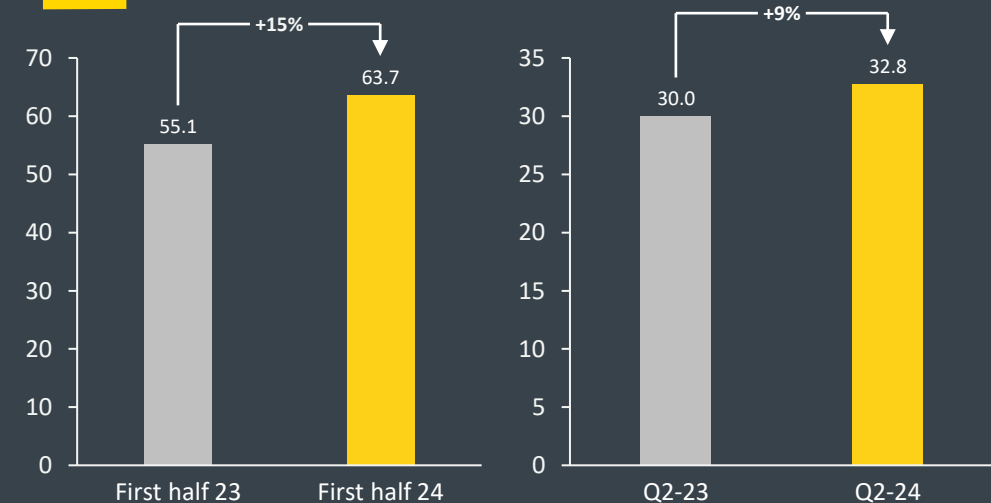
Subsequent events

- ✓ Acquired MPD service provider in Argentina
- ✓ Acquired Moreld Ocean Wind in Norway
- ✓ Increased ownership in Iceland Drilling to 60%

Revenue (\$m)



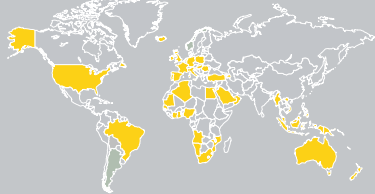







EBITDA (\$m)



Market outlook

Well-positioned in segments with attractive long-term outlook

Business Area	Archer sentiment ¹	Outlook
 <p>UK</p>		<p>Strong growth as we expand service offering and growing P&A market</p> <ul style="list-style-type: none"> • Production focused with intervention and workover services • Integrated P&A projects
 <p>Other international</p>		<p>Market for Archer's core services continue to grow</p> <ul style="list-style-type: none"> • Significant growth opportunity as Archer have moderate international well services presence today – growth in presence and service offering • P&A market set to double next 10 years regardless of oil-price
 <p>Norway</p>		<p>Stable activity and growth for Archer services</p> <ul style="list-style-type: none"> • Production focused with intervention and workover services • Continue to expand service offering and value for clients
 <p>Argentina</p>		<p>Increased activity on new transport infrastructure and demand</p> <ul style="list-style-type: none"> • Drilling activity in Vaca Muerta to follow increased transport and export capacity • Workover services to maintain production in existing wells

1) Medium-term growth outlook

Acquisition of ADA supports growth in Vaca Muerta, Argentina

Higher investments support growth in drilling demand

- Large infrastructure investments ongoing from 2023
- New legislation for O&G investments above \$200m
- Pan American Energy with 20-year FLNG export contract
- YPF to accelerate investments and production
 - Increased drilling rig capacity contracted (plan to increase production from 97,000 bbl per day in 2023 to 250,000 in 2027)
 - New pipeline for increased export capacity currently under planning
 - Significant plans for LNG export, via FLNG and construction of LNG export facilities



Rig demand on the rise and expected to increase further following infrastructure investments

Archer acquires MPD service provider



Strong strategic and operational fit



Serving same key clients as Archer in Vaca Muerta



Transaction expected to be cash positive in less than two years



Transaction funded by cash generated in Argentina








Archer's 2025 EBITDA expected to increase by 2-4%

Archer Wind with near term project pipeline

Strategic rationale



Project management and engineering for fabrication and assembly of complete floating **substructures** to offshore wind

- 
Supports our customers' ambitions in the energy transition
- 
Strategic fit with Archer's offshore capabilities
- 
Asset-light business model
- 
Cost-efficient floater solution, downselected by several developers
- 
Near-term project pipeline



Archer becomes the majority owner of Iceland Drilling

Archer ownership in Iceland Drilling

- ✓ Archer acquire an additional 10% for USD 2.5m worth of shares in Archer
- ✓ Iceland Drilling has developed well the last two years and has grown to about 200 employees with high utilization of the rig fleet
- ✓ Archer synergies include well services sales and the potential to deploy lower spec land rigs on geothermal projects
- ✓ Market growth expected in Iceland Drilling's core renewable segments







Iceland Drilling renewable service lines

<p>Geothermal Deep drilling for electricity</p>	<p>District Heating Shallow wells for heating</p>	<p>Carbon Storage Storage wells for mineralization of COS</p>
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Financial impact on Archer (pro-forma)

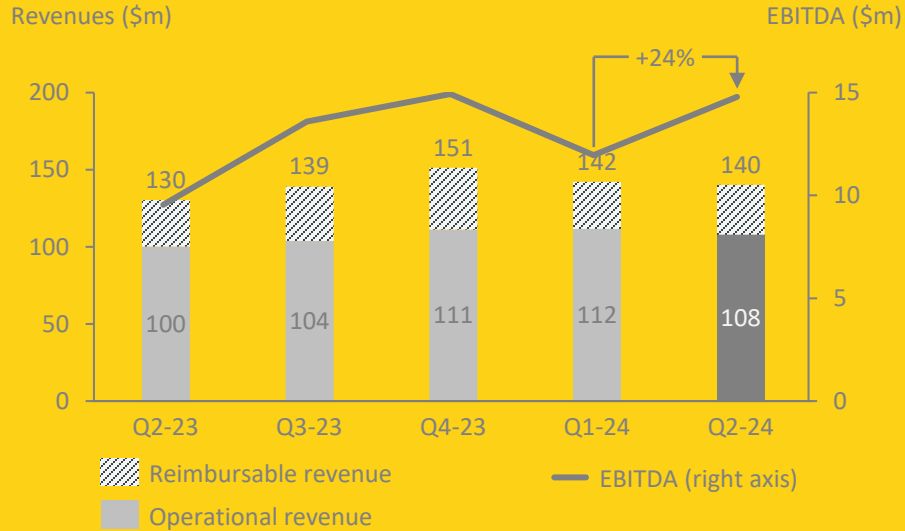
2024E pro-forma consolidated financials

-  Archer 2024E revenues to increase by about 4%
-  Improving Archer 2024E EBITDA by 6-7%
-  Positive cash contribution
-  Reduction in leverage ratio*

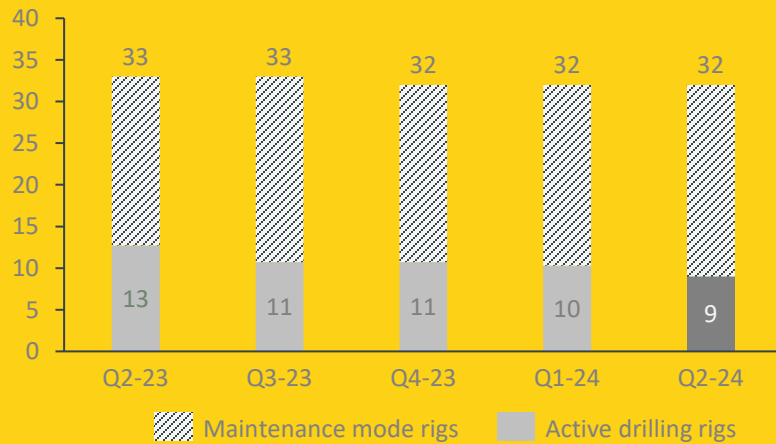
**Uptick in net debt of about 4%, but leverage ratio goes down due to EBITDA improvement*



Platform Operations



Platform Drilling contracted rigs [# of rigs]

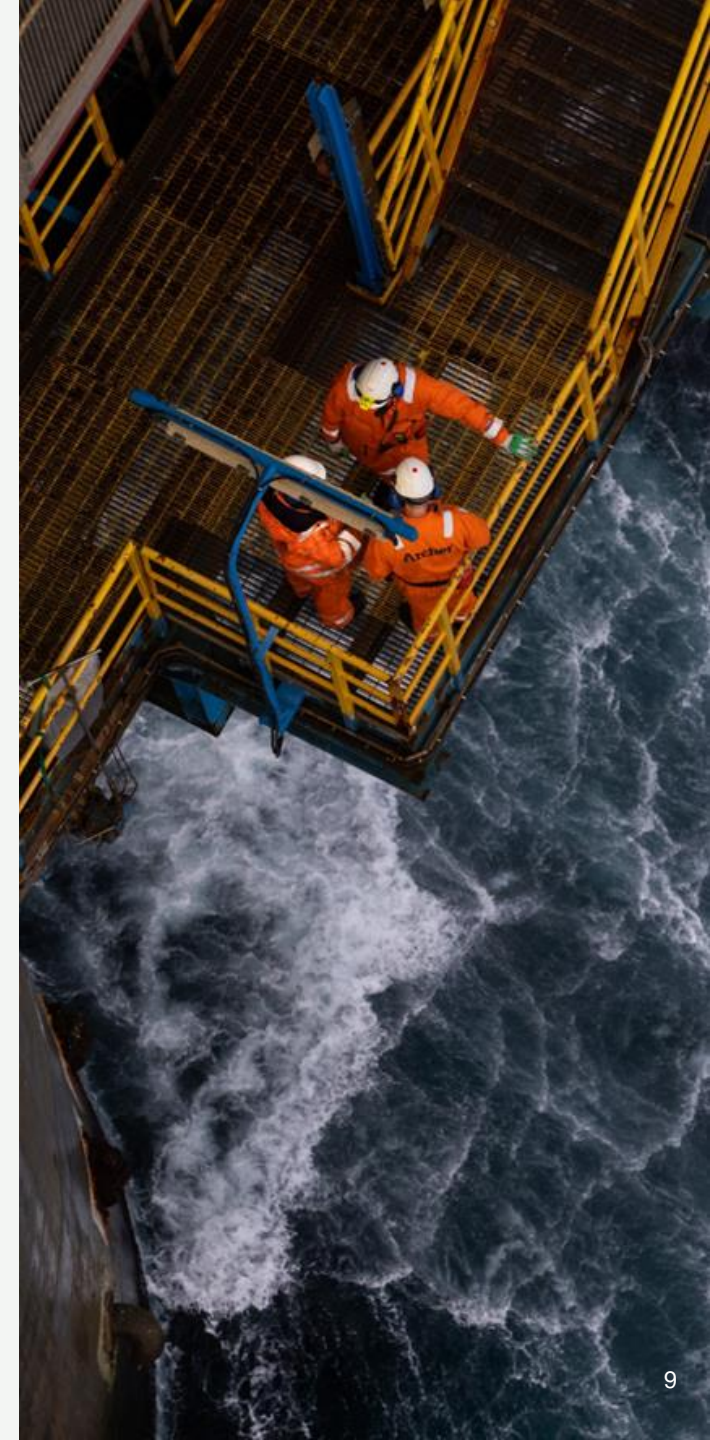


Financials

- Operational revenue moderately reduced, ending at \$108.0 million
- EBITDA of \$14.8 million represents an increase of 24% compared to previous quarter and 55% compared to Q2 last year, following strong performance in all areas
- Higher performance bonuses and lower R&M cost drove the improved margin

Operations

- Several platforms on temporary maintenance (only 9 active strings in average)
- Completed the acquisition of 65% of Vertikal business in the quarter
- Important 2-year contract win for Equinor in Brazil for two installations and extension of platform drilling contract with Ithaca in UK





Well Services

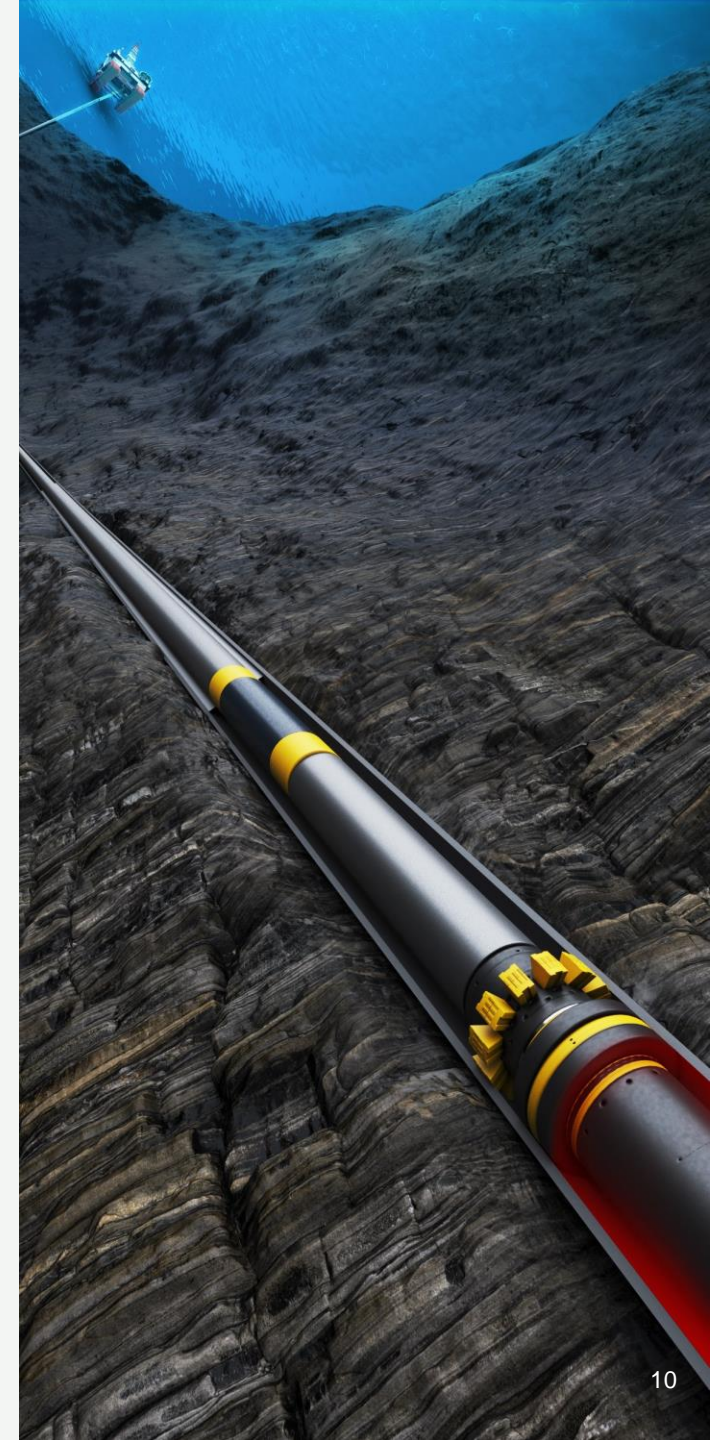


Financials

- Underlying long term growth in revenue and EBITDA
- Muted quarter for Well Services, as several platforms in Norway were on revision stop and several jobs and sales slide into second half of 2024
- Long term growth set to continue, with some variability from quarter to quarter

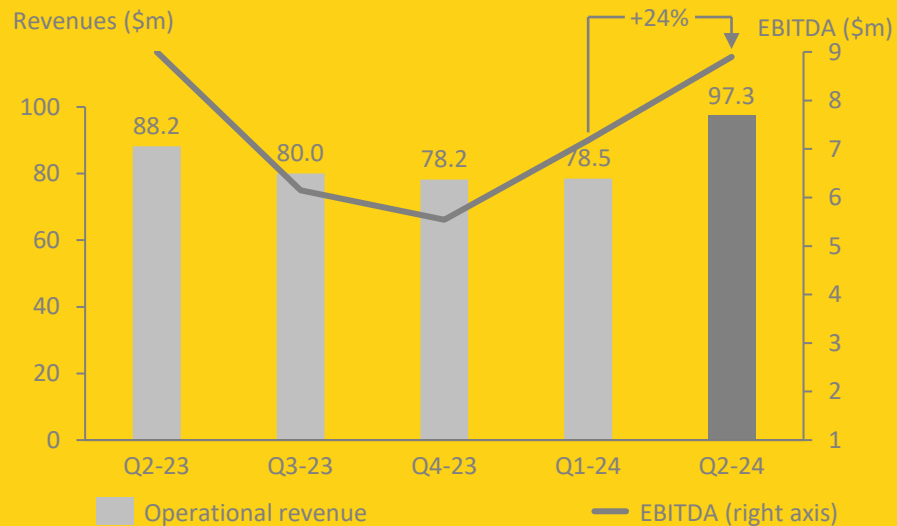
Operations

- Successful growth of Well Services Internationally, driven by Brazil and West Africa
- Well Services experience low activity in Norway in the quarter as several platforms on revision stop and certain platforms with coiled tubing activity
- Comtrac delays in Middle East and Norway
- Secured key 2-years contract extension for Well Services in the North Sea for Equinor

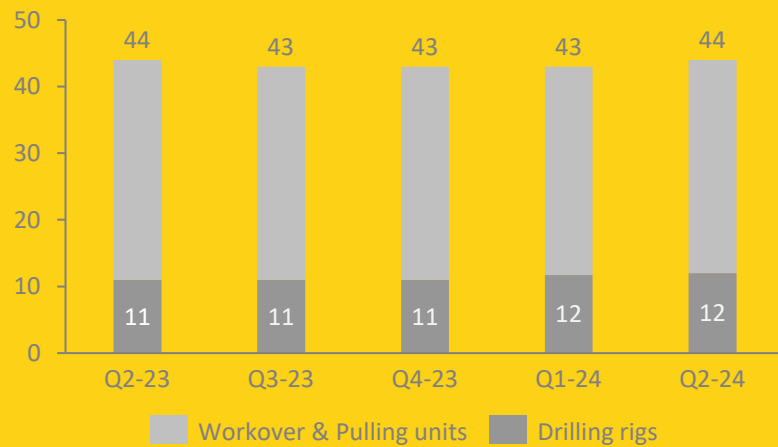




Land Drilling



Number of active Archer rigs

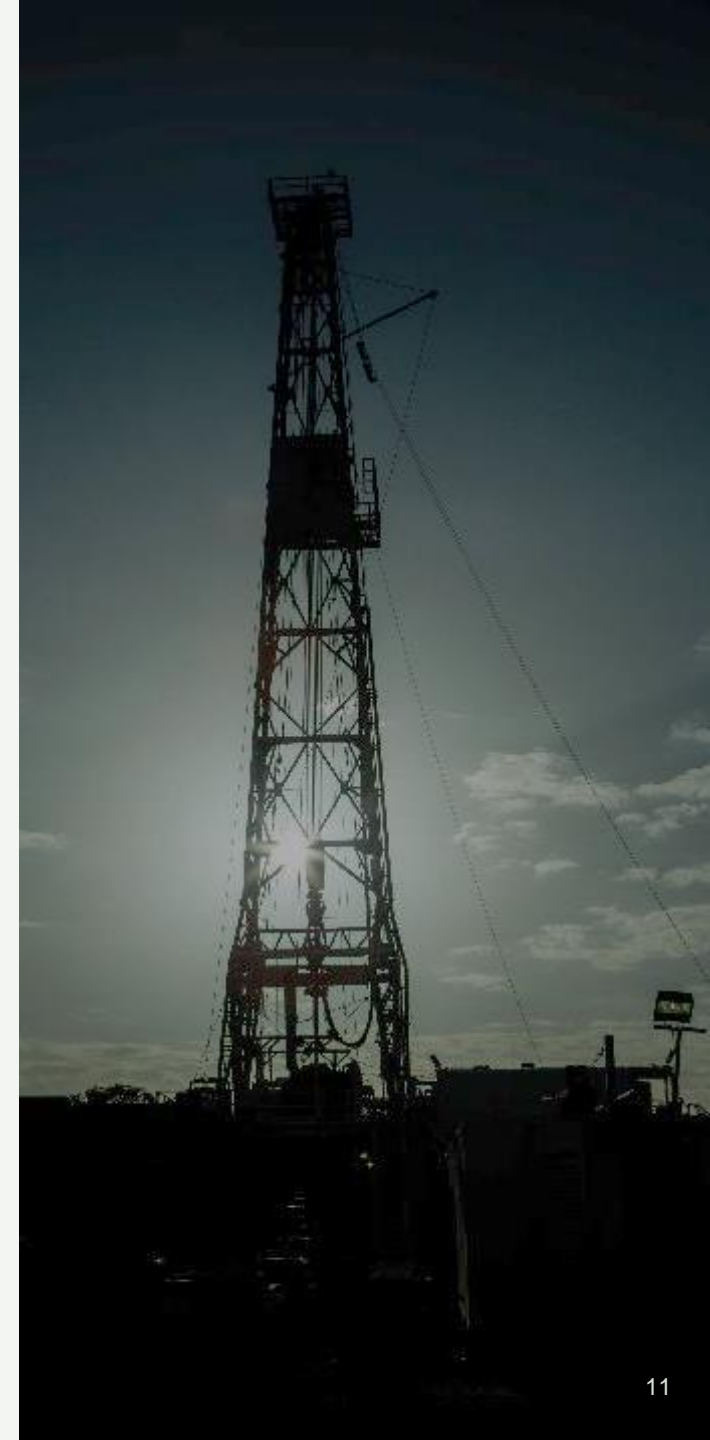


Financials

- Revenue increased by 24% over the quarter, to \$97.3 million
- EBITDA increased by 24.4%, ending at \$8.9 million in the quarter on the back of strong operational performance and incentives
- We have taken out more than \$70 million of cash from Argentina since 2016, of which \$5 million alone in 2024

Operations

- Investments in infrastructure in Vaca Muerta drives increased high spec rig demand
- Mobilized second flex rigs for Pan American in the South of Argentina
- Severe weather conditions in the South of Argentina impacting rig operations during the quarter
- Higher inflation and salary increase compared to devaluation in Argentina so far in 2024, impacting results negatively in 2024





Condensed profit & loss

- Total revenue of \$309.0 million in Q2 2024 represent an increase of \$14.9 million from same quarter last year, driven by growth in all business areas
- EBITDA margin of 10.6%
- EBITDA of \$32.8 million is an increase of \$2.8 million or 9% compared to Q2 2023
- EBIT of \$15.5 million
- Other financial items include negative FX effects of \$3.7 million in Q2
- Adjusted net income of \$0.7 million in the quarter, down from \$2.3 million previous year

<i>\$ million</i>	Q2 2024	Q2 2023	YTD 2024	YTD 2023
Operating revenues	265.4	249.8	525.5	476.7
Reimbursable revenue	43.7	45.1	91.8	84.8
Total Revenues	309.0	294.9	617.3	561.5
EBITDA before exceptional items	32.2	31.9	65.1	59.3
<i>EBITDA margin before exceptional items</i>	<i>10.4%</i>	<i>10.8%</i>	<i>10.5%</i>	<i>9.8%</i>
Exceptional items	0.6	(1.9)	(1.5)	(4.1)
EBITDA	32.8	30.0	63.7	55.2
<i>EBITDA margin</i>	<i>10.6%</i>	<i>10.2%</i>	<i>10.3%</i>	<i>9.9%</i>
Impairments	(2.0)	-	(2.0)	(2.0)
Deprecation, amortization, other	(15.3)	(11.6)	(28.6)	(22.0)
EBIT	15.5	18.4	33.4	31.2
Gain on bargain purchase	-	0.1	-	0.0
Result from associated entities	1.0	(2.3)	0.9	(4.1)
Net interest expense	(12.1)	(13.3)	(23.6)	(24.4)
Amortization of prepaid debt fees	(1.7)	(1.7)	(3.4)	(2.0)
Other financial items	(0.6)	(15.3)	(13.1)	(31.0)
Net income before tax	2.1	(14.1)	(6.7)	(30.3)
Tax benefit (cost)	(1.1)	(2.0)	(3.1)	(3.8)
Net (loss) income	1.0	(16.2)	(9.8)	(34.0)
Net adjustments*	(0.3)	18.4	13.2	37.1
Adjusted net (loss) income*	0.7	2.3	3.4	3.1

*adjusted for impairments, gain on bargain purchase, MtM of financial assets, amortization of prepaid debt fees, FX and transaction cost

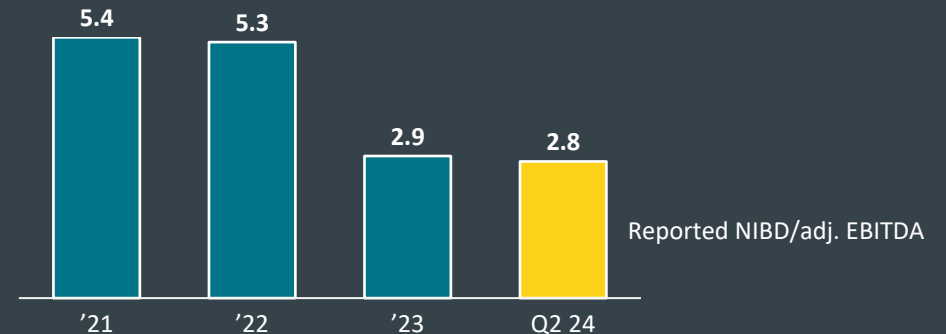


<i>\$ million</i>	30.06.2024	31.12.2023
Cash and cash equivalents	51.6	52.1
Restricted cash	6.8	3.5
Accounts receivables	173.6	183.8
Inventories	70.6	75.0
Other current assets	56.0	40.4
Investments and loans to associates	12.7	12.3
Property, plant and equipment	302.3	313.1
Right of use assets	29.7	34.4
Goodwill	153.1	156.0
Other non-current assets	32.6	35.2
Total assets	889.0	905.7
Current portion of interest-bearing debt	19.9	17.6
Accounts payable	94.6	75.5
Lease liability current	9.9	11.4
Other current liabilities	158.7	173.0
Long-term interest-bearing debt	402.1	402.5
Deferred taxes	-	0.3
Lease liability	19.8	22.9
Other noncurrent liabilities	2.1	6.3
Non controlling interest	0.4	-
Shareholder's equity	181.4	196.2
Total liabilities and shareholders' equity	889.0	905.7

Condensed balance sheet

- Cash and cash equivalents of \$51.6 million, decreased by \$0.5 million compared to year end 2023
- Equity of \$181.4 million reduced compared to year end, following translation adjustments (goodwill) and net loss YTD 2024

Deleveraging

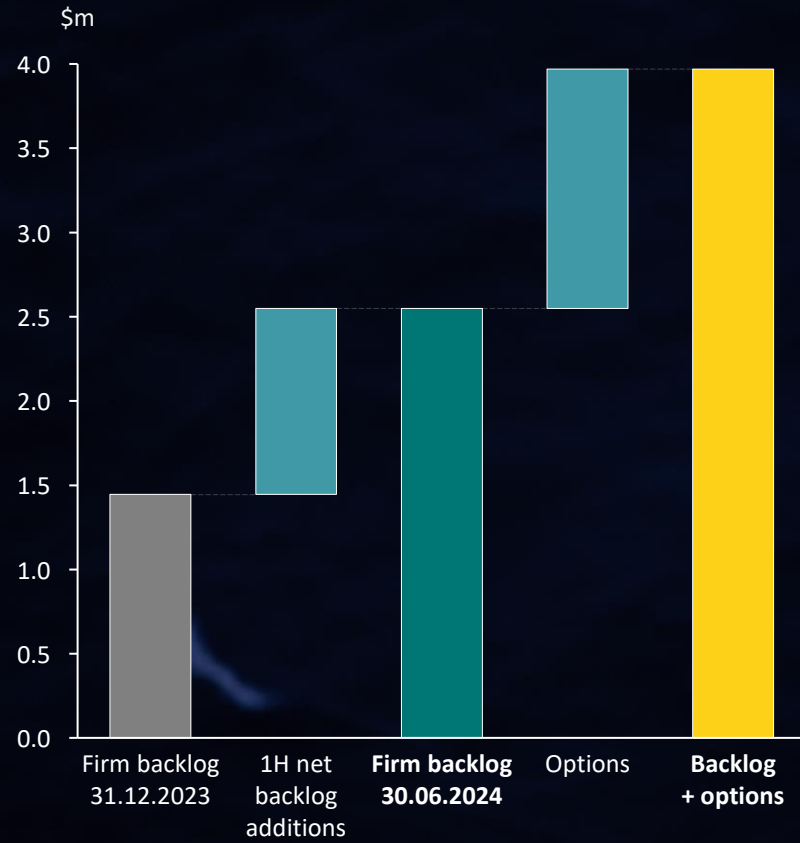




\$4 billion in backlog including options

Grew firm order backlog by 80% during 2024

- ✓ 4-year platform drilling contract extension for the operation of 9 installations in the North Sea for Equinor (reduction from currently 12 installations)
- ✓ 2-year platform drilling contract with Trident Energy do Brazil
- ✓ 2.5-year contract extension for three drilling rigs operating in Pan American's Cerro Dragon field and a 2-year contract for one additional drilling rig in Vaca Muerta
- ✓ Award of a 2-year platform drilling contract extension for the operation of 2 installations in the UK
- ✓ 2-year platform drilling contract extension for the operation of 2 installations in Brazil for Equinor
- ✓ 2-year contract extension of frame agreement for Well Services with Equinor in the North Sea

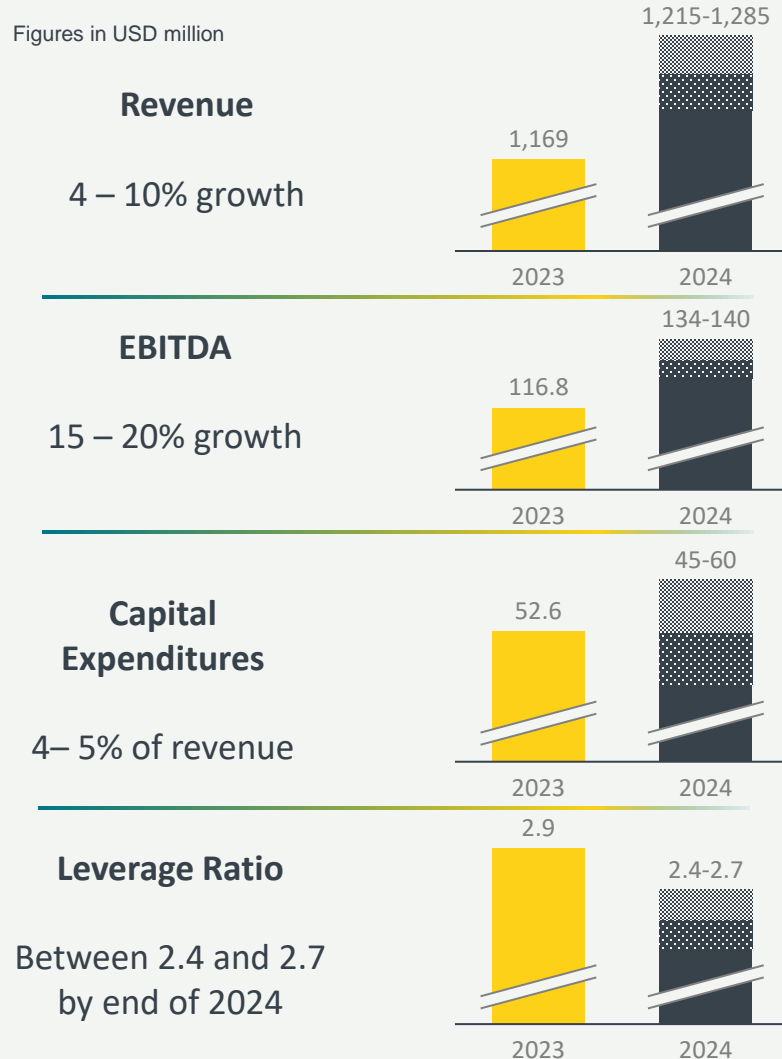




Financial outlook for 2024 – continued growth and reduced leverage

2024 Guidance

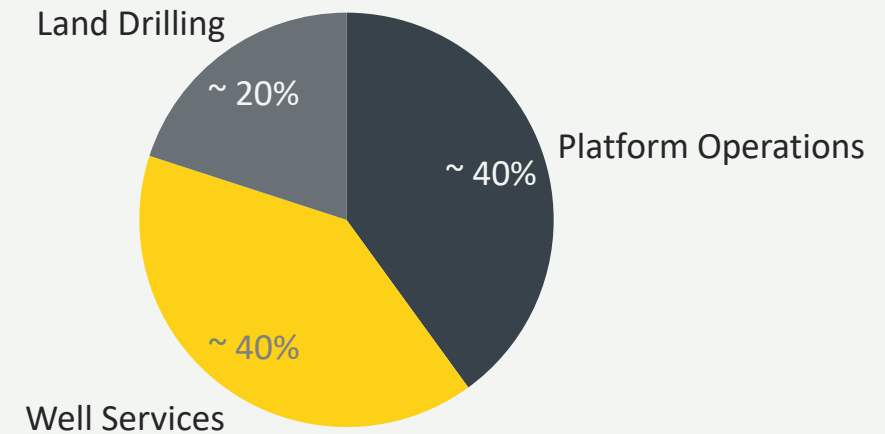
Figures in USD million



Key financial takeaways

- Continued EBITDA growth of between 15% and 20% for Archer in 2024
- Capex somewhat elevated above historic level to support growth and Emerald recertification/upgrade for Fulmar project
- Leverage ratio continue to improve, as we see EBITDA growth and we forecast leverage ratio between 2.4 and 2.7 by end of 2024

EBITDA 2024 by division



All numbers estimates assumes stable USD/NOK and GBP/USD



Appendix



We are Archer

Archer	Platform Operations	Well Services	Land Drilling	Renewables
Global energy service company	<ul style="list-style-type: none">• Wide range of offshore drilling operations, engineering, and maintenance management services• Portfolio includes 30 platform rigs, 3 semi-submersibles and 2 modular rigs• North Sea- and Brazil focused operation based on long-term contracts	<ul style="list-style-type: none">• High-end products and services aimed at improving well performance and extending well life• Offering covers drilling, completion, intervention, and plug and abandonment• Global reach through deployment of technology	<ul style="list-style-type: none">• Drilling and workover services across the entire well lifecycle• Archer owns 22 drilling rigs, 22 workover rigs and 25 pulling units• Focused on operations in Argentina	<ul style="list-style-type: none">• A broad set of service lines including<ul style="list-style-type: none">• Geothermal energy for electricity• District heating• Carbon Storage wells• Wind services• Hydropower maintenance• Floating offshore wind
4900+ employees				
USD 1.2 Billion annual revenue				



At a glance

Archer

The Well Company



\$1.2 – 1.3bn
2024 guided revenue



\$134 - 140m
2024 guided EBITDA



\$2.5bn
Contract backlog



50 years
Operational experience



40
Locations globally

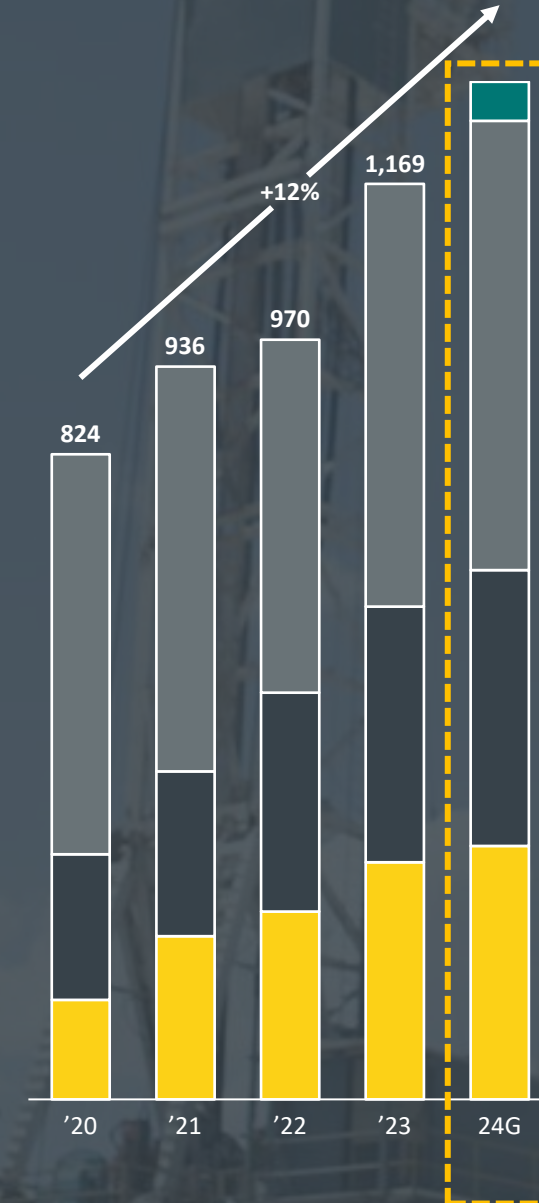


4,900+
Global personnel

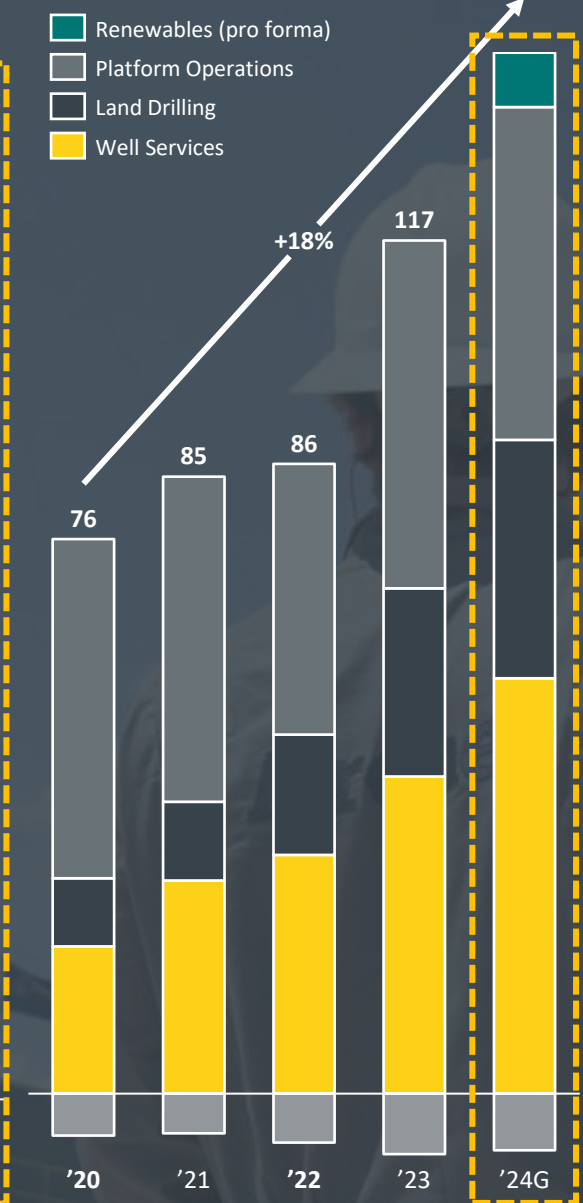


Carbon neutral since '22
Scope 1 & 2 outside Argentina and Bolivia

Revenue (\$m)



EBITDA (\$m)



Midpoint 2024 guidance including pro forma impact of acquisitions

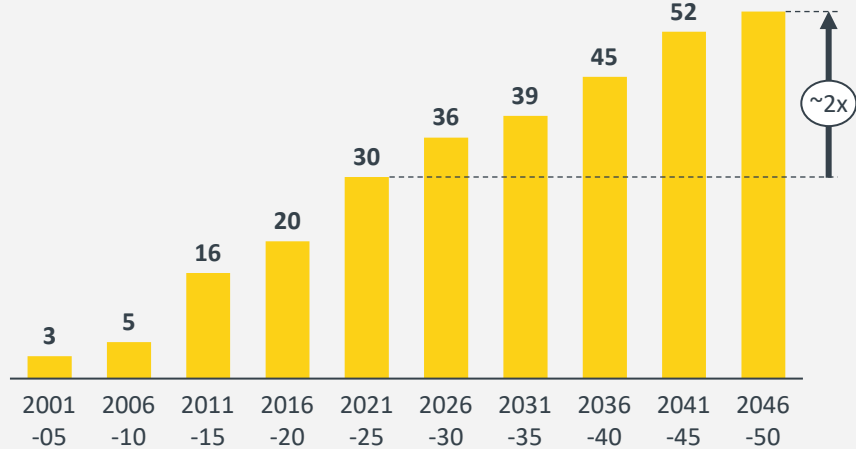


Strong market outlook for Archer's P&A service the next 30 years

Global offshore decommissioning market outlook (incl. P&A)

Global offshore decom. spending set to double to 2050

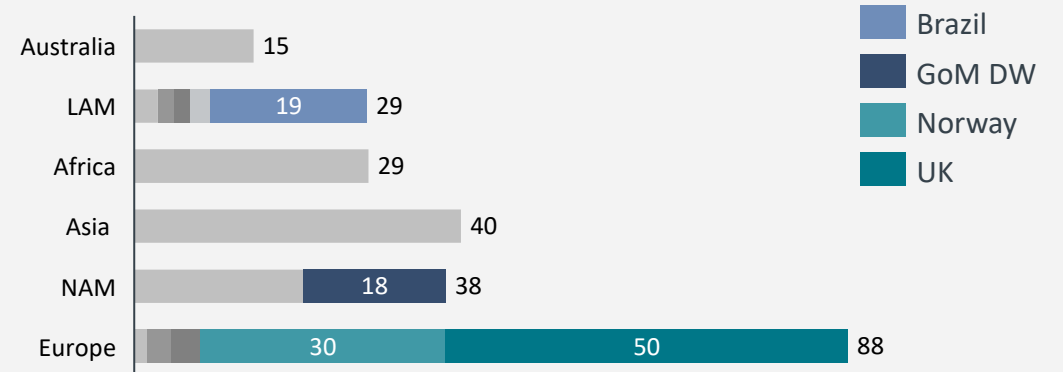
E&P abandonment costs 2001-2050, \$bn



- Global offshore decom market set to grow substantially the next 30 years
- Approximately 50% of decom cost is well P&A
- Six largest IOCs with \$12 to \$22 billion each in decom liabilities

Total offshore decom. spend of \$240B to 2050

E&P abandonment costs 2024-2050, \$bn



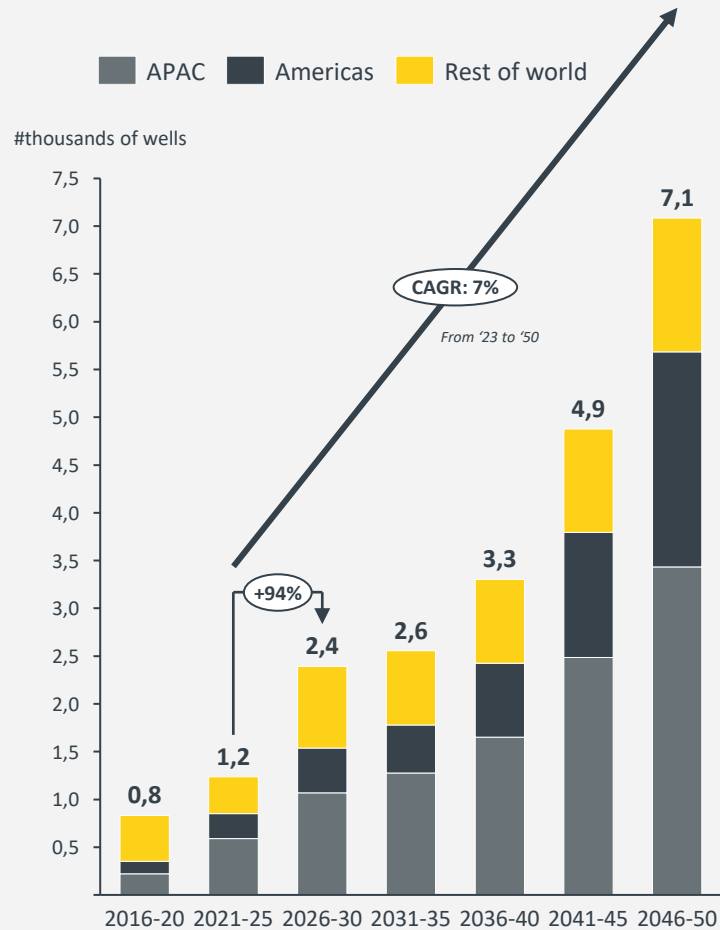
- UK largest decom market with already high activity
- Archer focused on UK, Brazil and Norway for integrated contracts
- Approximately 40% of global decom liability in home market



Geothermal energy is expected to grow materially in the decades to come

Wells to be drilled by geography

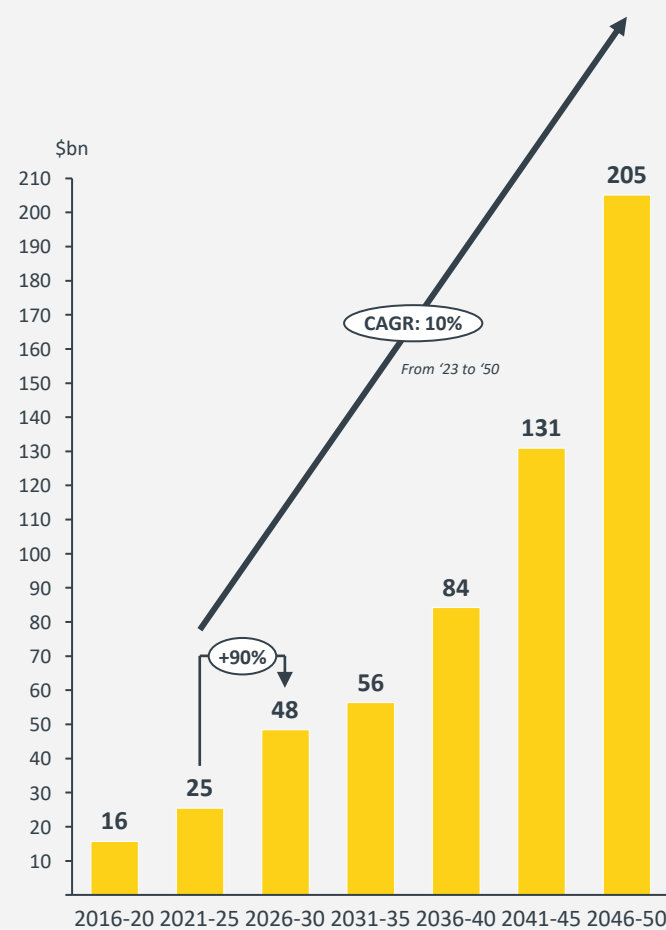
Nr of wells drilled and completed for geothermal power (in thousand), Rystad



Source: Rystad Energy

Geothermal energy spending

Global expenditures on geothermal plants (\$bn), Rystad



Growth drivers of geothermal power



Energy transition

Geothermal energy is expected to play an important role in the energy transition due to its clean and stable characteristics and cost-efficient production



Increasing power consumption

Growing demand for electricity is expected to boost the overall market and investments, with number of wells to be drilled expected to grow 10% annually towards 2030



APAC to be the driving force

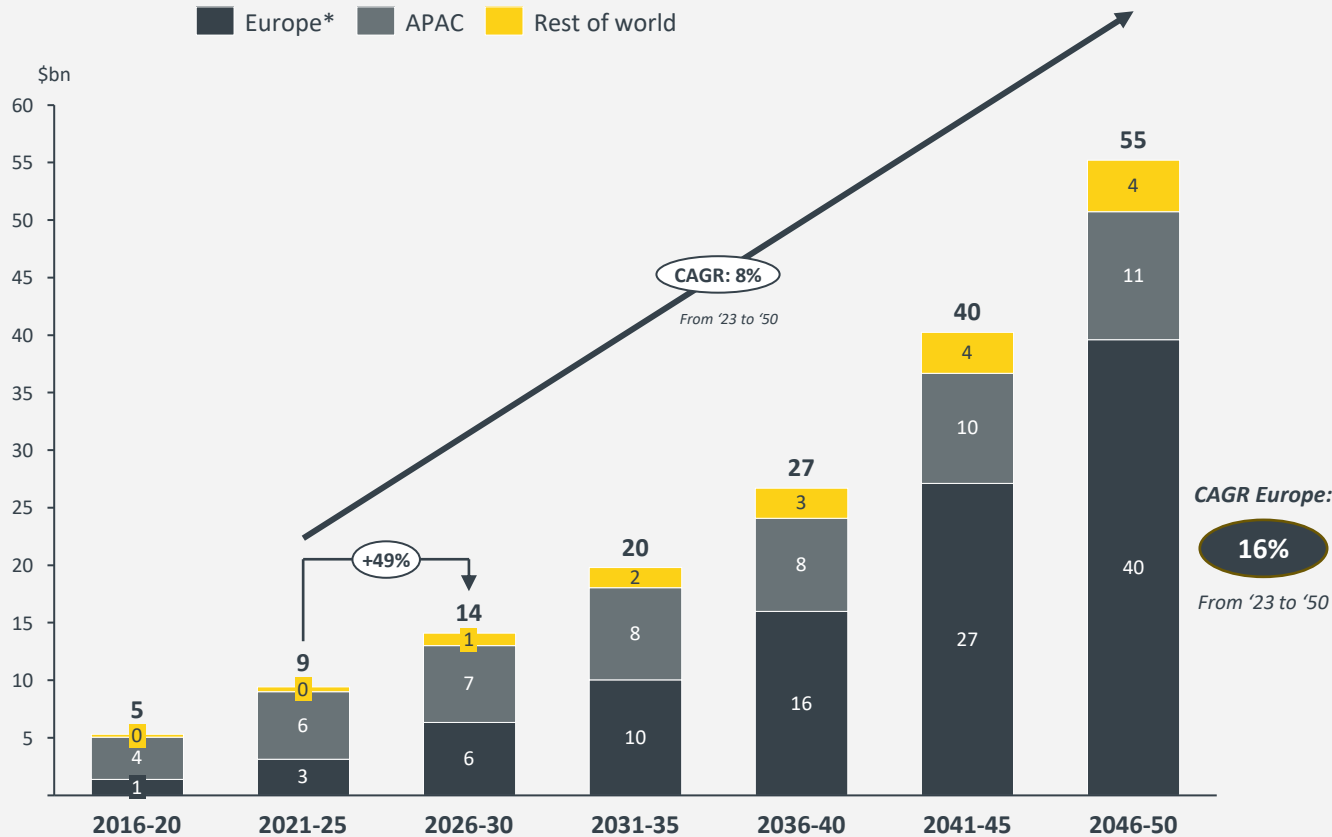
Expect positive growth on all continents however APAC is expected to be the main driver, with Indonesia to stand for a significant amount of wells



Geothermal heating is expected to grow materially in the decades to come

Geothermal heating spending globally

Global plant expenditures for geothermal district heating (\$bn), Rystad



*Excluding Russia

Source: Rystad Energy

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Growth drivers of geothermal heating



Push for decarbonization

Geothermal heating provides a green alternative to fossil fuels such as coal and natural gas, which a significant portion of heating networks rely on as a source currently



Increasing heating consumption

Growing demand for electricity and heat is expected to boost the overall market and investments, and district heating provide a clean and stable heating source



Europe to be the driving force

China accounting for a majority of the market today, but Europe to stand for the majority of geothermal district heating growth, with Germany and Netherlands at the forefront



Archer's renewables ambitions

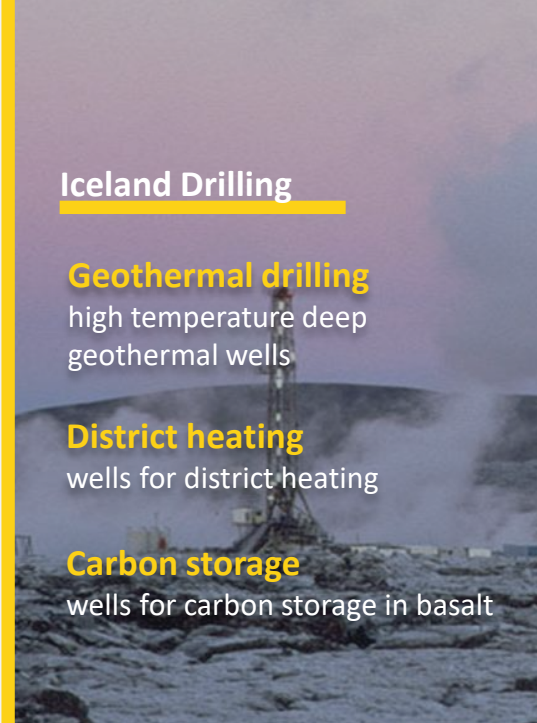
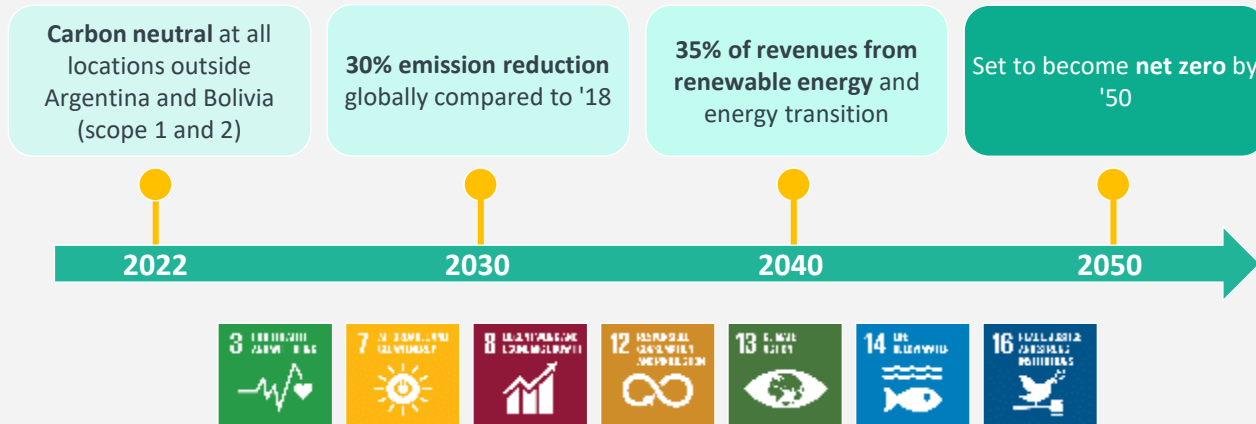
Archer towards net zero

- ✓ Very limited emissions outside of land drilling
- ✓ Global CO2 emission reduced by 23% from '18 to '23
- ✓ Workover rig and pulling unit in Argentina connected to the electricity grid
- ✓ Reduced carbon footprint via increasing offshore operations performed remotely onshore

Renewables & Energy Transition

- ✓ Well P&A and decommissioning
- ✓ Targeted M&A strategy towards renewable energy
- ✓ Geothermal, district heating and carbon storage
- ✓ Floating offshore wind and wind services. Hydropower maintenance

Archer roadmap to net zero



Iceland Drilling

Geothermal drilling

high temperature deep geothermal wells

District heating

wells for district heating

Carbon storage

wells for carbon storage in basalt



Vertikal Service

Offshore/onshore wind

&

Hydropower services

Engineering, inspection, installation, and maintenance services to energy customers



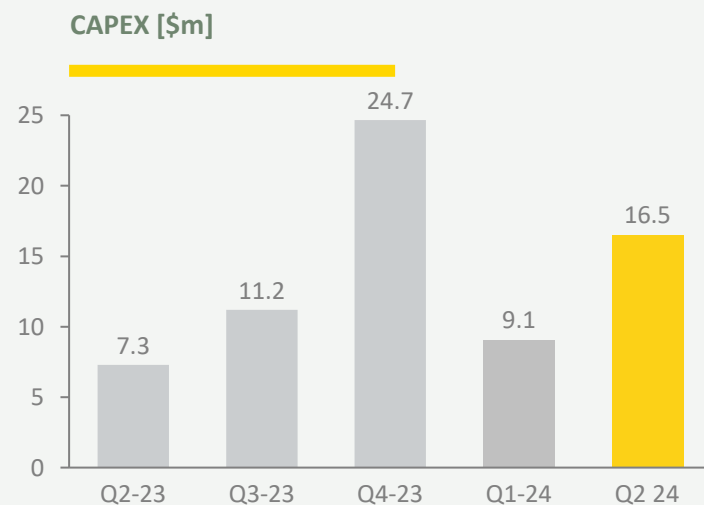
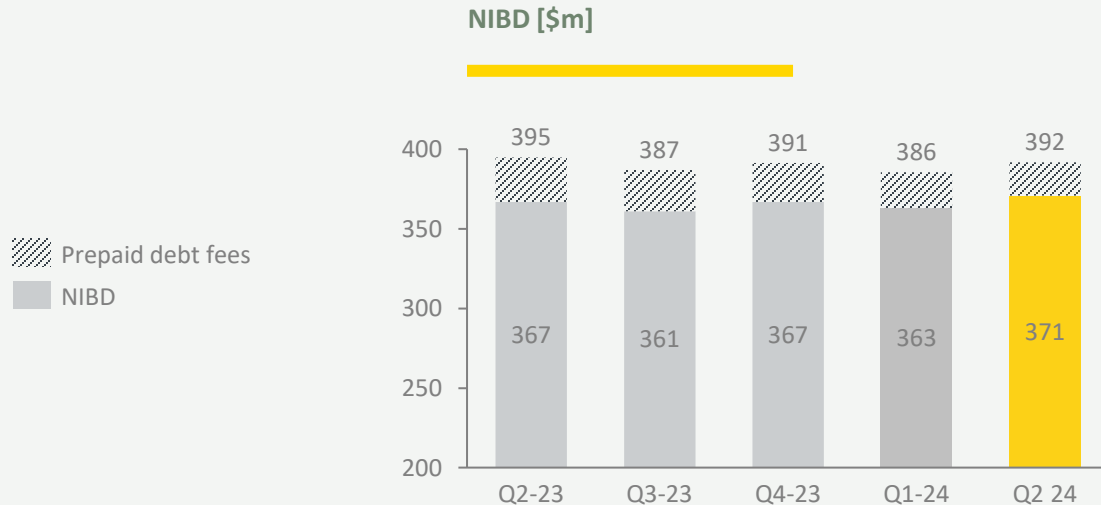
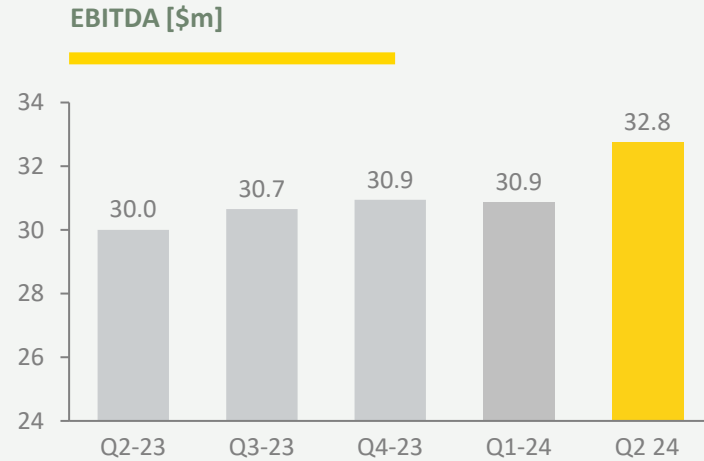
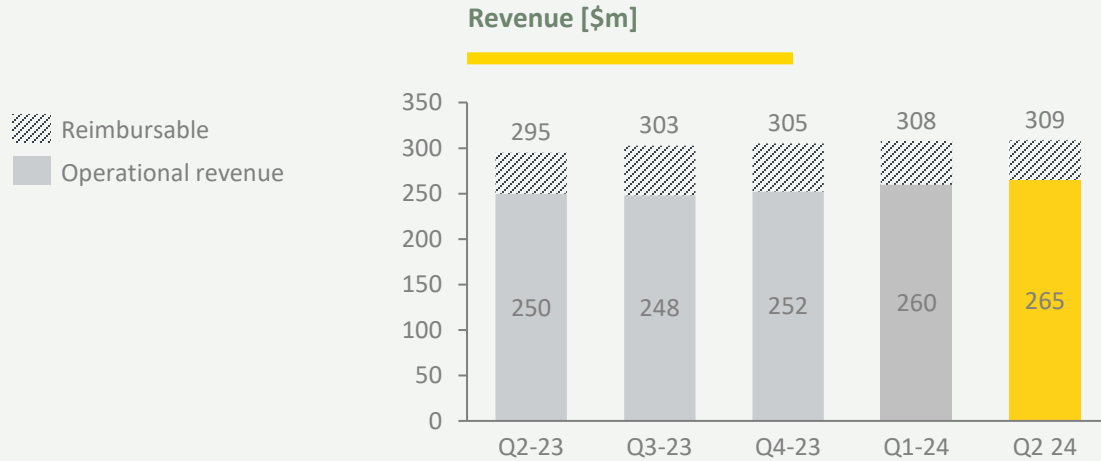
Archer Wind

Floating offshore wind

Project management and engineering for fabrication and assembly of lightweight floating substructures for the floating offshore wind industry



Key financials





Condensed profit and loss statement (unaudited)

(Figures in \$ million)	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24
Operating revenues	249.8	248.1	252.4	260.2	265.4
Reimbursable revenue	45.1	54.6	52.7	48.1	43.7
Total Revenues	294.9	302.7	305.1	308.3	309.0
EBITDA before exceptional items	31.9	32.3	33.4	32.9	32.2
Total Exceptional items*	(1.9)	(1.7)	(2.4)	(2.1)	0.6
EBITDA	30.0	30.7	30.9	30.9	32.8
Deprecation, amortization, impairments, other	(11.6)	(13.5)	(13.7)	(13.0)	(17.3)
EBIT	18.4	16.6	17.0	17.9	15.5
Gain from bargain purchase	0.1	(0.3)	-	-	-
Result from associated entities	(2.3)	0.2	(0.4)	(0.1)	1.0
Net interest expense	(15.0)	(12.6)	(12.8)	(14.1)	(13.8)
Other financial items	(15.3)	(4.0)	4.5	(12.4)	(0.6)
Net financial items	(32.6)	(16.5)	(8.7)	(26.7)	(13.4)
Net result before tax	(14.1)	(0.1)	8.2	(8.7)	2.2
Tax benefit / (expense)	(2.0)	(2.4)	0.3	(2.0)	(1.1)
Net income/(loss)	(16.2)	(2.5)	8.5	(10.8)	1.0
Net adjustments	18.4	6.3	(0.9)	13.4	(0.3)
Adjusted net income**	2.3	3.7	7.6	2.6	0.7

*Exceptional items include costs of non-recurring nature, including restructuring charges

**adjusted for impairments, gain on bargain purchase, MtM of financial assets, amortization of prepaid debt fees, FX and transaction cost



Condensed balance sheet (unaudited)

<i>\$ million</i>	30.06.2023	30.09.2023	31.12.2023	31.03.2024	30.06.2024
Cash, cash equivalents & restricted cash	73.1	76.3	55.6	57.8	58.4
Accounts receivables	161.2	173.4	183.8	182.5	173.6
Inventories	68.5	71.8	75.0	72.3	70.6
Other current assets	36.4	36.8	38.7	49.1	56.0
Investments and loans in associates	18.5	12.6	12.3	11.6	12.7
Property, plant and equipment, net	304.3	301.3	313.1	303.6	302.3
Right of use assets	24.7	23.9	34.4	31.7	29.7
Goodwill	147.9	148.8	156.0	148.9	153.1
Other non-current assets	39.1	35.6	37.0	32.6	32.6
Total assets	873.4	880.4	905.7	891.8	889.0
Current portion of interest-bearing debt	3.5	4.0	17.6	18.7	19.9
Accounts payable	62.9	63.5	75.5	80.5	94.6
Lease liability current	5.6	5.6	11.4	11.0	9.9
Other current liabilities	163.1	171.4	176.7	175.5	158.7
Long-term interest-bearing debt	430.7	432.7	402.5	401.5	402.1
Deferred taxes	0.3	0.6	0.3	0.1	-
Lease liability	19.1	18.3	22.9	20.7	19.8
Other noncurrent liabilities	4.6	4.7	2.6	8.1	2.1
Non controlling interest	-	-	-	-	0.4
Shareholder's equity	183.6	179.6	196.2	175.6	181.4
Total liabilities and shareholders' equity	873.4	880.4	905.7	891.8	889.0



Condensed cash flow statement – last 5 quarters (unaudited)

<i>(Figures in \$ million)</i>	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24
Operating activities	1.7	0.2	18.7	14.3	24.4
Investing activities	(10.9)	2.6	(22.7)	(8.6)	(23.4)
Financing activities	(114.8)	0.5	(19.3)	(0.6)	(0.5)
FX effect	(1.2)	-	2.6	(2.9)	-
Total*	(125.2)	2.9	(20.7)	2.2	0.5

*Includes net movements in restricted cash.