

Borr Drilling Limited Announces Trading Update, Including Key First Quarter 2020 Financial Information

20.05.2020 | [PR Newswire](#)

OSLO, May 20, 2020 - Hamilton, Bermuda, May 20, 2020: [Borr Drilling Ltd.](#) ("Borr", "Borr Drilling", "we" or the "Company") (NYSE: BORR, OSE: BDRILL) announces a trading update, including a limited financial analysis of the three months ended March 31, 2020.

This trading update given today is in lieu of the Company's usual quarterly report and includes the Company's Statement of Operations and a Balance Sheet for the first quarter 2020 as an appendix prepared in accordance with US GAAP.

The Chairman of the Board, Paal Kibsgaard, commented:

"I am pleased with the first quarter financial results, where we in spite of operational challenges linked to COVID-19, saw a sequential increase in operating revenues of 12% to \$104.1 million, and Adjusted EBITDA reaching \$25.4 million, an increase of \$23.6 million compared to the fourth quarter 2019.

The first quarter financial performance was driven by "Saga", "Idun" and "Prospector 1", all generating revenue for a full three months, and by lower operating expenses, as our rig activation program continued to wind down, as well as lower G&A costs compared to the fourth quarter 2019.

In response to the COVID-19 pandemic, the Company has taken a range of operational and business continuity measures to protect the health and safety of our people, both onshore and offshore, and also to ensure that we can continue to serve our customers. With the weaker short-term outlook for oil prices and offshore activity, we have also implemented a company-wide cost reduction plan, to reduce annual operating and G&A expenses by a further \$35 million.

The Company continues to work on improving cashflow and strengthening the balance sheet through tight control of both operating expenses and working capital. With 6 newly activated rigs unemployed due to reduced offshore activity, the liquidity required for rig classification and mobilization to secure new contracts is expected to be minimal.

The Company has, as a result of the weakened market, actively entered into discussions with the shipyards and creditors to create a liquidity runway until 2022 even in an unlikely low scenario without any further contracts. These discussions are showing material progress, and the board expects the process to be finalized in the near-term.

In April, the Company sold the "B152" and "Dhabi II" rigs for total proceeds of \$15.8 million, and Borr continues to be involved in other tender processes which might lead to sale of some modern assets.

Looking at the total jack-up market, the number of contracted units have decreased from 387 to 371 units in the last 2 months, as a result of the COVID-19 pandemic, and we expect this number to reduce further. However, as global oil demand is anticipated to rebound in the coming year, we expect that some of the supply reductions and shut-ins will be slower to recover. This could lead to the development of a more constructive oil market over the course of 2021, and a subsequent improvement in offshore drilling."

Highlights in the first quarter 2020

?In \$ million	Q1 - 2020 Q4 - 2019 FY 2019		
Total operating revenues	104.1	92.9	334.1
Adjusted EBITDA	25.4	1.8	(2.6)
Operating loss	(26.8)	(30.2)	(150.7)
Net income/(loss)	(87.0)	(60.3)	(299.1)

Operating revenues increased by 12% quarter on quarter to \$104.1 million

- Adjusted EBITDA in the first quarter 2020 of \$25.4 million, an increase of \$23.6 million over Q4 2019
- The results from the Company's integrated service operation in Mexico has improved significantly through increased efficiency. The operation is showing strong results adjusted for the start-up costs and is confirming Borr's capabilities.
- The improvement in Mexican operations includes a reversal of \$18.3 million from the geological event in fourth quarter 2019 which has now been booked as revenue and collected from Pemex. This has led to a positive adjustment of the Q4 numbers.
- As a function of the weaker market, the Company has thoroughly reviewed its cost structure. Actions have already been implemented to reduce the annual run-rate of overall operational cost and G&A with \$35 million compared to the Company's original budget.

Subsequent events

- Borr continue to be involved in tender processes which might lead to sale of certain modern assets, with the target to further strengthen the liquidity position.
- The Company has sold "B152" and "Dhabi II" with associated backlog for total proceeds of \$15.8 million in April, resulting in an estimated accounting gain of \$11.8 million, which will be recorded in the second quarter 2020.
- In May, the Company took delivery of 4.26 million Valaris shares under its forward contracts and subsequently sold 1.7 million of the shares in line with its previously communicated strategy.
- On May 19, 2020, we signed an agreement to sell the "MSS1" for recycling for proceeds of \$2.2 million. The book value of the rig was impaired down to its sale value at the end of the first quarter 2020, and the rig was classified as held for sale. The sale is expected to close in the second quarter 2020.
- Borr has, in response to the weakening market, taken an active approach to enter into discussions with its lenders and shipyards with the target to lower the Company's cash break even rates for the next two years and thereby significantly strengthen the Company's liquidity situation. The lenders and shipyards recognise the current challenging environment. Significant progress has been made based on a proposed arrangement with lenders including shipyards which includes postponement of certain yard commitments, adjustment in covenants and reduced amortisation as well as deferring cash interest payments. Management believes that such a solution, if concluded, will give the Company a runway for the next two years even in the unlikely scenario where no new contracts are obtained or renewed. At the end of the first quarter of 2020 and into the second quarter 2020, the Company also received certain waivers from its lenders, including a waiver of its minimum free liquidity threshold as well as interest payment deferrals.

The full Trading Update and the Fleet Status Report is available in the enclosed files

May 20, 2020

The Board of Directors

[Borr Drilling Ltd.](#)

Hamilton, Bermuda

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The following files are available for download:

<https://mb.cision.com/Public/16983/3117137/9d7e1c3106cdfa28.pdf> Borr Q1 2020 Trading Update

<https://mb.cision.com/Public/16983/3117137/9c5585b240026b3c.pdf> Borr Drilling - Fleet Status Report May 2020

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