



CONSTELLATION

# Constellation Oil Services

Investors` Day 2023

November 2023





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# Constellation Investors Day 2023

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### 3 Operational Review

- Fleet Performance: Efficiency Improvement
- Alpha Star: Transition Enauta to 3R Petroleum
- Brava Star: New Contract Readiness

# Corporate Presentation

Rodrigo Ribeiro, CEO

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# At a glance



## Safety - core value

We continuously work for safety emerge from our culture, investing in people, programs and systems



**1,700** employees

Talented teams to support the challenging offshore operations



## Leaders in Brazil

Constellation has about a quarter of the Brazilian market share, which is the largest UDW market in the world



## Financial return

\$160M Adj. EBITDA delivered in 3Q'23 YTD, largest fleet in Brazil provide scale and top-tier cost-structure in the industry



## ESG Agenda in place

Structured ESG program with clear ambitions and targets, contributing to energy security and continued activity



**43** years continuously

Constellation has been working in Brazil since 1981. The 1<sup>st</sup> offshore unit was deployed in 1994



**8 offshore units:** Modern and high-quality fleet of drillships and highly flexible semis to address a wide range of activities

## KEY CLIENTS



With about **16 years** of future backlog and consistently delivering positive results over **more than 40 years** of activity, Constellation operates in Brazil and India, with a robust UDW footprint





# Robust operational track record

## Highlights of recent operational milestones



### BRAVA STAR

#### FASTEST UDW WELL IN BRAZIL

- In 2020, Brava Star drilled the GdM4 well working with Shell in an exploratory campaign. The well was drilled in **18 days**, reaching a **Top Quartile benchmark**
- 4 pre-salt wells were drilled in the campaign at Sul de Gato de Mato (2 wells), Alto de Cabo Frio and Saturno prospects with all of them qualifying in terms of drilling time as best in class (BIC)



### BRAVA STAR

#### DEEPEST UDW WELL IN BRAZIL

- In 2021, Brava Star drilled the **deepest offshore well** in Brazil, working with Petrobras in the Monai-1 well (EX-M-669)
- The well crossed a record **4850m salt** layer and reached a final depth of **7700 meter**
- Campaign was deemed a success despite being faced with significant technical challenges in extreme environment



### AMARALINA STAR

#### IMPROVED PERFORMANCE AT RONCADOR

- Working at the Roncador field, operated by Petrobras and Equinor, Amaralina star reached important records:
- Supported the consortium on **48% reduction in time** and **60% reduction in cost**
- Recently achieved the **fastest completion** in the field – total of **9,3 days** (3<sup>rd</sup> fastest well for Petrobras fleet)

## EXPERIENCE WITH PETROBRAS BRINGS EXPOSURE TO IOCs

- Constellation has performed activities in strategic fields in *Brazilian Production Sharing Agreement (PSC)*, such as BM-S-11, Monai, Alto de Cabo Frio, among others.
- It included partnering with several IOCs, such as:



# Fleet Sold-out for 2024 ... Utilization est. ~100%<sup>1</sup>



Upcoming bids for 4 rigs ... to secure new fixtures and add backlog for utilization >90% up to 2027

Fleet Status Report   Sep '23		2023				2024				2025				2026				2027			
Month		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	OLINDA STAR	ONGC				WIP <sup>3</sup>															
	ATLANTIC STAR	Petrobras				Extension opportunity															
	LONE STAR	Petrobras																			
	GOLD STAR	Petrobras																			
	ALPHA STAR	Enauta				3R				Petrobras 3 Lots											
	AMARALINA STAR	Petrobras																			
	LAGUNA STAR	Petrobras																			
	BRAVA STAR	Petrobras				Petrobras															

Current contract
  Potential to extend
  Next contract (signed)
  Expected new fixture / upcoming bids

Contract  
Backlog  
\$1.6B <sup>2</sup>

Backlog  
Years  
16 Years <sup>2</sup>

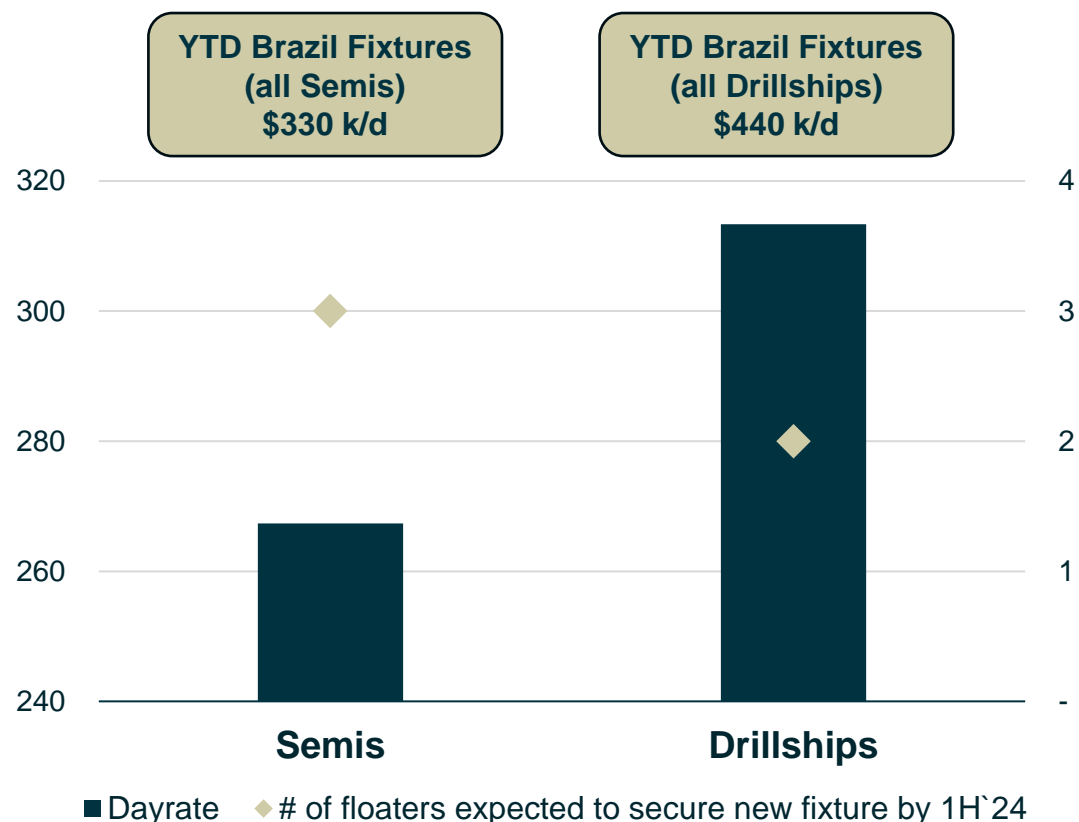
Utilization  
2023-2027e  
~90 %

# Favorable Backlog Supporting Fleet Continuous Utilization

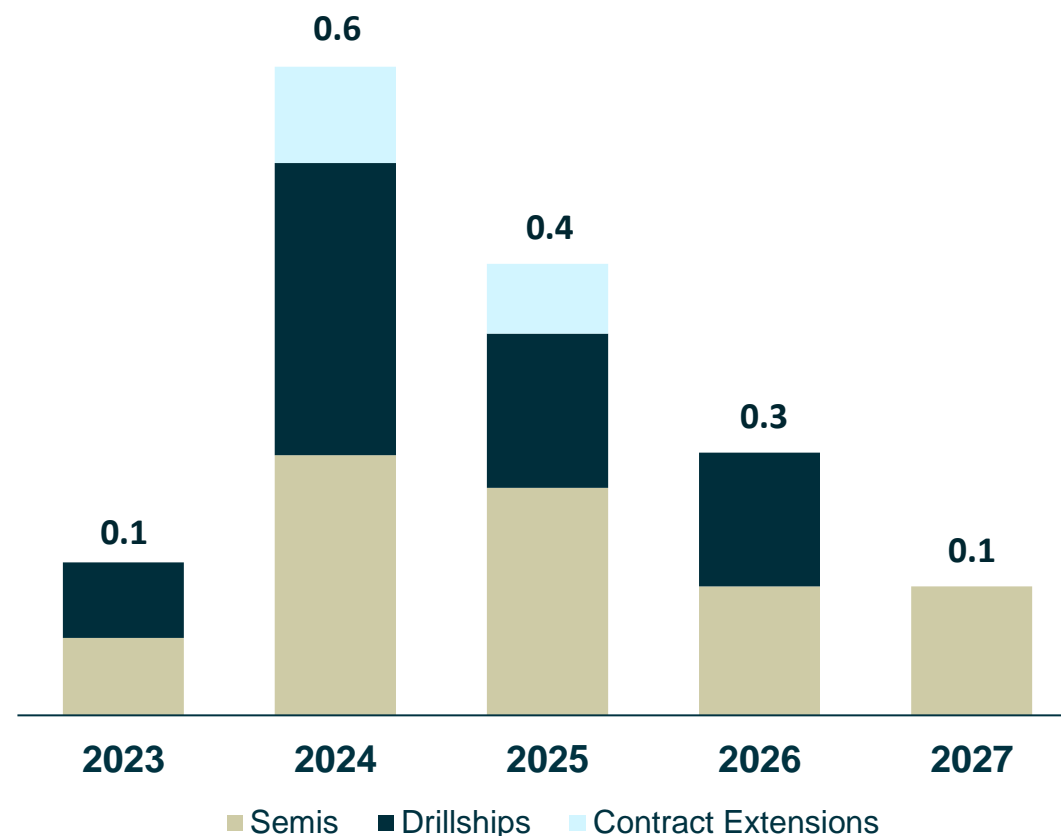


Earnings expected to increase as rigs reprice to new rates, upside opportunity in avg. day rate

Backlog Avg. Day Rate (\$ k/d) / # of Floaters Expected to Secure New Fixture by 1H'24



Current Backlog Stands at \$1,6B (of which, \$0,2B of extensions)





# People in the center, doing the right thing, always

Driving safety, excellence and sustainability with integrity



## SAFETY FIRST

Non-negotiable condition and respect to life - no significant leaks, injuries or fatalities <sup>1</sup>

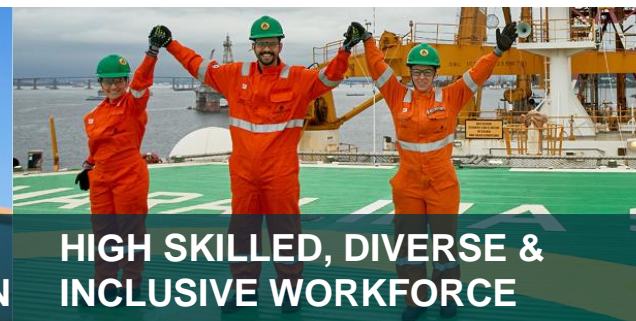
- Human factors with a system view being adopted
- Continuous improvement in ops. and process safety practices
- 30% improvement on recordable incidents rate <sup>2</sup>



## SUSTAINABILITY, DRIVING CARBON FOOTPRINT REDUCTION

Care for people, the environment and commitment to business continuity

- 2022 ESG Report released in July, new corporate commitments by 2030
- Shored base operations fully powered by solar
- Projects for reducing fleet's fuel consumption, in partnership with customers and universities



## HIGH SKILLED, DIVERSE & INCLUSIVE WORKFORCE

+1,800 talented employees fostering diversity, equity, and inclusion

- 28% female in leadership positions, gender pay equity
- 350+ leaders with long tenure
- Great Place to Work certificate in 2023
- The largest engineering team in Brazil



## ETHICS, COMPLIANCE AND TRANSPARENCY

Relationships based on mutual respect, honoring commitments with integrity

- New IR website open to public
- 100% anti-corruption training
- 100% suppliers' integrity check
- Anti-Corruption Policy complies with FCPA and UK Bribery Act

### PARTNERSHIPS BRINGING PEOPLE'S PERFORMANCE TO WORDCLASS LEVEL





# Rio das Ostras Facility



- ✓ Capacity for up to 12 rigs
- ✓ 100% solar-powered
- ✓ Warehouses and infrastructure to support operations

**59.000m<sup>2</sup>**  
TOTAL AREA  
*Buildings & Storage area*

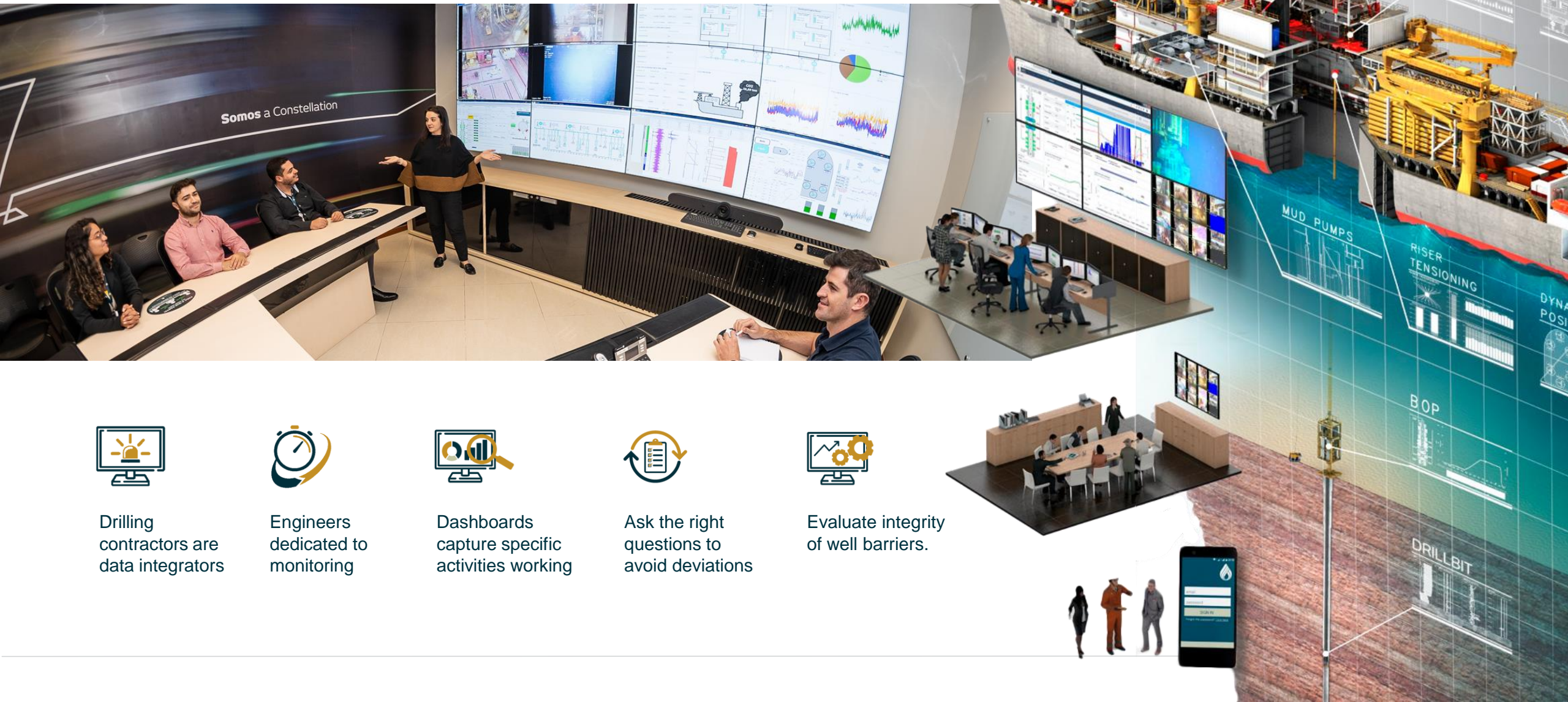
**5.785m<sup>2</sup>**  
OFFICES,  
WAREHOUSES  
AND WORKSHOPS





# Innovation & Technology

## Real-time Operating Center



Somos a Constellation



Drilling contractors are data integrators



Engineers dedicated to monitoring



Dashboards capture specific activities working



Ask the right questions to avoid deviations



Evaluate integrity of well barriers.





# Financial Update

Daniel Rachman, CFO

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# Financial Performance Summary – September 2023 YTD

3Q'23 YTD, variance from 3Q'22 YTD

\$ in USD - Millions

## Fleet Utilization

100%  
↑ 26 pts

## Fleet Uptime<sup>1</sup>

93.3%  
↑ 2.2 pts

## Net Revenue

\$423  
↑ 53 %

## Cash Available<sup>2</sup>

\$90  
↑ 51 %

## Adj. EBITDA

\$160  
↑ 53x

## Net Debt / EBITDA<sup>3</sup>

3.9x  
↓ 89 %

## Key Dynamics

- Fleet fully operational, good progress improving uptime and financial efficiency
- New Alpha contract with transition completed in the same day, Olinda contract extension with WIP<sup>4</sup>
- Strong cash generation, improved working capital despite interest payment in cash in Sep'23

## Outlook for 4Q'23

- Fleet 100% contracted, but lower utilization due to two transitions: Alpha already completed and Brava Star in course, potentially bringing upside to 4Q'23 with lessons learned from last year
- Olinda concluding operations in India, last well in progress may be extended to the end of December

1 – Uptime performance calculated not purging planned maintenance in zero rate events  
3 – Net Debt / Adj. EBITDA LTM September '23 vs September '22

2 – Cash & Cash Equivalent compared to Dec 31, 2022  
4 – Well in progress

# 2023 & 2024 Current Guidance <sup>1</sup>



Increased 2023 EBITDA guidance, consistently delivering on business plan

**TY 2023 E**

**TY 2024 E**

\$ in USD - Millions

**Revenue**  
**\$520-530**

**EBITDA<sup>2</sup>**  
**\$165-175**

- Topline single digit growth driven by higher day-rates (Brava, Alpha, Atlantic), despite of offset from lower volume from Olinda contract expiration in India
- Combination of 2023E and 2024E Adj. EBITDA expected to exceed the latest 5-year business plan

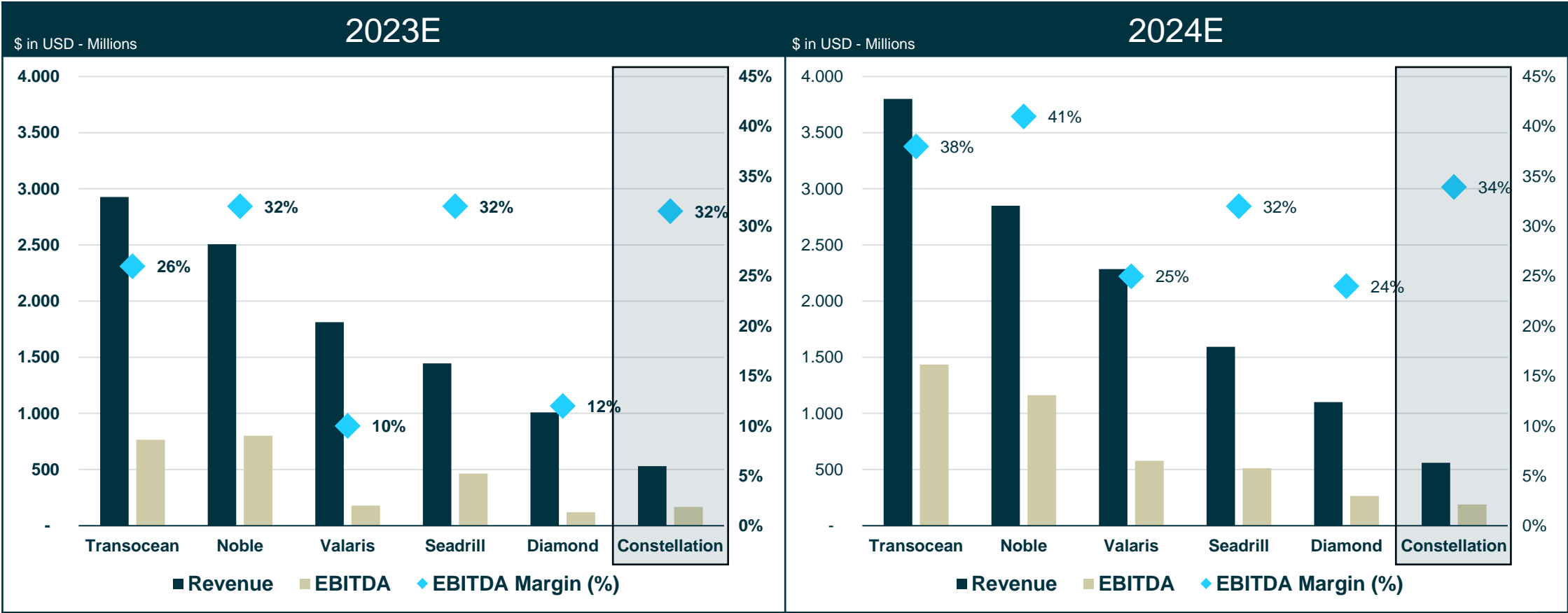


# EBITDA Performance and Peer Comparison



Global and regional-leading cost structure poised to deliver top-tier EBITDA ratio among peers

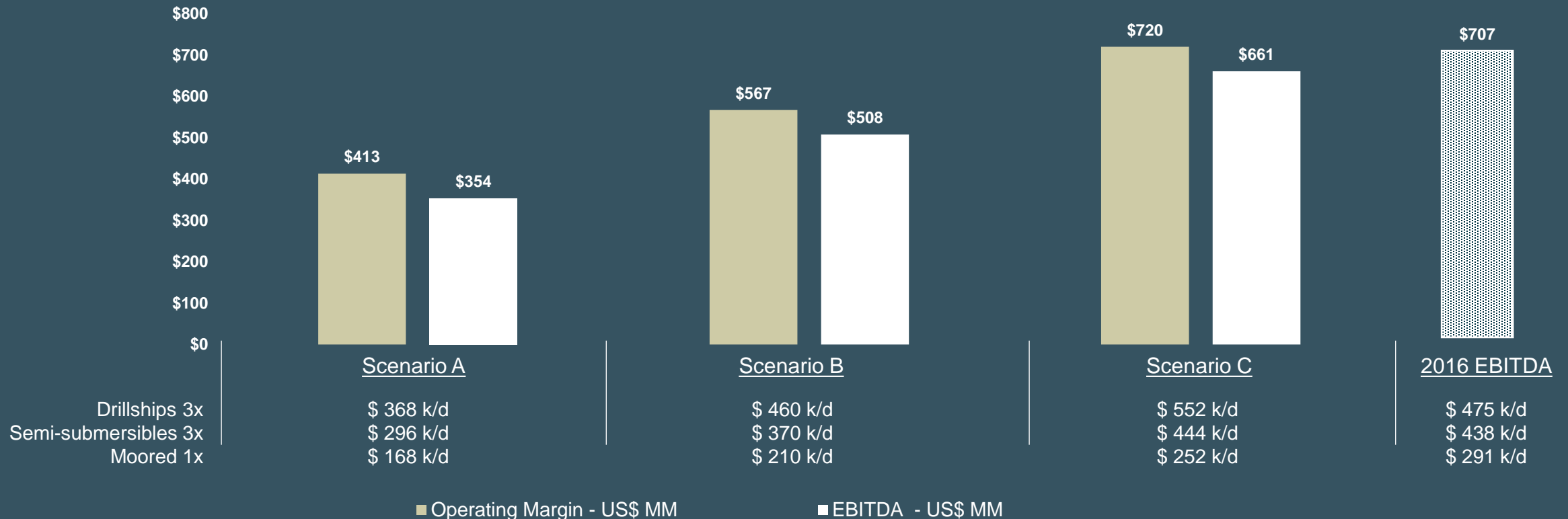
- Despite of reduced fleet size than top 5 international drillers, Constellation’s focus and experience in one region provides a superior economy of scale
- Currently delivering at best EBITDA ratio to sales among peers, expectation to keep that mark in the long-term as backlog is repriced to market rates



Source: Consensus estimates sourced from Capital IQ database as of November 2, 2023.

# Significant Upside if Fleet is Contracted at Current Dayrates

## Illustrative Op. Margin and EBITDA potential (\$ in USD – Millions)



1. "Scenario B" / Base Case: day rates for 2025-2026 based on latest market research
2. Sensitivity: "Scenarios A" and "C" considers -20% and +20% over dayrates
3. 2016 EBITDA represents actual financial results from such fiscal year
4. Assumes fleet utilization based on a two-year contract term and 3 months idle time (87.5%)
5. EBITDA: Includes shore base, support cost and SG&A
6. Operating Margin: Gross profit - SG&A - Support Base



# Investment Thesis

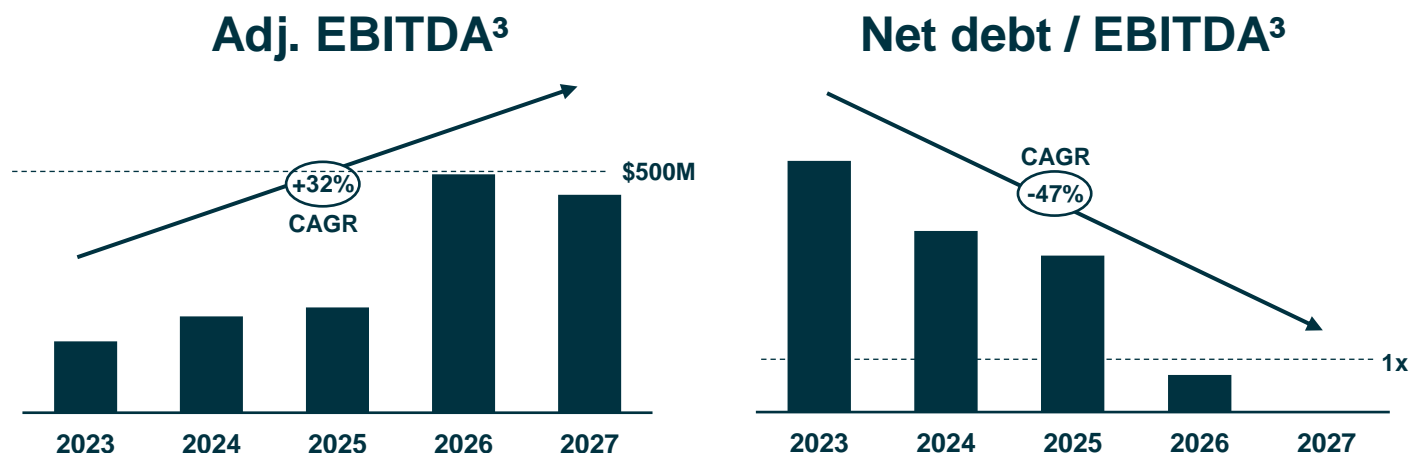
Constellation is well positioned to benefit from multi-year recovery of the offshore drilling industry



## Brazil Offshore Supercycle

- Deepwater production growth is critical to energy supply
- Brazil expected to account for the second-largest increase in oil production<sup>1</sup> from '22-'35
- UDW floaters utilization in Brazil is 100%<sup>2</sup>, globally is >90%<sup>2</sup>, limited capacity to be mobilized to Brazil
- Incumbency as economic barrier to entry in Petrobras market, high capex investment needed for rigs adequacy
- Growing demand for a diverse range of rigs: brownfield interventions and decommissioning obligations

## Cash Generation to Organically De-lever Balance-sheet



- Day-rates and Cash Flow are poised for continued expansion
- Long-term contracts benefiting fleet utilization and requiring lower transition cost
- Leverage scale in one hub for superior cost positioning

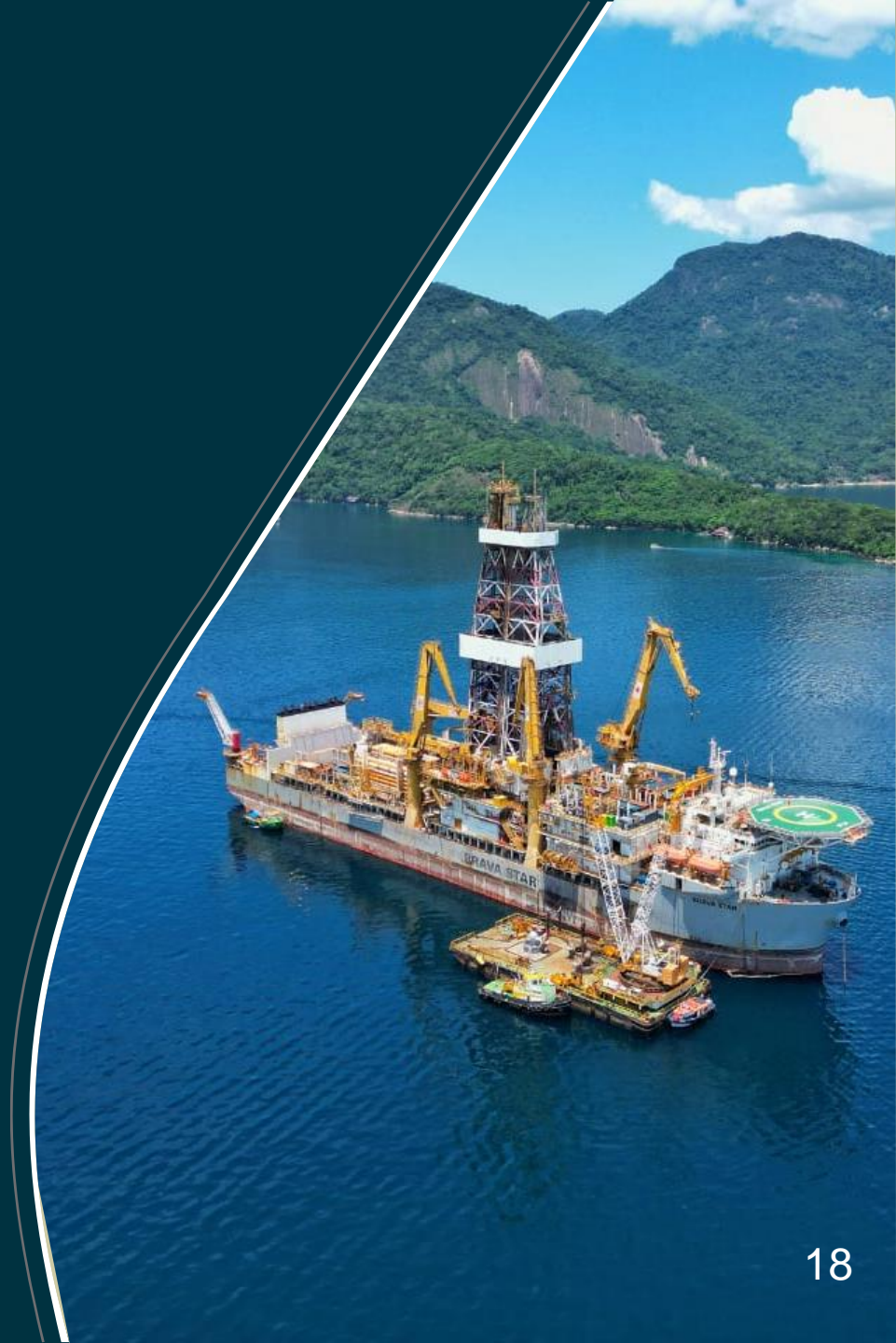
- Low cost of debt, healthy amortization term, and 90% outstanding debt convertible
- Started interest payment in cash in 3Q 2023
- Increasing ability to refinance the debt pre-maturity in 2026



# Commercial Review

Thiago Schimmelpfennig, CCO

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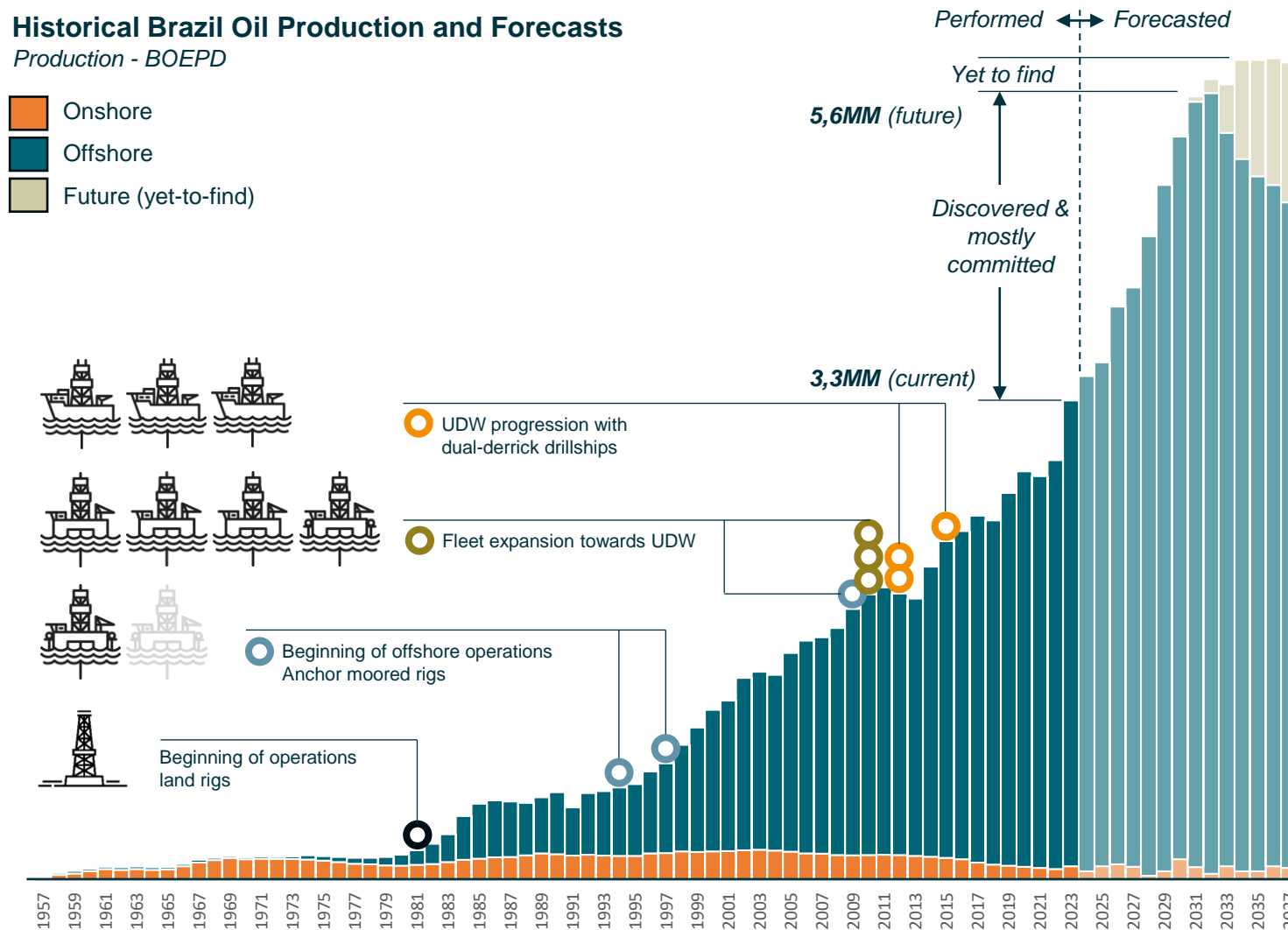
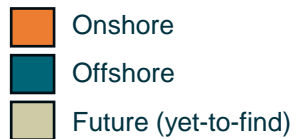
# Brazilian Offshore Presents a Sustainable O&G Location

Compelling breakeven economics with lower carbon footprint



## Historical Brazil Oil Production and Forecasts

Production - BOEPD



Currently the **9<sup>th</sup> largest** oil producing country - expected to become the **5<sup>th</sup>** by 2030



Feature **low carbon intensity** if compared to other oil producing regions



Oil production expected to **rise 80%** to ~5,4MMbbl/d with new investments to reach **US\$ 180bi** by 2030



O&G industry currently employs about **1,5 million of people** in Brazil



More than **74%** of future oil production will come from fields with a **breakeven price below 40 USD/bbl**



# Future Activity in Brazil

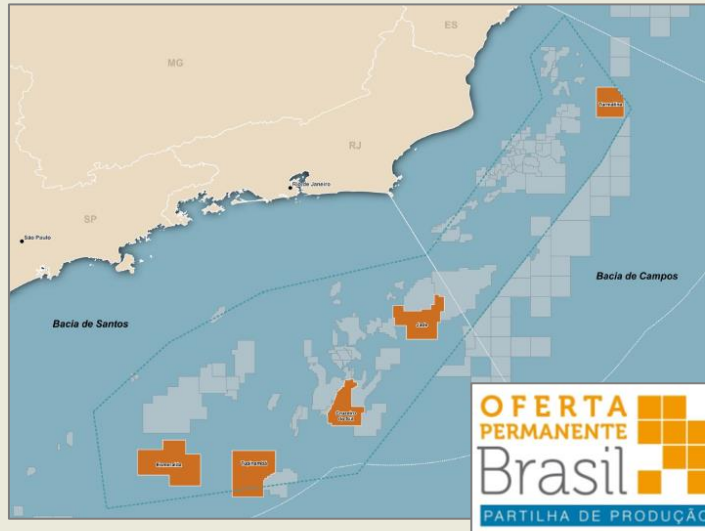
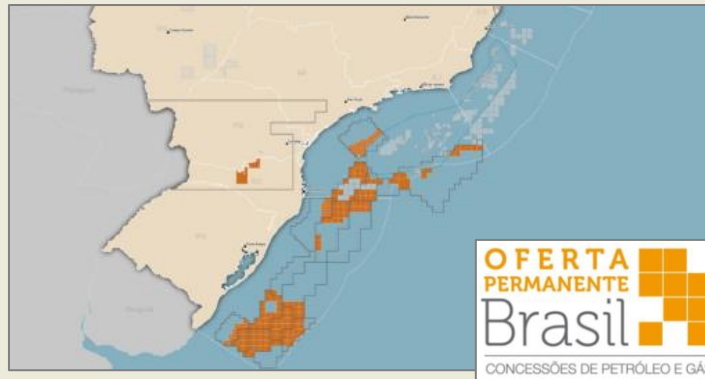
Petrobras' demand up to 2027 confirmed by FPSO contracting levels ... more to come

## 14 FPSO in 4 years

2024	2025	2026	2027	2028
Mero 3	Búzios 6	Búzios 9	Albacora	Caratinga
Búzios 7	Mero 4	Búzios 10	Búzios 11	Sépia
P.Baleias	Búzios 8		BM-C-33	Atapu
Bacalhau			Seap 2	Marlim L
			Seap 1	Marlim S

■ Santos basin (contracted)  
■ Campos basin (contracted)  
■ Sergipe (under procurement)  
□ Under procurement  
□ Expected demand

## Additional BID Rounds



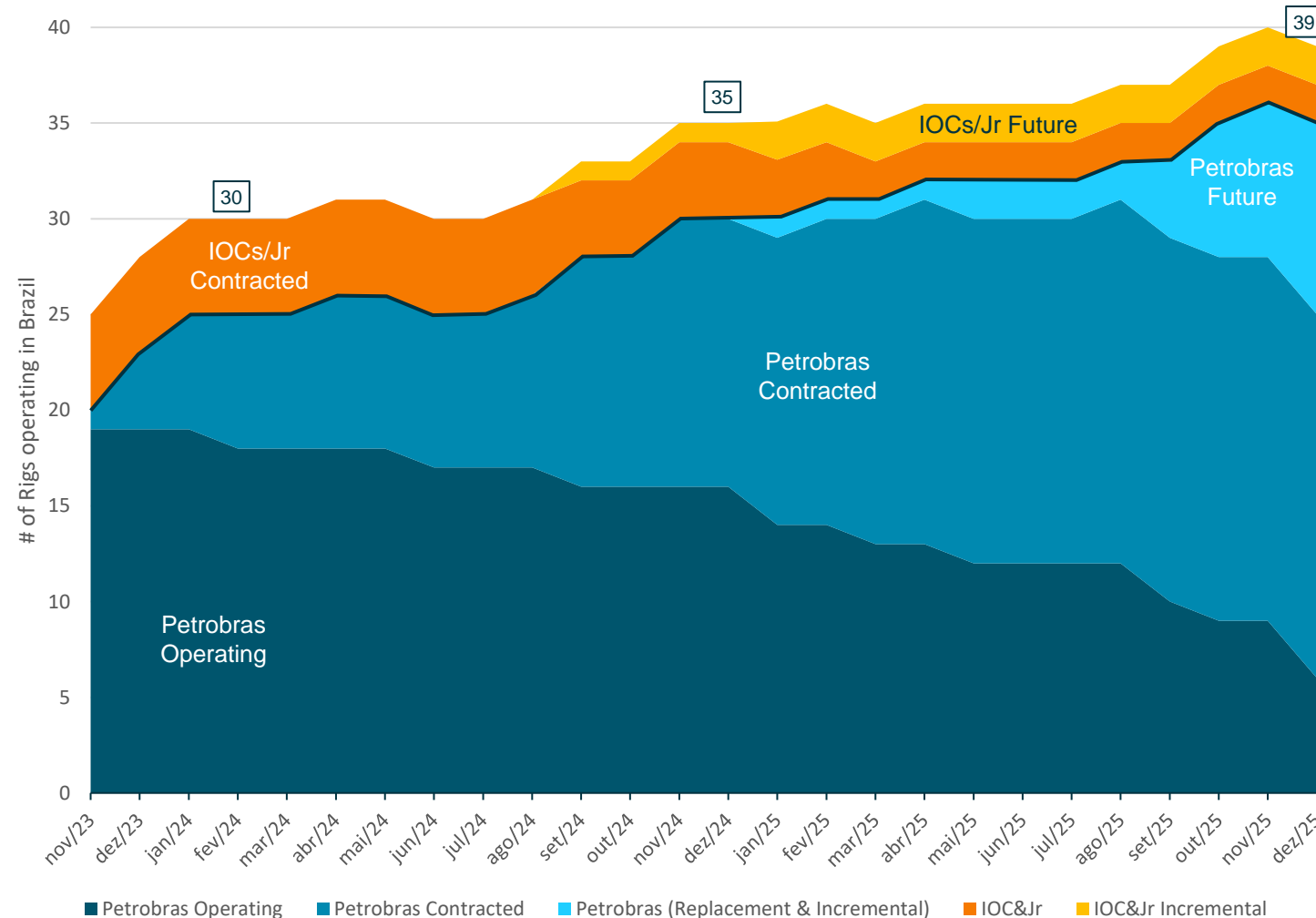
- Petrobras business plan confirms **14 new FPSO** to come on stream between 2024 and 2027. Ongoing bids and demands suggest additional **5 FPSOs in 2028**.
- Petrobras' exploratory pipeline accounts for up to **40 wells** to be drilled between now and 2027.
- **Equatorial Margin** has been supported by Petrobras and there are positive expectations that operations will be approved by authorities.
- On December 13<sup>th</sup>, 2023, a **new BID Round from ANP** will take place with concessions mainly in Santos (pre and post-salt) and Pelotas, basins.
  - In PSC Santos Basin, new fields include Esmeralda, Tupinambá, Cruzeiro do Sul and Jade. In Campos Basin there will be the field Turmalina.
  - All sectors have received declarations of interest by at least 6 registered companies
  - Pelotas Basin raises interest due to geological similarities with the Namibian discoveries.

## Equatorial Margin



# Brazil Floaters Future Opportunities

Growing demand expected to add new rigs in the region from 2023 to 2025



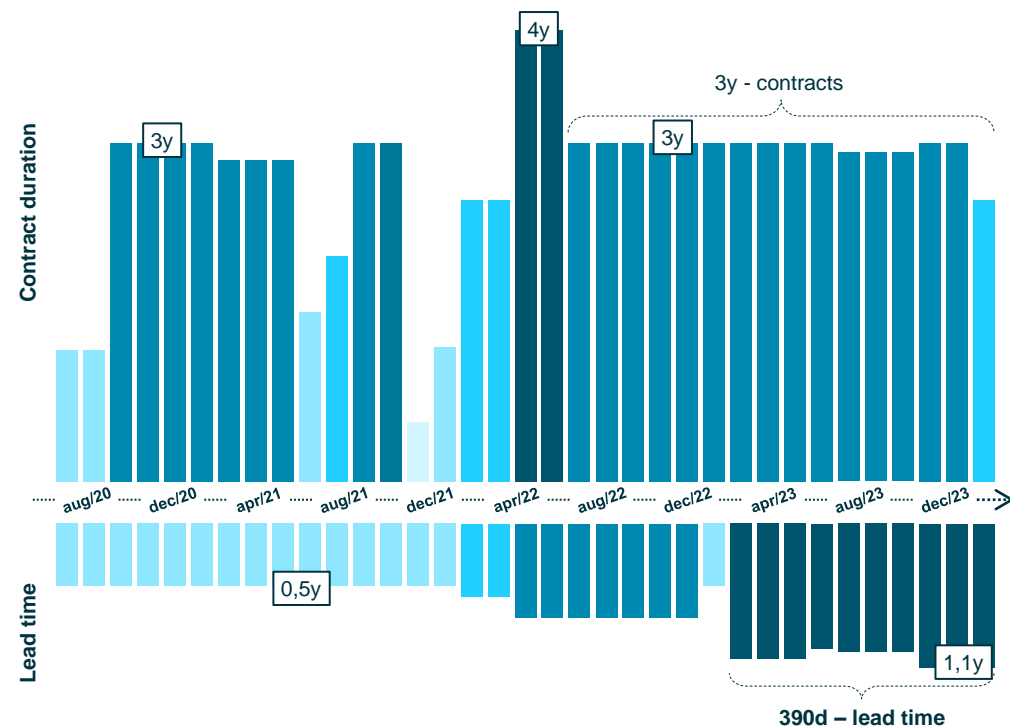
- There are currently **24 rigs** operating in Brazil, increasing to **28 rigs** by December. Petrobras currently has **23 rigs** operating on its fleet. **4 other DP rigs** operating for IOC and Jr Oil, plus **1 rig** owned by an operator.
- By the **end of 2024**, the number of rigs operating to Petrobras will spike to **30 units**, and a total of **35 rigs** operating in country.
- Clearly, Brazil is set to remain a pivotal long-term consumer of UDW rigs. Activity expected for 2025 suggests a total of **39 rigs operating in Brazil** (and addition of **15 rigs** compared to 2023's utilization).
- Based on the latest lead times, **bidding** process to close this gap will likely commence by **1H24**.
- Petrobras remains the major demand originator. IOCs, such as **Equinor**, **Total** and **Shell**, and Jr. Oils, such as PRIO, 3R and Enauta, are also expected to continue demanding UDW rigs.
- The potential of the **Equatorial Margin** is not reflected on the near-term demand curves.



# Brazilian Floaters Trends

Dayrates already beating global trends even with longer contract duration and lead time

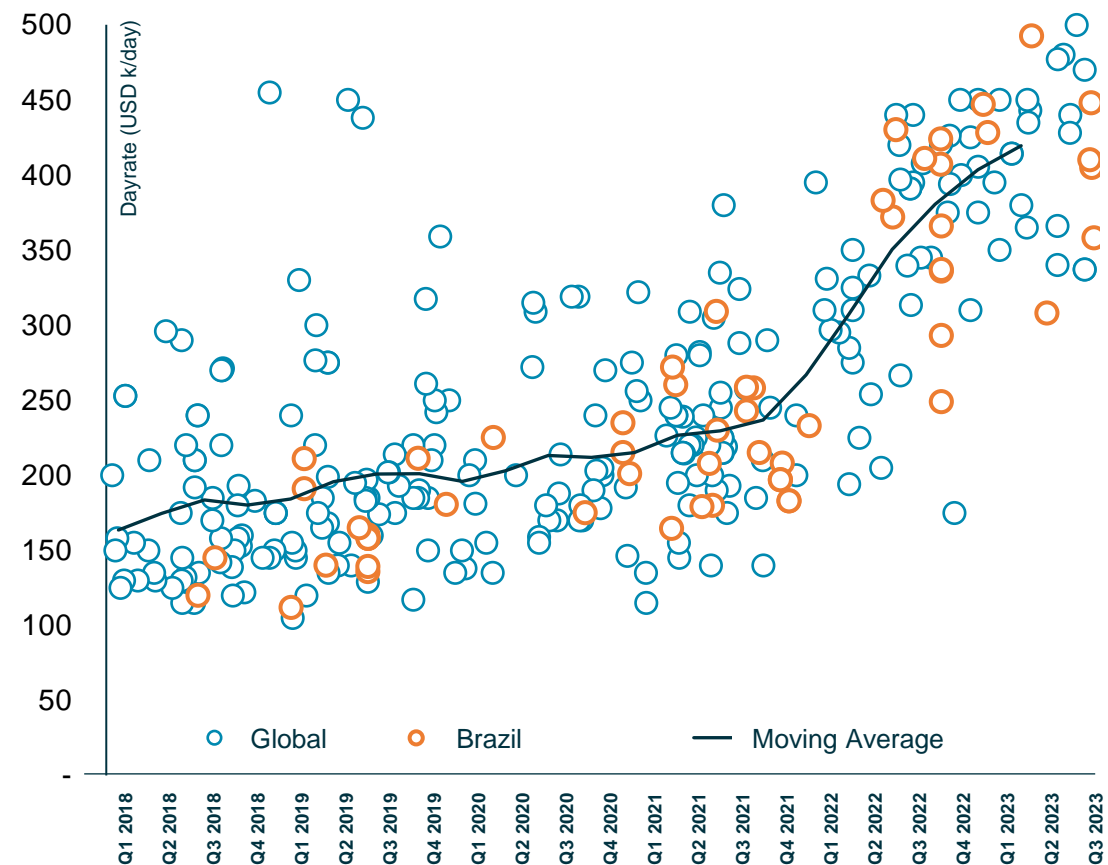
The profile of the contracts has been improving as offer reduces



Source: Internal Analysis

- Opportunities since Aug'22 have **durations** that are **3 years long**
- The same happens with **lead times**, which have improved ~80% ... last 3 opportunities tendered **18 months pre-mobilization**

Dayrate momentum continues  
Brazil key for demand

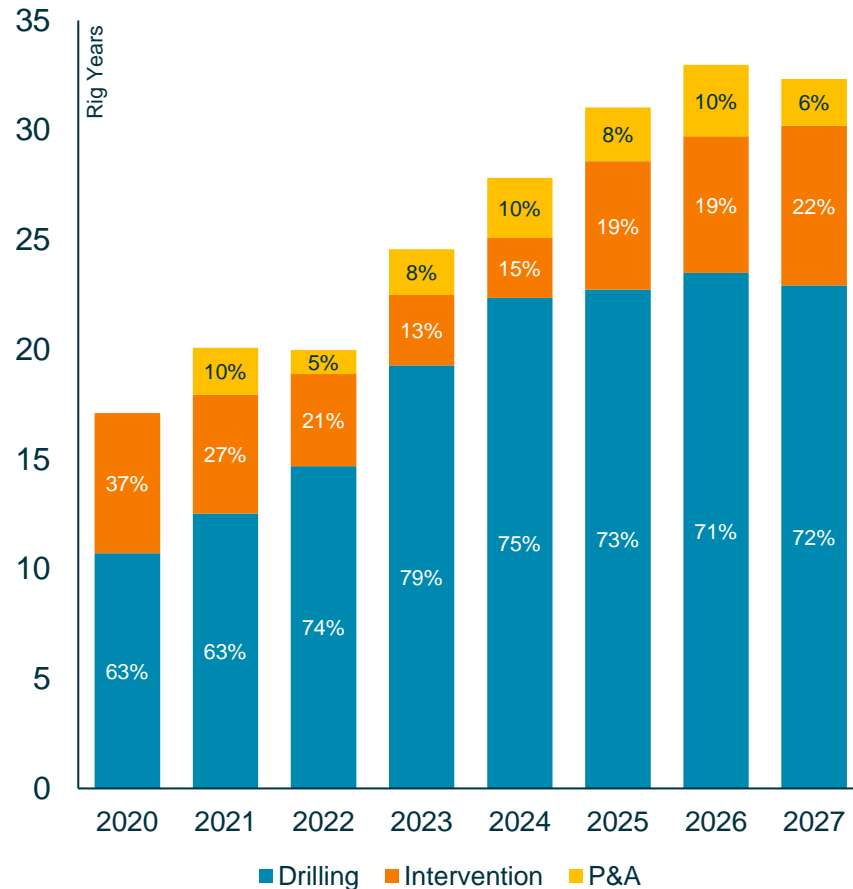


# Petrobras' Profile of Contracts and Fleet Requirements

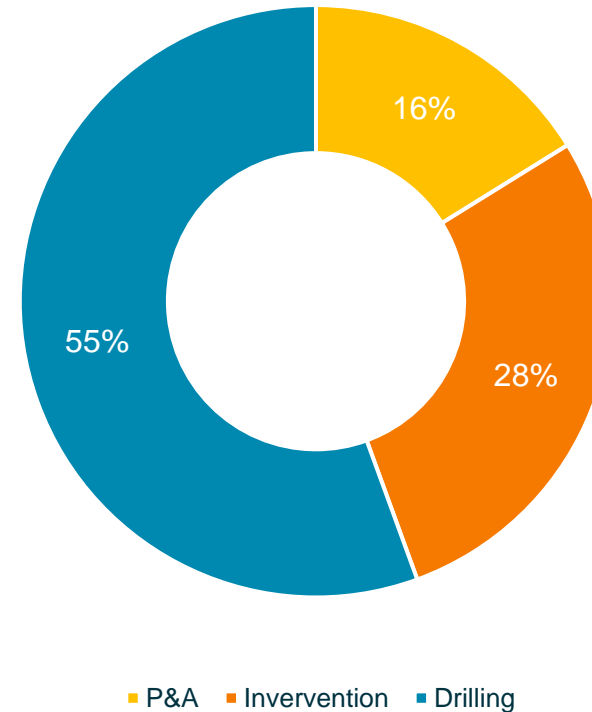


The intense local contracting activity has also benefited Constellation's diverse fleet

## Total Brazil Market: rig use by type of operation



## Constellation's fleet distribution is diversified\*



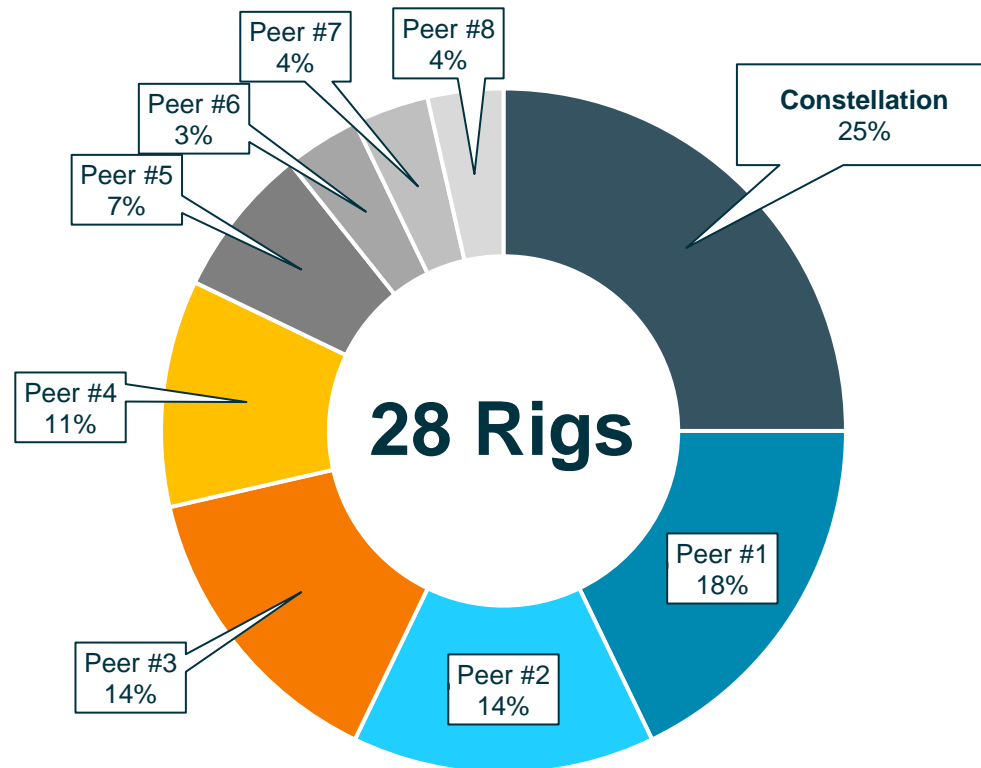
- While **P&A and Intervention** (workover) account for up to 30% of the Operators demand, Constellation's fleet use for this scope of operations add 44%.
- Our Semis (**Lone, Gold and Alpha**) benefit for the client's preference for allocating the right assets to the right demands.
- **Santos basin** currently consolidates most of the **drilling** and completions activities in Brazil, in fields like Mero, Buzios, Tupi, Itapu and Sépia. **Campos basin** has a more diversified activity profile and is also where most of the **interventions** and **P&A** have been recently performed.
- **Constellation** has been working mostly in Itapu and Tupi in Santos Basin. In Campos basin, activity is concentrated in Marlim, Albacora, Roncador and Alto de Cabo Frio Central.

# Constellation has deep knowledge in Brazil

The largest fleet in Brazil with best performance rigs among Petrobras



Constellation currently accounts for almost a quarter in market share



Brazil as a highly regulated country to operate

- With a robust regulatory framework, Brazil has several agencies and police makers responsible for supervising the O&G segment and ensuring people and environmental protection.
- Constellation is prepared to comply with such environment, providing operations predictability in the Brazilian ecosystem



# of Rigs working in Brazil as of December/2023

# Operational Review

Paulo Cury, COO

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# Fleet Performance & Revenue Optimization

Local technical expertise and outstanding capabilities converging for leading performance



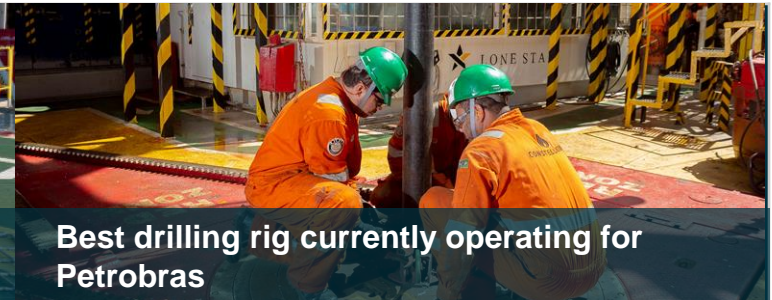
**Strong operational record in Brazil with the largest technical support group**

- Sound **experience** and **track-record** operating offshore Brazil (more than 1000 wells and 2 million meters drilled)
- **Installed** infrastructure in country with central hub close to customers, capable to support expanded fleet
- **Qualified** operational, engineering and logistics teams, the largest and **most recognized** technical team in Brazil
- **Differentiated asset integrity support** with specialists in mechanical, machinery, electrical, electronic, marine and well control equipment



**Proven track record in contract transition projects**

- Completed 6 contract transitions and acceptances in 2022
- Designed a fully **detailed check list** based on 13 rig acceptances in the last 4 years
- Engagement with Petrobras allowing the best scenarios and early planning for **optimized and expedited acceptances**
- **Amaralina Star** overall transition project in 2022 performed in **66 days** (contract to contract):
  - ✓ Acceptance process in just 18 days, **the best-ever according to Petrobras**;
  - ✓ **Uptime performance 97.5%<sup>1</sup> in the first 3 months**, and and **96.3%<sup>1</sup> YTD**;
- **Alpha Star** transitioned from Enauta to 3R Petroleum in the **same day**



**Best drilling rig currently operating for Petrobras**

- **Brava Star is the best unit performance among all drilling rigs with Petrobras in 2023 (October YTD):**
  - ✓ 1st position among Drilling Units in Petrobras' Sondopolis - **Uptime performance 97.8%<sup>1</sup>**

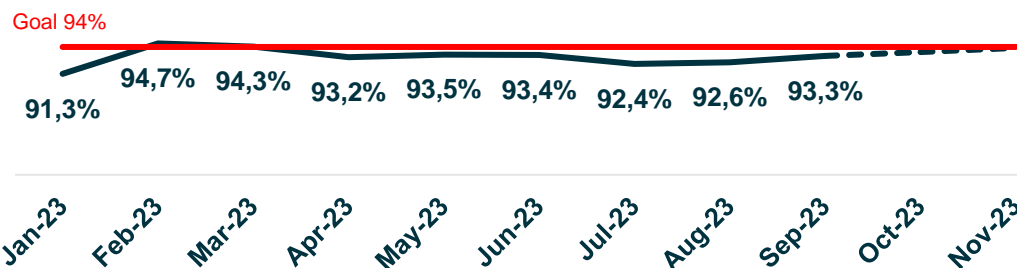


# Fleet Operational Performance



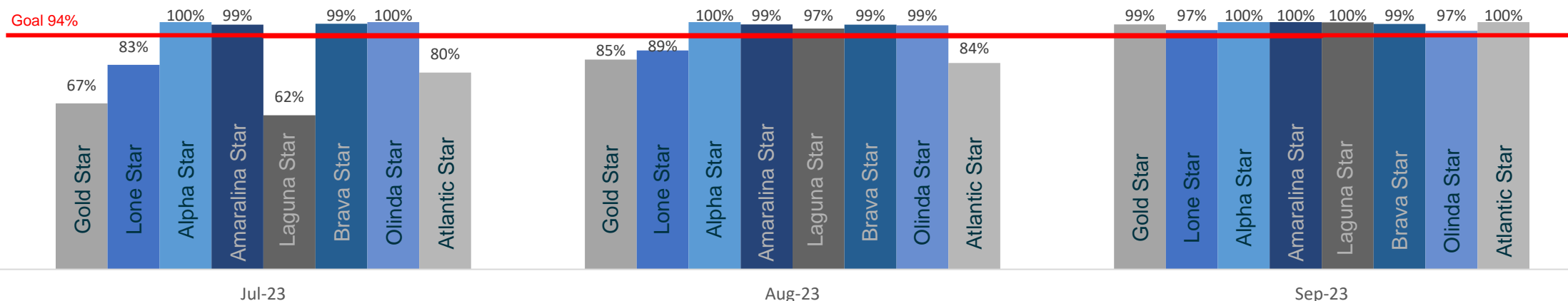
Actions implemented are resulting in significant performance improvement, specially in 3Q

## Historic Uptime Performance<sup>1</sup> – 12 Month Rolling Average



- Major improvements in performance since 2022 ...+200 bps improvement YTD, equivalent to \$10 Million revenue optimization
- Weakening noted in July 2023, but promptly fixed
- September 2023 had all our rigs above planned uptime
- The progress continued in October 2023

## 3Q 2023 – Fleet Uptime<sup>1</sup> Details by Rig



1 – Uptime performance calculated not purging planned maintenance in zero rate events



# Contract Transition 1 - Alpha Star: September 2023

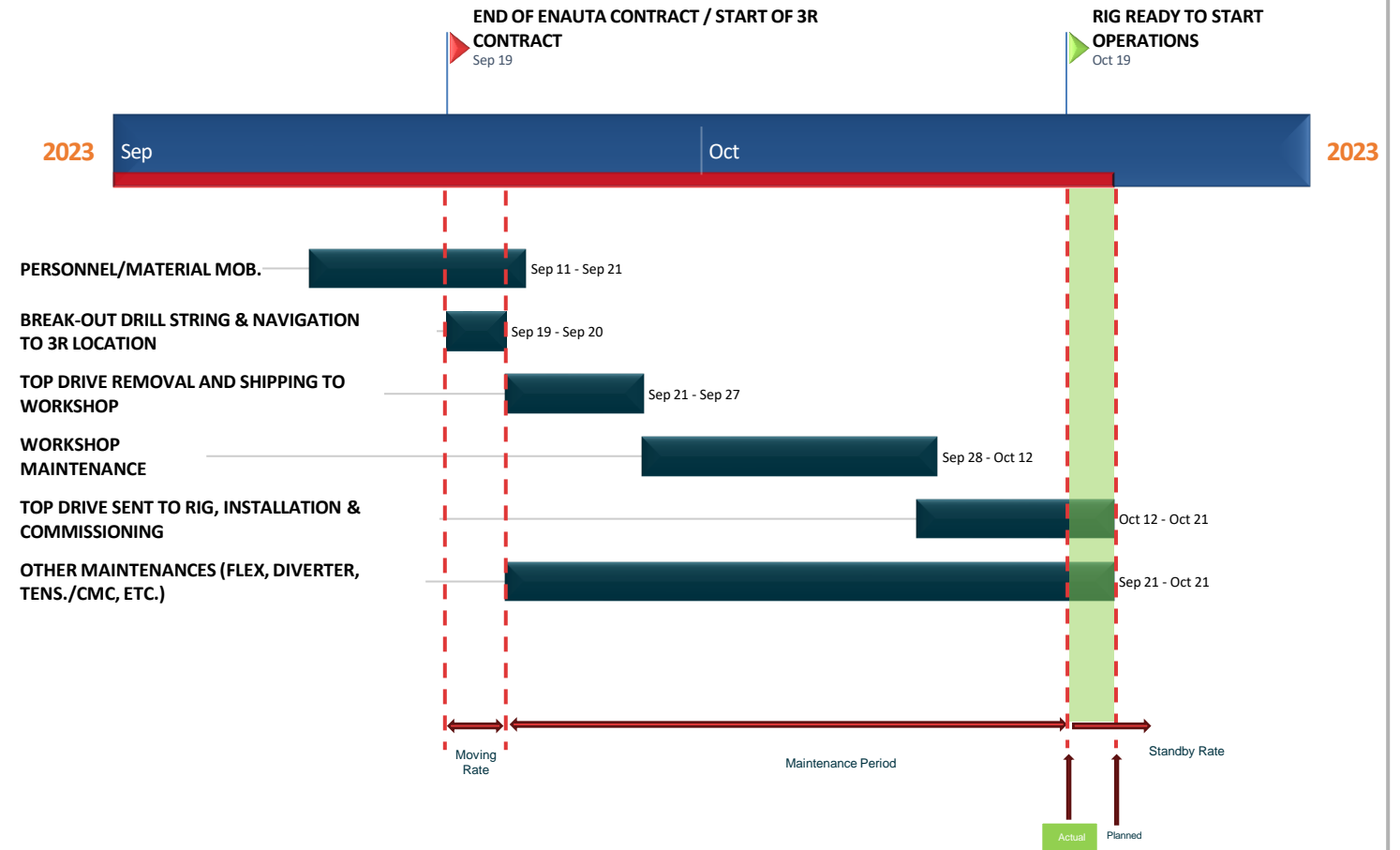


A case of success, transitioned in the same day

## Highlights

- **No elapsed time** between contracts
  - 3R accepted the Rig in contract at Enauta's field
  - No loss of revenue between contracts
- **No rig upgrades** for the new contract
- **Planned overhauls** carried out in offshore location, under contract at client most convenient time
- **Early Completion of Planned Overhaul**
  - **15 days** ahead of schedule
  - Planned for **45 days**, challenged to **33 days**, held in **30 days**.
  - Contractual Bonus
  - Cost Savings (OPEX)
- **No hull cleaning** (Sun Coral) required

## Project Timeline



# Contract Transition 1 - Alpha Star: A case of success



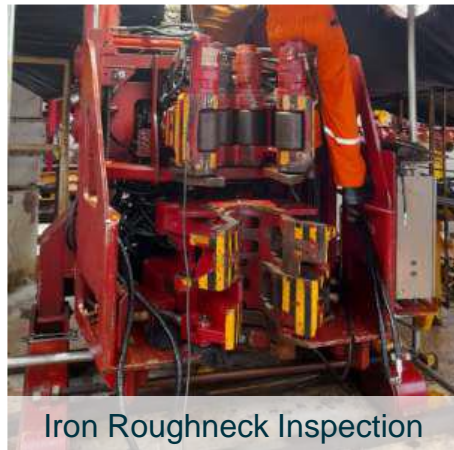
Top Drive at NOV Workshop



Top Drive back to Rig



BOP Maintenance



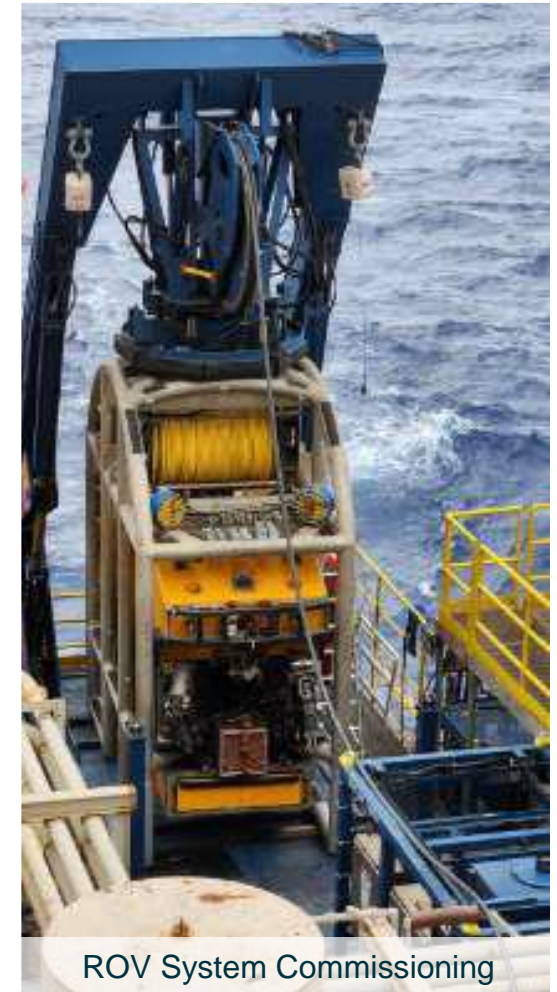
Iron Roughneck Inspection



Tensioner Ring  
Inspection



Pipe Racking System  
Maintenance



ROV System Commissioning



# Contract Transition 2 – Brava Star to new PETROBRAS Contract

Brava Star is currently under Overhaul & Contract Upgrade in Angra dos Reis to start a new 3-year contract with Petrobras

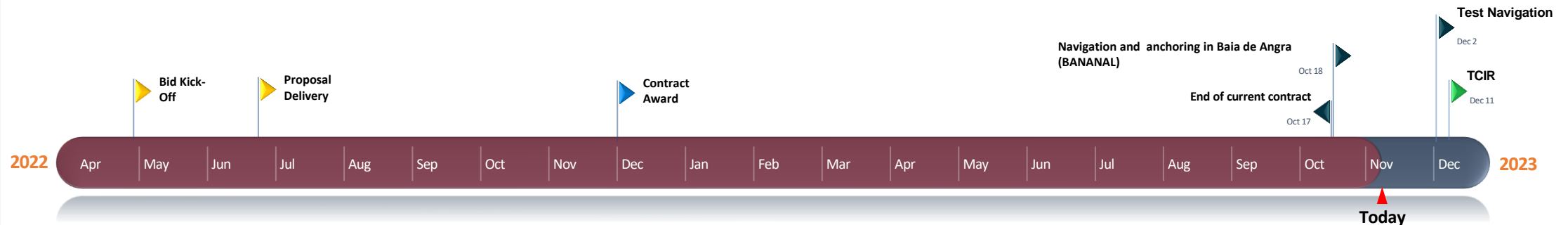


# Contract Transition 2 - Brava Star: October 2023

Planned to become another case of success, with the quickest Petrobras acceptance

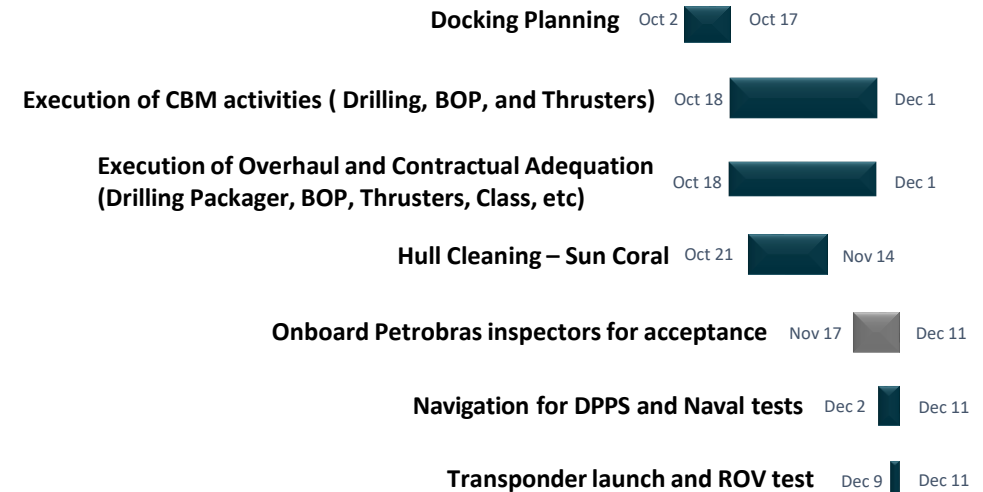


## Project Timeline



### Highlights:

- Bid in April 2022, awarded in December 2022
- Planning process started 15 months before to anticipate customer acceptance
- All lessons learned from the latest contract transitions have been implemented and validated on Alpha Star's recent successful stop
- Hull cleaning process improvements implemented and validated
- All major risks known and mitigations in place
- Peak of 539 people on board
- More than 1500 items received
- Significant savings using fleet spares



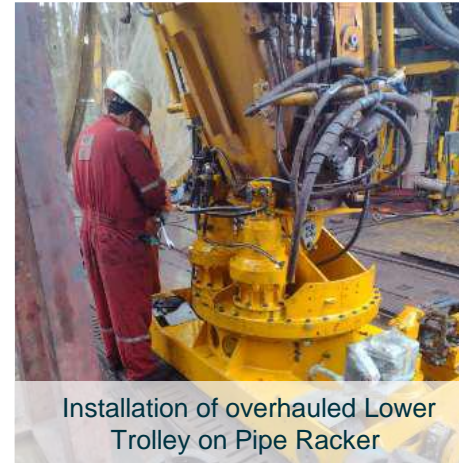
# Contract Transition 2 – Brava Star: October 2023



BOP Maintenance



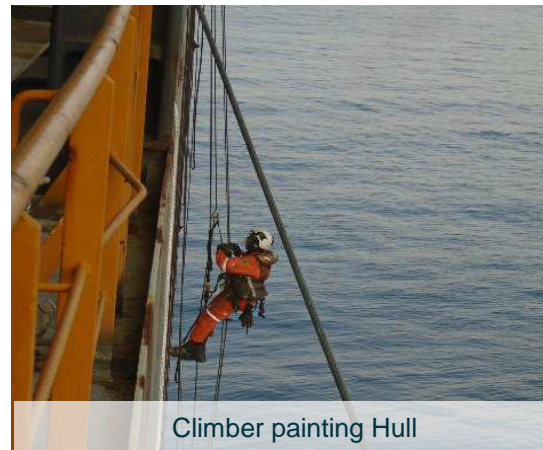
Diving services to remove Sun Coral



Installation of overhauled Lower Trolley on Pipe Racker



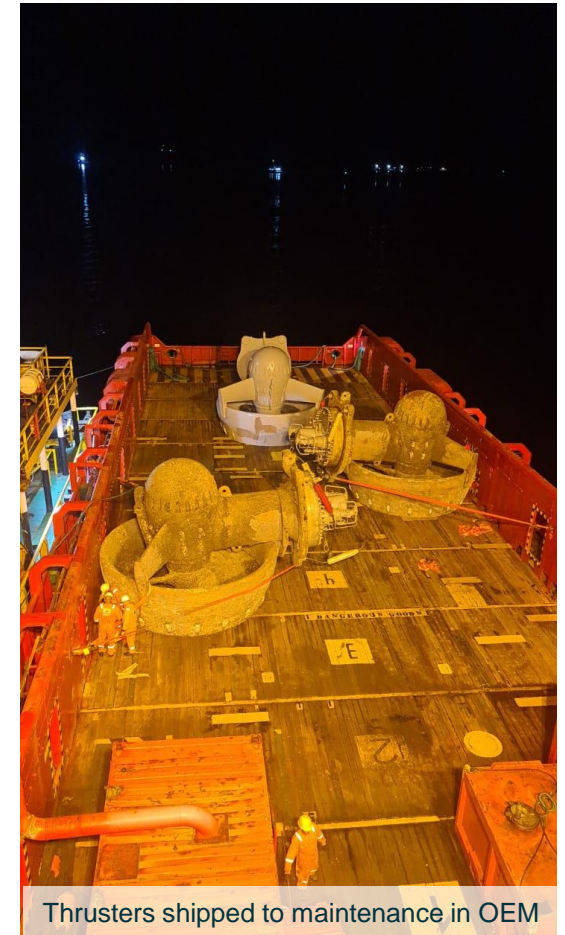
Preparing to remove Thruster #2



Climber painting Hull



Thrusters ready to ship to OEM



Thrusters shipped to maintenance in OEM



# Constellation

Poised for sustainable growth



**Market leader and preferred drilling supplier in Brazil**, the greatest offshore rig market



**Fully mobilized diversified fleet** fit for current market standards and client requirements



**Ready to capture industry new super cycle**, with deep knowledge of Brazilian market, regulations and technical gaps required by Petrobras



**Poised for growth and to create additional value to our stakeholders** by partnership models, such as bareboat, management fee



*CONSTELLATION*



# Appendix - Financial Disclaimer

## Non-IFRS Measures and Reconciliation



- (1) EBITDA is a non-IFRS measure prepared by us and consists of: net income, plus net financial expenses, taxes and depreciation. EBITDA is not a measure defined under IFRS, should not be considered in isolation, does not represent cash flow for the periods indicated and should not be regarded as an alternative to cash flow or net income, or as an indicator of operational performance or liquidity. EBITDA does not have a standardized meaning, and different companies may use different EBITDA definitions. Therefore, our definition of EBITDA may not be comparable to the definitions used by other companies. We use EBITDA to analyze our operational and financial performance, as well as a basis for administrative decisions. The use of EBITDA as an indicator of our profitability has limitations because it does not account for certain costs in connection with our business, such as net financial expenses, taxes, depreciation, capital expenses and other related expenses. Adjusted EBITDA is also a non-IFRS measure prepared by us and consists of: net income, plus net financial expenses, taxes, depreciation and some specified non-cash adjustments.

	For the nine-month period ended September 30,	
	2023	2022
EBITDA	\$157m	\$518m
- Management incentive plan	\$2m	-
- Debt/entities restructuring and onerous contracts	<u>\$1m</u>	<u>\$(515)m</u>
Adjusted EBITDA	\$160m	\$3m

- (2) EBITDA margin is a non-IFRS measure prepared by us. EBITDA margin is calculated by dividing EBITDA by net operating revenue for the applicable period. Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by net operating revenue for the applicable period.