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Diamond Offshore Announces Third Quarter 2019 Results

HOUSTON, October 28, 2019 -- Diamond Offshore Drilling, Inc. (NYSE: DO) today reported the following results for the third quarter of 2019:

<i>Thousands of dollars, except per share data</i>	Three Months Ended	
	September 30, 2019	June 30, 2019
Total revenues	\$ 254,020	\$ 216,706
Operating loss	(72,834)	(111,500)
Adjusted operating loss	(70,291)	(120,366)
Net loss	(95,128)	(113,988)
Adjusted net loss	(92,803)	(136,299)
Loss per diluted share	\$ (0.69)	\$ (0.83)
Adjusted loss per diluted share	\$ (0.67)	\$ (0.99)

“During the quarter, we secured approximately \$90 million of additional backlog, including a new fixture for the *Ocean Apex* in Australia and the exercise of a two-well option for the *Ocean Endeavor* in the North Sea,” said Marc Edwards, President and Chief Executive Officer. “These two awards are further confirmation of Diamond’s strategy to focus on the improving moored rig market.”

As of October 1, 2019, the Company’s total contracted backlog was \$1.8 billion, including over \$540 million of backlog secured year to date and excluding approximately a \$130 million margin commitment from one of the Company’s customers.

CONFERENCE CALL

A conference call to discuss Diamond Offshore’s earnings results has been scheduled for 8:00 a.m. CDT today. A live webcast of the call will be available online on the Company’s website, www.diamondoffshore.com. Those interested in participating in the question and answer session should dial 844-492-6043 or 478-219-0839 for international callers. The conference ID number is 9448907. An online replay will also be available on www.diamondoffshore.com following the call.

ABOUT DIAMOND OFFSHORE

Diamond Offshore is a leader in offshore drilling, providing innovation, thought leadership and contract drilling services to solve complex deepwater challenges around the globe. Additional information and access to the Company's SEC filings are available at www.diamondoffshore.com. Diamond Offshore is owned 53% by Loews Corporation (NYSE: L).

FORWARD-LOOKING STATEMENTS

Statements contained in this press release or made during the above conference call that are not historical facts are "forward-looking statements" within the meaning of the federal securities laws. Forward-looking statements are inherently uncertain and subject to a variety of assumptions, risks and uncertainties that could cause actual results to differ materially from those anticipated or expected by management of the Company. A discussion of certain of the important risk factors and other considerations that could materially impact these matters as well as the Company's overall business and financial performance can be found in the Company's reports filed with the Securities and Exchange Commission, and readers of this press release are urged to review those reports carefully when considering these forward-looking statements. Copies of these reports are available through the Company's website at www.diamondoffshore.com. These risk factors include, among others, risks associated with worldwide demand for drilling services, level of activity in the oil and gas industry, renewing or replacing expired or terminated contracts, contract cancellations and terminations, maintenance and realization of backlog, competition and industry fleet capacity, impairments and retirements, operating risks, litigation and disputes, changes in tax laws and rates, regulatory initiatives and compliance with governmental regulations, casualty losses, and various other factors, many of which are beyond the Company's control. Given these risk factors, investors and analysts should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of this press release. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any forward-looking statement is based.

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

	Three Months Ended			Nine Months Ended	
	September 30,	June 30,	September 30,	September 30,	September 30,
	2019	2019	2018	2019	2018
Revenues:					
Contract drilling	\$ 242,315	\$ 207,273	\$ 280,691	\$ 676,284	\$ 833,970
Revenues related to reimbursable expenses	11,705	9,433	5,631	27,984	16,723
Total revenues	<u>254,020</u>	<u>216,706</u>	<u>286,322</u>	<u>704,268</u>	<u>850,693</u>
Operating expenses:					
Contract drilling, excluding depreciation	201,568	224,782	188,456	593,779	562,466
Reimbursable expenses	11,423	9,313	5,574	27,479	16,458
Depreciation	88,693	88,253	81,884	263,844	245,534
General and administrative	18,830	15,294	33,308	51,436	70,057
Impairment of assets	-	-	-	-	27,225
Restucturing and separation costs	-	-	649	-	4,925
Loss (gain) on disposition of assets	6,340	(9,436)	(506)	1,191	(1,066)
Total operating expenses	<u>326,854</u>	<u>328,206</u>	<u>309,365</u>	<u>937,729</u>	<u>925,599</u>
Operating loss	(72,834)	(111,500)	(23,043)	(233,461)	(74,906)
Other income (expense):					
Interest income	1,317	1,933	2,364	5,664	6,001
Interest expense, net of amounts capitalized	(31,098)	(31,159)	(34,293)	(92,182)	(92,196)
Foreign currency transaction (loss) gain	(77)	(721)	(743)	(1,883)	115
Other, net	82	105	(179)	520	664
Loss before income tax benefit	(102,610)	(141,342)	(55,894)	(321,342)	(160,322)
Income tax benefit	7,482	27,354	4,782	38,898	59,257
Net loss	<u>\$ (95,128)</u>	<u>\$ (113,988)</u>	<u>\$ (51,112)</u>	<u>\$ (282,444)</u>	<u>\$ (101,065)</u>
Loss per share	<u>\$ (0.69)</u>	<u>\$ (0.83)</u>	<u>\$ (0.37)</u>	<u>\$ (2.05)</u>	<u>\$ (0.74)</u>
Weighted-average shares outstanding:					
Shares of common stock	137,694	137,691	137,434	137,636	137,386
Dilutive potential shares of common stock	-	-	-	-	-
Total weighted-average shares outstanding	<u>137,694</u>	<u>137,691</u>	<u>137,434</u>	<u>137,636</u>	<u>137,386</u>

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)
(In thousands)

	September 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 209,132	\$ 154,073
Marketable securities	-	299,849
Accounts receivable, net of allowance for bad debts	237,621	168,620
Prepaid expenses and other current assets	66,669	163,396
Asset held for sale	1,000	-
Total current assets	514,422	785,938
Drilling and other property and equipment, net of accumulated depreciation	5,150,876	5,184,222
Other assets	205,736	65,534
Total assets	\$ 5,871,034	\$ 6,035,694
LIABILITIES AND STOCKHOLDERS' EQUITY		
Other current liabilities	\$ 279,206	\$ 236,846
Long-term debt	1,975,275	1,973,922
Deferred tax liability	54,119	104,380
Other liabilities	257,110	135,893
Stockholders' equity	3,305,324	3,584,653
Total liabilities and stockholders' equity	\$ 5,871,034	\$ 6,035,694

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(In thousands)

	Nine months ended	
	September 30,	
	2019	2018
Operating activities:		
Net loss	\$ (282,444)	\$ (101,065)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities		
Depreciation	263,844	245,534
Loss on impairment of assets	-	27,225
Deferred tax provision	(48,323)	(69,109)
Contract liabilities, net	15,060	(6,589)
Deferred contract costs, net	49,866	34,901
Other	8,524	(931)
Net changes in operating working capital	(20,738)	58,790
Net cash (used in) provided by operating activities	(14,211)	188,756
Investing activities:		
Capital expenditures	(249,819)	(159,751)
Proceeds from maturities of marketable securities	2,300,000	775,000
Purchase of marketable securities	(1,996,996)	(1,047,453)
Proceeds from disposition of assets, net of disposal costs	16,097	69,533
Net cash provided by (used in) investing activities	69,282	(362,671)
Financing activities:		
Other	(12)	(269)
Net cash used in financing activities	(12)	(269)
Net change in cash and cash equivalents	55,059	(174,184)
Cash and cash equivalents, beginning of period	154,073	376,037
Cash and cash equivalents, end of period	\$ 209,132	\$ 201,853

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES
AVERAGE DAYRATE, UTILIZATION AND OPERATIONAL EFFICIENCY
(Dayrate in thousands)

TOTAL FLEET								
Third Quarter 2019			Second Quarter 2019			Third Quarter 2018		
Average Dayrate (1)	Utilization (2)	Operational Efficiency (3)	Average Dayrate (1)	Utilization (2)	Operational Efficiency (3)	Average Dayrate (1)	Utilization (2)	Operational Efficiency (3)
\$253	65%	96.6%	\$273	51%	88.7%	\$333	54%	97.0%

- (1) Average dayrate is defined as contract drilling revenue for all of the specified rigs in our fleet per revenue-earning day. A revenue-earning day is defined as a 24-hour period during which a rig earns a dayrate after commencement of operations and excludes mobilization, demobilization and contract preparation days.
- (2) Utilization is calculated as the ratio of total revenue-earning days divided by the total calendar days in the period for all specified rigs in our fleet (including cold-stacked rigs). Our current fleet includes two floaters that are cold stacked.
- (3) Operational efficiency is calculated as the ratio of total revenue-earning days divided by the sum of total revenue-earning days plus the number of days (or portions thereof) associated with unanticipated, non-revenue earning equipment downtime.

Non-GAAP Financial Measures (Unaudited)

To supplement the Company's unaudited condensed consolidated financial statements presented on a GAAP basis, this press release provides investors with adjusted operating loss, adjusted net loss and adjusted loss per diluted share, which are non-GAAP financial measures. Management believes that these measures provide meaningful information about the Company's performance by excluding certain items that may not be indicative of the Company's ongoing operating results. This allows investors and others to better compare the company's financial results across previous and subsequent accounting periods and to those of peer companies and to better understand the long-term performance of the Company. Non-GAAP financial measures should be considered to be a supplement to, and not as a substitute for, or superior to, financial measures prepared in accordance with GAAP.

In order to fully assess the financial operating results of the Company, management believes that the results of operations adjusted to exclude various items and their related tax effects are appropriate measures of the continuing and normal operations of the Company. The amounts excluded from our adjusted results include i) settlement costs for a legal claim, restructuring and separation costs incurred and a loss on the sale of a rig during the second quarter of 2018, ii) a gain recognized in the second quarter of 2019 from the sale of the *Ocean Guardian*, iii) the loss on sale of mooring equipment recognized during the second and third quarters of 2019 in relation to a new leasing initiative and iv) other discrete tax items recognized in the second quarter of 2019. However, these measures should be considered in addition to, and not as a substitute for, or superior to, contract drilling revenue, contract drilling expense, operating income or loss, cash flows from operations or other measures of financial performance prepared in accordance with GAAP.

	Three Months Ended		
	September 30, 2019	June 30, 2019	September 30, 2018
Reconciliation of As Reported Operating Loss to Adjusted Operating Loss:			
(In thousands)			
As reported operating loss	\$ (72,834)	\$ (111,500)	\$ (23,043)
Adjustments:			
(Gain) loss on sale of rig	-	(14,300)	100
Loss on sale of mooring equipment	2,543	5,434	-
Legal settlement	-	-	17,500
Restructuring and separation costs	-	-	649
Adjusted operating loss	<u>\$ (70,291)</u>	<u>\$ (120,366)</u>	<u>\$ (4,794)</u>
Reconciliation of As Reported Net Loss to Adjusted Net Loss:			
(In thousands)			
As reported net loss	\$ (95,128)	\$ (113,988)	\$ (51,112)
Adjustments:			
(Gain) loss on sale of rig	-	(14,300)	100
Loss on sale of mooring equipment	2,543	5,434	-
Legal settlement	-	-	17,500
Restructuring and separation costs	-	-	649
Tax effect of adjustments:			
(Gain) loss on sale of rig	-	1,227	(13)
Loss on sale of mooring equipment	(218)	(466)	-
Legal settlement	-	-	(2,296)
Restructuring and separation costs	-	-	(85)
Other discrete items ⁽¹⁾	-	(14,206)	-
Adjusted net loss	<u>\$ (92,803)</u>	<u>\$ (136,299)</u>	<u>\$ (35,257)</u>

	Three Months Ended		
	September 30, 2019	June 30, 2019	September 30, 2018
Reconciliation of As Reported Loss per Diluted Share to Adjusted Loss per Diluted Share:			
As reported loss per diluted share	\$ (0.69)	\$ (0.83)	\$ (0.37)
Adjustments:			
(Gain) loss on sale of rig	-	(0.10)	-
Loss on sale of mooring equipment	0.02	0.04	-
Legal settlement	-	-	0.12
Restructuring and separation costs	-	-	0.01
Tax effect of adjustments:			
(Gain) loss on sale of rig	-	0.01	-
Loss on sale of mooring equipment	-	(0.01)	-
Legal settlement	-	-	(0.02)
Restructuring and separation costs	-	-	-
Other discrete items ⁽¹⁾	-	(0.10)	-
Adjusted loss per diluted share	<u>\$ (0.67)</u>	<u>\$ (0.99)</u>	<u>\$ (0.26)</u>

- ⁽¹⁾ Represents a discrete income tax adjustment recognized during the second quarter of 2019 in relation to final regulations issued by the Internal Revenue Service in June 2019 with respect to the calculation of the toll charge associated with the deemed repatriation of previously deferred earnings of our non-U.S. subsidiaries in response to the Tax Cuts and Jobs Act enacted in 2017, or Transition Tax. Based on the new regulations, we recorded a net tax benefit of \$14.2 million in the second quarter of 2019.