Valaris – Dawn of a New Era
Perspective on Ensco/ Rowan Merger Integration

August 29th, 2019

Derek Kent – VP Middle East, Africa & Asia Pacific - Valaris
Valaris – Dawn of a New Era

Merger Background
Integration Planning Process
Integration Execution
Ensco & Rowan Merger to Form Valaris: A Compelling Strategic Combination

Best-in-class operator with a commitment to innovation

High-quality assets uniquely positioned for offshore recovery
Ensco & Rowan Merger to Form Valaris: A Compelling Strategic Combination

- Second-largest fleet of floaters and largest fleet of jack-ups, mostly 6th-generation and ultra-high specification.
To inform our integration methodology, we started by examining the top three reasons that mergers fail.

**Lack of Clear Vision**
- Lack of alignment amongst the new management team
- Unclear mechanism to make decisions about the pro-forma company
- Underestimate of cultural alignment

**Lack of Clear Governance**
- Slow, drawn-out decision making
- Un-ambitious targets
- Extended timeline
- Talent departures

**Lack of True Collaboration**
- Parties not treated as equals
- Misunderstanding and lack of respect
- Alignment that every aspect of pro-forma company many not be equal

**OUR APPROACH: Informed by our pre-mortem**
Research shows that in most integrations, culture isn’t a big enough focus…

In your experience, how much effort is typically focused on culture during integrations?

*percentage of respondents (n = 89)*

- **Too much:** 2%
- **About right:** 28%
- **Too little:** 70%

...and we found that this comes down to two problems: understanding both cultures, and the right leadership.

When cultural differences create difficulties in a merger, what is to blame?

*percentage of respondents (n = 89)*

- Lack of understanding of both cultures: 47%
- Poor leadership of integration effort: 44%
- Wrong choice of target: 9%

Although the legacy companies were similar, a deeper dive showed large differences in culture

- Historical growth through acquisition
- Process-focused
- Business unit structure
- Asset management organization

- Historical growth organically
- People-focused
- Highly centralized
- Operations-led
We took concrete steps to get in front of culture issues

- Engaged a cultural alignment advisor several months before close
- Ensured the team was aligned prior to close
- Held workshops with increasing span of leadership to develop the company’s purpose and values
- Developed a brand which reflected the company’s rich histories and envisioned future
A core element of our culture strategy was the creation of a new brand, purpose, and values.
We established, committed to, and focused on delivering against three key merger success factors:

No business disruptions
- Execute an issue-free Day One
- Minimize disruptions to employees, customers, and suppliers

Capture combinational synergies
- Deliver $165MM+ in annual synergies
- Execute the integration plan on schedule and budget

Identify transformational synergies
- Capture opportunities to create value by radically transforming business processes
Early on, we chose to lead the integration with an internal team and proprietary tools and processes vs. bringing in outside consultants.

**Internally-led**
- Engenders internal ownership of the result
- Builds upon prior integration experience
- Lower-cost
- Understand capabilities of people vs. variable consultant quality

**Consultant-led**
- May have better frameworks in place
- May better visibility as to trip wires to watch for

Supplemented with outside experts in culture, ERP integration, branding, and tax.
We built an integration process with leadership and participation from both legacy organizations.

Governance and decision-making bodies were comprised of leadership from both legacy organizations.

Functional heads from each side were partnered and given responsibility and accountability to integrate business processes.

Integration process was jointly developed to drive transition from due-diligence to planning and execution.
Functional heads drove the design of the new organization, with only limited guidance from executive leadership.

### Diagram

| Senior-level and BU structure | Bottoms-Up Design and Selection | Review against synergy targets | Executive approval |

- New executive team provided high-level guidance on overall organization structure and departmental reporting.
- Functional leads jointly designed their end state and transition organizations with “no names”.
- The new structure costed to verify alignment with synergy targets.
- New executive team reviewed and approved the pro-forma organization.

- Functional leads put “names in boxes”
We used a combination of top-down and bottoms-up approaches to set our synergy targets

1. Ensco and Rowan created separate top-down models

2. Teams compared notes and developed a shared pro-forma perspective

3. Each of 27 functions created pro-forma 2019 department budgets and compared vs. legacy budgets. Aggregate savings amount then compared vs. top-down
Valaris – Dawn of a New Era

Merger Background
Integration Planning Process
Integration Execution
Most pre-close effort was spent building out our 100-day plan; we started executing this plan on “Day One”

- Governance, team structure, resources
- Tools, metrics and key milestones
- Validate legal boundaries and launch

- Current state assessment
- Priorities and interdependencies
- Planning for first 100 days
- Consensus building / recommendations to ILT and IEMC

- Execution of key tasks to ensure ongoing operations
- Full synergy development, quantification and realization tracking
- Monitor progress and key milestones
- Longer-term integration planning
We utilized a structured offshore management of change process

Development of new processes or management system documentation:
- Items with rig impact identified within departmental work plans
- Legacy company gap assessment for each item
- Best solution, rather than the easiest, always sought
- Stakeholder engagement at all stages

Roll Out and Implementation:
- 60 day cycles (milestones)
- eMoC case raised for each rig / milestone monitored in real time
- Risk assessment performed prior to implementing each action
- Objective to not “overload” each rig during any given period
- Integration guidance documents created for each topic: Why? What? How?
We established a cadence to monitor integration progress against plan, leveraging a bespoke set of tools.

Detailed work plans were created for each function with target start and end dates for activities and milestones.

Data was consolidated into an automated reporting tool for real-time ongoing monitoring and reporting.

Functional heads provided updated status and report out at weekly meetings with emphasis on upcoming milestones and potential roadblocks.

Cross-functional interdependencies, issues, and risks were also monitored.
Lessons Learned

Lessons learned solicited and collected at Day 1 and Day 30. Conducted facilitated workshop with tactical and leadership teams after Day 100.

- 7 workshops held
- Over 400 lessons learned
- Some lessons learned provide improvements for ongoing integration efforts.
Summary

• Clear and compelling rationale for the merger: Be a best-in-class operator with high-quality assets and a commitment to innovation

• We recognized culture as critical factor that we had to get right

• We identified and aligned on three key success factors, and relentlessly pursued them as part of our internally-led approach: No business disruptions, capture $165MM+ in annual synergies, and identify transformational synergies

• Pre-close, personnel from both companies worked together closely to pursue a highly intensive, structured collaboration process to create our plan for post-close success

• We leveraged a core set of proven tools and processes to aggressively pursue, manage, and monitor progress against our integration plan and three key success factors
Questions