STONEGATE CAPITAL PARTNERS

NOVEMBER 08, 2022

INDUSTRY: OIL AND GAS DRILLING

INITIATION OF RESEARCH

INDEPENDENCE CONTRACT DRILLING, INC. (NASDAQ: ICD)

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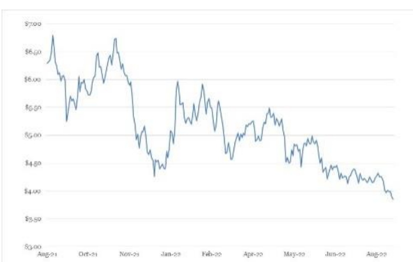
MARKET STATISTICS

Price	$3.62
52-Week Range	$2.42 - $7.40
Daily Vol. (3 Month Avg.)	117,100
Market Cap ($M)	$49.2
Enterprise Value ($M)	$183.0
Shares Outstanding (M)	13.59
Float (M)	70.8
Insider Ownership	13.67%
Institutional Ownership	19.49%

FINANCIAL SUMMARY

Equity (M)	$ 210.0
BV/S	$ 26.5
Cash (M)	$ 7.6
Debt (M)	$ 141.4
Debt/Cap	40%

FYE: Dec	2021A	2022E	2023E
(in $M)			
Rev	$ 88.0	$ 186.4	$ 301.4
Chng%	5.4%	111.9%	61.7%
EBITDA	$ (3.5)	$ 39.0	$ 108.8
EPS	$ (8.89)	$ (5.09)	$ (2.80)
EV/R	2.1x	1.0x	0.7x
EV/EBITDA	246.8x	4.6x	2.2x
P/E	NA	NM	4.0x



COMPANY DESCRIPTION

Independence Contract Drilling, Inc. provides land-based contract drilling services for oil and natural gas producers targeting unconventional resource plays in the United States. The Company develops and assemble its ShaleDriller series rig. ShaleDrillers are designed for drilling operations on large, multi-well drilling locations. The Company owns and operates a fleet comprised of drilling rigs. The Company's focuses its operations on unconventional resource plays located in geographic regions in Houston, Texas and Midland, Texas.

Independence Contract Drilling, Inc. ("ICD") provides land-based contract drilling services for oil and natural gas producers in the United States. The Company constructs, owns, and operates a fleet of pad-optimal ShaleDriller rigs in the Permian Basin, the Haynesville Shale, and the Eagle Ford Shale. Its fleet consists of 24 rigs. Its business depends on the level of exploration and production activity by oil and natural gas companies operating in the United States, particularly the regions where it markets its contract drilling services. Independence Contract Drilling, Inc. was incorporated in 2011 and is headquartered in Houston, Texas.

Increasing Market Share: ICD has been securing shorter-term pad-to-pad contracts as day rates have continued to strengthen, in particular for the 300 series rigs, and is increasing its market share among the limited 300 series contract drilling players.

200 to 300 Series Conversion: This initiative has important strategic ramifications for ICD, not only from a margin generation point of view but also with respect to ICD's market positioning moving forward. We believe that the industry is in the early phase of a multiyear up upcycle in U.S. land drilling.

Tight Super Spec Rigs Supply: The super-spec rig supply is extremely tight and offers ICD an opportunity to reactivate rigs into this market and expand their customer base.

Well Positioned in an Improving Market: ICD's market positioning moving forward is strong given they are still in the early innings of a multiyear up upcycle in the U.S. land drilling industry. With strengthening dayrates, improved pricing, higher rig penetration, additional fleet capacity, an expanded customer base, and accelerated oil and gas exploration demand, ICD is closing the gap in margins with other listed peers.

Free Cash Flow Generation: ICD is poised to generate significant free cash flow that can be utilized in a variety of ways. Due to ICDs capital structure they have the flexibility to use their free cash flow generation to pay down debt or reactivate rigs without negatively impacting other portions of their business.

Well Regarded Within Industry: ICD has received multiple awards as an industry-leading service provider. The Company has established a solid reputation from its customer base, allowing them to further expand their presence within their target markets.

ESG Focus: ICD's marketed fleet is 100% dual fuel and hi-line power capable & allows Omni directional walking which reduces operational footprints and environmental impacts.

Valuation – We believe the proper way to value ICD is through an EV/EBITDA multiple. As can be seen in Exhibit 13, ICD is trading at 2.2x estimated EV/Forward EBITDA compared to the average of 5.3x. Given ICD's recent strength, encouraging guidance, and improving margins, we would apply only a small discount to the comparable companies. Using an EV/EBITDA multiple range of 4.5x to 5.5x, with a midpoint of 5x resulting in a valuation of $6.01 to $8.06 respectively, with a midpoint of $7.04.

See Important Disclosures and Disclaimer on Page 15

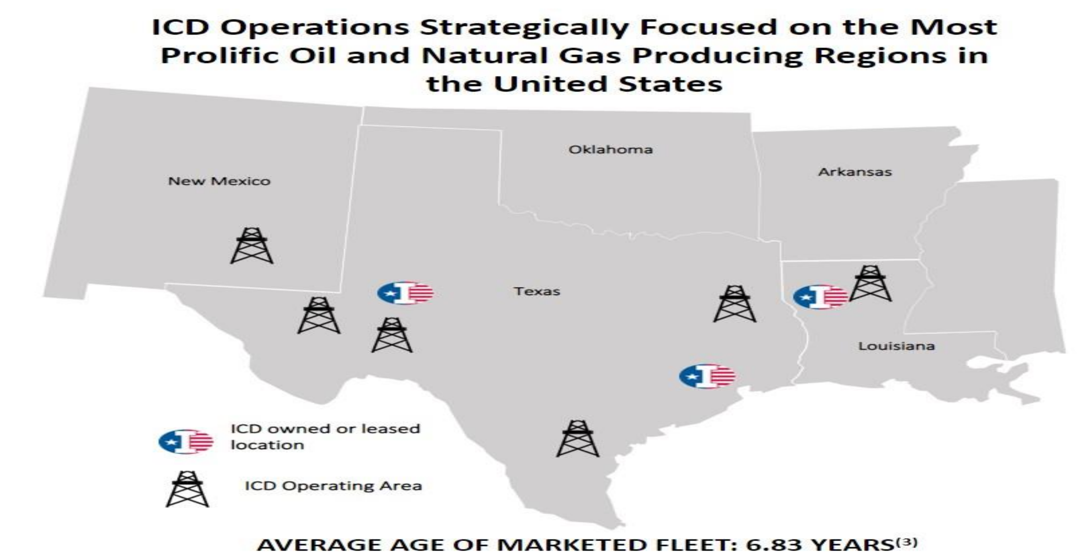
Business Overview

Independent Contract Drilling (ICD) was incorporated in Delaware on November 4, 2011. The Company provides land-based contract drilling services for oil and natural gas producers targeting unconventional resource plays in the United States. ICD owns and operates a premium fleet comprised of modern, technologically advanced drilling rigs.

The Company began drilling in May 2012. Then on October 1, 2018, the Company merged with Sidewinder Drilling LLC ("Sidewinder"). As a result of this merger, the Company more than doubled its operating fleet and personnel. Currently, they operate in the Permian Basin, the Haynesville Shale, and the Eagle Ford Shale.

The Company's business depends on the level of exploration and production activity by oil and natural gas companies operating in the United States, particularly in the regions where they actively market their contract drilling services. The oil & natural gas exploration and production industry has historically been cyclical & characterized by significant changes in exploration and development activities.

Exhibit 1: ICD Operating areas



Source: Company Presentation

Industry Trends

The supply for pad optimal, super-spec rigs is very tight, with limited spare capacity and accelerated demand for oil production, leading to increasing day rates for these rigs.

The industry is currently using three types of rigs prominently:

(1) Mechanical Rigs. Mechanical rigs are not well designed and are not well suited for the demanding requirements of drilling horizontal wells. A mechanical rig powers its systems through a combination of belts, chains, and transmissions.

(2) SCR Rigs. In contrast to mechanical rigs, SCR rigs rely on direct current, or DC, to power the key rig systems. The load is changed by adjusting the amperage supplied to electric motors powering key rig systems. While a substantial improvement over mechanical belts and chains, SCR control is imprecise, and DC power levels normally drift resulting in fluctuations in pump speed and pressure, bit rotation speed, and weight on bit.

(3) AC Rigs. Compared to SCR and mechanical rigs, AC rigs are ideally suited for drilling horizontal wells. The first AC rigs were introduced into the United States land market in the early 2000s, and since that time their use has grown significantly as the use of horizontal drilling has increased. AC rigs use a computer-controlled variable frequency drive ("VFD") to precisely adjust key rig operating parameters and systems allowing for optimization of the rate of penetration, extended bit life, and improved control of wellbore trajectory.

To efficiently explore & produce, drilling programs require large numbers of wells to be drilled in succession, as opposed to a single or a few wells. ICD has adopted Pad drilling which involves the drilling of multiple wells from a single location and provides benefits to the E&P Company in the form of per well cost savings and accelerated cash flows. These cost savings result from the reduced time required to move the rig between wells, centralized hydraulic fracturing operations, and the efficient installation of central production facilities and pipelines which in turn drives the demand for these rigs.

Features of Super-Spec, Pad Optimal Rigs:

1) AC Programmable
2) Pad Optimized, Omni-Directional Walking System
3) Efficient Mobilization Between Drilling Sites
4) Higher Revenue per day could be charged due to demands
5) 1500 HP draw works
6) High-Pressure Mud Systems (7500 psi)

As of June 30, 2022, the Company's rig fleet includes 24 marketed AC-powered ("AC") rigs, increasing to 26 in the third quarter of 2022, plus 6 additional idle AC rigs that require a significant upgrade to meet AC pad-optimal specifications, but the Company does not plan to market those unless a material improvement in market conditions exists.

The Company currently has 20 rigs operating. ICD plans to pursue the reactivation of 21st and 22nd rigs early in 2023. Additionally, they have completed the first conversion of their 200 series Shaledriller rigs to 300 series status with modest capital outlay.

Exhibit 2: No. of Rigs to be operationalized

26 Marketed Pad-Optimal Super-Spec Rigs[(1)]

17 "300" Series ShaleDriller Rigs[(2)]

- 1,500 – 2,000 HP drawworks; 25K+ racking
- Three pump / four engine capable; drilling optimization software capable
- Targeting developing market niche for larger diameter casing strings and extreme laterals
- **Dual-Fuel enabled / Hi-Line Electric Power Capable**
- Hi-torque top drive

9 "200" Series ShaleDriller Rigs

- 1,500 HP drawworks; 20K+ racking / 750K lb. hook
- Three pump / four engine capable; drilling optimization software capable
- **Dual-Fuel / Hi-Line Electric Power Capable**
- **Includes eight rigs capable of conversion to 300 Series specifications with only modest capex pursuant to recently announced 200-to-300 Series conversion program announced in August '22**

Source: Company Presentation

200 to 300 Series Conversion Program

ICD recently announced 200 to 300 Series conversion program, and its contemporaneous increase in marketed fleet to 26 rigs which would then result in ICD marketing 96% of its marketed fleet with 300 series specifications.

Features of Super-Spec Rigs for ICD which will be helpful for oil & gas explorer:

- **Three pump / four engine**: 100% of ICD marketed fleet
- **High Torque top drive**: 96% of ICD marketed fleet
- **Enhanced racking (25K ft)**: 96% of ICD marketed fleet
- **Drilling optimization software capable**: 100% of marketed fleet
- **Dual fuel / Electric Hi-line**: 100% of marketed fleet

Program details:

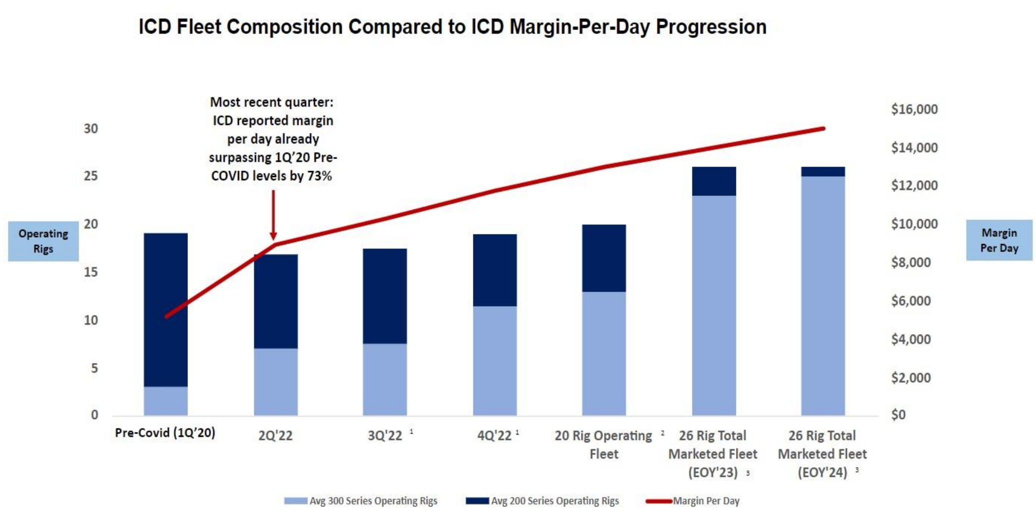
- Conversion cost per rig: $650K
- Payback would be less than one year based upon dayrate differential
- Conversion completed on long rig move (minimal operational downtime)
- Contracts already signed for conversion of two operating rigs with a third under negotiation

Reason for the high demand for 300 Series Rigs By Oil exploring companies & its impact on ICD day Margin:

- Shift towards longer laterals and deeper wells
- Shift towards larger diameter and high torque drill pipe
- Steadily increasing number of wells per drilling pad
- Increased deep gas drilling in Haynesville / E. TX gas plays
- Depleted drilled-but-uncompleted (DUC) inventories

Rigs meeting 300 Series specs are in the shortest supply and command the highest dayrates when matched with customers requiring such specifications. The Initial fourteen 300 series rigs acquired by ICD in its 4Q'18 Sidewinder merger represents the Company the opportunity to market and place these rigs with customers in an improving rig count environment

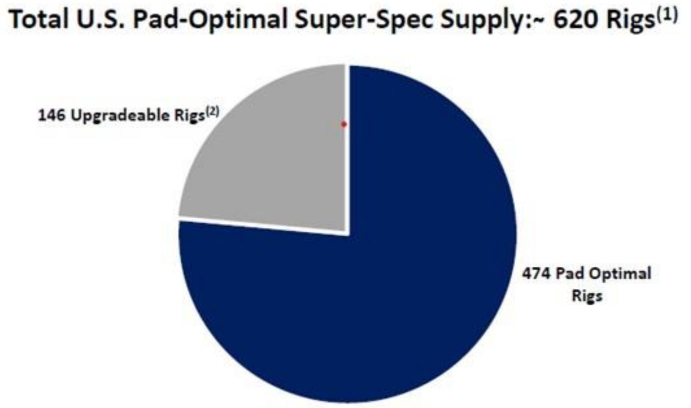
Exhibit 3: ICD Fleet comparison to ICD Margin-per-day



Source: Company Presentation

This conversion project has significant strategic repercussions for ICD, in terms of profit generation and future market standing. The supply of super-spec rigs is in extremely high demand; therefore, this program allows ICD to grow its present customer base. There are limited upgradeable such rigs in the US market (total 146) with upgradation of 1500 HP rigs Omni-directional walking requiring a CAPEX estimated at $7M+ per rig. The utilization rate of such rigs for ICD is expected to go beyond 90%.

Exhibit 4: US Pad Optimal Super Spec Rigs Supply



Source: Company Presentation

ICD Revenue Model

The Company earns contract drilling revenues from drilling contracts with customers. They perform drilling services on a "daywork basis" basis, under which they charge a **specified rate per day**, or "dayrate." The dayrate associated with each contract is a negotiated price determined by the capabilities of the rig, location, depth, and complexity of the wells to be drilled, operating conditions, duration of the contract, and market conditions.

The term of land drilling contracts may be for a defined number of wells or a fixed period. They generally receive lump-sum payments for the **mobilization of rigs** and other drilling equipment at the commencement of a new drilling contract.

Revenue and costs associated with the initial mobilization are deferred and recognized over the term of the related drilling contract once the rig commences drilling.

Apart from dayrate-based revenue & mobilization revenue (both initial & during the drilling contract), all other sources of revenue for the Company include completing specific reimbursable operations, performing rig modification tasks necessary for the contract, and earning early termination profits. During the quarter ended September 2022, the Company generated $ 49.1 million of revenue.

Exhibit 5: Revenue Breakup

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2022	2021	2022	2021
Dayrate drilling	$ 45,910	$ 21,575	$ 116,421	$ 53,450
Mobilization	687	1,393	3,560	2,619
Reimbursables	2,451	1,032	6,208	3,237
Capital modification	92	33	255	86
Other	7	2	7	2
Total revenue	$ 49,147	$ 24,035	$ 126,451	$ 59,394

Source: Company Presentation

Operating Expenses:

Operating costs include all expenses associated with operating and maintaining ICD's drilling rigs including labor and related payroll costs, repair and maintenance expenses, supplies, workers' compensation and other insurance, ad valorem taxes, and equipment rental costs.

Also included in operating costs are certain costs that are not incurred at the "rig level." These costs include expenses directly associated with the operations management team as well as safety and maintenance personnel who are responsible for the oversight and support of the Company's operations and safety and maintenance programs across the fleet.

Contract terms and short-term contract structures allow ICD to pass through labor and other cost increases so that gross margin can be protected at an overall level.

Exhibit 6: Operating Expenses Breakup

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Revenues	$ 49,147	$ 24,035	$ 126,451	$ 59,394
Costs and expenses				
Operating costs	31,379	20,123	87,448	51,704
Selling, general and administrative	7,007	4,068	17,096	11,829
Depreciation and amortization	10,120	9,739	29,719	29,244
Asset impairment, net	—	482	—	775
Loss (gain) on disposition of assets, net	433	222	(665)	(182)
Total costs and expenses	48,939	34,634	133,598	93,370

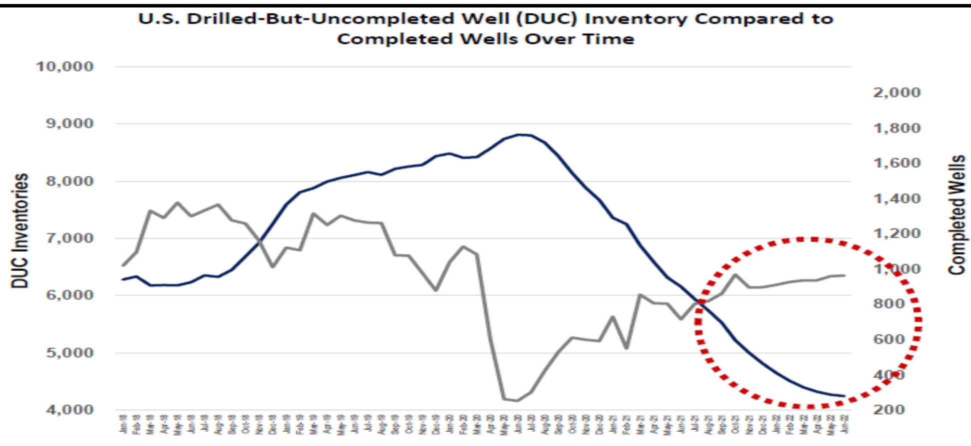
Source: Company Presentation

Key Investments Cases:

Increase in Drilling Activities

The uncompleted well inventory has decreased while US oil production continues to accelerate. Companies will need to drill new wells to fulfill market demands, requiring more rigs. This represents a great opportunity for ICD to capture market share.

Exhibit 7: The U.S drilled but uncompleted well inventory compared to completed wells over time



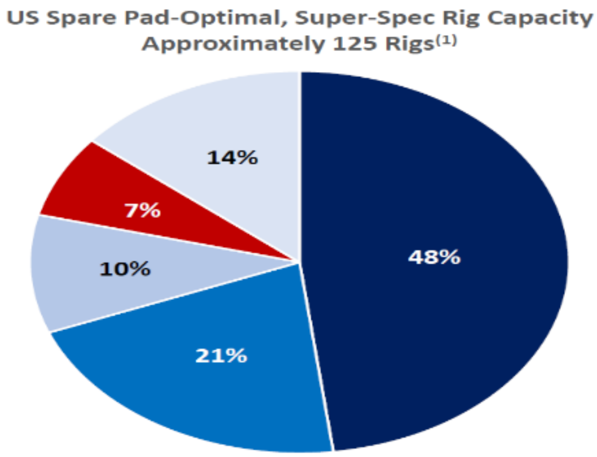
Source: Company Presentation

Strong Standing vs. Comps on Super Spac Capacity

ICD currently has eight 300 Series rigs within its marketed fleet that can be economically reactivated based upon current spot market rates. There are two other 300 Series rigs scheduled for reactivation during Q4'22. The six additional 300 Series rigs can be reactivated during 2023+.

These activations allow ICD to become a sizable 300 Series rig operator, growing its market share among the few industry participants.

Exhibit 8: Competitive Consolidation



Source: Company Presentation

Geographic Focus & Quality Customer Base

ICD currently operates primarily in the Permian Basin, the Haynesville Shale, and the Eagle Ford Shale. In terms of allocation of 18 operational rigs, 45% are in Haynesville and 55% are in Permian. Seven other rigs are working for public E&P operators and the 2 largest private operators in the Permian and the Haynesville. As new rigs are operationalized, this will enhance the competitiveness in the Haynesville and Delaware basins.

ICD has been the number 1 ranked land contract driller for service & professionalism past four years: 2018-2021. ICD has established relationships with public and well-capitalized private operators & is an industry leader in scalable safety, maintenance, and financial systems.

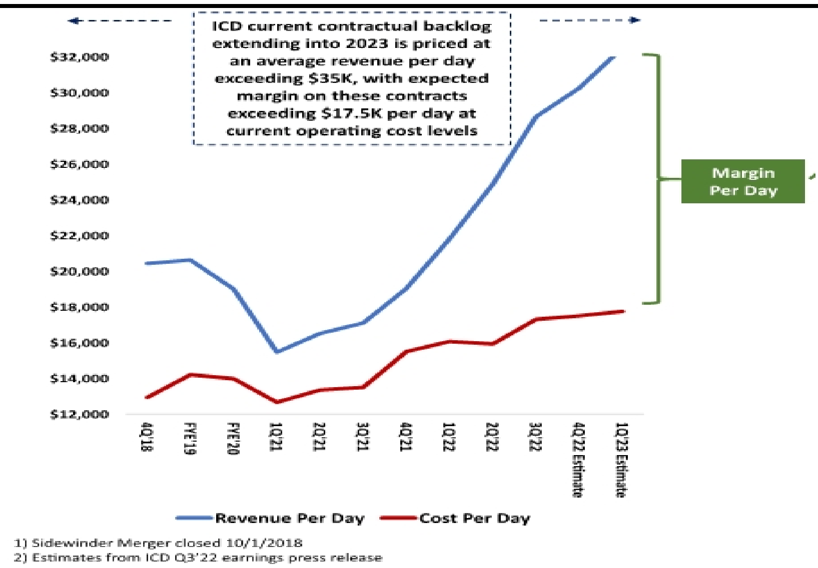
Margin Recovery

Elements positively affecting ICD revenues and margin per day:

- Market penetration and pricing for 300 Series rigs.
- Efficiency gains obtained in 2018 and 2019 in response to the Sidewinder Merger (1) and COVID are still being realized, which results in further cost savings.
- The current short-term contract structures allow for consistent contract repricing in an expanding market.
- Cost escalation clauses and frequent price increases protect margins from rising labor and other cost inflation.
- Day rate growth exceeds labor growth and other inflationary factors.

Based on current market positioning, ICD is currently forecasting Q4'22 margin per day between $12,500 and $13,000.

Exhibit 9: Margin Recovery



Source: Company Presentation

ICD improving Operating Leverage

When ICD operationalizes the marketed rigs, it will benefit from operating leverage and higher margins. Future margin expansion in 2023 is anticipated to be fueled by the following factors:

- Present contractual backlog stretching into 2023 priced at average revenue per day surpassing $35,000 providing $17,500+ per day margins at current operational cost levels.
- The benefit of contract repricing on short-term contracts continues.
- Incremental rig reactivations of 300 Series rigs
- Incremental 200 to 300 Series conversions

Refinancing of Debt/Adjusting Financial Leverage

On March 18, 2022, ICD issued a $157.5 million aggregate principal amount of convertible secured PIK toggle notes due 2026 (the "Convertible Notes"). Proceeds from the private placement of these Convertible Notes were used to repay all outstanding indebtedness under the term loan credit agreement, to repay merger consideration payable with associated accrued interest to prior equity holders of Sidewinder Drilling LLC, and for working capital purposes. The Convertible Notes mature on March 18, 2026**.**

ICD has the right at its option, to PIK interest under the Convertible Notes for the entire term of the Convertible Notes within 18 months which has increased to 48 months recently. The effective conversion price of the Convertible Notes is $4.51 per share (221.72949 shares of Common Stock per $1,000 principal amount of Convertible Notes). The Company may issue up to $7.5 million of additional Convertible Notes. They may convert all Convertible Notes (including PIK notes) upon conversion of Convertible Notes in connection with a Qualified Merger Conversion and may issue additional shares of common stock to the extent the number of shares issuable upon such conversion would exceed the number of shares of common stock issuable at the otherwise then-current conversion price. In connection with the placement of the Convertible Notes, they have issued 2,268,000 shares of our common stock as a structuring fee

Refinancing Significantly De-Risks the Balance Sheet

The refinancing provides access to liquidity that allows ICD to reactivate eight remaining marketed rigs (all 300 Series) into a very strong market.

Exhibit 10: PIK feature creates flexibility to increase return

ICD Convertible Debt RollForward Assuming PIK Interest Through March 2024[1]	*$ millions*
Convertible Debt Balance: 9/30/22	$170.10
4Q'22 Interest	$4.04
Convertible Notes Balance 12/31/22	$174.14
1Q'23 Interest	$4.04
Convertible Debt Balance: 3/31/23	$178.18
2Q'23 Interest	$6.01
Convertible Notes Balance 6/30/23	$184.19
3Q'23 Interest	$6.01
Convertible Debt Balance: 9/30/23	$190.21
4Q'23 Interest	$6.42
Convertible Debt Balance: 12/31/23	$196.63
1Q'24 Interest	$6.42
Ending Convertible Debt Balance: 3/31/24	$203.05

Using PIK Interest To Fund Six Additional Rig Reactivations Through March 31, 2024	
Contracted Rigs: Current	**20**
Shares Underlying Convertible Debt at 9/30/22 *(millions)*	37.73
Shares Underlying Convertible Debt at 3/31/24 *(millions)*	45.02
Incremental Shares Underlying Convertible Debt *(millions)*	7.29
Estimated Annual Cash Flow: Six Rig Reactivations *(millions)*[2]	$21.90
Incremental Annual Cash Flow Per Incremental Share Issued	$3.00
Indicative Value of Incremental Shares at Various EBITDA Multiples	
3.0x	$9.01
3.5x	$10.51
4.0x	$12.01
4.5x	$13.52

1) PIK interest rate SOFR + 9.5%; SOFR Assumed: 4%; interest compounds/paid semi-annually on March 31st and September 30th of each calendar year through maturity; convertible debt balances between interest payment dates include accrued interest
2) Assumes incremental cash flow per day of $15K (incremental margin per day less maintenance capex) for each reactivated 300 Series rig, consistent with most recent reactivation contracts signed

Source: Company Presentation

Risks

Highly Competitive Industry – Oil drilling is a highly competitive industry in which price competition can directly impact the bottom line. The bigger player also has a greater ability to pivot and respond to market demands which lead to a loss in market share.

Emerging New Technology – New Technology can rapidly change the ability to be competitive in the market. New technology can make the drilling methods and equipment obsolete.

Capital Intensive Business– Oil drilling is very capital intensive and requires financing in the form of bank borrowings, sand les of debt, or equity securities. The inability to raise funds or fulfill the borrowing conditions can impact the day-to-day activity of the business.

Supplier Risk – The Company has a dependency on n small number of suppliers and if any of the suppliers facing financing issues can lead to disruption of operations for our Company.

Regulatory Changes – Due to the nature of the industry, ICD is particularly vulnerable to environmental, health, and safety rules and regulations, which could lead us to large obligations for fines, damages, or expenses involved with remediation or compliance.

Interest Rate Risk – As a capital-intensive business, our Company has significant amounts of debt which carries a floating rate of interest linked to various indices. If the interest rate increases, it could adversely impact the cash flow and operating results for the Company.

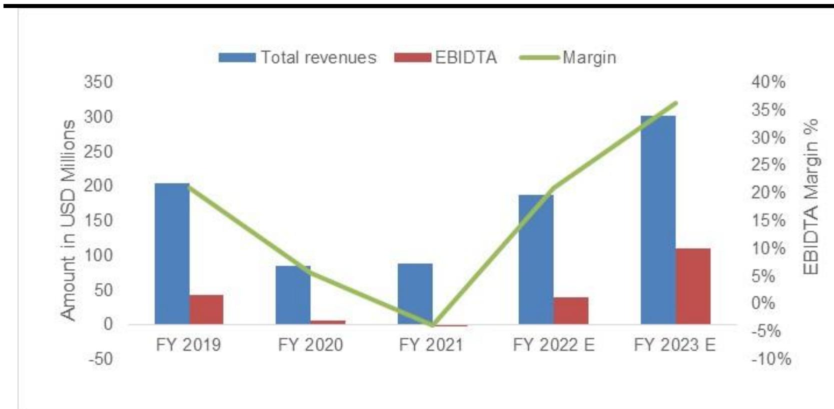
Labor Risks – The Company depends on Skilled labors to operate the rigs efficiently. Any problem regarding labor security or not being able to retain the skilled workforce can impact the operations on a day-to-day basis.

Apart from that volatility in oil pricing, the production volume of oil and gas poses greater financial risk & may lead to erosion of revenue.

Financial Overview

Revenues for the nine months ended September 30, 2022, were $126.5 million, representing a 112.9% increase as compared to revenues of $59.4 million for the nine months ended September 30, 2021. The increase was primarily attributable to an increase in operating days resulting from the reactivation of rigs in late 2021 and the first quarter of 2022 as well as increases in contractual dayrates driven by improving demand for contract drilling services.

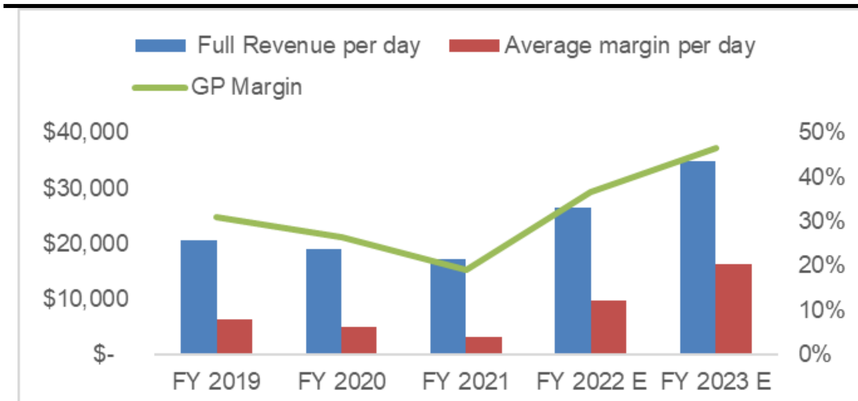
Exhibit 11: Revenues and EBITDA



Source: Company Presentation

EBIDTA for the same period was $11.1 million, compared to $4 million in the previous year. The higher margins are a result of increased demand for Series 300 rigs, improved marketing strategies, and focus on specific geographic area.

Exhibit 12: Revenues and Margins



Source: Company Presentation

For FY 2022 & 2023, we are estimating revenues of $188.0 million & $302.7 million respectively, and EBITDA of $38.8 million & $98.7 million.

During the nine months ended Revenue per day increased by 67.1% to $28,646, as compared to revenue per day of $17,141 during the nine months ended September 30, 2021.

The total number of rigs that were operated by the company as of September 30, 2022, was 18 vs 17 operated in the previous quarter. The number of operating days booked during the quarter ending September 30, 2022, was 1,601 vs booked operating days of 1,268 last year, an increase of 26.26%.

VALUATION SUMMARY

ICD's market positioning moving forward is strong given they are still in the early innings of a multiyear up upcycle in the U.S. land drilling industry. With strengthening dayrates, improved pricing, higher rig penetration, additional fleet capacity, an expanded customer base, and accelerated oil and gas exploration demand, ICD is closing the gap in margins with other listed peers.

We believe the proper way to value ICD is through an EV/EBITDA multiple. As can be seen in Exhibit 13, ICD is trading at 2.2x estimated EV/Forward EBITDA compared to the average of 5.3x. Given ICD’s recent strength, encouraging guidance, and improving margins, we would apply only a small discount to the comparable companies. Using an EV/EBITDA multiple range of 4.5x to 5.5x, with a midpoint of 5x, resulting in a valuation of $6.01 to $8.06 respectively, with a midpoint of $7.04.

The Company is also undervalued using other metrics - trading at a P/B of 0.2x and a forward P/E multiple of 4.0x forward estimates vs the comps at 7.7x.

Exhibit 13: Comparable Analysis

Independence Contract Drilling, Inc.
(all figures in $USD M, expect per share information)

Company Name	Symbol	Price (1)	EV	MC	ROA	Gross Margin	P/B	EV/Rev (2)			P/E (2)			EV/EBIDTA (2)		
							2021	2021	2022E	2023E	2021	2022E	2023E	2021	2022E	2023E
Contract Drilling Companies																
Element Solutions Inc	ESI	$ 17.62	5,920	4,266	4%	40%	1.8x	2.6x	2.4x	2.4x	22.7x	13.2x	12.7x	12.1x	11.6x	11.7x
AKITA Drilling Ltd.	AKT.A	$ 1.55	129	61	-5%	18%	0.6x	1.6x	0.8x	0.6x	NM	NM	5.6x	18.1x	4.8x	3.1x
Precision Drilling Corporation	TSX:PD	$ 83.70	2,078	1,131	-3%	27%	1.2x	2.8x	1.7x	1.4x	NM	NM	6.9x	16.8x	7.1x	4.2x
Nabors Industries Ltd.	NBR	$ 177.94	4,684	1,675	-2%	36%	2.4x	2.3x	1.8x	1.4x	NM	NM	11.6x	9.4x	6.6x	4.4x
Patterson-UTI Energy, Inc.	PTEN	$ 19.29	5,019	4,182	-8%	20%	2.5x	3.6x	1.9x	1.5x	NA	35.0x	9.2x	26.3x	7.7x	4.9x
Western Energy Services Corp.	WRG	$ 2.83	186	96	-3%	26%	0.0x	1.8x	1.2x	0.8x	NA	0.0x	0.0x	10.6x	5.5x	3.7x
					Average		**1.4x**	**2.5x**	**1.6x**	**1.4x**	**NA**	**16.1x**	**7.7x**	**15.6x**	**7.2x**	**5.3x**
					Median		**1.5x**	**2.4x**	**1.7x**	**1.4x**	**NA**	**13.2x**	**8.0x**	**14.5x**	**6.9x**	**4.3x**
Independence Contract Drilling, Inc.	ICD	$ 3.62	183	49	-7%	14%	0.2x	2.1x	1.0x	0.7x	NA	NM	4.0x	246.8x	4.6x	2.2x

(1) Previous day's closing price
(2) Estimates are from Capital IQ

Exhibit 14: Operating Days and Rigs

Particulars	Valuation Range		
Desired EV/EBIDTA	**4.5x**	**5.0x**	**5.5x**
Adjusted EBIDTA FY 2023	$108.82	$108.82	$108.82
EV	489.69	544.10	598.51
Total Cash	15.81	15.81	15.81
Total Debt	171.41	171.41	171.41
Equity Value (in $ million)	302.5	356.9	411.3
No of Shares (in million)	52.96	52.96	52.96
Per Share Value	6.01	7.04	8.06

Key Assumptions in Our Model:

- Average margin per day reaching $12,750 in 4q22, then averaging $16,250 per day in 2023
- Cash SG&A: $18 million per year
- Maintenance/Other CAPEX: $1,750 per day
- Growth CAPEX:
  - Reactivate rigs 21-24 (2023): $30 million
  - Reactivate rigs 25-26 (2024): $16 million
- 200 to 300 Series conversions: $3M in each of 2023/2024
- PIK interest in 2022 and 2023 (SOFR + 9.5%)
- Cash interest in 2024 and 2025 (SOFR + 12.5%)
- SOFR: 4.0%
- ICD does not exercise any rights to repurchase convertible debt
- Mandatory offer to repurchase notes not accepted by noteholders

BALANCE SHEET

Independence Contract Drilling, Inc.
Consolidated Balance Sheet ($Ms)
Fiscal Year: December

ASSETS	FY 2019	FY2020	FY 2021	Q1 Mar-22	Q2 Jun-22	Q3 Sep-22
Current Assets						
Cash and Cash Equivalents	5.2	12.3	4.1	9.3	7.3	7.6
Account recievables,net	35.8	10.0	22.2	24.2	26.8	34.0
Inventories	2.3	1.0	1.2	1.3	1.4	1.4
Assets held for sale	8.7	-	-	-	-	-
Prepaid expenses and other current assets	4.6	4.1	4.8	4.5	2.4	2.9
Total Current Assets	**56.7**	**27.4**	**32.3**	**39.4**	**37.9**	**45.9**
Property & Equipment	457.5	382.2	362.3	358.8	356.5	365.2
Goodwill	-	-	-	-	-	-
Deferred Tax assets	-	-	-	-	-	-
Other long-term assets, net	2.7	3.5	2.4	2.2	2.1	2.2
Total Assets	**517.0**	**413.2**	**397.1**	**400.4**	**396.6**	**413.2**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current Liabilities						
Current portion of long-term debt	3.7	7.6	4.5	3.9	3.2	3.3
Accounts Payable	22.7	4.1	15.3	18.8	17.1	28.9
Accrued liabilities	16.4	10.7	15.6	10.5	9.0	13.3
Current portion of contingent consideration	2.8	-	-	-	-	-
Merger consideration payable to an affiliate	3.0	-	2.9	-	-	-
Accrued Interest	-	-	-	-	6.9	-
Total Current Liabilities	**48.6**	**22.4**	**38.3**	**33.3**	**36.3**	**45.4**
Long Term Liabbilities						
Long-term debt	134.9	137.6	141.7	120.1	122.1	136.8
Contingent Consideration	-	-	-	-	-	-
Deferred Income taxes,net	0.7	0.5	19.0	18.3	20.2	19.4
Other long term liabilities	1.2	2.7	2.8	1.9	2.0	1.7
Merger Consideration payable to an affiliate	-	2.9	-	-	-	-
Derivative liability	-	-	-	77.6	-	-
Total Long Term Liabilities	**136.8**	**143.7**	**163.6**	**217.9**	**144.3**	**157.8**
Total Liabilities	**185.4**	**166.2**	**201.9**	**251.2**	**180.6**	**203.3**
Shareholders' Equity						
Common stock	0.8	0.1	0.1	0.1	0.1	0.1
Additional - Paid- in Capital	505.1	517.9	532.8	545.6	615.1	616.3
Accmulated deficit	(170.4)	(267.1)	(333.8)	(392.6)	(395.4)	(402.6)
Treasury stock	(3.8)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)
Total Stockholders Equity	**331.6**	**247.0**	**195.2**	**149.2**	**216.0**	**210.0**
Total Liabilities and Shareholders' Equity	**517.0**	**413.2**	**397.1**	**400.4**	**396.5**	**413.2**
Ratios						
Liquidity						
Current Ratio	1.2x	1.2x	0.8x	1.2x	1.0x	1.0x
Quick Ratio	1.1x	1.2x	0.8x	1.1x	1.0x	1.0x
Working Capital	8.2x	5.0x	-6.0x	6.1x	1.6x	0.5x
Leverage						
Net Debt to Equity	40.4%	54.0%	82.5%	89.1%	67.2%	72.3%
Net Debt to Capital	28.8%	35.1%	45.2%	47.1%	40.2%	42.0%
Capital Usage- Annualized						
A/R Turns		3.6	5.5	6.0	6.6	6.5
Days Sales Outstanding		100.3	66.9	60.6	55.0	56.4
Inv Turns		38.9	68.6	87.9	86.3	89.3
Inv Days		9.39	5.32	4.2	4.2	4.1
A/P Turnover		4.9	7.8	6.4	6.4	5.5
Dayes Payables outstanding		74.67	46.68	57.3	56.7	66.8
Other Current Assets as % of Sales		5%	5%	13%	6%	6%
Other Current Liabilities as % of COGS		14%	17%	33%	27%	35%

Source: Company Reports

INCOME STATEMENT

Independence Contract Drilling, Inc.
Consolidated Statements of Income (in M$, except per share amounts)
Fiscal Year: December

	FY 2019	FY 2020	FY 2021	Q1 Mar-22	Q2 Jun-22	Q3 Sep-22	Q4 E Dec-22	FY 2022 E	Q1 Mar-23	Q2 Jun-23	Q3 E Sep-23	Q4 E Dec-23	FY 2023 E
Revenues													
Revenues	203.6	83.4	88.0	35.0	42.3	49.1	60.0	186.4	64.3	74.7	79.3	83.1	301.4
Total revenues	**$ 203.6**	**$ 83.4**	**$ 88.0**	**$ 35.0**	**$ 42.3**	**$ 49.1**	**$ 60.0**	**$ 186.4**	**$ 64.3**	**$ 74.7**	**$ 79.3**	**$ 83.1**	**$ 301.4**
Cost of revenues													
Operating Costs	144.9	65.4	75.8	27.2	28.9	31.4	37.5	124.9	38.6	43.5	45.5	47.0	174.7
Gross Margin	**58.7**	**18.1**	**12.2**	**7.8**	**13.4**	**17.8**	**22.5**	**61.5**	**25.7**	**31.2**	**33.8**	**36.0**	**126.7**
Selling, General and Administrative	16.1	13.5	15.7	5.2	4.9	7.0	5.4	22.5	4.5	4.5	4.8	4.2	17.9
EBIDTA	**42.6**	**4.6**	**(3.5)**	**2.6**	**8.5**	**10.8**	**17.1**	**39.0**	**21.2**	**26.7**	**29.0**	**31.9**	**108.8**
Depreciation and Amortization	45.4	43.9	38.9	9.8	9.8	10.1	10.1	39.8	10.1	10.1	10.2	10.2	40.6
Operating Margin	**(2.7)** -	**(39.4)**	**(42.4)**	**(7.2)**	**(1.3)**	**0.6**	**7.0**	**(0.8)**	**11.1**	**16.5**	**18.9**	**21.7**	**68.2**
Merger-related expenses	2.7	1.1	-	-	-	-	-	-	-	-	-	-	-
Asset Impairment, net	35.7	41.0	0.8	-	-	-	-	-	-	-	-	-	-
Loss (Gain) on disposal of assets, net	4.9	0.7	(0.2)	(0.5)	(0.6)	0.4	-	(0.7)	-	-	-	-	-
Change in fair value of embedded derivative liability	-	-	-	1.86	2.41	-	-	4.27	-	-	-	-	-
Loss/(Gain) on extinguishment of debt	-	-	(10.1)	46.3	-	-	-	46.3	-	-	-	-	-
Realized Gain on extinguishment of Derivative	-	-	-	-	(10.8)	-	-	(10.8)	-	-	-	-	-
Other Expense	0.4	-	0.2	-	-	-	-	-	-	-	-	-	-
EBIT	**(46.5)**	**(82.2)**	**(33.0)**	**(54.8)**	**7.6**	**1.1**	**7.1**	**(40.0)**	**11.1**	**16.5**	**18.9**	**21.7**	**68.2**
Interest Expense	(14.4)	(14.6)	(15.2)	(4.7)	(8.2)	(8.1)	(8.4)	(29.4)	(8.4)	(8.4)	(8.5)	(8.5)	(33.9)
Net Income (Loss) before tax	**(60.9)**	**(96.8)**	**(48.2)**	**(59.5)**	**(0.6)**	**(7.0)**	**(1.3)**	**(69.4)**	**2.7**	**8.1**	**10.4**	**13.2**	**34.3**
Income Tax Expense (benefit)	(0.1)	(0.1)	18.5	(0.7)	2.2	(0.7)	-	-	-	-	-	-	-
Net Income (loss) for the period	**(60.8)**	**(96.6)**	**(66.7)**	**(58.8)**	**(2.8)**	**(6.3)**	**(1.3)**	**(69.4)**	**2.7**	**8.1**	**10.4**	**13.2**	**34.3**
Basic EPS (loss)	**$ (0.81)**	**$ (19.69)**	**$ (8.89)**	**$ (5.20)**	**$ (0.21)**	**$ (0.53)**	**$ (0.10)**	**$ (5.09)**	**$ 0.19**	**$ 0.56**	**$ 0.70**	**$ 0.87**	**$ 2.25**
Diluted EPS (loss)	**$ (0.81)**	**$ (19.69)**	**$ (8.89)**	**$ (5.20)**	**$ (0.21)**	**$ (0.46)**	**$ (0.09)**	**$ (5.03)**	**$ 0.05**	**$ 0.15**	**$ 0.20**	**$ 0.25**	**$ 0.65**
Basic shares outstanding	75.47	4.91	7.51	11.30	13.59	13.59	13.80	13.80	14.15	14.50	14.86	15.23	15.23
Diluted Shares Outstanding	75.47	4.91	7.51	11.30	13.59	13.59	13.80	13.80	51.88	52.23	52.59	52.96	52.96
Margin Analysis													
Gross Margin	-29.9%	-115.8%	-75.8%	22.4%	31.7%	36.2%	37.5%	-37.2%	40.0%	41.7%	42.6%	43.4%	11.4%
Operating Margin	-1.3%	-47.2%	-48.2%	-20.4%	-3.1%	1.3%	11.7%	-0.4%	17.2%	22.1%	23.8%	26.2%	22.6%
EBITDA Margin	20.9%	5.5%	-4.0%	7.4%	20.2%	21.9%	28.5%	20.9%	33.0%	35.7%	36.6%	38.4%	36.1%
Pre-Tax Margin	-29.9%	-116.0%	-54.8%	-170.1%	-1.4%	-14.3%	-2.1%	-37.2%	4.2%	10.8%	13.1%	15.9%	11.4%
Net Income Margin	-29.9%	-115.8%	-75.8%	-168.0%	-6.6%	-12.8%	-2.1%	-37.2%	4.2%	10.8%	13.1%	15.9%	11.4%
Tax Rate	0.2%	0.2%	-38.5%	1.2%	-371.5%	9.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Growth Rate Y/Y													
Total Revenue		-59.0%	5.4%	125.1%	113.5%	104.5%	109.9%	111.9%	83.8%	76.5%	61.3%	38.5%	61.7%
Total cost of revenues		-54.9%	15.9%	86.8%	69.6%	55.9%	55.8%	64.9%	42.0%	50.6%	45.1%	25.5%	39.8%
Selling, General and Administrative		-16.0%	16.4%	41.8%	19.3%	72.2%	39.4%	43.3%	-13.9%	-7.8%	-32.1%	-23.0%	-20.4%
Depreciation		-3.2%	-11.4%	-2.4%	3.5%	3.9%	4.6%	2.4%	4.1%	3.1%	0.3%	0.3%	1.9%
EPS		-93.5%	53.0%	50.6%	20.2%	0.0%	1.5%	83.8%	275.9%	0.7%	0.7%	0.7%	283.8%
Share Count- fully diluted													

(1) Excludes 1x items
(2) Using applicable tax rate

Source: Company Reports, Stonegate Capital Partners estimates

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