

RESEARCH UPDATE
Dave Storms, CFA
Dave@stonegateinc.com

214-987-4121

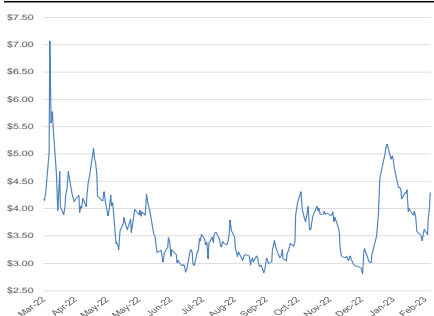
Market Statistics

Price	\$ 4.29
52 week Range	\$2.77 - \$7.40
Daily Vol (3-mo. average)	172,360
Market Cap (\$M):	\$ 58.3
Enterprise Value (\$M):	\$ 198.7
Shares Outstanding: (\$M)	13.6
Float (M)	10.8
Public Ownership	54.2%
Institutional Ownership	25.1%

Financial Summary

Cash (\$)	\$ 5.33
Cash/Share	\$ 0.39
Debt (\$)	\$ 145.71
Equity (\$)	\$ 214.71
Equity/Share	\$ 15.77

FYE: Price	2022	2023E	2024E
<i>(in \$M)</i>			
Rev	\$ 186.7	\$ 258.9	\$ 298.7
Chng%	112%	39%	15%
EBITDA	\$ 43.8	\$ 79.8	\$ 98.1
Net Income	\$ (65.3)	\$ (10.7)	\$ 9.4
EPS	\$ (5.01)	\$ (0.73)	\$ 0.58
EV/Revenue	1.1x	0.8x	0.7x
EV/EBITDA	4.5x	2.5x	2.0x
P/E	-0.9x	-5.9x	7.4x


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. (NYSE: ICD)
COMPANY UPDATES

Overall market outlook remains strong: Management noted that the overall market for super spec rigs remains strong with greater than 90% utilization across the asset class. Utilization above 80% typically gives operators the ability to push prices. This gives the Company confidence that they will be able to expand margins in FY23, despite the headwinds from declining natural gas prices.

Operating days and Margin increasing: ICD exited 4Q22 with 20 rigs operational and an average rig count of 18.5. With dayrates averaging \$32,778 and margins of \$14,517 the Company saw revenue growth of 111% year over year and sequential Adjusted EBITDA growth of 48%. ICD ended 4Q22 with a backlog of \$79.1M, all of which is expected to be realized in 2023.

4Q22 results end in-line with estimates: ICD reported revenue, adj EBITDA, and Basic EPS of \$60.3M, \$18.5M and \$0.25, respectively. This compares to our/consensus model of \$60.0M/\$56.5M, \$17.1M/\$15.4M, and \$(0.07)/\$(0.24), respectively. Both revenue and GPM were higher than expectations due to significantly higher margins than forecasted. Operating expenses were higher than expected resulting in EBTIDA that was mostly in-line with our forecast.

Headwinds in Haynesville market: As noted above, the Company, along with the rest of the industry, is seeing softness in natural gas prices. This is reducing drilling activity in the Haynesville market, where the company operates. To navigate this challenge ICD is moving rigs from the Haynesville location to the Permian Basin. This operation is expected to be completed before the end of 2023, with minimal downtime. Due to this challenge management has paused their reactivation of the 22nd rig with the 21st rig reactivation planned for 2Q23.

Debt Goals in focus: Given the challenges in the Haynesville market leading to a pause in rig reactivation, the Company is planning to reallocate the FCF that would have been used for rig reactivation to improve their balance sheet. Management is guiding towards a leverage ratio of 2.0x before the end of 2023.

Valuation – We use both an EV/EBITDA and EV/Rig comparison to value ICD.

- ICD is trading at 2.0x estimated FY24 EV/EBITDA compared to the median of 3.6x. Using an EV/EBITDA multiple range of 2.5x to 3.0x, with a midpoint of 2.75x, results in a valuation of \$4.55 to \$7.58 respectively, with a midpoint of \$6.07.
- ICD currently has 26 marketable rigs and is trading at a 7.6x EV/Rig multiple vs comps at 12.5x at the median. We believe the company should be trading in a range of 10.0x to 12.0x with a midpoint of 11.0x. This returns a valuation range of \$5.46 to \$8.68 with a midpoint of \$7.07.

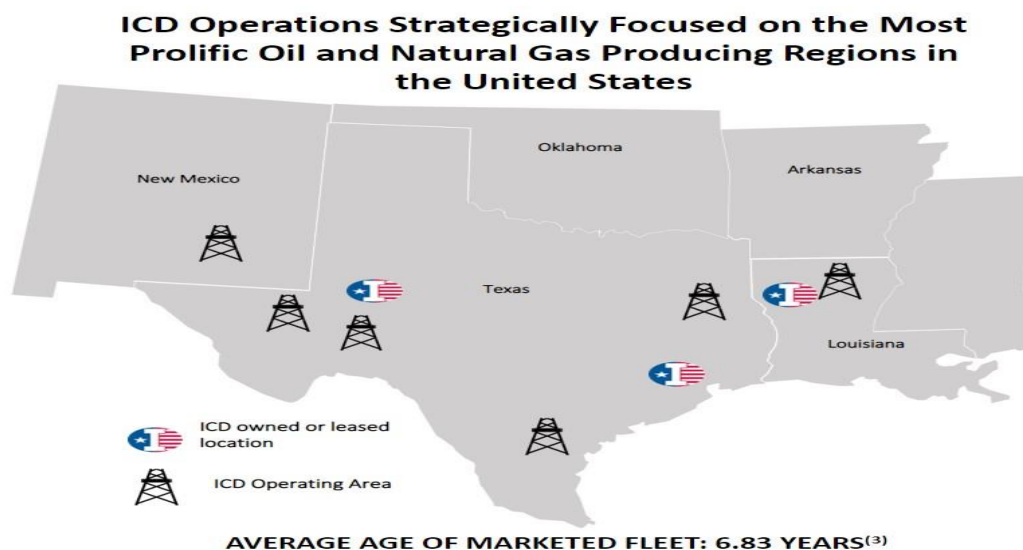
Business Overview

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)

The Company's rig fleet includes 26 marketed AC-powered ("AC") rigs, 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 rig in the second quarter of 2023 and 22nd is expected to be reactivated during 2024. Additionally, they have completed the first conversion of their 200 series Shaledriller rigs to 300 series status with modest capital outlay. Allowing them to market the majority of their fleet as 300 series rigs.

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:

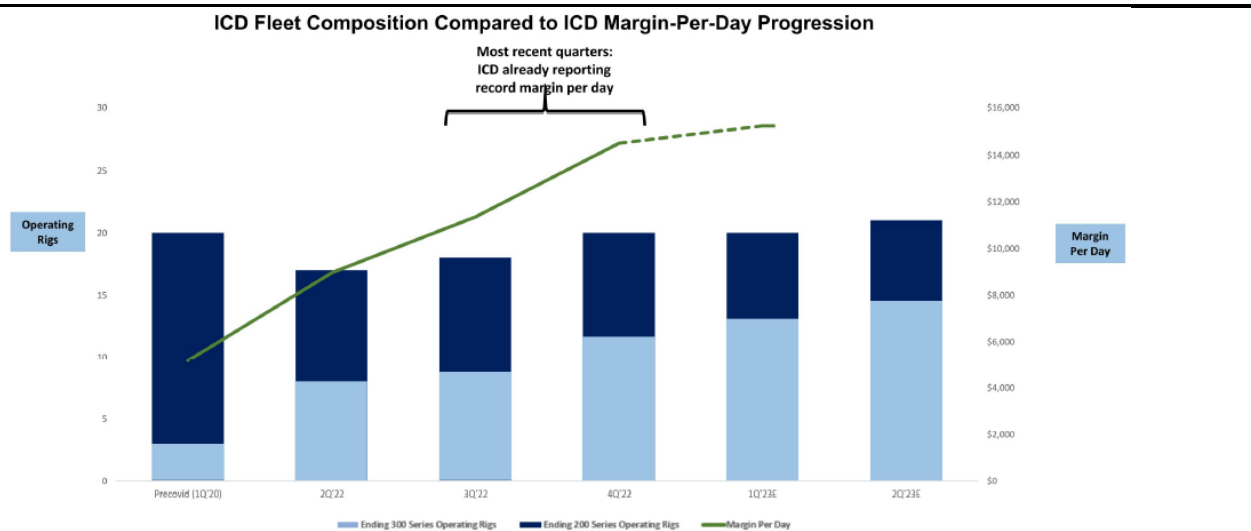
- Conversion cost per rig: \$650K
- Payback would be less than one year based upon dayrate differential
- Conversion completed on long rig move (minimal operational downtime)
- Contracts already signed for conversion of two operating rigs with a third under negotiation

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

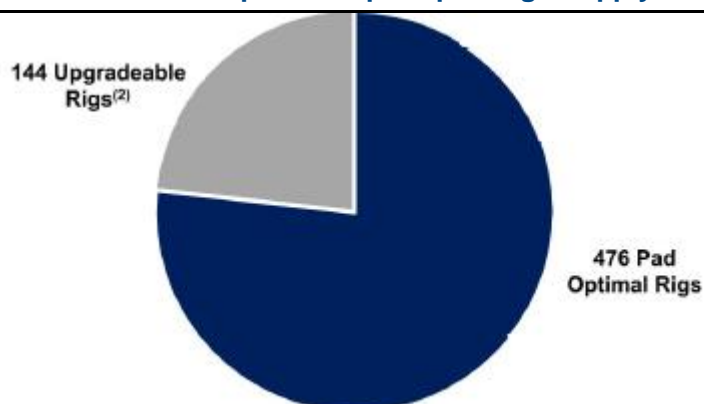
Exhibit 3: ICD Fleet comparison to ICD Margin-per-day



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 144) with upgradation of 1500 HP rigs Omni-directional walking requiring a CAPEX estimated at \$7M+ per rig.

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.

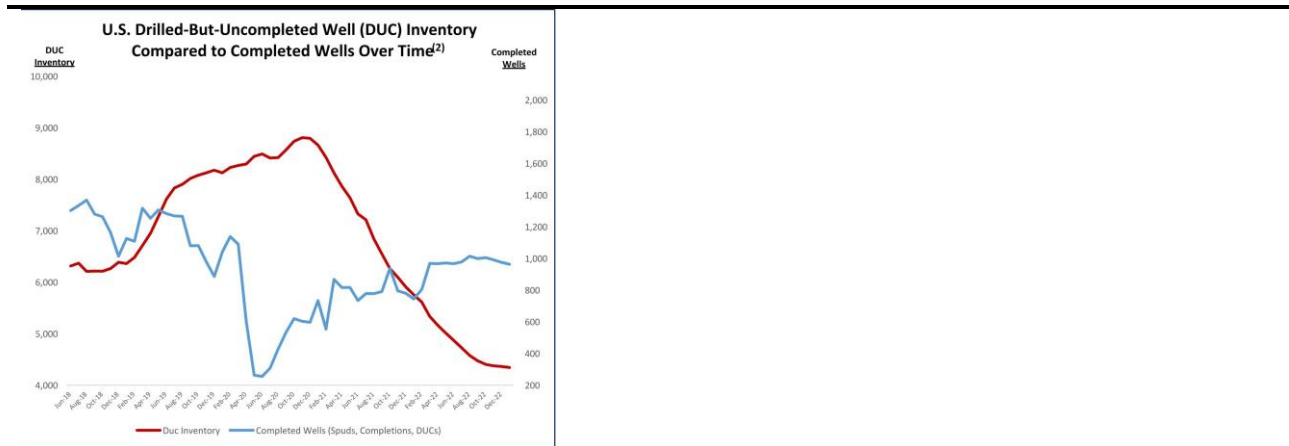
Apart from dayrate-based revenue & mobilization revenue (both initial & during the drilling contract), all other sources of revenue for the Company include completing specific reimbursable operations, performing rig modification tasks necessary for the contract, and earning early termination profits.

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 5: 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 seventeen 300 Series rigs within its marketed fleet, including two planned 200-to-300 series conversions. The Company has another eight 200 series rigs that can be economically reactivated based upon current spot market rates.

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

Exhibit 6: Competitive Consolidation



Source: Company Presentation

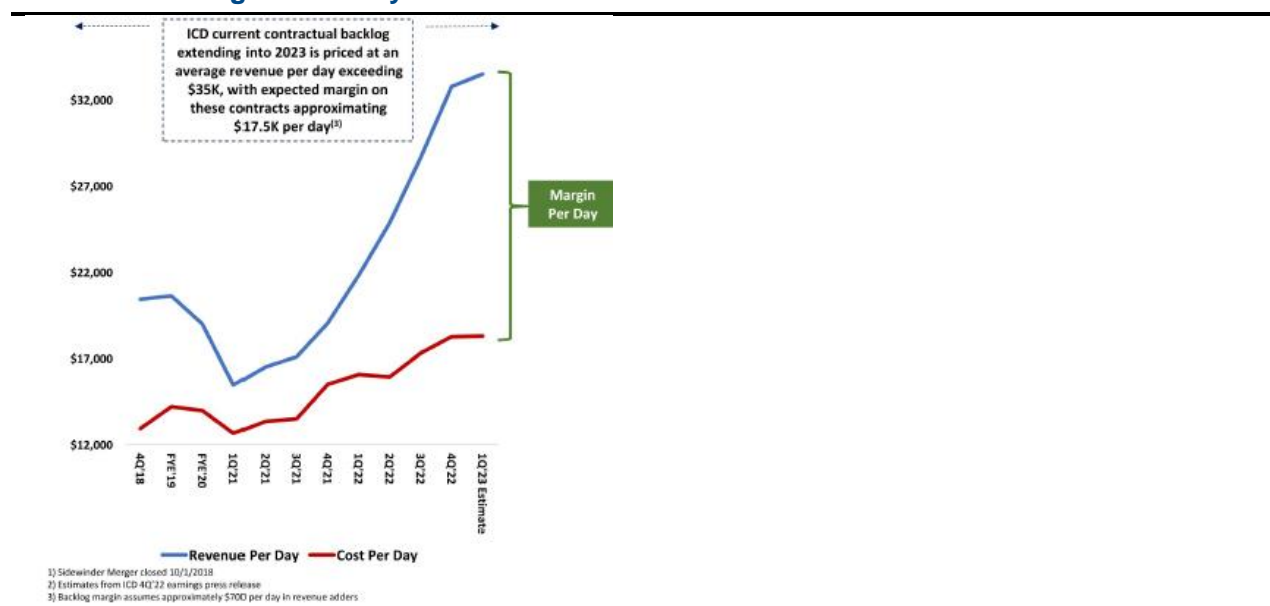
Margin Recovery

Elements positively affecting ICD revenues and margin per day:

- Market penetration and pricing for 300 Series rigs
- 200-to-300 Series conversion opportunities
- Strong backlog of contracts will protect margins during rig transitions
- Day rate growth exceeds labor growth and other inflationary 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

Based on current market positioning, ICD is currently forecasting 1Q23 margin per day between \$15,000 and \$15,500.

Exhibit 7: Margin Recovery



Source: Company Presentation

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. 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

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, sales 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 a 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.

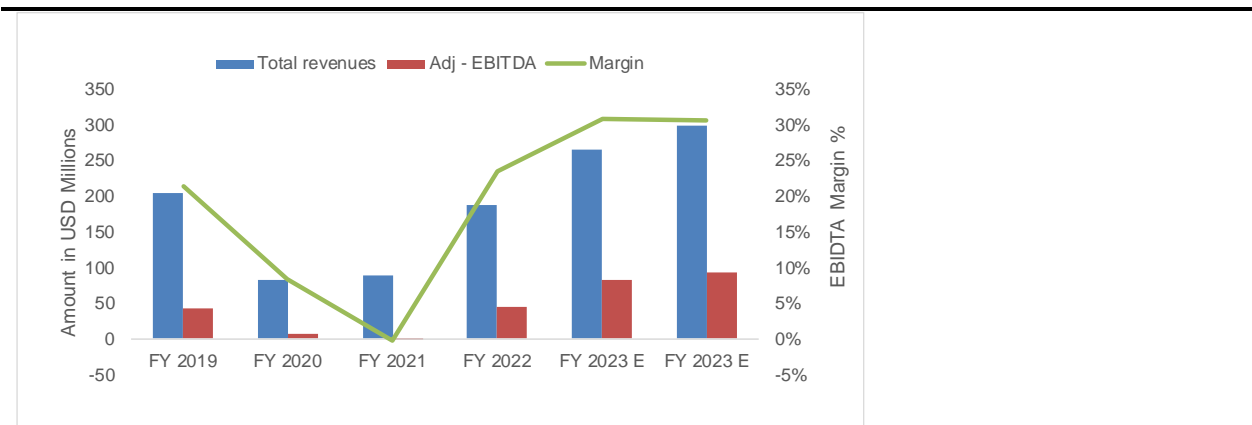
Labor Risks – The Company depends on skilled laborers to operate the rigs efficiently. Any problem regarding labor security or not being able to retain the skilled workforce can impact the operations on a day-to-day basis.

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 FY22, were \$186.7 million, representing a 33.9% increase as compared to revenues of \$88.0 million for the FY21. 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.

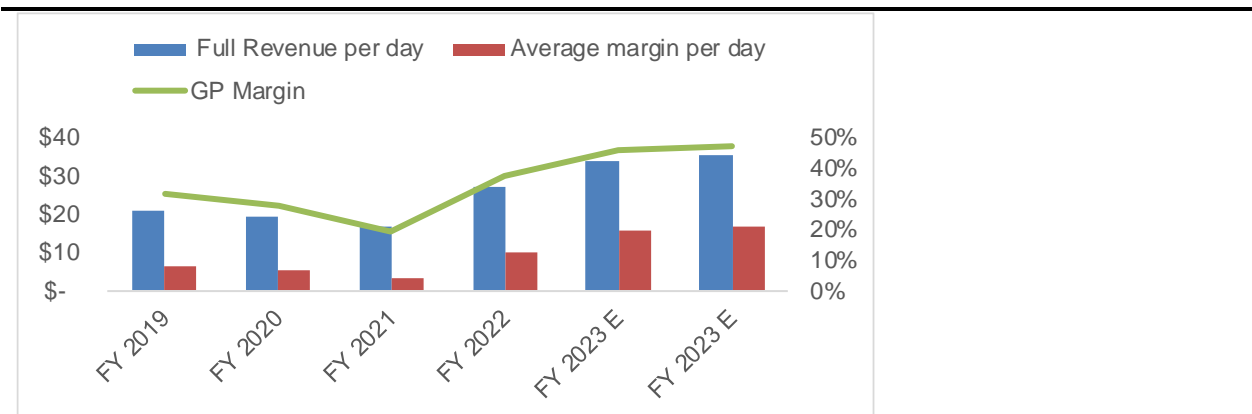
Exhibit 8: Revenues and EBITDA



Source: Company Presentation

Adjusted EBITDA for the same period was \$43.8 million, compared to \$(0.3) 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 9: Revenues and Margins



Source: Company Presentation

For FY 2023 & 2024, we are estimating revenues of \$258.9 million and \$298.7 million respectively, and Adjusted EBITDA of \$79.8 million and \$98.1 million.

During FY22 average Revenue per day increased by 63.0% to \$27,031, as compared to average revenue per day of \$16,586 during FY21.

The average total number of rigs that were operated by the company in FY22, rose to 17.3, up from 12.7 in 2021. The number of operating days booked during the year was 6,308, up from 4,651 in 2021. This represents an increase of 36%.

VALUATION SUMMARY

ICD's market positioning moving forward is strong given they are still in the early innings of a multiyear up cycle 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 use both an EV/EBITDA comparison analysis as well as an EV/Rig analysis. Given ICD's recent strength, encouraging guidance, and improving margins, we would expect the Company to trade more in-line with comps.

As can be seen in Exhibit 10, ICD is trading at 2.0x estimated FY24 EV/EBITDA compared to the median of 3.6x. Using an EV/EBITDA multiple range of 2.5x to 3.0x, with a midpoint of 2.75x, results in a valuation of \$4.55 to \$7.58 respectively, with a midpoint of \$6.07.

ICD is also trading at a discount relative to peers when comparing the EV/Rig analysis. ICD currently has 26 marketable rigs and is trading at a 7.6x EV/Rig multiple vs median comps at 12.5x. We believe the company should be trading closer to industry peers at a range of 10.0x to 12.0x with a midpoint of 11.0x. This returns a valuation range of \$5.46 to \$8.68 with a midpoint of \$7.07.

Exhibit 10: Comparable Analysis

Company Name	Symbol	Price (1)	EV	Mkt Cap	Gross Margin	Marketed Rigs	EV/Rig Date	EV/Rev (2)			EV/EBITDA (2)				
								2022	2023E	2024E	2022	2023E	2024E		
Contract Drilling Companies															
Element Solutions Inc	ESI	\$ 20.94	\$ 6,755.0	\$ 5,054.1	37%	N/A	N/A	2.6x	2.7x	2.5x	12.9x	13.1x	11.9x		
AKITA Drilling Ltd.	AKT.A	\$ 1.16	\$ 113.4	\$ 47.1	18%	26	4.4x	0.8x	0.6x	0.5x	16.3x	4.4x	2.8x		
Precision Drilling Corporation	TSX:PD	\$ 59.08	\$ 1,630.4	\$ 798.5	30%	143	11.4x	1.4x	1.1x	1.0x	7.1x	3.4x	3.0x		
Nabors Industries Ltd.	NBR	\$ 158.80	\$ 4,467.9	\$ 1,501.7	37%	329	13.6x	1.7x	1.4x	1.2x	6.2x	4.1x	3.7x		
Patterson-UTI Energy, Inc.	PTEN	\$ 14.89	\$ 3,899.4	\$ 3,181.3	30%	132	29.5x	1.5x	1.2x	1.1x	5.6x	3.8x	3.4x		
#REFRESH	NYSE: HP	\$ 44.97	\$ 4,894.1	\$ 4,698.8	31%	271	18.1x	2.4x	1.6x	1.5x	8.1x	4.2x	3.7x		
Western Energy Services Corp.	WRG	\$ 2.25	\$ 167.7	\$ 76.1	27%	57	2.9x	1.1x	0.8x	0.8x	6.0x	3.9x	3.6x		
								Average	13.3x	1.6x	1.3x	1.2x	8.9x	5.3x	4.6x
								Median	12.5x	1.5x	1.2x	1.1x	7.1x	4.1x	3.6x
Independence Contract Drilling, Inc.	ICD	\$ 4.29	\$ 198.7	\$ 58.3	34%	26	7.6x	1.1x	0.8x	0.7x	4.5x	2.5x	2.0x		

(1) Previous day's closing price

(2) Estimates are from Capital IQ

Exhibit 11: Operating Days and Rigs

	EV/EBITDA			EV/Rig		
2024 E	2.50x	2.75x	3.00x	10.00x	11.00x	12.00x
Adj EBITDA	98.1	98.1	98.1	No. of Rigs	26.0	26.0
EV	245.3	269.8	294.3	EV	260.0	286.0
Cash	6.5	6.5	6.5	Cash	6.5	6.5
Debt	171.7	171.7	171.7	Debt	171.7	171.7
Market Cap (\$M)	67.1	91.6	116.1	Market Cap (\$M)	81.8	107.8
No of Shares (in million)	16.2	16.2	16.2	No of Shares (in million)	16.2	16.2
Price	\$ 4.55	\$ 6.07	\$ 7.58	Price	\$ 5.46	\$ 7.07
					\$ 8.68	

BALANCE SHEET

Independence Contract Drilling, Inc. Consolidated Balance Sheet (\$Ms) Fiscal Year: December							
ASSETS	FY2020	FY 2021	Q1 Mar-22	Q2 Jun-22	Q3 Sep-22	Q4 Dec-22	FY 2022
Current Assets							
Cash and Cash Equivalents	12.3	4.1	9.3	7.3	7.6	5.3	5.2
Account receivables, net	10.0	22.2	24.2	26.8	34.0	39.8	39.8
Inventories	1.0	1.2	1.3	1.4	1.4	1.5	1.5
Assets held for sale	-	-	-	-	-	0.3	0.3
Prepaid expenses and other current assets	4.1	4.8	4.5	2.4	2.9	4.7	4.7
Total Current Assets	27.4	32.3	39.4	37.9	45.9	51.7	51.7
Property & Equipment	382.2	362.3	358.8	356.5	365.2	376.1	376.1
Goodwill	-	-	-	-	-	-	-
Deferred Tax assets	-	-	-	-	-	-	-
Other long-term assets, net	3.5	2.4	2.2	2.1	2.2	2.0	2.0
Total Assets	413.2	397.1	400.4	396.6	413.2	429.7	429.7
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current Liabilities							
Current portion of long-term debt	7.6	4.5	3.9	3.2	3.3	2.5	2.5
Accounts Payable	4.1	15.3	18.8	17.1	28.9	31.9	31.9
Accrued liabilities	10.7	15.6	10.5	9.0	13.3	17.6	17.6
Current portion of contingent consideration	-	-	-	-	-	-	-
Merger consideration payable to an affiliate	-	2.9	-	-	-	-	-
Accrued Interest	-	-	-	6.9	-	-	-
Total Current Liabilities	22.4	38.3	33.3	36.3	45.4	52.0	52.0
Long Term Liabilities							
Long-term debt	137.6	141.7	120.1	122.1	136.8	143.2	143.2
Contingent Consideration	-	-	-	-	-	-	-
Deferred Income taxes, net	0.5	19.0	18.3	20.2	19.4	12.3	12.3
Other long term liabilities	2.7	2.8	1.9	2.0	1.7	7.5	7.5
Merger Consideration payable to an affiliate	2.9	-	-	-	-	-	-
Derivative liability	-	-	77.6	-	-	-	-
Total Long Term Liabilities	143.7	163.6	217.9	144.3	157.8	163.0	163.0
Total Liabilities	166.2	201.9	251.2	180.6	203.3	215.0	215.0
Shareholders' Equity							
Common stock	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Additional - Paid- in Capital	517.9	532.8	545.6	615.1	616.3	617.6	617.6
Accumulated deficit	(267.1)	(333.8)	(392.6)	(395.4)	(402.6)	(399.1)	(399.1)
Treasury stock	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)
Total Stockholders Equity	247.0	195.2	149.2	216.0	210.0	214.7	214.7
Total Liabilities and Shareholders' Equity	413.2	397.1	400.4	396.5	413.2	429.7	429.7
Ratios							
Liquidity							
Current Ratio	1.2x	0.8x	1.2x	1.0x	1.0x	1.0x	1.0x
Quick Ratio	1.2x	0.8x	1.1x	1.0x	1.0x	1.0x	1.0x
Working Capital	5.0x	-6.0x	6.1x	1.6x	0.5x	-0.4x	-0.4x
Leverage							
Net Debt to Equity	54.0%	82.5%	89.1%	67.2%	72.3%	71.1%	71.2%
Net Debt to Capital	35.1%	45.2%	47.1%	40.2%	42.0%	41.6%	41.6%
Capital Usage- Annualized							
A/R Turns	3.6	5.5	6.0	6.6	6.5	6.3	6.0
Days Sales Outstanding	100.3	66.9	60.6	55.0	56.4	57.9	60.6
Inv Turns	38.9	68.6	87.9	86.3	89.3	90.0	92.1
Inv Days	9.39	5.32	4.2	4.2	4.1	4.1	3.96
A/P Turnover	4.9	7.8	6.4	6.4	5.5	7.0	5.2
Dayes Payables outstanding	74.67	46.68	57.3	56.7	66.8	52.1	69.88
Other Current Assets as % of Sales	5%	5%	13%	6%	6%	7%	3%
Other Current Liabilities as % of COGS	14%	17%	33%	27%	35%	33%	12%

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 Dec-22	FY 2022	Q1 E Mar-23	Q2 E Jun-23	Q3 E Sep-23	Q4 E Dec-23	FY 2023 E	Q1 E Mar-24	Q2 E Jun-24	Q3 E Sep-24	Q4 E Dec-24	FY 2024 E
Revenues																		
Revenues	203.6	83.4	88.0	35.0	42.3	49.1	60.3	186.7	61.9	59.4	65.4	72.2	258.9	71.2	72.6	77.2	77.8	298.7
Total revenues	\$ 203.6	\$ 83.4	\$ 88.0	\$ 35.0	\$ 42.3	\$ 49.1	\$ 60.3	\$ 186.7	\$ 61.9	\$ 59.4	\$ 65.4	\$ 72.2	\$ 258.9	\$ 71.2	\$ 72.6	\$ 77.2	\$ 77.8	\$ 298.7
Cost of revenues																		
Operating Costs	144.9	65.4	75.8	27.2	28.9	31.4	36.0	123.4	37.7	37.2	39.5	42.9	157.4	41.5	41.9	45.0	45.6	173.9
Gross Margin	58.7	18.1	12.2	7.8	13.4	17.8	24.3	63.3	24.2	22.2	25.9	29.2	101.5	29.7	30.7	32.2	32.2	124.8
Selling, General and Administrative	16.1	13.5	15.7	5.2	4.9	7.0	7.7	24.8	8.5	6.5	7.5	8.0	30.5	8.8	6.8	7.5	8.5	31.5
EBIDTA	37.7	3.8	6.7	(45.1)	17.5	10.3	16.1	(1.1)	15.7	15.7	18.4	21.2	71.0	20.9	24.0	24.7	23.7	93.3
Depreciation and Amortization	45.4	43.9	38.9	9.8	9.8	10.1	10.7	40.4	11.0	11.3	11.5	11.6	45.4	11.6	11.7	11.7	11.7	46.7
Operating Margin	(2.7)	(39.4)	(42.4)	(7.2)	(1.3)	0.6	5.9	(1.9)	4.7	4.4	7.0	9.6	25.7	9.3	12.3	13.0	12.0	46.6
Merger-related expenses	2.7	1.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asset Impairment, net	35.7	41.0	0.8	-	-	-	0.4	0.4	-	-	-	-	-	-	-	-	-	-
Loss (Gain) on disposal of assets, net	4.9	0.7	(0.2)	(0.5)	(0.6)	0.4	0.5	(0.2)	-	-	-	-	-	-	-	-	-	-
Change in fair value of embedded derivative liability	-	-	-	1.9	2.4	-	-	4.3	-	-	-	-	-	-	-	-	-	-
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	0.2	5.1	(41.9)	4.7	4.4	7.0	9.6	25.7	9.3	12.3	13.0	12.0	46.6
Interest Expense	14.4	14.6	15.2	4.7	8.2	8.1	8.6	29.6	9.0	9.0	9.1	9.2	36.4	9.3	9.3	9.3	9.3	37.3
Net Income (Loss) before tax	(60.9)	(96.8)	(48.2)	(59.5)	(0.6)	(7.9)	(3.5)	(71.5)	(4.4)	(4.6)	(2.1)	0.4	(10.7)	0.0	3.0	3.7	2.6	9.4
Income Tax Expense (benefit)	(0.1)	(0.1)	18.5	(0.7)	2.2	(0.7)	(7.0)	(6.2)	-	-	-	-	-	-	-	-	-	-
Net Income (loss) for the period	(60.8)	(96.6)	(66.7)	(58.8)	(2.8)	(7.2)	3.5	(65.3)	(4.4)	(4.6)	(2.1)	0.4	(10.7)	0.0	3.0	3.7	2.6	9.4
Basic EPS (loss)	\$ (16.11)	\$ (22.42)	\$ (8.89)	\$ (5.20)	\$ (0.21)	\$ (0.53)	\$ 0.25	\$ (5.01)	\$ (0.31)	\$ (0.33)	\$ (0.15)	\$ 0.03	\$ (0.73)	\$ 0.00	\$ 0.19	\$ 0.24	\$ 0.16	\$ 0.58
Diluted EPS (loss)	\$ (16.11)	\$ (22.42)	\$ (8.89)	\$ (5.20)	\$ (0.21)	\$ (0.53)	\$ 0.07	\$ (5.01)	\$ (0.31)	\$ (0.33)	\$ (0.15)	\$ 0.03	\$ (0.73)	\$ 0.00	\$ 0.05	\$ 0.06	\$ 0.04	\$ 0.14
Adj - EBITDA	43.4	7.0	(0.3)	3.6	9.2	12.5	18.5	43.8	17.7	19.0	20.6	22.4	79.8	22.1	25.2	25.9	24.9	98.1
Basic shares outstanding	3.8	4.3	7.5	11.3	13.6	13.6	13.8	13.0	14.0	14.2	14.4	14.6	14.6	15.0	15.4	15.8	16.2	16.2
Diluted Shares Outstanding	3.8	4.3	7.5	11.3	13.6	13.6	51.9	13.0	14.0	14.2	14.4	14.6	14.6	15.0	63.3	65.2	67.2	67.2
Margin Analysis																		
Gross Margin	-30%	22%	14%	22%	32%	36%	40%	34%	39%	37%	40%	40%	39%	42%	42%	42%	41%	42%
Operating Margin	-1%	-47%	-48%	-20%	-3%	1%	10%	-1%	8%	7%	11%	13%	10%	13%	17%	17%	15%	16%
EBITDA Margin	19%	5%	8%	-129%	41%	21%	27%	-1%	25%	26%	28%	29%	27%	29%	33%	32%	30%	31%
Pre-Tax Margin	-30%	-116%	-55%	-170%	-1%	-16%	-6%	-38%	-7%	-8%	-3%	1%	-4%	0%	4%	5%	3%	3%
Net Income Margin	-30%	-116%	-76%	-168%	-7%	-15%	6%	-35%	-7%	-8%	-3%	1%	-4%	0%	4%	5%	3%	3%
Tax Rate	0%	0%	-38%	1%	-371%	9%	198%	9%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Growth Rate Y/Y																		
Total Revenue		-59%	5%	125%	114%	104%	111%	112%	77%	40%	33%	20%	39%	15%	22%	18%	8%	15%
Total cost of revenues		-55%	16%	87%	70%	56%	49%	63%	39%	29%	26%	19%	28%	10%	13%	14%	6%	11%
Selling, General and Administrative		-16%	16%	42%	19%	72%	99%	58%	63%	34%	7%	4%	23%	3%	4%	0%	6%	3%
Depreciation		-3%	-11%	-2%	3%	4%	11%	4%	13%	15%	13%	8%	12%	5%	3%	2%	1%	3%
(1) Excludes 1x items																		
(2) Using applicable tax rate																		

Source: Company Reports, Stonegate Capital Partners estimates

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CONTACT INFORMATION

Investor Relations

Stonegate Capital Partners
8201 Preston Rd.-Suite 325
Dallas, Texas 75225
Phone: 214-987-4121
www.stonegateinc.com