



Q3 2018 Follow-Up

November 5, 2018

MCDERMOTT

FORWARD-LOOKING STATEMENTS

In accordance with the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995, McDermott cautions that statements in this presentation which are forward-looking, and provide other than historical information, involve risks, contingencies and uncertainties that may impact actual results of operations of McDermott. These forward-looking statements include, among other things, project milestones, percentage of completion, expected timetables and projected cash flows, backlog, bids and change orders outstanding, target projects and revenue opportunity pipeline, to the extent these may be viewed as indicators of future revenues or profitability, targeted savings from cost synergies and the other expected impacts of CPI, including anticipated implementation costs, our expectations about the timelines and anticipated amount and use of proceeds from the sales of the tank storage and pipe fabrication businesses the schedule for the closing of the private placement, our assessments and beliefs with respect to the three legacy Focus Projects of CB&I and continued recovery in the markets in which we operate. Although we believe that the expectations reflected in those forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct. Those statements are made by using various underlying assumptions and are subject to numerous risks, contingencies and uncertainties, including, among others: the possibility that the expected CPI savings from the recently completed combination will not be realized, or will not be realized within the expected time period; difficulties related to the integration of the two companies; disruption from the combination making it more difficult to maintain relationships with customers, employees, regulators or suppliers; the diversion of management time and attention to integration matters; adverse changes in the markets in which McDermott operates or credit markets; the inability of McDermott to execute on contracts in backlog successfully; changes in project design or schedules; the availability of qualified personnel; changes in the terms, scope or timing of contracts; contract cancellations; change orders and other modifications and actions by customers and other business counterparties of McDermott; changes in industry norms; and adverse outcomes in legal or other dispute resolution proceedings. If one or more of these risks materialize, or if underlying assumptions prove incorrect, actual results may vary materially from those expected. You should not place undue reliance on forward-looking statements. For a more complete discussion of these and other risk factors, please see each of McDermott's annual and quarterly filings with the U.S. Securities and Exchange Commission, including its annual report on Form 10-K for the year ended December 31, 2017 and subsequent quarterly reports on Form 10-Q. This presentation reflects the views of McDermott's management as of the date hereof. Except to the extent required by applicable law, McDermott undertakes no obligation to update or revise any forward-looking statement.

NON-GAAP DISCLOSURES

This presentation includes several “non-GAAP” financial measures as defined under Regulation G of the U.S. Securities Exchange Act of 1934, as amended. McDermott reports its financial results in accordance with U.S. generally accepted accounting principles, but the company believes that certain non-GAAP financial measures provide useful supplemental information to investors regarding the underlying business trends and performance of its ongoing operations and are useful for period-over-period comparisons of those operations. The non-GAAP measures in this presentation include Backlog and Adjusted EBITDA. These non-GAAP financial measures should be considered as supplemental to, and not as a substitute for or superior to, the financial measures prepared in accordance with GAAP.

Reconciliations of these non-GAAP financial measures to the most comparable GAAP measures are provided in the Financial Appendix of this presentation.



- **Solid underlying financial performance** – Q3 2018 revenues of \$2.3Bn and Adjusted EBITDA of \$275M¹
- Well-positioned to benefit from a **cyclical recovery in energy infrastructure spending**, with a \$80.3Bn² revenue opportunity pipeline in served markets
- **3 legacy “focus” projects are outliers in the portfolio and continue to be de-risked.** During Q3 2018, identified additional \$744M in changes in estimates on focus projects
- **Completed strategic review of business portfolio** and announced plan to divest storage tank business and U.S. pipe fabrication business
- Enhanced readiness to book **anticipated strong award flow** with commitments for a \$230 million increase in letter-of-credit capacity, subject to closing conditions
- **Strengthened balance sheet** through the private placement of \$300 million of redeemable preferred stock



COMBINATION WITH CB&I DELIVERING SIGNIFICANT BENEFITS

- Enthusiastic customer support of CB&I combination with Q3 2018 bookings of \$3.1Bn; book-to-bill ratio of 1.3:1
- Combination Profitability Initiative (CPI) ahead of schedule; announced \$319M of implemented annualized cost synergies and increased target from \$350M to \$475M
- \$1.6 billion in revenue synergies booked
- Continued momentum early in Q4 2018; ~\$700M award from ONGC KG-DWN 98/2
- Relationship with Saudi Aramco continues to build on combined leadership position in the Middle East
- Exceptional progress in the global integration of people, systems and processes

LEGACY FOCUS PROJECTS OVERVIEW

\$ in millions

	FREEPORT⁴	CAMERON	CALPINE
Cumulative POC¹	82%	83%	91%
Gross Profit	Loss	Loss	Loss
Accrued Loss Provision	(\$28)	(\$127)	(\$43)
Operational Update	- Train 1 88% complete with construction. - Train 2 progressing as expected with improved productivity due to lessons learned from Train 1 and nearing 81% complete with construction. - Train 3 impacted more significantly by effects of Harvey but still making progress and is 70% complete with construction.		
Other JV Members	Chiyoda and Zachry Construction	Chiyoda	N/A
Revenues in Q3 2018²	\$220	\$191	\$29
Backlog Roll-off in Q4 2018²	\$210	\$173	\$19
Backlog Roll-off 2019 Onwards²	\$412	\$385	\$8
Cash Flow Use in Q3 2018	(\$115)	(\$34)	(\$14)
Projected Cash Flow Use in Q4 2018	(\$174)	(\$81)	(\$29)
Projected Cash Flow Use in 2019	(\$64)	(\$320)	(\$41)
Projected Cash Flow in 2020	\$47	\$43	\$ -
Change in Estimate at Completion Identified in Q3 2018³	(\$194)	(\$482)	(\$68)
Targeted Completion	Train 1: Q3 2019 Train 2: Q1 2020 Train 3: Q2 2020	Phase 1: Q2 2019 Train 2: Q4 2019 Train 3: Q1 2020	Q1 2019

- 1) Represents the cumulative percentage of completion ("POC"), which includes progress achieved prior to the Combination. POC calculated in accordance with GAAP, which requires the project progress to be reset to 0% as of the date of the Combination for accounting purposes, was 36%, 37% and 53% for the Freeport, Cameron and Calpine projects, respectively, as of September 30, 2018.
- 2) Due to all three projects being in a loss position, with the exception of the Freeport Train 3 project, the reported gross margin for each project will be \$0. As such, revenues recognized will be equal to costs recognized in all future periods.
- 3) Represents the net change in gross profit as a result of changes in estimates of the revenues and costs at completion as of the date of the Combination which were identified in Q3 2018. These changes in estimates were made by McDermott when reassessing the fair value of acquired contracts. These changes in estimate did not directly impact our Q3 2018 earnings due to the application of purchase accounting.
- 4) Includes the Freeport Trains 1 & 2 and Freeport Train 3 projects, which are performed by two separate consortiums. As of September 30, 2018, the Freeport Train 3 project was profitable and was not in a loss position.



PROJECT OVERVIEW – CAMERON

CAMERON LNG PROJECT



Cameron LNG Site (Hackberry, LA)

LNG Export Facility:

- 3 Trains x 4.61 MTPA
- Conversion of existing LNG Import Terminal

Customer:

- Cameron LNG LLC
- Sempra 50.2%; Total, Mitsui & Mitsubishi 16.5% each

Execution Team:

- Unincorporated JV
- MDR 50%/Chiyoda 50%

Targeted Completion:

- Train 1 – Q2 2019
- Train 2 – Q4 2019
- Train 3 – Q1 2020

Current Contract Value – \$6.6Bn

Total Costs at Completion – \$8.1Bn¹

Capacity – 13.83 MTPA²

Costs per Million Tons – ~\$585M / MTPA

PROJECT OVERVIEW – FREEPORT LNG

FREEPORT LNG PROJECT



Freeport LNG LQF Site (Freeport, TX)

*(Project is split between two separate main sites –
Liquefaction Facility (LQF) and Pre-treatment Facility (PTF))*

LNG Export Facility:

- 3 Trains x 4.64 MTPA
- Conversion of existing LNG Import Terminal
- New loading berth, new LNG Tank, utilities and infrastructure to support the LNG trains

Customer:

- Freeport LNG

Execution Teams:

- Two separate unincorporated JV's
- Train 1&2 – Zachry 50%/MDR 50%; separate MDR/Chiyoda RPA reduces MDR profit share to 33.3%
- Train 3 – Zachry/MDR/Chiyoda all hold 33.3%

Targeted Completion:

- Train 1 – Q3 2019
- Train 2 – Q1 2020
- Train 3 – Q2 2020

Current Contract Value – \$7.5Bn

Total Costs at Completion – \$8.0Bn¹

Capacity – 13.92 MTPA²

Costs per Million Tons – ~\$572M / MTPA³

1. Represents total costs to complete as of September 30, 2018. The delta between the current contract value and total costs to complete represents the total loss on the contract. McDermott's proportional share of the cumulative loss to date has already been recognized in our financial results.

2. Represents the guaranteed contractual production rate for all three trains.

3. Total costs per million tons cited include costs for Freeport Trains 1&2 and Freeport Train 3, which are performed by two separate consortiums. Total costs to complete the Freeport Trains 1&2 project includes the construction of a sizeable non-producing common area to support all three trains.

COMPLETED STRATEGIC PORTFOLIO REVIEW

- Focus remains on technology pull through with differentiated vertical integration capabilities
- Identified U.S. Pipe Fabrication and Tank Storage businesses as divestiture candidates
- Process underway with expected completion of U.S. Pipe Fabrication sale and Tank Business sale in 2019
- 2017 revenues of ~\$1.5 Billion and expected proceeds in excess of \$1 billion

U.S. PIPE FABRICATION BUSINESS

- Provides fabricated piping systems and piping fabrication, with capabilities in induction bending. Develops and uses proprietary welding techniques, computer applications for material control, production scheduling and fabrication management
- APP – Maintains and distributes extensive inventory of commodity fittings and specialty piping components in stainless, alloy and carbon steel for sale to third parties and for internal fabrication use

TANK BUSINESS

- Provides services and solutions for storage tanks and pressure vessels for the oil & gas, power, water, wastewater, and metals and mining industry
- Solutions include LNG storage, storage terminals for bulk liquids and refrigerated products, water storage tanks and pressure spheres
- Has built over 46,000 storage structures in more than 100 countries
- Plate fabrication facilities located in Houston, TX; Clive, IA; Everett, WA; Al Aujam, Saudi Arabia and Kwinana, Australia

STRENGTHENED BALANCE SHEET AND INCREASED LETTER OF CREDIT CAPACITY

- \$300 million redeemable preferred stock, with warrants to purchase 3.75% of our common stock
 - Strengthens balance sheet and provides incremental liquidity
 - Private placement allowed for in-depth diligence process
 - Expected to close November 29, 2018
 - Partnering with reputable institution that supports management team and business strategy
- \$230 million increase in letter of credit capacity
 - Enhances the company's readiness to book anticipated strong order intake

AVAILABLE CASH AND LC AVAILABILITY

AVAILABLE CASH

As of Sept. 30, 2018	
Cash and cash equivalents	580
Cash available from revolver	848
Total Available Cash	1,428
Restricted cash	325

REVOLVER AVAILABILITY

■ Availability

\$1Bn



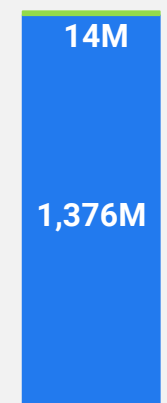
Revolver

LC AVAILABILITY

■ Availability

■ Usage

\$1.4Bn



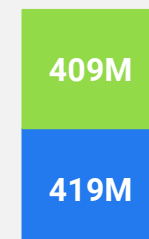
LC Facility

\$1.6Bn



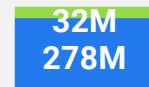
Uncommitted
Bilaterals

\$0.8Bn



Surety

\$0.3Bn

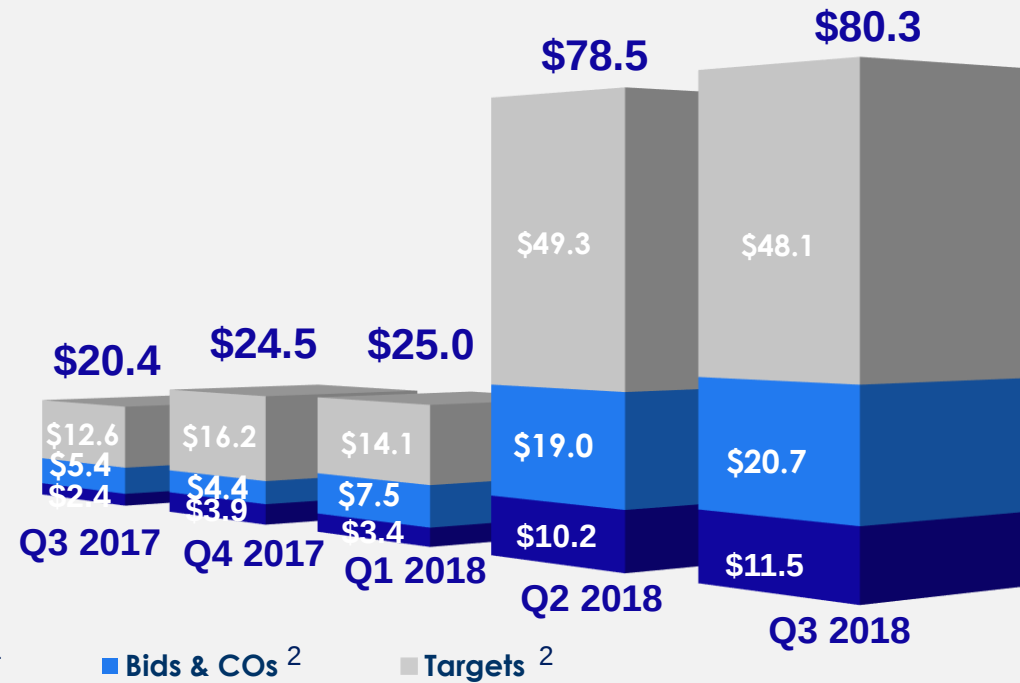


Cash
Secured

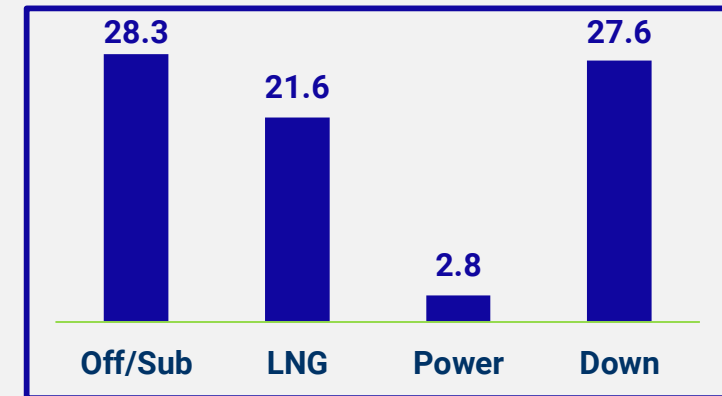
- Over \$1.1 billion in LC capacity, and commitments for an incremental \$230 million increase in LC capacity, subject to closing conditions
- Significant LC availability supports our revenue opportunity pipeline of \$80.3 billion as of Q3 2018 and anticipated strong order intake
- Strengthened balance sheet through the private placement of \$300 million of redeemable preferred stock, providing liquidity to fund working capital needs
- Anticipate proceeds from divestiture of storage tank business and U.S. pipe fabrication business in excess of \$1 billion in 2019



Q3 2018 \$80.3Bn REVENUE OPPORTUNITY PIPELINE STRENGTH IN END-MARKETS (\$ in billions)



All end markets are recovering



Recent Examples of Momentum on Key Projects:

Downstream	Bayport Polymers LLC	HDPE Plant – Borstar Bay3	Awarded Q3 2018
Power	Entergy	Entergy Power Station Project	Awarded Q3 2018
Downstream	Lukoil	Lukoil DCU EPC	Awarded Q3 2018
Offshore/Subsea	ONGC	DWN-98/2	Awarded Q4 2018
LNG	NextDecade	Rio Grande LNG	Announced will partner with Saipem to bid

**CONTINUING TO SEE RECOVERY IN THE OFFSHORE & SUBSEA, LNG AND DOWNSTREAM MARKETS
WITH HIGHEST MCDERMOTT REVENUE OPPORTUNITY PIPELINE IN COMPANY HISTORY**



¹Our backlog is equal to our Remaining Performance Obligations (RPOs) as determined in accordance with U.S. GAAP

²There is no assurance that bids outstanding or target projects will be awarded to McDermott, or that outstanding change orders ultimately will be approved and paid by the applicable customers in the full amounts requested or at all. Target projects are those that we believe fit McDermott's capabilities and are anticipated to be awarded in the market in next five quarters.





FINANCIAL APPENDIX

ADDITIONAL DISCLOSURES – QUARTERLY RECONCILIATIONS

Reconciliation of Non-GAAP to GAAP financial measures

	Three Months Ended		
	Sep 30, 2018	Jun 30, 2018	Sep 30, 2017
(Dollars in millions, except share and per share amounts)			
Net Income (Loss) Attributable to MDR	\$2	\$47	\$95
Less: Adjustments			
Transaction costs ¹	5	37	-
Costs to achieve CPI ²	31	63	-
Intangibles amortization ³	68	22	-
Debt extinguishment costs ⁴	-	14	-
Tax benefit on intercompany transfer of IP ⁵	-	(117)	-
Total Non-GAAP Adjustments	103	21	-
Tax Effect of Non-GAAP Changes ⁶	(17)	(8)	-
Total Non-GAAP Adjustments (After Tax)	87	12	-
Non-GAAP Adjusted Net Income Attributable to McDermott	\$89	\$59	\$95
Operating Income	\$129	\$49	\$125
Non-GAAP Adjustments ⁷	103	123	-
Non-GAAP Adjusted Operating Income	\$232	\$172	\$125
Non-GAAP Adjusted Operating Margin	10.2%	9.9%	13.0%
Diluted EPS	\$0.01	\$0.33	\$1.00
Non-GAAP Adjustments ⁸	0.19	(0.04)	-
Non-GAAP EPS	\$0.20	\$0.29	\$1.00
Shares used in computation of earnings (loss) per share:			
Basic	180	144	95
Diluted	181	144	95
Cash flows from operating activities	\$(221)	\$398	\$45
Capital expenditures	19	24	16
Free cash flow	\$(240)	\$374	\$29
Revenues	\$2,289	\$1,735	\$959

Note: Amounts have been rounded to the nearest million, except per share amounts. Totals may not foot as a result of rounding.

- 1) We recognized \$5 million and \$37 million of transaction costs associated with the Combination during the third and second quarters of 2018, respectively.
- 2) Costs to achieve our Combination Profitability Initiative (CPI) include restructuring and integration costs. We incurred \$31 million and \$63 million of costs from CPI in the third and second quarters of 2018, respectively.
- 3) Intangibles amortization includes the amortization of all acquired intangibles from the Combination, including project-related intangibles, other intangible assets (process technologies, trade names, trade marks, and customer relationships), and amortization of investments in unconsolidated affiliates.
- 4) As part of the financing of the Combination and establishment of our new capital structure during Q2 2018, we incurred costs associated with the prepayment of our prior credit facility and senior notes of \$14 million, which includes a make-whole premium and the accelerated write-off of debt issuance costs.
- 5) During Q2 2018, we benefited from the tax benefit of \$117 million resulting from the internal transfer of certain intellectual property rights.
- 6) The adjustments to GAAP Net Income have been income tax effected when included in net income based on the respective tax jurisdiction in which the adjustments were incurred.
- 7) Includes the Non-GAAP adjustments described in footnotes 1, 2, and 3 above. Adjustments to operating income exclude the debt extinguishment costs and tax benefit on the intercompany transfer of IP, as these items are not included in the computation of operating income.
- 8) Adjusted diluted EPS includes the intangibles amortization described in footnote 3 above.

ADDITIONAL DISCLOSURES – EBITDA RECONCILIATIONS

Reconciliation of Non-GAAP to GAAP financial measures

	Three Months Ended		
	Sep 30, 2018	Jun 30, 2018	Sep 30, 2017
(Dollars in millions)			
Net income (loss) attributable to McDermott	\$2	\$47	\$95
Add:			
Depreciation & amortization	107	57	28
Interest expense, net	86	72	12
Provision for income taxes	44	(84)	19
EBITDA¹	\$239	\$92	\$155
EBITDA	\$239	\$92	\$155
Adjustments:			
Transaction costs	5	37	-
Costs to achieve CPI	31	63	-
Debt extinguishment costs	-	14	-
Adjusted EBITDA¹	\$275	\$208	\$155

- 1) We define EBITDA as net income plus depreciation and amortization, interest expense, net, and provision for income taxes. We define Adjusted EBITDA as EBITDA less the transaction costs, costs to achieve CPI and debt extinguishment costs detailed in the immediately preceding pages. We have included EBITDA and Adjusted EBITDA disclosures in this supplemental deck because EBITDA is widely used by investors for valuation and comparing our financial performance with the performance of other companies in our industry and because Adjusted EBITDA provides a consistent measure of EBITDA relating to our underlying business. Our management also uses EBITDA and Adjusted EBITDA to monitor and compare the financial performance of our operations. EBITDA and Adjusted EBITDA do not give effect to the cash that we must use to service our debt or pay our income taxes, and thus do not reflect the funds actually available for capital expenditures, dividends or various other purposes. In addition, our presentation of EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures in other companies' reports. You should not consider EBITDA or Adjusted EBITDA in isolation from, or as a substitute for, net income or cash flow measures prepared in accordance with U.S. GAAP.

