

PATTERSON-UTI ENERGY, INC.

4Q21 Earnings First Take - Neutral

Quick Take: Neutral. PTEN reported 4Q21 EBITDA ~10% above Street est. and guided 2022 EBITDA at \$450M+, ~10% above Street too. We est. 1Q22 EBITDA at ~\$85M, ~10% above Street. This implies \$125M/Q for the remaining quarters in 2022 and ~\$600M run rate for 2023, ~20% above Street. However, PTEN guided \$350M capex for 2022 vs. Street's \$242M est. implying downside for FCF. PTEN increased quarterly dividend to \$0.04 from \$0.02 per share.

Earnings Reaction: Positive. PTEN reported \$67M adj. EBITDA for 4Q21, 9% above our Street matching est. of \$62M. We add back \$10.0M M&A expense, \$4.6M loss on asset sale and \$4M Directional Drilling inventory write off. Pressure Pumping and Other Ops. equally drove upside to our est. Revenues of \$466M were 6% above Street est. too.

1Q22 Potential Earnings: Positive. We est. ~\$85M EBITDA for 1Q22, ~10% above Street est. PTEN guided to 116 U.S. rigs and we assume \$6,000 daily margins vs. \$5,450 in 4Q21. Recall, PTEN had earlier guided to 1Q22 margins returning to 3Q21 levels of \$6,300 in 1Q22. We assume 12 fleets and \$9M EBITDA/fleet in 1Q22 vs. \$8M in 4Q21. We also assume flattish International Ops., Directional Drilling EBITDA of \$5M and Other EBITDA of \$7M.

Stock Reaction: Neutral but difficult to call as there is 10% EBITDA upside for 2022 Street est. but downside for FCF. A ~10% 4Q21 EBITDA beat and a similar upside potential to 1Q22 Street est. bodes well. PTEN guided to 2022 adj. EBITDA \$450M+ for 2022 vs. Street \$407M est. However, the company guided annual capex to \$350M vs. our \$285M est. and Street's \$242M est. Essentially, EBITDA minus capex of at least \$100M vs. Street's \$165M est.

Positives

- PTEN reported \$67M adj. EBITDA for 4Q21, 9% above our Street matching est. of \$62M.
- Revenues of \$466M were 6% above Street est. too.
- We est. ~\$85M EBITDA for 1Q22, ~10% above Street est.
- PTEN guided to at least \$450M EBITDA for 2022, ~10% above Street est. (\$437M our est.).
- The company increased quarterly dividend to \$0.04 from \$0.02 per share.

Negatives

- PTEN guided annual capex to \$350M vs. Street's \$242M est.
- Cash reduced q/q by ~\$75M of which we est. \$35M was due to cash payment for PES acquisition. Still implies ~\$40M FCF?

Questions to Ask

- Can US daily margins revert to 3Q21 level in 1Q22? Can PTEN daily margins approach ~\$15K by end of 2023?
- What are underlying assumptions for \$450M+ EBITDA for 2022?
- Breakdown of 2022 capex of \$350M?

OILFIELD SERVICES & ENERGY TRANSITION

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Appendix A – Required Disclosures

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Appendix A – Required Disclosures Contd.

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Coker & Palmer Institutional Ratings Distribution

Category	Count	Percent
Sector Outperform	6	43%
Sector Perform	3	21%
Sector Underperform	5	36%
Total	14	100%

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Appendix A – Required Disclosures Contd.

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