

BAKER HUGHES COMPANY

4Q20 Earnings Recap: International OFS Growth Uncertainty

Quick Take: BKR ended the earnings day down 1% vs the OIH down 5% on earnings beat and raise. We think the Street EBITDA est. for 2021/22 have about ~10% upside. BKR's international commentary was very different vs HAL. BKR is attacking energy transition primarily from carbon capture perspective making targeted investments. We continue to think TPS revenues and EBIT peaks in 2021, which is not properly baked into expectations. Maintain Sector Perform.

Thesis/Update

We rate Baker Hughes (BKR) Sector Perform. We see ~10% upside to Street's EBITDA est. for 2021/22. However, we think TPS revenues and EBITDA peak in 2021 while orders peaked in 2019 and margins in 2020, at least for the near term. We do not think this is properly calibrated in expectations. TPS is one of the main theses for owning BKR. We see pure OFS peers a better way to play an OFS recovery given BKR only generates 30-40% of EBIT from OFS.

BKR's international recovery commentary was in stark contrast to bullish HAL's comments. HAL talked about a double-digit international growth y/y in 2H21. However, BKR mentioned the Middle East softened in late 4Q20 and talked about a "potential" modest recovery in 2H21. BKR guided to international revenues decline of ~5% y/y in 2021, which implies only ~5% growth in 2H21 y/y. Maybe it reflects market share dynamics. But it will be interesting to see how SLB talks about international recovery for 2021. BKR is also focused on improving OFS margins shutting down ~100 roof tops and closing completions related business in LAM and Africa. The company expects to generate ~\$225M in sale proceeds from real estate, implying one year payback on ~\$225M restructuring costs spent in 4Q20.

For TPS, the company expects flat orders y/y in 2021, a positive, as LNG equipment orders decline is offset by non-LNG and services offset total equipment orders decline. The company expects three-four large LNG awards in 2021 and sees robust pipeline for beyond 2021. BKR expects revenues to grow solidly in 2021, we model 13% y/y, with flattish margins, we model 13.8% vs 14.1% for 2020. We think lower LNG equipment orders in 2020/21 imply lower TPS revenues in 2022, down ~10% y/y, despite services revenues improving mid/high single digits.

BKR continues to be focused on energy transition primarily from carbon capture perspective. The company acquired Compact Carbon Capture, which provides technology that requires 75% smaller footprint and lower capex. They are involved with over 20 trials with customers currently. BKR also has exposure to hydrogen from compression perspective, though we think revenue share is minimal.

Numbers Matter

We are increasing our 1Q21 EBITDA est. of \$562M by 2% to \$574M, 9% above Street est., as we think BKR is being conservative in their OFS guidance. For 2021/22 we are raising our EBITDA est. modestly, +2/+3%, to \$2,707/3,178M or 11/8% above Street. Simplistically, \$2.7B EBITDA less ~\$275M interest expense, \$375M cash tax, \$700M net capex, ~\$150M cash restructuring cost and neutral working capital implies \$1.2B FCF for 2021.

OILFIELD SERVICES & ENERGY TRANSITION

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Our one-year price target for BKR increases to \$22, from \$20, based on 60% weight to 2030E DCF/share value of \$21.00, 20% to \$22 implying 8% FCF yield of ~\$1.80 on average over the next 5 years and 20% on a mix of 2024E DCF/share value of \$27.00 and \$25.00 based on 10.0x 2023E EV/EBITDA discounted back 2 years at 10%.

Risks to Thesis

- Most leveraged to energy transition: Through TPS exposure to LNG, carbon capture technology and other non-OFS businesses, BKR is most leveraged to energy transition, one of the primary ongoing themes. Do investors ignore TPS peak in favor of the theme is the primary risk to our thesis?
- Upside to Street est.: We see ~10% upside to Street EBITDA est. for 2021/22.
- Better balance sheet: BKR has significantly lower debt leverage vs HAL and SLB.

Company Model (US\$M)

Summary	1Q20	2Q20	3Q20	4Q20	1Q21E	2Q21E	3Q21E	4Q21E	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E
Revenue	5,425	4,736	5,050	5,496	4,886	4,989	5,099	5,575	24,551	20,336	9,841	15,804	22,878	23,838	20,707	20,548	21,393	22,558	24,087	25,805	26,887
Consensus	5,636	4,719	4,750	5,426	4,803	4,944	5,152	5,544	-	-	-	17,259	22,877	23,838	20,596	20,456	21,886	23,064	24,563	25,906	26,268
EBITDA	595	444	549	769	574	612	669	852	4,900	1,640	493	1,933	2,878	3,022	2,357	2,707	3,178	3,596	3,966	4,362	4,602
Consensus	592	384	465	655	528	571	626	733	-	-	-	2,136	2,877	3,020	2,236	2,450	2,953	3,288	3,711	-	-
EPS	\$0.11	(\$0.05)	\$0.04	(\$0.07)	\$0.12	\$0.14	\$0.17	\$0.27	\$4.18	(\$4.00)	(\$2.95)	(\$0.02)	\$0.65	\$0.85	\$0.02	\$0.69	\$1.04	\$1.31	\$1.78	\$2.09	\$2.29
Consensus	\$0.11	(\$0.01)	\$0.04	\$0.17	\$0.09	\$0.12	\$0.16	\$0.22	-	-	-	\$0.70	\$0.70	\$0.85	\$0.28	\$0.60	\$0.96	\$1.18	\$1.47	-	-
Oilfield Services																					
U.S. Horizontal Rig Count	703	353	217	269	323	342	348	348	1,278	731	401	737	900	825	385	340	416	459	465	465	465
Growth	-2%	-50%	-38%	24%	20%	6%	2%	0%	16%	-43%	-45%	84%	22%	-8%	-53%	-12%	22%	10%	1%	0%	-
Canada Rig Count	3,340	1,227	1,364	1,679	1,978	2,087	2,107	1,806	21,370	13,059	8,132	11,810	14,749	14,562	7,611	7,978	8,999	9,303	8,728	8,704	8,704
Growth	-5%	-63%	11%	23%	18%	6%	1%	-14%	-	-39%	-38%	45%	25%	-1%	-48%	5%	13%	3%	-6%	0%	-
NAM Rig Count	1,002	431	311	412	531	458	505	516	2,239	1,149	637	1,088	1,242	1,099	538	503	642	742	752	754	755
Growth	2%	-57%	-28%	32%	29%	-14%	10%	2%	6%	-49%	-45%	71%	14%	-11%	-51%	-7%	28%	16%	1%	0%	0%
International Rig Count	1,082	834	731	665	682	694	717	725	1,341	1,168	955	948	988	1,105	827	705	810	929	1,052	1,159	1,204
Growth	-3%	-23%	-12%	-9%	3%	2%	3%	1%	3%	-13%	-18%	-1%	4%	12%	-25%	-15%	15%	15%	13%	10%	4%
OFS NAM Revenues	1,018	604	559	621	672	698	710	696	12,078	8,015	2,936	3,625	4,707	4,596	2,802	2,776	3,129	3,227	3,255	3,255	3,255
Growth	-2%	-41%	-7%	11%	8%	4%	2%	-2%	-	-34%	-63%	23%	30%	-2%	-39%	-1%	13%	3%	1%	0%	-
OFS International Revenues	2,121	1,807	1,749	1,661	1,638	1,699	1,756	1,828	11,109	10,822	5,886	5,971	6,910	8,293	7,338	6,921	7,933	8,961	10,181	11,205	11,731
Growth	-6%	-15%	-3%	-5%	-1%	4%	3%	4%	-	-3%	-46%	1%	16%	20%	-12%	-6%	15%	13%	14%	10%	5%
Total OFS Revenues	3,139	2,411	2,308	2,282	2,310	2,397	2,466	2,524	24,551	20,336	9,841	10,075	11,617	12,889	10,140	9,697	11,062	12,188	13,436	14,460	14,986
Growth	-5%	-23%	-4%	-1%	1%	4%	3%	2%	-	-17%	-52%	2%	15%	11%	-21%	-4%	14%	10%	10%	8%	4%
OFS EBIT	206	46	93	142	150	181	205	225	3,336	219	(556)	412	785	918	487	762	1,191	1,492	1,804	2,060	2,191
EBIT Margin	6.6%	1.9%	4.0%	6.2%	6.5%	7.5%	8.3%	8.9%	13.6%	1.1%	-5.6%	4.1%	6.8%	7.1%	4.8%	7.9%	10.8%	12.2%	13.4%	14.2%	14.6%
Incr EBIT Margin	19%	22%	-46%	-188%	30%	35%	35%	35%	14%	74%	7%	414%	24%	10%	16%	-62%	31%	27%	25%	25%	25%
Oilfield Equipment																					
Orders	492	699	432	561	500	500	550	550	-	3,695	2,217	2,619	3,128	3,516	2,184	2,100	2,400	2,600	3,200	3,200	3,200
OFE Revenues	712	696	726	712	655	590	531	504	-	5,063	3,545	2,637	2,641	2,921	2,846	2,279	2,281	2,576	2,636	3,040	3,230
Growth	-7%	-2%	4%	-2%	-8%	-10%	-10%	-5%	-	-	-30%	-26%	0%	11%	-3%	-20%	0%	13%	2%	15%	6%
OFE EBIT	(8)	(14)	19	23	14	5	15	15	-	700	320	38	-	56	20	48	125	192	204	285	323
EBIT Margin	-1.1%	-2.0%	2.6%	3.2%	2.2%	0.8%	2.8%	2.9%	-	13.8%	9.0%	1.4%	-	1.9%	0.7%	2.1%	5.5%	7.5%	7.7%	9.4%	10.0%
Incr EBIT Margin	45%	38%	110%	-29%	15%	15%	0%	0%	-	0%	25%	31%	-950%	20%	48%	-5%	3923%	23%	20%	20%	20%
Turbo Machinery & Processing Solutions																					
Orders	1,394	1,313	1,885	1,832	1,200	1,000	1,300	1,000	-	8,120	6,050	6,153	6,623	7,948	6,424	4,500	5,500	6,300	6,300	6,300	6,300
TPS Revenues	1,085	1,161	1,513	1,946	1,421	1,492	1,566	1,958	8,647	7,999	6,837	6,463	6,016	5,536	5,705	6,436	5,845	5,499	5,654	5,901	6,222
Growth	-34%	7%	30%	29%	-27%	5%	5%	25%	-	-	-15%	-5%	-7%	-8%	3%	13%	-9%	-6%	3%	4%	5%
TPS EBIT	134	149	191	332	174	185	196	333	-	1,680	1,254	853	621	719	806	889	808	862	882	923	976
EBIT Margin	12.4%	12.8%	12.6%	17.1%	12.3%	12.4%	12.5%	17.0%	-	21.0%	18.3%	13.2%	10.3%	13.0%	14.1%	13.8%	13.8%	15.7%	15.6%	15.6%	15.7%
Incr EBIT Margin	31%	20%	12%	33%	30%	15%	15%	35%	-	-259%	37%	107%	52%	-20%	51%	11%	14%	-16%	13%	17%	16%
Digital Solutions																					
Orders	500	465	493	528	550	550	550	550	-	2,955	2,743	2,955	2,583	2,578	1,986	2,200	2,300	2,400	2,600	2,600	2,600
DS Revenues	489	468	503	556	500	510	536	590	-	2,849	2,614	2,541	2,604	2,492	2,016	2,136	2,205	2,296	2,361	2,405	2,449
Growth	-26%	-4%	7%	11%	-10%	2%	5%	10%	-	-	-8%	-3%	2%	-4%	-19%	6%	3%	4%	3%	2%	2%
DS EBIT	29	41	46	76	48	52	62	84	-	432	319	295	390	343	192	247	274	310	336	354	372
EBIT Margin	5.9%	8.8%	9.1%	13.7%	9.6%	10.2%	11.6%	14.2%	-	15.2%	12.2%	11.6%	15.0%	13.8%	9.5%	11.5%	12.4%	13.5%	14.3%	14.7%	15.2%
Incr EBIT Margin	47%	-57%	14%	57%	50%	40%	40%	40%	-	15%	48%	33%	151%	42%	32%	45%	40%	40%	40%	40%	40%

Source: Bloomberg; Company reports; CPI est.

Company Model Contd. (US\$M)

Income Statement	1Q20	2Q20	3Q20	4Q20	1Q21E	2Q21E	3Q21E	4Q21E	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E
Total Revenues	5,425	4,736	5,050	5,496	4,886	4,989	5,099	5,575	24,551	20,336	9,841	15,804	22,878	23,838	20,707	20,548	21,393	22,558	24,087	25,805	26,887
Corporate Expenses	(122)	(117)	(115)	(111)	(108)	(106)	(104)	(100)	(250)	(321)	(117)	(254)	(404)	(432)	(465)	(418)	(400)	(440)	(440)	(440)	(440)
EBIT	240	104	234	462	279	317	374	557	3,086	(102)	(673)	694	1,393	1,603	1,040	1,527	1,998	2,416	2,786	3,182	3,422
EBIT Margin	4.4%	2.2%	4.6%	8.4%	5.7%	6.4%	7.3%	10.0%	12.6%	-0.5%	-6.8%	4.4%	6.1%	6.7%	5.0%	7.4%	9.3%	10.7%	11.6%	12.3%	12.7%
Incr EBIT Margin	33%	20%	41%	51%	30%	36%	52%	38%	13%	76%	5%	23%	10%	22%	18%	-307%	56%	36%	24%	23%	22%
D&A	355	340	315	307	295	295	295	295	1,814	1,742	1,166	1,239	1,485	1,419	1,317	1,180	1,180	1,180	1,180	1,180	1,180
EBITDA	595	444	549	769	574	612	669	852	4,900	1,640	493	1,933	2,878	3,022	2,357	2,707	3,178	3,596	3,966	4,362	4,602
EBITDA Margin	11.0%	9.4%	10.9%	14.0%	11.8%	12.3%	13.1%	15.3%	20.0%	8.1%	5.0%	12.2%	12.6%	12.7%	11.4%	13.2%	14.9%	15.9%	16.5%	16.9%	17.1%
Interest Expense	(34)	(69)	(66)	(69)	(68)	(68)	(69)	(70)	(232)	(217)	(178)	(163)	(223)	(237)	(238)	(275)	(236)	(193)	(141)	(83)	(21)
Tax	(89)	10	(60)	(454)	(74)	(87)	(107)	(171)	(946)	545	(430)	(353)	(429)	(521)	(593)	(438)	(528)	(667)	(529)	(620)	(680)
Tax Rate	43%	19%	55%	117%	35%	35%	35%	35%	34%	24%	-51%	65%	34%	37%	91%	35%	30%	30%	20%	20%	20%
Minority Interest	(47)	12	(22)	15	(55)	(65)	(79)	(127)	(12)	7	(2)	(146)	(423)	(434)	(42)	(326)	(493)	(622)	(846)	(992)	(1,088)
Net Income	70	(31)	27	(51)	82	97	119	190	1,835	(1,747)	(1,283)	(8)	278	473	15	489	740	934	1,269	1,487	1,632
Other	(10,280)	(171)	(197)	703	-	-	-	-	(116)	(220)	(1,455)	(433)	(83)	(285)	(9,945)	-	-	-	-	-	-
Diluted Shares	653	655	676	713	713	713	713	713	439	437	434	428	428	557	674	713	713	713	713	713	713
Shares Incl GE	1,079	1,032	1,027	1,027	1,027	1,027	1,027	1,027	438,734	437,055	434,219	787,422	1,099	1,013	1,041	1,027	1,027	1,027	1,027	1,027	1,027
Clean EPS	\$0.11	(\$0.05)	\$0.04	(\$0.07)	\$0.12	\$0.14	\$0.17	\$0.27	\$4.18	(\$4.00)	(\$2.95)	(\$0.02)	\$0.65	\$0.85	\$0.02	\$0.69	\$1.04	\$1.31	\$1.78	\$2.09	\$2.29
Cash Flows																					
Net Income	(16,045)	(431)	(270)	951	137	162	198	317	1,731	(1,974)	(2,736)	(242)	283	271	(15,795)	814	1,233	1,556	2,116	2,479	2,721
D&A	355	339	315	307	295	295	295	295	1,814	1,742	1,166	1,103	1,486	1,418	1,316	1,180	1,180	1,180	1,180	1,180	1,180
WC Changes	292	11	(133)	(38)	(25)	(144)	(154)	336	(449)	1,245	1,114	(1,356)	274	248	132	13	(293)	(366)	(241)	(325)	(112)
Stock Comp	56	56	-	-	-	-	-	-	122	120	-	-	-	187	112	-	-	-	-	-	-
CFO	478	227	219	378	350	268	315	987	2,953	1,796	4,229	(799)	1,762	2,126	1,302	1,921	2,298	2,687	3,055	3,334	3,789
Capex	(325)	(168)	(167)	(127)	(175)	(175)	(175)	(175)	(1,791)	(965)	(332)	(665)	(995)	(976)	(787)	(700)	(750)	(800)	(963)	(1,032)	(1,075)
FCF	153	59	52	251	175	93	140	812	1,162	831	3,897	(1,464)	767	1,150	515	1,221	1,548	1,887	2,091	2,302	2,714
Debt Changes	(115)	1,203	(21)	(76)	10	92	45	(628)	(248)	(45)	(1,195)	3,088	(1,060)	(587)	991	(481)	(808)	(1,148)	(1,352)	(1,563)	(1,392)
Equity Changes	-	-	-	-	-	-	-	-	(384)	116	(672)	(477)	(2,486)	(250)	-	-	-	-	-	-	-
Dividends	(186)	(186)	(186)	(186)	(185)	(185)	(185)	(185)	(279)	(297)	(293)	8,492	(810)	(745)	(744)	(739)	(739)	(739)	(739)	(739)	(739)
Other	(26)	5	6	(7)	-	-	-	-	(28)	(56)	(25)	(184)	(7)	48	(22)	-	-	-	-	-	-
Cash at Beginning	3,249	3,010	4,129	4,058	4,130	4,130	4,130	4,130	1,399	1,740	2,324	4,572	7,030	3,723	3,249	4,130	4,130	4,130	4,130	4,130	4,130
Cash at End	3,010	4,129	4,058	4,130	4,130	4,130	4,130	4,130	1,740	2,324	4,572	10,614	3,723	3,249	4,130	4,130	4,130	4,130	4,130	4,130	4,712
Balance Sheet																					
Cash	3,249	3,010	4,129	4,058	4,130	4,130	4,130	4,130	1,399	1,740	2,324	4,572	7,030	3,723	3,249	4,130	4,130	4,130	4,130	4,130	4,130
Receivables	6,148	5,710	5,647	5,622	5,647	5,791	5,945	5,609	5,418	3,217	2,251	6,014	5,969	6,416	5,622	5,609	5,902	6,268	6,509	6,834	6,945
Inventories	4,534	4,616	4,469	4,421	4,421	4,421	4,421	4,421	4,074	2,917	1,809	4,590	4,620	4,608	4,421	4,421	4,421	4,421	4,421	4,421	4,421
Payables	3,991	3,628	3,482	3,532	3,532	3,532	3,532	3,532	2,807	1,409	1,027	3,377	4,025	4,268	3,532	3,532	3,532	3,532	3,532	3,532	3,532
Total Debt	6,495	7,700	7,689	7,679	7,689	7,781	7,825	7,198	4,133	4,041	3,018	8,349	7,227	6,622	7,679	7,198	6,389	5,242	3,890	2,327	935
Ratios																					
Net Debt/Cap	19%	14%	19%	18%	18%	18%	18%	15%	11%	8%	-10%	-7%	14%	12%	18%	15%	12%	6%	-1%	-9%	-19%
Net Debt/EBITDA	1.2x	1.3x	1.5x	1.5x	1.5x	1.5x	1.4x	1.1x	0.5x	1.0x	-3.2x	-1.2x	1.2x	1.1x	1.5x	1.1x	0.7x	0.3x	-0.1x	-0.4x	-0.8x
Capex/Sales	6%	4%	3%	2%	4%	4%	3%	3%	7%	5%	3%	4%	4%	4%	4%	3%	4%	4%	4%	4%	4%
Working Capital/Sales	31%	35%	33%	31%	35%	35%	35%	31%	27%	23%	31%	46%	29%	28%	31%	32%	32%	32%	31%	30%	29%

Source: Bloomberg; Company reports; CPI est.

Appendix A – Required Disclosures

Analyst Certification

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Conflicts

Vaibhav (Vebs) Vaishnav, Oilfield Services & Energy Transition Analyst, does not hold any stocks from those sectors in his personally managed accounts.

In the normal course of offering investment and banking products and services to clients, CPI may act in several capacities (including issuer, market maker, underwriter and distributor agent) simultaneously with respect to a product, giving rise to potential conflicts of interest. CPI uses controls such as information barriers to manage conflicts should they arise.

CPI has not been involved with any investment banking/consulting activities in the Oilfield Services and/or Energy Transition sector in the past six months.

Rating Methodology

Coker Palmer Institutional (CPI) is restarting formal rating systems. The firm has a three-tiered rating system, with ratings of Sector Outperform, Sector Perform, and Sector Underperform. Each Research Analyst assigns a rating that is relative to his or her coverage universe or an index identified by the Research Analyst that includes, but is not limited to, stocks covered by the Research Analyst.

The rating assigned to each security covered in this report is based on the CPI Research Analyst's 12-month view on the security. Research Analysts may sometimes express in research reports shorter-term views on these securities that may impact the price of the equity security in a manner directly counter to the Research Analyst's 12-month view.

Appendix A – Required Disclosures Contd.

These shorter term views are based upon catalysts or events that may have a shorter-term impact on the market price of the equity securities discussed in research reports, including but not limited to the inherent volatility of the marketplace. Any such shorter-term views expressed in research report are distinct from and do not affect the Research Analyst's 12-month view and are clearly noted as such.

Ratings

Sector Outperform (SO)

The stock is expected to outperform the average 12-month total return of the analyst's coverage universe or an index identified by the analyst that includes, but is not limited to, stocks covered by the analyst.

Sector Perform (SP)

The stock is expected to perform approximately in line with the average 12-month total return of the analyst's coverage universe or an index identified by the analyst that includes, but is not limited to, stocks covered by the analyst.

Sector Underperform (SU)

The stock is expected to underperform the average 12-month total return of the analyst's coverage universe or an index identified by the analyst that includes, but is not limited to, stocks covered by the analyst.

Coker & Palmer Institutional Ratings Distribution as of 01/10/21

Category	Count	Percent
Sector Outperform	3	33%
Sector Perform	3	33%
Sector Underperform	3	33%
Total	9	100%

Price Target Methodology:

Coker Palmer Institutional (CPI) price targets are based on 60% weighting to DCF value through 2030, 20% weighting to FCF yield and a combined 20% weighting to traditional EV/EBITDA and DCF based through 2024.

Valuation/Risk Factors

Oilfield Services (OFS) business is inherently risky. OFS investors should be fully aware of these risks, which include, but are not limited to, volatile natural gas, NGL's and crude oil prices, demand for and competition for a company's product and/or service, asset quality, customer risks, changes in operating costs, company capital structures, operating and working capital needs and ability to raise both debt and equity capital to fund operations. We value OFS equities on many different metrics, including but not limited to, our subjective view as to the quality of management, discounted cash flows, net asset values, enterprise value to EBITDA or cash flow multiples, price to earnings or cash flow multiples, reinvestment risk and full cycle economics. These factors are uncertain and our outlook is subject to change, sometimes quite quickly. Any changes in the above factors can impede achievement of our valuation assessments.

Appendix A – Required Disclosures Contd.

The Exploration and Production (E&P) business is inherently risky. Investors in E&P equities should be fully aware of these risks, which include, but are not limited to, volatile natural gas, NGL's and crude oil prices, regional pricing differences, field and company asset quality, reserve depletion factors, drilling risks, operating costs, company capital structures, operating and working capital needs and ability to raise both debt and equity capital to fund operations. . E&P Valuation Methods used to determine the Price Target: We value E&P companies on many different metrics, including, but not limited to, our estimate of net asset value (NAV), enterprise value to EBITDA or cash flow multiples, price/earnings or cash flow multiples, discounted cash flow analysis and breakup/acquisition values. All our estimates and valuations are highly and inherently uncertain. They are based on, but not limited to, our outlook for the commodity price, our subjective view as to the quality of management, net asset value, quality of the proven and unproven reserves and resources, ability to develop and produce these reserves/resources, financial strength, cash flow, access to capital, and full cycle economics of investments. These factors are uncertain and our outlook is subject to change, sometimes quite quickly. Any changes in the above factors can impede achievement of our valuation assessments.

Industrials: This category might cover many different types of companies with various business models and various factors affecting the operations and stock prices, some of which include overall economic growth, end market demand, product inventories and competition. Some of these companies might have various energy-related exposure through both sales and/or costs. In general, industrial company risks include, but not limited to, high fixed operating costs, rising input costs, currency and commodity price fluctuations, variable demand, inventory levels, quality of management, competition and obsolesce.

E&P, Oilfield Service, Energy Transition, as well as investments in the other subsectors we follow are subject to a myriad of external factors, including but not limited to, commodity price risk, geopolitical risk, changes in interest rates, the value of worldwide currencies, especially the U.S. dollar, changing regulations, both domestically and abroad, regulatory enforcement levels, and changes in domestic or global economic fundamentals. Please see specific companies' most recent SEC filings, including 10-Ks, 10-Qs, 8-Ks, and proxy filings for additional risks and considerations. For companies based outside the US, please see country specific regulatory filings for additional risks and considerations.