

HALLIBURTON COMPANY

4Q20 Earnings Call Takeaways - Neutral

Quick Take: HAL's guidance for 1Q21 implies ~\$570M EBITDA vs Street's \$535M, but we think our published \$605M est. looks reasonable. Capex guided to ~\$750M for 2021. We estimate ~\$350M FCF for 2021 assuming \$500M working capital use. We think HAL's positive stock reaction could be driven by "consensus long" NOV positioning. NOV pre-announced 4Q20 EBITDA at \$17M vs Street's \$59M est. and 1Q21 likely could be flat/down q/q.

1Q21 Outlook

- HAL's guidance implies 1Q21 EBITDA at about \$570M vs Street's \$535M. We think the company is being conservative (and rightly so), but our published \$605M est. is reasonable. See our [4Q20 First Take Note](#).
- HAL guidance
 - C&P revenues to improve 3-5% q/q but margins down 150-200bps due to mix
 - D&E revenues to improve low single digit (counter-seasonally) q/q and margins up 50-75bps
 - International and GoM will be impacted from absence of YE sales while NAM momentum should continue with completions outpacing drilling activity
 - Corp. Exp. flat at ~\$50M
 - Int. Exp. Flat at ~\$125M
 - Tax rate at 25%

2021 Outlook

- 2021 capex flattish y/y at ~750mn
- FCF could more than double in 2021, ex-working capital. In 2020, HAL generated ~\$1.1B FCF including ~\$800M from working capital, ie ~\$300M net of working capital. This implies ~\$600M FCF for 2021 before working capital. If we assume ~\$500M working capital use in 2021, that will imply ~\$100M FCF. However, in 2020 HAL paid ~\$250M severance/restructuring cash cost as well, which should be a tailwind or pegging 2021 FCF at about ~\$350M vs \$160M dividends.
- HAL will focus on debt reduction; \$685M debt to be paid from cash in 2021.
- Expect mid-teens margins for C&P for 2020; could go higher if pricing improves.
- Goal is to achieve double digits D&E margins by the end of 2021.

International Commentary

- 1Q21 will be trough activity due to seasonality and YE sales going away. HAL has visibility into improving activity. Customers have pulled forward some work. 2H21 international activity could be up low-double digits y/y.
- LAM will continue upward momentum on/offshore. **However, we wonder what YPF news around debt troubles imply?**
- APAC is showing signs of improvement. Parts of Europe and Africa will remain slow especially in deep water. ME/Russia will manage activity according to demand recovery..

OILFIELD SERVICES & ENERGY TRANSITION

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NAM Commentary

- Completions to improve in 1H21.
- Customer consolidation and focus on capex will continue.
- Equipment utilization today above vs start of 2020.
- HAL will convert some conventional fleets to electric fleet in normal course of business.

Appendix A – Required Disclosures

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Appendix A – Required Disclosures Contd.

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Appendix A – Required Disclosures Contd.

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