

HALLIBURTON COMPANY

1Q21 Earnings Recap: Start Of An International Cycle

Quick Take: HAL ended the earnings day down 4% vs the OIH +1%. The company beat Street est., but 2Q21 guide was essentially in-line. Investor expectations were set along the lines of beat and raise. NAM growth is moderating and multi-year international growth is just beginning, as per HAL. We concur. HAL generates ~60-65% of revenues internationally with margins already near 2013-14 levels and room to grow. At 7x 2022 EV/EBITDA and 8% FCF yield (2022 FCF of \$1.4B), the stock looks decent. However, our DCF-based valuation imply \$17 PT. Maintain Sector Perform.

Thesis/Update

We rate Halliburton Company (HAL) Sector Perform. We see ~5% upside to Street's EBITDA est. for 2021/22. HAL generates 60-65% of revenues internationally, where a multi-year growth cycle should begin. Absolute valuation for HAL of 7x 2022 EV/EBITDA and 8% FCF yield on 2022 seems decent. However, BKR is trading at similar 2022 EV/EBITDA with modestly higher FCF yield. SLB is trading at 8x 2022 EV/EBITDA and 9% FCF yield. We prefer BKR, tactically, given massive underperformance YTD, and then SLB over HAL. Rightly or wrongly, SLB is the go-to name for international exposure with ~80% of revenues from international arena.

HAL expects NAM activity to be up ~10% and international flattish y/y in 2021 (LDD growth in 2H21 y/y). This implies C&P revenues could be up MSD y/y with mid-teens margins and D&E revenues up MSD y/y with double digit margins. We model \$2.7B EBITDA for 2021, ~5% above Street est. Assuming \$350M other expenses, \$500M interest, \$275M cash tax, \$225M working capital use, \$500M capex net of \$200M lost in hole, \$200M stock comp yields \$1B FCF for 2021.

Early indicators of international cycles are emerging with completion tools growing and doubling of bids submitted y/y with most coming from the NOCs in the Middle East and LAM. In NAM activity is expected to moderate but continue to increase. Pricing is not improving yet.

Numbers Matter

We model ~\$640M EBITDA for 2Q21 assuming C&P revs +12% q/q and 14.8% margins and D&E revs +6% q/q with 9.7% margins, in-line with guidance. For 2021/22 we are reducing our EBITDA est. by ~10% each year to \$2,637/3,104M owing to lower NAM revs. growth assumptions, but still ~5% above Street est.

Our one-year price target for HAL is reduced to \$17, from \$18, based on 60% weight to 2030E DCF/share value of \$15.00, 20% to \$22 implying 8% FCF yield of ~\$1.75 on average over the next 5 years and 20% on a mix of 2024E DCF/share value of \$17.00 and \$21.00 based on 8.0x 2023E EV/EBITDA discounted back 2 years at 10%.

Risks to Thesis

- Upside to Street EBITDA est. We see ~5% upside to Street's 2021/22 EBITDA est. HAL is the "go to name" for increasing U.S. activity.
- Absolute valuation for HAL of 7x 2022 EV/EBITDA and 8% FCF yield on 2022 seems decent.

OILFIELD SERVICES & GREEN ENERGY

Vaibhav (Vebs) Vaishnav | Analyst

Coker Palmer Institutional

713-344-0852 (O) / 281-546-0315 (M)

vebs@cokerpalmer.com

Company Model (US\$M)

Summary	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21E	3Q21E	4Q21E	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E
Revenue	5,037	3,196	2,975	3,237	3,451	3,760	3,943	4,042	32,870	23,633	15,887	20,620	23,995	22,408	14,445	15,195	17,252	18,284	20,339	21,353	21,461
Consensus	5,018	3,293	3,114	3,205	3,353	3,557	3,720	3,796	-	-	-	-	23,995	22,408	14,445	14,445	16,350	18,470	20,854	22,125	21,619
EBITDA	850	487	505	579	596	639	691	711	7,174	4,156	2,194	3,565	4,338	3,683	2,421	2,637	3,104	3,309	3,656	3,808	3,824
Consensus	791	345	476	535	574	626	668	689	-	-	-	-	4,338	3,683	2,421	2,535	3,003	3,587	4,104	-	-
EPS	\$0.31	\$0.07	\$0.12	\$0.18	\$0.19	\$0.22	\$0.26	\$0.28	\$4.01	\$1.57	(\$0.02)	\$0.13	\$1.89	\$1.24	\$0.67	\$0.96	\$1.37	\$1.63	\$1.99	\$2.19	\$2.29
Consensus	\$0.24	(\$0.12)	\$0.08	\$0.15	\$0.17	\$0.22	\$0.26	\$0.28	\$4.02	\$1.56	(\$0.02)	\$1.22	\$1.90	\$1.24	\$0.65	\$0.89	\$1.33	\$1.74	\$2.27	\$2.49	\$2.33
North America																					
U.S. Horizontal Rig Count	703	353	217	269	350	433	475	475	1,278	731	401	737	900	825	385	434	498	501	501	501	501
Growth	-2%	-50%	-38%	24%	30%	24%	10%	0%	16%	-43%	-45%	84%	22%	-8%	-53%	13%	15%	1%	0%	0%	0%
Well Completions	3,340	1,227	1,364	1,679	2,040	2,423	2,526	2,465	21,370	13,059	8,132	11,810	14,749	14,562	7,611	9,453	10,273	10,033	10,014	9,378	9,378
Growth	-5%	-63%	11%	23%	21%	19%	4%	-2%	-	-39%	-38%	45%	25%	-1%	-48%	24%	9%	-2%	0%	-6%	0%
Working Fleets	314	78	115	123	144	182	206	206	452	264	162	314	413	377	157	185	219	221	221	221	221
Growth	-4%	-75%	47%	7%	17%	26%	13%	0%	-	-41%	-39%	93%	32%	-9%	-58%	17%	19%	1%	0%	0%	0%
U.S. Working HHP (MM)	14,755	3,683	5,425	5,786	6,785	8,532	9,663	9,663	-	9,251	6,485	14,110	19,411	17,719	7,402	8,672	10,313	10,396	10,396	10,396	10,396
Growth	-4%	-75%	47%	7%	17%	26%	13%	0%	-	-	-30%	118%	38%	-9%	-58%	17%	19%	1%	0%	0%	0%
U.S. Land Revenues	2,058	818	778	997	1,181	1,391	1,450	1,401	15,648	8,728	4,868	9,857	12,697	10,189	4,650	5,422	5,837	5,700	6,356	6,171	6,171
Growth	8%	-60%	-5%	28%	18%	18%	4%	-3%	20%	-44%	-44%	102%	29%	-20%	-54%	17%	8%	-2%	12%	-3%	0%
GoM Revenues	330	182	164	196	177	185	189	193	1,371	1,628	1,479	1,187	1,280	1,364	872	744	849	952	1,055	1,132	1,183
Growth	-5%	-45%	-10%	20%	(0)	0	0	0	3%	19%	-9%	-20%	8%	7%	-36%	-15%	0	12%	11%	7%	5%
Canada Revenues	74	41	41	43	47	35	50	54	679	500	424	521	454	305	199	186	249	305	362	429	509
Growth	5%	-45%	0%	5%	10%	-25%	40%	10%	-16%	-26%	-15%	23%	-13%	-33%	-35%	-6%	33%	23%	19%	19%	19%
NAM Revenues	2,462	1,040	982	1,236	1,405	1,611	1,689	1,648	17,698	10,856	6,770	11,564	14,430	11,858	5,721	6,353	6,934	6,957	7,772	7,732	7,863
Growth	6%	-58%	-6%	26%	14%	15%	5%	-2%	16%	-39%	-38%	71%	25%	-18%	-52%	11%	9%	0%	12%	-1%	2%
International																					
International Rig Count	1,082	834	731	663	693	718	738	743	1,341	1,168	955	948	988	1,105	827	723	810	915	1,018	1,113	1,136
Growth	-3%	-23%	-12%	-9%	4%	4%	3%	1%	3%	-13%	-18%	-1%	4%	12%	-25%	-13%	12%	13%	11%	9%	2%
LAM Revenues	516	346	380	426	535	558	595	637	3,875	3,149	1,860	2,116	2,065	2,364	1,668	2,325	2,722	2,968	3,334	3,644	3,538
Growth	-14%	-33%	10%	12%	26%	4%	7%	7%	-1%	-19%	-41%	14%	-2%	14%	-29%	39%	17%	9%	12%	9%	-3%
ECA Revenues	831	691	649	642	634	662	687	722	5,490	4,175	2,993	2,781	2,945	3,285	2,813	2,705	3,093	3,542	4,015	4,443	4,617
Growth	-6%	-17%	-6%	-1%	-1%	4%	5%	5%	5%	-24%	-28%	-7%	6%	12%	-14%	-4%	14%	15%	13%	11%	4%
MEA Revenues	1,230	1,110	962	931	878	934	977	1,031	5,807	5,453	4,264	4,159	4,554	4,875	4,233	3,820	4,503	4,816	5,217	5,534	5,443
Growth	-11%	-10%	-13%	-3%	-6%	6%	5%	5%	15%	-6%	-22%	-2%	9%	7%	-13%	-10%	18%	7%	8%	6%	-2%
International Revenues	2,577	2,147	1,991	1,999	2,047	2,154	2,259	2,390	15,172	12,777	9,117	9,056	9,564	10,524	8,714	8,851	10,317	11,327	12,566	13,622	13,598
Growth	-10%	-17%	-7%	0%	2%	5%	5%	6%	7%	-16%	-29%	-1%	6%	10%	-17%	2%	17%	10%	11%	8%	0%

Source: Bloomberg; Company reports; CPI est.

Company Model Contd. (US\$M)

Completion & Production	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21E	3Q21E	4Q21E	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E
U.S. Horizontal Rig Count	703	353	217	269	350	433	475	475	1,278	731	401	737	900	825	385	434	498	501	501	501	501
Growth	-2%	-50%	-38%	24%	30%	24%	10%	0%	16%	-43%	-45%	84%	22%	-8%	-53%	13%	15%	1%	0%	0%	0%
International Rig Count	1,082	834	731	663	693	718	738	743	1,341	1,168	955	948	988	1,105	827	723	810	915	1,018	1,113	1,136
Growth	-3%	-23%	-12%	-9%	4%	4%	3%	1%	3%	-13%	-18%	-1%	4%	12%	-25%	-13%	12%	13%	11%	9%	2%
NA&M C&P Revenues	1,671	698	734	955	1,093	1,265	1,331	1,299	13,688	8,356	-	-	11,587	9,161	4,057	4,988	5,415	5,289	5,897	5,725	5,725
Growth	-2%	-58%	5%	30%	14%	16%	5%	-2%	20%	-39%	-	-	-	-21%	-56%	23%	9%	-2%	12%	-3%	0%
Intl C&P Revenues	1,291	974	840	855	777	821	860	892	6,565	5,365	-	-	4,386	4,870	3,961	3,350	3,792	4,232	4,773	5,256	5,315
Growth	-4%	-25%	-14%	2%	-9%	6%	5%	4%	8%	-18%	-	-	-	11%	-19%	-15%	13%	12%	13%	10%	1%
Total C&P Revenues	2,962	1,672	1,574	1,810	1,870	2,086	2,192	2,191	20,253	13,721	8,882	13,077	15,973	14,031	8,018	8,339	9,207	9,521	10,670	10,981	11,040
Growth	-3%	-44%	-6%	15%	3%	12%	5%	0%	16%	-32%	-35%	47%	22%	-12%	-43%	4%	10%	3%	12%	3%	1%
C&P EBIT	345	159	212	282	252	306	343	343	3,670	1,082	107	1,621	2,278	1,671	998	1,244	1,504	1,565	1,750	1,797	1,805
EBIT Margin	11.6%	9.5%	13.5%	15.6%	13.5%	14.7%	15.7%	15.6%	18.1%	7.9%	1.2%	12.4%	14.3%	11.9%	12.4%	14.9%	16.3%	16.4%	16.4%	16.4%	16.4%
Incr EBIT Margin	44%	14%	-54%	30%	-50%	25%	35%	35%	27%	40%	20%	36%	23%	31%	11%	77%	30%	19%	16%	15%	15%
C&P EBITDA	561	339	392	462	369	423	460	460	4,832	2,242	1,007	2,574	3,336	2,720	1,622	1,714	1,974	2,034	2,220	2,266	2,275
EBITDA Margin	18.9%	20.3%	24.9%	25.5%	19.8%	20.3%	21.0%	21.0%	23.9%	16.3%	11.3%	19.7%	20.9%	19.4%	20.2%	20.5%	21.4%	21.4%	20.8%	20.6%	20.6%
Drilling & Evaluation																					
U.S. Land Rig Count	785	392	254	308	390	472	514	514	1,806	925	486	862	1,033	943	434	473	549	553	553	553	553
Growth	-4%	-50%	-35%	21%	27%	21%	9%	0%	6%	-49%	-47%	77%	20%	-9%	-54%	9%	16%	1%	0%	0%	0%
U.S. Well Completions	3,340	1,227	1,364	1,679	2,040	2,423	2,526	2,465	21,370	13,059	8,132	11,810	14,749	14,562	7,611	9,453	10,273	10,033	10,014	9,378	9,378
Growth	-5%	-63%	11%	23%	21%	19%	4%	-2%	-	-39%	-38%	45%	25%	-1%	-48%	24%	9%	-2%	0%	-6%	0%
International Rig Count	1,082	834	731	663	693	718	738	743	1,341	1,168	955	948	988	1,105	827	723	810	915	1,018	1,113	1,136
Growth	-3%	-23%	-12%	-9%	4%	4%	3%	1%	3%	-13%	-18%	-1%	4%	12%	-25%	-13%	12%	13%	11%	9%	2%
NA&M D&E Revenues	789	351	250	283	311	346	359	352	4,010	2,500	-	-	2,844	2,723	1,674	1,369	1,519	1,669	1,875	2,007	2,138
Growth	27%	-55%	-29%	13%	10%	11%	4%	-2%	6%	-38%	-	-	-	-4%	-39%	-18%	11%	10%	12%	7%	7%
Intl D&E Revenues	1,286	1,173	1,151	1,144	1,270	1,328	1,392	1,499	8,607	7,412	-	-	5,178	5,654	4,753	5,488	6,525	7,095	7,793	8,366	8,283
Growth	-15%	-9%	-2%	-1%	11%	5%	5%	8%	6%	-14%	-	-	-	9%	-16%	15%	19%	9%	10%	7%	-1%
Total D&E Revenues	2,075	1,524	1,401	1,427	1,581	1,674	1,751	1,851	12,617	9,912	7,005	7,543	8,022	8,377	6,427	6,857	8,045	8,763	9,668	10,372	10,420
Growth	-3%	-27%	-8%	2%	11%	6%	5%	6%	6%	-21%	-29%	8%	6%	4%	-23%	7%	17%	9%	10%	7%	0%
D&E EBIT	217	127	105	117	171	162	177	197	1,740	1,506	794	718	745	642	566	707	916	1,060	1,222	1,328	1,335
EBIT Margin	10.5%	8.3%	7.5%	8.2%	10.8%	9.7%	10.1%	10.6%	13.8%	15.2%	11.3%	9.5%	9.3%	7.7%	8.8%	10.3%	11.4%	12.1%	12.6%	12.8%	12.8%
Incr EBIT Margin	12%	16%	18%	46%	35%	-10%	20%	20%	-7%	9%	24%	-14%	6%	-29%	4%	33%	18%	20%	18%	15%	15%
D&E EBITDA	349	247	225	237	274	264	280	300	2,674	2,144	1,363	1,281	1,257	1,194	976	1,117	1,327	1,470	1,632	1,738	1,745
EBITDA Margin	16.8%	16.2%	16.1%	16.6%	17.3%	15.8%	16.0%	16.2%	21.2%	21.6%	19.5%	17.0%	15.7%	14.3%	15.2%	16.3%	16.5%	16.8%	16.9%	16.8%	16.7%

Source: Bloomberg; Company reports; CPI est.

Company Model Contd. (US\$M)

Income Statement	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21E	3Q21E	4Q21E	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E
Total Revenues	5,037	3,196	2,975	3,237	3,451	3,760	3,943	4,042	32,870	23,633	15,887	20,620	23,995	22,408	14,445	15,195	17,252	18,284	20,339	21,353	21,461
Corporate Expenses	(60)	(50)	(42)	(49)	(53)	(55)	(55)	(55)	(362)	(267)	(210)	(330)	(291)	(255)	(201)	(218)	(220)	(220)	(220)	(220)	(220)
EBIT	502	236	275	350	370	413	465	485	5,048	2,321	691	2,009	2,732	2,058	1,363	1,733	2,200	2,405	2,752	2,904	2,920
EBIT Margin	10.0%	7.4%	9.2%	10.8%	10.7%	11.0%	11.8%	12.0%	15.4%	9.8%	4.3%	9.7%	11.4%	9.2%	9.4%	11.4%	12.8%	13.2%	13.5%	13.6%	13.6%
Incr EBIT Margin	29%	14%	-18%	29%	9%	14%	29%	20%	22%	30%	21%	28%	21%	42%	9%	49%	23%	20%	17%	15%	-91%
D&A	348	251	230	229	226	226	226	226	2,126	1,835	1,503	1,556	1,606	1,625	1,058	904	904	904	904	904	904
EBITDA	850	487	505	579	596	639	691	711	7,174	4,156	2,194	3,565	4,338	3,683	2,421	2,637	3,104	3,309	3,656	3,808	3,824
EBITDA Margin	16.9%	15.2%	17.0%	17.9%	17.3%	17.0%	17.5%	17.6%	21.8%	17.6%	13.8%	17.3%	18.1%	16.4%	16.8%	17.4%	18.0%	18.1%	18.0%	17.8%	17.8%
Interest Expense	(134)	(124)	(122)	(125)	(125)	(125)	(127)	(126)	(383)	(447)	(553)	(593)	(554)	(569)	(505)	(503)	(474)	(368)	(289)	(207)	(103)
Tax	(73)	(16)	(32)	(38)	(52)	(66)	(78)	(83)	(1,241)	(412)	48	(1,220)	(416)	(298)	(159)	(279)	(407)	(484)	(591)	(649)	(679)
Tax Rate	21%	25%	24%	18%	23%	25%	25%	25%	27%	24%	69%	92%	20%	22%	21%	25%	25%	25%	25%	25%	25%
Net Income	270	60	102	160	170	196	234	249	3,421	1,333	(16)	114	1,662	1,084	592	849	1,216	1,449	1,768	1,944	2,034
Other	(1,287)	(1,729)	(119)	(395)	-	-	-	-	79	(2,003)	(5,747)	(981)	(6)	(2,215)	(3,530)	-	-	-	-	-	-
Diluted Shares	878	877	882	885	889	889	889	889	852	851	862	871	877	876	881	889	889	889	889	889	889
Clean EPS	\$0.31	\$0.07	\$0.12	\$0.18	\$0.19	\$0.22	\$0.26	\$0.28	\$4.01	\$1.57	(\$0.02)	\$0.13	\$1.89	\$1.24	\$0.67	\$0.96	\$1.37	\$1.63	\$1.99	\$2.19	\$2.29
Cash Flows																					
Net Income	(1,015)	(1,681)	(19)	(227)	171	196	234	249	3,501	(667)	(5,769)	(468)	1,657	(1,129)	(2,942)	850	1,216	1,449	1,768	1,944	2,034
D&A	348	251	230	229	226	226	226	226	2,126	1,835	1,503	1,556	1,606	1,625	1,058	904	904	904	904	904	904
WC Changes	(200)	496	180	324	59	(381)	(205)	293	(542)	1,018	1,232	(626)	(384)	(161)	800	(234)	(571)	(263)	(583)	(158)	(54)
Other	1092	1885	56	376	(253)	-	-	-	(569)	720	2,832	1,272	545	2,506	3409	(253)	-	-	-	-	-
CFO	225	598	420	638	203	38	264	983	4,062	2,906	(1,703)	2,468	3,157	2,445	1,881	1,489	1,956	2,549	2,289	2,890	3,083
Capex	(213)	(142)	(155)	(218)	(46)	(151)	(151)	(151)	(3,283)	(2,184)	(798)	(1,373)	(2,026)	(1,530)	(728)	(500)	(600)	(650)	(817)	(868)	(873)
FCF	12	456	265	420	157	(113)	113	832	779	722	(2,501)	1,095	1,131	915	1,153	989	1,356	1,899	1,472	2,022	2,210
Debt Changes	(657)	(2)	-	(1)	(188)	153	(73)	(792)	-	7,440	(3,171)	(1,641)	(445)	-	(660)	(899)	(1,196)	(1,739)	(1,312)	(1,862)	(2,050)
Equity Changes	(100)	-	-	-	-	-	-	-	(800)	-	-	-	(205)	(100)	(100)	-	-	-	-	-	-
Dividends	(158)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(533)	(614)	(620)	(626)	(630)	(630)	(278)	(160)	(160)	(160)	(160)	(160)	(160)
Other	12	8	5	6	5	-	-	-	303	255	251	106	(139)	35	31	5	-	-	-	-	-
Cash at Beginning	2,268	1,385	1,811	2,115	2,563	2,446	2,446	2,446	2,356	2,291	10,077	4,009	2,337	2,008	2,268	2,563	2,446	2,446	2,446	2,446	2,446
Cash at End	1,385	1,811	2,115	2,563	2,446	2,446	2,446	2,446	2,291	10,077	4,009	2,337	2,008	2,268	2,563	2,446	2,446	2,446	2,446	2,446	2,446
Balance Sheet																					
Cash	1,385	1,811	2,115	2,563	2,446	2,446	2,446	2,446	2,291	10,077	4,009	2,337	2,008	2,268	2,563	2,446	2,446	2,446	2,446	2,446	2,446
Receivables	4,850	3,345	3,145	3,071	3,250	3,631	3,836	3,543	7,564	5,317	3,922	2,337	5,234	4,577	3,071	3,543	4,114	4,377	4,960	5,118	5,173
Inventories	3,220	2,745	2,580	2,349	2,349	2,349	2,349	2,349	3,571	2,417	2,275	5,036	3,028	3,139	2,349	2,349	2,349	2,349	2,349	2,349	2,349
Payables	2,640	1,708	1,548	1,573	1,769	1,769	1,769	1,769	2,814	2,019	1,764	2,554	3,018	2,432	1,573	1,769	1,769	1,769	1,769	1,769	1,769
Total Debt	9,826	9,826	9,827	9,827	9,642	9,795	9,722	8,931	8,207	15,346	12,377	10,942	10,457	10,316	9,827	8,931	7,735	5,996	4,684	2,821	771
Ratios																					
Net Debt/Cap	51%	53%	51%	49%	49%	49%	48%	44%	24%	17%	38%	45%	42%	44%	49%	44%	35%	24%	15%	2%	-11%
Net Debt/EBITDA	2.3x	2.5x	2.8x	3.0x	3.3x	3.2x	2.9x	2.5x	0.8x	1.3x	3.8x	2.4x	1.9x	2.2x	3.0x	2.5x	1.7x	1.1x	0.6x	0.1x	-0.4x
Capex/Sales	4%	4%	5%	7%	1%	4%	4%	4%	10%	9%	5%	7%	8%	7%	5%	3%	3%	4%	5%	5%	5%
Working Capital/Sales	27%	34%	35%	30%	28%	28%	28%	26%	25%	24%	28%	23%	22%	24%	27%	27%	27%	27%	27%	27%	27%

Source: Bloomberg; Company reports; CPI est.

Appendix A – Required Disclosures

Analyst Certification

I, Vaibhav (Vebs) Vaishnav, certify that to the best of my knowledge, the views and opinions in our research reports accurately reflect my personal views about the subject company (companies) and its (their) securities. I have not and will not receive direct or indirect compensation related to the specific recommendations or opinions of this report. Unless otherwise stated, the individuals listed on the cover page of this report are analysts for Coker Palmer Institutional (CPI). Coker Palmer Institutional (CPI) is the brand name used to distinguish Coker & Palmer's institutional only, sell side equity research operations.

Important Disclosures

Conflicts of Interest: You should assume that as of the publication date of any report or letter, CPI (possibly along with or through our members, partners, affiliates, employees, and/or consultants) along with our clients and/or investors has a position in the subject companies or derivatives of subject companies mentioned in this report, and therefore stands to realize gains based on the price movements of stocks covered in this report. Following publication of any report or letter, we intend to continue transacting in the securities covered therein, and we may be long, short, or neutral at any time hereafter regardless of our initial recommendation.

Analyst Compensation

Analysts are not directly compensated based on investment banking fees, but analysts' compensation is based on overall firm profitability, which may or may not include investment-banking fees. CPI has not received investment-banking income from the subject companies in the previous 12 months. Investors should expect that Coker & Palmer may seek and may be seeking compensation for investment banking and non-investment banking related services and production from any or all companies mentioned within this report.

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

Category	Count	Percent
Sector Outperform	2	22%
Sector Perform	5	56%
Sector Underperform	2	22%
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 obsolescence.

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.