

PATTERSON-UTI ENERGY, INC.

4Q20 Earnings First Take - Neutral

Quick Take: Neutral. PTEN reported revenues of \$221M and EBITDA of \$30M, both in line with Street est. We think ~\$40M EBITDA or 14% above Street is a reasonable expectation for 1Q21. Capex guidance for 2021 of \$135M is line with Street est. as well.

Earnings Reaction: Neutral. PTEN reported \$30M adj. EBITDA for 4Q20, in line with the Street est. but below our \$33M est. Revenues of \$221M were essentially in line with Street est. as well.

1Q21 Potential Earnings: Positive. We think ~\$40M EBITDA for 1Q21, or 14% above Street is reasonable. We assume 70 rigs at ~\$7,300 daily margins (vs \$7,780 in 4Q), seven frac fleets at \$4M annualized EBITDA per fleet (vs \$6/1M in 3Q/4Q20), Directional Drilling EBITDA of \$2M and Other EBITDA of \$1M.

Stock Reaction: Neutral.

Backboard plays: (1) Pressure pumpers with Northeast exposure could have lower improvement q/q in 4Q vs pure-play Permian. (2) Improving rig activity bodes well for peers.

Positives

- Revenues of \$221M and EBITDA of \$30M was in line with Street expectations.
- Positive FCF was used to reduce \$66M debt in 4Q.
- Capex of \$135M for 2021 is essentially in line with Street est. of ~\$130M.
- Rig count is expected at 69 for 1Q21, which could imply flattish market share of ~20% from 4Q20.

Negatives

- Completions activity in the Northeast declined in 4Q and remained lower entering 1Q. PTEN is relocating one fleet to Texas under contract.

Questions to Ask

- Margins and fleet profitability for 1Q21? At what level are rig margins expected to trough and timeline?
- Any update on pricing discussions for rigs and fleets?
- Cash taxes, working capital and FCF expectations for 2021?

OILFIELD SERVICES & ENERGY TRANSITION

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Exhibit 1: Variance vs Street and Q/Q Changes (US\$M)

	Actual 4Q20	CPI 4Q20	Consensus	Actual 3Q20	Var. vs Street		Q/Q Chg	
					%	\$	%	\$
Operational Results								
Contract Drilling (US & Can)								
Total Operating Days	5,720	5,888		5,499			4%	221
Total Rigs Working	62	64		60			3%	2
US Dayrate	20,210	20,605		19,740			2%	470
US Opex	(12,430)	(13,000)		(10,620)			17%	(1,810)
US Daily Margin	7,780	7,605		9,120			-15%	(1,340)
Pressure Pumping								
End of Q HHP Capacity	1,259	1,259		1,259			0%	0
Average Fleet Working	7	6		5			56%	3
Annualized EBITDA/Fleet Working	1	3		6			-77%	(4)
Annualized Rev/Fleet Working	54	54		64			-16%	(10)
Income Results								
Segment Revenues (\$M)								
Contract Drilling	116	121	114	109	1%	1	6%	7
Pressure Pumping	79	81	79	72	1%	1	10%	8
Directional Drilling	17	16	14	10	23%	3	64%	7
Other Operations	9	11	11	10	-19%	(2)	-10%	(1)
Total	221	230	219	201	1%	2	10%	20
EBITDA (\$M)								
Contract Drilling	43	44	42	49	3%	1	-11%	(5)
Pressure Pumping	2	5	4	6	-42%	(2)	-64%	(4)
Directional Drilling	1	1	1	(0)	36%	0	-448%	1
Other Operations	0	1	1	0	-43%	(0)	-34%	(0)
Corporate	(18)	(17)	(17)	(18)	4%	(1)	-2%	0
Total	30	33	30	36	-1%	(0)	-19%	(7)
EBITDA Margins (%)								
Contract Drilling	37.6%	36.2%	36.7%	44.7%	0.9%		-7.1%	
Pressure Pumping	2.9%	5.6%	4.9%	8.7%	-2.1%		-5.8%	
Directional Drilling	6.4%	7.9%	5.8%	-3.0%	0.6%		9.5%	
Other Operations	3.2%	7.3%	4.6%	4.4%	-1.4%		-1.2%	
Total	13.4%	14.6%	13.7%	18.1%	-0.3%		-4.7%	
Incremental EBITDA Margins (%)								
Contract Drilling	-73%	73%	-115%	-73%				
Pressure Pumping	-53%	14%	-34%	-53%				
Directional Drilling	21%	69%	32%	21%				
Other Operations	15%	78%	7%	15%				
Segment EBIT (\$M)								
Contract Drilling	(61)	(58)		(54)			14%	(8)
Pressure Pumping	(32)	(33)		(31)			3%	(1)
Directional Drilling	(6)	(8)		(10)			-42%	4
Other Operations	(6)	(6)		(6)			-4%	0
Corporate	(19)	(18)		(19)			-1%	0
Total	(124)	(124)		(120)			3%	(4)
Revenues								
Other Income	-	-		-				
Corporate Expenses	-	-		-				
Other Recurring	-	-		(1)				
EBIT	(124)	(124)		(121)			3%	(3)
D&A	(154)	(157)		(157)			-2%	4
EBITDA	30	33	30	36	-1%	(0)	-19%	(7)
Interest Expense, net	(7)	(11)		(11)			-34%	4
Other	0	1		1			-86%	(0)
EBT	(131)	(134)		(132)			0%	0
Tax	25	27		13			91%	12
Tax Rate	19%	20%		10%				
Minority Interest	-	-		-				
Clean Net Income	(107)	(108)		(119)			-10%	12
Other	-	-		6				
GAAP Net Income	(106.5)	(107.5)		(112.1)				
Diluted Shares	184	187		187				
Clean EPS	(\$0.58)	(\$0.58)	(\$0.62)	(\$0.64)	-7%	0.05	-9%	0.06

Source: Bloomberg; Company reports; CPI est.

Appendix A – Required Disclosures

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Appendix A – Required Disclosures Contd.

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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%

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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.

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Appendix A – Required Disclosures Contd.

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