Coker Palmer Institutional

EQUITY RESEARCH ALERT

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OILFIELD SERVICES & GREEN ENERGY
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PATTERSON-UTI ENERGY, INC.

Pioneer Acquisition – Modest Negative

Quick Take: Modest Negative. PTEN acquired PES at 19.7x/9.8x pre/post synergies EV/EBITDA vs. PTEN trading at 16x 2021 EV/EBITDA. Deal can be interpreted accretive post synergies, but we prefer accretive deal on pre-synergy basis. Strategically, it provides PTEN international platform, but we are unsure of value add from U.S. business in an already oversupplied market. We look for more color.

Action: PTEN acquired Pioneer Energy Services Corp. (PES) for $295M ($30M cash and 26.3M shares). PES reported 1Q21 annualized adj. EBITDA of $15M. After adding $15M annualized synergies, it implies PTEN paid 19.7x/9.8x pre/post synergies EV/EBITDA vs. PTEN trading at 16x 2021 EV/EBITDA.

PES Description: PES has 17 A/C U.S. rigs, 8 SCR Colombia rigs, 123 well servicing rigs and 72 wireline units. At 1Q21 end, 16 rigs were working including 6/1 US/Colombia contracted rigs.

Stock Reaction: Modest Negative. The deal could be considered accretive/dilutive based on how investor treat synergies. We prefer accretive deal on pre-synergy basis. Strategically, this deal helps PTEN expand internationally, however we are not sure how this transaction helps domestically in the U.S. We believe there are enough super-spec rigs in the U.S. and even PTEN has 150 super spec rigs vs. only 76 total rigs working today.

Backboard Plays: We do not believe this transaction will result in a rash of transactions. PTEN was the only top three land driller that didn't have international exposure. HP, NBR, PDS already have international expansion. Additionally, PES has recently emerged from bankruptcy, which can be argued as somewhat unique situation.

Positives

- Provides international platform.
- Accretive deal at 9.8x post synergies vs. PTEN trading at 16x 2021 EV/EBITDA

Negatives

- Dilutive deal at 19.7x pre-synergies vs. PTEN trading at 16x 2021 EV/EBITDA
- We are unsure of value add from U.S. business but look for more color.

Questions to Ask

- Will service rigs and wireline units be sold? How much should we expect?
- What are margins for land rigs working in the U.S. and contract length?
- What are margins for land rigs working in Colombia. and contract length? How do those margins compare with 2013/14 and 2018/19 margins?

Appendix A – Required Disclosures

Analyst Certification

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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.

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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.

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Coker & Palmer Institutional Ratings Distribution

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.

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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.

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