

SCHLUMBERGER LTD.

4Q20 Earnings First Take - Positive

Quick Take: Positive. SLB beat Street's revs est. by 5% and EBITDA by 7%. FCF of \$554M was above Street's \$347M est. too. We see ~10% upside to Street's 1Q21 EBITDA est. But stock reaction will be driven by SLB's directional near-term earnings guide.

Earnings Reaction: Positive. SLB reported adj. EBITDA of \$1,105M beating Street's \$1,034M est. (but essentially in line with our \$1,108M est.) likely due to better international revenues. SLB's international revenues increased 3% q/q in 4Q vs HAL's flat and BKR's down 5%. SLB's total revenues beat Street est. by 5%. FCF of \$554M was above Street's \$347M est. but essentially in line with our \$534M est.

1Q21 Potential Earnings: We think our currently published \$1,113M adj. EBITDA est. for 1Q21, ~10% above Street, still remains reasonable. We assume NAM revs decline ~20% q/q in 1Q21 owing to OneStim divestment (~\$350M revenues assumed) while international decline ~3%. Total revenues decline 7% q/q in 1Q21 but EBITDA margins expand from 20.0% to 21.5% owing to low margin OneStim divestment.

Stock Reaction: Positive given SLB beat revenue est. by 5% (HAL and BKR beat by ~1%) and EBITDA est. by 7% for 4Q20 and potential 10% upside to Street's EBITDA est. for 1Q21. However, stock will react to SLB's directional 1Q guide. Historically 1Q is lower sequentially from 4Q but we believe shallow international declines and strong NAM could drive flattish q/q results in 1Q21.

Positives

- Commentary
 - NAM activity momentum will continue in 1H21. International activity will increase from 2Q21 onwards and extend beyond short-cycle markets and will be broad, including offshore.
 - SLB sees a clear path to double digit NAM margins (likely from OneStim divestment) and international margins improvement in 2021.
- SLB is expanding its New Energy portfolio.
- SLB beat Street's revs. est. by 5% and EBITDA by 7%.
- FCF of \$554M was above Street's \$347M est.
- International revenues improved 3% q/q in 4Q20 vs HAL's flat and BKR's down 5%.
- D&I incrementals have been in 70-80% range for two consecutive quarters now when revenues increased.

Negatives

- Capex (incl. MCS and APS) for 2021 guided to \$1.5-\$1.7B vs \$1.5B for 2020. We had expected lower capex y/y due to One-Stim divestment.

Questions to Ask

- Energy transition steps and revenue share associated?
- Cash taxes, working capital and FCF expectations for 2021?

OILFIELD SERVICES & ENERGY TRANSITION

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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%
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Total	9	100%

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Appendix A – Required Disclosures Contd.

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