

## OFS Bits 3.13

### Revisiting 3Q21 Earnings Expectations

**Quick Take:** We are revisiting our [3Q21 Earning Expectations](#). TS is the only one with beat and meaningful raise potential. The U.S. rig count growth expectations are moving up, but we expect muted pricing commentary. PTEN's u/p since PES close sets it up well and GTLS has somewhat been de-risked. HAL and CHX o/p implies higher expectations. Overall, we continue think it [would be difficult for the OIH after a ~35% run](#).

#### Increasing U.S. Rig Expectations

The expectations for U.S. rig increases are moving up. Just ~30 U.S. rigs ago at August end, we had faced push back on our ~30%+ y/y U.S. spending growth forecast for 2022 when we published [a case for ~100 more U.S. rig](#). We had published our forecast for rigs exiting 2022 at ~635. Expectations now are for 25-30 in 4Q21 and in 1Q22. The U.S land rigs are already up ~20 QTD to 531.

#### Muted Pricing Commentary

Frac pricing conversations have become relatively muted vs. confidence expressed during 2Q21 earnings calls. We would be surprised to hear positive net pricing commentary from pressure pumpers. Land rig pricing has modestly improved.

#### Improving International

International activity continues to improve, albeit COVID impact modestly muted the growth in 3Q21. Expectations are still for a low-double digit growth in 2H21 y/y. International tender awards are expected in 4Q21 and more in 2022. It is too early to expect pricing increases. We expect seasonal improvement in 4Q21. It will be interesting to see if 1Q22 revenues decline q/q seasonally or cyclical growth offsets it. International spending is on track to be up ~15% y/y in 2022, in our opinion.

#### Increasing Shareholder Returns

Shareholders returns should begin/increase in 2022 from CHX/HAL/NOV/TS and SLB. We expect TS to revert to pre-pandemic dividend levels in 4Q21. CHX/HAL/NOV/SLB should reach targeted leverage levels in 2H22 hence conversations should begin though we don't expect any increase on 3Q21 call.

#### Earnings Preference

- We continue to think the OIH after a ~35% run from Aug. near term trough could struggle to move up. From an earnings perspective, TS could "beat and raise" and the stock has u/p last two weeks (Page 3). NEX too has upside to 4Q est.
- We also like PTEN, down 3% in the last two weeks vs. OIH +10% due to technical pressure from PES converts and bond holders. GTLS too down 8% in the last two weeks has become somewhat de-risked despite expectations for a 2022 guidance increase already baked-in.
- We think CHX's 3Q/4Q21 Street est. are in-line, however PCT margins up y/y is now questionable due to inflation, which is a modest negative, in our view. The stock has outperformed in the last two weeks.
- HAL is up the most in last week and last two weeks which could imply increasing expectations. HP too has outperformed, just behind HAL in the last two weeks.
- Street EBITDA est. have been flat to 1% increase for stocks under our coverage in the last two weeks with the exception of PTEN +4% (Page 3).

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## Earnings Summary

### Coverage Universe

- BKR: Street's 3Q/4Q21 EBITDA est. are in-line or may have 1-2% upside.
- CHX: We see 3Q/4Q21 at \$121/138M essentially in-line with Street est.
- HAL: We est. HAL's 3Q/4Q21 at \$685/755M, about 1% below Street's stale est. for 3Q21 and 1% above 4Q21.
- HP: We model ~\$40/45M for CY3Q/4Q21 vs. Street's \$43/54M est. owing to segment eliminations.
- NOV: We see 3Q21/4Q21 EBITDA at ~\$55/75M or ~15-20% below Street est.
- PTEN: We model PTEN's EBITDA for 3Q/4Q21 at ~\$50/65M. Our 3Q est. is in line with Street and upside in 4Q21 is likely driven by PES acquisition.
- SLB: Street's 3Q21 EBITDA est. are in-line and potential ~5% upside to 4Q21 Street est.
- FTI: Street's 3Q/4Q21 EBITDA est. are in-line.
- TS: We est. 3Q/4Q21 EBITDA est. at ~\$345/375M, about 3/10% above Street est.

### Companies Not Covered

- WHD: We see modest downside to Street's stale 3Q/4Q21 EBITDA est.
- RES: Street 3Q/4Q21 EBITDA est. are in line.
- NEX: We see Street's 3Q21 EBITDA est. in-line but see 4Q21 est. at about \$60-65M vs. Street's \$52M likely from Alamo acquisition.
- OII: We see Street's 3Q/4Q21 EBITDA est. in-line with modest upside to 2022 est.

## Company Commentary Focus

- BKR: TPS orders; 2022 soft guidance; eventual separation of OFSE and new energy businesses
- CHX: Inflation in PCT; PCT margins up y/y in 4Q21; PCT revenue growth in 2022
- FTI: FCF for 3Q21 and 2021; Subsea orders and margins
- HAL: Pressure pumping pricing; U.S. spending growth in 2022; Ida revenues pushed back to 4Q21
- HP: Rig count growth in CY4Q21 and 2022; land rig pricing
- NOV: Orders expectations for C&P and Rig Tech.; COVID impacts; potential start of Malaysian fiber glass facility
- PTEN: Rig count growth expectations; PES acquisition; pressure pumping pricing and activity expectations
- SLB: International growth expectations; divestitures update for APS, MidEast rigs; LBRT stock
- TS: Inflation vs. pricing increases; EBITDA margins sustainability; FCF directionally in 1H22

See detailed commentary on companies under our coverage and FTSI, NEX, RES, OII and WHD in our [First Glance At 3Q21 Earnings](#).

## Recent Stock Performance vs. Street Earnings Revisions

Indices	1Wk. Stock vs EBITDA Chg.			2Wk. Stock vs EBITDA Chg.			1 Month Stock vs EBITDA Chg.			3 Month Stock vs EBITDA Chg.		
	EBITDA Change 2021	2022	Stock Perf.	EBITDA Change 2021	2022	Stock Perf.	EBITDA Change 2021	2022	Stock Perf.	EBITDA Change 2021	2022	Stock Perf.
OIH			5%			10%			16%			19%
OSX			6%			12%			18%			18%
XOP			1%			7%			18%			29%
SPX			2%			3%			0%			3%
U.S. Land Rig Count			2%			3%			6%			14%
CL1			4%			8%			13%			14%
NG1			-2%			-3%			-1%			48%
<b>Coverage Universe</b>												
BKR	0%	0%	7%	0%	0%	7%	0%	0%	7%	1%	4%	31%
CHX	0%	0%	6%	0%	1%	13%	0%	1%	14%	4%	6%	19%
FTI	1%	1%	-3%	1%	0%	1%	0%	1%	9%	3%	5%	5%
GTLS	-1%	0%	-4%	-1%	1%	-8%	-1%	1%	-5%	-1%	5%	24%
HAL	0%	1%	9%	0%	2%	17%	0%	1%	25%	2%	5%	30%
HP	0%	0%	7%	0%	0%	16%	0%	0%	22%	4%	4%	15%
NOV	-1%	0%	3%	-1%	-1%	12%	-2%	-1%	8%	9%	5%	10%
PTEN	0%	0%	1%	1%	4%	-3%	1%	6%	10%	2%	17%	11%
SLB	0%	1%	8%	0%	1%	12%	0%	1%	17%	4%	5%	22%
TS	0%	1%	4%	1%	1%	7%	1%	1%	10%	12%	9%	15%
<b>Other</b>												
CLB	0%	-1%	5%	0%	-1%	10%	-1%	0%	12%	-9%	-9%	-6%
DNOW	0%	0%	4%	-4%	-2%	17%	-4%	-2%	27%	-15%	-12%	-1%
DRQ	0%	0%	-4%	0%	0%	-2%	0%	0%	3%	-15%	-2%	-9%
HLX	0%	0%	1%	0%	0%	5%	0%	0%	12%	-3%	-14%	-1%
LBRT	0%	-1%	12%	0%	-1%	21%	-1%	-1%	37%	-16%	-9%	32%
MRC	0%	0%	11%	-1%	-1%	15%	-1%	-1%	7%	-6%	-9%	1%
NEX	0%	0%	0%	-3%	1%	3%	-3%	1%	8%	-3%	38%	24%
Oil	0%	0%	6%	0%	0%	10%	0%	0%	14%	6%	7%	19%
PUMP	0%	0%	4%	0%	1%	12%	0%	1%	29%	-2%	1%	35%
RES	0%	-1%	5%	0%	-1%	9%	0%	-1%	31%	8%	6%	34%
WHD	-1%	0%	1%	-1%	0%	8%	0%	-1%	15%	-1%	-1%	18%

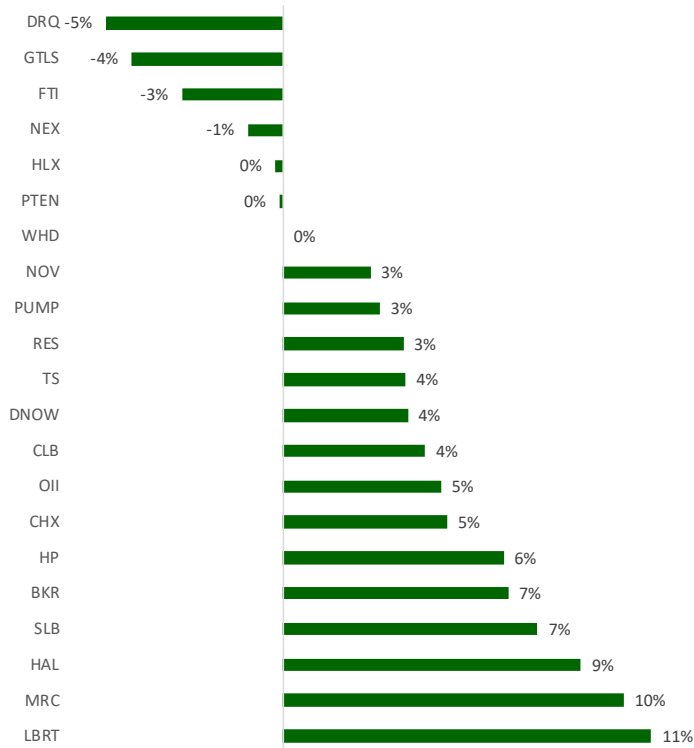
Source: Bloomberg

## Technical

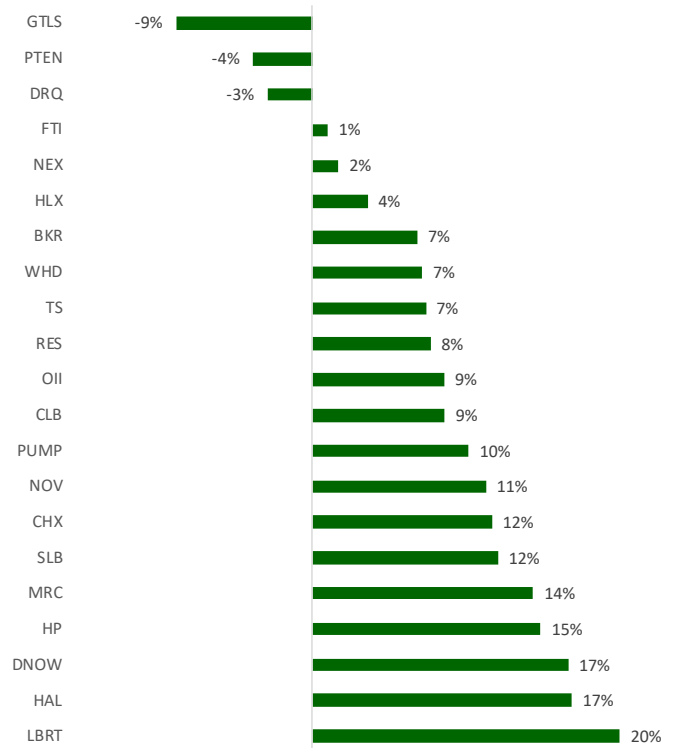
Tkr.	Price	Stock Performance				20D Vol \$M	Beta	vs. Street		vs. 52 Week		vs. 5 Year		vs. Moving Average (Days)			RSI 14 Days	Short Int. (M Shrs.)	Short Int. Ratio	Short Float			
		1 Wk.	1 Mo.	3 Mo.	YTD			PT	High	Low	High	Low	50D	100D	200D	15-Oct				15-Sep	1-Sep	15-Aug	
<b>COVERAGE UNIVERSE</b>																							
BKR	26.89	7%	7%	27%	29%	261	1.4	7%	0%	105%	-60%	188%	15%	16%	18%	72	38.6	3.4%	4.9%	2.6%	2.1%	1.8%	
CHX	26.38	5%	12%	14%	72%	36	2.2	3%	-11%	269%	-42%	774%	15%	9%	18%	63	4.0	2.5%	2.0%	1.6%	1.9%	2.2%	
FTI	7.90	-3%	9%	2%	13%	43	1.4	34%	-25%	99%	-71%	112%	13%	1%	0%	58	11.6	2.2%	2.8%	3.2%	3.5%	2.6%	
GTLS	181.63	-4%	-5%	23%	54%	66	2.0	12%	-10%	119%	-10%	1003%	-3%	9%	17%	44	4.2	10.4%	11.7%	12.2%	12.5%	12.8%	
HAL	26.01	9%	25%	26%	38%	222	1.6	1%	0%	128%	-55%	464%	25%	20%	22%	72	17.7	2.1%	2.1%	1.9%	1.9%	2.0%	
HP	32.76	6%	20%	11%	41%	38	1.6	-8%	-6%	130%	-61%	156%	19%	12%	15%	72	6.6	6.1%	6.9%	7.2%	7.6%	8.0%	
NOV	14.99	3%	8%	8%	9%	116	1.1	14%	-16%	87%	-69%	87%	13%	5%	3%	62	15.5	1.2%	4.0%	3.7%	3.2%	3.1%	
PTEN	9.08	0%	9%	6%	73%	24	1.6	3%	-17%	265%	-69%	434%	12%	4%	15%	55	11.3	5.7%	6.2%	6.3%	6.3%	6.2%	
SLB	34.00	7%	16%	18%	56%	406	1.2	9%	-7%	140%	-61%	182%	18%	13%	19%	70	26.3	2.1%	1.9%	1.8%	1.7%	1.6%	
TS	22.99	4%	10%	13%	44%	40	1.1	9%	-4%	151%	-43%	151%	12%	9%	11%	65	7.8	4.1%	-	-	-	-	
<b>OTHER OFS</b>																							
CLB	31.54	4%	11%	-10%	19%	17	1.1	-4%	-35%	125%	-76%	295%	12%	-7%	-5%	64	3.2	5.1%	6.9%	7.8%	7.3%	8.3%	
DNOW	9.17	4%	27%	3%	28%	7	1.2	27%	-22%	125%	-60%	125%	19%	4%	-2%	71	2.6	4.0%	2.4%	2.1%	2.1%	2.1%	
DRQ	25.38	-5%	2%	-12%	-14%	7	0.8	17%	-37%	11%	-62%	11%	2%	-13%	-19%	53	1.6	6.0%	4.5%	4.6%	4.5%	5.4%	
HLX	4.34	0%	11%	-7%	3%	7	2.3	28%	-35%	85%	-63%	334%	12%	-6%	-9%	58	6.8	3.9%	4.8%	4.7%	4.4%	4.9%	
LBRT	15.22	11%	35%	26%	48%	22	1.5	-14%	-13%	129%	-35%	573%	37%	22%	24%	76	6.8	4.3%	6.5%	5.1%	5.9%	6.2%	
MRC	8.56	10%	6%	-2%	29%	12	1.6	46%	-29%	113%	-62%	143%	8%	-3%	-4%	63	3.8	4.0%	4.9%	5.2%	5.4%	5.6%	
NEX	4.77	-1%	6%	17%	39%	11	1.6	24%	-16%	179%	-78%	359%	16%	9%	14%	56	8.6	3.0%	6.3%	6.4%	6.5%	4.5%	
Oil	15.29	5%	13%	14%	92%	13	1.9	7%	-16%	329%	-52%	635%	18%	9%	20%	62	2.1	2.3%	2.2%	2.2%	1.9%	1.7%	
PUMP	10.24	3%	27%	28%	39%	9	1.8	16%	-26%	170%	-58%	578%	27%	17%	9%	69	3.0	2.8%	3.6%	3.8%	4.2%	4.3%	
RES	5.64	3%	30%	30%	79%	5	0.8	-13%	-21%	142%	-79%	188%	32%	21%	16%	70	8.6	7.0%	11.9%	10.9%	10.3%	11.0%	
WHD	42.03	0%	14%	16%	61%	18	1.3	0%	-4%	151%	-4%	400%	15%	13%	24%	66	1.1	2.3%	1.9%	1.6%	2.1%	1.5%	

Source: Bloomberg

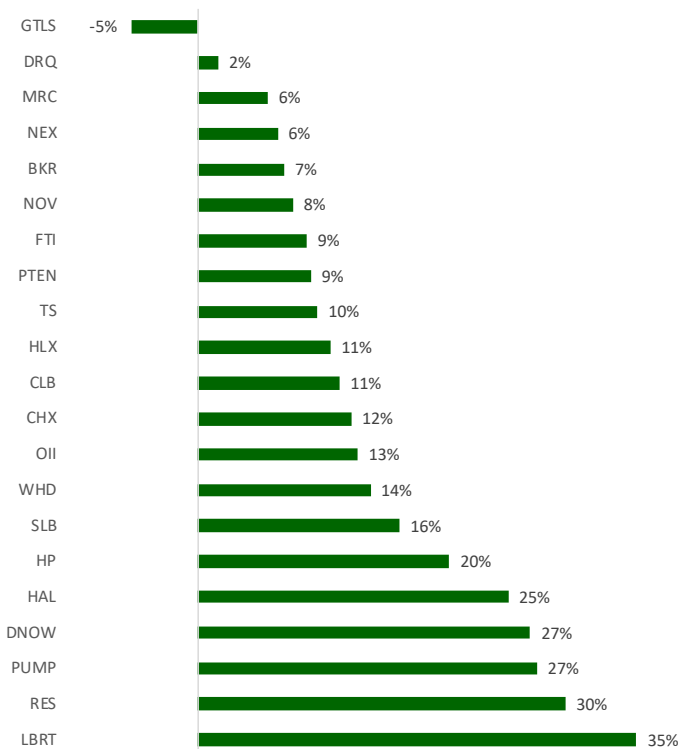
### 1-Week Performance



### 2-Week Performance



### 1-Month Performance



Source: Bloomberg

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## 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.

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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	4	29%
Sector Perform	4	29%
Sector Underperform	6	43%
Total	14	100%

### Price Target Methodology:

Coker Palmer Institutional (CPI) price targets are essentially based on DCF methodology.

### 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.

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## Appendix A – Required Disclosures Contd.

Green Energy businesses are inherently risky. The industry is still at a nascent stage and long-term viability is still not established. Investors should be fully aware of these risks, which include, but are not limited to, viability of new products and markets targeted, volatile commodity 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 Green Energy 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.

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.

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