

## PATTERSON-UTI ENERGY, INC.

### 3Q21 Earnings First Take - Neutral

**Quick Take:** Neutral. PTEN reported revenues of \$358M and \$51M adj. EITDA in line with Street est. We think ~\$65M EBITDA for 4Q21, or 10% above Street is reasonable. Clarification around U.S. land margins decline in 4Q21 and expected timeline to get back to 3Q21 levels or higher should help.

**Earnings Reaction:** Neutral. PTEN reported \$51M adj. EBITDA for 3Q21, essentially in-line with the Street est. of \$50M. Revenues of \$358M too were in-line with Street est.

**4Q21 Potential Earnings:** Modest Positive from PES inclusion. We think ~\$65M EBITDA for 4Q21, or ~10% above Street is reasonable. We assume 106 rigs at ~\$5,500 daily margins (vs. \$6,300 in 3Q due to rig reactivation and inflation), 10 frac fleets at \$7M annualized EBITDA per fleet ( flat from 3Q), five rigs in Colombia at ~\$6,500 daily margins, Directional Drilling EBITDA of \$3M and Other EBITDA of \$5M.

**Stock Reaction:** Neutral given in-line results but will depend on guidance. Clarification around land margins decline in 4Q21 and expected timeline to get back to 3Q21 levels or higher should help.

#### Positives

- Reported revenues of \$358M and \$51M adj. EITDA were in line with Street est.
- We think ~\$65M EBITDA for 4Q21, or 10% above Street est. is reasonable.
- Land rig and pressure pumping pricing is improving.
- PTEN expects 106 rigs working in 4Q with 13 PES rigs included vs. 80 in 3Q
- As earlier announced 10<sup>th</sup> fleet was activated in September with expectations of 11<sup>th</sup> in late 4Q21 and now 12<sup>th</sup> is expected in 1Q22.

#### Negatives

- Daily U.S. land drilling margins increased modestly to \$6,300 in 3Q from \$6,250 in 2Q but are now expected to decline to \$5,500 in 3Q due to rig reactivations and inflation.
- Cash reduced q/q while debt was unchanged implying negative FCF in 3Q21.

#### Questions to Ask

- How many rigs were reactivated in 3Q21 and expected in 4Q21?
- When could U.S. land drilling margins come back to \$6,300 level or higher?
- How is demand and availability of 5.5" drill pipe?
- Capex for 2022?

#### OILFIELD SERVICES & ENERGY TRANSITION

Vaibhav (Vebs) Vaishnav | Analyst

Coker Palmer Institutional

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

vebs@cokerpalmer.com

## Appendix A – Required Disclosures

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## Appendix A – Required Disclosures Contd.

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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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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.

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## Appendix A – Required Disclosures Contd.

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