

Helmerich & Payne, Inc.

CY 4Q21 Earnings First Take – Positive

Quick Take: Positive. HP reported \$42M adj. EBITDA for CY4Q21 vs. \$41M Street est. HP's implied guidance for CY1Q22 is ~\$70M EBITDA vs. Street's \$65M est. At mid-point of guidance of 15 rigs add for HP in CY1Q22 and assuming it's 26% market share implies ~55 rig adds for the industry. Implied U.S. daily margins are expected to increase from \$6,511 in CY4Q21 (vs. guide of ~\$6,150) to ~\$7,400 in CY1Q22. HP has also bought back ~\$76M worth of shares. Positives implications for other land drillers too.

Earnings Reaction: Neutral. HP reported \$42M adj. EBITDA for CY4Q21 vs. \$41M Street est. (\$38M our est.). Revenues of \$393M (net of \$16.4M revenues from dispute settlement internationally) were in-line with Street's est.

CY1Q22 Potential Earnings: Positive. HP's implied guidance for CY1Q22 is ~\$70M EBITDA vs. Street's \$65M est. Implied U.S. daily margins are expected to increase from \$6,511 in CY4Q21 (vs. guide of ~\$6,150) to ~\$7,400 in CY1Q22. About 10-20 rigs are expected to be added between the end of quarters.

Stock Reaction: Positive given an in-line quarter and 8% upside to Street's CY1Q22 EBITDA est. HP also bought back ~\$60M shares in CY4Q21.

Positives

- HP reported \$42M adj. EBITDA for CY4Q21 vs. \$41M Street est.
- HP's implied guidance for CY1Q22 is ~\$70M EBITDA vs. Street's est. of \$65M.
- \$76M shares repurchased through Jan 2022 including \$60M worth of shares in CY4Q21.
- CY4Q21 rig exit rate was 154 and expectations of CY1Q22 exit are at 165-175. At mid-point of 15 rigs add and assuming HP's 26% market share implies ~55 rig adds for the industry in CY1Q22.
- HP's CY4Q21 U.S. drilling margins of \$6,511 beat guidance of ~\$6,150.
- HP is guiding to margins sequentially at ~\$7,400 for CY1Q22 vs \$6,511 in CY4Q21. The increase in daily margins is likely driven by lower reactivation cost as well as higher dayrates.
- Commentary "increasing demand for super-spec rigs has predictably led to a very tight market in 2022."
- Rig demand, higher reactivation costs and inflation leading to higher leading-edge pricing.

Negatives

- Two rigs were released in the ME unexpectedly.

Questions to Ask

- Leading edge dayrates and expectations?
- Rig activation cost expected in CY1Q22 vs. \$20.5M in CY4Q21?
- Thoughts on additional share buybacks?

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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Sector Outperform (SO)

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Coker & Palmer Institutional Ratings Distribution

Category	Count	Percent
Sector Outperform	6	43%
Sector Perform	4	29%
Sector Underperform	4	29%
Total	14	100%

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Appendix A – Required Disclosures Contd.

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