Hunting PLC

Connecting market position and clear ambition

8 November 2023

With positive trading momentum and order book development continuing, Hunting has outlined a clear growth strategy for the remainder of this decade. This is predicated upon further progress in traditional markets amplified by deeper penetration of newer adjacent ones and other non-oil & gas industries. In share price terms, only partial credit has been given for an improving financial performance. Yet, at current levels it is effectively discounting no growth beyond a return to pre-Covid levels of profitability - in stark contrast with management's ambition. We attribute a fair value of 421p per share to the company.

2030 Strategy: bigger and broader

Management has outlined a clear strategy to grow significantly and, in the process, diversify to derive c. 25% of group revenues from non-oil and gas sectors – including Energy Transition sub-sectors - by 2030. Explicit short, medium- and long-term targets (including revenue CAGRs of c. 16% to FY25 and c. 13% organic to FY30, EBITDA margin improvements and M&A potential also) are founded on strong existing market positions, similarities with carbon capture and geothermal sector requirements and demonstrated capabilities in certain other non-oil & gas sectors already.

2023 Trading: onwards and upwards

H123 results and a recent Q3 update were both characterised by strong progress (eg revenue +42%, EBITDA doubling in the first half) which served to reaffirm full year guidance (EBITDA of US$96m-100m). Hunting's balance sheet is expected to be broadly funds neutral at the year end.

Valuation: Growth attractions

Hunting's share price has reacted positively to trading updates YTD. In addition, the new 2030 strategy (as presented at a September 2023 Capital Markets event) has also been positively received. Consequently, the company's share price has travelled well from lows seen in the middle of the year but remains c.12% below the end 2022 level (underperforming the FTSE All-Share Index by c.9%).

Taking an average of our target PER (13x - based on an imputed PEG of 1x - to our FY25E earnings estimate) and DCF analysis generates a **fair value of 421p per share (c.42% above** current levels). Earnings growth is the primary attraction for investors currently in our opinion, although dividend growth prospects are also good starting from a base **FY23 prospective yield of 2.7%**. Lastly, we note that Hunting's share price is currently sitting on a **c. 30% discount to its H123 NAV per share.**

Summary financials

Yr to December (US$m)	2021	2022	2023E	2024E	2025E
Revenue	521.6	725.8	948.3	1,033.4	1,115.7
EBITDA*	3.1	52.0	99.3	121.5	146.0
Pre-Tax Profit	(40.6)	10.2	51.0	76.9	102.6
EPS (US c)	(27.1)	4.7	21.8	32.3	43.7
DPS (US c)	8.0	9.0	10.0	11.0	12.0
Net cash / (debt)	103.5	20.6	(0.5)	34.4	78.8
P/E (x)	*n/m*	*77.1*	*16.7*	*11.3*	*8.3*
EV/EBITDA (x)	*160.3*	*11.2*	*6.1*	*4.7*	*3.6*
Dividend yield	*2.2%*	*2.5%*	*2.7%*	*3.0%*	*3.3%*

*Source: Company Annual Reports, Equity Development. £/US$1.23, *company basis*

Company Data

EPIC	HTG.L
Price	296p
52 weeks Hi/Lo	354p/190p
Market cap	£489m
ED Fair Value / share	421p
FY23e Net cash (debt)	(US$1m)
Avg. daily volume	567k

NB all at £/US$ 1.23

Share Price, p

Source: ADVFN

Description

Hunting is a global engineering group that provides precision-manufactured equipment and premium services with a diverse product portfolio. The company has a global footprint from operations in 11 countries including 27 production locations and 13 distribution centres.

The energy industry accounted for 94% of FY22 revenue while also serving non-oil & gas customers in the medical, aerospace, defence and space sectors. Hunting is seeking to grow rapidly in adjacent Energy Transition product sub-sectors as well as deepening its presence in other non-oil & gas ones.

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Investment Summary: Looking, but not seeing

Global economic growth has been subdued but that has not prevented Hunting from delivering a strong rebound in profitability over the last couple of years following Covid-disrupted markets prior to that. **Geopolitical energy security has increased** in importance and oil and gas industry investment has risen accordingly. At the same time, **major oil companies and others are also investing in Energy Transition** technologies such as carbon capture, utilisation and storage (CCUS) and geothermal as part of a longer-term decarbonisation strategy.

Hunting is very well positioned to address both investment strategies in our opinion with a broad portfolio of diverse, technical products and capabilities and a global production footprint. The company has also developed customer relationships in other technical, non-oil and gas industries and is set to drive this forward. We contend that hard evidence is already there in terms of trading performance and order book development and that the strategy and ambition to substantially increase the level of group profitability have also been very clearly presented. Nevertheless, Hunting's current valuation metrics suggest that there is a **divergence between management and the market's medium- to longer-term expectations**. This note provides background information on the company's development and our assessment of its prospects. We summarise the investment case as:

Improving financial performance: four successive half year periods of improving EBITDA confirm that a post-Covid earnings recovery is well-established and, in the latest update (26 October) FY23 guidance for EBITDA of US$96m-100m has been reaffirmed. International and subsea markets are leading the way currently though Advanced Manufacturing is also contributing to an order book which is now in the region of c.US$570m (versus US$473m at the beginning of the year). The direction of travel and composition of the order book development – including some large individual awards that have been flagged – is an affirmation of capability, market presence and importance to high profile clients in a global industry.

Growth trajectory conviction: Hunting has also provided guidance for FY24 (EBITDA US$125m-135m) and an indication of its FY25 target (US$1.3bn revenue, 15% EBITDA margin giving EBITDA US$195m). In September management presented its **2030 strategy targets**:

- **Group revenue US$2bn per annum and 14%-16% EBITDA margins, giving a midpoint EBITDA of US$300m**, broken down in broad terms as follows:
    - Oil and gas sector revenues more than doubling from FY22 to US$1.5bn p.a. (75% of the total)
    - Non-oil and gas revenues growing exponentially to US$500m (25% of the total versus 6% in FY22). The Energy Transition sector accounts for half of this annual revenue total and it has many commonalities with Hunting's core product portfolio strengths.

Some US$300m of the above revenue is flagged as a targeted contribution from acquisitions (not explicitly allocated to either oil and gas/non-oil and gas). Clearly, this is subject to securing M&A transactions but from an expected ungeared end FY23 balance sheet position and strong cash generating credentials, management has significant financial flexibility to allocate capital in the best interests of shareholders.

Valuation: On a stand-alone basis, **a P/E of 8.3x and EV/EBITDA of 3.6x by FY25** for Hunting is more aligned with an ex-growth outlook rather than one of longer-term progress. A high-level comparison with other listed companies operating in similar markets appears to endorse this view as Hunting is sitting on **discounts to peers of c. 20-30%** on conventional valuation metrics.

In addition, our DCF analysis suggests that Hunting's current share price is effectively discounting constant long-term EBITDA of c. US$145m, only equivalent to pre-Covid profit levels and in line with our FY25 estimate. Comparing this to the above 2030 targets and using a blended P/E and DCF basis, **we attribute a fair value of 421p per share (42% above current levels) to Hunting.**

Company Overview

Introduction

Hunting has a leading presence in core upstream oil and gas field activities built upon a diverse, technical product portfolio. Over time, the company has strengthened its position by acquiring complementary businesses and innovative product development. It is well placed operationally to meet strengthening demand in its traditional sectors and to penetrate the nascent Energy Transition sub-sectors.

Background and strategic development

Hunting has operated in the oil and gas sector since the turn of the nineteenth century. Over time, its original shipping activities supported diversification into other transportation areas and unrelated sectors, entering oilfield services for the first time in the 1960s.

Having exited much of its non-oil and gas operations by the early 2000s, the company pivoted strategically within this sector to the upstream sub-sector with the sale of Gibson Energy in December 2008[1] (for an initial c.US$772m) leaving a c. US$536m group net cash position at the end of that year. At that time, Hunting was already exposed to oil and gas well construction, completion and intervention drilling activities generating revenues of c. US$611m and EBIT of c. US$85m in 2008[2], chiefly from North America and UK/Europe. Other non-core operations were substantially disposed of during the next strategic phase.

2009-2016: Gibson Energy was effectively sold ahead of a sharp, global financial crisis-related downward oil price correction and the subsequent re-investment in upstream activities occurred during the recovery phase. As well as the above-mentioned exits from non-core activities[3], there were nine acquisitions were made during this period, the most significant of which were:

- **2009: National Coupling Co** (US$52m initial consideration) – Hunting's first move into subsea technology products.
- **2010: Innova-Extel** (US$123m) – proprietary electronics and machining operations addressing harsh environment well completion activities
- **2011: Dearborn** (US$82m) – specialist precision machining services for tubular and rotating metal components.
- **2011: Titan Group** (US$771m) – perforating gun systems, energetics and instrumentation

The company benefitted from a relatively firm oil price backdrop through to mid-2014, feeding in to sustained revenue of U$1.3bn-1.4bn and EBIT at or above US$200m from Hunting Energy Services' Well Construction, Completion & Intervention operations for 2012-2014 inclusive. However, by FY2016, following one of the largest post-war oil price corrections, slower oilfield activity (eg US onshore rig count dropped by over three quarters between June 2014 and June 2016), Hunting had experienced a sharp contraction in revenue and earnings to an underlying EBIT loss position. Among other things, this was a catalyst for Board change.

2017-2023: In the 2017-2018 period, Jim Johnson moved to CEO (having previously been COO from 2011 and with Hunting since 1992). NED Jay Glick became the Chairman and two new NEDs were appointed to the Hunting Board, together bringing a range of manufacturing, oil and gas/energy industry, finance and listed company experience. This was followed in 2020 by Bruce Ferguson becoming CFO (previously MD EMEA and European Financial Controller, having been with Hunting since 1994).

[1] Originally reported in sterling.
[2] Originally reported in sterling; we have used the average £/US$ £1.86 rates in translating these values.
[3] 2009: Hunting Energy France sold & Hunting Specialised Products (discontinued) assets sold, 2012: Field Aviation Canada sold, 2015: Gibson Shipbrokers sold

By 2019, the new management team had successfully restored and rebuilt profitability and made two further acquisitions in the subsea technology sub-sector:

- **2019: RTI Energy Systems** (US$13m) – manufacturer of production riser technologies for deepwater offshore oil & gas field applications.
- **2020: Enpro Subsea** (US$33m initial) – developer and provider of flexible, production-enhancing technologies for subsea and deepwater oil & gas field applications

While subsequently experiencing two Covid-19 affected trading years in 2020 and 2021 as both uncertainty and oil price volatility impacted industry activity and profitability levels, Hunting continued to make smaller strategic investments to further enhance its market positions. We discuss the financial performance of Hunting over the 2017-2022 trading period later in the Financials section.

Hunting today comprises five Product Groups:

Perforating Systems (**35%** of FY22 revenue): Used in the well completion stage to penetrate installed downhole tubing and casing to access reservoirs of oil and gas held within adjacent geological formations. Perforating Systems carry and direct explosive charges and, in broad terms, comprise housings, detonating cord, detonators and energetics. Hunting manufactures component parts, pre-loaded guns and integrated gun systems as well as downhole measurement instrumentation and wireline accessories. Primarily used in onshore and especially shale rig applications.

Oil Country Tubular Goods or OCTG (**36%**): Generic term for piping and associated fittings used in well bore drilling, casing and tubing, typically formed from high performance steel alloy materials. Hunting provides proprietary precision threading services (ie machining to apply threads) to piping, couplings, connections and related accessories enabling pipe sections to be joined together and extend to the length of the wellhole. Hunting has its own proprietary families or premium connections and has operations in North America, EMEA and Asia-Pacific to serve energy and geothermal markets globally.

Subsea Technologies (**9%**): This product grouping addresses the offshore and deepwater floating, production, storage and offloading (FPSO) system market. Reported separately for the first time in FY23 (previously included in the North America region), it comprises three acquired, independent operating companies. The product portfolio includes hydraulic control valves and seal couplings (National Couplings), titanium and steel stress joints for risers connecting subsea flowlines to FPSOs (RTI/Spring) and modular production system technology for enabling efficient subsea wellhead flow access and intervention (Enpro).

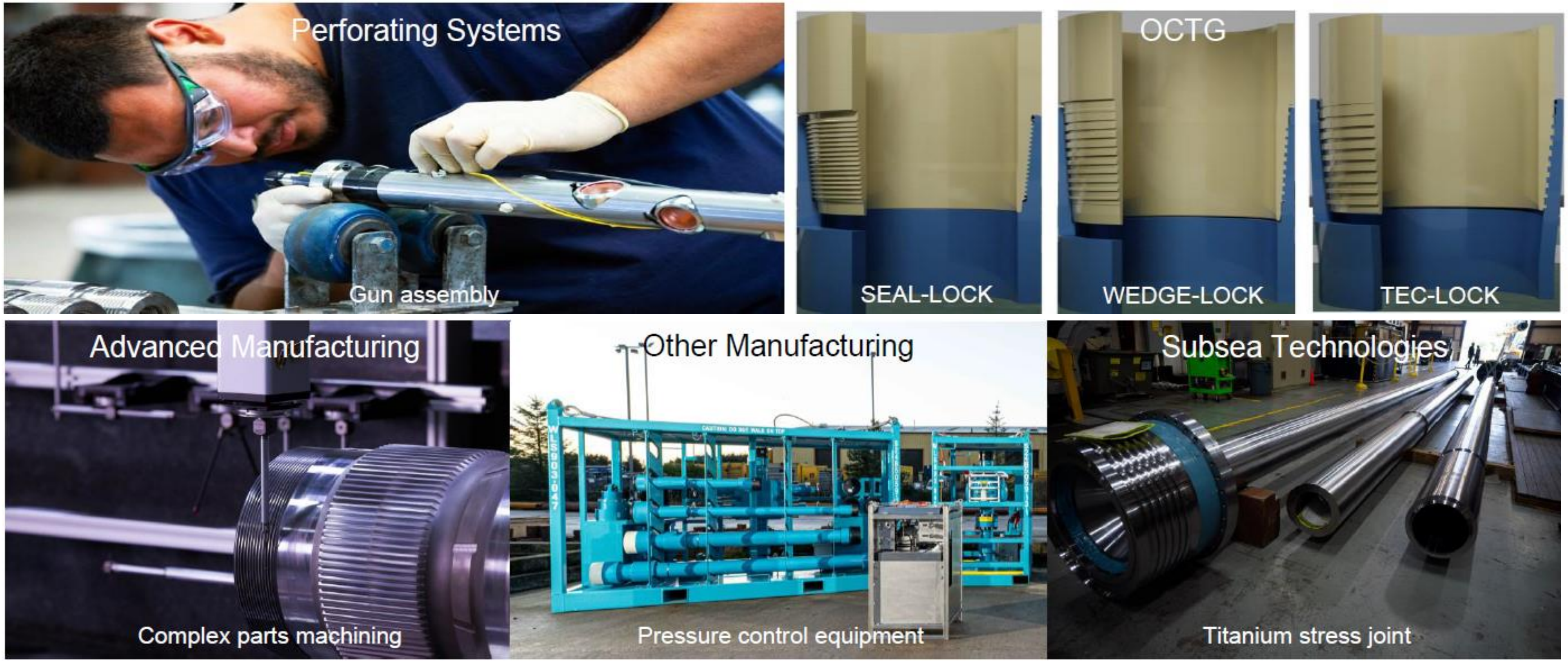
Advanced Manufacturing (**10%**): In the oil and gas segment, operations in this product group are largely related to downhole measurement tool (MWD – measuring while drilling, LWD – logging while drilling) equipment. They provide specialist, high precision, complex machined metal components using a range of processes and coatings as well as electronic printed circuit boards, power supplies and systems integration for harsh environment applications. Additionally, c. 37% of FY22 revenue was generated in non-oil and gas segments, with products and services also supplied to aerospace and defence, power generation, space and medical equipment customers in the period.

Other Manufacturing (**10%**): Downhole Well Intervention tool components, equipment and services account for around half of this product group's revenues, typically used on either slickline (single strand) or E-line (electrical power and data transmission) cables. Other product categories include hollow tube and MWD consumable components. A third revenue stream, organic oil recovery (using chemical formulations to enhance well yield) is being developed via a collaboration agreement.

Divisional composition: Market-leading product portfolio

This page introduces a selection of the portfolio of products and equipment in each Product Group. It demonstrates breadth in terms of function, type (components, assemblies and equipment) and the use of a range of manufacturing processes, in some cases produced from vertically integrated internal supply chains. Each Product Group is covered individually on the following pages, showing their relative scale in a group context and the international nature of Hunting's business reach.

Hunting: Product Group portfolio breadth



Source: Company

Hunting: Group reporting – mapping Product Groups to Divisions

We introduced Hunting's five product groups in an earlier section. As a reminder:

Perforating & Logging Systems
Oil Country Tubular Goods (OCTG) & Connections
Advanced Manufacturing
Subsea Technologies
Other Manufacturing

The group's primary reporting structure is a regional divisional format. In the matrix below, we show the importance of each of the above product groups to each reporting region in revenue splits for FY22. The matrix also summarises the profit contributions of each category, showing their relative contributions to FY22 group financial performance.

In the following sections (starting in the facing panel), we present these figures in pie charts, along with trading history and the respective production footprints for each product group

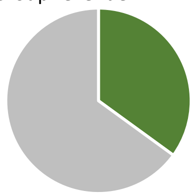
External revenue 2022	**Hunting Titan**	**North America**	**Subsea Tech**	**EMEA**	**Asia Pacific**	**Revenue**	**EBITDA**	*EBITDA margin %*
Perforating Systems	246.5			5.4		**251.9**	27.3	*10.8%*
OCTG	3.5	154.3		32.4	68.6	**258.8**	16.2	*6.3%*
Advanced Manufacturing	7.8	67.3				**75.1**	0.9	*1.2%*
Subsea			69.0			**69.0**	3.4	*4.9%*
Other Manufacturing		34.5		31.5	5.0	**71.0**	4.2	*5.9%*
						725.8	**52.0**	
Revenue	**257.8**	**256.1**	**69.0**	**69.3**	**73.6**	**725.8**		
EBITDA	**24.7**	**26.7**	**3.4**	**(2.1)**	**(0.7)**	**52.0**		
EBIT	**15.9**	**9.2**	**(1.1)**	**(6.0)**	**(3.4)**	**14.6**		
EBITDA margin %	*9.6%*	*10.4%*	*4.9%*	*-3.0%*	*-1.0%*			
EBIT margin %	*6.2%*	*3.6%*	*-1.6%*	*-8.7%*	*-4.6%*			

Hunting: Product Groups

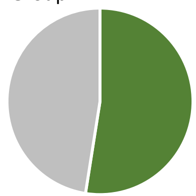
Perforating Systems

Design and manufacture of components, products and systems which are mainly used in the completion stage of a hydrocarbon well (both conventional/vertical and, more typically, unconventional/horizontal). Perforating Systems generated 44% of FY22 revenue, energetics 28% and instrumentation and associated hardware 28%. Since acquiring Titan in 2011, Hunting has innovated and developed the product portfolio offering. The business mainly manufactures to stock for the North American market, operating a network of 13 distribution centres) for proximity to customer operations and to provide technical sales and service support.

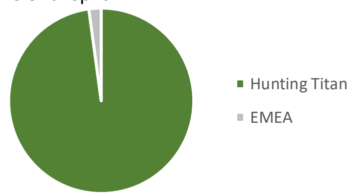
% Group revenue FY22



% Group EBITDA FY22



Divisional split



US$m	2016	2017	2018	2019	2020	2021	2022
Revenue	143.0	305.6	404.1	363.0	154.5	181.7	251.9
EBITDA	N/A	N/A	N/A	N/A	6.4	8.5	27.3

		Primary production facilities	
Americas			
5	335.7	Pampa, TX	Wireline perforating gun systems & instrumentation
	6.6	Wichita Falls, TX	Select-fire switches
	2225.8	Milford, TX	Energetics, charges, assemblies & perforating gun systems
	6.8	Monterrey, Mexico	Perforating gun systems
Asia Pacific			
1	30.0	*Wuxi City, China	Perforating gun systems
6	**2604.9**	**000 sq m**	
		*shared sites	

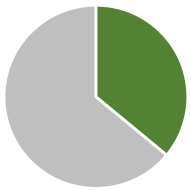
Source: Company, Equity Development *indicates shared location

Hunting: Product Groups

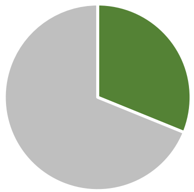
Oil Country Tubular Goods (OCTG) & Premium Connections

Design & manufacture of a range of high performance connectors using proprietary and licensed technologies. Machining of threads to connect OCTG (casing, tubing for the construction & completion of wellbores) sourced from major steel producers & specialist pipe mills globally. Hunting's premium connection technology has evolved into product families (SEAL-LOCK, WEDGE-LOCK, TEC-LOCK) and high margin accessories & precision parts. Oil & gas is the traditional sector served with growing opportunities in piping systems for carbon capture, utilisation & storage (CCUS) and geothermal markets. A new JV facility with Jindal SAW opened in India in October 2023.

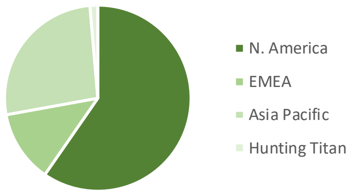
% Group revenue FY22



% Group EBITDA FY22



Divisional split



US$m	2016	2017	2018	2019	2020	2021	2022
Revenue	189.6	254.8	277.4	357.0	264.7	172.5	258.8
EBITDA	N/A	N/A	N/A	N/A	12.8	(7.4)	16.2

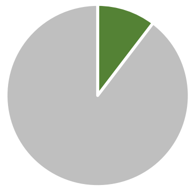
Primary production facilities (all OCTG & accessories)

Americas			EMEA		
9	159.7	Ameriport, Baytown TX	3	161.8	Fordoun, UK
	27.1	**H (Rankin Road), TX		27.0	*Velsen Noord, Neth.
	9.0	**H (Beaumont Hwy), TX	Asia Pacific	2.0	*Dharan, Saudi Arabia
	7.5	**H (4400 NSHPW), TX	3		
	37.6	Ramsey Road, Crosby TX		5.4	*Tuas Avenue, Sing.
	229.9	Schriever/Houma, LA		30.0	*Wuxi City, China
	12.5	River Road, Marrero LA		10.0	Batam, Indonesia
9	**483.4**	**000 sq m**	**6**	**236.2**	**000 sq m**
		Plus 13 distribution centres			

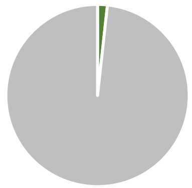
Advanced Manufacturing

This product group comprises four separate entities with specialist design and manufacturing capabilities in precision machining, deephole drilling & milling and electronics PCBs & circuitry for high temperature uses. Oil & gas sector products (63% sales) range from components to whole MWD/LWD tools, combining precision machining, electrical manufacturing and assembly capabilites. Non-oil & gas revenues (37% including medical, aerospace, defence and space) are other specialist parts and assemblies, both machined & electronic. Hunting also owns 27% of Cumberland Additives, a US-based additive/3D manufacturer in metal & polymer materials.

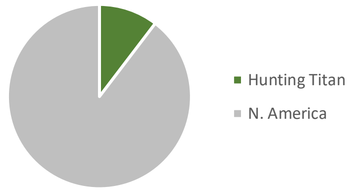
% Group revenue FY22



% Group EBITDA FY22



Divisional split



US$m	2016	2017	2018	2019	2020	2021	2022
Revenue	45.2	61.1	98.5	104.5	74.3	59.6	75.1
EBITDA	N/A	N/A	N/A	N/A	1.9	0.7	0.9

Primary production facilities

Americas			
3	197.9	Fryeburg, ME	Precision, highly advanced CNC machined components
	30.4	**H (8383 NSHPW), TX	Harsh environment PCBs for downhole logging tools
	7.5	**H (4400 NSHPW), TX	Precision machining for downhole tools
3	**235.8**	**000 sq m**	

**H = Houston
MWD/LWD = Measurement/Logging While Drilling
*shared sites

Source: Company, Equity Development

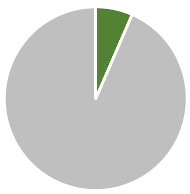
Hunting: Product Groups

Subsea Technologies

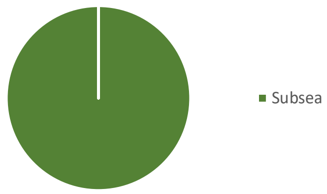
Leading solutions provider of products located at wellhead & production system interfaces for the global offshore industry. These include 1.hydraulic (metal & elastomer) couplings used in control, injection and metering systems, 2.titanium stress joints which connect riser pipelines to offshore Floating, Production, Storage & Offloading (FPSO) platforms and 3.retrievable Flow Access Modules that provide design & production flexibility to enhance operator efficiency. This Product Group is formed from three acquisitions: National Couplings (2011), RTI Energy (2019) and Enpro Subsea (2020). Split out and reported separately from FY23, for the first time.

% Group revenue FY22

% Group EBITDA FY22



Divisional split



US$m	2016	2017	2018	2019	2020	2021	2022
Revenue	21.5	20.8	30.5	44.5	69.8	58.8	69.0
EBITDA	N/A	N/A	N/A	N/A	4.8	4.7	3.4

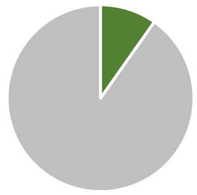
Primary production facilities

Americas			
2	57.9	Stafford, TX	Hydraulic couplings, metering valves & pumping equipment (NCC)
	11.6	Spring, TX	Titanium stress joints & specialist components & services (RTI)
EMEA	0.5	Westhill, Scotland	Flow Access Modules (FAM), design & supply chain management
1			
3	**70.0**	**000 sq m**	

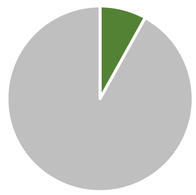
Other Manufacturing

Manufacturing, rental and servicing of tools & equipment used in downhole well intervention activities, including maintenance, repairs and upgrades for optimal well performance. Tools include mechanical (on slickline) and electro-mechanical (on wireline) attachments and accessories. Operations also supply pressure control equipment and portable control, pressure testing and chemical injection units.

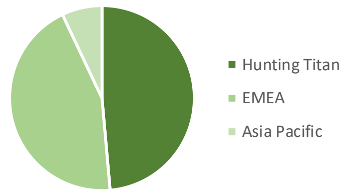
% Group revenue FY22



% Group EBITDA FY22



Divisional split



US$m	2016	2017	2018	2019	2020	2021	2022
Revenue	56.5	82.6	100.9	91.0	62.7	49.0	71.0
EBITDA	N/A	N/A	N/A	N/A	0.2	(3.4)	4.2

Primary production facilities

Americas			
1	116.6	*Broussard, LA	Trenchless equipment - drill stem, tooling & ancillary accessorie
EMEA			
2	27.0	*Velsen Noord, Neth.	Well Intervention tool manufacturing (to be moved to Dubai)
	1.4	*Dubai, UAE	Well Intervention equipment production & Organic oil recovery
Asia Pacific			
1	5.4	*Tuas Avenue, Singapore	Well Intervention tool manufacturing
4	**150.4**	**000 sq m**	MWD = Measurement While Drilling *shared sites

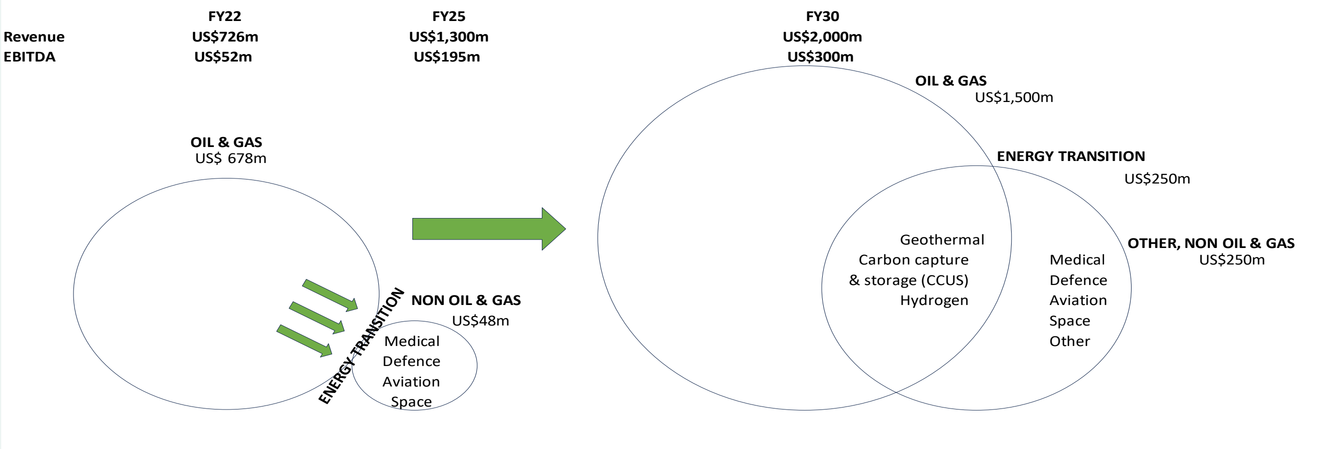
Source: Company, Equity Development

2030 Strategy: Accentuating the positives

At a Capital Markets event in September, the Hunting management team presented an ambitious strategy with explicit financial targets to raise group FY22 revenues **by almost 2.8 times** to c. US$2bn per annum by 2030, with EBITDA increasing almost sixfold to c. US$300m p.a. over the same timeframe. Continuing improvement in underlying energy demand is anticipated to provide a favourable backdrop for the oil and gas sector. In addition, Hunting is targeting a significant uplift in non-oil and gas revenue from c. 6% of FY22 revenue to c. 25% by FY30.

A strong existing and relevant product portfolio (underpinned by IP and innovation), global footprint and customer base all provide a solid fundamental platform from which Hunting proposes to leverage further into non-oil and gas segments and diversify end market exposures. The chart below provides a simple graphic illustration of the 2030 strategy.

Hunting: 2023-2030 strategic growth targets



Source: Company, Equity Development. NB Chart illustrative, not to scale; segment revenue (Oil & gas, Energy Transition, Other non-oil & gas) shown in chart

Hunting has also provided target revenue growth and EBITDA margin targets for FY25; we have shown the product of these in the chart above as a waypoint on the way to the 2030 strategic targets but cover this in more detail in the later Financials section in the context of our own estimates.

In broad terms, the first half of the eight-year strategy is expected to be driven by a combination of increased volumes in existing oil and gas markets, improved operational leverage following footprint actions that have lowered fixed costs and increasing penetration of non-oil and gas markets (including energy transition). We would expect the latter to accelerate progressively and, with free cash flow (FCF) generation, portfolio additions via M&A then become more likely. In its indicative revenue progression, we estimate that Hunting includes c. US$300m annual revenue derived from acquisitions in its US$2bn p.a. 2030 target. We see complementary products – especially for non-oil and gas applications – as being the primary focus of M&A activity, although obviously the timing and quantum of such activity cannot be predicted in advance.

Citing independent research by Wood Mackenzie (July 2023), Hunting outlined some projections in its key identified markets to 2030, as follows:

- **Global oil & gas** – modest increase in demand (from 102m to 108m bopd/day), steady capital expenditure over the period, save for a sharp increase in the deepwater sub-sector, and – as existing field deplete – a c. 20% supply gap driving efficiency and exploration activity.
- **Carbon capture, utilisation & storage (CCUS)** – expected increase in capacity from 88m tonnes per annum to over 772m tpa.
- **Global geothermal capacity** – expected capacity rising from 14,619MW to 21,991MW (10% CAGR).

Leveraging core strengths; global presence, product portfolio and innovation

Hunting's global presence in the oil and gas sector allows it to direct business development activity and resource to the most active and attractive long-term regions. Moreover, with a product portfolio that covers conventional, unconventional and offshore and deepwater sub-sectors, Hunting is able to address a range of project types. Its demonstrated capability for technical innovation both reinforces existing market positions and can facilitate penetration of newer segments. The most obvious examples of this can be seen in Perforating Systems (having recently launched the fourth generation H-4 perforating gun system, some eight years after the H-1 launch in FY15 plus control fire switches and energetics) and OCTG (where a portfolio of evolved premium connections – Seal-Lock, Wedge-Lock and Tec-Lock – has been developed over time). Separately, Advanced Manufacturing is recognised as being a leader in precision engineering processes and high integrity electronic circuitry.

These core capabilities are transferrable, and it is instructive to note that all of the product groups are expected to contribute to achieving Hunting's 2030 targets in both oil and gas *and* non-oil and gas sectors. Within oil and gas, subsea and international markets are seen as offering higher growth prospects and we have already highlighted the CCUS and geothermal industries as key new Energy Transition target market segments. The obvious high-level commonality between each of these sub-sectors is that they are all fundamentally require high integrity, below ground, harsh environment piping systems. Indeed, there is some customer overlap between oil and gas and CCUS as producers redeploy depleted oil field assets into new revenue streams which also enhance environmental credentials.

Unsurprisingly, the OCTG product group is projected to be the largest contributor to Hunting's targeted 2030 revenue uplift; by value we estimate this to be c. US$500m (or c. 40%) of the increment, spread across both oil & gas and Energy Transition markets. Hunting believes that all four of its primary product groups can potentially supply the CCUS industry and three also address geothermal opportunities (the obvious exception being Subsea). Hunting's initial exposure to the latter market has come via workflows in the UK, Netherlands and New Zealand with micro hydro generator projects in the Philippines also, so some demonstrable presence is already evident. In other, non-oil and gas, non- Energy Transition market, Advanced Manufacturing, already has the broadest end market sector spread, including accreditations and sales in the medical, aerospace and defence, space and power generation industries. This product group is targeting 70% of revenue from non-oil and gas markets by 2030, from c. 37% currently.

Projected cash generation provides significant capital allocation flexibility

Based on 2030 targets, Hunting projects that this equates to cumulative **free cash flow (FCF[4]) of US$1bn** over the eight-year period, based on a target 70% FCF conversion. We make the following adjustments:

- **M&A:** strip out US$300m of revenue earmarked to come from acquisitions (our estimate) and pro rate the above projected cumulative US$1bn FCF to US$850m
- **Capex:** assume that expenditure runs at 1.25x owned asset depreciation (the upper end of management's indicated range) giving an approximate total outflow of c. US$300m

This would yield a cumulative net cash inflow of c. US$550m, or c. US$69m per annum on average over the period (though on a rising trend and, therefore, below this level in the earlier years). We expect dividend cash payments to be c. US$15m in FY23 and the group balance sheet to effectively be funds neutral at the year end. Taken together, this potentially provides **significant capital allocation flexibility** to further invest in the business, underpin a progressive dividend policy (targeted at 10% growth per annum) and finance M&A activity. In addition, Hunting has a US$150m asset-based lending facility in place plus a US$50m accordion (to 2026) and has set a leverage ceiling of 1.5x net debt: EBITDA on a pre-IFRS16 basis.

[4] At a high level, FCF is defined as cash generated after everything save for expenditure on non-current assets, distributions to shareholders and acquisitions.

Financials: Growth aspirations

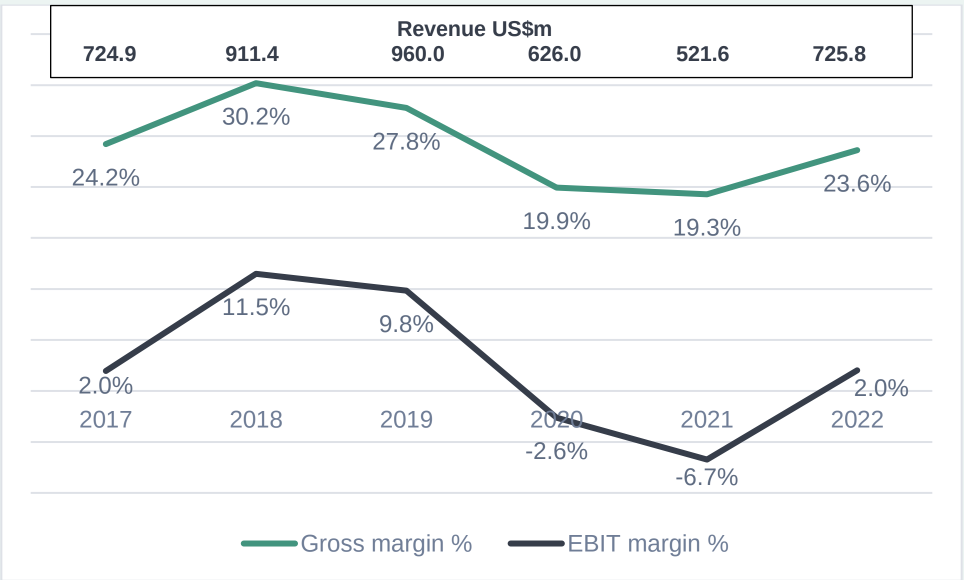
Hunting has experienced widely differing trading conditions over the last six years but entered FY23 with positive momentum which is being sustained, as evidenced by H123 results and a recent trading update. The impetus to return to pre-Covid profitability levels is strong and management's aspiration – through its 2030 Strategy – is to grow well beyond this.

2017-2022 overview

Under the current management team, this period was characterised by:

- **Strong initial recovery** from a significant 2016 loss-making position – a firming oil price backdrop supported a return to underlying EBIT in excess of US$100m in FY18 (including a record contribution from Hunting Titan), declining slightly overall in the following year as North American rig activity slowed.
- **Two years of Covid-impacted losses** in 2020 and 2021 – global economic disruption fed into oil price volatility and clearly impacted global oil and gas production. With recovery lags, market confidence began to return in H221.
- **Return to profitability in FY22** – more favourable operational gearing fed into gradual gross margin recovery and low-level but improving profitability as the year progressed. The outturn for the year as a whole was comparable to the financial performance in FY17, which also began a trading upturn.

Hunting: 2017-2022 revenue and margin development

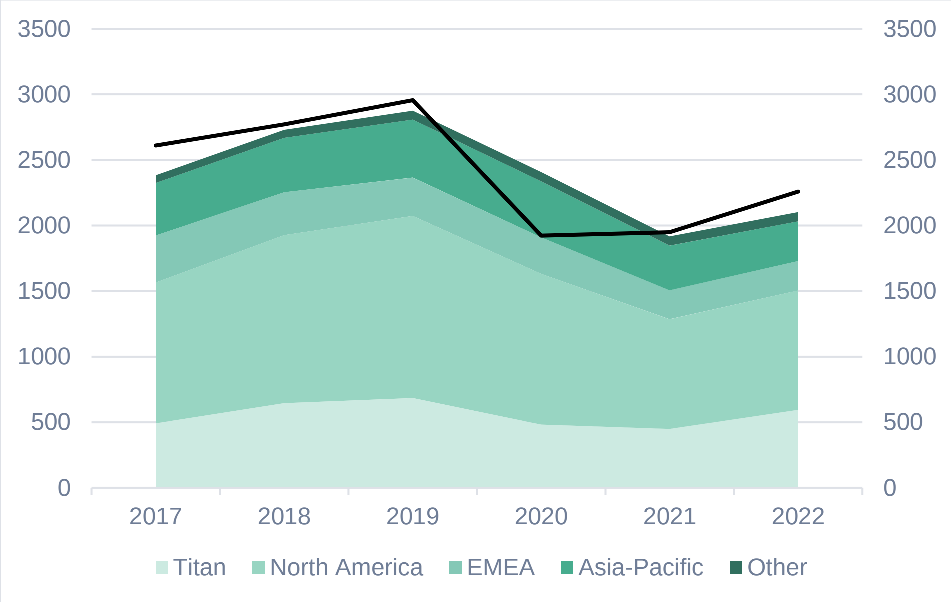


Source: Company, Equity Development. Margin % based on adjusted profitability

During this six-year period, Hunting deepened its exposure to subsea technologies (through two acquisitions) and made some smaller business investments. It also increased business focus both through pruning non-core, lower margin product lines (eg drilling tools) and re-shaping the operational footprint over time (including closing facilities in Africa, Canada and Asia while investing in other facilities and product development). As a result, Hunting ended FY22 with 29 manufacturing sites and 14 distribution centres (compared to 40 and 25 respectively at the end of FY16).

As shown in the chart below, **staff numbers have been flexed over time** reflecting the above trading conditions and company developments. The average number of employees for FY22 (2,102) was c.12% below FY17 but, in contrast, directional momentum was upwards, ending the year higher.

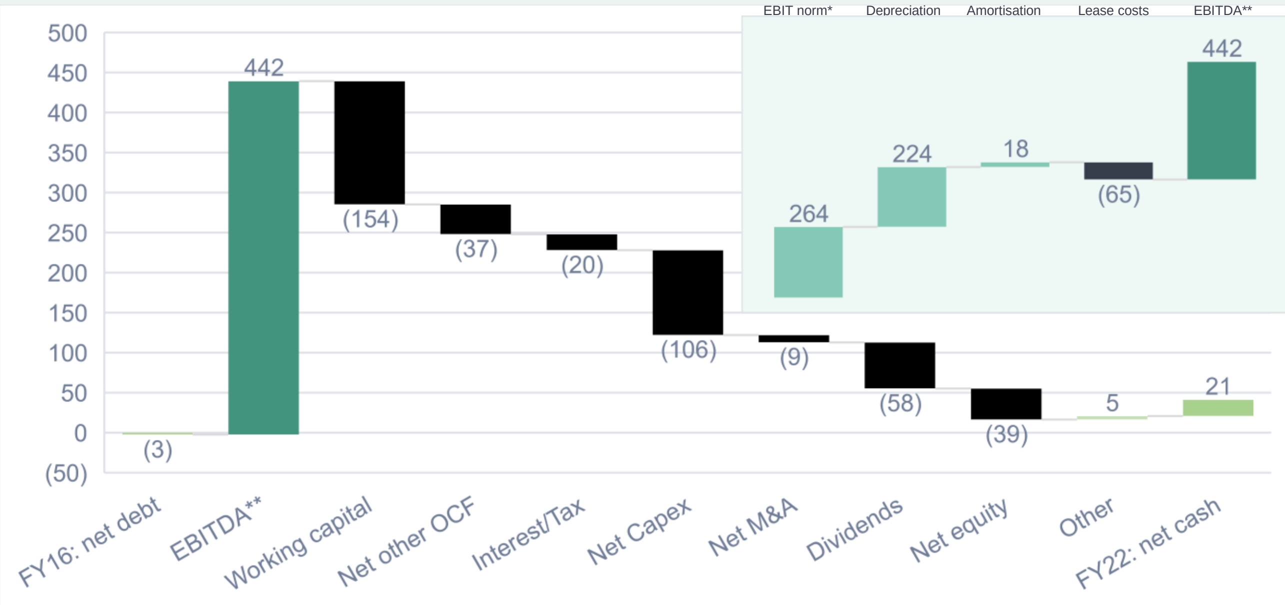
Hunting: Employees 2017-2020 (LHS average, RHS year end, line)



Source: Company, Equity Development

Moving on to review **cash flow performance**: Hunting ended FY16 with marginal gearing, which became a c. $21m net funds position at the end of FY22. We have shown the aggregate cash flow movements for the key line items over this six-year period in the following chart with our observations below.

Hunting: 2017-2022 aggregate cash flow performance (US$m)



Source: Company, Equity Development NB EBIT norm excludes share-based payments (SBP), EBITDA** derivation is shown in top right-hand panel*

- **EBITDA** of US$442m** (**after lease costs) was generated from trading over the six-year period; just over one third of this has been absorbed into working capital. Note that this includes US$87m in FY22 reflecting both an improving revenue trend and significant inventory build into a successful contract win phase, which we reference in the outlook section below.

- **Other operating cash flow** (OCF) items comprising costs associated with restructuring, acquisitions, various other smaller non-underlying cash items and non-cash adjustments have collectively absorbed c. 8% of EBITDA generated.

- **Net capex spend** totalled just over half of owned asset depreciation (or two thirds on a gross basis). NB this followed a more intensive capex phase in excess of 1.5x depreciation between 2013-2015.
- **Distributions to shareholders** via dividends, treasury share purchases and share buybacks approached US$100m.
- **M&A activity** outflows were modest; and included two acquisitions (ie RTI and Enpro), disposal proceeds (from the OCTG European restructuring in FY21) and other net business investments.
- **External financing costs** (both bank interest and lease costs) have not been significant cash outflow items in the context of group profitability.

FY22: revenue and profit recovery already underway

While the above overview provides context, we now draw out the FY22 financial performance to better illustrate the turning point of the profit rebound that is underway.

Hunting: Interim and divisional split 2021-2022

Year end: Dec US$m	H1	H2	2021	H1	H2	2022
Group Revenue	**244.4**	**277.2**	**521.6**	**336.1**	**389.7**	**725.8**
Hunting Titan	88.7	100.6	189.3	127.2	138.8	266.0
North America	92.6	103.2	195.8	123.4	157.3	280.7
Subsea Technologies	29.6	29.2	58.8	35.3	33.7	69.0
EMEA	27.6	30.5	58.1	37.1	34.4	71.5
Asia Pacific	19.1	29.0	48.1	31.9	48.5	80.4
Inter company	(13.2)	(15.3)	(28.5)	(18.8)	(23.0)	(41.8)
Group EBIT	**(23.0)**	**(12.1)**	**(35.1)**	**4.7**	**9.9**	**14.6**
Hunting Titan	(1.6)	0.7	(0.9)	7.3	8.6	15.9
North America	(10.5)	(6.3)	(16.8)	0.0	9.2	9.2
Subsea Technologies	0.1	0.6	0.7	0.0	(1.1)	(1.1)
EMEA	(6.6)	(4.6)	(11.2)	(2.2)	(3.8)	(6.0)
Asia Pacific	(4.4)	(2.5)	(6.9)	(0.4)	(3.0)	(3.4)
EBIT margins %	***-9.4%***	***-4.4%***	***-6.7%***	***1.4%***	***2.5%***	***2.0%***
Hunting Titan	*-1.8%*	*0.7%*	*-0.5%*	*5.7%*	*6.2%*	*6.0%*
North America	*-11.3%*	*-6.1%*	*-8.6%*	*0.0%*	*5.8%*	*3.3%*
Subsea Technologies	*0.3%*	*2.1%*	*1.2%*	*0.0%*	*-3.3%*	*-1.6%*
EMEA	*-23.9%*	*-15.1%*	*-19.3%*	*-5.9%*	*-11.0%*	*-8.4%*
Asia Pacific	*-23.0%*	*-8.6%*	*-14.3%*	*-1.3%*	*-6.2%*	*-4.2%*

Source: Company

Each of the three half year periods from the low point show successive improvements in revenue, margins, and profit contribution at group level. At divisional level, Hunting Titan and North America have clearly been the primary drivers of this rebound. The two other regions both reduced their operating loss run rate and while Subsea has grown revenues, this division remained marginally loss-making in FY22.

Looking at cash flow, net cash excluding IFRS16 leases reduced from c. US$104m (excluding invested cash) to c. US$21m over the FY22 year (including c. US$5m adverse FX translation). This US$79m underlying funds movement was more than accounted for by a US$87m absorption into working capital.

Inventory represented US$72m of the FY22 working capital outflow, primarily into raw materials and work-in-progress, and the increase was substantially in the Titan and North American divisions.

We note that inventory provisions, while still significant, reduced during FY22 (on a higher gross inventory level) and management noted an overall reduction in inventory days (from 163 to 159) over the year.

Balance sheet strength at the beginning of FY22 facilitated the necessary working capital absorption into rising activity levels over the course of the year. Underlying cash flow then – even at subdued levels of profitability – was clearly more than sufficient to service other business requirements in the year and fund c. US$21m distributed to shareholders through dividends and buybacks.

For the record, in FY22 Hunting replaced its existing undrawn RCF bank facility with a new US$150m asset-based lending (ABL) facility plus a US$50m accordion, maturing in February 2026. In relation to a significant Asia-Pacific OCTG order secured in 2022 (see below) the company also has c. US$35m working capital facilities in place with local Chinese banks.

Gathering momentum into FY23

Hunting ended FY22 with stated orders on hand of US$473m, more than double the US$212m reported a year earlier, reinforcing the momentum picture described above. (This included US$80m+as part of a record US$86m OCTG premium connection order awarded by CNOOC.) **Divisional order books** were as follows:

- **North America** up sharply to US$208m (from US$112m) with OCTG and Advanced Manufacturing both sharply better.
- **Subsea Technologies** grew to US$105m (US$44m) driven by deepwater project demand,
- **Asia-Pacific** stood at US$102m (US$20m) boosted by the CNOOC order,
- **Titan** and **EMEA** both typically have much shorter order book visibility, but both also reported improvements at the end of FY22 (to US$30m and US$28m respectively)

At this time, management provided explicit EBITDA guidance[5] in an expected US$85m-90m range. Having secured another record OCTG order in May (this time US$91m from Cairn Oil & Gas, Vedanta Ltd), full year EBITDA guidance was raised to US$92m-94m. When H123 results were reported in August:

- **FY23 guidance was raised again to US$96m-100m** and, in addition,
- **FY24 guidance of US$125m-135m** was reiterated.

By way of context, the indicated FY23 level is broadly double that reported in FY22. Moreover, the upper end of FY24 guidance is approaching previous peak profitability levels achieved by the current management team (in 2018/2019). This improved financial performance expectation is being backed by other strategic and operational actions to position Hunting for higher levels of profitability, consistent with its 2030 aspirations outlined earlier. These include:

- **Energy Transition Sales Group** established to act as a focal point for Hunting to bring together its key group-wide product lines to address nascent carbon capture and storage and geothermal markets.
- **Ten-year strategic OCTG strategic partnership** with China- listed Zhejuang Jiuli Hi-Tech Metals to supply corrosion-resistant alloy OCTG for carbon capture and storage and geothermal applications.
- **CRA-Tubulars Collaboration Agreement** covering exclusive marketing, manufacturing and distribution rights to CRA's titanium composite tubing (TCT) technology in North America for an initial five-year period.
- **India OCTG facility** opened in September; original collaboration agreement signed with JV partner Jindal SAW in August 2019, the only local OCTG production facility serving the local market.

[5] Underlying EBIT + depreciation (owned and right of use assets) + amortisation of internal intangibles

FY23 to date: financial performance continues to improve

H123 results confirmed further earnings recovery, continuing previously noted progress in FY22. The North American division was the primary driver here (see table below), contributing to a more than fourfold increase in underlying group EBIT with PBT more than nine times its H122 equivalent. As noted above, full year EBITDA guidance was raised again and an 11% uplift in the interim dividend was declared. Over the six-month period, Hunting moved into a net debt position (US$56m on a pre-IFRS16 basis), following a further significant absorption of cash into working capital to service active markets and raised order intake. In more recent newsflow (Q3 update, released on 26 October), FY23 EBITDA guidance was reiterated with management also anticipating a broadly funds neutral balance sheet by the year end.

Hunting: Interim & divisional split H123

Year end: Dec US$m	H122	H222	2022	H123	
Group Revenue	**336.1**	**389.7**	**725.8**	**477.8**	***42%***
Hunting Titan	127.2	138.8	266.0	134.5	*6%*
North America	123.4	157.3	280.7	191.3	*55%*
Subsea Technologies	35.3	33.7	69.0	42.5	*20%*
EMEA	37.1	34.4	71.5	46.5	*25%*
Asia Pacific	31.9	48.5	80.4	86.9	*172%*
Inter company	(18.8)	(23.0)	(41.8)	(23.9)	
Group EBIT	**4.7**	**9.9**	**14.6**	**26.2**	***457%***
Hunting Titan	7.3	8.6	15.9	7.5	*3%*
North America	0.0	9.2	9.2	17.9	*n/m*
Subsea Technologies	0.0	(1.1)	(1.1)	(0.4)	*n/m*
EMEA	(2.2)	(3.8)	(6.0)	(1.1)	*n/m*
Asia Pacific	(0.4)	(3.0)	(3.4)	2.3	*n/m*
EBIT margins %	***1.4%***	***2.5%***	***2.0%***	***10.2%***	
Hunting Titan	*5.7%*	*6.2%*	*6.0%*	*6.4%*	
North America	*0.0%*	*5.8%*	*3.3%*	*19.0%*	
Subsea Technologies	*0.0%*	*-3.3%*	*-1.6%*	*8.5%*	
EMEA	*-5.9%*	*-11.0%*	*-8.4%*	*7.5%*	
Asia Pacific	*-1.3%*	*-6.2%*	*-4.2%*	*7.6%*	

Source: Company

In a **Q3 update**, EBITDA is stated to have been in line with Q2 (and at a margin in excess of 11% versus 10.2% for H1 as a whole) taking the nine-month cumulative total to c. US$75m. Unsurprisingly then, Q3 trading trends have been similar those seen in Q2. While Titan/Perforating Systems has seen flatter demand overall, good momentum is being seen elsewhere with OCTG performing strongly in international markets, Advanced Manufacturing growing margins and non-oil and gas revenues in its precision machining activities and Subsea Technologies seeing strong demand across all three of its primary product groups. Having reported an end June order book position of US$530m (up from US$473m six months earlier), it stood at US$511m at the end of September. The announcement of a US$59m Subsea Technologies order in October (ie another package of titanium stress joints for a South American offshore development) means that group order book levels will be maintaining elevated levels. As a general comment, Hunting is believed to have available capacity to at least meet its near-term volume requirements, maintaining some flexibility to increase headcount as required. The previously announced footprint consolidation actions (ie relocating lines from an Oklahoma City facility and relocating others within EMEA) do not affect core manufacturing capability to any material extent.

Good progress expected, estimates conservative vs company targets

We now outline our three-year earnings model in the context of Hunting's stated FY22-FY25 revenue and EBITDA margin targets. The table below summarises company revenue growth and EBITDA margin guidance below group level (LHS), our illustrative application of these inputs (middle, and lower right hand panels) and the company's own group-level guidance (top RH panel).

Hunting: Summary and application of publicly available company guidance metrics

US$m		Guidance	Illustrative revenue progression		
	2022A	CAGR	2023E	2024E	2025E
Revenue	**726**		**846**	**994**	**1179**
Oil & gas	*678*	14%	773	881	1005
Non Oil & gas	*48*	54%	73	113	174
Revenue	**726**		**846**	**994**	**1179**
Perforating Systems	252	10%	277	305	335
OCTG	259	19%	308	366	436
Advanced Manufacturing	75	29%	97	125	161
Subsea Technology	69	26%	87	110	138
Other Manufacturing**	71	15%	78	89	108

Group level company guidance			
	2023E	2024E	2025E
EBITDA*	**98**	**130**	**195**
Margin*	10.5%	12.0%	15.0%
Inferred Revenue	**933**	**1083**	**1300**

Key: *mid-points of guided ranges
**inferred from oil & gas / non oil & gas revenue illustration

EBITDA	Margin guidance			Illustrative margin inputs			Illustrative values		
	2023E	2024E	2025E	2023E*	2024E	2025E	2023E	2024E	2025E
	10-11%	**11-13%**	**14-16%**	**10.6%**	**11.0%**	**11.3%**	**90**	**109**	**133**
Perforating Systems	11-13%	Improving	N/A	12.0%	12.5%	13.0%	33	38	44
OCTG	10-12%	Stable	N/A	11.0%	11.3%	11.5%	34	41	50
Advanced Manufacturing	9-12%	Improving	N/A	10.5%	11.5%	12.0%	10	14	19
Subsea Technology	8-10%	Improving	N/A	9.0%	9.5%	10.0%	8	10	14
Other Manufacturing	5-7%	Stable	N/A	6.0%	6.0%	6.0%	5	5	6

Source: Company guidance, Equity Development. NB Illustrative revenue progressions apply the indicated guided CAGR to each line item in each year

Bearing in mind that our analysis in the above table is illustrative only, our observations from the above table are as follows:

- Group level guidance appears to be ahead of our illustrations built up from the constituent parts; this suggests that revenue growth rates and/or EBITDA margin guidance are on the conservative side. (We have not factored in any M&A activity in the above illustrations.)
- In context, FY25 group-level EBITDA guidance is clearly well ahead of the recent peak of c. US$140m seen in the 2018 and 2019 years, being the product of a comparable group margin and higher revenue.
- Non-oil and gas revenue would rise from c. 6% to c. 15% of group revenue between FY22 and FY25; management has indicated that EBITDA margins should be comparable to those seen in oil and gas.

Compared to group-level company guidance, **our own estimates** for revenue and EBITDA are slightly above the midpoint but **in line for FY23**, though with more **conservative expected EBITDA for FY24 (7% discount) and FY25 (25% discount)** at this stage. As well as general market conditions in its chosen sectors, we will review Hunting's order intake progression and forward visibility across the group to inform any future upward revisions to our estimates.

Based on our own estimates as they stand, we expect Hunting to experience modest cash outflow in FY23, leaving the company broadly funds neutral at the period end, followed by two years of net cash generation in excess of US$40m per annum (assuming c. 10% dividend growth and absent any acquisitions), leaving a **net cash position of around US$79m at the end of FY25**. We note that the company's illustrative guidance (after applying our own cash dividend projections) - is for net cash to be nearer to US$150m at the same point. Hunting's historic financial performance from 2017 onwards as well as our three estimate years are shown later in the Financial Statements section.

Valuation: Ratings yet to reflect strategy

Hunting is a well-established company operating as a leading player in its product groupings in global markets with long term horizons. It is fair to say that company earnings are currently in a rebound phase following two Covid-disrupted trading years in FY20 and FY21 as reflected in historic conventional rating metrics. FY23 is expected to show strong year-on-year progress and, on our estimates, group EBITDA returns to pre-Covid (ie 2018 and 2019) levels in FY25. The company has provided explicit EBITDA guidance for the current year and the following one; our estimates are in line with FY23 and slightly lower than the FY24 range currently.

The divergence between our FY25 EBITDA estimate and the company's indicative target for that year is more material, as shown below. (The difference here is due to our marginally lower revenue CAGR over the three-year period and a conservative, c. 200bp lower, EBITDA margin assumption.)

EBITDA expectations: comparing company guidance and ED estimates

Year to Dec: EBITDA US$m	2023E	2024E	2025E
Hunting Guidance	96-100	125-135	c.195*
Equity Development estimate	99.3	121.5	146.0

*Source: Company, Equity Development. *based on target US$1.3m revenue and 15% EBITDA margin*

Based on our estimates and using conventional valuation metrics, Hunting is currently trading on:

- **PER of 16.7x for FY23,** compressing to half that level at **8.3x by FY25**
- **EV/EBITDA of 6.1x** for FY23, reduces to **3.6x by FY25**

We acknowledge that our estimate progression returns Hunting's profitability to its pre-Covid levels rather than representing outright earnings growth but suggest that its FY25 rating is one more associated with an ex-growth business rather than one which is prospectively offering growth well ahead of the UK equity market generally. Moreover, our FY25 estimate itself appears to be conservative which further amplifies this point.

Applying a PER of 13x – which we broadly equate to a PEG of 1x – to our existing FY25 earnings would yield an equivalent share price of 462p.

Cash flow modelling suggests that no growth beyond FY25 is factored in

DCF analysis is not well-suited to cyclical industries, in our opinion. That said, successful execution of Hunting's end market diversification strategy should serve to dampen primary exposure to any variability in the oil and gas sector over time.

For illustrative purposes, we have modelled a 10-year DCF using our three estimate years and a flat EBITDA assumption for the remaining period (and a zero terminal growth rate) to determine what long-term earnings level is, in effect, being discounted in the current share price.

Hunting: DCF matrix

		EBITDA US$m				
		120	**140**	**160**	**180**	**200**
	9.0%	304	355	406	456	507
WACC	**10.0%**	271	315	358	402	445
	11.0%	244	282	320	357	395
	12.0%	222	255	289	321	353

Source: Equity Development. NB Matrix shows value/share p derived from the two inputs shown at £/US$1.23

Our analysis suggests that Hunting's current share price **is effectively discounting constant long-term EBITDA (ie from FY26 onwards) of c. US$139m** which is slightly below our FY25 estimate. Our observations on this are:

- **No earnings growth is being factored in** beyond a return to pre-Covid profitability levels; management ambition is clearly much greater than this.
- If we took **EBITDA of c. US$180m** as an average or midpoint under the 2030 strategy (for current operations, derived by stripping out estimated revenues from M&A, applying the same 15% EBITDA margin and assuming straight line EBITDA progression) **would generate a share price of c. 380p (or 28% upside)** using our DCF methodology.

As previously noted, under Hunting's targets significant surplus FCF could be generated for corporate use. The prospective **dividend yield for FY23 is 3.3%** and we have applied a CAGR of 10%. We see scope for this to be exceeded over time, more so absent significant expenditure on M&A activity.

For the record, we note that H123 NAV (using the current £/US$1.23) was 422p per share; the **current share price represents a 30% discount to NAV** on this basis.

Discount to selected industry peer group

The table below presents conventional valuation metrics for other listed companies operating in the oilfield services sub-sector. It includes a range of Tier 1 providers, pipe mills and other product and services providers. Looking at the outer years, we note that **Hunting sits on a c.24% P/E discount and a 31% EV/EBITDA discount** to this group of companies on an unweighted average basis.

Hunting: Peer group valuation table

Name	Market Cap	P/E	P/E (x)	P/E	EV/EBITDA (x)	EV/EBITDA (x)	Div Yield (%)
	US$m	FY1	FY2	FY3	FY1	FY2	FY1
Hunting PLC	**601**	**16.7**	**11.3**	**8.3**	**6.1**	**4.7**	**2.7**
Average		28.9	14.3	10.9	8.2	6.8	1.1
High		75.1	26.4	21.9	14.4	11.7	4.5
Low		6.0	5.9	5.6	3.6	3.7	0
Schlumberger Limited	77569	18.3	14.9	12.7	10.9	9.4	1.9
Baker Hughes Company	34308	21.6	16.4	13.0	9.9	8.3	2.4
Halliburton Company	34272	12.4	11.1	9.6	8.1	7.4	1.8
Tenaris S.A.	20697	6.0	8.1	9.0	3.9	5.1	2.0
TechnipFMC plc	9345	47.4	18.6	11.6	12.7	8.9	0.9
NOV Inc.	7587	13.9	11.2	9.3	9.4	7.7	1.1
Subsea 7 S.A.	4087	64.9	15.9	10.2	7.1	5.1	0.3
Vallourec S.A.	3046	6.0	5.9	5.6	3.6	3.7	1.2
Oceaneering International Inc.	2137	24.3	14.8	10.1	9.2	7.5	0.0
Expro Group Holdings N.V.	1653	48.9	11.9	9.0	6.2	4.7	0.0
John Wood Group PLC	1299	75.1	17.3	11.0	5.4	4.9	0.9
Core Laboratories Inc.	909	22.8	17.5	13.7	14.4	11.7	0.3
Schoeller-Bleckmann Oilfield Equipment	826	9.5	8.7	8.3	5.1	4.8	4.5
Dril-Quip Inc.	740	n/a	26.4	21.9	11.0	6.8	0.0
Oil States International Inc.	457	33.7	16.2	8.5	6.3	5.5	0.0

Source: Koyfin (non-Hunting data). Equity Development (Hunting)

Financials Summary

INCOME STATEMENT										
Year End: December	**US$m**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**
				IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
Revenue		**724.9**	**911.4**	**960.0**	**626.0**	**521.6**	**725.8**	**948.3**	**1,033.4**	**1,115.7**
Gross Profit		175.4	275.1	266.4	124.8	100.6	171.4	230.0	255.8	281.7
EBITDA - ED*		68.6	155.5	136.0	23.4	1.5	52.7	97.1	119.3	143.8
EBITDA - HTG		56.0	142.3	139.7	26.1	3.1	52.0	99.3	121.5	146.0
EBIT - HTG norm		**14.3**	**104.7**	**94.3**	**(16.4)**	**(35.1)**	**14.6**	**56.9**	**80.0**	**104.0**
Net Bank Interest		(0.7)	(1.0)	(0.9)	(1.1)	0.3	0.4	(4.0)	(3.9)	(3.4)
IFRS16 Interest				(2.2)	(1.9)	(1.5)	(1.2)	(1.2)	(1.2)	(1.2)
Other financial		(0.8)	0.3	1.9	0.0	(0.8)	(0.9)	(1.5)	(1.5)	(1.5)
Associates/JVs		(1.3)	0.0	0.0	0.0	(3.5)	(2.7)	0.8	3.5	4.7
Profit Before Tax (HTG norm)		**11.5**	**104.0**	**93.1**	**(19.4)**	**(40.6)**	**10.2**	**51.0**	**76.9**	**102.6**
Intangible Amortisation		(29.1)	(29.3)	(28.5)	(17.3)	(7.0)	0.0	0.0	0.0	0.0
Other Non-Underlying Items		(10.0)	0.0	(19.0)	(186.3)	(37.9)	(12.6)	0.0	0.0	0.0
Profit Before Tax (reported)		**(27.6)**	**74.7**	**45.6**	**(223.0)**	**(85.5)**	**(2.4)**	**51.0**	**76.9**	**102.6**
Tax		(1.0)	11.0	(4.2)	(15.2)	(4.2)	(1.3)	(12.5)	(18.4)	(24.5)
Other		2.5	3.6	(1.7)	3.5	3.9	(0.9)	(2.0)	(4.5)	(5.0)
Profit After Tax (reported)		(26.1)	89.3	39.7	(234.7)	(85.8)	(4.6)	36.4	54.0	73.1
EPS FD - HTG norm (p)		**8.0**	**49.6**	**43.9**	**(10.0)**	**(27.1)**	**4.7**	**21.8**	**32.3**	**43.7**
EPS FD - reported (p)		**(16.0)**	**52.3**	**23.5**	**(143.1)**	**(53.2)**	**(2.8)**	**21.8**	**32.3**	**43.7**
Dividend per share (p)		**0.0**	**9.0**	**5.0**	**9.0**	**8.0**	**9.0**	**10.0**	**11.0**	**12.0**
Shares – Basic Weighted Avge (m)		163.3	164.1	165.2	163.9	161.2	160.3	159.0	159.0	159.0
Shares - Period End (m)		164.2	165.1	166.9	164.9	164.9	164.9	164.9	164.9	164.9
Margins (%)										
Gross Profit		**24.2**	**30.2**	**27.8**	**19.9**	**19.3**	**23.6**	**24.3**	**24.8**	**25.3**
EBITDA - ED		9.5	17.1	14.2	3.7	0.3	7.3	10.2	11.5	12.9
EBITDA - HTG		7.8	15.6	14.6	4.3	0.6	7.2	10.5	11.8	13.1
EBIT HTG norm		**2.0**	**11.5**	**9.8**	**(2.6)**	**(6.7)**	**2.0**	**6.0**	**7.7**	**9.3**

Source: Company, Equity Development

CASH FLOW STATEMENT

Year End: December	US$m	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
				IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
EBITDA - HTG (pre SBP)		67.9	155.5	148.8	35.1	12.3	61.9	109.3	131.5	156.0
Change in working capital		(39.9)	(96.6)	7.6	38.8	22.8	(86.6)	(47.2)	(9.6)	(18.7)
Other		11.3	(3.6)	(11.5)	(17.9)	(7.1)	(8.2)	0.6	0.0	0.0
Operating Cash Flow		**39.3**	**55.3**	**144.9**	**56.0**	**28.0**	**(32.9)**	**62.6**	**121.9**	**137.3**
Tax paid		6.5	(2.6)	(7.7)	(5.0)	0.6	(3.9)	(10.0)	(14.7)	(19.6)
Investing Activities		**(10.2)**	**(6.7)**	**(46.6)**	**(46.6)**	**9.2**	**(11.7)**	**(34.7)**	**(40.0)**	**(40.0)**
Associates & JV income		0.0	0.0	0.0	(0.9)	0.0	0.0	0.6	0.0	0.0
Tangible Fixed Assets purchased		(9.1)	(24.3)	(30.4)	(11.7)	(5.7)	(15.9)	(25.0)	(35.0)	(35.0)
Tangible Fixed Assets disposed		1.8	12.5	0.9	2.0	2.2	6.6	1.3	0.0	0.0
Intangibles		(5.5)	(6.6)	(10.2)	(4.3)	(2.7)	(5.6)	(10.0)	(5.0)	(5.0)
Acquisition consideration		0.0	0.0	(12.5)	(32.8)	0.0	0.0	0.0	0.0	0.0
Disposal proceeds		0.6	0.0	3.0	0.6	31.5	0.0	0.0	0.0	0.0
Other business investments		2.0	11.7	2.6	0.5	(16.1)	3.2	(1.6)	0.0	0.0
Financing Activities		**(2.3)**	**(14.0)**	**(31.2)**	**(33.2)**	**(31.4)**	**(30.0)**	**(38.8)**	**(32.2)**	**(33.4)**
Net finance income (cost)		(2.4)	(2.0)	0.1	(0.3)	(0.4)	(2.9)	(4.0)	(3.9)	(3.4)
IFRS16 lease payments				(10.6)	(10.4)	(10.6)	(8.0)	(11.0)	(11.0)	(11.0)
Equity Issued		0.1	(5.4)	(4.1)	(14.3)	(7.6)	(7.7)	(8.5)	0.0	0.0
Dividends paid		0.0	(6.6)	(16.6)	(8.2)	(12.8)	(13.6)	(15.3)	(17.3)	(19.0)
Other		0.0	0.0	0.0	0.0	0.0	2.2	0.0	0.0	0.0
Net Cash Flow		**33.3**	**32.0**	**59.4**	**(28.8)**	**6.4**	**(78.5)**	**(20.8)**	**35.0**	**44.3**
Opening net cash/(debt) - pre IFRS16		**(2.7)**	**30.4**	**61.3**	**123.1**	**97.8**	**103.5**	**20.6**	**(0.5)**	**34.4**
Change in Net Cash		33.3	32.0	59.4	(28.8)	6.4	(78.5)	(20.8)	35.0	44.3
Other		(0.2)	(1.1)	2.4	3.5	(0.7)	(4.4)	(0.3)	(0.0)	0.0
Closing net cash/(debt) - pre IFRS16		**30.4**	**61.3**	**123.1**	**97.8**	**103.5**	**20.6**	**(0.5)**	**34.4**	**78.8**
IFRS16 lease liabilities				**(45.2)**	**(40.3)**	**(31.8)**	**(30.6)**	**(26.7)**	**(26.7)**	**(26.7)**

Source: Company, Equity Development

BALANCE SHEET										
Year End: December	**US$m**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**
				IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
Non-Current Assets		**749.0**	**721.8**	**735.0**	**581.1**	**535.7**	**515.3**	**514.4**	**523.4**	**533.0**
Intangible Assets - Goodwill		230.3	229.9	230.2	164.2	164.1	155.5	154.4	154.4	154.4
Intangible Assets - Other		125.4	99.8	78.5	42.9	36.2	35.7	40.4	39.4	38.4
Tangible Assets - Owned		383.3	360.2	354.7	307.1	274.4	256.7	254.1	260.6	266.6
Tangible Assets - RoU		0.0	0.0	36.7	29.8	24.7	26.0	23.4	23.4	23.4
Other Fixed Assets		10.0	31.9	34.9	37.1	36.3	41.4	42.1	45.6	50.2
Current Assets		**533.2**	**647.2**	**682.1**	**532.4**	**475.9**	**534.0**	**665.0**	**716.8**	**786.6**
Inventory		281.0	348.2	350.8	288.4	204.4	272.1	318.1	324.3	328.8
Trade Receivables		161.0	201.7	176.1	119.9	137.2	190.2	228.5	239.0	260.0
Other Debtors		54.8	29.4	26.6	21.2	25.9	42.3	26.9	26.9	26.9
Cash		36.4	67.9	128.6	102.9	108.4	29.4	91.6	126.5	170.9
Current Liabilities		**(144.5)**	**(159.5)**	**(145.3)**	**(84.7)**	**(99.0)**	**(163.8)**	**(271.9)**	**(287.7)**	**(303.2)**
Trade Payables		(47.3)	(62.3)	(56.3)	(26.4)	(40.5)	(66.8)	(86.6)	(93.7)	(100.5)
Other Creditors		(95.1)	(94.5)	(77.6)	(46.9)	(48.6)	(83.0)	(89.1)	(97.8)	(106.5)
IFRS16 Lease Liabilities		0.0	0.0	(9.8)	(10.2)	(8.9)	(9.1)	(8.0)	(8.0)	(8.0)
Short-term Borrowings		(2.1)	(2.7)	(1.6)	(1.2)	(1.0)	(4.9)	(88.2)	(88.2)	(88.2)
Non-Current Liabilities		**(25.6)**	**(18.4)**	**(48.0)**	**(52.2)**	**(41.3)**	**(39.3)**	**(38.5)**	**(42.2)**	**(47.1)**
Long-term Borrowings		(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)
IFRS16 Lease Liabilities		0.0	0.0	(35.4)	(30.1)	(22.9)	(21.5)	(18.7)	(18.7)	(18.7)
Other Long-term Liabilities		(21.7)	(14.5)	(8.7)	(18.2)	(14.5)	(13.9)	(15.9)	(19.6)	(24.5)
Net Assets		**1,112.1**	**1,191.1**	**1,223.8**	**976.6**	**871.3**	**846.2**	**869.0**	**910.2**	**969.3**

Source: Company, Equity Development

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