

## Clear strategic momentum in evidence

29 August 2025

High profile order shipments were a significant influence on H1'25 performance against the prior year – positive for OCTG, adverse for Subsea – driving overall profitability ahead y-o-y. Portfolio actions, including two acquisitions in higher margin, higher growth subsectors, will bring further benefit to future earnings. Hunting's net cash position retains balance sheet optionality for its capital allocation policy which balances growth aspirations with shareholder returns. Our increased fair value of 400p per share is c.24% above current share price levels.

### Profits ahead, portfolio enhancements made in H1

At group level, Hunting delivered revenue and EBITDA (100% owned operations) growth of 7% and 13% respectively in H1'25. A small gross margin increase (+40bp to 27.8%) was supplemented by good opex control – particularly in admin expenses, generating a 70bp uplift in EBIT margin from wholly owned operations. The associate line also improved reflecting the Indian JV run rate and an exit from loss-making Rival Downhole Tools in the period. A strong working capital inflow performance boosted free cash flow significantly compared to the prior year which was applied to acquisitions, dividends and treasury share purchases leaving period end net cash at c. US\$75m (down US\$25m over H1). The interim dividend was the first to be declared under the updated capital allocation policy and, accordingly, was 13% above H1'24.

### Taking a cautious approach to FY25 estimates in variable markets

Company outlook commentary points to "choppy markets" indicating some scope for variance against unchanged FY25 EBITDA guidance of US\$135m-145m. Across most areas, order books provide reasonable coverage to the year end – and into FY26 and beyond in some cases – though typically short forward visibility at Titan is an outlier. We have elected to lower the Advanced Manufacturing contribution in the current year (leaving our projected EBITDA at US\$130m) with subsequent years profitability unchanged.

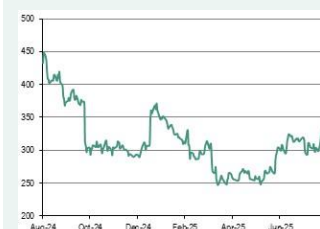
### Valuation: 400p fair value reflects scope for higher rating

Having responded well to the acquisition of FES in June, Hunting's share price has broadly retained the gains since that time and sits 8% above start-year levels. Our fair value of 400p per share derived from EV/EBITDA benchmarking and DCF analysis potentially offers further upside. A prospective dividend yield of 3.0% and expectation of 13% annual growth, plus a new share buyback programme, should all offer support for the share price in our view.

#### Company Data

EPIC	HTG.L
Price (last close)	322p
52 weeks Hi/Lo	455p/245p
Market cap	£532m
ED Fair Value / share	400p
H125 Net cash (debt)	US\$79m
Avg. daily volume	419k
NB: All at £/US\$1.35	

#### Share Price, p



Source: Investing.com

#### 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 26 production locations and 14 distribution centres. The energy industry accounted for c.93% of FY24 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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#### Summary financials

Yr to December (US\$m)	2023	2024	2025E	2026E	2027E
Revenue	929.1	1048.9	1061.7	1121.4	1140.2
EBITDA* (inc JV/Associates)	102.4	126.3	130.0	151.6	155.8
PTP	50.0	75.6	77.5	97.3	104.0
EPS (US c)	20.3	31.4	33.3	40.8	43.5
DPS (US c)	10.0	11.5	13.0	14.7	16.6
Net cash / (debt)	(4.7)	100.8	49.1	92.2	145.9
P/E (x)	21.4	13.8	13.1	10.7	10.0
EV/EBITDA (x)	7.0	4.9	5.3	4.2	3.8
Dividend yield	2.3%	2.6%	3.0%	3.4%	3.8%

Source: Company Annual Reports, Equity Development. £/US\$1.35, \*company basis

## H1'25 results overview

Hunting delivered **year-on-year group revenue and EBITDA progress** from continuing strong execution in delivering KOC OCTG orders in the first half trading period. Remedial actions in some areas benefitted margin performance while market conditions and order book development impacted others. Other **portfolio re-shaping actions occurred in H1** with funds applied to two acquisitions while a smaller non-core disposal was also made. The net result was a c. US\$25m reduction in **Hunting's net cash position to c. US\$75m**. In addition, a **13% DPS increase** was declared, in line with the recently updated capital allocation policy.

### Hunting: Product Group splits

Year end: Dec	US\$m	H124	H224	2024	H125	H125	% chg yoy
<b>Group Revenue</b>		<b>493.8</b>	<b>555.1</b>	<b>1048.9</b>	<b>528.6</b>		<b>7%</b>
Perforating Systems		119.4	103.3	<b>222.7</b>	102.6		<b>-14%</b>
OCTG		188.6	275.1	<b>463.7</b>	270.4		<b>43%</b>
Advanced Manufacturing		61.7	65.2	<b>126.9</b>	53.5		<b>-13%</b>
Subsea		78.7	68.4	<b>147.1</b>	58.6		<b>-26%</b>
Other Manufacturing		45.4	43.1	<b>88.5</b>	43.5		<b>-4%</b>
<b>Group EBITDA</b>		<b>60.3</b>	<b>66.0</b>	<b>126.3</b>	<b>70.2</b>		<b>16%</b>
Perforating Systems		3.2	<b>-1.8</b>	<b>1.4</b>	7.0		<b>119%</b>
OCTG		32.5	47.7	<b>80.2</b>	50.7		<b>56%</b>
Wholly owned		32.1	45.8	<b>77.9</b>	48.8		<b>52%</b>
JV - Jindal		0.4	1.9	2.3	1.9		<b>375%</b>
Advanced Manufacturing		5.5	6.3	<b>11.8</b>	2.6		<b>-53%</b>
Wholly owned		5.4	7.8	<b>13.2</b>	2.5		<b>-54%</b>
Assoc - Cumberland Additives		0.1	<b>-1.5</b>	<b>-1.4</b>	0.1		<b>0%</b>
Subsea		17.8	12.2	<b>30.0</b>	7.7		<b>-57%</b>
Other Manufacturing		1.3	1.6	<b>2.9</b>	2.2		<b>69%</b>
Wholly owned		2.0	1.9	<b>3.9</b>	2.2		<b>10%</b>
Assoc - Rival Downhole Tools*		<b>-0.7</b>	<b>-0.3</b>	<b>-1.0</b>	0.0		<b>N/m</b>
							chg bp
<b>EBITDA Margins (inc JV/Assocs) %</b>		<b>12.2%</b>	<b>11.9%</b>	<b>12.0%</b>	<b>13.3%</b>		<b>+100</b>
<b>EBITDA Margins (wholly owned) %</b>		<b>12.3%</b>	<b>11.9%</b>	<b>12.1%</b>	<b>12.9%</b>		<b>+60</b>
Perforating Systems		2.7%	<b>-1.7%</b>	<b>0.6%</b>	6.8%		<b>+410</b>
OCTG (100% owned)		17.0%	16.6%	<b>16.8%</b>	18.0%		<b>+100</b>
Advanced Manufacturing (100% owned)		8.8%	12.0%	<b>10.4%</b>	4.7%		<b>-410</b>
Subsea		22.6%	17.8%	<b>20.4%</b>	13.1%		<b>-950</b>
Other Manufacturing (100% owned)		4.4%	4.4%	<b>4.4%</b>	5.1%		<b>+70</b>

Source: Company, Equity Development. \*Rival Downhole Tools – Hunting's investment was sold in March 2025.

## Perforating Systems: profitability improved in subdued markets

Although H1'25 revenue was 14% lower than the prior year, EBITDA more than doubled y-o-y and, significantly, reversed an adverse profit trend that included a small loss in H2'25.

International sales accounted for around 20% of revenue and this segment was relatively robust with US exports (including South America) in line with the prior year, whereas the smaller EMEA region was down y-o-y. The domestic North American sales therefore saw a c.15-16% drop, partly reflecting subdued market conditions and partly due to reduced participation in lower margin lines.

While volumes were lower, the beneficial impact of prior year actions (site closures and headcount reduction) and better margin focus restored profitability from a small loss position in H2'24 to a 6.8% EBITDA margin in H1'25. This represented a good step back towards EBITDA margins at or above 10% attained in the recent past in our view.

**Outlook:** Oil and gas prices (WTI and Henry Hub respectively) have tracked lower over the course of 2025 to date and this has been reflected in US onshore rig count reductions. This is unlikely to be reversed in the short term based on the current macroeconomic outlook in our view. Short order visibility in this Product Group – which is typically served from distribution location stock – offers little additional forward insight. Minimal impact is expected from US tariff changes as products manufactured in Monterrey, Mexico will be serving markets in Canada and Argentina.

### OCTG: successful KOC order delivery

Strong H1'25 revenue progress was heavily influenced by the timing of shipments to KOC, fulfilling orders announced in H1'24. Profitability at these elevated volume levels was also strong with further EBITDA margin improvement over levels seen in FY24. Hunting's Indian JV also delivered good y-o-y progress.

As a reminder, Hunting announced two contract wins in H1'24 for its premium casing and connection technology totalling US\$231m in order value. Shipments began in H2'24 and around half of this order had been delivered by the year end. With the remaining orders shipped in H1'25, the phasing has been the primary revenue driver in the period under review – significantly ahead versus H1'24 but at similar levels to H2'24. We note that the EBITDA margin from wholly owned operations improved further to 18% (versus H1'24 17.0% and H2'24 16.6%) at these elevated activity levels, attributed by management to production and transport efficiencies. The reported EBITDA margin of 18.8% included a £1.9m PAT contribution from Hunting's Indian JV; this was in line with the second half of FY24 but ahead of H1'24 when operations and shipments first commenced.

Regionally, Asia-Pacific was the standout performer. Significant credit for is deserved here for the vertiginous order ramp (to more than double levels immediately prior) and successfully and profitably sustaining higher volumes on this historically large workstream in a group context. North America also improved despite subdued overall local market conditions due to favourable mix effects – including longer lateral drilling in shale basin market share gains. EMEA saw disruption from European restructuring and site closures albeit with expanded and developing Middle East operations platform.

Regarding the Indian JV, management has reiterated the intention to open a second facility in Kakinada to address opportunities in the east coast offshore market. (The first facility in Nashik, Maharashtra northeast of Mumbai gained its API operating licence in April 2024.)

**Outlook:** Reflecting the cycle through of the KOC orders, the OCTG order book declined from c. US\$250m at the beginning of the year to US\$170m at the end of H1. The latest reading includes a c. US\$27m 'follow on' order from KOC in Asia-Pacific.

While the pipeline is said to be strong & undiminished – suggesting no loss of share – our sense is that an order position above current levels was anticipated earlier in the year. Consequently, new orders – while welcome - may make limited contributions in FY25. We effectively covered this scenario in the pre H1 close, updating our OCTG estimates at that time.

### Subsea: quieter H1'25 performance, but outlook remains strong

The timing of significant orders also had a bearing on the y-o-y performance in the Subsea Product Group. Specifically, H1'24 represented a tough comparator due to the fulfilment of large titanium stress joint (TSJ) orders for Guyana in the period. With an end FY24 order book around half of end FY23 levels, H1'25 unsurprisingly saw revenue well down (26%) compared to H1'24 and this was also reflected in the EBITDA

margin performance (down to 13.1% from 22.6%). The strategic acquisition of FES at the period end complements this Product Group's existing portfolio offer, especially in flexible FPSO connections.

Lower volumes of specialist valves and couplings at Stafford contributed to the weaker y-o-y performance in H1'25 and we note reference to programme deferrals and, we assume, associated lower revenue recognition on longer-cycle workstreams. The Spring stress joint manufacturing facility remained busy across several high-profile projects though not at prior year levels we presume. An additional US\$15m TSJ order for the Gulf of Mexico was flagged in Q1 and a follow-on Black Sea order was announced after the half year end in July. It appears to us that the effect of a tough comparator for these operating companies was amplified by production schedule variance in the outturn for the period. More positively, demand for Enpro modules across a number of regions resulted a y-o-y sales uplift for this business.

The c.US\$63m [acquisition of FES](#) was made towards the end of H1 and this company made a negligible contribution to the trading performance for the period.

**Outlook:** The Subsea Product Group has seen some investment in headcount; with a c 25% uplift in staff over the first half to 293 at the period end. Three quarters of this was due to the FES acquisition at the period end, with some underlying increase also. It has been flagged as a higher growth sub-segment within the oil and gas sector and Hunting is investing accordingly.

Subsea's order book cycle is improving. Standing at US\$94m at the end of H1, this was up c. US\$21m in the first six months of the year (just under half from existing operations, the balance acquired with FES). New order intake in the period included the Enpro/North Sea US\$23m and Stafford/Gulf of Mexico US\$15m awards announced in March. In addition, this has subsequently been supplemented by US\$31m of orders announced on 21 July to supply TSJs for FPSOs operating in the Black Sea region (Stafford having previously won orders on the previous phase of this development, which is currently under production). As a result, we believe that the underlying Product Group order book is now comparable to Q3'24 levels and higher including FES.

Delayed revenue recognition in H2, momentum with orders on hand at Enpro and Stafford and a maiden six-month contribution from FES should all lead to an improved revenue and profit run rate in the second half. The order book runs through 2026 with some deliveries anticipated in 2027. Together with other pipeline opportunities with existing customers in existing regions for the enlarged Product Group this underpins management's confidence in the longer-term outlook for the Subsea sector.

## Advanced Manufacturing: oil and gas exposure dents returns

This Product Group comprises precision machining and electronics manufacturing operations based in and substantially addressing North American markets, with an FY24 revenue split of 60% oil and gas: 40% non-oil & gas. While there is broader end market exposure, weaker demand from oil and gas customers – specifically for well telemetry measuring and logging products – drove a 13% y-o-y revenue reduction. Operational gearing effects resulted in a greater impact at the EBITDA level with a margin contracting 410bp versus H1'24 to 4.7% for wholly owned operations. Cumberland Additives, a small associate business chipped in a modest EBITDA profit in H1, in line with the prior year.

Both Electronics and Dearborn have oil and gas exposure, but only precision machining activities appear to have been impacted by generally weak demand from onshore operators. Electronics revenues are described as stable overall which perhaps means that non-oil and gas demand compensated for any other softness seen (but not referenced). Despite improving aviation and space sub-sector sales in the period, the fall in oil and gas sector sales was implicitly larger value.

**Outlook:** While below prior year levels, the end June US\$128m Advanced Manufacturing order book was at similar levels to end FY24 (H124: c. US\$146m). this includes c. US\$100m in non-oil and gas subsectors stretching into 2026. Greater success here over time would help to reduce recent oil and gas-induced

financial and operating performance pressures. In addition, acceleration is likely to be required in this area to contribute to reaching the stated group 2030 target of U\$250m annual revenues.

### Other Manufacturing: steady course, positioning for growth

Headline revenue slightly down y-o-y chiefly due to softer well intervention activity in Europe we believe. Cost reduction actions here are unlikely to have had a material impact on profitability in H1 so we conclude that business mix changes underpinned a 70bp EBITDA margin improvement to 5.1% for wholly owned operations and a 10% EBITDA uplift. The disposal of Hunting's stake in Rival Downhole Tools eliminated a prior year PAT loss from Other Manufacturing's reported EBITDA and, hence, the reported margin showed a larger increase versus H1'24.

North America and EMEA are the dominant regions. Well intervention equipment revenues are common to both with North America and the Middle East both making y-o-y progress while Europe declined as referenced above. Trenchless drilling (North America) and Organic Oil Recovery (OOR, predominantly EMEA) business lines also aided the margin performance. Having taken full global control of OOR technology and assets in a U\$18.2m transaction in March the near-term focus is on delivering previously announced customer call offs, with a potential value of U\$60m over five years.

Footprint changes in EMEA include the relocation and expansion of facilities in Dubai into which regional well intervention activities are being consolidated. This will serve as a regional base for OOR also with a new local lab facility improving local service levels while the North Sea will continue to be served from Aberdeen. We cover the EMEA restructuring – which also includes other Product Groups – in the Divisional section below.

**Outlook:** As things stand, the enhanced Middle East platform should facilitate well intervention market share growth in this region with performance elsewhere likely to be more reflective of local demand conditions over time. For OOR, delivering demonstrable results from executing flagged business won in the North Sea and Middle East should provide a springboard for entering North and South American markets over time as they were not previously accessible by Hunting prior to the bringing the technology in-house.

## Divisional outturns mirror Product Group performance

We have largely covered the key drivers behind Hunting's regional/divisional performances but include the summary table below for completeness. Below the table, we comment on the recent update regarding the EMEA restructuring programme which is currently underway.

### Hunting: Divisional splits

Year end: Dec	US\$m	H124	H224	2024	H125	H125	% chg yoy
<b>Group Revenue</b>		<b>493.8</b>	<b>555.1</b>	<b>1048.9</b>	<b>528.6</b>		<b>7%</b>
Hunting Titan		122.9	107.4	<b>230.3</b>	105.5		<b>-14%</b>
North America		192.7	195.7	<b>388.4</b>	189.0		<b>-2%</b>
Subsea Technologies		78.7	68.4	<b>147.1</b>	59.0		<b>-25%</b>
EMEA		46.7	41.0	<b>87.7</b>	39.4		<b>-16%</b>
Asia Pacific		79.6	161.0	<b>240.6</b>	155.6		<b>95%</b>
Inter company		<b>-26.8</b>	<b>-18.4</b>	<b>-45.2</b>	<b>-19.9</b>		<b>-26%</b>
<b>Group EBIT</b>		<b>40.1</b>	<b>47.9</b>	<b>88.0</b>	<b>49.3</b>		<b>23%</b>
Hunting Titan		<b>-2.6</b>	<b>-5.7</b>	<b>-8.3</b>	1.3		<b>N/m</b>
North America		19.9	25.6	<b>45.5</b>	22.7		<b>14%</b>
Wholly owned		20.5	27.4	47.9	22.6		<b>10%</b>
Assoc - Cumberland Additives, Rival*		<b>-0.6</b>	<b>-1.8</b>	<b>-2.4</b>	0.1		<b>N/m</b>
Subsea Technologies		15.5	10.1	<b>25.6</b>	4.9		<b>-68%</b>
EMEA		<b>-3.4</b>	<b>-9.0</b>	<b>-12.4</b>	<b>-5.5</b>		<b>62%</b>
Asia Pacific		10.7	26.9	<b>37.6</b>	25.9		<b>142%</b>
Wholly owned		10.3	25.0	35.3	24.0		<b>133%</b>
JV - Jindal		0.4	1.9	2.3	1.9		<b>375%</b>
<b>EBIT margins (Wholly owned) %</b>		<b>8.2%</b>	<b>8.3%</b>	<b>8.2%</b>	<b>8.9%</b>		<b>chg bp</b>
Hunting Titan		<b>-2.1%</b>	<b>-5.3%</b>	<b>-3.6%</b>	1.2%		<b>+330</b>
North America (100% owned)		10.6%	14.0%	<b>12.3%</b>	12.0%		<b>+140</b>
Subsea Technologies		19.7%	14.8%	<b>17.4%</b>	8.3%		<b>-116</b>
EMEA		<b>-7.3%</b>	<b>-22.0%</b>	<b>-14.2%</b>	<b>-14.0%</b>		<b>N/m</b>
Asia Pacific (100% owned)		12.9%	15.5%	<b>14.7%</b>	15.4%		<b>+250</b>

Source: Company, Equity Development. \*Rival Downhole Tools – Hunting's investment was sold in March 2025.

### EMEA restructuring: increases operational and subsector focus

In context, the EMEA region regularly generated U\$100m+ revenue prior to 2020 though profitability has been elusive. The exit from stocking and supplying OCTG tubing took place in 2021 when taking full control of operations. However, the backdrop for North Sea oilfield investment has deteriorated, culminating in restructuring actions by Hunting.

An initial announcement in January pointed to a major restructuring review, the results of which were released in March, targeting c. U\$10m of cost savings and a targeted return to profitability in Q126. On 21 August, wider UK rationalisation was flagged which is expected to yield a further U\$1m annualised profit benefit when complete from mid-2026.

The outcome will be a reduction in European facilities from five to one (near Aberdeen, having exited another nearby and 2 facilities in the Netherlands plus one in Norway) while retaining two facilities in the Middle East, in Saudi Arabia (unchanged) and Dubai (where a new, larger purpose-built facility was commissioned earlier this month).

Well support services are likely to become the dominant EMEA revenue stream we believe, with slimmed down OCTG operations continuing from the UK also.



## Active management of strong cash generation

Hunting's H1'25 cash flow performance was characterised by a markedly stronger free cash flow (FCF) outturn and significant outflows related to non-operational discretionary items, most notably M&A. The net result was a U\$31.4m cash outflow, softened by a U\$6m favourable FX movement, leaving a **period end pre IFRS U\$75.4m net cash position**.

We have covered the c. U\$10m favourable y-o-y EBITDA movement earlier in this note and concentrate here on the key elements driving the headline group cash outflow in H1'25.

- **Working capital**

The supply chain ramp up and then shipment of significant OCTG orders heavily influenced both improved profitability/EBITDA and a significant working capital swing over the last eighteen months. Specifically, the **U\$39.9m outflow seen in H1'24 compares to a U\$25.8m inflow in H1'25**. This c. U\$66m positive variance largely effectively generated all of the y-o-y improvement in FCF (from U\$2.8m to U\$66.2m). Looking at the component parts:

- **Inventory – U\$44m inflow** (broadly one third raw materials reductions, two thirds from finished goods), compared to a small outflow in H1'24 prior to KOC order fulfilment getting underway.
- **Payables – U\$38m inflow** with underlying customer payments enhanced by trade receivables purchasing arrangements to accelerate receipts. (H1'24: U\$13m outflow)
- **Receivables – U\$57m outflow** driven, we believe, by the settlement of bank acceptance bonds used to satisfy raw material suppliers invoicing promptly. (H1'24: U\$23m outflow)

As a result of the above movements, net working capital represented 34% of annualised sales, consistent with a stated long-term target level.

- **Discretionary, non-operating cash items**

Hunting's updated capital allocation policy includes provision for organic and inorganic investment and enhanced returns to shareholders.

- **Dividends – c. U\$10m payment** of the FY24 final dividend. (A revised annual rate of DPS growth up to 13% began with the H1'25 dividend which will be paid in the second half of the year.)
- **M&A – net spend of c. U\$68m** reflecting the acquisition of Organic Oil Recovery (OOR) technology and assets (U\$18.2m) and FES (U\$61.8m) and receipt of U\$12m in the period from the sale of Hunting's interest in Rival Downhole Tools.
- **Treasury share purchases – net U\$18m** spend to satisfy future expected EBT awards.

In terms of balance sheet impacts from M&A, subject to completion accounting, FES has given rise to a c. U\$20m goodwill carrying value uplift and a further c. U\$44m of other intangibles. OOR consideration is matched by an associated equivalent uplift in other intangibles. Implicitly then, these two businesses operated without a material Non-current PPE asset base, and their net working capital position is broadly neutral.

**Cash flow outlook:** We have assumed that working capital is a neutral cash line item for the year as a whole (ie there is an H2 outflow) though this will be influenced by Q4 activity levels and outstanding acceptance bond obligations. Our H2 expected group net cash outflow of U\$25m is in line with this assumption. Hence, EBITDA generated in the period is effectively expected to be able to fund usual interest, tax, capex and dividend payments along with Tranche 1 of a new share buyback programme (U\$15m) and outstanding non-operational restructuring and acquisition costs (c. U\$9m). Beyond FY25, we continue to expect Hunting to generate significant FCF, at around 50% of EBITDA in each year.

## Markets remain variable

Company commentary points to lower average oil prices and higher average gas prices (WTI and Henry Hub respectively) over the course of H1 and the depressing impact on global rig counts. Each of these observations remain valid at current prices compared to a year ago. In North America, the number of US oil rigs is c.15% down y-o-y currently while the equivalent gas metric is up c.26% (at 411 and 122 rigs respectively according to Baker Hughes). **In retaining FY25 guidance for EBITDA in the U\$135m-145m range, management flags that markets remain “choppy”** with some volatility observed due to wider geo-political and macroeconomic influences.

Looking at orders on hand as a near term guide, three of the five Product Groups had similar order books at the end of H1'25 compared to the beginning of the period. For reasons explained earlier, the OCTG order position was significantly lower while Subsea had begun to improve (and has done so further since the half year point). We show the reported order book development over six-monthly intervals at Product Group and aggregate levels over the last eighteen-month period in the table below.

### Hunting: Product Group order book development FY23 to H1'25

U\$m	FY23	H124	FY24	H125	yoy chg H125	6m chg H125
OCTG	222.0	411.1	249.7	170.1	-241.0	-79.6
Subsea	152.2	116.4	72.5	94.0	-22.4	21.5
Advanced Manufacturing	161.5	145.8	130.0	128.3	-17.5	-1.7
Other Manufacturing	16.8	10.9	39.9	40.6	29.7	0.7
Perforating Systems	12.7	15.3	16.5	18.5	3.2	2.0
<b>Total</b>	<b>565.2</b>	<b>699.5</b>	<b>508.6</b>	<b>451.5</b>	<b>-248.0</b>	<b>-57.1</b>

Source: Company, Equity Development

Factoring in H1'25 performance and order book development we have made some relatively minor revenue tweaks chiefly to operations with North American oil and gas exposure. Advanced Manufacturing saw top line pressure and significant margin compression in H1 causing us to reduce our EBITDA expectation from this Product Group for the full year. While the same observation could be made regarding Subsea, our estimates here are unchanged reflecting an improving order cycle.

### Hunting: Estimate changes

Year to December (U\$m)	FY25E Was	FY25E New	%chg	FY26E Was	FY26E New	%chg	FY27E Was	FY27E New	%chg
Revenue	1086.7	1061.7	-2%	1132.2	1121.4	-1%	1151.8	1140.2	-1%
EBITDA*	135.0	130.0	-4%	151.6	151.6	0%	155.8	155.8	0%
Pre-Tax Profit - company norm	82.1	77.5	-6%	98.9	97.3	-2%	105.6	104.0	-2%
EPS FD - company norm (US c)	34.4	33.3	-3%	41.5	40.8	-2%	44.2	43.5	-2%
DPS (US c)	13.0	13.0	0%	14.7	14.7	0%	16.6	16.6	0%
Net cash / (debt) pre-IFRS16 basis	66.0	49.1	-26%	114.6	92.2	-20%	163.8	145.9	-11%

Source: Equity Development \* includes JV/Associate share of PAT

The headline Income Statement adjustments at Group level are relatively modest but we note that our U\$130m FY25 EBITDA estimate now sits below the company's unchanged U\$135m-145m guidance. Note that the movement in our FY25 end net cash expectation is substantially explained by incorporating share buyback cash outflows in this year for the first time.

Although we do not currently factor in further buybacks in FY26, the FY25 adjustment is effectively echoed in the subsequent two years.



## Valuation: illustrative upside to 400p

Our analysis suggests that Hunting, along with its peer group average, is currently being valued on early/mid-cycle multiples on a P/E basis. Applying a **peer group average EV/EBITDA multiple** to our Hunting estimate for the current year, generates a **resulting share price of 400p**. This is **in line with our DCF analysis**, incorporating a medium-term steady state annual EBITDA assumption of U\$180m. As market conditions become more benign and Hunting further executes its 2030 strategy, we would expect the current c.20% discount to these illustrative valuations beginning to narrow.

### Mid-cycle conventional valuation metrics

After an 11% YTD share price increase and the estimate changes outlined above, Hunting's conventional valuation metrics are as follows:

- **P/E ratio: 13.1x** in the current year, reducing to 10.0x by FY27 with a **three-year EPS CAGR of 11.5%**
- **EV/EBITDA: 5.3x** in FY25, falling to 3.8x in FY27
- **Dividend yield: 3.0% prospective** FY25 (with 13% DPS growth projected for this year end the following two in our estimates).

### EV/EBITDA discount to peer group

Compared to a group of other listed oilfield services companies, Hunting is on a similar P/E rating to the peer average – albeit with faster EPS growth over the three-year period but more notably at a discount on an EV/EBITDA basis.

#### Hunting: Peer Group valuation

	Market Cap	P/E x		EV/EBITDA x		D. Yield	
	U\$m	FY1	FY2	FY3	FY1	FY2	%
<b>Hunting PLC</b>	<b>687</b>	<b>13.5</b>	<b>11.0</b>	<b>10.3</b>	<b>5.4</b>	<b>4.4</b>	<b>2.9%</b>
<i>Average (ex Hunting)</i>		<i>12.8</i>	<i>12.3</i>	<i>10.8</i>	<i>6.5</i>	<i>6.1</i>	<i>2.5%</i>
Schlumberger Limited	53625	12.4	11.7	10.5	7.7	7.2	3.2%
Baker Hughes Company	44294	18.6	17.2	15.6	10.1	9.7	2.1%
Halliburton Company	19009	10.5	10.4	8.6	6.4	6.5	3.2%
Tenaris S.A.	18832	10.5	10.9	10.4	6.0	6.1	2.4%
TechnipFMC plc	15131	16.8	14.0	12.0	8.8	7.9	0.6%
Subsea 7 S.A.	6171	15.5	11.3	10.3	5.0	4.5	5.4%
NOV Inc.	4896	12.8	12.0	10.4	6.3	6.3	2.4%
Vallourec S.A.	4303	9.7	8.0	6.5	4.7	4.4	10.8%
Oceaneering International Inc.	2436	13.8	13.5	11.8	7.0	6.9	0.0%
Expro Group Holdings N.V.	1459	12.4	12.8	11.7	4.2	4.1	0.0%
Dril-Quip Inc.	547		20.6	16.2	5.7	4.1	0.0%
Core Laboratories Inc.	528	15.4	13.3	13.3	9.8	9.3	0.4%
SBO AG	501	9.1	10.1	8.0	5.2	5.4	7.0%
Ashtead Technology Holdings	398	8.3	7.8	6.9	5.3	5.0	0.4%
Oil States International Inc.	336	13.2	11.0	10.3	4.7	4.3	0.0%

Source: Koyfin, Equity Development

### DCF valuation increased to 403p per share

We have consistently used our three-year estimates and a 'steady state' EBITDA assumption from year four onwards in our DCF approach. Retaining our medium-term U\$180m EBITDA assumption, based on a prevailing WACC of c.10.4% generates a **value per share of 403p**. Compared to previous illustrations, a slightly lower WACC, improved working capital expectations and some benefit from the FES acquisition have resulted in a c.10% higher valuation using this approach.

The table below highlights valuation sensitivity across a range of EBITDA and WACC assumptions to provide readers with an indication of how variations in balance sheet gearing and/or profitability can influence valuation:

Hunting: DCF sensitivity analysis							
		EBITDA US\$m					
		120	140	160	180	200	220
WACC	9.0%	307	361	415	468	522	576
	10.0%	279	326	373	420	467	514
	11.0%	255	297	338	380	422	463
	12.0%	236	273	310	347	384	421
	13.0%	220	253	287	320	353	386

Source: Equity Development. Body shows value per share generated by the associated EBITDA and WACC inputs

## Financials

### Hunting plc: Income Statement

Year End: December	US\$m	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
		IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
<b>Revenue</b>		<b>960.0</b>	<b>626.0</b>	<b>521.6</b>	<b>725.8</b>	<b>929.1</b>	<b>1,048.9</b>	<b>1,061.7</b>	<b>1,121.4</b>	<b>1,140.2</b>
Gross Profit		266.4	124.8	100.6	171.4	227.7	271.9	281.4	308.4	313.6
EBITDA - HTG (100% owned)		139.7	26.1	3.1	52.0	103.0	126.4	127.1	147.7	150.9
<b>EBITDA - HTG (inc JV/Associates)</b>		<b>139.7</b>	<b>26.1</b>	<b>(0.4)</b>	<b>49.3</b>	<b>102.4</b>	<b>126.3</b>	<b>130.0</b>	<b>151.6</b>	<b>155.8</b>
EBIT (100% owned)		94.3	(16.4)	(35.1)	14.6	61.0	88.1	88.2	108.3	111.0
Associates/JVs		0.0	0.0	(3.5)	(2.7)	(0.6)	(0.1)	2.9	3.9	4.9
<b>EBIT - HTG norm</b>		<b>94.3</b>	<b>(16.4)</b>	<b>(38.6)</b>	<b>11.9</b>	<b>60.4</b>	<b>88.0</b>	<b>91.1</b>	<b>112.2</b>	<b>115.9</b>
Net Bank Interest		(0.9)	(1.1)	0.3	0.4	(5.0)	(4.4)	(6.5)	(7.8)	(4.8)
IFRS16 Interest		(2.2)	(1.9)	(1.5)	(1.2)	(1.3)	(1.4)	(1.5)	(1.5)	(1.5)
Other financial		1.9	0.0	(0.8)	(0.9)	(4.1)	(6.6)	(5.6)	(5.6)	(5.6)
<b>Profit Before Tax - HTG norm</b>		<b>93.1</b>	<b>(19.4)</b>	<b>(40.6)</b>	<b>10.2</b>	<b>50.0</b>	<b>75.6</b>	<b>77.5</b>	<b>97.3</b>	<b>104.0</b>
Intangible Amortisation		(28.5)	(17.3)	(7.0)	0.0	0.0	0.0	0.0	0.0	0.0
Other Non-Underlying Items		(19.0)	(186.3)	(37.9)	(12.6)	0.0	(109.1)	(16.1)	0.0	0.0
<b>Profit Before Tax (reported)</b>		<b>45.6</b>	<b>(223.0)</b>	<b>(85.5)</b>	<b>(2.4)</b>	<b>50.0</b>	<b>(33.5)</b>	<b>61.4</b>	<b>97.3</b>	<b>104.0</b>
Tax		(4.2)	(15.2)	(4.2)	(1.3)	69.0	8.0	(18.1)	(25.2)	(26.8)
Other		(1.7)	3.5	3.9	(0.9)	(1.9)	(2.5)	(2.5)	(3.0)	(3.5)
<b>Profit After Tax (reported)</b>		<b>39.7</b>	<b>(234.7)</b>	<b>(85.8)</b>	<b>(4.6)</b>	<b>117.1</b>	<b>(28.0)</b>	<b>40.9</b>	<b>69.1</b>	<b>73.7</b>
<b>EPS FD - HTG norm (US c)</b>		<b>43.9</b>	<b>(10.0)</b>	<b>(27.1)</b>	<b>4.7</b>	<b>20.3</b>	<b>31.4</b>	<b>33.3</b>	<b>40.8</b>	<b>43.5</b>
<b>EPS FD - reported (US c)</b>		<b>23.5</b>	<b>(143.1)</b>	<b>(53.2)</b>	<b>(2.8)</b>	<b>70.0</b>	<b>(16.5)</b>	<b>24.1</b>	<b>40.8</b>	<b>43.5</b>
<b>Dividend per share (US c)</b>		<b>5.0</b>	<b>9.0</b>	<b>8.0</b>	<b>9.0</b>	<b>10.0</b>	<b>11.5</b>	<b>13.0</b>	<b>14.7</b>	<b>16.6</b>
Shares - Basic Weighted Avge (m)		165.2	163.9	161.2	160.3	158.6	159.5	159.5	159.5	159.5
Shares - Period End (m)		166.9	164.9	164.9	164.9	164.9	164.9	164.9	164.9	164.9
<b>Margins (%)</b>										
<b>Gross Profit</b>		<b>27.8</b>	<b>19.9</b>	<b>19.3</b>	<b>23.6</b>	<b>24.5</b>	<b>25.9</b>	<b>26.5</b>	<b>27.5</b>	<b>27.5</b>
<b>EBITDA - HTG (100% owned)</b>		<b>14.6</b>	<b>4.2</b>	<b>0.6</b>	<b>7.2</b>	<b>11.1</b>	<b>12.1</b>	<b>12.0</b>	<b>13.2</b>	<b>13.2</b>
<b>EBIT (100% owned)</b>		<b>9.8</b>	<b>(2.6)</b>	<b>(6.7)</b>	<b>2.0</b>	<b>6.6</b>	<b>8.4</b>	<b>8.3</b>	<b>9.7</b>	<b>9.7</b>

Source: Company, Equity Development

**Hunting plc: Cash Flow Statement**

Year End: December	US\$m	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
		IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
EBITDA - HTG		139.7	26.1	3.1	52.0	103.0	126.4	127.1	147.7	150.9
SBP		9.1	9.0	9.2	9.9	13.5	14.1	15.0	15.0	15.0
Change in working capital		7.6	38.8	22.8	(86.6)	(55.0)	53.3	0.0	(28.8)	(26.4)
Other		(11.5)	(17.9)	(7.1)	(8.2)	(3.1)	(1.8)	(13.5)	(2.5)	0.0
<b>Operating Cash Flow</b>		<b>144.9</b>	<b>56.0</b>	<b>28.0</b>	<b>(32.9)</b>	<b>58.4</b>	<b>192.0</b>	<b>128.7</b>	<b>131.4</b>	<b>139.5</b>
<b>Tax paid</b>		<b>(7.7)</b>	<b>(5.0)</b>	<b>0.6</b>	<b>(3.9)</b>	<b>(9.1)</b>	<b>(3.5)</b>	<b>(9.6)</b>	<b>(8.8)</b>	<b>(9.4)</b>
<b>Investing Activities</b>		<b>(46.6)</b>	<b>(46.6)</b>	<b>9.2</b>	<b>(11.7)</b>	<b>(33.1)</b>	<b>(28.1)</b>	<b>(111.3)</b>	<b>(40.0)</b>	<b>(40.0)</b>
Associates & JV income		0.0	(0.9)	0.0	0.0	0.6	0.0	0.0	0.0	0.0
Tangible Fixed Assets purchased		(30.4)	(11.7)	(5.7)	(15.9)	(23.1)	(23.6)	(37.0)	(35.0)	(35.0)
Tangible Fixed Assets disposed		0.9	2.0	2.2	6.6	1.9	1.2	1.5	0.0	0.0
Intangibles		(10.2)	(4.3)	(2.7)	(5.6)	(10.9)	(4.8)	(8.0)	(5.0)	(5.0)
Acquisition consideration		(12.5)	(32.8)	0.0	0.0	0.0	0.0	(80.0)	0.0	0.0
Disposal proceeds		3.0	0.6	31.5	0.0	0.0	0.0	13.0	0.0	0.0
Other business investments		2.6	0.5	(16.1)	3.2	(1.6)	(0.9)	(0.8)	0.0	0.0
<b>Financing Activities</b>		<b>(31.2)</b>	<b>(33.2)</b>	<b>(31.4)</b>	<b>(30.0)</b>	<b>(41.4)</b>	<b>(52.4)</b>	<b>(74.0)</b>	<b>(39.6)</b>	<b>(39.3)</b>
Net finance income (cost)		0.1	(0.3)	(0.4)	(2.9)	(7.3)	(12.9)	(12.5)	(7.8)	(4.8)
IFRS16 lease payments		(10.6)	(10.4)	(10.6)	(8.0)	(10.4)	(8.9)	(9.1)	(9.1)	(9.1)
Equity		(4.1)	(14.3)	(7.6)	(7.7)	(8.7)	(13.9)	(32.6)	0.0	0.0
Dividends paid		(16.6)	(8.2)	(12.8)	(13.6)	(15.0)	(16.7)	(19.8)	(22.8)	(25.5)
Other		0.0	0.0	0.0	2.2	0.0	0.0	0.0	0.0	0.0
<b>Net Cash Flow</b>		<b>59.4</b>	<b>(28.8)</b>	<b>6.4</b>	<b>(78.5)</b>	<b>(25.2)</b>	<b>108.0</b>	<b>(66.3)</b>	<b>43.0</b>	<b>50.8</b>
<b>Opening net cash/(debt) - pre IFRS16*</b>		<b>61.3</b>	<b>123.1</b>	<b>97.8</b>	<b>103.5</b>	<b>20.6</b>	<b>(4.7)</b>	<b>100.8</b>	<b>49.1</b>	<b>92.2</b>
Change in Net Cash		59.4	(28.8)	6.4	(78.5)	(25.2)	108.0	(66.3)	43.0	50.8
Other		2.4	3.5	(0.7)	(4.4)	(0.1)	(2.5)	14.6	0.0	2.9
<b>Closing net cash/(debt) - pre IFRS16*</b>		<b>123.1</b>	<b>97.8</b>	<b>103.5</b>	<b>20.6</b>	<b>(4.7)</b>	<b>100.8</b>	<b>49.1</b>	<b>92.2</b>	<b>145.9</b>
<b>IFRS16 lease liabilities</b>		<b>(45.2)</b>	<b>(40.3)</b>	<b>(31.8)</b>	<b>(30.6)</b>	<b>(28.7)</b>	<b>(30.1)</b>	<b>(30.7)</b>	<b>(30.7)</b>	<b>(30.7)</b>

Source: Company, Equity Development \*NB includes £3.9m shareholder loan, company definition excludes this.

**Hunting plc: Balance Sheet**

Year End: December	US\$m	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
		IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16	IFRS16
<b>Non-Current Assets</b>		<b>735.0</b>	<b>581.1</b>	<b>535.7</b>	<b>515.3</b>	<b>595.7</b>	<b>493.5</b>	<b>586.3</b>	<b>598.0</b>	<b>610.1</b>
Intangible Assets - Goodwill		230.2	164.2	164.1	155.5	154.4	45.1	65.5	65.5	65.5
Intangible Assets - Other		78.5	42.9	36.2	35.7	40.8	39.4	105.4	104.5	103.6
Tangible Assets - Owned		354.7	307.1	274.4	256.7	254.5	252.8	265.4	274.1	282.3
Tangible Assets - RoU		36.7	29.8	24.7	26.0	26.2	28.3	28.0	28.0	28.0
Other Fixed Assets		34.9	37.1	36.3	41.4	119.8	127.9	122.0	125.9	130.7
<b>Current Assets</b>		<b>682.1</b>	<b>532.4</b>	<b>475.9</b>	<b>534.0</b>	<b>626.6</b>	<b>785.7</b>	<b>681.8</b>	<b>730.3</b>	<b>772.9</b>
Inventory		350.8	288.4	204.4	272.1	328.4	303.3	254.6	276.3	291.9
Trade Receivables		176.1	119.9	137.2	190.2	221.2	194.5	202.4	221.8	233.5
Other Debtors		26.6	21.2	25.9	42.3	31.5	81.3	70.8	70.8	70.8
Cash		128.6	102.9	108.4	29.4	45.5	206.6	154.0	161.5	176.7
<b>Current Liabilities</b>		<b>(145.3)</b>	<b>(84.7)</b>	<b>(99.0)</b>	<b>(163.8)</b>	<b>(225.8)</b>	<b>(248.8)</b>	<b>(234.0)</b>	<b>(263.9)</b>	<b>(280.3)</b>
Trade Payables		(56.3)	(26.4)	(40.5)	(66.8)	(62.5)	(41.4)	(53.6)	(55.8)	(56.8)
Other Creditors		(77.6)	(46.9)	(48.6)	(83.0)	(109.0)	(189.2)	(134.0)	(161.7)	(184.9)
IFRS16 Lease Liabilities		(9.8)	(10.2)	(8.9)	(9.1)	(8.0)	(6.9)	(7.9)	(7.9)	(7.9)
Short-term Borrowings		(1.6)	(1.2)	(1.0)	(4.9)	(46.3)	(11.3)	(38.5)	(38.5)	(30.8)
<b>Non-Current Liabilities</b>		<b>(48.0)</b>	<b>(52.2)</b>	<b>(41.3)</b>	<b>(39.3)</b>	<b>(39.4)</b>	<b>(128.1)</b>	<b>(110.1)</b>	<b>(90.9)</b>	<b>(77.5)</b>
Long-term Borrowings*		(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(94.5)	(66.4)	(30.8)	0.0
IFRS16 Lease Liabilities		(35.4)	(30.1)	(22.9)	(21.5)	(20.7)	(22.7)	(22.8)	(22.8)	(22.8)
Other Long-term Liabilities		(8.7)	(18.2)	(14.5)	(13.9)	(14.8)	(10.9)	(20.9)	(37.3)	(54.7)
<b>Net Assets</b>		<b>1,223.8</b>	<b>976.6</b>	<b>871.3</b>	<b>846.2</b>	<b>957.1</b>	<b>902.3</b>	<b>924.0</b>	<b>973.4</b>	<b>1,025.2</b>

Source: Company, Equity Development



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