

Profitability and strategic progress in H1

9 July 2025

Hunting is hitting its marks strategically whilst also continuing to improve near term profitability. H1'25 contained operational progress, M&A execution and an updated capital allocation programme to include faster dividend growth and prospective share buybacks.

Management actions driving gains

Market conditions remain mixed, but Hunting's focus on successfully executing its order book while also addressing underperforming business areas drove progress in H1. The indicated U\$68m-70m expected EBITDA for the period represents a c.16% y-o-y uplift, including a c.80bp margin improvement. Implicitly, Q2 was below Q1 levels (EBITDA U\$38.7m) which is consistent with the schedule of KOC OCTG deliveries outlined previously. Elsewhere, a return to profitability at Perforating Systems and progress with the EMEA restructuring are welcome developments. Strategically, the acquisition of FES boosts Hunting's Subsea offering and, along with other corporate actions, is clearly aligned with the 2030 strategy.

Balanced capital allocation and unchanged FY25 guidance

In addition to M&A activity, an updated capital allocation (including faster expected dividend growth at 13% pa and a proposed share buyback programme) caught the eye. This indicates confidence in the group's cash generation credentials and a balanced approach to the application of funds. Management has retained FY25 EBITDA guidance in the U\$135m-145m range. After factoring in the impact of the FES acquisition and more conservative OCTG assumptions, our estimates are now towards the lower end of this range with modest reductions to our EPS expectations in the following two years. The prospect of successful joint-bidding across the enlarged Subsea portfolio, together with further potential large OCTG orders, can benefit future periods.

Valuation: clear attractions remain

Hunting's share price has picked up from near YTD lows at the beginning of June. The FES acquisition announcement provided further support and consequently its share price is now modestly up for the period. Prevailing earnings multiples remain unstretched and the prospect of faster dividend growth adds further appeal in our view. We have not adjusted our existing **347p per share fair value** at this stage but will revisit modelling following the H1'25 results announcement next month. The current share price sits on a 13% discount to this metric and a 25% discount to the end FY24 NAV.

Company Data

EPIC	HTG.L
Price (last close)	300.5p
52 weeks Hi/Lo	465p/245p
Market cap	£496m
ED Fair Value / share	347p
H125 Net cash (debt)	US\$79m
Avg. daily volume	389k
NB: All at £/US\$1.36	

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	1086.7	1132.2	1151.8
EBITDA* (inc JV/Associates)	102.4	126.3	135.0	151.6	155.8
PTP	50.0	75.6	82.1	98.9	105.6
EPS (US c)	20.3	31.4	34.4	41.5	44.2
DPS (US c)	10.0	11.5	13.0	14.7	16.6
Net cash / (debt)	(4.7)	100.8	66.0	114.6	163.8
P/E (x)	20.1	13.0	11.9	9.9	9.2
EV/EBITDA (x)	6.6	4.5	4.6	3.8	3.4
Dividend yield (%)	2.4%	2.8%	3.2%	3.6%	4.1%

Source: Company Annual Reports, Equity Development. £/US\$1.36, *company basis

H1'25 pre-close update: progress on several fronts

A busy first half for Hunting included ongoing delivery of significant order schedules, remedial action in underperforming areas and three portfolio transactions. In addition, management updated the company's capital allocation policy regarding shareholder returns, committing to a faster rate of dividend growth while also flagging a prospective share buyback programme.

EBITDA and margin uplift driven by OCTG in H1'25 trading

Operationally, the successful start of **OCTG** shipments to fulfil KOC orders announced in May and June last year was a significant contributor to FY24 results. The remaining four shipments were made in H125 and this Product Group traded ahead of earlier management expectations for the period. **Advanced Manufacturing** and **Subsea** both started FY25 with lower order books y-o-y (and versus their mid-2024 positions) and H125 contributions are likely to be below the previous corresponding period. That said, more robust non-oil and gas demand (AM) and an expectation of order shipments in H2 (Subsea) suggest that both Product Groups stand to have a reasonable year overall.

After actions taken in H2'24, management confirms that **Perforating Systems** has returned to profitability, notwithstanding a soft North American onshore oil and gas market. Better volumes of some lines and improved manufacturing efficiencies as well as previous site consolidations all appear to have contributed to this result. **Other Manufacturing** was not specifically referenced in the trading update, but performance here will have been influenced by the previously announced restructuring of operations in the EMEA region. This process is expected to complete by the end of Q3'25 and we would expect a positive contribution from Organic Oil Recovery to partly offset withdrawn activities during the H125 trading period.

Overall, a good EBITDA uplift to U\$68m-70m with a c.13% EBITDA margin has been flagged for H125 and both metrics compare favourably to H124 (ie U\$60.3m and 12.2% respectively). As mentioned above, we expect OCTG to be the strongest contributor to y-o-y progress in the first six months of the year. Lastly, the end June group order book position is stated to be c. U\$450m. This is ahead of the U\$439m at the end of Q1 although lower than the start-year U\$509m reflecting the cycle-through of larger OCTG orders.

Active portfolio management phase

The disposal of Hunting's investment in Rival Downhole Tools and acquisition of technology partner Organic Oil Recovery (both in March) have been covered in previous announcements and our [post AGM note](#). This has been followed by the **U\$63m acquisition of Flexible Engineered Solutions** on 24 June, which we discuss in more detail below. The net spend on these transactions in H125 is U\$69m. Together with an expected U\$10m EMEA restructuring spend, Hunting has clearly been applying its balance sheet strength to both improve existing operations and add profitable, complementary new businesses consistent with its 2030 strategy.

Balanced capital allocation policy to also boost shareholder returns

A progressive dividend policy and potential additional shareholder distributions are two further components of Hunting's capital allocation policy and positive intentions have been announced here also, as follows:

- **Dividend growth – now targeting 13% pa** (previously 10%)
- **New share buyback programme** – potentially up to U\$40m in total, starting post the H125 results announcement, expected on 28 August.

Taken together with the M&A activity above, Hunting is pursuing a balanced capital allocation programme which is supportive of the group's 2030 strategy and founded on management's confidence in the cash generative outlook for the business.

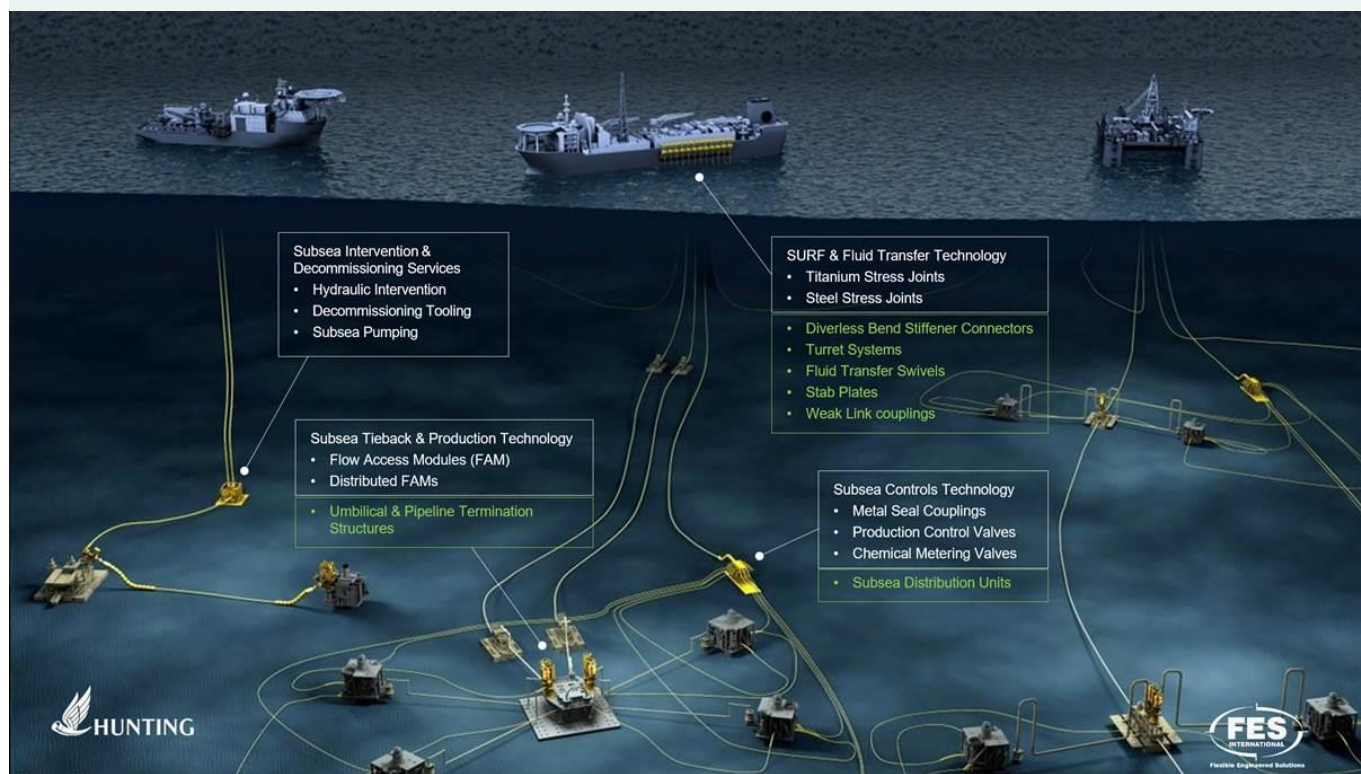
FES acquisition: building out the Subsea portfolio

On 24 June, Hunting announced the acquisition of Flexible Engineered Solutions (Group) Holdings (or FES) a **leading provider of solutions to offshore industries with a proprietary fluid transfer product portfolio** addressing the oil and gas sector with some renewable energy applications also.

The business is founded upon **core design capability** from which a portfolio of **highly engineered products** has been developed primarily addressing fluid transfer connections with FPSO vessels. This is **strongly complementary** to Hunting's existing Spring business which designs, fabricates and supplies specialist rigid stress joints into the same sub-sector. Hence FES broadens the offer, with improved reach into flexible risers and shallower water projects as well as providing opportunities for joint-bidding on programmes.

Other related lines are used in connections (adding to Enpro's flow access module package) and distribution units of subsea pipeline systems (alongside NCC's coupling capabilities). The enlarged Subsea portfolio offer is summarised in the graphic below.

Hunting: Combined Subsea product portfolio applications



Source: Company

To highlight one product type, FES is understood to have a **dominant global market share in Diverless Bend Stiffener Connectors**. These are complex assemblies that facilitate the mechanical pull-through installation (and release) of subsea riser connections with FPSOs and are a cost-effective, high integrity method of doing so without direct subsea intervention. (These assemblies may also be used for the installation of cabling for offshore wind turbines.) Turrets Systems and Fluid Transfer Swivels are complementary topside fitted equipment forming part of the fluid handling system on FPSOs.

The FES business model **develops and retains product IP through its design capability**. It manages the component supply chain – which is currently largely UK-based – and **assembles, tests and ships finished products** from its facilities in Ashington, Northumberland. This requires a relatively low fixed cost base with business flexibility to accommodate busier and quieter periods through the COGS line.

In addition, inventory levels are understood to be low – chiefly assembly process workload – and therefore the working capital requirement reflects the balance between managing supply chain payables with end customer receivables. **FES is not a capital-intensive business.**

In financial terms, the track record presented with the acquisition included a **three-year revenue CAGR to December 2024 of 11% with EBITDA margins averaging over 20%**. This compares favourably to Hunting's reported 12% margin in FY24 and also supports the 2030 strategy targeting a group margin more than 15%. Note that the middle year of this period (2023) saw revenue peak at c.£45m with an adjusted EBITDA margin of 19%. The lower 2024 outturn (c.£31m and 21% respectively) illustrates that **orders in this product space can be lumpy** – which validates FES's outsourced supply chain model - being reflective of capital build programme cycles for offshore oil and gas vessels.

South America has been an important source of FPSO demand in recent years, and both Hunting and FES have supplied equipment for vessels deployed in this region. West Africa is also an active FPSO market.

Shipyards building larger vessels are said to be busy and a recent report¹ indicated that the global FPSO market is 'poised for substantial growth by 2030' with a c.8.5% CAGR. As well as having an existing strong position in this space, Hunting's timing of the FES acquisition looks opportune: both in its own right and where joint-bidding opportunities can be identified and converted into orders for the Product Group as a whole.

Consideration for FES is stated as **U\$63m on a cash-free, debt-free basis** to be funded from Hunting's existing cash resources. At £/U\$1.36, this represents **an entry multiple of 6.9x 2024 EBITDA**.

The primary business vendors and senior management are to remain with Hunting for a minimum twelve-month period and the acquisition is expected to be earnings accretive in the first full year of ownership by the Group.

¹ Research and Markets: Global FPSO Industry Outlook, 2025-2030

Estimate updated for FES, OCTG margins and dividend growth

The areas of strongest progress for Hunting reflect its success in securing significant order positions over and above servicing general market demand and delivering successfully against these schedules. To some extent they also provide a buffer against short term sentiment variability as seen in the aftermath of the new US Administration's tariff announcements made part way through the H1 trading period. The WTI oil price has traded below H1'24 levels and this has been reflected in some reduction in the US onshore rig count latterly, though gas prices have been more resilient.

Hunting's indicated H125 EBITDA of U\$68m-70m, together with unchanged full year guidance, leaves a similar/slightly higher implied H225 EBITDA to reach U\$135m-145m in FY25.

Our post AGM estimates were already at the top end of existing guidance prior to the FES acquisition. We now make the following adjustments:

- **FES** – we assume that this acquisition makes a modest net positive EBITDA contribution in FY25, with EBITDA of U\$8m or above in the following two years, partly offset in each case by higher interest costs.
- **OCTG** – in the light of the completion of the announced KOC orders we have taken a more conservative view on margins across all three estimate years at this point. Securing additional large orders could lead us to amend this stance but we will review again as appropriate.
- **Dividends** – estimates in each year (and associated cash flows) have been increased to reflect the faster intended growth profile. (At this stage we have not incorporated any cash outflows for share buybacks but will revisit this following the H125 results announcement.)

The net result of the above adjustments is shown in the table below. In the current year, our estimates are now towards the lower end of the company's guided EBITDA range of U\$135m-145m.

Hunting: Estimate changes									
Year to December (U\$m)	FY25E			FY26E			FY27E		
	Was	New	%chg	Was	New	%chg	Was	New	%chg
Revenue	1068.7	1086.7	2%	1092.2	1132.2	4%	1107.8	1151.8	4%
EBITDA*	144.4	135.0	-7%	153.9	151.6	-1%	157.4	155.8	-1%
Pre-Tax Profit - company norm	92.1	82.1	-11%	104.1	98.9	-5%	110.1	105.6	-4%
EPS FD - company norm (US c)	38.7	34.4	-11%	43.7	41.5	-5%	46.1	44.2	-4%
DPS (US c)	12.7	13.0	3%	13.9	14.7	6%	15.3	16.6	8%
Net cash / (debt) pre-IFRS16 basis	108.7	66.0	-39%	159.9	114.6	-28%	217.1	163.8	-25%

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

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
Revenue		960.0	626.0	521.6	725.8	929.1	1,048.9	1,086.7	1,132.2	1,151.8
Gross Profit		266.4	124.8	100.6	171.4	227.7	271.9	288.0	311.3	316.7
EBITDA - HTG (100% owned)		139.7	26.1	3.1	52.0	103.0	126.4	132.2	147.8	151.0
EBITDA - HTG (inc JV/Associates)		139.7	26.1	(0.4)	49.3	102.4	126.3	135.1	151.7	155.9
EBIT (100% owned)		94.3	(16.4)	(35.1)	14.6	61.0	88.1	93.2	108.3	111.0
Associates/JVs		0.0	0.0	(3.5)	(2.7)	(0.6)	(0.1)	2.9	3.9	4.9
EBIT - HTG norm		94.3	(16.4)	(38.6)	11.9	60.4	88.0	96.1	112.2	115.9
Net Bank Interest		(0.9)	(1.1)	0.3	0.4	(5.0)	(4.4)	(8.5)	(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)	(4.0)	(4.0)	(4.0)
Profit Before Tax - HTG norm		93.1	(19.4)	(40.6)	10.2	50.0	75.6	82.1	98.9	105.6
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)	(12.0)	0.0	0.0
Profit Before Tax (reported)		45.6	(223.0)	(85.5)	(2.4)	50.0	(33.5)	70.1	98.9	105.6
Tax		(4.2)	(15.2)	(4.2)	(1.3)	69.0	8.0	(21.4)	(25.7)	(27.2)
Other		(1.7)	3.5	3.9	(0.9)	(1.9)	(2.5)	(2.5)	(3.0)	(3.5)
Profit After Tax (reported)		39.7	(234.7)	(85.8)	(4.6)	117.1	(28.0)	46.2	70.3	74.9
EPS FD - HTG norm (US c)		43.9	(10.0)	(27.1)	4.7	20.3	31.4	34.4	41.5	44.2
EPS FD - reported (US c)		23.5	(143.1)	(53.2)	(2.8)	70.0	(16.5)	27.3	41.5	44.2
Dividend per share (US c)		5.0	9.0	8.0	9.0	10.0	11.5	13.0	14.7	16.6
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
Margins (%)										
Gross Profit		27.8	19.9	19.3	23.6	24.5	25.9	26.5	27.5	27.5
EBITDA - HTG (100% owned)		14.6	4.2	0.6	7.2	11.1	12.1	12.2	13.1	13.1
EBIT (100% owned)		9.8	(2.6)	(6.7)	2.0	6.6	8.4	8.6	9.6	9.6

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	132.2	147.8	151.0
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	(16.3)	(25.6)	(28.0)
Other		(11.5)	(17.9)	(7.1)	(8.2)	(3.1)	(1.8)	(12.0)	0.0	0.0
Operating Cash Flow		144.9	56.0	28.0	(32.9)	58.4	192.0	118.9	137.2	138.1
Tax paid		(7.7)	(5.0)	0.6	(3.9)	(9.1)	(3.5)	(7.5)	(9.0)	(9.5)
Investing Activities		(46.6)	(46.6)	9.2	(11.7)	(33.1)	(28.1)	(108.5)	(40.0)	(40.0)
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)	(35.0)	(35.0)	(35.0)
Tangible Fixed Assets disposed		0.9	2.0	2.2	6.6	1.9	1.2	0.0	0.0	0.0
Intangibles		(10.2)	(4.3)	(2.7)	(5.6)	(10.9)	(4.8)	(5.0)	(5.0)	(5.0)
Acquisition consideration		(12.5)	(32.8)	0.0	0.0	0.0	0.0	(80.5)	0.0	0.0
Disposal proceeds		3.0	0.6	31.5	0.0	0.0	0.0	12.0	0.0	0.0
Other business investments		2.6	0.5	(16.1)	3.2	(1.6)	(0.9)	0.0	0.0	0.0
Financing Activities		(31.2)	(33.2)	(31.4)	(30.0)	(41.4)	(52.4)	(37.7)	(39.6)	(39.3)
Net finance income (cost)		0.1	(0.3)	(0.4)	(2.9)	(7.3)	(12.9)	(8.5)	(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)	0.0	0.0	0.0
Dividends paid		(16.6)	(8.2)	(12.8)	(13.6)	(15.0)	(16.7)	(20.1)	(22.8)	(25.5)
Other		0.0	0.0	0.0	2.2	0.0	0.0	0.0	0.0	0.0
Net Cash Flow		59.4	(28.8)	6.4	(78.5)	(25.2)	108.0	(34.8)	48.6	49.2
Opening net cash/(debt) - pre IFRS16*		61.3	123.1	97.8	103.5	20.6	(4.7)	100.8	66.0	114.6
Change in Net Cash		59.4	(28.8)	6.4	(78.5)	(25.2)	108.0	(34.8)	48.6	49.2
Other		2.4	3.5	(0.7)	(4.4)	(0.1)	(2.5)	0.0	0.0	0.0
Closing net cash/(debt) - pre IFRS16*		123.1	97.8	103.5	20.6	(4.7)	100.8	66.0	114.6	163.8
IFRS16 lease liabilities		(45.2)	(40.3)	(31.8)	(30.6)	(28.7)	(30.1)	(30.1)	(30.1)	(30.1)

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
Non-Current Assets		735.0	581.1	535.7	515.3	595.7	493.5	561.8	573.4	585.4
Intangible Assets - Goodwill		230.2	164.2	164.1	155.5	154.4	45.1	100.1	100.1	100.1
Intangible Assets - Other		78.5	42.9	36.2	35.7	40.8	39.4	38.5	37.6	36.7
Tangible Assets - Owned		354.7	307.1	274.4	256.7	254.5	252.8	263.9	272.5	280.6
Tangible Assets - RoU		36.7	29.8	24.7	26.0	26.2	28.3	28.5	28.5	28.5
Other Fixed Assets		34.9	37.1	36.3	41.4	119.8	127.9	130.8	134.7	139.5
Current Assets		682.1	532.4	475.9	534.0	626.6	785.7	787.2	837.3	879.9
Inventory		350.8	288.4	204.4	272.1	328.4	303.3	306.8	326.3	342.9
Trade Receivables		176.1	119.9	137.2	190.2	221.2	194.5	231.0	248.7	261.0
Other Debtors		26.6	21.2	25.9	42.3	31.5	81.3	69.0	69.0	69.0
Cash		128.6	102.9	108.4	29.4	45.5	206.6	180.4	193.4	207.0
Current Liabilities		(145.3)	(84.7)	(99.0)	(163.8)	(225.8)	(248.8)	(267.5)	(297.6)	(317.2)
Trade Payables		(56.3)	(26.4)	(40.5)	(66.8)	(62.5)	(41.4)	(54.6)	(56.1)	(57.0)
Other Creditors		(77.6)	(46.9)	(48.6)	(83.0)	(109.0)	(189.2)	(194.7)	(223.4)	(242.0)
IFRS16 Lease Liabilities		(9.8)	(10.2)	(8.9)	(9.1)	(8.0)	(6.9)	(6.9)	(6.9)	(6.9)
Short-term Borrowings		(1.6)	(1.2)	(1.0)	(4.9)	(46.3)	(11.3)	(11.3)	(11.3)	(11.3)
Non-Current Liabilities		(48.0)	(52.2)	(41.3)	(39.3)	(39.4)	(128.1)	(150.6)	(131.7)	(113.8)
Long-term Borrowings*		(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(94.5)	(103.1)	(67.5)	(31.9)
IFRS16 Lease Liabilities		(35.4)	(30.1)	(22.9)	(21.5)	(20.7)	(22.7)	(22.7)	(22.7)	(22.7)
Other Long-term Liabilities		(8.7)	(18.2)	(14.5)	(13.9)	(14.8)	(10.9)	(24.8)	(41.5)	(59.2)
Net Assets		1,223.8	976.6	871.3	846.2	957.1	902.3	930.9	981.4	1,034.4

Source: Company, Equity Development



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