

# MANAGING THE CYCLE

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Hunting PLC  
2015 Full Year Results



- Trading results reflect market conditions.
- Exceptional asset impairments booked in the year of \$252.6m.
- Balance sheet strength retained.
  - Net assets \$1.2bn
  - Net debt \$110.5m
  - Gearing 9%
- Free cash flow generated in the year of \$118.0m.
- Working capital cash release in the year of \$96.0m.
- Headcount reductions implemented
- New \$350m, 5 year term facility agreed October 2015.

# 2015 Full Year Results Summary\*



	<b>2015</b>	<b>Margin</b>	2014	<b>Margin</b>
	<b>\$m</b>	<b>%</b>	<b>\$m</b>	<b>%</b>
<b>Revenue</b>	<b>810.5</b>		1,386.5	
<b>Gross profit</b>	<b>195.2</b>	<b>24%</b>	443.9	32%
<b>EBITDA</b>	<b>61.9</b>	<b>8%</b>	269.8	19%
<b>Profit from operations</b>	<b>16.4</b>	<b>2%</b>	217.8	16%
<b>Finance expense</b>	<b>(6.8)</b>		(4.9)	
<b>Profit before tax</b>	<b>9.4</b>		212.4	
<b>Effective tax rate</b>	<b>57%</b>		27%	
<b>Diluted EPS</b>	<b>3.1c</b>		100.0c	
<b>Interim dividend per share - declared</b>	<b>4.0c</b>		8.1c	
<b>Final dividend per share - proposed</b>	<b>4.0c</b>		22.9c	

\* Results are based on continuing operations before amortisation of acquired intangible assets and exceptional items

# Segmental Results\*



	2015		2014	
	Revenue \$m	Profit (Loss) from Operations \$m	Revenue \$m	Profit from Operations \$m
<b>Hunting Energy Services</b>				
Well Construction	211.4	1.9	378.3	53.0
Well Completion	488.6	14.2	862.6	140.8
Well Intervention	106.3	4.6	135.5	23.8
	<b>806.3</b>	<b>20.7</b>	<b>1,376.4</b>	<b>217.6</b>
<b>Exploration &amp; Production</b>	<b>4.2</b>	<b>(4.3)</b>	<b>10.1</b>	<b>0.2</b>
	<b>810.5</b>	<b>16.4</b>	<b>1,386.5</b>	<b>217.8</b>

\* Results are based on continuing operations before amortisation of acquired intangible assets and exceptional items

# Geographical Segmental Results\*



	2015		2014	
	Revenue	Profit (Loss) from Operations	Revenue	Profit from Operations
	\$m	\$m	\$m	\$m
<b>Hunting Energy Services</b>				
<b>USA</b>	<b>507.0</b>	<b>31.7</b>	867.3	170.0
<b>Canada</b>	<b>56.1</b>	<b>(3.6)</b>	95.5	3.8
<b>Europe</b>	<b>134.6</b>	<b>(4.2)</b>	194.2	10.9
<b>Asia Pacific</b>	<b>90.1</b>	<b>(0.3)</b>	199.5	31.0
<b>Middle East, Africa and Other</b>	<b>18.5</b>	<b>(2.9)</b>	19.9	1.9
	<b>806.3</b>	<b>20.7</b>	1,376.4	217.6
<b>Exploration and Production</b>				
	<b>4.2</b>	<b>(4.3)</b>	10.1	0.2
	<b>810.5</b>	<b>16.4</b>	1,386.5	217.8

\* Results are based on continuing operations before amortisation of acquired intangible assets and exceptional items

# Amortisation & Exceptional Items



	2015 \$m	2014 \$m
<b>Impairments</b>		
- Goodwill	208.2	49.6
- Intangible assets	11.2	-
- PPE – Exploration and Production	6.4	11.3
- PPE – Drilling Tools	26.8	-
	<u>252.6</u>	<u>60.9</u>
<b>Amortisation of acquired intangible assets</b>	38.9	42.8
<b>Restructuring costs</b>	7.1	-
<b>Other</b>	-	0.2
	<u>-</u>	<u>0.2</u>
<b>Continuing operations</b>	<u>298.6</u>	<u>103.9</u>

# Balance Sheet



	2015 \$m	2014 \$m
<b>Goodwill</b>	<b>230.6</b>	440.6
<b>Other intangible assets</b>	<b>180.4</b>	224.8
<b>Property, plant and equipment</b>	<b>460.8</b>	473.0
<b>Working capital</b>	<b>365.8</b>	470.6
<b>Taxation</b>	<b>10.7</b>	(55.2)
<b>Provisions</b>	<b>(18.0)</b>	(24.7)
<b>Other</b>	<b>48.3</b>	40.2
<b>Net debt</b>	<b>(110.5)</b>	(131.0)
<b>Net assets</b>	<b>1,168.1</b>	1,438.3
<b>Gearing</b>	<b>9%</b>	9%

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	<b>2015</b> <b>\$m</b>
<b>Facilities</b>	
- Manufacturing – Houma, Louisiana	6.4
- Premium Threading and Testing – Houston, Texas	20.2
- Manufacturing – Cape Town, South Africa	9.3
- Dearborn – Fryeburg, Maine	6.4
- Other expansion programmes	8.9
<b>Machinery and Equipment</b>	
- North America	21.8
- Asia Pacific	0.9
- EMEA	4.2
	<hr/> 78.1
<b>Exploration and Production</b>	3.0
	<hr/> 81.1 <hr/>



# Cash Flow



	2015 \$m	2014 \$m
<b>EBITDA</b>	<b>61.9</b>	269.8
<b>Working capital</b>	<b>96.0</b>	3.8
<b>Interest and bank fees</b>	<b>(7.4)</b>	(5.6)
<b>Tax paid</b>	<b>(10.5)</b>	(26.6)
<b>Restructuring costs</b>	<b>(5.9)</b>	-
<b>Replacement capital investment</b>	<b>(22.0)</b>	(69.0)
<b>Other</b>	<b>5.9</b>	9.9
<b>Free cash inflow</b>	<b>118.0</b>	182.3
<b>Expansion capital investment</b>	<b>(59.1)</b>	(54.5)
<b>Dividend to PLC equity holders</b>	<b>(39.8)</b>	(44.1)
<b>Other</b>	<b>1.4</b>	(8.9)
<b>Reduction in net debt</b>	<b>20.5</b>	74.8

# Oilfield Industry 2015



Source: EIA WTI Cushing, Oklahoma

# Strategy Deployment



**Develop leading proprietary products and services**

H1 Perforating system

WEDGE-LOCK SF Premium Connection

**Capture product sales synergies within the wellbore**

Product availability across global footprint

Enhanced product portfolio throughout our distribution centres

**Develop a global presence**

Opening of African facilities

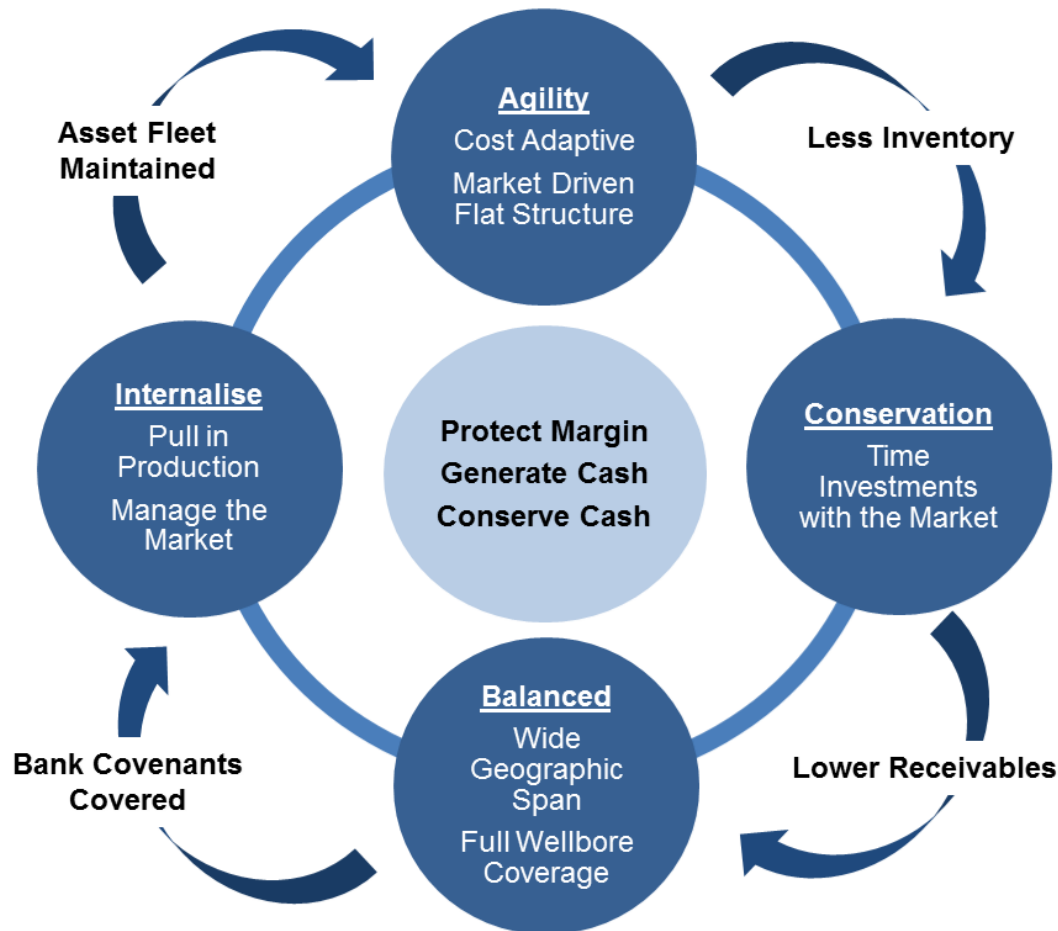
Joint Venture in Saudi Arabia

**Target a high market share of our high value products**

Leveraging Capacities to Facilitate Customer Supply Chain requirements

Supplier of Choice for our Technologies and Global Footprint

# Core Of Our Strategy – Sustainability



We have to aggressively manage today, to compete tomorrow

# Hunting Global Footprint 42 Locations Singular Business Model



## Hunting Core Values

Proprietary Products

Quality

Safety

## Hunting Local Business Model

Each Hunting location is viewed as a business that must serve the customer, stand on it's own merit and perpetuate Hunting values

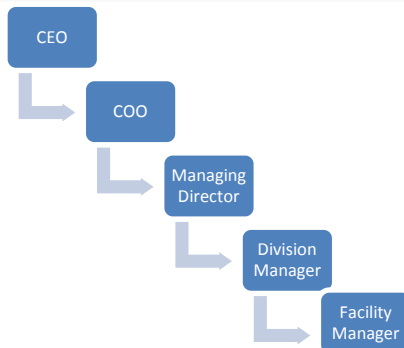
Customer Focus

Local Decision Making Unencumbered

Each location has full ownership of cost, accountability and control

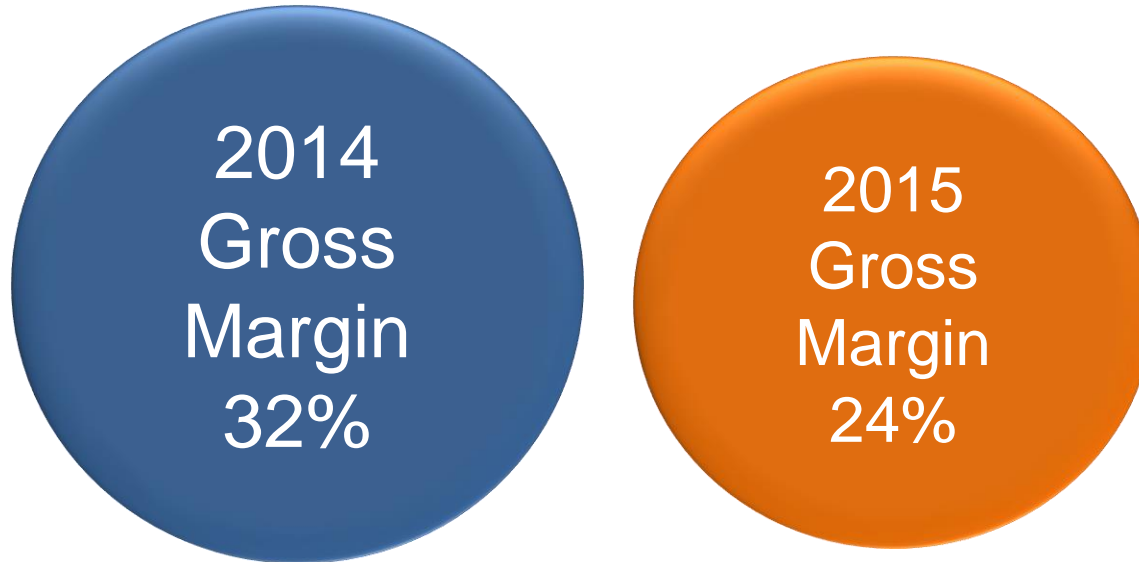
Scalable and Adaptable Production

Managed to the market



- Low bureaucracy and high local accountability
  - Hunting operates in a flat, lean and locally controlled structure.
  - We operate with four or less handshakes from the CEO to the Local Facility Manager.
  - This structure allows Hunting to be agile and quick to respond to the market and customer.

# Agility



- As a manufacturer, our fixed cost absorption is heavily impacted by a reduction in business. To protect margins, Hunting has aggressively managed our cost and resisted client and customer pressure to reduce price. By cutting cost and manufacturing leaner, we have mitigated the impact on our margins.
- **We continue to improve our cost structure and we do it without sacrificing delivery, product development and quality.**

# Instilled Sustainability

- Hunting has endured many business cycles, as a company and management team we have learned over the years the more levers you control of your business, the more change you can enact.

Market Driven Internal Investment	Internalise When It Makes Sense	Create Flexibility	Complete Wellbore Product Portfolio
<ul style="list-style-type: none"> <li>▪ Hunting invests based on the local marketplace.</li> <li>▪ We control the timing and the flow of capital.               <ul style="list-style-type: none"> <li>▪ Singapore consolidation delayed, however found 11% savings without sacrificing footprint or content.</li> </ul> </li> <li>▪ Hunting invests in long term capacity for growing markets.               <ul style="list-style-type: none"> <li>▪ US Gulf Coast.</li> <li>▪ Precision Machining Capacity.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ With manufacturing agility Hunting can leverage our capacity to pull in outsourced work and manufacture in house.</li> <li>▪ Simple Concept – If an outside vendor can make a profit, we should internalise and lower the unit cost.</li> <li>▪ By owning more of the supply chain we minimise inventory levels and have more control over product delivery schedules.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Facilities are designed to meet demand based on shift profile.               <ul style="list-style-type: none"> <li>▪ When markets are up, we run three shifts, up to seven days per week.</li> <li>▪ When down, we adjust accordingly.</li> </ul> </li> <li>▪ When we purchase machinery and tooling flexibility is considered.               <ul style="list-style-type: none"> <li>▪ Over 90% of our machinery can manufacture all product lines.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ We are a global single source for the wellbore.</li> <li>▪ We can provide the customer their part (OEM) or an array of Hunting owned technologies, globally with consistent quality.</li> <li>▪ Hunting can repair or refurbish customer products.</li> <li>▪ We are committed to creating new products internally or in partnership with the major service or oil and gas companies.</li> </ul>

# Our Commitment to Quality and Safety

- With extreme cost pressure in the industry, Hunting has not changed our view on quality, health, safety or environmental standards.
- It is our view that:
  - Shipping a single defective part is unacceptable.
  - Each Hunting facility is committed to no harm to people or the environment.
- As wellbores continue to get more complex, with tighter tolerances for performance, reliability and safety, our customers value quality.
  - Hunting's products are going to work the first time, the next time, and every time.

## Quality + Safety + Reliability



Tremendous  
increase in Drilling  
Technology

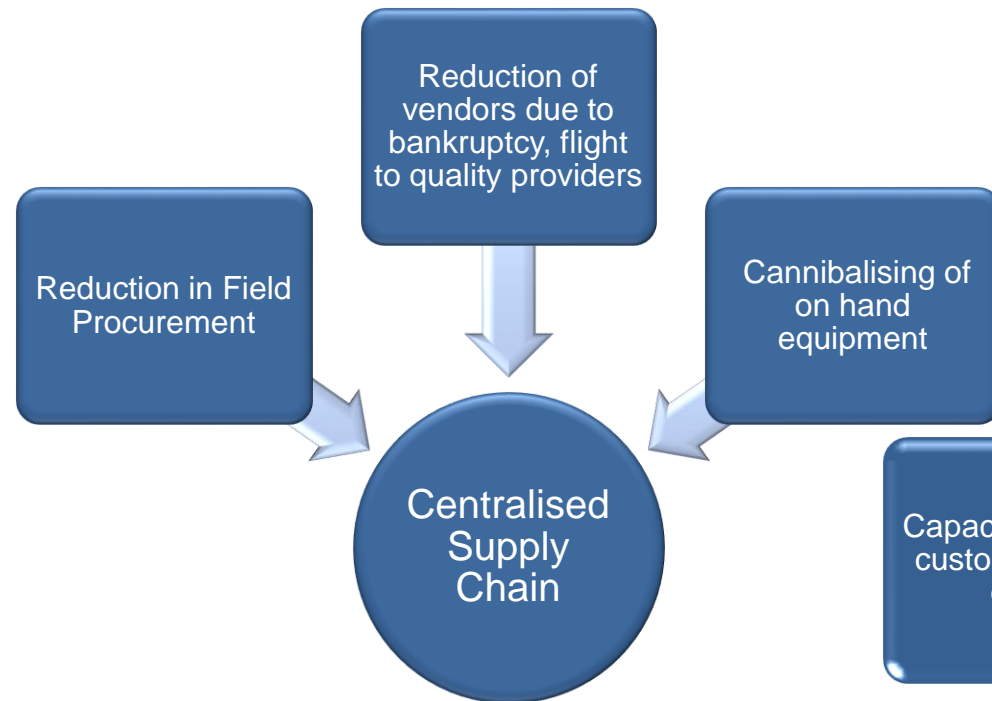


Customer flight to  
quality providers

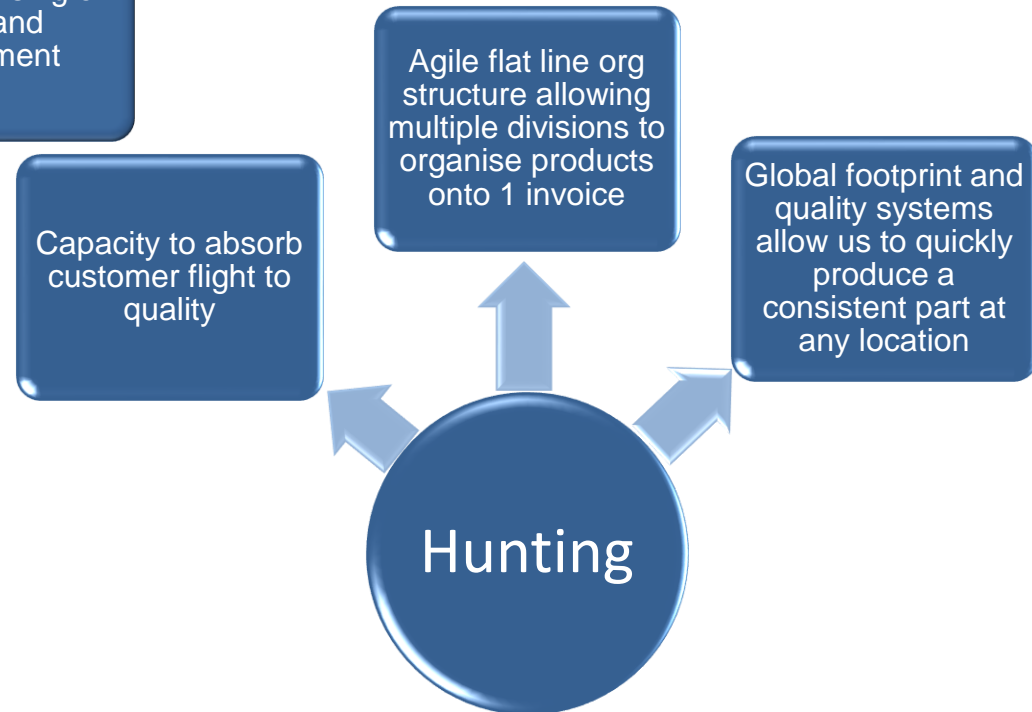


# Current Marketplace And Our Fit

What is happening today

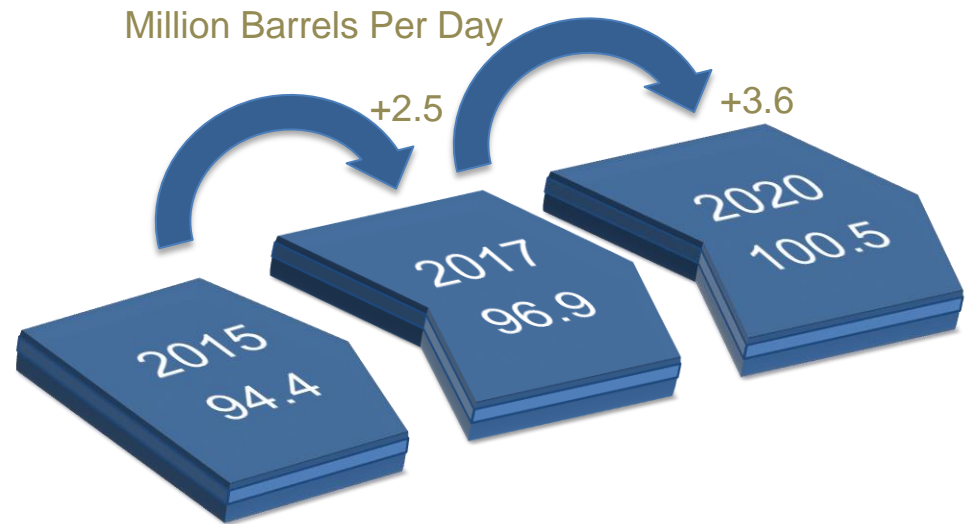


How we fit in the supply chain



# Long Term Demand View

- Oil prices have been volatile, however one constant remains – demand for oil continues to grow.
- The combination of demand, well depletion and limited surplus production capacity means new wells have to be drilled.
  - To replace lost production from depletion and achieve demand projections, an additional 5m to 7m barrels per day has to come on line.
- In 2014 and throughout 2015 E&P spending has been slashed.
  - 62 mega projects delayed or cancelled since mid 2014, removing 4.2m barrels per day production and erasing \$222bn dollars of E&P spend.
  - Globally, over \$380bn dollars of E&P spending has been delayed or cancelled.



Source: IEA, OPEC, Rystad Energy, Wood Mackenzie

***“The Group has and will continue to act decisively to safeguard an exciting and profitable future.”***