

# RESILIENCE AGAINST MARKET VOLATILITY



HUNTING PLC  
RESULTS PRESENTATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2020

[www.huntingplc.com](http://www.huntingplc.com)

# Resilience



- Enpro acquisition completed expanding our Subsea Portfolio, RTI, continuing to perform well and growing backlog
- Returning cash to shareholders
- Balance sheet remains robust. Cash in bank, no debt, liquidity
- Generated Positive EBITDA in worst market ever
- Operating the business with decisive actions
- Continued development of proprietary products



# Group Summary

## *Strong balance sheet in volatile market*



- Strong balance sheet and satisfactory financials
  - Revenue of \$377.7m (H1 2019: \$508.9m)
  - Underlying EBITDA \$28.4m (H1 2019: \$77.4m)
  - Underlying EBITDA Q2 \$6.6m
  - Net assets at 30 June 2020 of \$1.0bn (YE 2019: \$1.2bn)
  - Total cash and bank \$48.8m (YE 2019: \$127.0m)<sup>1</sup>
  - Second interim dividend of 2.0 cents per share is being declared, which will absorb \$3.3m of cash and be paid on 23 October 2020
  
- Significant cost reduction programme implemented in reporting period, to align with industry outlook
  - Headcount reduced by circa 30% as at August 2020
  - Closure of two manufacturing facilities at Oklahoma City and Ramsey Road, Houston
  - Closure of Canada manufacturing facility announced on 10 August 2020
  - Four distribution centres closed across North America
  - Amalgamation of Singapore facilities
  
- New products launched in the period to provide lower cost and safer technology to clients
  - Hunting Titan launched new variants of the H-1, H-2 and E-SUB perforating systems and a new generation ControlFire® firing switch during Q2 2020
  - Subsea launched a new high pressure hydraulic coupling and Drilling Tools launched a new range of mud motors
  - The EMEA operating segment has continued to trial an organic oil recovery well treatment technology
  - Non-oil and gas products continue to diversify revenue
  
- Commissioning of new detonation cord manufacturing line by Hunting Titan in July 2020
  
- Acquisition of Enpro Subsea Limited (“Enpro”) in February 2020 for \$34.0m, including costs.

<sup>1</sup> The current cash and bank balance as at August 2020 is c.\$67m

# Group Income Statement<sup>1</sup>



	H1 2020		H1 2019	
	\$m	Margin %	\$m	Margin %
Revenue	377.7		508.9	
Gross profit	82.6	22%	145.6	29%
EBITDA	28.4	8%	77.4	15%
Profit from operations	5.7	2%	55.6	11%
Net finance expense	(1.8)		(1.0)	
Profit before tax	3.9		54.6	
Tax charge	(2.6)		(13.3)	
Profit after tax	1.3		41.3	
Effective tax rate	67%		24%	
Diluted EPS	1.0c		23.6c	
Dividend per share declared	2.0c		5.0c	

<sup>1</sup> Results are before amortisation of acquired intangible assets and exceptional items.

# Segmental Results<sup>1</sup>



	H1 2020		H1 2019	
	Revenue	Results from Operations	Revenue	Results from operations
	\$m	\$m	\$m	\$m
Hunting Titan	102.5	1.7	206.1	42.2
US	167.0	4.6	181.1	12.9
Canada	12.8	(1.0)	19.5	(3.0)
EMEA	50.9	(3.1)	67.0	0.2
Asia Pacific	71.3	3.5	75.1	3.3
Inter-segment elimination	(26.8)	-	(39.9)	-
	<b>377.7</b>	<b>5.7</b>	<b>508.9</b>	<b>55.6</b>

<sup>1</sup> Results are before amortisation of acquired intangible assets and exceptional items.

# Revenue by Product Grouping



	H1 2020 \$m	H1 2019 \$m	Change
<b>Perforating Systems</b>	<b>97.2</b>	199.4	-51%
<b>OCTG</b>	<b>169.2</b>	181.7	-7%
<b>Advanced Manufacturing</b>	<b>40.9</b>	59.4	-31%
<b>Intervention Tools</b>	<b>17.0</b>	24.9	-32%
<b>Subsea</b>	<b>33.8</b>	18.9	+79%
<b>Drilling Tools</b>	<b>6.3</b>	11.3	-44%
<b>Other</b>	<b>13.3</b>	13.3	-
	<b>377.7</b>	<b>508.9</b>	<b>-26%</b>

# Amortisation & Exceptional Items



	H1 2020 \$m	H1 2019 \$m
<b>Amortisation of acquired intangible assets</b>	<b>12.3</b>	<b>14.5</b>
<b>Impairment:</b>		
- Goodwill	79.8	-
- Other intangible assets	39.2	-
- Property, plant and equipment	19.3	-
- Right-of-use assets	2.1	-
- Inventory	33.3	-
Receivables	1.2	-
Restructuring costs and held-for-sale FV adjustment	3.4	-
Reversal of Enpro contingent consideration	(2.5)	-
Acquisition costs	1.2	-
	<b>189.3</b>	<b>14.5</b>

# Group Balance Sheet

*Solid financial footing*



	June 2020 \$m	December 2019 \$m	
Property, plant and equipment	331.0	354.7	
Right-of-use assets	30.5	36.7	• IFRS 16 leases
Goodwill and other intangible assets	207.0	308.7	• Impairment of \$119.0m recognised
Working capital	429.7	433.3	• Inventory impairment of \$33.3m recognised
Taxation	(0.2)	19.8	• De-recognition of US deferred tax assets
Provisions	(8.9)	(8.4)	
Other net assets	2.3	1.1	
Bank and cash	48.8	127.0	
Lease liabilities	(39.4)	(45.2)	
Other borrowings	(3.9)	(3.9)	
Net cash	5.5	77.9	
<b>Net Assets</b>	<b>996.9</b>	<b>1,223.8</b>	



# Working Capital



	June 2020 \$m	December 2019 \$m
<b>Inventories</b>		
- Hunting Titan	135.8	127.5
- US	131.2	135.9
- Other segments	118.1	113.9
<b>Gross inventories</b>	<u>385.1</u>	<u>377.3</u>
<b>Provision for inventories</b>	<u>(54.0)</u>	<u>(26.5)</u>
<b>Net inventories</b>	<u>331.1</u>	<u>350.8</u>
<b>Receivables</b>	176.2	203.2
<b>Payables</b>	<u>(77.6)</u>	<u>(120.7)</u>
<b>Total</b>	<u>429.7</u>	<u>433.3</u>
<i>Inventory days</i>	248	214
<i>Receivable days</i>	92	79

# Group Cash Flow



	H1 2020 \$m	H1 2019 \$m	
EBITDA	28.4	77.4	
Add: share based payments	4.9	6.6	
	33.3	84.0	
Working capital movements	(31.0)	(21.3)	• <i>Trade creditors reduction</i>
Net tax paid	(6.0)	(3.6)	
Proceeds from business and asset disposals	2.2	4.7	
Lease payments	(6.0)	(6.2)	
Other	(3.7)	(3.8)	
Free cash flow	(11.2)	53.8	
Capital and intangible asset investments	(12.0)	(22.5)	• <i>Capex curtailed</i>
Acquisition of business	(34.0)	-	• <i>Enpro acquisition February 2020</i>
Dividends paid to equity shareholders and NCI	(5.8)	(8.3)	
Net purchase of treasury shares	(5.9)	(4.2)	• <i>Share award programme</i>
Share buyback	(5.3)	-	
Share capital issued	-	0.6	
Net cash flow	(74.2)	19.4	
Foreign exchange	(4.0)	(0.2)	
Movement in total bank and cash	(78.2)	19.2	

# Capital and Intangible Asset Investment

*Modest levels, 50% of budgeted capex*



	H1 2020 \$m
Hunting Titan– Detonation Cord Line	2.4
Titan– other	0.5
US– Investment in Subsea businesses	1.5
US– other	4.8
Other	1.3
<b>Capital Investment</b>	<b>10.5</b>
<b>Intangible Asset Investment</b>	<b>1.5</b>
<b>Total</b>	<b>12.0</b>

<sup>1</sup> Capex budget cut by 50% for 2020

<sup>2</sup> Capex spend for 2019 was \$36m

# COVID-19 Response

*Meeting the challenge in Operations*



- Work environment
  - Staggered shifts
  - Work-from-home
  - Team alignment to ensure continuity, health and safety
- Hunting cares
  - Production of PPE in our Asia Pacific facilities
  - Providing PPE to employees
  - Deep-cleaning of facilities
- Market discontinuity, added cost
  - Productivity impacted
  - Clients delaying or cancelling orders
  - Client connectivity hampered

Our work place safety cost associated with COVID-19 is over \$1m

# Taking Decisive Action



- Head count reductions
  - Reduced our workforce by circa. 30% at August 2020
- Changing our strategy in Canada
- Facility closures
  - Skyline facility in Canada
  - Ramsey Road
  - Oklahoma City
  - Various Distribution Centres
- Compensation frozen
- Capex budget for 2020 cut by 50%
- Annualised cost savings approximately \$70m

# Evaluating Our Footprint

## Closure of Canada Manufacturing



- Adopt distribution/sales model and exit from in-country manufacturing
- OCTG business model better suited for distribution of Hunting Threaded Connection Technology
  - In Canada, circa. 80% of our sales relate to OCTG products
  - The market is dominated by the steel mills who adopt a direct distribution model, putting Hunting at a cost disadvantage
  - Risk is reduced by operating the Canadian market according to a distribution model, by licensing our connection technology or importing threaded OCTG from our global footprint to sell through distribution
  - Based on the scale of potential demand in Canada, it is more efficient to utilise existing Hunting manufacturing capacity and import the product
- Having evaluated the Canadian market, Hunting will cease in-country manufacturing, removing approximately 125,000 square feet of floor space, and consolidate manufacturing and sales management for Canada under our existing operational umbrella of facilities
  - Sales of Hunting connection products will fall under the US Connection division
  - Perforating Systems products will be manufactured in the US and Asia and distributed through the Hunting Titan distribution centres in Canada

Canada Operating Losses USD \$m		
2017	2018	2019
\$(3.3)	\$(1.8)	\$(4.3)

Structural Change Required for Positive Cash flow

Canada's Addressable Market Has Changed

9 Month Seasonal Market With Year Round Cost

# Operational Overview: North America

*The worst market in history*



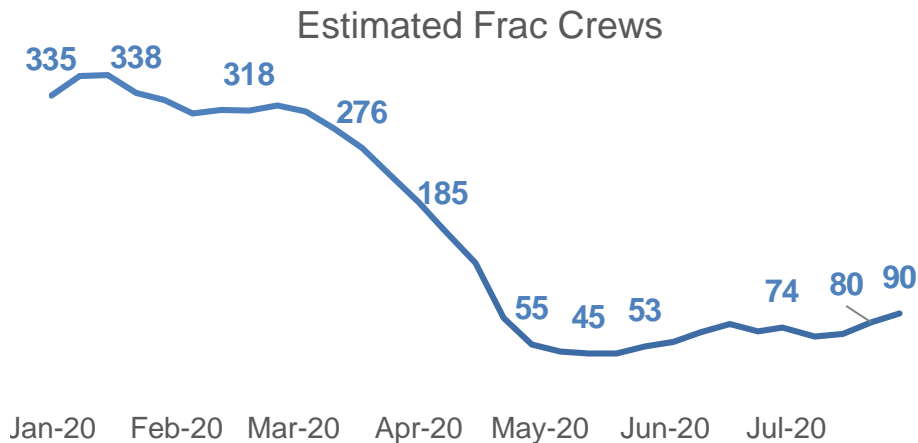
- US
  - Cost-saving measures implemented
  - Subsea Technologies (RTI) receiving two large orders for GOM
  - Significant growth in TEC-LOCK™ product
  - Permian completion activity down 80% by end of July
  - Significant reduction in sanctioned customer CAPEX
  - Cancellation or suspension of current projects
  - Customers destocking

## US Rig Count:

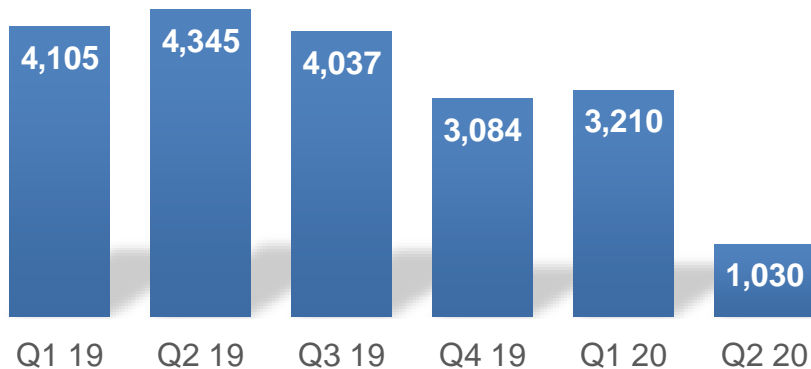
- **July 2019:**
  - Onshore: 918
  - Offshore: 24
- **July 2020:**
  - Onshore: 239
  - Offshore: 12
- **Wells Drilled:**
  - H1 2019: 11,169
  - H1 2020: 6,573
- **Capital Spend:**
  - H1 2019: \$62.6bn
  - H1 2020: \$37.4bn

# North America: Onshore Markets

Market: H1 2020 and Current



US Frac Jobs



## Unprecedented decline in US shale activity

- From an initial 450 available frac crews, this number rapidly declined as the COVID-19 impact took hold in April 2020
  - Below 50 crews working in mid-May
  - Current levels around 70 to 80 crews
- Severe financial stress in the oilfield services sector with the rapid decline in financial health
  - Bankruptcy reports show over 30 E&Ps and 25 oilfield services companies have filed since the start of the downturn
  - Equity in capital markets has dramatically reduced funding to the sector
- Destocking of customers inventory to save cash
- Natural gas market improving

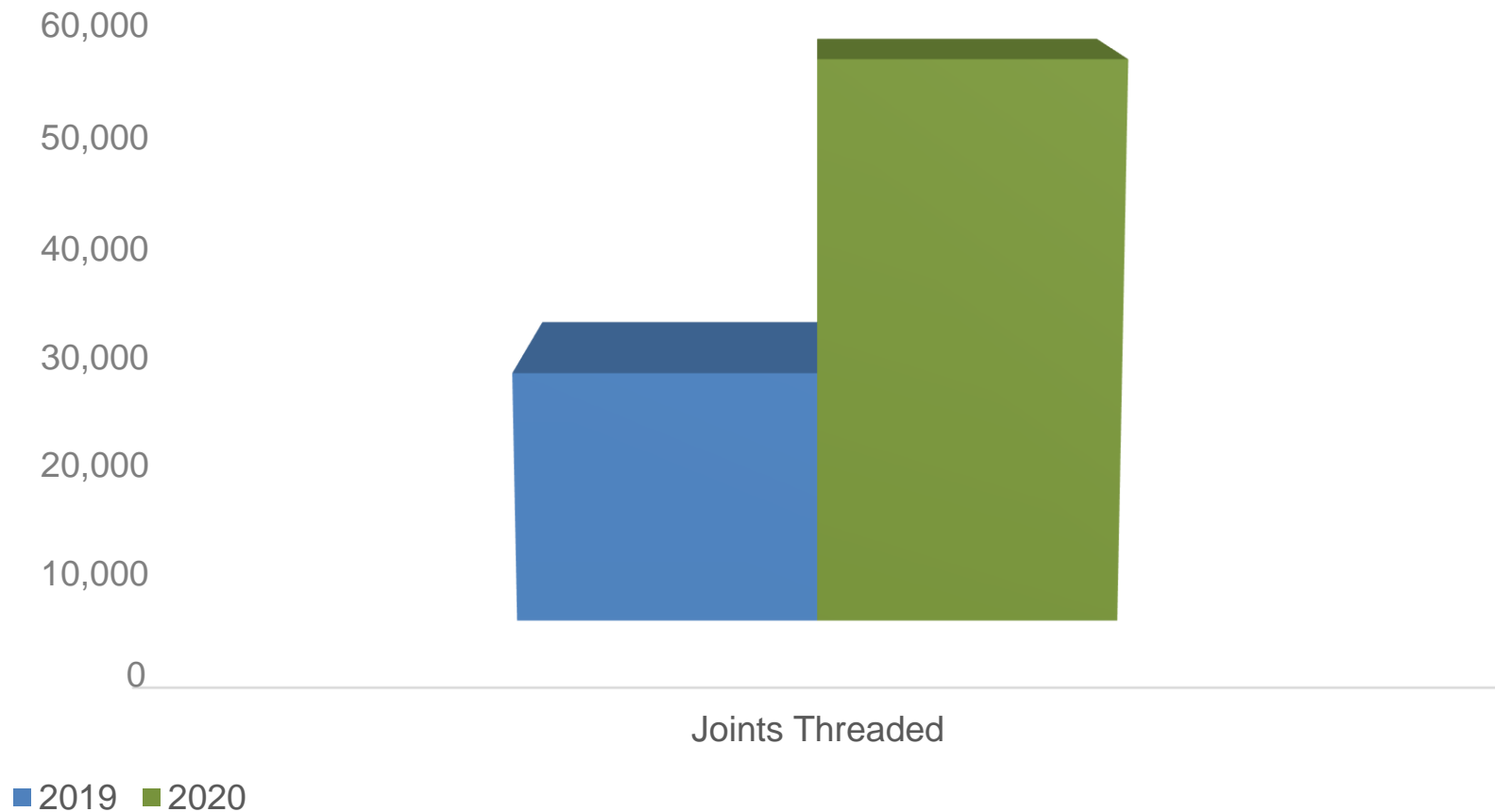


- Hunting's Advanced Manufacturing Group, which includes the Electronics and Dearborn divisions, has maintained a good backlog despite market conditions. The AMG division is currently ISO and ITAR certified
- The Electronics division has been successful in engaging in business opportunities outside of the Oil and Gas industry
  - **The Electronics division's current backlog reflects**
    - 75% orders for the Oil and Gas industry
    - 25% orders for the Medical industry
- The Dearborn division has a long history of product development for the Defence and Aerospace industries
  - **Dearborn's current backlog reflects**
    - 60% orders for the Aerospace, Power Generation and Defence industries
    - 40% orders for the Oil and Gas industry

# Connection Technology



TEC-LOCK™ continues to see robust growth in the onshore semi-premium market. In the first half of 2020, we have more than doubled our volumes compared to the same period last year.



# Operational Overview: International Markets



- Asia Pacific
  - Cost-saving measures implemented
  - OCTG product shipments strong in H1 to China, India, Middle East
  - Jindal relationship expanding business in India
- EMEA
  - Cost-saving measures implemented
  - Good first half for Well Testing equipment
  - Good Well Intervention bookings for Middle East

# New Products and Technologies

Continued Product Innovation – 11 Releases in H1 2020

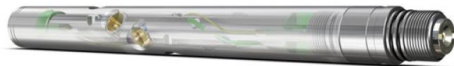


- Hunting continues to introduce new technologies into the market.
- We develop our products on the basis that different end users have different economic, operational and technological requirements and acceptance thresholds. Hunting's customers range from those seeking more commoditised universal components to those requiring complete advanced systems.

## EFI ControlFire® Cartridge



## E-Gun™



## Recompletion System



E-Gun RC™ Perforating System

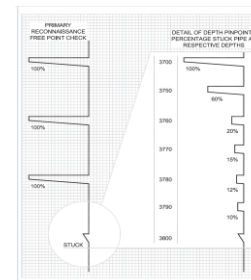
## EQUAfrac® Limited Charges



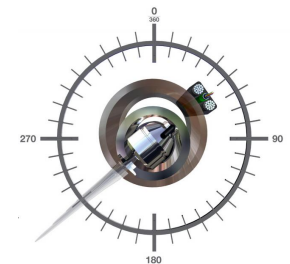
## PowerSet® & PowerSet Solo®



## Digital Freepoint Tool



## High Side Indicator (HSI)



# New Products and Technologies

## Perforating Products – Maintaining Leadership In Class



### Exploding Bridge Foil Initiator (EFI) Cartridge

- Stray voltage and signals create safety hazards potentially leading to accidental detonation of the tool string topside
- Hunting developed the concept of the “no wire drop in system” and continues to improve upon it having introduced the safest initiating system in the market, compliant with API RP 67 Group 3 Detonator standards

EFI Cartridge



### E-Gun RC™ Perforating System

- For customers seeking to re-complete existing wells to extract hydrocarbons, Hunting developed the E-Gun RC™ perforating system
- This system is a complete tool string from the weighted bars down to the setting tool
- The system is optimised with charges specially engineered for re-completion



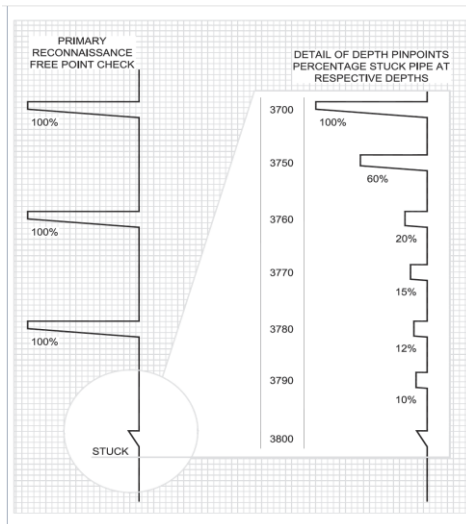
# New Products and Technologies

## Perforating Products – Solving the Industry’s Problems

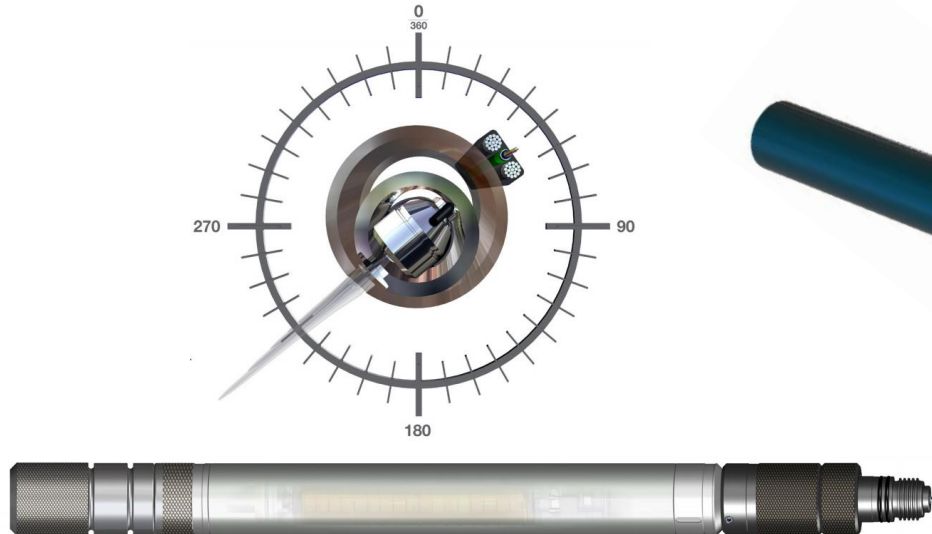


- Develop what the markets needs across the spectrum
- While much of the industry is focused on guns, charges and electronics, Hunting’s focus is on addressing the challenges faced by our customers. Examples include:
  - Making the complex look simple with our Digital Freepoint Tool assisting in pipe retrieval
  - Solving a simple problem that is complex downhole of finding the “high side of the casing”
  - Creating a power charge that combines the correct economics with the consistency in burn times needed to do the job

### Digital Freepoint Tool



### High Side Indicator



### PowerSet® Power Charges



# Offshore Markets

Market: H1 2020 and Current



## Rig activity at historic lows

- 2020 is expected to see the lowest rig count in history
- Valaris, the world's largest rig contractor, filed for Chapter 11 in August
- UK rig count was 4 as at July 2020

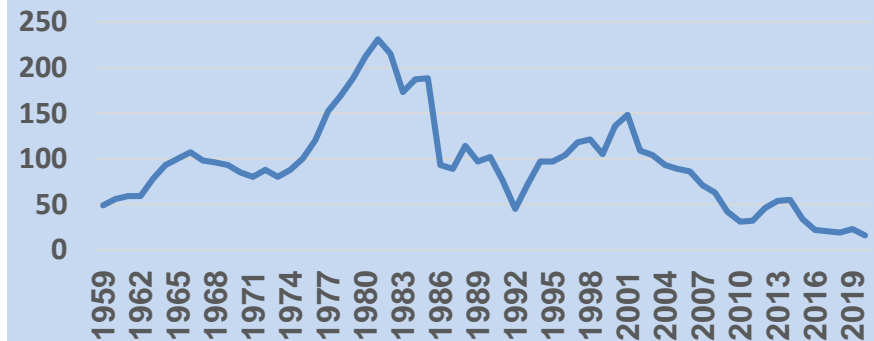
## It's a Complex Time

- COVID-19 is impacting the offshore industry
- Areas of impact include logistical challenges relating to materials, personnel being subject to travel restrictions and the close and confined environment associated with working on a rig
- At current oil prices combined with a complicated operating environment, activity in the Gulf of Mexico has slowed
- Operators rethinking the viability of projects due to current market conditions

### Gulf of Mexico

- The offshore rig count average Q1 21 Q2 15
- Current Rig Count 13
- Subsea Technologies Division, SURF Technologies group (formally RTI) has bookings for Riser and TSJ products going to:
  - Chevron
  - Murphy Oil
  - LLOG

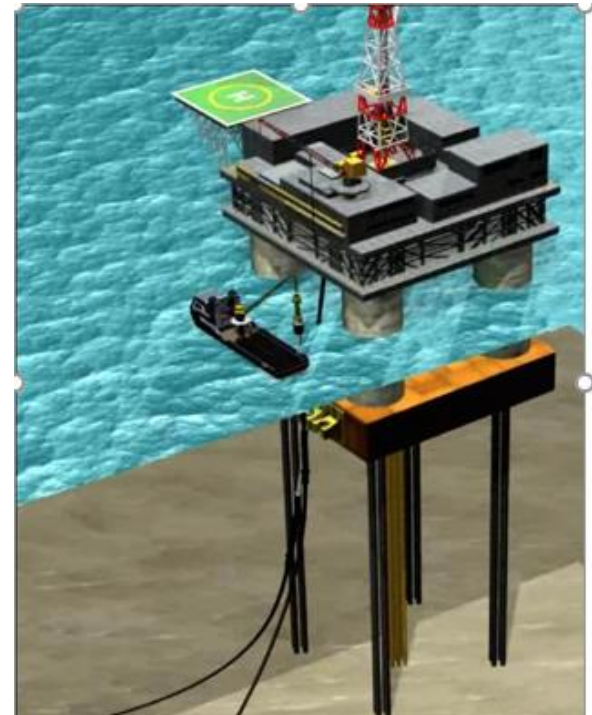
### GOM Rig Count Average



# Positioning Hunting for Offshore opportunities



- Irrespective of whether offshore projects are long lead time and complex or smaller optimising existing field and topside production, Hunting manufactures products to be utilised in both
- Hunting has added more offshore proprietary technology to our subsea offering through the addition of RTI and Enpro and continued development of our Subsea coupling line





# Summary of Investment Case



- Robust financial footing
- Broad and growing proprietary technology based product portfolio
- Modern, well equipped and geographically well positioned facilities within global energy markets
- Ability to participate in all E&P plays
- Financial strength for bolt-on technology focused acquisitions
- Experienced and focused management team
- Excellent HS&E record
- ESG credentials position Hunting well with its peers – MSCI AA+
- Established reputation for quality branded products and services
- Strong cash generation allowing dividends and facilitating a share buy-back programme

## Operations

Global Footprint  
North America, EMEA  
Asia Pacific

Strong Asset Base  
Modern fleet of equipment,  
flexible to manufacture  
across product lines

## Markets & Products

All Phases of the Well Life  
Cycle  
Construction  
Completion  
Intervention

All Environments  
Onshore  
Offshore

Markets Other than Oil and  
Gas  
Aerospace  
Defence  
Medical  
Power Generation

## Core Values

Safety

Customer focused

Culture of Quality

Social and Environmental  
Responsibility

Management Longevity

Financial Discipline