

# Hunting PLC 2021 Half Year Results



# Moving with Urgency in a Challenging Time



## Growth



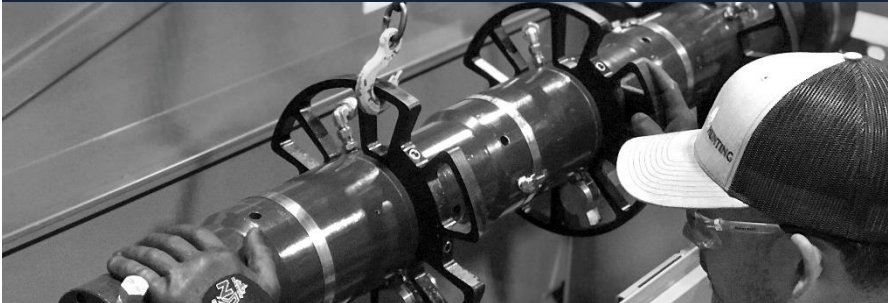
- RTI continuing to perform well, with growing backlog, expanding into Brazil
- Strategic Investment in Well Data Labs
- Strategic Investment in Additive Manufacturing - Cumberland

## Performance



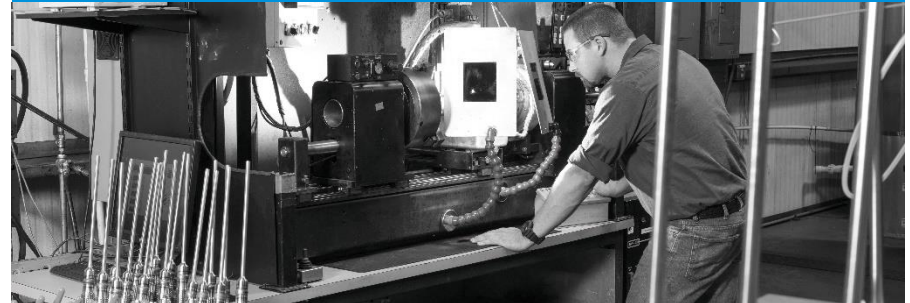
- Disposal of the Drilling Tools division to Rival Downhole Tools
- Continuation of dividends
- Balance sheet remains robust. Cash in bank, no debt, liquidity
- Generated positive EBITDA in Q2 exiting worst market ever

## Operational Excellence



- Strong Quality and Safety performance in year
- Decisive actions taken to address market challenges
- Continued development of proprietary technologies

## Corporate Responsibility



- Close engagement with all stakeholders in the year
- Enhanced climate and carbon reporting

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



	H1 2021		H2 2020		H1 2020	
	\$m	Margin %	\$m	Margin %	\$m	Margin %
Revenue	244.4		248.3		377.7	
Gross profit	44.1	+18%	42.2	+17%	82.6	+22%
EBITDA	(3.6)	-1%	(2.3)	-1%	28.4	+8%
(Loss) profit from operations	(23.0)	-9%	(22.1)	-9%	5.7	+2%
Net finance expense	(1.0)		(1.2)		(1.8)	
Share of associates' loss	(1.1)		-		-	
(Loss) profit before tax	(25.1)		(23.3)		3.9	
Tax (charge) credit	(2.1)		3.5		(2.6)	
(Loss) profit after tax	(27.2)		(19.8)		1.3	
Effective tax rate	-8%		15%		67%	
Diluted EPS	(16.1)c		(11.0)c		1.0c	
Dividend per share paid	4.0c		2.0c		3.0c	

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

# Segmental Results <sup>1</sup>



	H1 2021		H2 2020		H1 2020	
	Revenue	Results from operations	Revenue	Results from operations	Revenue	Results from operations
	\$m	\$m	\$m	\$m	\$m	\$m
Hunting Titan	88.7	(1.6)	59.2	(7.3)	102.5	1.7
North America	122.2	(10.4)	132.2	(7.1)	179.4	3.6
EMEA	27.6	(6.6)	27.9	(8.9)	50.9	(3.1)
Asia Pacific	19.1	(4.4)	38.0	1.2	71.3	3.5
Inter-segment elimination	(13.2)	-	(9.0)	-	(26.4)	-
	<b>244.4</b>	<b>(23.0)</b>	<b>248.3</b>	<b>(22.1)</b>	<b>377.7</b>	<b>5.7</b>

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

# Revenue by Product Grouping



	H1 2021 \$m	H2 2020 \$m	H1 2020 \$m
<b>Perforating Systems</b>	<b>85.8</b>	57.3	97.2
<b>OCTG</b>	<b>76.8</b>	95.5	169.2
<b>Advanced Manufacturing</b>	<b>29.1</b>	33.4	40.9
<b>Subsea</b>	<b>29.6</b>	36.0	33.8
<b>Intervention Tools</b>	<b>12.1</b>	13.7	17.0
<b>Drilling Tools</b>	<b>-</b>	3.6	6.3
<b>Other</b>	<b>11.0</b>	8.8	13.3
	<b>244.4</b>	248.3	377.7
<b>Oil and gas</b>	<b>226.9</b>	228.6	357.6
<b>Non-oil and gas</b>	<b>17.5</b>	19.7	20.1
	<b>244.4</b>	248.3	377.7

# Amortisation & Exceptional Items



	H1 2021 \$m	H2 2020 \$m	H1 2020 \$m
<b>Amortisation of acquired intangible assets</b>	<b>4.3</b>	5.0	12.3
<b>Impairment:</b>			
- Goodwill	-	-	79.8
- Other intangible assets	-	-	39.2
- Property, plant and equipment	-	0.1	19.3
- Right-of-use assets	-	2.0	2.1
- Inventory	-	0.9	33.3
- Receivables	-	-	1.2
<b>Reversal of impairments of inventories</b>	<b>(0.8)</b>	-	-
<b>Restructuring costs</b>	<b>1.2</b>	6.9	3.4
<b>Profit on disposal of Canadian assets</b>	<b>(0.2)</b>	(0.8)	-
<b>Profit on surrender of lease</b>	<b>(1.0)</b>	-	-
<b>Reversal of Enpro contingent consideration</b>	-	-	(2.5)
<b>Acquisition costs</b>	-	0.2	1.2
	<b>3.5</b>	<b>14.3</b>	<b>189.3</b>

# Group Balance Sheet



	June 2021 \$m	December 2020 \$m
Property, plant and equipment	295.0	307.1
Right-of-use assets	26.5	29.8
Goodwill and other intangible assets	202.8	207.1
Associates	17.0	18.1
Working capital	334.7	358.3
Taxation	2.1	6.0
Provisions	(8.9)	(8.9)
Other net assets	3.2	1.6
<b>Total bank and cash</b>	<b>105.7</b>	<b>101.7</b>
<b>Lease liabilities</b>	<b>(34.2)</b>	<b>(40.3)</b>
<b>Other borrowings</b>	<b>(3.9)</b>	<b>(3.9)</b>
<b>Net cash</b>	<b>67.6</b>	<b>57.5</b>
<b>Net Assets</b>	<b>940.0</b>	<b>976.6</b>

# Working Capital



	June 2021 \$m	December 2020 \$m
<b>Inventories</b>		
- Hunting Titan	102.1	114.1
- North America	112.8	121.5
- Other segments	84.7	90.0
<b>Gross inventories</b>	<b>299.6</b>	<b>325.6</b>
<b>Provision for inventories</b>	<b>(32.3)</b>	<b>(37.2)</b>
<b>Net inventories</b>	<b>267.3</b>	<b>288.4</b>
<b>Receivables</b>	<b>137.2</b>	<b>137.9</b>
<b>Payables</b>	<b>(69.8)</b>	<b>(68.0)</b>
<b>Total</b>	<b>334.7</b>	<b>358.3</b>
<i>Inventory days</i>	<b>250</b>	<b>270</b>
<i>Receivable days</i>	<b>89</b>	<b>92</b>



# Group Cash Flow



	H1 2021 \$m	H2 2020 \$m	H1 2020 \$m
<b>EBITDA</b>	<b>(3.6)</b>	<b>(2.3)</b>	<b>28.4</b>
<b>Add: share based payments</b>	<b>5.1</b>	<b>4.1</b>	<b>4.9</b>
	<b>1.5</b>	<b>1.8</b>	<b>33.3</b>
<b>Working capital movements</b>	<b>24.0</b>	<b>70.0</b>	<b>(31.2)</b>
<b>Net tax received (paid)</b>	<b>1.1</b>	<b>1.0</b>	<b>(6.0)</b>
<b>Proceeds from business and asset disposals</b>	<b>4.4</b>	<b>1.7</b>	<b>2.2</b>
<b>Lease payments</b>	<b>(6.2)</b>	<b>(4.4)</b>	<b>(6.0)</b>
<b>Other</b>	<b>(2.4)</b>	<b>(10.9)</b>	<b>(3.7)</b>
<b>Free cash flow</b>	<b>22.4</b>	<b>59.2</b>	<b>(11.4)</b>
<b>Capital and intangible asset investments</b>	<b>(4.7)</b>	<b>(7.0)</b>	<b>(12.0)</b>
<b>Acquisition of business</b>	<b>-</b>	<b>(0.2)</b>	<b>(34.0)</b>
<b>Investment in Well Data Labs</b>	<b>(2.5)</b>	<b>-</b>	<b>-</b>
<b>Dividends paid to equity shareholders and NCI</b>	<b>(6.4)</b>	<b>(3.3)</b>	<b>(5.8)</b>
<b>Net purchase of treasury shares</b>	<b>(5.0)</b>	<b>(3.3)</b>	<b>(5.9)</b>
<b>Share buyback</b>	<b>-</b>	<b>-</b>	<b>(5.1)</b>
<b>Net cash flow</b>	<b>3.8</b>	<b>45.4</b>	<b>(74.2)</b>
<b>Foreign exchange</b>	<b>0.2</b>	<b>7.5</b>	<b>(4.0)</b>
<b>Movement in total bank and cash</b>	<b>4.0</b>	<b>52.9</b>	<b>(78.2)</b>

# COVID-19 Response

*Meeting the challenge in Operations*

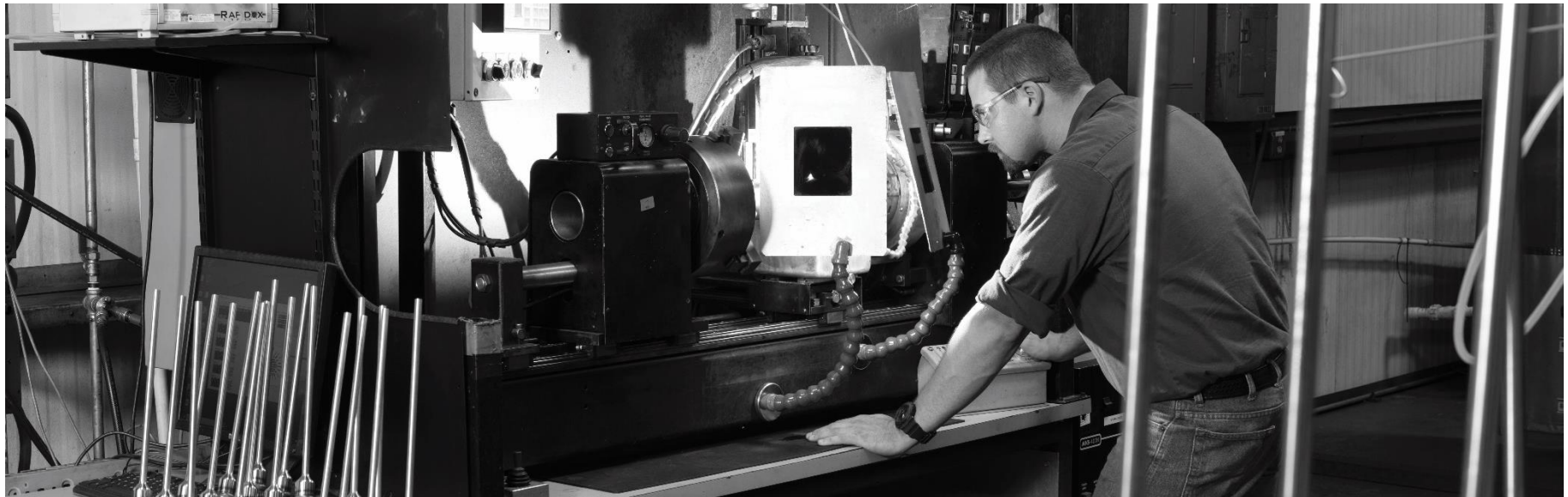


Hunting's importance as a key supplier to a critical sector continues

Hunting helps deliver energy but also the sustainability and environmental goals of our clients

Our customers demand more efficient, strongly quality assured technologies

Most facilities will be back to normal staffing levels by the end of Q3 2021



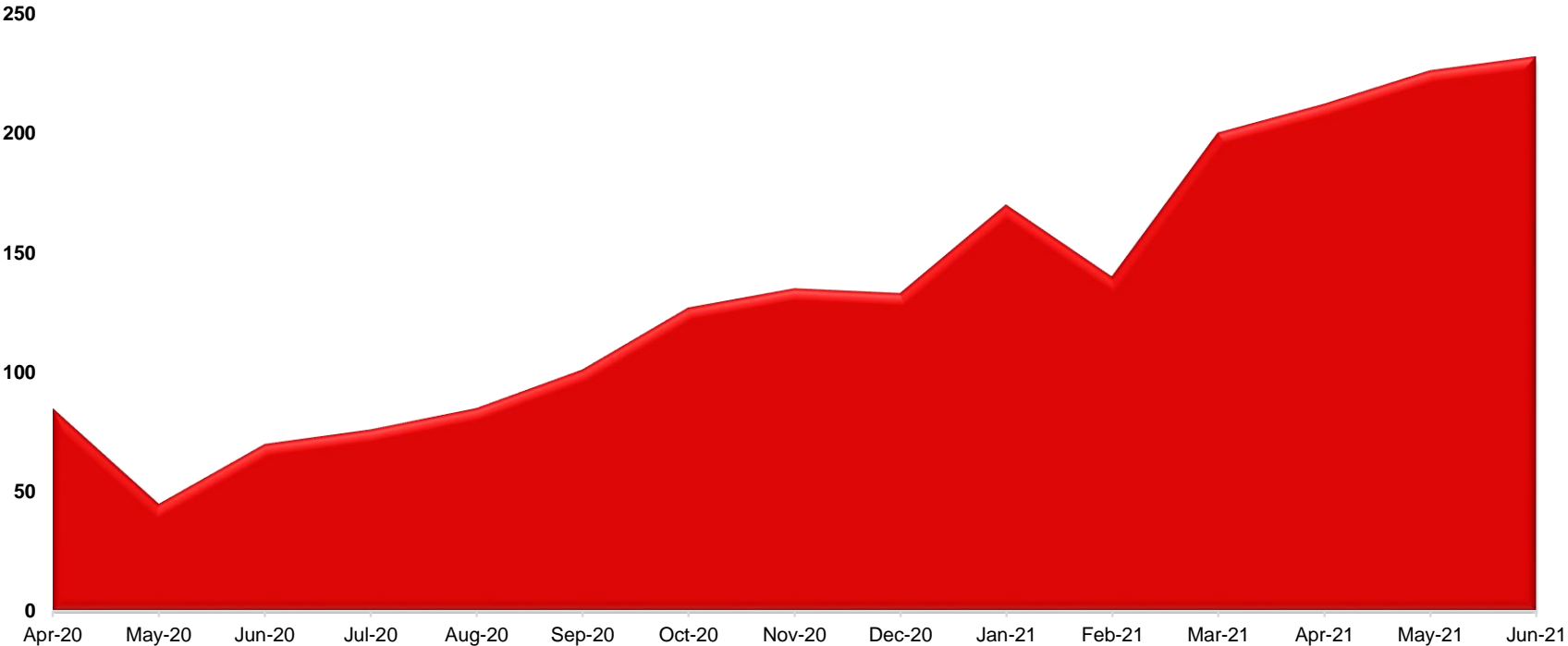
- Public E&P operators continue to focus on shareholder returns, cash management and debt reduction
- Continued capital spend discipline in place
- Onshore activity levels are increasing as DUC inventory levels decline
- Subsea activity levels slowly returning
- OPEC+ constraints hampering drilling and completions activity
- Persistent Covid related fears negatively impacting capital spend decisions
- Continued disconnect between commodity prices and drilling and completions activity levels
- Encouraging outlook for 2022

# Market Overview



- While below the levels seen pre-COVID (above 300 active crews in March 2020), the US frac spread has risen from the low point of 45 active crews in May of 2020 to 232 crews as of the end of June 2021
- Although the frac spread has been steadily improving, it is still far below levels considered healthy to spur product demand

## US Frac Spread



Source: Primary Vision

## US

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- Increased sales enquiries across all product lines
- Improving onshore market (frac fleets up from 45 to 232 May 2020 to June 2021)
- Natural gas market improving
- DUC count continues to decline
- GOM remains subdued

## EMEA

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- Market continues to experience historically low activity levels
- Increase in Well Testing Equipment orders
- Organic Oil Recovery (OOR) received its first major commercial order for an operator in Bahrain
- Norway business reported improving results

## Asia Pacific

- Continued COVID related pressure on spending
- Chinese steel prices less competitive
- Strategic partnership with Jindal SAW in India to diversify OCTG supply chain

## Canada

- Adoption of new business model proving successful
- Increased activities in thermal and injection / disposal applications
- Improving Natural Gas market

# Hunting Titan Operations



- US land market improving across all product lines
- Latin America and MENA have seen increases while the balance of the remaining International markets are slow due to COVID related lockdowns
- Launch of the H-3 perforating system, Perfecta Rock charges, “Recon” switch technologies and Dual mode firing head
- Factory loaded gun sales increasing, loading from three sites
- Reopened Oklahoma City manufacturing facility and Broussard, LA distribution centre
- Continuing to expand the product line.
- Implementing pricing increases for perforating gun and shape charge product lines

# New Products



**Det Cord:**  
Hunting has completed and commissioned our det cord manufacturing facility



**H3 Perforating System:**  
Mid tier perforating system featuring a modular detonator and addressable switch



**Recon Power Charge:**  
The only plug setting tool charge on the market featuring an all in one addressable switch and igniter, reducing costs and connections



**Perfecta Rock Charge:**  
Deep penetrating shared charges designed for stressed rock performance



**Dual Mode Firing Head:** A firing head used in TCP perforating operations and providing the operator with flexibility to initiate guns using a drop bar or hydraulic actuator



# Overview by Product Groupings



## Perforating Systems

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- Improving onshore US, Latin America and Middle East
- Continued introduction of new technologies and improvements to existing solutions
- Collaboration with Well Data Labs

## OCTG

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- Robust sales of the TEC-LOCK™ product family
- Covid related project delays
- Partnership with Jindal SAW providing supply chain diversity and expansion opportunities within the Indian market

# Overview by Product Groupings



## Advanced Manufacturing

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- Continued work for SpaceX and Blue Origin
- Electronics – certifications acquired, driving new orders for defence
- Continued investment in automation
- Non-oil and gas circa. 45% of the Dearborn business

## Intervention Tools

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- Strong Well Testing bookings
- Commercialisation of Coiled Tubing (CT) BOP and ESSV-HD shear seal valves
- The first CT-BOPs are in use by customers in continental Europe
- The ESSV-HD valves were manufactured for our Norway operation

# Overview by Product Groupings

## Subsea Technologies

- Continued improvement in Chemical Injection Valve technologies
- Enpro benefiting from decommissioning
- Strong momentum in the RTI titanium business with contracts in GOM and Brazil



# Well Data Labs

*Increasing exposure to digitalisation with AI and machine learning*



Continuing to develop joint customer engagement



Working on “cloud” based services



Developing working group initiatives to identify client data needs generated by our ControlFire™ data. Taking those data needs and working towards “real time” data points for the customer



Reviewing WDL AI applications for other Hunting product lines

# Rebuilding infrastructure Hunting's Trenchless Division



- Each roadway and telecommunications buildout can require trenchless drilling to support the substructures for the roads and the fiber optics for the communications buildout of broadband internet platforms
- Our Trenchless division is an industry leader and provides both Drill Stem and associated accessories to support the trenchless drilling service providers



# ADR (Depository Receipts) Level II Listing



- Hunting's US shareholder base is approximately 16% compared to 78% for the UK shareholder base
- Hunting is currently trading at a premium to UK peers but at a discount to its equipment peers who are listed in the US
- Accordingly, Hunting is pursuing a Level II ADR listing on the NYSE in order to achieve broader and more diversified investor exposure and analyst coverage
- The ADR Level II listing will facilitate the ease with which US investors can hold Hunting's shares
- No share dilution for existing shareholders or impact to the dividend decision
- The process from initiation to launch will complete towards the later part of the year

# Hunting Investment in Additive Manufacturing (AM)



- Hunting recently completed an investment of \$5 million with Cumberland Additive Manufacturing, securing a 27% interest in the company
- Investment to fund capital to expand current Texas operations and establish second location at the Neighborhood 91, an additive manufacturing super centre in Pittsburgh, Pennsylvania
- About Cumberland
  - Opportunity to invest in a long-standing company recently reborn. Benefits from long term know how and experience. Not encumbered by the legacy of the past
  - Highly experienced in additive manufacturing with Inconel and Titanium, two leading edge production materials
  - Cumberland has already overcome the high barriers of entry with certifications and customer qualifications in place

- Why Invest in additive manufacturing(AM)?
  - AM has grown at a CAGR of 25% since 2015
  - Market for AM products estimated at \$15 billion annually. AM is only 1/10<sup>th</sup> of one percent of the global manufacturing market
  - AM touches many industries outside of oil and gas, diversification opportunities for Hunting
  - AM manufacturing model fits Hunting's strategy of concentrating on complex, high precision performance parts and enhancing our technological know-how

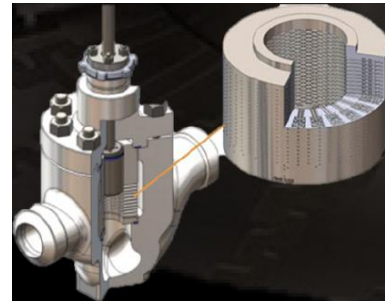
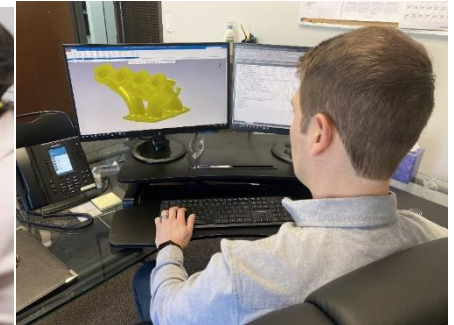
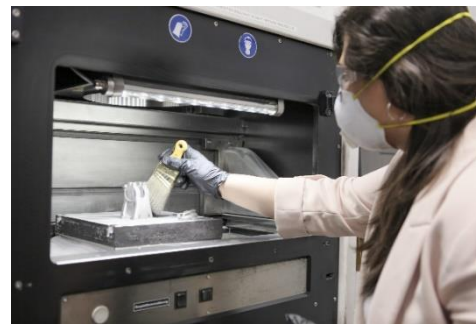
Leading edge, high quality additive manufacturing technologies serving:

- Defense
- Space
- Aerospace
- Energy
- Industrial



### Capabilities

- Powder bed fusion additive manufacturing in metal and plastics
- Design, manufacturing and process engineering for additive manufacturing





## E

- A Group-wide review of our carbon footprint is underway with a plan to set stronger reduction targets during 2022. Our 2021 carbon data is to be fully assured by our auditor.
- A TCFD steering group has been established to address climate reporting requirements, including risks and opportunities
- Waste and recycling initiatives remain a priority for all operating sites

## S

- Quality assurance of all our products is a key part of the Hunting culture and standing with our clients
- Strong HS&E training and monitoring remains a key management priority.
- Well established employee engagement practices already in place. Wellbeing programs have been increased throughout lockdown, with plans to enhance employee dialogue after COVID-19
- Strong bribery Act, modern slavery, sanctions and export compliance procedures

## G

- An Ethics and Sustainability Board Committee has been established to monitor all ESG and Sustainability matters

MSCI ESG rating confirmed to be AA on 10 August 2021