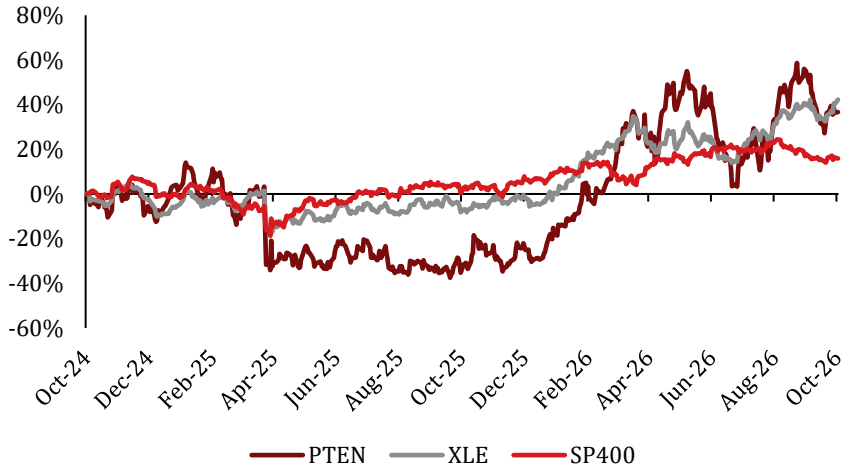
Patterson-UTI

NASDAQ: PTEN

Recommendation: **Buy**

Price (10/12/2026)	$11.29
Price Target	$13.64
Potential Upside	20.8%
Market Cap ($mm)	$4,390
Shares Out. (mm)	379.6
52-wk Hi-Lo	$13.39-$5.24
EV/EBITDA	5.4x
FCF Yield	4.1%
EBITDA Margin	19.1%
1 Yr Revenue Growth	0.7%

Two-Year Stock Performance



Energy & Utilities

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Investment Rationale

We recommend a **Buy** on Patterson-UTI (PTEN), as we believe the Street is underestimating a structural shift in US energy demand. Europe's pivot from Russian gas and a lasting cost premium on Gulf supply should hold oil above the ~$65–75/barrel range in FY27 E&P budgets, putting a floor under US drilling activity. Furthermore, frac supply is tighter than consensus assumes as peers divert capital to power, and PTEN's integrated platform, gas-powered fleet, and strong balance sheet position it to lead the pricing recovery. At 5.4x EV/EBITDA vs. a 6.4x peer median, a 4.1% FCF yield and +0.57 correlation to WTI, PTEN offers mispriced upside and a strategic portfolio hedge against Middle East escalation.

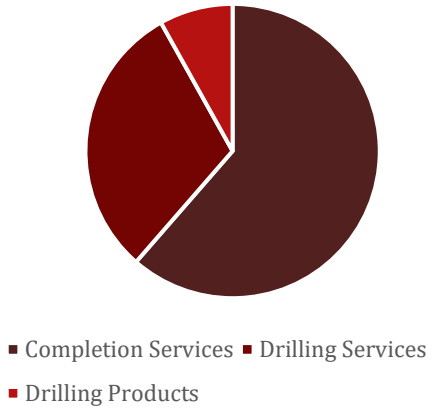
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Business Overview

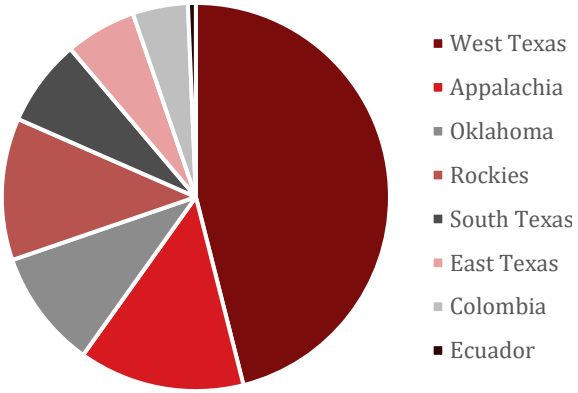
Patterson-UTI Energy (NASDAQ: PTEN) is a Houston-based oilfield services company that provides drilling and completion services to oil and natural gas producers, primarily in U.S. onshore basins. The Company reached its current state following a 2023 merger with NexTier Oilfield Solutions and subsequent acquisition of drill bit maker Ulterra in the same year. As a result, PTEN now operates as a cohesive, vertically integrated offering that spans the full lifecycle of well construction and completion. The largest of its three segments is Completion Services, which generated $2.9bn, about 60%, of PTEN's $4.8bn in FY2025 revenue, and includes hydraulic fracturing, wireline, and cementing services. Its second-largest segment, Drilling Services, provides contract land drilling and makes up about 32% of revenue. At year-end 2025, PTEN marketed 152 rigs, 137 of them Tier-1 super-spec rigs, the premium class most in demand for long horizontal wells, and nearly half the fleet operated in West Texas. Drilling contracts are mostly paid on a daywork basis, a set rate per day the rig is working, although a growing share are performance-based and company specific. Drilling Products, about 7% of revenue, rents and sells drill bits through Ulterra in more than 30 countries, including valuable exposure to the Middle Eastern Markets.

Fig 1: Revenue by Segment



In 2025, Patterson-UTI reported $4.8bn of revenue, a $93mm net loss and $918mm of Adjusted EBITDA. It ended the year with $419mm of cash and $1.2bn of senior notes maturing between 2029 and 2033. In 2Q26, revenue rose 10% to $1.23bn and Adjusted EBITDA was $232mm. The company averaged 92 active U.S. rigs during the quarter and exited at 96, while new drilling contracts were signed at roughly 10–15% higher rates due to tight high-specification equipment supply. Management expected approximately 100 active U.S. rigs in the third quarter with near-full utilization of its frac fleet, and early Q3 activity has tracked near guidance, with the U.S. rig count reaching approximately 101 active rigs in August and equipment near fully utilized.

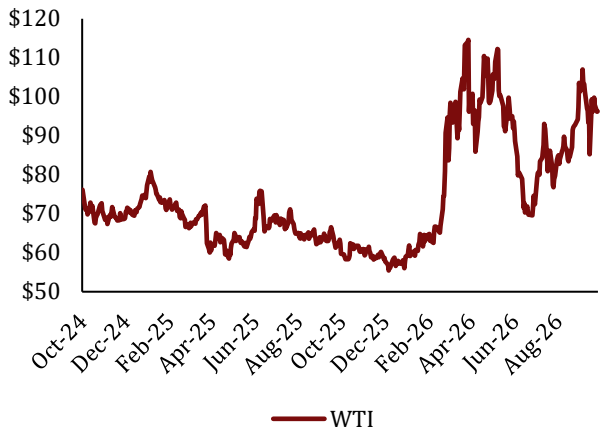
Fig 2: Rig Exposure by Geography



Sources: SEC Filings, Company Website, Bloomberg, J.P. Morgan, Barclays, Dallas Fed, UN, Reuters, EIA, IEEFA, Daniel Yergin

2026 has been a tumultuous year for energy markets. The EIA initially anticipated WTI crude prices to fall from a 2025 average of $65/barrel to $52/b in 2026. However, the breakout of the US-Iran war in February and subsequent disruptions to key global shipping lanes caused oil to spike and remain elevated throughout the remainder of 2026, thus far. The war also compounded ongoing Russia–Ukraine disruptions, hitting Europe hardest. Europe had shifted toward Middle East supply, including LNG from Qatar and diesel from Gulf refiners, both of which ship through the Strait of Hormuz. At the same time, Ukrainian strikes on Russian refineries have further reduced supply from the world's second-largest oil exporter, leaving markets tighter, especially for diesel and other refined products. The EIA now forecasts WTI averaging >$88/b in 2026. The conflict itself remains unresolved, and tensions elsewhere in the region seem to be reaching a boiling point. It remains to be seen whether further disruptions occur in the region or if a deal can be reached in the coming months.

Fig 3: WTI Price ($/bbl)



Demand for oilfield services depends almost entirely on E&P budgets, which makes the industry highly cyclical. Historically, when commodity prices spike, production follows. In recent years, however, large public E&Ps have altered capital deployment strategies to avoid supply gluts and subsequent price crashes, preferring instead to capture steady and predictable returns. Companies prioritize not spending when they don't have to and getting incremental upside, rather than maximizing upside but increasing the possibility of overspending. When producers expect high prices to last, they fund new drilling and service companies gain pricing power; however, when prices fall, budgets and contracts are cut quickly. Smaller and private producers react fastest to prices because they don't face shareholder pressure to return cash and aim to grow quickly when prices are high, and they have driven most of this year's growth. Private operators now run a little more than half of US rigs and PTEN management said on its Q2 call that private producers are driving their rig activity, with public producers expected to follow as price visibility improves. In the Dallas Fed survey, small producers ranked new spending as their top use of extra cash, while large producers favored shareholder returns.

Producers budgeted 2026 for around $59 oil, according to Dallas Fed's late-September survey. Even though executives expect prices to ease from today's levels, their forecasts of WTI at $88 by year-end 2026 and around $80 over the longer term remain above initial budgets, giving producers room to increase activity in 2027. As a result, drilling is picking up only gradually and only as producers gain confidence that prices will hold. This slow response limits how much U.S. oil supply grows. Because shale wells lose much of their output after the first year, producers must keep drilling or find new efficiencies just to hold production flat. As of September 25, the Baker Hughes rig count showed 599 active U.S. rigs, up 50 from a year earlier, a modest increase given that WTI rose from about $59 in late 2025 to nearly $99 in September. EIA expects U.S. crude production to rise only slightly in 2026, to 13.8 million barrels per day from a record 13.7 million in 2025, before reaching 14.3 million in 2027 as increased drilling comes through.

Sources: SEC Filings, Company Website, Bloomberg, J.P. Morgan, Barclays, Dallas Fed, UN, Reuters, EIA, IEEFA, Daniel Yergin

The oilfield services industry is also highly competitive and has historically had more equipment than work. Producer discipline and efficiency gains, such as longer wells and faster drilling, have reduced the number of rigs needed and led companies to retire older equipment, focusing demand in premium rigs and natural gas-powered frac fleets. Activity is now rising, with active frac crews up from a low of 145 in February to 196 in early October, and because fracking follows drilling by three to six months, frac demand should keep building.

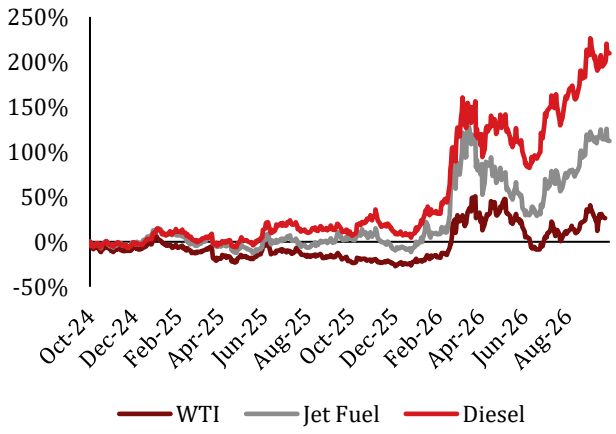
Sources: SEC Filings, Company Website, Bloomberg, J.P. Morgan, Barclays, Dallas Fed, UN, Reuters, EIA, IEEFA, Daniel Yergin

Drill, Baby, Drill

Following the Oil Embargo crisis of 1973, President Nixon proclaimed it a necessity to achieve "self-sufficiency in energy." Almost every US president since has stated the same goal. That never materialized and the United States remained dependent on foreign energy for the past 5 decades, heavily influencing US foreign policy. As the shale revolution unfolded, the US' role within the global energy market shifted dramatically. After its transition to a net exporter of energy in 2019, the US has grown to become the world's largest exporter of both oil and natural gas, even surpassing Saudi Arabia, Russia, Qatar. That said, unlike National Oil Companies (NOC) abroad, US production is entirely privately owned, meaning that it is dependent on economic viability rather than state-subsidized activities. As a result, the US can only establish itself as the key player in energy if the market deems it viable.

It was not always clear whether it would be economically viable for the US to produce enough oil and natural gas to dominate energy markets. In recent years, oil has spent considerable time below the ~$60-65/barrel threshold that justifies new investment in the industry; however, recent geopolitical circumstances have created an opportunity for the US to further its position as the predominant force in energy markets.

Fig 4: Natural Gas Spot Prices



The first domino to fall was Russia's invasion of Ukraine in 2022. This immediately added a risk premium to the price of oil (WTI prices +30% to ~$119/barrel), due to heightened geopolitical tensions globally and future sanctions that would limit Russia's energy from reaching global markets. The knock-on effects, however, have proven to be significantly more consequential to the US. Firstly, as the war has dragged on, there is a political necessity for the EU to cut its reliance on Russian energy, specifically gas; a necessity that the Trump Administration intends to capitalize on. Prior to the war, the EU imported ~40% of its gas from Russia. By the beginning of 2026, that figure had dropped to ~6%, with an impending legally binding deadline to completely cut off LNG imports by Jan 2027 and pipeline gas by Fall 2027. In place of Russian gas came US LNG. By the start of 2026, the US was supplying 26.2% of total EU gas and ~57% of the continents imported LNG. Thanks to the nature of LNG contracts, this short-term disruption translates into long-term guarantees. At the beginning of 2026, the US had secured >2.8 bcf/d of long-term natural gas contracts with European countries, establishing the first layer in a new structural floor underpinning US natural gas production volume.

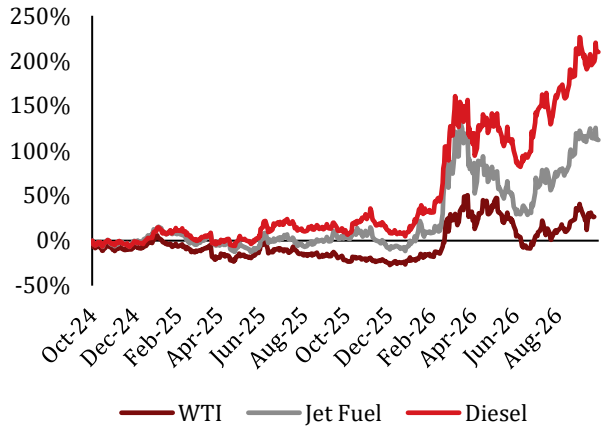
To meet global demand, it is anticipated that >$2T will be spent over the coming decade to increase North American LNG export capabilities from 11.4 bcf/d in 2024 to over 28.7 bcf/d, representing more than half of global additions during this period. Crucially, export terminals on the west coasts of Mexico and Canada will enable US gas to flow into Asian markets at rates competitive with Qatari gas. Although in the short-term, the Russian-Ukraine conflict created a viable path for US producers to offload excess gas via Europe, this magnitude of capital investment would not be underwritten if the future prospects for US gas exports were not also significant. We anticipate that this shifting dynamic will result in increased demand for Drilling and Completion services, as future export capacity (28.7 bcf/d) and current domestic consumption

Sources: 10K, Company Website, Bloomberg, J.P. Morgan, Barclays, UBS, Earnings Calls

(~92.2 bcf/d) will exceed current production capacity (~107.6 bcf/d) in the near future, without considering domestic consumption increasing considerably due to data center demand. All this stands to directly benefit PTEN in the medium to long-term, helping us gain conviction on the Company's growth potential.

Despite the future becoming more certain, US gas production presently remains largely as a byproduct of shale oil development, meaning that short-term production investment can only be underwritten in an environment with elevated oil prices. Enter the second domino: The US-Iran war. In the week following the commencement of the US aerial campaign at the end of Feb 2026, WTI prices rose ~40% to ~$90/b, the highest since Russia's invasion of Ukraine. It has long been known that the Iranians possess a considerable amount of leverage in global energy markets by way of the Strait of Hormuz. Up to this point, it remained purely a political lever, but now the world would have to deal with the prolonged consequences of the US forcing their hand. Over the months that followed, news remained conflicting. The Administration was seemingly in a balancing act between inflicting damage upon the Iranian Regime and appeasing the market. A tangled web of claims from President Trump made it difficult to discern what was truly happening in the Middle East, and oil remained highly volatile. A series of failed ceasefires made it clear by July that this conflict would not be swift, and the energy market began settling into the new norm. That brings us to now. Reports show that by late September, Hormuz crude exports returned to ~80-90% of pre-war capacity, a figure that does not include pre-war Iranian exports. Despite this volume, WTI prices remain elevated at ~$90-93/barrel, reflecting the new cost-structure required to transport energy resources from the Gulf States to international markets. Alternative routes that avoid the Strait increase time and costs, while ship-to-ship transfers that allow goods to flow out of the Strait are equally as expensive and increase congestion in the region. As it stands, rates for the supertankers required for large-scale global oil trade have increased five-fold since the beginning of the conflict, further adding to this structural cost floor underpinning the current price of crude. Furthermore, spreads for refined products such as Diesel and Jet Fuel are ~5-6x and ~1.7x above historical normal, respectively, due to many refineries being damaged. As a result, refineries are aiming to operate at peak capacity, creating increased demand for crude products in the short term. The longer this structural price floor remains, the more conviction we gain that the street is miscalculating FY27 budgets for major E&Ps by using a price band ranging from ~$65-75/barrel. Therefore, we believe that the Street is underestimating PTEN's near-term earnings potential and fundamentally undervaluing the company.

Fig 5: Crude and Refined Prices



The prospect for US energy demand looks increasingly strong, both domestically and internationally. We believe that the US is poised to capitalize on heightened and prolonged levels of risk within the Middle East by offering its allies and trading partners access to reliable and competitively priced energy, as it has proven capable of doing with the EU. Thus, we believe that a new structural floor will soon emerge beneath US drilling and completion volumes, which is further bolstered by domestic demand driven by AI infrastructure development and the resurrection of domestic refining capabilities. It takes time for global paradigms to shift, and arguably even longer for markets to reflect those shifts; however, we believe that

Sources: IR, Bloomberg, SIPRI, IEEFA, IEA, United Nations, Bloomberg, JPM, UBS, Barclays, Daniel Yergin, Reuters

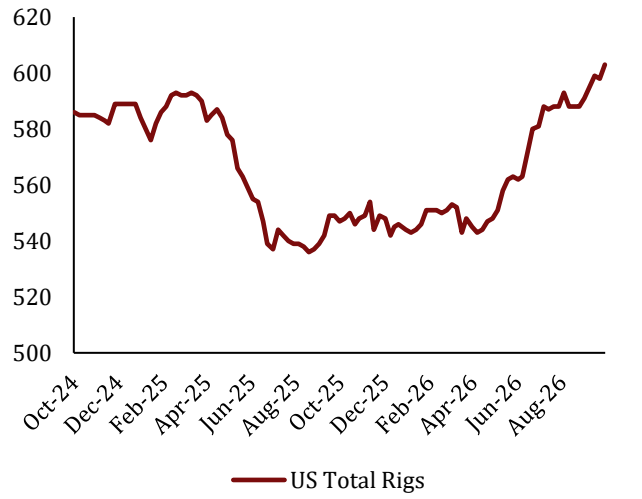
there exists near-term growth drivers for US drilling and completion services due to circumstances abroad and recognize long-term structural improvement to the industry as the United States establishes itself as the sole leader in energy markets. Furthermore, we believe that Patterson-UTI is well-positioned to capitalize on an outsized portion of this upside, in large part due to its excellent capital discipline, premium gas-fired fleet and subsequent increased pricing capabilities, and its vertically integrated product offerings.

Sources: IR, Bloomberg, SIPRI, IEEFA, IEA, United Nations, Bloomberg, JPM, UBS, Barclays, Daniel Yergin, Reuters

Frac to the Future

PTEN is coming out of a three-year frac pricing downturn, and its stock depends on how much of that pricing it wins back. Completions (the fracking business) is its largest segment, at 61% of revenue and 44% of gross profit. Management estimates frac pricing fell more than 30% from the 2023 peak, and completions gross margin dropped from 22.9% in 4Q23 to about 14% a year later, making completion pricing the contentious number. Because oilfield services have historically been overbuilt once pricing improves, consensus has completions margins rising only about a point a year, to 17.5% in 2027 and 18.3% in 2028, well below 2023's 22.3%. We believe supply is structurally tighter this cycle and demand is rising, so pricing recovers faster and further than the Street expects, and PTEN is best positioned to capture it. Due to increasing pricing power, without incremental horsepower additions in the near-term, we model completions margins of 19% in 2027 and 20% in 2028.

Fig 6: US Total Rig Count



Active US frac spreads fell from 300 in Nov 2022 to 145 in Feb 2026, and at 196 today they remain well below the five-year average of 234. Patterson-UTI and other competitors in the space like ProFrac, ProPetro, Liberty and Halliburton all say they won't add fleets speculatively but some are using that capital that would normally rebuild frac capacity for data-center power instead, including about $1.5bn of capex at Liberty and $400-450mm at ProPetro. That spending competes for the same engines and turbines new frac fleets need and takes capital away from frac expansion. Investors are now beginning to trade these names as AI stories: Liberty rose over 30% on its power announcement before falling 18% in a single trading day following a capex raise prior to any signed contract, and analysts have said Halliburton's VoltaGrid deal mattered more to its stock than its earnings. We believe the market is undervaluing how much these power investments are limiting future frac supply.

As constrained supply leads to industry-wide price increases, we also believe PTEN is best positioned relative to peers to execute on this pricing power. Its net debt sits at ~1.1x EBITDA, below Liberty's 1.89x, and farther below ProFrac's ~3.9x. Also, unlike Liberty, its FCF is not being absorbed by a multibillion-dollar power buildout. We have reason to believe that these power investments pressure LBRT and PUMP to accept lower-priced work to keep fleets running. As E&Ps recognize the increasingly vulnerable position of their balance sheets, they will negotiate lower price increases to minimize their cost structure. Alternatively, as PTEN continues to churn out positive FCF and flex its strong balance sheet, it can concentrate on executing within its core business and return value to shareholders, all while holding out for marginally higher price increases.

At the same time, demand is returning to this tight market. Drilled-but-uncompleted wells (DUCs) fell to a record low this spring, making new drilling the main source of future frac demand. The Baker Hughes rig count has since risen about 60 rigs to 603 total, adding wells that will need fracking into FY27. Thus far, private producers have driven most recent rig additions and, with lean teams and a need to bring wells online quickly, stand to benefit from using one provider for drilling and fracking. PTEN's combined fleet of drilling and completion assets gives it a differentiated offering and its first real opportunity since the 2023

Sources: IR, Bloomberg, SIPRI, IEEFA, IEA, United Nations, Bloomberg, JPM, UBS, Barclays, Daniel Yergin, Reuters

NexTier merger to gain significant market share in a tight market. Furthermore, its drilling business also provides management with early visibility into future frac demand, since its rigs show which customers will need wells fracked months ahead, helping it schedule fleets and price work more effectively than pure-play frac competitors. We also believe that public producers also have room to increase activity into next year. Their 2026 budgets were structured around ~$59/barrel crude, according to the Dallas Fed's December 2025 survey; however, executives now expect $88/barrel by year-end and ~$80 within the next 2 years. If prices sustain near $80 into 2027, E&P budgeting adjustments could unlock a second wave of demand for PTEN's drilling & completions capabilities.

Of this OFS-wide growth, we believe Patterson-UTI is best positioned to benefit. Diesel should remain expensive even if crude falls, as damaged Russian and Middle East refineries combined with low US inventories keep supply tight; natural gas stays cheap relative to diesel, further pushing customers toward gas-powered fleets. While peers split capital with power, PTEN is putting its $600mm budget into improving its own fleet, continuing to retire diesel equipment and investing in improved digital services. In fact, management anticipates 90% of its active horsepower will run largely on gas by year-end. Its Emerald direct-drive equipment adds fully gas capacity at lower cost and without the turbines electric-fleet competitors now compete with data centers for. In terms of digital improvements, the Company's eos platform and Vertex automated frac controls offer more consistent execution and lower maintenance costs, on top of the fuel savings. As one of the largest pumpers, and the only large one that also runs a major rig fleet, PTEN is well-positioned to capture incremental demand in a tight market and benefit from rising frac pricing. Thus, we believe the street is undervaluing the company's earnings potential in the near-term.

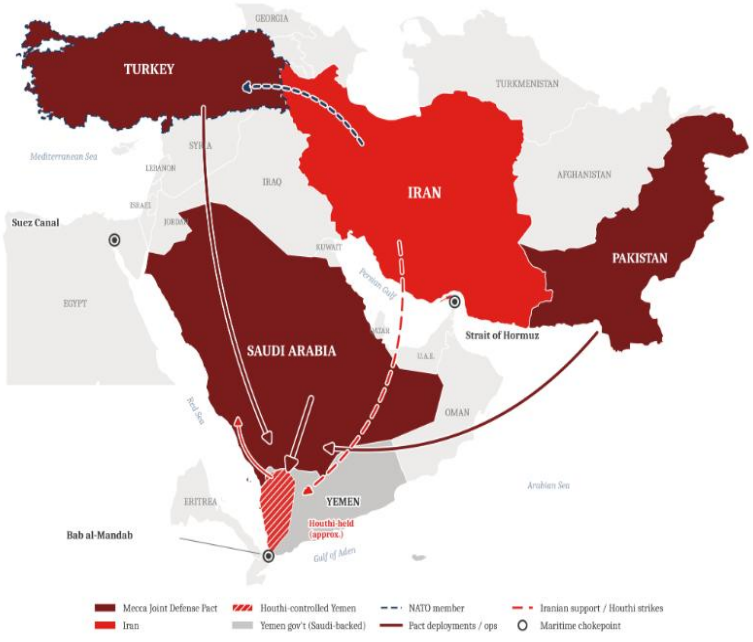
Sources: IR, Bloomberg, SIPRI, IEEFA, IEA, United Nations, Bloomberg, JPM, UBS, Barclays, Daniel Yergin, Reuters

The Worst-Case Scenario

Equity markets love to assume that the conflict in the Middle East is perpetually on the edge of being resolved, as it is the necessary narrative to justify their targeted valuations. Let's for a minute, however, assume another perspective: the worst-case scenario. As it stands, there are currently two global superpowers engaged in active wars, each supporting the other's adversary through back-channel efforts. At the same time, rising global tensions are forcing middle powers to enact regional defense pacts to deter any larger power from encroaching upon their sovereignty. Add to all this record-breaking military spending globally, spearheaded by an American Administration pushing its allies to rapidly remilitarize ($2.9T spent globally in 2025), and it becomes wildly easy to draw parallels between the present moment and the years predating the First World War.

The Middle East for its part spent a combined ~$218bn on its militaries in 2025, led mainly by Saudi Arabia (~$64bn) and Turkey (~$51.4bn). Furthermore, Saudi Arabia, Turkey, and Pakistan established the Mecca Joint Defense Pact in September, an alliance with a mutual defense clause that mirrors that of NATO. If any one of these nations is attacked, all are obligated to mobilize. Due to this structure, defense pacts are an incredible form of deterrence; however, they also increase the risk of small skirmishes escalating into larger conflicts. For a region that is already engulfed in war, the risk of escalation is concerningly large.

This risk has begun to come to fruition in recent weeks, as the Iranian-backed Houthi's announced themselves on the global stage. The Houthi's are a Shia quasi-state within the borders of the internationally recognized nation of Yemen, who had previously fought the Saudi-backed federal government in a decades long civil war before a peace deal was struck in 2022. In July, a Houthi delegation attempted to fly from Iran to a Houthi airport, the first such flight since 2015 and a direct defiance to the Saudi air blockade. In response, the Yemen government bombed the intended airport and forced the plane to divert to another. In August, the Houthi's began attacking commercial shipping lanes in the Strait of Bab al-Mandab before launching a ground invasion and seizing the west coast of Yemen in September. After drone incursions into Saudi airspace, it was clear that Saudi Arabia would respond. October 4th marked the start of Operation "Dawn of Yemen", which aims to reverse the territorial gains of the Houthi state. The question remained; however, would this justify the newly established Mecca Joint Defense Pact being triggered? The answer is yes. The day after Saudi's operations in Yemen commenced, Turkey and Pakistan publicly stated that they would be deploying troops to help in the conflict.

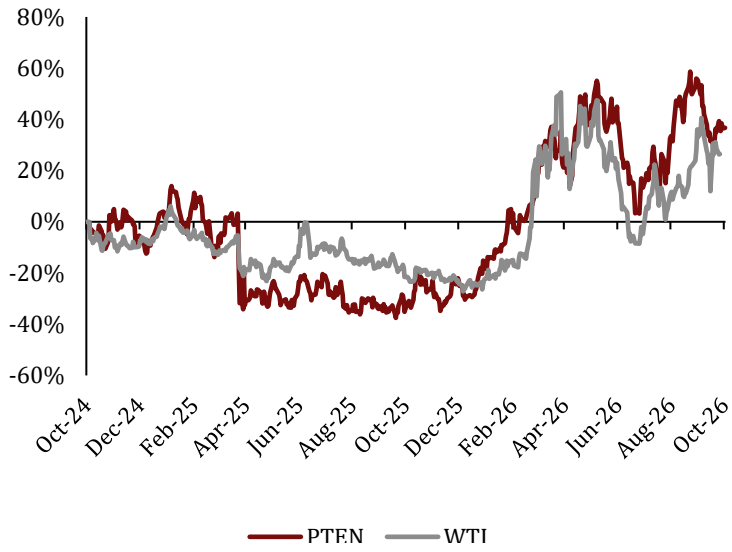


It remains to be seen where things will go from here and whether the world can back away from the edge of full-blown global conflict. Iran will likely not allow the Houthi's to be defeated without a fight, as it would massively reduce its regional influence. In that scenario, the path to global conflict is

Sources: IR, Bloomberg, SIPRI, IEEFA, IEA, United Nations, Bloomberg, JPM, UBS, Barclays, Daniel Yergin, Reuters

concerningly visible: Iran moves to defend the Houthi's, in doing so it attacks Turkey (a member state in NATO), thus invoking another mutual defense pact and triggering a major escalation. Given the major powers already involved in these conflicts, they may find it difficult to disengage from these conflicts if regional powers ultimately escalate them to new levels. Furthermore, with Russian drones entering Eastern European airspace and notable pressure on Baltic states in recent months, the prospect of escalation seems concerningly conceivable, even if it is far from a certainty.

Fig 7: PTEN & WTI Price



We recognize that this truly would be "the worst-case scenario", however believe in the importance of considering all possibilities. If this were to unfold, even to a degree of magnitude as previously described, the current price of WTI (~$93/b) would become a bargain and the equity market would plunge. We believe our portfolio lacks any notable hedge to this; the MEF portfolio and the Energy & Utilities sector specifically possess a -0.311 and -0.110 correlation with WTI, respectively. Alternatively, with a correlation of 0.57 to WTI, Patterson-UTI possesses an attractive risk-reward profile to hedge the portfolio, whilst still providing exposure to a fundamentally sound company with strong growth prospects if tensions subside.

Sources: IR, Bloomberg, SIPRI, IEEFA, IEA, United Nations, Bloomberg, JPM, UBS, Barclays, Daniel Yergin, Reuters

Risks

1. Middle East resolution. If Strait of Hormuz flows normalize, oil could fall toward the roughly $70 the EIA forecasts for 2027. Public producers would keep spending flat, private producers could cut rigs, and with the backlog of drilled wells already at a record low, frac demand and pricing would stall quickly. Even so, $70 oil is still above the low-$60s cost of drilling a new Permian well, so activity would more likely flatten than collapse.

2. Missing out on data-center power. If power for data centers becomes a large, contracted business, Liberty, ProPetro and Halliburton could earn steadier cash flows and higher valuations, leaving PTEN valued as a cyclical frac and drilling company. That payoff is still unproven, though, and PTEN can expand its own natural gas fueling and oilfield power business later without the upfront risk.

3. Russia–Ukraine settlement. A peace deal could reopen Russian pipeline gas to Europe and ease sanctions on Russian oil. Europe would then need less US LNG, slowing new US export projects and lowering global gas prices. That would reduce gas-directed drilling and frac work and weigh on US gas prices. Easier sanctions could also add Russian oil supply and push oil prices down, hitting the oil side of demand too. Most US LNG is sold under 15–20 year contracts, Asian demand keeps growing, and the EU has committed to phasing out Russian gas imports, so a full return is unlikely in the near future.

Sources: Earnings Calls, Barclays, UBS, J.P. Morgan, Bloomberg

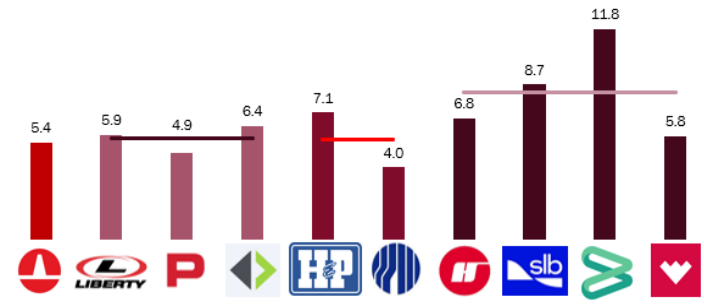
Comparable Companies

	Company Name	Valuation			Operating & Capital				Growth
		Market Cap ($B)	EV/EBITDA	FCF Yield	EBITDA Margin	FCF TTM ($mm)	Net Debt/ EBITDA	Capex NTM ($mm)	Revenue Growth (YoY)
	Frac/Completions								
Direct Peers	Liberty Energy (LBRT)	3.13	5.9x	(10.2%)	15.2%	(317)	1.9x	1,400	14.0%
Direct Peers	ProPetro Holding (PUMP)	1.13	4.9x	(1.9%)	19.3%	(22)	0.3x	525	(6.2%)
Direct Peers	ProFrac Holding (ACDC)	0.86	6.4x	(7.3%)	12.9%	(60)	9.1x	82	(0.8%)
	Land Drillers								
Adjacent Peers	Helmerich & Payne (HP)	4.04	7.1x	7.8%	17.6%	315	2.0x	335	(0.6%)
Adjacent Peers	Nabors Industries (NBR)	1.30	4.0x	3.5%	45.6%	40	1.3x	744	(2.2%)
	Diversified Services								
Adjacent Peers	Halliburton (HAL)	27.15	6.8x	6.3%	16.9%	1,730	1.7x	1,180	3.7%
Adjacent Peers	SLB (SLB)	72.57	8.7x	6.6%	23.8%	4,810	1.3x	2,120	5.0%
Adjacent Peers	Baker Hughes (BKR)	56.39	11.8x	5.6%	16.4%	3,130	0.1x	1,370	(2.4%)
Adjacent Peers	Weatherford (WFRD)	5.72	5.8x	9.4%	21.9%	526	0.6x	229	(8.2%)
	Patterson-UTI (PTEN)	**4.37**	**5.4x**	**4.1%**	**19.1%**	**178**	**1.3x**	**606**	**0.7%**
	Peer Mean:	**19.14**	**6.8x**	**2.2%**	**21.1%**	**1,128**	**2.0x**	**887**	**0.3%**
	Peer Median:	**4.04**	**6.4x**	**5.6%**	**17.6%**	**315**	**1.3x**	**744**	**(0.8%)**
	Frac Peer Mean:	**1.71**	**5.7x**	**(6.4%)**	**15.8%**	**(133)**	**3.8x**	**669**	**2.3%**

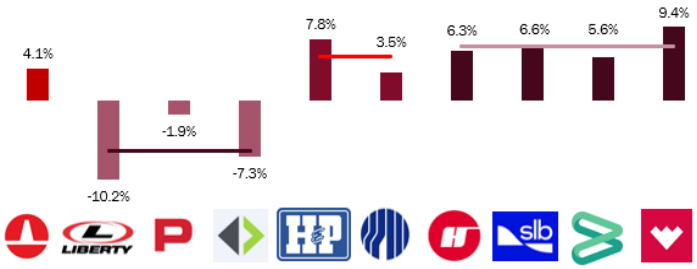
Commentary:

We compared PTEN against direct frac peers (Liberty, ProPetro, ProFrac) and adjacent peers in land drilling and diversified services. PTEN trades at 5.4x EV/EBITDA, in line with frac peers and below the 6.4x peer median, despite an above-average 19.1% EBITDA margin. It is also the only frac company generating positive free cash flow (4.1% yield), as peers fund power buildouts or carry heavy debt.

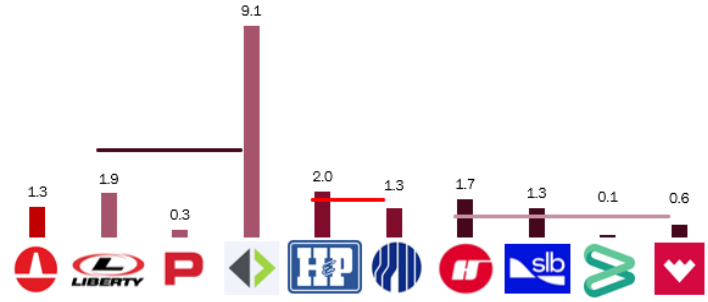
EV/EBITDA



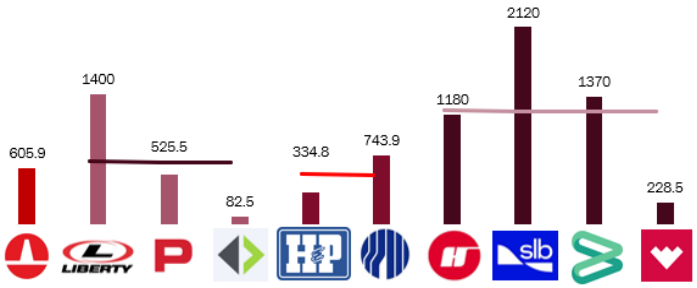
FCF Yield (%)



Net Debt/EBITDA



CapEx NTM ($mm)



Sources: Bloomberg, Model

Valuation

Year	2024A	2025A	2026P	2027P	2028P	2029P	2030P	Terminal
UFCF Walk								
EBIT	(889.7)	(40.8)	394.5	582.5	510.6	392.1	328.5	328.5
(-) Unlevered Taxes	--	--	(58.9)	(86.9)	(76.2)	(58.5)	(49.0)	(49.0)
NOPAT	(889.7)	(40.8)	335.6	495.6	434.5	333.6	279.5	279.5
(+) D&A	1,171.9	940.3	599.3	662.9	729.2	797.0	866.1	794.1
(+/-) Chg in WC	36.0	96.4	(23.6)	(44.7)	2.2	10.0	(1.1)	--
(-) CapEx	(678.4)	(589.0)	(656.8)	(730.6)	(762.6)	(780.1)	(794.1)	(794.1)
Unlevered FCF	**(360.3)**	**406.8**	**254.5**	**383.1**	**403.2**	**360.5**	**350.4**	**279.5**
Discount Period (mid-year convention)			0.5	1.5	2.5	3.5	4.5	5
PV of UFCF			$244.17	$338.34	$327.71	$269.69	$241.30	$184.68

WACC	
Cost of Equity	
Risk-Free Rate	5.2%
Beta	0.79
Expected Market Return	11.0%
CAPM	9.8%
Cost of Debt	
Weighted-Average Interest Rate	5.3%
Tax Rate	14.9%
Cost of Debt	4.5%
WACC	
Total Equity	$4,390.4
Total Debt	$1,227.4
Total Capital	$5,617.8
Weight of Equity	78.2%
Weight of Debt	21.8%
Cost of Equity	9.8%
Cost of Debt	4.5%
Weighted Average Cost of Capital	8.6%
Bloomberg WACC	10.9%

Exit Multiple Method	
Sum of PV of UFCFs	$1,421
PV of TV @ 6.0x Exit Multiple	$4,696
EV	$6,117
Less: Net Debt	$813
Equity Value	$5,305
Diluted Shares (mm)	388.9
Implied Equity Value per Share	**13.64**
Implied Return	***20.8%***

	5.0x	5.5x	6.0x	6.5x	7.0x
9.6%	$11.08	$12.05	$13.02	$13.99	$14.96
9.1%	$11.34	$12.33	$13.33	$14.32	$15.31
8.6%	$11.61	$12.63	**$13.64**	$14.66	$15.67
8.1%	$11.89	$12.93	$13.96	$15.00	$16.04
7.6%	$12.17	$13.23	$14.30	$15.36	$16.42

	5.0x	5.5x	6.0x	6.5x	7.0x
9.6%	(1.9%)	6.7%	15.3%	23.9%	32.5%
9.1%	0.5%	9.2%	18.0%	26.8%	35.6%
8.6%	2.8%	11.8%	**20.8%**	29.8%	38.8%
8.1%	5.3%	14.5%	23.7%	32.9%	42.1%
7.6%	7.8%	17.2%	26.6%	36.0%	45.5%

Commentary:

Using a revenue build that forecasted future sales and expenses by individual segment, combining industry research and personal assumptions, with an industry average exit multiple of 5.95x, we arrived at an implied price per share of $13.64 and an implied upside of 20.8%.

Sources: IR, Bloomberg, SIPRI, IEEFA, IEA, United Nations, Bloomberg, JPM, UBS, Barclays, Daniel Yergin, Reuters

Appendix

Revenue Build:

	2026E	2027E	2028E	2029E	2030E
Revenue	4967.4	5423.2	5557.6	5583.3	5583.8
Consensus	4,855.7	5280.4	5464.9	NA	NA
Variance	$ 111.7	$ 142.9	$ 92.7	NA	NA