

Initiating Coverage:

Schlumberger

Well, Well, Well

Key Take-away: As Schlumberger Limited (SLB) navigates a period of economic headwinds affecting the oilfield services sector as well as softness from the U.S. market, SLB continues to drive revenue growth through their international footprint and steady performance across its digital, core, and production systems divisions. Turning to the future, SLB’s comprehensive suite of advanced, data-driven energy solutions to meet evolving industry demands hopes to be a core benefactor in a world of growing software and AI demand. However, SLB remains sensitive to economic cycles, with downturns typically curbing capital expenditures before impacting production.

In Q3 2024 Schlumberger Limited (SLB) reported continued EBITDA margin expansion and free cash flow generation of \$1.81 billion, fueling shareholder returns as well as signaling confidence, with \$2.4 billion in year-to-date stock repurchases and dividends.

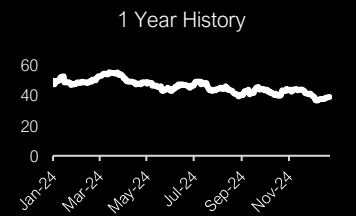
Digital Growth: SLB is spearheading the integration of AI capabilities in the energy industry. Offering 150 AI and ML capabilities and counting, as well as cloud-based solutions such as Delfi™, SLB’s digital division has been a significant growth driver with increasing profitability. SLB recently scored partnerships with NVIDIA and Amazon Web Services, aligning with a broader push in the oil and gas industry toward sustainable, low-carbon operations using digital technology and AI. Overall, accelerating demand for SLB’s digital products and services seems to have no intention of slowing down and looks to continue to contribute to margin expansion.

ChampionX Acquisition: Expected to close in Q1 2025, SLB’s acquisition of ChampionX along with their integration is progressing well. Should integration proceed smoothly, ChampionX’s specialization in chemicals and digital solutions could strengthen SLB’s core offerings, adding resilience and diversification as the sector faces economic fluctuations. This integration will help SLB be well-positioned to offer end-to-end well optimization as well as enjoy a larger portfolio of digital offerings for its clients. Still, integration risks and broader economic headwinds could temper synergy realization, especially in the volatile macro-economic environment of oil and gas.

Valuation: We initiate coverage with a \$56.00 PT and an **Overweight** rating.



Consortium Equity Research Energy Oilfield Services December 11 th , 2024	
Stock Rating:	Overweight
Price Target:	\$56.00
Price:	\$39.37
Potential Upside/Downside:	42.2%
Ticker(s):	\$SLB
Market Cap:	\$55.60b
Shares Outstanding	1.41b
Free Float (%):	99.81%
Dividend Yield:	2.79%



Energy and Sustainability

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Peer Comparisons

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Halliburton Company (NYSE:HAL)	\$ 26,882	\$ 33,455	10.7x	\$ 23,073	\$ 5,112
Baker Hughes Company (NasdaqGS:BKR)	\$ 42,114	\$ 45,640	19.1x	\$ 27,300	\$ 4,337
NOV Inc. (NYSE:NOV)	\$ 6,163	\$ 7,631	5.9x	\$ 8,905	\$ 1,105
TechnipFMC plc (NYSE:FTI)	\$ 13,303	\$ 14,424	21.9x	\$ 8,797	\$ 1,352
Schlumberger Limited	\$ 60,356	\$ 70,087	13.7x	\$ 35,995	\$ 8,131

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
Halliburton Company (NYSE:HAL)	6.5x	19.1%	22.2%	17.6%	0.9%
Baker Hughes Company (NasdaqGS:BKR)	10.5x	21.1%	15.9%	11.8%	11.1%
NOV Inc. (NYSE:NOV)	6.9x	21.3%	12.4%	8.4%	7.1%
TechnipFMC plc (NYSE:FTI)	10.7x	20.0%	15.4%	11.1%	17.8%
Schlumberger Limited	8.6x	20.4%	22.6%	17.2%	12.4%

High	10.67x	21.3%	22.6%	17.6%	17.8%
75th Percentile	10.52x	21.1%	22.2%	17.2%	12.4%
Average	8.65x	20.4%	17.7%	13.2%	9.9%
Median	8.62x	20.4%	15.9%	11.8%	11.1%
25th Percentile	6.91x	20.0%	15.4%	11.1%	7.1%
Low	6.54x	19.1%	12.4%	8.4%	0.9%

Schlumberger Limited Valuation	
Implied Enterprise Value (25th Percentile)	\$ 56,152
Implied Enterprise Value (Median)	\$ 70,087
Implied Enterprise Value (75th Percentile)	\$ 85,566
Implied Share Price (25th Percentile)	\$ 32.75
Implied Share Price (Median)	\$ 42.62
Implied Share Price (75th Percentile)	\$ 53.58

Source: (CapIQ)

Company Overview

Company Description: SLB is organized into four Divisions that combine and integrate SLB's technologies. The four Divisions are:

Digital & Integration: Digital & Integration enables greater performance for their customers by reducing cycle times and risk, accelerating returns, increasing productivity, and lowering costs and carbon emissions.

Reservoir Performance: Reservoir Performance develops and deploys innovative technologies and services to evaluate, intervene, and stimulate reservoirs providing customers with greater insights into their assets and maximizing their return on investment.

Well Construction: Well Construction provides operators and drilling rig manufacturers with services and products related to designing and constructing a well.

Production Systems: Production Systems provides a comprehensive portfolio of equipment and services including subsurface production systems, subsea and surface equipment and services, and midstream production systems.

Industry Overview

Energy Transition and Decarbonization: The oilfield services industry has been shifting toward sustainable operations and low-carbon technologies as more and more companies are increasingly investing in these low-carbon technologies, such as carbon capture, utilization, and storage (CCUS), hydrogen production, and renewable energy integration to meet climate goals and reduce greenhouse gas emissions. SLB has positioned itself as a leader in this space with its Transition Technologies portfolio, designed to reduce emissions and support sustainable energy solutions.

Digital Transformation: Adoption of digital technologies is revolutionizing oilfield operations. Digital technologies such as artificial intelligence (AI), machine learning (ML), and cloud computing enhance efficiency, optimize resource management, and improve decision-making processes. For example, SLB's Delfi and Lumi platforms exemplify this trend, offering digital tools that optimize resource management and decision-making.

Market Consolidation: The oilfield services sector is experiencing significant consolidation through M&A. Companies such as SLB are pursuing strategic partnerships to expand service offerings, achieve economies of scale, and enhance competitive positioning. Recent M&A activities like SLB's acquisition of ChampionX have led to the formation of larger entities capable of providing comprehensive solutions across the energy value chain, reflecting a strategic response to evolving industry dynamics.

Investment Theses

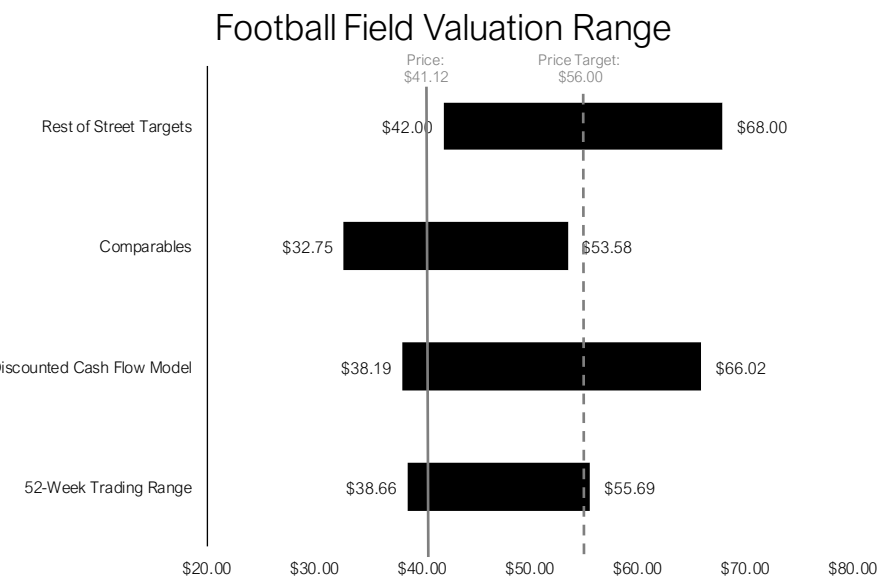
Around the World: Global and diversified revenue streams continue to bolster SLB's operations and investments. Meaningful international presence and diversified operations across digital, core, and production systems divisions provide a solid foundation for growth. This has allowed SLB to navigate industry volatility, as seen in Q3 2024 where strong performance in Middle East and Asia helped mitigate risks tied to U.S. softness and cyclical downturns.

Robust Financials Driving Shareholder Value: Strong free cash flow generation has supported significant shareholder returns. We expect this to continue. With \$2.4 billion in year-to-date buybacks and dividends, the company has exceeded its 2024 return target. SLB's commitment to returning \$4 billion in 2025 underscores management's confidence in its ability to generate free cash flow and ability to navigate market challenges.

Sustainable Value Creation: SLB's strategic balance between its core oil and gas services and its advancements in digital and low-carbon solutions thrones them as a leader in the energy transition. Sustainable technologies, including AI and machine learning capabilities, optimize energy efficiency by enhancing drilling accuracy, reducing waste, and minimizing emissions. We expect the company's SLB's cloud-based platforms like Delfi and its Transition Technologies portfolio, to play a crucial role for companies looking to increase efficiency and achieve decarbonization goals. Leveraging this demand will lead to further expansion of digital and integration's 35.5% margin. On top of this, the pending ChampionX acquisition, which integrates chemical and automation solutions, is anticipated to enhance well productivity while supporting SLB's sustainability objectives.

Price Target & Valuation

Our analysis gives \$SLB a price target of \$55.00 and an Overweight rating.



Potential Downsides to Our Rating

Macroeconomic Headwinds: While SLB is well-positioned for long-term growth, several risks could weigh on its performance. Demand for SLB’s products and services are dependent on customers’ views of future demand for oil and gas and future oil and gas prices. The company’s heavy exposure to macroeconomic cycles and commodity price volatility remains a key concern.

ChampionX Integration: The integration of ChampionX could face potential hurdles, including slower-than-expected synergy realization or higher integration costs, which could pressure margins.

Geopolitical Disruption: Operating on a global scale can be a double-edged sword. With 84% of revenue from 2021-2023 coming from outside the U.S., SLB’s worldwide reach comes with geopolitical turbulence. Take Russia, for example: in 2022, SLB pulled the plug on new investments and technology deployments, and by 2023, it hit the brakes on all product shipments in response to growing international sanctions. Russia accounted for about 5% of SLB’s revenue in 2023, with \$0.6 billion in net assets at risk.

Our Price Target: \$56.00

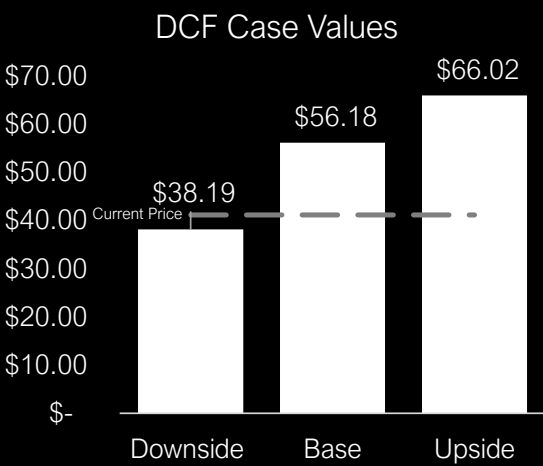
Our PT assumes steady gains across digital, core, and production systems divisions. We also assume the integration of ChampionX progresses on track, supported by stable macroeconomic conditions and oil prices in the mid-range.

Our Upside Case: \$66.00

Our upside case assumes continued international growth, stronger-than-expected adoption of SLB’s digital and low-carbon technologies, faster ChampionX synergy realization, and robust free cash flow driven by a favorable macroeconomic environment supporting increased share buybacks.

Our Downside Case: \$38.19

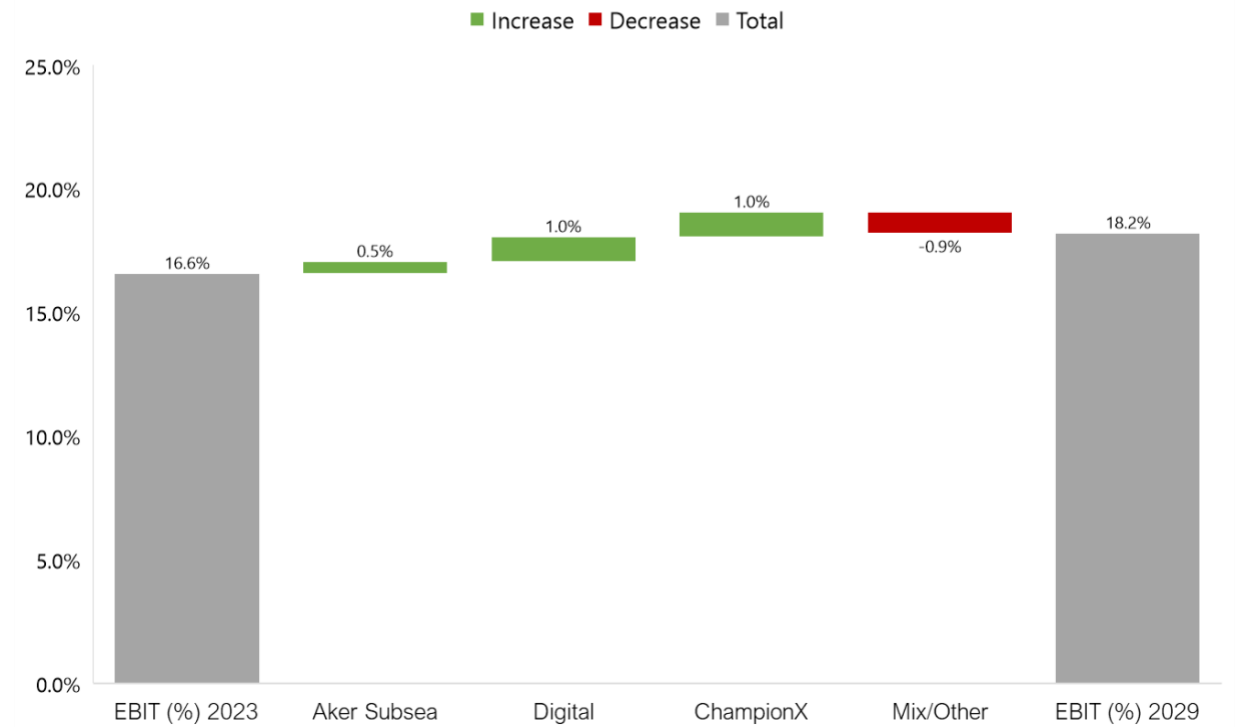
Our downside case assumes challenges in ChampionX integration, weaker international growth due to geopolitical and macroeconomic instability, slower uptake of SLB’s digital solutions, and a decline in oil prices constraining capital expenditures across the energy sector.



Projections

Income Statement (\$mm)	2023A	2024E	2025E	2026E	2027E	CAGR%
Revenue	33,135	36,218	39,599	43,040	46,344	8.7%
EBITDA	6,944	9,013	9,952	10,724	11,450	13.3%
EBIT	5,499	6,513	7,246	7,865	8,460	11.4%
EBIAT	2,269	1,220	2,288	3,333	4,520	18.8%
Margin & Growth Data	2023A	2024E	2025E	2026E	2027E	AVG%
EBITDA Margin	21.0%	24.9%	25.1%	24.9%	24.7%	24.1%
EBIT Margin	16.6%	18.0%	18.3%	18.3%	18.3%	17.9%
Revenue Growth	18.0%	9.3%	9.3%	8.7%	7.7%	10.6%
EBIT Growth	32.5%	18.4%	11.3%	8.5%	7.6%	15.7%
Valuation Metrics	2023A	2024E	2025E	2026E	2027E	AVG%
P/FCF	16.4x	13.3x	11.9x	10.7x	9.7x	12.4x
EV/Sales	2.1x	1.9x	1.7x	1.6x	1.5x	1.7x
EV/EBITDA	9.8x	7.5x	6.8x	6.3x	5.9x	7.3x
FCF Yield	5.6%	5.5%	4.3%	1.5%	6.1%	4.6%

EBIT Waterfall Chart



About \$SLB

Schlumberger Limited (\$SLB), founded in 1926 and headquartered in Houston, Texas, is a global leader in energy services and technology. Operating in over 100 countries, the company serves clients through four main business segments: Digital & Integration, Reservoir Performance, Well Construction, and Production Systems. These divisions focus on optimizing oilfield operations, enhancing reservoir productivity, and supporting the global energy transition with cutting-edge digital and low-carbon solutions. SLB's primary mission is to drive innovation in energy services while delivering efficiency, sustainability, and value across the energy ecosystem.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities. **Overweight** means the analyst team believes the stock price will outperform the coverage industry (TMT, Healthcare, Industrial, Consumer, FIG, E&S) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry. **Underweight** means the team expects underperformance relative to the industry.