



## EQUITY ANALYST REPORT



**Helmerich & Payne, Inc. (NYSE: HP)**  
October 6<sup>th</sup>, 2015



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# Summary

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Investment Group

BUY

## Business Overview

- Helmerich & Payne, Inc. is the largest US land oil drilling company by market cap and by market share in the US
- Helmerich & Payne provides drilling rigs, equipment, personnel, and camps on a contract basis to explore for and develop oil and gas from onshore areas and fixed platforms, tension-leg platforms, and spars in offshore areas.

## Competitive Advantages

- Flex Rigs provide more efficient technologies
- Customers

## Macro Outlook

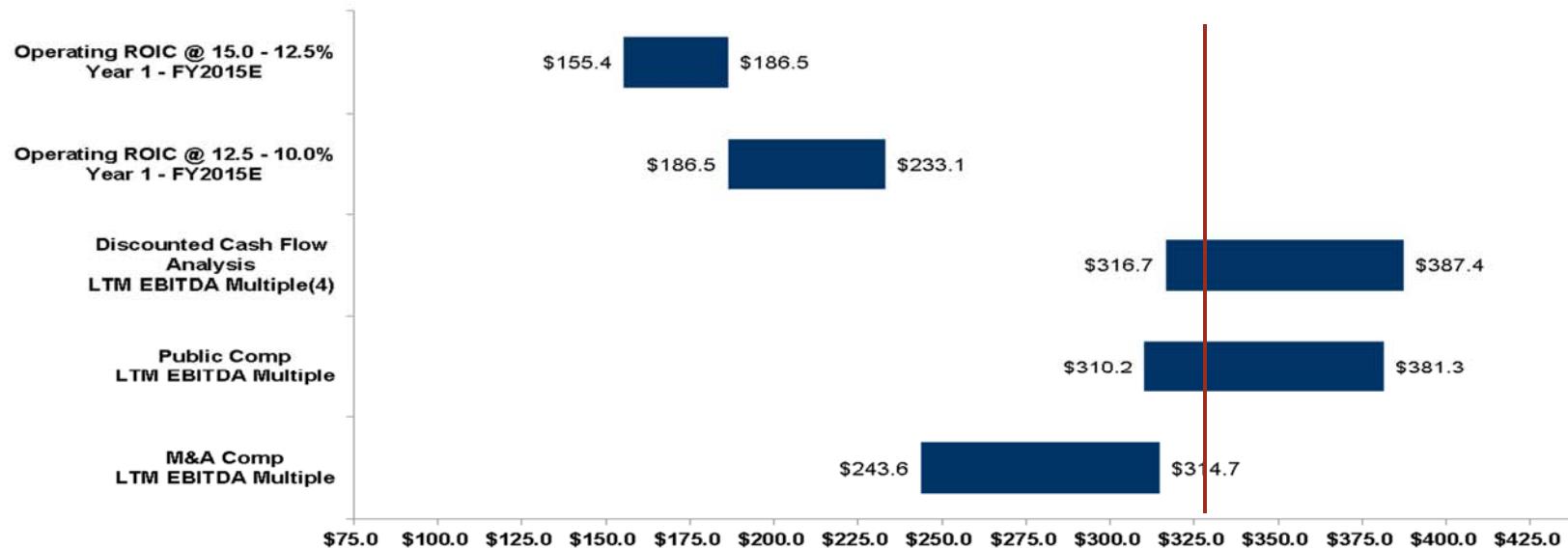
- Helmerich & Payne, Inc. is the largest US land oil drilling company by market cap and by market share in the US
- Helmerich

## Recommendation Summary

Helmerich & Payne provides drilling rigs, equipment, personnel, and camps on a contract basis to explore for and develop oil and gas from onshore areas and fixed platforms, tension-leg platforms, and spars in offshore areas. We are going to fill in this space later, need to do a deep analysis of the company, this page seems a little cramped up right now, no idea for how this is going to look when it is printed...

Metric	NYSE: HP
Current Price	\$42.35
Target Range	
DCF (Con.)/EP	
DCF (Bull)/EP	
DCF (Bear)/ EP	
Relative P/E	

Key Statistics	
Market Cap	
EV	
Institutional Ownership %	
P/E (LTM)	
P/E (NTM)	
P/ Sales	
P/BV (TTM)	
52 Week Range	
Dividend Yield	
FCF Yield	
ROE	

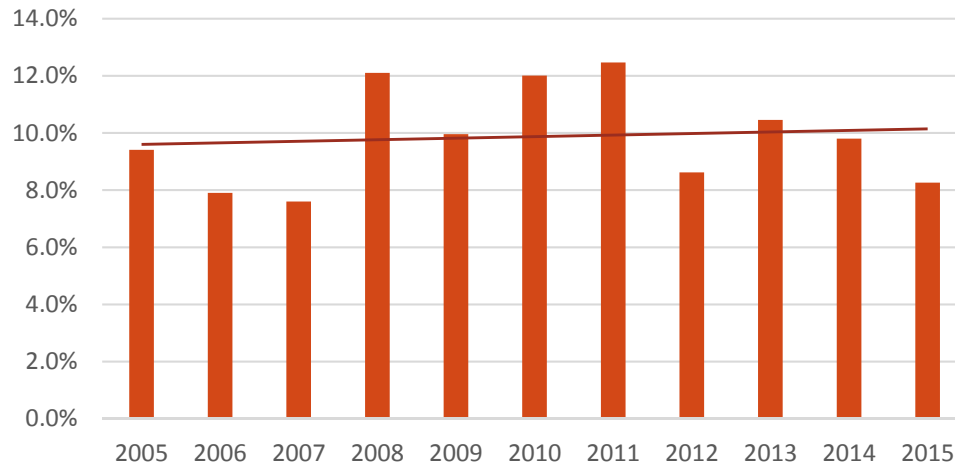




# Business Overview

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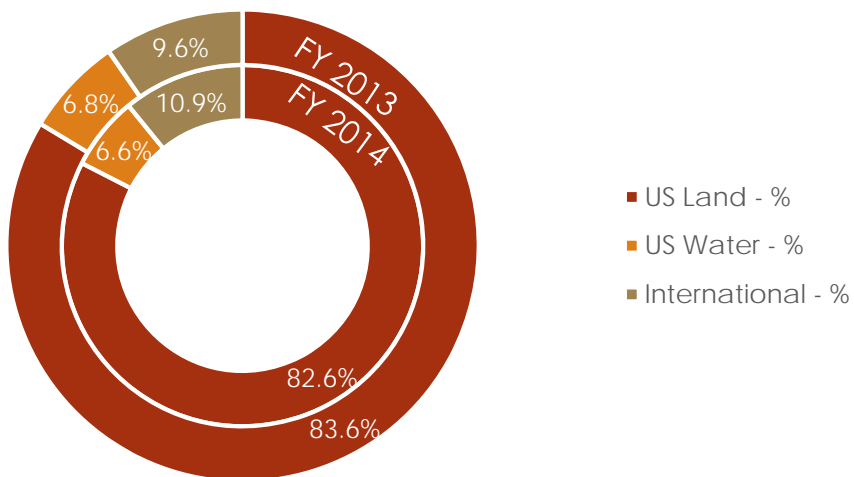
### Return On Invested Capital



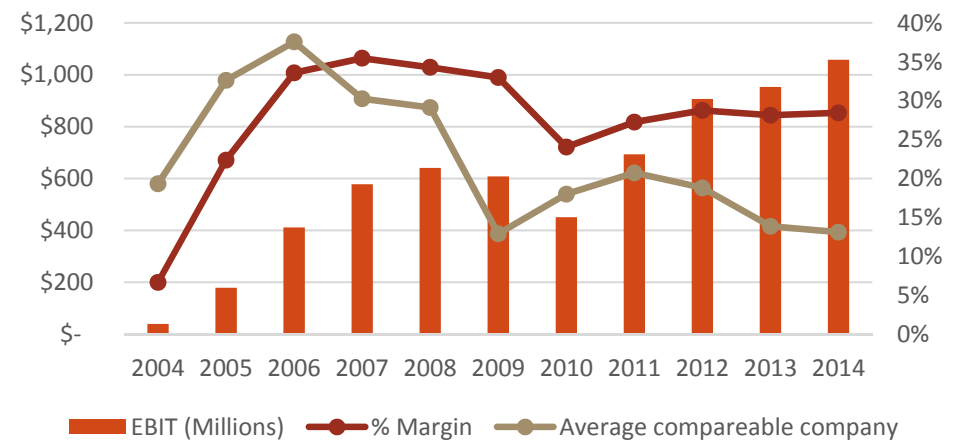
### Header

- Bullet1
- Bullet2
- Bullet3
- Bullet4

### Business Mix (by Revenue)

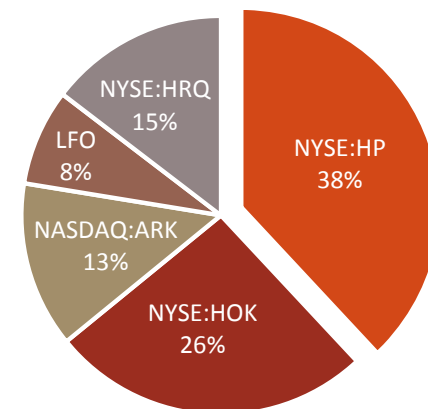


### EBIT Growth Over Time





Market Share (by Revenue)





# Countries of Operation

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## Capital Structure Highlights

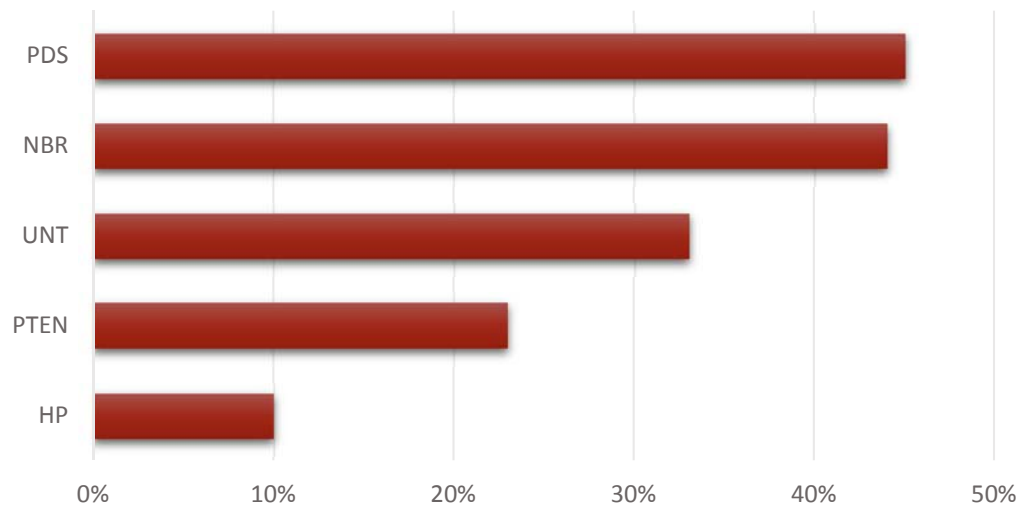
Total Current (as of 3 months Jun-30-2015) undrawn revolving credit: \$251.8

Net Debt: (\$199.4)

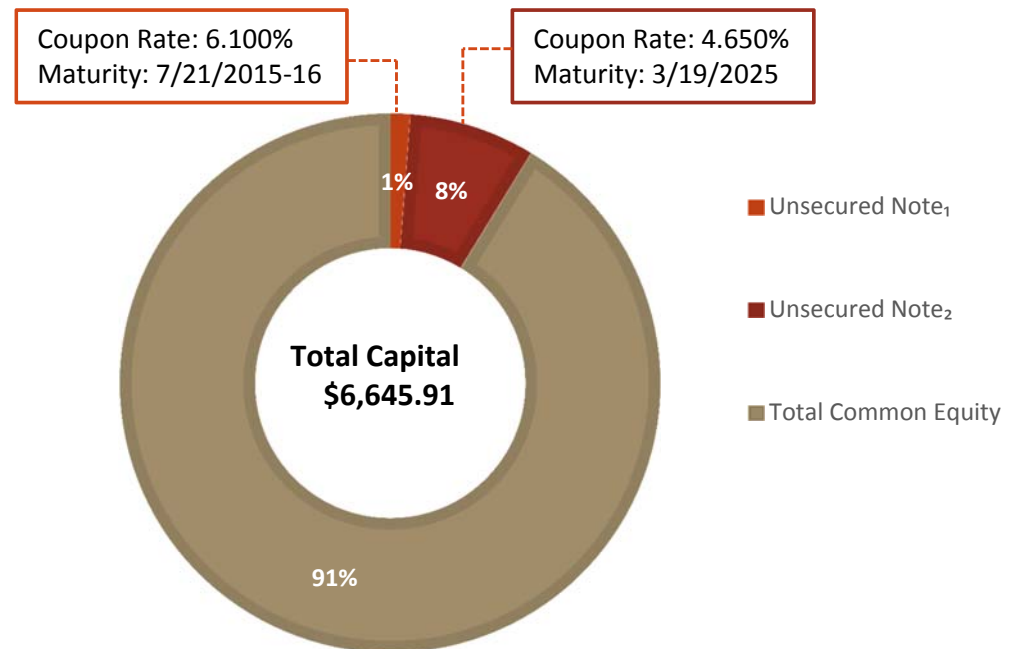
Current Enterprise Value: \$5,875

All \$ in mm

### Total Debt to Capitalization Ratio



### CAPITAL STRUCTURE



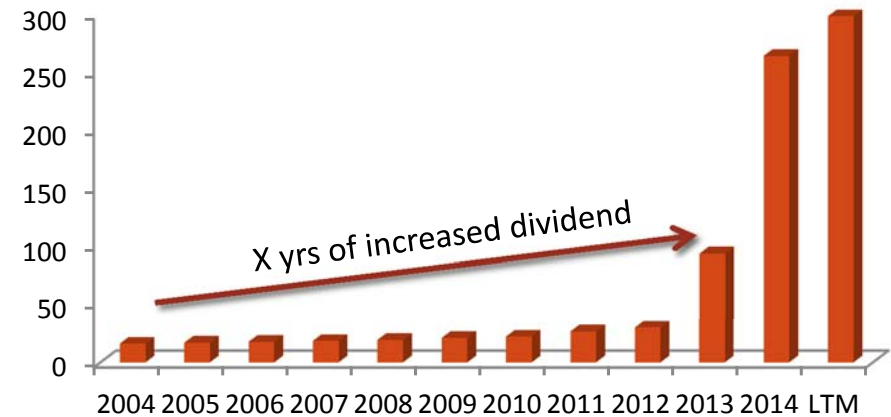


## Cash Flow Summary

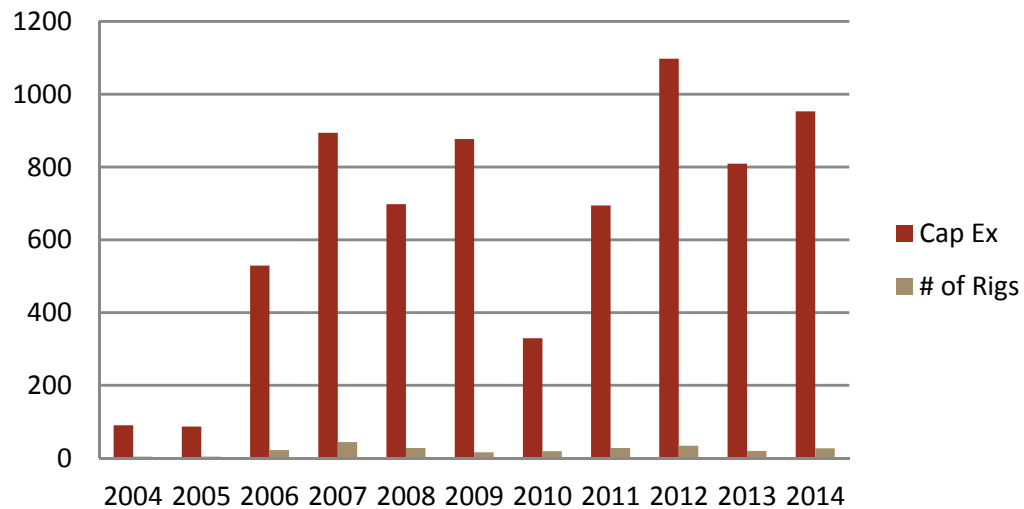
### Free Cash Flow



### Total Dividends Paid



### Capital Expenditures



#### Capital intensive business model

- Posses risks vulnerable to oil prices

#### Historical record of dividend growth

- Current yield of 5%

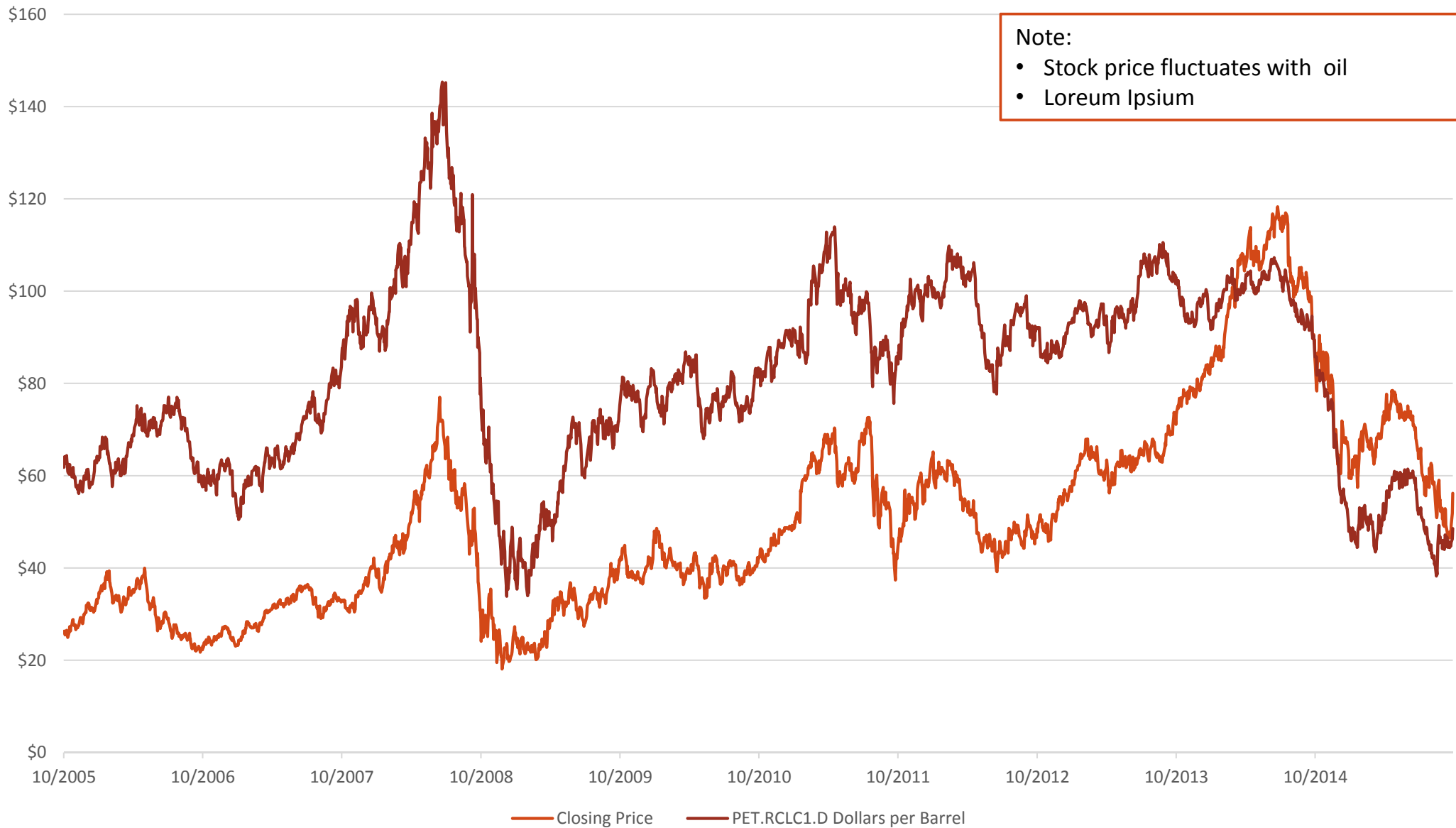




# Stock v. Oil

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## Historical Price of H&P and NYMEX Light-Sweet Crude





Customers

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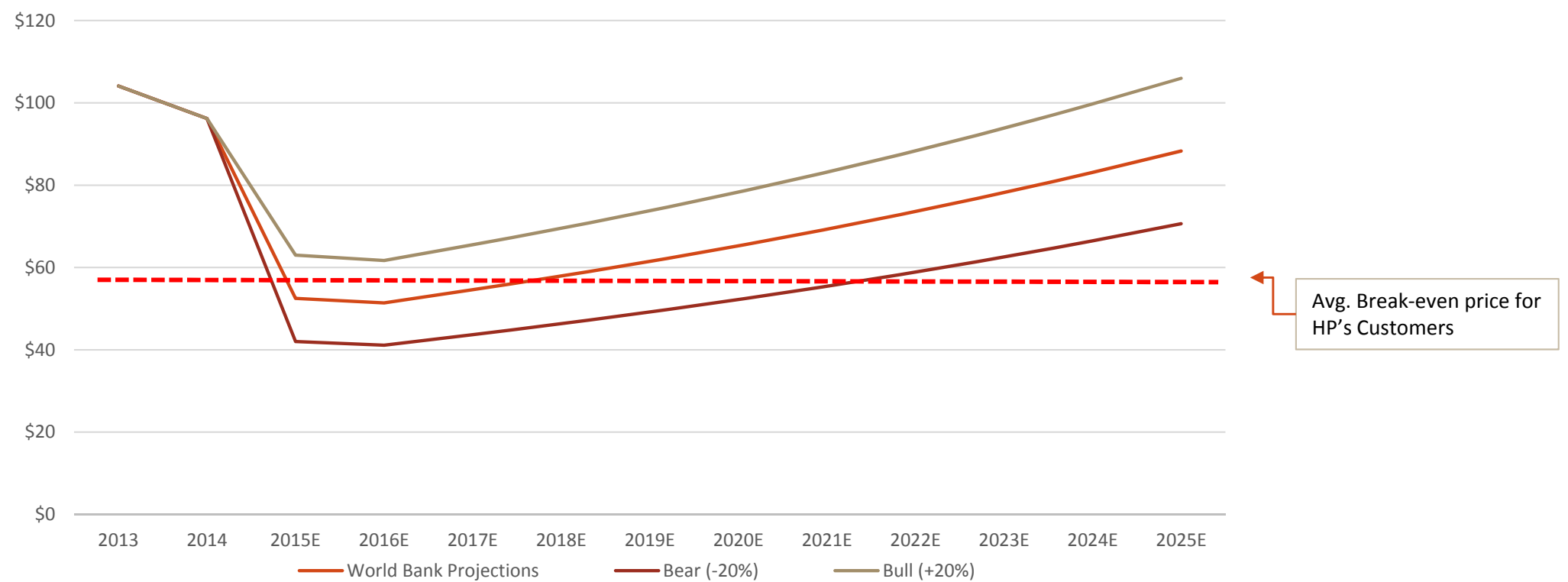
	% of HP's Revenue	2015	2016	Revenue Growth 2017	2018
					
					
					
					
					
					



# Oil





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## Oil Price Projections





# Competitor Comparison

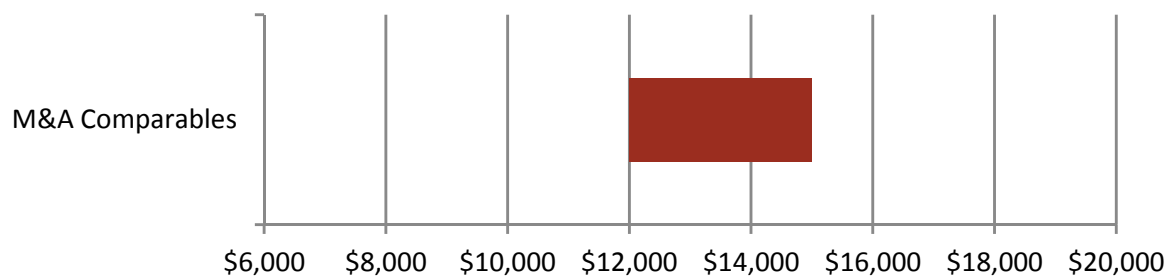
HP Comps	Market Cap (\$ in mm)	EBIT CAGR last 5 yrs	EBIT Margin LTM	Revenue CAGR last 5 yrs	TEV/EBIT LTM	P / LTM Normalized EPS	P / Tangible BV
 Unit Corporation	\$741.6mm	(23.4%)	10.0%	11.1%	13.93x	12.17x	0.44x
 NABORS	\$2.55bn	12.8%	8.8%	11.5%	13.39x	14.53x	0.67x
 PATTERSON-UTI	\$2.55bn	NM	7.3%	24.8%	14.84x	20.60x	0.87x
Peer Averages	\$4.90bn	12.2%	17.6%	10.3%	9.9x	20.2x	
 HP	\$6.49bn	18.8%	27.1%	16.4%	5.8x	9.8x	1.2x

\*Data as of 10/9/15



## Precedent Transaction Value

Target	Business Description	Parent	Date	Size	EV/EBIDTA	EV/REV
			10/5/15	\$225	5.6	3.1



Mean

Median

High

Low

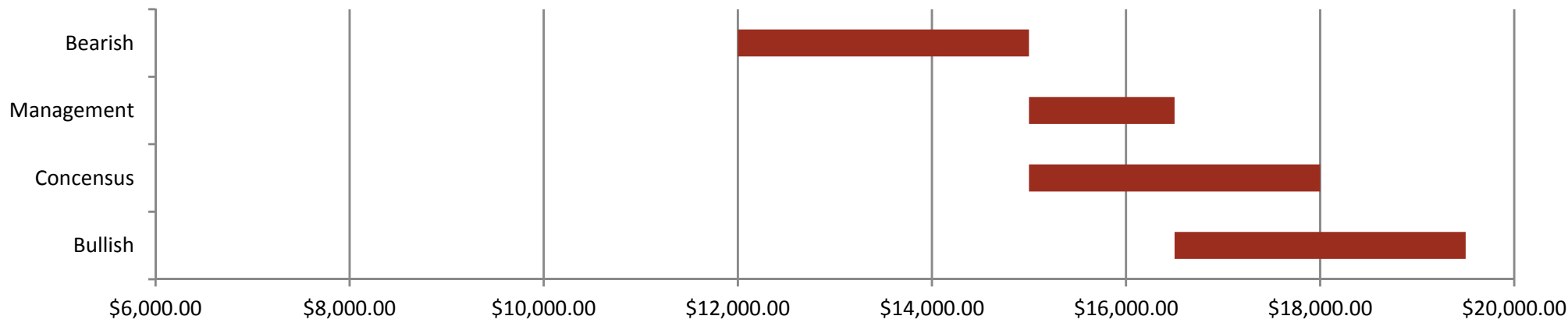
Implied Share Price Range: \$80.25 - \$118.35





# DCF Scenarios

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Assumptions		Observations	
One		One	
Two		Two	
Three		Three	
Four		Four	
Five		Five	