

US Satellite*

Recommended since 18.07.2024

18.07.2024



Country	US	Market capitalization (bn)	USD 70.3	Perf. since reco. (%)	
Sector	Energy	Free float	99.8%	SLB	0.0
Factset	SLB-US	Closing price	USD 48.90	Sector	0.0
ISIN	AN8068571086	ESG Risk score*	19.4	Low risk	

Profile

SLB (Schlumberger) is a world leader in services and technologies for the energy industry. Founded in 1926, it provides integrated solutions for the exploration, drilling, production and processing of hydrocarbons. Its main activities include well construction services, reservoir performance technologies and services, production systems including pipeline infrastructure, and digital solutions. Present in more than 120 countries, SLB is recognised for its technological innovation. The company is headquartered in Houston, Texas.

Strengths/opportunities

- "Essential" toolbox for players in the sector
- A leader in technological innovation, particularly through external growth (carbon capture), and in "Energy Security"
- Increased demand for offshore projects

Weaknesses/threats

- Dependence on the oil and gas sector
- Acquisition of ChampionX for c.\$7.8bn in 2024, to be finalised
- Geopolitical instability in the Middle East

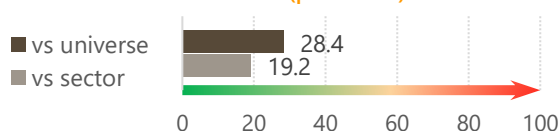
Investment case

- We believe that SLB is perfectly positioned to benefit from the oil companies' investment cycle. Thanks to its geographically and operationally diversified portfolio, SLB enjoys a clear leadership position in the parapetroleum sector and a long-term relationship with its partners. The company confirms its plan (initiated in 2021) for EBITDA growth in excess of c.20% per annum to 2025, underpinned by a combination of long-term projects, short-term production, as well as secular growth trends in digital services and decarbonisation. The acquisition of ChampionX (paid for in SLB shares), an industry leader in speciality chemicals, strengthens SLB's dominant position in diversified oilfield services, making its portfolio more complete, with estimated synergies of c.400 mio\$ by the end of 2025.
- The Group is an excellent cash generator, with a FCF/sales ratio consistently in excess of 10%. SLB will return nearly \$7 billion to its shareholders through share buybacks and dividends over 2024/25, or more than 10% of market capitalisation. SLB continues to see the adoption and integration of digital technologies as a key growth driver, which should further extend the company's strong margin profile (c.25% EBITDA margin). SLB expects D&I margins (digital services, c.11% of sales) to exceed 30% by 2024.

Valuation

SLB is trading on a 2025 PE of c.11.9x and a 2025 EV/EBITDA of c.7.4x, below its historical multiples of c.13.8x and c.8.7x respectively. Our price target is \$65.

ESG risk vs. universe & sector (percentile)*



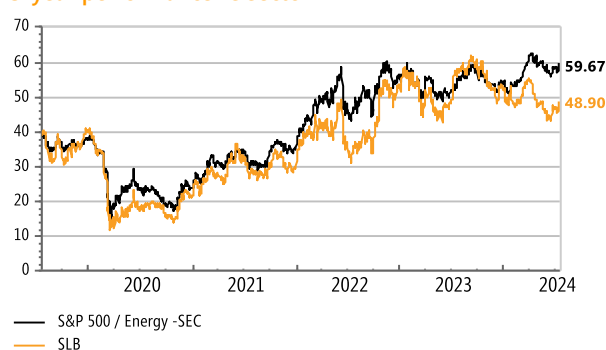
USD	12/2023	2024e	2025e
Sales revenue (mio)	33 132	37 105	41 933
Sales growth	17.6%	12.0%	13.0%
EBIT adjusted (mio)	5 407	6 829	8 105
% of sales	16.3%	18.4%	19.3%
Net income (mio)	4 203	5 061	6 055
Net income growth	22.1%	20.4%	19.6%
FCF/Sales	14.2%	11.6%	13.3%
Net debt/Ebitda	1.2x	0.7x	0.4x
Dividend yield	2.2%	2.2%	2.4%
PE	17.9x	14.0x	11.9x
P/BV	3.7x	3.0x	2.7x

Factset estimates

ESG - risks and key points

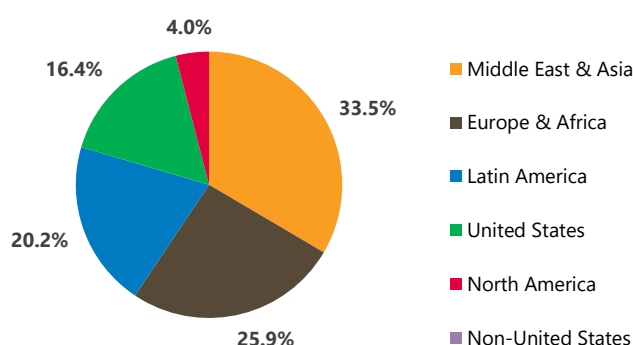
- SLB is the sector leader in carbon capture through its various technologies.
- SLB is committed to CO2 reduction plans in Scope 1, 2 and 3.

5-year performance vs sector



Source: FactSet

Sales breakdown - 12/2023



*: see overleaf

Source: Factset, Sustainability

Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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