

<b>Company:</b> Schlumberger NV	<b>Ticker:</b> SLB <b>Current Price:</b> \$37.02	<b>Sector:</b> Energy	<b>Industry:</b> Oil & Gas Equipment & Services
Target Price: \$45.07 Stop Loss: \$28.85 52W H/L: \$44.97/\$31.11	TTM P/E: 14.31 F. P/E: 12.57 EPS: \$3.11	Beta:0.97 Credit Rating: A Rating Outlook: Stable	Market Cap: \$55.31B Avg. Vol(12M): \$15.96M Dividend Yield: 3.05%

### Company Background:

SLB is the world's premier oilfield-services company as measured by market share. While the industry is largely fragmented, SLB holds the first or second competitive position in many of the differentiated oligopolies in which it operates. Also known as Schlumberger, the company was founded in 1926 by two brothers bearing the same last name. Today, it's most known as a global industry leader in innovation, while it focuses its strategy on its three growth engines: core, digital, and new energy businesses. Over three-fourths of its revenue base is tied to international markets, while the company boasts roughly \$3 billion in digital-related revenue.

### Industry Outlook:

The outlook for the oil and gas equipment and services industry is cautiously optimistic but uneven. Global upstream spending is flattening after a strong post-pandemic recovery, with 2025 likely showing flat to slightly negative drilling growth as North American operators tighten budgets and OPEC+ maintains output discipline. Still, international and offshore markets remain resilient, supporting steady long-cycle project demand. Industry growth of ~2–4% CAGR through 2030 is expected, driven by maintenance, production optimization, and digital transformation rather than new drilling. Schlumberger (SLB) is positioned to outperform through its diversified footprint, offshore strength, and high-margin digital and production services that enhance efficiency and recurring revenue. While short-term headwinds—such as weaker U.S. land activity and geopolitical risks—may weigh on results, SLB's technology integration, cost discipline, and durable cash flow highlight a sector shifting from cyclical growth toward sustainable, innovation-led profitability.

### Investment Thesis:

**Structural Transformation Driving Durable Growth:** SLB has evolved from a cyclical oilfield contractor into a high-margin global energy technology leader. Its Digital & Integration division (30%+ margins) and ChampionX acquisition embed recurring revenue through chemicals, artificial lift, and AI-driven production optimization — reducing cyclical volatility while expanding total addressable market. Since 2019, NOPAT margins have compounded at 10.6%, and EBITDA margins have grown at 10.85% annually since 2020, highlighting consistent profitability gains regardless of oil price volatility.

**Superior Returns, Global Scale, and Financial Discipline:** SLB currently generates a return on invested capital (ROIC) of ~11%, well above its cost of capital and ahead of industry peers, supported by one of the highest net margins in the sector (12% vs industry ~3.7%). Operating in 120+ countries with deep relationships across NOCs and offshore megaprojects, SLB's \$5.6 B backlog (60% converting within 12 months) ensures multi-year visibility and pricing power. Its balance sheet — \$3.6 B cash + \$5 B undrawn credit — gives flexibility for integrations, buybacks, and sustained R&D.

**Attractive Valuation with Structural Upside:** Despite its technological moat and rising profitability, SLB trades at only 8.3× EV/EBITDA (vs industry 7.4×) and a P/E of 14× vs industry 18×, implying the market still values it like a legacy services company. With expanding international CAPEX, margin compounding, and a less-cyclical business mix, SLB is positioned for multiple re-rating, sustained FCF growth, and superior shareholder returns — making it one of the most compelling long-term investments in global energy.

### Investment Risks:

- **Commodity & Capex Sensitivity:** SLB's revenue is closely tied to oil and gas prices—downturns in crude markets or reduced customer capital spending can quickly compress margins and delay new projects.
- **Geopolitical Exposure:** Political instability, sanctions, and trade restrictions can disrupt SLB's global operations and supply chains, while inflation and tariffs raise raw material and project costs.
- **Digital & Cybersecurity Vulnerabilities:** Failure to keep pace with technological innovation or a significant cyber incident could harm SLB's competitiveness, expose sensitive data, and damage its reputation.
- **Supply Chain & Cost Inflation:** Persistent inflation, material shortages, and logistical bottlenecks continue to pressure margins and execution timelines, especially in complex offshore and chemical projects.
- **Regulatory & ESG Compliance Risks:** Stricter environmental and safety regulations, along with evolving ESG disclosure standards, could increase compliance costs, restrict operations, or trigger legal and reputational consequences.

### Take aways from last Earnings Call

- **Soft topline but resilient margins:** Q2 2025 revenue was **\$8.55 B**, down ~6 % YoY, while adjusted EPS of \$0.74 beat estimates slightly. EBITDA margin held firm at ~24 %; supported by cost and digital efficiency gains despite weaker drilling activity.
- **Mixed regional performance:** International revenue grew ~2 % sequentially, led by strength in the Middle East and Asia, while North America declined ~4 % due to lower land activity and weather disruptions.
- **Segment trends:** Production Systems (+3 %) benefited from artificial-lift and midstream solutions; Digital & Integration margins improved as software demand increased; Well Construction was flat but down ~13 % YoY as customers delayed new wells.
- **Strategic outlook:** Management reaffirmed ~\$2.4 B in 2025 capex and expects ~\$400 M in synergies from the ChampionX acquisition. They remain focused on international and offshore growth, digital integration, and long-cycle projects to offset short-term U.S. shale weakness.

Financial Performance

DCF and Analyst Opinions

Income Statement (in Btl, except ratios)	09/30/2025	12/2024	12/2023	12/2022	12/2021	12/2020
Revenue	35.25	36.29	33.14	28.09	22.93	23.60
Revenue Growth %	-2.08%	9.52%	17.96%	22.51%	-2.85%	-28.30%
Gross Profit	6.74	7.46	6.56	5.16	3.66	2.60
Gross Profit Margin %	19.12%	20.56%	19.81%	18.37%	15.95%	11.02%
Operating Income	5.69	6.33	5.49	4.15	2.77	1.66
Operating Margin %	16.14%	17.43%	16.56%	14.78%	12.06%	7.02%
EBIT	5.15	6.01	5.69	4.66	2.88	-10.77
EBIT Margin %	14.61%	16.56%	17.16%	16.60%	12.56%	-45.63%
EBITDA	7.31	8.05	7.59	6.44	4.70	-8.72
EBITDA Margin %	20.73%	22.18%	22.90%	22.93%	20.48%	-36.96%
Net Income	3.65	4.46	4.20	3.44	1.88	-10.52
Net Profit Margin %	10.69%	12.62%	12.90%	12.43%	8.41%	-44.43%
Basic EPS	2.61	3.14	2.95	2.43	1.34	-7.57
Diluted EPS	2.57	3.11	2.91	2.39	1.32	-7.57
Normalized EPS	3.07	3.41	2.99	2.01	1.28	0.68
Total Dividends per Share	1.13	1.10	1.00	0.65	0.50	0.88

Analyst Opinion: Buy; 9/10	
Exit EV/EBITDA: 8.27x	
Target \$45.07	
Stop-loss 20% (\$28.85)	
Avg Revenue Growth(5YR CAGR)	3.77%
Avg. EBITDA Margin(FY25)	21.83%
Avg Net Income Margin(LTM)	10.3%
Debt/Equity	47.5%
Avg FCF Margin	10.15%
Cost of Debt	3.88%
Tax Rate	17.16%
Cost of Equity	7.66%
WACC	7.02%
Perpetuity Growth Rate	2.0%

Relative Valuation

Company Name	Description	Market Cap(Bn)	EV(Bn)	EBITDA(Bn)	EV/EBITDA	P/E TTM	5YR Avg. ROIC	Gross Margin	Net Margin	5Yr Beta	Credit Rating
SLB N.V.	SLB is a global oilfield technology company with four main businesses: Digital & Integration, Reservoir Performance, Well Construction, and Production Systems. It sells software and data tools, services to improve reservoir output, solutions to drill and build wells, and equipment that helps produce and move oil and gas more efficiently.	54.26	65.50	7.92	8.27	14.04	10.22%	20.7%	12.3%	0.97	A
HALLIBURTON COMPANY	Halliburton is a energy services company with two main businesses: Completion & Production and Drilling & Evaluation. The first side does the work that gets a well producing, fracking, chemicals, artificial lift, and other completion tools. The second side supports drilling, including the reservoir, tools, and services to place the well accurately and test it.	22.69	28.99	4.60	6.30	18.18	13.45%	21.2%	5.9%	0.65	BBB+
WEATHERFORD INTERNATIONAL PUBLIC LIMITED COMPANY	Weatherford International is a energy services company that provides equipment and services across the whole well life cycle from drilling to well construction, production, and even abandonment. It has three main segments: Drilling & Evaluation, Well Construction & Completions, and Production & Intervention, supported by digital platforms like FureSite and CENTRO.	5.20	5.84	1.28	4.56	11.54	11.34%	35.5%	8.2%	1.43	BB
BAKER HUGHES COMPANY	Baker Hughes is an energy technology company with two main businesses: Oilfield Services & Equipment and Industrial & Energy Technology (IET). OSE supplies services and equipment for onshore and offshore wells through the whole life cycle. IET sells turbines, compressors, and other technology for oil and gas, LNG, refining, and power lower-carbon projects.	47.94	50.76	5.57	9.11	16.65	-6.97%	21.4%	10.4%	1.01	A
Tenaris SA	Tenaris is a global steel pipe maker that mainly serves the oil and gas industry. Through its tubes segment, it produces and sells seamless and welded steel pipes, plus related services like RigDirect. It has manufacturing in the Americas, Europe, and the Middle East Africa, and also supplies line pipe, premium connections, and other tubular products for industrial and energy projects.	20.52	15.18	2.56	5.93	10.72	10.63%	35.1%	16.9%	1.29	N/A
Statistics Summary		Market Cap (Bn)	EV (Bn)	EBITDA	EV/EBITDA	P/E TTM	ROIC	Gross Margin %	Net Margin %	5Yr Beta	
High		54.26	65.50	7.92	8.11	18.18	13.5%	35.5%	16.9%	1.43	
Low		5.20	5.84	1.28	4.56	10.72	-6.1%	20.7%	5.9%	0.65	
Average		30.12	33.25	4.39	6.84	14.23	7.9%	26.8%	10.7%	1.07	
Oil & Gas Equipment & Services					7.4	18.18	8.2%	31.9%	3.7%		

Company: SLB
EV/EBITDA: 8.27x
P/E(TTM): 14.31x
ROIC: 10.91%
Comps Avg.
EV/EBITDA: 6.84x
P/E (TTM): 14.33x
Spread:
ROIC vs. WACC
10.91%vs. 7.02% → 3.89%

Relative Performance	YTD	1yr
SLB	-3.59%	-8.18%
Energy Sector	+3.71%	+2.44%
S&P 500	+16.00%	+19.61%

