

# Patterson-UTI Energy, Inc.

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Barclays CEO Energy-Power Conference

September 3-4, 2019

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## Forward-Looking Statements

This material and any oral statements made in connection with this material include "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. Statements made which provide the Company's or management's intentions, beliefs, expectations or predictions for the future are forward-looking statements and are inherently uncertain. The opinions, forecasts, projections or other statements other than statements of historical fact, including, without limitation, plans and objectives of management of the Company are forward-looking statements. It is important to note that actual results could differ materially from those discussed in such forward-looking statements. Important factors that could cause actual results to differ materially include the risk factors and other cautionary statements contained from time to time in the Company's SEC filings, which may be obtained by contacting the Company or the SEC. These filings are also available through the Company's web site at <http://www.patenergy.com> or through the SEC's Electronic Data Gathering and Analysis Retrieval System (EDGAR) at <http://www.sec.gov>. We undertake no obligation to publicly update or revise any forward-looking statement. Statements made in this presentation include non-U.S. GAAP financial measures. The required reconciliation to U.S. GAAP financial measures are included on our website and/or at the end of this presentation.



# FINANCIAL FOCUS



## Financial Focus



- Focused on generating positive cash flow after capex
- Focused on maintaining a strong balance sheet
- Focused on returning cash to shareholders through a stable dividend, augmented by opportunistic share repurchases
- To enhance future cash flow and profitability, we are making certain strategic investments in technology



# TECHNOLOGY DEVELOPMENT

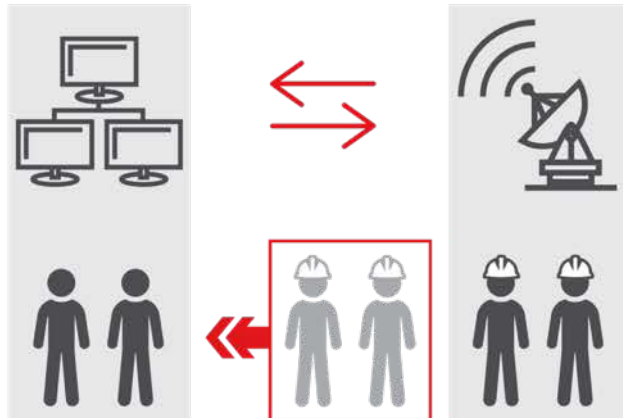


# Automation and Remote Operations



## REMOTE OPERATIONS

Remote operations allow a specialist to manage multiple wells at one time



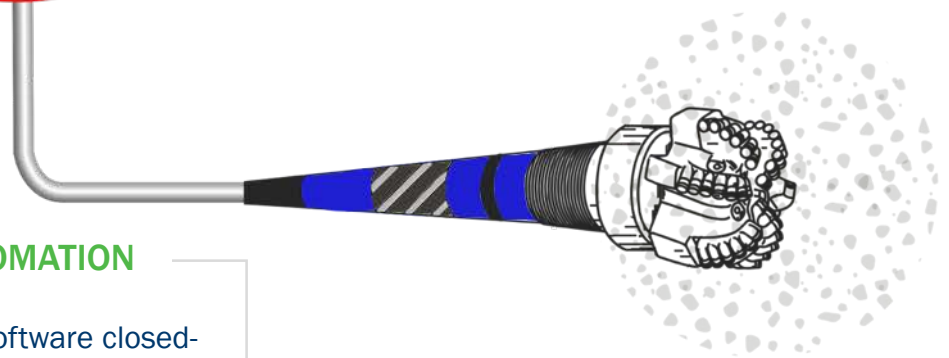
## RIG AUTOMATION

Consistent, automated processes at the wellsite limit safety risks, reduce well costs, streamline logistics and increase margins



## DIRECTIONAL DRILLING AUTOMATION

Controlling downhole equipment with software closed-loop automation enhances quality and efficiency



# Automation and Remote Operations



## REMOTE OPERATIONS



CORTEX™

**MS** Directional™

PTEN+  
 $\sum \left[ \frac{CCHN}{T_e} \right] + d^3 - T1$

**Superior QC**™



## RIG AUTOMATION

**APEX RIGS**®

CORTEX™

PTEN+  
 $\sum \left[ \frac{CCHN}{T_e} \right] + d^3 - T1$

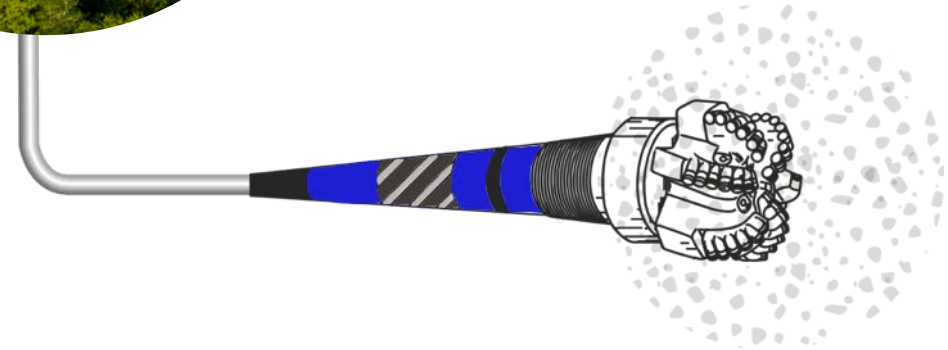
**CURRENT POWER**

## DIRECTIONAL DRILLING AUTOMATION

**MS** Directional™

**Superior QC**™

PTEN+  
 $\sum \left[ \frac{CCHN}{T_e} \right] + d^3 - T1$





# RIG AUTOMATION





# Super-Spec Rigs as a Technology Platform



Super-spec rigs will be the platform from which advancements in automation and remote operations are deployed

- PTEN is well positioned as a leader in the super-spec rig market
- Advancements in rig technology are expected to be more software driven than hardware driven
- New technology needs a new business model
  - Performance aspects of contracts are needed to reward contractors for efficiency
  - Contractors should be incentivized to invest in new technology





# CORTEX™

PTEN's Proprietary Operating System for APEX® Rigs



# CORTEX™ Applications



## CORTEX™ *Adaptive Auto-Driller:*

Adaptive control loops maximize rate of penetration (ROP) through changing formations and minimize dysfunction. Optimized to consistently replicate expert driller performance. Easy to use interface that accelerates driller learning and development.

## CORTEX™ *Pipe Oscillator:*

Automated pipe oscillation while slide drilling to increase ROP and assisting directional driller in manual toolface steering.

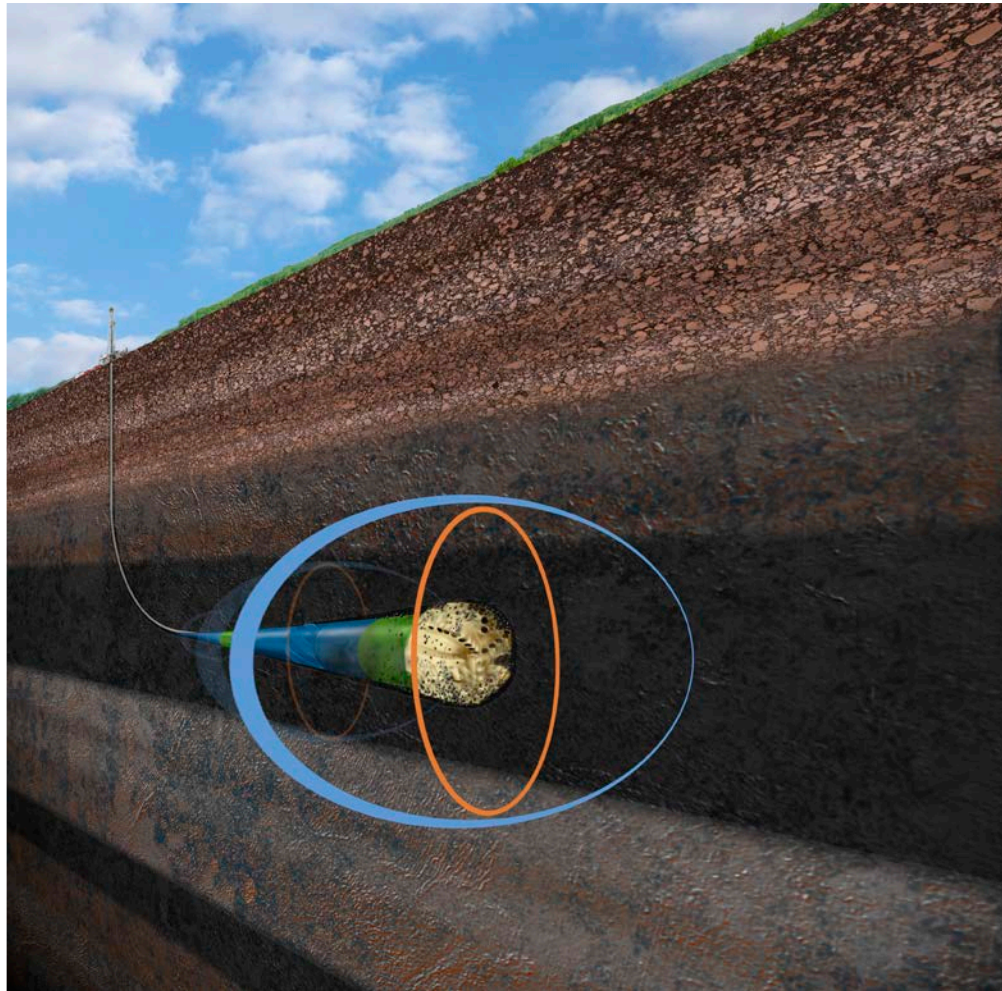


## CORTEX™ *Automated Toolface Drilling Control*

Closed loop technology that automates toolface control while slide drilling, enabling the process of remote directional drilling control.

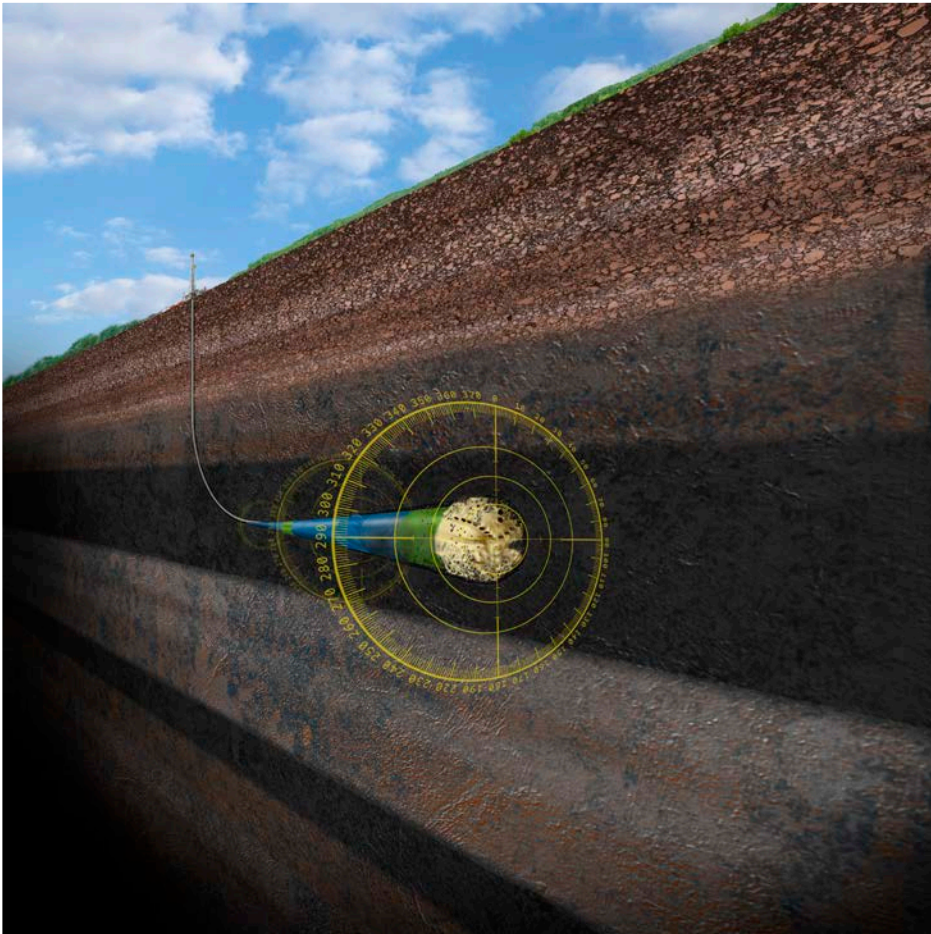
## CORTEX™ *Stick-Slip Mitigation:*

Removes harmful torsional vibration allowing for increased ROP, lifespan of the drill bit, and other BHA components.



## *Superior QC*

- Superior QC services increase the accuracy of wellbore placement to improve well-to-well spacing
- More accurate well spacing provides for:
  - Fewer frac hits
  - Less parent-child communication between wells
  - Generally better production economics
- Superior QC is a leader in terms of speed, automation, accuracy, and technical capability



### *Superior QC Bit Guidance*

Superior QC's directional drilling control combined with Superior QC's Fault Detection, Isolation, and Recovery (FDIR) software provides for real-time corrections and accurate well placement, reducing tortuosity and maximizing exposure to targeted production zones.

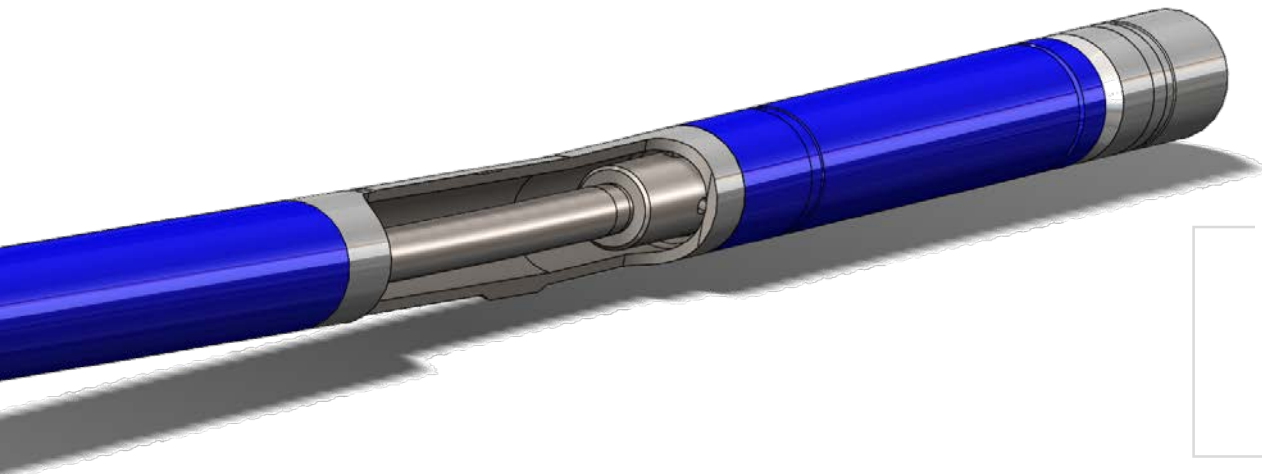


## New Directional Drilling Mud Motor Design

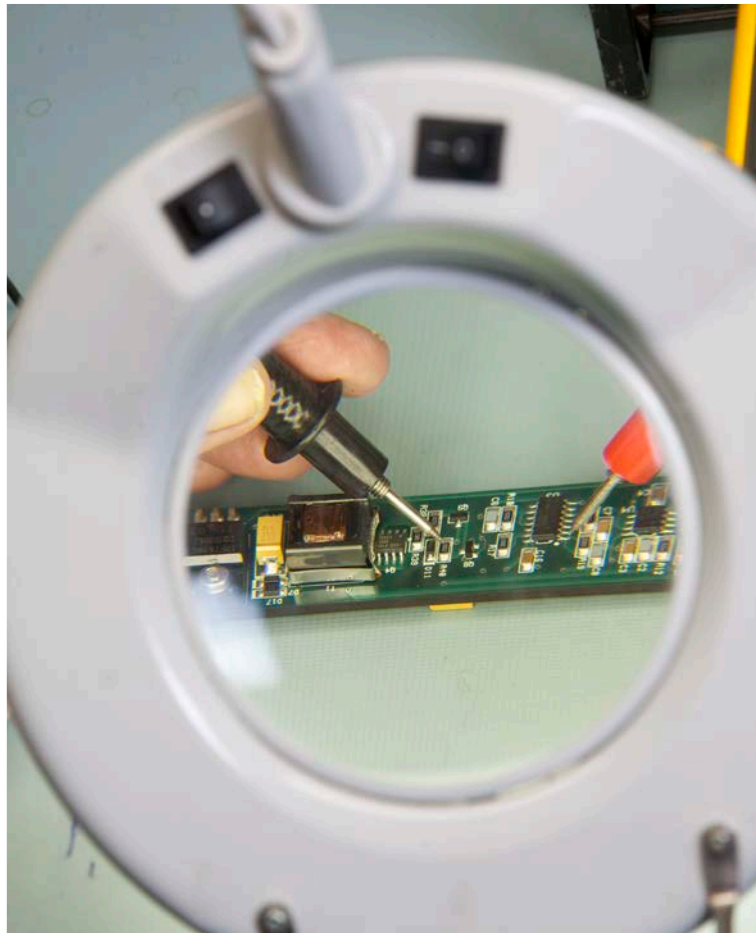


New transmission design maximizes robustness and reliability allowing customers to fully harness high horsepower power sections

Next generation bearing assembly maintains full support of critical driveline components – even in the harshest of environments



A new generation transmission offers increased reliability with simplicity of design. Fewer moving parts results in fewer opportunities for failure.



- Increased data transmission rates to support remote operations and directional drilling automation
- Improved durability to better withstand increasing drilling intensity
- Longer battery life to allow for longer tool runs to increase efficiency



# Environmental Sustainability





CORTEX™

GENASSIST II™

powered by eco cell™



*GenAssist™ is an energy management software system that leverages EcoCell's™ stored energy to optimize fuel efficiency and emissions. Automatically starts/stops engines and sets optimal load to achieve best possible fuel economy and emissions levels.*

- Alternative solution to 4<sup>th</sup> generator requirements
- Reduces fuel consumption
- If utilizing dual-fuel engines, GenAssist™ will maximize substitution rates, dramatically improving fuel savings
- Reduces air emissions
- Added redundancy – can power rig for startup without using cold-start engine
- Extended maintenance intervals due to reduced engine run hours
- Improved power quality and response (instant power available)
- Designed for easy integration with APEX Rigs
- Capable of providing 1.5x more power than a genset at full load - Stores up to 500 kW-hours

## Natural Gas Powered Drilling Rigs



- Utilize lower cost natural gas to help reduce fuel costs
- Lower emissions than diesel powered rigs
- PTEN was the first contract driller to use GE's Waukesha natural gas engines on a modern land rig
- 65 rigs currently configured to use natural gas as the primary fuel source including 59 dual fuel capable rigs and 6 natural gas powered rigs



Patterson-UTI's subsidiary, Current Power, has the ability to provide everything between the turbine and the electric motor for an electric frac spread and has supplied e-frac equipment

- **Drive Systems** – Capable of providing both low and medium voltage drive systems
- **Control Systems** – Proprietary control systems that enable both automation and remote operations

# Dual-Fuel Frac Spreads



More flexible fuel source as engines can burn a fuel mix comprised of up to 70% natural gas



Reduces operating costs by lowering fuel costs



Comparable torque and horsepower to an all diesel engine



Good for environmental sustainability

## Dual-Fuel Frac Spreads

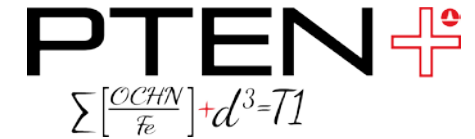


- Patterson-UTI began dual fuel operations in 2012 and has expanded to five dual fuel spreads
- Patterson-UTI has completed more than 10,300 dual fuel fracturing stages saving customers more than 7.3 million gallons of diesel

# DATA ANALYTICS AND REMOTE OPERATIONS

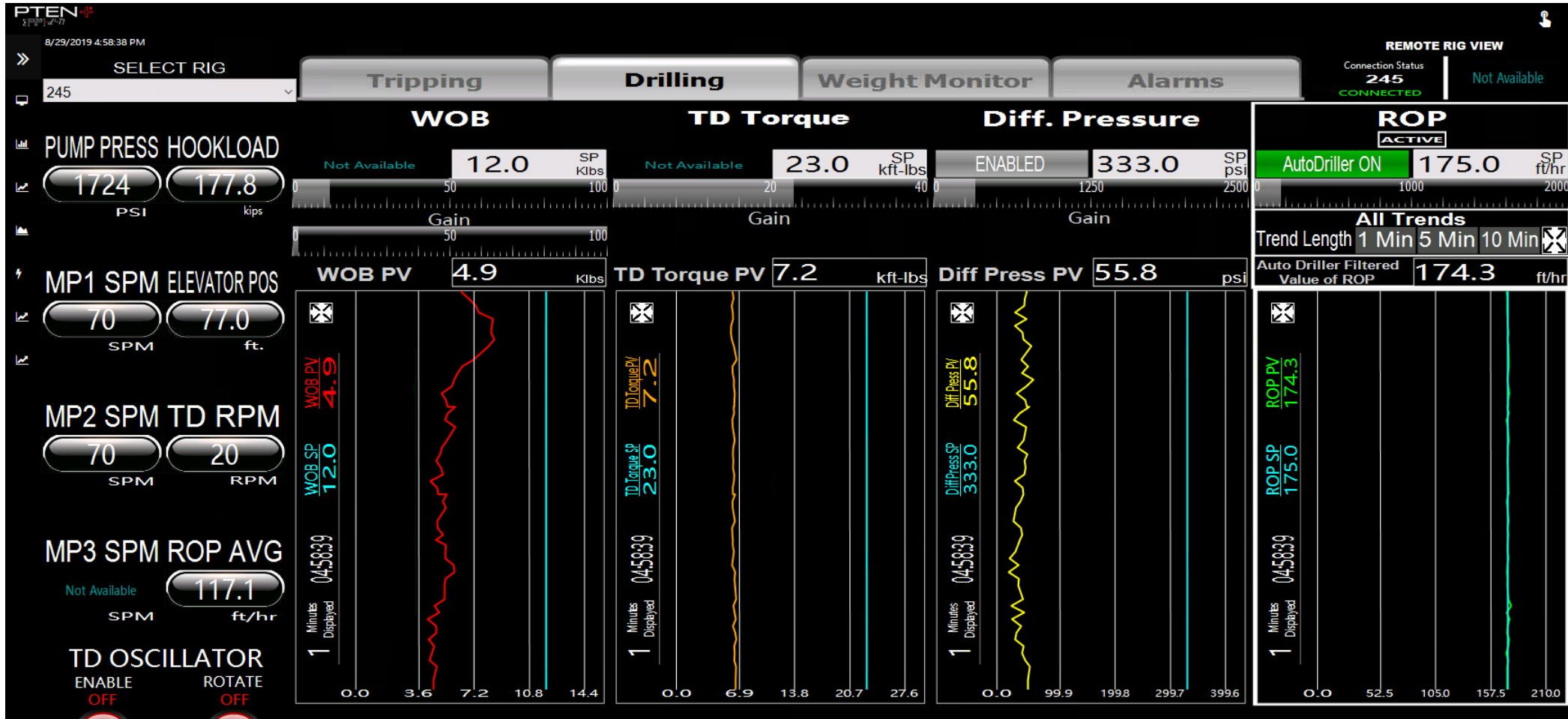
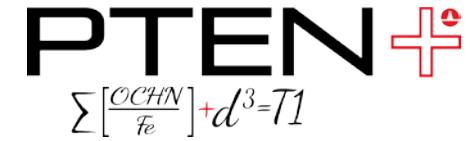


## PTEN+ Advanced Data Analytics and Performance Center



- Able to remotely monitor PTEN's drilling, directional drilling, and pressure pumping operations
- Staffed by engineers and data analysts:
  - Drilling optimization engineers who work with the customers to identify both trends in rig performance and the drivers for performance
  - Pressure pumping analysts who monitor the performance of the equipment and are developing predictive analytics to maximize equipment uptime
  - Directional drilling specialists who remotely monitor directional drilling jobs to provide support for tool setup, troubleshooting and service consistency

# PTEN+ Real Time Rig Monitoring





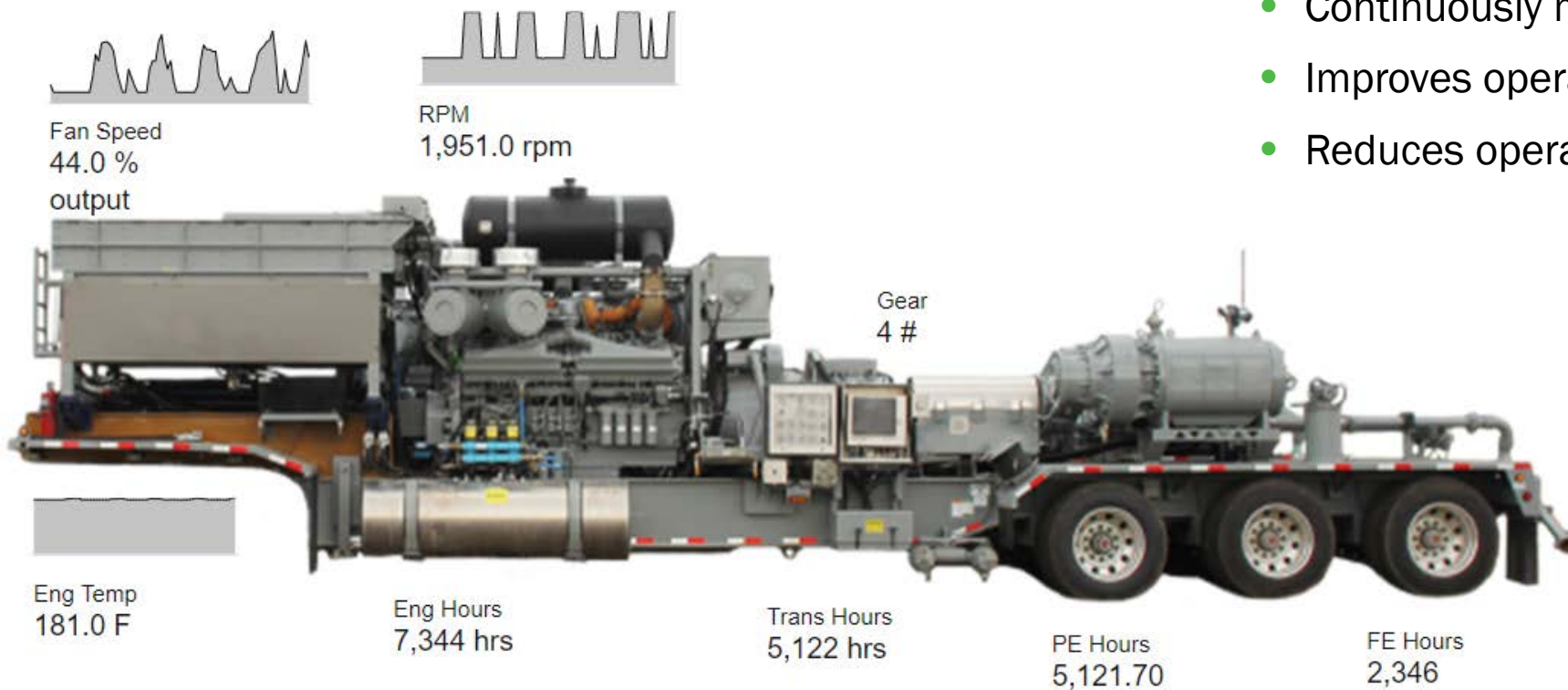
# Offsite Frac



# Using AI with Digital Twin Technology

## Predictive analytics utilizing AI and digital twin technology

- Continuously monitors PTEN's frac trailers
- Improves operational performance
- Reduces operating costs



## Blender Remote Control & Automation



- Developing new control systems to allow the blender to be remotely operated from the data van
- Increased data collection capability will improve predictive analytics modeling helping to improve blender up time and reduce maintenance costs
- Remote operations with automation will lead to more efficient and consistent operations



# FINANCIAL FOCUS



# Strong Financial Position



## Substantial Liquidity

\$256 million cash as of June 30, 2019

\$600 million revolver through March 2024



## 21.0% Net Debt/Total Capital at June 30, 2019

\$300 million term loan matures October 2020

\$300 million term loan matures June 2022

\$525 million 3.95% senior notes due 2028



## Investment Grade Credit Rating

Moody's – Baa2

Standard & Poor's - BBB

## Patterson-UTI Strong Balance Sheet

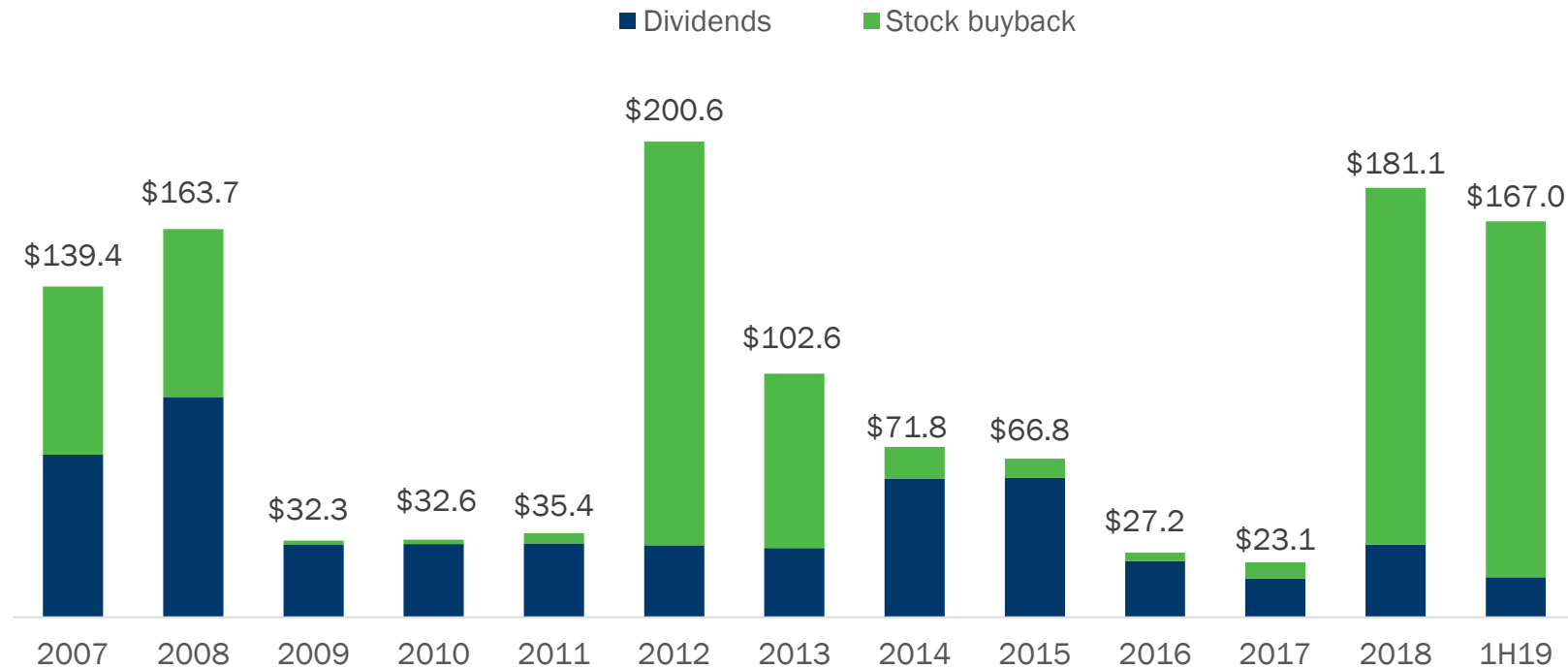


- **New \$150 million term loan**
  - Three year term due June 2022
  - Investment grade terms
  - Favorable pricing at Libor + 112.5 basis points
- **Plan to use proceeds from term loan plus cash on hand to repay \$300 million debt due October 2020**
  - Reduces total debt by \$150 million
  - Extends nearest term debt maturity to June 2022
  - Reduces interest expense as new term loan has lower interest rate than 4.97% debt being repaid

# A History of Returning Cash to Shareholders



Cash Returned to Shareholders (\$ in Millions)  
2007 - 2019



\$1.75 billion returned to shareholders since the beginning of 2006



**PATTERSON-UTI**  
ENERGY INC.







# ENVIRONMENTAL AND SOCIAL RESPONSIBILITY



# Patterson-UTI Core Values



- **Safety and Environment**
  - We believe that the safety of our employees and the protection of our environment is a cornerstone
- **Operational Excellence**
  - We deliver high-quality, value-added services and focus on innovative solutions in all aspects of our work
- **Honesty and Integrity**
  - We will act with honesty and integrity in everything we do
- **Respectful Workplace**
  - We are committed to providing a working environment that is inclusive, respectful, and supportive
- **Development of our People**
  - We are committed to the growth and development of every employee
- **Profitable Business**
  - We are committed to delivering superior returns



- **Air Quality**
  - We utilize natural gas engines, dual-fuel equipment and other technologies that reduce our air emissions
- **Water Quality**
  - We strive to conduct our drilling and completion activities in a manner that protects the quality of ground and surface water
- **Land Use**
  - We employ spill prevention plans and use additional protective measures in environmentally sensitive areas



## Our people are our most important asset and our greatest strength

- Health and Safety
  - Our goal is to provide an incident-free work environment. The safety of our employees and others is our highest priority
- Diversity and Inclusion
  - We are committed to fostering a work environment where all people feel valued and respected
  - We embrace our diversity of people, thoughts and talents, and combine these strengths to pursue extraordinary results for PTEN, our employees and our stockholders

# Non-U.S. GAAP Financial Measures

	Three Months Ended		Six Months Ended		Three Months Ended
	June 30,		June 30,		March 31,
	2019	2018	2019	2018	2019
<b>Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA):</b> <sup>(1)</sup>					
Net loss	\$ (49,447)	\$ (10,713)	\$ (78,061)	\$ (45,130)	\$ (28,614)
Income tax benefit	(10,128)	(8,382)	(16,732)	(8,100)	(6,604)
Net interest expense	11,542	10,307	23,494	22,509	11,952
Depreciation, depletion, amortization and impairment	208,688	212,384	423,098	422,276	214,410
Adjusted EBITDA	<u>\$ 160,655</u>	<u>\$ 203,596</u>	<u>\$ 351,799</u>	<u>\$ 391,555</u>	<u>\$ 191,144</u>
Total Revenue	\$ 675,765	\$ 854,418	\$ 1,379,936	\$ 1,663,582	\$ 704,171
Adjusted EBITDA Margin (Adjusted EBITDA / Total Revenue)	23.8%	23.8%	25.5%	23.5%	27.1%
<b>Adjusted EBITDA by operating segment:</b>					
Contract drilling	\$ 144,896	\$ 130,687	\$ 296,430	\$ 244,501	\$ 151,534
Pressure pumping	41,777	78,499	83,144	160,410	41,367
Directional drilling	5,580	4,196	10,280	10,185	4,700
Other operations	4,140	5,052	10,724	10,277	6,584
Corporate	(35,738)	(14,838)	(48,779)	(33,818)	(13,041)
Consolidated Adjusted EBITDA	<u>\$ 160,655</u>	<u>\$ 203,596</u>	<u>\$ 351,799</u>	<u>\$ 391,555</u>	<u>\$ 191,144</u>

(1) Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") is not defined by U.S. GAAP. We define Adjusted EBITDA as net income (loss) plus net interest expense, income tax expense (benefit) and depreciation, depletion, amortization and impairment expense (including impairment of goodwill). We present Adjusted EBITDA because we believe it provides to both management and investors additional information with respect to the performance of our fundamental business activities and a comparison of the results of our operations from period to period and against our peers without regard to our financing methods or capital structure. We exclude the items listed above from net income (loss) in arriving at Adjusted EBITDA because these amounts can vary substantially from company to company within our industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired. Adjusted EBITDA should not be construed as an alternative to the U.S. GAAP measure of net income (loss). Our computations of Adjusted EBITDA may not be the same as similarly titled measures of other companies. Set forth below is a reconciliation of the non-U.S. GAAP financial measure of Adjusted EBITDA to the U.S. GAAP financial measure of net income (loss).

