Final Report

Project Title: Fundamental Valuation of SLB

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This final report and financial models were built with support from ChatGPT (OpenAI), used as a co-pilot for idea structuring, Excel logic validation, and formatting refinement. The project reflects my own financial judgment, assumptions, and execution, but benefited from AI-based structuring and iterative feedback throughout.

1. Executive Summary

This report presents a comprehensive valuation of Schlumberger (SLB), a global leader in oilfield services, using both **Discounted Cash Flow (DCF)** and **Comparable Company Analysis (Comps)** methodologies. The analysis is based on a 5-year forecast (FY2025-FY2029) and reflects a Base Case scenario incorporating realistic growth, margin stabilization, and capital efficiency improvements.

Valuation Highlights

- **DCF Valuation (Base Case):**
  - Enterprise Value: $84.4 billion
  - Equity Value: $75.8 billion
  - Implied Share Price: ~$55.5
  - WACC: 9.2%; Perpetual Growth Rate (g): 1.5%
  - Cash Flow Weighting: ~29% forecast period, ~71% terminal value
- **Comparable Company Analysis:**
  - Peer Set: Halliburton, Baker Hughes, Weatherford, Tenaris, NOV
  - Implied SLB Share Price Range:
    - EV/Revenue: $24.44
    - EV/EBITDA: $26.43
    - P/E: $26.49
  - Market Price (as of June 21, 2025): $35.84
- **Valuation Insight:** SLB seems to be trading at a premium according to Comps valuation. DCF valuation hints that SLB could be considered currently undervalued.

Strategic and Financial Insights

- Margins have steadily improved post-2020 downturn, EBIT margin stabilizing above 16%.
- Working capital turns are improving and Net PP&E investments align with scalable growth
- WACC Analysis: Derived via CAPM and weighted average methodology, inputs include a beta of 1,03 and a tax rate of 19%

Conclusion

Across both methodologies, SLB's intrinsic valuation lies in the range of $24.44 – 26.49 per share, suggesting modest upside from the current market price. This aligns with SLB's profile as a mature, asset-heavy, and globally diversified player in the oilfield services sector. The stock remains a stable investment with long-term cash flow generation potential, particularly under a normalized oil price environment and disciplined capital allocation strategy.

2. Company Overview

Schlumberger (SLB) is a global oilfield services and equipment provider headquartered in Houston, Texas, with incorporation in Willemstad, Curaçao and a presence in over 100 countries via 900+ facilities. Founded in 1926 by Conrad and Marcel Schlumberger in France, the company revolutionized subsurface mapping with electrical resistivity techniques. As of 2025, SLB employs around 111,000 people and is publicly traded on multiple exchanges including NYSE, Euronext Paris, and LSE. The Executive Team is led by CEO Olivier LePeuch, overseeing a workforce from nearly 200 nationalities.[1][2][3]

Service Segments and Capabilities

SLB is organized across 4 core divisions, underpinned by significant investment in digital innovation and energy transition:[4][5]

[1] SLB (2024). *Who We Are*. [online] www.slb.com. Available at: https://www.slb.com/about/who-we-are
[2] SLB (2024). *Our History*. [online] www.slb.com. Available at: https://www.slb.com/about/who-we-are/our-history
[3] Wikipedia. (2025). *Schlumberger*. [online] Available at: https://en.wikipedia.org/wiki/Schlumberger
[4] SLB (2025). *SLB Annual Report 2024*. [online] SLB. Available at: https://investorcenter.slb.com/static-files/d737391c-96ea-4f24-aebe-3c4dec35b138
[5] SLB. (2024). *SLB Announces Fourth-Quarter and Full-Year 2024 Results, Increases Dividend and Initiates $2.3 billion in Accelerated Share Repurchases | SLB*. [online] Available at: https://investorcenter.slb.com/news-releases/news-release-details/slb-announces-fourth-quarter-and-full-year-2024-results

1) **Digital & Integration** – Expanding rapidly with AI-based analytics and digital field automation. Revenue for FY2024: $1.16 billion.
2) **Reservoir Performance –** Focuses on seismic interpretation and well optimization to boost recovery. Revenue for FY2024: $1.8 billion.
3) **Well Construction –** Specializes in drilling technologies, including directional drilling, fluid systems, and real-time downhole logging. Revenue for FY2024: $3.27 billion.
4) **Production Systems –** Manages artificial lift and production infrastructure, sustaining wells both onshore and offshore. Revenue for FY2024: $3.2 billion.

In FY2024, these Core divisions grew 9% YoY in revenue, with Digital & Integration posting double-digit gains, driven by AI and software platform adoption.

Global Footprint and Innovation

SLB maintains a worldwide footprint, supported by over 900 facilities spanning 100+ countries. These include field bases, manufacturing centers, and digital hubs – ensuring proximity to clients and rapid service availability.[6]

Innovation Infrastructure:

- Over 70 technology centers and R&D sites globally, including innovation hubs like the Software Technology Innovation Center (STIC).[7]
- Recognized among the top 100 U.S. patent holders in 2025, with thousands of active patents and patents under application.[8]

Technology Leadership:

- Developed flagship software tools such as *Petrel*[9] (3D seismic-to-simulation) and *Techlog*[10] (wellbore data interpretation)

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[6] SLB (2025). *Our Global Footprint | SLB*. [online] Available at: https://www.slb.com/about/who-we-are/our-global-presence

[7] SLB. (2024). *The Schlumberger Software Technology and Innovation Center (STIC)*. [online] Available at: https://www.slb.com/videos/the-schlumberger-software-technology-and-innovation-center-%28stic%29

[8] SLB. (2025). *Spotlight on innovation: SLB named among top 100 patent holders in the U.S.* [online] Available at: https://www.slb.com/news-and-insights/newsroom/updates/2025/top-100-patent-us

[9] Wikipedia Contributors (2025). *Petrel (reservoir software)*. Wikipedia. Available at: https://en.wikipedia.org/wiki/Petrel_%28reservoir_software%29

[10] Wikipedia Contributors (2025). *Techlog*. Wikipedia. Available at: https://en.wikipedia.org/wiki/Techlog

- Integrates digital thread technologies across operations to enhance efficiency, safety, and sustainability, exemplified by integrated operations and real-time optimization systems.[11] [12]

Strategic Positioning[13]

- SLB holds a leadership position with the largest revenue (FY2024: $36.29 billion) scale and global diversification in the oilfield services industry.
- Competes directly with Halliburton, Baker Hughes, Weatherford, NOV, offering similar service lines and technology platforms.
- Strategic emphasis on digital transformation, placing it ahead of many peers in automation and AI.

Strategic Themes and Outlook

- Solid margin recovery, with EBIT margin >16% and growing return on equity (~20%) (see "Ratios" sheet in Schlumberge_Valuation.xlsx)
- Strong emphasis on capital discipline, with stable CapEx aligned to growth
- Leading the energy industry's digital adoption and energy transition services
- CEO Olivier LePeuch has highlighted SLB's tech leadership and its potential to benefit from increased global energy demand linked to AI and data center infrastructure.[14]

3. Financial Analysis

Schlumberger's financial trajectory from FY2020 to FY2024 demonstrates a strong post-pandemic recovery, with consistent topline growth and margin expansion:

- Revenue grew from $22.9 billion in 2021 to $36.3 billion in 2024, supported by demand for oilfield services and digitized infrastructure.

[11] SLB. (2025). *Our Tech Development*. [online] Available at: https://www.slb.com/about/who-we-are/our-technology
[12] www.sciencedirect.com. (2025). *Schlumberger - an overview | ScienceDirect Topics*. [online] Available at: https://www.sciencedirect.com/topics/engineering/schlumberger
[13] Wikipedia. (2025). *Schlumberger*. [online] Available at: https://en.wikipedia.org/wiki/Schlumberger
[14] Robson, D. (2022). *Schlumberger: Announces Fourth-Quarter and Full-Year 2021 Results*. [online] ROGTEC. Available at: https://www.rogtecmagazine.com/schlumberger-announces-fourth-quarter-and-full-year-2021-results

- Gross Margin improved from 16% in 2021 to 20.6% in 2024, reflecting better pricing, cost control, and increased efficiency.
- EBIT expanded from $2.7 billion in 2021 to $5.8 billion in 2024, with EBIT Margin at ~16% in FY2024.
- Net income rose from $1.9 billion in 2021 to $4.6 billion in 2024, with Net Margin stabilizing at ~13% in FY2024.
- CapEx remained disciplined at ~5-6% of revenue from FY2022 to 2024.

Cash flow from operations also remained strong, with $6.6 billion in operating cash flow in 2024, enabling consistent reinvestment and shareholder returns.

Ratio Analysis Summary

Table 1: Profitability ratios

Source: Schlumberger_Valuation.xlsx – "Ratios" sheet

Metric	FY2022	FY2023	FY2024	Commentary
Gross Margin	18.4%	19.8%	20.6%	Steady improvement driven by pricing strength and cost management.
EBIT Margin	14.8%	16.4%	16%	Operational leverage supported margin expansion.
Net Margin	12.4%	12.9%	12.6%	Net profitability stabilizing near peak levels.
ROA	8.1%	8.0%	9.4%	Enhanced asset productivity post-2020 write-downs.
ROE	19.4%	20%	20.5%	Strong capital return profile due to margin gains and leverage.

Table 2: Efficiency ratios

Source: Schlumberger_Valuation.xlsx – "Ratios" sheet

Metric	FY2022	FY2023	FY2024	Commentary
Asset Turnover	0.7x	0.7x	0.7x	Stable, consistent capital efficiency.
Receivables Turnover	4.2x	4.2x	4.5x	Slight improvement in collection effciency.
Inventory Turnover	1.9x	2.1x	2.5x	Reflects stronger demand and leaner inventory cycles.

Table 3: Liquidity ratios

Source: Schlumberger_Valuation.xlsx – "Ratios" sheet

Metric	FY2022	FY2023	FY2024	Commentary
Current Ratio	1.2x	1.3x	1.4x	Ample liquidity cushion.
Quick Ratio	0.9x	1.0x	1.1x	Improving near-cash position.

Table 4: Leverage ratios

Source: Schlumberger_Valuation.xlsx – “Ratios” sheet

Metric	FY2022	FY2023	FY2024	Commentary
Debt to Equity	0.7x	0.6x	0.5x	Gradual deleveraging supports equity value.
Interest Coverage	8.5x	10.8x	11.3x	Strong ability to cover financing costs.
Equity Ratio	0.4x	0.4x	0.5x	Reflects improved capital structure.

Commentary on Financial Health

- **Profitability:** SLB has successfully recovered from the 2020 downturn, restoring margins to pre-crisis levels and improving capital returns.
- **Liquidity and Capital Allocation:** Liquidity remains healthy, with consistent operational cash flow supporting CapEx, dividends, and share buybacks.
- **Balance Sheet Strength:** A decreasing debt-to-equity ratio and rising interest coverage suggest enhanced financial resilience.
- **Efficiency:** Inventory and receivables metrics point to better operational execution and cost control.

4. Forecast Assumptions and 3-Statement Outlook

This section explains how Schlumberger’s key financial drivers were forecasted for FY2025-FY2029, based on historical performance and scenario-based assumptions. The Base Case scenario forms the core of the valuation model.

Table 5: Key forecast drivers (Base case)

Source: Schlumberger_Valuation.xlsx – “Assumptions” sheet

Driver	Method	Assumption (Base Case)	Rationale
Revenue Growth	YoY growth	4.5% for Services; 6.0% for Products	Conservative assumption post-recovery, reflects steady demand for global energy services.
Cost of Revenue	% of revenue	76.5% for Services; 85% for Products	Margins expected to remain stable based on 3-year averages
Operating Expenses (SG&A + R&D)	% of revenue	3.2%	In line with 2023-2024 levels; reflects disciplined cost control
D&A	% of revenue	7.0%	Consistent with historical CapEx intensity

CapEx	% of revenue	4.5%	Supports maintenance + selective growth investments
Change in WC	% of revenue	-1.0%	Assumes minor WC efficiency gains
Tax Rate	% of EBT	20.0%	Based on 3-year average effective tax rate
WACC	From WACC model	9.2%	Derived from CAPM and capital structure
Perpetuity Growth Rate (g)	DCF terminal value	1.5%	Long-term growth assumption aligned with GDP-level expansion

Income Statement Forecast (2025-2029)

- Revenue grows from $36.3 billion in 2024 to $46.4 billion in 2029.
- EBITDA increases from $8.3 billion to $11.2 billion, reflecting stable margins.
- Net Income rises from $4.6 billion to $6.4 billion, supporting higher ROE.
- EBIT margin remains in the 16-17% range, reflecting operational leverage.

Figure 1: Revenues & EBITDA Chart

Source: Schlumberger_Valuation.xlsx – "Revenues&Ebitda" sheet

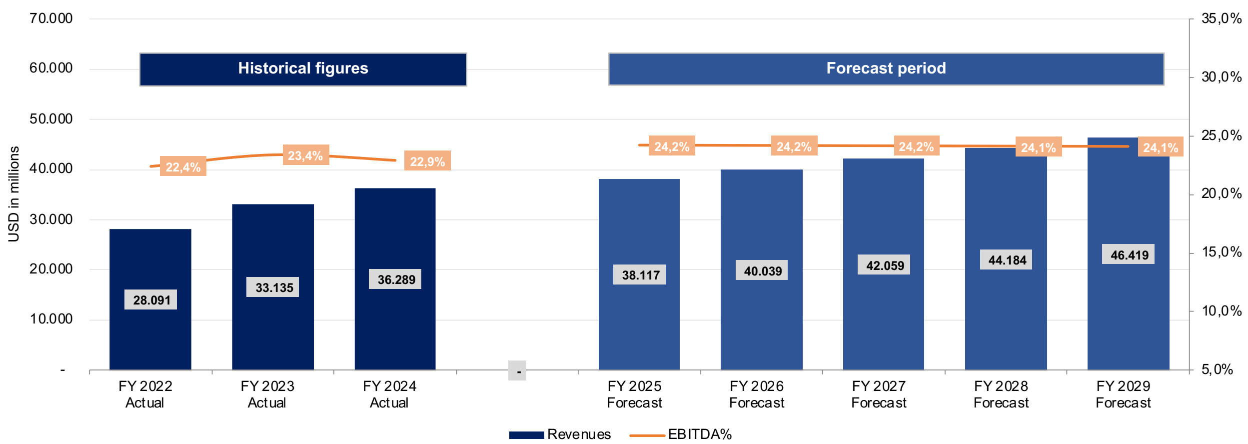
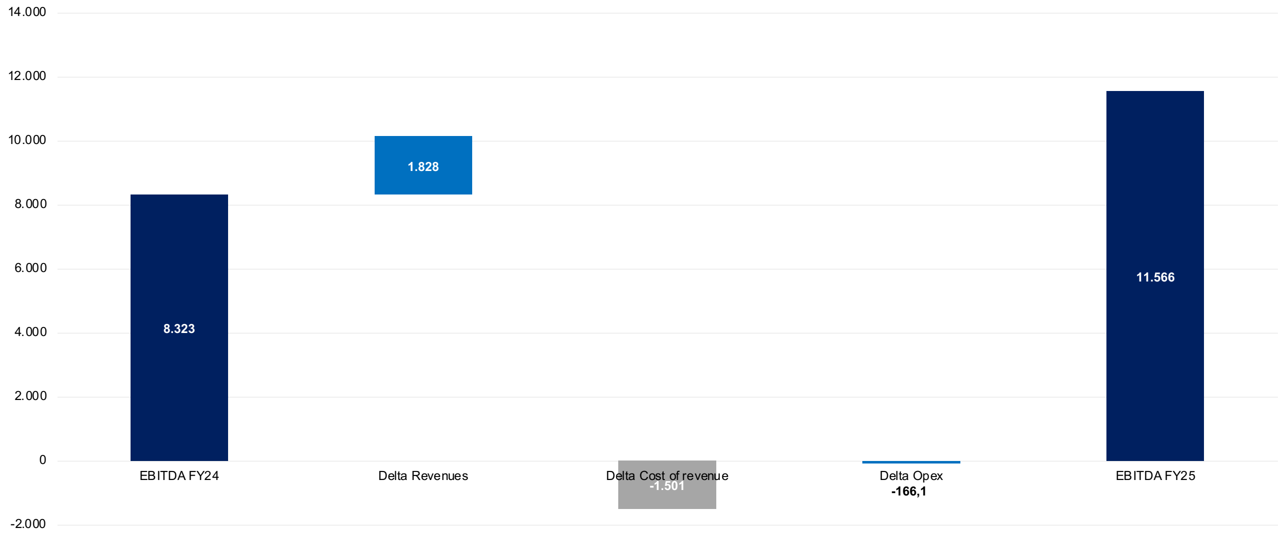


Figure 1 displays Schlumberger's historical and forecasted total revenues (in USD millions) alongside EBITDA margins (%) from FY2022 to FY2029. Revenues have shown a strong upward trajectory from $28.1 billion in FY2022 to a forecasted $46.4 billion in FY2029. EBITDA margin, having stabilized above 22% in recent years, is projected to hover around 24.1-24.2% through the forecast period, reflecting consistent operating efficiency.

Figure 2: EBITDA bridge

Source: Schlumberger_Valuation.xlsx – “Ebitda bridge” sheet



The EBITDA bridge (Figure 2) isolates the drivers of EBITDA change between FY2024 and FY2025. A positive revenue delta (+$1.828 billion) and increased cost of revenue (-$1.501 billion) contributed significantly to the increase in EBITDA, offset slightly by a modest rise in operating expenses (-$166 million). This analysis highlights operational leverage and margin expansion from cost control and top-line growth.

Balance Sheet Forecast Highlights

- Receivables and Inventories grow in line with revenue.
- Net PP&E increases gradually, consistent with CapEx and D&A schedule.
- Cash is inserted from the cash flow statement
- Debt remains flat in the base case (no new issuance or repayment).
- Retained earnings are forecasted as a plug to balance the balance sheet.

Figure 3: Working capital development for FY2022-FY2029

Source: Schlumberger_Valuation.xlsx – "Working capital" sheet

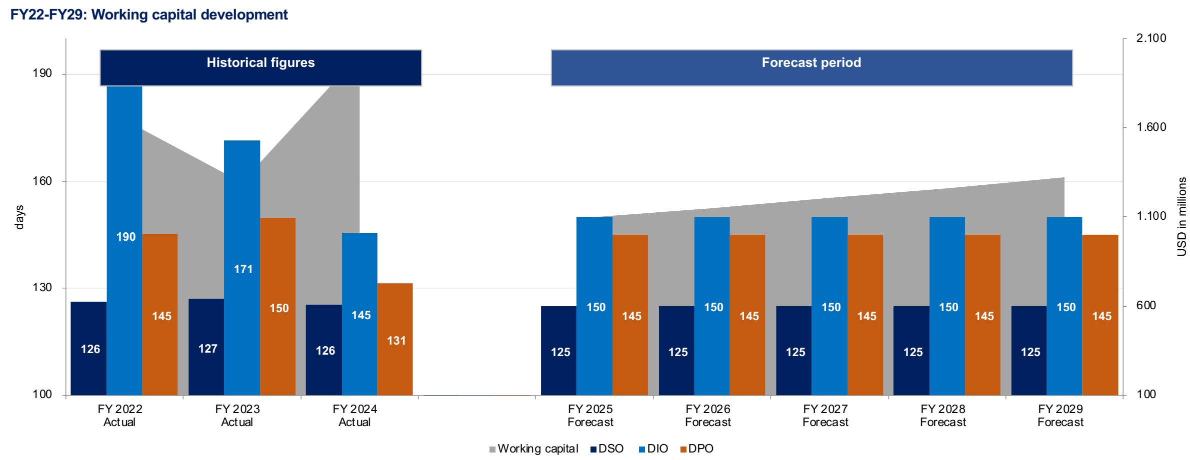


Figure 3 tracks the development of Days Sales Outstanding (DSO), Days Inventory Outstanding (DIO), and Days Payables Outstanding (DPO), along with total working capital. Notably, working capital improved in FY2024 and remains stable over the forecast period. DSO is maintained at 125 days, while DIO and DPO stabilize at 150 and 145 days respectively, reflecting consistent working capital management and cash conversion discipline.

Cash Flow Forecast Summary

- Operating Cash Flow (CFO) grows from $6.6 billion in 2024 to $9.1 billion in 2029.
- Unlevered Free Cash Flow (UFCF) expands to $7 billion by 2029, after CapEx and Change in WC.
- Dividends Paid are modeled at 25% of net income.
- No stock issuance or repurchase are assumed in Base Case (buybacks are modeled in Optimistic scenario only).

Figure 4: UFCF and PV UFCF for SLB for forecasted FY2025-2029

Source: Schlumberger_Valuation.xlsx – "Cash flows" sheet

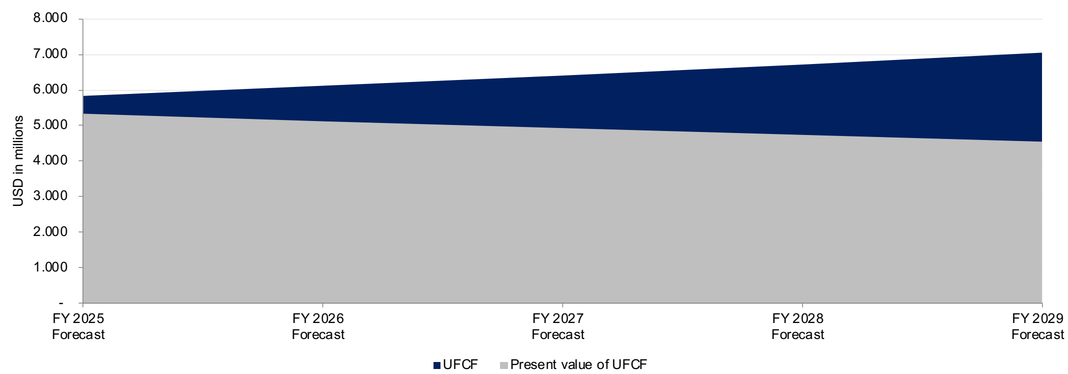


Figure 4 compares forecasted Unlevered Free Cash Flows (UFCF) with their present values (PV UFCF) discounted at the WACC. UFCF increases steadily from $5.9 billion in FY2025 to $7.96 billion in FY2029. However, due to discounting, the PV of UFCF is comparatively lower, illustrating the time value of money and the significance of near-term cash flow generation in the DCF framework.

Table 6: Scenario logic overview

Source: Schlumberger_Valuation.xlsx – "Assumptions" sheet

Scenario	Revenue Growth	Cost Structure	CapEx	Net Debt Change
Optimistic	+7% / +10%	Margin expansion	5.5%	-$250m/year (deleveraging)
Base Case	+5% / +6%	Stable	4.5%	Flat
Conservative	+2% / +3%	Margin compression	3.5%	+$500m in 2026 (liquidity need)

5. DCF Valuation

The DCF valuation estimates Schlumberger's intrinsic value based on the present value of its' projected Unlevered Free Cash Flows (UFCFs) from FY2025 to FY2029, and a terminal value representing the value beyond 2029. The cash flows are discounted using the Weighted Average Cost of Capital (WACC).

UFCF Calculation

The following formula was used to calculate UFCF:

$$\text{UFCF} = \text{EBIT}(1-T) + \text{D\&A} - \text{CapEx} - \Delta\text{NWC}$$

Table 7: UFCF values for FY2025-2029

Source: Schlumberger_Valuation.xlsx – "Cash Flow" sheet

Year	UFCF
FY2025	$5.83 billion
FY 2026	$6.11 billion
FY 2027	$6.41 billion
FY 2028	$6.72 billion
FY 2029	$7.05 billion

- D&A and CapEx were projected based on revenue (%), in line with historical ratios.
- Change in Working Capital was forecasted as -1.0% of revenue in the Base Case.

- UFCF grows at ~5% every year from 2025 to 2029.

Terminal Value

The terminal value was calculated using the Perpetuity Growth Method:

$$TV = \frac{UFCF_{2029} * (1 + g)}{WACC - g}$$

Where:

- UFCF (2029) = $7.052 billion
- g = 1.5%
- WACC = 9.2%
- Discount factor = 0.64

Table 8: Valuation Calculations

Source: Schlumberger_Valuation.xlsx – "DCF valuation" sheet

Component	Value ($)
PV of UFCFs (2025-2029)	$24.643,1 billion
Terminal value	$92.833,1 billion
PV of Terminal Value	$59.755,1 billion
Enterprise Value (EV)	**$84.398,2 billion**
(-) Net Debt (2024)	$12.074 billion
(+) Cash (2024)	$3.544 billion
Equity Value	**$75.868,2 billion**
Shares Outstanding (2024)	1.366 billion
Implied Value per Share	$55.5 per share

Sensitivity Analysis (WACC and g)

A two-variable sensitivity table was used to test the Enterprise Value under different assumptions.

Figure 5: Sensitivity table

Source: Schlumberger_Valuation.xlsx – "DCF valuation" sheet

		WACC			
		8,0%	9,2%	10,0%	11,0%
g	1,0%	94.715	**80.483**	73.274	65.779
	1,5%	100.411	**84.398**	76.422	68.224
	2,0%	107.057	**88.856**	79.964	70.940
	2,5%	114.911	93.979	83.978	73.977

This range suggests SLB's Enterprise Value lies between $65.8 billion and $114.9 billion, depending on discount rate and long-term growth expectations.

6. Comparable Company Analysis (Comps)

Comps valuation method benchmarks Schlumberger's value against a peer group of publicly traded oilfield services and energy technology companies. This process involves:

- Selecting comparable firms based on industry, geography, and financial scale
- Calculating Enterprise Value (EV) and valuation multiples
- Applying median/average multiples to SLB's metrics to estimate implied value

Table 9: Peer Group

Source: Schlumberger_Valuation.xlsx – "Comps Model" sheet

Company Name (Ticker)	Equity Value (Market Cap)	Description
Halliburton (HAL)	$19.3 billion	Closest direct peer with strong U.S. base
Baker Hughes (BKR)	$38.7 billion	Global diversified oilfield service provider
Weatherford Intl (WFRD)	$3.7 billion	Mid-cap competitor, international exposure
Tenaris S.A. (TS)	$19.6 billion	Oilfield pipe and equipment manufacturer
NOV Inc. (NOV)	$5.2 billion	Equipment-heavy oil & gas technology firm

These peers were selected for similarity with SLB in business model, market exposure, and scale.

Table 10: Peer Multiples Summary

Source: Schlumberger_Valuation.xlsx – "Comps Model" sheet

Company	Enterprise Value ($b)	Revenue ($b)	EV/Rev.	EBITDA ($b)	EV/ EBITDA	P/E
Halliburton	$24.2b	$22.9b	1.1x	$4.8b	5.1x	7.7x
Baker Hughes	$41.4b	$27.8b	1.5x	$4.6b	9.0x	13x
Weatherford Intl	$4.4b	$5.5b	0.8x	$1.2b	3.5x	7.4x
Tenaris S.A.	$20.1b	$12.5b	1.6x	$3.3b	6.2x	9.6x
NOV Inc.	$5.7b	$8.9b	0.6x	$1.3b	4,5x	8.1x
Average	-	-	1.1x	-	5.7x	9.2x
Median	-	-	1.1x	-	5.1x	8.1x

Table 11: SLB Valuation

Source: Schlumberger_Valuation.xlsx – "Comps Model" sheet

Metric	EV/Revenue	EV/EBITDA	P/E
SLB Value (2024)	$36.3 billion	$8.1 billion	$4.5 billion
Applied Multiple (Median)	1.1x	5.1x	8.1x
Implied Enterprise Value ($b)	$38.3 billion	$41.0 billion	- (used for direct equity value)
Net Debt ($b)	$4.9 billion	$4.9 billion	-
Implied Market Value ($b)	$33.4 billion	$36.1 billion	$36.2 billion
Shares Outstanding (billion)	1.366 billion	1.366 billion	1.366 billion
Implied Share Price ($)	$24.44	$26.43	$26.49

Valuation Insights

- **Implied Value Range:** $24.44 to $26.49 per share
- **Current SLB Market Price** (21.06.2025)**:** $35.84
- **Observation:** Comps-based valuation is conservative relative to current market price and DCF. This is not unusual, as peer multiples may reflect different growth/return expectations; and SLB trades at a premium due to scale, innovation, and global diversification.

7. Final Valuation Summary and Recommendation

Schlumberger's valuation was approached through two industry-standard methods: Discounted Cash Flow (DCF) and Comparable Company Analysis (Comps).

Table 12: Valuation summary of SLB

Source: Schlumberger_Valuation.xlsx – "DCF results" and "Comps Model" sheets

Valuation Method	Implied Equity Value ($b)	Implied Value per Share ($)
DCF – Optimistic Case	$90.3 billion	$66.1
DCF – Base Case	$75.9 billion	$55.5
DCF – Conservative Case	$66.4 billion	$48.6
Comps – EV/Revenue	$33.4 billion	$24.44
Comps – EV/EBITDA	$36.1 billion	$26.43
Comps – P/E	$36.2 billion	$26.49
Current Market Cap	**$48.96 billion**	**$35.84**

- **DCF valuation** suggests substantial upside, implying SLB may be undervalued based on intrinsic cash flow generation.
- **Comps valuation** yields more conservative figures, reflecting market sentiment and peer multiples in the oilfield services space.
- The market price of $35.84 currently sits below the DCF-implied value but above comps-based ranges, indicating a premium over peers likely driven by SLB's global scale and capital efficiency.

Investment Recommendation: BUY

Given the following:

- Strong operational recovery with expanding margins (20.5% gross, ~16% EBIT).
- Clear free cash flow visibility: UFCF growing from ~$4B to ~$8B by FY2029.
- Efficient capital allocation, with healthy returns on equity and deleveraging.
- DCF-based valuation points to a ~85% upside from current share price.
- Comps indicate SLB trades at a reasonable premium relative to peers, justified by its scale, brand, and innovation edge.

A BUY rating is recommended on SLB shares for long-term investors seeking exposure to a resilient, cash-generative player in the oilfield services sector.