

The background of the slide features a dark, muted color palette. In the upper portion, a pair of hands is shown holding a single wooden block with a black dollar sign (\$) on its top surface. Below this, a grid of several more wooden blocks, each also marked with a dollar sign, is visible, though they are slightly out of focus and dimmer in color. The overall aesthetic is clean and professional, emphasizing financial themes.

Blue Line Capital

Why 2023 Is Like 2019

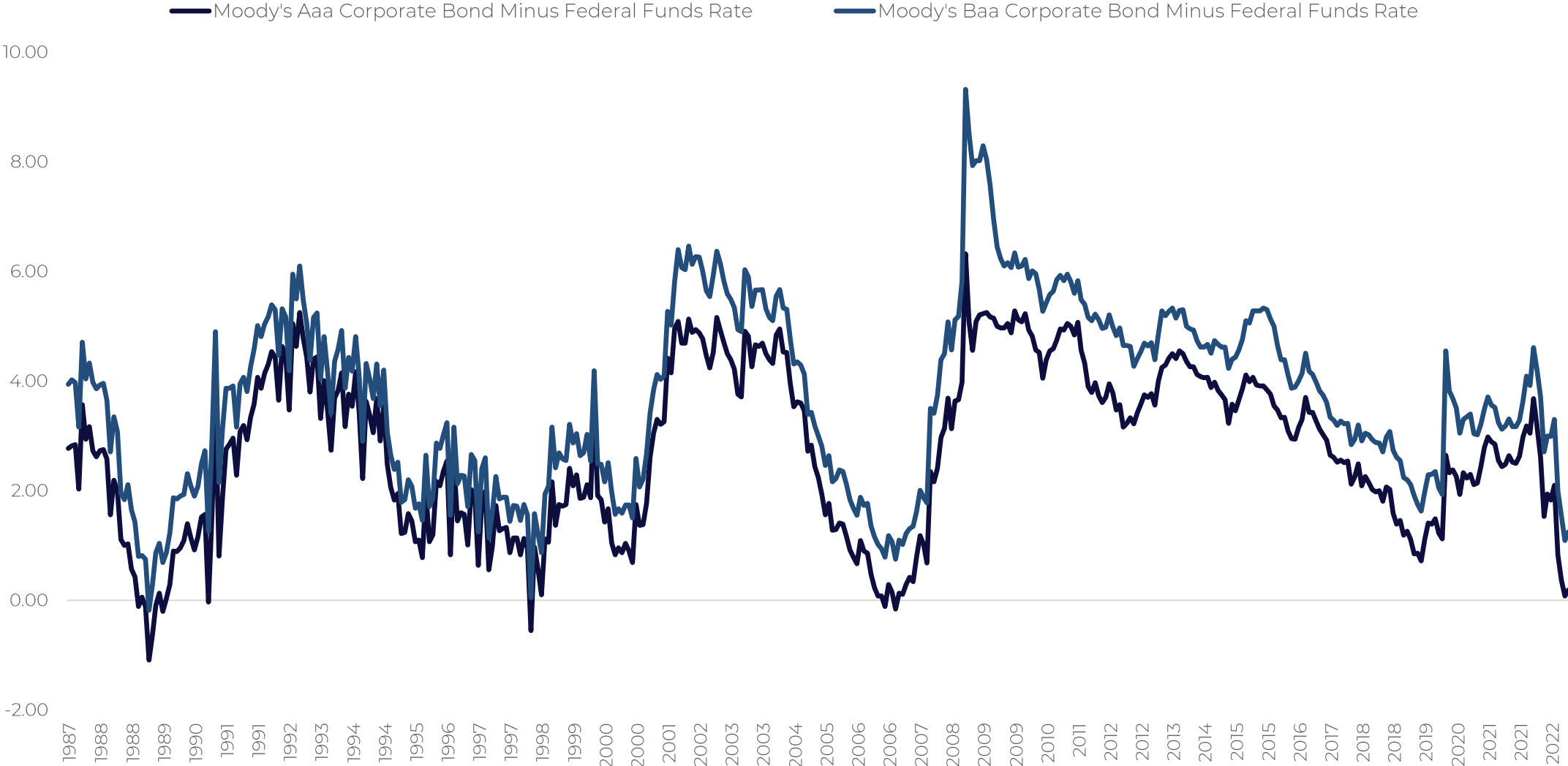
Oil Services, Cybersecurity, Ride-Hailing

A hand is shown at the top, holding a single wooden block with a black dollar sign (\$) on it. Below this, several other wooden blocks with dollar signs are arranged in a grid-like pattern, some overlapping. The background is dark and slightly blurred.

Macro Dynamics

Credit Markets, Private Markets, China Debt

Investment Grade Credit Spreads



Sources: BEA, Blue Line Capital, Blue Line Futures

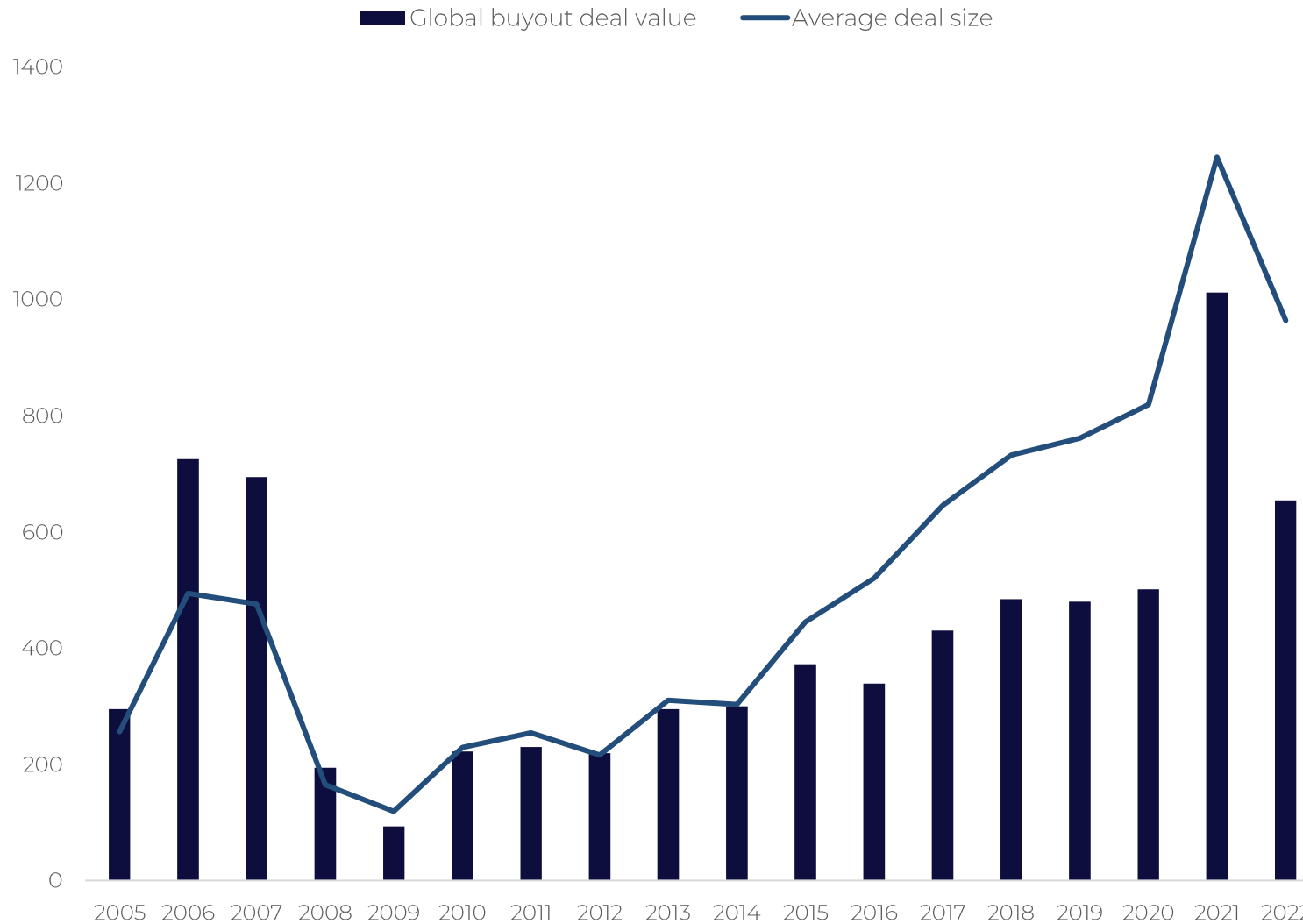
Leveraged Loan Market Remains Robust



- Bloomberg reports distressed debt levels have decreased.
- American Bankruptcy Institute reports an increase of Chapter 7 & Chapter 13 bankruptcy filings compared to 2022.
- Overall, debt maturities were extended by CFOs, buying time for the most vulnerable borrowers. The corporate credit market grew by 300% from 2008 – 2022.

Sources: Refinitiv, Bloomberg, American Bankruptcy Institute, Marathon Asset Management, Blue Line Capital, Blue Line Futures

Global Buyout Value



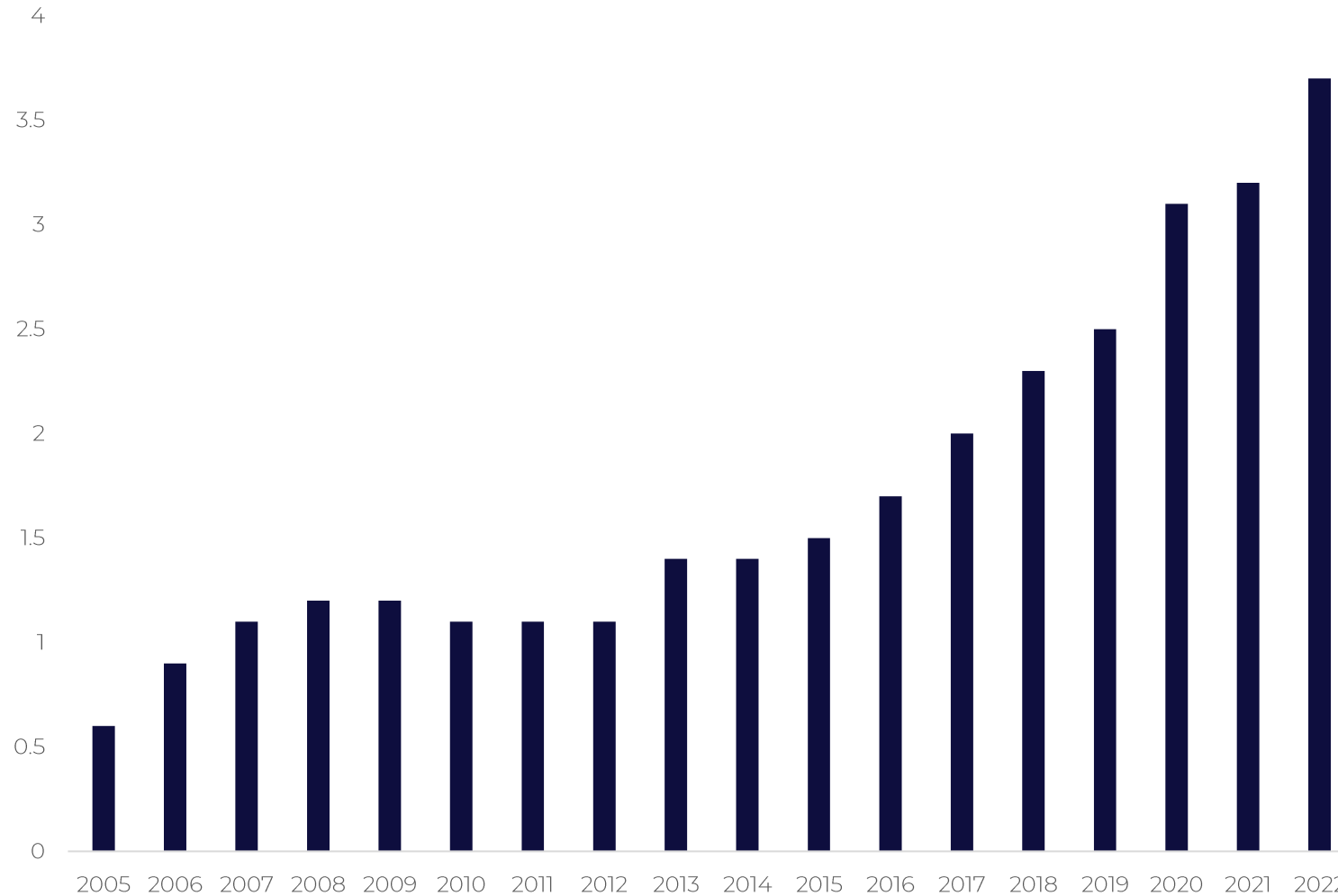
- Global buyout deal value in 2022 was up 12% compared to 2017-21 average.
- Global buyout value fell 35% from 2021.
- Deal count fell by 10% in 2022.

Sources: Bain, Blue Line Capital, Blue Line Futures

3/7/2023

Global Private Capital Dry Powder

■ Global private capital dry powder (\$T)

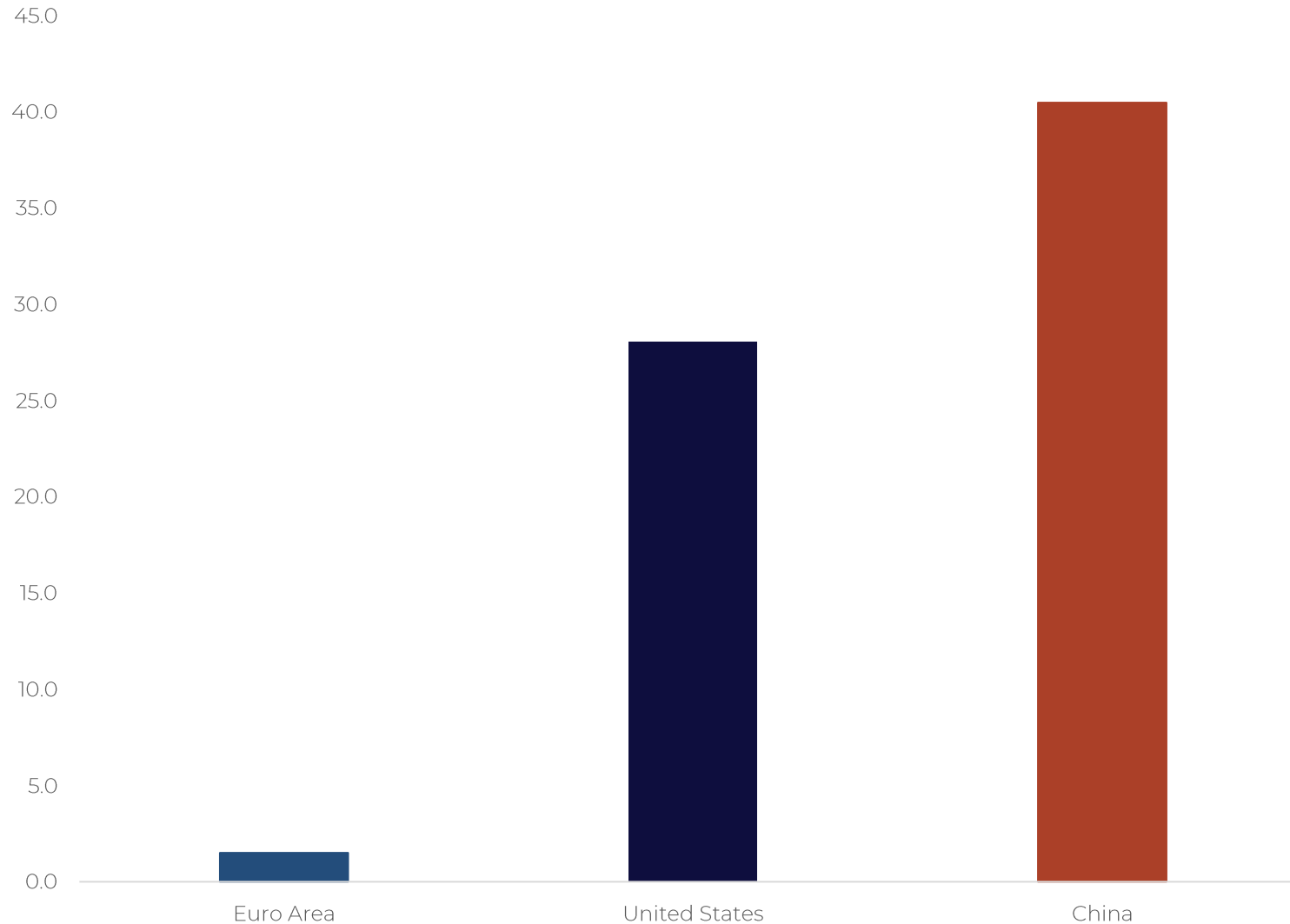


- Dry powder rose to a record \$3.7 trillion in 2022.
- Buyout dry powder finished 2022 at \$1.1 trillion.
- Buyout multiples in the US have remained stable.

Sources: Bain, Blue Line Capital, Blue Line Futures

3/7/2023

China's Systemic Debt Problem – Credit to Non-Financial Sector Change (2010-2022, \$T)



- Credit to the non-financial sector increased by \$1.5 trillion in the Euro Area, \$28.1 trillion in the U.S., and \$40.5 trillion in China.
- Xi Jinping is set to manifest China's economic message at the National People's Congress, focusing on sustainable growth over growth at any cost.
- House price to average income ratios in the 30s continue to dampen economic growth potential in China.

Sources: BIS, Blue Line Capital, Blue Line Futures

3/7/2023

A hand is shown at the top, holding a wooden block with a dollar sign. Below it, several other wooden blocks with dollar signs are arranged in a grid pattern. The background is dark and slightly blurred.

Earnings Data & Corporate Trends

Schlumberger, Palo Alto Networks, Uber

A hand is shown placing a wooden block with a dollar sign on top of a pyramid of other wooden blocks, each also featuring a dollar sign. The blocks are arranged in a 4-3-2-1 pattern from bottom to top. The background is dark and slightly blurred.

Schlumberger

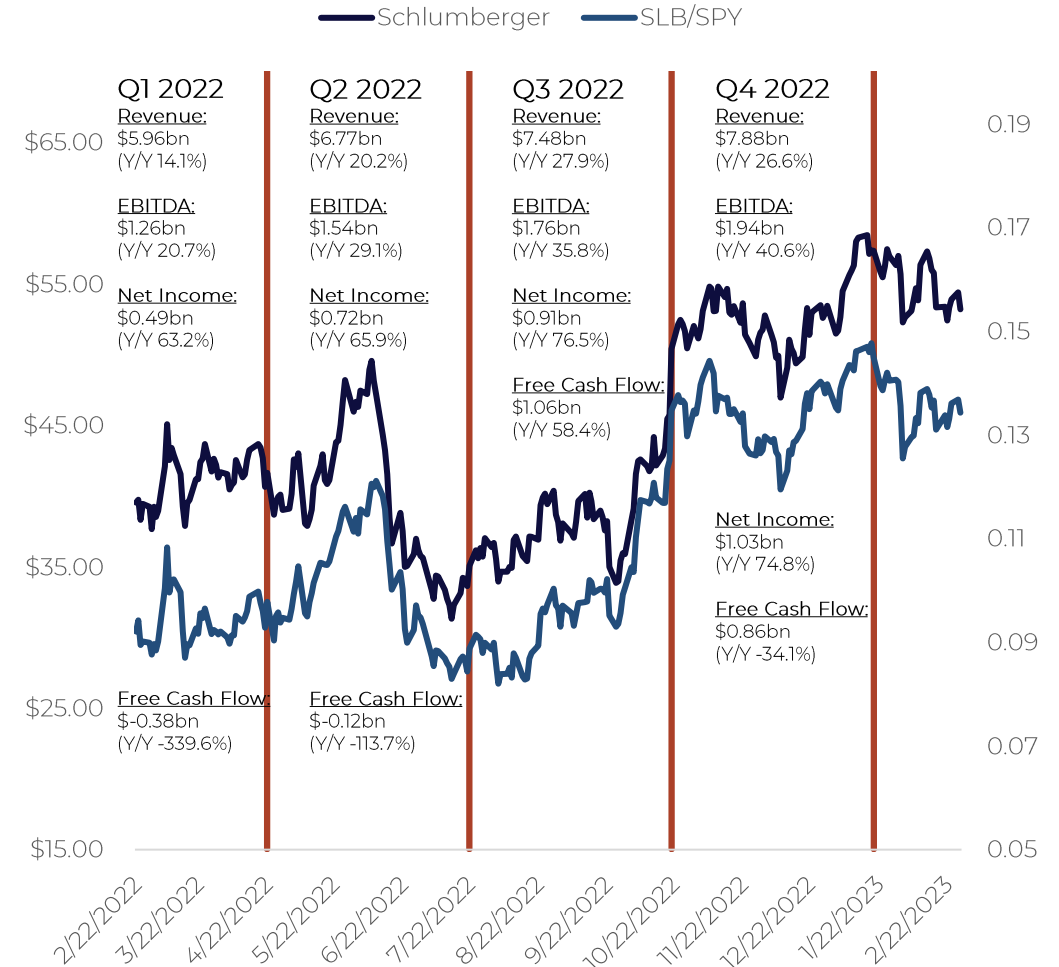
Oil Services Activity

Schlumberger Earnings Highlights & Stock Performance

Management Commentary From Q4 2022 Earnings Call

- **International Growth:** International revenue growth rate has visibly outpaced international rig count growth since the cycle trough in 2020. Service pricing, new technology and digital adoption continued to trend positively.
- **North America:** The pace of growth in North America significantly moderated. As the market 2023 unfolds, first day is a little bit of a shift to drilling to rebuild the DUC inventory that will favor us in a month and a couple of quarters to come, before the usual plateauing or a moderation of growth in the second half.
- **Digital:** In Digital, we had strong growth in exploration data, Innovation Factori and AI solution sales, and the adoption of our new tech digital platform is accelerating. We ended the year with more than 270 DELFI customers, more than 70% growth in DELFI users, and our SaaS revenue more than doubled.
- **Offshore:** Offshore deepwater resurgence and strong gas development activity will be a key driver for the multiyear duration of this cycle. The undercurrent are very strong because of this deepwater activity, that includes exploration, appraisal and future development. Offshore FID for 2023 is set to be the highest since 2012, 2013, indicating that there is a pipeline of subsea activity on the horizon.

Quarterly Data



	P/E	P/S	Market Cap/FCF	EV/EBITDA	P/B
NTM	18.48	2.44	19.87	11.2	NA
TTM	23.43	2.85	307.28	15.51	4.5

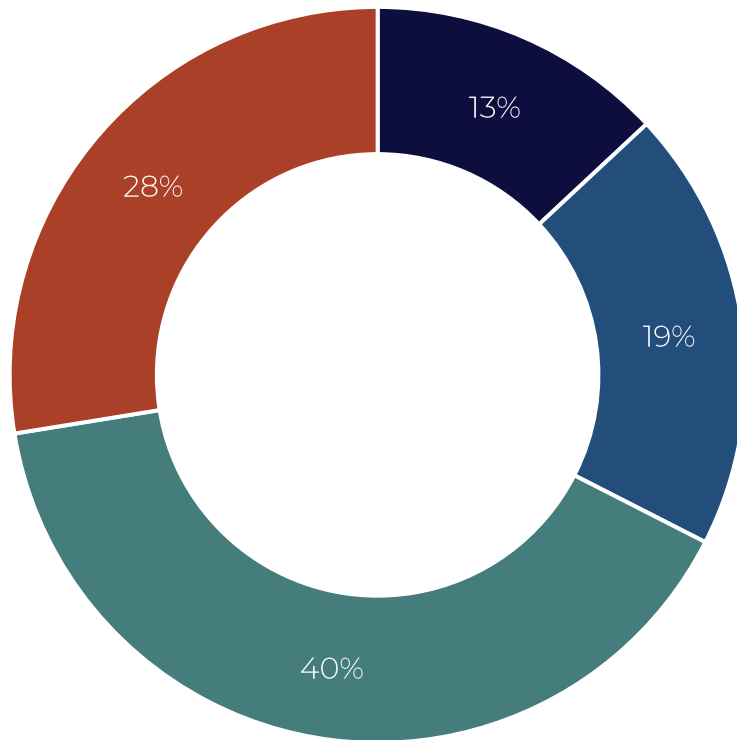
*Levered FCF

Sources: Schlumberger IR, TIKR, Blue Line Capital

Schlumberger Segments

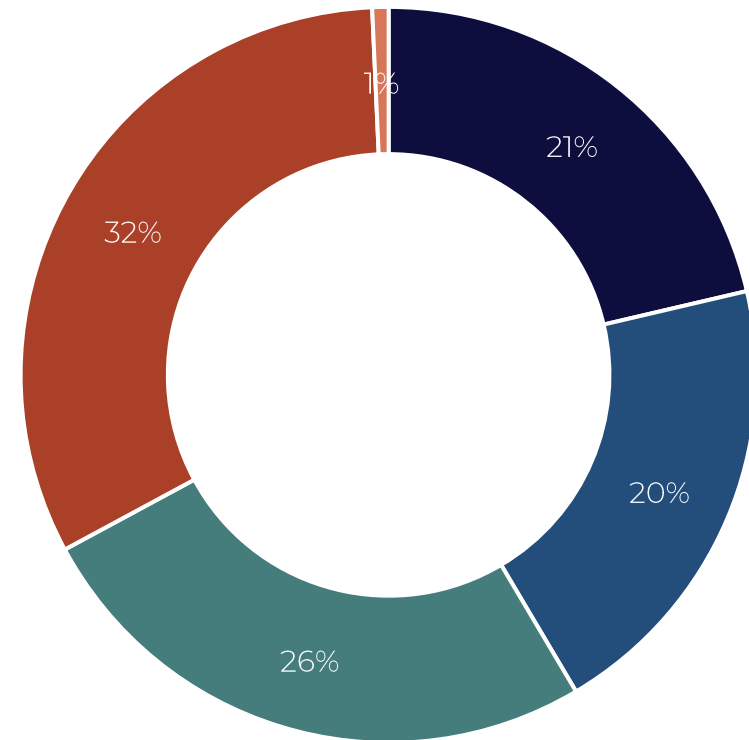
Schlumberger Product Segments

- Digital & Integration
- Reservoir Performance
- Well Construction
- Production Systems



Schlumberger Geographic Exposure

- North America
- Latin America
- Europe/CIS/Africa
- Middle East & Asia
- Eliminations & Other



Sources: Schlumberger IR, Blue Line Capital

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Blue Line Capital maintains a long position in Schlumberger.

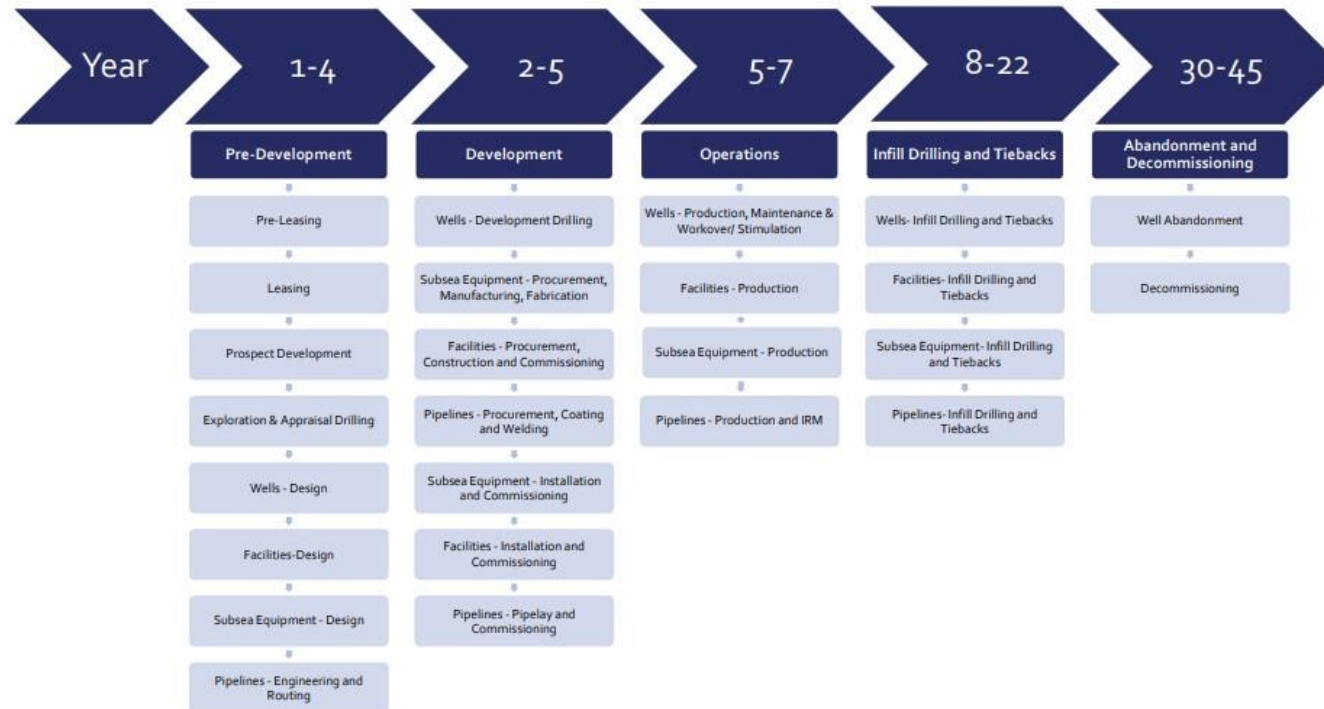
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Offshore Project Lifecycle



Figure 4: Major Development Stages and Detailed Categories

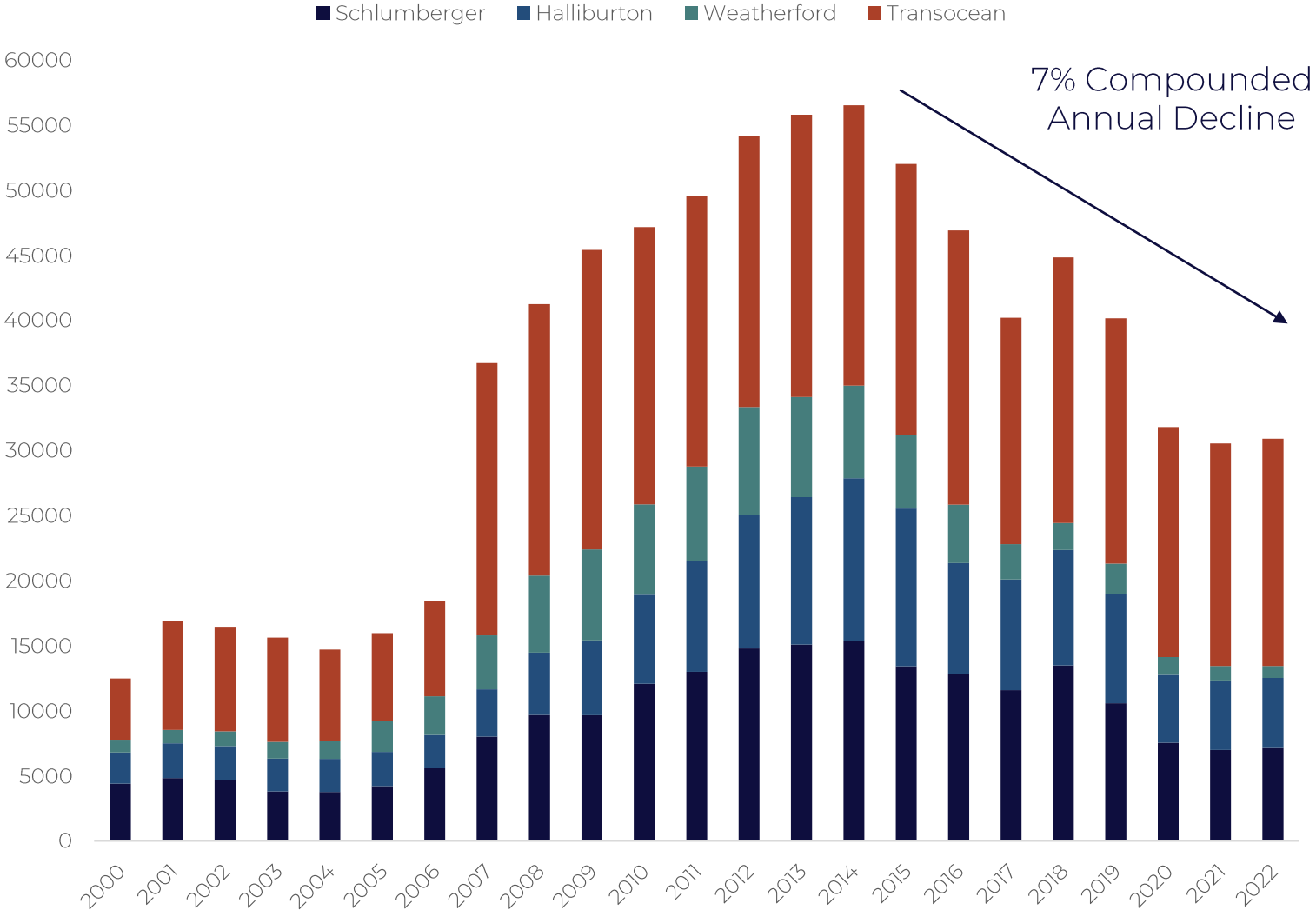


Source: Energy and Industrial Advisory Partners

- Pre-Development in Years 1-4
- Development in Years 2-5
 - Procurement and installation of equipment
- Operations in Years 5-7
 - First production
 - Monitoring and maintenance checks
- Infill Drilling and Tiebacks in Years 8-22
 - New wells installed in nearby or existing reservoirs as decline rates kick in
- Abandonment & Decommissioning in Years 30-45
- 80% of Schlumberger's revenue is international, most of which is in long-cycle projects.

Sources: [NOIA](#), [Bloomberg](#), Blue Line Capital

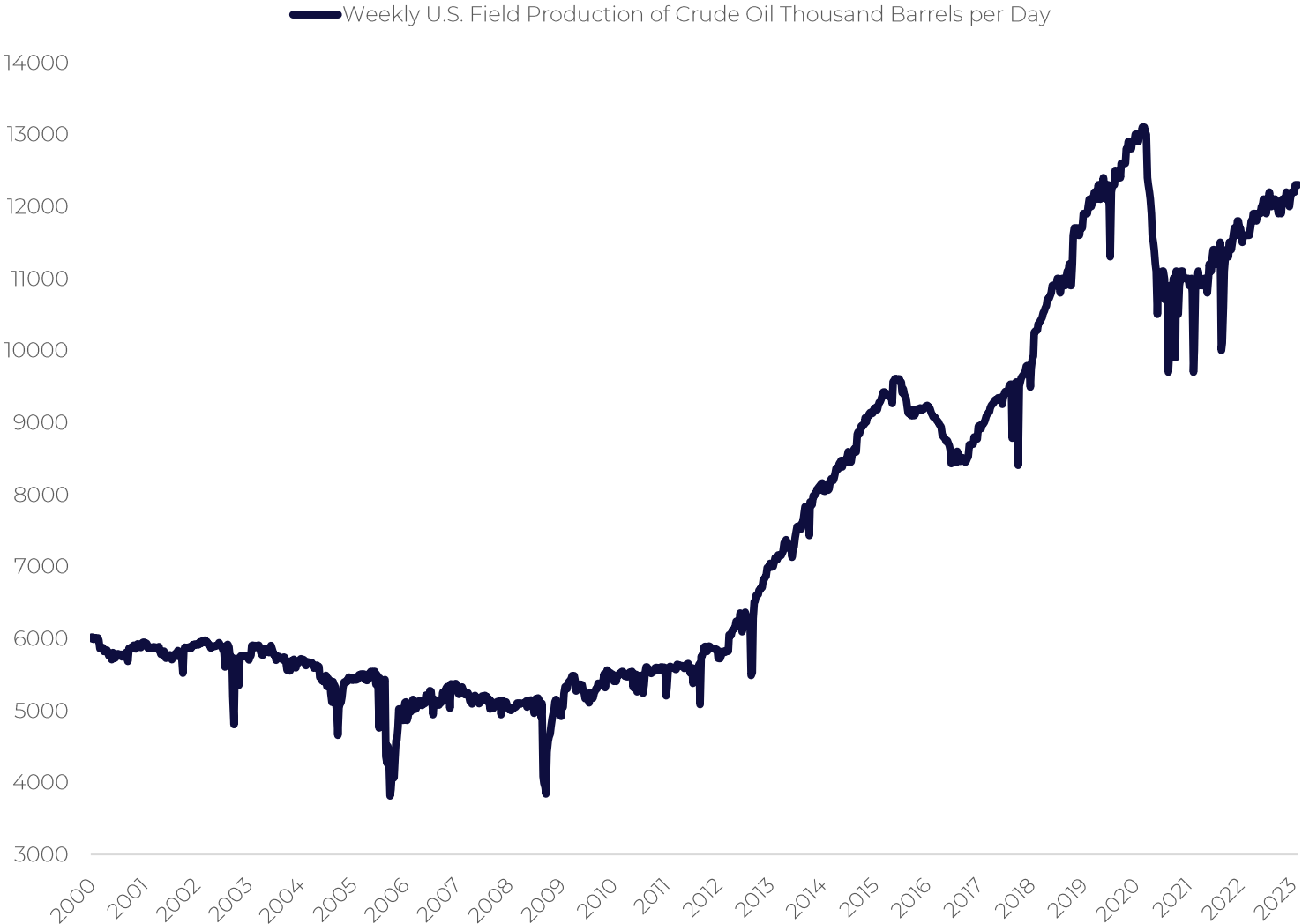
Declining Net Property, Plant & Equipment Base



- Schlumberger’s Net Property, Plant & Equipment has shrunk from ~\$15bn in 2015 to \$7.1bn in 2022.
- Chevron & Exxon combined invested as much as \$57.5bn/quarter in 2014. In Q3 2022, that was down to \$21.3bn
- Schlumberger invested \$6.9bn in 2013 compared to \$1.4bn in 2022.

Sources: Bain, Blue Line Capital, Blue Line Futures

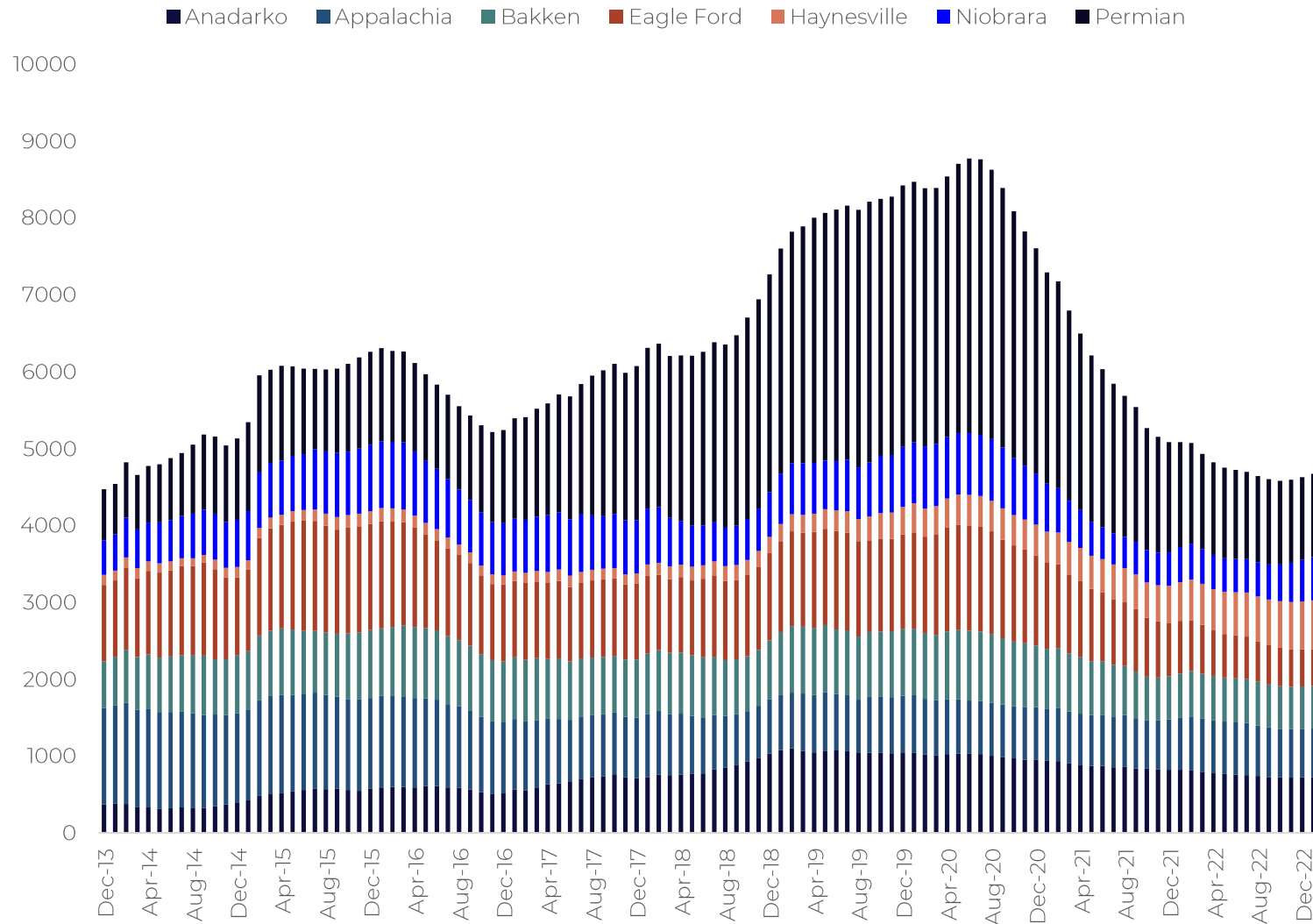
Declining Net Property, Plant & Equipment Base



- With the advent of fracking, U.S. oil production climbed from less than 6m bbl/day at the end of 2011 to nearly 13m bbl/day at the peak in 2019.
- U.S. Natural Gas production has climbed from ~34 million billion cubic feet/day at the end of 2011 to near 100 million billion cubic feet in 2022.
- The world's crude consumption has increased from 87m bbl/day in 2011 to 94m bbl/day in 2021.
 - China's consumption has increased from 9.6m bb/day to 15.4.
 - Africa's consumption has gone from 3.4m bbl/day to 3.9m bbly/day.

Sources: EIA, BP Annual Statistical Review, Blue Line Capital

Declining DUCs & Well Productivity



- Covid has led to a build-up of depleted but uncompleted wells, which in turn have helped to underpin U.S. production.
- Expect a partial re-build of DUC inventory in H1 2023.
- Well productivity has started to decline in the U.S. (production per rig bbl/d)
 - Anadarko from 1,044 in Jan. 2021 to 691
 - Bakken down from 2,600 in Jan. 2021 to 1,705
 - Eagle Ford down from 2,333 in Jan. 2021 to 1,469
 - Permian down from 1,541 in Jan. 2021 to 1,060

Sources: EIA, Blue Line Capital

Schlumberger Expectations & Returns

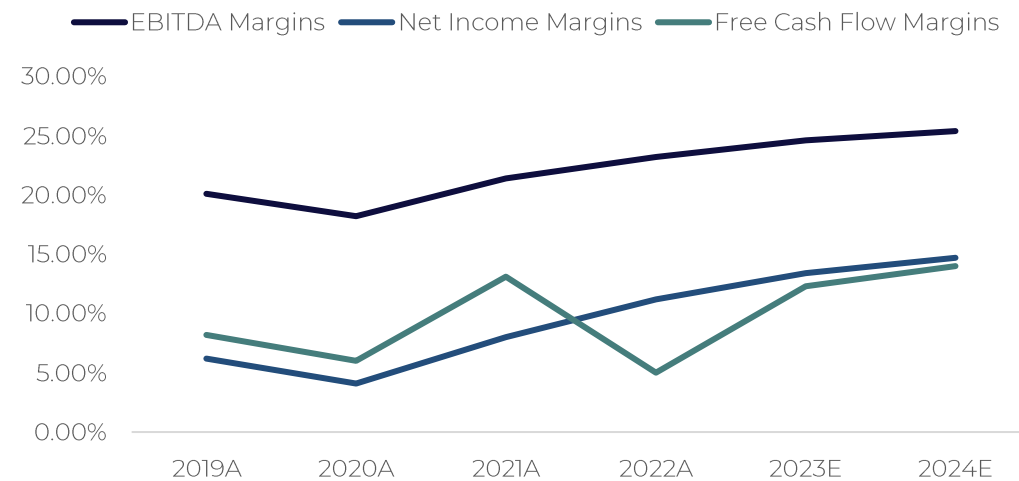
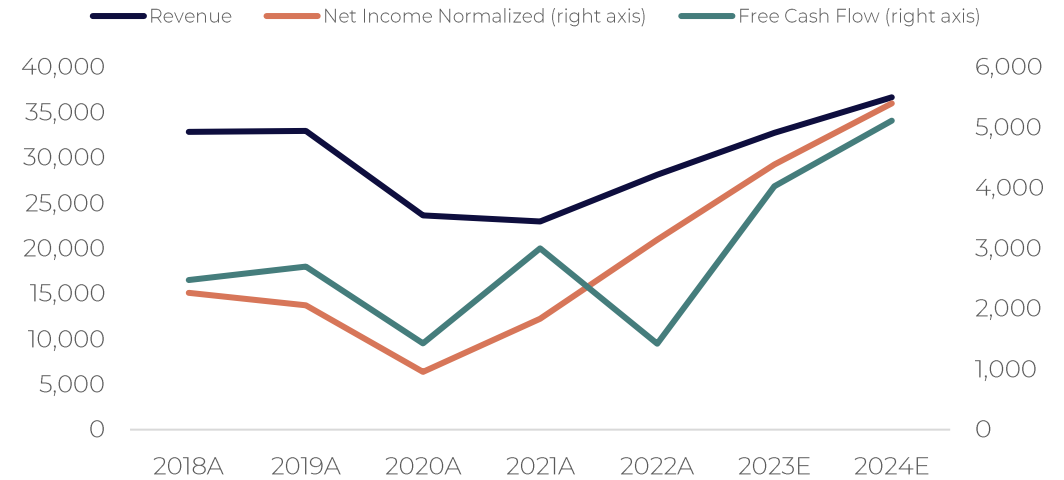
Return Ratios Compared To 2019

Return and margin ratios have improved across the board compared to pre-Covid levels in 2019.

		LTM	2019
Return Ratios	RoA	6.10%	2.90%
	RoC	13.40%	7.20%
	RoE	21.00%	-33.30%
Margins	Gross Profit Margin	18.40%	12.80%
	EBITDA Margin	20.70%	16.90%
	Net Income Margin	12.20%	-30.80%
	Levered Free Cash Flow Margin	0.90%	7.70%
Asset Turnover	Asset Turnover	0.65	0.58
	Fixed Asset Turnover	3.98	2.74
	Receivables Turnover	4.55	4.21
	Working Capital Turnover	9.41	13.53
Solvency	Total Debt/Equity	71.80%	67.40%
	Total Debt/Capital	41.70%	39.80%
	EBITDA/Interest Expense	14.33	11.93
	(EBITDA-Capex)/Interest Expense	9.83	7.81

Sources: Schlumberger IR, TIKR, Blue Line Capital

Revenue and Net Income Estimates



Schlumberger Valuation Vs. Peers

	EV/EBITDA	NTM P/E	Past 3M Return	Past 6m Return	Past 12m Return
Schlumberger (SLB)	11.2	18.48	7%	50%	17%
Halliburton (HAL)	8.25	12.72	1%	33%	-7%
Baker Hughes (BKR)	9.84	20.64	8%	29%	-16%
Tenaris (TS)	4.27	5.8	2%	28%	1%
Valaris (VAL)	22.92	42.59	7%	43%	18%
Chevron (CVX)	5.54	10.57	-11%	5%	-8%
Pioneer Natural Resources (PXD)	5.04	9.05	-12%	-15%	-25%
Median	8.25	12.72	2%	29%	-7%
Mean	9.58	17.12	0%	24%	-3%

Sources: TIKR, Google Finance, Blue Line Capital

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Blue Line Capital maintains a long position in Schlumberger.

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Schlumberger Chart



Sources: Trading View, Blue Line Capital

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Blue Line Capital maintains a long position in Schlumberger.

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Schlumberger Relative to Energy Sector



Sources: Trading View, Blue Line Capital

3/7/2023

Blue Line Capital maintains a long position in Schlumberger.

A hand is shown at the top, holding a single wooden block with a dollar sign. Below it, several other wooden blocks with dollar signs are arranged in a grid pattern, suggesting a stack of money or financial investment. The background is dark and slightly blurred.

Palo Alto Networks

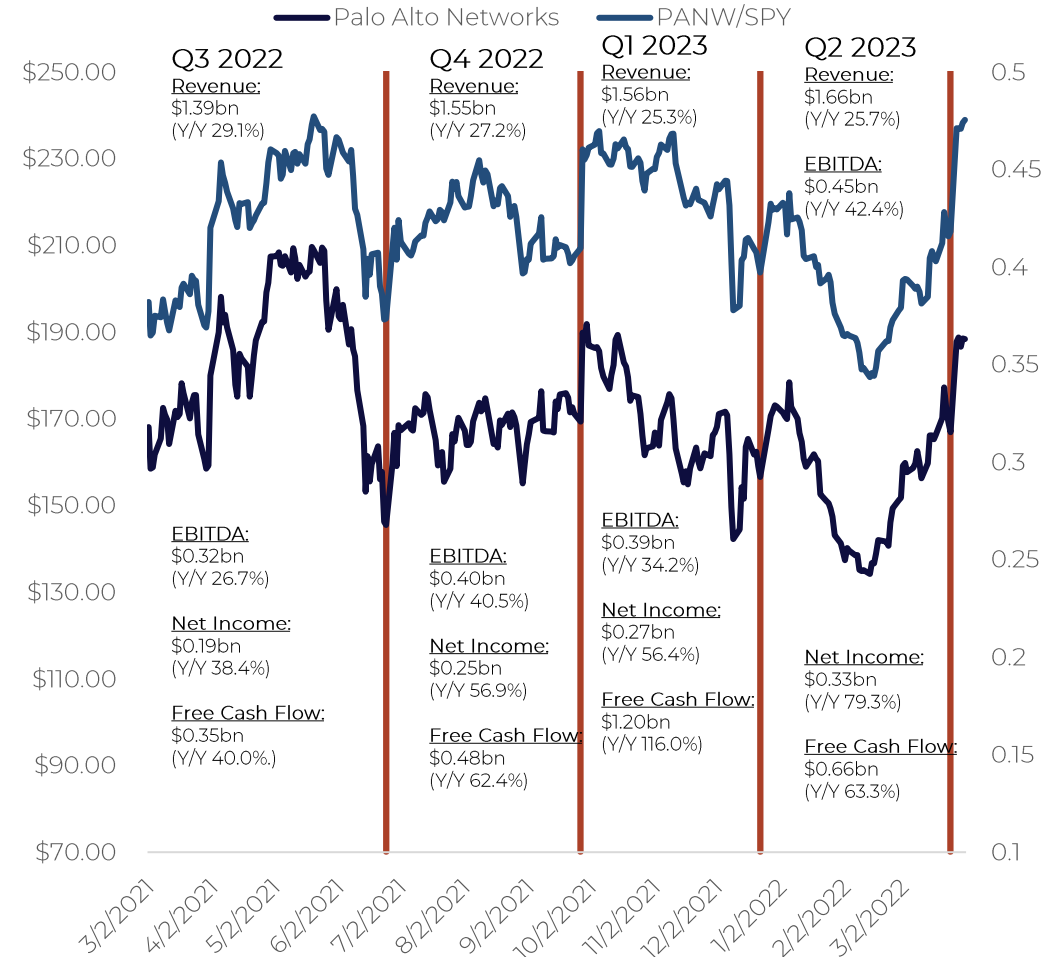
Cybersecurity From Hardware To Software

Palo Alto Networks Earnings Highlights & Stock Performance

Management Commentary From Q2 2023 Earnings Call

- **Revenue Performance Obligation & Customer Base:** Our RPO grew 39% as we continue to sign large multiyear deals with our customers. The number of deals we closed over \$1 million grew nearly 20% Y/Y, and the value these transactions grew nearly 60%. Similarly, the number of greater-than-\$5-million deals grew 84% and a number of great-than-\$10-million deals grew over 140%. Almost all of our \$10 million deals involve multiple platforms on an underlying transformation that is driving vendor consolidation.
- **Customers' Cost Awareness:** It's creating more conversations around payment terms, discounts and scope of deal with purchasing teams. This environment drives the need for consolidation not just to generate clear security outcomes, but also to reduce the security vendor sprawl that has been prevalent in our customers' infrastructure.
- **R&D:** R&D investment, where we have the largest budget of all dedicated cybersecurity companies, ~\$1bn. This is 2x – 5x as much as our pure-play peers.

Quarterly Data

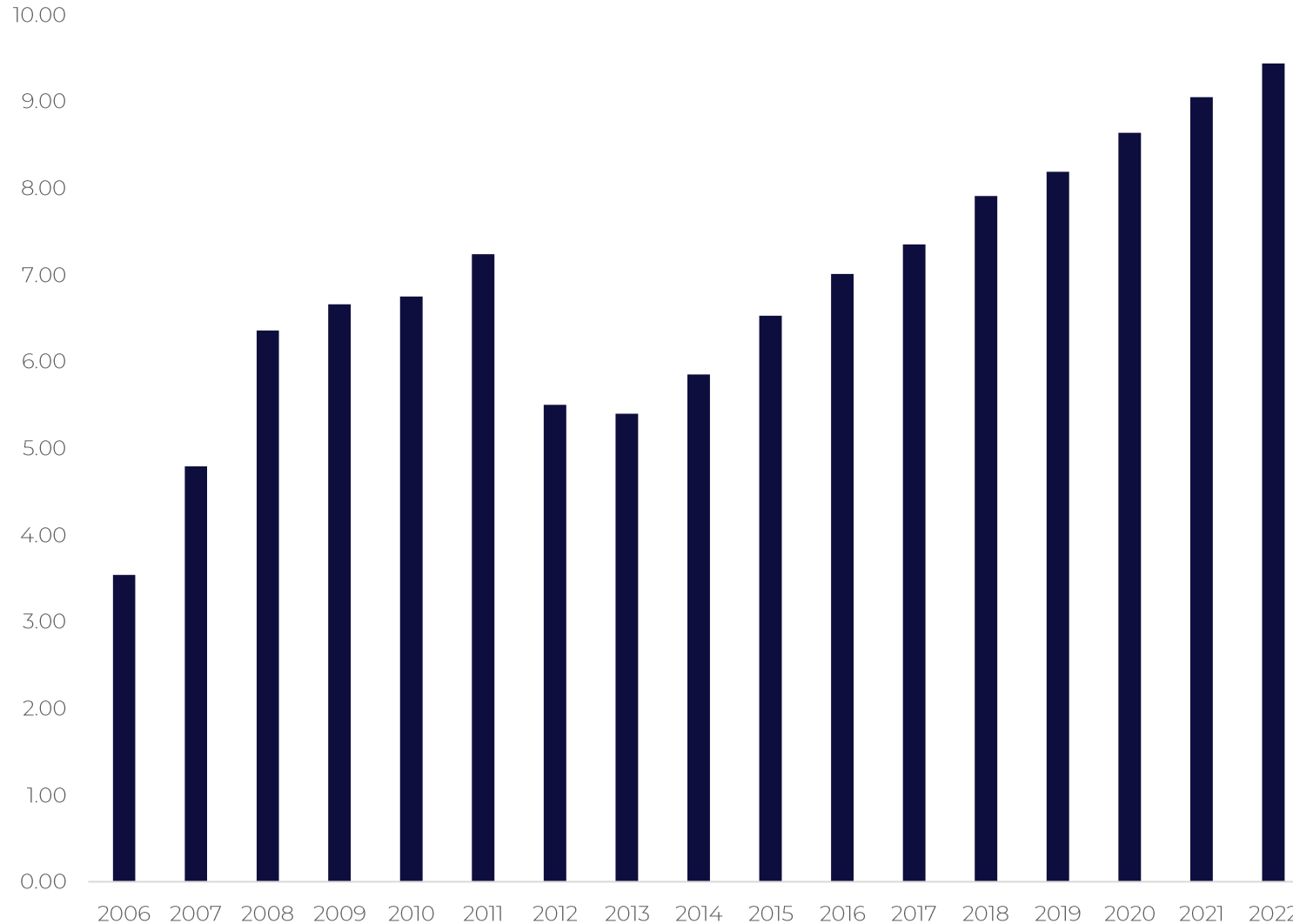


	P/E	P/S	Market Cap/FCF	EV/EBITDA	P/B
NTM	44.28	7.54	22.11	29.41	NA
TTM	1781	9.33	26.73	236.97	78.75

*Levered FCF

Sources: Palo Alto Networks IR, TIKR, Blue Line Capital

Average Cost of Data Breaches In U.S.



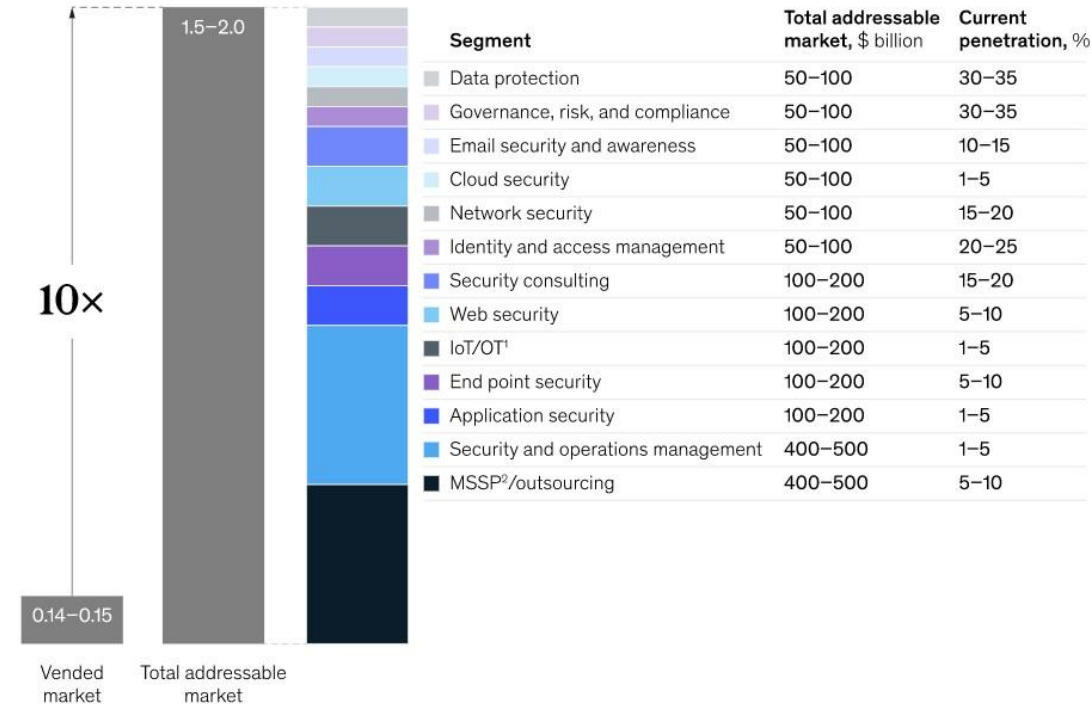
- The average cost of a data breach in the U.S. has increased from \$3.54m in 2006 to \$9.44m in 2022.
- Check Point Research indicates that cyberattacks increased by 38% in 2022 compared to 2021.
- Between 2009 and 2022, 382,262,109 healthcare records have been exposed due to data breaches, 1.2x the U.S. population.
 - The median data breach size has increased from 1,500 in 2009 to 6,221 in 2022.

Sources: Statista, HIPPA Journal, Security Magazine, Blue Line Capital

Global Cybersecurity Spending Outlook

The global cybersecurity total addressable market may reach \$1.5 trillion to \$2.0 trillion, approximately ten times the size of the vended market.

Global cybersecurity market size, 2021, \$ trillion



¹Internet of Things/operational technology.
²Managed security service provider.
 Source: McKinsey Cyber Market Map 2022



- McKinsey indicates a 10x potential of the total addressable market in cybersecurity.
- McKinsey estimates that at the current rate, damage from cyberattacks will amount to ~\$10.5 trillion/year by 2025 – a 300% increase from 2015.
- Gartner estimates the market to surpass \$260bn in sales by 2026, up from \$188bn expected for 2023 → 11.4% annual growth rate.

Sources: McKinsey & Company, Cybersecurity Dive, Blue Line Capital

Cybersecurity Is A National Security Concern

U.S.

FBI's Christopher Wray Wants Business to Help Fight China, Cyber Threats

Agency promises 'Ritz Carlton-level customer service' in effort to warm ties to companies



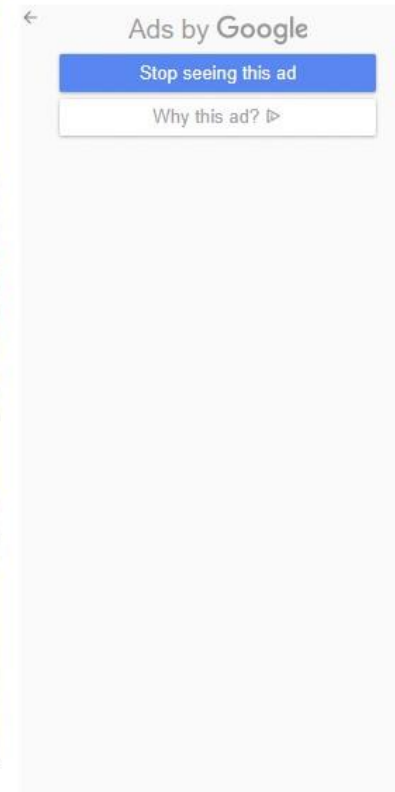
FBI Director Christopher Wray has told the private sector that some of the biggest threats to national security are from the Chinese government and the cyber arena.

PHOTO: KEVIN DIETSCH/GETTY IMAGES

By [Aruna Viswanatha](#) [Follow](#)

Updated Feb. 9, 2023 9:48 am ET

Sources: WSJ, WhiteHouse, Blue Line Capital



- Cybersecurity represents an increasingly important domain of concern for public and private institutions.
- “As an open society, the United States has a clear interest in strengthening norms that mitigate cyber threats and enhance stability in cyberspace.”
– U.S. National Security Strategy Paper

Palo Alto Networks Expectations & Returns

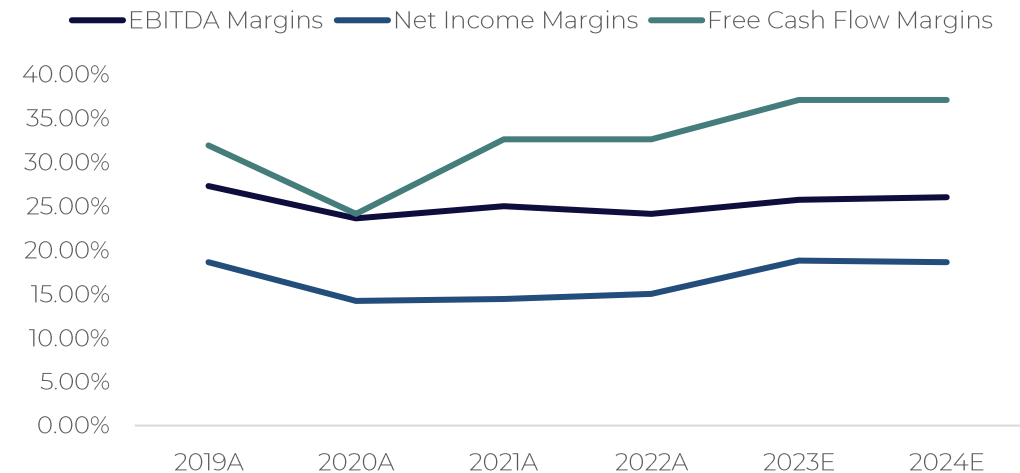
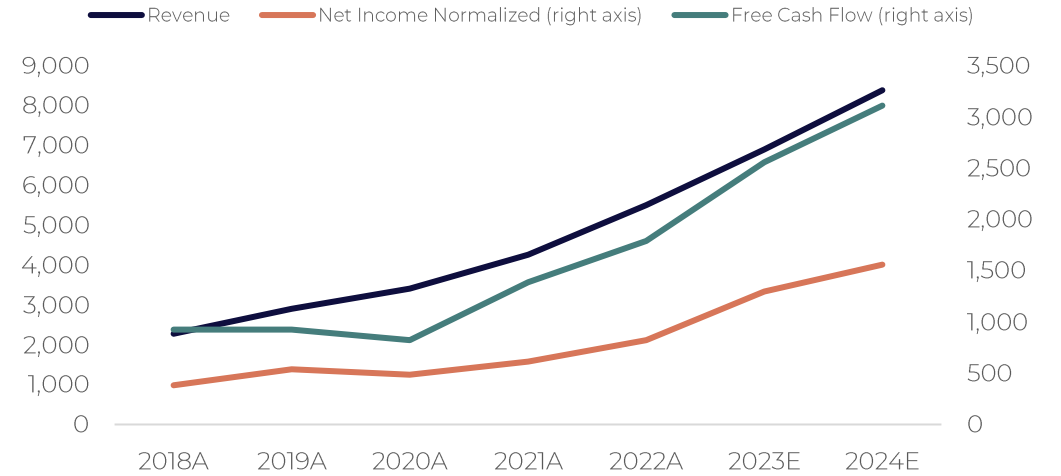
Return Ratios Compared To 2019

Palo Alto Network's return ratios have improved slightly from 2019 levels while debt levels have increased drastically.

		LTM	2019
Return Ratios	RoA	0.10%	-0.30%
	RoC	0.50%	-0.90%
	RoE	8.10%	-6.00%
Margins	Gross Profit Margin	69.80%	72.10%
	EBITDA Margin	4.00%	3.90%
	Net Income Margin	0.60%	-2.80%
	Levered Free Cash Flow Margin	34.90%	41.70%
Asset Turnover	Asset Turnover	0.47	0.44
	Fixed Asset Turnover	10.28	10.19
	Receivables Turnover	5.52	5.53
	Working Capital Turnover	-2.01	1.8
Solvency	Total Debt/Equity	542.50%	90.10%
	Total Debt/Capital	84.40%	47.40%
	EBITDA/Interest Expense	12.48	1.36
	(EBITDA-Capex)/Interest Expense	6.81	-0.21

Sources: Palo Alto Networks IR, TIKR, Blue Line Capital

Revenue, Net Income, and FCF Estimates



Palo Alto Networks Valuation Vs. Peers

	EV/EBITDA	NTM P/E	Past 3M Return	Past 6m Return	Past 12m Return
Palo Alto Networks (PANW)	29.41	44.28	6%	4%	11%
Cisco (CSCO)	8.9	12.45	-3%	7%	7%
CrowdStrike (CRWD)	51.17	66.40	0%	-29%	-27%
Juniper Networks (JNPR)	9.11	13.35	-7%	9%	0%
Oracle (ORCL)	13.57	16.8	3%	15%	19%
VMware (VMW)	10.55	17.29	-9%	-3%	-15%
Cloudflare (NET)	102.03	366.1	20%	0%	10%
Median	13.57	17.29	0%	4%	7%
Mean	32.11	76.67	2%	1%	1%

Sources: TIKR, Google Finance, Blue Line Capital

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Blue Line Capital maintains no position in Palo Alto Networks.

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Palo Alto Networks Chart



Sources: Trading View, Blue Line Capital

3/7/2023

Blue Line Capital maintains no position in Palo Alto Networks.

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A hand is shown at the top, holding a single wooden block with a dollar sign. Below it, several other wooden blocks with dollar signs are arranged in a grid-like pattern, some overlapping. The background is dark and textured.

Uber

Looking Beyond Ride-Hailing

Uber Earnings Highlights & Stock Performance

Management Commentary From Q4 2022 Earnings Call

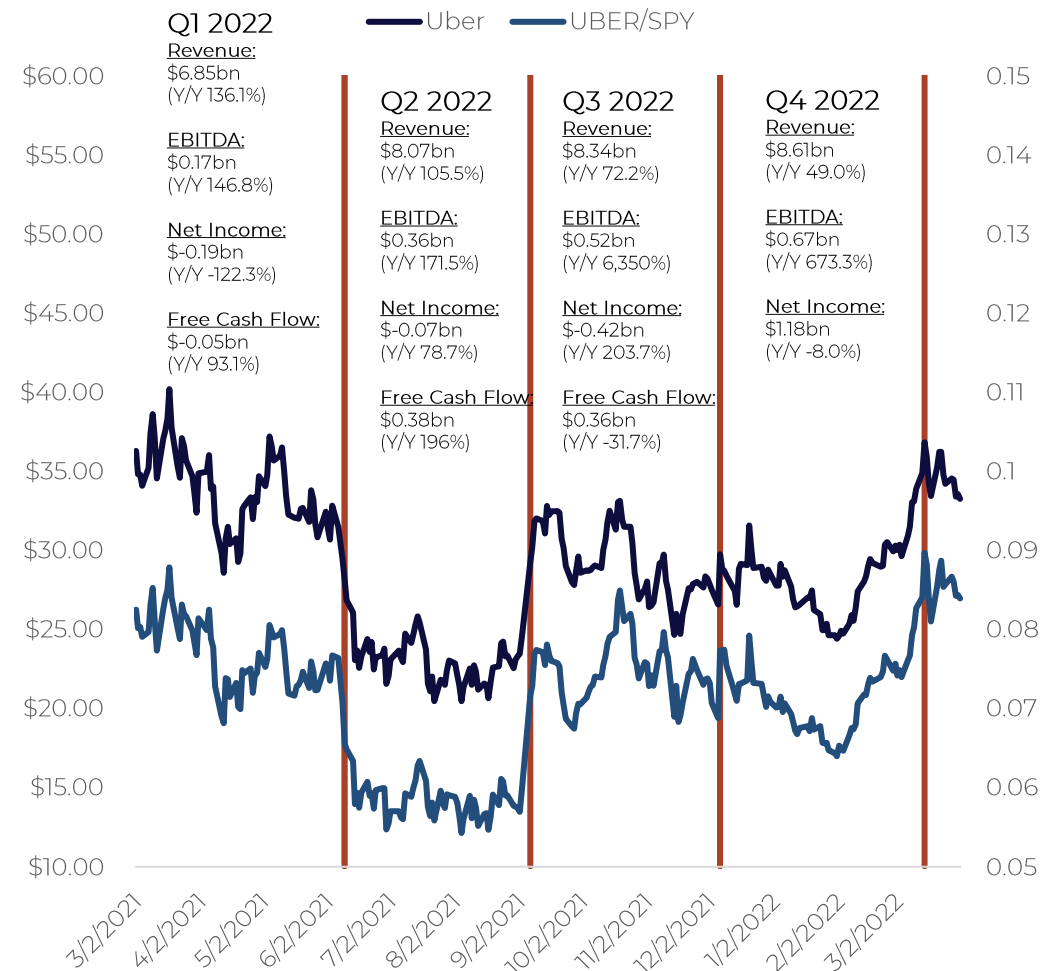
- Quarterly Trips & Driver Supply:** We crossed 2 billion quarterly trips, and our Mobility consumer base exceeded 100 million for the first time in our history. At the same time, we're laser-focused on making Uber the best platform for earners, with over 5.4 million people earning on Uber around the world, an all-time high.
- Uber One:** We got over 12 million members up, with membership having nearly doubled for 2022. Members spend monthly 4.1x the amount that nonmembers do on a monthly basis. Members retention is 15% greater than nonmember retention. Globally, about 25% of our gross bookings come from members.
- Cost Savings in 2020:** During that time, we took over \$1bn of costs out of our infrastructure. We did have to let go over 20% of our headcount.
- Advertising:** We passed \$500 million in annual run rate, and that's based on increasing the number of active advertisers by 80% Y/Y. Only 25% of our merchants are active in the auctions that we have going on (committed to \$1bn in revenue by 2024.)

	P/E	P/S	Market Cap/FCF	EV/EBITDA	P/B
NTM	35.92	1.83	28.06	23.11	NA
TTM	-7.44	2.12	111.95	-83.68	9.45

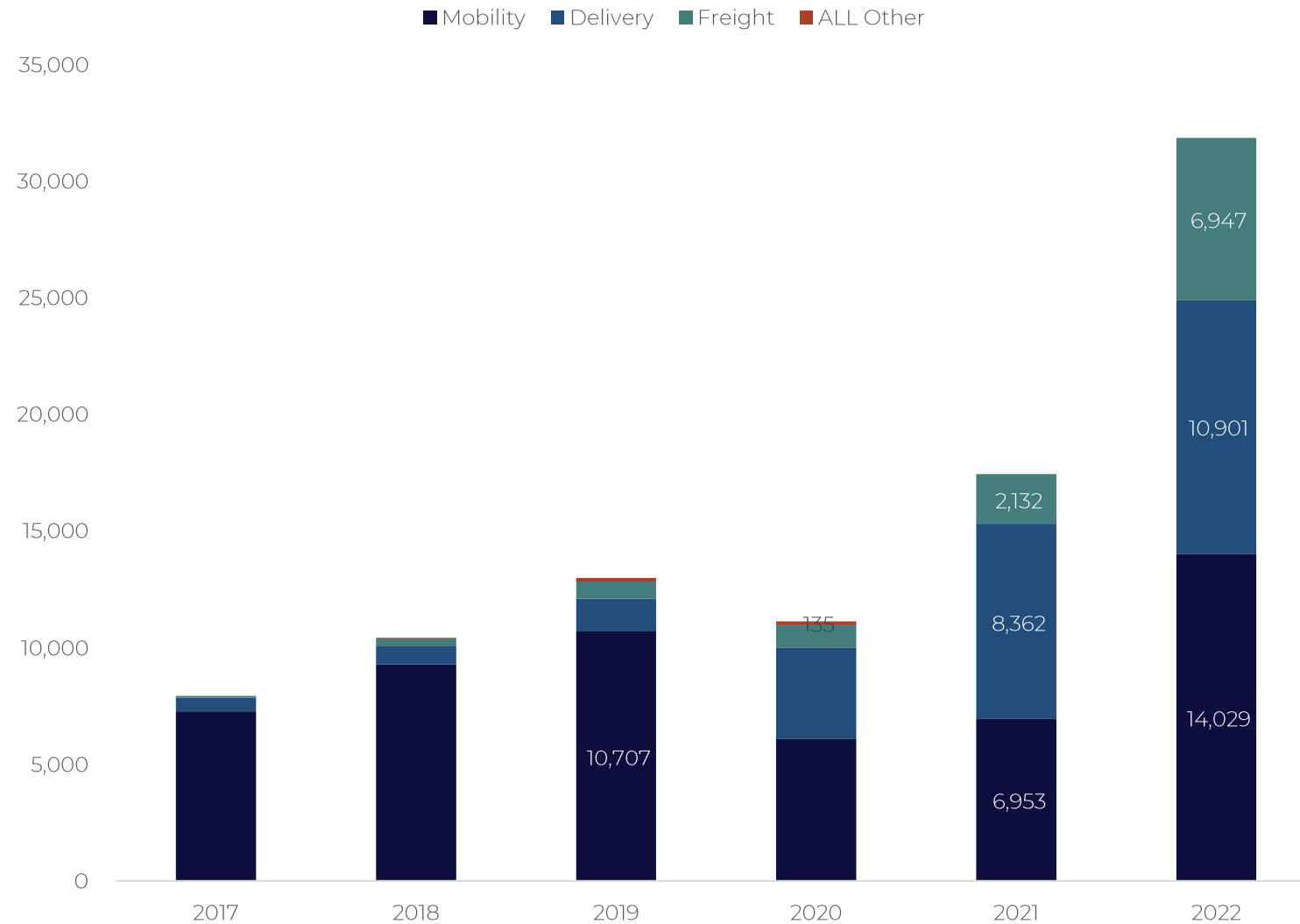
*Levered FCF

Sources: Uber IR, TIKR, Blue Line Capital

Quarterly Data



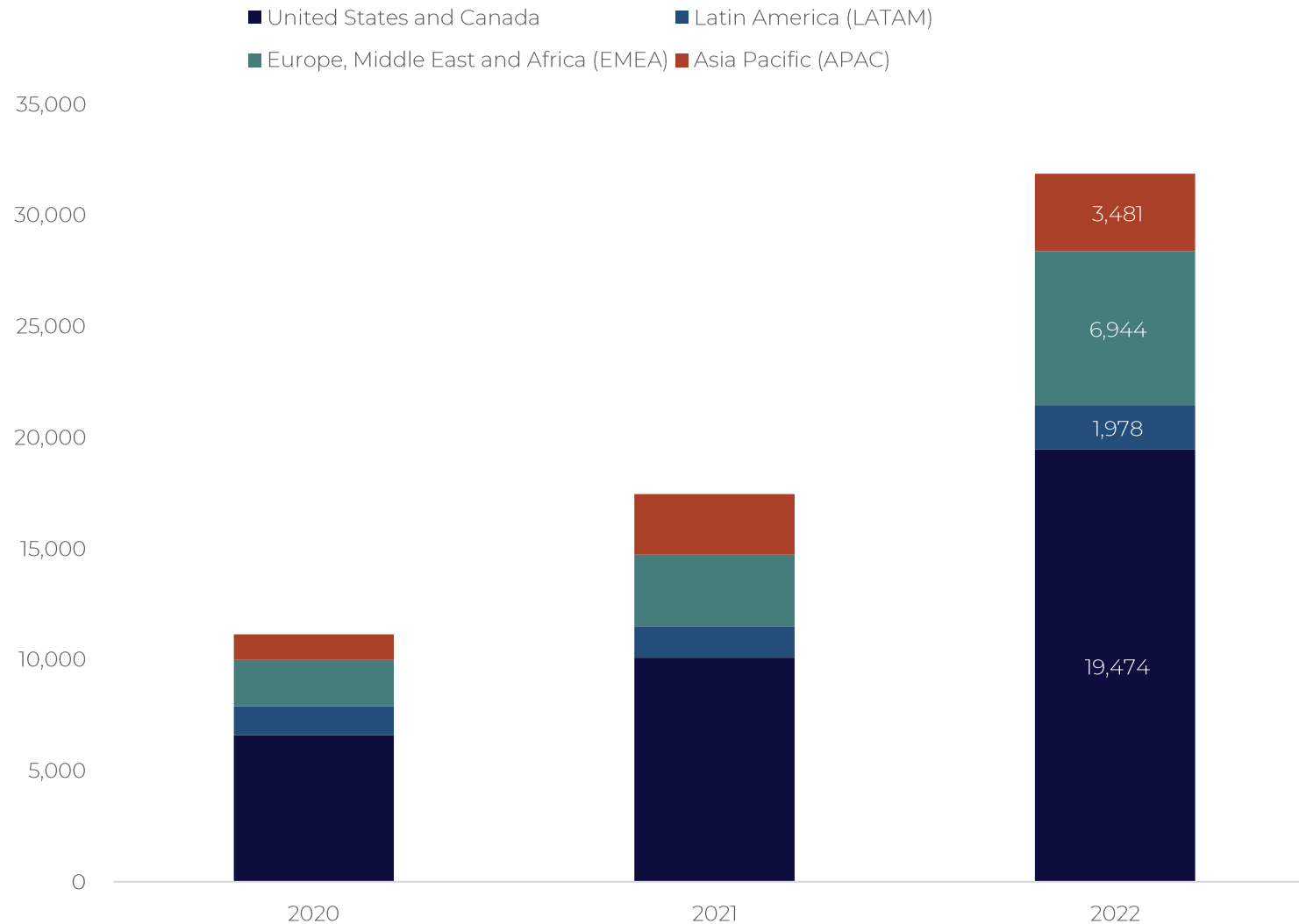
Uber Revenue Segment Trends



- Mobility growth of 14% annually (2017 – 2022)
- Delivery growth of 79% annually (2017 – 2022)
- Freight growth of 153% annually (2017 – 2022)

Sources: Uber IR, Blue Line Capital

Uber's Geographic Exposure



- Uber expands beyond U.S. borders, but domestic opportunities are ample
- Local network effects are paramount
- Gig worker laws pose a business threat

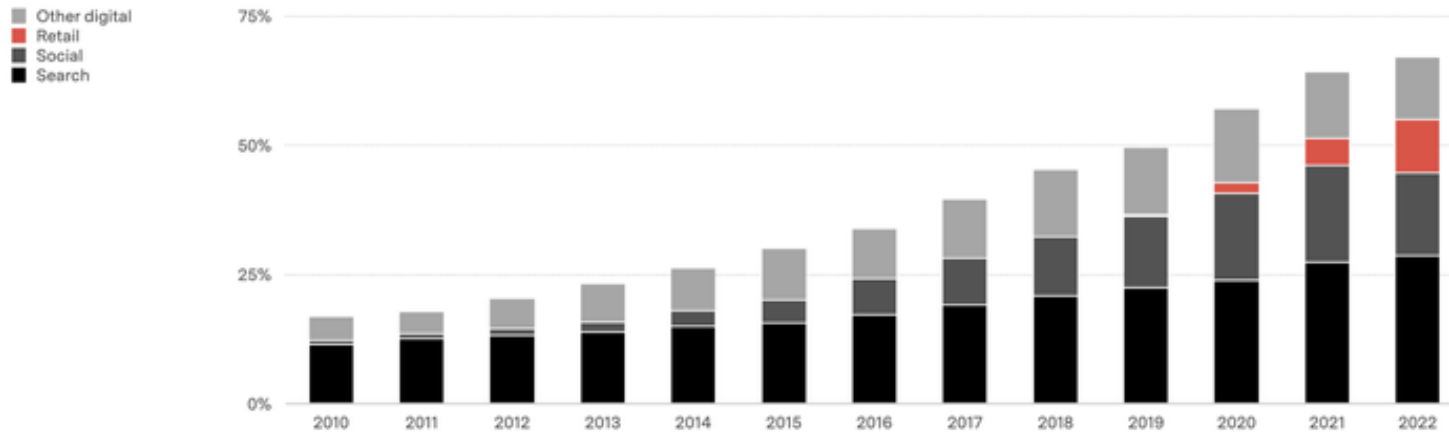
Sources: Uber IR, Blue Line Capital

Uber's Goal To Generate \$1bn In Ad Revenue By 2024

Retail media

Retail media may have taken 10% share in 2022

Share of US advertising spending



Source: Zenith, GroupM

Benedict Evans -- February 2023 39

- Uber generated \$500m advertising revenues in 2022, with a goal to get to \$1bn by 2024.
- Advertisers want to meet consumers where they are most engaged with content.
- Amazon has a ~\$40bn advertising business, compared to \$4.6bn in 2017.

Sources: [Benedict Evans](#), Blue Line Capital

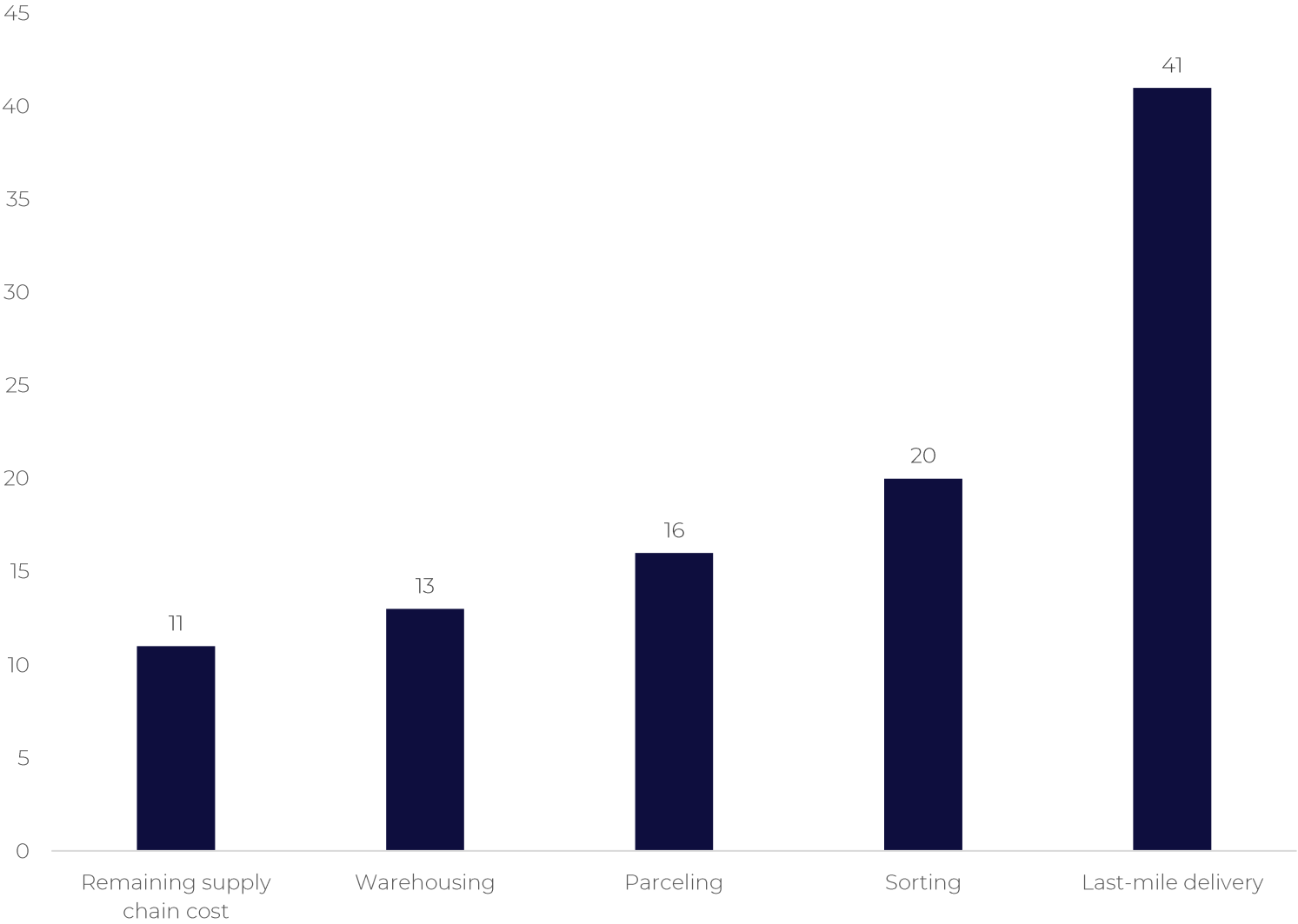
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Blue Line Capital maintains a long position in Uber.

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Uber In Freight Services



- Last mile delivery makes up 41% of total supply chain costs
- It is estimated that last mile delivery cost accounts for 53% of total cost of shipping

Sources: Statista, OnFleet, Blue Line Capital

Uber Expectations & Returns

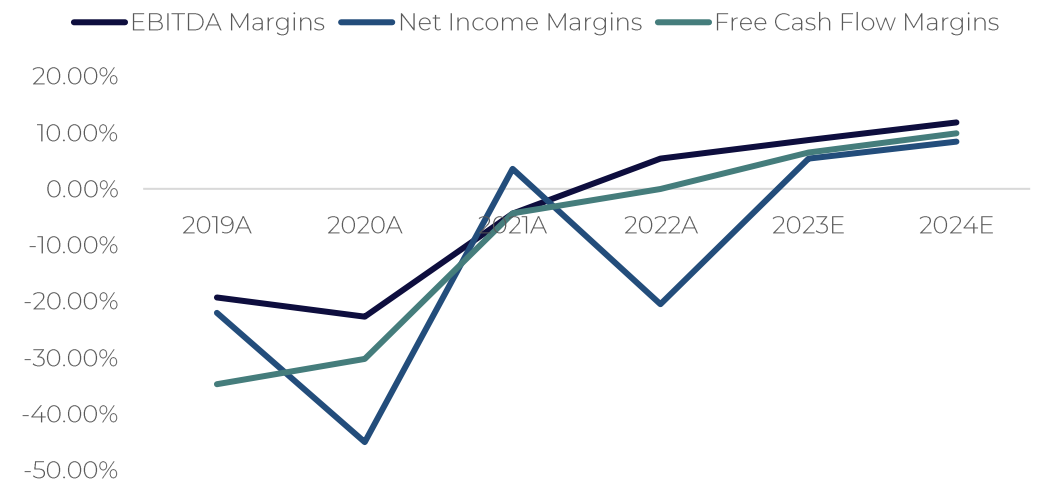
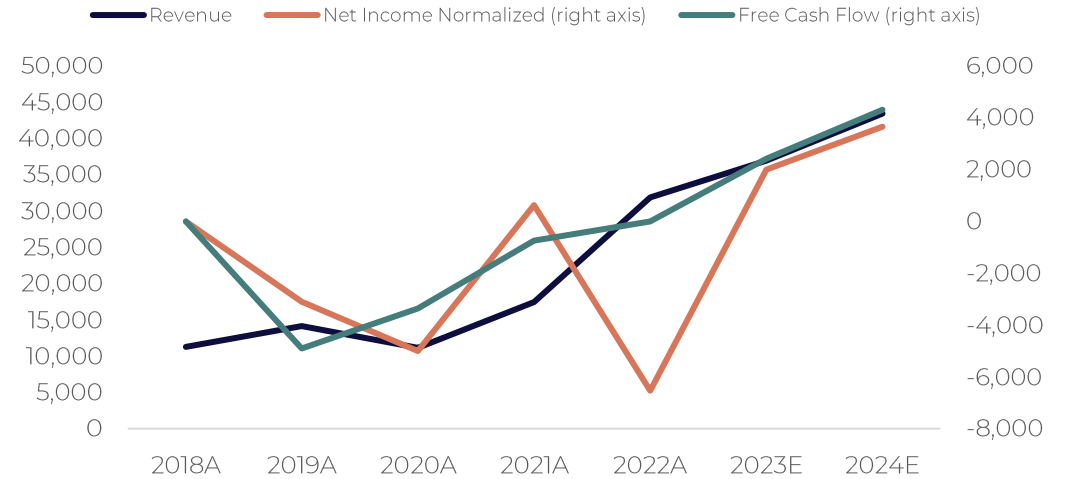
Return Ratios Compared To 2019

Uber now has a clear line of sight to profitability, at which point the company has to improve returns on capital.

		LTM	2019
Return Ratios	RoA	-3.20%	-19.30%
	RoC	-9.10%	-35.90%
	RoE	-76.60%	-77.50%
Margins	Gross Profit Margin	30.80%	35.70%
	EBITDA Margin	-2.80%	-62.70%
	Net Income Margin	-28.70%	-65.40%
	Levered Free Cash Flow Margin	1.90%	-3.60%
Asset Turnover	Asset Turnover	0.99	0.41
	Fixed Asset Turnover	9.41	5.24
	Receivables Turnover	12.22	12.19
	Working Capital Turnover	80.5	1.57
Solvency	Total Debt/Equity	137.10%	51.10%
	Total Debt/Capital	57.80%	32.40%
	EBITDA/Interest Expense	-0.79	-13.77
	(EBITDA-Capex)/Interest Expense	-1.24	-14.82

Sources: Uber IR, TIKR, Blue Line Capital

Revenue, Net Income, and FCF Estimates



Uber Vs. Peers

	EV/EBITDA	NTM P/E	Past 3M Return	Past 6m Return	Past 12m Return
Uber Technologies (UBER)	23.11	35.92	19%	16%	36%
Lyft (LYFT)	12	59.87	-13%	-33%	-43%
XPO (XPO)	7.71	14.35	-3%	15%	8%
Avis Budget Group (CAR)	15.34	8.51	2%	35%	17%
Hertz (HTZ)	15.26	8.01	7%	1%	-3%
Expedia (EXPE)	7.09	11.36	0%	4%	-21%
AirBnB (ABNB)	21.62	35.72	21%	8%	0%
Median	15.26	14.35	2%	8%	0%
Mean	14.59	24.82	5%	7%	-1%

Sources: TIKR, Google Finance, Blue Line Capital

3/7/2023

Blue Line Capital maintains a long position in Uber.

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Uber Chart



Sources: Trading View, Blue Line Capital



Data Disclosures

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