



# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

January 3, 2012

## Shale Deals for DVN/Sinopec and TOT/CHK

### Summary and Recommendation

Buy-recommended **Devon Energy (DVN)** will receive \$2.2 billion from China oil company Sinopec and Buy-recommended **Total (TOT)** will pay \$2.3 billion to **Chesapeake Energy (CHK)** and a partner for U.S. exploration ventures. DVN gets \$5,500 an acre for a one-third interest in 1.2 million acres in five shale plays, including 0.2 million acres in the Ohio Utica Shale. TOT pays \$15,000 an acre for a 25% interest in 0.6 million acres exclusively in the Ohio Utica Shale. For Devon (McDep Ratio 0.69), already the largest producer in the original shale discovery, the Barnett in Texas, the deal adds a little more growth excitement for the conservatively financed, out-of-favor independent producer with a strong long-term record. For Total (McDep Ratio 0.59), the deal reminds us that the euro-depressed major oil company is a global player in a vital business that delivers real value independent of short-term currency fluctuations.

### Utica Oil Shale May Be the Real Deal

Shale gas discoveries paced by the Barnett, Haynesville and Marcellus have been so successful that the new supply is overwhelming natural gas price. On the oil side, the Bakken and Eagle Ford also prove the potential of shale technology, but not to the point of depressing oil price noticeably. DVN's effort to tap new oil resources has been spread across five basins, the Tuscaloosa Marine Shale, Niobrara, Mississippian, Michigan, and the Ohio Utica. Total got its introduction to U.S. natural gas shale in the Barnett and now has made the Utica its oil shale focus. The Ohio play has been getting increasing attention, but little has been disclosed about early drilling results. Following the thirteen wells that have been drilled across its area, Total says its Joint Venture would mobilize 25 rigs by 2014 to develop 100,000 barrels daily of production to be attributed to its financial interest by the end of the decade. Devon says its Joint Venture would drill 125 wells in 2012 in five plays, and the drilling financed disproportionately by Sinopec would be completed by year-end 2014. Ohio, the birthplace of Standard Oil, welcomes the new development at the same time mild earthquake activity near Youngstown poses interesting challenges.

### Oil Stocks Regaining Favor

McDep Ratios signal attractive value in stocks (see [Table 1](#) and [Table 2](#) on pages 2 and 3). Low unlevered cash flow multiples in comparison with reserve life also point to appreciation prospects (see [Table 3](#) on page 4). As stocks become better recognized fewer Buys are classified as Contrarian (see [Table 4](#) on page 5). Oil for the next six years at \$95 a barrel is below the 40-week average of \$96. Six-year natural gas trades at \$4.38 a million Btu compared to its 40-week average of \$5.19 (see chart [Six-Year and One-Year Natural Gas and Oil Futures](#) on page 7).

Kurt H. Wulff, CFA



# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

January 3, 2012

	Symbol/Rating	B = Buy, CB (see below)	Price (US\$/sh)	3-Jan 2012	Market EV/ Cap	Enterprise Value (\$mm)	Present Value by Segment (%)			McDep Ratio	
							North Amer.	Rest of World			
							Natural Gas	Natural Gas	Oil Prod'n		
<b>U.S. Integrated</b>											
Exxon Mobil Corporation	XOM	B	86.00	1.17	488,000	8	19	57	16	0.81	
ConocoPhillips	COP	B	74.17	1.42	142,000	12	11	59	17	0.73	
Chevron Corporation	CVX	B	110.37	1.11	245,000	2	10	78	9	0.67	
<i>Total or Median</i>						875,000			59	0.73	
<b>Europe</b>											
BG Group	BRGXF		22.34	1.21	91,900		34	46	21	0.91	
Royal Dutch Shell plc	RDS-A	B	74.22	1.27	294,000	3	20	59	18	0.77	
Statoil ASA (33%)	STO	B	26.80	1.44	40,400		34	66	-	0.69	
BP plc	BP		44.14	1.64	230,000	3	10	64	23	0.65	
Total S.A.	TOT	B	52.47	1.32	157,000		21	66	13	0.59	
<i>Total or Median</i>						813,000			64	0.69	
<b>Brazil/Russia/Australia/China</b>											
Woodside Petroleum Ltd.	WOPEY		32.50	1.25	32,000		64	36	-	0.77	
CNOOC Limited (36%)	CEO		184.63	1.01	30,100		9	91	-	0.74	
PetroChina Company Ltd (14%)	PTR	CB	131.38	1.32	44,400		14	70	16	0.69	
Petrobras	PBR	CB	26.11	1.38	233,000		8	77	15	0.50	
Gazprom (50%)	OGZPY	CB	11.23	1.22	79,000		64	19	17	0.45	
Lukoil Oil Company	LUKOY	CB	54.30	1.07	46,300			72	28	0.38	
<i>Total or Median</i>						465,000			72	0.59	
<b>U.S. Independent</b>											
Anadarko Petroleum Corp.	APC		78.65	1.48	58,000	32		64	3	0.94	
Chesapeake Energy Corp.	CHK		23.60	1.94	34,500	68		32	-	0.93	
EOG Resources, Inc.	EOG	B	101.45	1.20	31,300	36	4	60	-	0.87	
Southwestern Energy Company	SWN		32.70	1.12	12,900	100			-	0.83	
Occidental Petroleum Corp.	OXY	B	96.63	1.09	85,500	8	1	82	9	0.82	
Devon Energy Corporation	DVN	CB	66.11	1.22	33,500	52		48	-	0.69	
Marathon Oil Corporation	MRO	B	30.96	1.23	27,300	6	4	90	-	0.62	
<i>Total or Median</i>						283,000			71	0.83	
<b>Canada</b>											
Cenovus Energy Inc.	CVE	CB	34.45	1.26	32,800	14		77	9	0.76	
Penn West Exploration	PWE		20.71	1.42	13,800	14		86	-	0.76	
Imperial Oil Limited (30%)	IMO	B	45.52	1.14	13,200	3		86	11	0.76	
EnCana Corporation	ECA	CB	19.25	1.74	24,700	88		12	-	0.65	
Suncor Energy	SU	CB	30.66	1.28	61,900	2		87	11	0.54	
Canadian Oil Sands Limited	COSWF	CB	23.70	1.13	13,000			100	-	0.49	
<i>Total or Median</i>						159,000			86	0.71	
<b>Composite</b>						2,595,000	8	15	63	14	0.68

CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average.



# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

January 3, 2012

Table 2								
McDep Large Cap Energy Stocks								
Net Present Value and McDep Ratio								
			Price (US\$/sh)	Shares	Market Cap (US\$mm)	Net Present Value (US\$/sh)	Debt/ Present Value	McDep Ratio
	Symbol/Rating		3-Jan 2012	(mm)				
	B = Buy, CB (see below)							
<b>U.S. Integrated</b>								
Exxon Mobil Corporation	XOM	B	86.00	4,843	417,000	110.00	0.12	0.81
ConocoPhillips	COP	B	74.17	1,345	100,000	114.00	0.21	0.73
Chevron Corporation	CVX	B	110.37	1,999	221,000	170.00	0.07	0.67
	<i>Total or Median</i>				738,000		0.12	0.73
<b>Europe</b>								
BG Group plc	BRGXF		22.34	3,412	76,200	25.00	0.16	0.91
Royal Dutch Shell plc	RDS-A	B	74.22	3,124	232,000	102.00	0.16	0.77
Statoil ASA (33%)	STO	B	26.80	1,050	28,100	44.00	0.21	0.69
BP plc	BP		44.14	3,170	140,000	84.00	0.25	0.65
Total S.A.	TOT	B	52.47	2,261	119,000	100.00	0.14	0.59
	<i>Total or Median</i>				595,000		0.16	0.69
<b>Brazil/Russia/Australia/China</b>								
Woodside Petroleum Ltd.	WOPEY		32.50	787	25,600	45.00	0.16	0.77
CNOOC Limited (36%)	CEO		184.63	162	29,800	250.00	0.01	0.74
PetroChina Company Ltd (14%)	PTR	CB	131.38	256	33,700	210.00	0.17	0.69
Petrobras	PBR	CB	26.11	6,465	168,800	62.00	0.14	0.50
Gazprom (50%)	OGZPY	CB	11.23	5,750	64,600	28.00	0.08	0.45
Lukoil Oil Company	LUKOY	CB	54.30	799	43,400	150.00	0.02	0.38
	<i>Total or Median</i>				366,000		0.11	0.59
<b>U.S. Independent</b>								
Anadarko Petroleum Corp.	APC		78.65	498	39,200	86.00	0.30	0.94
Chesapeake Energy Corp.	CHK		23.60	753	17,800	27.00	0.45	0.93
EOG Resources, Inc.	EOG	B	101.45	258	26,100	120.00	0.14	0.87
Southwestern Energy Company	SWN		32.70	350	11,500	40.00	0.09	0.83
Occidental Petroleum Corp.	OXY	B	96.63	813	78,600	120.00	0.07	0.82
Devon Energy Corporation	DVN	CB	66.11	415	27,400	102.00	0.13	0.69
Marathon Oil Corporation	MRO	B	30.96	714	22,110	54.00	0.12	0.62
	<i>Total or Median</i>				222,700		0.13	0.83
<b>Canada</b>								
Cenovus Energy Inc.	CVE	CB	34.45	758	26,100	48.00	0.16	0.76
Penn West Exploration	PWE		20.71	469	9,700	30.00	0.22	0.76
Imperial Oil Limited (30%)	IMO	B	45.52	256	11,700	62.00	0.09	0.76
EnCana Corporation	ECA	CB	19.25	738	14,200	37.00	0.28	0.65
Suncor Energy	SU	CB	30.66	1,582	48,500	64.00	0.12	0.54
Canadian Oil Sands Limited	COSWF	CB	23.70	485	11,500	52.00	0.06	0.49
	<i>Total or Median</i>				122,000		0.14	0.71
CB=Contrarian Buy, Stock Price may in downtrend compared to 200-day average.								
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses								
Estimated present value presumes a long-term price for oil of US\$100 a barrel and natural gas, \$6 a million btu.								



# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

January 3, 2012

			<i>Price</i> <i>(US\$/sh)</i>	<i>Adjustd</i> <i>Resrvs/</i>	<i>PV/</i>	<i>EV/</i>		<i>Divd or</i> <i>Distrib</i>
	<i>Symbol/Rating</i>		<i>3-Jan</i>	<i>Prod</i>	<i>Ebitda</i>	<i>Ebitda</i>	<i>P/E</i>	<i>NTM</i>
	B = Buy, CB (see below)		<i>2012</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>	<i>(%)</i>
<b>U.S. Integrated</b>								
Exxon Mobil Corporation	XOM	B	86.00	14.3	6.9	5.6	9	2.2
ConocoPhillips	COP	B	74.17	12.6	7.1	5.1	9	3.6
Chevron Corporation	CVX	B	110.37	8.8	6.1	4.1	7	2.9
	<i>Total or Median</i>			<i>12.6</i>	<i>6.9</i>	<i>5.1</i>	<i>9</i>	<i>2.9</i>
<b>Europe</b>								
BG Group plc	BRGXF		22.34	16.8	9.5	8.6	15	1.0
Royal Dutch Shell plc	RDS-A	B	74.22	9.0	5.9	4.6	8	4.5
BP plc	BP		44.14	11.4	6.8	4.4	6	3.8
Statoil ASA (33%)	STO	B	26.80	6.6	6.0	4.1	8	3.9
Total S.A.	TOT	B	52.47	9.9	6.6	3.9	6	5.7
	<i>Total or Median</i>			<i>9.9</i>	<i>6.6</i>	<i>4.4</i>	<i>8</i>	<i>3.9</i>
<b>Brazil/Russia/Australia/China</b>								
Woodside Petroleum Ltd.	WOPEY		32.50	20.6	8.3	6.4	10	3.4
Petrobras	PBR	CB	26.11	13.6	9.2	4.6	6	4.8
PetroChina Company Ltd (14%)	PTR	CB	131.38	13.3	6.2	4.3	7	4.2
CNOOC Limited (36%)	CEO		184.63	6.9	5.0	3.7	6	3.5
Gazprom (50%)	OGZPY	CB	11.23	30.2	5.8	2.6	4	2.7
Lukoil Oil Company	LUKOY	CB	54.30	16.6	5.7	2.1	4	3.4
	<i>Total or Median</i>			<i>15.1</i>	<i>6.0</i>	<i>4.0</i>	<i>6</i>	<i>3.5</i>
<b>U.S. Independent</b>								
Southwestern Energy Company	SWN		32.70	7.2	13.5	11.3	20	-
Chesapeake Energy Corp.	CHK		23.60	9.7	8.7	8.1	8	1.5
Anadarko Petroleum Corp.	APC		78.65	7.2	7.2	6.8	22	0.5
EOG Resources, Inc.	EOG	B	101.45	9.0	6.7	5.8	19	0.6
Devon Energy Corporation	DVN	CB	66.11	10.2	8.2	5.6	11	1.0
Occidental Petroleum Corp.	OXY	B	96.63	11.1	6.7	5.4	10	1.9
Marathon Oil Corporation	MRO	B	30.96	9.8	5.6	3.5	7	1.9
	<i>Total or Median</i>			<i>9.7</i>	<i>7.2</i>	<i>5.8</i>	<i>11</i>	<i>1.0</i>
<b>Canada</b>								
Imperial Oil Limited (30%)	IMO	B	45.52	43.0	11.8	9.0	14	1.0
Cenovus Energy Inc.	CVE	CB	34.45	21.3	11.1	8.5	23	2.3
EnCana Corporation	ECA	CB	19.25	12.2	12.5	8.2	40	4.2
Penn West Exploration	PWE		20.71	8.4	9.4	7.2	16	5.2
Canadian Oil Sands Limited	COSWF	CB	23.70	27.8	10.2	5.0	7	5.0
Suncor Energy	SU	CB	30.66	24.5	9.0	4.9	8	1.4
	<i>Total or Median</i>			<i>22.9</i>	<i>10.7</i>	<i>7.7</i>	<i>15</i>	<i>3.2</i>
CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average.								
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2012; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								



# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

January 3, 2012

Table 4									
McDep Large Cap Energy Stocks									
Rank by Enterprise Value to 200 Day Average									
			Price (\$/sh)	Enterprise Value/					
	Symbol		3-Jan 2012	52Wk High	52Wk Low	50 Day Avg.	200 Day Avg.	McDep Ratio	
		Rating							
<b>U.S. Integrated</b>									
	Chevron Corporation	CVX	B	110.37	1.00	1.24	1.06	1.07	0.67
	Exxon Mobil Corporation	XOM	B	86.00	0.98	1.23	1.07	1.07	0.81
	ConocoPhillips	COP	B	74.17	0.93	1.17	1.04	1.03	0.73
	<i>Median</i>			<i>0.98</i>	<i>1.23</i>	<i>1.06</i>	<i>1.07</i>	<i>0.73</i>	
<b>Europe</b>									
	Royal Dutch Shell plc	RDS-A	B	74.22	0.96	1.21	1.04	1.05	0.77
	Statoil ASA (33%)	STO	B	26.80	0.93	1.21	1.04	1.05	0.69
	BP plc	BP		44.14	0.93	1.17	1.02	1.02	0.65
	BG Group plc	BRGXF		111.69	0.88	1.22	1.04	1.01	0.91
	Total S.A.	TOT	B	52.47	0.85	1.22	1.03	0.99	0.59
	<i>Median</i>			<i>0.93</i>	<i>1.21</i>	<i>1.04</i>	<i>1.04</i>	<i>0.71</i>	
<b>Brazil/Russia/Australia/China</b>									
	PetroChina Company Ltd (14%)	PTR	CB	131.38	0.86	1.13	1.03	0.99	0.69
	Lukoil Oil Company	LUKOY	CB	54.30	0.73	1.16	0.99	0.91	0.38
	Petrobras	PBR	CB	26.11	0.68	1.17	1.00	0.89	0.50
	Gazprom (50%)	OGZPY	CB	11.23	0.69	1.23	1.00	0.89	0.45
	CNOOC Limited (36%)	CEO		184.63	0.68	1.30	0.99	0.88	0.74
	Woodside Petroleum Ltd.	WOPEY		32.50	0.67	1.09	0.95	0.84	0.77
	<i>Median</i>			<i>0.69</i>	<i>1.17</i>	<i>1.00</i>	<i>0.89</i>	<i>0.59</i>	
<b>U.S. Independent</b>									
	Anadarko Petroleum Corp.	APC		78.65	0.94	1.23	1.01	1.03	0.94
	EOG Resources, Inc.	EOG	B	101.45	0.86	1.40	1.03	1.02	0.87
	Marathon Oil Corporation	MRO	B	30.96	0.91	1.40	1.03	1.02	0.62
	Occidental Petroleum Corp.	OXY	B	96.63	0.83	1.40	1.03	1.02	0.82
	Devon Energy Corporation	DVN	CB	66.11	0.75	1.23	1.03	0.92	0.69
	Chesapeake Energy Corp.	CHK		23.60	0.79	1.04	0.97	0.89	0.93
	Southwestern Energy Company	SWN		43.14	0.69	1.05	0.88	0.84	0.83
	<i>Median</i>			<i>0.83</i>	<i>1.23</i>	<i>1.03</i>	<i>1.02</i>	<i>0.83</i>	
<b>Canada</b>									
	Imperial Oil Limited (30%)	IMO	B	45.52	0.84	1.35	1.08	1.03	0.76
	Penn West Exploration	PWE		20.71	0.78	1.39	1.09	0.99	0.76
	Cenovus Energy Inc.	CVE	CB	34.45	0.87	1.20	1.04	0.99	0.76
	Canadian Oil Sands Limited	COSWF	CB	23.72	0.70	1.32	1.10	0.92	0.49
	Suncor Energy	SU	CB	30.66	0.69	1.26	1.02	0.89	0.54
	EnCana Corporation	ECA	CB	19.25	0.68	1.05	0.99	0.82	0.65
	<i>Median</i>			<i>0.78</i>	<i>1.26</i>	<i>1.04</i>	<i>0.99</i>	<i>0.76</i>	

CB=Contrarian Buy, Stock Price may be in downtrend compared to 200-day average.



# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

January 3, 2012

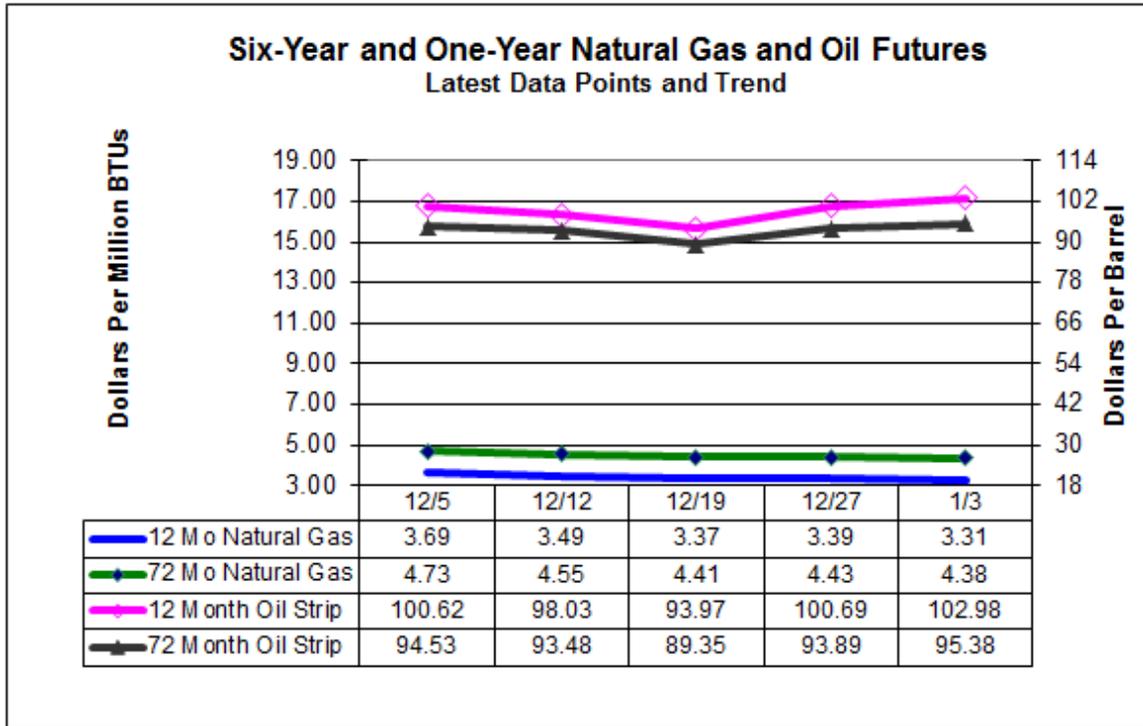
<b>Index of Recent Research</b>			
<b>Stock Ideas</b>			
<i>Date</i>	<i>Symbol</i>	<i>Subject</i>	<i>Theme</i>
9-Dec	PETD	PDC Energy	Raise NPV to \$36 from \$32 on Wattenberg Drilling (ISCW)
8-Dec	COSWF	Canadian Oil Sands Limited	Dividend Upside in 2012
6-Dec	COP	ConocoPhillips	Buy Ahead of Downstream Spinoff (Meter Reader)
2-Dec	XEC	Cimarex Energy	Hedged against Frackophobia (ISCW)
29-Nov	LUKOY, OGZPY	Lukoil, Gazprom	Oil and Gas Undervalued in Russian Stocks (Meter Reader)
23-Nov	WLL	Whiting Petroleum	North Dakota Shale Oil (Income and Small Cap Weekly)
22-Nov	XOM	Exxon Mobil	Stash Your Cash in ExxonMobil Stock (Meter Reader)
18-Nov	DMLP	Dorchester Minerals, L.P.	Insider Accumulation (Income and Small Cap Weekly)
15-Nov	CVE, IMO, SU, COSWF		Buy Canadian Oil on U.S. Presidential Disappointment (MR)
8-Nov	DVN, EOG, OXY, MRO		U.S. Independent Shale Buys (Meter Reader)
4-Nov	NDRO	Enduro Royalty Trust	New Bottom Line Cash Payer (Income and Small Cap Weekly)
1-Nov	RDS	Royal Dutch Shell plc	Raise NPV to \$102 from \$96 on Reappearing Luster (MR)
25-Oct	ECA, PBR	Encana, Petrobras	Most Out-of-Favor Buys (Meter Reader)
18-Oct	APC, BP	Anadarko Petroleum, BP plc	Settle Oil Spill Dispute (Meter Reader)
14-Oct	ERF	Enerplus Corporation	Marcellus, Bakken and Canada with 8% Income (ISCW)
3-Oct	STO	Statoil	Giant North Sea Oil Discovery (Meter Reader)
7-Oct	BIREF	Birchcliff Energy	Seeks Offers to Acquire the Company (ISCW)
30-Sep	RRC, WLL, XEC, LINE, LGCY		5 Ideas from IPAA San Francisco
23-Sep	SJT, HGT	San Juan Basin RT, Hugoton RT	Transfer Buy to SJT from HGT (Income and Small Cap Wkly)
16-Sep	FRHLF, PBT, SBR, DMLP, CRT		Volume Upside in Top Line Cash Payers (Income and Small Cap)
13-Sep	EOG	EOG Resources	Horizontal Leads Renewed U.S. Oil Growth (Meter Reader)
30-Aug	PTR	PetroChina	China Growth at Low Stock Market Value (Meter Reader)
9-Aug	HK	Petrohawk	Discontinue on Pending Acquisition at NPV Premium (ISCW)
9-Aug	RRC	Range Resources	Raise NPV to \$70 from \$60 a Share (Income and Small Cap)
2-Aug	CVX	Chevron	Raise NPV to \$170 from \$154 on Cash Flow Margin
2-Aug	TOT	Total	Lower NPV to \$100 from \$111 on Cash Flow Margin (MReader)
5-Jul	DVN	Devon Energy	Thermal Oil Growth in Canada (Meter Reader)
21-Jun	WOPEY	Woodside Petroleum	Remove Buy on Costs and Delay (Meter Reader)
17-Jun	PEYUF	Peyto Exploration	Update Growth (Income and Small Cap)
For historical research by stock, go to <a href="http://mcdep.com">mcdep.com</a> , click on <a href="#">Stock Ideas</a> , click on stock by name.			
<b>Meter Reader</b>			
27-Dec			Natural Gas Buys and Contrarian Buys for 2012
20-Dec			Centenarians Win Large Cap Race in 2011
13-Dec			No Fluff
6-Dec	COP	ConocoPhillips	Buy Ahead of Downstream Spinoff
For earlier editions, go to <a href="http://mcdep.com">mcdep.com</a> , click on <a href="#">Meter Reader</a> .			
<b>Income and Small Cap Weekly</b>			
29-Dec			Income for 2012
22-Dec			New NPV for \$6 Long-Term Natural Gas Price
16-Dec			Hits Offset Misses in Small Cap Producers
9-Dec	PETD	PDC Energy	Raise NPV to \$36 from \$32 on Wattenberg Drilling
For earlier editions, go to <a href="http://mcdep.com">mcdep.com</a> , click on <a href="#">Energy Income</a> .			
<b>Industry Ideas</b>			
10-Oct	China Buys More Oil and Gas in Canada		Sinopec Bids for Daylight Energy



# Meter Reader

A Weekly Analysis of Large Cap Oil and Gas Stocks

January 3, 2012



**Disclaimer:** This analysis was prepared by Kurt Wulff, Manager of McDep LLC. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

**Certification:** I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

**Research Methodology/Ratings Description:** McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the forty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.