



# Independent Stock Idea

April 28, 2015

## Total S.A. Operating Strength Reinforces New Buy

<i>Symbol</i>	TOT	<i>Ebitda Next Twelve Months ending 3/31/16 (US\$mm)</i>	26,200
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	54.48	<i>Natural Gas and Oil Production/Ebitda (%)</i>	66
<i>Pricing Date</i>	4/28/15	<i>Adjusted Reserves/Production NTM</i>	9.7
<i>Shares (mm)</i>	2285	<i>EV/Ebitda</i>	6.9
<i>Market Capitalization (US\$mm)</i>	124,000	<i>PV/Ebitda</i>	9.1
<i>Debt (US\$mm)</i>	56,000	<i>Undeveloped Reserves (%)</i>	51
<i>Enterprise Value (EV) (US\$mm)</i>	181,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	20.80
<i>Present Value (PV) (US\$mm)</i>	239,000	<i>Present Value Proven Reserves(US\$/boe)</i>	13.78
<i>Net Present Value (US\$/share)</i>	80	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.30
<i>Debt/Present Value</i>	0.24	<i>Earnings Next Twelve Months (US\$/sh)</i>	3.31
<i>McDep Ratio - EV/PV</i>	0.76	<i>Price/Earnings Next Twelve Months</i>	16
<i>Dividend Yield (%/year)</i>	4.9	<i>Indicated Annual Dividend (US\$/sh)</i>	2.67
Note: Estimated cash flow and earnings tied to one-year futures prices for oil.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$90 a barrel			
For historical analysis of TOT since 2004 see <a href="http://www.mcdep.com/1tot.htm">www.mcdep.com/1tot.htm</a>			

### Summary and Recommendation

Trading at a McDep Ratio of 0.76, the stock of French oil major **Total (TOT)** is an automatic Buy as a result of our recent decision rule to recommend current purchase of the two lowest McDep Ratio stocks in each peer group (see *Meter Reader*, April 14, 2015). Exceptional first quarter results disclosed on April 28 add surprisingly favorable reinforcement to a positive view on the stock. Despite a 20% decline in oil price from the fourth quarter of 2014, unlevered cash flow was off by just 6% (see table Operating and Financial Estimates on page 2). Over the same time, oil volume was up 15% and oil margin was constant at 58%. Downstream was “the best in years”, said Chief Financial Officer Patrick de la Chevadiere on the quarterly call. Compared to latest results, it looks like there may be room for our cash flow estimate for the next twelve months to be exceeded. Furthermore an adjusted reserve life of 9.7 years might support a slightly higher cash flow multiple than 9.1 times and a slightly higher Net Present Value (NPV) than \$80 (see table Present Value on page 3). Geographically diversified production and reserves reduce dependence on any single country at a time of political upheaval (see table Production and Reserves on page 3). A historically strong contribution by France to the development of Africa probably helps Total maintain a disproportionate presence in the underdeveloped continent. Finally, Total’s stock performance may be helped by an improving European stock market stimulated by central bank monetary policy.

Kurt H. Wulff, CFA



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Total S.A.										
Next Twelve Months Operating and Financial Estimates										
	Q1	Q4	Year	Q1	Q2E	Q3E	Q4E	Year	Q1E	Twelve
	3/31/14	12/31/14	2014	3/31/15	6/30/15	9/30/15	12/31/15	2015E	3/31/16	Months
										3/31/16
<b>Volume</b>										
Natural Gas (mmcf)	6,268	6,219	<b>6,063</b>	6,312	6,312	6,312	6,312	<b>6,312</b>	6,312	<b>6,312</b>
Oil (mbd)	1,031	1,077	<b>1,034</b>	1,240	1,240	1,240	1,240	<b>1,240</b>	1,240	<b>1,240</b>
Total gas & oil (mmb)	187	194	<b>746</b>	206	209	211	211	<b>837</b>	206	<b>837</b>
Total gas & oil (mbd)	2,076	2,114	<b>2,044</b>	2,292	2,292	2,292	2,292	<b>2,292</b>	2,292	<b>2,292</b>
<b>Price</b>										
Dollar (euro/\$)	1.37	1.25	<b>1.33</b>	1.10	1.10	1.10	1.10	<b>1.10</b>	1.10	<b>1.10</b>
Natural gas (\$/mmbtu)	7.06	6.29	<b>6.57</b>	5.38	5.00	5.00	5.00	<b>5.09</b>	5.00	<b>5.00</b>
Oil (\$/bbl)										
WTI Cushing	98.74	73.18	<b>93.04</b>	48.62	55.71	59.06	60.31	<b>55.92</b>	61.24	<b>59.08</b>
Brent	108.20	76.60	<b>99.10</b>	53.90	61.76	65.47	66.87	<b>62.00</b>	67.90	<b>65.50</b>
Company	102.10	61.70	<b>79.82</b>	49.50	56.72	60.13	61.41	<b>56.94</b>	62.36	<b>60.15</b>
Total gas & oil (\$/bbl)	72.03	49.95	<b>64.82</b>	41.60	44.46	46.30	46.99	<b>44.86</b>	47.51	<b>46.31</b>
Europe (\$/t)	6.60	27.60	<b>18.75</b>	47.10				<b>47.10</b>		-
<b>Revenue (mm)</b>										
Natural gas	3,983	3,599	<b>14,538</b>	3,056	2,872	2,904	2,904	<b>11,735</b>	2,840	<b>11,519</b>
Oil	9,474	6,113	<b>33,830</b>	5,524	6,401	6,860	7,006	<b>25,790</b>	6,959	<b>27,225</b>
Total production	13,457	9,712	<b>48,368</b>	8,580	9,272	9,763	9,909	<b>37,525</b>	9,799	<b>38,744</b>
Other	47,230	42,799	<b>187,754</b>	33,733	33,733	33,733	33,733	<b>134,930</b>	33,733	<b>134,930</b>
Total	60,687	52,511	<b>236,122</b>	42,313	43,005	43,496	43,642	<b>172,455</b>	43,532	<b>173,674</b>
<b>Expense</b>										
Production	6,390	4,154	<b>22,552</b>	3,608	3,954	4,199	4,272	<b>16,034</b>	4,228	<b>16,654</b>
Other	45,636	40,263	<b>179,365</b>	31,082	31,533	31,533	31,533	<b>125,679</b>	31,533	<b>126,130</b>
<b>Ebitda (mm)</b>										
Production	7,066	5,559	<b>25,816</b>	4,972	4,173	4,393	4,459	<b>17,997</b>	4,410	<b>17,435</b>
Other	1,594	2,536	<b>8,389</b>	2,651	2,200	2,200	2,200	<b>9,251</b>	2,200	<b>8,800</b>
Total Ebitda	8,660	8,095	<b>34,205</b>	7,623	6,373	6,593	6,659	<b>27,248</b>	6,610	<b>26,235</b>
Exploration	619	611	<b>1,964</b>	637	637	637	637	<b>2,548</b>	637	<b>2,548</b>
Deprec., Deplet., & Amort.	2,745	3,083	<b>11,839</b>	2,826	2,826	2,826	2,826	<b>11,304</b>	2,826	<b>11,304</b>
Excess tax and other	(886)	696		351						
<b>Operating Income</b>										
Upstream	5,501	2,174	<b>17,156</b>	2,029						
Downstream	681	1,531	<b>4,448</b>	1,780						
Marketing and services	353	462	<b>1,709</b>	445						
Total operating income	6,182	3,705	<b>21,604</b>	3,809						
Excess tax and other	886	(696)	<b>1,202</b>	(351)						
<b>Ebit</b>	5,296	4,401	<b>20,402</b>	4,160	2,910	3,130	3,196	<b>13,396</b>	3,147	<b>12,383</b>
Interest	182	108	<b>668</b>	188	188	188	188	<b>752</b>	188	<b>752</b>
<b>Ebt</b>	5,114	4,293	<b>19,734</b>	3,972	2,722	2,942	3,008	<b>12,644</b>	2,959	<b>11,631</b>
Income Tax	1,790	1,502	<b>6,907</b>	1,390	953	1,030	1,053	<b>4,426</b>	1,036	<b>4,071</b>
<b>Net Income (mm)</b>	3,324	2,790	<b>12,827</b>	2,582	1,769	1,913	1,955	<b>8,219</b>	1,923	<b>7,560</b>
<b>Shares (millions)</b>	2,277	2,287	<b>2,282</b>	2,285	2,285	2,285	2,285	<b>2,285</b>	2,285	<b>2,285</b>
Per share	1.46	1.22	<b>5.62</b>	1.13	0.77	0.84	0.86	<b>3.60</b>	0.84	<b>3.31</b>
Ebitda Margin (E&P)	53%	57%	<b>53%</b>	58%	45%	45%	45%	<b>48%</b>	45%	<b>45%</b>
Tax Rate	35%	35%	<b>35%</b>	35%	35%	35%	35%	<b>35%</b>	35%	<b>35%</b>



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<b>Total</b>					
<b>Functional Cash Flow and Present Value</b>					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
Rest of World Natural Gas	5,180	11.4	8.7	45,000	19%
Oil	12,230	8.3	12.3	150,000	63%
Downstream	8,790		5.0	44,000	18%
	26,200	9.7	9.1	239,000	100%
Debt (US\$mm)					56,000
Net Present Value (US\$mm)					183,000
Shares (mm)					2,285
Net Present Value - Standard Estimate (US\$/sh)					80
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					84

<b>Total S.A.</b>								
<b>Production and Reserves, 2014</b>								
								<i>NTM</i>
			<i>12/31/2014 Proven Reserves</i>			<i>Weighted</i>	<i>Adjusted</i>	
	<i>2014 Production</i>	<i>Developed</i>	<i>Undeveloped</i>	<i>Weighted</i>	<i>Life Index</i>	<i>R/P</i>		
	<i>(daily)</i>	<i>(annual)</i>	<i>(bcf or mmb)</i>	<i>(bcf or mmb)</i>	<i>(bcf or mmb)</i>	<i>(years)</i>	<i>(years)</i>	
Rest of World Natural Gas								
Europe	1,089	398	2,578	1,864	3,510	8.8		
Africa	693	254	2,019	1,621	2,830	11.1		
Americas	884	322	2,167	1,588	2,961	9.2		
Middle East	1,084	396	5,866	249	5,991	15.1		
Asia	2,313	844	6,403	9,235	11,021	13.1		
Total	6,063	2,214	19,033	14,557	26,312	11.9		11.4
Oil								
Europe	165	60	263	355	441	7.3		
Africa	522	191	1,070	785	1,463	7.7		
Americas	89	33	153	1,306	806	24.4		
Middle East	192	70	377	112	433	6.2		
Asia	66	24	336	547	610	25.4		
Total	1,034	378	2,199	3,105	3,752	9.9		8.3
Total Oil Equivalent	2,045	747	5,371	5,531	8,137	10.9		9.7



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