



# Independent Stock Idea

February 12, 2009

rating: buy  
s&p 500: 834

## Total S.A. (TOT) Dividend and Investment Strength

<i>Symbol</i>	TOT	<i>Ebitda Next Twelve Months ending 12/31/09 (US\$m)</i>	23,400
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	1
<i>Price (US\$/sh)</i>	51.43	<i>Natural Gas and Oil Production/Ebitda (%)</i>	79
<i>Pricing Date</i>	2/11/09	<i>Adjusted Reserves/Production NTM</i>	9.3
<i>Shares (mm)</i>	2235	<i>EV/Ebitda</i>	6.2
<i>Market Capitalization (US\$m)</i>	115,000	<i>PV/Ebitda</i>	9.9
<i>Debt (US\$m)</i>	29,000	<i>Undeveloped Reserves (%)</i>	49
<i>Enterprise Value (EV) (US\$m)</i>	144,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	22.50
<i>Present Value (PV) (US\$m)</i>	231,000	<i>Present Value Proven Reserves(US\$/boe)</i>	17.07
<i>Net Present Value (US\$/share)</i>	90	<i>Present Value Proven Reserves(US\$/mcfe)</i>	2.85
<i>Debt/Present Value</i>	0.13	<i>Earnings Next Twelve Months (US\$/sh)</i>	3.58
<i>McDep Ratio - EV/PV</i>	0.63	<i>Price/Earnings Next Twelve Months</i>	14
<i>Dividend Yield (%/year)</i>	5.7	<i>Indicated Annual Dividend (US\$/sh)</i>	2.92
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\$75 a barrel and natural gas, \$10 a million btu.			
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

Estimated Net Present Value (NPV) of \$90 a share is more than 70% above stock price for low-debt, buy-recommended **Total S.A. (TOT)**. Released today, fourth quarter results exceeded our expectations from three months ago, especially in downstream operations (see table [Next Twelve Months Operating and Financial Estimates](#)). Our valuation capitalizes the future year's cash flow at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) for natural gas and oil, and to an industry multiple for downstream. Latest calculations result in NPV concentrated 25% on natural gas, 52% on oil and 23% on downstream (see table [Functional Cash Flow and Present Value](#)). Pointing to expected oil price recovery, futures prices for the next six years averaged \$63 a barrel recently (see charts [Six-Year Commodity Price Meter](#) and [Six-Year and One-Year Natural Gas and Oil Futures](#)). In the currently depressed environment, the company's operating and financial strengths support an attractive dividend yield of 5.7% and a sustained investment program for long-term growth.

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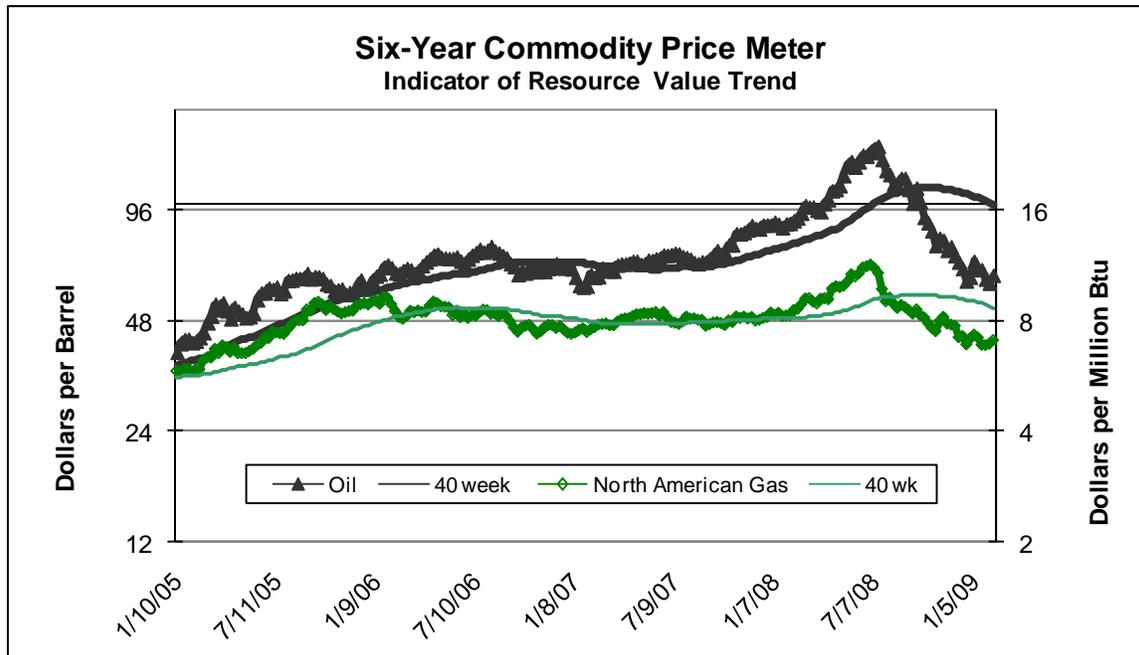
Total S.A.									
Next Twelve Months Operating and Financial Estimates									
	Q4	Q3	Q4	Year	Q1E	Q2E	Q3E	Q4E	Next Twelve Months
	12/31/07	9/30/08	12/31/08	2008	3/31/09	6/30/09	9/30/09	12/31/09	12/31/09
<b>Volume</b>									
Natural Gas (mmcf)	5,223	4,471	5,127	<b>4,853</b>	4,989	4,772	4,471	5,127	<b>4,839</b>
Days	92	92	92	<b>366</b>	90	91	92	92	<b>365</b>
Oil (mbd)	1,530	1,409	1,434	<b>1,456</b>	1,434	1,434	1,434	1,434	<b>1,434</b>
Total gas & oil (mmb)	221	198	211	<b>828</b>	204	203	200	211	<b>818</b>
Total gas & oil (mbd)	2,401	2,154	2,289	<b>2,265</b>	2,266	2,229	2,179	2,289	<b>2,241</b>
<b>Price</b>									
Dollar (euro/\$)	1.45	1.51	1.32	<b>1.47</b>	1.28	1.28	1.28	1.28	<b>1.28</b>
Natural gas (\$/mmbtu)	6.08	8.05	7.57	<b>7.44</b>	6.67	7.29	8.05	7.57	<b>7.38</b>
Oil (\$/bbl)									
WTI Cushing	90.67	117.99	58.45	<b>99.59</b>	40.80	48.26	52.41	54.67	<b>49.03</b>
Brent	88.50	115.10	55.50	<b>97.13</b>	38.74	45.83	49.76	51.91	<b>51.78</b>
Company	84.50	107.80	49.40	<b>89.41</b>	34.48	40.79	44.29	46.21	<b>41.48</b>
Total gas & oil (\$/bbl)	67.09	87.22	47.91	<b>73.45</b>	36.52	41.84	45.66	45.91	<b>42.50</b>
NY Harbor 3-2-1 (\$/bbl)	8.19	11.84	5.10	<b>9.86</b>	12.65	8.97	6.38	6.51	<b>8.63</b>
Europe (\$/t)	30.10	45.00	41.40	<b>37.80</b>	24.60	40.20	45.00	41.40	<b>37.80</b>
<b>Revenue (mmeuro)</b>									
Natural gas	2,017	2,193	2,709	<b>8,947</b>	2,336	2,469	2,582	2,785	<b>10,171</b>
Oil	8,212	9,254	4,945	<b>32,353</b>	3,471	4,151	4,557	4,754	<b>16,933</b>
Total production	10,229	11,447	7,654	<b>41,300</b>	5,806	6,620	7,139	7,539	<b>27,104</b>
Other	27,468	32,592	26,051	<b>119,031</b>	26,051	26,051	26,051	26,051	<b>104,204</b>
Total	37,697	44,039	33,705	<b>160,331</b>	31,857	32,671	33,191	33,590	<b>131,308</b>
<b>Expense</b>									
Production	4,901	5,580	3,155	<b>19,284</b>	2,416	2,823	3,083	3,282	<b>11,605</b>
Other	26,135	30,610	23,958	<b>112,605</b>	25,087	25,087	25,087	25,087	<b>100,349</b>
<b>Ebitda (mmeuro)</b>									
Production	5,328	5,867	4,499	<b>22,017</b>	3,077	3,508	3,784	3,995	<b>14,365</b>
Other	1,333	1,982	2,093	<b>6,426</b>	964	964	964	964	<b>3,856</b>
Total Ebitda	6,661	7,849	6,592	<b>28,443</b>	4,041	4,472	4,748	4,959	<b>18,221</b>
Exploration	273	144	227	<b>764</b>	227	227	227	227	<b>908</b>
Deprec., Deplet., & Amort.	1,450	1,329	1,748	<b>5,755</b>	1,748	1,748	1,748	1,748	<b>6,992</b>
Excess tax and other	(1,763)	(1,707)	(509)	<b>(6,190)</b>					
<b>Operating Income</b>									
Upstream	5,838	6,525	3,727	<b>23,639</b>					
Downstream	744	1,215	1,415	<b>3,872</b>					
Chemicals	119	343	254	<b>873</b>					
Total operating income	6,701	8,083	5,126	<b>28,114</b>					
Excess tax and other	1,763	1,707	509	<b>6,190</b>					
<b>Ebit</b>									
Ebit	4,938	6,376	4,617	<b>21,924</b>	2,066	2,497	2,773	2,984	<b>10,321</b>
Interest	162	127	181	<b>527</b>	181	181	181	181	<b>724</b>
<b>Ebt</b>									
Ebt	4,776	6,249	4,436	<b>21,397</b>	1,885	2,316	2,592	2,803	<b>9,597</b>
Income Tax	1,672	2,187	1,552	<b>7,489</b>	660	811	907	981	<b>3,359</b>
<b>Net Income (mmeuro)</b>									
Net Income	3,104	4,062	2,883	<b>13,908</b>	1,225	1,506	1,685	1,822	<b>6,238</b>
<b>Shares (millions)</b>									
Per share (euro)	1.37	1.81	1.29	<b>6.19</b>	0.55	0.67	0.75	0.82	<b>2.79</b>
Ebitda Margin (E&P)	52%	51%	59%	<b>53%</b>	53%	53%	53%	53%	<b>53%</b>
Tax Rate	35%	35%	35%	<b>35%</b>	35%	35%	35%	35%	<b>35%</b>



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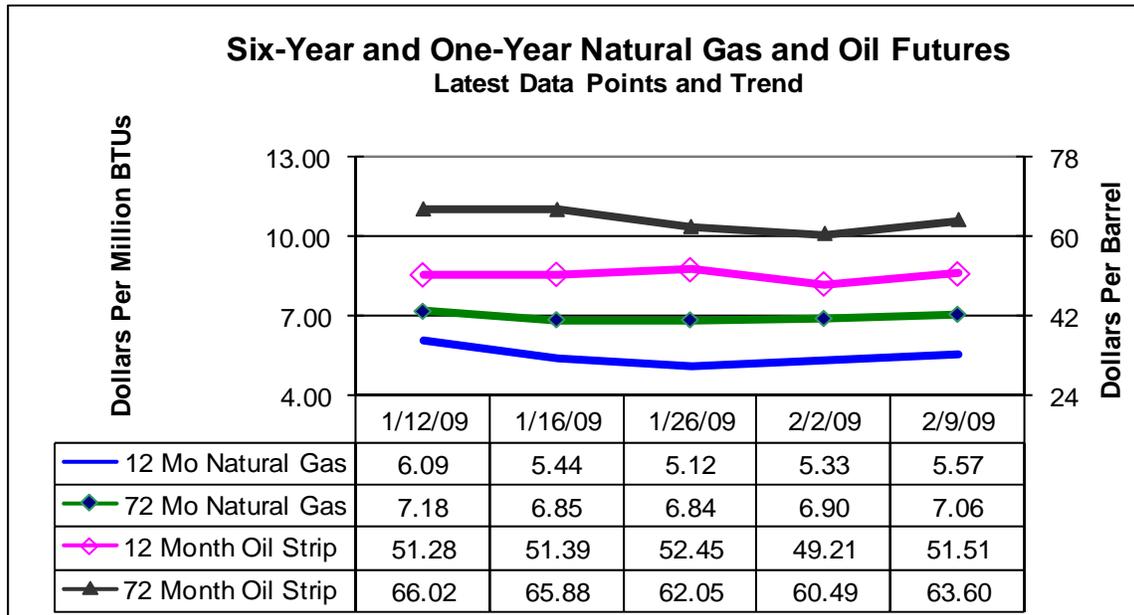
Total					
Functional Cash Flow and Present Value					
	NTM Ebitda	Adjusted	PV/	Present	
	(US\$mm)	R/P	Ebitda	Value	
				(US\$mm)	
Rest of World Natural Gas	6,920	11.0	8.4	58,000	25%
Oil	11,530	8.4	10.4	120,000	52%
Downstream	4,950		10.5	52,000	23%
	23,400	9.3	9.8	230,000	100%
Debt (US\$mm)					29,000
Net Present Value (US\$mm)					201,000
Shares (mm)					2,235
Net Present Value - Standard Estimate (US\$/sh)					90
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					88
Note: Downstream includes about \$10 billion present value for the company's 12% ownership of pharmaceutical company Sanofi-Aventis.					





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