



# Independent Stock Idea

July 31, 2009

rating: buy  
s&p 500: 987

## Total S.A. (TOT) Real Return and Secure Income

<i>Symbol</i>	TOT	<i>Ebitda Next Twelve Months ending 6/30/10 (US\$mm)</i>	28,100
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	1
<i>Price (US\$/sh)</i>	56.13	<i>Natural Gas and Oil Production/Ebitda (%)</i>	81
<i>Pricing Date</i>	7/30/09	<i>Adjusted Reserves/Production NTM</i>	9.7
<i>Shares (mm)</i>	2236	<i>EV/Ebitda</i>	5.6
<i>Market Capitalization (US\$mm)</i>	126,000	<i>PV/Ebitda</i>	8.3
<i>Debt (US\$mm)</i>	33,000	<i>Undeveloped Reserves (%)</i>	50
<i>Enterprise Value (EV) (US\$mm)</i>	159,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	29.20
<i>Present Value (PV) (US\$mm)</i>	234,000	<i>Present Value Proven Reserves(US\$/boe)</i>	17.71
<i>Net Present Value (US\$/share)</i>	90	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.95
<i>Debt/Present Value</i>	0.14	<i>Earnings Next Twelve Months (US\$/sh)</i>	5.07
<i>McDep Ratio - EV/PV</i>	0.68	<i>Price/Earnings Next Twelve Months</i>	11
<i>Dividend Yield (%/year)</i>	5.7	<i>Indicated Annual Dividend (US\$/sh)</i>	3.22
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, \$8 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

Buy-recommended **Total S.A. (TOT)** offers unlevered appreciation potential of 48% to a McDep Ratio of 1.0 where stock price would equal Net Present Value (NPV) of \$90 a share. Released today, second quarter results were less than our estimate for unlevered cash flow (Ebitda) from three months ago in the downstream segment. While upstream matched the estimate, higher oil price was offset by lower natural gas price outside North America (see table [Next Twelve Months Operating and Financial Estimates](#)). Total's downstream cash flow trend is similar to that of Royal Dutch Shell (RDS) and less volatile than that of BP plc (BP) (see chart [Downstream Cash Flow](#)). The currently stronger oil production segment drives 59% of NPV (see table [Functional Cash Flow and Present Value](#)). Upstream volume matches the average of the three European integrated companies (see chart [Volume per Share, Debt-Adjusted](#)). Production cash flow is less volatile than for peers (see chart [Cash Flow per Barrel](#)). Pointing to possible further gains, futures prices for the next six years for oil crossed the 40-week average into an uptrend at the end of May (see chart [Six-Year Commodity Price Meter](#)). Finally, Total's secure dividend provides a 5.7% yield while the company's underlying assets offer protection from inflation and an attractive real return.

Kurt H. Wulff, CFA



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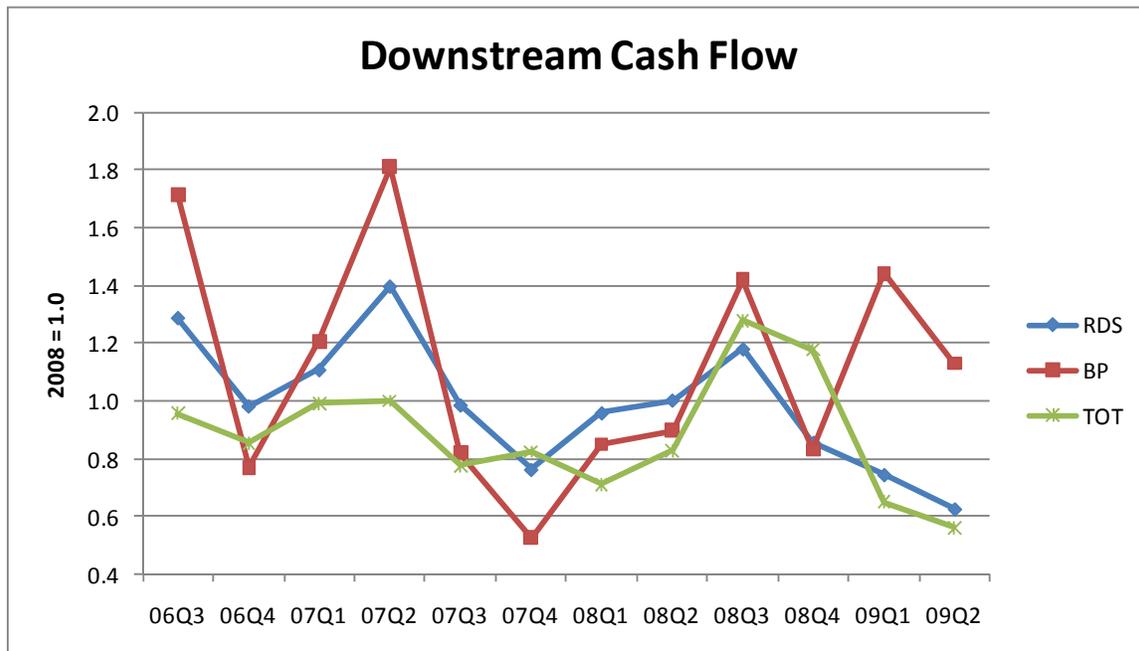
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Total S.A.									
Next Twelve Months Operating and Financial Estimates									
									Next Twelve Months
	Q2 6/30/08	Q1 3/31/09	Q2 6/30/09	Q3E 9/30/09	Q4E 12/31/09	Year 2009E	Q1E 3/31/10	Q2E 6/30/10	6/30/10
<b>Volume</b>									
Natural Gas (mmcf)	4,772	4,957	4,686	4,471	5,127	4,810	4,957	4,686	4,810
Days	91	90	91	92	92	365	90	91	365
Oil (mbd)	1,471	1,413	1,328	1,328	1,328	1,349	1,328	1,328	1,328
Total gas & oil (mmb)	206	202	192	191	201	785	194	192	777
Total gas & oil (mbd)	2,266	2,239	2,109	2,073	2,183	2,151	2,154	2,109	2,130
<b>Price</b>									
Dollar (euro/\$)	1.56	1.30	1.36	1.41	1.41	1.37	1.41	1.41	1.41
Natural gas (\$/mmbtu)	7.29	5.98	4.71	5.01	5.17	5.24	5.26	5.32	5.19
Oil (\$/bbl)									
WTI Cushing	123.97	42.96	59.52	67.06	71.33	60.22	73.86	75.58	71.96
Brent	121.20	40.79	56.52	63.68	67.74	57.18	70.14	71.77	60.26
Company	114.90	41.50	54.80	61.74	65.68	55.57	68.00	69.59	66.23
Total gas & oil (\$/bbl)	89.93	39.43	44.97	50.35	52.10	46.58	54.02	55.64	53.03
NY Harbor 3-2-1 (\$/bbl)	14.94	9.18	9.49	9.14	5.49	8.32	5.38	8.52	7.13
Europe (\$/t)	40.20	34.70	12.40	11.95	7.18	16.56	7.03	11.14	9.32
<b>Revenue (mmeuro)</b>									
Natural gas	2,026	2,048	1,474	1,460	1,727	6,709	1,663	1,608	6,458
Oil	9,845	4,051	4,859	5,345	5,686	19,941	5,760	5,960	22,751
Total production	11,872	6,098	6,332	6,805	7,414	26,650	7,423	7,568	29,210
Other	31,428	19,370	20,242	20,242	20,242	80,095	20,242	20,242	80,967
Total	43,300	25,468	26,574	27,047	27,656	106,745	27,664	27,809	110,176
<b>Expense</b>									
Production	5,716	2,188	2,462	2,698	3,002	10,350	3,006	3,078	11,784
Other	30,187	18,202	19,573	19,278	19,278	76,330	19,278	19,278	77,111
<b>Ebitda (mmeuro)</b>									
Production	6,156	3,911	3,871	3,743	4,078	15,602	4,082	4,162	16,065
Other	1,241	1,168	669	964	964	3,765	964	964	3,856
Total Ebitda	7,397	5,079	4,540	4,707	5,042	19,367	5,046	5,126	19,921
Exploration	203	176	155	155	155	641	155	155	620
Deprec., Deplet., & Amort.	1,384	1,520	1,636	1,636	1,636	6,428	1,636	1,636	6,544
Excess tax and other	(1,976)	(232)	(295)						
<b>Operating Income</b>									
Upstream	6,964	2,892	2,843						
Downstream	744	791	141						
Chemicals	78	(68)	60						
Total operating income	7,786	3,615	3,044						
Excess tax and other	1,976	232	295						
<b>Ebit</b>	5,810	3,383	2,749	2,916	3,251	12,298	3,255	3,335	12,757
Interest	91	116	100	100	100	416	100	100	400
<b>Ebt</b>	5,719	3,267	2,649	2,816	3,151	11,882	3,155	3,235	12,357
Income Tax	2,002	1,143	927	986	1,103	4,159	1,104	1,132	4,325
<b>Net Income (mmeuro)</b>	3,717	2,123	1,722	1,830	2,048	7,723	2,051	2,103	8,032
<b>Shares (millions)</b>	2,253	2,235	2,236	2,236	2,236	2,236	2,236	2,236	2,236
Per share (euro)	1.65	0.95	0.77	0.82	0.92	3.45	0.92	0.94	3.59
Ebitda Margin (E&P)	52%	64%	61%	55%	55%	59%	55%	55%	55%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



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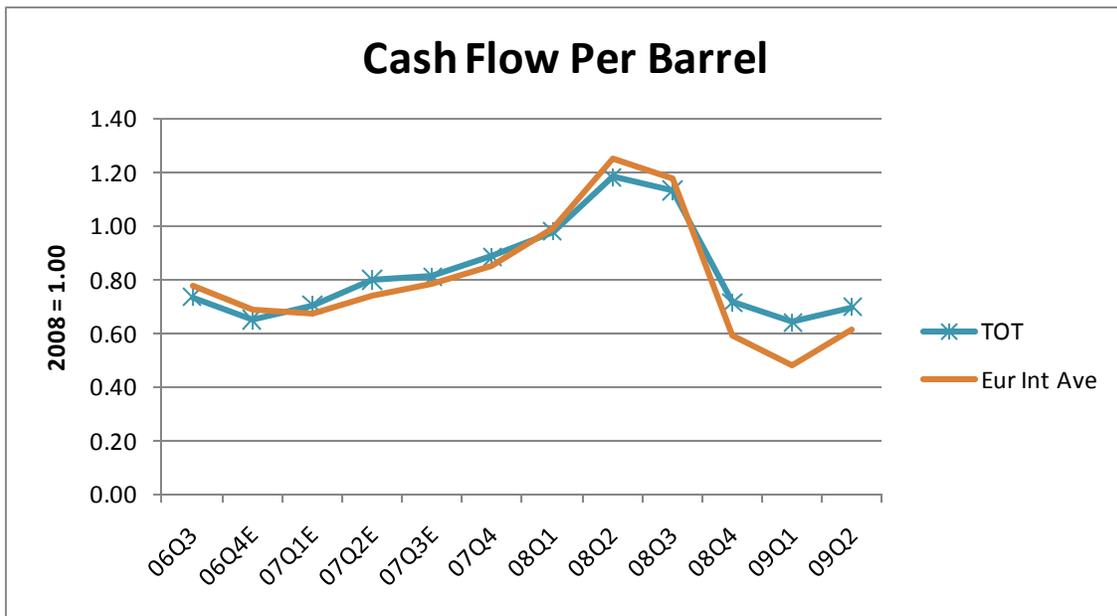
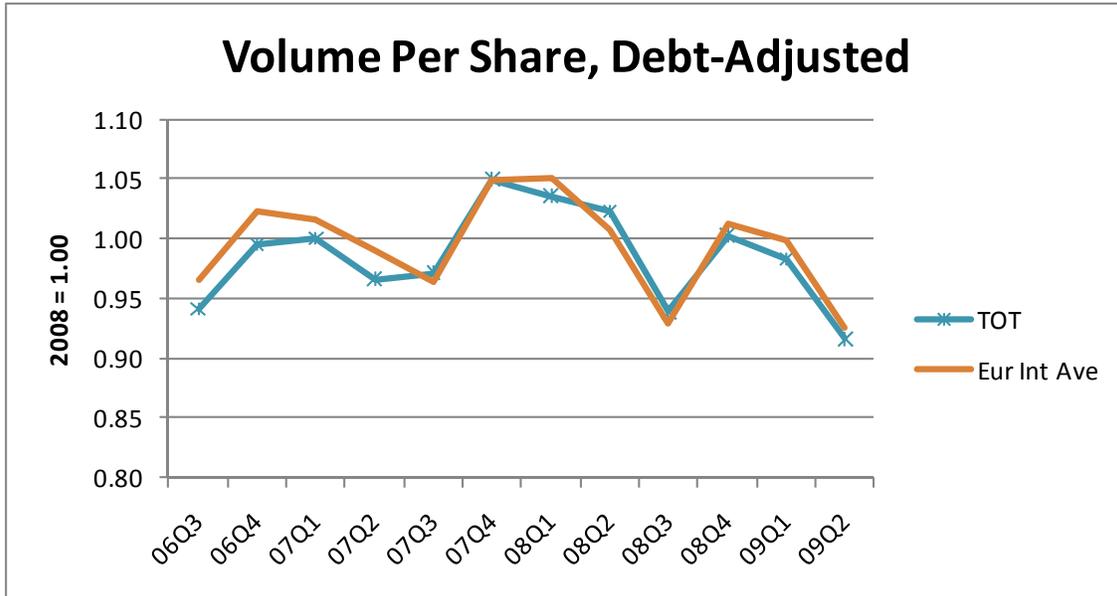


<b>Total</b>					
<b>Functional Cash Flow and Present Value</b>					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
Rest of World Natural Gas	5,010	11.3	9.0	45,000	19%
Oil	17,650	8.8	7.8	137,000	59%
Downstream	5,440		9.6	52,000	22%
	28,100	9.7	8.3	234,000	100%
Debt (US\$mm)					33,000
Net Present Value (US\$mm)					201,000
Shares (mm)					2,236
Net Present Value - Standard Estimate (US\$/sh)					90
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					87
Note: Downstream includes about \$9 billion present value for the company's 10% ownership of pharmaceutical company Sanofi-Aventis.					



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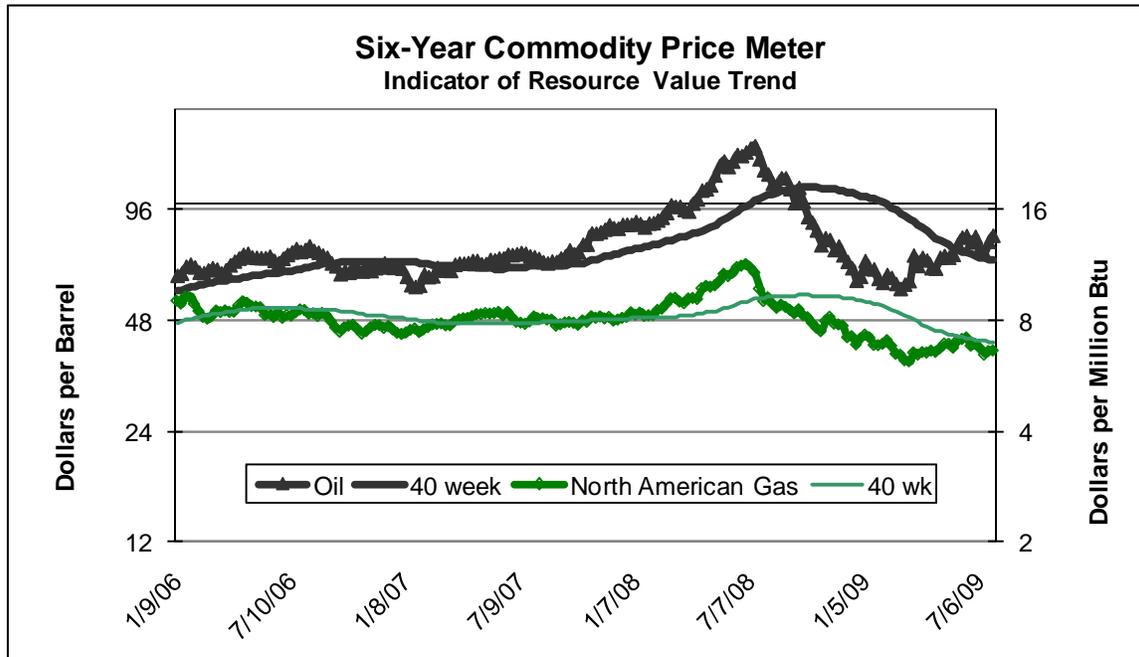
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