



# Independent Stock Idea

August 1, 2008

rating: buy  
s&p 500: 1260 intraday

## Total S.A. (TOT) Oil Sands Strategy

<i>Symbol</i>	TOT	<i>Ebitda Next Twelve Months ending 6/30/09 (US\$mm)</i>	48,500
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	75.85	<i>Natural Gas and Oil Production/Ebitda (%)</i>	84
<i>Pricing Date</i>	8/1/08	<i>Adjusted Reserves/Production NTM</i>	9.1
<i>Shares (mm)</i>	2253	<i>EV/Ebitda</i>	4.2
<i>Market Capitalization (US\$mm)</i>	171,000	<i>PV/Ebitda</i>	6.4
<i>Debt (US\$mm)</i>	31,000	<i>Undeveloped Reserves (%)</i>	49
<i>Enterprise Value (EV) (US\$mm)</i>	201,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	48.60
<i>Present Value (PV) (US\$mm)</i>	312,000	<i>Present Value Proven Reserves(US\$/boe)</i>	24.93
<i>Net Present Value (US\$/share)</i>	125	<i>Present Value Proven Reserves(US\$/mcf)</i>	4.16
<i>Debt/Present Value</i>	0.10	<i>Earnings Next Twelve Months (US\$/sh)</i>	10.98
<i>McDep Ratio - EV/PV</i>	0.65	<i>Price/Earnings Next Twelve Months</i>	7
<i>Dividend Yield (%/year)</i>	4.2	<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\$100 a barrel and natural gas, \$14 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 55% to estimated net present value (NPV) of \$125 a share. On May 13 we raised NPV from \$100 a share on the basis of a long-term oil price assumption of \$100 a barrel, up from \$80. However, patience may be necessary as stock price has entered a downtrend defined by current quote below the 200-day average of \$80. Released today, second quarter results displayed strength in production driven by higher crude oil and natural gas price along with dampened downstream refining and marketing. Projected volumes along with current futures prices promise a high level of unlevered cash flow (Ebitda) (see table [Next Twelve Months Operating and Financial Estimates](#)). Projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) supports NPV (see table [Functional Cash Flow and Present Value](#)). Meanwhile long-term crude oil price continues in an uptrend where the latest quote of \$121 a barrel for delivery over the next six years is above the 40-week average of \$104 (see chart [Six-Year Commodity Price Meter](#)). Securing the agreement of uncommitted shareholders last week, Total appears likely to succeed in acquiring Synenco, a Canadian company with a 60% interest in the Northern Lights project. The acquisition would complement a 74% interest in the Joslyn lease and 50% in Surmont. Output from the three leases might feed more than 200,000 barrels daily to an upgrader planned by Total near Edmonton, Alberta.

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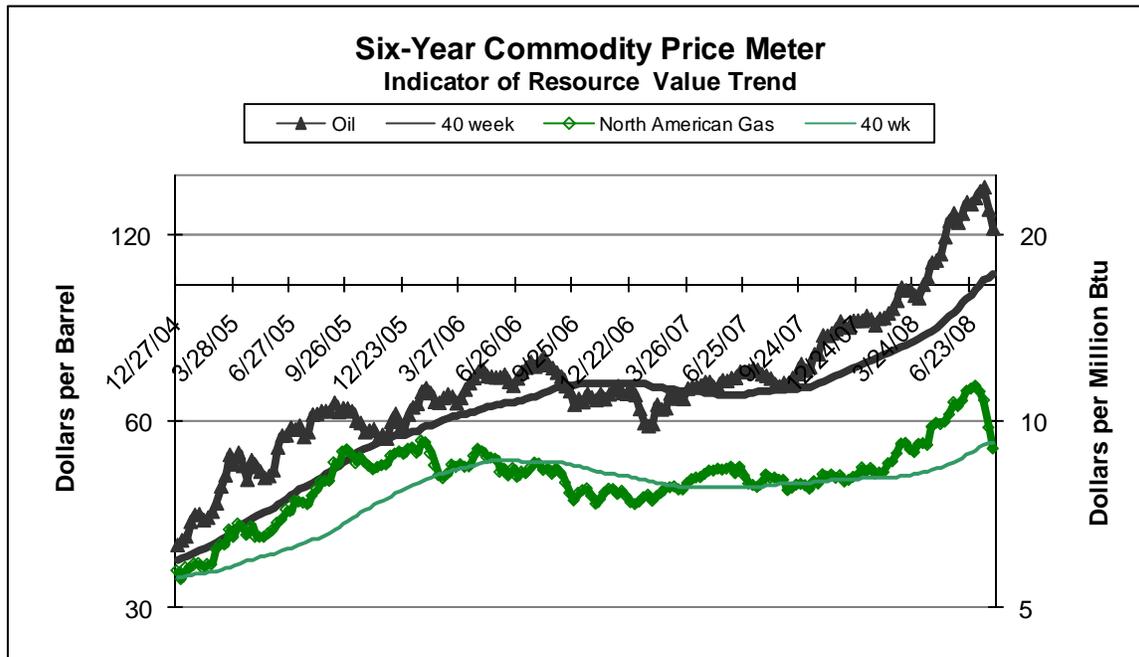
Total S.A.									
Next Twelve Months Operating and Financial Estimates									
	Q2	Q1	Q2	Q3E	Q4E	Year	Q1E	Q2E	Next Twelve Months
	6/30/07	3/31/08	6/30/08	9/30/08	12/31/08	2008E	3/31/09	6/30/09	6/30/09
<b>Volume</b>									
Natural Gas (mmcf)	4,599	4,989	4,772	4,741	5,223	<b>4,945</b>	4,989	4,772	<b>4,931</b>
Days	91	91	91	92	92	<b>366</b>	90	91	<b>365</b>
Oil (mbd)	1,475	1,510	1,471	1,471	1,471	<b>1,481</b>	1,471	1,471	<b>1,471</b>
Total gas & oil (mmb)	204	213	206	208	215	<b>843</b>	207	206	<b>837</b>
Total gas & oil (mbd)	2,242	2,342	2,266	2,261	2,342	<b>2,305</b>	2,303	2,266	<b>2,293</b>
<b>Price</b>									
Dollar (euro/\$)	1.35	1.50	1.56	1.56	1.56	<b>1.54</b>	1.56	1.56	<b>1.56</b>
Natural gas (\$/mmbtu)	5.75	6.67	7.29	4.83	6.08	<b>6.22</b>	6.67	7.29	<b>6.22</b>
Oil (\$/bbl)									
WTI Cushing	64.91	97.94	123.97	127.56	125.71	<b>118.80</b>	126.45	125.26	<b>126.25</b>
Brent	68.80	96.70	121.20	124.71	122.90	<b>116.38</b>	123.62	122.45	<b>88.54</b>
Company	65.70	90.70	114.90	118.22	116.51	<b>109.85</b>	117.20	116.09	<b>117.01</b>
Total gas & oil (\$/bbl)	55.03	72.70	89.93	87.04	86.76	<b>83.97</b>	89.33	90.70	<b>88.43</b>
NY Harbor 3-2-1 (\$/bbl)	24.96	7.57	14.94	12.32	9.19	<b>11.00</b>	11.65	15.15	<b>12.08</b>
Europe (\$/t)	42.80	24.60	40.20	23.90	30.10	<b>29.70</b>	24.60	40.20	<b>29.70</b>
<b>Revenue (mmeuro)</b>									
Natural gas	1,783	2,019	2,026	1,353	1,877	<b>7,275</b>	1,924	2,033	<b>7,187</b>
Oil	6,532	8,309	9,845	10,277	10,128	<b>38,560</b>	9,967	9,982	<b>40,354</b>
Total production	8,315	10,328	11,872	11,630	12,005	<b>45,835</b>	11,890	12,015	<b>47,541</b>
Other	25,184	28,959	31,428	31,428	31,428	<b>123,244</b>	31,428	31,428	<b>125,712</b>
Total	33,499	39,287	43,300	43,058	43,433	<b>169,078</b>	43,318	43,443	<b>173,253</b>
<b>Expense</b>									
Production	3,551	4,832	5,716	5,595	5,782	<b>21,925</b>	5,736	5,799	<b>22,913</b>
Other	23,452	27,849	30,187	30,107	30,095	<b>118,239</b>	30,318	30,187	<b>120,707</b>
<b>Ebitda (mmeuro)</b>									
Production	4,764	5,495	6,156	6,397	6,603	<b>24,651</b>	6,540	6,608	<b>26,147</b>
Other	1,732	1,110	1,241	1,321	1,333	<b>5,005</b>	1,110	1,241	<b>5,005</b>
Total Ebitda	6,496	6,605	7,397	7,718	7,936	<b>29,656</b>	7,650	7,849	<b>31,152</b>
Exploration	255	190	203	203	203	<b>799</b>	203	203	<b>812</b>
Deprec., Deplet., & Amort.	1,365	1,294	1,384	1,384	1,384	<b>5,446</b>	1,384	1,384	<b>5,536</b>
Excess tax and other	(880)	(1,998)	(1,976)						
<b>Operating Income</b>									
Upstream	4,440	6,423	6,964						
Downstream	1,004	498	744						
Chemicals	312	198	78						
Total operating income	5,756	7,119	7,786						
Excess tax and other	880	1,998	1,976						
<b>Ebit</b>									
Ebit	4,876	5,121	5,810	6,131	6,349	<b>23,411</b>	6,063	6,262	<b>24,804</b>
Interest	110	128	91	91	91	<b>401</b>	91	91	<b>364</b>
<b>Ebt</b>									
Ebt	4,766	4,993	5,719	6,040	6,258	<b>23,010</b>	5,972	6,171	<b>24,440</b>
Income Tax	1,668	1,748	2,002	2,114	2,190	<b>8,053</b>	2,090	2,160	<b>8,554</b>
<b>Net Income (mmeuro)</b>									
Net Income	3,098	3,246	3,717	3,926	4,067	<b>14,956</b>	3,882	4,011	<b>15,886</b>
<b>Shares (millions)</b>									
Shares	2,278	2,254	2,253	2,253	2,253	<b>2,253</b>	2,253	2,253	<b>2,253</b>
Per share (euro)	1.36	1.44	1.65	1.74	1.81	<b>6.64</b>	1.72	1.78	<b>7.05</b>
Ebitda Margin (E&P)	57%	53%	52%	55%	55%	<b>54%</b>	55%	55%	<b>55%</b>
Tax Rate	35%	35%	35%	35%	35%	<b>35%</b>	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	6,160	10.8	8.4	52,000	17%
Oil	34,550	8.2	6.2	215,000	69%
Downstream	7,790		5.9	46,000	15%
	48,500	9.1	6.5	313,000	100%
Debt (US\$mm)					31,000
Net Present Value (US\$mm)					282,000
Shares (mm)					2,253
Net Present Value - Standard Estimate (US\$/sh)					125
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					118





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